



Bombay Chartered Accountants' Society

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By email

Date: 12th July 2018

Mr. Upender Gupta
Commissioner GST,
Department of Revenue, Government of India
GST Policy Wing, North Block
New Delhi

Respected Sir

Sub: Recommended Draft Reconciliation Form 9-C for Audit under section 35(5) of CGST Act.

With reference to the above subject, we take this opportunity to present to you our recommendations on simplified format of GST Audit Report. The preliminary draft format of audit report was discussed with the Commissioner Goods and Service Tax, (Maharashtra State) and some of the State Department Officers. After incorporating their inputs, on 4th July 2018, a detailed discussion was held on the said draft report with your goodselves, Mr. Siddharth Jain and your two other team members for your inputs.

Based on the above interactions and inputs, we are enclosing herewith the revised draft after incorporating your suggestions. Our attempt is to devise a simple yet a complete report which serves the purpose of all the stakeholders. As discussed, though the main report has been kept simple, various fields in the said report may be explained to the tax payers and tax professionals to facilitate the effective and complete reporting through a detailed instruction/guidance sheet to facilitate the filling of main form. We are in the process of preparing the same and it will be submitted to your office based on your feedback on the contents of the form. We reiterate the philosophy and principles underlying our recommendations as below

We refer to the following provisions of the Goods and Services Act, 2017

1. Section 35(5) of the CGST Act, 2017 (The Act) prescribes certain obligations for every registered person whose turnover during a financial year exceeds the prescribed limit of Rs. 2,00,00,000 (specified registered persons/auditee). The obligations are to get his accounts audited by a chartered accountant or a cost accountant (auditor) and to submit a copy of the audited annual accounts along with the reconciliation statement under section 44(2) of the Act and such other documents in such form and manner as may be prescribed. Rule 80(3) requires the reconciliation statement to be duly certified. The

said section 44(2) further provides that the annual return along with a copy of the audited annual accounts and a reconciliation statement reconciling the value of supplies declared in the return be furnished for the financial year with the audited annual financial statement and such other particulars as may be prescribed.

2. On a conjoint reading of the above provisions, it appears that specified registered persons are required to undertake two distinct obligations:
 - a. Get his accounts audited by a chartered accountant or a cost accountant (auditor) and submit a copy of the audited annual accounts
 - b. Submit a reconciliation statement reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement, and such other particulars as may be prescribed.
3. In connection with the above, we would like to highlight that in most of the cases, the accounts of the auditee would be audited under some other Statute, the most common being Companies Act, 2013 and Income Tax Act, 1961. It is therefore recommended that the audit under the relevant statute and the submission of the said audited annual accounts should be considered as sufficient compliance with the first obligation mentioned above. Currently also, this is an accepted practice under all the VAT Legislations and also under the Income Tax Act, 1961. Considering the fact that the only benchmark for the obligation to get the accounts audited is turnover above Rs. 2 crores, it appears that in most of the cases, there will be audited annual accounts under relevant statute available for submission to the GST Authorities. If the said audited annual accounts are accepted by the GST Authorities, the additional obligation on the auditee would be to submit a **reconciliation statement in Form 9C duly certified by the auditor**. Till date, the contents of Form 9C are not prescribed and no draft format is placed in public domain for their comments.
4. In this connection, Bombay Chartered Accountants' Society being the largest voluntary body of chartered accountants (with a membership of around 9000 members) in India, we wish to recommend a format of the reconciliation statement, for your kind perusal. The same is enclosed as Annexure "A" to this communication. The broad parameters underlying the said format are explained hereunder.
 - (i) On a reading of Section 44(2) it is evident that the primary emphasis of the certification of the reconciliation statement appears to be the reconciliation between the value of supplies declared in the return furnished for the financial year with the audited annual financial statement. We have therefore suggested a detailed reconciliation between the turnover as reflected in the return with the turnover as reflected in audited financial statements. The said reconciliation statement will be handy to the Department authorities in clearly explaining the reasons for any variation in the turnover and will assist them in identifying consequent leakages if any in output taxes.

- (ii) We believe that the elaborate transaction level uploads and matching requirements on the GSTN Portal has provided the Department with more than sufficient details on many of the other parameters for a correct assessment. Such parameters were not available under the earlier regimes where the data upload was not at a transaction level. Our recommendation as regards additional particulars to be provided in Form 9C therefore considers this aspect and avoids duplication of efforts and any ambiguity. Simultaneously a conscious attempt is made to keep the format simple for the auditee to compile and the auditor to certify at the threshold of the new legislation. Nevertheless, information necessary for the GST Authorities to identify cases of non-payment of taxes and wrong claim of credits is included in the additional particulars in Form 9C.
5. In the backdrop of the above objectives, the recommended format of reconciliation statement under Form 9C includes the following:
- a. Statement of Reconciliation between return turnover and turnover in audited financial statements for entity as a whole
 - b. Statement of Calculation of Outward Tax Liability and the manner of discharge of the said tax liability & Statement of Liability under Reverse Charge Mechanism for Inward Supplies specified under Section 9(3) & 9(4) – to be prepared for each GSTIN
 - c. Reconciliation of Input Tax Credit as per Books and as per GST Returns along with detailed breakup of blocked and apportioned credits under Section 17 and reversals and reclaims of credits - to be prepared for each GSTIN
6. We believe that the above format is simple, utilitarian and sure to serve the purpose of the revenue to check leakages. In our view, any reconciliation format which extends beyond 4 to 5 pages can be surely cumbersome and onerous for the auditee to compile given the challenges of the implementation of the GST law. It may also increase the costs of small and medium sized auditees and may result in undue hardship and avoidable duplication. We therefore strongly recommend that redundant additional information requiring elaborate certification and verification of documents (especially on the side of inward supplies) should be avoided especially in view of the nascent stage of the law, various other difficulties faced in basic implementation of the law and also the fact that GST was introduced in the middle of the year and many transition provisions were not suitably aligned. The above along with a plethora of notifications, periodic clarifications and systems related issues in the initial months of implementation may compound the challenges of the auditee. Therefore, the format recommended by us may be considered with or without modifications as felt appropriate at this initial stage.
7. We would also like to highlight that it is very common for any law to start with baby steps and then bring in additional obligations after the law stabilises and the industry matures and also based on experiences of the initial years. The mention of a few precedents may not be out of place:

- a. The initial format of the tax audit report under the Income Tax Act consisted of only a few pages (4-5) and it was only after 10 to 12 years that the format was made more elaborate. Even today, the tax audit report under the Income Tax Act, 1961 does not require a certification of computation of income nor a certification/compilation of payment of taxes.
- b. Many States have simple VAT Audit Reports running into 3 to 4 pages.

We therefore believe that it would be more appropriate for the Government to notify a simple but functional reconciliation certificate and then gradually build upon the same in subsequent years rather than start with an ambitious document running into dozens of pages.

We are sure the above recommendation having practical applicability would be considered while drafting and notifying Form 9C. We would be more than happy to meet you in person to explain and discuss the detailed format.

Thanking You

Yours truly,

CA. Sunil Gabhawalla
President,
Bombay Chartered Accountants' Society

CA. Deepak Shah
Chairman,
Indirect Taxation Committee

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Format -1

Audit report under section 35(5) of the Central Goods and Services Tax Act, 2017 (i.e. CGST Act) and Maharashtra Goods and Service Tax Act, 2017 or, under Integrated Goods and Services Act, 2017 in a case where the accounts of the registered person have been audited under any other law.

*I/we report that the statutory audit of M/s. (Name and address of the assessee with GSTIN) was conducted by *me/us/M/s. in pursuance of the provisions of theAct, and *I/we annex hereto a copy of *my/our/their audit report dated along with a copy of each of :-

(a) the audited *profit and loss account/income and expenditure account for the period beginning fromto ending on

(b) the audited balance sheet as at,; and

(c) documents declared by the said Act to be part of, or annexed to, the *profit and loss account/income and expenditure account and balance sheet.

2. The statement of particulars required to be furnished under section 35 (5) of the CGST Act and Reconciliation Statement required to be furnished under section 44(2) of the CGST Act is annexed herewith in Form No.GSTR-9C.

3. In *my/our opinion and to the best of *my/our information and according to examination of books of account including other relevant documents and explanations given to *me/us, the particulars given in the said Form No.9C are true and correct subject to the following observations/qualifications, if any:

a.

b.

c.

Note: Reference to the CGST Act,2017 shall also include corresponding provisions under SGST Act, 2017/UTGST Act, 2017 and under IGST Act 2017

.....

**(Signature and stamp/Seal of the Auditor)

Place:

Name of the signatory

Membership No.....

Date:

Full address

Format - 2

Audit report under section 35(5) of the Central Goods and Services Tax Act, 2017 (i.e. CGST Act) and Maharashtra Goods and Service Tax Act, 2017 or, under Integrated Goods and Services Tax Act, 2017 in a case where the accounts of the registered person have not been audited under any other law.

*I/we have examined the balance sheet as on,, and the *profit and loss account/income and expenditure account for the period beginning fromto ending on, attached herewith, of(Name),(Address),(GSTIN).

2. Maintenance of books of accounts, records under the GST laws and preparation of financial statements are the responsibilities of the entity's management. Our responsibility is to express an opinion on the correctness and completeness of the returns filed by the registered person based on my/our audit conducted in accordance with the provisions of section 35(5) of the CGST Act, 2017.

3. I/ We have conducted our audit in accordance with the Standards on Auditing (SA) generally accepted in India. Those standards require that we plan and perform the audit and obtain reasonable assurance about whether the said accounts, records and statements are free from material misstatement(s). The audit includes examining, on a test check basis, evidence supporting the amounts and disclosures in the books of accounts. I/We believe that my/our audit provides a reasonable basis for my / our opinion.

3. (a) *I/we report the following observations/ comments / discrepancies / inconsistencies; if any:

.....
.....

3. (b) Subject to above, -

(A) *I/we have obtained all the information and explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit.

(B) In *my/our opinion, proper books of account have been kept by the registered person so far as appears from*my/ our examination of the books.

(C) I/we certify that the balance sheet and the *profit and loss/income and expenditure account are in agreement with the books of account maintained at the Principal place of business atand **additional place of business within the State.

4. The statement of particulars required to be furnished under section 35 (5) of the CGST Act and Reconciliation Statement required to be furnished under section 44(2) of the CGST Act is annexed herewith in Form No. GSTR-9C.

5. In *my/our opinion and to the best of *my/our information and according to explanations given to *me/us, the particulars given in the said Form No.GSTR-9C are true and correct subject to following observations/qualifications, if any:

- a.
 - b.
 - c.
-
-

**** (Signature and stamp/Seal of the Auditor)**

Place:

Name of the signatory

Membership No.....

Date:

Full address

Note: Reference to the CGST Act,2017 shall also include corresponding provisions under SGST Act, 2017/UTGST Act, 2017 and under IGST Act 2017

Form GSTR-9C

(Refer section 35(5) and section 44(2) of the CGST Act, 2017 and Rule 80(3) of the CGST Rules, 2017)

Background of the Registered Person			
1	GSTIN of the registered person		
2	Legal Name of the Business		
3	Trade Name of the Business		
4	E-mail Address		
5	Mobile No		
6	Audit Period	From	
		To	
7	Are you Liable to Audit under any other Law		
8	If Answer to Section 7 is Yes, please specify which law		

Note: This Table is a part of GSTR-9C Form

		Exhibit:01
1. Statement of Reconciliation between GST Return Turnover and Turnover in Audited Financial Statements		
	Particulars	Amount(Rs.)
	Turnover as per Audited Financial Statements	XX
(Less)	Turnover from April 2017 to June 2017	(XX)
(Less)	Unbilled revenue as on end of Financial Year *	(XX)
(Add)	Unbilled revenue as on beginning of Financial Year (1st July for 2017-18)#	XX
(Add)	Advances as at the end of the Financial Year	XX
(Less)	Advances as at the beginning of the Financial Year	(XX)
(Add)	Deemed Supply under Schedule I	XX
(Less)	Transactions regarded as not amounting to supply of goods or service under Schedule III	(XX)
(Add)	Adjustments in Value under section 15 and rules thereunder	XX
(Less)	Adjustments in Value under section 15 and rules thereunder	(XX)
(Add)	Goods Rejections/ Credit Notes not allowable under CGST Act	(XX)
(Add)/ (Less)	Adjustments in Value due to foreign exchange difference	XX
(Add)/ (Less)	Adjustments due to profit/ loss on sale of asset	XX
(Add)	Sale of Assets	XX
(Add)	Others (to be specified)	XX
(Less)	Others (to be specified)	(XX)
	Aggregate Turnover as per GST	XX
	State-wise Annual Turnover as per Annual Returns	
	GSTIN	Turnover
1		xx
2		xx
3		xx
	Aggregate Turnover reported in All Annual Returns	XX
	Difference (if any)	XX
a)	Attributable to Registered Persons - Reasons for Difference (to be explained in Exhibit 02 to be prepared State-wise in respective audit report)	
b)	Not Attributable to Registered Persons\$ - Reasons to be explained in this Exhibit)	

*income recognised in the books of the current financial year but considered as outward supply in subsequent financial year as per Sections 13 and 14 of the CGST Act #income recognised in the books in previous financial year but considered as outward supply in current financial year as per Sections 13 and 14 of the CGST Act \$ This would include income pertaining to unregistered branch of the Auditee.

This statement is to be prepared PAN-wise i.e. for an entity as a whole and will remain common in all the audit reports

Note: This Table is a part of GSTR-9C Form
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Exhibit:02					
2. Statement of Calculation of Outward Tax Liability and Liability under Reverse Charge Mechanism on Inward Supplies specified under Section 5(3) &5(4) of IGST Act/ 9(3) & 9(4) of CGST Act and the manner of discharge of the said tax liability					
			As per Auditor	As per GST Annual Return	Difference
	Turnover of the Registered person in the State as per Annual Return (Refer Exhibit 01)		XX	XX	
a)	(Less): Turnover of Exempt Outward Supplies				
(i)	Not covered under Supplies (including Schedule III)		(xx)	(xx)	
(ii)	Non-Taxable Supplies		(xx)	(xx)	
(iii)	Exempt Supplies		(xx)	(xx)	
(iv)	Outward Supplies liable for RCM		(xx)	(xx)	
b)	(Less): Exports without Payment of Tax		(XX)	(XX)	
c)	(Less): Outward Supply to SEZ Unit/ Developer without Payment of Tax		(XX)	(XX)	
	Taxable Turnover of Outward supplies				
d)	Turnover of Taxable Outward Supplies		XX	XX	
e)	Exports with Payment of Tax		XX	XX	
f)	Outward Supply of Goods to SEZ Unit/ Developer with Payment of Tax		XX	XX	
g)	Deemed Exports		XX	XX	
	Summary of inward supplies attracting reverse charge mechanism				
h)	Inward Supplies Attracting RCM u/s 5(3) of IGST Act & u/s 9(3) of CGST Act		XX	XX	

i)	Inward Supplies Attracting RCM u/s 5(4) of IGST Act & u/s 9(4) of CGST Act		XX	XX		
	Difference If any (to be explained)					
a)						
b)						
c)						
d)						
e)						
f)						
g)						
h)						
i)						
	Tax Payable as per GST Annual Return - Outward Supply	Taxable Value	IGST	CGST	SGST	CESS
	5%					
	12%					
	18%					
	28%					
	3%					
	0.25%					
	0.10%					
	Total Tax Payable					
	Tax Payable as per GST Returns - RCM Supply	Taxable Value	IGST	CGST	SGST	CESS
	5%					
	12%					
	18%					
	28%					
	Others (to be specified)					
	Total Tax Payable					
	Tax Paid -		IGST	CGST	SGST	CESS
	Through Electronic Cash Ledger					
a)	For Supplies made in Current Year as per Annual Return					
b)	For Supplies made in Current Year but not Reported in Annual Return					
c)	Arrears of Taxes Paid					

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	Through Electronic Credit Ledger					
a)	For Supplies made in Current Year as per Annual Return					
b)	For Supplies made in Current Year but not Reported in Annual Return					
c)	Arrears of Taxes Paid					
	Interest Paid					
	Other Payments					
a)	Late Fee					
b)	Penalty					
c)	Repayment of erroneous Refund of Taxes					
d)	Demands raised by Revenue Authorities					
e)	Others (to be specified)					
	Additional Tax Payable as per Auditor's Recommendation		IGST	CGST	SGST	CESS
	5%					
	12%					
	18%					
	28%					
	3%					
	0.25%					
	0.10%					
	Total Additional Tax Payable					
	Interest Payable					
	Other Amounts Payable					
a)	Late Fee					
b)	Repayment of erroneous Refund of Taxes					
c)	Others (please specify)					
Note: This Table is a part of GSTR-9C Form. This statement is to be prepared separately for each GSTIN						

				Exhibit:03	
4. Reconciliation of Input Tax Credit as per Books and As per GST Returns					
Particulars		Amount (Rs)			
	ITC claimed in Books of Accounts (other than Transitional Credit)		XX		
(Add)	Transitional Credit u/s 140 to 143		XX		
(Less)	ITC booked in current tax period to be claimed in subsequent period		(XX)		
(Add)	ITC booked in earlier years claimed in current tax period		XX		
	Gross ITC as per Auditor		XX		
		As per Auditor	As per Return	Diff.	
	Gross ITC as per GST Annual Return	XX	XX		
(Less)	Credits ineligible under Rule 37	(XX)	(XX)		
(Less)	Credits ineligible under Rule 39	(XX)	(XX)		
(Less)	Credits ineligible under Rule 42	(XX)	(XX)		
(Less)	Credits ineligible under Rule 43				
(Less)	Credit ineligible as per Section 17(5)				
(Less)	Reversal of Transition Credits				
(Less)	Other Credit Reversals/ Payments (Please Specify)	(XX)	(XX)		
(Add)	Reclaim of Credit	XX	XX		
	Net ITC	XX	XX		
	<i>Bifurcation of Net ITC</i>				
a)	Capital Goods	xx	xx		
b)	Other than Capital Goods	xx	xx		
	Difference in Net ITC (please specify)				
	Additional Liability as per Auditor's Recommendation	IGST	CGST	SGST	CESS
	Tax				
	Interest				
	Other Amounts Payable				
a)	Erroneous Refund of ITC				
b)	Others (Please specify)				
Note: This Table is a part of GSTR-9C Form. This statement is to be prepared separately for each GSTIN					