

CHAPTER II: GOODS AND SERVICE TAX

2.1 Tax administration

The receipts from the Goods and Services Tax/Value Added Tax/Central Sales Tax payable under the respective laws relating to state taxpayers are administered at the Government level by the Additional Chief Secretary (Finance). The Chief Commissioner, State Tax is the head of the Commercial Taxes Department (Department) and is assisted by 26 Additional Commissioners, 57 Deputy Commissioners (DC), 110 Assistant Commissioners (AC), 164 Commercial Taxes Officers (CTO), 431 Assistant Commercial Taxes Officers (ACTO) and a Financial Advisor (FA). They are assisted by Junior Commercial Taxes Officers (JCTO) and other allied staff for administering the relevant tax laws and rules.

2.2 Results of audit

During 2022-23, the Department accepted under assessment and other deficiencies of ₹ 7.58 crore in 244 cases pertaining to earlier years, against which the Department recovered/adjusted ₹ 7.32 crore in 233 cases.

Instead of generic risk assessment at Circle (auditee units) level, audit under GST was taken up through a data led audit approach which provides more comprehensive subject matter risk assessment in areas such as registrations, return scrutiny, input tax credit, tax payment, e-way bill system etc. Therefore, for the specific subject, high risk transactions/cases are selected centrally through data analysis for scrutiny of taxpayer records.

Two Subject Specific Compliance Audits under this new tax regime (i) 'Department's oversight on GST Payments and Return filing'- Phase II was undertaken in consideration of the increased significance of the control and oversight mechanism of the Department for tax compliance and (ii) E-Way Bill System under GST with a view to seeking an assurance on effectiveness of the EWB mechanism.

The findings pertaining to these two SSCAs are discussed in the succeeding paragraphs.

2.3 Subject Specific Compliance Audit on 'Department's oversight on GST Payments and Return filing'- Phase II

2.3.1 Introduction

Goods and Service Tax from July 2017 was a significant moment in the history of indirect tax reforms in the country. It ushered in a new era of cooperative federalism in the taxation of the country making the country one common market, wherein the Centre and States simultaneously levy Tax based on a common tax rate. The reform made a far-reaching impact in terms of reducing the cascading effect of taxation by unifying the diverse tax structures existed and allowing cross border input tax credit. With simplified tax structures, strong IT system and less intrusive administration, the reform was expected to usher

higher transparency and improved compliance in the field of indirect taxation. Seven years into the GST, the tax eco-system is evolving to cater to the emerging requirements of administration as well as the taxpayers. With an ever increasing tax base, GST revenue is a significant component of the tax revenue of the Government.

GST provisions envisage that every registered taxable person shall self-assess the taxes payable, pay the same and furnish a return for each tax period. The GST returns must be filed online regularly on the common GST portal, failing which penalties will be applied. Even if the business has no tax liability during a particular tax period, it must file a nil return mandatorily. Different formats are prescribed for returns for each category of taxpayers like normal taxpayer, composition taxpayer, casual taxpayer, non-resident taxpayer, e-commerce operators etc., according to the nature of business and keeping the unique features of each category in mind. The periodicity of returns filing also changes accordingly.

This Subject Specific Compliance Audit (SSCA) was taken up as a continuation of the SSCA conducted during the year 2022-23 (Phase I), considering the significance of the control mechanism envisaged for tax compliance and the oversight mechanism of the Commercial Taxes Department (Department), Government of Rajasthan (GoR) in this new tax regime.

2.3.2 Audit objectives

This audit was oriented towards providing assurance on the adequacy and effectiveness of systems and procedures adopted by the Department with respect to tax compliance under GST regime. Audit of 'Department's oversight on GST Payments and Return filing' was taken up with the following audit objectives to seek 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 Circles were adequate and effective.

2.3.3 Audit Scope

The scope of audit comprised examination of taxpayers' compliance, scrutiny process and subsequent follow up carried out by the Department on returns filed by the registered taxpayers. In addition, the SSCA included review of records of a sample of taxpayers for the year 2018-19 to 2020-21. The scope of this SSCA also included evaluation of the functions of selected Circles.

The period of review of the scrutiny of returns and verification of taxpayers' records was from 2018-19 to 2020-21 and audit of functions of selected Circles for the period 2020-21.

2.3.4 Audit methodology and Sample selection

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 centralized 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 Circles for evaluating the compliance functions of the circles.

(i) Part I- Audit of Circles

For the purpose of evaluation of oversight functions, 10 Circles, out of 135 regular circles, that had jurisdiction having the maximum number of sample cases under Detailed Audit excluding the Circles that had already been audited in the SSCA Phase-I, were considered as sample of Circles for evaluation of their oversight functions.

(ii) Part II –Centralized Audit

Audit analyzed GST returns data pertaining to 2018-19 to 2020-21 as made available by Goods and Service Tax Network (GSTN). Rule-based deviations and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 16 deviations such as mismatch of Input Tax Credit (ITC) availed between Annual Returns and Books of accounts, short payment of interest, ITC mismatches etc. Accordingly, 532 taxpayers were selected for Centralized Audit under this SSCA based on 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. The audit queries were issued to the respective assessment circles without further scrutiny of taxpayer's records.

(iii) Part III-Detailed audit

Audit selected 100 cases (including 20 cases of mining activities) for detailed audit using a risk-based approach, which involved field visits for verification of records available with the assessment circles. Taxpayers' records like returns and related attachments and information were accessed through Circles for evaluation of the extent of tax compliance by taxpayers. Audit utilized the Single Sign-On User IDs (SSOIDs) provided to the maximum extent feasible to examine data/documents relating to taxpayers in the back-end system (viz. registration, tax payment, returns and other departmental functions). Efforts were made to access the relevant granular records from the taxpayers such as invoices etc. through respective assessment circles.

Entry conference for this SSCA was held on 21 April 2023 with Secretary, Finance (Revenue) Department, GoR, Chief Commissioner, State Tax, Rajasthan and other officers of the State Government and the Department in which the audit objectives, sample selection, audit scope and methodology were discussed. The Exit Conference was held on 03 March 2025 with Secretary, Finance (Revenue) Department, GoR, Chief Commissioner of State Tax and other officers of the State Government in which the audit findings were

discussed. The views expressed by the State Government during the Exit Conference and the written replies to the draft paragraph have been suitably incorporated in the relevant paragraphs.

2.3.5 Audit Criteria

The source of audit criteria comprised the provisions contained in the Central Goods and Service Tax (CGST)/Rajasthan Goods and Service Tax (RGST) Act, Integrated Goods and Service Tax (IGST) Act, and Rules made thereunder. In addition, the notifications and circulars issued by State Tax Department relating to filing of returns, notifying the effective dates of filing of various returns, extending due dates for filing returns, rates of tax on goods and services, payment of tax, availing and utilizing 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 and verification of Directorate General of Analytics and Risk Management (DGARM) reports etc. also formed part of the audit criteria.

2.3.6 Audit findings: Compliance verification mechanism of the department (Part-I)

The role of Circles is to ensure compliance by taxpayers in respect of accuracy of the taxable value declared, calculation and payment of tax liabilities, filing of returns, etc. The Circles have a broad set of functions to be exercised in this regard, which were assessed as a part of this SSCA.

Two potential audit areas were identified viz (i) effectiveness of scrutiny and assessment functions (ii) action on late-filers and non-filers. Accordingly, relevant records and information for the period 2020-21 were requisitioned from the selected 10 Circles.

2.3.6.1 Effectiveness of the scrutiny functions of the Department

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

While restructuring the Commercial Taxes Department, Government of Rajasthan vide orders no. F.9(3) FD/ Tax/2020 dated 24.09.2021 constituted the Business Intelligence Unit (BIU).

Further, Department vide Circular No.F.17(151) ACCT/GST/2017/7602 dated 07.01.2022 issued detailed guidelines/SOP on scrutiny of returns with a view to ensure the uniformity, and to standardize the procedure for the proceeding as per Section 61 of the Act.

BIU selects the cases for scrutiny of returns under Section 61 of the Act on the basis of analysis of data submitted by the Registered Taxable Person (RTP) on GSTN portal based on 12 risk parameters¹. BIU gets the list of identified RTPs approved by the Chief Commissioner State Tax and sends it to the concerned zones who distribute them to the proper officers having territorial jurisdiction over the concerned RTPs.

Audit observed in sampled ten circles² that 200 cases, were scrutinized during 2022-23 by the Department pertaining to the period 2017-18 to 2020-21. Of these, in 24 cases (12 *per cent*), deviations relating to mismatch in ITC availed, mismatch in tax liability and non-payment of tax under Reverse Charge Mechanism (RCM) were not examined by the Department during scrutiny. As a result, ITC mismatch between monthly return GSTR 3B and auto generated input supplies statement GSTR 2A amounting to ₹ 0.84 crore in 21 cases, mismatch in tax liability to ₹ 0.03 crore in two cases and non- payment of tax under RCM amounting to ₹ 0.03 crore in one case aggregating to ₹ 0.90 crore remained unexamined by the circles.

The matter was reported to the Department and the State Government (December 2024). The State Government accepted (March 2025) the audit observations in 16 cases³ and issued notice in DRC-07/ DRC-01 in six cases and recovered ₹ 0.08 crore in 10 cases. Further, two cases were under examination and action was being taken in three cases under business audit after being pointed out by Audit. In respect of one case, it was stated that the recovery has been effected as per the amount shown in the GSTR 9, however, supporting document/amount of recovery was not provided/intimated.

In two cases⁴, it was stated that the mismatch was due to data entry errors. However, the Department did not produce supporting documents in support of the reply due to which Audit could not ascertain the correctness of the Department's reply.

2.3.6.2 Delay in Business Audit by tax authorities

As per Section 65 of the RGST Act, 2017 the Commissioner or any officer authorized by him, by way of a general or a specific order, may undertake audit of any registered person for such period, at such frequency and in such manner as may be prescribed. Section 2 (13) of the RGST Act, 2017, defines "Audit"

-
- 1 Excess outward tax in GSTR 1 compared to GSTR 9/3B; Less turnover shown in GSTR 3B compared to GSTR 7 (TDS); Less turnover shown in GSTR 1 compared to GSTR 8 (TCS); Less RCM liability disclosed in GSTR 9 than shown by suppliers in GSTR-1; Excess outward tax in E- Way Bills compared to GSTR 3B; Excess ITC claimed in GSTR 3 B /9 which is not confirmed in GSTR 2A/2B or GSTR 9; ITC on purchase invoices uploaded by supplier in GSTR filed after last date of availment as per proviso to section 16(4); ITC claimed from suppliers who have not filed GSTR 3B; ITC claimed from suppliers whose RC have been cancelled; ITC claimed from taxpayers whose RC is cancelled *ab-initio*; ITC claims after the last date of availment of ITC as per section 16(4) and GSTR 3B filed after due date and Interest short paid not paid.
 - 2 Circle Bundi, D Udaipur, E Udaipur, F Jaipur-II, Sirohi, J Jaipur-I, Shahjahanpur, B Bhilwara, Baran, Merta city.
 - 3 Circle Bundi, E Udaipur, F Jaipur-II, Sirohi, J Jaipur-I, Shahjahanpur, B Bhilwara, Baran.
 - 4 Circle E Udaipur and Merta city.

as the examination of records, returns and other documents maintained or furnished by the registered person under this Act or the rules made thereunder or under any other law for the time being in force to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess his compliance with the provisions of this Act or the rules made thereunder.

Department issued detailed procedure for audit in the form of Rajasthan Goods and Service Tax Audit Manual (RGSTAM) 2020, which incorporated process of new norms for selection of taxpayers for conducting audit based on risk parameters such as taxpayers identified by BIU/ Business Intelligence and Fraud Analytics (BIFA), local intelligence inputs, taxpayers purchase from cancelled taxpayers, etc. It envisages that the selection of taxpayers for audit will be done by HQ level officers. The Government, while restructuring the Commercial Taxes Department strengthened (September 2021) the Audit wing and a three-tier business audit mechanism was created. Teams at State and Zonal levels were required to examine larger, complex cases allocated on the basis of risk parameters. The rest of the cases were to be dealt with at the circle level.

The details of the GST Business audit undertaken by the Department during the year 2023-24 for GST is given in **Table 2.1** as below:

Table 2.1: Details of GST Business audit undertaken by the Department

(₹ in crore)

Financial Year	Total number of taxpayers	No. of taxpayer selected ⁵ for audit (<i>in per cent</i>)	Actual number of audits completed (as of March 2024)	No. of cases in which deficiencies were found	Total amount involved in deficiencies	Total Recovery
2019-20	8,94,334	2,019 (0.22 <i>per cent</i>)	947 (46.90 <i>per cent</i>)	912	237.20	114.98
2020-21	10,29,493	2,700 (0.26 <i>per cent</i>)	35 (1.30 <i>per cent</i>)	32	17.47	13.27

Source: Information provided by Commercial Taxes Department

It is evident that total taxpayers selected for audit ranged between 0.22 *per cent* and 0.26 *per cent* against the norms of five *per cent*, while less than two *per cent* cases of what had been selected in 2020-21 had been completed by the Department.

During test check (July 2024) of the records of 20 cases of Business audit under the section *ibid* pertaining to four circles⁶, it was noticed in one case⁷ that the Department did not identify short discharge of tax liability amounting to ₹ 6.08 lakh as observed from Annual Return.

5 Maximum ceiling is 5 *per cent* of the total taxpayers as per norms mentioned in RGSTAM.

6 Circle E Jaipur-I, K Jaipur-III, Business Audit-I Jaipur- II and Business Audit- II Jaipur- IV.

7 Circle E Jaipur-I.

The matter was reported to the Department and the State Government (December 2024). The Government stated (March 2025) that SCN has been issued.

During the Exit Conference, the Chief Commissioner (State Tax) accepted the audit contention and stated that the norm of five *per cent* was not prescribed in the Act, instead it has been prescribed in the manual. He further added that selecting five *per cent* of total taxpayers will be voluminous and the Department would have to expand audit capacity and also consider revising the norms up to a reasonable limit.

Recommendation 1: In the era of self-assessed tax regime, business audit is one of the main tools for ensuring compliance by the taxpayers. Further, departmental action against non-compliant taxpayers is a time bound activity under Section 73⁸ of the RGST Act. In view of this, Audit recommends that efforts may be made to increase the selection of taxpayers for the business audit, as prescribed in the audit manual and to ensure that audits of the selected cases are completed in a timely manner.

Recommendation 2: The Department needs to take prompt steps to undertake the remaining Business audits, as highlighted by audit, so that timely action could be initiated against the defaulters and recoveries, if any, could be effected.

2.3.6.3 Lack of action on non-filers

Section 46 of the RGST Act, 2017 read with Rule 68 of CGST/RGST Rules, 2017 stipulates issue of a notice in Form GSTR-3A, requiring filing of return within fifteen days, if the taxpayer had failed to file the return within the due date. 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.

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.

Relevant records and information were requisitioned from the selected 10 Circles. However, out of these, seven Circles⁹ did not provide the required records and information. Therefore, the functions of these Circles could not be evaluated. Non-production of records, led to limitation of scope of audit to examine irregularities and evaluate oversight functions of the Department.

On examination of information provided by three Circles¹⁰, it was observed that in one Circle *viz.* Circle Sirohi, 77 taxpayers were identified as non-filers for the

8 Section 73: Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised for any reason other than fraud or any wilful misstatement or suppression of facts.

9 Circle Bundi, D Udaipur, E Udaipur, F Jaipur-II, J Jaipur-I, Shahjahanpur, Merta city.

10 Circle-B Bhilwara, Baran and Sirohi.

period 2020-21. Out of these 77 cases, 72 taxpayers (93.50 per cent) did not file appropriate returns such as GSTR-3B, GSTR-1 etc. even after notices in form GSTR-3A were issued to them. However, the department did not initiate action for assessing the tax liability to the best of their judgement and to issue an assessment order in Form ASMT-13.

The matter was reported to the Department and the State Government (December 2024). The Government stated (March 2025) that recovery is in progress. However, the Department's reply is silent on the reasons as to why the Department did not take any action under the provisions *ibid*.

2.3.7 Centralized Audit (Part II)

Audit analyzed GST returns data pertaining to 2018-19 to 2020-21 as made available by GSTN. Rule-based deviations, and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 16 parameters, which can be broadly categorized into two domains - ITC and Tax payments.

Out of the 13 prescribed GST returns,¹¹ the following basic returns that apply to normal taxpayers were considered for the purpose of identifying deviations, inconsistencies and mismatches between GST returns/data:

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

11 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 (Input service distributor), GSTR-7 (taxpayers deducting TDS), GSTR-8 (E-commerce operator), GSTR-9 (Annual Return), GSTR-10 (Final return), GSTR-11 (person having UIN and claiming a refund), CMP-08, and ITC-04 (Statement to be filed by a principal/job-worker about details of goods sent to/received from a job-worker).

- *GSTR-9C: annual audit form for all taxpayers having a turnover above ₹ 5 crores in a particular financial year. It is basically a reconciliation statement between the annual returns filed in GSTR-9 and the taxpayer's audited annual financial statements.*
- *GSTR-2A: a system-generated statement of inward supplies for a recipient. It contains the details of all B2B transactions of suppliers declared in their Form GSTR-1 / 5, ISD details from GSTR 6, details from GSTR-7 and GSTR- 8 respectively by the counterparty and import of goods from overseas on bill of entry, as received from ICEGATE Portal of Indian Customs.*

The pan State data analysis pertaining to state jurisdiction on the 16 identified parameters and extent of deviations/inconsistencies observed are summarised in **Table 2.2** as below:

Table 2.2: Summary of sample data analysis (Centralised audit)

Sl. No	Parameter	Algorithm used	Number of taxpayers	Number of deviations	Amount (₹ in crore)
Domain: ITC					
D1	ITC mismatch between GSTR 2A and GSTR 3B	ITC available as per GSTR 2A with all its amendments and the ITC availed in GSTR 3B in Table 4A (5) including 4(D) blocked credits and subsequent years from Table 8C of GSTR 9.	60	95	799.37
D2	ITC Availed without supplier remitting tax	GSTR 9 particularly pertaining to table 8A of GSTR 9 was compared with the ITC data reflected in GSTR 2A	30	76	293.38
D3	ITC Availed in GSTR 3B filed after limitation period	ITC availed through Table 4 of GSTR 3Bs filed by the taxpayer beyond the due dates of September, GSTR 3B return of the following year, were identified by examining the data.	45	57	99.28
D4	Incorrect availment of ISD credit	ISD transferred in GSTR 9 Table 6G or GSTR 3B Table 4(A) (4) was compared with the sum of Table 5A, Table 8A, and Table 9A of GSTR 6 of recipient GSTINs.	17	27	8.26
D5	ITC availed under RCM versus payment of tax in GSTR 3 B/GSTR 9	RCM payments in GSTR 3B Table 3.1(d) was compared with ITC availed in GSTR 9 Table 6C, 6D and 6F. In cases where GSTR 9 was not available, the check was restricted within GSTR 3B - tax discharged in Table 3.1(d) vis-à-vis ITC availed Table 4A(2) and 4A(3)	40	64	83.17
D6	Mismatch of ITC availed between Annual returns and Books of accounts	Positive figure in GSTR 9C Table 12F and examination of reasons provided in Table 13 for mismatch	15	24	487.93
D7	Reconciliation between ITC availed in Annual returns with expenses in financial statements.	Positive figure in GSTR 9C Table 14T and examination of reasons provided in Table 15 for mismatch	15	23	647.47
Domain: Tax payments					
D8	Unsettled liabilities	The greater of tax liability between GSTR 1 (Tables 4 to 11) and GSTR 9 (Tables 4N, 10 and 11) was compared with tax paid details in GSTR 3B Tables 3.1(a) and 3.1(b). In cases where GSTR 9 was not available GSTR 3B tax paid was compared with GSTR 1 liability. The amendments and advance adjustments declared in GSTR 1 and 9 were duly considered.	70	121	857.72

Sl. No	Parameter	Algorithm used	Number of taxpayers	Number of deviations	Amount (₹ in crore)
D9	Suppression in taxable value in comparison with E-Way bills	Where GSTR 3B Table 3.1 (a) + (b) tax payable were less than the tax liability declared in the e-way bills.	45	104	1580.91
D10	Mismatch in tax paid between books of accounts and returns	Negative figure in GSTR 9C Table 9R and examination of reasons provided in Table 10 for mismatch.	15	19	36.17
D11	Suppression of taxable value identified through TDS/TCS declaration	The cases where the taxable value declared on account of outward taxable supplies (other than zero rated, nil rated and exempted) in GSTR 3B were less than the net amount liable for TCS and TDS credit as per Table 9 of GSTR-2 have been identified.	25	41	501.35
D12	Suppression of taxable value identified through mismatch in unbilled revenue declared in Table 5 of GSTR 9C	Table 5B figures of GSTR 9C which captures the unbilled revenue at the beginning of the financial year was compared with Table 5H of the previous GSTR 9C returns which captures the unbilled revenue of the end of the year to review the extent of identified mismatch in turnover declared in the Annual Return with the Financial Statements.	15	20	412.56
D13	Mismatch in taxable turnover declared in GSTR 9C Table 7G	Negative figure in GSTR 9C Table 7G and examination of reasons provided in Table 8 for mismatch.	15	26	7567.87
D14	Composition taxpayer also availing e-commerce facility	E-commerce GSTR 8 became effective from 1.10.2018 when TCS provisions became effective. GSTINs declared in GSTR 8 who are also filing GSTR 4 under composition scheme.	10	10	-
D15	GSTR 3B was not filed but GSTR 1 is available	Taxpayers who have not filed GSTR 3B but have filed GSTR 1 or where GSTR 2A available, indicating taxpayers carrying on the business without discharging tax.	45	67	-
D16	Short payment of interest	Interest calculated at the rate of 18 per cent on cash portion of tax payment on delayed filing of GSTR-3B vis-à-vis interest declared in GSTR 3B.	70	188	33.05
Total			532	962	13,408.49

Significant deviations from each of the audit dimensions are illustrated below:

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

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

Audit observed that in case of a taxpayer under Circle B, Barmer, the ITC available as per GSTR 2A for the year 2019-20 was ₹ 111.82 crore whereas the ITC availed in table 4A (5) of GSTR 3B for the year 2019-20 was ₹ 174.49 crore. This resulted in mismatch of ITC availed amounting to ₹ 62.67 crore which was communicated to the Department and the State Government (December 2024). In response, the State Government stated (March 2025) that demand has been raised, however, the taxpayer has filed an appeal against the demand order. Further progress was awaited (August 2025).

(ii) ITC availed without supplier remitting tax:

Section 16 (2) (c) of the RGST Act, 2017 provides that no registered person shall be entitled to the credit of any 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 ITC admissible in respect of the said supply.

To analyse the extent of compliance of ITC availment under Section 16 of the RGST Act, an attempt has been made to identify likely cases where the ITC would have been passed on by the taxpayer without the actual remitting the tax. For this purpose, the relevant data from GSTR 9 particularly pertaining to Table 8A of GSTR 9 was compared with the ITC data reflected in GSTR 2A. Table 8A of GSTR 9 auto-populates from table 3 and 5 of GSTR-2A and capture details of total credit available for inward supplies (other than imports and inward supplies liable to reverse charge but includes services from SEZs). This would be the aggregate of all the ITC that has been declared by the corresponding suppliers. Higher values in GSTR-2A than Table 8A of GSTR-9 reflect that tax was not paid by the supplier in respect of such supplies and therefore, ITC was not available.

Under this dimension, the Department was required to examine the difference in the ITC availed by the recipient who is a taxpayer under Circle-I, Jaipur-III and the tax paid by the supplier amounting to ₹ 13.54 crore. The difference was noticed by comparing ITC available of ₹ 50.38 crore in Table 8A of GSTR-9 with ITC available of ₹ 63.92 crore in GSTR-2A for the year 2018-19. The difference could be on account of difference in the place of supply or recipient availing ITC on invoices issued after cancellation of registration of the supplier, in which case the recipient is liable to reverse the ITC. The difference could also be on account of the supplier not filing his monthly return, i.e. GSTR-3B and thereby not discharging the tax liability.

The audit query was communicated to the Department and the State Government (December 2024). In response, the State Government stated (March 2025) that demand had been raised. However, the case is under stay of Hon'ble Rajasthan High court. Further progress was awaited (August 2025).

(iii) Availing ITC in GSTR 3B filed after the limitation period for availing ITC:

Section 16(4) of the RGST Act provides that a registered person shall not be entitled to take ITC in respect of any supply of Goods or Services or both after the due date of furnishing of the returns under Section 39 for the month of September following the end of financial year to which such ITC pertains or furnishing of the relevant annual return, whichever is earlier. Accordingly, if any GSTR 3B is furnished after such time, ITC availed therein becomes inadmissible.

To review the extent of excess/irregular ITC availed on this account, the ITC availed through Table 4 of GSTR 3B pertaining to year 2018-19 to 2020-21 filed by the taxpayer beyond the due dates of September GSTR 3B return of the following year were identified.

Audit observed that in case of a taxpayer under Circle F, Jaipur-I, ITC amounting to ₹ 9.16 crore was availed for the period of 2019-20 through GSTR 3B filed after the limitation period¹² which was communicated to the Department and the State Government (December 2024). In response, the State Government stated (March 2025) that a show cause notice has been issued to the taxpayer. Further progress was awaited (August 2025).

(iv) Incorrect availing of ITC by recipient on ISD credit:

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

In case of taxpayer under circle- F, Jaipur-II, Audit observed that during 2018-19 the ITC transferred by the ISD in table (5A+8A+9A) of GSTR 6 was ₹ 11.90 crore and ITC availed in GSTR 3B table 4(A) (4) was ₹ 13.01 crore. This resulted in mismatch in availment of ITC transferred by the ISD amounting to ₹ 1.11 crore which was communicated to the Department and the State Government (December 2024). In response, the State Government stated (March 2025) that a demand order had been issued (April 2024) to the taxpayer. Further progress was awaited (August 2025).

(v) Incorrect availment of ITC under Reverse charge mechanism (RCM):

Under Reverse Charge Mechanism, 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 RGST Act, 2017 and under sub-section (3) or sub-section (4) of Section 5 of the IGST Act, 2017.

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

¹²

Month of GSTR 3B	Prescribed date of filing	Actual date of filing
October 2019	September 2020	05 November 2020
November 2019	September 2020	16 August 2021
December 2019	September 2020	16 August 2021
January 2020	September 2020	16 August 2021
February 2020	September 2020	16 August 2021

Audit observed that in case of a taxpayer under Circle-I, Zone-Jaipur-III, the ITC available as per the tax payable under RCM in table 3.1(d) of GSTR 3B during 2018-19 was ₹ 0.49 crore whereas the ITC availed in table 4A (2) & (3) of GSTR 3B was ₹ 5.91 crore resulting in mismatch of ITC availed amounting to ₹ 5.42 crore which was communicated to the Department and the State Government (December 2024). The State Government stated (March 2025) that demand has been raised, however, the taxpayer has filed an appeal against the demand order. Further progress was awaited (August 2025).

(vi) Mismatch of ITC availed between Annual returns and Books of accounts:

Table 12 of GSTR 9C reconciles ITC declared in annual return (GSTR9) with ITC availed as per audited Annual financial statement or books of accounts. Column 12F of this table deals with unreconciled ITC.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of RGST Rules in form GSTR 9C for the year 2018-19 to 2020-21 was analyzed 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 under Circle- I, Jaipur-III, Audit noticed that there was mismatch between the ITC claimed in annual return as per Table 12E of GSTR-9C and ITC claimed as per audited financial statements declared in Table 12 (D) of GSTR-9C by ₹ 236.18 crore for the period 2020-21. As such, unreconciled ITC of ₹ 236.18 crore was declared in Table 12F of GSTR 9C. This was communicated to the Department and the State Government (December 2024). In response, the State Government stated (April 2025) that show cause notice has been issued to the taxpayer. Further progress was awaited (August 2025).

(vii) Unreconciled ITC in Table 14T of GSTR-9C:

Table 14 of GSTR 9C reconciles ITC declared in annual return (GSTR9) with ITC availed on expenses as per audited Annual financial statement or books of accounts. Column 14T of this table deals with unreconciled ITC.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of RGST Rules in form GSTR 9C for the year 2018-19 to 2020-21 was analysed at data level to review the extent of identified mismatch in ITC declared in the Annual Return with the expenses reported in the Financial Statements.

In case of a taxpayer under Circle-I, Jaipur-III, Audit noticed that for the year 2020-21, the ITC claimed in annual return as per Table 14S of GSTR 9C was ₹ 392.07 crore whereas total amount under eligible ITC as per Table 14R of GSTR 9C, was ₹ Nil. As such, there was unreconciled ITC of ₹ 392.07 crore, declared in Table 14T of GSTR 9C, being ITC availed in GST returns in excess of eligible ITC based on expenses reported in financial statements. This was communicated to the Department and the State Government (December 2024).

In response, the State Government stated (March 2025) that show cause notice has been issued to the taxpayer. Further progress was awaited (August 2025).

(viii) Unsettled tax liability:

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

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

During audit, it was observed that in case of a taxpayer under Circle-J, Jaipur-III, the tax payable as per GSTR 1 was ₹ 7.23 crore and as per GSTR 9 was *Nil* during the year 2019-20. The greater of the tax liability of ₹ 7.23 crore, declared in GSTR-1, was compared with the tax paid of ₹ *Nil* as declared in tables 9 and 14 of GSTR 9. This resulted in mismatch of tax liability amounting to ₹ 7.23 crore which was communicated to the Department and the State Government (December 2024). In response, the State Government stated (March 2025) that demand has been raised against the taxpayer. Further progress in this regard was awaited (August 2025).

(ix) Suppression in taxable value in comparison with E-Way bills:

To analyse the extent of short-payment of tax, relevant data related to tax liability declared in GSTR 3B for the years 2018-19 to 2020-21 were compared with disclosures made in E-way bill. For the algorithm, the cases where GSTR 3B Table 3.1 (a) + (b) tax payable were less than the tax liability declared in the e-way bills were identified.

In case of a taxpayer under Circle-A, Bhiwadi, Audit noticed that tax liability payable in Table 3.1 of GSTR 3B for the year 2018-19 was ₹ 124.09 crore, whereas tax liability payable as per the e-way bills was ₹ 313.54 crore. This resulted in undischarged tax liability amounting to ₹ 189.45 crore which was communicated to the Department and the State Government (December 2024). In response, the State Government stated (March 2025) that ASMT-10 has been issued to the taxpayer. Further progress was awaited (August 2025).

(x) Mismatch in tax paid between books of accounts and Annual Return:

The Certified reconciliation statement submitted by the taxpayer as required under rule 80(3) of CGST/SGST Rules in form GSTR 9C for the year 2018-19 to 2020-21 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.

In case of a taxpayer under Circle-C, Jaipur-III, Audit noticed that for the year 2018-19 total tax to be paid, as per table 9P of GSTR-9C was ₹ 32.62 crore, whereas declared total tax paid in annual return, as per table 9Q of GSTR-9C, was ₹ 28.41 crore. As such, unreconciled payment of tax of ₹ 4.21 crore was declared in Table 9R of GSTR 9C.

This was communicated to the Department and the State Government (December 2024). In response, State Government stated (March 2025) that demand has been created *vide* DRC-07, however, the matter is pending under NCLT. Further progress was awaited (August 2025).

(xi) *Suppression of taxable value identified through TDS/TCS declaration:*

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

During audit, it was observed that in case of a taxpayer under Circle-D, Kota, taxable value declared on account of outward taxable supplies in GSTR 3B were less than the net amount liable for TDS credit amounting to ₹ 248.84 crore in 2020-21. The matter was reported to the Department and the State Government (December 2024). In response, the State Government stated (March 2025) that the matter is under investigation of the Deputy Director General of GST Intelligence (DGGI), Jaipur. Further progress in this regard was awaited (August 2025).

(xii) *Unreconciled taxable turnover in Table 7G of GSTR 9C:*

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

The certified reconciliation statement submitted by the taxpayer as required under rule 80(3) of CGST/SGST Rules in Form GSTR 9C for the year 2018-19 to 2020-21 was analysed at data level to review the extent of identified mismatch in taxable turnover reported in the Annual Return *vis-à-vis* the Financial Statements. The unreconciled amount in cases where the turnover in GSTR 9 is less than the financial statement could indicate non-reporting, short-

reporting, omission, error in reporting of taxable supplies. It could also be on account of non-reporting of both taxable and exempted supplies.

Audit query on unreconciled taxable turnover in Table 7G of GSTR-9C, amounting to ₹ 604.48 crore during the year 2019-20 was issued in respect of a taxpayer under Circle-A, Bhiwadi was communicated to the Department and the State Government (December 2024). In response, the State Government stated (March 2025) that ASMT-10 has been issued to the taxpayer. Further progress was awaited (August 2025).

(xiii) E-Commerce suppliers availing Composition levy Scheme:

As per the Provision of Section 10(2) (d) of the CGST Act 2017, Composition Scheme Dealers are not allowed to supply of any goods or services through e-commerce operators and are required to collect tax at source under Section 52 of the act.

To identify those composition taxpayers who have availed the e-commerce facility, the datasets pertaining to GSTR 8 filed by the e-commerce operators and GSTR 4¹³ filed by the composition taxpayers were compared to check whether the recipient GSTINs mentioned in GSTR 8 have also filed GSTR 4.

Apart from irregularly availing the benefit of composition levy, it was also noticed that the turnover as declared by the E-commerce provider in the GSTR 8 returns pertaining to most of these taxpayers was more than the turnover declared by the taxpayers in their CMP-08, for composition levy, hence there may be a likelihood of short payment of tax too.

In the case of a taxpayer under circle-G, Jaipur-III for the year 2018-19, Audit observed that sum of composition turnover was shown as ₹ 0.68 crore in CMP-08 whereas sum of gross amount declared in GSTR 8 was ₹ 1.37 crore as per E-Commerce deductee. As such, the turnover as declared by the E-Commerce provider in the GSTR 8 returns pertaining to the taxpayers was more than the turnover declared by the taxpayers in its CMP-08 for composition levy. The matter was reported to the Department and the State Government (December 2024). In response, the State Government stated (March 2025) that demand has been raised against the taxpayer. Further progress was awaited (August 2025).

(xiv) Cases where GSTR 3B not filed but GSTR 1 available:

GSTR 3B return under rule 61(5) of CGST/SGST Rule 2017 is the only instrument through which the tax liability is offset and ITC is availed.

Efforts were made through data analysis to identify those taxpayers who had not filed GSTR 3B but filed GSTR 1 or whose GSTR 2A was available. 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

13 Quarterly return of registered person opting for composition levy.

not discharged their tax liability. It may also include cases of irregular passing on of ITC.

The datasets pertaining to relevant fields in GSTR 1, 2A and 3B were analysed in case of a taxpayer under circle-J, Jaipur III, it was observed that the taxpayer had not filed GSTR 3B in 2019-20 whereas the taxpayer had declared taxable supplies in its GSTR-1 with tax amount of ₹ 7.23 crore. It indicates that the taxpayer had undertaken/carried on the business during the period but have not discharged their tax liability. The matter was reported to the Department and the State Government (December 2024).

In response, the State Government stated (March 2025) that demand has been raised against the taxpayer. Further progress was awaited (August 2025).

(xv) Short Payment of interest:

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

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

Audit observed that in case of a taxpayer under circle A, Bhiwadi, wherein short payment of interest on account of delayed remittance of tax during 2018-19 was ₹ 0.76 crore. The matter was reported to the Department and the State Government (December 2024). In response, the State Government stated (March 2025) that demand has been raised against the taxpayer. Further progress was awaited (August 2025).

2.3.7.1 Response to Audit

Audit selected a sample of 532 taxpayers from amongst the top deviations/inconsistencies in each of the 16 parameters for the period 2018-19 to 2020-21. Audit issued 510 audit queries (926 deviations) amounting to ₹ 5508.92 crore to the Department. The audit check in these cases was limited to verifying the Department's action on the identified deviations/mismatches. The Department replied to all queries issued. However, in 126 deviations with mismatches/inconsistencies of ₹ 779.73 crore, the Department stated that these cases were either being examined or pending under Appeal/NCLT/High court etc.

2.3.7.2 Summary of deficiencies noticed during Centralised audit

Based on responses received from the Department to the Audit Queries, the extent to which each of the 16 parameters translated into compliance deviations (**Appendix 2.1**) is summarized in **Table 2.3**.

Table 2.3: Summary of deficiencies

(₹ in Crore)

Audit Dimension	No. of Tax payers	No. of cases	Cases where reply received		Department reply acceptable to Audit (including action taken before audit and data entry errors)		Compliance deviations							
							SCN issued/Demand raised/Recovery made ¹⁴		ASMT-10/Notice/DRC-01A issued		Department's reply not acceptable to Audit (Rebuttal)		Total	
							No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
ITC mismatch between GSTR 2A and GSTR 3B (D1)	58	93	93	738.69	47	327.00	31	241.41	-	-	2	32.16	33	273.57
ITC Availed without supplier remitting tax (D2)	30	75	75	290.15	60	218.26	06	15.86	-	-	-	-	06	15.86
ITC Availed in GSTR 3B filed after limitation period (D3)	45	57	57	99.28	19	26.46	24	48.82	1	0.16	3	1.96	28	50.94
Incorrect availment of ISD credit (D4)	15	23	23	7.53	10	3.48	8	1.39	-	-	1	1.11	9	2.50
ITC availed under RCM versus payment of tax in GSTR 3 B/GSTR 9 (D5)	35	56	56	72.02	38	46.21	8	17.50	-	-	-	-	08	17.50
Mismatch of ITC availed between Annual returns and Books of accounts (D6)	14	23	23	484.02	13	68.53	7	411.54	2	2.26	-	-	09	413.80
Reconciliation between ITC availed in Annual returns with expenses in financial statements (D7)	15	23	23	647.48	14	81.09	8	563.83	-	-	1	2.56	9	566.39
Unsettled liabilities (D8)	64	112	112	824.65	73	514.22	18	86.21	2	14.81	-	-	20	101.02
Suppression in taxable value in comparison with E-Way bills (D9)	44	103	103	1,569.71	66	934.03	8	83.60	24	487.67	-	-	32	571.27
Mismatch in tax paid between books of accounts and returns (D10)	15	19	19	36.17	12	21.30	2	3.90	1	1.44	1	1.80	4	7.14
Suppression of taxable value identified through TDS/TCS declaration (D11)	24	40	40	495.98	26	143.84	8	89.46	3	7.77	2	6.07	13	103.30
Suppression of taxable value identified through	14	18	18	210.76	13	173.36	1	7.41	2	14.50	-	-	03	21.91

14 SCN issued in 78 cases of ₹ 1,245.26 crore, demand raised in 140 cases of ₹ 334.40 crore and recovery made of ₹ 1.58 crore in 18 cases.

Audit Dimension	No. of Tax payers	No. of cases	Cases where reply received		Department reply acceptable to Audit (including action taken before audit and data entry errors)		Compliance deviations							
							SCN issued/Demand raised/Recovery made ¹⁴		ASMT-10/Notice/DRC-01A issued		Department's reply not acceptable to Audit (Rebuttal)		Total	
			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
<i>mismatch in unbilled revenue declared in Table 5 of GSTR 9C (D12)</i>														
<i>Mismatch in taxable turnover declared in GSTR 9C Table 7G (D13)</i>	15	26	26	- ¹⁵	23	-	-	-	2	-	-	-	02	-
<i>Composition taxpayer also availing e-commerce facility (D14)</i>	9	9	9	-	7	-	2	-	-	-	-	-	02	-
<i>GSTR 3B was not filed but GSTR 1 is available (D15)</i>	45	67	67	-	9	-	34	-	02	-	-	-	36	-
<i>Short payment of interest (D16)</i>	68	182	182	32.48	84	15.76	71	10.31	01	0.14	-	-	72	10.45
Total	510	926	926	5,508.92	514	2,573.54	236	1,581.24	40	528.75	10	45.66	286	2,155.65

Audit noticed deviations from the provisions of the RGST Act in 286 cases involving an amount of ₹ 2155.65 crore, constituting 30.89 per cent of the 926 inconsistencies/mismatches in data,-for which the Department provided responses. Relatively higher rates of deviations were noticed in risk parameters such as ITC mismatch between GSTR 2A and GSTR 3B, ITC availed in GSTR 3B filed after limitation period, Unsettled liabilities and Suppression in taxable value in comparison with E-Way bills.

In 514 cases, constituting 55.51 per cent of the audit sample, where the Department's replies were acceptable to Audit, data entry errors by taxpayers comprised 52 cases, department had proactively taken action in 113 cases and other valid explanations comprised 349 cases.

In 126 cases, constituting 13.60 per cent of the audit sample (underlying deviations of ₹ 779.73 crore) the Department stated that these cases are either being examined or pending under Appeal/NCLT/High court etc.

Out of 286 compliant deviation cases, in 10 cases though the Department did not accept the deviations pointed out by Audit, its contention was not borne out by evidence, and was thus not amenable to verification by Audit.

15 Total unreconciled taxable turnover (TO) in table 7G of GSTR 9C in the 26 cases is ₹ 7,567.87 crore, out of which Data entry error TO of ₹ 2,166.46 crore in one case, in 22 cases involving mismatched TO of ₹ 3,709.74 crore, valid explanations were provided by the Department and in two cases involving mismatched TO of ₹ 1,191.36 crore ASMT-10 has been issued and remaining one case involving mismatched TO of ₹ 500.31 crore is under stay of High court.

2.3.7.3 Centralised Audit-Reasons for deviations/mismatches noticed during data analysis

Considering the Department's response to 926 cases, the factors that caused the data deviations/inconsistencies are as follows:

(a) Deviations from GST law and rules: Out of the 926 deviations summarized in **Table 2.3** above, the Department has accepted the audit observations or initiated action in 276 cases with tax effect of ₹ 2109.99 crore. Out of these cases, the Department has recovered ₹ 1.58 crore in 18 cases issued SCN/DRC-07 in 218 cases for ₹ 1579.66 crore, issued notice conveying discrepancies to the taxpayer in Form ASMT-10/ DRC 01A in 40 cases for ₹ 528.75 crore. The top five cases accepted or where action was initiated by the Department amounted to ₹ 386.29 crore. Two illustrative cases are featured below:

(i) Suppression in taxable value in comparison with E-Way bills

During audit, it was observed that in case of a taxpayer under Circle-A, Bhiwadi, tax liability payable in GSTR 3B for the year 2020-21 was ₹ 225.99 crore, whereas tax liability payable as per the e-way bills was ₹ 283.92 crore. This resulted in undischarged tax liability amounting to ₹ 57.93 crore which was communicated to the Department and the State Government (December 2024). In response, the State Government stated (March 2025) that ASMT-10 has been issued to the taxpayer. Further progress was awaited (August 2025).

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

Audit observed that in case of taxpayer under Circle A, Bhiwadi, the ITC available as per GSTR 2A for the year 2018-19 was ₹ 93.33 crore whereas the ITC availed in table 4A (5) of GSTR 3B for the year 2018-19 was ₹ 117.44 crore. This resulted in mismatch of ITC availed amounting to ₹ 24.11 crore which was communicated to the Department and the State Government (December 2024). In response, the State Government stated (March 2025) that DRC-01 (show cause notice) has been issued to the taxpayer. Further progress was awaited (August 2025).

(b) Tax evasion by taxpayers:

Audit observed the 23 instances of deviation of ₹129.68 crore pertaining to ITC mismatch between GSTR 2A and GSTR 3B, ITC availed on GSTR 3B filed after limitation period and cases where GSTR 3B not filed but GSTR 1 available, by 20 taxpayers.

Audit pointed out this to the Department (December 2024). The department stated (March 2025) that the registration of all these firms was *ab-initio* cancelled with retrospective effect before being pointed out by Audit and stated that as the firms were found *bogus* and non-existent/traceable, the demand could not be recovered. Out of these 23 instances, SCN was issued in 18 instances and demand of ₹ 152.54 crore in 12 instances (out of 18 instances) was raised. In the remaining five cases it was stated that the SOP for dealing with bogus firms

would be followed and the adjudication order will be passed under Section 122(1)(ii) & 122(1)(vii).

An illustrative case is brought out below:

In case of taxpayer under Circle J, Jaipur -I, the ITC available as per GSTR 2A for the year 2018-19 was ₹ 8.94 crore whereas the ITC availed in table 4A (5) of GSTR 3B was ₹ 27.89 crore. This resulted in excess ITC availed amounting to ₹ 18.95 crore which was communicated to the Department and the State Government (December 2024). In response, the Government stated (March 2025) that the firm was found *bogus* and non-existent and registration of the taxpayer was *ab-intio* cancelled (w.e.f. 13 July 2018) on 06 July 2019. Further, the adjudication order was passed (February 2024) under Section 122(1)(ii) & 122(1)(vii) and demand amounting to ₹ 36.69 crore was created. However, Department further intimated that demand could not be recovered as the firm is non-traceable.

Audit is of the view that the department required to take suitable action under section 79(1)¹⁶ of the Act for the recovery of the excess availed ITC as well as identify the recipient to whom the ITC has been passed by such a non-existent taxpayer through the details furnished in the GSTR-1 by the taxpayer. Further, it is seen that the Department took action only after being pointed out by Audit (January 2024) which indicate weakness in the internal control system.

During the Exit Conference, CCT stated that the bogus firms and fake ITC is the department's biggest concern, and this will be sorted out only after the implementation of an AI-based module.

Recommendation 3: State Government may strengthen the registration and cancellation mechanism to prevent registration of the fake units/entities and ITC frauds.

(c) Inconsistencies/mismatches rebutted by Audit

Out of the audit sample of 926 cases of mismatch/inconsistencies, demand of only ₹ 6.80 crore was raised by the department in 10 cases against the mismatch/inconsistencies of ₹ 45.66 crore. However, the Department did not produce any supporting documents for raising much lesser demand than what was pointed out by Audit. As a result, Audit could not ascertain the veracity of the departmental replies in these cases.

An illustrative case is brought out below:

ITC mismatch between GSTR-2A and GSTR-3B

Audit observed that in case of a taxpayer under Circle I, Jaipur III, the ITC available as per GSTR 2A for the year 2018-19 was ₹ 117.77 crore whereas the ITC availed in table 4A (5) of GSTR 3B for the year 2018-19 was ₹ 134.35

¹⁶ Where any amount payable by a person to the Government under any of the provisions of this Act or the rules made thereunder is not paid, the proper officer shall proceed to recover the amount by one or more modes as prescribed under section 79 (1) of the RGST Act.

crore. This resulted in mismatch of ITC availed amounting to ₹ 16.58 crore which was communicated to the Department and the State Government (December 2024). In response, the State Government stated (March 2025) that DRC-07 has been issued for excess claimed ITC of ₹ 0.24 crore. However, the Department did not produce any supporting documents which assured that raising a demand for lesser than the mismatch amount was justified. As a result, Audit could not ascertain the veracity of the departmental reply.

2.3.8 Detailed Audit (Part III)

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

From an external audit perspective, Audit also focused on a data-driven risk-based approach. Thus, apart from identifying inconsistencies/deviations in GST returns through pan-India data analysis, a detailed audit of GST returns was also conducted as a part of this SSCA. A risk-based sample of 100 taxpayers (including 20 taxpayers of mining activities) was selected for detailed audit. 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. The desk review was carried out in audit office premises. Based on desk review results, detailed audit was conducted at departmental Circles by requisitioning detailed records of taxpayers such as financial ledgers, invoices etc. to identify causative factors of the identified risks and to evaluate compliance by taxpayers.

2.3.8.1 Scope limitation

Rule 80 (3) of the RGST Rules, 2017 provides that every registered person, other than those referred to in the second proviso to Section 44, an Input Service Distributor, a person paying tax under Section 51 or Section 52, a casual taxable person and a non-resident taxable person, whose aggregate turnover during a financial year exceeds five crore rupees, shall also furnish a self-certified reconciliation statement in Form GSTR-9C along with the annual return, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner. Further, the reconciliation statement in Form GSTR-9C should be prepared and duly signed by the Auditor and other statements, as applicable, including financial statement, profit and loss account and balance sheet etc. must be uploaded with GSTR-9C. However, these records were not properly uploaded with the GSTR-9C. Further, there is no mechanism available with the Department to ensure the completeness of the financial statements uploaded with GSTR-9C.

The jurisdictional Circles did not produce basic records such as Financial Statements/ Trial Balance/ Auditor's Report and GSTR 2A etc. and other records such as debit/credit notes, invoices, reconciliation statement, etc. in 95 cases out of the audit sample of 100 cases. Thus, in 95 *per cent* of the sample audit was restricted to the information available in the returns filed by the taxpayers.

The jurisdiction wise non-production of records is summarised in *Appendix 2.2*. As a result of non-production of records, mismatches/deviations noticed through data analysis, amounting ₹ 476.15 crore, could not be examined in audit.

During the exit conference, the CCT stated that in the future, the Department will explore the possibilities to call for the records of taxpayers under Section 151 of RGST Act, 2017 for the audit.

Non-production of records/information/data impedes CAG's Constitutional and Statutory responsibility under section 16 of the CAG's DPC Act, 1971 to examine whether rules and procedures are designed to secure effective check on the assessment and collection of revenue.

2.3.8.2 Detailed audit– Audit findings

As brought out in the previous paragraph, due to non-production of records, mismatches/deviations noticed through data analysis, amounting ₹ 476.15 crore, could not be examined in audit. Despite that examination of partial records available on the BOWEB portal of the Department such as GST returns, and financial statements, revealed non-compliance of ₹ 304.68 crore by the taxpayers. The audit findings are categorised in three categories *viz.*, audit findings related to GST Returns; audit findings related to ITC; and audit findings related to Tax Liabilities. The findings are discussed in the succeeding paragraphs.

(I) Audit findings related to GST Returns

(a) Non-payment of interest by taxpayers

Section 50 of the RGST Act, 2017 specifies 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. Audit observed that in 225 instances of 32 taxpayers (constituting 32 *per cent* of the 100 taxpayers audited) the taxpayers filed GSTR 3B after due dates during the period, however, interest of ₹ 1.78 crore on delayed payment of tax was not paid. These taxpayers were identified using the tax paid details in GSTR 3B and the date of filing of GSTR 3B. Further, five taxpayers paid tax through DRC- 03, however, interest of ₹ 0.50 crore leviable on delayed payment of tax was not paid.

The matter was reported to the Department and the State Government (December 2024). The State Government stated (March 2025) that recovery of

₹ 0.49 crore has been made in 113 instances after being pointed out by Audit. Further, in four instances (out of these 113 instances) recovery of only ₹ 1919 was made against the recovery of ₹ 21.63 lakh, however, reasons for short recovery were not intimated to Audit. In six cases, action has been taken under business audit. Notice and action for creating demand through ASMT-10/DRC-01/SCN/DRC-07 were issued in 98 cases while taxpayers have filed an appeal against the demand raised in eight cases. Further progress was awaited (August 2025).

Further, in respect of five taxpayers where interest of ₹ 0.50 crore was leviable, it was stated that recovery of ₹ 1.62 lakh has been made in two cases at the instance of Audit, and one case has been disposed of under business audit. ASMT-10/DRC-01 has been issued in two cases. Further progress was awaited (August 2025).

(II) Audit findings related to ITC

(a) Non reversal/ Short reversal of ITC

As per sub-Section (2) of Section 17 of RGST Act read with Rule 42 of RGST Rules, 2017, 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 taxable supplies including zero-rated supplies. Manner¹⁷ of determination of eligible input tax credit in respect of inputs or input services and reversal thereof has been specified in Rule 42 *ibid*.

Audit observed in case of a taxpayer¹⁸ that the taxpayer had declared total outward supplies of ₹ 3471.93 crore in Table 4B of GSTR-9, out of which supplies of ₹ 27.87 crore was nil rated/exempted, as declared in table 5(D+E) of GSTR-9 during the period 2018-19 to 2020-21. During the same period, the taxpayer also availed ITC of ₹ 406.53 crore. However, the taxpayer had not reversed any ITC, as per GSTR-9. Since the taxpayer had declared both taxable and nil rated/exempted supplies in GSTR-9, the taxpayer was required to reverse the ITC as per the provisions of the RGST Act, 2017 and RGST Rules, 2017, *ibid*. As per the information available with Audit, the taxpayer was required to reverse the ITC of around ₹ 3.34 crore. However, due to the non-production of granular records by the Department, Audit could not calculate the ITC reversal on common inputs.

The matter was reported to the Department and the State Government (December 2024). The State Government stated (March 2025) that no action is required to be taken in the case as the business audit has been conducted for the

17 The amount of input tax credit attributable towards exempt supplies, be denoted as 'D' and calculated as $D = \frac{E \div F}{C} \times C$ where, 'E' is the aggregate value of exempt supplies during the tax period, and 'F' is the total turnover in the State of the registered person during the tax period and Common credit denoted as 'C'. Common credit is ITC on goods or services used for both taxable and exempt supplies, requiring proportional apportionment under Rule 42 *ibid*.

18 Pertaining to circle H Jaipur II.

period 2018-19 to 2020-21. The reply is not acceptable as the scrutiny of the business audit report revealed that the observations pointed out by Audit under the section *ibid* was not included in the business audit report.

Recommendation 4: Department may examine such cases of ITC availment where there are both taxable and nil rated/exempted supplies in detail and take suitable action for reversal of the ITC, where applicable.

(b) In action by the Department for effecting recovery of the excess ITC

During test check of returns filed by the taxpayer and other related information available on GST portal, it was noticed a taxpayer¹⁹ availed ITC on RCM amounting to ₹ 144.38 lakh as per monthly returns GSTR 3B during the year 2020-21. It was, however, observed that ITC of ₹ 142.87 lakh was available as per return GSTR 9C and it was also mentioned in table 15 of GSTR 9C that excess ITC of ₹ 1.51 lakh needs to be paid by the taxpayer. However, the Department recovered the excess ITC along with interest (December 2024 and February 2025) only after being pointed out by Audit.

(c) Mismatch in claim of ITC as noticed from returns

When Audit analysed the GSTR 2A data of selected taxpayers along with GSTR 3B, GSTR 9 and GSTR 9C filed by the taxpayers, there were 99 instances of mismatch of ITC of ₹ 260.07 crore among various returns and tables. These mismatches could not be examined in detail by Audit since relevant records were not produced by the Department. The cases of mismatches are tabulated below:

Table 2.4: Mismatch in claim of ITC

Sl. No.	Parameter	No. of cases	No. of circles	Amount of mismatches (₹ in crore)	Remarks
1	Mismatch in ITC reversal relating to IGST between Table 7 (I) of GSTR 9 (₹ 0.69 crore) and GSTR 3 B + DRC 03 (₹ 0.09 crore).	01	01	0.60	The matter was reported to the Department and the State Government (December 2024). The State Government stated (March 2025) that demand has been raised, however, the taxpayer has filed an appeal against the demand order. Further progress was awaited (August 2025).
2	Mismatch in availing of ITC between GSTR 3B (Table 4A: ₹ 257.89 crore) and GSTR 9 (Table 7J+ Table 8C: ₹ 242.99 crore).	02	01	14.90	The matter was reported to the Department and the State Government (December 2024). State Government stated (March 2025) that demand has been raised, however, the taxpayer has filed an appeal against the demand order. Further progress was awaited (August 2025).
3	Mismatch between ITC availed under RCM (Table	12	06	19.79	The matter was reported to the Department and the State Government (December 2024). The State Government stated (March 2025)

¹⁹ belonging to circle-A Jaipur-IV.

Sl. No.	Parameter	No. of cases	No. of circles	Amount of mismatches (₹ in crore)	Remarks
	6C+6D+6F of GSTR 9) and tax paid under RCM (Table 4G of GSTR 9)				that recovery of ₹ 0.69 lakh had been made in three cases at the instance of Audit. Action has been taken in one case under business audit. However, key documents in support of the reply were not provided to Audit. Notice/DRC-07/DRC 01 has been issued in six cases and one case is pending under appeal. In remaining one case, it was stated in respect of mismatch in ITC of ₹ 12.22 crore that the taxpayer paid tax under RCM but claimed short RCM ITC of CGST ₹ 6.11 crore and SGST ₹ 6.11 crore in financial year 2017-18 which was claimed in 2018-19. The reply is not acceptable as the month in which the ITC availed was not mentioned in the reply due to which Audit could not ascertain whether the ITC was availed within prescribed time limit. Audit also noticed that Nil amount was mentioned in table 13 of GSTR 9 of 2017-18 under the head 'ITC availed for the previous Financial year'.
4	ITC mismatch between GSTR 2A and GSTR 3B. ITC available as per GSTR 2A and the ITC availed in GSTR 3B in Table 4A (5) including 4(D) blocked credits and subsequent years from Table 8C of GSTR 9.	84	39	224.78	The matter was reported to the Department and the State Government (December 2024). The State Government stated (March 2025) that in two cases the difference was due to goods in transit, therefore, ITC was claimed in the next financial year. In three cases, ITC in respect of Bill of Entry was not reflecting under the IGST head of GSTR 2A. In nine cases, business audit has been conducted, and action is being taken accordingly. In 13 cases, recovery (₹ 0.41 crore) has been made at the instance of Audit. Further, DRC-01/DRC 07 has been issued in 38 cases, taxpayer had filed an appeal in nine cases and five cases are under examination. In four cases the replies were either incomplete or not as per the observations of Audit while no reply was provided in one case.

(III) Audit findings related to Tax Liabilities

(a) Non-Payment of GST under Reverse Charge Mechanism

(i) Section 9(3) of the Act specifies categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both. Further, Section 9(4) of the Act provides a class of registered persons who shall, in respect of supply of specified categories of goods or services or both received from an unregistered supplier, pay the tax on reverse charge basis as the recipient of such supply of goods or services or both. Notification No. 13/2017- Central Tax (Rate) dated 28 June 2017

prescribed that RCM is to be paid by recipient on supply of legal services to a business entity and supply of services by goods transport agency.

Audit scrutiny revealed that five taxpayers in respect of 14 cases received inward supply of services related to legal consultation and supply of services by goods transport agency on which GST of ₹ 3.93 crore was payable under RCM.

The matter was reported to the Department and the State Government (December 2024). The State Government stated (March 2025) that recovery²⁰ has been made in six cases at the instance of Audit and action has been taken in one case under Business Audit however, Business Audit Report was not provided for supporting the reply. In two cases, it was stated that the taxpayer does not maintain separate P&L account or expenses ledger for each GST registration and value of legal and professional fee appearing in the audited final statement of relevant year is of an entity as a whole on PAN India basis and same cannot be attributed to any single state. The taxpayer had not received any legal services during the relevant period which can also be substantiated from GSTR- 2A. However relevant documents in support of the reply were not provided to Audit. The reply is not acceptable as the instructions to fill GSTR 9C prescribe that where multiple GSTINs (State-wise) registrations exist on the same PAN, such entities will have to internally derive their GSTIN-wise turnover and declare the same.

DRC-01 has been issued in two cases while demand notice has been issued in three cases.

(ii) As per State Government Notification no.F.12 (56) FD/Tax/2017 dated 29 June 2017, under section 9(3) of the RGST Act 2017, services supplied by the Central Government to a business entity are taxable under RCM.

Audit scrutiny revealed that two taxpayers²¹ in five cases, disclosed the expenses in his financial statement i.e., AGR Based License Fee, Satellite & Spectrum Charges and Royalty amounting to ₹ 127.27 crore. Services provided by the Central Government to a business entity are taxable under RCM as per the notification *ibid*. However, the taxpayers did not pay tax under RCM on the above services. As consolidated figures were available in the financial statement and State specific figures were not provided by the department, the tax liability of the taxpayer in the state could not be worked out.

The matter was reported to the Department and the State Government (December 2024). The State Government stated (March 2025) in respect of two cases, that royalty expenses were related to all sites in various states having different GSTIN and the RCM paid on royalty amount and figures of the same are matched with the RCM paid during the year under consideration. However relevant documents in support of the reply were not provided to Audit. The reply is not acceptable as the instructions to fill GSTR 9C prescribe that where multiple GSTINs (State-wise) registrations exist on the same PAN, such entities will have to internally derive their GSTIN-wise turnover and declare the same.

20 ₹ 1,23,094.

21 Pertaining to circle I Jaipur III, and circle D Jodhpur II.

In one case, taxpayer had paid the tax liability under RCM after being pointed out by audit. In two cases, demand has been raised. Further progress was awaited (August 2025).

(IV) Payment of GST on advances

Section 13(2) of the Act provides that time of supply of services shall be the earliest of the following dates, namely (a) the date of issue of invoice by the supplier, if the invoice is issued within the period prescribed under section 31 or the date of receipt of payment, whichever is earlier; or (b) the date of provision of service, if the invoice is not issued within the period prescribed under section 31 or the date of receipt of payment, whichever is earlier; or (c) the date on which the recipient shows the receipt of services in his books of account, in a case where the provisions of clause (a) or clause (b) do not apply.

Audit scrutiny revealed that a taxpayer declared current liabilities amounting to ₹ 257.99 crore as “Advance from Customers” in the Balance sheet for the year 2018-19. However, no tax was found paid on these advances received from the customers, as observed from the GSTR-1 and Annual return.

The matter was reported to the Department and the State Government (December 2024). The State Government stated (March 2025) that advances were carried forwarded from the financial year 2017-18 and liability was discharged on the new advances received in current financial year. The reply is not acceptable as tax liability on advance received was shown as NIL in GSTR-1 and Annual return of the year 2017-18 and 2018-19.

(V) Mismatch in tax liability and taxable turnover as noticed from returns

When Audit analysed the GSTR 1 and GSTR 9, data of selected taxpayers along with GSTR 3B, GSTR 9 filed by the taxpayers, there were 54 instances of mismatches in tax liability of ₹ 35.04 crore and nine instances of taxable turnover of ₹ 3808.26 crore among various returns and tables. These mismatches could not be examined in detail by Audit since relevant records were not produced by the Department. The details are tabulated below:

Table 2.5: Mismatch in tax liability

S. No.	Parameter	No. of cases	No. of circles	Amount of mismatches (₹ in crore)	Remarks
1	Mismatch between the tax paid in GSTR-1 and GSTR 9/3B	48	27	34.52	The matter was reported to the Department and the State Government (December 2024). State Government stated (March 2025) that recovery (₹ 2.44 lakh) has been made in 10 cases at the instance of Audit. Four cases have been settled under business audit. Further, the difference is due to technical error in one case as the tax liability was not shown in table 9 of GSTR 9. In two cases, it was stated that the mismatch is due to non-adjustment of the credit notes and in one case difference is due to non-adjustment of advance and tax thereon in GSTR 1. In two cases the mismatch is due to excess payment of tax in previous year.

S. No.	Parameter	No. of cases	No. of circles	Amount of mismatches (₹ in crore)	Remarks
					ASMT-10/DRC-01/SCN/DRC-07 has been issued in 28 cases.
2	Mismatch in tax liability RCM tax liability auto drafted in Part-A of GSTR 2A (comparison statement) and the RCM tax liability in GSTR 3B (Table 3.1(d)).	04	03	0.19	The matter was reported to the Department and the State Government (December 2024). The State Government stated (March 2025) in respect of two cases that there is no liability under RCM as the taxpayer has paid the RCM in GSTR 3B as per the liability in latest GSTR 2A, however key documents in support of the reply were not provided to audit. In one case demand of ₹ 7.67 lakh has been raised while SCN has been issued in the remaining one case.
3	Mismatch of tax liability under RCM (₹ 4.51 crore) as per GSTR 3B Table 3.1 (d) and GSTR 9 Table 4G whereas tax to be paid under RCM as per Table 6B of GSTR 3B and GSTR 9 Table 9 (₹ 4.18 crore)	02	01	0.33	The matter was reported to the Department and the State Government (December 2024). The State Government stated (March 2025) that action has been taken under business audit in one case, however, key documents in support of the reply were not provided to Audit. In another case demand has been created, however, the taxpayer has filed an appeal against the demand order.
Mismatches in Turnover					
4	Unreconciled taxable turnover in Table 7G of GSTR 9C	03	02	612.76	The matter was reported to the Department and the State Government (December 2024). The State Government stated (March 2025) that action has been taken under business audit in two cases. The reply is not acceptable as the observation pointed out by the Audit not included in the business audit report. Further, DRC- 01 has been issued in one case.
5	Suppression of taxable value identified through mismatch in unbilled revenue declared in Table 5 of GSTR 9C	06	02	3,195.50	The matter was reported to the Department and the State Government (December 2024). The State Government stated (March 2025) that ASMT-10 has been issued in three cases, demand of ₹ 37.76 lakh has been raised in one case, while one case is under stay of Hon'ble Rajasthan High court. In remaining one case, it was stated that the taxpayer has issued the invoice in the next financial year, however, key documents in support of the reply were not provided to Audit.

2.3.9 Conclusion

The Subject Specific Compliance Audit (SSCA) on 'Department Oversight on GST Payments and Return Filing' Phase II was taken up as a continuation of the SSCA conducted during the year 2022-23 (Phase I), considering the significance of the control mechanism envisaged for tax compliance and the oversight mechanism of the Commercial Taxes Department (Department), Government of Rajasthan (GoR) in this new tax regime.

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 centralized audit for the returns filed period 2018-19 to 2020-21 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 Circles for evaluating the compliance functions of the circles.

The audit sample, therefore, comprised 10 Circles, 962 high value mismatches/inconsistencies across 16 parameters selected through data analysis and 100 taxpayers selected on the basis of risk assessment for detailed audit of GST returns.

A review of the 10 Circles disclosed that the Department issued (January 2022) detailed guidelines/SOP on scrutiny of returns with a view to ensuring the uniformity and to standardize the procedure for the scrutiny proceeding as per section 61 of the Act, a Business Intelligence Unit (BIU) was constituted. However, the scrutiny functions were not effective as out of 200 cases, scrutinized by the 10 Circles, in 24 cases (12 *per cent*), deviations relating to mismatch in ITC availed, mismatch in tax liability and non-payment of tax under RCM were not examined by the Department during scrutiny. Audit also observed the delay in Business audit by the department and lack of action on non-filers of GST returns.

Out of the 926 deviations, the Department has accepted the audit observations or initiated action in 276 cases with tax effect of ₹ 2109.99 crore. A relatively higher rates of deviations were noticed in risk parameters such as Excess ITC availed, ITC availed in GSTR 3B filed after limitation period, unsettled liabilities and suppression in taxable value in comparison with E-way bills etc. While data entry errors caused the mismatches/inconsistencies in 5.62 *per cent* of the cases, in 12.20 *per cent* of the cases the Department had already taken proactive action. In 126 cases, constituting 13.60 *per cent* (underlying deviations of ₹ 779.73 crore) the Department stated that these cases are either being examined or pending under Appeal/NCLT/High court.

Detailed audit of GST returns also suggested significant non-compliance. Further, essential basic records such as financial statements, trial balance and GSTR 2A etc., were not produced in 95 cases out of a sample of 100 taxpayers, which constituted a significant scope limitation. Audit could not examine mismatches/inconsistencies in ITC availment and tax payments of ₹ 476.15 crore in these cases.

With the limited records available with audit such as returns and annual financial statement through SSOID based access to backend application of the Department, Audit observed compliance deviations of ₹ 304.68 crore. The main causative factors were Non reversal/Short reversal of ITC, Mismatch in availing of ITC, Mismatch in tax liability, Non-Payment of GST under RCM and Non-payment of interest etc.

Considering the significant rate of compliance deficiencies, Audit recommended the following:

1. *In the era of self-assessed tax regime, business audit is one of the main tools for ensuring compliance by the taxpayers. Further, departmental action against non-compliant taxpayers is a time bound activity under Section 73 of the RGST Act. In view of this, Audit recommends that efforts may be made to*

increase the selection of taxpayers for the business audit, as prescribed in the audit manual and to ensure that audits of the selected cases are completed in a timely manner.

2. The Department needs to take prompt steps to undertake the remaining Business audits, as highlighted by audit, so that timely action could be initiated against the defaulters and recoveries, if any, could be effected.

3. State Government may strengthen the registration and cancellation mechanism to prevent Registration of the fake units/entities and ITC frauds.

4. Department may examine such cases of ITC availment where there are both taxable and nil rated/exempted supplies in detail and take suitable action for reversal of the ITC, where applicable.

2.4 Subject Specific Compliance Audit on ‘E-Way Bill System under Goods and Services Tax’

2.4.1 Introduction

Goods and Services Tax (GST) has been introduced with effect from 01 July 2017, subsuming a wide range of Indirect taxes based on the paradigm of ‘One Nation One Tax’. The regime has been designed as a fully electronic solution to provide taxpayer-related services. One of the intended objectives of GST regime was to improve efficiency in movement of goods and services by reducing process-related time delays.

Way bill was a feature present even in pre-GST regime wherein movement of goods was administered through manually governed (revenue) check posts. Goods entering a particular State was levied an ‘Entry Tax’ which has since been subsumed under GST. E-Way Bill (EWB) is conceived as a shift from Government-monitored tax administration model to a self-reporting model by the taxpayer.

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

2.4.2 Organisational structure of the Department

The Chief Commissioner, State Tax administers the RGST Act and Rules under the overall control of Additional Chief Secretary, Finance Department, Government of Rajasthan. The Chief Commissioner is assisted by 26 Additional Commissioners, 57 Deputy Commissioners (DCs) and a Financial Advisor. For effective implementation of Government Policies and Taxation Activity, the Commercial Taxes Department (Department) is divided into 16 Zones. Other than this, six Business Audit Wings, three Central Enforcement Wings, one Business Intelligence Unit, one Authority for Advance Ruling, Central

registration unit, Taxpayer Care Unit, Cyber Cell are functioning at Headquarters level. Further, 10 First Appellate Offices, two GST Appellate Tribunal, 135 regular circles, nine enforcement circles and 27 business audit circles are established. DCs (Administration) who is the senior most Administrative at the Zone Level are responsible for monitoring.

The assessment and the recovery of tax is undertaken at the level of Joint/Deputy/Assistant Commissioners posted in Circles and wards respectively. For hearing of appeals against the orders passed by Appellate Authorities there are 10 DCs (Appeals), who are the first appellate authorities.

2.4.3 Information system used in the administration of EWB

EWB system has been conceived as a fully electronic system under GST. GST Council has mandated that the common portal for generation of EWB shall be <https://ewaybillgst.gov.in/>. This is different from the GST Common portal (<https://gst.gov.in>), which is the front end portal for the taxpayers for registration, return filing and tax payments. As EWB Common portal depends on the information from GSTN, one-time registration of the Consignor, Consignee and the transporter on the EWB portal is required. There are three types of taxpayers who are of relevance in the EWB system: - GST-registered Suppliers; GST-registered/Unregistered Transporters and Unregistered suppliers.

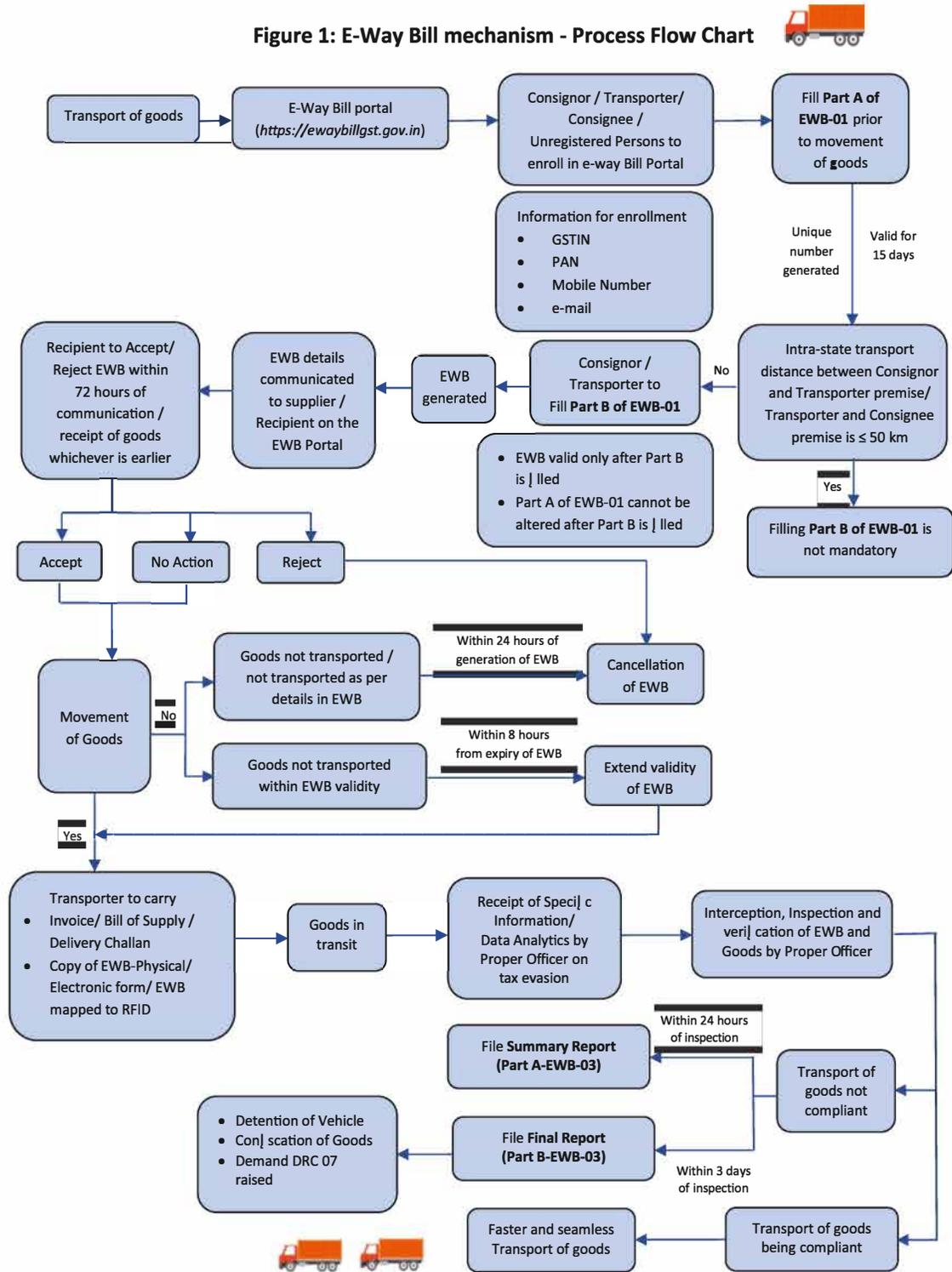
The EWB Common portal is managed by National Informatics Centre (NIC) based in Karnataka. In February 2020, EWB portal has been integrated with the VAHAN system of the Ministry of Road Transport & Highways, so that vehicle registration number can be validated at the time of generating EWB. Vehicle number (RC) entered in the EWB would be verified in the VAHAN database for its existence/correctness. Radio Frequency Identification Device (RFID)/FASTags has been integrated with the EWB system w.e.f. 01 January 2021 and a transporter is required to have a RFID tag in the conveyance and EWB details will be uploaded in the RFID tag.

The Proper Officers (State/UT) can discharge their duties vis-à-vis EWB through two means: 1) Logging into EWB Common Portal through a web browser using the login credentials provided or 2) Logging into the GST EWB System Mobile App available on Google Play Store/Apple Store. There are no other separate devices required for EWB verification. The functions performed by the proper officer using the EWB Common Portal/Mobile App are Verification of EWB, Unblocking of EWB, Viewing and accessing MIS reports etc.

2.4.4 E-Way Bill process

The EWB system includes various processes such as the Enrolment of the required persons in the portal, generation of EWB, extension, cancellation, or rejection of the EWB generated. The list of forms involved in the EWB system are provided in **Appendix-2.3**. The entire process flow of EWB system under GST is depicted in **Figure 1**.

Figure 1: E-Way Bill mechanism - Process Flow Chart



2.4.5 Audit objectives, criteria, scope & sampling methodology

2.4.5.1 Audit objectives

This SSCA was taken up with the following audit objectives:

1. Whether the EWB mechanism was effective in protecting revenue interest of the Government.
2. Whether the Preventive/Enforcement activities of the Department in enforcing EWB provisions are efficient and effective.

2.4.5.2 Audit criteria

The SSCA on “E-Way Bill system under GST” has been evaluated against the following audit criteria:

- » Sections 10, 17, 25, 29, 37, 39, 44, 68, 73, 74, 129, 130 etc. of Central/Rajasthan Goods and Services Tax Act, 2017 (CGST/RGST Act) and IGST Act, 2017.
- » Rules 46, 59, 60, 61, 62, 80, 138 etc. of CGST/RGST Rules, 2017 and IGST Rules.
- » Notifications/Circulars/Instructions authorized by GST Council and issued by CBIC/Commercial Taxes Department (CTD) of Rajasthan.
- » Advisories/Standard Operating Procedures issued by NIC, CBIC, CTD.

2.4.5.3 Audit scope and methodology

EWB transactions of the persons registered in the EWB portal pertaining to the period between 1 April 2018 and 31 March 2022 were covered in the SSCA. Audit carried out an examination of the overall performance of EWB system in the GST regime with reference to the Audit objectives. EWB data (generated) for the Audit period has been extracted from GSTN and has been analysed. Movement of conveyances by roadways alone have been considered for this Audit and Railway/Airway/Seaway EWBs have been excluded from the scope of this Audit.

The scope of audit also involved evaluation of the preventive functions of the department with reference to EWBs, viz., interception of vehicles, verification of documents, inspection of goods and action taken thereof.

An entry conference was held with the Secretary, Finance (Revenue) and Chief Commissioner of State Tax, Rajasthan on 21 April 2023. The field study was conducted between May 2023 and March 2024. The Exit Conference was held on 21 April 2025 with Secretary, Finance (Revenue) Department, Government of Rajasthan and other officers of the Department in which the audit findings were discussed. The views expressed by the State Government during the Exit Conference and the written replies to the draft paragraph have been suitably incorporated in the relevant paragraphs.

2.4.5.4 Audit sampling methodology

A problem-centric approach has been attempted for this SSCA as EWB generation under GST is a necessary condition to precede any movement of goods subject to the threshold limit. Samples for Audit Objective-1 evolved based on the 22 Key Problem Areas (KPAs)/Risk Dimensions identified as detailed in *Appendix-2.4*

Audit objective-1:

For Audit objective-1, the unit of sampling was EWBs spread over the audit scope period. A total of 160 EWBs²² pertaining to 65 taxpayers were selected based on risk analysis for substantive audit. In addition, 32 cases of Unregistered Persons and 12 cases where the consignor and the consignee were shown to have the same PAN were also selected.

Further, data analysis of the entire E-Way Bill data set was carried out based on six risk dimensions²³ and the deviations detected were directly issued as observations for the Department to verify and initiate appropriate action.

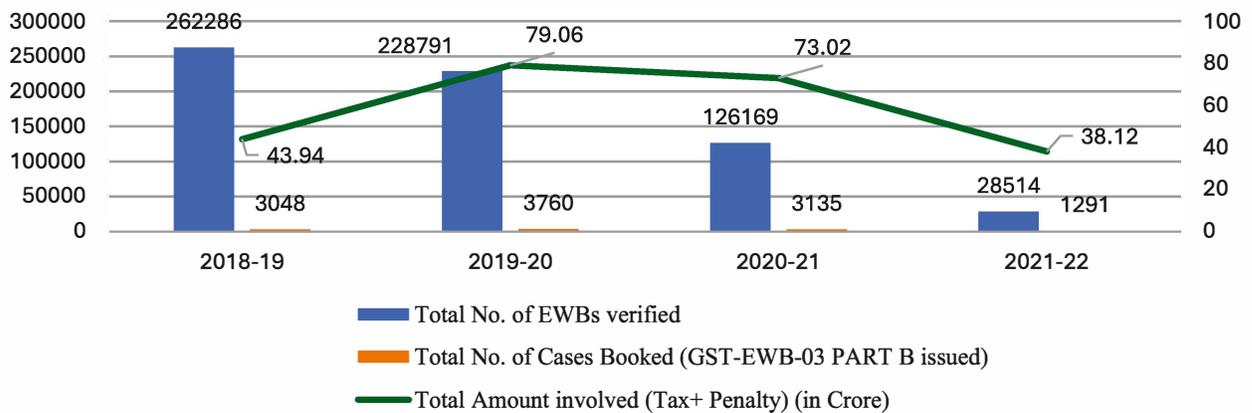
Audit objective-2:

For Audit objective -2, the sampling unit was the departmental formation dealing with preventive/enforcement activities. Out of nine enforcement circles, 209 booked cases were selected from five Enforcement Circles²⁴. Additionally, 80 booked cases were also selected from three Regular Circles²⁵, which had the maximum booked cases.

2.4.6 Trends & Insights of EWB data

In Rajasthan, there were 8,72,352 taxpayers²⁶ registered actively as of December 2023. The trend on verification of EWBs by the Department and the value involved for the period covered in audit, as provided by the Commercial Taxes Department, Rajasthan is depicted in the following graph.

Trends of EWBs verified, booked and Total amount involved in EWBs verified



Source: (information furnished by Commercial Taxes Department.)

22 160 cases selected based on risk analysis.

23 Generation of EWBs by (a) cancelled taxpayers, (b) non-filers of GST returns, (c) the taxpayers filing nil returns, (d) Composition taxpayer who had crossed prescribed threshold limit, (e) ineligible taxpayers continuing in Composition Scheme and (f) Generation of multiple EWBs using same Invoice.

24 A- Enforcement Wing-I, Jaipur, B-Enforcement Wing-II, Jaipur, C-Enforcement Wing-I, Jaipur C-Enforcement Wing-II, Jaipur and A-Enforcement Wing-III, Jaipur.

25 Three regular circles: A-Hanumangarh, Jhunjhunu and B-Udaipur.

26 Data Source- Administrative Report of Commercial Tax Department- 2023-24.

The graph shows that in total number of EWBs verified, there is significant decline from 2.62 lakhs to 0.29 lakhs during the period 2018-19 to 2021-22. Further, in respect of booked cases, the number of cases and amount involved increased from 3,048 cases entailing an amount of ₹ 43.94 crore in 2018-19 to 3,760 cases entailing an amount of ₹ 79.06 crore in 2019-20. However, from 2019-20 to 2021-22 the number of booked cases decreased by 65.66 per cent from 3,760 cases with an amount of ₹ 79.06 crore in 2019-20 to 1,291 cases with an amount of ₹ 38.12 crore in 2021-22.

Audit Findings

2.4.7 Observation detected in analysis of data of E-Way Bills

Data analysis of EWBs generated during the period from April 2018 to March 2022, disclosed discrepancies in 2,00,440 EWBs involving 30,753 taxpayers, as summarised in **Table 2.6** below, which were issued as audit observations for the department to verify and determine deviations in tax compliance.

Table 2.6: Details of Observations of Data Analysis

S. No.	Nature of Observation	No. of taxpayers	No. of EWBs	Assessable Value involved (₹ in crore)	Circles ²⁷
1	Generation of Inter-State EWBs by Composition taxpayers	323	865	12.25	110
2	Generation of EWBs by Composition taxpayers who had crossed prescribed threshold limit (upto ₹ 1 crore)	7	1799	70.57	7
	Generation of EWBs by Composition taxpayers who had crossed prescribed threshold limit (upto ₹ 1.5 crore)	1	45	5.93	1
3	Generation of EWBs by non-filers of GST Returns	3507	31024	852.32	135
4	Generation of EWBs by cancelled taxpayers	528	16752	1271.62	122
5	Generation of multiple EWBs using same invoice	8,009	29879	8.05	135
6	Generation of E- Way Bills by Nil filers of GST Returns	18,378	1,20,076	4,443.64	135
Total		30,753	2,00,440	6,664.38	645

In response to these findings being issued to the Department and State Government (December 2024), the State Government replied (April 2025) that notices have been issued to 5,205 taxpayers and response is yet to be received in respect of 19,537 taxpayers while observation was not accepted in respect of 6,011 taxpayers.

²⁷ Total number of Circles in Rajasthan-135.

2.4.8 Effectiveness of EWB mechanism in protecting revenue of Government

2.4.8.1 Scope limitation due to non-provision of login IDs of EWB portal

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

The information provided while generating E-Way Bill such as GSTIN of recipient, place of delivery, invoice number, invoice date, value of goods, HSN code etc. shall be made available to the registered supplier on common portal who may utilize the same for furnishing details in form GSTR-1. To analyse veracity of EWBs and analysis thereon on *boweb* portal²⁸, user-based ID and password of EWB officer module was requested from the Department. In reply, it was stated that access of this module was allowed only to the tax officers of the Department.

Due to non-provision of login IDs to access the EWB officer module, Audit could not ascertain whether the taxpayers in these cases had correctly reported the details of E-way bill supply in the GST returns. Therefore, audit findings are based on the records available on *boweb* portal and responses provided by the Department to audit queries.

Recommendation 1: State Government may ensure provision of read only access of EWB portal to Audit.

2.4.8.2 Generation of EWBs by cancelled taxpayers

Rule 138(1) of the RGST Rules 2017, prescribes that registered taxpayers are permitted to generate EWBs. Further, as per Section 63 of the RGST/CGST Act, where a taxable person whose registration has been cancelled, but who was liable to pay tax, the proper officer may proceed to assess the liability of such a taxable person to the best of his judgment. A cancelled taxpayer cannot generate EWBs, as he may be passing on ITC without filing of returns, resulting in non-payment of tax.

Audit identified 62 EWBs pertaining to 24 taxpayers²⁹ involving an assessable value of ₹ 3.10 crore as high-risk taxpayers whose registration was already cancelled or subsequently cancelled by the Department. These included nine EWBs of six taxpayers with assessable value of ₹ 0.74 crore, who had either filed nil returns or did not file their returns. However, Audit could not examine

²⁸ Backend application of the Department.

²⁹ One taxpayer generated one EWB after date of cancellation of registration and five EWB before cancellation of registration.

all the EWBs generated by these taxpayers for all the 22 KPAs as login-ID for accessing EWBs was not provided to Audit.

The details of cancellation of registrations of all these taxpayers are as follows.

(i) Registration of four taxpayers was cancelled by the Department with retrospective effect. Reasons for cancellation were non-existence of unit, closure of business or no response to the notice etc. In these cases, taxpayers had generated 15 EWBs with an assessable value of ₹ 1.48 crore, as per the data available with Audit.

(ii) In respect of two taxpayers, effective date of registration cancellation was the date on which the registration was cancelled by the Department due to non-responsiveness of the taxpayers to the notice. These taxpayers had generated three EWBs with assessable value of ₹ 0.03 crore, as per the data available with Audit, after the date of cancellation.

(iii) In respect of 19 taxpayers whose registration was cancelled (registration of 7 taxpayers cancelled retrospectively and that of 12 taxpayers cancelled from the date of cancellation order), the 44 EWBs with assessable value of ₹ 1.59 crore were generated before the effective date of cancellation.

However, examination of the cancellation orders of these cases revealed that the Department did not assess any tax liability at the time of cancellation and issued cancellation orders without any demand. Thus, GST at applicable rates on assessable value to the tune of ₹ 3.10 crore was not paid to the Government.

The matter was reported to the Department and the State Government (December 2024). The State Government stated (April 2025) that DRC-01³⁰/DRC-07³¹/notices have been issued to 21 taxpayers (in 56 EWBs) and recovery of ₹ 2.66 lakh has been made from one taxpayer (in four EWBs). Further, in case of two taxpayers (two EWBs) Circle Officer has been directed to provide compliance.

Illustrative cases are given below:

(i) A taxpayer under circle K, Jaipur-III had generated five EWB's, involving taxable value ₹ 1.14 crore, during the month of August 2020. However, the taxpayer had filed *Nil* GSTR-3B from April-2020 to July-2020 and no returns was filed thereafter.

Further examination of records revealed that the Department had cancelled the registration of the taxpayer retrospectively with effect from 1 July 2017 in September 2020 due to non-existence of unit. However, the Department did not assess any tax liability in the cancellation order.

30 Summary of SCN.

31 Summary of the Order (Tax, Interest & Penalty).

State Government stated (April 2025) that taxpayer was found fake, therefore, registration was cancelled *ab initio w.e.f.* 1 July 2017 and central authority has created demand of ₹ 3,462. Reply is not acceptable as the taxable value of these five EWBs alone was ₹ 1.14 crore and the possibility of more such EWBs was not ruled out.

(ii) Two taxpayers pertaining to two Circles³² had generated three EWB's involving taxable value ₹ 2.75 lakh.

In case of one taxpayer E-Way bill of assessable value ₹ 0.70 lakh was generated on 18 January 2020 after the date of cancellation of registration and the taxpayer had only filed a *Nil* return of GSTR-3B for October 2019 and no returns were filed thereafter during the year 2019-20. Further examination of records revealed that while the Department had cancelled the registration of taxpayer from 17 January 2020 (date of cancellation order), the Department did not assess any tax liability.

In case of other taxpayer two E-Way Bills of assessable value ₹ 2.05 lakh were generated during June and August 2019 and the taxpayer had only filed a *Nil* return of GSTR-3B for April 2019 in October 2020 and no returns were filed thereafter during the year 2019-20. The Department while cancelling the registration of taxpayer from 21 November 2019 (date of cancellation order) did not assess any tax liability. It was further observed that the taxpayer filled *Nil* GSTR-3B of April 2019 which was filled in October 2020 i.e after cancellation of registration.

State Government stated (April 2025) that in one case direction has been issued to jurisdictional officer and in the other case demand has been raised. Reply did not address the issue of generation of EWBs after cancellation of registration.

Recommendation 2: State Government may establish a mechanism to ensure that proper officers cancelling registration retrospectively, assess the tax liability or conclude best judgement assessment duly considering the quantum of E-Way Bills generated.

Recommendation 3: State Government may ensure with NIC that suitable validations are built in the EWB system to prevent generation of EWBs after the effective date of cancellation.

2.4.8.3 Ineligible taxpayers continuing under Composition Scheme

As per section 10 (1) of the RGST Act, 2017 (Act) a registered person whose aggregate turnover in the preceding financial year did not exceed the threshold limit³³ may opt to pay tax under the Composition Scheme. Section 10(2)(c) of the Act provides that he shall not be eligible to opt for composition scheme if he is engaged in making any inter-State outward supplies of goods.

³² Circle- Kishangarh, Ajmer & Circle-B, Rajsamand.

³³ Threshold limit per year for becoming eligible for the composition scheme was ₹ 1 Crore between 01.04.2018 to 31.01.2019 and ₹ 1.5 crore thereafter. In respect of Special Category States, it is ₹ 75 lakh.

As per Section 61 of RGST/CGST Act, 2017, various returns filed by the taxpayers have to be scrutinized by the proper officer to verify the correctness of the returns, and suitable action has to be taken on any discrepancies or inconsistencies reflected in the returns.

During data analysis, it was observed that two taxpayers registered under the Composition Levy Scheme under Section 10 (1) of the Act *ibid* had generated 31 EWBs for outward supply of assessable value of ₹ 3.29 crore during the period April 2019 to January 2021. Further, the aggregate turnover of the taxpayers exceeded the threshold limit for Composition Scheme and therefore, the taxpayers were required to switch their registration to “normal category” from the date on which they exceeded the threshold limit of turnover and liable to pay tax at normal rates.

The matter was reported to the Department and the State Government (December 2024). The State Government stated (April 2025) in case of 29 EWBs pertaining to one taxpayer that goods supplied by the taxpayer was not for sale but for storage and there was no evasion of GST. Further in respect of two EWBs, it was stated that DRC-07 has been issued.

2.4.8.4 Generation of EWBs for the transactions effected by suspicious vehicles

As per Rule 138(2) of the RGST Rules, 2017 where the goods are transported by the registered person as a consignor, whether in his own conveyance or a hired one or a public conveyance, by road, the said person shall generate the EWB in FORM GST EWB-01³⁴ electronically on the common portal after furnishing information in Part B of FORM GST EWB-01. Where the goods are handed over to a transporter for transportation by road, the registered person shall furnish the information relating to the transporter on the common portal and the EWB shall be generated by the transporter on the said portal based on the information furnished by the registered person in Part A of FORM GST EWB-01. Vehicle number is required to be provided in Part-B of EWB-01.

During the audit, 12 EWB transactions, generated by 10 taxpayers, were identified as risky as these transactions were affected by using stolen/scraped/surrendered vehicles etc as summarized in **Table 2.7** below:

Table 2.7: EWBs generated by suspicious vehicles

Sl. No.	Circle	Nature of vehicles used for generation of EWBs	No. of EWBs	No. of Taxpayers	Reply/Rebuttal
1	D & G, Jaipur-III	Two wheelers	02	02	In one case, no business activities are carried out by the taxpayer at the declared place, therefore the registration of the taxpayer cancelled <i>suo moto</i> . The reply is not acceptable as the EWBs have been generated evidencing that business activity was carried out. SCN has been issued in another case.

34 Bill for movement of goods. It should be generated in EWB portal before commencement of shipment.

Sl. No.	Circle	Nature of vehicles used for generation of EWBs	No. of EWBs	No. of Taxpayers	Reply/Rebuttal
2	D, Jaipur-III	Stolen vehicles	02	01	DRC-07 has been issued.
3	A, Bikaner	Suspended vehicles	01	01	DRC-07 has been issued.
4	J Jaipur-II & L Jaipur-III	Surrendered vehicles	02	02	In one case registration has already been cancelled and ITC of the recipient was being examined. In another case, survey and search action have been completed by CGST authority.
5	G, Jaipur-II & N, Jaipur-III	Scrapped vehicles	02	02	DRC-01/notice has been issued.
6	H Jaipur-II	Vehicles whose registration has been cancelled	03	02	In two cases, it has been stated that the taxpayer was engaged in supply of medicine to Government hospitals which are tax free/exempted and taxpayer did not declare any tax liability in his return. The reply does not address the issue of generation of EWBs using suspicious vehicles.

The Department, however, could not identify these omissions by scrutiny of returns and take remedial action.

Recommendation 4: State Government may take up the matter with NIC to introduce validation controls in EWB system to prevent generation of EWBs using suspicious vehicles.

2.4.9 Undischarged tax liability in respect of cross-PAN analysis

As per Section 23 and Section 24 of the RGST/CGST Act a person liable for GST registration in multiple states can obtain multiple GST registrations with the same Permanent Account Number (PAN) in a State or Union Territory. As per Schedule I (2) and Section 25 of the Act, any supply between different GST registrations having the same PAN should be treated as supply even when made without consideration.

During data analysis, it was observed that a taxpayer registered in multiple states on same PAN had generated a EWB during July 2018 and supplied goods from Rajasthan unit to its Maharashtra unit involving assessable value ₹ 7.99 crore. However, the taxpayer in GSTR-1 for the month of July 2018 had declared the taxable outward supply of ₹ 4.45 crore out of which supply to its Maharashtra unit was zero. This had resulted in suppression of turnover of ₹ 7.99 crore.

The matter was reported to the Department and the State Government (December 2024). The State Government stated (April 2025) stated that tax liability was discharged by the taxpayer in GSTR-3B of July 2019 and was also declared in GSTR-1 but this transaction was shown as Business to Consumer (B2C) in GSTR-1 of July 2019. Reply is not tenable as the taxpayer had declared only ₹ 1.29 crore against B2C supplies in the GSTR-1 for the month July 2019, while the value of supply of the EWB pointed out by Audit was ₹ 7.99 crore. Further, in Business to Business (B2B) supplies, as declared in Table

4 of GSTR-1, no supplies were shown to the sister units. Therefore, tax liability on the remaining value of supply of ₹ 6.70 crore (after deducting the value of ₹1.29 crore indicated as B2C supplies) remained undischarged.

2.4.10 E-Way Bills generated by unregistered persons having assessable value of goods above the prescribed registration threshold

As per Rule 138(1) of CGST/SGST Rules, every registered person who causes movement of goods of consignment value exceeding the prescribed limit shall, before commencement of such movement, furnish information relating to the said goods as specified in Part A of FORM GST EWB-01 on the common portal and generate EWB. Further, Section 22 of the Act, provides that every supplier whose aggregate turnover in a financial year exceeds ₹ 20 lakh (₹ 40 lakh for supplier of goods only with effect from 01.01.2020) shall be liable to be registered under this Act.

It was observed that 29 EWBs were generated by or on behalf of the unregistered persons for making outward supplies of goods valuing ₹ 590.20 crore ranging from ₹ 0.62 crore to ₹ 500 crore during the period 2018-19 to 2021-22. Audit selected only those EWBs that had been generated by unregistered persons to effect outward supply of goods from Rajasthan having assessable value of more than ₹ 40 lakh.

The matter was reported to the Department and the State Government (December 2024). The State Government stated (April 2025) that in all cases directions have been issued to the concerned circle officers for providing compliance. Since, these unregistered persons generated EWBs above threshold limit, therefore these persons were liable to take registration under GST and discharge tax liability. Further progress was awaited (August 2025).

2.4.11 Generation of E-way bill using invalid PIN codes

Audit observed in two EWBs involving assessable value of ₹ 0.23 crore pertaining to two taxpayers, falling under two Circles³⁵ that invalid PIN codes were entered, which were not available in Indian Post Department PIN Code database, while generating the EWBs.

The matter was brought to the notice of the Department and the State Government (December 2024). The State Government stated (April 2025) that discrepancy had occurred due to typographical error.

Recommendation 5: State Government may take up the matter with NIC to incorporate the validation controls in the EWB system to restrict generation of EWBs with invalid PIN codes.

35 Circle B, Jaipur-III & Circle A, Bikaner.

2.4.12 Preventive/Enforcement functions of the Department

- *Efficiency and effectiveness of Preventive/Enforcement activities in enforcing E-Way Bill provisions*

In connection with the second objective of this SSCA, Audit studied EWB related functions of the enforcement units with specific focus on (i) Operational Preparedness (ii) Effectiveness of Anti-Evasion Measures and (iii) Intra-Departmental Coordination in monitoring EWB related transactions. For this purpose, Audit selected five Enforcement Circles and three Regular Circles as sample falling under State Commercial Taxes Department.

2.4.12.1 Operational Preparedness of the Department

- *Targets and achievements:*

Details of targets fixed by the Commissionerate/Zones/Circles for verification of EWBs through vehicle interceptions and achievements against them were called for by audit. Preventive units stated that enforcement wings did not have specific targets for conducting verification of EWB. During verification, audit observed several deficiencies and shortcomings in the activities undertaken by the Enforcement Wings, which are detailed in the following paragraphs:

2.4.12.2 Scope limitation due to documents not produced

Section 16 of the CAG's DPC Act 1971 lay down the audit mandate of the CAG regarding Audit of receipts.

During audit, information and records related to booked cases records such as booked cases files, MOV-01³⁶ to MOV-11³⁷ and various analytical reports available on the Enforcement wings module etc. were requisitioned.

Out of sample of 289 booked cases of EWBs, four out of the five Enforcement Circles did not provide records of 46 cases. Thus, 15.92 percent of the selected sample could not be audited. However, these cases were replaced with additional case files that were provided by the Department. The details of non-production are given in **Table -2.8 below:**

Table-2.8- Details of non-production

Jurisdictional Circle/Zone	No. of selected booked cases	Non-production of records of booked cases
A, Enforcement Wing-I, Jaipur	50	5
C, Enforcement Wing-I, Jaipur	50	2
B, Enforcement Wing-II, Jaipur	50	23
C, Enforcement Wing-II, Jaipur	50	16
Total		46

Further, four analytical reports were also not produced, as detailed below: -

³⁶ Driver statement at the time of confiscation of goods.

³⁷ Order of Confiscation of Goods and Conveyance-Demand of Tax, Fine and Penalty.

- (a) EWBs generated by citizens (Series H5)
- (b) EWBs with no vehicle movement (Series B1)
- (c) Recycling of EWBs using the same vehicle (Series B4)
- (d) Recycling of EWB using different vehicles (Series B5)

During exit conference, Additional Commissioner, Business Intelligence Unit (BIU) stated that due to the re-structuring of the Circles, these files were transferred to the other Circle and were not traceable. However, no reply was provided for non-production of analytical reports.

Recommendation 6: State Government may examine the issue of non-production of records and ensure better record maintenance and production to Audit in future.

2.4.12.3 Improper levy of penalty

Section 129 (1) of RGST/CGST Act, 2017, read with section 20 of IGST Act, 2017 stipulates that notwithstanding anything contained in this Act, any person transporting any goods or stores any goods while they are in transit in contravention of the provisions of this Act or the rules made thereunder, all such goods and conveyance used as a means of transport for carrying the said goods and documents relating to such goods and conveyance shall be liable to detention or seizure and after detention or seizure, shall be released on payment of penalty **(a)** equal to 200 per cent of the tax payable on such goods and, in case of exempted goods, on payment of an amount equal to 2 per cent of the value of goods or twenty-five thousand rupees, whichever is less, where the owner of the goods comes forward for payment of such tax and penalty. **(b)** on payment of penalty equal to 50 per cent of the value of the goods or 200 per cent of the tax payable on such goods, whichever is higher, and in case of exempted goods, on payment of an amount equal to 5 per cent of the value of goods or twenty-five thousand rupees, whichever is less, where the owner of the goods does not come forward for payment of such penalty.

(i) Short levy of penalty of ₹ 70.87 lakh

During audit, it was noticed in six conveyances pertaining to four Circles that after the physical verification of the goods, the department issued MOV-07³⁸ to the owners/persons-in-charge of conveyance or goods for the payment of applicable tax and penalty. Subsequently, the orders of demand of tax and penalty as per section 129(1)(a) of the Act was issued to the owners/ persons-in-charge of the conveyance or goods. Scrutiny revealed that in these cases the owner of the detained goods neither came forward nor authorized any person for the payment of applicable tax and penalty. The person in charge of the conveyance paid the tax and penalty imposed under the provisions. The Department did not enforce the relevant provisions of the Act and imposed

38 SCN on the outcome of inspection of goods.

lower penalty under section 129(1)(a) instead of section 129(1)(b) of the Act. This resulted into short levy of penalty amounting to ₹ 70.87 lakh.

The matter was reported to the Department and the State Government (December 2024). The State Government stated (April 2025) that owner of the goods/or his representative came forward to claim the goods through authorization letter therefore penalty u/s 129 (1)(a) had been imposed. However, authorization letter from the owner/recipient was neither available in the records produced for audit nor provided with the replies. Therefore, Audit could not verify the correctness of the Department's claim.

(ii) Excess levy of penalty of ₹ 18.94 lakh

During audit of selected booked cases, it was noticed that in two cases the Department imposed penalty under Section 129(1)(b) instead of section 129(1)(a), even though the owner of the goods/conveyance had submitted his authorization letter along with his ID and consent to deposit tax and penalty to the Government exchequer. This resulted in the Department imposing excess penalty of ₹ 18.94 lakh.

The matter was reported to the Department and the State Government (December 2024). The State Government stated (April 2025) that the owner of the goods did not come forward to pay the penalty therefore, the penalty was imposed u/s 129(1)(b) of RGST Act 2017 and no revenue loss. Reply is not acceptable because the claimant of the goods had submitted authorisation letter along with IDs in support of the claim of the goods, which were available in concerned booked case file. Therefore, lower penalty under Section 129(1)(a) was leviable.

2.4.12.4 Loss of revenue due to abnormal delay in auction

Section 79(1) of CGST/SGST Act, 2017 read with Rule 144 of SGST Rules, 2017 specifies the recovery process by the sale of confiscated goods under the control of proper officer;-

(1) Where any amount due from a defaulter is to be recovered by selling goods belonging to such person in accordance with the provisions of clause (b) of sub-section (1) of section 79, the proper officer shall prepare an inventory and estimate the market value of such goods and proceed to sell only so much of the goods as may be required for recovering the amount payable along with the administrative expenditure incurred on the recovery process.

(2) The said goods shall be sold through a process of auction, including e-auction, for which a notice shall be issued in form **GST DRC-10**³⁹ clearly indicating the goods to be sold and the purpose of sale.

Provided that where the goods are of a perishable or hazardous nature or where the expenses of keeping them in custody are likely to exceed their value, the proper officer may sell them forthwith.

39 Notice for Auction of Goods (including e- auction).

(i) During audit of circle B, Enforcement Wing II, Jaipur, it was noticed that the Department confiscated the goods i.e tobacco/Jarda along with the vehicle in a case under Section 130 of the Act in the month of August 2019. Audit observed that GST-MOV-10⁴⁰ was issued (October 2019) for demand of tax, fine and penalty of ₹ 43.94 lakh (₹ 29.49 lakh being the value of the confiscated goods and ₹ 14.45 lakh towards fine and penalty). Accordingly, GST-MOV-11 was issued (January 2020). The confiscated goods were perishable and the expiry of the goods was August 2020. Further, a three-member committee was also constituted for ensuring timely disposal of confiscated goods and conveyance.

Subsequently, the Department of Medical and Health, GoR conveyed (November 2021) to the Department that the said confiscated goods had expired for human consumption and recommended that no further re-processing was possible, as the goods were perishable in nature. Subsequently, with the help of *Nagar Nigam Greater, Jaipur* the said goods were cleared (March 2022) and expenditure of ₹ 0.26 lakh, including advertisement expenses, was incurred. Therefore, delay in disposal of said perishable goods resulted in loss of revenue.

The matter was reported to the Department and the State Government (December 2024). Reply was awaited (August 2025).

(ii) During audit of Circle- C, Enforcement Wing -I, Jaipur, it was noticed, in three cases, that the Department confiscated the goods i.e. automobile parts, footwear, pressure cooker, LPG stoves, tools, helmets and electronics items etc. valuing ₹ 52 lakh along with the vehicle under Section 130 of the Act in the month of February 2020 and July 2020. However, the auction of the goods was not completed despite lapse of four years. Delay in auctioning the goods lends itself to the risk of obsolescence of the confiscated goods and its deterioration.

The matter was reported to the Department and the State Government (December 2024). Government stated (April 2025) that notice for auction has been issued and auction will be held in May 2025. Further progress was awaited (August 2025).

2.4.12.5 Incorrect levy of RGST and CGST

Section 5 of IGST Act stipulates that Integrated Goods and Services Tax shall be levied on all inter-state supplies of goods or services or both. Further, Section 17 of IGST Act provides the apportionment of tax and settlement of funds.

During audit, it was noticed that the department intercepted 29 vehicles/conveyances and issued the order of detention of goods and conveyance *vide* Form GST MOV-06⁴¹ and MOV- 09⁴² under Section 129(1) of the Act and levied RGST and CGST treating it as intra-state supply.

Audit examination of invoices, statement of Driver (MOV-01) and other relevant records in the booked case files revealed that the goods supplied was

40 Notice of confiscation of goods and conveyance (no. RJ14 GK6646).

41 Order of Detention for non-production of documents or defective documents.

42 Order of Demand of tax and Penalty (Detained Goods/ Conveyance).

interstate and therefore, levy of IGST was applicable. However, the department collected RGST and CGST treating it as intra-state supply. This resulted in incorrect levy of tax, with a consequential impact of incorrect apportionment of tax to that extent.

The matter was reported to the Department and the State Government (December 2024). The State Government stated (April 2025) in respect of 16 cases that GST is a destination-based tax and goods was finally transported to Rajasthan and there is no revenue loss. In six cases, it was stated that the goods were to be delivered by the driver in Rajasthan. Further, in seven cases it was stated that the driver did not provide evidence in support of interstate movement of vehicle/goods, and it was supposed to be delivered in the Rajasthan.

The replies are not acceptable in view of the facts that as per MOV-01/statement of driver and other documents available in the booked case files it was evident that supply was interstate.

2.4.12.6 Incorrect determination of place of supply

Section 10(1) of IGST Act 2017 specifies that the place of supply of goods other than supply of goods imported into, or exported from India as:

(a) where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient;

(b) where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person;

(c) where the supply does not involve movement of goods, whether by the supplier or the recipient, the place of supply shall be the location of such goods at the time of the delivery to the recipient.

During the audit, it was observed that the department intercepted 46 conveyances/vehicles (174 cases). The Department issued the orders of demand of tax and penalty, quantifying the amount payable after the issuance of detention orders in MOV-06. Subsequently, DRC-07/DRC-01 (Summary of order) was generated at common portal to add the demand in the Electronic Liability Register of the person concerned (owner/representative of goods/In-charge of conveyance). The place of supply was also mentioned in the relevant Column of DRC-07/DRC-01 by the department.

Audit noticed that the place of supply was mentioned as Rajasthan by the Department as per the physical verification reports (MOV-04⁴³), DRC-07/DRC-

43 Physical verification report.

01. However, as per the statement of driver and relevant invoices/bills and other records made available to Audit, the place of supply was shown other than Rajasthan. This resulted in wrong classification of place of supply on account of tax, penalty and fine under IGST up to that extent.

The matter was reported to Department and the State Government (December 2024). The State Government stated (April 2025) that in 64 cases, the owner of the vehicle/driver did not provide evidence in support of interstate movement of vehicle/goods. In eight cases it was stated that in revenue interest, penalty was imposed by the officer in charge as goods was finally transported to Rajasthan. In remaining 102 cases, vehicles were intercepted during unloading the goods in city area and there was no reason to believe that vehicle would go outside the state.

The reply is not acceptable because as per MOV-01/invoices/bills and the declaration of the driver/owner of the goods that supplies were terminating other than the Rajasthan. Further, nothing in records was found of unloading the goods in city area and no corroborative evidence was produced to audit which could prove goods were unloading in the city.

2.4.12.7 Temporary GSTIN for already registered taxpayers

(i) Generation of temporary registration for already registered taxpayers

As per para 2(v) of the RGST circular No. 05/2018 dated 26.04.2018 issued by the Commercial Taxes Department GoR, where no electronic liability ledger is available in case of an unregistered person, a temporary ID shall be created by the proper officer on the common portal and the liability shall be created therein.

During audit of selected booked cases, it was noticed that the department generated 42 temporary GSTIN in respect of 40 taxpayers. Out of these, 26 temporary GSTINs were created for 24 taxpayers registered with other states and 16 temporary GSTINs were created for 16 taxpayers registered with the Rajasthan State. In all these cases, the taxpayers as owners/representatives of the detained goods, had provided their GSTIN along with their IDs for the payment of applicable tax and penalty. However, the Department created temporary GST IDs, in contravention of instructions *ibid*, for adding liability of tax and penalty in their electronic liability registers.

The matter was reported to the Department and the State Government (December 2024). The State Government stated (April 2025) that 26 temporary IDs in respect of 24 taxpayers who were registered in other states, the Department was required to generate these temporary IDs because the cases pertained to jurisdictions outside the Rajasthan and the demand could not be raised using the taxpayers' existing GSTINs, as their jurisdictional control vest with other States.

In respect of 16 temporary ID pertaining to 16 taxpayers who were registered in Rajasthan State, it was stated that the ownership of the goods was claimed by the unregistered person or actual owner of the goods did not come for claiming the goods, therefore, in such circumstances temporary ID was created.

The replies in respect of the 16 taxpayers belonging to Rajasthan are not acceptable because at the time of claim, GSTIN of the taxpayers were submitted by the owners of the goods/conveyance. Further, the temporary ID was created in the name of actual owner or recipient of goods who were already registered taxpayers.

During exit conference, Additional Commissioner, MEA admitted that in the initial phase of GST, Department created a temporary ID to recover revenue.

An illustrative case is given below:

Test check of records of booked cases of Circle A, Enforcement Wing-I, Jaipur revealed that a truck⁴⁴ was intercepted and MOV-06 was issued. The owners/representatives of the detained goods provided their GSTIN along with their IDs for the payment of applicable tax and penalty in response to SCNs. Scrutiny further revealed that despite adding liability of tax and penalty in their electronic liability registers in their regular GSTIN, the department issued/created temporary GST ID for already registered taxpayers.

The State Government stated (April 2025) that the taxpayer belongs to Rajasthan state and goods were claimed by the unregistered taxpayer and there was no loss of revenue. The reply is not acceptable because GSTIN and a copy of Aadhaar were available on record. Further, the temporary ID was created in the name of actual owner or recipient of goods who were registered taxpayers.

(ii) Non rectification of liability created on temporary GSTN

The electronic liability register is maintained in form GST PMT-01 for each registered person liable to pay tax, interest, penalty, late fee, or any other amount on the common portal, and all amounts payable by him get debited to the said register. The electronic liability register indicates various details along with the amount of tax, interest, penalty or any other amount payable as determined by a proper officer in pursuance of any proceedings under the Act.

Audit noticed that in a case⁴⁵ of intercepted conveyance⁴⁶, an order of demand in form MOV-09 was issued, against a temporary ID, on 24 November 2020 to deposit an amount of ₹ 6.45 lakh. Accordingly, liability was created in Electronic Liability Ledger on 01 December 2020. Subsequently, an order of confiscation of goods and conveyance and demand, in form MOV-11, was issued on 01 December 2020 to deposit an amount of ₹ 7.36 lakh due to non-compliance of the order in MOV-09 within prescribed period, and accordingly liability was also created in Electronic Liability Ledger as per MOV-11 demand. As per Electronic Cash Ledger, the demand of MOV-11 was deposited on 01 December 2020 and set off on 09 March 2021. However, the Electronic Liability register of the temporary GSTIN was showing a liability of ₹ 8.27 lakh as on 09.03.2021, which included the demand created by issuing MOV 9. Therefore, due to non-deletion of the MOV 09 demand after issuing MOV 11, the part II of the liability register, on the *BOWEB* portal, continues to reflect it as an outstanding liability.

44 Number HR73-2951.

45 Circle-B, EW-II, Jaipur.

46 RJ52 GB 0609.

The matter was reported to the Department and the State Government (December 2024). Reply was awaited (August 2025).

Recommendation 7: State Government may take up the matter with GSTN for validation in the system to prevent creation of temporary registrations against already registered taxpayers as also for creation of demand on their registered GSTIN in respect of registered taxpayers whose jurisdictional control vest with other states.

2.4.12.8 Delay in set off of liability towards tax and penalty imposed on detention of goods and conveyance

Commercial Taxes Department, GoR, issued the procedure⁴⁷ for interception of conveyances for inspection of goods in movement and detention, release and confiscation of such goods and conveyances. As per Para 2(k) of the procedure, it is clarified that the proper officer shall release the goods and conveyance forthwith by an order in FORM GST MOV-05⁴⁸ on the payment of tax, penalty and fine as quantified in MOV-09/MOV-11. The order in FORM GST MOV-09/MOV-11 shall be uploaded on common portal and the demand accruing from the order shall be added in the electronic liability register and, upon payment of the demand, such register shall be credited by either debiting electronic cash ledger or electronic credit ledger of the concerned person in accordance with the provisions of Section 49 of the RGST/CGST Act.

As per section 49(3) of the RGST/CGST Act, the amount available in Electronic Cash ledger may be used for making any payment towards tax, interest, penalty, fees or any other amount payable under the provisions of this Act or Rules made thereunder.

Audit noticed that in 47 cases, after the detention of conveyance, the department-imposed tax, penalty and fine as per provisions of Act. Subsequently, the owner/representative or person-in-charge of goods or conveyance deposited the said tax, penalty and fine by challan and the amount was credited in his electronic cash ledger. However, liability so created by the Department in these cases was set off with delay ranging from 1 to 1710 days.

The matter was reported to the Department and the State Government (December 2024). The State Government stated (April 2025) in respect of 40 cases that there was no revenue loss and taxpayer deposited tax and penalty within time. However, due to system deficiency/technical glitch of the portal, the same could not be set off on the date of release of conveyance. Reply is not acceptable as prolonged delays in setting off the liability from the Electronic Cash Ledger cannot be solely attributed to technical errors/glitches in the portal. Further, in such a scenario, the possibility of the taxpayers utilising the cash ledger balance against their regular supplies cannot be ruled out. In remaining seven cases reply was not relevant.

⁴⁷ vide Circular No. 05/2018 dated 26.04.2018.

⁴⁸ Release Order for Goods conveyance.

Recommendation 8: State Government may ensure that liability against tax and penalty imposed on detention of goods and conveyance is promptly set off after the demand has been paid by the owner/person in charge of the conveyance.

2.4.12.9 Intra Departmental co-ordination in monitoring EWB related transactions

EWB is directly linked with the movement of goods and the enforcement wings were entrusted with the enforcement functions. NIC has generated various analytical reports and the Enforcement Circles in each Commissionerate has access to those reports through the NIC Portal. As the tax liability on the EWB transactions is discharged by the taxpayers through periodical returns, the jurisdictional authorities, *i.e.* Circle Officer is the proper officer for scrutiny of returns and assessment. The effectiveness of the usage of Analytical Reports by the enforcement circles and to what extent Intra-Departmental co-ordination exists in the department was analysed by Audit.

2.4.12.10 No mechanism of sharing of information on the interception of vehicles

As per Section 129 of RGST/CGST Act, whenever any discrepancies were found during the interception of vehicles, tax and penalties were leviable up to 31 December 2021. In terms of Section 17(5) of the Act⁴⁹ ITC shall not be available on any tax paid under the provisions of Section 129.

During test check of records of booked cases in selected circles, it was noticed that there were no corroborative documents in support of whether any information regarding interception of vehicle and levy of tax and penalty on taxpayer were being shared or communicated to concerned jurisdictional officer. In addition to above, the system does not generate any alert message to the Jurisdictional Authority regarding such action taken on the taxpayer of his jurisdiction. Therefore, there was no mechanism by which enforcement officers can share information on interception of vehicle and levy of tax and penalty thereon with the respective jurisdictional proper officer. As such the Department was unable to ensure whether defaulter taxpayers are correctly availing ITC and fulfilling their tax obligations.

The matter was reported to the Department and the State Government (December 2024). The State Government stated (April 2025) in respect of Circle A, EW-I, Jaipur that generally anti-evasion activities are performed based on information received from the informer and no such action plan/mechanism has been prepared at the Department level. In case of seven Circles⁵⁰ it was stated that in most of the cases, penalty was deposited by person in charge of vehicle/driver/owner of goods by generation of temporary

49 The section was amended *w.e.f.* 01 November 2024 and it was made applicable for section 74 only.

50 Circle B Udaipur, A Hanumangarh, C- EW-I, B & C EW-II, A EW-III Jaipur and Circle Jhunjhunu.

IDs, jurisdiction of these temporary IDs is under the issuing authority. No mechanism of sharing of information exists at the level of proper officer.

Recommendation 9: The Department may consider developing a mechanism to alert the jurisdictional authority to take timely and appropriate action, in cases where proceedings have been initiated under Section 129 and 130 of the Act.

2.4.12.11 Irregularities in Management Information System (MIS) and incorrect reporting of booked cases

(i) A Management Information System is an organized system to collect, store and disseminate data in the form of specific information required to carry out management functions. It is one of the crucial tools that support decision-making processes. It involves a collaboration of reliable EWB data and work done by proper officers of the department.

During test check of the record of booked cases of Circle B & C, Enforcement Wing-II, Jaipur, the department provided records of only 61 cases out of 100 requisitioned booked cases.⁵¹ However, the remaining 39 cases were replaced with additional cases that were provided by the Department.

A review revealed that 370⁵² booked files were reported as per the MIS report of these Circles, however, 23 booked cases files⁵³ were not included in the reported 370 cases. This indicates that the MIS report was not accurately reflecting the status of booked cases.

The matter was reported to the Department and the State Government (December 2024). Reply is awaited (August 2025).

(ii) Underutilization of MIS Reports

The officer module of the EWB system encompasses functionalities to facilitate verification of the EWB and perform verification-related operations. It has also various Intelligence and analytical reports about the EWBs and offers a comprehensive platform for the officers to perform all the activities associated with the EWB verification, analysis and monitoring purposes. As per report J3⁵⁴ of the MIS module, it was observed that out of 654 users registered in the officer's module during the month March 2022, 356 users (54.43 *per cent*) did not log in the module even once. This indicates that the supervising officers/proper officers except the officers in the enforcement squads were not using the applications/modules regularly which may lead to underutilisation of MIS Reports.

The matter was reported to the Department and the State Government (December 2024). Reply is awaited (August 2025).

51 Circle B, EW-II, Jaipur-34 booked cases files and Circle C, EW-II, Jaipur-27 files.

52 193 booked cases Circle B, EW-II, Jaipur and 177 Circle C, EW-II, Jaipur.

53 12 files Circle B, EW-II, Jaipur and 11 files Circle C, EW-II, Jaipur.

54 Usages of reports by officer.

Recommendation 10: The Department may issue instructions to the officers of Enforcement and regular Circles to use the MIS portal extensively and ensure monitoring by higher authorities.

2.4.12.12 Impact on Integrated/ Central Goods and Services Tax

GST involves various components of GST such as CGST, IGST, SGST etc. The audit observations included in this chapter impact the revenue of both Union and the States. For the audit observations highlighted in this chapter, the monetary impact of audit findings on the IGST/CGST revenue of the Central Government is given in *Appendix 2.5*.

2.4.13 Conclusion

EWB is a document required for movement of goods and is designed to capture details of goods before being moved. Automation and standardisation of the entire process was intended to help check tax evasion and shore up GST collections. The EWB was introduced with effect from 01.04.2018 for all inter-State movement of goods having value exceeding ₹ 50,000. For the intra-State movements in Rajasthan, EWB was made mandatory for the consignment value of ₹ 50,000 as the threshold limit.

Audit selected 160 EWBs of 65 taxpayers for the period 2018-19 to 2021-2022 for examination of EWB mechanism and its effectiveness in protecting revenue. Audit also selected five Enforcement Circles and three Regular Circles and examined 289 booked cases from these selected Enforcement Circles for ensuring efficiency and effectiveness of the enforcement activities of the Department.

Audit sought for login Id and password based access to the E-Way Bill Portal of the Department. However, the same was not provided. As a result, Audit could not ascertain whether the taxpayers in these cases had correctly reported the details of supply as per E-Way Bills in their GST returns.

Audit examination of EWBs revealed compliance deviations by 36 taxpayers out of examined 65 taxpayers, which pertain to E-Way Bills generated by the cancelled taxpayers; ineligible taxpayers continuing under Composition Scheme and generation of EWBs for the transactions effected by suspicious vehicles. Further, Audit observed that EWBs were generated by unregistered persons having assessable value of goods above the prescribed registration threshold and generation of EWBs using invalid PIN Codes.

Audit also noticed gaps in the preventive and enforcement activity done by Enforcement Units of the Department such as improper levy of penalty, loss of revenue due to delay in auction, incorrect levy of RGST and CGST, misclassification of place of supply, generation of temporary GSTIN for already registered taxpayers, delay in set off of liability towards tax and penalty imposed on detention of goods and conveyance and discrepancies in MIS reports and their underutilisation.

Accordingly, Audit has the following recommendations to strengthen the EWB system and compliance verification mechanism of the Department.

(1) State Government may ensure provision of read only access of EWB portal to Audit.

(2) State Government may establish a mechanism to ensure that proper officers cancelling registration retrospectively, assess the tax liability or conclude best judgement assessment duly considering the quantum of E-Way Bills generated.

(3) State Government may ensure with NIC that suitable validations are built in the EWB system to prevent generation of EWBs after the effective date of cancellation.

(4) State Government may take up the matter with NIC to introduce validation controls in EWB system to prevent generation of EWBs using suspicious vehicles.

(5) State Government may take up the matter with NIC to incorporate the validation controls in the EWB system to restrict generation of EWBs with invalid PIN codes.

(6) State Government may examine the issue of non-production of records and ensure better record maintenance and production to Audit in future.

(7) State Government may take up the matter with GSTN for validation in the system to prevent creation of temporary registrations against already registered taxpayers as also for creation of demand on their registered GSTIN in respect of registered taxpayers whose jurisdictional control vest with other states.

(8) State Government may ensure that liability against tax and penalty imposed on detention of goods and conveyance is promptly set off after the demand has been paid by the owner/person in charge of the conveyance.

(9) The Department may consider developing a mechanism to alert the jurisdictional authority to take timely and appropriate action, in cases where proceedings have been initiated under Section 129 and 130 of the Act.

(10) The Department may issue instructions to the officers of Enforcement and regular Circles to use the MIS portal extensively and ensure monitoring by higher authorities.