

## **CHAPTER V: REVENUE SECTOR**



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### 5.1 GENERAL

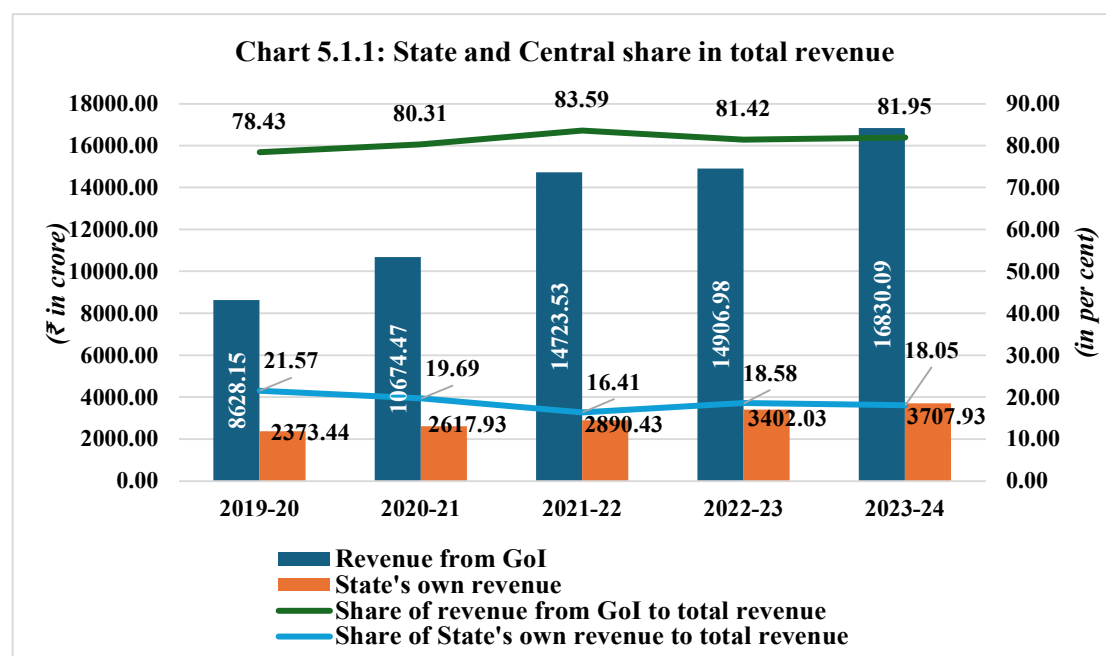
#### 5.1.1 Trend of Revenue Receipts

The Tax and Non-tax Revenue raised by Government of Tripura during the year 2023-24, the net proceeds of State's share of Union Taxes and Duties assigned to the State and Grants-in-aid received from the GoI during the year and the corresponding figures for the preceding four years are given in **Table 5.1.1**.

**Table 5.1.1: Trend of revenue receipts**

Sl. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<i>(₹ in crore)</i>						
<b>I.</b>	<b>Revenue raised by State Government</b>					
	Tax Revenue	2,101.79	2,332.44	2,616.31	2,999.68	3,287.41
	Non-tax Revenue	271.65	285.49	274.11	402.35	420.52
	<b>Total</b>	<b>2,373.44</b>	<b>2,617.93</b>	<b>2,890.42</b>	<b>3,402.03</b>	<b>3,707.93</b>
	<i>Increase over previous year (per cent)</i>	<i>11.01</i>	<i>10.30</i>	<i>10.41</i>	<i>17.70</i>	<i>8.99</i>
<b>II.</b>	<b>Receipts from the GoI</b>					
	Net proceeds of State Share of Union Taxes and Duties	4,211.78	4,218.45	6,077.52	6,724.23	7,996.82
	Grants-in-aid	4,416.37	6,456.02	8,646.01	8,182.75	8,833.27
	<b>Total</b>	<b>8,628.15</b>	<b>10,674.47</b>	<b>14,723.53</b>	<b>14,906.98</b>	<b>16,830.09</b>
<b>III.</b>	<b>Total Revenue Receipts of the State Government (I and II)</b>	<b>11,001.59</b>	<b>13,292.40</b>	<b>17,613.95</b>	<b>18,309.01</b>	<b>20,538.02</b>
<b>IV.</b>	<b>Percentage of I to III</b>	<b>21.57</b>	<b>19.69</b>	<b>16.41</b>	<b>18.58</b>	<b>18.05</b>

*Source: Finance Accounts*



**Table 5.1.1** and **Chart 5.1.1** indicates that during the year 2023-24, the revenue raised by the State Government was ₹ 3,707.93 crore which was 18.05 per cent of the total Revenue Receipts. The balance 81.95 per cent of the revenue receipts during 2023-24

was received from the GoI in the form of State share of Union Taxes and Duties and Grants-in-Aid. The collection of own revenue increased by ₹ 305.90 crore during 2023-24 as compared to previous year and the rate of growth of own revenue decreased by 8.99 per cent in 2023-24 as compared to 17.70 per cent during 2022-23. Revenue Receipts of the State increased by 12.17 per cent from ₹ 18,309.01 crore in 2022-23 to ₹ 20,538.02 crore in 2023-24.

### 5.1.1(a) Tax Revenue

During 2023-24 collection of Tax revenue increased by ₹ 287.73 crore (9.59 per cent) over the previous year. The details of Tax Revenue raised during the period 2019-20 to 2023-24 are indicated in Table 5.1.2

Table 5.1.2: Components of Own Tax Revenue during 2019-20 to 2023-24

Head of revenue						(₹ in crore)
	2019-20	2020-21	2021-22	2022-23	2023-24	Increase (+) or decrease (-) of actual in 2023-24 over 2022-23 (per cent)
Sales Tax/ Value Added Tax (VAT)	435.88	403.19	463.12	463.57	541.15	16.74
Goods and Service Tax	1,026.63	1,056.01	1,282.69	1,459.01	1,589.78	8.96
State Excise	231.70	287.36	319.60	368.11	417.00	13.28
Stamps and Registration Fees	61.67	69.53	89.65	102.53	115.15	12.31
Taxes on Vehicles	97.14	97.41	103.22	117.55	142.73	21.42
Other Taxes on Income and Expenditure	43.59	41.00	41.75	37.99	41.23	8.53
Land Revenue	12.98	9.85	8.94	12.59	22.24	76.65
Other Taxes and Duties on Commodities and Services	161.58	255.84	273.37	402.49	374.63	(-)6.92
Taxes & Duties on Electricity	30.54	112.09	33.74	35.60	43.48	22.13
Others	0.08	0.16	0.23	0.24	0.02	(-)91.67
<b>Total</b>	<b>2,101.79</b>	<b>2,332.44</b>	<b>2,616.31</b>	<b>2,999.68</b>	<b>3,287.41</b>	<b>9.59</b>

Source: Finance Accounts

**Goods and Service Tax:** The reason attributed by the Finance (Excise and Taxation) Department for increase of collection of Goods and Service Tax (8.96 per cent) was due to more collection of SGST and Integrated GST (IGST) than the previous year.

**Taxes on Vehicles:** The reason attributed by the Transport Department for increase of collection of Taxes on Vehicles (21.42 per cent) was due to cashless payment system introduced (7 November 2023) in all District Transport Offices for providing transparent Motor Vehicles related services in Tripura. Due to this mode, revenue collection from registration of private vehicles, Road Tax, fitness certificate, permit,

transfer of ownership, *etc.* had increased from the previous year and also enforcement drive against the traffic violators, overloading had been conducted on a regular basis.

**Land Revenue:** The Land Revenue Department attributed the increasing trend in the collection of land revenue to the implementation of flat rate of five *per cent* on the existing value of land, applied in a compounding manner, with effect from 1 April 2021.

**Stamp and registration Fees:** The reason attributed by the Revenue Department for increase in collection of Stamp and Registration Fees (12.31 *per cent*) was due to increase in transaction of land.

The other departments (indicated in **Table 5.1.2**), despite being requested (August 2024), did not furnish (November 2024) the reasons for variations in Tax Receipts with respect to the previous year.

### 5.1.1(b) Non-tax Revenue

During 2023-24 collection of Non-tax revenue had increased by ₹ 18.17 crore (4.52 *per cent*) over the previous year. The details of the Non-Tax Revenue raised during the period 2019-20 to 2023-24 are indicated in **Table 5.1.3**.

**Table 5.1.3: Components of Non-tax Revenue during 2019-20 to 2023-24**

							(₹ in crore)
Sl. No.	Head of revenue	2019-20	2020-21	2021-22	2022-23	2023-24	Increase (+)/ decrease (-) of actual in 2023-24 over 2022-23 (per cent)
1	Interest Receipts	19.25	18.11	24.43	22.93	27.15	18.40
2	Industries	100.27	89.56	86.62	161.94	156.65	(-)3.27
3	Police	65.13	75.79	82.77	122.42	145.94	19.21
4	Public Works	4.95	6.94	6.67	6.11	8.61	40.92
5	Forestry and Wildlife	13.82	19.45	21.35	15.83	16.56	4.61
6	Water Supply and Sanitation	1.25	1.28	1.87	1.46	1.26	(-)13.70
7	Misc. General Services	20.44	44.11	23.70	29.71	25.80	(-)13.16
8	Other Administrative Services	8.29	5.22	7.07	6.58	7.42	12.77
9	Medical and Public Health	8.94	1.88	1.73	3.54	3.25	(-)8.19
10	Crop Husbandry	2.98	2.54	2.33	2.94	2.09	(-)28.91
11	Animal Husbandry	2.05	1.57	1.30	1.42	1.58	11.27
12	Housing	2.16	2.03	2.23	2.57	1.94	(-)24.51
13	Education, Sports, Art and Culture	1.05	1.04	0.76	2.98	2.45	(-)17.79
14	Stationery and Printing	2.15	1.50	1.06	1.46	1.76	20.55
15	others <sup>178</sup>	18.92	14.47	10.22	20.46	18.06	(-)11.73
<b>Total</b>		<b>271.65</b>	<b>285.49</b>	<b>274.11</b>	<b>402.35</b>	<b>420.52</b>	<b>4.52</b>

Source: Finance Accounts

<sup>178</sup> Comprising 23 Major Heads including dividends and profits

**Crop Husbandry:** The reason attributed by the Agriculture & Farmers Welfare Department for decrease in collection (28.91 per cent) was due to less collection of Sale Proceeds of Agri Farm Produce, Cold Stores, selling of Tender Forms, etc.

**Stationery and Printing:** The reason attributed by the General Administration (Printing & Stationery) Department for increase in collection (20.55 per cent) was due to increase in number of requisitions and collection of outstanding dues.

The other departments (indicated in **Table 5.1.3**), despite being requested (August 2024), did not furnish (November 2024) the reasons for variations in Non-tax Revenue Receipts with respect to the previous year.

### 5.1.2 Revenue and return filing trends

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

The comparison of budget estimates and the corresponding actual collection of Goods and Service Tax (GST) during the period from 2020-21 to 2023-24 are shown in **Table 5.1.4**.

**Table 5.1.4: Revenue from GST during 2020-21 to 2023-24**

Year	Budget Estimates (BE)	Revised Estimates (RE)	Actuals
	State GST	State GST	State GST
2020-21	1,310.70	984.80	1,056.01
2021-22	1,122.67	1,250.51	1,282.69
2022-23	1,425.58	1,459.04	1,459.01
2023-24	1,634.09	1,712.90	1,589.78

(₹ in crore)

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

It may be seen from **Table 5.1.4** that, although the RE targets were achieved in the years 2020-21 and 2021-22, the actual collection was less than the RE projections for the years 2022-23 and 2023-24. The State's GST collection steadily increased over the years from ₹ 1,056.01 crore in 2020-21 to ₹ 1,589.78 crore in 2023-24.

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

The IGST<sup>179</sup> collected is apportioned between the Centre and the State where the goods or services are consumed. The revenue is allocated to the Centre at the CGST rate, and the remaining amount is apportioned to the consuming State.

The trends of IGST apportionment to the State and its cross utilisation are given in **Table 5.1.5**.

<sup>179</sup> IGST: It is a tax collected by the Central Government for an inter-State sale.

Table 5.1.5: Integrated Goods and Services Tax

(₹ in crore)

IGST component	2020-21	2021-22	2022-23	2023-24
IGST apportioned to the State as per Section 17 of IGST Act, 2017	124.17	103.55	163.70	198.29
IGST provisionally/ ad-hoc apportioned to the State	74.82	61.68	45.50	(-)21.60
IGST cross utilised between				
SGST <sup>180</sup> as IGST	(-) 42.96	(-) 57.15	(-) 80.88	(-)71.65
IGST as SGST	(+) 531.32	(+) 788.16	(+) 899.40	(+)973.62
Apportionment of IGST – Transfer of Interest Compound to SGST			0.28	0.34

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

### 5.1.2(iii) Registration under GST

The total registrants under GST as on 31 March 2024 were 34,639, of which normal taxpayers were 31,848 which accounted for 91.94 per cent and composition taxpayers were 1,661 which accounted for 4.80 per cent. The category wise registrations under GST is given in Table 5.1.6.

Table 5.1.6: Details of GST registrations upto 31 March 2024

Category of Registrant	No. of Registrants	Percentage of total
Normal taxpayers	31,848	91.94
Composition taxpayers	1,661	4.80
Tax Deductors at Source	1,034	2.99
Tax Collectors at Source	88	0.25
Input Service Distributors	0	0.00
Others (Casual, NRTP, OIDAR) <sup>181</sup>	8	0.02
<b>Total Registrants</b>	<b>34,639</b>	<b>100</b>

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

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

The trends of filling of GSTR-1<sup>182</sup> and GSTR-3B<sup>183</sup> as on 31 March 2024 for the period from April 2023 to March 2024, as compiled from the summary reports shared by GSTN, are depicted in the Table 5.1.7.

GSTR-I filed in April 2023 was 99.89 per cent while that of March 2024 was 98.30 per cent. It was noticed that on an average about 99.9 per cent tax payers filed their GSTR-I returns during 2023-24.

<sup>180</sup> SGST: It is a tax collected by the State Government for an intra-State sale.

<sup>181</sup> Non-Resident Taxable Person (NRTP), Online Information Data Access and Retrieval Services (OIDAR)

<sup>182</sup> GSTR-1: It is a sales return that is required to be filed by every GST registered person.

<sup>183</sup> GSTR-3B: It is a self-declared consolidated summary return of inward and outward supplies which is required to be filed by a registered person electronically on the GST common portal.

Table 5.1.7: Details of return filing (GSTR-I and GSTR-3B) during 2023-24

Return Types	GSTR-I			GSTR-3B				
Months	Due for filing	Return filed	Return filing (in percentage)	Due for filing	Return filed as on 31 March 2024	Return filing (in percentage)	Return filed by due date	Percentage of return filed by due date
April 2023	18,310	18,290	99.89	18,310	18,308	99.99	NA	NA
May 2023	18,654	18,633	99.89	18,654	18,652	99.99	NA	NA
June 2023	18,945	18,924	99.89	18,945	18,942	99.98	NA	NA
July 2023	18,830	18,809	99.89	18,830	18,826	99.98	NA	NA
August 2023	19,096	18,819	98.55	19,096	19,092	99.98	NA	NA
September 2023	19,347	19,325	99.89	19,347	19,341	99.97	NA	NA
October 2023	19,238	19,087	99.21	19,238	19,231	99.96	NA	NA
November 2023	19,403	19,143	98.66	19,403	19,396	99.96	NA	NA
December 2023	19,575	19,542	99.83	19,575	19,564	99.94	NA	NA
January 2024	19,542	19,358	99.06	19,542	19,529	99.93	NA	NA
February 2024	19,678	19,306	98.11	19,678	19,665	99.93	NA	NA
March 2024	19,694	19,359	98.30	19,694	19,683	99.94	NA	NA

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

\*\*NA-Not available

### 5.1.2(v) Revenue earning from top 10 commodities/services

The details of the revenue earned from the top 10 commodities/ services during 2023-24 are given in the Table 5.1.8.

Table 5.1.8: Revenue from top 10 commodities/ services during 2023-24

(₹ in crore)

Sl. No.	Name of commodity	SGST collections	
		Total	Ranking
1	Tobacco & Products	28.13	1
2	Electricals	21.71	2
3	Automobile	17.93	3
4	Cement & Products	16.46	4
5	Food Items	16.33	5
6	Iron & Steel	11.61	6
7	Machinery	10.10	7
8	Pharmaceutical & Medicines	7.84	8
9	Electronics	6.09	9
10	Tyres & Tube	4.71	10

Sl. No.	Names of Services	SGST collection	
		Total	Ranking
1	Works Contract	22.96	1
2	Telecommunication & Postal/ Courier	19.89	2
3	Insurance	14.58	3
4	Banking & financial Institutions	5.71	4
5	Health/ Health Care	3.96	5
6	Consultancy	1.42	6
7	Manpower	0.68	7
8	Hotel and Restaurant	0.57	8
9	Education and related service	0.45	9
10	Television/ Internet Entertainment	0.45	10

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

### 5.1.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2024 on account of Taxes/ VAT, GST and Taxes and Duties on Electricity stood at ₹ 189.44 crore, of which, ₹ 158.51 crore (₹ 63.78 crore on Taxes/VAT & GST and ₹ 94.73 crore<sup>184</sup>) was outstanding for more than five years, as detailed in **Table 5.1.9**.

**Table 5.1.9: Arrears of revenue**

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March		Amount outstanding for more than five years as on 31 March	
		2023	2024	2023	2024
1	Taxes/ VAT	53.43	66.38	33.41	35.47
2	GST	13.08	28.33	12.22	28.31
3	Taxes and Duties on Electricity	94.73	94.73	94.73	94.73
<b>Total</b>		<b>161.24</b>	<b>189.44</b>	<b>140.36</b>	<b>158.51</b>

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

Audit observed that the arrears of revenue under key heads - Taxes/ VAT, GST, and Taxes and Duties on Electricity - increased from ₹ 161.24 crore as on 31 March 2023 to ₹ 189.44 crore as on 31 March 2024, reflecting a 17.5 per cent rise. Notably, arrears pending for over five years also rose from ₹ 140.36 crore to ₹ 158.51 crore, indicating prolonged non-recovery.

The largest contributor to the arrears continued to be “Taxes and Duties on Electricity,” which remained stagnant at ₹ 94.73 crore, suggesting the need to improve recovery efforts. Additionally, GST arrears showed a sharp increase, more than doubling from ₹ 13.08 crore to ₹ 28.33 crore within a year, raising concerns about compliance and enforcement effectiveness.

This persistent accumulation of arrears, especially long-pending dues, highlights weak recovery mechanisms and inadequate monitoring by the Finance (Excise & Taxation) Department. The growing and stagnant arrears pose a risk of revenue loss, fiscal strain,

<sup>184</sup> The amount is outstanding due to a case pending at Tripura Electricity Regulatory Commission for appeal against demand due.

and potential write-offs, undermining the State's financial health and its ability to fund essential public services.

### 5.1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Finance (Excise & Taxation) Department, cases finalised and the demands for additional tax raised as reported by the Department, *etc.* are given in **Table 5.1.10**.

**Table 5.1.10: Evasion of tax**

Head of revenue	Cases pending as on 31 March 2023	Cases detected during 2023-24	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty, <i>etc.</i> raised		Number of cases pending for finalisation as on 31 March 2024
				No. of cases	Amount (₹ in crore)	
Tax/ VAT	1,026	07	1,033	02	0.07	1,031
GST	100	186	286	150	84.93	136
<b>Total</b>	<b>1,126</b>	<b>193</b>	<b>1,319</b>	<b>152</b>	<b>85.00</b>	<b>1,167</b>

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

As on 31 March 2023, 1,126 cases of evasion of tax/ VAT were outstanding. During 2023-24, 193 new cases of evasion of tax were detected under Tripura VAT Act, 2004 and GST Act, 2017, bringing the total number of pending cases to 1,319. Of these, assessments/ investigations in only 152 (11.52 *per cent*) cases had been completed resulting in additional demand including penalty, *etc.* of ₹ 85 crore during the year 2023-24. Consequently, 1,167 cases remained pending finalisation as on 31 March 2024.

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

### 5.1.5 Pendency of refund cases

The details of the refund claims received, refunds processed under GST, VAT and State Excise are shown in **Table 5.1.11**.

**Table 5.1.11: Details of pendency of refund cases**

(₹ in crore)

Sl. No.	Particulars	GST		Sales Tax/ VAT		State Excise		Total	
		No. of Cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	2	1.90	4	1.83	-	-	6	3.73
2	Claims received during the year	44	2.72	10	8.02	-	-	54	10.74
3	Refunds processed during the year	41*	2.62*	10**	7.65**	-	-	51	10.27
4	Balance outstanding at the end of the year	5	2.00***	4	2.20	-	-	9	4.20

\*includes two rejected refund cases of ₹ 0.06 crore, \*\*includes three rejected refund cases of ₹ 0.18 crore, \*\*\*Three balance refund cases withheld and RFD-08 issued

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

During 2023-24, the State Government refunded ₹ 10.27 crore under GST, Sales Tax and State Excise in 51 cases. Fund claims in respect of 44 cases of GST of ₹ 2.72 crore and 10 cases of Sales Tax (VAT) of ₹ 8.02 crore were received during the year. During the year, 41 cases of GST of ₹ 2.62 crore and 10 cases of VAT of ₹ 7.65 crore were processed and refunded.

Audit concludes that while the State Government efficiently processed 89 *per cent* of the total refund claims under GST and VAT during 2023-24, the absolute value of pending refunds rose to ₹ 4.20 crore, largely due to high-value VAT claims and withheld GST cases. The presence of rejected and withheld claims highlights gaps in applicant compliance and the need for robust scrutiny mechanisms. Persistent pendency risks delaying legitimate refunds, which can adversely affect taxpayer confidence and liquidity, underscoring the need for periodic monitoring, prompt resolution of withheld cases, and improved communication with taxpayers to ensure timely refund settlement.

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

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

The succeeding **Paragraphs 5.1.6.1** and **5.1.6.2** outline the performance of the Finance (Excise & Taxation) Department with respect to cases detected during local audits over the last ten years, as well as the cases included in the Audit Reports for the years 2014-15 to 2023-24.

#### 5.1.6.1 Position of Inspection Reports

The summarised position of the outstanding IRs during the last ten years, paragraphs included in those reports and their status as on 30 September 2024 in respect of Finance (Excise & Taxation) Department are tabulated in **Table 5.1.12**.

**Table 5.1.12: Position of IRs**

(₹ in crore)

Year	Inspection Report	Paragraphs	Money Value
2014-15	13	63	12.55
2015-16	17	41	7.86
2016-17	14	58	5.42
2017-18	11	57	6.57
2018-19	13	43	6.47
2019-20	10	56	5.67
2020-21	4	30	1.58
2021-22	1	7	7.19
2022-23	0	0	0
2023-24	1	29	0
<b>Total</b>	<b>84</b>	<b>384</b>	<b>53.31</b>

The age-wise break up of outstanding IRs and the Paragraphs featured in these IRs from 2014-15 to 2023-24, as on 30 June 2024, is shown in **Table 5.1.13**.

Table 5.1.13: Age wise break up of outstanding IRs

(₹ in crore)

Years	Inspection Report	Paragraphs	Money value
0-3 years	2	36	7.19
4-6 years	27	129	13.72
7-9 years	42	156	19.85
10 years	13	63	12.55
<b>Total</b>	<b>84</b>	<b>384</b>	<b>53.31</b>

It is evident from **Table 5.1.13** that as of 30 September 2024, two IRs and 36 paragraphs were outstanding for zero to three years, 27 IRs and 129 paragraphs were outstanding for four to six years, 42 IRs and 156 paragraphs were outstanding for seven to nine years and 13 IRs and 63 paragraphs were outstanding for more than 10 years. This indicates that the efforts taken by the Department for settlement of the outstanding IRs have been slow and inadequate. Necessary steps may be taken to increase the pace of settlement in this regard.

#### 5.1.6.2 Recovery in accepted cases

The position of paragraphs included in the Audit Reports over the last ten years, including those accepted by the Department, the amount recovered during the year 2023-24 and the cumulative recovery position of accepted cases as on 31 March 2024 are shown in **Table 5.1.14**.

Table 5.1.14: Position of recovery of accepted Audit paragraphs of Audit Reports

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered during 2023-24	Position of recovery of accepted cases as of 2024
2011-12	1	0.87	1	0.87	Nil	0.07
2012-13	1	1.51	1	1.51	Nil	0.22
2013-14	3 <sup>185</sup>	11.17	3	6.06	Nil	0.24
2014-15	2	0.39	2	0.39	Nil	0.28
2015-16	2	0.46	2	0.46	Nil	Nil
2016-17	4 <sup>186</sup>	31.87	3	31.73	Nil	0.01
2017-18	3	1.77	3	1.77	Nil	0.05
2018-19	3	1.30	2	0.69	Nil	0.06
2019-20	1 <sup>187</sup>	0.001 <sup>188</sup>	1	0.001	Nil	Nil
2021-22 <sup>189</sup>	1 <sup>190</sup>	2.77	1	2.77	0.27	0.27
<b>Total</b>	<b>21</b>	<b>52.11</b>	<b>19</b>	<b>46.25</b>	<b>0.27</b>	<b>1.20</b>

It is evident from **Table 5.1.14** that the progress of recovery even in accepted cases has been very slow. During the last ten years, 21 paragraphs involving ₹ 52.11 crore

<sup>185</sup> including one Performance Audit

<sup>186</sup> including one Performance Audit

<sup>187</sup> one Subject Specific Compliance Audit Report

<sup>188</sup> ₹ 12,041

<sup>189</sup> Audit Reports 2020-21 and 2021-22 had been merged.

<sup>190</sup> one Subject Specific Compliance Audit Report

featured in the Audit Reports, of which 19 paragraphs involving ₹ 46.25 crore were accepted by the State Government. Out of this, only ₹ 1.20 crore (2.59 per cent) was recovered.

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

### 5.1.7 Actions taken on the recommendations accepted by the Department/ Government

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

During 2014-15 to 2021-22, four PAs and two Subject Specific Compliance Audits (SSCA) on Finance (Excise & Taxation) Department, Transport Department and Revenue Department were featured in the Audit Reports. The number of recommendations and their status is given in **Table 5.1.15**.

**Table 5.1.15: Details of recommendations of PAs and their status**

Year of Report	Name of the performance audit	No. of recommendations	Status (as on September 2023)
2014-15	IT Audit on Computerisation of Land Records	3	The PA has not been discussed in Public Accounts Committee (PAC).
2015-16	Collection of Revenue from outsourced Activities in Motor Vehicle Tax	4	The PA has been discussed by PAC on 17 June 2022
2016-17	System and Procedures in force in the Taxes and Excise Organisation regarding Excise Duty	3	The PA has not been discussed in PAC
	Border Area Development Programme	3	The PA has not been discussed in PAC
2019-20	SSCA on "Processing of Refund claims under GST in Tripura	2	The SSCA has not been discussed in PAC
2021-22	SSCA on "Transitional Credits under GST"	2	The SSCA has not been discussed in PAC

**Table 5.1.15** indicates that the discussion of PAs and SSCAs was not held in a timely manner in the PAC, which led to a loss of importance of the audit observations with the passage of time.

### 5.1.8 Results of audit

#### Position of local audit conducted during the year

Test check of the records of six units of the Finance (Excise & Taxation) Department and Transport Department during the year 2023-24 revealed non-realisation of

outstanding revenue of ₹ 15.46 crore in 38 cases. Of these, reply in respect of seven cases has been received (September 2024).

### **5.1.9 Coverage of this report**

This Chapter contains one Performance Audit titled “Functioning of District Transport Offices” under the Transport Department and two Subject Specific Compliance Audit titled “Collection of Stamp Duty and Registration Fees from Deed Registration” and “Department’s Oversight on GST Payments and Return Filing (Phase-II)” under the Revenue and Finance (Excise and Taxation) Department, respectively.

## TRANSPORT DEPARTMENT

### 5.2 Performance Audit on “Functioning of District Transport Offices”

#### 5.2.1 Introduction

As per the Seventh Schedule of the Constitution of India, both the Centre and the States have jurisdiction over matters related to mechanically propelled vehicles, including the principles on which taxes on such vehicles are to be levied. Consequently, the Motor Vehicles Act, 1988 was enacted by the Parliament to regulate various aspects of road transport, such as the issuance of driver and conductor licenses, vehicle registration, granting of various types of permits, *etc.*

The Transport Department, GoT was established under the provisions of Section 213 of the Motor Vehicle Act, 1988. The Transport Department functions through Office of the Joint Transport Commissioner (JTC) in West Tripura District and other seven District Transport Officers (DTOs). Further, there is also one Check-post at Churaibari under DTO North Tripura.

The Department is primarily responsible for the following functions:

- Registration of motor vehicles,
- Issue of driving licenses and conductor licenses,
- Issue of permits for goods and passenger vehicles,
- Collection of motor vehicle taxes,
- Enforcement of Motor Vehicle Acts and Rules,
- Vehicular pollution control measures, *etc.*

The VAHAN and SARATHI<sup>191</sup> applications were introduced by the MoRTH, GoI, to streamline and standardise vehicle registration and driving license services across the country. The Transport Department, Government of Tripura undertook the computerisation of its functions by implementing VAHAN (vehicle registration) and SARATHI (driving licence issuance) software in 2004 with an objective to achieve faster, transparent and better monitoring of revenue generation.

#### 5.2.2 Financial outlay

During the period 2019-20 to 2023-24, the Transport Department contributed ₹ 508.77 crore (taxes on vehicles) to the State’s total revenue of ₹ 14,991.75 crore, which was approximately 3.39 *per cent* of the State’s total tax revenue.

<sup>191</sup> VAHAN and SARATHI are integrated, cloud-based applications designed to streamline vehicle registration and driving license processes. VAHAN manages vehicle-related services like registration, fitness certificates, and permits, while SARATHI manages driving license issuance and management. Both systems aim to provide comprehensive, online services through a centralised portal, reducing the need for physical visits to District Transport Offices. In Tripura, VAHAN 4.0 and SARATHI 4.0 (upgraded versions) was implemented (between May-October 2018) in all the eight districts by the Transport Department.

The primary revenue sources of the Department included motor vehicle tax, vehicle registration fees, issuance of driving licenses and road permits, along with fines and penalties for violations.

The department's expenditure included administrative costs, pay and allowances, infrastructure development, etc.

The revenue collected and expenditure incurred by the Department during the last five years is depicted in **Table 5.2.1**.

**Table 5.2.1: Position of revenue and expenditure during 2019-24**

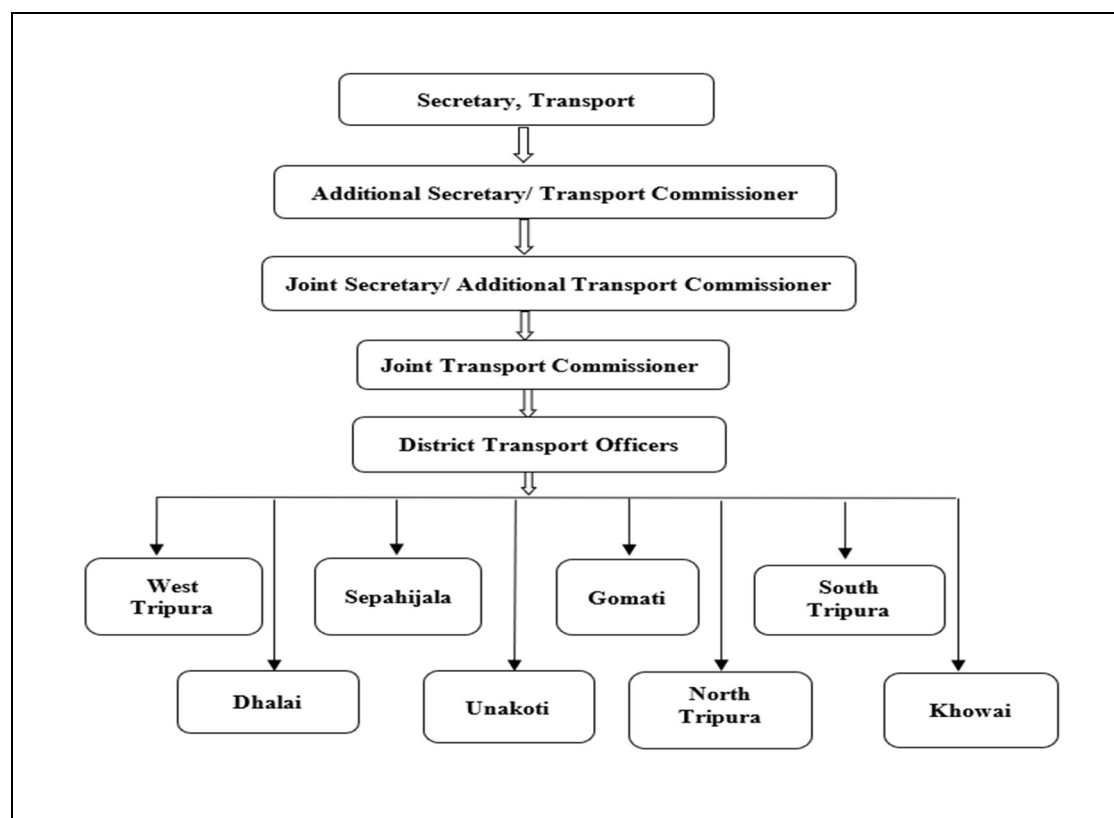
(₹ in crore)

Year	Revenue collected	Expenditure incurred <sup>192*</sup>
2019-20	97.14	32.95
2020-21	87.93	24.88
2021-22	92.83	46.29
2022-23	105.01	44.12
2023-24	125.86	47.95

Source: Information furnished by the Transport Department, Government of Tripura)

### 5.2.3 Organisational setup

The organisation chart of the Department is given in **Chart 5.2.1**.



Source: Transport Department, Government of Tripura

At the government level, the Transport Department is overseen by the Secretary, who

<sup>192</sup> Includes department's expenditure and expenditure incurred under Central Sector Schemes

is assisted by the Additional Secretary and Joint Secretary and other staff members. At the Commissionerate level, the JTC functions under the Commissioner of Transport. At the district level, DTOs are responsible for enforcing the provisions of the Motor Vehicles (MV) Act and Rules across all the eight districts<sup>193</sup>. The JTC is entrusted with the dual responsibilities of overseeing the entire process of collection of taxes, fees and fines throughout the State and holding the charge of DTO, West Tripura District.

#### 5.2.4 Audit Objectives

The Performance Audit on “Functioning of District Transport Officers” was taken up with the objectives to assess:

- a) whether DTOs managed issuance, renewal and cancellation of licenses effectively as per the Act/ Rules;
- b) whether regulation and control over registration and use of vehicles through registration, issuing permits and fitness certificates was as per the Act/ Rules;
- c) whether DTOs efficiently assessed, levied, collected and remitted revenue (motor vehicle taxes, fines, penalties, cess, *etc.* as per Act/Rules) and took effective action on arrears;
- d) whether enforcement activities were effectively conducted to ensure compliance with the Motor Vehicles Acts/Rules with adequate follow up to deter violations; and
- e) whether DTOs have been provided with adequate manpower, equipment, and other resources to discharge the mandate as also to ensure public service delivery in a transparent and efficient manner.

#### 5.2.5 Audit Criteria

The Department is primarily responsible for regulating the use of motor vehicles in the State, collecting motor vehicle tax, ensuring road safety, and controlling air and noise pollution. Audit findings were benchmarked against the following criteria:

- i. The Motor Vehicles Act, 1988 (Central Act 59 of 1988)
- ii. Central Motor Vehicles Rules, 1989
- iii. The Tripura Motor Vehicles Tax Act, 1972
- iv. The Tripura Motor Vehicles Rules, 1991
- v. Notifications, circulars and guidelines issued by Government from time to time.

#### 5.2.6 Audit Scope and Methodology

The Performance Audit on “Functioning of DTOs in Tripura” was conducted covering the period from April 2019 to March 2024. The audit methodology included data analysis, test check of records and information furnished by the three sampled district offices (West Tripura, Dhalai and North Tripura). Audit examined the core functions

<sup>193</sup> West Tripura, Dhalai, Unakoti, North Tripura, Khowai, Sepahijala, Gomati and South Tripura

of the Department by scrutinising records pertaining to the implementation of Acts and Rules, operational efficiency and effectiveness in the realisation of various taxes, fees and fines.

An Entry Conference was held on 25 July 2024 with the Secretary, Transport Department, Government of Tripura, wherein the audit objectives and scope were discussed.

Records collected during audit and information furnished by the auditee were used as evidence. Audit conclusions were drawn after scrutiny of records, analysis of available data and responses to audit questionnaires.

Field Audit was carried out covering data analysis, examination of records, physical verification of sampled driving schools, Pollution Under Control (PUC) centers registered under the sampled DTOs during the period between July and November 2024. The Exit Conference was held on 21 May 2025 with the Secretary, Transport Department. The responses furnished by the department were duly considered, while finalising this report.

### **5.2.7 Selection of sample**

Eight DTOs were stratified based on three key parameters: the number of vehicles registered, revenue collection and the volume of transactions handled. The strata consisted of three risk parameters *i.e.* high, medium and low risk. Samples were selected based on the combined weightage score of risk parameters. For high-risk category, JTC<sup>194</sup>, West Tripura was selected by default being the highest in risk score and the responsibilities handled. DTO, North Tripura was selected in the medium risk category since the only inter-state check-gate with vehicles weighing machine facility at Churaibari falls under its jurisdiction. DTO, Dhalai was selected in the low-risk category districts using random sampling method in IDEA software (Random seed – 14,258).

### **5.2.8 Acknowledgement**

Office of the Principal Accountant General (Audit), Tripura acknowledges the co-operation extended by the Transport Department during the conduct of the Performance Audit.

### **5.2.9 Trend of revenue**

The details of Revenue targets, actual receipts and total revenue receipts of the State is shown in **Table 5.2.2**.

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<sup>194</sup> JTC acts as DTO for West Tripura District for enforcement of MV Act/Rules and collection of tax

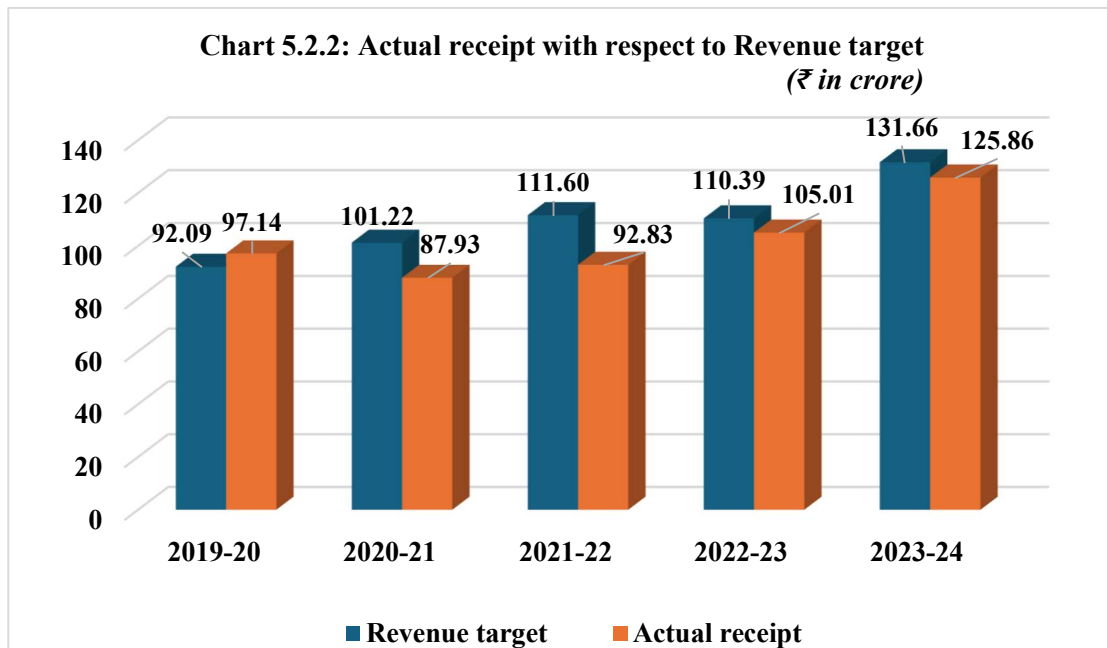
Table 5.2.2: Trend of revenue

( $\text{₹}$  in crore)

Year	Revenue target	Actual receipt	Variation excess (+) shortfall (-) (3-2)	Total revenue receipts of the State*	Percentage of actual receipt vis-a-vis total revenue of the State
(1)	(2)	(3)	(4)	(5)	(6)
2019-20	92.09	97.14	5.05	2,373.44	4.09
2020-21	101.22	87.93	(-)13.29	2,617.93	3.36
2021-22	111.60	92.83	(-)18.77	2,890.42	3.21
2022-23	110.39	105.01	(-)5.38	3,402.03	3.09
2023-24	131.66	125.86	(-)5.80	3,707.93	3.39

**Source:** Col. 2 and Col. 3 - Information as furnished by the Department  
Col. 5 - Finance Accounts [\*includes tax and non-tax revenue]

Tax revenue targets and actual tax receipts on MV during the period from 2019-20 to 2023-24 along with the total tax receipts of the State during the same period are given in Chart 5.2.2.



An analysis of revenue targets and actual receipts over the period 2019-20 to 2023-24 revealed that while actual collections increased from ₹ 97.14 crore in 2019-20 to ₹ 125.86 crore in 2023-24, targets were consistently underachieved except in 2019-20. The shortfall was most pronounced in 2021-22 (₹ 18.77 crore), though it narrowed in subsequent years, indicating improved forecasting or collection efficiency. However, the share of this revenue stream in the State's total revenue receipts declined from 4.09 per cent in 2019-20 to 3.09–3.39 per cent in the later years, reflecting slower growth relative to other revenue components. This trend highlights the need for more realistic target-setting, strengthened collection mechanisms, and strategic measures to enhance this revenue source's contribution to the State's overall fiscal health.

**5.2.10 Audit findings**

***Audit Objective 1: To assess whether DTOs managed issuance, renewal and cancellation of licenses effectively as per the Act/ Rules***

**5.2.10.1 Irregularities in issue of driving licence in SARATHI**

(i) **Issuance of driving licenses to underage individuals** - As per Section 3 of MV Act, 1988, no person shall drive a motor vehicle in any public place unless he holds a valid driving licence issued to him by the competent authority. As per Section 4 of MV Act, 1988, the minimum age for driving a motor vehicle is 18 years. However, a person attaining the age of 16 years may drive a motorcycle with an engine capacity not exceeding 50 cc.

Analysis of SARATHI database revealed that a total of 2,03,468 driving licenses for non-transport vehicles were issued during 2019-24 in the State. In the sampled three districts 1,00,189 licenses were issued, of which 182 (0.19 per cent) non-transport vehicle<sup>195</sup> driving licences were issued to the individuals under the age of 18 years during the period 2019-24, in violation of the provisions of the MV Act. The district-wise summary is given in **Table 5.2.3**.

**Table 5.2.3: Summary of licenses issued to the underage individuals during 2019-24**

Sl. No.	District Transport Office	Number of licenses issued	Number of license issued to persons below 18 years (percentage given in parenthesis)
1	DTO, West Tripura	70,358	131 (0.19)
2	DTO, Dhalai	8,296	14 (0.17)
3	DTO, North Tripura	21,535	37 (0.17)
<b>Total</b>		<b>1,00,189</b>	<b>182</b>

Source: SARATHI database

The Government replied (June 2025) that all the 182 driving licenses were examined in the SARATHI portal and found that the driving licenses for light motor vehicles (LMVs) were issued to the eligible candidates that is after the age of 18 years, whereas driving licenses for motorcycles without gears were issued to the persons aged between 16 and 18 years.

The reply is not acceptable as the department could not provide any documentary evidence such as age-certified SARATHI entries, scanned license copies to show that the DLs were issued to the persons after attaining the age of 18 years in case of LMVs. Further, the Government accepted the issuance of DL for Motorcycles without gears to the persons aged between 16 and 18 years, but remained silent on whether these Motorcycles had engine capacity not exceeding 50 cc, as stipulated in Section 4 of the MV Act, 1988. Further, a test-check of the driving licenses issued to the underage individuals from the MoRTH's Parivahan website revealed that the licenses were even

<sup>195</sup> Except 'motorcycle with engine capacity not exceeding 50 CC'

issued for LMV and motorcycles with gear contradicting the claim of the Government that all the licenses were issued to the eligible candidates.

(ii) **Transport vehicle licenses issued to individuals under the age of 20** - As per Section 4 (2) of the MV Act, 1988, subject to the provision of Section 18, no person under the age of 20 years shall drive a transport vehicle in any public place.

Analysis of SARATHI database revealed that 2,253 driving licenses for transport vehicles were issued during 2019-24 in the State, of which 1,596 driving licenses were issued in the three sampled districts. It was seen that, four driving licenses (0.25 per cent) out of 1,596 driving licenses were issued to the individuals under the age of 20 years for transport vehicles, in violation of the provision of the MV Act. District-wise summary is given in **Table 5.2.4**.

**Table 5.2.4: Summary of transport licenses issued to the underage individuals during 2019-2024**

Sl. No.	District Transport Office	Number of licenses issued	Number of licenses issued to the persons below 20 years age
1	DTO, West Tripura	996	3
2	DTO, Dhalai	20	Nil
3	DTO, North Tripura	580	1
<b>Total</b>		<b>1,596</b>	<b>4</b>

Source: SARATHI database

The Government replied (June 2025) that as per Section 7 of the MV Act, 1988, a learner license may be granted to drive a transport vehicle after one year from the issue of LMV Driving License and SARATHI accepts the same even below 20 years of age. However, it contradicts the Section 4 (2) of the MV Act, 1988 and NIC would be consulted in this regard.

The reply is not acceptable as the justification provided by the Government does not address the core violation of Section 4 (2) of the MV Act, 1988 which explicitly prohibits the driving of transport vehicles by persons under the age of 20 and thus issuance of driving license is in gross violation of the Act. It was also noticed that after the observation of the audit, the DTO, North Tripura even cancelled the driving license citing reason as ‘underage while issuing license. Further, Section 7(1) imposes the restriction (essential requirement) for granting the Learner’s Licenses, not the issuance of actual driving licenses for any class of vehicles.

Driving licences were issued in violation of the age restrictions prescribed under the Motor Vehicles Act, 1988, due to weak verification processes and poor adherence to statutory provisions. The Government’s response was not substantiated by evidence and, in one case, contradicted by post-audit corrective action. These lapses highlight systemic weaknesses in licence issuance and monitoring, warranting urgent corrective measures.

#### **5.2.10.2 Irregularities in renewal of dealership license of motor vehicle dealers**

(i) Violation of the provisions of TMVR, 1991 - As per Rule 35 of the Tripura Motor

Vehicle Rules, 1991 as amended on 21 August 2014, every new applicant seeking a vehicle dealership<sup>196</sup> license has to pay a license fee of ₹ 10,000 for a period of three years. Thereafter, the dealers have to renew the license with a payment of renewal fee of ₹ 5,000 for another period of three years. In case of non-renewal of license on time, late fee for renewal of license of ₹ 500 for every 30 days period following the expiry of the license will be imposed. The application for license/ renewal of license was required to be made by the dealers/ sub-dealers in the Form -B of Fourth Schedule of the TMVR, 1991.

Audit noticed (March 2025) that the three sampled DTOs had not maintained the records of dealership licenses issued to the vehicle dealers properly. Specifically, details such as the date of application, date of issue of dealership license, dealership license number, validity period, and renewal dates were not systematically documented. The absence of records prevented effective monitoring of renewals, enabled unauthorised operation of dealerships and contributed to revenue losses.

Audit also noticed that DTO, West Tripura and DTO, Dhalai had issued dealership licenses to vehicle dealers for durations of one year to six vehicle dealers and five years to one vehicle dealer, respectively, in contravention of the provision of three years' validity period, indicating procedural irregularities. As a result, six dealers were issued dealership licenses improperly with short validity periods in violation of the Tripura Motor Vehicle Rules, 2014 whereas one dealer got the benefit of extended validity. Despite this deviation, the registration and renewal fees were uniformly collected, highlighting a lack of correlation between license validity and applicable charges.

The details of licenses issued for the validity period of one year and five years violating the TMV Rules are shown in **Table 5.2.5**.

**Table 5.2.5: Summary of validity period of dealership license registration/renewal**

Sl. No.	Vehicle dealer's name	Jurisdictional office	Date of Registration/ renewal	Valid up to
1	S.R. Motors, Amtali jutemill, Agartala	DTO, West Tripura	03-11-2022	02-11-2023
2	S.R. Motors, Amtali jutemill, Agartala	DTO, West Tripura	06-02-2024	05-02-2029
3	Pallavi Motors Pvt. Ltd., Khayerpur, Agartala	DTO, West Tripura	20-05-2023	19-05-2024
4	M/s Baba Loknath Motors, Manughat, Dhalai	DTO, Dhalai	08-09-2023	07-09-2024
5	M/s Ramthakur Enterprise, Shivtola	DTO, Dhalai	08-09-2023	07-09-2024
6	M/s S.R. Motors, Kamalpur, Dhalai	DTO, Dhalai	08-09-2023	07-09-2024
7	M/s LS Automobiles, Halahali, Dhalai	DTO, Dhalai	28-08-2023	27-08-2024

*Source: Information furnished by DTO, West Tripura and DTO, Dhalai*

<sup>196</sup> Dealership means and includes a trader or reseller who deals in vehicles for sale to individuals directly or through Sub-dealers or by any other means.

The Government replied (June 2025) that the dealership license of S.R Motors, Agartala was initially issued for one year. It was printed for five years by mistake, which would be rectified. It was also stated that provisional dealership license was being issued for one year in case of any shortfall thus giving an opportunity to fulfil the criteria.

The reply is not acceptable as issue of provisional license for one year was not commensurate with the provisions of the notification of the Transport Department, Government of Tripura, dated 21 August 2014.

(ii) Non-information/non-renewal of dealership licenses: There were 49 dealers<sup>197</sup> functioning under the jurisdiction of the three sampled DTOs. With regard to the same, audit noticed that:

- DTO, North had information regarding renewal of license and validity period of the licenses for only six dealers out of the 17 dealers, however no information was available regarding the balance 11 dealers.
- 12 out of 26 vehicle dealers under DTO West Tripura were operating without renewal of dealership license, even after elapse of 24 months since the expiry of the validity of the license, thereby resulting in outstanding renewal fees for licenses including fines of ₹ 1.06 lakh as detailed in **Appendix 5.2.1**.

Due to non-maintenance of proper records, the details of dealership license of vehicle dealers could not be cross-checked with the dealership license issue register in respect of all vehicle dealers operating under the three sampled districts. Further, the issuance of dealership licenses for durations inconsistent with the prescribed three years' period, as mandated under the Rules, indicates non-compliance of the regulatory provisions.

The Government replied (June 2025) that show cause notices for non-renewal of dealership licenses had been issued to Automobile dealers of the West Tripura District with the direction to regularise the licenses on payment of requisite fees.

Audit revealed significant lapses in the regulation and renewal of vehicle dealership licenses across the sampled DTOs in Tripura. The concerned DTOs failed to maintain basic records such as the date of application, licence validity, and renewal status for several dealers, resulting in irregular issuance of licences with durations (one year and five years); Twelve dealers in West Tripura operating without valid renewals for over two years, leading to unrecovered renewal fees and fines; lack of a functioning dealership license register, which severely compromised oversight and compliance enforcement.

Government's justification of issuing one-year "provisional" licences was not supported by any enabling provision under the relevant notification, rendering such actions non-compliant.

These lapses point to systemic weaknesses in monitoring and enforcement, resulting in regulatory non-compliance, revenue loss, and potential misuse of dealer credentials.

<sup>197</sup> West Tripura – 26, North Tripura – 17, Dhalai - 6

**5.2.10.3 Discrepancies in renewal of license of Motor Driving Training Schools**

(i) **Operation of driving schools without valid license** - Rule 24(1) of CMVR, 1989 provides that no person shall establish or maintain any driving school or establishment for imparting instructions for hire or reward in driving motor vehicles without a license granted by licensing authority. Rule 24(4) of CMVR, 1989 states that the licensing authority may, on receipt of an application under sub-rule (2) and after satisfying that the applicant has complied with the requirements of sub-rule (3) grant or renew a licence in Form 11 (within a period of ninety days from receipt of such an application). Further, Rule 25 of CMVR, 1989 provides that a license granted shall be in force for a period of two years and may be renewed on an application made not less than sixty days before the date of its expiry.

As of November 2024, six<sup>198</sup> driving schools were functional in three sampled districts. Four out of six operational driving training schools were physically verified between August 2024 and November 2024, jointly by audit and the officers of the three sampled DTOs. The details of these four driving training schools is provided in **Table 5.2.6**.

**Table 5.2.6: Driving Training Schools operating without valid license**

Sl. No.	Name of Driving Training School	Jurisdiction	Valid license period	Period without license	Period without License (in year and months)
1.	National Driving school	DTO, West Tripura	01.04.2019 to 26.08.2019	27.08.2019 to 29.12.2021	2 years 4 month
			30.12.2021 to 31.12.2023	01.1.2024 to 07.11.2024	11 months
2.	Laxmi Driving school	DTO, West Tripura		01.04.2019 to 06.07.2019	3 months
			07.07.2019 to 06.07.2023	07.07.2023 to 04.08.2023	1 month
3.	Chakraborty Driving school	DTO, Dhalai	18.12.2021 to 17.12.2023	01.04.2019 to 17.12.2021	2 years 8 months
			-	18.12.2023 to 12.09.2024	8 months
4.	Raj Driving school	DTO, North Tripura	01.04.2019 to 01.07.2020	02.07.2020 to 02.01.2024	3 years 6 months

*Source: Records furnished by DTOs*

The following discrepancies were noticed:

- The license validity of the National Driving School in West Tripura had expired in December 2023, however, the Department could not provide any document confirming the renewal of their license.
- Chakraborty Driving School submitted the renewal application on 5 October 2023, however, the department granted approval for the renewal of license on 13 September 2024, after a delay of approximately 11 months.

<sup>198</sup> West Tripura: National Driving school, Laxmi Driving school, Jyotsana Driving school, Principal, ITI, Agartala: Dhalai: Chakraborty Driving school: North Tripura: Raj Driving school

- There were gaps in the license validity period between two consecutive terms in all the four driving training schools indicating that the driving schools were operating without any license during the intervening period and were granting trainings even in the absence of the license. These gaps in consecutive two license periods arose due to inordinate delay in renewal of licenses though the applications were received more than sixty days prior to the expiry date. Operating a driving school without a valid license during gap periods was a violation of the statutory requirements.

**(ii) Irregular grant of licenses despite non-compliance with prescribed standards**

Rule 24(3) of the CMVR, 1989, stipulates that the applicant for license of driving school owns and maintains a minimum of one motor vehicle each of the type in which instruction is imparted in the school; that all the vehicles available exclusively for purposes of imparting instruction, except motor cycles, are fitted with dual control facility to enable the instructor to control or stop the vehicle; the applicant or any member of the staff employed by him for imparting instructions possesses the minimum educational qualification of a pass in the tenth standard and a certificate in a course in motor mechanics or any other higher qualification in mechanical engineering from an institution established by the Central or a State Government or from an institution recognised by the Board of Technical Education of a State Government.

Joint physical verification of the four driving training schools revealed the following deficiencies as under:

- The Raj Driving school did not own any auto rickshaw despite having been granted a license for such a vehicle.
- Both Laxmi Driving school and Chakraborty Driving school did not have any dual control facility in heavy goods vehicles, which was essential for safe and effective training
- Eight<sup>199</sup> out of the 16 instructors employed by the three driving training schools did not possess the minimum qualification of pass in tenth standard and motor mechanics certificate or any higher degree in mechanical engineering as stipulated in the CMV Rules.

Although the driving training schools did not meet the prescribed standards, the licenses were granted to the training schools. These deficiencies point to serious lapses in regulatory compliance and oversight.

The Government replied (June 2025) that there are various anomalies as per the provision of Rule 24 CMVR, 1989 in connection with the Motor Driving Training Schools renewal. The department has issued show cause notices to the Driving Training Schools for regularisation of the issue.

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<sup>199</sup> Chakraborty Driving School - Two out of four instructors, National Driving School – Five out of eight instructors, Raj Driving School – One out of four instructors

### Conclusion

Audit observed systemic lapses in the issuance, renewal, and regulation of driving licences, dealership licences, and driving training schools in Tripura. Instances of issuance of licences to underage individuals and operation of unlicensed driving schools reflect a disregard for statutory provisions of the Motor Vehicles Act, 1988 and CMVR, 1989.

Further, poor record-keeping, irregular licence validity periods, and non-compliance with educational and infrastructure requirements for driving schools highlight weak internal controls, inadequate monitoring, and a lack of regulatory enforcement. Government responses either lacked evidentiary support or admitted to irregularities, further reinforcing the need for corrective institutional reforms

### Recommendation

- *The Department may create and maintain an updated, centralised database of vehicle dealers and motor training schools, capturing licence validity, renewal status, and compliance checks for effective oversight.*
- *The Department may ensure enforcement of act, rules and notifications uniformly across the State while issuing the driving licenses, trade licenses and licenses to operate driving schools.*
- *The Department may enforce mandatory document verification (age, vehicle class eligibility) at DTO level before final issuance of licences, supported by digital audit trails in SARATHI/ VAHAN.*
- *The Department should implement an automated monitoring system to track licensing violations in real time and action taking system to track violations, ensure follow-up action and initiate prompt corrective action.*

***Audit objective 2: To assess whether regulation and control over registration and use of vehicles through registration, issuing permits and fitness certificates was implemented by DTOs as per the Act/ Rules***

#### 5.2.10.4 Non-realisation of fitness fee of transport vehicles

Under Section 56 of the MV Act, 1988, a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness in such form containing such particulars and information as may be prescribed by the Central Government. As per Rule 62 of CMV Rules, 2023<sup>200</sup>, the fitness validity of the transport vehicles is for two years for vehicles up to eight years old and it is to be renewed every year thereafter. As per the CMV Rules (Twenty-second Amendment) dated 29 December 2016, the fees chargeable for conducting test of a vehicle for grant or renewal of certificate of fitness are (a) motorcycle- ₹ 200 (b) three wheelers/ LMVs- ₹ 400, (c) medium and heavy vehicles- ₹ 600 and (d) motor vehicle- ₹ 200. In case of delay in renewal of fitness

<sup>200</sup> As per fifth amendment dated 12 September 2023

certificate (FC), a fine of ₹ 50 per day is recoverable from the vehicle owner.

Analysis of VAHAN data revealed that 5,495 transport vehicles registered in the State between April 2009 and March 2021 were due for renewal of FC at least once (up to a maximum of five times) between April 2019 and March 2024. Of these, 2,636 transport vehicles had expired FCs and were liable to pay FC fees amounting to ₹ 1,099.81 lakh under the three sampled districts. District-wise number of vehicles with expired fitness validity is summarised in **Table 5.2.7**.

**Table 5.2.7: Summary of fitness defaulter vehicles**

Sl. No.	District	No. of vehicles with expired fitness validity	Fee + fine due (₹ in lakh)
1	West Tripura	1,466	595.41
2	Dhalai	537	241.25
3	North Tripura	633	263.15
<b>Total</b>		<b>2,636</b>	<b>1,099.81</b>

*Source: VAHAN database*

Failure to comply with the provisions of the MV Act regarding renewal of FC and continued use of such vehicles in public places poses a serious risk to road safety and also compromises air pollution controlling standards.

Even though data on vehicles with expired FCs can be generated from the VAHAN portal, the Department neither initiated any enforcement drives nor took any corrective action specifically against the fitness defaulter vehicles. Further, VAHAN portal lacks a provision for automated notices or intimation to the owners of fitness defaulter vehicles unlike the provision that is available in the case of tax defaulter vehicles.

The Government (June 2025) replied that the Transport Department and Police Department had jointly conducted regular enforcement drives in the entire State and all the documents of vehicles were checked and the vehicles with any expired documents were penalised as per the MV Act and rules. It was also stated that the Transport Department had served fitness defaulters notice and the amount collected up to 31 March 2025 was ₹ 347 lakh against 5,349 fitness defaulter vehicles under DTO, West Tripura District. It was further stated that the Transport Department had taken the matter seriously as it was related to revenue generation of the State.

Although the Government stated that the enforcement drives were conducted and notices were issued, there were systemic gaps as the capability of the VAHAN database to identify defaulters was not efficiently utilised. Further, the reply was silent about the default notices and amount recovered in other two sampled districts.

#### **5.2.10.5 Inadequate controls for monitoring and following up on road tax default cases of transport vehicles**

Section 4(1), (2) and 4A(1) of the Tripura Motor Vehicle Tax s Act, 1972 read with Notification dated 4 July 2018 issued by the Tripura Transport Department, stipulates that all motor vehicles other than National Permit Goods Carriage vehicles in Tripura shall pay tax annually in advance at the rates specified in Schedule-I. Further, Section 4(B) of the Tripura Motor Vehicles Tax (Amendment) Act 2009 stipulates that if a

vehicle owner fails to pay road tax within the grace period of 60 days, he shall be liable to pay penalty (i) for default of one month delay or part thereof at the rate of 10 per cent of the total amount of annual tax or onetime tax payable, (ii) for default exceeding one month upto to the period of three months penalty at the rate of 20 per cent of the annual tax or on time tax, (iii) for default exceeding three months and upto six months penalty at the rate of 30 per cent of the annual tax or onetime tax payable, (iv) for default for the period exceeding six months upto 12 months penalty at the rate of 40 per cent of the annual tax or onetime tax and (v) for default for the period exceeding 12 months at the rate of 50 per cent of the annual tax or onetime tax payable.

Analysis of VAHAN data revealed that there were 19,629 transport vehicles registered in the State between April 2004 and March 2018 due for annual road tax at least six times during the period between 2018-19 and 2023-24. In the three sampled districts 9,869 transport vehicles had not paid their due taxes, resulting in unrealised revenue of ₹ 1,047.54 lakh (Arrears of ₹ 703.16 lakh as reflected in VAHAN portal and ₹ 344.38 lakh being the penalty calculated by audit).

Thus, non-realisation of outstanding motor vehicle taxes and associated penalties not only resulted in the loss of revenue but also constituted a violation of the provisions of the MV Act. A summary of MV tax defaulters for transport vehicles for the period between April 2019 and March 2024 in the sampled districts is given in **Table 5.2.8**.

**Table 5.2.8: Summary of transport vehicle road tax defaulters**

(₹ in lakh)

District	Transport vehicle			Total
	Number of vehicles	Amount of Tax Arrear	Penalty amount	
West Tripura	6,025	539.64	263.68	803.32
Dhalai	2,132	76.93	38.19	115.12
North Tripura	1,712	86.59	42.51	129.10
<b>Total</b>	<b>9,869</b>	<b>703.16</b>	<b>344.38</b>	<b>1,047.54</b>

Source: VAHAN database

The Government replied (June 2025) that non-realisation of outstanding road tax is not correct because Department is issuing demand notices on regular basis and Motor Vehicle Inspectors are conducting non-stop enforcement drive against the tax defaulting vehicles. Whenever any defaulter vehicles found plying on the road, the Department is taking appropriate action as per Acts. It was further stated that in the previous financial year, a total of 5,082 numbers of tax demand notices were issued to the owners of defaulter vehicles for the West Tripura District. In response to that 1,014 numbers of vehicle owners paid ₹ 151.90 lakh up to 31 March 2025.

While the Government claimed regular issuance of demand notices and enforcement activities, the audit analysis of VAHAN data reflected ₹ 1,143 lakh as arrears, excluding penalty towards unpaid road tax on 19,629 transport vehicles for the period from 2019-2024. The recovery reported from West Tripura covers only a small portion, indicating that recovery from a large number of defaulters was still outstanding. This high figure of recoveries remaining to be realised highlights gaps in monitoring, follow-

up and enforcement.

#### 5.2.10.6 Non-realisation of permit fee from transport vehicles

Permit is an instrument issued by a State or Regional Transport Authority authorising the use of a motor vehicle as a transport vehicle in a specified manner as per the relevant provisions of Motor Vehicle Act and Rules framed thereunder.

Section 66(1) of the Motor Vehicle Act, 1988 mandates the necessity of issuing permits to transport vehicles. No transport vehicle can be used in any public place unless it has a valid permit. As per the provisions contained in Section 81(1)(2) of the MV Act, a permit is granted to a transport vehicle for a period of five years and is subject to renewal for a further period of five years by submitting an application not less than 15 days before the date of its expiry, along with the requisite application and permit fee<sup>201</sup> prescribed on the basis of the type of vehicle under Rule 78 of TMV Rules.

Analysis of VAHAN data revealed the following deficiencies as detailed below:

- (i) **Registration of transport vehicles without valid permit** - During the period from 2019-20 to 2023-24, 35,406 transport vehicles were registered in the three sampled districts, of which 18,713 transport vehicles were required to be registered with a valid permit. However, these transport vehicles were operating without a valid permit. The details are given in **Table 5.2.9**.

**Table 5.2.9: Summary of transport vehicles registered without a valid permit**

Year	Year wise transport vehicle registered	Transport vehicle registered without valid permit in the three sampled DTOs				
		Dhalai	North Tripura	West Tripura	Total	Fee realisable
2019-20	5,552	364	1,021	2,570	3,955	19.98
2020-21	4,461	182	939	1,368	2,489	12.12
2021-22	4,856	433	950	1,345	2,728	13.36
2022-23	6,661	763	1,224	2,054	4,041	19.44
2023-24	13,876	1,083	1,666	2,751	5,500	25.79
<b>Total</b>	<b>35,406</b>	<b>2,825</b>	<b>5,800</b>	<b>10,088</b>	<b>18,713</b>	<b>90.69</b>

The **Table 5.2.9** shows that 18,713 number of transport vehicles were operating without a valid license which is a violation of the provision of the MV Act. Further, non-registration of the transport vehicles without the permit led to non-realisation of permit fees amounting to ₹ 90.69 lakh.

- (ii) **Non-realisation of permit fee from permit defaulter vehicles** - Analysis of data also revealed that transport vehicles registered between April 2009 and March 2018 in the three sampled districts, the permit validity period of 2,105 contract carriage, 105 stage carriage and 561 goods transport vehicles permits were expired at least once (maximum of three times) till March 2024. Permit type-wise

<sup>201</sup> Permit renewal fee of stage carriage and goods carriage: ₹ 600 and for contract carriage viz., Auto Rickshaw: ₹ 450 and others motor cabs and Taxi, Bus, Jeep, etc.: ₹ 475.

number of vehicles with expired permit validity under the three sampled districts is summarised in **Table 5.2.10**.

**Table 5.2.10: Summary of permit defaulter transport vehicles**

(₹ in lakh)

DTO	Contract carriage		Stage carriage		Goods carriage		Total	
	Permit defaulter vehicles	Fee due	Permit defaulter vehicles	Fee due	Permit defaulter vehicles	Fee due	Number of vehicles	Fee due
West Tripura	1,126	6.52	103	0.54	427	2.99	1,656	10.05
Dhalai	524	2.78	0	0	37	0.28	561	3.06
North Tripura	455	2.49	2	0.018	97	0.71	554	3.22
<b>Total</b>	<b>2,105</b>	<b>11.81</b>	<b>105</b>	<b>0.558</b>	<b>561</b>	<b>3.98</b>	<b>2,771</b>	<b>16.33</b>

Source: VAHAN database

From **Table 5.2.10**, it can be seen that permit fee amounting to ₹ 16.33 lakh was due for realisation from 2,771 transport vehicles during the period 2019-24. Thus, non-renewal of permits not only deprived the State of timely revenue but also violated the provisions of the MV Act, which prohibit plying of vehicles in public places without a valid permit.

Though data regarding vehicles with expired permits can be generated from VAHAN portal, the Department did not take any proactive measures to ensure timely renewal of permits. Moreover, unlike the system for tax defaulters, the VAHAN portal lacks a mechanism to issue notices to the permit defaulters.

The Government replied (June 2025) that no demand notice could be generated from VAHAN Portal for permit expired vehicles like as was done for tax defaulters. It added that the matter had been taken up with NIC for generating a workflow for demand notice for permit expired vehicles in the VAHAN portal. It also stated that regular joint enforcement drives are conducted as per Acts and rules.

Though it was acknowledged that the VAHAN portal lacks a functionality for automated demand notices for permit defaulters, the Department cannot abstain from its responsibility for monitoring and enforcing duties.

#### 5.2.10.7 Short realisation of alteration fee of motor vehicles

As per Section 52(1) and (3) of the MV Act, 1988, no owner of a motor vehicle shall alter the vehicle that the particulars contained in the certificate are at variance with those originally specified by the manufacturer. If any alteration is done without the approval of registering authority, the owner of the vehicle shall report such alteration to the registering authority within 14 days together with the prescribed fee. The Transport Department, Government of Tripura prescribed<sup>202</sup> chargeable fees<sup>203</sup> for alteration in

<sup>202</sup> vide Notification No. F.7(5)-TRANS/2011 dated 21 August 2014

<sup>203</sup> (i) alteration of motor vehicles with prior approval of the registering authority with fees chargeable as (a) Auto rickshaw: ₹ 500 (b) LMV: ₹ 2,000 and (c) MMV, HMV and above: ₹ 2,500 and (ii) alteration without prior approval of the authority with fees chargeable as (a) Auto rickshaw: ₹ 3,000 (b) LMV: ₹ 4,000 and (c) MMV, HMV and above: ₹ 5,000

the vehicle with prior approval and post approval of the authority for alteration of vehicles based on the conditions of alteration and the vehicle category. These fees are applicable for modifications such as changes in vehicle body structure, engine capacity, or other modifications that require approval from the Transport Department.

Analysis of VAHAN data revealed that there was short realisation of alteration fee of ₹ 29.90<sup>204</sup> lakh from 1,841 vehicles in the three sampled districts during the period 2019-24 is summarised in **Table 5.2.11**.

**Table 5.2.11: Summary of short realisation of alteration fee**

(₹ in lakh)

Sl. No.	Name of DTO	Number of vehicles	Alteration fee realised	Alteration fee realisable <sup>205</sup>	Short realisation of alteration fee
1	West Tripura	1,204	16.75	35.93	19.18
2	Dhalai	36	0.54	1.12	0.58
3	North Tripura	601	6.95	17.09	10.14
<b>Total</b>		<b>1,841</b>	<b>24.24</b>	<b>54.14</b>	<b>29.90</b>

Source: VAHAN database

Audit noticed that VAHAN portal lacked a feature to differentiate between alterations made with or without approval. The system could not accurately determine the applicable alteration fees as the stipulated fees were not being applied for alterations. This limitation in the VAHAN software, had led to the incorrect fee assessment since its implementation in January 2004. Despite this issue persisting for over two decades, the Transport Department had not identified or rectified the error as of March 2025. The matter was reported to the DTOs in November 2024.

While accepting the audit observation, the Government replied (June 2025) that fee calculation done by VAHAN software which is auto generated so manual intervention could not be done in this process. It was further stated that the issue would be examined and taken up with the NIC to resolve the issue.

Though the Department has now taken up the matter with NIC, the delay in addressing the deficiency has led to recurring revenue loss and continued non-compliance with the statutory provisions.

#### **5.2.10.8 Levy of higher rate of motor vehicle tax under BH series Registration mark**

Twentieth amendment of CMV Rules, 2021 by MoRTH, GoI introduced Bharat (BH) series registration with effect from 15 September 2021. Its primary objective is to facilitate seamless inter-state vehicle movement without the need for re-registration and is available to employees of Central Government, State Government, Public Sector Undertakings and Private Sector Companies having offices in four or more States. One registration mark has been made valid throughout the country. The tax is paid initially

<sup>204</sup> The rate of fee applicable for prior approval has been taken for each class of vehicles

<sup>205</sup> In addition to the short realised alteration fee, Inspection fee of ₹ 400, Smart Card printing fee of ₹ 200 has also been taken into account. Moreover, for DTO, West Tripura, ₹ 25 towards postal fee is also added in the fee realisable.

for a period of two years and can be extended in multiples of two up to 14 years, to the state where it is located during that period. In case of fully built non-transport vehicles, the motor vehicle tax<sup>206</sup> shall be calculated electronically through the portal on the basis of invoice price excluding Goods and Services Tax (GST). The entire sale price is taxable and cannot be further edited at the dealer's point once uploaded in the VAHAN system. Hence, all future tax calculations will be based on the value of sale price entered at the time of registration.

Examination of records revealed that the Department<sup>207</sup>, in January 2022 directed the vehicle dealers to upload the sale price of vehicles at the ex-showroom price (which includes tax/GST component) for automatic calculation of the motor vehicle tax registered under BH series in Tripura. Due to inclusion of tax component (GST), vehicle owners registered under BH series in Tripura were subjected to pay higher rate of MV tax throughout their life span compared to those registered in other states, where the GST is excluded from the sale price for tax.

Analysis of VAHAN database revealed that 332 private vehicles were registered under BH series under the three sampled DTOs during 2021-24. A summary of tax<sup>208</sup> collections for BH series registration during 2019-24 is shown in **Table 5.2.12**.

**Table 5.2.12: Summary of tax collection from BH series registration vehicles**

(₹ in lakh)

District name	Number of BH series vehicles	Road tax collected on sale price (with GST) for two years	Actual Road tax to be collected on sale price (without GST) for two years	Excess tax collected in one tax period
West Tripura	321	27.31	18.46	8.85
Dhalai	9	0.44	0.32	0.12
North Tripura	2	0.19	0.14	0.05
<b>Total</b>	<b>332</b>	<b>27.94</b>	<b>18.92</b>	<b>9.02</b>

Source: VAHAN database

**Table 5.2.12** shows that excess tax amounting to ₹ 9.02 lakh was collected from 332 BH series registered vehicles during a single tax period due to inclusion of tax component in the sale price. The overcharged amount will recur every renewal period over the vehicle's life thereby magnifying the impact.

The Department's instruction to vehicle dealers to upload the ex-showroom price including the GST component into the VAHAN software led to improper calculation of BH series motor vehicle tax, contrary to the prescribed rule of excluding GST from the sale price. Given that the VAHAN software locks this value for all future renewals, this error will cause recurring over-taxation throughout the life of these registrations. This reflects a significant and ongoing compliance failure, resulting in unfair financial

<sup>206</sup> The rate of motor vehicle tax under BH series registration mark shall be eight *per cent* in case of vehicles with invoice price below ₹ 10 lakh, 10 *per cent* between ₹ 10 and ₹ 20 lakh and 12 *per cent* for invoice price above ₹ 20 lakh. Besides, two *per cent* extra charge shall be levied for diesel vehicles and two *per cent* less tax for electric vehicles

<sup>207</sup> Vide notification No. F.XXII-27/JTC/CON/2018/10244 dated 22 January 2022

<sup>208</sup> Calculated for one tax period (*i.e.* two years)

burden on vehicle owners in Tripura compared to those in other states which follow the correct procedure.

The Government replied (June 2025) that realisation of road tax was done through auto generated online VAHAN software, so manual intervention could not be done in this process. It was further stated that levy at a higher rate as pointed out by audit, was not correct.

The reply of the Government was not acceptable. Though the realisation of road tax was auto-generated by the VAHAN software and hence beyond manual intervention, the calculation by VAHAN software is dependent on the input data, particularly the sale price uploaded by the dealer at the time of registration. The Department in violation of the MoRTH, GoI notification, directed vehicle dealers for uploading prices of vehicles in VAHAN at the ex-showroom price (which includes tax/GST component) for calculation of motor vehicle tax registered under BH series in Tripura.

#### 5.2.10.9 Non-refund of road tax

Section 4A(5) of the TMVT Act, 1972 provides that if one time tax in respect of the personalised vehicle has already been paid under sub-section (2) or sub-section (3), and if the said vehicle is removed from Tripura on change of address or on cancellation of registration, the owner of such vehicle may be entitled to refund at a proportionate rate as may be determined by the Government by order from time to time.

Analysis of VAHAN data revealed that 1,171 No Objection Certificates (NOCs) were issued during 2019-24 to the vehicle owners for assigning new registration mark in other states. These NOCs are essential for transferring a vehicle's registration from one State to another, ensuring that there are no pending dues or obligations associated with the vehicle. Audit categorised these vehicles based on the number of years for which road tax had not been refunded, as summarised in **Table 5.2.13**.

**Table 5.2.13: Number of vehicles with pending tax refunds**

Office name	Number of NOCs issued	Non-refund of taxes for the period			NOCs utilised for re-registration in other States
		1 to 5 years	5 to 10 years	10 to 15 years	
DTO, West Tripura	997	140	307	550	571
DTO, North Tripura	118	16	45	57	87
DTO, Dhalai	56	3	32	21	32
<b>Total</b>	<b>1,171</b>	<b>159</b>	<b>384</b>	<b>628</b>	<b>690</b>

Source: VAHAN database

As can be seen from **Table 5.2.13** that out of 1,171 NOCs issued during the period 2019-24, 690 vehicles (59 per cent) were re-registered in other States as confirmed from VAHAN. This implies that a large number of vehicles actually moved out of Tripura permanently. Further, 1,171 vehicles had paid road tax, with 628 vehicles having paid for 10-15 years, 384 for 5-10 years and 159 for 1-5 years.

It was further noticed that not even a single case relating to refund of motor vehicle tax was processed in the three sampled District Transport Offices during the period

2019-24. Further, refund feature was inactive on the VAHAN portal. Furthermore, there was neither any prescribed application form for manual tax refunds nor were any records found to be maintained showing the applications received and processed in this regard. These deficiencies suggest a need for reviewing and streamlining the tax refund process to ensure compliance and fairness.

The absence of any processed refund cases despite the issuance of 1,171 No Objection Certificates over 2019–24 clearly indicates that the Department has failed to implement the refund provision mandated under Section 4A(5) of the TMVT Act, 1972. The lack of an active refund feature on the VAHAN portal, absence of prescribed manual application forms, and failure to maintain any records of refund applications reflect serious gaps in process design and control. This systemic failure resulted in financial burden on the vehicle owners who, after paying one-time tax in Tripura, were required to pay the applicable motor vehicle tax again in other states without receiving the entitled proportionate refund. The findings underscore the urgent need for the Department to establish a transparent, time-bound, and accessible refund mechanism in line with MoRTH's January 2024 directives, ensuring compliance with statutory provisions and fairness to taxpayers.

The MoRTH directives align with the audit observations, emphasising the need for system reforms to address the deficiencies in the vehicle tax refund process.

The Government stated (June 2025) that there was no provision for refund of tax for the vehicles going outside the State with NOC.

The reply is factually incorrect as the provisions of Section 4A(5) of the TMVT Act, 1972 clearly provide for refund of unutilised one-time tax when a vehicle is permanently moved out of the State and re-registered elsewhere. Thus, denying such refunds amounts to non-compliance with the regulatory provisions.

### **Conclusion**

The audit findings highlight several systematic deficiencies in Tripura's transport sector. The absence of adequate controls to ensure the timely renewal of fitness certificates and permits for transport vehicles led to delays in the timely realisation of potential revenue. Despite having the real time vehicle compliance data in VAHAN database, the Department did not utilise the system effectively to identify defaulters, track dues or generate demand notices.

The audit revealed significant systemic deficiencies in the regulation and control of transport vehicles in Tripura across critical areas such as fitness certification, tax collection, permit issuance, alteration fees, BH series taxation, and refunds. Despite the availability of comprehensive data through the VAHAN portal, the Transport Department failed to leverage this resource effectively for monitoring, enforcement, and compliance.

Key lapses included the absence of automated enforcement mechanisms, short realisation of government dues, non-implementation of statutory refunds, and overcharging due to incorrect software inputs. These shortcomings not only resulted in

substantial revenue loss but also exposed the public to safety and regulatory risks. The Department's reliance on manual processes, lack of proactive monitoring, and poor coordination with software developers (NIC) reflect the need for urgent reforms to strengthen governance and accountability.

#### **Recommendation**

- *The Department may take immediate steps to recover the outstanding revenue from tax and fee defaulters. The Department may collaborate with NIC to implement automated systems in the VAHAN portal for identifying and issuing notices to defaulters of fitness, tax, permit, and alteration fee. This should include real-time alerts, penalty calculations, and follow-up enforcement scheduling to ensure timely recovery and regulatory compliance.*
- *The Department may institutionalise monthly reviews of VAHAN data at the DTO level for identification of defaulters.*
- *Steps may be taken to incorporate provisions in the VAHAN software for generating alerts and issuing notices to permit and fitness defaulters.*

**Audit objective 3: To assess whether DTOs efficiently assessed, levied, collected and remitted revenue (Motor vehicle taxes, fines, penalties, cess, etc. as per Act/ Rules) and took effective action on arrears**

#### **5.2.10.10 Non-realisation of State Government share**

The JTC, Agartala entered into an agreement (June 2017) with M-Tech Innovations Ltd.<sup>209</sup>, Pune (service provider) to execute Smart Card Project on build, own, operate and transfer basis in Tripura for a period of five years with effect from 1 September 2017. The project included supply, installation, operation and maintenance of IT Infrastructure and related facilities for personalisation and issue of Smart Card based Driving Licenses and Vehicle Registration Certificates (printing and issue of smart cards) in the State.

As per Clause 13 read with Clause 36 of the agreement, the Service provider shall pay 30 *per cent* of the gross revenue collection to the State Government on monthly basis as revenue share of the State Government within the seventh day of every next month.

Further, Clause 32 of the agreement stipulates that in case of any dispute of any nature whatsoever between the parties hereto, especially dispute regarding level of services being provided by successful bidder as per the agreement, which cannot be mutually resolved then the same shall be referred to the sole Arbitrator to be appointed by the parties and the proceedings would be conducted under the provisions of the Arbitration & Conciliation Act, 1996. The venue of such arbitration proceedings shall be at Agartala.

Audit noticed that the service provider collected revenue by issuing smart cards at the

<sup>209</sup> A public limited company registered under the Companies Act, 1956 and having office at Plot No. 1/2, Rajiv Gandhi Infotech Park, Phase-1, Hinjewadi, Pune-57.

rate of ₹ 119, ₹ 122 and ₹ 20 in respect of RC, DL and LL respectively. It was further noticed that during the period from September 2017 to December 2023, the service provider issued 11,76,735 smart cards<sup>210</sup> and collected ₹ 1,102.21 lakh towards the sale value of the smart cards. Under the agreement, ₹ 330.66 lakh (30 *per cent*) being the state government share was due to be remitted to the state government. However, the service provider remitted only ₹ 283.52 lakh, resulting in ₹ 47.14 lakh remaining outstanding. Audit had highlighted the underpayment of state government share in previous audits (May 2018 and February 2024).

The JTC, at the instance of audit, directed (April 2024 and May 2024) the service provider to deposit the outstanding amount, but the same remained un-realised.

As of March 2025, the Department had not initiated engagement of an Arbitrator<sup>211</sup> as per the agreement clause nor had it invoked penalties for default as the agreement did not have any such clause in case of default by the service provider.

The lack of sound internal controls and enforcement mechanisms as well as the failure of the Department to enforce the provisions of the agreement resulted in non-realisation of the Government's due share of ₹ 47.14 lakh.

The Government replied (June 2025) that the matter is now sub-judice before Hon'ble High Court of Tripura. However, as per the audit observation, notice would be issued to the agency shortly.

#### **5.2.10.11 Discrepancies in mode of collection of revenue**

As per Rule 7 of the General Financial Rules, 2017, all moneys received by or on behalf of the Government either as dues of Government or for deposit, remittance or otherwise, shall be brought into Government Account without delay, in accordance with such general or special rules as may be issued under Articles 150 and 283 (1) of the Constitution of India.

To promote cashless transactions, the Finance Department, Government of Tripura introduced Online Government Receipts Accounting System (e-GRAS) on 1 August 2019, to facilitate collection of tax and non-tax revenues. The e-GRAS platform has the functionality to collect online receipts through Debit/Credit Cards and UPI based payments including QR Code scanning. Further, the Point of Sale (POS) based e-challan application is integrated with e-GRAS and the receipts are directly deposited to the state Treasury.

Audit noticed the following discrepancies:

- i) The State Government approved (March 2023) the collection of revenue through State Bank of India (SBI) POS machines. However, no formal Memorandum of Understanding (MoU) or agreement was entered into with the SBI detailing the terms and conditions of this engagement which was essential for specifying clear timelines for transfer of collected funds to the government account.

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<sup>210</sup> RC – 4,63,809, DL – 3,99,690, LL – 3,13,236

<sup>211</sup> Under the provisions of the Arbitration & Conciliation Act, 1996

- ii) All receipts (tax and non-tax revenue) from VAHAN and SARATHI portals were collected through various online payment modes such as POS terminals, UPI, QR Codes, *etc.* However, these online payment modes were not integrated with the VAHAN and SARATHI portals. Moreover, the Department's failure to integrate VAHAN and SARATHI portals with the e-GRAS software of the Finance Department led to the following discrepancies, as elaborated below:
- Revenue receipts were not directly credited to the government account. Instead, the amounts were initially parked into the savings account of the respective bank branches and thereafter transferred to the government account through Challan/ e-GRAS payment gateway of State Government by the DTOs.
  - The VAHAN and SARATHI portals generated receipts and delivered services without confirming whether the payments made through the various payment modes was successful or not. Thus, due to non-integration of online payment systems with portals, the possibility of providing services without receiving the corresponding payment cannot be ruled out.
- iii) Examination of records (*viz.* bank statements, treasury challans, challan register, cash book, *etc.* for the month of March each year during the period 2019-24) revealed that revenues collected were initially held as cash in hand or deposited into bank accounts. It was noticed that there were delays in depositing these funds into the government account. The instances noticed are summarised below:

**a) DTO, Dhalai**

All the revenues collected (March of each year except March 2024) was collected in cash and deposited with Tripura State Co-operative Bank (TSCB) account. In March 2024, the revenue collected through POS machine was deposited with SBI account while the cash collection was deposited with TSCB account. It was also noticed that these funds remained in the bank account other than the Government account for a period ranging from seven days to 166 days, involving amount ranging from ₹ 9.59 lakh to ₹ 291.62 lakh. Thereafter, these accumulated funds in SBI/ TSCB for the particular periods were transferred to the Government account with further delays up to 28 days from the date of last collection of the transferred amount as shown in **Appendix 5.2.2**.

**b) DTO, North Tripura**

All revenues were collected and retained as cash in hand and treasury challans were generated after collection of revenue. In eight out of 272 cases<sup>212</sup>, the revenue collected ranging from ₹ 0.08 lakh to ₹ 2.23 lakh was deposited into government account with delays ranging from 10 days to 116 days.

In March 2024, the collected revenue amounting up to ₹ 64.03 lakh was temporarily held in a bank account for up to 15 days before being transferred to

<sup>212</sup> 272 cases noticed in March of each year except March 2024

the government account. The details of the delay in transferring the collected revenue is shown in **Appendix 5.2.3**.

**c) DTO, West Tripura**

All revenues were collected in cash and held in hand. Treasury challans were generated after collection of revenue. In 149 out of 1,093 cases, the corresponding revenue was deposited into the government account with the delays ranged between 10 days and 25 days and the amount involved ranged between ₹ 0.01 lakh and ₹ 1.32 lakh.

In March 2024, all collections were deposited into SBI account and accumulated up to 29 days involving amount of ₹ 491.33 lakh before being transferred to the government account. The details of the delays in transferring the collected revenue are shown in **Appendix 5.2.4**.

Thus, the decision of the Department to deploy an intermediary POS machine without integrating with the VAHAN and SARATHI applications coupled with the absence of validation controls of revenue received while rendering services, resulted in parking of revenue outside the government account in violation of GFR Rule 7. This resulted in delays of up to 164 days and accumulation of large sums outside the Treasury, undermining transparency, accountability, and timely availability of public funds.

The Government replied (June 2025) that the department will examine and take appropriate action. Further, it was also stated that the department is submitting the challan in due time but the time elapsed between the bank and treasury transaction. It was also stated that the integration of VAHAN and SARATHI portals with treasury accounts had been completed, but due to some technical issues, a letter had been issued to NIC for resolving the matter.

The Government's response, which attributed the delays to the time taken between bank and the treasury transactions, does not fully address the underlying procedural deficiencies such as the absence of MoU with SBI, non-integration of payment gateways with service portals, and delays in depositing the collected revenue.

**5.2.10.12 Deficiencies in managing the inter-state check gate-cum-weighbridge at Churaibari**

Section 138 (2) (b) of the MV Act, 1988 empowers state governments to make rules for establishment and use of weighing devices to detect overloading of goods-laden vehicles.

Section 194 (1) of MV Act, 1988 states that whoever drives a motor vehicle or causes or allows a motor vehicle to be driven in contravention of the provisions of Section 113 (deals with the limits of weight) or Section 114 (power to temporarily halt and inspect vehicles) shall be punishable with minimum fine of ₹ 20,000 and an additional amount of ₹ 2,000 per tonne of excess load, together with the liability to pay charges for off-loading of the excess load.

The Department had only a single check-gate at Churaibari in North Tripura District to

detect overloaded goods-laden vehicles and collection of associated taxes and fines. The trend of revenue receipts at Churaibari check gate during 2019-24 is given in **Table 5.2.14**.

**Table 5.2.14: Trend of revenue receipts at Churaibari check-gate**

(₹ in lakh)

Year	Tax Collection	Non-Tax Collection	Total
2019-20	38.15	561.38	599.53
2020-21	105.46	495.00	600.46
2021-22	89.55	675.24	764.79
2022-23	39.26	584.57	623.83
2023-24	49.11	590.16	639.28
<b>Total</b>	<b>321.54</b>	<b>2,906.35</b>	<b>3,227.89</b>

*Source: Information furnished by the Department*

Audit noticed the following irregularities with regard to the functioning of the check gate:

**i) Inadequate facility in vehicle weighing system at Check gate:**

- The weighbridge (machine) installed at the Check-gate could only measure the weight of the incoming goods laden vehicles up to 60 metric tons (MT). There was no provision to measure heavier vehicles beyond 60 MT. Additionally, the system for measuring the weight of the outgoing goods laden vehicles was not installed. These deficiencies may result in loss of revenue in terms of fines from overloaded vehicles that go undetected.
- No documents were available indicating that the weighbridge had been calibrated by the State Legal Metrology Department, as mandated under Section 24<sup>213</sup> of the Legal Metrology Act, 2009.
- No Annual Maintenance Contract (AMC) was in place for the existing weighing machine. Thus, the possibility of financial loss due to non-detection of malfunctioning of the weighing machine, cannot be ruled out.

While accepting the audit observation, the Government stated (June 2025) that action would be taken for the upgradation of the infrastructure.

While the Government accepted the audit observation and assured that the steps will be taken to upgrade the infrastructure, the inadequacies regarding lack of calibration as required under the Legal Metrology Act and the absence of AMC indicate non-compliance of the statutory requirements and failure to follow maintenance protocols.

**ii) Irregularities in revenue collection at check gate:**

- Both tax and non-tax revenues were being collected in cash and held in hand

<sup>213</sup> Section 24(1) of the Legal Metrology Act, 2009 specifies verification and stamping of weight or measure by the Controller, by general or special order, specify in this behalf, on payment of such fees as may be prescribed.

during 2019-23. The yearly collection of total revenue ranged between ₹ 5.99 crore and ₹ 7.64 crore as shown in **Table 5.2.14**.

Despite the instructions of the Government in November 2023 regarding 100 *per cent* cashless collection of revenue, no online payment system for collection of revenue was made functional as of November 2024, and no reasons for such delay was found on record.

- In respect of revenue collection in March (selected for detailed scrutiny) each year during 2019-23, the amount accumulated<sup>214</sup> was retained as cash in hand. Thereafter, the accumulated funds were deposited into the government account with delays extending up to 17 days. Since 2023-24, the revenue collected was being deposited into a bank account. In March 2024, in an instance, the revenue collection of ₹ 57.73 lakh was held in the bank account for 31 days before being transferred to the government account. The details of the delays are shown in **Appendix 5.2.5**.
- Entries in the Cash book maintained at Churaibari Check-post for the period covered in audit *i.e.* 2019-24 were not authenticated by the DDO, undermining internal control and accountability.

Government replied (June 2025) that previously all revenue collection was done only through cash mode. At present all revenues are collected through online/ POS's machine. So, discrepancy may not arise in future. However, the department would examine the matter and appropriate action would be taken.

**iii) Irregularities in maintenance of data:**

- A single computer system using software from a third-party vendor was used for capturing data *viz.*, vehicle number, date of entry, laden and unladen weight of vehicle, *etc.* of incoming goods laden vehicles in check-gate. The software used for capturing data could preserve data up to the maximum period of six months. Besides, the software was neither integrated with VAHAN and SARATHI nor with the weighbridge machine.

Further, data entries were done manually compromising the security and integrity of the data captured (March 2025). Considering the importance and the size of the data handled daily, the Department has yet to install advanced software-based system like Radio Frequency Identification<sup>215</sup> (RFID) to ensure data accuracy and operational efficiency.

The absence of integration between the data capture software and the weighbridge raises concerns about the accuracy and reliability of the recorded data.

If the weighbridge is not integrated with the data system, it means weights must

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<sup>214</sup> Collection ranging between ₹ 2.35 lakh and ₹ 48.74 lakh and period ranging from one day to 21 days.

<sup>215</sup> RFID is a technology that works by using radio waves to automatically identify and track tags attached to objects.

be entered manually, which can lead to errors or even intentional underreporting to help vehicles avoid fines. This compromises the accuracy and reliability of records, making it hard to prove overloading violations if challenged. Manual processes also slow down operations, causing delays and congestion at the check gate. Without integration, the system cannot automatically verify vehicle details or permitted weight limits from VAHAN and SARATHI, increasing the possibility of overloaded vehicles go undetected. Further, manual entries compromise data integrity and security. This also makes monitoring and auditing difficult, as there is no secure, tamper-proof electronic trail of measurements.

- Analysis could not be undertaken by audit due to unavailability of complete data for the period 2019-24 as data for only six months (March 2023 and November 2023 to March 2024) was provided, and even this data was incomplete as all the important information such as vehicle type wise permissible weight limits, instances of overweight detection, fines realised, *etc.* was not captured.

All the irregularities point towards the failure of the Department to develop an adequate system to monitor and control the functioning of the State's sole inter-state check-gate despite the fact that it has a significant potential to generate substantial revenue for the State Government. Due to incomplete and inconsistent records, the audit could not assess the extent of revenue loss from undetected overloaded vehicles.

### Conclusion

The Department failed to enforce the provisions stipulated in the agreement with the service provider that resulted in non-realisation of the Government's share from the issuance of smart cards.

Due to non-integration of revenue collection with the e-GRAS, the revenue receipts were not directly credited into the Government account and were parked outside the Government account for a considerable period before remittance into the Government account.

The software system put in place for capturing data related to the vehicles passing through the check-gate was found to be unreliable, since it was being done manually, compromising both the security and integrity of the captured data.

### Recommendation

- *The Department may immediately initiate arbitration or legal action to recover outstanding dues from the smart card service provider. Future contracts must include clearly defined penalty and enforcement clauses for default in payment to prevent revenue leakage.*
- *The Department may take steps to link all revenue collection with the e-GRAS software, so that revenue receipts are credited directly into the Government account without delay.*
- *The Department may put in place an effective monitoring system for collection*

and deposit of revenue.

- The Department may initiate transition from the manual data entry system at Churaibari Check gate to an advanced automated system such as Radio Frequency Identification to streamline revenue collection processes and enhance overall operational efficiency.

**Audit objective 4: To assess whether enforcement activities were effectively conducted by DTOs to ensure compliance with the Motor Vehicles Acts/ Rules with adequate follow up to deter violations**

#### 5.2.10.13 Low turn up of vehicles for Pollution Under Control (PUC) test

Rule 115(7) of the MV Rules, 1989 mandates that after the expiry of a period of one year from the date on which the motor vehicle was first registered, other than battery operated vehicles, every such vehicle shall carry a valid “Pollution Under Control (PUC)” certificate issued by an agency authorised for this purpose by the State Government. The validity of PUC certificate is twelve months for vehicles manufactured as per BS-IV or BS-VI norms<sup>216</sup> and six months for vehicles with BS-III and below *vide* MoRTH, GoI’s notification dated 23 February 2012.

District-wise total number of vehicles and number of vehicles which had undergone PUC tests in the sampled three districts during the period between April 2020 and March 2024 is given in **Table 5.2.15**.

**Table 5.2.15: Status of vehicles undegone up for PUC test during 2020-24**

District	Year	Total registered vehicles <sup>217</sup>	Vehicles undergone PUC test	Percentage
West Tripura	2020-21	2,31,350	97,876	42.31
	2021-22	2,40,286	1,56,174	65.00
	2022-23	2,52,218	1,44,992	57.49
	2023-24	2,65,749	1,60,933	60.56
North Tripura	2020-21	4,3,447	12,770	29.39
	2021-22	46,852	21,597	46.10
	2022-23	51,028	26,802	52.52
	2023-24	56,873	35,932	63.18
Dhalai	2020-21	24,263	10,953	45.14
	2021-22	26,468	15,176	57.34
	2022-23	29,579	20,789	70.28
	2023-24	32,992	28,001	84.87

*Source: Transport Department (Note: Record of vehicles undergone for PUC test during 2019-20 was not provided.)*

Thus, it was observed that the turnout of vehicles for PUC tests in West Tripura District

<sup>216</sup> Bharat Stage (BS) norms are emission standards set by the Indian Government to regulate the release of air pollutants from motor vehicles. These standards aim to reduce harmful emissions like nitrogen oxides, carbon monoxide, hydrocarbons, particulate matter, and sulphur oxides.

<sup>217</sup> Only the vehicles registered during last 15 years have been shown here because the possibility of non-functional vehicles pertaining to this period is minimum.

was substantially low, ranging between 42.31 *per cent* and 65.00 *per cent* despite having the highest population of vehicles. Similarly, turnout for PUC test in North Tripura District was also noticeably low ranging between 29.39 *per cent* and 63.18 *per cent*. In contrast, Dhalai District showed a steady increasing trend from 45.14 *per cent* during 2020-21 to 84.87 *per cent* during 2023-24.

The low turnout of vehicles for mandatory PUC tests is a matter of great concern, since it not only violates the provisions of the MV Act but also adversely affects the air quality and health of the common public, undermining efforts to combat environmental pollution.

Further, a test check of compound challans<sup>218</sup> for the period 2019-24 revealed that despite a substantial number of vehicles failing to undergo PUC tests, only two vehicles in Dhalai District out of the three sampled districts were penalised for non-possession of valid PUC certificate. Thus, it indicates lacuna in enforcement activities as well as inadequate monitoring system, which resulted in low turnout for mandatory PUC tests.

The Government replied (June 2025) that special enforcement drive would be conducted for identifying such vehicles with lapsed PUC certificates. It also stated that at present all pollution testing centres are integrated with VAHAN software and SMS service is active. NIC was intimated to stop all the transactions after expiry of PUCC license.

#### 5.2.10.14 Short realisation of compounding fee

As per the provisions laid down in the MV Act, 1988 read with the MV (Amendment) Act, 2019, any person who contravenes any provision of the Act or of any rule, regulation or notification made thereunder shall be punishable for the offences with fine as notified under the Act, as detailed in **Table 5.2.16**.

**Table 5.2.16: Provisions of penalties under MV Act**

Offence Description	Section	Prescribed fine (in ₹)
Disobedience of orders, obstruction, and refusal of information	179(1), 179(2)	Up to 2000
Driving-W/o DL/ DL expired/ DL not specific	181	5000
Using vehicle in unsafe condition	190(2)	1000-10000
Using vehicle without registration	192	2000
Using vehicle without permit	192A(1)	10000
Driving vehicle exceeding permissible weight	194(1)	20000
Penalty for not wearing protective headgear.	194D	1000
Taking vehicle without authority	197(1)	5000

Examination of records of the three sampled districts revealed short realisation of compounding fee amounting to ₹ 10.43 lakh in 276 (10 *per cent*) cases out of 2,700

<sup>218</sup> A "compound challan" refers to a traffic or other violation that can be settled by paying a predetermined fine (compounding fee) to the authorities. It's a way to resolve minor offenses without a court appearance, often involving traffic violations like speeding, not wearing a helmet, or jumping a red light.

compound challans (as furnished to audit) by the enforcement wing during the period 2019-24. The position is summarised in **Table 5.2.17**.

**Table 5.2.17: District-wise short realisation of compounding fines**

Name of DTOs	Fine realisable (in ₹)	Fine compounded and realised (in ₹)	Difference (in ₹)
West Tripura	1,90,600	1,01,400	89,200
Dhalai	6,48,000	1,31,400	5,16,600
North Tripura	5,35,000	97,500	4,37,500
<b>Total</b>	<b>13,73,600</b>	<b>3,30,300</b>	<b>10,43,300</b>

The Government introduced heavy fines for traffic violations through various provisions of MV Act and Rules to discourage reckless and dangerous driving and to enhance road safety upto the optimum level. However, penalising traffic violators with minimal fine much lesser than the prescribed amounts undermines the intended purpose of deterrence of dangerous driving.

While accepting the audit observation, the Government stated (June 2025) that previously fines were realised manually through compound challans but all transactions were now done through online system, and penalties were realised through POS machines with pre-installed penalty provisions. Therefore, there would be no scope of discrepancy in realisation.

The fact remained that Government had already sustained a loss of ₹ 10.43 lakh before introduction of the online system.

#### **5.2.10.15 Absence of proper target and documentation for enforcement activities**

Chapter XIII (Section 177 to 210) of the MV Act, 1988 contains various provisions on offences and penalties which can be settled through compounding of challans by the enforcement officials. Compounding of challans under Motor Vehicle Act means settlement between the enforcement agencies and the offender by which challan is disposed through depositing of notified fee by the offender.

Checking of records of the three sampled districts revealed that enforcement activities had been carried out without any written manual and systematic planning, which led to deficiency in enforcement activity as portrayed below:

- (a) **Setting of targets without the required parameters:** Though yearly targets for enforcement activities were set in all the three sampled districts (West Tripura, North Tripura and Dhalai) during 2019-24, however no parameters such as traffic density, vehicle movement, accident prone places and historical trends of offences, *etc.* were considered while setting the targets. Thus, setting of targets without considering these parameters hinder the effectiveness, resource allocation and probable outcome of the enforcement activities.
- (b) **Non-allocation of enforcement activities:** The documented allocation of enforcement activities to Motor Vehicle Inspectors (MVIs) was neither prepared nor followed; hence was not made available to audit for verification. Thus, in the absence of clear duty allocations, defined roles and responsibilities, the possibility

of inefficiency and reluctance in enforcement activities cannot be ruled out.

As a result, the number of offences detected during the period 2019-24 could not be correlated with the enforcement activities undertaken, hindering the assessment of effectiveness of activities and strategies by audit.

- (c) **Non preparation of duty registers and monthly progress report:** No duty registers for MVIs were available for review, which raised concerns regarding the tracking of enforcement activities, accountability and overall transparency of operations. Besides, monthly progress reports of enforcement activities were also not prepared, which hindered the evaluation of the performance and the understanding of trends in offence detection.

Thus, due to setting up of targets without the required and crucial parameters, non-allocation of enforcement activities among the MVIs, as well as the absence of proper documentation (such as maintenance of duty register of MVIs, progress reports) of enforcement activities, meant that the efficiency and effectiveness of the enforcement activity could not be ascertained by audit.

The Government replied (June 2025) that the Department had set target of revenue collection and enforcement drives for the year 2025-26 and accordingly, enforcement calendars have been issued to the DTOs. It was further replied that the revenue target for the year 2024-25 fixed by the Finance department was ₹ 153.85 crore and the same has been achieved and revenue of ₹ 155.19 crore was realised out of which ₹ 20.84 crore was realised from enforcement drive.

The reply of the Government was not acceptable as the mere achievement of revenue targets does not address the core issues raised by audit. The audit observations relate to the lack of a structured enforcement manual, absence of systematic planning and non-documentation of enforcement activities all of which directly impact the effectiveness, transparency and accountability of the enforcement activities. Further, the achievement revenue targets cannot be held to be a substitute for the quality of the enforcement activities.

### Conclusion

Lacunae in enforcement activity as well as inadequate monitoring resulted in low turnout of mandatory PUC tests of the vehicles. Lack in applying provisions related to compounding fees as well as lack of monitoring to identify deficiency of enforcement activity resulted in penalising with improper fine amount, which undermined the intended purpose of the Act and Rules.

Due to setting up of targets without the required parameters, non-allocation of enforcement activities among the MVIs, coupled with absence of proper documentation of enforcement activities, the efficiency and effectiveness of the enforcement activity remained unascertained.

### Recommendation

- *The Department may increase the frequency and scope of enforcement actions to*

*ensure compliance with PUC requirements.*

- *The Department may establish enforcement targets based on critical parameters to enhance effectiveness of enforcement activity.*
- *Fines may be collected from the defaulters strictly as per the prescribed provisions of the relevant Act and Rules.*

***Audit objective 5: Whether DTOs have been provided with adequate manpower, equipment, and other resources to discharge the mandate as also to ensure public service delivery in a transparent and efficient manner***

#### **5.2.10.16 Non-compliance of advisory issued by the MoRTH, GoI**

In compliance with the Hon'ble Supreme Court's (SC) directions dated 10 August 2017 passed in the matter of WP(C) No. 13029 of 1985 to combat air pollution and improve air quality across the country, MoRTH, GoI issued an advisory to all the State Governments across India on 29 August 2017. The advisory *inter-alia* included that the State Transport Departments across the Country (i) will mandate the establishment of a PUC centre at every fuel station in their State and (ii) introduce well-equipped mobile test centres and programme to check visible polluting vehicle.

Analysis of information furnished (October 2024) to audit revealed that the Department neither authorised PUC centres to operate at fuel stations, nor established any mobile test centres (November 2024), even after a lapse of more than seven years since the issuance of the advisory by the MoRTH.

This delay of over seven years undermines the SC and the MoRTH's objectives to combat environmental pollution caused by vehicular emissions. The lack of initiative reflects inadequate enforcement and monitoring mechanisms, compromising the effectiveness of emission testing and allowing non-compliant vehicles to continue contributing to air pollution.

The Government replied (June 2025) that the Department was preferring the places for establishing PUCC centres near petrol pumps.

#### **5.2.10.17 Non-implementation of departmental grievance redressal system**

Any IT application providing the citizen centric services should provide an appropriate grievance redressal system for systematic redressal of grievances. However, the Department did not implement the grievance redressal/ feedback system within VAHAN and SARATHI. Instead, various online grievance redressal systems<sup>219</sup> from which complaints/ grievances as received from the general public regarding services of VAHAN and SARATHI were forwarded to the Transport Department.

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<sup>219</sup> Task Monitoring System, Chief Minister's help line and Centralised Public Grievance Redressal and Monitoring System, *etc.* which were operated for all the departments/activities of the State. Separate designated nodal officers were appointed for each platform at State level and at Department level for monitoring.

However, records in support of number of grievances received, number of grievances resolved, average time taken to resolve the grievances and public feedback, *etc.* were not maintained by the JTC/ DTOs. Further, guidelines/ directions regarding the timelines for resolution of different category of complaints were not prescribed by the State Government. Moreover, periodical reporting system to the supervisory staff regarding grievances and their redressal were not in practice. Thus, the deficiencies in the grievance redressal system as pointed out could adversely affect the quality-of-service delivered to the citizens.

The Government replied (June 2025) that CPGRAMS, CM Helpline Portal, *etc.* grievance redressal portals were active for lodging complains by the citizen and, regular and prompt redressal was being done for complaints received through these portals.

But the fact remained that the VAHAN and SARATHI did not have any grievance redressal/ feedback system which could ensure prompt and systematic redressal of grievances and ensure proper monitoring by the supervisory staff.

#### **5.2.10.18 Departmental manual not prepared**

To ensure proper and effective functioning of various wings within the Department, it is essential to establish a comprehensive departmental manual that defines the processes and procedures to be followed by staff at all levels. Such a manual serve as a cornerstone for operational efficiency, accountability and transparency.

It was, however, noticed that no such manual existed within the Department. In the absence of such manual, various checks and balances to be exercised by various functionaries of the Department for registration of vehicles, levy of taxes, *etc.* were not available at one place. The absence of such manual not only hampers the consistency and efficiency but also increases the risk of errors and mismanagement.

While accepting the audit observation, the Government stated (June 2025) that necessary steps would be taken in this regard.

#### **5.2.10.19 Shortage of manpower**

Analysis of the sanctioned strength, *vis-à-vis* men-in-position of the Department as on 31 March 2024, revealed that against the 94 sanctioned posts of Chief Motor Vehicle Inspectors (CMVIs), Sr. Motor Vehicle Inspectors (Sr. MVIs), Motor Vehicle Inspectors (MVIs), Accountants, Upper Division Clerks (UDCs) and Lower Division Clerks-cum-Data Entry Operators (LDC-cum-DEO), 75 officers/ officials were in position, leaving a vacancy of 19 posts, which was around 20 *per cent* of the sanctioned posts as shown in **Table 5.2.18**.

Table 5.2.18: Category wise sanctioned strength, men-in-position and vacant posts

Sl. No.	Name of post	Sanctioned strength	Men-in-position	Vacant posts
1	CMVI	4	4	-
2	Sr. MVI	6	6 + 1 <sup>#</sup>	-
3	MVI	19	8	11
4	Accountant	1	1	-
5	UDC	6	6	-
6	LDC-cum-DEO	58	50	8
<b>Total</b>		<b>94</b>	<b>75</b>	<b>19</b>

# one supernumerary post for Schedule Caste category has not been included in vacancy computation

It may be seen from **Table 5.2.18** that there was acute shortage in MVIs where 11 (58 per cent) out of 19 sanctioned posts remained vacant. Since the MVIs do the inspections/enforcement activities, the acute shortage in MVIs may undermine the operational efficiency of the enforcement activities. Moreover, no initiative was taken to fill the existing vacancies by the Department during 2019-24, despite a substantial increase of vehicle population from 4,86,188 to 7,65,389 (57.42 per cent) during that period.

The Government replied (June 2025) that the department is doing needful for filling and upgradation of technical and administrative staff.

### Conclusion

Despite the MoRTH's advisory mandating the establishment of PUC centres at fuel stations and the introduction of mobile test centres, the Department failed to authorise such centres and did not deploy mobile units as of November 2024, thus hampering the efforts to combat vehicular pollution and improve air quality. The absence of a comprehensive manual outlining the processes and procedures for staff at all levels was noticed. A structured grievance redressal system was lacking. A significant shortfall in key enforcement staff especially MVIs limited field operations and enforcement coverage.

### Recommendation

- *The Department should immediately comply with the MoRTH's advisory and mandate PUC centres to achieve the objective of combating environmental pollution in the State. The Department may take steps to integrate its own Departmental Grievance Redressal System in VAHAN and SARATHI for the larger public interest.*
- *The Department may draft a detailed office/operational manual as a resource and guide for the employees and other stakeholders.*
- *The Department may take steps to immediately fill up the existing vacancies.*

## REVENUE DEPARTMENT

### 5.3 Subject Specific Compliance Audit on “Collection of Stamp Duty and Registration Fee from Deed Registration”

#### 5.3.1 Introduction

Stamp duty (SD) is a tax payable on certain documents specified by statute to make them legally effective. SD is charged on documents that are necessary for the legal recording of specific transactions. Registration fee (RF) refers to the fee levied and collected by the State Government for registration of documents. RF covers the administrative costs involved in processing an individual’s or entity’s registration for a particular program, event, or service.

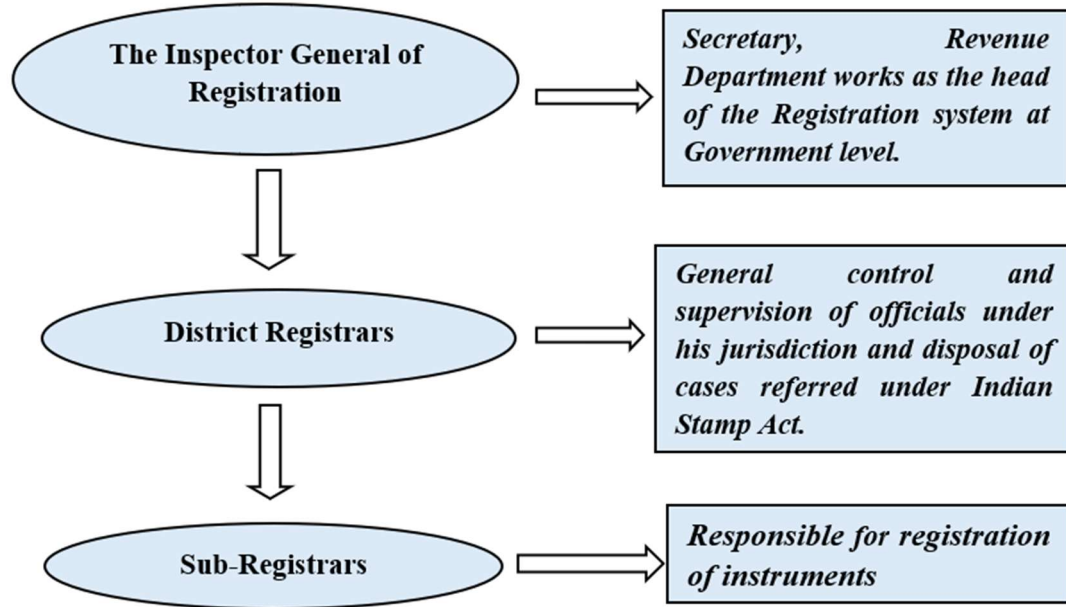
Seventh Schedule of the Constitution of India prescribes the division of powers between the Union Government and State Governments. As per List I-Union List of the Seventh Schedule, the Union Government has the power to legislate the rates of stamp duty on bills of exchange, promissory notes, bills of lading, letters of credit, insurance policies, transfer of shares, debentures, proxies and receipts. The stamp duties are levied by the Union Government but are collected and appropriated by the concerned States except on documents other than those mentioned above, which are levied and collected by the States as in the List II-State List in the Seventh Schedule of the Constitution of India.

To enhance the speed, transparency, and accountability of the registration process, the Government of Tripura launched the Tripura Online Registration System (TORS) in 2012. In March 2021, the State adopted the National Generic Document Registration System (NGDRS) - a standardised and customisable application developed for use by registration departments nationwide. Initially, NGDRS was implemented on a pilot basis in the Sub-Registrar Offices (SROs) of Jirania and Mohanpur in West Tripura District. Based on its performance, the system was rolled out to all SROs across the State in March 2022, replacing the TORS software entirely. For Computerised Stamp Duty Administration System (C-SDAS) and for collection of stamp duty through e-stamping mechanism in Tripura, the Stock Holding Corporation of India Limited (SHCIL)<sup>220</sup> was selected as the Central Record Keeping Agency (CRA). As per the agreement executed (November 2018) between the Government of Tripura and the SHCIL, the responsibilities of CRA was to create need-based infrastructure, hardware and software and connectivity for facilitating its operations on the e-stamping project; to facilitate selection of approved intermediaries for the e-stamping and collection of stamp duty; collection of money and generation of e-stamp certificates through the computer systems; and effecting remittances to the State after reconciliation of accounts. The Deputy Director, Land Records and Settlement, Government of Tripura was nominated as the ‘Nodal Officer’ in July 2020 for monitoring the implementation and transactions of e-stamping.

<sup>220</sup> SHCIL acts as the CRA for collection of stamp duty through e-stamp in the State. It eliminates the need for physical stamp paper and provides an electronic method for paying stamp duty to the government.

Until the introduction of e-GRAS in 2019, the fees for registration of various documents, including sale deeds, was collected through treasury challans generated under Computerised Online Treasury Operation System. However, now the registration and other related fees are to be paid online through e-GRAS.

### 5.3.2 Organisational set-up



### 5.3.3 Trend of Revenue

Actual receipts from stamp duty and registration fee during the years 2019-20 to 2023-24, along with the total tax receipts during the period are shown in **Table 5.3.1**.

**Table 5.3.1: Trend of Revenue**

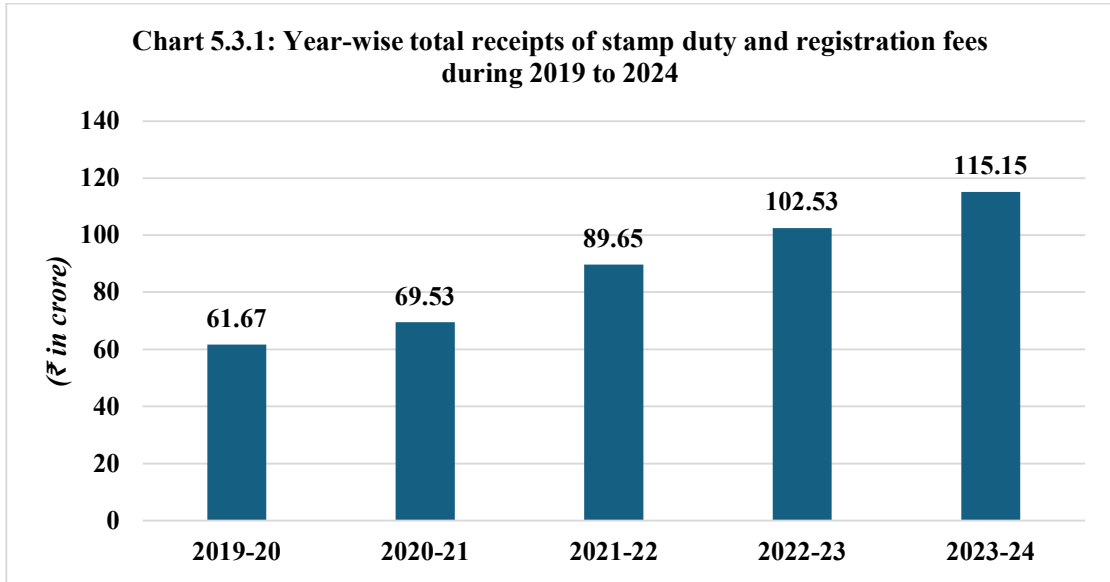
(₹ in crore)

Year	Budget Estimate (BE)		Actual receipts		Total actual receipts	Percentage of variation to BE	Total tax receipt of the State	Percentage of actual receipts vis-à-vis total tax receipts
	SD	RF	SD	RF				
2019-20	55.00		47.87	13.80	61.67	12.13	2,101.80	2.93
2020-21	64.00		53.72	15.81	69.53	8.64	2,332.44	2.98
2021-22	70.69		70.20	19.45	89.65	26.82	2,616.31	3.43
2022-23	94.60		80.83	21.70	102.53	8.38	2,999.68	3.42
2023-24	114.84		89.75	25.40	115.15	0.27	3,287.41	3.50

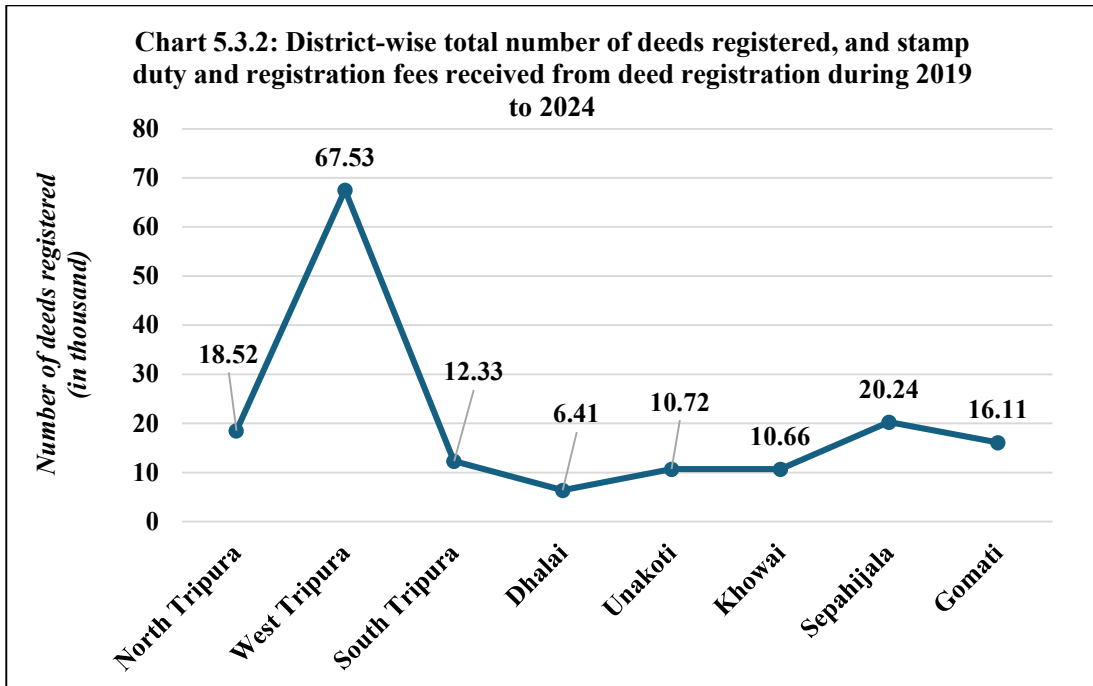
*Source: Budget at a Glance and Finance Accounts of the Government of Tripura*

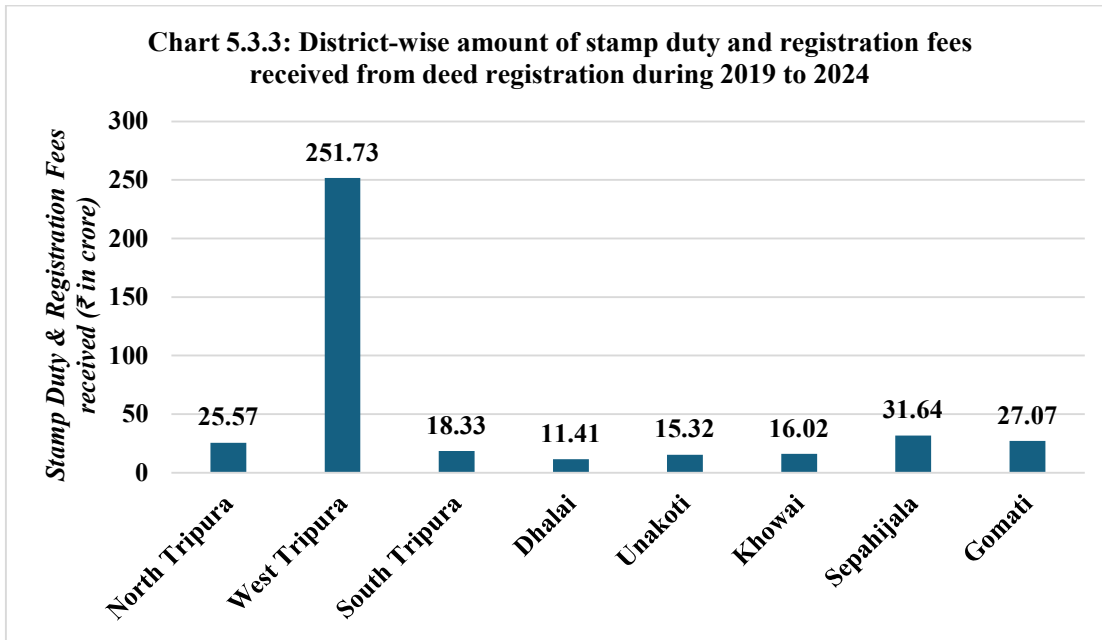
It can be seen from **Table 5.3.1** that the actual receipts exceeded the budget estimates every year during 2019-20 to 2023-24. The percentage of variation between budget estimates and actual receipts ranged between 0.27 per cent to 26.82 per cent to budget estimates. Contribution of revenues from stamp duty and registration fees to the total tax receipts of the State increased steadily from 2.93 per cent to 3.50 per cent over the period from 2019-20 to 2023-24 with a marginal decrease from 3.43 per cent in 2021-22 to 3.42 per cent in 2022-23.

There was an increasing trend of revenue receipts from stamp duty and registration fees during the period from 2019-20 to 2023-24 in the State as depicted in **Chart 5.3.1**.



Out of the total 1,62,521 deeds registered and ₹ 397.11 crore of stamp duty and registration fees received from deed registration during 2019 to 2024 in the State, 67,528 deeds (42 per cent) amounting to ₹ 251.73 crore (63.39 per cent) pertained to West Tripura district as shown in **Chart 5.3.2** and **5.3.3**.





### 5.3.4 Audit objectives

The Subject Specific Compliance Audit on “Collection of Stamp Duty and Registration Fees from Deed Registration” was conducted to get a reasonable assurance regarding:

- the adequacy of resources like infrastructure, manpower, equipment, *etc.*;
- adequacy, proficiency of the system and procedures relating to the method of data collection, compilation, analysis, fixation of market value and assessment and collection of stamp duty and registration fees; and
- adequacy and performance of internal control mechanism of the Department in ensuring collection of stamp duty and registration fees.

### 5.3.5 Audit criteria

The audit objectives were benchmarked against the following sources of audit criteria

- The Indian Stamp Act, 1899 and Rules framed thereunder;
- The Indian Registration Act, 1908;
- The Tripura Registration Rules, 1954;
- The Tripura Stamp (Payment of Duty by means of e-Stamping) Rules, 2018;
- Circular/ instructions issued by the Inspector General of Registration, Government of Tripura from time to time.

### 5.3.6 Scope of audit and methodology

The SSCA was conducted between July 2024 to September 2024 covering the period from April 2019 to March 2024 alongwith scrutiny of records of the office of the Inspector General of Registration; (Secretary, Revenue Department, Government of Tripura) Directorate of Land Records and Settlement; two District Registrars and four Sub-Registrars.

Out of the eight districts, two districts<sup>221</sup> (25 per cent of the districts) and four registration offices *i.e.* the Sub-Registry Offices<sup>222</sup> under the control of the District Registrars of the two districts were selected for SSCA by using the Probability Proportional to Size Without Replacement and the Simple Random Sampling Without Replacement methods respectively.

As per Section 17 and 18 of Indian Registration Act, 1908, there are 19 registrable and 34 non-registrable articles in Tripura that require stamp duty. Out of these, all 19 registrable articles (**Appendix 5.3.1**) were covered in audit.

In addition, all the lease agreements of the 272 bank branches and Automated Teller Machines (ATMs) under the jurisdictions of the four sampled Sub-Registrars were also covered during the audit. The draft audit findings were issued (March 2025) to the Government and were also discussed in the Exit Conference (June 2025) held with the Secretary, Revenue Department. The views expressed during the exit conference and the reply received (June 2025) from the Government were suitably incorporated in the report.

### 5.3.7 Audit findings

***Audit objective 1: To assess whether the resources like infrastructure, manpower, equipment, etc. are adequate***

#### 5.3.7.1 Manpower position

The manpower position of the office of the Department of Revenue of Government of Tripura against the various categories of post under registration organisation is shown in **Table 5.3.2**.

**Table 5.3.2: Statement showing vacancy position of officer/ staff under registration organisation**

Name of the post	Sanctioned Strength	Vacancy
District Sub-Registrar	1	1
Sub-Registrar	5	5
Supervisor Technical	4	4
Head Clerk/Accountant	26	23
Record Keeper/UD Clerk	41	32
Moharar	103	90
Record Supplier	25	25
Peon/Night Guard	53	46

*Source: Information furnished by the Department*

There is an alarming level of vacancies across all sanctioned posts, with an overall shortfall of 226 out of 258 positions, *i.e.* approximately 88 per cent vacancy rate in the registration organisation.

As can be seen in the **Table 5.3.2**, all District Sub-Registrar and Sub-Registrar posts are vacant (100 per cent), seriously impairing registration functions and service

<sup>221</sup> West Tripura and Gomati Districts

<sup>222</sup> Sadar and Jirania under West Tripura District; Udaipur and Amarpur under Gomati District

delivery. Supervisory and technical roles (Supervisor Technical – 100 per cent vacancy) are also entirely unstaffed, affecting oversight and technical support to the system.

Audit also noted acute deficiency in support staff with Moharars (87 per cent), Record Keepers/UD Clerks (78 per cent), and Peons/Night Guards (87 per cent) are largely vacant, undermining the basic functioning of offices, record management, and security.

The high vacancy rate is likely to affect the efficient functioning and scaling up of the NGDRS system, especially in areas requiring data entry, document verification, and public interface. Insufficient staffing raises concerns about delays in service delivery, risks of record mismanagement, and non-compliance with mandatory registration procedures.

Audit noticed that neither any assessment of manpower requirement was done nor separate sanctioned strength of employees exclusively for the purposes of registration of deeds was maintained. The registration works were being done by the existing manpower of the registration organisation and with the deputed staff from the Districts' Administration.

In reply, the Government stated (June 2025) that the process of recruitment/deputation would be taken up.

#### **5.3.7.2 Deficiencies in the National Generic Document Registration System**

Government of Tripura implemented upgraded registration system NGDRS, a common, generic and configurable application developed for registration departments across the country, on a pilot basis in two SROs of Jirania and Mohanpur sub-divisions under West Tripura District which was later extended to all the other Sub-Registrar Offices from March 2022. Audit Scrutiny of the records at the four sampled SROs revealed the following:

##### **(a) Not ensuring biometric based authentication on registration**

During registration of the documents, the biometric data (thumb impression) of the parties and witnesses for the document under registration were taken and embossed on the document. However, this biometric data was stored in JPEG format and no provision has been made in NGDRS for verifying their identity with the Unique Identification Authority of India (UIDAI)<sup>223</sup>, Government of India database. Biometric verification via UIDAI acts as a robust gatekeeper, ensuring only genuine, consenting parties' complete property registrations. Matching biometric data (fingerprint/iris) with the Aadhaar database confirms a person's identity. Moreover, biometric authentication is unique and non-replicable. One individual cannot have multiple Aadhaar-verified identities. Since Aadhaar authentication requires the physical presence of the parties

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<sup>223</sup> UIDAI is a statutory authority established under the provisions of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 ("Aadhaar Act 2016") on 12 July 2016 by the Government of India, under the Ministry of Electronics and Information Technology. UIDAI was created to issue Unique Identification numbers (UID), named as "Aadhaar", to all residents of India.

involved at the time of registration, it prevents unauthorised registrations without the knowledge or consent of property owners or buyers. Thus, non-verification of the biometric data with the UIDAI database increases the risk of fraud while registration of the documents.

To support this fact, audit's examination of records revealed an instance of registration of sale document using fake documents (Aadhaar cards, *etc.*) in the Sub-Registrar, Amarapur in January 2023 which could have been prevented if the identity (biometric data) of the seller was verified with the UIDAI database at the time of registration. In this instance, a fake Aadhaar card in the name of Shri Kandura Debbarma was used during registration of a sale document. However, following a complaint from the original owner, verification revealed that the Aadhaar card actually belonged to another person. Had the provision of verification of the bio-metric data with the UIDAI database existed in NGDRS, the registration of the sale document using the fake document could have been prevented. Other instances involving similar fraudulent activity which were undetected cannot be ruled out.

While accepting the audit observation, the Government replied (June 2025) that the issue of incorporating biometric validation with UIDAI had been taken up with the District Registrars and the Director, Land Records and Settlement. The Government further stated that (i) the Directorate of Information and Technology under Industries and Commerce Department, Government of Tripura had been requested for integration of Aadhaar verification into the NGDRS portal and (ii) the Tripura Registration Rules had been amended (May 2025) for consent based Aadhaar authentication at the time of registration of documents.

**(b) Validation checks for mandatory entry of Permanent Account Number not provided**

As per Section 139 A (5) of the Income Tax (IT) Act, 1961 read with Rule 114 B of IT Rules, Permanent Account Number (PAN) is to be quoted for sale or purchase of any immovable property for an amount exceeding ₹ 10 lakh.

As per Section 285BA of the IT Act read with Rule 114E of the IT Rules, 1962, the Statement of Financial Transaction (SFT) 12 in Form 61A is required to be furnished to the Income Tax Department by the Registrar/Sub-Registrars for purchase or sale of immovable property valued at ₹ 30.00 lakh or more by any person under his jurisdiction. SFT in Form 61 also needs to be furnished in respect of transactions where declarations in Form 60 are received from the individuals who do not have PAN.

Examination of records and documents related to the registration of deeds under Sub-Registrar, Amarapur revealed that out of 58 sale deeds of immovable properties valued above ₹ 10 lakh, in 48 cases, PAN of sellers/purchasers was not quoted while registering the deeds. Moreover, Sub-Registrar, Amarapur could not provide declarations of the individuals who did not have PAN in Form 60 in the 48 deeds. The details are shown in **Table 5.3.3**.

Table 5.3.3: Non-consideration of PAN

Period	Total number of sale deeds valued more than ₹ 10 lakh	Total amount of sale value (₹ in lakh)	Total number of deeds where PAN was quoted	Total number of deeds where PAN was not quoted	Value of sale deeds without PAN (₹ in lakh)
2019-20	4	70.13	1	3	40.13
2020-21	7	121.20	0	7	121.20
2021-22	13	204.13	0	13	204.13
2022-23	18	321.60	3	15	269.94
2023-24	16	205.81	6	10	133.71
<b>Total</b>	<b>58</b>	<b>922.87</b>	<b>10</b>	<b>48</b>	<b>769.11</b>

*Source: Registered sale deeds and other records*

Thus, out of 58 sale deeds of immovable property valued more than ₹10 lakh involving ₹ 922.87 lakh during the period from 2019-20 to 2023-24, non-consideration of PAN of the seller/purchaser in 48 sale deeds (82.76 per cent) involving ₹ 769.11 lakh (83.34 per cent), indicates inadequate and poor validation control in the system along with non-compliance of the stipulated rules. In the absence of PAN, these high-value transactions escape direct linkage with the Income Tax database, reducing traceability and enabling tax evasion. Hence, the possibility of the recipient (seller) evading income tax payment cannot be ruled out.

Further, audit also noticed that out of 995 SFTs<sup>224</sup> filed by the District Sub-Registrar, Sadar during the period 2020-2022, invalid PAN was quoted in 98 SFTs<sup>225</sup> indicating that the necessary validation rules for the mandatory entry of the executant's PAN before registering the documents have not been provided in the System, leaving the scope for generation of incomplete SFT reports.

The failure to collect or validate PAN violates mandatory provisions of the IT Act and reduces the reliability of financial reporting to tax authorities. Without PAN linkage, the transactions cannot be effectively monitored by the Income Tax Department, creating scope for income concealment by parties involved. The absence of mandatory validation checks for PAN entry allows the registration of incomplete or non-compliant sale deeds.

In reply, the Government stated (June 2025) that the District Registrars and the Director, Land Records and Settlement had been instructed to initiate the process for Aadhaar based authentication of the executants for registration of deeds and to introduce the quoting of PAN of the executants for registering of documents valued more than ₹ 10 lakh.

### Recommendations

- *The Department may assess the staffing needs and address the issue of staff shortage for the purpose of registration of deeds.*
- *The Department may initiate the process of Aadhaar based authentication of*

<sup>224</sup> 2020-21: 437; 2021-22: 558

<sup>225</sup> 2020-21: 33; 2021-22: 65

*the executants for registration of deeds and may also introduce the requirement of quoting of PAN of the executants before registering the documents valued more than ₹ 10 lakh.*

***Audit objective 2: To assess the adequacy, proficiency of the system and procedures relating to the method of data collection, compilation, analysis, fixation of market value and assessment and collection of stamp duty and registration fees***

### 5.3.7.3 Loss of ₹ 52.36 lakh due to non-registration of lease deeds of bank branches and ATMs

Section 17 of the Registration Act, 1908 provides for compulsory registration of the leases of immovable property from year to year, or for any term exceeding one year or reserving a yearly rent.

Examination of records related to the registration of deeds under the sampled four Sub-Registrars<sup>226</sup> and lease deeds of 272 bank branches and ATMs within their jurisdictions, revealed 156 instances where bank branches (128) and ATMs (28) did not register their lease agreements/deeds, despite being required to do so under the Act, as detailed in **Table 5.3.4**.

**Table 5.3.4: Loss of revenue due to non-registration of lease agreements**

Name of the Sub-Registrar	No. of bank branches and ATMs	Total number of bank branches/ ATMs where the lease agreements were not registered			Loss of revenue due to non-registration of lease agreements (₹ in lakh)		
		Branch	ATM	Total	Stamp duty <sup>227</sup>	Regn. Fee	Total
Udaipur	50	26	4	30	3.89	1.27	5.16
Amarpur	18	9	3	12	1.22	0.39	1.61
Sadar	167	74	19	93	32.84	10.63	43.47
Jirania	37	19	2	21	1.62	0.50	2.12
<b>Total</b>	<b>272</b>	<b>128</b>	<b>28</b>	<b>156</b>	<b>39.57</b>	<b>12.79</b>	<b>52.36</b>

*Source: Lease documents/deeds of bank branches and ATMs*

Thus, non-registration of the lease agreements/deeds had resulted in a loss of ₹ 52.36 lakh to the Government exchequer. The details are shown in **Appendices 5.3.2 (A), 5.3.2 (B), 5.3.2(C) and 5.3.2 (D)**.

The failure to ensure registration of lease agreements led to significant revenue leakage, with ₹ 52.36 lakh lost in stamp duty and registration fees. This reflects systemic weaknesses in enforcing compliance with statutory provisions, particularly among institutional entities like banks. The absence of registered leases also poses legal risks,

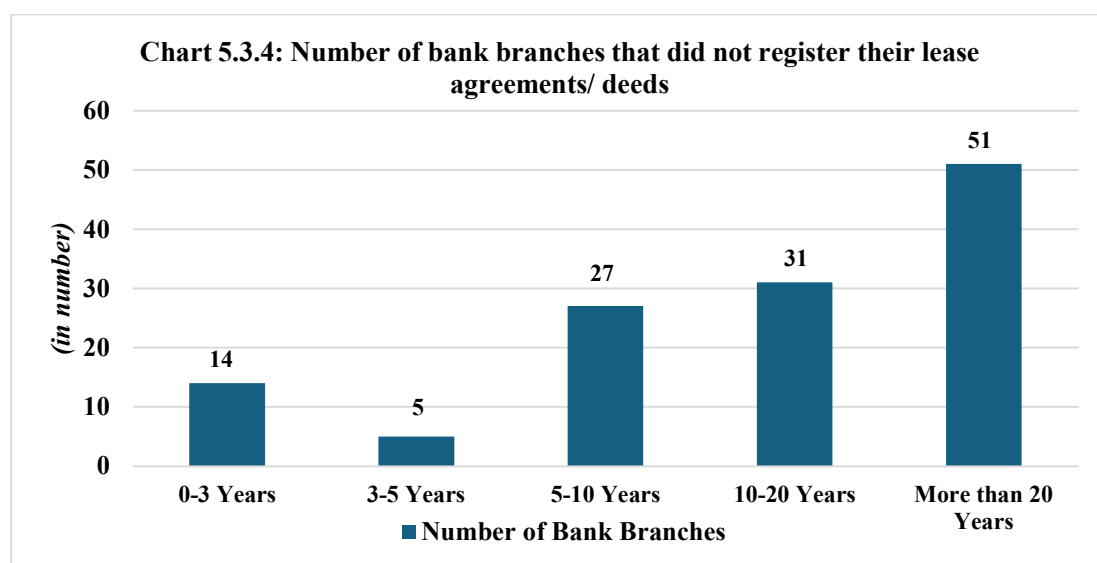
<sup>226</sup> Udaipur, Amarpur, Sadar and Jirania

<sup>227</sup> Up to one year: three per cent SD and 1.50 per cent RF on the total sum payable under the lease, more than one year and up to five years: three per cent SD and 1.50 per cent RF on average amount equal to one year rent, more than five years and up to 10 years: five per cent SD and 1.50 per cent RF on average amount equal to one year rent, more than 10 years and up to 20 years: five per cent SD and 1.50 per cent RF on average amount equal to two years rent, more than 20 years and up to 30 years: five per cent SD and 1.50 per cent RF on average amount equal to three years rent and more than 30 years: five per cent SD and 1.50 per cent RF on average amount equal to four years rent

as such agreements may have limited enforceability in disputes. Moreover, it creates an inequitable environment where ordinary citizens are required to comply with legal norms, while larger institutions are able to bypass them without consequence, thereby undermining the credibility and effectiveness of the registration system.

The systemic failure to enforce mandatory registration of such leases not only weakens compliance with legal provisions but also reflects inadequate oversight by the Registration Department in monitoring and penalising non-compliance, particularly from institutional entities like banks.

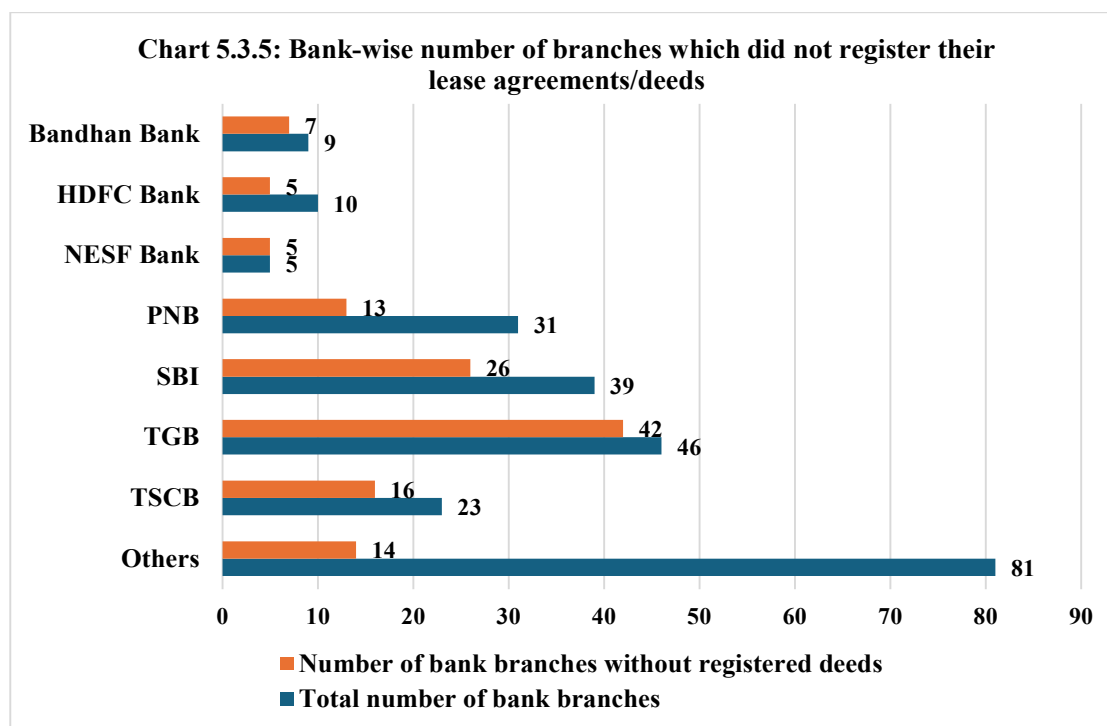
It was further revealed that out of the 128 bank branches, 31 (24 per cent) had been functioning for 10 to 20 years and 51 (40 per cent) functioning for 20 years without registering their lease agreements, as shown in **Chart 5.3.4**.



The analysis of lease agreement compliance by bank branches under the jurisdictions of sampled Sub-Registrar Offices revealed that a significant number of branches operated for prolonged periods without registering their lease deeds as mandated by law. Specifically, 31 bank branches (24 per cent) had been operating for 10 to 20 years, and another 51 branches (40 per cent) for over 20 years, without executing registered lease agreements. This long-term non-compliance highlights a persistent and systemic disregard of Section 17 of the Registration Act, 1908, which mandates registration of lease deeds for terms exceeding one year.

Against the total number of bank branches under the jurisdictions of the sampled Sub-Registrars, **Chart 5.3.5** depicts bank-wise number of branches which were functioning without registering their lease agreements/deeds.

The extent of the lapse is further underscored by **Chart 5.3.5**, which shows that several banks, including major public and private sector institutions, have numerous branches functioning without fulfilling registration requirements. While some banks had fewer than five non-compliant branches (grouped under "Others"), the overall trend suggests widespread institutional non-compliance.



*N.B.- Banks with less than five branches without registration of deeds, viz., Axis Bank, Canara Bank, UCO Bank, Bank of India, etc. are mentioned as 'Others'.*

This situation not only indicates chronic regulatory oversight failure but also suggests that substantial stamp duty and registration fees have gone uncollected over decades, causing cumulative revenue loss to the State. The lack of registered leases also undermines the legal enforceability of tenancy arrangements, potentially affecting dispute resolution and title clarity. Such longstanding gaps weaken both the legal and fiscal framework of property registration in the State.

In reply, the Government stated (June 2025) that the Director, Institutional Finance under Finance Department, Government of Tripura, had been requested to take up the matter with all the banks working in Tripura for ensuring the registration and renewal of lease deeds of their branches and ATMs.

#### **5.3.7.4 Short levy of stamp duty and registration fees of ₹ 6.01 lakh**

##### **(a) Short levy of stamp duty and registration fee due to incorrect calculation**

According to the Section 78 of the Registration Act, 1908, the State Government is responsible for determining the registration fees. Further, Section 80 *ibid*, stipulates that all the fees for registration of documents shall be payable on the presentation of such documents.

As per Section 3 read with Schedule I of the Indian Stamp Act, 1899 and the Indian Stamp (Tripura Fifth Amendment) Act, 2020, the rates of stamp duties for different registrable documents in Tripura has been fixed.

Examination of records related to the registration of lease deeds under the sampled Sub-Registrars revealed 34 instances of short-levied stamp duty (₹ 4.06 lakh) and

42 instances of short-levied registration fees (₹ 1.47 lakh) as detailed in **Table 5.3.5** and **Appendix 5.3.3**, due to incorrect calculation.

**Table 5.3.5: Short levy of stamp duty and registration fee**

Name of the Sub-Registrar	No. of instances of short levy of stamp duty and registration fee (in number)		Short levy of registration fee (₹ in lakh)		
	Stamp duty	Registration fee	Stamp duty	Registration fee	Total
Udaipur	12	15	0.71	0.30	1.01
Amarpur	6	7	0.38	0.12	0.50
Sadar	15	17	2.95	1.03	3.98
Jirania	1	3	0.02	0.02	0.04
<b>Total</b>	<b>34</b>	<b>42</b>	<b>4.06</b>	<b>1.47</b>	<b>5.53</b>

Source: Lease documents/deeds

**(b) Short levy of stamp duty and registration fee due to incorrect valuation of properties**

As per Article 31 of Schedule I of the Indian Stamp Act, 1899, in case of exchange of properties, the stamp duty should be levied as a Conveyance (No. 23 of Schedule I) for a consideration equal to the value of the property of greatest value as set forth in such instrument.

As per Article 23 of Schedule I of the Indian Stamp (Tripura Fifth Amendment) Act, 2020, where the amount or the value of consideration of conveyance exceeds ₹ 900 but does not exceed ₹ 1,000, the duty of ₹ 50 has to be levied and for every ₹ 500 or part thereof in excess of ₹ 1,000, ₹ 25 has to be levied.

Examination of records related to the registration of deeds under the Sub-Registrar, Amarpur revealed that there were two instances of short levy of stamp duty and registration fees due to incorrect valuation of properties as detailed in **Table 5.3.6**.

**Table 5.3.6: Short levy of stamp duty and registration fee**

(in ₹)

Document Number	Token number	Date of registration	Highest consideration value among the exchanged properties	Value taken into consideration	Stamp duty to be paid (@5 per cent)	Stamp duty actually paid	Short levy of stamp duty	Regn. Fee to be paid @ 1.5 per cent)	Regn. Fee actually paid	Short levy of Regn. fee
I-16378 of 2022	2022000 0015517	01.08.2022	4,13,438	42,000	20,672	2,100	18,572	6202	633	5,569
I-16379 of 2022	2022000 0015518	01.08.2022	4,13,438	42,000	20,672	2,100	18,572	6202	633	5,569
<b>Total</b>							<b>37,144</b>			<b>11,138</b>

Source: Records pertaining to registered deeds

The cumulative short levy of ₹ 6.01 lakh highlights significant lapses in the registration process, including weak internal controls, errors in fee calculation, and failure to apply appropriate valuation rules. These deficiencies suggest inadequate oversight and lack of proper training among Sub-Registrar staff in implementing the provisions of the Indian Stamp Act and the State's amended fee schedules. As a result, the State Government suffered avoidable revenue losses.

In reply to **Sub-paragraphs 5.3.7.4 (a) and 5.3.7.4 (b)**, the Government stated (June 2025) that the District Registrars had been instructed to organise training programmes for Sub-Registry staff and officers with emphasis on correct calculation of stamp duty and registration fees. Moreover, the Department would develop a software tool to assist in pre-calculation of stamp duty and registration fee for the citizens, deed writers, and officials at the time of purchasing the e-stamps.

#### **5.3.7.5 Non-cancellation of e-stamps posing the risk of their reuse**

As per Rule 31 of Tripura Stamp (Payment of Duty by means of e-Stamping) Rules, 2018, the Collector may, on an application in Form 6 accompanied by the original “spoiled” or “unused” or “not required for use” e-stamp certificate’, if satisfied as to the facts and circumstances of the case, make allowance for such e-stamp certificate in accordance with the provisions of sections 49 to 55 contained in Chapter V of the Act.

Further, as per Rule 30 *ibid*, after verifying the details, the Registering Officer or District Registering Officer, District Registrar, Superintendent of Stamps or any other officer authorised by the Appointing Authority shall lock the e-stamp Certificate maintained in the central database server of the Central Record Keeping Agency.

Rule 32 (1) *ibid* stipulates that the Collector shall have the power to cancel the e-stamp certificate, after verification and a certificate to this effect should be endorsed on the original e-stamp Certificate under his seal and signature.

Examination of refund cases of stamp duty in two sampled District Registrars revealed that the District Registrars, Gomati and West Tripura had refunded stamp duty of seven and 186 e-stamp certificates respectively after deduction of 10 *per cent* of the stamp duty. However, none of the seven cases involving ₹ 2.80 lakh in District Registrar, Gomati were cancelled/locked on the SHCIL’s website.

Non-cancellation of stamps on the SHCIL’s website after refund is fraught with the risk of re-use of the refunded e-stamps.

This non-compliance poses a serious risk of the refunded e-stamps being reused fraudulently, leading to potential revenue loss for the State and compromising the integrity of the stamp duty administration system. The failure to cancel or lock e-stamps after refund also reflects weak enforcement of procedural safeguards and inadequate coordination between the registration authorities and the Central Record Keeping Agency.

In reply, the Government stated (June 2025) that the Department had taken up the procedural correction where refund of stamp duty could be initiated only after providing the certificate of locking of stamp by the District Registrars. Further, the Director, Land Records and Settlement had been instructed to take up the matter with the SHCIL for cancellation/locking of such e-stamps to prevent their misuse.

### Recommendations

- *The Department may inspect the public as well as private institutions/business premises and check their lease agreements, if any, in a phase-wise manner for ensuring registration of lease documents in cases of hire/lease for more than 12 months.*
- *The Department may arrange system generated cancellation and locking of the e-stamps on the SHCIL's website immediately after refund of the amount.*

***Audit objective 3: To assess the adequacy and performance of internal control mechanism of the Department in ensuring collection of stamp duty and registration fees***

#### 5.3.7.6 Internal control

Internal control mechanism is an integral and continuous process of any management in ensuring prudent financial management which serves as an effective mechanism to ensure accountability. The control mechanism in the department should be guided by Acts, Rules, Manuals, Compendium of instructions, *etc.* to protect the resources of the government and to ensure that revenue is correctly levied and timely realised by the government. Internal control mechanism to ensure realisation of stamp duty and registration fees was not effective as commented in the preceding paragraphs. Other cases of weak control noticed in audit are given in succeeding paragraphs.

##### (a) Non-providing of trainings to the staff of Sub-Registrar Offices

As per clause 10 of the agreement (November 2018) between the Revenue Department, Government of Tripura and the SHCIL, the Stock Holding shall provide suitable and adequate training to such of the Government personnel as the Government may nominate on the operation and the use of their system. Furthermore, the training for the first 10 officials will be provided free of cost. Additional training and refresher courses by other participants will be provided by SHCIL at the expense of the State.

It was, however, noticed that no training was provided by the CRA (SHCIL) to the staff of the sampled four Sub-Registrar Offices.

On being enquired (November 2024) by audit, the Directorate of Land Records and Settlement, Government of Tripura informed (February 2025) that training on e-stamp operations for Government officials would be imparted shortly.

This lack of training has resulted in operational inefficiencies and increased the likelihood of procedural errors in handling e-stamp certificates, as observed in multiple audit findings. The failure to equip staff with the necessary skills and knowledge undermines the effective implementation of the e-stamping system and exposes the process to risks such as incorrect usage, non-compliance with prescribed procedures, and delayed service delivery. While the Directorate of Land Records and Settlement has assured that training will be conducted shortly, the delay reflects weak planning and oversight in operationalising critical reforms, highlighting the urgent need for institutionalised capacity building and timely execution of contractual obligations to

ensure smooth and compliant functioning of Sub-Registrar Offices.

In reply, the Government stated (June 2025) that the Director, Land Records and Settlement had been instructed to initiate the process of comprehensive training of the officers and staff involved in registration process with the help of SHCIL. The first round of training would be taken up shortly in the District Registries and Sub-Registries.

**b) Non-existence of internal audit**

Internal audit is a vital component of internal control to enable an organisation to assure itself that the prescribed systems are functioning reasonably well. The Directorate of Audit, functioning since 2002 under the administrative control of the Finance Department, Government of Tripura, has been authorised by the State Government to conduct periodical internal audit of the offices and institutions under all State Government Departments, Autonomous Bodies, *etc.*

As per the information furnished (January 2025) by the Directorate of Audit, out of the 23 Sub-Registrar offices in the State, only seven Sub-Registrars were audited during 2019-24 as per the Annual Audit Plan. It was also noticed that no audit observation on the collection of stamp duty and registration fees from deed registration were raised during this period.

The internal audit mechanism, a critical element of internal control, was found to be largely absent in the functioning of Sub-Registrar Offices in Tripura. Despite the Directorate of Audit being authorised to conduct regular audits of all State Government offices, only seven out of 23 Sub-Registrar Offices were audited during the five-year period from 2019 to 2024. Moreover, none of these audits raised any observations related to the collection of stamp duty and registration fees, which are key revenue functions of these offices. This indicates a significant oversight gap in monitoring financial compliance and operational efficiency. The lack of comprehensive and focused internal audit weakens accountability, increases the risk of revenue leakage, and undermines the ability of the registration department to detect systemic lapses or procedural deviations in a timely manner.

During exit conference the Department stated (June 2025) that necessary arrangement would be made for audit of all sub-registries by the internal audit at least once in every five years.

In reply, the Government stated (June 2025) that the Director, Internal Audit under Finance Department, Government of Tripura had been requested to arrange the preparation of schedule to conduct internal audit of all the sub-registry offices in regular interval.

**c) Absence of designated Grievance Redressal Officer**

As per Chapter IX of the “Tripura Stamp (Payment of Duty by means of e-Stamping) Rules, 2018”, the Chief Controlling Revenue Authority may designate the Grievance Redressal Officer in the districts to inquire into the complaints received against the

misconduct or irregularities of the CRA or its Authorised Collection Centres or any other official related to the implementation of the e-stamping system.

It was, however, noticed that no Grievance Redressal Officer had been designated in the sampled districts during 2019-24, while a Grievance Redressal Officer had been designated for the West Tripura District in November 2024.

The absence of a designated Grievance Redressal Officer in the sampled districts from 2019 to 2024, despite the provision under Chapter IX of the Tripura Stamp (Payment of Duty by means of e-Stamping) Rules, 2018, reflects a critical gap in institutional accountability and citizen-centric service delivery. The role of the Grievance Redressal Officer is essential for addressing complaints related to misconduct or irregularities by the Central Record Keeping Agency (CRA), its authorised collection centres, or other officials involved in the implementation of the e-stamping system. The prolonged delay in designating such officers has likely hindered the timely resolution of grievances, reduced public confidence in the system, and increased the risk of unresolved irregularities going unchecked. Although a Grievance Redressal Officer was eventually appointed in West Tripura District in November 2024, the delay in implementation across districts highlights the need for urgent corrective action to institutionalise grievance redressal mechanisms state wide, ensuring transparency, responsiveness, and trust in the e-stamping framework.

In reply, the Government stated (June 2025) that all the District Registrars had been designated (May 2025) as 'Grievance Redressal Officer' of their respective districts.

**d) Non-filing as well as delay in filing of Statement of Financial Transactions**

Filing of SFTs<sup>228</sup> by the Sub-Registrars helps the IT Department to keep a watch on the high value transactions undertaken by the taxpayers. It also helps the IT Department to ensure that the transaction is duly disclosed in their Income Tax Return.

Examination of records and documents related to the registration of deeds under Sub-Registrar, Amarpur revealed that there were two instances of purchase/sale of immovable property valued at ₹ 30 lakh or more. It was, however, noticed that one SFT for sale deed valued at ₹ 30 lakh was registered on 1 November 2019 but was filed on 13 December 2022, *i.e.* after a lapse of 30 months from the due date of filing of SFT (*i.e.* 31 May 2020).

Moreover, filing of another SFT against a sale deed of ₹ 34.20 lakh registered on 4 May 2022, was lying pending (August 2024).

Due to non-furnishing of the SFT, chances of evasion of the vigil of the IT department on the high value transactions as well as evasion of payment of income tax by the recipient (seller) cannot be ruled out.

Such delays and non-filing undermine the objective of SFT reporting, which is to ensure that high-value transactions are disclosed in the taxpayers' income tax returns. These lapses not only compromise tax compliance and revenue surveillance but also reflect

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<sup>228</sup> The stipulated date of filing SFT is 31 May of the next financial year

serious weaknesses in the coordination between the registration authorities and the Income Tax Department. The absence of timely reporting increases the risk of tax evasion and reflects poorly on institutional accountability.

In reply, the Government stated (June 2025) that the District Registrars had been instructed to keep strict vigil on high value transactions and to ensure timely filing of SFTs with the Income Tax Department.

#### e) Splitting up of sale value for evading filing of Statement of Financial Transaction

Examination of records and documents related to the registration of deeds under Sub-Registrar, Amarpur revealed an instance of splitting up of the value of sale at the time of registration of deed likely with the intent to evade payment of tax, as detailed in Table 5.3.7.

Table 5.3.7: Splitting up of sale value for evading filing of SFT

(₹ in lakh)

Deed No	Date of registration	Seller	Purchaser	Khatian Number	RS Plot (Hal)	Property Boundaries	Amount
2023/AMP /1/2322	20.01.2023	Smt. Buddhini Kalai and others	Tripura State Electricity Corporation Limited	263/1	1213 1215	East-Chintahari Jamatia West-Self South-Road North-Road	29.69
2023/AMP /1/2323	-do-	-do-	-do-	263/1 263/2	1215 1219	-Do-	29.69

Source: Registered sale deeds

It was noticed that though the same seller had sold the plot of land to the same purchaser, the plot was divided into two parts (with same boundaries) to keep the amount of sale under ₹ 30 lakh and two separate deeds of ₹ 29.69 lakh each, were registered on the same day, *i.e.* on 20 January 2023. This division of the transaction into two separate deeds on the same day appears to be a clear attempt to artificially reduce the reported value per deed below the ₹ 30 lakh threshold, thereby evading SFT filing obligations.

The audit examination of registered deeds at the Sub-Registrar Office, Amarpur, revealed a case of deliberate splitting of sale consideration to evade the filing of a SFT, a statutory requirement under the Income Tax Act for immovable property transactions valued at ₹ 30 lakh or more.

This practice not only undermines the intent of high-value transaction monitoring by the Income Tax Department but also exposes systemic weaknesses in scrutiny by the registration authorities. The failure of the Sub-Registrar Office to flag and report such transactions reflects inadequate oversight, absence of internal checks, and a lack of vigilance in detecting and preventing tax avoidance strategies. The incident highlights the need for enhanced verification protocols, flagging of suspicious patterns, and stricter compliance enforcement to safeguard the integrity of property registration and tax reporting systems.

In reply, the Government stated (June 2025) that no specific rules exist at present for prohibiting splitting of the sale value. However, the District Registrars had been instructed to examine such splitting as a single sale for the purpose of filing of SFTs.

#### **5.3.7.7 Non-inspection of Authorised Collection Centres and non-verification of collection of stamp duty**

As per Chapter VII of the “Tripura Stamp (Payment of Duty by means of e-Stamping) Rules, 2018”, all or any of the branches or offices of the CRA and the Authorised Collection Centres (ACCs)<sup>229</sup>, in the State, may be inspected, as far as possible, according to the Schedule of Inspections referred to in Rule 33 of the Rules *ibid*. Further, the officers of different ranks may inspect the offices of the CRA and the ACCs and verify the collection of stamp duty made by the ACCs with the remittances made by the CRA to the government account on quarterly/ bi-monthly/ monthly basis. After inspection, they shall submit the inspection report to the Chief Controlling Revenue Authority, *i.e.* Inspector General of Registration.

Examination of records of 39 ACCs<sup>230</sup> of the SHCIL under the four sampled Sub-Registrars, revealed that none of the ACCs was inspected by any Government Officer of the Department in violation of Tripura Stamp (Payment of Duty by means of e-Stamping) Rules, 2018. Non-inspection of ACCs and non-verification of collection of stamp duty was also confirmed by the respective Sub-Registrars/District Registrars.

These rules mandate regular inspections and verification of stamp duty collections by ACCs to ensure that remittances made to the government account by the CRA are accurate and timely. The complete absence of such inspections and verification processes indicates a serious lapse in regulatory oversight and raises concerns about the reliability and accountability of stamp duty collections handled through these centres. This gap in monitoring not only increases the risk of misappropriation, underreporting, or delays in government revenue realisation but also reflects institutional weaknesses in enforcing compliance.

During exit conference the Department stated (June 2025) that steps would be taken for inspection of branches/ offices/ ACCs of SHCIL at periodical interval as prescribed in the Tripura Stamp (Payment of Duty by means of e-Stamping) Rules, 2018, to verify the collection of stamp duty *vis a vis* its deposit to the government account.

In reply, the Government stated (June 2025) that the Deputy Director, Land Records and Settlement (Nodal Officer for e-stamp) and the District Registrars had been instructed to carry out periodical inspection of the branches/ offices of the CRA and the Authorised Collection Centres and to submit their inspection reports to the Inspector

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<sup>229</sup> Authorised Collection Centres under CRA, act as an intermediary between the Central Record Keeping Agency and the stamp duty payer for collection of stamp duty and for issuing e-stamp certificate. Authorised Collection Centres are entitled to collect the amount of stamp duty charged upon the instrument according to the rates as applicable to such instrument as per the provisions of the Act, from the stamp duty payer of any particular area as may be specified by the Appointing Authority, from time to time.

<sup>230</sup> Udaipur: 8; Amarpur: 9; Sadar: 20; Jirania: 2

General of Registration.

#### 5.3.7.8 Lack of awareness

None of the Sub-Registrars had undertaken any educative initiatives like media advertisements, awareness workshops for deed writers, business forums, *etc.* to actively publicise the liability of stamp duty on various types of instruments. The Departmental website too does not prominently display the stamp duty liability in respect of registrable as well as not compulsorily registrable instruments.

In this regard, attention is drawn to a commendable practice followed by the District Transport Officer, Gomati under Transport Department, Government of Tripura. This includes conducting of various awareness programmes for school children and parents on road safety measures, display of hoardings/posters at the accident-prone areas, awareness programme for drivers of schools, motor syndicates, *etc.*

This absence of public outreach contributes to low taxpayer awareness, unintentional non-compliance, and potential revenue loss due to underpayment or evasion of stamp duty. In contrast, proactive awareness efforts by the District Transport Officer, Gomati—such as community engagement, educational outreach, and prominent visual communication demonstrate the impact of sustained public education. The registration department's failure to replicate similar strategies reflects a missed opportunity to enhance voluntary compliance, build public trust, and ensure greater transparency in stamp duty administration.

In reply, the Government stated (June 2025) that the Director, Land Records and Settlement had been instructed (June 2025) to make necessary arrangements so that the Sub-Registrars could make educative initiatives (like advertisements in media, awareness workshops for deed writers, business forums, *etc.*) to actively publicise the liability of stamp duty on various types of instruments. The Director, Land Records and Settlement had also been instructed to publicise the liability of stamp duty on various type of instruments on the departmental website.

#### Recommendation

- *Internal control mechanism should be strengthened to ensure realisation of stamp duty and registration fees.*
- *All the Sub-registries may be audited by the internal audit at least once in every five years.*
- *The liability of stamp duty and payment mode in respect of all the instruments may be prominently displayed on the departmental website and in all such public offices where such instruments are executed or presented.*

#### Conclusion

The SSCA revealed systemic deficiencies that pose significant risks to revenue integrity and administrative efficiency. Despite the commendable increase in revenue collections over the five-year period from 2019 to 2024, audit found critical gaps in governance, institutional oversight, and operational controls. The acute manpower shortage- 88 *per*

cent vacancy in sanctioned posts severely hampered core registration functions, while deficiencies in the implementation of the NGDRS, such as the lack of biometric verification and PAN validation, undermined identity authentication and traceability in high-value transactions. The non-registration of lease deeds of banks and ATMs, incorrect assessment of stamp duty, and failure to cancel refunded e-stamps resulted in substantial revenue losses. Furthermore, audit noted a near-complete absence of internal audits, non-inspection of Authorised Collection Centres, inadequate staff training, and the delayed or non-filing of Statements of Financial Transactions - all pointing to a weak internal control framework. Instances such as splitting of sale deeds to evade tax reporting obligations, absence of grievance redressal mechanisms, and poor taxpayer awareness further reflected a need for urgent structural reforms. To safeguard public revenue and enhance transparency, the Department must prioritise institutional capacity building, ensure enforcement of statutory procedures, and adopt citizen-centric service enhancements.

## FINANCE (EXCISE AND TAXATION) DEPARTMENT

### 5.4 Subject Specific Compliance Audit on “Department’s Oversight on GST Payments and Return Filing (Phase-II)”

#### 5.4.1 Introduction

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

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

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

#### 5.4.2 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 of ‘Department’s oversight on GST Payments and Return filing’ was taken up with the following audit objectives to seek a reasonable assurance on:

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

#### 5.4.3 Audit methodology and scope

This SSCA was conducted based on data analysis, which highlighted risk areas and red flags pertaining to the period from April 2018 to March 2021. Through data analysis a set of 16 deviations were identified across the domains of input tax credit (ITC),

discharge of tax liability, registration and return filing. Such deviations were followed up through a **Centralised Audit** (Limited Audit)<sup>231</sup>, whereby these deviations were communicated to the relevant State departmental field formations and action taken by the jurisdictional formations on the identified deviations was ascertained without involving field visits. The centralised audit was supplemented by a **Detailed Audit** involving field visits for verification of records available with the jurisdictional field formations. Returns and related attachments and information were accessed through the State GST Portal as much as feasible to examine data/ documents relating to taxpayers (*viz.* registration, tax payment, returns and other departmental functions). The Detailed Audit also involved accessing relevant granular records from the taxpayers such as invoices through the respective field formations. Besides, compliance functions of the departmental formations such as scrutiny of returns, action on late filers and non-filers, cancellation of registration and internal audit were also reviewed in selected charges.

The review of the scrutiny of returns by the Department and verification of taxpayers' records covered the period from April 2018 to March 2021, while the audit of the functions of five selected Charges covered the period 2020-21. The SSCA covered only the State administered taxpayers. The field audit was conducted from May 2023 to January 2024.

An Entry Conference of this SSCA was held in May 2023 with the Commissioner of Taxes, Tripura in which the audit objectives, sample selection, audit scope and methodology were discussed. The Exit Conference was held in January 2024 with the Commissioner of Taxes during which the audit findings were discussed. The views and responses received from the Commissioner of Taxes have been suitably incorporated in the relevant paragraphs.

#### **5.4.4 Audit Sample**

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

There were three distinct parts of the SSCA as under:

##### **(i) Part I- Audit of Charges**

Five charge offices<sup>232</sup> (out of total 15 Charges) which were not covered in SSCA Phase I, were considered as sample of charges for evaluation of their oversight functions for Phase II.

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<sup>231</sup> Centralised Audit did not involve seeking taxpayer's granular records such as financial statements related ledger accounts, invoices, agreements, *etc.*

<sup>232</sup> Udaipur, Belonia, Ambassa, Kailashahar and Dharmanagar Charges

**(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, 111 deviations involving 99 taxpayers were selected for Centralised Audit under this SSCA.

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

Audit was conducted by accessing taxpayers' records through charges for evaluation of the extent of tax compliance by taxpayers. A sample of 20 taxpayers from Charge offices was selected for Detailed Audit on the basis of risk parameters (90 *per cent*) such as ITC mismatch, ITC availed without payment of tax by suppliers, ITC availed after the limitation period, unsettled liability, exemptions to total turnover, ratio of IGST to (CGST + SGST) and evasion prone supplies comprising Large (L1<sup>233</sup> and L2<sup>234</sup>), Medium<sup>235</sup> and Small<sup>236</sup> strata taxpayers and the remaining (10 *per cent*) taxpayers was drawn on random basis.

The details of samples for Centralised Audit, Audit of Charges and Detailed Audit selected for this SSCA are brought out in **Appendices 5.4.1 to 5.4.3**.

**5.4.5 Audit criteria**

The source of audit criteria comprised the provisions contained in the TGST Act, IGST Act, and Rules made there under. In addition, the notifications and circulars issued by the Department relating to filing of returns, notifying the effective dates of filing of various returns, extending due dates for filing returns, rates of tax on goods and services, payment of tax, availing and utilising ITC, scrutiny of returns and oversight of tax compliance and scrutiny of returns and cancellation of registrations, *etc.* also formed part of the audit criteria.

**5.4.6 Audit findings**

The audit findings are categorised into the following three categories:

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

**5.4.7 Oversight on Charge functions– Audit of Charges**

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

<sup>233</sup> top 0.25 *per cent* of taxpayers based on turnover

<sup>234</sup> next 0.25 *per cent* of taxpayers based on turnover

<sup>235</sup> taxpayers with a minimum turnover of ₹ 7.5 crore

<sup>236</sup> taxpayers with a minimum turnover of ₹ 2.5 crore

late-filers and non-filers, (iii) cancellation of registration and (iv) internal audit. The detailed findings are portrayed in the sub-paragraphs 5.4.7.1 to 5.4.7.4.

#### 5.4.7.1 Filing of returns *vis-à-vis* scrutiny of returns

As per Section 61(1) of the TGST Act, 2017 the proper officer may scrutinise the return and related particulars furnished by the registered person to verify the correctness of the return and inform him of the discrepancies noticed, if any, in such manner as may be prescribed and seek his explanation there-to. Rule 99 of the TGST Rules, 2017 mandates that the discrepancies, if any, noticed shall be communicated to the taxpayers to seek explanation in Form ASMT 10.

The year-wise status of returns filed (GSTR 3B which is for summarising outward supplies, input tax credit and payment of GST liability and GSTR 1 which is for reporting invoice-wise details of outward supplies of goods and services.) *vis-à-vis* scrutiny of returns during the period from 2018-19 to 2020-21 under the selected five Charges is given in Table 5.4.1.

**Table 5.4.1: Consolidated position on return filings in sampled ranges**

Charge name	Financial year	Number of returns to be filed		Total number of returns to be filed	Number of returns filed		Number of return not filed		Total return not filed Col (8+9)
		GSTR 3B	GSTR 1		GSTR 3B	GSTR 1	GSTR 3B	GSTR 1	
1	2	3	4	5	6	7	8	9	10
Ambassa	2018-19	13,294	13,294	26,588	11,096	4,964	2,198	8,330	10,528
	2019-20	14,725	14,725	29,450	11,789	5,315	2,936	9,410	12,346
	2020-21	15,425	15,425	30,850	11,190	5,969	4,235	9,456	13,691
Udaipur	2018-19	21,124	21,124	42,248	18,533	8,158	2,591	12,966	15,557
	2019-20	23,394	23,394	46,788	19,993	9,024	3,401	14,370	17,771
	2020-21	24,691	24,691	49,382	19,190	11,240	5,501	13,451	18,952
Kailashahar	2018-19	11,596	11,596	23,192	10,131	5,155	1,465	6,441	7,906
	2019-20	13,616	13,616	27,232	11,743	5,746	1,873	7,870	9,743
	2020-21	14,752	14,752	29,504	11,649	6,982	3,103	7,770	10,873
Dharmanagar	2018-19	21,619	21,619	43,238	18,755	9,860	2,864	11,759	14,623
	2019-20	23,966	23,966	47,932	21,082	10,498	2,884	13,468	16,352
	2020-21	25,715	25,715	51,430	20,861	12,784	4,854	12,931	17,785
Belonia	2018-19	19,425	19,425	38,850	17,308	8,618	2,117	10,807	12,924
	2019-20	22,187	22,187	44,374	19,545	9,656	2,642	12,531	15,173
	2020-21	23,845	23,845	47,690	18,871	11,243	4,974	12,602	17,576
<b>Total</b>		<b>2,89,374</b>	<b>2,89,374</b>	<b>5,78,748</b>	<b>2,41,736</b>	<b>1,25,212</b>	<b>47,638</b>	<b>1,64,162</b>	<b>2,11,800</b>

*Source: Information furnished by Charge offices*

From Table 5.4.1, it can be seen that during the period 2018-21, out of 5,78,748 returns (GSTR 1 and GSTR 3B), 2,11,800 (*i.e.* 36.40 *per cent*) returns were not filed. Of which, number of GSTR 3B returns not filed were 47,638 (16.46 *per cent*) and that of GSTR 1 returns not filed was 1,64,162 (56.73 *per cent*). It is observed that higher number of returns to be filed with respect to GSTR 1 return.

The year-wise position of scrutiny of returns, show cause notice (SCN) issued and recovery thereof is as detailed in Table 5.4.2.

Table 5.4.2: Position of scrutiny, SCN issued and recovery in sampled ranges

Charge Name	Financial year	Number of return filed (Both GSTR-1 + 3B)	Number of returns scrutinised	Number of ASMT 10 issued	Number of discrepancies accepted	Number of SCN issued	Related amount (₹ in lakh)	Amount recovered (₹ in lakh)
Ambassa	2018-19	16,060	576	0	0	87	1,328.21	35.97
	2019-20	17,104	432	0	0	40	522.44	0
	2020-21	17,159	472	42	14	23	342.75	0
Kailashahar	2018-19	26,691	496	0	0	0	0	0
	2019-20	29,017	521	0	0	29	205.03	89.86
	2020-21	30,430	584	28	0	05	0.44	0.44
Belonia	2018-19	15,286	178	0	0	16	2.88	0
	2019-20	17,489	288	58	19	03	56.33	0
	2020-21	18,631	367	40	29	01	1.33	5.03
Udaipur	2018-19	28,615	223	0	0	0	0	0
	2019-20	31,580	314	40	16	0	0	0
	2020-21	33,645	120	40	29	0	0	0
Dharmanagar	2018-19	25,926	486	0	0	0	0	0
	2019-20	29,201	875	39	0	0	0	0
	2020-21	30,114	937	68	0	0	0	0
<b>Grand total</b>		<b>3,66,948</b>	<b>6,869</b>	<b>355</b>	<b>107</b>	<b>204</b>	<b>2,459.41</b>	<b>131.30</b>

Source: Information furnished by Charge offices

From **Table 5.4.2**, it can be seen that 6,869 returns (1.87 per cent) out of 3,66,948 returns filed had been scrutinised in the selected five Charges during the period 2018-21. The remaining 3,60,079 returns (98.12 per cent) remained unscrutinised. Intimation of discrepancies in ASMT 10 had been issued to 355 cases out of 6,869 cases scrutinised during the period under audit. SCN had been issued in 204 cases for recovery of ₹ 24.59 crore during the period 2018-21. However, only ₹ 1.31 crore had been recovered against the total amount of ₹ 24.59 crore related to SCNs issued. The balance amount of ₹ 23.28 crore remained outstanding.

Thus, it was observed that there was low performance in scrutiny of returns. It was also observed that the Department did not prepare detailed guidelines/ standard operating procedure (SOP) for scrutiny of returns in the State.

The matter was intimated to the respective Charges during January 2024. In Exit Conference (January 2024), the Commissioner of taxes stated that specific reply would be given at the earliest. However, no response has been received (April 2025).

#### **Recommendation 1**

***The Department may take immediate steps to formulate guidelines/ SOP and ensure the scrutiny of returns in a time bound manner before the cases become time barred.***

#### **5.4.7.2 Lack of action on non-filers**

Section 46 of the TGST Act, 2017 read with Rule 68 of TGST Rules, 2017 stipulates that a notice in FORM GSTR-3A shall be issued, electronically, to a registered person who failed to file the return within the due date requiring filing of return within 15 days.

Section 62 (1) of TGST Act, 2017 read with Rule 100 (1) of TGST Rules, 2017, in case the taxpayer fails to file the returns even after such notice, the proper officers may proceed to assess the tax liability of the said person to the best of their judgment and issue an assessment order in Form ASMT 13.

Filing of returns is related to payment of tax, which implies non-filing of returns can be fraught with substantial risk of loss of tax revenue.

Year-wise information relating to action taken on non-filers of returns (GSTR 3B and GSTR 1) during the period from 2018-19 to 2020-21 for the five selected Charges is given in **Table 5.4.3**.

**Table 5.4.3: Action on non-filers**

Name of Charge	Year	GSTR-3A issued	Number of return filed in pursuance of GSTR 3A notice	ASMT 13
Ambassa	2018-19	0	0	0
	2019-20	0	0	0
	2020-21	895	0	0
Udaipur	2018-19	0	0	0
	2019-20	0	0	0
	2020-21	270	0	0
Kailashahar	2018-19	0	0	0
	2019-20	0	0	0
	2020-21	756	0	0
Dharamnagar	2018-19	153	0	0
	2019-20	0	0	0
	2020-21	1,033	0	0
Belonia	2018-19	0	0	0
	2019-20	0	0	0
	2020-21	690	0	0
<b>Total</b>		<b>3,797</b>	<b>0</b>	<b>0</b>

*Source: Information furnished by Charge offices*

From **Table 5.4.3**, it can be seen that no GSTR 3A were issued by the four out of five Charges during 2018-19 and no GSTR 3A were issued by the five Charges during 2019-20. However, GSTR 3A were issued to a total of 3,797 taxpayers by the five Charges during the years 2018-19 and 2020-21. It was observed that the Department did not initiate any action against the taxpayers for issue of best judgement assessment order in Form ASMT 13.

The reason for lack of action against taxpayers issued GSTR-3A notice was neither stated to audit nor found on records.

The matter was intimated to the respective Charges during January 2024. In Exit Conference (January 2024), the Commissioner of taxes stated that specific reply would be given at the earliest. However, no response has been received (April 2025)

### **Recommendation 2**

***The Department may initiate action against non-filers by assessing the tax liability through invoking of the ASMT-13 best judgment assessment order.***

### 5.4.7.3 Inadequate follow-up on non-filing of GSTR 10

Section 29 of TGST Act, 2017 read with Rule 22(3) of the TGST Rules stipulates for cancellation of registration either by the proper officer on *suo moto* or on application filed by the taxpayer or his legal heir having regard to circumstances where the business has been discontinued, change in constitution of business or the taxable person is no longer liable to be registered. The proper officer shall issue an order in Form GST REG 19 within a period of 30 days from the date of application submitted under Rule 20 or as the case may be.

As per Circular dated 30 December 2019, GSTR 3A has to be issued to the taxpayer, where GSTR 10 has not been filed. If the taxpayer still fails to file the final return within 15 days of the receipt of notice, then an assessment order ASMT 13 under Section 62 of the TGST Act read with rule 100 of the TGST Rules shall have to be issued to determine the liability of the taxpayer under sub-section (5) of Section 29.

Section 45 of the TGST Act read with Rule 81 of the TGST Rules, 2017 the final return, has to be filed within three months of the effective date of cancellation or the date of order of cancellation, whichever is later, by the taxpayer.

The year-wise details of cancellation of registration for five Charges, selected under Charges audit are as given in **Table 5.4.4**.

**Table 5.4.4: Year-wise details of cancellation of registration, filing of GSTR 10 and action taken**

Charge	Financial year	Number of cases for which cancellation orders issued in REG 19			Number of cases where GSTR 10 filed	Action taken on non-filing of GSTR 10
		On taxpayer application	Suo-moto by Department	Total		
Ambassa	2018-19	31	1	32	0	0
	2019-20	44	97	141	0	0
	2020-21	24	142	166	18	0
	<b>Total</b>	<b>99</b>	<b>240</b>	<b>339</b>	<b>18</b>	<b>0</b>
Udaipur	2018-19	27	0	27	19	0
	2019-20	75	34	109	25	0
	2020-21	15	16	31	01	0
	<b>Total</b>	<b>117</b>	<b>50</b>	<b>167</b>	<b>45</b>	<b>0</b>
Kailashahar	2018-19	34	1	35	0	0
	2019-20	28	2	30	0	0
	2020-21	23	14	37	08	0
	<b>Total</b>	<b>85</b>	<b>17</b>	<b>102</b>	<b>08</b>	<b>0</b>
Dharmanagar	2018-19	69	0	69	0	0
	2019-20	136	215	351	0	0
	2020-21	90	100	190	35	0
	<b>Total</b>	<b>295</b>	<b>315</b>	<b>610</b>	<b>35</b>	<b>0</b>
Belonia	2018-19	10	0	10	02	0
	2019-20	33	160	193	10	0
	2020-21	41	80	121	29	0
	<b>Total</b>	<b>84</b>	<b>240</b>	<b>324</b>	<b>41</b>	<b>0</b>
	<b>Grand Total</b>	<b>680</b>	<b>862</b>	<b>1,542</b>	<b>147</b>	<b>0</b>

Source: Information furnished by the Charge offices

From **Table 5.4.4**, it can be seen that during the period 2018-21, registrations had been cancelled in 680 cases on application filed by taxpayers and tax authorities had taken *suo-moto* cancellation of registrations in 862 cases. It was observed that only 147 taxpayers out of the total 1,542 cases of cancelled registrations had filed GSTR 10. Thus, 1,395 (90 *per cent*) out of 1,542 cancelled taxpayers did not file the final GSTR 10 returns.

The Department did not take any action on non-filers of final GSTR 10 returns by cancelled taxpayers (April 2025).

The matter was intimated to the respective Charges in January 2024. In Exit Conference (January 2024), the Commissioner of Taxes stated that specific reply would be given at the earliest. However, no response has been received (April 2025).

### **Recommendation 3**

*The Department may ensure timely verification of cancelled registrations to prevent undue loss of tax revenue.*

#### **5.4.7.4 Non-conducting of internal Audit**

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

Examination of information furnished (December 2023) to Audit revealed that the Department had not initiated any action plan for conduct of audit during the period covered by Audit. The reason for such absence of audit plan was neither found on records nor stated to Audit.

The matter was intimated to the respective Charges in January 2024. In Exit Conference (January 2024), the Commissioner of Taxes stated that specific reply would be given at the earliest. However, no response has been revived (April 2025).

### **Recommendation 4**

*The Department may conduct internal audit on regular basis, so that an optimum number of taxpayers can be audited in every financial year.*

#### **5.4.8 Inconsistencies in GST returns -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 16 parameters, which can be broadly categorised into three domains – ITC, Annual Return & financial statements and Tax

& Interest payment.

Out of the 13 prescribed GST returns<sup>237</sup>, the following basic returns that apply to normal taxpayers were considered for the purpose of identifying deviations, inconsistencies, and mismatches between GST returns:

- GSTR 1: Monthly return furnished by all normal and casual registered taxpayers making outward supplies of goods and services or both and contains details of outward supplies of goods and services.
- GSTR 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, ISD details form GSTR 6, details form 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.
- GSTR 3B: Monthly summary return of outward supplies and input tax credit claimed, along with payment of tax by the taxpayer to be filed by all taxpayers except those specified under Section 39(1) of the Act. This is the return that populates the credit and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger.
- GSTR 6: Monthly return for Input Service Distributors providing the details of their distributed input tax credit and inward supplies.
- GSTR 8: Monthly return to be filed by the e-commerce operators who are required to deduct TCS (Tax collected at source) under GST, introduced in October 2018.
- GSTR 9: Annual return to be filed by all registered persons other than an Input Service Distributor (ISD), Tax Deducted at Source/Tax Collected at Source, Casual Taxable Person, and Non-Resident taxpayer. This document contains the details of all supplies made and received under various tax heads (CGST, SGST and IGST) during the entire year along with turnover and audit details for the same.
- GSTR 9C: Annual audit form for all taxpayers having a turnover above five crores in a particular financial year. It is a reconciliation statement between the annual returns filed in GSTR 9 and the taxpayer's audited annual financial statements.

The details of data analysis undertaken on the 16 identified parameters and impact thereon is given in **Table 5.4.5 (a)** and **Table 5.4.5 (b)**.

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<sup>237</sup> i) GSTR-1, ii) GSTR-3B, iii) GSTR-4 (taxpayers under the Composition scheme), iv) GSTR-5 (non-resident taxable person), v) GSTR-5A (Non-resident OIDAR service providers), vi) GSTR-6 (Input service distributor), vii) GSTR-7 (taxpayers deducting TDS), viii) GSTR-8 (E-commerce operator), ix) GSTR-9 (Annual Return), x) GSTR-10 (Final return), xi) GSTR-11 (person having UIN and claiming a refund), xii) CMP-08, and xiii) ITC-04 (Statement to be filed by a principal/job-worker about details of goods sent to/received from a job-worker).

**Table 5.4.5 (a): Details of Data Analysis undertaken**

Sl. No.	Algorithm used	Risk pursued
<b>Domain: ITC</b>		
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	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 excludes the ITC for the period during which the recipient taxpayer was under composition scheme.	ITC passed on without supplier remitting tax
3	ITC availed through table 4 of GSTR 3Bs pertaining to the period 2018-19 to 2020-21 filed after October of the following year.	ITC availed in GSTR 3B filed after the cut-off period <sup>238</sup> .
4	ISD ITC availed in table 6G of GSTR 9 or table 4(A)(4) of GSTR 3B 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
<b>Domain: Annual Return and financial statements</b>		
5.	Positive figure in table 12F of GSTR-9C and examination of reasons provided in table 13 for mismatch.	Mismatch of ITC availed between Annual returns and Books of accounts.
6.	Positive figure in table 14T of GSTR 9C and examination of reasons provided in table 15 for mismatch.	Reconciliation between ITC availed in Annual returns with expenses in financial statements.
7.	Negative figure in table 9R of GSTR 9C and examination of reasons provided in table 10 for mismatch.	Mismatch in tax paid between books of accounts and returns
<b>Domain: Tax and Interest payment</b>		
8.	Reverse Charge Mechanism (RCM) payments in table 4G (tax payable) of GSTR 9 were compared with ITC availed in table 6C, 6D and 6F (ITC availed) GSTR 9. In cases where GSTR 9 was not available, RCM payment in table	Short payment of tax under RCM versus ITC availed in GSTR 3B/ GSTR 9

<sup>238</sup> Amendment was made in the TGST Act to give effect to this recommendation of GST council sub-section (5) and (6) of section 16 of the TGST Act vide Circular No. 30/2024-GST (State) dated 25 October 2024 with effect from 1 July 2017 which stipulates that notwithstanding anything contained in sub-section (4), in respect of an invoice or debit note for supply of goods or services or both pertaining to the Financial Years 2017-18, 2018-19, 2019-20 and 2020-21, the-registered-person shall be entitled to take input tax credit in any return under Section-39 which is filed upto the 30 November 2021. This impacts deviations for FYs 2018-19 and 2019-20

Sl. No.	Algorithm used	Risk pursued
	3.1(d) of GSTR 3B was compared with tables 4(A)(2) and 4A(3) of GSTR 3B. Greater of difference in GSTR 9 and GSTR 3B considered where both were available.	
9.	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.
10.	Table 3.1(a)+(b) of GSTR 3B was compared with tax liability declared in the e-way bills and cases where GSTR 3B are less than e-way bills are identified.	Suppression of tax liability based on e-way bill verification
11.	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.	Ineligible composition levy scheme <i>i.e.</i> taxpayers continue to operate under composition levy scheme despite crossing threshold for the same.
12.	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
13.	Interest calculated at the rate of 18 <i>per cent</i> on cash portion of tax payment on delayed filing of GSTR 3B <i>vis-à-vis</i> interest declared in GSTR 3B.	Short payment of interest

Table 5.4.5 (b): Details of Data Analysis undertaken (Turnover mismatch)

Sl. No.	Algorithm used	Risk pursued
14.	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
15.	Unbilled revenue at the beginning of the year in table 5B of GSTR 9C should tally with the unbilled revenue of the previous GSTR 9C shown in table 5H. Any mismatch indicates suppression of taxable turnover.	Suppression of taxable value based on unbilled revenue declared in GSTR 9C
16.	Negative figure in table 7G of GSTR 9C and examination of reasons provided in table 8 for mismatch.	Mismatch in taxable turnover declared in table 7G of GSTR 9C

The data analysis pertaining to Tripura on the 16 identified parameters and extent of deviations/ inconsistencies observed are summarised in (Appendix 5.4.4).

#### 5.4.8.1 Non-submission of reply by the department

Audit issued audit queries for 111 deviations in respect of 99 taxpayers in the 16

dimensions. These audit queries were issued to the respective Charges in August-September 2023 without further scrutiny of taxpayer's records. The audit check in these cases was limited to verifying the Department's action on the identified deviations/mismatches identified from the taxpayer's returns.

Department's response in 46 cases is still awaited (April 2025) though the Department gave assurance that it would furnish all replies during the Exit Conference. These cases are detailed in **Appendix 5.4.5 (A)**. These entail 41 cases amounting to a mismatch of ₹ 57.27 crore<sup>239</sup> in tax liability/ ITC/ short payment of interest (on delayed payment of tax) and five<sup>240</sup> cases relating to inconsistencies in turnover as detailed in **Appendices 5.4.5 (B) and 5.4.5 (C)**.

Considering the amount involved in the above-mentioned inconsistencies and its likely conversion into compliance deviations, the replies of the Department are of paramount importance. Hence, the Department is required to expedite verification of these cases as a priority.

#### **Recommendation 5**

*The Department may urgently pursue the 46 inconsistencies and deviations pointed out by Audit, for which responses have not been provided.*

#### **5.4.8.2 Results of centralised audit**

An overview of the extent to which each of the 15<sup>241</sup> dimensions translated into compliance deviations based on responses received from the Department to the audit queries, is summarised below.

#### **5.4.8.3 Summary of Centralised audit**

Out of 65 deviations, where replies were received Audit noticed compliance deviations from the provisions of the Act in 55 cases (Col. No. 14 of **Appendix 5.4.6**) relating to mismatch of ITC/ tax liability of ₹ 58.05 crore<sup>242</sup> (Col. No.15 of **Appendix 5.4.6**) constituting 84.61 *per cent* of the 65 inconsistencies/mismatches in data, for which the Department responses were received. Of these 55 cases, ASMT-10 have been issued in 38 cases amounting to ₹ 33.70 crore<sup>243</sup> (Col. No. 6 & 7 in **Appendix 5.4.6**). In 12 cases, department accepted the audit observations and stated that matter is under correspondence with taxpayer amounting to ₹ 6.73 crore<sup>244</sup> (Col. No. 8 & 9 in **Appendix 5.4.6**). In three cases amounting to ₹ 17.32 crore (Col. No. 10 in **Appendix 5.4.6**) Department had taken proactive action. In two cases, replies of tax

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<sup>239</sup> Including two cases of Ineligible composition levy scheme involving turnover amount of ₹ 2.61 crore

<sup>240</sup> Excluding turnover amount of ₹ 443.79 crore

<sup>241</sup> Data analysis has been carried out on 16 identified parameters. However, Department furnished responses in respect of 15 parameters.

<sup>242</sup> Excluding two cases of Ineligible composition levy scheme of ₹ 20.76 crore, two cases of unbilled revenue of ₹ 0.32 crore and four cases of TDS returns of ₹ 0.14 crore.

<sup>243</sup> Excluding two cases of unbilled revenue involving turnover amount of ₹ 0.32 crore and three cases of TDS returns of ₹ 0.13 crore

<sup>244</sup> Excluding one case of Ineligible composition levy scheme involving turnover amount of ₹ 1.69 crore and one case of TDS returns of ₹ 0.01 crore

authority were not accepted by Audit amounting to ₹ 0.31 crore<sup>245</sup> (Col. No.12 and 13 of **Appendix 5.4.6**).

In the remaining 10 cases (Col. No.4 of **Appendix 5.4.6**) out of 65 cases, constituting 15.38 *per cent*, as the Department's reply was acceptable to Audit and had valid explanations, these cases require no further action.

A few illustrative cases 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 to 2020-21, and the ITC paid as per suppliers' details was matched with the ITC credit availed by the taxpayer. The methodology adopted was to compare the ITC available as per GSTR 2A with all its amendments and the ITC availed in GSTR 3B in Table 4A (5)<sup>246</sup> considering the reversals Table 4B (2)<sup>247</sup> but including the ITC availed in the subsequent years 2019-20 to 2021-22 from table 8C of GSTR 9.

Audit observed that in case of (GSTN-1XXXXXXXXXXM) under Bishalgarh Charge, the ITC available as per GSTR 2A during 2018-19 and 2019-20 was ₹ 1.45 crore and ₹ 1.74 crore respectively (total ₹ 3.19 crore) and the ITC availed in table 4A (5) of GSTR 3B during 2018-19 and 2019-20 was ₹ 3.20 crore and ₹ 2.95 crore respectively (total ₹ 6.15 crore). This resulted in mismatch of ITC availed amounting to ₹ 2.96 crore, which was communicated to the Superintendent of Taxes in September 2023.

The Department replied (March 2025) that ASMT 10 had been issued to the taxpayer, seeking the reasons for the said discrepancy.

**(ii) ITC Availed on GSTR 3B filed after the cut off period**

The GST Act 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. In order to review the extent of excess/irregular ITC availed on this account, the ITC availed through table 4 of GSTR 3B pertaining to 2018-19, 2019-20 and 2020-21 filed by the taxpayer beyond the due dates of September GSTR 3B return of the following year, were identified at data level.

Based on the data analysis, it was observed that in case of GSTIN-1XXXXXXXXXXM under Bishalgarh Charge, the ITC availed by the taxpayer beyond the due date of

<sup>245</sup> Excluding one case of Ineligible composition levy scheme involving turnover amount of ₹ 19.07 crore

<sup>246</sup> all other eligible ITC

<sup>247</sup> other ITC reversed

September GSTR 3B return of the following year was ₹ 0.70 crore. This resulted in mismatch of ITC availed amounting to ₹ 0.70 crore during the year 2019-20, which was communicated to the Superintendent of taxes, Bishalgarh Charge in September 2023.

The Department replied (March 2025) that ASMT 10 had been issued to the taxpayer, seeking the reasons for the said discrepancy.

**(iii) Incorrect availing of ISD credit**

In order to analyse whether the ITC availed by the taxpayer is not in excess of that transferred by the ISD, the ITC availed as declared in the returns of the taxpayer was compared with the ITC transferred by the ISD(s) in their GSTR 6.

The methodology adopted was to compare table 6G (net of table 7B) of GSTR 9 with the sum of table 5A, table 8A, and table 9A (considering adjustments) of GSTR 6 for respective GSTIN. In cases where table 7B was null, table 7H values were considered. In cases where GSTR 9 was not available, table 4(A)(4) [net of table 4(B)(2)] of GSTR 3B was compared with the sum of table 5A, table 8A, and table 9A (considering adjustments) of GSTR 6 for respective GSTIN.

Based on the data analysis, it was observed that in case of (GSTIN-1XXXXXXXXXXXXJ) under Charge-VII, the taxpayer availed ITC of ₹ 0.13 crore in table 6G (net of table 7H) of GSTR 9 which was more than the ISD transferred of ₹ 0.06 crore (the total sum of table 5A, table 8A, and table 9A, considering adjustments) of GSTR 6 for respective GSTIN during the year 2018-19. Thus, the taxpayer availed excess ITC of ₹ 0.07 crore, which was communicated to the Superintendent of taxes in September 2023.

The Department replied (March 2025) that ASMT 10 had been issued to the taxpayer, seeking the reasons for the said discrepancy.

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

In order to analyse the veracity of tax paid under Reverse Charge Mechanism (RCM), the datasets in GSTR 3B and annual return GSTR 9 pertaining to RCM were compared to check whether the tax has been discharged fully on the activities/ transactions under RCM. In cases where GSTR 9 was filed, the RCM payments in table 4G were compared with ITC availed in table 6C, 6D and 6F. In cases where GSTR 9 was not available, RCM payments in table 3.1(d) of GSTR 3B were compared with table 4(A)(2) and table 4A (3) of GSTR 3B.

Based on the data analysis, it was observed that in case of GSTIN-1XXXXXXXXXXXXH) under Charge V, there was short payment of tax under Reverse Charge Mechanism of ₹ 0.40 crore during the year 2018-19, which was communicated to the Superintendent of taxes, Charge V in September 2023.

The Department replied (January 2025) that an inspection in Form INS-01 was executed against the taxpayer which is in hearing stage. Any further development in this matter will be intimated in the due course said discrepancy.

**(v) Unsettled tax liabilities (GSTR 1 and GSTR 9)**

GSTR 1 depicts the monthly details of outward supplies of goods or services, which are also reported by the taxpayer in the relevant columns of the annual return (GSTR-9). Further, taxable value and tax paid thereof are also shown in GSTR 3B.

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 GSTR 9 were also considered for this purpose.

For the algorithm, tables 4 to 11 of GSTR 1 and tables 4G, 4N, 10 and 11 of GSTR 9 were considered. The greater of tax liability between GSTR 1 and GSTR 9 was compared with the tax paid declared in tables 9 and 14 of GSTR 9 to identify the short payment of tax.

It was observed that in case of (GSTIN-1XXXXXXXXXXXXXX) under Charge II, the tax payable shown in GSTR 1 during 2018-21 was ₹ 5.99 and the tax payable declared in GSTR 9 during 2018-21 was ₹ two crore. This resulted in a mismatch of tax liability amounting to ₹ 3.99 crore, which was communicated to the Superintendent of taxes, Charge II in September 2023.

The Department replied (January 2025) that notice has been issued to the taxpayer.

**(vi) Suppression of tax liabilities based on e-way bill verification**

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 bill. For the algorithm, the cases where tax payable (table 3.1 (a) plus table 3.1 (b) of GSTR 3B) were less than the tax liability declared in the e-way bills were chosen.

It was observed that in case (GSTIN-1XXXXXXXXXXXXXT) under Charge IV, the value of total taxable supply as per GSTR 3B during 2018-21 was nil but the e-way bill tax liability during 2018-21 was ₹ 3.16 crore. Thus, the e-way bills tax liability was more than the total outward supplies value declared in GSTR 3B by ₹ 3.16 crore, which was communicated to the Superintendent of taxes, Charge IV September 2023.

The Department replied (January 2025) that ASMT 10 has been issued to the taxpayer.

**(vii) Mismatch in tax paid between books of accounts and return (table 9R of GSTR 9C)**

To review the extent of identified mismatch in tax paid reported in the annual return *vis-à-vis* the financial statements, the relevant data pertaining to table 9 of GSTR 9C (reconciliation statement) for the years 2018-19 to 2020-21 submitted by the taxpayer as required under Rule 80(3) of CGST/ SGST Rules was analysed at data level.

Table 9 of GSTR 9C attempts to reconcile the tax paid by segregating the turnover

rate-wise and comparing it with the tax discharged as per annual return GSTR 9. The unreconciled amounts could potentially indicate tax levied at incorrect rates, incorrect depiction of taxable turnover as exempt 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 transactions carried out in the subsequent year from April to September. To rule out the possibility of incorrect disclosure of the tax paid amount in GSTR 9C, the amount was also compared with actual tax payment details in GSTR 9.

It was observed that in case of (GSTIN 1XXXXXXXXXXXXXI) under Charge II, there was mismatch in tax paid during 2018-19 between books of accounts and annual return, where tax payable as per table 9P of GSTR 9C was ₹ 4.97 crore and tax paid as per table 9Q of GSTR 9C was ₹ 4.52 crore. This resulted in short payment of tax for ₹ 0.45 crore, which was communicated to the Superintendent of taxes, Charge II in September 2023.

The Superintendent of Taxes, Charge II replied (September 2023) that the taxpayer had been directed to appear before the tax authority to clarify the unreconciled/ mismatch in payment of tax within seven days from the date of receipt of notice. However, no further response regarding recovery of the outstanding tax liability has been received (April 2025).

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

TDS under GST ensures advance collection of tax at the source of payment, improving compliance and preventing revenue leakage by ensuring that the supplier correctly reported taxable turnover. The tax deducted as declared in GSTR-7 by deductee is captured 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 TDS credit as per Table 9 of GSTR 2A have been identified.

It was observed that in case of (GSTN-1XXXXXXXXXXXXXJ) under Charge VII, the outward taxable supply declared in GSTR 3B was nil, but the net amount of TDS deducted as per GSTR 2A was ₹ 0.09 crore during the FYs 2018-20. Thus, the total taxable supply declared in GSTR 3B was less than the amount of net TDS deducted in GSTR 2A by ₹ 0.09 crore, which was communicated to the Superintendent of Taxes, Charge VII in September 2023.

The Superintendent of Taxes, Charge VII replied (January 2025) that ASMT 10 has been issued to the taxpayer.

**(ix) Suppression of taxable value based on unbilled revenue declared in GSTR 9C**

In order to review the extent of identified mismatch in taxable turnover reported in the annual return *vis-à-vis* the financial statements for the years 2018-19 to 2020-21, the relevant data pertaining to table 5 of the GSTR 9C (reconciliation statement) for the years 2018-19 to 2020-21 pertaining to disclosures of unbilled revenue submitted by the taxpayer as required under Rule 80(3) of CGST/ SGST Rules 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 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 table 5B of GSTR 9C should tally with the unbilled revenue shown in table 5H of the previous GSTR 9C. Any mismatch could be an indication of suppression of taxable turnover.

It was observed that in case of (GSTN-1XXXXXXXXXXQ) under Charge-I, the unbilled revenue at the beginning of the year 2020-21 under table 5B of GSTR 9C was of ₹ 0.01 crore and the unbilled revenue at the end of previous year 2019-20 under table 5H of GSTR 9C was of ₹ 0.21 crore. This resulted in mismatch of unbilled revenue of ₹ 0.20 crore, which was communicated to the Superintendent of Taxes in September 2023.

The Superintendent of Taxes, Charge-I in response stated (January 2025) that notice in Form-ASMT 10 was issued to the dealer.

#### **(x) Ineligible composition levy**

At the data level, Audit identified 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 scheme.

Based on the data analysis, it was observed that in case of (GSTIN-1XXXXXXXXXXR) under Charge VI, the taxpayer had availed the Composition levy scheme despite having turnover of ₹ 1.69 crore during the year 2019-20, which was communicated to the Superintendent of Taxes in September 2023.

The Department replied (January 2025), that DRC 01A had been issued to the taxpayer, intimation of tax ascertained payable.

#### **(xi) GSTR 3B not filed but GSTR 1/ GSTR 2A available**

At the data level, we have attempted to identify those taxpayers who have not filed GSTR 3B but have filed GSTR 1. GSTR 3B return is the instrument through which the liability can be offset, and ITC is credited in the ledger. The very availability of GSTR 1 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. All such cases, therefore, warrant investigation.

Based on the data analysis, it was observed that in case of (GSTIN-1XXXXXXXXXXU) under Charge VII, the taxpayer did not file GSTR 3B returns

but GSTR 1 returns were available with a tax liability of ₹ 0.29 crore during the year 2019-20. This resulted in undischarged tax liability of ₹ 0.29 crore, which was communicated to the Superintendent of Taxes in September 2023.

The Department replied (March 2025) that ASMT 10 had been issued to the taxpayer, seeking the reasons for the said discrepancy.

#### **(xii) Short payment of interest**

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

As per Central Board of Indirect Taxes and Customs (CBIC) notification<sup>248</sup> (F.No.CBEC-20/01/08/2019-GST dated 18 September 2020), the taxpayer is liable to pay interest only on net cash tax liability *i.e.* cash component, if there is delay in payment of tax.

The extent of short payment of interest on account of delayed remittance of tax during 2018-19 to 2020-21 was identified through the tax paid details in GSTR 3B and the date of filing of the GSTR 3B. The due date of filing of GSTR 3B for the respective months (including any extension provided) and the actual date of filing of GSTR 3B has been considered to work out the interest liability and only the net tax liability (cash component) has been considered to work out the interest payable.

It was observed that in case of (GSTIN-1XXXXXXXXXXT) under Charge-I, there was short payment of interest on delayed payment of tax with the interest liability of ₹ 0.003 crore for FY 2018-19, ₹ 0.42 crore for FY 2019-20 and ₹ 0.007 crore for FY 2020-21, which was communicated to the Superintendent of Taxes in September 2023.

The Superintendent of Taxes, Charge-I replied (October 2023) that intimation in Form ASMT 10 had been issued to the taxpayer. Further reply was awaited (April 2025).

#### **5.4.8.4 Analysis of causative factors**

The Department's response to 55 cases out of the sample of 111 data deviations/inconsistencies were examined. Of these, 12 cases could not be conclusively commented upon as the Department was in correspondence with the respective taxpayers. The factors that caused the data deviations/ inconsistencies in the remaining cases are as follows:

##### **5.4.8.4 (i) Deviations from GST law and rules**

Out of the 111 deviations summarised in **Appendix 5.4.4**, the tax authorities had issued ASMT 10 conveying discrepancies to the taxpayers in 38 cases for ₹ 33.70<sup>249</sup> crore and

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<sup>248</sup> This circular was issued by the Central Government. The State Government is implementing it but has not issued a similar circular.

<sup>249</sup> Excluding two cases of unbilled revenue involving turnover amount of ₹ 0.32 crore and three cases of TDS returns of ₹ 0.13 crore

were in correspondence with the respective taxpayers or issued DRC 01A in 12 cases involving ₹ 6.73 crore<sup>250</sup>. Details are given in **Appendices 5.4.7 (A)** and **5.4.7 (B)**.

#### **5.4.8.4 (ii) Cases where Department's reply was not accepted to Audit.**

Out of the 111 non-compliance cases, replies of tax authority were not accepted by Audit in two cases for ₹ 0.31 crore<sup>251</sup> (Col. No.12 and 13 of **Appendix 5.4.6**). In these cases, the Tax authority only forwarded explanation/ submission of the taxpayers without explicitly commenting on the audit observations and relevant documents. Details are given in **Appendix 5.4.7 (C)**.

#### **5.4.8.4 (iii) Cases where action was taken before issue of Audit Queries**

Department had already taken action in three cases out of the 65 responses received as detailed in **Appendix 5.4.7 (D)**. One illustrative case is discussed below:

A taxpayer (GSTIN-1XXXXXXXXXXXXT) under Bishalgarh Charge, the tax payable shown in GSTR 1 during 2018-20 was ₹ 8.72 crore and the tax payable declared in GSTR 9 during 2018-20 was ₹ 0.62 crore. This resulted in a mismatch of tax liability amounting to ₹ 8.10 crore, which was communicated to the Superintendent of taxes, Bishalgarh Charge in September 2023.

The Department replied in (March 2025) that the matter was under sub-judice with effect from 24 November 2020.

### **5.4.9 Detailed audit of GST returns**

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

From an external audit perspective, Audit also focused on a data-driven risk-based approach. Thus, apart from identifying inconsistencies/deviations in GST returns through pan-State data analysis, a detailed audit of GST returns was also conducted as a part of this review. A risk-based sample of 20 taxpayers was selected for this part of the review. The methodology adopted was to initially conduct a desk review of GST returns and financial statements filed by the taxpayers as part of the GSTR 9C and other records available in the back-end system to identify potential risk areas, inconsistencies/deviations and red flags. Desk review was carried out by an audit team from the office of the Principal Accountant General (Audit), Tripura. Based on desk review results, detailed audit was conducted in Commercial Tax Department, Tripura field formations by requisitioning corresponding granular records of taxpayers such as financial ledgers,

<sup>250</sup> Excluding one case of Ineligible composition levy scheme involving turnover amount of ₹ 1.69 crore one case of TDS returns of ₹ 0.01 crore

<sup>251</sup> Excluding one case of Ineligible composition levy scheme involving turnover amount of ₹ 19.07 crore

invoices, etc. to identify causative factors of the identified risks and to evaluate compliance by taxpayers.

#### 5.4.9.1 Scope limitation (non-production of records)

There was scope limitation of audit due to non-production of granular record by the Department. During the desk review of taxpayer's 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 1 and GSTR 9 and the declarations in table 5, table 7, and table 9 of GSTR 9C. However, in none of the selected cases, the Department provided the corresponding granular records such as the financial statements, supplementary ledgers, invoices, copies of the agreement, etc. required for examining the causative factors for mismatches of ITC and tax liability. Audit requisitioned these granular records of the taxpayers through the respective Charges. The jurisdiction-wise non- production of records is summarised in **Table 5.4.6**.

**Table 5.4.6: Non-production of records**

Charge Name	Sample	No. of cases where granular records were not provided
	Number of taxpayers	Number of taxpayers
Charge-I	3	3
Charge-III	4	4
Charge-IV	1	1
Charge-V	3	3
Charge-VI	2	2
Charge-VII	3	3
Charge-VIII	3	3
Dharmanagar	1	1
<b>Total</b>	<b>20</b>	<b>20</b>

The granular records were not produced for any of the above 20 cases. As a result, deviations relating to mismatch of the ITC amounting to ₹ 35.68 crore could not be examined in detail by Audit.

#### 5.4.9.2 Audit findings

As brought out in the previous paragraphs, detailed audit involved a desk review of GST returns and other basic records to identify risks and red flags, which were followed up by field audit to identify the extent of non-compliance by taxpayers and action taken by the departmental field formations. Non-compliance by taxpayers at various stages impacts the veracity of returns filed, utilisation of ITC and discharge of tax payments. Audit observed deficiencies in 17 cases with revenue implication of ₹ 35.68 crore including mismatches relating to availing of ITC. The audit findings are categorised as under:

- a) Returns
- b) Utilisation of ITC

### 5.4.9.3 Returns

#### Non-filing of Reconciliation Statement (GSTR 9C)

Section 44(1) of TGST Act, 2017 every registered person other than person paying tax under Section 51 or 52 shall furnish an annual return in Form GSTR 9 for every financial year electronically on or before the thirty-first day of December following the end of such financial year.

Section 44 (2) of the TGST Act, 2017 read with Rule 80 (2) of TGST Rules, 2017 stipulates that every registered person whose aggregate turnover during a financial year exceeds two crore rupees shall get his accounts audited in accordance with the provisions of sub-section (5) of Section 35 shall furnish, the annual return in Form GSTR 9, electronically, under sub-section (1) along with a copy of the audited annual accounts and a reconciliation statement, in Form GSTR 9C, electronically, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement.

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

Further, as per Section 46 of the TGST Act, 2017 where a registered person fails to furnish a return under Section 39 or 44 or 45, a notice shall be issued to him to furnish such return within fifteen days in such form and manner as may be prescribed.

Audit examined the filing of audited annual accounts and reconciliation statement for the FYs 2018-21 and observed that in three cases, the taxpayers did not file GSTR 9C despite their annual turnover exceeding ₹ two crore as details in **Table 5.4.7**.

**Table 5.4.7: Non-filing of GSTR 9C**

Sl. No.	GSTIN	Charge	Year	Turnover (₹ in crore)	Due date (GSTR 9C)	Filing Date (GSTR 9C)
1	1XXXXXXXXXXXXX9	Charge-III	2018-19	30.36	31.12.2019	Not filed
			2019-20	23.36	31.12.2020	Not filed
			2020-21	13.16	31.12.2021	Not filed
2	1XXXXXXXXXXXXXM	Charge-V	2018-19	33.65	31.12.2019	Not filed
			2019-20	19.56	31.12.2020	Not filed
			2020-21	87.06	31.12.2021	Not filed
3	1XXXXXXXXXXXXX3	Charge-VI	2018-19	19.78	31.12.2019	Not filed
			2019-20	22.68	31.12.2020	Not filed
			2020-21	15.80	31.12.2021	Not filed

The Department replied (February 2025) that the taxpayer (GSTIN-1XXXXXXXXXXXXX9) had filed GSTR 9C for 2018-19, 2019-20 and 2020-21 on 12 February 2025, 13 February 2025 and 14 February 2025 respectively, but no supporting documents were furnished to Audit. In case of taxpayer (GSTIN-1XXXXXXXXXXXXX3), it was stated that GSTR 3A notice has been issued and in case of taxpayer (GSTIN-16AAAGM0289C1ZM) no reply has been furnished to audit (April 2025).

**5.4.9.4 Mismatch relating to ITC**

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

Section 16 and Section 17 of the TGST Act, 2017 prescribe the eligibility and conditions to avail ITC. Credit of CGST cannot be used for payment of SGST/ UTGST and credit of SGST/ UTGST cannot be utilised for payment of CGST. Rule 36 to Rule 45 of the TGST Rules, 2017 prescribes the procedures for availing and reversal of ITC.

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

Audit observed 17 instances of ITC related mismatches for ₹ 35.68 crore out of 20 sample cases examined. The deficiencies were due to availing ITC irregularly, availing ineligible ITC and non/ short reversal of ITC. Hence, these cases remained as mismatches. The details of mismatches in input tax credit noticed by Audit are given in **Table 5.4.8.**

**Table 5.4.8: Mismatch in input tax credit claimed by taxpayers**

Sl. No.	Parameter	No. of cases	No. of Charge office	Amount of mismatch (₹ in crore)
1	<p><b>Mismatch in availing of ITC as per GSTR 2A and GSTR 9:</b></p> <p>To check whether the taxpayer has availed ITC on transactions where the supplier would not have discharged tax. If table 8A of GSTR 9 (auto populated from GSTR 2A) is less than GSTR 2A ITC availment, it indicates either ITC availed on invoices for which tax was not discharged or availed ITC on invoices issued after the effective date of cancellation of the supplier (<b>Appendix 5.4.8</b>).</p> <p>The matter was intimated to the respective Superintendents of Taxes in January 2024.</p>	6	5	22.57
	<p>In case of three taxpayers GSTIN- 1XXXXXXXXXXXXX, GSTIN-1XXXXXXXXXXXXX8 and GSTIN – 1XXXXXXXXXXXXX9, Department stated (February 2025) that notice in Form ASMT 10 had been issued to the taxpayers.</p> <p>The Department replied (February 2025) that in case of the taxpayer (GSTIN-1XXXXXXXXXXXXXM), there was no mismatch in ITC availment as the amount of ITC claimed in GSTR 9 was ₹ 2,79,85,732, which was less than the amount of ITC auto-populated in GSTR 2A i.e. ₹ 42,92,20,875.</p> <p>Also, in case of taxpayer (GSTR-1XXXXXXXXXXXXXO), it was stated (February 2025) that on verification the total ITC available in GSTR 2A during FY 2019-20 was</p>			

Sl. No.	Parameter	No. of cases	No. of Charge office	Amount of mismatch (₹ in crore)
	<p>₹ 2,20,38,367 and the ITC claimed in GSTR 9 was ₹ 1,74,33,210. Thus, ITC claimed in GSTR 9 was less than ITC availed in GSTR 2A.</p> <p>The replies in both cases were not acceptable as the amount of ITC in table 8A (GSTR 9) figure was less than the amount of ITC in GSTR 2A, this mismatch indicated the possibility of either taxpayer availing ITC on invoices for which tax was not discharged by the supplier or ITC availed on invoices issued after the effective date of cancellation of the supplier.</p> <p>In case of taxpayer (GSTIN-1XXXXXXXXXXXXD), no reply has been furnished (April 2025).</p>			
2	<p><b>Mismatch of ITC between Annual Return and Financial Statements (table 12F of GSTR 9C):</b></p> <p>To identify mismatch in ITC availed between the Annual Return and the Financial Statements. Table 12F of the GSTR 9C captures the unreconciled ITC between the annual return GSTR 9 and that declared in the Financial Statements for the year after the requisite adjustments (<b>Appendix 5.4.9</b>).</p> <p>The matter was intimated to the respective Superintendents of Taxes in January 2024.</p>	1	1	1.33
	For taxpayer (GSTIN-1XXXXXXXXXXXXD), no reply has been furnished (April 2025).			
3	<p><b>Mismatch between ITC availed in GSTR 3B and ITC available in GSTR 2A:</b></p> <p>To analyse, data regarding GSTR 3B and GSTR 2A were extracted from the Department's report and the ITC paid as per suppliers' details was matched with the ITC credit availed by the taxpayer and compare the ITC available as per GSTR 2A with all its amendments and the ITC availed in GSTR 3B in table 4A (5) considering the reversals in table 4B (2) (<b>Appendix 5.4.10</b>).</p> <p>The matter was intimated to the respective Superintendents of Taxes in January 2024.</p>	10	6	11.78
	<p>In case of four taxpayers (GSTIN-1XXXXXXXXXXXX8, GSTIN-1XXXXXXXXXXXXXI, GSTIN-1XXXXXXXXXXXXXL and GSTIN-1XXXXXXXXXXXX9), Department stated (February 2025) that notice in Form ASMT 10 had been issued to the taxpayers.</p> <p>In case of taxpayer (GSTIN-1XXXXXXXXXXXXZ), it was stated (February 2025) that DRC-01 had been issued.</p> <p>In case of taxpayer (GSTIN-1XXXXXXXXXXXXU), the Department replied (January 2025) that, the excess ITC shown during the FY 2019-20 was due to the ITC</p>			

Sl. No.	Parameter	No. of cases	No. of Charge office	Amount of mismatch (₹ in crore)
	<p>claimed during FY 2019-20 related to the FY 2018-19. The rest of the amount of excess ITC was reversed in GSTR 3B return during the FY 2019-20. In case of taxpayer (GSTIN-1XXXXXXXXXXXXXX), the excess ITC was due to the ITC claimed during FY 2020-21 pertaining to the FY 2019-20.</p> <p>Regarding mismatch of ITC in case of taxpayer (GSTIN-1XXXXXXXXXXXXX3) for the FY 2018-19, it was stated that the taxpayer had excess unutilised ITC of ₹ 4,10,24,808 during FY 2017-18, which the taxpayer had utilised in the subsequent FY 2018-19. In respect of mismatch of ITC for the FY 2020-21, the taxpayer paid tax through DRC-03 amounting to ₹ 1,45,07,923.</p> <p>In case of taxpayer (GSTIN-1XXXXXXXXXXXXXM), it was stated (February 2025) that the taxpayer availed less ITC of ₹ 3,97,12,325 in GSTR 3B against ITC accrued in GSTR 2A during the FY 2017-18. The said amount was carried forward in 2018-19. Thus, the total ITC available for FY 2018-19 was ₹ 8,27,77,904 (₹ 4,30,65,579 + ₹ 3,97,12,325). However, the taxpayer claimed ITC of ₹ 6,61,21,961 in GSTR-3B during FY 2018-19, resulting in a short availment of ITC as compared to the total available amount.</p> <p>However, in all these cases no supporting documents were furnished to Audit. In the absence of relevant documents Audit could not verify the Department's replies.</p> <p>In case of taxpayer (GSTIN-1XXXXXXXXXXXXXI), it was stated (January 2025) that for mismatch of ITC for FY 2018-19, notice in Form ASMT 10 had been issued to the taxpayer. It was further stated that mismatch of ITC of ₹ 1,50,16,525 for FY 2019-20 was due to technical glitch and no discrepancy had been found. The reply was not acceptable since supporting documents along with detail reasons for technical glitch causing mismatch and the subsequent adjustment of mismatch amount had not been furnished to audit.</p>			

#### 5.4.10 Conclusion

The Subject Specific Compliance Audit (SSCA) on Department's Oversight on GST Payments and Return Filing was taken up considering the significance of the control mechanism envisaged for tax compliance and the oversight mechanism in this new tax regime. The objectives were to assess the adequacy of the system in monitoring return filing and tax payments, extent of compliance and other departmental oversight functions.

This SSCA was predominantly based on data analysis, which highlighted risk areas and red flags in GST returns filed for 2018-19 to 2020-21. The SSCA entailed assessing the oversight functions of State Jurisdictional formations at two levels – at the data level and at the functional level carried out through detailed audit of the Charges and scrutiny of GST returns, which involved accessing taxpayer records.

A review of the functions of five Charges disclosed that there were deficiencies in oversight functions of Charges such as monitoring of return scrutiny, action on late filers/ non-filers, cancellation of registration and internal audit. As such, the functions

of the charges were not fully carried out in an organised manner.

Further, out of the 111 high value data inconsistencies identified by Audit the Department responded to 65 cases. Of these, 55 cases constituting 84.61 *per cent*, turned out to be compliance deficiencies amounting to ₹ 58.05 crore<sup>252</sup>. The Department had not responded to 46 cases of inconsistencies, which had an identified mismatch of ₹ 57.27 crore<sup>253</sup>.

Detailed audit of GST returns also suggested significant non-compliance. In 20 cases which were examined, granular records were not forthcoming constituted a significant scope of limitation. Audit observed deficiencies in 17 cases including identified mismatches in availing of ITC amounting to ₹ 35.68 crore.

Considering the significant rate of compliance deficiencies, the Department must initiate remedial measures before they get time barred. From a systemic perspective, the Department needs to strengthen the institutional mechanism in the Charges to establish and maintain effective oversight on return filing, taxpayer compliance, tax payments, cancellation of registrations and recovery of dues from defaulters.

#### 5.4.11 Summary of recommendations

- *The Department may take immediate steps to formulate guidelines/ SOP and ensure the scrutiny of returns in a time bound manner before the cases become time barred.*
- *The Department may initiate action against non-filers by assessing the tax liability through invoking of the ASMT-13 best judgment assessment order.*
- *The Department may ensure timely verification of cancelled registrations to prevent undue loss of tax revenue.*
- *The Department may conduct internal audit on regular basis, so that an optimum number of taxpayers can be audited in every financial year.*
- *The Department may urgently pursue the 46 inconsistencies and deviations pointed out by Audit, for which responses have not been provided.*

<sup>252</sup> Excluding turnover amount of ₹ 21.22 crore

<sup>253</sup> Excluding turnover amount of ₹ 443.79 crore

