

Chapter - III

E-Waybill System under Goods and Services Tax



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3.1 Introduction

Goods and Services Tax (GST) introduced with effect from 1 July 2017, subsumed a wide range of Indirect taxes based on the paradigm of ‘One Nation One Tax’. One of the intended objectives of GST regime was to improve efficiency in movement of goods and services by reducing process-related time delays.

Waybill was a feature present even in pre-GST regimes wherein movement of goods was administered through manually governed revenue check posts. Goods entering a particular State was levied an ‘Entry Tax’ which has since been subsumed under GST. Electronic-Waybill (e-Waybill) is conceived as a shift from Government-monitored tax administration model to a self-reporting model by the taxpayer.

The Government’s key objective behind introduction of e-Waybill is to safeguard revenue. The e-Waybill is a document required for movement of goods and is designed to capture details of goods before being moved. Automation and standardisation of the entire process is intended to help check tax evasion and shore up GST collections. The e-Waybill system is also designed to dissolve the non-trade barriers, so that transit time is reduced and supply chain efficiency is improved.

The e-Waybill was introduced with effect from 1 April 2018 for all inter-State movement of goods having value exceeding ₹ 50,000. For the intra-State movements, the e-Waybill was made mandatory in the State of Punjab with effect from 1 June 2018.

Rule 138 of Punjab Goods and Services Tax (PGST) Rules, 2017 provides for the e-Waybill mechanism. The information on the consignment is to be furnished prior to movement of goods and it is to be issued irrespective of whether the movement is in relation to supply or for reasons other than supply.

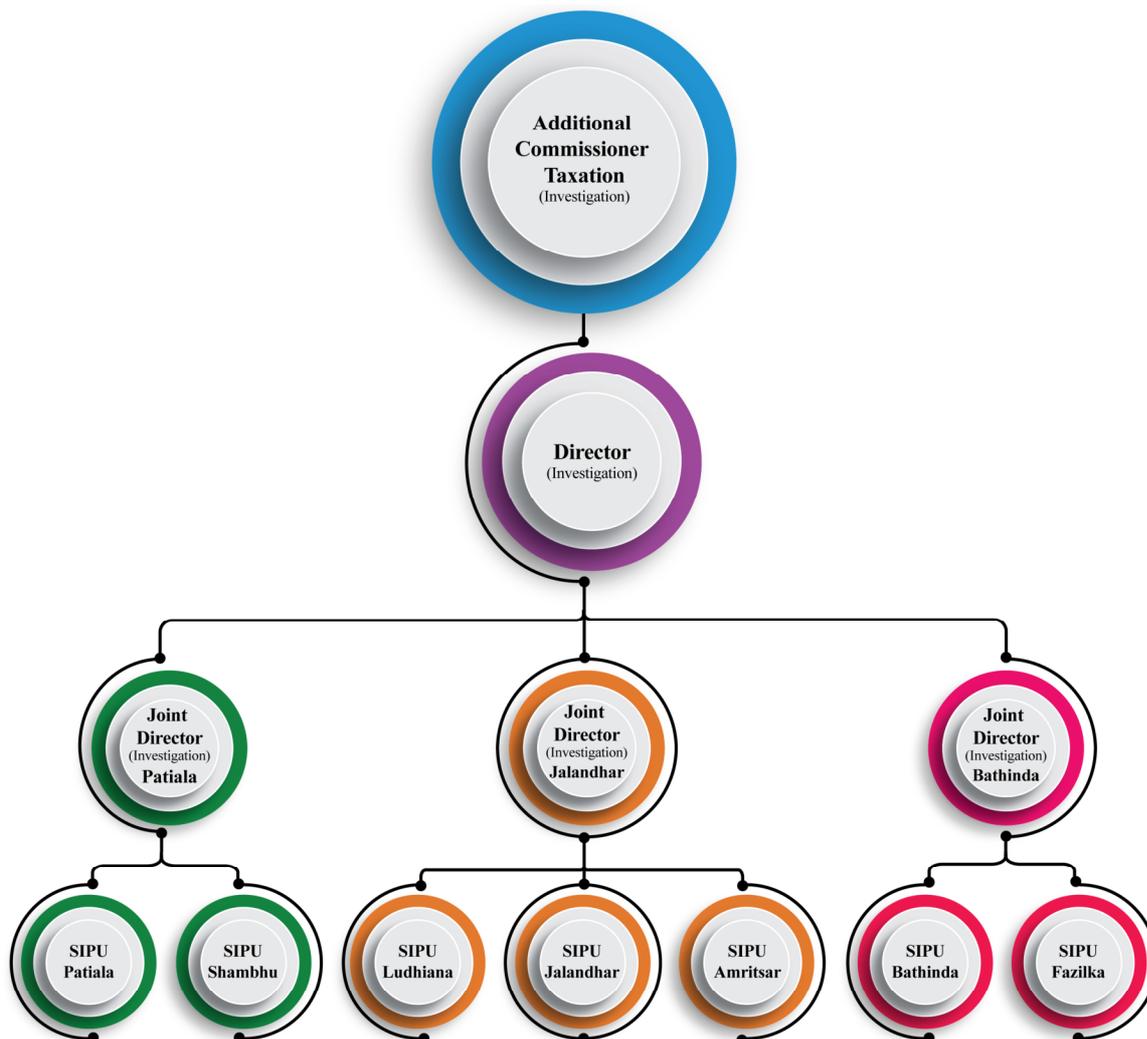
3.2 Organisational structure of the Department

The Additional Chief Secretary-cum-Financial Commissioner (Taxation) is overall in-charge of the Department of State Taxes in Punjab. The Department administers Goods and Services Tax as well as Punjab Value Added Tax Act/Central Sales Tax Act in the State, subject to overall control and superintendence of the Commissioner of State Tax with the help of the Director (GST) and the Additional Commissioner of State Tax at Headquarters, the Deputy Commissioners of State Tax at the divisional level and the Assistant Commissioners of State Tax, State Tax Officers and other allied staff at the district level.

The e-Waybills effected for supplies are typically accounted under the monthly GSTR-1¹ and quarterly GSTR-4/GST-CMP-08² returns by the normal and composition taxpayers respectively. These are required to be verified by the district office of the Assistant Commissioner of State Tax.

There are seven dedicated preventive/enforcement formations called State Intelligence Preventive Units (SIPUs) which perform wider anti-evasion duties including verification of e-Waybills. The organisational set up for the State Intelligence Preventive Units is shown in **Chart 3.1** below.

Chart 3.1: Organisational set up for State Intelligence Preventive Units



 SIPU refers to State Intelligence Preventive Unit

¹ **GSTR-1** is a monthly/quarterly statement of outward supplies to be 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.

² **GSTR-4** is a return that has to be filed by a composition dealer. **GST-CMP-08** is used to declare the details or summary of self-assessed tax which is payable for a given quarter by composition taxpayers.

3.3 Information systems for e-Waybills

A common portal for e-Waybills is managed by National Informatics Centre (NIC) based in Karnataka. In February 2020, the e-Waybill portal was integrated with the VAHAN³ system of the Ministry of Road Transport and Highways so that vehicle registration number can be validated at the time of generation of e-Waybill. The FASTag⁴ system was integrated with the e-Waybill system with effect from 1 January 2021. On the e-Waybills common portal, one-time registration of the taxpayer is required for the purpose of generation, extension, cancellation and rejection of e-Waybills.

The Proper Officers can access the e-Waybill portal by logging into common portal through a web browser using the login credentials or by logging into the GST e-Waybill System mobile application. The functions performed by the Proper Officer are verification of e-Waybills, unblocking of e-Waybills, viewing and accessing MIS reports etc.

3.4 Processes involved in the e-Waybill system

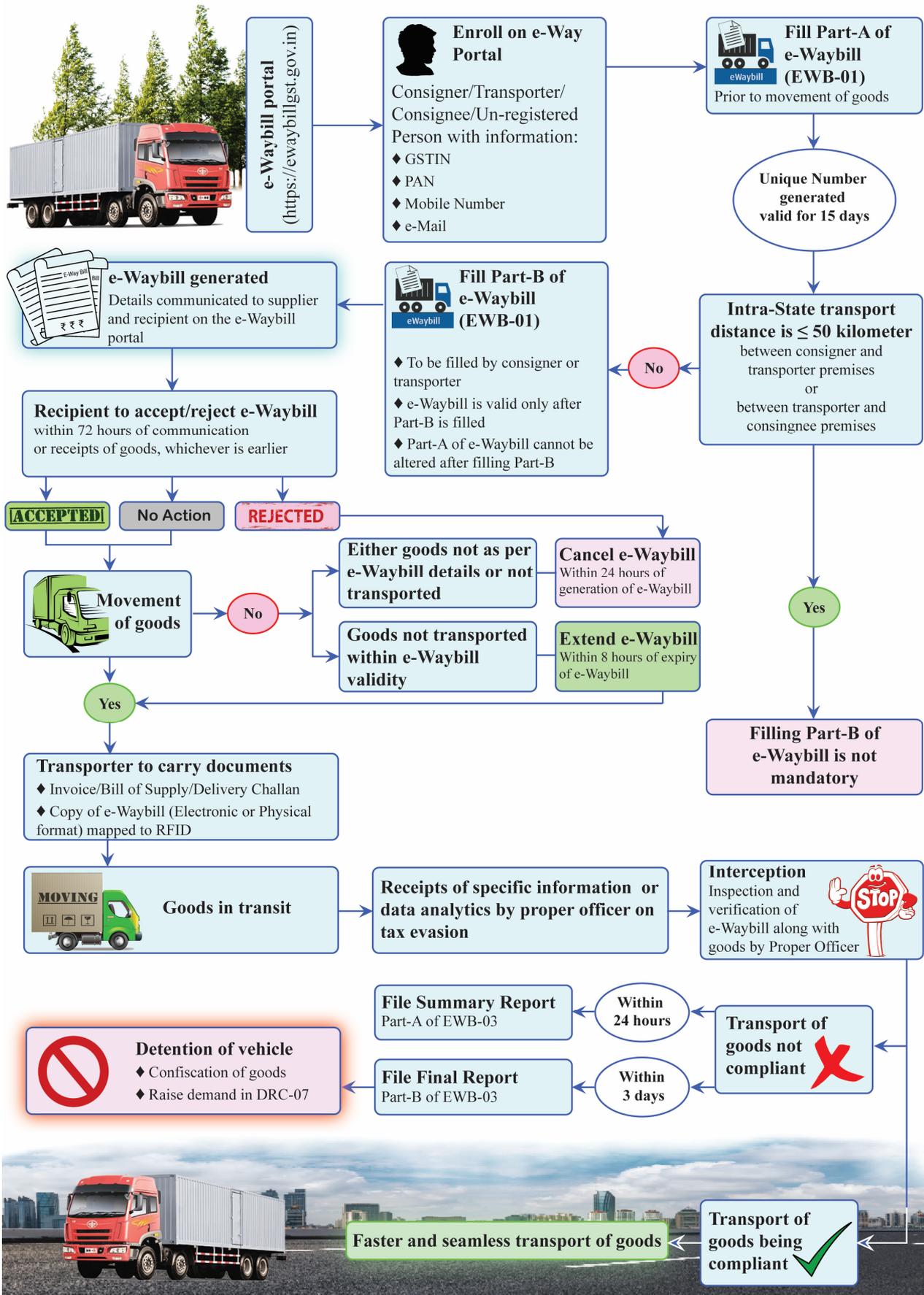
The e-Waybill system includes various processes such as enrolment of the persons on the portal, generation, extension, cancellation and rejection of the e-Waybills etc. GST registered persons, transporters (GST registered or unregistered) and unregistered persons are required to enrol themselves on the e-Waybill portal. The transporters, who are not registered under the GST but cause movement of goods for their clients, need to enrol on the e-waybill portal and get 15-digit unique transporter identity. The e-Waybill can be generated electronically by furnishing details in Part-A by a consignor or a transporter or a consignee, if the supply is from an unregistered person. The details in Part-B of the e-Waybill have to be updated by the transporter by providing information related to the conveyance with the exception that the furnishing of details is not mandatory for intra-State/UT for distances up to 50 kilometres.

The complete process flow of e-Waybill system under GST is depicted in **Chart 3.2** below.

³ VAHAN is a central repository of all information and activity related to vehicles in India.

⁴ FASTag is national electronic toll collection system operated by the National Highways Authority in India. It provides a cross-country, inter-operable toll payment system.

Chart 3.2: Process flow under e-Waybill System



3.5 Audit objectives

This Performance Audit was conducted with the following two audit objectives.

- I Whether e-Waybill mechanism is effective in protecting revenue interests of the Government.
- II Whether preventive/enforcement activities of the Department are efficient and effective in enforcing e-Waybill provisions.

3.6 Audit criteria

The Performance Audit on e-Waybill system under Goods and Services Tax was evaluated against the following audit criteria.

- Sections 10, 17, 25, 29, 37, 39, 44, 68, 73, 74, 129, 130, etc. of Punjab Goods and Services Tax Act, 2017.
- Rules 59, 60, 61, 62, 80, 138, etc. of Punjab Goods and Services Tax Rules, 2017.
- Notifications / circulars / instructions authorised by GST Council, and issued by the CBIC and Punjab Government/Department.
- Advisories, Standard Operating Procedures (SoPs) issued by NIC⁵, CBIC⁶ and Punjab Government/Department.

3.7 Audit scope

The Performance Audit covered e-Waybill transactions for the period between 1 April 2018 and 31 March 2022 in respect of persons registered on the e-Waybill portal. Audit had critically examined the overall performance of e-Waybill system in the GST regime with reference to the audit objectives. The data of generated e-Waybills for the audit period was extracted from GSTN⁷ and analysed. For this audit, only movement of conveyances by roadways were considered and e-Waybills for railway/airway/seaway were excluded from the scope of this audit.

The scope of this audit also involved evaluation of the preventive functions of the Department with reference to e-Waybills, viz., interception of vehicles, verification of documents, inspection of goods and action taken thereof.

3.8 Audit sampling and methodology

A problem-centric approach was attempted for this audit as generation of e-Waybill under GST is a necessary condition to precede any movement of goods subject to the threshold limit. Based on data analysis, risk areas were identified across the domain of composition taxpayers, non-filers, nil-filers, duplicate e-Waybills and movement of goods.

⁵ National Informatics Centre

⁶ Central Board of Indirect Taxes and Customs

⁷ Goods and Services Tax Network

Risky transactions identified under six dimensions involving 22,538 taxpayers, 2,25,044 e-Waybills and assessable value of ₹ 10,760.85 crore were communicated to the Department for inviting their responses. This was followed up through ‘totality audit’ and action taken by the Department on the identified risky transactions was ascertained without involving field visits.

In addition, samples for audit objective-I were evolved based on the Key Problem Areas (KPAs) and identified risk dimensions, and 120 e-Waybills involving 35 taxpayers were selected for this audit objective. Further, nine additional sample e-Waybills involving nine taxpayers were selected, where PAN was same for consignor and consignee.

Audit objective-II evaluated the problems associated with enforcement and preventive activities viz. operational preparedness, effectiveness of anti-evasion measures and intra-Department and inter-Department coordination. For this audit objective, 50 *per cent* of the preventive units named Ludhiana, Patiala, Bathinda and Shambhu, out of total seven preventive units⁸ in the Punjab, were selected as sample based on stratified sampling method. Under each selected preventive unit, 50 cases of intercepted vehicles were selected. Further, such five cases were selected by adopting stratified random sampling method, where e-Waybills were generated but vehicles had not moved as per information captured⁹ by the system.

Before the start of audit, an entry meeting was held on 13 April 2023 with the Taxation Commissioner to explain the audit objectives, audit criteria, audit scope and audit methodology. During the audit, finding and observations were issued to the Department for inviting their responses. Before finalisation of this report, an exit meeting was held on 6 May 2024 with Additional Chief Secretary-cum-Financial Commissioner (Taxation) and responses of the Government and the Department have been included in the report under the respective paragraphs.

3.9 Trends and insights on e-Waybills

The trends and insights on total generated e-Waybills, breakup of e-Waybills in terms of inwards and outwards supplies, extended e-Waybills, cancelled e-Waybills, rejected e-Waybills and mode of transport used for movement of goods and supplies are discussed in the succeeding paragraphs. The information contained in trends comprises data of only such taxpayers who are under the jurisdiction of State tax authorities and does not include data of taxpayers falling under the jurisdiction of Central tax authorities.

⁸ Amritsar, Bathinda, Fazilka, Jalandhar, Ludhiana, Patiala and Shambhu

⁹ Non-movement of vehicles is captured by the system under MIS report B1 ‘e-Waybills with no vehicle movement’

3.9.1 Trend of generated e-Waybills

The data on generated e-Waybills during the years 2018-19 to 2021-22 is given in Table 3.1.

Table 3.1: Total number and value of generated e-Waybills

Year	No. of suppliers	No. of e-Waybills	Total value (₹ in crore)
2018-19	1,08,426	1,22,28,979	3,78,288
2019-20	1,06,899	1,35,22,373	3,34,686
2020-21	1,03,664	1,42,36,419	3,44,465
2021-22	1,06,026	1,61,16,596	4,38,459

Source: GSTN data

3.9.2 Trend of outwards and inwards supplies e-Waybills

The break-up of e-Waybills in terms of outward supplies and inward supplies is given in Table 3.2.

Table 3.2: Details of e-Waybills generated for outward and inward supplies

Year	Outward supplies			Inward supplies		
	No. of suppliers	No. of e-Waybills	Total value (₹ in crore)	No. of suppliers	No. of e-Waybills	Total value (₹ in crore)
2018-19	97,156	1,21,32,365	3,75,177	11,270	96,614	3,111
2019-20	97,499	1,34,21,145	3,31,570	9,400	1,01,228	3,116
2020-21	95,091	1,41,36,286	3,40,780	8,573	1,00,133	3,685
2021-22	96,743	1,59,96,887	4,33,867	9,283	1,19,709	4,592

Source: GSTN data

☞ Outward e-Waybills are for supplies made by registered seller taxpayers and inward e-Waybills are for purchases made by registered buyer taxpayers from unregistered persons.

3.9.3 Trend of extended, cancelled and rejected e-Waybills

The data on extended e-Waybills, cancelled e-Waybills and rejected e-Waybills is given in Table 3.3.

Table 3.3: Details of extended, cancelled and rejected e-Waybills

Year	Extension of e-Waybills			Cancelled e-Waybills			Rejected e-Waybills		
	No. of suppliers	No. of e-Waybills	Total value (₹ in crore)	No. of suppliers	No. of e-Waybills	Total value (₹ in crore)	No. of suppliers	No. of e-Waybills	Total value (₹ in crore)
2018-19	6,196	52,722	1,578	29,385	1,68,486	9,821	2,211	4,083	194
2019-20	10,755	1,77,010	10,010	30,064	1,80,854	7,729	1,926	3,272	155
2020-21	15,654	1,89,799	20,249	29,438	1,65,591	6,407	1,419	2,246	136
2021-22	24,981	2,81,683	59,348	31,195	1,65,429	8,218	1,189	1,732	105

Source: GSTN data

3.9.4 Mode of transport used in e-Waybills

During the years 2018-19 to 2021-22, 98.37 *per cent* inward supplies e-Waybills were generated for movement by road transport and remaining 1.63 *per cent* comprised movement by air, train and ship. In case of outward supplies e-Waybills, 99.40 *per cent* were for movement by road transport and remaining 0.60 *per cent* were by air, train and ship.

3.10 Audit findings

The audit findings have been categorised into the following two categories.

- Effectiveness of e-Waybill mechanism
- Effectiveness of preventive and enforcement activities

3.10.1 Effectiveness of e-Waybill mechanism

The audit observations regarding effectiveness of e-Waybill mechanism in protecting revenue interest of the Government have been discussed under sub-paragraphs 3.10.1.2 to 3.10.1.14, while scope limitation due to non-provision of access to e-Waybill system and non-production of documents is explained below sub-paragraph 3.10.1.1.

3.10.1.1 Scope limitation due to documents not produced

Section 16 of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971 lays down the audit mandate of the CAG regarding audit of receipts. Further, Section 18(2) imposes a statutory duty on offices and Departments to comply with the requests of CAG seeking information and to provide complete information as far as possible with all reasonable expedition.

Before the start of audit, an entry meeting was held with the Department in April 2023. In the meeting, Taxation Commissioner, Punjab assured to extend full cooperation to the members of audit teams for smooth functioning of audit and issued instructions to all the Department's jurisdictional officers vide letter dated 31 May 2023 to cooperate with the Audit and provide any information sought by Audit in relation to e-Waybills. However, no access to e-Waybill system was provided to audit teams, therefore information related to sample e-Waybills had to be collected through the Department's officials and e-Waybills other than samples of the selected taxpayers of 2018-19 to 2021-22 could not be examined. Due to non-provision of audit access to e-Waybill system, the findings are limited to sample e-Waybills examined in audit. Due to non-provision of access to e-Waybill system, the information and records including GST returns related to sample 129 e-Waybills¹⁰ related to 44 taxpayers were requisitioned for the audit period. Additional records like financial statements such as trading account, profit and loss account and balance

¹⁰ 120 sample e-Waybills plus additional 9 sample e-Waybills, where PAN was same between consigner and consignee.

sheet, etc. were also sought to check all aspects of the sample cases. Despite regular follow up, the jurisdictional offices did not produce additional records pertaining to 93 e-Waybills involving 16 taxpayers. Thus, additional records of 72.09 per cent of the sample e-Waybills could not be examined in audit. Further, in case of totality audit, responses against 13,978 taxpayers comprising 62.02 per cent of the pointed-out risky transactions were not received.

The taxpayer wise listing of non-production of records is given in **Appendix 3.1**. Jurisdiction wise non-production of records along with sample size involved is summarised in the **Table 3.4**.

Table 3.4: Non-production of records

ACST office	Selected sample size		Non-production	
	No. of e-Waybills	No. of taxpayers	No. of sample e-Waybills involved	No. of sample taxpayers
Amritsar-II	2	2	-	-
Fatehgarh Sahib	7	5	-	-
Ferozepur	3	2	-	-
Jalandhar-I	3	2	1	1
Ludhiana-I	6	5	2	1
Ludhiana-III	2	2	-	-
Ludhiana-IV	19	6	12	3
Ludhiana-V	50	5	49	4
SAS Nagar	21	3	21	3
Patiala	7	3	5	1
Total-I	120	35	90	13
Bathinda	1	1	-	-
Ludhiana-I	3	3	3	3
SAS Nagar	3	3	-	-
Pathankot	1	1	-	-
Patiala	1	1	-	-
Total-II¹¹	9	9	3	3
Gross Total (I+II)	129	44	93	16

3.10.1.2 Summary of audit findings on effectiveness of e-Waybill mechanism

Audit findings cover both systemic and compliance issues. While systemic issues aim to bring out the shortcomings relating to adequacy and effectiveness of the e-Waybill system, the compliance issues highlight deviations and violations of provisions of Act and Rules causing leakage of revenue. Due to non-provision of audit access to e-Waybill system, the findings and money value are limited to sample 129 e-Waybills¹² involving 44 taxpayers examined in audit. Therefore, the Department needs to take further course of action

¹¹ Additional sample of nine generated e-Waybills, where PAN was same for consigner and consignee.

¹² Observations related to sample 120 e-Waybills are included under sub-paragraphs 3.10.1.3 to 3.10.1.12 and observations related to nine e-Waybills of taxpayers, where PAN of consigner and consignee was same, are included under sub-paragraph 3.10.1.13.

comprehensively in each individual case pointed out in audit. The audit findings are detailed in **Table 3.5**.

Table 3.5: Summary of audit findings on effectiveness of e-Waybill mechanism

Para No.	Nature of observation	Objected in audit			Taxpayers, where action was already taken by the Department	Tax amount accepted by the Department		
		No of Taxpayer*	No. of e-Waybills involved*	Tax Amount (₹ in crore)		Category#	No of Taxpayer*	Tax Amount (₹ in crore)
3.10.1.3	Ineligible taxpayers continuing under composition scheme	3	4	0.00	1	ASMT-10	1	0.0006
3.10.1.4	Generation of e-Waybills by the taxpayers who had filed nil returns	10	34	0.27	2	DRC-07	1	0.46
						DRC-01	3	0.80
						ASMT-14	1	0.07
						ASMT-10	2	0.03
3.10.1.5	Generation of e-Waybills by non-filers of GST returns	8	61	0.65	2	DRC-07	1	1.31
						DRC-01	2	0.71
						ASMT-10	2	0.57
						Clarification	1	0.04
3.10.1.6	Generation of multiple e-Waybills on the strength of same invoice	9	24	0.97	1	ASMT-10	2	0.14
3.10.1.7	Non-follow up of cancelled taxpayers for outstanding tax liability	23	106	2.37	6	DRC-07	1	4.12
						DRC-01	1	0.01
						Proceedings	1	0.09
						Clarification	1	0.48
3.10.1.8	Generation of e-Waybills using risky vehicles	9	10	0.00	1	DRC-01	1	0.01
3.10.1.9	Generation of e-Waybills by composition taxpayers under 'tax invoice' category and with inapplicable rates of taxes	3	4	0.00	0			
3.10.1.10	Outward supplies without or disproportionate inward supplies (as seen from GSTR-2A returns)	4	29	0.23		#		
3.10.1.11	Excess availing of input tax credit	2	0	1.25				

Para No.	Nature of observation	Objected in audit			Taxpayers, where action was already taken by the Department	Tax amount accepted by the Department			
		No of Taxpayer*	No. of e-Waybills involved*	Tax Amount (₹ in crore)		Category#	No of Taxpayer*	Tax Amount (₹ in crore)	
3.10.1.12	Restoration of registration without recovering pending tax liability	1	9	0.01		#			
3.10.1.13	Cross-PAN analysis	1	1	0.32		ASMT-10	1	0.32	
	A								Outward supplies not supported by e-Waybills (as seen from GSTR-1 and GSTR-3B returns)
	B								Mismatch between GSTR-2A and e-Waybill details
	C								Incorrect availing of input tax credit
Total		53	257	7.16			24	10.3306	

* Some taxpayers from selected sample appeared under multiple observations, hence, number of e-Waybills and taxpayers shown in above table may look more than number of sample e-Waybills and taxpayers.

As the action taken by the Department against a taxpayer for multiple audit observations resulted in comprehensive proceeding covering all the audit observations, hence amount accepted by the Department for a taxpayer has been shown against one audit observation only in the above table to avoid duplicity of money value, irrespective of the case involved in other audit observations tabulated in the succeeding rows.

The replies against 24 taxpayers were received wherein the Department accepted the audit observations and took actions involving ₹ 10.33 crore. The observations tabulated above are discussed in detail in the succeeding paragraphs along with replies of the Department.

3.10.1.3 Ineligible taxpayers continuing under composition scheme

In terms of Section 10(1) of the Punjab Goods and Services Tax Act, 2017, a registered person whose aggregate turnover in the preceding financial year did not exceed the threshold limit¹³ may opt to pay tax under composition scheme. Further, in terms of Section 10(3) of the Act, the option availed of by a registered person for composition scheme shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the limit specified. Further, Section 10(2)(c) of the Act, provides that he shall not be

¹³ Threshold limit per year for becoming eligible for composition scheme was ₹ 1 crore for the period between 1 April 2018 and 31 January 2019 and ₹ 1.5 crore thereafter. In respect of special category States, it is ₹ 75 lakh.

eligible to opt for composition scheme, if he is engaged in making any inter-State outward supplies of goods.

Out of total sample of 120 e-Waybills, four e-Waybills belonged to three composition taxpayers. During examination of these e-Waybills, it was observed (May to July 2023) that two composition taxpayers made inter-State supplies and one composition taxpayer exceeded threshold limit of turnover.

The cases are discussed below.

[A] Two composition taxpayers having GSTIN 03AJPP*****1ZP and 03CWOP*****1Z0 under the jurisdiction of Assistant Commissioner of State Tax, Patiala and Ferozpur respectively made inter-State supplies¹⁴ between January and May 2019. The taxpayers being under the composition scheme made inter-State supply in contravention of the Act and e-Waybill system allowed generation of such e-Waybill without validating category of these taxpayers.

On being pointed out, the Assistant Commissioner of State Tax, Patiala replied (June 2023) that ASMT-10 notice for ₹ 6,589 has been issued to the taxpayer under Section 61 of the Punjab GST Act, 2017 and Assistant Commissioner of State Tax, Ferozpur intimated (June 2023) that ₹ 20,760 including interest had already been recovered on 6 July 2019 from the taxpayer. The Department also intimated that no more inter-State supplies were made by the taxpayer other than pointed-out e-Waybill.

[B] A composition taxpayer having GSTIN 03APAP*****1ZR under the jurisdiction of Assistant Commissioner of State Tax, Ferozpur, who had generated two e-Waybills¹⁵ in October 2018, exceeded threshold limit of ₹ 1.5 crore for total turnover by March 2019 as verified by Audit from GSTR-4 returns of the taxpayer. The total turnover for this year was ₹ 1.68 crore. Audit further analysed the GST returns of the taxpayer from GSTN portal for the subsequent period from April 2019 to March 2022 and observed that taxpayer continued business activities as composition taxpayer in succeeding years despite not being eligible for composition scheme. The taxpayer was required to be brought out of the composition scheme after he exceeded the threshold limit of total turnover and was liable to pay tax at normal rate. Ability of the taxpayer to continue availing composition scheme despite exceeding threshold limit was indicative of missing controls in the system.

On being pointed out, no reply was furnished by the Assistant Commissioner of State Tax, Ferozpur (November 2024).

Apart from above, the issue of deficiency in the system permitting the taxpayers to continue availing composition scheme despite not being eligible for the same,

¹⁴ **Patiala:** e-Waybill 731069721514 dated 2 May 2019 and **Ferozpur:** e-Waybill 341078493247 dated 9 January 2019

¹⁵ e-Waybill: 301051939597 and 301052096862 dated 1 October 2018

was discussed in the exit meeting held on 6 May 2024. In response, the Government assured (May 2024) to investigate the matter and to take steps to plug in the system weakness to protect the Government revenue.

3.10.1.4 Generation of e-Waybills by the taxpayers who had filed nil returns

As per Section 37 of the Punjab Goods and Services Tax Act, 2017, every registered person other than composition taxpayers shall furnish the details of outward supplies of goods or services or both, effected during a tax period, in GSTR-1 return and discharge tax liability thereon in GSTR-3B return. In case of composition taxpayers, the tax liability is to be discharged in GSTR-4/GST-CMP-08 returns. Further, Section 61 of the Act provides that various returns filed by the taxpayers may be scrutinised by Proper Officer to verify the correctness of the returns, and suitable action is to be taken on discrepancies or inconsistencies reflected in the returns.

During substantive audit of sample 120 e-Waybills pertaining to 35 taxpayers, it was noticed (May to September 2023) in 34 e-Waybills generated between May 2018 and November 2020 that ten taxpayers concerned had not discharged tax liabilities of ₹ 0.27 crore against outward supplies of ₹ 2.45 crore involved in these e-Waybills (**Appendix 3.2**) because scrutiny of data on GSTN portal for the corresponding months revealed that the taxpayers had filed nil GSTR-3B returns, hence no tax liability was discharged. It was further observed that taxpayers were able to continue their business activities even after filing nil returns and without discharging tax liabilities as seen in cases of three taxpayers¹⁶, who generated seven e-Waybills in the months subsequent¹⁷ to filing of nil GST returns. Hence, there was lack of robustness and coordination between e-Waybill and GSTN systems to identify such cases, due to which taxpayers were able to generate e-Waybills and continue their business activities.

A case of one taxpayer is illustrated below.

A taxpayer having GSTIN 03EQXP*****1Z3 under the jurisdiction of Assistant Commissioner of State Tax, Fatehgarh Sahib, who had generated two e-Waybill in June 2020 involving assessable value of ₹ 0.22 crore and tax of ₹ 0.04 crore, filed nil GSTR-3B return in the corresponding month, hence did not discharge his tax liability.

On being pointed out (May 2023), the Assistant Commissioner issued DRC-07 on 16 May 2024 for ₹ 0.46 crore to the taxpayer for the period from June to July 2020.

¹⁶ GSTIN: 03BWIP*****1ZH, 03AARF*****1ZR and 03AAAA*****1ZG

¹⁷ Immediate next month has been ignored.

Out of nine taxpayers other than one illustrated above, no reply was furnished against one taxpayer¹⁸ (October 2024). In two cases¹⁹, the Department had already initiated action against the taxpayers. In remaining six cases, the Assistant Commissioners replied (June 2023 to May 2024) that ASMT-14 for ₹ 0.07 crore has been issued against one taxpayer²⁰, DRC-01 for ₹ 0.80 crore have been issued to three taxpayers²¹ and ASMT-10 notices for ₹ 0.03 crore have been issued to two taxpayers²².

Apart from above, inability of the system to identify and prevent such taxpayers from generating e-Waybills who had not discharged their previous tax liabilities, was discussed in the exit meeting held on 6 May 2024. In response, the Government assured (May 2024) to investigate the matter and to take steps to plug in the system weakness to protect the Government revenue.

3.10.1.5 Generation of e-Waybills by non-filers of GST returns

As per Section 37 of the Punjab Goods and Services Tax Act, 2017, every registered person other than composition taxpayers shall furnish the details of outward supplies of goods or services or both, effected during a tax period, in GSTR-1 return and discharge tax liability thereon in GSTR-3B return. In case of composition taxpayers, the tax liability is to be discharged in GSTR-4/GST-CMP-08 returns. Further, Section 62 of the Act provides that where a registered person fails to furnish the returns even after the service of a notice, the Proper Officer may proceed to assess the tax liability of the said person to the best of his judgement taking into account all the relevant material which is available or which he has gathered and issue an assessment order. In cases, where a taxable person whose registration has been cancelled but who was liable to pay tax, the Proper Officer may proceed to assess the tax liability of such taxable person to the best of his judgement as per provisions of Section 63 of the Act.

During substantive audit of sample 120 e-Waybills pertaining to 35 taxpayers, it was observed (May to September 2023) in 61 e-Waybills generated between May 2018 and February 2021, having assessable value of ₹ 4.86 crore and tax of ₹ 0.65 crore (**Appendix 3.3**) that eight taxpayers concerned had not filed their GSTR-3B returns in the corresponding months, hence no tax liability was discharged. Although these taxpayers had not discharged their tax liabilities, yet e-Waybill system allowed generation of e-Waybills in the subsequent months²³ as seen in case of a taxpayer²⁴ who generated four e-Waybills²⁵ in

¹⁸ GSTIN: 03ANTP*****1Z0

¹⁹ GSTIN: 03CWOP*****1Z0 (recoveries made) and 03JDSP*****1ZE (DRC-01 issued)

²⁰ GSTIN: 03AARF*****1ZR: ₹ 7,19,310

²¹ GSTIN: 03CLVP*****1ZV: ₹ 68,51,767, 03AAAA*****1ZG: ₹ 1,47,479 and 03DIRP*****1Z6: ₹ 9,96,792

²² GSTIN: 03BWIP*****1ZH: ₹ 3,24,388 and 03ABYP*****1ZL: ₹ 4,865

²³ Immediate next month has been ignored.

²⁴ GSTIN: 03COTP*****2ZK

²⁵ e-Waybill: 731025711926, 771025513704, 841013668933 and 891013668967

August 2018 despite not filing GSTR-3B returns for May and June 2018 against making outward supplies in these months as verified from sample 120 e-Waybills checked in audit. It was further observed that three taxpayers²⁶ filed GSTR-1 returns in the months corresponding to e-Waybills and passed on input tax credit of ₹ 0.68 crore to the purchaser taxpayers without discharging tax liabilities. Thus, there was lack of robustness and coordination between e-Waybill and GSTN systems to identify such cases, due to which taxpayers were able to generate e-Waybills despite being non-filers.

A case of one taxpayer is illustrated below.

A taxpayer having GSTIN 03ARFP*****1Z8 under the jurisdiction of Assistant Commissioner of State Tax, Fatehgarh generated two e-Waybills for outward supplies in August 2018 involving assessable value of ₹ 0.11 crore and tax of ₹ 0.02 crore. Further, examination of information from GST portal revealed that GSTR-3B return for the corresponding month of August 2018 was not filed by the taxpayer, hence tax liability was not discharged. However, taxpayer filed GSTR-1 return for this month and passed on input tax credit of ₹ 0.35 crore to the purchaser taxpayers without discharging his tax liability.

On being pointed (May 2023), the Assistant Commissioner issued DRC-07 on 16 May 2024 for ₹ 1.31 crore to the taxpayer covering the tax period of August and September 2018.

Out of seven taxpayers other than one illustrated above, action in two cases²⁷ were already initiated by the Department. In remaining five cases, the Assistant Commissioners replied that DRC-01 for ₹ 0.71 crore have been issued to two taxpayers²⁸, ASMT-10 for ₹ 0.57 crore have been issued to two taxpayers²⁹ and clarification involving ₹ 0.04 crore has been sought from one taxpayer³⁰.

Apart from above, inability of the system to identify and prevent non-filer taxpayers from generating e-Waybills was discussed in the exit meeting held on 6 May 2024. In response, the Government assured (May 2024) to investigate the matter and to take steps to plug in the system weakness to protect the Government revenue.

3.10.1.6 Generation of multiple e-Waybills on the strength of same invoice

As per Rule 46(b) of Punjab Goods and Services Tax Rules, 2017, a tax invoice shall be issued by the registered person containing consecutive serial number, not exceeding sixteen characters, unique for a financial year.

²⁶ GSTIN: 03AAAC*****1Z2, 03ARFP*****1Z8 and 03DEGP*****1ZL

²⁷ GSTIN: 03COTP*****2ZK and 03AAOF*****1ZN

²⁸ GSTIN: 03DEGP*****1ZL: ₹ 30,75,838 and 03AAAC*****1Z2: ₹ 39,93,989

²⁹ GSTIN: 03AAPF*****1ZL: ₹ 10,000 and 03IFHP*****1Z5: ₹ 57,07,380

³⁰ GSTIN: 03ASLP*****1ZH: ₹ 3,96,804

As per Para 5(1) of the user manual issued by the NIC, the taxpayer while generating e-Waybill is required to enter the unique document number relating to the consignment. Invoice number is the document number in respect of consignments relating to supplies. Hence, only one e-Waybill is required to be generated based on each invoice.

During substantive audit of sample 120 e-Waybills pertaining to 35 taxpayers, it was observed (May and June 2023) in 24 e-Waybills that nine taxpayers concerned under the jurisdiction of six Assistant Commissioners of State Tax³¹ generated these e-Waybills involving assessable value of ₹ 5.13 crore and tax of ₹ 0.97 crore (**Appendix 3.4**) on the strength of 11 invoices. Each invoice number was used for generating two to three e-Waybills. As the taxpayers had generated multiple e-Waybills using same invoice, there was a potential risk of under-reporting of outward supplies by the taxpayers in their GSTR-1 returns. It was further noticed that the respective taxpayers either did not report any consignments or reported only one consignment in their GSTR-1 returns.

Generation of multiple e-Waybills against same invoice indicated lack of validation controls in the e-Waybill system.

A case of one taxpayer is illustrated below.

A taxpayer having GSTIN 03DEGP*****1ZL under the jurisdiction of Assistant Commissioner of State Tax, Ludhiana-IV generated four e-Waybills³² involving assessable value ₹ 0.17 crore and tax of ₹ 0.01 crore³³ in September 2018 against two invoices bearing serial number 65 and 114.

Further examination of data from GSTN portal revealed that GSTR-3B return for the corresponding month of September 2018 was not filed by the taxpayer, hence no tax liability was discharged.

On being pointed out (May 2023), the Assistant Commissioner issued DRC-01 on 21 December 2023 for ₹ 0.31 crore to the taxpayer for the period 2018-19.

Out of eight taxpayers other than one illustrated above, action in one case³⁴ was already initiated by the Department. No reply was furnished for one taxpayer³⁵ (October 2024). In remaining six cases, the Assistant Commissioners replied (June and July 2023) that DRC-07 for ₹ 1.31 crore has been issued to one taxpayer³⁶, DRC-01 for ₹ 0.70 crore have been issued to two taxpayers³⁷, ASMT-10 under Section 61 of the Punjab GST Act for ₹ 0.14 crore have been

³¹ Fatehgarh Sahib, Jalandhar-I, Ludhiana-I, Ludhiana-IV, Patiala and SAS Nagar

³² e-Waybill 371051267910, 381051268341, 341044828019 and 361044826981

³³ ₹ 1,32,044 (₹ 26,506 per e-Waybill for two e-Waybills plus ₹ 39,516 per e-Waybill for two e-Waybills)

³⁴ GSTIN: 03AZWP*****1ZU

³⁵ GSTIN: 03AAAC*****1ZK

³⁶ GSTIN: 03ARFP*****1Z8: ₹ 1,30, 68,502

³⁷ GSTIN: 03CLVP*****1ZV: ₹ 68,51,767 and 03AAAA*****1ZG: ₹ 1,47,479

issued to two taxpayers³⁸ and clarification involving ₹ 0.04 crore has been sought from one taxpayer³⁹.

Apart from above, absence of validation controls in e-Waybill system was discussed in the exit meeting held on 6 May 2024. In response, the Government assured (May 2024) to investigate the matter and to take steps to plug in the system weakness to protect the Government revenue.

3.10.1.7 Non-follow up of cancelled taxpayers for outstanding tax liability

As per Section 45 of Punjab Goods and Services Tax Act, 2017, it is binding upon the cancelled taxpayer to file a final return in form GSTR-10 within a period of three months from the date of cancellation or date of order of cancellation, whichever is later and discharge his due tax liabilities. In case cancelled taxpayer fails to furnish final return GSTR-10 within prescribed period, a notice has to be issued by Proper Officer under Section 46 of the Act asking cancelled taxpayer to furnish his GSTR-10 return within 15 days. If cancelled taxpayer fails to file his GSTR-10 return, even after service of a notice, then Proper Officer is empowered under Section 62 of the Act to proceed to assess the tax liability of the said person to the best of his judgement taking into account all the relevant material which is available or which he has gathered and issue an assessment order within a period of five years from the due date of furnishing annual return for the financial year to which the tax not paid relates. In case the cancelled taxpayer does not discharge his tax liabilities within three months of passing of an assessment order under Section 62 of the Act, then Proper Officer shall initiate recovery proceedings under Section 78 of the Act and recover pending tax dues by one or more of the modes prescribed under Section 79 of the Act.

During substantive audit of sample 120 e-Waybills pertaining 35 taxpayers, it was noticed (May to August 2023) that registrations of 25 taxpayers were cancelled⁴⁰ between June 2018 and May 2022. Out of these, one taxpayer⁴¹ was composition taxpayer and in one case⁴², the registration of the taxpayer was restored by the Department on 22 March 2022, hence these two taxpayers were not required to file GSTR-10 returns. The remaining 23 cancelled taxpayers (**Appendix 3.5**), who had generated 106 e-Waybills involving assessable value of ₹ 17.13 crore prior to cancellation of registration with tax implication of ₹ 2.37 crore, were required to discharge their final tax liabilities by filing GSTR-10 returns. Audit observed (May and June 2023) that none of the 23 cancelled taxpayers falling under the jurisdiction of eight⁴³ Assistant

³⁸ GSTIN: 03AYVP*****1Z0: ₹ 2,05,200 and 03CLVP*****1ZZ: ₹ 12,40,049

³⁹ GSTIN: 03ASLP*****1ZH: ₹ 3,96,804

⁴⁰ Three taxpayers cancelled on their requests and registrations of 22 taxpayers cancelled by the Department due to various violations of GST provisions.

⁴¹ GSTIN: 03CWOP*****1Z0

⁴² GSTIN: 03AAAA*****1ZG

⁴³ Fatehgarh Sahib, Jalandhar-I, Ludhiana-I, Ludhiana-III, Ludhiana-IV, Ludhiana-V, Patiala and SAS Nagar.

Commissioners of State Tax had filed GSTR-10 returns after cancellation of registrations. It was further seen that the Department had issued DRC-01 for ₹ 8.22 crore in three cases⁴⁴ and DRC-07 for ₹ 22.82 crore in three cases⁴⁵ between January 2019 and March 2022 but recovery proceedings were not initiated till the date of audit (May 2023) despite lapse of 14 to 52 months after issue of demand orders. In remaining 17 cases, where cancelled taxpayers had generated 98 e-Waybills involving assessable value of ₹ 15.29 crore and tax of ₹ 2.25 crore, the Department had not initiated action to assess taxpayer's pending tax liabilities.

A case of one taxpayer is illustrated below.

The Department cancelled the registration of a taxpayer having GSTIN 03ACYP*****1ZC under the jurisdiction of Assistant Commissioner of State Tax, Fatehgarh Sahib on 30 October 2019 effective from 17 February 2018 due to ingenuine claim of input tax credit and non-filing of GST returns. As reflected from a e-Waybill 361035106665 generated on 2 August 2018 having taxable value of ₹ 0.05 crore, the taxpayer had indulged in business activities. However, after cancellation of registration, neither taxpayer filed final GSTR-10 return, nor the Department initiated any follow-up action for assessing tax liability of the taxpayer.

On being pointed out (June and August 2023), the Assistant Commissioner replied (May 2024) that DRC-07 for ₹ 4.12 crore has been issued to the taxpayer on 19 April 2024.

Out of 16 taxpayers other than one illustrated above, Assistant Commissioners replied (between June 2023 and May 2024) that DRC-07 for ₹ 1.77 crore have been issued to two taxpayers⁴⁶, DRC-01 for ₹ 1.50 crore have been issued to five taxpayers⁴⁷, ASMT-14 for ₹ 0.07 crore has been issued to one taxpayer⁴⁸, ASMT-10 under Section 61 of the Punjab GST Act for ₹ 0.73 crore have been issued to five taxpayers⁴⁹, proceedings for ₹ 0.09 crore has been initiated against one taxpayer⁵⁰ and clarifications involving ₹ 0.52 crore have been sought from two taxpayers⁵¹.

⁴⁴ GSTIN: 03AAOF*****1ZN: ₹ 0.69 crore, 03COTP*****2ZK: ₹ 0.10 crore and 03JDSP*****1ZE: ₹ 7.43 crore

⁴⁵ **Ludhiana-I:** GSTIN: 03ANTP*****1Z0, Assessment 2019-20, Demand ₹ 1.14 crore
GSTIN: 03AGWP*****1ZD, Assessment July 2017 to December 2018, Demand ₹ 16.58 crore
Ludhiana-IV: GSTIN: 03AZWP*****1ZU, July 2017 to December 2018, Demand ₹ 5.10 crore

⁴⁶ GSTIN: 03EQXP*****1Z3: ₹ 45,99,460 and 03ARFP*****1Z8: ₹ 1,30,68,502

⁴⁷ GSTIN: 03BCCP*****1ZP: ₹ 72,000, 03CLVP*****1ZV: ₹ 68,51,767, 03DIRP*****1Z6: ₹ 9,96,792, 03DEGP*****1ZL: ₹ 30,75,838 and 03AAAC*****1Z2: ₹ 39,93,989

⁴⁸ GSTIN: 03AARF*****1ZR: ₹ 7,19,310

⁴⁹ GSTIN: 03CLVP*****1ZZ: ₹ 12,40,049, 03IFHP*****1Z5: ₹ 57,07,380, 03ABYP*****1ZL: ₹ 4,865, 03AAPF*****1ZL: ₹ 10,000 and 03BWIP*****1ZH: ₹ 3,24,388

⁵⁰ GSTIN: 03ABKF*****1Z0: ₹ 9,01,035

⁵¹ GSTIN: 03ASLP*****1ZH: ₹ 3,96,804 and 03EVJP*****1ZK: ₹ 48,46,326

Regarding delay in recovery proceedings for ₹ 22.82 crore⁵² in case of three taxpayers, whose assessments were made with demands of ₹ 22.99 crore, the Assistant Commissioners replied that recovery of tax liabilities was under process against two taxpayers⁵³. However, recovery actions taken by the Assistant Commissioners in these cases were not supported by any evidence.

3.10.1.8 Generation of e-Waybills using risky vehicles

As per Rule 138(2) of the Punjab Goods and Services Tax Rules, 2017, where goods are transported by the registered person as a consignor, whether in his own conveyance or through a hired one or a public conveyance, by road, the said person shall generate the e-Waybill in form GST-EWB-01 electronically on the common portal after furnishing information in Part-B of the form. Where goods are handed over to a transporter for transportation by road, the registered person shall furnish the information relating to the transporter on the common portal and the e-Waybill shall be generated by the transporter on the said portal on the basis of the information furnished by the registered person in Part-A of form GST-EWB-01. Vehicle number is required to be provided in Part-B of the form.

Audit analysed Vahan data of vehicles involved in sample 120 e-Waybills pertaining to 35 taxpayers to identify the risky transactions like use of theft vehicles, scrapped, surrendered, cancelled and suspended vehicles, two wheelers, multiple e-Waybills using same vehicle across the States on the same day, etc. Audit analysis (May to July 2023) brought out that 10 e-Waybills pertaining to nine taxpayers had used vehicle numbers of risky category as detailed in **Table 3.6**.

Table 3.6: Details of e-Waybills using risky vehicles

Sr. No.	Nature of risky vehicle	ACST	e-Waybill number	Taxpayer's GSTIN
1.	e-Waybills generated using two wheelers	Ludhiana-IV	391133318851	03ABKF*****1ZO
			381108606311	
2.	Stolen vehicles mentioned in e-Waybills	Amritsar-II	371079020746	03AJMP*****2ZS
		SAS Nagar	321315348802	03AABC*****1ZU
3.	Scrapped vehicles mentioned in e-Waybills	Fatehgarh Sahib	361413331722	03ANIP*****1ZO
		Ludhiana-V	341064425395	03ACNP*****1ZP
4.	Surrendered vehicles mentioned in e-Waybills	Fatehgarh Sahib	391058595977	03BCCP*****1ZP
		Ludhiana-I	301034105467	03AGWP*****1ZD
5.	Vehicles whose registration has been cancelled, mentioned in e-Waybills	Fatehgarh Sahib	361035106665	03ACYP*****1ZC
		Patiala	361013706940	03BWIP*****1ZH

⁵² GSTIN: 03AZWP*****1ZU: ₹ 5,10,07,156, 03ANTP*****1ZO: ₹ 1,14,19,760 and 03AGWP*****1ZD: ₹ 16,57,95,668 (Out of demand of ₹ 16,75,58,158 created on 14 January 2019 against GSTIN 03AGWP*****1ZD, an amount of ₹ 17,62,490 had already been recovered before audit, hence balance ₹ 16,57,95,668 was recoverable.)

⁵³ GSTIN: 03ANTP*****1ZO and 03AGWP*****1ZD

Generation of e-Waybills using stolen, scrapped, surrendered, cancelled or suspended vehicles indicated inefficient use of Vahan data by the e-Waybill system because it allowed generation of e-Waybills using risky vehicles despite vehicle's status available in Vahan data.

Audit further noticed that out of 10 e-Waybills, output tax in eight e-Waybills tabulated at serial number 1 to 4 had been paid by the respective taxpayers. However, proof of movement of consignments involved in these e-Waybills was not provided by the Department. Further, output tax on assessable value of ₹ 0.03 crore, involved in e-Waybill 361013706940 tabulated at serial number 5 above, was not found paid by the taxpayer. However, the Department could not identify above omissions and take remedial action.

A case of one taxpayer is illustrated below.

A taxpayer having GSTIN 03BWIP*****1ZH under the jurisdiction of Assistant Commissioner of State Tax, Patiala generated inter-State e-Waybill 361013706940 on 10 May 2018 involving assessable value of ₹ 0.03 crore and IGST of ₹ 46,710. As per data, the supply was made from Punjab to Uttar Pradesh through vehicle number UP**T-2**5. Audit analysed the Vahan data and found that vehicle stated to have been used for transportation of supply in e-Waybill, was already scrapped on 23 December 2017. Further, scrutiny of data for the corresponding month of May 2018 from the GSTN portal revealed that the taxpayer had not filed GSTR-1 return and had filed nil GSTR-3B return for this month, hence no tax was paid.

On being pointed out (May 2023), the Assistant Commissioner issued (June 2023) ASMT-10 for ₹ 0.03 crore to the taxpayer.

Out of eight taxpayers other than one illustrated above, action in one case⁵⁴ was already initiated by the Department. In three cases⁵⁵, no reply was furnished by the Department. In remaining four cases, the Assistant Commissioners replied (June 2023 and May 2024) that DRC-07 for ₹ 4.12 crore has been issued to one taxpayer⁵⁶, DRC-01 for ₹ 0.02 crore have been issued to two taxpayers⁵⁷ and proceedings have been initiated against one taxpayer⁵⁸.

The system deficiency was discussed in the exit meeting held on 6 May 2024. In response, the Government assured (May 2024) to investigate the matter and to take steps to plug in the system weakness to protect the Government revenue.

⁵⁴ GSTIN: 03AGWP*****1ZD

⁵⁵ GSTIN: 03AJMP*****2ZS, 03AABC*****1ZU and 03ACNP*****1ZP

⁵⁶ GSTIN: 03ACYP*****F1ZC: ₹ 4,11,98,857

⁵⁷ GSTIN: 03ANIP*****1ZO : ₹ 1,40,940 and 03BCCP*****1ZP: ₹ 72,000

⁵⁸ GSTIN: 03ABKF*****1ZO

3.10.1.9 Generation of e-Waybills by composition taxpayers under 'tax invoice' category and with inapplicable rates of taxes

As per Section 10 of Punjab Goods and Services Tax Act, 2017, a registered person whose aggregate turnover in the preceding financial year did not exceed one crore fifty lakh rupees, may opt to pay composition levy instead of regular rate of tax as per below.

(a) Two *per cent* (one *per cent* CGST plus one *per cent* SGST) of the turnover in the State or turnover in the Union territory in case of a manufacturer.

(b) Five *per cent* (2.5 *per cent* CGST plus 2.5 *per cent* SGST) of the turnover in the State or turnover in the Union territory in case of persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II.

(c) One *per cent* (0.5 *per cent* CGST plus 0.5 *per cent* SGST) of the turnover in the State or turnover in the Union territory in case of other suppliers.

The e-Waybill system was implemented with effect from 1 April 2018 with the intent to safeguard the Government revenue. At the same time, it is expected from any information technology system that provisions of the Acts/Rules are implemented effectively for which it is deployed. There should be proper validation checks to ensure correctness of data captured by such systems so that output information generated is in accordance with requirements of the Acts/Rules. Moreover, the availability of correct and accurate information is key to good decision making for any management.

Out of total sample of 120 e-Waybills, four e-Waybills belonged to three composition taxpayers. During examination of these e-Waybills, Audit observed (December 2023) that composition taxpayers were able to generate e-Waybills under tax invoice category, whereas composition taxpayers were supposed to generate e-Waybills under the category of bill of supply. The e-Waybill system allowed generation of e-Waybills under tax invoices category by composition taxpayers like normal taxpayers without validating the status of the taxpayers. Further, e-Waybill system allowed selection of higher tax rates applicable to normal taxpayers, even if the composition taxpayer had selected the 'bill of supply' category. Details of e-Waybills generated by composition taxpayers with normal rate of tax is given in **Table 3.7**.

Table 3.7: Details of e-Waybills generated by composition taxpayers

GSTIN of taxpayer	e-Waybill number	Category selected	Rate of tax as per e-Waybill	
03APAP*****1ZR	301051939597	Tax Invoice	6% (CGST)	6% (SGST)
	301052096862	Bill of Supply	6% (CGST)	6% (SGST)
03CWOP*****1Z0	341078493247	Tax Invoice	18% (IGST)	
03AJPP*****1ZP	731069721514	Tax Invoice	12% (IGST)	

Audit opines that e-Waybill system should validate the status of the taxpayer, whether he is composition taxpayer or normal taxpayer, before allowing

selection of 'bill of supply'. Further rates of taxes in e-Waybill should be restricted to rates of taxes applicable to composition taxpayers under the category of 'bill of supply'. However, e-Waybill was deficient in validation checks and allowed composition taxpayers to generate e-Waybills under 'tax invoice' category and with inapplicable rates of taxes.

The system deficiency was discussed in the exit meeting held on 6 May 2024. In response, the Government assured (May 2024) to investigate the matter and to take steps to plug in the system weakness to protect the Government revenue.

3.10.1.10 Outward supplies without or disproportionate to inward supplies (as seen from GSTR-2A returns)

As per Section 37 of Punjab Goods and Services Act, 2017 every registered person other than an input service distributor, a non-resident taxable person and a composition taxpayer or a taxpayer deducting tax at source or a taxpayer collecting tax at source, shall furnish, electronically, in such form and manner as may be prescribed, the details of outward supplies of goods or services or both effected during a tax period on or before the tenth day of the month succeeding the said tax period. Further, GSTR-2A returns is a system generated statement of inward supplies for a recipient, which is auto populated on the basis of details of outward supplies furnished by the supplier taxpayers.

During substantive audit of sample 120 e-Waybills pertaining to 35 taxpayers, it was observed (May 2023) in 29 e-Waybills involving tax ₹ 0.23 crore (**Appendix 3.6**) that four taxpayers had either no inward supplies prior to generation of outward supply e-Waybills or had disproportionate outward supplies in comparison to inward supplies. Out of these, two taxpayers concerned under the jurisdiction of two Assistant Commissioners of State Tax⁵⁹ generated 26 e-Waybills between June 2018 and September 2018 without having inward supplies since the date of GST registration till September 2018. In case of two taxpayers⁶⁰ under the jurisdiction of two Assistant Commissioners of State Tax⁶¹, who had generated three e-Waybills in the month of September 2018⁶² and April 2019⁶³ had disproportionately high outward supplies in comparison to inwards supplies as verified from the GST returns of the taxpayers for the period from July 2017 to March 2019.

A case of one taxpayer is illustrated below.

A taxpayer having GSTIN 03CLVP*****1ZV under the jurisdiction of Assistant Commissioner of State Tax, SAS Nagar generated 18 e-Waybills between June and July 2018 having assessable value of ₹ 0.94 crore with tax

⁵⁹ Ludhiana-IV and SAS Nagar

⁶⁰ GSTIN: **Jalandhar-I** 03AARF*****1ZR and **Ludhiana-I** 03ASLP*****1ZH

⁶¹ Jalandhar-I and Ludhiana-I

⁶² **Ludhiana-I**: e-Waybill 371050377179 and 391050376578 generated on 26 September 2018 involving assessable value of ₹ 16,53,350 and tax of ₹ 1,98,402 (CGST+SGST) each.

⁶³ **Jalandhar-I**: e-Waybill 351102992527 generated on 10 April 2019 involving assessable value of ₹ 71,700 and tax of ₹ 12,906 (CGST+SGST)

implication of ₹ 0.17 crore. Audit examined the GSTR-2A returns of the taxpayer from January 2018⁶⁴ till July 2018 and observed that taxpayer had no inward supplies. Further, the taxpayer either had not filed GSTR-3B return or had filed nil GSTR-3B return during the year 2018-19, hence no tax liability was discharged.

On being pointed out (May 2023), the Assistant Commissioner issued DRC-01 on 12 December 2023 for ₹ 0.69 crore to the taxpayer for the period 2018-19.

In three cases, other than illustrated above, the Assistant Commissioners replied (May 2023 to February 2024) that DRC-01 for ₹ 0.31 crore has been issued to one taxpayer⁶⁵ in December 2023, ASMT-14 for ₹ 0.07 crore has been issued to one taxpayer⁶⁶ and clarification involving tax implication of ₹ 0.04 crore has been sought from one taxpayer⁶⁷.

3.10.1.11 Excess availing of input tax credit

As per Section 61 of the Punjab Goods and Services Tax Act, 2017 various returns filed by the taxpayers has to be scrutinised 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.

In order to analyse the veracity of input tax credit utilisation in respect of sample 35 taxpayers related to 120 e-Waybills, the relevant datasets were extracted from GSTR-3B and GSTR-2A for the period covered in audit. The input tax credit available in GSTR-2A returns was matched with the input tax credit availed by the taxpayers in GSTR-3B returns. The methodology adopted was to compare the input tax credit available as per GSTR-2A with all its amendments and the input tax credit availed in GSTR-3B in table 4A(5) considering the reversals in table 4B(2) but including the input tax credit availed in the subsequent years in table 8C of GSTR-9.

Audit observed (October 2023) that two taxpayers⁶⁸ under the jurisdiction of two Assistant Commissioners of State Tax⁶⁹, who had generated two e-Waybills, had availed input tax credit of ₹ 128.55 crore as per GSTR-3B returns, whereas input tax credit of ₹ 127.30 crore was available as per GSTR-2A returns of these taxpayers. Thus, there was mismatch of ₹ 1.25 crore between the input tax credit available and input tax credit availed.

⁶⁴ Commencement of registration of taxpayer was 27 January 2018.

⁶⁵ GSTIN: 03DEGP*****1ZL: ₹ 30,75,838

⁶⁶ GSTIN: 03AARF*****1ZR: ₹ 7,19,310

⁶⁷ GSTIN: 03ASLP*****1ZH: ₹ 3,96,804

⁶⁸ GSTIN: 03AABC*****1ZU e-Waybill 321315348802 dated 5 May 2021 and 03AJMP*****2ZS e-Waybill: 321224469111 dated 11 August 2020

⁶⁹ Amritsar-II and SAS Nagar.

A case of one taxpayer is illustrated below.

A taxpayer having GSTIN 03AJMP*****2ZS under the jurisdiction of Assistant Commissioner of State Tax, Amritsar-II availed input tax credit of ₹ 124.78 crore in 2018-19 as per GSTR-3B returns, whereas input tax credit of ₹ 123.87 crore was available in GSTR-2A returns. Thus, there was mismatch of ₹ 0.91 crore between input tax credit availed and available as per GST returns.

On being pointed out (October 2023), no reply was furnished by the Department (October 2024).

3.10.1.12 Restoration of registration without recovering pending tax liability

As per the Rule 23(1) of Punjab Goods and Services Tax Rules, 2017, a registered person, whose registration is cancelled by the Proper Officer on his own motion, may submit an application for revocation of cancellation of registration, in form GST-REG-21, to such Proper Officer, within a period of thirty days from the date of the service of the order of cancellation of registration at the common portal, either directly or through a facilitation centre notified by the Commissioner, provided that no application for revocation shall be filed, if the registration has been cancelled for the failure of the registered person to furnish returns, unless such returns are furnished and any amount due as tax, in terms of such returns, has been paid along with any amount payable towards interest, penalty and late fee in respect of the said returns.

Further all the returns due for the period from the date of the order of cancellation of registration till the date of the order of revocation of cancellation of registration shall be furnished by the said person within a period of thirty days from the date of order of revocation of cancellation of registration. In case, where registration was cancelled with retrospective effect, the registered person shall furnish all returns relating to period from the effective date of cancellation of registration till the date of order of revocation of cancellation of registration within a period of thirty days from the date of order of revocation of cancellation of registration.

During substantive audit of sample 120 e-Waybills pertaining to 35 taxpayers, it was observed (September 2023) that registration of a taxpayer⁷⁰ under the jurisdiction of Assistant Commissioner of State Tax, Jalandhar-I was restored on 22 March 2022 by the Proper Officer without ensuring that the taxpayer had furnished pending returns and outstanding liability was discharged. The registration of the taxpayer was earlier cancelled by the Department *suo-motu* on 11 October 2019 effective from 1 July 2018 due to taxpayer's failure to file GST returns and discharge tax liability. The taxpayer applied for revocation of cancellation of registration on 9 January 2020 and registration was restored by

⁷⁰ GSTIN: 03AAAA*****1ZG

the Department on 22 March 2022. Audit verified from the GSTN portal and noticed that GST returns were not filed by the taxpayer for the period from August 2018 onwards. As per e-Waybill data, the taxpayer had generated nine e-Waybills involving assessable value of ₹ 0.05 crore⁷¹ between July 2018 and February 2019. As indicated from e-Waybill information, the taxpayer had conducted business for the period from August 2018 to February 2019 but had not discharged any tax liability as no return was filed by the taxpayer for this period.

On being pointed out, the Assistant Commissioner replied (March 2024) that DRC-01 for ₹ 0.01 crore has been issued to the taxpayer⁷².

3.10.1.13 Cross-PAN analysis

Audit analysis of sample nine e-Waybills pertaining to nine taxpayers having same PAN for the consignor and consignee is discussed in the following paragraphs.

[A] Outward supplies not supported by e-Waybills (as seen from GSTR-1 and GSTR-3B returns)

As per Section 37 of Punjab Goods and Services Act, 2017 every registered person other than an input service distributor, a non-resident taxable person and a composition taxpayer or a taxpayer deducting tax at source or a taxpayer collecting tax at source, shall furnish, electronically, in such form and manner as may be prescribed, the details of outward supplies of goods or services or both effected during a tax period on or before the tenth day of the month succeeding the said tax period. The normal taxpayers are required to discharge their tax liability thereon in GSTR-3B and composition taxpayers are required to pay tax in GSTR-4/GST-CMP-08.

During substantive audit of sample nine e-Waybills pertaining to nine taxpayers, it was observed (May 2023) in one e-Waybill⁷³ generated by a taxpayer having GSTIN 03AAAC*****1ZX under the jurisdiction of Assistant Commissioner of State Tax, Ludhiana-I that no entry for this e-Waybill was made in GSTR-1 return of the corresponding month and no tax was paid for this e-Waybill. The e-Waybill carried assessable value of ₹ 1.76 crore and tax of ₹ 0.32 crore.

On being pointed out, the Assistant Commissioner replied (July 2023) that ASMT-10 under Section 61 of the Punjab GST Act has been issued to the taxpayer for depositing tax of ₹ 0.32 crore.

[B] Mismatch between GSTR-2A and e-Waybill details

As per Section 16 of the Punjab Goods and Services Tax Act, 2017, every registered person shall be entitled to take credit of input tax charged on any

⁷¹ Tax implication ₹ 65,065

⁷² GSTIN: 03AAAA*****1ZG: ₹ 1,47,479

⁷³ e-Waybill 371345608052 dated 10 August 2021

supply of goods or services or both which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person. Further, in terms of sub-Section 2(e) of the said Section, the claim of input tax credit is subject to the condition, inter-alia, that the tax charged in respect of such supply has been actually paid to the Government.

During substantive audit of sample nine e-Waybills pertaining to nine taxpayers, it was observed (June 2023) in two e-Waybills pertaining to two taxpayers⁷⁴ that assessable value of supplies made as per e-Waybills was ₹ 9.45 crore, whereas purchaser taxpayers had shown value of inward supplies as ₹ 0.11 crore against these e-Waybills.

A case of one taxpayer is illustrated below.

A taxpayer of Karnataka having GSTIN 29AAW*****J1ZJ generated e-Waybill 171145556841 on 20 July 2019 involving assessable value of ₹ 8.45 crore and IGST of ₹ 1.01 crore. The e-Waybill was generated for outward supplies to purchaser taxpayer of Punjab having GSTIN 03AAWF*****1ZX. Audit examined the GSTR-2A of the purchaser taxpayer and observed that purchaser taxpayer had shown value of supply as ₹ 0.01 crore only. Thus, there was mismatch of ₹ 8.44 crore in taxable value of goods between e-Waybill of seller taxpayer and GSTR-2A of the purchaser taxpayer involving tax implication of ₹ 1.01 crore.

On being pointed out in audit (June 2023), the Assistant Commissioner issued ASMT-10 involving tax of ₹ 1.01 crore under Section 61 of the Punjab GST Act to the taxpayer.

In another case, other than illustrated above, the Assistant Commissioner replied that ASMT-10 involving tax of ₹ 0.16 crore has been issued to the taxpayer⁷⁵ for mismatch between GSTR-2A and e-Waybill data.

[C] Excess availing of input tax credit

As per Section 61 of the Punjab Goods and Services Tax Act, 2017 various returns filed by the taxpayers has to be scrutinised 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.

In order to analyse the veracity of input tax credit utilization in respect of sample nine e-Waybills pertaining to nine taxpayers with same PAN for consignor and consignee, the relevant datasets were extracted from GSTR-3B and GSTR-2A for the period covered in audit. The input tax credit paid as per the supplier detail was matched with the input tax credit availed by the sample taxpayers.

⁷⁴ e-Waybill 171145556841 dated 20 July 2019 of GSTIN 29AAW*****J1ZJ and 30130419033 dated 23 March 2021 of GSTIN 03ADTP*****3Z7

⁷⁵ GSTIN 03ADTP*****3Z7

The methodology adopted was to compare the input tax credit available as per GSTR-2A with all its amendments and the input tax credit availed in GSTR-3B in table 4A(5) considering the reversals in table 4B(2) but including the input tax credit availed in the subsequent years in table 8C of GSTR-9.

Audit observed (October 2023) that one taxpayer having GSTIN 03AADC*****1Z0 under the jurisdiction of Assistant Commissioners of State Tax, SAS Nagar availed input tax credit of ₹ 0.34 crore as per GSTR-3B returns, whereas as per GSTR-2A returns, input tax credit of ₹ 0.16 crore was available. Thus, there was mismatch of ₹ 0.18 crore between the input tax credit available and input tax credit availed.

On being pointed out, no reply was furnished by the Department (October 2024).

3.10.1.14 Results of totality audit

In totality audit, the data of e-Waybills was analysed on the basis of six identified Key Problem Areas (KPA) which were generated for the period between April 2018 and March 2022, and it was seen that discrepancies related to tax compliance by the taxpayers could be ascertained directly from certain KPAs. The data extracted under these KPAs involving 22,538 taxpayers and 2,25,044 e-Waybills was forwarded to the Department in August 2023 for considering further course of remedial action and summary report on action taken by the Department was called for without involving field visit. The totality observations shared with the Department (July and August 2023) and response received (March to May 2024) thereon are detailed in the **Table 3.8**.

Table 3.8: Details of totality observations shared and responses received

Sr. No.	Nature of observation	No. of taxpayers	Total numbers of e-Waybills	Assessable Value (₹ in crore)	Department's response			
					Accepted		Not accepted	No response
					Taxpayers	Tax involved (₹ in crore)	Taxpayers	Taxpayers
1.	Generation of inter-State e-Waybills by composition taxpayers	147	294	2.91	33	0.11	67	47
2.	Generation of e-Waybills by composition taxpayers, who had crossed prescribed threshold limit	4	219	8.00	2	0.12	1	1
3.	Generation of e-Waybills by non-filers of GST returns	1,214	8,433	292.41	352	6.07	432	430
4.	Generation of e-Waybills by cancelled taxpayers	1,795	91,052	6,782.76	549	74.25	546	700
5.	Generation of duplicate e-Waybills using same invoice	9,698	41,626	659.34	1,814	3.71	3,255	4,629
6.	Generation of e-Waybills by filers of nil GST returns	9,680	83,420	3,015.43	454	25.59	1,055	8,171
Total		22,538	2,25,044	10,760.85	3,204	109.85	5,356	13,978

The Department's actions in 8,560 cases, against which responses were received, are summarised in **Table 3.9**.

Table 3.9: Summary of responses received on totality observations

(₹ in crore)

		Audit Dimensions							
		Generation of inter-State e-Waybills by composition taxpayers	Composition taxpayers crossed threshold limit	Generation of e-Waybills by non-filers	Generation of e-Waybills by cancelled taxpayers	Generation of duplicate e-Waybills using same invoice	Generation of e-Waybills by nil filers	Total	
		1	2	3	4	5	6	7	
Cases where reply received	No.	100	3	784	1,095	5,069	1,509	8,560	
Accepted	Demand notices issued	No.	26	2	231	500	428	447	1,634
		Amt	0.11	0.12	6.07	74.02	3.71	25.51	109.54
	Demands collected	No.	1	0	2	12	0	1	16
		Amt	0.00005	0.00	0.0003	0.23	0.00	0.08	0.31
	Under correspondence with taxpayer	No.	6	0	119	37	1,386	6	1,554
	Total	No.	33	2	352	549	1,814	454	3,204
Amt		0.11	0.12	6.07	74.25	3.71	25.59	109.85	
Not accepted	Action already initiated	No.	2	0	80	168	28	289	567
	No action required	No.	64	1	351	368	3,226	766	4,776
	Other reasons	No.	1	0	1	10	1	0	13
	Total	No.	67	1	432	546	3,255	1,055	5,356

Out of 8,560 taxpayers, the Department had initiated action based on audit objection in 3,204 cases (37.43 per cent of the responses received) resulting in issue of demand notices of ₹ 109.54 crore and recoveries of ₹ 0.31 crore. In 5,356 cases, the Department informed that either actions were already initiated by them, or no action was required due to valid reasons.

In 13,978 cases, no reply was furnished by the Department. Considering the rate of conversion of totality observations into demand notices and recoveries, the Department is required to expedite the examination process of the remaining these cases on priority.

3.10.2 Effectiveness of preventive and enforcement activities

Activities related to enforcement of tax law are distinct from the activities related to voluntary compliance. Intelligence gathering, interception and inspection of vehicles and inspection of premises are *inter alia* various methods which may, as per law, be adopted for enforcing the law in cases where tax evasion has, or is believed to have, occurred and the Department has followed an approach to enforcement which relies considerably on physical interception of the movement of goods.

In Punjab, the Taxation Department has seven⁷⁶ State Intelligence Preventive Units (SIPUs) for checking the correctness of the documents carried in support of the goods transported in the State and it is an integral part of their enforcement activity to supplement their efforts to prevent and check the tax evasion. Audit selected four State Intelligence Preventive Units⁷⁷ (SIPUs) as sample out of total seven SIPUs in the State. During audit several deficiencies and shortcomings in the preventive and enforcement activities were noticed, which are discussed under the paragraphs 3.10.2.1 to 3.10.2.3.

3.10.2.1 Operational preparedness of the Department

[A] Dedicated setup/unit

A dedicated unit for e-Waybill related enforcement activities like verification of e-Waybills during interception of vehicles and follow-up action, wherever required, utilising analytical reports on e-Waybill transactions in planning the e-Waybill verification, etc. improves the efficiency of preventive functions.

In the State of Punjab, the Department has established seven State Intelligence Preventive Units (SIPUs) for e-Waybill related enforcement activities. These dedicated units formed inspection teams, whenever required, with the existing employees.

[B] Adequacy of manpower

Proper manpower planning helps the Department in maintaining adequate workforce, utilising the manpower resources and meeting its objectives in an efficient way.

Audit observed that 86.36 *per cent* posts of the sanctioned strength were filled in sample four State Intelligence Preventive Units⁷⁸ leaving 13.64 *per cent* vacancies in these units. The *per cent* vacancy in the posts of State Tax Officer, State Tax Inspector and other supporting staff varied from 9.52 to 25.00 *per cent* (**Appendix 3.7**). Preventive and enforcement activities play an important role in preventing and checking tax evasions, hence the issue of vacancies in State Intelligence Preventive Units (SIPUs) require attention of the Department.

On being pointed out (October 2023), SIPU, Bathinda agreed (May 2024) to the inadequacy of staff in the unit without offering further comments in the matter. Other SIPUs did not offer any comments in this regard (October 2024).

[C] Targets and achievements

Target setting and advance planning for verification of e-Waybills through vehicle interceptions ensures effective monitoring of movement of goods.

⁷⁶ Amritsar, Bathinda, Fazilka, Jalandhar, Ludhiana, Patiala and Shambhu

⁷⁷ Bathinda, Ludhiana, Patiala and Shambhu

⁷⁸ Bathinda, Ludhiana, Patiala and Shambhu

Audit noticed in sample four State Intelligence Preventive Units⁷⁹ (SIPUs) that specific targets were not fixed for conducting verification of e-Waybills. Due to non-fixation of targets, performance of the SIPUs could not be measured in terms of achieving the set target.

On being pointed out (August 2023), SIPU, Bathinda acknowledged (May 2024) the fact that no targets were fixed for the verification of e-Waybills. Other SIPUs did not offer any comments in this regard (October 2024).

[D] Use of analytical/MIS reports

National Informatics Centre provides analytical/MIS reports on e-Waybill transactions and shares them with GST Departments under Centre and State formations. These reports indicate the probable cases of tax evasion incidences by the taxpayers and help the Departments in taking evidence-based decisions.

Audit examined the extent to which these reports were being utilised by the State Intelligence Preventive Units (SIPUs) for planning the verifications of e-Waybills. On being requisitioned various analytical reports in audit, it was informed by all four SIPUs that such reports could only be provided by office of the Additional Commissioner Taxation (Investigation). Further, as informed to Audit, the SIPUs were not using the analytical reports for planning the vehicle interceptions. Instead, physical verification of vehicles was conducted as surprise checking.

The issue was discussed in exit meeting held on 6 May 2024, wherein Financial Commissioner (Taxation) after considering the usefulness of analytical reports, instructed the Department to bring all monitoring reports under one dashboard so that officers do not have to navigate to multiple reporting modules for accessing various monitoring reports.

3.10.2.2 Effectiveness of anti-evasion measures

[A] Scope limitation due to documents not produced

Section 16 of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971 lays down the audit mandate of the CAG regarding audit of receipts. Further, Section 18(2) of the Act imposes a statutory duty on the offices and Departments to comply with the requests of CAG seeking information and to provide complete information as far as possible with all reasonable expedition.

During this Performance Audit, information and records related to preventive activities with reference to e-Waybills were requisitioned for the audit period from 1 April 2018 to 31 March 2022. Despite regular follow up, State Intelligence Preventive Units (SIPU) Patiala and Shambhu did not produce the

⁷⁹ Bathinda, Ludhiana, Patiala and Shambhu

records in respect of three⁸⁰ and five⁸¹ booked cases respectively which was four *per cent* of total sample of 200 booked cases selected for examination. Due to this, Audit replaced eight cases by other cases through stratified sampling technique.

Case-wise listing of non-production of records is given in **Appendix 3.8** and jurisdiction wise non-production of records is summarised in the **Table 3.10**.

Table 3.10: Non-production of records

Name of SIPU	Selected Sample Size (No. of booked cases)	Non-production (No. of booked cases)
Bathinda	50	-
Ludhiana	50	-
Patiala	50	3
Shambhu	50	5
Total	200	8

Due to non-production of records, preventive aspects or issues involved in these cases could not be examined.

In addition to above, the details of intercepted cases pending finalisation and information related to requests made by the taxpayers for unblocking e-Waybill access were not provided to Audit. Therefore, action taken by the Department on these cases could not be analysed in the audit.

[B] Guidelines for interception of vehicles

The guidelines⁸² issued by Central Board of Indirect Taxes and Customs (CBIC) and circulated by the Punjab Taxation Department⁸³ on 21 March 2022 elaborated the procedure to be followed in case of interception of conveyances for inspection of goods in movement, detention, seizure, confiscation and release of goods and conveyances. During this audit, it was attempted to ascertain the extent of adherence to these procedures by the field formations.

During examination of sample 200 booked cases, Audit observed (July 2023) in two cases⁸⁴ under State Intelligence Preventive Unit, Patiala that during interception, statements of persons-in-charge of goods and conveyance were not recorded in form GST-MOV-1, after they failed to produce the prescribed documents related to e-Waybill, whereas, as per guidelines issued on interception of conveyances, the Proper Officer was required to record a statement of the person in charge of the conveyance in form GST-MOV-1 before undertaking the inspection of the conveyance.

⁸⁰ Three cases were not provided to Audit being taxpayers' cases under appeal

⁸¹ Record Requisition/Reminder dated 7 August 2023, 11 August 2023 and 16 August 2023.

⁸² Circular No. 41/15/2018-GST dated 13 April 2018, 49/23/2018-GST dated 21 June 2018 and 64/38/2018-GST dated 14 September 2018

⁸³ Circular No. 03/2022

⁸⁴ Case No. 1531 dated 27 August 2021 and 1640 dated 12 October 2021

On being pointed out, no reply was furnished by the Department (October 2024).

[C] Release of detained goods and conveyances without setting off taxpayer's liability

Section 49 of Punjab Goods and Services Tax Act, 2017 provides that liability of the taxpayer should be created in the electronic liability register and this liability shall be set off by debiting the electronic cash ledger of the taxpayer.

According to the guidelines⁸⁵ issued by the Central Board of Indirect Taxes and Customs and circulated by the Punjab Taxation Department⁸⁶ on 21 March 2022, the demand accruing from the proceedings shall be added in the electronic liability register and the payment against this shall be credited in electronic liability register by debiting the electronic credit ledger or electronic cash ledger to set off the liability in electronic liability register.

- i. During audit of sample 200 booked cases, it was observed (July and August 2023) in 13 cases under four State Intelligence Preventive Units⁸⁷ (SIPUs) that Proper Officers levied applicable tax and imposed penalties totaling ₹ 0.34 crore (**Appendix 3.9**) during interception of conveyances. The taxpayers deposited ₹ 0.34 crore in their electronic cash ledgers but Proper Officers released goods and conveyances without debiting the electronic cash ledger, hence amount of ₹ 0.34 crore was not realised in the Government accounts before release of goods and conveyances.

A case of one taxpayer is illustrated below.

A Proper Officer under State Intelligence Preventive Unit (SIPU), Bathinda intercepted a conveyance on 3 December 2018 in a case⁸⁸ carrying goods from Moga to Faridkot having assessable value of ₹ 0.28 crore and created demand of ₹ 0.10 crore⁸⁹ including tax and penalty. The taxpayer concerned having GSTIN 03EMRP*****1Z4 deposited ₹ 0.10 crore on 14 December 2018 in electronic cash ledger and Proper Officer released the goods and conveyance on the same day. Audit observed that Proper Officer added the demand for tax and penalty in electronic liability register on 18 April 2019 after a lapse of four months after releasing the goods and conveyance. Thereafter, the liability of ₹ 0.05 crore against penalty was set off on 19 April 2019 by debiting the electronic cash ledger. Hence, there was delay of four months in setting off the liability for penalty of ₹ 0.05 crore and tax liability of ₹ 0.05 crore was not set off till the date of audit (July 2023).

⁸⁵ Circular No. 41/15/2018-GST dated 13 April 2018

⁸⁶ Circular No. 03/2022

⁸⁷ Bathinda, Ludhiana, Patiala and Shambhu

⁸⁸ Case No. 183 dated 3 December 2018

⁸⁹ Tax demand ₹ 5,02,840 (CGST ₹ 2,51,420 plus SGST ₹ 2,51,420) and penalty ₹ 5,02,840

On being pointed out (July 2023), no reply was furnished by the Department (October 2024).

Out of twelve cases other than one illustrated above, SIPU, Ludhiana informed (May 2024) recoveries of ₹ 0.02 crore in one case⁹⁰ through electronic cash ledger. No replies were furnished in the remaining 11 cases (October 2024).

- ii. Similarly, Audit observed (July and August 2023) in 27 cases intercepted by the four State Intelligence Preventive Units⁹¹ (SIPUs) that Proper Officers levied applicable tax and imposed penalties totaling ₹ 0.57 crore during interception of conveyances. The taxpayers concerned deposited ₹ 0.57 crore in their electronic cash ledgers and Proper Officers released goods and conveyances without debiting the electronic cash ledgers of the taxpayers, hence money was not realised in the Government accounts at the time of release of goods and conveyances. Thereafter, Proper Officers created liabilities under electronic liability register and debited the electronic cash ledger with a gap of 63 to 1,656 days (**Appendix 3.10**) after the release of goods and conveyances.

A case of one taxpayer is illustrated below.

A Proper Officer under State Intelligence Preventive Unit (SIPU), Shambhu intercepted a conveyance on 13 July 2018 in a case⁹², carrying goods from Punjab to Kanpur having assessable value of ₹ 0.09 crore and created demand of ₹ 0.11 crore⁹³ including tax and penalty on 31 July 2018. The taxpayer concerned having GSTIN 03AARF*****1Z5 deposited demand of ₹ 0.11 crore in electronic cash ledger on 31 July 2018. The Proper Officer released goods and conveyances after taxpayer deposited demand in his electronic cash ledger, however Proper Officer did not realise money in the Government account by debiting the electronic cash ledger of the taxpayer. Thereafter, Proper Officer created liability under electronic liability register on 2 May 2019 and debited the electronic cash ledger on 11 May 2019 with a gap of 284 days after the release of goods and conveyance.

On being pointed out (August 2023), no reply was furnished by the Department (October 2024).

Out of three SIPUs other than case of one SIPU illustrated above, the SIPU, Ludhiana stated that facility to create liability and set off electronic ledger was activated in 2019-20 so all the liabilities were created and set off subsequently. SIPU, Patiala replied in two cases⁹⁴ that the amount of tax and penalty deposited by the taxpayer in cash ledger cannot be utilised for any other purpose except

⁹⁰ Case No. 11 dated 30 May 2018

⁹¹ Bathinda, Ludhiana, Patiala and Shambhu

⁹² Case No. 020006 dated 13 July 2018

⁹³ Tax demand ₹ 1,64,584 (IGST), penalty ₹ 1,64,584 and fine ₹ 7,49,771

⁹⁴ Case No. 92 dated 8 April 2018 and 183 dated 6 October 2018

GST liability. SIPU, Bathinda replied that during initial period, the staff was not familiar with GST system. Moreover, despite delay there was no loss of revenue.

The replies of the SIPUs were not acceptable because the Department had issued advisory on creating and setting off of liability in October 2018 and delay in realisation of Government money beyond that period was not justifiable. Moreover, the amounts available under electronic cash ledger could have been utilised by the taxpayers for their liabilities arising during a tax period and in such a situation, risk of non-realisation of tax demand cannot be ruled out as seen by Audit in a case⁹⁵, where amount of ₹ 52,500 deposited by taxpayer against demand was utilised by the taxpayer against other liabilities leaving insufficient amount in electronic cash ledger because Proper Officer had not debited the electronic cash ledger against the demand timely.

[D] Non-reporting of invoices for outward supplies by taxpayers

Section 37 of Punjab Goods and Services Tax Act, 2017 read with Rule 59(1) of Punjab Goods and Services Tax Rule, 2017 specifies that details of outward supplies of both goods and services are required to be furnished by the registered person in form GSTR-1.

During audit of sample 200 booked cases, Audit collected data in respect of tax invoices of such taxpayers, whose invoices were not found in violation of GST provisions during interception of conveyances and were allowed further movement without penalties. Audit cross verified this data from the GSTR-1 returns of the respective taxpayers and observed (August 2023) that five taxpayers had not reported ten tax invoices having assessable value of ₹ 2.96 lakh with tax implication of ₹ 46,484 (**Appendix 3.11**) in their GSTR-1 returns. Thus, these taxpayers did not discharge their tax liabilities after the supplies had moved past interception which indicated that these taxpayers might be involved in suppressing business transactions and tax evasion activities.

On being pointed out, the Jurisdictional Assistant Commissioner, Ludhiana-II replied (May 2024) that proceedings have been initiated against two taxpayers⁹⁶. No reply was furnished by other jurisdictional officers (October 2024).

[E] Non-levy of penalty on movement of goods without mandatory e-Waybill

Rule 138 of Punjab Goods and Services Tax (PGST) Rules, 2017 provides for the e-Waybill mechanism. The information on the consignment is to be furnished prior to movement of goods and it is to be issued irrespective of whether the movement is in relation to supply or for reasons other than supply.

⁹⁵ Case No. 292 dated 23 February 2019

⁹⁶ GSTIN: 03ADVP*****1ZD and 03AEHP*****1ZP

The e-Waybill was introduced with effect from 1 April 2018 for all inter-State movement of goods having value exceeding ₹ 50,000. For the intra-State movements, the e-Waybill was made mandatory in the State of Punjab with effect from 1 June 2018.

Section 129 (1) of Punjab Goods and Services Tax Act, 2017 provides that upon detention of goods and conveyances in transit in contravention of the Act, in case of taxable goods, (a) when owner of the goods comes forward for payment of tax and penalty, goods and conveyances shall be released on payment of the applicable tax and penalty equal to 100 *per cent* of the tax payable and (b) if owner of the goods does not come forward for payment of tax and penalty, goods and conveyances shall be released on payment of the applicable tax and penalty equal to the fifty *per cent* of the value of the goods reduced by the tax amount paid thereon.

During audit of sample 200 booked cases, Audit observed (July and August 2023) in two cases⁹⁷ under two State Intelligence Preventive Units⁹⁸ that Proper Officers allowed further movement of goods after interception, without imposing penalty which were being transported without mandatory e-Waybills.

A case is illustrated below.

A Proper Officer under State Intelligence Preventive Unit, Ludhiana intercepted conveyance in a case⁹⁹ on 26 November 2021, in which goods of a taxpayer having GSTIN 03AGZP*****1ZP were being transported from Punjab to Delhi. In this case, the total assessable value of goods was ₹ 67,762 under the cover of two invoices with assessable value of ₹ 46,130 and ₹ 21,632. The goods were being transported to the same purchaser taxpayer at the same place of delivery. As total value of the goods had exceeded ₹ 50,000, an e-Waybill was required to be generated mandatorily. Audit observed (August 2023) that no e-Waybill was generated for these invoices, hence movement of goods was not covered by mandatory e-Waybill document, for which penalty under Section 129(1) of the Act was required to be levied but Proper Officer allowed further movement of goods without levying any penalty.

On being pointed out, the Jurisdictional Assistant Commissioner, Ludhiana-II replied (May 2024) that proceedings have been initiated against the taxpayer.

In another case¹⁰⁰, other than illustrated above, the Jurisdictional Assistant Commissioner replied (May 2024) that proceedings have been initiated against the taxpayer.

⁹⁷ Case No. 2240 dated 26 November 2021 (Ludhiana) and 263 dated 9 March 2019 (Bathinda)

⁹⁸ Bathinda and Ludhiana

⁹⁹ Case No. 2240 dated 26 November 2021 (Ludhiana)

¹⁰⁰ Case No. 263 dated 9 March 2019 (Bathinda)

[F] Short levy of fine

Section 129(1) of Punjab Goods and Services Tax Act, 2017 provides that upon detention of goods and conveyances in transit in contravention of the Act, in case of taxable goods, (a) when owner of the goods comes forward for payment of tax and penalty, goods and conveyances shall be released on payment of the applicable tax and penalty equal to 100 *per cent* of the tax payable and (b) if owner of the goods does not come forward for payment of tax and penalty, goods and conveyances shall be released on payment of the applicable tax and penalty equal to the fifty *per cent* of the value of the goods reduced by the tax amount paid thereon.

Section 130(1) of the Act provides that if any person supplies or receives any goods in contravention of any of the provisions of the Act with intent to evade payment of tax or does not account for any goods, on which he is liable to pay tax or supplies, any goods liable to tax under the Act without having applied for registration or contravenes any of the provisions of the Act with intent to evade payment of tax or uses any conveyance as a means of transport for carriage of goods in contravention of the provisions of the Act, unless the owner of the conveyance proves that it was so used without the knowledge or connivance of the owner himself, his agent, if any, and the person-in-charge of the conveyance, then, all such goods or conveyances shall be liable to confiscation and the person shall be liable to penalty under Section 122 of the Act.

Further, Section 130(2) of the Act provides that the owner of such goods or conveyance or the person referred to in Section 130(1) of the Act, shall, in addition, be liable to tax, penalty and charges payable in respect of such goods or conveyance.

According to the guideline¹⁰¹ issued by the Central Board of Indirect Taxes and Customs and circulated by Punjab Taxation Department¹⁰² on 21 March 2022, where the Proper Officer is of the opinion that movement of goods is being effected to evade payment of tax, he may directly invoke Section 130 of the Act by issuing a notice proposing to confiscate the goods and conveyance in form GST-MOV-10.

During audit of sample 200 booked cases, Audit observed (July and August 2023) in four intercepted cases¹⁰³ under two State Intelligence Preventive Units¹⁰⁴ that goods were transported without e-Waybills. Moreover, in two cases, the goods were also not covered by invoices and in two cases, the goods were more than quantity declared on invoices. The persons concerned could not produce account books and other related documents for verification of goods

¹⁰¹ Circular No. 41/15/2018-GST dated 13 April 2018

¹⁰² Circular No 03/2022 dated 21 March 2022

¹⁰³ Case No. 552 dated 19 November 2019, 34 dated 5 April 2018, 1640 dated 12 October 2021 and 1028 dated 25 March 2021

¹⁰⁴ Ludhiana and Patiala

after the detention of goods and conveyance. The Proper Officers released goods and conveyance after imposing tax and penalty of ₹ 0.04 crore under Section 129(1) of the Act, whereas these cases were fit to be processed under Section 130(2) of the Act because goods were transported without documents with the intent to evade payment of tax.

A case is illustrated below.

A Proper Officer under State Intelligence Preventive Unit, Patiala intercepted conveyance in a case¹⁰⁵ on 5 April 2018, in which goods were being transported without e-Waybill and invoice. The Proper Officer released the goods and conveyance by levying tax and penalty of ₹ 0.02 crore under Section 129(1) of the Act, whereas the case was fit to be processed under Section 130(2) of the Act due to the fact that goods were transported with the intent to evade tax and person concerned had failed to produce books of accounts and other relevant documents for verification of goods.

On being pointed out, no reply was furnished by the Department (October 2024).

[G] Unjustified imposition of fine on conveyance

Section 130(1)(v) of the Punjab Goods and Services Tax Act, 2017 provides that if any conveyance is used as a means of transport for carriage of goods in contravention of the provisions of the Act, unless the owner of the conveyance proves that it was so used without the knowledge or connivance of the owner himself, his agent, if any, and the person-in-charge of the conveyance, then, all such goods or conveyances shall be liable to confiscation and the person shall be liable to penalty under Section 122 of the Act.

During audit of sample 200 booked cases, Audit observed in one case¹⁰⁶ under State Intelligence Preventive Unit, Patiala that a conveyance carrying iron scrap was intercepted by Proper Officer on 6 May 2021. The Proper Officer found that the taxpayer was supplying his goods at a price lower than the market value. The value of goods as per open market rate was ₹ 3.58 lakh at the rate of ₹ 33 per kilogram, whereas the value quoted in the invoice was ₹ 1.67 lakh at the rate of ₹ 16 per kilogram. The Proper Officer concluded that there was an attempt to evade the tax and imposed penalty and fine of ₹ 1.93 lakh for goods under Section 130(2) of the Act on the supplier taxpayer. In addition to this, the Proper Officer imposed a fine of ₹ 0.64 lakh on the conveyance.

Audit noticed (July 2023) that during interception of the conveyance, the person-in-charge of the conveyance was carrying required invoice and e-Waybill during transportation of goods. Audit also noted that Proper Officer did not find any other discrepancy related to description and quantity of goods

¹⁰⁵ Case No. 34 dated 5 April 2018

¹⁰⁶ Case No. 1173 dated 6 May 2021

during physical verification undertaken in the course of inspection. As per demand order issued by Proper Officer, the goods were undervalued by the supplier taxpayer. Audit opines that the violation had been made by supplier taxpayer as undervaluation of goods was not prima-facie connected to the owner or person-in-charge of the conveyance. Thus, the penalty of ₹ 0.64 lakh imposed by Proper Officer on conveyance was unjustified.

On being pointed out, no reply was furnished by the Department (October 2024).

3.10.2.3 Intra-Departmental co-ordination in monitoring e-Waybill related transactions

The e-Waybill system is directly linked with movement of goods and State Intelligence Preventive Units (SIPUs) are entrusted with enforcing e-Waybill related provisions. The Additional Commissioner Taxation (Investigation) has access to analytical reports on e-Waybill transactions generated by National Informatics Centre (NIC) through NIC portal. As tax liability on the e-Waybill transactions is discharged by the taxpayers through periodical returns and the jurisdictional authorities act as Proper Officer for scrutiny of returns and assessment, Audit tried to ascertain the effectiveness of the usage of analytical reports by the SIPUs and to what extent intra-Departmental co-ordination exists in the Department. The findings of these studies are discussed in succeeding paragraphs.

[A] Availing of input tax credit by the recipients in respect of consignments booked during interception for e-Waybill related violations

Section 17(5)(i) of Punjab Goods and Services Tax Act, 2017 provides that tax paid under Section 129 and 130 of the Act, upon detention of goods or conveyances in transit, or towards redemption of confiscated goods/conveyances, shall not be available as input tax credit.

The Section 129 of the Act was amended with effect from 1 January 2022 to impose only penalty and word 'tax' was omitted.

Out of total sample of 200 cases, 176 cases were such cases, where demand notices were issued by State Intelligence Preventive Units (SIPUs) up to 31 December 2021. Audit analysed these cases to ascertain whether tax paid by the taxpayers under Section 129 was availed by the recipients as input tax credit and whether the Department had mechanism to send alerts to jurisdictional Proper Officers to ensure that input tax credit was not available to the recipients. Audit noticed that out of 176 cases, there were 29 cases¹⁰⁷, where recipients were within jurisdiction of Punjab, hence these cases were examined to see whether input tax credits were availed by these taxpayers.

¹⁰⁷ The cases covered both intra-State and inter-State supply category.

Audit observed (July and August 2023) in examined 29 cases that input tax credit totalling ₹ 0.17 crore (**Appendix 3.12**) was availed by all 29 taxpayers in their GSTR-2A returns. Audit also observed that the information related to cases booked during interception of conveyances, was not shared by the three sample State Intelligence Preventive Units¹⁰⁸ (SIPUs) with the jurisdictional officers concerned to ensure that input tax credit of the tax paid against the tax demands created under Section 129 of the Act was not availed by the recipients. Only SIPU, Patiala was in practice of sharing information of such cases to the jurisdictional offices of supplier taxpayers.

On being pointed out, SIPU, Patiala replied (September 2023) in four cases¹⁰⁹ that the consignees had availed input tax credit in lieu of supplies shown by the suppliers concerned in GSTR-1 and not in lieu of tax and penalty paid under Section 129 and 130 of the Act. Moreover, in all these cases, the jurisdictional officers for supplier taxpayers were intimated timely to verify the transactions of the taxpayers. SIPU, Bathinda replied (May 2024) that they will initiate the practice of intimating the jurisdictional officers regarding booked cases. No replies were furnished by SIPUs Shambhu and Ludhiana (October 2024).

[B] Monitoring movement of goods by unregistered taxpayers, who had exceeded threshold limit

Section 22 of the Punjab Goods and Services Tax Act, 2017 provides that every supplier making a taxable supply of goods or services or both in the State shall be liable to be registered under this Act, if his aggregate turnover in a financial year exceeds ₹ 20 lakh. The aggregate turnover limit was enhanced from ₹ 20 lakh to ₹ 40 lakh in case of suppliers engaged exclusively in supply of goods with effect from 1 January 2020.

In terms of Section 63 of the Punjab GST Act, where a taxable person fails to obtain registration even though liable to do so, the Proper Officer may proceed to assess the tax liability of such taxable person to the best of his judgment for the relevant tax periods and issue an assessment order within a period of five years from the due date for furnishing the annual return for the financial year to which the non-payment of tax relates, provided that no such assessment order shall be passed without giving the person an opportunity of being heard.

National Informatics Centre (NIC) prepares an analytical report named 'EWBs generated by Citizens (H5 report)' which provides details of e-Waybills generated by the unregistered persons.

Audit observed (June 2023) that State Intelligence Preventive Units were not utilising the analytical reports prepared by NIC for use by tax officers of the Centre and States. Audit analysed the datasets on outward supplies made by unregistered suppliers during 2018-19 to 2021-22 and identified 22 e-Waybills

¹⁰⁸ Bathinda, Ludhiana and Shambhu

¹⁰⁹ Case No. 1222 dated 31 May 2021, 929 dated 13 February 2021, 1484 dated 14 August 2021 and 1494 dated 3 September 2021

which were generated by registered taxpayers on behalf of unregistered persons making outward supplies. Each identified e-Waybill carried an assessable value of not less than ₹ 40 lakh and total assessable value of these e-Waybills was ₹ 30.46 crore (**Appendix 3.13**). Identified cases were communicated (June and September 2023) to the Department to seek responses of the jurisdictional officers regarding whether unregistered taxpayers had taken GST registrations being suppliers exceeding turnover threshold limit of ₹ 40 lakh.

In response, the Department replied (November 2023) that DRC-01 has been issued in one e-Waybill¹¹⁰, DRC-01A have been issued in two e-Waybills¹¹¹, ASMT-10 has been issued in one e-Waybill¹¹², verification was under process in three e-Waybills¹¹³, tax was already paid by purchaser under reverse charge in two e-Waybills¹¹⁴, no registration was required in six e-Waybills¹¹⁵ as the persons concerned were dealing in exempted goods only, action was pending in one e-Waybill¹¹⁶, registration of taxpayer was cancelled in one case¹¹⁷, one e-Waybill¹¹⁸ was not reported by any Circle, taxpayer was under Centre's jurisdiction in one case¹¹⁹ and action will be taken in three e-Waybills¹²⁰.

The reply of the Department that tax had already been paid under reverse charge by a purchaser was not acceptable because the Department did not discuss the unregistered supplier, who was required to register due to turnover beyond threshold limit even if the tax had been paid by the recipient purchaser concerned. Moreover, initiation of actions after being pointed out in audit was indicative of non-monitoring of such cases by the Department.

[C] Monitoring non-movement of goods

One of the analytical reports created by National Informatics Centre (NIC) for use by tax officers of the Centre and States, is the report on 'non-movement of vehicles (B1 report)' on which e-Waybills were generated.

Audit observed (December 2023) that State Intelligence Preventive Units were not utilising the analytical reports prepared by NIC for use by tax officers of the Centre and State. Audit analysed B1 report datasets and selected five suppliers¹²¹ using stratified sampling technique for examination, where vehicles had not moved after generation of 30 e-Waybills (**Appendix 3.14**) involving

¹¹⁰ e-Waybill No. 181172795788

¹¹¹ e-Waybill No. 721023577231 and 331320708544

¹¹² e-Waybill No. 491026448363

¹¹³ e-Waybill No. 371060393206, 371060277096 and 351061663285

¹¹⁴ e-Waybill No. 741010468973 and 751009502821

¹¹⁵ e-Waybill No. 361141213015, 331371472218, 711059671421, 311112257287, 351116606317 and 321108577204

¹¹⁶ e-Waybill No. 171110762978

¹¹⁷ e-Waybill No. 771104396972

¹¹⁸ e-Waybill No. 301022149998

¹¹⁹ e-Waybill No. 771074097431

¹²⁰ e-Waybill No. 231336231192, 291346655942 and 201356829444

¹²¹ GSTIN: 03AAAC*****1ZF, 03AAZF*****1ZD, 03AAGF*****1ZE, 03ABVP*****1ZF and 03AIQP*****1ZD

assessable value of ₹ 1.76 crore and tax of ₹ 0.32 crore. On scrutiny of these e-Waybills, Audit noticed that four suppliers passed on input tax credit of ₹ 0.27 crore involved in 28 e-Waybills to the purchaser taxpayers without movement of vehicles. Further verification revealed that purchaser taxpayers concerned had availed the passed-on credit of ₹ 0.27 crore in their GST returns. On being pointed out, no reply was furnished by the Department (October 2024).

[D] Report on multiple movements of vehicles

NIC prepares two reports on multiple movements of vehicles viz. B4 report on ‘multiple movement of same vehicle’ and B5 report on ‘multiple movements in other vehicles’ for use by tax officers of the Centre and States.

Audit observed that State Intelligence Preventive Units were not utilising the analytical reports prepared by NIC. Though Audit noticed that B4 and B5 reports for the State of Punjab were nil during the scope of audit, yet there was need in the Department to sensitise the tax officers about the usage of analytical reports prepared by NIC including reports discussed above under paragraphs 5.5.2 and 5.5.3 as these reports put red flags on risky transactions but the same were not being used by the State tax officers.

The issue was discussed in exit meeting held on 6 May 2024 wherein Financial Commissioner (Taxation) after considering the usefulness of analytical reports, instructed the Department to bring all monitoring reports under one dashboard so that officers do not have to navigate to multiple reporting modules for accessing various monitoring reports.

[E] Non sharing of information related to violations noticed during interception of goods and conveyances

Section 64 of the Punjab GST Act provides that the Proper Officer may, on any evidence showing a tax liability of a person coming to his notice, with the previous permission of Additional Commissioner or Joint Commissioner, proceed to assess the tax liability of such person to protect the interest of revenue and issue an assessment order, if he has sufficient grounds to believe that any delay in doing so may adversely affect the interest of revenue provided that where the taxable person to whom the liability pertains is not ascertainable and such liability pertains to supply of goods, the person-in-charge of such goods shall be deemed to be the taxable person liable to be assessed and liable to pay tax and any other amount due under this section.

During audit of sample 200 booked cases, Audit observed (August 2023) in a case¹²² under the State Intelligence Preventive Unit, Shambhu that a conveyance transporting goods from Mandi Gobindgarh was intercepted by the Proper Officer on 10 January 2022. The conveyance was found to be transporting

¹²² Case No. 876 dated 7 January 2022

goods without mandatory e-Waybill and invoice. The Proper Officer imposed penalty and fine of ₹ 1.83 lakh on the taxpayer having GSTIN 03EMPP*****2ZC under Section 130 of the Punjab GST Act and released the goods and conveyance after realising the demanded penalty and fine from the taxpayer. On further audit scrutiny of payments made by taxpayer in DRC-03 against the demands raised by the Proper Officers revealed that the taxpayer had previously paid tax, penalty and fine of ₹ 1.26 crore on 44 occasions between October 2021 and March 2022. However, the taxpayer filed nil GSTR-1 and GSTR-3B returns during October 2021 to June 2023 and registration of the taxpayer was still active (December 2023). As seen in the audit, the taxpayer was involved in recurrent violations of GST provisions and was filing nil GST returns. The Department needed to take up the case of taxpayer in scrutiny because the possibility of tax evasion by the taxpayer could not be ruled out due to the fact that taxpayer had made regular supplies as per interceptions and filed nil GST returns. Further, such violations discovered by Proper Officers during interception of conveyances needed to be shared with the jurisdictional tax officers so that recurrent GST violations could be avoided in the interest of Government revenue. However, the Audit noticed that out of four selected State Intelligence Preventive Units¹²³ (SIPUs), only Patiala was in practice of sharing the details of offences noticed during interception of conveyances with the jurisdictional tax officers concerned.

In exit meeting held on 6 May 2024, the Financial Commissioner (Taxation) instructed the officers concerned to investigate the matter being serious issue.

3.11 Conclusion

The Performance Audit brought out shortcomings in design of the e-Waybill system, due to which composition taxpayers were able to generate inter-State e-Waybills, 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, 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

¹²³ Bathinda, Ludhiana, Patiala and Shambhu

e-Waybills using such vehicles which were stolen, scrapped, surrendered, cancelled or suspended as per information available on Vahan.

This audit also noticed deficiencies in preventive and enforcement activities of the Department. 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. It was also seen in the audit 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 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 jurisdictional tax officers concerned. Audit also observed from e-Waybill transactions that unregistered persons had made supplies in excess of threshold limit of ₹ 40 lakh, beyond which GST registration was mandatory.

3.12 Best Practices

The Punjab Taxation Department has set up seven dedicated preventive units named State Intelligence Preventive Units at Amritsar, Bathinda, Fazilka, Jalandhar, Ludhiana, Patiala and Shambhu for checking the correctness of the documents carried in support of the goods transported in the State. These are integral parts of enforcement activities to supplement the efforts of the Department to prevent and check tax evasions. The State Intelligence Preventive Unit at Patiala is in practice of sharing details of offences discovered during interception of goods and conveyances with the jurisdictional tax officers of supplier taxpayers, which is in the interest of protecting the Government revenue. This practice may be followed by other State Intelligence Preventive Units in the State.

3.13 Recommendations

1. The e-Waybill system may be designed to efficiently use the taxpayer's information available on GSTN and implement the requirements of GST provisions by restricting generation of inter-State e-Waybills by composition taxpayers.
2. Adequate validation checks may be introduced in the e-Waybill system so that e-Waybill system is able to analyse the taxpayer's profile and allow only such data which may be applicable to a category of taxpayer like type of supply and rates of taxes as applicable to composition taxpayer or normal taxpayer.
3. Validation checks may be implemented in e-Waybill system to identify status of the vehicle from Vahan data like stolen, scrapped, cancelled,

suspended, surrendered or active vehicle before generation of e-Waybill so that e-Waybills against risky vehicles are not generated.

4. The Department may consider issuing suitable instructions to the Proper Officers to analyse e-Waybills generated by the taxpayer before cancellation of registration of taxpayer retrospectively and take action for recovery of tax, whenever applicable.
5. The Department may consider including suitable validation controls in e-Waybill system to prevent use of same invoice for generation of multiple e-Waybills.
6. 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.
7. 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.
8. 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.