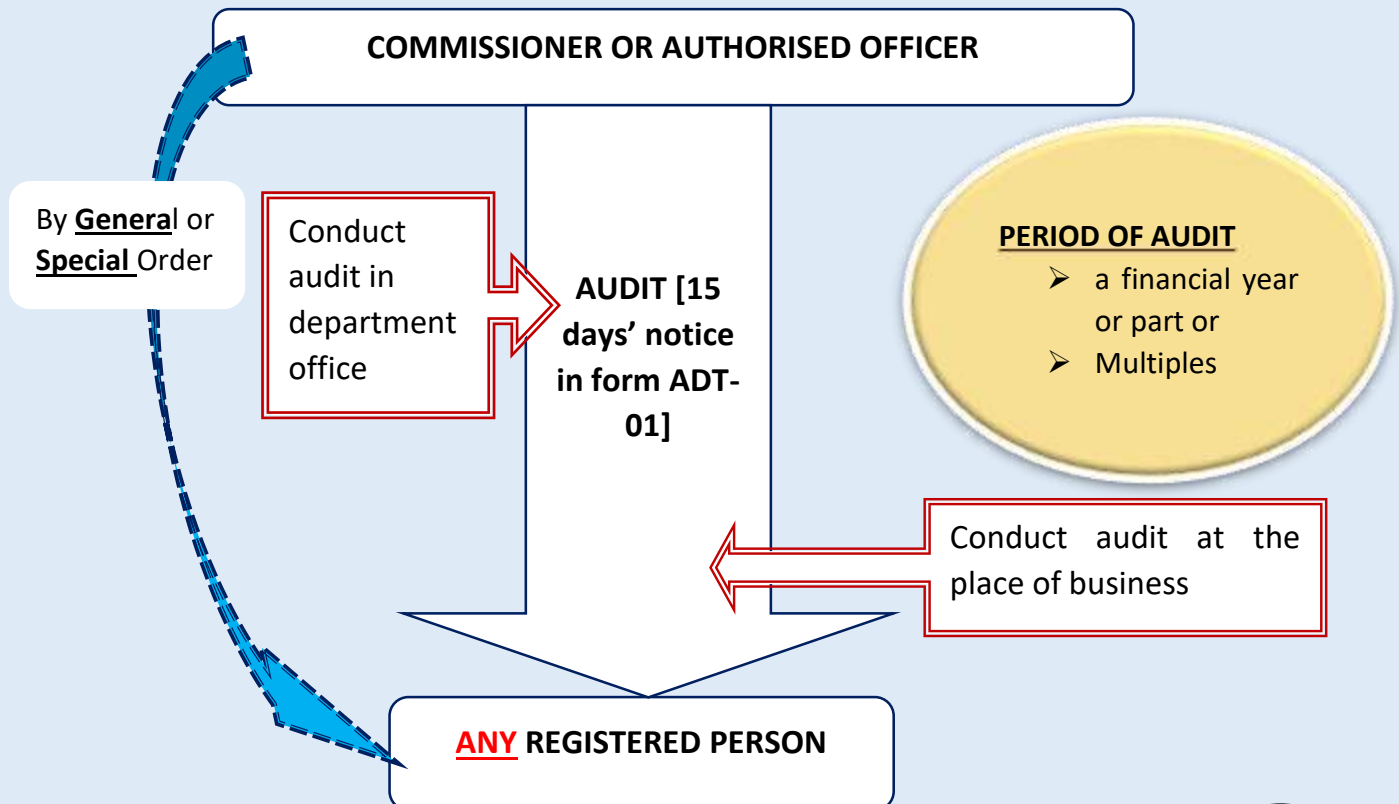


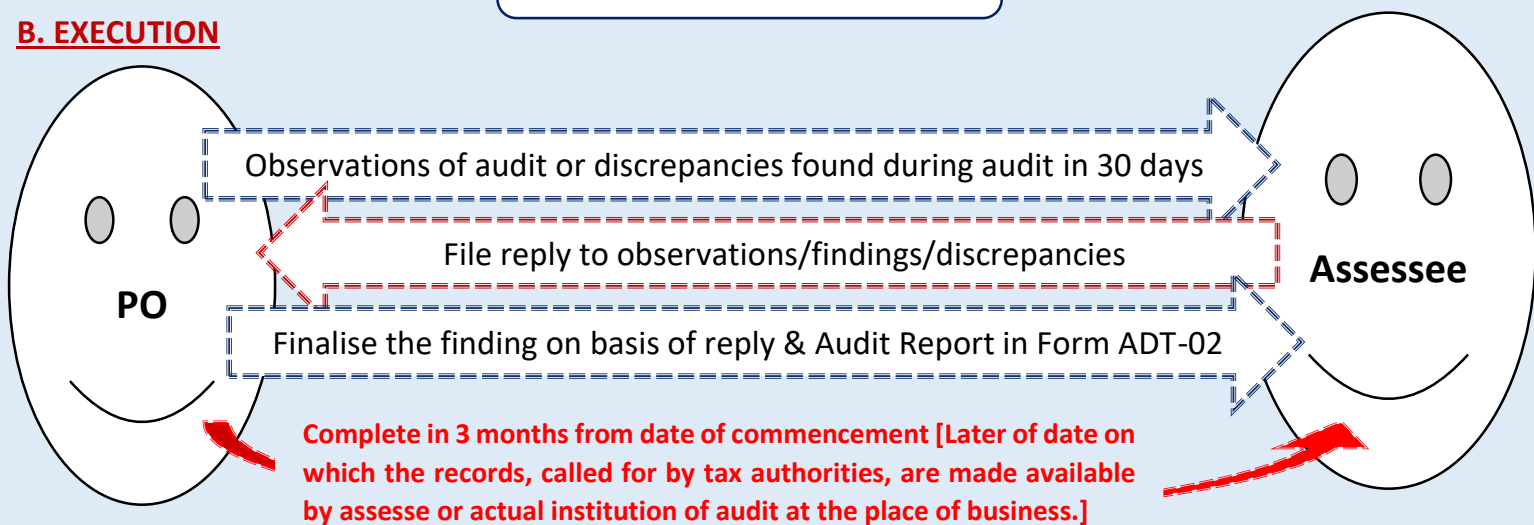
Section 65 of Central Goods & Services Tax Act, 2017 read with Rule 101 of Central Goods & Services Tax Rules, 2017

[Corresponding provisions- Section 65 of State Goods & Services Act, 2017 | section 20(xiv) of Integrated Goods & Service Tax Act, 2017 | Section 21(xv) of Union territory Goods & Service Tax Act, 2017]

A. COMMENCEMENT



B. EXECUTION



If audit results in detection of tax not paid or short paid or erroneously refunded, or ITC wrongly availed or utilised, PO may initiate action u/s 73 or section 74.

Notice to conduct
audit- ADT-01

FORM GST ADT - 01

[See rule 101(2)]

Reference No.:

Date:

To,

GSTIN

Name

Address

Period - F.Y.(s) -

Notice for conducting audit

Whereas it has been decided to undertake audit of your books of account and records for the financial year(s)..... to in accordance with the provisions of section 65. I propose to conduct the said audit at my office/at your place of business on

And whereas you are required to:-

- (i) afford the undersigned the necessary facility to verify the books of account and records or other documents as may be required in this context, and
- (ii) furnish such information as may be required and render assistance for timely completion of the audit.

You are hereby directed to attend in person or through an authorised representative on (date) at (place) before the undersigned and to produce your books of account and records for the aforesaid financial year(s) as required for audit.

In case of failure to comply with this notice, it would be presumed that you are not in possession of such books of account and proceedings as deemed fit may be initiated as per the provisions of the Act and the rules made thereunder against you without making any further correspondence in this regard.

Signature ...

Name

Designation

Audit Report- ADT-02

FORM GST ADT – 02

[See rule 101(5)]

Reference No.:

Date:

To,

GSTIN

Name

Address

Audit Report No. dated

Audit Report under section 65(6)

Your books of account and records for the F.Y..... has been examined and this Audit Report is prepared on the basis of information available / documents furnished by you and the findings are as under:

Short payment of	Integrated tax	Central tax	State /UT tax	Cess
Tax				
Interest				
Any other amount				

[Upload pdf file containing audit observation]

You are directed to discharge your statutory liabilities in this regard as per the provisions of the Act and the rules made thereunder, failing which proceedings as deemed fit may be initiated against you under the provisions of the Act.

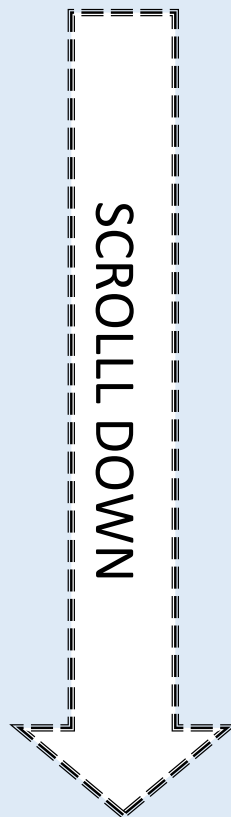
Signature

Name

Designation

DEPARTMENT'S GST AUDIT PLAN FOR 2019-2020

[Issued by Directorate General of Audit Indirect Taxes vide F. No. 381/49/2019 dated June 25, 2019- A strategy pertaining to the audit of GST Taxpayers commence from July 1, 2019, in respect of those taxpayers who have filed their Annual Return in GSTR Form 9 / 9A]





Government of India



**DIRECTORATE GENERAL OF AUDIT
INDIRECT TAXES
C.R.BUILDING, I.P. ESTATE
NEW DELHI -110109
Ph. 011 - 23370075
Email: dg.audit-cbec@nic.in**

F. No.381/49/2019

Dated: 25/06/2019

To

The Principal Chief Commissioners/Chief Commissioners of GST and Central Excise (All).

Madam/Sir,

Subject: Audit Plan for the year 2019 - 20 - reg

Kind attention is invited to this Directorate General's letter dated 29.05.2019.

2. In continuation to the Audit Plan 2019 -20, the strategy pertaining GST audits is as under:-

3. The audit of GST Taxpayers were to commence from 1st July 2019, in respect of those taxpayers who have filed their Annual Return in GSTR Form 9 / 9A. However, in the recent GST Council Meeting held on 21/06/2019, the last date of filing of the Annual Return has been extended by two months, i.e. upto 31st August 2019.

4. This Directorate General in association with DGARM has developed a Risk Assessment programme, wherein list of taxpayers with risk scores will be generated and made available to each Audit Commissionerate through DDM Portal. The said list of taxpayers in three categories Large, Medium and Small alongwith their Risk Scores has been made available to the field formations by DGARM. The categorization of taxpayers is based on the annual turnover. By and large the categorization is uniform across the Audit Commissionerates subject to the availability of more risky taxpayers in a particular category which is as under,-

- ii) Medium – taxpayers with turnover between Rs.10/7.5 to 40/30 crores.
- iii) Small – taxpayers with turnover below Rs. 7.5/10 crores.

The turnover includes total taxable, exempt and zero rated clearances of goods and services but excludes non-GST supplies during a financial year. The list of taxpayers with category of risk flags like Flag A, B, C and so on has been shared by DGARM showing total turnover based on the GSTR 3B returns filed for 9 months period from July 2017 to March 2018 and the above categorisation has been calculated on the basis of turnover for 12 GSTR 3B returns by extrapolating the 9 months' turnover to that of 12 months. The said list contains only those taxpayers who are under Centre administration and have filed more than 3 GSTR 3B returns in the said 9 months period. However, for some Audit Commissionerate the categories have been suitably tweaked to ensure adequate representation of risky taxpayers in each category. This tweaking was necessary since in the jurisdiction of some of the Audit Commissionerates sufficient number of taxpayers were not available as per risk profile.

5. The list that has been shared includes Risk Flag indicators. A separate document in PDF format shows list of Risk Flags and the action points for decision support to facilitate the auditors in identifying the areas to focus during audit. Further, the Audit Commissioners are required to check all other aspects as well which are found necessary at their local level. The decision support as provided with the list for each registered Taxpayer is based on the risk analysis undertaken on defined parameters the data for which was available. However, the audit teams have to be advised by the concerned Audit Commissionerate to verify all aspects to ensure that all issues are duly examined having revenue implication.

6. DGARM has also prepared a feedback mechanism to evaluate the efficacy of risk parameters so that over the years the risk parameters will be suitably modified. Feedback on the local risk parameters used for selection of taxpayers needs to be necessarily shared with Directorate General of Audit.

7. This Directorate General has worked out the approximate number of audits in each category that can be conducted by each Audit Commissionerate. This calculation is based on the number of audit parties available and the working strength of officers as

provided by the Audit Commissionerates and it contains following parameters:-

(i) Audit Groups for large units, medium units and small units should be in such numbers that the following distribution of manpower deployment in audit groups is achieved.

- a. 40% of manpower for large units
- b. 30% of manpower for medium units
- c. 20% of manpower for small units
- d. 10% of manpower for planning, coordination & follow up and administration etc.

(ii) The calculation is also based on the following number of days required for conduct of audit

- a. For large units – 7 working days
- b. For Medium units – 5 working days
- c. For small units – 3 working days.

Details of jurisdiction – wise capacity are as mentioned in enclosed Annexure A.

8. It has been decided that the list of taxpayers provided by DGARM to each Audit Commissionerate contains about 80% of the taxpayers out of which 7/8th (i.e. 70 % of the total available taxpayers) taxpayers have to be audited in each category in the order of sequence. The extra 10% has been given so that if audit of any taxpayer cannot be undertaken due to various genuine reasons then the taxpayer from this additional number can be selected. Further 10 % of the total taxpayers have to be selected randomly by the DGARM's system and given to the Audit Commissionerates. The above list of taxpayers with risk scores under different categories is divided as per the CGST Commissionerates in the jurisdiction of each Audit Commissionerate. Care has been taken to select taxpayer from each CGST Commissionerate so as to ensure equitable selection of taxpayers across the CGST Commissionerates. The remaining 20% of the taxpayers to be audited have to be selected by the Audit Commissionerates based on local risk factors, after obtaining approval from the jurisdictional Chief Commissioner. The indicative list of Local Risk Parameters is attached as Annexure B. Any other local risk parameter used for selection should be communicated to the zonal units of this Directorate General. The taxpayers that are left out of the 80% selected by DGARM, mentioned above can be used for selection by the Audit Commissionerates under the category of local list factors, if found necessary. The list of taxpayers selected by using local risk parameters alongwith details of local risk parameters used for

such selection should be sent to the respective zonal units of this Directorate General and to DGARM. DGARM has shared the said lists on DDM portal under the head Report 100 A to 100 D. The Audit Commissioners should be informed that the list of taxpayers alongwith risk scores as provided by DGARM contains sensitive information pertaining to a taxpayer and as far as possible the said list should be kept confidential and should be shared with the auditors as and when the audit is scheduled for a particular taxpayer.

9. The list of all the remaining taxpayers alongwith their risk categories will be uploaded on ANTARANG, Zone-wise. The said list can be accessed by the Nodal Officer of each Chief Commissionerate Zone and the same should be forwarded to the respective Audit Commissionerates in the zone.

10. Legal authority to conduct audit in GST:

(i) Sec. 65(1) of CGST Act, 2017 provides that the Commissioner or any 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.

(ii) Rule 101 of The Central Goods and Service Tax Rules, 2017 provides.

I. The period of audit to be conducted under sub-section (1) of section 65 shall be a financial year or part there of or multiples thereof.

II. where it is decided to undertake the audit of a registered person in accordance with the provisions of section 65, the proper officer shall issue a notice in FORM GST ADT-01 in accordance with the provisions of sub-Section(3) of the said Section.

III. The proper officer 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 made thereunder, 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.

11. It is also advised that initially only those taxpayers should be selected for audit who have filed their Annual Return in GSTR Form 9/9A. Therefore, the selection of taxpayers as mentioned in para 8 above should be carried out only of those **taxpayers who have filed their Annual Return**. If sufficient number of taxpayers who have filed annual return are not available then Audit Commissionerates should **continue conducting legacy audits under Central Excise and Service Tax, upto 31st August 2019**, in case assesseees are available for such audits and also efforts should be made to **liquidate the pendency related to audits of erstwhile Central Excise and Service Tax including action to close the pending audit paras**.

12. In view of lot of emphasis on trade facilitation, intelligent enforcement and providing non-intrusive environment to taxpayers, it has been decided to move from the present system of premises based audit to desk-based (office) audit in case of small category of taxpayers. Such desk based audit may be carried out on the basis of information / data made available to them. However in case of non-cooperation by the taxpayers, premises based audit may be carried out after approval by the Commissioner. Further in cases where it is felt at any stage of audit that there are inherent weaknesses in the internal control system of the taxpayers, the officers may switch to premises based audit with the approval of the Commissioner. However, in respect of Large and Medium Category of taxpayers, the premises based audit has to be conducted.

13. The mandatory intimation in the form of notice in Form GST ADT 01 and ADT 02 to convey the findings of audit may be sent manually, till the Audit Module in CBIC – GST System becomes operational. Also it is prescribed in Rule 101(4) of the CGST Rules 2017, that the proper officer may inform the registered person of the discrepancies noticed, if any, as observed in the audit and the said person may file his reply and the proper officer shall finalise the findings of the audit after due consideration of the reply furnished. These guidelines should be followed. The officers should take care to complete the audit within a period of three months of its commencement as provided in Section 65 (4) of the CGST Act, 2017.

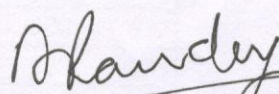
14. Further, it is mentioned that while conducting audit under GST if any non-compliance of law is observed which has

repercussion in erstwhile Central Excise or Service Tax period as well then the Commissioners of Audit may be directed to take suitable actions under the respective law for the legally prescribed time period.

15. The GST Audit Manual 2019, prepared by this Directorate General will be shared separately on ANTARANG. However, it is mentioned that the audit process in GST is similar to the audit process in the erstwhile Central Excise and Service Tax Audit Manual, 2015.

16. The Audit Commissionerates should also be advised that the audits should be conducted in such a manner so as to cause least inconvenience to the taxpayer. There should not be any disruption in the conduct of business by the taxpayers. In view of the fact that some of the taxpayers may be new to the concept of audit by this department for the reason that they were earlier registered with State authorities, special care should be taken of such taxpayers and to minimize the litigations in case of any bonafide mistake noticed during audit. The officers should also be sensitised to educate the taxpayers with respect to the provisions under GST, should such requests arise during audit and encourage voluntary compliance.

Yours faithfully


(Archana Pandey Tiwari) 25/6/19
Pr. Director General

Copy for information to the ADG, Zonal Units (All) with a request to monitor the conduct of audits.

Encl: as above

Annexure A

S.N o.	Commissionerates	Total Audit Groups	Audit Groups			No. of audits		
			Large	Medium	Small	Large	Medium	Small
1	Indore Audit	16	6	5	3	216	250	249
2	Bhopal Audit	30	12	9	6	432	450	498
3	Raipur Audit	30	12	9	6	432	450	498
4	Ahmedabad Audit	40	16	12	8	576	600	664
5	Rajkot Audit	20	8	6	4	288	300	332
6	Belgavi Audit	16	6	5	3	216	250	249
7	Bengaluru Audit-I	15	6	5	3	216	250	249
8	Bengaluru Audit-II	14	5	4	3	180	200	249
9	Mysuru Audit	19	7	6	4	252	300	332
10	Bhubaneshwar Audit	20	8	6	4	288	300	332
11	Chennai Audit-I	30	12	9	6	432	450	498
12	Chennai Audit-II	30	12	9	6	432	450	498
13	Coimbatore Audit	25	10	7	5	360	350	415
14	Dehradun Audit	20	8	6	4	288	300	332
15	Meerut Audit	30	12	9	6	432	450	498
16	Noida Audit	30	12	9	6	432	450	498
17	Delhi Audit-I	30	12	9	6	432	450	498
18	Delhi Audit-II	30	12	9	6	432	450	498
19	Gurugram Audit	18	7	5	4	252	250	332
20	Panchkula Audit	30	12	9	6	432	450	498
21	Durgapur Audit	30	12	9	6	432	450	498
22	Ranchi Audit	20	8	6	4	288	300	332
23	Shillong Audit	10	4	3	2	144	150	166
24	Guntur Audit	30	12	9	6	432	450	498
25	Hyderabad-I Audit	30	12	9	6	432	450	498
26	Hyderabad-II Audit	10	4	3	2	144	150	166
27	Jaipur Audit	20	8	6	4	288	300	332
28	Jodhpur Audit	15	6	5	3	216	250	249
29	Chandigarh Audit	25	10	8	5	360	400	415
30	Jammu Audit	10	4	3	2	144	150	166
31	Ludhiana Audit	15	6	5	3	216	250	249
32	Kanpur Audit	30	12	9	6	432	450	498
33	Lucknow Audit	30	12	9	6	432	450	498
34	Kochi Audit	30	12	9	6	432	450	498
35	Kolkata Audit-I	30	12	9	6	432	450	498
36	Kolkata Audit-II	30	12	9	6	432	450	498
37	Mumbai Audit-I	30	12	9	6	432	450	498
38	Mumbai Audit-II	30	12	9	6	432	450	498
39	Mumbai Audit-III	30	12	9	6	432	450	498
40	Raigarh Audit	30	12	9	6	432	450	498
41	Thane Audit	25	10	8	5	360	400	415
42	Nagpur Audit	30	12	9	6	432	450	498
43	Nasik Audit	30	12	9	6	432	450	498
44	Patna Audit	25	10	7	5	360	350	415
45	Pune-I Audit	20	8	6	4	288	300	332
46	Pune-II Audit	30	12	9	6	432	450	498
47	Surat Audit	30	12	9	6	432	450	498
48	Vadodara Audit	30	12	9	6	432	450	498

ANNEXURE B

Local Risk Parameters

The following are example of local risk parameters criteria that may be considered during selection of units for audit. The planning section, Hqrs of Audit Commissionerate may consider all or some of the below criteria, depending on available data and resources, and may also use additional criteria not listed below.

- i. The Taxpayer did not provide or delayed in providing documents sought by the Audit Team
- ii. The Taxpayer was not previously audited;
- iii. The Taxpayer is newly registered;
- iv. Length of time since last audit;
- v. The Taxpayer had / did not have substantial assessment during previous audits;
- vi. The size of the Taxpayer's turnover / net profit;
- vii. The size of the Taxpayer's loss, if any;
- viii. The size of the Taxpayer's refund, if any;
- ix. The size of change in the Taxpayer's turnover/net profit from the previous year;
- x. The size of the impact detected mistakes had on the Taxpayer's turnover / net profit;
- xi. The ratio of expenses/turnover;
- xii. The ratio of turnover/total assets;
- xiii. The ratio of loans/total assets;
- xiv. The size of income from high risk activities (e.g., real estate income);
- xv. The size of exemptions, if any;
- xvi. The percent of the net profit in comparison to the activity average;
- xvii. The percent of the total profit compared to the activity average;
- xviii. The Taxpayer requested waivers or is bankrupt;
- xix. The Taxpayers files inconsistently;
- xx. The Taxpayer is currently involved in legal disputes;
- xxi. The Taxpayer's return was previously investigated for evasion;
- xxii. The Taxpayer received notices from other governmental entities;
- xxiii. The quality of the Taxpayer's books and records (manual / automated; not well-kept);
- xxiv. The Taxpayer's returns is prepared by questionable accountants;

- xxv. The specific sector, in which the Taxpayer operates (e.g., typical high-risk activities include restaurants and hotels, apartment rentals, professionals, car rental, spare parts for vehicles, chemicals, telecommunications, retail);
- xxvi. The form of the legal entity (e.g., corporation / partnership);
- xxvii. The multitude of the Taxpayer's legal relationships with other entities;
- xxviii. The Taxpayer has multiple branches;
- xxix. The Taxpayer has multiple activities;
- xxx. Audit differences (past audit assessments).
- xxxi. The Taxpayer has supplied goods on which there has been reduction in rate of duty, in order to examine the possibility of profiteering under Section 171 of the CGST Act, 2017
- xxxii. The Taxpayer has stopped filing GST returns.
- xxxiii. The Taxpayer has applied for surrender of its registration.
- xxxiv. Where there is increase in ratio of Exempted Supplies / Total supplies of a Taxpayer over time.
- xxxv. Where higher incidence of supplies without issuance of e-way Bills have been noticed.
- xxxvi. The Taxpayer who does not file periodical return but issues e-way bill regularly.
- xxxvii. The Taxpayer who was not audited in the pre-GST era for the last 4 – 5 years.
- xxxviii. The Taxpayer whose turnover increased substantially after enactment of GST.
- xxxix. The Taxpayer who is not filing GSTR – 3B but in their electronic cash ledger, amount of TDS is reflected.