

CHAPTER-II FINANCE (TAXATION) DEPARTMENT

2.1 Tax Administration

The Finance (Taxation) Department is responsible for the administration of commercial tax in the State. The Commissioner of Taxes (CT), Assam is responsible for administration of all taxation measures and for general control and supervision over the zonal and unit offices and the staff engaged in collection of taxes and to guard against evasion of taxes. The CT is also the authority for disposing of revision petitions under all Taxation Acts and laws besides providing clarifications under the Assam Value Added Tax (AVAT) Act, 2003. The CT is assisted by Additional Commissioners of Taxes, Joint Commissioners of Taxes (JCT), Deputy Commissioners of Taxes (DCT) in Zones and Appeal Offices, Assistants Commissioners of Taxes (ACT), Superintendents of Taxes (ST) and Inspectors of Taxes both at the Headquarters and zonal/ unit levels. The Officers posted in the Unit offices are responsible for collection of Taxes under various heads and also to guard the evasion of taxes. The Commissionerate of Taxes had one Head Office (Commissioner's Office), 10 Zonal Offices, five Appellate Offices, 35 Unit Offices⁶ and 23 Recovery Offices.

The functioning of the Department is governed by the provisions of the AVAT Act, 2003; the Goods and Services Tax Act, 2017 (*w.e.f.* 01 July 2017), the Central Sales Tax (CST) Act, 1956; the Assam Entry Tax (AET) Act, 2008; the Assam Professions, Trades, Callings and Employments Taxation Act, 1947; the Assam Electricity Duty Act, 1964; the Assam Taxation (on Specified Lands) Act, 1990; the Assam Agricultural Income Tax Act, 1939 and various administrative orders issued from time to time.

2.2 Working of Internal Audit Wing

Internal Audit Wing is a crucial component of internal control mechanism which functions as an internal oversight mechanism of the Department and a vital tool which enables the management to assure itself that the prescribed systems are functioning reasonably well. During 2023-24, the Department did not put any internal audit in place.

2.3 Results of Audit

During test check of records of 13 Unit Offices (out of total 75 Unit Offices) in 2023-24 relating to VAT/CST/AET assessments and other records, audit noticed deficiencies as categorised in **Table 2.1**:

Table 2.1: Results of Audit

Sl. No.	Category	No. of observations issued	Amount (₹ in crore)
1.	Non-levy of interest for delayed payment of the tax	5	0.0026
2.	Concealment of (taxable/sales) turnover	3	0.6183
3.	Turnover escaping for assessment	2	0.2549
4.	Non-payment of Professional Tax	4	0.0767

⁶ Including office of the Agricultural Income Tax Officer, Assam

Sl. No.	Category	No. of observations issued	Amount (₹ in crore)
5.	Non-levy of penalty due to late submission of Audit Report/Annual Return	12	0.21
6.	Non-realisation of arrear tax	4	0.4252
Total		30	1.5877

During the year, the Department accepted deficiencies pointed out in Audit in 30 cases involving ₹ 1.42 crore (including earlier years) and recovered the amount in accepted cases.

2.4 Compliance Audit on “Compliance issues pertaining to taxpayers supplying Works Contract/ Construction Services under GST”

2.4.1 Introduction

Section 2 (119) of the AGST Act, 2017, defines ‘Works Contract’ as ‘a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract’.

Works contract is categorised as a supply of service. The Service Accounting Code (SAC) assigned for construction services under GST is 9954. Services covered under this heading are construction of buildings (99541), general construction of civil engineering works (99542), site preparation services (99543), assembly and erection of pre-fabricated construction (99544), special trade construction services (99545), installation service (99546) and building completion and finishing services (99547). These services come under the umbrella of works contract services.

Audit reviewed the extent to which the tax administration was ensuring compliance, by taxpayers involved in works contract/construction services, in discharging tax liability, in availing Input Tax Credit (ITC) and exemptions and covering such taxpayers in its scrutiny and assessment of returns. Audit covered the GST returns filed by such taxpayers for two years 2020-21 and 2021-22. The methodology involved a detailed audit of GST returns of a selected sample of taxpayers involved in works contract/construction services as well audit of a selected sample of Circles.

The taxpayers registered under the SAC code 9954⁷ were stratified based on financial materiality into five categories and samples were drawn based on a scoring mechanism on 12 identified risk parameters, ensuring representation from each of these five categories. The selected sample, therefore comprised 22 taxpayers (Details in *Appendix-III*) and two Circles (namely, Guwahati Unit B, Circle -1 and Dhemaji Circle-1) having the maximum number of selected taxpayers.

⁷ For identifying taxpayer providing services under SAC code 9954 (works contract services), relevant details were extracted from Table 12 of GSTR-1 which contains HSN-wise summary of outward supplies.

An Entry Conference was conducted on 31 July 2024 and an Exit Conference was held on 04 March 2025.

2.4.2 Audit findings

The detailed audit of GST returns of the selected sample of 22 taxpayers registered under the SAC code 9954, involved accessing of taxpayers' records through the respective Circles. The GST returns filed by the taxpayers and their financial statements and GSTR 9C (an annual reconciliation statement filed by taxpayers whose annual turnover exceeds rupees five crore), ordinarily available in the Department's backend application were accessed through SSOID⁸ assigned to Audit. Wherever such basic records were not available on the backend application, they were requisitioned from the respective Circles. This apart, based on risks identified in the GST returns and financial statements, specific taxpayer records (granular records) comprising financial ledgers, stock statements, copies of agreements, invoices, *etc.* were requisitioned through the respective Circles.

Audit of a selected sample of two Circles primarily involved assessing the functions of scrutiny, monitoring filing of GST returns and follow up of DGARM reports relating to taxpayers involved in work contract/construction services.

The audit findings from the selected sample of 22 taxpayers and two Circles are discussed in the succeeding paragraphs.

2.4.2.1 Non-production of records

The jurisdiction wise non-production and partial production of records is summarised in **Table 2.2**. The case-wise listing is given in *Appendix-IV* and *Appendix-V*.

Table 2.2: Non/ Partial production of records

Jurisdictional formation	Sample Number of taxpayers	Number of taxpayers		Mismatch in ITC / tax liability identified from available returns (₹ in crore)	
		Non-production	Partial production	Non-production	Partial production
Guwahati-D	3	1	1	2.19	0.75
Nagaon	3	3	0	1.83	0
Hailakandi	1	1	0	0.04	0
Guwahati-B	3	2	0	0.69	0
Silchar	1	1	0	0.06	0
Tinsukia	2	1	1	0.002	0.001
Karimganj (Sribhumi)	1	1	0	0.04	0
Tezpur	1	1	0	2.31	0
Guwahati-C	1	0	1	0	0
Golaghat	1	0	0	0	0
Dhemaji	3	0	0	0	0
Barpeta Road	1	0	0	0	0
Barpeta	1	0	0	0	0
Total	22	11	3	7.162	0.751

⁸ Single Sign-On Identification.

Non-production of records constituted 50 *per cent* of the sample size and potential risk of ₹ 7.162 crore⁹ could not be addressed. In these cases, the basic records such as financial statements, GSTR-9C wherever applicable and GSTR-2A were not produced and hence could not be audited.

Similarly, the specific taxpayer records (granular records) sought for based on identified risks were partially produced in 14 *per cent* of cases; as a result, the identified risks relating to excess/irregular ITC availment and undischarged liability of ₹ 0.751 crore could not be examined in detail by Audit.

In the Exit Conference, it was stated (March 2025) that an advisory related to the production of records would be issued to all unit offices.

2.4.2.2 Non declaration of new SAC code in registration details

As per Rule 16 (2)(a) of AGST Rules, 2017, for migration of persons registered under the existing law, every person who has been granted a provisional registration under sub-rule (1) shall submit an application electronically in FORM GST REG-24, duly signed or verified through electronic verification code, along with the information and documents specified in the said application, on the common portal either directly or through a facilitation centre notified by the Commissioner.

Further, sub rule 2(c) stipulates that if the Proper Officer finds the information and the particulars furnished in the application correct and complete, a certificate of registration in FORM GST REG-06 shall be issued to the registered person electronically on the common portal. However, Rule 24(3) envisages that where the particulars or information specified in sub-rule (2) have either not been furnished or not found to be correct or complete, the Proper Officer shall, after serving a notice to show cause in FORM GST REG-27 and after allowing the person concerned a reasonable opportunity of being heard, cancel the provisional registration granted under sub-rule (1) and issue an order in FORM GST REG-26. The Proper Officer designated for this purpose is the Circle Officer.

Audit observed in 11 cases out of the sample of 22 cases, taxpayers had mentioned the old service tax code (00440XXX) instead of the new SAC relating to works contract/ construction services (9954XX). Details are given in *Appendix-VI*. However, the Proper Officer had not detected the anomaly and did not serve show cause notice though required under rule *ibid*.

This was communicated to Department in December 2024. In Exit Conference, it was stated (March 2025) that the department had initiated rectification in registration details of concerned taxpayers as pointed out by Audit.

⁹ This amount is arrived at based on available GST returns in respect of all 11 taxpayers.

2.4.3 Incorrect availment and utilisation of ITC

As per Section 61 of the AGST Act, various returns filed by taxpayers have to be scrutinised by the Proper Officer to verify the correctness of the returns. Suitable action has to be taken on discrepancies or inconsistencies reflected in the returns.

2.4.3.1 Mismatch in ITC availed: GSTR-2A is a purchase related dynamic tax return that is automatically generated for each business by the GST portal. This was replaced with GSTR-2B - a static auto populated return from 01 January 2022, which indicates availability and non-availability of ITC to the taxpayer against each document filed by his suppliers. Whereas GSTR-3B is a monthly return, in which summary of outward supplies along with ITC and payment of tax are self-declared by the taxpayer.

Audit observed that in seven cases out of the sample of 22 taxpayers, ITC availed as per GSTR-3B was more than ITC available as per GSTR-2A/2B. On this being pointed out (November 2024), out of the total excess ITC availment of ₹ 1.88 crore, ITC amounting to ₹ 0.20 crore was reversed in three cases. Of these, in two cases, where excess ITC was availed and utilised, an amount of ₹ 0.09 crore was paid as interest and penalty by the taxpayers. In one case notice in ASMT-10 was issued and remaining three cases, reply from the Department is awaited (Details shown in *Appendix-VII*).

An illustrative case is given below:

During examination of the returns having GSTIN 1xxxx8 under jurisdiction of Tezpur Unit (Circle-2) for the period from April 2020 to March 2021, Audit observed that ITC availed as per GSTR-3B/GSTR-9 was ₹ 57.62 crore. However, ITC available as per auto populated GSTR-2A/2B was ₹ 56.56 crore. Thus, there was an excess ITC of ₹ 1.06 crore availed during 2020-21.

This was communicated to Department in November-December, 2024. In Exit Conference, it was stated (March 2025) that appropriate action had been initiated, result of which would be intimated to Audit.

2.4.3.2 Non-reversal/short reversal of ITC: Section 17(2) of the AGST Act, read with Rule 42 and 43 of the AGST Rules, states that where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies and partly for effecting exempt supplies, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies. Further, in case of services relating to construction of buildings, civil structures intended for sale to a buyer, the value of exempt supply has to be calculated project-wise.

Audit observed instances of non-compliance in four cases (out of a sample of 22 taxpayers), wherein taxpayers had not reversed ITC amounting to ₹ 1.48 crore due to incorrect application of Rule 42 and Rule 43 of the AGST Rules. The observations were communicated to the Department during November–December 2024. In one case, a notice in ASMT-10 was issued. In another, the taxpayer's reply was not acceptable as the computation of ITC on exempted/taxable supplies was not in accordance with

the manner prescribed under Rule 42 of the AGST Rules. Replies in the remaining cases were awaited (Details in *Appendix-VIII*).

An illustrative case is given below-

Verification of records in case of a taxpayer having GSTIN 1xxxxK, under Guwahati Unit-D (Circle-1) for the year 2021-22 revealed that the taxpayer declared an exempted turnover of ₹ 9.99 crore and a total turnover of ₹ 42.95 crore. However, the taxpayer had availed common ITC of ₹ 3.07 crore on total supplies of goods or services made by him for which taxpayer was required to reverse ITC ₹ 0.71 crore attributable to exempt supplies as per provision of Rule 42 of AGST Rules. However, the taxpayer did not declare any reversal of ITC in Table 4B (1) of GSTR-3B and Table 7(B) of GSTR-9. This resulted in non-reversal of ITC of ₹ 0.71 crore. Reply of the Department was awaited.

2.4.3.3 Irregular availment of ITC: As per Section 16 (2)(c) of AGST Act, 2017, no registered person shall be entitled to ITC in respect of any supply of goods or services or both to him, unless the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilisation of input tax credit admissible in respect of the said supply.

Verification of GSTR 2A for the years 2020-21 to 2021-22 showed that 10 out of selected sample of 22 taxpayers, availed ITC on invoices reflected in their respective return GSTR-2A. However, the suppliers had not discharged their tax liability by filing GSTR-3B for the corresponding month. This resulted in irregular availment of ITC of ₹ 0.70 crore by the recipients (Details in *Appendix-IX*).

On this being pointed out (November-December 2024), the Department initiated action in four cases. Out of those four cases, in two cases, the taxpayers reversed an amount of ₹ 0.85 lakh. In two cases, notices (ASMT-10 and DRC-01) were issued. In remaining six cases, reply of the Department was awaited.

2.4.4 Undischarged tax liability

Under GST, works contract services are classified as "supply of services" and are taxed at a uniform rate of 18 *per cent*. In the case of works contract services provided to Government authorities, concessional rates are applicable subject to fulfilment of conditions as specified in the various notifications.

2.4.4.1 Mismatch in discharge of tax liability: GSTR-1 depicts the monthly details of outward supplies of goods or services. The taxable value and tax paid thereof are shown in GSTR-3B. These details are also assessed by the taxpayer and mentioned in annual return GSTR-9 in the relevant columns. The tax liability was analysed with relevant data extracted from GSTR 1 and GSTR-9 for the years 2020-21 and 2021-22 and the tax payable against these returns was compared with the tax declared as paid in GSTR-9. Where GSTR-9 was not available, a comparison between tax payable as per GSTR-1 and that under GSTR-3B was resorted to. The amendments and advance adjustments declared in GSTR-1 and GSTR-9 were also considered for this purpose.

Audit observed that in five cases there was mismatch of liability amounting to ₹ 2.85 crore. This was communicated to Department in November-December 2024. In one case, notice in ASMT-10 was issued, in three cases, reply from the Department is awaited and in one case, the reply was not acceptable to Audit (Detailed in *Appendix-X*).

An illustrative case is given below:

Scrutiny of returns (GSTR-1/Annual return (GSTR-9) of a taxpayer having GSTIN 1xxxx5 under Nagaon Unit (Circle-3) for the years 2020-21 to 2021-22, disclosed that tax liability as per GSTR-1/GSTR-9 was ₹ 30.08 crore, whereas the tax payment as per Table 9 of GSTR-9 was ₹ 28.43 crore. This resulted in mismatch of tax liability of ₹ 1.65 crore. Reply from the Department was awaited.

In Exit Conference, it was stated (March 2025) that cases pointed out by Audit would be taken up for scrutiny.

2.4.4.2 Exclusion of taxable supplies: Section 7 of AGST Act, 2017 defines supplies to include all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business.

Audit observed that in two cases out of the sample of 22 taxpayers relating to works contract/ construction services the taxpayers excluded transactions which may be treated as supply and tax amounting to ₹ 0.12 crore should have been levied. This was communicated to Department in November-December 2024 (Details in *Appendix-XI*).

2.4.4.3 Non/short payment of tax on Royalty under RCM: As per Sl. No. 5 of Notification No.FTX.56/2017/26 dated 29/06/2017, GST on services provided by Central Government, State Government, or local authority to a business entity, shall be payable on reverse charge basis by the recipient of the service.

Audit observed compliance deficiencies in two cases (out of a sample of 22 cases), in which tax amounting to ₹ 0.35 crore was not paid, due to taxpayers not discharging tax under the Reverse Charge Mechanism (RCM) (Detailed in *Appendix-XII*).

When this was pointed out (November 2024), the Department admitted and issued notices in ASMT 10 for ₹ 0.35 crore.

An illustrative case is given below-

In case of taxpayer having GSTIN 1xxxxJ under Golaghat Unit (Circle-2) for the years 2020-21 to 2021-22, it was observed that the taxpayer had booked expenditure of ₹ 150.99 lakh on account of royalty paid on which tax is payable on RCM basis. This resulted in non-payment of tax on royalty of ₹ 27.18 lakh under RCM.

2.4.4.4 Short payment of interest: Section 50 of the AGST 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 short payment of interest on account of delayed remittance of tax during 2020-21 and 2021-22 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 short payment of interest amounting to ₹ 0.15 crore in five out of the selected sample of 22 taxpayers. This was communicated to the Department (November-December 2024). Of these, Department has recovered an amount of ₹ 0.40 lakh in one case, and issued a show cause notice in form DRC 01 in another case, while reply was awaited in the remaining three cases (Details in *Appendix-XIII*).

In Exit Conference, it was stated (March 2025) that steps would be taken to scrutinise all cases pointed out by Audit and result thereof would be intimated.

2.4.4.5 Interest payable on delayed payment of tax on prior period transaction: Rule 88B (1) of AGST Rules, 2017, envisages that for delayed filing of returns, interest is to be calculated on the delayed payment of tax by debiting cash ledger for the period of delay in filing of returns. Rule 88B (2), envisages that in all other cases, interest shall be calculated at the rate of 18 *per cent* per annum on the amount of tax remaining unpaid, for the period starting from the date on which such tax was due to be paid till the date such tax is paid.

Audit observed that three taxpayers pertaining to three Circles had discharged their tax liabilities on prior period invoices (involving tax of ₹ 0.32 crore) through subsequent monthly returns without payment of interest for delayed payment of tax. This resulted in non-payment of interest of ₹ 0.02 crore. This was communicated to Department in November 2024. In two cases, the reply of the Department was not acceptable to Audit and reply was awaited in the remaining case (Details in *Appendix-XIV*).

An illustrative case is given below:

The monthly returns (GSTR-1) having GSTIN 1xxxxU, under Guwahati Unit-B (Circle- 10) for the year 2020-21, showed the taxpayer had discharged the tax liability against one invoice pertaining to earlier month through monthly return of subsequent month. Such delayed payment of tax resulted in interest liability of ₹0.69 lakh, which was not paid. Reply from the department was awaited.

In Exit Conference, it was stated (March 2025) that in some cases Department had already initiated action, which would be intimated.

2.4.4.6 Non/short levy of late fee for delay in filing of Annual Return: In terms of Section 47 of the AGST Act, 2017, any registered person who fails to furnish Annual Return (GSTR-9) as per Section 44 of the Act *ibid* within the due date, shall pay a late fee of one hundred rupees for every day of delay subject to a maximum amount of half

*per cent*¹⁰ of turnover in the State. In March 2023, GoI, by notification¹¹, waived late fees in excess of ten thousand rupees in respect of Annual Returns filed between 01 April 2023 and 30 June 2023, which was further extended till 31 August 2023¹².

Audit observed that in three cases pertaining to one Circle, the taxpayers filed GSTR-9 with delays ranging between two days and 986 days from the respective due dates for the period 2020-21 to 2021-22. However, the Proper Officer did not levy late fee amounting to ₹ 0.04 crore (Details in *Appendix-XV*).

On this being pointed out (November-December 2024), the Department stated that in three cases, late fee of ₹ 0.04 crore was paid along with filing of GSTR-9 after issuance of audit observations (November 2024). In Exit Conference, it was stated (March 2025) that the GSTN portal automatically calculated late fee for delayed filing of Annual Return. For, non-filing of Annual Returns, it was stated that the matter would be taken up with the concerned Proper Officer.

2.4.4.7 Non-levy of penalty due to delay in filing of form GSTR-9C: As per Section 44(2) of AGST Act, 2017, every registered person who is required to get his accounts audited, shall furnish electronically the Annual Return (GSTR-9) under sub-section (1) along with a copy of the audited annual accounts and a reconciliation statement (GSTR-9C), reconciling the value of supplies declared in the returns furnished for the financial year with the audited Annual Financial Statement and such other particulars as may be prescribed.

As per Section 125 of AGST Act, any person, who contravenes any of the provisions of this Act or any rules made thereunder for which no penalty is separately provided for in this Act, shall be liable to pay a penalty which may extend to twenty-five thousand rupees.

Audit observed that in seven cases pertaining to five Circles, taxpayers either did not file GSTR-9C or filed GSTR-9C with delay from the due date for the period 2020-21 to 2021-22. However, the Proper Officers did not levy penalty amounting to ₹ 0.05 crore for such delayed filing/ non-filing of GSTR-9C. This was communicated to Department in November-December 2024. In two cases, notices in ASMT 10 were issued and in remaining cases reply of the Department was awaited (Detailed in *Appendix-XVI*).

2.4.5 Deficiencies in the functions of Circles

The following deficiencies were observed in the audit of the two selected Circles - Dhemaji Circle-1 and Guwahati Unit-B Circle-1.

¹⁰ 0.25 *per cent* under the CGST Law + 0.25 *per cent* under the AGST Law.

¹¹ Notification No. 7/2023-Central Tax, dated 31 March 2023. The State Government is implementing it but has not issued a similar notification.

¹² Notification No. 25/2023-CT dated 17 July 2023. The State Government is implementing it but has not issued a similar notification.

2.4.5.1 Improper scrutiny: As per Section 61 of the AGST Act, various returns filed by taxpayers have to be scrutinised by the Proper Officer to verify the correctness of the returns, and suitable action has to be taken on any discrepancies or inconsistencies reflected in the returns.

In the two selected Circles¹³, which was taken up for scrutiny by the Department, in nine cases relating to SAC 9954, Audit observed short payment of tax of ₹ 5.24 crore under RCM, mismatch of tax liability as per GSTR 1 with the tax payment in GSTR 9, non-reversal of common ITC and mismatch of ITC in GSTR 3B *vis-à-vis* GSTR 2A. This was communicated to Department (November-December 2024). Department's reply was awaited (Detailed in *Appendix-XVII*).

In Exit Conference, it was stated (March 2025) that the Department would look into the matter and take corrective measures.

2.4.5.2 Post Audit: The Office of the Principal Commissioner of State Tax Cum Commissioner of Taxes, Assam, Kar Bhawan, issued an instruction (No. 07/2021-GST dated 02 July 2022) on the procedure relating to sanction, post-audit and review of refund claims, which envisaged a post-audit and review of refund claims. It was specified that all refund orders passed above the threshold limit of ₹1.00 lakh should be reviewed at Zonal level and taken up for post-audit.

Audit observed that three refund applications of two taxpayers were sanctioned and refund orders were issued for ₹0.67 crore. Audit sought for (December 2024) the status of post audit, and the reply of the Department was awaited (Details in *Appendix-XVIII*).

In Exit Conference, the Commissionerate stated (March 2025) that the matter would be looked into and corrective measures would be taken.

2.4.5.3 Non-production of information: As per Rule 99 of AGST rules, 2017, the Proper Officer shall scrutinise the returns furnished by a registered person in accordance with the provisions of Section 61 of the Act. In case of any discrepancy, he shall issue a notice in FORM GST ASMT-10, informing the registered person of such discrepancy and where possible, quantifying the amount of tax, interest and any other amount payable in relation to such discrepancy. The registered person may accept the discrepancy and pay the tax, interest and any other amount arising from such discrepancy or alternatively he can furnish an explanation for the discrepancy in FORM GST ASMT-11 to the Proper Officer. Where the explanation furnished by the registered person is found to be acceptable, the Proper Officer shall inform him accordingly in FORM GST ASMT-12.

Audit sought for (September and October 2024) the details of ASMT-10, ASMT-11 and ASMT-12 issued/ received for the years 2020-21, 2021-22, 2022-23 and 2023-24 in respect of taxpayers under SAC 9954, from the two selected Circles (Dhemaji Circle-1 and Guwahati Unit-B Circle-1), which were not forthcoming. In the absence

¹³ (1) Dhemaji Unit (Circle-1), (2) Guwahati Unit-B (Circle-1)

of the details of ASMT-10, ASMT-11 and ASMT-12, Audit could not examine the follow up of scrutiny of returns relating to taxpayers supplying work contract/construction services.

Similarly, details of action taken on non-filers in the form of notices issued in Form GSTR-3A to non-filers, best judgement assessment orders issued in Form ASMT-13 and Summary of Order in Form DRC-07 were not forthcoming from the two Circles.

Further, Audit sought for the details of action taken by the Circle Officers from 2020-21 to 2023-24 on the various red flag reports generated by the Directorate General of Analytics and Risk Management (DGARM). In response, the Circle Officer of Dhemaji Circle stated (September 2024) that DGARM reports were not available in the GSTN Backend Portal. Guwahati Unit-B (Circle-1) replied (November 2024) that DGARM reports were not applicable to the Circle.

In the Exit Conference, the Department stated (March 2025) that an advisory related to the production of records would be issued to unit offices.

2.4.6 Conclusion

The audit of GST returns of the selected sample of 22 taxpayers registered under the SAC code 9954 and supplying works contract/ construction services was constrained by non-production of basic records such as financial statements, GSTR 2A *etc.* in 50 *per cent* of the cases and partial production of specific taxpayer records in 14 *per cent* of the cases.

Notwithstanding the above, detailed audit of taxpayers registered under SAC 9954 disclosed deficiencies in availment and utilisation of ITC and undischarged liability. The deficiencies mainly related to mismatch in ITC availed, irregular availment of ITC, non/short reversal of ITC, mismatch in discharge of tax liability, short payment of interest and non-levy of penalty for delay in filing GSTR 9C.

The audit of two selected Circles - Dhemaji Circle-1 and Guwahati Unit-B Circle-1, disclosed instances of improper scrutiny, while information on details of ASMT 10, ASMT 11 and ASMT 12 issued /received, action taken on non-filers and follow up of DGARM reports were not forthcoming from these Circles.

2.4.7 Recommendations

- *The Department may initiate remedial action on the compliance deviations pointed out before they become time barred.*
- *The Department may ensure production of information/records to Audit.*
- *The Department may strengthen the scrutiny mechanism.*