

Overview

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This Report contains a Subject Specific Compliance Audit (SSCA) titled ‘Department’s Oversight on GST Payments and Return Filing – Stage-II’, a Performance Audit titled ‘E-Waybill System under Goods and Services Tax’ and 15 observations covering compliance issues under Tax Revenue Departments involving money value of ₹ 2,202.45 crore¹.

Chapter-I: General

The total receipts of the State Government for the year 2022-23 were ₹ 87,615.60 crore. The Government raised ₹ 48,475.11 crore comprising tax revenue of ₹ 42,243.17 crore and non-tax revenue of ₹ 6,231.94 crore. The State Government received ₹ 17,163.65 crore as State’s share of divisible Union taxes and ₹ 21,976.84 crore as Grants-in-aid from the Government of India.

The five-year trend of revenue receipts shows that the share of State’s own revenue to total receipts decreased from 62.88 *per cent* in 2018-19 to 55.33 *per cent* in 2022-23. While share of net proceeds of divisible Union taxes and duties slightly increased from 19.28 *per cent* in 2018-19 to 19.59 *per cent* in 2022-23, the Grants-in-Aid increased from 17.84 *per cent* (₹ 11,107.37 crore) in 2018-19 to 25.08 *per cent* (₹ 21,976.84 crore) in 2022-23. During the year 2022-23, the State Government raised 55.33 *per cent* (₹ 48,475.11 crore) of the total revenue receipts (₹ 87,615.60 crore). Remaining 44.67 *per cent* (₹ 39,140.49 crore) of the receipts was from the Government of India as share of net proceeds of divisible Union taxes and duties and Grants-in-Aid. Overall, the State’s own revenue has increased during the last two financial years. During the year 2022-23, Grant-in-Aid increased by 5.82 *per cent* in comparison to the preceding year. At the same time, the tax revenue increased by 13.17 *per cent* and non-tax revenue increased by 30.27 *per cent* in comparison to the preceding year, showing an increase in the State’s own receipts to total receipts.

(Paragraph 1.2, Page 1)

Test check of 133 audited units brought out issues of under assessment, short or non-levy of taxes and duties involving revenue aggregating ₹ 266.61 crore in 70,566 cases. The Departments recovered ₹ 19.03 crore in 800 cases during 2022-23, out of which 797 cases involving ₹ 19.01 crore were pointed out in the audits conducted prior to 2022-23.

(Paragraph 1.4, Page 11)

¹ **Chapter-II: ₹ 2,065.11 crore** (*Limited Audit*: Recovered - ₹ 2.14 crore, SCN issued - ₹ 1,472.75 crore, ASMT-10 - ₹ 49.78 crore; *Detailed Audit*: Recovered – ₹ 0.55 crore, SCN issued – ₹ 333.18 crore, ASMT-10 – ₹ 206.71 crore)
Chapter-III: ₹ 120.18 crore
Chapter-IV: ₹ 17.16 crore

In the tax revenue Departments, 133 Inspection Reports were issued to Heads of Departments against the units audited during 2022-23, out of those, Audit did not receive reply for 127 Inspection Reports within the stipulated time of four weeks. Further, the Inspection Reports issued for the years up to March 2023 revealed that 10,867 observations involving ₹ 4,298.17 crore relating to 2,426 Inspection Reports remained outstanding at the end of June 2023.

(Paragraph 1.5, Page 11)

In two audit committee meetings held with the Department of Revenue, Rehabilitation and Disaster Management, and the Department of Transport, 13 observations involving money value of ₹ 0.11 crore pertaining to the Department of Revenue, Rehabilitation and Disaster Management were settled.

(Paragraph 1.5.1, Page 12)

Chapter-II: Department's Oversight on GST Payments and Return Filing (Stage-II)

The Subject Specific Compliance Audit 'Department's Oversight on GST Payments and Return Filing (Stage-II)' was conducted in three parts *viz.* 'Circle Audit', 'Centralised Audit' and 'Detailed Audit'.

'Circle Audit' highlighted that documentation for essential oversight functions of Circles such as monitoring of return filing, taxpayer compliance, etc. was not proper. Further, audit examination of scrutiny cases in audited Circles brought out instances of non-payment of tax, non-payment of interest and inadmissible input tax credit. From a systemic perspective, the Department needs to strengthen 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 the defaulters.

'Centralised Audit' of 366 cases, which translated into 654 instances, brought out deviations involving ₹ 32,153.78 crore as a result of risk based analysis of datasets of taxpayers. The Department's responses were received in 642 instances. Out of responses received, 326 instances (50.78 *per cent*) involving ₹ 1,646.00 crore translated into compliance deviations, where the Department accepted inconsistencies in 36.60 *per cent* deviations with recoveries of ₹ 2.14 crore in 33 instances, issued show cause notices amounting to ₹ 1,472.75 crore in 184 instances and issued ASMT-10 in 18 instances involving ₹ 49.78 crore to seek the taxpayers' reply. In these instances, higher rates of deviations were noticed in risk areas such as input tax credit mismatch, input tax credit availed after limitation period, undischarged tax liability, short/non-payment of interest on delayed payment of tax and non-filing of GSTR-3B. Additionally, 85 instances involving ₹ 115.83 crore were

under correspondence with the taxpayers. In six instances amounting to ₹ 5.50 crore, the Department's replies were not acceptable to the Audit and further clarification was sought. 24 instances involving ₹ 61.54 crore were under examination by the Department. In eight instances amounting to ₹ 47.66 crore (including mismatch of turnover), the Department did not accept the deviations pointed out by Audit but did not provide any documentary evidence in support of its reply. In 284 instances (44.24 *per cent*), where the Department's reply was acceptable to Audit, data entry errors by taxpayers comprised 22 instances, the Department had proactively taken action in 44 instances, and in 218 instances, the Department had valid explanations. Further in 12 cases involving ₹ 51.44 crore, the reply of the Department was not received.

'Detailed Audit' of 70 cases brought out compliance deficiencies in 61 cases involving 393 instances with a revenue implication of ₹ 3,250.60 crore, which includes non-payment of interest of ₹ 0.49 crore, mismatch of turnover of ₹ 68.65 crore and mismatch in input tax credit/tax liability of ₹ 3,181.46 crore. Out of these, deficiencies involving ₹ 540.44 crore in 210 instances were accepted by the Department including recoveries of ₹ 0.55 crore in 19 instances. The main causative factors were availing of ineligible and irregular input tax credit, and incorrect discharge of tax under reverse charge mechanism as well as forward charge mechanism.

Recommendations:

- The Department may reinforce mechanism for initiation and monitoring of scrutiny of returns cases to avoid revenue leakage.
- The Department may reinforce the institutional mechanism in the Circles to:
 - establish and maintain effective oversight on returns filing and action taken on non-filers; and
 - maintain effective oversight on timely cancellation of GST registrations on application.

(Paragraph 2.1 to 2.9, Page 17)

Chapter-III: E-Waybill System under Goods and Services Tax

The performance audit of the 'E-Waybill System under Goods and Services Tax' brought out observations involving financial implications of ₹ 120.18 crore. The audit focused on two key issues: (i) the effectiveness of e-Waybill mechanism and (ii) the effectiveness of preventive and enforcement activities.

The audit examination of effectiveness of e-Waybill mechanism brought out shortcomings in design of the e-Waybill system, due to which e-Waybill

system permitted generation of inter-State e-Waybills by the composition taxpayers, whereas as per GST provisions, the taxpayers making inter-State supplies were not eligible for composition scheme. Moreover, the taxpayers exceeding the prescribed threshold limit of turnover were required to be brought out of composition scheme and pay tax as normal taxpayer but there was lack of co-ordination between the e-Waybill system and GSTN portal, due to which even those composition taxpayers were able to generate e Waybills, whose turnover had exceeded threshold limit and the taxpayers continued business activities as composition taxpayer. Further, the e-Waybill system allowed generation of e-Waybills by non-filers and nil filers of the GST return. The nil filers were able to pass on the input tax credit to the purchaser taxpayers in GSTR-1 returns, whereas these taxpayers had not paid tax in GST returns. The e-Waybill system also allowed generation of multiple e-Waybills on the strength of single invoice. Moreover, e-Waybill system lacked efficient use of Vahan data as it was unable to identify the risky vehicles prior to generation of e-Waybills despite being mapped to Vahan data and it allowed generation of e-Waybills using such vehicles which were stolen, scrapped, surrendered, cancelled or suspended as per information available on Vahan.

Audit examination of efficacy of preventive and enforcement activities of the Department brought out several shortcomings. It was seen that the targets for conducting verifications of e-Waybills were not fixed in State Intelligence Preventive Units. Further, State Intelligence Preventive Units were not utilising the analytical reports on risky transactions being generated by National Informatics Centre for use by tax officers of the Centre and States. Further, it was observed that detained goods and conveyances were released by proper officers without realising tax and penalty in Government accounts by debiting electronic cash ledger and release orders were issued after the persons deposited demanded amount of tax and penalty in electronic cash ledger. Moreover, there was a lack of intra-Department and inter-Department coordination as information related to offences noticed by proper officers of State Intelligence Preventive Units during interception of conveyances was not shared with the concerned jurisdictional tax officers. Audit also observed from e-Waybill transactions that unregistered persons had made supplies in excess of a threshold limit of ₹ 40 lakh, beyond which GST registration was mandatory. In some cases, supplies were made as per interception records available with State Intelligence Preventive Units but taxpayers concerned did not report such supplies in their GSTR-1 returns.

Recommendations:

- The e-Waybill system may be designed to efficiently use the taxpayer's information available on GSTN and implement the requirements of GST provisions;

- The Department may consider including suitable validation controls in e-Waybill system to prevent use of same invoice for generation of multiple e-Waybills;
- The analytical reports generated by National Informatics Centre on risky e-Waybill transactions may be utilised by Departmental officers for identifying probable cases of tax evasion;
- Proper Officers in State Intelligence Preventive Units may be instructed to ensure that detained goods or conveyances are released only after the payments against demands are realised into the Government treasury; and
- The Department may consider incorporating validation control in e-Waybill system to prevent generation of e-Waybills of more than threshold limit, where the suppliers were unregistered persons.

(Paragraph 3.1 to 3.13, Page 59)

Chapter-IV: Compliance Audit Observations (Tax-Revenue Departments)

The Assessing Authorities under 10 Assistant Commissioners of State Tax raised additional demand of ₹ 12.92 crore in 20 assessment cases due to non-submission of statutory declarations but did not levy interest of ₹ 5.13 crore.

(Paragraph 4.1, Page 104)

The Assessing Authorities under Assistant Commissioners of State Tax, Ludhiana-I and Ludhiana-III allowed input tax credit of ₹ 2.96 crore on suspected/doubtful purchases in two cases.

(Paragraph 4.2, Page 106)

The Assessing Authority under Assistant Commissioner of State Tax, Ferozepur allowed irregular concession of Central Sales Tax of ₹ 0.68 crore in one assessment case without ensuring that 'C' forms were genuine.

(Paragraph 4.3, Page 108)

The Joint Sub-Registrar, Sahnewal granted irregular remission of ₹ 2.76 crore on account of Stamp Duty, Registration Fee, Social Infrastructure Cess, Infrastructure Development Fee and Special Infrastructure Development Fee on 48 instruments of sale of immovable properties registered in favour of Municipal Corporation, Ludhiana.

(Paragraph 4.10, Page 115)

Ten Sub-Registrars/Joint Sub-Registrars short-levied Stamp Duty, Registration Fee, Infrastructure Development Fee and Special Infrastructure Development Fee of ₹ 1.95 crore in 26 cases due to misclassification of properties.

(Paragraph 4.11, Page 116)

The Joint Sub-Registrar, Majri short-levied Stamp Duty, Registration Fee, Social Infrastructure Cess, Infrastructure Development Fee and Special Infrastructure Development Fee of ₹ 1.11 crore on 'agreements to sell' evidencing delivery of possession of the properties.

(Paragraph 4.12, Page 117)

The Sub-Registrar, Jalandhar-I did not levy Stamp Duty, Social Infrastructure Cess, Infrastructure Development Fee and Special Infrastructure Development Fee of ₹ 0.90 crore on power of attorney authorising developer for sale of immovable property in lieu of consideration.

(Paragraph 4.13, Page 119)