

Checklist of Accounts, Records & Documents to be maintained from GST Audit Perspective - GST Audit Series (Part 1)



CA Mahadev R
Partner
Hiregange & Associates LLP
mahadev@hiregange.com



CA Ravi Kumar Somani
Partner
Hiregange & Associates LLP
ravikumar@hiregange.com



CA Yash Shah
Partner Designate
Hiregange & Associates LLP
yash@hiregange.com

Introduction:

In any tax law, there would be an enhanced focus on the various accounts, records, and documents to be maintained so that there exists an appropriate trail of transactions undertaken by the assessee, which are maintained properly. As an important requirement under GST Audit, there was an onus on the professionals i.e., CA/CMA to verify the completeness, correctness, and compliance of the various accounts and records maintained and any deviations thereon need to be reported as an observation, comment, or qualification in Part B of the Form GSTR 9C while certifying the audit till FY 2019-20. With the abolition of audit certification and the introduction of self-certification by the taxpayer, this onus of reporting is shifted on the taxpayers.

Various Records to be maintained:

In order to understand various records that are to be maintained, reference needs to be given to sec 35(1) of the CGST Act, 2017 wherein it is provided that every registered person shall keep and maintain, at his principal place of business, a true and correct account of:

- (a) **Production or manufacture of goods:** Every registered person manufacturing goods shall maintain monthly production accounts showing quantitative details of raw materials or services used in the manufacture and quantitative details of the goods so manufactured including the waste and by-products thereof.
- (b) Inward and outward supply of goods or services or both.
- (c) **Stock of goods:** Further, every registered person, other than a person covered under the composition scheme, shall maintain the accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap, and wastage thereof.

- (d) Input tax credit availed.
- (e) Output tax payable and paid and a separate account of advances received, paid, and adjustments made thereto.
- (f) Such other particulars as may be prescribed – Rule 56 prescribes the same, which has been discussed in a later part.
- (g) It is critical to note here that if any taxable goods are found to be stored at any place(s) other than those declared as above without the cover of any valid document, the proper officer can determine the amount of tax payable on such goods as if such goods have been supplied by the registered person.
- (h) Every registered person executing works contract would keep separate accounts for works contract showing -
 - i. The names and addresses of the persons on whose behalf the works contract is executed.
 - ii. Description, value, and quantity (wherever applicable) of goods or services received for the execution of the works contract.
 - iii. Description, value, and quantity (wherever applicable) of goods or services utilized in the execution of the works contract.
 - iv. The details of payment received in respect of each work contract; and
 - v. The names and addresses of suppliers from whom he received goods or services.
- (i) Further, any person having custody over the goods in the capacity of a carrier or a clearing and forwarding agent for delivery or dispatch thereof to a recipient on behalf of any registered person would maintain true and correct records in respect of such goods handled by him on behalf of such registered person and would produce the details thereof as and when required by the proper officer.
- (j) Every agent shall maintain accounts depicting the-
 - i. Particulars of authorization received by him from each principal to receive or supply goods or services on behalf of such principal separately.
 - ii. Particulars including description, value, and quantity (wherever applicable) of goods or services received on behalf of every principal.
 - iii. Particulars including description, value, and quantity (wherever applicable) of goods or services supplied on behalf of every principal.
 - iv. Details of accounts furnished to every principal; and
 - v. Tax paid on receipts or supply of goods or services effected on behalf of every principal.
- (k) The owner or the operator of the godown shall store the goods in such a manner that they can be identified item-wise and owner-wise and would facilitate any physical verification or inspection by the proper officer on demand.

Now going by the details prescribed in Rule 56 - Every registered person shall keep the particulars of -

- i. Names and complete addresses of suppliers from whom he has received the goods or services chargeable to tax under the act.
- ii. Names and complete addresses of the persons to whom he has supplied goods or services.

- iii. The complete address of the premises where goods are stored by him, including goods stored during transit along with the particulars of the stock stored therein.

Section 35(2) provides that every owner or operator of a warehouse or godown or any other place used for storage of goods and every transporter, irrespective of whether he is a registered person or not, shall maintain records of the consigner, consignee, and other relevant details of the goods in such manner as may be prescribed.

Various Documents to be Maintained:

Apart from the above records, the assessee is also required to maintain various documents as required under CGST Act and Rules as under:

- (a) Tax Invoice in case of a supply of goods or services or both as per the requirement laid down in Rules 46 to 48 of CGST Rules including E-invoice.
- (b) Bill of supply in case of a supply of exempted goods or services or supplies by the persons covered under the composition scheme as per the requirement laid down in Rule 49 of CGST Rules.
- (c) Receipt voucher for receipt of advance payment as per the requirement laid down in Rule 50 of CGST Rules.
- (d) Refund voucher in case no supply or no Tax invoice is issued against the receipt voucher as per the requirement laid down in Rule 51 of CGST Rules.
- (e) Self invoice in case of receipt of goods/services which are liable for tax under reverse charge under sec 9(3) or 9(4) of the CGST Act from the supplier who is not registered under the CGST Act.
- (f) Payment voucher in case of making payment to the supplier towards the supply of goods or services covered under reverse charge as per the requirement laid down in Rule 52 of CGST Rules.
- (g) Debit/credit notes as required under the provisions of section 34 of the CGST Act.
- (h) Delivery challan in case of movement of goods without invoice i.e., stock transfers, job work, etc. as per the requirement laid down in Rule 55 of the CGST Rules.
- (i) E-Way Bill as required to be generated in terms of Rule 138 of the CGST Rules.
- (j) Comply with E-invoicing provisions ensuring IRN / QR code on tax invoice/debit notes/credit notes.

Maintenance of documents in electronic form:

Second Proviso to Section 35 talks about the records to be maintained in electronic form which is read with Rule 57 of the CGST Rules, 2017 which reads as –

- a. Backup of the records should be maintained and preserved, in case of natural calamity or otherwise, it can be produced.
- b. Production of relevant documents can be done in hard copy or soft form.
- c. On-demand, the registered person shall provide such files, passwords, and explanations for codes used wherever necessary to access the records.
- d. Authentication of such documents can also be made in form of a digital signature.

One must also know the provisions of Section 4 of the Information Technology Act, 2000, which gives legal recognition to the maintenance of the records in the electronic form stating that where any law provides that information or any other matter would be in writing or the typewritten or printed form, then, notwithstanding anything contained in such law, the such requirement would be deemed to have been satisfied if such information or matter is:

- (a) Rendered or made available in an electronic form; and
- (b) Accessible to be usable for subsequent reference.

The above provision in the Information Technology Act has a binding effect notwithstanding anything contained in any other law for the time being in force, therefore the documents, and records that are required to be maintained in the GST law would be deemed to have been maintained if the same is rendered or made available in the electronic form and the same is accessible therefrom.

Key Points to be Noted:

- 1) Where the accounts and documents are maintained manually, be kept at every related place of business mentioned in the certificate of registration and would be accessible at every related place of business where such accounts and documents are maintained digitally.
- 2) Further, in a case where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be available at such places of business even if centrally maintained.
- 3) Accounts maintained by the registered person together with all the invoices, bills of supply, credit and debit notes, and delivery challans relating to stocks, deliveries, inward supply, and outward supply would be preserved until the expiry of seventy-two months from the due date of furnishing of annual return for the year pertaining to such accounts and record for the period as provided.
- 4) In terms of Section 125 of CGST law, any person, who contravenes any of the provisions of this Act or any Rules made thereunder for which no penalty is separately provided in this Act, would be liable to a penalty which may extend up to INR 25,000/-. A similar provision is there in all State GST laws as well.
- 5) It is not clear if such a penalty can be levied for each transaction or entire non-compliance as such. The auditor should ensure that the auditee is made aware of such provision to ensure compliance while undertaking GST compliance review or assistance in filing GST annual returns including self-certification support in form GSTR-9C.

- 6) It is important to note that Section 126 of the CGST Act 2017 provides for non-levy of penalty in case of minor breaches of tax regulations or procedural requirements, any omission or mistake in the documentation that is easily rectifiable when made without fraudulent intent. Even when there is voluntary disclosure by the taxpayer, the tax office has the power to reduce the penalty.
- 7) This relaxation would be applicable only in case of that contravention where there is no fixed penalty in terms of amount or a fixed percentage. The professionals could guide the taxpayers and suggest rectifying any documentation issues at the time of compliance review or self-certification support.

In the case of **Reliance Cable Works v Collector of Central Excise**, it was held as under:

“On a careful consideration of the submissions made by both sides and on perusal of the record, we find that the Department was justified in initiating action and imposition of penalty for lapse on the part of the appellants for not entering the goods in RG-1 register. Mens rea is not an essential ingredient for the imposition of penalty under the Taxing Statute, where the party fails to fulfill the statutory obligations. In the present case, for not entering in RG-1 imposition of penalty was justified.”

Further, in the case of **Commissioner of Central Excise Chandigarh, I v PB. Engg. & Pre-Stressed**, it was held as under:

“Non-maintenance of proper record evidencing the receipt of the inputs from time to time and issuance of such inputs for the manufacture of final product - Modvat credit, prima facie, not allowable.”

Exhaustive Checklist for accounts, records & documents to be maintained

Sr. No.	Description
1	Finished goods Inventory Register - Details of Op. Stock, goods manufactured, purchased, goods sold/removed, given free, bye products and closing stock, HSN
2	Raw Materials/Packing Materials Inventory Register - Details of Op. Stock, purchased, goods sold/removed and closing stock, lost damaged, given free, HSN
3	Scrap/wastage Details - Details of opening stock, generated, removed, and closing stock
4	Input Tax Credit Register - Invoice No., Date, Supplier's Name, address, GSTIN, Taxable Value, Tax, Total, accounting head. HSN
5	Invoices for a regular outward taxable supply
6	Invoices for exports
7	Invoices for Schedule I Supply
8	Invoices for Cross Charging (supplies to distinct persons)
9	Invoices for inward supplies received from un-registered persons

Sr. No.	Description
10	Bill of supply for an outward exempt supply
11	Payment Voucher (for payments made to suppliers of inward supplies liable for RCM)
12	Advance Receipt Voucher (When an advance is received)
13	Refund Voucher (When an advance is refunded)
14	Delivery challan (for movement of goods other than for supply)
15	Delivery challan (for job work)
16	Credit Note
17	Debit Note
18	Tax Ledger Accounts
19	Suppliers Details
20	Customers/Clients' details
21	Details of premises where goods are stored
22	Check that the above records are maintained at the such respective place of business in case of more than one place of business as per the registration certificate
23	Check if there is a specific SOP maintained for GST. If not, whether the same need to be suggested

Auditor's Checklist – Outward Supply

Sl. No.	Description
1	Check whether a taxpayer has issued, reported & maintained Tax invoices, Debit Notes & Credit Notes for the Goods or services supplied
2	Check if the Tax invoice contains all the details as required as per 46 of the CGST Rules
3	Check if mandatory 4 / 6 digits for goods and 6 digits for services are reported in the system for the requirement in the Annual returns
4	Check-in case of supply to SEZ/Export, the endorsement of supply of goods for export/authorized operations of SEZ under LUT/Bond is mentioned on the invoice
5	Check the invoicing series is unique for each GST registration number and that the series is in accordance with the provisions of the law (i.e. max 16 digits and does not contain special characters other than “-” or “/”)
6	Check whether an invoice is issued in triplicate copies in case of a supply of goods and duplicate copies in case of a supply of services.
7	In case a client has issued a Bill of Supply, Payment voucher, receipt voucher, refund voucher, Credit Note, Debit Note, etc. check whether all the particulars as required under r 49 to 52 are mentioned
8	Check whether the ISD issues the invoices as per the Rules and whether it

Sl. No.	Description
	contains all the particulars as required under Rule 54 of the CGST Rules
9	In case of a service provider is a GTA, then the invoice or consignment note shall contain the Gross weight, name of the consigner and the consignee, registration number of goods carriage, details of goods transported, place of origin & destination, GSTIN of the person liable to pay the tax
10	Check whether the delivery challan is issued in respect of the following: (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 Eg: Intra state branch transfers; Sale on approval; Inter-state movement for repairs, Removal of warranty spares, etc.
11	Check whether the delivery challan issued is as per Rule 55 of CGST Rules
12	Check those goods are transported in a semi-knocked-down or completely knocked-down condition: (a) The supplier issued a complete invoice before the dispatch of the first consignment (b) The supplier issued DC for each of the subsequent consignments, giving reference to the invoice (c) Each consignment is accompanied by copies of the corresponding delivery challan along with a duly certified copy of the invoice (d) The original copy of the Invoice is issued along with the last consignment.
13	Check if conditions of issuing invoices electronically are complied with if opted
14	Check whether invoices, challans and any other documents, etc. are duly authenticated by the person authorized to do in this regard.
15	Check whether E-invoicing provisions complied where applicable [Presently applicable for aggregate turnover of Rs.50 crore with few exceptions]

Auditor's Checklist – Inward Supply

Sl. No.	Description
1	Check whether proper invoice and documentation of Input Tax Credits availed is maintained in the ITC register
2	Check whether the Input tax credit register maintained captures all basic information such as name, description of goods/service, registration number, HSN, and quantity of goods received. Details should be at invoice level including the details of credit taken on RCM
3	Verify if a credit availing document is in place for sample transactions that are not appearing in GSTR 2A
4	Sample verification of invoice or another document on which credit has been availed, to verify the correctness of ITC availed and whether the same is a valid document according to r 46 of CGST Rules & all such documents

Sl. No.	Description
	are in accordance with invoice rules.
5	Ensure that credits are not claimed on photocopies of invoices
6	Analyse the vendor master to verify the non-recording of GSTIN of any vendor or recording of invalid GSTIN of the vendor in the master records
7	Check if credits are properly accounted in special cases such as availing/reversal of past credits during September return or various reversals of credits made while filing GSTR 9 & 9C
8	Check if details of credit are properly bifurcated for inputs, input services, and capital goods, and HSN codes are captured at the time of passing entry in the accounts

Auditor's Checklist – Reverse Charge Mechanism

Sl. No.	Description
1	Check whether all self-invoices generated for transactions covered under reverse charge with the unregistered suppliers and challans of RCM payment are filed in a separate file and easily retrievable
2	Check whether the working papers contain invoice-level details of the transactions on which tax is paid under RCM
3	Check if the entry for liability to pay taxes under RCM is accounted for in a separate ledger maintained for RCM
4	Check if the entries for GST liability under RCM are accounted at each entry level instead of a lump sum entry for the full month
5	Check if RCM liability is properly accounted for in special cases such as RCM payment of past period during September return or various payments of RCM made while filing GSTR 9 & 9C

Auditor's Checklist – Others

Sl. No.	Description
1	Check if all the department correspondences have been reverted and the same is replied to within the stipulated time
2	Check whether all the letters filed to the department are duly acknowledged by the department with stamps and signatures and have preserved acknowledgment in case of correspondence through RPAD
3	Check whether the postal cover of all letters received from the department is preserved properly
4	Check if a tracker is maintained to keep track of refund/rebate/other export benefits claimed by the entity along with the status of the same
5	Check if a tracker is maintained to keep track of litigations cases pending with the department at various stages

Sl. No.	Description
6	Understand the current status of pending cases at various stages audit, SCN, appeals, etc.
7	Understand if any taxes were paid due to departmental assessment, audit, scrutiny, verification, search, investigation, etc. and whether the said demands & payments are proper. Verify the legality of the demands raised and the correctness of the calculations viz., tax rate, the value adopted, etc.
8	In case any penalties are paid on the above, check whether the benefit of waiver of penalty u/s 73/74 is availed and verify the calculations for the correctness of the same
9	Broadly verify the replies, appeals filed and check if the case is genuine and whether proper grounds have been taken and whether is any latest update/judgment on the same matter requiring additional submissions
10	Understand if there has been any case of inspection, search, seizure, arrest, etc., and the reason for the same. Understand if adequate measures and legal safeguards were taken care of and the status of the matter
11	Check if any recovery proceedings have been initiated and whether any relief can be suggested in the form of payment of taxes under the installment scheme etc.
12	Check whether all e-mails, notice, letter, order, and summon received from the department after 1 st January 2020 are containing a DIN.
13	If DIN is not mentioned by the department in the communications sent, then verify whether it is covered under exceptions for issuing DIN.

Conclusion:

From the above points, we can understand the importance of maintenance of documents & records which goes without saying the monetary impact to the organisation. Future litigation is not ruled out that may be created for want of documents if not maintained in appropriate manner. During departmental enquiry or audit, these documents would be required to be furnished to the relevant authorities and in case of non-furnishing of such details, it could not only impact majorly with the high penalty being levied but also other stringent provisions of the act being violative of. Therefore, the storage of the documents becomes of utmost importance for any organisation. While preparation of GSTR-9 / 9C, importance may also be given to ensure completeness of records mandated under the GST law.

Views expressed are strictly personal and cannot be considered as a legal opinion in case of any query. For feedback or queries email us at mahadev@hiregange.com ravikumar@hiregange.com or yash@hiregange.com.