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GOVERNMENT OF ASSAM
OFFICE OF THE PRINCIPAL COMMISSIONER OF STATE TAX
CUM COMMISSIONER OF TAXES, ASSAM
KAR BHAWAN, DISPUR, GUWAHATI – 781006
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INSTRUCTION No. 03/2021-GST

Dated Guwahati, the 26th March, 2021

Sub : Audit under Assam Goods and Service Tax Act, 2017- reg.

No: CT/GST-12/2017/24: The Goods and Service Tax Act is based on voluntary compliance of law by registered taxpayers. Under section 59 of the Assam Goods and Service Tax Act, 2017 (hereinafter referred to as “Assam GST Act”), taxpayers declare and discharge their tax liabilities in periodical manner. As it is a self-declaration, hence it always remains a matter of scrutiny and verification on the part of the Tax officers to evaluate and ascertain whether the taxpayers are correct and compliant in filing the returns and maintaining the books of accounts as mandated u/s. 35 of Assam GST Act. Audit of registered taxpayers is a very important function under GST Act empowering the Tax officers to verify the correctness and compliance of GST laws by the taxpayers. Although, the audit function is supposed to be executed electronically in GSTN, but the system is yet to be ready. However, keeping in mind the urgency of audit function, the Principal Commissionerate of State Tax, Assam has decided to initiate the audit exercise of selected registered tax payers for the F/Y. 2017-18 vide letter No. CT/GST-42/2021/56 dated 24th February-2021 in consonance with the relevant Act and Rule contrary to further waiting for the system to get ready and functioning. It has become top priority to initiate the audit function henceforth as the task is time bound whereas, sufficient time has already elapsed since filing of annual return by the taxpayers for the F/Y. 2017-18. This instruction is being issued to clarify certain aspects related to GST Audit u/s. 65 of Assam GST Act, 2017 that will serve as a standardised procedure to bring uniformity and universality in conduct of audit function.

A. Objective of GST Audit:

The primary objective of GST Audit is to assess and appraise, “the correctness of turnover declared, taxes paid, refund claimed & input tax credit availed, and to reinforce the compliance of Registered Taxpayers with the provisions of GST Act and Rules made there under.” If the returns are not filed or incorrectly filed, then, the Proper Officer is expected to quantify the quantum of liability of taxpayer & administer recovery.

As per Sub-section (1) of Section 65 of the Assam GST Act, 2017, the Principal Commissioner or any officer authorized (hereinafter referred to as “Audit Officer”) by him, through a generic or a specific order, may undertake audit of any registered taxpayer for such period, at such frequency and in such manner as may be prescribed under Rule 101 of Assam Goods and Service Tax Rules, 2017 (hereinafter referred to as “Assam GST Rules”). The period of audit to be conducted under sub-section (1) of section 65 shall be a financial year (or part thereof) or multiplies thereof as per Rule 101 of Assam GST Rules.

As per Sub-section 13 of Section 2 of the Assam GST Act, 2017, Audit means the examination of records, returns and other relevant documents maintained or furnished by the registered person under this Act or the rules made thereunder to verify correctness of turnover declared and taxes paid there on, input tax claimed by the tax payer and followed compliance with the provisions of the GST Act.

The Audit officer on receipt of the authorization from his competent authority as per Assam GST Act, 2017, shall issue a notice in **FORM GST ADT-01** at least 15 working days prior to conduct of audit. The audit officer shall complete **such audit with 3 months** from the date of commencement of audit. As per proviso to sub-section (4) of Section 65 of Assam GST Act, 2017, commencement of audit means the date on which the records and other documents, called by the audit officer are made

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B. Procedure of GST Audit:

As the electronic module of GST audit of a taxpayer by an Audit officer under the Assam GST Act, 2017 is yet not functional in the back office of the GST portal, therefore, it is intended to conduct Audit function manually in conformity with the relevant rules as if the electronic function is put in place. Once, the GSTN portal gets ready, the vital data of manual activities may be uploaded in the portal and the succeeding audit process will be conducted in the system itself.

As per the flow arrangement in GST law, the Principal Commissioner of State Tax, Assam shall distribute/allocate selected taxpayers for audit in a lot or multiple of lot to the Joint Commissioner of State Tax at Zonal Level. The Joint Commissioner of State Tax then shall further allocate the selected cases to the Deputy Commissioner of State Tax and Assistant Commissioner of State Tax working under his jurisdiction. The Principal Commissionerate or Zonal Commissionerate may retain a few of the selected cases to be audited at their respective level by Joint Commissioners of State Tax/ Deputy Commissioners of State Tax/ Assistant Commissioners of State Tax.

The Joint Commissioner of State Tax at zonal level may alter the Audit officer and may transfer an already allotted case to any other competent officer to continue the audit exercise or to start the audit exercise anew. However, the Joint Commissioner of State tax should intimate such alteration or transfer of case to the Head office through an e-mail. Likewise, the Principal Commissioner of Tax, Assam may change or alter an Audit officer of a particular case.

The Principal Commissionerate shall select the cases for audit on the basis of certain criteria relying on Tax Risk analysis from returns, annual returns filed and other statutory compliances made or not made, and / or simply by random selection of cases for audit.

Any officer, if it becomes prudent in the interest of state revenue, may recommend a case from his/her jurisdiction with detailed facts and figures through the concerned Zonal Head seeking approval from the Head office for conduct of audit. In such case, the zonal authority should not merely forward the case rather it should have recommendation from the zonal authority for consideration at apex office level. On being approved, such cases may be allotted by the head office directly to the proposing officer or to the recommending zonal authority.

The cases for GST Audit may be *inter-alia* selected on the basis of following criteria:

Sl. No.	Sector	Description
1	R1>R3B	Total output tax declared in Form GSTR1 is more than that declared in Form GSTR 3B
2	R3B>R2A	Total ITC declared in Form GSTR 3B is more than that declared in Form GSTR-2A
3	Service sector	Service Sector having more than Rs. 10 crore aggregate turnover per year.
4	Commodity	Taxpayers dealing in evasion prone commodities,
5	Refund	Refund sanctioned under manual and under online process
6	ITC	Reversal of ITC
7	Intelligent Reports	Cases having enforcement reports
8	E way Bill	Analysis of e-way bill created and cancelled
9	E way Bill	Analysis of inward/outward supply in respect of e way bill
10	Cash Ledger	Excess in cash ledger
11	RCM	Analysis of RCM Paid on goods or services or both received from an unregistered supplier

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12	Threat perceived	(i) Sensitive items (ii) Newly registered (iii) Less tax paid in cash/ITC over utilized (iv) Sudden spike in Turnover
13	Registration	Tax payer having multiple branches and multiple activities
14	Returns	TDS reflected in cash ledger but not filing GSTR3B
15	Interest	Interest on late filing of periodical returns to be checked and to be charged (if not already paid)
16	RCM u/s 9(3)	RCM payable on specific supply received or from specific class of people
17	RCM u/s 9(4)	There was provision of RCM on supply received from unregistered persons in F/Y 2017-18 .
18	Block ITC	Inadmissible ITC u/s 17
19	Transitional Credit	TRAN-01 & TRAN-02 to be checked with AVAT or CENVAT returns

1. The Proper officer/Audit Officer after receiving the assignment for Audit may conduct the Audit at his/her office as provided u/s. 65(2) of Assam GST Act 2017. Although, there is provision in the said section that the Audit officer may conduct the audit at the business premises of the taxpayer but audit should be conducted at the office of the Audit Officer only except in the following exceptional situations:

- (i) If the taxpayer in writing expresses his inability to produce the documents and records at the office of Audit officers for valid reasons such as voluminous quantity of records or records are preserved in immovable device and requests for conduct of audit at his business premises.
- (ii) If the taxpayer has failed to produce records after lapse of one month from the proposed date of commencement of audit without any lawful excuse.

The Audit officer has to issue information of the date of Audit in the Form **GST ADT-01** to the Registered person, sufficiently in advance, not less than fifteen working days prior to conduct of Audit.

2. In case, if the Audit officer deems it fit to conduct physical inspection at the business premises or additional places of business of the taxpayer, he is required to obtain prior permission from an officer not below the rank of a Joint Commissioner of State Tax u/s 71 in FORM GST INS-01. However, such INS-01 will authorize the officer to cause inspection only.
3. The Audit officer may issue summon u/s 70 to collect third party information that may be necessary for audit purpose.
4. The Audit officer may issue summon u/s 70 to the taxpayer, if the taxpayer fails to furnish records or documents.
5. Before commencement of audit, the Audit officer should study the case in minute details and make an objective pre-audit check list so that the audit exercise become precise and pungent.
6. Prior to the date of commencement of audit, along with the ADT-01 the Audit officer should attach a list consisting of the records and documents that the taxpayer should furnish on the date of commencement of audit to ensure ease of doing business.
7. In conduct of audit, the Income Tax Audit Report, GSTR-9 and GSTR-9C should also be examined.
8. The Proper Officer/Audit Officer authorized to conduct audit shall verify the records and books of accounts of the registered person on the basis of which the returns and statements are furnished under the Act and Rules made thereunder, to check the correctness of the turnover, exemption, deduction claimed, the rate of tax applied in respect of supply of goods or services

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or both, the ITC availed and utilized, refund claimed, e-way bill generated/cancelled and other relevant issues.

9. The Proper Officer /Audit Officer may issue notice to the registered person for seeking additional information, as and when required in the course of conducting the Audit.
10. The Audit officer should be tactful to earn the goodwill and confidence of the taxpayer. In case of hostile taxpayer, the Audit officer should handle the issue professionally and report the matter to his controlling authority.
11. The Audit officer must maintain confidentiality and no information obtained about the taxpayer during the audit process should be shared with third party.
12. As the audit function is a very critical and significant exercise under GST law that to be conducted in the best of knowledge and expertise, therefore, the Commissionerate would like to adopt a policy of knowledge sharing and peer feedback. Hence, it is made mandatory that the Audit officer, after completion of the audit of a particular case, should prepare a draft audit report in ADT-02 and send a copy of the draft to an officer of equivalent rank of his choice inviting comments, feedback or value addition to the report within seven days through e-mail. On receipt of the draft copy of the report, the peer officer is expected to revert back with his objective opinion within seven days to enhance the quality and value of the report through e-mail. However, it is up to the Audit officer to accept such opinion or proceed with his original report. Moreover, if no feedback is received from the peer officer within that stipulated time frame, it will be presumed that the report needs no revision. The Audit officers will maintain a separate register for both inward and outward peer feedbacks in this regard for record purpose subjected to be inspected by their concerned Zonal authority. The policy will surely create a synergy in undertaking the audit exercise in a team effort and complement the wisdom of the Audit officer with the expertise of the peer officer. Further, it will cover the areas that might have been otherwise skipped or overlooked.
13. Audit officer should discuss with the concerned Special Commissioner of State Tax/ Additional Commissioner of State Tax/ Joint Commissioner of State Tax as the case may be to ensure that views about to be taken are consistent with relevant law and procedure.
14. The Proper Officer /Audit Officer has to record the observation in audit notes and may inform the registered taxable person of the discrepancies, if any, noticed as observation of the audit as provided under Rule 101(4) of the Assam GST Rules, 2017 and the said person may file his reply to such notice which will have to be recorded in the log and the Proper Officer shall finalise the findings of Audit after due consideration of the reply furnished.
15. The Proper Officer/Audit Officer shall complete the Audit **within a period of three months** from the commencement of Audit as required u/s. 65(4) of the Assam GST Act, 2017. **The commencement of audit will be the date from which records and other documents called for are made available by the registered taxable person.**
16. The Proper Officer/Audit Officer has to conclude the Audit in stipulated and inform the findings of audit to the registered taxable person **within thirty days from conclusion of Audit**, in accordance with the provision of section 65(6) of Assam GST Act 2017, **in Form GST ADT-02.**
17. If the Audit cannot be completed within the specified time, the Proper Officer/Audit Officer has to request the Joint Commissioner of State for extension, who in turn, on satisfaction of reasons for such request, shall make recommendation to the Principal Commissioner of State Tax. The Principal Commissioner of State Tax may, for the reason to be recorded in writing, extend the time by a further period not exceeding Six months.
18. If the taxable person fails to pay the tax or short paid or tax erroneously refunded as per **Form GST ADT-02**, the Proper Officer/Audit Officer shall proceed to conclude the demand and recovery proceedings under section 73 or 74 as the case may be by seeking separate assignment for the same.

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19. The Zonal Joint Commissioner of State Tax should monitor the progress and performance of the audit exercise under his zone and prepare a progress report in a periodical manner. This progress report must reflect in the quarterly inspection report of the zonal authority.
 20. The Zonal Joint Commissioner of State Tax should submit a periodical report to the Head office about the progress of every individual case. As the Head office shall allot the cases to the Zonal in-charges, therefore, it is the accountability of the Zonal Joint Commissioner of State Tax to complete the task in time. He should be careful in selecting the officers for audit purpose and may alter or change or reallocate the cases depending on the performance or to expedite the audit process for completion in time.

C. Rights and duties of the Registered Taxpayers:

Rights of the Taxpayers	
1	To check the identity of each and every member of the audit team.
2	To get at least 15 days prescribed time limit for collection, compilation, preparation and arrangement of documents for audit from receipt of audit notice.
3	To engage authorized representative to act and appear on his behalf in audit proceedings.

4	To seek adjournment of proceeding in unavoidable circumstances for submission of documents keeping in mind the timelines required for completing the audit.
5	To submit his say through audit proceeding or through letter or e-mail communication.
6	To ensure that opportunity of being heard is given properly to him by audit authority. To represent and submit say in case of debatable / disputable issues during audit.
7	To ensure that the audit is completed by audit team in prescribed time limit as per GST.
8	To receive findings of audit from the Audit Officer within 30 days of conclusion of audit
9	To take benefits of the voluntary payment tax, if the audit objections are acceptable, and take advantage of the benefits available under sections 73(6) / 74(6)

Duties of the Taxpayers	
1	To comply in time to GST-ADT-01 notice and all necessary correspondence from audit officer with respect to the audit proceeding.
2	To make available all necessary books of accounts (physical record as well as accounting system access/ electronic record as per necessity) to audit team and any other document/information required to complete the audit
3	To provide the necessary facility to verify the books of account/other documents as required
4	To ensure presence of either the Registered Person or his authorized representative at the place of business (PoB) where audit is being conducted during audit activity so that he can explain the books and the business activity properly..
5	To extend necessary cooperation to the audit team during POB audit visit for timely completion of audit.
6	To comply in time to GST-ADT-01 notice and all necessary correspondence from audit officer with respect to the audit proceeding.
7	To follow the statutory timelines in case of making payment if audit results are accepted and/or to comply with notice under section 73/74 of GST Act in case audit findings are not accepted.

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D. Indicative List of documents to be submitted / to be kept ready for verification by taxpayer as per GST -ADT-01:

1. Financial statements and reports- Balance Sheet, Tax Audit Report, Annual Financial Statement, Cost Audit Report, Trial Balance
2. Inward —Outward supply summary statement
3. RCM ledger and supportive documents
4. Inward —Outward supply invoices
5. Cancelled invoices due to any reason
6. Goods return (inward and outward supply) register along with credit note / debit note details
7. Inward supply Register (soft copy)
8. Outward Supply register (soft copy)
9. Zero rated supply register and supportive documents (commercial invoice, shipping bill, bill of lading, EGM, Bank realization certificate or Inward remittance certificate etc.)
10. Details of Exempted supply / Supply to SEZ dealer
11. Refund claimed/availed details, if any (export of good and services, inverted duty structure etc. any type of refund claimed by dealer)
12. TDS payment transactions, if any
13. TRAN-1 details (details regarding credit carried forwarded from previous Act to GST Act)
14. GSTR 2A-Mismatch, unmatched transactions details
15. E-way bill transactions month wise summary statement and corresponding register
16. In case of services, FIRC (Foreign Inward Remittances), corresponding agreements, invoices, Annual Maintenance Contract copies and corresponding invoices if any
17. Details of advances received and tax payment for the same
18. Other Income/ misc. income
19. Reversal / reduction of ITC
20. Scrap sales
21. Details of exempted outward supply
22. Details of zero rated supply
23. Non-GST supply
24. Job work details (inward and outward side)
25. Credit ledger /Input tax credit avail summary (for Capital asset, liability, Refund claim, any other deduction)
26. Cash ledger availment summary (for liability, RCM, any other deduction)
27. Reversal of ITC within 180 days due to non-payment in 180 days

It may be mentioned that the requirement of above documents may vary from case to case depending on the volume, gravity, complexity, etc of each case. The above list is not exhaustive rather indicative only.

E. Record Maintenance for GST Audit:

It has already been mentioned that the electronic module of GST Audit in the back office portal of GST is not yet functional, however, the enforcing authorities of the Assam GST Act, and Rules made thereunder cannot delay the audit which is required to be done as per the provisions of the Act within the stipulated time provided in the Act. Therefore, the GST audit will be done manually for the period 2017-18 as of now.

The audit officers are hereby asked to keep a record of the GST audit cases taken and completed manually which may be required later on for updation at the portal once the online audit module is activated and the completed cases may be likely required to be updated in the module.

Further, the records would also be required to monitor the performance of the audit officers and offices performing the GST audit by the concerned controlling authorities.

The GST Audit done manually at the Unit and Zonal level should keep a record of the Audit completed in separate Registers – one for **ADT-01** details and the other for **ADT-02** details.

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The ADT-01 register shall contain the following details -

Sl No, Reference No/Date, Name of Tax Payer, GSTIN, Date of Allocation of Audit, Date of Commencement of Audit & Period of Assessment

The ADT-02 register shall contain the following details -

Sl. No, Audit Report No/Date, Date of Completion of Audit, Details of shortfall of payment of tax, Date of Payment made by the Taxpayer, Remarks Column where cases where recovery under the provisions of Sec 73/74 would be required.

It may be brought to notice that the Superintendents of State Tax will also be engaged in the task of audit. However, their role and function will be limited to assisting the Audit officers in various pre-report stages such as verification, determination etc. as and when required.


(Anurag Goel, IAS)

Principal Commissioner of State Tax, Assam
Dispur, Guwahati

Memo No. CT/GST-40/2020/24-A

Dated Guwahati, the 26th March, 2021

Copy to:

1. The Special Commissioner of State Tax (All)/ Additional Commissioner of State Tax (All) for information.
2. The Joint Commissioner of State Tax (All)/ Deputy Commissioner of State Tax (All) / Assistant Commissioner of State Tax (All) / Superintendent of State Tax (All) for information and necessary action.
3. The Information Technology Officer, Office of the Commissioner of Taxes, Assam for uploading the instruction on the website of the Commissionerate for information of all concerned.


Principal Commissioner of State Tax, Assam
Dispur, Guwahati