

Chapter XI

Audit

FAQ'S

Audit by Tax Authorities (Section 65)

Q1. Who is authorised to undertake the audit of a taxable person?

Ans. The Commissioner of CGST/Commissioner of SGST or any officer authorised by him, by way of a general or a specific order, may undertake audit of any registered person for such period, at such frequency and in such manner as may be prescribed.

Q2. Whether any reason to believe or evidence is required for initiate audit under Section 65?

Ans. No, Section 65 does not specify any such requirements. Commissioner can initiate audit on any taxable person for such period, at such frequency and in such manner as may be prescribed.

Q3. Should the registered person be informed in advance, prior to conduct of audit?

Ans. The registered person shall be informed, by way of a notice, sufficiently in advance, not less than fifteen working days, prior to the conduct of audit in the manner prescribed.

Q4. What is the time limit for completion of the audit under Section 65(1) and whether the same can be extended?

Ans. The audit under Section 65(1) shall be completed within a period of three months from the date of commencement of audit. The period of completion of audit can be further extended by a period not exceeding six months by the Commissioner for reasons recorded to be in writing.

Q5. What are the powers of the authorised officer in the course of audit?

Ans. During the course of audit, the authorised officer may require the taxable person,

- (i) to afford him the necessary facility to verify the books of account or other documents as he may require and which may be available at such place,
- (ii) to furnish such information as he may require and render assistance for timely completion of the audit.

Q6. What will be the consequences if registered person does not provided required information during the audit?

Ans. If registered person does not co-operate during the audit, the authorities may initiate action under Section 67.

Q7. What action will be initiated when the audit conducted u/s 65(1) results in a demand?

Ans. Where the audit u/s 65(1) results in detection of tax not paid or short paid or erroneously refunded, or input tax credit wrongly availed or utilised, the proper officer may initiate action under Section 73 or Section 74.

Special Audit (Section 66)

Q8. In what cases special audit under Section 66 can be directed?

Ans. Special audit can be directed if at any stage of scrutiny, enquiry, investigation or any other proceedings before him, any officer not below the rank of Assistant Commissioner, having regard to the nature and complexity of the case, is of the opinion that the value has not been correctly declared or the credit availed is not within the normal limits, with the prior approval of Commissioner.

Q9. Whether Special audit can be initiated after completion of scrutiny, enquiry, investigation?

Ans. No, special audit can be initiated during the process of scrutiny, enquiry, investigation and not after completion of the same.

Q10. Who can direct the registered person to get his records audited under Section 66?

Ans. An officer not below the rank of Assistant Commissioner may, with the prior approval of the Commissioner, direct such registered person by a communication in writing to get his records including books of account examined and audited.

Q11. Whether the proper officer nominated by Commissioner will be authorised to conduct the audit including books of account under Section 66?

Ans. No, only Chartered Accountant or a Cost Accountant as may be nominated by the Commissioner in this behalf will be authorised to conduct audit under Section 66.

Q12. What is the time limit to submit a report of the audit?

Ans. The chartered accountant or cost accountant nominated to conduct the audit under Section 66, shall submit a report, within a period of ninety days from the date of communication in writing by an officer not below the rank of Assistant Commissioner to get the audit of records of such registered person. The said period of ninety days can be extended by another period of ninety days on an application made in this behalf by the registered person or the chartered accountant or cost accountant or for material and sufficient reason.

Q13. Is the taxable person relieved from audit under Section 66 if the accounts of the taxable person have already been audited under any other provision of this Act or any other law?

Ans. The provision of Section 66(1) shall have effect notwithstanding that the accounts of the taxable person have been audited under any other provision of this Act or any other law for the time being in force or otherwise.

Q14. How are the expenses of audit determined and paid?

Ans. The expenses of, and incidental to, the examination and special audit of records under Section 66(1), including the remuneration of such chartered accountant or cost accountant, shall be determined and paid by the Commissioner and that such determination shall be final.

Q15. What action will be initiated when the special audit conducted under Section 66(1) results in a demand?

Ans. Where the special audit conducted under Section 66(1) results in detection of tax not paid or short paid or erroneously refunded, or input tax credit wrongly availed or utilised, the proper officer may initiate action under Section 73 or 74, as the case may be.

Power of CAG to call for information for audit

Q16. Whether the CGST Act, 2017 empowers the CAG to call for information for audit?

Ans. No, as per the CGST Act, 2017, CAG does not have any power to call for information for audit.

MCQ'S

Audit (Section 65 to 66)

Q1. Who is authorised to undertake the audit of a registered person?

- (a) The Commissioner of CGST/Commissioner of SGST
- (b) any officer authorised by Commissioner of CGST/Commissioner of SGST by way of a general or a specific order.
- (c) Only (a)
- (d) (a) or (b)

Ans. (d) - (a) or (b)

Q2. Whether any reason to believe or evidence is required for initiation of audit u/s 65?

- (a) Reason to believe is a prerequisite for initiation of audit u/s 65.
- (b) Proper evidence is a prerequisite for initiation of audit u/s 65.
- (c) (a) & (b)
- (d) No, Sec 63 does not specify any such requirements.

Ans. (d) No, Section 63 does not specify any such requirements

Q3. The tax authorities may conduct audit u/s 65 at:

- (a) the place of business of the registered person
- (b) the place of residence of the registered person.
- (c) the office of the tax authorities.
- (d) (a) or (c)

Ans. (d) - (a) or (c)

Q4. Prior to the conduct of audit u/s 65 the registered person shall be informed, by way of a notice, sufficiently in advance:

- (a) not less than fifteen working days.
- (b) not less than thirty working days.
- (c) not less than ten working days.
- (d) No prior intimation required.

Ans. (a) not less than fifteen working days

Q5. The time limit for completion of the audit u/s 65(1) is:

- (a) six months from the date of commencement of audit.
- (b) three months from the date of commencement of audit.
- (c) One year from the date of commencement of audit.
- (d) None of the above.

Ans. (b) three months from the date of commencement of audit

Q6. Where the [Commissioner] is satisfied that audit in respect of such taxable person cannot be completed within three months from the date of commencement of audit the time limit can be extended:

- (a) by a further period not exceeding six months.
- (b) by a further period not exceeding six months.
- (c) by a further period not exceeding six months.
- (d) No extension of time limit is permissible.

Ans. (a) by a further period not exceeding six months

Q7. During the course of audit, the authorised officer may require the registered person:

- (a) to afford him the necessary facility to verify the books of account or other documents as he may require.
- (b) to furnish such information as he may require and render assistance for timely completion of the audit.

(c) (a) and/or (b)

(d) Only a)

Ans. (c) - (a) and/or (b)

Q8. Special audit u/s 66 can be directed at any stage of scrutiny, enquiry, investigation or any other proceedings having regard to nature and complexity of the case if, any officer not below the rank of [Assistant Commissioner]:

(a) is of the opinion that the value has not been correctly declared

(b) the credit availed is not within the normal limits.

(c) assessee does not co-operate

(d) (a) or (b)

Ans. (d) – (a) or (b)

Q9. Who can direct the registered person to get his records audited u/s 66?

(a) An officer not below the rank of [Assistant Commissioner], with the prior approval of the [Commissioner]

(b) An officer not below the rank of [Joint/Additional], with the prior approval of the [Chief Commissioner]

(c) An officer not below the rank of [Chief Commissioner], with the prior approval of the [Principle Chief Commissioner]

(d) None of the above.

Ans. (a) An officer not below the rank of [Assistant Commissioner], with the prior approval of the [Commissioner]

Q10. Who is authorised to conduct the audit including books of account u/s 66?

(a) Chartered Accountant as may be nominated by the [Commissioner].

(b) Cost Accountant as may be nominated by the [Commissioner].

(c) (a) or (b)

(d) Any officer as may be nominated by the [Additional Director].

Ans. (c) - (a) or (b)

Q11. The time limit to submit a report of the audit u/s 66 is:

(a) within the period of ninety days without any extension of time.

(b) within the period of sixty days without any extension of time.

- (c) within the period of ninety days. The proper officer may, on an application made to him in this behalf or for any material and sufficient reason, extend the said period by another ninety days.
- (d) None of the above.

Ans. (c) within the period of ninety days. The proper officer may, on an application made to him in this behalf or for any material and sufficient reason, extend the said period by another ninety days

Q12. The expenses of audit u/s 66 is determined and paid by:

- (a) the [Commissioner].
- (b) the [Deputy/ Assistant Commissioner] with prior approval of the Commissioner.
- (c) the registered person.
- (d) Any of the above.

Ans. (a) the [Commissioner]