

Overview

This Report is structured in three chapters and contains significant results of one Performance Audit on “**Electronic Waybills System under Goods and Services Tax**” and Subject Specific Compliance Audit (SSCA) on “**Department’s oversight on Goods and Services Tax payments and Returns filing**”.

Chapter I

This chapter presents the planning and extent of audit and a brief analysis on the revenue of departments along with responses of Government to the Audit Inspection Reports/Audit Reports.

Total receipts of the Government of Chhattisgarh for the year 2022-23 were ₹ 93,877.13 crore. The revenue raised by the State Government amounted to ₹ 48,370.54 crore comprising tax revenue of ₹ 33,122.30 crore and non-tax revenue of ₹ 15,248.24 crore. The receipts from Government of India were ₹ 45,506.59 crore (States’ share of divisible Union taxes: ₹ 32,358.26 crore and Grants-in-aid: ₹ 13,148.32 crore). Thus, the State Government’s own contribution was 52 *per cent* of the total revenue.

(Paragraph 1.2)

Arrears of revenue of ₹ 8,585.80 crore were outstanding in six departments (Mining, Excise, Transport, Electricity, Registration and Taxes on sales, trade etc.) of the State. Out of the total arrears, ₹ 4,371.29 crore were outstanding for more than five years. Four departments viz., Forest, Public Works, Land Revenue and Water Resources did not respond and therefore information on arrears of revenue could not be included in the Report.

(Paragraph 1.4)

The Public Accounts Committee (PAC) discussed 221 paragraphs and recommendations on 141 paragraphs were given. Actions Taken Notes (ATN) in respect of 75 paragraphs have not been received.

(Paragraph 1.5.1)

Analysis of IRs issued up to 31 March 2023, revealed that 10,401 paragraphs relating to 2,377 IRs issued between 1994-95 and 2022-23 remained outstanding at the end of April 2024. Out of 92 IRs issued during 2022-23, Audit did not receive even the first reply in respect of 43 IRs (46.74 *per cent*) from the Heads of Offices.

(Paragraph 1.5.2)

Chapter II

This chapter deals with the findings of Performance Audit (PA) on “Electronic waybills system under goods and services tax”. Significant results of audit that featured in this chapter are summarized below:

Performance Audit on “Electronic waybills system under goods and services tax”

Audit noticed deficiencies in the Common Portal of EWB system. The EWB system allowed generation of EWBs by composite taxpayers for their inter-State trades, cancelled taxpayers, transactions which were effected through risky vehicles/two-wheelers, Nil return filers, Non-filers of GST returns. The system also allowed generation of multiple EWBs for the same/similar invoice.

(Paragraph 2.11.1)

Audit noticed 29 instances of non-compliance to the provisions of the Act/Rule related to non-discharge of tax liability (20 cases), availment of ineligible ITC (four cases), incorrect passing of ITC (five cases) involving potential tax effect of ₹ 20.34 crore

(Paragraph 2.11.2)

Audit analysed data on EWBs generated during 2018-19 to 2021-22 of a risk-based sample of 1,719 taxpayers (excluding the substantive audit sample) of 30 circles and found that the EWB system allowed Generation of Inter-State EWBs by Composition taxpayers, Generation of EWBs by Composition taxpayers who had crossed prescribed threshold limit, Generation of EWBs by Non-filers of GST Returns, Generation of EWBs by Cancelled taxpayers, Generation of duplicate EWBs using same Invoice.

(Paragraph 2.11.5)

Audit scrutiny of the extent of effectiveness of the usage of Analytical Reports by the Preventive Unit and found through data analysis that 25 EWBs were generated by or on behalf of un-registered persons (URP) in the State with the assessable value of ₹ 34.77 crore during the period 2018-19 to 2021-22 for outward supplies. Each of these EWBs had an assessable value of more than ₹ 40 lakhs.

(Paragraph 2.12.2.1)

Audit noticed deficiencies in use of Analytical Reports generated in EWB common portal. Audit observed in five selected taxpayers that they generated 143 EWBs during the months of June 2021, August 2021 and March 2022 for outward supplies having assessable value of ₹ 16.33 crore against which vehicle movement was not recorded as per B-1 report. Audit cross verified the invoices mentioned in these EWBs, with the related GSTR-1 returns and found that in respect of all the taxpayers, all the invoices were reported in the GSTR-1 returns resulting in passing of irregular ITC of ₹ 2.94 crore without the actual movement of goods to the consignees.

(Paragraph 2.12.2.2)

Audit verified the effectiveness of anti-evasion measures in the Department and found that preventive/enforcement activities of the Department in enforcing

EWB provisions is not adequate. For this, 50 out of 603 booked cases pertaining to Raipur Commissionerate were selected for scrutiny and noticed in 30 booked cases that there was a delay ranging from 8 to 1981 days in set-off of tax and penalty collected during interception of vehicles by the department.

(Paragraph 2.13)

Recommendations:

1. *Necessary validation control in the EWB system needs to be incorporated to:-*
 - *prevent the Composite levy scheme taxpayer for generating EWBs for inter-state outward supply;*
 - *prohibit generation of EWBs by cancelled taxpayers;*
 - *prevent use of same/similar invoice in generation of multiple EWBs;*
 - *ensuring generation of EWBs only after validation of proper vehicle details through VAHAN database for transportation of goods;*
 - *block the EWB generation facilities for the taxpayers who have not filed returns for the prescribed period.*
2. *The Department may:-*
 - *instruct its field formations for timely production of records in the lines of the instructions issued by CBIC;*
 - *issue guidelines for verification of EWBs and scrutiny of returns of taxpayers having multiple registrations with the same PAN;*
 - *utilise the analytical reports of EWB generated by NIC to ascertain deficiencies in tax compliance by the taxpayers and share the same with the Jurisdictional authorities for use in the scrutiny of returns;*
 - *consider taking up for mapping the analytical reporting module of NIC EWB mechanism with GSTN common portal for preventing cases of passing of ITC without movement of goods;*
 - *verify the remaining booked cases to ensure the tax and penalties collected during interception of vehicles were correct and whether they were set-off.*

(Paragraph 2.15)

Chapter III

This chapter deals with the findings of Compliance Audits (CA) on Subject Specific Compliance Audit on “Department’s Oversight on GST Payments and Returns filing Phase - II”. Significant results of audit that featured in this chapter are summarized below:

Subject Specific Compliance Audit on “Department’s Oversight on GST Payments and Returns Filing Phase - II”

The SSCA on Department’s Oversight on GST Payments and Returns Filing was undertaken with an objective of assessing the extent of compliance & adequacy of the system in monitoring return filing and tax payments 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 2018-21. The SSCA entailed assessing the oversight functions of Chhattisgarh 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, 641 cases value inconsistencies across 17 parameters selected through global queries and 70 taxpayers selected on risk assessment for detailed audit of GST returns for the year 2018-21.

Out of the 641 cases of high value data inconsistencies identified by audit, the Department responded in all cases. Out of these, 184 cases constituting 28.71 *per cent*, turned out to be compliance deficiencies with a revenue implication of ₹ 297.36 crore. The Department has recovered ₹ 2.46 crore. A relatively higher rate of compliance deficiencies was noticed in excess availing of ITC, availing ITC without supplier remitting tax, undischarged tax liability and non-filing of GSTR3B. While data entry errors caused inconsistencies in 6.71 *per cent* of the cases, the Department had already taken proactive action in 7.33 *per cent* of the cases.

Detailed audit of GST returns also indicated instances of non-compliance. At the outset, essential records such as financial statements, GSTR-2A and other requisitioned granular records were not produced in 37 out of a sample of 70 taxpayers (210 cases) which constituted a significant scope limitation. These cases represent a potential risk exposure of ₹ 429.62 crore towards identified mismatches in ITC availment and tax payments. Returns/granular records of 33 taxpayers were audited and audit observed 23 compliance deficiencies with a revenue implication of ₹ 79.18 crore. The Department has recovered an amount ₹ 41.87 crore. The main causative factors were availing of ineligible/excess ITC, non/short reversal of ITC, short payment of tax and non/short payment of interest.

The Department must initiate remedial measures in cases where replies have not been furnished before they become time barred. From a systemic perspective, the Department needs to 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.

Recommendations:

- ***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.***
- ***The Department may ensure conducting audit in a time bound manner before the cases become time barred.***
- ***The Department may in consultation with the GSTN, consider introducing validation controls in GST returns to curb data entry errors, enhance taxpayer compliance and facilitate better scrutiny. The Department may also use appropriate algorithms suitably to detect mismatches.***

- *The State Tax Department needs to issue necessary instructions to field formation regarding production of granular records for Audit.*
(Paragraph 3)