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SOP FOR SCRUTINY OF RETURNS

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2022

INTRODUCTION

For the Financial Year 2017-18, 2018-19, the Central Board of Indirect Taxes and Customs published thorough instructions on "How to conduct GST Audits?". On March 22, the CBIC's GST Policy Wing issued GST Instruction No. 02/2022 which conducts information on the GST return scrutiny its parameters, timelines and other related information. According to CBIC all officers must select scrutiny cases based on specific risk criteria.

RELEVANT STATUTORY PROVISION

Scrutiny of Returns

Section 61

1. The officer may scrutinize the return if they find any objection in the individual filing, the individuals must provide fair explanation for the information on which objection being raised.
2. If the explanation provided by the client is acceptable no further proceedings is needed in this regard.
3. The satisfactory explanation is furnished within period of 30 days of being informed by the officer and fails to take the corrective measure in his return and officer can take appropriate actions.

Rule 99

Selection of returns for scrutiny

The list of GST Identification Number (GSTIN) accounts is chosen by the Directorate General of Analytics and Risk Management (DGARM). DGARM send the GST Returns to the tax officers once they've chosen which ones to examine. Based on this, if a GST Officer finds any objection in an individual's filing, the individual must provide a fair explanation for the information on which the objection is being raised. DGARM would also provide some relevant data (along with likely revenue implication) pertaining to the returns to be scrutinized through the DDM portal. It may be noted that the data provided by the DGARM is generated at a particular point of time which may undergo change at the time of scrutiny of returns by the proper officer due to subsequent compliances carried out by the taxpayer or by the suppliers of the taxpayer. The officer shall relay upon the latest available data. If any discrepancy found it must be informed through **FORM GST AMST-10**. And explanation for such discrepancy must be communicated to proper officer through **FORM GST AMST-11** and if the explanation is found acceptable by the officer it should be communicated to client through **FORM GST AMST-12**.

Proper officer for the Scrutiny

The scrutiny of returns of a taxpayer may be conducted by Superintendent of Central Tax in-charge of the jurisdictional range of the said taxpayer.

Process of Scrutiny by the officers

1. Selection of returns furnished by a registered person for scrutiny, preferably base on risk parameters
2. Scrutiny of the returns and related particulars furnished by the registered person to verify the correctness of the return. Information available with the proper officer in various returns and statements furnished by the registered person and the data/details made available through various sources like Director General of Analytics and Risk management –DGARM, Advanced Analytics in Indirect Taxation–ADVAIT, GSTN, E-Way Bill Portal, etc. may be relied upon for this purpose.
3. Informing the registered person of the discrepancies noticed, if any, along with quantification of the amount of tax, interest and any other amount payable in relation to such discrepancy and seeking his explanation thereto.
4. Where the registered person accepts the discrepancy and pays the tax, interest and any other amount arising from such discrepancy or where the explanation furnished by the registered person is found acceptable, conclude the proceedings after informing the registered person.
5. Where no satisfactory explanation is furnished by the registered person or where the registered person, after accepting the discrepancy, fails to pay the tax, interest and any other amount arising from such discrepancy, initiate appropriate action including those under section 65 or section 66 or section 67, or determination of tax and other dues under section 73 or section 74 of the CGST Act.

The SOP guarantees that officials use available data, such as e-way bills created, data from DGARM, the ADVAIT, GST Network, and similar official data, while conducting the audit. These records are updated and shared with field personnel on a regular basis. Officials must pay close attention to taxpayers' claims for Input Tax Credit (ITC). According to the regulations, each tax officer is allowed to pick up three GSTINs every month. Every GSTIN's GST Returns must be reviewed throughout the financial year.

The officer must issue notice in **FORM GST ASMT-10** mentioning about the discrepancies noticed and seek clarifications. While issuing such notice, the Proper Officer may, as far as possible, quantify the amount of tax, interest and any other amount payable in relation to such discrepancies. It may also be ensured that the discrepancies so communicated may, as far as possible, be specific in nature and not vague or general. There may be cases where the registered person may already have made additional payment of tax, cess, etc., after filing of the returns for the relevant tax period, through **FORM GST DRC-03**. The payments thus made through **FORM GST DRC-03** may also be taken into consideration while communicating discrepancies to the taxpayer in **FORM GST ASMT-10**. They can issue a detailed notice stating the tax amount due, interest, and any other liability payable if they uncover any anomalies. The SOP also emphasizes that returns must be scrutinized promptly so that appropriate action can be taken quickly to protect revenue collections.

TIMELINES FOR GST RETURN SCRUTINY

EVENTS	TIMELINE FOR EVENTS
The list of GSTINs chosen for inspection by the nodal officer is distributed to the appropriate officers.	Within three working days.
List of GSTINs to be scrutinized (from the DGARM to the nodal officer of the Commissionerate concerned).	on timely basis.
Where appropriate, the proper officer will issue a notice informing of anomalies in FORM GST ASMT-10.	Within the month, as specified in the examination schedule for the relevant GSTIN's returns.
Issuance of an order in FORM GST ASMT12 for the registered person's reply to be accepted, if appropriate.	Within thirty days of receiving the registered person's response in FORM GST ASMT-11.
In circumstances where the registered person fails to respond, appropriate action is taken to determine the tax and other dues under section 73 or section 74.	Within fifteen days of the expiration of the thirty-day period following the issuing of the notice in FORM GST ASMT-10, or such longer term as the proper officer permits.
In FORM GST ASMT-11, the registered person responds.	Within thirty days of receiving notification in FORM GST ASMT-10 from the proper officer, or such longer period as the proper officer may permit.
With the permission of the concerned Assistant/Deputy Commissioner, the scrutiny timetable is finalised.	Within 7 working days of receiving the pertinent GSTINs' details from the nodal officer.
If applicable, a referral to the Commissioner for a determination on whether to take action under section 65, section 66, or section 67.	Within 30 days of receiving the registered person's response in FORM GST ASMT-11, or within 45 days of the issuance of FORM GST ASMT-10 if no reason is provided by the registered person.

CBIC has released SOP to guarantee uniformity in the identification of returns for scrutiny, methodology of scrutiny of such returns, and other associated procedures till a Scrutiny Module for online scrutiny of returns is made available. The SOP contains extensive recommendations on the selection of returns, the scrutiny procedure, the timelines, reporting, timetable, and monitoring, as well as the proper officer who is authorized to conduct such inspection.