

**ICMAI**  
**THE INSTITUTE OF**  
**COST ACCOUNTANTS OF INDIA**  
**भारतीय लागत लेखाकार संस्थान**  
Statutory Body under an Act of Parliament  
(Under the jurisdiction of Ministry of Corporate Affairs)

[www.icmai.in](http://www.icmai.in)



**Second Edition**

# Hand Book on GST Department Audit



**The Institute of Cost Accountants of India**

**Headquarters:**

CMA Bhawan, 3, Institutional Area, Lodhi Road,  
New Delhi-110003

**Kolkata Office:**

CMA Bhawan, 12, Sudder Street, Kolkata-700016

**Behind every successful business decision, there is always a **CMA****

“

### **VISION STATEMENT**

**The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally.**

”

“

### **MISSION STATEMENT**

**The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.**

”



**ICMAI**  
**THE INSTITUTE OF**  
**COST ACCOUNTANTS OF INDIA**  
**भारतीय लागत लेखाकार संस्थान**  
Statutory Body under an Act of Parliament  
(Under the jurisdiction of Ministry of Corporate Affairs)

[www.icmai.in](http://www.icmai.in)



**Second Edition**

# Hand Book on GST Department Audit



**The Institute of Cost Accountants of India**

**Headquarters:**

CMA Bhawan, 3, Institutional Area, Lodhi Road,  
New Delhi-110003

**Kolkata Office:**

CMA Bhawan, 12, Sudder Street, Kolkata-700016

**Behind every successful business decision, there is always a CMA**



First Edition: August, 2021  
Second Edition: January, 2026

**Published by:**

**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**

CMA Bhawan

3, Institutional Area, Lodhi Road, New Delhi-110003

**Kolkata Office**

CMA Bhawan

12, Sudder Street, Kolkata-700016

**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**

© All Rights Reserved

Limited Edition

No parts of this publication may be reproduced, stored in retrieval system, or transmitted, in any form, or by any means, electronic, mechanical, photocopying, recording or otherwise without prior permission, in writing from the publisher.

This Publication does not constitute professional advice. The information in this publication has been obtained or derived from sources believed by the Institute of Cost Accountants of India (ICMAI) to be reliable. Any opinions or estimates contained in this publication represent the judgment of ICMAI at this time. Readers of this publication are advised to seek their own professional advice before taking any course of action or decision, for which they are entirely responsible, based on the contents of this publication. ICMAI neither accepts nor assumes any responsibility or liability to any reader for this publication in respect of the information contained within it or for any decisions reader may take or decide not to or fail to take.



## MESSAGES OF PRESIDENT

India's tax ecosystem has undergone a paradigm shift with the implementation of the Goods and Services Tax (GST). What began as a reform to unify the nation's indirect tax structure has evolved into a transformative framework that promotes transparency, accountability, and digital integration. Within this framework, *departmental audit* stands as a cornerstone, ensuring that the objectives of fairness, compliance and efficiency are effectively realized.

As the GST regime matures, the audit process is becoming more insight-driven than inspection-driven. The focus is shifting from mere identification of errors to fostering systemic improvements and nurturing trust between taxpayers and authorities. This change demands a new breed of professionals—ones who can blend analytical thinking, legal understanding, and ethical judgment to uphold the integrity of the system.

The *Handbook on GST Department Audit*, developed by the Tax Research Department of ICMAI, is a timely and meaningful contribution in this direction. It is not just a compilation of procedures but a guide to understanding the philosophy behind departmental audits and the evolving role of professionals in shaping a responsible tax culture.

For Cost and Management Accountants (CMAs), this publication reaffirms our responsibility to go beyond compliance, towards becoming partners in governance and facilitators of transparency. The handbook is poised to empower professionals to contribute meaningfully to every aspect of GST administration.

The Tax Research Department of the Institute deserves special appreciation for its vision, dedication and continued pursuit of professional excellence through knowledge, innovation, and research.

Jai Hind!

**CMA TCA Srinivasa Prasad**  
**President, ICMAI**





## MESSAGES OF VICE PRESIDENT

The Tax Research Department of the Institute has consistently upheld its mission of enhancing professional excellence through insightful, research-driven and timely publications. The release of the “Handbook on GST Department Audit” marks yet another significant milestone in this journey, reaffirming our commitment to continuous learning and practical advancement in the field of indirect taxation.

The implementation of the Goods and Services Tax (GST) has transformed India’s indirect tax landscape, promoting uniformity and transparency across sectors. Yet, as with any large reform, its true strength lies in the systems that sustain it. Among these, the departmental audit plays a pivotal role, not merely as a compliance tool, but as a structured mechanism to safeguard revenue, encourage voluntary compliance and strengthen the credibility of the tax framework.

This handbook arrives at an important juncture. It blends conceptual understanding with field-level practicality, offering professionals a comprehensive view of the audit process under GST. From procedural clarity to interpretative guidance, it provides the tools needed to address real-world challenges with confidence and accuracy. It also reflects the Institute’s belief that well-informed professionals are essential partners in upholding governance, ensuring fairness and nurturing a culture of compliance.

Cost and Management Accountants (CMAs), with their strong analytical skills and practical approach, are well equipped to contribute meaningfully to the GST framework. Their role goes beyond compliance, they act as key enablers in improving processes, ensuring transparency and strengthening trust between taxpayers and authorities. By applying their expertise and judgment, CMAs continue to bridge the gap between policy and practice, supporting the vision of a fair, efficient and transparent tax system.

I extend my sincere appreciation to the Tax Research Department for their dedicated effort in conceptualizing and preparing this valuable publication. Their commitment to quality and practical relevance is commendable.

**CMA Neeraj Dhananjay Joshi**  
**Vice President, ICMAI**







## IDT CHAIRMAN'S MESSAGE

The Goods and Services Tax (GST) has emerged as one of the most significant reforms in India's indirect tax structure, reshaping the way businesses, professionals, and administrators interact within the tax ecosystem. While GST has brought in uniformity and transparency, it has also introduced new layers of operational and procedural complexities that require continuous learning and adaptation.

Among the various components of the GST framework, departmental audit holds a vital place. It is not just a compliance mechanism — it is a structured process that ensures the integrity of the system, identifies gaps, and promotes voluntary compliance among taxpayers. A well-conducted audit strengthens trust, improves transparency, and enhances the overall efficiency of tax administration.

In this context, I am pleased to introduce the "Handbook on GST Department Audit – A Practical Perspective." This publication has been carefully designed to provide readers with a comprehensive understanding of the audit process — from the legal provisions and procedural aspects to the ground realities faced by professionals and officers alike.

What makes this handbook particularly valuable is its practical orientation. It simplifies complex audit procedures, explains the flow of documentation, highlights common issues faced during audits, and provides clarity on interpretation and communication. The objective is to make the audit process more transparent, methodical, and accessible for both professionals and departmental officers.

The publication also reflects our commitment to continuous professional development. As GST continues to evolve with regular amendments, circulars, and judicial decisions, staying informed is no longer a choice but a necessity. This handbook will serve as a ready reference — helping readers navigate the changing audit landscape with confidence and competence.

I take this opportunity to acknowledge and appreciate the sincere efforts of the Tax Research Department, the contributors, and the members of the Indirect Taxation Committee for their dedication in preparing this publication. Their combined expertise and practical insights have made this work both comprehensive and credible.

**CMA (Dr) Ashish P Thatte**  
**Chairman - Indirect Taxation Committee**  
**The Institute of Cost Accountants of India**



## PREFACE

Unlike earlier tax systems that depended largely on manual checks, India's GST framework is built on data analysis and digital cross-verification. Every transaction is recorded electronically, bringing a high level of transparency but also creating new challenges for audits and enforcement. As a result, departmental audits have moved beyond basic verification to become detailed analytical processes that identify patterns, assess risks, and promote better compliance in a technology-driven environment.

Recognizing the need for a comprehensive and practical guide in this domain, the Tax Research Department of the Institute has brought out this Revised Edition of the **"Handbook on GST Department Audit."** This updated edition incorporates recent legislative amendments, procedural refinements, and emerging audit practices to provide readers with a current and holistic understanding of departmental audits under the GST framework.

The handbook is designed to serve as a practical resource for professionals, auditors, and students alike. It covers key areas such as audit planning, execution, documentation, communication with taxpayers, and post-audit follow-up—supported by examples and insights drawn from real-world scenarios.

We extend our sincere appreciation and gratitude to **CMA Bhogavalli Mallikarjuna Gupta** for his invaluable contribution, expert guidance, and dedicated efforts in the preparation of this revised edition. His deep understanding of GST law and audit mechanisms has significantly enriched the quality and relevance of this publication.

We are confident that this revised handbook will continue to serve as a reliable companion for all readers, supporting their professional endeavors and enhancing their proficiency in GST departmental audits.

**Tax Research Department**  
**The Institute of Cost Accountants of India**



## TABLE OF CONTENTS

<b>Chapter 1:</b>	<b>Introduction to GST Audit.....</b>	<b>1</b>
1.1.	Overview of GST System in India .....	1
1.2.	Evolution and Purpose of GST Audits .....	2
1.3.	Key Features of GST Audits .....	2
1.4.	Definitions and Legal Framework.....	4
1.5.	Relevant Legal Provisions .....	4
1.6.	FAQs: Introduction to GST Audit .....	5
<b>Chapter 2:</b>	<b>Legal Provisions Related to GST Audits .....</b>	<b>7</b>
2.1.	General Audit Provisions: Sections and Rules .....	7
2.2.	Special Audit Provisions .....	9
2.3.	Rights and Obligations of Tax Authorities and Taxpayers.....	10
2.4.	FAQs: Legal Provisions Related to GST Audits .....	11
<b>Chapter 3:</b>	<b>Objectives and Principles of GST Audits .....</b>	<b>13</b>
3.1.	Transparency and Equity in Audits .....	13
3.2.	Promoting Compliance Through Education .....	14
3.3.	Revenue Assurance and Fraud Detection .....	15
3.4.	Core Principles of Fairness and Accountability .....	16
3.5.	FAQs: Objectives and Principles of GST Audits .....	17
<b>Chapter 4:</b>	<b>GST Audit Process.....</b>	<b>19</b>
4.1.	Phases of Audit.....	19
4.2.	Timeframes and Extensions.....	21
4.3.	Documentation and Record Maintenance.....	22
4.4.	FAQs: GST Audit Process.....	22
<b>Chapter 5:</b>	<b>Case Selection for GST Audit .....</b>	<b>24</b>
5.1.	Risk-Based Criteria for Selection .....	24
5.2.	Random Sampling Methods.....	26
5.3.	Use of Analytical Tools and Data Models .....	27
5.4.	Enhanced FAQs: Case Selection for GST Audit.....	28
<b>Chapter 6:</b>	<b>Preparation for GST Audits.....</b>	<b>30</b>
6.1.	Desk Review of Returns and Records .....	30
6.2.	Preparing the Audit Plan.....	32
6.3.	Profiling Taxpayers: Assessee Master File.....	33



6.4.	Coordination Among Audit Teams.....	34
6.5.	FAQs: Preparation for GST Audits.....	35
<b>Chapter 7:</b>	<b>Conducting the GST Audit .....</b>	<b>37</b>
7.1.	Verification of Records and Returns.....	37
7.2.	Evaluating Internal Controls .....	38
7.3.	Reconciliation of Financial Data.....	39
7.4.	Handling Discrepancies .....	40
7.5.	Techniques for Effective Audit Execution .....	41
7.6.	Expanded FAQs: Conducting the GST Audit.....	42
<b>Chapter 8:</b>	<b>Post-Audit Reporting and Follow-Up .....</b>	<b>44</b>
8.1.	Drafting the Audit Report .....	44
8.2.	Communication of Findings .....	46
8.3.	Issuing Show Cause Notices (SCNs) .....	47
8.4.	Follow-Up on Audit Recommendations.....	48
8.5.	Grounds for invoking Section 74 of the CGST Act.....	49
8.6.	FAQs: Post-Audit Reporting and Follow-Up.....	57
<b>Chapter 9:</b>	<b>Special Provisions and Thematic Audits .....</b>	<b>59</b>
9.1.	Conducting Special Audits.....	59
9.2.	Multi-Location and Joint Audits.....	61
9.3.	Sector-Specific and Thematic Audits.....	63
	Expanded FAQs: Special Provisions and Thematic Audits .....	64
<b>Chapter 10:</b>	<b>Challenges and Best Practices in GST Audits.....</b>	<b>66</b>
10.1	Common Challenges Faced in GST Audits .....	66
10.2	Mitigating Audit Risks.....	68
10.3	Ensuring Taxpayer Cooperation .....	69
10.4	Leveraging Technology for Audits .....	70
10.5	FAQs: Challenges and Best Practices in GST Audits .....	71
<b>Chapter 11:</b>	<b>Capacity Building for Audit Teams .....</b>	<b>73</b>
11.1.	Training and Development Needs .....	73
11.2.	Enhancing Analytical and Technological Skills .....	74
11.3.	Use of Advanced Tools (BI Tools, DGARM) .....	75
11.4.	Guidelines for Effective Team Collaboration .....	76
11.5.	FAQs: Capacity Building for Audit Teams .....	78



<b>Chapter 12:</b>	<b>Emerging Trends and Future Directions .....</b>	<b>79</b>
12.1	Automation and AI in GST Audits.....	79
12.2	Continuous Updates to Audit Framework.....	81
12.3	Adopting International Best Practices .....	82
12.4	Enhancing Voluntary Compliance Through Audits.....	83
12.5	Emerging Trends and Future Directions .....	84
<b>Annexure – 1</b>	<b>.....</b>	<b>85</b>
	How to Read Financial Statements .....	86
	Trading Account .....	86
	Income and Expenditure Statement .....	86
	Profit and Loss Account .....	86
	Balance Sheet .....	87
	Which Accounts Should Officers Review for Revenue Leakage? .....	87
<b>Annexure – 2</b>	<b>.....</b>	<b>88</b>
	Trial Balance .....	88
	Profit and Loss Account .....	88
	Balance Sheet .....	89
	Notes to the Accounts .....	89
	Annual Report .....	90
	Director's Report .....	95
	Cost Audit Report.....	95
	Income Tax Audit Report .....	95
	TDS Certificates .....	96
<b>Annexure – 3 : Important Provisions of GST.....</b>	<b>.....</b>	<b>97</b>
	Important Definitions .....	97
	CGST Act 2017 .....	97
	Integrated Goods and Services Taxes Act 2017 .....	103
	Supply .....	105
	Time of Supply .....	111
	Place of Supply .....	117
	Valuation .....	126
	Input Tax Credit .....	135
	Returns .....	152
	Refunds .....	190



Documents under GST .....	225
<b>Annexure – 4 : Check List for Department Audit.....</b>	<b>254</b>
A4.1. Registration .....	254
A4.1.1. Verify Liability for Registration.....	254
A4.1.2. Application for Registration.....	254
A4.1.3. Verification of Principal Place of Business .....	255
A4.1.4. Composition Scheme Registration .....	255
A4.1.5. Deemed Registration .....	255
A4.1.6. Verification of Multiple Registrations.....	255
A4.1.7. Amendments to Registration Details.....	256
A4.1.8. Suspension or Cancellation of Registration .....	256
A4.1.9. GSTIN Display and Compliance .....	256
A4.1.10. Registration of E-Commerce Operators and TCS Compliance .....	256
A4.1.11. Inspection of Voluntary Registration.....	256
A4.1.12. Verification of CTP Registration.....	257
A4.1.13. Tax Liability and Payment Compliance.....	258
A4.1.14. Verify Eligibility for ISD Registration .....	260
A4.1.15. Relevant Circulars for Registration .....	264
Supply – outward including Zero Rated Supplies, Supply without consideration .....	264
Verification of Outward Supplies.....	264
Zero-Rated Supplies .....	265
Export of Goods and Services:.....	265
Refund Claims: .....	265
Supplies Without Consideration.....	266
Revenue Not Considered as Supply .....	266
Reverse Charge Mechanism (RCM).....	266
Exempt, Nil-Rated, and Non-Taxable Supplies.....	267
Checklist for Disposal of Business Assets Under GST .....	267
Capital Goods Disposal .....	269
Write-Offs or Destruction of Assets .....	269
Business Transfers or Cessation.....	269
Checklist for Inter-Branch Transfer Under GST .....	271
Checklist for Classification of Supply: Goods and Services.....	275
Verification of Revenue in Financial Statements.....	279



Legal Framework.....	279
Checklist for Determining Composite Supply under GST .....	283
Legal Definition and Key Elements.....	284
Key Characteristics of Composite Supply .....	284
Compliance with Composite Supply Rules .....	284
Audit and Verification Checklist for Composite Supply .....	285
Distinction Between Composite and Mixed Supplies.....	286
Common Errors to Avoid .....	286
Legal Provisions and References.....	286
Summary Table for Composite Supply Determination.....	286
Conclusion .....	287
Mixed Supply .....	287
Legal Framework and Definition .....	287
Characteristics of Mixed Supply.....	287
Examples of Mixed Supply .....	288
Steps to Determine Mixed Supply .....	288
Compliance with Mixed Supply Rules .....	288
Documentation to Review .....	289
Distinguishing Mixed Supply from Composite Supply .....	289
Common Errors to Avoid .....	289
Legal References and Notifications .....	289
Audit and Verification Checklist for Mixed Supply.....	290
Understanding the Legal Framework.....	290
Steps to Verify Bill-to-Ship-to Transactions .....	291
Key Audit Points for Bill-to-Ship-to Transactions .....	292
Common Errors to Avoid .....	293
Time of Supply .....	294
Checklist for Time of Supply for Goods .....	294
Time of Supply Under Forward Charge.....	295
Time of Supply Under Reverse Charge.....	295
Residuary Provisions for Time of Supply .....	295
Time of Supply for Debit and Credit Notes .....	296
Additional Documentation to Verify .....	296
Reporting and Compliance in GST Returns .....	296



Common Errors to Watch For .....	296
Legal Provisions and References.....	297
Summary Table for Time of Supply Audit .....	297
10. Conclusion .....	297
Time of Supply for Services .....	297
Time of Supply Under Forward Charge.....	297
Time of Supply Under Reverse Charge.....	298
Residuary Provisions for Time of Supply .....	298
Time of Supply for Debit and Credit Notes .....	299
Additional Documentation to Verify .....	299
Reporting and Compliance in GST Returns .....	299
Common Errors to Watch For .....	299
Legal Provisions and References.....	300
Summary Table for Time of Supply Audit .....	300
Conclusion .....	300
Check list for Change in tax rate before or after supply .....	300
Understanding Section 14 Provisions.....	300
Scenarios Covered Under Section 14.....	301
Steps for Compliance Audit Under Section 14 .....	301
Documentation to Verify .....	302
Common Errors to Watch For .....	303
Legal References and Notifications .....	303
Summary Table for Rate Change Audit .....	303
Conclusion .....	304
Place of Supply .....	304
Place of Supply of Goods (Other Than Imports and Exports).....	304
Check list of Place of supply of goods imported into, or exported from India .....	207
Understanding Section 11 Provisions.....	207
General Checklist for Compliance Under Section 11 .....	308
Key Audit Points for Section 11 Compliance .....	309
Reporting in GST Returns .....	310
Documentation to Verify .....	310
Legal References and Notifications .....	310
Summary Table for Section 11 Audit.....	311





Conclusion .....	311
Place of supply of services where location of supplier and recipient is in India .....	311
General Verification Checklist for Section 12 .....	311
Specific Scenarios Under Section 12 .....	312
Reporting and Reconciliation .....	315
Legal References and Notifications .....	315
Summary Table for Section 12 Compliance .....	315
Conclusion .....	316
Place of supply of services where location of supplier or location of recipient is outside India .....	316
General Verification Checklist for Section 13 .....	316
Specific Scenarios Under Section 13 .....	317
Common Errors to Watch For .....	319
Reporting and Reconciliation .....	319
Legal References and Notifications .....	319
Summary Table for Section 13 Compliance .....	319
Conclusion .....	320
Special Provisions for Payment of Tax by a Supplier of OIDAR Services .....	320
Key Characteristics of OIDAR Services .....	320
Tax Liability and Applicability .....	321
Registration Requirements for OIDAR Suppliers .....	321
Mechanism for Payment of Tax .....	321
Determination of Location of the Recipient .....	322
Reporting and Documentation .....	322
Exemptions and Special Cases .....	323
Checklist for Department Auditors .....	323
Common Errors to Watch For .....	323
Legal Provisions and References .....	424
Conclusion .....	424
Section 14A: Special Provision for Specified Actionable Claims Supplied by a Person Located Outside Taxable Territory .....	424
Key Features of Section 14A .....	424
Taxability Criteria .....	325
Registration Requirements .....	325
Filing Requirements .....	325



Compliance Checklist for Section 14A.....	326
Determination of Place of Supply .....	326
Reporting and Reconciliation .....	326
Common Errors to Watch For .....	326
Legal Provisions and References.....	327
Summary Table for Section 14A Compliance .....	327
Conclusion .....	327
Valuation .....	327
General Compliance for Valuation .....	328
Inclusions in Valuation (Section 15(2)).....	328
Exclusions in Valuation (Section 15(3)) .....	328
Special Valuation Cases .....	329
Valuation of Specific Transactions.....	329
Adjustments and ITC Reversals .....	329
Documentation to Review .....	330
Common Errors to Watch For .....	330
Reporting in GST Returns .....	331
Legal Provisions and References.....	331
Summary Table for Valuation Audit .....	331
Conclusion .....	331
Input Tax Credit .....	331
Introduction to Section 16 of the CGST Act, 2017 .....	331
Mandatory Conditions for Availing ITC (Section 16(2)) .....	332
Time Limits for ITC Claims (Section 16(4)) .....	332
Reversal of ITC for Non-Payment to Suppliers (Proviso to Section 16(2) & Rule 37) .....	333
ITC on Specific Scenarios .....	333
Verification of ITC with GST Returns .....	333
Blocked Credits (Section 17(5)) .....	333
Documentation to Verify .....	334
Relevant Circulars and Rules .....	334
Common Errors to Watch For .....	334
Reporting in Audit .....	334
Important Sections and Rules Related to ITC under Section 16.....	335
Conclusion .....	336



Blocked Credits .....	336
General Provisions of Section 17 .....	336
Detailed Checklist for Auditing ITC Compliance .....	337
Documentation to Examine .....	339
Relevant Rules and Circulars .....	339
Common Errors to Identify .....	339
Reporting in GST Returns .....	340
Conclusion .....	340
Input tax credit in special cases .....	340
Key Provisions of Section 18.....	340
Checklist for Auditing ITC in Special Cases .....	341
Documentation to Verify .....	343
Relevant Rules and Circulars .....	343
Common Errors to Identify .....	343
Reporting in GST Returns .....	344
Conclusion .....	344
Job Work .....	344
Taxpayer Doing Job Work (Job Worker) .....	344
Key Audit Points .....	344
Taxpayer Receiving Job Work (Principal) .....	345
Common Errors to Identify for Both Taxpayers.....	346
Relevant Rules and Circulars .....	346
Reporting in GST Returns .....	346
Conclusion .....	347
Input Service Distributor .....	347
Key Provisions for ISD .....	347
Checklist for Auditing ISD Compliance .....	347
Relevant Rules and Circulars .....	349
Documentation to Verify .....	349
Common Scenarios for ITC Distribution.....	349
Reporting in Returns .....	350
Conclusion .....	350
Cross Charge .....	350
Key Provisions Related to Cross-Charge .....	350



Checklist for Verifying Cross-Charge Compliance .....	350
Documentation to Verify .....	353
Relevant Rules and Circulars .....	353
Common Errors to Identify .....	353
Reporting in GST Returns .....	354
Conclusion .....	354
Related Party Transactions .....	354
Key Provisions Governing Related Party Transactions .....	354
Checklist for Verifying Related Party Transactions .....	355
Documentation to Review .....	357
Relevant Rules and Circulars .....	357
Common Errors to Identify .....	357
Reporting in GST Returns .....	358
Conclusion .....	358
Works contract .....	358
Updated Checklist for Works Contract under GST, Including Joint Venture Agreements.....	358
Definition of Works Contract .....	358
Checklist for Eligibility to Claim ITC .....	359
Treatment of Works Contract in Joint Ventures (JVs).....	360
Impact on Profit and Loss (P&L) When Works Contract Expenses Are Not Capitalized .....	360
Documentation to Verify .....	361
Relevant Rules, Sections, and Circulars .....	361
Common Errors to Identify .....	362
Reporting in GST Returns .....	362
Conclusion .....	362
TDS .....	362
Key Provisions Governing TDS.....	363
Checklist for Auditing TDS Compliance .....	363
Documentation to Verify .....	364
Relevant Sections, Rules, and Circulars .....	365
Common Errors to Identify .....	365
Reporting in GST Returns .....	365
Conclusion .....	366
TCS .....	366



Key Provisions Governing TCS .....	366
Checklist for Auditing TCS Compliance.....	366
Documentation to Verify .....	368
Relevant Sections, Rules, and Circulars .....	368
Common Errors to Identify .....	368
Reporting in GST Returns.....	369
Conclusion .....	369
Refunds .....	369
Key Provisions Governing Refunds.....	369
Checklist for Refunds .....	370
Circulars and Notifications for Refunds.....	371
Common Issues in Refund Claims.....	375
Revenue Recovery Opportunities .....	375
Conclusion .....	376
Returns .....	376
Key GST Returns and Their Purpose.....	376
Comprehensive Checklist for GST Returns Audit.....	377
Common Errors Identified in GST Returns .....	379
Revenue Recovery Opportunities .....	380
Relevant Provisions, Rules, and Circulars .....	380
Reporting in GST Returns.....	380
Conclusion .....	381
Accounting .....	381
Documents under GST .....	381
Key Provisions Governing GST Documents .....	381
Detailed Checklist for Verifying Documents.....	381
Common Errors to Identify .....	385
Penalties for Non-Compliance.....	385
Annexure – 5 : Important Judicial Pronouncements.....	386
Victoria Properties (P) Ltd. v. Union of India.....	386
Ashoka Fabricast (P) Ltd. v. Union of India.....	386
Fomento Resorts & Hotels Ltd. v. Union of India.....	387
ABT Ltd. v. Additional Commissioner of GST & Central Excise .....	388
Woodland Works (I) (P.) Ltd. v. Union of India.....	389



Caterpillar India (P.) Ltd. v. Additional Commissioner .....	390
Singh Caterers and Vendors v. Union of India.....	390
Shalimar Chemical Works (P.) Ltd. v. Commissioner of Commercial Taxes and Goods and Service Tax .....	391
Om Sakthi Construction v. Assistant Commissioner.....	391
Suresh Kumar P. P. v. Deputy Director, Directorate General of GST Intelligence.....	392
Mitsubishi Electric India (P.) Ltd. v. Union of India .....	393
Hubergroup India (P.) Ltd. v. Union of India.....	394
Tvl. Sripathi Paper and Boards (P.) Ltd. v. Assistant Commissioner (ST), Virudhunagar-I.....	394
Adama India (P.) Ltd. v. Union of India .....	395
P S K Engineering Construction & Co. v. Assistant Commissioner of GST & Central Excise .....	396
Manpower Group Services India (P.) Ltd. v. Sales Tax Officer, AVATO.....	397
Sripathi Paper and Boards (P.) Ltd. v. Assistant Commissioner (ST).....	397
Ramesh Agency v. Assistant Commissioner (ST) .....	398
Tokyo Zairyo (India) (P.) Ltd. v. Assistant Commissioner.....	399
Natural Remedies (P.) Ltd. v. Joint Commissioner of State Tax .....	399
Mauli Sai Developers (P.) Ltd. v. Union of India.....	400
Mahabir Prasad Kedia v. Assistant Commissioner of State Tax .....	401
PBL Transport Corporation (P.) Ltd. v. Assistant Commissioner (ST) .....	402
Nestle India Ltd. v. Union of India.....	402
Vardhaman Gold v. State of Andhra Pradesh .....	403
Gopeshwar Iron & Steel Works (P.) Ltd. v. Superintendent, CGST & CX .....	404
Tvl. Raja Stores v. Assistant Commissioner (ST) .....	404
Tinton River Palms v. State of Karnataka.....	405
Simon India Ltd. v. CT and GST Officer, Cuttack-II Circle, Cuttack.....	406
R. P. Buildcon (P.) Ltd. v. Superintendent, CGST & Central Excise .....	406



# CHAPTER 01

## Introduction to GST Audit

### 1.1. Overview of GST System in India

The **Goods and Services Tax (GST)** system revolutionized India's indirect tax regime when it came into effect on **July 1, 2017**. GST consolidated a myriad of indirect taxes such as central excise duty, service tax, VAT, and entry tax into a single, uniform tax structure. This has significantly reduced the tax cascading effect, promoted ease of doing business, and created a common national market.

#### Salient Features of GST:

1. **Dual Tax Structure:** GST operates on a dual model, where the Centre levies **CGST**, the States levy **SGST**, and inter-state supplies attract **IGST**.
2. **Taxable Event:** GST is levied at the point of **supply of goods or services**, moving away from the earlier system of taxation at various stages like manufacturing, sales, or services.
3. **IT-Driven Compliance:** The **GST Network (GSTN)** provides a seamless online portal for registration, return filing, tax payments, and reconciliation of Input Tax Credit (ITC).
4. **Destination-Based Taxation:** GST ensures that taxes are collected at the point of consumption rather than the point of origin.

#### Benefits of GST:

- **Simplified Taxation:** Eliminating overlapping tax structures and bringing uniformity across India.
- **Cost Efficiency:** Seamless ITC reduces the cost of goods and services.
- **Improved Transparency:** Digital records and analytics-based monitoring reduce the scope for tax evasion.
- **Ease of Doing Business:** Unified procedures across states have eased compliance burdens on taxpayers.



## 1.2. Evolution and Purpose of GST Audits

GST audits are an essential compliance mechanism to ensure that taxpayers meet their legal obligations under the GST law. The transition from manual assessments in the pre-GST era to systematic audits reflects the adoption of international best practices in tax administration.

### Key Objectives of GST Audits:

#### 1. Verification of Taxpayer Declarations:

- Ensuring that turnover, taxes, ITC claims, and refunds are accurately declared.
- Detecting any discrepancies or underreporting of tax liabilities.

#### 2. Revenue Protection:

- Identifying tax leakages and recovering unpaid taxes.
- Reducing tax evasion by enforcing compliance.

#### 3. Promoting Voluntary Compliance:

- Educating taxpayers about GST provisions and procedures.
- Encouraging proper record maintenance and adherence to laws.

#### 4. Data-Driven Oversight:

- Utilizing analytics tools to focus on high-risk taxpayers.
- Implementing targeted audits to maximize the efficiency of resources.

The audit mechanism serves not only as a deterrent against non-compliance but also as a constructive tool to engage with taxpayers and improve their understanding of GST laws.

## 1.3. Key Features of GST Audits

GST audits aim to examine taxpayer records systematically to verify compliance with GST laws and rules. The process ensures that registered persons fulfill their tax obligations correctly. Below are some defining features of GST audits:

### 1.3.1 Types of Audits

#### 1. General Audit (Section 65):

- Conducted by tax authorities either at the taxpayer's business premises or their own office.
- Focuses on assessing declared turnover, ITC claims, and compliance with the GST Act.
- Notices for audit are issued in **Form GST ADT-01**.





## 2. Special Audit (Section 66):

- Ordered in cases involving complex or high-risk issues, such as misclassification of goods/services or undervaluation of supplies.
- Conducted by a Chartered Accountant (CA) or Cost Accountant appointed by the tax authority.
- Must be completed within **90 days**, extendable by another 90 days.

## 3. Turnover-Based Third-Party Audit:

- Taxpayers exceeding a prescribed annual turnover threshold must get their accounts audited by a CA or Cost Accountant. This is distinct from audits conducted by tax authorities.

### 1.3.2 Risk-Based Selection

GST audits are conducted based on **risk profiling**, focusing on taxpayers exhibiting high-risk behaviors such as:

- **Mismatched Data:** Inconsistencies between GST returns (GSTR-3B, GSTR-1) and financial statements.
- **Abnormal ITC Claims:** Excessive or disproportionate claims compared to industry norms.
- **Industry Trends:** Specific industries or sectors identified as prone to non-compliance.
- **Transaction Volume:** High-value transactions or turnover anomalies.

Modern tools such as **Data Analytics, Business Intelligence (BI)** modules, and reports from **GSTN** are used for case selection. States like Karnataka have adopted advanced IT systems like **e-Shodhane** to streamline audit preparation.

### 1.3.3 Legal Framework and Timelines

1. The audit process is initiated through **Form GST ADT-01**, with at least 15 days' notice before commencement.
2. General audits must be completed within **3 months**, extendable by 6 months.
3. Special audits have a stricter timeline of **90 days**, extendable by 90 days on request.

### 1.3.4 Audit Tools and Techniques

- **Ratio and Trend Analysis:** Examining financial and operational trends to detect anomalies.



- **Third-Party Verification:** Reconciliation with data from suppliers, customers, or financial institutions.
- **Internal Control Review:** Analyzing the taxpayer's internal systems for compliance weaknesses.

## 1.4. Definitions and Legal Framework

**Definition of Audit** (*Section 2(13), CGST Act, 2017*): Audit involves a detailed examination of the taxpayer's **records, returns, and other documents** to verify:

- Turnover declared,
- Taxes paid,
- Refunds claimed,
- Input tax credit (ITC) availed, and
- Compliance with GST laws and rules.

## 1.5. Relevant Legal Provisions

### 1. Section 65 (General Audit):

- Allows tax authorities to conduct audits at specified intervals.
- Taxpayers are informed through **Form GST ADT-01**, and findings are communicated in **Form GST ADT-02**.

### 2. Section 66 (Special Audit):

- Conducted by professionals in cases of high-risk or complex transactions.
- Findings from the special audit may lead to recovery actions under **Section 73 or 74**.

### 3. Rule 101, CGST Rules:

- Specifies the scope of audits, including record verification, ITC validation, and assessment of tax liability.
- Mandates that findings are documented and shared with the taxpayer.

### 4. Section 35 (Accounts and Records):

- Requires taxpayers to maintain detailed records, including production data, invoices, ITC registers, and balance sheets.
- Non-compliance with record-keeping requirements can attract penalties.



## 1.6. FAQs: Introduction to GST Audit

### Q1: What is the main purpose of a GST audit?

The primary purpose of a GST audit is to ensure compliance with GST laws, verify the correctness of tax liabilities declared by taxpayers, and identify and address discrepancies or tax leakages.

### Q2: Who conducts GST audits?

GST audits are conducted by:

- Tax authorities (General and Special Audits under *Section 65* and *Section 66* of the GST Act).
- Chartered Accountants (CAs) or Cost Accountants in cases of Special Audits or turnover-based mandatory audits.

### Q3: What triggers a GST audit?

Triggers for a GST audit include:

- Discrepancies in GST returns (e.g., GSTR-1 vs. GSTR-3B mismatch),
- Excessive ITC claims compared to industry norms,
- Sudden spikes or irregularities in turnover, and
- Risk parameters identified through data analytics tools.

### Q4: How is a taxpayer notified about a GST audit?

A taxpayer is notified through **Form GST ADT-01**, issued by the tax authorities at least 15 working days before the audit's commencement.

### Q5: What types of documents are typically examined during a GST audit?

Key documents include:

- GST returns (e.g., GSTR-1, GSTR-3B, GSTR-9, GSTR-9C),
- Sales and purchase invoices,
- Financial statements, including trial balance and balance sheets,
- ITC records, and
- Contracts or agreements affecting taxation.

### Q6: What are the consequences of non-compliance during a GST audit?

Consequences may include:

- Imposition of penalties for non-cooperation,



- Additional tax liabilities for underpaid taxes,
- Recovery actions under *Section 73* or *Section 74* for discrepancies, and
- Revocation of GST registration in severe cases.

**Q7: What is the difference between a General Audit and a Special Audit?**

- **General Audit:** Conducted routinely by tax authorities to verify compliance.
- **Special Audit:** Ordered for complex or high-risk cases, conducted by a CA or Cost Accountant appointed by the tax department.

**Q8: Can a taxpayer contest the findings of a GST audit?**

Yes, taxpayers can challenge audit findings by:

- Submitting their explanation or additional documentation,
- Filing an appeal with the relevant appellate authority if disputes remain unresolved.

**Q9: What is the timeline for completing a GST audit?**

- General audits must be completed within **three months** of commencement, extendable by six months.
- Special audits have a stricter timeline of **90 days**, extendable by another 90 days upon request.

**Q10: How does a GST audit benefit the taxpayer?**

Besides ensuring compliance, GST audits help taxpayers:

- Identify areas of non-compliance and correct them proactively,
- Improve internal control systems for future compliance, and
- Avoid severe penalties by rectifying discrepancies during the audit process itself.



# CHAPTER 02

## Legal Provisions Related to GST Audits

### 2.1. General Audit Provisions: Sections and Rules

#### Overview of General Audits

A General Audit under GST refers to the systematic verification of records, returns, and documents maintained or furnished by a registered taxpayer to confirm compliance with the GST laws. General audits ensure that businesses meet their tax obligations accurately and timely while allowing authorities to detect and correct discrepancies. This section primarily draws its legal authority from *Section 65 of the CGST Act, 2017* and related rules under the CGST/SGST Rules, 2017.

#### Key Provisions under Section 65

##### 1. Authority for Audit:

- *Section 65(1)* empowers the Commissioner or an officer authorized by him to undertake an audit of a registered person.
- The audit can be conducted by way of:
  - **General Order:** A set of criteria is specified under which registered persons meeting those criteria are selected for audit.
  - **Specific Order:** The Commissioner may direct an audit of a particular registered person based on risk parameters or specific grounds.

##### 2. Scope of the Audit:

- The scope includes examination of:
  - Turnover declared,
  - Taxes paid,
  - Refunds claimed,
  - Input Tax Credit (ITC) availed, and
  - General compliance with the provisions of the GST law and rules.



- Rule 101(1) of the CGST Rules specifies that the audit period could be one financial year, multiple years, or even parts of a financial year.

### 3. Audit Timeline:

- As per Section 65(4), the audit must be completed within **3 months** from the date of commencement.
- The Commissioner can extend the period by **6 months** if necessary, with reasons recorded in writing.

### 4. Notice of Audit:

- Taxpayers must be given prior notice in **Form GST ADT-01**, at least **15 working days** before the audit begins (Section 65(3)).
- This ensures that the taxpayer has sufficient time to prepare and furnish all required records.

### 5. Mode of Audit:

- Audits can be conducted:
  - At the taxpayer's **place of business**, or
  - At the **tax office**, depending on the preference of the tax authorities.

### 6. Obligations of the Taxpayer:

- Provide necessary access to premises and records for verification.
- Cooperate with audit officers by furnishing required information, documents, and explanations within the prescribed time.

### 7. Findings and Follow-Up:

- Upon conclusion, the tax officer must inform the taxpayer of the audit findings through **Form GST ADT-02**, outlining any discrepancies and proposed actions.
- Taxpayers must be given the opportunity to provide explanations before any demand notices or recovery actions are initiated under Section 73 or 74.

### 8. Action on Non-Compliance:

- If discrepancies are found during the audit, authorities may raise demands for unpaid tax, excess refunds, or ineligible ITC availed under:
  - Section 73: For non-fraudulent cases.
  - Section 74: For cases involving fraud, suppression, or willful misstatement.



## 2.2. Special Audit Provisions

### Overview of Special Audits

A Special Audit is conducted when complexities in transactions or revenue risks require expert analysis beyond the scope of a General Audit. *Section 66 of the CGST Act, 2017* governs Special Audits, emphasizing the involvement of professional accountants to ensure accurate determination of tax liabilities.

### Key Provisions under Section 66

#### 1. Trigger for Special Audit:

- A Special Audit is initiated if the Assistant Commissioner (or an officer of higher rank) believes that:
  - The value of goods or services has not been properly declared.
  - ITC availed or utilized is inconsistent with the normal course of business.

#### 2. Approval and Appointment:

- The audit must receive prior approval from the Commissioner before commencement.
- A Chartered Accountant (CA) or Cost Accountant is nominated by the Commissioner to conduct the audit.

#### 3. Notice and Communication:

- The taxpayer receives a written notice detailing the reasons for the Special Audit, scope, and the name of the nominated auditor.

#### 4. Timeline for Completion:

- The CA or Cost Accountant must submit the audit report within **90 days**, with an option for extension by another **90 days** on request.

#### 5. Costs of the Audit:

- The expenses, including the fees of the nominated professional, are borne by the tax department, ensuring impartiality.

#### 6. Follow-Up and Findings:

- The findings of the Special Audit are communicated to the taxpayer.
- If discrepancies are identified, recovery actions are initiated under *Section 73 or 74*, and the taxpayer is given a chance to respond.



## 7. Rights of the Taxpayer:

- Taxpayers have the right to present their views or additional evidence before any adverse actions are finalized.
- Findings from the Special Audit cannot override existing compliance without proper hearings.

## 2.3. Rights and Obligations of Tax Authorities and Taxpayers

### Rights of Tax Authorities:

1. Access to business premises, books, and IT systems for verification under *Section 71*.
2. Issue notices for records and clarifications during the audit process.
3. Demand production of financial statements, annual returns, cost audit reports, income-tax audit reports, and other relevant documents.

### Obligations of Tax Authorities:

1. Ensure that audits are conducted within specified timelines and in a fair manner.
2. Communicate findings clearly and provide taxpayers an opportunity to address discrepancies.
3. Maintain transparency and follow procedural guidelines to avoid unnecessary harassment.

### Rights of Taxpayers:

1. Adequate prior notice before the audit begins (via GST ADT-01).
2. Access to detailed findings post-audit and an opportunity to clarify discrepancies.
3. Right to be heard before tax demands are finalized.

### Obligations of Taxpayers:

1. Maintain proper records and documents as required under *Section 35* of the CGST Act.
  2. Cooperate with audit officers by furnishing requested documents and providing timely explanations.
  3. Take corrective measures based on audit findings.
- 2.1. *Relevant Notifications and Judicial Precedents*

### Notable Notifications and Circulars:

1. **Clarifications on Audit Timelines:** Circulars have clarified how extensions under *Section 65(4)* should be granted.



2. **Provisions for ITC Verification:** Specific guidelines for ITC reconciliation during audits were issued to prevent disputes.
3. **Procedural Clarity:** Notifications on the use of GST ADT-01 and GST ADT-02 forms provided uniformity in audit processes.

These rulings ensure accountability in audit procedures and protect taxpayers' rights during compliance verification.

## 2.4. FAQs: Legal Provisions Related to GST Audits

### 1. What is the difference between General and Special Audits?

General Audits are routine compliance verifications conducted by tax officers. Special Audits, on the other hand, involve complex cases requiring professional accountants.

### 2. What triggers a GST audit

Triggers include high ITC claims, mismatched returns, and turnover discrepancies flagged during analytics.

### 3. What is Form GST ADT-02?

Form GST ADT-02 communicates the findings of an audit, highlighting discrepancies and the taxpayer's rights.

### 4. What happens if a taxpayer fails to cooperate during an audit?

Non-cooperation may lead to penalties, tax demands, or even cancellation of GST registration in severe cases.

### 5. Who bears the cost of a Special Audit?

The tax department bears the cost, including professional fees for the appointed CA or Cost Accountant.

### 6. What is the timeline for completing a Special Audit?

A Special Audit must be completed within **90 days**, extendable by another **90 days** upon request.

### 7. Can audit findings be appealed?

Yes, taxpayers can challenge findings through representations, adjudication processes, or appeals.



**8. What is the role of judicial precedents in GST audits?**

Judicial rulings ensure adherence to principles of natural justice, procedural fairness, and taxpayer rights during audits.

**9. What documents must taxpayers maintain under GST?**

Taxpayers must maintain invoices, financial statements, ITC records, stock registers, and reconciliation statements under *Section 35*.

**10. What are the penalties for audit non-compliance?**

Penalties may include monetary fines, recovery actions, or prosecution for fraudulent declarations.



# CHAPTER 03

## Objectives and Principles of GST Audits

GST audits are essential tools for maintaining the integrity of the tax system. They are not just about detecting non-compliance; they serve broader purposes such as promoting transparency, ensuring revenue assurance, detecting fraud, and encouraging voluntary compliance. This chapter delves deeper into the key objectives and principles that form the foundation of GST audits, focusing on their importance in building a balanced relationship between taxpayers and tax authorities.

### 3.1. Transparency and Equity in Audits

Transparency and equity are fundamental to the audit process, ensuring that taxpayers are aware of their rights and obligations and that the audit is conducted in a fair and impartial manner. These principles help build trust in the tax system while safeguarding taxpayers against harassment.

#### 3.1.1 Transparency in Audit Process

Transparency ensures that the entire audit process is predictable, well-documented, and conducted with clear communication between the auditor and the taxpayer. Key measures to uphold transparency include:

##### 1. Structured Notification Process:

- The initiation of an audit begins with a formal notice (e.g., **Form GST ADT-01**) specifying the scope, duration, and purpose of the audit.
- Taxpayers are given adequate time to prepare and respond.

##### 2. Clear Reporting of Findings:

- The audit findings are communicated through **Form GST ADT-02**, detailing discrepancies and providing explanations for conclusions.
- This ensures taxpayers understand the basis of the audit findings and proposed actions.

##### 3. Use of Standard Operating Procedures (SOPs):

- SOPs ensure uniformity in the audit process, preventing arbitrary actions by individual auditors.
- This consistency improves taxpayer confidence in the system.



#### 4. Access to Records:

- Taxpayers are granted access to all records and explanations used in the audit, allowing them to verify the auditor's findings.

#### 5. Grievance Redressal Mechanisms:

- Taxpayers can contest audit findings through a structured appeals process, ensuring fairness and accountability.

### 3.1.2 Equity in Audits

Equity ensures that audits are conducted fairly across all taxpayers, with no bias based on the size of the business, the sector, or the taxpayer's prior history. Key measures for equity include:

#### 1. Risk-Based Selection:

- Instead of random selection, taxpayers are selected for audits based on **data-driven risk parameters**, such as high ITC claims, turnover anomalies, or mismatched returns.
- This prevents unnecessary audits of compliant taxpayers, reducing their compliance burden.

#### 2. Evidence-Based Findings:

- Audit conclusions are based on documentary evidence, reconciliations, and cross-verifications, ensuring objective and impartial assessments.

#### 3. Proportionality of Actions:

- Any penalties or recovery actions resulting from the audit must be proportionate to the nature and severity of the non-compliance.

### 3.2. Promoting Compliance Through Education

One of the key objectives of GST audits is to foster voluntary compliance by identifying gaps in taxpayer understanding and guiding them to improve their compliance practices. Rather than focusing solely on punitive measures, GST audits aim to create a culture of collaboration and education.

#### 3.2.1 Identifying and Rectifying Errors

Audits often uncover recurring errors or gaps in taxpayers' compliance processes. These findings provide an opportunity for tax authorities to:

- Educate taxpayers about proper record-keeping and filing practices.
- Highlight common mistakes, such as:

- Misclassification of goods or services,
- Incorrectly claiming ITC on ineligible supplies,
- Underreporting of turnover, and
- Failure to reconcile GST returns with financial statements.

### 3.2.2 Taxpayer Education Initiatives

The audit process itself can act as a platform for educating taxpayers on key compliance aspects:

#### 1. Explaining GST Provisions:

- Auditors can guide taxpayers on ambiguous or complex provisions, such as valuation rules, reverse charge mechanisms, and ITC eligibility.

#### 2. Best Practices for Record Maintenance:

- Taxpayers are educated on maintaining accurate records, such as sales and purchase registers, ITC ledgers, and reconciliations of GST returns with financial statements.

#### 3. Feedback for Simplification:

- Insights gained during audits can be used to simplify GST procedures, address common taxpayer grievances, and issue clarifications through circulars and FAQs.

### 3.2.3 Voluntary Compliance

By educating taxpayers and fostering a sense of trust, GST audits encourage businesses to:

- Rectify errors voluntarily, avoiding penalties.
- Maintain proper documentation to ensure smooth audits in the future.
- Adopt proactive compliance measures, such as regular reconciliations of GST returns and financial records.

## 3.3. Revenue Assurance and Fraud Detection

Ensuring government revenue is protected is a core function of GST audits. They help detect fraudulent practices and ensure accurate tax collection.

### 3.3.1 Revenue Assurance

#### 1. Verification of Declarations:

- Audits validate the correctness of turnover declared, taxes paid, and refunds claimed.
- They ensure that ITC is claimed only on eligible supplies and that tax liabilities are correctly discharged.



## **2. Plugging Revenue Leakages:**

- Through cross-verification and data analysis, audits identify practices like under-invoicing, misclassification, and suppression of turnover.

## **3. Post-Refund Verification:**

- Refund claims are examined to ensure they are not excessive or fraudulent.

### **3.3.2 Fraud Detection**

Fraudulent activities such as ITC fraud or circular trading undermine the GST system. Audits play a vital role in detecting and addressing such practices:

#### **1. Identifying Fake Invoices:**

- Audits detect instances where taxpayers use fake invoices to claim ITC without genuine supplies.

#### **2. Circular Trading:**

- Circular trading involves fake transactions between entities to inflate turnover or ITC claims.
- Advanced analytics tools and reconciliations are used to uncover such schemes.

#### **3. Misclassification:**

- Taxpayers often misclassify goods or services to avail lower tax rates or exemptions. Audits identify and correct such discrepancies.

#### **4. Cross-Verification:**

- Data from suppliers and customers is cross-verified with taxpayer records to ensure accurate reporting.

### **3.4. Core Principles of Fairness and Accountability**

For GST audits to succeed in their objectives, they must be conducted in a manner that upholds fairness, accountability, and professionalism.

#### **3.4.1 Fairness in Audits**

##### **1. Opportunity to Respond:**

- Taxpayers are given a chance to clarify discrepancies and provide additional evidence before any adverse action is taken.

##### **2. Proportionality:**

- Penalties or demands are imposed only after considering the taxpayer's intent, nature of non-compliance, and past compliance record.

### 3. Avoiding Harassment:

- Audits are conducted in a manner that minimizes disruption to the taxpayer's business activities.

#### 3.4.2 Accountability of Tax Authorities

##### 1. Adherence to Timelines:

- Auditors must complete audits within the timelines specified under *Section 65 and 66*, ensuring that taxpayers are not subjected to undue delays.

##### 2. Evidence-Based Decisions:

- Audit findings must be based on verifiable evidence, documented observations, and proper analysis.

##### 3. Regular Training for Auditors:

- Tax officers are trained to maintain professionalism and ensure consistency in audit practices.

##### 4. Transparent Communication:

- Findings and proposed actions are communicated clearly and in writing, ensuring that taxpayers understand the rationale behind them.

### 3.5. FAQs: Objectives and Principles of GST Audits

#### 1. What makes GST audits transparent?

Transparency is ensured through clear notices (GST ADT-01 and ADT-02), well-defined SOPs, and proper communication of findings.

#### 2. How do audits benefit taxpayers?

Audits help taxpayers identify errors, improve compliance, and avoid penalties by educating them about proper GST practices.

#### 3. How do audits prevent harassment of taxpayers?

Audits are guided by principles of fairness and proportionality, ensuring they are evidence-based and conducted with minimal disruption.

#### 4. How does risk-based selection improve equity in audits?

By focusing on high-risk cases, risk-based selection ensures that compliant taxpayers are not unnecessarily burdened.



**5. What role does technology play in fraud detection?**

Technology, such as BI tools and analytics, helps identify patterns of fraud, such as fake ITC claims and circular trading.

**6. Can taxpayers appeal audit findings?**

Yes, taxpayers have the right to contest findings through formal appeals, ensuring fairness and accountability.

**7. How do audits protect government revenue?**

Audits validate turnover, taxes, and ITC claims, plugging revenue leakages and ensuring accurate tax collection.

**8. What measures ensure fairness in GST audits?**

Fairness is upheld through timelines, evidence-based findings, and opportunities for taxpayers to respond to discrepancies.

**9. What is the role of SOPs in audits?**

SOPs standardize audit practices, ensuring consistency and fairness across taxpayers.

**10. How do audits contribute to taxpayer education?**

Audits highlight common errors, provide guidance on compliance, and use findings to simplify GST rules and procedures.





# CHAPTER 04

## GST Audit Process

The GST audit process is a structured and systematic procedure conducted by tax authorities to verify the correctness of records, returns, and other documents maintained or furnished by registered taxpayers. The process is designed to ensure compliance, identify discrepancies, and promote transparency and fairness. This chapter outlines the various phases, timeframes, and documentation requirements involved in the GST audit process.

### 4.1. Phases of Audit

The GST audit process can be divided into three distinct phases:

#### 4.1.1 Selection of Audit Cases

Case selection is the starting point of the GST audit process and is based on a risk-based approach to ensure efficient allocation of resources.

##### 1. Risk-Based Parameters:

- Cases are selected using **Business Intelligence (BI)** tools and data analytics provided by the GSTN.
- High-risk taxpayers are identified based on parameters such as:
  - High ITC claims compared to industry standards,
  - Mismatches between GSTR-1, GSTR-3B, and GSTR-9 returns,
  - Sudden spikes in turnover, and
  - Significant refunds claimed in a short period.

##### 2. Data-Driven Approach:

- Information from various sources, such as GST returns, financial statements, and third-party data (e.g., income tax filings), is used to identify discrepancies.
- Industries prone to tax evasion or non-compliance are prioritized.

##### 3. Manual Case Selection (Exceptional Cases):

- In some cases, the Commissioner or authorized officer may manually select a taxpayer for audit based on specific complaints or red flags.



#### 4.1.2 Planning and Desk Review

The planning phase is critical for ensuring that the audit process is efficient and focused. This phase involves a thorough desk review of the taxpayer's records before initiating the fieldwork.

##### 1. Issuance of Audit Notice:

- The audit is initiated by issuing **Form GST ADT-01**, giving the taxpayer at least **15 working days** to prepare and furnish documents.

##### 2. Preparation of an Audit Plan:

- A detailed audit plan is prepared, covering:
  - Areas of focus based on identified risks,
  - Documents to be verified, and
  - Key questions or discrepancies to be addressed.

##### 3. Desk Review of Records:

- Tax officers conduct a desk review of the following:
  - GST returns (e.g., GSTR-1, GSTR-3B, GSTR-9, and GSTR-9C),
  - Financial statements, including trial balances, profit and loss accounts, and balance sheets,
  - ITC registers, invoices, and stock records, and
  - Supplier and customer reconciliations.

##### 4. Trend and Ratio Analysis:

- Tax officers analyze trends such as turnover fluctuations, ITC utilization patterns, and tax payments compared to industry benchmarks.

#### 4.1.3 Fieldwork and Verification

The fieldwork phase involves the physical or detailed verification of records and documents at the taxpayer's business premises or the tax office.

##### 1. On-Site Verification:

- Tax officers visit the taxpayer's premises to inspect books of accounts, stock, invoices, and IT systems.
- Cross-verification is conducted with supplier records, customer invoices, and financial data.

**2. Inquiry and Clarifications:**

- Tax officers may seek additional explanations or documents from the taxpayer to address discrepancies noted during the desk review.
- Taxpayers are required to cooperate and provide all necessary information.

**3. Focus Areas for Verification:**

- **Turnover Declaration:** Verifying accuracy in turnover reported in GST returns.
- **Input Tax Credit (ITC):** Ensuring ITC is claimed only on eligible supplies and matches with supplier data.
- **Refunds:** Scrutinizing refund claims to check for legitimacy.
- **Classification and Valuation:** Examining whether goods/services are classified correctly and valuation rules are followed.

**4. Audit Findings:**

- Observations are recorded in **working papers**, documenting discrepancies and proposed actions for further review.

**4.2. Timeframes and Extensions**

Adherence to prescribed timelines ensures that audits are conducted in an efficient and non-disruptive manner.

**1. General Audit Timeline (Section 65):**

- Audits must be completed within **3 months** from the date of commencement.
- The Commissioner may extend the timeline by an additional **6 months** if required, with reasons recorded in writing.

**2. Special Audit Timeline (Section 66):**

- Special audits must be completed within **90 days**, extendable by another **90 days** upon request.

**3. Commencement of Audit:**

- The audit begins when the taxpayer provides the required records or when the audit physically starts at the taxpayer's premises.

**4. Issuance of Findings:**

- Findings must be communicated to the taxpayer within **30 days** of concluding the audit.



## 5. Handling Delays:

- In cases where the taxpayer delays providing records or fails to cooperate, the tax officer can escalate the matter and initiate recovery actions under *Section 73 or 74*

## 4.3. Documentation and Record Maintenance

Proper documentation and record-keeping are crucial for both taxpayers and tax authorities during the audit process.

### 1. Records to be Maintained by Taxpayers (Section 35):

- Taxpayers are required to maintain the following:
  - Sales and purchase registers,
  - ITC ledgers and reconciliation statements,
  - Stock records,
  - GST returns and tax payment challans, and
  - Financial statements, including trial balance and audit reports.

### 2. Audit Working Papers:

- Tax officers document their observations, findings, and supporting evidence in **working papers**, which form the basis for the audit report.

### 3. Retention Period for Records:

- As per GST law, taxpayers must retain records for **72 months (6 years)** from the due date of filing the annual return for the relevant financial year.

### 4. Final Audit Report:

- The audit culminates in a detailed report, summarizing:
  - Verified facts,
  - Observed discrepancies,
  - Tax liabilities, penalties, or interest, and
  - Recommendations for compliance improvement.

## 4.4. FAQs: GST Audit Process

### 1. What is the first step in the GST audit process?

The audit begins with the selection of cases based on risk parameters and the issuance of **Form GST ADT-01** to the taxpayer.

**2. What records are examined during an audit?**

GST returns, financial statements, ITC registers, stock records, invoices, and supplier/customer reconciliations are commonly examined.

**3. Can the taxpayer request an extension during an audit?**

Yes, taxpayers may request an extension for submitting documents or clarifications, subject to approval by the tax officer.

**4. What happens if the taxpayer fails to cooperate during an audit?**

Non-cooperation may lead to penalties, tax recovery actions under *Section 73 or 74*, or cancellation of GST registration.

**5. How long does a GST audit take?**

General audits must be completed within **3 months**, extendable by **6 months**.

Special audits have a **90-day** timeline, extendable by another **90 days**.

**6. What is Form GST ADT-02?**

This form communicates the audit findings to the taxpayer, detailing discrepancies and proposed actions.

**7. What is the role of working papers in audits?**

Working papers document the audit process, observations, and evidence, forming the basis for the final audit report.

**8. What are the penalties for non-maintenance of records?**

Failure to maintain records can attract penalties under *Section 122* of the GST Act and may result in additional tax liabilities.

**9. Can a taxpayer appeal against audit findings?**

Yes, taxpayers can contest audit findings by filing appeals with the relevant appellate authorities.

**10. What documents must taxpayers retain for audits?**

Taxpayers must retain records such as GST returns, financial statements, invoices, ITC ledgers, and stock registers for at least **6 years** from the due date of filing the annual return.



# CHAPTER 05

## Case Selection for GST Audit

Case selection is a vital aspect of the GST audit process, ensuring effective use of resources while maintaining a balance between compliance enforcement and taxpayer facilitation. The focus is to target high-risk taxpayers, minimize harassment for compliant businesses, and ensure fairness in the selection process. With technological advancements, the use of data-driven tools and methods has become central to case selection, enabling tax authorities to identify and prioritize areas with a high likelihood of non-compliance.

### 5.1. Risk-Based Criteria for Selection

The **risk-based selection methodology** ensures that taxpayers with potentially higher non-compliance risks are prioritized for audits. It is an objective and systematic approach aimed at optimizing resource allocation while reducing the compliance burden on low-risk taxpayers.

#### 5.1.1 Core Risk Parameters

##### 1. Discrepancies in GST Returns:

- Mismatches in returns such as GSTR-1 (outward supplies), GSTR-3B (summary returns), and GSTR-9/9C (annual returns).
- Inconsistencies between taxable turnover declared and tax liability discharged.
- Missing entries or unreported supplies discovered through reconciliation.

##### 2. Input Tax Credit (ITC) Utilization:

- Claiming excessive ITC compared to industry norms or business activity.
- ITC claimed on purchases from **non-compliant suppliers** or **fake invoicing**.
- Discrepancies in the ITC ledger and supplier reconciliations.

##### 3. High-Value Refund Claims:

- Large or frequent refunds claimed by exporters or entities dealing in zero-rated supplies.
- Refund claims without corresponding inward and outward supplies.

**4. Turnover Anomalies:**

- Significant turnover spikes or steep declines compared to previous periods.
- Underreporting of turnover relative to industry benchmarks or similar businesses.

**5. Late Filing or Non-Filing of Returns:**

- Delays in filing returns such as GSTR-3B and GSTR-1.
- Habitual non-compliance in meeting statutory filing deadlines.

**6. Sector-Specific Risks:**

- High-risk industries prone to tax evasion (e.g., construction, mining, jewelry, and tobacco).
- Businesses involved in cash-based transactions or industries with a history of circular trading.

**7. Other Indicators:**

- Non-payment of taxes after issuance of notices or demand orders.
- Abnormal patterns in tax payments compared to the size of the business.
- Discrepancies between GST data and external datasets (e.g., income tax returns, Customs records).

**5.1.2 Risk Profiling and Scoring**

To prioritize cases effectively, taxpayers are assigned **risk scores** based on weighted parameters.

**1. Categorization of Taxpayers:**

- Taxpayers are classified into **low-risk, medium-risk, and high-risk** categories.
- High-risk taxpayers are prioritized for audits, while low-risk taxpayers are generally excluded unless selected randomly.

**2. Dynamic Risk Profiles:**

- Risk profiles are updated periodically based on the taxpayer's compliance history and new data inputs.
- For example, a taxpayer flagged for delayed filings may be removed from the high-risk category if subsequent filings are timely and accurate.

**3. Focus on High-Impact Areas:**

- Sectors or taxpayers contributing a significant share to the GST revenue pool are prioritized



to ensure effective enforcement.

## **5.2. Random Sampling Methods**

While risk-based selection forms the core of GST audit case selection, random sampling is employed to ensure that no taxpayer segment is overlooked. This method promotes fairness and serves as a deterrent against non-compliance across all categories of taxpayers.

### **5.2.1 Objectives of Random Sampling**

#### **1. Ensuring Equitable Representation:**

- By including taxpayers from different segments (e.g., turnover ranges, regions, and industries), random sampling ensures that no category is entirely excluded from scrutiny.

#### **2. Complementing Risk-Based Selection:**

- Random sampling captures cases that may not meet high-risk criteria but still require audit due to inherent possibilities of errors or omissions.

#### **3. Promoting Compliance Across the Spectrum:**

- The possibility of being audited deters taxpayers from adopting casual or non-compliant practices, regardless of their risk profile.

### **5.2.2 Methods of Random Sampling**

#### **1. Stratified Sampling:**

- Taxpayers are divided into distinct strata based on characteristics such as turnover, industry type, or geographical region. Samples are then drawn from each stratum.
- For example, 2% of taxpayers from turnover categories between ₹1 crore and ₹5 crore might be audited.

#### **2. Cluster Sampling:**

- Geographical regions or sectors with specific characteristics (e.g., cash-intensive businesses) are grouped into clusters, and audits are conducted on a sample of taxpayers within these clusters.

#### **3. Simple Random Sampling:**

- Taxpayers are selected randomly from the entire pool, without any specific criteria or categorization.

#### **4. Systematic Sampling:**

- A fixed interval is applied to a sorted taxpayer list, such as auditing every 10th taxpayer in





the queue.

### 5.2.3 Challenges in Random Sampling

#### 1. Administrative Constraints:

- Conducting audits on randomly selected taxpayers may strain resources, especially if such taxpayers are geographically dispersed or involve low-revenue stakes.

#### 2. Low Yield:

- Random sampling may include compliant taxpayers, resulting in minimal additional tax detection.

#### 3. Coordination with Risk-Based Models:

- Balancing risk-based selection with random sampling requires careful planning to avoid duplication of efforts.

### 5.3. Use of Analytical Tools and Data Models

The use of **data analytics and technology** has transformed the GST audit landscape, making it more efficient, accurate, and targeted. Advanced analytical tools and data models enable tax authorities to identify potential non-compliance with greater precision.

#### 5.3.1 Data Sources for Analysis

##### 1. GSTN Data:

- Taxpayer data from GSTR-1, GSTR-3B, GSTR-9, and ITC claims.
- Cross-referencing supplier and recipient data for anomalies.

##### 2. Income Tax and Customs Data:

- Integration of GST data with income tax filings and import/export data to identify turnover discrepancies.

##### 3. Third-Party Data:

- Bank transactions, payment gateway records, and other third-party reports for identifying unreported income or sales.

#### 5.3.2 Tools and Models Used

##### 1. Business Intelligence (BI) Tools:

- BI dashboards provide visual representations of taxpayer data, helping auditors identify



trends, anomalies, and risk areas.

**2. Data Mining:**

- Extracts useful patterns from taxpayer data to identify non-compliance.
- For example, detecting ITC claims without corresponding inward supplies.

**3. Predictive Models:**

- Algorithms predict future non-compliance trends based on historical data.

**4. Trend Analysis and Ratio Comparisons:**

- Analyzing turnover trends, tax-to-turnover ratios, and ITC patterns to detect unusual deviations.

**5. Anomaly Detection:**

- Identifies outliers in data sets, such as taxpayers whose ITC claims exceed turnover or refunds claimed without reported sales.

**5.3.3 Benefits of Data Analytics in Case Selection**

**1. Improved Accuracy:**

- Analytical tools help pinpoint high-risk taxpayers with greater precision.

**2. Resource Optimization:**

- Reduces manual effort and enables auditors to focus on high-impact cases.

**3. Real-Time Monitoring:**

- Enables continuous monitoring of taxpayer behavior, ensuring timely intervention.

**4. Enhanced Compliance:**

- Transparency in data usage encourages voluntary compliance, as taxpayers are aware that anomalies can be easily detected.

**5.4. Enhanced FAQs: Case Selection for GST Audit**

**1. How is risk profiling done for GST audits?**

Risk profiling involves evaluating taxpayers based on factors like ITC claims, turnover anomalies, refund patterns, and filing compliance.

**2. What role does random sampling play in GST audits?**



Random sampling ensures that low-risk taxpayers are also audited, promoting fairness and covering a broader spectrum of taxpayers.

**3. Can taxpayers contest their selection for audits?**

No, taxpayers cannot contest their selection as audits are based on risk profiles or random sampling, which are objective methodologies.

**4. What tools are used for GST audit case selection?**

Tools like BI dashboards, anomaly detection systems, predictive analytics, and data reconciliation models are commonly used.

**5. Why is sector-specific risk important in case selection?**

Certain sectors are historically prone to non-compliance, such as real estate and jewelry. Focusing on these sectors helps prevent revenue leakage.

**6. What happens if high-risk taxpayers fail to comply?**

Non-compliance by high-risk taxpayers may result in audits, penalties, and recovery actions under Sections 73 or 74.

**7. How are refund claims analyzed for audit selection?**

Refund claims are scrutinized based on the volume, frequency, and consistency with reported transactions in GST returns.

**8. What is the significance of predictive models in audits?**

Predictive models identify taxpayers likely to evade compliance in the future, enabling preemptive audits.

**9. Can random sampling identify fraudulent taxpayers?**

While random sampling is not primarily designed to detect fraud, it serves as a deterrent and ensures broader audit coverage.

**10. How does integration with external data sources improve case selection?**

Cross-referencing GST data with external datasets like income tax filings and Customs data helps detect unreported income or sales.



# CHAPTER 06

## Preparation for GST Audits

The preparation phase of GST audits is the foundation of an effective and efficient audit process. By conducting a thorough desk review, preparing an audit plan, profiling taxpayers, and ensuring team coordination, tax authorities can systematically address discrepancies while maintaining transparency and fairness. This chapter delves deeply into the components of audit preparation, offering practical insights into best practices and techniques for each stage.

### 6.1. Desk Review of Returns and Records

A **desk review** involves a detailed pre-audit analysis of taxpayer data, enabling auditors to identify potential red flags and discrepancies before initiating fieldwork. This preparatory phase allows the auditor to create a focused audit strategy and reduces unnecessary disruptions during the field audit.

#### 6.1.1 Purpose of Desk Review

##### 1. Identifying Risk Areas:

- Highlight potential discrepancies in turnover declarations, ITC claims, or refund filings.
- Pinpoint irregularities such as mismatches in returns or unexplained spikes in tax payments.

##### 2. Understanding the Taxpayer's Business:

- Familiarize auditors with the taxpayer's industry, operational model, and compliance trends.
- Analyze sector-specific risks or historical issues associated with the taxpayer's business activity.

##### 3. Preliminary Assessment:

- Perform a preliminary check on the accuracy and completeness of the records furnished by the taxpayer.

##### 4. Optimizing Field Audit Focus:

- Streamline field audit efforts by targeting specific areas of concern rather than conducting exhaustive reviews of all records.

### 6.1.2 Data Sources for Desk Review

The desk review requires comprehensive data from both internal and external sources to provide a well-rounded analysis of the taxpayer's activities:

#### 1. GST Returns:

- **GSTR-1:** To verify outward supplies and turnover.
- **GSTR-3B:** To cross-check tax liabilities discharged against outward and inward supplies.
- **GSTR-9:** To assess annual reconciliation and ensure compliance with GST reporting.

#### 2. Financial Statements:

- Income statements, balance sheets, and cash flow records to cross-verify the declared turnover.

#### 3. ITC Records:

- Examination of ITC claims, supplier reconciliation, and identification of ineligible credits.

#### 4. Refund and Adjustment Data:

- Details of refund claims and their justifications, particularly for exporters or zero-rated supplies.

#### 5. External Data Sources:

- Cross-checking GST data with income tax returns, Customs records (for imports/exports), and banking information.

### 6.1.3 Techniques Used in Desk Reviews

#### 1. Reconciliation:

- Compare GSTR-1 (outward supplies) with GSTR-3B (tax liabilities) to identify mismatches.
- Cross-verify ITC claims with supplier-reported data in GSTR-2A or GSTR-2B.

#### 2. Trend Analysis:

- Examine patterns in turnover, tax payments, and refund claims over multiple periods.

#### 3. Ratio Analysis:

- Assess ratios such as ITC-to-turnover and tax-to-turnover against industry benchmarks to detect outliers.



#### **4. Sampling Techniques:**

- Focus on high-value transactions or specific time periods showing irregularities for detailed scrutiny.

### **6.2. Preparing the Audit Plan**

The **audit plan** is a structured document that serves as a roadmap for the audit process, guiding the audit team on key focus areas, methodologies, and timelines.

#### **6.2.1 Objectives of the Audit Plan**

##### **1. Defining the Scope:**

- Specify the areas to be covered during the audit, such as turnover, ITC claims, refund scrutiny, or valuation issues.

##### **2. Resource Allocation:**

- Assign tasks to team members based on their expertise and experience.

##### **3. Mitigating Risks:**

- Address potential challenges, such as data unavailability or taxpayer non-cooperation, in advance.

##### **4. Timely Execution:**

- Set clear milestones and deadlines to ensure the audit is completed within the prescribed timeline.

#### **6.2.2 Elements of an Audit Plan**

##### **1. Audit Objectives:**

- Example: Verify the accuracy of ITC claims, assess compliance with GST filing requirements, or validate refund claims.

##### **2. Key Risk Indicators:**

- Highlight high-risk areas identified during the desk review, such as turnover fluctuations or mismatched returns.

##### **3. Documents to Verify:**

- Specify the records and reports that will be examined, such as invoices, GST returns, financial statements, and stock records.

#### 4. **Audit Methodologies:**

- Define methods such as sampling, ratio analysis, or walkthroughs of internal controls.

#### 5. **Fieldwork Strategy:**

- Outline the timeline for field visits, the scope of on-site verifications, and interaction with taxpayers.

#### 6. **Reporting Framework:**

- Set guidelines for documenting findings and preparing the final audit report.

### 6.2.3 **Best Practices for Audit Planning**

#### 1. **Use of Standardized Templates:**

- Audit plans should follow a standardized format to ensure consistency across all audits.

#### 2. **Regular Updates:**

- The audit plan should be revisited and updated as new information is gathered during the audit process.

#### 3. **Flexibility:**

- Allow room for adjustments based on unexpected findings or challenges encountered during the field audit.

### 6.3. **Profiling Taxpayers: Assessee Master File**

The **Assessee Master File** provides a comprehensive profile of the taxpayer, consolidating historical data and compliance trends into a single document.

#### 6.3.1 **Purpose of the Assessee Master File**

##### 1. **Centralized Information Repository:**

- Serves as a ready reference for auditors during desk reviews and fieldwork.

##### 2. **Enhanced Risk Assessment:**

- Facilitates the identification of high-risk areas based on the taxpayer's compliance history.

##### 3. **Improved Audit Efficiency:**

- Reduces the time spent on gathering background information during field audits.



### **6.3.2 Key Components of the Assessee Master File**

#### **1. Business Overview:**

- Taxpayer's GSTIN, nature of business, industry classification, and turnover range.

#### **2. Compliance History:**

- Filing trends for GSTR-1, GSTR-3B, and GSTR-9, including delays or non-compliance.

#### **3. Transaction Data:**

- Analysis of inward and outward supplies, ITC claimed, and tax liabilities paid.

#### **4. Refund and Adjustment Details:**

- History of refund claims and their outcomes.

#### **5. Risk Factors:**

- Previous audit findings, penalties, or notices issued to the taxpayer.

### **6.4. Coordination Among Audit Teams**

Collaboration and communication among audit team members are essential for ensuring that audits are conducted efficiently and findings are consistently documented.

#### **6.4.1 Roles and Responsibilities in Audit Teams**

##### **1. Audit Lead/Team Leader:**

- Coordinates the entire audit process, resolves disputes, and ensures adherence to timelines.

##### **2. Field Auditors:**

- Conduct on-site verification, document findings, and interact with the taxpayer.

##### **3. Data Analysts:**

- Analyze taxpayer data using BI tools and generate risk reports.

##### **4. Report Preparers:**

- Consolidate findings from all team members into a cohesive audit report.

#### **6.4.2 Collaboration Tools for Team Coordination**

##### **1. Shared Digital Platforms:**

- Cloud-based systems for accessing taxpayer data, audit plans, and working papers.



## 2. Workflow Management Tools:

- Track progress on audit tasks and assign responsibilities.

## 3. Communication Channels:

- Use of video conferencing, email threads, and messaging apps for seamless coordination.

### 6.4.3 Key Practices for Effective Coordination

#### 1. Pre-Audit Meetings:

- Discuss the audit scope, roles, and responsibilities with the team before initiating fieldwork.

#### 2. Real-Time Updates:

- Share updates on audit progress and preliminary findings during the audit.

#### 3. Post-Audit Debriefing:

- Conduct a review meeting to consolidate findings and finalize the audit report.

### 6.5. FAQs: Preparation for GST Audits

#### 1. Why is the desk review a critical phase of GST audits?

The desk review allows auditors to identify potential discrepancies and focus the field audit on high-risk areas, saving time and resources.

#### 2. What are the primary components of an audit plan?

An audit plan includes objectives, key risk areas, required documents, timelines, methodologies, and reporting guidelines.

#### 3. What is the Assessee Master File, and how does it help?

The Assessee Master File is a comprehensive profile of the taxpayer that consolidates compliance history, transaction data, and risk factors to guide the audit process.

#### 4. How do team members coordinate during audits?

Team members collaborate through shared digital platforms, pre-audit meetings, and real-time updates, ensuring seamless communication and task tracking.

#### 5. What are the tools used for desk reviews?

Tools include reconciliation software, data analytics platforms, trend analysis dashboards, and third-party data integration systems.



**6. What is the role of the team leader in audits?**

The team leader oversees the audit process, ensures adherence to timelines, resolves disputes, and reviews final reports.

**7. How does profiling taxpayers improve audit efficiency?**

Profiling taxpayers through the Assessee Master File provides insights into their operations and compliance trends, enabling auditors to focus on critical issues.

**8. What documents are analyzed during a desk review?**

GST returns, financial statements, ITC registers, invoices, stock records, and refund claims are analyzed during the desk review.

**9. What are the benefits of pre-audit meetings?**

Pre-audit meetings help align team objectives, clarify roles, and discuss the scope and key focus areas of the audit.

**10. How does the audit plan reduce errors?**

A structured audit plan ensures that all critical areas are covered systematically, minimizing oversight and improving the accuracy of findings.



# CHAPTER 07

## Conducting the GST Audit

The actual conduct of a GST audit involves an in-depth examination of records, verification of returns, evaluation of internal controls, reconciliation of financial data, and systematic resolution of discrepancies. This phase requires meticulous planning, attention to detail, and the use of advanced audit techniques to ensure accuracy and fairness. By following a structured approach, auditors can ensure compliance with GST laws and build trust with taxpayers.

### 7.1. Verification of Records and Returns

Verification of records and returns is the cornerstone of a GST audit. It ensures that the taxpayer's declarations are consistent with their actual business activities and financial transactions.

#### 7.1.1 Key Records to Verify

##### 1. GST Returns:

- **GSTR-1:** Review outward supplies and match them with invoices to ensure all taxable supplies are correctly reported.
- **GSTR-3B:** Cross-check tax liabilities, ITC utilization, and cash ledger payments against turnover and inward supplies.
- **GSTR-9/9C:** Verify annual returns and reconciliation statements for consistency with monthly and quarterly filings.

##### 2. Invoices and Tax Documents:

- Check whether invoices meet the requirements under *Section 31* of the CGST Act, including GSTIN, HSN/SAC codes, tax rate, and invoice value.
- Validate that invoices are serially numbered and comply with GST invoice rules.

##### 3. Input Tax Credit (ITC) Records:

- Verify ITC claims against supplier-reported data in GSTR-2A/2B.
- Identify discrepancies such as claiming ITC on blocked credits under *Section 17(5)* of the CGST Act.



**4. Refund Records:**

- Audit refund claims, ensuring eligibility criteria (e.g., zero-rated supplies or inverted tax structure) are met.
- Verify supporting documents like invoices, shipping bills, and bank statements.

**5. Stock and Production Records:**

- Reconcile stock records with sales invoices and purchase records to detect unaccounted transactions.
- Review production records for discrepancies between raw material usage and output declared.

**7.1.2 Common Verification Challenges**

**1. Mismatches Across Returns:**

- GSTR-1 and GSTR-3B discrepancies in turnover and outward tax liability.
- GSTR-3B and GSTR-9 inconsistencies in ITC claims or tax payments.

**2. Missing or Incomplete Records:**

- Missing invoices, incomplete stock registers, or gaps in ITC documentation.

**3. Unreported Supplies:**

- Turnover or supplies recorded in financial statements but omitted in GST returns.

**4. Misclassification of Goods and Services:**

- Goods/services classified under incorrect HSN/SAC codes to avail lower tax rates or exemptions.

**5. Valuation Issues:**

- Underreporting of transaction value by excluding incidental charges (e.g., freight, packaging) that are taxable under GST.

**7.2. Evaluating Internal Controls**

Internal controls are systems and procedures established by taxpayers to ensure compliance with GST provisions. Evaluating these controls helps auditors understand the taxpayer's approach to GST compliance and identify areas where processes may be inadequate or prone to errors.

### 7.2.1 What to Assess in Internal Controls?

#### 1. GST Compliance Systems:

- Check the robustness of systems for generating invoices, maintaining ledgers, and reconciling returns.

#### 2. Use of GST-Compliant Software:

- Verify whether accounting systems are configured to comply with GST rules for invoicing, ITC claims, and tax computation.

#### 3. Tax Payment Processes:

- Assess the workflow for determining tax liabilities and ensuring timely payments.

#### 4. Approval and Review Mechanisms:

- Evaluate whether proper checks are in place for ITC claims, refunds, and adjustments to avoid errors or fraud.

#### 5. Segregation of Duties:

- Ensure that critical tasks such as invoice issuance, return filing, and reconciliation are handled by different personnel to minimize risks.

### 7.2.2 Common Internal Control Weaknesses

1. Lack of automation in GST compliance processes.
2. Absence of periodic reconciliations between financial records and GST returns.
3. Reliance on manual processes prone to errors or manipulation.
4. Delays in filing returns and making tax payments, leading to interest and penalties.

## 7.3. Reconciliation of Financial Data

Reconciliation is a detailed comparison of financial data across GST returns, financial statements, and supporting records. It ensures that the taxpayer's declarations are consistent and compliant with GST laws.

### 7.3.1 Types of Reconciliation

#### 1. Turnover Reconciliation:

- Match the turnover reported in GSTR-1 and GSTR-3B with income tax returns, profit and loss statements, and audited financial statements.



**2. ITC Reconciliation:**

- Compare ITC claimed in GSTR-3B with supplier data in GSTR-2A/2B and inward invoices.
- Verify whether ITC on blocked credits (e.g., personal expenses, motor vehicles) is excluded.

**3. Tax Liability Reconciliation:**

- Ensure that the tax liabilities declared in GSTR-3B are fully paid and match with cash ledger balances.

**4. Stock Reconciliation:**

- Cross-verify stock records with sales and purchase invoices to detect unaccounted supplies.

**7.3.2 Advanced Reconciliation Techniques**

**1. Use of BI Tools:**

- Leverage business intelligence dashboards to automate reconciliation and flag discrepancies.

**2. Sampling for High-Value Transactions:**

- Focus on high-value or unusual transactions for detailed scrutiny.

**3. Ratio Analysis:**

- Compare taxpayer ratios (e.g., ITC-to-turnover, tax-to-turnover) with industry benchmarks.

**7.4. Handling Discrepancies**

Discrepancies identified during the audit must be addressed in a structured and transparent manner. Proper handling of discrepancies ensures compliance while protecting the taxpayer's rights.

**7.4.1 Types of Discrepancies**

**1. Non-Fraudulent Errors:**

- Clerical mistakes, unintentional omissions, or technical issues in filing returns.

**2. Fraudulent Activities:**

- Intentional non-compliance such as fake invoicing, underreporting turnover, or ITC fraud.

**7.4.2 Steps for Resolving Discrepancies**

**1. Engaging with the Taxpayer:**

- Discuss discrepancies with the taxpayer and seek explanations or additional records.

## 2. Audit Findings Report:

- Issue **Form GST ADT-02** summarizing discrepancies and proposed corrective measures.

## 3. Revisions and Rectifications:

- Allow taxpayers to rectify errors voluntarily before imposing penalties.

## 4. Recovery Proceedings:

- Initiate recovery under *Section 73* for non-fraudulent cases or *Section 74* for fraud cases, if necessary.

## 7.5. Techniques for Effective Audit Execution

Efficient execution of audits requires auditors to adopt a combination of traditional and modern techniques to maximize accuracy and minimize errors.

### 7.5.1 Key Audit Techniques

#### 1. Walkthroughs:

- Follow transactions end-to-end, from invoice issuance to tax payment, to verify compliance.

#### 2. Data Sampling:

- Audit a representative sample of invoices, transactions, or records to identify broader trends or errors.

#### 3. Advanced Analytics:

- Use analytics tools to detect patterns of non-compliance, such as excessive ITC claims or mismatches in turnover.

#### 4. Trend Analysis:

- Analyze trends in tax payments, ITC utilization, and turnover to identify anomalies.

#### 5. Interviews and Inquiries:

- Conduct discussions with key personnel involved in GST compliance to assess processes and clarify discrepancies.

### 7.5.2 Best Practices for Execution

#### 1. Focus on High-Risk Areas:

- Prioritize areas flagged during desk reviews or risk profiling.



**2. Engage with the Taxpayer:**

- Maintain open communication with taxpayers to resolve issues collaboratively.

**3. Document Observations Thoroughly:**

- Maintain detailed working papers to support audit findings and ensure transparency.

**4. Adopt a Collaborative Approach:**

- Work with the taxpayer to resolve non-fraudulent discrepancies amicably and suggest compliance improvements.

## **7.6. Expanded FAQs: Conducting the GST Audit**

**1. What is the primary focus of GST audits?**

The primary focus is to verify the accuracy of GST returns, ITC claims, and tax payments while ensuring compliance with GST laws.

**2. How do auditors evaluate internal controls?**

Auditors assess processes for tax payment, ITC claims, invoice generation, and reconciliation to ensure robust compliance systems.

**3. Why is reconciliation critical during GST audits?**

Reconciliation ensures consistency across GST returns, financial statements, and supporting records, preventing discrepancies.

**4. What are common types of discrepancies found during audits?**

Mismatched returns, incorrect ITC claims, unreported supplies, and valuation issues are common discrepancies.

**5. How do auditors handle fraudulent discrepancies?**

Fraudulent cases are addressed under *Section 74*, involving penalties, interest, and potential recovery actions.

**6. What tools are used for reconciliation?**

Tools like BI dashboards, automated reconciliation software, and sampling techniques are used to identify mismatches.



**7. How are audit findings communicated to taxpayers?**

Findings are issued in **Form GST ADT-02**, detailing discrepancies and proposed corrective actions.

**8. What is the role of trend analysis in audits?**

Trend analysis helps auditors detect unusual patterns in tax payments, ITC claims, and turnover, flagging potential non-compliance.

**9. What is the benefit of sampling in audits?**

Sampling allows auditors to focus on high-value or representative transactions, saving time and uncovering broader issues.

**10. How can auditors maintain professionalism during audits?**

Auditors should engage with taxpayers collaboratively, document findings transparently, and focus on resolving issues rather than penalizing minor errors.



# CHAPTER 08

## Post-Audit Reporting and Follow-Up

The post-audit stage is as crucial as the audit execution itself, as it determines how findings are formalized, communicated, and resolved. This phase involves drafting a detailed audit report, ensuring clear communication of findings, initiating legal action where necessary (such as issuing Show Cause Notices), and following up to ensure compliance with audit recommendations. A robust post-audit process strengthens compliance, protects revenue, and fosters trust between taxpayers and tax authorities.

### 8.1. Drafting the Audit Report

The audit report is the culmination of the entire GST audit process. It documents the findings, analyses, and recommendations in a clear, concise, and actionable format. A well-drafted audit report serves multiple purposes: informing taxpayers, assisting authorities in decision-making, and creating a legal basis for any further proceedings.

#### 8.1.1 Purpose of the Audit Report

##### 1. Summarizing Audit Findings:

- Record all discrepancies, observations, and compliance gaps identified during the audit.
- Ensure that the findings are clearly linked to specific provisions of the GST law.

##### 2. Evidence-Based Documentation:

- Provide evidence supporting discrepancies, such as mismatched returns, ITC claims without supplier data, or undervalued invoices.
- Include annexures with reconciliation statements, sample invoices, and other supporting documentation.

##### 3. Guiding Future Actions:

- Help taxpayers take corrective measures by outlining errors and suggested solutions.
- Provide authorities with a basis for initiating recovery or penalty proceedings, if necessary.

### 8.1.2 Detailed Structure of the Audit Report

#### 1. Introduction:

- Taxpayer details: GSTIN, business name, address, and nature of business.
- Audit details: Date of audit, team members, and duration of the audit.

#### 2. Scope and Objectives:

- State the scope of the audit (e.g., verification of ITC, turnover reconciliation, refund claims).
- Define the period covered by the audit (e.g., FY 2022-23).

#### 3. Summary of Key Findings:

- Provide a high-level overview of major discrepancies, such as underreported turnover, excess ITC claims, or non-filing of returns.
- Quantify additional tax liabilities, interest, and penalties wherever applicable.

#### 4. Detailed Observations:

- Organize findings by topic or section of the GST law, such as:
  - **Turnover Verification:** Underreported or unreported turnover.
  - **ITC Reconciliation:** ITC claimed without supporting supplier data.
  - **Refunds:** Irregular or inflated refund claims.
  - **Classification and Valuation:** Misclassification of goods/services or undervaluation of taxable supplies.

#### 5. Compliance Gaps:

- Highlight systemic issues, such as weak internal controls, frequent return mismatches, or reliance on non-compliant suppliers.

#### 6. Recommendations:

- Suggest corrective measures (e.g., filing revised returns, improving invoice management, regular reconciliations).

#### 7. Conclusion:

- Summarize the overall audit outcome and outline the next steps for the taxpayer and tax authorities.



### 8.1.3 Best Practices for Drafting the Report

#### 1. Clarity and Professionalism:

- Use clear, precise language and avoid technical jargon wherever possible.

#### 2. Factual Accuracy:

- Ensure that all findings are based on verifiable evidence and correctly quantified.

#### 3. Focus on Actionable Outcomes:

- Make recommendations that are practical and specific to the taxpayer's operations.

#### 4. Standardized Format:

- Use a consistent structure for all audit reports to ensure comparability and compliance with departmental guidelines.

## 8.2. Communication of Findings

Clear and effective communication of audit findings is essential for ensuring taxpayer awareness, encouraging voluntary compliance, and fostering transparency. It also ensures that taxpayers have an opportunity to respond to the observations made during the audit.

### 8.2.1 Steps for Communicating Findings

#### 1. Preliminary Discussion with Taxpayer:

- Conduct a closing meeting at the end of the field audit.
- Share preliminary findings and allow the taxpayer to provide clarifications or additional documents.
- Highlight major discrepancies and their potential consequences.

#### 2. Formal Notification:

- Issue **Form GST ADT-02**, detailing the audit findings, additional tax liabilities, interest, and penalties.
- Provide taxpayers with clear references to sections of the GST law and rules supporting the observations.

#### 3. Encourage Voluntary Compliance:

- In cases of minor or non-fraudulent discrepancies, suggest voluntary corrections through revised returns or tax payments to avoid legal proceedings.

### 8.2.2 Key Elements of Effective Communication

#### 1. Transparency:

- Provide taxpayers with detailed explanations for each discrepancy.
- Share supporting evidence, such as reconciliations or sample invoices.

#### 2. Constructive Engagement:

- Approach communication as a collaborative effort to resolve discrepancies, rather than an adversarial process.

#### 3. Time-Bound Responses:

- Clearly specify deadlines for the taxpayer to respond or take corrective action.

### 8.3. Issuing Show Cause Notices (SCNs)

When discrepancies remain unresolved or deliberate non-compliance is suspected, tax authorities must initiate legal proceedings by issuing a **Show Cause Notice (SCN)** under *Section 73* (non-fraudulent cases) or *Section 74* (fraudulent cases).

#### 8.3.1 Situations Warranting an SCN

##### 1. Failure to Rectify Errors:

- Taxpayer does not voluntarily address discrepancies or pay additional tax liabilities.

##### 2. Fraud or Willful Misstatement:

- Evidence of fraudulent practices, such as fake invoicing, ITC fraud, or underreporting of turnover.

##### 3. Non-Cooperation:

- Taxpayer fails to provide requested records or cooperate during the audit process.

#### 8.3.2 Contents of an SCN

##### 1. Description of Non-Compliance:

- Clearly outline the issue, supported by references to GST provisions and evidence gathered during the audit.

##### 2. Proposed Tax Liability:

- Quantify the additional tax liabilities, interest, and penalties.



**3. Timeframe for Reply:**

- Provide a reasonable period for the taxpayer to respond or contest the findings.

**4. Right to Hearing:**

- Inform the taxpayer of their right to request a personal hearing before adjudication.

**8.3.3 Process After Issuing an SCN**

**1. Review of Taxpayer Response:**

- Assess the taxpayer's reply and any additional documents submitted.

**2. Adjudication:**

- Conduct a hearing to evaluate the taxpayer's arguments.
- Issue a formal order under *Section 73(9)* or *Section 74(9)*, specifying tax demands, interest, and penalties.

**3. Enforcement:**

- Initiate recovery proceedings, if required, for unpaid amounts.

**8.4. Follow-Up on Audit Recommendations**

The post-audit follow-up phase ensures that taxpayers implement corrective actions, pay any additional liabilities, and improve compliance going forward.

**8.4.1 Types of Follow-Up Actions**

**1. Recovery of Liabilities:**

- Monitor payments of additional tax, interest, and penalties determined during the audit.

**2. Compliance Improvement:**

- Verify that taxpayers have rectified systemic errors, such as invoice mismanagement or delayed return filings.

**3. Periodic Reviews:**

- Conduct follow-up audits or desk reviews to ensure sustained compliance.

**8.4.2 Monitoring Compliance Using Tools**

**1. Taxpayer Dashboards:**

- Track filing behavior, ITC claims, and tax payments post-audit.

## 2. Automated Alerts:

- Use analytics tools to flag recurring errors or non-compliance in taxpayer returns.

## 3. Reconciliation Checks:

- Conduct periodic reconciliations of GST data with financial statements and external records.

### 8.4.3 Challenges in Follow-Up

1. Non-payment of tax demands despite notices.
2. Failure to implement recommended process improvements.
3. Resistance or non-cooperation from the taxpayer.

## 8.5. Grounds for invoking Section 74 of the CGST Act

Section 74 of the Central Goods and Services Tax (CGST) Act, 2017 deals with cases involving *tax evasion* arising out of *fraud, wilful misstatement, or suppression of facts*. This provision is penal in nature and mandates imposition of interest and a penalty equivalent to the amount of tax involved.

This section can be invoked only where there is *mens rea*, i.e., an intention to evade tax. Routine discrepancies or clerical errors should be handled under Section 73. Any misuse of this provision without evidence of intent can not only fail in litigation but also tarnish the credibility of the tax administration.

### When Can Section 74 Be Invoked?

The following conditions must be satisfied before invoking Section 74:

- There is *tax not paid, short paid, erroneously refunded, or input tax credit (ITC) wrongly availed or utilised*;
- The above occurs *by reason of fraud, wilful misstatement, or suppression of facts*;
- There is *material evidence* supporting the allegation;
- The taxpayer has acted with an *intent to evade payment of tax*.

### Key Definitions Under Section 74

- a. Fraud:** Not defined under GST, but generally means deliberate deception to secure unfair gain. As per Section 17 of the Indian Contract Act, fraud includes suggestion of an untrue fact knowingly or concealment of a material fact.
- b. Wilful Misstatement:** A statement that is *knowingly false, misleading or made in reckless disregard of the truth*. It must be intentional and not a result of mere oversight or misunderstanding.



- c. **Suppression of Facts:** Defined in Explanation 2 to Section 74 as non-declaration of facts which the taxpayer is legally bound to declare in returns, statements or reports, or failure to respond to written queries by the department. Suppression must be *deliberate* and *with intent to evade duty*.

#### Procedural Flow of Action Under Section 74

1. **Preliminary Determination:** The Proper Officer must form a view based on facts and records whether the case involves fraud, wilful misstatement or suppression of facts.
2. **Pre-SCN Intimation (Optional):** Officer may issue Part A of Form GST DRC-01A under Rule 142(1A), informing the taxpayer of liability.
3. **Voluntary Compliance Opportunity:**
  - If the taxpayer pays tax, interest and 15% penalty before issuance of SCN and informs via DRC-03, the matter is closed (Sec 74(5) & (6)).
4. **Issuance of SCN:**
  - If no payment is made or only partial payment is done, SCN under Form GST DRC-01 must be issued under Section 74(1).
5. **Taxpayer Response:**
  - Taxpayer can reply using Form GST DRC-06, or pay dues with 25% penalty within 30 days of SCN (Sec 74(8)).
6. **Adjudication Order:**
  - After considering reply, officer issues order in DRC-07. Penalty of 100% of tax is imposed (Sec 74(9)).
7. **Post-Order Relief:**
  - If tax, interest, and 50% penalty are paid within 30 days of order, remaining penalty is waived (Sec 74(11)).

#### Time Limits

- SCN must be issued at least 6 months before expiry of 5 years from the due date of annual return for the relevant financial year (Sec 74(2)).
- Order must be passed within 5 years from the due date of annual return or date of erroneous refund (Sec 74(10)).



## Essentials of a Valid SCN Under Section 74

For a Show Cause Notice to withstand judicial scrutiny, it must:

- Clearly specify the *allegation* (fraud/wilful misstatement/suppression);
- Contain *specific facts* and *supporting evidence*;
- Quantify the *amount of tax, interest and penalty proposed*;
- State how *mens rea* is established;
- Give the taxpayer *adequate opportunity to respond*.

## Caution for Audit Officers

Audit teams should:

- Avoid invoking Section 74 in cases of bonafide errors or interpretational issues;
- Ensure that mens rea is clearly demonstrable before recommending action under this section;
- Document the basis of forming the opinion in audit notes;
- Provide pre-SCN intimation wherever possible to promote voluntary compliance.

## Judicial Guidance

Courts have consistently held that penalty under Section 74 is quasi-criminal. In *Hindustan Steel Ltd. v. State of Orissa*, the Supreme Court held that penalty should not be imposed unless the party acted deliberately or with disregard to the law.

In *Satyam Shivam Papers Pvt. Ltd.*, the Apex Court upheld that where intent to evade tax is not established, no penalty can be sustained.

S. No	Particulars	Details
1	Applicant / Respondent	<b>Applicant:</b> M/S Singh Electrical Store <b>Respondent:</b> Superintendent CGST and Central Excise, Range Azamgarh, Division
2	In the Court of	High Court of Judicature at Allahabad
3	Issue / Grounds of Appeal	The primary issue raised by the petitioner pertains to the quashing of an order issued under Section 74 of the CGST Act, 2017. The petitioner contended that the order was passed without the application of mind and without establishing the mandatory conditions for invoking Section 74, specifically the absence of fraud, wilful misstatement, or suppression of material facts. The authority failed to justify the invocation of Section 74 over Section 73.



S. No	Particulars	Details
4	Order	The Hon'ble Court found that the impugned order dated February 21, 2025, was issued without proper reasoning or application of mind. It observed that the authority refused to assess the applicability of Section 74 despite being a crucial prerequisite. As a result, the High Court quashed the order and directed the Commissioner, CGST Varanasi to review and ensure proper application of the legal provisions. The petitioner was to be granted a fresh opportunity for hearing and adjudication.
5	Trade Implications	This ruling sets a strong precedent emphasizing the necessity of proper legal and factual justification before invoking serious penal provisions under the CGST Act. For trade and industry, this is a vital safeguard ensuring that procedural fairness and legal thresholds must be met before penalizing businesses under Section 74, which is associated with fraud and suppression. Businesses can now more confidently challenge such orders if procedural lapses are evident. This reinforces trust in judicial oversight and administrative accountability. The direction to the CGST Commissioner also implies a likely revision in internal procedures and training to prevent arbitrary actions. In practice, this could lead to reduced litigation, greater compliance confidence, and better coordination between taxpayers and authorities. It also stresses the difference in implications between Section 73 (non-fraudulent) and Section 74 (fraudulent) proceedings, urging companies to maintain robust documentation and promptly correct clerical errors to avoid unnecessary penal proceedings.
6	Implications for Authorities	From an authority's standpoint, the verdict reinforces the importance of adhering strictly to statutory mandates. Issuing an order under Section 74 without establishing fraud or suppression not only undermines the integrity of the department but exposes it to judicial censure and administrative corrective actions. The ruling mandates a systemic introspection within the CGST field offices, ensuring that adjudicating officers are well-versed with the legal thresholds of Sections 73 and 74. Authorities must document reasons for invoking penal provisions meticulously, with due justification and evidence. Furthermore, the court's direction to the CGST Commissioner to examine this trend indicates potential policy shifts and internal audits, likely triggering SOP revisions and officer training to prevent recurrence. This also alerts higher authorities that mere procedural completion without qualitative application of mind will no longer be tenable. The ruling will contribute to the evolution of a more disciplined and fair adjudication framework.

S. No	Particulars	Details
7	Author's Views	The Allahabad High Court's ruling is a classic example of judicial intervention safeguarding procedural integrity. By drawing a clear line between the application of Sections 73 and 74 of the CGST Act, the Court has prevented misuse of harsher provisions meant for fraudulent conduct. This case highlights systemic issues—officers bypassing essential steps due to workload, oversight, or lack of clarity—and the urgent need for capacity building within departments. From the trade side, this ruling is a relief, offering protection against overreach and ensuring that clerical or inadvertent errors aren't criminalized. For authorities, it's a wake-up call to revisit training protocols, legal vetting mechanisms, and ensure accountability. The Court's stern observation about the "non-application of mind" sends a message that legal discretion must be used judiciously and not as a matter of convenience. This balanced judgment promotes transparency, discipline, and respect for both administrative and business stakeholders.

S. No	Particulars	Details
1	Applicant / Respondent	Applicant: Khurshid Bibi (Legal heir of Wali Mohd) Respondent: Union of India
2	In the Court of	High Court of Jammu & Kashmir and Ladakh
3	Issue / Grounds of Appeal	Whether the issuance of Show Cause Notice (SCN), reminder notice, and recovery notice after the death of the assessee to his legal heirs without personal hearing, violates principles of natural justice under Section 74 and Section 93 of CGST/J&K GST Act, 2017.
4	Order	The High Court quashed the show cause notice dated 31.07.2024, reminder dated 26.09.2024, and recovery notice dated 19.08.2024 issued posthumously to the deceased assessee and subsequently to his legal heirs without due process. The Court held the proceedings were vitiated due to non-compliance with the principles of natural justice. Authorities are allowed to initiate fresh proceedings after issuing proper notice and hearing to legal heirs.



S. No	Particulars	Details
5	Trade Implications	<p>From an industry perspective, this judgment underscores a significant procedural safeguard for businesses and their successors. The ruling makes it clear that the liability under GST cannot be arbitrarily enforced on legal heirs without formal and proper procedural compliance. This ruling sends a strong message that businesses and tax practitioners must maintain accurate death and succession records in their compliance documentation. In the case of family-run enterprises and sole proprietorships, where succession planning is often informal or undocumented, this judgment becomes a wake-up call. Organizations and consultants must now reinforce their due diligence on legacy liabilities and ensure clear communication with tax departments in the event of an assessee's demise. Moreover, ERP systems and tax compliance modules should be designed to capture and flag such changes in taxpayer status to prevent erroneous notices. This judgment will also push professional service providers to include post-mortem tax advisory as a part of estate and succession planning services. Businesses, particularly SMEs, need to update SOPs to respond proactively to such legal procedural gaps. Failure to do so may expose them to prolonged litigation and reputational risks.</p>
6	Tax Officials implications	<p>For tax authorities, this decision reinforces the need to improve inter-departmental communication and the updating of taxpayer records. The court emphasized that statutory notices must be issued to the correct legal entities — in this case, the legal heirs — and failure to do so renders proceedings void. This sets a binding precedent that strict adherence to Sections 74 and 93 is mandatory, and any deviation undermines the enforceability of tax demands. Tax officers should implement robust internal checks to verify the status of a taxpayer before initiating proceedings. This judgment also underlines the need for the GSTN portal to have enhanced mechanisms for status updates like deceased taxpayer tagging, succession declarations, and authorization upload from legal heirs. Training and administrative circulars should be issued to all assessing officers to ensure that such procedural lapses do not recur. The decision also suggests that future departmental SOPs should include verification of taxpayer status before issuing SCNs or initiating recovery. The authorities must understand that ignoring these legal safeguards exposes them to judicial scrutiny and damages administrative credibility. Overall, the judgment encourages a more humane and legally compliant approach by revenue authorities.</p>

S. No	Particulars	Details
7	Authors Views	<p>This case exemplifies a critical intersection between statutory obligations and humane jurisprudence. While the CGST and J&amp;K GST Acts clearly outline the scope for recovery from legal heirs under Section 93, the judgment clarifies that due process — including proper notice and personal hearing — cannot be compromised. It reflects judicial sensitivity to the realities of succession and emphasizes administrative accountability. From a trade standpoint, the ruling provides much-needed reassurance that procedural justice is not to be sacrificed at the altar of revenue collection. At the same time, it challenges both taxpayers and advisors to ensure timely communication and documentation of significant events such as death of the taxpayer. For tax authorities, it's a strong reminder that automated systems and field officers must be in sync regarding taxpayer status. Courts will not hesitate to intervene where procedural fairness is ignored. The ruling should serve as a catalyst for modernizing both legal and technological frameworks within the GST administration. In essence, the judgment contributes to balancing the goals of tax compliance with the fundamental right to be heard, thus reinforcing trust in the legal system.</p>

S. No	Particulars	Details
1	Applicant / Respondent	<p>Applicant: Solvi Enterprises</p> <p>Respondent: Additional Commissioner Grade 2</p>
2	In the Court of	High Court of Allahabad
3	Issue / Grounds of Appeal	Whether the cancellation of the GST registration of the seller with retrospective effect can affect the input tax credit (ITC) claim of the buyer when the transaction occurred during the period when the seller had valid registration, and if the authorities acted in violation of principles under Section 74 without verifying GSTR filings.
4	Order	The High Court quashed the impugned demand order dated 12.09.2022 and the appellate order dated 20.10.2023, holding that since the seller was registered at the time of the transaction and returns were duly filed, the purchaser could not be held liable merely because the seller's registration was cancelled at a later date. The matter was remanded to the appropriate authority for reconsideration after verifying GSTR-1, GSTR-3B, and GSTR-2A records.



S. No	Particulars	Details
5	Trade Implications	<p>This judgment has significant ramifications for businesses across India, particularly in the manufacturing, trading, and service sectors where vendors and customers are interlinked through GST compliance. It reassures purchasers that as long as they conduct transactions in good faith with duly registered vendors and maintain proper documentation, they will not be penalized due to subsequent cancellation of supplier registrations. This clarity will reduce compliance anxiety among taxpayers who often face disallowance of ITC due to lapses beyond their control. For professionals, it underlines the need for rigorous due diligence at the time of vendor onboarding and during transaction execution, particularly verifying the contemporaneous validity of the supplier's GST registration and ensuring that returns (GSTR-1 and GSTR-3B) are correctly filed and reconciled with GSTR-2A. ERP and tax compliance systems must be adapted to flag any discrepancies in real-time, enabling businesses to proactively address issues before they escalate into legal disputes. By holding that retrospective registration cancellation cannot invalidate genuine transactions, the court has set a precedent that protects buyer rights and enhances trust in the GST system.</p>
6	Tax Officials implications	<p>From an administrative perspective, this ruling serves as a wake-up call for tax officers and GST authorities. It reinforces the obligation of the authorities to conduct a detailed and fair verification before initiating proceedings under Section 74. The court's emphasis on the failure to consider GSTR-1, GSTR-3B, and GSTR-2A records reflects poorly on the procedural robustness of the tax enforcement mechanism. Officers must be trained to assess ITC claims based on actual documentary evidence and digital trail available on the GST portal, especially when both supplier and recipient were registered and compliant at the time of transaction. Furthermore, the judgment mandates that retrospective cancellation of a supplier's registration must be viewed carefully to avoid penalizing innocent recipients. Going forward, authorities should strengthen system controls to ensure timely updates and data validation, and encourage prompt resolution of discrepancies through audits or communications rather than outright penal actions. This decision may prompt internal reviews of existing orders where ITC was denied without appropriate due diligence. It also underscores the necessity of aligning field operations with the principles of natural justice and digital transparency.</p>



S. No	Particulars	Details
7	Authors Views	The judgment is a progressive step toward ensuring balance between enforcement and fairness in the GST framework. By clearly articulating that recipients cannot be penalized for retrospective actions against suppliers when they had no control over or knowledge of such events, the Court protects the foundational principles of GST — seamless credit flow and self-assessment. The decision promotes accountability among tax officials while reassuring genuine taxpayers that the judiciary remains vigilant in upholding justice. It also highlights an urgent need for better system integrations and accountability mechanisms within the GSTN infrastructure to capture real-time compliance status. From a policy viewpoint, the case prompts reconsideration of rules governing retrospective cancellations and their impact on third parties. It is likely to influence further legal reforms and SOPs within both trade and tax departments. This balance of statutory interpretation with practical business realities makes the ruling a landmark development, one that offers clearer guardrails for both enforcement and compliance under the GST regime.

## Conclusion

Section 74 is a stringent provision and should be used judiciously. Officers must ensure that all procedural and legal safeguards are followed and the taxpayer is provided a fair opportunity to defend. Only cases backed with cogent evidence showing deliberate intent to evade tax should be brought under its ambit.

**In summary:** Use of Section 74 demands due diligence, reasoned application of mind, and legal prudence. A well-drafted SCN with substantial evidence is the foundation for successful adjudication and recovery.

## 8.6. FAQs: Post-Audit Reporting and Follow-Up

### 1. Why is the audit report important?

The audit report serves as the official record of findings, providing evidence for further action and guiding taxpayers on corrective measures.

### 2. What is the purpose of Form GST ADT-02?

It formally communicates the audit findings to the taxpayer, detailing discrepancies, liabilities, and recommended actions.



**3. What triggers the issuance of a Show Cause Notice?**

SCNs are issued when taxpayers fail to address discrepancies or when fraudulent activities, such as fake invoicing, are detected.

**4. What are the key components of an audit report?**

An audit report includes taxpayer details, a summary of findings, detailed observations, quantifications of liabilities, and compliance recommendations.

**5. What happens during adjudication after an SCN?**

During adjudication, the taxpayer presents their case, and the adjudicating authority issues an order determining the tax liability and penalties.

**6. What follow-up actions are taken post-audit?**

Follow-up actions include monitoring tax payments, ensuring compliance improvements, and conducting periodic reviews.

**7. How are audit findings communicated effectively?**

Findings are communicated through meetings, Form GST ADT-02, and collaborative discussions with the taxpayer.

**8. What tools help monitor compliance post-audit?**

Taxpayer dashboards, analytics tools, and reconciliation checks are used to track compliance and identify recurring issues.

**9. How are discrepancies addressed during follow-up?**

Discrepancies are resolved by engaging with taxpayers, issuing rectification notices, and enforcing recovery actions if necessary.

**10. Why are periodic reviews important?**

Periodic reviews ensure sustained compliance, preventing recurrence of issues highlighted in the audit.





# CHAPTER 09

## Special Provisions and Thematic Audits

Special audits and thematic audits are critical tools used by tax authorities to address complex compliance issues, systemic risks, and sector-specific challenges in the GST framework. Unlike routine audits, these audits are targeted, requiring specialized knowledge, coordination among multiple authorities, and a focused approach. This chapter delves into the detailed framework, procedures, and objectives of special audits under *Section 66*, multi-location and joint audits, and thematic audits that address specific sectors or compliance issues.

### 9.1. Conducting Special Audits

Special audits under *Section 66 of the CGST Act* are employed when transactions or compliance issues are too complex for routine audits to resolve. These audits require the involvement of a practising Cost Accountant or Chartered Accountant for in-depth analysis.

#### 9.1.1 Legal Framework for Special Audits

##### 1. Who Can Order a Special Audit?

- A special audit can be ordered by an **Assistant Commissioner** or an officer of higher rank.
- Approval from the **Commissioner** is mandatory before initiating a special audit.

##### 2. Grounds for Special Audit:

- Instances where the declared **value of taxable supplies** appears to be incorrect.
- **ITC claims** are significantly disproportionate to the taxpayer's business operations.
- **Refund claims** or turnovers reveal anomalies that cannot be resolved through routine audits.

##### 3. Timeline for Completion:

- The special audit must be completed within **90 days** from the date of the order.
- This period can be extended by another **90 days** with Commissioner approval.



**4. Cost of Audit:**

- The cost of the special audit, including professional fees for the CA or Cost Accountant, is borne by the tax authorities.

**5. Submission of Report:**

- The Cost Accountant or CA must submit a detailed audit report to the tax authorities upon completion.

**9.1.2 Detailed Steps for Special Audits**

**1. Issuance of Special Audit Order:**

- The taxpayer receives an order in writing, explaining the reasons for the audit and the scope of the audit.

**2. Submission of Records:**

- The taxpayer is required to provide all records, returns, invoices, and relevant documents for examination.

**3. Analysis by Auditor:**

- The appointed CA or Cost Accountant examines the data for issues such as:
  - Misreported turnover or undervaluation of supplies.
  - Incorrect ITC claims, especially on ineligible items under *Section 17(5)*.
  - Refund claims that lack sufficient supporting documentation.

**4. Preparation of Audit Report:**

- The auditor prepares a detailed report summarizing findings, discrepancies, and quantifications of additional tax liabilities.

**5. Follow-Up by Tax Authorities:**

- The tax officer reviews the audit report to determine necessary recovery actions, interest, or penalties.

**9.1.3 Common Scenarios for Special Audits**

**1. Complex Inter-State Transactions:**

- Businesses with extensive inter-state supply chains that show turnover mismatches.

## 2. High Refund Claims:

- Exporters or entities dealing in zero-rated supplies with large or recurring refund claims.

## 3. Misuse of ITC:

- Suspicious ITC claims from non-compliant suppliers or on ineligible goods/services.

## 4. Significant Valuation Issues:

- Declared values that seem lower than market trends or industry benchmarks.

### 9.1.4 Benefits of Special Audits

#### 1. Expert Analysis:

- Involves professional accountants who bring specialized expertise.

#### 2. Revenue Protection:

- Identifies hidden or misreported liabilities, plugging revenue leakages.

#### 3. Targeted Focus:

- Allows authorities to address specific anomalies in greater detail.

#### 4. Deterrence of Non-Compliance:

- Signals taxpayers that anomalies will face detailed scrutiny.

## 9.2. Multi-Location and Joint Audits

Multi-location and joint audits address the complexities of businesses operating in multiple states or jurisdictions under the GST regime. These audits require collaboration between central and state tax authorities for consistency and efficiency.

### 9.2.1 What Are Multi-Location and Joint Audits?

#### 1. Multi-Location Audits:

- Target taxpayers with operations spanning multiple states or Union Territories.
- Ensure compliance across all locations by consolidating data and findings.

#### 2. Joint Audits:

- Conducted by teams comprising officers from **both central and state GST authorities** to ensure alignment in observations and actions.
- Typically initiated for large taxpayers or businesses with significant inter-state transactions.



### **9.2.2 Procedure for Multi-Location and Joint Audits**

#### **1. Case Selection:**

- Taxpayers with substantial inter-state supplies, complex supply chains, or sectoral risks are prioritized.

#### **2. Appointment of Lead Officer:**

- A lead officer is designated to coordinate activities and ensure consistency across jurisdictions.

#### **3. Data Sharing Among Jurisdictions:**

- Tax authorities exchange records, GST returns, and reconciliation data for consolidated analysis.

#### **4. Fieldwork Across Locations:**

- Teams are deployed to verify records at multiple business locations, focusing on compliance with local and inter-state GST laws.

#### **5. Consolidated Reporting:**

- A unified audit report is prepared, capturing findings from all states or jurisdictions.

### **9.2.3 Challenges in Multi-Location and Joint Audits**

#### **1. Coordination Issues:**

- Collaboration among multiple authorities can lead to delays or inconsistencies in findings.

#### **2. Data Consolidation:**

- Integrating data from different jurisdictions for a comprehensive analysis can be complex.

#### **3. Avoiding Redundancy:**

- Ensuring that the same records are not repeatedly examined across locations.

#### **4. Resource Allocation:**

- Balancing resource requirements across jurisdictions for simultaneous fieldwork.

### **9.2.4 Benefits of Multi-Location and Joint Audits**

#### **1. Consistency in Treatment:**

- Ensures uniform application of GST provisions across multiple locations of the same taxpayer.

**2. Comprehensive Compliance:**

- Addresses compliance risks holistically by examining inter-state transactions.

**3. Efficient Use of Resources:**

- Pooling expertise and data results in effective and time-bound audits.

**4. Improved Revenue Realization:**

- Captures discrepancies across multiple jurisdictions, leading to higher tax recoveries.

### **9.3. Sector-Specific and Thematic Audits**

Sector-specific and thematic audits target compliance risks unique to specific industries or recurring issues identified across multiple taxpayers. These audits focus on systemic improvements rather than individual taxpayers.

#### **9.3.1 Scope of Sector-Specific and Thematic Audits**

**1. Sector-Specific Audits:**

- Target industries prone to non-compliance, such as e-commerce, real estate, pharmaceuticals, and textiles.
- Analyze compliance trends, ITC claims, and valuation issues unique to these sectors.

**2. Thematic Audits:**

- Focus on specific compliance issues like ITC misuse, refund irregularities, or valuation errors across taxpayers from different industries.

#### **9.3.2 Examples of Sector-Specific Audits**

**1. E-Commerce Platforms:**

- Verify reporting of supplies, tax collection at source (TCS), and proper reconciliation of returns.

**2. Real Estate and Construction:**

- Assess compliance with reverse charge mechanisms and classification of services.

**3. Pharmaceuticals:**

- Examine ITC claims for supply chains and ensure compliance with GST exemptions for life-saving drugs.



**4. Export-Oriented Units:**

- Audit refund claims and reconcile shipping records for zero-rated supplies.

**9.3.3 Steps in Conducting Sector-Specific or Thematic Audits**

**1. Data Gathering:**

- Collect industry-wide data on tax compliance, return filing, and refund claims.

**2. Trend Analysis:**

- Use analytics to detect common compliance gaps, such as excessive ITC claims or undervaluation.

**3. Sample-Based Reviews:**

- Audit a representative sample of taxpayers or transactions within the sector.

**4. Reporting and Recommendations:**

- Provide sector-wide recommendations for process improvements and regulatory changes.

**9.3.4 Benefits of Sector-Specific and Thematic Audits**

**1. Systemic Improvements:**

- Highlight industry-specific issues that require policy or procedural changes.

**2. Targeted Risk Mitigation:**

- Focus resources on high-risk areas to achieve maximum compliance impact.

**3. Efficient Resource Utilization:**

- Sector-focused audits optimize resource allocation compared to generalized audits.

**Expanded FAQs: Special Provisions and Thematic Audits**

**1. When is a special audit under Section 66 ordered?**

A special audit is ordered when significant discrepancies, complex transactions, or anomalies in returns require expert examination.

**2. What are the benefits of joint audits?**

Joint audits ensure consistent treatment of taxpayers across jurisdictions, improve coordination among authorities, and address inter-state compliance issues comprehensively.

**3. What is the objective of thematic audits?**

Thematic audits focus on specific compliance risks (e.g., ITC misuse, refund irregularities) across taxpayers or industries, providing insights for systemic improvements.

**4. Who bears the cost of a special audit?**

The cost of a special audit, including fees for professional auditors, is borne by the tax authorities.

**5. What challenges arise in multi-location audits?**

Coordination, data integration, and resource allocation across jurisdictions are key challenges in multi-location audits.

**6. Which industries are commonly targeted for sector-specific audits?**

Industries such as e-commerce, real estate, pharmaceuticals, textiles, and export-oriented units are often targeted due to unique compliance risks.

**7. How does a thematic audit differ from a routine audit?**

Thematic audits focus on specific compliance issues across multiple taxpayers, whereas routine audits evaluate overall compliance for individual taxpayers.

**8. How are special audit findings reported?**

Findings from special audits are documented in a detailed report by the appointed auditor and reviewed by tax authorities for further action.

**9. How are systemic risks identified in sector-specific audits?**

Data analytics and industry-wide trend analyses are used to identify systemic compliance gaps or risks.

**10. Can taxpayers contest the findings of a special or joint audit?**

Yes, taxpayers can provide clarifications, submit additional evidence, and appeal against any adverse findings.



# CHAPTER 10

## Challenges and Best Practices in GST Audits

GST audits play a pivotal role in ensuring compliance and identifying potential revenue leakages. However, they come with a unique set of challenges that must be addressed systematically by both auditors and taxpayers. This chapter takes a deep dive into the common hurdles faced during GST audits, strategies for mitigating risks, fostering taxpayer cooperation, and the transformative role of technology in simplifying and streamlining the audit process.

### 10.1 Common Challenges Faced in GST Audits

GST audits involve detailed scrutiny of records, compliance checks, and reconciliation of data across multiple returns and systems. Challenges can arise from both procedural and systemic factors, making it imperative to identify and address these issues during the audit process.

#### 10.1.1 Challenges Faced by Auditors

##### 1. Incomplete or Missing Records:

- Taxpayers often fail to maintain proper documentation as required under *Section 35* of the CGST Act. Missing invoices, stock records, or reconciliations make it difficult for auditors to verify compliance.

##### 2. Complex Business Transactions:

- Businesses engaged in cross-border trade, e-commerce, or inter-state operations often have intricate supply chains, making it challenging to reconcile transactions.
- Identifying discrepancies in such cases requires extensive data analysis and cross-verification.

##### 3. Frequent Changes in GST Laws:

- GST law undergoes regular updates through amendments, circulars, and notifications. This leads to varied interpretations, complicating the audit process.
- Auditors must stay updated on rules applicable to the period under audit, which may differ from current laws.



**4. Mismatched GST Returns:**

- Discrepancies between GSTR-1 (outward supplies), GSTR-3B (summary returns), and GSTR-9 (annual returns) are common and require extensive reconciliations.
- ITC mismatches between GSTR-2A/2B and GSTR-3B add to the complexity.

**5. Resistance from Taxpayers:**

- Some taxpayers delay providing records, submit incomplete responses, or fail to cooperate fully with the audit process.
- Non-compliance or deliberate evasion further complicates the process, especially in fraudulent cases.

**6. Large Data Volumes:**

- Auditing large taxpayers or companies with significant transaction volumes requires auditors to analyze thousands of invoices, returns, and financial records.
- Without automated tools, this becomes time-intensive and error-prone.

**7. Evolving Business Models:**

- Digital transactions, gig economy platforms, and innovative supply chains create new challenges in interpreting GST compliance, especially in areas like e-commerce and services.

**10.1.2 Challenges Faced by Taxpayers**

**1. Compliance Burden:**

- Small and medium-sized businesses (MSMEs) often lack the resources or expertise to maintain the detailed records and reconciliations required under GST.

**2. GSTN Portal Glitches:**

- Issues with the GSTN portal, such as slow processing, errors in return filings, and mismatches in system-generated data (e.g., GSTR-2A), create additional hurdles.

**3. Frequent Notices and Audits:**

- Taxpayers flagged by risk profiling often face multiple audits or notices, increasing compliance fatigue and financial burden.



**4. Lack of Awareness:**

- Misunderstanding or ignorance of GST rules, particularly among smaller businesses, leads to unintentional errors in returns, ITC claims, and tax payments.

## **10.2 Mitigating Audit Risks**

Proactively addressing potential risks in GST audits is essential to ensure smooth and effective completion of the process. Both auditors and taxpayers have a role to play in mitigating these risks.

### **10.2.1 Strategies for Auditors**

**1. Target High-Risk Areas:**

- Focus on ITC claims, refund applications, and turnover declarations identified as high-risk during the risk profiling stage.
- Use advanced tools and past compliance history to prioritize areas for scrutiny.

**2. Sampling Techniques:**

- Use systematic or stratified sampling methods to review a subset of transactions instead of auditing all records.
- High-value, high-volume, or unusual transactions should receive greater attention.

**3. Standardized Audit Practices:**

- Develop standardized templates, workflows, and checklists to maintain consistency and efficiency across audits.

**4. Training and Knowledge Updates:**

- Regular training programs for auditors ensure they are well-versed in the latest amendments, notifications, and judicial precedents related to GST law.

**5. Collaborative Approach:**

- Engage with taxpayers professionally, fostering cooperation and avoiding adversarial behavior.

### **10.2.2 Strategies for Taxpayers**

**1. Internal Reconciliations:**

- Conduct monthly or quarterly reconciliations of GST returns (e.g., GSTR-1, GSTR-3B, GSTR-9) with financial records and supplier data (GSTR-2A/2B).

**2. Invest in Technology:**

- Use GST-compliant accounting software to automate ITC claims, invoice generation, and tax payments, reducing errors.

**3. Regular Internal Audits:**

- Conduct internal GST audits periodically to identify discrepancies and rectify them before external audits.

**4. Seek Expert Guidance:**

- Engage Chartered Accountants (CAs) or GST consultants to handle complex compliance requirements and avoid legal disputes.

**5. Monitor Notices and Deadlines:**

- Respond promptly to notices and ensure timely compliance with audit requests to avoid penalties or further scrutiny.

### **10.3 Ensuring Taxpayer Cooperation**

Taxpayer cooperation is a critical success factor in GST audits. A collaborative approach ensures faster resolution of discrepancies and minimizes conflicts between taxpayers and auditors.

#### **10.3.1 Building Trust and Transparency**

**1. Clear Communication:**

- Clearly outline the purpose, scope, and legal basis of the audit to the taxpayer at the outset.
- Use pre-audit meetings to answer questions, address concerns, and clarify expectations.

**2. Setting Realistic Timelines:**

- Provide taxpayers with adequate time to gather records and respond to findings.
- Avoid frequent or overlapping deadlines for submissions.

**3. Non-Adversarial Tone:**

- Approach audits as a collaborative effort to ensure compliance rather than as an enforcement exercise.

#### **10.3.2 Recognizing Taxpayer Efforts**

**1. Acknowledging Compliance:**

- Recognize taxpayers who maintain accurate records, file returns on time, and cooperate during audits.



- Create incentive programs for high-compliance businesses to encourage voluntary adherence.

**2. Providing Guidance:**

- Educate taxpayers on how to avoid recurring errors or gaps in compliance.
- Share findings in a constructive manner to enable improvement.

## **10.4 Leveraging Technology for Audits**

Technology is a game-changer for GST audits, enabling both tax authorities and taxpayers to improve efficiency, accuracy, and timeliness.

### **10.4.1 Key Technologies Used in Audits**

**1. Data Analytics Tools:**

- Analyze GST data for trends, anomalies, and discrepancies across returns, ITC claims, and refunds.
- Tools like Power BI or Tableau can help visualize taxpayer compliance risks.

**2. Automated Reconciliation Software:**

- Match GSTR-1, GSTR-3B, and GSTR-9 with financial records and GSTR-2A/2B to identify mismatches automatically.

**3. Machine Learning Algorithms:**

- Risk profiling and predictive models use historical compliance data to flag high-risk taxpayers or transactions.

**4. Digital Workflow Platforms:**

- Track audit progress, manage timelines, and coordinate communication between audit teams and taxpayers.

### **10.4.2 Benefits of Technology Adoption**

**1. Improved Accuracy:**

- Automation reduces manual errors and improves the reliability of audit findings.

**2. Faster Resolution:**

- Advanced tools enable quick identification of issues, allowing auditors to focus on resolving key discrepancies.

**3. Enhanced Transparency:**

- Real-time dashboards provide a clear picture of compliance status, facilitating open communication with taxpayers.

**4. Scalability:**

- Technology allows tax authorities to handle a larger volume of audits simultaneously.

**10.4.3 Addressing Technology Adoption Challenges**

**1. Integration with Existing Systems:**

- Ensure taxpayer accounting systems and GSTN platforms are compatible.

**2. Training for Users:**

- Conduct regular workshops for auditors and taxpayers to familiarize them with digital tools.

**3. Data Privacy and Security:**

- Implement robust encryption, access controls, and monitoring mechanisms to safeguard sensitive taxpayer data.

**10.5 FAQs: Challenges and Best Practices in GST Audits**

**1. What is the most significant challenge in GST audits?**

The most significant challenge is reconciling mismatches in GST returns (GSTR-1, GSTR-3B, GSTR-9) with supplier data (GSTR-2A/2B).

**2. How can taxpayers minimize errors in ITC claims?**

Regularly reconcile ITC claims with supplier-reported data and use GST-compliant software to ensure accurate filings.

**3. What role does taxpayer cooperation play in audits?**

Taxpayer cooperation ensures faster completion of audits, reduces disputes, and improves the overall compliance ecosystem.

**4. How does technology enhance GST audits?**

Technology enables automation of reconciliations, real-time compliance monitoring, and efficient risk profiling, reducing manual effort.



**5. What steps can auditors take to reduce delays in audits?**

Auditors can prioritize high-risk areas, use sampling techniques, and leverage digital tools to complete audits efficiently.

**6. Why are pre-audit meetings important?**

Pre-audit meetings clarify the audit scope and expectations, addressing taxpayer concerns and fostering transparency.

**7. What is the benefit of using BI tools in audits?**

Business intelligence tools help visualize trends and anomalies, enabling auditors to focus on critical issues.

**8. How can taxpayers prepare for audits?**

Taxpayers should maintain accurate records, conduct internal audits, and reconcile GST returns regularly to identify and rectify discrepancies early.

**9. What challenges do MSMEs face in GST compliance?**

MSMEs struggle with the high compliance burden, lack of expertise, and limited resources to manage detailed reconciliations and record-keeping.

**10. What measures can improve data security in digital audits?**

Tax authorities and taxpayers should implement encryption, multi-factor authentication, and regular data security audits to protect sensitive information.



# CHAPTER 11

## Capacity Building for Audit Teams

The success of GST audits depends on the skills, expertise, and preparedness of the audit teams. With GST laws continuously evolving and businesses adopting complex processes, it is imperative to equip audit teams with the right training, analytical tools, and collaborative frameworks. This chapter highlights the training and development needs of audit teams, the importance of enhancing analytical and technological skills, the use of advanced tools like BI dashboards and DGARM, and guidelines for fostering effective team collaboration.

### 11.1. Training and Development Needs

The foundational pillar of an effective audit team is its ability to stay updated on GST laws, understand the complexities of business transactions, and adapt to emerging audit challenges. Regular training and development initiatives are essential for keeping audit teams competent and confident.

#### 11.1.1 Importance of Training for Audit Teams

##### 1. Keeping Up with Regulatory Changes:

- GST law is subject to frequent amendments through notifications, circulars, and judicial pronouncements.
- Training ensures auditors remain updated on changes and their implications for compliance.

##### 2. Understanding Complex Transactions:

- Auditors need to grasp the intricacies of inter-state supplies, reverse charge mechanisms, and sector-specific issues like e-commerce and export refunds.

##### 3. Building Sector-Specific Expertise:

- Different industries, such as construction, pharmaceuticals, and e-commerce, have unique compliance challenges.
- Training helps auditors understand industry practices, risk areas, and benchmarks.

##### 4. Developing Soft Skills:

- Communication and negotiation skills are vital for engaging with taxpayers and resolving disputes amicably.



### **11.1.2 Core Areas of Training**

**1. GST Legal Provisions and Rules:**

- Comprehensive knowledge of sections, rules, and notifications relevant to audits.

**2. Audit Techniques and Procedures:**

- Best practices in conducting desk reviews, field audits, and reconciliations.

**3. Data Analysis and Reconciliation:**

- Methods for reconciling returns (e.g., GSTR-1, GSTR-3B, GSTR-9) with financial records and supplier data.

**4. Use of Digital Tools:**

- Hands-on training on BI dashboards, reconciliation software, and risk-profiling tools.

**5. Documentation and Reporting:**

- Standardized formats and templates for preparing audit reports, issuing notices, and recording findings.

### **11.2. Enhancing Analytical and Technological Skills**

As GST audits involve large volumes of data and complex reconciliations, auditors must possess strong analytical and technological skills. These skills help them identify patterns, detect anomalies, and focus on high-risk areas efficiently.

#### **11.2.1 Importance of Analytical Skills in GST Audits**

**1. Data Interpretation:**

- Ability to interpret large datasets from GST returns, financial records, and external sources to identify trends and discrepancies.

**2. Risk Assessment:**

- Using data-driven approaches to prioritize high-risk taxpayers or transactions for detailed scrutiny.

**3. Problem-Solving:**

- Analytical skills enable auditors to uncover root causes of discrepancies and recommend corrective actions.



### 11.2.2 Building Technological Competence

#### 1. Adoption of Automated Tools:

- Training auditors to use tools that automate data reconciliation and analysis, reducing manual effort and errors.

#### 2. Proficiency in BI Tools:

- BI dashboards provide visualizations of taxpayer compliance trends, making it easier to flag anomalies.

#### 3. Understanding IT Systems:

- Familiarity with taxpayer accounting systems and GSTN portal functionalities enables effective cross-verification.

#### 4. Leveraging Predictive Analytics:

- Machine learning models can predict potential non-compliance, helping auditors focus their efforts on likely risk areas.

### 11.3. Use of Advanced Tools (BI Tools, DGARM)

The use of advanced tools is transforming GST audits by enabling data-driven decision-making and real-time compliance monitoring. Audit teams must be adept at using these tools for maximum efficiency.

#### 11.3.1 BI Tools for GST Audits

##### 1. Overview of BI Tools:

- Business Intelligence (BI) tools like Power BI and Tableau help visualize complex data, enabling auditors to detect trends, outliers, and patterns.

##### 2. Applications in Audits:

- Visualizing ITC claims, refund patterns, and tax payment trends across multiple periods.
- Generating compliance dashboards for high-risk taxpayers.

##### 3. Benefits:

- Improves decision-making by presenting data in an easily understandable format.
- Saves time by automating repetitive data analysis tasks.



### 11.3.2 Directorate General of Analytics and Risk Management (DGARM)

#### 1. Role of DGARM in GST Audits:

- DGARM provides risk scores and compliance reports based on taxpayer behavior, helping auditors prioritize high-risk cases.
- It uses machine learning algorithms and advanced analytics to detect anomalies in GST filings.

#### 2. How DGARM Supports Audits:

- Identifies discrepancies in ITC claims, refund applications, and turnover declarations.
- Provides predictive models to flag potential fraud or evasion.

#### 3. Key Metrics Analyzed by DGARM:

- Taxpayer compliance scores.
- Trends in tax payments, turnover, and refund claims.
- Supplier-recipient mismatches in ITC data.

### 11.3.3 Integrating Tools in the Audit Process

#### 1. Training on Tool Usage:

- Conduct workshops and simulations for auditors to practice using BI tools and DGARM insights.

#### 2. Centralized Data Access:

- Enable seamless access to DGARM reports, dashboards, and taxpayer compliance data for audit teams.

#### 3. Collaboration with Technology Teams:

- Work with IT specialists to resolve technical challenges and customize tools for specific audit requirements.

## 11.4. Guidelines for Effective Team Collaboration

Team collaboration is vital for the success of GST audits, especially in multi-location audits or cases involving complex taxpayer structures. Clear communication, defined roles, and effective workflows can significantly enhance productivity.

### 11.4.1 Building a Collaborative Audit Environment

#### 1. Defined Roles and Responsibilities:

- Assign specific tasks to each team member, such as desk reviews, field verification, and data analysis.
- Designate a team leader to oversee the audit process and consolidate findings.

**2. Regular Team Meetings:**

- Conduct daily or weekly meetings to track audit progress, discuss challenges, and realign objectives if needed.

**3. Knowledge Sharing:**

- Share insights, best practices, and lessons learned across team members to build collective expertise.

**4. Real-Time Communication:**

- Use digital communication tools to ensure instant sharing of updates, especially in geographically dispersed audits.

**11.4.2 Ensuring Consistency Across Teams**

**1. Standardized Templates:**

- Use pre-defined templates for data collection, observations, and reporting to maintain uniformity.

**2. Centralized Documentation:**

- Store all audit records, working papers, and findings in a centralized digital repository for easy access and review.

**3. Cross-Team Coordination:**

- Foster collaboration between desk review teams and field audit teams to ensure seamless integration of findings.

**11.4.3 Addressing Team Challenges**

**1. Resource Allocation:**

- Ensure adequate staffing and resources for high-volume audits or specialized cases.

**2. Conflict Resolution:**

- Resolve disagreements professionally through team discussions and leadership intervention.

**3. Feedback Mechanisms:**

- Collect feedback from team members on challenges faced during audits and incorporate improvements in future processes.



## 11.5. FAQs: Capacity Building for Audit Teams

### 1. Why is training important for GST audit teams?

Training ensures that auditors are up-to-date with GST laws, equipped to handle complex transactions, and skilled in using advanced tools for audits.

### 2. How can audit teams improve their analytical skills?

Analytical skills can be enhanced through training in data interpretation, trend analysis, and the use of BI tools for visualizing compliance risks.

### 3. What are the benefits of using BI tools in GST audits?

BI tools simplify data analysis by visualizing trends, highlighting anomalies, and enabling data-driven decision-making.

### 4. What is DGARM, and how does it assist auditors?

DGARM is the Directorate General of Analytics and Risk Management, which provides risk profiles, compliance scores, and predictive insights to help auditors focus on high-risk cases.

### 5. How can teams collaborate effectively during audits?

Teams can collaborate by defining clear roles, using centralized documentation, and maintaining real-time communication.

### 6. What training topics are critical for GST audit teams?

Key topics include GST laws, audit techniques, reconciliation methods, and the use of digital tools like BI dashboards and DGARM.

### 7. How do advanced tools improve audit efficiency?

Advanced tools automate data analysis, identify anomalies faster, and provide visual dashboards for better decision-making.

### 8. What are the challenges of using technology in audits?

Challenges include system integration, lack of training, and data security concerns, all of which can be mitigated with proper planning and resources.

### 9. How can knowledge sharing benefit audit teams?

Sharing best practices and lessons learned helps build collective expertise, improve efficiency, and ensure consistent audit outcomes.

### 10. What role does team leadership play in audits?

Effective leadership ensures clear communication, task delegation, conflict resolution, and alignment of team efforts toward audit objectives.



# CHAPTER 12

## Emerging Trends and Future Directions

The field of GST audits is undergoing significant transformation as technology, global practices, and changing business environments shape its future. To keep pace with these developments, tax authorities must adopt innovative methods and continuously evolve their audit frameworks. This chapter explores the potential of automation and AI, the importance of continuous updates to the audit framework, the adoption of international best practices, and strategies to foster voluntary compliance through audits.

### 12.1 Automation and AI in GST Audits

Automation and Artificial Intelligence (AI) are redefining the audit process by automating routine tasks, improving data analysis, and enabling proactive identification of compliance risks. These technologies have moved from being optional to essential, ensuring efficiency, accuracy, and scalability in GST audits.

#### 12.1.1 Role of Automation in GST Audits

##### 1. Automated Reconciliation:

- Automation tools seamlessly reconcile multiple GST returns such as GSTR-1 (outward supplies), GSTR-3B (summary return), GSTR-9 (annual returns), and supplier returns like GSTR-2A/2B.
- These tools identify mismatches in ITC claims, turnover declarations, and tax payments within seconds.

##### 2. Data Integration Across Systems:

- Automation connects the GSTN portal with taxpayer accounting systems, income tax filings, customs records, and bank statements, providing a 360-degree view of a taxpayer's compliance behavior.

##### 3. E-Invoicing Data Utilization:

- Real-time e-invoicing ensures that all transaction data is instantly available for audits, reducing reliance on physical records.



#### **4. Digital Taxpayer Profiling:**

- Automation enables the creation of detailed compliance profiles for taxpayers, which include their filing behavior, payment trends, refund history, and sector-specific risk indicators.

### **12.1.2 Applications of AI in GST Audits**

#### **1. Predictive Analytics:**

- AI algorithms use historical data to predict potential non-compliance, such as fraudulent refund claims or excessive ITC utilization.
- For example, machine learning models can flag taxpayers with a high likelihood of engaging in fake invoicing.

#### **2. Anomaly Detection:**

- AI systems scan large datasets for unusual patterns, such as under-declared turnover, mismatches between reported stock and sales, or ITC claims exceeding limits set by law.

#### **3. Behavioral Analysis:**

- AI tracks taxpayer behavior over time, identifying trends such as delayed filing, frequent amendments, or sudden spikes in refund claims that may warrant closer scrutiny.

#### **4. Advanced Fraud Detection:**

- By cross-referencing taxpayer data with third-party information, such as logistics records or Customs filings, AI can identify instances of evasion or under-reporting.

### **12.1.3 Benefits of Automation and AI in GST Audits**

#### **1. Scalability:**

- AI allows tax authorities to conduct audits across thousands of taxpayers simultaneously, even with limited human resources.

#### **2. Improved Targeting:**

- By focusing on high-risk cases, AI ensures efficient resource allocation and reduces unnecessary audits for compliant taxpayers.

#### **3. Faster Turnaround:**

- Tasks that traditionally took weeks, such as ITC reconciliation, can be completed in hours using automation.

#### 4. **Data-Driven Decision-Making:**

- AI provides actionable insights, empowering auditors to make informed decisions based on patterns and predictive models.

### 12.1.4 Challenges in Implementing Automation and AI

#### 1. **Integration with Existing Systems:**

- Many taxpayer accounting systems and the GSTN infrastructure were not originally designed for AI integration, requiring significant upgrades.

#### 2. **Cost of Implementation:**

- Developing and deploying AI-driven audit tools involves high initial investments in infrastructure and training.

#### 3. **Data Security and Privacy:**

- The use of AI raises concerns about the security and confidentiality of taxpayer data, requiring robust safeguards.

#### 4. **Skill Gaps in Audit Teams:**

- Auditors need specialized training to understand and use AI tools effectively.

## 12.2 Continuous Updates to Audit Framework

Given the dynamic nature of GST laws and business models, the audit framework must evolve continuously to stay relevant. A static audit approach risks becoming outdated and ineffective in addressing modern compliance challenges.

### 12.2.1 Importance of an Evolving Audit Framework

#### 1. **Adapting to Legal Changes:**

- Frequent amendments in GST laws—such as changes to e-invoicing thresholds, ITC restrictions, or refund mechanisms—must be promptly incorporated into the audit framework.

#### 2. **Addressing Emerging Business Models:**

- The growth of e-commerce, digital services, and gig economy platforms has introduced new complexities in GST compliance that traditional audit frameworks may not cover.

#### 3. **Enhancing Risk-Based Auditing:**



- Continuous updates to risk profiling criteria, such as incorporating DGARM insights, ensure audits remain focused on high-risk areas.

#### **4. Global Integration:**

- As international trade grows, audit frameworks must align with global standards to address cross-border supply chain compliance.

### **12.2.2 Practical Steps to Update the Framework**

#### **1. Periodic Review Committees:**

- Form committees to review audit policies, procedures, and tools every six months, incorporating feedback from completed audits.

#### **2. Integration of Advanced Tools:**

- Gradually integrate new technologies, such as BI dashboards and AI-powered anomaly detection, into routine audit processes.

#### **3. Customized Sector-Specific Guidelines:**

- Develop specialized audit modules for high-risk sectors like real estate, pharmaceuticals, and e-commerce.

#### **4. Use of Historical Audit Data:**

- Analyze data from past audits to identify recurring compliance gaps and update methodologies accordingly.

### **12.3 Adopting International Best Practices**

Global tax systems offer valuable insights into how GST audits can be made more effective. Countries with mature GST or VAT systems have successfully implemented innovative audit practices, many of which can be adapted for India.

#### **12.3.1 Lessons from International Practices**

##### **1. Real-Time Compliance Monitoring (Brazil):**

- Brazil mandates real-time electronic invoicing and tax reporting, which reduces errors and provides auditors with immediate access to transaction data.

##### **2. Cross-Agency Collaboration (Australia):**

- Australia's tax authorities collaborate with Customs, banks, and other agencies to share data and identify discrepancies across filings.



**3. Proactive Education (New Zealand):**

- Regular taxpayer education campaigns help businesses understand compliance requirements and reduce audit-triggering errors.

**4. Advanced Risk Profiling (UK):**

- The UK uses predictive risk models to flag potential non-compliance before it occurs, focusing audits only on high-risk taxpayers.

**12.3.2 Adapting International Models for Indian GST**

**1. Strengthen E-Invoicing Ecosystem:**

- Expand the e-invoicing system to include all taxpayers, enabling real-time data availability for audits.

**2. Inter-Agency Data Sharing:**

- Build a centralized database that integrates data from GST, Customs, and Income Tax for cross-verification.

**3. Focus on Taxpayer Training:**

- Launch large-scale awareness campaigns to educate taxpayers on maintaining compliance and avoiding common errors.

**12.4 Enhancing Voluntary Compliance Through Audits**

GST audits should not only focus on detecting non-compliance but also aim to promote voluntary compliance. Taxpayers who are educated and engaged are more likely to comply willingly, reducing the burden on audit teams and ensuring long-term revenue growth.

**12.4.1 How Audits Drive Compliance**

**1. Highlighting Common Errors:**

- Audits reveal systemic errors in record-keeping or ITC claims, which can be addressed through taxpayer education.

**2. Promoting Self-Audits:**

- Businesses that understand audit findings are more likely to conduct regular internal audits to prevent future discrepancies.



**3. Building Trust in the System:**

- Transparent audits reassure taxpayers that the system is fair, fostering greater participation in compliance efforts.

**12.4.2 Strategies to Enhance Voluntary Compliance**

**1. Collaborative Approach:**

- Frame audits as a collaborative effort to improve compliance rather than a punitive exercise.

**2. Recognition for Compliance:**

- Acknowledge taxpayers who consistently demonstrate high levels of compliance through awards or certifications.

**3. Simplify Compliance Processes:**

- Reduce the complexity of return filing and documentation requirements, especially for MSMEs.

**12.5 Emerging Trends and Future Directions**

**1. What is the role of e-invoicing in GST audits?**

E-invoicing ensures real-time transaction reporting, reducing discrepancies and enabling quicker audit conclusions.

**2. How can AI improve fraud detection in GST audits?**

AI detects patterns and anomalies that may indicate fraudulent activities, such as fake invoicing or overclaimed refunds, by analyzing vast amounts of data.

**3. What are the benefits of adopting international GST practices?**

International practices, such as real-time monitoring and inter-agency collaboration, improve efficiency and reduce non-compliance.

**4. How can audits promote voluntary compliance?**

Audits educate taxpayers on maintaining compliance, highlight areas for improvement, and build trust through transparency.

**5. Why is continuous updating of the audit framework necessary?**

An updated framework ensures relevance in a changing regulatory and business environment, addressing new risks and compliance challenges.



# ANNEXURE 01

## Understanding Financial Statements:

Financial statements are a cornerstone of any organization's accounting records. For those who may not have a commerce background, these statements can seem intimidating at first. However, with a little guidance, they can be understood and effectively used to assess an organization's financial health. In this blog, we'll break down the basics of financial statements, their purpose, how to interpret them, and which accounts to review for detecting revenue leakage.

### What Are Financial Statements?

Financial statements are formal records of the financial activities and position of a business, organization, or individual. They are prepared periodically and provide a summary of how well the organization is performing financially. The main types of financial statements include:

- Income and Expenditure Statement
- Trading Account
- Profit and Loss Account
- Balance Sheet

These statements collectively present a comprehensive picture of financial performance and position.

### Why Are Financial Statements Used?

Financial statements serve several purposes:

1. **Performance Assessment:** They show how well the organization is managing its resources and generating profit.
2. **Decision Making:** They help stakeholders, including owners, investors, and officers, make informed decisions.
3. **Compliance:** They ensure the organization complies with tax regulations and other statutory requirements.
4. **Financial Health Check:** They provide insight into liquidity, profitability, and solvency.

For department officers, financial statements are critical for monitoring and identifying discrepancies or revenue leakages.



## How to Read Financial Statements

To effectively interpret financial statements, focus on the following steps:

1. **Understand the Purpose of Each Statement:** Each statement provides specific insights (e.g., profitability, financial position).
2. **Look for Trends:** Compare figures over different periods to identify patterns in performance.
3. **Focus on Key Metrics:** Metrics such as revenue, expenses, net profit, and liabilities are crucial for understanding the financial situation.
4. **Connect the Dots:** Analyze how figures in one statement relate to others. For instance, the profit from the Profit and Loss Account reflects in the Balance Sheet's retained earnings.

## Trading Account

The Trading Account focuses on the direct results of buying and selling goods or services. It calculates **gross profit** by comparing:

- **Sales Revenue:** Total earnings from goods sold.
- **Cost of Goods Sold (COGS):** The direct costs of producing or purchasing those goods.

Formula: **Gross Profit = Sales – COGS**

The Trading Account is vital for understanding the core profitability of the organization's main business activities.

## Income and Expenditure Statement

An Income and Expenditure Statement is typically used by non-profit organizations. It records:

- **Income:** Money earned from various sources, like donations or grants.
- **Expenditure:** Money spent on operations, salaries, and other costs.

This statement reveals whether the organization is operating within its means or overspending.

## Profit and Loss Account

The Profit and Loss (P&L) Account, also known as the Income Statement, provides a detailed account of:

- **Revenues:** Total income from all sources.
- **Expenses:** Operational costs, interest, taxes, etc.

The bottom line of this statement shows **Net Profit or Loss** after deducting all expenses from revenues. The P&L Account helps in understanding whether the organization is financially viable over a specific period.

## Balance Sheet

The Balance Sheet is a snapshot of an organization's financial position at a specific point in time. It comprises:

- **Assets:** What the organization owns (e.g., cash, equipment, investments).
- **Liabilities:** What the organization owes (e.g., loans, accounts payable).
- **Equity:** The owners' claim on the organization's assets.

Formula: **Assets = Liabilities + Equity**

The Balance Sheet reveals the financial stability and solvency of the organization.

Which Accounts Should Officers Review for Revenue Leakage?

To detect revenue leakage, officers should pay close attention to:

1. **Sales Records:** Ensure all sales are accurately recorded and reconciled.
2. **Accounts Receivable:** Check for overdue payments or uncollected dues.
3. **Purchase Records:** Look for discrepancies in procurement and inventory management.
4. **Expense Accounts:** Identify unusual or inflated expenses.
5. **Cash Flow Statements:** Monitor cash inflows and outflows for irregularities.
6. **Bank Reconciliations:** Match bank statements with accounting records to uncover omissions or unauthorized transactions.

## Conclusion

Financial statements are not just accounting tools; they are essential for transparency, decision-making, and financial monitoring. By understanding the key components of these statements and knowing where to focus, department officers can ensure financial accuracy and detect revenue leakages effectively. With this foundational knowledge, even those without a commerce background can confidently navigate the world of financial statements.



## ANNEXURE 02

### Trial Balance

The trial balance is a pivotal document summarizing the balances of all ledger accounts. It forms the foundation for preparing the profit and loss account and the balance sheet.

#### Expanded Audit Focus:

- **Understanding the Chart of Accounts:** Familiarize yourself with the account structure, grouping, and coding system to grasp how data flows from ledgers into financial statements.
- **Selection for Scrutiny:** Identify ledger accounts that directly or indirectly affect GST compliance, such as taxable supply accounts, ITC accounts, or adjustment accounts for provisions.
- **Detect Unusual Accounts:** Look for unusual entries, such as loss of inputs or non-recurring income accounts, which might not appear in the financial statements but could indicate errors or deliberate omissions impacting GST.
- **Detailed Review of Revenue Accounts:** Examine income categories like job work income, freight charges, or technical consultation fees to ensure they are correctly reported and taxed under GST.
- **Correlation with GST Returns:** Cross-check turnover and other critical balances reported in the trial balance against GSTR-3B, GSTR-1, and annual returns to detect variances.

### Profit and Loss Account

The profit and loss account provides a detailed picture of income earned and expenses incurred during the year, showcasing the operational results of the business.

#### Expanded Audit Focus:

- **Income Verification:** Break down consolidated revenue into detailed components to ensure taxable income streams are fully captured. Scrutinize ancillary income sources like sale of scrap, insurance claims, and interest income for GST implications.
- **Expense Review:** Evaluate major expense heads to identify transactions liable for reverse charge GST, such as transportation or imported services. Scrutinize reimbursements for compliance with *Rule 33 of CGST Rules, 2017*.

- **Yearly Comparisons:** Analyze year-on-year changes in both income and expenses to identify anomalies or unexplained fluctuations that could indicate unreported supplies or tax liabilities.
- **Use of Ratios:** Employ ratios, such as the input-to-output cost ratio or gross profit ratio, to assess operational efficiency and uncover discrepancies in ITC claims or valuation of supplies.

### Balance Sheet

The balance sheet reflects the financial position of the organization, detailing its assets, liabilities, and equity as of the reporting date.

#### Expanded Audit Focus:

- **Share Capital and Investments:** Examine the share capital schedule for disclosures about related parties, including subsidiaries or holding companies. Ensure valuation of supplies between related parties adheres to *Rule 28 of CGST Rules, 2017*.
- **Fixed Assets:** Verify additions to and disposals of fixed assets. Check if GST was paid on disposals and if ITC on capital goods was availed and reversed correctly, where applicable.
- **Liabilities:** Investigate contingent liabilities, disputed tax liabilities, and unrecorded liabilities for potential GST implications. For loans, assess whether any interest or related charges are taxable.
- **Inventories:** Cross-check inventory valuations and movement, ensuring GST compliance in case of inventory write-offs, obsolescence, or unserviceable goods.

### Notes to the Accounts

The notes to the accounts provide detailed explanations and disclosures that supplement the financial statements.

#### Expanded Audit Focus:

- **Significant Accounting Policies:** Review policies on revenue recognition, stock valuation, and treatment of non-recoverable debt to ensure compliance with GST provisions.
- **Quantitative Data Analysis:** Study notes that disclose inward and outward supply volumes. Adjustments for shortages, losses, or write-offs should be reconciled with GST returns.
- **Disclosures of Related Party Transactions:** Analyze transactions involving related parties for proper valuation and compliance under GST. Ensure alignment with *Section 15 of CGST Act, 2017*.
- **Changes in Accounting Practices:** Note any changes in accounting methods (e.g., from cash to accrual) and their impact on GST liability.



## Annual Report

The annual report offers a high-level overview of the company's performance, strategy, and financial outcomes.

### Expanded Audit Focus:

- **Director's Report:** Extract key insights about operational changes, market strategies, and supply chain modifications that might have GST implications.
- **Statutory Auditor's Report:** Review any qualified or adverse opinions that might indicate compliance risks, such as inventory discrepancies or improper ITC claims.
- **CARO Report:** Use this section to check for unresolved tax disputes, physical verification discrepancies, or issues with asset records.

## Director's Report

The director's report offers a narrative on the company's performance and plans, providing valuable contextual information.

### Expanded Audit Focus:

- **Foreign Exchange Transactions:** Identify foreign exchange earnings and payments for taxable transactions under reverse charge.
- **Operational Highlights:** Align major initiatives, such as new product launches or capacity expansions, with GST filings to ensure all taxable supplies are reported.
- **Forward-Looking Statements:** Review plans for future expansion or restructuring to anticipate potential GST implications.

## Cost Audit Report

This report contains granular details of costs associated with production, capacity utilization, and related party transactions.

### Expanded Audit Focus:

- **Reconciliation with GST Returns:** Cross-verify quantitative data on production and sales with GST returns to identify underreporting or misclassification.
- **Valuation of Supplies:** Use cost statements to assess the valuation of supplies under cost construction rules, particularly for self-supplies or transfers.
- **Analysis of Related Party Transactions:** Examine details of supplies between related parties for adherence to GST valuation rules.



### What is Cost Audit?

- **Cost Audit** is the verification of cost records and cost accounts to ensure their accuracy and compliance with statutory requirements.
- It involves reviewing the cost of production, operation, processing, or manufacturing of goods and services.
- Facilitates compliance with **Section 148 of the Companies Act, 2013** and **Cost Records and Audit Rules (CCRAR), 2014**.

### To Whom is Cost Audit Applicable?

- **Companies in Table A (Regulated Sectors):**
  - If annual turnover is **₹50 crore or more** and product/service turnover is **₹25 crore or more**.
- **Companies in Table B (Non-Regulated Sectors):**
  - If annual turnover is **₹100 crore or more** and product/service turnover is **₹35 crore or more**.
- **Exemptions:**
  - Micro and small enterprises under MSME Act, 2006.
  - Companies below the above turnover thresholds.

### What are Cost Records?

- **Accounting and statistical records** related to:
  - Utilization of materials, labor, overheads.
  - Production, processing, manufacturing of goods or services.
- Help in tracking the cost structure and ensuring proper reporting under cost accounting systems.

### How Cost Audit Data Supports GST Compliance

- **Input Tax Credit (ITC):**
  - Ensures **ITC claimed matches actual cost incurred**, reducing risk of non-compliance and penalties.
- **HSN Summary & Quantitative Analysis:**
  - Cost audit annexures include **HSN-wise data** showing:



- Value of supplies
- Tax rates
- Taxes payable and paid
- Reconciliation of indirect taxes
- Approved by the **Board of Directors**
- **Reconciliation for GST Returns:**
  - Quantitative data includes:
    - Total quantity available
    - Samples/captive consumption
    - Export and domestic outward supply
  - **Helps audit officers reconcile with GST returns** and detect variances.
- **Valuation Under Rule 30, CGST Rules, 2017:**
  - Cost Statements (e.g., Cost of Production) used for valuation where supply value isn't otherwise determinable.
- **Annexure D6 (Reconciliation of Indirect Taxes):**
  - Critical part of cost audit report.
  - Captures GST data – although updated format is pending notification, the Institute advises inclusion in the **CRA-3** report under **observations/suggestions**.

## **Regulated Sectors**

- 1. Telecommunication services**  
*(Regulated by TRAI under the TRAI Act, 1997)*
- 2. Electricity – Generation, transmission, distribution and supply**  
*(Regulated under the Electricity Act, 2003)*
- 3. Petroleum products**  
*(Regulated under the Petroleum and Natural Gas Regulatory Board Act, 2006)*
  - Customs Tariff: 2709 to 2715
- 4. Drugs and pharmaceuticals**
  - Customs Tariff: 2901 to 2942; 3001 to 3006

**5. Fertilisers**

- Customs Tariff: 3102 to 3105

**6. Sugar and industrial alcohol**

- Customs Tariff: 1701; 1703; 2207

**Non-Regulated Sectors**

**1. Machinery and mechanical appliances for defence, space and atomic energy**

- Customs Tariff: 8401; 8801 to 8805; 8901 to 8908

**2. Turbo jets and turbo propellers**

- Customs Tariff: 8411

**3. Arms, ammunitions, and explosives**

- Customs Tariff: 3601 to 3603; 9301 to 9306

**4. Propellant powders and explosive devices**

- Customs Tariff: 3601 to 3603

**5. Radar, radio navigational and remote control apparatus**

- Customs Tariff: 8526

**6. Tanks and armoured fighting vehicles (90%+ government funded)**

- Customs Tariff: 8710

**7. Port services (e.g., stevedoring, mooring, loading/unloading)**

*(Regulated by Tariff Authority for Major Ports)*

**8. Aeronautical services at airports**

*(Regulated by AERA under AERA Act, 2008)*

**9. Iron and steel**

- Customs Tariff: 7201 to 7229; 7301 to 7326

**10. Roads and infrastructure projects**

*(As per Companies Act Schedule VI)*

**11. Rubber and allied products**

*(Regulated by the Rubber Board)*

- Customs Tariff: 4001 to 4017



**12. Coffee and tea**

- Customs Tariff: 0901 to 0902

**13. Railway or tramway locomotives and equipment**

- Customs Tariff: 8601 to 8609

**14. Cement**

- Customs Tariff: 2523; 6811 to 6812

**15. Ores and mineral products**

- Customs Tariff: 2502 to 2522; 2524 to 2526; 2528 to 2530; 2601 to 2617

**16. Mineral fuels (excluding petroleum)**

- Customs Tariff: 2701 to 2708

**17. Base metals**

- Customs Tariff:  
7401 to 7403; 7405 to 7413; 7419; 7501 to 7508; 7601 to 7614; 7801 to 7802; 7804; 7806;  
7901 to 7905; 7907; 8001; 8003; 8007; 8101 to 8113

**18. Inorganic & organic chemicals, rare-earth elements**

- Customs Tariff:  
2801 to 2853; 2901 to 2942; 3801 to 3807; 3402 to 3403; 3809 to 3824

**19. Jute and jute products**

- Customs Tariff: 5303, 530713, 5310

**20. Edible oil**

- Customs Tariff: 1507 to 1518

**21. Construction industry**

*(As per Companies Act Schedule VI)*

**22. Health services** *(Hospitals, diagnostic centres, labs)*

**23. Education services** *(excluding philanthropic/non-business educational services)*

**24. Milk powder**

- Customs Tariff: 0402

**25. Insecticides**

- Customs Tariff: 3808

**26. Plastics and polymers**

- Customs Tariff:  
3901 to 3914; 3916 to 3921; 3925

**27. Tyres and tubes**

- Customs Tariff: 4011 to 4013

**28. Pulp and paper**

- Customs Tariff: 4701 to 4704; 4801 to 4802

**29. Textiles**

- Customs Tariff:  
5004 to 5007; 5106 to 5113; 5205 to 5212; 5303; 5307; 5310; 5401 to 5408; 5501 to 5516

**30. Glass**

- Customs Tariff: 7003 to 7008; 7011; 7016

**31. Other machinery and mechanical appliances**

- Customs Tariff: 8403 to 8487

**32. Electrical and electronic machinery**

- Customs Tariff:  
8501 to 8507; 8511 to 8512; 8514 to 8515; 8517; 8525 to 8536; 8538 to 8547

**33. Medical devices** (including stents, implants, prosthetics, pacemakers, etc.)

- Customs Tariff: 9018 to 9022

**Income Tax Audit Report**

This report includes detailed disclosures on income, expenses, and tax compliance under the Income Tax Act.

**Expanded Audit Focus:**

- **ITC Reconciliation:** Validate the ITC details provided under *Clause 27(a)* with GST returns to confirm accuracy.



- **Depreciation and ITC on Capital Goods:** Cross-check the data in *Clause 18* for compliance with GST rules on capital goods ITC.
- **Prior Period Adjustments:** Ensure prior period incomes and expenses under *Clause 21(b)* are accounted for in GST returns, as per the time of supply rules.

## TDS Certificates

TDS certificates provide a critical link for reconciling income reported in books with GST filings.

### Expanded Audit Focus:

- **Reconciliation of Receipts:** Match total receipts from TDS certificates with books of accounts after deducting GST, ensuring consistency.
- **Classification of Services:** Confirm the categorization of services in TDS certificates aligns with GST classifications.
- **Examine GST Implications:** Ensure that GST liabilities are properly reported for discrepancies in the head of service or supplies.



# ANNEXURE 03

## Important Provisions of GST

### Important Definitions

#### CGST Act 2017

Section 2(2) “**address of delivery**” means the address of the recipient of goods or services or both indicated on the tax invoice issued by a registered person for delivery of such goods or services or both;

Section 2 (6) “**aggregate turnover**” means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess;

Section 2 (13) “**audit**” means the examination of records, returns and other documents maintained or furnished by the registered person under this Act or the rules made thereunder or under any other law for the time being in force to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess his compliance with the provisions of this Act or the rules made thereunder;

Section 2 (17) “**business**” includes -

- (a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;
- (b) any activity or transaction in connection with or incidental or ancillary to sub-clause (a);
- (c) any activity or transaction in the nature of sub-clause (a), whether or not there is volume, frequency, continuity or regularity of such transaction;
- (d) supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;
- (e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;
- (f) admission, for a consideration, of persons to any premises;



- (g) *services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;*
- (h) *<sup>5</sup>[activities of a race club including by way of totalisator or a license to book maker or activities of a licensed book maker in such club; and]*
- (i) *any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities;*

Section 2 (19) “**capital goods**” means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business;

Section 2 (30) “**composite supply**” means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;

*Illustration.- Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply;*

Section 2 (31) “**consideration**” in relation to the supply of goods or services or both includes-

- (a) *any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;*
- (b) *the monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;*

**Provided** that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply;

Section 2 (32) “**continuous supply of goods**” means a supply of goods which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, whether or not by means of a wire, cable, pipeline or other conduit, and for which the supplier invoices the recipient on a regular or periodic basis and includes supply of such goods as the Government may, subject to such conditions, as it may, by notification, specify;

Section 2 (33) “**continuous supply of services**” means a supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with



periodic payment obligations and includes supply of such services as the Government may, subject to such conditions, as it may, by notification, specify;

Section 2 (35) “**cost accountant**” means a cost accountant as defined in <sup>7</sup>[clause (b)] of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 (23 of 1959);

Section 2 (47) “**exempt supply**” means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes nontaxable supply;

Section 2 (49) “**family**” means,-

- (i) the spouse and children of the person, and
- (ii) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person;

Section 2 (52) “**goods**” means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply;

Section 2 (56) “**India**” means the territory of India as referred to in article 1 of the Constitution, its territorial waters, seabed and sub-soil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976 (80 of 1976), and the air space above its territory and territorial waters;

Section 2 (61) “**Input Service Distributor**” means an office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, for or on behalf of distinct persons referred to in section 25, and liable to distribute the input tax credit in respect of such invoices in the manner provided in section 20;

Section 2 (64) “**intra-State supply of goods**” shall have the same meaning as assigned to it in section 8 of the Integrated Goods and Services Tax Act;

Section 2 (65) “**intra-State supply of services**” shall have the same meaning as assigned to it in section 8 of the Integrated Goods and Services Tax Act;

Section 2 (69) “**local authority**” means-

- (a) a “Panchayat” as defined in clause (d) of article 243 of the Constitution;
- (b) a “Municipality” as defined in clause (e) of article 243P of the Constitution;



- (c) a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal or local fund;
- (d) a Cantonment Board as defined in section 3 of the Cantonments Act, 2006 (41 of 2006);
- (e) a Regional Council or a District Council constituted under the Sixth Schedule to the Constitution;
- (f) a Development Board constituted under article 371<sup>8</sup> [and article 371J] of the Constitution; or
- (g) a Regional Council constituted under article 371A of the Constitution;

Section 2 (70) **“location of the recipient of services”** means,-

- (a) where a supply is received at a place of business for which the registration has been obtained, the location of such place of business;
- (b) where a supply is received at a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere), the location of such fixed establishment;
- (c) where a supply is received at more than one establishment, whether the place of business or fixed establishment, the location of the establishment most directly concerned with the receipt of the supply; and
- (d) in absence of such places, the location of the usual place of residence of the recipient;

Section 2 (71) **“location of the supplier of services”** means,-

- (a) where a supply is made from a place of business for which the registration has been obtained, the location of such place of business;
- (b) where a supply is made from a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere), the location of such fixed establishment;
- (c) where a supply is made from more than one establishment, whether the place of business or fixed establishment, the location of the establishment most directly concerned with the provisions of the supply; and
- (d) in absence of such places, the location of the usual place of residence of the supplier;

Section 2 (76) **“motor vehicle”** shall have the same meaning as assigned to it in clause (28) of section 2 of the Motor Vehicles Act, 1988 (59 of 1988);

Section 2 (77) **“non-resident taxable person”** means any person who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India;

Section 2 (78) “**non-taxable supply**” means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act;

Section 2 (83) “**outward supply**” in relation to a taxable person, means supply of goods or services or both, whether by sale, transfer, barter, exchange, licence, rental, lease or disposal or any other mode, made or agreed to be made by such person in the course or furtherance of business;

Section 2 (84) “**person**” includes-

- (a) an individual;
- (b) a Hindu Undivided Family;
- (c) a company;
- (d) a firm;
- (e) a Limited Liability Partnership;
- (f) an association of persons or a body of individuals, whether incorporated or not, in India or outside India;
- (g) any corporation established by or under any Central Act, State Act or Provincial Act or a Government company as defined in clause (45) of section 2 of the Companies Act, 2013 (18 of 2013);
- (h) any body corporate incorporated by or under the laws of a country outside India;
- (i) a co-operative society registered under any law relating to co-operative societies;
- (j) a local authority;
- (k) Central Government or a State Government;
- (l) society as defined under the Societies Registration Act, 1860 (21 of 1860);
- (m) trust; and
- (n) every artificial juridical person, not falling within any of the above;

Section 2 (85) “**place of business**” includes-

- (a) a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both; or
- (b) a place where a taxable person maintains his books of account; or
- (c) a place where a taxable person is engaged in business through an agent, by whatever name called;



Section 2 (93) “**recipient**” of supply of goods or services or both, means-

- (a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
- (b) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and
- (c) where no consideration is payable for the supply of a service, the person to whom the service is rendered, and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied;

Section 2 (96) “**removal**” in relation to goods, means-

- (a) despatch of the goods for delivery by the supplier thereof or by any other person acting on behalf of such supplier; or
- (b) collection of the goods by the recipient thereof or by any other person acting on behalf of such recipient;

Section 2 (98) “**reverse charge**” means the liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both under sub-section (3) or sub-section (4) of [section 9](#), or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act;

Section 2 (101) “**securities**” shall have the same meaning as assigned to it in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);

Section 2 (102) “**services**” means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged;

Section 2 (105) “**supplier**” in relation to any goods or services or both, shall mean the person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied;

Provided that a person who organises or arranges, directly or indirectly, supply of specified actionable claims, including a person who owns, operates or manages digital or electronic platform for such supply, shall be deemed to be a supplier of such actionable claims, whether such actionable claims are supplied by him or through him and whether consideration in money or money's worth, including virtual digital assets, for supply of such actionable claims is paid or conveyed to him or through him or placed at his disposal in

any manner, and all the provisions of this Act shall apply to such supplier of specified actionable claims, as if he is the supplier liable to pay the tax in relation to the supply of such actionable claims.

Section 2 (112) **“turnover in State”** or “turnover in Union territory” means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis) and exempt supplies made within a State or Union territory by a taxable person, exports of goods or services or both and inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person but excludes central tax, State tax, Union territory tax, integrated tax and cess;

Section 2 (119) **“works contract”** means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract;

### **Integrated Goods and Services Taxes Act 2017**

Section 2 (3) **“continuous journey”** means a journey for which a single or more than one ticket or invoice is issued at the same time, either by a single supplier of service or through an agent acting on behalf of more than one supplier of service, and which involves no stopover between any of the legs of the journey for which one or more separate tickets or invoices are issued.

**Explanation:-** For the purposes of this clause, the term “stopover” means a place where a passenger can disembark either to transfer to another conveyance or break his journey for a certain period in order to resume it at a later point of time;

Section 2 (4) **“customs frontiers of India”** means the limits of a customs area as defined in section 2 of the Customs Act, 1962;

Section 2 (5) **“export of goods”** with its grammatical variations and cognate expressions, means taking goods out of India to a place outside India;

- (6) “export of services” means the supply of any service when,-
- (i) the supplier of service is located in India;
  - (ii) the recipient of service is located outside India;
  - (iii) the place of supply of service is outside India;
  - (iv) the payment for such service has been received by the supplier of service in convertible foreign exchange <sup>1</sup>[or in Indian rupees wherever permitted by the Reserve Bank of India]; and
  - (v) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8;



Section 2 (7) “**fixed establishment**” means a place (other than the registered place of business) which is characterised by a sufficient degree of permanence and suitable structure in terms of human and technical resources to supply services or to receive and use services for its own needs;

Section 2 (10) “**import of goods**” with its grammatical variations and cognate expressions, means bringing goods into India from a place outside India;

(11) “import of services” means the supply of any service, where-

- (i) the supplier of service is located outside India;
- (ii) the recipient of service is located in India; and
- (iii) the place of supply of service is in India;

Section 2 (14) “**location of the recipient of services**” means,-

- (a) where a supply is received at a place of business for which the registration has been obtained, the location of such place of business;
- (b) where a supply is received at a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere), the location of such fixed establishment;
- (c) where a supply is received at more than one establishment, whether the place of business or fixed establishment, the location of the establishment most directly concerned with the receipt of the supply; and
- (d) in absence of such places, the location of the usual place of residence of the recipient;

Section 2 (15) “**location of the supplier of services**” means,-

- (a) where a supply is made from a place of business for which the registration has been obtained, the location of such place of business;
- (b) where a supply is made from a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere), the location of such fixed establishment;
- (c) where a supply is made from more than one establishment, whether the place of business or fixed establishment, the location of the establishment most directly concerned with the provision of the supply; and
- (d) in absence of such places, the location of the usual place of residence of the supplier;

Section 2 (17) “**online information and database access or retrieval services**” means services whose delivery is mediated by information technology over the internet or an electronic network and the nature

*of which renders their supply impossible to ensure in the absence of information technology and includes electronic services such as,-*

- (i) advertising on the internet;*
- (ii) providing cloud services;*
- (iii) provision of e-books, movie, music, software and other intangibles through telecommunication networks or internet;*
- (iv) providing data or information, retrievable or otherwise, to any person in electronic form through a computer network;*
- (v) online supplies of digital content (movies, television shows, music and the like);*
- (vi) digital data storage; and*
- (vii) online gaming, excluding the online money gaming as defined in clause (80B) of section 2 of the Central Goods and Services Tax Act, 2017.*

## Supply

### \* Section 7. Scope of supply.-

- (1) For the purposes of this Act, the expression - "supply" includes-*
- (a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;*

*<sup>1</sup>[(aa) the activities or transactions, by a person, other than an individual, to its members or constituents or vice-versa, for cash, deferred payment or other valuable consideration.*

**Explanation:-** *For the purposes of this clause, it is hereby clarified that, notwithstanding anything contained in any other law for the time being in force or any judgment, decree or order of any Court, tribunal or authority, the person and its members or constituents shall be deemed to be two separate persons and the supply of activities or transactions inter se shall be deemed to take place from one such person to another;]*

- (b) import of services for a consideration whether or not in the course or furtherance of business;<sup>2</sup>[and]*
- (c) the activities specified in Schedule I, made or agreed to be made without a consideration;<sup>3</sup>[\*\*\*\*]*
- (d) <sup>4</sup>[\*\*\*\*].*





<sup>5</sup>[(1A) where certain activities or transactions constitute a supply in accordance with the provisions of sub-section (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II.]

- (2) Notwithstanding anything contained in sub-section (1),-
- (a) activities or transactions specified in Schedule III; or
  - (b) such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council, shall be treated neither as a supply of goods nor a supply of services.
- (3) Subject to the provisions of <sup>6</sup>[sub-sections (1), (1A) and (2)], the Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as -
- (a) a supply of goods and not as a supply of services; or
  - (b) a supply of services and not as a supply of goods.

*\*Enforced w.e.f. 1st July 2017.*

1. Inserted w.e.f. 01st July, 2017 by s. 108 of The Finance Act, 2021 (No. 13 of 2021) - Brought into force on 01st January, 2022 vide Notification No. 39/2021-C.T., dated 21st December, 2021.
2. Inserted w.e.f. 01st July, 2017 by s. 3 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force on 01st February, 2019.
3. Omitted - "and" w.e.f. 01st July, 2017 by s. 3 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force on 01st February, 2019.
4. Omitted "(d) the activities to be treated as supply of goods or supply of services as referred to in Schedule II." w.e.f. 01st July, 2017 by s. 3 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force on 01st February, 2019.
5. Inserted w.e.f. 01st July, 2017 by s. 3 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force on 01st February, 2019.
6. Substituted for - "sub-sections (1) and (2)" w.e.f. 01st July, 2017 by s.3 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force on 01st February, 2019.



**SCHEDULE I:****ACTIVITIES TO BE TREATED AS SUPPLY EVEN IF MADE WITHOUT CONSIDERATION**

- (1) Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
- (2) Supply of goods or services or both between related persons or between distinct persons as specified in [section 25](#), when made in the course or furtherance of business:

**Provided** that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

- (3) Supply of goods-
    - (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
    - (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
  - (4) Import of services by a <sup>1</sup>[person] from a related person or from any of his other establishments outside India, in the course or furtherance of business.
1. Substituted for "taxable person" by s.30 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force w.e.f. 01st February, 2019

**SCHEDULE II:****ACTIVITIES <sup>1</sup>[OR TRANSACTIONS] TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES**

1. Transfer
  - (a) any transfer of the title in goods is a supply of goods;
  - (b) any transfer of right in goods or of undivided share in goods without the transfer of title thereof, is a supply of services;
  - (c) any transfer of title in goods under an agreement which stipulates that property in goods shall pass at a future date upon payment of full consideration as agreed, is a supply of goods.
2. Land and Building
  - (a) any lease, tenancy, easement, licence to occupy land is a supply of services;
  - (b) any lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly, is a supply of services.



(3) *Treatment or process*

*Any treatment or process which is applied to another person's goods is a supply of services.*

(4) *Transfer of business assets*

- (a) *where goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets,<sup>2</sup> [\*\*\*\*] such transfer or disposal is a supply of goods by the person;*
- (b) *where, by or under the direction of a person carrying on a business, goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business,<sup>2</sup> [\*\*\*\*] the usage or making available of such goods is a supply of services;*
- (c) *where any person ceases to be a taxable person, any goods forming part of the assets of any business carried on by him shall be deemed to be supplied by him in the course or furtherance of his business immediately before he ceases to be a taxable person, unless-*
  - (i) *the business is transferred as a going concern to another person; or*
  - (ii) *the business is carried on by a personal representative who is deemed to be a taxable person.*

5. *Supply of services*

*The following shall be treated as supply of services, namely:-*

- (a) *renting of immovable property;*
- (b) *construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer, wholly or partly, except where the entire consideration has been received after issuance of completion certificate, where required, by the competent authority or after its first occupation, whichever is earlier.*

**Explanation:-** *For the purposes of this clause-*

- (1) *the expression "competent authority" means the Government or any authority authorised to issue completion certificate under any law for the time being in force and in case of non-requirement of such certificate from such authority, from any of the following, namely:-*
  - (i) *an architect registered with the Council of Architecture constituted under the Architects Act, 1972 (20 of 1972); or*
  - (ii) *a chartered engineer registered with the Institution of Engineers (India); or*

- (iii) a licensed surveyor of the respective local body of the city or town or village or development or planning authority;
- (2) the expression "construction" includes additions, alterations, replacements or remodelling of any existing civil structure;
- (c) temporary transfer or permitting the use or enjoyment of any intellectual property right;
- (d) development, design, programming, customization, adaptation, upgradation, enhancement, implementation of information technology software;
- (e) agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act; and
- (f) transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration.

#### 6. Composite supply

The following composite supplies shall be treated as a supply of services, namely:-

- (a) works contract as defined in clause (119) of [section 2](#); and
- (b) supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration.

#### 7. <sup>3</sup> [\*\*\*\*]

- 1. Inserted w.e.f. 01st July, 2017 by s.31 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force w.e.f. 01st February, 2019.
- 2. Omitted " whether or not for a consideration, " w.e.f. 01st July, 2017 by s.131 of The Finance Act, 2020 (No. 12 of 2020) - Brought into force w.e.f. 01st January, 2021 vide Notification No. 92/2020-C.T., dated 22-12-2020
- 3. Omitted w.e.f. 01st July, 2017 by s.122 of The Finance Act, 2021 dated 28th March, 2021 for

#### "7. Supply of Goods

The following shall be treated as supply of goods, namely:-

Supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration."

- Brought into force w.e.f. 01st January, 2022 by Notification No. 39/2021-C.T., dated 21st December, 2021.



**SCHEDULE III:**

**ACTIVITIES OR TRANSACTIONS WHICH SHALL BE TREATED NEITHER AS A SUPPLY OF GOODS NOR A SUPPLY OF SERVICES**

1. *Services by an employee to the employer in the course of or in relation to his employment.*
2. *Services by any court or Tribunal established under any law for the time being in force.*
3. *(a) the functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;*  
*(b) the duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or*  
*(c) the duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.*
4. *Services of funeral, burial, crematorium or mortuary including transportation of the deceased.*
5. *Sale of land and, subject to clause (b) of paragraph 5 of [Schedule II](#), sale of building.*
6. *Actionable claims, other than <sup>3</sup>[Specified actionable claims].*
- \*7. *<sup>1</sup>[Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India.*
- \*8. *(a) Supply of warehoused goods to any person before clearance for home consumption;*  
*(b) Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption.]*
- <sup>4</sup>[9. *Activity of apportionment of co-insurance premium by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured in co-insurance agreements, subject to the condition that the lead insurer pays the central tax, the State tax, the Union territory tax and the integrated tax on the entire amount of premium paid by the insured.*
10. *Services by insurer to the reinsurer for which ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer, subject to the condition that the central tax, the State tax, the Union territory tax and the integrated tax is paid by the reinsurer on the gross reinsurance premium payable by the insurer to the reinsurer, inclusive of the said ceding commission or the reinsurance commission.]*

<sup>2</sup>[**Explanation 1:-** For the purposes of paragraph 2, the term “court” includes District Court, High Court and Supreme Court.

<sup>\*1</sup>[**Explanation 2:-** For the purposes of paragraph 8, the expression “warehoused goods” shall have the same meaning as assigned to it in the Customs Act, 1962 (50 of 1962).]

*\* Retrospective exemption to certain activities and transactions vide s. 159 of The Finance Act 2023 (No. 8 of 2023). Brought into force w.e.f. 01st July, 2017.*

1. *Inserted by s.32 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force w.e.f. 01st February, 2019.*
2. *Re-numbered by s.32 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force w.e.f. 01st February, 2019.*
3. *Substituted by s.4 of The Central Goods and Services Tax (Amendment) Act, 2023 (No. 30 of 2023) - w.e.f. 01.10.2023.*
4. *Inserted by section 149 of The Finance Act (No. 2) Act, 2024 No. 15 of 2024 dated 16.08.2024.*

Time of Supply

**\* Section 12. Time of Supply of Goods:-**

- (1) *The liability to pay tax on goods shall arise at the time of supply, as determined in accordance with the provisions of this section.*
- (2) *The time of supply of goods shall be the earlier of the following dates, namely:-*
  - (a) *the date of issue of invoice by the supplier or the last date on which he is required, under <sup>1</sup>[\*\*\*\*] section 31, to issue the invoice with respect to the supply; or*
  - (b) *the date on which the supplier receives the payment with respect to the supply:*

**Provided** that where the supplier of taxable goods receives an amount up to one thousand rupees in excess of the amount indicated in the tax invoice, the time of supply to the extent of such excess amount shall, at the option of the said supplier, be the date of issue of invoice in respect of such excess amount.

**Explanation 1.-** For the purposes of clauses (a) and (b), “supply” shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment.

**Explanation 2.-** For the purposes of clause (b), “the date on which the supplier receives the payment” shall be the date on which the payment is entered in his books of account or the date on which the payment is credited to his bank account, whichever is earlier.



- (3) *In case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earliest of the following dates, namely:-*
- (a) *the date of the receipt of goods; or*
  - (b) *the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or*
  - (c) *the date immediately following thirty days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier:*
- Provided** that where it is not possible to determine the time of supply under clause (a) or clause (b) or clause (c), the time of supply shall be the date of entry in the books of account of the recipient of supply.
- (4) *In case of supply of vouchers by a supplier, the time of supply shall be-*
- (a) *the date of issue of voucher, if the supply is identifiable at that point; or*
  - (b) *the date of redemption of voucher, in all other cases.*
- (5) *Where it is not possible to determine the time of supply under the provisions of sub-section (2) or sub-section (3) or sub-section (4), the time of supply shall-*
- (a) *in a case where a periodical return has to be filed, be the date on which such return is to be filed; or*
  - (b) *in any other case, be the date on which the tax is paid.*
- (6) *The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date on which the supplier receives such addition in value.*

*\*Enforced w.e.f 01st July, 2017.*

1. *Omitted "sub-section (1) of " by s. 6 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force w.e.f. 01st February, 2019.*

**\* Section 13. Time of Supply of Services.-**

- (1) *The liability to pay tax on services shall arise at the time of supply, as determined in accordance with the provisions of this section.*
- (2) *The time of supply of services shall be the earliest of the following dates, namely:-*
- (a) *the date of issue of invoice by the supplier, if the invoice is issued within the period prescribed under <sup>1</sup>[\*\*\*\*] section 31 or the date of receipt of payment, whichever is earlier; or*

- (b) the date of provision of service, if the invoice is not issued within the period prescribed under <sup>1</sup>[\*\*\*\*] section 31 or the date of receipt of payment, whichever is earlier; or
- (c) the date on which the recipient shows the receipt of services in his books of account, in a case where the provisions of clause (a) or clause (b) do not: apply

**Provided** that where the supplier of taxable service receives an amount up to one thousand rupees in excess of the amount indicated in the tax invoice, the time of supply to the extent of such excess amount shall, at the option of the said supplier, be the date of issue of invoice relating to such excess amount.

**Explanation:-** For the purposes of clauses (a) and (b)-

- (i) the supply shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment;
  - (ii) "the date of receipt of payment" shall be the date on which the payment is entered in the books of account of the supplier or the date on which the payment is credited to his bank account, whichever is earlier.
- (3) In case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earlier of the following dates, namely:-
- (a) the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or
  - (b) the date immediately following sixty days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof<sup>2</sup>[by the supplier, in cases where invoice is required to be issued by the supplier; or]:
  - <sup>3</sup>[(c) the date of issue of invoice by the recipient, in cases where invoice is to be issued by the recipient:]

**Provided** that where it is not possible to determine the time of supply under clause (a) or clause (b) <sup>3</sup>[or clause (c)], the time of supply shall be the date of entry in the books of account of the recipient of supply:

**Provided** further that in case of supply by associated enterprises, where the supplier of service is located outside India, the time of supply shall be the date of entry in the books of account of the recipient of supply or the date of payment, whichever is earlier.

- (4) In case of supply of vouchers by a supplier, the time of supply shall be-
- (a) the date of issue of voucher, if the supply is identifiable at that point; or
  - (b) the date of redemption of voucher, in all other cases.





- (5) *Where it is not possible to determine the time of supply under the provisions of sub-section (2) or sub-section (3) or sub-section (4), the time of supply shall-*
- (a) *in a case where a periodical return has to be filed, be the date on which such return is to be filed; or*
  - (b) *in any other case, be the date on which the tax is paid.*
- (6) *The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date on which the supplier receives such addition in value.*

*\*Enforced w.e.f. 1st July, 2017.*

1. *Omitted "sub-section (2) of " by s. 7 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force w.e.f. 01st February, 2019.*
2. *Substituted by section 117 of The Finance Act (No. 2) Act, 2024 No. 15 of 2024 dated 16.08.2024.*
3. *Inserted by section 117 of The Finance Act (No. 2) Act, 2024 No. 15 of 2024 dated 16.08.2024.*

**\*Section 14. Change in rate of tax in respect of supply of goods or services.-**

*Notwithstanding anything contained in section 12 or section 13, the time of supply, where there is a change in the rate of tax in respect of goods or services or both, shall be determined in the following manner, namely:-*

- (a) *in case the goods or services or both have been supplied before the change in rate of tax,-*
- (i) *where the invoice for the same has been issued and the payment is also received after the change in rate of tax, the time of supply shall be the date of receipt of payment or the date of issue of invoice, whichever is earlier; or*
  - (ii) *where the invoice has been issued prior to the change in rate of tax but payment is received after the change in rate of tax, the time of supply shall be the date of issue of invoice; or*
  - (iii) *where the payment has been received before the change in rate of tax, but the invoice for the same is issued after the change in rate of tax, the time of supply shall be the date of receipt of payment;*
- (b) *in case the goods or services or both have been supplied after the change in rate of tax,-*
- (i) *where the payment is received after the change in rate of tax but the invoice has been issued prior to the change in rate of tax, the time of supply shall be the date of receipt of payment; or*





- (ii) where the invoice has been issued and payment is received before the change in rate of tax, the time of supply shall be the date of receipt of payment or date of issue of invoice, whichever is earlier; or
- (iii) where the invoice has been issued after the change in rate of tax but the payment is received before the change in rate of tax, the time of supply shall be the date of issue of invoice:

**Provided** that the date of receipt of payment shall be the date of credit in the bank account if such credit in the bank account is after four working days from the date of change in the rate of tax.

**Explanation:-** For the purposes of this section, “the date of receipt of payment” shall be the date on which the payment is entered in the books of account of the supplier or the date on which the payment is credited to his bank account, whichever is earlier.

*\*Enforced w.e.f. 1st July, 2017*

#### Place of Supply

#### **Section 7. Inter-State supply.- IGST Act 2017**

- (1) Subject to the provisions of [section 10](#), supply of goods, where the location of the supplier and the place of supply are in-
  - (a) two different States;
  - (b) two different Union territories; or
  - (c) a State and a Union territory, shall be treated as a supply of goods in the course of inter-State trade or commerce.
- (2) Supply of goods imported into the territory of India, till they cross the customs frontiers of India, shall be treated to be a supply of goods in the course of inter-State trade or commerce.
- (3) Subject to the provisions of [section 12](#), supply of services, where the location of the supplier and the place of supply are in-
  - (a) two different States;
  - (b) two different Union territories; or
  - (c) a State and a Union territory, shall be treated as a supply of services in the course of inter-State trade or commerce.
- (4) Supply of services imported into the territory of India shall be treated to be a supply of services in the course of inter-State trade or commerce.



- (5) Supply of goods or services or both,-
- (a) when the supplier is located in India and the place of supply is outside India;
  - (b) to or by a Special Economic Zone developer or a Special Economic Zone unit; or
  - (c) in the taxable territory, not being an intra-State supply and not covered elsewhere in this section, shall be treated to be a supply of goods or services or both in the course of inter-State trade or commerce.

**Section 8. Intra-State supply. – IGST Act 2017**

- (1) Subject to the provisions of section 10, supply of goods where the location of the supplier and the place of supply of goods are in the same State or same Union territory shall be treated as intra-State supply:

**Provided** that the following supply of goods shall not be treated as intra-State supply namely:-

- (i) supply of goods to or by a Special Economic Zone developer or a Special Economic Zone unit;
  - (ii) goods imported into the territory of India till they cross the customs frontiers of India; or
  - (iii) supplies made to a tourist referred to in section 15.
- (2) Subject to the provisions of section 12, supply of services where the location of the supplier and the place of supply of services are in the same State or same Union territory shall be treated as intra-State supply:

**Provided** that the intra-State supply of services shall not include supply of services to or by a Special Economic Zone developer or a Special Economic Zone unit.

**Explanation 1:-** For the purposes of this Act, where a person has,-

- (i) an establishment in India and any other establishment outside India;
- (ii) an establishment in a State or Union territory and any other establishment outside that State or Union territory; or
- (iii) an establishment in a State or Union territory and any other establishment <sup>1</sup>[\*\*\*\*\*] registered within that State or Union territory, then such establishments shall be treated as establishments of distinct persons.

**Explanation 2:-** A person carrying on a business through a branch or an agency or a representational office in any territory shall be treated as having an establishment in that territory.

Omitted "being a business vertical" by s. 4 of the Integrated Goods and Services Tax (Amendment) Act, 2018 (No. 32 of 2018) - Brought into force w.e.f. 01st February, 2019.

**Section 9. Supplies in territorial waters.** – IGST Act 2017

*Notwithstanding anything contained in this Act,-*

- (a) *where the location of the supplier is in the territorial waters, the location of such supplier; or*
- (b) *where the place of supply is in the territorial waters, the place of supply, shall, for the purposes of this Act, be deemed to be in the coastal State or Union territory where the nearest point of the appropriate baseline is located.*

**Section 10. Place of supply of goods other than supply of goods imported into, or exported from India.** -

- (1) *The place of supply of goods, other than supply of goods imported into, or exported from India, shall be as under,-*
  - (a) *where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient;*
  - (b) *where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person;*
  - (c) *where the supply does not involve movement of goods, whether by the supplier or the recipient, the place of supply shall be the location of such goods at the time of the delivery to the recipient;*

*<sup>1</sup>[(ca) where the supply of goods is made to a person other than a registered person, the place of supply shall, notwithstanding anything contrary contained in clause (a) or clause (c), be the location as per the address of the said person recorded in the invoice issued in respect of the said supply and the location of the supplier where the address of the said person is not recorded in the invoice.*

*Explanation.—For the purposes of this clause, recording of the name of the State of the said person in the invoice shall be deemed to be the recording of the address of the said person;]*

- (d) *where the goods are assembled or installed at site, the place of supply shall be the place of such installation or assembly;*
- (e) *where the goods are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the place of supply shall be the location at which such goods are taken on board.*



- (2) *Where the place of supply of goods cannot be determined, the place of supply shall be determined in such manner as may be prescribed.*

1. *Inserted by s. 4 of the Integrated Goods and Services Tax (Amendment) Act, 2023 (No. 31 of 2023) - Brought into force w.e.f. yet to be notified.*

**Section 11. Place of supply of goods imported into, or exported from India. -**

*The place of supply of goods,-*

- (a) *imported into India shall be the location of the importer;*  
(b) *exported from India shall be the location outside India.*

**Section 12. Place of supply of services where location of supplier and recipient is in India.-**

- (1) *The provisions of this section shall apply to determine the place of supply of services where the location of supplier of services and the location of the recipient of services is in India.*
- (2) *The place of supply of services, except the services specified in sub-sections (3) to (14),-*
- (a) *made to a registered person shall be the location of such person;*  
(b) *made to any person other than a registered person shall be,-*
- (i) *the location of the recipient where the address on record exists; and*  
(ii) *the location of the supplier of services in other cases.*
- (3) *The place of supply of services,-*
- (a) *directly in relation to an immovable property, including services provided by architects, interior decorators, surveyors, engineers and other related experts or estate agents, any service provided by way of grant of rights to use immovable property or for carrying out or co-ordination of construction work; or*  
(b) *by way of lodging accommodation by a hotel, inn, guest house, home stay, club or campsite, by whatever name called, and including a house boat or any other vessel; or*  
(c) *by way of accommodation in any immovable property for organising any marriage or reception or matters related thereto, official, social, cultural, religious or business function including services provided in relation to such function at such property; or*  
(d) *any services ancillary to the services referred to in clauses (a), (b) and (c), shall be the location at which the immovable property or boat or vessel, as the case may be, is located or intended to be located:*

**Provided** that if the location of the immovable property or boat or vessel is located or intended to be located outside India, the place of supply shall be the location of the recipient.

**Explanation:-** Where the immovable property or boat or vessel is located in more than one State or Union territory, the supply of services shall be treated as made in each of the respective States or Union territories, in proportion to the value for services separately collected or determined in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other basis as may be prescribed.

- (4) *The place of supply of restaurant and catering services, personal grooming, fitness, beauty treatment, health service including cosmetic and plastic surgery shall be the location where the services are actually performed.*
- (5) *The place of supply of services in relation to training and performance appraisal to,-*
  - (a) *a registered person, shall be the location of such person;*
  - (b) *a person other than a registered person, shall be the location where the service are actually performed.*
- (6) *The place of supply of services provided by way of admission to a cultural, artistic, sporting, scientific, educational, entertainment event or amusement park or any other place and services ancillary thereto, shall be the place where the event is actually held or where the park or such other place is located.*
- (7) *The place of supply of services provided by way of,-*
  - (a) *organisation of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of services in relation to a conference, fair, exhibition, celebration or similar events; or*
  - (b) *services ancillary to organisation of any of the events or services referred to in clause (a), or assigning of sponsorship to such events,-*
    - (i) *to a registered person, shall be the location of such person;*
    - (ii) *to a person other than a registered person, shall be the place where the event is actually held and if the event is held outside India, the place of supply shall be the location of the recipient.*

**Explanation .** -Where the event is held in more than one State or Union territory and a consolidated amount is charged for supply of services relating to such event, the place of supply of such services



*shall be taken as being in each of the respective States or Union territories in proportion to the value for services separately collected or determined in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other basis as may be prescribed.*

(8) <sup>1</sup>[\* \* \* \*]

(9) *The place of supply of passenger transportation service to,-*

- (a) *a registered person, shall be the location of such person;*
- (b) *a person other than a registered person, shall be the place where the passenger embarks on the conveyance for a continuous journey:*

**Provided** *that where the right to passage is given for future use and the point of embarkation is not known at the time of issue of right to passage, the place of supply of such service shall be determined in accordance with the provisions of sub-section (2).*

**Explanation:-** *For the purposes of this sub-section, the return journey shall be treated as a separate journey, even if the right to passage for onward and return journey is issued at the same time.*

(10) *The place of supply of services on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, shall be the location of the first scheduled point of departure of that conveyance for the journey.*

(11) *The place of supply of telecommunication services including data transfer, broadcasting, cable and direct to home television services to any person shall,-*

- (a) *in case of services by way of fixed telecommunication line, leased circuits, internet leased circuit, cable or dish antenna, be the location where the telecommunication line, leased circuit or cable connection or dish antenna is installed for receipt of services;*
- (b) *in case of mobile connection for telecommunication and internet services provided on post-paid basis, be the location of billing address of the recipient of services on the record of the supplier of services;*
- (c) *in cases where mobile connection for telecommunication, internet service and direct to home television services are provided on pre-payment basis through a voucher or any other means,-*
  - (i) *through a selling agent or a re-seller or a distributor of subscriber identity module card or re-charge voucher, be the address of the selling agent or re-seller or distributor as per the record of the supplier at the time of supply; or*
  - (ii) *by any person to the final subscriber, be the location where such prepayment is received or such vouchers are sold;*

- (d) in other cases, be the address of the recipient as per the records of the supplier of services and where such address is not available, the place of supply shall be location of the supplier of services:

**Provided** that where the address of the recipient as per the records of the supplier of services is not available, the place of supply shall be location of the supplier of services:

**Provided** further that if such pre-paid service is availed or the recharge is made through internet banking or other electronic mode of payment, the location of the recipient of services on the record of the supplier of services shall be the place of supply of such services.

**Explanation:-** Where the leased circuit is installed in more than one State or Union territory and a consolidated amount is charged for supply of services relating to such circuit, the place of supply of such services shall be taken as being in each of the respective States or Union territories in proportion to the value for services separately collected or determined in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other basis as may be prescribed.

- (12) The place of supply of banking and other financial services, including stock broking services to any person shall be the location of the recipient of services on the records of the supplier of services:

**Provided** that if the location of recipient of services is not on the records of the supplier, the place of supply shall be the location of the supplier of services.

- (13) The place of supply of insurance services shall,-

- (a) to a registered person, be the location of such person;
- (b) to a person other than a registered person, be the location of the recipient of services on the records of the supplier of services.

- (14) The place of supply of advertisement services to the Central Government, a State Government, a statutory body or a local authority meant for the States or Union territories identified in the contract or agreement shall be taken as being in each of such States or Union territories and the value of such supplies specific to each State or Union territory shall be in proportion to the amount attributable to services provided by way of dissemination in the respective States or Union territories as may be determined in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other basis as may be prescribed.

Omitted by s. 161 of The Finance (No. 8) Act, 2023 (No. 08 of 2023) - Brought into force w.e.f. 01st October, 2023 vide Notification No. 28/2023-C.T., dated 31st July, 2023.





### **Section 13. Place of supply of services where location of supplier or location of recipient is outside India.-**

- (1) *The provisions of this section shall apply to determine the place of supply of services where the location of the supplier of services or the location of the recipient of services is outside India.*
- (2) *The place of supply of services except the services specified in sub-sections (3) to (13) shall be the location of the recipient of services:*

**Provided** that where the location of the recipient of services is not available in the ordinary course of business, the place of supply shall be the location of the supplier of services.

- (3) *The place of supply of the following services shall be the location where the services are actually performed, namely:-*

- (a) *services supplied in respect of goods which are required to be made physically available by the recipient of services to the supplier of services, or to a person acting on behalf of the supplier of services in order to provide the services:*

**Provided** that when such services are provided from a remote location by way of electronic means, the place of supply shall be the location where goods are situated at the time of supply of services:

<sup>1</sup>**[Provided** further that nothing contained in this clause shall apply in the case of services supplied in respect of goods which are temporarily imported into India for repairs or for any other treatment or process and are exported after such repairs or treatment or process without being put to any use in India, other than that which is required for such repairs or treatment or process;]

- (b) *services supplied to an individual, represented either as the recipient of services or a person acting on behalf of the recipient, which require the physical presence of the recipient or the person acting on his behalf, with the supplier for the supply of services.*
- (4) *The place of supply of services supplied directly in relation to an immovable property, including services supplied in this regard by experts and estate agents, supply of accommodation by a hotel, inn, guest house, club or campsite, by whatever name called, grant of rights to use immovable property, services for carrying out or co-ordination of construction work, including that of architects or interior decorators, shall be the place where the immovable property is located or intended to be located.*
- (5) *The place of supply of services supplied by way of admission to, or organisation of a cultural, artistic, sporting, scientific, educational or entertainment event, or a celebration, conference, fair, exhibition*





*or similar events, and of services ancillary to such admission or organisation, shall be the place where the event is actually held.*

- (6) *Where any services referred to in sub-section (3) or sub-section (4) or sub-section (5) is supplied at more than one location, including a location in the taxable territory, its place of supply shall be the location in the taxable territory.*
- (7) *Where the services referred to in sub-section (3) or sub-section (4) or sub-section (5) are supplied in more than one State or Union territory, the place of supply of such services shall be taken as being in each of the respective States or Union territories and the value of such supplies specific to each State or Union territory shall be in proportion to the value for services separately collected or determined in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other basis as may be prescribed.*
- (8) *The place of supply of the following services shall be the location of the supplier of services, namely:-*
  - (a) *services supplied by a banking company, or a financial institution, or a non-banking financial company, to account holders;*
  - (b) *intermediary services;*
  - (c) *services consisting of hiring of means of transport, including yachts but excluding aircrafts and vessels, up to a period of one month.*

**Explanation .** - *For the purposes of this sub-section, the expression,-*

- (a) *"account" means an account bearing interest to the depositor, and includes a non-resident external account and a non-resident ordinary account;*
- (b) *"banking company" shall have the same meaning as assigned to it under clause (a) of section 45A of the Reserve Bank of India Act, 1934;*
- (c) *"financial institution" shall have the same meaning as assigned to it in clause (c) of section 45-I of the Reserve Bank of India Act, 1934;*
- (d) *"non-banking financial company" means, -*
  - (i) *a financial institution which is a company;*
  - (ii) *a non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner; or*
  - (iii) *such other non-banking institution or class of such institutions, as the Reserve Bank of India may, with the previous approval of the Central Government and by notification in the Official Gazette, specify.*



- (9) 2[\* \* \* \* \*]
- (10) *The place of supply in respect of passenger transportation services shall be the place where the passenger embarks on the conveyance for a continuous journey.*
- (11) *The place of supply of services provided on board a conveyance during the course of a passenger transport operation, including services intended to be wholly or substantially consumed while on board, shall be the first scheduled point of departure of that conveyance for the journey.*
- (12) *The place of supply of online information and database access or retrieval services shall be the location of the recipient of services.*

**Explanation:-** For the purposes of this sub-section, person receiving such services shall be deemed to be located in the taxable territory, if any two of the following non-contradictory conditions are satisfied, namely:-

- (a) *the location of address presented by the recipient of services through internet is in the taxable territory;*
  - (b) *the credit card or debit card or store value card or charge card or smart card or any other card by which the recipient of services settles payment has been issued in the taxable territory;*
  - (c) *the billing address of the recipient of services is in the taxable territory;*
  - (d) *the internet protocol address of the device used by the recipient of services is in the taxable territory;*
  - (e) *the bank of the recipient of services in which the account used for payment is maintained is in the taxable territory;*
  - (f) *the country code of the subscriber identity module card used by the recipient of services is of taxable territory;*
  - (g) *the location of the fixed land line through which the service is received by the recipient is in the taxable territory.*
- (13) *In order to prevent double taxation or non-taxation of the supply of a service, or for the uniform application of rules, the Government shall have the power to notify any description of services or circumstances in which the place of supply shall be the place of effective use and enjoyment of a service.*
1. *Substituted for " Provided further that nothing contained in this clause shall apply in the case of services supplied in respect of goods which are temporarily imported into India for repairs and are exported after repairs without being put to any other use in India, than that which is required for such*



*repairs;” by s. 6 of the Integrated Goods and Services Tax (Amendment) Act, 2018 (No. 32 of 2018) - Brought into force w.e.f. 01st February, 2019.*

2. *Omitted by s. 162 of The Finance (No. 8) Act, 2023 (No. 08 of 2023) - Brought into force w.e.f. 01st October, 2023 vide Notification No. 28/2023-C.T., dated 31st July, 2023.*

**Section 14. Special provision for payment of tax by a supplier of online information and database access or retrieval services. -**

- (1) *On supply of online information and database access or retrieval services by any person located in a non-taxable territory and received by a non-taxable online recipient, the supplier of services located in a non-taxable territory shall be the person liable for paying integrated tax on such supply of services:*

**Provided** that in the case of supply of online information and database access or retrieval services by any person located in a non-taxable territory and received by a non-taxable online recipient, an intermediary located in the non-taxable territory, who arranges or facilitates the supply of such services, shall be deemed to be the recipient of such services from the supplier of services in non-taxable territory and supplying such services to the non-taxable online recipient except when such intermediary satisfies the following conditions, namely:-

- (a) *the invoice or customer's bill or receipt issued or made available by such intermediary taking part in the supply clearly identifies the service in question and its supplier in non-taxable territory;*
  - (b) *the intermediary involved in the supply does not authorise the charge to the customer or take part in its charge which is that the intermediary neither collects or processes payment in any manner nor is responsible for the payment between the non-taxable online recipient and the supplier of such services;*
  - (c) *the intermediary involved in the supply does not authorise delivery; and*
  - (d) *the general terms and conditions of the supply are not set by the intermediary involved in the supply but by the supplier of services.*
- (2) *The supplier of online information and database access or retrieval services referred to in sub-section (1) shall, for payment of integrated tax, take a single registration under the Simplified Registration Scheme to be notified by the Government:*

**Provided** that any person located in the taxable territory representing such supplier for any purpose in the taxable territory shall get registered and pay integrated tax on behalf of the supplier:



**Provided** further that if such supplier does not have a physical presence or does not have a representative for any purpose in the taxable territory, he may appoint a person in the taxable territory for the purpose of paying integrated tax and such person shall be liable for payment of such tax.

**<sup>1</sup>[Section 14A. Special provision for specified actionable claims supplied by a person located outside taxable territory. -**

- (1) A supplier of online money gaming as defined in clause (80B) of section 2 of the Central Goods and Services Tax Act, 2017, not located in the taxable territory, shall in respect of the supply of online money gaming by him to a person in the taxable territory, be liable to pay integrated tax on such supply.
- (2) For the purposes of complying with provisions of sub-section (1), the supplier of online money gaming shall obtain a single registration under the Simplified Registration Scheme referred to in sub-section (2) of section 14 of this Act:

*Provided that any person located in the taxable territory representing such supplier for any purpose in the taxable territory shall get registered and pay the integrated tax on behalf of the supplier:*

*Provided further that if such supplier does not have a physical presence or does not have a representative for any purpose in the taxable territory, he shall appoint a person in the taxable territory for the purpose of paying integrated tax and such person shall be liable for payment of such tax.*

- (3) In case of failure to comply with provisions of sub-section (1) or sub-section (2) by the supplier of the online money gaming or a person appointed by such supplier or both, notwithstanding anything contained in section 69A of the Information Technology Act, 2000, any information generated, transmitted, received or hosted in any computer resource used for supply of online money gaming by such supplier shall be liable to be blocked for access by the public in such manner as specified in the said Act.]

1. *Inserted by s. 5 of the Integrated Goods and Services Tax (Amendment) Act, 2023 (No. 31 of 2023) - Brought into force w.e.f. yet to be notified.*

**Valuation**

**\* Section 15. Value of Taxable Supply.-**

- (1) The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

- (2) *The value of supply shall include-*
- (a) *any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the State Goods and Services Tax Act, the Union Territory Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act, if charged separately by the supplier;*
  - (b) *any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both;*
  - (c) *incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services;*
  - (d) *interest or late fee or penalty for delayed payment of any consideration for any supply; and*
  - (e) *subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments.*

**Explanation.**-For the purposes of this sub-section, the amount of subsidy shall be included in the value of supply of the supplier who receives the subsidy.

- (3) *The value of the supply shall not include any discount which is given-*
- (a) *before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and*
  - (b) *after the supply has been effected, if-*
    - (i) *such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and*
    - (ii) *input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.*
- (4) *where the value of the supply of goods or services or both cannot be determined under sub-section (1), the same shall be determined in such manner as may be prescribed.*
- (5) *Notwithstanding anything contained in sub-section (1) or sub-section (4), the value of such supplies as may be notified by the Government on the recommendations of the Council shall be determined in such manner as may be prescribed.*



**Explanation:-** For the purposes of this Act,-

- (a) persons shall be deemed to be “related persons” if-
  - (i) such persons are officers or directors of one another’s businesses;
  - (ii) such persons are legally recognised partners in business;
  - (iii) such persons are employer and employee;
  - (iv) any person directly or indirectly owns, controls or holds twenty-five per cent. or more of the outstanding voting stock or shares of both of them;
  - (v) one of them directly or indirectly controls the other;
  - (vi) both of them are directly or indirectly controlled by a third person;
  - (vii) together they directly or indirectly control a third person; or
  - (viii) they are members of the same family;
- (b) the term “person” also includes legal persons;
- (c) persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related.

*\*Enforced w.e.f. 1st July, 2017.*

### **Valuation Rules**

#### **Rule 27. Value of supply of goods or services where the consideration is not wholly in money. -**

Where the supply of goods or services is for a consideration not wholly in money, the value of the supply shall, -

- (a) be the open market value of such supply;
- (b) if the open market value is not available under clause (a), be the sum total of consideration in money and any such further amount in money as is equivalent to the consideration not in money, if such amount is known at the time of supply;
- (c) if the value of supply is not determinable under clause (a) or clause (b), be the value of supply of goods or services or both of like kind and quality;
- (d) if the value is not determinable under clause (a) or clause (b) or clause (c), be the sum total of consideration in money and such further amount in money that is equivalent to consideration not in money as determined by the application of [rule 30](#) or [rule 31](#) in that order.

*Illustration :*

- (1) *Where a new phone is supplied for twenty thousand rupees along with the exchange of an old phone and if the price of the new phone without exchange is twenty four thousand rupees, the open market value of the new phone is twenty four thousand rupees.*
- (2) *Where a laptop is supplied for forty thousand rupees along with the barter of a printer that is manufactured by the recipient and the value of the printer known at the time of supply is four thousand rupees but the open market value of the laptop is not known, the value of the supply of the laptop is forty four thousand rupee.*

**Rule 28. Value of supply of goods or services or both between distinct or related persons, other than through an agent. -**

<sup>1</sup>[(1)] *The value of the supply of goods or services or both between distinct persons as specified in sub-section (4) and (5) of section 25 or where the supplier and recipient are related, other than where the supply is made through an agent, shall-*

- (a) *be the open market value of such supply;*
- (b) *if the open market value is not available, be the value of supply of goods or services of like kind and quality;*
- (c) *if the value is not determinable under clause (a) or (b), be the value as determined by the application of rule 30 or rule 31, in that order:*

**Provided** *that where the goods are intended for further supply as such by the recipient, the value shall, at the option of the supplier, be an amount equivalent to ninety percent of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person:*

**Provided** *further that where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value of the goods or services.*

<sup>1</sup>[(2) *Notwithstanding anything contained in sub-rule (1), the value of supply of services by a supplier to a recipient who is a related person <sup>2</sup>[located in India], by way of providing corporate guarantee to any banking company or financial institution on behalf of the said recipient, shall be deemed to be one per cent of the amount of such guarantee offered <sup>2</sup>[per annum], or the actual consideration, whichever is higher.]*

<sup>2</sup>**Provided** *that where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the value of said supply of services.]*

1. *Inserted vide [Notification No. 52/2021](#) - CT dated 26.10.2023.*

2. *Inserted vide [Notification No. 12/2024](#) - CT dated 10.07.2024 w.e.f. 26.10.2023.*





**Rule 29. Value of supply of goods made or received through an agent. -**

*The value of supply of goods between the principal and his agent shall-*

- (a) *be the open market value of the goods being supplied, or at the option of the supplier, be ninety percent. of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person, where the goods are intended for further supply by the said recipient.*

*Illustration :* A principal supplies groundnut to his agent and the agent is supplying groundnuts of like kind and quality in subsequent supplies at a price of five thousand rupees per quintal on the day of the supply. Another independent supplier is supplying groundnuts of like kind and quality to the said agent at the price off our thousand five hundred and fifty rupees per quintal. The value of the supply made by the principal shall be four thousand five hundred and fifty rupees per quintal or where he exercises the option, the value shall be 90 percent. of five thousand rupees i.e., four thousand five hundred rupees per quintal.

- (b) *where the value of a supply is not determinable under clause (a), the same shall be determined by the application of rule 30 or rule 31 in that order.*

**Rule 30. Value of supply of goods or services or both based on cost. -**

*Where the value of a supply of goods or services or both is not determinable by any of the preceding rules of this Chapter, the value shall be one hundred and ten percent of the cost of production or manufacture or the cost of acquisition of such goods or the cost of provision of such services.*

**Rule 31. Residual method for determination of value of supply of goods or services or both.**

Where the value of supply of goods or services or both cannot be determined under rules 27 to 30, the same shall be determined using reasonable means consistent with the principles and the general provisions of section 15 and the provisions of this Chapter:

**Provided** that in the case of supply of services, the supplier may opt for this rule, ignoring rule 30.

**31B. Value of supply in case of online gaming including online money gaming.**– *Notwithstanding anything contained in this chapter, the value of supply of online gaming, including supply of actionable claims involved in online money gaming, shall be the total amount paid or payable to or deposited with the supplier by way of money or money's worth, including virtual digital assets, by or on behalf of the player:*

**Provided** that any amount returned or refunded by the supplier to the player for any reasons whatsoever, including player not using the amount paid or deposited with the supplier for participating in any event, shall not be deductible from the value of supply of online money gaming.

1. *Inserted vide Notification No. 51/2023 - CT dated 29.09.2023.*



**<sup>1</sup>[31C. Value of supply of actionable claims in case of casino.]**– Notwithstanding anything contained in this chapter, the value of supply of actionable claims in casino shall be the total amount paid or payable by or on behalf of the player for –

- (i) purchase of the tokens, chips, coins or tickets, by whatever name called, for use in casino; or
- (ii) participating in any event, including game, scheme, competition or any other activity or process, in the casino, in cases where the token, chips, coins or tickets, by whatever name called, are not required:

**Provided** that any amount returned or refunded by the casino to the player on return of token, coins, chips, or tickets, as the case may be, or otherwise, shall not be deductible from the value of the supply of actionable claims in casino.

*Explanation.*–For the purpose of rule 31B and rule 31C, any amount received by the player by winning any event, including game, scheme, competition or any other activity or process, which is used for playing by the said player in a further event without withdrawing, shall not be considered as the amount paid to or deposited with the supplier by or on behalf of the said player.]

1. Inserted vide [Notification No. 51/2023 - CT dated 29.09.2023](#).

**[Rule 31A. Value of supply in case of lottery, betting, gambling and horse racing. -**

- (1) Notwithstanding anything contained in the provisions of this Chapter, the value in respect of supplies specified below shall be determined in the manner provided hereinafter.

<sup>2</sup>[(2) The value of supply of lottery shall be deemed to be 100/128 of the face value of ticket or of the price as notified in the Official Gazette by the Organising State, whichever is higher.

**Explanation** :- For the purposes of this sub-rule, the expression “Organising State” has the same meaning as assigned to it in clause (f) of sub-rule (1) of rule 2 of the Lotteries (Regulation) Rules, 2010.]

- (3) The value of supply of actionable claim in the form of chance to win in betting, gambling or horse racing in a race club shall be 100% of the face value of the bet or the amount paid into the totalisator.]

1. Inserted vide [Notification No. 03/2018 - CT dated. 23.01.2018](#)

2. Substituted vide [Notification No.08/2020 - CT dated 02.03.2020](#) wef 01.03.2020 for

“(2) (a) The value of supply of lottery run by State Governments shall be deemed to be 100/112 of the face value of ticket or of the price as notified in the Official Gazette by the organising State, whichever is higher.



**Rule 32. Determination of value in respect of certain supplies.-**

- (1) Notwithstanding anything contained in the provisions of this Chapter, the value in respect of supplies specified below shall, at the option of the supplier, be determined in the manner provided hereinafter.
- (2) The value of supply of services in relation to the purchase or sale of foreign currency, including money changing, shall be determined by the supplier of services in the following manner, namely:-

- (a) for a currency, when exchanged from, or to, Indian Rupees, the value shall be equal to the difference in the buying rate or the selling rate, as the case may be, and the Reserve Bank of India reference rate for that currency at that time, multiplied by the total units of currency:

**Provided** that in case where the Reserve Bank of India reference rate for a currency is not available, the value shall be one per cent of the gross amount of Indian Rupees provided or received by the person changing the money:

**Provided** further that in case where neither of the currencies exchanged is Indian Rupees, the value shall be equal to one percent of the lesser of the two amounts the person changing the money would have received by converting any of the two currencies into Indian Rupee on that day at the reference rate provided by the Reserve Bank of India.

**Provided** also that a person supplying the services may exercise the option to ascertain the value in terms of clause (b) for a financial year and such option shall not be withdrawn during the remaining part of that financial year.

- (b) at the option of the supplier of services, the value in relation to the supply of foreign currency, including money changing, shall be deemed to be-
  - (i) one percent. of the gross amount of currency exchanged for an amount up to one lakh rupees, subject to a minimum amount of two hundred and fifty rupees;
  - (ii) one thousand rupees and half of a per cent. of the gross amount of currency exchanged for an amount exceeding one lakh rupees and up to ten lakh rupees; and
  - (iii) five thousand and five hundred rupees and one tenth of a per cent. of the gross amount of currency exchanged for an amount exceeding ten lakh rupees, subject to a maximum amount of sixty thousand rupees.
- (3) The value of the supply of services in relation to booking of tickets for travel by air provided by an air travel agent shall be deemed to be an amount calculated at the rate of five percent. of the basic fare in the case of domestic bookings, and at the rate of ten percent of the basic fare in the case of international bookings of passage for travel by air.



**Explanation:-** For the purposes of this sub-rule, the expression “basic fare” means that part of the air fare on which commission is normally paid to the air travel agent by the airlines.

- (4) The value of supply of services in relation to life insurance business shall be,-
- (a) the gross premium charged from a policy holder reduced by the amount allocated for investment, or savings on behalf of the policy holder, if such an amount is intimated to the policy holder at the time of supply of service;
  - (b) in case of single premium annuity policies other than (a), ten per cent. of single premium charged from the policy holder; or
  - (c) in all other cases, twenty five per cent. of the premium charged from the policy holder in the first year and twelve and a half per cent. of the premium charged from the policy holder in subsequent years:

**Provided** that nothing contained in this sub-rule shall apply where the entire premium paid by the policy holder is only towards the risk cover in life insurance.

- (5) Where a taxable supply is provided by a person dealing in buying and selling of second hand goods i.e., used goods as such or after such minor processing which does not change the nature of the goods and where no input tax credit has been availed on the purchase of such goods, the value of supply shall be the difference between the selling price and the purchase price and where the value of such supply is negative, it shall be ignored:

**Provided** that the purchase value of goods repossessed from a defaulting borrower, who is not registered, for the purpose of recovery of a loan or debt shall be deemed to be the purchase price of such goods by the defaulting borrower reduced by five percentage points for every quarter or part thereof, between the date of purchase and the date of disposal by the person making such repossession.

- (6) The value of a token, or a voucher, or a coupon, or a stamp (other than postage stamp) which is redeemable against a supply of goods or services or both shall be equal to the money value of the goods or services or both redeemable against such token, voucher, coupon, or stamp.
- (7) The value of taxable services provided by such class of service providers as may be notified by the Government, on the recommendations of the Council, as referred to in paragraph 2 of Schedule I of the said Act between distinct persons as referred to in section 25, where input tax credit is available, shall be deemed to be NIL.



**<sup>1</sup>[Rule 32A. Value of supply in cases where Kerala Flood Cess is applicable.-**

*The value of supply of goods or services or both on which Kerala Flood Cess is levied under clause 14 of the Kerala Finance Bill, 2019 shall be deemed to be the value determined in terms of section 15 of the Act, but shall not include the said cess.]*

**Rule 33. Value of supply of services in case of pure agent.-**

*Notwithstanding anything contained in the provisions of this Chapter, the expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply, if all the following conditions are satisfied, namely,-*

- (i) *the supplier acts as a pure agent of the recipient of the supply, when he makes the payment to the third party on authorisation by such recipient;*
- (ii) *the payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and*
- (iii) *the supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.*

**Explanation:-** *For the purposes of this rule, the expression “pure agent” means a person who-*

- (a) *enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both;*
- (b) *neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply;*
- (c) *does not use for his own interest such goods or services so procured; and*
- (d) *receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.*

*Illustration. - Corporate services firm A is engaged to handle the legal work pertaining to the incorporation of Company B. Other than its service fees, A also recovers from B, registration fee and approval fee for the name of the company paid to the Registrar of Companies. The fees charged by the Registrar of Companies for the registration and approval of the name are compulsorily levied on B. A is merely acting as a pure agent in the payment of those fees. Therefore, A's recovery of such expenses is a disbursement and not part of the value of supply made by A to B.*

**<sup>1</sup>[Rule 34. Rate of exchange of currency, other than Indian rupees, for determination of value. -**

- (1) *The rate of exchange for determination of value of taxable goods shall be the applicable rate of exchange as notified by the Board under section 14 of the Customs Act, 1962 for the date of time of supply of such goods in terms of section 12 of the Act.*

- (2) *The rate of exchange for determination of value of taxable services shall be the applicable rate of exchange determined as per the generally accepted accounting principles for the date of time of supply of such services in terms of section 13 of the Act.]*
1. *Substituted vide [Notification No. 17/2017-CT](#) dated 27.07.2017. Till then, the rule read as follows - "34. **Rate of exchange of currency, other than Indian rupees, for determination of value.**- The rate of exchange for the determination of the value of taxable goods or services or both shall be the applicable reference rate for that currency as determined by the Reserve Bank of India on the date of time of supply in respect of such supply in terms of section 12 or, as the case may be, section 13 of the Act."*

**Rule 35. Value of supply inclusive of integrated tax, central tax, State tax, Union territory tax. -**

Where the value of supply is inclusive of integrated tax or, as the case may be, central tax, State tax, Union territory tax, the tax amount shall be determined in the following manner, namely,-

Tax amount = (Value inclusive of taxes x tax rate in % of IGST or, as the case may be, CGST, SGST or UTGST) (100+ sum of tax rates, as applicable, in %)

**Explanation:-** For the purposes of the provisions of this Chapter, the expressions-

- (a) "open market value" of a supply of goods or services or both means the full value in money, excluding the integrated tax, central tax, State tax, Union territory tax and the cess payable by a person in a transaction, where the supplier and the recipient of the supply are not related and the price is the sole consideration, to obtain such supply at the same time when the supply being valued is made;
- (b) "supply of goods or services or both of like kind and quality" means any other supply of goods or services or both made under similar circumstances that, in respect of the characteristics, quality, quantity, functional components, materials, and the reputation of the goods or services or both first mentioned, is the same as, or closely or substantially resembles, that supply of goods or services or both.

## Input Tax Credit

### Section 16. Eligibility and conditions for taking input tax credit.-

- (1) Every registered person shall, subject to such conditions and restrictions as may be prescribed and in the manner specified in [section 49](#), be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person.



- (2) Notwithstanding anything contained in this section, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless,-
- (a) he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be [prescribed](#);
  - <sup>1</sup>[(aa) the details of the invoice or debit note referred to in clause (a) has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under [section 37](#)];
  - (b) he has received the goods or services or both.
- <sup>2</sup>**[Explanation.-** For the purposes of this clause, it shall be deemed that the registered person has received the goods or, as the case may be, services-
- (i) where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;
  - (ii) where the services are provided by the supplier to any person on the direction of and on account of such registered person;]
- <sup>3</sup>[(ba) the details of input tax credit in respect of the said supply communicated to such registered person under section 38 has not been restricted;]
- (c) subject to the provisions of <sup>4</sup>[section 41](#) <sup>5</sup>[\*\*\*], the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilisation of input tax credit admissible in respect of the said supply; and
  - (d) he has furnished the return under [section 39](#):

**Provided** that where the goods against an invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the last lot or instalment:

**Provided** further that where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of one hundred and eighty days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be <sup>9</sup>[paid by him along with interest payable under section 50], in such manner as may be [prescribed](#):

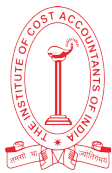
**Provided** also that the recipient shall be entitled to avail of the credit of input tax on payment made by him <sup>10</sup>[to the supplier] of the amount towards the value of supply of goods or services or both along with tax payable thereon.

- (3) Where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income tax Act, 1961 (43 of 1961), the input tax credit on the said tax component shall not be allowed.
- (4) A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the <sup>6</sup>[thirtieth day of November] following the end of financial year to which such invoice or <sup>7</sup>[\*\*\*\*] debit note pertains or furnishing of the relevant annual return, whichever is earlier.

<sup>8</sup>**Provided** that the registered person shall be entitled to take input tax credit after the due date of furnishing of the return under [section 39](#) for the month of September, 2018 till the due date of furnishing of the return under the said section for the month of March, 2019 in respect of any invoice or invoice relating to such debit note for supply of goods or services or both made during the financial year 2017-18, the details of which have been uploaded by the supplier under sub-section (1) of [section 37](#) till the due date for furnishing the details under sub-section (1) of said section for the month of March, 2019.]

- <sup>11</sup>[(5) Notwithstanding anything contained in sub-section (4), in respect of an invoice or debit note for supply of goods or services or both pertaining to the Financial Years 2017-18, 2018-19, 2019-20 and 2020-21, the registered person shall be entitled to take input tax credit in any return under section 39 which is filed up to the thirtieth day of November, 2021.
- (6) Where registration of a registered person is cancelled under section 29 and subsequently the cancellation of registration is revoked by any order, either under section 30 or pursuant to any order made by the Appellate Authority or the Appellate Tribunal or court and where avilment of input tax credit in respect of an invoice or debit note was not restricted under sub-section (4) on the date of order of cancellation of registration, the said person shall be entitled to take the input tax credit in respect of such invoice or debit note for supply of goods or services or both, in a return under section 39,—
  - (i) filed up to thirtieth day of November following the financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier; or
  - (ii) for the period from the date of cancellation of registration or the effective date of cancellation of registration, as the case may be, till the date of order of revocation of cancellation of registration, where such return is filed within thirty days from the date of order of revocation of cancellation of registration, whichever is later.]





\*Enforced w.e.f. 1st July, 2017.

1. Inserted (w.e.f. 1st January, 2022 vide Notification No. 39/2021-C.T., dated 21st December, 2021) by s. 109 of The Finance Act, 2021 (No. 13 of 2021).
2. Substituted (w.e.f. 1st February, 2019) for "Explanation.-For the purposes of this clause, it shall be deemed that the registered person has received the goods where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;" by s. 8 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018).
3. Inserted (w.e.f. 1st October, 2022 vide Notification No. 18/2022 - CT dated 28.09.2022.) by s. 100 of The Finance Act 2022 (No. 6 of 2022).
4. Substituted "section 41" (w.e.f. a date yet to be notified) by s. 8 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018).
5. Omitted "or section 43A" (w.e.f. 1st October, 2022 vide Notification No. 18/2022 - CT dated 28.09.2022.) by s. 100 of The Finance Act 2022 (No. 6 of 2022).
6. Substituted (w.e.f. 1st October, 2022 vide Notification No. 18/2022 - CT dated 28.09.2022.) by s. 100 of The Finance Act 2022 (No. 6 of 2022) for "due date of furnishing of the return under section 39 for the month of September".

### **Section 17. Apportionment of credit and blocked credits.-**

- (1) *Where the goods or services or both are used by the registered person partly for the purpose of any business and partly for other purposes, the amount of credit shall be restricted to so much of the input tax as is attributable to the purposes of his business.*
- (2) *Where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies under this Act or under the Integrated Goods and Services Tax Act and partly for effecting exempt supplies under the said Acts, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies.*
- (3) *The value of exempt supply under sub-section (2) shall be such as may be [prescribed](#), and shall include supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of [Schedule II](#), sale of building.*

<sup>1</sup>**[Explanation.-** For the purposes of this sub-section, the expression "value of exempt supply" shall



not include the value of activities or transactions specified in [Schedule III](#), <sup>4</sup>[except,—

- (i) the value of activities or transactions specified in paragraph 5 of the said Schedule; and
- (ii) the value of such activities or transactions as may be prescribed in respect of clause (a) of paragraph 8 of the said Schedule.];]

- (4) A banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances shall have the option to either comply with the provisions of subsection (2), or avail of, every month, an amount equal to fifty per cent. of the eligible input tax credit on inputs, capital goods and input services in that month and the rest shall lapse:

**Provided** that the option once exercised shall not be withdrawn during the remaining part of the financial year:

**Provided** further that the restriction of fifty per cent. shall not apply to the tax paid on supplies made by one registered person to another registered person having the same Permanent Account Number.

- (5) Notwithstanding anything contained in sub-section (1) of [section 16](#) and sub-section (1) of section 18, input tax credit shall not be available in respect of the following, namely:-

<sup>2</sup>[(a) motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons (including the driver), except when they are used for making the following taxable supplies, namely:-

- (A) further supply of such motor vehicles; or
- (B) transportation of passengers; or
- (C) imparting training on driving such motor vehicles;

(aa) vessels and aircraft except when they are used-

(i) for making the following taxable supplies, namely:-

- (A) further supply of such vessels or aircraft; or
- (B) transportation of passengers; or
- (C) imparting training on navigating such vessels; or
- (D) imparting training on flying such aircraft;

(ii) for transportation of goods;



- (ab) *services of general insurance, servicing, repair and maintenance in so far as they relate to motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa):*

**Provided** that the input tax credit in respect of such services shall be available-

- (i) *where the motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) are used for the purposes specified therein;*
- (ii) *where received by a taxable person engaged-*
  - (I) *in the manufacture of such motor vehicles, vessels or aircraft; or*
  - (II) *in the supply of general insurance services in respect of such motor vehicles, vessels or aircraft insured by him;]*

- (b) <sup>3</sup>*[the following supply of goods or services or both-*

- (i) *food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, leasing, renting or hiring of motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) except when used for the purposes specified therein, life insurance and health insurance:*

**Provided** that the input tax credit in respect of such goods or services or both shall be available where an inward supply of such goods or services or both is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;

- (ii) *membership of a club, health and fitness centre; and*
- (iii) *travel benefits extended to employees on vacation such as leave or home travel concession:*

**Provided** that the input tax credit in respect of such goods or services or both shall be available, where it is obligatory for an employer to provide the same to its employees under any law for the time being in force.]

- (c) *works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service;*
- (d) *goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.*

**Explanation.**-For the purposes of clauses (c) and (d), the expression “construction” includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property;

- (e) goods or services or both on which tax has been paid under [section 10](#);
  - (f) goods or services or both received by a non-resident taxable person except on goods imported by him;
  - <sup>5</sup>[(fa) goods or services or both received by a taxable person, which are used or intended to be used for activities relating to his obligations under corporate social responsibility referred to in section 135 of the Companies Act, 2013;]
  - (g) goods or services or both used for personal consumption;
  - (h) goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; and
  - (i) any tax paid in accordance with the provisions of <sup>6</sup>[section 74 in respect of any period up to Financial Year 2023-24]
- (6) The Government may prescribe the manner in which the credit referred to in sub-sections (1) and (2) may be attributed.

**Explanation.**- For the purposes of this Chapter and Chapter VI, the expression “plant and machinery” means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes-

- (i) land, building or any other civil structures;
- (ii) telecommunication towers; and
- (iii) pipelines laid outside the factory premises.

\* Enforced w.e.f. 1st July, 2017.

1. Inserted by s.9 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018)- Brought into force w.e.f. 01st February, 2019.
2. Substituted for “ (a) motor vehicles and other conveyances except when they are used-
  - (i) for making the following taxable supplies, namely:-
    - (A) further supply of such vehicles or conveyances ;or
    - (B) transportation of passengers; or
    - (C) imparting training on driving, flying, navigating such vehicles or conveyances;



- (ii) *for transportation of goods;” by s.9 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force w.e.f. 01st February, 2019.*
- 3. *Substituted for “ (b) the following supply of goods or services or both-*
  - (i) *food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery except where an inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;*
  - (ii) *membership of a club, health and fitness centre;*
  - (iii) *rent-a-cab, life insurance and health insurance except where-*
    - (A) *the Government notifies the services which are obligatory for an employer to provide to its employees under any law for the time being in force; or*
    - (B) *such inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as part of a taxable composite or mixed supply; and*
  - (iv) *travel benefits extended to employees on vacation such as leave or home travel concession; “ by s.9 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force w.e.f. 01st February, 2019.*
- 4. *Substituted (w.e.f. 1st October, 2023 vide [Notification No. 28/2023-C.T.](#), dated 31st July, 2023) by s. 139 of The Finance Act 2023 (No. 8 of 2023) for “except those specified in paragraph 5 of the said Schedule”.*
- 5. *Inserted (w.e.f. 1st October, 2023 vide [Notification No. 28/2023-C.T.](#), dated 31st July, 2023) by s. 139 of The Finance Act 2023 (No. 8 of 2023).*
- 6. *Substituted by section 119 of The Finance Act (No. 2) Act, 2024 No. 15 of 2024 dated 16.08.2024.*
- 7. *Omitted “invoice relating to such” (w.e.f. 1st January, 2021 vide [Notification No. 92/2020-C.T.](#), dated 22nd December, 2020) by s. 120 of The Finance Act, 2020 (No. 12 of 2020) .*
- 8. *Inserted vide Order No. 02/2018 -Central Tax dated 31st December, 2018.*
- 9. *Substituted (w.e.f. 1st October, 2023 vide [Notification No. 28/2023-C.T.](#), dated 31st July, 2023) by s. 138 of The Finance Act 2023 (No. 8 of 2023) for “added to his output tax liability, along with interest thereon”.*
- 10. *Inserted (w.e.f. 1st October, 2023 vide [Notification No. 28/2023-C.T.](#), dated 31st July, 2023) by s. 138 of The Finance Act 2023 (No. 8 of 2023).*
- 11. *Inserted by section 118 of The Finance Act (No. 2) Act, 2024 No. 15 of 2024 dated 16.08.2024.*



**<sup>1</sup>[Section 38. Communication of details of inward supplies and input tax credit.\***

- (1) *The details of outward supplies furnished by the registered persons under sub-section (1) of section 37 and of such other supplies as may be prescribed, and an auto-generated statement containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed.*
- (2) *The auto-generated statement under sub-section (1) shall consist of—*
  - (a) *details of inward supplies in respect of which credit of input tax may be available to the recipient; and*
  - (b) *details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient, on account of the details of the said supplies being furnished under sub-section (1) of section 37,—*
    - (i) *by any registered person within such period of taking registration as may be prescribed; or*
    - (ii) *by any registered person, who has defaulted in payment of tax and where such default has continued for such period as may be prescribed; or*
    - (iii) *by any registered person, the output tax payable by whom in accordance with the statement of outward supplies furnished by him under the said sub-section during such period, as may be prescribed, exceeds the output tax paid by him during the said period by such limit as may be prescribed; or*
    - (iv) *by any registered person who, during such period as may be prescribed, has availed credit of input tax of an amount that exceeds the credit that can be availed by him in accordance with clause (a), by such limit as may be prescribed; or*
    - (v) *by any registered person, who has defaulted in discharging his tax liability in accordance with the provisions of sub-section (12) of section 49 subject to such conditions and restrictions as may be prescribed; or*
    - (vi) *by such other class of persons as may be prescribed.]*

*\* Enforced w.e.f. 22nd June, 2017.*

1. *Substituted (w.e.f. 1st October, 2022 vide Notification No. 18/2022 - CT dated 28.09.2022.) by s. 104 of The Finance Act 2022 (No. 6 of 2022) for*



**Section 38. Furnishing details of inward supplies. -**

- (1) Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52, shall verify, validate, modify or delete, if required, the details relating to outward supplies and credit or debit notes communicated under sub-section (1) of section 37 to prepare the details of his inward supplies and credit or debit notes and may include therein, the details of inward supplies and credit or debit notes received by him in respect of such supplies that have not been declared by the supplier under sub-section (1) of section 37.
- (2) Every registered person, other than an Input Service Distributor or a nonresident taxable person or a person paying tax under the provisions of section 10 or section 51 or [section 52](#), shall furnish, electronically, the details of inward supplies of taxable goods or services or both, including inward supplies of goods or services or both on which the tax is payable on reverse charge basis under this Act and inward supplies of goods or services or both taxable under the Integrated Goods and Services Tax Act or on which integrated goods and services tax is payable under section 3 of the Customs Tariff Act, 1975 (51 of 1975), and credit or debit notes received in respect of such supplies during a tax period after the tenth day but on or before the fifteenth day of the month succeeding the tax period in such form and manner as may be prescribed:

**Provided** that the Commissioner may, for reasons to be recorded in writing, by notification, extend the time limit for furnishing such details for such class of taxable persons as may be specified therein:

**Provided** further that any extension of time limit notified by the Commissioner of State tax or Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.

- (3) The details of supplies modified, deleted or included by the recipient and furnished under sub-section (2) shall be communicated to the supplier concerned in such manner and within such time as may be prescribed.
- (4) The details of supplies modified, deleted or included by the recipient in the return furnished under sub-section (2) or sub-section (4) of [section 39](#) shall be communicated to the supplier concerned in such manner and within such time as may be prescribed.
- (5) Any registered person, who has furnished the details under sub-section (2) for any tax period and which have remained unmatched under [section 42](#) or [section 43](#), shall, upon discovery of any error or omission therein, rectify such error or omission in the tax period during which such error or omission is noticed in such manner as may be prescribed, and shall pay the tax and interest, if any, in case there is a short payment of tax on account of such error or omission, in the return to be furnished for such tax period:



*Provided that no rectification of error or omission in respect of the details furnished under sub-section (2) shall be allowed after furnishing of the return under section 39 for the month of September following the end of the financial year to which such details pertain, or furnishing of the relevant annual return, whichever is earlier.*

**\*Section 41. <sup>1</sup>[Availment of input tax credit**

- (1) Every registered person shall, subject to such conditions and restrictions as may be prescribed, be entitled to avail the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited to his electronic credit ledger.
- (2) The credit of input tax availed by a registered person under sub-section (1) in respect of such supplies of goods or services or both, the tax payable whereon has not been paid by the supplier, shall be reversed along with applicable interest, by the said person in such manner as may be prescribed:

*Provided that where the said supplier makes payment of the tax payable in respect of the aforesaid supplies, the said registered person may re-avail the amount of credit reversed by him in such manner as may be prescribed.]*

*\* Enforced w.e.f. 22nd June, 2017.*

1. Substituted (w.e.f. 1st October, 2022 vide Notification No. 18/2022 - CT) by s. 106 of The Finance Act 2022 (No. 6 of 2022) for "Section 41. Claim of input tax credit and provisional acceptance thereof.
- (1) Every registered person shall, subject to such conditions and restrictions as may be prescribed, be entitled to take the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited on a provisional basis to his electronic credit ledger.
- (2) The credit referred to in sub-section (1) shall be utilised only for payment of self-assessed output tax as per the return referred to in the said sub-section."

**Rule 36. Documentary requirements and conditions for claiming input tax credit.-**

- (1) The input tax credit shall be availed by a registered person, including the Input Service Distributor, on the basis of any of the following documents, namely,-
  - (a) an invoice issued by the supplier of goods or services or both in accordance with the provisions of section 31;
  - (b) an invoice issued in accordance with the provisions of clause (f) of sub-section (3) of section 31, subject to the payment of tax;
  - (c) a debit note issued by a supplier in accordance with the provisions of section 34;





- (d) a bill of entry or any similar document prescribed under the Customs Act, 1962 or rules made thereunder for the assessment of integrated tax on imports;
  - (e) an Input Service Distributor invoice or Input Service Distributor credit note or any document issued by an Input Service Distributor in accordance with the provisions of sub-rule (1) of rule 54.
- (2) Input tax credit shall be availed by a registered person only if all the applicable particulars as specified in the provisions of Chapter VI are contained in the said document <sup>1</sup>[\*\*\*\*]:
- <sup>2</sup>**[Provided** that if the said document does not contain all the specified particulars but contains the details of the amount of tax charged, description of goods or services, total value of supply of goods or services or both, GSTIN of the supplier and recipient and place of supply in case of inter-State supply, input tax credit may be availed by such registered person.]
- (3) No input tax credit shall be availed by a registered person in respect of any tax that has been paid in pursuance of any order where any demand has been confirmed on account of any fraud, willful misstatement or suppression of facts <sup>6</sup>[under section 74].
- <sup>3</sup>[(4) No input tax credit shall be availed by a registered person in respect of invoices or debit notes the details of which are required to be furnished under subsection (1) of section 37 unless,-
- (a) the details of such invoices or debit notes have been furnished by the supplier in the statement of outward supplies in **FORM GSTR-1** <sup>5</sup>[, as amended in FORM GSTR-1A if any,] or using the invoice furnishing facility; and
  - (b) the details of <sup>4</sup>[input tax credit in respect of] such invoices or debit notes have been communicated to the registered person in **FORM GSTR-2B** under sub-rule (7) of rule 60.]

1. Omitted (w.e.f. 01.10.2022) vide Notification No. 19/2022 - CT dated 28.09.2022

2. Inserted vide Notification No.39/2018-CT dated 04.09.2018

3. Substituted (w.e.f. 01.01.2022) vide Notification No. 40/2021- CT dated 29.12.2021 for

“(4) Input tax credit to be availed by a registered person in respect of invoices or debit notes, the details of which have not been furnished by the suppliers under sub-section (1) of section 37, in FORM GSTR-1 or using the invoice furnishing facility shall not exceed 5 per cent. of the eligible credit available in respect of invoices or debit notes the details of which have been furnished by the suppliers under sub-section (1) of section 37 in FORM GSTR-1 or using the invoice furnishing facility. Provided that the said condition shall apply cumulatively for the period February, March, April, May, June, July and August, 2020 and the return in FORM GSTR-3B for the tax period September, 2020 shall





*be furnished with the cumulative adjustment of input tax credit for the said months in accordance with the condition above. Provided further that such condition shall apply cumulatively for the period April, May and June, 2021 and the return in FORM GSTR-3B for the tax period June, 2021 or quarter ending June, 2021, as the case may be, shall be furnished with the cumulative adjustment of input tax credit for the said months in accordance with the condition above."*

4. *Inserted (w.e.f. 01.10.2022) vide Notification No. 19/2022 - CT dated 28.09.2022.*
5. *Inserted vide Notification No. 12/2024 - CT dated 10.07.2024.*
6. *Inserted vide Notification No. 20/2024 - CT dated 08.10.2024.*

**Rule 37. Reversal of input tax credit in the case of non-payment of consideration.-**

- <sup>1</sup>[(1) A registered person, who has availed of input tax credit on any inward supply of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, but fails to pay to the supplier thereof, the amount towards the value of such supply <sup>3</sup>[whether wholly or partly,] along with the tax payable thereon, within the time limit specified in the second proviso to sub-section(2) of section 16, shall pay <sup>4</sup>[or reverse] an amount equal to the input tax credit availed in respect of such supply <sup>5</sup>[, proportionate to the amount not paid to the supplier,] along with interest payable thereon under section 50, while furnishing the return in **FORM GSTR-3B** for the tax period immediately following the period of one hundred and eighty days from the date of the issue of the invoice:

**Provided** that the value of supplies made without consideration as specified in Schedule I of the said Act shall be deemed to have been paid for the purposes of the second proviso to sub-section (2) of section 16:

**Provided** further that the value of supplies on account of any amount added in accordance with the provisions of clause (b) of sub-section (2) of [section 15](#) shall be deemed to have been paid for the purposes of the second proviso to sub-section (2) of section 16.

- (2) Where the said registered person subsequently makes the payment of the amount towards the value of such supply along with tax payable thereon to the supplier thereof, he shall be entitled to re-avail the input tax credit referred to in sub-rule (1).]
- (3) <sup>2</sup>[\*\*\*\*]
- (4) The time limit specified in sub-section (4) of section 16 shall not apply to a claim for re-availing of any credit, in accordance with the provisions of the Act or the provisions of this Chapter, that had been reversed earlier.



**<sup>1</sup>[Rule 37A. Reversal of input tax credit in the case of non-payment of tax by the supplier and re-availment thereof.-**

Where input tax credit has been availed by a registered person in the return in **FORM GSTR-3B** for a tax period in respect of such invoice or debit note, the details of which have been furnished by the supplier in the statement of outward supplies in **FORM GSTR-1** <sup>1</sup>[, as amended in FORM GSTR-1A if any,] or using the invoice furnishing facility, but the return in **FORM GSTR-3B** for the tax period corresponding to the said statement of outward supplies has not been furnished by such supplier till the 30th day of September following the end of financial year in which the input tax credit in respect of such invoice or debit note has been availed, the said amount of input tax credit shall be reversed by the said registered person, while furnishing a return in **FORM GSTR-3B** on or before the 30th day of November following the end of such financial year:

**Provided** that where the said amount of input tax credit is not reversed by the registered person in a return in **FORM GSTR-3B** on or before the 30th day of November following the end of such financial year during which such input tax credit has been availed, such amount shall be payable by the said person along with interest thereon under section 50.

**Provided** further that where the said supplier subsequently furnishes the return in **FORM GSTR-3B** for the said tax period, the said registered person may re-avail the amount of such credit in the return in **FORM GSTR-3B** for a tax period thereafter.]

*Inserted vide Notification No. 12/2024 - CT dated 10.07.2024.*

Returns

**Section 37. Furnishing details of outward supplies. -**

- (1) Every registered person, other than an Input Service Distributor, a non-resident taxable person and a person paying tax under the provisions of [section 10](#) or [section 51](#) or [section 52](#), shall furnish, electronically <sup>1</sup>[subject to such conditions and restrictions and] in such form and manner [as may be prescribed](#), the details of outward supplies of goods or services or both effected during a tax period on or before the tenth day of the month succeeding the said tax period and such details <sup>2</sup>[shall, subject to such conditions and restrictions, within such time and in such manner as may be prescribed, be communicated to the recipient of the said supplies]:

<sup>3</sup>[\*\*\*]

<sup>4</sup>[**Provided** that] the Commissioner may, for reasons to be recorded in writing, by notification, extend the time limit for furnishing such details for such class of taxable persons as may be specified therein:

<sup>5</sup>**[Provided further that]** any extension of time limit notified by the Commissioner of State tax or Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.

(2) <sup>3</sup>[\*\*\*]

(3) Any registered person, who has furnished the details under sub-section (1) for any tax period <sup>3</sup>[\*\*\*], shall, upon discovery of any error or omission therein, rectify such error or omission in such manner as may be prescribed, and shall pay the tax and interest, if any, in case there is a short payment of tax on account of such error or omission, in the return to be furnished for such tax period:

**Provided** that no rectification of error or omission in respect of the details furnished under sub-section (1) shall be allowed after <sup>6</sup>[the thirtieth day of November] following the end of the financial year to which such details pertain, or furnishing of the relevant annual return, whichever is earlier.

<sup>7</sup>**[Provided further that]** the rectification of error or omission in respect of the details furnished under sub-section (1) shall be allowed after furnishing of the return under [section 39](#) for the month of September, 2018 till the due date for furnishing the details under subsection (1) for the month of March, 2019 or for the quarter January, 2019 to March, 2019]

<sup>1</sup>[(4) A registered person shall not be allowed to furnish the details of outward supplies under sub-section (1) for a tax period, if the details of outward supplies for any of the previous tax periods has not been furnished by him:

**Provided** that the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, allow a registered person or a class of registered persons to furnish the details of outward supplies under sub-section (1), even if he has not furnished the details of outward supplies for one or more previous tax periods]

**Explanation.** -For the purposes of this Chapter, the expression “details of outward supplies” shall include details of invoices, debit notes, credit notes and revised invoices issued in relation to outward supplies made during any tax period.

<sup>8</sup>[(5) A registered person shall not be allowed to furnish the details of outward supplies under sub-section (1) for a tax period after the expiry of a period of three years from the due date of furnishing the said details: Provided that the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, allow a registered person or a class of registered persons to furnish the details of outward supplies for a tax period under sub-section (1), even after the expiry of the said period of three years from the due date of furnishing the said details.]



*\* Enforced w.e.f. 22nd June, 2017.*

1. Inserted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022.) by s. 103 of The Finance Act 2022 (No. 6 of 2022).
2. Substituted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022.) by s. 103 of The Finance Act 2022 (No. 6 of 2022) for “shall be communicated to the recipient of the said supplies within such time and in such manner as may be prescribed”.
3. Omitted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022.) by s. 103 of The Finance Act 2022 (No. 6 of 2022).
4. Substituted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022.) by s. 103 of The Finance Act 2022 (No. 6 of 2022) for “Provided further that”.
5. Substituted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022.) by s. 103 of The Finance Act 2022 (No. 6 of 2022) for “Provided also that”.
6. Substituted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022.) by s. 103 of The Finance Act 2022 (No. 6 of 2022) for “furnishing of the return under section 39 for the month of September”.
7. Inserted by CGST (Second Removal of Difficulties) Order, 2018 issued under C.B.I. & C. vide Order No. 02/2018-Central Tax dated 31.12.2018.
8. Inserted (w.e.f. 1st October, 2023 vide [Notification No. 28/2023-C.T.](#), dated 31st July, 2023) by s. 142 of The Finance Act 2023 (No. 8 of 2023).

**Section 38. Communication of details of inward supplies and input tax credit.\***

- (1) The details of outward supplies furnished by the registered persons under sub-section (1) of [section 37](#) and of such other supplies as may be prescribed, and an auto-generated statement containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed.
- (2) The auto-generated statement under sub-section (1) shall consist of—
  - (a) details of inward supplies in respect of which credit of input tax may be available to the recipient; and
  - (b) details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient, on account of the details of the said supplies being furnished under sub-section (1) of [section 37](#)—

- (i) *by any registered person within such period of taking registration as may be prescribed; or*
- (ii) *by any registered person, who has defaulted in payment of tax and where such default has continued for such period as may be prescribed; or*
- (iii) *by any registered person, the output tax payable by whom in accordance with the statement of outward supplies furnished by him under the said sub-section during such period, as may be prescribed, exceeds the output tax paid by him during the said period by such limit as may be prescribed; or*
- (iv) *by any registered person who, during such period as may be prescribed, has availed credit of input tax of an amount that exceeds the credit that can be availed by him in accordance with clause (a), by such limit as may be prescribed; or*
- (v) *by any registered person, who has defaulted in discharging his tax liability in accordance with the provisions of sub-section (12) of [section 49](#) subject to such conditions and restrictions as may be prescribed; or*
- (vi) *by such other class of persons as may be prescribed.]*

*\* Enforced w.e.f. 22nd June, 2017.*

1. *Substituted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022.) by s. 104 of The Finance Act 2022 (No. 6 of 2022) for*

### **Section 38. Furnishing details of inward supplies. -**

- (1) *Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of [section 10](#) or [section 51](#) or [section 52](#), shall verify, validate, modify or delete, if required, the details relating to outward supplies and credit or debit notes communicated under sub-section (1) of [section 37](#) to prepare the details of his inward supplies and credit or debit notes and may include therein, the details of inward supplies and credit or debit notes received by him in respect of such supplies that have not been declared by the supplier under sub-section (1) of [section 37](#).*
- (2) *Every registered person, other than an Input Service Distributor or a nonresident taxable person or a person paying tax under the provisions of [section 10](#) or [section 51](#) or [section 52](#), shall furnish, electronically, the details of inward supplies of taxable goods or services or both, including inward supplies of goods or services or both on which the tax is payable on reverse charge basis under this Act and inward supplies of goods or services or both taxable under the Integrated Goods and Services*



*Tax Act or on which integrated goods and services tax is payable under [section 3](#) of the Customs Tariff Act, 1975 (51 of 1975), and credit or debit notes received in respect of such supplies during a tax period after the tenth day but on or before the fifteenth day of the month succeeding the tax period in such form and manner as may be prescribed:*

**Provided** that the Commissioner may, for reasons to be recorded in writing, by notification, extend the time limit for furnishing such details for such class of taxable persons as may be specified therein:

**Provided** further that any extension of time limit notified by the Commissioner of State tax or Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.

- (3) *The details of supplies modified, deleted or included by the recipient and furnished under sub-section (2) shall be communicated to the supplier concerned in such manner and within such time as may be prescribed.*
- (4) *The details of supplies modified, deleted or included by the recipient in the return furnished under sub-section (2) or sub-section (4) of [section 39](#) shall be communicated to the supplier concerned in such manner and within such time as may be prescribed.*
- (5) *Any registered person, who has furnished the details under sub-section (2) for any tax period and which have remained unmatched under [section 42](#) or [section 43](#), shall, upon discovery of any error or omission therein, rectify such error or omission in the tax period during which such error or omission is noticed in such manner as may be prescribed, and shall pay the tax and interest, if any, in case there is a short payment of tax on account of such error or omission, in the return to be furnished for such tax period:*

**Provided** that no rectification of error or omission in respect of the details furnished under sub-section (2) shall be allowed after furnishing of the return under [section 39](#) for the month of September following the end of the financial year to which such details pertain, or furnishing of the relevant annual return, whichever is earlier.

### **Section 39. Furnishing of returns.-**

- <sup>1</sup>[(1) Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of [section 10](#) or [section 51](#) or [section 52](#) shall, for every calendar month or part thereof, furnish, a return, electronically, of inward and outward supplies of goods or services or both, input tax credit availed, tax payable, tax paid and such other particulars, in such form and manner, and within such time, [as may be prescribed](#):

**Provided** that the Government may, on the recommendations of the Council, notify certain class of registered persons who shall furnish a return for every quarter or part thereof, subject to such conditions and restrictions [as may be specified](#) therein.



- (2) A registered person paying tax under the provisions of [section 10](#), shall, for each financial year or part thereof, furnish a return, electronically, of turnover in the State or Union territory, inward supplies of goods or services or both, tax payable, tax paid and such other particulars in such form and manner, and within such time, [as may be prescribed](#).]

- <sup>11</sup>[(3) Every registered person required to deduct tax at source under section 51 shall electronically furnish a return for every calendar month of the deductions made during the month in such form and manner and within such time as may be prescribed:

**Provided** that the said registered person shall furnish a return for every calendar month whether or not any deductions have been made during the said month.]

- (4) Every taxable person registered as an Input Service Distributor shall, for every calendar month or part thereof, furnish, in such form and manner [as may be prescribed](#), a return, electronically, within thirteen days after the end of such month.
- (5) Every registered non-resident taxable person shall, for every calendar month or part thereof, furnish, in such form and manner [as may be prescribed](#), a return, electronically, within <sup>2</sup>[thirteen] days after the end of a calendar month or within seven days after the last day of the period of registration specified under sub-section (1) of [section 27](#), whichever is earlier.
- (6) The Commissioner may, for reasons to be recorded in writing, by notification, extend the time limit for furnishing the returns under this section for such class of registered persons as may be specified therein:

**Provided** that any extension of time limit notified by the Commissioner of State tax or Union territory tax shall be deemed to be notified by the Commissioner.

- <sup>3</sup>[(7) Every registered person who is required to furnish a return under sub-section (1), other than the person referred to in the proviso thereto, or sub-section (3) or sub-section (5), shall pay to the Government the tax due as per such return not later than the last date on which he is required to furnish such return:

<sup>4</sup>**Provided** that every registered person furnishing return under the proviso to sub-section (1) shall pay to the Government, in such form and manner, and within such time, as may be prescribed,—

- (a) an amount equal to the tax due taking into account inward and outward supplies of goods or services or both, input tax credit availed, tax payable and such other particulars during a month; or



- (b) in lieu of the amount referred to in clause (a), an amount determined in such manner and subject to such conditions and restrictions as may be prescribed]

**Provided** further that every registered person furnishing return under sub-section (2) shall pay to the Government, the tax due taking into account turnover in the State or Union territory, inward supplies of goods or services or both, tax payable, and such other particulars during a quarter, in such form and manner, and within such time, as may be prescribed.]

- (8) Every registered person who is required to furnish a return under sub-section (1) or sub-section (2) shall furnish a return for every tax period whether or not any supplies of goods or services or both have been made during such tax period.
- (9) <sup>5</sup>[Where] any registered person after furnishing a return under sub-section (1) or sub-section (2) or sub-section (3) or subsection (4) or sub-section (5) discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in the return to be furnished for the month or quarter during which such omission or incorrect particulars <sup>6</sup>[in such form and manner as may be prescribed], subject to payment of interest under this Act:

**Provided** that no such rectification of any omission or incorrect particulars shall be allowed after the <sup>7</sup>[thirtieth day of November] following <sup>8</sup>[the end of the financial year to which such details pertain], or the actual date of furnishing of relevant annual return, whichever is earlier.

- (10) A registered person shall not be allowed to furnish a return for a tax period if the return for any of the previous tax periods <sup>9</sup>[or the details of outward supplies under sub-section (1) of section 37 for the said tax period has not been furnished by him:

**Provided** that the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, allow a registered person or a class of registered persons to furnish the return, even if he has not furnished the returns for one or more previous tax periods or has not furnished the details of outward supplies under sub-section (1) of section 37 for the said tax period]

- <sup>10</sup>[(11) A registered person shall not be allowed to furnish a return for a tax period after the expiry of a period of three years from the due date of furnishing the said return:

**Provided** that the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, allow a registered person or a class of registered persons to furnish the return for a tax period, even after the expiry of the said period of three years from the due date of furnishing the said return.]



\* Enforced w.e.f. 22nd June, 2017.

1. Substituted by s 97 of The Finance (No. 2) Act, 2019 (No. 23 of 2019) - Brought into force w.e.f. 10th November, 2020 vide [Notification No. 81 /2020-C.T.](#), dated 10-11-2020. for

“(1) Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52 shall, for every calendar month or part thereof, furnish, [in such form, manner and within such time as may be prescribed], a return, electronically, of inward and outward supplies of goods or services or both, input tax credit availed, tax payable, tax paid and such other particulars, in such form and manner, and within such time, as may be prescribed, [\*\*\*\*]

[Provided that the Government may, on the recommendations of the Council, notify certain classes of registered persons who shall furnish return for every quarter or part thereof, subject to such conditions and safeguards as may be specified therein.]

(2) A registered person paying tax under the provisions of section 10 shall, for each quarter or part thereof, furnish, in such form and manner as may be prescribed, a return, electronically, of turnover in the State or Union territory, inward supplies of goods or services or both, tax payable and tax paid within eighteen days after the end of such quarter.”

2. Substituted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022.) by s. 105 of The Finance Act 2022 (No. 6 of 2022) for “twenty”.

3. Substituted by s. 97 of The Finance (No. 2) Act, 2019 (No. 23 of 2019) - Brought into force w.e.f. 10th November, 2020 vide [Notification No. 81/2020-C.T.](#), dated 10-11-2020 for

“(7) Every registered person, who is required to furnish a return under sub-section (1) or sub-section (2) or sub-section (3) or sub-section (5), shall pay to the Government the tax due as per such return not later than the last date on which he is required to furnish such return.

[Provided that the Government may, on the recommendations of the Council, notify certain classes of registered persons who shall pay to the Government the tax due or part thereof as per the return on or before the last date on which he is required to furnish such return, subject to such conditions and safeguards as may be specified therein.]”

4. Substituted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022.) by s. 105 of The Finance Act 2022 (No. 6 of 2022) for “Provided that every registered person furnishing return under the proviso to sub-section (1) shall pay to the Government, the tax due taking into account inward and outward supplies of goods or services or both, input tax credit availed, tax payable and such other particulars during a month, in such form and manner, and within such time, as may be prescribed”.



5. Substituted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022.) by s. 105 of The Finance Act 2022 (No. 6 of 2022) for "Subject to the provisions of sections 37 and 38, if".
6. Substituted by s.17 of The Central Goods and Services Tax (Amendment) Act, 2018 for "in the return to be furnished for the month or quarter during which such omission or incorrect particulars are noticed". This amendment, not yet enforced.
7. Substituted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022.) by s. 105 of The Finance Act 2022 (No. 6 of 2022) for "the due date for furnishing of return for the month of September or second quarter".
8. Substituted by s.17 of The Central Goods and Services Tax (Amendment) Act, 2018 for "the end of the financial year". This amendment, not yet enforced.
9. Substituted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022.) by s. 105 of The Finance Act 2022 (No. 6 of 2022) for "has not been furnished by him".
10. Inserted (w.e.f. 1st October, 2023 vide [Notification No. 28/2023-C.T.](#), dated 31st July, 2023.) by s. 143 of The Finance Act 2023 (No. 8 of 2023).
11. Substituted for "(3) Every registered person required to deduct tax at source under the provisions of [section 51](#) shall furnish, in such form and manner [as may be prescribed](#), a return, electronically, for the month in which such deductions have been made within ten days after the end of such month." by section 124 of The Finance Act (No. 2) Act, 2024 No. 15 of 2024 dated 16.08.2024.

#### **Section 40. First return. -**

*Every registered person who has made outward supplies in the period between the date on which he became liable to registration till the date on which registration has been granted shall declare the same in the first return furnished by him after grant of registration.*

#### **Section 41. <sup>1</sup>[Availment of input tax credit**

- (1) *Every registered person shall, subject to such conditions and restrictions as may be prescribed, be entitled to avail the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited to his electronic credit ledger.*
- (2) *The credit of input tax availed by a registered person under sub-section (1) in respect of such supplies of goods or services or both, the tax payable whereon has not been paid by the supplier, shall be reversed along with applicable interest, by the said person in such manner as may be prescribed:*

**Provided** that where the said supplier makes payment of the tax payable in respect of the aforesaid supplies, the said registered person may re-avail the amount of credit reversed by him in such manner as may be prescribed.]

\* Enforced w.e.f. 22nd June, 2017.

1. Substituted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#)) by s. 106 of The Finance Act 2022 (No. 6 of 2022) for "Section 41. Claim of input tax credit and provisional acceptance thereof.

(1) Every registered person shall, subject to such conditions and restrictions as may be prescribed, be entitled to take the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited on a provisional basis to his electronic credit ledger.

(2) The credit referred to in sub-section (1) shall be utilised only for payment of self-assessed output tax as per the return referred to in the said sub-section."

#### **Section 44. Annual return. -**

<sup>2</sup>[(1)] Every registered person, other than an Input Service Distributor, a person paying tax under [section 51](#) or [section 52](#), a casual taxable person and a non-resident taxable person shall furnish an annual return which may include a self-certified reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year, with the audited annual financial statement for every financial year electronically, within such time and in such form and in such manner [as may be prescribed](#):

**Provided** that the Commissioner may, on the recommendations of the Council, by notification, exempt any class of registered persons from filing annual return under this section:

**Provided** further that nothing contained in this section shall apply to any department of the Central Government or a State Government or a local authority, whose books of account are subject to audit by the Comptroller and Auditor-General of India or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force.]

<sup>3</sup>[(2)] A registered person shall not be allowed to furnish an annual return under sub-section (1) for a financial year after the expiry of a period of three years from the due date of furnishing the said annual return:

**Provided** that the Government may, on the recommendations of the Council, by notification, and subject to such conditions and restrictions as may be specified therein, allow a registered person or a class of registered persons to furnish an annual return for a financial year under sub-section (1), even after the expiry of the said period of three years from the due date of furnishing the said annual return.

1. Substituted by s. 111 of The Finance Act, 2021 dated 28-03-2021 and brought into force w.e.f. 01.08.2021 vide [Notification no.29/2021- central tax](#) dated 30.07.2021 for:



*"Section 44. Annual return.*

- (1) *Every registered person, other than an Input Service Distributor, a person paying tax under section 51 or section 52, a casual taxable person and a non-resident taxable person, shall furnish an annual return for every financial year electronically in such form and manner as may be prescribed on or before the thirty-first day of December following the end of such financial year.*

*[Provided that the Commissioner may, on the recommendations of the Council and for reasons to be recorded in writing, by notification, extend the time limit for furnishing the annual return for such class of registered persons as may be specified therein:*

*Provided further that any extension of time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.]*

- (2) *Every registered person who is required to get his accounts audited in accordance with the provisions of sub-section (5) of section 35 shall furnish, electronically, the annual return under sub-section (1) along with a copy of the audited annual accounts and 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.*

*[Explanation.- For the purposes of this section, it is hereby declared that the annual return for the period from the 1st July, 2017 to the 31st March, 2018 shall be furnished on or before the [31st January, 2020] and the annual return for the period from the 1st April, 2018 to the 31st March, 2019 shall be furnished on or before the 31st March, 2020.]"*

2. Renumbered as sub-section (1) (w.e.f. 1st October, 2023 vide [Notification No. 28/2023-C.T.](#), dated 31st July, 2023.) by s. 144 of The Finance Act 2023 (No. 8 of 2023).
3. Inserted (w.e.f. 1st October, 2023 vide [Notification No. 28/2023-C.T.](#), dated 31st July, 2023.) by s. 144 of The Finance Act 2023 (No. 8 of 2023)

**Section 45. Final return. -**

Every registered person who is required to furnish a return under sub-section (1) of [section 39](#) and whose registration has been cancelled shall furnish a final return within three months of the date of cancellation or date of order of cancellation, whichever is later, in such form and manner [as may be prescribed](#).

**Section 46. Notice to return defaulters. -**

Where a registered person fails to furnish a return under [section 39](#) or [section 44](#) or [section 45](#), a notice shall be issued requiring him to furnish such return within fifteen days in such form and manner [as may be prescribed](#).

**Section 47. Levy of late fee. -**

- (1) Any registered person who fails to furnish the details of outward or <sup>1</sup>[\*\*\*] supplies required under [section 37](#) <sup>1</sup>[\*\*\*] or returns required under [section 39](#) or [section 45](#) <sup>2</sup>[or [section 52](#)] by the due date shall pay a late fee of one hundred rupees for every day during which such failure continues subject to a maximum amount of five thousand rupees.
- (2) Any registered person who fails to furnish the return required under [section 44](#) by the due date shall be liable to pay a late fee of one hundred rupees for every day during which such failure continues subject to a maximum of an amount calculated at a quarter per cent. of his turnover in the State or Union territory.

**Section 48. Goods and services tax practitioners. -**

- (1) The manner of approval of goods and services tax practitioners, their eligibility conditions, duties and obligations, manner of removal and other conditions relevant for their functioning shall be such as may be prescribed.
- (2) A registered person may authorise an approved goods and services tax practitioner to furnish the details of outward supplies under [section 37](#), <sup>1</sup>[\*\*\*] and the return under [section 39](#) or [section 44](#) or [section 45](#) <sup>2</sup>[and to perform such other functions] in such manner [as may be prescribed](#).
- (3) Notwithstanding anything contained in sub-section (2), the responsibility for correctness of any particulars furnished in the return or other details filed by the goods and services tax practitioners shall continue to rest with the registered person on whose behalf such return and details are furnished.

\* Enforced w.e.f. 22nd June, 2017.

1. Omitted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022) by s. 109 of The Finance Act 2022 (No. 6 of 2022).
2. Inserted by s. 19 of The Central Goods and Services Tax (Amendment) Act, 2018 (31 of 2018) - Brought into force w.e.f. 01-02-2019.

**Rule 59. Form and manner of furnishing details of outward supplies.-**

- (1) Every registered person, other than a person referred to in [section 14](#) of the Integrated Goods and Services Tax Act, 2017 (13 of 2017), required to furnish the details of outward supplies of goods or services or both under [section 37](#), shall furnish such details in [FORM GSTR-1](#) for the month or the quarter, as the case may be, electronically through the common portal, either directly or through a Facilitation Centre as may be notified by the Commissioner.



<sup>9</sup>**[Provided]** that the said person may, after furnishing the details of outward supplies of goods or service or both in FORM GSTR-1 for a tax period but before filing of return in FORM GSTR-3B for the said tax period, at his own option, amend or furnish additional details of outward supplies of goods or services or both in FORM GSTR-1A for the said tax period electronically through the common portal, either directly or through a Facilitation Centre as may be notified by the Commissioner.]

- (2) The registered persons required to furnish return for every quarter under proviso to subsection (1) of [section 39](#) may furnish the details of such outward supplies of goods or services or both to a registered person, as he may consider necessary, for the first and second months of a quarter, up to a cumulative value of fifty lakh rupees in each of the months, - using invoice furnishing facility (hereafter in this notification referred to as the «IFF») electronically on the common portal, duly authenticated in the manner prescribed under [rule 26](#), from the 1st day of the month succeeding such month till the 13th day of the said month.

<sup>2</sup>**[ Provided** that a registered person may furnish such details, for the month of April, 2021, using IFF from the 1st day of May, 2021 till the 28th day of May, 2021.]

<sup>3</sup>**[ Provided** further that a registered person may furnish such details, for the month of May, 2021, using IFF from the 1st day of June, 2021 till the 28th day of June, 2021.]

- (3) The details of outward supplies furnished using the IFF, for the first and second months of a quarter, shall not be furnished in [FORM GSTR-1](#) for the said quarter.
- (4) The details of outward supplies of goods or services or both furnished in [FORM GSTR-1](#) shall include the-
- (a) invoice wise details of all -
    - (i) inter-State and intra-State supplies made to the registered persons; and
    - (ii) inter-State supplies with invoice value more than <sup>10</sup>[one lakh rupees] made to the unregistered persons;
  - (b) consolidated details of all -
    - (i) intra-State supplies made to unregistered persons for each rate of tax; and
    - (ii) State wise inter-State supplies with invoice value upto <sup>10</sup>[one lakh rupees] made to unregistered persons for each rate of tax;
  - (c) debit and credit notes, if any, issued during the month for invoices issued previously.

<sup>9</sup>[(4A) The additional details or the amendments of the details of outward supplies of goods or



services or both furnished in FORM GSTR-1A may, as per the requirement of the registered person, include the –

- (a) invoice wise details of –
  - (i) inter-State and intra-State supplies made to the registered persons; and
  - (ii) inter-State supplies with invoice value more than one lakh rupees made to the unregistered persons;
- (b) consolidated details of –
  - (i) intra-State supplies made to unregistered persons for each rate of tax; and
  - (ii) State wise inter-State supplies with invoice value upto one lakh rupees made to unregistered persons for each rate of tax;
- (c) debit and credit notes, if any, issued during the month for invoices issued previously.]

(5) The details of outward supplies of goods or services or both furnished using the IFF shall include the -

- (a) invoice wise details of inter-State and intra-State supplies made to the registered persons;
- (b) debit and credit notes, if any, issued during the month for such invoices issued previously.]

<sup>4</sup>[(6) Notwithstanding anything contained in this rule, -

- (a) a registered person shall not be allowed to furnish the details of outward supplies of goods or services or both under [section 37](#) in **FORM GSTR-1**, if he has not furnished the return in **FORM GSTR-3B**<sup>5</sup>[for the preceding month]
- (b) a registered person, required to furnish return for every quarter under the proviso to subsection (1) of [section 39](#), shall not be allowed to furnish the details of outward supplies of goods or services or both under [section 37](#) in **FORM GSTR-1** or using the invoice furnishing facility, if he has not furnished the return in **FORM GSTR-3B** for preceding tax period;
- (c) <sup>6</sup>[\*\*\*\*].]

<sup>7</sup>[(d) a registered person, to whom an intimation has been issued on the common portal under the provisions of sub-rule (1) of [rule 88C](#) in respect of a tax period, shall not be allowed to furnish the details of outward supplies of goods or services or both under [section 37](#) in **FORM GSTR-1** or using the invoice furnishing facility for a subsequent tax period, unless he has either deposited the amount specified in the said intimation or has furnished a reply explaining the reasons for any amount remaining unpaid, as required under the provisions of sub-rule (2) of [rule 88C](#).]



- <sup>8</sup>[(e) a registered person, to whom an intimation has been issued on the common portal under the provisions of sub-rule (1) of rule 88D in respect of a tax period or periods, shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in FORM GSTR-1 or using the invoice furnishing facility for a subsequent tax period, unless he has either paid the amount equal to the excess input tax credit as specified in the said intimation or has furnished a reply explaining the reasons in respect of the amount of excess input tax credit that still remains to be paid, as required under the provisions of sub-rule (2) of rule 88D;
- (f) a registered person shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in FORM GSTR-1 or using the invoice furnishing facility, if he has not furnished the details of the bank account as per the provisions of rule 10A.]

1. Substituted (w.e.f. 01.01.2021) by [Notification No. 82/2020-C.T.](#), dated 10.11.2020 for "59. Form and manner of furnishing details of outward supplies .-

- (1) Every registered person, other than a person referred to in section 14 of the Integrated Goods and Services Tax Act, 2017, required to furnish the details of outward supplies of goods or services or both under section 37, shall furnish such details in FORM GSTR-1 electronically through the common portal, either directly or through a Facilitation Centre notified by the Commissioner.
- (2) The details of outward supplies of goods or services or both furnished in FORM GSTR-1 shall include the-
- (a) invoice wise details of all -
- (i) inter-State and intra-State supplies made to the registered persons; and
- (ii) inter-State supplies with invoice value more than two and a half lakh rupees made to the unregistered persons;
- (b) consolidated details of all -
- (i) intra-State supplies made to unregistered persons for each rate of tax; and
- (ii) State wise inter-State supplies with invoice value upto two and a half lakh rupees made to unregistered persons for each rate of tax;
- (c) debit and credit notes, if any, issued during the month for invoices issued previously.
- (3) The details of outward supplies furnished by the supplier shall be made available electronically to the concerned registered persons (recipients) in Part A of FORM GSTR-2A, in FORM GSTR-4A and in FORM GSTR-6A through the common portal after the due date of filing of FORM GSTR-1.





(4) *The details of inward supplies added, corrected or deleted by the recipient in his FORM GSTR-2 under section 38 or FORM GSTR-4 or FORM GSTR-6 under section 39 shall be made available to the supplier electronically in FORM GSTR-1A through the common portal and such supplier may either accept or reject the modifications made by the recipient and FORM GSTR-1 furnished earlier by the supplier shall stand amended to the extent of modifications accepted by him”.*

2. Inserted vide [Notification No. 13/2021-CT](#) dated 01.05.2021.

3. Inserted vide [Notification No. 27/2021-CT](#) dated 01.06.2021.

Sub-rule (5) was inserted vide [Notification No. 94/2020-CT](#) dated 22.12.2020 as

“(5) Notwithstanding anything contained in this rule, - (a) a registered person shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in FORM GSTR-1, if he has not furnished the return in FORM GSTR-3B for preceding two months; (b) a registered person, required to furnish return for every quarter under the proviso to sub-section (1) of section 39, shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in FORM GSTR-1 or using the invoice furnishing facility, if he has not furnished the return in FORM GSTR-3B for preceding tax period; (c) a registered person, who is restricted from using the amount available in electronic credit ledger to discharge his liability towards tax in excess of ninety-nine per cent. of such tax liability under rule 86B, shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in FORM GSTR-1 or using the invoice furnishing facility, if he has not furnished the return in FORM GSTR-3B for preceding tax period.” Rule 59 including sub- rule (5) has been substituted w.e.f. 01.01.2021 in accordance with provisions of Notification No. 82/2020-CT dated 10.11.2020.

4. Inserted vide [Notification No.01/2021 - CT](#) dated 01.01.2021.

5. Substituted vide [Notification No. 35/2021-Central tax](#) dated 24.09.2021 w.e.f. 01.01.2022 for «for preceding two months».

6. Omitted vide [Notification No. 35/2021-Central tax](#) dated 24.09.2021 w.e.f. 01.01.2022 for “(c) a registered person, who is restricted from using the amount available in electronic credit ledger to discharge his liability towards tax in excess of ninety-nine per cent. of such tax liability under rule 86B, shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in FORM GSTR-1 or using the invoice furnishing facility, if he has not furnished the return in FORM GSTR-3B for preceding tax period.”

7. Inserted vide [Notification No. 26/2022-CT](#) dated 26.12.2022.



8. Inserted vide [Notification No. 38/2023-CT](#) dated 04.08.2023.
9. Inserted vide [Notification No. 12/2024](#) - CT dated 10.07.2024.
10. Substituted (w.e.f. 01.08.2024) vide [Notification No. 12/2024](#) - CT dated 10.07.2024.

**Rule 60. Form and manner of ascertaining details of inward supplies.-**

- (1) The details of outward supplies furnished by the supplier in [FORM GSTR-1](#)<sup>3</sup>[or FORM GSTR-1A] or using the IFF shall be made available electronically to the concerned registered persons (recipients) in **Part A** of [FORM GSTR-2A](#), in [FORM GSTR-4A](#) and in [FORM GSTR-6A](#) through the common portal, as the case may be .
- (2) The details of invoices furnished by an non-resident taxable person in his return in [FORM GSTR-5](#) under [rule 63](#) shall be made available to the recipient of credit in **Part A** of [FORM GSTR 2A](#) electronically through the common portal.
- (3) The details of invoices furnished by an Input Service Distributor in his return in [FORM GSTR-6](#) under [rule 65](#) shall be made available to the recipient of credit in **Part B** of [FORM GSTR 2A](#) electronically through the common portal.
- (4) The details of tax deducted at source furnished by the deductor under sub-section (3) of [section 39](#) in [FORM GSTR-7](#) shall be made available to the deductee in **Part C** of [FORM GSTR-2A](#) electronically through the common portal
- (5) The details of tax collected at source furnished by an e-commerce operator under [section 52](#) in [FORM GSTR-8](#) shall be made available to the concerned person in **Part C** of [FORM GSTR 2A](#) electronically through the common portal.
- (6) The details of the integrated tax paid on the import of goods or goods brought in domestic Tariff Area from Special Economic Zone unit or a Special Economic Zone developer on a bill of entry shall be made available in **Part D** of [FORM GSTR-2A](#) electronically through the common portal.
- (7) An <sup>2</sup>[auto-generated] statement containing the details of input tax credit shall be made available to the registered person in [FORM GSTR-2B](#), for every month, electronically through the common portal, and shall consist of -
  - (i) the details of outward supplies furnished by his supplier, other than a supplier required to furnish return for every quarter under proviso to sub-section (1) of [section 39](#), in [FORM GSTR-1](#), between the day immediately after the due date of furnishing of [FORM GSTR-1](#) for the previous month to the due date of furnishing of [FORM GSTR-1](#) for the month;



- (ii) the details of invoices furnished by a non-resident taxable person in **FORM GSTR-5** and details of invoices furnished by an Input Service Distributor in his return in **FORM GSTR-6** and details of outward supplies furnished by his supplier, required to furnish return for every quarter under proviso to sub-section (1) of [section 39](#), in **FORM GSTR-1** or using the IFF, as the case may be, -
- for the first month of the quarter, between the day immediately after the due date of furnishing of **FORM GSTR-1** for the preceding quarter to the due date of furnishing details using the IFF for the first month of the quarter ;
  - for the second month of the quarter, between the day immediately after the due date of furnishing details using the IFF for the first month of the quarter to the due date of furnishing details using the IFF for the second month of the quarter;
  - for the third month of the quarter, between the day immediately after the due date of furnishing of details using the IFF for the second month of the quarter to the due date of furnishing of **FORM GSTR-1** for the quarter;
- <sup>4</sup>[(iia) the additional details or amendments in details of outward supplies furnished by his supplier in FORM GSTR-1A filed between the day immediately after the due date of furnishing of FORM GSTR-1 for the previous tax period to the due date of furnishing of FORM GSTR-1 for the current tax period;]
- (iii) the details of the integrated tax paid on the import of goods or goods brought in the domestic Tariff Area from Special Economic Zone unit or a Special Economic Zone developer on a bill of entry in the month.
- (8) The Statement in **FORM GSTR-2B** for every month shall be made available to the registered person,-
- for the first and second month of a quarter, a day after the due date of furnishing of details of outward supplies for the said month, in the IFF by a registered person required to furnish return for every quarter under proviso to sub-section (1) of [section 39](#), or in **FORM GSTR-1** by a registered person, other than those required to furnish return for every quarter under proviso to sub-section (1) of [section 39](#), whichever is later;
  - in the third month of the quarter, a day after the due date of furnishing of details of outward supplies for the said month, in **FORM GSTR-1** by a registered person required to furnish return for every quarter under proviso to sub-section (1) of [section 39](#).]

1. Substituted vide [Notification No. 82/2020-CT](#) dated 10.11.2020 w.e.f. 01.01.2021 for

**“ Rule 60. Form and manner of furnishing details of inward supplies .-**

- (1) Every registered person, other than a person referred to in section 14 of the Integrated Goods and Services Tax Act, 2017, required to furnish the details of inward supplies of goods or services or both



received during a tax period under sub-section (2) of section 38 shall, on the basis of details contained in Part A, Part B and Part C of **FORM GSTR-2A**, prepare such details as specified in subsection (1) of the said section and furnish the same in **FORM GSTR-2** electronically through the common portal, either directly or from a Facilitation Centre notified by the Commissioner, after including there in details of such other inward supplies, if any, required to be furnished under sub-section (2) of section 38.

- (2) Every registered person shall furnish the details, if any, required under sub-section (5) of section 38 electronically in **FORM GSTR-2**.
- (3) The registered person shall specify the inward supplies in respect of which he is not eligible, either fully or partially, for input tax credit in **FORM GSTR-2** where such eligibility can be determined at the invoice level.
- (4) The registered person shall declare the quantum of ineligible input tax credit on inward supplies which is relatable to non-taxable supplies or for purposes other than business and cannot be determined at the invoice level in **FORM GSTR-2**.
- (4A) The details of invoices furnished by a non-resident taxable person in his return in **FORM GSTR-5** under rule 63 shall be made available to the recipient of credit in **Part A** of **FORM GSTR 2A** electronically through the common portal and the said recipient may include the same in **FORM GSTR-2**.
- (5) The details of invoices furnished by an Input Service Distributor in his return in **FORM GSTR-6** under rule 65 shall be made available to the recipient of credit in **Part B** of **FORM GSTR 2A** electronically through the common portal and the said recipient may include the same in **FORM GSTR-2**.
- (6) The details of tax deducted at source furnished by the deductor under sub-section (3) of section 39 in **FORM GSTR-7** shall be made available to the deductee in **Part C** of **FORM GSTR-2A** electronically through the common portal and the said deductee may include the same in **FORM GSTR-2**.
- (7) The details of tax collected at source furnished by an e-commerce operator under section 52 in **FORM GSTR-8** shall be made available to the concerned person in **Part C** of **FORM GSTR 2A** electronically through the common portal and such person may include the same in **FORM GSTR-2**.
- (8) The details of inward supplies of goods or services or both furnished in **FORM GSTR-2** shall include the-
  - (a) invoice wise details of all inter-State and intra-State supplies received from registered persons or unregistered persons;
  - (b) import of goods and services made; and
  - (c) debit and credit notes, if any, received from supplier."



2. Substituted (w.e.f. 01.10.2022) vide [Notification No. 19/2022](#) - CT dated 28.09.2022.
3. Inserted vide [Notification No. 12/2024](#) - CT dated 10.07.2024.
4. Inserted vide [Notification No. 12/2024](#) - CT dated 10.07.2024.

**Rule 61. Form and manner of furnishing of return.-**

- (1) Every registered person other than a person referred to in [section 14](#) of the Integrated Goods and Services Tax Act, 2017 (13 of 2017) or an Input Service Distributor or a non-resident taxable person or a person paying tax under [section 10](#) or [section 51](#) or, as the case may be, under [section 52](#) shall furnish a return in **FORM GSTR-3B**, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner, as specified under -
  - (i) sub-section (1) of [section 39](#), for each month, or part thereof, on or before the twentieth day of the month succeeding such month:
  - (ii) proviso to sub-section (1) of [section 39](#), for each quarter, or part thereof, for the class of registered persons mentioned in column (2) of the Table given below, on or before the date mentioned in the corresponding entry in column (3) of the said Table, namely:-

**Table**

S. No.	Class of registered persons	Due Date
(1)	(2)	(3)
1.	Registered persons whose principal place of business is in the States of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep.	twenty-second day of the month succeeding such quarter.
2.	Registered persons whose principal place of business is in the States of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi.	twenty-fourth day of the month succeeding such quarter.

- (2) Every registered person required to furnish return, under sub-rule (1) shall, subject to the provisions of [section 49](#), discharge his liability towards tax, interest, penalty, fees or any other amount payable under the Act or the provisions of this Chapter by debiting the electronic cash ledger or electronic credit ledger and include the details in the return in **FORM GSTR-3B**.



- (3) Every registered person required to furnish return, every quarter, under clause (ii) of sub rule (1) shall pay the tax due under proviso to sub-section (7) of [section 39](#), for each of the first two months of the quarter, by depositing the said amount in [FORM GST PMT-06](#), by the twenty fifth day of the month succeeding such month:

**Provided** that the Commissioner may, on the recommendations of the Council, by notification, extend the due date for depositing the said amount in [FORM GST PMT-06](#), for such class of taxable persons as may be specified therein:

**Provided** further that any extension of time limit notified by the Commissioner of State tax or Union territory tax shall be deemed to be notified by the Commissioner:

**Provided** also that while making a deposit in [FORM GST PMT-06](#), such a registered person may -

- (a) for the first month of the quarter, take into account the balance in the electronic cash ledger.
  - (b) for the second month of the quarter, take into account the balance in the electronic cash ledger excluding the tax due for the first month.
- (4) The amount deposited by the registered persons under sub-rule (3) above, shall be debited while filing the return for the said quarter in [FORM GSTR-3B](#), and any claim of refund of such amount lying in balance in the electronic cash ledger, if any, out of the amount so deposited shall be permitted only after the return in [FORM GSTR-3B](#) for the said quarter has been filed.]

1. Substituted w.e.f. 01.01.2021 vide [Notification No. 82/2020-CT](#) dated 10.11.2020 for

**“ Rule 61. Form and manner of submission of monthly return . -**

- (1) Every registered person other than a person referred to in section 14 of the Integrated Goods and Services Tax Act, 2017 or an Input Service Distributor or a non-resident taxable person or a person paying tax under section 10 or section 51 or, as the case may be, under section 52 shall furnish a return specified under sub-section (1) of section 39 in **FORM GSTR-3** electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.
- (2) **Part A** of the return under sub-rule (1) shall be electronically generated on the basis of information furnished through **FORM GSTR-1**, **FORM GSTR-2** and based on other liabilities of preceding tax periods.
- (3) Every registered person furnishing the return under sub-rule (1) shall, subject to the provisions of section 49, discharge his liability towards tax, interest, penalty, fees or any other amount payable under the Act or the provisions of this Chapter by debiting the electronic cash ledger or electronic credit ledger and include the details in **Part B** of the return in **FORM GSTR-3** .



(4) A registered person, claiming refund of any balance in the electronic cash ledger in accordance with the provisions of sub-section (6) of section 49, may claim such refund in **Part B** of the return in **FORM GSTR-3** and such return shall be deemed to be an application filed under section 54.

[(5) Where the time limit for furnishing of details in **FORM GSTR-1** under section 37 or in **FORM GSTR-2** under section 38 has been extended, the return specified in sub-section (1) of section 39 shall, in such manner and subject to such conditions as the Commissioner may, by notification, specify, be furnished in **FORM GSTR-3B** electronically through the common portal, either directly or through a Facilitation Centre notified by the Commissioner:

**Provided** that where a return in **FORM GSTR-3B** is required to be furnished by a person referred to in sub-rule (1) then such person shall not be required to furnish the return in **FORM GSTR-3** .]

[(6) Every registered person other than a person referred to in section 14 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017) or an Input Service Distributor or a non-resident taxable person or a person paying tax under section 10 or section 51 or, as the case may be, under section 52 shall furnish a return in **FORM GSTR-3B**, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner, on or before the twentieth day of the month succeeding such tax period:

**Provided** that for taxpayers having an aggregate turnover of up to five crore rupees in the previous financial year, whose principal place of business is in the States of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep, the return in **FORM GSTR-3B** of the said rules for the months of October, 2020 to March, 2021 shall be furnished electronically through the common portal, on or before the twenty-second day of the month succeeding such month:

**Provided** further that for taxpayers having an aggregate turnover of up to five crore rupees in the previous financial year, whose principal place of business is in the States of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi, the return in **FORM GSTR-3B** of the said rules for the months of October, 2020 to March, 2021 shall be furnished electronically through the common portal, on or before the twenty-fourth day of the month succeeding such month.] (Inserted vide [Notification No. 82/2020-CT](#) dated 10.11.2020)

#### **Rule 61A. Manner of opting for furnishing quarterly return .-**

(1) Every registered person intending to furnish return on a quarterly basis under proviso to sub-section (1) of [section 39](#), shall in accordance with the conditions and restrictions notified in this regard,



indicate his preference for furnishing of return on a quarterly basis, electronically, on the common portal, from the 1<sup>st</sup> day of the second month of the preceding quarter till the last day of the first month of the quarter for which the option is being exercised:

**Provided** that where such option has been exercised once, the said registered person shall continue to furnish the return on a quarterly basis for future tax periods, unless the said registered person,-

- (a) becomes ineligible for furnishing the return on a quarterly basis as per the conditions and restrictions notified in this regard; or
- (b) opts for furnishing of return on a monthly basis, electronically, on the common portal:

**Provided** further that a registered person shall not be eligible to opt for furnishing quarterly return in case the last return due on the date of exercising such option has not been furnished.

- (2) A registered person, whose aggregate turnover exceeds 5 crore rupees during the current financial year, shall opt for furnishing of return on a monthly basis, electronically, on the common portal, from the first month of the quarter, succeeding the quarter during which his aggregate turnover exceeds 5 crore rupees.]

**Rule 60. Form and manner of ascertaining details of inward supplies.-**

- (1) The details of outward supplies furnished by the supplier in **FORM GSTR-1**<sup>3</sup>[or FORM GSTR-1A] or using the IFF shall be made available electronically to the concerned registered persons (recipients) in **Part A** of **FORM GSTR-2A**, in **FORM GSTR-4A** and in **FORM GSTR-6A** through the common portal, as the case may be.
- (2) The details of invoices furnished by an non-resident taxable person in his return in **FORM GSTR-5** under **rule 63** shall be made available to the recipient of credit in **Part A** of **FORM GSTR 2A** electronically through the common portal.
- (3) The details of invoices furnished by an Input Service Distributor in his return in **FORM GSTR-6** under **rule 65** shall be made available to the recipient of credit in **Part B** of **FORM GSTR 2A** electronically through the common portal.
- (4) The details of tax deducted at source furnished by the deductor under sub-section (3) of **section 39** in **FORM GSTR-7** shall be made available to the deductee in **Part C** of **FORM GSTR-2A** electronically through the common portal
- (5) The details of tax collected at source furnished by an e-commerce operator under **section 52** in **FORM GSTR-8** shall be made available to the concerned person in **Part C** of **FORM GSTR 2A** electronically through the common portal.





- (6) The details of the integrated tax paid on the import of goods or goods brought in domestic Tariff Area from Special Economic Zone unit or a Special Economic Zone developer on a bill of entry shall be made available in **Part D** of **FORM GSTR-2A** electronically through the common portal.
- (7) An <sup>2</sup>[auto-generated] statement containing the details of input tax credit shall be made available to the registered person in **FORM GSTR-2B**, for every month, electronically through the common portal, and shall consist of -
- (i) the details of outward supplies furnished by his supplier, other than a supplier required to furnish return for every quarter under proviso to sub-section (1) of [section 39](#), in **FORM GSTR-1**, between the day immediately after the due date of furnishing of **FORM GSTR-1** for the previous month to the due date of furnishing of **FORM GSTR-1** for the month;
  - (ii) the details of invoices furnished by a non-resident taxable person in **FORM GSTR-5** and details of invoices furnished by an Input Service Distributor in his return in **FORM GSTR-6** and details of outward supplies furnished by his supplier, required to furnish return for every quarter under proviso to sub-section (1) of [section 39](#), in **FORM GSTR-1** or using the IFF, as the case may be, -
    - (a) for the first month of the quarter, between the day immediately after the due date of furnishing of **FORM GSTR-1** for the preceding quarter to the due date of furnishing details using the IFF for the first month of the quarter;
    - (b) for the second month of the quarter, between the day immediately after the due date of furnishing details using the IFF for the first month of the quarter to the due date of furnishing details using the IFF for the second month of the quarter;
    - (c) for the third month of the quarter, between the day immediately after the due date of furnishing of details using the IFF for the second month of the quarter to the due date of furnishing of **FORM GSTR-1** for the quarter;

<sup>4</sup>[(iia) the additional details or amendments in details of outward supplies furnished by his supplier in FORM GSTR-1A filed between the day immediately after the due date of furnishing of FORM GSTR-1 for the previous tax period to the due date of furnishing of FORM GSTR-1 for the current tax period;]
  - (iii) the details of the integrated tax paid on the import of goods or goods brought in the domestic Tariff Area from Special Economic Zone unit or a Special Economic Zone developer on a bill of entry in the month.
- (8) The Statement in **FORM GSTR-2B** for every month shall be made available to the registered person, -
- (i) for the first and second month of a quarter, a day after the due date of furnishing of details of outward supplies for the said month, in the IFF by a registered person required to furnish



return for every quarter under proviso to sub-section (1) of [section 39](#), or in **FORM GSTR-1** by a registered person, other than those required to furnish return for every quarter under proviso to sub-section (1) of [section 39](#), whichever is later;

- (ii) in the third month of the quarter, a day after the due date of furnishing of details of outward supplies for the said month, in **FORM GSTR-1** by a registered person required to furnish return for every quarter under proviso to sub-section (1) of [section 39](#).]

1. Substituted vide [Notification No. 82/2020-CT](#) dated 10.11.2020 w.e.f. 01.01.2021 for

**“Rule 60. Form and manner of furnishing details of inward supplies .-**

- (1) Every registered person, other than a person referred to in section 14 of the Integrated Goods and Services Tax Act, 2017, required to furnish the details of inward supplies of goods or services or both received during a tax period under sub-section (2) of section 38 shall, on the basis of details contained in Part A, Part Band Part C of **FORM GSTR-2A**, prepare such details as specified in subsection (1) of the said section and furnish the same in **FORM GSTR-2** electronically through the common portal, either directly or from a Facilitation Centre notified by the Commissioner, after including there in details of such other inward supplies, if any, required to be furnished under sub-section (2) of section 38.
- (2) Every registered person shall furnish the details, if any, required under sub-section (5) of section 38 electronically in **FORM GSTR-2** .
- (3) The registered person shall specify the inward supplies in respect of which he is not eligible, either fully or partially, for input tax credit in **FORM GSTR-2** where such eligibility can be determined at the invoice level.
- (4) The registered person shall declare the quantum of ineligible input tax credit on inward supplies which is relatable to non-taxable supplies or for purposes other than business and cannot be determined at the invoice level in **FORM GSTR-2** .
- (4A) The details of invoices furnished by an non-resident taxable person in his return in **FORM GSTR-5** under rule 63 shall be made available to the recipient of credit in **Part A** of **FORM GSTR 2A** electronically through the common portal and the said recipient may include the same in **FORM GSTR-2** .
- (5) The details of invoices furnished by an Input Service Distributor in his return in **FORM GSTR-6** under rule 65 shall be made available to the recipient of credit in **Part B** of **FORM GSTR 2A** electronically through the common portal and the said recipient may include the same in **FORM GSTR-2** .
- (6) The details of tax deducted at source furnished by the deductor under sub-section (3) of section 39 in **FORM GSTR-7** shall be made available to the deductee in **Part C** of **FORM GSTR-2A** electronically through the common portal and the said deductee may include the same in **FORM GSTR-2** .

- (7) The details of tax collected at source furnished by an e-commerce operator under section 52 in **FORM GSTR-8** shall be made available to the concerned person in **Part C** of **FORM GSTR 2A** electronically through the common portal and such person may include the same in **FORM GSTR-2**.
- (8) The details of inward supplies of goods or services or both furnished in **FORM GSTR-2** shall include the-
  - (a) invoice wise details of all inter-State and intra-State supplies received from registered persons or unregistered persons;
  - (b) import of goods and services made; and
  - (c) debit and credit notes, if any, received from supplier."
2. Substituted (w.e.f. 01.10.2022) vide [Notification No. 19/2022](#) - CT dated 28.09.2022.
3. Inserted vide [Notification No. 12/2024](#) - CT dated 10.07.2024.
4. Inserted vide [Notification No. 12/2024](#) - CT dated 10.07.2024.

**Rule 61. Form and manner of furnishing of return.-**

- (1) Every registered person other than a person referred to in [section 14](#) of the Integrated Goods and Services Tax Act, 2017 (13 of 2017) or an Input Service Distributor or a non-resident taxable person or a person paying tax under [section 10](#) or [section 51](#) or, as the case may be, under [section 52](#) shall furnish a return in **FORM GSTR-3B**, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner, as specified under -
  - (i) sub-section (1) of [section 39](#), for each month, or part thereof, on or before the twentieth day of the month succeeding such month:
  - (ii) proviso to sub-section (1) of [section 39](#), for each quarter, or part thereof, for the class of registered persons mentioned in column (2) of the Table given below, on or before the date mentioned in the corresponding entry in column (3) of the said Table, namely:-

**Table**

S. No.	Class of registered persons	Due Date
(1)	(2)	(3)
1.	Registered persons whose principal place of business is in the States of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep.	twenty-second day of the month succeeding such quarter.



S. No.	Class of registered persons	Due Date
(1)	(2)	(3)
2.	Registered persons whose principal place of business is in the States of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi.	twenty-fourth day of the month succeeding such quarter.

- (2) Every registered person required to furnish return, under sub-rule (1) shall, subject to the provisions of [section 49](#), discharge his liability towards tax, interest, penalty, fees or any other amount payable under the Act or the provisions of this Chapter by debiting the electronic cash ledger or electronic credit ledger and include the details in the return in [FORM GSTR-3B](#).

- (3) Every registered person required to furnish return, every quarter, under clause (ii) of sub rule (1) shall pay the tax due under proviso to sub-section (7) of [section 39](#), for each of the first two months of the quarter, by depositing the said amount in [FORM GST PMT-06](#), by the twenty fifth day of the month succeeding such month:

**Provided** that the Commissioner may, on the recommendations of the Council, by notification, extend the due date for depositing the said amount in [FORM GST PMT-06](#), for such class of taxable persons as may be specified therein:

**Provided** further that any extension of time limit notified by the Commissioner of State tax or Union territory tax shall be deemed to be notified by the Commissioner:

**Provided** also that while making a deposit in [FORM GST PMT-06](#), such a registered person may -

- (a) for the first month of the quarter, take into account the balance in the electronic cash ledger.
  - (b) for the second month of the quarter, take into account the balance in the electronic cash ledger excluding the tax due for the first month.
- (4) The amount deposited by the registered persons under sub-rule (3) above, shall be debited while filing the return for the said quarter in [FORM GSTR-3B](#), and any claim of refund of such amount lying in balance in the electronic cash ledger, if any, out of the amount so deposited shall be permitted only after the return in [FORM GSTR-3B](#) for the said quarter has been filed.]

1. Substituted w.e.f. 01.01.2021 vide [Notification No. 82/2020-CT](#) dated 10.11.2020 for

**“Rule 61. Form and manner of submission of monthly return .-**

- (1) Every registered person other than a person referred to in section 14 of the Integrated Goods and Services Tax Act, 2017 or an Input Service Distributor or a non-resident taxable person or a person



paying tax under section 10 or section 51 or, as the case may be, under section 52 shall furnish a return specified under sub-section (1) of section 39 in **FORM GSTR-3** electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.

- (2) **Part A** of the return under sub-rule (1) shall be electronically generated on the basis of information furnished through **FORM GSTR-1**, **FORM GSTR-2** and based on other liabilities of preceding tax periods.
- (3) Every registered person furnishing the return under sub-rule (1) shall, subject to the provisions of section 49, discharge his liability towards tax, interest, penalty, fees or any other amount payable under the Act or the provisions of this Chapter by debiting the electronic cash ledger or electronic credit ledger and include the details in **Part B** of the return in **FORM GSTR-3**.
- (4) A registered person, claiming refund of any balance in the electronic cash ledger in accordance with the provisions of sub-section (6) of section 49, may claim such refund in **Part B** of the return in **FORM GSTR-3** and such return shall be deemed to be an application filed under section 54.
- [(5) Where the time limit for furnishing of details in **FORM GSTR-1** under section 37 or in **FORM GSTR-2** under section 38 has been extended, the return specified in sub-section (1) of section 39 shall, in such manner and subject to such conditions as the Commissioner may, by notification, specify, be furnished in **FORM GSTR-3B** electronically through the common portal, either directly or through a Facilitation Centre notified by the Commissioner:

**Provided** that where a return in **FORM GSTR-3B** is required to be furnished by a person referred to in sub-rule (1) then such person shall not be required to furnish the return in **FORM GSTR-3**.]

- [(6) Every registered person other than a person referred to in section 14 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017) or an Input Service Distributor or a non-resident taxable person or a person paying tax under section 10 or section 51 or, as the case may be, under section 52 shall furnish a return in **FORM GSTR-3B**, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner, on or before the twentieth day of the month succeeding such tax period:

**Provided** that for taxpayers having an aggregate turnover of up to five crore rupees in the previous financial year, whose principal place of business is in the States of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep, the return in **FORM GSTR-3B** of the said rules for the months of October, 2020 to March, 2021 shall be furnished electronically through the common portal, on or before the twenty-second day of the month succeeding such month:



**Provided** further that for taxpayers having an aggregate turnover of up to five crore rupees in the previous financial year, whose principal place of business is in the States of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi, the return in FORM GSTR-3B of the said rules for the months of October, 2020 to March, 2021 shall be furnished electronically through the common portal, on or before the twenty-fourth day of the month succeeding such month.] (Inserted vide [Notification No. 82/2020-CT](#) dated 10.11.2020)

**Rule 61A. Manner of opting for furnishing quarterly return .-**

- (1) Every registered person intending to furnish return on a quarterly basis under proviso to sub-section (1) of [section 39](#), shall in accordance with the conditions and restrictions notified in this regard, indicate his preference for furnishing of return on a quarterly basis, electronically, on the common portal, from the 1<sup>st</sup> day of the second month of the preceding quarter till the last day of the first month of the quarter for which the option is being exercised:

**Provided** that where such option has been exercised once, the said registered person shall continue to furnish the return on a quarterly basis for future tax periods, unless the said registered person,-

- (a) becomes ineligible for furnishing the return on a quarterly basis as per the conditions and restrictions notified in this regard; or
- (b) opts for furnishing of return on a monthly basis, electronically, on the common portal:

**Provided** further that a registered person shall not be eligible to opt for furnishing quarterly return in case the last return due on the date of exercising such option has not been furnished.

- (2) A registered person, whose aggregate turnover exceeds 5 crore rupees during the current financial year, shall opt for furnishing of return on a monthly basis, electronically, on the common portal, from the first month of the quarter, succeeding the quarter during which his aggregate turnover exceeds 5 crore rupees.]

1. Inserted vide [Notification No. 82/2020-CT](#) dated 10.11.2020.

**62 Form and manner of submission of statement and return . -**

- (1) Every registered person <sup>2</sup>[paying tax under [section 10](#) <sup>3</sup>[\*\*\*\*]] shall-
- (i) furnish a statement, every quarter or, as the case may be, part thereof, containing the details of payment of self-assessed tax in [FORM GST CMP-08](#), till the 18th day of the month succeeding such quarter; and



- (ii) furnish a return for every financial year or, as the case may be, part thereof in **FORM GSTR-4**, till the thirtieth day of April following the end of such financial year,] electronically through the common portal, either directly or through a Facilitation Centre notified by the Commissioner.

<sup>4</sup>[\*\*\*\*]

<sup>11</sup>[**Provided** that the return in FORM GSTR-4 for a financial year from FY 2024-25 onwards shall be required to be furnished by the registered person till the thirtieth day of June following the end of such financial year.]

- (2) Every registered person furnishing the <sup>5</sup>[statement under sub-rule (1) shall discharge his liability towards tax or interest] payable under the Act or the provisions of this Chapter by debiting the electronic cash ledger.
- (3) The return furnished under sub-rule(1) shall include the-
- (a) invoice wise inter-State and intra-State inward supplies received from registered and un-registered persons; and
- (b) consolidated details of outward supplies made.
- (4) A registered person who has opted to pay tax under [section 10](#) <sup>6</sup>[\*\*\*\*] from the beginning of a financial year shall, where required, furnish the details of outward and inward supplies and return under [rules 59, 60 and 61](#) relating to the period during which the person was liable to furnish such details and returns till the due date of furnishing the return for the month of September of the succeeding financial year or furnishing of annual return of the preceding financial year, whichever is earlier.

**Explanation:-** For the purposes of this sub-rule, it is hereby declared that the person shall not be eligible to avail <sup>7</sup>[\*\*\*\*] input tax credit on receipt of invoices or debit notes from the supplier for the period prior to his opting for the composition scheme <sup>8</sup>[\*\*\*\*].

- (5) A registered person opting to withdraw from the composition scheme at his own motion or where option is withdrawn at the instance of the proper officer shall, where required, furnish <sup>9</sup>[a statement in **FORM GST CMP-08** for the period for which he has paid tax under the composition scheme till the 18th day of the month succeeding the quarter in which the date of withdrawal falls and furnish a return in **FORM GSTR-4** for the said period till the thirtieth day of April following the end of the financial year during which such withdrawal falls].

- (6) <sup>10</sup>[\*\*\*\*]

1. Substituted vide [Notification No. 20/2019-CT](#) dated 23.04.2019 for "Form and manner of submission of quarterly return by the composition supplier".



2. Substituted vide [Notification No. 20/2019-CT](#) dated 23.04.2019 for “return under sub-rule (1) shall discharge his liability towards tax, interest, penalty, fees or any other amount”.
3. Omitted vide [Notification No. 82/2020-CT](#) dated 10.11.2020.
4. Omitted vide [Notification No. 20/2019-CT](#) dated 23.04.2019.
5. Substituted vide [Notification No. 20/2019-CT](#) dated 23.04.2019 for “return under sub-rule (1) shall discharge his liability towards tax, interest, penalty, fees or any other amount”.
6. Omitted vide [Notification No. 82/2020-CT](#) dated 10.11.2020.
7. Omitted vide [Notification No. 20/2019-CT](#) dated 23.04.2019.
8. Omitted vide [Notification No. 82/2020-CT](#) dated 10.11.2020.
9. Substituted vide [Notification No. 20/2019-CT](#) dated 23.04.2019.
10. Omitted vide [Notification No. 82/2020-CT](#) dated 10.11.2020.
11. Inserted vide [Notification No. 12/2024-CT](#) dated 10.07.2024.

**Rule 63. Form and manner of submission of return by non-resident taxable person.-**

Every registered non-resident taxable person shall furnish a return in [FORM GSTR-5](#) electronically through the common portal, either directly or through a Facilitation Centre notified by the Commissioner, including therein the details of outward supplies and inward supplies and shall pay the tax, interest, penalty, fees or any other amount payable under the Act or the provisions of this Chapter within twenty days after the end of a tax period or within seven days after the last day of the validity period of registration, whichever is earlier.

**Rule 64. Form and manner of submission of return by persons providing online information and data base access or retrieval services and by persons supplying online money gaming from a place outside India to a person in India.-**

Every registered person either providing online money gaming from a place outside India to a person in India, or providing online information and data base access or retrieval services from a place outside India to a non-taxable online recipient referred to in section 14 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017) or to a registered person other than a non-taxable online recipient, shall file return in FORM GSTR-5A on or before the twentieth day of the month succeeding the calendar month or part thereof.]

1. Substituted vide [Notification No. 51/2023-CT](#) dated 29.09.2023 for “Every registered person providing online information and data base access or retrieval services from a place outside India to a person in India





*other than a registered person shall file return in FORM GSTR-5A on or before the twentieth day of the month succeeding the calendar month or part thereof."*

**Rule 65. Form and manner of submission of return by an Input Service Distributor.-**

Every Input Service Distributor shall, on the basis of details contained in [FORM GSTR-6A](#), and where required, after adding, correcting or deleting the details, furnish electronically the return in [FORM GSTR-6](#), containing the details of tax invoices on which credit has been received and those issued under [section 20](#), through the common portal either directly or from a Facilitation Centre notified by the Commissioner.

**Rule 66. Form and manner of submission of return by a person required to deduct tax at source .-**

- (1) Every registered person required to deduct tax at source under [section 51](#) (hereafter in this rule referred to as deductor) shall furnish a return in [FORM GSTR-7](#) <sup>4</sup>, on or before the tenth day of the month succeeding the calendar month,] electronically through the common portal either directly or from a Facilitation Centre notified by the Commissioner.
- (2) The details furnished by the deductor under sub-rule (1) shall be made available electronically to each of the <sup>1</sup>[deductees] on the common portal after <sup>2</sup>[\*\*\*\*] filing of [FORM GSTR-7](#) <sup>3</sup>[for claiming the amount of tax deducted in his electronic cash ledger after validation].
- (3) The certificate referred to in sub-section (3) of [section 51](#) shall be made available electronically to the deductee on the common portal in [FORM GSTR-7A](#) on the basis of the return furnished under sub-rule (1).

1. Substituted vide [Notification No. 31/2019 - CT dated 28.06.2019](#).
2. Omitted vide [Notification No. 31/2019 - CT dated 28.06.2019](#).
3. Inserted vide [Notification No. 31/2019 - CT dated 28.06.2019](#).
4. Inserted (w.e.f. 01.11.2024) ) vide [Notification No. 20/2024-CT dated 08.10.2024](#).

**Rule 67. Form and manner of submission of statement of supplies through an e-commerce operator .-**

- (1) Every electronic commerce operator required to collect tax at source under [section 52](#) shall furnish a statement in [FORM GSTR-8](#) electronically on the common portal, either directly or from a Facilitation Centre notified by the Commissioner, containing details of supplies effected through such operator and the amount of tax collected as required under sub-section (1) of [section 52](#).
- (2) <sup>3</sup>[The details of tax collected at source under sub-section (1) of section 52 furnished by the operator under sub-rule (1) shall be made available electronically to each of the registered suppliers] <sup>1</sup>[\*\*\*\* ] on the common portal after <sup>1</sup>[\*\*\*\*] filing of [FORM GSTR-8](#) <sup>2</sup>[for claiming the amount of tax collected in his electronic cash ledger after validation].



1. Omitted vide [Notification No. 31/2019 - CT dated 28.06.2019](#).
2. Inserted vide [Notification No. 31/2019 - CT dated 28.06.2019](#).
3. Substituted vide [Notification No. 38/2023 - CT dated 04.08.2023](#).

**Rule 67A. Manner of furnishing of return or details of outward supplies by short messaging service facility.-**

Notwithstanding anything contained in this Chapter, for a registered person who is required to furnish a Nil return under [section 39](#) in **FORM GSTR-3B** or a Nil details of outward supplies under [section 37](#) in **FORM GSTR-1** or a Nil statement in **FORM GST CMP-08** for a tax period, any reference to electronic furnishing shall include furnishing of the said return or the details of outward supplies or statement through a short messaging service using the registered mobile number and the said return or the details of outward supplies or statement shall be verified by a registered mobile number based One Time Password facility.

**Explanation:-** For the purpose of this rule, a nil return or nil details of outward supplies or nil statement shall mean a return under [section 39](#) or details of outward supplies under [section 37](#) or statement under [rule 62](#), for a tax period that has nil or no entry in all the Tables in **FORM GSTR-3B** or **FORM GSTR-1** or **FORM GST CMP-08**, as the case may be.]

1. Substituted vide [Notification No. 79/2020 - CT dated 15.10.2020](#) for "Manner of furnishing of return or details of outward supplies by short messaging service facility.-Notwithstanding anything contained in this Chapter, for a registered person who is required to furnish a Nil return under section 39 in FORM GSTR-3B or a Nil details of outward supplies under section 37 in FORM GSTR-1 for a tax period, any reference to electronic furnishing shall include furnishing of the said return or the details of outward supplies through a short messaging service using the registered mobile number and the said return or the details of outward supplies shall be verified by a registered mobile number based One Time Password facility.

*Explanation.- For the purpose of this rule, a Nil return or Nil details of outward supplies shall mean a return under section 39 or details of outward supplies under section 37, for a tax period that has nil or no entry in all the Tables in FORM GSTR-3B or FORM GSTR-1, as the case may be."*

**Rule 68. Notice to non-filers of returns .-**

A notice in **FORM GSTR-3A** shall be issued, electronically, to a registered person who fails to furnish return under [section 39](#) or [section 44](#) or [section 45](#) or [section 52](#).

**Rule 78. Matching of details furnished by the e-Commerce operator with the details furnished by the supplier .-**

The following details relating to the supplies made through an e-Commerce operator, as declared in **FORM GSTR-8**, shall be matched with the corresponding details declared by the supplier in **FORM GSTR-1**<sup>1</sup> [as amended in FORM GSTR-1A if any,]

- (a) State of place of supply; and
- (b) net taxable value:

**Provided** that where the time limit for furnishing **FORM GSTR-1**<sup>1</sup> [as amended in FORM GSTR-1A if any,] under [section 37](#) has been extended, the date of matching of the above mentioned details shall be extended accordingly.

**Provided** further that the Commissioner may, on the recommendations of the Council, by order, extend the date of matching to such date as may be specified therein.

1. Inserted vide [Notification No. 12/2024-CT](#), dated 10.07.2024.

#### Rule 80. Annual return :-

<sup>1</sup>[(1) Every registered person, other than those referred to in the second proviso to [section 44](#), an Input Service Distributor, a person paying tax under [section 51](#) or [section 52](#), a casual taxable person and a non-resident taxable person, shall furnish an annual return for every financial year as specified under [section 44](#) electronically in **FORM GSTR-9** on or before the thirty-first day of December following the end of such financial year through the common portal either directly or through a Facilitation Centre notified by the Commissioner:

**Provided** that a person paying tax under [section 10](#) shall furnish the annual return in **FORM GSTR-9A**.

<sup>2</sup>[(1A) Notwithstanding anything contained in sub-rule (1), for the financial year 2020-2021 the said annual return shall be furnished on or before the twenty-eighth day of February, 2022.]

(2) Every electronic commerce operator required to collect tax at source under [section 52](#) shall furnish annual statement referred to in sub-section (5) of the said section in **FORM GSTR-9B**.

(3) Every registered person, other than those referred to in the second proviso to [section 44](#), an Input Service Distributor, a person paying tax under [section 51](#) or [section 52](#), a casual taxable person and a non-resident taxable person, whose aggregate turnover during a financial year exceeds five crore rupees, shall also furnish a self-certified reconciliation statement as specified under [section 44](#) in **FORM GSTR-9C** along with the annual return referred to in sub-rule (1), on or before the thirty-first day of December following the end of such financial year, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.]



<sup>2</sup>[(3A) Notwithstanding anything contained in sub-rule (3), for the financial year 2020-2021 the said self-certified reconciliation statement shall be furnished along with the said annual return on or before the twenty-eighth day of February, 2022.]

1. *Substituted vide Notification No. 30/2021-CT dated 30.07.2021 for*

**“Rule 80. Annual return.-**

(1) *Every registered person, other than an Input Service Distributor, a person paying tax under section 51 or section 52, a casual taxable person and a non-resident taxable person, shall furnish an annual return as specified under sub-section (1) of section 44 electronically in **FORM GSTR-9** through the common portal either directly or through a Facilitation Centre notified by the Commissioner:*

*Provided that a person paying tax under section 10 shall furnish the annual return in **FORM GSTR-9A**.*

(2) *Every electronic commerce operator required to collect tax at source under section 52 shall furnish annual statement referred to in sub-section (5) of the said section in **FORM GSTR -9B** .*

(3) *Every registered person [other than those referred to in the proviso to sub-section(5) of section 35,] whose aggregate turn over during a financial year exceeds two crore rupees shall get his accounts audited as specified under sub-section (5) of section 35 and he shall furnish a copy of audited annual accounts and a reconciliation statement, duly certified, in **FORM GSTR-9C**, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.*

*[Provided that for the financial year 2018-2019 and 2019-2020, every registered person whose aggregate turnover exceeds five crore rupees shall get his accounts audited as specified under sub-section (5) of section 35 and he shall furnish a copy of audited annual accounts and are conciliation statement, duly certified, in **FORM GSTR-9C** for the said financial year, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner. ] “*

2. *Inserted vide Notification No. 40/2021-CT dated 29.12.2021.*

**Rule 81. Final return .-**

*Every registered person required to furnish a final return under section 45, shall furnish such return electronically in **FORM GSTR-10** through the common portal either directly or through a Facilitation Centre notified by the Commissioner.*

**Rule 82. Details of inward supplies of persons having Unique Identity Number .-**

(1) *Every person who has been issued a Unique Identity Number and claims refund of the taxes paid on his inward supplies, shall furnish the details of such supplies of taxable goods or services or both*



electronically in **FORM GSTR-11**, along with application for such refund claim, through the common portal either directly or through a Facilitation Centre notified by the Commissioner.

- (2) Every person who has been issued a Unique Identity Number for purposes other than refund of the taxes paid shall furnish the details of inward supplies of taxable goods or services or both as may be required by the proper officer in **FORM GSTR-11**.

**Rule 83. Provisions relating to a goods and services tax practitioner .-**

- (1) An application in **FORM GST PCT-01** may be made electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner for enrolment as goods and services tax practitioner by any person who,

- (i) is a citizen of India;
- (ii) is a person of sound mind;
- (iii) is not adjudicated as insolvent;
- (iv) has not been convicted by a competent court;

and satisfies any of the following conditions, namely:-

- (a) that he is a retired officer of the Commercial Tax Department of any State Government or of the <sup>1</sup>[Central Board of Indirect Taxes] and Customs, Department of Revenue, Government of India, who, during his service under the Government, had worked in a post not lower than the rank of a Group-B gazetted officer for a period of not less than two years; or
- (b) that he has enrolled as a sales tax practitioner or tax return preparer under the existing law for a period of not less than five years;
- (c) he has passed,
  - (i) a graduate or postgraduate degree or its equivalent examination having a degree in Commerce, Law, Banking including Higher Auditing, or Business Administration or Business Management from any Indian University established by any law for the time being in force; or
  - (ii) a degree examination of any Foreign University recognised by any Indian University as equivalent to the degree examination mentioned in sub-clause (i); or
  - (iii) any other examination notified by the Government, on the recommendation of the Council, for this purpose; or



- (iv) *has passed any of the following examinations, namely:-*
- (a) *final examination of the Institute of Chartered Accountants of India; or*
  - (b) *final examination of the Institute of Cost Accountants of India; or*
  - (c) *final examination of the Institute of Company Secretaries of India.*
- (2) *On receipt of the application referred to in sub-rule (1), the officer authorised in this behalf shall, after making such enquiry as he considers necessary, either enrol the applicant as a goods and services tax practitioner and issue a certificate to that effect in **FORM GST PCT-02** or reject his application where it is found that the applicant is not qualified to be enrolled as a goods and services tax practitioner.*
- (3) *The enrolment made under sub-rule (2) shall be valid until it is cancelled:*
- Provided** *that no person enrolled as a goods and services tax practitioner shall be eligible to remain enrolled unless he passes such examination conducted at such periods and by such authority as may be notified by the Commissioner on the recommendations of the Council:*
- Provided** *further that no person to whom the provisions of clause (b) of <sup>2</sup>[sub-rule] (1) apply shall be eligible to remain enrolled unless he passes the said examination within a period of <sup>3</sup>[thirty months] from the appointed date.*
- (4) *If any goods and services tax practitioner is found guilty of misconduct in connection with any proceedings under the Act, the authorised officer may, after giving him a notice to show cause in **FORM GST PCT-03** for such misconduct and after giving him a reasonable opportunity of being heard, by order in **FORM GST PCT -04** direct that he shall henceforth be disqualified under [section 48](#) to function as a goods and services tax practitioner.*
- (5) *Any person against whom an order under sub-rule (4) is made may, within thirty days from the date of issue of such order, appeal to the Commissioner against such order.*
- (6) *Any registered person may, at his option, authorise a goods and services tax practitioner on the common portal in **FORM GST PCT-05** or, at any time, withdraw such authorisation in **FORM GST PCT-05** and the goods and services tax practitioners authorised shall be allowed to undertake such tasks as indicated in the said authorisation during the period of authorisation.*
- (7) *Where a statement required to be furnished by a registered person has been furnished by the goods and services tax practitioner authorised by him, a confirmation shall be sought from the registered person over email or SMS and the statement furnished by the goods and services tax practitioner shall be made available to the registered person on the common portal:*





**Provided** that where the registered person fails to respond to the request for confirmation till the last date of furnishing of such statement, it shall be deemed that he has confirmed the statement furnished by the goods and services tax practitioner.

<sup>4</sup>[(8) A goods and services tax practitioner can undertake any or all of the following activities on behalf of a registered person, if so authorised by him to-

- (a) furnish the details of outward <sup>5</sup>[\*\*\*\*] supplies;
- (b) furnish monthly, quarterly, annual or final return;
- (c) make deposit for credit into the electronic cash ledger;
- (d) file a claim for refund;
- (e) file an application for amendment or cancellation of registration;
- (f) furnish information for generation of e-way bill;
- (g) furnish details of challan in **FORM GST ITC-04**;
- (h) file an application for amendment or cancellation of enrolment under [rule 58](#); and
- (i) file an intimation to pay tax under the composition scheme or withdraw from the said scheme:

**Provided** that where any application relating to a claim for refund or an application for amendment or cancellation of registration or where an intimation to pay tax under composition scheme or to withdraw from such scheme has been submitted by the goods and services tax practitioner authorised by the registered person, a confirmation shall be sought from the registered person and the application submitted by the said practitioner shall be made available to the registered person on the common portal and such application shall not be further proceeded with until the registered person gives his consent to the same.]

- (9) Any registered person opting to furnish his return through a goods and services tax practitioner shall-
  - (a) give his consent in **FORM GST PCT-05** to any goods and services tax practitioner to prepare and furnish his return; and
  - (b) before confirming submission of any statement prepared by the goods and services tax practitioner, ensure that the facts mentioned in the return are true and correct.
- (10) The goods and services tax practitioner shall-
  - (a) prepare the statements with due diligence; and
  - (b) affix his digital signature on the statements prepared by him or electronically verify using his credentials.



- (11) A goods and services tax practitioner enrolled in any other State or Union territory shall be treated as enrolled in the State or Union territory for the purposes specified in sub-rule (8).
1. Substituted for "Central Board of Excise" vide [Notification No. 03/2019-CT](#) dated 29.01.2019 w.e.f.01.02.2019.
  2. Substituted (w.e.f. 01.07.2017) by [Notification No. 17/2017-CT](#) dated 27.07.2017.
  3. Substituted for the word "eighteen months" vide [Notification No.03/2019-CT](#) dated 29.01.2019 w.e.f. 01.02.2019.
  4. Substituted vide [Notification No. 03/2019-CT](#) dated 29.01.2019 w.e.f 01.02.2019 for «A goods and services tax practitioner can undertake any or all of the following activities on behalf of a registered person, if so authorised by him to-
    - (a) furnish the details of outward and inward supplies;
    - (b) furnish monthly, quarterly, annual or final return;
    - (c) make deposit for credit into the electronic cash ledger;
    - (d) file a claim for refund; and
    - (e) file an application for amendment or cancellation of registration:

*Provided that where any application relating to a claim for refund or an application for amendment or cancellation of registration has been submitted by the goods and services tax practitioner authorised by the registered person, a confirmation shall be sought from the registered person and the application submitted by the said practitioner shall be made available to the registered person on the common portal and such application shall not be proceeded with further until the registered person gives his consent to the same."*

5. Omitted (w.e.f. 01.10.2022) vide [Notification No. 19/2022](#) - CT dated 01.10.2022 for «and inward».

**Rule 83A. Examination of Goods and Services Tax Practitioners.-**

- (1) Every person referred to in clause (b) of sub-rule(1) of [rule 83](#) and who is enrolled as a goods and services tax practitioner under sub-rule (2) of the said rule, shall pass an examination as per sub-rule(3) of the said rule.
- (2) The National Academy of Customs, Indirect Taxes and Narcotics (hereinafter referred to as "NACIN") shall conduct the examination.
- (3) **Frequency of examination.-** The examination shall be conducted twice in a year as per the schedule of the examination published by NACIN every year on the official websites of the Board, NACIN, common portal, GST Council Secretariat and in the leading English and regional newspapers.



(4) **Registration for the examination and payment of fee.-**

- (i) A person who is required to pass the examination shall register online on a website specified by NACIN.
- (ii) A person who registers for the examination shall pay examination fee as specified by NACIN, and the amount for the same and the manner of its payment shall be specified by NACIN on the official websites of the Board, NACIN and common portal.

(5) **Examination centers.-** The examination shall be held across India at the designated centers. The candidate shall be given an option to choose from the list of centers as provided by NACIN at the time of registration.

(6) **Period for passing the examination and number of attempts allowed .-**

- <sup>2</sup>[(i) Every person referred to in clause (b) of sub-rule (1) of [rule 83](#) and who is enrolled as a goods and services tax practitioner under sub-rule (2) of the said rule is required to pass the examination within the period as specified in the second proviso of sub-rule (3) of the said rule.]
- (ii) A person required to pass the examination may avail of any number of attempts but these attempts shall be within the period as specified in clause (i).
- (iii) A person shall register and pay the requisite fee every time he intends to appear at the examination.
- (iv) In case the goods and services tax practitioner having applied for appearing in the examination is prevented from availing one or more attempts due to unforeseen circumstances such as critical illness, accident or natural calamity, he may make a request in writing to the jurisdictional Commissioner for granting him one additional attempt to pass the examination, within thirty days of conduct of the said examination. NACIN may consider such requests on merits based on recommendations of the jurisdictional Commissioner.

(7) **Nature of examination.-** The examination shall be a Computer Based Test. It shall have one question paper consisting of Multiple Choice Questions. The pattern and syllabus are specified in Annexure-A.

(8) **Qualifying marks. -** A person shall be required to secure fifty per cent. of the total marks.

(9) **Guidelines for the candidates .-**

- (i) NACIN shall issue examination guidelines covering issues such as procedure of registration, payment of fee, nature of identity documents, provision of admit card, manner of reporting at the examination center, prohibition on possession of certain items in the examination center, procedure of making representation and the manner of its disposal.



- (ii) *Any person who is or has been found to be indulging in unfair means or practices shall be dealt in accordance with the provisions of sub-rule (10). An illustrative list of use of unfair means or practices by a person is as under: -*
- (a) *obtaining support for his candidature by any means;*
  - (b) *impersonating;*
  - (c) *submitting fabricated documents;*
  - (d) *resorting to any unfair means or practices in connection with the examination or in connection with the result of the examination;*
  - (e) *found in possession of any paper, book, note or any other material, the use of which is not permitted in the examination center;*
  - (f) *communicating with others or exchanging calculators, chits, papers etc. (on which something is written);*
  - (g) *misbehaving in the examination center in any manner;*
  - (h) *tampering with the hardware and/or software deployed; and*
  - (i) *attempting to commit or, as the case may be, to abet in the commission of all or any of the acts specified in the foregoing clauses.*
- (10) **Disqualification of person using unfair means or practice.** *-If any person is or has been found to be indulging in use of unfair means or practices, NACIN may, after considering his representation, if any, declare him disqualified for the examination.*
- (11) **Declaration of result.** *- NACIN shall declare the results within one month of the conduct of examination on the official websites of the Board, NACIN, GST Council Secretariat, common portal and State Tax Department of the respective States or Union territories, if any. The results shall also be communicated to the applicants by e-mail and/or by post.*
- (12) **Handling representations.** *- A person not satisfied with his result may represent in writing, clearly specifying the reasons therein to NACIN or the jurisdictional Commissioner as per the procedure established by NACIN on the official websites of the Board, NACIN and common portal.*
- (13) **Power to relax .** *-Where the Board or State Tax Commissioner is of the opinion that it is necessary or expedient to do so, it may, on the recommendations of the Council, relax any of the provisions of this rule with respect to any class or category of persons.*



**Explanation :-** For the purposes of this sub-rule, the expressions -

- (a) "jurisdictional Commissioner" means the Commissioner having jurisdiction over the place declared as address in the application for enrolment as the GST Practitioner in **FORM GST PCT-1**. It shall refer to the Commissioner of Central Tax if the enrolling authority in **FORM GST PCT-1** has been selected as Centre, or the Commissioner of State Tax if the enrolling authority in **FORM GST PCT-1** has been selected as State;
- (b) NACIN means as notified by [notification No. 24/2018-Central Tax, dated 28.05.2018](#).

**Annexure-A [See sub-rule 7] Pattern and Syllabus of the Examination**

PAPER: GST Law & Procedures:	
Time allowed:	2 hours and 30 minutes
Number of Multiple Choice Questions:	100
Language of Questions:	English and Hindi
Maximum marks:	200
Qualifying marks:	100
No negative marking	

Syllabus:	
1	The Central Goods and Services Tax Act, 2017
2	The Integrated Goods and Services Tax Act, 2017
3	All The State Goods and Services Tax Acts, 2017
4	The Union territory Goods and Services Tax Act, 2017
5	The Goods and Services Tax (Compensation to States) Act, 2017
6	The Central Goods and Services Tax Rules, 2017
7	The Integrated Goods and Services Tax Rules, 2017
8	All The State Goods and Services Tax Rules, 2017
9	Notifications, Circulars and orders issued from time to time under the said Acts and Rules.

1. Inserted vide [Notification No. 60/2018 - CT dated 30.10.2018](#).
2. Substituted for "[i] A person enrolled as a goods and services tax practitioner in terms of sub-rule (2) of rule 83 is required to pass the examination within two years of enrolment:

*Provided that if a person is enrolled as a goods and services tax practitioner before 1st of July 2018, he shall get one more year to pass the examination:*

*Provided further that for a goods and services tax practitioner to whom the provisions of clause (b) of sub-rule (1) of rule 83 apply, the period to pass the examination will be as specified in the second proviso of sub-rule (3) of said rule." vide [Notification No. 49/2019 - CT dt 09.10.2019](#).*



**Rule 83B. Surrender of enrolment of goods and services tax practitioner.-**

- (1) A goods and services tax practitioner seeking to surrender his enrolment shall electronically submit an application in [FORM GST PCT-06](#), at the common portal, either directly or through a facilitation centre notified by the Commissioner.
  - (2) The Commissioner, or an officer authorised by him, may after causing such enquiry as deemed fit and by order in [FORM GST PCT-07](#), cancel the enrolment of such practitioner.]
1. *Inserted vide [Notification No.33/2019-CT](#) dated 18.07.2019 with effect from a date to be notified later.*

**Rule 84. Conditions for purposes of appearance .-**

- (1) No person shall be eligible to attend before any authority as a goods and services tax practitioner in connection with any proceedings under the Act on behalf of any registered or un-registered person unless he has been enrolled under [rule 83](#).
- (2) A goods and services tax practitioner attending on behalf of a registered or an unregistered person in any proceedings under the Act before any authority shall produce before such authority, if required, a copy of the authorisation given by such person in [FORM GST PCT-05](#).

**Refunds**

**Section 54. Refund of tax.- \*\***

- (1) Any person claiming refund of any tax and interest, if any, paid on such tax or any other amount paid by him, may make an application before the expiry of two years from the relevant date in such form and manner [as may be prescribed](#):

**Provided** that a registered person, claiming refund of any balance in the electronic cash ledger in accordance with the provisions of sub-section (6) of [section 49](#), may claim such refund in <sup>1</sup>[such form and] manner [as may be prescribed](#).

- (2) A specialised agency of the United Nations Organisation or any Multilateral Financial Institution and Organisation notified under the United Nations (Privileges and Immunities) Act, 1947 (46 of 1947), Consulate or Embassy of foreign countries or any other person or class of persons, as notified under [section 55](#), entitled to a refund of tax paid by it on inward supplies of goods or services or both, may make an application for such refund, in such form and manner [as may be prescribed](#), before the expiry of <sup>1</sup>[two years] from the last day of the quarter in which such supply was received.
- (3) Subject to the provisions of sub-section (10), a registered person may claim refund of any unutilised input tax credit at the end of any tax period:

**Provided** that no refund of unutilised input tax credit shall be allowed in cases other than-

- (i) zero rated supplies made without payment of tax;
- (ii) where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies (other than nil rated or fully exempt supplies), except supplies of goods or services or both as may be notified by the Government on the recommendations of the Council:

<sup>9</sup>[\*\*\*\*]

**Provided** also that no refund of input tax credit shall be allowed, if the supplier of goods or services or both avails of drawback in respect of central tax or claims refund of the integrated tax paid on such supplies.

- (4) The application shall be accompanied by-
  - (a) such documentary evidence as may be prescribed to establish that a refund is due to the applicant; and
  - (b) such documentary or other evidence (including the documents referred to in section 33) as the applicant may furnish to establish that the amount of tax and interest, if any, paid on such tax or any other amount paid in relation to which such refund is claimed was collected from, or paid by, him and the incidence of such tax and interest had not been passed on to any other person:

**Provided** that where the amount claimed as refund is less than two lakh rupees, it shall not be necessary for the applicant to furnish any documentary and other evidences but he may file a declaration, based on the documentary or other evidences available with him, certifying that the incidence of such tax and interest had not been passed on to any other person.

- (5) If, on receipt of any such application, the proper officer is satisfied that the whole or part of the amount claimed as refund is refundable, he may make an order accordingly and the amount so determined shall be credited to the Fund referred to in section 57.
- (6) Notwithstanding anything contained in sub-section (5), the proper officer may, in the case of any claim for refund on account of zero-rated supply of goods or services or both made by registered persons, other than such category of registered persons as may be notified by the Government on the recommendations of the Council, refund on a provisional basis, ninety per cent. of the total amount so claimed, <sup>8</sup>[\*\*\*\*], in such manner and subject to such conditions, limitations and safeguards as may be prescribed and thereafter make an order under sub-section (5) for final settlement of the refund claim after due verification of documents furnished by the applicant.



- (7) *The proper officer shall issue the order under sub-section (5) within sixty days from the date of receipt of application complete in all respects.*
- (8) *Notwithstanding anything contained in sub-section (5), the refundable amount shall, instead of being credited to the Fund, be paid to the applicant, if such amount is relatable to-*
- (a) *refund of tax paid on <sup>2</sup>[export] of goods or services or both or on inputs or input services used in making such <sup>1</sup>[exports];*
  - (b) *refund of unutilised input tax credit under sub-section (3);*
  - (c) *refund of tax paid on a supply which is not provided, either wholly or partially, and for which invoice has not been issued, or where a refund voucher has been issued;*
  - (d) *refund of tax in pursuance of [section 77](#);*
  - (e) *the tax and interest, if any, or any other amount paid by the applicant, if he had not passed on the incidence of such tax and interest to any other person; or*
  - (f) *the tax or interest borne by such other class of applicants as the Government may, on the recommendations of the Council, by notification, specify.*
- <sup>3</sup>[(8A) *The Government may disburse the refund of the State tax in such manner as may be prescribed.*]
- (9) *Notwithstanding anything to the contrary contained in any judgment, decree, order or direction of the Appellate Tribunal or any court or in any other provisions of this Act or the rules made thereunder or in any other law for the time being in force, no refund shall be made except in accordance with the provisions of sub-section (8).*
- (10) *Where any refund is due <sup>4</sup>[\*\*\*] to a registered person who has defaulted in furnishing any return or who is required to pay any tax, interest or penalty, which has not been stayed by any court, Tribunal or Appellate Authority by the specified date, the proper officer may-*
- (a) *withhold payment of refund due until the said person has furnished the return or paid the tax, interest or penalty, as the case may be;*
  - (b) *deduct from the refund due, any tax, interest, penalty, fee or any other amount which the taxable person is liable to pay but which remains unpaid under this Act or under the existing law.*

**Explanation.**-For the purposes of this sub-section, the expression “specified date” shall mean the last date for filing an appeal under this Act.

- (11) *Where an order giving rise to a refund is the subject matter of an appeal or further proceedings or where any other proceedings under this Act is pending and the Commissioner is of the opinion that*



*grant of such refund is likely to adversely affect the revenue in the said appeal or other proceedings on account of malfeasance or fraud committed, he may, after giving the taxable person an opportunity of being heard, withhold the refund till such time as he may determine.*

- (12) *Where a refund is withheld under sub-section (11), the taxable person shall, notwithstanding anything contained in [section 56](#), be entitled to interest at such rate not exceeding six per cent. as may be notified on the recommendations of the Council, if as a result of the appeal or further proceedings he becomes entitled to refund.*
- (13) *Notwithstanding anything to the contrary contained in this section, the amount of advance tax deposited by a casual taxable person or a non-resident taxable person under sub-section (2) of [section 27](#), shall not be refunded unless such person has, in respect of the entire period for which the certificate of registration granted to him had remained in force, furnished all the returns required under [section 39](#).*
- (14) *Notwithstanding anything contained in this section, no refund under subsection (5) or sub-section (6) shall be paid to an applicant, if the amount is less than one thousand rupees.*
- <sup>10</sup>[(15) *Notwithstanding anything contained in this section, no refund of unutilised input tax credit on account of zero rated supply of goods or of integrated tax paid on account of zero rated supply of goods shall be allowed where such zero rated supply of goods is subjected to export duty.*]

**Explanation.-** For the purposes of this section,-

- (1) *“refund” includes refund of tax paid on zero-rated supplies of goods or services or both or on inputs or input services used in making such zero-rated supplies, or refund of tax on the supply of goods regarded as deemed exports, or refund of unutilised input tax credit as provided under sub-section (3).*
- (2) *“relevant date” means-*
- (a) *in the case of goods exported out of India where a refund of tax paid is available in respect of goods themselves or, as the case may be, the inputs or input services used in such goods,-*
    - (i) *if the goods are exported by sea or air, the date on which the ship or the aircraft in which such goods are loaded, leaves India; or*
    - (ii) *if the goods are exported by land, the date on which such goods pass the frontier; or*
    - (iii) *if the goods are exported by post, the date of despatch of goods by the Post Office concerned to a place outside India;*



- (b) *in the case of supply of goods regarded as deemed exports where a refund of tax paid is available in respect of the goods, the date on which the return relating to such deemed exports is furnished;*
- <sup>5</sup>*[(ba) in case of zero-rated supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit where a refund of tax paid is available in respect of such supplies themselves, or as the case may be, the inputs or input services used in such supplies, the due date for furnishing of return under [section 39](#) in respect of such supplies;]*
- (c) *in the case of services exported out of India where a refund of tax paid is available in respect of services themselves or, as the case may be, the inputs or input services used in such services, the date of-*
- (i) *receipt of payment in convertible foreign exchange <sup>6</sup>[or in Indian rupees wherever permitted by the Reserve Bank of India] , where the supply of services had been completed prior to the receipt of such payment; or*
- (ii) *issue of invoice, where payment for the services had been received in advance prior to the date of issue of the invoice;*
- (d) *in case where the tax becomes refundable as a consequence of judgment, decree, order or direction of the Appellate Authority, Appellate Tribunal or any court, the date of communication of such judgment, decree, order or direction;*
- (e) <sup>7</sup>*[in the case of refund of unutilised input tax credit under clause (ii) of the first proviso to sub-section (3), the due date for furnishing of return under [section 39](#) for the period in which such claim for refund arises;]*
- (f) *in the case where tax is paid provisionally under this Act or the rules made thereunder, the date of adjustment of tax after the final assessment thereof;*
- (g) *in the case of a person, other than the supplier, the date of receipt of goods or services or both by such person; and*
- (h) *in any other case, the date of payment of tax.*

*\*Enforced w.e.f. 1st July, 2017.*

*\*\* Kindly also refer to [Notification No. 13/2022](#) - CT dated 5<sup>th</sup> Jul, 2022 (w.e.f. 01.03.2020).*

1. *Substituted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022) by s. 113 of The Finance Act 2022 (No. 06 of 2022).*





2. Substituted for “zero-rated supplies” by s. 23 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force w.e.f. 01<sup>st</sup> February, 2019.
3. Inserted by s. 103 of The Finance (No. 2) Act, 2019 (No. 23 of 2019) - Brought into force w.e.f. 01<sup>st</sup> September, 2019 vide [Notification No. 39/2019 - Central Tax](#) dt. 31<sup>st</sup> August, 2019.
4. Omitted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022) by s. 113 of The Finance Act 2022 (No. 06 of 2022).
5. Inserted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022) by s. 113 of The Finance Act 2022 (No. 06 of 2022).
6. Inserted by s. 23 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force w.e.f. 01<sup>st</sup> February, 2019.
7. Substituted for “(e) in the case of refund of unutilised input tax credit under sub-section (3), the end of the financial year in which such claim for refund arises;” by s. 23 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force w.e.f. 01<sup>st</sup> February, 2019.
8. Omitted (w.e.f. 1st October, 2023 vide [Notification No. 28/2023-C.T.](#), dated 31<sup>st</sup> July, 2023.) by s. 146 of The Finance Act 2023 (No. 8 of 2023).
9. Omitted (w.e.f. yet to be notified) by section 128 of The Finance Act (No. 2) Act, 2024 No. 15 of 2024 dated 16.08.2024.
10. Inserted by section 128 of The Finance Act (No. 2) Act, 2024 No. 15 of 2024 dated 16.08.2024.

**Section 55. Refund in certain cases.- \*\***

The Government may, on the recommendations of the Council, by notification, specify any specialised agency of the United Nations Organisation or any Multilateral Financial Institution and Organisation notified under the United Nations (Privileges and Immunities) Act, 1947 (46 of 1947), Consulate or Embassy of foreign countries and any other person or class of persons as may be specified in this behalf, who shall, subject to such conditions and restrictions as may be prescribed, be entitled to claim a refund of taxes paid on the notified supplies of goods or services or both received by them.

*\*Enforced w.e.f. 1st July, 2017.*

*\*\*Kindly also refer to [Notification No. 13/2022 CT](#) dated 5<sup>th</sup> Jul, 2022(w.e.f. 01.03.2020).*

**Section 55. Refund in certain cases.- \*\***

The Government may, on the recommendations of the Council, by notification, specify any specialised agency of the United Nations Organisation or any Multilateral Financial Institution and Organisation



notified under the United Nations (Privileges and Immunities) Act, 1947 (46 of 1947), Consulate or Embassy of foreign countries and any other person or class of persons as may be specified in this behalf, who shall, subject to such conditions and restrictions as may be prescribed, be entitled to claim a refund of taxes paid on the notified supplies of goods or services or both received by them.

*\*Enforced w.e.f. 1st July, 2017.*

*\*\*Kindly also refer to [Notification No. 13/2022 CT dated 5<sup>th</sup> Jul, 2022\(w.e.f. 01.03.2020\)](#).*

**\*Section 57. Consumer Welfare Fund.-**

The Government shall constitute a Fund, to be called the Consumer Welfare Fund and there shall be credited to the Fund,-

- (a) the amount referred to in sub-section (5) of [section 54](#);
- (b) any income from investment of the amount credited to the Fund; and
- (c) such other monies received by it,

in such manner [as may be prescribed](#).

**Section 58. Utilisation of Fund.-**

- (1) All sums credited to the Fund shall be utilised by the Government for the welfare of the consumers in such manner [as may be prescribed](#).
- (2) The Government or the authority specified by it shall maintain proper and separate account and other relevant records in relation to the Fund and prepare an annual statement of accounts in such form as may be prescribed in consultation with the Comptroller and Auditor-General of India.

*\*Enforced w.e.f. 1st July, 2017.*

**Rule 89. Application for refund of tax, interest, penalty, fees or any other amount.-**

- (1) Any person, except the persons covered under notification issued under section 55 claiming refund of <sup>13</sup>[any balance in the electronic cash ledger in accordance with the provisions of sub-section (6) of section 49 or] any tax, interest, penalty, fees or any other amount paid by him, other than refund of integrated tax paid on goods exported out of India, may file <sup>10</sup>[subject to the provisions of rule 10B,] an application electronically in **FORM GST RFD-01** through the common portal, either directly or through a Facilitation Centre notified by the Commissioner:

<sup>14</sup>[\*\*\*\*]

<sup>15</sup>**[Provided that]** in respect of supplies to a Special Economic Zone unit or a Special Economic Zone developer, the application for refund shall be filed by the -

- (a) supplier of goods after such goods have been admitted in full in the Special Economic Zone for authorised operations, as endorsed by the specified officer of the Zone;
- (b) supplier of services along with such evidence regarding receipt of services for authorised operations as endorsed by the specified officer of the Zone:

<sup>16</sup>**[Provided further that]** in respect of supplies regarded as deemed exports, the application may be filed by, -

- (a) the recipient of deemed export supplies; or
- (b) the supplier of deemed export supplies in cases where the recipient does not avail of input tax credit on such supplies and furnishes an undertaking to the effect that the supplier may claim the refund]

**Provided** also that refund of any amount, after adjusting the tax payable by the applicant out of the advance tax deposited by him under [section 27](#) at the time of registration, shall be claimed <sup>19</sup>[only after the last return required to be furnished by him has been so furnished]

<sup>11</sup>**[Explanation.—**For the purposes of this sub-rule, “specified officer” means a “specified officer” or an “authorised officer” as defined under rule 2 of the Special Economic Zone Rules, 2006.]

<sup>10</sup>[(1A) Any person, claiming refund under [section 77](#) of the Act of any tax paid by him, in respect of a transaction considered by him to be an intra-State supply, which is subsequently held to be an inter-State supply, may, before the expiry of a period of two years from the date of payment of the tax on the inter-State supply, file an application electronically in [FORM GST RFD-01](#) through the common portal, either directly or through a Facilitation Centre notified by the Commissioner:

**Provided** that the said application may, as regard to any payment of tax on inter-State supply before coming into force of this sub-rule, be filed before the expiry of a period of two years from the date on which this sub-rule comes into force.]

<sup>21</sup>[(1B) Any person, claiming refund of additional integrated tax paid on account of upward revision in price of the goods subsequent to exports, and on which the refund of integrated tax paid at the time of export of such goods has already been sanctioned as per rule 96, may file an application for such refund of additional integrated tax paid, electronically in FORM GST RFD-01 through the common portal, subject to the provisions of rule 10B, before the expiry of two years from the relevant date as per clause (a) of Explanation(2) of section 54:



**Provided** that the said application for refund can, in cases where the relevant date as per clause (a) of Explanation (2) of section 54 of the Act was before the date on which this sub-rule comes into force, be filed before the expiry of two years from the date on which this sub-rule comes into force.]

(2) The application under sub-rule (1) shall be accompanied by any of the following documentary evidences in Annexure 1 in **FORM GST RFD-01**, as applicable, to establish that a refund is due to the applicant, namely:-

- (a) the reference number of the order and a copy of the order passed by the proper officer or an appellate authority or Appellate Tribunal or court resulting in such refund or reference number of the payment of the amount specified in sub-section (6) of [section 107](#) and sub-section (8) of [section 112](#) claimed as refund;
- (b) a statement containing the number and date of shipping bills or bills of export and the number and the date of the relevant export invoices, in a case where the refund is on account of export of goods, <sup>11</sup>[other than electricity];

<sup>11</sup>[(ba) a statement containing the number and date of the export invoices, details of energy exported, tariff per unit for export of electricity as per agreement, along with the copy of statement of scheduled energy for exported electricity by Generation Plants issued by the Regional Power Committee Secretariat as a part of the Regional Energy Account (REA) under clause (nnn) of sub-regulation 1 of Regulation 2 of the Central Electricity Regulatory Commission (Indian Electricity Grid Code) Regulations, 2010 and the copy of agreement detailing the tariff per unit, in case where refund is on account of export of electricity;]

<sup>21</sup>[(bb) a statement containing the number and date of export invoices along with copy of such invoices, the number and date of shipping bills or bills of export along with copy of such shipping bills or bills of export, the number and date of Bank Realisation Certificate or foreign inward remittance certificate in respect of such shipping bills or bills of export along with copy of such Bank Realisation Certificate or foreign inward remittance certificate issued by Authorised Dealer-I Bank, the details of refund already sanctioned under sub-rule (3) of rule 96, the number and date of relevant supplementary invoices or debit notes issued subsequent to the upward revision in prices along with copy of such supplementary invoices or debit notes, the details of payment of additional amount of integrated tax, in respect of which such refund is claimed, along with proof of payment of such additional amount of integrated tax and interest paid thereon, the number and date of foreign inward remittance certificate issued by Authorised Dealer-I Bank in respect of additional foreign exchange remittance received in respect of upward revision in price of exports along with copy of such foreign inward



*remittance certificate, along with a certificate issued by a practicing chartered accountant or a cost accountant to the effect that the said additional foreign exchange remittance is on account of such upward revision in price of the goods subsequent to exports and copy of contractor other documents, as applicable, indicating requirement for the revision in price of exported goods and the price revision thereof, in a case where the refund is on account of upward revision in price of such goods subsequent to exports;*

*(bc) a reconciliation statement, reconciling the value of supplies declared in supplementary invoices, debit notes or credit notes issued along with relevant details of Bank Realisation Certificate or foreign inward remittance certificate issued by Authorised Dealer-I Bank, in a case where the refund is on account of upward revision in price of such goods subsequent to exports;]*

- (c) a statement containing the number and date of invoices and the relevant Bank Realisation Certificates or Foreign Inward Remittance Certificates, as the case may be, in a case where the refund is on account of the export of services;*
- (d) a statement containing the number and date of invoices as provided in [rule 46](#) along with the evidence regarding the endorsement specified in the second proviso to sub-rule (1) in the case of the supply of goods made to a Special Economic Zone unit or a Special Economic Zone developer;*
- (e) a statement containing the number and date of invoices, the evidence regarding the endorsement specified in the second proviso to sub-rule (1) and the details of payment, along with the proof thereof, made by the recipient to the supplier for authorised operations as defined under the Special Economic Zone Act, 2005, in a case where the refund is on account of supply of services made to a Special Economic Zone unit or a Special Economic Zone developer;*
- <sup>2</sup>*[(f) a declaration to the effect that tax has not been collected from the Special Economic Zone unit or the Special Economic Zone developer, in a case where the refund is on account of supply of goods or services or both made to a Special Economic Zone unit or a Special Economic Zone developer;]*
- (g) a statement containing the number and date of invoices along with such other evidence as may be notified in this behalf, in a case where the refund is on account of deemed exports;*
- (h) a statement containing the number and the date of the invoices received and issued during a tax period in a case where the claim pertains to refund of any unutilised input tax credit under sub-section (3) of [section 54](#) where the credit has accumulated on account of the rate of tax*



on the inputs being higher than the rate of tax on output supplies, other than nil-rated or fully exempt supplies;

- (i) the reference number of the final assessment order and a copy of the said order in a case where the refund arises on account of the finalisation of provisional assessment;
- (j) a statement showing the details of transactions considered as intra-State supply but which is subsequently held to be inter-State supply;
- (k) a statement showing the details of the amount of claim on account of excess payment of tax <sup>20</sup>[and interest, if any, or any other amount paid];

<sup>17</sup>[(ka) a statement containing the details of invoices viz. number, date, value, tax paid and details of payment, in respect of which refund is being claimed along with copy of such invoices, proof of making such payment to the supplier, the copy of agreement or registered agreement or contract, as applicable, entered with the supplier for supply of service, the letter issued by the supplier for cancellation or termination of agreement or contract for supply of service, details of payment received from the supplier against cancellation or termination of such agreement along with proof thereof, in a case where the refund is claimed by an unregistered person where the agreement or contract for supply of service has been cancelled or terminated;

(kb) a certificate issued by the supplier to the effect that he has paid tax in respect of the invoices on which refund is being claimed by the applicant; that he has not adjusted the tax amount involved in these invoices against his tax liability by issuing credit note; and also, that he has not claimed and will not claim refund of the amount of tax involved in respect of these invoices, in a case where the refund is claimed by an unregistered person where the agreement or contract for supply of service has been cancelled or terminated; ]

- (l) a declaration to the effect that the incidence of tax, interest or any other amount claimed as refund has not been passed on to any other person, in a case where the amount of refund claimed does not exceed two lakh rupees:

**Provided** that a declaration is not required to be furnished in respect of the cases covered under clause (a) or clause (b) or clause (c) or clause (d) or clause (f) of sub-section (8) of [section 54](#);

- (m) a Certificate in Annexure 2 of **FORM GST RFD-01** issued by a chartered accountant or a cost accountant to the effect that the incidence of tax, interest or any other amount claimed as refund has not been passed on to any other person, in a case where the amount of refund claimed exceeds two lakh rupees:



**Provided** that a certificate is not required to be furnished in respect of cases covered under clause (a) or clause (b) or clause (c) or clause (d) or clause (f) of subsection (8) of [section 54](#);

<sup>18</sup>**Provided** further that a certificate is not required to be furnished in cases where refund is claimed by an unregistered person who has borne the incidence of tax.]

**Explanation:-** For the purposes of this rule-

- (i) in case of refunds referred to in clause (c) of sub-section (8) of [section 54](#), the expression "invoice" means invoice conforming to the provisions contained in [section 31](#);
- (ii) where the amount of tax has been recovered from the recipient, it shall be deemed that the incidence of tax has been passed on to the ultimate consumer.
- (3) Where the application relates to refund of input tax credit, the electronic credit ledger shall be debited by the applicant by an amount equal to the refund so claimed.
- <sup>3</sup>[(4) In the case of zero-rated supply of goods or services or both without payment of tax under bond or letter of undertaking in accordance with the provisions of sub-section (3) of section 16 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017), refund of input tax credit shall be granted as per the following formula -

Refund Amount = (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services) x Net ITC ÷ Adjusted Total Turnover

Where, -

- (A) "Refund amount" means the maximum refund that is admissible;
- (B) "Net ITC" means input tax credit availed on inputs and input services during the relevant period <sup>22</sup>[\*\*\*\*];
- <sup>4</sup>[(C) "Turnover of zero-rated supply of goods" means the value of zero-rated supply of goods made during the relevant period without payment of tax under bond or letter of undertaking or the value which is 1.5 times the value of like goods domestically supplied by the same or, similarly placed, supplier, as declared by the supplier, whichever is less, <sup>23</sup>[\*\*\*\*];]
- (D) "Turnover of zero-rated supply of services" means the value of zero-rated supply of services made without payment of tax under bond or letter of undertaking, calculated in the following manner, namely:-

Zero-rated supply of services is the aggregate of the payments received during the relevant period for zero-rated supply of services and zero-rated supply of services where supply has



been completed for which payment had been received in advance in any period prior to the relevant period reduced by advances received for zero-rated supply of services for which the supply of services has not been completed during the relevant period;

<sup>5</sup>[(E) "Adjusted Total Turnover" means the sum total of the value of-

- (a) the turnover in a State or a Union territory, as defined under clause (112) of [section 2](#), excluding the turnover of services; and
- (b) the turnover of zero-rated supply of services determined in terms of clause (D) above and non-zero-rated supply of services,

<sup>24</sup>[excluding the value of exempt supplies other than zero-rated supplies during the relevant period]

(F) "Relevant period" means the period for which the claim has been filed.

<sup>11</sup>[**Explanation.**—For the purposes of this sub-rule, the value of goods exported out of India shall be taken as –

- (i) the Free on Board (FOB) value declared in the Shipping Bill or Bill of Export form, as the case may be, as per the Shipping Bill and Bill of Export (Forms) Regulations, 2017; or
- (ii) the value declared in tax invoice or bill of supply,

whichever is less.]

<sup>25</sup>[\*\*\*\*]

<sup>8</sup>[(5) In the case of refund on account of inverted duty structure, refund of input tax credit shall be granted as per the following formula:-

Maximum Refund Amount = {(Turnover of inverted rated supply of goods and services) x Net ITC Adjusted Total Turnover} - <sup>12</sup>[(tax payable on such inverted rated supply of goods and services x (Net ITC ÷ ITC availed on inputs and input services))].

**Explanation:** - For the purposes of this sub-rule, the expressions -

(a) "Net ITC" shall mean input tax credit availed on inputs during the relevant period <sup>26</sup>[\*\*\*\*]; and

<sup>9</sup>[(b) "Adjusted Total turnover" and "relevant period" shall have the same meaning as assigned to them in sub-rule (4).]



1. Substituted vide [Notification No. 47/2017-CT](#) dated 18.10.2017 for “Provided also that in respect of supplies regarded as deemed exports, the application shall be filed by the recipient of deemed export supplies”
2. Substituted vide [Notification No. 03/2019-CT](#) dated 29.01.2019 w.e.f 01.02.2019 for  
“(f) a declaration to the effect that the Special Economic Zone unit or the Special Economic Zone developer has not availed the input tax credit of the tax paid by the supplier of goods or services or both, in a case where the refund is on account of supply of goods or services made to a Special Economic Zone unit or a Special Economic Zone developer”
3. Substituted (w.e.f. 23.10.2017) by [Notification No. 75/2017-C.T.](#), dated 29.12.2017 for  
“(4) In the case of zero-rated supply of goods or services or both without payment of tax under bond or letter of undertaking in accordance with the provisions of sub-section (3) of section 16 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017), refund of input tax credit shall be granted as per the following formula -

$$\text{Refund Amount} = (\text{Turnover of zero-rated supply of goods} + \text{Turnover of zero-rated supply of services}) \times \text{Net ITC}$$

Adjusted Total Turnover

Where,-

- (A) “Refund amount” means the maximum refund that is admissible;
- (B) “Net ITC” means input tax credit availed on inputs and input services during the relevant period;
- (C) “Turnover of zero-rated supply of goods” means the value of zero-rated supply of goods made during the relevant period without payment of tax under bond or letter of undertaking;
- (D) “Turnover of zero-rated supply of services” means the value of zero-rated supply of services made without payment of tax under bond or letter of undertaking, calculated in the following manner, namely:-

Zero-rated supply of services is the aggregate of the payments received during the relevant period for zero-rated supply of services and zero-rated supply of services where supply has been completed for which payment had been received in advance in any period prior to the relevant period reduced by advances received for zero-rated supply of services for which the supply of services has not been completed during the relevant period;



- (E) *“Adjusted Total turnover” means the turnover in a State or a Union territory, as defined under [clause] (112) of section 2, excluding the value of exempt supplies other than zero-rated supplies, during the relevant period;*
- (F) *“Relevant period” means the period for which the claim has been filed.”*
4. Substituted vide [Notification No. 16/2020-CT](#) dated 23.03.2020 for
- “(C) “Turnover of zero-rated supply of goods” means the value of zero-rated supply of goods made during the relevant period without payment of tax under bond or letter of undertaking, other than the turnover of supplies in respect of which refund is claimed under sub-rules (4A) or (4B) or both;”*
5. Substituted (w.e.f. 04.09.2018) vide [Notification No. 39/2018-CT](#) dated 04.09.2018 for:
- “(E) “Adjusted Total turnover” means the turnover in a State or a Union territory, as defined under clause (112) of section 2, excluding -*
- (a) *the value of exempt supplies other than zero-rated supplies and*
- (b) *the turnover of supplies in respect of which refund is claimed under sub-rules (4A) or (4B) or both, if any, during the relevant period;”*
6. Substituted (w.e.f. 23.10.2017) by [Notification No. 3/2018-C.T.](#), dated 23.01.2018 for
- “(4A) In the case of supplies received on which the supplier has availed the benefit of [notification No. 48/2017-Central Tax](#) dated 18th October, 2017, refund of input tax credit, availed in respect of other inputs or input services used in making zero-rated supply of goods or services or both, shall be granted.*
- (4B) In the case of supplies received on which the supplier has availed the benefit of [notification No. 40/2017-Central Tax \(Rate\)](#) dated 23rd October, 2017 or [notification No. 41/2017-Integrated Tax \(Rate\)](#) dated 23rd October, 2017, or both, refund of input tax credit, availed in respect of inputs received under the said notifications for export of goods and the input tax credit availed in respect of other inputs or input services to the extent used in making such export of goods, shall be granted.]”*
7. Substituted vide [Notification No. 54/2018-CT](#) dated 09.10.2018 for
- “(4B) In the case of supplies received on which the supplier has availed the benefit of the Government of India, Ministry of Finance, [notification No. 40/2017 Central Tax \(Rate\)](#) dated the 23<sup>rd</sup> October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1320 (E) dated the 23<sup>rd</sup> October, 2017 or [notification No. 41/2017 Integrated Tax \(Rate\)](#) dated the 23<sup>rd</sup> October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section*



(i), vide number G.S.R 1321(E) dated the 23<sup>rd</sup> October, 2017 or notification No. 78/2017 Customs dated the 13<sup>th</sup> October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Subsection (i), vide number G.S.R 1272(E) dated the 13<sup>th</sup> October, 2017 or notification No. 79/2017-Customs dated the 13<sup>th</sup> October, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1299(E) dated the 13<sup>th</sup> October, 2017, or all of them, refund of input tax credit, availed in respect of inputs received under the said notifications for export of goods and the input tax credit availed in respect of other inputs or input services to the extent used in making such export of goods, shall be granted.”

8. Substituted w.e.f. 01.07.2017 vide [Notification No. 26/2018-CT](#) dated 13.06.2017 for

“(5) In the case of refund on account of inverted duty structure, refund of input tax credit shall be granted as per the following formula -

Maximum Refund Amount = {(Turnover of inverted rated supply of goods) x Net ITC Adjusted Total Turnover} - tax payable on such inverted rated supply of goods

Explanation.- For the purposes of this sub rule, the expressions “Net ITC” and “Adjusted Total turnover” shall have the same meanings as assigned to them in sub-rule (4).”

9. Substituted vide [Notification No. 74/2018-C.T.](#), dated 31.12.2018 for

“(b) Adjusted Total turnover shall have the same meaning as assigned to it in sub-rule (4).”

10. Inserted vide [Notification No. 35/2021-C.T.](#), dated 24.09.2021. Brought into force w.e.f. 01.01.2022 vide [Notification No. 38/2021-C.T.](#), dated 21.12.2021.
11. Inserted by [Notification No. 14/2022-CT](#), dated 05.07.2022.
12. Substituted by [Notification No. 14/2022-CT](#), dated 05.07.2022 For “tax payable on such inverted rated supply of goods and services”
13. Inserted (w.e.f. 01.10.2022) vide [Notification No. 19/2022-CT](#) dated 28.09.2022.
14. Omitted (w.e.f. 01.10.2022) vide [Notification No. 19/2022-CT](#) dated 28.09.2022.
15. Substituted (w.e.f. 01.10.2022) vide [Notification No. 19/2022-CT](#) dated 28.09.2022 for «Provided further that».
16. Substituted (w.e.f. 01.10.2022) vide [Notification No. 19/2022-CT](#) dated 28.09.2022 for «Provided also that».
17. Inserted vide [Notification No. 26/2022-CT](#) dated 26.12.2022.



18. Inserted vide [Notification No. 26/2022-CT](#) dated 26.12.2022.
19. Substituted vide [Notification No. 38/2023](#) - CT dated 04.08.2023.
20. Inserted vide [Notification No. 38/2023](#) - CT dated 04.08.2023.
21. Inserted vide [Notification No. 12/2024](#) - CT dated 10.07.2024.
22. Omitted "other than the input tax credit availed for which refund is claimed under sub-rules (4A) or (4B) or both" vide [Notification No. 20/2024-CT](#) dated 08.10.2024.
23. Omitted "other than the turnover of supplies in respect of which refund is claimed under sub-rules (4A) or (4B) or both" vide [Notification No. 20/2024-CT](#) dated 08.10.2024.
24. Substituted vide [Notification No. 20/2024-CT](#) dated 08.10.2024.
25. Omitted vide [Notification No. 20/2024-CT](#) dated 08.10.2024.
26. Omitted vide [Notification No. 20/2024-CT](#) dated 08.10.2024.

**Rule 90. Acknowledgement.-**

- (1) Where the application relates to a claim for refund from the electronic cash ledger, an acknowledgement in [FORM GST RFD-02](#) shall be made available to the applicant through the common portal electronically, clearly indicating the date of filing of the claim for refund and the time period specified in sub-section (7) of [section 54](#) shall be counted from such date of filing.
- (2) The application for refund, other than claim for refund from electronic cash ledger, shall be forwarded to the proper officer who shall, within a period of fifteen days of filing of the said application, scrutinize the application for its completeness and where the application is found to be complete in terms of sub-rule (2), (3) and (4) of [rule 89](#), an acknowledgement in [FORM GST RFD-02](#) shall be made available to the applicant through the common portal electronically, clearly indicating the date of filing of the claim for refund and the time period specified in sub-section (7) of [section 54](#) shall be counted from such date of filing.
- (3) Where any deficiencies are noticed, the proper officer shall communicate the deficiencies to the applicant in [FORM GST RFD-03](#) through the common portal electronically, requiring him to file a fresh refund application after rectification of such deficiencies.

<sup>1</sup>[**Provided** that the time period, from the date of filing of the refund claim in [FORM GST RFD-01](#) till the date of communication of the deficiencies in [FORM GST RFD-03](#) by the proper officer, shall be excluded from the period of two years as specified under subsection (1) of [Section 54](#), in respect of any such fresh refund claim filed by the applicant after rectification of the deficiencies.]



- (4) Where deficiencies have been communicated in **FORM GST RFD-03** under the State Goods and Service Tax Rules, 2017, the same shall also deemed to have been communicated under this rule along with the deficiencies communicated under sub-rule (3).
- <sup>1</sup>[(5) The applicant may, at any time before issuance of provisional refund sanction order in **FORM GST RFD-04** or final refund sanction order in **FORM GST RFD-06** or payment order in **FORM GST RFD-05** or refund withhold order in **FORM GST RFD-07** or notice in **FORM GST RFD-08**, in respect of any refund application filed in **FORM GST RFD-01**, withdraw the said application for refund by filing an application in **FORM GST RFD-01W**.
- (6) On submission of application for withdrawal of refund in **FORM GST RFD-01W**, any amount debited by the applicant from electronic credit ledger or electronic cash ledger, as the case may be, while filing application for refund in **FORM GST RFD-01**, shall be credited back to the ledger from which such debit was made.]

1. Inserted vide [Notification No. 15/2021-CT dated 18.05.2021](#).

**Rule 91. Grant of provisional refund.-**

- (1) The provisional refund in accordance with the provisions of sub-section (6) of [section 54](#) shall be granted subject to the condition that the person claiming refund has, during any period of five years immediately preceding the tax period to which the claim for refund relates, not been prosecuted for any offence under the Act or under an existing law where the amount of tax evaded exceeds two hundred and fifty lakh rupees.
- (2) The proper officer, after scrutiny of the claim and the evidence submitted in support thereof and on being prima facie satisfied that the amount claimed as refund under sub-rule (1) is due to the applicant in accordance with the provisions of sub-section (6) of [section 54](#), shall make an order in **FORM GST RFD-04**, sanctioning the amount of refund due to the said applicant on a provisional basis within a period not exceeding seven days from the date of the acknowledgement under sub-rule (1) or sub-rule (2) of [rule 90](#):

<sup>1</sup>[**Provided** that the order issued in **FORM GST RFD-04** shall not be required to be revalidated by the proper officer.]

- (3) The proper officer shall issue a <sup>2</sup>[payment order] in **FORM GST RFD-05** for the amount sanctioned under sub-rule (2) and the same shall be electronically credited to any of the bank accounts of the applicant mentioned in his registration particulars and as specified in the application for refund <sup>3</sup>[on the basis of a consolidated payment advice:]



<sup>4</sup>[**Provided** that the <sup>5</sup>[payment order] in **FORM GST RFD-05** shall be required to be revalidated where the refund has not been disbursed within the same financial year in which the said <sup>5</sup>[payment order] was issued.]

<sup>6</sup>[(4) The Central Government shall disburse the refund based on the consolidated payment advice issued under sub-rule (3).]

1. Inserted vide [Notification No. 03/2019-CT](#) dated 29.01.2019 w.e.f.01.02.2019.
2. Substituted vide [Notification No. 31/2019 - CT](#) dated 28.06.2019 with effect from 24.09.2019 as notified by Notification No. 42/2019 dated 24.09.2019 for "payment order".
3. Inserted w.e.f. 24.09.2019 vide [Notification No. 49/2019-CT](#) dated 09.10.2019.
4. Inserted vide [Notification No. 03/2019-CT](#) dated 29.01.2019 w.e.f.01.02.2019.
5. Substituted vide [Notification No. 31/2019 - CT](#) dated 28.06.2019 with effect from 24.09.2019 as notified by Notification No. 42/2019 dated 24.09.2019.
6. Inserted w.e.f. 24.09.2019 vide [Notification No.49/2019-CT](#) dated 09.10.2019.

#### **Rule 92. Order sanctioning refund.-**

- (1) Where, upon examination of the application, the proper officer is satisfied that a refund under sub-section (5) of [section 54](#) is due and payable to the applicant, he shall make an order in **FORM GST RFD-06** sanctioning the amount of refund to which the applicant is entitled, mentioning therein the amount, if any, refunded to him on a provisional basis under sub-section (6) of [section 54](#), amount adjusted against any outstanding demand under the Act or under any existing law and the balance amount refundable:

<sup>1</sup>[\*\*\*\*]

<sup>2</sup>[(1A)Where, upon examination of the application of refund of any amount paid as tax other than the refund of tax paid on zero-rated supplies or deemed export, the proper officer is satisfied that a refund under sub-section (5) of [section 54](#) of the Act is due and payable to the applicant, he shall make an order in **FORM GST RFD-06** sanctioning the amount of refund to be paid, in cash, proportionate to the amount debited in cash against the total amount paid for discharging tax liability for the relevant period, mentioning therein the amount adjusted against any outstanding demand under the Act or under any existing law and the balance amount refundable and for the remaining amount which has been debited from the electronic credit ledger for making payment of such tax, the proper officer shall issue **FORM GST PMT-03** recrediting the said amount as Input Tax Credit in electronic credit ledger.]



- (2) Where the proper officer or the Commissioner is of the opinion that the amount of refund is liable to be withheld under the provisions of sub-section (10) or, as the case may be, sub-section (11) of [section 54](#), he shall pass an order in <sup>3</sup>[Part A] of [FORM GST RFD-07](#) informing him the reasons for withholding of such refund.

<sup>4</sup>**Provided** that where the proper officer or the Commissioner is satisfied that the refund is no longer liable to be withheld, he may pass an order for release of withheld refund in Part B of [FORM GST RFD-07](#).]

- (3) Where the proper officer is satisfied, for reasons to be recorded in writing, that the whole or any part of the amount claimed as refund is not admissible or is not payable to the applicant, he shall issue a notice in [FORM GST RFD-08](#) to the applicant, requiring him to furnish a reply in [FORM GST RFD-09](#) within a period of fifteen days of the receipt of such notice and after considering the reply, make an order in [FORM GST RFD-06](#) sanctioning the amount of refund in whole or part, or rejecting the said refund claim and the said order shall be made available to the applicant electronically and the provisions of sub-rule (1) shall, mutatis mutandis, apply to the extent refund is allowed:

**Provided** that no application for refund shall be rejected without giving the applicant an opportunity of being heard.

- (4) Where the proper officer is satisfied that the amount refundable under sub-rule (1) <sup>5</sup>[or sub-rule (1A)] or sub-rule(2) is payable to the applicant under sub-section (8) of [section 54](#), he shall make an order in [FORM GST RFD-06](#) and issue a <sup>6</sup>[payment order] in [FORM GST RFD-05](#) for the amount of refund and the same shall be electronically credited to any of the bank accounts of the applicant mentioned in his registration particulars and as specified in the application for refund <sup>7</sup>[on the basis of a consolidated payment advice]:

<sup>8</sup>**Provided** that the order issued in [FORM GST RFD-06](#) shall not be required to be revalidated by the proper officer:

**Provided** further that the <sup>6</sup>[payment order] in [FORM GST RFD-05](#) shall be required to be revalidated where the refund has not been disbursed within the same financial year in which the said <sup>6</sup>[payment order] was issued.]

<sup>7</sup>[(4A) The Central Government shall disburse the refund based on the consolidated payment advice issued under sub-rule (4).]

- (5) Where the proper officer is satisfied that the amount refundable under sub-rule (1) <sup>9</sup>[or sub-rule (1A)] or sub-rule (2) is not payable to the applicant under sub-section (8) of [section 54](#), he shall make an order in [FORM GST RFD-06](#) and issue <sup>10</sup>[a payment order] in [FORM GST RFD-05](#), for the amount of refund to be credited to the Consumer Welfare Fund.



1. Omitted vide [Notification No. 15/2021-CT](#) dated 18.05.2021.
2. Inserted vide [Notification No. 16/2020-CT](#) dated 23.03.2020.
3. Substituted for the word and letter "Part B" vide [Notification No. 15/2021-CT](#) dated 18.05.2021.
4. Inserted vide [Notification No. 15/2021-CT](#) dated 18.05.2021.
5. Inserted vide [Notification No. 16/2020-CT](#) dated 23.03.2020.
6. Substituted vide [Notification No. 31/2019 - CT](#) dated 28.06.2019 with effect from 24.09.2019 as notified by Notification No. 42/2019 dated 24.09.2019 for «payment advice»
7. Inserted vide [Notification No. 31/2019 - CT](#) dated 28.06.2019 with effect from 24.09.2019 as notified by Notification No. 42/2019 dated 24.09.2019.
8. Inserted vide [Notification No. 03/2019-CT](#) dated 29.01.2019 w.e.f. 01.02.2019.
9. Inserted vide [Notification No. 16/2020-CT](#) dated 23.03.2020.
10. Substituted vide [Notification No. 31/2019 - CT](#) dated 28.06.2019 with effect from a with effect from 24.09.2019 as notified by Notification No. 42/2019 dated 24.09.2019 for "an advice".

**Rule 93. Credit of the amount of rejected refund claim.-**

- (1) Where any deficiencies have been communicated under sub-rule (3) of [rule 90](#), the amount debited under sub-rule (3) of [rule 89](#) shall be re-credited to the electronic credit ledger.
- (2) Where any amount claimed as refund is rejected under [rule 92](#), either fully or partly, the amount debited, to the extent of rejection, shall be re-credited to the electronic credit ledger by an order made in [FORM GST PMT-03](#).

**Explanation:-** For the purposes of this rule, a refund shall be deemed to be rejected, if the appeal is finally rejected or if the claimant gives an undertaking in writing to the proper officer that he shall not file an appeal.

**Rule 94. Order sanctioning interest on delayed refunds.-**

- <sup>2</sup>[(1)] Where any interest is due and payable to the applicant under [section 56](#), the proper officer shall make an order along with a <sup>1</sup>[payment order] in [FORM GST RFD-05](#), specifying therein the amount of refund which is delayed, the period of delay for which interest is payable and the amount of interest payable, and such amount of interest shall be electronically credited to any of the bank accounts of the applicant mentioned in his registration particulars and as specified in the application for refund.
- <sup>3</sup>[(2)] The following periods shall not be included in the period of delay under sub-rule (1), namely:-



- (a) any period of time beyond fifteen days of receipt of notice in FORM GST RFD-08 under sub-rule (3) of rule 92, that the applicant takes to-
  - (i) furnish a reply in FORM GST RFD-09, or
  - (ii) submit additional documents or reply; and
- (b) any period of time taken either by the applicant for furnishing the correct details of the bank account to which the refund is to be credited or for validating the details of the bank account so furnished, where the amount of refund sanctioned could not be credited to the bank account furnished by the applicant.]

1. Substituted vide [Notification No. 31/2019 - CT dated 28.06.2019](#) with effect from 24.09.2019 as notified by [Notification No. 42/2019-CT dated 24.09.2019](#) for «payment advice».
2. Renumbered (w.e.f. 01.10.2023) vide [Notification No. 38/2023 - CT dated 04.08.2023](#).
3. Inserted (w.e.f. 01.10.2023) vide [Notification No. 38/2023 - CT dated 04.08.2023](#).

**Rule 94. Order sanctioning interest on delayed refunds.-**

<sup>2</sup>[(1)] Where any interest is due and payable to the applicant under [section 56](#), the proper officer shall make an order along with a <sup>1</sup>[payment order] in **FORM GST RFD-05**, specifying therein the amount of refund which is delayed, the period of delay for which interest is payable and the amount of interest payable, and such amount of interest shall be electronically credited to any of the bank accounts of the applicant mentioned in his registration particulars and as specified in the application for refund.

<sup>3</sup>[(2)] The following periods shall not be included in the period of delay under sub-rule (1), namely:-

- (a) any period of time beyond fifteen days of receipt of notice in FORM GST RFD-08 under sub-rule (3) of rule 92, that the applicant takes to-
  - (i) furnish a reply in FORM GST RFD-09, or
  - (ii) submit additional documents or reply; and
- (b) any period of time taken either by the applicant for furnishing the correct details of the bank account to which the refund is to be credited or for validating the details of the bank account so furnished, where the amount of refund sanctioned could not be credited to the bank account furnished by the applicant.]

1. Substituted vide [Notification No. 31/2019 - CT dated 28.06.2019](#) with effect from 24.09.2019 as notified by [Notification No. 42/2019-CT dated 24.09.2019](#) for «payment advice».



2. Renumbered (w.e.f. 01.10.2023) vide [Notification No. 38/2023 - CT dated 04.08.2023](#).
3. Inserted (w.e.f. 01.10.2023) vide [Notification No. 38/2023 - CT dated 04.08.2023](#).

**Rule 95B. Refund of tax paid on inward supplies of goods received by Canteen Stores Department. –**

- (1) Notwithstanding anything contained in rule 95, a Canteen Stores Department under the Ministry of Defence, which is eligible to claim the refund of fifty per cent. of the applicable central tax paid by it on all inward supplies of goods received by it for the purposes of subsequent supply of such goods to the Unit Run Canteens of the Canteen Stores Department or to the authorised customers of the Canteen Stores Department as per notification issued under section 55, shall apply for refund in FORM GST RFD-10A once in every quarter, electronically on the common portal.
- (2) Such application for refund of tax paid on inward supplies of goods filed in FORM GST RFD-10A shall be dealt in a manner similar to that of application for refund filed in FORM GST RFD-01 in accordance with the provisions of rule 89.
- (3) The refund of tax paid by the applicant shall be available, if-
  - (a) the inward supplies of goods were received from a registered person against a tax invoice and details of such supplies have been furnished by the said registered person in his details of outward supply in FORM GSTR-1 and the said supplier has furnished his return in FORM GSTR-3B for the concerned tax period;
  - (b) name and Goods and Services Tax Identification Number of the applicant is mentioned in the tax invoice; and
  - (c) goods have been received by Canteen Stores Department for the purpose of subsequent supply to the Unit Run Canteens of the Canteen Stores Department or to the authorised customers of the Canteen Stores Department.]

1. Inserted vide [Notification No. 12/2024-CT, dated 10.07.2024](#).

**Rule 96. Refund of integrated tax paid on goods <sup>1</sup>[or services] exported out of India.-**

- (1) The shipping bill filed by <sup>2</sup>[an exporter of goods] shall be deemed to be an application for refund of integrated tax paid on the goods exported out of India and such application shall be deemed to have been filed only when:-
  - (a) the person in charge of the conveyance carrying the export goods duly files <sup>3</sup>[a departure manifest or] an export manifest or an export report covering the number and the date of shipping bills or bills of export; and
  - (b) <sup>4</sup> [the applicant has furnished a valid return in **FORM GSTR-3B**:

**Provided** that if there is any mismatch between the data furnished by the exporter of goods in Shipping Bill and those furnished in statement of outward supplies in **FORM GSTR-1**<sup>18</sup>, as amended in FORM GSTR-1A if any,], such application for refund of integrated tax paid on the goods exported out of India shall be deemed to have been filed on such date when such mismatch in respect of the said shipping bill is rectified by the exporter;]

<sup>17</sup>[(c) the applicant has undergone Aadhaar authentication in the manner provided in rule 10B;]

<sup>18</sup>**Provided** that the exporter of goods may file an application electronically in FORM GST RFD-01 through the common portal for refund of additional integrated tax paid on account of upward revision in price of goods subsequent to export of such goods, and on which the amount of integrated tax paid at the time of export of such goods has already been refunded in accordance with provisions of sub-rule (3) of this rule, and such application shall be dealt with in accordance with the provisions of rule 89.]

- (2) The details of the <sup>5</sup>[relevant export invoices in respect of export of goods] contained in **FORM GSTR-1** shall be transmitted electronically by the common portal to the system designated by the Customs and the said system shall electronically transmit to the common portal, a confirmation that the goods covered by the said invoices have been exported out of India.

<sup>6</sup>[\*\*\*\*]

- (3) Upon the receipt of the information regarding the furnishing of a valid return in <sup>7</sup>[**FORM GSTR-3B**] from the common portal, <sup>8</sup>[the system designated by the Customs or the proper officer of Customs, as the case may be, shall process the claim of refund in respect of export of goods] and an amount equal to the integrated tax paid in respect of each shipping bill or bill of export shall be electronically credited to the bank account of the applicant mentioned in his registration particulars and as intimated to the Customs authorities.

- (4) The claim for refund shall be withheld where,-
- (a) a request has been received from the jurisdictional Commissioner of central tax, State tax or Union territory tax to withhold the payment of refund due to the person claiming refund in accordance with the provisions of sub-section (10) or sub-section (11) of [section 54](#); or
  - (b) the proper officer of Customs determines that the goods were exported in violation of the provisions of the Customs Act, <sup>9</sup>[1962; or]

<sup>10</sup>[(c) the Commissioner in the Board or an officer authorised by the Board, on the basis of data analysis and risk parameters, is of the opinion that verification of credentials of the exporter, including the availment of ITC by the exporter, is considered essential before grant of refund, in order to safeguard the interest of revenue.]



(5) <sup>11</sup>[\*\*\*]

<sup>10</sup>[(5A) Where refund is withheld in accordance with the provisions of clause (a) or clause (c) of sub-rule (4), such claim shall be transmitted to the proper officer of Central tax, State tax or Union territory tax, as the case may be, electronically through the common portal in a system generated **FORM GST RFD-01** and the intimation of such transmission shall also be sent to the exporter electronically through the common portal, and notwithstanding anything to the contrary contained in any other rule, the said system generated form shall be deemed to be the application for refund in such cases and shall be deemed to have been filed on the date of such transmission.

(5B) Where refund is withheld in accordance with the provisions of clause (b) of sub-rule (4) and the proper officer of the Customs passes an order that the goods have been exported in violation of the provisions of the Customs Act, 1962 (52 of 1962), then, such claim shall be transmitted to the proper officer of Central tax, State tax or Union territory tax, as the case may be, electronically through the common portal in a system generated **FORM GST RFD-01** and the intimation of such transmission shall also be sent to the exporter electronically through the common portal, and notwithstanding anything to the contrary contained in any other rule, the said system generated form shall be deemed to be the application for refund in such cases and shall be deemed to have been filed on the date of such transmission.

(5C) The application for refund in **FORM GST RFD-01** transmitted electronically through the common portal in terms of sub-rules (5A) and (5B) shall be dealt in accordance with the provisions of rule 89.]

(6) <sup>12</sup>[\*\*\*]

(7) <sup>13</sup>[\*\*\*]

(8) The Central Government may pay refund of the integrated tax to the Government of Bhutan on the exports to Bhutan for such class of goods as may be notified in this behalf and where such refund is paid to the Government of Bhutan, the exporter shall not be paid any refund of the integrated tax.

<sup>14</sup>[(9) The application for refund of integrated tax paid on the services exported out of India shall be filed in **FORM GST RFD-01** and shall be dealt with in accordance with the provisions of [rule 89](#)]

<sup>19</sup>[\*\*\*\*]

<sup>16</sup>**[Explanation:-** For the purpose of this sub-rule, the benefit of the notifications mentioned therein shall not be considered to have been availed only where the registered person has paid Integrated Goods and Services Tax and Compensation Cess on inputs and has availed exemption of only Basic Customs Duty (BCD) under the said notifications.]

1. Inserted (w.e.f. 23.10.2017) vide [Notification No. 75/2017-CT](#) dated 29.12.2017.
  2. Substituted for the words “an exporter” w.e.f. 23.10.2017 vide [Notification No. 03/2018-CT](#) dated 23.01.2018.
  3. Inserted vide [Notification No. 74/2018-CT](#) dated 31.12.2018.
  4. Substituted for the words “the applicant has furnished a valid return in **FORM GSTR-3** or **FORM GSTR-3B**, as the case may be” w.e.f. 01.07.2017 vide [Notification No. 14/2022-CT](#) dated 05.07.2022.
  5. Substituted for the words “relevant export invoices” w.e.f. 23.10.2017 vide [Notification No. 03/2018-CT](#) dated 23.01.2018.
  6. Omitted vide [Notification No. 38/2023 - CT](#) dated 04.08.2023 for «**Provided** that where the date for furnishing the details of outward supplies in **FORM GSTR-1** for a tax period has been extended in exercise of the powers conferred under [section 37](#) of the Act, the supplier shall furnish the information relating to exports as specified in Table 6A of **FORM GSTR-1** after the return in **FORM GSTR-3B** has been furnished and the same shall be transmitted electronically by the common portal to the system designated by the Customs:
- Provided** further that the information in Table 6A furnished under the first proviso shall be auto-drafted in **FORM GSTR-1** for the said tax period.».
7. Substituted (w.e.f. 01.10.2022) vide [Notification No. 19 2022 - CT](#), dated 28.09.2022.
  8. Substituted for the words “the system designated by the Customs shall process the claim for refund” w.e.f. 23.10.2017 vide [Notification No.03/2018-CT](#) dated 23.01.2018.
  9. Substituted for the figures “1962” w.e.f. 01.07.2017 vide [Notification No. 14/2022-CT](#) dated 05.07.2022.
  10. Inserted(w.e.f. 01.07.2017) vide [Notification No.14/2022 - CT](#) dated 05.07.2022.
  11. Omitted(w.e.f. 01.07.2017) vide [Notification No. 14/2022-CT](#) dated 05.07.2022. Before it was read as “Where refund is withheld in accordance with the provisions of clause (a) of sub-rule (4), the proper officer of integrated tax at the Customs station shall intimate the applicant and the jurisdictional Commissioner of central tax, State tax or Union territory tax, as the case may be, and a copy of such intimation shall be transmitted to the common portal.”



12. Omitted(w.e.f. 01.07.2017) vide [Notification No. 14/2022-CT](#) dated 05.07.2022. Before it was read as "Upon transmission of the intimation under sub-rule (5), the proper officer of central tax or State tax or Union territory tax, as the case may be, shall pass an order in **Part A of FORM GST RFD-07**."
13. Omitted(w.e.f. 01.07.2017) vide [Notification No. 14/2022-CT](#) dated 05.07.2022. Before it was read as "Where the applicant becomes entitled to refund of the amount withheld under clause (a) of sub-rule (4), the concerned jurisdictional officer of central tax, State tax or Union territory tax, as the case may be, shall proceed to refund the amount bypassing an order in **FORM GST RFD-06** after passing an order for release of withheld refund in Part B of **FORM GST RFD-07** .»
14. Substituted vide [Notification No. 3/2018-CT](#) Dated 23-01-2018, w.e.f. 23rd October, 2017 for  
[(9) The persons claiming refund of integrated tax paid on export of goods or services should not have received supplies on which the supplier has availed the benefit of [notification No. 48/2017-Central Tax](#) dated 18th October, 2017 or [notification No. 40/2017-Central Tax \(Rate\)](#) dated 23rd October, 2017 or [notification No. 41/2017-Integrated Tax \(Rate\)](#) dated 23rd October, 2017]"
15. Substituted vide [Notification No. 54/2018-CT](#) dated 09.10.2018 for:  
"(10) The persons claiming refund of integrated tax paid on exports of goods or services should not have received supplies on which the supplier has availed the benefit of the Government of India, Ministry of Finance, [notification No. 48/2017-Central Tax](#), dated the 18th October, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1305 (E), dated the 18th October, 2017 or [notification No. 40/2017-Central Tax \(Rate\)](#) dated the 23rd October, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1320 (E), dated the 23rd October, 2017 or [notification No. 41/2017-Integrated Tax \(Rate\)](#), dated the 23rd October, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1321 (E), dated the 23rd October, 2017 or notification No. 78/2017-Customs, dated the 13th October, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1272(E), dated the 13th October, 2017 or notification No. 79/2017-Customs, dated the 13th October, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1299 (E) dated the 13th October, 2017.»
16. Inserted vide [Notification No. 16/2020-CT](#) dated 23.03.2020 w.e.f. 23.10.2017.
17. Inserted vide [Notification No. 35/2021-CT](#) dated 24.09.2021. Brought into force w.e.f. 01.01.2022 vide [Notification No. 38/2021-C.T.](#), dated 21.12.2021.
18. Inserted vide [Notification No. 12/2024-CT](#) dated 10.07.2024.
19. Omitted vide [Notification No. 20/2024-CT](#) dated 08.10.2024.



**Rule 96A. <sup>2</sup>[Export] of goods or services under bond or Letter of Undertaking.-**

- (1) Any registered person availing the option to supply goods or services for export without payment of integrated tax shall furnish, prior to export, a bond or a Letter of Undertaking in **FORM GST RFD-11** to the jurisdictional Commissioner, binding himself to pay the tax due along with the interest specified under sub-section (1) of **section 50** within a period of -
  - (a) fifteen days after the expiry of three months <sup>3</sup>[or such further period as may be allowed by the Commissioner,] from the date of issue of the invoice for export, if the goods are not exported out of India; or
  - <sup>6</sup>[(b) fifteen days after the expiry of one year, or the period as allowed under the Foreign Exchange Management Act, 1999 (42 of 1999) including any extension of such period as permitted by the Reserve Bank of India, whichever is later, from the date of issue of the invoice for export, or such further period as may be allowed by the Commissioner, if the payment of such services is not received by the exporter in convertible foreign exchange or in Indian rupees, wherever permitted by the Reserve Bank of India.]].
- (2) The details of the export invoices contained in **FORM GSTR-1** <sup>7</sup>[, as amended in FORM GSTR-1A if any,] furnished on the common portal shall be electronically transmitted to the system designated by Customs and a confirmation that the goods covered by the said invoices have been exported out of India shall be electronically transmitted to the common portal from the said system.

<sup>5</sup>[**Provided** that where the date for furnishing the details of outward supplies in **FORM GSTR-1** for a tax period has been extended in exercise of the powers conferred under **section 37** of the Act, the supplier shall furnish the information relating to exports as specified in Table 6A of **FORM GSTR-1** after there turn in **FORM GSTR-3B** has been furnished and the same shall be transmitted electronically by the common portal to the system designated by the Customs:

**Provided** further that the information in Table 6A furnished under the first proviso shall be auto-drafted in **FORM GSTR-1** for the said tax period.]
- (3) Where the goods are not exported within the time specified in sub-rule (1) and the registered person fails to pay the amount mentioned in the said sub-rule, the export as allowed under bond or Letter of Undertaking shall be withdrawn forthwith and the said amount shall be recovered from the registered person in accordance with the provisions of **section 79**.
- (4) The export as allowed under bond or Letter of Undertaking withdrawn in terms of sub rule (3) shall be restored immediately when the registered person pays the amount due.



- (5) *The Board, by way of notification, may specify the conditions and safeguards under which a Letter of Undertaking may be furnished in place of a bond.*
- (6) *The provisions of sub rule (1) shall apply, mutatis mutandis, in respect of zero-rated supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit without payment of integrated tax.*
1. *Inserted (w.e.f. 01.07.2017) by [Notification No.15/2017-C.T.](#), dated 01.07.2017.*
2. *Substituted vide [Notification No. 03/2019-CT](#) dated 29.01.2019 w.e.f. 01.02.2019 for «Refund of integrated tax paid on export».*
3. *Inserted vide [Notification No. 47/2017-CT](#) dated 18.10.2017.*
4. *Inserted vide [Notification No. 03/2019-CT](#) dated 29.01.2019 w.e.f. 01.02.2019.*
5. *Inserted vide [Notification No. 51/2017 CT](#) dated 28.10.2017.*
6. *Substituted vide [Notification No. 12/2024 CT](#) dated 10.07.2024.*
7. *Inserted vide [Notification No. 12/2024 CT](#) dated 10.07.2024.*

**Rule 96B. Recovery of refund of unutilised input tax credit or integrated tax paid on export of goods where export proceeds not realised .-**

- (1) *Where any refund of unutilised input tax credit on account of export of goods or of integrated tax paid on export of goods has been paid to an applicant but the sale proceeds in respect of such export goods have not been realised, in full or in part, in India within the period allowed under the Foreign Exchange Management Act, 1999 (42 of 1999), including any extension of such period, the person to whom the refund has been made shall deposit the amount so refunded, to the extent of non-realisation of sale proceeds, along with applicable interest within thirty days of the expiry of the said period or, as the case may be, the extended period, failing which the amount refunded shall be recovered in accordance with the provisions of [section 73 or section 74 or section 74A](#) of the Act, as the case may be, as is applicable for recovery of erroneous refund, along with interest under [section 50](#):*

**Provided** that where sale proceeds, or any part thereof, in respect of such export goods are not realised by the applicant within the period allowed under the Foreign Exchange Management Act, 1999 (42 of 1999), but the Reserve Bank of India writes off the requirement of realisation of sale proceeds on merits, the refund paid to the applicant shall not be recovered.

- (2) *Where the sale proceeds are realised by the applicant, in full or part, after the amount of refund has been recovered from him under sub-rule (1) and the applicant produces evidence about*



*such realisation within a period of three months from the date of realisation of sale proceeds, the amount so recovered shall be refunded by the proper officer, to the applicant to the extent of realisation of sale proceeds, provided the sale proceeds have been realised within such extended period as permitted by the Reserve Bank of India.]*

1. *Inserted vide [Notification No. 16/2020 CT](#) dated 23.03.2020.*
2. *Substituted (w.e.f. 01.11.2024) vide [Notification No. 20/2024-CT](#) dated 08.10.2024.*

**Rule 96C. Bank Account for credit of refund.-**

*For the purposes of sub-rule (3) of [rule 91](#), sub-rule (4) of [rule 92](#) and [rule 94](#), “bank account” shall mean such bank account of the applicant which is in the name of applicant and obtained on his Permanent Account Number:*

**Provided** *that in case of a proprietorship concern, the Permanent Account Number of the proprietor shall also be linked with the Aadhaar number of the proprietor.]*

1. *Inserted vide [Notification No. 35/2021-CT](#) dated 24.09.2021 w.e.f. a date to be notified.*

**Rule 97. Consumer Welfare Fund.-**

- (1) *All amounts of duty/central tax/integrated tax/Union territory tax/cess and income from investment along with other monies specified in subsection (2) of [section 12C](#) of the Central Excise Act, 1944 (1 of 1944), [section 57](#) of the Central Goods and Services Tax Act, 2017 (12 of 2017) read with [section 20](#) of the Integrated Goods and Services Tax Act, 2017 (13 of 2017), [section 21](#) of the Union Territory Goods and Services Tax Act, 2017 (14 of 2017) and [section 12](#) of the Goods and Services Tax (Compensation to States) Act, 2017 (15 of 2017) shall be credited to the Fund:*

**Provided** *that an amount equivalent to fifty per cent. of the amount of integrated tax determined under sub-section (5) of [section 54](#) of the Central Goods and Services Tax Act, 2017, read with [section 20](#) of the Integrated Goods and Services Tax Act, 2017, shall be deposited in the Fund:*

<sup>2</sup>**Provided** *further that an amount equivalent to fifty per cent. of the amount of cess determined under sub-section (5) of [section 54](#) read with [section 11](#) of the Goods and Services Tax (Compensation to States) Act, 2017 (15 of 2017), shall be deposited in the Fund.]*

- (2) *Where any amount, having been credited to the Fund, is ordered or directed to be paid to any claimant by the proper officer, appellate authority or court, the same shall be paid from the Fund.*
- (3) *Accounts of the Fund maintained by the Central Government shall be subject to audit by the Comptroller and Auditor General of India.*



- (4) *The Government shall, by an order, constitute a Standing Committee (hereinafter referred to as the 'Committee') with a Chairman, a Vice-Chairman, a Member Secretary and such other members as it may deem fit and the Committee shall make recommendations for proper utilisation of the money credited to the Fund for welfare of the consumers.*
- (5) (a) *The Committee shall meet as and when necessary, generally four times in a year;*  
(b) *the Committee shall meet at such time and place as the Chairman, or in his absence, the Vice-Chairman of the Committee may deem fit;*  
(c) *the meeting of the Committee shall be presided over by the Chairman, or in his absence, by the Vice-Chairman;*  
(d) *the meeting of the Committee shall be called, after giving at least ten days' notice in writing to every member;*  
(e) *the notice of the meeting of the Committee shall specify the place, date and hour of the meeting and shall contain statement of business to be transacted thereat;*  
(f) *no proceeding of the Committee shall be valid, unless it is presided over by the Chairman or Vice-Chairman and attended by a minimum of three other members.*
- (6) *The Committee shall have powers -*
- (a) *to require any applicant to get registered with any authority as the Central Government may specify;*  
(b) *to require any applicant to produce before it, or before a duly authorised officer of the Central Government or the State Government, as the case may be, such books, accounts, documents, instruments, or commodities in custody and control of the applicant, as may be necessary for proper evaluation of the application;*  
(c) *to require any applicant to allow entry and inspection of any premises, from which activities claimed to be for the welfare of consumers are stated to be carried on, to a duly authorised officer of the Central Government or the State Government, as the case may be;*  
(d) *to get the accounts of the applicants audited, for ensuring proper utilisation of the grant;*  
(e) *to require any applicant, in case of any default, or suppression of material information on his part, to refund in lump-sum along with accrued interest, the sanctioned grant to the Committee, and to be subject to prosecution under the Act;*  
(f) *to recover any sum due from any applicant in accordance with the provisions of the Act;*

- (g) to require any applicant, or class of applicants to submit a periodical report, indicating proper utilisation of the grant;
  - (h) to reject an application placed before it on account of factual inconsistency, or inaccuracy in material particulars;
  - (i) to recommend minimum financial assistance, by way of grant to an applicant, having regard to his financial status, and importance and utility of the nature of activity under pursuit, after ensuring that the financial assistance provided shall not be misutilised ;
  - (j) to identify beneficial and safe sectors, where investments out of Fund may be made, and make recommendations, accordingly;
  - (k) to relax the conditions required for the period of engagement in consumer welfare activities of an applicant;
  - (l) to make guidelines for the management, and administration of the Fund.
- (7) The Committee shall not consider an application, unless it has been inquired into, in material details and recommended for consideration accordingly, by the Member Secretary.
- <sup>3</sup>[(7A) The Committee shall make available to the Board 50 per cent. of the amount credited to the Fund each year, for publicity or consumer awareness on Goods and Services Tax, provided the availability of funds for consumer welfare activities of the Department of Consumer Affairs is not less than twenty-five crore rupees per annum.];
- (8) The Committee shall make recommendations:-
- (a) for making available grants to any applicant;
  - (b) for investment of the money available in the Fund;
  - (c) for making available grants (on selective basis) for reimbursing legal expenses incurred by a complainant, or class of complainants in a consumer dispute, after its final adjudication;
  - (d) for making available grants for any other purpose recommended by the Central Consumer Protection Council (as may be considered appropriate by the Committee);

<sup>4</sup>[(e) \*\*\*\*]

**Explanation:-** For the purposes of this rule,

- (a) 'Act' means the Central Goods and Services Tax Act, 2017 (12 of 2017), or the Central Excise Act, 1944 (1 of 1944) as the case may be;



- (b) 'applicant' means,
- (i) the Central Government or State Government;
  - (ii) regulatory authorities or autonomous bodies constituted under an Act of Parliament or the Legislature of a State or Union Territory;
  - (iii) any agency or organization engaged in consumer welfare activities for a minimum period of three years, registered under the Companies Act, 2013 (18 of 2013) or under any other law for the time being in force;
  - (iv) village or mandal or samiti or samiti level co-operatives of consumers especially Women, Scheduled Castes and Scheduled Tribes;
  - (v) an educational or research institution incorporated by an Act of Parliament or the Legislature of a State or Union Territory in India or other educational institutions established by an Act of Parliament or declared to be deemed as a University under section 3 of the University Grants Commission Act, 1956 (3 of 1956) and which has consumers studies as part of its curriculum for a minimum period of three years; and
  - (vi) a complainant as defined under clause (b) of sub-section (1) of section 2 of the Consumer Protection Act, 1986 (68 of 1986), who applies for reimbursement of legal expenses incurred by him in a case instituted by him in a consumer dispute redressal agency.
- (c) 'application' means an application in the form as specified by the Standing Committee from time to time;
- (d) 'Central Consumer Protection Council' means the Central Consumer Protection Council, established under sub-section (1) of section 4 of the Consumer Protection Act, 1986 (68 of 1986), for promotion and protection of rights of consumers;
- (e) 'Committee' means the Committee constituted under sub-rule (4);
- (f) 'consumer' has the same meaning as assigned to it in clause (d) of sub-section (1) of section 2 of the Consumer Protection Act, 1986 (68 of 1986), and includes consumer of goods on which central tax has been paid;
- (g) 'duty' means the duty paid under the Central Excise Act, 1944 (1 of 1944) or the Customs Act, 1962 (52 of 1962);
- (h) 'Fund' means the Consumer Welfare Fund established by the Central Government under sub-section (1) of [section 12C](#) of the Central Excise Act, 1944 (1 of 1944) and [section 57](#) of the Central Goods and Services Tax Act, 2017 (12 of 2017);
- (i) 'proper officer' means the officer having the power under the Act to make an order that the whole or any part of the central tax is refundable.

1. Substituted vide [Notification No. 21/2018-CT](#) dated 18.04.2018 for Consumer Welfare Fund.-
  - (1) All credits to the Consumer Welfare Fund shall be made under sub-rule (5) of rule 92.
  - (2) Any amount, having been credited to the Fund, ordered or directed as payable to any claimant by orders of the proper officer, appellate authority or Appellate Tribunal or court, shall be paid from the Fund.
  - (3) Any utilisation of amount from the Consumer Welfare Fund under sub-section (1) of section 58 shall be made by debiting the Consumer Welfare Fund account and crediting the account to which the amount is transferred for utilisation.
  - (4) The Government shall, by an order, constitute a Standing Committee with a Chairman, a Vice-Chairman, a Member Secretary and such other Members as it may deem fit and the Committee shall make recommendations for proper utilisation of the money credited to the Consumer Welfare Fund for welfare of the consumers.
  - (5) The Committee shall meet as and when necessary, but not less than once in three months.
  - (6) Any agency or organisation engaged in consumer welfare activities for a period of three years registered under the provisions of the Companies Act, 2013 (18 of 2013) or under any other law for the time being in force, including village or mandal or samiti level co-operatives of consumers especially Women, Scheduled Castes and Scheduled Tribes, or any industry as defined in the Industrial Disputes Act, 1947 (14 of 1947) recommended by the Bureau of Indian Standards to be engaged for a period of five years in viable and useful research activity which has made, or is likely to make, significant contribution in formulation of standard mark of the products of mass consumption, the Central Government or the State Government may make an application for a grant from the Consumer Welfare Fund:

*Provided that a consumer may make application for reimbursement of legal expenses incurred by him as a complainant in a consumer dispute, after its final adjudication.*
  - (7) All applications for grant from the Consumer Welfare Fund shall be made by the applicant Member Secretary, but the Committee shall not consider an application, unless it has been inquired into in material details and recommended for consideration accordingly, by the Member Secretary.
  - (8) The Committee shall have powers -
    - a. to require any applicant to produce before it, or before a duly authorised Officer of the Government such books, accounts, documents, instruments, or commodities in custody and control of the applicant, as may be necessary for proper evaluation of the application;



- b. *to require any applicant to allow entry and inspection of any premises, from which activities claimed to be for the welfare of consumers are stated to be carried on, to a duly authorised officer of the Central Government or, as the case may be, State Government;*
- c. *to get the accounts of the applicants audited, for ensuring proper utilisation of the grant;*
- d. *to require any applicant, in case of any default, or suppression of material information on his part, to refund in lump-sum, the sanctioned grant to the Committee, and to be subject to prosecution under the Act;*
- e. *to recover any sum due from any applicant in accordance with the provisions of the Act;*
- f. *to require any applicant, or class of applicants to submit a periodical report, indicating proper utilisation of the grant;*
- g. *to reject an application placed before it on account of factual inconsistency, or inaccuracy in material particulars;*
- h. *to recommend minimum financial assistance, by way of grant to an applicant, having regard to his financial status, and importance and utility of nature of activity under pursuit, after ensuring that the financial assistance provided shall not be mis- utilised ;*
- i. *to identify beneficial and safe sectors, where investments out of Consumer Welfare Fund may be made and make recommendations, accordingly;*
- j. *to relax the conditions required for the period of engagement in consumer welfare activities of an applicant;*
- k. *to make guidelines for the management, administration and audit of the Consumer Welfare Fund. The Central Consumer Protection Council and the Bureau of Indian Standards shall recommend to the Goods and Services Tax Council, the broad guidelines for considering the projects or proposals for the purpose of incurring expenditure from the Consumer Welfare Fund.*

2. Inserted vide [Notification No. 26/2018 CT](#) dated 13.06.2018.

3. Inserted w.e.f. 01.07.2017 vide [Notification No. 49/2019-CT](#) dated 09.10.2019.

4. Omitted w.e.f. 01.07.2017 vide [Notification No. 49/2019-CT](#) dated 09.10.2019.

**Rule 97A. Manual filing and processing. -**

Notwithstanding anything contained in this Chapter, in respect of any process or procedure prescribed herein, any reference to electronic filing of an application, intimation, reply, declaration, statement or

electronic issuance of a notice, order or certificate on the common portal shall, in respect of that process or procedure, include manual filing of the said application, intimation, reply, declaration, statement or issuance of the said notice, order or certificate in such Forms as appended to these rules.]

1. *Inserted vide [Notification No.55/2017-CT](#) dated 15.11.2017.*

Documents under GST

**Section 31. Tax invoice.-**

- (1) A registered person supplying taxable goods shall, before or at the time of,-
- (a) removal of goods for supply to the recipient, where the supply involves movement of goods; or
  - (b) delivery of goods or making available thereof to the recipient, in any other case, issue a tax invoice showing the description, quantity and value of goods, the tax charged thereon and such other particulars as may be [prescribed](#):

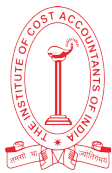
**Provided** that the Government may, on the recommendations of the Council, by notification, specify the categories of goods or supplies in respect of which a tax invoice shall be issued, within such time and in such manner as may be prescribed.

- (2) A registered person supplying taxable services shall, before or after the provision of service but within a [prescribed](#) period, issue a tax invoice, showing the description, value, tax charged thereon and such other particulars as may be prescribed:

<sup>1</sup>**Provided** that the Government may, on the recommendations of the Council, by notification,-

- (a) specify the categories of services or supplies in respect of which a tax invoice shall be issued, within such time and in such manner as may be [prescribed](#);
  - (b) subject to the condition mentioned therein, specify the categories of services in respect of which-
    - (i) any other document issued in relation to the supply shall be deemed to be a tax invoice; or
    - (ii) tax invoice may not be issued.]
- (3) Notwithstanding anything contained in sub-sections (1) and (2)-
- (a) a registered person may, within one month from the date of issuance of certificate of registration and in such manner as may be prescribed, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him;





- (b) a registered person may not issue a tax invoice if the value of the goods or services or both supplied is less than two hundred rupees subject to such conditions and in such manner as may be prescribed;
- (c) a registered person supplying exempted goods or services or both or paying tax under the provisions of [section 10](#) shall issue, instead of a tax invoice, a bill of supply containing such particulars and in such manner as may be [prescribed](#):

**Provided** that the registered person may not issue a bill of supply if the value of the goods or services or both supplied is less than two hundred rupees subject to such conditions and in such manner as may be prescribed;

- (d) a registered person shall, on receipt of advance payment with respect to any supply of goods or services or both, issue a receipt voucher or any other document, containing such particulars as may be [prescribed](#), evidencing receipt of such payment;
- (e) where, on receipt of advance payment with respect to any supply of goods or services or both the registered person issues a receipt voucher, but subsequently no supply is made and no tax invoice is issued in pursuance thereof, the said registered person may issue to the person who had made the payment, a refund voucher against such payment;
- (f) a registered person who is liable to pay tax under sub-section (3) or subsection (4) of [section 9](#) shall <sup>2</sup>[, within the period as may be prescribed,] issue an invoice in respect of goods or services or both received by him from the supplier who is not registered on the date of receipt of goods or services or both;
- (g) a registered person who is liable to pay tax under sub-section (3) or subsection (4) of [section 9](#) shall issue a payment voucher at the time of making payment to the supplier.

<sup>2</sup>**[Explanation.**—For the purposes of clause (f), the expression “supplier who is not registered” shall include the supplier who is registered solely for the purpose of deduction of tax under section 51.]

- (4) In case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice shall be issued before or at the time each such statement is issued or, as the case may be, each such payment is received.
- (5) Subject to the provisions of clause (d) of sub-section (3), in case of continuous supply of services,-
  - (a) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment;
  - (b) where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment;



- (c) where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.
- (6) In a case where the supply of services ceases under a contract before the completion of the supply, the invoice shall be issued at the time when the supply ceases and such invoice shall be issued to the extent of the supply made before such cessation.
- \*\***(7) Notwithstanding anything contained in sub-section (1), where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued before or at the time of supply or six months from the date of removal, whichever is earlier.

**Explanation.**-For the purposes of this section, the expression "tax invoice" shall include any revised invoice issued by the supplier in respect of a supply made earlier.

*\*Enforced w.e.f. 1st July, 2017.*

1. Substituted for the proviso " Provided that the Government may, on the recommendations of the Council, by notification and subject to such conditions as may be mentioned therein, specify the categories of services in respect of which-
- (a) any other document issued in relation to the supply shall be deemed to be a tax invoice; or
- (b) tax invoice may not be issued."

by s. 123 of the Finance Act, 2020 (No. 12 of 2020) - Brought into force w.e.f. 01st January, 2021 vide [Notification No. 92/2020-C.T.](#) dated 22nd December, 2020.

**\*\*** Kindly also refer to [Notification No. 66/2020](#) – CT dated 21<sup>st</sup> Sept., 2020.

2. Inserted by section 122 of The Finance Act (No. 2) Act, 2024 No. 15 of 2024 dated 16.08.2024.

### **Section 31A. Facility of digital payment to recipient.-**

The Government may, on the recommendations of the Council, prescribe a class of registered persons who shall provide prescribed modes of electronic payment to the recipient of supply of goods or services or both made by him and give option to such recipient to make payment accordingly, in such manner and subject to such conditions and restrictions, as may be prescribed

1. Inserted by s. 96 of The Finance (No. 2) Act, 2019 (No. 23 of 2019) - Brought into force w.e.f. 1st January, 2020 vide [Notification No. 1/2020-C.T.](#), dated 1st January, 2020.

### **Section 32. Prohibition of unauthorised collection of tax.-**

- (1) A person who is not a registered person shall not collect in respect of any supply of goods or services or both any amount by way of tax under this Act.



- (2) No registered person shall collect tax except in accordance with the provisions of this Act or the rules made thereunder.

**Section 33. Amount of tax to be indicated in tax invoice and other documents.-**

Notwithstanding anything contained in this Act or any other law for the time being in force, where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, the amount of tax which shall form part of the price at which such supply is made.

**Section 34. Credit and debit notes.-**

- (1) <sup>1</sup>[Where one or more tax invoices have] been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, the registered person, who has supplied such goods or services or both, may issue to the recipient <sup>2</sup>[one or more credit notes for supplies made in a financial year] containing such particulars as may be prescribed.
- (2) Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than <sup>3</sup>[the thirtieth day of November] following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in such manner as may be prescribed:

**Provided** that no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person.

- (3) <sup>4</sup>[Where one or more tax invoices have] been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to be less than the taxable value or tax payable in respect of such supply, the registered person, who has supplied such goods or services or both, shall issue to the recipient <sup>5</sup>[one or more debit notes for supplies made in a financial year] containing such particulars as may be prescribed.
- (4) Any registered person who issues a debit note in relation to a supply of goods or services or both shall declare the details of such debit note in the return for the month during which such debit note has been issued and the tax liability shall be adjusted in such manner as may be prescribed.

**Explanation.**-For the purposes of this Act, the expression “debit note” shall include a supplementary invoice.

*\* Enforced w.e.f. 22nd June, 2017.*

1. *Substituted for "Where a tax invoice has" by s. 15 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force w.e.f. 01<sup>st</sup> February, 2019.*
2. *Substituted for "a credit note" by s. 15 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force w.e.f. 01<sup>st</sup> February, 2019.*
3. *Substituted (w.e.f. 1st October, 2022 vide [Notification No. 18/2022 - CT](#) dated 28.09.2022.) by s. 102 of The Finance Act 2022 (No. 6 of 2022). for "September".*
4. *Substituted for "Where a tax invoice has" by s. 15 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force w.e.f. 01<sup>st</sup> February, 2019.*
5. *Substituted for "a debit note" by s. 15 of The Central Goods and Services Tax (Amendment) Act, 2018 (No. 31 of 2018) - Brought into force w.e.f. 01<sup>st</sup> February, 2019.*

**Rule 46. Tax invoice.-**

Subject to [rule 54](#), a tax invoice referred to in [section 31](#) shall be issued by the registered person containing the following particulars, namely,-

- (a) *name, address and Goods and Services Tax Identification Number of the supplier;*
- (b) *a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters- hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year;*
- (c) *date of its issue;*
- (d) *name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;*
- (e) *name and address of the recipient and the address of delivery, along with the name of the State and its code, if such recipient is un-registered and where the value of the taxable supply is fifty thousand rupees or more;*
- (f) *name and address of the recipient and the address of delivery, along with the name of the State and its code, if such recipient is un-registered and where the value of the taxable supply is less than fifty thousand rupees and the recipient requests that such details be recorded in the tax invoice*

<sup>8</sup>**[Provided** <sup>10</sup>*[in cases involving supply of online money gaming or in cases] that where any taxable service is supplied by or through an electronic commerce operator or by a supplier of online information and database access or retrieval services to a recipient who is un-registered, irrespective*



of the value of such supply, a tax invoice issued by the registered person shall contain the <sup>9</sup>[name of the state of the recipient and the same shall be deemed to be the address on record of the recipient]];

- (g) Harmonised System of Nomenclature code for goods or services;
- (h) description of goods or services;
- (i) quantity in case of goods and unit or Unique Quantity Code thereof;
- (j) total value of supply of goods or services or both;
- (k) taxable value of the supply of goods or services or both taking into account discount or abatement, if any;
- (l) rate of tax (central tax, State tax, integrated tax, Union territory tax or cess );
- (m) amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess );
- (n) place of supply along with the name of the State, in the case of a supply in the course of inter-State trade or commerce;
- (o) address of delivery where the same is different from the place of supply;
- (p) whether the tax is payable on reverse charge basis; and
- (q) signature or digital signature of the supplier or his authorised representative; and

<sup>1</sup>[(r) Quick Response code, having embedded Invoice Reference Number (IRN) in it, in case invoice has been issued in the manner prescribed under sub-rule (4) of [rule 48](#)].

<sup>2</sup>[(s) a declaration as below, that invoice is not required to be issued in the manner specified under sub-rule (4) of [rule 48](#), in all cases where an invoice is issued, other than in the manner so specified under the said sub-rule (4) of [rule 48](#), by the taxpayer having aggregate turnover in any preceding financial year from 2017-18 onwards more than the aggregate turnover as notified under the said sub-rule (4) of [rule 48](#)-  
“I/We hereby declare that though our aggregate turnover in any preceding financial year from 2017-18 onwards is more than the aggregate turnover notified under sub-rule (4) of [rule 48](#), we are not required to prepare an invoice in terms of the provisions of the said sub-rule.”]

<sup>3</sup>[**Provided** that the Board may, on the recommendations of the Council, by notification, specify-

- (i) the number of digits of Harmonised System of Nomenclature code for goods or services that a class of registered persons shall be required to mention; or
- (ii) a class of supply of goods or services for which specified number of digits of Harmonised System of Nomenclature code shall be required to be mentioned by all registered taxpayers; and

- (iii) the class of registered persons that would not be required to mention the Harmonised System of Nomenclature code for goods or services:]

<sup>11</sup>[\*\*\*\*]

<sup>4</sup>[**Provided** <sup>12</sup>[further that in the case of] the export of goods or services, the invoice shall carry an endorsement "SUPPLY MEANT FOR EXPORT/SUPPLY TO SEZ UNIT OR SEZ DEVELOPER FOR AUTHORISED OPERATIONS ON PAYMENT OF INTEGRATED TAX" or "SUPPLY MEANT FOR EXPORT/ SUPPLY TO SEZ UNIT OR SEZ DEVELOPER FOR AUTHORISED OPERATIONS UNDER BOND OR LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX", as the case maybe, and shall, in lieu of the details specified in clause (e), contain the following details, namely,-

- (i) name and address of the recipient;
- (ii) address of delivery; and
- (iii) name of the country of destination:]

**Provided** also that a registered person <sup>5</sup>[other than the supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens,] may not issue a tax invoice in accordance with the provisions of clause (b) of sub-section (3) of [section 31](#) subject to the following conditions, namely,-

- (a) the recipient is not a registered person; and
- (b) the recipient does not require such invoice, and shall issue a consolidated tax invoice for such supplies at the close of each day in respect of all such supplies.

<sup>6</sup>[**Provided** also that the signature or digital signature of the supplier or his authorised representative shall not be required in the case of issuance of an electronic invoice in accordance with the provisions of the Information Technology Act, 2000 (21 of 2000):]

<sup>7</sup>[**Provided** also that the Government may, by notification, on the recommendations of the Council, and subject to such conditions and restrictions as mentioned therein, specify that the tax invoice shall have Quick Response (QR) code.]

1. Inserted (w.e.f. 30.09.2020) ) vide [Notification No. 72/2020-CT](#) dated 30.09.2020. [Corrected by Corrigendum GSR 611(E), dated 01.10.2020].
2. Inserted vide [Notification No. 14/2022-CT](#) dated 05.07.2022.
3. Substituted vide [Notification No. 79/2020-CT](#) dated 15.10.2020 for «Provided that the Board may, on the recommendations of the Council, by notification, specify-



- (i) *the number of digits of Harmonised System of Nomenclature code for goods or services that a class of registered persons shall be required to mention, for such period as may be specified in the said notification; and*
  - (ii) *the class of registered persons that would not be required to mention the Harmonised System of Nomenclature code for goods or services, for such period as may be specified in the said notification:"*
4. Substituted vide [Notification No. 17/2017-CT](#) dated 27.07.2017. Till then it read as follows -  
*Provided also that in the case of the export of goods or services, the invoice shall carry an endorsement "SUPPLY MEANT FOR EXPORT ON PAYMENT OF INTEGRATED TAX" or "SUPPLY MEANT FOR EXPORT UNDER BOND OR LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX", as the case may be, and shall, in lieu of the details specified in clause (e), contain the following details, namely,-*
  - (i) *name and address of the recipient;*
  - (ii) *address of delivery; and*
  - (iii) *name of the country of destination.*
5. Inserted vide [Notification No. 33/2019-CT](#) dated 18.07.2019 with effect from 01.09.2019
6. Inserted vide [Notification No. 74/2018-CT](#) dated 31.12.2018
7. Inserted vide [Notification No. 31/2019 - CT](#) dated 28.06.2019 with effect from 01.04.2020 as notified by Notification No. 71/2019 dated 13.12.2019.
8. Inserted vide [Notification No. 26/2022-CT](#) dated 26.12.2022.
9. Substituted vide [Notification No. 38/2023-CT](#) dated 04.08.2023.
10. Inserted vide [Notification No. 51/2023-CT](#) dated 29.09.2023.
11. Omitted (w.e.f. 01.11.2024) **"Provided** further that where an invoice is required to be issued under clause (f) of sub-section (3) of [section 31](#), a registered person may issue a consolidated invoice at the end of a month for supplies covered under sub-section (4) of [section 9](#), the aggregate value of such supplies exceeds rupees five thousand in a day from any or all the suppliers:" vide [Notification No. 20/2024-CT](#) dated 08.10.2024.
12. Substituted (w.e.f. 01.11.2024) vide [Notification No. 20/2024-CT](#) dated 08.10.2024.

**Rule 46A. Invoice-cum-bill of supply. -**

Notwithstanding anything contained in [rule 46](#) or [rule 49](#) or [rule 54](#), where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, a single "invoice-cum-bill of supply" may be issued for all such supplies.]





<sup>2</sup>[**Provided** that the said single “invoice-cum-bill of supply” shall contain the particulars as specified under [rule 46](#) or [rule 54](#), as the case may be, and [rule 49](#).]

1. Inserted vide [Notification No. 45/2017-CT dated 13.10.2017](#).

**Rule 47A. Time limit for issuing tax invoice in cases where recipient is required to issue invoice.-**

Notwithstanding anything contained in rule 47, where an invoice referred to in rule 46 is required to be issued under clause (f) of sub-section (3) of section 31 by a registered person, who is liable to pay tax under sub-section (3) or sub-section (4) of section 9, he shall issue the said invoice within a period of thirty days from the date of receipt of the said supply of goods or services, or both, as the case may be.

1. Inserted (w.e.f. 01.11.2024) vide [Notification No. 20/2024-CT dated 08.10.2024](#).

**Rule 47. Time limit for issuing tax invoice.-**

The invoice referred to in [rule 46](#), in the case of the taxable supply of services, shall be issued within a period of thirty days from the date of the supply of service:

**Provided** that where the supplier of services is an insurer or a banking company or a financial institution, including a non-banking financial company, the period within which the invoice or any document in lieu thereof is to be issued shall be forty five days from the date of the supply of service:

**Provided** further that an insurer or a banking company or a financial institution, including a non-banking financial company, or a telecom operator, or any other class of supplier of services as may be notified by the Government on the recommendations of the Council, making taxable supplies of services between distinct persons as specified in [section 25](#), may issue the invoice before or at the time such supplier records the same in his books of account or before the expiry of the quarter during which the supply was made.

**Rule 48. Manner of issuing invoice.-**

- (1) The invoice shall be prepared in triplicate, in the case of supply of goods, in the following manner, namely,-
  - (a) the original copy being marked as ORIGINAL FOR RECIPIENT;
  - (b) the duplicate copy being marked as DUPLICATE FOR TRANSPORTER; and
  - (c) the triplicate copy being marked as TRIPLICATE FOR SUPPLIER.
- (2) The invoice shall be prepared in duplicate, in the case of the supply of services, in the following manner, namely,-
  - (a) the original copy being marked as ORIGINAL FOR RECIPIENT; and
  - (b) the duplicate copy being marked as DUPLICATE FOR SUPPLIER.



(3) The serial number of invoices issued during a tax period shall be furnished electronically through the common portal in **FORM GSTR-1**<sup>3</sup> [and in FORM GSTR-1A, if any,].

<sup>1</sup>[(4) The invoice shall be prepared by such class of registered persons as may be notified by the Government, on the recommendations of the Council, by including such particulars contained in **FORM GST INV-01** after obtaining an Invoice Reference Number by uploading information contained therein on the Common Goods and Services Tax Electronic Portal in such manner and subject to such conditions and restrictions as may be specified in the notification.

<sup>2</sup>[**Provided** that the Commissioner may, on the recommendations of the Council, by notification, exempt a person or a class of registered persons from issuance of invoice under this sub-rule for a specified period, subject to such conditions and restrictions as may be specified in the said notification.]

(5) Every invoice issued by a person to whom sub-rule (4) applies in any manner other than the manner specified in the said sub-rule shall not be treated as an invoice.

(6) The provisions of sub-rules (1) and (2) shall not apply to an invoice prepared in the manner specified in sub-rule (4).]

1. Inserted vide [Notification No.68/2019-CT](#) dated 13.12.2019

2. Inserted (w.e.f. 30.09.2020) vide [Notification No. 72/2020-CT](#) dated 30.09.2020

3. Inserted vide [Notification No. 12/2024 - CT](#) dated 10.07.2024.

#### **Rule 49. Bill of supply.-**

A bill of supply referred to in clause(c) of sub-section (3) of [section 31](#) shall be issued by the supplier containing the following details, namely,-

- (a) name, address and Goods and Services Tax Identification Number of the supplier;
- (b) a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters - hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year;
- (c) date of its issue;
- (d) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;
- (e) Harmonised System of Nomenclature Code for goods or services;
- (f) description of goods or services or both;



- (g) value of supply of goods or services or both taking into account discount or abatement, if any; and
- (h) signature or digital signature of the supplier or his authorised representative:

**Provided** that the provisos to [rule 46](#) shall, mutatis mutandis, apply to the bill of supply issued under this rule:

**Provided** further that any tax invoice or any other similar document issued under any other Act for the time being in force in respect of any non-taxable supply shall be treated as a bill of supply for the purposes of the Act.

<sup>1</sup>**Provided** also that the signature or digital signature of the supplier or his authorised representative shall not be required in the case of issuance of an electronic bill of supply in accordance with the provisions of the Information Technology Act, 2000 (21 of 2000).]

<sup>2</sup>**Provided** also that the Government may, by notification, on the recommendations of the Council, and subject to such conditions and restrictions as mentioned therein, specify that the bill of supply shall have Quick Response (QR) code.]

1. Inserted vide [Notification No. 74/2018-CT dated 31.12.2018](#)
2. Inserted (w.e.f. 01.04.2020 by [Notification No. 71/2019-C.T., dated 13-12-2019](#)) vide [Notification No. 31/2019 - CT dated 28.06.2019](#).

#### **Rule 50. Receipt voucher.-**

A receipt voucher referred to in clause (d) of sub-section (3) of [section 31](#) shall contain the following particulars, namely,-

- (a) name, address and Goods and Services Tax Identification Number of the supplier;
- (b) a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters-hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year;
- (c) date of its issue;
- (d) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;
- (e) description of goods or services;
- (f) amount of advance taken;
- (g) rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);



- (h) amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);
- (i) place of supply along with the name of State and its code, in case of a supply in the course of inter-State trade or commerce;
- (j) whether the tax is payable on reverse charge basis; and
- (k) signature or digital signature of the supplier or his authorised representative:

**Provided** that where at the time of receipt of advance,-

- (i) the rate of tax is not determinable, the tax shall be paid at the rate of eighteen per cent.;
- (ii) the nature of supply is not determinable, the same shall be treated as inter State supply.

**Rule 51. Refund voucher. -**

A refund voucher referred to in clause (e) of sub-section (3) of [section 31](#) shall contain the following particulars, namely:-

- (a) name, address and Goods and Services Tax Identification Number of the supplier;
- (b) a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters-hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year;
- (c) date of its issue;
- (d) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;
- (e) number and date of receipt voucher issued in accordance with the provisions of [rule 50](#);
- (f) description of goods or services in respect of which refund is made;
- (g) amount of refund made;
- (h) rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
- (i) amount of tax paid in respect of such goods or services (central tax, State tax, integrated tax, Union territory tax or cess);
- (j) whether the tax is payable on reverse charge basis; and
- (k) signature or digital signature of the supplier or his authorised representative.

**Rule 52. Payment voucher.-**

A payment voucher referred to in clause (g) of sub-section (3) of [section 31](#) shall contain the following particulars, namely:-

- (a) name, address and Goods and Services Tax Identification Number of the supplier if registered;
- (b) a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters-hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year;
- (c) date of its issue;
- (d) name, address and Goods and Services Tax Identification Number of the recipient;
- (e) description of goods or services;
- (f) amount paid;
- (g) rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
- (h) amount of tax payable in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);
- (i) place of supply along with the name of State and its code, in case of a supply in the course of inter-State trade or commerce; and
- (j) signature or digital signature of the supplier or his authorised representative.

**Rule 53. Revised tax invoice and credit or debit notes.-**

- (1) A revised tax invoice referred to in [section 31](#) <sup>1</sup>\*\*\*\* shall contain the following particulars, namely:-
- (a) the word "Revised Invoice", wherever applicable, indicated prominently;
  - (b) name, address and Goods and Services Tax Identification Number of the supplier;  
<sup>1</sup>[(c)\*\*\*\*]
  - (d) a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters-hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year;
  - (e) date of issue of the document;
  - (f) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;



- (g) *name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is un- registered;*
- (h) *serial number and date of the corresponding tax invoice or, as the case may be, bill of supply; and*

<sup>1</sup>[(i) \*\*\*\*]

- (j) *signature or digital signature of the supplier or his authorised representative.*

<sup>2</sup>[(1A) A credit or debit note referred to in [section 34](#) shall contain the following particulars, namely:-

- (a) *name, address and Goods and Services Tax Identification Number of the supplier;*
- (b) *nature of the document;*
- (c) *a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters-hyphen or dash and slash symbolised as “ - ” and “ / ” respectively, and any combination thereof, unique for a financial year;*
- (d) *date of issue of the document;*
- (e) *name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;*
- (f) *name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is un- registered;*
- (g) *serial number(s) and date(s) of the corresponding tax invoice(s) or, as the case may be, bill(s) of supply;*
- (h) *value of taxable supply of goods or services, rate of tax and the amount of the tax credited or, as the case may be, debited to the recipient; and*
- (i) *signature or digital signature of the supplier or his authorised representative.]*

- (2) *Every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue revised tax invoices in respect of taxable supplies effected during the period starting from the effective date of registration till the date of the issuance of the certificate of registration:*

**Provided** that the registered person may issue a consolidated revised tax invoice in respect of all taxable supplies made to a recipient who is not registered under the Act during such period:

**Provided** further that in the case of inter-State supplies, where the value of a supply does not exceed two lakh and fifty thousand rupees, a consolidated revised invoice may be issued separately in respect of all the recipients located in a State, who are not registered under the Act.



- (3) Any invoice or debit note issued in pursuance of any tax payable in accordance with the provisions of [section 74](#) or [section 129](#) or [section 130](#) shall prominently contain the words «INPUT TAX CREDIT NOT ADMISSIBLE».
1. Omitted vide [Notification No. 03/2019-CT](#) dated 29.01.2019 w.e.f. 01.02.2019.
  2. Inserted vide [Notification No. 03/2019-CT](#) dt. 29.01.2019 w.e.f. 01.02.2019

**Rule 54. Tax invoice in special cases.-**

- (1) An Input Service Distributor invoice or, as the case may be, an Input Service Distributor credit note issued by an Input Service Distributor shall contain the following details:-
- (a) name, address and Goods and Services Tax Identification Number of the Input Service Distributor;
  - (b) a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters- hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year;
  - (c) date of its issue;
  - (d) name, address and Goods and Services Tax Identification Number of the recipient to whom the credit is distributed;
  - (e) amount of the credit distributed; and
  - (f) signature or digital signature of the Input Service Distributor or his authorised representative:

**Provided** that where the Input Service Distributor is an office of a banking company or a financial institution, including a non-banking financial company, a tax invoice shall include any document in lieu thereof, by whatever name called, whether or not serially numbered but containing the information as mentioned above.

<sup>1</sup>[(1A) (a) A registered person, having the same PAN and State code as an Input Service Distributor, may issue an invoice or, as the case may be, a credit or debit note to transfer the credit of common input services to the Input Service Distributor, which shall contain the following details:-

- i. name, address and Goods and Services Tax Identification Number of the registered person having the same PAN and same State code as the Input Service Distributor;
- ii. a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters -hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year;



- iii. *date of its issue;*
  - iv. *Goods and Services Tax Identification Number of supplier of common service and original invoice number whose credit is sought to be transferred to the Input Service Distributor;*
  - v. *name, address and Goods and Services Tax Identification Number of the Input Service Distributor;*
  - vi. *taxable value, rate and amount of the credit to be transferred; and*
  - vii. *signature or digital signature of the registered person or his authorised representative.*
- (b) *The taxable value in the invoice issued under clause (a) shall be the same as the value of the common services.]*
- (2) *Where the supplier of taxable service is an insurer or a banking company or a financial institution, including a non-banking financial company, the said <sup>2</sup>[supplier may issue] a <sup>3</sup>[consolidated tax invoice] or any other document in lieu thereof, by whatever name called <sup>4</sup>[for the supply of services made during a month at the end of the month], whether issued or made available, physically or electronically whether or not serially numbered, and whether or not containing the address of the recipient of taxable service but containing other information as mentioned under [rule 46](#).*
- <sup>5</sup>**[Provided** *that the signature or digital signature of the supplier or his authorised representative shall not be required in the case of issuance of a consolidated tax invoice or any other document in lieu thereof in accordance with the provisions of the Information Technology Act, 2000 (21 of 2000).]*
- (3) *Where the supplier of taxable service is a goods transport agency supplying services in relation to transportation of goods by road in a goods carriage, the said supplier shall issue a tax invoice or any other document in lieu thereof, by whatever name called, containing the gross weight of the consignment, name of the consigner and the consignee, registration number of goods carriage in which the goods are transported, details of goods transported, details of place of origin and destination, Goods and Services Tax Identification Number of the person liable for paying tax whether as consigner, consignee or goods transport agency, and also containing other information as mentioned under [rule 46](#).*
- (4) *Where the supplier of taxable service is supplying passenger transportation service, a tax invoice shall include ticket in any form, by whatever name called, whether or not serially numbered, and whether or not containing the address of the recipient of service but containing other information as mentioned under [rule 46](#).*

<sup>5</sup>[**Provided** that the signature or digital signature of the supplier or his authorised representative shall not be required in the case of issuance of ticket in accordance with the provisions of the Information Technology Act, 2000 (21 of 2000).]

<sup>6</sup>[(4A) A registered person supplying services by way of admission to exhibition of cinematograph films in multiplex screens shall be required to issue an electronic ticket and the said electronic ticket shall be deemed to be a tax invoice for all purposes of the Act, even if such ticket does not contain the details of the recipient of service but contains the other information as mentioned under [rule 46](#):

**Provided** that the supplier of such service in a screen other than multiplex screens may, at his option, follow the above procedure.]

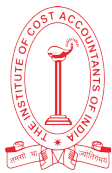
(5) The provisions of sub-rule (2) or sub-rule (4) shall apply, mutatis mutandis, to the documents issued under [rule 49](#) or [rule 50](#) or [rule 51](#) or [rule 52](#) or [rule 53](#).

1. Inserted vide [Notification No. 03/2018-CT dated 23.01.2018](#).
2. Substituted for "shall" vide [Notification No. 55/2017-CT dated 15.11.2017](#).
3. Substituted vide [Notification No. 45/2017-CT dated 13.10.2017](#).
4. Inserted vide [Notification No. 45/2017-CT dated 13.10.2017](#).
5. Inserted vide [Notification No. 74/2018 CT dated 31.12.2018](#).
6. Inserted vide [Notification No. 33/2019-CT dated 18.07.2019 with effect from 01.09.2019](#).

#### **Rule 55. Transportation of goods without issue of invoice.-**

- (1) For the purposes of-
- (a) supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known,
  - (b) transportation of goods for job work,
  - (c) transportation of goods for reasons other than by way of supply, or
  - (d) such other supplies as may be notified by the Board, the consigner may issue a delivery challan, serially numbered not exceeding sixteen characters, in one or multiple series, in lieu of invoice at the time of removal of goods for transportation, containing the following details, namely:-
    - (i) date and number of the delivery challan;
    - (ii) name, address and Goods and Services Tax Identification Number of the consigner, if registered;
    - (iii) name, address and Goods and Services Tax Identification Number or Unique Identity Number of the consignee, if registered;





- (iv) *Harmonised System of Nomenclature code and description of goods;*
  - (v) *quantity (provisional, where the exact quantity being supplied is not known );*
  - (vi) *taxable value;*
  - (vii) *tax rate and tax amount - central tax, State tax, integrated tax, Union territory tax or cess , where the transportation is for supply to the consignee;*
  - (viii) *place of supply, in case of inter-State movement; and*
  - (ix) *signature.*
- (2) *The delivery challan shall be prepared in triplicate, in case of supply of goods, in the following manner, namely:-*
- (a) *the original copy being marked as ORIGINAL FOR CONSIGNEE;*
  - (b) *the duplicate copy being marked as DUPLICATE FOR TRANSPORTER; and*
  - (c) *the triplicate copy being marked as TRIPLICATE FOR CONSIGNER.*
- (3) *Where goods are being transported on a delivery challan in lieu of invoice, the same shall be declared as specified in [rule 138](#).*
- (4) *Where the goods being transported are for the purpose of supply to the recipient but the tax invoice could not be issued at the time of removal of goods for the purpose of supply, the supplier shall issue a tax invoice after delivery of goods.*
- (5) *Where the goods are being transported in a semi knocked down or completely knocked down condition <sup>1</sup>[or in batches or lots] -*
- (a) *the supplier shall issue the complete invoice before dispatch of the first consignment;*
  - (b) *the supplier shall issue a delivery challan for each of the subsequent consignments, giving reference of the invoice;*
  - (c) *each consignment shall be accompanied by copies of the corresponding delivery challan along with a duly certified copy of the invoice; and*
  - (d) *the original copy of the invoice shall be sent along with the last consignment.*

1. *Inserted (w.e.f. 04.09.2018) vide [Notification No. 39/2018-CT](#) dated 04.09.2018*

**Rule 55A. Tax Invoice or bill of supply to accompany transport of goods . -**

*The person-in-charge of the conveyance shall carry a copy of the tax invoice or the bill of supply issued in accordance with the provisions of [rules 46, 46A](#) or [49](#) in a case where such person is not required to carry an e-way bill under these rules.]*





1. *Inserted vide [Notification No. 03/2018-CT](#) dated 23.01.2018.*

**\*Section 129. Detention, seizure and release of goods and conveyances in transit.-**

(1) *Notwithstanding anything contained in this Act, where any person transports any goods or stores any goods while they are in transit in contravention of the provisions of this Act or the rules made thereunder, all such goods and conveyance used as a means of transport for carrying the said goods and documents relating to such goods and conveyance shall be liable to detention or seizure and after detention or seizure, shall be released,-*

- <sup>1</sup>(a) *on payment of penalty equal to two hundred per cent. of the tax payable on such goods and, in case of exempted goods, on payment of an amount equal to two per cent. of the value of goods or twenty-five thousand rupees, whichever is less, where the owner of the goods comes forward for payment of such penalty;*
- (b) *on payment of penalty equal to fifty per cent. of the value of the goods or two hundred per cent. of the tax payable on such goods, whichever is higher, and in case of exempted goods, on payment of an amount equal to five per cent. of the value of goods or twenty-five thousand rupees, whichever is less, where the owner of the goods does not come forward for payment of such penalty;]*
- (c) *upon furnishing a security equivalent to the amount payable under clause (a) or clause (b) in such form and manner as may be prescribed:*

**Provided** that no such goods or conveyance shall be detained or seized without serving an order of detention or seizure on the person transporting the goods.

<sup>2</sup>[\*\*\*\*]

<sup>3</sup>[(3) *The proper officer detaining or seizing goods or conveyance shall issue a notice within seven days of such detention or seizure, specifying the penalty payable, and thereafter, pass an order within a period of seven days from the date of service of such notice, for payment of penalty under clause (a) or clause (b) of sub-section (1).]*

(4) <sup>4</sup>[No penalty] shall be determined under sub-section (3) without giving the person concerned an opportunity of being heard.

(5) *On payment of amount referred in sub-section (1), all proceedings in respect of the notice specified in sub-section (3) shall be deemed to be concluded.*

<sup>5</sup>[(6) *Where the person transporting any goods or the owner of such goods fails to pay the amount of penalty under sub-section (1) within fifteen days from the date of receipt of the copy of the order*



passed under sub-section (3), the goods or conveyance so detained or seized shall be liable to be sold or disposed of otherwise, in such manner and within such time as may be prescribed, to recover the penalty payable under sub-section (3):

**Provided** that the conveyance shall be released on payment by the transporter of penalty under sub-section (3) or one lakh rupees, whichever is less:

**Provided** further that where the detained or seized goods are perishable or hazardous in nature or are likely to depreciate in value with passage of time, the said period of fifteen days may be reduced by the proper officer.]

*\*Enforced w.e.f. 1st July, 2017.*

1. Substituted (w.e.f. 1st January, 2022 vide [Notification No. 39/2021-C.T.](#), dated 21st December, 2021) by s. 117(i) of The Finance Act, 2021 (No. 13 of 2021) dated 28th March, 2021.

“(a) on payment of the applicable tax and penalty equal to one hundred per cent. of the tax payable on such goods and, in case of exempted goods, on payment of an amount equal to two per cent. of the value of goods or twenty-five thousand rupees, whichever is less, where the owner of the goods comes forward for payment of such tax and penalty;

(b) on payment of the applicable tax and penalty equal to the fifty per cent. of the value of the goods reduced by the tax amount paid thereon and, in case of exempted goods, on payment of an amount equal to five per cent. of the value of goods or twenty-five thousand rupees, whichever is less, where the owner of the goods does not come forward for payment of such tax and penalty;”

2. Omitted (w.e.f. 1st January, 2022 vide [Notification No. 39/2021-C.T.](#), dated 21st December, 2021) by s. 117(ii) of The Finance Act, 2021 (No. 13 of 2021) dated 28th March, 2021 for “(2) The provisions of sub-section (6) of section 67 shall, mutatis mutandis, apply for detention and seizure of goods and conveyances.”

3. Substituted (w.e.f. 1st January, 2022 vide [Notification No. 39/2021-C.T.](#), dated 21st December, 2021) by s. 117(iii) of The Finance Act, 2021 (No. 13 of 2021) dated 28th March, 2021.

“(3) The proper officer detaining or seizing goods or conveyances shall issue a notice specifying the tax and penalty payable and thereafter, pass an order for payment of tax and penalty under clause (a) or clause (b) or clause (c).”

4. Substituted (w.e.f. 1st January, 2022 vide [Notification No. 39/2021-C.T.](#), dated 21st December, 2021) by s. 117(iv) of The Finance Act, 2021 (No. 13 of 2021) dated 28th March, 2021 for “No tax, interest or

penalty.”

5. Substituted (w.e.f. 1st January, 2022 vide [Notification No. 39/2021-C.T.](#), dated 21st December, 2021) by s. 117(v) of The Finance Act, 2021 (No. 13 of 2021) dated 28th March, 2021 for

“(6) Where the person transporting any goods or the owner of the goods fails to pay the amount of tax and penalty as provided in sub-section (1) within fourteen days of such detention or seizure, further proceedings shall be initiated in accordance with the provisions of section 130:

**Provided** that where the detained or seized goods are perishable or hazardous in nature or are likely to depreciate in value with passage of time, the said period of seven days may be reduced by the proper officer.”

**Rule 138. Information to be furnished prior to commencement of movement of goods and generation of e-way bill. - \*\***

- (1) Every registered person who causes movement of goods of consignment value exceeding fifty thousand rupees-
- (i) in relation to a supply; or
  - (ii) for reasons other than supply; or
  - (iii) due to inward supply from an unregistered person,

shall, before commencement of such movement, furnish information relating to the said goods as specified in **Part A** of [FORM GST EWB-01](#), electronically, on the common portal along with such other information as may be required on the common portal and a unique number will be generated on the said portal:

**Provided** that the transporter, on an authorization received from the registered person, may furnish information in **Part A** of [FORM GST EWB-01](#), electronically, on the common portal along with such other information as may be required on the common portal and a unique number will be generated on the said portal:

**Provided** further that where the goods to be transported are supplied through an ecommerce operator or a courier agency, on an authorization received from the consignor, the information in **Part A** of [FORM GST EWB-01](#) may be furnished by such e-commerce operator or courier agency and a unique number will be generated on the said portal:

**Provided** also that where goods are sent by a principal located in one State or Union territory to a job worker located in any other State or Union territory, the e-way bill shall be generated either by the principal or the job worker, if registered, irrespective of the value of the



consignment:

**Provided** also that where handicraft goods are transported from one State or Union territory to another State or Union territory by a person who has been exempted from the requirement of obtaining registration under clauses (i) and (ii) of [section 24](#), the e-way bill shall be generated by the said person irrespective of the value of the consignment.

<sup>2</sup>[**Explanation 1.** - For the purposes of this rule, the expression “handicraft goods” has the meaning as assigned to it in the Government of India, Ministry of Finance, [Notification No 56/2018-Central Tax](#), dated the 23rd October, 2018, published in the Gazette of India, Extraordinary, Part II, [Section 3](#). Sub-section (i), vide number G.S.R 1056 (E), dated the 23rd October, 2018 as amended from time to time.]

**Explanation 2.** - For the purposes of this rule, the consignment value of goods shall be the value, determined in accordance with the provisions of [section 15](#), declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and also includes the central tax, State or Union territory tax, integrated tax and cess charged, if any, in the document and shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

- (2) Where the goods are transported by the registered person as a consignor or the recipient of supply as the consignee, whether in his own conveyance or a hired one or a public conveyance, by road, the said person shall generate the e-way bill in [FORM GST EWB-01](#) electronically on the common portal after furnishing information in **Part B** of [FORM GST EWB-01](#).
- (2A) Where the goods are transported by railways or by air or vessel, the e-way bill shall be generated by the registered person, being the supplier or the recipient, who shall, either before or after the commencement of movement, furnish, on the common portal, the information in **Part B** of [FORM GST EWB-01](#):

**Provided** that where the goods are transported by railways, the railways shall not deliver the goods unless three-way bill required under these rules is produced at the time of delivery.

- (3) Where the e-way bill is not generated under sub-rule (2) and the goods are handed over to a transporter for transportation by road, the registered person shall furnish the information relating to the transporter on the common portal and the e-way bill shall be generated by the transporter on the said portal on the basis of the information furnished by the registered person in **Part A** of [FORM GST EWB-01](#):

**Provided** that the registered person or, the transporter may, at his option, generate and carry the



e-waybill even if the value of the consignment is less than fifty thousand rupees:

**Provided** further that where the movement is caused by an unregistered person either in his own conveyance or a hired one or through a transporter, he or the transporter may, at their option, generate the e-way bill in [FORM GST EWB-01](#) on the common portal in the manner specified in this rule:

**Provided** also that where the goods are transported for a distance of up to fifty kilometers within the State or Union territory from the place of business of the consignor to the place of business of the transporter for further transportation, the supplier or the recipient, or as the case may be, the transporter may Not furnish the details of conveyance in **Part B** of [FORM GST EWB-01](#).

<sup>7</sup>**Provided** also that an unregistered person required to generate e-way bill in FORM GST EWB-01 in terms of the fourth proviso to sub-rule (1) or an unregistered person opting to generate e-way bill in Form GST EWB-01, on the common portal, shall submit the details electronically on the common portal in FORM GST ENR-03 either directly or through a Facilitation Centre notified by the Commissioner and, upon validation of the details so furnished, a unique enrolment number shall be generated and communicated to the said person.]

**Explanation 1** . - For the purposes of this sub-rule, where the goods are supplied by an unregistered supplier to a recipient who is registered, the movement shall be said to be caused by such recipient if the recipient is known at the time of commencement of the movement of goods.

**Explanation 2** . - The e-way bill shall not be valid for movement of goods by road unless the information in **Part-B** of [FORM GST EWB-01](#) has been furnished except in the case of movements covered under the third proviso to sub-rule (3) and the proviso to sub-rule (5).

- (4) Upon generation of the e-way bill on the common portal, a unique e-way bill number (EBN) shall be made available to the supplier, the recipient and the transporter on the common portal.
- (5) Where the goods are transferred from one conveyance to another, the consignor or the recipient, who has provided information in Part A of the [FORM GST EWB-01](#), or the transporter shall, before such transfer and further movement of goods, update the details of conveyance in the e-way bill on the common portal in Part B of [FORM GST EWB-01](#):

**Provided** that where the goods are transported for a distance of upto fifty kilometers within the State or Union territory from the place of business of the transporter finally to the place of business of the consignee, the details of the conveyance may not be updated in the e-way bill.

- (5A) The consignor or the recipient, who has furnished the information in **Part A** of [FORM GST EWB-01](#),



or the transporter, may assign the e-way bill number to another registered or enrolled transporter for updating the information in **Part B** of [FORM GST EWB-01](#) for further movement of the consignment:

**Provided** that after the details of the conveyance have been updated by the transporter in **Part B** of [FORM GST EWB-01](#), the consignor or recipient, as the case may be, who has furnished the information in **Part A** of [FORM GST EWB-01](#) shall Not be allowed to assign the e-way bill number to another transporter.

- (6) After e-way bill has been generated in accordance with the provisions of sub-rule (1), where multiple consignments are intended to be transported in one conveyance, the transporter may indicate the serial number of e-way bills generated in respect of each such consignment electronically on the common portal and a consolidated e-way bill in [FORM GST EWB-02](#) maybe generated by him on the said common portal prior to the movement of goods.
- (7) Where the consignor or the consignee has Not generated the e-way bill in [FORM GST EWB-01](#) and the aggregate of the consignment value of goods carried in the conveyance is more than fifty thousand rupees, the transporter, except incase of transportation of goods by railways, air and vessel, shall, in respect of inter-State supply, generate the e-way bill in [FORM GST EWB-01](#) on the basis of invoice or bill of supply or delivery challan, as the case may be, and may also generate a consolidated e-way bill in [FORM GST EWB-02](#) on the common portal prior to the movement of goods:

**Provided** that where the goods to be transported are supplied through an e-commerce operator or a courier agency, the information in **Part A** of [FORM GST EWB-01](#) may be furnished by such e-commerce operator or courier agency.

- (8) The information furnished in **Part A** of [FORM GST EWB-01](#) shall be made available to the registered supplier on the common portal who may utilize the same for furnishing the details in [FORM GSTR-1](#) :  
**Provided** that when the information has been furnished by an unregistered supplier or an unregistered recipient in [FORM GST EWB-01](#), he shall be informed electronically, if the mobile number or the e-mail is available.

- (9) Where an e-way bill has been generated under this rule, but goods are either not transported or are not transported as per the details furnished in the e-waybill, the e-way bill may be cancelled electronically on the common portal within twenty four hours of generation of the e-way bill:

**Provided** that an e-way bill cannot be cancelled if it has been verified in transit in accordance with the provisions of [rule 138B](#):

**Provided** further that the unique number generated under sub-rule (1) shall be valid for a period of fifteen days for updation of **Part B** of [FORM GST EWB-01](#).



- (10) An e-way bill or a consolidated e-way bill generated under this rule shall be valid for the period as mentioned in column (3) of the Table below from the relevant date, for the distance, within the country, the goods have to be transported, as mentioned in column (2) of the said Table: -

Sl. No	Distance	Validity period
(1)	(2)	(3)
1.	Up to <sup>3</sup> [200 km.]	One day in cases other than Over Dimensional Cargo <sup>4</sup> [or multimodal shipment in which at least one leg involves transport by ship]
2.	For every <sup>3</sup> [200 km.] or part thereof thereafter	One additional day in cases other than Over Dimensional Cargo <sup>4</sup> [or multimodal shipment in which at least one leg involves transport by ship]
3.	Upto 20 km	One day in case of Over Dimensional Cargo <sup>4</sup> [or multimodal shipment in which at least one leg involves transport by ship]
4.	For every 20 km. or part thereof thereafter	One additional day in case of Over Dimensional Cargo <sup>4</sup> [or multimodal shipment in which at least one leg involves transport by ship]:

**Provided** that the Commissioner may, on the recommendations of the Council, by Notification, extend the validity period of an e-way bill for certain categories of goods as may be specified therein:

**Provided** further that where, under circumstances of an exceptional nature, including trans-shipment, the goods cannot be transported within the validity period of the e-way bill, the transporter may extend the validity period after updating the details in **Part B** of [FORM GST EWB-01](#), if required.

<sup>4</sup>[**Provided** also that the validity of the e-way bill may be extended within eight hours from the time of its expiry.]

**Explanation 1.** - For the purposes of this rule, the “relevant date” shall mean the date on which the e-way bill has been generated and the period of validity shall be counted from the time at which the e-way bill has been generated and each day shall be counted as the period expiring at midnight of the day immediately following the date of generation of e-way bill.

**Explanation 2.** - For the purposes of this rule, the expression “Over Dimensional Cargo” shall mean a cargo carried as a single indivisible unit and which exceeds the dimensional limits prescribed in [rule 93](#) of the Central Motor Vehicle Rules, 1989, made under the Motor Vehicles Act, 1988 (59 of 1988).

- (11) The details of the e-way bill generated under this rule shall be made available to the-
- supplier, if registered, where the information in **Part A** of [FORM GST EWB-01](#) has been furnished by the recipient or the transporter; or
  - recipient, if registered, where the information in **Part A** of [FORM GST EWB-01](#) has been



*furnished by the supplier or the transporter, on the common portal, and the supplier or the recipient, as the case may be, shall communicate his acceptance or rejection of the consignment covered by the e-way bill.*

- (12) *Where the person to whom the information specified in sub-rule (11) has been made available does Not communicate his acceptance or rejection within seventy two hours of the details being made available to him on the common portal, or the time of delivery of goods whichever is earlier, it shall be deemed that he has accepted the said details.*
- (13) *The e-way bill generated under this rule or under [rule 138](#) of the Goods and Services Tax Rules of any State or Union territory shall be valid in every State and Union territory.*
- (14) *Notwithstanding anything contained in this rule, no e-way bill is required to be generated-*
- (a) *where the goods being transported are specified in Annexure;*
  - (b) *where the goods are being transported by a Non-motorised conveyance;*
  - (c) *where the goods are being transported from the customs port, airport, air cargo complex and land customs station to an inland container depot or a container freight station for clearance by Customs;*
  - (d) *in respect of movement of goods within such areas as are Notified under clause (d) of sub-rule (14) of [rule 138](#) of the State or Union territory Goods and Services Tax Rules in that particular State or Union territory;*
  - (e) *where the goods, other than de-oiled cake, being transported, are specified in the Schedule appended to [Notification No 2/2017- Central tax \(Rate\)](#) dated the 28th June, 2017 published in the Gazette of India, Extraordinary, Part II, [Section 3](#), Sub-section (i), vide number G.S.R 674 (E) dated the 28th June, 2017 as amended from time to time;*
  - (f) *where the goods being transported are alcoholic liquor for human consumption, petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas or aviation turbine fuel;*
  - (g) *where the supply of goods being transported is treated as No supply under [Schedule III](#) of the Act;*
  - (h) *where the goods are being transported-*
    - (i) *under customs bond from an inland container depot or a container freight station to a custom sport, airport, air cargo complex and land customs station, or from one customs*



station or customs port to another customs station or customs port, or

- (ii) under customs supervision or under customs seal;
- (i) where the goods being transported are transit cargo from or to Nepal or Bhutan;
- (j) where the goods being transported are exempt from tax under [Notification No 7/2017-Central Tax\(Rate\)](#), dated 28th June 2017 published in the Gazette of India, Extraordinary, Part II, [Section 3](#), Sub-section (i), vide number G.S.R 679(E) dated the 28th June, 2017 as amended from time to time and [Notification No 26/2017 Central Tax\(Rate\)](#), dated the 21st September, 2017 published in the Gazette of India, Extraordinary, Part II, [Section 3](#), Sub-section (i), vide number G.S.R 1181(E) dated the 21st September, 2017 as amended from time to time;
- (k) any movement of goods caused by defence formation under Ministry of defence as a consignor or consignee;
- (l) where the consignor of goods is the Central Government, Government of any State or a local authority for transport of goods by rail;
- (m) where empty cargo containers are being transported; and
- (n) where the goods are being transported upto a distance of twenty kilometers from the place of the business of the consignor to a weighbridge for weighment or from the weighbridge back to the place of the business of the said consignor subject to the condition that the movement of goods is accompanied by a delivery challan issued in accordance with [rule 55](#).
- <sup>5</sup>[(o) where empty cylinders for packing of liquefied petroleum gas are being moved for reasons other than supply.]

**Explanation:-** The facility of generation, cancellation, updation and assignment of e-way bill shall be made available through SMS to the supplier, recipient and the transporter, as the case may be.

**ANNEXURE [(See rule 138 (14))]**

S. No	Description of Goods
(1)	(2)
1.	Liquefied petroleum gas for supply to household and Non domestic exempted category (NDEC) customers
2.	Kerosene oil sold under PDS
3.	Postal baggage transported by Department of Posts
4.	Natural or cultured pearls and precious or semi-precious stones; precious metals and metals clad with precious metal (Chapter 71)



5.	Jewellery, goldsmiths' and silversmiths' wares and other articles (Chapter 71) <sup>6</sup> [excepting Imitation Jewellery (7117)]
6.	Currency
7.	Used personal and household effects
8.	Coral, unworked (0508) and worked coral (9601)

1. Substituted vide [Notification No.12/2018-CT](#) - Dated 07.03.2018.

**\*\* Kindly also refer to [Notification No. 35/2020](#) – Central Tax dated 3<sup>rd</sup> April, 2020 (w.e.f. 20.03.2020) and [Notification No. 47/2020](#) – Central Tax dated 09<sup>th</sup> Jun, 2020 (w.e.f. 31.05.2020)**

2. Substituted vide [Notification No. 74/2018-CT](#) dated 31.12.2018 for «Explanation 1. - For the purposes of this rule, the expression «handicraft goods» has the meaning as assigned to it in the Government of India, Ministry of Finance, [Notification No 32/2017-Central Tax](#) dated the 15th September, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R1158 (E) dated the 15th September, 2017 as amended from time to time.»

3. Substituted vide [Notification No. 94/2020 - CT](#) dated 22.12.2020 w.e.f.01.01.2021 for «100 km.»

4. Inserted vide [Notification No. 31/2019 - CT](#) dated 28.06.2019.

5. Inserted vide [Notification No. 26/2018-CT](#) dated 13.06.2018.

6. Inserted vide [Notification No. 26/2022-CT](#) dated 26.12.2022.

7. Inserted vide [Notification No. 12/2024-CT](#) dated 10.07.2024.

**Rule 138A. Documents and devices to be carried by a person-in-charge of a conveyance. -**

(1) The person in charge of a conveyance shall carry-

(a) the invoice or bill of supply or delivery challan, as the case may be; and

(b) a copy of the e-waybill in physical form or the e-way bill number in electronic form or mapped to a Radio Frequency Identification Device embedded on to the conveyance in such manner as may be Notified by the Commissioner:

**Provided** that nothing contained in clause (b) of this sub-rule shall apply in case of movement of goods by rail or by air or vessel:

<sup>2</sup>**[Provided** further that in case of imported goods, the person in charge of a conveyance shall also carry a copy of the bill of entry filed by the importer of such goods and shall indicate the number and date of the bill of entry in **Part A** of [FORM GST EWB-01.](#)]

<sup>3</sup>[(2) In case, invoice is issued in the manner prescribed under sub-rule (4) of [rule 48](#), the Quick Response

*(QR)code having an embedded Invoice Reference Number (IRN) in it, may be produced electronically, for verification by the proper officer in lieu of the physical copy of such tax invoice.]*

- (3) Where the registered person uploads the invoice under sub-rule (2), the information in **Part A** of **FORM GSTEWB-01** shall be auto-populated by the common portal on the basis of the information furnished in **FORM GST INV-1** .*
  - (4) The Commissioner may, by Notification, require a class of transporters to obtain a unique Radio Frequency Identification Device and get the said device embedded on to the conveyance and map the e-way bill to the Radio Frequency Identification Device prior to the movement of goods.*
  - (5) Notwithstanding anything contained in clause (b) of sub-rule (1), where circumstances so warrant, the Commissioner may, by Notification, require the person-in-charge of the conveyance to carry the following documents instead of the e-way bill*
    - (a) tax invoice or bill of supply or bill of entry; or*
    - (b) a delivery challan, where the goods are transported for reasons other than by way of supply.]*
- 1. Substituted by [Notification No.12/2018-C.T.](#), dated 07.03.2018.*
  - 2. Inserted vide [Notification No. 39/2018-CT](#) dated 04.09.2018.*
  - 3. Substituted vide [Notification No. 72/2020 -CT](#) dated 30.09.2020 for «A registered person may obtain an Invoice Reference Number from the common portal by uploading, on the said portal, a tax invoice issued by him in FORM GST INV-1 and produce the same for verification by the proper officer in lieu of the tax invoice and such number shall be valid for a period of thirty days from the date of uploading.».*



## ANNEXURE 04

### Check List for Department Audit

#### A4.1. Registration

##### A4.1.1. Verify Liability for Registration

- **Threshold Limit:** Verify aggregate turnover to ensure the taxpayer crossed the threshold prescribed under Section 22(1) of the CGST Act.
  - Threshold: Rs. 20 lakhs for services and Rs. 40 lakhs for goods (varies for special category states).
- **Mandatory Registration:** Ensure registration under Section 24 of the CGST Act for the following cases:
  - Inter-state supply
  - Casual taxable person (CTP)
  - Non-resident taxable person (NRTP)
  - Persons required to deduct TDS/TCS (Section 51/52)
  - E-commerce operators supplying goods/services
  - Input Service Distributor (ISD)
  - Persons supplying through e-commerce platforms
  - Reverse charge liability (Section 9(3) & 9(4))

**Reference:** Sections 22, 23, 24 of CGST Act, 2017; **Circular No. 95/14/2019-GST** regarding mandatory registration.

##### A4.1.2. Application for Registration

- Ensure the application in **Form GST REG-01** has been filed correctly.
- **Supporting Documents:** Verify the following:
  - PAN card of the applicant
  - Proof of business address (e.g., rental deed, ownership documents)

- Identity and address proof of promoters
- Bank account details (first page of passbook or statement)
- Digital Signature Certificate (if applicable)
- **Timelines:** Check whether the application was filed within 30 days of becoming liable to register, as per Section 25(1).

**Reference:** Rule 8, Rule 9 of CGST Rules, 2017; Circular No. 1/1/2017-GST for procedural guidance.

#### A4.1.3. Verification of Principal Place of Business

- Validate the address of the principal place of business with documentary evidence:
  - Lease/rent agreement or ownership document
  - Electricity bills, utility bills, etc.
  - Consent letter
- Check for any additional places of business declared.

**Reference:** Section 25, Rule 25 of CGST Rules.

#### A4.1.4. Composition Scheme Registration

- Check if the taxpayer opted for the **Composition Scheme** under Section 10.
  - Verify turnover limits: Rs. 1.5 crore (goods) or Rs. 50 lakhs (services).
- Review filing of **Form GST CMP-02** for opting composition and proper compliance with Rule 3(3) of CGST Rules.

**Reference:** Section 10 of CGST Act, Rule 3 of CGST Rules, 2017.

#### A4.1.5. Deemed Registration

- Verify if the registration was granted under deemed approval as per Rule 9(5) in cases where no action was taken by the authority within the timeline.

**Reference:** Rule 9(5) of CGST Rules, 2017.

#### A4.1.6. Verification of Multiple Registrations

- Ensure correct registrations were obtained for different states under **Section 25(2)** if the taxpayer operates in multiple states.
- Validate that separate GSTINs were obtained for distinct businesses within the same PAN.

**Reference:** Section 25(2), Circular No. 31/05/2018-GST for clarification.



#### A4.1.7. Amendments to Registration Details

- Verify any amendments made in the registration details through **Form GST REG-14** under Rule 19.
  - Changes in business address, contact details, bank details, etc.

**Reference:** Rule 19 of CGST Rules.

#### A4.1.8. Suspension or Cancellation of Registration

- Validate cases of cancellation initiated under Section 29:
  - Discontinuation of business
  - Turnover below the threshold limit
  - Non-filing of returns for continuous tax periods
- Check for revocation of cancelled registration through **Form GST REG-21** within the stipulated timeline.

**Reference:** Section 29, Rule 21A of CGST Rules, Circular No. 148/04/2021-GST.

#### A4.1.9. GSTIN Display and Compliance

- Verify display of GSTIN on:
  - Business premises
  - Tax invoices and related documents
- Non-compliance penalties can be levied under **Section 125** of the CGST Act.

**Reference:** Rule 18 of CGST Rules, Section 125 of CGST Act.

#### A4.1.10. Registration of E-Commerce Operators and TCS Compliance

- Confirm registration of **e-commerce operators** under Section 24(x).
- Verify compliance with TCS under Section 52 and filing of **GSTR-8**.

**Reference:** Section 24(x), Section 52, Rule 67 of CGST Rules.

#### A4.1.11. Inspection of Voluntary Registration

- Verify if any voluntary registrations under Section 25(3) were obtained even when the aggregate turnover was below the threshold.
- Ensure that all related compliance measures are being adhered to, including return filing.

**Reference:** Section 25(3), Rule 9 of CGST Rules.



#### A4.1.12. Verification of CTP Registration

- **Application Process:** Confirm that the taxpayer applied for registration using **Form GST REG-01**.
- Verify that the registration was granted in compliance with **Section 27(1)** of the CGST Act, 2017.
- Check if the taxpayer provided the following:
  - PAN or tax identification of foreign entities (for non-residents).
  - Valid identity proof and address proof.
  - Details of the principal place of business, including lease or ownership documents.
  - Temporary nature of the business and event details (e.g., exhibition, fair).
- **Advance Tax Payment:** Verify that the CTP made an advance deposit of estimated tax liability in **Form GST REG-02** before registration approval.
  - Cross-check with **Electronic Cash Ledger** for advance deposit compliance.

#### References:

- Section 27(1), Rule 13 of the CGST Rules, 2017.
- Circular No. 71/45/2018-GST clarifying CTP compliance.

#### Period of Validity of Registration

- Verify the validity of the registration as mentioned in **Form GST REG-06**.
  - Ensure it does not exceed **90 days** from the date of registration (extendable by another 90 days under Rule 13).
- Confirm whether any extension was sought by the taxpayer and granted in **Form GST REG-11**.
- If the registration was **active during the audit period**, ensure the taxpayer operated within the specified duration.

#### References:

- Section 27(2), Rule 13(2) of CGST Rules, 2017.

#### Closure of Registration

- If the taxpayer's registration is **closed** during the audit period:
  - Verify the closure request in **Form GST REG-16**.
  - Confirm the correctness of closure based on the taxpayer's declarations and activity



duration.

- Ensure final tax liabilities, including the pending input tax credit reversal and output tax, were discharged.
- Check the cancellation approval order in **Form GST REG-19** issued by the proper officer under **Rule 22**.

**Key Points for Review:**

- Verify that all returns (Form GSTR-1 and GSTR-3B) were filed up to the closure date.
- Validate **GSTR-10 (Final Return)** submission within three months of cancellation.

**References:**

- Rule 13(5), Rule 22, Section 29(1) of CGST Act.
- Circular No. 69/43/2018-GST – Guidelines for cancellation of registration.

**A4.1.13. Tax Liability and Payment Compliance**

- Verify that the **advance tax** paid at the time of registration matches the actual tax liability declared in periodic returns.
- Review payment of any additional tax, interest, or penalties:
  - Check cash and credit ledgers for advance and subsequent tax payments.
  - Compare estimated vs. actual liability to identify discrepancies.
- Validate payment timelines for output tax during the active registration period under **Section 39**.

**References:**

- Section 27(2), Rule 13(1) and (5) of CGST Rules.

**Return Filing Compliance**

- Verify the following returns were filed:
  - **GSTR-1**: Details of outward supplies during the registration period.
  - **GSTR-3B**: Monthly summary return with self-assessed tax payment.
  - **GSTR-10**: Final return (if registration closed).
- Ensure returns were filed within the prescribed timelines to avoid late fees under **Section 47**.



**References:**

- Section 39(1), Section 47, Rule 13 of CGST Rules.

**Input Tax Credit (ITC) Eligibility**

- Verify if ITC was claimed during the registration period. CTP is not allowed to claim ITC under the CGST Act:
  - **Section 16(2)** states the conditions for ITC, but for a CTP, this benefit is restricted.
- Check whether any ITC was **wrongly availed** and reversed in subsequent returns.

**References:**

- Section 16(2), Section 27 of CGST Act, 2017.

**Place of Supply Validation**

- Verify the place of supply for the goods/services provided by the CTP to confirm:
  - Taxes were paid under the correct head (CGST, SGST, or IGST).
  - No mismatch in place of business details declared during registration and actual supply.

**References:**

- Section 10 & 12 of the IGST Act, 2017.

**E-Way Bill Compliance**

- For supply of goods, verify if the taxpayer complied with **E-Way Bill provisions** under Rule 138 of CGST Rules:
  - Check the validity of E-Way Bills generated during the registration period.
  - Verify reconciliation of E-Way Bills with outward supply details in GSTR-1.

**References:**

- Rule 138 of CGST Rules, 2017.

**Documentation Verification**

- Cross-check documents filed at the time of registration:
  - Valid identity proofs
  - Tax invoices and challans for supplies made
  - Records of outward supplies and payments made
- Ensure records were maintained as per **Section 35** of the CGST Act and retained for **6 years**.



#### References:

- Section 35, Rule 56 of CGST Rules, 2017.

#### **Refund of Excess Advance Tax Paid**

- Verify if any excess advance tax was refunded after final adjustment of tax liabilities.
- Review the refund application in **Form GST RFD-01** and ensure compliance with refund timelines under **Section 54**.

#### References:

- Section 54, Rule 89 of CGST Rules.

#### **Key Points for Active vs. Closed CTP Registration**

S. No.	Audit Checkpoints	Active Registration	Closed Registration
1	Registration Validity	Verify duration and extensions	Confirm closure timelines
2	Advance Tax Payment	Ensure sufficient tax deposit	Compare advance tax with final liability
3	Return Filing	GSTR-1, GSTR-3B	GSTR-1, GSTR-3B, GSTR-10
4	Final Liability Settlement	Ongoing tax payment compliance	Discharge pending liabilities
5	Input Tax Credit	ITC not claimed	Reversal of wrongly claimed ITC
6	Documentation and Records	Maintenance of supply records	Retention of records post-closure
7	Refund of Excess Tax	Not applicable	Verify refund claims

#### **A4.1.14. Verify Eligibility for ISD Registration**

- Ensure the taxpayer qualifies as an **Input Service Distributor (ISD)** under Section 2(61) of the CGST Act.
  - ISD refers to an office that receives **input services** for its units and distributes credit to its branches/units.
- Confirm that ISD registration is distinct from the taxpayer's regular GST registration.

#### Reference:

- Section 2(61), Section 24(viii) of the CGST Act (Mandatory ISD registration).

### **ISD Registration Process**

- Verify that the taxpayer applied for ISD registration using **Form GST REG-01** under **Rule 8** of the CGST Rules.
- Confirm that a **separate GSTIN** was obtained specifically for ISD, distinct from the regular GSTIN.

### **Supporting Documents:**

- PAN of the entity
- Proof of address of the ISD office
- Details of units/branches where input tax credit (ITC) is to be distributed.

### **Reference:**

- Section 25(1), Rule 8 and Rule 9 of CGST Rules, 2017.

### **Distribution of Input Tax Credit (ITC)**

- Verify that the ISD has distributed ITC **only for input services**, not for goods or capital goods.
  - Check for ITC availed on inward supply of goods/capital goods, which is not allowed.
- Validate that ITC was distributed to eligible recipients in proportion to the turnover of each branch/unit during the relevant period.

### **Formula:**

ITC to be distributed = (Turnover of recipient unit / Aggregate turnover of all units) × Total ITC.

### **Reference:**

- Section 20 of the CGST Act, 2017; Rule 39 of CGST Rules.

### **Verify Compliance for Monthly Returns**

- Ensure that ISD has filed **Form GSTR-6** every month by the 13th of the following month.
  - Cross-check the details of input services received and credit distributed to recipient units.
- Reconcile ITC distribution details with recipient units' **Form GSTR-2A/2B** and the recipient's books of accounts.

### **Reference:**

- Rule 39 of CGST Rules, Section 39(4) of the CGST Act.

### **Proper Maintenance of Records**



- Verify whether the ISD maintains proper records as per **Section 35** of the CGST Act.
- Records to check:
  - Details of input services received, including tax invoices.
  - ITC distributed to each branch/unit with proper documentation.
  - Records of ISD credit ledger showing monthly distribution.

**Reference:**

- Section 35 of CGST Act; Rule 56 of CGST Rules.

**Review of Tax Invoices**

- Verify that ISD issued proper **tax invoices** for ITC distribution to the recipient units as per **Rule 54(1)**.
  - Tax invoice must contain:
    - ☑ ISD GSTIN and recipient GSTIN.
    - ☑ Value of ITC distributed.
    - ☑ Nature of input service.
    - ☑ Amount of CGST, SGST, or IGST distributed.

**Reference:**

- Rule 54(1) of CGST Rules, 2017.

**Cross-Verification of Credit Distributed**

- Verify the following:
  - Credit distributed by ISD matches the total ITC available for distribution.
  - Credit has been distributed under the correct heads (CGST, SGST, IGST) as per Rule 39.
- Check for over-distribution or wrongful distribution of ITC.
  - Ensure compliance with **Rule 39(2)** for recovery of excess credit distributed.

**Reference:**

- Rule 39(2), Section 21 of CGST Act, 2017.

**Restrictions on ITC Distribution**

- Confirm that ITC for **blocked credits** under **Section 17(5)** (e.g., motor vehicles, works contracts, personal expenses) was not distributed.

- Verify that ITC related to **ineligible input services** was excluded during distribution.

**Reference:**

- Section 17(5) of CGST Act.

**Handling Excess ITC Distributed**

- Verify if any ITC was **wrongly distributed** and whether the ISD recovered the excess credit from recipient units.
- Check for timely correction in subsequent GSTR-6 filings to reflect the reversal.

**Reference:**

- Section 21 of CGST Act; Rule 39(2) of CGST Rules.

**Audit of Recipient Units**

- Verify that the recipient units correctly availed ITC distributed by ISD and reflected it in their returns (GSTR-3B).
- Cross-check the following:
  - ITC distributed in GSTR-6 matches the ITC availed in the recipient's GSTR-3B.
  - No double claim or excess claim of ITC by recipient units.

**Reference:**

- Rule 39 of CGST Rules.

**Late Fee and Penalty for Non-Compliance**

- Verify if the ISD failed to:
  - Obtain registration.
  - File GSTR-6 returns.
  - Issue proper tax invoices for ITC distribution.
- Ensure late fees under **Section 47** were paid for delay in filing GSTR-6.
- Check penalties under **Section 125** for general contraventions of the Act.

**Reference:**

- Section 47, Section 125 of CGST Act.



### Key Points Summary for ISD Audit

S. No.	Audit Checkpoints	References
1	Eligibility for ISD Registration	Section 2(61), Section 24(viii)
2	Registration Process and Separate GSTIN	Rule 8, Rule 9 of CGST Rules
3	ITC Distribution (Only Input Services)	Section 20, Rule 39
4	Return Filing – GSTR-6	Section 39(4), Rule 39
5	Maintenance of Records	Section 35, Rule 56
6	Proper Tax Invoices for Distribution	Rule 54(1)
7	Credit Distribution Accuracy	Rule 39(2), Section 21
8	Compliance for Blocked Credits	Section 17(5)
9	Handling Excess ITC Distributed	Section 21, Rule 39(2)
10	ISD Compliance Across Multiple States	Section 25(2)
11	Verification with Recipient Units' ITC Claim	Rule 39, GSTR-3B Compliance
12	Late Fee and Penalty for Non-Compliance	Section 47, Section 125

#### A4.1.15. Relevant Circulars for Registration

- **Circular No. 88/07/2019-GST** – Clarification on multiple registrations.
- **Circular No. 95/14/2019-GST** – Compulsory registration for e-commerce and TCS.
- **Circular No. 31/05/2018-GST** – Verification and proper officer responsibilities.

### Supply – outward including Zero Rated Supplies, Supply without consideration

#### Verification of Outward Supplies

##### Taxable Supplies:

- Confirm all supplies reported under **Section 7(1)(a)** (sale, transfer, barter, exchange, lease, rental, or disposal).
- Validate taxable outward supplies include both **intra-state** and **inter-state** transactions.
- Check for stock transfers between branches located in different states, and ensure such supplies are disclosed as **distinct person transactions** under Section 25(4).

##### Books and Returns Reconciliation:

- Reconcile **taxable turnover** between:
- Books of accounts.
- GSTR-1 (outward supplies return).



- GSTR-3B (summary return for payment of tax).
- Review matching between GSTR-1 and **E-Way Bills** generated for outward supplies.

#### **Tax Invoices and Debit/Credit Notes:**

- Verify proper issuance of invoices under **Rule 46** of CGST Rules.
- Confirm inclusion of mandatory details:
- Invoice number and date.
- GSTIN of supplier and recipient.
- HSN code or SAC.
- Place of supply (POS).
- Validate the issuance of **credit and debit notes** for sales returns or price adjustments under Section 34.

### **Zero-Rated Supplies**

#### **Export of Goods and Services:**

- Ensure compliance with **Section 16 of IGST Act**, covering:
- Exports under **Letter of Undertaking (LUT)** without payment of IGST.
- Exports with payment of IGST and subsequent refund claims in **Form RFD-01**.

Verify:

- Export invoices match shipping bills filed with customs.
- IGST refund amount reconciles with **ICEGATE portal** details.

#### **Supplies to SEZ Units/Developers:**

Check supplies made to SEZ units or developers are supported by:

- SEZ declaration or endorsement on invoices.
- Filing under LUT for supplies without payment of IGST.
- Ensure no tax has been charged incorrectly.

#### **Refund Claims:**

- Confirm filing of refund applications under **Rule 89** for zero-rated supplies.
- Validate calculation of refund amounts against ITC ledger and turnover.



## Supplies Without Consideration

### Deemed Supplies (Schedule I):

Verify transactions treated as deemed supplies under Schedule I, including:

- Transfer of business assets without consideration.
- Transactions between **distinct persons** (branches with different GSTINs).
- Supply between **related persons**, such as directors or sister concerns.
- Cross-check for compliance with **valuation rules (Rule 28)** to ensure proper tax is paid.

### Import of Services:

- Review import of services from a related person or foreign branch for business purposes and ensure GST was paid under RCM (Reverse Charge Mechanism).

## Revenue Not Considered as Supply

### Exclusions Under Schedule III:

Verify the following transactions were excluded from taxable turnover:

- Employer-employee services (salaries, perks).
- Services by courts or tribunals.
- Sale of land or completed buildings.
- Actionable claims like lottery, betting, or gambling (other actionable claims are exempt).
- Ensure non-supply transactions are properly categorized in financial records.

## Reverse Charge Mechanism (RCM)

### Notified Supplies Under Section 9(3):

Review supplies liable to RCM such as:

- Legal services by advocates.
- Goods Transport Agency (GTA) services.
- Security services (for unregistered suppliers).
- Verify proper disclosure of RCM liability in GSTR-1 and GSTR-3B.

### Unregistered Supplier Transactions:

- Check if any inward supplies from unregistered persons fall under RCM (Section 9(4)) and were appropriately taxed.



## Exempt, Nil-Rated, and Non-Taxable Supplies

### Exempt Supplies:

- Verify transactions covered under **Notification No. 2/2017-CT (Rate)** and validate exemption applicability.
- Examples: Healthcare, education, agricultural services.

### Nil-Rated and Non-Taxable Supplies:

- Confirm proper disclosure in GST returns (GSTR-1 and GSTR-3B).

### Summary Table

S. No.	Checklist Item	Expanded Points	References
1	Outward Supplies	GSTR-1 reconciliation, tax invoices, advances, stock transfers	Section 7(1)(a), Rule 46
2	Zero-Rated Supplies	LUT filing, export refunds, SEZ documentation	Section 16, Rule 96A, Rule 89
3	Supplies Without Consideration	Deemed supplies, inter-branch transfers, related-party services	Schedule I, Rule 28
4	Classification of Goods/Services	HSN/SAC codes, GST rates, composite/mixed supplies	Section 9, Section 8
5	Non-Supply Transactions	Employer services, sale of land, actionable claims	Schedule III
6	Reverse Charge Mechanism (RCM)	GTA services, legal services, inward supplies from unregistered persons	Section 9(3) & 9(4), Rule 36
7	Adjustments	Credit/debit notes, turnover reconciliation	Section 34, Rule 37
8	E-Way Bills	Compliance with Rule 138, match with returns	Rule 138, Section 10-12 of IGST Act

## Checklist for Disposal of Business Assets Under GST

Disposal of business assets, whether with or without consideration, is a critical area under GST law. It may result in deemed supplies and attract tax liability. Below is a detailed audit checklist for reviewing compliance with GST provisions on disposal:



## Definition and Scope

**Disposal of Business Assets:** Refers to the permanent transfer or disposal of business-owned goods or assets, which may or may not involve consideration.

Covered under **Schedule I** of the CGST Act, 2017.

## References:

**Section 7(1)(c)** – Supplies without consideration (deemed supply).

**Schedule I** – Transactions treated as supplies even without consideration.

## Situations to Audit

The following scenarios are treated as disposal and may trigger GST liability:

### Disposal Without Consideration:

- Permanent transfer of assets without consideration, such as donations or free distribution.
- Disposal upon cessation of business operations.

### Disposal With Consideration:

- Sale of goods/assets (tangible or intangible).
- Transfer of assets to another entity due to merger, acquisition, or restructuring or from one state to another state

### Assets Written Off or Destroyed:

- Assets written off as obsolete, damaged, or scrapped.
- Destroyed goods or loss of goods due to theft/fire.

### Removal of Capital Goods:

- Sale or transfer of capital goods such as machinery, computers, etc.

### Business Transfer or Cessation:

- Transfer of entire business as a going concern.
- Disposal of unsold stock during closure.

## Compliance Checklist for Disposal

### *Disposal Without Consideration*

- Verify if the disposal is covered under **Schedule I (Deemed Supplies)**:

- Example: Goods gifted to employees, promotional items, or free samples.
- Ensure proper valuation based on **open market value** under Rule 27.
- Confirm tax liability is paid on the disposal of business assets under the deemed supply category.

### ***Sale of Business Assets***

- Check that GST has been charged on the invoice raised for the sale of assets.
- Verify the correct application of HSN code, SAC code, and GST rate for the assets disposed of.
- Ensure proceeds from asset sales are reported in **GSTR-1 and GSTR-3B** under taxable turnover.

### **Capital Goods Disposal**

- Verify compliance with **Section 18(6)** for disposal of capital goods:
- Calculate GST on capital goods based on the **reduced ITC formula**:
- $\text{GST payable} = \text{ITC on capital goods} - (5\% \times \text{ITC per quarter used})$ .
- If disposed of as scrap, check for GST payment on the transaction.

### **Write-Offs or Destruction of Assets**

- Check if goods written off or destroyed were declared in returns:
- ITC on such goods must be **reversed** as per **Section 17(5)(h)** (blocked credit).

### **Business Transfers or Cessation**

- Review GST treatment for the transfer of goods, stock, or assets during business transfer:
- **Transfer as a Going Concern** (Notification No. 12/2017-CT): Exempt from GST.
- Non-going concern transfers are taxable as supply.

### **Valuation of Disposal Transactions**

- Ensure proper valuation for all disposals:
  - **With Consideration:** Use the transaction value (invoice value).
  - **Without Consideration:** Use the **open market value (OMV)** or the cost of acquisition.
  - Cross-check valuation with Rule 27 to Rule 31 of CGST Rules.

### **ITC Reversal for Disposal of Assets**

#### **Capital Goods and Plant & Machinery:**

- Check if ITC reversal was made as per **Section 18(6)** when capital goods are disposed of.



- Calculate GST payable based on higher of:
  - ITC attributable to remaining life of the asset, or
  - Tax on transaction value.

#### **Goods Written Off or Destroyed:**

- Confirm reversal of ITC on goods under **Section 17(5)(h)**.
- Review ITC ledger for proper adjustments.

#### **Reporting in GST Returns**

- Ensure the disposal of goods or assets is accurately reported:
  - **GSTR-1:** Outward supplies (deemed or actual).
  - **GSTR-3B:** GST liability on disposals.

#### **Documentary Evidence**

- Verify the following documents:
  - **Sale invoices for disposed assets.**
  - **Supporting records for valuation of goods disposed of without consideration.**
  - **Stock registers showing adjustments for written-off or destroyed goods.**
  - **ITC reversal records for disposed capital goods.**

#### **Common Errors to Look For**

- Failure to report deemed supplies under **Schedule I**.
- Non-payment of GST on the disposal of capital goods.
- Incorrect valuation leading to underpayment of tax.
- Non-reversal of ITC for destroyed, written-off, or scrapped goods.

#### **Legal Provisions and References**

- **Section 7(1)(c)** and **Schedule I:** Deemed supply for goods disposed of without consideration.
- **Section 17(5)(h):** Blocked credit for goods written off or destroyed.
- **Section 18(6):** ITC reversal for capital goods disposed of.
- **Rule 27-31:** Valuation rules for deemed supplies.
- **Notification No. 12/2017-CT:** Exemption for business transfer as a going concern.

### Summary Table for Disposal Audit

S. No.	Disposal Type	Key Audit Points	References
1	Disposal Without Consideration	Schedule I, valuation, tax payment for deemed supplies	Section 7(1)(c), Rule 27
2	Sale of Assets	Tax invoices, proper HSN/SAC classification, GST rate compliance	Rule 46
3	Capital Goods Disposal	ITC reversal under Section 18(6), scrap disposal rules	Section 18(6), Rule 40
4	Write-Offs/Destroyed Goods	ITC reversal for written-off/destroyed goods, compliance with Section 17(5)(h)	Section 17(5)(h)
5	Business Transfer	Going concern exemptions, taxability for other transfers	Notification No. 12/2017-CT
6	Valuation	OMV for deemed supplies, transaction value for sales	Rule 27 to Rule 31

### Checklist for Inter-Branch Transfer Under GST

Inter-branch transfers refer to the movement of goods or services between branches of the same legal entity located in different states or Union Territories. Even though they belong to the same entity, such transfers are treated as **supplies** under GST due to the distinct GST registrations assigned to each branch. Below is a comprehensive checklist for auditing inter-branch transfers:

#### Legal Provisions Governing Inter-Branch Transfers

- **Distinct Persons:**
  - As per **Section 25(4) of the CGST Act**, branches registered in different states or Union Territories are treated as distinct persons.
  - Supplies between these branches are taxable even if no consideration is involved.
- **Deemed Supply (Schedule I):**
- **Schedule I** of the CGST Act specifies that supplies of goods or services between distinct persons are deemed to be supplies even if made without consideration.
- **Valuation:**
  - Valuation of such transfers is governed by **Rule 28 of the CGST Rules**, which provides guidelines for determining the taxable value.



### ***Taxability of Inter-Branch Transfers***

- **Goods Transfer:**
  - Movement of goods from one branch to another in a different state is taxable under GST.
  - IGST is applicable for inter-state transfers.
- **Services Transfer:**
  - Services provided between branches (e.g., IT services, HR support) are taxable as distinct persons.
  - The branch rendering the service must raise an **invoice** and charge GST appropriately.

### ***Valuation of Inter-Branch Transfers***

- **Rule 28 of the CGST Rules** applies for valuation of supplies between distinct persons:
- **Open Market Value (OMV):** Use the prevailing market value of goods/services.
- **Cost Method:** If OMV is not available, use 110% of the cost of production or acquisition.
- **Recipient ITC Availability:** If the recipient branch is eligible for full ITC, the invoice value can be declared as the transaction value.
- **Self-Generated Value for Services:** For services without market valuation, allocate costs as per usage.
- **Audit Tip:** Verify consistency in valuation methods and ensure compliance with **Rule 28**.

### ***Documentation and Invoicing Requirements***

- **Tax Invoice for Goods:**
  - Verify issuance of a tax invoice under **Rule 46**, containing:
    - Supplier and recipient GSTIN.
    - HSN codes for goods.
    - Place of supply and taxable value.
    - IGST/CGST/SGST split based on the supply type.
- **Invoice for Services:**
  - Confirm issuance of a tax invoice for inter-branch services rendered.
  - Ensure proper SAC (Service Accounting Code) and GST rates are applied.

- **E-Way Bill (Goods Movement):**

- Check compliance with **Rule 138** for generating E-Way Bills if the goods transfer exceeds the prescribed threshold value (Rs. 50,000 in most states).

**Place of Supply Determination**

- **Goods:**

- Place of supply is determined as per **Section 10(1)(a)** of the IGST Act:
- For inter-branch transfers, the place of supply is the location of the recipient branch.
- Ensure IGST is charged for inter-state transfers.

- **Services:**

- Place of supply is determined under **Section 12(2)**:
- For distinct persons, the place of supply is the recipient branch's location.

**ITC Reconciliation**

- **Recipient Branch ITC:**

- Ensure the recipient branch claims ITC on GST paid for inter-branch transfers.
- Reconcile ITC claimed in **GSTR-3B** with invoices issued by the transferring branch.

- **Blocked Credits (Section 17(5)):**

- Review for ineligible ITC under **Section 17(5)** (e.g., motor vehicles, employee benefits, personal expenses).

**Reporting in GST Returns**

- **Supplier Branch (Outgoing Supply):**

- Verify that the supplying branch reports inter-branch transfers in:
- **GSTR-1** under outward supplies.
- **GSTR-3B** as taxable supplies.

- **Recipient Branch (Incoming Supply):**

- Ensure the recipient branch reports inter-branch transactions in:
- **GSTR-2A/2B** (auto-populated) for input tax credit.
- Proper adjustments in ITC claims based on eligibility.



### **Reconciliation of Stock and Records**

- **Stock Transfer Records:**

- Ensure accurate recording of inter-branch stock movements.
- Cross-check goods transfer records with:
  - Stock ledger entries.
  - E-Way Bill data.
  - GSTR-1 filings.

- **Inventory Adjustments:**

- Review inventory balances before and after inter-branch transfers to avoid discrepancies.

### **Common Errors to Look For**

- Non-issuance of tax invoices for inter-branch services.
- Omission of inter-branch supplies in GST returns (GSTR-1 or GSTR-3B).
- Incorrect valuation (e.g., use of transfer price instead of OMV).
- Failure to generate E-Way Bills for goods movement.
- Incorrect determination of place of supply, leading to wrong tax applicability (CGST/SGST vs. IGST).
- Delay or errors in claiming ITC by the recipient branch.

### **Legal References**

- **Section 25(4):** Definition of distinct persons.
- **Schedule I:** Deemed supply for transactions without consideration.
- **Section 10(1)(a) of IGST Act:** Place of supply for goods.
- **Section 12(2) of IGST Act:** Place of supply for services.
- **Rule 28 of CGST Rules:** Valuation of supplies between related or distinct persons.

### **Summary Table for Audit**

S. No.	Checklist Area	Key Points	References
1	Legal Provisions	Distinct persons, deemed supply under Schedule I	Section 25(4), Schedule I
2	Taxability	Tax applicable on goods and services transferred between branches	Section 9, Section 7(1)(c)



S. No.	Checklist Area	Key Points	References
3	Valuation	Open market value or 110% of cost if ITC fully available	Rule 28
4	Documentation	Tax invoices, E-Way Bills for goods	Rule 46, Rule 138
5	Place of Supply	Determined as per recipient branch's location	Section 10(1)(a), Section 12(2)
6	ITC Reconciliation	Reconcile ITC claimed by recipient branch with invoices	Section 16, Rule 37
7	Reporting in GST Returns	GSTR-1, GSTR-3B by supplier; ITC in GSTR-2A/2B by recipient	Rule 61, Section 39
8	Errors	Wrong valuation, omitted reporting, ITC mismatches	Section 35, Rule 28

## Checklist for Classification of Supply: Goods and Services

The classification of goods and services under GST is critical to determine the applicable tax rate, eligibility for Input Tax Credit (ITC), and compliance with GST laws. Misclassification can lead to penalties, incorrect tax payments, and disputes. Below is a comprehensive checklist to ensure proper classification of goods and services.

### Importance of Correct Classification

- Proper classification of goods and services is essential to:
- Apply the **correct GST rate**.
- Determine exemptions or concessional rates.
- Avoid disputes and penalties due to misclassification.

### Legal Basis:

- **Section 9 of CGST Act:** Levy and collection of GST.
- **Notifications 1/2017-CT (Rate)** and **11/2017-CT (Rate)** prescribe tax rates for goods and services, respectively.

### Classification of Goods

- **Harmonized System of Nomenclature (HSN)**
  - Verify the **HSN code** for the goods supplied.
  - HSN is a globally accepted system for classifying goods.
  - Ensure the HSN code matches the description of the product.



- **GST Rate Applicability:**
  - Cross-check the HSN code with **Notification No. 1/2017-CT (Rate)** to verify the applicable GST rate.
  - Check for recent amendments or clarifications in GST rate notifications.
- **Nature of the Goods:**
  - Review the product's specifications, use, and composition to determine its classification.
  - Consider whether the goods are:
    - Exempt (e.g., agricultural produce).
    - Zero-rated (e.g., exports).
    - Taxable at a concessional rate (e.g., essentials like medicines).

### **Composite Goods or Mixed Goods**

- **Composite Goods:**
  - If multiple goods are sold together (e.g., computer with pre-installed software), ensure classification aligns with the principal supply.
  - Principal supply determines the applicable GST rate for composite goods under **Section 8(a)** of CGST Act.
- **Mixed Goods:**
  - If unrelated goods are bundled together (e.g., a gift pack of chocolates and beverages), apply the highest GST rate among the items under **Section 8(b)**.
- **Classification for Imported Goods**
- Check for alignment between GST HSN code and **Customs Tariff Act** classification for imported goods.

### **Reference:**

**Section 8, Notification 1/2017-CT (Rate)**, Customs Tariff Act.

### **Classification of Services**

- **Service Accounting Code (SAC)**
  - Verify the **SAC code** for the services supplied.
  - SAC is a numerical code for services used for classification under GST.
  - Cross-check with **Notification No. 11/2017-CT (Rate)** for the corresponding GST rate.

- **Nature of Services:**
  - Determine the category of service provided (e.g., construction, IT, professional services).
  - Match the description of services with the appropriate SAC code.
- **Exemptions and Concessions:**
  - Check **Notification No. 12/2017-CT (Rate)** for services exempted from GST (e.g., healthcare, education).
  - Verify eligibility for concessional GST rates (e.g., services to SEZ units).

### **Composite and Mixed Supplies of Services**

- **Composite Services:**
  - Identify if the service involves multiple elements (e.g., construction contracts, which include material and labor).
  - Determine the principal supply to classify the service correctly under **Section 8(a)**.
- **Mixed Services:**
  - For unrelated services sold together (e.g., consultancy with travel bookings), classify based on the service with the highest GST rate under **Section 8(b)**.

### **Classification Challenges and Resolutions**

- **Common Errors**
  - Misclassification of goods as services or vice versa.
  - Using incorrect HSN/SAC codes leading to the application of wrong GST rates.
  - Misinterpreting composite and mixed supply rules.
- **Resolution Guidelines**
  - Refer to **HSN explanatory notes** and GST tariff schedules for guidance on goods.
  - Use **Circulars** and **AAR (Advance Ruling) decisions** for disputed classifications.
  - Seek clarification on ambiguous classifications through Advance Rulings (Section 97).
- **GST Rate Notifications and Updates**
  - Regularly check updates to rate notifications, including:
  - **Notification 1/2017-CT (Rate)** for goods.



- **Notification 11/2017-CT (Rate)** for services.
- Exemptions under **Notification 2/2017-CT (Rate)** (goods) and **12/2017-CT (Rate)** (services).
- Verify changes in classification due to GST Council decisions or amendments.
- **Reporting and Compliance**
  - Ensure correct classification of goods and services in:
  - **GSTR-1** for outward supplies.
  - Tax invoices issued under **Rule 46** (HSN/SAC details mandatory).
  - Match classification in GST returns with books of accounts to avoid mismatches.
  - Review GST audit reports (GSTR-9C) for discrepancies in classification.
- **Legal Provisions and References**
  - **Section 9 of CGST Act:** Levy of GST.
  - **Section 8 of CGST Act:** Rules for composite and mixed supplies.
  - **Rule 46 of CGST Rules:** Invoice requirements (HSN/SAC).
  - **HSN Explanatory Notes:** Guidance on goods classification.
  - **Notification 1/2017-CT (Rate):** GST rates for goods.
  - **Notification 11/2017-CT (Rate):** GST rates for services.
  - **Notification 2/2017-CT (Rate)** and **12/2017-CT (Rate):** Exemptions.

#### Summary Table for Classification Audit

S. No.	Checklist Item	Key Points	References
1	HSN Classification (Goods)	Match HSN with GST rate notifications, use composite/mixed rules	Notification 1/2017-CT (Rate)
2	SAC Classification (Services)	Verify SAC codes, exemptions, and concessional rates	Notification 11/2017-CT (Rate)
3	Composite Supply	Principal supply governs classification	Section 8(a)
4	Mixed Supply	Highest GST rate among bundled items	Section 8(b)
5	Exempt Goods/ Services	Refer to specific exemption notifications	Notification 2/2017 and 12/2017

S. No.	Checklist Item	Key Points	References
6	Invoice Compliance	HSN/SAC codes on tax invoices as per Rule 46	Rule 46
7	Reconciliation	Classification match between invoices, books, and returns	GSTR-1, GSTR-9C

## Conclusion

Proper classification of goods and services ensures correct application of GST rates, minimizes disputes, and avoids penalties for non-compliance. This detailed checklist provides a structured approach for auditing the classification process, ensuring alignment with GST law and notifications. Regular monitoring of rate changes and notifications is essential to maintain compliance.

## Verification of Revenue in Financial Statements

Verification of revenue items in the Profit and Loss (P&L) account is a crucial step in identifying taxable supplies under GST. This ensures that all revenue streams are appropriately accounted for and assessed for GST applicability, including taxable, exempt, zero-rated, or non-taxable supplies. Below is a comprehensive checklist for verifying revenue items to determine the scope of supply:

## Legal Framework

- **Definition of Supply:**
  - **Section 7(1)** of the CGST Act defines supply as including all forms of sale, transfer, barter, exchange, license, rental, lease, or disposal of goods or services made for consideration in the course of business.
  - **Schedule I and II** detail deemed supplies and classification as goods or services.
  - **Revenue Inclusions:**
  - **Section 2(6):** Aggregate turnover includes all taxable supplies, exempt supplies, exports, and inter-state supplies.
- **Revenue Items for Scope of Supply Verification**
  - Sales/Turnover/Revenue from Operations
  - Verify all sales recorded in the P&L account, including:
    - Sale of goods.
    - Provision of services.
    - Export of goods and services (zero-rated supplies).



- Check for taxable and exempt supplies:
- Reconcile taxable supplies with GST returns (GSTR-1 and GSTR-3B).
- Verify exempt supplies listed under **Notification 2/2017-CT (Rate)** and **12/2017-CT (Rate)**.
- **Adjustment for Discounts and Returns:**
- Verify deductions for trade discounts, sales returns, and rebates in the P&L account match the credit notes issued under **Section 34**.
- **Other Income**
  - **Interest and Dividend Income:**
    - ✓ Interest on loans and advances is exempt under **Notification 12/2017-CT (Rate)**.
    - ✓ Dividend income is outside the scope of GST.
    - ✓ Interest on fixed deposits
  - **Rental and Lease Income:**
    - ✓ Review rental income for GST applicability:
    - ✓ Commercial property rentals are taxable.
    - ✓ Residential property rentals for personal use are exempt.
  - **Commission Income:**
    - ✓ Verify if commission income (e.g., agency services) is classified under taxable supplies and disclosed in GSTR-1.
  - **Export Incentives and Subsidies:**
    - ✓ Review export-related benefits like MEIS/SEIS and determine if they qualify as exempt or taxable supplies under **Section 15(2)** (value additions to supplies).
  - **Miscellaneous Income:**
    - ✓ Scrutinize irregular income sources (e.g., penalties, scrap sales, asset disposal) to determine if GST applies.
- **Specific Revenue Streams to Check**
  - **Revenue from Goods**
    - ✓ Confirm classification of goods under the correct **HSN Code** for GST rates.
    - ✓ Verify the inclusion of intra-state, inter-state, and export sales.

- ✓ Ensure stock transfer to branches in other states is treated as **deemed supply** and taxed under IGST (Section 25(4)).
- **Revenue from Services**
  - ✓ Check all service income streams against **SAC codes** for correct GST rate application.
  - ✓ Review bundled services to determine composite/mixed supply classification under **Section 8**.
- **Non-Taxable and Exempt Revenue**
  - ✓ Identify items excluded from the scope of supply under **Schedule III**, such as:
  - ✓ Salaries and employee benefits.
  - ✓ Sale of land and completed buildings.
  - ✓ Actionable claims (other than lottery, betting, and gambling).
  - ✓ Verify accurate reporting of exempt revenue in GST returns.
- **Reconciliation with Financial Statements**
  - GST Returns and P&L Account
    - ✓ Match revenue recorded in the P&L account with:
    - ✓ **GSTR-1 (Outward Supply)**.
    - ✓ **GSTR-3B (Summary Return)**.
    - ✓ Identify discrepancies between reported taxable turnover and audited financials.
  - Cross-Check with Income Tax Returns (ITR)
    - ✓ Verify revenue reported in the P&L account against income tax filings to ensure no revenue stream is missed in GST compliance.
  - Segment-Wise Revenue
    - ✓ Reconcile revenue for taxable, exempt, and zero-rated supplies to ensure proper categorization and tax liability.
- **Key Considerations for Determining Scope of Supply**
  - Supplies Without Consideration
    - ✓ Scrutinize transactions deemed as supply under **Schedule I**, including:
    - ✓ Free samples and promotional items.



- ✓ Stock transfers to branches (distinct persons).
- ✓ Supplies to related parties.
- Composite and Mixed Supplies
  - ✓ Check for bundled supplies to determine whether they are composite or mixed supplies under **Section 8**.
- Reverse Charge Mechanism (RCM)
  - ✓ Review income sources for services that may trigger RCM liability, such as legal or transportation services.
- Advances and Unbilled Revenue
  - ✓ Verify GST compliance for advances received for future supplies.
  - ✓ Check unbilled revenue recognized in the P&L account and ensure GST is paid when invoiced.
- **Documentation to Review**
  - Tax invoices, debit notes, and credit notes.
  - Reconciliation of revenue with GST returns (GSTR-1 and GSTR-3B).
  - Ledgers and books of accounts showing revenue bifurcation.
  - Agreements/contracts for income streams (e.g., rental agreements, service contracts).
- **Common Errors to Look For**
  - Misclassification of taxable revenue as exempt or non-taxable.
  - Omissions of revenue streams (e.g., scrap sales, promotional transactions).
  - Incorrect treatment of deemed supplies under Schedule I.
  - Discrepancies between GST returns and P&L account.
  - Non-reversal of ITC for exempt or non-GST supplies.
- **Legal Provisions and References**
  - **Section 7 of CGST Act:** Scope of supply.
  - **Schedule I and III:** Deemed supply and non-supply items.
  - **Section 15:** Valuation rules for supplies.
  - **Notifications 2/2017-CT (Rate)** and 12/2017-CT (Rate)\*\*: Exempt supplies.
  - **Rule 46:** Tax invoice requirements.



● **Summary Table for Verification**

S. No.	Revenue Item	Key Points	References
1	Sales/Turnover	Reconcile taxable, exempt, and zero-rated revenue	Section 7, GSTR-1, GSTR-3B
2	Other Income	Rental income, commissions, export incentives	Section 15, Notification 12/2017
3	Deemed Supplies	Free samples, stock transfers, related-party transactions	Schedule I, Rule 28
4	Exempt and Non-Taxable Revenue	Identify Schedule III items (e.g., salaries, land sales)	Schedule III
5	Composite and Mixed Supplies	Determine principal supply for bundled transactions	Section 8
6	Advances and Unbilled Revenue	Ensure GST on advances and billing at appropriate time	Section 13
7	RCM-Applicable Revenue	Identify income streams triggering RCM (e.g., GTA, legal services)	Section 9(3), Notification 13/2017

**Conclusion**

This checklist ensures all revenue items in the P&L account are properly verified to determine their taxability under GST. It helps identify taxable, exempt, zero-rated, and non-taxable supplies, ensuring compliance with GST laws and accurate reporting in returns. Regular reconciliation with GST returns and financial statements is critical to avoid errors and penalties.

**Checklist for Determining Composite Supply under GST**

**Composite supply** is defined under **Section 2(30)** of the CGST Act as a combination of two or more supplies naturally bundled and supplied in conjunction with each other, where one is a principal supply. Determining whether a supply qualifies as a composite supply is critical to ensure correct GST classification and rate application.

Below is a comprehensive checklist to verify and determine **composite supplies**:

**Legal Definition and Key Elements**

● **Section 2(30) of CGST Act:**

- A composite supply involves two or more taxable supplies.
- These supplies are naturally bundled in the ordinary course of business.
- One supply is identified as the **principal supply**.



- **Tax Applicability:**

- GST is levied at the rate applicable to the principal supply as per **Section 8(a)**.

### Key Characteristics of Composite Supply

- **Naturally Bundled:**

- Supplies are usually bundled together due to the nature of the transaction or industry practice.
- Examples:
  - Sale of goods with mandatory installation services.
  - Air travel with onboard meals included in the ticket price.

- **Principal Supply Dominance:**

- Identify the main element of the supply that drives the transaction.
- All ancillary supplies must support or enhance the principal supply.

- **Steps to Determine Composite Supply**

- Step A: Analyze the Components of the Supply
  - ✓ **Identify All Elements of the Supply:**
    - List all goods and/or services provided in the transaction.
    - Determine whether they are interdependent or can exist independently.
  - ✓ **Principal Supply Identification:**
    - Ascertain which supply forms the **primary component** of the transaction.
- Step B: Verify the Natural Bundling
  - ✓ **Industry Practices:**
    - Check whether the combination of supplies is standard practice in the business or industry.
    - Example: A hotel booking that includes complimentary breakfast is a natural bundle.
  - ✓ **Customer Perception:**
    - Evaluate how the customer perceives the transaction.
    - If the customer views the transaction as a single package, it is more likely a composite supply.

- Step C: Assess the Principal Supply
  - ✓ **Dominance of Principal Supply:**
    - Verify which element provides the essential value to the customer.
    - For example:
    - Sale of a refrigerator with free delivery – the refrigerator is the principal supply.
  - ✓ **Ancillary Nature of Other Supplies:**
    - Confirm that other supplies are ancillary or incidental to the principal supply.

### Compliance with Composite Supply Rules

- **GST Rate and Classification:**

GST rate applicable to the principal supply determines the tax for the entire composite supply.

Check classification under:

**Notification 1/2017-CT (Rate)** for goods.

**Notification 11/2017-CT (Rate)** for services.

**Tax Invoice Requirements:**

Ensure that the invoice clearly mentions the principal supply and the bundled supplies.

*Examples of Composite Supply*

Sale of machinery with installation services (principal supply: machinery).

Transportation of goods, including insurance and handling charges (principal supply: transportation).

Hospital room charges inclusive of food for patients (principal supply: healthcare services).

### Audit and Verification Checklist for Composite Supply

- **Key Elements to Verify**

Checklist Item	Description
Supply Combination	Ensure the supply involves two or more taxable components.
Natural Bundling	Check if the supplies are naturally bundled in the ordinary course of business.
Principal Supply	Identify the supply that provides the main value in the transaction.
GST Rate Application	Verify GST rate applied aligns with the rate of the principal supply.
Invoice Accuracy	Ensure tax invoices reflect the principal supply correctly.



- **Documentation to Verify**

Contracts and agreements for bundled supplies.

Tax invoices mentioning the principal and ancillary supplies.

Industry standards for similar transactions to establish natural bundling.

Customer communications indicating transaction expectations.

### **Distinction Between Composite and Mixed Supplies**

#### **Composite Supply:**

Naturally bundled; one principal supply determines the tax rate.

Example: Sale of a car with warranty and maintenance services.

#### **Mixed Supply:**

Two or more independent supplies offered together for a single price.

Highest GST rate among the items applies.

Example: Gift pack of chocolates, juice, and dry fruits.

### **Common Errors to Avoid**

Misclassification of composite supply as mixed supply or vice versa.

Incorrect identification of principal supply leading to wrong GST rate application.

Failure to assess natural bundling based on customer perception or industry norms.

### **Legal Provisions and References**

**Section 2(30) of CGST Act:** Definition of composite supply.

**Section 8(a):** Taxability of composite supply based on principal supply.

**Notifications 1/2017-CT (Rate) and 11/2017-CT (Rate):** GST rates for goods and services.

### **Summary Table for Composite Supply Determination**

S. No.	Step	Key Verification Points	References
1	Identify Supply Components	List all goods/services and their interdependence	Section 2(30) of CGST Act
2	Analyze Natural Bundling	Check industry practices and customer perception	Section 8(a), Notifications
3	Determine Principal Supply	Identify dominant supply driving the transaction	Section 2(30)

S. No.	Step	Key Verification Points	References
4	Apply Correct GST Rate	Ensure GST rate of principal supply is applied	Notifications 1/2017, 11/2017
5	Invoice and Documentation	Verify accuracy in tax invoices and contracts	Rule 46

## Conclusion

Determining composite supply under GST requires a detailed evaluation of the transaction's components, natural bundling, and principal supply. Proper classification ensures accurate tax rate application and compliance with GST provisions, reducing the risk of disputes or penalties. Regular audits using this checklist help maintain robust compliance.

## Mixed Supply

**Mixed Supply** is defined under **Section 2(74)** of the CGST Act as a combination of two or more supplies of goods or services (or both) made together for a single price, where each supply is independent and not naturally bundled. It is critical to distinguish mixed supplies from composite supplies, as the GST rate for mixed supplies is based on the item with the **highest tax rate** among the bundled supplies.

Below is a detailed checklist for verifying and determining mixed supplies:

### Legal Framework and Definition

#### Section 2(74) of CGST Act:

Mixed supply consists of two or more independent supplies made together for a single price.

These supplies are **not naturally bundled**.

#### Taxability:

The **highest GST rate** among the items in the supply applies to the entire supply, as per **Section 8(b)** of CGST Act.

### Characteristics of Mixed Supply

#### Independence of Supplies:

Each item in the supply is independent and can be sold separately.

#### Absence of Natural Bundling:

Supplies are not combined due to industry norms or natural business practices.

#### Single Price:

A single consolidated price is charged for the combination of goods or services.



### Examples of Mixed Supply

A gift pack containing chocolates, juice, and dry fruits sold for a single price.

A holiday package that includes air travel and optional spa services.

A combo offer where a pen and a diary are sold together for a single price.

### Steps to Determine Mixed Supply

- **Step A: Identify Components of the Supply**

**List All Items:**

Catalogue the goods or services included in the transaction.

**Evaluate Independence:**

Confirm that each item can be sold separately without affecting the value of the other.

- **Step B: Check for Natural Bundling**

**Absence of Natural Connection:**

Verify that the items are not naturally bundled in the ordinary course of business.

**Compare Industry Practices:**

Check if the combination is unusual for the industry or the specific business.

- **Step C: Verify Pricing Structure**

**Single Price:**

Confirm that a single price is charged for the entire supply rather than itemized pricing.

**Tax Invoice Details:**

Ensure the invoice does not separately disclose the prices of individual components.

- **Step D: GST Rate Application**

**Determine Highest GST Rate:**

Identify the highest GST rate applicable to any item in the mixed supply.

**Apply the Highest Rate:**

The highest GST rate applies to the total value of the supply.

### Compliance with Mixed Supply Rules

- **GST Rate Compliance**

Ensure GST is levied at the rate of the item with the highest tax among the bundled supplies.

- **Tax Invoice Requirements**

Confirm the tax invoice reflects the mixed supply as a single consolidated transaction.

- **Reporting in GST Returns**

Verify the correct reporting of mixed supplies in **GSTR-1 (outward supply)** and **GSTR-3B (tax summary)**.

### Documentation to Review

#### Contracts and Agreements:

Examine contracts to determine the nature of supplies and whether they are independent.

#### Tax Invoices:

Review invoices for single-price transactions without itemized pricing.

#### Customer Communications:

Check how the transaction was communicated to customers (e.g., as a bundle offer).

### Distinguishing Mixed Supply from Composite Supply

Composite Supply	Mixed Supply
Supplies are naturally bundled.	Supplies are not naturally bundled.
One supply is the principal supply.	No principal supply; all items are independent.
GST rate of principal supply applies.	GST rate of the item with the highest tax applies.
Example: Air travel with meals included.	Example: Gift pack of chocolates and dry fruits.

### Common Errors to Avoid

Misclassifying a mixed supply as a composite supply.

Charging GST at an incorrect rate due to improper identification of the highest-taxed item.

Issuing invoices with itemized pricing for mixed supplies, which is incorrect.

### Legal References and Notifications

**Section 2(74):** Definition of mixed supply.

**Section 8(b):** Taxability of mixed supply based on the highest GST rate.

**Rule 46 of CGST Rules:** Invoice requirements.

**Notifications 1/2017-CT (Rate) and 11/2017-CT (Rate):** GST rates for goods and services.



### Audit and Verification Checklist for Mixed Supply

S. No.	Checklist Item	Key Points	References
1	Identify All Components	List goods/services and ensure they are independent.	Section 2(74)
2	Verify Absence of Natural Bundling	Confirm no natural bundling exists due to business or industry norms.	Section 8(b)
3	Single Price Charged	Check if a consolidated price is charged for the supply.	Rule 46
4	Apply Highest GST Rate	Identify and apply the highest GST rate among the items.	Notifications 1/2017, 11/2017
5	Review Tax Invoices	Confirm invoices reflect single-price transactions.	Rule 46 of CGST Rules
6	Report in GST Returns	Ensure proper disclosure in GSTR-1 and GSTR-3B.	GST Return Rules

### 11. Conclusion

Determining mixed supply requires a detailed evaluation of the independence of components, pricing structure, and bundling. Misclassification can lead to incorrect GST rates and potential disputes. Regular audits using this checklist ensure compliance with GST laws and accurate tax computation.

### Bill-to-Ship-to

**Bill-to-Ship-to transactions** refer to a supply arrangement where the goods are billed to one party (the buyer) but shipped to another party (the recipient). These transactions are commonly used in supply chain management and are covered under **Section 10(1)(b)** of the IGST Act for determining the place of supply.

Here is a comprehensive checklist for auditing and ensuring compliance in **Bill-to-Ship-to transactions** under GST:

### Understanding the Legal Framework

#### Section 10(1)(b) of IGST Act:

The place of supply in a Bill-to-Ship-to transaction is the location of the buyer (the person to whom the goods are billed).

#### Three Parties Involved:

**Supplier:** The person supplying the goods.



**Buyer (Bill-To Party):** The person to whom the goods are billed.

**Recipient (Ship-To Party):** The person to whom the goods are physically delivered.

**Separate Invoices:**

Invoice by the supplier to the buyer.

Invoice by the buyer to the recipient (if applicable).

**Steps to Verify Bill-to-Ship-to Transactions**

- **Step A: Examine the Transaction Flow**

**Identify All Parties:**

Verify details of the supplier, buyer, and recipient.

**Confirm Physical Movement of Goods:**

Ensure goods are shipped to the recipient but invoiced to the buyer.

- **Step B: Documentation and Invoicing**

**Supplier's Invoice:**

Ensure the supplier issues the invoice to the buyer (Bill-To Party).

Verify that the invoice includes:

Bill-To Party details (name, GSTIN, address).

Ship-To Party details (name and address).

Place of supply as per Section 10(1)(b).

**E-Way Bill Compliance:**

Confirm generation of E-Way Bill mentioning:

Consignor: Supplier.

Consignee: Recipient (Ship-To Party).

Bill-To details as additional information.

**Buyer's Invoice (if applicable):**

Verify the invoice issued by the buyer to the recipient.

Ensure proper GST rates are applied based on the transaction.



- **Step C: Place of Supply Determination**

**Section 10(1)(b)** of IGST Act:

The place of supply is the location of the buyer (Bill-To Party).

**Tax Applicability:**

For inter-state transactions: IGST is applicable.

For intra-state transactions: CGST and SGST are applicable.

- **Step D: Reconciliation with GST Returns**

**Supplier's Returns (GSTR-1):**

Ensure reporting of the transaction in **Table 4 (B2B outward supplies)** with buyer's GSTIN.

**Buyer's Returns:**

Reconcile the inward supply in GSTR-2A/2B with the supplier's invoice.

Verify that the onward supply to the recipient (if applicable) is reported in GSTR-1.

**Key Audit Points for Bill-to-Ship-to Transactions**

Checklist Item	Key Points	Reference
1. Verify All Parties	Identify the supplier, buyer, and recipient details.	Section 10(1)(b) of IGST Act
2. Supplier's Invoice Compliance	Confirm invoice includes both Bill-To and Ship-To details, and place of supply aligns with the buyer's location.	Rule 46 of CGST Rules
3. E-Way Bill Accuracy	Ensure E-Way Bill includes details of both buyer and recipient.	Rule 138 of CGST Rules
4. Place of Supply Determination	Verify place of supply as per Section 10(1) (b).	Section 10 of IGST Act
5. Buyer's Invoice Compliance (if any)	Ensure onward supply invoice (if applicable) includes correct tax rate and GSTIN of the recipient.	GST Rules
6. Tax Applicability	Check if IGST (inter-state) or CGST & SGST (intra-state) are charged correctly.	Section 8 and 10 of IGST Act
7. GST Return Reconciliation	Match supplier's GSTR-1 with buyer's GSTR-2A/2B and onward supply records (if applicable).	GST Return Rules

## Common Errors to Avoid

### Incorrect Place of Supply:

Declaring the recipient's location (Ship-To) instead of the buyer's location (Bill-To) as the place of supply.

### Incomplete Invoice Details:

Missing Ship-To or Bill-To details on the invoice.

### Mismatch in E-Way Bill and Invoice:

Incorrect consignee details in the E-Way Bill or failure to include Bill-To information.

### Double Taxation:

Charging GST twice: once by the supplier to the buyer, and again by the buyer to the recipient.

### Improper Reporting in GST Returns:

Omitting the transaction or reporting incorrect details in GSTR-1 or GSTR-3B.

Supporting Documentation

### Supplier's Invoice:

Includes Bill-To and Ship-To details.

### E-Way Bill:

Matches the invoice and shipment details.

### Shipping Documents:

Proof of delivery to the recipient.

### Buyer's Onward Supply Invoice (if any):

Includes proper GST rate and classifications.

- Legal References
  - **Section 10(1)(b) of IGST Act:** Place of supply rules for Bill-to-Ship-to transactions.
  - **Rule 46 of CGST Rules:** Tax invoice requirements.
  - **Rule 138 of CGST Rules:** E-Way Bill compliance.

## Summary Table for Bill-to-Ship-to Audit

Step	Checklist Points	Reference
1. Verify Transaction Details	Identify parties and confirm the Bill-To and Ship-To arrangement.	Section 10(1)(b) of IGST Act
2. Review Supplier's Invoice	Ensure invoice compliance with both Bill-To and Ship-To details.	Rule 46 of CGST Rules



Step	Checklist Points	Reference
3. Place of Supply	Confirm the place of supply as the buyer's location.	Section 10(1)(b) of IGST Act
4. E-Way Bill	Ensure correct consignee (Ship-To) and buyer (Bill-To) details are mentioned.	Rule 138 of CGST Rules
5. GST Returns	Match supplier's GSTR-1 with buyer's GSTR-2A/2B and ensure onward supply compliance in buyer's returns.	GST Return Rules

### Time of Supply

#### Checklist for Time of Supply for Goods

The **time of supply** under GST determines when a taxable event occurs and when tax liability arises. For goods, the time of supply is governed by **Section 12 of the CGST Act**. Auditors must examine various aspects, including forward charge, reverse charge, residuary provisions, and adjustments via debit/credit notes. Below is a detailed checklist:

#### Time of Supply Under Forward Charge

##### 1. General Provisions (Section 12(2)):

- Verify that the time of supply is determined as the earlier of:
  - ✓ **Date of issuance of invoice** as per Section 31.
  - ✓ **Date of receipt of payment.**
- Cross-check dates of the invoice and payment in financial records and GST returns.

##### 2. Invoice Compliance (Section 31):

- Confirm invoices for the supply of goods are issued:
  - ✓ Before or at the time of removal of goods, if the movement is involved.
  - ✓ At the time of delivery, if no movement is involved.

##### 3. Advance Payments:

- Verify whether GST was paid on advances for goods, if applicable, before the 2017 amendment (no GST on advances for goods post-amendment).

#### Audit Tip:

- Ensure reconciliation of invoices with books of accounts, bank statements, and GSTR-1 returns.



## Time of Supply Under Reverse Charge

### 1. Applicability (Section 12(3)):

- For transactions where the recipient is liable to pay tax under **reverse charge mechanism (RCM)**, verify that the time of supply is the earlier of:
  - ✓ **Date of receipt of goods.**
  - ✓ **Date of payment** (recorded in the books or debited in the bank).
  - ✓ **31st day from the date of invoice** issued by the supplier.

### 2. Unregistered Suppliers:

- Check for compliance in transactions involving unregistered suppliers (pre-2022, as Section 9(4) was reintroduced for notified supplies only).

### 3. Payment Tracking:

- Cross-verify payment dates from the bank ledger and books of accounts with the invoices.

#### Audit Tip:

- Confirm that reverse charge liability is correctly reported in **GSTR-3B** and paid on time.

## Residuary Provisions for Time of Supply

### 1. No Invoice or Payment:

- If neither the invoice is issued nor payment is made, ensure the time of supply is determined as the date on which the goods are **made available**.

### 2. Vouchers:

- Check if goods are supplied against vouchers or other instruments.
- Confirm time of supply is the date of issuance of the voucher (if supply is identifiable) or its redemption (if not identifiable).

### 3. Miscellaneous Situations:

- Verify time of supply for goods disposed of or transferred under **Schedule I** (deemed supply without consideration):
  - ✓ Date of disposal or transfer of goods.

#### Audit Tip:

- Ensure proper documentation for transactions not covered under the regular invoicing/payment timelines.



### Time of Supply for Debit and Credit Notes

#### 1. Debit Notes (Section 12(4)):

- Verify that the time of supply for additional tax liability through a debit note is the **date of issuance of the debit note**.
- Check whether debit notes are linked to specific invoices and appropriately recorded in returns.

#### 2. Credit Notes (Section 12(4)):

- Confirm that credit notes are issued within the prescribed time (on or before **30th September** of the following financial year).
- Ensure reversal of tax liability through credit notes is reflected in **GSTR-1 and GSTR-3B**.

#### Audit Tip:

- Reconcile debit and credit notes with corresponding invoices to avoid duplications or omissions

#### Additional Documentation to Verify

- **Invoices:** Ensure compliance with GST rules for issuing invoices, including timelines and content requirements.
- **Payment Records:** Verify receipt and payment dates in bank statements and ledgers.
- **Credit and Debit Notes:** Validate the issuance, timing, and reporting of adjustments.
- **E-Way Bills:** Cross-check the movement of goods and their alignment with invoice dates and E-Way Bill details.

#### Reporting and Compliance in GST Returns

- **GSTR-1:** Verify correct reporting of outward supplies, adjustments via debit/credit notes, and time of supply alignment.
- **GSTR-3B:** Ensure accurate tax liability reporting based on time of supply for forward charge and reverse charge.
- **GSTR-2A/2B:** Match inward supply details with suppliers' outward supply reporting for reverse charge transactions.

#### Common Errors to Watch For

1. Delayed issuance of invoices, leading to incorrect determination of time of supply.
2. Mismatch between invoice and payment dates.
3. Errors in reporting reverse charge liabilities in GST returns.
4. Non-reversal of tax liability through credit notes within the prescribed timeline.

## Legal Provisions and References

- **Section 12 of CGST Act:** Time of supply for goods.
- **Section 31 of CGST Act:** Timelines for issuing tax invoices.
- **Rule 46 of CGST Rules:** Tax invoice requirements.

## Summary Table for Time of Supply Audit

Scenario	Time of Supply	Reference
Forward Charge	Earlier of invoice date or payment date.	Section 12(2)
Reverse Charge	Earliest of: (a) Goods receipt, (b) Payment date, or (c) 31 days from supplier's invoice date.	Section 12(3)
Residuary Provision	Date on which goods are made available or vouchers issued/ redeemed.	Section 12(5)
Debit Notes	Date of issuance of debit note.	Section 12(4)
Credit Notes	Date of issuance of credit note (adjustment only up to 30th September of the following financial year).	Section 12(4)

## 10. Conclusion

Auditing the time of supply for goods ensures accurate GST compliance and timely reporting of tax liabilities. This checklist provides a structured approach for verifying transactions under forward charge, reverse charge, and adjustments through debit/credit notes. Regular reconciliation with financial records and GST returns will help avoid disputes and penalties.

## Time of Supply for Services

The **time of supply** for services under GST determines when tax liability arises. It is governed by **Section 13 of the CGST Act** and varies based on forward charge, reverse charge, residuary provisions, and adjustments via debit/credit notes. Below is a detailed checklist for auditors to ensure compliance.

## Time of Supply Under Forward Charge

### 1. General Provisions (Section 13(2)):

- Verify that the time of supply is determined as the earlier of:
  - ✓ **Date of issuance of invoice** as per Section 31.
  - ✓ **Date of receipt of payment.**
- If the invoice is not issued within the prescribed period (30 days for normal suppliers and 45 days for banking/financial institutions), the time of supply is the **date of service completion**.



## 2. Invoice Compliance (Section 31):

- Confirm invoices for services are issued within the prescribed timeline.

## 3. Advance Payments:

- Verify GST payment on advances received before the issuance of the invoice.

### Audit Tip:

- Reconcile the invoice issuance dates, service completion dates, and payment dates to determine the correct time of supply

### Time of Supply Under Reverse Charge

## 1. Applicability (Section 13(3)):

- For transactions where the recipient is liable to pay tax under **reverse charge mechanism (RCM)**, ensure the time of supply is the earlier of:
  - ✓ **Date of payment** (as recorded in books or debited from the bank).
  - ✓ **61st day from the date of invoice** issued by the supplier.

## 2. Payment Tracking:

- Review the recipient's books of accounts and bank records for the date of payment.

### Audit Tip:

- Confirm that reverse charge liabilities are correctly reported in **GSTR-3B** and paid on time.

### Residuary Provisions for Time of Supply

## 1. No Invoice or Payment:

- If neither the invoice is issued nor payment is made, confirm the time of supply is determined as the **date of entry in the recipient's books**.

## 2. Vouchers:

- For services provided against vouchers, ensure the time of supply is:
  - ✓ The date of issuance of the voucher (if the supply is identifiable).
  - ✓ The date of redemption of the voucher (if not identifiable).

### Audit Tip:

- Verify proper documentation for transactions falling under residuary provisions.



### Time of Supply for Debit and Credit Notes

#### 1. Debit Notes (Section 13(3A)):

- Ensure the time of supply for additional tax liability through a debit note is the **date of issuance of the debit note**.
- Verify the linkage between the debit note and the original invoice.

#### 2. Credit Notes (Section 13(3A)):

- Confirm credit notes are issued within the prescribed time frame (on or before **30th September** of the following financial year).
- Ensure corresponding adjustments in tax liability are reported in GSTR-1 and GSTR-3B.

#### Audit Tip:

- Reconcile debit and credit notes with the original invoices and ensure accurate reporting in returns.

### Additional Documentation to Verify

- **Invoices:** Verify the issuance timeline, compliance with Rule 46, and proper reporting of services.
- **Payment Records:** Validate payment receipt dates through bank statements and ledgers.
- **Credit and Debit Notes:** Check adjustments for tax liability via debit and credit notes.
- **Contracts/Agreements:** Review terms for service completion to assess time of supply compliance.

### Reporting and Compliance in GST Returns

1. **GSTR-1:** Verify the reporting of outward supplies, including adjustments via debit/credit notes.
2. **GSTR-3B:** Ensure accurate reporting of tax liabilities for both forward charge and reverse charge transactions.
3. **GSTR-2A/2B:** Match inward supply details with the supplier's outward supply reporting

### Common Errors to Watch For

1. Non-issuance or delayed issuance of invoices for services.
2. Incorrect determination of time of supply for advance payments.
3. Errors in reporting reverse charge liabilities in GST returns.
4. Missing or late adjustments through credit notes beyond the prescribed timeline.



### Legal Provisions and References

- **Section 13 of CGST Act:** Time of supply for services.
- **Section 31 of CGST Act:** Timelines for issuing tax invoices.
- **Rule 46 of CGST Rules:** Tax invoice requirements.

### Summary Table for Time of Supply Audit

Scenario	Time of Supply	Reference
Forward Charge	Earlier of invoice date or payment date.	Section 13(2)
Reverse Charge	Earlier of (a) Payment date or (b) 61st day from supplier's invoice date.	Section 13(3)
Residuary Provision	Date of entry in recipient's books or date of voucher issuance/redemption.	Section 13(5)
Debit Notes	Date of issuance of debit note.	Section 13(3A)
Credit Notes	Date of issuance of credit note (adjustment only up to 30th September of the following financial year).	Section 13(3A)

### Conclusion

Auditing the time of supply for services ensures accurate GST compliance, timely reporting of tax liabilities, and alignment with GST rules. This checklist provides a structured approach for verifying transactions under forward charge, reverse charge, and adjustments via debit/credit notes. Proper documentation and reconciliation with GST returns and financial records are crucial to avoid disputes and penalties.

### Check list for Change in tax rate before or after supply

**Section 14 of the CGST Act** governs the time of supply when there is a **change in GST rates** for goods or services. It specifies different scenarios where the supply of goods or services spans the effective date of a tax rate change. This checklist helps ensure compliance in such cases.

#### Understanding Section 14 Provisions

##### 1. Applicability:

- Section 14 applies when:
  - ✓ The transaction date (invoice issuance, payment receipt, or supply completion) spans across the **effective date of a tax rate change**.

## 2. Key Elements:

- Determine whether the supply occurs **before or after the rate change date**.
- Verify the dates for:
  - ✓ **Invoice issuance.**
  - ✓ **Receipt of payment.**
  - ✓ **Completion of supply.**

## 3. Rules for Time of Supply:

- Time of supply is determined based on the **relative timing** of the three events above in relation to the rate change date.

### Scenarios Covered Under Section 14

Scenario	Time of Supply Rule
Invoice and payment both before rate change	Time of supply occurs before the rate change – GST at the old rate applies.
Invoice and payment both after rate change	Time of supply occurs after the rate change – GST at the new rate applies.
Invoice issued before and payment received after the rate change	Time of supply is determined based on invoice date – GST at the old rate applies.
Invoice issued after and payment received before the rate change	Time of supply is determined based on payment date – GST at the old rate applies.
Supply completed before, but invoice issued and payment received after the rate change	Time of supply is determined based on supply completion date – GST at the old rate applies.
Supply completed after, but invoice issued and payment received before the rate change	Time of supply is determined based on supply completion date – GST at the new rate applies.

### Steps for Compliance Audit Under Section 14

#### Step A: Determine Key Dates

1. Identify and verify the following dates:
  - **Effective date of tax rate change.**
  - **Invoice issuance date.**
  - **Payment receipt date.**
  - **Supply completion date.**
2. Check the alignment of these dates with the scenarios defined under Section 14.



### ***Step B: Evaluate Transactions***

#### **1. Pre-Rate Change Supplies:**

- Ensure GST at the old rate is applied if both invoice and payment occur before the rate change.

#### **2. Post-Rate Change Supplies:**

- Ensure GST at the new rate is applied if both invoice and payment occur after the rate change.

#### **3. Mixed Timing Scenarios:**

- Confirm the time of supply is determined based on the relative timing of invoice issuance, payment receipt, and supply completion.

### ***Step C: Verify Adjustments for Debit and Credit Notes***

#### **1. Debit Notes:**

- Confirm that any additional tax liability due to a rate change is accounted for using the rate applicable at the original time of supply.

#### **2. Credit Notes:**

- Verify that reductions in tax liability are adjusted based on the rate applicable at the original time of supply.

**Audit Tip:** Reconcile debit and credit notes with the original invoices to ensure correct rate application.

### ***Documentation to Verify***

#### **1. Tax Invoices:**

- Ensure invoices clearly mention the applicable GST rate and are issued within the prescribed timelines.

#### **2. Payment Records:**

- Verify payment dates through bank statements and financial records.

#### **3. Contracts/Agreements:**

- Check terms of the contract to identify the supply completion date.

#### **4. Debit and Credit Notes:**

- Reconcile with the original invoice to confirm accurate rate adjustments.

## 5. GST Returns:

- Ensure proper reporting of supplies in **GSTR-1** and **GSTR-3B** with the correct GST rates.

### Common Errors to Watch For

#### 1. Incorrect Time of Supply Determination:

- Errors in applying old vs. new rates based on the dates of invoice, payment, or supply completion.

#### 2. Delayed Invoicing:

- Issuing invoices after the rate change but using old GST rates.

#### 3. Mismatch in GST Returns:

- Discrepancies between reported GST rates in returns and the applicable rates based on Section 14 provisions.

#### 4. Unaccounted Debit or Credit Notes:

- Failing to adjust liability for transactions affected by rate changes.

### Legal References and Notifications

- Section 14 of CGST Act:** Time of supply in case of change in tax rate.
- Section 31 of CGST Act:** Timelines for issuing tax invoices.
- Rule 46 of CGST Rules:** Tax invoice requirements.
- GST Rate Notifications:** Relevant notifications prescribing rate changes for goods and services.

### Summary Table for Rate Change Audit

Step	Checklist Item	Reference
1. Key Dates	Verify invoice date, payment date, supply completion date.	Section 14
2. Old Rate Applicability	Confirm GST at old rate if supply/invoice/ payment pre-dates rate change.	Section 14(1)
3. New Rate Applicability	Confirm GST at new rate if supply/invoice/ payment post-dates rate change.	Section 14(2)
4. Mixed Timing Scenarios	Ensure correct determination based on dates for invoice, payment, and supply completion.	Section 14



Step	Checklist Item	Reference
5. Debit/Credit Notes	Verify rate adjustments based on the original time of supply.	Section 14, Rule 53
6. Documentation	Check tax invoices, contracts, payment records, and GST returns.	Rule 46, GST Notifications

## Conclusion

Auditing compliance with Section 14 requires careful examination of transaction timelines in relation to the rate change date. Proper application of GST rates ensures accurate tax liability and minimizes risks of disputes or penalties. Regular reconciliation with GST returns and robust documentation practices are critical for ensuring compliance.

## Place of Supply

### Place of Supply of Goods (Other Than Imports and Exports)

**Section 10 of the IGST Act, 2017** outlines the provisions for determining the **place of supply of goods** when the goods are supplied within India and do not involve imports or exports. The place of supply determines whether the transaction attracts **CGST & SGST (intra-state)** or **IGST (inter-state)**.

Here's a comprehensive checklist for auditing compliance with Section 10 provisions.

### Understanding the Key Scenarios Under Section 10

Sub-Section	Scenario	Place of Supply
10(1)(a)	Supply involves the movement of goods.	Location of goods at the time where movement terminates for delivery to the recipient.
10(1)(b)	Goods are delivered to the recipient or on behalf of the recipient without movement.	Location of goods at the time of delivery to the recipient.
10(1)(c)	Goods are assembled or installed at the recipient's site.	Place of installation or assembly.
10(1)(d)	Goods are supplied on board a conveyance (e.g., aircraft, train, ship).	Location where goods are taken on board.
Proviso	Supply involves Bill-to-Ship-to transactions.	Place of supply is the location of the Bill-To party (Section 10(1)(b)).



## General Checklist for Section 10 Compliance

### *Verify Nature of the Transaction*

#### 1. Movement of Goods (Section 10(1)(a)):

- Check if the supply involves movement of goods by the supplier, recipient, or a third party.
- Identify the location where the movement of goods terminates for delivery to the recipient.

#### 2. No Movement of Goods (Section 10(1)(b)):

- Confirm if goods are delivered without any movement (e.g., goods picked up by the recipient or sold on-site).
- Validate the location of goods at the time of delivery.

#### 3. Installation/Assembly (Section 10(1)(c)):

- Check whether goods require installation or assembly at the recipient's site.
- Determine the location of the recipient's site for tax applicability.

#### 4. On-Board Supplies (Section 10(1)(d)):

- For goods supplied on a conveyance, verify where the goods are boarded onto the conveyance (e.g., train, ship, aircraft).

### *Documentation Review*

#### 1. Tax Invoices:

- Verify that the place of supply is correctly determined and mentioned in the invoice.

#### 2. Transport Documentation:

- Review e-way bills, delivery challans, and goods receipt notes for accuracy in movement details.

#### 3. Contracts/Agreements:

- Examine supply contracts to confirm delivery terms (e.g., FOB, CIF, or DDP).

#### 4. Shipping/Installation Records:

- Validate documentation for installation or assembly transactions.

### *Place of Supply Determination in Special Cases*

#### 1. Bill-to-Ship-to Transactions:



- Confirm the location of the Bill-To party as the place of supply under the proviso to Section 10(1).
- Check if e-way bills and invoices align with the Bill-To and Ship-To details.

**2. Inter-Branch Transfers:**

- Ensure inter-branch stock transfers are treated as deemed supplies between distinct persons (Section 25).

**3. Assembly/Installation Services:**

- Cross-check supply agreements for assembly/installation services to identify the correct place of supply.

**Reporting and Compliance in GST Returns**

**1. GSTR-1:**

- Verify that outward supplies are correctly reported with the applicable place of supply.
- Ensure IGST or CGST/SGST is charged based on the place of supply determination.

**2. GSTR-3B:**

- Match tax liability reported in GSTR-3B with GSTR-1 and invoices.

**3. E-Way Bills:**

- Cross-verify the place of supply mentioned in e-way bills with the invoices and GST returns.

**Common Errors to Avoid**

1. Incorrect place of supply determination leading to wrong tax application (CGST/SGST instead of IGST or vice versa).
2. Non-compliance with Bill-to-Ship-to provisions.
3. Misclassification of installation/assembly supplies.
4. Errors in e-way bills and transport documentation.
5. Reporting mismatches in GST returns due to incorrect place of supply.

**Legal References and Notifications**

- **Section 10 of IGST Act:** Place of supply of goods (other than imports/exports).
- **Rule 46 of CGST Rules:** Tax invoice requirements.



- **Rule 138 of CGST Rules:** E-way bill compliance.

### Summary Table for Section 10 Audit

Scenario	Checklist Points	Place of Supply	Reference
Movement of goods	Verify movement details and final delivery location.	Location where movement terminates.	Section 10(1)(a)
No movement of goods	Confirm location of goods at the time of delivery.	Location of goods at delivery.	Section 10(1)(b)
Assembly/ Installation	Check installation/assembly site.	Location of installation/ assembly.	Section 10(1)(c)
On-board supplies	Identify location where goods are boarded onto the conveyance.	Location where goods are taken on board.	Section 10(1)(d)
Bill-to-Ship-to transactions	Validate Bill-To party location as place of supply.	Location of the Bill-To party.	Proviso to Section 10(1)

### Conclusion

Section 10 of the IGST Act ensures the correct determination of the place of supply for intra-India transactions (excluding imports and exports). A robust audit process using this checklist ensures compliance with GST laws, proper tax application, and accurate reporting in GST returns. Regular reconciliation of invoices, transport documents, and GST filings minimizes risks of disputes and penalties.

### Check list of Place of supply of goods imported into, or exported from India

**Section 11 of the IGST Act, 2017**, governs the **place of supply for goods imported into or exported from India**. The determination of the place of supply in such cases is critical for tax compliance, especially for cross-border transactions, as it affects whether GST applies.

Below is a detailed checklist for auditors to ensure compliance with Section 11.

### Understanding Section 11 Provisions

#### 1. For Goods Imported Into India:

- The place of supply is the **location of the importer**.
- IGST is applicable and is levied as customs duty under **Section 3(7) of the Customs Tariff Act, 1975**.



## 2. For Goods Exported From India:

- The place of supply is the **location outside India** where the goods are delivered.
- Exports are treated as **zero-rated supplies** under Section 16 of the IGST Act.

### General Checklist for Compliance Under Section 11

#### ● For Imported Goods

##### 1. Verify Import Documentation:

- **Bill of Entry:** Check the location of the importer mentioned.
- **Import Invoice:** Confirm the supplier's details and terms of delivery (e.g., CIF or FOB).
- **Customs Duty Payment:** Ensure IGST is paid as part of customs duty under Section 3(7) of the Customs Tariff Act.

##### 2. Examine Importer's GSTIN:

- Confirm that the importer is registered under GST and the GSTIN is correctly reflected in the Bill of Entry.

##### 3. Input Tax Credit (ITC):

- Verify ITC claims on IGST paid during import, ensuring it is reported in **GSTR-2A/2B** and **GSTR-3B**.

##### 4. Reconciliation with Books:

- Match the imported goods in financial records with the quantities declared in customs documents.

##### 5. E-Way Bill Compliance:

- Ensure e-way bills are generated for the movement of imported goods to the final destination within India.

#### ● For Exported Goods

##### 1. Verify Export Documentation:

- **Shipping Bill:** Confirm details such as consignee location (outside India), quantity, and value.
- **Export Invoice:** Check compliance with Rule 46 of CGST Rules and zero-rated supply declaration.
- **Letter of Undertaking (LUT) or Bond:** Verify LUT/Bond filing for exports without payment of IGST.

## 2. Zero-Rated Supply Compliance:

- Ensure exports are classified as zero-rated supplies under Section 16 of the IGST Act.
- Validate whether IGST was paid (if applicable) and a refund claim was filed.

## 3. Reconciliation with Books and Returns:

- Match export invoices with details filed in **GSTR-1** (Table 6A) and customs data.
- Verify that refunds for IGST paid on exports are claimed through **Form RFD-01**.

## 4. Foreign Exchange Realization:

- Check receipt of payment in convertible foreign exchange or Indian rupees (as allowed).
- Ensure compliance with the **FEMA Act** and RBI regulations.

## 5. Examine Export Incentives:

- Verify benefits like MEIS/SEIS or duty drawback schemes and ensure proper accounting.

### Key Audit Points for Section 11 Compliance

Checklist Item	For Imports	For Exports
1. Place of Supply	Location of the importer as per Bill of Entry.	Location outside India where goods are delivered.
2. Tax Applicability	IGST paid as part of customs duty under Section 3(7) of Customs Tariff Act.	Zero-rated supply under Section 16 of IGST Act.
3. GST Documentation	Bill of Entry, import invoice, e-way bills.	Shipping bill, export invoice, LUT/Bond.
4. Refund Claims	Not applicable.	Ensure refunds are filed for IGST paid or unutilized ITC.
5. Reconciliation	Match Bill of Entry with books and GSTR-3B.	Match export invoices with GSTR-1, shipping bills, and financial records.
6. Foreign Exchange Compliance	Not applicable.	Verify payment realization in foreign exchange or Indian rupees as per RBI norms.

### Common Errors to Watch For

#### 1. For Imports:

- Non-payment or delayed payment of IGST under customs duty.
- Incorrect ITC claims for IGST paid on imported goods.
- Mismatch between import invoices and Bill of Entry details in GST returns.



## 2. For Exports:

- Failure to classify exports as zero-rated supplies.
- Non-filing or errors in LUT/Bond for exports without IGST payment.
- Mismatches between export details in GSTR-1 and customs data.
- Delayed or incorrect IGST refund claims.

## Reporting in GST Returns

### 1. For Imports:

- IGST paid at the time of import must be reflected in GSTR-3B under **ITC (Integrated Tax)**.
- Reconcile ITC claims with GSTR-2A/2B.

### 2. For Exports:

- Report zero-rated supplies in **Table 6A of GSTR-1**.
- Claim IGST refunds (if applicable) or adjust unutilized ITC through **RFD-01**.

## Documentation to Verify

### 1. For Imports:

- Bill of Entry.
- Import invoices and transport documents.
- E-Way bills for movement within India.
- GST returns (GSTR-3B and GSTR-2A/2B).

### 2. For Exports:

- Shipping bills and export invoices.
- LUT/Bond documentation.
- Refund application (RFD-01) and refund acknowledgment.
- Foreign exchange realization certificates.

## Legal References and Notifications

- **Section 11 of IGST Act:** Place of supply for goods imported into or exported from India.
- **Section 16 of IGST Act:** Zero-rated supplies for exports.

- **Section 3(7) of Customs Tariff Act:** Levy of IGST on imported goods.
- **Rule 46 of CGST Rules:** Tax invoice requirements.
- **FEMA Act and RBI Guidelines:** Foreign exchange compliance for exports.

### Summary Table for Section 11 Audit

Step	Checklist Points	For Imports	For Exports
1. Place of Supply	Verify importer location and consignee details.	Location of importer.	Location outside India.
2. GST Compliance	Check IGST paid on imports and ITC claims.	IGST under Customs Tariff Act.	Zero-rated under Section 16.
3. Refunds	Ensure no refund claims for imports.	Verify IGST refund or ITC refunds.	
4. Documentation	Verify shipping and customs documents.	Bill of Entry, Import Invoice.	Shipping Bill, LUT, Export Invoice.
5. Returns Filing	Reconcile with GSTR-3B and GSTR-2A/2B.	GSTR-3B.	GSTR-1, RFD-01.

### Conclusion

Section 11 ensures accurate determination of the **place of supply** for cross-border goods transactions. Auditors must review the import/export processes thoroughly, ensuring proper documentation, accurate GST returns, and timely compliance with customs and GST provisions. Using this checklist will help maintain compliance and mitigate risks of errors or penalties.

### Place of supply of services where location of supplier and recipient is in India

**Section 12 of the IGST Act, 2017**, governs the determination of the **place of supply of services** when both the supplier and the recipient are located in India. The place of supply determines whether the transaction attracts **CGST & SGST (intra-state)** or **IGST (inter-state)**.

Below is a detailed checklist for a departmental auditor to verify compliance with Section 12 provisions:

### General Verification Checklist for Section 12

- **Key Points to Identify**
- 1. **Location of Supplier:**
  - Verify the registered location of the supplier as per GST records.
- 2. **Location of Recipient:**
  - Verify the recipient's address mentioned in invoices, contracts, and GST records.



### 3. Nature of Service Provided:

- Identify whether the service is generic, performance-based, or location-specific.
- Cross-check with relevant sub-sections of Section 12.

### 4. Place of Supply:

- Ensure the place of supply is correctly determined based on the specific category of service.

#### ● Documentation to Review

##### 1. Contracts/Agreements:

- Review service agreements to understand the nature of service and delivery obligations.

##### 2. Tax Invoices:

- Ensure compliance with **Rule 46 of CGST Rules** regarding invoice details.

##### 3. GST Returns:

- Verify that the place of supply is correctly reflected in **GSTR-1** and **GSTR-3B**.

##### 4. Payment Records:

- Cross-check payment details with the location of the recipient and GST returns.

### Specific Scenarios Under Section 12

#### ● Services Directly Linked to Immovable Property (Section 12(3))

##### 1. Checklist:

- Verify if the service pertains to:
  - ✓ Construction, repairs, or maintenance of immovable property.
  - ✓ Real estate services.
  - ✓ Lodging accommodation, including hotel stays.
- Ensure the **place of supply** is the **location of the immovable property**.

##### 2. Examples:

- Hotel accommodation: Place of supply = Hotel location.
- Property construction services: Place of supply = Property location.

- **Restaurant, Catering, Personal Grooming, and Similar Services (Section 12(4))**

1. **Checklist:**

- Verify if the service involves activities such as dining, beauty treatment, or fitness.
- Ensure the **place of supply** is the **location where the services are actually performed**.

2. **Examples:**

- Restaurant dining: Place of supply = Location of the restaurant.

- **Training and Performance-Based Services (Section 12(5))**

1. **Checklist:**

- Identify the nature of service:
  - ✓ For **registered recipients**: Place of supply = Recipient's registered location.
  - ✓ For **unregistered recipients**: Place of supply = Location where the service is performed.

2. **Examples:**

- Training services for a registered company: Place of supply = Company's GST registration location.
- Personal skill training for an individual: Place of supply = Training location.

- **Admission to Events (Section 12(6))**

1. **Checklist:**

- Confirm if the service pertains to admission to cultural, sporting, or entertainment events.
- Ensure the **place of supply** is the **location where the event is held**.

2. **Examples:**

- Tickets for a concert: Place of supply = Venue of the concert.

- **E. Event Organization and Ancillary Services (Section 12(7))**

1. **Checklist:**

- For **registered recipients**: Place of supply = Recipient's registered location.
- For **unregistered recipients**: Place of supply = Location where the event is held.

2. **Examples:**

- Corporate event management for a registered company: Place of supply = Client's GST registration location.



- **Transportation of Goods (Section 12(8))**

1. **Checklist:**

- For **registered recipients**: Place of supply = Recipient's registered location.
- For **unregistered recipients**: Place of supply = Goods handover location.

2. **Examples:**

- Logistics services for a registered business: Place of supply = Business's registered location.

- **Passenger Transportation Services (Section 12(9))**

1. **Checklist:**

- Ensure the **place of supply** is the location where the passenger embarks on the journey.

2. **Examples:**

- Domestic flight: Place of supply = Boarding airport location.

- **Telecom, Internet, and Cable Services (Section 12(11))**

1. **Checklist:**

- For fixed-line connections: Place of supply = Installation location.
- For mobile and DTH services: Place of supply = Billing address of the recipient.

2. **Examples:**

- Internet service for a household: Place of supply = Installation address.

- **Banking, Financial, and Insurance Services (Section 12(12))**

1. **Checklist:**

- Ensure the **place of supply** is the recipient's registered location for registered entities.
- For unregistered recipients: Place of supply = Location of the service provider.

2. **Examples:**

- Loan services for a registered company: Place of supply = Borrower's GST registration location.

### ***Common Errors to Watch For***

1. Incorrect determination of place of supply for performance-based or event-related services.
2. Failure to differentiate between registered and unregistered recipients.



3. Misclassification of services under incorrect sub-sections of Section 12.
4. Incorrect reporting in GST returns, leading to inter-state vs. intra-state tax misapplications.

### Reporting and Reconciliation

Step	Checklist Points	Relevant Returns
1. Invoice Compliance	Ensure invoices reflect correct place of supply based on Section 12 provisions.	GSTR-1
2. GST Rate Application	Verify IGST or CGST/SGST is applied based on place of supply determination.	GSTR-3B
3. Documentation Review	Cross-check contracts, invoices, and GST returns for consistency.	Rule 46 of CGST Rules

### Legal References and Notifications

- **Section 12 of IGST Act:** Place of supply for services within India.
- **Rule 46 of CGST Rules:** Tax invoice requirements.
- **Relevant Notifications:** Check rate notifications for applicable GST rates.

### Summary Table for Section 12 Compliance

Scenario	Place of Supply	Reference
Immovable property services	Location of the property.	Section 12(3)
Restaurant and catering	Location where services are performed.	Section 12(4)
Training and performance	Registered recipient: Recipient's location; Unregistered: Service location.	Section 12(5)
Admission to events	Location where the event is held.	Section 12(6)
Event organization	Registered recipient: Recipient's location; Unregistered: Event location.	Section 12(7)
Goods transportation	Registered recipient: Recipient's location; Unregistered: Goods handover location.	Section 12(8)
Passenger transportation	Location where the journey begins.	Section 12(9)
Telecom and internet services	Fixed-line: Installation location; Mobile/DTH: Billing address.	Section 12(11)
Banking and insurance	Registered recipient: Recipient's location; Unregistered: Provider's location.	Section 12(12)



## Conclusion

This detailed checklist ensures compliance with **Section 12 of the IGST Act**, helping auditors verify the accurate determination of the **place of supply** for services within India. Proper classification, documentation, and reconciliation are essential to avoid errors in GST returns and ensure correct tax liability.

**Place of supply of services where location of supplier or location of recipient is outside India.**

**Section 13 of the IGST Act, 2017**, applies to the determination of the **place of supply of services** when either the location of the supplier or the location of the recipient is **outside India**. Accurate determination of the place of supply is crucial for identifying whether the transaction qualifies as **export of services** (zero-rated supply) or attracts IGST.

Below is a detailed checklist for a departmental auditor to verify compliance under Section 13.

### General Verification Checklist for Section 13

- **Key Points to Identify**

1. **Location of Supplier and Recipient:**

- Verify the registered location of the supplier and the recipient.
- Confirm if one party is located outside India.

2. **Nature of Service Provided:**

- Determine the specific category of service (generic, performance-based, location-specific, or special scenarios).

3. **Place of Supply:**

- Ensure the place of supply is correctly determined based on the applicable sub-sections of Section 13.

- **Documentation to Review**

1. **Contracts/Agreements:**

- Examine the terms of the service agreements to understand delivery obligations and payment terms.

2. **Tax Invoices:**

- Ensure compliance with **Rule 46 of CGST Rules**, including details of the place of supply.

### 3. Foreign Exchange Realization:

- Verify receipt of payment in convertible foreign exchange as per **RBI guidelines**.

### 4. GST Returns:

- Confirm the proper classification and reporting in **GSTR-1 (Table 6A for exports)** and **GSTR-3B**.

## Specific Scenarios Under Section 13

### • Default Rule (Section 13(2))

#### 1. Checklist:

- For services not covered by specific rules in Section 13(3) to Section 13(13), the place of supply is the **location of the recipient**.
- If the recipient's location is not available, verify that the place of supply is determined as the **location of the supplier**.

### • Services Linked to Immovable Property (Section 13(4))

#### 1. Checklist:

- Verify if the service pertains to:
  - ✓ Construction, maintenance, or repairs of immovable property.
  - ✓ Accommodation services in hotels or lodges.
- Ensure the **place of supply** is the **location of the immovable property** (outside India).

#### 2. Examples:

- Property maintenance services for a recipient in Dubai: Place of supply = Location of the property (Dubai).

### • Services Related to Events (Section 13(5))

#### 1. Checklist:

- Confirm if the service involves organizing cultural, sporting, scientific, or educational events.
- Ensure the **place of supply** is the **location where the event is held**.

#### 2. Examples:

- Organizing a conference in Singapore: Place of supply = Event location (Singapore).



- **Performance-Based Services (Section 13(3)(a))**

1. **Checklist:**

- Identify if the service requires physical performance (e.g., personal services, technical services).
- Ensure the **place of supply** is the **location where the service is performed**.

2. **Examples:**

- A photography session conducted in the USA: Place of supply = USA.

- **Online Information and Database Access Retrieval Services (OIDAR) (Section 13(12))**

1. **Checklist:**

- Verify if the service is OIDAR (e.g., digital content, subscription services).
- Ensure the **place of supply** is the **location of the recipient**.

2. **Examples:**

- A streaming subscription for a customer in Germany: Place of supply = Germany.

- **Transportation of Goods (Section 13(9))**

1. **Checklist:**

- Verify that the **place of supply** is the destination of the goods.

2. **Examples:**

- Shipping goods to Australia: Place of supply = Destination (Australia).

- **Passenger Transportation Services (Section 13(10))**

1. **Checklist:**

- Ensure the **place of supply** is the **place where the passenger embarks on the journey**.

2. **Examples:**

- A flight ticket for travel starting in India: Place of supply = India.

- **Banking, Financial, and Insurance Services (Section 13(8))**

1. **Checklist:**

- Ensure the **place of supply** is the **location of the supplier of services**.

2. **Examples:**

- Insurance services provided by an Indian insurer to a recipient in the USA: Place of supply = India.

### Common Errors to Watch For

#### 1. Incorrect Place of Supply Determination:

- Misclassifying generic services as specific scenarios under Section 13(3) to Section 13(13).

#### 2. Foreign Exchange Realization:

- Failure to verify payments received in convertible foreign exchange for export of services.

#### 3. Reporting Errors in GST Returns:

- Omission or misreporting of zero-rated supplies in GSTR-1 (Table 6A).

#### 4. Misclassification of OIDAR Services:

- Treating OIDAR services as general services and vice versa.

### Reporting and Reconciliation

Step	Checklist Points	Relevant Returns
1. Invoice Compliance	Ensure invoices reflect correct place of supply and zero-rated classification.	GSTR-1 (Table 6A)
2. GST Rate Application	Verify IGST or zero-rated supply treatment is applied based on place of supply.	GSTR-3B
3. Documentation Review	Cross-check contracts, invoices, and foreign exchange receipts.	Rule 46 of CGST Rules

### Legal References and Notifications

- **Section 13 of IGST Act:** Place of supply for services with cross-border elements.
- **Section 16 of IGST Act:** Zero-rated supplies.
- **Rule 46 of CGST Rules:** Tax invoice requirements.
- **RBI Guidelines:** Foreign exchange compliance.

### Summary Table for Section 13 Compliance

Scenario	Place of Supply	Reference
Default Rule	Location of recipient; if unavailable, location of supplier.	Section 13(2)
Immovable property services	Location of the property (outside India).	Section 13(4)
Event-related services	Location where the event is held.	Section 13(5)
Performance-based services	Location where the service is performed.	Section 13(3)(a)



Scenario	Place of Supply	Reference
OIDAR Services	Location of the recipient.	Section 13(12)
Goods transportation	Destination of the goods.	Section 13(9)
Passenger transportation	Place of embarkation for the journey.	Section 13(10)
Banking and financial services	Location of the supplier of services.	Section 13(8)

## Conclusion

Section 13 ensures proper determination of the **place of supply** for cross-border services, critical for export classification, IGST applicability, and compliance with GST laws. Auditors must verify documentation, contractual terms, and GST filings to ensure accurate determination and reporting. Regular reconciliations with foreign exchange receipts and robust documentation practices are essential to avoid disputes or penalties.

## Special Provisions for Payment of Tax by a Supplier of OIDAR Services

**Online Information and Database Access or Retrieval Services (OIDAR)** refers to services delivered over the internet or an electronic network, requiring minimal human intervention. Examples include e-books, online gaming, cloud services, and subscription-based digital platforms. The **special provisions** for payment of tax by suppliers of OIDAR services are governed by **Section 14 of the IGST Act, 2017** and related rules.

Below is a detailed explanation and checklist for compliance.

## Key Characteristics of OIDAR Services

### Definition of OIDAR Services (Section 2(17) of IGST Act)

OIDAR services include:

- Advertising on the internet.
- Providing cloud services.
- Downloadable software, images, music, e-books, and games.
- Online data storage and retrieval.
- Access to databases or subscription-based content like e-journals.

### Features of OIDAR Services

1. Delivered over the internet or an electronic network.
2. Involves minimal human intervention.
3. Delivered automatically upon activation or subscription.

### Tax Liability and Applicability

#### 1. Inter-State Supply:

- OIDAR services supplied to recipients in India are treated as inter-state supplies and attract IGST.

#### 2. Unregistered Recipients:

- If the recipient is **unregistered**, the supplier is responsible for paying tax in India.

#### 3. Taxable Recipient:

- A recipient is deemed taxable if they are:
  - ✓ Located in India.
  - ✓ Using the service for purposes other than commerce, industry, or business.

#### 4. Supplier Outside India:

- Foreign suppliers of OIDAR services to Indian recipients must register under GST and pay IGST.

### Registration Requirements for OIDAR Suppliers

#### 1. Compulsory Registration:

- Foreign suppliers providing OIDAR services to unregistered persons in India must obtain GST registration under **Rule 14 of the CGST Rules**.
- No threshold exemption applies.

#### 2. Simplified Registration Process:

- Registration is facilitated through a special online application for non-resident OIDAR suppliers.

### Mechanism for Payment of Tax

#### Payment by the Supplier

1. Foreign suppliers of OIDAR services must pay IGST on services supplied to unregistered persons in India.
2. **Tax Calculation:**
  - Tax is calculated based on the applicable IGST rate for the service category.



### Reverse Charge Mechanism (RCM)

1. If the recipient is registered under GST, the recipient is liable to pay tax under **RCM**.
2. Ensure compliance with reverse charge provisions for B2B transactions.

### Determination of Location of the Recipient

#### Key Rules

To determine the location of the recipient, consider:

1. **Billing Address:**
  - Verify if the billing address of the recipient is in India.
2. **IP Address:**
  - Confirm if the recipient's IP address indicates usage in India.
3. **Banking Information:**
  - Check if payment is made using a credit/debit card issued in India.
4. **SIM Card:**
  - Verify if services are accessed using an Indian SIM card.

#### ● Multiple Verification Points

Ensure at least two of the above factors establish that the recipient is located in India.

### Reporting and Documentation

#### Reporting in GST Returns

1. **GSTR-5A:**
  - Foreign OIDAR suppliers must file **GSTR-5A** for reporting their supplies and tax liability in India.
  - Ensure timely and accurate filing on a monthly basis.

#### Maintenance of Records

1. Contracts/Invoices:
  - Maintain proper records of agreements and invoices.
2. Transaction Details:
  - Ensure transaction-level data includes recipient location and mode of payment.



## Exemptions and Special Cases

### 1. Non-Business Usage:

- Supplies made for non-business purposes to unregistered recipients in India are taxable under OIDAR provisions.

### 2. Business Usage:

- If the recipient is registered and uses the service for business purposes, the supplier is not liable for GST. Instead, the recipient must pay GST under RCM.

## Checklist for Department Auditors

Step	Key Points to Verify	Reference
1. Registration	Verify that the foreign OIDAR supplier is registered under GST (if applicable).	Rule 14 of CGST Rules
2. Recipient Location	Check billing address, IP address, and payment mode to establish recipient location.	Section 14 of IGST Act
3. Tax Liability	Ensure IGST is paid for supplies to unregistered recipients in India.	Section 14 of IGST Act
4. GSTR-5A Filing	Confirm timely filing of GSTR-5A with accurate details.	Rule 63 of CGST Rules
5. Reverse Charge Compliance	Verify RCM compliance for supplies to registered recipients in India.	Section 9(3) of CGST Act
6. Documentation	Ensure invoices, contracts, and transaction records are maintained.	GST Rules

## Common Errors to Watch For

### 1. Non-Registration by Foreign Suppliers:

- Failure of foreign OIDAR suppliers to register under GST for supplies to unregistered recipients in India.

### 2. Incorrect Tax Reporting:

- Misreporting or omission of OIDAR supplies in GSTR-5A.

### 3. RCM Non-Compliance:

- Errors in reverse charge payments by registered recipients for OIDAR services.

### 4. Misclassification of Services:

- Treating OIDAR services as generic electronic or digital services, leading to incorrect tax application.



### Legal Provisions and References

1. **Section 14 of IGST Act:** Special provisions for payment of tax on OIDAR services.
2. **Rule 14 of CGST Rules:** Registration requirements for OIDAR suppliers.
3. **Rule 63 of CGST Rules:** Filing of GSTR-5A by foreign OIDAR suppliers.
4. **RBI Guidelines:** Compliance for foreign exchange realization in cross-border services.

### Conclusion

OIDAR services are a significant segment under GST, especially with the growth of digital and online services. The **special provisions under Section 14** ensure that foreign suppliers are taxed appropriately for their supplies to unregistered recipients in India. Department auditors must focus on registration compliance, accurate determination of the place of supply, proper reporting in GSTR-5A, and adherence to reverse charge provisions for registered recipients. A robust documentation and reconciliation process is essential to ensure compliance and avoid disputes.

### Section 14A: Special Provision for Specified Actionable Claims Supplied by a Person Located Outside Taxable Territory

**Section 14A** of the IGST Act, 2017, deals with the **taxability of specified actionable claims** supplied by a person located outside the taxable territory to a recipient in India. This section ensures that actionable claims (such as online gaming, betting, or lottery) originating from outside India are subject to GST, ensuring parity in taxation.

Below is a detailed overview and checklist for compliance with Section 14A:

#### Key Features of Section 14A

##### Applicability

1. **Specified Actionable Claims:**
  - Includes actionable claims such as **lottery, betting, and gambling**.
  - Applies to supplies made electronically or otherwise.
2. **Supplier Located Outside India:**
  - The supplier is located in a non-taxable territory.
3. **Recipient in India:**
  - The recipient is located in the taxable territory of India, whether registered or unregistered under GST.

## Tax Liability

### 1. **IGST Applicability:**

- The supply is treated as an inter-state supply, and **IGST** is applicable.

### 2. **Reverse Charge Mechanism (RCM):**

- If the recipient is registered under GST, they are liable to pay tax under **RCM**.

### 3. **Direct Tax Liability for Suppliers:**

- For unregistered recipients, the supplier located outside India is required to pay GST directly.

## Taxability Criteria

### 1. **Actionable Claims Definition:**

- Defined under **Section 2(1)** of the CGST Act, actionable claims include rights enforceable by legal action but exclude money, securities, and other specific claims.

### 2. **Specified Actionable Claims:**

- Includes lottery tickets, online gaming credits, betting pools, and gambling stakes.

### 3. **Transaction Scope:**

- Encompasses electronic supplies, gaming platforms, and cross-border lottery schemes.

## Registration Requirements

### 1. **Foreign Suppliers:**

- Suppliers located outside India providing actionable claims to unregistered recipients in India must obtain GST registration.
- No threshold exemption applies.

### 2. **Simplified Registration:**

- Non-resident suppliers can register under the **special simplified registration process**.

## Filing Requirements

### 1. **GSTR-5A:**

- Foreign suppliers must file **GSTR-5A** to report supplies and tax liability.

### 2. **Reverse Charge Reporting:**

- For registered recipients, the tax is reported under **RCM** in GSTR-3B.



### Compliance Checklist for Section 14A

Step	Checklist Points	Reference
1. Registration	Ensure the foreign supplier is registered under GST for supplying actionable claims in India.	Rule 14 of CGST Rules
2. Recipient Classification	Determine whether the recipient is registered or unregistered under GST.	GST Records
3. Tax Liability Determination	Verify if IGST is paid under RCM for registered recipients or directly by the foreign supplier.	Section 14A of IGST Act
4. GSTR-5A Filing	Confirm that the foreign supplier has filed GSTR-5A for supplies to unregistered recipients.	Rule 63 of CGST Rules
5. Documentation	Verify invoices, payment records, and platform usage data for actionable claims supplied.	GST Rules
6. Reverse Charge Compliance	Ensure registered recipients report RCM liability accurately in GSTR-3B.	Section 9(3) of CGST Act

### Determination of Place of Supply

#### 1. Default Rule:

- Place of supply for specified actionable claims is the **location of the recipient** in India.

#### 2. Verification Parameters:

- Billing address.
- IP address or location of access to the platform.
- Payment method (e.g., Indian credit/debit card).

### Reporting and Reconciliation

Scenario	Supplier's Responsibility	Recipient's Responsibility
Supply to Unregistered Recipient	Foreign supplier must pay IGST and file GSTR-5A.	No responsibility for the recipient.
Supply to Registered Recipient	Recipient must pay IGST under RCM and report in GSTR-3B.	Supplier does not need to pay GST directly.

### Common Errors to Watch For

#### 1. Non-Registration by Foreign Suppliers:

- Failure of foreign suppliers to register under GST for actionable claims supplied to unregistered recipients.

## 2. Improper Tax Reporting:

- Errors in reporting actionable claims in GSTR-5A or GSTR-3B under RCM.

## 3. Misclassification of Supplies:

- Treating specified actionable claims as generic services or vice versa.

## 4. Recipient Misreporting:

- Non-compliance by registered recipients in reporting RCM liability.

### Legal Provisions and References

- **Section 14A of IGST Act:** Special provisions for specified actionable claims.
- **Section 2(1) of CGST Act:** Definition of actionable claims.
- **Rule 14 of CGST Rules:** Registration requirements for non-resident suppliers.
- **Rule 63 of CGST Rules:** Filing of GSTR-5A by foreign suppliers.

### Summary Table for Section 14A Compliance

Step	Key Points	Reference
Registration	Foreign supplier must register for GST if supplying actionable claims to India.	Rule 14 of CGST Rules
Recipient Classification	Identify whether recipient is registered or unregistered.	GST Records
Tax Payment Mechanism	IGST paid by supplier (unregistered recipients) or RCM (registered recipients).	Section 14A
Filing Requirements	GSTR-5A for suppliers; RCM reporting in GSTR-3B for registered recipients.	Rule 63 of CGST Rules
Documentation	Maintain contracts, invoices, and payment records for taxable supplies.	GST Rules

### Conclusion

Section 14A ensures that actionable claims such as lottery, betting, and gambling are appropriately taxed when supplied by foreign entities to Indian recipients. Auditors must verify supplier registration, place of supply determination, and accurate tax reporting under RCM or GSTR-5A to ensure compliance. Proper documentation, regular reconciliations, and cross-border transaction reviews are essential to avoid non-compliance and disputes.

### Valuation

Valuation under GST is governed by **Section 15 of the CGST Act, 2017**, and the associated rules provide guidelines for determining the value of supply for tax purposes. The department audit of



valuation involves verifying whether the taxable value has been correctly determined in compliance with the law.

Below is a detailed checklist to ensure that the valuation of supplies meets statutory requirements:

### General Compliance for Valuation

#### 1. Transaction Value as Basis:

- Confirm that the value of supply is the **transaction value**, i.e., the price actually paid or payable for the supply, provided:
  - ✓ The supplier and recipient are not related.
  - ✓ Price is the sole consideration.

#### 2. Invoice Consistency:

- Verify that the taxable value mentioned in the invoice matches the transaction value.

#### 3. Place of Supply Impact:

- Ensure the correct application of IGST or CGST/SGST based on the place of supply.

### Inclusions in Valuation (Section 15(2))

Verify if the following elements are included in the taxable value:

Item	Checklist Points
Taxes/Duties	Check if all taxes (other than GST) are included (e.g., customs duty).
Incidental Expenses	Ensure expenses such as packing, transportation, and insurance are added, if charged separately.
Subsidies Linked to Supply	Confirm that subsidies (excluding government subsidies) are included in the value.
Interest, Late Fee, or Penalty	Verify inclusion of interest or penalties charged for delayed payments.

### Exclusions in Valuation (Section 15(3))

#### 1. Discounts:

- Verify whether discounts are excluded from taxable value only if:
  - ✓ It is given **before or at the time of supply** and is duly recorded in the invoice.
  - ✓ It is given **after supply**, but there is a pre-agreement, and the recipient reverses ITC proportionately.



### Special Valuation Cases

#### 1. Transactions Between Related Parties or Distinct Persons (Rule 28):

- Ensure the value of supply is based on:
  - ✓ **Open Market Value (OMV)**, if available.
  - ✓ **110% of the cost** if OMV is unavailable and ITC is not fully claimable.

#### 2. Supplies Involving Agents (Rule 29):

- Verify the valuation for agent transactions as:
  - ✓ OMV of goods/services, or
  - ✓ 90% of the price charged by the agent to the recipient, if available.

#### 3. Pure Money Transactions:

- Confirm that money-related transactions (e.g., deposits) are not taxed unless they qualify as consideration.

### Valuation of Specific Transactions

#### • Free Samples and Gifts

- Ensure the value of free samples provided without consideration is calculated based on **Rule 27** (best judgment method).

#### • Mixed and Composite Supplies

- Verify that the valuation is determined based on:
  - ✓ **Principal Supply** for composite supplies.
  - ✓ **Highest Tax Rate** for mixed supplies.

#### • Exchange/Barter Transactions

- Ensure the valuation is determined based on OMV of goods/services received or supplied.

#### • Supplies Including Goods Transported by Sea

- Confirm that import transactions include **freight** and **insurance costs** as per the CIF method.

### Adjustments and ITC Reversals

#### 1. Post-Supply Discounts:

- Verify whether ITC has been reversed proportionately by the recipient when a post-supply discount is claimed.



## **2. Refunds and Adjustments:**

- Ensure proper documentation for any credit/debit notes issued to adjust taxable value.

### **Documentation to Review**

#### **1. Tax Invoices:**

- Cross-check the taxable value with transaction value.
- Ensure compliance with **Rule 46 of CGST Rules**.

#### **2. Contracts/Agreements:**

- Review agreements for conditions affecting valuation, including pre-supply and post-supply terms.

#### **3. Pricing Policies:**

- Verify that related party pricing aligns with transfer pricing rules or valuation methods under Rule 28.

#### **4. Records of Discounts:**

- Ensure proper documentation of pre-agreed discounts to justify exclusions from taxable value.

#### **5. Banking Records:**

- Reconcile payment receipts with invoices to ensure consistency in transaction value.

### **Common Errors to Watch For**

#### **1. Omission of Inclusions:**

- Excluding incidental charges, subsidies, or late fees from taxable value.

#### **2. Incorrect Discounts:**

- Excluding discounts that do not meet pre-agreement or ITC reversal requirements.

#### **3. Misclassification of Supplies:**

- Incorrectly applying valuation rules for related party or mixed/composite supplies.

#### **4. Under-Valuation:**

- Reporting lower transaction value in cases involving barter or related party supplies.



## Reporting in GST Returns

Form	Purpose
GSTR-1	Ensure accurate reporting of taxable value in outward supplies.
GSTR-3B	Verify that the taxable value matches the transaction value in financial records.
GSTR-9	Ensure consistency in annual return reconciliation.

## Legal Provisions and References

- **Section 15 of CGST Act:** Valuation rules.
- **Rule 27 to Rule 35 of CGST Rules:** Methods for valuation.
- **Circulars and Notifications:** Check for applicable updates or clarifications.

## Summary Table for Valuation Audit

Scenario	Checklist Points	Reference
General Valuation	Ensure transaction value is used as taxable value if conditions are met.	Section 15(1)
Inclusions in Valuation	Taxes, incidental expenses, subsidies, and late fees are included.	Section 15(2)
Discount Exclusions	Verify compliance with conditions for pre- and post-supply discounts.	Section 15(3)
Related Party Transactions	Apply OMV or 110% of cost if ITC is not fully claimable.	Rule 28
Free Samples	Ensure valuation under Rule 27 is followed.	Rule 27
Documentation	Tax invoices, agreements, pricing policies, and payment records align with valuation.	GST Rules

## Conclusion

Auditing valuation under GST ensures proper determination of taxable value and prevents revenue leakage. The department auditor must focus on inclusions/exclusions, valuation for special cases, documentation, and reconciliation of taxable values in GST returns. A systematic approach using this checklist will ensure compliance and minimize disputes.

## Input Tax Credit

### Introduction to Section 16 of the CGST Act, 2017

Section 16 of the CGST Act, 2017, provides the framework for availing Input Tax Credit (ITC) by registered persons. ITC is the backbone of the GST system, enabling seamless flow of credit through the supply chain and eliminating the cascading effect of taxes. It lays down the eligibility criteria, conditions, and restrictions for claiming ITC, ensuring compliance with GST provisions.



## Mandatory Conditions for Availing ITC (Section 16(2))

### Possession of Documents

1. Ensure the taxpayer possesses:
  - **Tax Invoice/Debit Note** compliant with **Rule 46**.
  - **Bill of Entry** for imported goods.
  - **ISD Invoice** for distributed ITC.
2. Verify compliance with Circular **171/03/2022** for proper filing of details in GSTR-3B and GSTR-1.

### Receipt of Goods or Services

1. Confirm physical receipt of goods/services through:
  - Delivery challans or goods receipt notes (GRN).
  - Evidence of receipt for supplies in installments (ITC claimable after the last lot).

### Tax Payment by Supplier

1. Ensure supplier compliance through:
  - Matching ITC claimed in **GSTR-3B** with invoices in **GSTR-2A/2B**.
  - Supplier payment reflected in the GST portal.

### Filing of Returns

1. Ensure that:
  - ITC is claimed in GSTR-3B of the relevant period.
  - Taxpayer has filed GSTR-1, 3B, and annual returns (GSTR-9).

## Time Limits for ITC Claims (Section 16(4))

### 1. Claim Deadline:

- Ensure ITC is claimed by the earlier of the following:
  - ✓ Due date of GSTR-3B for September of the following FY.
  - ✓ Date of filing of GSTR-9.

### 2. Late ITC Claims:

- Identify and reverse ITC claimed beyond the permissible timeline as per **Circular 211/5/2024**.

### Reversal of ITC for Non-Payment to Suppliers (Proviso to Section 16(2) & Rule 37)

#### 1. 180-Day Rule:

- Verify reversal of ITC if the supplier is not paid (including tax) within 180 days.

#### 2. Subsequent Re-Claim:

- Check if ITC is re-claimed after payment to the supplier is made.

#### 3. Supporting Records:

- Examine bank statements and ledger entries to validate payment timelines.

### ITC on Specific Scenarios

#### Capital Goods

1. Confirm ITC claims on capital goods are used exclusively for taxable supplies.
2. Ensure proportionate reversal for goods used partially for exempt supplies as per **Rule 43**.

#### Job Work (Section 19 & Rule 45)

1. Verify the return of inputs/capital goods sent for job work within:
  - 1 year (inputs).
  - 3 years (capital goods).
2. Cross-check job work records with ITC claims.

#### Reverse Charge Mechanism (RCM)

1. Ensure ITC on RCM is claimed only after payment of tax under RCM by the recipient.

### Verification of ITC with GST Returns

#### Reconciliation

1. Match ITC claimed in GSTR-3B with:
  - Supplier-declared invoices in **GSTR-1**.
  - Auto-populated data in **GSTR-2A/2B**.

#### Mismatch Handling

1. Investigate discrepancies in ITC claims and take corrective action as per Rule 36(4).

### Blocked Credits (Section 17(5))

1. Ensure ITC is **not claimed** for:
  - Motor vehicles (except when allowed).



- Goods/services for personal use.
- Works contracts (except specified purposes).
- Membership fees for clubs, gyms, etc.

### Documentation to Verify

Document	Purpose
Tax Invoice/Debit Note	Compliance with Rule 46; verifies GST details and eligibility of ITC.
GSTR-2A/2B	Matching ITC with supplier declarations.
Payment Records	Ensures payment to suppliers within 180 days.
Job Work Records	Verifies the return of goods sent to job workers within the prescribed time.
Capital Goods Register	Tracks ITC usage for capital goods and compliance with reversal rules.

### Relevant Circulars and Rules

Circular/Rule	Key Points
Circular 211/5/2024	Clarifies the time limit under Section 16(4) for claiming ITC.
Circular 171/03/2022	Mandates correct filing of inter-state supplies and ineligible ITC in GSTR-3B and GSTR-1.
Rule 36(4)	Restricts ITC on unmatched invoices beyond the permissible limit.
Rule 37	Requires reversal of ITC if supplier payment is not made within 180 days.

### Common Errors to Watch For

#### 1. Ineligible ITC Claimed:

- ITC on blocked credits, non-business usage, or exempt supplies.

#### 2. Mismatch with GSTR-2A/2B:

- Ensure all discrepancies are reconciled and necessary corrections are made.

#### 3. Delayed Claims:

- Identify ITC claims made after the statutory deadlines.

#### 4. Non-Reversal:

- Ensure ITC is reversed for non-payment to suppliers or other specified cases.

### Reporting in Audit

Return/Form	Verification Focus
GSTR-3B	Verify ITC claimed and reversals.
GSTR-9/9C	Reconcile ITC claims with annual returns and audited financial statements.

### Important Sections and Rules Related to ITC under Section 16

The following table provides a consolidated list of the most relevant sections and rules under GST for verifying ITC compliance under Section 16:

Section/Rule	Key Provisions	Purpose for Audit
Section 16(1)	ITC eligibility based on usage for taxable or zero-rated supplies.	Ensure ITC is claimed only for eligible supplies and not for exempt or non-business purposes.
Section 16(2)	Mandatory conditions for ITC: possession of documents, receipt of goods/services, payment to supplier, and returns filing.	Verify compliance with all conditions before allowing ITC claims.
Section 16(3)	Prohibits ITC on goods/services where tax is paid under the composition scheme.	Ensure no ITC is claimed by taxpayers under the composition scheme.
Section 16(4)	Time limit for ITC claims: due date for GSTR-3B for September of the next FY or GSTR-9, whichever is earlier.	Identify ITC claimed beyond the statutory deadline for reversal.
Proviso to Section 16(2)	ITC reversal if payment to supplier (including tax) is not made within 180 days.	Verify that ITC is reversed for non-payment and subsequently re-claimed after settlement.
Section 17(5)	Blocked credits: specifies items ineligible for ITC (e.g., personal use, motor vehicles, works contracts).	Check for ITC wrongly claimed on ineligible goods/services.
Rule 36	Specifies conditions for availing ITC, including mandatory documentation and matching with GSTR-2A/2B.	Ensure ITC is backed by valid invoices, and unmatched invoices comply with Rule 36(4) limits.
Rule 37	Reversal of ITC for non-payment to suppliers within 180 days from invoice date.	Verify payment records and compliance with the 180-day rule.
Rule 42	Apportionment and reversal of ITC for goods/services used for both taxable and exempt supplies.	Ensure accurate reversal of ITC based on exempt turnover.
Rule 43	Reversal of ITC on capital goods used for both taxable and exempt supplies.	Verify proportionate ITC reversal for capital goods used in mixed supplies.



Section/Rule	Key Provisions	Purpose for Audit
Rule 45	ITC provisions for goods sent to job work, including return timelines.	Ensure compliance with timelines for return of inputs/capital goods to claim ITC.
Circular 211/5/2024	Clarifies time limits and other compliance requirements for ITC claims.	Check compliance with the statutory deadlines and clarifications.
Circular 171/03/2022	Provides guidance on proper reporting of ITC in GSTR-3B and GSTR-1.	Ensure accurate reporting of eligible and ineligible ITC in GST returns.

### Conclusion

This checklist ensures department auditors can verify ITC claims systematically and effectively under **Section 16**. Compliance with rules, circulars, and proper reconciliation of ITC claims will ensure minimal errors and adherence to GST law.

### Blocked Credits

This comprehensive checklist provides department auditors with a structured approach to verifying ITC compliance under **Section 17 of the CGST Act, 2017**, its rules, and corresponding circulars.

### General Provisions of Section 17

Sub-Section	Provision	Purpose for Audit
Section 17(1)	ITC eligibility is restricted to the extent of usage for taxable or zero-rated supplies.	Verify that ITC is properly apportioned for common goods/services used for taxable and exempt supplies.
Section 17(2)	ITC is ineligible on goods/services used exclusively for exempt supplies.	Ensure ITC on exempt supplies is reversed.
Section 17(3)	Defines exempt supplies to include Schedule III activities and transactions (e.g., sale of land/securities).	Identify turnover considered as exempt for ITC reversals.
Section 17(4)	Special provision for banks, financial institutions, and NBFCs to claim 50% of eligible ITC.	Verify that 50% ITC restriction is applied correctly for eligible institutions.
Section 17(5)	Lists blocked credits, such as motor vehicles, goods/services for personal use, and works contracts.	Ensure blocked credits are not claimed as ITC.



## Detailed Checklist for Auditing ITC Compliance

### Apportionment of ITC for Common Goods and Services (Section 17(1) and 17(2))

#### 1. Identify Common ITC:

- Determine goods/services used for both taxable and exempt supplies.
- Segregate records into:
  - ✓ **Exclusive usage for taxable supplies (eligible ITC).**
  - ✓ **Exclusive usage for exempt supplies (ineligible ITC).**
  - ✓ **Common usage for taxable and exempt supplies** (subject to apportionment).

#### 2. Calculate Apportionment (Rule 42):

- Verify apportionment using the formula:  $D1 = T \times \frac{E}{F}$   $D1 = T \times \frac{E}{E+F}$   
Where:
  - ✓ TTT: Total ITC on common inputs/services.
  - ✓ EEE: Turnover of exempt supplies.
  - ✓ FFF: Total turnover (taxable + exempt).

#### 3. Monthly and Annual Reversals:

- Ensure monthly reversals are done.
- Check annual adjustments and reconciliations in **GSTR-9**.

#### 4. Examine Turnover Records:

- Validate taxable and exempt turnover figures reported in GST returns.

### Treatment of Exempt Supplies and Schedule III Activities (Section 17(3))

#### 1. Review Exempt Supplies:

- Identify exempt supplies such as:
  - ✓ Supply of health/education services.
  - ✓ Sale of land (Schedule III).
  - ✓ Sale of securities.

#### 2. Inclusion of Schedule III Activities:

- Confirm inclusion of Schedule III activities (e.g., sale of land, actionable claims) in exempt turnover for ITC reversal purposes.



### 3. Reversal of ITC:

- Check reversal of ITC for common inputs/services used for these supplies as per **Rule 42**.

### Special Provisions for Banking and Financial Institutions (Section 17(4) & Rule 38)

#### 1. 50% ITC Restriction:

- Ensure banks, financial institutions, and NBFCs claim only **50% of eligible ITC** on inputs and input services.

#### 2. Exclusions from 50% Rule:

- Verify full ITC is claimed for:
  - ✓ Services exclusively used for taxable supplies (e.g., audit, legal fees).
  - ✓ Services not used for exempt supplies.

#### 3. Reconciliation:

- Match financial records with GST returns for ITC claimed and restricted.

### Verification of Blocked Credits (Section 17(5))

Category	Details	Verification Points
Motor Vehicles	ITC not allowed unless used for transportation of goods, passengers, or training purposes.	Check the purpose of vehicle usage and validate against purchase invoices.
Works Contracts	ITC blocked unless used for plant/machinery installation or further supply of works contracts.	Verify if the works contract is directly linked to taxable outputs.
Personal Consumption	ITC disallowed for goods/services used for personal purposes.	Examine if purchases are exclusively business-related.
Membership Fees	ITC blocked for club, gym, or fitness memberships.	Review expense records for such services and ensure no ITC is claimed.
Goods Lost/Stolen/Destroyed	ITC blocked for goods lost, stolen, destroyed, or written off.	Cross-check inventory records and reconcile with write-off entries.
Free Samples/Gifts	ITC not allowed for goods given as free samples or gifts without consideration.	Ensure promotional expenses are excluded from ITC claims.



### ITC for Capital Goods (Rule 43)

#### 1. Proportionate Reversal:

- Check that ITC on capital goods used for both taxable and exempt supplies is reversed proportionately.

#### 2. Review Apportionment Formula:

- Ensure compliance with Rule 43 for reversal spread over **useful life (5 years)** of capital goods.

#### 3. Examine Capital Goods Register:

- Verify capital goods ITC entries against usage for taxable or exempt supplies.

### Documentation to Examine

Document	Key Points to Verify
Purchase Invoices	Validate GSTIN, HSN code, tax rates, and invoice details.
ITC Ledger	Check entries for blocked credits and apportionments.
Turnover Records	Ensure correct segregation of taxable and exempt turnover for ITC calculations.
Capital Goods Register	Track ITC claims and reversals for capital goods over the prescribed period.
Inventory Registers	Verify inventory adjustments for goods written off or destroyed.

### Relevant Rules and Circulars

Rule/Circular	Description
Rule 42	Apportionment and reversal of ITC for inputs/input services used for both taxable and exempt supplies.
Rule 43	Reversal of ITC for capital goods used for both taxable and exempt supplies.
Rule 38	Special ITC provisions for banking, financial institutions, and NBFCs.
Circular 35/9/2018	Clarifies apportionment of ITC for mixed-use goods/services.
Circular 125/44/2019	ITC guidelines for goods/services used for exhibitions or fairs outside India.

### Common Errors to Identify

#### 1. Ineligible ITC Claimed:

- Verify if ITC is claimed for blocked credits or non-business usage.

#### 2. Incorrect Reversals:

- Ensure proper reversal for exempt supplies and common inputs.



### 3. Misclassification of Supplies:

- Check if exempt supplies are wrongly classified as taxable.

### 4. Non-Compliance with 50% Rule:

- Identify ITC over-claimed by financial institutions and NBFCs.

## Reporting in GST Returns

Form	Key Areas to Verify
GSTR-3B	Ensure ITC reversals for exempt supplies and blocked credits are reported accurately.
GSTR-9/9C	Reconcile ITC reversals and apportionments with audited financials and ITC ledgers.

## Conclusion

Section 17 ensures that ITC is appropriately claimed and reversed, safeguarding GST compliance. Department auditors must focus on blocked credits, apportionments, and exemptions to detect misstatements. This detailed checklist equips auditors to identify errors, ensure accurate reporting, and maintain compliance with GST law.

## Input tax credit in special cases

**Section 18 of the CGST Act, 2017**, governs ITC availability in special scenarios, including newly registered taxpayers, changes in registration status, and cases involving exemptions or transfers of business. This detailed checklist integrates the provisions of Section 18 with relevant rules and circulars to ensure compliance during audits.

## Key Provisions of Section 18

Sub-Section	Provision	Purpose for Audit
Section 18(1)(a)	ITC entitlement on inputs held in stock and capital goods for persons obtaining new GST registration.	Verify ITC eligibility for goods held on the day immediately preceding registration.
Section 18(1)(b)	ITC entitlement for persons shifting from composition scheme to regular scheme.	Ensure ITC on stock and capital goods held on the day immediately preceding the transition.
Section 18(1)(c)	ITC entitlement when goods/services become taxable after being exempt.	Check ITC eligibility on inputs and capital goods when exempt goods/services become taxable.
Section 18(1)(d)	ITC entitlement for persons transferring business due to sale, merger, demerger, etc.	Verify transfer of ITC in the electronic credit ledger.

Sub-Section	Provision	Purpose for Audit
Section 18(2)	Restricts ITC on capital goods to a proportionate credit after accounting for depreciation.	Ensure ITC does not include the tax portion claimed as depreciation under the Income Tax Act.
Section 18(3)	Allows ITC transfer in case of business transfers such as sale, merger, or amalgamation.	Verify proper filing of ITC transfer form (ITC-02).
Section 18(4)	Requires ITC reversal when registration is cancelled or a person shifts from regular to composition scheme.	Check reversal of ITC on inputs and capital goods as per Rule 44.

### Checklist for Auditing ITC in Special Cases

#### ITC for Newly Registered Persons (Section 18(1)(a))

##### 1. Eligibility:

- Verify if ITC is claimed on inputs held in stock and inputs in semi-finished or finished goods on the day preceding the effective date of registration.

##### 2. Documentation:

- Confirm availability of:
  - ✓ Stock register.
  - ✓ Tax invoices or duty-paid documents for inputs.

##### 3. Time Limit:

- Ensure ITC is claimed within **30 days** from the date of registration or as extended by the officer.

#### ITC for Transition from Composition Scheme to Regular Scheme (Section 18(1)(b))

##### 1. Eligibility:

- Verify ITC on inputs held in stock, semi-finished, or finished goods, and capital goods on the day preceding the transition.

##### 2. Documentation:

- Ensure proper invoices or documents showing tax paid on stock.

##### 3. Proportionate ITC for Capital Goods:

- Calculate proportionate ITC for capital goods considering the useful life as per **Rule 40**.



**4. Time Limit:**

- Verify ITC is claimed within **30 days** from the date of transition or the extended period.

**ITC for Taxable Supply of Previously Exempt Goods/Services (Section 18(1)(c))**

**1. Eligibility:**

- Ensure ITC is claimed for goods/services that become taxable after being exempt.

**2. Stock Verification:**

- Cross-check the stock register and tax invoices for inputs and capital goods held.

**3. Capital Goods ITC:**

- Calculate proportionate ITC for capital goods as per **Rule 40**.

**4. Time Limit:**

- Verify ITC is claimed within the prescribed **30-day period** or extension.

**ITC Transfer in Business Transfers (Section 18(1)(d) and Section 18(3))**

**1. Eligibility:**

- Ensure the ITC transfer pertains to a business transfer such as sale, merger, demerger, or amalgamation.

**2. Filing of ITC-02:**

- Verify that the taxpayer has filed **Form ITC-02** for transferring ITC from one entity to another.

**3. Documentation:**

- Review supporting documents for the transfer, such as merger/demerger agreements and financial records.

**4. Proportionate Transfer:**

- In case of partial transfer, ensure ITC is transferred based on the turnover ratio as per **Rule 41**.

**ITC Reversal for Regular to Composition Scheme or Cancellation of Registration (Section 18(4))**

**1. Eligibility for Reversal:**

- Confirm that ITC is reversed for inputs held in stock, inputs in semi-finished or finished goods, and capital goods on the date of transition.

## 2. Capital Goods ITC:

- Calculate ITC reversal for capital goods based on **Rule 44** using the formula:  $A = C \times \frac{D}{E}$  Where:
  - ✓ AAA: ITC attributable to the remaining useful life.
  - ✓ CCC: Total ITC on capital goods.
  - ✓ DDD: Remaining useful life in months.
  - ✓ EEE: Total useful life (60 months).

## 3. Verification:

- Cross-check returns (GSTR-3B) for accurate reporting of ITC reversal

### Documentation to Verify

Document	Purpose
Tax Invoices	Verify tax paid on inputs and capital goods for ITC eligibility.
Stock Register	Check the stock held on the date immediately preceding registration or transition.
ITC-02	Confirm transfer of ITC for business transfers like merger, demerger, or sale.
Capital Goods Register	Track ITC claimed and reversals for capital goods.
GSTR-3B	Match ITC claimed/reversed with returns filed.
Business Transfer Agreements	Validate agreements for sale, merger, or demerger for ITC transfer.

### Relevant Rules and Circulars

Rule/Circular	Description
Rule 40	Prescribes conditions for ITC on stock and capital goods during transition.
Rule 41	ITC transfer mechanism for business transfers (Form ITC-02).
Rule 44	Methodology for ITC reversal during transition or cancellation of registration.
Circular 182/14/2022	Guidelines for ITC reversal under Section 18(4).
Circular 125/44/2019	Clarifications for ITC in cases of exhibitions and business events.

### Common Errors to Identify

#### 1. Ineligible ITC Claims:

- ITC claimed without valid tax invoices or on goods not held in stock.



**2. Incorrect Reversal:**

- Errors in ITC reversal for capital goods or non-compliance with Rule 44.

**3. Failure to File ITC-02:**

- Non-compliance in ITC transfer during business restructuring.

**4. Late ITC Claims:**

- ITC claimed beyond the prescribed 30-day period.

**Reporting in GST Returns**

Form	Purpose
GSTR-3B	Ensure ITC claims and reversals are accurately reported.
ITC-02	Verify ITC transfer during business transfers.
GSTR-9	Cross-check annual return with ITC claims/reversals reported in GSTR-3B.

**Conclusion**

Section 18 provides clear guidelines for ITC eligibility in special cases, ensuring a smooth transition during registration changes or business restructuring. Department auditors must validate eligibility, adherence to timelines, and accuracy in reporting ITC claims and reversals. This checklist ensures systematic verification of compliance with Section 18, its rules, and circulars.

**Job Work**

Job work under GST is governed by **Section 19, Section 143**, and related rules. The audit of job work involves separate checks for taxpayers **doing the job work** and **receiving the job work**. Below is a comprehensive checklist for department auditors for both scenarios.

**Taxpayer Doing Job Work (Job Worker)**

**Key Audit Points**

Aspect	Checklist Points	Relevant Rules/Sections
Registration	Verify that the job worker is registered under GST if turnover exceeds the threshold limit.	Section 22
Nature of Supply	Ensure job work is treated as a supply of services under GST unless it involves manufacturing of goods.	Schedule II
Place of Supply	Check the determination of place of supply based on where the job work is performed.	Section 12(3) of IGST Act
Invoicing	Confirm that the job worker issues a valid tax invoice with GST as applicable (CGST, SGST, or IGST).	Rule 46
GST Rate	Verify that the applicable GST rate (generally 18%) is charged on job work services unless exempted.	Notification No. 11/2017 - CT (Rate)

Aspect	Checklist Points	Relevant Rules/Sections
Input Tax Credit (ITC)	Ensure that the job worker is not availing ITC on goods received from the principal for job work.	Section 17(5)(h)
Return Filing	Verify that the job worker is filing timely returns (GSTR-1, GSTR-3B) and reporting job work supplies.	Section 39

### Documentation to Review

- Tax Invoices:** Verify invoices raised for job work services.
- Delivery Challans:** Check that goods received for job work are recorded and tracked appropriately.
- GST Returns:** Match turnover in returns (GSTR-1, GSTR-3B) with job work records.
- Contracts/Agreements:** Ensure the scope of work aligns with the supply classification.

### Taxpayer Receiving Job Work (Principal)

#### Key Audit Points

Aspect	Checklist Points	Relevant Rules/Sections
ITC on Goods Sent for Job Work	Verify that ITC is claimed on goods sent for job work if conditions are met.	Section 19(1) and Rule 45
Time Limits for Return of Goods	Ensure goods are returned within the prescribed timelines:	Section 143(1)
	- Inputs: 1 year from the date of dispatch.	
	- Capital Goods: 3 years from the date of dispatch.	
Maintenance of Records	Check that the principal maintains records of goods sent and received in Form GST ITC-04.	Rule 45
ITC Reversal	Ensure ITC is reversed if goods are not returned within the specified time limits.	Section 19(3) and Rule 45(3)
Delivery Challans	Verify that goods sent for job work are accompanied by delivery challans and not tax invoices.	Rule 55
Taxability of Scrap	Check if the job worker has paid GST on scrap generated during the job work, or if the principal has accounted for it.	Circular 38/12/2018-GST
Job Work Services Taxable	Ensure the principal has properly classified the receipt of job work services under taxable services.	Notification No. 11/2017 - CT (Rate)

### Documentation to Review

- Form GST ITC-04:** Verify details of goods sent and received from job workers.
- Delivery Challans:** Check the accuracy and completeness of delivery challans.



3. **Tax Invoices:** Review job work invoices received from the job worker.
4. **ITC Ledger:** Match ITC claimed with job work transactions and reversals (if applicable).
5. **Contracts:** Review agreements for job work, especially for scrap handling and timelines.

### Common Errors to Identify for Both Taxpayers

#### For Job Worker

1. **Improper Classification:** Job work treated as a supply of goods instead of services.
2. **Missing GST Registration:** Job worker operating without registration despite exceeding thresholds.
3. **Non-Compliant Invoicing:** Tax invoices do not comply with Rule 46.

#### For Principal

1. **Failure to File ITC-04:** Non-filing or delayed filing of Form GST ITC-04.
2. **ITC Claimed Without Conditions Met:** ITC claimed for goods sent to job work but not returned within prescribed time limits.
3. **Incorrect Reversal:** ITC not reversed when goods are not returned.
4. **Unaccounted Scrap:** Scrap generated at the job worker's end is not accounted for or taxed.

### Relevant Rules and Circulars

Rule/Circular	Description
Section 19	ITC eligibility for goods sent for job work and related conditions.
Section 143	Prescribes timelines for return of goods sent for job work and treatment of non-returned goods.
Rule 45	Requires maintenance of records in GST ITC-04 for goods sent to and received from job workers.
Rule 55	Mandates use of delivery challans for goods sent for job work.
Circular 38/12/2018	Provides guidelines for handling GST on scrap generated during job work.

### Reporting in GST Returns

Form/Return	Relevance for Job Work
GSTR-1	Job worker reports outward supplies made to the principal.
GSTR-3B	ITC claims and reversals for job work transactions reported by the principal.
GST ITC-04	Principal files details of goods sent to and received back from job workers.
GSTR-9/9C	Reconciliation of ITC, goods sent/received for job work, and reversals.



## Conclusion

This dual-perspective checklist ensures that department auditors can comprehensively verify compliance by both **job workers** and **principals** involved in job work. By focusing on registration, ITC eligibility, return timelines, and accurate record-keeping, auditors can minimize errors and safeguard GST compliance.

## Input Service Distributor

**Input Service Distributor (ISD)** is a mechanism under GST for distributing the Input Tax Credit (ITC) on common input services to multiple units or branches of a taxpayer. The audit of ISD compliance ensures that ITC is correctly distributed to the eligible units based on turnover ratios and legal provisions.

## Key Provisions for ISD

Aspect	Key Points	Relevant Sections/ Rules
Definition	An ISD is a registered taxpayer that receives ITC for common input services and distributes it to branches/units.	Section 2(61) of CGST Act
Scope	ISD can distribute ITC only for input services (not goods or capital goods).	Section 20(2)
Distribution Mechanism	ITC is distributed to units based on their turnover ratio for a given period.	Section 20(3) and Rule 39

## Checklist for Auditing ISD Compliance

### Registration as an ISD

#### 1. Separate ISD Registration:

- Verify that the ISD has obtained a separate GST registration number specifically as an ISD.
- Ensure that ISD is not used for outward supply of goods/services.

#### 2. PAN and GSTIN Consistency:

- Check that ISD and recipient units share the same PAN.

### Documentation

#### 1. Invoice/Document for ITC:

- Verify possession of valid tax invoices or other prescribed documents for input services.
- Ensure compliance with **Rule 46** for invoices.



## 2. ISD Invoices for Distribution:

- Confirm that ITC is distributed through ISD invoices as per **Rule 54(1)**.

## 3. Records Maintenance:

- Verify maintenance of ISD-related records in Form **GSTR-6** and ITC distribution details.

### Distribution of ITC

#### 1. Eligible ITC:

- Ensure only ITC related to **input services** is distributed.
- Verify that ITC related to goods or capital goods is not included.

#### 2. Turnover Ratio for Distribution:

- Check that ITC is distributed based on the turnover of recipient units for the relevant period.

#### 3. CGST/SGST Distribution:

- Confirm that CGST and SGST credits are distributed only within the same state.
- IGST can be distributed across states.

#### 4. Proportional Distribution:

- Verify that ITC is allocated in proportion to the turnover of recipient units as per **Rule 39(1)(d)**.

### Filing of Returns

#### 1. GSTR-6 Filing:

- Ensure ISD files **GSTR-6** on time, reporting:
  - ✓ Input services received and ITC claimed.
  - ✓ ITC distributed to recipient units.

#### 2. Reconciliation with GSTR-2A/2B:

- Match ITC claimed in GSTR-6 with invoices reflected in GSTR-2A/2B.

#### 3. Recipient GSTIN Reporting:

- Verify that the recipient units' GSTINs are correctly reported in GSTR-6.

### Common Errors to Identify

**1. Ineligible Distribution:**

- Ensure ITC on goods and capital goods is not distributed.

**2. Incorrect Turnover Ratios:**

- Verify turnover ratios used for ITC distribution.

**3. Failure to Issue ISD Invoices:**

- Check for instances where ITC distribution occurred without issuing ISD invoices.

**4. Late GSTR-6 Filing:**

- Ensure timely filing of GSTR-6 returns to avoid non-compliance penalties.

**5. Mismatch with GSTR-2A/2B:**

- Identify discrepancies between ITC claimed by ISD and supplier declarations in GSTR-2A/2B.

**Relevant Rules and Circulars**

Rule/Circular	Description
Rule 39	Prescribes the method for ITC distribution and conditions for ISD compliance.
Rule 54(1)	Details the format and requirements for ISD invoices.
Circular 71/45/2018	Clarifies issues related to ISD registration and compliance.
Circular 125/44/2019	Provides guidance on ITC distribution across states and for common input services.

**Documentation to Verify**

Document	Purpose
Input Service Invoices	Validate ITC eligibility and ensure services are related to business activities.
ISD Invoices	Ensure accurate distribution of ITC to the recipient units.
Turnover Records	Verify turnover figures used for proportional ITC allocation.
GSTR-2A/2B	Match ITC claimed in ISD with supplier invoices reflected in recipient units' returns.
GSTR-6	Check proper reporting of ITC distribution in ISD returns.

**Common Scenarios for ITC Distribution**

Scenario	ITC Distribution Method
Within the Same State	Distribute CGST and SGST to recipient units within the state.
Across Multiple States	Distribute IGST to recipient units proportionately based on turnover.
Non-Business Use	Do not distribute ITC on services used exclusively for non-business purposes.



## Reporting in Returns

Form	Relevance
GSTR-6	Ensure ITC claimed by ISD and distributed to recipient units is accurately reported.
GSTR-2A/2B	Match ITC with supplier-reported invoices for proper reconciliation.
GSTR-3B	Verify that recipient units report distributed ITC in their returns.

## Conclusion

This checklist ensures that ITC distribution through ISD is compliant with GST law. Department auditors must scrutinize the eligibility of ITC, proportional allocation based on turnover, documentation, and timely filing of returns. Proper adherence to rules and circulars ensures accurate ITC utilization across units and minimizes errors in compliance.

## Cross Charge

**Cross-charge** refers to the process where one branch or location of a registered taxpayer provides services to another branch or location under the same PAN but in a different state. Under GST, cross-charges between distinct persons are taxable supplies and need to comply with GST laws, including invoicing, valuation, and ITC.

## Key Provisions Related to Cross-Charge

Aspect	Key Provision	Relevant Sections/Rules
<b>Definition of Distinct Persons</b>	Establishes that branches registered in different states/UTs are considered distinct persons.	Section 25(4) and 25(5) of CGST Act
<b>Taxable Supply</b>	Supplies between distinct persons are treated as taxable supplies even without consideration.	Schedule I, Para 2
<b>Valuation of Supply</b>	Value must be determined as per GST Valuation Rules when no consideration is involved.	Section 15 and Rule 28
<b>Input Tax Credit (ITC)</b>	ITC must be matched between the branch providing the service (supplier) and the recipient branch.	Section 16

## Checklist for Verifying Cross-Charge Compliance

### A. Identification of Cross-Charge Transactions

- **Inter-Branch Transactions:**
  - Identify services or goods provided by one branch to another registered in different states.

- Typical transactions include:
  - ✓ Shared employee services.
  - ✓ IT, administrative, or accounting services.
  - ✓ Use of common resources or assets.
- **Taxability:**
  - Confirm that inter-branch transactions are treated as taxable supplies as per **Schedule I**.
  - Verify if the taxpayer has accounted for GST on such transactions.

## **B. Registration and Documentation**

### **1. Distinct GSTINs:**

- Verify that each branch has a separate GST registration for distinct states/UTs.

### **2. Tax Invoices:**

- Ensure valid tax invoices are raised for cross-charged services/goods as per **Rule 46**.
- Check if the invoices include:
  - ✓ GSTIN of both supplier and recipient branches.
  - ✓ HSN codes, taxable value, and applicable tax (CGST, SGST, or IGST).

### **3. Delivery Challans:**

- For goods sent between branches, verify if delivery challans are issued as per **Rule 55**.

## **C. Valuation of Cross-Charge**

### **1. Valuation Rules:**

- Check that the value of supply is determined as per **Rule 28**:
  - ✓ Open Market Value (OMV), if available.
  - ✓ 90% of the price charged to an unrelated customer, if applicable.
  - ✓ Can be transaction value if the recipient is eligible to take 100% ITC, second proviso of Rule 28
  - ✓ Cost of provision of service (in the absence of OMV)



**2. Method Consistency:**

- Ensure that the taxpayer consistently applies the valuation method for cross-charged supplies.

**3. Exempt Transactions:**

- Verify if cross-charge involves exempt or nil-rated supplies and ensure no GST is charged inappropriately.

**D. Tax Treatment**

**1. Correct Tax Classification:**

- Confirm that the applicable tax is determined correctly based on the nature of supply:
  - ✓ **IGST** for inter-state transactions.
  - ✓ **CGST & SGST** for intra-state transactions.

**2. Tax Payment:**

- Verify that GST on cross-charged supplies is paid through GSTR-3B.

**E. ITC Utilization and Matching**

**1. ITC Claim by Recipient Branch:**

- Ensure the recipient branch has claimed ITC on the GST paid for cross-charged supplies.

**2. Reconciliation:**

- Match invoices raised by the supplying branch with ITC claimed by the recipient branch in GSTR-2A/2B.

**3. Blocked Credits:**

- Ensure ITC is not claimed on blocked items under **Section 17(5)** (e.g., personal use or works contracts).

**F. Reporting in GST Returns**

**1. GSTR-1:**

- Verify that the supplying branch has reported cross-charged supplies in GSTR-1 under B2B transactions.

**2. GSTR-3B:**

- Ensure GST liability for cross-charged supplies is paid in GSTR-3B by the supplier branch.

**3. Annual Return (GSTR-9):**

- Check for reconciliation of cross-charged supplies in GSTR-9 and audited returns (GSTR-9C).

**Documentation to Verify**

Document	Purpose
<b>Tax Invoices</b>	Ensure correct GSTINs, tax amounts, and HSN codes are used for cross-charged supplies.
<b>Costing Records</b>	Check cost records to verify the valuation of cross-charged services/goods.
<b>Turnover Records</b>	Ensure turnover from cross-charged supplies is reported correctly in GST returns.
<b>ITC Ledger</b>	Match ITC utilization by the recipient branch with cross-charge invoices.

**Relevant Rules and Circulars**

Rule/Circular	Description
<b>Schedule I, Para 2</b>	Deems inter-branch supplies as taxable even without consideration.
<b>Rule 28</b>	Prescribes the valuation method for supplies between distinct persons.
<b>Rule 46</b>	Specifies invoice requirements for taxable supplies.
<b>Circular 34/8/2018-GST</b>	Provides clarification on valuation and taxability of inter-branch transactions.
<b>Rule 55</b>	Governs issuance of delivery challans for movement of goods between branches.

**Common Errors to Identify**

**1. Non-Reporting of Cross-Charge:**

- Check if the taxpayer has failed to account for inter-branch transactions as taxable supplies.

**2. Incorrect Valuation:**

- Ensure valuation is consistent with Rule 28 and not understated.

**3. Mismatch in Returns:**

- Identify discrepancies between the supplier's GSTR-1 and the recipient's ITC claim in GSTR-2A/2B.



#### 4. Improper Tax Treatment:

- Confirm that IGST or CGST/SGST is charged correctly based on the nature of supply.

#### 5. Ineligible ITC Claimed:

- Verify ITC claimed by the recipient branch aligns with GST rules and excludes blocked credits.

### Reporting in GST Returns

Form	Relevance for Cross-Charge
<b>GSTR-1</b>	Cross-charged supplies reported as taxable B2B transactions by the supplier branch.
<b>GSTR-3B</b>	GST liability for cross-charged supplies is declared and paid.
<b>GSTR-2A/2B</b>	Ensure recipient branch's ITC claim aligns with cross-charge invoices raised by the supplier branch.
<b>GSTR-9/9C</b>	Reconciliation of cross-charged supplies and corresponding ITC claims in annual returns.

### Conclusion

Cross-charge compliance is crucial for ensuring tax neutrality and avoiding revenue leakage in inter-branch transactions. Department auditors must focus on verifying proper documentation, valuation, tax treatment, and ITC utilization. This checklist provides a structured approach to identify errors and ensure compliance with GST laws related to cross-charge transactions.

### Related Party Transactions

Related party transactions under GST are governed by **Section 15** of the CGST Act and related rules. Such transactions, even without consideration, are treated as taxable supplies under **Schedule I**, which makes their accurate reporting and compliance critical. Below is a comprehensive checklist for department auditors to ensure compliance in related party transactions.

### Key Provisions Governing Related Party Transactions

Aspect	Provision	Relevant Sections/ Rules
Definition of Related Parties	Includes relationships such as employer-employee, subsidiaries, holding companies, etc.	Explanation to Section 15
Taxable Supply Without Consideration	Supplies between related parties are taxable even if no consideration is involved.	Schedule I, Para 2



Aspect	Provision	Relevant Sections/ Rules
Valuation of Supplies	Value must be determined as per Valuation Rules if the transaction is between related parties.	Section 15(4) and Rule 28
ITC Utilization	Input Tax Credit must be claimed appropriately in recipient accounts and matched with GSTR filings.	Section 16

## Checklist for Verifying Related Party Transactions

### Identification of Related Parties

#### 1. Relationship Validation:

- Check the nature of the relationship between the supplier and recipient to determine whether they qualify as related parties under **Explanation to Section 15**.
- Common examples:
  - ✓ Subsidiaries and holding companies.
  - ✓ Employer and employee.
  - ✓ Partners of a firm.

#### 2. Agreements or Contracts:

- Review business agreements or contracts between related parties to identify taxable transactions.

### Documentation

#### 1. Tax Invoices:

- Verify invoices issued for related party transactions comply with **Rule 46**.
- Ensure details such as GSTIN of both parties, HSN codes, taxable value, and applicable GST are included.

#### 2. Delivery Challans:

- Check if delivery challans are used for the movement of goods/services when no consideration is involved.

#### 3. Supporting Agreements:

- Cross-check agreements to validate the scope of transactions and any financial arrangements.



## Valuation of Related Party Supplies

### 1. Valuation Rules:

- Confirm the value of related party transactions is determined as per **Rule 28**:
  - ✓ Open Market Value (OMV), if available.
  - ✓ 90% of the price charged to unrelated parties for similar supplies, if applicable.
  - ✓ Cost plus 10%, in the absence of OMV.

### 2. Consistency in Valuation:

- Ensure the taxpayer consistently applies the valuation method for all related party transactions.

### 3. Free Supplies:

- Verify that even in cases of free supplies to related parties, GST is accounted for as per the valuation rules.

## GST Payment and Reporting

### 1. Liability Payment:

- Confirm GST is paid by the supplier on related party transactions through GSTR-3B.

### 2. Return Filing:

- Ensure transactions are reported under B2B supplies in **GSTR-1** by the supplier.

### 3. Reconciliation:

- Match the supplier's GSTR-1 with the recipient's ITC claims in GSTR-2A/2B.

## ITC Utilization by Recipient

### 1. Eligibility of ITC:

- Check if the recipient is eligible to claim ITC on the related party transaction.

### 2. Matching ITC with GSTR-2A/2B:

- Ensure ITC claimed by the recipient matches the invoices uploaded by the supplier in GSTR-1.

### 3. Blocked Credits:

- Verify ITC is not claimed for blocked items under **Section 17(5)** (e.g., personal use goods, works contracts).

## Treatment of Specific Transactions

### 1. Employee Benefits:

- Check for GST applicability on perquisites or goods/services provided by the employer to employees beyond the prescribed limit under **Schedule I**.

### 2. Corporate Restructuring:

- Review transactions during mergers, demergers, or acquisitions for proper GST compliance and valuation.

### 3. Inter-Branch Transfers:

- Ensure inter-branch transfers of goods or services are treated as related party supplies when branches are in different states.

## Documentation to Review

Document	Purpose
Tax Invoices	Validate GST applicability, valuation, and proper reporting of related party transactions.
Delivery Challans	Ensure proper documentation for the movement of goods without consideration.
Contracts/Agreements	Review contracts to identify and validate taxable related party transactions.
GSTR-1 and GSTR-3B	Match reported related party transactions with taxable turnover and GST liability.
GSTR-2A/2B	Verify ITC claims by the recipient align with the supplier's reported invoices.

## Relevant Rules and Circulars

Rule/Circular	Description
Schedule I, Para 2	Deems related party transactions as taxable supplies even without consideration.
Rule 28	Prescribes valuation methods for related party transactions.
Circular 47/21/2018-GST	Clarifies valuation of related party transactions under GST.
Rule 46	Specifies tax invoice requirements for reporting taxable supplies.

## Common Errors to Identify

### 1. Non-Reporting of Related Party Transactions:

- Check if taxable supplies between related parties are not reported or underreported.

### 2. Improper Valuation:

- Ensure valuation is consistent with Rule 28 and not understated.



### 3. Mismatch in Returns:

- Identify discrepancies between the supplier's GSTR-1 and the recipient's ITC claims in GSTR-2A/2B.

### 4. Non-Payment of GST on Free Supplies:

- Verify if GST is paid on free supplies to related parties as per Schedule I.

### 5. Ineligible ITC Claims:

- Check if the recipient has claimed ITC on blocked credits or non-business transactions.

## Reporting in GST Returns

Form	Relevance for Related Party Transactions
GSTR-1	Related party transactions reported as taxable B2B supplies by the supplier.
GSTR-3B	GST liability for related party transactions paid by the supplier.
GSTR-2A/2B	Verify recipient's ITC claims match supplier invoices for related party transactions.
GSTR-9/9C	Reconciliation of related party transactions in annual returns.

## Conclusion

Related party transactions require meticulous scrutiny due to their complex nature and the possibility of underreporting or incorrect valuation. Department auditors must verify compliance with Schedule I, Rule 28, and valuation methods, ensuring that all taxable supplies are accounted for and reported correctly. This checklist provides a structured approach to ensuring compliance and minimizing errors in related party transactions.

## Works contract

### Updated Checklist for Works Contract under GST, Including Joint Venture Agreements

Works contracts often involve complex tax implications, especially in the context of **Joint Venture (JV) Agreements**. The **Circular No. 35/9/2018-GST** provides clarity on the GST treatment of JV transactions. Below is the **checklist**, integrating references to the circular and specific points.

### Definition of Works Contract

Aspect	Details	Relevant Sections/Rules
Definition	A works contract involves construction, fabrication, completion, installation, or other services related to immovable property.	Section 2(119) of CGST Act
Nature of Supply	Treated as a supply of services under GST, irrespective of whether it involves goods and services.	Schedule II, Para 6(a)



## Checklist for Eligibility to Claim ITC

### General Conditions

#### 1. Scope of Usage:

- Verify that the works contract services are used for:
  - ✓ Construction of plant and machinery (eligible ITC).
  - ✓ Further supply of works contracts as a service.

#### 2. Blocked Credits:

- Ensure ITC is not claimed for works contract services used for:
  - ✓ Construction of immovable property (other than plant and machinery).
  - v Personal use.
  - ✓ Non-business purposes.

#### 3. Documentation:

- Confirm possession of valid tax invoices as per **Rule 46**.
- Verify compliance with vendor contracts and GST registration of service providers.

### ITC Reversal Requirements

#### 1. Reversal under Section 17(5):

- Check if ITC is reversed for works contract services used for exempt supplies or personal use.

#### 2. Common Credit Reversal:

- Verify monthly and annual reversals under **Rule 42** for common inputs/services used for taxable and exempt supplies.

### Special Cases

#### 1. Plant and Machinery Definition:

- Confirm that the asset qualifies as “plant and machinery” and is not excluded (e.g., land, buildings, or pipelines outside the factory).

#### 2. Capital Goods ITC:

- Ensure ITC is proportionately reversed if the works contract includes capital goods used for both taxable and exempt supplies.



## Treatment of Works Contract in Joint Ventures (JVs)

### GST Implications for JVs

**As per Circular No. 35/9/2018-GST**, the taxability of transactions in a JV depends on the contractual agreement and the relationship between the JV and its members.

#### 1. JV as a Separate Entity:

- If the JV is registered as a distinct taxable entity under GST:
  - ✓ Supplies by JV partners to the JV are taxable and require invoicing.
  - ✓ Supplies by the JV to partners or third parties are taxable.

#### 2. Unincorporated JVs:

- For unincorporated JVs where the partners pool resources and share revenue:
  - ✓ Transactions between partners and the JV may not be taxable unless specified as supplies.

#### 3. Works Contracts in JVs:

- Ensure GST compliance for works contracts undertaken by JVs, including proper invoicing and ITC treatment.

### Documentation and Agreements

#### 1. JV Agreement:

- Review the JV agreement to identify:
  - ✓ Scope of works contract services.
  - ✓ Roles of JV partners and tax-sharing arrangements.

#### 2. Invoice Matching:

- Cross-check invoices raised by JV partners and ITC claims by the JV entity.

#### 3. Filing of GST Returns:

- Verify that the JV and its partners are filing returns consistently, reflecting transactions accurately.

## Impact on Profit and Loss (P&L) When Works Contract Expenses Are Not Capitalized

### Accounting Treatment

#### 1. Expense Classification:

- Verify if works contract costs are directly expensed in the P&L as repairs or maintenance instead of capitalizing them.

## 2. ITC Implications:

- Ensure ITC is not claimed for such expenses if they relate to immovable property construction, as per **Section 17(5)**.

### Impact Analysis

#### 1. Profit Margins:

- Analyze the impact of expensed works contract costs on profit margins.
- Verify consistency with accounting policies.

#### 2. Deferred Tax Asset/Liability:

- Check if non-capitalization leads to deferred tax implications under Income Tax laws.

#### 3. Audit Trail:

- Ensure proper documentation for auditors, including justification for expensing versus capitalization.

### Documentation to Verify

Document	Purpose
Tax Invoices	Verify GST compliance, vendor details, and eligibility for ITC claims.
JV Agreements	Check terms related to tax treatment of works contract services in Joint Ventures.
Capital Asset Registers	Confirm proper classification of works contract-related expenses as capitalized or expensed.
ITC Ledger	Match ITC claims with invoices and ensure compliance with Section 17(5).
P&L Statements	Analyze treatment of works contract expenses and assess their impact on profitability.

### Relevant Rules, Sections, and Circulars

Rule/Section/Circular	Description
Section 2(119)	Defines works contracts as services related to immovable property.
Section 17(5)	Blocks ITC on works contracts for construction of immovable property, with exceptions for plant/machinery.
Schedule II, Para 6(a)	Deems works contracts as a supply of services under GST.
Rule 42	Prescribes ITC reversal methodology for common credits used for taxable and exempt supplies.



Rule/Section/Circular	Description
Circular 35/9/2018-GST	Provides clarification on GST treatment of JV-related transactions, including works contracts.
Circular 47/21/2018-GST	Clarifies ITC eligibility on works contracts and the definition of plant and machinery.

### Common Errors to Identify

#### 1. Wrong Classification:

- Works contract expenses incorrectly classified as repairs/maintenance instead of capitalized.

#### 2. Ineligible ITC Claimed:

- ITC claimed on works contracts for construction of immovable property.

#### 3. Improper Reversals:

- Failure to reverse ITC for common inputs/services as per Rule 42.

#### 4. Misclassification in JV:

- Incorrect treatment of supplies between JV partners and the JV entity.

#### 5. Underreporting of Costs:

- Expenses not fully disclosed or misclassified, impacting P&L analysis.

### Reporting in GST Returns

Form	Relevance for Works Contracts
GSTR-3B	Report ITC claimed or reversed for works contracts under eligible and ineligible categories.
GSTR-9	Reconcile annual ITC claims with works contract invoices and P&L statements.
GSTR-2A/2B	Match ITC claims with supplier-reported invoices for works contracts.

### Conclusion

Works contracts under GST require careful scrutiny for ITC eligibility, particularly in Joint Ventures. **Circular 35/9/2018-GST** provides essential clarity on taxability and valuation for JV-related transactions. Auditors must ensure compliance with GST laws, correct ITC treatment, and proper reporting in financial statements and GST returns.

### TDS

Tax Deducted at Source (TDS) under GST is governed by **Section 51 of the CGST Act, 2017**, along with corresponding rules and notifications. It applies primarily to notified deductors, such as government



entities, local authorities, and specific categories of taxpayers. Below is a detailed checklist for department auditors to ensure compliance with TDS provisions under GST.

### Key Provisions Governing TDS

Aspect	Details	Relevant Sections/ Rules
Applicability of TDS	TDS applies when the total value of supply (excluding GST) exceeds ₹2.5 lakhs under a contract.	Section 51(1) of CGST Act
Rate of TDS	2% of the taxable value (1% CGST + 1% SGST or 2% IGST for inter-state supplies).	Notification No. 50/2018-CT
TDS Deductors	Includes government departments, local authorities, and other notified persons.	Notification No. 33/2017-CT
Filing of TDS Returns	Deductors must file Form GSTR-7 to report TDS deducted and remitted to the government.	Rule 66

### Checklist for Auditing TDS Compliance

#### Applicability and Registration

##### 1. Applicability of TDS Provisions:

- Verify if the entity qualifies as a TDS deductor under Section 51.
- Check contracts for taxable supplies exceeding the threshold of ₹2.5 lakhs.

##### 2. TDS Registration:

- Ensure the deductor has obtained separate GST registration as a TDS deductor.
- Verify GSTIN details on registration certificates.

#### TDS Deduction and Payment

##### 1. Correct Rate of TDS:

- Confirm TDS is deducted at the prescribed rate of 2% (1% CGST + 1% SGST or 2% IGST for inter-state supplies).

##### 2. Exemptions from TDS:

- Ensure no TDS is deducted on:
  - ✓ Supplies exempt under GST.
  - ✓ Supplies made by unregistered persons.
  - ✓ Intra-entity transactions within the same PAN.



### 3. Timely Deposit of TDS:

- Verify TDS deducted is deposited to the government within **10 days** of the month following the deduction.

### 4. Electronic Cash Ledger:

- Check if the TDS deducted is correctly credited to the supplier's electronic cash ledger.

## Issuance of TDS Certificates

### 1. Timely Issuance:

- Verify if the deductor issued TDS certificates in **Form GSTR-7A** to the deductee within **5 days** of depositing TDS.

### 2. Penalty for Non-Issuance:

- Ensure compliance to avoid penalties of ₹100 per day for non-issuance, subject to a maximum of ₹5,000.

### 3. Reconciliation:

- Cross-check TDS certificates with the supplier's GSTR-2A for consistency.

## Filing and Reporting of TDS

### 1. GSTR-7 Filing:

- Verify timely filing of **Form GSTR-7** by the deductor, including details of TDS deducted, GSTIN of deductees, and amounts deposited.

### 2. Accuracy of TDS Details:

- Check if the amounts reported in GSTR-7 match the deductions made and the amounts credited to the government.

### 3. Matching with Supplier Returns:

- Ensure that TDS reflected in the deductee's GSTR-2A matches the details filed in GSTR-7 by the deductor.

## Documentation to Verify

Document	Purpose
Contracts/Agreements	Check for supplies exceeding ₹2.5 lakhs under a single contract.
TDS Deductor Registration	Verify GSTIN details and validity of registration as a TDS deductor.
TDS Certificates (GSTR-7A)	Ensure timely issuance to suppliers with correct details of TDS deducted and deposited.

Document	Purpose
GSTR-7	Cross-check TDS returns with amounts deducted and deposited.
Supplier Invoices	Validate TDS applicability and correctness of deduction for taxable supplies.

### Relevant Sections, Rules, and Circulars

Reference	Description
Section 51	Governs TDS applicability, rates, and deductor responsibilities.
Rule 66	Details the filing requirements for Form GSTR-7 and issuance of TDS certificates.
Notification 33/2017-CT	Specifies categories of persons required to deduct TDS under GST.
Notification 50/2018-CT	Clarifies the rate of TDS under GST (2%).
Circular No. 65/39/2018-GST	Provides procedural guidance for TDS compliance under GST.

### Common Errors to Identify

#### 1. Non-Compliance with Registration:

- Check if the entity failed to obtain TDS registration despite being eligible.

#### 2. Incorrect TDS Deduction:

- Verify that the correct rate is applied and TDS is not deducted on exempt supplies or unregistered suppliers.

#### 3. Delayed Deposit of TDS:

- Ensure that TDS is deposited within the prescribed timelines to avoid interest and penalties.

#### 4. Mismatch in Returns:

- Identify discrepancies between TDS details in GSTR-7 and the supplier's GSTR-2A.

#### 5. Non-Issuance of TDS Certificates:

- Confirm timely issuance of TDS certificates (GSTR-7A) to suppliers.

### Reporting in GST Returns

Form	Relevance for TDS
GSTR-7	Filed by the TDS deductor to report details of TDS deducted and deposited to the government.



Form	Relevance for TDS
GSTR-7A	Issued as TDS certificates to suppliers, reflecting the tax deducted and credited to their cash ledger.
GSTR-2A/2B	Reflects TDS credits for suppliers to offset against their GST liability.

## Conclusion

TDS under GST plays a crucial role in ensuring tax collection at the source of supply. Department auditors must scrutinize compliance with TDS provisions, including timely deduction, deposit, and reporting. This checklist ensures a comprehensive audit approach to identify errors, non-compliance, and reconciliation issues in TDS compliance under GST.

## TCS

Tax Collected at Source (TCS) under GST is governed by **Section 52 of the CGST Act, 2017**, along with corresponding rules and notifications. TCS is applicable to e-commerce operators responsible for collecting tax on supplies made through their platform. Below is a comprehensive checklist for department auditors to ensure compliance with TCS provisions.

## Key Provisions Governing TCS

Aspect	Details	Relevant Sections/Rules
Applicability of TCS	TCS applies to e-commerce operators for taxable supplies of goods or services made through their platform.	Section 52(1) of CGST Act
Rate of TCS	TCS is collected at 1% of the net taxable value (0.5% CGST + 0.5% SGST or 1% IGST).	Notification No. 52/2018-CT
TCS Collection Threshold	No threshold; TCS applies to all taxable supplies made through e-commerce platforms.	Section 52(1)
Filing of TCS Returns	E-commerce operators must file Form GSTR-8 to report TCS collected and deposited.	Rule 67

## Checklist for Auditing TCS Compliance

### Applicability and Registration

#### 1. Eligibility as an E-Commerce Operator:

- Verify if the entity qualifies as an e-commerce operator under GST.
- Confirm the operator facilitates the supply of goods or services through its platform.

#### 2. TCS Registration:

- Ensure the e-commerce operator has obtained separate GST registration as a TCS collector.

## **TCS Collection and Payment**

### **1. Correct TCS Rate:**

- Confirm that TCS is collected at **1%** of the net taxable value (excluding GST).

### **2. Exempt Supplies:**

- Ensure TCS is not collected for:
  - ✓ Exempt supplies.
  - ✓ Supplies made by unregistered persons.

### **3. Timely Deposit of TCS:**

- Verify TCS collected is deposited to the government within **10 days** of the succeeding month.

### **4. Electronic Cash Ledger:**

- Check if TCS collected is correctly credited to the supplier's electronic cash ledger.

## **Reporting and Reconciliation**

### **1. GSTR-8 Filing:**

- Verify timely filing of **Form GSTR-8** by the e-commerce operator, including details of TCS collected, GSTIN of suppliers, and taxable value.

### **2. Supplier Credit Matching:**

- Reconcile TCS details reported in GSTR-8 with the supplier's credit in GSTR-2A/2B.

### **3. TCS Certificates:**

- Ensure TCS certificates are issued to suppliers in the prescribed format, reflecting the TCS collected and deposited.

## **Record Maintenance**

### **1. Transaction Records:**

- Verify records of supplies made through the e-commerce platform, including invoices, taxable value, and TCS collected.

### **2. Supplier GSTINs:**

- Check that the GSTINs of suppliers are accurately recorded and reported in TCS returns.



### 3. Reconciliation of Transactions:

- Ensure all taxable supplies facilitated through the platform are reconciled with the TCS collected and reported.

#### Documentation to Verify

Document	Purpose
Supplier Invoices	Verify taxable supplies made through the e-commerce platform.
TCS Certificates	Ensure correct issuance to suppliers with details of TCS collected and deposited.
Transaction Records	Cross-check the value of taxable supplies and TCS deductions.
GSTR-8	Verify accuracy of TCS returns, including supplier GSTINs and taxable values.
Electronic Cash Ledger	Check TCS credits in the supplier's ledger match amounts reported in GSTR-8.

#### Relevant Sections, Rules, and Circulars

Rule/Section/Circular	Description
Section 52	Governs TCS provisions, including applicability, rate, and reporting requirements.
Rule 67	Prescribes filing requirements for Form GSTR-8 and reconciliation of TCS.
Notification 52/2018-CT	Specifies the TCS rate under GST (1%).
Circular 74/48/2018-GST	Provides guidance on compliance requirements for e-commerce operators under TCS provisions.
Circular 76/50/2018-GST	Clarifies procedural aspects for TCS registration and credit utilization by suppliers.

#### Common Errors to Identify

##### 1. Non-Compliance with Registration:

- Check if the e-commerce operator failed to obtain TCS registration despite being eligible.

##### 2. Incorrect TCS Rate:

- Verify that the correct TCS rate is applied to taxable supplies.

##### 3. Delayed Deposit of TCS:

- Ensure that TCS is deposited within the prescribed timelines to avoid interest and penalties.

##### 4. Mismatch in Returns:

- Identify discrepancies between GSTR-8 filed by the operator and GSTR-2A/2B of suppliers.

## 5. Non-Issuance of TCS Certificates:

- Confirm timely issuance of TCS certificates to suppliers, as required under GST laws.

### Reporting in GST Returns

Form	Relevance for TCS
GSTR-8	Filed by the e-commerce operator to report details of TCS collected and deposited.
GSTR-2A/2B	Reflects TCS credits for suppliers to offset against their GST liability.
GSTR-9/9C	Annual return and reconciliation statement to verify TCS details with the operator's financial records.

### Conclusion

TCS provisions under GST ensure transparency in tax collection for supplies made through e-commerce platforms. Department auditors must scrutinize TCS compliance, including registration, collection, deposit, and reconciliation of TCS amounts. This checklist provides a structured approach to identifying errors, non-compliance, and reconciliation issues, ensuring full compliance with GST laws related to TCS.

### Refunds

Refunds under GST are a critical area for department audits, requiring a thorough review to ensure compliance, prevent fraudulent claims, and identify potential revenue recovery opportunities. Below is a detailed checklist, including relevant date verification, a table of relevant dates for various refund types, references to circulars, and provisions for auditing refund claims.

### Key Provisions Governing Refunds

Aspect	Provision	Relevant Sections/ Rules
Eligibility for Refund	Refunds are allowed for excess tax payments, exports (zero-rated), inverted duty structures, etc.	Section 54, Rule 89
Application Process	Refund applications must be filed electronically in Form GST RFD-01.	Section 54(1), Rule 89(1)
Relevant Date	Specifies the time period for filing a refund claim.	Explanation to Section 54
Time Limit	Refund applications must be filed within 2 years from the relevant date.	Section 54(1), Explanation
Interest on Delayed Refund	Refunds delayed beyond 60 days from the date of refund order attract interest.	Section 56



## Checklist for Refunds

### General Compliance for Refund Claims

#### 1. Eligibility Verification:

- Ensure the refund falls under one of the eligible categories, such as:
  - ✓ Export of goods/services (with or without payment of tax).
  - ✓ Excess balance in the electronic cash ledger.
  - ✓ Refund on account of inverted duty structure.
  - ✓ Refund of IGST paid on supplies to SEZs.

#### 2. Proper Filing of RFD-01:

- Verify the refund application is filed in **Form GST RFD-01** with supporting documents.

#### 3. Time Limit for Filing:

- Check if the refund claim is filed within the **2-year time limit** from the relevant date as per the table below

### Verification of Supporting Documents

#### 1. Invoices and Shipping Bills (Exports):

- Validate tax invoices and shipping bills for export refunds.
- Check for filing of the Export General Manifest (EGM).

#### 2. Bank Realization Certificate (BRC):

- Ensure realization of export proceeds through BRC/FIRC for export refunds.

#### 3. Input Tax Credit (ITC) Records:

- Verify ITC ledger and match refund claims with eligible ITC reported in GSTR-3B and GSTR-2A/2B.

#### 4. Electronic Cash Ledger:

- Match refund amounts claimed for excess cash balance with the ledger records.

#### 5. Declaration for SEZ Supplies:

- Verify declaration and approval of SEZ supplies as per Rule 89.



### Relevant Date Verification for Refund Claims

Type of Refund	Relevant Date	Reference
Export of goods with payment of tax	Date of "Export General Manifest" (EGM) or "shipping bill" filing.	Explanation to Section 54
Export of services with payment of tax	Date of receipt of payment in convertible foreign exchange or Indian rupees (where permitted).	Explanation to Section 54
Supplies to SEZ (with/without payment of tax)	Date of invoice issued for supplies to SEZ.	Rule 89(1)
Refund of ITC (inverted duty structure)	End of the tax period for which refund is claimed.	Rule 89(5)
Excess balance in the electronic cash ledger	Date of payment into the electronic cash ledger.	Rule 89(3)
Refund arising from a court order	Date of the court order or appellate authority's decision.	Explanation to Section 54
Refund of tax paid under protest	Date of payment of tax.	Explanation to Section 54
Deemed exports	Date of filing refund application by the recipient or supplier of deemed exports.	Rule 89(1)

### Verification of Refund Processing

#### 1. Refund Calculation:

- Verify refund amounts based on the following:
  - ✓ For **exports without tax payment**:  $\text{Refund} = (\text{Net ITC} \times \text{Zero-Rated Turnover}) / \text{Adjusted Total Turnover}$   
 $\text{Refund} = (\text{Net ITC} \times \text{Zero-Rated Turnover}) / \text{Adjusted Total Turnover}$
  - ✓ For **inverted duty structure**:  $\text{Refund} = (\text{ITC on Inputs} \times \text{Taxable Turnover}) - \text{Output Tax Liability}$   
 $\text{Refund} = (\text{ITC on Inputs} \times \text{Taxable Turnover}) - \text{Output Tax Liability}$

#### 2. Matching ITC with Refund Claims:

- Ensure ITC claimed as a refund matches with GSTR-3B, GSTR-2A/2B, and tax invoices.

#### 3. Interest on Delayed Refund:

- Check if interest under **Section 56** is applicable for refunds not processed within 60 days of the refund order.



## Reporting in GST Returns

### 1. Exports and Refunds in GSTR-1:

- Ensure export details are correctly reported in Table 6 of GSTR-1.

### 2. Reporting of Adjustments in GSTR-3B:

- Verify adjustments in tax liability and ITC utilization reported in GSTR-3B.

### 3. Reconciliation with GSTR-9:

- Match refund claims with annual returns (GSTR-9) and reconciliation statements (GSTR-9C).

## Circulars and Notifications for Refunds

Circular/Notification	Description
Circular No. 125/44/2019-GST	Comprehensive guidelines on refund procedures, including documentation and timelines.
Circular No. 17/17/2017-GST	Clarifications on refund of IGST for exports.
Circular No. 135/05/2020-GST	Guidance on refund rejection where discrepancies exist in ITC claims.
Notification 13/2017-CT	Specifies conditions for filing refund claims under various categories.
Circular No. 79/53/2018-GST	Instructions on processing refunds for inverted duty structure.

### Circular No. 125/44/2019-GST

**Title:** Guidelines for refund application processing under GST.

Key Points
Provides detailed guidance on filing refund applications in Form GST RFD-01.
Lists the categories of refunds, including exports, inverted duty structure, and excess cash balance.
Requires submission of supporting documents, such as invoices, shipping bills, BRCs, SEZ endorsements, etc.
Clarifies timelines for refund processing and issuance of provisional refunds within 7 days (where applicable).
Emphasizes verification of refund eligibility, particularly for zero-rated supplies and inverted duty refunds.
Mandates adjustment of unpaid liability or ineligible ITC before sanctioning refunds.

### Circular No. 135/05/2020-GST

**Title:** Guidelines for rejection of refund claims due to discrepancies.

Key Points
Refunds can be partially rejected where discrepancies exist between the claim and supporting documents.
Refunds cannot be rejected solely on the basis of mismatches between GSTR-1 and GSTR-3B unless malfeasance is evident.
Taxpayers must be given an opportunity to rectify errors in invoices or returns before rejection.
Introduces a deficiency memo system, allowing applicants to correct deficiencies and re-file claims.
Clarifies refund processing for zero-rated supplies under LUT/Bond and cases where ITC claims exceed limits.

### Circular No. 37/11/2018-GST

**Title:** Clarifications on refund of ITC for zero-rated supplies.

Key Points
Refund of ITC is allowed for zero-rated supplies under LUT/Bond (without payment of tax).
Refund formula:

$$\text{Refund} = (\text{Net ITC} \times \text{Zero-Rated Turnover}) / \text{Adjusted Total Turnover}$$

$$\text{Refund} = (\text{Net ITC} \times \text{Zero-Rated Turnover}) / \text{Adjusted Total Turnover}$$

- Clarifies the meaning of “**adjusted total turnover**”, excluding exempt supplies and non-GST supplies.
- Emphasizes the need to file **GSTR-1** and **GSTR-3B** accurately to claim refunds for exports.
- Stresses proper documentation, including **shipping bills**, **export invoices**, and **BRCs/FIRCs**.

### Circular No. 59/33/2018-GST

**Title:** Guidelines for refund of inverted duty structure.

Key Points
Refunds for inverted duty structure are allowed only for inputs (not for input services or capital goods).
Refund formula under Rule 89(5):

$$\text{Refund} = (\text{ITC on Inputs} \times \text{Taxable Turnover}) - \text{Output Tax Liability}$$

$$\text{Refund} = (\text{ITC on Inputs} \times \text{Taxable Turnover}) - \text{Output Tax Liability}$$

- Prohibits claiming refunds for ITC on **input services**, requiring segregation of inputs in claims.
- Requires reconciliation of ITC claimed in refund applications with GSTR-2A and GSTR-3B filings.
- Advises officers to ensure **tax liability is fully paid** before approving refund claims.



### Circular No. 79/53/2018-GST

**Title:** Instructions for SEZ-related refunds.

Key Points
Refunds for supplies to SEZ are valid only if the supplies are supported by endorsements from SEZ authorities.
Refunds can be claimed for both:

#### IGST-paid supplies to SEZ

##### Zero-rated supplies under LUT/Bond

- Requires submission of invoices, endorsed documents, and proof of supply to SEZ units.
- Clarifies that **supplies to SEZ employees (e.g., canteen, welfare supplies)** are not eligible for refunds.
- Reiterates that SEZ units/developers must file LUT/Bond for their outward zero-rated supplies.

### Circular No. 17/17/2017-GST

**Title:** Clarifications on refund of IGST paid on exports.

Key Points
Exporters can claim IGST refunds through shipping bill integration with GST returns.
Refunds are auto-processed if details in the shipping bill match GSTR-1 and GSTR-3B filings.
Requires the exporter to furnish Export General Manifest (EGM) for goods exported.
Refunds are delayed or denied if there are mismatches in invoice numbers, values, or other details.
Stresses timely filing of returns to avoid refund delays.

### Circular No. 31/05/2018-GST

**Title:** Refund-related clarifications for deemed exports.

Key Points
Refunds on deemed exports can be claimed either by the recipient of goods or by the supplier.
Requires submission of a declaration by the recipient that no ITC has been availed for such supplies.
Refund applications for deemed exports must include:

##### Copy of invoices.

- Acknowledgment from the recipient for receipt of goods.
- Specifies that deemed exports include supplies to **EOUs** (Export-Oriented Units). |

### Common Issues in Refund Claims

**1. Mismatch in Documents:**

- Discrepancies between invoices, shipping bills, and GSTR filings.

**2. Ineligible ITC Claimed:**

- ITC claimed on blocked credits under **Section 17(5)**.

**3. Incorrect Refund Amounts:**

- Errors in refund calculations for exports, inverted duty structure, or excess cash ledger balance.

**4. Non-Compliance with Timelines:**

- Refund claims filed after the 2-year limitation period.

**5. Unjust Enrichment:**

- Refund claims without evidence of non-passing of the tax burden to customers, as required under **Section 54(5)**.

### Revenue Recovery Opportunities

**1. Unjustified ITC Refunds:**

- Recover refunds claimed for ineligible ITC or excessive amounts.

**2. Disallowed Export Refunds:**

- Reject export refunds where supporting documentation (e.g., EGM or BRC) is incomplete or inaccurate.

**3. Incorrect Inverted Duty Refunds:**

- Identify and recover refunds where the inverted duty refund formula was incorrectly applied.

**4. Interest Recovery:**

- Recover interest on excess refunds or delay penalties where applicable.

**5. Non-Payment of Tax:**

- Identify and recover refunds filed against unpaid tax liabilities under reversecharge or other provisions.



**6. Inverted Duty Errors:**

- Refunds calculated using incorrect formulas or including ITC on input services.

**7. SEZ Supplies:**

- Refunds filed without proper SEZ endorsements or for non-SEZ supplies.

**8. Export Refund Frauds:**

- Claims unsupported by valid shipping bills, EGMs, or BRCs.

**Conclusion**

Refund claims are prone to errors, fraud, and misuse, making them a key focus for department audits. This detailed checklist ensures a structured approach to auditing refund claims, verifying compliance with provisions, and identifying areas for revenue recovery. Auditors must emphasize the relevant dates, proper documentation, and reconciliation with GST returns to ensure compliance and minimize revenue leakage.

**Returns**

A detailed audit of GST returns ensures compliance, identifies discrepancies, and helps recover revenue. This checklist provides an in-depth approach, covering provisions, circulars, rules, common errors, and areas for revenue recovery across all key GST returns.

**Key GST Returns and Their Purpose**

GST Return	Purpose	Relevant Rule/Section
GSTR-1	Monthly/quarterly return for outward supplies.	Section 37, Rule 59
GSTR-2A/2B	Auto-populated ITC details based on suppliers' GSTR-1.	Section 38
GSTR-3B	Monthly summary return for tax payment, ITC claim, and reporting liabilities.	Section 39, Rule 61
GSTR-4	Annual return for taxpayers under the composition scheme.	Section 39(2), Rule 62
GSTR-5	Return for non-resident taxable persons to declare inward and outward supplies.	Section 39(5), Rule 63
GSTR-6	ITC distribution return for Input Service Distributors (ISD).	Section 39(4), Rule 65
GSTR-7	TDS return filed by TDS deductors.	Section 39(3), Rule 66
GSTR-8	TCS return filed by e-commerce operators.	Section 52, Rule 67
GSTR-9	Annual return summarizing outward supplies, ITC, and taxes paid.	Section 44, Rule 80
GSTR-9C	Reconciliation statement certified by a CA/Cost Accountant for taxpayers exceeding specified turnover.	Section 35(5), Rule 80

## Comprehensive Checklist for GST Returns Audit

### Outward Supply Reporting (GSTR-1)

#### 1. Turnover Reconciliation:

- Match turnover in GSTR-1 with:
  - ✓ Tax invoices.
  - ✓ Books of accounts.
  - ✓ P&L and audited financial statements.
  - ✓ GST Annual Return (GSTR-9).

#### 2. Classification and Tax Rate Validation:

- Check for correct HSN/SAC codes.
- Ensure GST rates applied match the classification of goods/services.
- Validate exemptions and zero-rated supplies (e.g., exports or SEZ).

#### 3. B2C vs. B2B Segregation:

- Ensure correct reporting of B2C and B2B transactions.
- Validate e-commerce sales in B2C sections.

#### 4. Exports:

- Verify export invoices and shipping documents.
- Ensure exports are reported as zero-rated supplies under LUT/Bond.

#### 5. Advance Payments:

- Check if GST on advances received is reported correctly in GSTR-1.

### ITC Verification (GSTR-2A/2B and GSTR-3B)

#### 1. ITC Matching:

- Match ITC claimed in GSTR-3B with auto-populated GSTR-2A/2B.
- Investigate mismatches due to missing, invalid, or incorrect supplier invoices.

#### 2. Blocked Credits:

- Ensure ITC is not claimed on ineligible items under **Section 17(5)**, such as:
  - ✓ Motor vehicles (except when allowed).
  - ✓ Personal-use goods/services.
  - ✓ Works contracts for immovable property (except for further supply).



### 3. Common ITC Reversals:

- Check reversals for common inputs/services as per **Rule 42** and **Rule 43** for taxable and exempt supplies.

### 4. Time Limit for ITC Claim:

- Ensure ITC claims adhere to the time limit under **Section 16(4)** (i.e., ITC for a financial year is claimed by the September return or GSTR-9 filing, whichever is earlier).

### 5. RCM Compliance:

- Verify RCM (Reverse Charge Mechanism) ITC claims match tax paid under **Section 9(3)** or **Section 9(4)**.

## Summary Returns and Tax Payments (GSTR-3B)

### 1. Turnover Reporting:

- Compare taxable turnover reported in GSTR-3B with GSTR-1 and financial records.
- Identify any underreported turnover.

### 2. Tax Payment Compliance:

- Ensure taxes are fully paid using cash and credit ledgers.
- Verify the computation of interest and late fees for delays as per **Section 50**.

### 3. Adjustments of Advances:

- Validate GST paid on advances and adjustments for supply completion.

### 4. Reconciliation with GSTR-9:

- Ensure liabilities in GSTR-3B are reconciled with annual returns (GSTR-9).

## Annual Returns and Reconciliation (GSTR-9 and GSTR-9C)

### 1. Turnover Matching:

- Match turnover reported in GSTR-9 with:
  - ✓ GSTR-1 and GSTR-3B.
  - ✓ Audited financial statements.

### 2. ITC Reconciliation:

- Reconcile ITC claimed in GSTR-3B with books of accounts and GSTR-2A/2B.



**3. Disclosures of Reversals:**

- Ensure ITC reversals for blocked credits, 180-day non-payment cases, or exempt supplies are correctly reported.

**4. Additional Tax Liability:**

- Verify if any discrepancies in GSTR-9 are resolved through voluntary tax payments in DRC-03.

**Special Returns (e.g., GSTR-7, GSTR-8, GSTR-4)**

**1. TDS (GSTR-7):**

- Check TDS compliance by verifying amounts deducted and deposited.
- Match TDS details with supplier credits in GSTR-2A.

**2. TCS (GSTR-8):**

- Verify TCS amounts collected and deposited by e-commerce operators.
- Match TCS credits with supplier returns.

**3. Composition Scheme (CMP-08, GSTR-4):**

- Ensure composition taxpayers have correctly reported turnover and paid taxes at the prescribed rates.

**Common Errors Identified in GST Returns**

**1. Mismatch in Returns:**

- Differences between GSTR-1, GSTR-3B, and GSTR-9 for outward supplies.

**2. ITC Mismatches:**

- Discrepancies between ITC in GSTR-3B and GSTR-2A/2B.

**3. Incorrect Tax Rate or Classification:**

- Misclassification of goods/services resulting in incorrect GST rates.

**4. Non-Payment of RCM:**

- Failure to report and pay GST under RCM on specified supplies.

**5. Unreported Liabilities:**

- Advances, reverse charge supplies, or export liabilities not reported.



## 6. Late Filing:

- Delays in filing returns leading to interest and penalties under **Sections 47 and 50**.

### Revenue Recovery Opportunities

Area of Recovery	Details
Underreported Turnover	Identify and recover taxes on understated outward supplies.
Excess ITC Claims	Recover ITC claimed for ineligible or mismatched invoices.
Unpaid Tax Liabilities	Recover GST liabilities under reverse charge or unreported advances.
Delayed Tax Payments	Recover interest on late payments of GST.
Export/Zero-Rated Supplies	Identify non-compliance with LUT/Bond filing or incorrect reporting of exports.

### Relevant Provisions, Rules, and Circulars

Reference	Description
Section 37-39	Filing requirements for GSTR-1, GSTR-2A, GSTR-3B.
Section 16-17	ITC eligibility, blocked credits, and reversal requirements.
Section 50	Interest on delayed payment of GST.
Rule 42-43	ITC reversal methodology for taxable and exempt supplies.
Circular 26/26/2017-GST	Clarification on errors in GSTR-3B and rectification methods.
Circular 125/44/2019-GST	Guidelines for filing and reconciliation of GST returns.

### Reporting in GST Returns

Form	Key Focus Areas
GSTR-1	Accurate outward supply details, proper tax classification, and export reporting.
GSTR-3B	Correct tax liability reporting, ITC claims, and tax payments.
GSTR-9/9C	Annual reconciliation with audited financials and rectification of mismatches.
CMP-08	Turnover reporting and tax payment compliance for composition taxpayers.

## Conclusion

This comprehensive checklist ensures a detailed review of GST returns, focusing on compliance, reconciliation, and revenue recovery. Department auditors should emphasize reconciling returns with financials, validating ITC claims, and identifying discrepancies to recover revenue effectively.

## Accounting

### Documents under GST

#### Key Provisions Governing GST Documents

Aspect	Provision	Relevant Section/Rule
Mandatory Documents	Tax invoice, bill of supply, receipt voucher, payment voucher, delivery challan, e-waybill, and e-invoice.	Section 31, 32, 33, Rule 46-55
Prescribed Details	Each document must contain prescribed details, including GSTIN, HSN/SAC, tax rate, and value.	Rule 46-55
Prohibition on Multiple Tax Invoices	Tax invoices must be issued sequentially, and duplicate invoices are prohibited.	Rule 48

#### Detailed Checklist for Verifying Documents

##### A. Tax Invoice

Aspect	Details
Purpose	Issued for taxable supplies of goods or services.
Relevant Provision	Section 31(1), Rule 46

##### Mandatory Fields:

1. Supplier's name, address, and GSTIN.
2. Recipient's name, address, and GSTIN (if registered).
3. Unique and sequential invoice number (16 characters max).
4. Date of issue.
5. HSN/SAC code.
6. Description of goods/services.
7. Quantity and unit of goods (if applicable).
8. Value of supply (taxable value).
9. Rate of tax (CGST, SGST/UTGST, IGST).
10. Total tax amount.
11. Place of supply (for inter-state supplies).
12. Signature or digital signature of the supplier.



**B. Bill of Supply**

Aspect	Details
Purpose	Issued for exempt supplies or by composition taxpayers.
Relevant Provision	Section 31(3)(c), Rule 49

**Mandatory Fields:**

1. Supplier's name, address, and GSTIN.
2. Unique and sequential bill number.
3. Date of issue.
4. Description of goods/services.
5. Value of supply.
6. Place of supply (for inter-state supplies).
7. Signature or digital signature of the supplier.

**C. E-Invoice**

Aspect	Details
Purpose	Mandatory for B2B transactions by taxpayers with turnover above the prescribed limit.
Relevant Provision	Rule 48(4), Notification 68/2019

**Mandatory Fields:**

1. Invoice Reference Number (IRN).
2. QR Code for verification.
3. Supplier and recipient GSTIN.
4. Invoice number and date.
5. HSN/SAC code.
6. Description, quantity, and unit of goods/services.
7. Taxable value and total value.
8. Tax rate and amount (CGST, SGST/UTGST, IGST).
9. Place of supply.
10. Digital signature generated via the IRP.

*D. Invoice-Cum-Bill of Supply*

Aspect	Details
Purpose	Issued for transactions involving both taxable and exempt supplies.
Relevant Provision	Rule 46A, Notification 12/2019

**Mandatory Fields:**

1. All mandatory fields of a tax invoice.
2. Segregated values for taxable and exempt supplies.
3. Clearly marked as "Invoice-Cum-Bill of Supply."

*E. Payment Voucher*

Aspect	Details
Purpose	Issued for payments made under reverse charge mechanism (RCM).
Relevant Provision	Section 31(3)(g), Rule 52

**Mandatory Fields:**

1. Supplier's and recipient's name, address, and GSTIN.
2. Unique voucher number and date.
3. Description of goods/services.
4. Amount paid.
5. Tax rate and tax amount (if applicable).
6. Place of supply.
7. Signature or digital signature of the recipient.

*F. Receipt Voucher*

Aspect	Details
Purpose	Issued for advance payment received against taxable supplies.
Relevant Provision	Section 31(3)(d), Rule 50

**Mandatory Fields:**

1. Supplier's and recipient's name, address, and GSTIN.
2. Unique voucher number and date.
3. Description of goods/services.



4. Amount received.
5. Tax rate and tax amount.
6. Place of supply.
7. Signature or digital signature of the supplier.

**G. Delivery Challan**

Aspect	Details
Purpose	Used for movement of goods without a tax invoice (e.g., job work, stock transfer).
Relevant Provision	Rule 55

**Mandatory Fields:**

1. Supplier's name, address, and GSTIN.
2. Unique and sequential challan number and date.
3. Description and quantity of goods.
4. Reason for movement (e.g., job work, sales return).
5. Tax rate and tax amount (if applicable).
6. Place of supply.
7. Signature or digital signature of the supplier.

**H. E-Waybill**

Aspect	Details
Purpose	Required for movement of goods where the consignment value exceeds ₹50,000.
Relevant Provision	Rule 138

**Mandatory Fields:**

1. E-waybill number.
2. Supplier's and recipient's GSTIN.
3. Vehicle number (for transport).
4. Document number (e.g., tax invoice or delivery challan).
5. Description and value of goods.

6. HSN code.
7. Place of supply.
8. Validity period (based on distance).

### Common Errors to Identify

Document	Common Errors
Tax Invoice	Missing GSTIN, incorrect tax rates, non-sequential numbering, or absence of HSN/SAC codes.
Bill of Supply	Issued for taxable supplies instead of exempt supplies.
E-Invoice	Non-generation of IRN for eligible transactions, mismatch with GSTR-1 or GSTR-3B.
Payment Voucher	Missing reverse charge details or incorrect tax calculations.
Receipt Voucher	Missing advance payment details or failure to match with tax invoice.
Delivery Challan	Absence of movement reason or inaccurate consignment details.
E-Waybill	Incorrect vehicle number, expired validity, or mismatch with invoice/delivery challan.

### Penalties for Non-Compliance

Non-Compliance	Penalty	Relevant Provision
Failure to issue invoice or incorrect invoice	Penalty of ₹10,000 or an amount equal to the tax evaded (whichever is higher).	Section 122(1)(i)
Non-generation of e-invoice where applicable	Penalty of ₹10,000 per instance; GST credit may be denied for non-compliance.	Rule 48(5), Section 122(1)(xi)
Incorrect or missing details on invoice	General penalty of up to ₹25,000 per incorrect document (CGST + SGST).	Section 125
Failure to generate e-waybill	Penalty of ₹10,000 or tax sought to be evaded (whichever is higher); vehicle and goods may be detained.	Section 129
Non-compliance with delivery challan rules	Penalty of up to ₹25,000 for incorrect or missing details.	Section 125



# ANNEXURE 05

## Important Judicial Pronouncements

### Victoria Properties (P.) Ltd. v. Union of India

Section	Details
A. Petitioner and Respondent	Petitioner: Victoria Properties (P.) Ltd. Respondent: Union of India
B. Court	High Court of Bombay
C. Grounds for Filing the Writ	The petitioner challenged the audit notice issued under Section 65 of the GST Act, arguing that since their GST registration had been canceled, they were no longer subject to such audits. They claimed that obligations under the GST Act, including audits, should not apply post-deregistration as no tax dues existed prior to deregistration.
D. Judgment and Status	The court dismissed the writ petition, stating that obligations under the GST Act, including audits under Section 65, persist even if a taxpayer's registration is canceled. The court upheld the validity of the audit notice and preliminary findings. No costs were imposed, and the audit was ordered to proceed.
E. Analysis of Judgment	The judgment favored the revenue department due to the following reasons: <ol style="list-style-type: none"><li>1. Section 29(3) explicitly states that deregistration does not discharge prior obligations under the GST Act.</li><li>2. Audits under Section 65 aim to ensure compliance for periods during which the entity was registered, irrespective of subsequent deregistration.</li><li>3. The petitioner's reliance on previous case law was deemed inapplicable as it failed to address the provisions of Sections 29(3) and 65 comprehensively.</li><li>4. Allowing the petitioner's argument would undermine the statutory audit framework and create enforcement gaps.</li></ol>

### Ashoka Fabricast (P.) Ltd. v. Union of India

Section	Details
A. Petitioner and Respondent	Petitioner: Ashoka Fabricast (P.) Ltd. Respondent: Union of India
B. Court	High Court of Rajasthan



Section	Details
C. Grounds for Filing the Writ	The petitioner challenged the audit notice issued under Section 65 of the CGST Act, 2017, arguing that audits apply only to currently registered taxpayers. Since the GST registration was canceled, the petitioner contended that any audit or subsequent assessment was beyond the jurisdiction of tax authorities. They claimed that their reply to the Show Cause Notice was not adequately considered, and the proceedings violated legal provisions.
D. Judgment and Status	The writ petition was dismissed. The court upheld the validity of the audit notice and the subsequent assessment for the period during which the petitioner was registered under GST. The petitioner was also directed to pay Rs. 25,000 in costs to the Rajasthan High Court State Legal Services Authority. The court advised the petitioner to pursue statutory appeal remedies for grievances against the assessment order.
E. Analysis of Judgment	The judgment favored the revenue department for these reasons: <ol style="list-style-type: none"> <li>1. Section 29(3) clarifies that cancellation of registration does not discharge prior obligations under the GST Act, including audits.</li> <li>2. Section 65 authorizes audits for periods when the entity was registered, even if initiated after deregistration.</li> <li>3. The petitioner's fraudulent availing of ITC supported the need for audit and assessment.</li> <li>4. Adequate natural justice was ensured through the issuance of notices and consideration of replies before finalizing the assessment order.</li> <li>5. The petitioner's reliance on prior case law was deemed inapplicable given the CGST Act's provisions and their fraudulent conduct.</li> </ol>

### Fomento Resorts & Hotels Ltd. v. Union of India

Section	Details
A. Petitioner and Respondent	Petitioner: Fomento Resorts & Hotels Ltd. Respondent: Union of India
B. Court	High Court of Bombay
C. Grounds for Filing the Writ	The petitioner challenged the validity of specific circulars issued by the CBIC, arguing that they unlawfully conferred the functions of a "proper officer" on central tax officers for issuing audit reports under Section 65(6) or initiating proceedings under Sections 73 and 74 of the CGST Act. The petitioner contended that the circulars lacked statutory backing and were beyond the CBIC's authority, leading to jurisdictional overreach.



Section	Details
D. Judgment and Status	The High Court dismissed the petition. The court held that the circulars were valid and consistent with the CGST Act's provisions. It ruled that the CBIC acted within its powers under Sections 3, 5, and 168 of the CGST Act. The court upheld the audit report and show cause notices as issued by authorized "proper officers."
E. Analysis of Judgment	<p>The judgment supported the revenue department due to:</p> <ol style="list-style-type: none"> <li>Sections 3 and 5 of the CGST Act empower the government to assign functions to designated officers, including as "proper officers."</li> <li>The circulars were in line with statutory provisions and ensured clarity on officer roles under GST laws.</li> <li>Challenges based on technical grounds, such as the omission or incorrect reference to specific legal provisions, were dismissed as irrelevant when the statutory powers existed.</li> <li>The court emphasized that procedural precision in identifying the "proper officer" must not override substantive compliance with legal provisions.</li> </ol>

### **ABT Ltd. v. Additional Commissioner of GST & Central Excise**

Section	Details
A. Petitioner and Respondent	<p>Petitioner: ABT Ltd.</p> <p>Respondent: Additional Commissioner of GST &amp; Central Excise</p>
B. Court	High Court of Madras
C. Grounds for Filing the Writ	<p>The petitioner challenged a show cause notice issued under Section 74 of the CGST Act, arguing that:</p> <ol style="list-style-type: none"> <li>The audit report did not establish fraud, willful misstatement, or suppression of facts.</li> <li>The required intimation in Form GST DRC-01A was not issued.</li> <li>The audit findings incorrectly utilized consolidated figures rather than unit-specific data.</li> </ol>
D. Judgment and Status	The court dismissed the writ petition. It held that the audit report met the statutory requirements under Section 65(7) by identifying unpaid or short-paid taxes and incorrect ITC claims. The court ruled that findings of fraud or misstatement were not prerequisites for initiating proceedings under Section 74. Additionally, procedural objections regarding Form GST DRC-01A and the use of consolidated data were not grounds for judicial interference.

Section	Details
E. Analysis of Judgment	<p>The judgment supported the revenue department because:</p> <ol style="list-style-type: none"> <li>1. Section 65(7) focuses on identifying tax irregularities, not necessarily on fraud or suppression, as a basis for further action.</li> <li>2. The show cause notice itself, not the audit report, must allege fraud or misstatement under Section 74.</li> <li>3. Procedural deficiencies like missing Form GST DRC-01A were deemed non-jurisdictional and rectifiable.</li> <li>4. Audits can validly consider financial data broadly, even if unit-specific concerns arise, which the petitioner can address during reply to the notice.</li> </ol>

### Woodland Works (I) (P.) Ltd. v. Union of India

Section	Details
A. Petitioner and Respondent	<p>Petitioner: Woodland Works (I) (P.) Ltd. Respondent: Union of India</p>
B. Court	High Court of Gauhati
C. Grounds for Filing the Writ	The petitioner challenged a demand-cum-show cause notice issued based on an audit covering April 2015 to June 2017. They argued that post-GST implementation, audits under the repealed Finance Act, 1994, were invalid as the necessary procedures under Section 72A of the Finance Act had not been followed. They also contended that the GST Act's provisions did not apply retroactively to the audit process.
D. Judgment and Status	The court dismissed the writ petition. It upheld the validity of the audit and the subsequent demand notice. The court clarified that Section 174(2)(e) of the CGST Act saved the authorities' pre-GST powers for audits and assessments related to pre-GST periods. The court ruled that audits initiated after GST implementation must follow the procedures prescribed under Sections 65 and 66 of the CGST Act.
E. Analysis of Judgment	<p>The judgment favored the revenue department because:</p> <ol style="list-style-type: none"> <li>1. Section 174(2)(e) explicitly preserved the power of authorities to audit pre-GST periods.</li> <li>2. The court interpreted statutory transitions to ensure continuity and enforceability of tax obligations.</li> <li>3. The audit procedures under the GST Act were deemed applicable for audits initiated after GST implementation, even for pre-GST periods.</li> <li>4. The petitioner's delayed objections, raised only after the demand notice, weakened their case.</li> </ol>



### Caterpillar India (P) Ltd. v. Additional Commissioner

Section	Details
A. Petitioner and Respondent	Petitioner: Caterpillar India (P) Ltd. Respondent: Additional Commissioner
B. Court	High Court of Madras
C. Grounds for Filing the Writ	The petitioner contested a recovery notice under Section 79 of the CGST Act, following an audit under Section 65, alleging that: <ol style="list-style-type: none"><li>1. The notice included police-like threats for recovery, which were procedurally invalid.</li><li>2. The notice violated Rule 88C of the CGST Rules by not following prescribed procedures for recovery actions.</li></ol>
D. Judgment and Status	The court dismissed the petition, directing the petitioner to respond to the notice and challenge any subsequent recovery action under Rule 88C separately. The court observed that the impugned notice was merely a preliminary proposal under Section 73(5) and not a final determination. Recovery actions were kept in abeyance for 10 days, allowing the petitioner to pursue legal remedies.
E. Analysis of Judgment	The judgment favored the revenue department because: <ol style="list-style-type: none"><li>1. The recovery notice under Section 79 was considered procedurally premature but was separate from the primary audit-based notice.</li><li>2. The petitioner's objections were procedural, not substantive, and could be addressed through replies and subsequent challenges.</li><li>3. The court emphasized procedural adherence without preventing statutory recovery or audit processes from progressing.</li></ol>

### Singh Caterers and Vendors v. Union of India

Section	Details
A. Petitioner and Respondent	Petitioner: Singh Caterers and Vendors Respondent: Union of India
B. Court	High Court of Patna
C. Grounds for Filing the Writ	The petitioner filed a rectification application under Section 161 of the CGST Act against the audit report issued under Section 65(6). They argued that recovery proceedings initiated under Section 73 should be stayed until the rectification application was resolved, claiming errors in the audit report.
D. Judgment and Status	The court dismissed the petition, holding that: <ol style="list-style-type: none"><li>1. The audit report did not have apparent errors that warranted rectification under Section 161.</li><li>2. Proceedings initiated under Section 73 were valid as they were based on a finalized audit report. The court permitted the petitioner to submit objections during the ongoing assessment process.</li></ol>



Section	Details
E. Analysis of Judgment	<p>The judgment favored the revenue department due to:</p> <ol style="list-style-type: none"> <li>1. Section 161's scope is limited to rectifying errors apparent on the face of the record, which was not applicable in this case.</li> <li>2. The finalized audit report formed a legitimate basis for initiating Section 73 recovery proceedings.</li> <li>3. Procedural objections could be raised and addressed during the assessment phase, rendering the writ premature.</li> </ol>

### **Shalimar Chemical Works (P.) Ltd. v. Commissioner of Commercial Taxes and Goods and Service Tax**

Section	Details
A. Petitioner and Respondent	<p>Petitioner: Shalimar Chemical Works (P.) Ltd. Respondent: Commissioner of Commercial Taxes and GST</p>
B. Court	High Court of Orissa
C. Grounds for Filing the Writ	The petitioner challenged an audit report issued under Section 65(6) of the OGST Act, claiming that it included incorrect observations regarding certain transactions. They contended that they were not liable for some of the charges and sought relief from statutory liabilities without undergoing assessment.
D. Judgment and Status	<p>The court dismissed the writ petition, ruling it premature. It held that:</p> <ol style="list-style-type: none"> <li>1. The petitioner must raise objections during the assessment proceedings.</li> <li>2. Challenging the audit report without any subsequent order or determination by the authorities was not justified.</li> </ol>
E. Analysis of Judgment	<p>The judgment supported the revenue department because:</p> <ol style="list-style-type: none"> <li>1. The petitioner had procedural remedies to address grievances, such as assessment proceedings.</li> <li>2. Judicial intervention was deemed unnecessary at a preliminary stage before assessment or determination.</li> <li>3. The petitioner's failure to exhaust statutory remedies weakened their case for immediate relief.</li> </ol>

### **Om Sakthi Construction v. Assistant Commissioner**

Section	Details
A. Petitioner and Respondent	<p>Petitioner: Om Sakthi Construction Respondent: Assistant Commissioner</p>
B. Court	High Court of Madras



Section	Details
C. Grounds for Filing the Writ	The petitioner argued that once an audit notice under Section 65 was issued, any subsequent issuance of a show cause notice (SCN) under Section 74 violated the procedural framework. They claimed that these parallel proceedings were invalid and caused procedural prejudice.
D. Judgment and Status	The court dismissed the writ petition, holding that: <ol style="list-style-type: none"> <li>1. The SCN under Section 74 followed the audit notice under Section 65, and there was no statutory bar on issuing the SCN.</li> <li>2. The petitioner could raise objections in reply to the SCN and during the assessment process.</li> <li>3. The proceedings adhered to the CGST/TNGST Acts' procedural framework, rendering the petitioner's arguments baseless.</li> </ol>
E. Analysis of Judgment	The judgment supported the revenue department because: <ol style="list-style-type: none"> <li>1. Section 65 audits and Section 74 SCNs are separate processes, and their issuance in sequence was legally permissible.</li> <li>2. Procedural adherence ensured no prejudice to the petitioner, who retained the opportunity to contest findings during the assessment.</li> <li>3. Arguments based on procedural overlap lacked legal foundation, as both processes addressed distinct statutory objectives.</li> </ol>

### **Suresh Kumar P. P. v. Deputy Director, Directorate General of GST Intelligence**

Section	Details
A. Petitioner and Respondent	Petitioner: Suresh Kumar P. P. Respondent: Deputy Director, Directorate General of GST Intelligence (DGGI)
B. Court	Supreme Court of India
C. Grounds for Filing the Petition	The petitioner contested the High Court's decision, arguing that: <ol style="list-style-type: none"> <li>1. Search, seizure, and inspection operations conducted at their residence and office constituted harassment and high-handed behavior.</li> <li>2. Simultaneous proceedings of audit under Section 65 and investigation under Section 67 violated procedural fairness.</li> <li>3. Funds collected during the investigation should have adhered to prescribed formalities under Rule 87 of the CGST Rules.</li> </ol>

Section	Details
D. Judgment and Status	<p>The Supreme Court dismissed the Special Leave Petition (SLP), holding that:</p> <ol style="list-style-type: none"> <li>1. Search and seizure operations by statutory authorities, even if prolonged, are lawful under Section 67 when backed by reasonable belief.</li> <li>2. Audit under Section 65 and investigation under Section 67 are independent processes and can proceed simultaneously.</li> <li>3. Funds collected during investigations can be deposited by officers above the rank of Joint Commissioner without specific forms.</li> </ol>
E. Analysis of Judgment	<p>The judgment favored the revenue department due to:</p> <ol style="list-style-type: none"> <li>1. Proper authorization and legal basis for actions under Sections 65 and 67.</li> <li>2. The petitioner's claims of harassment were unsupported as statutory powers were exercised within their scope.</li> <li>3. Procedural challenges did not demonstrate substantive violations affecting fairness or legality.</li> </ol>

### Mitsubishi Electric India (P.) Ltd. v. Union of India

Section	Details
A. Petitioner and Respondent	<p>Petitioner: Mitsubishi Electric India (P.) Ltd.</p> <p>Respondent: Union of India</p>
B. Court	High Court of Delhi
C. Grounds for Filing the Writ	<p>The petitioner contested a demand order issued under Section 73(9) of the CGST Act, claiming that:</p> <ol style="list-style-type: none"> <li>1. The special audit findings, which formed the basis of the demand, were unreasoned.</li> <li>2. Their detailed objections to the audit findings were ignored.</li> <li>3. The order failed to consider principles of natural justice, as it did not address the petitioner's responses.</li> </ol>
D. Judgment and Status	<p>The High Court quashed the demand order, directing the GST Officer to reconsider the matter afresh. The court noted:</p> <ol style="list-style-type: none"> <li>1. The order lacked reasoning and did not engage with the petitioner's objections.</li> <li>2. The matter should be remitted to the GST Officer for a fresh examination, ensuring proper consideration of the petitioner's replies. All rights of the parties were kept open for further arguments.</li> </ol>



Section	Details
E. Analysis of Judgment	<p>The judgment favored the taxpayer due to:</p> <ol style="list-style-type: none"> <li>1. Lack of substantive reasoning in the order, violating principles of natural justice.</li> <li>2. Failure to address the petitioner's detailed objections, undermining fairness.</li> <li>3. The court's emphasis on procedural propriety ensured accountability in decision-making.</li> </ol>

### **Hubergroup India (P.) Ltd. v. Union of India**

Section	Details
A. Petitioner and Respondent	<p>Petitioner: Hubergroup India (P.) Ltd. Respondent: Union of India</p>
B. Court	High Court of Gujarat
C. Grounds for Filing the Writ	The petitioner argued that show cause notices issued under Section 65(7), read with Section 74, of the CGST Act were invalid because the audit was concluded beyond the timeline prescribed under Section 65(4). They contended that the notices were issued without jurisdiction, given the procedural lapse, and sought to halt the proceedings.
D. Judgment and Status	The court allowed the proceedings related to the impugned show cause notices to continue but directed that no final order be passed without the court's permission during the pendency of the writ petition. The case remains under adjudication.
E. Analysis of Judgment	<p>The judgment provided interim relief to the taxpayer, recognizing:</p> <ol style="list-style-type: none"> <li>1. The prima facie issue of procedural delay in completing the audit beyond the statutory period under Section 65(4).</li> <li>2. The need to balance administrative functions with adherence to statutory timelines.</li> <li>3. The importance of safeguarding jurisdictional validity and procedural fairness in such cases.</li> </ol>

### **Tvl. Sripathi Paper and Boards (P.) Ltd. v. Assistant Commissioner (ST), Virudhunagar-I**

Section	Details
A. Petitioner and Respondent	<p>Petitioner: Tvl. Sripathi Paper and Boards (P.) Ltd. Respondent: Assistant Commissioner (ST), Virudhunagar-I</p>
B. Court	High Court of Madras



Section	Details
C. Grounds for Filing the Writ	<p>The petitioner challenged an assessment order issued based on an audit report under Sections 65, 73, and 74 of the CGST Act, alleging:</p> <ol style="list-style-type: none"> <li>1. The order was a non-speaking one that failed to address detailed objections filed by the petitioner.</li> <li>2. Several objections were rejected without assigning reasons or referring to documentary evidence.</li> <li>3. The assessment was finalized without adequate consideration of facts and applicable judgments.</li> </ol>
D. Judgment and Status	<p>The court set aside the assessment order and remanded the matter for fresh consideration. The court directed the respondent to treat the impugned order as a show cause notice, requiring the petitioner to submit objections and the respondent to issue a speaking order after a reasonable hearing.</p>
E. Analysis of Judgment	<p>The judgment favored the taxpayer due to:</p> <ol style="list-style-type: none"> <li>1. Violation of principles of natural justice as objections were dismissed without explanation.</li> <li>2. Lack of substantive reasoning in the assessment, demonstrating non-application of mind.</li> <li>3. The court's focus on ensuring a transparent and reasoned decision-making process.</li> </ol>

### Adama India (P.) Ltd. v. Union of India

Section	Details
A. Petitioner and Respondent	<p>Petitioner: Adama India (P.) Ltd. Respondent: Union of India</p>
B. Court	High Court of Karnataka
C. Grounds for Filing the Writ	<p>The petitioner challenged an order issued under Section 73(9) of the CGST Act, alleging:</p> <ol style="list-style-type: none"> <li>1. Their replies to the draft audit report and show cause notice were not considered.</li> <li>2. A personal hearing sought by the petitioner was denied.</li> <li>3. The final order was issued in violation of principles of natural justice.</li> </ol>
D. Judgment and Status	<p>The court quashed the impugned order and remanded the matter for reconsideration. It directed the respondent to evaluate the petitioner's response to the audit and show cause notice, and to conduct a personal hearing before issuing a fresh order. Costs of Rs. 50,000 were imposed on the petitioner for failing to utilize earlier opportunities effectively.</p>



Section	Details
E. Analysis of Judgment	<p>The judgment favored the taxpayer for these reasons:</p> <ol style="list-style-type: none"> <li>1. The order violated Section 75(4), which mandates a personal hearing when requested.</li> <li>2. Responses to notices must be considered substantively, which the respondent failed to do.</li> <li>3. Despite procedural lapses by the petitioner, the court ensured adherence to principles of natural justice by remanding the matter.</li> </ol>

**P S K Engineering Construction & Co. v. Assistant Commissioner of GST & Central Excise**

Section	Details
A. Petitioner and Respondent	<p>Petitioner: P S K Engineering Construction &amp; Co.</p> <p>Respondent: Assistant Commissioner of GST &amp; Central Excise, Salem</p>
B. Court	High Court of Madras
C. Grounds for Filing the Writ	<p>The petitioner challenged an audit notice issued by the Central GST authorities, claiming that:</p> <ol style="list-style-type: none"> <li>1. The State GST authorities had already initiated and concluded proceedings for the same assessment period (2019-20 to 2022-23).</li> <li>2. Initiating a second audit for the same period violated Section 6(2)(b) of the CGST Act, which restricts overlapping proceedings by Central and State authorities.</li> </ol>
D. Judgment and Status	<p>The court ruled in favor of the petitioner, stating that:</p> <ol style="list-style-type: none"> <li>1. Section 6(2)(b) prohibits subsequent proceedings on the same subject matter by Central GST authorities if the State authorities have already acted.</li> <li>2. However, the Central GST audit can proceed if it pertains to a different subject matter. The petitioner was directed to respond to the audit notice with the assurance that the audit would not address matters already settled by the State GST authorities.</li> </ol>
E. Analysis of Judgment	<p>The judgment provided clarity and relief to the petitioner due to:</p> <ol style="list-style-type: none"> <li>1. Recognition of statutory limits on overlapping jurisdiction under Section 6(2)(b).</li> <li>2. Assurance that procedural safeguards were in place to prevent duplication of proceedings.</li> <li>3. Balancing the rights of the taxpayer with the authorities' ability to audit distinct subject matters.</li> </ol>

**Manpower Group Services India (P.) Ltd. v. Sales Tax Officer, AVATO**

Section	Details
A. Petitioner and Respondent	Petitioner: Manpower Group Services India (P.) Ltd. Respondent: Sales Tax Officer, AVATO
B. Court	High Court of Delhi
C. Grounds for Filing the Writ	The petitioner challenged an order issued under Section 73 of the CGST Act on the grounds that: <ol style="list-style-type: none"> <li>1. A show cause notice cited cryptic audit observations alleging an ITC mismatch but did not result from a proper audit under Section 65.</li> <li>2. Their detailed replies with supporting documents were not substantively considered, violating principles of natural justice.</li> <li>3. The audit observations referred to appeared to stem from an internal GST department audit rather than a statutory audit of the petitioner.</li> </ol>
D. Judgment and Status	The court quashed the impugned order and remanded the case for re-adjudication. It directed the Proper Officer to: <ol style="list-style-type: none"> <li>1. Consider the petitioner's reply in detail.</li> <li>2. Conduct a personal hearing.</li> <li>3. Pass a fresh, reasoned speaking order within the prescribed timeframe under Section 75(3). The petitioner was granted 30 days to submit additional responses.</li> </ol>
E. Analysis of Judgment	The judgment supported the taxpayer due to: <ol style="list-style-type: none"> <li>1. Failure of the revenue to adhere to principles of natural justice, including the lack of substantive engagement with detailed replies.</li> <li>2. Non-compliance with the procedural requirements of Section 65 for conducting audits.</li> <li>3. Judicial emphasis on providing a fair and reasoned adjudication process.</li> </ol>

**Sripathi Paper and Boards (P.) Ltd. v. Assistant Commissioner (ST)**

Section	Details
A. Petitioner and Respondent	Petitioner: Sripathi Paper and Boards (P.) Ltd. Respondent: Assistant Commissioner (ST)
B. Court	High Court of Madras
C. Grounds for Filing the Writ	The petitioner challenged an assessment order for AY 2017-18, alleging: <ol style="list-style-type: none"> <li>1. Procedural violations during the GST audit under Section 65, including lack of authorization and prior intimation.</li> <li>2. A failure to provide a detailed Show Cause Notice, as only a summary SCN was issued.</li> <li>3. The audit and assessment violated principles of natural justice.</li> </ol>



Section	Details
D. Judgment and Status	<p>The court quashed the assessment order and remanded the matter for fresh consideration. It directed the respondent to:</p> <ol style="list-style-type: none"> <li>1. Treat the impugned order as a corrigendum to the SCN.</li> <li>2. Allow the petitioner to file additional replies.</li> <li>3. Pass a fresh, reasoned order within 120 days. The petitioner was required to deposit 10% of the disputed tax (Rs. 11.59 crores) before further proceedings.</li> </ol>
E. Analysis of Judgment	<p>The judgment favored the taxpayer due to:</p> <ol style="list-style-type: none"> <li>1. Non-compliance with procedural safeguards under Section 65 and lack of detailed reasoning in the assessment order.</li> <li>2. Emphasis on ensuring a fair and transparent process by allowing the petitioner to respond comprehensively.</li> <li>3. Balancing the petitioner's rights with revenue interests through the requirement of a partial deposit.</li> </ol>

#### **Ramesh Agency v. Assistant Commissioner (ST)**

Section	Details
A. Petitioner and Respondent	<p>Petitioner: Ramesh Agency Respondent: Assistant Commissioner (ST)</p>
B. Court	High Court of Madras
C. Grounds for Filing the Writ	<p>The petitioner challenged an assessment order issued under Section 73 of the CGST Act for AY 2017-18, alleging:</p> <ol style="list-style-type: none"> <li>1. Parallel proceedings were initiated under Sections 65 and 73 without the petitioner's knowledge.</li> <li>2. A substantial portion of the disputed tax was deducted from the petitioner's electronic credit ledger before they were made aware of the order.</li> <li>3. The impugned order lacked proper procedural compliance and resulted in unfairness.</li> </ol>
D. Judgment and Status	<p>The court quashed the assessment order and remanded the matter for fresh adjudication. Directions included:</p> <ol style="list-style-type: none"> <li>1. The petitioner to file a detailed reply within 45 days.</li> <li>2. The respondents to re-adjudicate the case and pass a reasoned order within 45 days of receiving the petitioner's reply.</li> <li>3. The respondents to re-credit 50% of the deducted tax amount to the petitioner's electronic credit ledger to alleviate liquidity concerns.</li> </ol>

Section	Details
E. Analysis of Judgment	<p>The judgment favored the petitioner due to:</p> <ol style="list-style-type: none"> <li>1. Procedural irregularities, including lack of clarity and dual proceedings.</li> <li>2. Recognition of the petitioner's liquidity challenges caused by premature recovery actions.</li> <li>3. Emphasis on natural justice by remanding the case for a transparent and fair process.</li> </ol>

**Tokyo Zairyo (India) (P.) Ltd. v. Assistant Commissioner**

Section	Details
A. Petitioner and Respondent	<p>Petitioner: Tokyo Zairyo (India) (P.) Ltd. Respondent: Assistant Commissioner</p>
B. Court	High Court of Madras
C. Grounds for Filing the Writ	<p>The petitioner challenged an assessment order issued following an audit under Section 65 of the CGST Act, alleging:</p> <ol style="list-style-type: none"> <li>1. The petitioner's reply to the show cause notice was disregarded, being labeled as "unauthorized" without valid reasoning.</li> <li>2. Non-attendance at the personal hearing was cited as the basis for ignoring the reply, leading to confirmation of the audit officer's findings without due consideration.</li> </ol>
D. Judgment and Status	<p>The court quashed the assessment order and remanded the case, directing:</p> <ol style="list-style-type: none"> <li>1. Reasonable opportunity, including a personal hearing, be provided to the petitioner.</li> <li>2. A fresh order to be passed within two months, ensuring proper consideration of the petitioner's reply.</li> </ol>
E. Analysis of Judgment	<p>The judgment favored the petitioner due to:</p> <ol style="list-style-type: none"> <li>1. Procedural lapses, specifically the arbitrary dismissal of a valid reply.</li> <li>2. Emphasis on natural justice, ensuring fair consideration of objections raised by the taxpayer.</li> <li>3. Judicial focus on maintaining transparency and fairness in adjudication.</li> </ol>

**Natural Remedies (P.) Ltd. v. Joint Commissioner of State Tax**

Section	Details
A. Petitioner and Respondent	<p>Petitioner: Natural Remedies (P.) Ltd. Respondent: Joint Commissioner of State Tax</p>
B. Court	High Court of Madras



Section	Details
C. Grounds for Filing the Writ	<p>The petitioner challenged the original order on the grounds of:</p> <ol style="list-style-type: none"> <li>1. Insufficient time to respond to audit observations issued under Section 65 of the CGST Act.</li> <li>2. Non-consideration of a detailed reply submitted due to a technical glitch, which was instead filed manually.</li> <li>3. Denial of a personal hearing despite a request being made, breaching natural justice principles.</li> </ol>
D. Judgment and Status	<p>The court quashed the impugned order and remanded the case, directing:</p> <ol style="list-style-type: none"> <li>1. The petitioner to resubmit their reply electronically within 10 days.</li> <li>2. The assessing officer to consider the reply, provide a personal hearing, and issue a reasoned order within two months.</li> </ol>
E. Analysis of Judgment	<p>The judgment supported the petitioner due to:</p> <ol style="list-style-type: none"> <li>1. Breach of statutory and procedural requirements mandating a personal hearing for adverse orders.</li> <li>2. Denial of the petitioner's right to be heard despite submitting a detailed reply.</li> <li>3. Judicial emphasis on fairness and adherence to principles of natural justice in tax proceedings.</li> </ol>

### **Mauli Sai Developers (P.) Ltd. v. Union of India**

Section	Details
A. Petitioner and Respondent	<p>Petitioner: Mauli Sai Developers (P.) Ltd.</p> <p>Respondent: Union of India</p>
B. Court	High Court of Bombay
C. Grounds for Filing the Writ	<p>The petitioner challenged an order issued under Section 73 of the CGST/ MGST Act, contending:</p> <ol style="list-style-type: none"> <li>1. The order was issued without granting a personal hearing, in violation of Section 75(4) and principles of natural justice.</li> <li>2. Adverse findings were made regarding tax liability and ITC reversal without the opportunity to provide clarification.</li> </ol>

Section	Details
D. Judgment and Status	<p>The court quashed the impugned order and directed:</p> <ol style="list-style-type: none"> <li>1. A personal hearing to be provided to the petitioner.</li> <li>2. A fresh order to be issued after considering the petitioner's submissions within four weeks of the hearing.</li> <li>3. No order as to costs.</li> </ol>
E. Analysis of Judgment	<p>The judgment favored the petitioner due to:</p> <ol style="list-style-type: none"> <li>1. Clear violation of Section 75(4), mandating a personal hearing when an adverse decision is contemplated.</li> <li>2. The absence of a personal hearing denied the petitioner an opportunity to substantiate their position, breaching natural justice.</li> <li>3. The court underscored the statutory obligation to ensure procedural fairness in tax proceedings.</li> </ol>

### Mahabir Prasad Kedia v. Assistant Commissioner of State Tax

Section	Details
A. Petitioner and Respondent	<p>Petitioner: Mahabir Prasad Kedia</p> <p>Respondent: Assistant Commissioner of State Tax</p>
B. Court	High Court of Calcutta
C. Grounds for Filing the Writ	<p>The petitioner challenged parallel proceedings initiated by the SGST audit wing, arguing:</p> <ol style="list-style-type: none"> <li>1. The discrepancy identified by the SGST audit memo was already a subject of adjudication by the CGST department.</li> <li>2. Issuance of a separate show cause notice by the SGST authority for the same issue was redundant and procedurally unfair.</li> </ol>
D. Judgment and Status	<p>The court directed the SGST audit wing to keep in abeyance all proceedings related to the identified discrepancy (note no. 3), including the show cause notice, until the CGST department adjudicates the matter.</p>
E. Analysis of Judgment	<p>The judgment favored the petitioner due to:</p> <ol style="list-style-type: none"> <li>1. Recognition of procedural overlap, ensuring no duplicative or conflicting adjudications occur.</li> <li>2. The court emphasized coordination between SGST and CGST authorities to prevent redundant proceedings.</li> <li>3. Protection of the taxpayer's rights from unnecessary procedural burdens.</li> </ol>



**PBL Transport Corporation (P.) Ltd. v. Assistant Commissioner (ST)**

Section	Details
A. Petitioner and Respondent	Petitioner: PBL Transport Corporation (P.) Ltd. Respondent: Assistant Commissioner (ST)
B. Court	High Court of Andhra Pradesh
C. Grounds for Filing the Writ	The petitioner challenged the Final Audit Report on the grounds that: <ol style="list-style-type: none"><li>1. A reply to a discrepancy notice under Rule 101(4) of the APGST/CGST Rules was filed within time but was not considered.</li><li>2. The audit report falsely stated that no reply had been filed, violating principles of natural justice.</li></ol>
D. Judgment and Status	The court quashed the Final Audit Report and directed: <ol style="list-style-type: none"><li>1. The respondents to consider the petitioner's reply and finalize a new audit report.</li><li>2. All subsequent proceedings based on the impugned report were deemed invalid.</li><li>3. Fresh proceedings to follow after compliance with Rule 101(4).</li></ol>
E. Analysis of Judgment	The judgment favored the petitioner due to: <ol style="list-style-type: none"><li>1. Procedural violation, as the reply was ignored despite being mandatory under Rule 101(4).</li><li>2. Emphasis on adherence to natural justice principles by considering the taxpayer's input before finalizing reports.</li><li>3. Protection against arbitrary findings stemming from incomplete audit processes.</li></ol>

**Nestle India Ltd. v. Union of India**

Section	Details
A. Petitioner and Respondent	Petitioner: Nestle India Ltd. Respondent: Union of India
B. Court	High Court of Rajasthan
C. Grounds for Filing the Writ	The petitioner challenged the issuance of multiple show cause notices based on a single audit report, contending: <ol style="list-style-type: none"><li>1. A notice had already been issued by the Superintendent for the same audit findings.</li><li>2. The Additional Commissioner's issuance of a second notice violated Section 65(7) of the CGST Act and the definition of "Proper Officer" under Section 2(91) of the CGST Act.</li></ol>



Section	Details
D. Judgment and Status	The court stayed the proceedings related to the second show cause notice issued by the Additional Commissioner until further orders, pending adjudication of jurisdictional validity.
E. Analysis of Judgment	<p>The judgment favored the petitioner due to:</p> <ol style="list-style-type: none"> <li>1. Potential procedural overreach in issuing multiple notices for the same audit findings.</li> <li>2. Recognition of statutory limits on jurisdiction to prevent redundant actions by different officers.</li> <li>3. Emphasis on avoiding duplicative processes that burden taxpayers and contravene statutory norms.</li> </ol>

### Vardhaman Gold v. State of Andhra Pradesh

Section	Details
A. Petitioner and Respondent	<p>Petitioner: Vardhaman Gold</p> <p>Respondent: State of Andhra Pradesh</p>
B. Court	High Court of Andhra Pradesh
C. Grounds for Filing the Writ	<p>The petitioner challenged an audit report and subsequent show cause notice, contending:</p> <ol style="list-style-type: none"> <li>1. The audit report was finalized within the statutory notice period of 15 working days required under Section 65(3) of the CGST Act.</li> <li>2. The reply to the discrepancy notice was submitted within the statutory period but was ignored.</li> <li>3. Issuance of a show cause notice under Section 73 was improperly based on the non-compliant audit report.</li> </ol>
D. Judgment and Status	<p>The court set aside the audit report and show cause notice, directing:</p> <ol style="list-style-type: none"> <li>1. The respondents to consider the petitioner's reply and finalize a fresh audit report.</li> <li>2. Any subsequent action under Section 73 to comply independently with statutory requirements.</li> </ol>
E. Analysis of Judgment	<p>The judgment favored the petitioner due to:</p> <ol style="list-style-type: none"> <li>1. Violation of the statutory notice period under Section 65(3).</li> <li>2. Non-consideration of the petitioner's timely reply, breaching principles of natural justice.</li> <li>3. The court's emphasis on adherence to statutory timelines and procedural fairness.</li> </ol>



### Gopeshwar Iron & Steel Works (P.) Ltd. v. Superintendent, CGST & CX

Section	Details
A. Petitioner and Respondent	Petitioner: Gopeshwar Iron & Steel Works (P.) Ltd. Respondent: Superintendent, CGST & CX
B. Court	High Court of Calcutta
C. Grounds for Filing the Writ	The petitioner challenged a notice issued by the Superintendent under Section 61 of the CGST Act, contending: <ol style="list-style-type: none"><li>1. The Audit Department had already scrutinized returns for the same period and issued an order under Section 65 after considering all required documents.</li><li>2. Issuance of the Superintendent's notice was redundant and without jurisdiction.</li><li>3. DGCI had already summoned and reviewed relevant documents for the same matter.</li></ol>
D. Judgment and Status	The court stayed the notice issued by the Superintendent under Section 61 until the writ petition's disposal, citing jurisdictional issues stemming from overlapping proceedings.
E. Analysis of Judgment	The judgment favored the petitioner due to: <ol style="list-style-type: none"><li>1. Clear redundancy in issuing a second notice for a matter already resolved by the Audit Department.</li><li>2. Recognition of statutory jurisdictional limits under Sections 61 and 65.</li><li>3. Emphasis on preventing parallel or overlapping proceedings that could burden the taxpayer unnecessarily.</li></ol>

### Tvl. Raja Stores v. Assistant Commissioner (ST)

Section	Details
A. Petitioner and Respondent	Petitioner: Tvl. Raja Stores Respondent: Assistant Commissioner (ST)
B. Court	High Court of Madras
C. Grounds for Filing the Writ	The petitioner challenged an audit initiated under Section 65 of the CGST Act, contending: <ol style="list-style-type: none"><li>1. The petitioner's GST registration had been canceled, making them an unregistered entity exempt from Section 65 audits.</li><li>2. Audit notices issued years after the relevant tax periods violated the intent of periodic audits under Section 65.</li></ol>

Section	Details
D. Judgment and Status	<p>The court quashed the audit notice, holding that:</p> <ol style="list-style-type: none"> <li>1. Section 65 applies only to “registered persons,” and does not extend to entities with canceled registrations.</li> <li>2. Authorities may pursue assessment under Sections 73 or 74 instead.</li> </ol>
E. Analysis of Judgment	<p>The judgment favored the petitioner due to:</p> <ol style="list-style-type: none"> <li>1. Section 65’s explicit limitation to registered entities.</li> <li>2. Delayed audits undermined the periodic nature of Section 65 and procedural fairness.</li> <li>3. The court provided a balanced approach by allowing assessment proceedings under Sections 73 or 74 if warranted.</li> </ol>

#### Tinton River Palms v. State of Karnataka

Section	Details
A. Petitioner and Respondent	<p>Petitioner: Tinton River Palms</p> <p>Respondent: State of Karnataka</p>
B. Court	High Court of Karnataka
C. Grounds for Filing the Writ	<p>The petitioner challenged the audit report issued under Section 65(6) of the CGST/KGST Act on the grounds that:</p> <ol style="list-style-type: none"> <li>1. The audit report was finalized within seven days of receiving the notice under Section 65(5), leaving no time to respond.</li> <li>2. Lack of reasonable opportunity to file a reply constituted a violation of natural justice.</li> </ol>
D. Judgment and Status	<p>The court quashed the audit report and directed the department to provide the petitioner a reasonable opportunity to respond. A fresh audit process was to commence, allowing the petitioner to submit their reply within 30 days.</p>
E. Analysis of Judgment	<p>The judgment favored the petitioner due to:</p> <ol style="list-style-type: none"> <li>1. Non-compliance with the statutory requirement of providing a reasonable timeframe for responding to audit findings.</li> <li>2. Violation of principles of natural justice, as the opportunity to address discrepancies was denied.</li> <li>3. Judicial emphasis on procedural fairness in tax administration.</li> </ol>



**Simon India Ltd. v. CT and GST Officer, Cuttack-II Circle, Cuttack**

Section	Details
A. Petitioner and Respondent	Petitioner: Simon India Ltd. Respondent: CT and GST Officer, Cuttack-II Circle, Cuttack
B. Court	High Court of Orissa
C. Grounds for Filing the Writ	The petitioner challenged the draft and final audit reports issued on the same day, alleging: <ol style="list-style-type: none"> <li>1. The statutory 30-day period to file a reply to the draft audit report under Rule 101(4) was not provided.</li> <li>2. The audit exceeded the three-month statutory period under Section 65(4) of the OGST Act.</li> </ol>
D. Judgment and Status	The court set aside the final audit report and directed: <ol style="list-style-type: none"> <li>1. The petitioner to file a reply to the draft audit report within 30 days.</li> <li>2. The Commissioner to extend the audit completion period under Section 65(4) to enable issuance of a new final audit report.</li> <li>3. Automatic quashing of the draft audit report if the extension is not granted.</li> </ol>
E. Analysis of Judgment	The judgment favored the petitioner due to: <ol style="list-style-type: none"> <li>1. Clear violation of the statutory timeline and procedural requirements under Rule 101(4) and Section 65(4).</li> <li>2. Emphasis on upholding natural justice by allowing the petitioner sufficient time to respond.</li> <li>3. The court's proactive steps to balance procedural compliance with audit continuity.</li> </ol>

**R. P. Buildcon (P.) Ltd. v. Superintendent, CGST & Central Excise**

Section	Details
A. Petitioner and Respondent	Petitioner: R. P. Buildcon (P.) Ltd. Respondent: Superintendent, CGST & Central Excise
B. Court	High Court of Calcutta
C. Grounds for Filing the Writ	The petitioner challenged parallel proceedings initiated by three departments—Audit, Anti-Evasion, and Range Office—for the same period (FY 2017-18 to 2019-20), arguing: <ol style="list-style-type: none"> <li>1. Section 65 audit proceedings were already underway and should conclude before initiating any other actions.</li> <li>2. Multiple proceedings for the same period violated principles of fairness and procedural efficiency.</li> </ol>

Section	Details
D. Judgment and Status	<p>The court quashed the notices issued by the Anti-Evasion and Range Office, directing:</p> <ol style="list-style-type: none"> <li>1. The Audit Department to complete proceedings under Section 65.</li> <li>2. The issuance of a show cause notice with a hearing opportunity and a speaking order after concluding the audit.</li> <li>3. Restriction on Anti-Evasion and Range Office from acting on the same tax period.</li> </ol>
E. Analysis of Judgment	<p>The judgment favored the petitioner due to:</p> <ol style="list-style-type: none"> <li>1. Recognition of the need for procedural clarity and prevention of redundant actions.</li> <li>2. Emphasis on taking the initiated audit to its logical conclusion before allowing other departments to proceed.</li> <li>3. Protection of taxpayer rights against simultaneous, overlapping investigations by different wings of the same department.</li> </ol>







**ICMAI**  
**THE INSTITUTE OF**  
**COST ACCOUNTANTS OF INDIA**  
**भारतीय लागत लेखाकार संस्थान**  
Statutory Body under an Act of Parliament  
(Under the jurisdiction of Ministry of Corporate Affairs)



**Contact Details:**

**Tax Research Department**

12, Sudder Street, Kolkata - 700 016

Phone: +91 33 40364747 / 40364798 / 40364711, Email: [trd.hod@icmai.in](mailto:trd.hod@icmai.in)/[trd@icmai.in](mailto:trd@icmai.in)/[trd2@icmai.in](mailto:trd2@icmai.in)

**HEADQUARTERS:**

CMA Bhawan, 3, Institutional Area, Lodhi Road, New Delhi - 110003

Ph: + 91-11-24666100/24666124/24666122, Fax: +91-11-43583642

**KOLKATA OFFICE:**

CMA Bhawan, 12, Sudder Street, Kolkata - 700 016

Ph: +91-33-2252-1031/34/35/1602/1492/1619/7373/7143, Fax: +91-33-2252-7993/1026/1723