

Audit - CA Final, May 2026

Audit under GST (Section 65-66 + Rules 101-102)

AUDIT UNDER GST

(Secs. 2(13), Sec 65 r/w Rule 101, Sec 66 r/w Rule 102)

WHAT IS AUDIT? – Sec. 2(13)

Audit = Examination of Records + Returns + Documents. → Assess Statutory Compliance

TWO-TRACK AUDIT**GENERAL AUDIT – Sec. 65**

Routine | Department-Driven | Control Mechanism

- Who?** → Tax Authority (Audit Wing)
- Why?** → Any justifiable reason
- Period** → FY / part / multiple FYs (Rule 101(1))
- Notice** → ADT-01 (15 working days)
- Completion** → 3 months + 6 months extension
- Commencement** → Later of:
 - (a) Records made available
 - (b) Actual institution of audit (Expl. to Sec. 65(4))
- Findings** → ADT-02 (within 30 days)
- Voluntary payment?** → Allowed
- After Audit** → Sec. 73 / 74 / 74-A

SPECIAL AUDIT – Sec. 66

Exceptional | Expert-Driven | Revenue-Sensitive

- Trigger** → Scrutiny / Inquiry / Investigation pending
- Officer** → PO ≥ AC
- Grounds** → Complexity + Revenue interest
 - ✗ Wrong value OR ✗ Abnormal ITC
- Approval** → Mandatory Commissioner approval
- Direction** → ADT-03
- Auditor** → CA / Cost Accountant (Commissioner-nominated)
- Report** → 90 days + 90 days extension
- Fees** → Fixed & borne by Government (Sec. 66(5))
- Findings** → ADT-04 (hearing mandatory)
- After Audit** → Sec. 73 / 74 / 74-A
- Override** → Even if earlier audit done (Sec. 66(3))

Sec	Section Heading	Key Pointers / Remarks
1. Concept & Scope of Audit		
2(13)	Audit – Definition	Statutory compliance examination → Examination of records, returns & documents maintained/furnished by registered person. • Cross-statute reach → includes records under any other law. • Dual objective → (i) Quantitative verification (turnover, tax, refund, ITC) (ii) Qualitative compliance assessment. Audit ≠ Adjudication; fact-finding stage preceding Sec 73/74/74A.
2. Types of Audit [M.Imp]		
■ Sec. 65 General Audit (routine control) – for Administrative Oversight Department Audit - by Commissioner / Authorised Officer ■ Sec. 66 Specific Audit (exceptional intervention) – by PO (≥ AC) + with approval of Commissioner) – when Pending Proceedings → Complexity & Revenue Concern Professional Audit - by CA/CMA		
Basis	Section 65 – Audit by Tax Authorities	Section 66 – Special Audit
Statutory Framework	Sec. 65 r/w Rule 101	Sec. 66 r/w Rule 102
Nature & Objective	Departmental compliance audit of any RP	Expert-based audit in complex / revenue-sensitive cases of any RP

		Operates notwithstanding audit under GST or other law Cost borne by Government
Trigger & Stage	Commissioner-directed audit (independent power)	During scrutiny / inquiry / investigation / other proceedings
Authority & Approval Structure	Commissioner (or authorised officer) initiates	Proper Officer (≥ AC) forms opinion + <u>prior approval of Commissioner</u>
Grounds / Basis	No complexity condition required	Complexity of case + interest of revenue + incorrect valuation OR abnormal ITC
Audit Performer	Departmental officer (with team)	CA / CMA nominated by Commissioner
Audit Period Scope	Financial year / part / multiples (Rule 101(1))	Case-specific examination (not FY-bound)
Initiation (Form + Notice)	ADT-01 + <u>15 working days prior notice</u> (Sec. 65(3))	ADT-03 written direction (*no 15-day rule)
Commencement Rule	Later of: <u>records made available</u> OR <u>institution at PoB</u>	From date of direction for special audit. (*implied)
Time Limit for Audit Completion (& Extension)	3 months + extension up to 6 months (reasons recorded in writing by Commissioner)	90 days + extension up to 90 days (on application by RP / CA / CMA / sufficient reason)
Communication of Audit Findings	ADT-02 <u>within 30 days of conclusion</u>	ADT-04 <u>on conclusion</u> . (*no 30-day rule)
Post-Audit Consequence	If detection → <u>Proceedings under Sec. 73 / 74 / 74A</u>	Same consequence → Sec. 73 / 74 / 74A

Technical Issue:**Audit on De-Registered Person – for the period when he was registered**

Issue: Whether audit can be initiated after cancellation of GST registration for a period when the person was registered – does “registered person” mean **currently registered** or **registered during the audited period**?

- **Section 65 (Regular Audit):** **Judicial divergence** – Madras HC (*Restrictive View*) holds audit impermissible post-cancellation; Bombay HC (*Expansive View*) permits audit for the financial year when registration was active, relying on Rule 101 (period-based audit) and Section 29(3) (survival of liability).
- **Section 66 (Special Audit):** Proceeding-triggered provision; where Sections 61 / 67 / 70 / 73 / 74 proceedings survive cancellation, special audit – being ancillary – logically survives as a verification tool for that period.
- **Logical Position:** Cancellation ends registration status, not statutory liability; **where liability survives, verification mechanisms under Sections 65 and 66 should logically survive**, subject to judicial interpretation.

**LAW IS NOT HARD.
ITS JUST RARELY TAUGHT RIGHT.**



CA Final – New Batches – Coming Soon | *“Re-opening the classroom for*