

## Chapter II

### Revenue Sector

#### 2.1 Revenue receipts

##### 2.1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Goa during the year 2021-22, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and grants-in-aid received from the Government of India during the year and corresponding figures for the preceding four years are detailed in **Table 2.1**.

**Table 2.1: Details of total revenue receipts of State Government**

(₹ in crore)

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1	<b>Revenue raised by the State Government</b>					
	Tax revenue	4731.37	4871.36	4700.56	4150.68	5805.23
	Non-tax revenue	3033.27	2873.66	2737.54	2902.80	3787.25
	<b>Total</b>	<b>7764.64</b>	<b>7745.02</b>	<b>7438.10</b>	<b>7053.48</b>	<b>9592.48</b>
2	<b>Receipts from the Government of India</b>					
	Share of net proceeds of divisible Union taxes and duties	2544.26	2878.36	2479.85	2296.53	3356.98
	Grants-in-aid	744.62	814.60	1379.57	1090.28	1336.81
	<b>Total</b>	<b>3288.88</b>	<b>3692.96</b>	<b>3859.42</b>	<b>3386.81</b>	<b>4693.79</b>
3	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>11053.52</b>	<b>11437.98</b>	<b>11297.52</b>	<b>10440.29</b>	<b>14286.27<sup>1</sup></b>
4	<b>Percentage of 1 to 3</b>	<b>70</b>	<b>68</b>	<b>66</b>	<b>68</b>	<b>67</b>

(Source: Finance Accounts of the State)

There was an increase in the State's revenue collection in 2021-22 by ₹ 2,539 crore over the previous year (2020-21). The revenue raised by the State Government during the year 2021-22 constituted 67 *per cent* of the total revenue receipts. The balance 33 *per cent* of the receipts during 2021-22 was from the Government of India by way of share of net proceeds of divisible Union taxes, duties and grants-in-aid.

##### 2.1.2 Tax revenue

The tax revenue raised by the Government of Goa during 2021-22 was ₹ 5,805.23 crore. The details of tax revenue during the period from 2017-18 to 2021-22 are given in **Table 2.2**.

<sup>1</sup> For details, please see Statement No. 14 Detailed accounts of revenue receipt by minor heads in the Finance Accounts of the Government of Goa for the year 2021-22. Figures under the head 0005-Central GST, 0008-Integrated GST, 0020-Corporation tax, 0021-Taxes on income other than corporation tax, 0032-Taxes on wealth, 0037-Customs, 0038-Union excise duties, 0044-Service tax and 0045-Share of net proceeds assigned to State booked in the Finance Accounts-Tax revenue, have been excluded from revenue raised by the State and included in State's share of divisible Union taxes in this statement.

**Table 2.2: Details of tax revenue receipts of the State Government**

(₹ in crore)

Sl. No.	Head of revenue	BE/ RE/ Actual	2017-18	2018-19	2019-20	2020-21	2021-22	Percentage increase (+) or decrease (-) in 2021-22 over 2020-21
1	Taxes on sales, trade, etc.	BE	2582.32	782.58	1395.74	1244.10	1106.45	
		RE	1491.52	782.58	1091.32	1051.05	1355.45	
		Actual	1621.69	1013.53	1032.84	989.81	1383.26	39.75
2	SGST <sup>2</sup>	BE	-	3123.62	2756.89	2772.03	2482.64	
		RE	1710.66	3123.62	2493.01	2373.08	2482.64	
		Actual	1463.74	2529.09	2438.50	1984.92	2757.66	38.93
3	Entertainment Tax/Luxury Tax, etc. <sup>3</sup>	BE	905.62	28.81	13.88	19.92	30.32	
		RE	332.93	28.81	17.48	19.92	30.32	
		Actual	315.98	13.50	(-)2.52	33.85	12.08	(-)64.31
Sub-total (Actual collection under 1,2 and 3 above)			3401.41	3556.12	3468.82	3008.58	4153.00	
4	Stamp Duty & Registration fees	BE	600.59	612.53	641.30	728.35	636.06	
		RE	600.59	612.53	631.30	728.35	636.06	
		Actual	529.69	432.33	393.37	350.41	644.53	83.94
5	State Excise <sup>4</sup>	BE	381.77	399.86	475.25	547.93	598.30	
		RE	381.77	399.86	475.25	459.21	598.30	
		Actual	408.44	477.95	491.77	514.86	649.83	26.21
6	Taxes on Goods and Passengers	BE	25.00	25.00	27.50	31.00	31.00	
		RE	25.00	25.00	27.50	31.00	31.00	
		Actual	26.08	25.39	25.02	10.04	13.21	31.57
7	Land Revenue	BE	61.64	39.59	60.17	67.54	39.90	
		RE	61.64	39.59	60.17	67.54	39.14	
		Actual	42.02	66.62	37.11	34.18	65.84	92.63
8	Other taxes	BE	243.46	260.26	385.97	434.24	547.83	
		RE	243.46	260.26	385.97	434.24	547.83	
		Actual	323.73	312.95	284.47	232.65	278.82	19.85
	Total	BE	4800.40	5272.25	5756.72	5845.11	5472.50	
		RE	4847.57	5272.25	5182.02	5164.39	5720.74	
		Actual	4731.37	4871.36	4700.56	4150.68	5805.23	

(Source: Compiled by Audit from Budget Estimates and Finance Accounts)

Taxes on sales, trade, etc. (except those on petroleum products and liquor), entertainment tax, luxury tax and taxes on entry of goods and medicinal and toilet preparations containing alcohol, opium, etc., are subsumed in GST consequent to the implementation of GST w.e.f. 01 July 2017. During 2021-22 a major portion of tax revenue (47.50 per cent) was collected under 'SGST'.

### 2.1.2.1 Revenue from GST

Government of Goa implemented GST w.e.f. from 01 July 2017. GST is levied on *intra-state* supply of goods or services (except alcohol for human consumption and five specified petroleum products) and its components are shared by the Centre (CGST) and the State (SGST).

<sup>2</sup> Including apportionment and advance apportionment of IGST.

<sup>3</sup> Taxes on entry of goods and medicinal and toilet preparation containing alcohol, opium, etc.

<sup>4</sup> Excludes medicinal and toilet preparations containing alcohol, opium, etc.

Further, IGST is levied and collected by the Central Government on *inter-state* supply of goods and services. The IGST so collected is apportioned between the Centre and the concerned State where the goods and services are consumed.

**Table 2.3: Details of budgeted and actual receipt of GST**

(₹ in crore)

Year	Budget Estimates (BE)	Revised Estimates (RE)	Actuals
	SGST/UTGST	SGST/UTGST	SGST/UTGST
2017-18	0.00	1710.66	918.45
2018-19	3123.62*	3123.62*	1420.95
2019-20	1601.16	1601.16	1526.17
2020-21	1657.26	1506.90	1068.85
2021-22	1582.78	1417.58	1329.35

(Source: Details furnished by the State Tax Department)

\* Budget Estimate & Revised Estimate for the year 2018-19 are inclusive of IGST share whereas Actuals shown above is the proceeds of SGST exclusively.

The overall GST revenue of the State Government increased by ₹ 260.50 crores (24 per cent) in 2021-22 *vis-à-vis* 2020-21.

**Table 2.3A: Details of total number of taxpayers, ITC availed and utilised**

(₹ in crore)

Year	Total no. of taxpayers	ITC availed for the year	ITC utilised for the year
2018-19	28814	12516.27	12367.73
2019-20	29644	11200.71	11025.58
2020-21	32725	10724.59	10589.38
2021-22	30379	14555.05	13766.25

(Source: Details furnished by the State Tax Department)

### 2.1.2.2 GST registrations

The category-wise registrations under GST have been given in **Table 2.4**.

**Table 2.4: Details of GST registrations (during 2021-22)**

Category of Registrant	No. of Registrants	Percentage of total
Normal taxpayers	37708	86.15
Composition taxpayers	5051	11.54
Tax Deductors at Source	729	1.67
Tax Collectors at Source	194	0.44
Input Service Distributors	78	0.18
Others (Casual, NRTP, OIDAR)	08	0.02
<b>Total Registrants</b>	<b>43768</b>	

(Source: Data furnished by State Tax Department)

The total registrations under GST as on 31 March 2022 were 43,768 of which normal taxpayers accounted for 86 per cent and composition taxpayers were around 12 per cent. Of the total registrations, 18,101 taxpayers migrated from pre-GST regime, accounting for about 41 per cent, while the balance were new registrations.

### 2.1.2.3 GST Return filing pattern

#### *Filing pattern of GSTR-1 and GSTR-3B*

The trend of filing of GSTR-1 and GSTR-3B as on 31 March 2022 for the period from April 2021 to March 2022, as provided by State Tax Department, has been depicted in **Table 2.5**.

**Table 2.5: Returns filing trends of GSTR-1 and GSTR-3B**

*(Figures in numbers)*

Return Type	GSTR-1 <sup>5</sup>			GSTR-3B <sup>6</sup>				
Months	Due for filing	Returns filed	Return filing per cent	Due for filing	Total returns filed as on 31 Jan 2023	Return filing per cent	Returns filed by due date (20 <sup>th</sup> of following month of tax period)	Per cent filed by due date
April 2021	24272	19749	81	24272	20219	83	3744	15
May 2021	24257	19795	82	24257	20227	83	4714	19
June 2021	35597	30888	87	35597	31382	88	18516	52
July 2021	24050	19816	82	24050	20177	84	13291	55
Aug 2021	24263	19969	82	24263	20391	84	12869	53
Sep 2021	36018	31200	87	36018	31767	88	22905	64
Oct 2021	24216	19751	82	24216	20106	83	14182	59
Nov 2021	24425	20039	82	24425	20368	83	14212	58
Dec 2021	36434	31715	87	36434	32201	88	23443	64
Jan 2022	24471	20096	82	24471	20412	83	14149	58
Feb 2022	24769	20333	82	24769	20656	83	14279	58
Mar 2022	37269	32158	86	37269	32637	88	22757	61

*(Source: Data as on 31 January 2023 furnished by State Tax Department)*

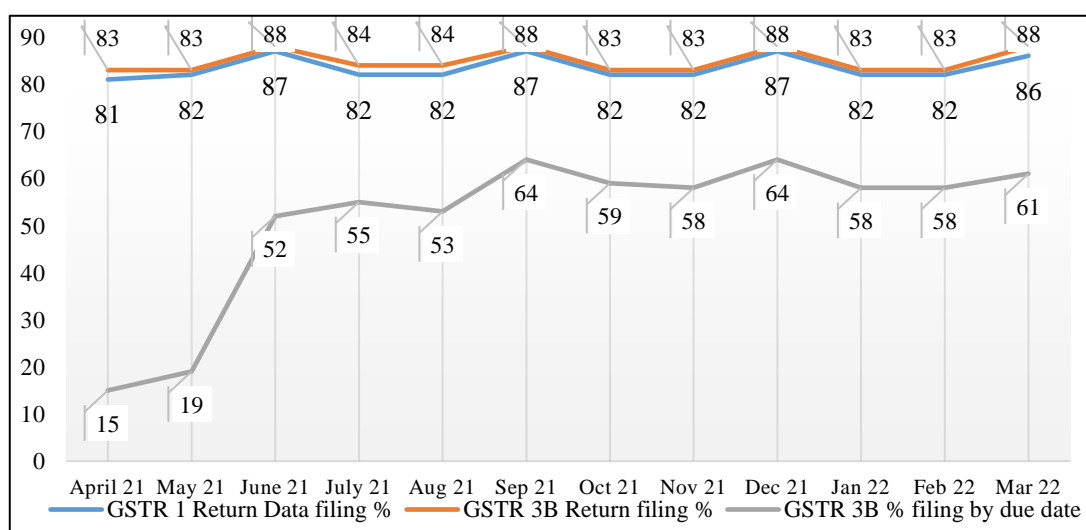
The filing of GSTR-3B for April 2021 was 83 *per cent* while the filing *per cent* for March 2022 was 88 *per cent*. It was noticed that GSTR-3B returns were being filed within the due date on an average by 51 *per cent* taxpayers and 34 *per cent* filed the returns after the due date (remaining 15 *per cent* taxpayers did not file returns). GSTR-3B returns filed by the due date remained low, ranging from 15 *per cent* to 64 *per cent* during April 2021 to March 2022.

The trend of return filing is depicted in **Chart 2.1**.

<sup>5</sup> 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.

<sup>6</sup> GSTR-3B: Monthly summary return of outward supplies and ITC claimed, along with payment of tax by the taxpayer to be filed by all taxpayers. This is the return that populates the credit and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger.

Chart 2.1: Filing pattern of GSTR-1 and 3B from April 2021 to March 2022



- The filing percentage of GSTR-1 returns was less throughout in comparison to the corresponding filing of GSTR-3B returns during the period April 2021 to March 2022.
- Interestingly, GSTR-1 filing percentage at the end of each quarter was higher than the monthly filing *percentage*. **Table 2.5** reveals that for April and May 2021, there were 0.24 lakh taxpayers each who were required to file GSTR-1, however only 0.20 lakh taxpayers submitted returns for each respective month.

### Filing of GSTR-4

The percentage of filing of GSTR-4, an annual return to be filed by composition taxpayers, as of March 2022, for the period from April 2021 to March 2022, is depicted in **Table 2.6**.

Table 2.6: Details of return filing of return CMP 08 for 2021-22

Return Type	CMP 08		
	Due for filing	Returns filed	Return filing <i>per cent</i> (calculated on total taxpayer)
2021-22	6696	2528	38

(Source: Data furnished by State Tax Department)

The filing percentage of GSTR-4 remained low at 38 *per cent* during 2021-22.

### Filing of GSTR-6 as of March 2022

GSTR-6 is filed by Input Service Distributor (ISD), giving the details of input tax credit received and distributed. The trend of filing GSTR-6, as provided by the State Tax Department, is depicted in **Table 2.7**.

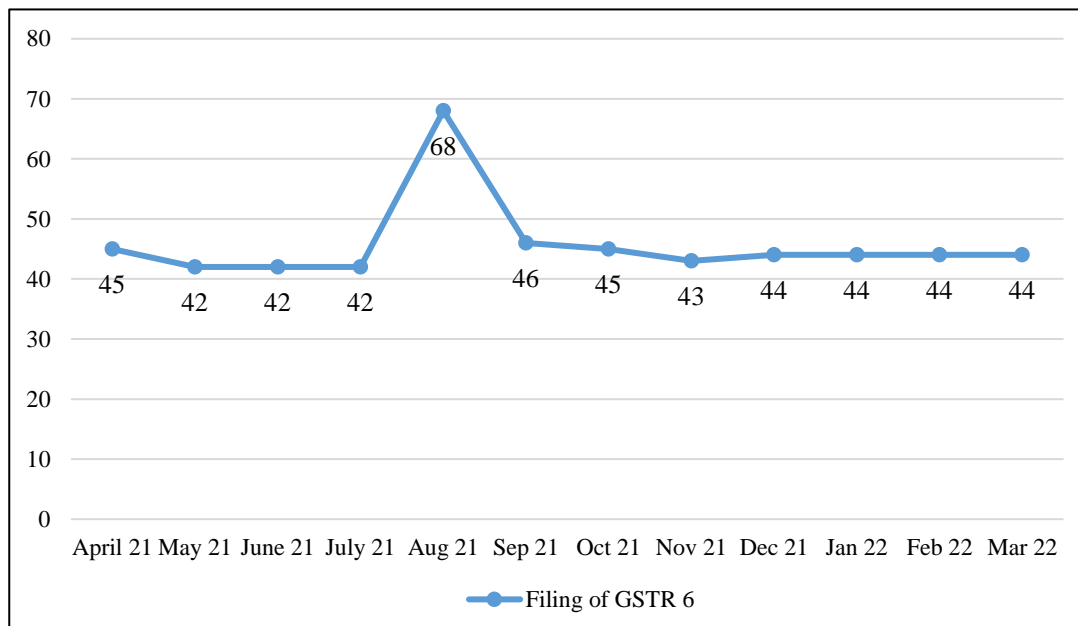
**Table 2.7: Details of filing GSTR-6**

Return type	GSTR-6		
Months	Due for Filing	Returns filed	Return filing <i>per cent</i>
Apr 2021	69	31	45
May 2021	69	29	42
June 2021	69	29	42
July 2021	71	30	42
Aug 2021	71	48	68
Sep 2021	71	33	46
Oct 2021	71	32	45
Nov 2021	72	31	43
Dec 2021	72	32	44
Jan 2022	72	32	44
Feb 2022	72	32	44
Mar 2022	72	32	44

(Source: Data furnished by State Tax Department)

Filing of returns GSTR-6 by taxpayers ranged from 42 *per cent* (June 2021) to 68 *per cent* (August 2021). It can be noticed that there was an increase of about 55 *per cent* in filing of returns in August 2021 than those filed in the month of April 2021. However, there was a decrease of about 33 *per cent* in filing of returns in March 2022 with reference to the returns filed in August 2021. The trend of returns filing is depicted in **Chart 2.2**.

**Chart 2.2: Filing of GSTR-6**



**2.1.2.4 Integrated Goods and Services Tax****Table 2.8: Details of IGST**

(₹ in crore)

IGST Component	2019-20	2020-21	2021-22
	954.02	916.07	1428.31

(Source: Data furnished by State Tax Department)

Integrated Goods and Services Tax apportioned (including advance apportionment) to the State for the years 2020-21 and 2021-22 was ₹ 916.07 crore and ₹ 1,428.31 crore respectively.

**2.1.2.5 Analysis of compensation received during 2021-22****Table 2.9: Details of compensation due and received**

(₹ in crore)

Year	Provisional Compensation due	Provisional compensation received		Shortfall/Surplus if any
		Borrowings	Compensation received	
2021-22	1870.04	846.91	911.16	111.97

(Source: Data furnished by State Tax Department)

It could be seen from the above table that even after receipt of compensation of ₹ 911.16 crore as grants from the GoI and back-to-back loans of ₹ 846.91 crore *in lieu* of shortfall in GST compensation, there was a shortfall of ₹ 111.97 crore towards the total compensation due to the State Government.

To bridge the shortfall in GST compensation, GoI implemented the scheme of back-to-back loans to the states with effect from 2020-21. During 2021-22, apart from receiving GST compensation of ₹ 911.16 crore, Government of Goa also received back-to-back loan of ₹ 846.91 crore *in lieu* of GST compensation due to the State. This loan is to be serviced from the cess collected by the State Government and placed under GST compensation fund.

**2.1.3 Non-tax revenue**

The total non-tax revenue raised during 2021-22 was ₹ 3,787.28 crore. The details of non-tax revenue for the year 2021-22, as well as for the preceding four years are given in **Appendix 2.1**. Details of non-tax revenue raised by principal departments of the Government of Goa during the period 2017-18 to 2021-22 are indicated in **Table 2.10**.

**Table 2.10: Details of Non-tax revenue receipts of the State Government**

(₹ in crore)

Sl. No.	Heads of revenue		2017-18	2018-19	2019-20	2020-21	2021-22	Percentage increase (+) or decrease (-) in 2021-22 over 2020-21
1	Power	BE	1819.15	1907.65	2244.16	2264.19	2673.34	
		RE	1819.15	1907.65	2244.16	2366.20	2673.34	
		Actual	2119.09	1919.80	1960.52	2051.05	2191.12	6.83
2	Non-Ferrous Mining and Metallurgical Industries <sup>7</sup>	BE	377.60	327.59	60.64	511.47	552.48	
		RE	377.60	327.59	60.64	397.47	552.48	
		Actual	332.79	34.39	8.78	168.10	129.20	(-)23.00
3	Other Administrative Services	BE	178.67	161.38	310.25	295.36	412.47	
		RE	179.83	161.38	310.25	455.51	411.79	
		Actual	139.66	450.94	260.25	190.71	309.40	62.23
4	Water Supply and Sanitation	BE	126.05	136.96	154.73	158.00	165.73	
		RE	126.05	136.96	154.73	184.15	165.73	
		Actual	129.80	145.96	147.66	135.67	176.56	30.14

(Source: Finance Accounts of the State and Estimates of Receipts for the concerned years)

### 2.1.4 Analysis of arrears of revenue

The arrears of revenue pending collection in respect of principal departments of the State Government as on 31 March 2022 were ₹ 4,802.37 crore of which ₹ 1,178.50 crore had been pending for more than five years as detailed in **Appendix 2.2**.

The information relating to cases pending in courts and with Departmental Appellate Authorities was not furnished by all the departments. However, it could be seen from the **Appendix 2.2** that 24.54 per cent of arrears have been pending for more than five years. As the chances of their recovery become low with the passage of time, it is recommended that the Government may instruct the concerned departments to make extra efforts for settlement of arrears.

### 2.1.5 Pendency of refund cases

Details of refund cases pending at the beginning of the year 2021-22, claims received and refunded during the year and the cases pending at the close of the year 2021-22 in respect of Commercial Taxes Department and State Excise Department are given in **Table 2.11**.

<sup>7</sup> Includes major minerals such as iron ore, manganese and bauxite; minor minerals such as basalt (Granite), laterite stones, ordinary sand, river pebbles, murrum and laterite boulders.



**Table 2.11: Details of pending refund cases**

Sl. No.	Particulars	Sales tax/VAT		State Excise	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)
1	Claims outstanding at the beginning of the year	869	249.93	-	-
2	Claims received during the year	421	37.02	4	0.02
3	Claims rejected	0	0	-	-
4	Refunds made during the year	509	83.29	4	0.02
5	Balance outstanding at the end of the year	781	203.66	-	-

(Source: Information furnished by the respective departments)

As seen above, 781 cases of refunds involving ₹ 203.66 crore were outstanding in Commercial Taxes Department as on 31 March 2022. Section 33 (2) of Goa Value Added Tax Act, 2005 provides for payment of interest, at the rate of eight *per cent per annum* for delay in refunds. It would be prudent on the part of the Department to settle the refund cases expeditiously to save the Government from interest liability. In the case of State Excise Department, no claims were pending for refund at the end of 31 March 2022.

#### **2.1.6 Response of Government/Departments towards Audit**

The office of Principal Accountant General, Goa (PAG) conducts periodical inspection of Government/Departments to test check transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed by the issue of Inspection Reports (IRs) which incorporate irregularities detected during the inspection and not settled on the spot. The IRs are issued to the Heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the offices/the Government are required to promptly respond to the observations contained in the IRs and rectify the defects and omissions and report compliance through initial reply to the Accountant General within four weeks from the date of issue of the IRs. Serious financial irregularities are reported to the Heads of the Department and the Government.

Analysis of IRs issued up to March 2022 disclosed that 1,176 observations involving ₹ 827.76 crore relating to 241 IRs remained outstanding at the end of June 2022. Out of these, 407 observations from 134 IRs were outstanding for more than five years. The figures as on June 2022 along with the corresponding figures for the preceding two years are given in the **Table 2.12**.

**Table 2.12: Details of pending Inspection Reports**

	June 2020	June 2021	June 2022
Number of IRs pending for settlement	232	232	241
Number of outstanding audit observations	1049	1143	1176
Amount of revenue involved (₹ in crore)	3469.17	3571.34	827.76 <sup>8</sup>

(Source: Compiled from Audit records)

Department-wise details of the IRs and audit observations outstanding as of June 2022 are mentioned in the **Table 2.13**.

**Table 2.13: Department-wise details of pending Inspection Reports**

Sl. No.	Name of the Department/ Directorate	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1	Finance	Commercial Taxes	108	574	527.16
2	Excise	State excise	17	75	15.92
3	Revenue	Land revenue	29	146	31.07
4	Transport	Taxes on motor vehicles	46	208	71.06
5	Stamps and Registration	Stamp duty and registration fee	41	173	182.55
<b>Total</b>			<b>241</b>	<b>1176</b>	<b>827.76</b>

(Source: Compiled from Audit records)

Audit did not receive the first replies from the Heads of offices within four weeks from the date of issue of IRs in respect of 14 IRs issued up to March 2022. This indicated that the Heads of offices/departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

### **2.1.7 Response of the departments to draft audit paragraphs**

One Subject Specific Compliance Audit on “Departments’ oversight on GST payments and Return filing” and seven draft paragraphs were sent to the Secretaries of the respective departments between January 2023 and March 2023. Replies in respect of six paragraphs have been received from the Government (November 2023).

### **2.1.8 Planning and conduct of Audit**

The auditable units under various departments are categorised into high, medium and low risk units. Risk analysis is done considering their revenue position, trend of past audit observations and other parameters specified in Compliance Audit Guidelines. The annual audit plan is prepared on the basis of critical issues in Government revenues and tax administration. Audit also considered the priorities of the Government as per the budget speech, revenue during the past five years, features of the

<sup>8</sup> Three Inspection Reports containing 30 paragraphs and money value of ₹ 2,803.09 crore of Mines and Geology Department have been transferred to the Economic Sector.

tax administration, audit coverage and its impact during past five years, *etc.*

For the period 2021-22, nine<sup>9</sup> units were planned and audited, which included one Apex unit.

### **2.1.9 Results of audit and coverage of this chapter**

During the year 2021-22, Audit test checked the records of nine units of Sales Tax/Value Added Tax, Motor Vehicles Tax, Goods and Passengers Tax, Stamp duty and Registration and other Departmental offices.

The details of the assessments, registrations, licenses issued and other activities undertaken by the four major revenue collection departments and the extent and coverage of audit are as discussed below.

#### ***Commercial Taxes Department***

There are eight auditable units in the Commercial Taxes Department, of which Audit selected three units for test check wherein 7,834 assessments were finalised during the year 2021-22. Audit test checked 727 assessments (9.28 *per cent*) during the year 2021-22.

#### ***Revenue Department***

There are 25 auditable units in the Department, of which two were selected for test check during 2021-22. Audit noticed seven cases of arrears of Land tax, irregularities in regularisation of unauthorised construction, pending revenue recovery cases, lapses/short collection of mutation fee/conversion fee, *etc.*

#### ***Transport Department***

There are 12 auditable units in the Transport Department and a total of 50,675 vehicles were registered during 2021-22. One unit was selected for test check during the year 2021-22.

#### ***Registration Department***

There are 14 auditable units in the Registration Department of which three units were audited during 2021-22.

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<sup>9</sup> Nine units = one Apex unit + eight units

**Department of State Tax**

**2.2 Subject Specific Compliance Audit (SSCA) on Department's oversight on GST payments and return filing**

During the test-check of records of four wards under Ward Audit pertaining to period 2017-18 to 2020-21, the following issues of non-compliance with the provisions of Act/Rules were noticed:

❖ **Oversight functions of Ward Audit**

- Deficient monitoring mechanism on return filing.
- Non-cancellation of registrations of non-filers of GSTR-3B.
- Delay in selection of cases for internal audit and non-completion of internal audit.
- Non-adherence to prescribed procedure for cancellation of registration.

During the test-check of returns data for the period 2017-18 of 104 deviations identified on a set of 13 parameters under Centralised Audit, the following deviations with the provisions of Act/Rules were noticed:

❖ **Oversight on tax payments**

- Audit noticed deviations from the provisions of the Act in 55 cases (constituting 52.88 *per cent* of the total 104 cases) involving mismatch/deviation of ₹ 46.30 crore. Relatively higher rates of deviations were noticed in risk parameters such as mismatch of ITC between returns, mismatch in tax liability, non/short payment of interest, non-filing of returns, *etc.*
- In 39 cases, constituting 37.50 *per cent* of identified 104 cases where the Department's reply was acceptable to Audit, data entry errors by the taxpayers comprised nine cases.
- In 10 cases, constituting 9.62 *per cent* of identified 104 cases the Department stated that it was examining the underlying deviation of ₹ 15.92 crore.

During the test-check of records of 15 taxpayers under Detailed Audit pertaining to the period 2017-18, the following issues of non-compliance with the provisions of the Act/Rules were noticed:

❖ **Scope limitation**

- None of the wards of State Tax Department, produced granular records for selected sample of 15 cases due to which audit scope was limited. Audit could not evaluate the extent of compliance by the taxpayers, and deviations relating to ITC availment and discharge of tax liability are reported as mismatches only.

❖ **Filing of Returns**

- **Non-payment of interest of ₹ 5.01 lakh by five out of 15 taxpayers.**

❖ **Utilisation of Input Tax Credit (ITC)**

- **Mismatch of ITC of ₹ 49.34 crore between GSTR-2A and GSTR-3B returns in 10 out of 15 taxpayers.**
- **Mismatch of ITC of ₹ 0.73 crore availed on import of goods by one taxpayer.**

❖ **Discharge of tax liability**

- **Mismatch of tax liability of ₹ 5.69 crore between returns by 08 out of 15 taxpayers.**
- **Short discharge of tax liability of ₹ 0.10 crore due to incorrect charging of rate of tax by 02 out of 15 taxpayers.**

**These instances under detailed audit involved deviation/mismatch of ₹ 55.91 crore.**

### 2.2.1 Introduction

Introduction of Goods and Service Tax (GST) has replaced multiple taxes levied and collected by the Centre and states. GST, which came into effect from 01 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 Goa Goods and Service Tax (GGST) 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 on the taxpayer. The GST returns must be filed online regularly on the common GST portal, failing which late fee 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 Act read with Rule 99 of GGST Rules 2017, stipulate that the proper officer may scrutinise the return and related particulars furnished by taxpayers, communicate discrepancies to the taxpayers and seek an explanation.

This SSCA was taken up considering the significance of the control mechanism envisaged for tax compliance and the oversight mechanism of the State Taxes Department, Goa (herein after referred to as the Department) under the new tax regime.

### **2.2.2 Audit objectives**

Audit of 'Department's oversight on GST Payments and Return filing' was taken up with the following audit objectives to seek an assurance on:

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

### **2.2.3 Audit methodology and scope**

This SSCA was predominantly conducted based on data analysis, which highlighted risk areas and red flags pertaining to the period from July 2017 to March 2018. Through data analysis, a set of 13 deviations were identified across the domains of ITC, Discharge of tax liability, Registration and Return filing. Such deviations were followed up through a Centralised audit (Limited Audit)<sup>10</sup>, whereby these deviations were communicated to the relevant wards (State Departmental field formations) and action taken by the wards 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 wards. Returns and related attachments and information were accessed through the Goa GST Backend Portal as much as feasible to examine data/documents relating to taxpayers (*viz.* registration, tax payment, returns and other Departmental functions). The detailed audit sought to access relevant granular records from the taxpayers such as invoices through the respective wards. This apart, compliance functions of the wards such as scrutiny of returns and action on non-filers/late filers of returns were also to be reviewed in selected wards.

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 selected wards 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 November 2022.

Entry conference of this SSCA was held (06 April 2022) with the Commissioner of State Tax (CST), Goa and in which, the audit objectives, sample selection, audit scope and methodology were discussed. The Exit conference was held (28 February 2023) with the CST, Goa in which, the audit findings were discussed. The views

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<sup>10</sup> Centralised Audit did not involve seeking taxpayer's granular records such as financial statements related ledger accounts, invoices, agreements, *etc.*

expressed by the CST, Goa during the Exit conference and the written replies to the draft report have been incorporated in the relevant paragraphs.

#### **2.2.4 Audit sample**

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

There were three distinct parts of this SSCA as under:

**(i) Part I-Audit of wards**

Four<sup>11</sup> out of eight<sup>12</sup> wards with jurisdiction over more than one selected sample of cases for Detailed Audit were considered as the sample of wards for evaluation of their oversight functions.

**(ii) Part II-Centralised Audit (Limited 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, 104 instances of deviations under 13 dimensions were selected for Centralised Audit under this SSCA.

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

It was planned to be conducted by accessing taxpayers' records through wards 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 15 taxpayers<sup>13</sup> pertaining to five<sup>14</sup> wards which were selected for Detailed Audit comprised large, medium and small strata<sup>15</sup> taxpayers.

The details of sample for Centralised audit and detailed audit selected for this SSCA are brought out in **Appendix 2.3 (A) & 2.3 (B)**.

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<sup>11</sup> Margao, Panaji, Ponda and Vasco

<sup>12</sup> Bicholim, Curchorem, Mapusa, Margao, Panaji, Pernem, Ponda and Vasco

<sup>13</sup> Large taxpayers-nine, Medium taxpayers-five and Small Taxpayers-one

<sup>14</sup> Mapusa, Margao, Panaji, Ponda and Vasco

<sup>15</sup> First category strata comprising large taxpayers – top two *per cent* of taxpayers based on turnover. Second category strata comprising medium taxpayers – next eight *per cent* of taxpayers' based on the turnover. Third category strata comprising the small taxpayers – remaining 90 *per cent* of taxpayers.



### **2.2.5 Audit criteria**

The source of audit criteria comprised the provisions contained in the GGST Act 2017, IGST Act 2017, and rules made thereunder. The significant provisions are given in **Table 2.14**.

**Table 2.14: Source of criteria**

Sl. No.	Subject	Acts and Rules
1	Levy and collection	Section 9 of the GGST Act 2017
2	Reverse Charge Mechanism	Section 9(3) of GGST Act 2017 and Section 5 (3) of IGST Act
3	Availing and utilising ITC	Sections 16 to 21 under Chapter V of GGST Act 2017; Rules 36 to 45 under Chapter V of GGST Rules
4	Registrations	Section 22 to 25 of GGST Act; Rules 8 to 26 of GGST Rules
5	Supplies	Section 7 and 8 of GGST Act. Schedule I, II and III of the Act
6	Place of supply	Section 10 to 13 of IGST Act
7	Time of Supply	Section 12 to 14 of GGST Act
8	Valuation of supplies	Section 15 of GGST Act; Rules 27 to 34 of GGST Rules
9	Payment of Tax	Sections 49 to 53 under Chapter X of GGST Act; Rules 85 to 88A under Chapter IX of GGST Rules
10	Filing of GST Returns	Sections 37 to 47 under Chapter IX of GGST Act; Rules 59 to 68 and 80 to 81 under Chapter VIII of GGST Rules. Part B of GGST Rules prescribes format of returns
11	Zero-rated supplies	Section 8 of IGST Act
12	Assessment and Audit functions	Sections 61, 62, 65 and 66 under Chapter XII & XIII of GGST Act; Rules 99 to 102 under Chapter XI of GGST Rules

In addition, the notifications and circulars issued by Department relating to filing of returns, notifying the effective dates of filing of various returns, extending due dates for filing returns, rates of tax on goods and services, payment of tax, availing and utilising ITC, scrutiny of returns and oversight of tax compliance and Standard Operating Procedures (SoP) containing instructions to Departmental officers on various aspects related to filing returns, scrutiny of returns, cancellation of registrations, *etc.*, also formed part of the audit criteria.

### **Audit findings**

The audit findings are categorised into the following categories:

- Oversight functions of ward offices
- Centralised Audit
- Detailed Audit



## 2.2.6 Oversight functions of ward offices

### 2.2.6.1 Deficient mechanism for monitoring of return filing and scrutiny of returns

In selected four<sup>16</sup> wards, data relating to non-filers of returns and action taken by the Department was not provided. Data of non-filers downloaded by audit and responses received from three wards indicated inaction by the Department on non-filers of returns. One ward did not reply. Audit also observed delay in selection of cases for internal audit and non-completion of internal audit, non-cancellation of registrations of non-filers of returns and non-adherence to prescribed procedures for cancellation of registration. The details are given in the following paragraphs.

#### 2.2.6.2 Non-cancellation of registrations of non-filers of GSTR-3B

Section 29(1) of GGST Act, 2017 stipulates that the proper officer may, either on his own motion, or on application filed by registered person or his legal heir cancel the registration having regard to circumstances where the business has been discontinued, change in constitution of business or the taxable person is no longer liable to be registered.

Section 29(2) of the GGST Act allows for *suo-moto* cancellation of the registration of taxpayer by tax officer on the grounds of contravention of the Acts or Rules by the taxpayer, composition taxpayers not filing return for three consecutive tax periods, normal taxpayers not filing return for continuous period of six months, registered persons not commencing business within six months from date of registration and registration obtained by means of fraud, wilful misstatement or suppression of facts.

Section 46 of the GGST Act, 2017 read with Rule 68 of GGST Rules, 2017 stipulates issue of a notice in Form GSTR-3A requiring filing of return within 15 days if the taxpayer had failed to file the return within the due date. In case the taxpayer fails to file the returns even after such notice, the proper officers may proceed to assess the tax liability of the said person to the best of their judgment, taking into account all the relevant material which is available or gathered and issue an assessment order in Form ASMT-13 as per Section 62 of the GGST Act 2017 read with Rule 100 of the GGST Rules 2017. 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 ward Audit, information regarding non-filers of returns and action taken by the Department was sought for, but the same was not provided. However, Audit obtained data on non-filers (GSTR-3B only)

<sup>16</sup> Margao, Panaji, Ponda and Vasco

from the Goa GST backend portal (Model-1<sup>17</sup>) and worked out the year-wise and ward-wise number of non-filers who had not filed six or more consecutive returns. It was noticed that in four wards, GSTR-3B returns for six or more consecutive months, were not filed by 1,216 (9.14 *per cent*) out of 13,307 taxpayers, 1,269 (9 *per cent*) out of 14,100 taxpayers, 1,968 (13.01 *per cent*) out of 15,122 taxpayers and 2,385 (15.11 *per cent*) out of 15,784 taxpayers for the years 2017-18, 2018-19, 2019-20 and 2020-21 respectively as detailed in **Table 2.15**.

**Table 2.15: Details of non-filers of GSTR-3B during 2017-21 in four selected wards**

Sl. No.	Name of Ward	Year-wise number of taxpayers who are active and under State jurisdiction				Year-wise number of taxpayers who did not file GSTR-3B returns for at least six consecutive months				Action taken on non-filers
		2017-18	2018-19	2019-20	2020-21	2017-18	2018-19	2019-20	2020-21	
1	Ponda	2472	2701	2917	3095	223	238	393	502	No action was taken
2	Panaji	4194	4425	4712	4762	348	421	691	736	No action was taken
3	Vasco	2090	2197	2358	2514	206	222	325	417	No action was taken
4	Margao	4551	4777	5135	5413	439	388	559	730	Information was not provided
<b>Total</b>		<b>13307</b>	<b>14100</b>	<b>15122</b>	<b>15784</b>	<b>1216</b>	<b>1269</b>	<b>1968</b>	<b>2385</b>	

(Source: Goa GST backend portal, Model-1)

Audit called for the information on action taken by the wards in respect of these non-filers.

Out of the four wards, one ward (Margao) did not provide response to audit enquiries, hence, audit could not ascertain the action taken by the ward. From the information provided by remaining three wards<sup>18</sup> it was noticed that the ward officers had not initiated action for issuance of notices in GSTR-3A, cancellation of registration and conducting best judgement assessment.

On being pointed out (February 2023), the CST stated (February 2023) that action to cancel registration of non-filers would be taken up on priority in a phased manner as the GST backend system under Model-2 was recently adopted by the Department. Further progress in the matter is awaited (April 2024).

<sup>17</sup> The states which have developed backend systems on their own were called Model-1 and states which opted for development of backend system by GSTN were called as Model-2 states. Goa became Model-2 state *w.e.f.* 26 November 2022.

<sup>18</sup> Panaji, Ponda and Vasco

### 2.2.6.3 Delay in selection of cases for internal audit under Section 65 of the GGST Act and non-completion of internal audit

Internal Audit is another compliance verification mechanism, along with the scrutiny of returns, for the tax authorities to examine the correctness of self-assessed returns submitted by the taxpayers. Section 65(1) of the GGST Act provides for conducting the audit by the tax authorities and Section 65(4) stipulates that the audit under Section 65(1) shall be completed within three months from the date of commencement of the audit. Further, as per Section 73(10) of the GGST Act, the proper officer shall issue the order of determination of tax not paid or short paid or erroneously refunded or ITC wrongly availed or utilised for any reasons other than fraud or any willful misstatement or suppression of facts within three years from the due date for furnishing of annual return for the financial year. For the financial year 2017-18, extended due date of furnishing of annual return was 07 February 2020 and due date of issue of order under Section 73(10) was 06 February 2023 which was extended to 30 September 2023 *vide* notification dated 08 July 2022.

The CST selected 256 cases for audit under Section 65 of the GGST Act, out of which 50 cases were selected *vide* order No. CST/26-11/2020-21/509 dated 24 June 2020 on the basis of the refunds claimed by the taxpayers and remaining 206 cases were selected *vide* order No. CST/26-11/2021-22/2308 dated 14 December 2021 on the basis of risk parameters such as 100 *per cent* ITC claimed, Tran 1 filers, mismatch of liability as per GSTR-3B and GSTR-1, builders and hoteliers, *etc.* Out of 256 cases, 241 cases were selected for audit for the year 2017-18, nine cases were selected for the year 2018-19 and six cases were selected for the year 2019-20.

Audit observed that out of 241 cases selected for the year 2017-18, 50 cases were selected (24 June 2020) by the CST within four months from the extended due date of filing of annual return (07 February 2020) while the CST took 22 months (from 07 February 2020 to 14 December 2021) for selection of remaining 191 cases. Further, Audit observed from the case wise status of 256 cases furnished by the Department that notices in five<sup>19</sup> cases (selected for the year 2017-18) were not issued to the taxpayers. Notices were issued but returned unserved in case of eight taxpayers (five<sup>20</sup> taxpayers selected for the year 2017-18,

<sup>19</sup> GSTINs of five cases: 30AAACN3331N1ZR, 30AEBPP2975E1ZS, 30ADNPP5942L1Z6, 30ATXPD9328C1ZQ and 30AAZFA3229Q1ZY

<sup>20</sup> GSTINs of five cases selected for the year 2017-18: 30AAYFA7272N1ZU, 30AABCB7417Q1ZL, 30AABCP8121B1Z7, 30AAACF7909E2Z1 and 30AAACK5621J1ZX

two<sup>21</sup> taxpayers for the year 2018-19 and one<sup>22</sup> taxpayer for the year 2019-20) and audit was not completed (September 2022) in any of the selected cases even after the lapse of a period of 24 months (in respect of 50 cases) and six months (in respect of 206 cases) after the selection of cases for audit (September 2022).

On being pointed out (November 2022) by Audit, Deputy Commissioner of State Tax (HQ) replied (December 2022) that the delay in selection of cases for Audit was due to technical glitches in the software, and Assessing Authorities (AA) being busy in OTS<sup>23</sup> scheme by Government of Goa. The state of Goa also migrated from Model-1 to Model-2 (November 2022). It was further stated that notices in five cases were not issued due to ill health of AA and in eight cases where notices were returned, notices were served through registered email. The CST further stated (February 2023) that cases would be selected for audit for the year 2018-19 to 2020-21 at the earliest. Further progress in the matter is awaited (April 2024).

Thus, there was not only delay in selection of cases for audit but audit of selected cases were also not completed.

***Recommendation 1: The Department may ensure that cases for internal audit are selected within the prescribed time frame and audit is completed in a time bound manner before cases become time barred.***

#### **2.2.6.4 Non-adherence to prescribed procedure for cancellation of registration**

Section 29(2) of the GGST Act allows for *suo-moto* cancellation of the registration of taxpayer by tax officer on the grounds of contravention of the Acts or Rules by the taxpayer, composition taxpayers not filing return for three consecutive tax periods, normal taxpayers not filing return for continuous period of six months, registered persons not commencing business within six months from date of registration and registration obtained by means of fraud, wilful misstatement or suppression of facts.

Section 45 of the GGST Act requires every registered person other than (a) Input Service Distributor (ISD) or a non-resident taxable person or (b) Composition taxable person (Section 10) or (c) persons paying tax

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<sup>21</sup> GSTINs of two cases selected for the year 2018-19: 30AAZCS7323L1ZT and 30AAGFK6763J1Z8

<sup>22</sup> GSTIN of one case selected for the year 2019-20: 30AAEFM5712B1Z2

<sup>23</sup> The Goa (Recovery of Arrears of Tax, Interest, Penalty, Other Dues through Settlement) Act, 2023 published vide Notification no. 7/30/2023-LA dated: 08 September 2023 provides for expeditious enforcement of payment of tax, penalty and/or interest, *etc.* in respect of assessment period of assessment up to 30 June 2017 under the earlier acts such as Goa Value Added Tax Act 2005 and the Central Sales Tax Act 1956, *etc.*

under Section 51 - Tax collection at source (TCS) or persons paying tax under Section 52 - Tax deducted at source (TDS), whose registration has been cancelled, to file a final return in GSTR-10, within three months of the effective date of cancellation or the date of order of cancellation, whichever is later. The purpose of the final return is to ensure that the taxpayer discharges the outstanding liability. In case of non-filing of GSTR-10, the same procedure as adopted for non-filing of any return is to be followed by the tax officer.

The data on cancellation of registration of taxpayers in respect of selected four wards was called for. Details of registered taxpayers in four wards are given **Table 2.16**.

**Table 2.16: Number of registered taxpayers in selected four wards during 2017-18 to 2020-21**

Sl. No.	Year	No. of active taxpayers under state jurisdiction	No. of cancelled taxpayers	Total registered taxpayers
1	2017-18	13307	10	13317
2	2018-19	14100	246	14346
3	2019-20	15122	449	15571
4	2020-21	15784	367	16151
<b>Total</b>			<b>1072</b>	

(Source: Goa GST backend portal Model-1 and compiled by Audit from the information provided by the ward officers)

Audit observed from the data provided by four<sup>24</sup> wards that registrations of 1,072 taxpayers (1,038 on taxpayer's request and 34 suo-moto) had been cancelled during the period from 2017-18 to 2020-21 as detailed in **Appendix 2.4**. The information provided by the wards on action taken by the proper office after cancellation of taxpayers indicated that 878 (82 *per cent*) out of 1,072 taxpayers had not filed their final return in form GSTR-10. Main reasons for cancellation were non-filing of returns by the taxpayers for consecutive period of six months (two taxpayers), registration was obtained by means of fraud, wilful misstatement or suppression of facts (13 taxpayers), contravention of provisions of the Act (19 taxpayers) and applications filed by the taxpayers (1,038 taxpayers). The Department neither issued notices in form GSTR-3A nor conducted best judgement assessment in any of the cases. Non-filing of final returns by the taxpayers and non-conducting of best judgement assessment of the non-filers, have the risk of non-recovery of Government dues in these cases.

On being pointed out (February 2023), the CST stated (February 2023) that earlier Model-1 system did not have working module for initiating best judgement assessment. Now with implementation of Model-2 GST backend system, the functioning is made available to Assessing

<sup>24</sup> Margao, Panaji, Ponda and Vasco

Authorities for assessment of non-filers. It was further stated that the scrutiny of returns under Section 61 for the year 2017-18 was under progress and was being conducted on priority as per guidelines. It would be ensured that the assessment of non-filers (ASMT-13) under Section 62 is completed within the prescribed time limit. Further progress in the matter is awaited (April 2024).

Non-initiation of action for cancellation of registrations against taxpayers who had not filed returns for six consecutive months and non-initiation of action for issuing notices in GSTR-3A, not conducting best judgement assessment against cancelled taxpayers who have not filed GSTR-10 may result in non-discharge of tax liability and loss of revenue to the Government.

***Recommendation 2: The Department may monitor the status of cancellation of registrations and action taken thereon in consonance with the statutory provisions to check undischarged tax liabilities.***

## **2.2.7 Centralised audit**

### **2.2.7.1 Inconsistencies in GST returns**

Audit analysed GST returns data pertaining to 2017-18 as made available by Goods and Services Tax Network (GSTN). Rule-based deviations, and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 13 parameters, which can be broadly categorised into two domains - ITC and Tax payments.

Out of the 13 prescribed GST returns<sup>25</sup>, the following basic returns that apply to normal taxpayers were considered for the purpose of identifying deviations, inconsistencies, and mismatches between GST returns/data:

- GSTR-1: Monthly return 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 ITC claimed, along with payment of tax by the taxpayer to be filed by all taxpayers except those specified under Section 39(1) of the Act. This is the return that populates the credit and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger.

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<sup>25</sup> GSTR-1, GSTR-3B, GSTR-4 (taxpayers under the Composition scheme), GSTR-5 (non-resident taxable person), GSTR-5A (Non-resident OIDAR service providers), GSTR-6 (ISD), GSTR-7 (taxpayers deducting TDS), GSTR-8 (E-commerce operator), GSTR-9 (Annual Return), GSTR-10 (Final return), GSTR-11 (person having UIN and claiming a refund), CMP-08 and ITC-04 (Statement to be filed by a principal/job-worker about details of goods sent to/received from a job-worker).

- GSTR-6: Monthly return for ISDs providing the details of their distributed ITC and inward supplies.
- GSTR-8: Monthly return to be filed by the e-commerce operators who are required to deduct TCS under GST, introduced in October 2018.
- GSTR-9: Annual return to be filed by all registered persons other than an ISD, TDS/TCS, Casual Taxable Person and Non-Resident taxpayer. This document contains the details of all supplies made and received under various tax heads (CGST, SGST and IGST) during the entire year along with turnover and audit details for the same.
- GSTR-9C: Annual audit form for all taxpayers having a turnover above ₹ five crore in a particular financial year. It is basically a reconciliation statement between the annual returns filed in GSTR-9 and the taxpayer's audited annual financial statements.
- GSTR-2A: A system-generated statement of inward supplies for a recipient. It contains the details of all B2B transactions of suppliers declared in their form GSTR-1/5, ISD details from GSTR-6, details from GSTR-7 and GSTR-8 respectively by the counterparty and import of goods from overseas on bill of entry as received from ICEGATE Portal of Indian Customs.

The data analysis pertaining to State jurisdiction of Goa for the period 2017-18 on the 13 identified parameters and extent of deviations/inconsistencies observed (sample for centralised audit) are summarised in **Table 2.17**.

**Table 2.17: Data analysis summary of sampled cases of Goa State**

(₹ in Crore)

Sl. No.	Parameter	Algorithm used	Number of deviations	Mismatch/Amount involved
1	Mismatch in availing of ITC	ITC available as per GSTR-2A with all its amendments was compared with the ITC availed in GSTR-3B {Table 4A (5)} (accrued on domestic supplies) considering the reversal in Table 4(B)(2) but including the ITC availed in subsequent year 2018-19 from Table 8(C) of GSTR-9.	10	28.71
2	Mismatch in availing of ITC under Reverse Charge Mechanism (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 liability in GSTR-3B Table 3.1(d) was compared with	10	3.75



Sl. No.	Parameter	Algorithm used	Number of deviations	Mismatch/Amount involved
		GSTR-3B Table {4(A)(2)+4(A) (3)}.		
3	Mismatch in availing of ITC under RCM	RCM payments in GSTR-3B Table 3.1(d) were compared with ITC availed in GSTR-9 Table (6C+6D+6F). In cases where GSTR-9 was not available, audit check was restricted within GSTR-3B, RCM payments in Table 3.1(d) <i>vis-a-vis</i> ITC availed in Table {4A(2) + 4A(3)}.	3	0.40
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) was compared with sum of Table 5A +Table 8A +Table 9A of GSTR-6.	10	2.25
5	Incorrect ISD credit reversal	GSTR-9 Table 7B/7H of the recipients was compared with sum of Table 8A (negative figures only) and Table 9A (negative figures only) of their GSTR-6.	1	0.0006
6	Mismatch in ITC availed between Annual return and financial statement (Table 12F of GSTR-9C)	Positive figure in Table 12F of GSTR-9C.	10	17.49
7	Reconciliation between ITC declared in Annual return with expenses in financial statement (Table 14T of GSTR-9C)	Positive figure in Table 14T of GSTR-9C.	10	276.65
8	Mismatch in turnover between Annual return and financial statement (Table 5R of GSTR-9C)	Negative figure in Table 5R of GSTR-9C.	3	196.41
9	Mismatch in taxable turnover between annual return and audited financial statement (Table 7G of GSTR-9C)	Negative figure in Table 7G of GSTR-9C.	10	365.84
10	Mismatch in tax paid between books of accounts and annual return (Table 9R of GSTR-9C)	Negative figure in Table 9R of GSTR-9C.	7	20.40



Sl. No.	Parameter	Algorithm used	Number of deviations	Mismatch/Amount involved
11	Mismatch in tax liability and payment among returns (GSTR-1, GSTR-3B and GSTR-9)	Greater of tax liability between GSTR-1 (Table 4 to 11) and GSTR-9 (Table 4N, 10 & 11) was compared with tax paid details declared in Tables 9 and 14 of GSTR-9. In cases where GSTR-9 was not available, tax paid details declared in Table 3.1(a) <sup>26</sup> and 3.1(b) in GSTR-3B <sup>27</sup> were compared with GSTR-1 liability. The amendments and advance adjustments declared in GSTR-1 and GSTR-9 were duly considered.	10	11.90
12	Cases where GSTR-3B was not filed but GSTR-1 or GSTR-2A was 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.	10	0.94
13	Non/short payment of interest	Interest calculated at the rate of 18 <i>per cent</i> on cash portion of tax payment on delayed filing of GSTR-3B <i>vis-a-vis</i> interest declared in GSTR-3B Table 6.1.	10	3.36
	<b>Total</b>		<b>104</b>	<b>928.10</b>

Audit selected a sample of 104 cases from amongst the top deviations/inconsistencies in each of the 13 parameters for the year 2017-18. The audit queries were issued to the respective wards during April 2022 to May 2022 without further scrutiny of taxpayer's records. Audit check in these cases was limited to verifying the Department's action on the identified deviations/mismatches.

#### 2.2.7.2 Results of Centralised audit

Based on responses received from the Department to the Audit enquiries, the extent to which these parameters translated into compliance deviations is summarised in **Table 2.18**.

<sup>26</sup> Outward taxable supplies (other than zero-rated, nil rated and exempted).

<sup>27</sup> Outward taxable supplies (zero-rated).

**Table 2.18: Dimension wise summary of deficiencies**

(₹ in Crore)

Audit Dimension	Cases where reply received		Department's reply accepted by Audit						Compliance Deviation						The Department stated that they are examining the Audit Query	
									Accepted by Dept. including cases where action is yet to be initiated				Total			
			Data entry errors		Action taken before Audit query		Other valid explanations		ASMT-10 <sup>28</sup> / Action initiated		Under correspond-ence with taxpayer					
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Mismatch in availing of ITC	10	28.71	0	0	0	0	0	0	7	20.72	0	0	7	20.72	3	7.99
Mismatch in availing of ITC under RCM without payment	10	3.75	4	1.09	0	0	0	0	4	2.04	0	0	4	2.04	2	0.62
Mismatch in availing of ITC under RCM	3	0.40	2	0.28	0	0	0	0	1	0.12	0	0	1	0.12	0	0
Incorrect availment of ISD credit	10	2.25	3	0.69	0	0	2	0.72	5	0.84	0	0	5	0.84	0	0
Incorrect ISD credit reversal	1	0.0006	0	0	0	0	0	0	0	0	0	0	0	0	1	0.0006
Mismatch in ITC availed between Annual return and financial statement (Table 12F of GSTR-9C)	10	17.49	0	0	3	6.78	1	0.71	4	6.10	0	0	4	6.10	2	3.90
Reconciliation between ITC declared in Annual return with expenses in financial statement (Table 14T of 9C)	10	276.65	0	0	0	0	10	276.65	0	0	0	0	0	0	0	0
Mismatch in turnover between Annual return and financial statement (Table 5R of GSTR-9C)	3	- <sup>29</sup>	0	0	0	0	2	-	1	-	0	0	1	-	0	0

<sup>28</sup> In cases where discrepancies or inconsistencies are found in a taxpayer's GST returns, the tax authorities issue a notice called GST ASMT-10.

<sup>29</sup> Total unreconciled turnover (TO) in table 5R of GSTR-9C in the three cases is ₹ 196.41 crore, out of which, in two cases involving mismatched TO of ₹ 81.81 crore valid explanations were provided by the Department and the compliance deviations in the remaining one case involving mismatched TO of ₹ 114.60 crore have been observed.

Audit Dimension	Cases where reply received		Department's reply accepted by Audit						Compliance Deviation						The Department stated that they are examining the Audit Query	
									Accepted by Dept. including cases where action is yet to be initiated				Total			
			Data entry errors		Action taken before Audit query		Other valid explanations		ASMT-10 <sup>28</sup> / Action initiated		Under correspond -ence with taxpayer					
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Mismatch in taxable turnover between annual return and audited financial statement (Table 7G of GSTR-9C)	10	₹ <sup>30</sup>	0	0	0	0	6	-	4	-	0	0	4	-	0	0
Mismatch in tax paid between books of accounts and annual return (Table 9R of GSTR-9C)	7	20.40	0	0	0	0	3	15.22	4	5.18	0	0	4	5.18	0	0
Mismatch in tax liability and payment among returns (GSTR-1, GSTR-3B and GSTR-9)	10	11.90	0	0	1	1.05	0	0	7	7.44	0	0	7	7.44	2	3.41
Cases where GSTR-3B not filed but GSTR-1 or GSTR-2A available	10	0.94	0	0	1	0.23	0	0	6	0.34	3	0.38	9	0.72	0	0
Non/short payment of interest	10	3.36	0	0	1	0.22	0	0	9	3.14	0	0	9	3.14	0	0
Total	104	365.85	9	2.06	6	8.28	24	293.30	52	45.92	3	0.38	55	46.30	10	15.92

<sup>30</sup> Total unreconciled taxable turnover (TTO) in table 7G of GSTR-9C in the 10 cases is ₹ 365.84 crore, out of which, in six cases involving mismatched TTO of ₹ 232.04 crore valid explanations were provided by the Department and the compliance deviations in the remaining four cases involving mismatched TTO of ₹ 133.80 crore have been observed.

### 2.2.7.3 Summary of Centralised Audit

From the **Table 2.18**, it can be seen that audit noticed deviations from the provisions of the Act in 55 cases (Col. No. 10 and 12) involving mismatch in ITC/Tax liability of ₹ 46.30 crore (Col. No. 11 and 13) constituting 52.88 *per cent* of the inconsistencies/mismatches in data, for which the Department provided responses. Relatively higher rates of deviations were noticed in risk parameters such as mismatch of ITC between returns, mismatch in tax liability, non/short payment of interest, non-filing of returns, *etc.*

In 39 cases (Col. No. 4, 6 and 8), constituting 37.50 *per cent*, where the Department's reply was acceptable to Audit, data entry errors by taxpayers comprised nine cases (Col. No. 4), Department had proactively taken action in six cases (Col. No. 6) and 24 cases (Col. No. 8) had other valid explanations.

In 10 cases (Col. No. 16), constituting 9.62 *per cent*, the Department stated that it was examining the underlying deviation of ₹ 15.92 crore (Col. No. 17).

Illustrative cases with highest money value for dimensions of Centralised audit where audit observations were accepted by the Department are detailed in **Table 2.19**.

**Table 2.19: Top cases for dimensions of Centralised audit (for compliance deviations pertaining to cases where ASMT-10 was issued/action was initiated or case was under correspondence with taxpayer)**

Sl. No.	Dimension	GSTIN	Jurisdictional ward	Amount of mismatch (₹ in crore)	Action taken
1	Mismatch in availing of ITC	30AAACG6842K1ZQ	Panaji	6.61	The State Tax Officer (STO) stated (August 2022) that the taxpayer is selected for audit under Section 65 and the CST further stated (February 2023) that a circular was issued on the subject and verification of ITC shall be taken up as per the guidelines/clarifications in the said circular.
2	Mismatch in availing of ITC under RCM without payment of tax	30AAVFS6140G1Z5	Mapusa	0.84	The STO stated (August 2022) that the taxpayer's returns are verified and scrutiny is under process. The CST further stated (February 2023) that the case has been selected for scrutiny and the proper officer would initiate action as deemed fit while finalising the case of the taxpayer.

Sl. No.	Dimension	GSTIN	Jurisdictional ward	Amount of mismatch (₹ in crore)	Action taken
3	Mismatch in availing of ITC under RCM	30ABTFS8108H1ZZ	Panaji	0.12	The STO stated (August 2022) that necessary action would be initiated as per the provisions of the GGST Act. The CST further stated (February 2023) that the case has been selected for scrutiny and the proper officer would initiate action as deemed fit while finalising the case of the taxpayer.
4	Incorrect availment of ISD credit	30AAACG4447J1ZV	Panaji	0.51	The STO stated (August 2022) that necessary action would be initiated as per the provisions of the Act. The CST further stated (February 2023) that the case has been selected for scrutiny and ASMT-10 has been issued to the taxpayer.
5	Mismatch in ITC availed between Annual return and financial statement (Table 12F of GSTR-9C)	30AABCB5576G1ZY	Panaji	2.97	The STO stated (August 2022) that necessary action would be initiated as per provisions of the act. The CST further stated (February 2023) that the taxpayer had been selected for scrutiny of returns and the proper officer would check the exact availment of ITC in GSTR-3B with that of unreconciled ITC as shown in GSTR-9C while scrutinising the returns of the taxpayer.
6	Mismatch in turnover between annual return and audited financial statement (Table 5R of GSTR-9C)	30AAATC2716R1ZS	Panaji	114.60	The STO stated (August 2022) that necessary action would be initiated as per the provisions of the GGST Act. The CST further stated (February 2023) that the case has been selected for scrutiny and the proper officer would initiate action as deemed fit while finalising the case of the taxpayer.
7	Mismatch in taxable turnover between annual return and audited financial statement (Table 7G of GSTR-9C)	30AAICA6765F1ZT	Panaji	57.31	The STO replied (August 2022) that necessary action as per the provisions of the GGST Act and rules would be initiated. The CST further stated (February 2023) that the taxpayer has been selected for scrutiny of returns.

Sl. No.	Dimension	GSTIN	Jurisdictional ward	Amount of mismatch (₹ in crore)	Action taken
8	Mismatch in tax paid between books of accounts and annual return (Table 9R of GSTR-9C)	30AGIPK2039H2ZS	Panaji	3.53	The STO replied (August 2022) that the detailed verification of returns of the taxpayer would be conducted by the proper officer to whom the case is allotted for assessment under Section 65 of the Act. The CST confirmed the reply of the STO and further stated (February 2023) that the proper officer would initiate action as deemed fit while finalising the case of the taxpayer.
9	Mismatch in tax liability and payment among returns (GSTR-1, GSTR-3B and GSTR-9)	30AAHCA6486A1Z2	Panaji	2.28	The STO replied (August 2022) that the case has been selected for audit assessment under Section 65. The CST further stated (February 2023) that the action as deemed fit under the provisions of the Act would be initiated by the proper officer.
10	Cases where GSTR-3B was not filed but GSTR-1 or GSTR-2A was available	30AGWPP3748A1ZE	Vasco	0.33	The STO replied (June 2022) that notice under Section 46 of the GGST Act has been issued. The CST further stated (February 2023) that notice has been issued and the action as deemed fit under the provisions of the Act would be initiated by the proper officer.
11	Non/short payment of interest	30AAACN1597Q1Z5	Margao	1.37	The STO stated (May 2022) that the National Company Law Tribunal (NCLT) passed an order (December 2020) that the taxpayer would be liquidated. Accordingly, in view of the NCLT order, the claim of the Departmental dues has been filed with the liquidator. The CST confirmed (February 2023) the reply of the STO.

Illustrations for each of the highest money value cases from each dimension for the above table are given 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)<sup>31</sup> considering the reversals in table 4B (2)<sup>32</sup> but including the ITC availed in the subsequent year 2018-19 from table 8C of GSTR-9.

Audit observed that in case of taxpayer (GSTIN: 30AAACG6842K1ZQ) under Panaji ward, the ITC available as per GSTR-2A was ₹ 5.72 crore and the ITC availed in table 4A (5) of GSTR-3B was ₹ 12.33 crore (ITC availed in the subsequent year 2018-19 from table 8C of GSTR-9 was zero). This resulted in mismatch of ITC availed amounting to ₹ 6.61 crore which was communicated (May 2022) to the Department. The STO stated (August 2022) that taxpayer is selected for audit assessment under Section 65 of the Act. The CST further stated (February 2023) that the mechanism provided under Section 43 read with Rule 69 for matching of ITC was not in effect and a circular no. 183/15/2022-GST dated 27 December 2022 was issued on the subject, hence, verification of ITC shall be taken up as per guidelines/clarifications in the said circular. Further, progress in the matter is awaited (April 2024).

#### **(ii) Dimension - Mismatch in availing of ITC under RCM without payment of tax**

Under 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 GGST Act, 2017 and under Sub-section (3) or Sub-section (4) of Section 5 of the IGST Act, 2017.

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

To analyse the veracity of ITC availed on tax paid under 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

<sup>31</sup> All other eligible ITC.

<sup>32</sup> Other ITC reversed.

compare the RCM liability declared in GSTR-9 table 4G<sup>33</sup> with ITC availed in GSTR-9 table 6C<sup>34</sup>, 6D<sup>35</sup> and 6F<sup>36</sup>. In cases where GSTR-9 was not available, the check was restricted within GSTR-3B where the tax discharged as per table 3.1(d)<sup>37</sup> of GSTR-3B was compared with the ITC availed as per table 4A (2)<sup>38</sup> and 4A (3)<sup>39</sup> of GSTR-3B.

Audit observed that in case of a taxpayer (GSTIN: 30AAVFS6140G1Z5) under Mapusa ward, the tax paid under RCM as reported in table 3.1(d) of GSTR-3B was zero and the ITC availed in table 4A (2) & (3) of GSTR-3B was ₹ 0.84 crore, resulting in mismatch of ITC availed amounting to ₹ 0.84 crore which was communicated (April 2022) to the Department. The STO stated (August 2022) that taxpayer's returns are verified. Scrutiny is in progress, ASMT-10 will be issued and outcome will be intimated to Audit. The CST further stated (February 2023) that the case has been selected for scrutiny and the proper officer would initiate action as deemed fit while finalising the case of the taxpayer. Further, progress in the matter is awaited (April 2024).

### **(iii) Dimension - Mismatch in availing of ITC under RCM**

Under 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 GGST Act, 2017 and under Sub-section (3) or Sub-section (4) of Section 5 of IGST Act, 2017.

In GSTR-9 which is an annual return to be filed once for each financial year, the details of purchases, sales, ITC or refund claimed or demand created, *etc.*, are required to be furnished by the registered taxpayers.

The datasets pertaining to monthly return GSTR-3B and annual return GSTR-9 for the year 2017-18 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) with ITC availed in GSTR-9 table (6C+6D+6F). In cases where GSTR-9 was not available, the check was restricted within GSTR-3B where the tax payable under RCM as per Table 3.1(d) was compared with the ITC availed as per table {4A (2)+4A(3)}.

Audit observed that in the case of a taxpayer (GSTIN: 30ABTFS8108H1ZZ) under Panaji ward, the payment under RCM as

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<sup>33</sup> Inward supplies (liable to reverse charge)

<sup>34</sup> Inward supplies received from unregistered persons liable to reverse charge

<sup>35</sup> Inward supplies received from registered persons liable to reverse charge

<sup>36</sup> Import of services

<sup>37</sup> Inward supplies (liable to reverse charge)

<sup>38</sup> Import of services

<sup>39</sup> Inward supplies (liable to reverse charge)



per table 3.1(d) of GSTR-3B was zero and the ITC availed as per table {4A (2) and 4A(3)} of GSTR-3B was ₹ 0.12 crore resulting in mismatch of ITC availed under RCM amounting to ₹ 0.12 crore which was communicated to the Department (May 2022). In response, the STO stated (August 2022) that necessary action would be initiated as per the provisions of the GGST Act. The CST further stated (February 2023) that the case has been selected for scrutiny and the proper officer would initiate action as deemed fit while finalising the case of the taxpayer. Further, progress in the matter is awaited (April 2024).

#### **(iv) Dimension - Incorrect availment of ISD credit**

To analyse whether the ITC availed by the taxpayer is in excess of the amount transferred by the 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 6G of GSTR-9 or table 4A(4) of GSTR-3B of the recipient taxpayers under the jurisdiction of the State with the sum of table 5A, table 8A, and table 9A of GSTR-6 of the respective ISD.

In case of taxpayer (GSTIN: 30AAACG4447J1ZV) under the jurisdiction of Panaji ward, Audit observed that the ITC availed in table 6G of GSTR-9 was ₹ 0.95 crore and the ITC distributed by the ISD in table (5A+8A+9A) of GSTR-6 was ₹ 0.44 crore. This resulted in incorrect availing of ITC by recipient on ISD credit amounting to ₹ 0.51 crore which was communicated to the Department (May 2022). In response, the STO stated (August 2022) that necessary action would be initiated as per the provisions of Act. The CST further stated (February 2023) that the case has been selected for scrutiny and ASMT-10 has been issued to the taxpayer. Further progress is awaited (April 2024).

#### **(v) Dimension - Mismatch in ITC availed 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 statement or books of accounts. Table 12F of this table deals with unreconciled ITC.

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

In case of a taxpayer (GSTIN: 30AABCB5576G1ZY) under Panaji ward, unreconciled ITC of ₹ 2.97 crore declared in table 12F of GSTR-9C, being ITC availed in GST returns in excess of eligible ITC based on financial statements, was noticed and communicated (May 2022) to the

Department. The STO stated (August 2022) that necessary action would be initiated as per provision of the Act. The CST further stated (February 2023) that the taxpayer had been selected for scrutiny of returns and the proper officer would check the exact availment of ITC in GSTR-3B with that of unreconciled ITC as shown in GSTR-9C while scrutinising the returns of the taxpayer. Further progress in this regard is awaited (April 2024).

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

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of GGST 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* in the financial statements. The unreconciled amount in the cases where the turnover declared in GSTR-9 is less than what was declared in 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.

Table 5R of GSTR-9C captures unreconciled turnover between the annual return GSTR-9 and that declared in the financial statements for the year after the requisite adjustments.

In respect of a taxpayer (GSTIN: 30AAATC2716R1ZS) under Panaji ward, unreconciled turnover as per table 5R of GSTR-9C amounting to ₹ 114.60 crore was noticed and communicated to the Department (May 2022). In response, the STO stated (August 2022) that necessary action would be initiated as per the provisions of the GGST Act, 2017. The CST further stated (February 2023) that the case has been selected for scrutiny and the proper officer would initiate action as deemed fit while finalising the case of the taxpayer. Further progress is awaited (April 2024).

**(vii) Dimension - Mismatch in taxable turnover between annual return and audited financial statement (Table 7G of GSTR-9C)**

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

The certified reconciliation statement submitted by the taxpayer as required under the Rule 80(3) of CGST/SGST Rules 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.

In respect of a taxpayer (GSTIN: 30AAICA6765F1ZT) under Panaji ward, unreconciled taxable turnover as per table 7G of GSTR-9C, amounting to ₹ 57.31 crore was noticed and communicated (May 2022) to the Department. The STO replied (August 2022) that necessary action as per the provisions of the GGST Act and rules would be initiated. The CST further stated (February 2023) that the taxpayer had been selected for scrutiny of returns. Further progress in this regard is awaited (April 2024).

**(viii) 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 CGST/SGST Rules in GSTR-9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in tax paid between the Annual Return and the books of account. Table 9 of the GSTR-9C attempts to reconcile the tax paid by segregating the turnover rate-wise and comparing it with the tax discharged as per annual return GSTR-9. The unreconciled amounts could potentially indicate tax levied at incorrect rates, incorrect depiction of taxable turnover as exempt or *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.

In case of a taxpayer (GSTIN: 30AGIPK2039H2ZS) under Panaji ward, unreconciled payment of tax declared in Table 9R of GSTR-9C, amounting to ₹ 3.53 crore was noticed and communicated (May 2022) to the Department. The STO stated (August 2022) that the detailed verification of returns of the taxpayer would be conducted by the proper officer to whom the case is allotted for assessment under Section 65 of the Act. The CST confirmed the reply of the STO and further stated (February 2023) that the proper officer would initiate action as deemed fit while finalising the case of the taxpayer. Further progress in this regard is awaited (April 2024).

**(ix) Dimension - Mismatch in tax liability and payment among returns (GSTR-1, GSTR-3B and GSTR-9)**

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

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

For the algorithm, tables 4 to 11 of GSTR-1 and tables 4N, 10 and 11 of GSTR-9 were considered. The greater of the tax liability between GSTR-1 and GSTR-9 was compared with the tax paid declared in tables 9 and 14 of GSTR-9 to identify the short payment of tax. In the case of GSTR-3B, tables 3.1(a)<sup>40</sup> and 3.1(b)<sup>41</sup> were taken into account.

Audit observed in case of a taxpayer (GSTIN: 30AAHCA6486A1Z2) under Panaji ward, that the tax payable and tax liability discharged, declared in GSTR-9 were ₹ 3.60 crore and ₹ 1.32 crore respectively. This resulted in undischarged tax liability amounting to ₹ 2.28 crore which was communicated (May 2022) to the Department. The STO stated (August 2022) that the detailed verification of the returns would be conducted by the proper officer to whom the case is allotted for Audit assessment. The CST further stated (February 2023) that the action as deemed fit under provisions of GGST Act, 2017, would be initiated by the proper officer. Further progress in this regard is awaited (April 2024).

**(x) Dimension - Cases where GSTR-3B not filed but GSTR-1 or GSTR-2A available**

At the data level, Audit attempted to identify those taxpayers who did not file GSTR-3B but filed GSTR-1 or whose GSTR-2A was available. GSTR-3B return is the only instrument through which the liability is offset, and ITC is availed. The very availability of GSTR-1 and 2A and non-filing of GSTR-3B indicates that the taxpayers had undertaken/ carried on the business during the period but have not discharged their tax liability. It may also include cases of irregular passing on of ITC. All these cases, therefore, required immediate action to recover the short-paid tax.

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<sup>40</sup> Outward taxable supplies (other than zero rated, nil rated and exempted)

<sup>41</sup> Outward taxable supplies (zero rated)

Audit observed from data of a taxpayer (GSTIN: 30AGWPP3748A1ZE) in Vasco ward that the taxpayer had reported tax liability of ₹ 0.33 crore in his GSTR-1 for the period from July 2017 to March 2018. However, the taxpayer had not filed his GSTR-3B for the above-mentioned period. Non-filing of GSTR-3B indicated that the taxpayer had not discharged his tax liability of ₹ 0.33 crore as reported in his GSTR-1 returns, which was communicated (April 2022) to the Department. The STO stated (June 2022) that notice under Section 46 of the GGST Act had been issued for non-filing of returns. In case of failure to file return within the stipulated time, tax liability would be assessed under Section 62 of the GGST Act. The CST confirmed (February 2023) the reply furnished by the STO. Further progress in this regard is awaited (April 2024).

#### **(xi) Dimension - Non/short payment of interest**

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

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

Audit observed that in case of a taxpayer (GSTIN: 30AAACN1597Q1Z5) under Margao ward, the returns (GSTR-3B) pertaining to the period from July 2017 to March 2018, involving payment of tax amounting to ₹ 30.17 crore, were filed with delay ranging from 19 to 160 days. This resulted in non-payment of interest amounting to ₹ 1.37 crore which was communicated (April 2022) to the Department. The STO stated (May 2022) that the NCLT Mumbai passed an order that the taxpayer would be liquidated. The Department had filed claim for tax and interest with the liquidator. The CST confirmed (February 2023) the reply furnished by the STO. Further progress in this regard is awaited (April 2024).

#### **2.2.8 Analysis of causative factors**

Considering the Department's response to all 104 data deviations/inconsistencies, the factors that caused the data deviations/inconsistencies are as follows:

##### **A. Deviation from GST law and rules**

Out of the 104 deviations summarised in **Table 2.18**, the Department has accepted the audit observations and initiated action in 55 cases

(52.88 *per cent*) with mismatches in ITC/Tax liability of ₹ 46.30 crore. Out of these cases, the Department has initiated action or issued notice conveying discrepancies to the taxpayer in Form ASMT-10 in 52 cases for ₹ 45.92 crore and was in correspondence with the respective taxpayers in three cases involving deviation/mismatch of ₹ 0.38 crore as detailed in **Appendix 2.5**.

#### **B. Data entry errors by taxpayers**

Out of 39 cases where Department's reply was accepted by audit, data entry errors were noticed in nine (23.08 *per cent*) cases. These data entry errors did not have any revenue implication. Most of the data entry errors were related to availment of ITC under RCM and ISD credit as detailed in **Appendix 2.6**. An illustrative case is brought out below:

A deviation amounting to ₹ 22.96 lakh was identified in respect of a taxpayer (GSTIN: 30AACCR6287K1Z6) under Margao ward, as the tax paid under RCM reported in table 3.1(d) of GSTR-3B was zero and the ITC availed in table 4A (2) & (3) of GSTR-3B was ₹ 22.96 lakh which resulted in mismatch of ₹ 22.96 lakh. The deviation was communicated (May 2022) to the Department. The STO replied (May 2022) that the taxpayer has wrongly reported ITC under RCM instead of regular ITC. The taxpayer did not have any RCM ITC as he had no liability to pay tax on RCM basis. The taxpayer filed GSTR-9 return and rectified the mistake. The CST further replied (February 2023) that returns were filed by the taxpayers from GST frontend portal, hence, the Department had no validation controls on the returns filed by the taxpayers. Further, the State of Goa is shifted from Model-1 to Model-2 State for back office.

The reply doesn't indicate that validation control for such data entry errors made by the taxpayers, has been addressed in the system.

#### **2.2.9 Detailed audit of GST returns**

Apart from identifying inconsistencies/deviations in GST returns through data analysis, a detailed audit of GST returns was also planned to be conducted as a part of this SSCA. A risk-based sample of 15 taxpayers was selected for this part of the SSCA. 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 and then accessing taxpayers' records through wards for evaluation of tax compliance by taxpayers. Audit identified the risks related to excess availment of ITC and undischarged tax liability for detailed examination. On the ITC dimension, the mismatches were identified by comparing GSTR-3B with GSTR-2A and GSTR-9. On the tax liability dimension, the mismatches were identified by comparing GSTR-3B with GSTR-1 and GSTR-9.



**2.2.9.1 Scope limitation (non-production of records)**

Based on desk review results, audit requisitioned corresponding granular records of taxpayers such as the financial statements, invoices (outward and inward supplies), stock accounts of purchases, *etc.* to identify causative factors of the identified risks and to evaluate compliance by taxpayers.

However, in all 15 cases, the Department did not produce the corresponding granular records. The jurisdiction-wise non-production of records is summarised in **Table 2.20**. The case-wise listing of non-production is given in **Appendix 2.7**.

**Table 2.20: Non-production of records**

Jurisdictional ward of State	Sample	Non-production of records
	Number of taxpayers	Number of taxpayers
Panaji	2	2
Margao	5	5
Mapusa	1	1
Vasco	4	4
Ponda	3	3
<b>Total</b>	<b>15</b>	<b>15</b>

Thus, due to non-production of records, audit was constrained to conduct detailed audit of deviations relating to discharge of tax liability and availment of ITC. These deviations are reported as 'Mismatch' only in subsequent paragraphs.

**2.2.9.2 Filing of returns****Non-payment of interest on delayed payments by taxpayers**

Section 50 (1) and (2) of GGST Act, 2017, provides that every person who is liable to pay tax in accordance with the provisions of this Act or the rules made thereunder, but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest at such rate, not exceeding 18 *per cent*, as may be notified by the Government on the recommendations of the Council. The interest under Sub-section (1) shall be calculated, in such manner as may be prescribed, from the day succeeding the day on which such tax was due to be paid.

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

Audit observed in five cases, constituting 33.33 *per cent* of the 15 selected cases, that taxpayers had filed their returns with delay ranging from 01 day to 197 days, however, the interest liability of ₹ 5.01 lakh for delayed filing was not discharged (**Appendix 2.8**).

An illustrative case is featured below:

A taxpayer (GSTIN: 30AACCG4949F1ZV), under Panaji ward had filed GSTR-3B return for the month of November 2017, with a delay of seven days and paid the tax dues in this return by debiting the Cash Ledger. However, interest amounting to ₹ 1.82 lakh was not paid. On being pointed out (August 2022), the STO stated (August 2022) that communication has been made to the taxpayer for payment of interest. Further, the taxpayer has been selected for Audit assessment and the observation would be forwarded to proper officer to whom the said case was allotted for audit assessment. The CST confirmed (February 2023) the reply furnished by the STO. Further action taken in this regard is awaited (April 2024).

### 2.2.9.3 Mismatch in 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 ITC and RCM among returns. Audit could not examine mismatches in detail since relevant granular records were not produced by the Department. The details of mismatches in ITC noticed by Audit are given in **Table 2.21**.

**Table 2.21: Mismatch in ITC claimed by taxpayers**

Sl. No.	Parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)	Remarks
1.	<b>Mismatch of ITC between GSTR-2A and GSTR-3B returns:</b> ITC available as per GSTR-2A with all its amendments was compared with the ITC availed in GSTR-3B in table 4A (5) <sup>42</sup> considering the reversals in table 4B (2) <sup>43</sup> but	10	4	49.34	In two cases <sup>44</sup> , the STO replied that scrutiny was under process. In five cases <sup>45</sup> , it was stated that the cases have been selected for audit under Section 65. In one case <sup>46</sup> , ASMT-10 has been issued.

<sup>42</sup> All other eligible ITC

<sup>43</sup> Other ITC reversed

<sup>44</sup> Margao (Sl. No. 1) and Vasco (Sl. No.2)

<sup>45</sup> Panaji (Sl. No. 3), Margao (Sl. No. 4, 5 and 6), Vasco (Sl. No. 7)

<sup>46</sup> Mapusa (Sl. No. 10)



Sl. No.	Parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)	Remarks
	including the ITC availed in the subsequent year 2018-19 from table 8C of GSTR-9. (Appendix 2.9)				In remaining two cases <sup>47</sup> reply is awaited. The CST further stated that verification of ITC would be taken up as per the extant guidelines. Further progress in this regard is awaited (April 2024).
2.	<b>Mismatch in ITC availed on import of goods:</b> ITC available in respect of import of goods as per ITC availed in table-4A (1) of GSTR-3B was compared with the ITC availed in table-8H of GSTR-9.	1	1	0.73	The STO (Margao) replied that the case has been selected for audit under Section 65 of the GGST Act for necessary action. The CST confirmed the reply of the STO. Further progress in this regard is awaited (April 2024).

#### 2.2.9.4 Discharge of tax liability

The taxable event in case of GST is supply of goods and/or services. Section 9 of the GGST Act is the charging Section Authorising 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 and GGST Act. Section 5 of the IGST vests levy and collection of IGST on *inter-state* supply of goods and services with Central Government with maximum rate of 40 *per cent*. Section 9(4) of the GGST Act and Section 5(3) and 5(4) of the IGST Act provide for reverse charge levy on certain goods or services, wherein the recipient instead of supplier becomes liable to pay tax.

#### 2.2.9.5 Mismatch in discharge of tax liability

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 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 2.22**.

<sup>47</sup> Vasco (Sl. No. 8) and Panaji (Sl. No. 9)

**Table 2.22: Mismatch related to discharge of tax liability**

Sl. No.	Parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)	Remarks
1.	<b>Mismatch in 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 - tax liability declared in GSTR-1 and GSTR-9 for the year 2017-18 and the tax payable in these returns was compared with the tax paid and declared in GSTR-3B or GSTR-9. (Appendix 2.10)</b>	8	5	5.69	In four cases <sup>48</sup> the STO replied that cases have been selected for audit under Section 65 of the GGST Act. In one case <sup>49</sup> it was stated that the proceeding would be initiated against the taxpayer under Section 73 of the Act. In one case <sup>50</sup> , ASMT-10 has been issued to the taxpayer. In one case <sup>51</sup> scrutiny was under process. In remaining one case <sup>52</sup> reply is awaited. The CST further, stated that the action as deemed fit under the provisions of the GGST Act would be initiated by the proper officer. Further progress in this regard is awaited (April 2024).

#### **2.2.9.6 Short discharge of liability due to incorrect charging of rate of tax**

As per Section 9 of the GGST Act, 2017, the GGST shall be levied on all *intra-state* supplies of goods or services or both on the value determined under Section 15 of the Act. The rates of state tax were prescribed under different schedules vide notification No.38/1/2017-Fin(R&C)(1/2017-Rate) dated, 30 June 2017.

Audit observed short discharge of tax liability of ₹ 0.10 crore due to incorrect charging of rate of tax in two cases, consisting of 13.33 *per cent* of the 15 audited cases (**Appendix 2.11**).

An illustrative case is featured below:

Audit observed from entries in table 12 (HSN wise summary of outward supplies) of GSTR-1 filed by the taxpayer (GSTIN: 30AAACB0421B1ZZ, selected months-August 2017 and March 2018) in Margao ward that in respect of supplies pertaining to four HSNs

<sup>48</sup> Margao (Sl. No. 1 and 3), Panaji (Sl. No. 2) and Vasco (Sl. No. 4)

<sup>49</sup> Ponda (Sl. No. 6)

<sup>50</sup> Mapusa (Sl. No. 5)

<sup>51</sup> Margao (Sl. No. 7)

<sup>52</sup> Vasco (Sl. No. 8)

(27121090, 39012090, 39011090 and 39019090) incorrect rate of tax was applied. In respect of three HSNs (27121090, 39012090 and 39011090) 'Nil' rate of tax was applied instead of correct rate of 18 *per cent*, and in remaining one HSN (HSN: 39019090) 17.32 *per cent* rate of tax was applied instead of correct rate of 18 *per cent* to be charged. Application of incorrect rate of GST resulted in short levy of GST by ₹ 0.10 crore. On being pointed out, the STO replied (October 2022) that the taxpayer is identified for audit under Section 65 and the observation would be forwarded to concerned proper officer for further necessary action. The CST confirmed (February 2023) the reply of the STO. Further progress in this regard is awaited (April 2024).

***Recommendation 3: The Department may initiate remedial action for all the compliance deviations brought out in this report before they get time barred.***

### 2.2.10 Conclusion

The SSCA on Department's Oversight on GST Payments and Return Filing was undertaken 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.

A review of the functions of four wards disclosed that there were deficiencies in oversight functions of wards such as monitoring of return filing, lack of action on non-filers of returns, delay in selection of cases for internal audit and non-adherence to prescribed procedure for cancellation of registration during the period from 2017-18 to 2020-21.

Further, out of the 104 high value data, inconsistencies identified by Audit in 55 cases constituting 52.88 *per cent*, turned out to be compliance deficiencies with mismatch of ITC/tax liability of ₹ 46.30 crore. Relatively higher rates of deviations were noticed in risk parameters such as mismatch of ITC between returns, mismatch in tax liability, non/short payment of interest, non-filing of returns, *etc.*

Detailed audit of GST returns also suggested significant deviations. At the outset, essential records such as financial statements, and granular records such as supplementary financial ledgers, invoices, agreement copies, *etc.*, were not produced, which constituted a significant scope limitation and cases could not be examined in detail. These cases represent potential risk exposure towards identified mismatches in ITC availment and tax payments. Audit observed deviations consisting of mismatches of ₹ 55.91 crore in 15 cases.

From a systemic perspective, the Department needs to strengthen the institutional mechanism in the wards to establish and maintain effective

oversight on return filing, taxpayer compliance, tax payments, cancellation of registrations and recovery of dues from defaulters.

### **2.2.11 Summary of recommendations**

The Department may -

- *ensure that cases for internal audit are selected and audit is completed in a time bound manner before cases become time barred.*
- *monitor the status of cancellation of registrations and action taken thereon in consonance with the statutory provisions to check undischarged tax liabilities.*
- *initiate remedial action for the compliance deviations brought out in this report before they get time barred.*

### **2.3 Irregular allowance of Input Tax Credit of ₹ 56.50 lakh**

**Irregular allowance of Input Tax Credit against entry tax paid after the tax period resulted in short-levy of VAT of ₹ 56.50 lakh.**

As per Section 18 of Goa Tax on Entry of Goods Act, 2000, every registered dealer shall pay in advance the full amount of tax payable by him on the basis of the goods brought by him during the month into the local area. Rule 11 of Goa Tax on Entry and Goods Rules, 2000, stipulates that annual return should be filed within 30 days after the close of the year to which the return relates. Entry tax paid during the tax period may be used for Input Tax Credit (ITC) under Section 9 (1) of the Goa Value Added Tax (GVAT) Act, 2005.

In view of the above mentioned provisions, it is evident that entry tax should be paid in advance and ITC against VAT liability should be restricted to the amount of tax paid during the tax period and the credit on account of tax paid after the tax period cannot be adjusted as ITC.

During scrutiny of records of the Commercial Taxes Office, Mapusa (March 2022) it was observed that while assessing the dealer (Manohar Packing Pvt. Ltd./TIN30100302047) for the years 2016-17 and 2017-18 (1<sup>st</sup> quarter) under GVAT, the Assessing Authority (AA) had allowed ITC of ₹ 46.67 lakh and ₹ 11.33 lakh respectively against entry tax paid at the time of VAT assessment as detailed in **Table 2.23**.

**Table 2.23: Details of Tax paid and ITC availed/allowed***(₹ in lakh)*

Year	Tax period	Tax paid during the tax period	Tax paid after the tax period	ITC availed
2016-17	01 April 2016 to 31 March 2017	1.50	45.17 <sup>53</sup> (July 2019 to August 2020)	46.67
2017-18 (1 <sup>st</sup> Quarter)	01 April 2017 to 30 June 2017	-	11.33 (March 2021)	11.33
<b>TOTAL</b>		<b>1.50</b>	<b>56.50</b>	<b>58.00</b>

It can be seen that the AA allowed ITC of ₹ 58 lakh during assessment for the year 2016-17 and 2017-18 (1<sup>st</sup> quarter). However, the dealer had paid only ₹ 1.50 lakh during the year 2016-17 (tax period) and balance taxes (₹ 45.17 lakh) were paid in subsequent years, similarly, entry tax for the tax period 2017-18 (1<sup>st</sup> quarter) was paid in March 2021.

The entry tax of ₹ 1.50 lakh paid during the year 2016-17 was eligible as ITC as per Section 9(1) GVAT, Act, 2005. Allowing additional ITC of ₹ 56.50 lakh paid by assessee in subsequent years was irregular resulting in loss of VAT revenue by ₹ 56.50 lakh.

The Department replied (January 2023) that the dealer had paid entry tax of ₹ 45.17 lakh between July 2019 to August 2020 and ₹ 11.33 lakh in March 2021 which was before finalising the assessment of 2016-17 and 2017-18 (19 August 2020 and 15 March 2021). The AA considered these payments made before finalisation of assessment and allowed the ITC as per Section 9(6) of GVAT Act. Further, Department replied (March 2023) that entry tax credit to the tune of entry tax paid for the tax period is allowed to the dealer. The matter was referred to the Government in February, June and October 2023 and Government reiterated the reply of the Department (November 2023).

The reply is not correct as Section 9(6) does not allow availing ITC for the entry tax paid after tax period and clearly stipulates that the entitlement of ITC was governed by Section 9(1) only and Section 9(1) clearly stipulates that ITC shall be allowed only for the tax paid during the tax period and not for tax paid for the tax period. Thus, allowance of ITC for the tax paid during the subsequent tax period (₹ 56.50 lakh) was not in accordance with the provision of GVAT Act, 2005.

<sup>53</sup> (July 2019-₹ 5,00,000+March 2020-₹ 10,00,000+ May 2020-₹ 30,00,000+August 2020-₹ 10,00,000)- (₹5.77 lakh entry tax paid on capital goods and reversal of ITC of ₹ 4.06 lakh).

## **2.4 Irregular allowance of Input Tax Credit on purchases**

### **Assessing Authority allowed Input Tax Credit despite non-production of purchase invoices by the dealer resulting in short-levy of VAT.**

Under Section 11 of Goa Value Added Tax (GVAT) Act, 2005, a registered dealer making taxable sale to another registered dealer shall provide an original tax invoice as described in Schedule 'F' at the time of sale. Further, Rule 43 of GVAT, Rules, 2005 stipulates that every registered dealer should maintain true and correct account of his business transactions and purchase records, such as purchase invoices, cash and credit invoices, *etc.*

During scrutiny (September 2021) of assessment records of Commercial Taxes Office, Pernem, Audit observed that a dealer<sup>54</sup> was called along with books of accounts vide assessment notice dated 17 September 2019 for verification of turnover for the year 2016-17. Since the dealer did not comply with the assessment notice, the proposal for *ex-parte* best judgement assessment was intimated (18 March 2020) to the dealer, wherein Input Tax Credit (ITC) was not considered and a demand of ₹ 1.04 crore u/s 29(2) was raised. Subsequently, the dealer responded and was assessed (19 August 2020) with a tax demand of ₹ 17.38 lakh *plus* applicable interest and penalty after allowing ITC of ₹ 55.82 lakh on purchases of ₹ 4.50 crore during 2016-17.

Audit observed that the Assessing Authority (AA) assessed (19 August 2020) the dealer despite non-production of purchase invoices, on the ground that the assessee's place of business had caught fire which resulted in burning of all the records, though there was no documentary evidence<sup>55</sup> in support of the dealer's claim. Further, the AA irregularly allowed ITC, resulting in short levy of VAT of ₹ 55.82 lakh.

The Dy. Commissioner of State Tax replied (January 2023) that the dealer was issued re-assessment notice on 06 January 2022. However, since the dealer had failed to submit purchase invoices and the statement of purchase, hence, the dealer would be assessed *ex-parte* on the basis of available documents and the same will be intimated to audit. Further, Dy. Commissioner of State Tax replied (April 2023) that the dealer was re-assessed on 01 February 2023 and a tax demand of ₹ 62.77 lakh was raised along with applicable interest and penalty by allowing ITC of ₹ 10.43 lakh only, instead of ₹ 55.82 lakh.

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<sup>54</sup> M/s Kaloji Motors & Kaloji Digital House, TIN: 30360303650; a retail trader dealing in oil, spare parts, tyres and electronic goods.

<sup>55</sup> Fire Report or Fire/Incident Report issued by Directorate of Fire & Emergency Services.

Hence, the AA had erred in allowing ITC of ₹ 55.82 lakh during assessment of the dealer and only at the instance of audit, the AA re-assessed the dealer and allowed ITC of ₹ 10.43 lakh only, instead of ₹ 55.82 lakh.

The matter was referred to the Government in March 2023, June and October 2023 and Government reiterated the reply of the Department (November 2023).

**Recommendation 4: The Department may fix the responsibility and take suitable action against the erring official(s) for allowing ITC despite non-production of purchase invoices by dealer.**

## 2.5 Short-levy of interest (₹ 31.01 lakh)

**Assessing Authority short-levied interest of ₹ 31.01 lakh for non-filing of returns and delayed payment of taxes by the dealer.**

Rule 24(1) of The Goa Value Added Tax Rules, 2005, stipulates that every registered dealer having monthly tax liability exceeding ₹ One lakh shall pay the tax within 20 days from the expiry of each month. Further, under Section 25 (4) (a) of Goa Valued Added Tax (GVAT) Act, 2005, any tax that is due and remains unpaid shall be paid forthwith along with interest on defaulted amount @ 12 per cent per annum. The rate was increased to 18 per cent per annum with effect from 01 June 2013 vide Notification no. 7/14/2013-LA dated 22 May 2013.

Scrutiny of assessment (September 2021) of a registered dealer<sup>56</sup> in CTO, Pernem revealed that the dealer had not paid the taxes due of ₹ 59.30 lakh and ₹ 23.51 lakh for the years 2012-13 and 2014-15 respectively. The dealer filed returns of the year 2012-13 only. The Assessing Authority (AA), vide the assessment orders for the above periods levied interest of ₹ 13.65 lakh on the cumulative tax liability of ₹ 82.81 lakh. The interest levied was found to be short by ₹ 31.01 lakh as detailed in Table 2.24.

**Table 2.24: Details of short-levy of interest**

*(Amount in ₹)*

Assessment year and date of assessment	Tax Payable excluding penalty as per AA	Interest levied by AA	Interest leviable	Short levy of interest
(1)	(2)	(3)	(4)	(5= 4-3)
2012-13 27/04/2016	5929693	942118	3231683 <sup>57</sup>	2289565
2014-15 13/03/2018	2351138	423205	1234347 <sup>58</sup>	811142
<b>Total</b>	<b>8280831</b>	<b>1365323</b>	<b>4466030</b>	<b>3100707</b>

<sup>56</sup> M/s Twenty First Century Iron & Steel Ltd.; TIN-30490306343

<sup>57</sup> ₹ 1,18,594 (₹ 59,29,693 x 12 per cent per annum x 2 months) + ₹ 31,13,089 (₹ 59,29,693 x 18 per cent per annum x 35 months) = ₹ 32,31,683

<sup>58</sup> ₹ 23,51,138 x 18 per cent per annum x 35 months = ₹ 12,34,347



After being pointed out by Audit, the State Tax Officer, Pernem replied (05 January 2023) that the dealer was served demand notices (10 December 2021) for the above mentioned periods and since the dealer failed to pay the said amount in response to the said notices, a recovery notice dated 29 June 2022 for outstanding dues was also issued. Further, Dy. Commissioner of State Tax (Audit) stated (24 March 2023) that the dealer had stopped manufacturing activity and dismantled its factory premises from the registered place in 2016 and its business was not in operation from that year; however, efforts were being made to recover the dues. The matter was referred to the Government in February, June and October 2023 and Government reiterated the reply of the Department (November 2023).

The reply of the Department is silent about the efforts made subsequent to the issue of recovery notice such as proceeding to recover the amount due as arrears of land revenue. The AA should have carefully assessed the dues in accordance with prescribed Acts and rules in order to avoid the instances of the short assessment.

## **2.6 Short-levy of interest on delayed payment of Luxury Tax**

**Assessing Authority short levied interest of ₹ 12.67 lakh for delayed payment of taxes in respect of 11 hoteliers of which ₹ 5.62 lakh was recovered from three hoteliers.**

Section 20 (1) of Goa Tax on Luxuries Act, 1988, read with Rule 11(1) of Goa Tax on Luxuries Rules, 1988, stipulates that if a hotelier does not pay the tax within 25 days from the expiry of the month, he shall be liable to pay by way of simple interest, in addition to the amount of such tax, a sum equal to one and half *per cent* of the amount of such tax for each month, for the first three months after the last date by which he should have paid such tax and two *per cent* of such amount for each subsequent month to the first three months.

During scrutiny of assessment records (September 2021) of hoteliers registered with State Tax Office (STO), Pernem, it was noticed that the Assessing Authority (AA) had short levied interest for delayed payment of tax in respect of 11 hoteliers as detailed in **Appendix 2.12**, which resulted in short levy of tax amounting to ₹ 12.67 lakh.

After this being pointed out by Audit, the Dy. Commissioner of State Tax replied (March 2023) that additional demand for ₹ 12.67 lakh towards interest had been raised and demand notices issued to the hoteliers out of which, three hoteliers have paid the amount ₹ 5.62 lakh. Further, additional demand notices have been issued to the hoteliers, who did not pay the dues. The matter was referred to the Government in

January, June and October 2023 and Government reiterated the reply of the Department (November 2023).

Interest being mandatory as per Section 20 (1) of Goa Tax on Luxuries Act, 1988, the AA should have levied the appropriate interest payable on the dues at the time of assessment itself.

## 2.7 Irregular grant of exemption on payment of Luxury Tax

**Luxury Tax payable of ₹ 10.54 lakh was exempted by the Assessing Authority even though the assessee did not fulfill criteria for exemption set under Goa Tax on Luxuries Tax Act, 1988.**

Under the provisions of Section 21 of the Goa Tax on Luxuries Tax Act (GTLA), 1988, Government of Goa issued Notification (March 2016), exempting luxury tax in excess of 75 paise in a rupee for luxuries provided in a hotel during the months from June to September every year with effect from 01 April 2016, subject to conditions that the hotelier holds a valid registration certificate, files the returns within the prescribed time, pays all taxes within the time prescribed under the Act and should not be in arrears of tax or other dues at the time of claiming such exemption. Section 21 (2) of the Act states that upon non-compliance to any of the conditions, for any reason whatsoever, the exemptions would be disallowed.

Scrutiny of luxury tax assessment files of Commercial Tax Office, Mapusa, revealed that 04 out of 61 hoteliers had not fulfilled the prescribed conditions. Three hoteliers paid their monthly tax liability with delays ranging from 10 to 27 days while one hotelier filed the quarterly return with delays ranging from two to eight days. Though the prescribed conditions were not fulfilled by these hoteliers, the Assessing Authority (AA) allowed the luxury tax exemption to them while finalising the assessments for the year 2016-17. This resulted in short levy of luxury tax amounting to ₹ 10.54 lakh as detailed below.

**Table 2.25: Details of short-levy due to non-compliance of conditions during 2016-17**

							(Amount in ₹)
R.C. No. of the Hotelier	Month of assessment	Violations in the conditions of the notification	Taxable Turnover	Normal Rate of tax in per cent	Rate of tax levied in per cent	Rate of excess exemption allowed in per cent	Short-levy of luxury tax
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
BRD/GTL/275	2016-17 March 2021	Delay in remittance upto 22 days	19259758	6	4.5	1.5	288896
			37548991	6	6	0	0
			8826637	9	6.75	2.25	198599
			44074946	9	9	0	0
			11809305	12	12	0	0
	<b>Total</b>		<b>121519637</b>				<b>487495</b>

R.C. No. of the Hotelier	Month of assessment	Violations in the conditions of the notification	Taxable Turnover	Normal Rate of tax in per cent	Rate of tax levied in per cent	Rate of excess exemption allowed in per cent	Short-levy of luxury tax
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
BRD/GTL/774	2016-17 December 2020	Delay in remittance upto 13 days	1532471	6	4.5	1.5	22987
			653442	6	6	0	0
			1843842	9	6.75	2.25	41486
			1728668	9	9	0	0
			636677	12	12	0	0
	<b>Total</b>		<b>6395100</b>				<b>64473</b>
BRD/GTL/510	2016-17 December 2020	Delay in filing of quarterly returns upto eight days	15263585	6	4.5	1.5	228954
			33905273	6	6	0	0
			6594681	9	6.75	2.25	148380
			34007610	9	9	0	0
			8181798	12	12	0	0
	<b>Total</b>		<b>97952947</b>				<b>377334</b>
BRD/GTL/389	2016-17 December 2020	Delay in remittance upto 27 days	7812036	6	4.5	1.5	117181
			26038540	6	6	0	0
			320083	9	6.75	2.25	7202
			25316680	9	9	0	0
			4668541	12	12	0	0
	<b>Total</b>		<b>64155880</b>				<b>124383</b>
<b>Grand Total</b>							<b>1053685</b>

The AA had granted exemption to the hoteliers, though they did not fulfill the prescribed conditions for availing the exemption. On being pointed out (March 2022) by Audit, Dy. Commissioner of State Tax replied (October 2023) that all four hoteliers were re-assessed and re-assessment orders were issued. The matter was referred to the Government in February, June and October 2023 and Government reiterated the reply of the Department (November 2023). However, further action on recovery of the tax was awaited (April 2024).

## 2.8 Non-levy of entry tax (₹ 8.26 lakh) plus applicable penalty

**A liquor manufacturing unit, despite *inter-state* purchase of raw materials for manufacturing of Indian-made foreign liquor (IMFL), beer, wine, etc., was not assessed under Goa Tax on Entry of Goods (GTEG) Act, 2000. The Assessing Authority failed to levy the entry tax of ₹ 8.26 lakh plus penalty of ₹ 12.40 lakh.**

In exercise of the powers conferred by Sub-section (1) of Section 25 of the Goa Tax on Entry of Goods (GTEG) Act, 2000, the Government of Goa notified<sup>59</sup> exemption from payment of entry tax on *inter-state* purchase of goods into local area other than liquor, alcohol, ferroalloys, steel melting, steel and chemical units for use in the manufacture of intermediate or finished products by small scale industrial units. Liquor manufacturing units were therefore, not eligible for exemption from

<sup>59</sup> No.5/11/2008-Fin (R&C) (12) dated 31/03/2013

payment of entry tax. The rate of entry tax leviable on *inter-state* purchase of spirit, alcohol, malt, hops, essences and additives for manufacture of IMFL, beer, wine, *etc.*, was five *per cent*. Besides, Section 14(5) of Act provided that the Assessing Authority (AA) may also direct the dealer to pay, in addition to the tax assessed, a penalty not exceeding one and a half times the amount of tax due that was not disclosed by the dealer.

During scrutiny of records of the Commercial Tax Office (CTO), Bicholim (July 2021), it was observed that a manufacturer<sup>60</sup> of liquor beverages, beer, wine spirits, *etc.*, who was not registered under entry tax, had made *inter-state* purchases amounting to ₹ 1.65 crore during 2016-17. Scrutiny of VAT assessment records of 2016-17 revealed that no entry tax was paid by the manufacturer during this period despite being liable to pay under GTEG Act, 2000.

Though the information of *inter-state* purchase by the manufacturer was known to the AA at the time of VAT assessment, the relevant entry tax of ₹ 8.26 lakh<sup>61</sup> and maximum penalty of ₹ 12.40 lakh<sup>62</sup> was not levied.

On this being pointed out, the CTO, Bicholim issued a notice (27 August 2021) to the dealer calling for documents to verify the tax liability under GTEG Act, 2000 and due to non-response from the dealer's side, a demand notice (18 May 2022) of ₹ 20.66 lakh<sup>63</sup> was issued on best judgement basis. Further, Dy. Commissioner of State Tax (Audit) replied (03 March 2023) that the dealer had closed down his business and whereabouts of the dealer were not known. The matter was referred to the Government in February, June and October 2023 and Government reiterated the reply of the Department (November 2023).

The reply was not tenable since the AA was aware of the *inter-state* purchases during VAT assessment, yet no entry tax was levied resulting in loss of revenue to the State exchequer.

### Excise Department

#### 2.9 Short-levy of excise duty and health surcharge due to consideration of lower Maximum Retail Price (MRP) slab

**Assessing Authority short-levied excise duty and health surcharge of ₹ 29.75 lakh and ₹ 0.59 lakh respectively due to consideration of lower MRP slab for liquor manufacturing units.**

Government of Goa explanation vide Notification No.1/1/2008-Fin (R&C), dated 10 November 2008 read with circular dated 25 November

<sup>60</sup> M/s Gagan Wine Trade and Financers Ltd; TIN -30550402340

<sup>61</sup> Entry tax @ five *per cent* of ₹ 1,65,28,882 (total *inter-state* purchase) = ₹ 8,26,444

<sup>62</sup> 1.5 times of ₹ 8,26,444 = ₹ 12,39,666

<sup>63</sup> ₹ 8.26 lakh as entry tax + ₹ 12.40 lakh as penalty

2008 stated that all the volumes of packages of foreign liquor/Indian made foreign liquor and wine have to be individually converted to the volume of 750 ml for determination of the “MRP slab” irrespective of their pack size. The highest MRP arrived at, after calculating the same *vis-à-vis* each volume, should be considered for the determination of “MRP slab” and levy of excise duty.

During scrutiny of determination of “MRP slab” for the liquor product recorded in the labels by a distillery<sup>64</sup>, it was observed that the Department had levied two<sup>65</sup> different rates of excise duty for three<sup>66</sup> different volumes, though a single rate of excise duty was applicable on the highest MRP derived after conversion of all different volumes to 750 ml.

Thus, incorrect determination of MRP slab<sup>67</sup> for levy of excise duty resulted in short levy of excise duty of ₹ 29.75 lakh *plus* health surcharge of ₹ 0.59 lakh<sup>68</sup> as detailed in **Table** below.

**Table 2.26: Details of short-levy of Excise duty due to incorrect determination of MRP slab**

(Amount in ₹)

Name of Brand	Year	MRP (₹)		MRP after converting to 750 ml		Quantity dispatched in bulk litre	Duty leviable on highest MRP (@ ₹ 450 per bulk litre)	Duty levied (@ ₹ 400 per bulk litre)	Short levy (₹)
		Volume of packaging (ml)							
Stranger and Sons Gin	2020-21	₹ 1540	₹ 490	1650 <sup>69</sup>	1837.50 <sup>70</sup>	21627.90	9732555	8651160	1081395
		700 ml	200 ml						
Wood burns contemporary Indian whisky	2021-22	₹ 1600	₹ 490	1600	1837.50	37869.00	17041050	15147600	1893450
		750 ml	200 ml						
Total							26773605	23798760	2974845

Assistant Commissioner of Excise replied (24 August 2023) that the distillery had submitted its reply which is under process. Since consent of the Finance Department is required, matter has been referred to the Finance Department.

The matter was referred to the Government in March, June and October 2023; their reply is awaited (April 2024).

<sup>64</sup> M/s Fullarton Distilleries Pvt. Ltd.

<sup>65</sup> @ ₹ 450 per bulk litre and @ ₹ 400 per bulk litre

<sup>66</sup> 700 ml, 750 ml and 200 ml

<sup>67</sup> Notification no. 1/2/2020-Fin(R&C)/556 dated 11 May 2020

<sup>68</sup> Health surcharge @ two *per cent* of excise duty *i.e.*, two *per cent* x ₹ 29,74,845 = ₹ 59,497

<sup>69</sup> (₹ 1,540/700 = 2.20), (2.20\*750 = ₹ 1,650)

<sup>70</sup> (₹ 490/200 = 2.45), (2.45\*750 = ₹ 1,837.50)