

## **EXECUTIVE SUMMARY**

### **Why we did this Audit?**

E-Way bill (EWB) is an electronic document required to be generated for the movement of goods capturing details of transactions relating to goods before the consignment takes place. Implementing automation and standardising the entire process was aimed to curb tax evasion and enhance revenue collection. The EWB system was introduced with effect from 1 April 2018 for all inter-state movement of goods having a value exceeding ₹50,000. For intra-state movements, EWB was made mandatory with effect from 15 April 2018.

EWBs are generated through NIC EWB Portal either by the consignor, consignee or the transporter and EWB is required to be carried by a person in charge of the conveyance carrying any consignment of goods for supply, export, import, job work or own use. The validity of the EWB is automatically set depending on the distance between the place of dispatch and the destination of goods which have to be transported. The validity could be extended based on requirement.

The Performance Audit (PA) on EWB System under GST was undertaken to examine effectiveness of EWB mechanism in protecting revenue interest of the Government and the efficiency and effectiveness of the preventive activities of the Department in enforcing EWB provisions. EWB transactions pertaining to the period from 1 April 2018 to 31 March 2022 were covered in this PA and the audit was conducted from February to October 2023. The objectives of this Audit were to assess whether (1) the EWB mechanism is effective in protecting revenue interest of the Government and (2) the Preventive/ Enforcement activities of the Department in enforcing EWB provisions are efficient and effective.

### **What we found?**

The system allowed generation of EWBs by non-filers of returns and by taxpayers whose registrations were cancelled which resulted in leakage of revenue due to shortcomings in system design.

The system allowed generation of multiple EWBs for the same invoice number due to lack of validation control in the E-Way Bill common portal.

The system could not distinguish between inter-state and intra-state movements of goods by composition taxpayers and permitted generation of EWBs in both cases. The system allowed subsequent generation of EWBs by taxpayers who filed nil Returns leading to leakage of revenue.

The system allowed generation of single EWB by clubbing multiple invoices due to lack of validation control in EWB mechanism.

The discrepancies noticed extended to instances where invoices related to EWBs were not reported in GSTR-1, and vice versa, raising concerns about

accurate tax reporting. Furthermore, a notable number of inward supplies exceeding ₹50,000 lacked EWBs.

The returns of the taxpayers identified based on EWB transactions, revealed a trend of mismatch of ITC and a substantial number of taxpayers utilizing the excess credit to set off their tax liabilities. Additionally, taxpayers who issued EWBs to inactive consignee taxpayers were identified as evading tax payments. Compliance deficiencies were noticed in respect of the taxpayers who are having multiple registration with same PAN.

The Analytical Reports generated by NIC were not used by departmental officers to identify potential tax evasion cases. Lack of usage led to the non-detection of tax compliance cases like movement of goods by unregistered persons, taxpayers dealing high value transactions and high risk patterns in generation of EWBs.

The absence of online recording for both the summary and final inspection reports indicate a deviation from the prescribed rules in intercepting goods in transit and a lack of monitoring by higher authorities. Failure to record reports online, hinders the automation of EWB verification and monitoring activities.

The department did not follow the guidelines for interception of goods in transit.

The information on cases booked on interception of vehicles was not passed on to the State/ Central jurisdictional authorities for further action.

### **What we recommend?**

We have made 10 recommendations as given below:

#### ***EFFECTIVENESS OF EWB SYSTEM IN PROTECTING REVENUE***

Government may address the NIC to correct the system deficiencies to prevent generation of EWBs by non-filer and Nil filers of returns, cancelled taxpayers, multiple EWBs with same/ similar invoice, single EWB by clubbing multiple invoices, interstate outward supply of composition taxpayers.

Introduce a robust system to analyse the EWB data to identify and red flag high risk transactions/ taxpayers and issue guidelines to prioritise the scrutiny of returns of such high risk taxpayers;

Government may consider devising a suitable mechanism to identify taxpayers generating EWBs but not discharging tax liability and issue guidelines to prioritise the scrutiny of returns of such taxpayers;

Government may consider to issue instructions to the concerned officials to prioritise the scrutiny of returns of taxpayers whose returns showed mismatch of ITC and issued EWB to consignees whose registration was cancelled;

Government may prescribe guidelines for verification of EWBs and scrutiny of returns of taxpayers having multiple registrations with same PAN;

Government may ensure that Analytical Reports covering all key problem areas are generated periodically and shared with the jurisdictional authorities concerned for initiating further necessary action;

### ***ENFORCEMENT FUNCTIONS***

Government may utilise the Analytics Reports generated by NIC to find the high risk taxpayers and for scrutiny of returns or for investigation which would improve the efficiency of preventive functions;

Government may issue instructions to the enforcement officers to record the summary report of every inspection of goods in transit online so that the higher authorities may monitor the activities of the enforcement squad;

Government may issue instruction to the concerned officials to create timely demand of tax and penalty in the electronic liability ledger;

Government may devise a mechanism to detect taxpayers who transported goods without generating EWBs;

Government may devise a system for using the input received from the cases booked for further investigation and passing on information to the jurisdictional authorities.

### **Government's response to audit observations**

Government while responding to the Audit observations, assured necessary corrective action wherever required. Audit acknowledges and appreciates the corrective action proposed by the Government to bring required controls to address issues pointed out in this report.

