

## CHAPTER II: TAXES/VAT ON SALES, TRADE

### 2.1 Tax administration

The Haryana Value Added Tax Act, 2003 (HVAT Act) and rules framed thereunder are administered by the Additional Chief Secretary (Excise and Taxation). The Excise and Taxation Commissioner (ETC) is the head of the Excise and Taxation Department who is assisted by Additional ETCs, Joint ETCs (JETCs), Deputy Excise and Taxation Commissioners (DETCs) and Excise and Taxation Officers (ETOs). They are assisted by Excise and Taxation Inspectors and other allied staff for administering the relevant tax laws and rules.

### 2.2 Results of audit

In 2021-22, test check of the records of 15 (13 Revenue and two expenditure) out of 46 units relating to VAT/Sales tax assessments and other records was conducted. A total of 28,627 out of total 86,191 assessment cases were audited. The audit showed under assessment/evasion of tax and other irregularities involving ₹ 1,008.36 crore in 578 cases, falling under the following categories as depicted in **Table 2.1**.

**Table 2.1- Results of Audit**

Revenue			
Sr. No.	Category	Number of Cases	Amount (₹ in crore)
1.	Subject Specific Compliance Audit on Departments' Oversight on GST Payments and Return Filing	1	678.22
2.	Under assessment of tax	93	28.77
3.	Acceptance of defective statutory forms	28	7.56
4.	Evasion of taxes due to suppression of sales/purchases	59	33.37
5.	Irregular/Incorrect/Excess allowance of Input Tax Credit (ITC)	231	211.45
6.	Other irregularities	150	48.80
	<b>Total (I)</b>	<b>562</b>	<b>1,008.17</b>
Expenditure			
1.	Other irregularities	16	0.19
	<b>Total (II)</b>	<b>16</b>	<b>0.19</b>
	<b>Grand Total (I+II)</b>	<b>578</b>	<b>1,008.36</b>

The Department accepted under assessment and other deficiencies of ₹ 581.34 crore in 12 cases which were pointed out during the year. The Department recovered ₹ 0.33 crore in 13 cases (all the cases related to earlier years) in the year 2021-22.

Significant cases involving ₹ 691.00 crore are discussed in the following paragraphs.

### **2.3 Under assessment of tax due to allowing wrong deduction on taxable commodities treated as tax free**

**Assessing Authorities, while finalising the assessments, allowed the deductions as tax free sales instead of commodities liable to be taxed, resulting in under assessment of tax of ₹ 4.99 crore. In addition, interest of ₹ 4.77 crore was also leviable.**

The rates for taxation of commodities have been prescribed as per schedules A to G of HVAT Act. However, commodities other than commodities classified in any of the schedules, are taxable at the rate of 12.5 *per cent* with effect from 1 July 2005 under Section 7 (1) (a) (iv) of HVAT Act. Surcharge at the rate of five *per cent* on the tax is leviable under Section 7 (A) of HVAT Act w.e.f. 2 April 2010. Further, interest is also leviable under Section 14 (6) of the HVAT Act.

Scrutiny of records (between March 2020 and January 2022) of DETCs (Sale Tax), Panchkula, Panipat and Sonipat showed that Assessing Authorities (AAs) while finalising the assessments (between March 2019 and March 2021) of three cases involving three dealers for the years 2015-16 to 2017-18, allowed deductions of some commodities as tax free sales instead of commodities liable to be taxed at the rate of 5.25 *per cent* under Schedule C of HVAT Act, resulting in under assessment of tax of ₹ 4.99 crore. In addition, interest of ₹ 4.77 crore was also liable.

On this being pointed out, AA Panchkula admitted the fact and stated (June 2023) that the case of the dealer had been sent to the Revisional Authority in May 2022 for *suo moto* action. AA Panipat intimated that case was sent to Revisional Authority for re-assessment and after re-assessment, additional demand of ₹ 10.61 lakh has been created. AA Sonipat admitted the facts and stated in June 2023 that reassessment notices have been issued to the dealer.

During the exit conference held in June 2023, the Department admitted the audit observations.

#### 2.4 Under assessment of tax due to less gross turnover/taxable turnover

**Assessing Authorities, while finalising the assessments, assessed the cases on Gross Turnover/Taxable Turnover of ₹ 27.97 crore instead of ₹ 36.61 crore. This resulted in under assessment of tax of ₹ 0.94 crore.**

The liability to pay tax is on the taxable turnover. Taxable turnover is the net amount that remains upon making deductions as prescribed from the gross turnover.

Scrutiny of records of the offices of DETCs (Sales Tax) Panipat and Gurugram (South) (between July 2021 and December 2021) for the years 2015-16 and 2016-17 showed that while finalising the assessments (between March 2019 and October 2019) in two cases, the Assessing Authorities (AAs) assessed the cases on lower TTO of ₹ 27.97 crore instead of ₹ 36.61 crore. Audit observed that TTO was adopted by a lower amount of ₹ 8.64 crore for assessment. This resulted in under assessment of tax of ₹ 0.94 crore.

On this being pointed out, AA Panipat intimated that the case had been reassessed and additional demand of ₹ 28.01 lakh had been created and recovery was under progress. Gurugram (South) accepted the case and stated (June 2023) that the firm is under National Company Law Tribunal/liquidation and notice for reassessment has been served upon the liquidator.

During the exit conference held in June 2023, the Department admitted the audit observations.

#### 2.5 Under assessment of tax due to allowing excess benefit of input tax credit on stock transfer

**Assessing Authorities, while finalising the assessments, reversed input tax credit on stock transfer/consignment sale incorrectly resulting in short reversal of ITC ₹ 28.04 lakh.**

Under Section 8 of HVAT Act, input tax credit in respect of any goods purchased by a VAT dealer shall be the amount of tax paid to the State on the sale of such goods. No ITC on goods which are disposed of otherwise than by way of sale is admissible. If the goods purchased in the State are used or disposed of partly by way of sale and partly by stock transfer, the input tax allowable in respect of such goods shall be computed on *pro rata* basis.

Scrutiny of records of offices of DETCs (Sales Tax) Panipat and Gurugram (South) (between August 2021 and December 2021) showed that two dealers were assessed at a GTO of ₹ 275.25 crore out of which ₹ 232.12 crore worth of goods were transferred by them against Form 'F'. These transferred goods

\* Form 'F' is used for making transfer of goods (without payment of tax) to branches/agents in other States.

involved goods worth ₹ 24.08 crore purchased within Haryana after payment of VAT of ₹ 1.13 crore during 2015-16 and 2017-18. Total purchases by these two dealers including local purchases in Haryana was of ₹ 209.07 crore. Thus, a total of purchases of ₹ 184.99 crore were purchases by the dealers on which no tax was paid in Haryana and hence not eligible for ITC. However, it was noticed that despite clear provisions of law, ITC allowed was not restricted on pro rata basis and excess ITC was allowed to the extent of ₹ 28.04 lakh.

On this being pointed out, AA, Gurugram (South) intimated that the case was reassessed and a sum of ₹ 14.10 lakh had been reversed against the objected amount of ₹ 19.22 lakh. The reasons for short reversal were not available. AA Panipat intimated that notice for reassessment had been issued to the dealer.

During the exit conference held in June 2023, the Department admitted the audit observations.

## **2.6 Excess benefit of input tax credit due to non reversal**

**The Assessing Authority, while finalising the assessment, did not reverse input tax credit on account of inter-State sales resulting in allowing excess benefit of ₹ 10.91 lakh.**

As per Schedule 'E', Entry 3(b) read with Section 8(1) of HVAT Act, 2003, when goods are sold as such in the course of inter-state trade or commerce, input tax is admissible to the extent of amount of tax actually paid on the purchase of such goods in the State under the Act or tax payable on sale of such goods under the CST Act, 1956, whichever is lower.

Scrutiny of records of DETC (Sales Tax) Panipat (July 2021) showed that one dealer had shown purchases of ₹ 2.51 crore and claimed ITC of ₹ 35.03 lakh on purchase value. As per the provisions of the Act, ITC of ₹ 10.91 lakh was to be reversed on account of sales made in the course of inter-State trade or commerce. While finalising the assessment (January 2019) for the year 2015-16, the Assessing Authority (AA) did not reverse the ITC. This resulted in allowing excess benefit of ITC of ₹ 10.91 lakh due to non-reversal of ITC.

On this being pointed out, the AA intimated (June 2023) that the case has been reassessed and additional demand was created after reversal of ITC of ₹ 10.91 lakh.

During the exit conference held in June 2023, the Department admitted the audit observations.

### 2.7 *Evasion of tax due to non levy of tax on opening and closing stock mismatch*

**The Assessing Authorities did not verify details of sales with reference to opening and closing stock which resulted in evasion of tax of ₹ 73.11 lakh.**

Under Section 38 of Haryana Value Added Tax Act, 2003 if a dealer has maintained false or incorrect accounts or documents with a view to suppressing his sales, purchases, imports into the State, exports out of the State, or stocks of goods, or has concealed any particulars in respect thereof or has furnished to or produced before any authority under this Act or the rules made thereunder any account, return, document or information which is false or incorrect in any material particular, such authority may, after affording such dealer a reasonable opportunity of being heard, direct him to pay by way of penalty, in addition to the tax to which he is assessed or is liable to be assessed, a sum thrice the amount of tax which would have been avoided, had such account, return, document or information, as the case may be, been accepted as true and correct.

Scrutiny of records of DETCs (Sales Tax) Ambala and Sonipat (between November 2021 and January 2022) for the assessment years 2016-17 to 2017-18 showed that in cases of three dealers, opening stock of the assessment year did not match with the closing stock of the previous year. The AAs, while finalising the assessments, did not verify the details of sales with reference to opening and closing stock resulting in evasion of tax of ₹ 73.11 lakh.

On this being pointed out, in one case, the AA Ambala intimated (June 2023) that remand case had been decided and additional demand had been created. In one case, the AA Sonipat intimated (June 2023) that reassessment had been framed and additional demand has been created. In another case, AA Sonipat intimated (June 2023) that reassessment notice had been issued to the dealer.

During the exit conference held in June 2023, the Department admitted the audit observations.

### 2.8 *Non/short levy of interest*

**The Assessing Authorities failed to levy interest on late/non-payment of tax resulting in short/non-levy of interest of ₹ 96.40 lakh.**

Section 14 (6) of HVAT Act, 2003 read with Section 9(2) of CST Act, 1956, *inter alia* lays down that if any dealer fails to make payment of tax in accordance with the provisions of the Act and Rules made thereunder, he would be liable to pay, in addition to the tax payable by him, simple interest at one *per cent* per month if the payment is made within ninety days, and at two *per cent* per month if the default continues beyond ninety days for the whole period, from the last date specified for the payment of tax to the date he makes the payment, provided that the interest leviable under this Act shall not exceed the amount of tax or

penalty on the non-payment or late payment of tax on which such interest is charged.

Scrutiny of records (between November 2021 and February 2022) showed that five dealers of DETCs (Sales Tax) Sonipat and Jagadhri had not paid tax in accordance with the provisions of the Act and Rules. While framing assessment for the year 2016-17, the Assessing Authority (AA), Sonipat had not levied interest in three cases and levied lesser interest in one case. Similarly, Assessing Authority (AA), Jagadhri failed to levy interest on non-payment of tax due. Thus, short levy in one case and non-levy of interest in four cases resulted in short/non-levy of interest of ₹ 96.40 lakh.

On this being pointed out, AA Sonipat and Jagadhri stated (June 2023) that the original orders had been rectified and interest had been levied.

During the exit conference held in June 2023, the Department admitted the audit observations.

## **2.9 Subject Specific Compliance Audit on Department's Oversight on GST Payments and Return Filing**

### **2.9.1 Introduction**

Introduction of Goods and Service Tax (GST) has replaced multiple taxes levied and collected by the Centre and States. GST, which came into effect from 1 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 Haryana GST Act (HGST), 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 on the taxpayer. The GST returns must be filed online regularly on the common GST portal, failing which penalties will be payable. Even if the business has had no tax liability during a particular tax period, it must file a nil return mandatorily. Further, Section 61 of the Act read with Rule 99 of HGST Rules stipulate that the proper officer may scrutinise the return and related particulars furnished by taxpayers, communicate discrepancies 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 Department's oversight mechanism in this new tax regime.

### 2.9.2 Audit objectives

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

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

### 2.9.3 Audit methodology and scope

This SSCA was predominantly conducted based on data analysis, which highlighted risk areas and red flags pertaining to the period July 2017 to March 2018. Through data analysis, a set of 15 deviations were identified across the domains of ITC, Discharge of tax liability, Registration and Return filing. Such deviations were followed up through a Centralised (Limited) Audit<sup>1</sup>, whereby these deviations were communicated to the relevant State departmental field formations and action taken by the jurisdictional formations on the identified deviations was ascertained without involving field visits. The Centralised (Limited) audit was supplemented by a detailed audit involving field visits for verification of records available with the jurisdictional field formations. Returns and related attachments and information were accessed through the *boweb.internal.gst.gov.in* - the *back-end* system of the Excise and Taxation Department application 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 through the respective field formations. This apart, compliance functions of the departmental formation such as scrutiny of returns were also reviewed in selected Departmental field formations.

The review of the scrutiny of returns by the Department and verification of taxpayer’s records covered the period from July 2017 to March 2018, while the audit of the functions of selected Departmental field formations covered the period from 2017-18 to 2020-21. The SSCA covered only the State administered taxpayers. The field audit was conducted from September to November 2022.

Before the start of field audit, an entry conference was held on 22 February 2022 with Additional Excise and Taxation Commissioner in which the audit

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<sup>1</sup> Centralised Audit also did not involve seeking taxpayer’s granular records such as financial statements related ledger accounts, invoices, agreements, etc.

objectives, sample selection, audit scope and methodology were discussed. An exit conference was conducted with Principal Secretary, Excise and Taxation Department, Government of Haryana on 27 June 2023. The replies submitted by the Department to the draft report have been suitably incorporated in the relevant paragraphs.

#### **2.9.4 Audit sample**

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

There were three distinct parts of this SSCA as under:

**(i) Part I-Audit of Departmental field formations (DETCs)**

Nine<sup>2</sup> Departmental field formations with jurisdiction over more than one selected sample of cases for Detailed Audit were considered as the sample of DETCs for evaluation of their oversight functions.

**(ii) Part II –Centralised (Limited) Audit**

The sample for Centralised (Limited) Audit was selected by identification of high-value or high-risk deviations from rules and inconsistencies between returns through data analysis for evaluation of the adequacy and effectiveness of the scrutiny procedure of the Department. Accordingly, 428 taxpayers were selected for Centralised (Limited) Audit under 15 dimensions in this SSCA.

**(iii) Part III-Detailed Audit**

Detailed Audit was conducted by accessing taxpayers' records through the Department's field formations for evaluation of the extent of tax compliance by taxpayers. The sample of taxpayers for 'Detailed Audit' was selected on the basis of risk parameters such as mismatch in ITC, tax liability mismatch, disproportionate exempted turnover to total turnover and irregular ITC reversal. The 38 taxpayers were selected from nine districts comprising of large, medium and small strata<sup>3</sup> taxpayers for Detailed Audit.

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<sup>2</sup> Ambala, Faridabad (North), Faridabad (West), Gurugram (North), Gurugram (East), Gurugram (South), Gurugram (West), Sirsa and Sonipat.

<sup>3</sup> Large 61 per cent having turnover > ₹ 20 crore, Medium 29 per cent having turnover between ₹ three crore and ₹ 20 crore and Small 10 per cent having turnover < ₹ three crore of total sample selected for Detailed Audit.



### 2.9.5 Audit criteria

The source of audit criteria comprised the provisions contained in the HGST Act, IGST Act and Rules made thereunder. The significant provisions are given in **Table 2.2**.

**Table 2.2: Source of criteria**

Sr. No.	Subject	Act and Rules
1	Levy and collection	Section 9 of HGST Act
2	Reverse Charge Mechanism	Section 9(3) of HGST ACT and Section 5 (3) of IGST Act
3	Availing and utilising ITC	Sections 16 to 21 under Chapter V of HGST Act; Rules 36 to 45 under Chapter V of HGST Rules
4	Registrations	Section 22 to 25 of HGST Act; Rules 8 to 26 of HGST Rules
5	Payment of Tax	Sections 49 to 53 under Chapter X of HGST Act; Rules 85 to 88A under Chapter IX of HGST Rules
6	Filing of GST Returns	Sections 37 to 47 under Chapter IX of HGST Act; Rules 59 to 68 and 80 to 81 under Chapter VIII of HGST Rules. Part B of HGST Rules prescribes format of returns
7	Assessment and Audit functions	Sections 61, 62, 65 and 66 under Chapter XII & XIII of HGST Act; Rules 99 to 102 under Chapter XI of HGST Rules

In addition, the notifications and circulars issued by Central Board of Indirect Taxes and Customs (CBIC)/Excise and Taxation Department, Haryana 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 utilising ITC, scrutiny of returns and oversight of tax compliance and Standard Operating Procedures (SOP) containing instructions to departmental offices on various aspects related to filing returns, scrutiny of returns, Audit, cancellation of registrations and verification of Tax Research Unit (TRU) reports etc. also formed part of the audit criteria.

### 2.9.6 Audit findings

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

1. Oversight on returns filing
2. Oversight on tax payments

### 2.9.7 Oversight on returns filing

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 declaring 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.

### 2.9.7.1 Monitoring mechanism on return filing

During the audit related to the functioning of nine<sup>4</sup> DETCs selected as sample, audit could not verify the overseeing mechanism on return filing as neither records nor data was provided to Audit. On extracting the data from MIS report through [boweb.internal.gst.gov.in](http://boweb.internal.gst.gov.in) for Haryana State, Audit noticed that action was not taken on 26,772 out of 41,617 GSTR 3B non-filers as GSTR 3A notices were issued to 14,845 non-filers only in the year 2020-21. The monitoring mechanism including taking steps to issue notices to non-filers and subsequent assessment of tax liability by proper officer of the said person under HGST Act to protect revenue was deficient in all the DETCs.

During the exit conference (June 2023), the Department assured that response would be submitted to Audit. However, response is yet to be received (January 2024).

### 2.9.7.2 Lack of action on non-filers

#### Overall status at the State level

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

Analysis of the data available on the MIS report on [boweb.internal.gst.gov.in](http://boweb.internal.gst.gov.in) showed that the Department had identified 41,617 cases of non-filers in the State for the period 2017-18 to 2020-21. However, no action was taken against non-filers till 2019-20 and in 2020-21, GSTR-3A notices were issued in 14,845 cases only. Even after multiple requests, the data or records regarding the issuance of ASMT-13 were not made available to Audit.

On this being pointed out (May 2023), the Department during the exit conference replied (June 2023) that all the taxpayers who have not filed their returns upto March 2022, as identified by TRU wing have been successfully cancelled by various cancellation drives. The Department also stated that the data extracted from the [boweb.internal.gst.gov.in](http://boweb.internal.gst.gov.in) portal is not accurate.

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<sup>4</sup> Ambala, Faridabad (North), Faridabad (West), Gurugram (North), Gurugram (East), Gurugram (South), Gurugram (West), Sirsa and Sonipat.

The reply of the Department is not tenable as it only states about the cancellation of the taxpayers identified by the TRU wing and does not address the issue of subsequent filing of final return of GSTR 10 to ensure that the taxpayer has discharged the tax liability. Further, in cases where the GSTR-10 was not filed, the Department was required to adopt the same procedure as prescribed for non-filers. Also, regarding the stance of the Department that data extracted from *boweb.internal.gst.gov.in* portal was not accurate, the Department did not provide any evidence which could substantiate the claim of data being inaccurate.

The Department was requested to provide information sought for conduct of audit during the entry conference. Audit had specifically requested the Department for information on ASMT-13. Despite multiple reminders, the information related to ASMT-13 was not furnished to Audit. The Department was again requested to furnish replies to all outstanding audit queries during the exit conference in June 2023. However, the requested records had not been provided (June 2024).

Due to non-production of required details, Audit is unable to comment on the overall mechanism adopted by the Department to take action against non-filers/late filers to protect the revenues of the State.

### **2.9.7.3 Cancellation of Registrations**

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

Section 29 (2) of the HGST Act, 2017 allows for *suo moto* cancellation of the registration of taxpayer by tax 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, wilful misstatement or suppression of facts.

Section 45 of the HGST Act, 2017 requires every registered person other than (a) ISD or a non-resident taxable person or (b) Composition taxable person (Section 10) or (c) persons paying tax under Section 51 - Tax Collection at Source (TCS) or persons paying tax under Section 52 - Tax Deducted at Source (TDS), whose registration has been cancelled, to file a final return in GSTR-10, within three months of the effective date of cancellation or the date of order of

cancellation, whichever is later. The purpose of the final return is to ensure that the taxpayer discharges the outstanding liability. In case of non-filing of GSTR-10, the same procedure as adopted for non-filing of any return must be followed by the tax officer.

Audit observed as per data available on the *boweb.internal.gst.gov.in* portal in respect of the selected nine DETCs that 49,380 registered persons had requested for cancellation of registration during 2017-18 to 2020-21. During the same period, the Department had issued notices for *suo moto* cancellation of 55,990 registrations. Out of total 1,05,370 such cancellation cases, the order for cancellation of registrations and *suo moto* cancellation were issued in 90,231 cases, proceedings were dropped in 7,290 cases and action was pending in 7,849 cases. However, no documents in support of this data were provided.

In order to check whether the applicants for cancellation had filed their returns till the date of application, a sample of 54 cases in nine selected DETCs were selected out of 49,380 taxpayers' cases. It was noticed that the applicants who had filed request for cancellation, had filed their returns up to the date of application and had discharged their liabilities in full before making the application. After the date of application, no further transactions were appearing in the taxpayers' database.

Further, no data was made available by the Department for GSTR-10 returns filed in cancelled cases.

Due to non-production of required details, Audit is unable to comment on the overall mechanism adopted by the Department and action pending against such cancellation cases.

On this being pointed out (May 2023), during the exit conference, the Department stated (June 2023) that they would examine the matter.

#### **2.9.7.4 Lack of action on TRU Reports**

##### **Results of DETCs Audit:**

##### **Non-Compliance of TRU Reports**

(i) Excise and Taxation Department, Haryana formed Tax Research Unit (TRU) with the aim of studying, interpreting and analysing the GST data and sharing the results with various stakeholders under the department. TRU started functioning by generating reports on taxpayers on the basis of multiple identified risk parameters. TRU was responsible for generating the list of taxpayers which were then taken up for scrutiny by the Department. Field offices i.e. DETCs were required to take action on such reports. After due verification by the corresponding DETC, compliance was required to be uploaded on GSTN portal.

Audit observed that TRU wing had communicated 6,423 cases for the year 2017-18, 2,937 cases for 2018-19 and 3,732 cases for 2019-20 to DETCs for scrutiny. The 6,423 scrutiny cases for the year 2017-18 included 98 taxpayers which were also covered in the sample selected for Centralised (Limited) Audit. Out of the cases selected for scrutiny, only 24.90 per cent and 4.62 per cent cases had been closed for the year 2017-18 and 2018-19 respectively. Scrutiny cases for the year 2019-20 were shared by the TRU wing in May 2023 and no subsequent action has been taken on them.

The matter was reported to the Department and the State Government (May 2023). During the exit conference, the Department stated (June 2023) that based on the reports generated by TRU wing, the Department has taken up various drives to curb the bogus/non-existent taxpayers, non-filers etc. resulting into the recovery of ₹ 369.34 crore by the HGST-IU (Intelligence Unit of the State) from April 2021 till date (June 2023).

Although the Department has started taking action on TRU reports from April 2021 onwards, it needs to ensure that the cases communicated by TRU wing for scrutiny for the years 2017-18, 2018-19, 2019-20 and 2020-21 are taken up and completed on priority as the time limit for issuance of notice under Section 73 of HGST Act for the year 2017-18 is 30 September 2023.

(ii) ***Maintenance of records***

Documentation of the process followed by the field formations towards verification and action on the TRU reports constitutes an important measure of internal control mechanism. In all the nine sampled DETCs, records relating to the verification of TRU reports was not made available to audit. Thus, audit could not derive systemic assurance on the quality and extent of verification undertaken by the sampled DETCs on the TRU reports.

### ***2.9.8 Oversight on tax payments***

Compliance risk management is a continuous process demanding proactive action. With technology providing support to the entire process of return filing and tax administration, not only can the oversight on tax payments be maintained at different levels but a substantial part of it can also be non-intrusive and better targeted. The audit findings are discussed in the ensuing paragraphs:

#### ***2.9.8.1 Inconsistencies in GST returns- Centralised (Limited) Audit***

Audit analysed GST returns data pertaining to 2017-18 as made available by GSTN. Rule-based deviations and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 15 parameters, which can be broadly categorised into two domains i.e. ITC and Tax payments.

Out of the 13 prescribed GST returns<sup>5</sup>, the following basic returns that apply to normal taxpayers were considered for the purpose of identifying deviations, inconsistencies and mismatches between GST returns/data:

- GSTR-1: Monthly return to be filed by all normal and casual registered taxpayers making outward supplies of goods and services or both and contains details of outward supplies of goods and services.
- GSTR-3B: Monthly summary return of outward supplies and ITC claimed, along with payment of tax by the taxpayer to be filed by all taxpayers except those specified under Section 39 (1) of the HGST Act. This is the return that populates the credit and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger.
- GSTR 6: Monthly return for Input Service Distributors providing the details of their distributed ITC and inward supplies.
- GSTR 8: Monthly return to be filed by the e-commerce operators who are required to deduct TCS (Tax collected at source) under GST, introduced in October 2018.
- GSTR-9: Annual return to be filed by all registered persons other than an Input Service Distributor (ISD), Tax Deductor at Source/Tax Collector at Source, Casual Taxable Person, and Non-Resident taxpayer. This document contains the details of all supplies made and received under various tax heads (CGST, SGST and IGST) during the entire year along with turnover and audit details for the same.
- GSTR-9C: Annual audit form for all taxpayers having a turnover above ₹ five crore in a particular financial year. It is basically a reconciliation statement between the annual returns filed in GSTR-9 and the taxpayer's audited annual financial statements.
- GSTR-2A: A system-generated statement of inward supplies for a recipient. It contains the details of all B2B transactions of suppliers declared in their Form GSTR-1/5, ISD details from GSTR-6, details from GSTR-7 and GSTR-8 respectively by the counterparty and import of goods from overseas on bill of entry, as received from ICEGATE Portal of Indian Customs.

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

The pan- Haryana data analysis of sample cases pertaining to State jurisdiction on the 15 identified parameters and extent of deviations/inconsistencies observed (*Appendix-VI*) are summarised in **Table 2.3**.

**Table 2.3: Summary of pan Haryana data analysis**

Sr. No.	Parameter	Algorithm used	No. of deviations	Amount (₹ in crore)
<b>Domain: ITC</b>				
1	ITC mismatch between GSTR 2A and GSTR 3B	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) considering the reversals in Table-4B(2) but including the ITC availed in subsequent year 2018-19 from Table-8C of GSTR-9	50	536.77
2	ITC availed under RCM vs payment of tax in GSTR 3B/ GSTR 9	RCM payments in GSTR-3B, Table-3.1(d) was compared with ITC availed in GSTR-9, Table 6C, 6D & 6F. In cases where GSTR-9 was not available, check was restricted within GSTR-3B, tax discharged in Table-3.1(d) vis-à-vis ITC availed in Table- 4A(2) & 4A(3)	50	39.67
3	Short payment of tax under RCM vs ITC availed in GSTR 3B/ GSTR 9	RCM payments in GSTR-9, Table 4G (tax payable) was compared with ITC availed in GSTR-9, Table 6C, 6D & 6F. In cases where GSTR-9 was not available, RCM payment in GSTR-3B, Table-3.1(d) was compared with GSTR-3B, Table- 4(A) (2) and 4A(3).	20	7.12
4	Incorrect availment of ISD credit	ISD transferred in GSTR-9, Table-6G or GSTR-3B, Table 4(A)(4) was compared with the sum of Table 5A, Table 8A, and Table-9A of GSTR-6 of recipient GSTINs	25	18.45
5	Incorrect ISD credit reversal	GSTR-9, Table-7B/7H of the recipients was compared with sum of Table-8A (negative figures only) and Table 9A (negative figures only) of their GSTR-6 returns	5	0.05
6	Reconciliation between ITC availed in Annual returns with expenses in financial statements	Positive figure in GSTR-9C, Table-14T and examination of reasons provided in Table-15 for mismatch	25	1,970.43
7	Mismatch of ITC availed between Annual returns and Books of accounts	Positive figure in GSTR 9C, Table- 12F and examination of reasons provided in Table-13 for mismatch	25	261.14
8	Mismatch in turnover declared in GSTR 9C Table 5R	Negative figure in GSTR-9C, Table-5R and examination of reasons provided in Table-6 for mismatch	50	3,995.41
9	Mismatch in taxable turnover declared in GSTR 9C Table 7G	Negative figure in GSTR-9C, Table-7G and examination of reasons provided in Table-8 for mismatch	29	594.19
10	Mismatch in taxpaid between books of accounts and returns	Negative figure in GSTR-9C, Table-9R and examination of reasons provided in Table-10 for mismatch	50	131.77

Sr. No.	Parameter	Algorithm used	No. of deviations	Amount (₹ in crore)
<b>Domain: ITC</b>				
11	Unsettled liabilities	Greater of tax liability between GSTR-1 (Tables 4 to 11) and GSTR-9 (Tables- 4N, 10 & 11) was compared with tax paid details in GSTR-3B, Tables 3.1(a) & 3.1(b). In cases where GSTR-9 was not available GSTR-3B tax paid was compared with GSTR-1 liability. The amendments and advance adjustments declared in GSTR-1 and 9 were duly considered.	25	557.31
12	Composition taxpayers also availing e-commerce facility	E-commerce GSTR-8 became effective from 01.10.2018 when TCS provisions became effective. GSTINs declared in GSTR-8 who are also filing GSTR-4 under composition scheme.	23	0
13	GSTR 3B was not filed but GSTR 1 is available	Taxpayers who had not filed GSTR-3B but filed GSTR-1 or where GSTR-2A available, indicating taxpayers had carried the business without discharging tax.	25	22.81
14	Short payment of interest	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	25	14.21
15	Stop filers	The taxpayers who stopped filing returns for more than six consecutive tax periods and hence were liable for cancellation of their registration, the datasets pertaining to GSTR-3B, GSTR-1 and GSTR-2A were analysed.	1	0.0018
<b>Total</b>			<b>428</b>	<b>8,149.33</b>

### 2.9.8.2 Non-submission of reply to Centralised (Limited) Audit cases by the Department

For Centralised (Limited) Audit, a total 428 samples were selected and audit queries were issued for these selected cases. Initial responses for 367 out of 428 inconsistencies were yet to be received, which involved an amount of ₹ 7,350.02 crore (including mismatches of turnover) detailed in **Table 2.4**.

**Table 2.4: Cases where replies not received**  
(₹ in crore)

Sr. No.	Audit Dimension	Sample		Department Reply not received		Percentage	
		No.	Amount of mismatch	No.	Amount	No.	Amount
1		2	3	4	5	6	7
1	ITC mismatch between GSTR 2A and GSTR 3B	50	536.77	44	483.25	88	90
2	ITC availed under RCM vs payment of tax in GSTR 3B/ GSTR 9	50	39.67	46	36.56	92	92
3	Short payment of tax under RCM vs ITC	20	7.12	15	6.10	75	86



Sr. No.	Audit Dimension	Sample		Department Reply not received		Percentage	
		No.	Amount of mismatch	No.	Amount	No.	Amount
	availed in GSTR 3B/ GSTR 9						
4	Incorrect availment of ISD credit	25	18.45	19	17.56	76	95
5	Incorrect ISD credit reversal	5	0.05	4	0.04	80	80
6	Reconciliation between ITC availed in Annual returns with expenses in financial statements	25	1,970.43	21	1,653.51	84	84
7	Mismatch of ITC availed between Annual returns and Books of accounts	25	261.14	22	239.75	88	92
8	Mismatch in turnover declared in GSTR 9C Table 5R	50	3,995.41	45	3,741.78	90	94
9	Mismatch in taxable turnover declared in GSTR 9C Table 7G	29	594.19	25	525.28	86	88
10	Mismatch in tax paid between books of accounts and returns	50	131.77	43	124.19	86	94
11	Unsettled liabilities	25	557.31	21	485.59	84	87
12	Composition taxpayers also availing e- commerce facility	23	0	13	0	57	NA
13	GSTR 3B was not filed but GSTR 1 is available	25	22.80	24	22.55	96	99
14	Short payment of interest	25	14.21	24	13.87	96	98
15	Stop filers	1	.0018	1	.0018	100	100
	<b>Total</b>	<b>428</b>	<b>8,149.33</b>	<b>367</b>	<b>7,350.02</b>	<b>86</b>	<b>90</b>

Considering the overall rate of conversion of inconsistencies into compliance deviations as brought out in the next paragraph, the Department is required to expedite verification of these cases on priority. The details of top ten cases in terms of money value involved out of these 367 cases have been listed in **Table 2.5**.

**Table 2.5: Top ten money value-wise cases where response was not received****(₹ in crore)**

Sr. No	GSTIN	Jurisdiction	Mismatch amount
1	06XXXXXXXXXXXX1ZR	Sonipat	801.29
2	06XXXXXXXXXXXX1ZD	Rewari	391.18
3	06XXXXXXXXXXXX1Z8	Gurugram (North)	263.96
4	06XXXXXXXXXXXX1ZW	Gurugram (West)	190.33
5	06XXXXXXXXXXXX1ZC	Faridabad (South)	186.60
6	06XXXXXXXXXXXX1ZM	Sonipat	157.68
7	06XXXXXXXXXXXX1ZY	Gurugram (East)	154.04
8	06XXXXXXXXXXXX1Z5	Faridabad (West)	148.38
9	06XXXXXXXXXXXX1ZH	Gurugram (East)	147.69
10	06XXXXXXXXXXXX1ZA	Gurugram (West)	144.03
	<b>Total</b>		<b>2,585.18</b>

**2.9.8.3 Results of Centralised (Limited) Audit**

Based on responses received from the Department to the audit queries, the extent to which each of the 15 parameters translated into compliance deviations is summarised in **Table 2.6**.

Table 2.6: Summary of deficiencies

(₹ in crore)

Audit Dimensions																	Total	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
		ITC mismatch between GSTR 2A and GSTR 3B	ITC availed under RCM vs payment of tax in GSTR 3B/ GSTR 9	Short payment of tax under RCM vs ITC availed in GSTR 3B/ GSTR 9	Incorrect availment of ISD credit	Incorrect ISD credit reversal	Reconciliation between ITC availed in Annual returns with expenses in financial statements (14T)	Mismatch of ITC availed between Annual returns and Books of accounts (12F)	Mismatch in turnover declared in GSTR 9C Table 5R	Mismatch in taxable turnover declared in GSTR 9C Table 7G	Mismatch in tax paid between books of accounts and returns 9C Table 9R	Unsettled liabilities	Composition taxpayer also availing e-commerce facility	GSTR 3B was not filed but GSTR 1 is available	Short payment of interest	Stop Filer	Total	
Cases where reply received		No.	6	4	5	6	1	4	3	5	4	7	4	10	1	1	0	<b>61</b>
		Amt.	53.52	3.11	1.02	0.89	0.01	316.92	21.39	253.63	68.91	7.58	71.72	0	0.26	0.35	0	<b>799.31</b>
Department reply accepted by Audit	Data entry error	No.	1	1	1	2	0	0	0	0	0	1	0	0	0	0	0	<b>6</b>
		Amt.	14.00	0.51	0.18	0.35	0	0	0	0	0	1.08	0	0	0	0	0	<b>16.12</b>
	Action taken before query	No.	1	1	0	2	0	0	0	1	0	2	1	7	0	1	0	<b>16</b>
		Amt.	9.6	1.99	0	0.26	0	0	0	21.56	0	2.69	16.41	0	0	0.35	0	<b>52.86</b>
	Other valid explanations	No.	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	<b>2</b>
		Amt.	0	0	0	0	0	49.53	2.58	0	0	0	0	0	0	0	0	<b>52.11</b>
Compliance Deviations	Accepted by Department including cases, where action is yet to be initiated	Recovered	No.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>
			Amt.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>
	SCN issued	No.	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	<b>1</b>
		Amt.	0	0	0.27	0	0	0	0	0	0	0	0	0	0	0	0	<b>0.27</b>

Compliance Audit Report II for the year ended March 2022

Audit Dimensions			ITC mismatch between GSTR 2A and GSTR 3B ITC availed under RCM vs payment of tax in GSTR 3B/ GSTR 9 Short payment of tax under RCM vs ITC availed in GSTR 3B/ GSTR 9 Incorrect availment of ISD credit Incorrect ISD credit reversal Reconciliation between ITC availed in Annual returns with expenses in financial statements (14T) Mismatch of ITC availed between Annual returns and Books of accounts (12F) Mismatch in turnover declared in GSTR 9C Table 5R Mismatch in taxable turnover declared in GSTR 9C Table 7G Mismatch in tax paid between books of accounts and returns 9C Table 9R Unsettled liabilities Composition taxpayer also availing e-commerce facility GSTR 3B was not filed but GSTR 1 is available Short payment of interest Stop Filer Total																
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
	ASMT-10	No.	2	2	3	0	1	2	1	3	4	3	3	3	1	0	0	28	
		Amt.	14.83	0.61	0.57	0	0.01	229.94	15.54	193.51	68.91	3.34	55.31	0	0.26	0	0	582.83	
	Under correspondence	No.	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	
		Amt.	0	0	0	0	0	0	0	3.27	0	0	0	0	0	0	0	3.27	
	Department's reply not acceptable to Audit (Rebuttal)	No.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Amt.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Total	No.	2	2	4	0	1	2	2	2	3	4	3	3	3	1	0	30	
		Amt.	14.83	0.61	0.84	0	0.01	229.94	18.81	193.51	68.91	3.34	55.31	0	0.26	0	0	586.37	
Department's reply not furnished with appropriate documentary evidence	No.	1	0	0	0	0	0	1	0	1	0	1	0	0	0	0	4		
	Amt.	11.58	0	0	0	0	0	37.45	0	38.56	0	0.47	0	0	0	0	88.06		
Department stated that they are examining the audit query	No.	1	0	0	2	0	0	0	0	0	0	0	0	0	0	0	3		
	Amt.	3.51	0	0	0.28	0	0	0	0	0	0	0	0	0	0	0	3.79		

#### 2.9.8.4 Summary of Centralised (Limited) Audit

Audit noticed deviations from the provisions of the HGST Act in 30 cases (SCN issued, ASMT-10, Under Correspondence cases) out of 61 inconsistencies/mismatches in data, for which the Department provided responses (*Appendix VII*) involving a short levy/mismatches of tax/turnover of ₹ 586.37 crore constituting 49.18 *per cent* of the deviations vis-à-vis total number of cases with replies. Relatively higher rates of deviations were noticed in risk parameters such as ITC mismatch, mismatch in availment of Reverse Charge Mechanism (RCM) ITC, mismatch in turnover declarations and short tax payments etc.

In 24 cases (data entry error, action taken before audit query and other valid explanation), constituting 39.34 *per cent* of cases where replies were received, the Department had proactively taken action in 16 cases and the Department's reply was acceptable to Audit.

In three cases, constituting 4.92 *per cent* of the total number of cases where replies were received, the Department stated that it was examining the underlying deviation/mismatches of ₹ 3.79 crore. In the remaining four cases, constituting 6.56 *per cent* and involving ₹ 88.06 crore. The Department's reply was not furnished with appropriate documentary evidence as its contention was not borne out by evidence and was thus not amenable to verification by Audit.

High value case for each audit dimension of Centralised Audit (for compliance deviation pertaining to cases of ASMT-10, SCN issued and under correspondence with taxpayer) are detailed below in **Table 2.7**.

**Table 2.7: High value case for each audit dimension**

Sr. No.	Dimension	GSTIN	Jurisdictional Circle	Mismatch (₹ in crore)	Action taken
1	ITC mismatch between GSTR 2A and GSTR 3B	06XXXXXXXXXXXX1Z0	Hisar	11.41	ASMT-10 issued
2	ITC availed under RCM vs payment of tax in GSTR 3B/GSTR 9	06XXXXXXXXXXXX1ZG	Hisar	0.33	ASMT-10 issued
3	Short payment of tax under RCM vs ITC availed in GSTR 3B/GSTR 9	06XXXXXXXXXXXX1Z9	Bhiwani	0.27	SCN issued
4	Incorrect availment of ISD credit	06XXXXXXXXXXXX1ZJ	Karnal	0.16	Examining the Audit query
5	Incorrect ISD credit reversal	06XXXXXXXXXXXX1ZE	Hisar	0.01	ASMT-10 issued

Sr. No.	Dimension	GSTIN	Jurisdictional Circle	Mismatch (₹ in crore)	Action taken
6	Reconciliation between ITC availed in Annual returns with expenses in financial statements (14T)	06XXXXXXXXXX1ZE	Panipat	194.17	ASMT-10 issued
7	Mismatch of ITC availed between Annual returns and Books of accounts (12F)	06XXXXXXXXXXIZW	Hisar	15.54	ASMT-10 issued
8	Mismatch in turnover declared in GSTR 9C Table 5R	06XXXXXXXXXXIZW	Hisar	105.5	ASMT-10 issued
9	Mismatch in taxable turnover declared in GSTR 9C Table 7G	06XXXXXXXXXX1Z6	Mewat	19.04	ASMT-10 issued
10	Mismatch in taxpaid between books of accounts and returns 9C Table 9R	06XXXXXXXXXX4ZQ	Karnal	1.64	ASMT-10 issued
11	Unsettled tax liabilities	06XXXXXXXXXX1Z0	Bhiwani	23.9	ASMT-10 issued
12	Composition taxpayer also availing e-commerce facility	06XXXXXXXXXX1ZH	Kurukshetra	0	ASMT-10 issued
13	GSTR 3B was not filed but GSTR 1 is available	06XXXXXXXXXX1ZI	Faridabad (South)	0.26	ASMT-10 issued
	<b>Total</b>	<b>13 cases</b>		<b>372.23</b>	

*Illustrative cases from the above table are explained below:*

**(i) ITC mismatch between GSTR 2A and GSTR 3B**

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

To analyse the veracity of ITC utilisation, relevant data were extracted from GSTR 3B and GSTR 2A for the year 2017-18, and the ITC paid as per suppliers' details was matched with the ITC credit availed by the taxpayer. The methodology adopted was to compare the ITC available as per GSTR 2A with all its amendments and the ITC availed in GSTR 3B in Table 4A (5)<sup>6</sup> considering the reversals in Table 4B (2)<sup>7</sup> but including the ITC availed in the subsequent year 2018-19 from Table 8C of GSTR 9.

<sup>6</sup> All other eligible ITC.

<sup>7</sup> Other ITC reversed.

Audit observed (June 2022) that in case of a taxpayer having GSTIN - 06XXXXXXXXXX1Z0 under the jurisdiction of DETC Hisar, the ITC eligible as per GSTR 2A was ₹ 4.43 crore and the ITC availed GSTR 3B was ₹ 15.84 crore. This resulted in mismatch of ITC availed amounting to ₹ 11.41 crore. In response, the DETC stated (February 2023) that ASMT-10 had been issued.

This matter was communicated to the Department and the State Government (May 2023). Further action was awaited (June 2023).

**(ii) ITC availed under Reverse Charge Mechanism (RCM) versus payment of tax in GSTR 3B/GSTR 9**

In RCM, the liability to pay tax is fixed on the recipient of supply of goods or services instead of the supplier or provider in respect of certain categories of goods or services or both under Section 9(3) or Section 9(4) of the HGST Act, 2017 and under sub-section (3) or sub-section (4) of Section 5 of the IGST Act, 2017.

GSTR-9 is an annual return to be filed once for each financial year, by the registered taxpayers who were regular taxpayers, including SEZ units and SEZ developers. The taxpayers are required to furnish details of purchases, sales, ITC or refund claimed or demand created etc.

To analyse the veracity of ITC availed on tax paid under Reverse Charge Mechanism (RCM) for the year 2017-18, the 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)<sup>8</sup> with ITC availed in GSTR 9 Table 6C<sup>9</sup>, 6D<sup>10</sup> and 6F<sup>11</sup>. In cases where GSTR 9 was not available, the check was restricted within GSTR 3B where the tax discharged part in R3B Table 3.1 (d) was compared with the ITC availing part of R3B 4A (2)<sup>12</sup> and 4A (3)<sup>13</sup>.

Audit observed (June 2022) that in case of a taxpayer having GSTIN - 06XXXXXXXXXX1ZG under the jurisdiction of DETC Hisar, the tax paid on RCM in GSTR 3B was ₹ zero whereas ITC availed in GSTR 9 (Table 6D) was ₹ 0.33 crore resulting in mismatch of ITC on RCM availed amounting to ₹ 0.33 crore. In response, the DETC stated (July 2022) that ASMT-10 has been issued to the taxpayer.

<sup>8</sup> Inward supplies (liable to reverse charge).

<sup>9</sup> Inward supplies receive from unregistered persons liable to reverse charge.

<sup>10</sup> Inward supplies received from registered persons liable to reverse charge.

<sup>11</sup> Import of services.

<sup>12</sup> Import of services.

<sup>13</sup> Inward supplies (liable to reverse charge).

This matter was communicated to the Department and the State Government (May 2023). Further action was awaited (June 2023).

**(iii) Short payment of tax under RCM vs ITC availed in GSTR 3B/ GSTR 9**

The extent of availing of ITC under RCM for the year 2017-18 without discharging equivalent tax liability or, in other words, short payment of tax under RCM was analysed by comparing the datasets pertaining to GSTR 3B and annual return GSTR 9 to check whether the tax has been discharged fully on the activities/transactions under RCM. In cases where GSTR 9 was filed, the RCM payments in Table 4G<sup>14</sup> was compared with ITC availed in Table 6C, 6D and 6F. In cases where GSTR 9 was not available, RCM payments in GSTR 3B Table 3.1(d)<sup>15</sup> was compared with GSTR 3B 4(A) (2)<sup>16</sup> and 4A (3)<sup>17</sup>.

Audit observed (June 2022) that in case of a taxpayer having GSTIN-06XXXXXXXXXX1Z9 under the jurisdiction of DETC Bhiwani, the taxpayer has availed ITC of ₹ 0.44 crore in GSTR9 (table 6C) under RCM whereas tax paid in GSTR 9 (table 4G) under RCM was ₹ 0.17 crore. This resulted mismatch in availment of ITC on RCM and tax paid on RCM to ₹ 0.27 crore. In response, the DETC stated (January 2023) that SCN has been issued.

The matter was reported to the Department and the State Government (May 2023). Further action was awaited (June 2023).

**(iv) Irregular availing of ITC by recipient on ISD credit**

To analyse the mismatch between the ITC availed by the taxpayer and transferred by the Input Service Distributor (ISD), ITC availed as declared in the returns of the taxpayer is compared with the ITC transferred by the ISD in their GSTR 6. The methodology adopted was to compare Table 6G<sup>18</sup> of GSTR-9 or Table 4(A)(4)<sup>19</sup> of GSTR-3B of the recipient taxpayers under the jurisdiction of this State with the sum of Table 5A<sup>20</sup>, Table 8A<sup>21</sup>, and Table 9A<sup>22</sup> of GSTR 6 of the respective ISD.

In case of a taxpayer having GSTIN - 06XXXXXXXXXX1ZJ under the jurisdiction of DETC Karnal, Audit observed that the ITC availed in Table 6G of GSTR 9 was ₹ 0.16 crore and the ITC transferred by the ISD in table (5A+8A+9A) of GSTR 6 was zero. This resulted in mismatch in availment of

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<sup>14</sup> Inward supplies on which tax is to be paid on reverse charge basis.

<sup>15</sup> Inward supplies (liable to be reverse charge).

<sup>16</sup> Import of services.

<sup>17</sup> Inward supplies liable to be reverse charge other than Import of Goods and Services.

<sup>18</sup> ITC received from ISD.

<sup>19</sup> Inward supplies from ISD.

<sup>20</sup> Distribution of the amounts of eligible ITC for the tax period.

<sup>21</sup> Mismatch of ITC reclaimed and distributed.

<sup>22</sup> Redistribution of ITC distributed to a wrong recipient.



ITC transferred by the ISD amounting to ₹ 0.16 crore. On this being pointed out (June 2022), the DETC stated (February 2023) that the case was under examination.

The matter was reported to the Department and the State Government (May 2023). Further action was awaited (June 2023).

v) ***Reconciliation between ITC availed in annual return with expenses in financial statement (14T)***

Table 14 of GSTR 9C reconciles ITC declared in annual return (GSTR 9) with ITC availed on expenses as per audited Annual financial statement or books of accounts. Column 14T of this table deals with unreconciled ITC.

The certified reconciliation statement submitted by the taxpayer as required under the rule 80 (3) of HGST Rules in form GSTR 9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in ITC declared in the Annual Return with the expenses reported in the Financial Statements.

In case of a taxpayer having GSTIN - 06XXXXXXXXXX1ZE under the jurisdiction of DETC Panipat, it was noticed that unreconciled ITC amounting to ₹ 194.17 crore was declared in Table 14T of GSTR 9C return. On this being pointed out (July 2022), the DETC stated (January 2023) that ASMT-10 has been issued.

The matter was communicated to the State Government (May 2023). Further action was awaited (June 2023).

(vi) ***Mismatch in ITC availed between annual return and books of accounts (12F)***

Table 12F of GSTR 9C captures the unreconciled ITC between the annual return and the financial statement or books of accounts.

The certified reconciliation statement submitted by the taxpayer, as required under the rule 80(3) of HGST Rules, in form GSTR 9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in ITC declared in the Annual Return with the Financial Statements.

In case of a taxpayer having GSTIN - 06XXXXXXXXXX1ZW under the jurisdiction of DETC Hisar, it was noticed that unreconciled ITC of ₹ 15.54 crore was declared in Table 12F of GSTR 9C return. On this being pointed out (November 2022), the DETC stated (February 2023) that ASMT-10 has been issued.

The matter was reported to the Department and the State Government (May 2023). Further action was awaited (June 2023).

**(vii) Mismatch in turnover declared in Table 5R of GSTR-9C**

Table 5 of GSTR 9 C is the reconciliation of turnover declared in audited annual financial statement with turnover declared in annual turnover (GSTR 9). Column 5R of this table captures the unreconciled turnover between the annual return GSTR 9, and that declared in the Financial Statement for the year after the requisite adjustments.

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

Audit noticed (June 2022) that unreconciled turnover in Table 5R of GSTR-9C, amounting to ₹ 105.50 crore in respect of a taxpayer having GSTIN - 06XXXXXXXXXX1ZW under the jurisdiction of DETC Hisar. On this being pointed out (June 2022), the DETC stated (February 2023) that ASMT-10 has been issued.

The matter was reported to the Department and the State Government (May 2023). Further action was awaited (June 2023).

**(viii) Mismatch in taxable turnover declared in Table 7G of GSTR-9C**

Table 7G of GSTR 9C captures the unreconciled taxable turnover between the annual return GSTR 9 and that declared in the financial statement for the year after the requisite adjustments.

In case of a taxpayer having GSTIN - 06XXXXXXXXXXIZ6 under the jurisdiction of DETC Mewat, it was noticed that unreconciled taxable turnover amount of ₹ 19.04 crore was reported in table 7G of GSTR-9 vis-a-vis the amount in financial statement. On this being pointed out (June 2022), the DETC stated (January 2023) that ASMT-10 has been issued.

The matter was reported to the Department and the State Government (May 2023). Further action was awaited (June 2023).

**(ix) Unreconciled tax liability in Table 9R of GSTR-9C**

Table 9 of GSTR 9C attempts to reconcile the tax paid by segregating the turnover rate wise and comparing it with the tax discharged as per annual return GSTR 9.

In case of a taxpayer having GSTIN - 06XXXXXXXXXX4ZQ under the jurisdiction of DETC Karnal, it was noticed that there was mismatch in tax paid between the annual return GSTR 9 and table 9R of GSTR 9C amounting to ₹ 1.64 crore. On this being pointed out (June 2022), the DETC replied (February 2023) that ASMT-10 has been issued.

The matter was reported to the Department and the State Government (May 2023). Further action was awaited (June 2023).

**(x) Unsettled tax liability**

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

For the algorithm, tables 4 to 11 of GSTR 1 and tables 4N, 10 and 11 of GSTR 9 were considered. The greater of the tax liability between GSTR 1 and GSTR 9 was compared with the tax paid declared in tables 9 and 14 of GSTR 9 to identify the short payment of tax. In the case of GSTR 3B, tables 3.1(a)<sup>23</sup> and 3.1(b)<sup>24</sup> were taken into account.

Audit observed (June 2022) that in case of a taxpayer having GSTIN - 06XXXXXXXXXX1Z0 under the jurisdiction of DETC Bhiwani, the tax payable in table 4 to 11 of GSTR 1 was ₹ 25.52 crore and the tax paid in GSTR-3B was ₹ 1.62 crore as the taxpayer had not filed GSTR-9. This resulted in short discharge of tax liability amounting to ₹ 23.90 crore. In response, the DETC stated (January 2023) that ASMT-10 has been issued.

The matter was reported to the Department and the State Government (May 2023). Further action was awaited (June 2023).

**(xi) Non-discharge of tax liability where GSTR 3B not filed but GSTR 1 is available**

As per Section 61 of the HGST Act, various returns filed by the taxpayer have to be scrutinised by the proper officer to verify the correctness of the returns and suitable action has to be taken on any discrepancies or inconsistencies reflected in the returns. GSTR 3B return is the only instrument through which the liability is offset and ITC is availed. Non filing of GSTR 3B indicates that the taxpayers had carried on the business during the period but have not discharged their tax liability. It may also include cases of irregular passing on of ITC.

<sup>23</sup> Outward taxable supplies (other than zero rated, nil rated and exempted).

<sup>24</sup> Outward taxable supplies (Zero rated).

Audit observed (June 2022) that in case of a taxpayer having GSTIN - 06XXXXXXXXXX1ZI under DETC Faridabad (South), the taxpayer did not file GSTR 3B and tax liability in GSTR 1 was declared as ₹ 0.26 crore. This resulted in short discharge of tax liability amounting to ₹ 0.26 crore. In response, the DETC stated (January 2023) that ASMT-10 has been issued.

The matter was reported to the Department and the State Government (May 2023). Further action was awaited (June 2023).

### 2.9.9 Analysis of causative factors

Considering the Department’s response to 61 cases out of 428 cases, the factors that caused the data deviations/inconsistencies are discussed below.

#### 2.9.9.1 Deviations from GST law and rules

Out of the 61 deviations summarized in **Table 2.6** above, the Department has accepted the audit observations or initiated examination in 30 cases with mismatches in turnover/tax effect of ₹ 586.37 crore. Out of these cases, the Department has issued SCN in one case for ₹ 0.27 crore, issued notices conveying discrepancies to the taxpayer in Form ASMT-10 in 28 cases for ₹ 582.83 crore and was in correspondence with the respective taxpayers or issued DRC-01A in one case involving tax effect of ₹ 3.27 crore. Further, in four cases, Department’s replies were not furnished with relevant documents amounting to ₹ 88.06 crore and three cases were under examination amounting to ₹ 3.79 crore. Six cases were related to data entry errors amounting to ₹ 16.12 crore. The details of top three accepted cases are given in **Table 2.8**.

**Table 2.8: Top three cases accepted or action initiated by the Department**

Sr. No.	GSTIN	Jurisdiction	Dimension	Mismatches in turnover/ tax effect (₹ in crore)	Action taken
1	06XXXXXXXXXX1ZE	Panipat	Reconciliation between ITC availed in Annual returns with expenses in financial statements (14T)	194.17	ASMT-10 issued
2	06XXXXXXXXXX1ZJ	Karnal	Reconciliation between ITC availed in Annual returns with expenses in financial statements (14T)	35.76	ASMT-10 issued
3	06XXXXXXXXXX1Z0	Bhiwani	Unsettled Liability	23.90	ASMT-10 issued
<b>Total</b>				<b>253.83</b>	

#### 2.9.9.2 Data entry errors by taxpayers

The data entry errors constituted 9.84 per cent (six cases) of the total 61 responses received and 25 per cent of cases where the Department’s responses (24 cases) were accepted by Audit. These data entry errors did not have any revenue implication and relate to mismatch in ITC and mismatch in tax paid

between annual accounts and returns. The top two cases where data entry errors were noticed are detailed in **Table 2.9**.

**Table 2.9: Top two Cases where data entry errors were noticed**

Name of District	GSTIN	Subject/Observation	Category	Department's reply
Sonipat	06XXXXXX XXXX1ZR	Mismatch in availing of ITC ₹ 14 crore	ITC mismatch	In reply proper officer stated that due to clerical error figure was wrongly shown in 8C of GSTR-9 amounting to ₹ 14,14,22,748/- instead of ₹ 14,22,748/- as shown in 3B. However, no mismatch in ITC availed in 3B.
Jind	06XXXXXX XXXX1ZS	Mismatch in tax-paid between books of accounts annual return (Table 9R of 9C) ₹ 1.08 crore	7 (9R)	Department stated that it was due to a clerical mistake that IGST payable was shown as ₹ 1,20,96,786/- instead of ₹ 12,96,7,86/- . Similarly, in Table 9A of 9C amount entered was ₹ 13,56,600/- instead of ₹1,35,36,600/-.

The system allowed for such data entry errors, which could have been avoided with proper validation controls.

### 2.9.10 Action taken before issue of Audit Queries

As summarised in **Table 2.6** above, the Department had already taken action in 16 cases, constituting 26.23 per cent of the 61 responses received. The top three DETCs who had proactively addressed the deviations/inconsistencies are shown in **Table 2.10**.

**Table 2.10: Action taken before query - District wise**

Jurisdiction	Total number of Queries issued	Action taken before Audit Query	Responses received	Responses not received	Percentage of Action taken before audit query
DETC, Fatehabad	03	03	03	0	100
DETC, Sirsa	06	03	03	03	50
DETC, Jind	02	01	02	0	50

(Source: compilation)

### 2.9.11 Detailed Audit of GST returns

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

From an external audit perspective, Audit also focused on a data-driven risk-based approach. Thus, apart from identifying inconsistencies/deviations in GST returns through pan-India data analysis, a Detailed Audit of GST returns was

also conducted as a part of this review. A risk-based sample of 38 taxpayers was selected for this part of the review (*Appendix VIII*). 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 the mismatch/inconsistencies/deviations and red flags. Desk review was carried out in the office of Principal Accountant General (Audit), Haryana. Based on desk review results, Detailed Audit was conducted in field formations of the Excise and Taxation Department, Haryana by requisitioning corresponding granular records of taxpayers such as financial ledgers, invoices etc. through field formation to identify causative factor of the identified risks and to evaluate compliance by taxpayers.

As brought out in the previous paragraphs, Detailed Audit involved a desk review of GST returns and other basic records to identify risks and red flags, which were followed up by field audit to identify the extent of non-compliance by taxpayers and action taken by the State field formations. Non-compliance by taxpayers at various stages ultimately impacts the veracity of returns filed, utilisation of ITC and discharge of tax payments. The audit findings are therefore categorised under a) Returns b) Utilisation of ITC and c) Discharge of tax liability.

#### **2.9.11.1 Scope limitation (Non-production of records)**

**Non-production:** During the desk review of taxpayers' records available in the back-end system, Audit identified the risks related to mismatch in ITC and tax liability mismatches for detailed examination. On the ITC dimension, the mismatches were identified by comparing GSTR 3B with GSTR 2A and GSTR 9, and the declarations made in Table 12 and 14 of GSTR 9C. On the tax liability dimension, the mismatches were identified by comparing GSTR 3B with GSTR 1 and GSTR 9. Audit requisitioned the granular records such as the invoices, financial statements along with notes and schedules, debit/credit notes, list of creditor, supplementary financial ledgers, agreement copies etc. required for examining the causative factor for mismatches of ITC and tax liability of the taxpayers through the respective DETCs.

The granular records related to all 38 cases were not produced, due to which identified risks relating to irregular/mismatch in ITC availment and undischarged liability of ₹ 199.93 crore could not be examined in detail by Audit. The details of non-production of records including corresponding mismatch of ITC/tax liability involved are given in *Appendix IX*.

The matter was reported to the Department and the State Government (May 2023). Replies were awaited (June 2023).

### 2.9.12 Returns

The Detailed Audit of returns filed by a sample of 38 taxpayer disclosed that interest payment was not discharged by one taxpayer which is brought out below:

#### 2.9.12.1 Non-payment of interest by taxpayer

Audit observed that in one case, constituting 2.63 per cent of the 38 cases audited, taxpayer had filed returns with a delay and had not discharged the interest liability amounting to ₹ 0.08 crore.

In case of a taxpayer having GSTIN – 06XXXXXXXXXX1ZZ under the jurisdiction of DETC Gurugram (East), it was noticed that the taxpayer has belatedly filed his GSTR 3B returns for the period from July 2017 to March 2018 with delays ranging from 192 days to 435 days, without discharging liability of interest amounting to ₹ 0.08 crore.

The matter was pointed out to the Department and the State Government (May 2023); their reply was awaited (June 2023).

#### 2.9.12.2 Utilisation of ITC

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

Section 16 and 17 of the HGST Act prescribe the eligibility and conditions to avail ITC. Credit of CGST cannot be used for payment of SGST/ UTGST and credit of SGST / UTGST cannot be utilised for payment of CGST. Rule 36 to 45 of the HGST Rules prescribes the procedures for availing and reversal of ITC. The details of cases where audit noticed mismatch in utilisation of ITC and discharge of tax liability has been listed at in **Table 2.11**.

**Table 2.11: Mismatch in utilisation of ITC**

Sr. No.	Parameter	No. of cases	No. of circles	Amount of mismatches (₹ in crore)	Remarks
1	Short reversal of ITC, as reversal done in 7H of GSTR 9 was ₹ 1.32 crore and reversal worked out as per exempted supply of GSTR 9 table 5D and table 5E)/3B was ₹ 16.25 crore ( <i>Appendix-X</i> ).	11	5	14.93	Reply of the Department was not received.
2	Mismatch in availing of ITC through Input Service Distribution in GSTR 9 table 6G and ISD distributed ( <i>Appendix-XI</i> ).	01	01	0.19	
3	The ITC available as per GSTR-2A with all its amendments was compared with ITC availed in GSTR 3B and GSTR 9. ITC availed in GSTR 3B and GSTR 9 (whichever is higher) was ₹ 458.15	31	08	135.84	

Sr. No.	Parameter	No. of cases	No. of circles	Amount of mismatches (₹ in crore)	Remarks
	crore and ITC available in GSTR 2A ₹ 322.32 crore ( <i>Appendix-XII</i> ).				
4	The tax liability under RCM in GSTR 9 was compared with tax payable as per GSTR 3B ( <i>Appendix-XIII</i> ).	02	02	0.02903	
5	Table 12F (Un-reconciled ITC) of the form 9C captures the unreconciled ITC between the annual return GSTR 9 and that declared in the Financial Statements for the year after the requisite adjustments. Un-reconciled ITC availed in Annual Return (Table 12F of Form 9C) ( <i>Appendix-XIV</i> )	13	07	18.73	
6	Non reversal of ITC on Capital goods. For this ITC reversal in lieu of Capital Goods used for taxable and exempted/nil supplies should not be less than in table 7C, 7D or 7H with reversal worked out in 6A. GSTR 9 Table 7D with reversal worked out ( <i>Appendix-XV</i> ).	01	01	0.04	
7	The difference between ITC availed in 3B as shown in Table 6A of GSTR-9 and ITC availed in Table 6I of GSTR 9 was compared. ( <i>Appendix-XVI</i> )	06	02	2.44	
	<b>Total</b>			<b>172.20</b>	

### 2.9.12.3 Discharge of tax liability

The taxable event in case of GST is the supply of goods and/or services. Section 9 of the HGST Act is the charging section authorising levy and collection of tax called State 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 HGST Act *ibid* and at such rates not exceeding 20 *per cent* under each Act, i.e., CGST Act and HGST Act. Section 5 of the IGST Act vests levy and collection of IGST on interstate 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, 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(4) of the HGST Act and Sections 5(3) and 5(4) of the IGST Act provide for reverse charge levy on certain goods or services, wherein the recipient instead of supplier becomes liable to pay tax.

The tax payable in GSTR 1 with all amendments and adjustments declared should not be more than GSTR 3B. The tax liability declared in GSTR 1 was compared with tax liability of GSTR 9 and GSTR 3B to identify the tax liability



and corresponding cases of short discharge of tax liability. In order to analyse the undischarged tax liability, relevant data extracted from GSTR 1 and GSTR 9 was analysed for year 2017-18 and the tax payable in these returns was compared with the tax paid as declared in GSTR 9. The details of findings of undischarged tax liability are given in **Table 2.12**.

**Table 2.12: Mismatch related to discharge of tax liability**

Sr. No.	Parameter	No. of cases	No. of DETCs	Amount of mismatches (₹ in crore)	Remarks
1	The tax liability declared in GSTR 1 was compared with tax liability of GSTR 9 and tax paid in GSTR 3B to identify the un-discharged tax liability on taxable turnover. (Appendix-XVII)	25	6 <sup>25</sup>	27.65	Reply was awaited.

#### **2.9.12.4 Non-furnishing of replies by the Department**

Audit had issued 242 number of observations to the Department at field formations under detailed audit and to DETC for oversight functions, The Department did not furnish replies to any of these observations. The replies to main observations relating to oversight functions of DETCs were provided at the time of the exit conference. Timely submission of replies by the Department helps to take the audit observation to logical conclusion.

#### **2.9.13 Human Resources: Augmentation and Utilisation etc.**

The implementation of Goods and Services Tax (GST) in India brought about significant changes in the tax structure and adoption of technology on a large scale and on an integral basis. A fundamental component in ensuring achievement of objectives of the GST is the human resources. There are multiple thrust areas in GST including technology driven infrastructure, ensuring compliance by taxpayers, ensuring an effective dispute resolution mechanism which requires correspondingly equipped human resource component in order to fully realise the potential of GST. It would be critical to continuously upgrade and augment the skill sets of the tax administration to keep up with the challenges that emerge as GST evolves.

Audit had sought (September 2022) information related to number of officials/offices with designation for deployment in Haryana GST wing and number of trainings provided to the staff for smooth functioning of the GST wing.

<sup>25</sup> Ambala, Faridabad (North), Gurugram (East), Gurugram (North), Gurugram (South), Gurugram (West) and Sonipat.

During the exit conference, the Department stated (June 2023) that various capacity building trainings have been organised from April 2022 for Departmental Officers. The current status of officials/officers deployed in Haryana GST wing is given in **Table 2.13**.

**Table 2.13: Details of Human Resources**

Sr. No.	Name of Post	Sanctioned Strength	Working Strength	No of vacant post	Percentage of vacant post
1	Additional Excise & Taxation Commissioner	7	3	4	57.14
2	Joint Excise & Taxation Commissioners	13	12	1	7.69
3	Dy. Excise & Taxation Commissioners	41	37	4	9.76
4	Excise & Taxation Officers	225	196	29	12.89
5	Assistant Excise and Taxation Officers	157	116	41	26.11
6	Taxation Inspectors	720	518	202	28.06
	<b>Total</b>	<b>1,163</b>	<b>882</b>	<b>281</b>	<b>24.16</b>

The above table shows that the vacancy in posts in respect of Adjudicating Authority ranged from 7.69 *per cent* to 57.14 *per cent*. Further, the vacant posts in respect of supporting staff ranged between 26.11 to 28.06 *per cent*. Absence of adequate manpower has adversely impacted the working efficiency of the Department which is evident in the slow pace of scrutiny of returns, lack of action in cases of cancellation of registrations etc.

### 2.9.14 Conclusion

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

This SSCA was predominantly based on data analysis, which highlighted risk areas, red flags and in some cases, rule-based deviations and logical inconsistencies in GST returns filed for 2017-18.

The SSCA entailed assessing the oversight functions of State Jurisdictional formation at the functional level with a deeper Detailed Audit at Departmental field formations and of the GST returns, which involved accessing taxpayer records.

The audit sample comprised of nine DETCs, 428 high value inconsistencies across 15 parameters selected through global queries and 38 taxpayers selected on risk assessment for Detailed Audit of GST returns for the year 2017-18.

Out of the 428 cases of high value data inconsistencies identified by Audit, the Department responded to only 61 cases. Of these, 30 cases constituting

49.18 *per cent*, turned out to be inconsistencies/compliance deficiencies of ₹ 586.37 crore pertaining to ITC mismatch, mismatch in liability discharged and mismatch of turnover. The data entry errors caused the inconsistencies amounting to ₹ 16.12 crore in 9.84 *per cent* (six cases). Out of the 61 cases where the Department had responded to Audit, in 29.51 *per cent* (18 cases) involving an amount of ₹ 104.97 crore, the Department had already taken proactive action. However, the Department has not responded to 367 cases of inconsistencies.

Detailed Audit of GST returns also suggested significant inconsistencies. Essential records such as invoices, financial statements along with notes and schedules, debit/credit notes, lists of creditors were not produced in all 38 selected sample cases which resulted in a significant scope limitation. These cases represent a mismatch of ₹ 199.93 crore towards identified mismatches in ITC availment and tax payments.

From a systemic perspective, the Department needs to strengthen the institutional mechanism in the DETCs to establish and maintain effective oversight on return filing, taxpayer compliance, tax payments, cancellation of registrations and recovery of dues from defaulters.

### **2.9.15 Recommendations**

*The Government may consider:*

- *ensuring completion of action against non-filers and cancellation cases by issuing ASMT 13 to protect Government revenue;*
- *pursuing urgently the 367 inconsistencies and deviations pointed out by Audit, for which responses have not been provided and intimating the results to Audit;*
- *reinforcing the institutional mechanism through regular monthly verification and system generated check in the circles to establish and maintain effective oversight for the purpose of identifying deviations, inconsistencies and mismatches between GST returns/data;*
- *introducing validation controls in GST returns to curb data entry errors, enhance taxpayer compliance and facilitate better scrutiny;*
- *initiating remedial action for all the compliance deviations brought out in this report before they get time barred; and*
- *instructing its field formations for taking prompt action to provide information sought by Audit and ensure timely responses to audit observations.*