CHAPTER – II

TAXATION DEPARTMENT

CHAPTER – II
TAXATION DEPARTMENT

2.1 Tax Administration

The Taxation Department holds the mandate for the administration of taxes on sales, trade, *etc.*, within the State. The collection of tax is governed by the provisions of the Meghalaya Value Added Tax (MVAT) Act, 2003; the MVAT Rules, 2005; the Central Sales Tax (CST) Act, 1956; the CST Rules, 1957; the Meghalaya Sales of Petroleum and Petroleum Products (including Motor Spirit) and Lubricants Taxation (MSL) Act, 1972, *etc*. With the introduction of Goods & Services Tax (GST) on 01 July 2017, the CST Act and MVAT Act have been repealed.

The Principal Secretary/Commissioner and Secretary to the Government of Meghalaya, overseeing the Excise, Registration, Taxation, and Stamps (ERTS) Department, assumes overall charge of the Taxation Department at the Government level. Within this framework, the Commissioner of Taxes (CoT) serves as the Head of the Department and is entrusted with the administration of all taxation initiatives, which encompasses the general control and supervision of zonal offices, unit offices and staff engaged in tax collection, and to guard against evasion of taxes. In addition to these duties, the CoT is also the authority for disposing of revision petitions under all taxation acts and laws besides providing clarifications under the MVAT Act, 2003. The CoT is assisted by Additional Commissioner, Joint Commissioner of Taxes (JCT), Dy. Commissioners of Taxes (DCTs), Assistant Commissioners of Taxes (ACTs), Superintendents of Taxes (STs) and Inspectors of Taxes operating both at the Headquarters and zonal/unit levels. At the district level, the task of dealer registration, returns scrutiny, tax collection, interest and penalty imposition, issuance of road permits/declaration forms, and enforcement and supervision rests under the purview of 16 designated Superintendents of Taxes[16] (STs).

2.2 Results of Audit

Test-check of records of two units during 2023-24 revealed loss of revenue, evasion of tax, and other irregularities in 17 cases involving an amount of ₹ 41.05 crore, as depicted in **Table 2.1**.

Table 2.1: Results of Audit conducted during 2023-24

(₹ in crore)

Sl. No.	Category	No. of Cases	Amount
1.	Loss of revenue	01	0.44
2.	Evasion of tax	05	1.29

[16] (1) ST Circle I, (2) ST Circle II, (3) ST Circle III, (4) ST Circle IV, (5) ST Circle V, (6) ST Circle VI, (7) ST Circle VII, (8) ST Circle VIII, (9) ST Williamnagar Circle, (10) ST Tura Circle I, (11) ST Jowai Circle, (12) ST Ri-Bhoi Circle (13) ST Non-resident Circle, (14) ST Nongstoin Circle, (15) ST Khliehriat Circle, and (16) ST Tura Circle II.

Sl. No.	Category	No. of Cases	Amount
3.	Other irregularities	11	39.32
Total:		**17**	**41.05**

The Department is yet to convey its acceptance of the above-mentioned cases. During the year 2023-24, recovery amounting to ₹ 0.11 crore was made at the instance of audit in respect of three cases. The recovered amount pertains to cases held under objection from years preceding 2023-24.

This chapter contains one Performance Audit (PA) and one Subject Specific Compliance Audit (SSCA) including one CAP, outlined as follows:

(i) PA on E-Way Bill System under Goods and Services Tax in Meghalaya, with financial implication of ₹16.47 crore.

(ii) SSCA on Department's Oversight on GST Payments and Returns Filing (Phase-II), with a financial impact of ₹ 108.01 crore.

(iii) Evasion of Taxable Turnover amounting to ₹ 8.15 crore.

2.3 Performance Audit on E-Way Bill System under Goods and Services Tax in Meghalaya.

2.3.1 Introduction

2.3.1.1 Electronic Way Bills (EWBs)

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

Way bill was a feature present in pre-GST regime wherein movement of goods was administered through manually governed (revenue) check posts. Specified goods entering a particular State was levied an 'Entry Tax' which has since been subsumed under GST. Electronic-Way bill (EWB) has been introduced under GST regime which is a shift from Government-monitored tax administration model to a self-reporting model by the taxpayers. The EWB was introduced with effect from 1 April 2018 for all inter-State movement of goods having value exceeding ₹ 50,000. For the intra-State movements in Meghalaya, EWB was made mandatory with effect from 25 April 2018[17]. Rule 138 to 138E of Meghalaya Goods and Services Tax Rules (MGST Rules), 2017 (amended from time to time) provides for the EWB mechanism.

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

The information on the consignment is to be furnished prior to commencement of movement of goods and generation of EWB irrespective of whether the movement is in relation to supply or for reasons other than supply.

2.3.1.2 Organisational Structure

The Principal Secretary/Commissioner and Secretary to the Government of Meghalaya, Excise, Registration, Taxation and Stamps (ERTS) Department is the overall in charge of the Taxation Department implementing the GST for State administered taxpayers across the State. The Commissioner of Taxes (CoT) is the Head of the State GST and being assisted by one Additional Commissioner of Taxes (Addl. CT), one Joint Commissioner of Taxes (JCT), two Deputy Commissioner of Taxes (DCT), four Assistant Commissioners of Taxes (ACTs) and 18 Superintendents of Taxes (SsT).

There are five Preventive units[18] under the CoT which perform wider anti-evasion duties, including verification of EWB. For the purpose of verification of EWB during the movement of goods by conveyance and to carry out inspection, search and seizure at the place of business

[17] Vide notification No. ERTS(T) 84/2017/20 dated 20 April 2018.
[18] Superintendent of Taxes, Enforcement Branch, Shillong, Khliehriat, Jowai, RI-Bhoi and Tura.

of taxable person and transporter, it is necessary to have mobile squads under each Preventive unit. EWB (effected for supplies) are typically accounted under the Return GSTR-1 and GSTR-4/GST-CMP-08 by the normal and composition taxpayers respectively and are required to be verified by the ST/Proper officers under each Preventive unit. The functions performed by the Proper Officers using the EWB Common Portal/Mobile App are verification of EWB, unblocking of EWB, viewing and accessing MIS reports, *etc.*

2.3.1.3 Information Systems used for EWBs

The EWB Common portal is managed by National Informatics Centre (NIC) and is integrated with the VAHAN[19] system of the Ministry of Road Transport & Highways, so that vehicle registration number can be validated at the time of generating EWB. FASTag system has been integrated with the EWB system with effect from 01 January 2021. On the EWB Common Portal, one-time registration of the taxpayer is required for the purpose of generation, extension, cancellation and rejection of EWB. The Proper Officers can access the EWB Portal through two means - (i) Logging into EWB Common Portal through a web browser using the login credentials provided or (ii) Logging into the GST EWB System Mobile App.

2.3.1.4 Processes involved in the EWB System

The EWB system includes various processes such as the Enrolment of the required persons in the portal, Generation of EWB, Extension, Cancellation and Rejection of the EWBs generated, *etc*. The important terminologies associated with EWB System are discussed in the following paragraphs:

(i) Enrolment in the Portal

As per the provisions of Rule 138 of the MGST Rules, 2017, every person who causes movement of goods of consignment value exceeding the prescribed limit shall generate a EWB by providing required details in GST EWB-01.

For generation of EWB GST Registered Persons, Transporters (GST Registered or Unregistered) and Citizens/Unregistered[20] persons are required to enrol themselves in the EWB portal by providing necessary details such as State, GSTIN, Legal Name, PAN, Mobile Number, *etc*. The transporters, who may not be registered under the GST but cause movement of goods for their clients, need to enrol on the EWB portal and get 15-digit Unique Transporter ID.

(ii) Generation of EWB

As per Rule 138 of the MGST Rules, 2017, EWB can be generated electronically by furnishing details in Part A (once submitted cannot be edited) of the Form GST EWB-01 by any of the following players:

[19] 'VAHAN' is a national vehicle registry created by the Ministry of Road Transport and Highways. The main aim of VAHAN is to collate all the vehicular information available with all road transport authorities and provide citizens and regulators easy access to the same.

[20] With effect from 10 July 2024, an unregistered person required to generate EWB in FORM GST EWB-01, shall submit the details electronically on the common portal in FORM GST ENR- 03 either directly or through a Facilitation Centre notified by the Commissioner and, upon validation of the details so furnished, a unique enrolment number shall be generated and communicated to the said person.

- the Consignor.
- the Transporter (in the case of authorisation by the Consignor or if the Consignor is an unregistered person).
- the Consignee.

Details of the consignments *viz.,* GSTIN of Supplier, Place of Dispatch, GSTIN of Recipient, Place of delivery, Document Number, Document Date, Value of Goods, HSN Code and Reason for transportation will be available in Part-A of the EWB-01 and in Part-B, Vehicle Number for consignment by road and Transport document number will be provided. Furnishing details of vehicle number is not mandatory for intra-State/UT transactions with a distance up to 50 km in respect of the goods transported from the place of business of the consignor to the place of business of the transporter for further transportation. Consolidated EWB can be generated in Form GST EWB-02 in the case of multiple EWB generated for the multiple consignments but transported in the single vehicle.

(iii) Bill to Ship to Transactions

In 'Bill to Ship to' transactions, three persons are involved *viz.,* Supplier, Buyer and Recipient. The goods are purchased by the buyer and transported from the place of supplier to the place of recipient on behalf of the buyer. In these transactions, EWB can be generated either by the Supplier or by the Buyer. Buyer orders the Supplier to supply the Goods to the Recipient on behalf of the Buyer. In this transaction, two supplies and two invoices are involved.

(iv) Validity of EWB

As per Rule 138(10) of the MGST Rules, 2017, the validity of the EWB depends upon the distance and the type of shipment. Validity is calculated from the date on which the EWB has been generated (relevant date) and the period of validity shall commence from the midnight of the generation of EWB.

The validity period is one day for 200 km in respect of consignment other than over dimensional cargo and one additional day for every 100 km or part thereof with effect from 29 December 2017.

(v) Extension of EWB

As per Proviso-3 of the Rule 138(10) of the MGST Rules, the validity of the EWB can be extended by the transporter under circumstances of an exceptional nature where the goods cannot be transported within the original validity period of the EWB after updating the details in Part B of Form GST EWB-01. Further, the validity of EWB can be extended by the Commissioner for certain categories of specified goods by notification.

(vi) Cancellation of EWB

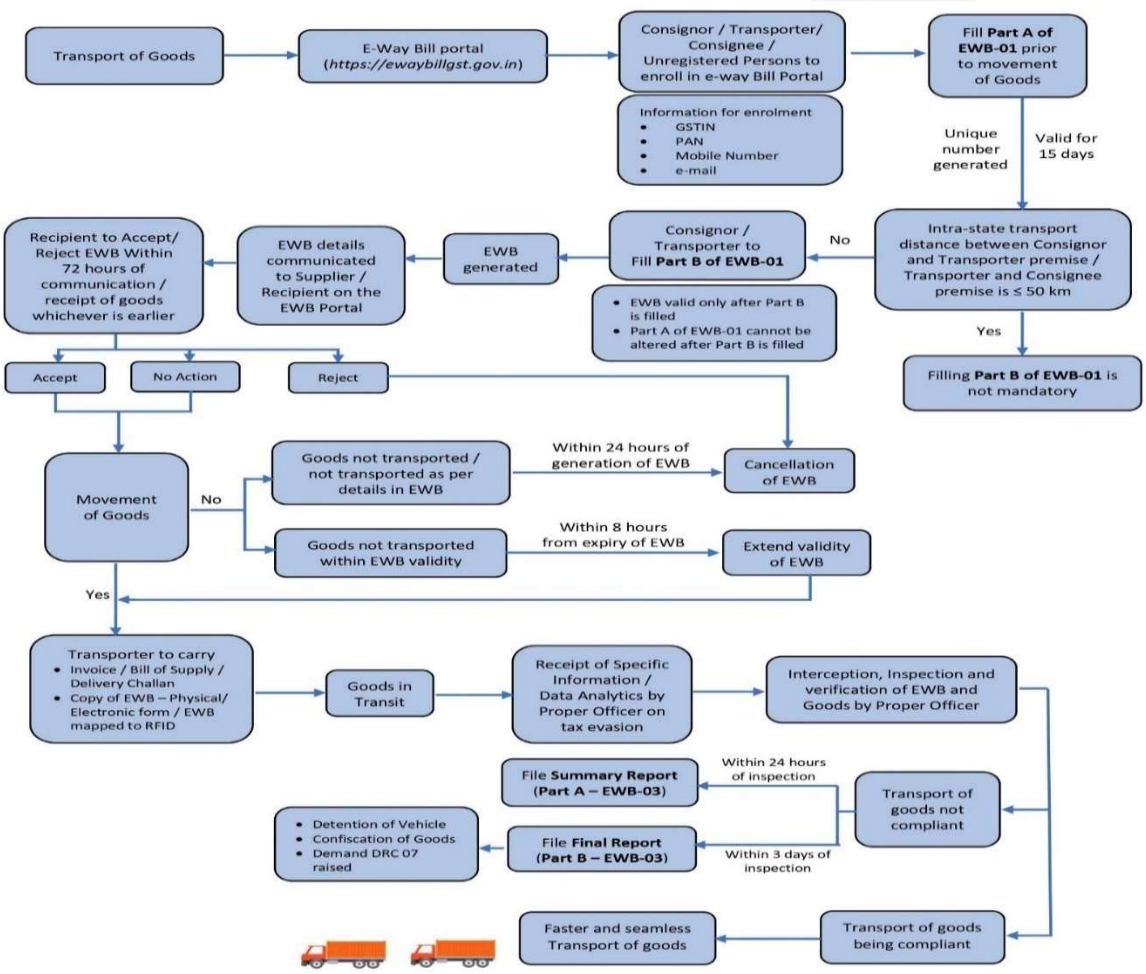
As per Rule 138(9) of the MGST Rules where an EWB is generated, the same may be cancelled electronically on the common portal within 24 hours of generation. However, an EWB cannot be cancelled if it has been verified in-transit.

(vii) Rejection of EWB

As per Rule 138 (11) and (12) of the MGST Rules, the details of the EWB generated will be communicated electronically to the Recipient, and he is required to communicate his acceptance or rejection of the goods being transported. If the Recipient does not communicate his acceptance or rejection within 72 hours, the EWB shall be deemed to be accepted.

The entire process flow of EWB system under GST is depicted below:

Figure 1: E-Waybill Mechanism - Process Flow Chart



2.3.2 Audit Objectives

This Performance Audit (PA) was carried out with the following audit objectives:

(i) whether EWB mechanism is effective in protecting revenue interest of the Government.

(ii) whether the Preventive/Enforcement activities of the Department in enforcing EWB provisions are efficient and effective.

2.3.3 Audit Criteria

The PA on EWB system under GST has been evaluated against the following audit criteria:

- Meghalaya Goods and Services Tax Act, 2017 (MGST Act).
- Meghalaya Goods and Services Tax Rules, 2017 (MGST Rules).
- Notifications/Circulars/Instructions authorised by GST Council and issued by Central Board of Indirect Taxes & Customs (CBIC) and Taxation Department, Government of Meghalaya from time to time, and
- Advisories/Standard Operating Procedures issued by NIC, CBIC and Taxation Department, Government of Meghalaya.

2.3.4 Audit Scope

E-way bill transactions of the persons registered in the EWB portal pertaining to the period between 1 April 2018 and 31 March 2022 were covered in the PA. An Entry Conference was held with the Taxation Department on 19 June 2024 to discuss the audit objectives, criteria and scope of the Audit. The audit was conducted between May 2024 and September 2024. The draft PA report was forwarded to the Department on 18 February 2025. The Exit Conference was held on 21 March 2025 where the audit findings were highlighted and response of the Department obtained.

Audit examined the overall performance of EWB system in the GST regime with reference to the given audit objectives. EWB data (generated) for the audit period has been extracted from GSTN and analysed. The scope of audit also involved evaluation of the preventive functions of the Department with reference to EWB, *viz.*, interception of vehicles, verification of documents, inspection of goods and action taken thereof. The movement of conveyances by roadways alone has been considered for this Audit and Railway/Airway/Seaway EWBs have been excluded from the scope of this Audit.

2.3.5 Audit Sampling Methodology

A risk-based approach has been attempted for this PA, as EWB generation under GST is a necessary condition to precede any movement of goods subject to the threshold limit.

The samples for Audit Objective-1 evolved based on the Key Problem Areas (KPAs)/Risk Dimensions identified. The KPAs are listed in **Appendix 2.3.1.** Under Audit Objective-1, a total of 80 EWBs pertaining to 41 taxpayers falling under five Taxation Circles[21] were selected for examination based on risk analysis and to cover all the KPAs relevant for Meghalaya. Besides these sampled 80 EWBs, another five EWBs pertaining to five taxpayers (including one taxpayer already featuring in the sample of 41 taxpayers) where both the consignor and the consignee were shown to have the same PAN, falling under four Taxation Circles[22] were also selected. The sample therefore comprised 45 unique taxpayers. Further, where discrepancies were noticed in EWBs of any selected taxpayer, all EWBs of such taxpayers

[21] Circles II of Shillong, VIII of Shillong, Ri Bhoi, Khliehriat, and Nongstoin.
[22] Circles II, of Shillong, VI of Shillong, VIII of Shillong and Williamnagar.

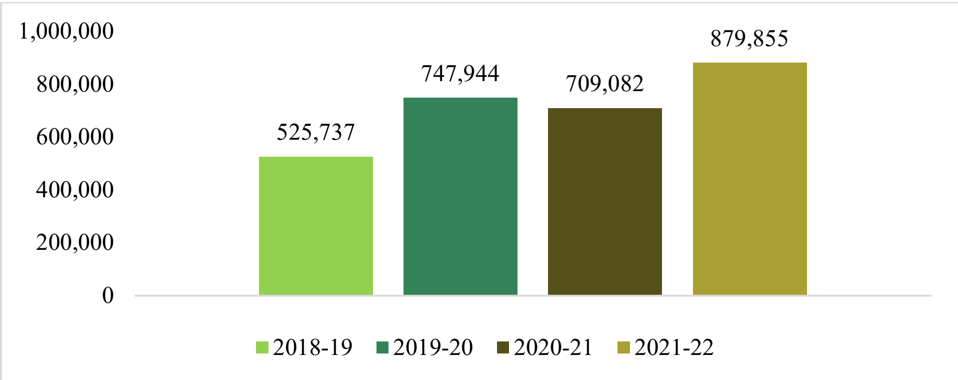
were reviewed for verifying compliance.

Under Audit Objective-2, Audit evaluated the problems associated with enforcement/ preventive activities *viz.,* operational preparedness, effectiveness of anti-evasion measures and Intra-Department and Inter-Department coordination. For Audit Objective-2, three out of five preventive units were selected based on stratified sampling method[23]. A total of 50 booked cases were selected from the three preventive units[24].

2.3.6 Trends and Insights of EWB data

The trend on usage of EWBs with reference to number of EWBs generated and the value involved during the period from 2018-19 to 2021-22 is given in the chart below:

Chart 2.3.1: No. of EWBs generated



Source: Information provided by the Department

During 2018-19 to 2021-22, a total of 28.63 lakh EWBs were generated by the taxpayers under the State jurisdiction. From Chart 1 above, it could be seen that the number of EWBs generated by the taxpayers under the State GST during 2018-19 to 2021-22 indicated a positive trend in the generation of EWBs, despite a brief setback in 2020-21. An overall increase of 67 *per cent* in EWBs was seen in 2021-22, from 5.26 lakh in 2018-19 to 8.80 lakh in 2021-22.

2.3.7 Scope limitation due to non-production of records

Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) (CAG's DPC) Act 1971 lays down the Audit Mandate of the CAG regarding Audit of receipts. Further, Section 18(2) of the CAG's DPC Act 1971 imposes a statutory duty on Offices/Departments to comply with the requests for information as complete as possible and with all reasonable expedition.

During this PA, the books of accounts which includes balance sheets and trading accounts *etc.* of five sampled taxpayers[25] out of 45 taxpayers, though requisitioned by Audit were not

[23] Five Enforcement branches in Meghalaya were stratified into Stratum 1 and Stratum 2 based on median number of cases verified as furnished by the State Taxation Department. Using IDEA, 50 *per cent* (rounded off to next higher integer), two Enforcement branches from Stratum 1 and one Enforcement branch from Stratum 2 were selected.

[24] A total of 50 booked cases (25 booked cases from each stratum) are required to be examined. As the selected preventive units under Stratum I contains only 9 booked cases, remaining 16 booked cases are selected from the preventive unit under Stratum II.

[25] 1) GSTIN:1xxxxxxxxxxxxxN 2) 1xxxxxxxxxxxxxO 3) 1xxxxxxxxxxxxxV (Khliehriat Circle) 4) 1xxxxxxxxxxxxxV (Ri Bhoi Circle) and 5) 1xxxxxxxxxxxxxU.

furnished, as a result of which, Audit could not analyse the cases to ascertain disclosure of all goods receipts and supplies/sales made as per the tax returns filed by the taxpayers. The jurisdiction wise non-production of the books of accounts are summarised in the table below:

Table 2.3.1: Non-production of Books of Accounts

Jurisdictional Zone	Total taxpayers	No. of taxpayers who did not produce books of accounts
ST, Shillong (Circle II)	5	01
ST, Shillong (Circle VIII)	9	01
ST, Khliehriat Circle	5	02
ST, Ri Bhoi Circle	20	01
Total	**39**	**05**

To verify the actual delivery of goods, Audit requested additional records, specifically the goods delivery receipts, for 23 sampled EWBs pertaining to 12 taxpayers. However, the Department provided tax invoices instead of the requested goods delivery receipts for only 16 EWBs in lieu of delivery receipts. Further, the details of goods receipts/supplies and tax invoices for seven EWBs (30.43 *per cent*) were not furnished to Audit for a detailed analysis. The jurisdiction wise non-production of goods delivery receipts is summarised in the table below.

Table 2.3.2: Non-production of delivery receipts

Jurisdictional Zone	No. of taxpayers	Non-production of delivery receipts	Submission of tax invoices in lieu of delivery receipt	Non-submission of detail of goods receipts/tax invoices
		No. of EWBs	No of EWBs	No. of EWB
ST, Shillong (Circle II)	03	07	01	06
ST, Shillong (Circle VIII)	02	04	04	Nil
ST, Khliehriat Circle	01	02	02	Nil
ST, Ri Bhoi Circle	06	10	09	01
Total	**12**	**23**	**16**	**07**

Non-production of records/partial production of records by the Department hindered Audit in carrying out proper analysis of the above sampled EWBs and taxpayers' GST returns.

Audit Findings

Audit findings have been categorised into two broad perspectives, *viz*., effectiveness of EWB system in protecting the revenue and the shortfalls noticed in the enforcement functions of the Department.

2.3.8 Effectiveness of EWB System in protection of revenue

2.3.8.1 Deficiencies and revenue impact noticed during Substantive Audit

During the audit, tax compliance by the taxpayers was verified with GST returns and other e-records relating to the taxpayers as available in the GSTN portal. Further, third party records like Annual Financial Statements, Purchase and Sales Registers, Stock Accounts were called for through the Department and checked as corroborative evidence wherever made available.

Audit attempted to ascertain whether existing systems and controls were adequate to ensure compliance with the provisions of the MGST Act relating to the EWB system. Audit noticed

23 cases of non-compliance to the provisions of the Act involving potential revenue of ₹ 90.66 lakh in tax, ₹ 92.00 lakh in penalty and ₹ 56.49 lakh in interest. The KPA-wise observations noticed are given in the table below:

Table 2.3.3: Summary of KPAs *vis- a-vis* number of cases detected under each KPA

(₹ in lakh)

Sl. No.	Key Problem Areas	No. of taxpayers (A taxpayer may be involved under multiple KPAs)	Value			
			Assessable value	Tax	Penalty	Interest
1	Ineligible taxpayers continuing under Composition Scheme	02	2.50	0.10	-	-
2	Generation of EWBs by Nil-filers of GST returns	03	213.77	5.37	6.81	1.01
3	Generation of EWBs by Non-filers of GST returns	01	120.00	21.41	21.41	11.90
4	Generation of EWB by cancelled taxpayers	01	2.70	0.49	0.49	0.30
5	Generation of EWB on the strength of same invoices	04	266.73	63.29	63.29	43.28
6	Generation of EWB using risky vehicles	08	133.37	-	-	-
7	Extension of EWB without assigning reasons	02	44.84	-	-	-
8	Cancellation of EWB without date and time and without assigning reasons	02	255.00	-	-	-
Total		**23**	**1038.91**	**90.66**	**92.00**	**56.49**

The audit observations pertain to 22 distinct taxpayers and are based on KPAs for conducting substantive audit. The issues noticed during the audit are discussed in the succeeding paragraphs.

A. Ineligible taxpayers continuing under Composition Scheme

In terms of Section 10 (1) of the MGST Act, 2017, a registered person whose aggregate turnover in the preceding financial year did not exceed the threshold limit[26] may opt to pay tax under composition scheme. Further, in terms of Section 10 (3) of the MGST Act, the option availed of by a registered person for composition scheme shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the limit specified. Section 10(2) (b) of the MGST Act, however, provides that a taxpayer shall not be eligible to opt for composition scheme, if engaged in making any Inter-State outward supplies of goods.

Further, as per Section 61 of the Act *ibid*, various returns filed by the taxpayers have to be scrutinised by the Proper Officer/ST to verify the correctness of the returns, and suitable action has to be taken on any discrepancies or inconsistencies reflected in the returns.

During the substantive audit, 80 EWBs pertaining to 45 taxpayers, falling under five taxation circles[27] were test-checked and it was observed that two taxpayers[28] under Composition Levy Scheme generated two EWBs for Inter-State outward supply of goods as detailed in the table below:

[26] Meghalaya being a Special Category State, the threshold limit per year for becoming eligible for composition scheme was ₹ 75 lakh.

[27] Circles II, VI and Circle VIII, Shillong, Ri Bhoi Circle, Khliehriat Circle and Nongstoin Circle.

[28] GSTIN 1xxxxxxxxxxxxxS, and 1xxxxxxxxxxxxx3.

Table 2.3.4: Taxpayers under composition scheme engaged in Inter-State outward supply of goods.

EWB No.	Date	Assessable value (in ₹)	Tax (in ₹)	GSTIN of Consignor (Taxpayer)	GSTIN of Consignee
811089879250	07.02.2020	1,50,000	7500	1xxxxxxxxxxxxxS	1xxxxxxxxxxxxx3
861095003088	12.03.2020	1,00,192	-	1xxxxxxxxxxxxx3	2xxxxxxxxxxxxQ

The two taxpayers were liable to pay tax at normal rate with effect from the date of effecting Inter-State supply at first instance. The composite taxpayers, however, paid tax of ₹ 0.03 lakh at the rate of one *per cent* on the inter-State supply instead of ₹ 0.13 lakh[29] at the normal rate resulting in non-realisation of tax of ₹ 0.10 lakh.

This was pointed out (August 2024), the reply of the Department was still awaited (March 2025).

Recommendation 1: *The Department may consider incorporating validation controls in the EWB system to alert the Composition Levy Scheme taxpayer as well as the departmental officer on crossing the threshold limit and while generating EWBs for inter-State supply.*

B. Generation of EWBs by the taxpayers who had filed Nil Returns

As per Section 61 of the MGST Act, 2017, various returns filed by the taxpayers have to be scrutinised by the Proper Officer/ST to verify the correctness of the returns, and suitable action has to be taken on any discrepancies or inconsistencies reflected in the returns.

As per Section 37 of the Act *ibid,* every registered person other than composition taxpayers shall furnish the details of outward supplies of goods or services or both effected during a tax period in GSTR-1 and to discharge tax liability thereon in GSTR-3B. Taxpayers who have opted composition scheme, shall pay tax in GSTR-4/GST-CMP-08.

During the substantive audit (August 2024), seven sampled EWBs out of 80 selected EWBs with taxable value of ₹ 26.59 lakh and tax implications of ₹1.33 lakh pertaining to three taxpayers out of the 45 sampled taxpayers were test-checked and it was observed that in 2019-20 and 2021-22, the taxpayers had reported 'Nil' returns in GSTR-1. The details of sampled EWBs are as under:

Table 2.3.5.: Incorrect 'Nil' returns filed by the taxpayers

Sl. No.	Consignor GSTIN	EWB No.	Date of EWB	Assessable value (in ₹)	Tax (in ₹)	Consignee GSTIN	HSN code of goods
1	1xxxxxxxxxxxxxX	871167198075	21.07.2021	4,32,600	21,630	1xxxxxxxxxxxxxD	4401
2	1xxxxxxxxxxxxxM	851153623712	18.04.2021	18,80,952	94,048	Unregistered Person	2106
3	1xxxxxxxxxxxxx8	811070528712	25.09.2019	69,065	3453	1xxxxxxxxxxxxxH	1401
		831069883363	21.09.2019	68,798	3440		
		841070529389	25.09.2019	70,807	3540		
		851070530751	25.09.2019	68,716	3436		
		891070100262	23.09.2019	67,914	3396		
Total:				**26,58,852**	**1,32,943**	**-**	**-**

[29] Calculated at the minimum rate of 5 *per cent* on ₹ 2.50 lakh of the inter-State supplies made.

On further verification it was noticed that these three taxpayers had generated a total of 40 EWBs (including the seven EWBs included in the sample) between 2019-20 and 2021-22 with assessable value of ₹ 2.14 crore and analysis of the GSTR-1 and GSTR-3B returns furnished by the three taxpayers revealed non-discharge of tax liability of ₹ 5.37 lakh and consequential penalty and interest of ₹ 7.82 lakh **(Appendix 2.3.2)** as brought out below:

(i) A taxpayer (GSTIN – 1xxxxxxxxxxxxxX) under Khliehriat Circle generated nine EWBs with assessable value of ₹ 19.81 lakh during 2021-22. On scrutiny of the GSTR-1 and GSTR-3B it was noticed that the taxpayer submitted 'nil' returns during 2021-22 against tax liability of ₹ 0.99 lakh[30]. However, no demand notice was issued by the Department to the taxpayer to recover the tax due.

(ii) A taxpayer (GSTIN - 1xxxxxxxxxxxxxM) under Ri Bhoi Circle had generated eleven EWBs with assessable value of ₹ 1.81 crore during 2021-22. The taxpayer during the year 2021-22 reported total supply of ₹ 93.68 crore with tax of ₹ 4.53 crore in his GSTR-1 and GSTR-3B. Out of the eleven EWBs, five EWBs with assessable value of ₹ 74.49 lakh having tax implication of ₹ 3.72 lakh was generated by the taxpayer during April (two EWBs valuing ₹ 37.62 lakh) and May 2021 (three EWBs valuing ₹ 36.87 lakh) for supply to unregistered dealer[31]. However, the taxpayer had furnished 'nil' return in his GSTR-1 and GSTR-3B for the period April and May 2021 and did not disclose the supply of ₹ 74.49 lakh involving five EWBs made during the same period and thus failed to discharge his tax liability of ₹ 3.72 lakh.

(iii) Another taxpayer (GSTIN 1xxxxxxxxxxxxx8) under Ri Bhoi Circle generated twenty EWBs with assessable value of ₹ 13.30 lakh during 2019-20. The taxpayer submitted 'nil' returns during the entire period of 2019-20 against tax liability of ₹ 0.66 lakh[32]. However, the ST did not issue demand notice to the taxpayer to recover the tax due. The registration of the taxpayer was cancelled by the Department on 18 November 2019 as per the application submitted by the taxpayer.

Thus, failure to scrutinise and assess the taxpayers by the Department resulted in non-realisation of tax of ₹ 5.37 lakh and levy of penalty of ₹ 6.81 lakh under Section 122(1) of the MGST Act and interest of ₹ 1.01 lakh[33] for non-payment of tax leviable **(Appendix 2.3.2)**.

On this being pointed out (August 2024), the Department stated (September and October 2024) that scrutiny notice in Form ASMT-10 was issued to two taxpayers. However, the outcome of the scrutiny was not intimated (March 2025). In respect of remaining one taxpayer, reply was not provided (March 2025).

C. Generation of EWBs by Non-Filers of GST Returns

As per Section 29 of the MGST Act, the Proper Officer may cancel the registration of the taxpayer when a composition taxpayer has not furnished returns for three consecutive tax

[30] Tax rate on HSN code 4401 is 5 *per cent*. Hence ₹ 19,80,600 x 5 *per cent* = ₹ 99,030.
[31] ITC claim is not admissible if supply is made to unregistered dealers.
[32] Rate of tax for HSN code 1401 is 5 *per cent.* Hence ₹ 1329864 x 5 *per cent* = ₹ 66,493.
[33] Calculated up to 31.03.2022 *w.e.f.* September 2021 being the last EWB generated.

periods; or any other registered person has not furnished returns for a continuous period of six months. Section 62 of the Act *ibid*, states that where a registered person fails to furnish the returns even after the service of a notice, the Proper Officer may proceed to assess the tax liability of the said person to the best of his judgement taking into account all the relevant material which is available or which he has gathered and issue an assessment order.

As per Section 63 of the MGST Act, 2017, where a taxable person whose registration has been cancelled; but who was liable to pay tax, the proper officer may proceed to assess the tax liability of such taxable person to the best of his judgement. Further, Section 30(1) of the Act *ibid*, states that any registered person whose registration is cancelled, may apply for revocation of cancellation of the registration in the prescribed manner within thirty days from the date of service of the cancellation order.

Rule 138E of MGST Rules impose restrictions on persons including consignors, consignees, transporters or an E-Commerce operator or a courier agency to generate EWBs in respect of a registered person who has not filed relevant GST Returns for prescribed consecutive periods[34]. The blocking functionality has been enabled on the EWB Common Portal with effect from 01 December 2019.

Audit examined six EWBs[35] pertaining to a single taxpayer out of 80 selected EWBs (GSTIN -1xxxxxxxxxxxxxK) falling under Khliehriat Circle as sample for substantive audit. It was observed that the taxpayer was registered under GST on 29 March 2018 and his registration was cancelled on 21 May 2020. The taxpayer had not filed any returns either in GSTR-1 or GSTR-3B for the entire period despite making outward supplies by generating 331[36] EWBs having assessable value of ₹1.20 crore and involving tax of ₹ 21.41 lakh. This indicated that coordination between two agencies *viz.,* EWB Common Portal and the GST Common Portal was not sufficient for effective validation controls to block the EWB generation facilities by the defaulting taxpayers. Also, the ST did not initiate action to assess the taxpayer under Sections 62 and 63 of the MGST Act and raise tax demands resulting in revenue loss to the Government. Thus, inaction of the ST has resulted in non-realisation of tax amounting to ₹ 21.41 lakh, for which penalty of ₹ 21.41 lakh and interest of ₹ 11.90[37] lakh is leviable.

Audit called for proof of actual despatch and delivery of goods (June 2024), to which the ST stated (June 2024) that the taxpayer is non-existent and did not file any returns for the tax period.

[34] Form GST-CMP-08 for two consecutive quarters in respect of persons paying tax under Section 10 of the MGST Act *ibid* and GSTR-3B for normal taxpayers for two consecutive tax periods as applicable.

[35]

Sl. No.	EWB No.	Date	Assessable Value (₹)
1	801003488323	15.04.2018	70,000
2	811003488058	15.04.2018	70,000
3	841003492029	15.04.2018	70,000
4	861003492166	15.04.2018	70,000
5	881003492245	15.04.2018	70,000
6	891003488151	15.04.2018	70,000
Total:			**4,20,000**

[36] In April 2018 (216 EWBs), May 2019 (111 EWBs) and January 2019 (four EWBs).

[37] Calculated from 28 February 2019 to 31 March 2022 @ *18 per cent* {(Tax amount x 18 *per cent*) x No. of days delayed (1,127)/365}.

On this being pointed out (August 2024) the Department stated (September 2024) that notice had been issued under DRC-07. Further reply has not been furnished (March 2025).

D. Generation of EWBs by cancelled taxpayers

As per Section 63 of the MGST Act, where a taxable person whose registration has been cancelled but who was liable to pay tax, the proper officer may proceed to assess the tax liability of such taxable person to the best of his judgement. A cancelled taxpayer cannot generate EWBs, as he will be passing on ITC without filing of returns, resulting in non-payment of tax.

During the substantive audit, two EWBs[38] out of 80 selected EWBs involving assessable value of ₹ 2.70 lakh pertaining to a single taxpayer (GSTIN 1xxxxxxxxxxxxxX) falling under Nongstoin Circle were test-checked. Audit noticed that the EWBs were generated after the effective date of cancellation (12 June 2018) of GST Registration. Even though the taxpayer had made outward supplies for ₹ 2.70 lakh, he did not discharge his tax liability. Moreover, the Department did not assess the tax liability under Section 63 of the MGST Act. This indicated system deficiency which allowed generation of EWBs by cancelled taxpayers.

On this being pointed out[39] (June 2024), the Department accepted (July 2024) the audit observation and opined that there was absence of integration between the EWB portal managed by NIC Karnataka and the GST portal managed by NIC, Shillong prior to September 2020. The ST further stated that the case records of the taxpayer will be taken up for scrutiny under Section 61 of the MGST Act. However, the outcome of the scrutiny had not been communicated to Audit (March 2025).

Thus, due to failure to assess the taxpayer, tax of ₹ 0.49 lakh remained unrealised. In addition, penalty amounting to ₹ 0.49 lakh under Section 122(1) of the MGST Act and interest of ₹ 0.30 lakh under Section 50(1) of the MGST Act is leviable.

Recommendation 2: *The Department may consider incorporating suitable validation controls in the EWB system to prohibit generation of EWBs by cancelled taxpayers and take action for recovery of tax wherever applicable.*

E. Generation of multiple EWBs on the strength of same invoices

As per Rule 46(b) of MGST Rules, 2017, a tax invoice shall be issued by the registered person containing consecutive serial number, not exceeding sixteen characters, unique for a financial year. Further, Para 5.4 of the User Manual for Taxpayers issued by the NIC, stipulates that the taxpayer while generating the EWB is required to enter the document number relating to the consignment. The document number entered in should be unique. Invoice number is the document number in respect of consignment relating to supplies. Hence, only one EWB is required to be generated based on each invoice.

Audit test checked 14 taxpayers out of 45 sampled taxpayers under Circles II and VII, Shillong, Ri Bhoi Circle and Khliehriat Circle who had generated multiple EWBs with the

[38] (i) ₹ 1.35 lakh (No.8311009885077 dt. 02.07.2018), and (ii) ₹ 1.35 lakh (No.831012250981 dt. 21.07.2018).
[39] *Vide* Audit Query No.3 dated 28.06.2024

support of single invoice along with their corresponding GST returns. It was observed that 14 taxpayers were using 117 invoices with the same invoice numbers for generating 258 EWBs for the movement of goods with assessable value of ₹ 9.31 crore involving tax implication ₹ 1.92 crore **(Appendix 2.3.3)**. Audit examination further revealed that four taxpayers under Circle II, Shillong and Ri Bhoi Circle did not report goods with assessable value of ₹ 2.67 crore in their GSTR-1 and did not discharge tax of ₹ 63.29 lakh. In addition, penalty equivalent to ₹ 63.29 lakh under Section 122 (1) of the MGST Act and interest of ₹ 43.28 lakh[40] is also leviable **(Appendix 2.3.4)**.

On this being pointed out (August 2024), the Department acknowledged (September 2024) with regard to one taxpayer (GSTIN – 1xxxxxxxxxxxxxU) under Ri Bhoi Circle that the EWB was generated twice, however, attributing the same to clerical error. The reply may be seen in light of the fact that no scrutiny was conducted against the taxpayer to ascertain that there was clerical error in the generation of the EWBs. No reply was provided in the remaining three cases (March 2025).

This indicated lack of validation controls in the EWB Common Portal to restrict generation of multiple EWBs using same invoices.

Recommendation 3*:* *The Department may consider including suitable validation controls in the EWB system to prevent use of same invoices in generation of multiple EWBs.*

F. Generation of EWBs for the transactions effected through suspicious vehicles

As per Rule 138(2) of the MGST Rules, 2017, where the goods are transported by the registered person as a consignor, whether in his own conveyance or a hired one or a public conveyance, by road, the said person shall generate the EWB in FORM GST EWB-01 electronically on the common portal after furnishing information in Part B of FORM GST EWB-01. Further under Rule 138 (3) of the MGST Rules, where the goods are handed over to a transporter for transportation by road, the registered person shall furnish the information relating to the transporter on the common portal and the EWB shall be generated by the transporter on the said portal on the basis of the information furnished by the registered person in Part A of FORM GST EWB-01. Vehicle number is required to be provided in Part-B of EWB-01.

In March 2020, EWB portal has been integrated with the VAHAN system of the Ministry of Road Transport & Highways, so that vehicle registration number can be validated at the time of generating EWB.

During the substantive audit, twelve EWBs out of 80 selected EWBs involving an assessable value of ₹ 1.33 crore pertaining to eight taxpayers out of 45 sampled taxpayers falling under Circles II and VIII, Shillong, Ri Bhoi and Khliehriat Circles were identified as using suspicious vehicles such as two-wheelers, stolen vehicles and scrapped vehicles *etc.,* for transporting goods. Details are given in **Table 2.3.6**.

[40] Calculated up to 31.03.2022 *w.e.f.* September 2021 being the last EWB generated.

Table 2.3.6: Summary of transactions effected through suspicious vehicles

Sl. No.	Circle	Nature of vehicle	No. of EWBs	No. of Taxpayer(s)	Assessable value (in ₹)	Remarks
1	Ri Bhoi	EWB generated using two-wheeler vehicles	1	1	17,55,092	The EWB was reported in GSTR-1.
2	Circle VIII	Stolen vehicles mentioned in EWB	2	1	22,97,173	The details of outward supply could not be verified in GSTR-1.
3	Circle VIII	Scrapped vehicles mentioned in EWB	2	2	2,86,685	The EWB was reported in GSTR-1.
4	Ri Bhoi	Vehicles whose registration has been cancelled mentioned in EWB	2	2	14,71,125	The EWB was reported in GSTR-1.
5	Circle II & Khliehriat Circle	Registration details of vehicle not found in the VAHAN database	5	2	75,26,681	One EWB pertaining to one taxpayer under Circle II Shillong was reported in GSTR-1. Four EWB pertaining to one taxpayer under Khliehriat Circle was not reported in GSTR-1.
Total			**12**	**8**	**1,33,36,756**	**-**

It was noticed that in respect of six EWBs relating to six taxpayers falling under Circle II and VIII, Shillong and Ri Bhoi Circle, the corresponding outward supplies were reported in GSTR-1 return. Four EWBs having taxable value of ₹ 2.40 lakh were not reported in both GSTR-1 and GSTR-3B by one taxpayer under Khliehriat Circle. In the case of two EWBs relating to one taxpayer falling under Circle VIII, Shillong involving assessable value of ₹ 22.97 lakh, reported in GSTR-1, Audit could not verify the recipient details.

This was pointed out (August 2024), the reply of the Department was awaited (March 2025).

G. Extension of EWBs without assigning reasons

Under Rule 138(10) of the MGST Rules, validity of EWB can be extended within eight hours[41] from the time of its expiry under circumstances wherein the goods cannot be transported within the validity period. The validity period of an *e*-EWB or a consolidated *e*-EWB generated under the Rule *ibid* is given in **Table 2.3.7**.

Table 2.3.7: Validity period of an *e*-EWB or a consolidated *e*-EWB

Sl. No.	Distance	Validity period
1	Up to 100 km up to 21 December 2020	One day
2	For every 100 km or part thereof thereafter	One additional day
3	Up to 200 km with effect from 22 December 2020	One day
4	For every 100 km or part thereof thereafter	One additional day

The user manual[42] on the EWB system prepared by NIC provides that if the user wants to extend the validity, the system prompts him to select the reason option and explain the reason in detail in the reason description/remarks field.

During the substantive audit, it was noticed that three EWBs out of 80 selected EWBs involving assessable value of ₹ 44.84 lakh of two taxpayers falling under Circle VIII, Shillong

[41] Inserted *vide* Notification No. 31/2019-CT, dt. 28.06-2019.
[42] Version 1.2 released on 26 March 2018.

and Ri Bhoi Circle were extended without specifying reasons. The illustrative cases are detailed below:

(i) A taxpayer (GSTIN 1xxxxxxxxxxxxx6) falling under Circle VIII, Shillong generated one EWB No. 821164534701 on 28 June 2021 for supply of goods at a distance of 221 km and the validity period of the EWB was up to 30 June 2021. However, it was noticed that the EWB was extended twice on 30 June 2021 and on 01 July 2021 without assigning any reason. The system accepted the extension and extended the validity period of the EWB up to 02 July 2021.

(ii) Another taxpayer (GSTIN - 1xxxxxxxxxxxxxY) falling under Ri Bhoi Circle generate an EWB No. 861022999424 on 12 October 2018 for supply of goods at a distance of 400 km and 1500 km and the validity period was up to 27 October 2018. The EWB was extended to 29 November 2018 without citing reasons for extension. The system accepted the extension and extended the validity period of the EWB.

Hence, it is evident that necessary validation controls are not available in NIC EWB Portal to prevent extension of EWB under specified circumstances.

This was pointed out (August 2024), the reply of the Department was awaited (March 2025).

H. Cancellation of EWBs without date and time and without assigning reasons

Under Rule 138(9) of the MGST Rules, 2017, where an EWB has been generated under this rule, but goods are either not transported or are not transported as per the details furnished in the EWB, the EWB may be cancelled electronically on the common portal within 24 hours of generation of the EWB. Further, the EWB cannot be cancelled if it has been verified in transit in accordance with Rule 138 B.

The user manual on the EWB system prepared by NIC stipulates that for cancellation of a EWB, the user needs to enter the 12-digit EWB number and select go. That particular EWB will be displayed, and after giving a suitable reason for the cancellation of EWB, the user can cancel the EWB.

During the substantive audit, it was noticed that two EWBs out of 80 selected EWBs of assessable value ₹ 2.55 crore pertaining to two taxpayers (GSTIN - 1xxxxxxxxxxxxxV, and GSTIN -1xxxxxxxxxxxxxU) falling under Ri Bhoi and Khliehriat Circles were cancelled without specifying the date and time and reason for such cancellation. The illustrative cases are detailed below:

(i) A taxpayer (GSTIN - 1xxxxxxxxxxxxxV) falling under Ri Bhoi Circle generated one EWB No. 861043145192 on 14 March 2019. The validity of the EWB was up to 15 March 2019. However, it was cancelled without providing the date and time and the reason for cancellation in Part-B of the EWB.

(ii) Another taxpayer (GSTIN - 1xxxxxxxxxxxxxU) falling under Khliehriat Circle generated one EWB No. 871004068055 on 27 April 2018. The validity of the EWB was 28 April 2018. However, the EWB was cancelled but the date and time as well as the reason for cancellation was not provided in Part-B of the EWB.

When this was pointed out to the Department (August 2024), the ST, Ri Bhoi Circle accepted (August 2024) the audit observations and stated that EWB generated by the taxpayer (GSTIN-1xxxxxxxxxxxxxV) was cancelled and a new EWB was generated *in lieu* of the cancelled EWB on 15 March 2019. However, further details were not provided. The reply to the remaining taxpayer under Khliehriat Circle has not been furnished to Audit (March 2025).

In the absence of the date, time, and reason for the cancellation of the EWB, Audit could not ascertain how the Department ensured that EWBs were cancelled within the prescribed time period and that the goods were not actually transported. Thus, it is evident that necessary validation controls are not available in NIC EWB Portal to prevent cancellation of EWB in absence of the date, time and specifying circumstances.

I. Other issues

(i) Mismatch of ITC between GSTR-3B and GSTR-2A

As per Section 16 of the MGST Act, every registered person shall be entitled to take credit of input tax (ITC) charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person. Further, in terms of Sub-Section 2(e) of the said Section, the claim of ITC is subject to the condition, *inter-alia*, that the tax charged in respect of such supply has been actually paid to the Government.

Audit test checked 26 taxpayers out of 45 sampled taxpayers falling under Circles II, VI and VIII, Shillong, Khliehriat, Ri Bhoi and Nongstoin Circles to ensure the correctness of availment of ITC. It was observed that three taxpayers pertaining to Circles VIII, Shillong, Ri Bhoi and Khliehriat Circles had availed ITC of ₹121.88 crore against the inward supplies as per GSTR-3B.

However, Audit noticed from GSTR-2A of the taxpayers that the ITC available for them was only ₹ 117.13 crore. Hence, there is mismatch of ITC between GSTR-3B and GSTR-2A amounting to ₹ 4.75 crore (**Appendix 2.3.5**).

On this being pointed out (August 2024), however, no reply was furnished by the Department (March 2025).

(ii) Incorrectly passed on ITC without movement of goods

As per Section 37 of the MGST Act, every registered person, other than an Input Service Distributor, a non-resident taxable person and a person paying tax under the provisions of Section 10 or Section 51 or Section 52 of the Act *ibid*, shall furnish the details of outward supplies of goods or services or both effected during a tax period in GSTR-1. The details provided by the suppliers in GSTR-1 will be auto-populated to the recipients of the goods in GSTR-2A to enable them to take ITC.

NIC had integrated VAHAN Database with EWB Portal to track the movement of vehicles with fast-tag database. With effect from 01 January 2021, NIC also provided movement details of the vehicles concerned (in the Map) indicating the origin and destination of all the EWBs based on the source and destination pin codes.

Out of the overall sample of 45 taxpayers, Audit had identified eight cases as having used suspicious vehicles[43] for transporting goods. Since the feature of providing movement details of vehicles were provided in the EWB system in January 2021, Audit reviewed the 11 EWBs generated during 2021-22 for effecting outward supplies, by these eight taxpayers pertaining to Circles II, VI and VIII, Shillong, Ri Bhoi, Khliehriat and Nongstoin Circles.

It was noticed that four[44] EWBs generated by taxpayers under Ri Bhoi and Khliehriat Circles, with assessable value of ₹ 1.95 crore and tax value of ₹ 11.51 lakh were reported in GSTR-1. The details of four[45] EWBs generated by taxpayers under Circles VIII, Shillong and Nongstoin with assessable value of ₹ 3.45 crore and tax value of ₹ 20.25 lakh could not be verified in GSTR-1. In all these eight EWBs, the vehicle movement details were not captured by the NIC EWB portal. One EWB (No. 851153623712) generated by a taxpayer under Ri Bhoi Circle, having assessable value of ₹ 18.81 lakh and tax value of ₹ 0.94 lakh was neither reported in GSTR-1 nor the vehicle movement captured in the EWB portal. Two[46] EWBs with assessable value of ₹ 2.45 crore and tax value of ₹ 43.56 lakh generated by taxpayers under Circles VIII, Shillong and Khliehriat were not reported in GSTR-1, but the vehicle movement details were captured in the NIC EWB portal.

Thus, with insufficient details of EWBs captured by the NIC EWB portal, the risk of raising invoices and passing of ITC without actual movement of goods cannot be ruled out. As noticed from the GSTR-1 filed by these eight taxpayers, the said transactions were reported, and ITC of ₹ 11.51 lakh was availed **(Appendix 2.3.6).**

On this being pointed out (August 2024), the Department stated (September 2024) that in respect of two EWBs having assessable value of ₹ 23.14 lakh and tax value of ₹ 1.16 lakh notice for scrutiny in Form ASMT-10 were issued. In respect of another EWB having assessable value of ₹ 2.41 crore and tax value of ₹ 43.34 lakh, it was stated that the EWB was generated for transport of goods for reconditioning, and not for supply. However, there was no evidence on record to substantiate the reply. In respect of the remaining eight EWBs, no reply was furnished (March 2025).

(iii) Mismatch between GSTR-1 and GSTR-3B

Audit noticed that in sampled 15 taxpayers[47] out of 45 sampled taxpayers under Circles II, VI and VIII, Shillong, Ri Bhoi and Khliehriat, there is mismatch in the tax value reported in GSTR-1 and GSTR-3B returns. In GSTR-1, the taxpayers disclosed tax value of ₹ 160.71 crore of supplies made during 2018-19 to 2021-22. However, a cross check of GSTR-3B returns of the taxpayers revealed that a tax value of ₹ 158.72 crore was reported. Thus, there was a mismatch of tax value between GSTR-1 and GSTR-3B amounting to ₹ 1.99 crore. **(Appendix 2.3.7)**.

[43] Key problem areas involved: (i) theft (ii) scrapped (iii) cancelled registration (iv) two wheelers.
[44] (i) 801198666805, (ii) 831170354323, (iii) 881155785121 and (iv) 861213924727.
[45] (i) 831208556367, (ii) 881208238022, (iii) 821164534701, and (iv) 881169672455.
[46] (i) 871167198075, and (ii) 841159501240.
[47] (i) 1xxxxxxxxxxxxxN, (ii) 1xxxxxxxxxxxxx4 and (iii) 1xxxxxxxxxxxxxQ under Circle II; (iv) 1xxxxxxxxxxxxxP under Circle VI; (v) 1xxxxxxxxxxxxxN, (vi) 1xxxxxxxxxxxxxO, (vii) 1xxxxxxxxxxxxxP and (viii) 1xxxxxxxxxxxxxQ under Circle VIII; (ix) 1xxxxxxxxxxxxxE, (x) 1xxxxxxxxxxxxxM, (xi) 1xxxxxxxxxxxxx4, (xii) 1xxxxxxxxxxxxx1, (xiii) 1xxxxxxxxxxxxx6 and (xiv) 1xxxxxxxxxxxxxB under Ri Bhoi; (xv) 1xxxxxxxxxxxxxE under Khliehriat.

On this being pointed out (August 2024), the Department stated (September 2024) that in respect of five taxpayers under Circle, VI and VIII, Shillong and Ri Bhoi, notices in Form ASMT-10 were issued. However, further outcome of the notices was not communicated. The Department further stated (September 2024) that due to minimal shortfall, action against two taxpayers (GSTIN - 1xxxxxxxxxxxxx1 and GSTIN – 1xxxxxxxxxxxxx4) under Ri Bhoi Circle will be considered and action will be initiated at a later stage as attention is given to high value discrepancies. In respect of four taxpayers under Circles II and Khliehriat, the Department stated that the cases were under examination. However, further outcome was not intimated. No replies were furnished in respect of the remaining four taxpayers under Circle VIII and Ri Bhoi (March 2025).

J. Cross-PAN analysis

Besides the selected sample of 80 EWBs, Audit had identified and analysed five EWBs having cross PAN transactions (having same PAN as consignor and consignee) pertaining to five taxpayers under Circles II, VI and VIII, Shillong and Williamnagar. The details of the EWBs are given in the table below:

Table 2.3.8: Summary of cross PAN transactions

Sl. No.	Jurisdiction	GSTIN	EWB No	Date
1	ST, Circle VIII, Shillong	1xxxxxxxxxxxxxP	841061022293	18.07.2019
2	ST, Circle VIII, Shillong	1xxxxxxxxxxxxxQ	811193830945	06.12.2021
3	ST, Circle II, Shillong	1xxxxxxxxxxxxxP	891011717696	17.07.2018
4	ST, Williamnagar Circle	1xxxxxxxxxxxxxW	851212201800	07.03.2022
5	ST, Circle VI, Shillong	1xxxxxxxxxxxxxP	871216363537	26.03.2022

Scrutiny of the EWBs of the five taxpayers revealed the following observations:

a) Out of the five selected EWBs, it was noticed that a taxpayer (GSTIN- 1xxxxxxxxxxxxxP) under Circle VIII, Shillong did not report the EWB having assessable value of ₹ 16.02 lakh and tax value of ₹ 2.88 lakh in his GSTR-1 and subsequently resulted in non-discharge of tax liability. The remaining four taxpayers had reported the selected EWBs in their GSTR-1.

b) A taxpayer (GSTIN - 1xxxxxxxxxxxxxP) under Circle II, Shillong had generated EWB giving details of the vehicle[48] to be utilised for transportation. On verification of the vehicle from the VAHAN database, the vehicle detail was not available in the VAHAN database. The EWB was, however, found to have been reported in the GSTR-1.

c) From the MIS report of the NIC EWB portal, it was noticed that two taxpayers (GSTIN - 1xxxxxxxxxxxxxP, three EWBs and GSTIN - 1xxxxxxxxxxxxxP, five EWBs) during 2021-22 generated eight EWBs with total assessable value of ₹ 13.82 lakh in favour of four consignees[49]. Audit cross examined with the GSTR-1 and noticed that the six EWBs[50] in favour of three consignees were not reported by the taxpayers. Similarly, a taxpayer (GSTIN - 1xxxxxxxxxxxxxP) generated two EWBs with assessable value ₹ 1.13

[48] Vehicle Registration No. AS01JC6400.

[49] GSTIN 1xxxxxxxxxxxxxM, 0xxxxxxxxxxxxxQ, 1xxxxxxxxxxxxxP and 2xxxxxxxxxxxxxA.

[50] Onw EWB value ₹ 1.85 lakh by GSTIN 1xxxxxxxxxxxxxP in favour of 1xxxxxxxxxxxxxM and five EWBs value ₹ 10.84 lakh by GSTIN 1xxxxxxxxxxxxxP in favour of 1xxxxxxxxxxxxxP and 2xxxxxxxxxxxxxA.

lakh in favour of one consignee (GSTIN - 0xxxxxxxxxxxxxQ), the assessable value was reported as ₹ 0.80 lakh in his GSTR-1. Thus, there was non-discharge/short discharge of tax liability.

d) Three taxpayers[51] during 2019-20 and 2021-22 reported total supply of ₹ 109.34 crore and tax value of ₹ 18.66 crore in their GSTR-1. However, the taxpayers' details of GSTR-3B showed total supply of ₹ 103.88 crore and tax value of ₹18.07 crore. Thus, there was mismatch in the GSTR-1 and GSTR-3B of the taxpayers involving taxable value of ₹ 5.47 crore and tax value of ₹ 0.59 crore[52].

e) Two taxpayers (GSTIN - 1xxxxxxxxxxxxxP and GSTIN - 1xxxxxxxxxxxxxP) claimed ITC of ₹ 11.71 crore in their GSTR-3B during 2019-20 and 2021-22. Cross examination with GSTR-2A of the taxpayers revealed that ITC of ₹ 10.34 crore was available during the same period. Thus, there was mismatch of ITC claims of ₹ 1.37 crore[53].

f) One EWB[54] was generated after 01 January 2021, after integration of the NIC EWB portal with the VAHAN database. However, vehicle movement detail was not captured in the portal. The possibility of goods not actually being transported, but possible bill trading cannot be ruled out.

On this being pointed out (August 2024), the Department stated (August 2024 and September 2024) that notices under ASMT-10 to two taxpayers (GSTIN-1xxxxxxxxxxxxxP and GSTIN-1xxxxxxxxxxxxxQ) under Circle VIII, Shillong was issued, and in respect of another taxpayer (GSTIN-1xxxxxxxxxxxxxP) under Circle II, Shillong, the case is under examination. However, further outcome was not intimated (March 2025). In regard to a taxpayer (GSTIN-1xxxxxxxxxxxxxW) under Williamnagar Circle, it was stated that the good was transported by own vehicle. However, NIC EWB portal did not capture the movement detail of the vehicle. No response was furnished in respect of one taxpayer under Circle VI, Shillong (March 2025).

Recommendation 4: *The Department may prescribe guidelines for verification of* EWB *and scrutiny of returns of taxpayers having multiple registrations with same PAN.*

[51] 1xxxxxxxxxxxxxP, 1xxxxxxxxxxxxxQ and 1xxxxxxxxxxxxxP.

[52] (₹ in crore)

Taxpayer	Period	GSTR-1		GSTR-3B		Difference	
		Taxable value	Tax value	Taxable value	Tax value	Taxable value	Tax value
1xxxxxxxxxxxxxP	2019-20	30.43	5.51	28.60	5.41	1.83	0.10
1xxxxxxxxxxxxxQ	2021-22	19.17	2.65	16.48	2.33	2.69	0.32
1xxxxxxxxxxxxxP	2021-22	59.74	10.50	58.80	10.33	0.95	0.17
Total:		109.34	18.66	103.88	18.07	5.47	0.59

[53] (₹ in crore)

Taxpayer	Period	ITC claimed as per GSTR-3B	ITC accrued as per GSTR-2A	Shortfall
1xxxxxxxxxxxxxP	2019-20	3.31	2.64	0.67
1xxxxxxxxxxxxxP	2021-22	8.40	7.70	0.70
Total:		11.71	10.34	1.37

[54] EWB No.851212201800 dated 07.03.2022 by GSTIN 1XXXX XXXXX XXXXW.

2.3.8.2 Discrepancies identified through analysis of data of E-Way Bills

Besides the 80 sampled EWBs selected, data analysis of EWBs generated during the period April 2018 to March 2022 was carried out on various KPAs. The data extracted were forwarded to the Department for considering further course of remedial action and summary report on action taken was called for. The details of observations from data analysis shared with the Department are discussed below:

Table 2.3.9: Details of Observations from Data Analysis

(₹ in crore)

Sl. No.	Key Problem Area	No of taxpayers	Value		
			Tax	Penalty	Interest
A	**Non/short discharge of tax liability by taxpayers identified by KPA**				
(i)	EWB generated but not reported in GST returns	09	0.60	0.60	0.04
(ii)	EWB generated but short reported in GST returns	14	1.69	1.69	0.62
B	**Supplies made without generating EWBs**				
(i)	Outward supplies made without EWBs	02	-	-	-
(ii)	Inward supplies made without EWBs	05	-	-	-
Total		**30**	**2.29**	**2.29**	**0.66**

A. Non/short discharge of tax liability by taxpayers identified by KPAs

Audit test checked EWBs of 23 taxpayers out of 45 sampled taxpayers pertaining to Circles II, VI and VIII, Shillong, Ri Bhoi, and Nongstoin Circles to ascertain their tax compliance. It was observed that these taxpayers failed to report/short reported outward supply of ₹ 12.00 crore in GSTR-1 and to discharge their tax liability of ₹ 2.29 crore. The non/short discharge of tax liability in these cases worked out to ₹ 5.24 crore (inclusive of penalty and interest thereon) **(Appendix 2.3.8)**. The details are as under:

(i) EWBs generated but not reported in GST returns

Audit test checked generation of EWBs by nine taxpayers out of 45 sampled taxpayers under Circles II, VI and VIII, Shillong and Ri Bhoi and observed that the taxpayers generated 48 EWBs having assessable value of ₹ 1.20 crore and tax value of ₹ 0.60 crore. On further examination, it was noticed that the taxpayers did not report the supplies in their GSTR-1. The taxpayers thus, did not discharge tax of ₹ 0.60 crore for which penalty amounting to ₹ 0.60 crore and interest of ₹ 0.04 crore is also leviable.

On being pointed out (August 2024), the Department stated (August 2024) that the cases in respect of three taxpayers under Circles II, Shillong and Ri Bhoi are under examination, however, further progress was not intimated (March 2025). The ST, Circle VIII, Shillong accepted (September 2024) and stated that notice under ASMT-10 was issued to two taxpayers. However, further progress was not provided till date (March 2025). The SsT, Circle VII, Shillong and Ri Bhoi Circle did not accept the observation (September 2024 and January 2025) in respect of two taxpayers citing technical issues in one case and that the EWB was generated for transport of goods and not for supply in the other case. However, the reply of the SsT may be seen in light of the fact that the records of the two taxpayers were not scrutinised and assessed under Section 61 and Section 63 of the MGST Act. No reply was received in respect of the remaining two taxpayers under Circles VIII, Shillong and Ri Bhoi (March 2025).

(ii) EWBs generated but short reported in the GST returns

Audit test checked generation of EWBs by 14 taxpayers out of 45 sampled taxpayers under Circles II and VIII, Shillong, Nongstoin and Ri Bhoi and observed that the taxpayers generated 1329 EWBs in favour of 24 consignees having assessable value of ₹ 75.15 crore and tax value of ₹ 10.44 crore. During examination of the GSTR-1 of the taxpayers, it was noticed that though supply to the consignees were reported, however, an assessable value of ₹ 64.35 crore and tax value of ₹ 8.75 crore were reported. The taxpayers, thus short-reported supply having assessable value of ₹ 10.80 crore and tax value of ₹ 1.69 crore. For short reporting, penalty amounting to ₹ 1.69 crore and interest of ₹ 0.62 crore is also leviable.

On this being pointed (August 2024), SsT, Circle II, Shillong and Ri Bhoi stated (August 2024) that the cases pertaining to two taxpayers were under examination. However, the outcome of the examination was not furnished till date (March 2025). The ST, Circle VIII, Shillong accepted and stated (August 2024) that notice under ASMT-10 was issued in respect of one taxpayer, however, further progress was not intimated till date (March 2025). The ST, Ri Bhoi Circle in his replies (August, September and October 2024) did not accept the audit observations in respect of four taxpayers attributing clerical errors and technical issues with the GST portal as the main reasons. However, without assessment or scrutiny of the cases, the contention of the ST is not found tenable. In respect of two taxpayers, the ST stated that the cases will be reviewed and action will be initiated at a later stage. Replies in respect of the remaining five taxpayers under SsT, Ri Bhoi and Nongstoin Circles was not furnished till date (March 2025).

B. Mismatch in EWBs generated for outward and inward supplies

Rule 138 of MGST Rules, 2017 stipulates that every registered person who causes movement of goods or consignment value exceeding ₹ 50,000 in relation to a supply, or for reasons other than supply, or due to inward supply from an unregistered person, shall before the commencement of such movement, furnish information relating to the said goods as specified in Part A of Form GST-EWB-01, electronically, on the common portal along with such other information as may be required on the common portal and a unique number will be generated on the said portal.

As per Section 31 of the MGST Act, a registered person supplying taxable goods shall, issue a tax invoice showing the description, quantity and value of goods, the tax charged thereon and such other particulars as may be prescribed. Rule 138 of the MGST Rules provides that for generating EWB, every registered person who causes movement of goods of consignment shall furnish information relating to the said goods, electronically, on the common portal. As per Para 5-1 of the User Manual issued by the NIC, the taxpayer while generating the EWB is required to enter the Document number relating to the consignment. The Document number entered in should be unique. Invoice number is the Document number in respect of consignments relating to supplies. Hence, one EWB is required to be generated for each invoice.

In Meghalaya, EWB for inter-state supply was made effective from 01 April 2018[55] for movement of all goods having value exceeding ₹ 50,000. For intra-State supply, EWB generation was made effective from 25 April 2018[56].

Details of both inward and outward supplies from the MIS report of the NIC EWB portal pertaining to seven taxpayers out of 45 sampled taxpayers falling under Circles II and VIII, Shillong, Ri Bhoi, Khliehriat and Nongstoin Circles were test checked by Audit. To ascertain that supplies were made by generating EWB, the EWB as per the MIS report were cross-referred with details reported in GSTR-1 (for outward supplies) and GSTR-2A (for inward supplies) returns. Audit noticed discrepancies relating to both outward and inward supplies on invoices exceeding ₹ 50,000 which were made without generating EWB, details of which are as under:

(i) Mismatch in EWBs generated for outward supplies

Two taxpayers[57] out of 45 sampled taxpayers registered for only supply of goods falling under Circles VIII, Shillong and Ri Bhoi Circles reported supplies of goods valuing ₹ 76.17 crore involving GST of ₹ 3.83 crore from 555 invoices during the period 2018-19 (from May 2018) to 2021-22 in their GSTR-1 returns. On cross checking with the MIS report on the NIC EWB portal, Audit observed that seven EWBs having taxable value of ₹ 48.08 lakh involving GST of ₹ 2.40 lakh were generated by the taxpayers during the same period. Thus, there was a mismatch between number of EWBs generated and number of invoices available in the case of 548 invoices for outward supplies exceeding ₹ 50,000 **(Appendix 2.3.9)**.

On this being pointed out (August 2024), the Department stated (August and October 2024) that intimation notice was issued to one taxpayer under Circle VIII, Shillong and notice in form ASMT-10 was issued to another taxpayer under Ri Bhoi Circle. However, further progress of the cases were not intimated (March 2025).

(ii) Mismatch in EWBs generated for inward supplies

For the purpose of verification of the supplies made without generation of EWBs, Audit test checked inter-State inward supplies of invoices exceeding ₹ 50,000 as reported in the GSTR-2A of five taxpayers[58] out of 45 sampled taxpayers registered under the supply of goods under Circles II and VIII, Shillong, Ri Bhoi, Nongstoin and Khliehriat Circles. Audit observed from the GSTR-2A that the five taxpayers received inter-State supply involving 281 invoices having taxable value of ₹ 3.82 crore with tax value of ₹ 49.73 lakh. The invoices reported in the GSTR-2A were cross checked with the MIS report for inward supplies of the NIC EWB portal and it was noticed that a total of 136 EWBs having taxable value of ₹1.78 crore and tax value of ₹ 20.77 lakh were generated during same period. Thus, there was mismatch between invoices exceeding ₹ 50,000 and the number of EWBs generated as per the MIS EWB portal for inward supplies and that of the GSTR-2A in the cases of 145 invoices **(Appendix 2.3.10).**

---

[55] *Vide* Notification No. ERTS(T) 79/2017/545 dated 23 March 2018.

[56] *Vide* Notification No. ERTS(T) 84/2017/20 dated 20 April 2018.

[57] (i) GSTIN - 1xxxxxxxxxxxxxT under ST, Shillong (Circle VIII) and (ii) GSTIN - 1xxxxxxxxxxxxxM, under ST, Ri Bhoi Circle.

[58] (i) GSTIN - 1xxxxxxxxxxxxxN under ST, Shillong (Circle II), (ii) GSTIN - 1xxxxxxxxxxxxxT under ST, Shillong (Circle VIII), (iii) GSTIN - 1xxxxxxxxxxxxxE under ST, Ri Bhoi, (iv) GSTIN - 1xxxxxxxxxxxxxY under ST, Nongstoin and (v) GSTIN - 1xxxxxxxxxxxxxV under ST, Khliehriat.

On this being pointed out (August 2024), the Department stated (August and September 2024) that one case pertaining to a taxpayer (GSTIN - 1xxxxxxxxxxxxxV) under Khliehriat Circle) was under scrutiny, while intimation notice was issued in respect of another taxpayer (GSTIN-1xxxxxxxxxxxxxT) under Circle VIII, Shillong and in case of one taxpayer (GSTIN-1xxxxxxxxxxxxxN) under Circle II, Shillong is under examination. However, further progress of the scrutiny, intimation notice issued and examination was yet to be communicated to Audit (March 2025). In respect of the remaining two taxpayers under Ri Bhoi and Nongstoin Circles, no replies were furnished by the Department (March 2025).

This indicates that the validation control in the NIC EWB portal is inadequate to prevent supplies made without generation of EWBs.

2.3.9 Enforcement Functions of the Department

EWB system is a self-declaration model wherein by way of digital interface the person causing the movement of goods uploads the relevant information prior to the commencement of movement of goods and generates an authorisation for transportation of the said goods. The self-declaration model emphasises the need for a compliance verification mechanism which can be done through verification of EWB[59] which serves as a deterrent for tax evasion and also to safeguard government revenue.

In Meghalaya, the enforcement functions in respect of interception of vehicles and verification of documents, *viz.,* EWB, invoices, delivery challans*, etc*., are being done by five preventive units[60] through the Enforcement Mobile Squads under the supervision of the Assistant Commissioner of Taxes (ACT).

Audit test checked records related to operational preparedness, effectiveness of anti-evasion Measures and Intra departmental coordination in monitoring EWB related transactions. For this purpose, Audit selected three[61] Preventive Units out of five preventive units.

During the course of PA, Audit requisitioned information and records related to preventive activities of the three Preventive Units with reference to intercepted and booked cases of EWB. The variation in the selected sample size of the booked cases and the actual number of cases produced by the selected preventive units are given in **Appendix 2.3.11.** Out of the total sample size of 50 selected booked cases, Audit scrutinised 46 cases (*i.e.* 92 *per cent* of the sample) as produced by the preventive units. The Audit findings are enumerated as under:

2.3.9.1 Operational Preparedness of the Department

A. Dedicated Setup/unit

A dedicated Unit for EWB related enforcement activities like verification of EWB during interception of vehicles and follow up action wherever required will improve the efficiency of preventive functions.

[59] Enforcement activities *vis-à-vis* EWBs is jurisdiction-agnostic *viz.,* any proper officer can intercept any conveyance within the jurisdictional State/UT to verify EWBs irrespective of the fact whether the taxpayer is CBIC-administered or State/UT-administered.

[60] Superintendents of Taxes, Enforcement Branch, Shillong, Khliehriat, Jowai, Ri-Bhoi and Tura.

[61] Superintendents of Taxes, Enforcement Branch, Shillong, Jowai and Ri-Bhoi.

In response to audit requisition, it was noticed that all the three preventive units selected for audit had formed dedicated setup for verification of EWB related enforcement activities.

B. Adequacy of manpower

Manpower position in the sampled Preventive Units are as given in the table below:

Table 2.3.10: Summary of manpower in the Enforcement Branch (EB)

Name of the Preventive Unit	Sanctioned Strength	Men in position	Shortfall (in *per cent*)
Superintendent of Taxes, EB, Shillong	9	6	33.33
Superintendent of Taxes, EB, Ri Bhoi	9	4	55.55
Superintendent of Taxes, EB, Jowai	9	4	55.55

Source: Information provided by the Department.

From the table above, it could be seen that the percentage of vacancies ranged from 33.33 *per cent* to 55.55 *per cent*. Due to shortage of manpower, resources for conducting the verification of EWBs were utilised from the existing available manpower. The high rate of vacancies in staff strength may likely have a direct adverse impact on EWB-related preventive functions.

C. Lack of sufficient vehicles for patrolling activities

The position of patrolling vehicles was as follows:

Table 2.3.11: Availability of patrol vehicles in the Enforcement Branches

Name of the Preventive Unit	No. of vehicle required	No. of vehicle available
Superintendent of Taxes, Enforcement Branch, Shillong	2	1
Superintendent of Taxes, Enforcement Branch, Ri Bhoi	3	2
Superintendent of Taxes, Enforcement Branch, Jowai	1	1
Total:	**6**	**4**

Source: Information provided by the Department.

From the table above, it could be seen that ST, EB, Jowai had patrol vehicle for EWB verification as per requirement whereas in EBs Shillong and Ri Bhoi only three patrolling vehicles were provided against the requirement of five vehicles for patrolling purposes.

Thus, as against the total requirement of six vehicles by the three selected preventive units, only four vehicles were made available by the Department. The shortage of vehicle will affect the functioning of the preventive units with reference to interception and verification of EWB.

D. Targets and achievements

Audit called for details of targets fixed by the Department for verification of EWB through vehicle interceptions and achievements against them, from the three Preventive units. Replies received from the Department revealed that no specific targets were fixed during the period of Audit. However, it was noticed that the Department had issued (30 April 2020) an operational instruction with a view to curb possible evasion of tax and to protect government revenue, and at the same time had fixed fifty vehicles in a day to be checked by the mobile squads in the district.

The position of EWBs verification carried out during the period of Audit is shown in **Table 2.3.12.**

Table 2.3.12: Position of checking of EWBs by Preventive units

Name of the Preventive unit	Period	No. of EWBs checked
Superintendent of Taxes, EB, Shillong	2018-19	0
	2019-20	3316
	2020-21	2917
	2021-22	8491
Superintendent of Taxes, EB, Ri Bhoi	2018-19	0
	2019-20	0
	2020-21	1
	2021-22	0
Superintendent of Taxes, EB, Jowai	2018-19	0
	2019-20	0
	2020-21	422
	2021-22	0
Total:	**-**	**15,147**

Source: Information provided by the Department.

From the table above, it could be seen that a total of 15,147 EWBs were checked by the three preventive units. Thus, it is apparent that in absence of any target fixed, there is no possibility of monitoring the activities of the preventive units by the Department. Furthermore, according to the operational instruction, a total of 50 vehicles are to be checked by the mobile squads each day, as such, the checking of 15,147 EWBs by the three preventive units during the period 2020-21 and 2021-22 is comparatively very low.

Recommendation 5: *The Department may strengthen the preventive units with adequate manpower and patrol vehicles for effective verification and revenue protection.*

2.3.9.2 Effectiveness of Anti-Evasion Measures

Guidelines for interception of vehicles

The State Taxation Department has provided guidelines on the procedure for interception of conveyances for inspection of goods in movement and detention, release and confiscation of such goods and conveyances. During this PA, Audit attempted to ascertain the extent of adherence to the procedures prescribed by the Department for the field formations. For this purpose, 50 sampled booked cases pertaining to three preventive units were selected for scrutiny. The Department could produce records of 46 booked cases, and the deviation noticed is given in the table below:

Table 2.3.13: Summary of Booked cases in which deficiencies were noticed

Details of deficiencies noticed	Jurisdiction	Total No. of Booked cases	No. of Booked cases sampled	No. of Booked cases verified	No. of Booked cases with deficiency noticed
Final Inspection Report in GST -MOV-03 (Part-B) was pending	ST, EB, Shillong	50	41	39	39
	ST, EB, Jowai	08	08	06	06
	ST, EB, Ri Bhoi	01	01	01	01

(i) Final inspection report in Part B of Form GST-EWB-03 not recorded

Rule 138 C (1) of the MGST Rules, 2017 provides that a summary report of every inspection of goods in transit shall be recorded online by the proper officer in **Part A** of **Form GST-EWB-03** within 24 hours of inspection and the final report in **Part B** of **Form GST-EWB-03** shall be recorded within three days of such inspection.

It was noticed that in none of the 46 booked cases verified by Audit, had the final inspection report in GST-MOV-03 (Part B) issued by the jurisdictional officers.

On this being pointed out (September 2024), the ST, EB, Shillong (September 2024) and ST, EB, Ri Bhoi (October 2024) stated that the GST-EWB-03 feature in the MIS EWB system is currently not available or has not been put in place. The ST, EB, Jowai (October 2024) stated that the six cases were recorded online within the prescribed time limit, and enclosed copies of the GST-EWB-03 (Part B) in support of his claim. The replies furnished by the SsT, EB, Shillong and Ri Bhoi attributing the non-compliance to non-availability of feature in the EWB system or system has not been put in place contradicted the reply furnished by the ST, EB, Jowai for the same nature of work.

(ii) Non-raising of demand for tax and penalty detected during EWB verification

According to Section 129 (1) of the MGST Act, where any person transports any goods in contravention of the provisions of this Act or the rules made thereunder, all such goods and conveyance used as a means of transport for carrying the said goods and documents relating to such goods and conveyance shall be liable to detention or seizure and after detention or seizure, shall be released, (a) on payment of the applicable tax and penalty equal to 200 *per cent* of the tax payable on such goods[62] and, in case of exempted goods, on payment of an amount equal to two *per cent* of the value of goods or twenty-five thousand rupees, whichever is less, where the owner of the goods comes forward for payment of such tax and penalty.

Rule 142 of the MGST Rules provides that where any person fails to pay the tax and penalty to the notice issued under Section 129(3) of the MGST Act within seven days, the proper officer shall seize the goods and conveyance, and recovery of such tax and penalty shall be made in accordance with Rule 144A of the MGST Rules.

According to operational instruction[63] issued by the Department, the order in FORM GST-MOV-09 shall be uploaded on the common portal and the demand accruing from the proceedings shall be added in the Electronic Liability Register.

Audit noticed several discrepancies in respect of six booked cases out of 46 booked cases which are discussed in the table below:

Table 2.3.14: Details of discrepancies noticed in 6 booked cases

Jurisdiction	Details of discrepancies noticed	No. of cases	Amount involved		
			Tax	Penalty	Total
			(₹ in lakh)		
ST, EB, Shillong	Vehicles detained during interception were released without ensuring payment of tax or penalty or both and without raising demand.	04	0.17	0.17	0.34

[62] With effect from 01.01.2022, the amount of penalty payable was modified to 200 *per cent* of the tax payable.
[63] Para 2(h) of Circular 41/15/2018-GST dated 13th April 2018.

Jurisdiction	Details of discrepancies noticed	No. of cases	Amount involved		
			Tax	Penalty	Total
			(₹ in lakh)		
ST, EB, Shillong	Demand raised not realised and vehicle not released.	01	0.34	0.34	0.68
ST, EB, Ri Bhoi		01	1.62	1.62	3.24
Total:		**06**	**2.13**	**2.13**	**4.26**

The above cases are illustrated below:

(a) In four cases under ST, EB, Shillong, demand for tax and penalty in Form GST-MOV-09 were issued and the vehicles were also released in Form GST-MOV-05. However, Audit noticed that no payments were made by the vehicle owners against whom demand in Form GST-MOV-09 were issued as detailed in table below:

Table 2.3.15: Non-payment of demands made in GST-MOV-09

Date of interception	Vehicle No	Date of issue of demand in GST-MOV-09	Demand raised		Date of release of vehicle in GST-MOV-05
			Tax (in ₹)	Penalty (in ₹)	
25.03.2022	AS01DC9227	25.03.2022	4,500	4,500	25.03.2022
25.03.2022	AS18C0665	25.03.2022	3,600	3,600	29.03.2022
15.03.2022	ML10A2794	24.03.2022	5,832	5,832	24.03.2022
11.03.2022	AS01LC3086	15.03.2022	3,150	3,150	17.03.2022
Total:			**17,082**	**17,082**	-

On this being pointed out (September 2024), the ST, EB, Shillong stated (March 2025) that the demand was included in the subsequent financial year 2022-23 and payment was also realised. Audit further observed that as against demand issued in March 2022, payment was made during April, May 2022 and September 2024 which is beyond seven days of issue of demand notices, and hence, the provision of Rule 142 of the MGST Rules was not invoked by the ST.

(b) In two cases under SsT, EB, Shillong and Ri Bhoi, though demand for tax and penalty in Form GST-MOV-09 were issued, however, payment of ₹ 0.34 lakh was not realised.

On this being pointed out (September 2024), ST, EB, Shillong stated (September 2024) that demand raised but not realised and vehicle not released was because the case was still pending. The ST, EB, Ri Bhoi stated (October 2024) that due to technical problem, interception of vehicles including realisation of tax and penalty was conducted offline. The replies of the SsT are not found acceptable as the procedure for interception of the vehicles was not found to have been adhered to.

(iii) Absence of mechanism to monitor availment of ITC on discrepancies found during interception

As per Section 129 of the MGST Act, 2017, whenever any discrepancies are found during the interception of the vehicles, tax and penalty was leviable up to 31 December 2021. In terms of Section 17(5) of the Act *ibid*, ITC shall not be available on any tax paid under the provisions of Section 129. Thus, whenever any tax was collected under section 129, there should be a mechanism in GSTN to send an alert message about such detention and seizure to the recipients and the proper officer concerned.

Audit noticed that in six cases[64] out of 39 booked cases under ST, EB, Shillong involving goods value of ₹ 8.17 lakh (**Appendix 2.3.12)**, the GSTIN of the consignor and consignee were reported during interception. Audit independently verified the GSTR-2A of these six sampled booked cases and noticed that these EWBs were reported in the GSTR-2A. Thus, it is evident that ITC would have been availed by the consignee on such transaction.

However, records showing such alert messages could not be produced to Audit. As there was no mechanism to share such information, the proper officers were not in a position to check whether the recipients incorrectly availed the ITC blocked under Section 17(5) of the MGST Act.

(iv) Monitoring of movement of vehicles

NIC generates Analytical Reports on multiple movements of vehicles (B4 Report on 'Multiple movement of same vehicle' and B5 Report on 'Multiple movements in other vehicles'), an Analytical Reports on Non-movement of Vehicles (B-1 Report) on which EWB were generated and an Analytical report named "EWB generated by Citizens" (H5 Report) which provides details of EWB generated by the unregistered persons.

During the Audit, details of reports on monitoring and misuse of same EWB were called for verification. In response, the Department stated (August 2024) that no such reports were being maintained. Though various analytical reports generated by NIC were available, the Department however had failed to utilise the same for monitoring the movement/non-movement of goods. Further, non- utilisation of such reports hindered the Audit from the verification of monitoring of movement of vehicles by the Department and monitoring of EWB generated by the unregistered persons.

Recommendation 6: *The Department may devise a system of utilising inputs received from booked cases for further investigation and share findings with jurisdictional authorities. Additionally, the Department may issue instructions to the concerned authorities to monitor enforcement branch activities.*

2.3.10 Conclusion

The PA on EWB system under GST was undertaken with an objective to verify effectiveness of EWB system in protecting interest of Government revenue and efficiency of Preventive/Enforcement Formations in enforcing provisions made in respect of EWB system.

During substantive audit, Audit identified various instances of non-compliance with the provisions of MGST Act/Rules. Irregularities like ineligible taxpayers under the Composition Scheme continuing to pay concessional tax rates, EWBs generated by cancelled taxpayers and nil/non-filers of GST returns, generation of multiple EWBs for same invoices, and usage of suspicious vehicles, including stolen and scrapped ones for transportation and the system allowing extension or cancellation of EWBs without providing reasons, which involved a cumulative potential revenue impact of ₹ 90.66 lakh towards tax and ₹ 148.49 lakh towards interest and penalty.

[64] ST, EB, Shillong – 8 cases and ST, EB, Ri-Bhoi – 1 case. ST, EB, Jowai – Nil.

Audit also observed other issues like mismatch of ITC between GSTR-3B and GSTR-2A, mismatch between GSTR-1 and GSTR-3B and incorrectly passed on ITC without movement of goods having a potential revenue impact of ₹ 6.85 crore. With regard to Cross PAN cases, Audit observed cases of non-reporting of EWB, mismatch between GSTR-1 and GSTR-3B and between GSTR-2A and GSTR-3B having mismatch tax value of ₹ 1.99 crore. Also, there was generation of EWBs which was not reported/short reported in the GST returns involving potential revenue impact of ₹ 5.24 crore and mismatch between the NIC EWB portal for outward and inward supplies as compared with corresponding GSTR-3B and GSTR-2A of invoices exceeding ₹ 50,000.

The provisions relating to preventive measures and enforcement such as inspection, search, seizure are provided to serve as a deterrent for tax evasion and also to safeguard the Government's revenue. Audit noticed that preventive/enforcement activities were insufficient due to inadequate manpower allocated to EWB related enforcement activities and lack of adequate patrol vehicles. There was shortfall in verification of EWBs through interception and reports generated by NIC to monitor movement/non-movement of goods was not utilised.

2.3.11 Summary of recommendations

(i) The Department may consider incorporating validation controls in the EWB system to alert the Composition Levy Scheme taxpayer as well as the departmental officer on crossing the threshold limit and while generating EWBs for inter-State supply.

(ii) The Department may consider incorporating suitable validation controls in the EWB system to prohibit generation of EWBs by cancelled taxpayers and take action for recovery of tax wherever applicable.

(iii) The Department may consider including suitable validation controls in the EWB system to prevent use of same invoices in generation of multiple EWBs.

(iv) The Department may prescribe guidelines for verification of EWBs and scrutiny of returns of taxpayers having multiple registrations with same PAN.

(v) The Department may strengthen the preventive units with adequate manpower and patrol vehicles for effective verification and revenue protection.

(vi) The Department may devise a system of utilising inputs received from booked cases for further investigation and share findings with jurisdictional authorities. Additionally, the Department may issue instructions to the concerned authorities to monitor enforcement branch activities.

2.4 SSCA on Department's Oversight on GST Payments and Returns Filing (Phase II).

2.4.1 Introduction

The Goods and Services Tax (GST) was introduced on 1 July 2017, to replace several taxes collected by the Central and State governments. It 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 Meghalaya GST (MGST)/Union Territory GST (UTGST) are levied on intra-State supplies, and Integrated GST (IGST) is levied on inter-State supplies.

Section 59 of the Meghalaya Goods and Services Tax Act, 2017 (MGST Act) 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 MGST Act read with Rule 99 of Meghalaya Goods and Services Tax Rules, 2017 (MGST Rules) stipulates 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 as a continuation of the SSCA conducted during the year 2022-23 covering returns for the period 2017-18 (DORF Phase-I) considering the significance of the control mechanism envisaged for tax compliance and the oversight mechanism of the Taxation Department, Government of Meghalaya in this new tax regime. This SSCA covers returns for the period 2018-19 to 2020-21.

2.4.2 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 objectives were to seek assurance on:

i. Whether the rules and procedures were designed to secure an effective check on tax compliance and were being duly observed by taxpayers; and

ii. Whether the scrutiny procedures, internal audit and other compliance functions of the Circles were adequate and effective.

2.4.3 Audit Methodology and Scope

This SSCA was predominantly conducted based on data analysis, which highlighted risk areas and red flags pertaining to the period April 2018 to March 2021. Through data analysis, a set of 17 deviations were identified across the domains of Input Tax Credit (ITC), discharge of tax liability, registration and return filing. Such deviations were followed up through **a Centralised Audit**[65], whereby these deviations were communicated to the relevant State

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

departmental field formations and action taken by the jurisdictional formations on the identified deviations was ascertained without involving field visits. This 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 relating to taxpayers *viz.,* registration, tax payment, returns and other departmental functions were examined through the back-end system of Taxation Department, Meghalaya. 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 formations such as scrutiny of returns, action on non-filers and late-filers, cancellation of registration *etc*., were also reviewed in selected Circles.

The review of the scrutiny of returns by the Department and verification of taxpayers' records covered the period from April 2018 to March 2021, while the audit of the functions of selected Circles covered the period from April 2020 to March 2021. The SSCA covered only the State administered taxpayers. Field audit was conducted between July 2023 and March 2024.

Entry conference was held on 24 July 2023 with the Additional Commissioner of Taxes, Meghalaya, Shillong wherein the audit objectives, sample selection, audit scope and methodology were discussed in detail. The exit conference was held on 30 July 2024 with the Commissioner of Taxes, Meghalaya in which the audit findings were discussed. The views expressed by the Department during the exit conference and the written replies to the draft report have been suitably incorporated in the relevant paragraphs.

2.4.4 Audit Sample

A data-driven approach was adopted for planning and also to determine the nature and extent of substantive audit. The sample for this SSCA comprised of a sample of Circles for evaluating the compliance functions of the Circles; a set of deviations identified through data analysis for centralised audit that did not involve field visits and a sample of taxpayers for Detailed Audit that involved field visits and scrutiny of taxpayers' records at departmental premises. The three distinct parts of this SSCA are as under:

(i) Part I- Audit of Circles

Four Circles[66] out of 16 Taxation Circles[67] with jurisdiction over more than one selected sample of cases for Detailed Audit were considered as the sample of Circles for evaluation of their oversight functions.

(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 Department. Accordingly, sample of 299 cases involving 124 taxpayers pertaining to 16 Taxation Circles were selected for Centralised Audit under this SSCA.

[66] Shillong Circles IV, VII; Jowai Circle and Khliehriat Circle.

[67] Shillong Circles I, II, III, IV, V, VI, VII, VIII, XIII; Jowai, Khliehriat, Ri-Bhoi, Nongstoin, Williamnagar, Tura Circle I and II.

(iii) Part III-Detailed Audit

Detailed Audit was conducted by accessing taxpayers' records through Circles for evaluation of the extent of tax compliance by taxpayers. The sample of taxpayers for Detailed Audit was selected on the basis of risk parameters such as ITC mismatch, four ratio based trend - ITC availed to tax paid, exemption to total turnover, IGST to CGST and SGST, credit notes to tax paid, ITC availed without payment of tax by suppliers, ITC availed after limitation period, unsettled liability, and evasion prone supplies. The sample of 20 taxpayers pertaining to eight Taxation Circles selected for Detailed Audit comprised of Large[68], Medium[69] and Small[70] strata taxpayers as well as taxpayers selected randomly.

The details of sample for Centralised Audit and Detailed Audit selected for this SSCA are brought out in **Appendix 2.4.1**.

2.4.5 Audit Criteria

The audit criteria were derived from the provisions outlined in the MGST Act, IGST Act and Rules made thereunder. In addition, the notifications and circulars issued by State Taxation 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, ITC utilisation, scrutiny of returns and oversight of tax compliance and Standard Operating Procedures (SoP) containing instructions to departmental officers on various aspects related to filing returns, scrutiny of returns, cancellation of registrations, *etc*., also formed part of the audit criteria.

Audit Findings

The audit findings are categorised into the following three categories:

1. Audit of Circles
2. Centralised Audit
3. Detailed Audit

2.4.6 Audit of Circles

The role of Circles (departmental field formations) is to provide oversight over taxpayers' compliance with regard to filing of returns, discharging tax liability and other compliance obligations. The Circles have a broad set of functions to be exercised in this regard such as initiating action on late filers and non-filers, scrutiny of returns and assessment and cancellation of registrations. Audit of four sampled Taxation Circles was taken up with the objective to ensure that the oversight functions exercised by the Circles in relation to scrutiny on filing of returns by taxpayers and cancellation of registrations are as per the provisions of MGST Act and Rules.

The observations made during the audit of the four sampled Circles are brought out in the following paragraphs:

[68] First category strata comprised large taxpayers – top 0.25 *per cent* of taxpayers based on turnover, Second category strata comprised next set of large taxpayers – next 0.25 *per cent* of taxpayers based on turnover.
[69] Third category strata comprised medium taxpayers – remaining taxpayers with a minimum turnover of ₹ 7.5 crore.
[70] Fourth category strata comprised small taxpayers – remaining taxpayers with minimum turnover of ₹ 2.5 crore.

2.4.6.1 Lack of action on non-filers

Section 46 of the MGST Act, 2017 read with Rule 68 of MGST Rules, 2017 stipulates the issue of a notice in Form GSTR-3A requiring filing of return within fifteen days if the taxpayer had failed to file the return within the due date. In case the taxpayer fails to file the returns even after such notice, the proper officer may proceed to assess the tax liability of the said person to the best of their judgement, taking into account all the relevant material which is available or gathered and issue an assessment order in Form ASMT-13 as per Section 62 of the MGST Act read with the Rule 100 of MGST Rules.

Filing of returns is inherently linked to tax payment, thus establishing a definitive risk of non-payment of tax/penalty in the cases of non-filers. Test check of four sampled taxation Circles on the status of non-filers revealed the following:

Table 2.4.1(a): Statement showing the status of non-filers for the year 2020-21

Sl. No.	Name of the Circle	As per ST's reply			
		No. of cases of non-filers (taxpayers) of returns identified	No of notices issued in GSTR- 3A	Nos. of returns filed after issuance of GSTR-3A	Nos. of returns not filed even after issuance of GSTR-3A
1	Shillong Circle IV	48	48	4	44
2	Shillong Circle VII	13	13	0	13
3	Jowai Circle	411	20	0	20
4	Khliehriat Circle	0	0	0	0
Total:		**472**	**81**	**4**	**77**

Source: Information furnished by the SsT concerned.

From the Table 2.4.1(a) above, it could be seen that 472 taxpayers were identified as non-filers during the year 2020-21 in the four sampled Circles as per reply received from the concerned Superintendents of Taxes (SsT). Out of these, notices in GSTR-3A were issued in only 81 cases by the SsT of three[71] Circles against which only four returns were filed by the taxpayers in one[72] Circle after issuance of GSTR-3A. Thus, appropriate tax returns were not found to have been filed in 77 cases (95 *per cent*) even after issuance of notices in form GSTR-3A. In respect of Khliehriat taxation Circle, no action was found to have been taken by the ST to ascertain cases of non-filing of returns by taxpayers during 2020-21, and no notice was issued as per the provisions of the Act.

Table 2.4.1(b): Statement showing the status of non-filers for the year 2020-21(GST Back end Portal)

Sl. No.	Name of the Circle	As per MIS COMP 01 generated from Meghalaya GST back-end portal[73]		MIS Asmt 2.4.1 generated from Meghalaya GST back-end portal[74]
		No. of cases of non-filers (taxpayers) of returns identified	No. of returns not filed by the identified taxpayers	List of return defaulters against whom notices issued in Form GSTR-3A
1	Shillong Circle IV	20	243	65
2	Shillong Circle VII	13	204	54
3	Jowai Circle	354	7537	415
4	Khliehriat Circle	188	3835	126
Total:		**575**	**11,819**	**660**

Source: Meghalaya GSTN portal.

[71] Shillong, Circle IV, Circle VII and Jowai Circle.
[72] Shillong, Circle IV.
[73] Data as on 26 November 2024.
[74] Data as on 26 November 2024.

However, as per MIS reports, from the Table 2.4.1 (b) above, it could be seen that 11,819 returns were not filed in respect of 575 taxpayers during the year 2020-21 in the four sampled Circles. Out of these, notices in GSTR-3A were issued in only 660 cases by the Superintendents of Taxes (SsT) of four circles.

On this being pointed out (February, May 2024), the ST, Shillong (Circle VII) stated (June 2024) that if a taxpayer defaults for six consecutive months, the system automatically sends notices and suspends the GSTIN. However, the ST could not issue notices or assess non-filers indicating that the role may have not been assigned to the Jurisdictional Officer or is unavailable in the system. Hence, the due process of issue of GSTR-3A followed by ASMT-13 was not observed in all the cases under Circle VII.

The ST, Shillong (Circle IV) stated (June 2024) that based on the officer's verification, it was confirmed that 43 taxpayers do not contribute towards revenue collection, leading to negligible impact on revenue, hence, no assessment was initiated. For one taxpayer (GSTIN-1xxxxxxxxxxxxA), whose registration was cancelled *suo-motu*, a TDS credit issue was identified, and further action is being taken. The Department further (March 2025) stated that action has been taken by the Proper Officer where *suo-motu* cancellation have been initiated under Section 29(2)(c) of MGST Act, 2017. The reply of the ST, Shillong (Circle IV) is not tenable. A negligible revenue impact does not excuse the failure to issue notices and/or assess tax liabilities. Non-filing is a violation of the law and must be addressed irrespective of financial impact.

The ST, Jowai in its reply furnished (July 2024) a statement showing *suo-motu* cancellation of all 20 cases pointed out by Audit. Hence, the due process of issue of GSTR-3A followed by ASMT-13 was not observed in all the remaining cases under Jowai Circle. The ST, Khliehriat did not furnish any reply as of March 2025.

2.4.6.2 Slow pace of scrutiny of returns /non-initiation of scrutiny of returns

As per Section 61 of the MGST Act, various returns filed by taxpayers have to be scrutinised by the Proper Officer to verify the correctness of the returns, and suitable action has to be taken on any discrepancies or inconsistencies reflected in the returns. The Proper Officer designated for this purpose is the 'Superintendent of Taxes.' Further, Rule 99 of the MGST Rules, 2017 mandates that the discrepancies, if any, noticed shall be communicated in Form ASMT-10 to the taxpayer to seek explanation. Additionally, Paragraph 3 of the GST Returns Scrutiny Manual of the Taxation Department, Meghalaya stipulates the frequency of scrutiny which is to be taken up independently every year, however, the period within which the scrutiny process should be initiated/completed by the Proper Officer has not been specified.

Audit analysis of the reply provided by the STs of four sampled Circles relating to scrutiny of returns for the period 2020-21 revealed the following:

Table 2.4.2: Details of results of scrutiny of returns in the four sampled Circles

(Amount in ₹)

Circle	No. of taxpayers whose returns were scrutinised	No. of returns scrutinised	Number of ASMT-10 issued	Accepted by taxpayer		SCN issued			
				No.	Amount	No.	Amount	Completed	Amount recovered
Shillong, Circle IV	0	0	0	0	0	0	0	0	0
Shillong, Circle VII	18	216	18	0	0	4	43,16,339	1	16,25,118
Jowai Circle	74	717	160	19	6,60,265	0	0	0	0
Khliehriat Circle	1	12	0	0	0	1	3,64,814	1	3,64,814
Total	**93**	**945**	**178**	**19**	**6,60,265**	**5**	**46,81,153**	**2**	**19,89,932**

Source: Information furnished by the SsT concerned.

From the table above, it could be seen that during the audit period, a total of 945 returns in respect of 93 taxpayers were scrutinised by the Proper Officer. Out of the sampled four Circles, the ST, Shillong (Circle IV) had not carried out any scrutiny of returns filed during 2020-21. It can also be seen that out of 178 ASMT-10[75] issued in two[76] taxation Circles, discrepancies were accepted by taxpayers in 19 cases involving an amount of ₹ 6,60,265.00. Show cause notices (SCNs) were issued in five cases, involving money value of ₹ 46.81 lakh out of which only two cases were completed. Total recovery amounted to ₹ 19.90 lakh in two cases as of October 2024.

On this being pointed out (February, March & May 2024), the ST, Shillong (Circle IV) stated (June 2024) that scrutiny of returns for the year 2020-21 had been done and that ASMT-10 has been issued to the respective taxpayers at the instance of Audit. Audit acknowledge the action taken by the ST, Shillong (Circle IV), however, the cases need to be pursued further till recoveries, wherever applicable, are made.

The ST, Shillong (Circle VII) stated (June 2024) that scrutiny of returns is time consuming as the notices issued to taxpayers starts from ASMT-10 and may stretch up to DRC-07 if the taxpayer fails to reply or if the reply is found to be not tenable, and for each of such notices, taxpayers have to be given ample time to reply. Moreover, the scrutiny could not be conducted due to slow internet, frequent power outages, and GST Virtual Private Network (VPN) connectivity issues, which hindered system access. Additionally, the SoPs for scrutiny were only received in April 2023. The reply of the ST, Shillong (Circle VII) is not tenable. Scrutiny of returns is a fundamental responsibility of the ST and should not be delayed solely due to the time-consuming nature of the process. Timely initiation of the scrutiny process, including the issuance of ASMT-10 notices, is crucial to maintaining compliance and effective tax administration. Challenges such as slow internet, power outages, and GST VPN connectivity issues, though valid, should not serve as justifications for inaction. These operational hurdles should have been proactively addressed in coordination with the Taxation Department to ensure minimal disruption to critical processes.

The ST, Jowai in reply stated (July 2024) that scrutiny of five top deviation cases has been conducted. The ST also furnished the updated list of 19 taxpayers who have accepted the

[75] A scrutiny notice is issued in Form ASMT-10 intimating discrepancies in GST return along with tax, interest and penalty, if any.

[76] Shillong, Circle VII and Jowai Circle.

discrepancies and recovery of tax amounting to ₹ 6,25,636 along with interest of ₹ 34,629[77] made at the instance of Audit. The ST, Khliehriat did not furnish any reply as of March 2025.

Recommendation No. 1: *The Department should take necessary steps to speed up the process of scrutiny of returns under Section 61 of the Act before time barring of cases.*

2.4.6.3 Inadequate follow up on non-filing of GSTR 10

Section 45 of the MGST Act, 2017 read with Rule 81 of MGST Rules, 2017 stipulates that every registered person who is required to furnish a return under Section 39(1) and whose registration has been cancelled shall furnish a final return in form GSTR-10 within three months of the date of cancellation or the date of order of cancellation, whichever is later.

From the information available on Meghalaya GST back-end portal, there were a total of 2106 cases where cancellation orders have been issued as detailed below:

Table 2.4.3: Inadequate follow up on non-filing of GSTR 10

Sl. No.	Circle	Number of Registrations Cancelled (Suo moto + On taxpayer application) (MIS REG 1.18)	GSTR 10 pending to be filed (MIS COMP 14)
1	Shillong, Circle IV	240	88
2	Shillong, Circle VII	300	86
3	Jowai Circle	1,046	177
4	Khliehriat Circle	520	256
Total		**2,106**	**607**

Source: Meghalaya GSTN Portal.

From the table above, it can be seen that out of 2106 cancellation cases, in 607 cases, GSTR-10 were not filed even after the stipulated period of three months from the date of cancellation of registration in across four test checked Circles during 2020-21.

On this being pointed out (February, March 2024), the ST Shillong (Circle IV) in reply stated (June 2024) that out of 88 defaulting taxpayers, 33 have filed GSTR-10, 23 taxpayers had no tax liability leading to a negligible impact on revenue and hence assessment was not initiated, whereas 32 taxpayers whose registration have been cancelled *suo-motu* did not offer any response.

The ST, Shillong (Circle VII) stated (June 2024) that GST notices are to be served through the Backend System in which there was no provision to issue notices for GSTR-10 defaulters. Most cancellations are initiated *suo-motu* due to non-filing of returns for six consecutive months, and GSTR-10 can only be filed after all pending returns are cleared and fresh registration is obtained. The explanation provided by the ST, Shillong (Circle VII) is not tenable. The claim that notices for GSTR-10 defaulters cannot be issued through the Backend System due to system limitations does not justify non-compliance, especially as notices have been issued by other sampled Circles.

The ST, Jowai Circle in reply stated (July 2024) that notices have been issued to the defaulters. Action is being taken against those taxpayers who have not responded to the notices issued. The reply from the ST, Khliehriat was awaited (March 2025).

[77] The latest position of scrutiny as per the reply of ST, Jowai Circle (July 2024) has been incorporated in Table 2.4.2

Recommendation No. 2: *The Taxation Department may strengthen internal monitoring mechanism in Circle offices and ensure that due process for cancellation of registration, issue of Notices and recovery wherever applicable is appropriately carried out.*

2.4.7 Centralised Audit

Audit analysed GST returns data pertaining to 2018-19 to 2020-21 as made available by GSTN. Rule-based deviations and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 17 parameters, which can be broadly categorised into four domains –

- ITC,
- Tax payments,
- Registration and
- Return Filing.

Out of the 15 prescribed GST returns[78], the following basic returns that apply to normal taxpayers were considered for the purpose of identifying deviations, inconsistencies and mismatches between GST returns/data:

(i) 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;

(ii) 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;

(iii) GSTR-6: Monthly return for Input Service Distributors providing the details of their distributed input tax credit and inward supplies;

(iv) 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;

(v) 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, MGST and IGST) during the entire year along with turnover and audit details for the same;

[78] GSTR-1, GSTR-2A, GSTR-2B, 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).

(vi) GSTR-9C: Annual audit form for all taxpayers having a turnover above ₹ 2.00 crore in a particular financial year. It is basically a reconciliation statement between the annual returns filed in GSTR-9 and the taxpayers' audited annual financial statements;

(vii) 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;

(viii) GSTR-2B: It is a month-wise auto-drafted statement for regular taxpayers (whether or not opted into the QRMP[79] scheme) introduced on the GST portal providing eligible and ineligible ITC for each month, similar to GSTR-2A but remains constant or unchanged for a period. The statement was launched from the August 2020 tax period onwards.

The Pan-State analysis on the 17 identified parameters undertaken are summarised in Tables **2.4.4(a) and 2.4.4(b)** below and results thereon are given in **Appendix 2.4.2**:

Table 2.4.4(a): Parameters used for sample extraction

Sr. No.	Algorithm used	Risk pursued
1	ITC available as per GSTR-2A with all its amendments was compared with the ITC availed in GSTR-3B in Table 4A (5) (accrued on domestic supplies) excluding the reversals in Table 4B (2) but including the ITC availed in the subsequent year from Table 8C of GSTR-9 and blocked credits	ITC mismatch between GSTR-2A and GSTR-3B
2	RCM payments in GSTR-9 Table 4G (tax payable) were compared with ITC availed in GSTR-9 Table 6C, 6D and 6F (ITC availed). In cases where GSTR-9 was not available, RCM payment in GSTR-3B Table 3.1(d) was compared with GSTR-3B 4(A)(2) and 4A(3). Greater of difference in GSTR-9 and GSTR-3B considered where both were available	Short payment of tax under RCM versus ITC availed in GSTR-3B/ GSTR-9
3	ISD ITC availed in GSTR-9 Table 6G or GSTR-3B Table 4(A)(4) of recipient was compared with the sum of Table 5A, Table 8A, and Table 9A of GSTR-6 of distributor GSTINs	Incorrect availing of ISD credit
4	ITC availed through Table 4 of GSTR-3Bs pertaining to period 2018-19 to 2020-21 filed after October of the following year	ITC availed in GSTR-3B filed after the cut-off period.
5	ITC available from GSTR-2A was compared with Table 8A of GSTR-9 which captures ITC available from GSTR-2A (as an auto-populated non-editable field) but excludes those entries in GSTR-2A where the supplier has not filed GSTR-1 by due date of its filing and also excludes the ITC for the period during which the recipient taxpayer was under composition scheme	ITC passed on without supplier remitting tax
6	Positive figure in GSTR-9C Table 12F	Mismatch of ITC availed between annual returns and books of accounts
7	Positive figure in GSTR-9C Table 14T	Reconciliation between ITC availed in annual returns with expenses in financial statements
8	Negative figure in GSTR-9C Table 9R	Mismatch in tax paid between books of accounts and annual returns

[79] Quarterly Return and Monthly Payment.

Sr. No.	Algorithm used	Risk pursued
9	Interest calculated at the rate of 18 *per cent* on cash portion of tax payment on delayed filing of GSTR-3B *vis-à-vis* interest declared in GSTR-3B	Short payment of interest
10	Taxpayers who have not filed GSTR-3B but have filed GSTR-1 or where GSTR-2A available, indicating taxpayers carrying on the business without discharging tax	GSTR-3B was not filed but GSTR-1 is available
11	GSTR-3B Table 3.1(a)+(b) was compared with tax liability declared in the e-way bills and cases where GSTR-3B tax liability are less than e-way bill tax liability are identified	Suppression of tax liability based on E-way bill verification
12	The greater of tax liability between GSTR-1 (Tables 4 to 11), considering advances and amendments, and GSTR-9 (Tables 4N, 10 and 11) was compared with tax paid details in GSTR-3B Tables 3.1(a) and 3.1(b). In cases where GSTR-9 was not available, GSTR-3B tax paid was compared with GSTR-1 liability	Unsettled liabilities. This would lead to short payment/non-payment of tax.

Table 2.4.4(b): Parameters used for sample extraction

Sr. No.	Algorithm used	Risk pursued
1	Unbilled revenue at the beginning of the year in GSTR-9C Table 5B should tally with the unbilled revenue of the previous year GSTR-9C shown in Table 5H. Any mismatch indicates suppression of taxable turnover	Suppression of taxable value based on unbilled revenue declared in GSTR-9C.
2	Negative figure in GSTR-9C Table 7G	Mismatch in taxable turnover declared in GSTR-9C Table 7G
3	Table 3.1(a) of GSTR-3B was compared with Column 6 of Table 9 of GSTR-2A. Cases where GSTR-3B values are less than that of GSTR-2A are identified	Under-declaration of taxable supplies by comparing TDS returns
4	The composition taxpayers whose turnover on all India basis (Central and State jurisdiction) under all GSTINs of the same PAN have crossed the turnover limit of ₹ 50 lakh in 2018-19 and ₹ 75 lakh in 2019-20 were identified	Ineligible under composition levy scheme i.e. taxpayers continue to operate under composition levy scheme despite crossing threshold for the same.
5	GSTINs from GSTR 8 returns Table 3 who filed CMP-08 quarterly returns as composition taxpayers are identified	Composition taxpayer also availing e-commerce facility

The data analysis depicted a number of deviations which indicate that basic validation controls in the application software needed to be strengthened. Some of the major deviations were, ITC mismatch across the returns GSTR-2A and 3B (20 deviations), ITC passed on without supplier remitting tax (10 deviations) and unsettled tax liabilities (25 deviations) indicated that controls to input and validate data in GST system are either not working properly or are entirely absent.

2.4.7.1 Results of Centralised Audit

Out of the sample of 299 cases, the Taxation Department provided responses in 290 cases. The extent to which the audit dimensions translated into compliance deviations is summarised in **Appendix 2.4.2** wherein the deviations related to Liability Mismatches is given in **Table A** and deviations related to Turnover Mismatches is given in **Table B of Appendix 2.4.2.**

Summary of deficiencies (Centralised Audit)

With respect to liability mismatches out sample of 299 cases audit noticed deviations from the provisions of the Act in 110 cases {Col No. 14 of Table A, Appendix 2.4.2} involving ₹ 69.19 crore {Col. No. 15 of Table A, Appendix 2.4.2} constituting 37.93 *per cent* of total 290 cases for which the Department provided responses.

In 98 cases {Col. No. 16, 18 and 20 of Appendix 2.4.2}, constituting 33.79 *per cent (*of the 290 cases for which the Department provided responses), where the Department's reply was acceptable to Audit, data entry errors by taxpayers comprised four cases, action was taken before queries in 18 cases and 76 cases had valid explanations.

In 27 cases {Col. No. 22 of Table A, Appendix 2.4.2}, the Department's reply is not acceptable to Audit and was rebutted accordingly. Furthermore, in 27 cases {Col No. 24 of Table A, Appendix 2.4.2}, the Department's reply was not furnished with appropriate documentary evidence.

With respect to turnover-related mismatches out sample of 31 cases, Audit noticed deviations from the provisions of the Act in 11 cases {Col No. 14 of Table B, Appendix 2.4.2} out of a total of 28 cases for which the Department provided responses. In ten cases (Column No. 16, 18 and 20), the Department's reply was acceptable to Audit whereas in five cases (Col. No. 22), the Department's reply was not acceptable to Audit and rebutted accordingly. Furthermore, in two cases {Col No. 24 of Table B, Appendix 2.4.2}, the Department's reply was not furnished with appropriate documentary evidence.

In all, Demand Orders amounting to ₹17.69 crore were issued in 44 cases and recovery made at the instance of audit was ₹1.75 crore in 25 cases. {Col No. 6 & 7 of Table A & B, Appendix 2.4.2}.

Further details of the deviations noticed in audit sample of 299 cases during Centralised Audit are given below:

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

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

To analyse the veracity of ITC utilisation, relevant data were extracted from GSTR-3B and GSTR-2A for the years 2018-19, 2019-20 and 2020-21 and the ITC paid as per suppliers' details were matched with the ITC credit availed by the taxpayers.

Out of the replies received in 32 cases, fifteen cases were not considered (in three cases, action was taken before the issuance of audit query and in twelve cases the Department's reply was accepted by the Audit).

On being pointed out by Audit (March 2024),[80] in three cases amounting to ₹0.12 crore recovery (vide DRC-03) was made at the instance of Audit. In three cases, amounting to ₹ 2.00

[80] Limited audit was taken up from 24 July 2023 to 13 October 2023, and the final Inspection Report was issued to the Department on 05 March 2024.

crore, Demand Order (DRC-07) was issued. In two cases involving ₹ 9.98 crore, DRC-01 were issued (March 2025). In six cases involving ₹ 16.51 crore, scrutiny notices were issued in Form ASMT-10/DRC-01A. In three cases involving ₹ 7.10 crore, the replies furnished by the Department were not supported by relevant documentary evidence and were thus not amenable to verification by Audit **(Appendix 2.4.3)**.

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

The extent of availing of ITC under RCM for the years 2018-19 to 2020-21 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.

Out of the replies received in 13 cases, five cases were not considered (in one case, there was data entry error in the returns, in two cases action was taken before the issue of audit query and in two case, Department's reply was accepted by the Audit).

On being pointed out by Audit (March 2024), in one case amounting to ₹ 0.53 crore, recovery (DRC-03) was made at the instance of Audit. In three case involving ₹ 0.14 crore, Demand Order (DRC-07) was issued. In three cases involving ₹ 0.16 crore, the Department issued (March 2025) scrutiny notices in Form ASMT-10/DRC-01A. In one case involving ₹ 0.08 crore, the reply furnished by the Department was not supported by relevant documentary evidence and was thus not amenable to verification by Audit **(Appendix 2.4.4)**.

(iii) Incorrect availing of ISD credit

To analyse whether the ITC availed by the taxpayers is in excess of that transferred by the Input Service Distributor (ISD), ITC availed as declared in the returns of the taxpayers was compared with the ITC transferred by the ISD in their GSTR-6.

Audit observed that in one case (1xxxxxxxxxxxxxK, under Circle-VI) there is deviation of ₹ 0.27 crore.

On being pointed out by Audit (March 2024), the Department (March 2025) furnished the reply of the taxpayer wherein the taxpayer furnished the comparative statements showing no outstanding liabilities as the ITC on ISD for FY 2019-20. ITC has been claimed by the taxpayer in FY 2020-21, which on verification was found acceptable by Audit **(Appendix 2.4.5)**.

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

Section 16(4) of the MGST Act, 2017 provides for availing of ITC only till the due date of furnishing GSTR-3B for the month of September following the end of the financial year to which such ITC pertains or furnishing of relevant Annual Return, whichever is earlier. Accordingly, if any GSTR-3B is furnished after such time, ITC availed therein becomes inadmissible.

Out of the replies received in 22 cases, twelve cases were not considered as the Department's replies (March 2025) were accepted by the Audit in eleven cases and in one case action was taken before the audit query was issued.

On being pointed out by Audit (March 2024), in one case demand order (DRC-07) was issued for ₹ 0.64 crore. In four cases involving an amount of ₹ 1.94 crore, the Department issued (March 2025) scrutiny notices in Form ASMT-10/DRC-01A. In five cases involving an amount of ₹ 2.70 crore, the replies furnished by the Department were not supported by relevant documentary evidence and were thus not amenable to verification by Audit **(Appendix 2.4.6).**

(v) ITC passed on without supplier remitting tax

In order to analyse the extent of compliance of ITC availment under Section 16(4) of the MGST Act, an attempt has been made to identify likely cases where the ITC would have been passed on by the taxpayer without actually remitting the tax.

While GSTR-2A is generated based on the disclosures made by the suppliers in their GSTR-1, Table 8A of the GSTR-9 is auto-populated (non-editable) from Tables 3, 4, 5 and 6 of the GSTR-2A (Tables 3 and 5 of the old GSTR-2A format) as available on 31 October of the following financial year. Therefore, the following are not reflected in Table 8A:

1. GSTR-1/5 filed after the cut-off date (though details are available in GSTR-2A) as ITC availment is limited to GSTR-1/5 filed by the suppliers up to the tax period of September of the following financial year.
2. Supplies indicated as RCM in GSTR-1.
3. When the supplier has amended the GSTIN, credit is available to the amended GSTIN only.
4. Supplies pertaining to the period when the supplier was under the composition scheme.
5. Documents dated after the effective date of cancellation of the supplier.
6. Invoices, where the place of supply differs from the State of the recipient.

It may also be noted that though the filing of GSTR-1 before filing of GSTR-3B was strictly implemented only from January 2022, it is quite probable that there are instances prior to this date where suppliers might not have filed GSTR-3B or filed GSTR-3B belatedly after filing GSTR-1, therefore, rendering the Input Tax Credit (ITC) derived from these returns ineligible.

Out of the replies received in 21 cases, eleven cases were not considered (in one case, there was data entry error in the returns, in five cases action was taken before the issue of audit query and in five cases the Department's reply was acceptable by Audit).

On being pointed out by Audit (March 2024), in one case amounting to ₹ 0.06 crore, Demand Order was issued (DRC-07). In four cases involving ₹ 13.5 crore, the Department issued (March 2025) scrutiny notices (ASMT-10). In three case involving ₹ 9.44 crore, replies of the Department were not acceptable to Audit against which rebuttal was provided. In two cases involving ₹ 0.55 crore, the replies furnished by the Department were not supported by relevant documentary evidence and were thus not amenable to verification by Audit **(Appendix 2.4.7).**

(vi) Mismatch of ITC availed between annual returns and books of accounts

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 for the years 2018-19 to 2020-21 as required under Rule 80(3) of MGST Rules in Form GSTR-9C was analysed at data level to review the extent of identified mismatch in ITC declared in the Annual Return with the Financial Statements.

Out of the replies received in five cases, four cases were not considered as in two cases, action was taken before the issue of audit query and in another two cases, the Department's reply (March 2025) was accepted by the Audit.

Audit analysis of the remaining one case revealed unreconciled ITC of ₹ 0.94 crore declared in Table 12F of GSTR-9C, being ITC availed in GST returns in excess of eligible ITC based on financial statements. On this being pointed out by Audit (March 2024), the Department issued (March 2025) scrutiny notice in Form ASMT-10 **(Appendix 2.4.8).**

(vii) Reconciliation between ITC availed in annual returns with expenses in financial statements

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 for the years 2018-19 to 2020-21 as required under Rule 80 (3) of MGST Rules in Form GSTR-9C, 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.

Out of the replies received in five cases, four cases were not considered as in one case action was taken before the issue of audit query and in three cases the Department's reply (March 2025) was accepted by Audit.

Audit analysis of the remaining one case revealed unreconciled ITC of ₹ 0.08 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 statements. On this being pointed out by Audit (March 2024), the Department stated that the case record was verified, however, action could not be taken since the case is time barred. The Department's reply was not acceptable as the Department had not scrutinised the returns and assessed the liabilities payable by the taxpayer in a time bound manner which resulted in the case being time barred **(Appendix 2.4.9).**

(viii) Mismatch in tax paid between books of accounts and annual returns

The certified reconciliation statement submitted by the taxpayer for the years 2018-19 to 2020-21 as required under Rule 80(3) of MGST Rules in Form GSTR-9C was analysed at data level to review the extent of identified mismatch in tax paid between the annual returns and the books of accounts. Table 9 of 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 year (2018-19/2019-20/2020-21) transactions carried out from April to September of the subsequent year (2019-20/2020-21/2021-22).

Out of the replies received in six cases, five cases were not considered (in one case there was data entry error and in four cases the Department's replies were accepted by Audit). Audit analysis of the remaining one case had unreconciled payment of tax declared in Table 9R of GSTR-9C, amounting to ₹ 0.50 crore.

On being pointed out by Audit (March 2024), the Department (March 2025) stated that the taxpayer did not reply to ASMT-10 issued and that issuance of order under section 73(9) for the year 2018-19 has already lapsed. The Department's reply is not acceptable, hence, rebutted. Failure of the Department to scrutinise the returns and assess the liabilities payable by the taxpayer in a time-bound manner has resulted in the case being time barred **(Appendix 2.4.10).**

(ix) Short payment of interest

Section 50(1) of the MGST 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 2018-19 to 2020-2021 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[81].

Out of the replies received in 69 cases, six cases were not considered (the Department's reply was accepted by the Audit). Audit analysis of the remaining sixty-three cases revealed that taxpayers filed the returns (GSTR-3B) pertaining to the months from April 2018 to March 2021 with delay. This resulted in short payment of interest amounting to ₹ 15.49 crore.

On being pointed out by Audit (March 2024), in 17 cases amounting to ₹ 1.07 crore recovery (DRC-03) was made at the instance of Audit. In 17 cases amounting to ₹ 10.47 crore, Demand Order (DRC-07) was issued. In eight cases involving ₹ 0.92 crore, the Department issued (March 2025) show cause notices (DRC-01). In eight cases involving ₹ 0.66 crore, the Department issued (March 2025) scrutiny notices in Form ASMT-10/DRC-01A. In twelve cases involving ₹ 0.81 crore, reply of the Department was not acceptable to Audit against which rebuttal was provided. In one case involving ₹ 1.06 crore, reply furnished by the

[81] All the relaxations, and reduced rate of interest extended to the industries during the COVID -19 Phase I *w.e.f.* January to April 2020 and Phase II for March 2021 returns have been considered while working out the interest component. It may also be noted that the interest worked out is only minimum, as for the supplies made prior to the tax period and declared in the return for the said tax period, the interest has to be discharged on the entire tax component. Due to the non-availability of such bifurcation, the interest on such supplies have also been worked out only on the case component.

Department was not supported by relevant documentary evidence and was thus not amenable to verification by Audit.

In one case involving ₹ 0.004 crore, reply was not furnished (April 2025) **(Appendix 2.4.11).**

(x) GSTR-3B was not filed but GSTR-1 is available

At the data level, taxpayers who have not filed GSTR-3B but have filed GSTR-1 or whose GSTR-2A was available was identified. GSTR-3B return is the only instrument through which the liability is offset and ITC is availed. The availability of GSTR-1 and GSTR-2A and non-filing of GSTR-3B indicates that the taxpayers had undertaken/carried on the business during the period but have not discharged their tax liability. It may also include cases of irregular passing on of ITC.

Out of the replies received in 11 cases, two cases were not considered as the Department's reply was acceptable by Audit. Audit analysis of the remaining nine cases revealed that taxpayers have not filed GSTR-3B for the period 2018-19 to 2020-21 involving total tax deviation amounting to ₹ 0.78 crore in terms of tax liability flowing from GSTR-1.

On being pointed out by Audit (March 2024), in three cases amounting to ₹ 0.20 crore, Demand Order issued (DRC-07). In four cases involving ₹0.13 crore, the reply of the Department was not acceptable to Audit against which rebuttal was provided. In two case involving ₹ 0.45 crore, reply furnished by the Department was not supported by relevant documentary evidence and was thus not amenable to verification by Audit **(Appendix 2.4.12).**

(xi) Suppression of tax liability based on E-Way Bill verification

In order to analyse the extent of short-payment of tax, relevant data related to tax liability declared in GSTR-3B for the years 2018-19 to 2020-21 were compared with disclosures made in e-way bills. It may be noted that the deviation is only an indicator to lower tax declaration, at a minimum level, as an accurate comparison is not possible as besides such supplies, the taxpayer may also have other supplies which do not require the generation of e-way bills.

Out of the replies received in 36 cases, 17 cases were not considered as the Department's reply was acceptable by Audit. Audit analysis of the remaining 19 cases revealed suppression of tax liability amounting to ₹ 5.96 crore.

On being pointed out by Audit (March 2024), in four cases amounting to ₹ 1.03 crore, Demand Order (DRC-07) was issued. In two case involving ₹1.05 crore, the Department issued (March 2025) scrutiny notices in Form ASMT-10. In seven cases involving ₹ 1.03 crore, the Department is under correspondence with taxpayer. In two case involving ₹ 0.19 crore, reply of the Department was not acceptable to Audit against which rebuttal was provided. In four cases involving ₹ 2.66 crore, no documentary evidence was furnished with the replies and were thus not amenable to verification by Audit **(Appendix 2.4.13).**

(xii) Unsettled liabilities

GSTR-1 depicts the monthly details of outward supplies of Goods or Services. The taxable value and tax paid thereof are shown in GSTR-3B. Details of GSTR-1 and GSTR-3B are also mentioned in annual return GSTR-9 in the relevant columns.

To analyse the undischarged tax liability, relevant data were extracted from GSTR-1, and GSTR-9 for the years 2018-19 to 2020-21, and the tax payable in these returns was compared with the tax paid declared in GSTR-9. Where GSTR-9 was not available, a comparison of tax payable between GSTR-1 and GSTR-3B was resorted to. The amendments and advance adjustments declared in GSTR-1 and 9 were also considered for this purpose.

Out of the replies received in 41 cases, sixteen cases were not considered (in one case there was data entry error in returns; in four cases, action was taken before the issue of audit query and in eleven cases, the Department reply was accepted by Audit). Audit analysis of the remaining 25 cases revealed short payment of tax amounting to ₹15.72 crore.

On being pointed out by Audit (March 2024), in one case recovery was made amounting to ₹ 0.002 crore (DRC-03). In eight cases involving ₹ 3.15 crore, Demand Order (DRC-07) was issued. In one case involving ₹ 3.20 crore, the Department issued (March 2025) show cause notice (DRC-01). Two cases involving ₹ 2.06 crore was under correspondence with taxpayer. In four cases involving ₹ 4.45 crore, the replies of the Department were not acceptable to Audit against which rebuttal was provided. In nine cases involving ₹ 2.86 crore, no documentary evidence was furnished with the replies and were thus not amenable to verification by Audit.

No reply was furnished for the five cases involving ₹ 0.88 crore till date (April 2025) **(Appendix 2.4.14).**

(xiii) Suppression of taxable value based on unbilled revenue

Table 5 of the GSTR-9C reconciliation statement pertaining to disclosures of unbilled revenue submitted by the taxpayer as required under Rule 80(3) of MGST Rules for the years 2018-19 to 2020-21 was analysed at data level.

Table 5B figures of GSTR-9C for the years 2018-19 to 2020-21 which captures the unbilled revenue at the beginning of the financial year was compared with Table 5H of the previous GSTR-9C returns which captures the unbilled revenue of the end of the year to review the extent of identified mismatch in turnover declared in the Annual Return with the Financial Statements.

Unbilled revenue accounts for that part of transactions that are recorded in the books of accounts on an accrual basis but against which no invoices have been issued till the close of the financial year. Ideally, the unbilled revenue at the beginning of the year in GSTR-9C Table 5B should tally with the unbilled revenue of the previous GSTR-9C shown in Table 5H. Any mismatch could be an indication of the suppression of taxable turnover. Since the taxpayers have been provided with an option of not declaring these figures separately and just reporting the adjustments in Table 5O, only cases where figures of both Table 5B and Table 5H are declared are considered.

Out of the replies received in five cases, three cases were not considered (the Department's reply was accepted by Audit.) Audit analysis of the two remaining cases revealed suppression of taxable turnover amounting to ₹ 0.95 crore.

On being pointed out by Audit (March 2024), in two cases involving turnover of ₹ 0.95 crore, the Department stated that ASMT 10 (21 August 2024) was issued but the case is now time barred. The Department's reply is not acceptable as the Department ought to have scrutinised the returns and assessed the liabilities payable by the taxpayer in a time-bound manner has resulted in the case being time barred.

No reply was furnished for the two cases involving turnover of ₹ 0.03 crore till date (April 2025) **(Appendix 2.4.15).**

(xiv) Mismatch in taxable turnover declared in GSTR-9C Table 7G

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 for the years 2018-19 to 2020-21 as required under Rule 80(3) of MGST Rules in Form GSTR-9C 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 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.

Out of the replies received in 10 cases, six cases were not considered as Department's reply was accepted by Audit. The remaining four cases had unreconciled taxable turnover[82] in Table 7G of GSTR-9C amounting to ₹ 4,453.21 crore.

On being pointed out by Audit (March 2024), in two cases involving turnover deviation of ₹ 4,345.82 crore, the Department issued (March 2025) scrutiny notices in Form ASMT-10. In two cases involving turnover deviation of ₹ 107.39 crore, the reply of the Department was not acceptable to Audit against which rebuttal was provided **(Appendix 2.4.16).**

(xv) Under-declaration of taxable supplies by comparing TDS returns

TDS and TCS details are declared in GSTR-7 and GSTR-8 respectively and communicated to the registered person in Table 9 of GSTR-2A. The cases where the taxable value declared on account of outward taxable supplies (other than zero rated, nil rated and exempted) in GSTR-3B were less than the net amount liable for TCS and TDS credit as per Table 9 of GSTR-2A have been identified. It may be noted that the deviation amount indicated may only be a fraction of non-disclosure, as exact comparison is not possible as the taxpayer may have other supplies which do not necessitate TDS recovery. Hence, the Department was requested to examine all the transactions and not to limit checks to the deviation amount.

Out of the replies received in seven cases, one case was not considered as Department's reply was accepted by Audit. The remaining six cases had under declaration of taxable supply amounting to ₹ 12.89 crore.

---

[82] For 1xxxxxxxxxxxxx8- "'Advance Received of ₹ 70,00,000.00 is not a part of Turnover','₹ 43,08,32,08,879.00 relates to other GSTIN of same PAN'".
For 1xxxxxxxxxxxxxO :-"'The amount is unreconciled due to turnover of different GSTN number registered under the same PAN', 'turnover of Assam ₹ 11,11,00,784, Bihar ₹ 46,10,36,240, Mizoram ₹ 6,34,32,463, West Bengal ₹ 1,34,82,143, Uttar Pradesh ₹ 2,34,86,984'" for the year 2018-19; "'The amount is unreconciled due to multi GSTN number under the same PAN turnover of Assam is ₹ 12,87,87,777.23 , West Bengal is ₹ 7,63,57,143.00, Uttar Pradesh is ₹ 1,16,04,152 , Bihar is ₹ 12,56,68,812.6 and Mizoram is ₹ 5,88,96,820'" for the year 2019-20 and no reasons furnished for the year 2020-21.

On this being pointed out (March 2024), in one case (turnover amount of ₹ 2.77 crore) recovery was made (DRC-03) amounting to ₹ 0.04 crore at the instance of Audit. In two cases involving turnover of ₹ 1.74 crore, Demand Order (DRC-07) was issued. In two cases involving turnover of ₹ 4.21 crore, the Department issued (March 2025) show cause notices (DRC-01). In one case involving turnover of ₹ 4.17 crore, no documentary evidence was furnished with the reply and was thus not amenable to verification by Audit.

No reply was furnished for the one case for the financial year 2018-19 involving ₹ 0.68 crore till date (April 2025) **(Appendix 2.4.17).**

(xvi) Ineligible Taxpayers under Composition Levy Scheme

At the data level, Audit has attempted to identify composition taxpayers whose turnover on Pan India basis (Central and State jurisdiction) under all GSTINs of the same PAN have crossed the turnover limit of ₹ 0.50 crore in 2018-19 and ₹ 0.75 crore in 2019-20 but still continue to avail the benefit of composition levy scheme.

Out of the replies received in five cases, Audit analysis revealed that the taxpayers under composition levy scheme had taxable supply amounting to ₹ 7.29 crore.

On this being pointed out (March 2024), an amount of ₹ 0.03 crore was recovered (DRC-03) in one case (turnover amount of ₹ 1.16 crore) at the instance of Audit. In two cases involving turnover amounting to ₹ 3.39 crore, Demand Order (DRC-07) was issued. One case involving ₹ 1.01 crore, the Department's reply was not acceptable, hence rebutted. In one case involving turnover amounting to ₹ 1.73 crore, no documentary evidence was furnished thus not amenable to verification by Audit. **(Appendix 2.4.18).**

(xvii) Composition Levy Scheme taxpayers also availing e-commerce facility

Audit attempted to identify those composition taxpayers who have availed the e-commerce facility, the datasets pertaining to GSTR-8 filed by the e-commerce operators and CMP-08 filed by the composition taxpayers were compared to check whether the recipient GSTINs mentioned in GSTR-8 have also filed CMP-08. Since the e-commerce GSTR-8 became effective only from 1st October 2018, this exercise was taken to check whether these taxpayers would also have availed the services of e-commerce operators from 2018-19 to 2020-21.

Audit analysis revealed that the taxpayer has availed e-commerce facility and had sum of composition turnover amounting to ₹ 0.07 crore in one case. Whereas it is noticed that the turnover as declared by the e-commerce provider in the GSTR-8 returns pertaining to this composition taxpayer is ₹ 0.47 crore, *i.e.* more than the turnover declared by this composition taxpayer in its CMP-08, for composition levy, hence there may be short payment of tax too.

On this being pointed out (March 2024), an amount of ₹ 0.05 crore was recovered (DRC-03) at the instance of Audit (**Appendix 2.4.19**).

2.4.8 Detailed Audit

In a self-assessment regime, the onus of compliance with law is on the taxpayer. The role of the Department is to establish and maintain an efficient tax administration mechanism to provide oversight.

Apart from identifying inconsistencies/deviations in GST returns through pan-State data analysis, a Detailed Audit of GST returns was also conducted as part of this review. Audit also focused on a data-driven risk-based approach. A risk-based sample of 20 taxpayers was selected for this part of the review.

The review involves 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. Based on desk review results, Detailed Audit was conducted in State Tax Department's field formations by obtaining 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.

2.4.8.1 Scope limitation (non-production/ partial production of records)

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.

Audit requisitioned granular records of the taxpayers through the respective Circles (February to March 2024) in which out of a total of 20 sampled cases, complete records were produced only in ten cases (50 *per cent*). In one out of 10 remaining cases, only sales and purchase statements were produced for the sampled months instead of invoices[83]. In nine cases (45 *per cent*), neither the sales and purchase statements nor the invoices were produced. The jurisdiction-wise non/partial production of records is summarised in the **Appendix 2.4.20.**

Consequently, in these non/partially produced cases, Audit was restricted to the information available in the returns filed by the taxpayers. Due to non-production of sales invoices, Audit could not ascertain check related to HSN code and rates applied thereof.

2.4.8.2 Audit Findings-Detailed Audit

The audit findings are categorised under **A) Returns** and **B) Utilisation of ITC**.

(A) Returns

(i) Non-payment of interest by taxpayers

Section 50(1) of the MGST 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 such rate, not exceeding 18 *per cent*, as may be notified by the Government on the recommendations of the Council.

Audit observed that in seven out of 20 sampled cases (35 *per cent*), the taxpayers had filed their returns during the period April 2018 to March 2021 belatedly and paid the tax dues in

[83] Sampled invoices for two out of 36 months were requisitioned.

these returns by debiting the Cash Ledger. However, interest amounting to ₹ 11.41 lakh, payable as per Section 50 (1) of the MGST Act, 2017, was not paid by the defaulters.

On this being pointed out (May 2024), the Department stated that in six out of seven cases, the taxpayers have accepted the demand and paid interest amounting to ₹ 10.78 lakh vide DRC-03 at the instance of Audit. The Department stated (March 2025) that in one case[84] under Circle I, the DRC-01 has been issued. **(Appendix 2.4.21)**.

An illustrative case is given below:

One taxpayer having GSTIN 1xxxxxxxxxxxxxU under Ri-bhoi Circle had filed the returns (GSTR-3B) during the period April 2018 to November 2020 with delays ranging between one and 72 days and paid the tax due in these returns by debiting the Electronic Cash Ledger. However, interest liability required to be paid on cash portion of liability amounting to ₹ 5.66 lakh was not discharged.

On this being pointed out by Audit (May 2024), the ST, Ri-bhoi issued demand notices to which the taxpayer accepted and paid the interest vide DRC-03 dated 10 May 2024 amounting to ₹ 5.38 lakh at the instance of Audit.

(ii) Discrepancies noticed in filing of GST returns

Rule 80(1) of the MGST Rules, 2017 stipulates that every registered person, other than an Input Service Distributor, a person paying tax under section 51 or section 52, a casual taxable person and a non-resident taxable person, shall furnish an annual return as specified under sub-section (1) of Section 44 electronically in FORM GSTR-9 through the common portal.

Rule 80(3) of the MGST Rules, 2017 provides that every registered person whose aggregate turnover during a financial year exceeds two crore rupees shall get his accounts audited as specified under sub-section (5) of Section 35 and he shall furnish a copy of audited annual accounts and a reconciliation statement, duly certified, in FORM GSTR-9C, electronically through the common portal. From 01 August 2021, exemption from filing Form GSTR-9C has been extended to the taxpayers having annual aggregate turnover up to ₹ 5.00 crore as per Notification No. 30/2021 – State Tax dated 30 June 2021. Further, Section 44 of MGST Act 2017 was amended vide Notification No. 31/2021-State Tax No. ERTS(T) 65/2017/Pt. I/338 dated 30 June 2021 provides for exemption from filing GSTR-9 to taxpayers whose aggregate turnover in the financial year 2020-21 is up to ₹ 2.00 crore.

Audit scrutiny of the returns filed by 20 sampled taxpayers for the years 2018-19 to 2020-21, revealed non-compliance in respect of two taxpayers. One taxpayer with an aggregate turnover of ₹ 7.72 crore did not file GSTR-9 and GSTR-9C for the year 2020-21 and another taxpayer with the aggregate turnover of ₹ 2.20 crore and ₹ 3.06 crore during 2019-20 and 2020-21 respectively did not file GSTR 9/9C for the year 2019-20, and GSTR-9 for the year 2020-21 **(Appendix 2.4.22)**.

On this being pointed out (March 2024), the ST Circle VIII had issued DRC-01A (August 2024) in one case, however, further reply was awaited. In another case, the taxpayer had filed

[84] (1xxxxxxxxxxxxxA with interest liability amounting to ₹ 13,071.05).

the requisite returns (June 2024) in response to the notice issued by ST, Jowai Circle, at the instance of Audit.

(B) Utilisation of Input Tax Credit

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

To analyse the veracity of ITC utilisation, relevant data were extracted from GSTR-3B and GSTR-2A for the years 2018-19 to 2020-21, and the ITC paid as per suppliers' details were matched with the ITC credit availed by the taxpayers.

Audit scrutiny of a taxpayer (GSTIN 1xxxxxxxxxxxxxA) of Circle I revealed that against the ITC of ₹ 16.26 crore available as per GSTR-2A, the ITC availed by the taxpayer as per GSTR-3B was ₹ 16.41 crore. This resulted in a mismatch of ITC availed amounting to ₹ 0.15 crore as detailed below:

Table 2.4.5: Mismatch relating to ITC

(Amount in ₹)

Period	As per GSTR-3B	As per GSTR-2A	Excess (+) in ITC
2020-21	4,78,91,786.72	4,76,32,514.08	**2,59,272.64**
2019-20	6,30,97,359.00	6,23,57,994.88	**7,39,364.12**
2018-19	5,31,41,298.00	5,25,93,600.13	**5,47,697.87**
Grand Total	**16,41,30,443.72**	**16,25,84,109.09**	**15,46,334.63**

On being pointed out by Audit (March 2024), the ST had issued ASMT-10 (March 2024) and DRC-01A and DRC-01 (June 2024). For the year 2018-19, the taxpayer replied to the DRC-01A (dated 10 May 2024) stating that the mismatch was due to the non-uploading of the invoices by the suppliers. However, the supporting documents were not provided. The Department may assess and take necessary action with respect to the outstanding dues.

2.4.9 Conclusion

The Subject Specific Compliance Audit (SSCA) on Department's Oversight on GST Payments and Returns Filing was undertaken with an objective of assessing the adequacy of the system in monitoring returns filing and tax payments by the taxpayers, extent of compliance and other departmental oversight functions. The audit was predominantly based on data analysis which highlighted risk areas, red flags and in some cases, rule-based deviations and logical inconsistencies in GST returns filed for the period 2018-19 to 2020-21.

The audit of four Circles showed that the oversight functions with respect to action on non-filers, scrutiny of returns and process of cancellation needed to be strengthened.

In Centralised Audit, out of 299 cases identified by Audit, replies from the Department were received in 290 cases. Out of 290 cases, recovery amounting to ₹ 1.75 crore was made at the instance of Audit in 25 cases. In 44 cases, Demand Orders amounting to ₹ 17.69 crore were issued. In 113[85] cases, the Department needs to take further action to

[85] 299 - [7 (Department's reply was not furnished with appropriate documentary evidence & Department's reply was not acceptable to Audit) + 110 + 44 + 25].

assess and realise the tax dues from the taxpayers wherever applicable. Further, the replies of the Department have been accepted in 108 cases. While data entry errors caused inconsistencies in four cases, action was taken prior to audit in 18 cases and in 86 cases valid explanations were provided.

In Detailed Audit of GST returns of 20 sampled cases, the audit was limited by non-production of records. From the records produced, discrepancies were noticed relating to returns and ITC utilisation. Non-payment of interest was noticed in seven cases amounting to ₹ 11.41 lakh out of which ₹ 10.78 lakh has been recovered at the instance of Audit. In two cases, it was noticed that relevant returns were not filed, and in one case there was mismatch in ITC availment as per GSTR-3B and GSTR-2A amounting to ₹ 0.15 crore.

2.4.10 Summary of recommendations

(i) The Department should take necessary steps to speed up the process of scrutiny of returns under Section 61 of the Act before time barring of cases.

(ii) The Taxation Department may strengthen internal monitoring mechanism in Circle offices and ensure that due process for cancellation of registration, issue of Notices and recovery wherever applicable is appropriately carried out.

2.5 Compliance Audit Paragraphs

An illustrative case having financial impact of ₹ 8.15 crore, resulting from evasion of taxable turnover, attributed to failure of the Department to conduct timely assessment of a works contractor, is elaborated upon in the subsequent paragraph.

2.5.1 Evasion of Taxable Turnover

Delay in conducting timely assessment of a works contractor by the Superintendent of Taxes resulted in loss of VAT amounting to ₹ 4.03 crore on undisclosed taxable goods valued at ₹ 40.60 crore, including loss of interest amounting to ₹ 4.12 crore for the non-payment of the taxes due.

Superintendent of Taxes, Shillong (Circle II) , March 2020

Section 45 of the Meghalaya Value Added Tax (MVAT) Act, 2003 empowers the Superintendent of Taxes (ST) to conduct an assessment of a registered dealer based on best judgment if the submitted returns of the dealer are found to be inaccurate. Further, if the returns submitted by a registered dealer are not correct and complete, the Commissioner will assess the tax due based on their best judgment and provide the dealer an opportunity to explain their case. If the dealer fails to submit the return along with the required payment receipt, the Commissioner can impose a penalty of *'up to one and a half times the amount of tax assessed'*. Additionally, in accordance with Section 40 of the MVAT Act, interest at a rate of 24 *per cent* per annum shall accrue from the first day of the month succeeding the relevant tax quarter.

Scrutiny of returns and other related records (March 2020) of M/s Maxim Infrastructure & Real Estate Limited, a registered work contractor (since August 2011), revealed that between March 2012 and November 2015, the dealer acquired taxable goods amounting to ₹ 40.60 crore. This comprised of goods valued at ₹ 40.60 crore purchased by utilising 279 nos. of 'C' forms issued by the Taxation Department. However, the dealer submitted 'Nil' quarterly tax returns during the same period of March 2012 to December 2015.

Subsequently, the dealer disclosed a turnover of only ₹ 59.40 lakh in two tax returns for the quarters of March 2016 and September 2016[86] and paid VAT for the two quarters, amounting to ₹ 6.45 lakh (₹ 5.17 lakh[87] + ₹ 1.25 lakh[88]). However, no disclosure of the taxable goods valued at ₹ 40.60 crore purchased through 'C' forms between March 2012 and November 2015 was made by the dealer in the tax returns till June 2017 (while VAT regime was still effective). It is evident that the dealer had evaded payment of applicable VAT of ₹ 4.03 crore (details in **Appendix 2.5.1**) on the taxable goods procured between March 2012 and November 2015 as summarised in **Table 2.5.1**.

[86] Nil return was filed for quarter ending June 2016.
[87] During March 2016.
[88] During September 2016.

Table 2.5.1: Summary of value of goods procured by M/s Maxim Infrastructure & Real Estate Ltd. between March 2012 and November 2015

(₹ in crore)

Sl. No.	Value of goods	Tax Rate applicable as per MVAT Act	Tax amount
1	17.40	5 *per cent*	0.87
2	19.80	13.50 *per cent*	2.67
3	3.40	14.50 *per cent*	0.49
Total	**40.60**	**-**	**4.03**

Audit further observed that due to non-payment of VAT on the above goods, the dealer is liable to pay interest amounting to ₹ 4.12 crore[89]. Thus, despite possessing information on utilisation of C forms obtained by the dealer, the ST, Circle II, Shillong failed to conduct an assessment within the time period permissible under the Act, resulting in revenue loss to the State Exchequer amounting to ₹ 8.15 crore[90]. Further, the ST did not levy penalty of ₹ 6.05[91] crore, in accordance with the provisions of the Act *ibid.*

The matter was communicated to the Department in May 2020 and to the Government in October 2023. In response (June 2023), the ST, Circle II, Shillong stated that a show cause notice (SCN) was issued to the dealer in June 2020. In September 2020, the works contractor responded to the SCN, invoking limitations under the MVAT Act[92], which restricts the assessment or reassessment of cases older than five years. A second show cause was issued by the ST to the dealer (February 2022) without conducting any assessment for raising the demand against the dealer. Moreover, no progress on the matter had been communicated to audit.

Thus, failure of the ST to assess the tax return of the dealer within the time limit not only led to non-realisation of VAT but also resulted in loss of the interest accrued thereon, liable to be imposed on the defaulting dealer which ultimately resulted in a revenue loss of ₹ 8.15 crore to the State Exchequer.

The Joint Commissioner of Taxes, Meghalaya in reply stated (December 2024), that assessment of the taxpayer's returns had been completed (September 2024) under Section 45 of the MVAT Act, 2003 for the quarters ending 30 September 2011 to 30 June 2017, and demand notices amounting to ₹ 25.61 crore had been issued to M/s Maxim Infrastructure & Real Estate Ltd., (**Appendix 2.5.2**). Further, the Joint Commissioner pointed out to the Joint Secretary, GoM, ERTS Department, that since the assessment had been completed as per Section 45 of the Act, the provision of Section 57 on time barring the assessment as claimed by M/s Maxim Infrastructure & Real Estate Ltd. was not applicable.

[89] Interest has been computed from 01 January 2016, by considering the total tax liability till the last due quarter (December 2015) on which minimum interest leviable has been worked out, i.e., ₹ 4,03,56,611 x 2% x 51 months (*w.e.f.* 01.01.2016 to 31.03.2020) = ₹ 4.12 crore.

[90] ₹ 8.15 crore = ₹ 4.03 crore as unpaid tax + ₹ 4.12 crore as interest for non-payment of taxes due.

[91] Penalty of one and a half times the amount of tax assessed (₹ 4.03 cr. x 1.5 = ₹ 6.05 crore)

[92] Section 55, 57, 58 & 64.