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GST Audit Limit: A Guide for Taxpayers with Annual Turnover Above 2 Crores

By [Annapoorna](#)

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PLEASE NOTE: *From FY 2020-21 onwards, the compulsory GST audit requirement by a CA/CMA for taxpayers with a turnover exceeding Rs.2 crore stands removed. The Form GSTR-9C is to now be self-certified and submitted by taxpayers with a turnover of more than Rs.5 crore from FY 2020-21 onwards. To read more about this change, you can refer to this article [here](#).*

As per the Finance Act, 2021, the requirement of GST audit and submission of GSTR-9C as certified by the CA/CMA was removed. As per the [43rd GST Council meeting](#) that was held on 28th May 2021, the GST Council recommended that GSTR-9C may be still submitted as self-certified by taxpayers with annual aggregate turnover of equal to or more than Rs.5 crore. The CBIC notified this change in Notification No. 29/2021 – Central Tax, dated 30th July 2021.

Need for GST Audit and meaning

[Audit under GST](#) involves examination of records, returns and other documents maintained by a GST registered person. It also ensures correctness of turnover declared, taxes paid, refund claimed, input tax credit availed and assess other such compliances under GST Act to be checked by an authorised expert.

GST is a trust-based taxation regime wherein a taxpayer is required to self-assess his tax liability, pay taxes and file returns. Thus, to ensure whether the taxpayer has correctly self-assessed his tax liability a robust audit mechanism is a must. Various measures are taken by the government for proper implementation of GST and audit is one amongst them.

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vs GSTR-3B

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Types of GST Audit

Types	Performed By	When Initiated
Turnover based Audit	Chartered Accountant or Cost Accountant appointed by the taxpayer	As per the CGST Act, if the Turnover exceeds 2 crore, [^] the taxpayer has to get his accounts & records audited
Normal audit/General Audit	Commissioner of CGST/SGST or any Officer authorized by him	On order of Commissioner by giving 15 days prior notice
Special audit	A Chartered Accountant or Cost Accountant, nominated by Commissioner	On order of Deputy/Assistant Commissioner with prior approval of Commissioner

[^]For businesses with an annual turnover of less than Rs 5 crore, filing of GSTR-9C up to FY 2019-20 is waived off via various [CBIC notifications](#). The applicability of GST audit by CA/CMA is to be removed from the financial year beginning from 1st April 2021 onwards, as per the Finance Act, 2021. The CBIC thereafter notified this change in Notification No. 29/2021 – Central Tax, dated 30th July 2021.

Turnover-based Audit under Section 35(5) of CGST Act

If the annual turnover of a registered taxpayer is more than Rs.2 crore[^] in a financial year, he is required to get his accounts audited by a Chartered Accountant or Cost Accountant every year. A financial year covers the 12-month period beginning from April of a calendar year to March of the next calendar year.

Special Note: For the purpose of finding out the turnover limit for Financial Year 2017-18, it has been clarified in the government's press release dated 3rd July 2019. It shall cover the period

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Aggregate turnover = Value of all taxable (inter-state and intra-state) supplies + exempt supplies + export supplies of all goods and services

The total turnover calculation must be PAN-based, which means that once the turnover under the PAN is more than Rs. 2 crore[^] all business entities registered under GST for that PAN will be liable for GST audit for a financial year.

[^]For businesses with an annual turnover of less than Rs 5 crore, filing of GSTR-9C up to FY 2019-20 is waived off via various [CBIC notifications](#). The applicability of GST audit by CA/CMA is to be removed from the financial year beginning from 1st April 2021 onwards, as per the Finance Act, 2021. The CBIC thereafter notified this change in Notification No. 29/2021 – Central Tax, dated 30th July 2021.

Items included while calculating Aggregate Turnover

- All taxable (inter-state and intra-state) supplies other than supplies on which reverse charge is applicable
- Supplies between separate business verticals.
- Goods supplied to/received from the job worker on a principal to principal basis.
- Value of all export/zero-rated supplies.
- Supplies of agents/job workers on behalf of the principal.
- All exempt supplies. For example, agricultural produce supplied along with branded ready-to-eat food.
- All taxes other than those covered under GST. For example, entertainment tax paid on the sale of movie tickets.

Items excluded while calculating turnover

- Inward supplies on which tax is paid under reverse charge.
- All taxes and cess charged under Goods and service tax like CGST, SGST or IGST, compensation cess.

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Only a Chartered Accountant or a Cost Accountant can perform a GST Audit u/s 35.

Points to Note:

- An internal auditor cannot parallelly be appointed as a GST Auditor.
- The GST Act does not allow a GST practitioner to perform the audit. The power to audit is granted only to a Chartered Accountant or Cost Accountant who is in practice or is an employee of a firm of Chartered Accountants or Cost Accountants. Therefore, a Chartered Accountant must not be registered as a GST practitioner for the purpose of issuing the Audit Report.
- Where an organisation or an entity has multiple branches registered under GST in different states/UTs, the total aggregate turnover of all such branches is considered while calculating the threshold limit of Rs. 2 crores[^].

So, if the cumulative turnover of all the branches exceeds Rs. 2 crores[^], then the GST audit is applicable to each of these branches, irrespective of whether the turnover of a particular branch is less than the threshold. In such cases, one can appoint either one dedicated auditor for all branches or separate auditor for each branch.

Where multiple branches have different auditors, the Standards on Auditing: SA 299 — Responsibility of the Joint Auditors may apply for the purpose of reporting GST Audit observations & Reporting.

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Conducting GST Audit & Issue of GST Audit report**Appointment of GST Auditor**

A proprietor, partner or Board of Directors in case of a Company should appoint a GST Auditor at the beginning of the financial year.

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Following are important accounts or records for review:

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- Sales register
- Stock register
- Purchase register and expenses ledgers
- Input tax credit availed and utilised
- Output tax payable and paid
- e-Way bills generated during the period under audit, if in compliance with rules.
- e-Invoices and IRN generated and kept on record
- Any documents that record communications from the GST department relating to the year.

Forms for Annual return and GST Audit

Type of taxpayer	Form to be filed
Whether or not applicable to GST Audit	
A Regular taxpayer filing GSTR 1 and GSTR 3B	GSTR-9
A Taxpayer under Composition Scheme	GSTR-9A
E-commerce operator	GSTR-9B (Yet to come into effect)
Applicable for GST Audit	
Taxpayers whose turnover exceeds Rs. 2 crore [^] in FY	GSTR-9C

Review of comments by GST Auditor

The Auditor must report any tax liability pending for payment by the taxpayer, identified through the reconciliation exercise and observations made on GST audit. Taxpayers can settle taxes as recommended by the auditor in form DRC-03.

Submission of GST Audit report & Annual return

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The following must be reported and certified by the GST auditor of the taxpayer.

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- Whether or not all the requisite accounts or records are maintained.
- Whether or not the financial statements are prepared as per the books of accounts maintained at the principal place of business or additional place of business of the taxpayer.
- Certify the accuracy of information in GSTR-9C.
- To list down the audit observations or reservations or comments, if any.

^For businesses with an annual turnover of less than Rs 5 crore, filing of GSTR-9C up to FY 2019-20 is waived off via various [CBIC notifications](#). The applicability of GST audit by CA/CMA is to be removed from the financial year beginning from 1st April 2021 onwards, as per the Finance Act, 2021. The CBIC thereafter notified this change in Notification No. 29/2021 – Central Tax, dated 30th July 2021.

Read our article on [Contents of GSTR-9C](#) for further details.

Documents to be furnished by the taxpayer

- Audited financial statements (which is PAN-based)
- Annual return in form [GSTR-9](#) (for every GSTIN)
- Certified reconciliation statement in Form [GSTR-9C](#), reflecting reconciled values of supplies and tax amounts declared in GSTR-9 compared to audited financials in Part-A, along with the audit report in Part-B.

Due dates for submission of GST Audit report

GSTR-9 and GSTR-9C are due on or before 31st December[^] of the subsequent fiscal year. The due date can get extended through a CBIC notification.

^For businesses with an annual turnover of less than Rs 5 crore, filing of GSTR-9C up to FY 2019-20 is waived off via various [CBIC notifications](#). The applicability of GST audit by CA/CMA is to be removed from the financial year beginning from 1st April 2021 onwards, as per the Finance Act, 2021. The CBIC thereafter notified this change in Notification No. 29/2021 – Central Tax, dated 30th July 2021.

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**Annapoorna****Assistant Manager - Content**

I preach the words, “Learning never exhausts the mind.” An aspiring CA and a passionate content writer having 4+ years of hands-on experience in deciphering jargon in Indian GST, Income Tax, off late also into the much larger Indian finance ecosystem, I love curating content in various forms to the interest of tax professionals, and enterprises, both big and small. While not writing, you can catch me singing Shāstriya Sangeetha and tuning my violin ;). **Read more**

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