GSTZONE

Audit, Assessment & Inspection

When the department looks at your books

The complete guide, plus all 19 sections and rules

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A Khemchandani Finance initiative

Start here

There are several different things people all call 'an audit', and they carry very different powers. A departmental audit under Section 65 is a scheduled examination at your premises with 15 days' notice. A special audit under Section 66 is ordered when the officer thinks your valuation or credit is complex enough to need a nominated Chartered Accountant.

Assessment is separate again. Self-assessment is the normal case. Best-judgment assessment happens when you don't file at all, and the officer estimates - almost always unfavourably. That estimate can be withdrawn if you file the return within 30 days of the order.

Inspection, search and seizure under Section 67 are the coercive end, and require a written authorisation recording reasons to believe. The reasons matter: they are the usual ground on which such actions are successfully challenged.

A worked example

Why filing late still beats not filing

Returns not filed for the period	**Best-judgment assessment issued**	Officer estimates the liability
Estimated demand	**₹11,00,000**	Based on the department's assumptions
Return filed within 30 days of the order	**Assessment order withdrawn**	Actual liability: ₹2,40,000

> **The point:** Filing inside that 30-day window turned an ₹11 lakh estimate back into the ₹2.4 lakh actually due. It is one of the most valuable deadlines in GST, and one of the least known.

The mistakes that cost people money

- Handing over records without noting what was taken. You are entitled to copies and to a proper seizure record.
- Missing the 30-day window to displace a best-judgment assessment by filing the return.
- Treating an audit notice as an invitation to reconstruct records. Reconciling honestly beats presenting something that will not survive cross-checking.

What this guide covers

Section 59	Self-assessment
Section 60	Provisional assessment
Section 61	Scrutiny of returns
Section 62	Assessment of non-filers of returns
Section 63	Assessment of unregistered persons
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Every provision, explained

SECTION 59 · CGST ACT, 2017

Self-assessment

Section 59 provides for SELF-ASSESSMENT - every registered person assesses their own tax for each tax period and files the return accordingly.

- Self-assessed tax shown in a return but not paid is recoverable directly under section 79 without any notice, by section 75(12) - which is why a GSTR-1 versus GSTR-3B gap turns into a recovery notice rather than a show cause notice.

SECTION 60 · CGST ACT, 2017

Provisional assessment

Section 60 allows PROVISIONAL ASSESSMENT where a taxpayer cannot determine value or rate - the officer permits provisional payment on a bond/security, then finalises within six months (extendable), with interest on any shortfall.

- Apply in ASMT-01 with a bond and security under Rule 98; the officer passes the provisional order in ASMT-04 within ninety days and finalises in ASMT-07 within six months, extendable by six months by the Joint or Additional Commissioner and by four years by the Commissioner.
- Interest runs on any short payment from the original due date - provisional assessment protects against penalty, not against interest.
- It is the right route where classification or valuation is genuinely unsettled; it is not available merely because the taxpayer wants time.

SECTION 61 · CGST ACT, 2017

Scrutiny of returns

Section 61 allows the officer to SCRUTINISE returns for discrepancies (e.g. via ASMT-10) and seek the taxpayer's explanation; if unsatisfied, further action (audit, s.65/66, or demand under s.73/74) may follow.

- Discrepancy goes out in ASMT-10; the reply is ASMT-11 within thirty days; acceptance is recorded in ASMT-12.
- Scrutiny is not adjudication - the officer cannot create a demand under section 61. Ignoring an ASMT-10 is what converts it into a section 73 or 74A notice.
- Most ASMT-10 notices are auto-generated from GSTR-1 versus GSTR-3B versus GSTR-2B comparisons; answer with the reconciliation, not with an explanation in prose.

SECTION 62 · CGST ACT, 2017

Assessment of non-filers of returns

Section 62 is BEST-JUDGMENT ASSESSMENT of a registered NON-FILER: after a s.46 notice, the officer assesses tax to the best of his judgement; but if the person files the pending return within 30 days (later extended to 60) of the order, the assessment is withdrawn.

- The order in ASMT-13 is withdrawn if the return is filed within thirty days - extended to sixty days with additional late fee by the Finance Act 2023 amendment.
- Withdrawal of the order does not wipe out interest and late fee, which remain payable.
- The five-year limit for passing the order runs from the due date of the annual return for the year.

SECTION 63 · CGST ACT, 2017

Assessment of unregistered persons

Section 63 covers assessment of UNREGISTERED persons (who were liable but did not register) or those whose registration was cancelled - the officer assesses tax to the best of judgement within five years, after a hearing.

- Five years from the due date of the annual return for the year; notice in ASMT-14 and order in ASMT-15, with a hearing.
- It applies to persons who were liable but did not register, and to those whose registration was cancelled but who continued to be liable.

SECTION 64 · CGST ACT, 2017

Summary assessment in certain special cases

Section 64 permits SUMMARY ASSESSMENT in special cases where the officer has evidence of a tax liability and delay would harm revenue - with prior permission of the Additional/Joint Commissioner.

- Requires the prior permission of the Additional or Joint Commissioner and evidence of a liability whose recovery would be prejudiced by delay.
- The taxable person may apply within thirty days for the order to be withdrawn, and the officer may withdraw it if it was erroneous.

SECTION 65 · CGST ACT, 2017

Audit by tax authorities

Section 65 lets the tax authorities conduct an AUDIT of a registered person's records at their premises or the office, with 15 days' notice, to be completed within three months (extendable), findings communicated in ADT-02.

- Fifteen working days' notice in ADT-01; audit to be completed within three months of commencement, extendable by six months by the Commissioner with reasons recorded.
- 'Commencement' means the date the records asked for are made available or the audit actually starts, whichever is later - the clock does not start with the notice.
- Findings come in ADT-02 within thirty days of completion; any tax discovered is then demanded under section 73 or 74A, not under section 65 itself.
- The department cannot audit a period already covered by a completed audit without fresh material - raise it early if a second notice covers the same year.

SECTION 66 · CGST ACT, 2017

Special audit

Section 66 provides for a SPECIAL AUDIT - during proceedings, if the officer doubts the value or ITC, he can, with approval, direct the taxpayer to get accounts audited by a nominated chartered/cost accountant, at government expense.

- Only an officer not below Assistant Commissioner, with the prior approval of the Commissioner, can direct a special audit, and only where the value or the credit appears wrong having regard to the nature and complexity of the case.
- Direction in ADT-03; report in ADT-04 within ninety days, extendable by ninety more. The auditor's fee is paid by the department.
- A special audit can be ordered even if the accounts were already audited under any other law - but the taxpayer must be heard before the material is used against him.

SECTION 67 · CGST ACT, 2017

Power of inspection, search and seizure

Section 67 empowers a proper officer (with authorisation) to INSPECT, SEARCH and SEIZE goods, documents or things where he has reasons to believe tax is being evaded or goods are liable to confiscation, following the safeguards of the Code of Criminal Procedure.

- Authorisation must be in INS-01 by an officer not below Joint Commissioner, on recorded reasons to believe - ask for it and take a copy before the search proceeds.
- Seizure is in INS-02; where seizure is impracticable the officer serves INS-03 prohibiting removal. Seized goods are released provisionally on a bond and bank guarantee in INS-04.
- Documents not relied upon must be returned within thirty days of the notice; seized goods must be returned within six months (extendable by six) if no notice is issued.
- Tax 'voluntarily' deposited during a search is refundable if it was not truly voluntary - Radhika Agarwal (SC, 27-02-2025). Record any protest contemporaneously, in writing.
- Section 67 is not a recovery power: an officer cannot demand payment at the premises as a condition of ending the search.

SECTION 68 · CGST ACT, 2017

Inspection of goods in movement

If you move goods above the value the Government specifies, the person in charge of the vehicle must carry the prescribed documents and devices - in practice the invoice/delivery challan and the e-way bill. A proper officer may intercept the vehicle anywhere, demand those documents for verification and inspect the goods.

- The value threshold is Rs 50,000 of consignment value, set by Rule 138 - the section itself fixes no figure, so a State can and does notify a different intra-State limit.
- Rule 138C(2) protects a consignment already physically verified in one State from being stopped again in transit unless there is specific information of evasion - cite it when a vehicle is stopped twice.
- Where a vehicle is detained for more than thirty minutes the transporter can record it in FORM EWB-04.

SECTION 69 · CGST ACT, 2017

Power to arrest

Section 69 empowers the Commissioner to authorise ARREST where a person is believed to have committed a cognizable, non-bailable offence under s.132 (e.g. large-scale fake-invoice/ITC fraud above the threshold).

- Arrest requires the Commissioner's authorisation on recorded reasons to believe an offence under section 132(1)(a)-(d) has been committed, above the monetary threshold.
- Radhika Agarwal (SC, 27-02-2025) upheld the section but requires the GROUNDS OF ARREST to be furnished in writing, and applies the criminal-procedure safeguards.
- Above Rs 5 crore the offence is cognisable and non-bailable; below that it is bailable and the arrest power is correspondingly narrower.
- The vires of section 135 - the presumption of culpable mental state - was expressly left open by the Supreme Court.

SECTION 70 · CGST ACT, 2017

Power to summon persons to give evidence and produce documents

Section 70 gives officers the power to SUMMON any person to give evidence or produce documents; such inquiries are deemed judicial proceedings.

- A summons proceeding is a judicial proceeding under sections 193 and 228 of the Penal Code - a false statement carries criminal consequence.
- CBIC's own instructions require summons to be issued sparingly, with the approval of a superior officer, and not to a senior management official at the first instance.
- Attendance may be through an authorised representative for production of documents, but personal attendance cannot be delegated where the summons requires evidence.
- Summons cannot be used to record a 'voluntary' payment - see the note under section 67.

SECTION 71 · CGST ACT, 2017

Access to business premises

Section 71 gives authorised officers ACCESS to any business premises to inspect records, returns and stock for audit/scrutiny/verification.

- Access under section 71 is for audit, scrutiny and verification and does not require a search authorisation - it is a lesser power than section 67 and cannot be used to seize.
- The officer may require records to be produced within fifteen working days.

SECTION 72 · CGST ACT, 2017

Officers to assist proper officers

Section 72 lists the many authorities (police, railways, customs, revenue, banks, etc.) required to ASSIST GST officers in implementing the Act.

- Banks are on the list, which is how account information is obtained during an investigation.

RULE 98 · CGST RULES, 2017

Provisional Assessment

Provisional assessment: apply in ASMT-01, the officer may seek information in ASMT-02 and passes an order in ASMT-04 within ninety days, on execution of a bond with security in ASMT-05; the final order follows in ASMT-07 within six months, extendable, with interest on any short payment.

RULE 99 · CGST RULES, 2017

Scrutiny of returns

Scrutiny of returns: the officer issues ASMT-10 with the discrepancy, the taxpayer replies in ASMT-11 within thirty days, and either the matter is dropped in ASMT-12 or it moves to audit, inspection or a demand under section 73 or 74A.

RULE 100 · CGST RULES, 2017

Assessment in certain cases

Best-judgment assessment: an order under section 62 for a non-filer is issued in ASMT-13 with a DRC-07 summary, and it is withdrawn if the return is filed within sixty days (or ninety days with late fee). An unregistered person is assessed under section 63 after a notice in ASMT-14 and order in ASMT-15.

RULE 101 · CGST RULES, 2017

Audit

Departmental audit under section 65 covers a financial year or part of it: notice in ADT-01 fifteen working days in advance, the audit completed within three months (extendable by six), discrepancies put to the taxpayer for reply, and findings communicated in ADT-02 within thirty days of completion.

RULE 102 · CGST RULES, 2017

Special Audit

Special audit under section 66: the officer directs the taxpayer in ADT-03 to get the accounts audited by a nominated chartered or cost accountant, whose report is submitted in ADT-04 within ninety days; the department pays the auditor's fee.

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