



वित्त मंत्रालय  
MINISTRY OF  
FINANCE



**WHAT I NEED TO KNOW ABOUT  
THE GST AUDIT OF MY BUSINESS?**  
(FAQs with simple answers for the queries of the tax payers)

Released by:

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ON 14th OCTOBER, 2022  
ON THE OCCASION OF THE FIRST TAX PAYERS MEET  
ORGANISED BY GST AUDIT COMMISSIONERATE, COIMBATORE



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## FAQ ON GST AUDIT

**Q1. What is GST audit in simple terms?**

Ans. Audit is the examination of records, returns and other documents maintained or furnished by the registered taxpayer to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to check his compliance with the provisions of CGST Act.

**Q2. What is the legal basis on which my business is audited?**

Ans. Section 65(1) of Central Goods and Service Taxes Act, 2017 is the legal basis. According to it, the Commissioner or any other officer authorized by him, by way of a general or a specific order, may undertake audit of any registered person for such period, at such frequency and in such manner as may be prescribed.

**Q3. How do I know when my unit will be audited? What if the GST Auditors land suddenly in my place of business?**

Ans. No GST Audit can be conducted without prior intimation. The auditor shall intimate the date of conduct of audit by writing a letter in form GST-ADT-01 at least fifteen days prior to the conduct of audit and also request for providing records/documents which are necessary for conducting audit.

**Q4. What is the period for which auditors will scrutinize my records for GST Audit?**

Ans. The period of audit to be conducted shall be one financial year or part of it or multiples of it. But the same will be intimated to you well in advance.

**Q5. How is the GST Audit generally done?**

Ans. The GST Auditor from the department authorized to conduct audit of the records and the books of account of the registered person shall, with the assistance of the team of officers and officials accompanying him, verify the documents on the basis of which the books of account are maintained and the returns and statements furnished under the provisions of the Act and the Rules. The team will verify the correctness of the turnover, exemptions and deductions claimed, the rate of tax applied in respect of the supply of goods or services or both, the input tax credit availed and utilized, refund claimed, and other relevant issues and record the observations in his audit notes.

**Q6. What are the documents/records I need to present for audit?**

Ans. In general as per Rules, if you are a taxpayer, you will have to maintain, at the principal place of business, as mentioned in the certificate of registration, a true and correct account of—

- (a) production or manufacture of goods;
- (b) inward and outward supply of goods or services or both;
- (c) stock of goods;
- (d) input tax credit availed;
- (e) output tax payable and paid; and
- (f) such other particulars as may be prescribed:

In addition, the Rules also provide that the registered person shall keep and maintain records of:

- a) goods or services imported or exported; or
- b) supplies attracting payment of tax on reverse charge along with relevant documents, including invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers, refund vouchers and e-way bills; or

- c) accounts of stock in respect of goods received and supplied by him, and such account shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples and balance of stock including raw materials, finished goods, scrap and wastage thereof;
- d) a separate account of advances received, paid and adjustments made thereto
- e) an account, containing the details of tax payable, tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit note, debit note, delivery challan issued or received during any tax period;
- f) names and complete addresses of suppliers from whom goods or services, chargeable to tax under the Act, have been received;
- g) names and complete addresses of the persons to whom supplies have been made;

However, details of records to be maintained by every section of your business unit is also covered in subsequent FAQs

**Q7. As a supplier of goods what are the records to be kept ready in the marketing and outward supplies department?**

Ans. The following are the records to be kept ready in the marketing and outward supplies department

- i. Purchase orders
- ii. Price Circulars
- iii. Delivery Challans
- iv. Material transfer note
- v. Sales Invoices
- vi. Outward Supply Register
- vii. Stock Register

**Q8. As a supplier of goods what are the records to be kept ready in the Stores department?**

Ans. The following are the records to be kept ready in the stores department

- i. Stores Ledger
- ii. Goods Receipt Note (GRN)/Material Receipt Note/(MRN) Inspection Cum Receipt Report (ICRR)
- iii. Material Return Note
- iv. Rejected Goods Register
- v. Waste Register
- vi. Physical Stock Verification Statement
- vii. Job Work/Sub-contract Register

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- c) accounts of stock in respect of goods received and supplied by him, and such account shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples and balance of stock including raw materials, finished goods, scrap and wastage thereof;

- d) a separate account of advances received, paid and adjustments made thereto
- e) an account, containing the details of tax payable, tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit note, debit note, delivery challan issued or received during any tax period;
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**Q9. As a supplier of goods what are the records to be kept ready in Finance & Accounts Department?**

Ans. The following are the records to be kept ready in the Finance & Accounts Department

- i. Ledgers
- ii. Debit Note
- iii. Credit Note
- iv. Journal Voucher
- v. Internal Audit Reports
- vi. Purchase Register
- vii. Purchase Return Register
- viii. Income Tax Audit Report
- ix. Income Tax Return along with Form 26AS
- x. Fixed Assets Register
- xi. Monthly Stock Statement to Bank/ Financial Institutions

**Q10. As a supplier of services what are the records to be kept ready in Marketing and Sales Department?**

Ans. The following are the records to be kept ready in the Marketing and Sales Department

- i. Purchase Orders/Agreements /MOUs
- ii. Outward supply Register

**Q11. As a supplier of services what are the records to be kept ready in Stores Department?**

Ans. The following are the records to be kept ready in the Stores Department

- i. Stores Ledger
- ii. Job work/Sub-contract Register

**Q12. As a supplier of services what are the records to be kept ready in the Finance &Accounts Department?**

Ans. The following are the records to be kept ready in the Finance &Accounts Department Ledgers

- i. Debit Note
- ii. Credit Note
- iii. Journal Voucher
- iv. Internal Audit Reports
- v. Purchase Book
- vi. Purchase Return Register
- vii. Income Tax Audit Report
- viii. Income Tax Return along with Form 26 AS statement

**Q13. What are the periodical returns which I should keep ready for GST Audit?**

Ans. The following periodical returns wherever applicable may be kept ready for cross verification and for any further clarification sought by the Audit Officers:

- a) GSTR-1: Return for Outward Supplies
- b) GSTR-2A: Return for Inward Supplies
- c) GSTR-3B: Summary of Inward and Outward Supplies
- d) GSTR-4: Return for Composition Dealers
- e) GSTR-5: Return for Non-Resident Taxable Persons
- f) GSTR-6: Return for Input Service Distributors
- g) GSTR-7: Return for Taxpayers Deducting TDS
- h) GSTR-8: Return for E-Commerce Operators Collecting TCS
- i) GSTR-9: Annual Return for Normal Registered Taxpayer under GST
- j) GSTR-9A: Annual Return for Composition Dealers
- k) GSTR-9B: Annual Return for E-Commerce Operators Collecting TCS
- l) GSTR-9C: Return for Registered Persons getting accounts audited from CA.
- m) GSTR-10: Return for Registered Person whose GST Registration gets cancelled
- n) GSTR-11: Return for UIN (Unique Identification Number) Holders.

**Q.14 Do I have the threat of access of records by my business competitors?**

Ans. The department always maintains confidentiality in respect of sensitive information furnished during the course of audit. All records submitted to the audit teams in an electronic or manual format will be used only for verification of tax liability and tax compliance

**Q15. What is the general check list for me to get prepared for GST Audit?**

**Ans.** The Check list for preparation before actual commencement of GST Audit is as under:

- a) Check whether suitable dates have been asked for conducting audit with audit team.
- b) Check whether arrangement of convenient place to conduct audit is made at the place of business.
- c) Check whether a well conversant person on GST accounts matter is available for interaction with audit team for providing any further information after audit is initiated.
- d) Check whether representative from Senior Management is available over phone at least on first and last dates of audit.
- e) Check whether all the periodical returns are filed on or before the due date. For any delay in payment of tax, applicable interest at the prescribed rates shall be deposited.  
GSTR-1.....11<sup>th</sup> of the following month  
GSTR-3B.....20<sup>th</sup> OF THE FOLLOWING MONTH
- f) Check whether annual return is filed and all the payments are reconciled with books of accounts. Also check whether any additional tax payable in cash after reconciliation is paid or not.
- g) Check whether payments are made by the recipient to the supplier within a period of 180 days in terms of proviso to sub-section 2(d) of Section 16 of CGST Act 2017.
- h) Check whether any ineligible credits availed, for example blocked credits under Section 17(5) of CGST Act, 2017.
- i) Check whether unit wise trial balance is made ready for verification, if applicable.

**Q 16. How long will the audit be conducted in my premises?**

- Ans.** If you are a large taxpayer - 6 to 8 working days.  
If you are a medium taxpayer - 4 to 6 working days.  
If you are a small taxpayer - 2 to 4 working days

The above-mentioned working days are indicative and applicable for conduct of GST Audit covering one year period. It may extend or shorten depending upon your co-operation in providing the data required.

**Q 17. Can the length of audit exceed the period of working days indicated?**

**Ans.** Yes, it can. The working days for large, medium and small taxpayers is only indicative. If any scrutiny requires further documents, records or data, the period may extend. In case the audit coverage is for five years, the number of days may be increased proportionately with an increase of 25% of working days for every additional year of coverage.

**Q 18. What is the time duration for completion of the audit of my Unit?**

**Ans.** The audit shall be completed within a period of three months from the date of commencement of audit. In cases where the Commissioner is satisfied that audit in respect of a taxpayer cannot be completed within three months, he may extend the period by a further period not exceeding six months. However, the cooperation of the taxpayer will reduce the time.

**Q 19. What is commencement of audit?**

**Ans.** The expression "commencement of audit" shall mean the date on which the records and other documents, called for by the tax authorities, are made available by the registered person or the actual institution of audit at the place of business, whichever is later

**Q 20. What is your responsibility as a taxpayer in conduct of Audit?**

Ans. The taxable person will be required to:

- i. provide the necessary facility to verify the books of account/other documents as required
- ii. To give information and assistance for timely completion of the audit.

**Q 21. What if there is genuine oversight on my part?**

Ans. During the course of audit, if certain technical infractions without any revenue Implications, arising due to bona fide oversight or ignorance of the taxpayer, are noticed, the taxpayer will be guided for immediate correction.

**Q 22. How does a taxpayer know the outcome of Audit?**

Ans. On conclusion of audit, within 30 days, the taxpayer whose records are audited would be informed about the findings of the audit in form GST ADT-02, his rights and obligations and the reasons for such findings.

**Q 23. Will the taxpayer be consulted before the issue of ADT-02?**

Ans. The Auditor will discuss all the objections with the taxpayer before preparing the ADT-02. The taxpayer's views, his reply will be considered as a participative fact finding exercise. It is the Auditor's responsibility to explain all the objections to the registered person and to make all attempts to resolve any agreement before ADT-02 is finalised.

**Q 24. Will the views of taxpayer be recorded?**

Ans. The auditor would discuss each of the objection with the registered person pointing out either non-payment or procedural infractions. The view of the taxpayer will definitely be recorded in the verification document.

**Q 25. What can I do to avoid getting SCN out of GST Audit?**

Ans. GST Audit system envisages that issues of taxability arising as an outcome of audit can be tried to be resolved by consultative mechanism between the GST Auditors and taxpayers. This kind of a system helps the taxpayer understand and accept his liability without going through the process of facing and contesting the Show Cause Notice.

Many times, the adjudication process takes time and the thread may pull further into the Appeal process lengthening the time of finalising the tax liability to several months.

In order to avoid this, the pre-consultative mechanism comes handy and is encouraged in GST Audit.

- ❖ The GST Auditor before service of notice to the person chargeable to tax, interest and penalty, under sub-section (1) of Section 73 or sub-section (1) of Section 74, as the case may be, communicate the details of any tax, interest and penalty as ascertained by the said officer, in Part A of FORM GST DRC-01A.
- ❖ The issue of the statement in Form GST DRC01A (described as 'Pre-notice Consultation') has been left to the discretion of the GST officer.
- ❖ DRC-01A is the prescribed document to inform taxpayer about the tax, interest and penalty, if any, payable.
- ❖ Format of DRC-01A contains grounds and quantification of the tax payable
- ❖ This is a way to inform the taxpayer about the basis for such dues and based on this information, the taxpayer may consider accepting to pay the dues and submit GSTAM-X without going through the process of contesting the SCN issued by the Department

- ❖ Once DRC-01A is issued, taxpayer is permitted to make submission containing clarifications with regard to the grounds in respect of the said dues.
- ❖ If the submissions by taxpayer provide necessary clarification and thereby resolve the issue, then, GST officers will take the same on record and conclude the proceedings.
- ❖ If the clarifications are not completely satisfactory, the taxpayer's reply accepting or rejecting this final opportunity would then allow GST officer to proceed with show cause notice.
- ❖ Submissions by taxpayer in respect of DRC-01A must be confined to grounds for the underlying dues to be raised and not on matters of law.
- ❖ Though the pre-notice consultation proceedings are NOT a substitute for detailed adjudication proceedings, it is an opportunity to inform the grounds and seek response from taxpayer on the dues involved.
- ❖ Taxpayer is free to accept or reject and opt for show cause notice and adjudication.

**DISCLAIMER-** This FAQ is only for the purpose of awareness among the taxpayers but do not entail any right/claim before any departmental/legal authorities

