

CHAPTER V

COMPLIANCE AUDIT

DEPARTMENT OF STATE TAX

5.1 Subject Specific Compliance Audit on Departments' Oversight on GST Payments and Returns Filing

5.1.1 Introduction

Introduction of Goods and Services Tax (GST) has replaced multiple taxes levied and collected by the Centre and States. GST, which came into effect from 01 July 2017, is a destination-based consumption tax on the supply of goods or services or both levied on every value addition. The Centre and States simultaneously levy GST on a common tax base. Central GST (CGST) and State GST (SGST) /Union Territory GST (UTGST) are levied on intra state supplies, and Integrated GST (IGST) is levied on inter-state supplies.

Section 59 of the Chhattisgarh GST (CGGST) Act, 2017 stipulates GST as a self-assessment based tax, whereby the responsibility for calculating tax liability, discharging the computed tax liability and filing returns is vested with the taxpayer. The GST returns must be filed online regularly on the common GST portal, failing which penalties will be payable. Even if the business has had no tax liability during a particular tax period, it must file a nil return mandatorily. Further, Section 61 of the CGGST Act, 2017 read with Rule 99 of CGGST Rules, 2017 stipulate that the proper officer may scrutinize the return and related particulars furnished by taxpayers, communicate discrepancies noticed to the taxpayers and seek an explanation.

This Subject Specific Compliance Audit (SSCA) was taken up considering the significance of the control mechanism envisaged for tax compliance and the oversight mechanism of the State Tax Department, Chhattisgarh in this new tax regime.

5.1.2 Organisational setup

The Secretary of State Tax Department, Government of Chhattisgarh is the overall in-charge of the Department of State Tax in Chhattisgarh. The Department administers GST as well as Chhattisgarh Value Added Tax Act/Central Sales Tax Act in the State, subject to overall control of the Commissioner of State Tax, Additional Commissioners of State Tax at Headquarters, Special Commissioner, Joint Commissioner and Deputy Commissioners of State Tax at divisional level and Assistant Commissioners of State Tax (ACSTs), State Tax Officers and other allied staff at the circle level.

5.1.3 Audit objectives

This audit was oriented towards providing assurance on the adequacy and effectiveness of systems and procedures adopted by the Department with respect to tax compliance under the GST regime. Audit of ‘Departments’ oversight on GST Payments and Returns Filing’ was taken up with the following audit objectives to seek an assurance on:

- i. whether the rules and procedures were designed to secure an effective check on tax compliance and were being duly observed by taxpayers; and
- ii. whether the scrutiny procedures, internal audit and other compliance functions of the Circles were adequate and effective.

5.1.4 Audit methodology and scope

This SSCA was predominantly conducted based on data analysis, which highlighted risk areas and red flags pertaining to the period July 2017 to March 2018. Through data analysis, a set of 13 deviations were identified across the domains of Input Tax Credit (ITC), Discharge of tax liability, Registration and Return filing. Such deviations were followed up through a Centralised Audit¹ (Limited Audit), whereby these deviations were communicated to the relevant State Tax Departmental field formations i.e Circles and action taken by the jurisdictional formations on the identified deviations were ascertained without involving field visits. The Centralised Audit (Limited Audit) was supplemented by a Detailed Audit involving field visits for verification of records available with the jurisdictional field formations. Returns related information were accessed through the GSTN Portal application-back-end system of the State Tax Department (boweb) as much as feasible to examine data/documents relating to taxpayers (viz. registration, tax payment, returns and other Departmental functions). The detailed audit also involved accessing relevant granular records from the taxpayers such as invoices, details of sundry creditor/debtor, financial records etc. through the respective field formations. Apart from this, compliance functions of the Circles such as scrutiny of returns were also reviewed in the selected Circles.

The review of the scrutiny of returns by the Department and verification of taxpayers’ records covered the period from July 2017 to March 2018, while the audit of the functions of selected Circles covered the period from 2017-18 to 2020-21.

Initially, an Entry Conference was held on 29 March 2022 with the Principal Secretary, State Tax Department, Chhattisgarh to discuss the audit objectives, scope of audit and sampling. Further, each audit engagement in field offices commenced by holding an entry conference and concluded by holding exit conference with the concerned ACSTs. The draft report of SSCA was forwarded to the Department on 16 June 2023. Reply of the Department was received on 21 September 2023 and has been suitably incorporated in relevant paragraphs.

¹ Centralised Audit did not involve seeking taxpayer’s granular records such as financial statements relating to ledger accounts, invoices, agreements etc.

5.1.5 Audit sample

A data-driven approach was adopted for planning, as also to determine the nature and extent of substantive audit. The sample for this SSCA comprised a set of deviations identified through data analysis for Centralised Audit (Limited Audit) that did not involve field visits, a sample of taxpayers for Detailed Audit that involved field visits and scrutiny of taxpayers' records at departmental premises and a sample of Circles for evaluating the compliance functions of the Circles.

There were three distinct parts of this SSCA as under:

(i) Part I: -Audit of Circles

Ten Circles² were considered as the sample of Circles for evaluation of their oversight functions, with whose jurisdiction more than one case was selected for Detailed Audit.

(ii) Part II: -Centralised (Limited) Audit

The sample for Centralised (Limited) Audit was selected by identification of high-value or high-risk deviations from rules and inconsistencies between returns through data analysis for evaluation of the adequacy and effectiveness of the scrutiny procedure of the Department. Accordingly, 532 cases were selected for Centralised Audit under this SSCA.

(iii) Part III: -Detailed Audit

Detailed Audit was conducted by accessing taxpayers' records through Circles for evaluation of the extent of tax compliance by taxpayers. The sample of taxpayers for Detailed Audit was selected on the basis of risk parameters such as excess ITC, Tax liability mismatch, Disproportionate exempted turnover to total turnover and Irregular ITC reversal. The 25 taxpayers pertaining to 16 Circles³ selected for Detailed Audit consist of large, medium and small strata⁴ taxpayers.

The details of sample for Centralised Audit, Detailed Audit and audit of Circle selected for this SSCA are detailed in *Appendix 5.1.1*.

5.1.6 Audit criteria

The sources of audit criteria comprised the provisions contained in the CGST Act, CGGST Act, IGST Act, and Rules made thereunder. The significant provisions are given in *Table 5.1.1*.

² AC Circle Ambikapur, AC Circle-2 Jagdalpur, AC Circle-1 Korba, AC Circle-2 Raigarh, AC Circle-2 Raipur, AC Circle-3 Raipur, AC Circle-6 Raipur, AC Circle-7 Raipur, AC Circle-9 Raipur and AC Circle Rajnandgaon

³ AC Circle Ambikapur, AC Circle Dhamtari, AC Circle-2 Jagdalpur, AC Circle-1 Korba, AC Circle-2 Korba, AC Circle Manendragarh, AC Circle-2 Raigarh, AC Circle-1 Raipur, AC Circle-2 Raipur, AC Circle-3 Raipur, AC Circle-4 Raipur, AC Circle-6 Raipur, AC Circle-7 Raipur, AC Circle-8 Raipur, AC Circle-9 Raipur and AC Circle Rajnandgaon

⁴ Large taxpayers-15, Medium taxpayers-8 and Small taxpayers-2

Table 5.1.1: Source of criteria

Sl. No.	Subject	Act and Rules
1.	Levy and Collection	Section 9 of CGGST Act, 2017
2.	Reverse Charge Mechanism	Section 9(3) of CGGST Act, 2017
3.	Availing and utilizing ITC	Sections 16 to 21 of CGGST Act, 2017 Rules 36 to 45 under CGGST Rules, 2017
4.	Registration	Section 22 to 25 of CGGST Act, 2017 Rules 8 to 26 of CGGST Rules, 2017
5.	Supplies	Section 7 and 8 of CGGST Act, 2017 Schedule I, II and III of CGGST Act, 2017
6.	Place of Supply	Section 10 to 13 of IGST Act, 2017
7.	Time of Supply	Section 12 to 14 of CGGST Act, 2017
8.	Valuation of Supply	Section 15 of CGGST Act, 2017 Rules 27 to 34 of CGGST Rules, 2017
9.	Payment of Tax	Sections 49 to 53 under Chapter X of CGGST Act, 2017 Rules 85 to 88A under Chapter IX of CGGST Rules, 2017
10.	Filing of GST Returns	Sections 37 to 47 under chapter IX of CGGST Act, 2017 Rules 59 to 68 and 80 to 81 under Chapter VIII of CGGST Rules, 2017. Part B of CGGST Rules prescribes format of returns
11.	Zero-rated supplies	Section 16 of IGST Act, 2017
12.	Assessment and Audit functions	Sections 61, 62, 65 and 66 under Chapter XII & XIII of CGGST Act, 2017 Rules 99 to 102 under Chapter XI of CGGST Rules, 2017

In addition, the Notifications and Circulars issued by CBIC⁵/State Tax Department relating to filing of returns, notifying the effective dates of filing of various returns, extending due dates for filing returns, rates of tax on goods and services, payment of tax, availing and utilizing ITC, scrutiny of returns and oversight of tax compliance and Standard Operating Procedures (SOP)⁶ containing instructions to Departmental officers on various aspects relating to filing of returns, scrutiny of returns, cancellation of registrations etc. also formed part of the audit criteria.

Audit findings

The audit findings are categorised into the following three categories:

- Oversight on returns filing-Audit of Circles
- Centralised (Limited) Audit
- Detailed Audit

⁵ Central Board of Indirect Taxes and Customs

⁶ Order No/Com./Tec./832/2022/8726 dated 30.09.2022

5.1.7 Oversight on returns filing-Audit of Circles

A return is a statement of specified particulars relating to the business activity undertaken by a taxpayer during a prescribed period. Every taxpayer is legally obligated to furnish a complete and correct return during the tax liability for a given period and taxes paid within the stipulated time. In a self-assessment regime, the significance of monitoring return filing by taxpayers acquires greater significance as the returns are the first mode of information about taxpayers and their respective business activities.

5.1.7.1 Lack of action on late-filers and non-filers

Filing of returns is related to payment of tax as the due date for both the actions are the same, which implies risk of non-payment of tax/penalty in the case of non-filers.

Section 46 of the CGGST Act, 2017 read with Rule 68 of CGGST Rules, 2017 stipulates issuance of a notice in Form GSTR 3A requiring filing of return within fifteen days if the taxpayer had failed to file the return within the due date. In case the taxpayer fails to file the returns even after such notice, the proper officers may proceed to assess the tax liability of the said person to the best of their judgment, taking into account all the relevant material which is available or gathered and issue an assessment order in Form ASMT 13.

Section 50 of the CGGST Act, 2017, stipulates that every person liable to pay tax in accordance with the provisions of this Act or the rules made thereunder but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay interest at the rate notified.

Audit observed that out of 10 circle offices, Ambikapur circle did not provide any information related to non/late filers during 2017-18 to 2020-21.

Further, Audit observed that none of the remaining nine circle offices identified any case related to non/late filers during 2017-18.

During 2018-19 four⁷ circle offices identified 1,299 cases of non/late filing of returns pertaining to 1,242 taxpayers. During 2019-20 six⁸ circle offices identified 7,726 cases of non/late filing of returns pertaining to 5,881 taxpayers. During 2020-21 nine⁹ circle offices identified 14,534 cases of non/late filing of returns pertaining to 9,503 taxpayers.

Audit observed that in nine circle offices, 23,559 cases of non/late filing of returns pertaining to 16,626 taxpayers were identified during 2018-19 to 2020-21 and in all the cases GSTR-3A notices were issued to non/late filers. In response to the GSTR 3A notices, out of 23,559 cases, in 20,462 cases (86.85 per cent) the non-filers/late filers filed their returns. Out of the remaining 3,097 cases, the Department initiated best judgement assessment

⁷ AC Circle-2 Raigarh, AC Circle-7 Raipur, AC Circle-9 Raipur and AC Circle Rajnandgaon

⁸ AC Circle-2, Jagdalpur, AC Circle-2 Raigarh, AC Circle-3 Raipur, AC Circle-7 Raipur, AC Circle-9 Raipur, and AC Circle Rajnandgaon

⁹ AC Circle-2, Jagdalpur, AC Circle-1 Korba, AC Circle-2 Raigarh, AC Circle-2 Raipur, AC Circle-3 Raipur, AC Circle-6 Raipur, AC Circle-7 Raipur, AC Circle-9 Raipur and AC Circle Rajnandgaon

(ASMT 13) in 3,065 (98.97 per cent) cases assessing an amount of ₹ 720.28 crore out of which ₹ 129.62 crore has been recovered. The proceedings of ASMT 13 had been withdrawn in 2,969 cases because the concerned taxpayers had filed their returns and paid an amount of interest of ₹ 19.85 crore and late fee of ₹ 0.59 crore. Out of the remaining 128 cases, the registrations of the taxpayers in 93¹⁰ cases have been cancelled and proceeding of ASMT 13 is pending and in 35 cases provisional attachment was resorted to by the Department (*Appendix 5.1.2*).

Audit test checked (September 2022 to January 2023) 1,101 cases (selected on random basis) out of 20,462 cases in which the concerned taxpayers had paid their dues along with interest of ₹ 5.50 crore and late fee of ₹ 1.52 crore after the issuance of GSTR 3A notices by the Department. Audit noticed in 337 out of 1,101 cases that neither the concerned taxpayers had paid nor the circle officers levied interest of ₹ 1.02 crore on the net liability of taxes as per Section 50 of the CGGST Act, 2017 (*Appendix 5.1.3*).

On being pointed out in audit (June 2023), the Department replied (September 2023) that in 97 cases ₹ 0.46 crore had been recovered and in 240 cases rectificatory action had been initiated by issuing ASMT 10/DRC 07/DRC 01A of ₹ 0.57 crore.

5.1.7.2 *Slow pace of scrutiny of returns/non-initiation of scrutiny of returns*

As per Section 61 of the CGGST Act, 2017, various returns filed by taxpayers have to be scrutinized by the Proper Officer to verify the correctness of the returns, and suitable action has to be taken on discrepancies or inconsistencies reflected in the returns. The Proper Officer designated for this purpose is the State Tax Officer in-charge of the jurisdictional Circle. Further, Rule 99 of the CGGST Rules, 2017 mandates that the discrepancies, if any, noticed shall be communicated to the taxpayer to seek his explanation.

Department issued SOP dated 30th September of 2022 with a view to ensure uniformity and to standardize the procedure for the scrutiny proceeding as per section 61 of the Act.

During test check (September 2022 to January 2023) of the information provided by 10 circle offices for the year 2017-18 to 2020-21, Audit observed that no circle office had carried out any scrutiny of returns in 2017-18.

Out of 10 circle offices, only two¹¹ circle offices had carried out scrutiny of returns in respect of 22 taxpayers in 2018-19 and another two¹² circle offices in respect of 60 taxpayers in 2019-20. All the circle offices had carried out scrutiny of returns in respect of 3,050 taxpayers in 2020-21.

Audit observed that out of total 3,132 taxpayers whose returns were taken up for scrutiny during 2018 to 2021 in all circle offices, the Department had issued ASMT 10 notices in all the 3,173 cases. In response to these notices, in 527 cases, (16.61 per cent) the concerned taxpayers had accepted the

¹⁰ AC Circle-1 Korba-3 cases, AC Circle-3 Raipur-41 cases, AC Circle-6 Raipur-29 cases, AC Circle-7 Raipur-20 cases

¹¹ AC Circle-2 Raigarh and AC Circle-6 Raipur

¹² AC Circle Ambikapur and AC Circle-2 Raigarh

discrepancies and paid an amount of tax of ₹ 44.64 crore. Further, during this period in 1,703 cases, Show Cause Notices (SCNs) were issued out of which assessment in 647 cases (37.99 *per cent*) was completed wherein an amount of ₹ 56.45 crore was recovered against recoverable amount of ₹ 140.25 crore. In the remaining 943 cases, circle officers did not provide latest position of the cases. The details of ASMT 10/ SCNs issued in 10 circle offices is given in **Appendix 5.1.4**.

On being pointed out in audit (September 2022 to January 2023), the circle offices replied (October 2022 and December 2022) that the pace of scrutiny of returns in the initial period of GST was slow due to involvement of departmental authorities in work of assessment and recovery in cases pertaining to pre-GST regime, improper functioning and unavailability of certain functionalities of GST Portal, frequent closure of office during the COVID pandemic period. Department further stated that adequate steps would be taken so that this kind of mistakes would not be repeated in future and final action would be taken after verification of cases.

The draft report was sent to the Department in June 2023. The Department did not provide any comment in respect of the observation but forwarded two notifications¹³ issued by CBIC in which time limit for issuance of SCN for financial year 2017-18, 2018-19 and 2019-20 has been extended to December 2023, March 2024 and June 2024 respectively.

The reply of the Department is not acceptable as the Commissioner, State Tax Department, delegated (January 2018) the power of scrutinizing statutory returns to the subordinate officers and directed them to ensure the scrutiny with immediate effect but no substantial action was taken by the subordinate offices. Further, audit noticed that vide notification¹⁴ dated 30 January 2024 the time limit for issuance of SCN for the year 2018-19 and 2019-20 was extended to April 2024 and August 2024 respectively.

Recommendation No. 1: The Department may ensure the scrutiny of returns in a time bound manner before the cases became time barred.

5.1.7.3 Cancellation of Registration

Section 29 of the CGGST Act, 2017 read with Rule 20 of the CGGST Rules, 2017, allows for cancellation of registration by the taxpayer in certain situations like closure of business, turnover falling below threshold for registration, transfer/merger/amalgamation of business, change of PAN, non-commencement of business within the stipulated time period and death of the proprietor. The taxpayer applying for cancellation of registration should apply in REG 16 on the GST common portal within a period of 30 days of the “occurrence of the event warranting the cancellation”.

Further, Section 29 (2) of the Act, *ibid*, allows for *suo-moto* cancellation of the registration of taxpayers by circle officer on the grounds of contravention of the Acts or Rules by the taxpayer, composition taxpayers not filing return for three consecutive tax periods, normal taxpayers not filing return for continuous period of six months, registered persons not commencing business

¹³ No. 06/2023- Central Tax dated 31.03.2023 and 09/2023-Central Tax dated 31.03.2023

¹⁴ No. 56/2023- State Tax dated 30.01.2024

within six months from date of registration and registration obtained by means of fraud, willful misstatement or suppression of facts.

Audit observed deficiencies in cancellation of registrations which have been given in subsequent paragraphs.

(a) *Inadequate follow up on non-filing of GSTR-10*

As per Section 45 of CGGST Act, 2017, the final return (GSTR 10) has to be filed within three months from the effective date of cancellation or date of order of cancellation of registration whichever is later.

GSTR 3A notice has to be issued to the taxpayer, who has not filed GSTR 10 as per circular¹⁵. If the taxpayer still fails to file the final return within 15 days of the receipt of notice, then an assessment order in Form ASMT 13 under Section 62 of the Act *ibid* read with Rule 100 of CGGST Rules, 2017, shall have to be issued to determine the liability of the taxpayer. If the taxpayer files the final return within 30 days from the issue of order ASMT 13, then said order shall deem to have been withdrawn. However, the liability for payment of interest and late fee shall continue. If the said return remains unfurnished within the statutory period of 30 days from the issue of order ASMT 13, then the proper officer may initiate proceedings under Section 78 and recovery under Section 79 of the Act.

Audit observed (September 2022 to January 2023) in all test checked circle offices that in 16,784 cases REG-19 (order of cancellation) were issued, out of which in 159 cases (0.95 *per cent*), cancellation proceedings dropped and in 5,183 cases (30.88 *per cent*) cancellation order revoked. Out of remaining 11,442 cancelled cases, in 31 cases (0.19 *per cent*) best judgement assessment was initiated and completed by the assessing authority and an amount of ₹ 1 lakh has been recovered. It was also noticed that in 1,242 cases (7.39 *per cent*) taxpayers have filed GSTR 10. And, in remaining 10,169 cancelled cases (60.58 *per cent*), GSTR 10 were not filed by the taxpayers (**Appendix 5.1.5**).

On being pointed out in audit (June 2023), the Department replied (September 2023) that 8,513 GSTR 3A notices have been issued to the relevant taxpayers and against which in 543 cases final return (GSTR 10) have been filed and an amount of ₹ 2.89 lakh had been recovered. Reply in the remaining 1,656 cases is awaited (May 2024).

(b) *Delay in Cancellation of Registrations*

The cancellation order in REG 19 has to be issued within 30 days from the date of application or the date of reply to REG 17 in case of *suo moto* cancellation.

Audit observed (September 2022 to January 2023) in three¹⁶ out of 10 circle offices, that in 1,186 cases (61.07 *per cent*) out of 1,942 cases, the order of cancellation of registration on taxpayers' request was issued with a delay ranging from one to 519 days (**Appendix 5.1.6**).

¹⁵ No. 129/48/2019-GST dated 24th December, 2019

¹⁶ AC Circle-1 Korba, AC Circle-2 Raigarh and AC Circle-2 Rajnandgaon

On being pointed out in audit (June 2023), the Department replied (September 2023) that the delay was attributed to non-transfer of pending cases of outgoing transferred officers of the circle to incoming transferred officers of the circle in the BO portal, frequent closure of office during the COVID pandemic period and improper functioning and unavailability of certain functionalities of GST Portal. Further, it was also stated that these discrepancies would not be repeated and due care would be taken to observe the GST procedure in future.

Recommendation No. 2: The Department may monitor the status of cancellation of registration and action taken thereon in consonance with the provisions of the Act to check undischarged tax liabilities.

5.1.8 Inconsistencies in GST returns-Centralised Audit

Audit analysed GST returns data pertaining to July 2017 to March 2018 as made available by the GSTN. Rule-based deviations and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 13 audit dimensions, which can be broadly categorized into two domains viz. ITC and tax payments.

Out of the 13 prescribed GST returns¹⁷, the following basic returns that apply to normal taxpayers were considered for the purpose of identifying deviations, inconsistencies and mismatches between GST returns/data.

- **GSTR-1:** Monthly return furnished by all normal and casual registered taxpayers making outward supplies of goods and services or both and contains details of outward supplies of goods and services.
- **GSTR-3B:** Monthly summary return of outward supplies and ITC claimed, along with payment of tax by the taxpayer to be filed by all taxpayers except those specified under Section 39(1) of the Act. This is the return that populates the credits and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger.
- **GSTR-6:** Monthly return for Input Service Distributors (ISD) providing the details of their distributed ITC and inward supplies.
- **GSTR-8:** Monthly return to be filed by the e-commerce operators who are required to deduct TCS (Tax collected at source) under GST, introduced in October 2018.
- **GSTR-9:** Annual return to be filed by all registered persons other than an ISD, Tax Deductor at Source/Tax Collector at Source, Casual Taxable Person and Non-Resident taxpayer. This document contains the details of all supplies made and received under various tax heads (CGST, CGGST and IGST) during the entire year along with turnover and audit details for the same.

¹⁷ 1.GSTR-1 2.GSTR-3B, 3.GSTR-4 (taxpayers under the Composition scheme) 4.GSTR-5 (non-resident taxable person) 5.GSTR-5A (Non-resident OIDAR service providers) 6.GSTR-6 (Input service distributor) 7. GSTR-7 (taxpayers deducting TDS) 8.GSTR-8 (E-commerce operator) 9.GSTR-9 (Annual Return) 10.GSTR-10 (Final return) 11.GSTR-11 (person having UIN and claiming a refund) 12.CMP-08 13.ITC-04 (Statement to be filed by a principal/job-worker about details of goods sent to/received from a job-worker)

- **GSTR-9C:** Annual audit form for all taxpayers having a turnover above ₹ 5 crore in a particular financial year. It is basically a reconciliation statement between the annual return filed in GSTR 9 and the taxpayers' audited annual financial statement.
- **GSTR-2A:** System-generated statement of inward supplies for a recipient. It contains the details of all B2B¹⁸ transactions of suppliers declared in their Form GSTR-1/GSTR-5, ISD details from GSTR-6, details from GSTR-7 and GSTR-8 respectively by the counterparty and import of goods from overseas on bill of entry, as received from ICEGATE¹⁹ portal of Indian Customs Department.

The data analysis pertaining to state of Chhattisgarh for the period 2017-18 on the 13 identified audit dimensions and extent of deviations/inconsistencies (sample for Centralised Audit) observed are summarised in **Table 5.1.2**.

Table 5.1.2: Summary of Chhattisgarh state data analysis

(₹ in crore)

Sl. No.	Audit dimension	Algorithm used	Number of deviations	Amount of deviations / Mismatches
1.	Non-filing of GSTR 3B returns	Taxpayers who had not filed GSTR 3B but filed GSTR 1 or where GSTR 2A available, indicating taxpayers had conducted the business without discharging tax.	18	1.82
2.	Mismatch in total turnover between Annual Return and Financial Statements (Table 5R of 9C)	Negative figure in GSTR 9C, Table 5R.	50	7,954.74
3.	Mismatch in taxable turnover between Annual Return and Financial Statements (Table 7G of 9C)	Negative figure in GSTR 9C, Table 7G.	50	3,213.62
4.	Mismatch in tax paid between books of accounts and tax payable in Annual Return (Table 9R of 9C)	Negative figure in GSTR 9C, Table 9R.	50	26.93
5.	Mismatch between ITC availed in Annual Return and Financial Statements (Table 12F of 9C)	Positive figure in GSTR 9C, Table 12F.	50	62.33
6.	Mismatch in ITC declared in Annual Returns with expenses in Financial Statements (Table 14T of 9C)	Positive figure in GSTR 9C, Table 14T.	50	970.93
7.	Mismatch in availing of ITC under Reverse Charge Mechanism (RCM)	RCM liability declared in Table 3.1(d) of GSTR 3B was compared with ITC availed in GSTR 9 Table (6C+6D+6F). In cases where GSTR 9 was not available, RCM liability in GSTR 3B Table 3.1(d)	49	9.29

¹⁸ Business to Business

¹⁹ Indian Customs Electronic Data Interchange Gateway

		was compared with GSTR 3B Table {4(A)(2)+4(A)(3)}.		
8.	Mismatch in availing of ITC under RCM without payment	RCM payments in GSTR 9 Table 4G was compared with ITC availed in GSTR 9 Table (6C+6D+6F). In cases where GSTR 9 was not available, RCM liability in Table 3.1 (d) vis-a-vis ITC availed in Table {4A(2)+4A(3)}	16	0.79
9.	Excess availing of ITC	ITC available as per GSTR 2A with all its amendments was compared with the ITC availed in GSTR 3B {Table 4A (5)} (accrued on domestic supplies) considering the reversal in Table 4(B)(2) but including the ITC availed in subsequent year 2018-19 from Table 8(C) of GSTR 9.	49	63.50
10.	Non/Short payment of interest on delayed payments of tax	Interest calculated at the rate of 18 <i>per cent</i> on cash portion of tax payment on delayed filing of GSTR 3B vis-a-vis Interest declared in GSTR 3B Table 6.1.	50	18.74
11.	Incorrect availing of ISD credit	ITC received in GSTR 9 Table 6G or GSTR 3B Table 4(A)(4) of the recipients was compared with ITC transferred in Table 5A+8A+9A of GSTR 6 of the ISD.	49	3.01
12.	Undischarged tax liability	Greater of tax liability between GSTR 1 (Table 4 to 11) and GSTR 9 (Table 4N, 10 & 11) was compared with tax paid details in GSTR 3B Table {3.1 (a)+3.1 (b)}. In cases where GSTR 9 was not available, tax paid in GSTR 3B was compared with GSTR 1 liability. The amendments and advance adjustments declared in GSTR 1 and GSTR 9 were duly considered.	50	97.91
13.	Stop filers	Did not file GSTR 3B for six consecutive months.	1	0.0056
Total			532	12,423.62

5.1.8.1 Results of Centralised Audit

Based on responses received from the Department, the extent to which each of 13 audit dimensions has been translated into compliance deviations is summarised in **Table 5.1.3**. The category wise details of cases included in this table are given in **Appendix 5.1.7A to Appendix 5.1.7G**.

Table 5.1.3: Summary of deficiencies

(₹ in crore)

			Audit Dimensions														Total
			Non-filing of GSTR-3B Returns	Mismatch in total turnover declared in GSTR-9C (Table 5R)	Mismatch in taxable turnover declared in GSTR-9C (Table 7G)	Mismatch in tax paid between AR and Books of accounts (Table 9R)	Mismatch in ITC availed between AR and FS (Table 12F)	Mismatch in ITC declared in AR with expenses in FS (Table 14F)	Mismatch in availing ITC under RCM	Mismatch in availing ITC under RCM without payment	Excess availing of ITC	Short payment of interest	Incorrect availing of ISD credit	Undischarged tax liabilities	Stop Filers		
1	2	3	4	5	6	7	8	9	10	11	12	13	14				
Cases where reply received		No.	18	50	50	50	50	49	16	49	50	49	50	1	532		
		Amt	1.82	20	21	26.93	62.33	970.93	9.29	0.79	63.50	18.74	3.01	97.91	0.00 ²²	1,255.25	
Department reply accepted by Audit		Data Entry errors	No.	0	6	11	4	1	0	30	9	4	0	23	3	0	91
			Amt	0.00	-	-	4.46	0.71	0.00	5.47	0.45	18.77	0.00	1.49	8.55	0.00	39.90
		Action taken before query	No.	2	0	0	12	19	0	5	1	11	9	2	7	0	68
			Amt	0.12	0.00	0.00	4.69	40.5	0.00	0.57	0.05	10.14	2.21	0.13	10.81	0.00	69.22
		Other valid explanations	No.	0	37	34	9	11	43	1	1	8	6	4	15	1	170
			Amt	0.00	-	-	7.35	12.93	854.84	0.12	0.04	8.28	0.81	0.07	27.38	0.00	911.82
Compliance Deviations	Accepted by Department including cases, where action is yet to be initiated	Recovered	No.	1	0	0	5	4	0	0	0	1	16	1	3	0	31
			Amt	0.00 ²³	0.00	0.00	0.17	0.11	0.00	0.00	0.00	0.8	2.13	0.01	0.66	0.00	3.88
		Notices ²⁴	No.	10	6	4	9	7	0	4	2	11	11	6	6	0	76
			Amt	3.83	-	-	2.89	4.61	0.00	1.81	0.12	23.93	10.65	0.27	13.79	0.00	61.90
		ASMT-10	No.	5	1	1	11	8	7	9	3	13	8	13	16	0	95
			Amt	0.69	-	-	7.5	3.97	116.1	2.28	0.15	12.12	1.75	1.09	33.97	0.00	179.62
	Department's reply not acceptable to Audit (Rebuttal)	No.	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1
		Amt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.51	0.00	0.00	0.00	0.00	0.00	0.51
	Total	No.	16	7	5	25	19	7	13	5	26	35	20	25	0	203	
		Amt	4.52	-	-	10.56	8.69	116.1	4.09	0.27	37.36	14.53	1.37	48.42	0.00	245.91	

☞ The words 'AR' and 'FS' used in title of above table, mean 'Annual Return' and 'Financial Statement' respectively.

☞ The amount in above table under 'Recovered' and 'SCN issued' category is as per recoveries made and amount of SCN issued by the Department irrespective of the amount pointed out by Audit.

²⁰ Total unreconciled turnover (TO) in table 5R of GSTR 9C in 50 cases is ₹ 7,954.74 crore, out of which in six cases involving ₹ 266.25 crore data entry errors were committed, in 37 cases involving ₹ 974.65 crore valid explanations were provided by the Department and the compliance deviation in the remaining seven cases involving mismatched TO of ₹ 6,674.68 crore have been observed.

²¹ Total unreconciled taxable turnover (TTO) in table 7G of GSTR 9C in 50 cases is ₹ 3,213.62 crore, out of which in 11 cases involving ₹ 280.87 crore data entry errors were committed, in 34 cases involving ₹ 2,894.94 crore valid explanations were provided by the Department and the compliance deviation in the remaining five cases involving mismatched TTO of ₹ 24.37 crore have been observed.

²² The objected amount in a case of stop filer was ₹ 56,000 and the department provided a valid explanation.

²³ The recovered amount was ₹ 15,000 in one case.

²⁴ DRC 01A/ DRC 01 (SCN), DRC 07 (Summary of order), DRC 13 (Notice to a third person u/s 79 (1)(c))

5.1.8.2 Summary of Centralised Audit

Out of deviations/inconsistencies in 532 cases, for which Departments' responses were received, in 202 cases (37.97 *per cent*) involving ₹ 245.40 crore, Department accepted the deviations/inconsistencies in which ₹ 3.88 crore was recovered in 31 cases and issued Notices amounting to ₹ 61.90 crore in 76 cases. Further, Department issued ASMT 10 in 95 cases involving ₹ 179.62 crore seeking taxpayers reply. In these cases, higher rates of deviations were noticed in risk areas such as ITC mismatch, excess ITC availed under RCM, short payment of interest and short payment of tax.

In one case amounting to ₹ 0.51 crore, in respect of GSTIN 22AACCK2650D1Z6 under the jurisdiction of Circle-1, Bilaspur, Departments' reply was not acceptable to Audit.

In 329 cases (61.84 *per cent*), where the Departments' reply was acceptable to Audit, data entry errors by taxpayers comprised 91 cases (17.11 *per cent*), Department had proactively acted in 68 cases and Department had valid explanations in 170 cases.

High value cases of Centralised Audit (for compliance deviation pertaining to cases of recovery, ASMT 10 and notices) are given **Table 5.1.4**.

Table 5.1.4: Highest value case for each audit dimension

(₹ in crore)					
Sl. No.	Audit dimension	GSTIN	Circle	Amount	Action taken
1.	Non-filing of GSTR 3B returns	22ABZPJ1696F1ZB	Circle, Kawardha	1.28	DRC 13
2.	Mismatch in total turnover between Annual Return and Financial Statements (Table 5R of 9C)	22AACCC1772C1ZB	Circle-8, Raipur	-	DRC 01
3.	Mismatch in taxable turnover between Annual Return and Financial Statements (Table 7G of 9C)	22ABDFA0051D1ZG	Circle-5, Raipur	-	ASMT 10
4.	Mismatch in tax paid between books of accounts and tax payable in Annual Return (Table 9R of 9C)	22ADCPG7864R1Z2	Circle-9, Raipur	3.99	ASMT 10
5.	Mismatch between ITC availed in Annual Returns and Financial Statements (Table 12F of 9C)	22AFAPK7491J1ZD	Circle-8, Raipur	1.32	DRC 01A
6.	Mismatch in ITC declared in Annual Returns with expenses in Financial Statements (Table 14T of 9C)	22AABCB7575P2Z8	Circle-5, Raipur	32.83	ASMT 10
7.	Mismatch in availing of ITC under RCM	22AALPI8478F2ZH	Circle-1, Korba	0.81	DRC 01
8.	Mismatch in availing of ITC under RCM without payment	22AGMPR9677A1Z3	Circle-1, Durg	0.07	DRC 13
9.	Excess availing of ITC	22AAACP6317L1ZI	Circle-8, Raipur	4.71	DRC 01A
10.	Non/short payment of interest on delayed payment of tax	22AABAC5137E2ZC	Circle-7, Raipur	7.68	DRC 07
11.	Incorrect availing of ISD credit	22AAACH7412G2Z2	Circle-9, Raipur	0.25	ASMT-10
12.	Un-discharged tax liabilities	22AAZFM0586A1ZA	Circle-4, Durg	8.64	DRC 01A

The illustrative cases included in **Table 5.1.4** are explained in succeeding paragraphs.

(a) Dimension-Non-filing of GST 3B return

The CGGST Act, 2017, prescribes returns i.e., Form GSTR 1 (for outward supplies), Form GSTR 2 (for inward supplies) and Form GSTR 3 (combined return for outward and inward supplies). However, due to technical glitches in the system, a simplified return in Form GSTR 3B²⁵ was introduced in lieu of form GSTR 3 as a stop gap arrangement, which was to be filed on monthly basis. Therefore, GSTR 3B became the instrument through which the tax liability was discharged and ITC was availed by the registered persons.

Audit noticed (March 2022) that a taxpayer with GSTIN 22ABZPJ1696F1ZB under the jurisdiction of Circle Kawardha has not filed GSTR 3B for the whole year during 2017-18 but has filed GSTR 1 or whose GSTR 2A was available. GSTR 3B return is the instrument through which the liability is offset and ITC is availed. The very availability of GSTR 1 and 2A and non-filing of GSTR 3B indicates that the taxpayer had undertaken/carried on the business during the period but has not discharged the tax liability. Irregular passing on of ITC in this case could not also be ruled out.

On being pointed out, the Department replied (September 2023) that DRC 13 was issued for amount ₹ 1.28 crore. Report on recovery is awaited (May 2024).

(b) Dimension-Mismatch in total turnover between Annual Return and Financial Statements in Table 5R of 9C

Table 5 of GSTR 9C attempts to reconcile the turnover declared in audited annual financial statement with turnover declared in annual return GSTR 9. Column 5R of this table captures the unreconciled turnover between the annual return GSTR 9, and that declared in the financial statement.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of CGGST Rules, 2017 in Form GSTR 9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in turnover reported in the Annual Return *vis-à-vis* the Financial Statement. The unreconciled amount in cases, where the turnover declared in GSTR 9 was less than that declared in financial statement, carried the risk of non-reporting, under-reporting, short-reporting, omission and error in reporting of supplies that could lead to evasion or short payment of tax. It could also be a case of non-reporting of both taxable and exempted supplies.

Audit noticed (March 2022) in case of taxpayer having GSTIN 22AACCC1772C1ZB under the jurisdiction of Circle-8, Raipur that there was unreconciled turnover of ₹ 6,637.39 crore in table 5R of GSTR 9C.

On being pointed out, the Department replied (September 2023) that DRC 01 had been issued to the taxpayer. Further reply is awaited (May 2024).

²⁵ **GSTR-3B:** Monthly summary return of outward supplies and input tax credit claimed, along with payment of tax, to be filed by all registered persons except those specified under Section 39(1) of the Chhattisgarh GST Act, 2017. This is the return that populates the credit and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger

(c) ***Dimension-Mismatch in taxable turnover between Annual Return and Financial Statements in Table 7G of 9C***

Table 7 of GSTR 9C attempts to reconcile the turnover declared in audited annual financial statement with turnover declared in annual return GSTR 9. Column 7G of this table captures the unreconciled taxable turnover between the annual return GSTR 9, and that declared in the Financial Statement.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of CGGST Rules, 2017 in Form GSTR 9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in taxable turnover reported in the Annual Return *vis-à-vis* the Financial Statement. The unreconciled amount in cases, where the taxable turnover declared in GSTR 9 was less than that declared in financial statement, carried the risk of non-reporting, under-reporting, short-reporting, omission and error in reporting of supplies that could lead to evasion or short payment of tax. It could also be a case of non-reporting of both taxable and exempted supplies.

Audit noticed (March 2022) in case of taxpayer having GSTIN 22ABDFA0051D1ZG under the jurisdiction of Circle-5, Raipur that there was unreconciled turnover of ₹ 8.92 crore in table 7G of GSTR 9C.

On being pointed out, the Department replied (September 2023) that ASMT 10 had been issued to the taxpayer. Further reply is awaited (May 2024).

(d) ***Dimension-Mismatch in tax paid between books of accounts and tax payable in Annual Return in Table 9R of 9C***

Table 9R of the GSTR 9C attempts to reconcile the tax paid by segregating the turnover rate-wise and comparing it with the tax discharged as per annual return GSTR 9. The unreconciled amounts could potentially indicate tax levied at incorrect rates, incorrect depiction of taxable turnover as exempt or *vice versa* or incorrect levy of CGST/SGST/IGST. There can also be situations wherein supplies/tax declared are reduced through amendments (net of debit notes/credit notes) in respect of the 2017-18 transactions carried out in the subsequent year from April to September 2018.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of CGGST Rules, 2017 in Form GSTR 9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in tax paid between the Annual Return and the Financial Statement.

Audit noticed (March 2022) in case of taxpayer having GSTIN 22ADCPG7864R1Z2 under the jurisdiction of Circle-9, Raipur that there was unreconciled payment of tax of ₹ 3.99 crore in table 9R of GSTR 9C.

On being pointed out, the Department replied (September 2023) that ASMT 10 had been issued to the taxpayer. Further reply is awaited (May 2024).

(e) *Dimension-Mismatch between ITC availed in Annual Return and Financial Statements in Table 12F of 9C*

Table 12 of GSTR 9C reconciles the ITC declared in Annual Return GSTR 9 with the ITC availed as per audited Annual Financial Statement or Books of Accounts.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of CGGST Rules, 2017 in Form GSTR 9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in ITC availed between the Annual Return and Financial Statement.

Audit noticed (March 2022) in case of taxpayer having GSTIN 22AFAPK7491J1ZD under the jurisdiction of Circle-8, Raipur that there was unreconciled ITC of ₹ 0.61 crore in table 12F of GSTR 9C.

On being pointed out, the Department replied (September 2023) that DRC 01A had been issued to the taxpayer including interest and penalty for amount of ₹ 1.32 crore. Further reply is awaited (May 2024).

(f) *Dimension-Mismatch in ITC declared in Annual Return with expenses in Financial Statements in Table 14T of 9C*

Table 14 of GSTR 9C deals with expenses incurred by the taxpayer, which can be in the form of inputs, capital goods or services. These goods/ services procured may be taxable or exempted and procured from registered (forward charge) or unregistered persons (reverse charge). Table 14 reconciles the expenses incurred with the ITC availed, and any excess availing on account of ineligibility, blocked credits, composition scheme is highlighted in Table 14T.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of CGGST Rules, 2017 in Form GSTR 9C for the year 2017-18 was analyzed at data level to review the extent of identified mismatch in ITC availed and expenses incurred between the Annual Return and Financial Statement.

Audit noticed (March 2022) in case of taxpayer having GSTIN 22AABCB7575P2Z8 under the jurisdiction of Circle-5, Raipur that there was unreconciled ITC of ₹ 32.83 crore in table 14T of GSTR 9C.

On being pointed out, the Department replied (September 2023) that ASMT 10 has been issued.

(g) *Dimension-Mismatch in availing of ITC under RCM*

GSTR 3B is a monthly return in which summary of inward supplies liable to reverse charge along with input tax credit on reverse charge as well as import of services declared and payment of tax are self-declared by the taxpayer. GSTR 9 is an annual return to show the reverse charge liability in Table 4 and details of ITC in Table 6.

To analyze the veracity of availing/utilization of ITC, the relevant datasets pertaining to GSTR 3B and annual return GSTR 9 were compared to check whether the ITC availed on RCM was restricted to the extent of tax paid. The methodology adopted was to compare the RCM payments in GSTR 3B

Table 3.1(d) with ITC availed in GSTR 9 Table 6C, 6D and 6F. In cases where GSTR 9 was not available, the check was restricted within GSTR 3B where the tax discharged part in GSTR 3B Table 3.1(d) was compared with the ITC availing part 4A(2) and 4A(3) of GSTR 3B.

Audit noticed (March 2022) in case of taxpayer having GSTIN 22AALPI8478F2ZH under the jurisdiction of Circle-1, Korba that there was excess availing of ITC in respect of RCM of ₹ 0.81 crore, which is inclusive of interest and penalty.

On being pointed out, the Department replied (September 2023) that DRC 01 has been issued.

(h) *Dimension-Mismatch in availing of ITC under RCM without payment*

GSTR 3B is a monthly return in which summary of inward supplies liable to reverse charge along with ITC on reverse charge as well as import of services declared and payment of tax are self-declared by the taxpayer. GSTR 9 is an annual return to show the reverse charge liability in Table 4 and details of ITC in Table 6.

The extent of availing of ITC under RCM for the year 2017-18 without discharging equivalent tax liability or, in other words, short payment of tax under RCM was analyzed by comparing the datasets pertaining to GSTR 3B and Annual Return GSTR 9 to check whether the tax has been discharged fully on the activities/transactions under RCM. In cases where GSTR 9 was filed, the RCM payments in Table 4G were compared with ITC availed in Table 6C, 6D and 6F. In cases where GSTR 9 was not available, RCM payments in GSTR 3B Table 3.1(d) was compared with GSTR 3B 4(A)(2) and 4A(3).

Audit noticed (March 2022) in case of taxpayer having GSTIN 22AGMPR9677A1Z3 under the jurisdiction of Circle-1, Durg that there was excess availing of ITC in respect of RCM without payment of tax of ₹ 0.07 crore.

On being pointed out, the Department replied (September 2023) that DRC 13 has been issued.

(i) *Dimension-Excess availing of ITC*

GSTR 2A is a purchase related dynamic tax return that is automatically generated for each business by the GST portal, whereas GSTR 3B is a monthly return in which summary of outward supplies along with input tax credit declared and payment of tax are self-declared by the taxpayer.

To analyse the veracity of availing/utilisation of ITC, the relevant data sets were extracted from GSTR 3B and GSTR 2A for the year 2017-18 and the ITC paid as per suppliers' details was matched with the ITC availed by the recipient taxpayers. The methodology adopted was to compare the ITC available as per GSTR 2A with all its amendments and the ITC availed in GSTR 3B in table 4A (5)²⁶ considering the reversals in table 4B (2)²⁷ but

²⁶ All other eligible ITC

²⁷ Other ITC reversed

including the ITC availed in the subsequent year 2018-19 in table 8C of GSTR 9.

Audit noticed (March 2022) in case of taxpayer having GSTIN 22AAACP6317L1ZI under the jurisdiction of Circle-8, Raipur that the ITC available as per GSTR 2A was ₹ 0.93 crore (including reversal) whereas the ITC availed in table 4A (5) of GSTR 3B was ₹ 3.09 crore (including the ITC of ₹ 0.29 crore availed in the subsequent year 2018-19 in table 8C of GSTR 9). Thus, there was mismatch of ITC of ₹ 2.16 crore between ITC available and ITC availed.

On being pointed out, the Department replied (September 2023) that DRC 01A amounting to ₹ 4.71 crore including interest and penalty has been issued.

(j) *Dimension-Non/Short payment of interest on delayed payment of tax*

Section 50 of the CGGST Act, 2017, stipulates that every person liable to pay tax in accordance with the provisions of this Act or the rules made thereunder but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay interest at the rate notified.

The extent of short payment of interest on account of delayed remittance of tax during 2017-18 was identified using the tax paid details in GSTR 3B and the date of filing of this return. Only the net tax liability (cash component) was considered to work out the interest payable.

Audit noticed (March 2022) in case of taxpayer having GSTIN 22AABAC5137E2ZC under the jurisdiction of Circle-7, Raipur that GSTR 3B returns pertaining to different months of FY 17-18 were filed belatedly with delays which ranged between 32 to 140 days, on which interest of ₹ 7.67 crore was payable. Audit further noticed that no interest was paid by the taxpayer before issue of audit query. This resulted in short payment of interest of ₹ 7.67 crore.

On being pointed out, the Department replied (September 2023) that DRC 07 has been issued for amount of ₹ 7.68 crore, which includes interest and penalty. Further progress on recovery is awaited (May 2024).

(k) *Dimension-Incorrect availing of ISD credit*

As per Section 61 of the CGGST Act, 2017, various returns filed by the taxpayers must be scrutinized by the proper officer to verify the correctness of the returns, and suitable action has to be taken on any discrepancies or inconsistencies reflected in the returns.

To analyze whether the ITC availed by the taxpayer is not more than that transferred by the ISD, the ITC availed as declared in the returns of the taxpayer is compared with the ITC transferred by the ISD in their GSTR 6.

The methodology adopted was to compare GSTR 9 Table 6G or GSTR 3B Table 4(A) (4) of the taxpayer with the sum of Table 5A, Table 8A, and Table 9A of GSTR 6 of ISD.

Audit noticed (April 2022) in case of taxpayer having GSTIN 22AAACH7412G2Z2 under the jurisdiction of Circle-9, Raipur that ITC received from ISD was ₹ 0.82 crore whereas ITC distributed by the ISD was ₹ 0.57 crore amounting to excess availing of ITC of ₹ 0.25 crore by the taxpayer.

On being pointed out, the Department replied (September 2023) that ASMT-10 has been issued.

(I) *Dimension-Undischarged tax liabilities*

GSTR1 depicts the monthly details of outward supplies of Goods or Services. This detail is also assessed by the taxpayer and declared in annual return GSTR 9 in the relevant columns. Further, taxable value and tax paid thereof is also shown in the monthly return GSTR 3B.

To analyze the undischarged tax liability, relevant data sets were extracted from GSTR 1 and GSTR 9 for the year 2017-18 and the tax payable in these returns was compared with the tax paid as declared in GSTR 9. Where GSTR 9 was not available, a comparison of tax payable between GSTR 1 and GSTR 3B was resorted to. The amendments and advance adjustments declared in GSTR 1 and GSTR 9 were also considered for this purpose.

For the algorithm, tables 4 to 11 of GSTR 1 and tables 4N, 10 and 11 of GSTR 9 were considered. The greater of the tax liability between GSTR 1 and GSTR 9 was compared with the tax paid as reflected in tables 9 and 14 of GSTR 9 to identify the short payment of tax. In case of GSTR 3B, tables 3.1(a)²⁸ and 3.1(b)²⁹ were considered.

Audit noticed (March 2022) in case of taxpayer having GSTIN 22AAZFM0586A1ZA under the jurisdiction of Circle 4, Durg that the tax payable in table 4 to 11 of GSTR 1 was ₹ 1.14 crore and the tax payable declared in tables 3.1(a) & 3.1 (b) of GSTR 3B was 0. Thus, there was mismatch of tax liability of ₹ 1.14 crore between GSTR 1 and GSTR 3B.

On being pointed out, the Department replied (September 2023) that DRC 01A amounting to ₹ 8.64 crore, including tax, interest and penalty has been issued in the case.

5.1.8.3 *Analysis of causative factors*

Considering the Departments' response in 532 cases, the factors that caused the data deviations/inconsistencies are due to deviations from GST law and rules. Out of 532 deviations summarised in **Table 5.1.3** above, the Department accepted the audit observations or initiated examination in 202 cases with tax effect of ₹ 245.40 crore. Out of these cases, the Department recovered ₹ 3.88 crore in 31 cases (**Appendix 5.1.7 D**), issued notices in 76 cases for ₹ 61.90 crore (**Appendix 5.1.7 E**) and issued ASMT 10 in 95 cases for ₹ 179.62 crore (**Appendix 5.1.7 F**).

²⁸ Outward taxable supplies (other than zero rated, nil rated and exempted)

²⁹ Outward taxable supplies (zero rated)

5.1.8.4 Cases where Department's reply is not acceptable to Audit

Audit noticed (March 2022) ITC mismatch between GSTR 3B and GSTR 2A amounting to ₹ 0.51 crore in respect of GSTIN 22AACCK2650D1Z6, under the jurisdiction of Circle-1, Bilaspur. (*Appendix 5.1.7 G*)

On being pointed out, the Department replied (September 2023) that the taxpayer has reversed an amount of ₹ 0.62 crore. The reply of the Department is not acceptable as the amount in objection was arrived at by deducting the amount claimed to be reversed by the taxpayer from all other ITC and ITC of current year claimed in next financial year.

5.1.8.5 Data entry errors by taxpayers

The data entry error in 91 cases was exhibited which constituted 17.11 *per cent* of the total 532 responses received and 27.66 *per cent* of the 329 cases, where Departments' responses were accepted by the Audit. These data entry errors did not have any revenue implication. Most of the data entry errors relate to tax under RCM, ITC distributed by ISD, total turnover, taxable turnover and tax paid (*Appendix 5.1.7 A*).

An illustrative case is brought out below:

A deviation amounting to ₹ 183.14 crore was noticed (March 2022) as unreconciled turnover by the taxpayer having GSTIN 22AAABJ0250F1ZF under the jurisdiction of Circle-1, Durg.

On being pointed out, the Department replied (September 2022) that the deviation of turnover relates to interest income which falls under exempt category and due to clerical error, the amount was not mentioned in Table No. 5D of GSTR 9. The GSTN system allowed such data entry errors, which could have been avoided with proper validation controls.

5.1.8.6 Action taken before issue of audit queries

The Department had already taken action in 68 cases amounting to ₹ 69.22 crore (*Appendix 5.1.7 B*), constituting 12.78 *per cent* of the 532 cases.

As an illustration, Audit noticed (March 2022) in case of taxpayer having GSTIN 22AACCK0633Q1ZK under the jurisdiction of Circle-2, Korba that there was unreconciled ITC of ₹ 28.69 crore in table 12F of GSTR 9C.

On being pointed out, the Department replied (August 2022) that the claimed ITC has been reversed in GSTR 3B of August 2018.

5.1.9 Detailed Audit of GST returns

In a self-assessment regime, the onus of compliance with law is on the taxpayer. The role of the Department is to establish and maintain an efficient tax administration mechanism to provide oversight. With a finite level of resources, for an effective tax administration, to ensure compliance with law and collection of revenue, an efficient governance mechanism is essential. An IT driven compliance model enables maintaining a non-discretionary regime of governance on scale and facilitates a targeted approach to enforce compliance.

From an external audit perspective, Audit also focused on a data-driven risk-based approach. Thus, apart from identifying inconsistencies/deviations in GST returns through pan-State data analysis, a detailed audit of GST returns was also conducted as a part of this SSCA. A risk-based sample of 25 taxpayers was selected for this part of the SSCA. The methodology adopted was to initially conduct a desk review of GST returns and financial Statements filed by the taxpayers as part of the GSTR 9C and other records available in the back-end system to identify potential risk areas, inconsistencies/deviations and red flags. Desk review was carried out in office of the PAG (Audit) Chhattisgarh. Based on desk review results, detailed audit was conducted in field formations of State Taxation Department by requisitioning corresponding granular records of taxpayers such as financial ledgers, invoices etc. to identify causative factors of the identified risks and to evaluate compliance by the taxpayers.

As brought out in the previous paragraphs, detailed audit involved a desk review of GST returns and other basic records to identify risks and red flags, which were followed up by field audit to identify the extent of non-compliance by taxpayers and action taken by the field formations of Taxation Department. Non-compliance by taxpayers at various stages ultimately impacts the veracity of returns filed, availing/utilisation of ITC and discharge of tax payments. The audit findings of Detailed Audit are therefore categorized under three sub-categories, which are discussed in succeeding paragraphs.

- Returns
- Availing/Utilisation of ITC
- Discharge of tax liability.

The Department provided access through the GST portal application-the back-end system of the State Tax Department (boweb) to Audit in its premises. Audit teams downloaded various returns of selected samples of taxpayers for verification of returns.

Scope limitation:

In spite of requisition and follow up, the assessment circles did not produce any taxpayer's granular records in five cases out of selected 25 cases (20 *per cent*) identified using a risk-based approach. Consequently, in these cases audit was restricted to the information available in the returns filed by the taxpayers. The jurisdiction wise non- production of records is given in **Table 5.1.5**.

Table 5.1.5: Non-production of records

Jurisdiction	Sample of taxpayers	Number of taxpayers not produced the records/reply
AC, Circle-1, Raipur	1	1
AC,Circle-3, Raipur	2	1
AC, Circle-7, Raipur	4	3
Total	7	5

Non-production of records in above five cases involves mismatch of ITC/Tax liability of ₹ 10.67 crore (**Appendix 5.1.8**). In these cases, even the basic

records such as financial statements, GSTR 9C etc. were not produced and hence could not be audited.

On being pointed out (September 2022 to December 2022) in audit, The Department replied (September 2023) that ASMT 10 is being issued in three³⁰ cases of ₹ 8.86 crore and further proceedings are under process in two³¹ cases. Further reply is awaited (May 2024).

5.1.9.1 Returns

The detailed audit of returns exhibited non-payment of interest on belated payments of tax, data entry errors, non-filing of GSTR 3B etc. which are given below:

(a) Non-payment of interest

Section 50 of the CGGST Act, 2017 stipulates that every person liable to pay tax in accordance with the provisions of this Act or Rules made thereunder but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay interest at the rate notified.

The extent of short payment of interest on account of delayed remittance of tax during 2017-18 was identified using the tax paid details in GSTR 3B and the date of filing of the GSTR 3B. Only the net tax liability has been considered to work out the interest payable.

Audit observed in 11 cases out of selected 25 cases (44 *per cent*) that taxpayers had either filed their returns belatedly causing delayed payment of tax liability or had erroneously availed/utilised excess ITC, which were paid back but the interest of ₹ 0.28 crore was not paid (**Appendix 5.1.9**).

On being pointed out (September 2022 to December 2022) in audit, the Circle offices replied that interest of ₹ 0.04 crore had been paid in eight³² cases and ASMT 10 is being issued in the remaining three³³ cases. Further reply is awaited (May 2024).

An illustrative case is featured below:

On scrutiny of GSTR 3B returns for the period July 2017 to March 2018 of a taxpayer having GSTIN 22AAACB8316K1ZV under Circle-7, Raipur, it was noticed that the due tax has been paid with delay ranging from 20 to 356 days. However, the interest of ₹ 0.19 crore on delayed payment of tax liability was not paid by the taxpayer.

On being pointed out (November 2022), the Department replied (September 2023) that ASMT 10 is being issued. Further reply is awaited (May 2024).

³⁰ AC Circle-7 Raipur (GSTIN:22AAECG3780C1Z1, 22AAACB8316K1ZV, 22AAACU5552C1ZT)

³¹ AC Circle-1 Raipur (GSTIN:22AAJCS4517L1Z8) and AC Circle 3 Raipur (GSTIN:22AACCR7832C1ZR)

³² AC Circle Manendragarh:2 cases, AC Circle-2 Raipur, AC Circle-4 Raipur, AC Circle-8 Raipur, AC Circle-9 Raipur:2 cases and AC Circle-2 Raigarh.

³³ AC Circle-7 Raipur:2 cases and AC Circle-9 Raipur

(b) Non/Short payment of late fee in delayed filing of GSTR 3B returns

Section 47(1) of CGGST Act, 2017 stipulates that any registered taxable person who fails to furnish returns required under Section 39 or 45 by the due date, shall be liable to pay late fee of ₹ 100 for every day during which such failure continues subject to a maximum amount of ₹ 5000. Further, vide notification No. 64/2017-CT dated 15 November 2017, late fee was reduced to ₹ 20 per day for taxpayers having tax payable as NIL and ₹ 50 per day for other taxpayers.

Audit observed in nine cases out of selected 25 cases (36 per cent), that taxpayers had filed the said returns with delay ranging from 1 to 460 days for individual months for the tax period 2017-18. Hence, the taxpayers were liable to pay late fee of ₹ 1.19 lakh on these delayed filing of returns (*Appendix 5.1.10*).

On being pointed out (October 2022 to January 2023) in audit, the Circle offices replied that six³⁴ taxpayers had paid late fee of ₹ 0.30 lakh at the instance of audit. The Department replied (September 2023) that ASMT 10 is being issued in two³⁵ cases and further action in one³⁶ case is under process. Further reply is awaited (May 2024).

(c) Data Entry Errors

Audit observed in four cases out of selected 25 cases (16 per cent), that the taxpayer had made data entry error involving ₹ 4.76 crore (*Appendix 5.1.11*) while filing the GST returns. The errors were committed by the taxpayers mainly in the areas like taxable values, tax liability etc. in GSTR 1/GSTR 3B, tax payments in GSTR 1/GSTR 3B and ITC availed.

An illustrative case is featured below:

On scrutiny of the GSTR 3B and GSTR 9 returns, Audit observed that a taxpayer having GSTIN 22AAECD4619B2Z9 under Circle-2, Korba had shown excess availing of ITC of ₹ 1.33 crore in Electronic Credit Ledger than that of (Table 6J of GSTR 9) declared in Annual Return.

On being pointed out (December 2022) in audit, the Department replied (December 2022) that by mistake the taxpayer had reported ITC on import of goods and ITC under RCM as ₹ 3.18 crore instead of ₹ 4.51 crore.

5.1.9.2 Availing/Utilisation of ITC

ITC means the GST paid by a taxable person on purchase of goods and/or services that are used in the course or furtherance of business. To avoid the cascading effect of taxes, credit of taxes paid on input supplies can be used to set-off the payment of taxes on outward supplies.

Section 16 of the CGGST Act, 2017, allows availing of ITC on any supply of goods or services or both which are used or intended to be used in the course or furtherance of business.

³⁴ AC Circle Dhamtari, AC Circle-2 Jagdalpur, AC Circle-7 Raipur, AC Circle-9 Raipur:2 cases and AC Circle Rajnandgaon.

³⁵ AC Circle-7 Raipur:2 cases

³⁶ AC Circle-3 Raipur

Audit findings and mismatches noticed relating to excess availing of ITC, availing of ineligible ITC, non/short reversal of ITC and unreconciled ITC are given below:

(a) Excess availing of ITC

I. Cases in which granular records not received

Audit observed in five cases out of selected 25 cases (20 *per cent*), mismatch of availing of ITC of ₹ 1.71 crore which could not be examined in detail due to non-furnishing of granular records (*Appendix 5.1.12*).

The data were extracted from GSTR 9/GSTR 3B and GSTR 2A, and the ITC paid as per suppliers' details was matched with the ITC credit availed by the taxpayer and compared with the ITC available as per GSTR 2A with all its amendments and the ITC availed in GSTR 3B in Table 4A (5) considering the reversals in Table 4B (2) also including the ITC availed in the subsequent year 2018-19 from Table 8C of GSTR 9.

On being pointed out (September 2022 to January 2023) in audit, the Department replied (September 2023) that ASMT 10 is being issued in three cases and the same has been issued in one case. Action in the remaining one case is under process. Further reply is awaited (May 2024).

An illustrative case is featured below:

A taxpayer having GSTIN 22AAJCA1886E1ZV under Circle-Manendragarh, the ITC value as on the date of audit (December 2022) in GSTR 2A for the period of 2017-18 was ₹ 3.64 crore whereas ITC availed in GSTR 3B for the period of 2017-18 was ₹ 4.84 crore. Thus, there was an excess availing of ITC of ₹ 1.19 crore.

On being pointed out (December 2022), the Department replied (September 2023) that ASMT 10 had been issued. Further reply is awaited (May 2024).

II. Cases in which granular records received

Audit observed in one case out of selected 25 cases (4 *per cent*), an excess availing of ITC of ₹ 0.56 crore, where a taxpayer having GSTIN 22AUHPS9016R1ZY under Circle-9, Raipur had ITC value in GSTR 2A for the period of 2017-18 along with other than GSTR 2A being ₹ 2.58 crore whereas table (6B+8C-7H) of GSTR 9 for the period of 2017-18 was showing an ITC value of ₹ 3.14 crore. Thus, there was an excess availing of ITC of ₹ 0.56 crore.

On being pointed out (October 2022) in audit, the Department replied (September 2023) that ASMT 10 is being issued. Further reply is awaited (May 2024).

(b) Availing of ineligible ITC

Cases in which granular records received

Audit observed (December 2022) in one case out of selected 25 cases (4 *per cent*), where taxpayer had availed ineligible ITC of ₹ 0.30 crore. The deficiency was on account of availing of ITC on supply of goods and services not used in furtherance of business as detailed below:

The taxpayer having GSTIN 22DKRPK4609F1Z5 under Circle-Ambikapur, had a wide variation in ITC availed on inward supply and tax-paid with respect to outward supply. On enquiry (21 December 2022), the Circle office stated (22 December 2022), that the nature of business of the taxpayer is Transportation and Handling contractor. The Transportation business has GST on RCM basis whereas Handling business has GST on normal basis.

Audit further noticed from the granular records that the taxpayer had availed ITC of ₹ 0.30 crore in respect of capital goods and input to capital goods exclusively used in relation to GTA service on which tax liability had been discharged by service receiver on RCM basis. Hence, the availing of ITC was irregular.

On being pointed out (26 December 2022), the Circle Officer replied (December 2022) that the taxpayer had reversed the ineligible ITC of ₹ 0.30 crore through DRC 03 dated 26 December 2022 in response to instant query. However, the Department replied (September 2023) that recovery was in response to ASMT 10 (relating to ITC difference between GSTR 3B and GSTR 2A for the year 2017-18) issued during the scrutiny of returns by the Department and it was also noticed by audit that the taxpayer did not mention the details of SCN and the reasons thereof in DRC 03. Hence, the same may be reconciled.

(c) *Non/Short reversal of ITC*

Section 17(2) of the CGGST Act, 2017, read with Rule 42 and 43 of the CGGST Rules, 2017, states that where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies and partly for effecting exempt supplies, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies.

I. Cases in which granular records not received

Audit observed in four cases out of selected 25 cases (16 *per cent*), non/short reversal of ITC of ₹ 1.68 crore availed for nil rated/exempted supply (*Appendix 5.1.13*).

On being pointed out (November 2022) in audit, the Department replied (September 2023) that ASMT 10 is being issued in all the cases. Further reply is awaited (May 2024).

An illustrative case is featured below:

On scrutiny of returns of a taxpayer having GSTIN 22AAACU5552C1ZT under Circle-7, Raipur, Audit noticed that the taxpayer had total turnover of ₹ 365.21 crore and exempted turnover of ₹ 61.92 crore. The taxpayer had also availed ITC of ₹ 12.85 crore. By applying Rule 42 of CGGST Rules, 2017, the taxpayer had to reverse ITC of ₹ 2.18 crore but actually reversed ITC of ₹ 0.72 crore. Thus, there was short reversal of ITC of ₹ 1.46 crore in lieu of common inputs for taxable and nil/exempted supplies.

On being pointed out (November 2022) in audit, the Department replied (September 2023) that ASMT 10 is being issued. Further reply is awaited (May 2024).

II. Cases in which granular records received

Audit observed in one case out of selected 25 cases (4 *per cent*), that taxpayer had not reversed ITC of ₹ 0.94 crore due to incorrect application of Rule 42 of CGGST Rules, 2017 as detailed below:

On scrutiny of returns and granular records Audit noticed that a taxpayer having GSTIN 22AAECA9783D2ZP under Circle-7, Raipur had total turnover of ₹ 341.03 crore and exempted turnover of ₹ 58.61 crore. The taxpayer had also availed common ITC of ₹ 4.27 crore. By applying Rule 42 of CGGST Rules, 2017, the taxpayer had to reverse ITC of ₹ 0.94 crore but did not reverse any ITC. Thus, there was non-reversal of ITC of ₹ 0.94 crore in lieu of common inputs for taxable and nil/exempted supplies.

On being pointed out (November 2022) in audit, the Department stated (December 2022) that the taxpayer had reversed ITC of ₹ 0.94 crore through DRC 03 dated 14 December 2022.

(d) Unreconciled ITC as per Table 12F of GSTR 9C

Cases in which granular records not received

Audit observed in one case out of selected 25 cases (4 *per cent*), regarding taxpayer having GSTIN 22AACCR7832C1ZR under Circle-3, Raipur, mismatch in ITC of ₹ 0.32 crore availed between the Annual Return and the Financial Statements.

On being pointed out (October 2022) in audit, the Department replied (September 2023) that action in the case is under process. Further reply is awaited (May 2024).

5.1.9.3 Discharge of tax liability

Section 9 of the CGGST Act, 2017, is the charging section authorizing levy and collection of tax called State/Centre Goods and Services Tax on all intra-state supplies of goods or services or both, except on supply of alcoholic liquor for human consumption, on value determined under section 15 of the Act *ibid* and at such rates not exceeding 20 *per cent* under each Act, i.e., CGST Act and CGGST Act. Section 5 of the IGST Act, 2017, vests levy and collection of IGST on inter-state supply of goods and services with Central Government with maximum rate of 40 *per cent*.

Under Section 8 of the Goods and Services Tax (Compensation to States) Act 2017, a cess is levied on all inter-state and intra-state supply of such goods or services or both which are listed in the schedule of the said Act such as tobacco products, aerated drinks, cigarettes, vehicles etc. Section 9(3) and 9(4) of the CGGST Act, 2017 and Sections 5(3) and 5(4) of the IGST Act, 2017 provide for levy of tax on RCM basis on certain goods or services, wherein the recipient instead of supplier becomes liable to pay tax.

Audit findings and mismatches noticed related to discharge of tax liabilities are given below:

(a) Short payment of tax**I. Cases in which granular records not received**

Audit observed in three cases out of selected 25 cases (12 *per cent*), mismatch of tax payable and tax paid other than RCM of ₹ 6.74 crore (*Appendix 5.1.14*).

On being pointed out (October 2022 to November 2022) in audit, the Department replied (September 2023) that ASMT 10 is being issued in two cases and in remaining one case proceeding is under process. Further reply is awaited (May 2024).

An illustrative case is featured below:

A taxpayer having GSTIN 22AAACB8316K1ZV under Circle-7, Raipur, had a mismatch between tax liability in GSTR 1 of ₹ 2.84 crore and tax payment in GSTR 9 of ₹ 1.44 crore for the period of 2017-18 which resulted in short payment of tax amounting to ₹ 1.40 crore.

On being pointed out (November 2022) in audit, the Department replied (September 2023) that ASMT 10 is being issued. Further reply is awaited (May 2024).

II. Cases in which granular records received

Audit observed in three cases out of selected 25 cases (12 *per cent*) compliance deficiencies amounting to ₹ 2.35 crore (including interest of ₹ 1.07 crore) relating to short payment of tax liability. (*Appendix 5.1.15*).

On being pointed out (September 2022 to January 2023) in audit, the Circle offices intimated the recovery of ₹ 0.02 crore in two cases at the instance of audit and in remaining one³⁷ case the Department replied (September 2023) that ASMT 10 has been issued. Further reply is awaited (May 2024).

An illustrative case is featured below:

A taxpayer having GSTIN 22AAHCS4137L1ZA under Circle-2, Jagdalpur, had a mismatch between tax liability (Table 4N-4G+10-11 of GSTR 9) of ₹ 2.32 crore and tax payment (Table 9+14 of GSTR 9) of ₹ 1.06 crore for the period of 2017-18 which resulted in short payment of tax of ₹ 1.26 crore along with interest of ₹ 1.07 crore.

On being pointed out (January 2023) in audit, the Department replied (September 2023) that ASMT 10 has been issued. Further reply is awaited (May 2024).

(b) Unreconciled tax payment declared between Annual Returns and Financial Statements (Table 9R of GSTR 9C)

Table 9R of GSTR 9C captures reconciliation between tax payment declared in Annual Return GSTR 9 and audited Annual Financial Statements.

³⁷ AC Circle-2 Jagdalpur (GSTIN:22AAHCS4137L1ZA)

I. Cases in which granular records not received

Audit observed in two cases out of selected 25 cases (8 *per cent*), mismatch in tax paid between books of accounts and returns captured in table 9R of GSTR 9C amounting to ₹ 1.41 crore (*Appendix 5.1.16*).

On being pointed out (between September 2022 and November 2022) in audit the department replied (September 2023) that ASMT 10 is being issued in one case and in rest one case proceeding is under process. Further reply is awaited (May 2024).

An illustrative case is featured below:

A taxpayer having GSTIN 22AAACB8316K1ZV under Circle-7, Raipur, had a mismatch in tax paid between books of accounts and returns captured in table 9R of GSTR-9C amounting to ₹ 1.37 crore.

On being pointed out (November 2022) in audit, the Department replied (September 2023) that ASMT 10 is being issued. Further reply is awaited (May 2024).

II. Cases in which granular records received

Audit observed in one case out of selected 25 cases (4 *per cent*), a taxpayer having GSTIN 22AUHPS9016R1ZY under Circle-9, Raipur, had not paid tax amounting to ₹ 0.48 crore under RCM which is recoverable along with interest of ₹ 0.40 crore.

On being pointed out (October 2022) in audit, the department replied (September 2023) that ASMT 10 is being issued. Further reply is awaited (May 2024).

Recommendation No.3: The Department may ensure remedial action for noticed compliance deviations.

5.1.10 Conclusion

The SSCA on Department Oversight on GST Payments and Return Filing was undertaken in the context of varying trend of return filing and continued data inconsistencies with an objective of assessing the adequacy of the system in monitoring return filing and tax payments, extent of compliance and other Departmental oversight functions.

This SSCA was predominantly based on data analysis, which highlighted risk areas, red flags and in some cases, rule-based deviations and logical inconsistencies in GST returns filed for 2017-18. The SSCA entailed assessing the oversight functions of State Tax Department at two levels viz. at the data level through global data queries and at the functional level with a deeper detailed audit both of the circles and of the GST returns, which involved accessing taxpayer records. The audit sample therefore comprised 10 circles, 532 high value inconsistencies across 13 parameters selected through global queries and 25 taxpayers selected on risk assessment for detailed audit of GST returns for the year 2017-18.

The Department, after formulating in March 2022 a SOP for scrutiny of returns, has recently commenced scrutiny of returns for the year 2017-18. Until then, scrutiny of returns by the department was not done in an effective

way. A review of records of 10 GST Circles disclosed slow pace of scrutiny of returns or non-initiation of scrutiny of returns, inadequate follow-up on non-filing of GSTR 10 and delay in cancellation of registration.

Further, out of the 532 high value data inconsistencies identified by audit, the Department responded to all the cases. Of these, 203 cases constituting 38.15 per cent, turned out to be compliance deficiencies with a revenue implication of ₹ 245.91 crore. A relatively higher rate of deficiencies was noticed in short/non-payment of interest, ITC mismatch, excess RCM ITC availed and short payment of tax. While data entry errors caused the inconsistencies in 17.11 per cent of the cases, in 12.78 per cent of the cases the Department had already taken proactive action.

Detailed audit of GST returns also suggested significant non-compliance. At the outset, essential records such as financial statements, GSTR 9C, GSTR 2A and other requisitioned granular records were not produced in five cases, out of a sample of 25 taxpayers which constituted a significant scope limitation. These cases represent a potential risk exposure of ₹ 10.67 crore towards identified mismatches in ITC availment and tax payments. Returns/granular records of 20 taxpayers were audited and audit observed 28 compliance deficiencies with a revenue implication of ₹ 6.53 crore. The main causative factors were availing of ineligible, excess ITC and non/short reversal of ITC, short payment of tax and non/short payment of interest/late fee.

Considering the significant rate of compliance deficiencies, the Department must initiate remedial measures before they get time barred. From a systemic perspective, the Department needs to strengthen the quality of documentation and reinforce the institutional mechanism in the Circles to establish and maintain effective oversight on return filing, taxpayer compliance, tax payments, cancellation of registrations and recovery of dues from defaulters.

5.1.11 Recommendations

1. *The Department may ensure the scrutiny of returns in a time bound manner before the cases became time barred.*
2. *The Department may monitor the status of cancellation of registration and action taken thereon in consonance with the provisions of the Act to check undischarged tax liabilities.*
3. *The Department may ensure remedial action for noticed compliance deviations.*