



Assessment and Audit

Assessment = **Determination of tax liability** under GST Act & includes self-assessment, re-assessment, provisional assessment, summary assessment and best judgment assessment.

Audit = **Examination** of records, returns & other documents maintained/furnished by regd. person under GST Act/Rules or under any other law to verify correctness of turnover declared, taxes paid, refund claimed and ITC availed, & to assess his compliance with provisions of GST Act/Rules.

Self Assessment [Sec. 59]: Every person regd. under GST Act shall himself assess the tax payable by him for a tax period and after such self-assessment, he shall file the return required u/s 39.

Provisional Assessment [Sec. 60]:

1. **Applicability:** Provisional assessment is applicable when a taxable person is unable to determine:
 - value of taxable goods or services.
 - applicable tax rate at the time of supply.
2. **Application Process:** Taxpayer may request provisional assessment by applying in prescribed form, stating reasons, & submitting supporting documents electronically via common portal/ Facilitation Centre. PO may, on receipt of application, issue a notice for additional docs/info. Applicant shall file a reply to notice, & may also appear in person if desired.
3. **Issuance of Provisional Assessment Order:** PO must issue an order within 90 days of receiving request, allowing payment of tax on a provisional basis, indicating:
 - **provisional value or rate of tax.**
 - amt. for which **bond & security** must be furnished.
4. **Furnishing of Bond and Security:** Taxpayer must execute a bond to pay any differential tax after final assessment, along with a bank guarantee as security for an amt* as PO may deem fit (**subject to 25% of amt*** covered under bond). Bond provided under one tax Act (CGST, SGST, IGST) is valid across other Acts as well. [*Amt. includes IGST/CGST/SGST/UTGST/Cess]
5. **Finalization of Provisional Assessment:** Final assessment order must be passed, specifying payable or refundable amt., **within 6 months** of provisional assessment communication, extendable as follows:
 - **6 months** by Joint/Additional Commissioner.
 - Up to **4 years** by Commissioner.
6. **Interest on Differential Tax:**
 - If tax liability **increases** after final assessment, taxpayer must pay **interest on differential tax** at the rate specified under Section 50(1) i.e. **@18%** from the **original due date till actual payment**.
 - If tax liability is **lower** than provisional assessment, taxpayer is eligible for a **refund**, with interest at the rate specified under Section 56 i.e. **@6% after 60 days** from application date.
7. **Release of Security:** After final assessment order, taxpayer may apply for release of security. PO will release security after confirming payment of final assessment amount, & order for release of security must be issued **within 7 working days of receiving application**.

Scrutiny of Returns [Sec. 61]

1. Return filed by a regd. person may be selected for scrutiny by PO to ensure its correctness. Scrutiny will involve verifying return against available info. with PO.
2. If any discrepancy is found during scrutiny of return, PO will issue a notice to regd. person informing him of discrepancy & seek an **explanation within 30 days** (or further pd. as may be permitted). Notice may also quantify tax, interest, or any other amount payable due to discrepancy.
3. Regd. person must **respond to notice within 30 days** (or extended pd) in following ways:
 - Accept discrepancy & pay tax, int., & any other amt. arising from discrepancy & inform same; or
 - Furnish an explanation for discrepancy to PO regarding non-acceptance of discrepancy

4. If explanation is accepted, PO will inform regd. person & **no further action** is taken. But, if no satisfactory explanation provided/corrective measures not taken, PO proceeds with **following actions**
- Conduct an **audit** u/s 65 of CGST Act.
 - Direct a **special audit** u/s 66, conducted by a CA/CMA nominated by Commissioner.
 - Undertake **inspection, search, & seizure** u/s 67.
 - Initiate proceedings for **determination of tax** and other dues u/s **73 or 74**.

Assessment of Non-Filers of Returns [Sec. 62]

Best Judgment Assessment u/s 62 is applicable when a regd. person fails to file returns as required u/s 39 (monthly/quarterly returns) or Section 45 (final return).

1. Conditions for Best Judgment Assessment:

- System-generated messages is sent **3 days before** return filing due date to remind taxpayers.
- If return is not filed, an electronic message is sent to defaulter, incl. autho. signatory, proprietor, partner, director, etc.
- After 5 days of due date of return, notice u/s 46 is issued, requesting to **file return within 15 days**.
- If person fails to file return within given time, PO can **assess tax liability of defaulter to the best of his judgment**, using available & gathered information.

2. Time Limit for Assessment Order: Assessment Order must be issued by PO **within 5 years** from due date of filing annual return for FY to which unpaid tax relates. E.g.: If due date for Annual Return for FY 2024-25 is 31.12.2025, PO must issue assessment order by 31.12.2030.

3. Withdrawal of Assessment Order: If regd. person files a **valid return within 60 days of receiving the assessment order**, order is deemed withdrawn. But, int. & late fee liabilities continue. If person fails to file within 60 days, he can still file return within an **additional 60-day period** by paying a **late fee of ₹100 p.d.** Order is withdrawn upon such filing, but int. & late fee liabilities continue.

4. Information Used for Assessment:

- Outward supplies details (**GSTR-1**).
- Inward supplies details (auto-populated in **GSTR-2A**).
- Information from **e-way bills**.
- Any other relevant information from inspection u/s 71 or other sources.

5. Consequences of Non-Compliance: If regd. person does not furnish a valid return within statutory 60-day pd., PO may initiate **proceedings** u/s 78 & **recovery** u/s 79. Commissioner may also **provisionally attach** assets to safeguard revenue u/s 83. **Cancellation** of Regn. may also be initiated u/s 29(2).

Assessment of Unregistered Persons [Sec. 63]

1. Applicability: A Best Judgment Assessment applies where a taxable person:

- **Fails to obtain registration** even when liable to do so.
- Whose registration has been cancelled due to reasons such as:
 - **Contravention** of provisions of the Act/rules.
 - Non-filing of returns (for composition taxpayers) for a FY **beyond 3 months** from due date.
 - Non-filing of returns for prescribed **continuous tax pds.** (for non-composition taxpayers).
 - [- Has not furnished returns for a continuous pd. of **6 months** (monthly return filer);
 - Has not furnished returns for a continuous pd. of **2 tax pds** (quarterly return filer);]
 - Voluntary regd. person has **not commenced business** within 6 months from date of regn.
 - Registration obtained through **fraud**, misstatement, or suppression of facts.

2. Issue of Notice: Before proceeding, PO issues a notice detailing grounds for proposed assessment & a summary thereof uploaded electronically in prescribed form. Taxable person is given 15 days to furnish a reply. No assessment order is passed without providing **OOBH** to the person. After considering reply (if any), PO passes assessment order & summary thereof is electronically uploaded.

3. Time Limit for Assessment Order: Assessment order must be issued **within 5 years from due date of furnishing annual return** for relevant FY. E.g.: If due date for filing Annual Return for FY 2024-25 is

31.12.2025 & liability for registration arose in FY 2024-25 (like T/O crossed threshold), 5-year pd. starts from 31.12.2025. Best Judgment Assessment order must be issued on/before 31.12.2030.

Summary Assessment in Certain Special Cases [Sec. 64]

- It is a special provision to protect interest of revenue in situations where immediate action is required. It can be initiated with **prior permission of Additional/Joint Commissioner** if PO has:
 - evidence showing that a taxable person has incurred a liability to pay tax under GST Act **AND**
 - sufficient grounds that delay in passing assessment order may adversely affect interest of revenue.
- Summary assessment order, along with its summary, is uploaded electronically in prescribed form.
- Additional/Joint Commissioner can **withdraw** summary assessment order either
 - on an **application** by taxable person within 30 days from date of receipt of order; or
 - on his **own motion** if order is found erroneous & may instead follow procedures laid down u/s 73/74 to determine tax liability of such person.
- If taxable person responsible for liability cannot be identified, person-in-charge of goods becomes deemed taxable person. This applies particularly in cases where tax-evaded goods are under transportation or stored in a warehouse, and taxable person cannot be ascertained.

Audit	
Audit by Tax Authorities [Sec. 65]	Special Audit [Sec. 66]
<ul style="list-style-type: none"> • Conducted by Commissioner/ any officer autho. by him. • May be conducted at POB or in office of authorities. • Requires at least 15 days' prior notice. • Time period for completion is 3 months (+6 months by Commissioner) from date of commencement* of audit [*means later of following dates: <ol style="list-style-type: none"> date on which records/accounts are made available, actual institution of audit at taxpayer's POB. • PO authorized to conduct audit will verify, along with a team of officers, the following: <ul style="list-style-type: none"> - Documents based on which BOA are maintained & returns/statements furnished under the Act. - Accuracy of T/O, exemptions, deductions claimed, rates of tax applied, ITC availed and utilized, refunds claimed, & other relevant issues. • Authorized officer may require regd person to: <ol style="list-style-type: none"> Facilitate verification of accounts/records available or requisitioned by authorities. Provide any info. deemed necessary for the audit. Render assistance to ensure timely audit completion. • Observations are recorded in officer's audit notes. • Findings, rights, and obligations are communicated to regd. person on conclusion within 30 days. 	<ul style="list-style-type: none"> • Conducted during scrutiny, inquiry, or investigation • Initiated when Assistant Commissioner believes that value is not correctly declared or credit availed is beyond normal limits. • A CA/CMA may be nominated to conduct special audit. • Time pd. for completion is 90 days (+90 days by Assistant Commissioner): <ol style="list-style-type: none"> on application made to him in this behalf by regd. person/CA/CMA; or for any material & sufficient reason • Audit is conducted even if accounts have already been audited. • Expenses of examination & audit incl. remuneration of such CA/CMA, shall be determined & paid by Commissioner & such determination shall be final. • On conclusion of special audit, regd. person shall be informed of findings.
<ul style="list-style-type: none"> - In GST regime, a single audit covering 1 or more FYs is conducted, with findings communicated to taxpayer for entire pd. - Upon audit conclusion u/s 65/66, regd. person is informed of proposed tax, int., & liabilities, & asked to discharge them. - If liab. paid, no further action; otherwise, proceedings u/s 73/74 initiated to determine tax liab. - Non-payment after audit does not directly lead to recovery; further proceedings (Sec. 73/74) under the law are mandatory. 	

Amendment from Nov'25: Wherever Sec. 73 & 74 are referred, Sec. 74A will also be considered.