

GST Assessment

GST Audit :

Audit under GST is the process of examination of records, returns and other documents maintained by a taxable person. The purpose is to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess the compliance with the provisions of GST.

GST Audit is not only for reconciliation of tax liability and payment thereof, but it also encompasses the verification of compliance with the provisions of the GST laws by a registered person and educating the taxpayers to be more compliant with the law and procedure.

Assessment under GST mean

Assessment means determination of tax liability under GST law.

The following are the various kinds of assessments under GST.

Types of Assessment under GST

- Self-assessment
- Provisional assessment
- Scrutiny assessment
- Best judgment assessment
- Assessment of non-filers of returns
- Assessment of unregistered persons
- Summary assessment

Types of Assessment under GST

There are six types of assessment under GST:

1. **Self-Assessment:** This is the first level of assessment, which is done by the taxpayers themselves. In self-assessment, the taxpayer calculates and pays their own tax liability, and files the returns accordingly. This is done on a monthly, quarterly or annual basis, depending on the turnover of the taxpayer. The relevant section under GST for self-assessment is **Section 59**.
2. **Provisional Assessment:** Provision assessment can be resorted to only in two possible scenarios 1st is when the registered person is unable to

determine the value of supply and 2nd is when registered person is unable to determine the rate of tax. Apart from the above two scenarios, provisional assessment cannot be applied by the taxable person for any other purpose. Within the 90 days from the receipt of such request the proper office shall pass an order, allowing payment of tax on a provisional basis at such rate or on such value as may be specified by him. The final assessment order should be passed within six months from the date of communication of provisional assessment order.

3. **Scrutiny Assessment:** Scrutiny assessment is done by the tax authorities to verify the correctness of the returns filed by taxpayers. This is applicable for only registered persons and not to unregistered persons. Notice under section 61 can be issued only if return has been filed by the registered persons. The tax authorities can issue a notice to the taxpayer, asking them to provide additional information or documents to support their returns. The tax authorities can also conduct an audit of the taxpayer's records. Based on the information obtained, the tax authorities can issue an assessment order, which specifies the final amount of tax to be paid by the taxpayer.
4. **Best Judgment Assessment:** Best judgment assessment is done when the taxpayer fails to furnish the return under Section 39 or Section 45, even after the service of a notice under Section 46, the proper office may assess the tax liability of the said person to the best of his judgement taking into account all the material which is available or he has gathered and issue an assessment order within a period of five years from the date specified under section 44 for furnishing of the annual return for the financial year to which the tax not paid relates.
5. **Assessment of Unregistered Persons:** When a taxable person fails to obtain registration even though liable to do so or whose registration has been cancelled under sub section (2) of Section 29 but who was liable to pay tax, the proper officer may proceed to assess the tax liability of such taxable person to the best of his judgement for the relevant tax periods. He will issue an assessment order within a period of five years from the date specified under section 44 for furnishing of the annual return for the financial year to which the tax not paid relates. No such assessment order shall be passed without giving the person an opportunity of being heard.

6. Summary Assessment: Summary assessment is done in certain special cases, such as when the tax authorities believe that the taxpayer is trying to evade tax or when there is a threat to revenue. There should be evidence available with the proper officer that tax is payable and remains unpaid. Prior permission is required from the Additional Commissioner and Joint Commissioner. It is believed that any delay in assessment would harm the revenue's interest. If the taxpayer to whom the liability pertains is not ascertainable, then such liability is fastened to the person in charge of such goods. Generally summary assessment is resorted to in cases of absconding and defaulting taxpayers. There is no time limit prescribed for passing of order. The section does not mention that the said person should be given an opportunity of being heard

Procedure for Assessment under GST

The procedure for assessment under GST is as follows:

- **Issue of Notice:** The tax authorities can issue a notice to the taxpayer, asking them to provide additional information or documents to support their returns. The notice must specify the reason for the assessment, the period under assessment, and the nature of the information or documents required.
- **Conduct of Audit:** The tax authorities can conduct an audit of the taxpayer's records to verify the correctness of their returns. The audit can be done on-site or off-site, and the taxpayer must provide all necessary information and documents to the auditors.
- **Issue of Assessment Order:** Based on the information obtained through the notice and audit, the tax authorities can issue an assessment order. The assessment order specifies the final amount of tax to be paid by the taxpayer. The assessment order can also include interest, penalties, and fines, if applicable.
- **Rectification of Errors:** If the taxpayer disagrees with the assessment order, they can request rectification of errors. The request must be made within 30 days of the receipt of the assessment order. The tax authorities will then review the request and issue a revised assessment order if necessary.
- **Appeal:** If the taxpayer is still dissatisfied with the assessment order after rectification, they can file an [appeal](#) with the appropriate appellate authority. The appeal must be filed within three months of the receipt of the

assessment order. The [appellate authority](#) will then review the case and issue a final order.

Taxability of E Commerce:

Every electronic commerce operator shall collect an amount calculated at a rate not exceeding 1% (0.5% CGST and 0.5% SGST; In case of inter-state transactions, 1% under IGST Act), as may be notified by the Government on the recommendations of the Council, of the net value of taxable supplies.

E-Commerce aggregators are responsible under the GST law for collecting and depositing tax at the rate of **1% on each transaction under the Section 52 of the CGST Act.** Any dealers/traders selling goods/services online would get the payment after deduction of 1% tax.

National Anti-Profiteering Authority :

The National Anti-Profiteering Authority (NAA) is a statutory body established under the Goods and Services Tax (GST) law. Its primary role is to **monitor and regulate any irregular and unfair profiteering activities by registered suppliers.**

The Authority's main function is **to ensure that the registered suppliers under GST law are not profiteering by charging higher prices from recipients in the name of GST.**

Issues in the New GST Return System

Though GST was implemented two years ago in India, some of the provisions of the GST law are still ambiguous. Taxpayers, with the help of professionals, are continuously trying to understand the applicability of the provisions and the impact of the same on their business. The taxpayers are trying to adapt to GST using various technologies.

The GST Council has decided to implement the new GST return system from April 2020. The new GST return system was introduced to address certain gaps under

the present return system. However, there are still some challenges in the implementation of the new GST return system.

Educating the client

The taxpayers will take some time to understand the changes in tax laws. During this transition phase, taxpayers will get ample time to comply with the law. However, it is a big challenge for a chartered accountant to educate a taxpayer about how a new GST return system works.

Invoice upload

Under the new GST return system, there will be a facility provided for taxpayers to upload invoices continuously on a real-time basis in GST ANX-1. If the taxpayers intend to upload invoices continuously, they will need a new mechanism that will capture and upload all the invoices issued and other related documents into the portal. This becomes a challenge to a taxpayer as there is no such concept of real-time invoice upload under the present return system. The taxpayer has to put additional effort to upload the invoices with accurate details continuously.

Frequent matching

The frequent matching involves matching the invoices uploaded by the supplier with the books of accounts to claim ITC. As the supplier uploads invoices on a real-time basis, the recipient has to match the invoices continuously. The invoices uploaded by the supplier in his GST ANX-1 will auto-populate to GST ANX-2 of the recipient. The taxpayer usually matches their invoices with books of account at the time of filing their GST return.

The pain point involved in frequent matching is that the taxpayer has to allocate time from his daily business activities or he has to dedicate personnel to do the same. For example, under new GST return system, if the taxpayer matches invoices at the time of filing his return, he will not have enough time to follow up with the supplier, and this leads to an incorrect or inaccurate claim of ITC.

Invoice tracking

There may be cases of missing invoices where the recipient will have a physical invoice, but the same is not available on the GST portal to take the necessary actions. The recipient has to track these missing invoices and report them to the supplier. The recipient has to continuously check whether the supplier has

uploaded invoices on the portal. The above process will put additional responsibility on the recipient even though he has paid the tax amount to his supplier. The challenge here is to continuously follow up with the supplier to upload invoices. This may impact the relationship between the supplier and the recipient.

Vendor communication

Vendor communication plays a vital role in the new GST return system. The vendor has to focus more on accounts receivables and accounts payables when compared with the present return filing system. The accounts receivable will determine the value of sales/debtors and ITC claimed.

On the other hand, the accounts payable will decide the value of purchases/creditors and output tax liability. Hence, vendor communication is vital while following up for missing invoices and reconciling differences. This is one of the foremost things which needs to be taken care of by a taxpayer for hassle-free submission of GST returns.

Transition to the new GST return system

Taxpayers under the present return system will need ample time to adapt to the new GST return system. The government has already provided the prototype of the new GST return system. But all the specified features are not enabled in prototype returns. The pain point during the transition is that the taxpayer must get used to new features such as the upload of invoices in GST ANX-1, taking action in GST ANX-2 for ITC claims, regular reconciliation of differences, claiming provisional credit for missing invoices, and more.

To overcome the above challenges, taxpayers can use the latest technologies available in the market so the adapting process to new GST returns becomes easy. New features such as bulk upload and tracking of invoices, regular reconciliation of books of accounts with GST returns, continuous follow up with vendors, and hassle-free communication to bulk vendors are available.