

GST Helpdesk **Navigating** **Departmental Audit**

CA. Mukesh Laddha
+91-7798985876

Mukeshladdha@dmkhca.in



The GST Audit revolves around:

1- Turnover Verification

- ☐ Taxable Supplies
- ☐ Exempt Supplies
- ☐ Nil Rated Supplies
- ☐ Non-GST Supplies
- ☐ Zero-Rated Supplies
(Exports/SEZ)
- ☐ Financials' Statement

3. REFUNDS CLAIMED

- ☐ Export & Zero-Rated Supply Verification
- ☐ Supporting Documentation Review
 - Invoices
 - Payment Proofs
 - Validation of Refund Amounts
 - Utilized ITC
 - Refund of Taxes
 - Monetary Refund

2. TAXES PAID

- ☐ Computation Accuracy Check
- ☐ Reconciliation of GSTR-3B with GSTR-1
- ☐ Electronic Credit Ledger (ECL)
- ☐ Electronic Cash Ledger (ECL)

4. ITC AVAILABLE

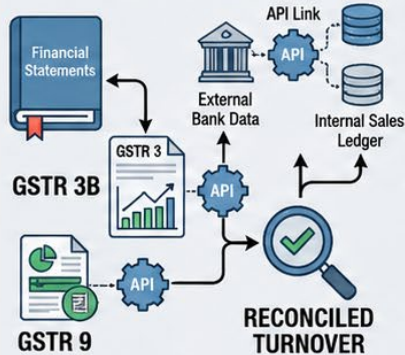
- ☐ ITC Eligibility under Section 16
- ☐ ITC Temporary Reversal
- ☐ ITC Re-claimed Under GSTR 3B
- ☐ Blocked Credit Reversals [Section 17(5)]
 - Examples:
 - Motor Vehicles
 - Food & Beverages Etc.
- ☐ ITC on Capital Goods & Job Work

A STREAMLINED GUIDE TO A COMPREHENSIVE GST AUDIT: A MULTI-DIMENSIONAL VIEW

COLUMN 1: 1. INPUT DATA VERIFICATION

1

STEP-1: TURNOVER RECONCILIATION

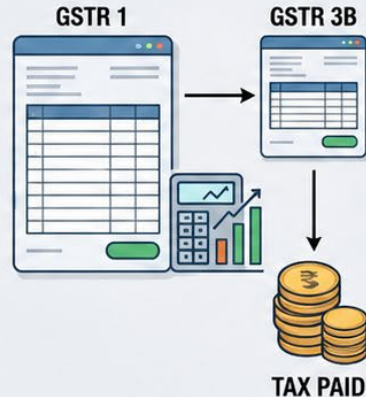


- Reconcile Turnover in Financial Statements with GSTR 1, GSTR 3B, and GSTR 9.
- Verify consistency across all internal and GST portal records.

COLUMN 2: 2. TAX LIABILITY CALCULATION

2

STEP-2: TAX COMPUTATION

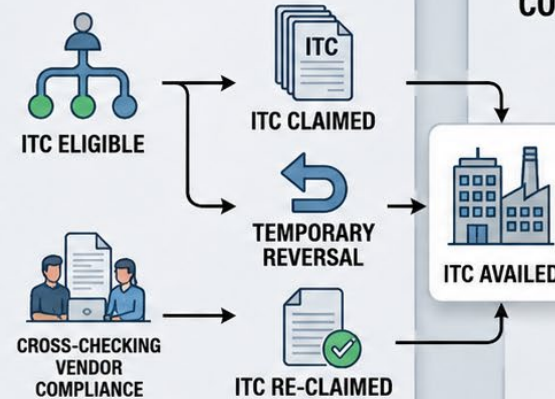


- Validate accuracy of tax computation in GSTR 1 and GSTR 3B.
- Ensure monthly returns accurately reflect detailed supply data.

COLUMN 3: 3. COMPLIANCE CHECK

3

STEP-3: ITC RECONCILIATION



- Validate Input Tax Credit (ITC) eligibility (including blocked credits).
- Perform detailed 3-way reconciliation of GSTR 2B vs Purchase Register.
- Verify Vendor Compliance (e.g., vendor filings and tax payment).

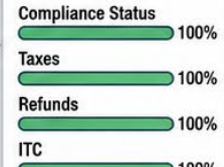
COLUMN 4: 4. FINAL AUDIT REPORT

4

STEP-4: AUDIT COMPLETION



SYSTEMATIC VERIFICATION COMPLETE












- Final review and documentation of audit findings.
- Report issued with a clear Compliance Status summary.

Simplified audit approach focuses on sequential, systematic verification, reducing complexity while maintaining comprehensive cross-checks.

TYPES OF DEPARTMENTAL AUDIT UNDER GST: SECTION & FORMS CHART

A DETAILED BREAKDOWN OF GST AUDIT PROCEDURES

Audit Type	Relevant Section	Key Stages & Process				Forms Used	Icons & Description
SCRUTINY OF RETURNS	Section 61	Stage 1: Selection & Notice Selection of return for scrutiny. Proper Officer identifies discrepancies. Issues notice via Form GST ASMT-10 . 		Stage 2: Reply & Adjudication Taxpayer replies via Form GST ASMT-11 . (Within 30 days) Proper Officer examines reply. If satisfactory, no further action. If not, proceeds under relevant provisions (Section 73/74/Audit). 		Form GST ASMT-10 (Notice) Form GST ASMT-11 (Reply) Form GST ASMT-12 (Order)	Scrutiny to verify correctness of return. Discrepancies if found, tax is demanded.
DEPARTMENTAL AUDIT (BY TAX AUTHORITIES) Conducted by Proper Officers hired on selected taxpayers.	Section 65	Stage 1: Authorization & Selection  Selected by Proper Officer Section 65(1)	Stage 2: Notice to Taxpayer  Form GST ADT-01 15-day prior notice fee.	Stage 3: Examination  Verification of books, electronic, statements. Physical verification if needed.	Stage 4: Findings & Communication  Preliminary findings & discrepancies. Opportunity to reply given.	 Form GST ADT-02	 Form GST ADT-02 Final findings Section 65(6)
SPECIAL AUDIT (EXTERNAL CA/CMA) Ordered by Commissioner when the audit is complex.	Section 66	Initiation Commission directs (Section 66(1))		Conduct By external Chartered Accountant / CMA		Report ADT-03 (Audit Report) Submission within 90 days (extendable by 90)	GST ADT-03  Special Audit

Adjudication follows ADT-02/ADT-03/ASMT-12 results (if needed)



TYPES OF GST AUDIT (INDIA)



TYPES OF GST AUDIT (INDIA)



1. TAX AUTHORITY AUDIT

- **Conducted by:** Commissioner or authorized Proper Officer.
- **Initiation:** Prior notice.
- **Place:** Business premises or tax office.
- **Time limit:** 3 months from commencement (extendable to 6 months).

Tax Selection → Initiation → Execution → Findings



2. COMMISSIONER'S SPECIAL AUDIT

- **Triggers:** Case complexity, revenue interest, specific doubts.
- **Conducted by:** CA/CMA nominated by Commissioner
- **Expenses:** Paid by Commissioner.
- **Time limit:** 90 days (extendable by 90 days)

Decision → Assign Professional → Audit → Final Report

3. ANNUAL SELF-CERTIFIED STATEMENT



ACCOUNTANT



BUSINESS OWNER

- **Obligation:** For registered persons exceeding a specified threshold (e.g., ₹2 Cr / ₹5 Cr). Based on self-certification.
- **Self-Certification:** Taxpayer self-certifies.
- **Scope:** Filing of Annual Return and Reconciliation Statement. (Optional Self-certification).

Financial Data → Formulate Return → Formulate Reconciliation → Self-Certification & Submission



GST AUDIT BY TAX AUTHORITIES – SECTION 65 OF CGST ACT, 2017

An Easy-to-Understand and Effective Guide



Conclusion: Proactive review, accurate reconciliations, and robust documentation reduce litigation and tax exposure during departmental audits.

1. Section 65 Audit by Tax Authorities

GST Audit under Section 65 is a departmental verification mechanism aimed at ensuring correctness of GST compliance. Proper reconciliations, documentation, and proactive review of GST records significantly reduce litigation and tax exposure during departmental audits

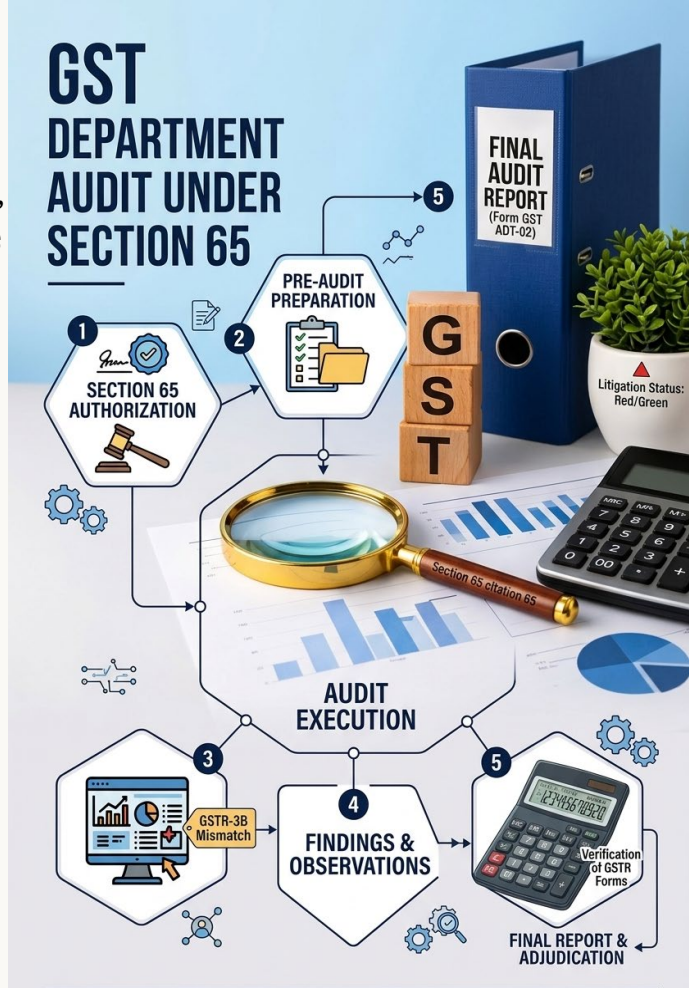
Step 1: Issue of Audit Notice

The Proper Officer issues :-

“FORM GST ADT-01”

Minimum 15 working days prior notice is required before commencement of audit.
Notice generally contains:

- ☐ Period covered under audit
- ☐ Date of commencement
- ☐ Documents required
- ☐ Place of audit



A Visual Workflow of the Audit Process
under the CGST Act, 2017

Step 2: Submission of Records

The taxpayer is required to provide:

Financial Records

- ☐ Audited Financial Statements
- ☐ Trial Balance
- ☐ General Ledger
- ☐ Cash Book
- ☐ Journal Register

GST Record

- ☐ GSTR 1
- ☐ GSTR 3B
- ☐ GSTR 9/9C
- ☐ E-way Bills
- ☐ ITC Register
- ☐ Outward Register

Other Document

- ☐ RCM Register
- ☐ Stock Register
- ☐ Fixed Assets Register

Step 3: Verification by Audit Team

A. Turnover Reconciliation

- ☐ Financial Statements vs GSTR-1
- ☐ GSTR-1 vs GSTR-3B
- ☐ E-way Bills vs GSTR1

B. Tax Liability Verification

- Table -5 of GSTR 9**
- ☐ Correct GST Rate applied
 - ☐ Exempt supplies
 - ☐ Reverse Charge liability

C. Input Tax Credit Verification

- ☐ ITC as per Books vs GSTR-2B
- ☐ GSTR 3B Vs GSTR 2B
- ☐ ITC Reversal – Temp Vs Permanent
- ☐ ITC Re-claimed
- ☐ ITC Brought forward
- ☐ ITC Carried forward
- ☐ Blocked Credits u/s 17(5)
- ☐ RCM Compliance
- ☐ Vendor Compliance
- ☐ Place of Supply compliance
- ☐ Cancelled Dealers / Non-filers
- ☐ 16(2) Requirements

D. Refund Verification

- ☐ Eligibility of refund
- ☐ Inverted duty Structure
- ☐ Supporting documents
- ☐ Export documentation

Step 4: Audit Observations

The audit team prepares observations regarding:

- ☐ Short payment of tax
- ☐ Excess ITC availed
- ☐ Excess refund claimed
- ☐ Interest liability
- ☐ Procedural lapses

Taxpayer is generally given an opportunity to explain discrepancies

Step 5: Completion of Audit

Audit must be completed:

- ☐ Within **3 months** from commencement of audit.
- ☐ Commissioner may extend by further **6 months**.
- ☐ **Commencement Date:**

Later of:

- ☐ Date on which records are made available; or
- ☐ Actual institution of audit at taxpayer's premises.

Step-7 Outcome of Audit

No Discrepancy Found

Audit closed without further action.

Discrepancy Found

Department may initiate proceedings under:

- ☐ Section 73 (Non-fraud cases)
- ☐ Section 74 (Fraud/Suppression cases)
- ☐ Recovery proceedings
- ☐ Interest and penalty provisions

Step 6: Communication of Findings

After completion, findings are communicated through:

“FORM GST ADT-02”

The report contains:

- ☐ Audit observations
- ☐ Rights and obligations of taxpayer
- ☐ Tax, interest and penalty implications

8. Common Areas Covered in GST Audit

- ☐ Turnover Reconciliation with Financials'
- ☐ ITC Reconciliation with GSTR-2B & GSTR 3B
- ☐ RCM Compliance Payment against Credit availment
- ☐ E-way Bill Verification
- ☐ Related Party Transactions
- ☐ Job Work Transactions
- ☐ Export Benefits and Refunds
- ☐ Classification and GST Rate Verification
- ☐ Exempt and Non-GST Supplies
- ☐ Fixed Asset ITC.

A COMPREHENSIVE VISUAL GUIDE: SECTION 35 - ACCOUNTS AND RECORDS UNDER GST

Operationalizing true and correct accounting compliance for registered persons.

START PANEL

THE CORE MANDATE

(Based on Section 35(1))



REGISTERED PERSON MANDATE

Maintain True & Correct Accounts relating to:



Place of Maintenance:
Principal Place of Business. Branches must have separate records.

Electronic or Physical Records are permitted.

PANEL 2

LOGISTICS AND STORAGE OPERATORS

(Based on Section 35(2))



WAREHOUSE/GODOWN OPERATORS & TRANSPORTERS

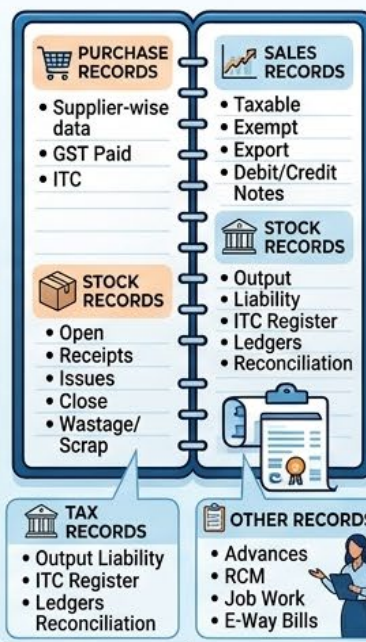
Even if unregistered, must track:



PANEL 3

DETAILED RECORD-KEEPING

(Read with Rule 56)



PANEL 4

KEY AMENDMENT & CONSEQUENCES

IMPORTANT AMENDMENT:
GST AUDIT REMOVED!



- Section 35(5) Omitted
- CA Audit NO LONGER Mandatory
- GSTR-9C Self-Certified

CONSEQUENCES OF NON-MAINTENANCE



- Best Judgment Assessment
- Disallowance of ITC
- Demand proceedings (Sec 73/74)
- General Penalty

1. Mandated Records to be Maintained :- Section 35(1)

Every registered person must maintain a true and correct account

Principal Place of Business:

- ☐ **Production & Manufacture:** Details of all goods manufactured or produced.
- ☐ **Inward & Outward Supplies:** Comprehensive logs of both incoming purchases and outgoing sales of goods or services.
- ☐ **Stock Ledger:** Real-time tracking of inventory status.
- ☐ **Input Tax Credit (ITC):** Absolute records of ITC claimed and utilized.
- ☐ **Tax Liabilities:** Total output tax payable, paid, and reconciled.

3. Special Provisions for Logistics Operators :-Section 35(2)

Even if they are not registered under GST,

- ☐ **Transporters:** Records of goods transported, along with sender/receiver compliance details.
- ☐ **Warehouse / Godown Operators:** Detailed custody logs of goods stored, mapping the **Consignor** (Sender) and **Consignee** (Receiver).

2. Physical & Electronic Infrastructure

☐ REGISTERED PERSON

- ☐ Maintain master records at the primary registered address.

☐ Additional Places

- ☐ Maintain specific records for each distinct branch/location.

☐ ELECTRONIC BACKUP

- ☐ Permitted under the law, provided logs are secure and verifiable

4. Detailed Record-Keeping Matrix (Rule 56)

- ☐ Purchase Record
- ☐ Sales Record
- ☐ Stock Record
- ☐ Tax Record
- ☐ Other

Section 35(5) was completely omitted. (FY 2021 Audit)

- ☐ Mandatory GST Audits conducted by an external CA/CMA are **no longer required** under this section.
- ☐ Reconciliation via **Form GSTR-9C** has transitioned strictly to a **self-certified basis** by the taxpayer.

Consequences of Non-Compliance

Failing to maintain clean records strips away a business's primary legal defense shield during a departmental audit, triggering:

- 1. Best Judgment Assessment:** Tax authorities will estimate your liability mathematically without your input.
- 2. Disallowance of ITC:** Unverified Input Tax Credit will be aggressively blocked or reversed.
- 3. Litigation:** Immediate initiation of demand and recovery proceedings under **Section 73** (normal) or **Section 74** (fraud/suppression).

CONSEQUENCES OF GST NON-COMPLIANCE: LEGAL & REGULATORY FRAMEWORK

A PROFESSIONAL VISUAL GUIDE

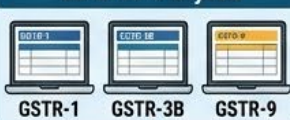


SCRUTINY OF RETURNS: COMPREHENSIVE PROCEDURE (SECTION 61 & ASMT FORMS)

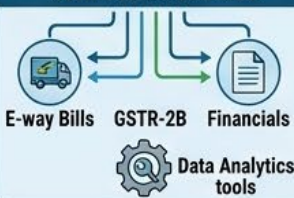
AN INSIGHTFUL GUIDE FOR COMPLIANCE & RISK MITIGATION

SCRUTINY OF RETURNS (Step 1)

Returns Analyzed



Verification Sources



Turnover Mismatch



ITC Mismatch



Tax Liability Mismatch



IDENTIFICATION OF DISCREPANCIES (Step 2)

Turnover Mismatch



ITC Mismatch



ISSUE OF NOTICE (FORM GST ASMT-10) (Step 3)

- Discrepancy details
 - Tax involved
 - Explanation sought
- Submit within 30 days

REPLY BY TAXPAYER (Step 4)

Option 1 - ACCEPT DISCREPANCY

- Pay Tax
- Pay Interest
- Pay Penalty

Option 2 - CONTEST DISCREPANCY

- FORM GST ASMT-11
- Supporting Documents
 - Books
 - Invoices
 - Contracts
 - CA/CMA certification

ACCEPTANCE OF REPLY (FORM GST ASMT-12) (Step 5)

- Explanation Accepted
- Proceedings Concluded
- No Further Action

UNSATISFACTORY REPLY & FURTHER ACTION (Step 6)

Triggers

- No Reply
- Reply Not Satisfactory
- Admitted Liability not paid

Initiation

- Further Proceedings Sec 73 / Sec 74
- Assessment Proceedings
- Search
- Investigation

Audit/
Enforcement

GUIDE TO GST AUDIT (SECTION 61) & NOTICES

SECTION 61: SCRUTINY OF RETURNS



ASMT-10: DISCREPANCY NOTICE (SECTION 61)

- Officer identifies mismatch, short payment, excess ITC or error
- Explanation requested from Taxpayer.



ASMT-11: REPLY BY TAXPAYER (RULE 99(2))

- Taxpayer provides explanation or correction for discrepancies.



ASMT-12: PROCEEDINGS CLOSED (RULE 99(3))

- Officer satisfied with reply, Scrutiny proceedings close.



DRC-01A: PRE-SHOW CAUSE NOTICE (RULE 142(1A))

- Opportunity for voluntary payment or explanation.



DRC-01: SHOW CAUSE (SCN) (SECTION 73/74)

- Formal demand notice for tax, interest, and penalty.



ADT-01: DEPARTMENTAL AUDIT NOTICE (SECTION 65)

- Proper officer initiates formal GST audit.



GST MOV SERIES: GOODS IN TRANSIT (SECTION 129)

- Detention/seizure related notices.



INS-01 ONWARDS: INSPECTION, SEARCH (SECTION 67)

- Authorised inspection and search actions.



DRC-07: DEMAND ORDER (SECTION 73/74)

- Final tax liability determined after SCN.

Procedure Under Section 61

Step 1: Scrutiny of Returns

- ☐ The Proper Officer scrutinizes:
- ☐ GSTR-1
- ☐ GSTR-3B
- ☐ GSTR-9
- ☐ E-way Bills
- ☐ GSTR-2B
- ☐ Financial statements

Step 2: Identification of Discrepancies

- ☐ If discrepancies are noticed, such as:
- ☐ Turnover Mismatch
- ☐ GSTR-1 Sales > GSTR-3B Sales
- ☐ Financial Statements > GST Turnover
- ☐ ITC Mismatch
- ☐ ITC claimed exceeds GSTR-2B
- ☐ Blocked Credit availed u/s 17(5)
- ☐ Tax Liability Mismatch
- ☐ RCM liability not discharged
- ☐ Incorrect GST rate applied
- ☐ The officer proceeds to issue notice.

Step 3: Issue of Notice

Notice is issued in:

“FORM GST ASMT-10”

- ☐ The notice contains:
- ☐ Details of discrepancies
- ☐ Tax liability involved
- ☐ Explanation sought from taxpayer

The taxpayer is generally required to furnish

Explanation within 30 days

or

such further period as permitted.

Step 4: Reply by Taxpayer

The taxpayer may:

Option 1 – Accept Discrepancy

- ☐ Pay tax
- ☐ Pay interest
- ☐ Pay penalty, if applicable

Option 2 – Contest Discrepancy

Submit explanation in:

“FORM GST ASMT-11”

- ☐ Supporting documents may include:
- ☐ Reconciliation Financial statements
- ☐ Books of accounts
- ☐ Invoices
- ☐ Contracts
- ☐ CA/CMA certification

Step 5: Acceptance of Reply

If officer is satisfied:

“FORM GST ASMT-12”

is issued.

Meaning:

- ✓ Explanation accepted
- ✓ Proceedings concluded
- ✓ No further action

Some Notice :-

- ☐ DRC01A
- ☐ DRC01
- ☐ DRC07
- ☐ GST Mov
- ☐ INS01

** Each Form explain above image*

Step 6: Unsatisfactory Reply

- ☐ No reply is furnished, or
- ☐ Reply is not satisfactory, or
- ☐ Taxpayer fails to pay admitted liability

The department may initiate:

Further Proceedings

- ☐ Section 73 – Non-fraud cases
- ☐ Section 74 – Fraud/Suppression cases (for periods covered under old law)

Assessment Proceedings

- ☐ Inspection,
- ☐ Search & Investigation,
- ☐ Where warranted Based on the above content

A KNOWLEDGEABLE GUIDE TO SPECIAL AUDIT PROCEDURE (SECTION 66)

PROCEDURE UNDER SECTION 66: SPECIAL AUDIT BY DEPARTMENT



SECTION 66 SPECIAL AUDIT is a targeted enforcement tool, guided by data analytics and Commissioner approval, ensuring correct GST compliance.

Section 66 is like a special, focused, deep-dive examination ordered by the government, conducted by an external expert, and paid for by the government, to resolve complex issues and ensure that large revenue amounts are correctly reported and paid.

Procedure Under Section 66

Step 1 – Formation of Opinion

The Proper Officer identifies:

- ❑ Complex accounting issues
- ❑ Valuation disputes
- ❑ ITC irregularities
- ❑ Revenue risks and recommends Special Audit.

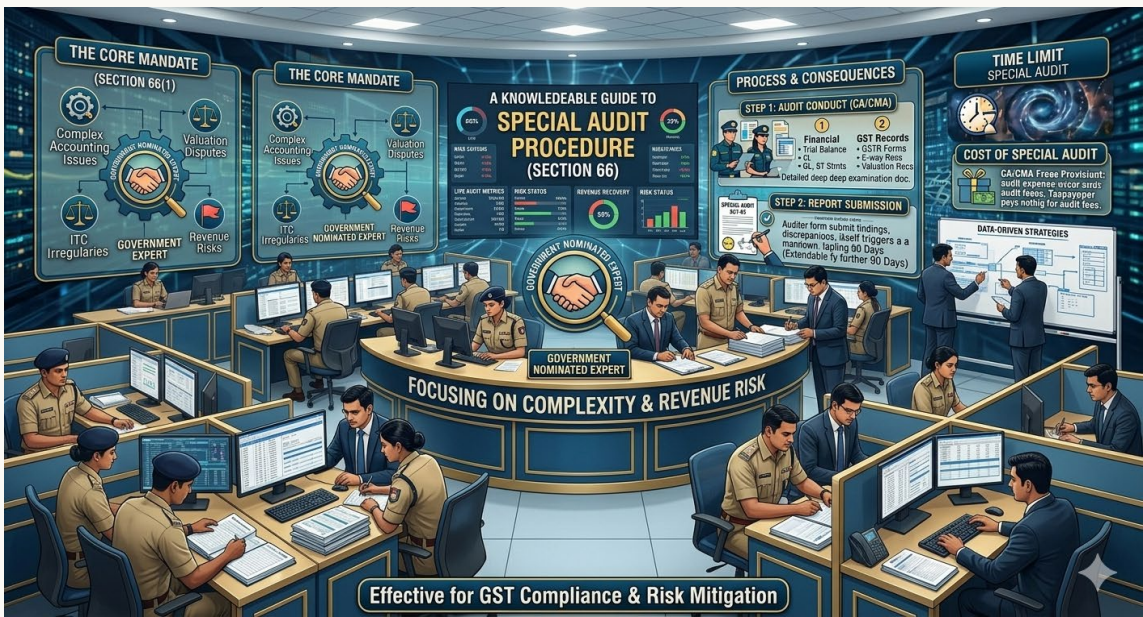
Step 3 – Direction for Special Audit

The registered person is directed to get accounts audited by:

- ❑ Nominated CA/CMA
- ❑ The taxpayer cannot choose the auditor.
- ❑ The auditor is appointed by the department.

Step 2 – Approval of Commissioner

- ❑ The Commissioner examines the proposal and grants approval if justified.
- ❑ Without Commissioner's approval, Special Audit cannot be ordered.



Step 4 – Conduct of Audit

The nominated CA/CMA examines:

Financial Records

- ☐ Books of Accounts
- ☐ Trial Balance
- ☐ General Ledger
- ☐ Financial Statements

GST Records

- ☐ GSTR-1
- ☐ GSTR-3B
- ☐ GSTR-9/9C
- ☐ E-way Bills
- ☐ ITC Records

Other Records

- ☐ Agreements
- ☐ Contracts
- ☐ Cost Records

Extension

Commissioner may extend by:

Further 90 days

on application by auditor or taxpayer.

Step 5 – Submission of Audit Report

The CA/CMA submits:

Special Audit Report

containing:

Findings

Discrepancies

Tax implications

ITC issues

Valuation observations

to the Proper Officer.

Time Limit for Special Audit

Initial Period

Audit report to be submitted within:

90 days

from the date of direction.

Opportunity of Being Heard

Before using findings against taxpayer:

The Proper Officer must provide:

- ✓ Copy of audit findings
- ✓ Opportunity of being heard
- ✓ Opportunity to explain discrepancies

Consequences of Special Audit Findings

If discrepancies are found:

The department may initiate:

Section 73

- ☐ Non-fraud cases
- ☐ Fraud/Suppression cases
 - ☐ Recovery Proceedings
 - ☐ Tax
 - ☐ Interest
 - ☐ Penalty

This follows the principle of natural justice.

Cost of Special Audit

Important Provision

The expenses of:

- ☐ CA/CMA fees
- ☐ Remuneration
- ☐ Audit expenses

are borne by the Government.













The taxpayer is not required to pay the audit fees.

Section 74 (for periods where applicable)



COMPARATIVE VISUAL CHART: SECTION 65 AUDIT VS SECTION 66 SPECIAL AUDIT (GST ACT)

A DETAILED VISUAL AND TEXTUAL COMPARISON BASED ON GST ACT PROVISIONS (<IMAGE >)

SECTION 65 AUDIT

 CONDUCTED BY	 GST Department Officers Officers authorized by the Commissioner
 APPOINTMENT	 Commissioner / Department Internal department selection
 PURPOSE	 General GST compliance verification Routine audit of taxpayer records
 APPROVAL REQUIRED	 No separate approval Standard departmental procedure
 AUDIT COST	 Government Standard operational cost
 AUDIT REPORT	 ADT-02 Internal Departmental Report

SECTION 66 SPECIAL AUDIT

 CONDUCTED BY	 Independent CA / CMA Nominated from outside the department
 APPOINTMENT	 Commissioner nominates CA/CMA External expert appointment
 PURPOSE	 Complex valuation, ITC or accounting issues Targeted at difficult technical challenges
 APPROVAL REQUIRED	 Prior approval of Commissioner mandatory Essential legal requirement
 AUDIT COST	 Government Explicitly funded by the department
 AUDIT REPORT	 Special Audit Report by CA/CMA Report to the proper officer

Conclusion: Proactive review, robust reconciliations, and robust documentation reduce litigation and tax exposure during departmental audits.

GST Department Audit ,Officers Specific Point

for conservative approach

- 1. Short declaration of turnover**
- 2.Excess ITC availed Invoice not Reflected in current 2A / 2B**
- 3. Negative Balance of Trade Receivables**
- 4.Disallowance Of ITC on baseless assumptions**
- 5. Demanding All Invoices Copy with LR / E-way Bills even Reflected in 2B**
- 6. GST Liability under Reverse Charge on Legal & Professional Charges**
- 7. Trade Payables and Other Outstanding dues reference to Rule 37**



HOW CAs & CMAs SUPPORT THE GST DEPARTMENT: BRIDGING CRITICAL GAPS



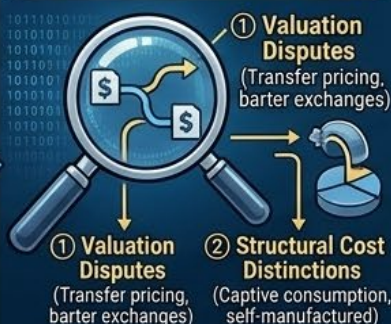
1 SPECIAL AUDITS (SECTION 66)



Commissioner nominates CA/CMA for special deep-dive. Prior Commissioner Approval is mandatory.



2 DETECTING COMPLEX REVENUE LEAKAGES



3 SUPPLEMENTING ADMINISTRATIVE CAPACITY



4 PRE-AUDIT DATA STANDARDIZATION (INDIRECT HELP)



- Corporate-hired professionals organize data before Departmental Audits (Sec 65).
- Create tidy reconciliations (e.g., GSTR-1 vs. GSTR-3B vs. GSTR-2B) to simplify process for everyone.

SUMMARY COMPARISON: INTERNAL OFFICERS vs. PROFESSIONAL NOMINEES

Parameter	Dept. Officer (Sec 65)	Nominated CA/CMA (Sec 66)
Core Strength	Regulatory procedures, tax administration.	Accounting systems, complex valuation, forensics.
Focus Area	General, routine verification & parameters.	Deep-dive evaluation of revenue-risk transactions.
Dept. Benefit	Executes regular verification loops.	specialized investigative arm.



Chartered Accountants (CAs) and Cost & Management Accountants (CMAs) act as vital external support mechanisms for the GST Department.

The heavy workload, structural complexities, and sophisticated tax evasion methods that departmental officers face, these financial experts step in to bridge critical technical and operational gaps.

1. Bridging the Technical Gap via Special Audits (Section 66)

When a departmental officer encounters a highly complex case where they suspect undervaluation or massive Input Tax Credit (ITC) manipulation, they can initiate a **Special Audit** under Section 66.

- ❑ **Specialized Forensic Eyes:** Regular tax officers are expert tax administrators, but CAs and CMAs possess deep forensic knowledge of diverse corporate ERP systems (like SAP or Oracle), industry-specific costing methods, and intricate accounting standards.
- ❑ **Unearthing "Circular Trading":** They can trace multi-layered transaction chains and cross-verify banking channels to separate legitimate business practices from shell networks passing fake invoices.

2. Detecting Complex Revenue Leakages

CAs and CMAs assist the department by identifying hidden compliance gaps that standard automated tools might overlook:

- ❑ **Valuation Disputes:** In complex transactions, such as transfer pricing between distinct persons or barter exchanges, these professionals mathematically evaluate the "Open Market Value" to ensure the department receives the correct share of revenue.
- ❑ **Structural Cost Distinctions:** CMAs, using their advanced knowledge of cost accounting structures, help the department check the accurate valuation of self-manufactured goods or captive consumption where clear market invoices do not exist.

3. Supplementing Administrative Capacity

The GST department faces significant volume and time pressure when completing audits within statutory deadlines.

- ❑ **Providing Exhaustive Investigative Reports:** When a CA/CMA is appointed for a Special Audit, they handle the time-consuming process of dissecting thousands of ledger lines and submit a comprehensive **Special Audit Report (Form ADT-04 or ADT-03 findings) within 90 to 180 days.**
- ❑ **Actionable Evidence:** This detailed report gives the department clear, legally sound data points, allowing proper officers to efficiently issue targeted Show Cause Notices (SCNs) under **Section 73 or 74** without wasting internal resources.

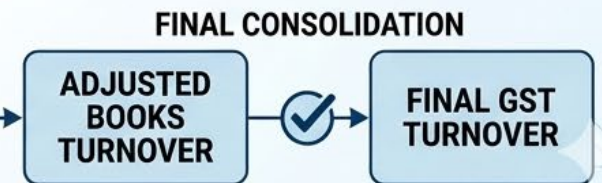
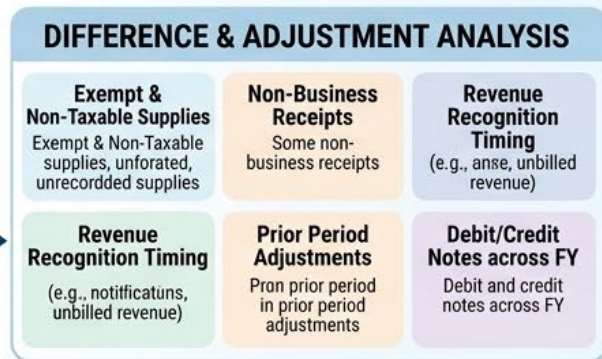
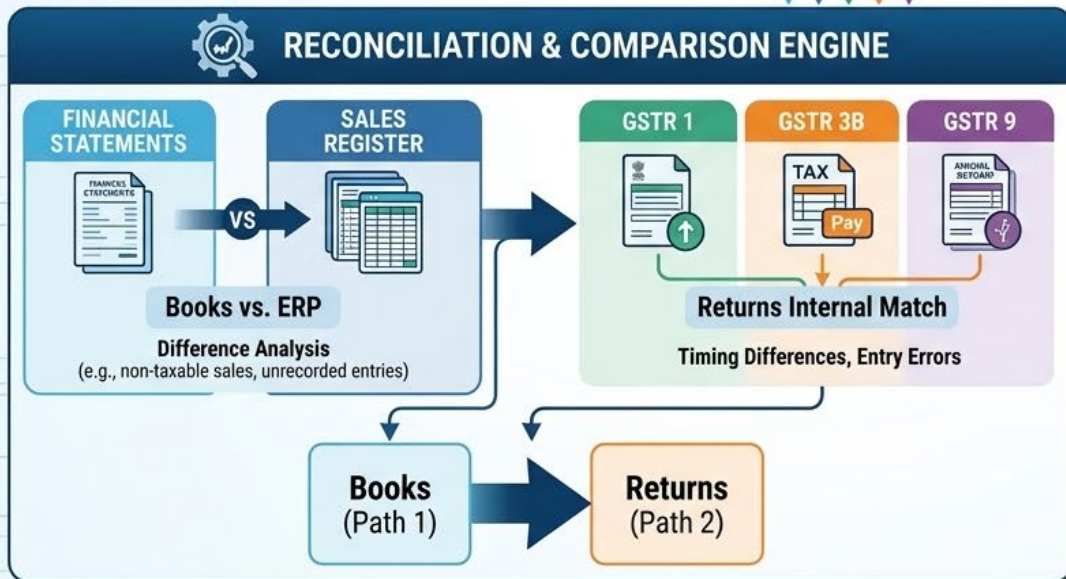
4. Driving Pre-Audit Data Standardization (Indirect Help)

Even when hired directly by a corporate taxpayer, a professional CA/CMA indirectly helps the department by organizing data beforehand:

- ❑ **Easy Reconciliations:** By creating transparent, month-on-month reconciliation sheets (matching GSTR-1 vs. GSTR-3B vs. GSTR-2B) and maintaining structured stock registers, they ensure that when a regular Departmental Audit (Section 65) begins, officers receive clean data. This eliminates unnecessary administrative delays and simplifies the process for everyone involved.

ANNUAL TURNOVER RECONCILIATION: CONCEPT & DATA FLOW

Data Sources



Sales Reconciliation :- Sample

GSTR1

Particulars	Taxable Value	IGST	CGST	SGST	Total
Taxable value B2C	1,36,698	13,965	5,320	5,320	24,606
Taxable value B2B	6,19,19,78,776	73,56,33,617	2,33,06,597	2,33,06,597	78,22,46,811
Credit Note	-50,25,671	-9,04,620	-	-	-9,04,620
Debit Note	29,91,877	28,21,317	369	369	
Net Taxable Supply	6,19,00,81,679	73,75,64,279	2,33,12,286	2,33,12,286	78,13,66,796
Exempt	19,91,34,344	-	-	-	-
EXPWOP	1,81,78,56,905	-	-	-	-
EXPWOP Credit Note	-1,30,62,892	-	-	-	
Total for FY 2023-24	8,19,40,10,037	73,75,64,279	2,33,12,286	2,33,12,286	78,13,66,796

GSTR3B

Particulars	Taxable Value	IGST	CGST	SGST	Total
Taxable value B2C					
Taxable value B2B					-
Credit Note					-
Debit Note					
Net Taxable Supply	6,19,00,81,679	73,75,64,279	2,33,12,286	2,33,12,286	78,13,66,796
Exempt	19,91,34,344				
EXPWOP	1,81,78,56,905				
EXPWOP Credit Note	-1,30,62,892				
Total for FY 2023-24	8,19,40,10,037	73,75,64,279	2,33,12,285	2,33,12,285	78,41,88,850

GSTR9

Particulars	Taxable Value	IGST	CGST	SGST	Total
Taxable value B2C	1,36,698	13,965	5,320	5,320	24,606
Taxable value B2B	6,19,19,78,777	73,56,33,617	2,33,06,597	2,33,06,597	78,22,46,810
Credit Note	-50,25,671	-9,04,620	-8,404	-8,404	-9,21,428
Debit Note	29,91,877	28,21,317	369	369	28,22,055
Net Taxable Supply	6,19,00,81,681	73,75,64,280	2,33,03,882	2,33,03,882	78,41,72,043
Exempt	19,91,34,344	-	-	-	-
EXPWOP	1,81,78,56,905	-	-	-	-
EXPWOP Credit Note	-1,30,62,892				
Total for FY 2023-24	8,19,40,10,038	1,47,51,28,559	4,66,07,763	4,66,07,763	1,56,83,44,086

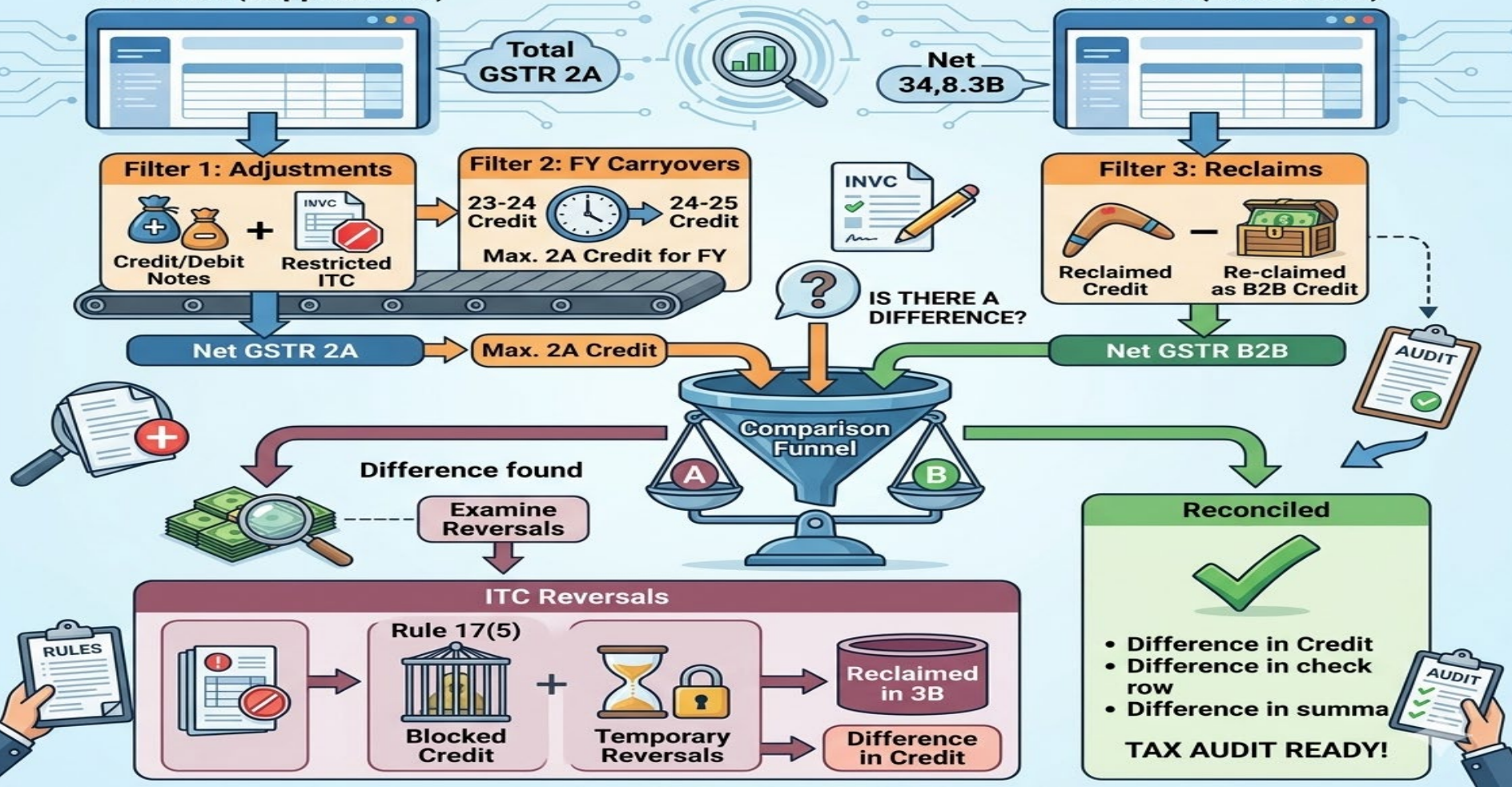
Financial Statement

Particulars	Amount
Turnover as Per Financial Statement	8,30,97,69,480
Adjustment in Turnover due to reasons not listed above	-12,34,52,152
Demmed Supply	1,54,45,941.92
foreign exchange fluctuations	-77,53,232
Total	8,19,40,10,038
GSTR 9 Turnover Table 5N	8,19,40,10,038
Check	-

GSTR 2A vs 3B ITC RECONCILIATION PROCESS - SIMPLIFIED

GSTR 2A (Supplier Data)

GSTR 3B (Your Books)



ITC Reconciliation:- Sample

GSTR 2A vs GSTR 3B				
Particulars	IGST	CGST	SGST	Total
GSTR 2A	4,43,98,635	16,51,82,152	16,51,82,151	37,47,62,939
Less : Credit Note Against in 24-25	-11,33,499	-25,27,693	-25,27,693	-61,88,886
Less:- Debit Note Against in 24-25	9,996	6,458	6,458	22,913
Less:- ITC Retricted due to Pos 16(4)	-351	-34,090	-34,090	-68,530
Net GSTR 2A	4,32,74,782	16,26,26,827	16,26,26,827	36,85,28,436
Add : 23-24 Credit availed in 24-25 (as per GSTR9 of FY 2023-24)	9,28,284	75,27,875	75,27,875	1,59,84,033
Less : 24-25 Credit availed in 25-26	18,73,842	16,06,141	16,06,141	50,86,125
Max. 2A Credit can be availed in 2024-25	4,23,29,223	16,85,48,561	16,85,48,560	37,94,26,344
B2B Credit availed in GSTR 3B	6,01,94,869	19,31,32,255	19,31,32,255	44,64,59,378
Less:- Re-claimed Credit during the Year	1,27,45,646	1,34,38,997	1,34,38,997	3,96,23,640
Less:- re-claimed as B2B Credit	51,63,292	1,11,74,754	1,11,73,861	2,75,11,907
Net GSTR 3B	4,22,85,931	16,85,18,503	16,85,19,396	37,93,23,831
Difference in Credit	43,292	30,058	29,164	1,02,514
Reversed ITC Opening Balance	53,40,915	4,98,419	4,17,526	62,56,860
Less : Credit Reversed under 17(5) in GSTR 3B	5,53,897	73,450	73,450	7,00,798
Less : Tempoery ITC Reversal in GSTR 3B	2,29,33,938	2,71,65,930	2,70,85,038	7,71,84,905
Total reversed ITC FY 2024-25	2,82,74,852	2,76,64,348	2,75,02,564	8,34,41,765
ITC Reclaimed in GSTR3B during the year	1,27,45,646	1,34,38,997	1,34,38,997	3,96,23,640
Less:- re-claimed as B2B Credit	51,63,292	1,11,74,754	1,11,73,861	2,75,11,907
Excess /less ITC under FY 2024-25	1,03,65,915	30,50,597	28,89,706	1,63,06,217
Add : ISD Credit reported in GSTR 3B	-	-	-	-
Add : RCM Credit reported in GSTR 3B	40,251	11,05,748	11,05,748	22,51,747
RCM Credit against Import of Services as per GSTR 3B	6,752	-	-	6,752
RCM as per GSTR2A	23,673	12,35,468	12,35,468	24,94,608
RCM Liability reported in GSTR 3B	47,003	11,36,792	11,36,792	23,20,586
RCM Payment reported in GSTR3B	47,003	11,36,792	11,36,792	23,20,586
Difference in RCM Liability vs Payment	-	-	-	-
Difference in RCM ITC vs Payment	-	-31,043	-31,043	-62,087
Add : Import of Goods Credit reported in GSTR 3B	5,90,37,866	-	-	5,90,37,866
Import of Goods as per GSTR 2A	6,37,80,730			
brought forward for next Fy 2024-25	72,64,658			
C/F to next Financial Year	1,20,07,522			
GST Credit ought to be availed in GSTR 3B	7,79,26,258	14,24,14,929	14,24,95,821	36,28,37,007
GST Credit as per GSTR 3B (Net)	7,78,82,966	14,23,84,872	14,24,66,657	36,27,34,494
Check	43,292	30,058	29,164	1,02,514

GSTR-9 Table 6 **OLD vs NEW**: KEY COMPARISONS (FY 2024-25 ONWARDS)

OLD TABLE 6 (Up to FY 2023-24)

TOTAL ITC DISCLOSURE

CONSOLIDATED ITC FIGURES

6A Auto-populated GSTR-3B ITC

Previous Year ITC
claimed in
Current FY

INCLUDED in
total ITC figures

Current Year ITC

Limited
Segregation

LIMITED VISIBILITY
OF CROSS-YEAR
ITC CLAIMS

No specific
reporting clarity
RECLAIMED ITC

CHALLENGES:

- Frequent Mismatches & Notices

NEW TABLE 6 (FY 2024-25 ONWARDS)

SEGREGATION OF CURRENT vs PREVIOUS YEAR ITC

6A Auto-populated GSTR-3B ITC

6A1 – PRECEDING FY ITC

Separately Reported
ITC pertaining to
preceding FY but
availed in current FY

IMPROVED
AUDIT TRAIL

6A2 – NET CURRENT FY ITC

Excluded prior year ITC

CLEAR SEGREGATION

RECLAIMED ITC (6H)

Separate Reporting of
ITC Reclaimed after
earlier reversal

BENEFITS:

- Enhanced Audit Trail
- Departmental Verification
- Improved Reconciliation (Table 8 & prior year Tables 12 & 13)

Old Table 6 of GSTR 9

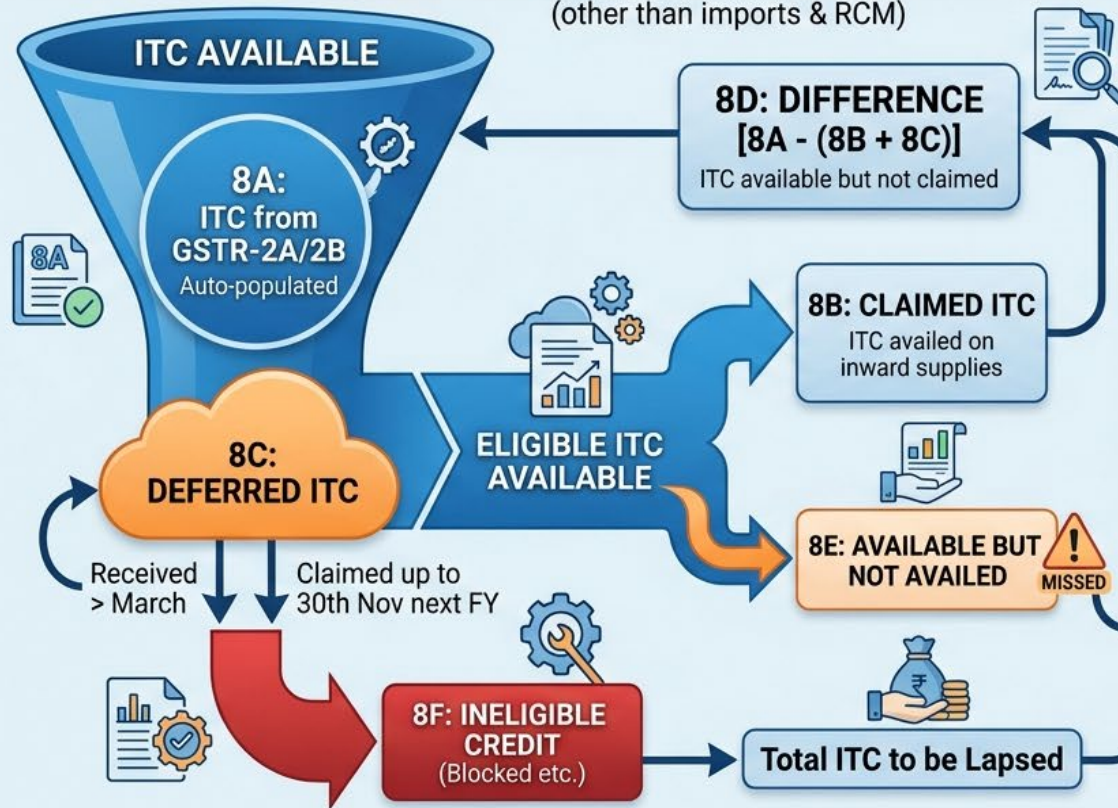
Pt. III	Details of ITC for the financial year					
Sr.No	Description	Type	Central Tax(₹)	State Tax / UT Tax(₹)	Integrated Tax(₹)	Cess(₹)
	1	2	3	4	5	6
6	Details of ITC availed during the financial year					
A	Total amount of input tax credit availed through FORM GSTR-3B (sum total of Table 4A of FORM GSTR-3B)		11,354.00	11,354.00	2,62,33,071.00	0.00
B	Inward supplies (other than imports and inward supplies liable to reverse charge but includes services received from SEZs)	Inputs	1,121.00	1,121.00	2,20,56,014.00	0
		Capital Goods	0	0	0	0
		Input Services	0	0	0	0
C	Inward supplies received from unregistered persons liable to reverse charge (other than B above) on which tax is paid & ITC availed	Inputs	0	0	0	0
		Capital Goods	0	0	0	0
		Input Services	0	0	0	0

New Table 6 of GSTR 9

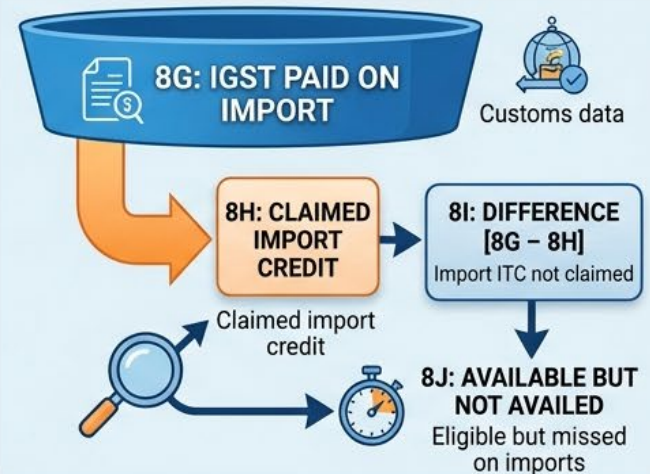
Pt. III	Details of ITC for the financial year					
Sr.No	Description	Type	Central Tax(₹)	State Tax / UT Tax(₹)	Integrated Tax(₹)	Cess(₹)
	1	2	3	4	5	6
6	Details of ITC availed during the financial year					
A	Total amount of input tax credit availed through FORM GSTR-3B (sum total of Table 4A of FORM GSTR-3B)		19,42,38,002.96	19,42,38,002.91	11,92,79,737.68	0.00
A1	ITC of any preceding financial year availed in the financial year (which is included in 6A above) other than reclaim		75,27,874.78	75,27,874.78	9,28,283.76	0.00
A2	Net ITC of the financial year (A-A1)		18,67,10,128.18	18,67,10,128.13	11,83,51,453.92	0.00

GSTR-9 Table 8 RECONCILIATION: INPUT TAX CREDIT (ITC)

INWARD SUPPLIES (NON-IMPORTS) (other than imports & RCM)



IMPORT ITC ANALYSIS



3. ANALYSIS & LAPSE SUMMARY



Old Table 8 of GSTR 9

Pt. III	Details of ITC for the financial year				
Sr.No	Details	Central Tax(₹)	State Tax / UT Tax(₹)	Integrated Tax(₹)	Cess(₹)
	1	2	3	4	5
8	Other ITC related information				
A	ITC as per GSTR-2A (Table 3 & 5 thereof)	13,721.59	13,721.59	2,32,29,826.94	0.00
B	ITC as per sum total of 6(B) and 6(H) above	1,121.00	1,121.00	2,20,56,014.00	0.00
C	ITC on inward supplies (other than imports and inward supplies liable to reverse charge but includes services received from SEZs) received during the financial year but availed in the next financial year upto specified period.	416.00	416.00	13,40,790.00	0.00
D	Difference [A-(B+C)]	12,184.59	12,184.59	-1,66,977.06	0.00
E	ITC available but not availed	0.00	0.00	0.00	0.00
F	ITC available but ineligible	0.00	0.00	0.00	0.00
G	IGST paid on import of goods (including supplies from SEZ)	0.00	0.00	35,94,254.00	0.00
H	IGST credit availed on import of goods (as per 6(E) above)	0.00	0.00	35,94,254.00	0.00
I	Difference (G-H)	0.00	0.00	0.00	0.00
J	ITC available but not availed on import of goods (Equal to I)	0.00	0.00	0.00	0.00
K	Total ITC to be lapsed in current financial year (E + F + J)	0.00	0.00	0.00	0.00

New Table 8 of GSTR 9

Pt. III	Details of ITC for the financial year				
Sr.No	Details	Central Tax(₹)	State Tax / UT Tax(₹)	Integrated Tax(₹)	Cess(₹)
	1	2	3	4	5
8	Other ITC related information				
A	ITC as per GSTR-2B [Table 3(I) thereof]	16,26,11,362.71	16,26,11,362.10	4,32,69,693.67	0.00
B	ITC as per sum total of 6(B) above	16,09,90,628.45	16,09,90,628.45	4,13,57,647.43	0.00
C	ITC on inward supplies (other than imports and inward supplies liable to reverse charge but includes services received from SEZs) received during the financial year but availed in the next financial year upto specified period	16,06,141.39	16,06,141.39	18,73,842.21	0.00
D	Difference [A-(B+C)]	14,592.87	14,592.26	38,204.03	0.00
E	ITC available but not availed	0.00	0.00	0.00	0.00
F	ITC available but ineligible	0.00	0.00	0.00	0.00
G	IGST paid on import of goods (including supplies from SEZ)	0.00	0.00	7,10,45,388.00	0.00
H	IGST credit availed on import of goods (as per 6(E) above) in financial year	0.00	0.00	5,90,37,866.49	0.00
H1	IGST Credit availed on Import of goods in next financial year	0.00	0.00	1,20,07,521.51	0.00
I	Difference (G-H-H1)	0.00	0.00	0.00	0.00
J	ITC available but not availed on import of goods (Equal to I)	0.00	0.00	0.00	0.00
K	Total ITC to be lapsed in current financial year (E + F + J)	0.00	0.00	0.00	0.00

Any Questions?
Please don't feel afraid to ask.



THANK YOU
FOR YOUR
ATTENTION

