



**GOVERNMENT OF KARNATAKA  
(Department of Commercial Taxes)**

No.KGST Adcom (e-Gov)/CR 07/2020-21 Office of the Commissioner of Comml. Taxes,  
(Karnataka), Vanijya Therige Karyalaya,  
Gandhi Nagar, Kalidasa Road,  
Bengaluru-560009, dated:19.12.2020

**COMMISSIONER OF COMMERCIAL TAXES CIRCULAR No: GST-14 /2020-21**

**Sub:** Salient features of KGST Act,2017- e-Shodane (electronic Scrutiny of High risk cases, Audit Observations & DRC under Assessment module) {e-Audit} - Certain instructions reg.

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Audit is an important tool in tax administration to ensure compliance with the provisions of tax laws. The Karnataka Goods and Services Act, 2017(the Act) provides for audit of the registered taxable person by way of examination of records, returns and other documents maintained or furnished by the registered person under the Act or the rules, to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess compliance with the provisions of the Act or the rules made thereunder. The Audit activity requires a detailed examination with focussed and clinical approach.

2. GST being Information Technology (IT) driven law and core functions viz: Registration, Returns, Payments and Refunds are being carried out through on-line mode, inquiry into the data furnished or claimed by the taxpayers is required to be tested and verified through a process of audit and assessment with reference to the provisions of the KGST Act and Rules. Therefore, a uniform approach is required to be established in the department to dissect the data with the same set of procedures and parameters with regard to Audit, Assessment and Adjudication (AAA) proceedings required to be undertaken by the proper officers in respect of the cases falling under the State jurisdiction.

3. In this background, an e-Audit module has been developed by the Department in association with NIC, Karnataka and is being launched to undertake Audit and Assessment proceedings as per the provisions of the KGST Act. Procedure to be followed based on **e-GST AUDIT Module** is required to be specified. Hence, the following procedure and guidelines have been put in place to have uniformity in the department with regard to audit and assessment proceedings required to be undertaken under Section 65, 73 and 74 of KGST Act.

4. The e-Shodane provides an online platform system for the entire Audit/ Assessment process starting from selection of cases for audit, assignment of cases, communication with the Registered Taxable Person and ending with Audit Report/passing of Assessment order. The module captures log of the activities performed by the proper officers at different stages of the proceedings.

### 1. Selection and Assignment of Cases for Audit/Assessment:

The module provides for selection of cases for audit by way of Wild Card Selection and Risk Based Scrutiny.

- i. **Wild card selection:** This is one of the modes of selection of cases during the audit proceedings. If the proper officer, either by information or through other sources comes across cases wherein there is scope for additional revenue involvement and or due liability on the part of the supplier / recipient, and such cases are not listed under risk based scrutiny, the proper officer may request for assignment of such cases of respective jurisdiction for audit after consultation with respective Joint Commissioner, providing valid reasons for such selection. Further, in respect of the Enforcement reports uploaded by the officers of the concerned divisions which do not form a part of risk based scrutiny, the concerned Joint Commissioner shall allot such cases through wild card selection.
- ii. **Risk Based Scrutiny:** The following risk factors are identified for selection of cases for Audit for the year 2017-18. The system will assign the audit cases based on following risk factors to the Audit Officers for scrutiny. Further, additions/modifications to the risk factors would be undertaken as and when required.

Sl. No.	Code	Description
1	R1>R3B	Total Output tax declared in Form GSTR 1 is more than that declared in Form GSTR-3B
2	R3B>R2A	Total ITC declared in Form GSTR 3B is more than that declared in Form GSTR-2A
3	SERVICE SECTOR	Service sector case having more than Rs. 10 crore aggregate turnover per year
4	TRAN 1	Transitional input credit carried forward from earlier tax regime
5	DELAYED ITC	If ITC availed in Form GSTR 3B filed after 23/04/2019 for the FY 2017-18
6	EVASIONPRONE	Top taxpayer dealing in evasion prone commodities
7	ITC BLOCK	Input tax credit blocked cases
8	OLD REFUND	Refund sanctioned by the LGSTOs/SGSTOs under Manual Refund process (Upto 25/09/2019)
9	NEW REFUND	Refund sanctioned by the LGSTOs/SGSTOs under Online Refund process (after 26/09/2019)
10	INT REPORTS	Cases having enforcement reports

The Audit Officer shall scrutinize the cases assigned to him/her with reference to the information available online in the GST Pro/ Prime module and either recommend such cases for assignment of Audit or reject such cases recording reasons for such rejection. All such cases either rejected or recommended for Audit will be forwarded to the respective Joint Commissioner (Admn.). The system is designed in such a way that, an Audit Officer can recommend only Twenty cases for issue of assignment. The subsequent requests exceeding Twenty is not allowed by the system. Such subsequent cases will be allowed only when the