

CHAPTER V: REVENUE SECTOR

CHAPTER V: REVENUE SECTOR

5.1 GENERAL

5.1.1 Trend of Revenue Receipts

The Tax and Non-tax Revenue raised by Government of Tripura during the year 2022-23, the net proceeds of State's share of Union Taxes and Duties assigned to the State and Grants-in-aid received from the Government of India (GoI) during the year and the corresponding figures for the preceding four years are given in **Table 5.1.1**.

Table 5.1.1: Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
I.	Revenue raised by State Government					
	Tax Revenue	1,765.91	2,101.79	2,332.44	2,616.31	2999.68
	Non-tax Revenue	372.20	271.65	285.49	274.11	402.35
	Total	2,138.11	2,373.44	2,617.93	2,890.42	3,402.03
	<i>Increase over previous year (per cent)</i>	<i>11.62</i>	<i>11.01</i>	<i>10.30</i>	<i>10.41</i>	<i>17.70</i>
II.	Receipts from the GoI					
	Net proceeds of State Share of Union Taxes and Duties	4,888.95	4,211.78	4,218.45	6,077.52	6,724.23
	Grants-in-aid	5,003.83	4,416.37	6,456.02	8,646.01	8,182.75
	Total	9,892.78	8,628.15	10,674.47	14,723.53	14,906.98
III.	Total Revenue Receipts of the State Government (I and II)	12,030.89	11,001.59	13,292.40	17,613.95	18,309.01
IV.	Percentage of I to III	17.77	21.57	19.69	16.41	18.58

Source: Finance Accounts

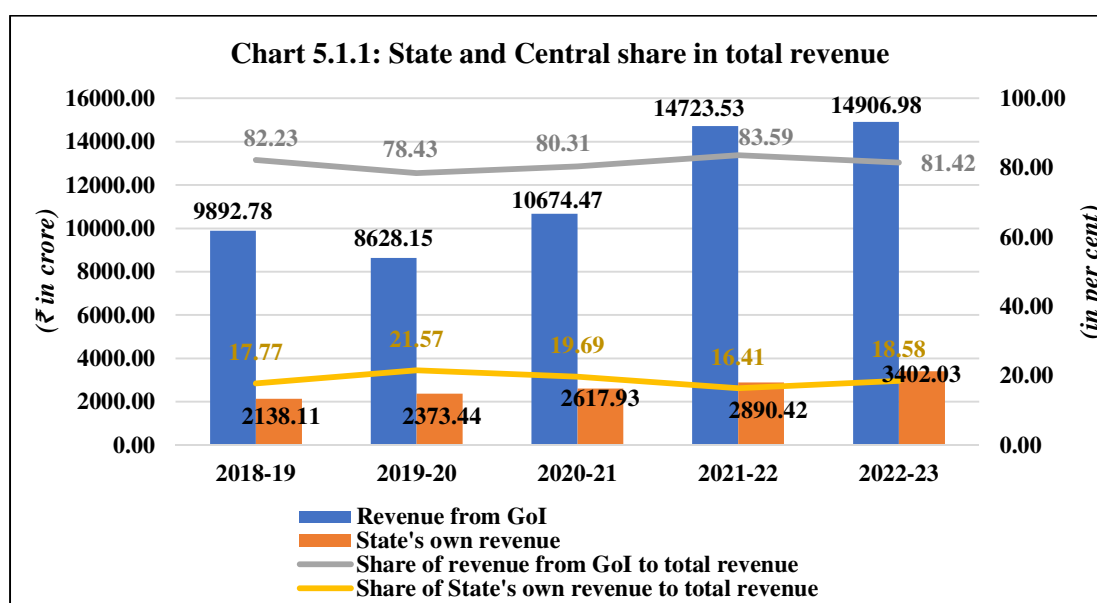


Table 5.1.1 and **Chart 5.1.1** indicates that during the year 2022-23, the revenue raised by the State Government was ₹ 3,402.03 crore which was 18.58 per cent of the total

Revenue Receipts. The balance 81.42 *per cent* of the revenue receipts during 2022-23 was received from the GoI in the form of State share of Union Taxes and Duties and Grants-in-Aid. The collection of own revenue increased by ₹ 511.61 crore during 2022-23 as compared to previous year and the rate of growth of own revenue significantly increased to 17.70 *per cent* in 2022-23 as compared to 10.41 *per cent* during 2021-22. Revenue Receipts of the State increased by 3.95 *per cent* from ₹ 17,613.95 crore in 2021-22 to ₹ 18,309.01 crore in 2022-23.

5.1.1(a) Tax Revenue

During 2022-23 collection of Tax revenue had increased by ₹ 383.37 crore (14.65 *per cent*) over the previous year. The details of Tax Revenue raised during the period 2018-19 to 2022-23 are indicated in **Table 5.1.2**

Table 5.1.2: Components of Own Tax Revenue during 2018-19 to 2022-23

(₹ in crore)

Head of revenue	2018-19	2019-20	2020-21	2021-22	2022-23	Increase (+) or decrease (-) of actual in 2022-23 over 2021-22 (per cent)
Sales Tax/ Value Added Tax (VAT)	361.95	435.88	403.19	463.12	463.57	0.10
Goods and Service Tax	977.44	1026.63	1056.01	1282.69	1459.01	13.75
State Excise	214.35	231.70	287.36	319.60	368.11	15.18
Stamps and Registration Fees	51.32	61.67	69.53	89.65	102.53	14.36
Taxes on Vehicles	83.50	97.14	97.41	103.22	117.55	13.88
Other Taxes on Income and Expenditure	43.87	43.59	41.00	41.75	37.99	(-) 9.01
Land Revenue	5.29	12.98	9.85	8.94	12.59	40.83
Other Taxes and Duties on Commodities and Services	27.93	161.58	255.84	273.37	402.49	47.23
Taxes & Duties on Electricity	0.01	30.54	112.09	33.74	35.60	5.51
Others	0.25	0.08	0.16	0.23 ¹⁷⁷	0.24 ¹⁷⁸	4.35
Total	1765.91	2101.79	2332.44	2616.31	2999.68	14.65

Source: Finance Accounts

Goods and Service Tax: The reason attributed by the Finance (Excise and Taxation) Department for increase of collection of Goods and Service Tax (13.75 *per cent*) was due to more collection of SGST and IGST than that of previous year.

State Excise: The reason attributed by the Finance (Excise & Taxation) Department for increase of collection of State Excise (15.18 *per cent*) was due to growth in excise revenue collection.

Other taxes on Income & Expenditure: The reason attributed by the Department for decrease of collection (9.01 *per cent*) was due to no revision in the rate of Profession

¹⁷⁷ Tax on Agriculture Income (₹ 0.04 crore), Taxes on Immovable Property other than Agricultural Land (₹ 0.19 crore)

¹⁷⁸ Tax on Agriculture Income (₹ 0.20 crore), Taxes on Goods and Passengers (₹ 0.04 crore)

Tax during the year 2022-23 and less collection from Salary and Wages earners during the year.

Stamp and Registration Fees: The Revenue Department attributed the reason for increase of collection (14.35 *per cent*) to increase in land value at a flat rate of five *per cent* on yearly basis and selling and purchasing of land.

Land Revenue: The reason attributed by the Land Revenue Department for increase of collection of Land Revenue (40.83 *per cent*) was due to increase in number of mutation, diversion and correction of land records.

Taxes on Vehicles: Transport Department attributed the reason for increase of collection (13.88 *per cent*) to increase of registration of vehicles and regular enforcement drive throughout the State by the Motor Vehicle Inspectors in collaboration with Police/ Traffic Police and other officers/ officials.

The other departments (indicated in **Table 5.1.2**), despite requested (August 2023), did not furnish (October 2023) the reasons for variations in Tax Receipts with respect to the previous year.

5.1.1(b) Non-tax Revenue

During 2022-23 collection of Non-tax revenue had increased by ₹ 128.23 crore (46.78 *per cent*) over the previous year. The details of the Non-Tax Revenue raised during the period 2018-19 to 2022-23 are indicated in **Table 5.1.3**.

Table 5.1.3: Components of Non-tax Revenue during 2018-19 to 2022-23

(₹ in crore)

Sl. No.	Head of revenue	2018-19	2019-20	2020-21	2021-22	2022-23	Increase (+)/ decrease (-) of actual in 2022-23 over 2021-22 (<i>per cent</i>)
1	Interest Receipts	146.11	19.25	18.11	24.43	22.93	(-) 6.14
2	Industries	92.81	100.27	89.56	86.62	161.94	86.95
3	Police	71.77	65.13	75.79	82.77	122.42	47.90
4	Public Works	5.06	4.95	6.94	6.67	6.11	(-) 8.40
5	Forestry and Wildlife	11.96	13.82	19.45	21.35	15.83	(-) 25.85
6	Water Supply and Sanitation	1.88	1.25	1.28	1.87	1.46	(-) 21.93
7	Misc. General Services	6.18	20.44	44.11	23.70	29.71	25.36
8	Other Administrative Services	4.71	8.29	5.22	7.07	6.58	(-) 6.93
9	Medical and Public Health	3.97	8.94	1.88	1.73	3.54	104.62
10	Crop Husbandry	3.56	2.98	2.54	2.33	2.94	26.18
11	Animal Husbandry	2.07	2.05	1.57	1.30	1.42	9.23
12	Housing	2.07	2.16	2.03	2.23	2.57	15.25
13	Education, Sports, Art and Culture	1.78	1.05	1.04	0.76	2.98	292.11
14	Stationery and Printing	2.00	2.15	1.50	1.06	1.46	36.45
15	Others ¹⁷⁹	16.27	18.92	14.47	10.22	20.46	100.20
	Total	372.20	271.65	285.49	274.11	402.35	46.78

Source: Finance Accounts

¹⁷⁹ Comprising 27 Major Heads including dividends and profits

Stationery and Printing: The reason attributed by the G.A (Printing & Stationery) Department for increase in collection (36.45 *per cent*) was due to increase in number of requisition of printing papers or other printing materials by the Government Department/ PSUs/ Boards/ Government Institutions, *etc.*

The other departments (indicated in **Table 5.1.3**), despite requested (August 2023), did not furnish (October 2023) the reasons for variations in Non-tax Revenue Receipts with respect to the previous year.

5.1.2 Revenue and return filing trends

5.1.2(i) GST Revenue of Government of Tripura: Comparison between budget estimates and actual receipts

The comparison of budget estimates and the corresponding actual collection of Goods and Service Tax (GST) during the period from 2019-20 to 2022-23 are shown in **Table 5.1.4**.

Table 5.1.4: Revenue from GST during 2019-20 to 2022-23

(₹ in crore)

Year	Budget Estimates (BE)	Revised Estimates (RE)	Actuals
	State GST	State GST	State GST
2019-20	1,149.74	1,149.74	1,026.63
2020-21	1,310.70	984.80	1,056.01
2021-22	1,122.67	1,250.51	1,282.69
2022-23	1,425.58	1,459.04	1,459.01

Source: Information furnished by office of the Principal Accountant General (A&E), Tripura

It may be seen from **Table 5.1.4** that, although target of RE was achieved for the 2020-21 and 2021-22, actual collection was less than the target as projected in the RE for the years 2019-20 and 2022-23. The State's GST collection steadily increased over the years from ₹ 1,026.63 crore in 2019-20 to ₹ 1,459.01 crore in 2022-23.

5.1.2(ii) Bi-monthly compensation received from Union Government

The bi-monthly compensation received from Union Government under GST (Compensation to States) Act, 2017¹⁸⁰ for the year 2022-23 is given in **Table 5.1.5**.

Table 5.1.5: Bi-monthly compensation received from Union Government for the year 2022-23

(₹ in crore)

Month	Provisional Compensation		Shortfall (+)/ Excess (-), if any
	Due	Received	
April-May	77.31	Nil	(+) 77.31
June-July	63.73 ¹⁸¹	Nil	(+) 63.73
Total	141.04	Nil	(+) 141.04

Source: Information furnished by the Finance (Excise & Taxation) Department

¹⁸⁰ An act to provide compensation to the States for the loss of revenue arising on account of implementation of the GST in pursuance of the 101 Constitutional Amendment Act, 2016

¹⁸¹ The five year transition period after adoption of GST on 1 July 2017 came to an end on 30 June 2022. With this, the era of GST Compensation that the State Government were entitled has ended.

5.1.2(iii) Trends of Integrated GST apportionment to the State and its cross utilisation

The Integrated GST (IGST) collected will be apportioned between the Centre and the State where the goods or services are consumed. The revenue will be apportioned to the Centre at the CGST rate, and the remaining amount will be apportioned to the consuming State.

The trends of IGST apportionment to the State and its cross utilisation are given in **Table 5.1.6**.

Table 5.1.6: Integrated Goods and Services Tax

(₹ in crore)

IGST component	2019-20	2020-21	2021-22	2022-23
IGST ¹⁸² apportioned to the State as per Section 17 of IGST Act, 2017	15.30	124.17	103.55	163.70
IGST provisionally/ ad-hoc apportioned to the State	32.52	74.82	61.68	45.50
IGST cross utilised between				
SGST ¹⁸³ as IGST	(-) 30.90	(-) 42.96	(-) 57.15	(-) 80.88
IGST as SGST	(+) 644.58	(+) 531.32	(+) 788.16	(+) 899.40
Apportionment of IGST – Transfer of Interest Compound to SGST				0.28

Source: Information furnished by office of the Principal Accountant General (A & E), Tripura

5.1.2(iv) Registration under GST

The total registrant under GST as on 31 March 2023 were 30,394, of which normal taxpayers were 27,767 which accounted for 91.36 *per cent* and composition taxpayers were 1,586 which accounted for 5.22 *per cent*. The category wise registrations under GST is given in **Table 5.1.7**.

Table 5.1.7: Details of GST registrations upto 31 March 2023

Category of Registrant	No. of Registrants	Percentage of total
Normal taxpayers	27,767	91.36
Composition taxpayers	1,586	5.22
Tax Deductors at Source	994	3.27
Tax Collectors at Source	37	0.12
Input Service Distributors	0	0.00
Others (Casual, NRTP, OIDAR) ¹⁸⁴	10	0.03
Total Registrants	30,394	100

Source: Information furnished by the Finance (Excise & Taxation) Department

5.1.2 (v) GST Return filing pattern of GSTR-1 and GSTR-3B

The trends of filling of GSTR-1¹⁸⁵ and GSTR-3B¹⁸⁶ as on 31 March 2023 for the period

¹⁸² IGST: It is a tax collected by the Central Government for an inter-State sale

¹⁸³ SGST: It is a tax collected by the State Government for an intra-State sale

¹⁸⁴ Non-Resident Taxable Person (NRTP), Online Information Data Access and Retrieval Services (OIDAR).

¹⁸⁵ GSTR-1: It is a sales return that is required to be filed by every GST registered person

¹⁸⁶ GSTR-3B: It is a self-declared consolidated summary return of inward and outward supplies which is required to be filed by a registered person electronically on the GST common portal

from April 2022 to March 2023, as compiled from the summary reports shared by GSTN, have been depicted in the **Table 5.1.8**.

The filing of GSTR-I for April 2022 was 89.73 *per cent* while that of March 2023 was 98.50 *per cent*. It was noticed that on an average about 90 *per cent* tax payers filed their GSTR-I returns during 2022-23.

Table 5.1.8: Details of return filing (GSTR-I and GSTR-3B) during 2022-23

Return Types	GSTR-I			GSTR-3B				
Months	Due for filing	Return filed	Return filing (in percent age)	Due for filing	Return filed as on 31 March 2023	Return filing (in percent age)	Return filed by due date	Percentage of return filed by due date
April 2022	18,977	17,029	89.73	18,977	17,350	91.43	NA**i	NA
May 2022	19,277	17,254	89.51	19,277	17,553	91.06	NA	NA
June 2022	19,361	17,428	90.02	19,361	17,752	91.69	NA	NA
July 2022	19,402	17,379	89.57	19,402	17,687	91.16	NA	NA
August 2022	19,474	17,616	90.46	19,474	17,867	91.75	NA	NA
September 2022	19,641	18,007	91.68	19,641	17,989	91.59	NA	NA
October 2022	19,543	17,890	91.54	19,543	17,895	91.57	NA	NA
November 2022	19,594	18,023	91.98	19,594	18,036	92.05	NA	NA
December 2022	19,346	18,126	93.69	19,346	18,089	93.50	NA	NA
January 2023	19,719	18,038	91.48	19,719	18,043	91.50	NA	NA
February 2023	18,241	18,021	98.79	18,241	17,982	98.58	NA	NA
March 2023	18,289	18,015	98.50	18,289	17,932	98.05	NA	NA

Source: Information furnished by the Finance (Excise & Taxation) Department

***NA-Not available*

5.1.2(vi) Revenue earning from top 10 commodities/ services

The details of the revenue earning from top 10 commodities/ services during 2022-23 are given in the **Table 5.1.9**.

Table 5.1.9: Revenue from top 10 commodities/ services during 2022-23

(₹ in crore)

Sl. No.	Name of commodity	SGST collections	
		Total	Ranking
1	Cement & Products	71.91	1
2	Automobile	46.09	2
3	Iron & Steel	45.79	3
4	Food Items	37.73	4
5	Tobacco & Products	33.24	5
6	Electricals	23.49	6
7	Tyres & Tube	19.50	7
8	Petroleum Products	16.97	8
9	Machinery	16.25	9
10	Pharmaceutical & Medicines	16.18	10

Sl. No.	Name of Services	Total	Ranking
1	Works Contract	65.66	1
2	Telecommunication & Postal/ Courier	20.95	2
3	Health/ Heath Care	17.36	3
4	Insurance	14.67	4
5	Banking & financial Institutions	13.27	5
6	Consultancy	2.37	6
7	Infrastructure (Construction)	2.20	7
8	Manpower	1.86	8
9	Advertising	1.24	9
10	Rental & Lease	1.11	10

Source: Information furnished by the Finance (Excise & Taxation) Department

5.1.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2023 on account of Taxes/ VAT, GST and Taxes and Duties on Electricity stood at ₹ 161.24 crore, of which, ₹ 45.63 crore was outstanding for more than five years, as detailed in **Table 5.1.10**.

Table 5.1.10: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March		Amount outstanding for more than five years as on 31 March	
		2022	2023	2022	2023
1	Taxes/ VAT	45.33	53.43	37.12	33.41
2	GST	16.79	13.08	-	12.22
3	Taxes and Duties on Electricity	-	94.73	-	-
Total		62.12	161.24	37.12	45.63

Source: Information furnished by the Finance (Excise & Taxation) Department.

It may be seen from **Table 5.1.10** that arrear of revenue increased from ₹ 62.12 crore at the end of March 2022 to ₹ 161.24 crore at the end of March 2023. The arrear of revenue outstanding for more than five years also increased from ₹ 37.12 crore to ₹ 45.63 crore during the same period.

5.1.4 Evasion of tax detected by the department

The details of cases of evasion of tax detected by the Finance (Excise & Taxation) Department, cases finalised and the demands for additional tax raised as reported by the Department, *etc.* are given in **Table 5.1.11**.

Table 5.1.11: Evasion of tax

Head of revenue	Cases pending as on 31 March 2022	Cases detected during 2022-23	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty, etc. raised		Number of cases pending for finalisation as on 31 March 2023
				No. of cases	(₹ in crore)	
Tax/ VAT	1,027	51	1,078	52	0.68	1,026
GST	108	259	367	267	2.74	100
Total	1,135	310	1,445	319	3.42	1,126

Source: Information furnished by the Finance (Excise & Taxation) Department

As on 31 March 2022, 1,135 cases of evasion of tax/ VAT were outstanding. During 2022-23, 310 cases of evasion of tax had been detected under Tripura VAT Act, 2004 and GST Act, 2017 taking the total pending cases to 1,445. Of these, assessments/ investigation of only 319 (22.08 per cent) cases were completed and additional demand including penalty, etc. of ₹ 3.42 crore was raised during the year 2022-23. Consequently, 1,126 cases were pending as on 31 March 2023.

Government should put in place a mechanism to expedite the disposal of cases pending for finalisation.

5.1.5 Pendency of refund cases

The details of the claims for refund received and refunds made under GST, VAT and State Excise are shown in Table 5.1.12.

Table 5.1.12: Details of pendency of refund cases

Sl. No.	Particulars	GST		Sales Tax / VAT		State Excise		Total	
		No. of Cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	1	0.04	1	0.05	-	-	2	0.09
2	Claims received during the year	36	4.07	14	8.34	20	0.22	70	12.63
3	Refunds made during the year	29	1.57	4	0.65	17	0.21	50	2.43
4	Balance outstanding at the end of the year	7*	1.94**	11	7.74	3	0.01	21*	9.69**

*One case has been rejected

**One refund amount of ₹ 0.60 crore has been rejected

Source: Information furnished by the Finance (Excise & Taxation) Department

During 2022-23, the State Government refunded ₹ 2.43 crore under GST, Sales Tax and State Excise in 50 cases. Claims in respect of 36 cases of GST for ₹ 4.07 crore, 14 cases of Sales Tax (VAT) for ₹ 8.34 crore and 20 cases of State Excise for ₹ 0.22 crore of refund were received during the year. Of these, 29 cases of GST for ₹ 1.57 crore, four cases of VAT for ₹ 0.65 crore and 17 cases of State Excise for ₹ 0.21 crore have been refunded during the year 2022-23.

5.1.6 Analysis of the mechanism for dealing with the issues raised by Audit

In order to analyse the effectiveness of the departments/ Government in addressing the issues highlighted in the Inspection Reports (IRs)/ Audit Reports, the action taken on the paragraphs and performance audits featured in the Audit Reports of the last ten years by the Finance (Excise & Taxation) Department has been evaluated. The results are included in this Audit Report.

The succeeding **Paragraphs 5.1.6.1** and **5.1.6.2** explain the performance of the Finance (Excise & Taxation) Department with reference to cases detected in the course of local audit during the last ten years and the cases included in the Audit Reports for the years 2013-14 to 2022-23.

5.1.6.1 Position of Inspection Reports

The summarised position of the outstanding IRs during the last ten years, paragraphs included in those reports and their status as on 30 June 2023 in respect of Finance (Excise & Taxation) Department are tabulated in **Table 5.1.13**.

Table 5.1.13: Position of IRs

(₹ in crore)

Year	Inspection Report	Paragraphs	Money Value
2013-14	13	45	3.53
2014-15	13	63	12.55
2015-16	17	42	7.91
2016-17	14	62	5.52
2017-18	11	60	6.76
2018-19	13	46	6.47
2019-20	10	58	5.68
2020-21	4	30	1.58
2021-22	1	7	7.19
2022-23	0	0	0
Total	96	413	57.19

The age-wise break up of outstanding IRs and Paragraphs for 2013-14 to 2022-23 as on 30 June 2023 is shown in **Table 5.1.14**.

Table 5.1.14: Age wise break up of outstanding IRs

(₹ in crore)

Years	Inspection Report	Paragraphs	Money value
0-3 years	5	37	8.77
4-6 years	34	164	18.91
7-9 years	44	167	25.98
10 years	13	45	3.53
Total	96	413	57.19

It is evident from **Table 5.1.14** that between a range of zero to three years, five IRs and 37 paragraphs remained outstanding, between four to six years, 34 IRs and 164 paragraphs and between seven to nine years, 44 IRs and 167 paragraphs remained outstanding and 13 IRs and 45 paragraphs remained outstanding for more than 10 years as on 30 June 2023. This indicates the fact that the efforts taken by the Department for settlement of the outstanding IRs are rather slow and inadequate. Necessary steps may be taken to increase the pace of settlement in this regard.

5.1.6.2 Recovery in accepted cases

The position of paragraphs included in the Audit Reports of the last ten years, those accepted by the Department and the amount recovered during the year 2022-23 and the cumulative position of recovery of accepted cases as on 31 March 2023 are shown in Table 5.1.15.

Table 5.1.15: Position of recovery of accepted Audit paragraphs of Audit Reports

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered during 2022-23	Position of recovery of accepted cases as of 2023
2010-11	3 ¹⁸⁷	3.12	3	3.12	* ¹⁸⁸	0.44
2011-12	1	0.87	1	0.87	Nil	0.07
2012-13	1	1.51	1	1.51	Nil	0.22
2013-14	3 ¹⁸⁹	11.17	3	6.06	Nil	0.24
2014-15	2	0.39	2	0.39	Nil	0.28
2015-16	2	0.46	2	0.46	Nil	Nil
2016-17	4 ¹⁹⁰	31.87	3	31.73	Nil	0.01
2017-18	3	1.77	3	1.77	0.04	0.05
2018-19	3	1.30	2	0.69	Nil	0.06
2019-20	1 ¹⁹¹	@	1	@ ¹⁹²	Nil	Nil
Total	23	52.46	21	46.60	0.04	1.37

It is evident from Table 5.1.15 that the progress of recovery even in accepted cases was very slow. During the last ten years, 23 paragraphs involving ₹ 52.46 crore featured in the Audit Reports, of which 21 paragraphs involving ₹ 46.60 crore had been accepted by the State Government. Out of this, only ₹ 1.37 crore (2.94 *per cent*) was recovered.

The Department should pursue and monitor prompt recovery of the dues involved in accepted cases within a specified timeframe. It would not only enable better compliance with relevant rules, but would also augment Government revenues.

5.1.7 Actions taken on the recommendations accepted by the department/ Government

The draft Performance Audits (PAs) conducted by the office of the Principal Accountant General (Audit) are forwarded to the concerned departments with a request to furnish the replies. These Performance Audits are also discussed in Exit Conference and the departments' views are incorporated/ considered while finalising the Audit Report.

Four performance audits on Finance (Excise & Taxation) Department, Transport Department and Revenue Department have featured in the last five years' Audit Reports

¹⁸⁷ Including one Performance Audit

¹⁸⁸ ₹ 17,685 recovered during 2022-23

¹⁸⁹ Including one Performance Audit

¹⁹⁰ Including one Performance Audit

¹⁹¹ One Subject Specific Compliance Audit Report (SSCA)

¹⁹² ₹ 12,041

during 2014-15 to 2019-20. The number of recommendations and their status is given in **Table 5.1.16**.

Table 5.1.16: Details of recommendations of PAs and their status

Year of Report	Name of the performance audit	No. of recommendations	Status (as on September 2023)
2014-15	IT Audit on Computerisation of Land Records.	3	The PA had not been discussed in Public Accounts Committee (PAC).
2015-16	Collection of Revenue from outsourced Activities in Motor Vehicle Tax.	4	The PA had been discussed by PAC on 17 June 2022
2016-17	System and Procedures in force in the Taxes and Excise Organisation regarding Excise Duty	3	The PA had not been discussed in PAC
	Border Area Development Programme	3	The PA had not been discussed in PAC

Table 5.1.16 indicates that discussion of Performance Audits had not been made in PAC in timely manner which led to loss of importance of audit observations with the passage of time.

5.1.8 Results of audit

Position of local audit conducted during the year

Test check of the records of two units of Motor Vehicles/ Transport Department during the year 2022-23 revealed under assessment/ short levy/ loss of revenue/ non-realisation of outstanding revenue of ₹ 27.51 crore in two cases. No reply has been received (September 2023) from both the units.

5.1.9 Coverage of this report

This Chapter contains one Subject Specific Compliance Audit titled “Department’s Oversight on GST Payments and Return Filing” under Finance Department.

FINANCE (EXCISE AND TAXATION) DEPARTMENT**5.2 Subject Specific Compliance Audit on “Department’s Oversight on GST Payments and Return Filing”****5.2.1 Introduction**

The 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 the inter-state supplies.

Section 59 of the Tripura Goods and Service Tax (TGST) 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. 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 TGST Act read with Rule 99 of the Tripura Goods and Service Tax Rules (TGST Rules), 2017 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 oversight mechanism of the Commercial Taxes Organisation, Tripura (Department) in this new tax regime.

5.2.2 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 a reasonable assurance on:

- Whether the rules and procedures were designed to secure an effective check on tax compliance and were being duly observed by taxpayers; and
- Whether the scrutiny procedures, internal audit and other compliance functions of the Charges were adequate and effective.

5.2.3 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 13 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 Audit** (Limited Audit)¹⁹³, 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 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 state GST Portal 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, action on late filers and non-filers, cancellation of registration and internal audit were also reviewed in selected charges.

The review of the scrutiny of returns by the Department and verification of taxpayers' records covered the period from July 2017 to March 2018, while the audit of the functions of 10 selected charges covered the period July 2017 to March 2021. The SSCA covered only the State administered taxpayers. The field audit was conducted from April 2022 to January 2023.

An Entry conference of this SSCA was held on 9 March 2022 with the Commissioner of Taxes, Tripura in which the audit objectives, sample selection, audit scope and methodology were discussed. The Exit Conference was held on 10 May 2023 with the Commissioner of Taxes during which the audit findings were discussed. The Commissioner of Taxes stated that the matters under audit observation would be examined and results thereof would be intimated in due course. Significant findings were discussed with the Secretary, Finance Department, Government of Tripura in a meeting held on 5 June 2024. The views and responses of the Government were duly incorporated wherever appropriate.

5.2.4 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 taxpayers' records at departmental premises; and a sample of Charges for evaluating the compliance functions of the departmental field formations.

There were three distinct parts of the SSCA as under:

(i) Part I- Audit of Charges

Ten Charges (out of total 15) having jurisdiction over one or more than one selected sample of cases for detailed audit were considered as the sample of charges for evaluation of their oversight functions.

¹⁹³ Centralised Audit did not involve seeking taxpayer's granular records such as financial statements related ledger accounts, invoices, agreements, *etc.*

(ii) Part II –Centralised Audit

The sample for Centralised 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 Taxes Organisation. Accordingly, 235 (cases) were selected for Centralised Audit under this SSCA.

(iii) Part III-Detailed audit

It was conducted by accessing taxpayers' records through Charges for evaluation of the extent of tax compliance by taxpayers. The sample of taxpayers for Detailed Audit was selected based on risk parameters such as excess ITC, tax liability mismatch, disproportionate exempted turnover to total turnover and Irregular ITC reversal. The 30 taxpayers selected for Detailed Audit comprised Large¹⁹⁴, Medium¹⁹⁵ and Small¹⁹⁶ strata taxpayers as well as taxpayers selected randomly.

The details of sample for Centralised Audit, Detailed Audit and Audit of Charges selected for this SSCA are brought out in **Appendices 5.2.1, 5.2.2 and 5.2.3.**

5.2.5 Audit criteria

The source of audit criteria comprised the provisions contained in the TGST Act, IGST Act, and Rules made there under.

In addition, the notifications and circulars issued by 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 utilising ITC, scrutiny of returns and oversight of tax compliance and scrutiny of returns and cancellation of registrations, *etc.* also formed part of the audit criteria.

5.2.6 Audit findings

The audit findings are categorised into the following three categories:

- Oversight on Charge functions– Audit of Charges
- Centralised Audit (Limited Audit)
- Detailed Audit

5.2.6.1 Oversight on Charge functions– Audit of Charges

The role of Charges is to provide oversight for ensuring compliance by taxpayers in respect of accuracy of the taxable value declared, calculation and payment of tax liabilities, filing of returns, *etc.* For evaluating the functions of the charges, the audit areas include (i) scrutiny of returns (ii) action on late-filers and non-filers (iii) cancellation of registration and (iv) internal audit.

¹⁹⁴ First strata comprise large taxpayers – top two *per cent* of taxpayers based on turnover

¹⁹⁵ Second strata comprise medium taxpayers – next eight *per cent* of taxpayers based on turnover

¹⁹⁶ Third strata comprise small taxpayers – remaining 90 *per cent* of taxpayers

5.2.6.1(i) Deficient monitoring mechanism on return scrutiny

As per section 61 (1) of the TGST Act, 2017 the proper officer may scrutinise the return and related particulars furnished by the registered person to verify the correctness of the return and inform him of the discrepancies noticed, if any, in such manner as may be prescribed and seek his explanation thereto.

Year-wise information relating to scrutiny of returns during the period from 2017-18 to 2020-21 was called for in August 2022 and again in December 2022 from 10 selected charges.

Out of a sample of 10 charges (Charge-I to VIII, Teliamura and Bishalgarh), audit could not verify the overseeing mechanism on return scrutiny in eight Charges as neither records nor data were provided to Audit.

The Superintendent of Taxes, Charge-V stated (November 2022) that 1,536 and 1,776 returns were scrutinised during the FYs 2019-20 and 2020-21 respectively. Subsequently, ASMT-10 was issued to 96 taxpayers and response received from 51 taxpayers during FY 2019-20. Again, ASMT-10 was issued to 74 taxpayers and response received from 43 taxpayers during FY 2020-21; but the charge office failed to take follow-up action during both the FYs.

The Superintendent of Taxes, Teliamura stated (July 2023) that 396 and 1,380 returns were scrutinised during the FYs 2019-20 and 2020-21 respectively. Subsequently, ASMT-10 were issued to 32 taxpayers and responses received from 10 taxpayers during FY 2019-20. Again, ASMT-10 was issued to 115 taxpayers and responses received from seven taxpayers during FY 2020-21; but the charge office failed to take action on remaining taxpayers during both the FYs.

Moreover, no Standard Operating Procedure (SOP) for scrutiny of returns had been introduced in the Taxes Organisation till date (March 2023).

Despite intimation/ persuasion to respective charge offices on December 2022 again, remaining eight charges did not furnish any reply regarding scrutiny of returns till (July 2023).

Audit also could not verify the same due to non-maintenance of monthly MIS reports/ data related to returns scrutiny in the state GST portal (boweb).

In the meeting (5 June 2024) with the Secretary, Finance Department, Government of Tripura, the Secretary instructed the Commissioner of Taxes to sought information from the remaining eight charges and made available to Audit early.

Recommendation 1

The Department may formulate SOP or prescribe detail procedures for selection of scrutiny cases and fix targets, so that an optimum number of cases can be scrutinised in every financial year before the cases became time barred.

The Department accepted the recommendation and would formulate an SOP for selection of scrutiny cases and fix targets.

5.2.6.1(ii) Lack of action on late-filers and non-filers

Section 46 of the TGST Act, 2017 read with Rule 68 of TGST 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. Further, Section 62 of TGST Act, 2017 read with Rule 100 of TGST Rules, 2017 stipulates that in case the taxpayer fails to file the returns even after such notice, 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 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.

Year-wise information relating to action taken on late-filers and non-filers during the period from 2017-18 to 2020-21 was called for in August 2022 and again in December 2022 from 10 selected charges.

The Superintendent of Taxes, Teliamura stated (November 2022) that 62 (FY 2019-20) and 265 (FY 2020-21) cases of late filers/ non-filers were identified. Subsequently, 51 taxpayers filed returns within 15 days after issue of notice during 2019-20 and 245 taxpayers filed returns within 15 days after issue of notice during 2020-21. The Superintendent further stated (July 2023) that remaining 11 (62-51) non-filers and 20 (265-245) non-filers had filed returns for the period 2019-20 and 2020-21 respectively.

Further, nil response (November 2022) of the Superintendent of Taxes, Charge-V, revealed that no action had been initiated against late filers/ non-filers during the FYs 2017-18 to 2020-21. Requisite information was not provided by the remaining eight charges (July 2023).

Audit also could not verify the same due to non-maintenance of monthly MIS reports/ data related to non-filers/ late filers in the state GST portal (boweb).

In the meeting (5 June 2024) with the Secretary, Finance Department, Government of Tripura, the Secretary instructed the Commissioner of Taxes to sought information from the remaining eight charges and made available to Audit early.

5.2.6.1(iii) Non-furnishing of information on cancellation of registration

Section 45 of the TSGST Act read with Rule 81 of the TSGST Rules, 2017 specify that any person whose registration was cancelled should file final return in FORM GSTR-10 within three months of the date of cancellation or date of order of cancellation, whichever is later. Field formation/ Superintendent of taxes is responsible for *suo moto* cancellation of registration of non-filers.

Year-wise information relating to the verification mechanism on cancellation of registration of defaulters during the period from 2017-18 to 2020-21 was called for in August 2022 and again in December 2022 from 10 selected charges.

The Superintendent of Taxes, Teliamura stated (July 2023) that number of requisitions received for cancellation from taxpayers were 28, 53 and 22 during 2018-19, 2019-20

and 2020-21 respectively and number of *suo moto* cancellation initiated were 96 and 82 during 2019-20 and 2020-21 respectively. But the authority did not issue any cancellation order (REG-19) to the taxpayers from which requisition for cancellation were received during 2018-21. Tax Authority completed 96 and 82 cancellation procedures (*suo moto*) during 2019-20 and 2020-21 respectively.

No response had been furnished by the remaining nine charge offices (July 2023).

Due to non-furnishing of information/ record by most of the selected charges, the effectiveness of verification mechanism on cancellation of registration of defaulters by the tax authorities could not be assessed.

Audit also could not verify the same due to non-maintenance of monthly MIS reports/ data related to cancellation of registration in the state GST portal (boweb).

In the meeting (5 June 2024) with the Secretary, Finance Department, Government of Tripura, the Secretary instructed the Commissioner of Taxes to sought information from the remaining nine charges and made available to Audit early.

Recommendation 2

The Department may ensure timely verification of cancellation of registrations to prevent undue loss of tax revenue and unfair tax practices.

The Department accepted the recommendation and would take steps to timely scrutinise all cases of cancellation of registration.

5.2.6.1(iv) Deficient action on internal Audit

As per Section 65 of the TGST Act, 2017 the Commissioner or any officer authorised 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 TGST Act, 2017, defines “Audit” as the examination of records, returns and other documents maintained or furnished by the registered person under this 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.

Year-wise information relating to the status of audit conducted by the tax authorities during the FYs 2017-18 to 2020-2021 was called for in August 2022 from selected 10 charges.

From the reply it became evident that Charge-II prepared audit plan to audit 51 taxpayers during the year 2020-21, but did not execute. Charge-IV prepared plan to audit 70 taxpayers during 2020-21 and audited 50 taxpayers. But no audit function was initiated by both the charge offices during 2017-18 to 2019-20. Teliamura charge stated (July 2023) that 25 taxpayers were selected for GST audit, of which audit of six taxpayers had been completed.

Intimation was again made to the respective tax authorities in December 2022, but no further response had been received (July 2023).

Due to non-furnishing of information in most of the cases, the audit functions performed by the charge offices could not be assessed.

In the meeting (5 June 2024) with the Secretary, Finance Department, Government of Tripura, the Secretary instructed the Commissioner of Taxes to sought information from the remaining seven charges and made available to Audit early.

Recommendation 3

The Department may formulate detail selection procedures for cases for conduct of audit so that an optimum number of cases can be audited in every financial year.

The Department accepted the recommendation and would work out detail procedure for selection of cases for internal audit.

5.2.6.2 Inconsistencies in GST returns -Centralised 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 13 parameters, which can be broadly categorised into two domains - ITC and Tax payments.

Out of the 13 prescribed GST returns¹⁹⁷, 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 furnished by all normal and casual registered taxpayers making outward supplies of goods and services or both and contains details of outward supplies of goods and services.
- GSTR-3B: monthly summary return of outward supplies and input tax credit claimed, along with payment of tax by the taxpayer to be filed by all taxpayers except those specified under Section 39(1) of the 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 input tax credit 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.

¹⁹⁷ 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).

- 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 ₹ 5 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.

The data analysis pertaining to State jurisdiction on the 13 identified parameters and extent of deviations/ inconsistencies observed are summarised in **Table 5.2.1**.

Table 5.2.1: Summary of state data analysis

Sl. No	Parameter	Algorithm used	Number of deviations	Amount (₹ in crore)
1	Mismatch in availing of ITC	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 the subsequent year 2018-19 from Table 8C of GSTR-9.	25	11.69
2	Mismatch in availing of ITC under Reverse Charge Mechanism (RCM).	RCM payments in GSTR-3B Table 3.1(d) was compared with ITC availed in GSTR-9 Table (6C+6D+6F). In case where GSTR-9 was not available, RCM liability in GSTR-3B Table 3.1(d) was compared with GSTR-3B Table {4(A)(2) +4(A)(3)}	25	1.37
3	Mismatch in availing of ITC under RCM without payment	RCM liability declared in GSTR-9 Table 4G was compared with ITC availed in GSTR-9 Table (6C+6D+6F). In cases where GSTR-9 was not available, RCM payments in GSTR-3B Table 3.1(d) was compared with GSTR-3B 4(A) (2) and 4A (3).	3	0.03
4	Incorrect availing of ISD credit	ISD received in GSTR-9 Table 6G was compared with ITC transferred in GSTR-6 (sum of Table 5A +Table 8A +Table 9A of GSTR-6) of the distributor. In cases where GSTR-9 is not available then GSTR-3B	24	1.14

Sl. No	Parameter	Algorithm used	Number of deviations	Amount (₹ in crore)
		Table 4(A)(4) compared with sum of Table 5A +Table 8A +Table 9A of GSTR-6.		
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-6S.	01	0.0002
6	Mismatch in ITC availed between annual returns and financial statement (Table 12F of GSTR-9C)	Positive entries in Table 12F of GSTR-9C	25	19.81
7	Reconciliation between ITC declared in annual return with expenses in financial statements (Table 14T of GSTR-9C)	Positive entries in Table 14T of GSTR-9C	24	82.90
8	Mismatch in turnover between annual return and financial statement (Table 5R of GSTR-9C)	Negative figure in Table 5R of GSTR-9C	25	581.50
9	Mismatch in taxable turnover between annual return and financial Statements (Table 7G of GSTR-9C)	Negative figure in Table 7G of GSTR-9C	6	2.78
10	Mismatch in tax paid between books of accounts and annual return (Table 9R of GSTR-9C)	Negative figure in Table 9R of GSTR-9C	25	3.06

Sl. No	Parameter	Algorithm used	Number of deviations	Amount (₹ in crore)
11	Undischarged Tax liability	Greater tax liability between GSTR-1 (Tables 4 to 11) and GSTR-9 (Tables 4N, 10 and 11) was compared with tax paid details in GSTR-3B Table {3.1(a) + 3.1(b)}. In cases where GSTR-9 was not available, tax paid in GSTR-3B was compared with GSTR-1 liability. The amendments and advance adjustments declared in GSTR-1 and GSTR-9 were duly considered.	25	18.33
12	Cases where GSTR-3B not filed but GSTR-1 or GSTR-2A available	Taxpayers who have not filed GSTR-3B but have filed GSTR-1 or where GSTR-2A is available, indicating taxpayers carrying on the business without discharging tax.	02	0.87
13	Short payment of interest on delayed payments.	Interest calculated at the rate of 18 <i>per cent</i> on cash portion of tax payment on delayed filing of GSTR-3B <i>vis-à-vis</i> interest declared in GSTR-3B Table 6.1.	25	2.31
Total			235	725.80

In the meeting (5 June 2024) with the Secretary, Finance Department, Government of Tripura, the Department acknowledged and accepted the fact.

5.2.6.2(i) Non-submission of reply by the department

Audit selected a sample of 235 cases from amongst the top deviations/ inconsistencies in each of the 13 parameters for the year 2017-18. The audit queries were issued to the respective Charges in April 2022 without further scrutiny of taxpayer's records. The audit check in these cases was limited to verifying the Department action on the identified deviations/ mismatches.

Initial responses were yet to be received for 44 inconsistencies out of 235 communicated to the charges in April 2023, which represent a risk exposure of ₹ 16.64 crore as given in **Table 5.2.2**.

Table 5.2.2: Reply not received

(₹ in crore)

Sl. No.	Audit Dimension	Sample		Department's Reply not received		Percentage	
		Number	Amount of mismatch	Number	Amount	Number	Amount
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
1	Mismatch in availing of ITC	25	11.69	4	1.36	16	11.63
2	Mismatch in availing of ITC under Reverse Charge Mechanism (RCM)	25	1.37	1	0.19	4	13.87

Sl. No.	Audit Dimension	Sample		Department's Reply not received		Percentage	
		Number	Amount of mismatch	Number	Amount	Number	Amount
1	2	3	4	5	6	7	8
3	Mismatch in availing of ITC under RCM without payment	03	0.03	0	0	0	0
4	Incorrect availment of ISD credit	24	1.14	8	0.09	33.33	7.89
5	Incorrect ISD credit reversal.	01	0.0002	01	0.0002	100	100
6	Mismatch in ITC availed between annual return and financial statements (Table 12F of Form 9C)	25	19.81	5	0.24	20	1.21
7	Reconciliation between ITC declared in annual return with expenses in financial statements (Table 14T of Form 9C)	24	82.90	2	3.58	8.33	4.32
8	Mismatch in turnover between annual return and financial statements (Table 5R of Form 9C)	25	581.50	2	5.08	8	0.87
9	Mismatch in taxable turnover between annual return and financial statements (Table 7G of Form 9C)	06	2.78	03	1.63	50	58.63
10	Mismatch in tax paid between books of accounts and annual return (Table 9R of Form 9C)	25	3.06	5	0.49	20	16.01
11	Undischarged tax liability	25	18.33	05	1.97	20	10.75
12	Cases where GSTR 3B not filed but GSTR-1 or GSTR-2A is available.	02	0.88	02	0.88	100	100
13	Short payment of interest on delayed payment.	25	2.31	06	1.13	24	48.92
	Total	235	725.80	44	16.64	18.72	2.29

Considering that the overall rate of conversion of inconsistencies into compliance deviations as brought out in the next paragraph. The Tax Department is required to expedite verification of these cases as a priority. Details of these cases are listed in **Appendix 5.2.4**. The top five cases in terms of money value where response is yet to be received, is given in **Table 5.2.3**.

Table 5.2.3: Top five (5) cases in terms of money value where response is yet to be received

Sl. No.	GSTIN	Trade Name	Dimension	Charge	Mismatch amount (₹ in crore)
1	16AABCN2066M1ZC	M/s Narendrapur Tea Company Private Limited	Mismatch in turnover between annual return and Financial Statements (Table 5R of Form GSTR-9C).	Dharmanagar	3.68
2	16AAICS0296H1Z7	M/s Schlumberger Solutions Private Limited	Reconciliation between ITC declared in annual return with expenses in financial statements (Table 14T of Form GSTR-9C)	Charge-V	3.47
3	16AHDPS9448L2ZL	M/s Ashirbad Gas Agency	Mismatch in turnover between annual return and Financial Statements (Table 5R of Form GSTR-9C).	Charge-I	1.39
4	16AABAT1839L2Z8	M/s Tripura Cricket Association	Short payment of interest on delayed payment	Charge-V	0.86
5	16CXJPS3809M1ZU	M/s Loknath Rubber	Mismatch in taxable turnover between annual return & financial statement (Table 7G of GSTR-9C)	Udaipur	0.72

Recommendation 4

Department may urgently pursue the 44 out of 235 cases where inconsistencies and deviations were pointed out by Audit and result there-of may be intimated to Audit.

In the meeting (5 June 2024) the Secretary, Finance Department, Government of Tripura while accepting the recommendation, the Secretary instructed the Commissioner of Taxes that replies may be sought from the concerned charges and made available to the Audit at the earliest.

5.2.6.2(ii) Results of centralised audit

Based on responses to the Audit Queries received from the Department, the extent to which 11 parameters translated into compliance deviations is summarised in **Appendix 5.2.5**.

5.2.6.2(iii) Summary of Centralised Audit

Audit noticed deviations from the provisions of the Act in 140 cases (Col. No. 6, 8, 10, 12, 14 of **Appendix 5.2.5**) involving mismatch of ITC/ tax liability involving an amount

of ₹ 68.65 crore (Col. No 7, 9, 11, 13 and 15 of **Appendix 5.2.5**) constituting 73.29 *per cent* of the 191 cases of inconsistencies/ mismatches for which the Department provided responses. Relatively higher rates of deviations were noticed in risk parameters such as short/ non-payment of interest, ITC mismatch and availing ITC under RCM, *etc.*

In 42 (Col. No. 4 of **Appendix 5.2.5**) out of 191 cases, constituting 21.99 *per cent*, where the Department's reply was acceptable to Audit and had valid explanations.

In three cases (Col. No. 20 of **Appendix 5.2.5**) constituting 1.57 *per cent*, the Department stated that it was examining the underlying deviation of ₹ 0.01 crore (Col. No. 21 of **Appendix 5.2.5**). In the remaining six cases (Col. No. 18 of **Appendix 5.2.5**), constituting 3.14 *per cent*, though the Department did not accept the deviations pointed out by Audit, its contention was not borne out by evidence and thus, was not amenable to verification by audit.

Illustrative cases for each dimension of Centralised audit (for compliance deviation pertaining to cases of recovery, ASMT-10, SCN issued and under correspondence with taxpayer) is given in **Table 5.2.4**.

Table 5.2.4: Illustrative case of dimension of Centralised audit

Sl. No	Dimension	GSTIN	Trade name	Jurisdictional charge	Mismatch (₹ in crore)	Action taken
1	Mismatch in availing of ITC	16ADNPR5161K1Z1	M/s Liza Traders	Bishalgarh	0.17	<u>ASMT-10 issued</u>
2	Mismatch in availing of ITC under Reverse Charge Mechanism (RCM)	16BOKPD1877D1Z2	M/s Swarupananda Rubber Enterprise	Belonia	0.32	<u>ASMT-10 issued</u>
3	Mismatch in availing of ITC under RCM without payment	16AHFPC2767G1ZJ	M/s New Standard Medical Agency	Charge-VI	0.006	<u>ASMT-10 issued</u>
4	ISD credit incorrectly availed by the recipients	16AAACO0054F1ZZ	M/s Oriental Structural Engineers Pvt.Ltd	Belonia	0.34	<u>ASMT-10 issued</u>
5	Mismatch of ITC availed between annual returns and financial statement	16AADCB1615J1ZZ	M/s Brite Rubber Processor Private Ltd.	Charge-III	14.69	<u>DRC-3</u>

Sl. No	Dimension	GSTIN	Trade name	Jurisdictional charge	Mismatch (₹ in crore)	Action taken
	(Table 12F of GSTR-9C)					
6	Reconciliation between ITC declared in annual return with expenses in financial statements (Table 14T of GSTR-9C)	16AAICP2379N1ZT	M/s Progressive Automobiles Pvt. Ltd	Charge-I	21.98	<u>ASMT-10 issued</u>
7	Mismatch in turnover between annual return and financial statements (Table 5R of GSTR-9C)	16BBTPS0396G2Z2	M/s Santoshi Traders.	Ambassa	1.98	<u>ASMT-10 issued</u>
8	Mismatch in taxable turnover between annual return and financial statements (Table 7G of GSTR-9C)	16ADNPP3687N1ZM	M/s Planetorium	Charge-II	0.60	<u>ASMT-10 issued</u>
9	Mismatch in taxpaid between books of accounts and returns (Table 9R of GSTR-9C)	16AQUPB8439Q1ZW	M/s Nilotpal Bose	Kailasahar	0.03	<u>SCN</u>
10	Undischarged tax liability	16AACCT2964M1ZY	M/s Tripura State Electricity Corporation Ltd.	Charge-I	8.10	<u>ASMT-10 issued</u>
11	Short payment of interest on delayed payments	16CAOPM5025R1Z0	M/s Subir Majumder	Udaipur	0.02	<u>SCN</u>

In the meeting (5 June 2024) with the Secretary, Finance Department, Government of Tripura, the Department acknowledged and accepted the facts.

Illustrative cases for each dimension from the Table 5.2.4**(i) Dimension - Mismatch in availing of ITC**

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)¹⁹⁸ considering the reversals Table 4B (2)¹⁹⁹ but including the ITC availed in the subsequent year 2018-19 from Table 8C of GSTR 9.

Audit observed that in case of M/s Liza Traders (GSTN-16ADNPR5161K1Z1) under Bishalgarh charge, the ITC available as per GSTR-2A was ₹ 0.0002 crore and the ITC availed in Table 4A (5) of GSTR-3B was ₹ 0.17 crore. This resulted in mismatch of ITC availed amounting to ₹ 0.17 crore which was intimated to the Superintendent of Taxes in May 2022. In response (June 2022), the Superintendent stated that ASMT-10 issued seeking the reasons for the discrepancy had been issued. Latest position of action taken along with supporting documents may be furnished to audit.

(ii) Dimension- Mismatch in availing of ITC under Reverse Charge Mechanism (RCM)

Reverse Charge Mechanism 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 TGST 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, input tax credit 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 liability in

¹⁹⁸ All other eligible ITC

¹⁹⁹ Other ITC reversed

GSTR-3B Table 3.1(d)²⁰⁰ with ITC availed in GSTR-9 Table 6C²⁰¹, 6D²⁰² and 6F²⁰³. In cases where GSTR-9 was not available, RCM liability in GSTR-3B Table 3.1(d) was compared with the ITC availing part of GSTR-3B 4A (2)²⁰⁴ and 4A (3)²⁰⁵.

Audit observed that in case of M/s Swarupananda Rubber Enterprise (GSTN-16BOKPD1877D1Z2) under Belonia charge, the ITC available in Table 3.1(d) of GSTR-3B was ₹ 0.13 crore and the ITC availed in Table 4A (2) & (3) of GSTR-3B was ₹ 0.45 crore resulting in mismatch of ITC availed amounting to ₹ 0.32 crore which was intimated to the Superintendent of Taxes during May 2022. In response (June 2022), the Superintendent stated that ASMT-10 seeking the reasons for the discrepancy had been issued. Latest development along with supporting documents may be furnished.

(iii) Dimension - Mismatch in availing of ITC under RCM without payment

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 liability declared in Table 4G²⁰⁶ of GSTR-9 was compared with ITC availed in Table (6C+6D+6F) of GSTR-9. In cases where GSTR-9 was not available, RCM payments in GSTR-3B Table 3.1(d)²⁰⁷ was compared with GSTR-3B 4(A) (2)²⁰⁸ and 4A (3)²⁰⁹.

Audit observed (December 2022) that in case of M/s New Standard Medical Agency (GSTN-16AHFPC2767G1ZJ) under Charge-VI, RCM payments in Table 3.1 (d) of GSTR-3B was ₹ 0 and compare with Table 4A(2) + 4A(3) of GSTR-3B of ₹ 0.006 crore. This resulted in excess availment of ITC on RCM without payment of tax amounting to ₹ 0.006 crore.

The matter was intimated to the Superintendent of Taxes during December 2022. In response (July 2023), the Superintendent stated that ASMT10 was issued to the taxpayer. Latest development along with supporting documents may be furnished.

(iv) Dimension – Incorrect availment of ISD credit

To analyse whether the ITC availed by the taxpayer is in excess of that 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 6G²¹⁰ of GSTR-9 or Table 4(A)(4)²¹¹ of

²⁰⁰ Inward supplies (liable to reverse charge)

²⁰¹ Inward supplies receive from unregistered persons liable to reverse charge

²⁰² Inward supplies received from registered persons liable to reverse charge

²⁰³ Import of services

²⁰⁴ Import of services

²⁰⁵ Inward supplies (liable to reverse charge)

²⁰⁶ Inward supplies on which tax is to be paid on reverse charge basis

²⁰⁷ Inward supplies (liable to be reverse charge)

²⁰⁸ Import of services

²⁰⁹ Inward supplies liable to be reverse charge other than Import of Goods and Services

²¹⁰ ITC received from ISD

²¹¹ Inward supplies from ISD

GSTR-3B of the recipient taxpayers under the jurisdiction of this State with the sum of Table 5A²¹², Table 8A²¹³, and Table 9A²¹⁴ of GSTR-6 of the respective ISD.

In case of M/s Oriental Structural Engineers Pvt. Ltd. (GSTN-16AAACO0054F1ZZ) under Belonia Charge, audit observed (May 2022) that the ITC availed in Table 6G of GSTR-9 was ₹ 0.54 crore and the ITC transferred by the ISD in Table (5A+8A+9A) of GSTR-6 was ₹ 0.20 crore. This resulted in incorrect availment of ITC transferred by the ISD amounting to ₹ 0.34 crore which was intimated to the Superintendent of taxes. In response (June 2022), the Superintendent stated that ASMT-10 seeking the reasons for the discrepancy had been issued. Latest development along with supporting documents may be furnished.

(v) Dimension - Mismatch in ITC availed between annual return and financial statements (Table 12F of GSTR-9C)

Table 12 of GSTR-9C reconciles ITC declared in annual return (GSTR-9) with ITC availed as per audited Annual financial statement or books of accounts. Column 12F of this Table deals with unreconciled ITC.

The certified reconciliation statement submitted by the taxpayer as required under the rule 80(3) of TGST Rules, 2017 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.

Unreconciled ITC of ₹ 15.92 crore declared in Table 12F of GSTR-9C being ITC availed in GST returns in excess of eligible ITC based on financial statements, in case of M/s Brite Rubber Processor Private Ltd. (GSTN-16AADCB1615J1ZZ) under Charge III was noticed and communicated to the Superintendent of Taxes in May 2022. In response (November 2022), the Superintendent of Taxes stated that after final scrutiny the deviated ITC amount detected was ₹ 14.69 core and the taxpayer deposited the same amount through DRC-03. On being satisfactory after audit scrutiny of the reply, the case was not further pursued.

(vi) Dimension- Reconciliation between ITC declared in annual return with expenses in financial statements (Table 14T of GSTR-9C)

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 TGST Rules, 2017 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.

Unreconciled ITC of ₹ 21.98 crore declared in Table 14T of GSTR-9C being ITC availed in GST returns in excess of eligible ITC based on expenses reported in financial

²¹² Distribution of the amounts of eligible ITC for the tax period

²¹³ Mismatch of ITC reclaimed and distributed

²¹⁴ Redistribution of ITC distributed to a wrong recipient

statements, in case of M/s Progressive Automobiles Private Ltd (GSTN-16AAICP2379N1ZT) under Charge-I was noticed and intimated to the Superintendent of Taxes during May 2022. In response (November 2022), the Superintendent stated that ASMT-10 seeking the reasons for the discrepancy had been issued. Latest development along with supporting documents may be furnished.

(vii) Dimension- Mismatch in turnover between annual return and financial statements (Table 5R of GSTR-9C)

Table 5 of GSTR-9C 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 TGST Rules, 2017 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 observed (April 2022) unreconciled turnover in Table 5R of GSTR-9C amounting to ₹ 1.98 crore was issued to the Superintendent of Taxes, Ambassa in respect of M/s Santoshi Traders (GSTN-16BBTPS0396G2Z2). In response (April 2022), the Superintendent stated that DRC-07 on the differences in the turnover had been issued. Latest development along with supporting documents may be furnished.

(viii) Dimension - Mismatch in taxable turnover between annual return and financial statements (Table 7G of GSTR-9C)

Table 7 of GSTR-9C is the reconciliation of taxable turnover. Column 7G of this table 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.

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

Audit observation on undischarged taxable turnover in Table 7G of GSTR-9C amounting to ₹ 0.60 crore was issued to the Superintendent of Taxes, Charge-II in respect of M/s Planetorium (GSTN-16ADNPP3687N1ZM) in May 2022. In response (July 2023), the Superintendent stated that ASMT-10 issued to the taxpayer seeking the

reasons for the discrepancy. Latest development along with supporting documents may be furnished.

(ix) Dimension - Mismatch in tax paid between books of accounts and annual returns (Table 9R of GSTR-9C)

The certified reconciliation statement submitted by the taxpayer as required under rule 80(3) of TGST Rules, 2017 in form GSTR-9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in tax paid between the Annual Return and the books of account. Table 9 of the form 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. The unreconciled amounts could potentially indicate tax levied at incorrect rates, incorrect depiction of taxable turnover as exempt or *vice versa* or incorrect levy of CGST/SGST/IGST. There can also be situations wherein supplies/ tax declared are reduced through amendments (net of debit notes/ credit notes) in respect of the 2017-18 transactions carried out in the subsequent year from April to September 2018. Consequential interest payments - both short payments and payments under incorrect heads - also need to be examined in this regard.

Unreconciled payment of tax declared in Table 9R of GSTR-9C amounting to ₹ 0.03 crore in case of M/s Nilotpal Bose (GSTN- 16AQUPB8439Q1ZW) under Kailasahar Charge was noticed and intimated to the Superintendent of Taxes during May 2022. In response (June 2022), the Superintendent stated that show cause notice (SCN) seeking the reasons for the discrepancy had been issued. Latest development along with supporting documents may be furnished.

(x) Dimension – Undischarged tax liability

GSTR-1 depicts the monthly details of outward supplies of Goods or Services. These details also assessed by the taxpayer and mentioned in annual return GSTR-9 in the relevant columns. Further, taxable value and tax paid thereof also shown in GSTR-3B.

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 GSTR-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)²¹⁵ and 3.1(b)²¹⁶ were considered.

During audit, it was observed that in case of M/s Tripura State Electricity Corporation Ltd.(GSTN- 16AACCT2964M1ZY) under Charge-I, the tax payable in Table 4 to 11 of GSTR-1 was nil and the tax payable declared in Tables 4N, 10 and 11 of GSTR-9

²¹⁵ Outward taxable supplies (other than zero rated, nil rated and exempted)

²¹⁶ Outward taxable supplies (Zero rated)

was ₹ 8.10 crore. Tax paid as per GSTR-9 was nil. This resulted in mismatch of tax liability amounting to ₹ 8.10 crore. The matter was intimated to the Superintendent of Taxes in May 2022. In response (November 2022), the Superintendent stated that ASMT-10 seeking the reasons for the discrepancy had been issued. Latest development along with supporting documents may be furnished.

(xi) Dimension - Short payment of interest on delayed payments

Section 50 of the TGST Act, 2017 stipulates that every person liable to pay tax in accordance with the provisions of this Act or the rules made there under 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.

The extent of short payment of interest on account of delayed remittance of tax during 2017-18 was identified using the tax paid details in GSTR-3B and the date of filing of the GSTR-3B. Only the net tax liability (cash component) has been considered to work out the interest payable.

Audit observed that in case of M/s Subir Majumder (GSTN-16CAOPM5025R1ZO) under Udaipur charge, having interest due of ₹ 0.02 crore and interest paid as per cash ledger and GSTR-3B was nil. This resulted in a short payment of Interest amounting to ₹ 0.02 crore which was intimated to the Superintendent of Taxes in May 2022. In response (June 2022), the Superintendent stated that show cause notice (SCN) seeking the reasons for the discrepancy had been issued. Latest development along with supporting documents may be furnished.

5.2.6.3 Analysis of causative factors

Considering the Department's response to 191 cases out of the sample of 235 data deviations/ inconsistencies, the factors that caused the data deviations/ inconsistencies are as follows:

5.2.6.3 (i) Deviations from GST law and rules

Out of the 235 deviations summarised in **Appendix 5.2.5**, the Department had accepted the audit observations or initiated examination in 140 cases involving an amount of ₹ 68.65 crore. Out of the cases, the Department has recovered ₹ 15.51 crore (**Appendix 5.2.6**) in four cases, issued SCN in eight cases for ₹ 1.66 crore (**Appendix 5.2.7**), issued notice conveying discrepancies to the taxpayer in Form ASMT-10 in 58 cases for ₹ 39.03 crore (**Appendix 5.2.8**) and was in correspondence with the respective taxpayers or issued DRC-01A in 63 cases amounting to ₹ 8.82 crore (**Appendix 5.2.9**).

Illustrative cases of two high values:

- (i) Audit observed that in case of taxpayer M/s Minamati Enterprise having GSTIN-16AIOPD3768J1ZW, the tax liability as shown in GSTR-1 was ₹ 0.54 crore and payment of tax as per GSTR-3B was ₹ 0.07 crore. Thus, this resulted in short payment of tax amounting to ₹ 0.47 crore. The methodology adopted was to

consider Tables 4 to 11 of GSTR-1 and Tables 4N, 10 and 11 of GSTR-9. 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)²¹⁷ and 3.1(b)²¹⁸ were taken into account.

On this being pointed out in Audit (December 2022), the Superintendent of Taxes, in response (July 2023), stated that notice was served to the taxpayer under Section 70 of TGST Act, 2017. Latest development along with supporting documents may be furnished

- (ii) Audit observed (May 2022) that in case of taxpayer M/s Antar Enterprise having GSTIN-16AOPM8961L1Z2, the ITC available as per GSTR-2A was ₹ 0.0002 crore and the ITC availed in Table 4A (5) of GSTR-3B was ₹ 0.62 crore. 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)²¹⁹ considering the reversals in Table 4B (2)²²⁰ but including the ITC availed in the subsequent year 2018-19 from Table 8C of GSTR-9. This resulted in mismatch of ITC availed of ₹ 0.62 crore.

In response (15 June 2022), the Superintendent of taxes, Bishalgarh stated that ASMT-10 had been issued to the taxpayer. Latest development along with supporting documents may be furnished.

5.2.6.4 Cases where Department's reply was not accepted to Audit

Out of the 235 non-compliance cases, Department replies not accepted by audit in seven cases amounting to ₹ 3.63 crore. In these cases, the Department only forwarded explanation of the taxpayers without explicitly commenting on the audit observations and relevant documents. Details of these cases along with the Audit rebuttal are given in **Appendix 5.2.10**. Two rebuttal cases are discussed below:

- (i) Mismatch of ITC availed between Annual returns and Books of accounts of ₹ 0.60 crore declared in Table 12F of GSTR-9C was noticed in case of M/s Panna Motors (GSTIN- 16AAHFP2649D1ZC), under Charge-IV, which was communicated to the Superintendent of Taxes in May 2022. In response (November 2022), it was stated that before 09.10.2019, taxpayers used to claim ITC on a self-declaration basis in Table 4(A) of GSTR-3B with no compulsion to reconcile the ITC figure with the GSTR-2A. The amount of ITC which was not reflected in GSTR-2A was treated as provisional credit. The plea is not acceptable, since under Section 16 of TGST Act 2017 the tax authority has to scrutinise the eligibility of ITC availed by the taxpayer. Further, supporting documents such as purchase invoices were not furnished. In absence of relevant documents audit could not verify the authenticity. Latest development along with supporting documents may be furnished.

²¹⁷ Outward taxable supplies (other than zero rated, nil rated and exempted)

²¹⁸ Outward taxable supplies (Zero rated)

²¹⁹ All other eligible ITC

²²⁰ Other ITC reversed

Short payment of interest on delay payment of tax was notice in case of taxpayer M/s Everest Infra Energy Ltd (GSTN-16AABCE7178B1ZT),) under Charge-IV having interest due of ₹ 0.07 crore and interest paid as per cash ledger and GSTR-3B was nil, which was communicated to the Superintendent of Taxes in May 2022. In response (November 2022), it was stated that GSTR-3B filing due date was extended upto February 2019 vide notification No-31/2018. However, no such notification was found issued by the State Tax Department and CBIC notification No. 31/2018 dated 6 August 2018 does not pertain to extension of GSTR-3B filing due date.

5.2.6.5 Detailed audit of GST returns

In a self-assessment regime, the onus of compliance with the law is on the taxpayer. The role of the Department is to establish and maintain an efficient tax administration mechanism to provide oversight. With a 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-State data analysis, a detailed audit of GST returns was also conducted as a part of this review. A risk-based sample of 30 taxpayers was selected for this part of the review. 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 office of the PAG (Audit), Tripura. Based on desk review results, detailed audit was conducted in Commercial Taxes Organisation, Tripura field formations 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 taxpayers.

5.2.6.5(i) Scope limitation (Non-production of records)

The Department provided access through the GST portal application-the back-end system of the State Tax Department (boweb) to Audit in its premises.

Audit teams downloaded various returns of selected samples of taxpayers for verification of returns. Although, no granular records relating to the taxpayers were provided by the Department.

The details of non- production of records are summarised in the following paragraphs:

Non-production: During the desk review of taxpayers' records available in the back-end system, Audit identified the risks related to excess 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 and the declarations in Table 5,

Table 7 and Table 9 of GSTR-9C. However, in 30 sampled cases, the Department did not produce the corresponding granular records such as the tax invoices, financial statements, credit & debit notes, *etc.* required for examining the causative factors for mismatches of ITC and tax liability. Audit requisitioned these granular records of the taxpayers through the respective Charges. The jurisdiction-wise non- production of records is summarised in **Table 5.2.5**.

Table 5.2.5: Non-production of records

Jurisdictional charge	Sample	No of cases where records were not provided
	Number of taxpayers	Number of taxpayers
Charge-I	2	2
Charge-II	3	3
Charge-III	1	1
Charge-IV	1	1
Charge-V	4	4
Charge-VI	4	4
Charge-VII	2	2
Charge-VIII	7	7
Bishalgarh	5	5
Teliamura	1	1
Total	30	30

The granular records were not produced in 100 *per cent* of cases, as a result deviation/ mismatches amounting to ₹ 27.27 crore could not be examined in detail by Audit.

5.2.6.5(ii) Audit findings

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 departmental 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 categorised under (a) Returns, (b) Utilisation of ITC, (c) Discharge of tax liability and (d) Other findings.

5.2.6.5(ii)(a) Returns

(i) Non-payment of interest on delayed payment

Section 50 (1) of the TGST Act, 2017 stipulates that every person who is 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, on his own, interest at, such rate, not exceeding eighteen per cent, as may be notified by the Government.

As per CBIC notification²²¹ vide F.No.CBEC-20/01/08/2019-GST dated 18

²²¹ There was no such notification from the State Tax Department

September 2020, the taxpayer is liable to pay interest only on net cash tax liability *i.e* cash component, if there is delay in payment of tax.

Scrutiny of GSTR-3B returns for the period 2017-18 filed by 30 taxpayers of 10 Charge offices revealed that 10 taxpayers of five charge offices submitted returns with delay as enumerated in **Appendix 5.2.11**. The taxpayers were liable to pay interest on delay payment of tax (cash component) of ₹ 0.30 crore.

When this was pointed out in Audit (July 2022), the Department in reply (July 2023) stated that in case of four taxpayers²²², DRC-01A was issued for recovery of due interest. In case of another four taxpayers²²³, intimation of discrepancy in Form ASMT-10 was issued. In case of one taxpayer M/s Laxmi Narayan Traders (GSTIN-16AACFL8969P1ZD) step would be taken for recovery of interest due. In case of another taxpayer M/s Sentu Dey (GSTIN-16AZIPD6343A2ZT), the case has been under court sub-judice.

Latest position of recovery of outstanding interest along with supporting documents may be furnished to audit.

In the meeting (5 June 2024) with the Secretary, Finance Department, Government of Tripura, the Department accepted the audit observation and assured to take necessary action at the earliest.

(ii) Non-filing of annual return (GSTR-9) and Reconciliation Statement (GSTR-9C)

Section 44(1) of TGST Act, 2017 read with Rule 80 (1) of TGST Rules, 2017 stipulates that every registered person other than person paying tax under Sec 51 or 52 shall furnish an annual return in Form GSTR-9 for every financial year electronically in such form and manner as may be prescribed on or before the thirty-first day of December following the end of such financial year.

Further, sub-section (2) of Section 44 of the Act and read with Rule 80 (2) of TGST Rules, 2017 every registered person who is required to get his accounts audited in accordance with the provisions of sub-section (5) of section 35 shall furnish, a copy of the audited annual accounts and a reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement and such other particulars as may be prescribed, duly certified in form GSTR-9C, electronically.

In this regard, every registered person whose aggregate turnover during a financial year exceeds ₹ two crore should get his account audited as specified under Section 35 (5) of the TGST Act, 2017 and read with Rule 80 (3) of TGST Rules, 2017.

Further, as per Section 46 of the TGST Act, 2017 where a registered person fails to furnish a return under section 39 or 44 or 45, a notice shall be issued to him to furnish

²²² GSTIN-16BIMPS7519H1ZQ, 16AAACR6117Q2Z0, 16AAKCA5823G1ZQ & 16AVEPS7445N2ZU

²²³ GSTIN-16ATVPS5284L1ZL, 16AARFK7454M1ZJ, 16AACFU6266G1Z1 & 16APDPR6406H1ZV

such return within fifteen days in such form and manner as may be prescribed.

The Finance Department, Government of Tripura vide notification NO.F. 1- 11 (91)-TAX/ GST/ 2020 dated 17 March 2020 extended the due date for filing annual returns up to 7 February 2020.

Audit noticed that in three out of 30 cases examined, the taxpayers did not file GSTR-9 and GSTR-9C despite their annual turnover crossed ₹ two crore threshold exemptions limits as given in **Table 5.2.6**.

Table 5.2.6: Non-filing of annual return (GSTR-9)

Charge	GSTIN	Legal Name	Total turnover as per GSTR 3B (₹ in crore)	Due date of filing GSTR-9/9C	Date of filing GSTR 9/9C
Charge-VIII	16ACUPP3799B1Z1	Doraiah Palimpatti	2.85	07.02.2020	Not filed
Bishalgarh	16AARFK7454M1ZJ	K. K. R. Jv	29.56	07.02.2020	Not
Bishalgarh	16AZIPD6343A2ZT	Sentu Dey	6.22	07.02.2020	Not

The matter was intimated to the respective Superintendent of Taxes in July 2022 and December 2022. The Department in reply stated (July 2023) that in case of Taxpayer (GSTIN-16ACUPP3799B1Z1) notice in Form GSTR-3A issued to the taxpayer. In case of the remaining two taxpayers no reply has been furnished to audit (July 2023). Latest developments along with supporting documents may be furnished.

5.2.6.5(ii)(b) Mismatch relating to ITC

Input Tax Credit means the Goods and Services Tax 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 TGST Act, 2017 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 TGST Rules, 2017 prescribes the procedures for availing and reversal of ITC.

Audit analysed the dataset of GSTR-2A in respect of selected taxpayers along with datasets of GSTR-3B, GSTR-9 and GSTR-9C filed by the taxpayers and noticed mismatches of input tax credit among returns. Audit could not examine mismatches in detail since relevant granular records were not produced by the Department.

Audit observed 26 instances of ITC related mismatches, amounting to ₹ 26.47 crore out of 30 sampled cases examined. The deficiencies were due to availing ITC irregularly, availing ineligible ITC and non or short reversal of ITC. Hence, these cases remain as mismatches. The details of mismatches in input tax credit noticed by Audit are given in **Table 5.2.7**.

Table 5.2.7: Mismatch in input tax credit claimed by taxpayers

Sl. No.	Parameter	No. of cases	No. of Charge office	Amount of mismatch (₹ in crore)	Remarks
1	<p>Mismatch between ITC availed in 3B and ITC availed in GSTR-2A:</p> <p>To analyse, the data were extracted from GSTR-9/ GSTR-3B and GSTR-2A, and the ITC paid as per suppliers' details was matched with the ITC credit availed by the taxpayer and compare the ITC available as per GSTR-2A with all its amendments and the ITC availed in GSTR-3B in Table 4A(5) considering the reversals in Table 4B(2) but including the ITC availed in the subsequent year 2018-19 from Table 8C of GSTR-9 (Appendix 5.2.12).</p>	20	7	13.34	<p>On this being pointed out in Audit (August 2022), ASMT-10 was issued to two taxpayers M/s NBCC (India) Ltd (GSTIN-16AAACN3053B1Z3) & M/s Evac Engineering Projects Pvt. Ltd (GSTIN-16AACCE9137D1ZT). Registration were suspended in case of two taxpayers M/s Tirthamoyee Traders Pvt. Ltd (GSTIN-16AAECT9428J1ZX) & M/s Abhijit Saha (GSTIN-16ATVPS5284L1ZL). Notice served to one taxpayer M/s Sterling and Wilson Pvt. Ltd. (GSTIN-16AAACS9939D1Z7). In all cases, latest development along with supporting documents may be furnished.</p> <p>In case of taxpayer M/s Sankar Saha (GSTIN-16AVWPS6181K1ZK) the Department in reply (July 2023) stated that actual excess of ITC was ₹ 0.02 crore against the audit objected amount of ₹ 0.11 crore. Further, it stated that the computation was done as per the reply furnished by the taxpayer against the ASMT10 issued to him. In another case M/s Samareesh Chowdhury (GSTIN-16AXDPC0281F1Z1), there was no excess of ITC as computed by the tax authority against the audit objected amount of ₹ 0.11 crore.</p>

Sl. No.	Parameter	No. of cases	No. of Charge office	Amount of mismatch (₹ in crore)	Remarks
					<p>However, in both cases no supporting documents were forwarded. Latest position along with supporting documents in support of their claimed may be furnished to audit.</p> <p>In case of taxpayer M/s Satyam Rubber Industries (GSTIN-16ACAFS0417M1Z7), Department stated (July 2023) that the taxpayer had reversed ITC for ₹ 3.70 crore in the month of April 2018 and also realised ₹ 0.16 crore as tax, interest and penalty after all adjustments. Invoices for the remaining amount of ITC ₹ 0.44 crore claimed by the taxpayer during FY 2017-18 had been uploaded and amended by the supplier on or before March 2019 vide CBIC order No-02/2018-Central Tax dated 31 December 2018. However, no supporting documents for the recovery of ₹ 0.44 crore has been furnished by the Department. In this regard it is stated that supporting documents may be furnished for recovery of the ITC amount of ₹ 0.44 crore.</p> <p>In case of four taxpayers viz: M/s Delwara Steel (GSTIN-16AAFCK1502P1ZI), M/s ITD Cementation India Ltd (GSTIN-16AAACT1426A1Z2), M/s Rajesh Saha (GSTIN-16AVEPS7445N2ZU) & M/s Tata Play Ltd (GSTIN-16AAGCS9294M1ZI) the</p>

Sl. No.	Parameter	No. of cases	No. of Charge office	Amount of mismatch (₹ in crore)	Remarks
					<p>Department in reply (July 2023) stated that all relevant records submitted by the taxpayers were checked and found satisfactory. However, no documents were forwarded to audit. Hence, audit could not verify the authenticity in absence of relevant documents. In all cases, supporting documents related to the latest reply may be furnished to audit.</p> <p>In case of three taxpayers M/s Maupasa Saha (GSTIN-16BIMPS7519H1ZQ), M/s NPCC Ltd (GSTIN-16AAACR6117Q2Z0) & M/s Doraiah Palimpati (GSTIN-16ACUPP3799B1Z1) the Department in reply (July 2023) stated that the taxpayers were issued summon u/s 70 of TGST Act 2017.</p> <p>One taxpayer M/s ABM Rubber Industries Pvt. Ltd (GSTIN-16AAKCA5823G1ZQ) was issued DRC-01A and suspended the registration. In all cases, latest development along with supporting documents may be furnished.</p> <p>In case of another four taxpayers²²⁴ it was stated (July 2023) that ASMT10 were issued and suspended their registrations. All supporting documents related to the latest</p>

²²⁴ GSTIN-16AACFU6266G1Z1, 16APDPR6406H1ZV, 16ASAPS8250N1Z8 & 16AZIPD6343A2ZT

Sl. No.	Parameter	No. of cases	No. of Charge office	Amount of mismatch (₹ in crore)	Remarks
					reply may be furnished to audit.
2	Mismatch of ITC in ECL than declared in annual return: ITC claimed gets credited to ECL of the taxpayer through GSTR-3B. Table 6A of GSTR-9, which is the sum total of ITC availed in R3B is auto populated. Through Table 6B to 6H, the taxpayer provides bifurcation of the ITC availed in form of inputs, input services, and capital goods. Table 6J of GSTR-9 brings out the difference of ITC actually availed through 3Bs, and ITC entered in Table 6B to 6H. A negative figure in 6J is indicative of excess availment of ITC (Appendix 5.2.13).	3	2	1.23	On this being pointed out in audit, the Department in reply (July 2023) stated that the taxpayer M/s Abhijit Saha (GSTIN-16ATVPS5284L1ZL) had furnished a reply against the notice issued in Form ASMT-10 and after careful examination, it was found that the reply of the taxpayer was valid. But no supporting documents were furnished to audit. In absence of supporting documents audit could not establish its authenticity. Thus, all supporting documents may be furnished to audit. In case of the remaining two taxpayers ²²⁵ , it was stated (July 2023) that the taxpayers were issued summon u/s 70 of TGST Act 2017 for examination of records. Latest development along with supporting documents may be furnished to audit.
3	Mismatch in ITC availed under RCM (with payment of tax): Data of Table 3.1 (d) of GSTR-3B, which contains the details of inward supplies that are liable to reverse charge, was compared with RCM ITC availed in GSTR-9 Table	1	1	0.0071	The matter was intimated to the concerned tax authority in July 2022 and December 2022, but no reply had been furnished to Audit till date (July 2023). Reply may be furnished to audit.

²²⁵ M/s NPCC Ltd (GSTIN- 16AAACR6117Q2Z0) & M/s Tata Play Ltd (GSTIN-16AAGCS9294M1ZI)

Sl. No.	Parameter	No. of cases	No. of Charge office	Amount of mismatch (₹ in crore)	Remarks
	6C+6D+6F (Appendix 5.2.14).				
4	Mismatch of ITC between Annual Return (GSTR9) and audited Financial Statements (Table 14T of GSTR9C) Table 14T of GSTR-9C compares expenses incurred on inputs, capital goods and any other expenses with the input tax credit availed and highlight any excess availing of input tax credit on account of ineligible credit (Appendix 5.2.15).	2	1	11.90	On this being pointed out in Audit (July 2022), the Superintendent of Taxes issued (July 2023) intimation of discrepancies in Form ASMT-10 to the two taxpayers ²²⁶ . Latest development along with supporting documents may be furnished to audit.
	Total	26	11	26.47	

In the meeting (5 June 2024) with the Secretary, Finance Department, Government of Tripura, the Department accepted the audit observation and assured to take necessary action at the earliest.

5.2.6.5(ii)(c) Mismatches relating to discharge of tax liability

The taxable event in the case of GST is supply of goods and/ or services. Section 9 of the TGST Act, 2017 is the charging section authorising 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 TGST Act. Section 5 of the IGST vests levy and collection of IGST on interstate supply of goods and services with Central Government with maximum rate of 40 *per cent*.

Audit scrutinised GSTR-1, GSTR-3B and GSTR-9 returns filed by the taxpayers for the year 2017-18 and noticed mismatch in discharge of tax liability by comparing the tax liability furnished in the returns. Out of 30 sampled cases examined, Audit observed four instances of discharge of tax related mismatched amounting to ₹ 0.80 crore. Audit could not examine these mismatches in detail since relevant granular records were not produced by the Department. The details of mismatches are given in **Table 5.2.8**.

²²⁶ M/s NBCC (India) Ltd (GSTIN-16AAACN3053B1Z3) & M/s ITC Ltd Company (GSTIN-16AAACI5950L1ZD)

Table 5.2.8: Mismatch related to discharge of tax liability

Sl. No.	Parameter	No. of cases	No. of charge office	Amount of mismatch (₹ in crore)	Remarks
1	Mismatch in tax liability on comparing greater of the tax liability of GSTR-1, GSTR-9 with reference to Tax payment in GSTR-9: GSTR-1 and GSTR-9 for the year 2017-18 and the tax payable in these returns was compared with the tax paid in GSTR-9 (Appendix 5.2.16).	2	2	0.11	In case of the taxpayer M/s ABM Rubber Industries Pvt. Ltd (GSTIN-16AAKCA5823G1ZQ), it was stated (July 2023) that DRC-01A was issued as well as audit u/s 65 of TGST Act 2017 was under process. Latest development along with supporting documents may be furnished. In case of taxpayer M/s Sabita Paul (GSTIN-16AKCPP0564E1ZF), no reply has been furnished to Audit (July 2023). Reply along with supporting documents may be furnished to audit.
2	Unreconciled turnover and tax payment: Figures under Table 7G and 9R indicate mismatch of taxable turnover and tax paid respectively between annual return and the financial statements (Appendix 5.2.17).	2	1	0.69	On this being pointed out in Audit (July 2022), the Department in reply (July 2023) stated that intimation of discrepancy in Form ASMT-10 had been issued to the taxpayer ²²⁷ . Latest development along with supporting documents may be furnished to audit.
Total		4	3	0.80	

In the meeting (5 June 2024) with the Secretary, Finance Department, Government of Tripura, the Department accepted the audit observation and assured to take necessary action at the earliest.

5.2.6.5(ii)(d) Other findings-Classification of goods & services

The Finance Department, Government of Tripura notification No.1/ 2017-State Tax (Rate) dated 28 June 2017 has fixed the rate of taxes of various goods under GST based on the Harmonised System of Nomenclature (HSN) classification and schedules. Similarly, the Finance Department, Government of Tripura notification No.11/2017–

²²⁷ M/s NBCC (India) Ltd (GSTIN-16AAACN3053B1Z3)

State Tax (Rate) dated 28 June 2017 has fixed the rate of taxes of various services under GST based on the scheme of classification of Service Accounting Code (SAC). Further, Finance Department notification No. 2/ 2017– State Tax (rate) dated 28 June 2017 specified goods which are exempted in the course of intra-state business. Besides, as per Finance Department, Government of Tripura vide notification No. F.1.11(91)-Tax/ GST/ 2017 (Part-III) dated 29 June 2017 specified that a registered person having annual turnover of ₹ 1.5 crore & above in the preceding financial year shall mention the digits of Harmonised System of Nomenclature (HSN) Codes in a tax invoice issued by him.

Audit cross-examined the classification of supplies declared by the taxpayers in registration form, returns of GSTR-9, rate of taxes of goods & services notified by the Finance Department, Tripura and tax invoices. In five cases out of 30 cases examined, Audit observed discrepancies in classification of supplies and rate of taxes as detailed in **Appendix 5.2.18**.

Audit could not verify the correctness of classification of supplies and rate of taxes in the absence of the tax invoices.

The matter was intimated to the Superintendent of Taxes in July 2022 and December 2022 with the request to examine at their end. The Department in reply (July 2023) stated that ASMT10 issued to the four taxpayers²²⁸ and their registration were suspended. But, in case of one taxpayer M/s NBCC (India) Ltd (GSTIN-16AAACN3053B1Z3) no reply has been furnished (July 2023). In all cases, latest development along with supporting documents may be furnished.

Recommendation 5

The Department may initiate remedial action for all the compliance deviations brought out in this report before they get time barred.

5.2.7 Conclusion

The Subject Specific Compliance Audit (SSCA) on Department's Oversight on GST Payments and Return Filing disclosed that documentation of essential oversight functions of charges such as scrutiny of returns, audit of taxpayers and taxpayer's compliance was not proper and not amenable to evaluation. As such, the functions of the charges were not fully carried out in an organised manner.

Further, out of the 235 high value data inconsistencies identified by Audit the Department responded to 191 cases. Of these, 140 cases constituting 73.29 *per cent*, turned out to be compliance deficiencies amounting to ₹ 68.65 crore. Relatively higher rates of deviations were noticed in risk parameters such as short/ non-payment of interest, ITC mismatch and availing ITC under RCM, *etc.* The Department has not responded to 44 cases of inconsistencies, which has an identified mismatch of ₹ 16.64 crore.

²²⁸ GSTIN-16AAECT9428J1ZX, 16AARFK7454M1ZJ, 16AACFU6266G1Z1 & 16ASAPS8250N1Z8

Detailed audit of GST returns also suggested significant non-compliance. In 30 out of 30 cases examined, granular records were not forthcoming, which constituted a significant scope of limitation. In ten out of 30 cases examined, were liable to pay interest on delay payment of tax (cash component) amounting to ₹ 0.30 crore. A relatively higher rate of deficiencies was noticed in 30 identified mismatch of ITC availed and discharge of tax liability with a risk exposure of ₹ 27.27 crore²²⁹. From a systemic perspective, the Department needs to strengthen the institutional mechanism in the Charges to establish and maintain effective oversight on return filing, taxpayer compliance, tax payments, cancellation of registrations and recovery of dues from defaulters.

5.2.8 Summary of recommendations

- 1. The Department may formulate SOP or prescribe detail procedures for selection of scrutiny cases and fix targets, so that an optimum number of cases can be scrutinised in every financial year before the cases became time barred.*
- 2. The Department may ensure timely verification of cancellation of registrations to prevent undue loss of tax revenue and unfair tax practices.*
- 3. The Department may formulate detail selection procedures for cases for conduct of audit so that an optimum number of cases can be audited in every financial year.*
- 4. The Department may urgently pursue where inconsistencies and deviations were pointed out by Audit and result there-of may be intimated to Audit.*
- 5. The Department may initiate remedial action for all the compliance deviations brought out in this report before they get time barred.*

²²⁹ Total money value of **Table 5.2.8** plus **Table 5.2.9**