



ಕರ್ನಾಟಕ ಸರ್ಕಾರ (ವಾಣಿಜ್ಯ ತೆರಿಗೆಗಳ ಇಲಾಖೆ)  
GOVERNMENT OF KARNATAKA  
(Department of Commercial Taxes)

ವಾಣಿಜ್ಯ ತೆರಿಗೆ ಉಪ ಆಯುಕ್ತರು, (ಲೆ.ಪ)-5.6, ವಿಭಾಗೀಯ ಸರಕು ಮತ್ತು ಸೇವಾ ತೆರಿಗೆ ಕಛೇರಿ-5, ಕೊರಡಿ ಸಂ: 605, 6ನೇ ಮಹಡಿ,  
ವಾಣಿಜ್ಯ ತೆರಿಗೆ ಕಾರ್ಯಾಲಯ-2, ನ್ಯಾಷನಲ್ ಗೇಮ್ಸ್ ವಿಲೇಜ್, ರಾಜೇಂದ್ರ ನಗರ, ಕೋರಮಂಗಲ, ಬೆಂಗಳೂರು-560047.

Deputy Commissioner of Commercial Taxes, (Audit) – 5.6, Divisional Goods and Service Tax Office  
(DGSTO) – 5, Room No.605, 6<sup>th</sup> Floor, V.T.K.-2 Building, Rajendranagara, Koramangala, Bangalore – 560047.

✉: E-Mail:dc5.6.bng@ctd.ka.gov.in

☎ : Ph. No: 080-25706158

File No. DCCT (A)-5.6/DGSTO.5/Audit/No./54/07/2022-23

Dated: 24/03/2023

To,

**GSTIN:** 29AACCR0357E1ZJ  
**Name:** RCI INDIA PRIVATE LIMITED  
**Address:** 43, Wework Galaxy, 6th Floor,  
Residency Road, Shanthala Nagar,  
Bengaluru 560025.  
**Email:** RAJESHKUMAR.K@RCI.COM  
**Period - F.Y:-**From JULY-2017 to MARCH-2018

**AUDIT REPORT**

**under section 65(6) of Karnataka Goods and Services Tax Act, 2017 read with Rule 101(5) of Karnataka Goods and Services Tax Rules, 2017 read with section 6 of Central Goods and Services Tax Act, 2017 read with section 4 and 20 of Integrated Goods and Services Tax Act, 2017 and relevant provisions of Goods and Services Tax (Compensation) Act, 2017**

1	Present	Dr. RAMESH Deputy Commissioner of Commercial Taxes (Audit)- 5.6
2	Name and Address of the dealer	<b>M/s. RCI INDIA PRIVATE LIMITED</b> 43, Wework Galaxy, 6th Floor, Residency Road, Shanthala Nagar, Bengaluru - 560025.
3	GSTIN/LGSTO	29AACCR0357E1ZJ /LGSTO 045 A - Bengaluru
4	Nature of Business	Business Support Services
5	Status	Private Limited Company
6	Audit Period	01-07-2017 to 31-03-2018
7	Represented by	Sri. Sunil Kumar, CA/Duly Authorized Representative
8	KGAIN No. and Date	118065733, dated: 10-05-22

**References:**

1. Authorisation issued by Commissioner of Commercial taxes (Karnataka) Vide assignment No. 118065733, dated: 10-05-22
2. This office notice in Form GST ADT-01 along with Annexure-I dated: 01-06-2022 for conducting audit.
3. The company representation dated: 23-06-2022
4. This office proceedings dated: 23-06-2022
5. This office endorsement dated: 11-08-2022
6. This office endorsement dated: 28-09-2022
7. The company representation dated: 07-11-2022
8. This office proceedings dated: 07-11-2022
9. The company representation dated: 28-11-2022
10. This office final proceedings dated: 28-11-2022

- 11.This office intimation of audit enquiry dated: 27-02-2023
- 12.The company reply dated: 20-03-2023

M/s RCI INDIA PRIVATE LIMITED (*herein after referred as The Auditee*) is a Private Company/ which is a registered taxable person under the provisions of the KGST Act, 2017 borne on the files of LGSTO 045 A - Bengaluru. The company is engaged in the business support services.

To this effect a notice dated: 01-06-2022 was issued in Form GST ADT – 01 to the Auditee to conduct audit and to furnish the required books of accounts and records for the financial year July-2017 to March-2018 in accordance with Rule 101(2) of Karnataka Goods and Services Tax Rules, 2017 (***herein after referred as the KGST Rule, 2017***).

In response to the aforesaid notice Sri. Sunil Kumar, CA/Duly Authorised Representative (DAR) of the Auditee appeared in this office on: 23-06-2022 and produced partial books of accounts for verification and requested additional time to furnish the remaining books of accounts. The request was considered in the interest of natural justice and accordingly additional time of Seven days was granted to furnish the remaining books of accounts. In this regard a proceedings dated: 23-06-2022 was drawn and a copy of the same was given to the DAR of the Auditee.

Further, in response to the said notice the DAR neither appeared nor produced any required books of accounts. Accordingly an opportunity of time has been extended till 23-08-2022 to furnish the required books of accounts in the interest of natural justice vide this office endorsement dated: 11-08-2022 sent to the Registered E-mail of the Auditee.

Further, in response to the said notice the DAR neither appeared nor produced any required books of accounts. Accordingly an opportunity of time has been extended till 21-10-2022 to furnish the required books of accounts in the interest of natural justice vide this office endorsement dated: 28-09-2022 sent to the Registered E-mail of the Auditee.

In response to the aforesaid notice Sri. Sunil Kumar, CA/Duly Authorised Representative (DAR) of the Auditee appeared in this office on: 07-11-2022 and produced partial books of accounts for verification and requested additional time to furnish the remaining books of accounts. The request was considered in the interest of natural justice and accordingly additional time of Seven days was granted to furnish the remaining books of accounts. In this regard a proceedings dated: 07-11-2022 was drawn and a copy of the same was given to the DAR of the Auditee.

Further, Sri. Sunil Kumar, CA/Duly Authorised Representative (DAR) of the Auditee appeared in this office on: 28-11-2022 and furnished the remaining books of accounts for verification. In this regard a proceeding dated: 28-11-2022 has been drawn and a copy of the same was given to the Auditee/ DAR of the Auditee. “The date: 28-11-2022 is considered as the date on which the records and other documents, called for by the undersigned, are made available by the Auditee for the purpose of Commencement of Audit in terms of Sub section 4 of Section 65 of KGST Act, 2017 read with Explanation to the said section.”

Accordingly books of accounts, records, returns and other documents furnished by the Auditee are examined and findings of such examination are hereby reported in accordance with the provisions of Section 65(6) of the KGST Act, 2017 read with Rule 101(5) of *KGST Rule, 2017* in succeeding paragraph.

**I. Records examined:** The following books of accounts, records, returns and other documents furnished by the auditee are examined:

1. Audited Financial Statement for the year 2017-18
2. Ledger Accounts under major heads of revenue and expenditure
3. Outward supply and inward supply Registers
4. Trial Balance.
5. Sample inward and outward supply invoices
6. Un-Registered purchases statement
7. Reconciliation statements
8. GSTR-3B
9. GSTR-9 and GSTR-9C
10. Other relevant document furnished

**I. FINDINGS OF AUDIT:**

On Examination and verification of the aforesaid books of accounts, records and transactions, the undersigned has noticed certain discrepancies which are referred as Audit observations paras and the same had been intimated to the Auditee as intimation of Audit Enquiry under the provisions of Section 65 of the Karnataka Goods and Services tax act, 2017 read with Rule 101(4) of the Karnataka Goods and Services tax rules, 2017 KGST Act, 2017 read with relevant provisions of CGST Act, 2017, IGST Act, 2017 and Goods and Services Tax (Compensation) Act, 2017 vide this office letter dated: **27-02-2023** and informed to pay the tax along with appropriate interest as applicable under section 50 (1) of KGST act 2017 and penalty as applicable under section 73 or 74 of KGST act 2017 as the case may be in terms of the said observations or to file Objections, Clarification, Explanation if any to the said Audit observations within Ten days from the date of receipt of the intimation.

In response to the said intimation, DAR of the Auditee has filed letter dated: 20-03-2023 and submitted the reply to the Audit observations made in the said intimation of Audit Enquiries. The same is examined and the Audit observations, the reply filed by the auditee and conclusion of such observations are hereby reported as **Audit Findings** in accordance with the provisions of Section 65(6) of the KGST Act, 2017 read with Rule 101(5) of KGST Rule, 2017 read with relevant provisions of CGST Act, 2017, IGST Act, 2017 and Goods and Services Tax (Compensation) Act, 2017 as under.

**Audit finding 1: Excess claim of Input tax credit**

During the course of audit, on verification of the purchase register, GSTR-3B and GSTR-2A it's observed that there is difference between ITC claimed in 3B and ITC as available in GSTR-2A which resulted in wrong availment and utilization of input tax credit which is not admissible under the provisions of section 16(2) (c) of the GST act read with section 20 and 155 of the IGST act, 2017. The details are as under:

Particulars	2A			Input Claimed in 3B			Difference (Claimed v/s 2A)		
	IGST	CGST	SGST	IGST	CGST	SGST	IGST	CGST	SGST
Not in 2A but claimed in 3B				20,209	1,00,217	1,00,217	20,209	1,00,217	1,00,217

Section 16(2)(c) of the Act reads as under;-

*(c) subject to the provisions of section 41, or 43A, 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*

As per the aforesaid provisions of the act, Input Tax credit in respect of supply is available to the recipient only if tax charged on such supply has been actually deposited with the Government by the supplier. It can be paid to the credit of appropriate Government either in cash or through the utilization of Input Tax Credit admissible. This is subject to section 41 and section 43A of the Act, which provides that the registered person can take ITC on a self-assessment basis, which will be credited on a provisional basis to his electronic credit ledger.

In view of the afore said differences between GSTR-3B and GSTR-2A, it can be reasonably concluded that the supplier of the goods or services based on which the Auditee has availed ITC, has not remitted tax to the government by declaring such turnover in GSTR-3B by filing GSTR-1 which will be reflected in GSTR-2A of the recipient. Therefore, the undersigned has reason to believe that such ITC claimed in GSTR-3B against which no tax has been paid into the Government is not eligible to be availed or utilized. Hence the same is liable to be repaid in terms of the aforesaid provisions of the act.

Therefore, the Auditee is liable to pay the wrongly availed/ utilised excess ITC shown above along with applicable interest. Therefore, you are requested to intimate the details of payments made as per the observations detailed above and furnish copies of Challans/ DRC-03, evidencing the said payment to this office.

- **Submission of the Auditee:**

The Reply filed by the Auditee to the above finding is hereby reproduced as under:

1.1. *The difference in between ITC claimed in 3B and ITC as available in GSTR-2A are arising on account of the following items;*

<b>Name Of Supplieerr</b>	<b>IGST</b>	<b>CGST</b>	<b>SGST</b>
<i>Aarathi Chellammal.N</i>	-	18,306	18,306
<i>Bradford Consultants Llp</i>	20,209	-	-
<i>Empire Industries Limited-Vending Division</i>	-	7,000	7,000
<i>Godshine Enterprises</i>	-	3,267	3,267

Lins Gifts And Trophies	-	698	698
Perfect Enterprises	-	41	41
Prakruthi Computers And Allied	-	117	117
Suraj Electricals	-	410	410
Tata Communications Ltd	-	693	693
Unicel Technologies Pvt. Ltd	-	65,303	65,303
Vino Tech	-	720	720
Voice & Data Solutions	-	3,661	3,661
<b>Total</b>		<b>20,209</b>	<b>1,00,217</b>

1.2. At first, we would like to bring to your kind self's notice that ITC pertaining to the suppliers EMPIRE INDUSTRIES LIMITED, GODSHINE ENTERPRISES and LNS GIFTS AND TROPHIES are also proposed to be repaid as per audit finding 2 i.e., Irregular availment of input tax credit on blocked credit u/s 17 of KGST Act, 2017. **Since such ITC amounting to CGST of Rs. 10,965 and SGST of Rs. 10,965 pertaining to above mentioned suppliers are accepted to be repaid by us as per audit finding 2, we would request your kind self to drop these items in this audit finding.**

1.2. For with respect to ITC of Rs. 1,50,815 as mentioned in the below table, we confirm that the compliances as required under section 16 of the CGST Act were complied,

Sl. No.	Name of Supplier	GSTIN	Total Tax Amount (Rs)
1	Bradford Consultants LLP	01AARFB2260L2Z6	20,209
2	Unicel Technologies Pvt. Ltd	29AAACU6208R2ZO	1,30,606
	<b>Total</b>		<b>1,50,815</b>

As per the requirements of Section 16, we confirm that;

- 1.3.1. We are in possession of the tax invoices issued by the suppliers.
- 1.3.2. We have received such goods or services or both.
- 1.3.3. We have made the payment for the amount towards the value of supply, along with tax payable thereon, to the supplier.

For the purposes of complying with provisions of clause (c) of sub-section (2) of Section 16 of CGST Act that tax on the said supply has been paid by the supplier, clarifications have been provided by CBIC vide circular no. 183/15/2022-GST. In the said circular, inter alia, it has been clarified that where difference between the ITC claimed in FORM GSTR-3B and that available in FORM GSTR A of the registered person in respect of a supplier for the said financial year is up to Rs 5 lakh, the proper officer shall ask the claimant to produce a certificate from the concerned supplier to the effect that said supplies have actually been made by him to the said registered person and the tax on said supplies has been paid by the said supplier in his return in FORM GSTR 3B. In view of the above, we have sought such certificate from Bradford Consultants