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Depth Analysis of Audit Conducted by GST Department Under Section 65 & Section 66

GST Audit Checklist, Procedure and Execution

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EXPERT'S Column



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The Gujarat Sales Tax Bar Association (2021-2023) and Member of Indirect Tax Task Force:- The Gujarat Chamber Of Commerce And Industry (2022-2023). He is an accredited GST trainer from the National Academy of Customs, Excise & Narcotics, Faridabad. He has delivered lectures on GST at various trade forums, professional associations and also at departmental outreach programmes. He has also participated in various GST discussions in the print and electronic media.

Definition of Audit

The term 'Audit' is defined under section 2(13) of the CGST Act. As per the term, audit means-

➤ The examination of records, returns and other documents maintained or furnished by

the registered person under this Act or the rules made thereunder or under any other law for the time being in force to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess his compliance with the provisions of this Act or the rules made thereunder.

Types of Departmental Audits Under GST

Particulars	Section 65	Section 66
Types of departmental audit	Audit by tax authorities	Special audit under GST
Audit conducting personnel	Authorized departmental officer	CA/ CMA nominated by the Commissioner
Format under which notice intimating conduct of audit is communicated to the registered person	Form GST ADT-01	Form GST ADT-03
Duration of audit	Three months. Commissioner can extend the same to further period of six months.	The nominated Chartered Accountant/ Certified Management Accountant will submit audit report within 90 days.
Period of audit	Financial year or part or multiples thereof	Financial year or part or multiples thereof
Format and time period under which observations will be intimated to the registered person	Form GST ADT-02 Within 30 days from the date of completion of the audit.	Form GST ADT-04

GST Audit Checklist - Records/ Documents Likely to be Verified During GST Audit

The following list of records, documents and information are likely to be furnished before the departmental officer during the course of GST audit by department-

- Books of accounts;
- Balance sheet, annual report, income tax return and Form 26AS, various types of returns filed under GST;
- Income tax audit report (i.e., Form 3CA or 3CD and Form 3CB),
- Cost audit report, internal audit report etc.;
- Tax invoices, bill of supply, debit notes, credit notes, receipt and payment vouchers, delivery challans etc.;
- Copies of invoices on basis of which the input tax credit is availed;
- Turnover as per profit and loss account with turnover reflected in GST returns, GST Input tax credit availed with Form GSTR-2A;
- Reverse tax paid with corresponding expenses booked in the accounts;
- Sample copies of the purchase order, work orders and any other agreements entered;
- Stock register, job-work register, fixed assets register, production/ process registers etc.;
- Sample E-way bills.

Departmental GST Audit Procedure

Step-1: Intimation regarding the conduct of GST audit

- The Commissioner or any authorised officer may issue notice for audit. 15 days prior notice is required to be given in Form GST ADT-01, to the registered person before commencing the GST audit.
- The notice contains the period of audit, date of visit by officers, documents required to be submitted for initial desk review and seeking the information about designated person for co-ordination with the department on behalf of the registered person.

Step-2: Commencement of GST audit by department

The audit will be marked as commenced within later of the following dates-

- The date on which records/ documents/ information called for by the officer is submitted by the registered person; or
- The actual commencement of the audit at the place of business of the registered person.

Step-3: Manner of conducting the audit

GST audit can be conducted by the officer at either of the following place-

- At the place of business of the registered person; or
- At his own office.

Verification of various records; returns; documents and information will be done by the departmental officer.

In general, for the selected audit period, the officer will ensure the correctness of the following-

- Turnover;
- Exemptions/ deductions claimed; Rate of GST applied;
- Input tax credit (availed as well as utilised); Refund claims;
- Any other issues relating to GST.

Notably, during the course of the audit, the departmental officer can ask the registered person to-

- Facilitate him to verify the books of accounts and any other documents; and
- Furnish such information as required by him.

Step-4: Completion of the audit

- On completion of the audit, the officer will inform the findings/ discrepancies noted by him to the registered person.
- The registered person will have to appropriately reply to the findings/ discrepancies raised by the officer.

- After considering the reply filed by the registered person, the officer will conclude the audit by noting the final observation in Form GST ADT-02 (or Form GST ADT-04 in case of a special audit).

Concluding the Matter

Under the following circumstances, the matter would be marked as closed without any further action-

- 1) After completion of the GST audit, there are no observation/ findings of the officer; or
- 2) The observation/ findings of the officer are satisfactorily replied by the registered person. Accordingly, the findings are dropped by the officer.

Issuance of Show Cause Notice

Show cause notice under Section 73 or Section 74 will be issued to the registered person, if during an audit; it is observed that there is any-

- 1) Non-payment/ short payment of taxes; or
- 2) Erroneous refund claim; or
- 3) Availing of ineligible ITC or wrong utilisation of the GST Input Tax Credit;
- 4) Any other non-compliance.

Impact of Annual Return Extensions on Assessment

Financial year	Due date	Time limit for SCN U/S 73	Time limit for SCN U/S 74	Period of retention of accounts
2017-18	05-02-2020	05-11-2022 30-Sep-23	05-08-2024	05-11-2028
	& 07-02-2020	07-11-2022 30-Sep-23	07-08-2024	07-11-2028
2018-19	31-12-2020	30-09-2023	30-06-2025	01-10-2029
2019-20	31-03-2021	31-12-2023	30-09-2025	31-12-2029
2020-21	28-02-2022	30-11-2024	28-08-2026	28-11-1930

(The views expressed in this column are of the author and not that of Cotton Association of India)

Flooding and Drought Are Having a Crushing Impact on the Global Cotton Industry

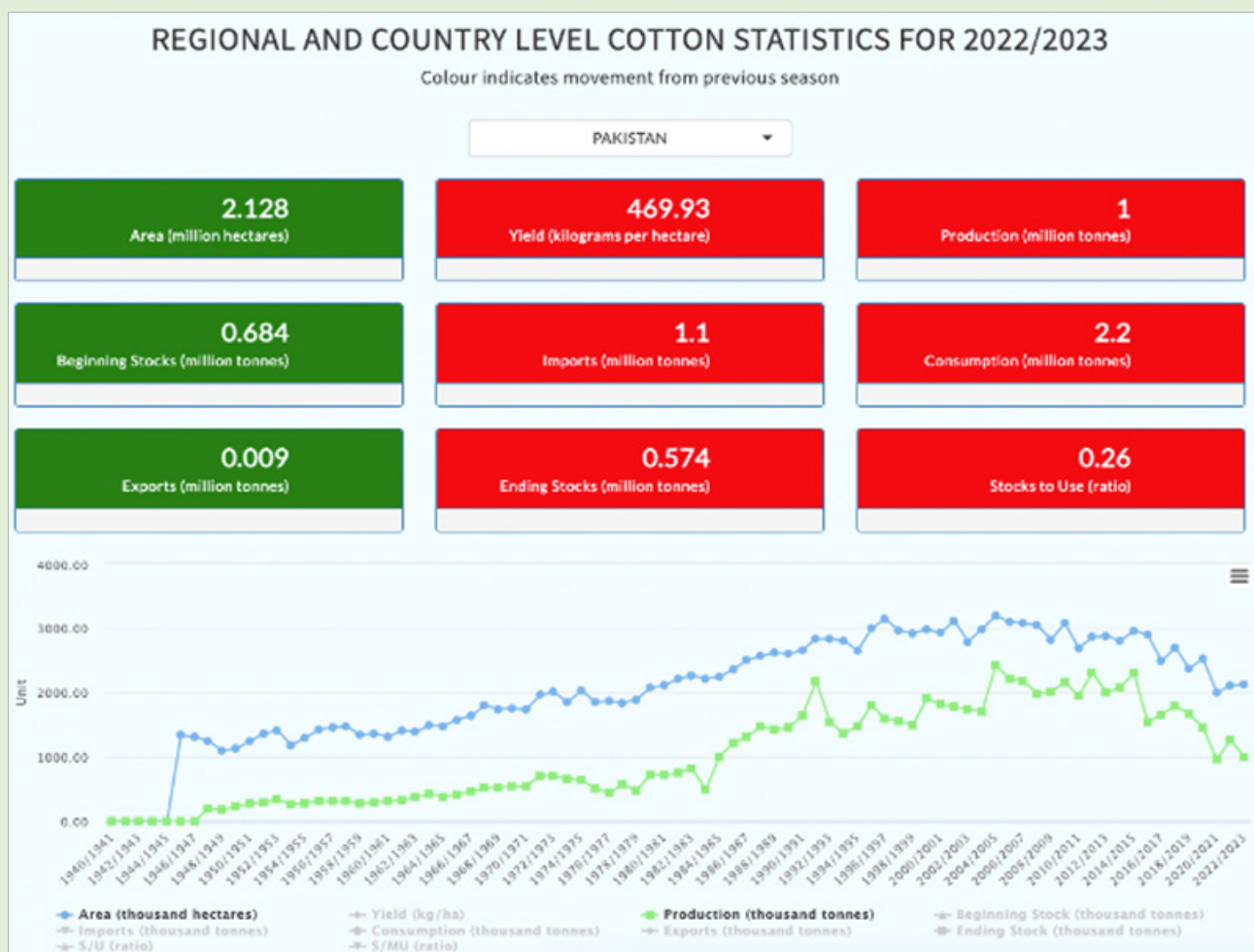
The massive human suffering in Pakistan is painful to witness, with more than 33 million people affected and nearly 1,200 killed to date. The entire global cotton industry is keeping the country and its people in their thoughts and prayers.

The impact on the cotton crop will not be fully realised until the water subsides but sources on the ground are reporting a large reduction in the expected crop for the 2022/23 season. The ICAC is reducing the estimated production for Pakistan from 1.5 million tonnes to 1 million tonnes. Below is the current snapshot of the Pakistan balance sheet.

In the United States, the effects on the cotton crop in Texas have been devastating and currently amount to an estimated loss of over 1 million tonnes compared with the previous season. This puts the current US crop at just over 2.7 million tonnes. And while the West Texas region has received a good amount of rain in the past few weeks, the precipitation has come much too late to help the dry land cotton – and if bolls are open in irrigated fields, it could spell trouble for quality.

Price Projections*

The Secretariat’s current price forecast of the season –average A index for 2022/23 ranges from 99 cents to 157 cents, with a midpoint at 126.95 cents per pound.



* The price projection for 2022/23 is based on the ending stocks-to-mill use ratio in the world-less-China in 2020/21 (estimate), in 2021/22 (estimate) and in 2022/23 (projection), on the ratio of Chinese net imports to world imports in 2021/22 (estimate) and 2022/23 (projection), and the average price in 2021/22. The projection reflects a 95% confidence interval.

Supply and Distribution of Cotton

01 September 2022

Seasons begin on August 1

Million Metric Tons

	2017/18	2018/19	2019/20	2020/21 est.	2021/22 proj.	2022/23 proj.
BEGINNING STOCKS						
WORLD TOTAL	18.88	19.43	19.34	22.12	20.61	20.37
China	10.35	9.03	8.88	9.02	9.30	8.99
USA	0.60	0.82	0.83	1.23	0.26	0.52
PRODUCTION						
WORLD TOTAL	27.00	25.98	26.27	24.37	25.44	24.71
China	5.89	6.04	5.80	5.91	5.73	5.86
India	6.35	5.66	6.20	6.02	5.37	5.70
USA	4.56	4.00	4.34	3.18	3.81	2.74
Brazil	2.01	2.78	3.00	2.36	2.36	2.61
Pakistan	1.80	1.67	1.46	0.96	1.27	1.00
Uzbekistan	0.96	0.64	0.53	1.03	0.94	0.70
Others	5.44	5.20	4.94	4.92	5.97	6.10
CONSUMPTION						
WORLD TOTAL	26.35	26.01	23.05	25.66	26.14	25.30
China	8.50	8.25	7.23	8.40	8.31	8.24
India	5.42	5.40	4.45	5.70	5.59	5.40
Pakistan	2.35	2.36	2.34	2.15	2.45	2.20
Europe & Turkey	1.73	1.82	1.60	1.70	1.74	1.77
Bangladesh	1.66	1.58	1.50	1.64	1.73	1.73
Vietnam	1.51	1.51	1.45	1.52	1.68	1.60
Brazil	0.68	0.73	0.57	0.69	0.70	0.66
USA	0.70	0.63	0.47	0.52	0.56	0.50
Others	3.80	3.73	3.44	3.35	3.39	3.19
EXPORTS						
WORLD TOTAL	9.14	9.28	9.21	10.62	9.63	9.55
USA	3.64	3.37	3.47	3.63	3.00	2.45
Brazil	0.91	1.31	1.95	2.40	1.75	1.96
CFA Zone	1.06	1.16	1.07	1.19	1.19	1.34
Australia	0.85	0.79	0.30	0.34	0.81	1.17
India	1.13	0.76	0.70	1.33	1.10	0.68
Uzbekistan	0.22	0.16	0.10	0.01	0.01	0.01
IMPORTS						
WORLD TOTAL	9.04	9.22	8.77	10.40	10.09	9.55
China	1.32	2.10	1.60	2.80	2.30	1.80
Bangladesh	1.67	1.54	1.50	1.69	1.72	1.75
Vietnam	1.52	1.51	1.41	1.55	1.70	1.66
Turkey	0.96	0.79	1.02	1.16	1.17	1.20
Indonesia	0.77	0.66	0.55	0.50	0.54	0.54
TRADE IMBALANCE †	-0.10	-0.06	-0.44	-0.22	0.46	0.00
STOCKS ADJUSTMENT ‡	0.00	0.00	-0.01	0.00	0.00	0.00
ENDING STOCKS						
WORLD TOTAL	19.43	19.34	22.12	20.61	20.37	19.78
China	9.03	8.88	9.02	9.30	8.99	8.38
USA	0.82	0.83	1.23	0.26	0.52	0.31
ENDING STOCKS/MILL USE (%)						
WORLD-LESS-CHINA *	58.29	58.86	82.72	65.46	63.82	66.83
CHINA **	106.27	107.69	124.82	110.77	108.17	101.74
COTLOOK A INDEX***	87.98	84.35	71.33	84.96		

† The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports.

‡ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.

* World-less-China's ending stocks divided by World-less-China's mill use, multiplied by 100.

** China's ending stocks divided by China's mill use, multiplied by 100.

*** U.S. Cents per pound. Average price for a given season, August 1 to July 31 or average-to-date.

Source: ICAC Cotton This Month, September 01, 2022

All India Weather Summary and Forecast

Weather Warning during next 5 days

13 Sept (Day 1):

- ◆ Heavy to very heavy rainfall at isolated places very likely over Madhya Pradesh, Gujarat Region, ghat areas of Madhya Maharashtra and Konkan & Goa and heavy rainfall at isolated places over Uttarakhand, southeast Uttar Pradesh, East Rajasthan, Vidarbha, Chhattisgarh, Bihar, Jharkhand, West Bengal & Sikkim, Odisha, Nagaland, Manipur, Mizoram & Tripura, Saurashtra & Kutch, Coastal Karnataka and Tamil Nadu, Puducherry & Karaikal.
- ◆ Thunderstorm accompanied with lightning & gusty winds (speed reaching 30-40 kmph) at isolated places very likely over Telangana and with lightning at isolated places over Uttarakhand, Uttar Pradesh, Rajasthan, Madhya Pradesh, Vidarbha, Chhattisgarh, Bihar, Jharkhand, West Bengal & Sikkim, Nagaland, Manipur, Mizoram & Tripura, Gujarat state, Madhya Maharashtra, Marathwada, North Interior Karnataka, Tamil Nadu, Puducherry & Karaikal and Kerala & Mahe.

14 Sept (Day 2):

- ◆ Heavy to very heavy rainfall at isolated places very likely over Uttarakhand, East Rajasthan, West Madhya Pradesh, ghat areas of Madhya Maharashtra and Konkan & Goa and heavy rainfall at isolated places over Uttar Pradesh, East Madhya Pradesh, Bihar, Jharkhand, West Bengal & Sikkim, Odisha, Assam & Meghalaya, Nagaland, Manipur, Mizoram & Tripura, Gujarat state and Coastal Karnataka.
- ◆ Thunderstorm accompanied with lightning at isolated places very likely over Jammu, Kashmir, Ladakh, Gilgit, Baltistan & Muzaffarabad, Himachal Pradesh, Uttarakhand, Haryana, Chandigarh &

Delhi, Uttar Pradesh, Rajasthan, Madhya Pradesh and Bihar.

15 Sept (Day 3):

- ◆ Heavy to very heavy rainfall at isolated places very likely over Uttarakhand, Uttar Pradesh, West Madhya Pradesh, ghat areas of Madhya Maharashtra and Konkan & Goa and heavy rainfall at isolated places over East Rajasthan, East Madhya Pradesh, Assam & Meghalaya, Nagaland, Manipur, Mizoram & Tripura and Gujarat Region.
- ◆ Thunderstorm accompanied with lightning at isolated places very likely over Jammu, Kashmir, Ladakh, Gilgit, Baltistan & Muzaffarabad, Himachal Pradesh, Uttarakhand, Haryana, Chandigarh & Delhi, Uttar Pradesh, Rajasthan and Madhya Pradesh.

16 Sept (Day 4):

- ◆ Heavy to very heavy rainfall at isolated places likely over Uttarakhand, Uttar Pradesh and Konkan & Goa and heavy rainfall at isolated places over Madhya Pradesh, Assam & Meghalaya, Gujarat Region and ghat areas of Madhya Maharashtra.
- ◆ Thunderstorm accompanied with lightning at isolated places likely over Uttarakhand, Uttar Pradesh and East Rajasthan.

17 Sept (Day 5):

- ◆ Heavy to very heavy rainfall at isolated places likely over Uttarakhand, Uttar Pradesh and Konkan & Goa and heavy rainfall at isolated places over Assam & Meghalaya and ghat areas of Madhya Maharashtra.
- ◆ Thunderstorm accompanied with lightning at isolated places likely over Uttarakhand, Uttar Pradesh, Bihar, Jharkhand and East Rajasthan.

Table-1
5 Day Rainfall Forecast (MORNING)
13-September-2022

Met-Sub-Division	13-Sep Today	14Sep Wed	15Sep Thu	16Sep Fri	17Sep Sat
1. Andaman & Nicobar Islands	SCT	SCT	FWS	FWS	FWS
2. Arunachal Pradesh	SCT	FWS	FWS	FWS	FWS
3. Assam & Meghalaya	FWS	FWS	FWS	FWS	FWS
4. N. M. M. & T.	FWS	FWS	FWS	FWS	FWS
5. S.H. West Bengal & Sikkim	FWS	FWS	FWS	FWS	FWS
6. Gangetic West Bengal	WS	WS	WS	FWS	FWS
7. Odisha	FWS	FWS	FWS	SCT	SCT
8. Jharkhand	WS	WS	FWS	FWS	FWS
9. Bihar	FWS	FWS	FWS	FWS	FWS
10. East Uttar Pradesh	FWS	FWS	FWS	WS	WS
11. West Uttar Pradesh	SCT	FWS	FWS	WS	WS
12. Uttarakhand	FWS	WS	WS	WS	WS
13. Haryana, Chd & Delhi	ISOL	ISOL	SCT	SCT	ISOL
14. Punjab	ISOL	ISOL	ISOL	ISOL	ISOL
15. Himachal Pradesh	ISOL	ISOL	SCT	SCT	SCT
16. J & K and Ladakh	ISOL	ISOL	ISOL	SCT	SCT
17. West Rajsthan	ISOL	ISOL	ISOL	ISOL	ISOL
18. East Rajasthan	FWS	FWS	WS	SCT	SCT
19. West Madhya Pradesh	WS	WS	WS	FWS	SCT
20. East Madhya Pradesh	WS	WS	FWS	FWS	SCT
21. Gujarat Region	WS	WS	FWS	FWS	SCT
22. Saurashtra & Kutch	FWS	FWS	SCT	SCT	ISOL
23. Konkan & Goa	WS	WS	WS	WS	WS
24. Madhya Maharashtra	WS	WS	WS	FWS	FWS
25. Marathawada	WS	FWS	FWS	SCT	SCT
26. Vidharbha	WS	WS	FWS	FWS	SCT
27. Chhattisgarh	WS	FWS	SCT	SCT	SCT
28. Coastal A. P. & Yanam	SCT	SCT	SCT	SCT	SCT
29. Telangana	ISOL	ISOL	ISOL	ISOL	ISOL
30. Rayalaseema	ISOL	ISOL	ISOL	ISOL	ISOL
31. T.N.,Puducherry & Karaikal	ISOL	ISOL	ISOL	ISOL	ISOL
32. Coastal Karnataka	WS	WS	WS	WS	WS
33. North Interior Karnataka	SCT	ISOL	ISOL	SCT	SCT
34. South Interior Karnataka	SCT	SCT	SCT	ISOL	ISOL
35. Kerala & Mahe	WS	WS	WS	FWS	FWS
36. Lakshadweep	SCT	SCT	SCT	SCT	SCT

% Station Reporting Rainfall

% Stations	Category	% Stations	Category
76-100	Widespread (WS/Most Places)	26-50	Scattered (SCT/ A Few Places)
51-75	Fairly Widespread (FWS/ Many Places)	1-25	Isolated (ISOL)
No Rain	Dry		

UPCOUNTRY SPOT RATES													(Rs./Qtl)
Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [By law 66 (A) (a) (4)]								Spot Rate (Upcountry) 2021-22 Crop September 2022					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	5th	6th	7th	8th	9th	10th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	17266 (61400)	17266 (61400)	17406 (61900)	16844 (59900)		16563 (58900)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	17462 (62100)	17462 (62100)	17603 (62600)	17041 (60600)		16759 (59600)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	16169 (57500)	16113 (57300)	16113 (57300)	16169 (57500)		16169 (57500)
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	4.5%	21	17716 (63000)	17575 (62500)	17575 (62500)	17631 (62700)	H	17716 (63000)
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	20809 (74000)	20809 (74000)	20809 (74000)	20949 (74500)		20949 (74500)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	23058 (82000)	23058 (82000)	23199 (82500)	23396 (83200)		23396 (83200)
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 – 3.4	4%	25	20246 (72000)	20246 (72000)	20331 (72300)	20387 (72500)	O	20387 (72500)
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 – 4.9	4%	26	23227 (82600)	23227 (82600)	23368 (83100)	23564 (83800)		23564 (83800)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	20809 (74000)	20809 (74000)	20893 (74300)	20949 (74500)		20949 (74500)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	22496 (80000)	22496 (80000)	22580 (80300)	22637 (80500)	L	22637 (80500)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	23649 (84100)	23649 (84100)	23789 (84600)	23930 (85100)		23930 (85100)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	23761 (84500)	23480 (83500)	23340 (83000)	23058 (82000)		22777 (81000)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	23818 (84700)	23536 (83700)	23396 (83200)	23115 (82200)	I	22833 (81200)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	24605 (87500)	24464 (87000)	24464 (87000)	24183 (86000)		23902 (85000)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	23621 (84000)	23621 (84000)	23621 (84000)	23761 (84500)	D	23761 (84500)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	24605 (87500)	24324 (86500)	24183 (86000)	23902 (85000)		23621 (84000)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	24661 (87700)	24380 (86700)	24239 (86200)	23958 (85200)		23677 (84200)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	25730 (91500)	25449 (90500)	25308 (90000)	25027 (89000)	A	24746 (88000)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	25730 (91500)	25589 (91000)	25449 (90500)	25027 (89000)		24605 (87500)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	25589 (91000)	25589 (91000)	25449 (90500)	25027 (89000)	Y	24746 (88000)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)		N.A. (N.A.)
22	SA/TL/K/TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)		N.A. (N.A.)
23	SA/TL/K/TN/O	ICS-106	Fine	32mm	3.5 – 4.2	3%	31	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)		N.A. (N.A.)
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	25870 (92000)	25870 (92000)	25870 (92000)	25870 (92000)		25870 (92000)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	26855 (95500)	26855 (95500)	26855 (95500)	26855 (95500)		26855 (95500)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	26995 (96000)	26995 (96000)	26995 (96000)	26995 (96000)		26995 (96000)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	27276 (97000)	27276 (97000)	27558 (98000)	27698 (98500)		27698 (98500)

(Note: Figures in bracket indicate prices in Rs./Candy)