

CHAPTER III

SUBJECT SPECIFIC COMPLIANCE AUDIT

STATE TAX (GST) DEPARTMENT

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

3.1 Introduction

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

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

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

3.2 Organizational setup

The Secretary of State Tax Department, Government of Chhattisgarh is the overall in-charge of the Department of State Tax in Chhattisgarh. The Department administers GST as well as Chhattisgarh Value Added Tax (VAT) Act¹ in the State, subject to overall control of the Commissioner of State Tax, Additional Commissioners of State Tax at Headquarters, Special Commissioner, Joint Commissioner and Deputy Commissioners of State Tax at divisional level and Assistant Commissioners of State Tax (ACSTs), State Tax Officers and other allied staff at the circle level.

¹ VAT is still applicable to certain goods such as Petroleum products.

3.3 Audit Objectives

Audit of 'Department's oversight on GST Payments and Returns Filing' was taken up with the following audit objective to seek an assurance on:

- (i) whether the rules and procedures were being duly observed by taxpayers; and
- (ii) whether the scrutiny procedures, internal audit and other compliance functions of the Circles were adequate and effective.

3.4 Audit methodology and scope

This SSCA was predominantly conducted based on data analysis, which highlighted risk areas and red flags pertaining to the period April 2018 to March 2021. Through data analysis, a set of 17 deviations were identified across the domains of Input Tax Credit (ITC), Discharge of tax liability, Registration and Return filing. Such deviations were followed up through a Centralised Audit² (Limited Audit), whereby these deviations were communicated to the State Tax Departmental field formations i.e. Circles and action taken by the jurisdictional formations on the identified deviations were ascertained by Audit without involving field visits. The Centralised Audit (Limited Audit) was supplemented by a Detailed Audit involving field visits for verification of records available with the jurisdictional field formations. Returns related information were accessed through the Goods and Services Tax Network (GSTN) Portal application-back-end system of the State Tax Department (Boweb) as much as feasible to examine data/documents relating to taxpayers (viz. registration, tax payment, returns and other Departmental functions). The detailed audit also involved accessing relevant granular records from the taxpayers such as invoices, details of sundry creditor/debtor, financial records etc. called for through the respective field formations. Apart from this, compliance functions of the Circles such as scrutiny of returns were also reviewed in the selected Circles.

The review of the scrutiny of returns by the Department and verification of taxpayers' records covered the period from April 2018 to March 2021, while the detailed audit of the functions of selected Circles covered the period 2020-21.

Initially, an Entry Conference was held on 19 June 2023 with the Secretary, State Tax Department, Chhattisgarh to discuss the audit objectives, scope of audit and sampling methodology and audit samples. Further, each audit engagement in field offices commenced by holding an entry conference and concluded by an exit conference. The exit conference was held on 06 May 2025 which was attended by Secretary State Tax Department. The draft report of SSCA was forwarded to the Secretary on 17 December 2024. Reply of the Government was received on 30 May 2025 and has been suitably incorporated in relevant paragraphs.

² Centralised Audit did not involve seeking taxpayer's granular records such as financial statements relating to ledger accounts, invoices, agreements etc.

3.5 Audit sample

A data-driven approach was adopted for planning, as also to determine the nature and extent of substantive audit.

There were three distinct parts of this SSCA as under:

(i) Part I:-Audit of Circles

Ten Circles³ were considered as the sample of Circles for evaluation of their oversight functions, in whose jurisdiction more than one case was selected for Detailed Audit.

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

The sample for Centralized (Limited) Audit was selected by identification of high-value or high-risk deviations from rules and inconsistencies between returns through data analysis for evaluation of the adequacy and effectiveness of the scrutiny procedure of the Department. Accordingly, 366 taxpayers (641 cases) were selected for Centralized Audit under this SSCA.

(iii) Part III:-Detailed Audit

The sample of taxpayers for Detailed Audit was selected on the basis of risk parameters such as excess ITC, Tax liability mismatch, Disproportionate exempted turnover to total turnover and Irregular ITC reversal and undischarged tax liability. 70 taxpayers⁴ pertaining to 22 Circles⁵ selected for Detailed Audit consist of 90 per cent large, medium, small, ITC availed without payment of tax, ITC mismatch, ratio ITC, undischarged tax liability and 10 per cent Random strata taxpayers.

The details of sample for Circles, Centralized Audit and Detailed Audit selected for this SSCA are detailed in (*Appendix-3.1 & 3.1(A) to 3.1(C)*).

3.6 Audit criteria

The sources of audit criteria comprised the provisions contained in the CGGST Act, IGST Act, and Rules made thereunder. The significant provisions are given in *Table 3.1*.

Table 3.1: Sources of criteria

Sl. No.	Subject	ACT and Rules
1.	Levy and Collection	Section 9 of CGGST Act, 2017
2.	Reverse Charge Mechanism	Section 9(3) of CGGST Act, 2017
3.	Availing and utilizing ITC	Sections 16 to 21 of CGGST Act, 2017 Rules 36 to 45 under CGGST Rules, 2017
4.	Registration	Sections 22 to 25 of CGGST Act, 2017

³ AC Circle-1 Bilaspur, AC Circle-2 Bilaspur, AC Circle-1 Durg, AC Circle-3 Durg, AC Circle-4 Durg, AC Circle-1 Raigarh, AC Circle-1 Raipur, AC Circle-4 Raipur, AC Circle-5 Raipur and AC Circle-8 Raipur.

⁴ Large taxpayers-20, Medium taxpayers-10, Small taxpayers-05, ITC availed without payment of tax-08, ITC mismatch-08, ratio ITC-08, undischarged tax liability-04 and Random-07 = 70 taxpayers.

⁵ AC Circle Ambikapur, AC Circle-1 Bilaspur, AC Circle-2 Bilaspur, AC Circle-3 Bilaspur, AC Circle-1 Durg, AC Circle-2 Durg, AC Circle-3 Durg, AC Circle-4 Durg, AC Circle-2 Jagdalpur, AC Circle-Janjgir, AC Circle-2 Korba, AC Circle-1 Raigarh, AC Circle-2 Raigarh, AC Circle-1 Raipur, AC Circle-2 Raipur, AC Circle-3 Raipur, AC Circle-4 Raipur, AC Circle-5 Raipur, AC Circle-6 Raipur, AC Circle-7 Raipur, AC Circle-8 Raipur and AC Circle-9 Raipur.

		Rules 8 to 26 of CGGST Rules, 2017
5.	Supplies	Sections 7 and 8 of CGGST Act, 2017 Schedule I, II and III of CGGST Act, 2017
6.	Place of Supply	Sections 10 to 13 of IGST Act, 2017
7.	Time of Supply	Sections 12 to 14 of CGGST Act, 2017
8.	Valuation of Supply	Section 15 of CGGST Act, 2017 Rules 27 to 35 of CGGST Rules, 2017
9.	Payment of Tax	Sections 49 to 53 under Chapter X of CGGST Act, 2017 Rules 85 to 88A under Chapter IX of CGGST Rules, 2017
10.	Filing of GST Returns	Sections 37 to 47 under Chapter IX of CGGST Act, 2017 Rules 59 to 68 and 80 under Chapter VIII of CGGST Rules, 2017. Part B of CGGST Rules prescribes format of returns
11.	Zero-rated supplies	Section 16 of IGST Act, 2017
12.	Assessment and Audit functions	Sections 59, 60, 61, 62, 65 and 66 under Chapter XII & XIII of CGGST Act, 2017 Rules 99 to 102 under Chapter XI of CGGST Rules, 2017

In addition, the Notifications and Circulars issued by Central Board of Indirect Taxes and Customs (CBIC)/State Tax Department relating to filing of returns, notifying the effective dates of filing of various returns, extending due dates for filing returns, rates of tax on goods and services, payment of tax, availing and utilizing ITC, scrutiny of returns and oversight of tax compliance, Standard Operating Procedures (SOP)⁶ and Circular⁷ dated 24 December 2019 containing instructions to Departmental officers on various aspects relating to filing of returns, scrutiny of returns, cancellation of registrations etc. also formed part of the audit criteria.

3.7 Audit findings

The audit findings are categorized into the following three categories:

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

3.8 Oversight on returns filing-Audit of Circles

A return is a statement of specified particulars relating to the business activity undertaken by a taxpayer during a prescribed period. Every taxpayer is legally obligated to furnish a complete and correct return during the tax liability for a given period and taxes paid within the stipulated time. In a self-assessment regime, the significance of monitoring return filing by taxpayers acquires greater significance as the returns are the first mode of information about taxpayers and their respective business activities. The overall trend of return filing of GSTR-1 and GSTR-3B is as follows:

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

⁷ No.129/48/2019-GST dated 24 December 2019

Table 3.2: Trend of return filing of GSTR-1 and GSTR-3B

Financial Year	Number of returns to be filed		Number of returns filed by due date		Number of returns filed after due date		Total Returns filed		Filing (per cent)		Filers by due date based on returns filed (per cent)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	GSTR-3B	GSTR-1	GSTR-3B	GSTR-1	GSTR-3B	GSTR-1	GSTR-3B	GSTR-1	GSTR-3B	GSTR-1	GSTR-3B	GSTR-1
2018-19	13,16,067	13,16,067	5,29,974	1	5,61,083	13,455	10,91,057	13,456	82.90	1.02	48.57	0.01
2019-20	13,90,985	13,90,985	5,82,746	3	5,90,463	43,603	11,73,209	43,606	84.34	3.13	49.67	0.01
2020-21	15,47,121	15,47,121	3,80,735	69,207	6,94,096	4,68,443	10,74,831	5,37,650	69.47	34.75	35.42	12.87

(Source: Information provided by the State Tax Department, Chhattisgarh)

From the above data, it can be seen that the filing of GSTR-3B returns had decreased from 82.90 per cent in 2018-19 to 69.47 per cent in 2020-21, whereas the filing of GSTR-1 returns increased from 1.02 per cent in 2018-19 to 34.75 per cent in 2020-21. The availability of GSTR-1 and decreasing trend of filing of GSTR-3B indicates that the taxpayer had undertaken/carried on the business during the period but has not discharged the tax liability suggesting a potential rise in default of tax payments.

Additionally, the return filing by due date is very low. GSTR-3B returns filed by due date has decreased from 48.57 per cent in 2018-19 to 35.42 per cent in 2020-21, whereas GSTR-1 returns filed by due date has increased from 0.01 per cent in 2018-19 to 12.87 per cent in 2020-21.

On being pointed out in Audit (May 2025), the Department stated (June 2025) that the reason for shortfall of returns filing in GSTR-3B and GSTR-1 was due to Covid-19 and non-availability of CA/lawyers for assistance.

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

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

Section 46 of the CGGST Act, 2017 read with Rule 68 of CGGST Rules, 2017 stipulates issuance of a notice in Form GSTR-3A requiring filing of return within fifteen days if the taxpayer had failed to file the return within the due date. In case the taxpayer fails to file the returns within 15 days of issuance of Form GSTR-3A, the proper officers may proceed to assess the tax liability of the said person to the best of their judgment, taking into account all the relevant material information which is available or gathered and issue an assessment order in Form ASMT-13.

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

Audit observed that out of 10 circle offices, two circle offices AC, Circle-4, Durg and AC, Circle-8, Raipur, did not identify any taxpayer relating to non/late filers during 2020-21.

Audit also observed that in remaining eight⁸ out of 10 sampled circle offices, 3,648 cases of non/late filing of returns pertaining to 3,543 taxpayers were identified during 2020-21 and in all the cases GSTR-3A notices were issued to non/late filers. In response to the GSTR-3A notices, out of 3,648 cases, in 2,825 cases (77.44 per cent) the non-filers/late filers filed their returns. Out of the remaining 823 cases, the Department initiated best judgement assessments (ASMT-13) in 643 (78.13 per cent) cases assessing an amount of ₹ 87.76 crore out of which ₹ 72.13 crore has been recovered. The proceedings of best judgment assessment (ASMT-13) had been withdrawn in 643 cases because the concerned taxpayers had filed their returns and paid an amount of interest of ₹ 0.70 crore and late fee of ₹ 1.81 lakh in addition to tax of ₹ 72.13 crore and in remaining five cases provisional attachment was resorted to by the Department. In the remaining (823 minus 648) 175 cases, the proceedings of ASMT-13 was under progress. The circle wise details are in (*Appendix 3.2*).

Further, Audit test checked (between January 2024 and June 2024) 750 cases (selected on random basis) out of 2,825 cases where the taxpayers filed the returns with delays and noticed in 345 out of 750 cases pertaining to four⁹ circles that neither the concerned taxpayers had paid nor the circle offices levied interest of ₹ 1.27 crore on the net liability of taxes for delayed payment of taxes as per Section 50 of the CGGST Act, 2017 (*Appendix 3.3*).

On being pointed out in Audit, the Department stated (May 2025) that in 258 cases ₹ 0.73 crore has been recovered, in 46 cases required action has been initiated by issuing Show Cause Notice (SCN)/order of demand/notice for provisional attachments DRC-01/DRC-07¹⁰/DRC-13¹¹ for ₹ 10.33 lakh. In 20 cases the liability to pay interest does not arise because the time limit for filing of returns had been extended vide notification no 51/2020 dated 24 June 2020. Thus, the total cases and interest recoverable is re-cast as 325 cases and ₹ 1.13 crore respectively.

On re-evaluation of Department's reply it has been noticed that Department's reply in 20 cases, where time limits for filing of returns had been extended was excluded, is acceptable. In remaining 21 cases, the Department's reply was awaited (June 2025).

3.8.2 Mechanism of scrutiny of returns

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

⁸ AC Circle-1, Bilaspur, AC Circle-2, Bilaspur, AC Circle-1 Durg, AC Circle-3, Durg, AC Circle-1, Raigarh, AC Circle-1, Raipur, AC Circle-4, Raipur, AC Circle-5, Raipur

⁹ AC Circle-3 Durg, AC Circle-1 Raigarh, AC Circle-1 Raipur, AC Circle-5 Raipur

¹⁰ DRC-07- Summary of recovery order after ASMT-13.

¹¹ DRC-13 a notice issued by Circle officer to third person (bank) under section 79(1) (C) of the CGGST Act, 2017, for recovery of tax dues from a defaulter.

Audit observed (between January 2024 and June 2024) in eight¹² out of 10 sampled circle offices that 41,285 returns of 11,975 taxpayers were taken up for scrutiny during 2020-21. In respect of 4,558 taxpayers, discrepancies were noticed by the Circle officers. The Department had issued ASMT-10 notices intimating discrepancies in all the 4,558 cases. In response to these notices, in 825 cases, (18.10 *per cent*) the concerned taxpayers had accepted discrepancies and paid an amount of tax of ₹ 6.75 crore. Further, during this period in 3,733 cases, SCNs were issued out of which assessment in 1,622 cases (43.45 *per cent*) were completed wherein an amount of ₹ 59.97 crore was recovered against recoverable amount of ₹ 166.36 crore. In the remaining 2,111 cases, the recovery proceedings are under progress. The details of ASMT-10/ SCNs/DRC-07/DRC-13 issued in eight circle offices are given in (*Appendix 3.4*).

On being pointed out in Audit, the Department stated (May 2025) that ₹ 2.57 crore has been recovered in 58 cases, ₹ 0.67 crore has been set off partially in 31 cases, in 52 cases (including 31 cases) DRC-13 has been issued, in 56 cases SCNs have been issued, and in 247 cases required action for recovery of demand has been taken. However in the remaining 1,698¹³ cases the Department's reply was awaited (June 2025).

3.8.3 Cancellation of Registration

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

Further, Section 29(2) of the Act, *ibid*, allows for *suo-moto* cancellation of the registration of taxpayers by circle officer on the grounds of contravention of the Acts or Rules by the taxpayer, composition taxpayers not filing return for three consecutive tax periods, normal taxpayers not filing return for continuous period of six months, registered persons not commencing business within six months from date of registration and registration obtained by means of fraud, willful misstatement or suppression of facts.

Audit observed deficiencies in cancellation of registrations which are discussed in subsequent paragraphs.

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

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

As per Circular no. 129/48/2019-GST dated 24 December 2019, GSTR-3A notice has to be issued to the taxpayer, who has not filed GSTR-10. If the

¹² AC Circle-2, Bilaspur, AC Circle-1 Durg, AC Circle-4, Durg, AC Circle-1, Raigarh, AC Circle-1, Raipur, AC Circle-4, Raipur, AC Circle-5, Raipur, AC Circle-8 Raipur

¹³ 2111 cases-58 cases, recovered-52 cases, DRC-13-56 cases, SCN-247 recovery of demand =1698 cases

taxpayer still fails to file the final return within 15 days of the receipt of notice, then an assessment order in Form ASMT-13 under Section 62 of the Act *ibid* read with Rule 100 of CGGST Rules, 2017, shall have to be issued to determine the liability of the taxpayer. If the taxpayer files the final return within 30 days from the issue of order ASMT-13, then said order shall deem to have been withdrawn. However, the liability for payment of interest and late fee shall continue. If the said return remains unfurnished within the statutory period of 30 days from the issue of order ASMT-13, then the proper officer may initiate proceedings under Section 78 and recovery under Section 79 of the CGGST Act.

Audit observed (between January 2024 and June 2024) in nine¹⁴ out of 10 sampled circle offices that out of 2,637 cases wherein REG-19 (order of cancellation of RC) were issued, in 558 cases (21.16 *per cent*) taxpayers have filed GSTR-10, in 34 cases (1.29 *per cent*) best judgement assessment was initiated and completed by the assessing authority and in 166 cases (6.30 *per cent*) cancellation order had been revoked. In the remaining 1,879 cancelled cases (71.25 *per cent*), GSTR-10 were not filed by the taxpayer and the proper officer did not initiate best judgement assessment ASMT-13 under section 62 of the CGGST Act. The circle wise details are given in (*Appendix 3.5*).

Department's reply was awaited (June 2025).

(b) Delay in Cancellation of Registrations

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

Audit observed in four¹⁵ out of 10 sampled circle offices, that in 447 cases (37.50 *per cent*) out of 1,192 cases, the order of cancellation of registration on taxpayers' request was issued with a delay ranging from one to 874 days. Delayed cancellation of registration led to delayed recovery of tax, penalty, interest etc. in the Government Account (*Appendix 3.6*).

On being pointed (between January 2024 and June 2024) out in audit, the Department stated (May 2025) that owing to covid-19 during the period 2020-21 and technical problems with the portal, the cancellation order could not be issued within due date. Further, it was also stated that delayed order of cancellation was issued because taxpayer had shown stock as zero in application of cancellation but had ITC available in credit ledger and cancellation order was issued only after ensuring that there was no ITC available in taxpayer's credit ledger.

Recommendation No. 1: The Department may monitor the status of cancellation of registration and action taken thereon in consonance with the provisions of the Act to check undischarged tax liabilities.

¹⁴ AC Circle-1, Bilaspur; AC Circle-2, Bilaspur; AC Circle-1, Durg; AC Circle-4, Durg; AC Circle-1, Raigarh; AC Circle-1, Raipur; AC Circle-4, Raipur; AC Circle-5, Raipur; AC Circle-8, Raipur

¹⁵ AC Circle-1 Bilaspur, AC Circle-2 Bilaspur, AC Circle-1 Durg and AC Circle-8 Raipur

3.8.4 Manpower management

For efficient functioning of the Department, proper manpower planning to meet its objectives and its proper deployment is necessary.

The sanctioned and working strength of State Tax Department in respect of adjudicating authority (Dy. Commissioner/Assistant Commissioner, State Tax Officers/Assistant State Tax Officers) and other supporting staff (Superintendent/ Tax Assistant etc.) during the years 2018-19 to 2020-21 is given in **Table 3.3**.

Table 3.3: Statement of Sanctioned strength and Person in position

Year	Name of the posts	Number of sanctioned posts	Actual strength	Number of vacant posts	Percentage of vacant posts
2018-19	Adjudicating authority	236	119	117	49.58
	Supporting staff	1,627	1,175	452	27.78
2019-20	Adjudicating authority	236	109	127	53.81
	Supporting staff	1,627	1,138	489	30.05
2020-21	Adjudicating authority	236	107	129	54.66
	Supporting staff	1,627	1,138	489	30.05

(Source: Information provided by the State Tax Department).

Thus during 2018-19 to 2020-21, the vacant posts in respect of adjudicating authority ranged between 49.58 per cent to 54.66 per cent. Further, the vacant posts in respect of supporting staff ranged between 27.78 to 30.05 per cent.

On being pointed (December 2024) out in Audit, the Secretary stated (May 2025) that new posts have been sanctioned and were being forwarded to Chhattisgarh Public service Commission (CGPSC).

The reply did not address the issue of vacancies vis-a-vis person in position.

3.8.5 Delay in Audit by tax authorities/internal audit not initiated

As per the Section 65 of the CGGST Act, 2017 the Commissioner or any officer authorized by him, by way of a general or a specific order, may undertake audit of any registered person for such period, at such frequency and in such manner as may be prescribed. Section 2 (13) of the CGGST Act, 2017, defines "Audit" as the examination of records, returns and other documents maintained or furnished by the registered person under the Act or the rules made thereunder or under any other law for the time being in force to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess his compliance with the provisions of this Act or the rules made thereunder.

From the information provided by the Department, Audit observed that during the period 2018-19 to 2020-21 the Department did not carry out any audits.

On being pointed (December 2024) out in Audit, the Secretary stated (May 2025) that Non-Genuine Tax payer (NGTP) cell has been established

(March 2024) in the Department for detail scrutiny of high risk taxpayers which will be audited by Internal Audit.

Recommendation No. 2: The Department may ensure conducting Audits in a time bound manner before the cases became time barred.

3.9 Centralised/Limited Audit

Inconsistencies in GST returns

Out of the 13 prescribed GST returns¹⁶, the seven¹⁷ basic returns that apply to normal taxpayers were considered for the purpose of identifying deviations, inconsistencies and mismatches between GST returns/data.

Audit analysed GST returns data pertaining to April 2018 to March 2021 as made available by the GSTN. Rule-based deviations and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 17 audit dimensions, which can be broadly categorized into two domains viz. ITC and tax payments as shown in **Table 3.4**.

Table 3.4: Details of Data Analysis undertaken

Dimension No.	Algorithm used	Risk pursued	Domain
1	ITC available as per GSTR-2A with all its amendments was compared with the ITC availed in GSTR-3B in Table 4A (5) (accrued on domestic supplies) excluding the reversals in Table 4B (2) but including the ITC availed in the subsequent year from Table 8C of GSTR-9 and blocked credits.	ITC mismatch between GSTR-2A and GSTR-3B.	ITC
2	ITC available from GSTR-2A was compared with Table 8A of GSTR-9 which captures ITC available from GSTR-2A (as an auto-populated non-editable field) but excludes those entries in GSTR-2A where the supplier has not filed GSTR-1 by due date of its filing and also excludes the ITC for the period during which the recipient taxpayer was under composition scheme.	ITC passed on without supplier remitting tax.	ITC
3	ITC availed through Table 4 of GSTR-3Bs pertaining to period 2018-19 to 2020-21 filed after October of the following year.	ITC availed in GSTR-3B filed after the cut-off period.	ITC

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

¹⁷ 1. GSTR-1(Monthly returns for outward supplies for goods and services) 2. GSTR-3B (Monthly summary return) 3. GSTR-6 (Input service distributor) 4. GSTR-8 (E-commerce operator) 5. GSTR-9 (Annual Return) 6. GSTR-9C (Reconciliation statement between Annual Return and Audited annual financial statement) 7. GSTR-2A (System generated inward supplies)

Dimension No.	Algorithm used	Risk pursued	Domain
4	ISD ITC availed in GSTR-9 Table 6G or GSTR-3B Table 4(A)(4) of recipient was compared with the sum of Table 5A, Table 8A, and Table 9A of GSTR-6 of distributor GSTINs.	Incorrect availing of ISD credit.	ITC
5	Reverse Charge Mechanism (RCM) payments in GSTR-9 Table 4G (tax payable) were compared with ITC availed in GSTR-9 Table 6C, 6D and 6F (ITC availed). In cases where GSTR-9 was not available, RCM payment in GSTR-3B Table 3.1(d) was compared with GSTR-3B 4(A) (2) and 4A (3). Greater of difference in GSTR-9 and GSTR-3B considered where both were available.	Short payment of tax under RCM versus ITC availed in GSTR-3B/ GSTR-9.	Tax and Interest payment
6	Positive figure in GSTR-9C Table 12F and examination of reasons provided in Table 13 for mismatch.	Mismatch of ITC availed between Annual returns and Books of accounts.	Annual Return and financial statements
7	Positive figure in GSTR-9C Table 14T and examination of reasons provided in Table 15 for mismatch.	Reconciliation between ITC availed in Annual returns with expenses in financial statements.	-do-
8	The greater of tax liability between GSTR-1 (Tables 4 to 11), considering advances and amendments, and GSTR-9 (Tables 4N, 10 and 11) was compared with tax paid details in GSTR-3B Tables 3.1(a) and 3.1(b). In cases where GSTR-9 was not available, GSTR-3B tax paid was compared with GSTR-1 liability.	Unsettled liabilities.	Tax and Interest payment
9	GSTR-3B Table 3.1(a)+(b) was compared with tax liability declared in the e-way bills and cases where GSTR-3B are less than e-way bills are identified.	Suppression of tax liability based on E-way bill verification.	-do-
10	Negative figure in GSTR-9C Table 9R and examination of reasons provided in Table 10 for mismatch.	Mismatch in tax paid between books of accounts and returns.	Annual Return and financial statements
11	The composition levy scheme taxpayers whose turnover on all India basis (Central and State jurisdiction) under all GSTINs of the same PAN have crossed the turnover limit of ₹ 1 crore in 2018-19 and ₹ 1.5 crore in 2019-20 were identified.	Ineligible composition levy scheme taxpayers.	Tax and Interest payment
12	E-commerce GSTR-8 became effective from 1 October 2018 when TCS provisions became effective. GSTINs declared in GSTR-8 who are also filing GSTR-4/CMP-08 under composition levy scheme.	Composition levy scheme taxpayers also availing e-commerce facility.	-do-

Dimension No.	Algorithm used	Risk pursued	Domain
13	Taxpayers who have not filed GSTR-3B but have filed GSTR-1 or where GSTR-2A available, indicating taxpayers carrying on the business without discharging tax.	GSTR-3B was not filed but GSTR-1 is available.	-do-
14	Interest calculated at the rate of 18 per cent on cash portion of tax payment on delayed filing of GSTR-3B vis-à-vis interest declared in GSTR-3B.	Short payment of interest.	-do-
15	Table 3.1(a) of GSTR-3B was compared with Column 6 of Table 9 of GSTR-2A. Cases where GSTR-3B values are less than that of GSTR-2A are identified.	Under-declaration of taxable supplies by comparing TDS returns.	Turnover mismatch
16	Unbilled revenue at the beginning of the year in GSTR-9C Table 5B should tally with the unbilled revenue of the previous GSTR-9C shown in Table 5H. Any mismatch indicates suppression of taxable turnover.	Suppression of taxable value based on unbilled revenue declared in GSTR-9C.	-do-
17	Negative figure in GSTR-9C Table 7G and examination of reasons provided in Table 8 for mismatch.	Mismatch in taxable turnover declared in GSTR-9C Table 7G.	-do-

The data analysis depicted 641 deviations with money value amounting to ₹ 14,045.80 crore as summarized in (*Appendix 3.7*).

3.9.1 Results of Centralised audit

An overview of the extent to which each of the 17 dimensions translated into compliance deviations based on responses received from the Department to the audit queries is summarized below.

Summary of Centralized Audit

Out of deviations/inconsistencies in 641 cases, the Department furnished replies to all the 641 deficiencies (100 per cent) which includes 582 cases of short levy of tax of ₹ 1,670.10 crore and 59 cases of mismatch of turnover of ₹ 12,375.70 crore (*Column no. 2 & 3 in Appendix-3.8(A) & 3.8(B)*). Out of these 582 cases of short levy of tax, 177 cases (*Column No 4, 6 & 8 of Appendix-3.8(A)*) amounting to ₹ 273.32 crore turned out to be compliance deficiencies which were accepted by the Department. Out of these 177 cases, in 30 cases, recovery have been effected amounting to ₹ 2.46 crore (*Column No 4 & 5 in Appendix-3.8(A), Appendix-3.9*). In 141 cases, SCNs have been issued, in which deviation was amounting to ₹ 264.28 crore (*Column No 6 & 7 in Appendix-3.8(A), Appendix-3.10*). In 6 cases, ASMT 10 was issued amounting to ₹ 6.58 crore (*Column No 8 & 9 in Appendix-3.8(A), Appendix-3.11*).

Relatively higher rates of compliance deficiencies were noticed in availing of ITC, ITC availed without supplier remitting tax, undischarged tax liability and GSTR-3B not filed.

In 340 cases (*Column No 12,14 & 16 in Appendix-3.8(A)*), where the replies of the Department were acceptable to Audit; data entry errors by taxpayers comprised 39 cases (*Column No 12 in Appendix-3.8(A)*); the Department had proactively taken action in 45 cases (*Column No 14 in Appendix-3.8(A)*) and 256 cases (*Column No 16 in Appendix-3.8(A)*) had other valid explanations.

In 56 cases, Audit dropped the queries based on scrutiny of returns, available circulars, notifications and recommendations made by GST Council. (*Column no. 18 & 19 in Appendix 3.8(A)*)

In 09 cases (*Column No 10 in Appendix-3.8(A)*), the Department's replies were furnished without relevant explanation.

Similarly, Audit also noticed turnover related mismatches (*Appendix-3.8(B)*), in 59 cases (*Column No 6, 12, 14 & 16 in Appendix-3.8(B)*). Of these, seven cases amounting to ₹ 24.04 crore turned out to be compliance deficiencies for which SCN has been issued by Department (*Column No 6 in Appendix-3.8(B), Appendix-3.10*), in four cases data entry errors were done by the taxpayers (*Column No 12 in Appendix-3.8(B)*), in two cases the Department had acted proactively (*Column No 14 in Appendix-3.8(B)*) and in 46 cases the Department had furnished other valid explanations (*Column No 16 in Appendix-3.8(B)*).

Some of the important illustrative cases where recovery had been effected or SCN issued are discussed below.

(i) ITC mismatch between GSTR-2A and GSTR-3B (Dimension 1)

Audit observed that in case of GSTIN 22XXXXXXXXXX1Z8 of Durg Circle-4, the ITC available as per GSTR-2A was ₹ 4.70 crore and the ITC availed in table 4A (5) of GSTR-3B was ₹ 37.34 crore. This resulted in mismatch of ITC availed amounting to ₹ 32.64 crore during the financial year 2019-20.

On being pointed out (July 2023) in Audit, the Department stated (May 2025) that DRC-07 i.e. Order-in-Original (OIO) was issued (August 2024) for demand of ₹ 63.87 crore including interest and penalty. Further progress in this regard was awaited (June 2025).

(ii) ITC passed on without supplier remitting tax (Dimension 2)

Audit observed that in case of GSTIN 22XXXXXXXXXX1ZI of Bilaspur Circle-2, the ITC available as per GSTR-2A was ₹ 60.55 crore and the ITC reflecting in table 8A GSTR-9 was ₹ 52.35 crore. This resulted in mismatch of ITC availed amounting to ₹ 8.21 crore during the financial year 2019-20.

On being pointed out (July 2023) in Audit, the Department (May 2025) stated that DRC-07 (OIO) issued (August 2024) for demand of ₹ 2.94 crore confirms inclusion of interest and penalty. Further progress in this regard was awaited (June 2025).

(iii) ITC availed in GSTR-3B filed after the cut-off period (Dimension 3)

Audit observed that in the case of GSTIN 22XXXXXXXXXX1Z1 of Korba Circle-1, the ITC availed by the taxpayer beyond the due date of September GSTR-3B return of the following year was ₹ 1.21 crore. This resulted in mismatch of ITC availed amounting to ₹ 1.21 crore during the financial year 2019-20.

On being pointed out (June 2023) in Audit, the Department stated (May 2025) that DRC-07 (OIO) confirming the demand for ₹ 2.79 crore including interest and penalty had been issued (August 2024). Further progress in this regard was awaited (June 2025).

(iv) Incorrect availing of ISD credit (Dimension 4)

Audit noticed that in case of GSTIN 22XXXXXXXXXX1ZM of Korba Circle-2, the ITC availed in table 6G of GSTR-9 was ₹ 0.20 crore and the ITC transferred by the ISD in table (5A+8A+9A) of GSTR-6 was ₹ 0.05 crore. This resulted in mismatch of ITC availed amounting to ₹ 0.15 crore during the financial year 2019-20.

On being pointed out (June 2023) in Audit, the Department stated (May 2025) that DRC-07 (SCN), for ₹ 0.27 crore including interest and penalty has been issued (May 2024) to the taxpayer. Further progress in this regard was awaited (June 2025).

(v) Short payment of tax under RCM versus ITC availed in GSTR-3B/ GSTR-9 (Dimension 5)

Audit observed that in case of taxpayer 22XXXXXXXXXX1Z1 of Raipur Circle-5, the ITC available in Table 4G of GSTR-9 was ₹1.12 crore and the ITC availed in Table 6C, 6D and 6F of GSTR-9 was ₹6.30 crore. This resulted in mismatch of ITC availed amounting to ₹ 5.18 crore during the financial year 2020-21.

On being pointed out (June 2023) in Audit, the Department stated (May 2025) that DRC-01 (SCN), for ₹14.23 crore including interest and penalty had been issued (December 2024) to the taxpayer. Further progress in this regard was awaited (June 2025).

(vi) Unsettled liabilities (Dimension 8)

Audit observed that in case of taxpayer having GSTIN 22XXXXXXXXXX1ZA under the jurisdiction of Circle 5, Raipur that the tax payable in table 4 to 11 of GSTR-1 was ₹ 19.05 crore and the tax paid as per table 6.1 of GSTR-3B was ₹ 13.40 crore. Hence, there was mismatch of tax liability of ₹ 5.65 crore for the year 2019-20.

On being pointed out (September 2023) in Audit, the Department stated (May 2025) that DRC-13 has been issued. Further progress in this regard was awaited (June 2025).

(vii) Suppression of tax liability based on E-way bill verification (Dimension 9)

Audit observed that in case of GSTIN 22XXXXXXXXXX1ZF of Raigarh Circle-1, the tax payable as per Tables 3.1 (a) and 3.1 (b) of GSTR-3B was ₹13.78 crore and the tax liability as per e-way bills was ₹21.29 crore. This

resulted in mismatch of tax liability amounting to ₹ 7.51 crore during the financial year 2018-19.

On being pointed out (July 2023) in Audit, the Department stated (May 2025) that DRC-07 (OIO) issued (April 2024) for demand of ₹ 15.01 crore including interest and penalty. Further progress in this regard was awaited (June 2025).

(viii) Composition taxpayers also availing e-commerce facility (Dimension 12)

Audit observed that in case of GSTIN 22XXXXXXXXXX1ZO of Raipur Circle-3¹⁸, for the financial year 2020-21, composition turnover was ₹ 0.11 crore, however, gross amount declared in GSTR-9 was ₹ 0.32 crore.

On being pointed out (July 2023) in Audit, the Department stated (May 2025) that DRC-07 (OIO) has been issued (February 2025) to the taxpayer. Further progress in this regard was awaited (June 2025).

(ix) GSTR-3B was not filed but GSTR-1 is available (Dimension 13)

Audit observed that a taxpayer with GSTIN 22XXXXXXXXXX2ZQ under the jurisdiction of Circle-1, Korba has not filed GSTR-3B during 2018-19 but has filed GSTR-1. GSTR-2A was available. GSTR-3B return is the instrument through which the liability is offset and ITC is availed. The very availability of GSTR-1 and 2A and non-filing of GSTR-3B indicates that the taxpayer had undertaken/carried on the business during the period but has not discharged the tax liability. Irregular passing on of ITC in this case could not also be ruled out.

On being pointed out (July 2023) in Audit, the Department replied (May 2025) that DRC-13 has been issued (January 2025). Further progress in this regard was awaited (June 2025).

(x) Short payment of interest (Dimension 14)

Audit observed that in case of GSTIN 22XXXXXXXXXX1ZI of Korba Circle-1, there was short payment of interest amounting to ₹ 0.50 crore due to late filing of GSTR-3B during the financial year 2019-20.

On being pointed out (July 2023) in Audit, the Department stated (May 2025) that DRC-07 has been issued. Further progress in this regard was awaited (June 2025).

(xi) Under-declaration of taxable supplies by comparing TDS returns (Dimension 15)

Audit observed that in case of taxpayer having GSTIN 22XXXXXXXXXX1ZV under the jurisdiction of Circle-3¹⁹, Raipur that for the financial year 2019-20, value on TDS/TCS was recovered amounting to ₹ 4.90 crore as per GSTR-7 whereas Net TDS recovered as per GSTR-2A was ₹ 0.10 crore. However, taxable supplies as per GSTR-3B is nil indicating under declaration of ₹ 4.90 crore by the taxpayer.

¹⁸ The taxpayer is presently under the jurisdiction of Circle-10, Raipur due to re-organisation of Circles.

¹⁹ The taxpayer is presently under the jurisdiction of Circle-10, Raipur due to re-organisation of Circles.

On being pointed out (July 2023) in Audit, the Department stated (May 2025) that DRC-07 amounting ₹ 9.16 crore including interest and penalty has been issued (August 2024) to the taxpayer. Further progress in this regard was awaited (June 2025).

(xii) Suppression of taxable value based on unbilled revenue declared in GSTR-9C (Dimension 16)

Audit observed that in case of taxpayer having GSTIN 22XXXXXXXXXX1ZT under the jurisdiction of Circle-2, Raipur that for the financial year 2020-21, unbilled revenue at the end of financial year 2019-20 was ₹ 7.50 crore whereas unbilled revenue at the beginning of financial year 2020-21 was nil, amounting to deviation of ₹ 7.50 crore by the taxpayer.

On being pointed out (June 2023) in Audit, the Department (May 2025) stated that DRC-07 (January 2025) amounting to ₹ 1.36 crore has been issued. Further progress in this regard was awaited (June 2025).

3.9.2 Department's response on data mismatches/deviation acceptable to Audit

Department's response on cases of deviations/inconsistencies were acceptable to Audit as these related to data entry error, action taken before audit queries and other valid explanation. These are detailed in **Table 3.5**.

Table 3.5: Statement showing Department's response on deviation accepted by Audit

Sl. No.	Deviation	Number of cases	Percentage of cases	Amount involved (₹ in crore)
1	Data entry errors	43	6.71	2,539.77
2	Action taken before issue of audit queries	47	7.33	56.93
3	Other valid explanations	302	47.11	10,965.09
	Total	392		13,561.79

3.9.2.1 Other cases without relevant explanation

The Department furnished incomplete reply in 9 out of 641 cases (1.40 per cent) amounting to ₹ 79.95 crore. The replies were inconclusive as the firm was not in existence, the process of liquidation is under process in NCLT²⁰ and proceeding of circle officer also in progress, case was transferred to Deputy Commissioner on the basis of turnover of case etc. Details of these cases are given in (**Appendix 3.12**).

The reply (May 2025) of the Department was inconclusive as in support of their reply invalid notification was furnished while in some cases due process was not followed after issuance of ASMT-10 etc.

Recommendation No. 3: The Department may, in consultation with the GSTN, consider introducing validation controls in GST returns to curb data entry errors, enhance taxpayer compliance and facilitate better

²⁰ NCLT- National Company Law Tribunal

scrutiny. The Department may also use appropriate algorithms to detect mismatches and take timely action.

3.10 Detailed Audit of GST returns

Apart from identifying inconsistencies/deviations in GST returns through pan-State data analysis, a detailed audit of GST returns was also conducted as a part of this SSCA. A risk-based sample of 70 taxpayers (210 cases) was selected for this part of the SSCA. The methodology adopted was to initially conduct a desk review of GST returns and financial statements filed by the taxpayers as part of the GSTR-9C and other records available in the back-end system to identify potential risk areas, inconsistencies/deviations and red flags. Desk review was carried out in the office of the PAG (Audit) Chhattisgarh. Based on desk review results, detailed audit was conducted in field formations of State Taxation Department by requisitioning corresponding granular records of taxpayers such as financial ledgers, invoices etc. to identify causative factors of the identified risks and to evaluate compliance by the taxpayers.

The Department provided access through the Boweb to Audit in its premises. Audit teams downloaded various returns of selected samples of taxpayers for verification of returns.

Scope limitation (non-production of granular records)

There was scope limitation of audit due to non-production of granular records pertaining to the taxpayers. Despite of requisition and follow up, the circle offices did not provide taxpayer's granular records in 37 out of selected 70 taxpayers (52.86 per cent) (*Appendix 3.1C & 3.13*) involves mismatch of ITC and Tax liability of ₹ 429.62 crore identified using a risk-based approach. Consequently, in these cases, audit was restricted to the information available in the returns filed by the taxpayers. The jurisdiction wise non- production of granular records is given in *Table 3.6*.

Table 3.6: Non-production of records

Sl. No.	Jurisdiction	Total number sample taxpayers	Number of taxpayers who did not produce granular records
1.	AC, Circle-8, Raipur	8	5
2.	AC, Circle-2, Bilaspur	3	1
3.	AC, Circle-9, Raipur	6	5
4.	AC, Circle-3, Durg	4	4
5.	AC, Circle-4, Raipur	4	2
6.	AC, Circle-1, Raipur	4	1
7.	AC, Circle-3, Raipur	9	5
8.	AC, Circle-7, Raipur	9	7
9.	AC, Circle -2 Jagdalpur	3	2
10.	AC, Circle-1, Bilaspur	2	2
11.	AC, Circle-3, Bilaspur	1	1
12.	AC, Circle-2, Durg	1	1
13.	AC, Circle, Ambikapur	2	1

14.	Others	14	-
Total		70	37

On being pointed out (between December 2023 and July 2024) in Audit, the Department stated (May 2025) that a scrutiny notice or DRC-01 was issued to all the above taxpayers. Further progress in this regard was awaited (June 2025).

The reply did not address the reasons for non-production of granular records and remedial action suggested.

The audit findings of Detailed Audit are categorized under three sub-categories with clear distinction of audit findings emerging from cases where granular records were provided and otherwise, which are discussed in succeeding paragraphs. Audit observed compliance deficiencies in 23 cases with a revenue implication of ₹ 79.18 crore. The main causative factors were availing of ineligible or excess ITC, non/short reversal of ITC, short payment of tax and non/short payment of interest.

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

3.11 Returns

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

(a) Non/Short payment of interest

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

Audit observed in 18 out of 210 selected cases (8.57 per cent) that taxpayers had filed their returns belatedly causing delayed payment of tax liability and the interest of ₹ 1.80 crore was not paid (*Appendix 3.14*).

On being pointed out (between December 2023 and July 2024) in Audit, the Department stated (May 2025) that DRC-01 was issued in one case, DRC-07 issued in nine cases, in appeal two cases, in five cases Department's reply is still awaited and in one case reply of the Department is not acceptable as wrong month was taken into consideration by Department for calculation of interest. Further progress in this regard was awaited (June 2025).

3.12 Availing/Utilisation of ITC

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

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

(a) Excess availing of ITC

I. Cases in which granular records were not received

Audit observed in four out of 210 selected cases (1.90 *per cent*), mismatch of availing of ITC of ₹ 20.38 crore which could not be examined in detail due to non-furnishing of granular records (*Appendix 3.15*).

On being pointed out (between December 2023 and July 2024) in Audit, the Department stated (May 2025) that in two cases ASMT-10 were issued, in one case DRC-01 was issued and in one Department's reply was awaited (June 2025).

II. Cases in which granular records were received

Audit observed in five out of 210 selected cases (2.38 *per cent*), where taxpayers had availed excess ITC of ₹ 35.89 crore (*Appendix 3.16*).

On being pointed out (between December 2023 and July 2024) in audit, the Department stated (May 2025) that DRC-01 has been issued in two cases, DRC-07 has been issued in one case and in two cases Department's reply was awaited (June 2025).

An illustrative case accepted by Department is featured below:

A taxpayer having GSTIN 22XXXXXXXXXX1Z8 under Circle-1, Bilaspur, the value of ITC in GSTR-2A for the period of 2018-19 was ₹ 1.09 crore whereas the value of ITC availed in GSTR-3B for the same period was ₹ 2.43 crore. Thus, there was an excess availing of ITC of ₹ 1.34 crore.

(b) Unreconciled ITC in GSTR-9 after adjustment

Table 8D of GSTR-9 captures the difference between ITC available as per GSTR-2A and that availed as per GSTR-3B with subsequent period's adjustments. The negative figure in table 8D of GSTR-9 indicates that excess ITC was availed.

I. Cases in which granular records were not received

Audit observed in 30 out of 210 selected cases (14.28 *per cent*), mismatch of ITC of ₹ 155.24 crore availed between the Table 8A of GSTR-9 (value fetched from GSTR-2A) and Table 8B+8C of GSTR-9 which could not be examined in detail due to non-furnishing of granular records (*Appendix 3.17*).

On being pointed out (between December 2023 and July 2024) in Audit, the Department stated (May 2025) that ASMT-10 was issued in three cases, DRC-01 in eight cases, DRC-07 in five cases, APL-01 in five cases and in nine cases Department's reply was awaited (June 2025).

II. Cases in which granular records were received

Audit observed in seven out of 210 selected cases (3.33 *per cent*), availed excess ITC of ₹ 7.61 crore between the Table 8A of GSTR-9 (value fetched from GSTR-2A) and Table 8B+8C of GSTR-9 (*Appendix 3.18*).

On being pointed out (between December 2023 and July 2024) in Audit, the Department stated (May 2025) that DRC-01 has been issued in one case, DRC-07 has been issued in two cases, one case is under process and in three

cases the Department's reply was still awaited. Further progress in this regard was awaited (June 2025).

An illustrative case accepted by the Department is featured below:

A taxpayer having GSTIN 22XXXXXXXXXX1Z8 under Circle-1, Bilaspur, the ITC value in Table 8A of GSTR-9 (value fetched from GSTR-2A) for the period of 2018-19 was ₹ 1.09 crore whereas ITC availed in Table 8B+8C of GSTR-9 for the same period was ₹ 1.62 crore. Thus, there was an excess availing of ITC of ₹ 53.37 lakh.

(c) *Availing of excess ITC under Reverse Charge Mechanism*

To analyze the veracity of availing/utilization of ITC, the relevant datasets pertaining to GSTR-3B and annual return GSTR-9 were compared to check whether the ITC availed on RCM was restricted to the extent of tax paid. The methodology adopted was to compare the RCM payments in GSTR-3B Table 3.1(d) with ITC availed in GSTR-9 Table 6C, 6D and 6F. In cases where GSTR-9 was not available, the check was restricted within GSTR-3B where the tax discharged part in GSTR3B Table 3.1(d) was compared with the ITC availing part 4A (2) and 4A (3) of GSTR-3B.

I. Cases in which granular records were not received

Audit observed in four out of 210 selected cases (1.90 *per cent*), an excess availing of ITC under RCM of ₹ 0.31 crore which could not be examined in detail due to non-furnishing of granular records (*Appendix 3.19*).

On being pointed out (between December 2023 and July 2024) in Audit, the Department stated (May 2025) that in four cases, DRC-01, DRC-07, APL-01 and ASMT-10 have been issued respectively. Further progress in this regard was awaited (June 2025).

II. Cases in which granular records were received

Audit observed in three out of 210 selected cases (1.43 *per cent*), where taxpayers had availed excess ITC under RCM of ₹ 0.55 crore (*Appendix 3.20*).

On being pointed out (between December 2023 and July 2024) in Audit, the Department stated (May 2025) that DRC-07 has been issued in one case, APL-01 in one case and in one case the Department's reply was awaited (June 2025).

An illustrative case accepted by the Department is featured below:

A taxpayer having GSTIN 22XXXXXXXXXX1ZX under Circle-1, Bilaspur, the ITC claimed under RCM for the period of 2018-19 was ₹ 1.04 crore whereas tax payment under RCM for the same period was ₹ 51.93 lakh. Thus there was an excess availing of ITC under RCM of ₹ 51.91 lakh.

(d) *Unreconciled Input Tax Credit in return*

The data were extracted from Table 6J of GSTR-9 where ITC availed in Table 6A of GSTR-9 (ITC availed in GSTR-3B) was more than that ITC available as per Table 6I of GSTR-9.

I. Cases in which granular records were not received

Audit observed in 17 out of 210 selected cases (8.10 *per cent*), mismatch of ITC of ₹ 168.22 crore availed between the GSTR-3B and GSTR-9 which could not be examined in detail due to non-furnishing of granular records (*Appendix 3.21*).

On being pointed out (between December 2023 and July 2024) in Audit, the Department stated (May 2025) that DRC-01 has been issued in six cases, DRC-07 has been issued in two cases, APL-01 in six cases, ASMT-10 in one case, one case is under process and in one case the Department's reply was awaited (June 2025).

II. Cases in which granular records were received

Audit observed in two out of 210 selected cases (0.95 *per cent*), excess ITC of ₹ 3.85 crore availed between the GSTR-3B and GSTR-9 (*Appendix 3.22*).

On being pointed out (between December 2023 and July 2024) in Audit, the Department stated (May 2025) that ASMT-10 has been issued in one case and APL-01 has been issued in other case. Further progress in this regard was awaited (June 2025).

An illustrative case accepted by the Department is featured below:

A taxpayer having GSTIN 22XXXXXXXXXX1ZX under Circle-1, Bilaspur, disclosed the ITC value in Table 6A of GSTR-9 (value of Table 4A of GSTR-3B) for the period of 2020-21 as ₹ 23.64 crore. However, ITC available in Table 6B to 6H of GSTR-9 for the same period was ₹ 19.91 crore. Thus, there was an excess availing of ITC of ₹ 3.73 crore.

(e) *Non/Short reversal of ITC availed for exempt and non- GST supplies*

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

Cases in which granular records were not received

Audit observed in nine out of 210 selected cases (4.28 *per cent*), non/short reversal of ITC of ₹ 23.54 crore availed for nil rated/exempted supply (*Appendix 3.23 & 3.23(a)*).

On being pointed out (between March 2024 and July 2024) in Audit, the Department stated (May 2025) that DRC-07 was issued in two cases, DRC-01 in two cases, APL-01 in two cases, one case is under process and in two cases the Department's reply was awaited (June 2025).

(f) *Unreconciled ITC as per Table 12F of GSTR-9C*

Audit examined the table 12 F of GSTR-9C which captures the difference between the total ITC as computed from the books of account (Table 12D) and ITC as declared in GSTR-9. Audit examined these figures in the respective return and the findings are as under:

I. Cases in which granular records were not received

Audit observed in nine out of 210 selected cases (4.28 *per cent*), mismatch in ITC of ₹ 12.70 crore availed between the Annual Return and the Financial Statements. (*Appendix 3.24*)

On being pointed out (between March 2024 and July 2024) in Audit, the Department stated (May 2025) that DRC-01 in one case and APL-01 in four cases were issued while in remaining four cases Department's reply was awaited (June 2025).

II. Cases in which granular record were received

In one out of 210 selected cases (0.48 *per cent*), audit observed that a taxpayer having GSTIN 22XXXXXXXXXX1ZU under Circle-Ambikapur for the year 2019-20 had mismatch in ITC of ₹ 26.15 crore availed between the Annual Return and the Financial Statements. (*Appendix 3.24(a)*)

Department's reply was awaited (June 2025).

(g) Unreconciled ITC as per Table 14T of GSTR-9C

Table 14T of GSTR-9C compares expenses incurred by the registered persons on inputs, capital goods or services with the input tax credit availed and highlights any excess availing of input tax credit on account of ineligibility, blocked credits in table 14T.

Cases in which granular records were not received

Audit observed in one out of 210 selected cases (0.48 *per cent*), taxpayer having GSTIN 22XXXXXXXXXX2ZF under Circle-4, Durg for the year 2018-19 that there was a mismatch in ITC of ₹ 3.16 lakh availed between the Annual Return and the Financial Statements.

Department's reply was awaited (June 2025).

(h) Non reversal of ITC on payment of consideration within 180 days

As per proviso below Section 16(2) (d) of CGST ACT 2017, if a recipient fails to make payment to the supplier of goods or services or both within one hundred and eighty days from the date of issuing of invoice, the amount of input tax credit availed would be added back to his output tax liability along with interest thereon.

I. Cases in which granular records were not received

Audit observed in one out of 210 selected cases (0.48 *per cent*), where taxpayer having GSTIN 22XXXXXXXXXX1Z4 under Circle-7 Raipur, for the year 2019-20 and 2020-21, there was non/short reversal of ITC of ₹ 7.09 lakh which was availed without complying to Rule 37 of CGGST Rules 2017.

Department's reply was awaited (June 2025).

II. Cases in which granular records were received

Audit observed in one out of 210 selected cases (0.48 *per cent*), in respect of a taxpayer having GSTIN 22XXXXXXXXXX1Z7 under Circle-3, Raipur for the year 2019-20, there was short reversal of ITC of ₹ 1.78 crore availed which was not in compliance with Rule 37 of CGGST Rules 2017.

On being pointed out (March 2024) in Audit, the Circle office replied that ITC availed was lying un-utilized in the Electronic Credit Ledger.

Reply of the Circle office is not acceptable as the related sections and rules stipulate availing of ITC and payment of invoice within 180 days. Even though the ITC was not utilised, the same should have been reversed by the taxpayer as a procedural requirement.

Department's reply was awaited (June 2025).

3.13 Discharge of tax liability

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

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

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

(a) Short payment of tax in respect of other than RCM

The tax liability based on the greater of the amounts furnished in two returns i.e. GSTR-1 and GSTR-9 (Table 4N-Table 4G+Table 10-Table 11) was compared with actual payment of tax in GSTR-9 (Table 9+Table 14-Table 4G).

I. Cases in which granular records were not received

Audit observed in eight out of 210 selected cases (3.80 *per cent*), mismatch of tax payable and tax paid other than RCM of ₹ 3.16 crore (*Appendix 3.25*).

On being pointed out (between December 2023 and July 2024) in Audit, the Department stated (May 2025) that DRC-07 in two cases, DRC-01 in two cases, APL-01 in two cases were issued, one case is under process and in remaining one case, the Department's reply was awaited (June 2025).

II. Cases in which granular records were received

Audit observed in four cases out of 210 selected cases (1.90 *per cent*) compliance deficiencies amounting to ₹ 3.35 crore relating to short payment of tax liability (*Appendix 3.26*).

On being pointed out (between December 2023 and July 2024) in Audit, the Department stated (May 2025) that DRC-07 issued in two cases, one case was

under process and in remaining one case, the Department's reply was awaited (June 2025).

An illustrative case is featured below:

A taxpayer having GSTIN 22XXXXXXXXXX1ZX under Circle-1, Bilaspur for the year 2018-19, had a mismatch between tax liability (Table 4N-4G+10-11 of GSTR9) of ₹ 30.66 crore and tax payment (Table 9+Table 14-Table 4G of GSTR-9) of ₹ 28.52 crore for the period of 2018-19 resulted in short payment of tax of ₹ 2.14 crore.

(b) *Unreconciled total turnover between Annual Return and Financial Statements in Table 5R of 9C*

Table 5R of GSTR-9C captures reconciliation between gross turnover declared in annual return GSTR-9 and audited Annual Financial Statements.

Cases in which granular records were not received

Audit observed in three out of 210 selected cases (1.43 *per cent*), mismatch in gross turnover between books of accounts and returns captured in table 5R of GSTR-9C amounting to ₹ 79.98 crore (*Appendix 3.27*).

On being pointed out (between December 2023 and July 2024) in Audit, the Department stated (May 2025) that DRC-01 was issued in one case and in remaining two cases the Department's reply was awaited (June 2025).

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

Table 7G of GSTR-9C captures reconciliation between taxable turnover declared in annual return GSTR-9 and audited Annual Financial Statements.

Cases in which granular records were not received

Audit observed in three out of 210 selected cases (1.43 *per cent*), mismatch in taxable turnover between books of accounts and returns captured in table 7G of GSTR-9C amounting to ₹ 8.15 crore (*Appendix 3.28*).

On being pointed out (between December 2023 and July 2024) in Audit, the Department stated (May 2025) that DRC-01 in one case, APL-01 in one case and DRC-13 in one case were issued.

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

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

Cases in which granular records were not received

Audit observed in four out of 210 selected cases (1.90 *per cent*), mismatch in tax paid between Table 9P, 9Q of GSTR-9C and Table 9R of GSTR-9C amounting to ₹ 3.25 crore (*Appendix 3.29*).

On being pointed out (between December 2023 and July 2024) in Audit, the Department stated (May 2025) that DRC-01 was issued in two cases and in remaining two cases, the Department's reply was awaited (June 2025).

Recommendation No. 4: The State Tax Department needs to issue necessary instruction to field formations regarding production of granular records to Audit.

3.14 Conclusion

The SSCA on Department's Oversight on GST Payments and Return Filing was undertaken with an objective of assessing the extent of compliance & adequacy of the system in monitoring return filing and tax payments and other Departmental oversight functions.

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

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

The Department must initiate remedial measures in cases where replies have not been furnished before they become time barred. From a systemic perspective, the Department needs to reinforce the institutional mechanism in the Circles to establish and maintain effective oversight on return filing, taxpayer compliance, tax payments, cancellation of registrations and recovery of dues from defaulters.

3.15 Summary of Recommendations

1. *The Department may monitor the status of cancellation of registration and action taken thereon in consonance with the provisions of the Act to check undischarged tax liabilities*
2. *The Department may ensure conducting audit in a time bound manner before the cases become time barred.*

3. *The Department may in consultation with the GSTN, consider introducing validation controls in GST returns to curb data entry errors, enhance taxpayer compliance and facilitate better scrutiny. The Department may also use appropriate algorithms suitably to detect mismatches.*
4. *The State Tax Department needs to issue necessary instructions to field formation regarding production of granular records for Audit.*

Raipur
The : 16 February 2026


(MOHD. FAIZAN NAYYAR)
Accountant General (Audit)
Chhattisgarh

Countersigned

New Delhi
The : 24 February 2026


(K. SANJAY MURTHY)
Comptroller and Auditor General of India