

TRADE CIRCULAR

To,

No. ACST (VAT – 3) / GST Audit / 2020-21/ B - 433 Dt. Mumbai. Dt. 21-12-2020
Trade Circular no. 13 of 2020.

Sub: - General procedure for GST Audit u/s 65 of the MGST Act 2017.

GST is based on voluntary compliance of law by Registered Taxpayers (hereinafter called as RTP). Audit of RTP is a function under GST Act to verify the correctness of compliance of GST laws by the RTPs. The Maharashtra Goods and Services Tax Department (MGSTD) is initiating audits u/s 65 of the MGST Act in case of selected RTPs. The present circular is being issued to clarify certain aspects related to GST Audit u/s 65 of MGST Act, 2017.

A. Objects of GST Audit :

The audit of a RTP would be conducted as per section 65 of MGST Act 2017 along with other relevant provisions of MGST Act 2017 and rules framed thereunder.

The primary object of GST Audit is to ensure and promote, "the correctness of turnover declared, taxes paid, refund claimed & input tax credit availed, and to assess the compliance of Registered Taxpayers (RTP) with the provisions of GST Act and rules made there under"

GST Audit is a tool with MGSTD to ascertain & ensure compliance of laws that are implemented by the MGSTD. At a practical level, the object of audit is to ascertain the correctness of returns, annual returns & to identify inadequacies in returns, if any, when checked against books of accounts maintained by RTPs. If the returns are not filed or incorrectly filed, then, the Audit Officer (hereinafter referred as AO) is expected to quantify the correct liability of RTP & enforce recovery.

B. Procedure of GST Audit :

The cases for GST Audit are selected on the basis of certain criteria based on Tax Risk analysis from returns, annual returns filed and other statutory compliances made or not made, and / or simply by random selection of cases for audit. The GST audit is carried out with prior information to the RTP which is the notice of information to the RTP in form ADT – 01. Alongwith the ADT-01, the AO may also call for certain information which the RTP should keep ready at the time of visit or may send in advance physically or through mail to the Audit Officer.

The audit is to be carried out at the Place of Business (POB) of RTP by the officers of MGSTD. In exceptional cases after initial visit at POB, the verification of books of accounts may be done in the office of AO.

In exceptional cases, if the AO is unable to keep the appointment then he will inform the RTP well in advance about postponement of visit which also applies if the RTP is unable to keep the appointment.

C. The Scope of Audit :

(i) As the primary object of the GST Audit is to ensure the compliance of laws implemented by the MGSTD, the AO will ascertain the correctness of Returns, Annual Returns filed by the dealer under GST Act. Obviously the AO will verify the books of accounts maintained by the RTP (whether in hard

format or soft format) along with sale invoices, purchase invoices i.e. Outward & Inward supplies, sales purchase journals ledger, cashbook, delivery challans, e way bills, dispatch proofs, bank statements and every other document or piece of evidence to ascertain the correctness of turnover and the correctness of claims made through returns. The AO may also ask for agreements, purchase / work orders, tender documents, etc, if such documents are required for ascertaining the correctness of returns. The AO is also authorised to ask for the details of filing of returns and payments as required. The RTP shall furnish self-certified copies of documents and statements as required by the AO.

(ii) The AO is expressly authorised to make enquiry as to whether the RTP has filed returns and made payments under other allied laws, such as Profession Tax, etc. Depending upon the facts the auditor may also ask for returns or any other information related to Income Tax, and filings under the Companies Act also if it is required for GST related compliances, etc.

(iii) It will be the RTP's responsibility to give correct & complete information during the course of an interview conducted by the AO, and he shall ensure that all persons concerned with the accounts, filing of returns, payment of taxes, sales, purchase, production and other business activities are available with information sought by the AO. The object of holding interview is to have better information of the RTP's business, his accounting system and also to speed up and accelerate the audit process, so that the RTP as well as the MGSTD can save time.

(iv) In discharging the function of audit, wherever warranted, the AO can use the powers delegated to him by the Commissioner under Section 70 of the MGST Act. By taking recourse to section 70, the AO can use all the powers of Civil Court for the purposes of proof of facts by affidavit, summoning and enforcing the attendance of any person and examining on oath of affirmation, compelling production of documents, etc. The powers would be utilised by the AO only in circumstances where use of such powers becomes necessary for achieving the purpose of audit, and wherever the information sought is not coming forward voluntarily.

(V) The AO can verify stock of goods, and ask for clarification if there is any discrepancy. It is however, made clear that the AO on no account shall remove or cause to be removed from the place of business any books of accounts, other documents or any cash or stock. AO on no account can carry out search of premises of RTP.

D. Rights and duties of the Registered Person:

Rights of the dealer	
1.	To check the identity of each and every member of the audit team.
2.	To get at least 15 days prescribed time limit for collection, compilation, preparation and arrangement of documents for audit from receipt of audit notice.
3.	To engage authorized representative to act and appear on his behalf in audit proceedings.
4.	To seek adjournment of proceeding in unavoidable circumstances for submission of documents keeping in mind the timelines required for completing the audit.
5.	To submit his say through audit proceeding or through letter or e-mail communication.
6.	To ensure that opportunity of being heard is given properly to him by audit authority. To represent and submit say in case of debatable / disputable issues during audit.
7.	To ensure that the audit is completed by audit team in prescribed time limit as per GST.

8.	To receive findings of audit from the Audit Officer within 30 days of conclusion of audit
9.	To take benefits of the voluntary payment tax, if the audit objections are acceptable, and take advantage of the benefits available under sections 73(6) / 74(6)
Duties of the dealer	
1	To comply in time to GST-ADT-01 notice and all necessary correspondence from audit officer with respect to the audit proceeding.
2	To make available all necessary books of accounts (physical record as well as accounting system access/ electronic record as per necessity) to audit team and any other document/information required to complete the audit
3	To provide the necessary facility to verify the books of account/other documents as required
5	To ensure presence of either the Registered Person or his authorized representative at the place of business (POB) where audit is being conducted during audit activity so that he can explain the books and the business activity properly..
6	To extend necessary cooperation to the audit team during POB audit visit for timely completion of audit.
7	To follow the statutory timelines in case of making payment if audit results are accepted and/or to comply with notice under section 73/74 of GST Act in case audit findings are not accepted.

E. Indicative List of documents to be submitted / to be kept ready for verification by dealer as per GST-ADT-01

1. Financial statements and reports- Balance Sheet, Tax Audit Report, Annual Financial Statement, Cost Audit Report, Trial Balance
2. Inward –Outward supply summary statement
3. RCM ledger and supportive documents
4. Inward –Outward supply invoices
5. Cancelled invoices due to any reason
6. Goods return (inward and outward supply) register along with credit note / debit note details
7. Inward supply Register (soft copy)
8. Outward Supply register (soft copy)
9. Zero rated supply register and supportive documents (commercial invoice, shipping bill, bill of lading, EGM , Bank realization certificate or Inward remittance certificate etc)
10. Details of Exempted supply / Supply to SEZ dealer
11. Refund claim / availment details if any (export of good and services, inverted duty structure etc. any type of refund claimed by dealer)
12. TDS payment transactions if any
13. TRAN-1 details (details regarding credit carried forwarded from previous Act to GST Act)
14. GSTR 2A-Mismatch, unmatched transactions details
15. E-way bill transactions month wise summary statement and corresponding register
16. In case of services, FIRC (Foreign Inward Remittances), corresponding agreements, invoices, Annual Maintenance Contract copies and corresponding invoices if any
17. Details of advances received and tax payment for the same
18. Other Income/ misc. income
19. Reversal / reduction of ITC
20. Scrap sales
21. Details of exempted outward supply

22. Details of zero rated supply
23. Non-GST supply
24. Job work details (inward and outward side)
25. Credit ledger /Input tax credit availment summary (for Capital asset, liability, Refund claim, any other deduction)
26. Cash ledger availment summary (for liability, RCM, any other deduction)
27. Reversal of ITC within 180 days due to non-payment in 180 days


The above documents may vary from case to case depending on the volume, gravity, complexity, etc of the each individual case.

F. Conclusion:


The AO & RTP both shall keep in mind that their efforts are for smooth and timely completion of audit with accurate and appropriate voluntary compliances from RTPs side. Wherever the voluntary compliance falls short, the AO shall point out to the RTP the requirements and RTP shall accept it, if found appropriate and as per provisions of laws, and shall comply with it immediately.

This circular cannot be made use of for legal interpretation of provisions of laws. As it is clarificatory in nature. If any member of trade has any doubt, he may refer the matter to this office for further clarification.

You are requested to bring to the notice the contents of this circular to the members of your association.


(Sanjeev Kumar)
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Maharashtra State, Mumbai.

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(Trade Circular No. 13 T of 2020)


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VAT - 3, Mumbai