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CHECKLIST

GST Audit Preparation Checklist for Indian Businesses

What a departmental GST audit actually examines, in the order Rule 101 sets out, with the records Section 35 and Rules 56 and 57 require you to already hold. Covers the notice, the clock, the seven heads of verification, your right of reply, and what follows a finding.

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Working Days Notice
Minimum before an audit

3+6
Months to Complete
Extendable, in writing

72
Months to Keep Records
From the annual return due date

0
Turnover Threshold
Any registered person can be audited

01 Which Notice Have You Actually Received

Three different things get called a GST audit. Only one of them is one.

Provision	What it is	Your clock
Section 61, scrutiny	Not an audit. An officer compares your returns and asks you to explain a discrepancy	30 days to explain, or such further period as permitted
Section 65, departmental audit	Officers audit your records, at your premises or at their office. Notice in ADT-01, findings in ADT-02	Notice 15 working days ahead. Completion in 3 months, extendable by up to 6. Findings within 30 days
Section 66, special audit	A chartered accountant or cost accountant nominated by the Commissioner audits you. Direction in ADT-03, findings in ADT-04	Report in 90 days, extendable by a further 90
Section 67, inspection or search	A different power altogether, not covered by this checklist	Not applicable

What the officer verifies, in the rule's own order

Rule 101(3) sets the scope of a Section 65 audit in seven heads, and Sections 04 to 07 of this checklist follow them in order. One, the documents on the basis of which the books of account are maintained. Two, the returns and statements furnished. Three, the correctness of turnover. Four, the exemptions and deductions claimed. Five, the rate of tax applied. Six, the input tax credit availed and utilised. Seven, refunds claimed. Anything else falls under the rule's closing words, other relevant issues.

The clock does not start when the notice arrives

Section 65 says the audit must be completed within three months of commencement. Its own Explanation defines commencement as the date the records called for are made available by you, or the audit is actually instituted at your premises, whichever is later. So the three months does not begin on the date of the notice. It begins when you hand over your records. Being unprepared does not buy you time, it simply moves the start line.

Two things about a special audit that catch people out

First, you do not choose the auditor and you do not pay for one. Section 66(1) says the chartered accountant or cost accountant is nominated by the Commissioner, and Section 66(5) says the expenses, including that person's remuneration, are determined and paid by the Commissioner. Second, having been audited already is no answer. Section 66(3) applies notwithstanding that your accounts have been audited under this Act or under any other law in force. A statutory audit does not close the question.

There is no longer an annual CA-certified GST audit

Section 35(5), which required accounts above a turnover limit to be audited by a chartered accountant or cost accountant, was omitted by Section 110 of the Finance Act 2021. GSTR-9C is now a self-certified reconciliation statement. What remains is the departmental audit in this checklist, and it is not limited by turnover: Section 65(1) applies to any registered person.

Getting this wrong wastes the days that matter. An ignored scrutiny notice is one documented route into a full audit: Section 61(3) says that where no satisfactory explanation is furnished within thirty days, the officer may initiate action including under Section 65, Section 66 or Section 67, or proceed to determine tax.

02 The Records You Are Already Required To Hold

Preparation is mostly a matter of whether these exist before anyone asks

6	72 mo	Per site
Accounts Under s.35(1)	Retention Period	Where They Live
At the principal place of business	*CGST Act 2017, Section 36*	*Each place of business, s.35(1) proviso*

The statutory accounts

- ✓ **A true and correct account of production or manufacture, inward and outward supplies, stock, ITC availed, and output tax payable and paid** — Critical
  These are the six heads Section 35(1) names. If any one of them cannot be produced on the day, that is the gap the audit will work on.
  CGST Act 2017, Section 35

- ✓ **Accounts for each place of business are kept at that place of business** — Critical
  Where more than one place of business is on your registration certificate, Section 35(1) requires the accounts relating to each to be kept there. Centralising everything at head office is the common multi-outlet mistake.
  CGST Act 2017, Section 35

- ✓ **Records of imports, exports and reverse charge supplies, with their documents**
  Rule 56(1) names invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers and refund vouchers. Receipt and payment vouchers are the ones businesses are least likely to have kept, because they sit outside the invoice trail.
  CGST Rules 2017, Rule 56

- ✓ **A stock account showing opening balance, receipts, supplies and closing balance** — Critical
  Rule 56(2) also requires goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample, and the balance including raw materials, finished goods, scrap and wastage. Composition dealers are excluded.
  CGST Rules 2017, Rule 56

- ✓ **A separate account of advances received, paid and adjusted**
  Rule 56(3). Advances invite questions because the tax point and the invoice date can differ.
  CGST Rules 2017, Rule 56

- ✓ **A register of tax invoices, credit notes, debit notes and delivery challans issued or received**
  Rule 56(4), alongside the account of tax payable including reverse charge under Sections 9(3) and 9(4), tax collected and paid, input tax and ITC claimed.
  CGST Rules 2017, Rule 56

- ✓ **Names and complete addresses of suppliers and of customers**
  Rule 56(5), together with the complete address of every premises where goods are stored, including goods stored in transit.
  CGST Rules 2017, Rule 56

- ✓ **If you supply services, the accounts rule 56 asks of you are different** — Critical
  Rule 56(13) requires a person supplying services to maintain accounts showing quantitative details of goods used in providing the service, details of input services utilised, and the services supplied. A business with no stock is not outside the record-keeping rules, it is under a different sub-rule. Works contractors have their own under 56(14), and agents under 56(11).
  CGST Rules 2017, Rule 56

Where goods are, and how entries are made

- ✓ **Every storage location is declared on the registration certificate** — Critical
  Rule 56(6) is blunt: if taxable goods are found at any place not declared, without valid documents, the officer determines the tax as if those goods had been supplied. A godown taken on rent mid-year and never added is a live exposure.
  CGST Rules 2017, Rule 56

- [ ] **No entry has been erased, effaced or overwritten**
  Rule 56(8) requires incorrect entries to be scored out under attestation and the correct entry recorded. Correction fluid over a ledger line is itself a finding.
  CGST Rules 2017, Rule 56

- [ ] **Where records are electronic, a log of every entry edited or deleted is maintained** Critical
  Also Rule 56(8). If your billing software or accounting package can edit or delete a past entry without leaving a trail, that is a problem before anyone audits you. Check whether the audit log is switched on.
  CGST Rules 2017, Rule 56

- [ ] **Manually maintained volumes are serially numbered**
  Rule 56(9).

- [ ] **Nothing belonging to the business is kept at an undeclared premises**
  Rule 56(10): documents, registers or books found at premises other than those on the registration certificate are presumed to be maintained by you, unless proved otherwise.
  CGST Rules 2017, Rule 56

Electronic records, including one obligation that surprises people

- [ ] **A proper electronic backup exists and can actually be restored** Annual
  Rule 57(1) requires backups preserved so that, if records are destroyed by accident or natural causes, the information can be restored within a reasonable period. Test a restore rather than assuming the backup works.
  CGST Rules 2017, Rule 57

- [ ] **Records can be produced on demand, duly authenticated, on paper or in a readable electronic format**
  Rule 57(2). Authenticated means signed off by you, not simply exported.
  CGST Rules 2017, Rule 57

- [ ] **You are ready to hand over file details, passwords and an explanation of any codes used** Critical
  Rule 57(3) requires exactly this on demand, along with a sample copy in print form of the information stored. Anyone keeping books in an accounting package or a billing backend is inside this rule. Decide now who holds those credentials and how they will be given over.
  CGST Rules 2017, Rule 57

- [ ] **Records are retained for 72 months from the due date of furnishing the annual return** Critical
  Section 36. Note the start point: the annual return due date, not the end of the financial year. If you are party to an appeal, revision or other proceeding, or under investigation, keep the related records until one year after final disposal, or the 72 months, whichever is later.
  CGST Act 2017, Section 36

03 The First Fifteen Working Days

What to do between the notice landing and the records leaving your hands

Establish the boundaries

- ✓ **Note the exact period and GSTIN the notice covers** — Critical
  Audit is per registered person. A group with several GSTINs may be audited on one and not the others.
  CGST Rules 2017, Rule 101

- ✓ **Note whether the audit is at your premises or at the officer's office**
  Section 65(2) allows either. It changes what you need to physically move and who needs to be present.
  CGST Act 2017, Section 65

- ✓ **Diarise the completion window and who the proper officer is**
  Three months from commencement, extendable by up to six months only for reasons recorded in writing. Knowing the window is how you spot an extension that was never properly recorded.
  CGST Act 2017, Section 65

- ✓ **Appoint one person to hand over records and keep the master index**
  One channel prevents the same document being supplied twice in different versions, which is how contradictions enter an audit file.

- ✓ **Record the date records were made available** — Critical
  This is the date the clock starts under the Section 65 Explanation. Keep the acknowledgement.
  CGST Act 2017, Section 65

Assemble, and read your own file first

- ✓ **Work through the annexures to the notice line by line**
  The notice typically carries a questionnaire, tables to be filled, and a list of documents. Answer what is asked and no more.

- ✓ **Reconcile before you submit, not after**
  Every mismatch you find and can explain in your own words is a mismatch the officer does not get to characterise for you.

- ✓ **Prepare a short note explaining any known difference**
  A one-page covering note on the two or three differences you already know about is worth more than a clean-looking file that falls apart on the third day.

- ✓ **Keep a copy of everything handed over, in the order it was handed over**
  You will be answering questions about these documents for months. An indexed copy set is the difference between a reply in a day and a reply in a week.

- ✓ **Confirm the audit log in your billing and accounting systems is enabled and covers the period** — Critical
  If entries can be altered without trace, expect the reliability of the whole set to be questioned.

> **Read the notice for its scope before you assemble anything**
>
> Rule 101(1) allows the audit period to be a financial year, part of a financial year, or multiples of them. Establish exactly which periods and which GSTIN are covered before you start pulling records, because supplying more than was asked for widens the ground the audit stands on.

04 Head One and Two: Turnover, Returns and Statements

Rule 101(3) puts the documents behind the books, and the correctness of turnover, first

101(3)	4	1
The Audit Scope	Sets To Agree	Set of Financials
Seven heads, set out in the rule	*Books, GSTR-1, GSTR-3B, annual return*	*They must agree too*

The reconciliation the officer will do

- ✓ **Turnover per the books agrees with GSTR-1 for every period in scope** — Critical
  Differences are normal. Unexplained differences are the finding. Prepare the bridge yourself. If you pay tax under the composition scheme you file a different set of returns, so reconcile to those instead, and note that rule 56 excuses you from the stock and tax-payable accounts but from nothing else.
  CGST Rules 2017, Rule 101
- ✓ **GSTR-1 agrees with GSTR-3B**
  Amendments and credit notes landing in a different period from the original invoice are a common cause of difference.
- ✓ **Both agree with the annual return for the year**
  Where GSTR-9 was filed, it is the officer's summary view of your year and the first place a mismatch shows.
- ✓ **All of it agrees with the audited or prepared financial statements**
  Income recognised in the accounts but not taxed, and vice versa, needs an explanation. Schedule the difference before you are asked.
- ✓ **Non-GST, exempt, nil-rated and zero-rated turnover is separately identifiable**
  These are four different things and are treated differently. A single lumped figure invites the officer to test all of it.
- ✓ **Supplies made through e-commerce operators are traceable to their statements**
  For restaurants and retail this is often the largest single reconciliation, and the aggregator's report will not match your books line for line.
- ✓ **Branch transfers and cross-GSTIN supplies are documented and valued**
  Supplies between distinct persons are taxable even without consideration. The valuation basis needs to be written down somewhere.
- ✓ **Advances received are reconciled to the tax paid on them and later adjusted**
  Ties back to the separate advances account under Rule 56(3).
  CGST Rules 2017, Rule 56

05 Head Three and Four: Rate Applied, Exemptions and Deductions

The head that changed under everyone's feet on 22 September 2025

Rate

- ✓ **The rate charged on every invoice is correct for that invoice's date of supply** — Critical
  Not correct as of today. Spot-check invoices from either side of 22 September 2025.
  CGST Rules 2017, Rule 101
- ✓ **Rate changes were applied by date, not by overwriting the item master**
  Ask your billing vendor how the change was implemented. If old invoices reprint at the new rate, your records contradict your returns.
- ✓ **HSN and SAC codes are present and consistent for the same item across periods**
  An item that changes classification mid-year without a documented reason is an invitation.
- ✓ **Composite and mixed supplies are identified and the rate justified**
  Bundles, combos and packages are where classification disputes concentrate.
- ✓ **Reverse charge supplies are identified and the tax actually paid in cash**
  Reverse charge liability cannot be discharged from the credit ledger.

Exemptions and deductions

- ✓ **Every exemption claimed is traceable to a specific entry in a notification** — Critical
  Rule 101(3) names exemptions and deductions claimed as a head of verification in its own right. A claim you cannot cite is a claim you cannot keep.
  CGST Rules 2017, Rule 101
- ✓ **Discounts deducted from taxable value meet the conditions in the law**
  Pre-supply discounts shown on the invoice behave differently from post-supply discounts. The second kind needs an agreement and credit note trail.
- ✓ **Credit notes reduce taxable value only where the conditions are met and the recipient has reversed credit**
  A credit note issued after the time limit does not reduce your liability, even if it is correct commercially.
- ✓ **Free samples, gifts, write-offs and destroyed stock are accounted and their credit treatment considered**
  This ties directly to the stock account under Rule 56(2). Goods gone from stock with no supply and no credit reversal is a standard finding.
  CGST Rules 2017, Rule 56

An audit of FY 2025-26 straddles a rate change

The GST rate structure changed with effect from 22 September 2025. Any audit covering FY 2025-26 will therefore test whether the rate applied was correct for the date of supply, not merely correct today. If your billing system was updated by changing a single rate field rather than by date-versioning it, invoices raised before the change may now display or report the new rate. That is exactly what Rule 101(3) means by the rate of tax applied.

06 Head Five: Input Tax Credit Availed And Utilised

The head the rule splits into two separate tests

The credit itself

- ✓ **Every credit claimed is supported by a tax invoice or a prescribed document** — Critical
  A payment made and an email confirmation are not a document for credit purposes.
  CGST Rules 2017, Rule 101
- ✓ **Credit claimed reconciles to what your suppliers actually reported**
  A gap between your claim and your suppliers' filings is visible to the department without anyone visiting. Age the differences by supplier and know which ones you have already chased.
- ✓ **Blocked credits have been excluded**
  Certain categories are blocked outright. Motor vehicles, some works contract and construction inputs, and personal consumption are the usual ones found sitting in a credit ledger.
- ✓ **Credit on inputs used for exempt or non-business purposes has been apportioned and reversed**
  Where any part of your output is exempt, proportionate reversal is not optional and the working needs to exist.
- ✓ **Reversals for non-payment to suppliers within the prescribed period have been made**
  Credit taken on an invoice you never paid within the time allowed has to be reversed, with interest, and re-availed only on payment.
- ✓ **Credit notes received from suppliers have been matched with your own reversals**
  Your supplier reducing their liability without you reducing your credit is a mismatch that surfaces automatically.
- ✓ **Transitional, refund-linked and reclaimed credit is separately identifiable**
  Anything unusual should be visible and explained in your own working rather than discovered.

How it was used

- ✓ **The order of utilisation across IGST, CGST and SGST follows the prescribed sequence**
  Utilisation in the wrong order creates an interest exposure even where the total credit was correct.
- ✓ **Reverse charge liability was paid in cash and the credit taken separately**
  Netting the two off is a common and visible error.
- ✓ **Interest on any wrongly availed and utilised credit has been computed**
  Working it out before the audit does is usually cheaper than being told.

> **Availed and utilised are two separate tests**
>
> Rule 101(3) names both. Credit can be wrongly availed and never used, or correctly availed and wrongly utilised, and the consequences differ. Keep your working papers able to answer each question separately rather than presenting a single net figure.

07 Head Six and Seven: Refunds and the Document Trail

Refunds claimed, plus the movement records that corroborate everything else

Refunds claimed

- ✓ **Every refund claimed in the period is listed with its status and sanction order** — Critical
  Rule 101(3) names refund claimed as a head of verification.
  CGST Rules 2017, Rule 101
- ✓ **Export and zero-rated supply documentation is complete**
  Shipping bills, bank realisation evidence and the LUT or bond, matched to the invoices they relate to.
- ✓ **Inverted duty structure refunds have their formula working retained**
  The computation, not just the result.
- ✓ **Any refund rejected or partly sanctioned has its order and your response on file**
  An unexplained rejection in a prior period tends to be re-examined.

The movement and invoice trail

- ✓ **E-invoices, where applicable, have IRNs and match the invoices in your books**
  An invoice in the books with no IRN, where e-invoicing applies, is visible to the department before anyone visits.
- ✓ **E-way bills reconcile to outward supplies, and cancellations are explained**
  E-way bills generated with no corresponding invoice, and invoices with no e-way bill where one was needed, are both queries.
- ✓ **Delivery challans for non-supply movements are complete**
  Job work, approval basis, and inter-branch movement all rely on challans rather than invoices.
- ✓ **Job work movements and returns within the prescribed period are tracked**
  Goods sent and not returned in time become a deemed supply.
- ✓ **Document series are continuous, with cancelled numbers accounted for**
  A gap in an invoice series is the simplest question an officer can ask, and the hardest to answer months later.

08 Replying, Closing And What Follows

You have a right of reply before the findings are finalised. Use it.

101(4)	30 days	₹25,000
Your Right of Reply	Findings To You	General Penalty
Before findings are finalised	*CGST Act 2017, Section 65(6)*	*CGST Act 2017, Section 125*

During and at the end

- ✓ **Answer every discrepancy in writing, with the document attached** — Critical
  Verbal explanations given across a table do not survive into the file.
  CGST Rules 2017, Rule 101

- ✓ **Where you agree, say so plainly and pay**
  Contesting everything, including the points you know are right, costs credibility on the points that matter.

- ✓ **Expect the findings within thirty days of conclusion, in ADT-02, and check they give reasons**
  Section 65(6) requires the officer to inform you of the findings, your rights and obligations, and the reasons for those findings. Reasons are part of what the section requires, not a courtesy.
  CGST Act 2017, Section 65

- ✓ **Where the audit detects short payment or wrong credit, a demand follows**
  Section 65(7) allows the officer to initiate action under Section 73, Section 74 or Section 74A. Which one applies depends on the period and the conduct alleged.
  CGST Act 2017, Section 65

Afterwards

- ✓ **Fix the process that produced the finding, not just the number**
  The next audit will look at the following year.

- ✓ **Keep the document index, and keep everything for the full retention period**
  The index you built for this audit is worth retaining, and it makes the next one take days rather than weeks. Records themselves run seventy-two months from the annual return due date, and longer where a proceeding is running.
  CGST Act 2017, Section 36

The reply happens before ADT-02, not after

Rule 101(4) says the proper officer may inform you of discrepancies noticed, that you may file your reply, and that the officer shall finalise the findings after due consideration of that reply. This is the cheapest point in the entire process to correct a misunderstanding. Treat a discrepancy memo as the main event rather than as a formality before the real one.

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MAKE THE RECORDS A BY-PRODUCT

The best audit preparation is *billing that files itself*

Petpooja Invoice issues GST-compliant invoices with the tax calculated for you, generates e-invoices with IRNs and e-way bills, tracks stock live as you bill, and consolidates reporting across every location. The trail an audit asks for exists because you billed, not because someone rebuilt it afterwards.

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