

# **Chapter I**

## **INTRODUCTION**



## CHAPTER-I INTRODUCTION

### 1.1 Introduction to E-Way Bills (EWBs)

Goods and Services Tax (GST), introduced with effect from 1 July 2017, ensured uniformity of tax structure throughout the country which facilitated hassle free movement of goods across the States. An E-Way Bill (EWB) is a document required for movement of goods, designed to capture details of goods before they are transported. Automation and standardisation of the entire process was intended to help check tax evasion and shore up GST collections. EWB is conceived as a shift from Government-monitored tax administration model to a self-reporting model by the taxpayer.

The EWB was introduced with effect from 1 April 2018 for all inter-state movement of goods having value exceeding ₹50,000. EWB was made mandatory for intra-state movement of goods with value exceeding ₹50,000 from 15 April 2018.

### 1.2 Information Systems used for E-Way Bills

The EWB Common Portal is developed and managed by the National Informatics Centre (NIC) based in Karnataka. The portal is developed for uploading information on movement of goods in relation to supply or for reasons other than supply or due to inward supply from an unregistered person.

The Proper Officers<sup>1</sup> can access the EWB Portal through two means: - (i) logging into EWB Common Portal through a web browser using the login credentials provided or (ii) logging into the GST EWB System Mobile App. The functions performed by the Proper Officer are verification of EWBs, unblocking of EWBs, viewing and accessing MIS reports etc.

### 1.3 Processes involved in the E-Way Bill System

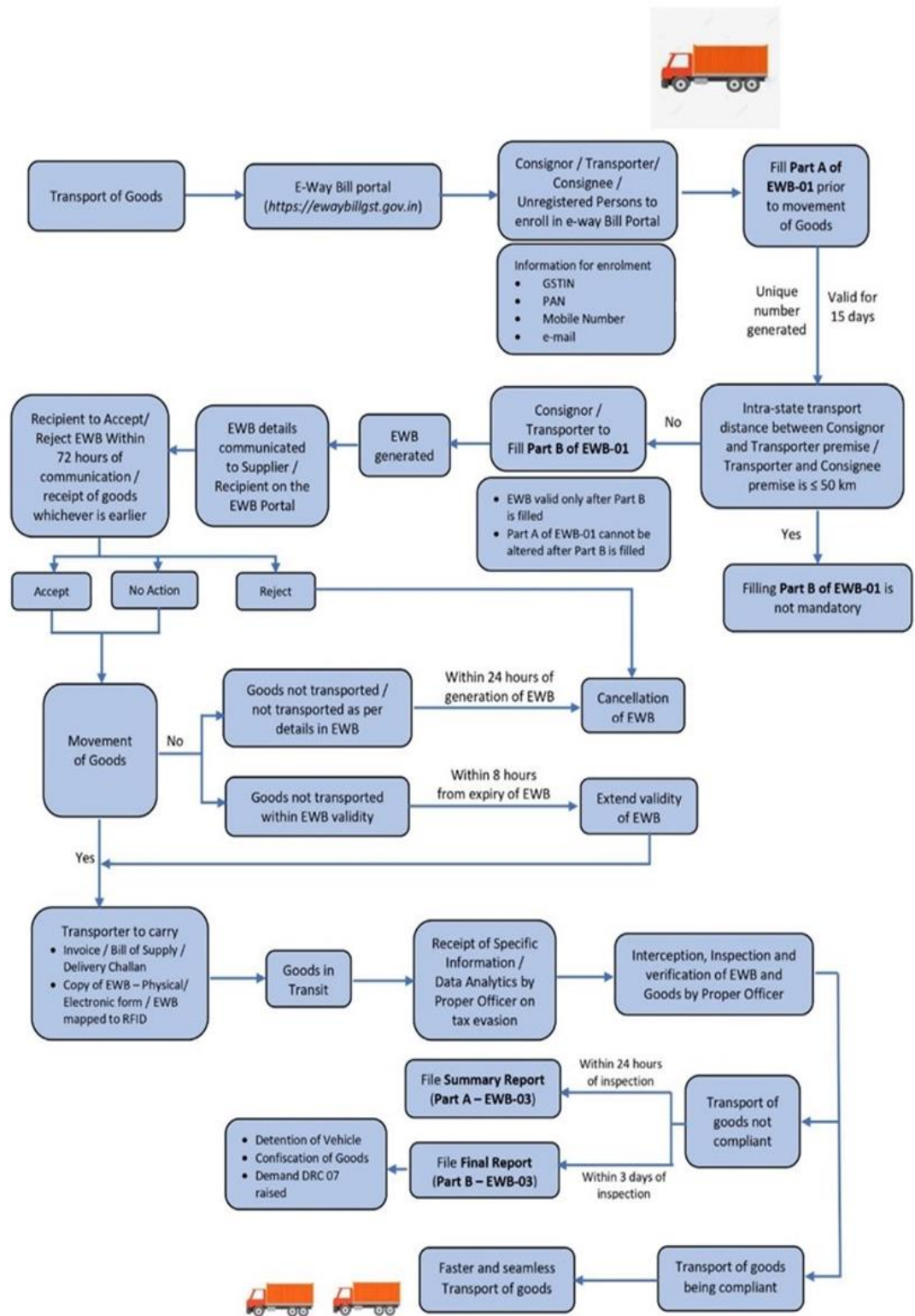
Rule 138 of the State Goods and Services Tax Rules (SGST Rules), 2017, (amended from time to time) provides for the EWB mechanism. The EWB system includes various processes such as the enrollment of the required persons in the portal, Generation of E-Way bill, Extension, Cancellation and Rejection of the EWBs generated etc. The entire process flow of E-Way bill system under GST is depicted in **Figure 1.1**.

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<sup>1</sup> Proper Officer is an officer who is assigned any function to be performed under the SGST Act, 2017.

Figure – 1.1

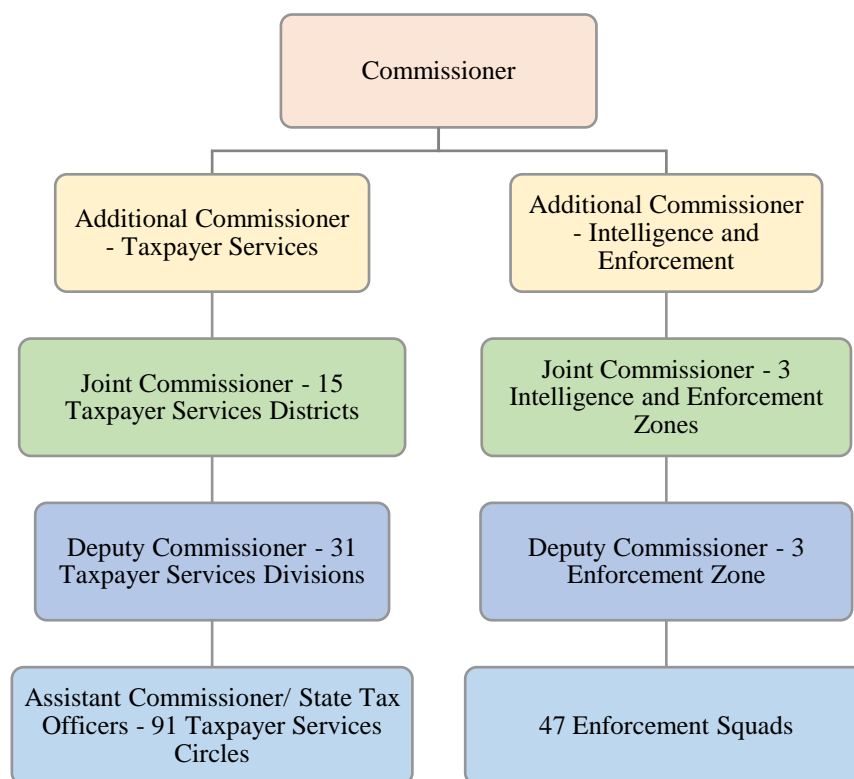
E-Way Bill Mechanism – Process Flow Chart



## 1.4 Organisational Structure of the Department

The State Goods and Services Tax Department (SGSTD) working under the aegis of Taxes department, Government of Kerala is administering GST in the State. The Commissioner of State Taxes is the head of the SGSTD. The structure<sup>2</sup> of department in relation to Taxpayer Services functions and enforcement functions are as shown in **Figure – 1.2**.

**Figure – 1.2**  
**Structure of department**



## 1.5 Audit Objectives, Criteria, Scope and Sampling Methodology

### 1.5.1 Audit Objectives

This Performance Audit (PA) on EWB System under GST was conducted to ascertain:

- whether the EWB mechanism is effective in protecting revenue interest of Government.
- whether the Preventive/ Enforcement activities of the department in enforcing EWB provisions are efficient and effective.

<sup>2</sup> Vide Order No. CT/7520/2022-C1 dated 07 January 2023.

### **1.5.2 Audit Criteria**

The criteria to assess the performance of EWB System were derived from

- » State Goods and Services Tax Act, 2017 (SGST Act),
- » State Goods and Services Tax Rules, 2017 (SGST Rules),
- » Notifications/ Circulars/ Instructions authorised by GST Council and issued by SGSTD and
- » Advisories/ Standard Operating Procedures issued by NIC and SGSTD.

### **1.5.3 Audit Scope**

E-Way bill transactions of the persons registered in the EWB portal pertaining to the period between 01 April 2018 and 31 March 2022 were covered in the Audit. EWB data generated for the Audit period have been extracted from Goods and Services Tax Network (GSTN) and analysed. Movement of conveyances by roadways alone have been considered for this Audit. Railway/ Airway/ Seaway EWBs have been excluded from the scope of this Audit.

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

### **1.5.4 Audit Sampling and methodology**

A Problem-centric approach has been attempted for this PA 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 were evolved based on the Key Problem Areas (KPAs)/ Risk Dimensions identified. The KPAs that constrain revenue realisation for Government are provided in **Appendix - I**. A total of 80 E-Way Bills pertaining to 56 taxpayers in 32 Taxpayer Services Circles<sup>3</sup> (TPSC) were taken as sample for Audit Objective-1. Wherever discrepancies were noticed within the selected sample of 56 taxpayers, all E-Way Bills generated by these taxpayers were scrutinised to verify compliance.

Audit Objective-2 evaluated the problems associated with enforcement/preventive activities viz., Operational preparedness, effectiveness of Anti-Evasion measures and intra-department and inter-department coordination. For Audit Objective-2, out of the 15 offices of the Deputy Commissioner (Intelligence) 50 *per cent* of the offices i.e., eight offices<sup>4</sup> were taken as sample using stratified sampling method. From the eight offices, 200 EWB-03-Part B<sup>5</sup> booked cases were taken for detailed audit using stratified sampling method.

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<sup>3</sup> Out of 94 Taxpayer Services Circles and 3.29 crore EWBs for outward supply for 2018-2022.

<sup>4</sup> Kollam, Pathanamthitta, Kottayam, Ernakulam, Palakkad, Kannur, Kasaragod and Wayanad.

<sup>5</sup> Verification Report by the Enforcement Officers on interception of consignment.

### **1.5.5 Acknowledgement**

An Entry conference was held with the Principal Secretary, Taxes department and Commissioner of State Taxes in February 2023 wherein the Audit objectives and the sampling were discussed. The audit was conducted between February 2023 to October 2023. The Exit conference was conducted with the Joint Secretary, Taxes department, Commissioner of State Taxes and Special Commissioner, SGST department in April 2024. The findings of the Performance Audit were discussed in detail with the Commissioner and Joint Secretary. The views/ comments of the department during the Exit conference have been incorporated in the relevant paragraphs wherever applicable.

Audit acknowledges the co-operation and assistance extended by Additional Chief Secretary (Taxes department), Commissioner of State Taxes, Special Commissioner (SGST department) and other District and field level functionaries during the course of the Performance Audit.

### **1.6 Audit Findings**

Audit findings have been categorised into two broad perspectives *viz.* effectiveness of EWB system in protecting the revenue and the shortfalls noticed in the enforcement functions of department.

