

# BRING BACK PROVISION FOR AUDIT OF GST ANNUAL RETURNS: ICAI TO GOVT

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

**NEW DELHI** : Accounting rule maker Institute of Chartered Accountants of India (ICAI) has asked the government to bring back the audit and certification provisions relating to Goods and Services Tax (GST) annual returns, saying that doing away with audit will disrupt compliance.

GST authorities last August dropped the provision for mandatory audit of annual returns for businesses with sales of 2 crore and above, and introduced self-certification of a reconciliation statement for those with 5 crore sales and more, replacing the certification needed by a chartered or cost accountant.

This self-certified statement is for reconciling the value of supplies declared in the return furnished for the financial year, with the audited annual financial statement. Self-certification puts the responsibility on taxpayers to furnish true and accurate details in their annual return. The idea was to encourage voluntary compliance and to improve the ease of doing business. The change is applicable for FY21 and beyond.

In a proposal to the finance ministry, ICAI suggested that amendments made to Central GST Act through the Finance Act last year should be withdrawn and the requirement of getting annual accounts audited and reconciliation statement certified by a chartered accountant be reinstated in law because GST audit by a chartered accountant ensures taxpayer compliance and helps in plugging revenue leakages.

"Doing away with audit will lead to large scale disruption of compliance resulting in demand notices and the taxpayers will be burdened with tax, interest and penalties that could have been avoided had there been a system of audit to identify the lapses in time. Litigation would also increase due to errors that would be left unresolved until departmental audit is conducted," ICAI cautioned in its proposal.

The accounting rule maker also said that revenue is recognized differently in accounting and GST law. While financial statements are prepared on 'accrual system', GST follows a vastly different 'time of supply' based system of tax payment. Even the financial statements are prepared differently on the basis of applicable standards depending upon the nature of the entity. "Thus, it is essential that the reconciliation statement be certified by a chartered accountant who is proficient in both accounting aspects as well as GST law," ICAI told the ministry. *Mint* has seen a copy of the suggestions. An email sent to the finance ministry seeking comments for the story remained unanswered at the time of publishing.

After the introduction of GST, tax authorities gradually reduced the return filing requirements and offered an amnesty scheme for defaulters to make good their compliance track record. At the same time, tax credit-related provisions have been gradually tightened to check tax evasion.

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