

CHAPTER V REVENUE SECTOR

5.1 Trend of revenue receipts

The Tax and Non-tax revenue raised by the Government of Manipur during the year 2022-23, the State's share of net proceeds of Union taxes and duties and Grant-in-aid (GIA) received from the Government of India (GoI) during the year and the corresponding figures for the preceding four years are given in the following Table.

Table 5.1.1: Trends of revenue receipts

<i>(₹ in crore)</i>						
Sl. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
1	Revenue raised by the State Government					
	Tax revenue	1,046.05	1,201.12	1,294.49	1,648.51	1,867.90
	Non-tax revenue	166.24	134.53	148.07	108.13	457.59
	Total	1,212.29	1,335.65	1,442.56	1,756.64	2,325.49
2	Receipts from the GoI					
	State's share of Union taxes and duties	4,698.59	4,047.77	4,271.97	6,009.64	6,795.08
	Grants-in-Aid	4,650.83	5,300.74	7,268.12	6,324.72	6,772.58
	Total	9,349.42	9,348.51	11,540.09	12,334.36	13,567.66
Total receipts of State Government (1 & 2)		10,561.71	10,684.16	12,982.65	14,091.00	15,893.15
Percentage of 1 to 3		11.48	12.50	11.11	12.47	14.63

Source: Finance Accounts.

During 2022-23, the revenue raised by the State Government was ₹ 2,325.49 crore which was 14.63 per cent of its total revenue receipts of ₹ 15,893.15 crore. The balance receipts of ₹ 13,567.66 crore (85.37 per cent) during 2022-23 were from Government of India as State's share of net proceeds of Union taxes and duties and GIA.

5.1.1 Tax Revenue

Details of Budget Estimates (BEs) of tax revenue and actual receipts of tax revenues raised during the period 2018-19 to 2022-23 are given in the following Table.

Table 5.1.2: Details of Tax Revenue

Head of revenue	2018-19		2019-20		2020-21		2021-22		2022-23		Increase (+)/ decrease(-) in 2022-23 over 2021-22 (in per cent)
	Bes	Actuals	Bes	Actuals	Bes	Actuals	Bes	Actual	BE	Actual	
Taxes on sales, trade etc.	204.66	253.02	288.45	235.53	274.74	336.45	350.00	411.66	450.00	288.89	(-)29.82
Goods and Services Tax	400.98	694.70	754.78	852.58	913.58	866.51	1500.00	1125.56	1735.40	1426.15	(+)26.71
Motor Vehicles Tax	45.60	39.83	45.28	47.70	51.62	37.96	70.00	56.67	80.00	83.21	(+)46.83
Stamps & Registration Fees	34.20	17.62	16.01	16.60	16.01	8.66	24.00	7.98	24.00	13.95	(+)74.81
State Excise	13.68	8.18	8.79	11.60	14.50	11.85	18.00	16.00	18.00	19.24	(+)20.25

Head of revenue	2018-19		2019-20		2020-21		2021-22		2022-23		Increase (+)/decrease(-) in 2022-23 over 2021-22 (in per cent)
	Bes	Actuals	Bes	Actuals	Bes	Actuals	Bes	Actual	BE	Actual	
Land Revenue	5.70	3.54	2.70	4.10	2.70	3.81	7.00	3.36	7.00	6.58	(+)95.83
Others ⁸⁹	44.81	29.16	51.08	33.01	51.51	29.25	85.60	27.28	85.60	29.88	(+)9.38
Total	749.63	1,046.05	1,167.09	1,201.12	1,324.66	1,294.49	2,054.60	1,648.51	2,400.00	1,867.90	(+)13.31

#Bes: Budget Estimates.

Source: Annual Financial Statements and Finance Accounts.

- The State's own tax revenue increased during 2022-23 by ₹ 219.39 crore (13.31 per cent) over 2021-22 mainly due to increase in Goods and Service Tax, Motor Vehicle Tax.
- The Excise Department attributed (January 2024) the increase in revenue collection in 2022-23 to the increase of Para Military forces deployed in Manipur and State Armed Police thereby resulting in more supply of liquor and increase in License Fee and Excise Duty.
- Other Departments despite being requested (January 2024) did not furnish the reasons for variation in tax-revenue (April 2024).

5.1.2 Non-tax Revenue

Details of budget estimates of non-tax revenue and actual realisation of non-tax revenues during the period 2018-19 to 2022-23 are given in the following Table

Table 5.1.3: Details of Non-Tax Revenue

Sl. No.	Head of revenue	2018-19		2019-20		2020-21		2021-22		2022-23		Increase (+)/decrease (-) in 2022-23 over 2021-22 (in per cent)
		BEs	Actuals	Bes	Actuals	BEs	Actuals	BEs	Actual	BEs	Actual	
1	Miscellaneous General Services	150	111.37	220.11	101.13	206.86	123.77	300	84.23	310.00	81.44	(-)3.31
2	Interest receipts	42.57	18.68	20.23	6.39	20.23	2.25	15	1.36	15.00	3.15	(+)131.62
3	Forestry and Wild Life	35	15.26	24.8	9.7	10	6.65	40	7.76	40.00	27.52	(+)254.64
4	Medium Irrigation	2.21	2.68	0.28	0.76	0.29	0.22	2.5	0.1	3.10	0.30	(+)200.00
5	Public Works	2.33	1.62	1.96	1.23	1.96	1.56	4	0.84	4.00	3.18	(+)278.57
6	Other Administrative Services	1.52	3.09	2.46	2.75	2.46	2.68	6	3.67	7.00	13.14	(+)258.04
7	Police	1.32	1.42	0.96	0.81	1.04	1.23	1.5	1.69	1.50	1.72	(+)1.78
8	Medical and Public Health	0.37	0.69	1.22	0.69	1.31	0.45	1.44	0.99	1.44	1.25	(+)26.26
9	Co-operation	0.29	0.41	0.36	0.45	0.46	0.34	0.9	0.14	0.90	0.45	(+)221.43
10	Other non-tax receipts ⁹⁰	12.93	11.02	10.4	10.62	12	8.92	16.19	7.35	17.06	325.44	(+)3989.66
	Total	248.54	166.24	282.78	134.53	256.61	148.07	387.53	108.13	400.00	457.59	(+)323.19

#BEs: Budget Estimates

Source: Annual Financial Statements and Finance Accounts.

⁸⁹ Other Taxes include other Taxes on income and expenditure, other taxes and Duties on Commodities and Services and Taxes on Goods and Passengers

⁹⁰ Comprising of 38 Major Heads amounting to ₹325.44 crore

Collection of Non-tax revenue increased by ₹ 349.46 crore in 2022-23 as compared to 2021-22. The increase is mainly due to increased collection under Public Works, Other Administrative Services, Forestry and Wild Life and Other non-tax receipts.

In respect of Tourism Department, the increase in revenue raised during 2022-23 was stated (March 2024) to be due to improvement in Covid situation in the State.

General Administration Department attributed (March 2024) the increase in revenue collection to the surge of room occupancy during the year.

Other Departments despite being requested (January 2024) did not furnish the reasons for variation in non tax-revenue (April 2024).

5.1.3 Revenue and return filing trends under GST

5.1.3.1 GST Revenue of Government of Manipur: Comparison between budget estimates and actual receipts

The comparison of budget estimates and the corresponding actual collection of State Goods and Service Tax (SGST) during the period from 2018-19 to 2022-23 is shown in the following Table.

Table 5.1.4: Revenue from GST during 2018-19 to 2022-23

(₹ in crore)

Year State GST	Budget Estimates (BE)	Revised Estimates (RE) State GST	Actuals State GST
2018-19	400.98	662.09	694.70
2019-20	754.78	861.87	852.58
2020-21	913.58	1,000.00	866.51
2021-22	1,500.00	1,445.00	1,125.56
2022-23	1,735.40	1,705.40	1,426.15

Source: Information furnished by Taxation Department, Manipur.

It could be seen from the above Table that the actual collection of revenue from SGST in last four years from 2019-20 to 2022-23 was less than the targets as projected in the revised estimates 2019-20 to 2022-23.

5.1.3.2 Bi-monthly compensation received from Union Government

Compensation is given to the State when there is less collection of revenue from the projected figure as prescribed under Section 7 of Goods and Service (Compensation) Act, 2017.

The State did not receive any bi-monthly compensation during the year 2022-23.

5.1.3.3 Trends of Integrated GST apportionment to the State and its cross utilisation

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

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

Table 5.1.5: Integrated Goods and Services Tax

(₹ in crore)

IGST ⁹¹ component	2018-19	2019-20	2020-21	2021-22	2022-23
IGST apportioned to the State as per Section 17 of IGST Act, 2017	49.15	71.92	623.85	808.61	1,093.30
IGST provisionally/ad-hoc apportioned to the State	56.51	16.60	32.92	50.48	21.05
IGST cross utilised between					
SGST ⁹² as IGST	(-) 3.04	(-) 2.10	NA	(+) 4.46	(+) 6.07
IGST as SGST	(+) 414.36	(+) 561.14	NA	(+) 672.54	(+) 900.39

NA – Not furnished

Source: Information furnished by the Taxation Department, Manipur.

As can be seen from the above Table, the IGST apportioned to the State that stood at ₹ 49.15 crore in 2018-19, increased significantly to ₹ 1,093.30 crore during 2022-23.

5.1.3.4 Registration under GST

The category- wise registrations under GST as on 31 March 2023 are as given in the following Table.

Table 5.1.6: Details of GST registrations upto 31 March 2023

Category of Registrant	No. of Registrants	Percentage of total
Normal taxpayers	11,133	83.44
Composition taxpayers	1,470	11.02
Tax Deductors at Source	610	4.57
Tax Collectors at Source	124	0.93
Input Service Distributors	0	0.00
Others (Casual, NRTP, OIDAR)	5	0.04
Total Registrants	13,342	100

Source: Information furnished by the Taxation Department, Manipur

As on 31 March 2023, the total registration under GST was 13,342 of which normal taxpayers were 11,133 which accounted for 83.44 per cent and composition taxpayers were 1,470 which accounted for 11 per cent.

5.1.3.5 GST Return filing pattern of GSTR-1 and GSTR-3B

The trends of filing of GSTR-1⁹³ and GSTR-3B⁹⁴ in Manipur as on 31 March 2023 are as shown in the following Table.

⁹¹ IGST: it is a tax collected by the Central Government for an inter-State Sale

⁹² SGST: It is a tax collected by the State Government for an intra-State Sale

⁹³ GSTR-1: It is a sales return that is required to be filed by every GST registered person

⁹⁴ 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-1 and GSTR-3B) during 2022-23

GSTR – 1				GSTR – 3B				
Months*	Due for filing	Return filed	Return filing per cent	Due for filing	Returns filed as on last day of the report period 31.03.2023	Return filing per cent	Returns filed by due date	Per cent filed by due date
April-22	8,665	3,878	44.75	8,665	7,579	87.47	3,205	36.99
May-22	8,768	5,835	66.55	8,768	7,692	87.73	6,158	70.23
June-22	10,104	5,793	57.33	10,104	9,473	93.75	5,975	59.15
July-22	9,069	5,114	56.39	9,069	7,761	85.58	5,264	58.04
August-22	9,113	4,872	53.46	9,113	7,898	86.67	4,932	54.12
September-22	10,314	6,295	61.03	10,314	9,760	94.63	6,526	63.27
October-22	9,113	5,574	61.17	9,113	7,910	86.80	5,108	56.05
November-22	9,113	5,918	64.94	9,113	7,934	87.06	5,491	60.25
December-22	10,314	7,211	69.91	10,314	9,718	94.22	6,763	65.57
January-23	9,113	6,074	66.65	9,113	7,727	84.79	5,588	61.32
February-23	9,113	5,689	62.43	9,113	7,435	81.59	4,977	54.61
Mar-23	10,314	6,339	61.46	10,314	5,588	54.18	5,588	54.18

Source: Information furnished by the Taxation Department, Manipur

During 2022-23, filing of GSTR-1 returns ranged from 44.75 per cent to 69.91 per cent while filing of GSTR-3B returns within the due date ranged from 36.99 per cent to 70.23 per cent.

5.1.3.6 Revenue earning from top 10 commodities/ Services

The details of the revenue earning from top 10 commodities/services during 2022-23 are as given in the following table.

Table 5.1.8: Revenue from top 10 commodities/services during 2022-23

(₹ in crore)			
Sl. No.	Name of commodity	Revenue under GST	Ranking
1	Automobiles	68.46	1
2	Misc. Edible Preparations	32.80	2
3	Iron & Steel	31.38	3
4	Mineral fuel & Oil and Products	18.54	4
5	Electrical, Machinery & Equipment	18.54	
6	Dairy Products	17.11	5
7	Pharmaceutical products	17.11	
8	Machinery & Mechanical Appliances	11.41	6
9	Plastics & Plastic Articles	9.98	7
10	Textiles & Textiles Articles	9.98	
Sl. No.	Name of Services	Revenue under GST	Ranking
1	Construction Services	248.15	1
2	Financial services	84.14	2
3	Support Services	65.60	3
4	Transport services	39.93	4
5	Communication Services	32.80	5
6	Other services	21.39	6
7	Real Estate, Leasing, rental services	17.11	7
8	Accommodation, Food & Beverage Services Professional Services	12.84	8
9	Professional Services	11.41	9
10	Maintenance & Repair services	5.70	10

Source: Information furnished by the Taxation Department, Manipur.

During 2022-23, under the Commodity Sector, Automobiles (₹ 68.46 crore), Miscellaneous Edible Preparations (₹ 32.80 crore) and Iron & Steel (₹ 31.38 crore) were the main contributors of SGST, while Construction Services (₹ 248.15 crore), Financial Services (₹ 84.14 crore) and Support Services (₹ 65.60 crore) were the main contributors of SGST under Service Sector.

5.1.3.7 Analysis of arrears of revenue

The arrears of revenue on account of Taxes/VAT and GST as on 31 March 2021 to 31 March 2023 are as shown in the following **Table**.

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		
		2021	2022	2023	2021	2022	2023
1	Taxes/ VAT	91.00	0.73	1.57	0.00	0.00	0.00
2	GST	0.00	1.57	0.87	0.00	0.00	0.00
Total		91.00	2.30	2.44	0.00	0.00	0.00

Source: Information furnished by the Taxation Department, Manipur.

It can be seen from the above table that the arrear of Taxes/VAT which were ₹ 91.00 crore at the end of March 2021 decreased considerably to ₹ 2.44 crore at the end of March 2023. There was no arrear of revenue (GST/VAT) outstanding for more than five years during 2020-21 to 2022-23.

5.2 Non-production of records to audit

The programme of local audit of Tax revenue/Non-tax revenue offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the Departments to enable them to keep the relevant records ready for audit scrutiny.

During the year 2022-23, there was one case under Transport Department where records⁹⁵ such as supporting vouchers for encashment of fully vouched Contingent bills of ₹ 81.25 lakh were not made available to audit. Break-up of the cases are given in the following table.

Table 5.2.1: Details of non-production of records

(₹ in lakh)

Name of the office/Department	Year in which it was to be audited	Number of cases not audited	Amount
Transport	2022-23	1	₹ 81.25

Source: Records of the Office of the Principal Accountant General (Audit), Manipur.

Details are shown in **Appendix 5.1**.

As the records were not produced for scrutiny, Audit was unable to vouch for the genuineness of the underlying transactions and therefore, possibilities of mis-utilisation of fund in those offices could not be ruled out.

⁹⁵ Supporting vouchers for encashment of fully Vouched Contingent Bills.

5.3 Audit Planning

The audit units under various Departments are categorised into high, medium and low risk units according to their revenue position, volume of transactions, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter alia* include critical issues in Government revenues and tax administration *i.e.* Budget Speech, White Paper on State Finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years, *etc.*

During the year 2022-23, there were 93 auditable units, of which 8 units were planned and audited, which was 100 *per cent* of the total planned units.

5.4 Results of Audit

Position of local audit conducted during the year

Test check of the records of Sub-Registrar (HQ), Imphal during the year 2022-23 showed short deposit of revenue collected to Government account to the tune of ₹ 0.03 crore. During the course of the year, the Department did not furnish any reply regarding under assessment and other deficiencies, which were pointed out in audit during 2022-23.

For the other units planned for audit during 2022-23 *viz.* Chief Secretary, Finance, Commissioner of Excise, Directorate of Settlement and Land Records, Sub-Registrar Offices, Inspection Reports have not been issued/are under process. Therefore, the amount involving underassessment/short levy/loss of revenue/non-realisation of outstanding revenues cannot be ascertained in respect of these Departments.

5.5 Coverage of this Report

This Chapter contains one Subject Specific Compliance Audit and three compliance audit paragraphs involving financial effect of ₹ 81.55 crore as discussed in the succeeding paragraphs.

COMPLIANCE AUDIT

TAXATION DEPARTMENT

5.6 Subject Specific Compliance Audit (SSCA) on Department's Oversight on GST Payments and Returns Filing

5.6.1 Introduction

Introduction of Goods and Services Tax (GST) has replaced multiple taxes levied and collected by the Centre and States. GST, which came into effect from 1 July 2017, is a destination-based consumption tax on the supply of goods or

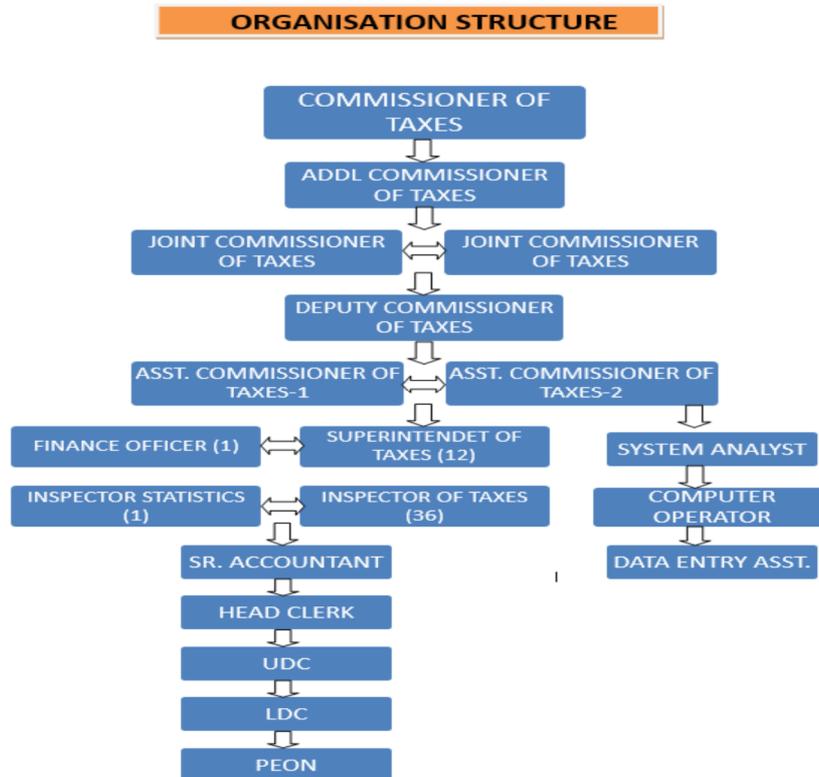
services or both levied on every value addition. The Centre and States simultaneously levy GST on a common tax base. Central GST (CGST) and State GST (SGST)/Union Territory GST (UTGST) are levied on intra-state supplies, and Integrated GST (IGST) is levied on inter-state supplies.

Section 59 of the Manipur GST (MGST) Act, 2017 stipulates GST as a self-assessment based tax, whereby the responsibility for calculating tax liability, discharging the computed tax liability and filing returns is vested with the taxpayer. The GST returns must be filed online regularly on the common GST portal, failing which penalties will be payable. Even if the business has no tax liability during a particular tax period, it must file a nil return mandatorily. Further, Section 61 of the MGST Act read with Rule 99 of MGST Rules, 2017 stipulate that the proper officer may scrutinize 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 Commissioner of Taxes (Department), Government of Manipur (GoM) in this new tax regime.

5.6.2 Organisational set up

The organisational set up of the Taxation Department, Manipur under GST regime is given in the following chart:



5.6.3 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 Returns filing’ was taken up with the following audit objectives to seek an assurance on:

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

5.6.4 Audit methodology and scope

This SSCA was predominantly conducted based on data analysis, which highlighted risk areas and red flags pertaining to the period July 2017 to March 2018. Through data analysis a set of 12 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, whereby these deviations were communicated to the relevant jurisdictional formations of State departmental field formations and action taken by the (Zones) 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 back-end system of the State Taxes Department’s application (boweb) as much as feasible to examine data/documents relating to taxpayers (*viz.*, registration, tax payment, returns and other departmental functions). The detailed audit also involved accessing relevant granular records from the taxpayers such as invoices through the respective field formations. This apart, compliance functions of the departmental formations such as scrutiny of returns, action on late filers of returns, delay in cancellation of registration, *etc.* were also reviewed in selected Zones.

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

Entry conference of this SSCA was held on 7 January 2022 with the Commissioner, Department of Taxes, Government of Manipur in which the audit objectives, sample selection, audit scope and methodology were discussed. The Exit Conference was held on 2 February 2023 with the Commissioner, Department of Taxes in which the audit findings were discussed. The views expressed by the Commissioner, Department of Taxes during the Exit Conference and the written replies to the draft report have been suitably incorporated in the relevant paragraphs.

5.6.5 Audit sample

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

There were three distinct parts of this SSCA as under:

(i) Part I-Audit of Zones

Five Zones⁹⁶ with jurisdiction over more than one selected sample of cases for Detailed Audit were considered as the sample of Zones for evaluation of their oversight functions.

(ii) Part II-Centralised Audit

The sample for Centralised Audit was selected by identification of high-value or high-risk deviations from rules and inconsistencies between returns through data analysis for evaluation of the adequacy and effectiveness of the scrutiny procedure of the Department. Accordingly, 151 cases were selected for Centralised Audit under this SSCA.

(iii) Part III-Detailed Audit

It was conducted by accessing taxpayers' records through Zones for evaluation of the extent of tax compliance by taxpayers. The sample of taxpayers for Detailed Audit was selected on the basis of risk parameters such as excess ITC, tax liability mismatch, disproportionate exempted turnover to total turnover and irregular ITC reversal. The 20 taxpayers selected for Detailed Audit comprised of Large⁹⁷, Medium⁹⁸ and Small⁹⁹ strata taxpayers as well as taxpayers selected randomly.

The details of sample for limited audit, detailed audit and audit of Zones selected for this SSCA are brought out in *Appendix 5.2*.

5.6.6 Audit criteria

The source of audit criteria comprised the provisions contained in the MGST Act, IGST Act, 2017 and Rules made thereunder. In addition, the notifications and circulars issued by State Tax Department relating to filing of returns, notifying the effective dates of filing of various returns, extending due dates for filing returns, rates of tax on goods and services, payment of tax, availing and utilising ITC, scrutiny of returns, oversight of tax compliance *etc.* and Standard

⁹⁶ Work Contract, Zone-3, Zone-8, Zone 9-1 and Zone 9-2.

⁹⁷ First category strata comprising large taxpayers – top 2.0 *per cent* of taxpayers based on turnover.

⁹⁸ Second category strata comprising medium taxpayers – next 8.0 *per cent* of taxpayers' based on the turnover.

⁹⁹ Third category strata comprising the small taxpayers – remaining 90 *per cent* of taxpayers.

Operating Procedures (SoP) containing instructions to Departmental officers on various aspects related to filing returns, scrutiny of returns and cancellation of registrations *etc.*, also formed part of the audit criteria.

Audit findings

The audit findings are categorised into the following three categories:

- a. Oversight on Zone functions - Audit of Zones
- b. Centralised Audit
- c. Detailed Audit.

5.6.7 Oversight on Zone functions – Audit of zones

The role of Zones is to provide oversight for ensuring compliance by taxpayers in respect of accuracy of the taxable value declared, calculation and payment of tax liabilities, filing of returns *etc.* For evaluating the functions of the Zones, the audit areas included (i) Action on non-filers (ii) Effectiveness of scrutiny (iii) Cancellation of registration.

5.6.7.1 Lack of action on non-filers

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

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

During Audit, it was noticed in the MIS GST back-end portal that 4,783 taxpayers in the five sampled zones did not file 68,623 returns for the years 2017-18 to 2020-21 (**Appendix 5.3**). Out of 68,623 cases of non-filers identified, GSTR-3A was issued in 8027 cases only for the year 2020-21 (**Appendix 5.4**). Further, the due process of issue of GSTR-3A followed by ASMT 13 was not observed in all the other remaining cases. Total estimated loss (Here expected SGST is calculated based on previous year total average SGST paid and the number of return defaulters and cumulative figure of each financial year is taken at the month of March) for the years 2017-18 to 2020-21 for the five zones amounted to ₹ 13.22 crore as per MIS report.

On this being pointed out (November 2022), the department stated (February 2023) that reply/clarification to audit observation would be given after due verification with departmental records. However, the reply is awaited (June 2023).

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

As per Section 61 of the MGST Act, 2017 various returns filed by taxpayers have to be scrutinized by the Proper Officer to verify the correctness of the returns, and suitable action has to be taken on any discrepancies or inconsistencies reflected in the returns. The Proper Officer designated for this purpose is the Zonal Officer (Superintendent of Taxes). Further, Rule 99 of the MGST Rules, 2017 mandates that the discrepancies, if any noticed, shall be communicated to the taxpayer to seek his explanation.

The Commissioner, Department of Taxes, Government of Manipur issued SoP for scrutiny of returns vide Instruction No. 01/2022 – GST dated 4th October 2022.

From the information provided by the five Zonal Superintendent of Taxes (ST) for the years 2017-18 to 2020-21, it was noticed that out of five zones, three zonal offices (Zone-8, Zone-9(1) & Zone-9(2)) had not carried out any scrutiny of taxpayers' returns during any of the years between 2017-18 and 2020-21. Further, for Zone-3 and Work Contract zone, scrutiny of returns was conducted for one and four taxpayers' returns respectively during 2017-18 to 2020-21. During the years 2017-18 to 2020-21, in Zone-3, SCN for nine returns intimating discrepancies of ₹ 16.76 lakh was issued to one taxpayer wherein the whole amount was recovered. Furthermore, during this period in respect of Work Contract zone, SCN to four taxpayers for 55 returns with discrepancies amount of ₹ 73.39 lakh were issued and the same amount was collected.

The matter was reported to the Department (November 2022). During exit conference (February 2023), the department stated that reply/clarification to audit observation would be given after due verification with departmental records. However, the reply is awaited (June 2023).

Recommendation 1: The Department may ensure to scrutinise the returns for all Zones with reference to the prescribed SoP.

5.6.7.3 Cancellation of registration

5.6.7.3.1 Date of cancellation prior to date of application

Rule 20 of MGST Rules, 2017 read with Circular No. 04/2018-GST dated 26 October 2018 provides that the taxpayer applying for cancellation of registration shall submit the application in Form GST REG-16 on the GST portal within a period of 30 days of the "occurrence of the event warranting the cancellation". The circular also specifies that the order for cancellation being the same as the date from which the applicant has sought cancellation in Form GST REG-16, in any case, the effective date should not be a date earlier than the date of application for the same.

Scrutiny of records revealed that 430 cases out of total 951 cases of cancellation on taxpayers' request were cancelled with effect from dates prior to the date of application of the taxpayers. The observation was communicated

(November 2022) to the Department. In response, the Department replied (February 2023) that after due verification detailed reply would be furnished.

5.6.7.3.2 Inadequate follow-up action on non-filing of GSTR-10

Section 45 of the MGST Act, 2017 read with Rule 81 of MGST Rules, 2017 stipulates that any person whose registration was cancelled should file final return in form GSTR-10 within three months of the effective date of cancellation or the date of order of cancellation, whichever is later. The last date for furnishing of GSTR-10 by those taxpayers whose registration has been cancelled on or before 30.09.2018 was extended till 31.12.2018 vide notification No. 22/2018-State Tax dated 26 October 2018.

Section 46 of the MGST Act read with rule 68 of the MGST Rules, 2017 requires issuance of a notice in FORM GSTR-3A to a registered person who fails to furnish return under section 39 or section 44 or section 45. If the taxpayer still fails to file the final return within 15 days of the receipt of notice, then an assessment order in FORM ASMT-13 under Section 62 of the MGST Act read with Rule 100 of the MGST Rules shall have to be issued to determine the liability of the taxpayer under sub-section (5) of Section 29 of MGST Act. If the taxpayer files the final return within 30 days of the date of service of the order ASMT-13, then the said order shall be deemed to have been withdrawn. However, the liability for payment of interest and late fee shall continue.

From MIS GST back-end portal, Audit noticed that 1,610 cases of GSTR-10 were liable to be filed during the financial year 2017-18 to 2020-21 (*Appendix 5.5*) for five zones. However, only 101 cases of GSTR-10 were filed before due date and 22 cases of GSTR-10 filed after due date. As per information provided by the ST, no action was taken on defaulters in filing GSTR-10. The ST neither issued notice in GSTR-3A nor was any ASTM 13 issued during the period. Thus, no recovery proceedings were initiated by the ST against the defaulters.

During exit conference (February 2023) the department stated that reply/clarification to audit observation would be given after due verification with departmental records. However, the reply is awaited (June 2023).

Recommendation No. 2. The Department may exercise due diligence in cancellation of registrations.

5.6.8 Inconsistencies in GST returns -Centralised audit

Audit analysed GST returns data pertaining to 2017-18 as made available by GSTN. Rule-based deviations, and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 12 parameters, which can be broadly categorised into two domains - ITC and Tax payments.

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

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

The pan-state data analysis pertaining to state jurisdiction on 151 selected samples of the 12 identified parameters and extent of deviations observed are summarised below.

Table 5.6.1: Summary of pan-state data analysis

(₹ in crore)

Sl. No.	Parameter	Algorithm used	Number of deviations/mismatches	Amount of deviations/mismatches
Domain: ITC				
1.	Mismatch in availing of ITC	ITC available as per GSTR2A with all its amendments was compared with the ITC availed in GSTR 3B {Table 4A(5)} (accrued on domestic supplies) considering the reversals in Table 4B(2) but including the ITC availed in the subsequent year 2018-19 from Table 8(C) of GSTR 9.	25	6.41

Sl. No.	Parameter	Algorithm used	Number of deviations/mismatches	Amount of deviations/mismatches
2.	Mismatch in availing of ITC under RCM	RCM payments in GSTR 3B Table 3.1(d) was compared with ITC availed in GSTR 9 Table (6C+6D+6F). In cases where GSTR 9 was not available, RCM liability in GSTR-3B Table 3.1(d) was compared with GSTR-3B Table {4A(2) + 4A(3)}.	25	4.11
3.	Mismatch in availing of ITC under RCM without payment	RCM liability declared in GSTR 9 Table 4G was compared with ITC availed in GSTR-9 Table (6C+6D+6F). In cases where GSTR-9 was not available, RCM payments in GSTR 3B Table 3.1(d) was compared with GSTR-3B 4(A)(2) and 4A(3).	1	0.00 ¹⁰⁰
4.	Incorrect availment of ISD credit	ISD received in GSTR-9 Table 6G was compared with ITC transferred in GSTR-6 (sum of Table 5A +Table 8A +Table 9A of GSTR-6) of the distributor. In cases where GSTR-9 is not available then GSTR-3B Table 4(A)(4) compared with sum of Table 5A +Table 8A +Table 9A of GSTR-6.	9	0.54
5.	Mismatch in ITC availed between annual returns and financial statement (Table 12 F of GSTR 9C)	Positive entries in 12F of GSTR 9C.	10	0.92
6.	Reconciliation between ITC availed in annual returns with expenses in financial statements (Table 14T of GSTR 9C)	Positive entries in 14T of GSTR 9C.	10	32.81
Domain-Tax payments				
7.	Mismatch in turnover between annual return and financial statement (Table 5R of GSTR 9C)	Negative figure in GSTR 9C Table 5R.	20	32.33
8.	Mismatch in taxable turnover between annual return and financial statement (Table 7G of GSTR 9C)	Negative figure in GSTR 9C Table 7G.	5	19.93
9.	Mismatch in tax paid between books of accounts and annual returns (Table 9R of GSTR 9C)	Negative figure in GSTR 9C Table 9R.	25	1.51
10.	Undischarged tax liability	Greater of tax liability between GSTR-1 (Table 4 to 11) and GSTR-9 (Table 4N, 10 & 11) was compared with tax paid details in GSTR-3B Table {3.1 (a) + 3.1 (b)}. In cases where GSTR-9 was not available, tax paid in GSTR-3B was compared with GSTR-1 liability. The amendments and advance adjustments declared in GSTR-1 and GSTR-9 were duly considered.	10	5.33
11.	Cases where GSTR-3B not filed but GSTR-1 or GSTR 2A available	Taxpayers who had not filed GSTR-3B but filed GSTR-1 or where GSTR-2A available, indicating taxpayers had carried the business without discharging tax.	1	0.01

¹⁰⁰ 5,994 (amount in ₹)

Sl. No.	Parameter	Algorithm used	Number of deviations/mismatches	Amount of deviations/mismatches
12.	Short payment of interest on delayed payments	Interest calculated at the rate of 18 per cent on cash portion of tax payment on delayed filing of GSTR-3B vis-a-vis interest declared in GSTR-3B Table 6.1.	10	1.96
	Total		151	105.86

Audit selected a sample of 151 cases with a total deviation of ₹ 105.86 crore from amongst the top deviations in each of the 12 parameters for the year 2017-18. The audit check in these cases was limited to verifying the Department's action on the identified deviations/mismatches.

The audit observations are summarised below:

5.6.8.1 Results of centralised audit

Based on responses received from the Department to the Audit Queries, the extent to which each of the 12 parameters translated into compliance deviations is summarised below.

Table 5.6.2: Responses received from the Department to the Audit Queries

(₹ in crore)

Audit Dimension	Cases where reply received		Department reply accepted by Audit						Compliance deviation				Total	
			Data entry errors		Action taken before query (proactively)		Other valid explanation ¹⁰¹		Accepted by Dept. including cases where action is yet to be initiated		Under correspondence /not issued with taxpayer			
			No	Amt	No	Amt	No	Amt	No	Amt	No	Amt		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)=10+12	(15)=11+13
Mismatch in availing of ITC	25	6.41	0	0.00	1	0.10	0	0.00	1	0.18	18	4.86	19	5.04
Mismatch in availing of ITC under RCM	25	4.11	0	0.00	0	0.00	0	0.00	6	0.03	13	1.01	19	1.04
Mismatch in availing of ITC under RCM without payment	1	0.00 ¹⁰²	0	0.00	0	0.00	0	0.00	0	0.00	1	0.00 ¹⁰³	1	0.00 ¹⁰⁴
Incorrect availment of ISD credit	9	0.54	1	0.00 ¹⁰⁵	0	0.00	0	0.00	0	0.00	7	0.52	7	0.52
Mismatch in ITC availed between Annual return and financial statement (Table 12F of 9C)	10	0.92	0	0.00	4	0.14	0	0.00	1	0.03	4	0.58	5	0.61
Reconciliation between ITC declared in Annual return with expenses in financial statement (Table 14T of 9C)	10	32.81	0	0.00	0	0.00	3	8.93	0	0.00	4	20.26	4	20.26
Mismatch in turnover between annual return and financial statement (Table 5R of 9C)	20	_106	0	0.00	1	-	4	-	2	-	12	-	14	-
Mismatch in taxable turnover between annual return and financial statement (Table 7G of 9C)	5	_107	0	0.00	1	-	1	-	0	0.00	3	-	3	-

¹⁰¹ Appendix 5.6

¹⁰² 5994 (amount in ₹)

¹⁰³ 5994 (amount in ₹)

¹⁰⁴ 5994 (amount in ₹)

¹⁰⁵ 4319 (amount in ₹)

¹⁰⁶ Total unreconciled turnover (TO) in table 5R of GSTR-9C in the 20 cases is ₹ 32.33 crore, out of which five cases of mismatched TO of ₹ 5.47 crore was accepted by Audit, in 12 cases involving mismatched TO of ₹ 26.57 crore were under correspondence with taxpayers and in two cases of mismatched TO of ₹ 0.11 crore were recovered by the department. In one case involving mismatched TO of ₹40416 was under examination by the department.

¹⁰⁷ Total unreconciled taxable turnover (TTO) in table 7G of GSTR-9C in the five cases is ₹ 19.93 crore, out of which two cases involving mismatched TO of ₹ 6.25 crore was accepted by Audit, in three cases of mismatched TO of ₹ 13.68 crore were under correspondence with taxpayer.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)=10+12	(15)=11+13
Mismatch in tax paid between books of accounts and annual return (Table 9R of 9C)	25	1.51	0	0.00	4	0.03	2	0.24	2	0.00 ¹⁰⁸	15	1.23	17	1.23
Undischarged tax liability	10	5.33	2	0.87	0	0.00	0	0.00	1	0.37	6	3.84	7	4.21
Cases where GSTR 3B not filed but GSTR 1 or 2A available	1	0.01	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Short payment of interest on delayed payment	10	1.96	0	0.00	2	0.83	0	0.00	2	0.47	6	0.66	8	1.13
Total	151	53.60	3	0.87	13	1.10	10	9.17	15	1.08	89	32.96	104	34.04

Audit Dimension	Deptt. reply not furnished with appropriate documentary evidence/ Reply not accepted		Deptt. stated they are examining the Audit Query ¹⁰⁹		Total	
	No	Amt	No	Amt	No	Amt
(1)	(16)	(17)	(18)	(19)	(20)=16+18	(21)=17+19
Mismatch in availing of ITC	2	0.31	3	0.96	5	1.27
Mismatch in availing of ITC under RCM	1	0.02	5	3.05	6	3.07
Mismatch in availing of ITC under RCM without payment	0	0.00	0	0.00	0	0.00
Incorrect availing of ISD credit	1	0.02	0	0.00	1	0.02
Mismatch in ITC availed between Annual return and financial statement (Table 12F of 9C)	0	0.00	1	0.17	1	0.17
Reconciliation between ITC declared in Annual return with expenses in financial statement (Table 14T of 9C)	0	0.00	3	3.62	3	3.62
Mismatch in turnover between annual return and financial statement (Table 5R of 9C)	0	0.00	1	0.00 ¹¹⁰	1	0.00 ¹¹¹
Mismatch in taxable turnover between annual return and financial statement (Table 7G of 9C)	0	0.00	0	0.00	0	0.00
Mismatch in tax paid between books of accounts and annual return (Table 9R of 9C)	0	0.00	2	0.01	2	0.01
Undischarged tax liability	1	0.25	0	0.00	1	0.25
Cases where GSTR 3B not filed but GSTR 1 or 2A available	1	0.01	0	0.00	1	0.01
Short payment of interest on delayed payment	0	0.00	0	0.00	0	0.00
Total	6	0.61	15	7.81	21	8.42

Summary of Centralised Audit

Audit noticed deviations from the provisions of the Act in 104 cases (Col Nos. 10 and 12) involving mismatch in ITC/tax liability of ₹ 34.04 crore (Col. Nos. 11 and 13) constituting 68.87 per cent of the 151 inconsistencies/mis-matches in data for which the Department provided responses. Relatively higher rates of deviations were noticed in risk parameters such as mismatch in availing of ITC, mismatch in tax paid, short payment of interest on delayed payment etc.

In 26 cases (Col. Nos. 4, 6 and 8) constituting 17.22 per cent, where the Department's reply was acceptable to Audit involving mismatch in tax paid, mismatch in availing of ITC amounting to ₹ 11.14 crore (Col. Nos. 5, 7 and 9), data entry errors by taxpayers comprised three cases (Col. No. 4)

In 15 cases (Col. No.18) constituting 9.93 per cent, the Department stated that it was examining the underlying deviation (including mismatch in tax paid, mismatch in availing of ITC) of ₹ 7.81 crore (Col. No. 19). In the remaining 6 cases (Col. No. 16) involving deviation amount of ₹ 0.61 crore (Col. No. 17) constituting 3.97 per cent, though the department did not accept the deviations as pointed out by Audit, its contention was not borne out by evidence and was thus not amenable to verification by Audit.

¹⁰⁸ 34549 (amount in ₹)

¹⁰⁹ Appendix 5.7

¹¹⁰ 40416 (amount in ₹)

¹¹¹ 40416 (amount in ₹)

Illustrative case as detailed in Table 5.6.3 below, for dimension of Centralised audit (for compliance deviation pertaining to recovery and notice issued/under correspondence with taxpayer) are as under:

Table 5.6.3: Top case for each dimension of Centralised audit

(₹ in crore)

Sl. No.	Dimension	Name of the taxpayer (GSTIN)	Jurisdictional zone	Mismatch	Action taken
1	Mismatch in availing of ITC	M/S Solitaire (14AHEPT6513G2ZE)	Zone-9-1	1.14	The department stated (September 2022) that the taxpayer did not furnish reply to the notice served and reminder notice was issued.
2	Mismatch in availing of ITC under RCM	K Morung and Sons (14AAHFK3607J1ZG)	WC	0.32	The department stated (August 2022) that reply to the notice issued was not furnished by the taxpayer.
3	Mismatch in availing of ITC under RCM without payment	M/S Delta (14AFQPT9427H3ZS)	Zone-4	0.00 ¹¹²	The department stated (June 2022) that notice was served to the taxpayer.
4	Incorrect availment of ISD credit	M/S Khagemba Transmission & Construction (14AAMFK3477D1ZC)	WC	0.45	The department stated (August 2022) that reply to the notice served was not received and second reminder notice was issued.
5	Mismatch in ITC availed between Annual returns and financial statement (Table 12F of GSTR 9C)	M/S Achy Cassette Gallery (14EYKPS0653F1ZC)	Zone-9-1	0.27	The department stated (September 2022) that reply to the notice served was not furnished by the taxpayer and reminder notice was issued.
6	Reconciliation between ITC declared in Annual returns with expenses in financial statements (Table 14T of GSTR 9C)	M/S Manipur Trading Corporation (14ABWPJ7023R1ZX)	Zone-3	12.29	The department stated (August 2022) that notice was issued to the taxpayer.
7	Mismatch in turnover between Annual return and financial statement (Table 5R of GSTR-9C)	M/S Gazal Caterers (14aadfg924711z4)	Zone-9-1	13.70	The department stated (August 2022) that reply to the notice served was not furnished by the taxpayer and reminder notice was issued.
8	Mismatch in taxable turnover declared between Annual return and financial statement (Table-7G of GSTR-9C)	M/S Ph. Adim (14AKDPA9561D1ZK) (WC)	WC	9.92	The department stated (August 2022) that notice was issued to the taxpayer but reply awaited.
9	Mismatch in tax paid between books of accounts	M/S Vensar Constructions Company	WC	0.58	The department stated (August 2022) that the reply to the notice served was not furnished by the

¹¹² 5994

Sl. No.	Dimension	Name of the taxpayer (GSTIN)	Jurisdictional zone	Mismatch	Action taken
	and annual return (Table 9R of GSTR-9C)	(14AAACV 8199G1Z0)			taxpayer and second reminder notice was issued.
10	Undischarged tax liability	Konsam Inakhunba Meitei (14DZEPS2 144p1zy)	WC	1.26	The department stated (August 2022) that the reply to the notice served was not furnished by the taxpayer and second reminder notice was issued.
11	Short payment of interest on delayed payments	M/S Coastal Project Limited (14AABCC 1907E1ZC)	Zone-8	0.24	The department stated (September 2022) that reply to the notice served was not received from the taxpayer.

Illustrative cases for each highest value case from each dimension for the above table are as shown below:

(i) Dimension - Mismatch in availing of ITC

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

To analyse the veracity of ITC utilisation, relevant data were extracted from GSTR-3B and GSTR-2A for the year 2017-18, and the ITC paid as per suppliers' details was matched with the ITC credit availed by the taxpayer. The methodology adopted was to compare the ITC available as per GSTR-2A with all its amendments and the ITC availed in GSTR-3B in Table 4A (5)¹¹³ considering the reversals in Table 4B (2)¹¹⁴ but including the ITC availed in the subsequent year 2018-19 from Table 8C of GSTR-9.

Audit observed that in case of a taxpayer, M/S Solitaire (GSTIN no. 14AHEPT6513G2ZE) under Zone-9-1 the ITC available as per GSTR 2A is ₹ 0.02 crore and ITC availed in table 4A (5) of GSTR-3B was ₹ 1.16 crore. This resulted in mismatch of ITC availed amounting to ₹ 1.14 crore which was communicated to the department (May 2022). In response, the department stated (September 2022) that the taxpayer did not furnish reply to the notice served and reminder notice was issued.

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

In Reverse Charge Mechanism (RCM), the liability to pay tax is fixed on the recipient of supply of goods or services instead of the supplier or provider in respect of certain categories of goods or services or both under Section 9(3) or Section 9(4) of the MGST Act, 2017.

GSTR-9 is an annual return to be filed once for each financial year, by the registered taxpayers who were regular taxpayers, including SEZ units and SEZ

¹¹³ All other eligible ITC.

¹¹⁴ Other ITC reversed.

developers. The taxpayers are required to furnish details of purchases, sales, input tax credit or refund claimed, or demand created *etc.*

To analyse the veracity of ITC availed on tax paid under RCM for the year 2017-18, the datasets pertaining to GSTR-3B and annual return GSTR-9 were compared to check whether the ITC availed on RCM was restricted to the extent of tax paid. The methodology adopted was to compare the RCM payments in GSTR-3B Table 3.1(d)¹¹⁵ with ITC availed in GSTR-9 Table 6C¹¹⁶, 6D¹¹⁷ and 6F¹¹⁸. In cases where GSTR-9 was not available, the check was restricted within GSTR-3B where the tax discharged part in Table 3.1(d) was compared with the ITC availed part of Table 4A (2)¹¹⁹ and 4A (3)¹²⁰.

Audit observed that in case of a taxpayer K Morung and Sons (GSTIN no. 14AAHFK3607J1ZG under Zone-WC) the ITC available in Table 3.1(d) of GSTR-3B was ₹ 0 and the ITC availed in Table 4A (2) and 4A (3) of GSTR-3B was ₹ 31.68 lakh resulting in mismatch of ITC availed amounting to ₹ 31.68 lakh which was communicated to the department (May 2022). In this regard, the department stated (August 2022) that the reply to the notice issued was not furnished by the taxpayer.

(iii) Dimension – Mismatch in availing of ITC on RCM without payment of tax

The extent of availing of ITC under RCM for the year 2017-18 without discharging equivalent tax liability or, in other words, short payment of tax under RCM was analysed by comparing the datasets pertaining to GSTR-3B and annual return GSTR-9 to check whether the tax has been discharged fully on the activities/transactions under RCM. In cases where GSTR 9 was filed, the RCM payments in Table 4G¹²¹ was compared with ITC availed in Tables 6C, 6D and 6F. In cases where GSTR-9 was not available, RCM payments in GSTR-3B Table 3.1(d)¹²² was compared with GSTR-3B 4(A) (2)¹²³ and 4A (3)¹²⁴.

Audit observed that in case of M/s Delta (GSTIN no. 14AFQPT9427H3ZS under Zone-4), RCM payments in Table 4A (3) of GSTR 3B was ₹ 5,994 and compared with Table 3.1(d) of GSTR-3B of ₹ 0. This resulted in excess availment of ITC of RCM without payment of tax amounting to ₹ 5,994, which was pointed out (May 2022) to the department. In response, the department stated (June 2022) that notice was served to the taxpayer.

¹¹⁵ Inward supplies (liable to reverse charge).

¹¹⁶ Inward supplies received from unregistered persons liable to reverse charge.

¹¹⁷ Inward supplies received from registered persons liable to reverse charge.

¹¹⁸ Import of services.

¹¹⁹ Import of services.

¹²⁰ Inward supplies (liable to reverse charge).

¹²¹ Inward supplies on which tax is to be paid on reverse charge basis.

¹²² Inward supplies (liable to be reverse charge).

¹²³ Import of services.

¹²⁴ Inward supplies liable to be reverse charge other than Import of Goods and Services.

(iv) Dimension - Incorrect availing of ISD credit

To analyse whether the ITC availed by the taxpayer is in excess of that transferred by the Input Service Distributor (ISD), ITC availed as declared in the returns of the taxpayer was compared with the ITC transferred by the ISD in their GSTR-6. The methodology adopted was to compare Table 6G¹²⁵ of GSTR-9 or Table 4(A)(4)¹²⁶ of GSTR-3B of the recipient taxpayers under the jurisdiction of this State with the sum of Table 5A¹²⁷, Table 8A¹²⁸, and Table 9A¹²⁹ of GSTR-6 of the respective ISD.

In case of a taxpayer M/S Khagemba Transmission & Construction (Zone-Works Contract & GSTIN no. 14AAMFK3477D1ZC), Audit observed that the ITC availed in Table 6G of GSTR-9 was ₹ 44.93 lakh and the ITC transferred by the ISD in Table (5A+8A+9A) of GSTR-6 was ₹ 0. This resulted in incorrect availing of ITC to the tune of ₹ 44.93 lakh, which was communicated to the department. On this being pointed out (June 2022), the department stated (August 2022) that reply to the notice served was not received and second reminder notice was issued.

(v) Dimension - Mismatch in ITC between Annual Return and Financial Statement (Table 12F of GSTR-9C)

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

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

Unreconciled ITC of ₹ 26.66 lakh declared in Table 12F of GSTR-9C, being ITC availed in GST returns in excess of eligible ITC based on financial statements, in case of M/s Achy Cassette Gallery under Zone-9-1 with GSTIN No. 14EYKPS0653F1ZC was noticed and communicated to the department (May 2022). The department stated (September 2022) that reply to the notice served was not furnished by the taxpayer and reminder notice was issued.

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

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

¹²⁵ ITC received from ISD.

¹²⁶ Inward supplies from ISD.

¹²⁷ Distribution of the amounts of eligible ITC for the tax period.

¹²⁸ Mismatch of ITC reclaimed and distributed.

¹²⁹ Redistribution of ITC distributed to a wrong recipient.

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

Unreconciled ITC of ₹ 12.29 crore declared in Table 14T of GSTR-9C, being ITC availed in GST returns in excess of eligible ITC based on expenses reported in financial statements, in case of M/S Manipur Trading Corporation (GSTIN No. 14ABWPJ7023R1ZX) under Zone-3 was noticed and communicated to the department (May 2022). In response, the department replied (August 2022) that notice was issued to the taxpayer.

(vii) Dimension - Mismatch in turnover between Annual Return and Financial Statement (Table 5R of GSTR-9C)

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

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

Audit query on unreconciled turnover in Table 5R of GSTR-9C, amounting to ₹ 13.70 crore issued in respect of taxpayer, M/S Gazal Caterers under Zone-9-1 (GSTIN no. 14AADFG9247L1Z4) was communicated to the department. On this being pointed out (May 2022), the department stated (September 2022) that reply to the notice served was not furnished by the taxpayer and reminder notice was issued.

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

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

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of MGST Rules, 2017 in Form GSTR 9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in

taxable turnover reported in the Annual Return *vis-à-vis* the Financial Statements. The unreconciled amount in cases where the taxable turnover in GSTR 9 is less than the financial statement indicates non-reporting, under-reporting, short-reporting, omission, error in reporting of taxable supplies. It could also be on account of non-reporting of both taxable and exempted supplies.

Audit query on unreconciled taxable turnover in Table 7G of GSTR-9C amounting to ₹ 9.92 crore was issued in respect of taxpayer M/S Ph. Adim (GSTIN No. 14AKDPA9561D1ZK under Works contract zone) and communicated (May 2022) to the department. In response, the department stated (August 2022) that the reply to the notice served was not furnished by the taxpayer and second reminder notice was issued.

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

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

Unreconciled payment of tax declared in Table 9R of GSTR-9C amounting to ₹ 58.40 lakh in case of M/s Vensar Constructions Company under Works Contract (GSTIN No. 14AAACV8199G1Z0) was communicated to the department (May 2022). In response, the department stated (August 2022) that the reply to the notice served was not furnished by the taxpayer and second reminder notice was issued.

(x) Dimension - Undischarged tax liability

GSTR-1 depicts the monthly details of outward supplies of Goods or Services. This details also assessed by the taxpayer are mentioned in annual return GSTR-9 in the relevant columns. 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 year 2017-18 and the tax payable in these returns was compared with the tax paid as declared in GSTR-9. Where GSTR-9 was not available, a comparison of tax payable between GSTR-1 and GSTR-3B was

resorted to. The amendments and advance adjustments declared in GSTR-1 and 9 were also considered for this purpose.

For the algorithm, Tables 4 to 11 of GSTR-1 and Tables 4N, 10 and 11 of GSTR-9 were considered. The greater of the tax liability between GSTR-1 and GSTR-9 was compared with the tax paid declared in Tables 9 and 14 of GSTR-9 to identify the short payment of tax. In the case of GSTR-3B, Tables 3.1(a)¹³⁰ and 3.1(b)¹³¹ were taken into account.

It was observed that in case of taxpayer in the name of Konsam Inakhunba Meitei (Work Contract & GSTIN no. 14DZEPS2144P1ZY) the tax payable in GSTR-1 was ₹ 38.26 lakh and the tax payable declared in GSTR-9 was ₹ 164.07 lakh, and the greater of the two, the tax payable in GSTR-9 was taken into consideration. The tax payable was compared with tax paid as declared in GSTR-9 *i.e.*, ₹ 38.26 lakh. This resulted in a mismatch of tax liabilities of ₹ 125.81 lakh which was communicated to the department. On this being pointed out (May 2022), the department stated (August 2022) that the reply to the notice served was not furnished by the taxpayer and second reminder notice was issued.

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

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

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

Audit observed that in case of taxpayer in the name of M/S Coastal Project Limited (GSTIN No. 14AABCC1907E1ZC) under Zone-8 the returns (GSTR-3B) pertaining to the months of July 2017 to March 2018 involving tax liability (tax paid in cash) amounting to ₹ 430.48 lakh were filed with delay. This resulted in short payment of interest to the tune of ₹ 24.35 lakh which was communicated to the department. On this being pointed out (June 2022), the department (September 2022) stated that reply to the notice served was not received from the taxpayer.

During exit conference (February 2023), the Commissioner stated that the department would take immediate action on audit observations regarding ITC cases and issue notices, call for hearing, *etc.* However, the action taken in this regard is awaited (June 2023).

¹³⁰ Outward taxable supplies (other than zero rated, nil rated and exempted).

¹³¹ Outward taxable supplies (Zero rated).

5.6.8.2 Analysis of causative factors

1. Deviations from GST law and rules: Cases accepted or action initiated by the department: Out of the 151 deviations summarised in Table 5.6.2 above, the Department has accepted the audit observations or initiated departmental examination in 104 cases with mismatch in ITC/tax liability of ₹ 34.04 crore. Out of these cases, the department has recovered ₹ 1.08 crore in fifteen cases (*Appendix 5.8*) and was in correspondence with the respective taxpayers in 89 cases (*Appendix 5.9*) involving mismatch in ITC/tax liability of ₹ 32.97 crore.

Two illustrative cases where the Department accepted or initiated action are given below:

i. It was observed in the case of M/S Ideal Computer (14BHXP8032R1ZF, Zone-1) that the tax payable in GSTR-1 was ₹ 59.22 lakh and the tax payable declared in GSTR-9 was ₹ 62.07 lakh, and considering the greater of the two, the tax payable in GSTR-9 is taken into consideration and the tax payable was compared with tax paid as declared in GSTR-9 *i.e.*, ₹ 25.01 lakh. This resulted in a mismatch of tax liabilities of ₹ 37.06 lakh which was communicated to the department. On this being pointed out (May 2022), the department stated (August 2022) the discrepancy amount had been paid through DRC-03 dated 30 June 2022.

ii. Audit observed that in case of M/S Keystone Infra Private Limited (14AACCK6531F1ZV -WC) the return (GSTR-3B) pertaining to the months of July 2017 to March 2018 involving tax liability (tax paid in cash) amounting to ₹ 3.49 crore were filed with delay. This resulted in short payment of interest to the tune of ₹ 23.05 lakh which was communicated to the department. On this being pointed out (June 2022), the department (September 2022) stated that the discrepancy amount had been paid through DRC-03 dated 28 September 2022.

2. Cases where department's reply is not furnished with appropriate documentary evidence

Out of the 151 replied cases, the Department has not accepted six cases amounting (including mismatch) to ₹ 0.61 crore (*Appendix 5.10*). In these cases, the department only forwarded explanation of the taxpayers either without explicitly commenting on the audit observations or without appropriate documentary evidence. An illustrative case is given below:

It was observed that in the case of M/s Gonakar Nandi (GSTIN no. 14AKZPN6115C1Z3) under Zone-8 the tax payable in GSTR-1 was ₹ 41.33 lakh and tax payable declared in GSTR-9 was ₹ 16.29 lakh, and the greater of the two, tax payable in GSTR-1 was taken into consideration. The tax payable was compared with tax paid as declared in GSTR-9 *i.e.*, ₹ 16.29 lakh. This resulted in a tax liability amounting to ₹ 25.04 lakh which was communicated to the Department (May 2022). In response, the department forwarded (September 2022) only the copies of GSTR-9 and GSTR-1 for FY-2017-18 without clarification. As such, Audit could not accept their reply on the basis of lack of proper clarification.

3. Data entry errors by taxpayers: The data entry errors constituted 1.98 *per cent* (Three out of 151 cases) of the total responses received and 17.21 *per cent* (26 out of 151) of cases where the Department's responses were accepted by Audit. These data entry errors involved ₹ 0.87 crore (*Appendix 5.11*). The data entry errors relate to undischarged liability and ISD. An illustrative case is brought out below:

A deviation amounting to ₹ 0.49 crore was identified as undischarged tax liability of the taxpayer M/S Dhana Lakshmi Private Limited (GSTIN No. 14AABCD8080D1ZZ under Zone-2) and was communicated to the department (May 2022). On being pointed out, the department replied (June 2022) that the taxpayer did not make any taxable supplies during the FY 2017-18. The discrepancy was due to clerical error while filing GSTR-1 where the taxable supplies belonging to other verticals business was erroneously entered in taxpayer's GSTR-1 and it was later rectified in December 2017.

4. Action taken before issue of Audit Queries: As summarised in Table 5.6.2 above, the Department had already taken action in 13 cases (*Appendix 5.12*), constituting 8.61 *per cent* out of the 151 responses received.

An illustrative case is brought below:

Audit observed that in case of a taxpayer, M/s Vensar Constructions Company (GSTIN no. 14AAACV8199G1Z0 under WC), the returns (GSTR-3B) pertaining to the months of July 2017 to March 2018 involving tax liability (tax paid in cash) of ₹ 13.41 crore, were filed with delay. This resulted in a short payment of interest amounting to ₹ 0.58 crore which was communicated (May 2022) to the department. The department stated (September 2022) that the taxpayer paid the interest payment of ₹ 0.58 crore through DRC-03 dated 14 September 2021.

Recommendation No. 3. The Department may take up the matter with the GST Council to insert validation controls in GST Portals as highlighted above to curb data entry errors, enhance taxpayer compliance and facilitate better scrutiny.

5.6.9 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 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 in the Office of the Principal Accountant General (Audit), Manipur. Based on desk review results, detailed audit was conducted in the Office of the Commissioner of Taxes, Government of Manipur by requisitioning corresponding granular records of taxpayers such as financial ledgers, invoices *etc.* to identify causative factors of the identified risks and to evaluate compliance by taxpayers.

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 department. Non-compliance by taxpayers at various stages ultimately impacts the veracity of returns filed, utilisation of ITC and discharge of tax payments. The audit findings are, therefore, categorised under a) Returns, b) Utilisation of ITC, and b) Discharge of tax liability.

5.6.9.1 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 taxpayers' records available in the back-end system, Audit identified the risks related to excess ITC and tax liability mismatches for detailed examination. On the ITC dimension, the mismatches were identified by comparing GSTR-3B with GSTR-2A and GSTR-9, and the declarations made in Table 12 and 14 of GSTR-9C. On the tax liability dimension, the mismatches were identified by comparing GSTR-3B with GSTR-1 and GSTR-9 and the declarations in Table 5, Table 7 and Table 9 of GSTR-9C. However, in 13 cases out of 20 sampled cases, the Department did not produce the corresponding granular records such as the supplementary financial ledgers, invoices, agreement copies, returns, vouchers, credit note debit note, *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 zones. The jurisdiction-wise non- production of records is summarised in **Table 5.6.4**. The case-wise listing of non-production is given in **Appendix 5.13**.

Table 5.6.4: Non-production of records

Jurisdictional zone of State Tax Department	Sample	No of cases where records were not provided
	Number of taxpayers	Number of taxpayers
Works contract	9	8
Zone-1	1	1
Zone-2	1	0
Zone-3	2	1
Zone-8	4	2
Zone-9(1)	2	0
Zone-9(2)	1	1
Total	20	13

The granular records were not produced in 65 per cent of cases, as a result deviation/mismatches in ITC and tax liability amounting to ₹ 19.52 crore could not be examined in detail by Audit.

Recommendation 4: The Government may instruct the Departmental units for ensuring timely and complete production of records to Audit.

5.6.9.2 Filing of Returns

1. Non-payment of interest by taxpayers on delayed filing of returns

Section 50 of the MGST Act stipulates that every person liable to pay tax in accordance with the provisions of this Act or the rules made there under but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay interest at the rate as such rate, not exceeding 18 per cent as may be notified.

As per CBIC notification¹³² vide 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.

Scrutiny of GSTR-3B returns for the period 2017-18 filed by 20 taxpayers of seven zonal offices revealed that four taxpayers of three zones submitted returns with delay as enumerated in **Appendix 5.14**. This resulted in short payment of interest amounting to ₹ 0.40 lakh for the tax liability (cash payment of tax amounting to ₹ 1.31 crore) which was communicated to the department (November 2022). The department replied (February 2023) that immediate action will be taken up.

2. Registration not cancelled even on continuous default in GST return filing for over six months

Section 29(2) of MGST Act, 2017 states that the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where any person, other than composition scheme taxpayers, has not furnished returns for a continuous period of six months.

Audit noticed that four taxpayers filed GSTR 3B returns for the year 2017-18 with delays of more than 180 days in contravention of Section 29(2) of MGST Act, 2017. Thus, there were delays ranging from 203 to 635 days *i.e.*, delays of more than six months.

Table 5.6.5: Details of taxpayers with delays more than 180 days for filing GSTR-3B

Sl. No.	Trade-name & GSTIN of the taxpayer (jurisdiction)	Number of returns where delay is more than 180 days for filing GSTR-3B	Delay (days)
1	HCC CP PL (JV) & 14AAAAH5541G1Z2 (WC)	6	203 to 350
2	Kh. Jiten Singh & 14ATYPS6558C1Z2 (WC)	3	571 to 630

¹³² There was no such notification from the State Tax Department

Sl. No.	Trade-name & GSTIN of the taxpayer (jurisdiction)	Number of returns where delay is more than 180 days for filing GSTR-3B	Delay (days)
3	S. Mani Filling Centre & 14BUCPD9914P1ZB (Zone-8)	9	227 to 470
4	Manipur State Power Company & 14AAJCM2960M2Z5 (Zone-9-1)	9	395 to 635

In none of the above cases, registration was cancelled by the ST.

When audit pointed this out (September to December 2022), the department stated (February 2023) that the department would take immediate action.

5.6.9.3 Mismatch relating to Input Tax Credit

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

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

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

Audit observed 25 instances of mismatches, amounting to ₹ 23.65 crore out of 20 sampled cases examined. The deficiencies were due to availing ITC irregularly, availing ineligible ITC and non or short reversal of ITC. Hence, these cases remain as mismatches.

The details of mismatches in input tax credit noticed by Audit are given in **Table 5.6.6**.

Table 5.6.6. Mismatch in input tax credit claimed by taxpayers

Sl. No.	Parameter	No. of cases	No. of zonal offices	Amount of mismatch (₹ in crore)	Remarks
1	Mismatch between ITC availed in GSTR-9/3B and ITC availed in GSTR-2A: To analyse, the data were extracted from GSTR-9/GSTR-3B and GSTR-2A, and the ITC paid as per suppliers' details was matched with the ITC credit availed by the taxpayer and compare the ITC available as per GSTR-2A with all its amendments and the ITC availed in GSTR-3B in Table 4A(5) considering the reversals in Table 4B(2) but	12	5	14.16	On this being pointed out in audit (October 2022), the Department replied that (October 2022 to January 2023) in 11 cases, reply to the notice served were not furnished by the taxpayers. In the remaining one case, the Department replied (November 2022)

Sl. No.	Parameter	No. of cases	No. of zonal offices	Amount of mismatch (₹ in crore)	Remarks
	including the ITC availed in the subsequent year 2018-19 from Table 8C of GSTR-9 (<i>Appendix 5.15</i>).				that the taxpayer ¹³³ had not availed excess ITC. However, Audit could not verify the correctness of claim made by the Department in the absence of supporting documents.
2.	Mismatch of ITC in ECL than declared in annual return: ITC claimed gets credited to ECL of the taxpayer through GSTR-3B. Table 6A of GSTR-9, which is the sum total of ITC availed in Table 3B is auto populated. Through Table 6B to 6H, the taxpayer provides bifurcation of the ITC availed in form of inputs, input services, and capital goods. Table 6J of GSTR-9 brings out the difference of ITC actually availed through 3Bs, and ITC entered in table 6B to 6H. A negative figure in 6J is indicative of excess availment of ITC (<i>Appendix 5.16</i>).	4	3	1.52	On this being pointed out in Audit (October 2022), the Department replied (November 2022 to January 2023) that notices were issued in all the four cases.
3.	Mismatch of ITC reversal in GSTR-9 in lieu of common inputs for taxable and exempted/Nil supplies: If there is any exemption availed and there is no corresponding reversals/short reversal in 7C or 7H of GSTR-9 then this check applied as red-flagged for detailed examination (<i>Appendix 5.17</i>).	4	4	1.97	On this being pointed out in Audit (October 2022), the Department replied (November 2022) that notice was issued to one taxpayer ¹³⁴ however, reply to the notice served was not furnished. In the remaining three cases, the Department replied that the taxpayer had not availed ITC for common input, however, Audit could not verify the correctness of claim made by the Department in the absence of supporting documents.
4.	Mismatch in availing of ITC in GSTR-9 (Table 8D) than eligible ITC available in GSTR-2A (Table 8A of GSTR-9): To check whether the taxpayer has availed more than the eligible ITC after all the adjustments. Table 8D of GSTR-9 captures the difference between ITC available as per GSTR-2A and availed as per GSTR-9 after considering subsequent period's adjustment (<i>Appendix 5.18</i>).	5	2	6.00	On this being pointed out in Audit (October 2022), the Department replied (January 2023) that in 4 cases notices have been issued. In the remaining one ¹³⁵ case, the Department replied that the taxpayer had not availed excess, however, Audit could not verify the correctness of claim made by the Department in the absence of supporting documents.

5.6.9.4 Mismatches relating to discharge of tax liability

The taxable event in the case of GST is supply of goods and/or services. Section 9 of the MGST Act, 2017 is the charging section authorizing levy and collection of tax called Central/State Goods and Services Tax on all intra-State supplies of goods or services or both, except on supply of alcoholic liquor for human consumption, on value determined under section 15 of the Act *ibid* and at such rates not exceeding 20 per cent under each Act, i.e., CGST Act and SGST Act.

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

¹³³ M/s Shyama Power (GSTIN No. 14AA8CS6024L2Z8)

¹³⁴ Airport Authority of India

¹³⁵ SBI Banking Business

Audit scrutinised GSTR-1, GSTR-3B and GSTR-9 returns filed by the taxpayers for the year 2017-18 and noticed mismatch in discharge of tax liability by comparing the tax liability furnished in the returns. Audit observed eight¹³⁶ instances of mismatches, amounting to ₹ 7.34 crore out of 20 sampled cases examined. Audit could not examine these mismatches in detail since relevant granular records were not produced by the Department. The details of mismatches are given in **Table 5.6.7**.

Table 5.6.7: Mismatch related to discharge of tax liability

Sl. No.	Parameter	No. of cases	No. of zonal offices	Amount of mismatch (₹ in crore)	Remarks
1.	Mismatch of tax payable between GSTR-1 and GSTR-3B or GSTR-9: Tax liability of GSTR-1 was not matching with the tax liability declared in GSTR-3B or GSTR-9 (<i>Appendix 5.19</i>).	1	1	1.10	On this being pointed out in Audit (October 2022), the Department replied (November 2022) that notice was issued, however, no reply was furnished by the taxpayer.
2.	Un-discharged tax liability on comparing greater of the tax liability of GSTR-1, GSTR-9 with reference to Tax payment in GSTR-9 or GSTR-3B: GSTR-1 and GSTR-9 for the year 2017-18 and the tax payable in these returns was compared with the tax paid in GSTR-9 or GSTR-3B. Where GSTR-9 not filed Tax payable in GSTR-1 should not be greater than GSTR-3B Table 3.1 (a + b) (<i>Appendix 5.20</i>).	4	3	5.12	On this being pointed out in Audit (October to December 2022), the Department replied (November 2022 to January 2023) that notices were issued in all the cases, however, the replies were not furnished by the taxpayers.
3.	Unreconciled Tax payment declared in GSTR-9C: Table 9R of GSTR-9C captures reconciliation between tax payment declared in annual return GSTR-9 and audited Annual Financial Statements (<i>Appendix 5.21</i>).	1	1	1.12	On this being pointed out in Audit (October 2022), the Department replied (January 2023) that no reply to the notice served was furnished by the taxpayer and second reminder was issued.
4.	Mismatch in turnover between Annual return and Financial Statement (Table 5R of GSTR- 9C) (<i>Appendix 5.22</i>)	2	1	1.37	On this being pointed out in Audit (October 2022), the Department stated (January 2023) that for both cases second reminder was issued however, no reply from the taxpayer was received.

Recommendation No. 5. *The Department may initiate remedial action for all the compliance deviations brought out in this report before they get time barred.*

5.6.10 Conclusion

The SSCA on Department Oversight on GST Payments and Return Filing was undertaken in the context of varying trend of return filing and continued data

¹³⁶ Two cases involved mismatch in turnover.

¹³⁷ Total unreconciled turnover (TO) in table 5R of GSTR-9C in 2 cases is ₹109.78 crore.

inconsistencies with an objective of assessing the adequacy of the system in monitoring return filing and tax payments, extent of compliance and other departmental oversight functions.

This SSCA was predominantly based on data analysis, which highlighted risk areas, red flags and in some cases, rule-based deviations and logical inconsistencies in GST returns filed for 2017-18. The SSCA entailed assessing the oversight functions of State jurisdictional formation at two levels – at the data level through global data queries and at the functional level with a deeper detailed audit of both Zones and of the GST returns, which involved accessing taxpayer records.

A review of five zones disclosed that there were deficiencies in oversight functions of Zones such as monitoring of return filing, scrutiny of returns and cancellation of registration.

Further, out of 151 high value data inconsistencies identified by Audit the Department responded to all the cases. Of these, 104 cases constituting 68.87 *per cent*, turned out to be compliance deficiencies with mismatch of ITC/tax liability of ₹ 34.04 crore. Relatively higher rates of deviations were noticed in risk parameters such as mismatch in availing of ITC, mismatch in tax paid, short payment of interest on delayed payment *etc.*

Detailed Audit of GST returns also suggested significant non-compliance. At the outset, essential records such as financial statements and granular records such as supplementary financial ledgers, invoices, agreement copies, returns, vouchers, credit note, debit note, *etc.* were not produced, which constituted a significant scope limitation. These cases represent potential risk exposure towards identified mismatches in ITC availment and tax payments. Out the 20 cases that were audited either fully or partially, Audit observed 41 compliance deficiencies consisting of mismatches of ₹ 30.99 crore.

5.6.11 Recommendation

- 1. The Department may ensure scrutiny of returns for all Zones with reference to the prescribed SoP;*
- 2. The Department may exercise due diligence in cancellation of registrations;*
- 3. The Department may take up the matter with the GST Council to insert validation controls in GST Portals as highlighted above to curb data entry errors, enhance taxpayer compliance and facilitate better scrutiny;*
- 4. The Government may instruct the Departmental units for ensuring timely and complete production of records to Audit; and*
- 5. The Department may initiate remedial action for all the compliance deviations brought out in this report before they get time barred.*

TRANSPORT DEPARTMENT

5.7 Non-realisation of vehicle tax

Inability of the Tax Authorities to realise tax led to non-realisation of government revenue to the tune of ₹ 34.92 lakh.

As per Section 3 of the Manipur Motor Vehicles Taxation Act, 1998 (MMVTA), tax shall be levied on all motor vehicles used or kept for use in the State. The rates of tax to be levied for different types are prescribed in the First Schedule of the Act. As per Section 5 of the Act, such tax shall be payable in advance on annual or quarterly basis.

Further, as per Section 3 of the Manipur Passengers and Goods Taxation Act (MPGTA), 1977 read with Government Notification dated 9 March 2010; goods tax shall be levied, charged and paid to the State Government on all fares and freights in respect of all passengers and goods carried in taxable vehicles at the rates fixed by the Government.

Scrutiny of records (July 2019) of the District Transport Office (DTO), Imphal East revealed that the owners of 112 commercial vehicles (Goods vehicles: 64; Special vehicles: 33 and Tanker: 15) were required to pay taxes amounting to 34.92 lakh (Token tax¹³⁸: ₹ 27.47 lakh and Goods tax ₹ 7.45 lakh). The amount of tax due ranged for a period from nine months to 56 months as of June 2019 as shown in the table below:

Table 5.7.1: Non-realisation of Vehicle Tax

(₹ in lakh)

Sl. No.	Category/ Type of vehicle	No. of vehicles	Token tax	Goods Tax	Total	Period of outstanding tax as of June 2019
1.	Goods	64	16.23	7.45	23.68	3-17
2.	Special	33	6.03	-	6.03	4-25
3.	Tanker	15	5.21	-	5.21	5-28
	Total	112	27.47	7.45	34.92	3-28

The details are as shown in *Appendix 5.23, 5.24 and 5.25*.

On this being pointed out by Audit, the Department recovered ₹ 11.77 lakh from the defaulters as of April 2024. The Department in its reply (April 2024) stated that demand notice had been served to the defaulters for the remaining amount of ₹ 23.15 lakh.

Recommendation: Government should take necessary steps such as serving demand notice, field checking of the vehicles by the Enforcement Wing, reconciliation with other DTOs etc. in order to realize the outstanding vehicle taxes.

¹³⁸ Tax levied under Section 3 of Manipur Motor Vehicle Taxation Act 1998 are issued a token under Section 6 of the Act *ibid*. As such, tax levied under Section 3 are referred here as Token Tax.

TAXATION DEPARTMENT

5.8 Evasion of tax

Inability of Taxation Department to detect suppression of sales turnover under GST Act resulted in evasion of tax amounting to ₹ 0.76 crore.

Section 39 (1) of the MGST Act, 2017 states that every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of Section 10, Section 51 or Section 52 shall, for every calendar month or part thereof, furnish, in such form and manner as may be prescribed, a return, electronically, of inward and outward supplies of goods or services or both on or before the twentieth day of the month succeeding such calendar month or part thereof. Further, Section 44 (1) of the act *ibid* states that every registered person shall furnish an annual return for every financial year electronically in such form and manner as may be prescribed on or before the thirty first day of December following the end of such financial year.

Further, Section 46 of MGST Act, 2017 provides that where a registered person fails to furnish a return, a notice shall be issued requiring him to furnish such return within fifteen days in such form and manner as may be prescribed. Section 62 of MGST Act, 2017 provides that in case of non-compliance of the notice, tax liability may be assessed to the best judgement of the Department and issue an assessment order within a period of five years from the date specified under Section 44 for furnishing of the annual return for the financial year to which the tax not paid relates.

Section 122 (1) (xv) of MGST Act, 2017 provides that where a person suppresses his turnover leading to evasion of tax, he shall be liable to pay a penalty of ten thousand rupees or an amount equivalent to the tax evaded whichever is higher.

On cross verification of records (March to May 2022) such as GST return data available with State Tax Department with Income Tax return data available in Income Tax Department for the financial years 2018-19 to 2019-20, Audit noticed that 6 tax payers failed to file GST returns (GSTR-3B, GSTR-9) or short filed turnover to the tune of ₹ 15.20 crore in GST returns as against sales turnover/higher sales turnover as disclosed in the income tax return (**Appendix 5.26**). Thus, inability of the department to detect suppression of sales turnover in GST returns and suppression of facts resulted in evasion of GST amounting to ₹0.76¹³⁹ crore. Besides, penalty equivalent to the tax amount was also leviable.

On this being pointed out (May 2022) by Audit, during the Exit Meeting (August 2022), the Department stated that notices were served to the concerned taxpayers under provisions of MGST Act, 2017 and detailed reply would be furnished after receipt of the replies. However, no further action in this regard has been intimated to audit (June 2024).

¹³⁹ Calculated at minimum tax rate of 5 percent of ₹ 15.20 crore as no details of sales turnovers are available.

Thus, inability of the Department to invoke the provisions of the Act for assessing the tax liability of the 6 taxpayers and demanding of the taxes concealed due to non-filing of returns/suppression of sales turnover has resulted in evasion of GST amounting to ₹ 0.76 crore.

RURAL DEVELOPMENT AND PANCHAYATI RAJ DEPARTMENT (RD&PR)

5.9 Loss of Government Revenue due to non-enforcement of GST Act on ongoing works

The Goods and Services Tax (GST) Act, 2017 was implemented throughout India *w.e.f.* 01 July 2017 by subsuming various indirect taxes for both Central and State Governments, such as Central Excise Duty, Service Tax, Central Sale Tax, State Value Added Tax (VAT), *etc.*

Section 51 of the Manipur Goods and Service Tax Act (MGST Act), 2017, provided for Tax Deduction at Source (TDS) by the Government departments, Local authority and the Governmental agencies from the payment made or credited to the supplier of taxable goods or services or both, where the total value of such supply, under a contract, exceeds two lakh and fifty thousand rupees.

TDS provisions were finally made operational from 1 October 2018 *vide* notification no. Notification No. 17/2018 – State Tax dated 13 September, 2018.

Section 142(10) of the Act states that the goods or services or both supplied on or after 01 July 2017 in pursuance of a contract entered into prior to this date shall be liable to tax under the provisions of the Act.

Ministry of Rural Development, Government of India (Ministry) issued (06 June 2018) guidelines that for the ongoing works sanctioned prior to 01 July 2017 under different phases of Pradhan Mantri Gram Sadak Yojana (PMGSY), GST shall be applied on the value of works arrived at by separating the value of subsumed taxes under GST from the contracted amount for the remaining amount of work.

As per the guidelines *ibid* supplemental agreement may be entered into with revised agreement value *i.e.*, original contracted value minus the value of subsumed tax arrived plus GST of 12 *percent* for the portion of works not completed or not paid for as on 01 July 2017. The contractor will have to pay GST on revised agreement value.

Further, as per Rule 7 of 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.

Test check of records of four Programme Implementing Units (PIUs)¹⁴⁰ revealed that during July 2017 to March 2020 the PIUs paid 95 bills amounting

¹⁴⁰ PIU-I, Churachandpur, PIU-III, Churachandpur, PIU-II, Bishnupur and PIU-III, Senapati

to ₹ 3,853.34 lakh to 20 tax payers for 34 ongoing works which were sanctioned prior to 01 July 2017 and executed after 01 July 2017 (**Appendix 5.27**).

However, it was noticed that the payments were made without revising the agreement value by applying GST on the portion of works not completed or not paid for as on 01 July 2017 in violation of the guidelines *ibid*. Therefore, the PIUs did not implement GST on all ongoing works which were sanctioned prior to 01 July 2017. This had resulted in loss of Government revenue (GST) applicable to work value amounting to ₹ 3,853.34 lakh.

Out of the 20 taxpayers GSTIN numbers of two taxpayers could not be found. Therefore, audit analysed the GST Returns of the 18 number of taxpayers and observed the following:

- During 2017-18 the PIUs paid bills amounting to ₹ 1,725.93 lakh to 16 taxpayers. Out of these, 12 taxpayers¹⁴¹ filed zero turnover in their GST returns. The returns of the remaining four taxpayers showed turnover more than the bill amounts paid by the PIUs.
- During 2018-19 the PIUs paid bills amounting to ₹ 1,367.82 lakh to 13 taxpayers. Out of these, four¹⁴² taxpayers filed zero turnover and five¹⁴³ taxpayers showed turnover less than amount paid by PIUs in their respective GST Returns. The returns of the remaining four taxpayers showed more turnover than the bill paid by the PIUs.
- Similarly, during 2019-20, the PIUs made payment of ₹ 633.24 lakh to 11 taxpayers. Out of these, three¹⁴⁴ taxpayers filed zero turnover and two¹⁴⁵ taxpayers showed turnover less than amount paid by PIUs in their respective GST returns. The remaining six taxpayers showed more turnover than the bill paid by the PIUs.

However, due to non-availability of invoices of 2017-18, 2018-19 and 2019-20 of above taxpayers, Audit could not verify whether the turnover filed included the bills paid by the PIUs.

The irregularities observed during analysis of GST returns of the taxpayers corroborate the fact that the PIUs did not implement GST on all ongoing works and contractors as a result did not pay the applicable GST to the Government.

Further scrutiny revealed the following irregularities:

a) Non-deduction of TDS

Out of the total amount of ₹3,853.34 lakh paid a sum of ₹ 1,781.65 lakh (**Appendix 5.28**) was paid after operationalisation of section 51 of GST Act.

¹⁴¹ Taxpayers having GSTIN numbers viz., 14AADPO9660M1Z8, 14BNVPM7283E1ZI, 14CNUPK7470F1ZL, 14AJKPV8315Q1ZD, 14AOPPK7138E1ZV, 14AAJFN3225H1ZI, 14AMNPN3063H1Z0, 14AVSPS1353D2ZI, 14BRQPS7445K1Z0, 14ABCFM1770C1ZS, 14AABFL8752D2ZH and 14ARLPB6796N1Z5

¹⁴² Taxpayers having GSTIN numbers viz., 14AAJFN3225H1ZI, 14AMNPN3063H1Z0, 14BRQPS7445K1Z0 and 14AAHFK3607J1ZG

¹⁴³ Taxpayers having GSTIN numbers viz., 14AADPO9660M1Z8, 14BNVPM7283E1ZI, 14CNUPK7470F1ZL, 14AVSPS1353D2ZI and 14ARLPB6796N1Z5.

¹⁴⁴ Taxpayers having GSTIN numbers viz., 14AMNPN3063H1Z0, 14BRQPS7445K1Z0 and 14ABCFM1770C1ZS

¹⁴⁵ Taxpayers having GSTIN numbers viz., 14AAJFN3225H1ZI and 14BGPPS1797E1ZY

However, the PIUs did not deduct TDS amounting to ₹ 35.62 lakh from the payment made in violation of the Act *ibid*.

b) Non-deposit of Value Added Tax (VAT) deducted to Government Account

The PIUs deducted 5.6 *per cent* VAT portion amounting to ₹215.77 lakhs (**Appendix 5.27**) from 95 numbers of bills (bill amount ₹ 3,853.34 lakh) from 34 ongoing works which was included in the estimates of the works and kept in the bank account of Empowered Officer, Manipur State Rural Road Development Agency (MSRRDA). However, the PIUs did not deposit the amount deducted in Government Account till date of Audit (February 2021).

Reasons for non-deposition of Government revenue to Government Account were not furnished by the PIUs (May 2024).

During the exit meeting (between January 2021 to September 2021), the Executive Engineers accepted the audit observation and stated that since the works were sanctioned before the commencement of GST Act, GST components were not included in the estimate. However, as per GST act and instructions contained in Ministry of Rural Development Government of India's letter dated 06 June 2018, consultation with higher authority will be done for deducting required GST amount.

Recommendation: The State Government may consider it appropriate to abide by the provisions of the Act from the due date.