

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

NEW DELHI

21st DECEMBER, 2022

CAG's Performance Audit Report on 'Sabka Vishwas Legacy Dispute Resolution Scheme 2019' on GST, Central Excise and Service Tax Tabled in Parliament

Performance Audit Report of the Comptroller and Auditor General of India on 'Sabka Vishwas Legacy Dispute Resolution Scheme 2019' (Report No. 14 of 2022) on Goods and Services Tax, Central Excise and Service Tax was presented in Parliament here today.

This Performance Audit was conducted in 52 selected Commissionerates to study whether the implementation process of the Sabka Vishwas Legacy Dispute Resolution Scheme (SVLDRS) (the '*Scheme*') was adequate and complete; settlement of cases and realization of tax dues was as per law; internal control mechanisms were adequate and the learnings from the accepted audit recommendations in respect of the earlier VCES Scheme were followed in this '*Scheme*'.

The key aim of the '*Scheme*' was to unload the baggage relating to the legacy cases viz. Central Excise and Service Tax that have been subsumed under GST. This Performance Audit revealed certain deficiencies mainly related to inadequacies in designing the online system/following legal provisions/CBIC instructions, disposal of disputed cases and keeping the tax evaders in the tax net, as summarised below:

- a) CBIC instructions regarding timely availability of updated records to the Designated Committees were not adhered to in 15 Commissionerates.
(Paragraph 3.4.2)
- b) There were instances of the SVLDRS Portal accepting deficient declarations, generating incorrect data and failure to restrict entry of invalid data in conformity with the provisions of the '*Scheme*'
(Paragraphs 3.5.1 to 3.5.6)
- c) Irregular relief of ₹ 109.81 crore in 28 declarations was extended to declarants who sought relief with respect to ineligible goods.
(Paragraph 3.7.1)
- d) The Designated Committees irregularly processed 21 declarations, involving tax dues of ₹ 7.01 crore under the '*Voluntary Disclosure*' category, though the declarants were subjected to enquiry/investigation/audit and filed returns.
(Paragraph 3.7.4)
- e) The Designated Committees rejected 14 eligible declarations, also resulting in probable loss of revenue of ₹ 8.72 crore.
(Paragraph 3.8)

- f) Irregular processing of 17 declarations under the '*Litigation*' category instead of '*Arrears*' resulted in excess relief amounting to ₹ 5.1 crore to the declarants.
(Paragraph 3.9.2.1)
- g) Incorrect consideration of tax dues in ten declarations resulted in excess relief of ₹ 1.31 crore.
(Paragraph 3.9.3.1)
- h) In 65 declarations involving tax dues of ₹ 90.51 crore, evidence of pre-deposits/deposits had not been verified properly, after due linking with the concerned cases.
(Paragraph 3.10)
- i) In 625 cases discharge certificates were issued covering the GST period i.e. on or after 1 July 2017. This indicated incorrect issue of discharge certificates as this was beyond the scope of the '*Scheme*'.
(Paragraph 3.12.3.7)
- j) The SVLDRS portal accepted multiple declarations in 208 cases involving tax dues of ₹ 273.53 crore, which resulted in processing of certain cases multiple times.
(Paragraph 3.13.2)
- k) There were inconsistencies in treating similar issues with regard to adjustment of penalty/late fee/ interest as pre-deposits.
(Paragraph 3.14.1)
- l) There was no systemic mechanism for verification of a risk based sample of the '*Voluntary Disclosure*' cases; also, there was lack of adequate follow-up action to recover ₹ 54.22 crore in 264 unpaid '*Voluntary Disclosures*'.
(Paragraphs 4.1 and 4.2)

Recommendations

- 1) The Department may take effective steps to pursue, in a time bound manner those cases which were rejected under the '*Scheme*' as well as the 28,825 cases for which Discharge Certificates could not be issued, especially due to non-payment of the estimated payable amount. In particular, '*Voluntary Disclosure*' cases where liability was not discharged should be vigorously pursued to protect the interest of the revenue. Arrears are confirmed demand and have no expiry date and it is possible that many of the declarants might have migrated to the GST regime as assesseees, and therefore recovery actions are pursuable.
(Paragraphs 3.1 and 4.2)
- 2) The Department may take effective steps to reconcile the incorrectly adjusted pre-deposits in the cases pointed out by the Audit.
(Paragraph 3.10)

- 3) The Department must verify that the non-SVLDRS challans already used for SVLDRS settlement have not been used in the past, and should create a watch list of used SVLDRS challans to prevent them from being reused in the future.

(Paragraph 3.11)

- 4) The Department may rectify technical glitches in the SVLDRS Portal to ensure that

- (a) Discrepancy in the already issued discharge certificates are corrected and the assessee notified.
- (b) Discharge Certificates which could not be issued, despite the assessee having fulfilled all requisites and made payments in time, are now issued and the assessee notified.
- (c) The Department should also correct Discharge Certificates where the registration number in the discharge certificates does not match with the registration number mentioned in the SCN/OIO, and notify the assessee.

(Paragraph 3.12.3.5 to Paragraph 3.12.3.8 and Paragraph 3.6.2)

- 5) The Department should ensure that all legal cases, where applications for withdrawal have been made by the assessee and these applications settled successfully under the '*Scheme*', are removed from the pendency list of various legal forums. The list of such pending cases should be maintained to ensure their complete withdrawal.

(Paragraphs 3.12.3.4 and 4.3)

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