

GST Audit – Difficulty of Certification

The GST audit u/s 35(5) would be needed for about 10-20 Lakh tax payers In India It is being conducted by the following category of professionals:

1. Professionals who is well versed in GST. May have completed the ICAI/ Other Certificate Course and kept updated. Majority of them would be the younger professionals who may not have a large number of clients under GST Audit. [Maybe 10% of Total]
2. Professionals who are aware of the GST law generally and feel that they can manage by referring to the ICAI Background Material or a GST Audit Publication- [2-3 good books are in the market which provide the information to understand each of the reconciliations and disclosure necessary. [Maybe 20% of Total]
3. Professionals who know how to audit- but have lesser knowledge of GST. [50% of total]
4. Indirect tax practitioners who support or obtain the signature from the professionals [20%]

For the professionals who sign, there is a significant risk if the audit is not conducted properly. The first risk is that after a couple of years- client gets a huge demand. Client would have expected the Auditor to prevent this. Second could be a charge of negligence by the client. Third could be the revenue writing to the regulator that the audit was not done professionally and without knowledge of GST.

Win- Win- Win Possibility:

The persons in category 1 above who are on top of GST could offer a limited retainer for support in filling of annual returns and certification for the professionals in 2,3,4 or even 5. This retainer could be based on the number of clients of the signing professionals or otherwise. This should be on payment of some fees- nominal or on full professional basis to being accountability to the advisor. It could also depend on the location.

In larger cities it could be 1-5k per client (depends of size and number of locations), smaller ones less. The scope would be limited to only resolving queries and not giving opinions which can be made clear in the written engagement. After March 2020 [expected time to complete the 2020 audit] the assignment would end. Fees could also be billed on monthly basis to enable disconnection if the signing professional feels the service is not upto the mark etc.

This has the following advantages to all 3 stakeholders:

- A. Client: Confidence that his normal company law/ tax auditor who know the background well and who is trusted till date is taking due care to ensure quality

services by engaging an expert. Avoid surprises/ disputes after years- avoids payment of interest penalties etc.

- B. Signing professional: Comfort that client is getting the best possible service. Protection from charges of negligence as he relies on the work of another professional.
- C. Advising Professional: Gets an opportunity to learn myriad issues and grow his knowledge, enhance his present income in a small way & most importantly build a larger base for the future dispute resolution / opinion giving and representational practice.