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Chapter XIII — Audit: The Statutory Foundation

Chapter XIII of the Central Goods and Services Tax Act, 2017 establishes the legal architecture for GST audits. Section 65 grants the Commissioner and authorised officers the power to examine the affairs of any registered person. This provision, enforced with effect from **1st July 2017**, underpins the entire framework of departmental audit — from initiation to closure and consequential action.

Governing Provision

Section 65, CGST Act, 2017

Procedural Rules

Rule 101, CGST Rules, 2017

Forms Prescribed

GST ADT-01 & GST ADT-02

Effective From

1st July 2017



Section 65(1) — Who May Conduct the Audit?

Authority to Audit

The **Commissioner** or any officer **authorised by him** — by way of a general or specific order — may undertake the audit of any **registered person**.

The audit may be conducted:

- For such period as may be prescribed
- At such frequency as may be prescribed
- In such manner as may be prescribed

Practical Implication

The authorisation must be backed by a **general or specific order** — a fundamental condition of jurisdictional validity. Practitioners should always verify the officer's authorisation at the outset.

Rule 101(1) clarifies the audit period: it shall be a **financial year or part thereof, or multiples thereof** — not limited to a single year.

- Always insist on sighting the authorisation order before permitting access to records.

Proper officer under CGST Act, 2017

Section 2(91) of CGST Act, 2017:

"proper officer" in relation to any function to be performed under this Act, means the Commissioner or the officer of the central tax who is assigned that function by the Commissioner in the Board;"

Section 5(2) of the CGST Act, 2017

“(1) Subject to such conditions and limitations as the Board may impose, an officer of central tax may exercise the powers and discharge the duties conferred or imposed on him under this Act.

(2) An officer of central tax may exercise the powers and discharge the duties conferred or imposed under this Act on any other officer of central tax who is subordinate to him.

(3) The Commissioner may, subject to such conditions and limitations as may be specified in this behalf by him, delegate his powers to any other officer who is subordinate to him.

(4) Notwithstanding anything contained in this section, an Appellate Authority shall not exercise the powers and discharge the duties conferred or imposed on any other officer of central tax.”

Proper officer under CGST Act, 2017

***Circular 3/3/2017 – GST dated 5-7-2017
(As amended by circular no. 31/05/2018-GST dated 9-2-2018)***

Circular 254/11/2025 – GST dated 27-10-2025

Powers of Deputy / Assistant Commissioner of Central Tax

- ***Power to issue Form GST-ADT-01 (Commencement of audit)***
- ***Power to audit books of accounts, records.***
- ***Power to issue discrepancy notice / draft audit report***
- ***Power to issue Form GST-ADT-02 (Conclusion of audit)***

Powers of Superintendent of Central Tax

- ***Power to issue SCN u/s 73 / 74 after completion of audit u/s 65***

Risk Parameters for selection of case

- ***GSTR-1 Vs GSTR-3B mis-match***
- ***GSTR-2A Vs GSTR-3B Vs GSTR-9 mis-match***
- ***GSTR-1 Vs GSTR-3B Vs GSTR-9 mis-match***
- ***Risky exporters / Filing of Refund applications***
- ***Payment through ITC instead of Cash***
- ***TDS / TCS differences***
- ***RCM applicability (GSTR-2A Vs GSTR-3B differences)***
- ***GST Rate issues***
- ***GST on advances (Works Contractor)***
- ***Differences in Exempt Supply***
- ***Applicability of Rule 86B (Payment through ITC more than 90%)***

Risk Parameters for selection of case

- ***Non-genuine Tax Payers (High Value)***
- ***GSTR-3B non-filers (High Value)***
- ***E-way bill Vs GSTR-1 differences***
- ***E-invoice Vs GSTR-1 differences***
- ***Non-payment of GSTR-3B interest***
- ***Differences in Import ITC***

Section 65(2) — Where Is the Audit Conducted?


The authorised officer has a statutory choice of venue for conducting the audit. The law under Section 65(2) permits audit at either of the following locations:

At the Place of Business

The officer may visit the registered person's premises — factory, warehouse, office, or any other place of business — to inspect records and books of accounts.

At the Officer's Office

Alternatively, the audit may be conducted at the officer's own office, where the registered person is required to produce documents and information as called for.

 **Practical Tip:** Taxpayers may negotiate the venue, particularly where voluminous records are involved. Office-based audits can be managed more effectively with proper preparation.

Section 65(3) — Advance Notice to the Registered Person

The 15 Working Days' Mandatory Notice


Before commencing audit, the registered person must be informed by way of a **formal notice at least 15 working days prior** to the conduct of audit. This notice is issued in **FORM GST ADT-01** as prescribed under Rule 101(2).

The minimum notice period is a **substantive right** of the taxpayer — not a mere procedural formality. Any audit conducted without such advance notice is procedurally infirm and may be challenged.

Extension letter shall be submitted in case more time is required for the data submission.

GST ADT-01: What It Contains

- Name and GSTIN of the registered person
- Period of audit proposed
- Date and place of audit
- Documents and records required
- Name and designation of the authorised officer

 Acknowledge receipt formally and prepare a document matrix immediately upon receiving ADT-01.

Sample ADT-01

FORM GST ADT - 01
[See rule 101(2)]

To,
M/s. _____

GSTIN No: _____

Gentlemen,

Period - F.Y.(s) – _____

DIN- _____

Notice for conducting GST Audit

Whereas, it has been decided to undertake audit of your books of account and records for the financial year _____ accordance with the provisions of section 65. I propose to conduct the said audit at my office/at your place of business on receipt of your documents.

And whereas you are required to:-

- i. afford the undersigned the necessary facility to verify the books of account and records or other documents as may be required in this context, and
- ii. Furnish such information as may be required and render assistance for timely completion of the audit.

You are hereby directed to submit the documents/information as detailed below in person at **GST Bhavan, B Wing, Third Floor. Opp. Wadia College. Pune, for the period _____** or through mail on mail ID _____ within fifteen (15) days from the receipt of this letter/mail.

In case of failure to comply with this notice, it would be presumed that you are not in possession of such books of account and proceedings as deemed fit may be initiated as per the provisions of the Act and the rules made there under against you without making any further correspondence in this regard. The list of documents required is as under:

























SOPs for submission of documents required in Form ADT-01

SOP for Department Audit: Before Audit

- ***Valid DIN from the CBIC website***
- ***Acknowledge the Form GST ADT-01 once DIN validated***
- ***Ensure Name Board and GST Certificate at Client premises***
- ***Ensure all data on the GST website is up to date (including new POB)***
- ***In case data is not ready, then send extension letter before completion of 15 days***
- ***Verification of data with books of accounts, GSTR-1, GSTR-2A, GSTR-3B and GSTR-9 / 9C***

SOP for Department Audit: Before Audit

- ***Identify potential discrepancies proactively; consider voluntary disclosure or rectification where appropriate before the audit visit***
- ***Maintain a numbered, indexed master list of all documents available for production — facilitates controlled disclosure during audit***
- ***Department Audit SOP starts from filing of GSTR-9 & 9C***
- ***Ensure Authority Letter is submitted well in advance***
- ***Submit data, visit officer and resolve reconciliation queries and then request the officer to visit the premises of the client for issue based verification***
- ***Assessee profile to be properly filled, verified and then***

 ADT-01		26-03-2026 09:08 PM	File folder
 ADT-02		26-03-2026 07:24 PM	File folder
 Audit Discrepancy		26-03-2026 07:24 PM	File folder
 DRC-01		26-03-2026 07:24 PM	File folder
 DRC-07		26-03-2026 07:24 PM	File folder
 Received files		26-03-2026 07:25 PM	File folder
 Submission 1 (01.03.2026)		26-03-2026 07:26 PM	File folder
 Submission 2 (5.03.2026)		26-03-2026 07:26 PM	File folder
 Submission 3 (11.03.2026)		26-03-2026 07:26 PM	File folder
 Submission 4 (14.03.2026)		26-03-2026 07:30 PM	File folder
 Submission 5 (21.03.2026)		26-03-2026 07:30 PM	File folder
 Workings		26-03-2026 07:30 PM	File folder

Required Documents

ANNEXURE A

THE LIST OF RECORD /DOCUMENTS REQUIRED FOR AUDIT UNDER GST FROM THE REGISTERED PERSON .

S.NO	PARTICULARS	PERIOD /DETAILS
1	Registration certificate	Application details and amendment with the additional premises if any
2	GSTR 9/GSTR 9C	01/07/2017 to 31/03/2018 & 01/04/2018 to 31/03/2019
3	GSTR 1	All monthly returns in soft form .01/07/2017 to 31/03/2019
4	GSTR3B	All monthly returns in soft form .01/07/2017 to 31/03/2019
5	Summary of GSTR - 2A	System generated for the period 01/07/2017 to 31/03/2019 (SOFT) All monthly returns from 01/07/2017 to 31/03/2019 (SOFT)
6	Summary of GSTR 3B	All monthly returns from 01/07/2017 to 31/03/2019 (in soft form) (appears in the system assessee login in Annual Return menu.
7	Summary of GSTR 1	Summary of GSTR 3B `(system assessee login in Annual Return menu.)`01/07/2017 to 31/03/2019
8	Comparative summary of GSTR-1/GSTR3B/GSTR2A/Exports/RCM - 4 types of summary and one consolidate summary of all	Appearing in the assessee login in the Return Dashboard. (Downloaded in Excel form)

GST Audit Checklist: Documents to Keep Ready

Returns & Filings

- GSTR-1 (month-wise / quarter-wise)
- GSTR-3B (month-wise)
- GSTR-9 (Annual Return)
- GSTR-9C (Reconciliation Statement)
- TRAN-1 / TRAN-2 (if applicable)
- ITC-04 (Job work details)
- Back workings of GSTR-9 & 9C

Financial Records

- Audited Financial Statements (P&L, Balance Sheet)
- Unaudited financial statements, wherever applicable
- Trial Balance and General Ledger
- Bank Statements, if asked

GST-Specific Records

























- Sales Register with invoice-wise details with HSN
- ITC Register (GSTR-2A / 2B reconciliation)
- E-way bill register and reconciliation, if asked
- Debit/Credit Note register
- Refund applications and orders

Contracts & Agreements

- Key customer and vendor contracts
- Import/Export documentation (if applicable)
- Job work agreements
- Inter-company transaction details

Sample Index

Name: ABC Construction Private Limited			
GSTIN : 27ABCCU2425Q2Z1			
Tax Period : April-22 - March-23			
Departmental GST Audit requirement Index			
Sr. No	Particulars	Reference	Remarks
1	GSTR 1 (Monthly and annual summary returns), GSTR 2A (Monthly and annual summary return), GSTR 3B(Monthly and annual summary returns), GSTR 9 and 9C	Annexure 1	
2	Financial / Annual Report consisting of Director's Report, Statutory Auditors report, Balance Sheet, Profit and Loss Accounts, Notes to accounts, Financial statement of subsidiary companies, if any	Annexure 2	
3	Trial Balance sheet separately for Maharashtra		
4	Income Tax returns: ITR VI and Tax Audit Reports: form 3CA/3CB/3CD		
5	Income Tax Returns ITR-V/VI along with Annexure (Form 3CA-3CD/ and 3 CEB) if any for the audit period		
6	Reconciliation of turnover/information declared in GSTR 1 Vis-a-Vis GSTR 3B	Annexure 3	
7	Taxable turnover and GST liability declared in GSTR-1 and taxable turnover and GST paid as per GSTR-B		
8	ITC taken as per GSTR 3B and that available as per GSTR 2A (table 8A of the GSTR		
9	GSTR 1 and 3B Comparison		
10	Electronic cash,credit and liability register/ledger	Annexure 4	
11	Business activity in brief	Annexure 5	
12	Copies of agreements/work orders/purchase orders placed by you with the vendors against purchase made	Annexure 6	
13	Copy of agreements executed with domestic and foreign entites for supply of		

 Annexure 1		26-03-2026 07:26 PM
 Annexure 2		26-03-2026 07:26 PM
 Annexure 3		26-03-2026 07:26 PM
 Annexure 4		26-03-2026 07:26 PM
 Annexure 5		26-03-2026 07:26 PM
 Annexure 6		26-03-2026 07:26 PM
 Annexure 7		26-03-2026 07:26 PM
 Annexure 8		26-03-2026 07:26 PM
 Annexure 9		26-03-2026 07:26 PM
 Annexure 10		26-03-2026 07:26 PM
 Annexure 11		26-03-2026 07:26 PM
 Index_ABC Construction		14-06-2025 04:11 PM

Sample Sales & ITC Registers

SOP for Taxpayers: During the Audit

All Communication in Writing

Insist that every query, requisition, and instruction from the audit team is given in writing. Respond in writing and retain copies of all correspondence.

Log Every Document Shared

Maintain a document handover register — record date, description, and the officer to whom each document is handed over. Obtain acknowledgement.

Do Not Volunteer Information

Respond specifically and precisely to queries raised. Avoid offering unsolicited explanations or documents beyond the scope of the requisition.

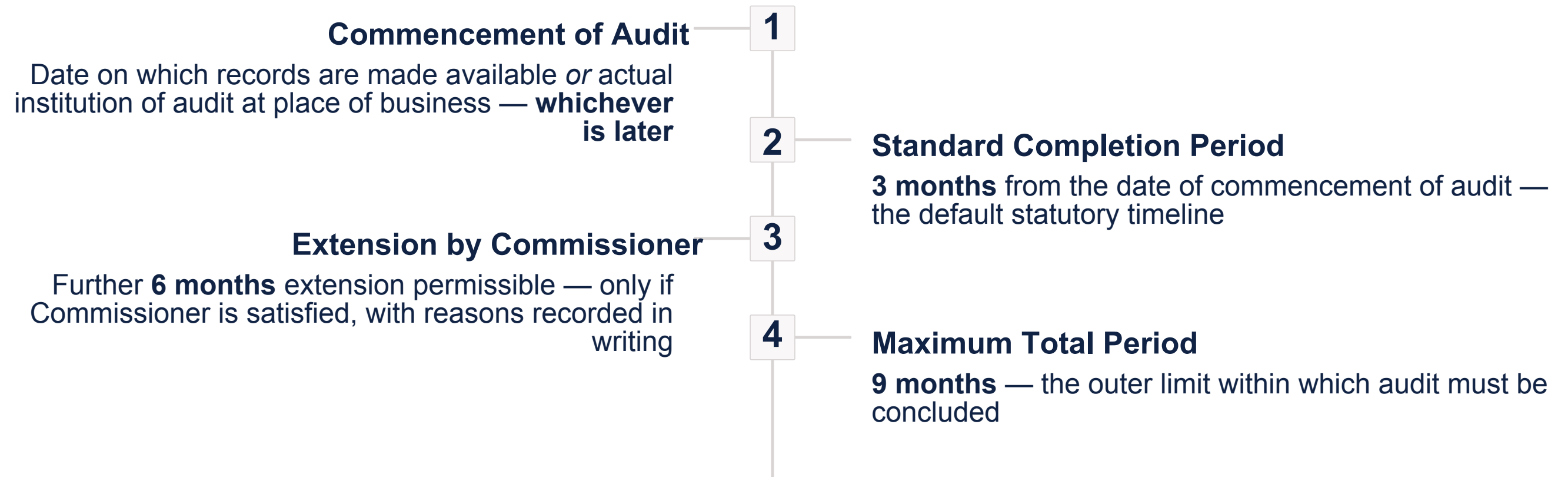
Maintaining Log at the Department

Ensure names are properly reported in the entry register along with officer to meet and timing at the department.



Section 65(4) — Time Limit for Completion of Audit

The legislature has prescribed timelines for completion of departmental audit, balancing the taxpayer's interest against the department's need for thorough examination.



□ **Explanation to Section 65(4):** "Commencement of audit" means the date on which records called for are made available by the registered person or the actual institution of audit at place of business — whichever is **later**.

Section 65(5) — Taxpayer's Obligations During Audit

Statutory Duties Under Sub-section (5)

During the course of audit, the authorised officer may **require** the registered person to:

- **Clause (i):** Afford the necessary facility to verify books of account or other documents as required by the officer
- **Clause (ii):** Furnish such information as required and render assistance for timely completion of the audit

Practical Guidance for Taxpayers

- Designate a **single point of contact** for all audit communications
- Maintain a log of every document shared with the audit team
- Respond to queries in writing — avoid verbal commitments
- Do not volunteer unsolicited information beyond what is called for
- Seek clarification in writing if the scope of a query is ambiguous

- Cooperation with audit does not mean unlimited access — respond only to specific, written requisitions.

Section 65(6) — Communication of Audit Findings: GST ADT-02

On conclusion of audit, the proper officer must — within **thirty days** — communicate the audit findings to the registered person. This obligation is fulfilled through issuance of **FORM GST ADT-02** as prescribed under Rule 101(5).



Findings

Specific discrepancies, observations, and conclusions drawn from examination of records and returns



Obligations

Duties cast upon the registered person as a consequence of the audit findings must be clearly stated



Rights of the Taxpayer

The registered person's statutory rights must be explicitly communicated — including the right to respond to discrepancies



Reasons

The proper officer must record reasons for the findings — this ensures accountability and provides a basis for any challenge



Section 65(7) — Consequential Action After Audit

Where audit results in detection of any of the following, the proper officer **may initiate action** under the demand and recovery provisions:

Tax Not Paid

GST liability that was due but not discharged by the registered person

Tax Short Paid

GST paid, but less than the actual liability — partial non-compliance

Erroneous Refund

Refund granted but not legitimately due — subject to recovery

ITC Wrongly Availed or Utilised

Input tax credit claimed without entitlement or utilised improperly

Action may be initiated under **Section 73** (non-fraud cases), **Section 74** (fraud/wilful misstatement), or **Section 74A** (applicable from F.Y. 2024-25).

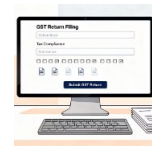
Rule 101(3) — Scope of Verification: What Officers Check

The authorised officer, assisted by a team, shall verify the following key areas during the audit. This is the practical scope of examination that every registered person must be prepared for:



Books of Account & Source Documents

Purchase registers, sale registers, bank statements, ledgers, and the documents on the basis of which books of account are maintained



Returns & Statements

GSTR-1, GSTR-3B, GSTR-9, GSTR-9C and other returns filed under the Act — correctness of turnover, tax paid and reconciliation



Exemptions, Deductions & Rate of Tax

Whether exemptions and deductions claimed are valid; whether the correct rate of GST has been applied on supply of goods and services

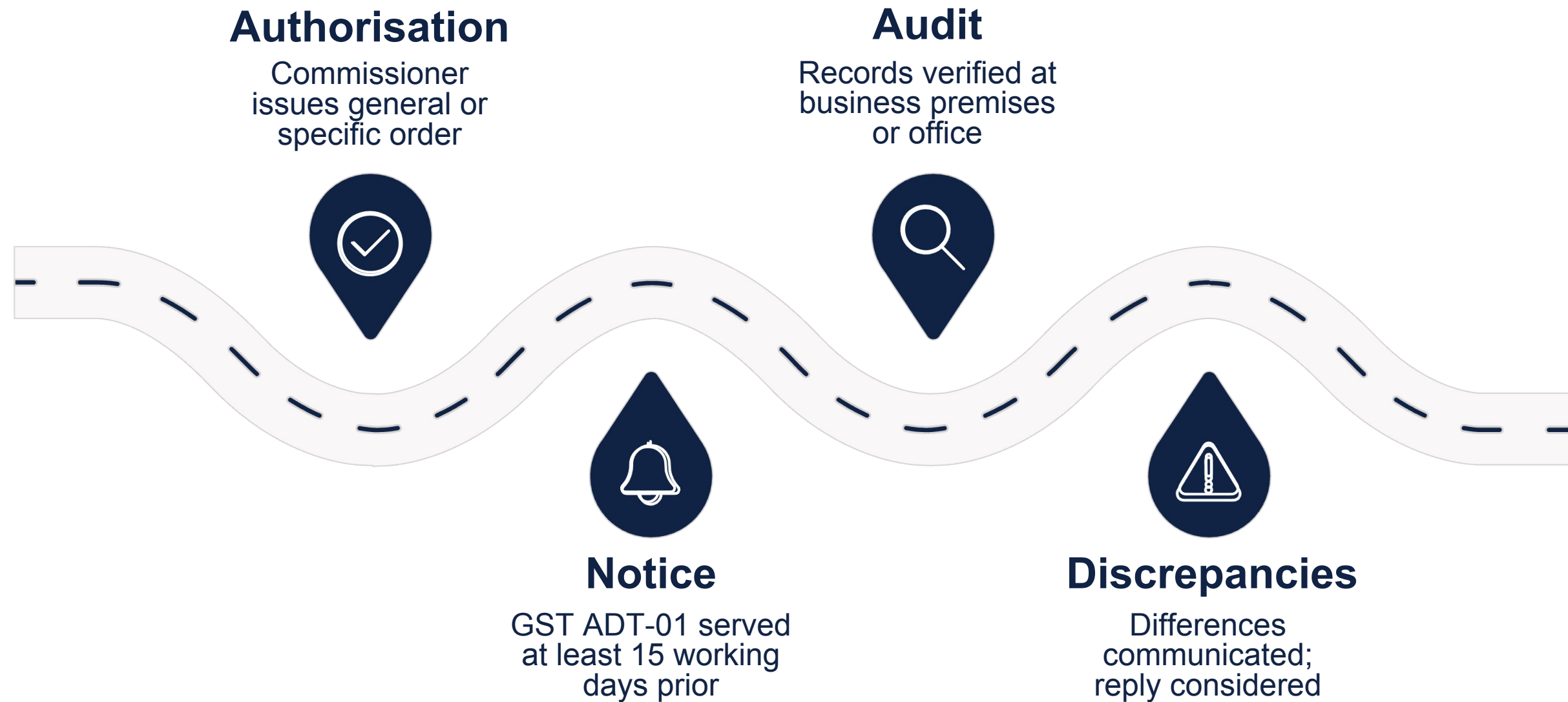


ITC Availed, Utilised & Refund Claimed

Correctness of ITC availed and utilised; validity of refund claims; any excess or ineligible credit taken

Audit Lifecycle: End-to-End Process Flow

Understanding the complete procedural sequence is essential for effective audit management. The GST departmental audit follows a defined lifecycle from authorisation to consequential action.



Responding to Discrepancies — Rule 101(4) in Practice

When the audit officer informs the registered person of discrepancies noticed during audit (as permitted under Rule 101(4)), the taxpayer has the right and opportunity to **file a formal reply**. The officer is obligated to finalise findings only after **due consideration** of this reply. This is a crucial stage in the audit process.

→ Analyse the Discrepancy Notice Carefully →

Categorise each discrepancy: classification error, rate dispute, ITC reversal, turnover mismatch, or procedural lapse — each requires a different response strategy

→ File Reply Within Reasonable Time

While no specific statutory timeline is prescribed for the taxpayer's reply, undue delay may be prejudicial. File a complete, substantive reply promptly.

→ Prepare a Factual & Legal Reply

Address each point with factual evidence, supporting documents, and applicable legal provisions, circulars, and notifications. Cite relevant judicial precedents where available.

→ Preserve the Reply as Evidence

The reply filed at Rule 101(4) stage forms the foundation for any future proceedings under Sections 73, 74, or 74A — retain it as a critical document.

Issues

- ***GST ADT-01 received for F.Y. 2022-23 for builder client. Allotment to land-owners in F.Y. 2024-25. Whether land-owner allotment covered under GST ADT-01 received for the said period?***
- ***Covering periods covered u/s 74. (Issue resolved after introduction of Section 74A from F.Y. 2024-25)***
- ***Whether SCN u/s 73 or 74 be issued without furnishing final audit report?***
- ***Invoking Section 61 after completion of audit / parallel proceedings. Simultaneous proceedings 65 Vs 67?***

Issues

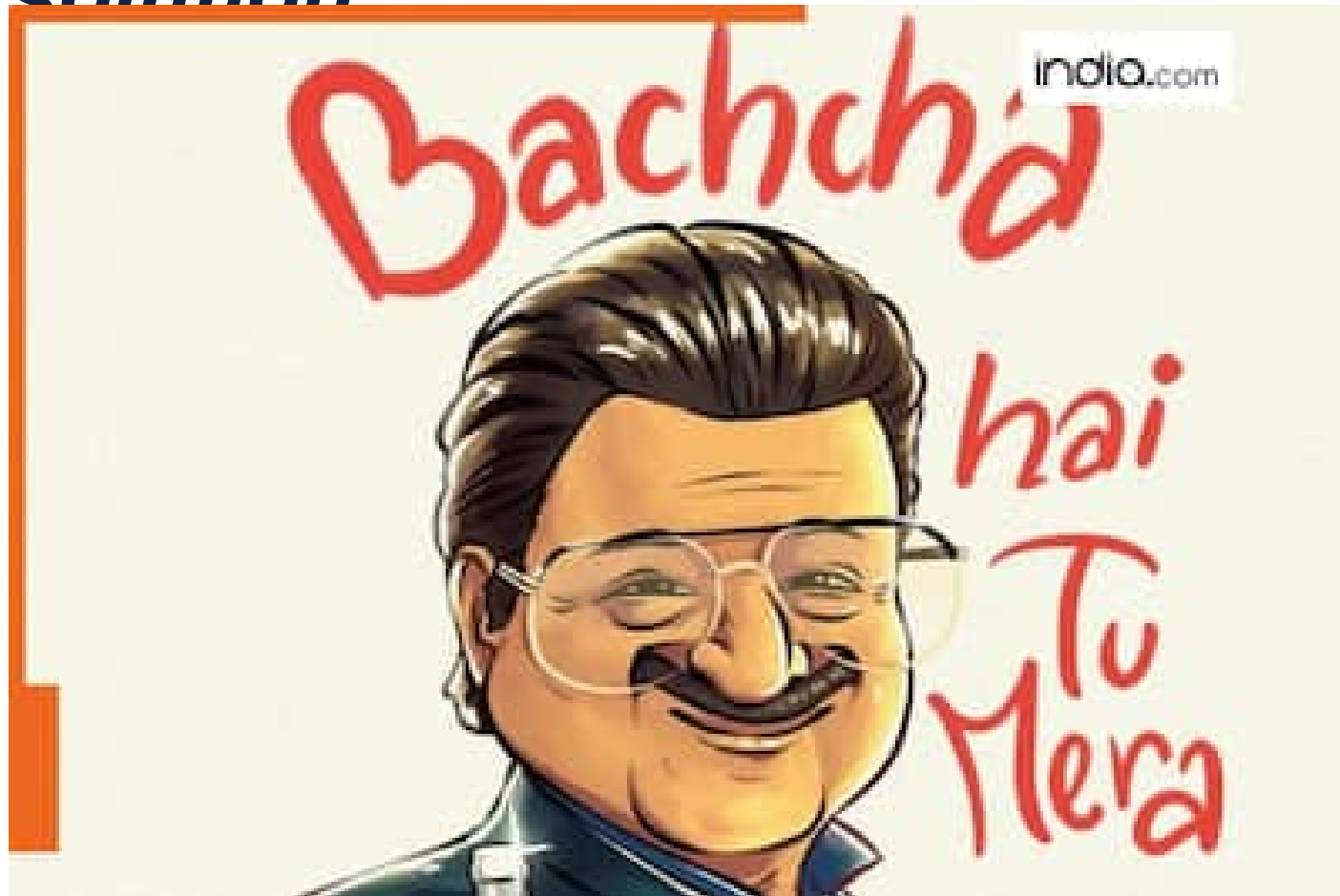
- ***Issue based audit received u/s 65. Section 61 Vs 65 Vs 67 (Legal base for issuance of such notices?)***
- ***Whether Audit Wing and Adjudication should be separate?***
 - ***Principle of Natural Justice – Nemo Judex in Causa Sua (No one can be judge in his own cause)***
- ***Whether submission of tally data is mandatory?***
- ***Jurisdiction of officer in case of multiple GSTN***
- ***Back-working of GSTR-9 / 9C is not available, how to handle the audit?***

Issues

- ***Whether audit u/s 65 be conducted for person whose GSTN is cancelled (unregistered person)?***
 - ***IN THE HIGH COURT OF JUDICATURE AT BOMBAY
[LJ- Victoria Properties Pvt. Ltd. Vs Union of India]
Writ Petition (L) No. 34267 of 2024, decided on 19-11-2024***

Practical Tips

- ***Always have a calm and Positive attitude during the Departmental Audit. Instead of saying No, try to find out solution***



Practical Tips

- ***Quick response is the key, delay in submission leads to extra efforts. In case of transfers, act accordingly.***
- ***Be in constant touch with the officer once audit is started. In case there is delay, communicate properly.***
- ***Try to understand auditor's target / peer pressure and submit data accordingly.***
- ***References to previous audit conducted to develop a rapport with the officers***

“I don’t play the
odds, **I play the
man.**”

- Harvey

SUITS

Time limit comparison under Section 73, 74, 74A under CGST

From F.Y. 2024-25, section 74A of the CGST Act, 2017 shall be effective for demands and recovery. Section 73 & 74 shall be applicable only up to F.Y. 2023-24. The Time limits for issuing orders u/s 73, 74 is 3 years & 5 years respectively from the due date of GSTR-9. The time limit u/s 74A is 42months (i.e. 3.5 years) from the due date of GSTR-9. However, the catch is, the period of 42months is for issuing show cause notice and not to pass order. Order has to be passed within 12months from the date of issue of show cause which may be further extended to 6months. Thus, the total time limit for issuing orders for other than fraud cases is also 5years as per section 74A which is 3years up to F.Y. 2023-24 u/s 73.

The various time limits for issuing show cause notices and orders under these sections are as under:

F.Y.	GSTR-9 due date	Section 73		Section 74		Section 74A	
		SCN	Order	SCN	Order	SCN	Order
2017-18	07-Feb-20	30-Sep-23	*31-Dec-23	07-Aug-24	07-Feb-25	N.A.	N.A.
2018-19	31-Dec-20	31-Jan-24	30-Apr-24	30-Jun-25	31-Dec-25	N.A.	N.A.
2019-20	31-Mar-21	31-May-24	31-Aug-24	30-Sep-25	31-Mar-26	N.A.	N.A.
2020-21	28-Feb-22	30-Nov-24	28-Feb-25	31-Aug-26	28-Feb-27	N.A.	N.A.
2021-22	31-Dec-22	30-Sep-25	31-Dec-25	30-Jun-27	31-Dec-27	N.A.	N.A.
2022-23	31-Dec-23	30-Sep-26	31-Dec-26	30-Jun-28	31-Dec-28	N.A.	N.A.
2023-24	31-Dec-24	30-Sep-27	31-Dec-27	30-Jun-29	31-Dec-29	N.A.	N.A.
2024-25	31-Dec-25	N.A.	N.A.	N.A.	N.A.	30-Jun-29	30-Jun-30 extendable upto 31-Dec-30

Maintenance of Books and Records under GST

Every registered person is required to keep and maintain books of account or other records and shall retain them until the expiry of **seventy-two months** from the **due-date** of furnishing of **annual return** for the year pertaining to such accounts and records.

Accordingly, it is compulsory to maintain books of accounts for a minimum period of six years as per the GST law.

However, the period of six years starts from the due date of GSTR-9 for the respective financial year.

Accordingly, the retention date is as under:

F.Y.	GSTR-9 due date	Retention up to
2017-18	07-Feb-20	07-Feb-26
2018-19	31-Dec-20	31-Dec-26
2019-20	31-Mar-21	31-Mar-27
2020-21	28-Feb-22	28-Feb-28
2021-22	31-Dec-22	31-Dec-28
2022-23	31-Dec-23	31-Dec-29
2023-24	31-Dec-24	31-Dec-30
2024-25	31-Dec-25	31-Dec-31

Note:

- ❖ In case any proceedings are initiated, the books are to be maintained for a period of six years or 1 year after completion of the proceedings whichever is later.
- ❖ The due date for filing GSTR-9 & 9C for registered persons who were having principal place of business in the districts of Chennai, Tiruvallur, Chengalpattu, Kancheepuram, Tirunelveli, Tenkasi, Kanyakumari, Thoothukudi and Virudhunagar in the state of Tamil Nadu was 10th January 2024 for F.Y. 2022-23

Thank You !

**CA Chaitanya S
Vakharia
2nd Floor, Modi
Mansion,
S. No. 37/2B, Shankar Sheth
Road, Hotel 7 Loves Chowk,
Phone – 411037.**

**Email:
partner@vakhariaandvakharia.com**

