Chapter I

Revenue Sector

Chapter-I

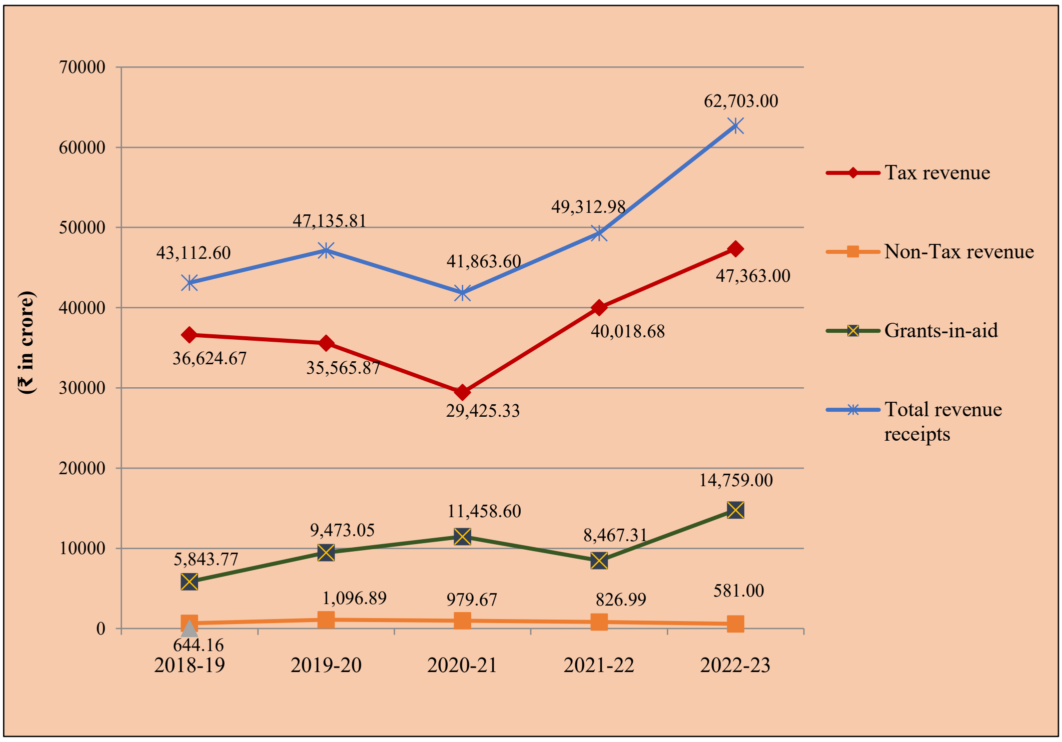
Revenue Sector

1.1 Introduction

1.1.1 Trend of revenue receipts

The Tax and Non-Tax Revenue raised by the Government of National Capital Territory of Delhi (GNCTD) during the year 2022-23, Grants-in-Aid received from the Government of India (GoI) during the year and the corresponding figures for the preceding four years are depicted in **Chart-1.1.1**.

Chart-1.1.1: Year-wise Trend of revenue receipts



Revenue Receipts increased by 45.44 *per cent* from ₹ 43,113 crore in 2018-19 to ₹ 62,703 crore in 2022-23 at an average annual growth rate of 11 *per cent* out of which GNCTD's Revenue Receipts (Tax and Non-Tax) increased by ₹ 7,098.33 crore (17.38 *per cent*) in 2022-23 in comparison to the previous year.

During 2022-23, total revenue receipts increased by 27.15 *per cent* over the previous year, mainly due to increase in own Tax Revenue by ₹ 7,344 crore (18.35 *per cent*) and Grants-in-Aid from the Government of India by 6,291.69 crore (74.31 *per cent*).

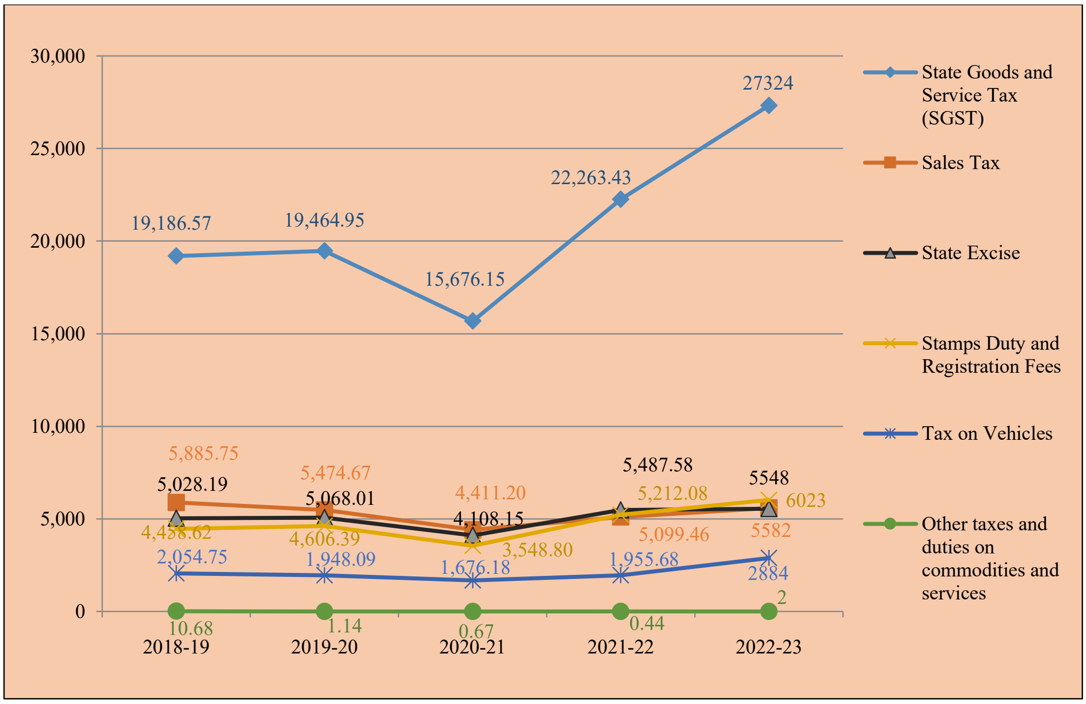
The share of GNCTD's Tax Revenue Receipts to total Revenue Receipts decreased from 84.95 *per cent* in 2018-19 to 75.54 *per cent* in 2022-23. During 2018-19, about 86.38 *per cent* of Revenue Receipts came from GNCTD's own resources while Grants-in-Aid contributed 13.55 *per cent*. In the year 2022-23, about 76.46 *per cent* of Revenue Receipts came from GNCTD's own resources while Grants-in-Aid contributed 23.54 *per cent.*

- **Analysis of Tax revenue**

The details of Tax Revenue raised during the period 2018-19 to 2022-23 are given in **Chart -1.1.2**.

Chart-1.1.2: Year-wise trend of Tax Revenue raised

(₹ in crore)

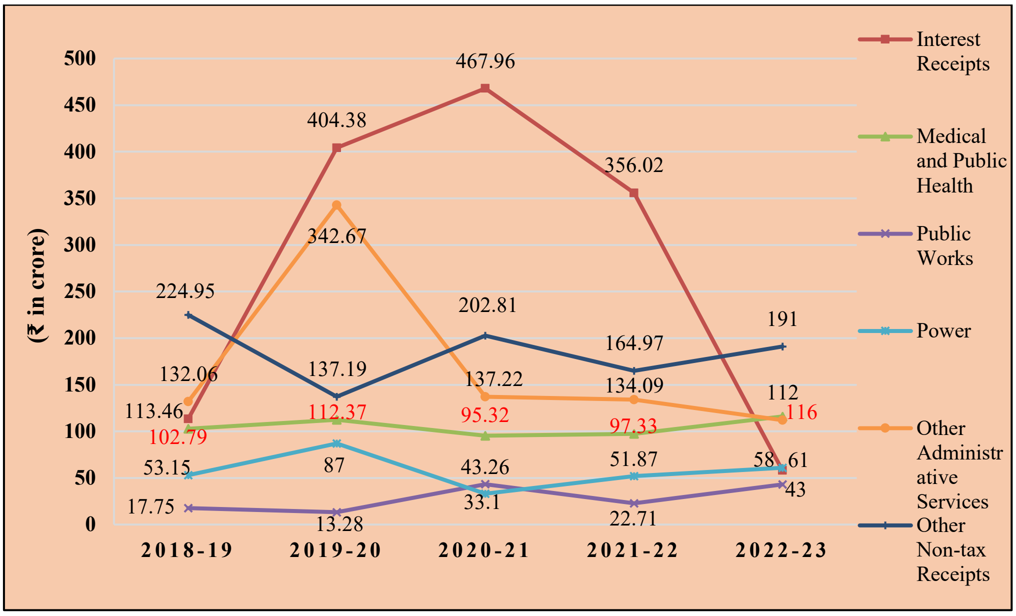


The major contribution to Revenue Receipts was from State Goods and Service Tax (SGST), which increased by ₹ 5,060.57 crore (22.73 *per cent)* in 2022-23 over the previous year. The actual receipts for the year 2022-23 under the heads 'State Excise', 'Stamps and Registration Fees' and 'Tax on Vehicles' increased by ₹ 60.42 crore (1.10 *per cent*), ₹ 810.92 crore (15.56 *per cent*) and ₹ 928.32 crore (47.47 *per cent*) respectively while there was no change in receipts under the heads 'Land Revenue' over the previous year.

- **Analysis of non-tax revenue**

The details of Non-Tax Revenue raised during the period 2018-19 to 2022-23 are given in **Chart-1.1.3**.

Chart-1.1.3: Year-wise trend of Non-tax Revenue raised



The Non-Tax Receipts of the GNCTD fluctuated over the period 2018-19 to 2022-23. It decreased by ₹ 246 crore (29.75 *per cent*) in 2022-23 over the revenue received in the previous year, mainly on account of the decrease in 'Interest Receipts' by ₹ 298 crore (83.71 *per cent*) which was caused mainly by decrease in 'Interest from Public Sector and other Undertakings' from ₹ 335.85 crore in 2021-22 to ₹ 45.46 crore in 2022-23. The major contribution in Non-Tax Revenue receipts was from 'Medical and Public Health', 'Other Non-tax Receipts' and 'Other Administrative Services' which increased by ₹ 18.67 crore (19.18 *per cent*), ₹ 26.03 crore (15.78 *per cent)* and decreased by 22.09 crore (16.47 *per cent*) respectively during the current year over the previous year.

Revenue receipts under the head 'Public Works' and 'Power' for the year 2022-23 increased by ₹ 20.29 crore (89.34 *per cent*) and ₹ 9.13 crore (17.60 *per cent*) respectively over the previous year.

1.1.2 Arrears of revenue

Arrears of revenue indicate delayed realization of revenue due/payable to the Government. The details of arrears of revenue as on 31 March 2023 under the Major Head '0040-Taxes on Sales, Trade', etc., as per information furnished by the Department of Trade and Taxes, GNCTD amounted to ₹ 70,410 crore, of which ₹ 46,037 crore (65 *per cent*) was outstanding for more than five years.

1.1.3 Response of the Government/Departments to Audit

The Accountant General (Audit), Delhi conducts periodical inspection of the Government Departments to test-check transactions and verify maintenance of accounts and other records as prescribed in the rules and procedures. These inspections are followed up through Inspection Reports (IRs), incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions, and report compliance to the AG within four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the Heads of the Departments and the Government.

The summarised position of the IRs issued during the last 10 years, paragraphs included in these reports, and their status as of 31 March 2023 are depicted in **Annexure 1.1**.

The number of pending paras, however, decreased from 11,941 (out of 558 IRs) involving amount of ₹ 11,595.76 crore in 2013-14 to 10,659 (out of 1090 IRs) involving money value of ₹ 7,382.06 crore at the end of the year 2022-23, but the fact still existed that there was huge pending paras involving substantial monetary value. This indicates that the Departments did not take adequate steps/remedial actions to settle the outstanding paragraphs.

This large pendency of paras due to non-receipt of replies is indicative of the fact that the Heads of offices and the Departments did not initiate action to rectify the defects, omissions, and irregularities pointed out by the Audit in the IRs. Lack of executive action on Audit Observations weakens accountability and raises the risk of avoidable loss of revenue. The large number of pending audit paragraphs merits the attention of the Government to ensure effective mechanisms to regularly monitor and review the compliance and settlement of audit observations.

- **Departmental Audit Committee Meetings**

The Government sets up Audit Committees to monitor and expedite the progress of the settlement of Audit Paragraphs in the IRs. However, no Audit Committee Meeting was held by the Departments during the year 2022-23.

- **Non-production of records to Audit for scrutiny**

As per Section 18 (1) (b) of CAG's DPC Act, 1971, any accounts, books, papers and other documents which deal with or form basis or are otherwise relevant to the transactions to which his duties in respect of audit extended, shall be sent to such place as he may appoint for his inspection. The programme of local audit of Tax Revenue offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the Departments to enable them to keep the relevant records ready for audit scrutiny.

Primary records of the dealers were available in the DVAT and BOWEB systems of the Department of Trade and Taxes, however, in some cases these records were not considered sufficient for any audit conclusion. Audit requisitioned physical records of 126 dealers during the year 2022-23 for intensive scrutiny but the Department did not provide records in respect of 77 dealers (61.11 *per cent*) which is a violation of CAG's powers provided under Section 18 of CAG's DPC Act, 1971. Non-production of requisitioned records to the extent upto above 60 *per cent* is, of course, a matter of concern. As a result of non-production, the revenue involved in these cases could not be ascertained. Transport Department provided records of 80 out of 82 requisitioned cases (97.56 *per cent*) during the year 2022-23.

- **Follow up on Audit Reports: Summarised position**

To ensure accountability of the executives to the issues dealt with in various Audit Reports, the Administrative Departments are to issue *suo-motu* Action Taken Notes (ATNs) on all Audit Paragraphs and Performance Audits featuring in the Audit Reports irrespective of the fact whether these are taken up for discussion by the Public Accounts Committee (PAC) or not. These ATNs are to be submitted to the PAC duly vetted by the Accountant General (Audit), Delhi within a period of four months from the date of presentation of Audit Reports in the Legislative Assembly of Delhi.

However, ATNs on the Reports were delayed in respect of 22 paragraphs included in the Reports of the CAG of India on the Revenue Sector of the GNCTD for the years ended 31 March 2017, 2018 and 2019 placed before the State Legislative Assembly between April 2018 and July 2022. Reports for the years ended 31 March 2020, 2021, and 2022 have not been laid before the State Legislative Assembly till March 2025. The ATNs from the Departments concerned were received late, with an average delay of six months in respect of each of these Audit Reports. ATNs in respect of five out of seven paragraphs of the Audit Report for the year ended 31 March 2019 had not been received from the Departments. PAC did not discuss any paragraph from the above Audit Reports.

1.1.4 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Departments and the amount recovered are depicted in **Annexure 1.2**.

The reports for the years 2012-13 to 2021-22 contained audit findings involving ₹ 4,430.88 crore, out of which, observations involving a money value of ₹ 2,561.03 crore were accepted by the Departments. However, only an amount of ₹ 0.16 crore (0.01 *per cent*) was recovered by the Department as of 31 March 2022, which was negligible. The meagre amount of recovery of accepted cases is itself reflective of inadequate follow-up and poor monitoring.

1.1.5 Audit Planning

The unit offices under various Departments are categorised into high, medium, and low risk units according to their revenue position, past trends of the audit observations, and other parameters. The Annual Audit Plan is prepared based on a risk analysis which takes into account matters highlighted in the budget speech, White Paper on State Finances, Reports of the Finance Commission (Central and State), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, and audit coverage and its impact during the past five years.

1.1.6 Results of Audit: Position of local audits conducted during the year 2022-23

Audit of 22 units[1] out of 165 auditable units[2] involving tax revenue receipts of ₹ 24,286.33 crore was conducted during the year 2022-23. Test-check of records revealed non/short levy of tax/fees and other irregularities involving ₹ 220.59 crore in 145 paragraphs. The Departments concerned did not provide any reply to these audit findings.

1.1.7 Coverage of the Revenue Chapter

This Chapter on Revenue Sector contains one Performance Audit on "E-Way Bill System" and three other compliance audit paragraphs involving financial effect of ₹ 1,985.04 crore. The Departments concerned have accepted audit observations involving ₹ 1,867.77 crore. These are discussed in the succeeding paragraphs.

[1] GST/VAT-2, State Excise-Nil, Stamp Duty and Registration Fees-14, Motor Vehicles Tax-6

[2] GST/VAT-126, Stamp Duty and Registration Fees-22, Motor Vehicles Tax-16, State Excise-1

Department of Revenue

1.2 Short payment of Stamp Duty and Registration Fee of ₹ 1.91 crore

Short payment of Stamp Duty and Registration Fee of ₹ 1.91 crore due to incorrect application of Agricultural rate instead of Industrial/Residential rates.

The Revenue Department, Government of NCT of Delhi prescribes minimum rates for the valuation of properties situated in various localities of the NCT of Delhi, categorized between A to H. At the time of registration of properties falling in the NCT of Delhi, Stamp Duty is to be charged as per these rates. GNCT of Delhi vide orders dated 26 February 2021, notified relaxation in minimum rates (circle rates) for valuation of lands and immovable properties in Delhi with immediate effect and till 30 September 2021. Further, section 27 of the Indian Stamp Act 1899 envisages about the facts affecting duty to be set forth in the instrument. The consideration (if any) and all other facts and circumstances affecting the chargeability of any instrument with duty or the amount of the duty with which it is chargeable, shall be fully and truly set forth therein.

During test check of records of the office of the e-Sub Registrar VI E, Libaspur, Delhi (the office), two cases of short payment of Stamp Duty and Registration Fee were noticed. Details are given below:

1. A sale deed was registered on 06.04.2021 in the office for sale of agriculture land[3] situated in revenue estate of village Hamidpur under Municipal Corporation Area of North Delhi at sale consideration of ₹ 84.00 lakh. Accordingly, stamp duty and registration fees of aggregate amount of ₹ 4.20 lakh was paid. During audit, the actual nature of the sold property was cross checked with online portal of the North Delhi Municipal Corporation (NDMC) and found that the land with same *khasra* no. and same seller's name was categorized on the portal as "Industrial plotted property". Hence, as per the circle rate, cost/value of the property for stamp purpose was worked out to be ₹ 2,366.95 lakh as against adopted value of ₹ 84.00 lakh in the sale deed. Thus, due to incorrect classification of the land in question as 'Agriculture land' instead of 'Industrial land', there was consequential short levy of stamp duty and registry fees of ₹ 114.15 lakh (payable ₹ 118.35 lakh – paid ₹ 4.20 lakh), details of which are given in **Annexure 1.3**.

2. Another property situated at village Alipur, Delhi was also registered as agriculture land though, the certificate issued by the District Magistrate (North) and attached with the documents, showed that the property was to be used by the transferee for 'Residential' purpose. In this case,

[3] Khasra No.40/8/2 (0-14),9/2(2-15),12 Min (3-06, 13 (0-17)

application of incorrect rate for stamp duty and registry fees resulted in short payment of ₹ 76.87 lakh (details given in **Annexure 1.3**).

Thus, short levy of Stamp Duty and Registration Fee in both cases comes to ₹ 1.91 crore. The matter was reported (21 June 2024) to the Department. Reply is still awaited (January, 2025).

Department of Trade and Taxes

1.3 Performance Audit on E-Way Bills System under Goods and Services Tax

1.3.1 Introduction to E-Way Bills

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'. One of the intended objectives of GST regime was to improve efficiency in movement of goods and services by reducing process-related time delays.

Waybill was a feature present even in pre-GST regimes 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. Electronic-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 is to safeguard 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, so that transit time is reduced, and supply chain efficiency is improved.

EWB was introduced with effect from 01 April 2018 for all inter-State movement of goods having value exceeding ₹ 50,000. For the intra-State movements, EWB was made mandatory, in phases, with the threshold limit[4] as may be prescribed by the concerned State Governments.

Rule 138 of Delhi Goods and Services Tax Rules (DGST Rules), 2017 (amended from time to time) provides for the EWB mechanism. The information on the consignment is to be furnished prior to movement of goods and it is to be issued irrespective of whether the movement is in relation to supply or for reasons other than supply.

[4] The threshold limit for intra-State/UT movement in case of Delhi for the consignment value is ₹ 1 lakh.

1.3.2 Organizational Structure of the Department

In Delhi, GST is administered by the Department of Trade and Taxes. It has one Commissionerate headed by the Commissioner. The Commissionerate is divided into 12 zones headed by Special Commissioner/Joint Commissioner/Additional Commissioner which are further divided into 124 Wards (field formations) and two Anti Evasion Cells headed by Assistant Commissioner.

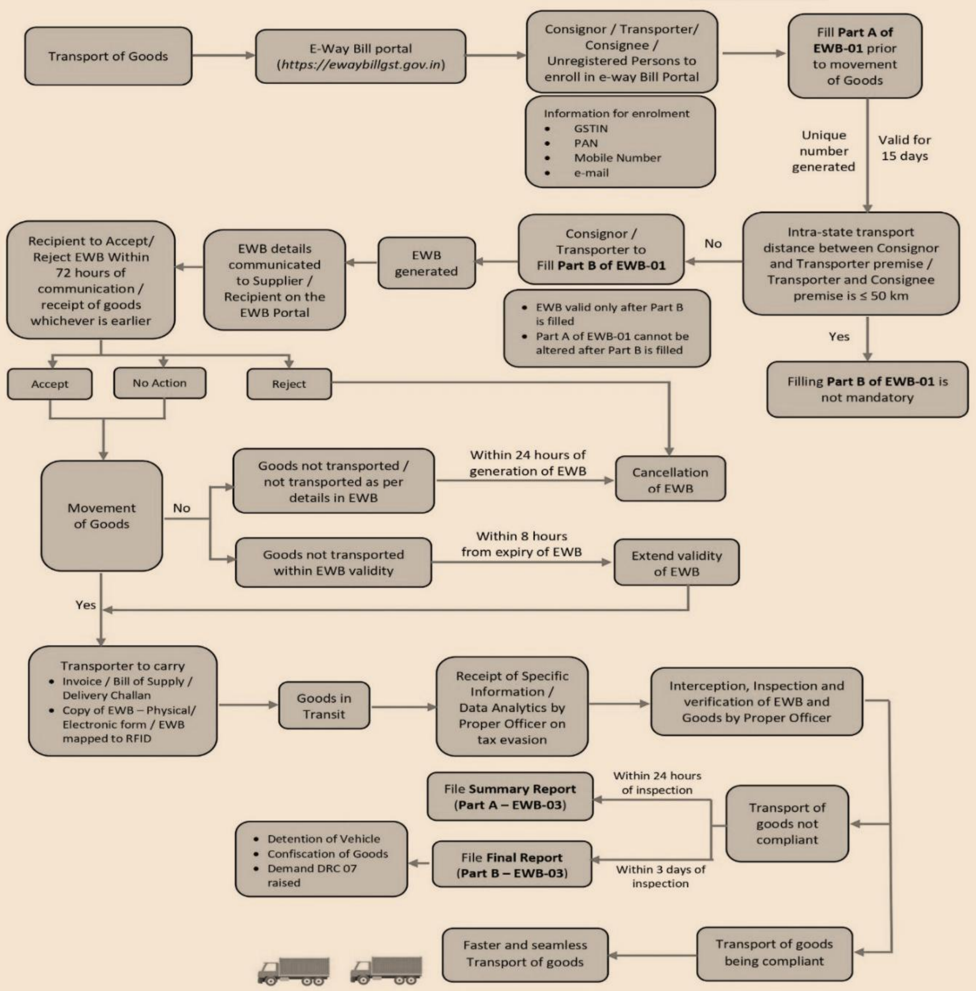
1.3.3 Information Systems used for EWBs

The EWB Common portal (Portal) is managed by National Informatics Centre (NIC) from its offices in Karnataka. In February 2020, EWB portal was integrated with the VAHAN system of the Ministry of Road Transport and Highways, so that vehicle registration number could be validated at the time of generating EWB. Moreover, the FASTag system was integrated with EWB system from 1 January 2021. On the EWB Common Portal, one-time registration of the taxpayer is required for generation, extension, cancellation and rejection of EWBs. The Proper Officers (PO), both Centre and State/UT, can access the Portal by logging into its web browser using the login credentials provided or logging into the GST EWB System Mobile App.

1.3.4 Processes involved in the EWB System

The EWB system includes various processes such as the Enrolment of the required persons on the portal, Generation of E-Way Bill, Extension, Cancellation and Rejection of the EWBs generated etc. The process flow of E-Way Bill system under GST is depicted in Figure-1.

Figure 1: E-Waybill Mechanism - Process Flow Chart



1.3.5 Audit Objectives

The objectives of the Performance Audit (PA) were to examine:

(i) whether EWB mechanism was effective in protecting revenue interest of the Government; and

(ii) whether the Preventive/Enforcement activities of the Department in enforcing EWB provisions were efficient and effective.

1.3.6 Audit Criteria

The source of audit criteria comprised the provisions contained in the DGST Act 2017 and DGST Rules 2017 made thereunder. In addition, the notifications, circulars, advisories and Standard Operating Procedures (SOP) issued by the Delhi GST department, GST Council, NIC, Central Board of Indirect Taxes and Customs (CBIC) from time to time also formed part of the audit criteria.

1.3.7 Audit Scope

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 PA. Audit examined the overall performance of EWB system in the GST regime with reference to the audit objectives. EWB data for the audit period has been extracted from GSTN[5] 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.

1.3.8 Audit Sampling Methodology

During the period of audit (2018-19 to 2021-22), 5,98,16,939 outward and 11,80,046 inward EWBs were generated. The number of extended, cancelled and rejected EWBs were 7,50,548, 12,03,175 and 15,981 respectively. Audit also noticed that in over 97 *per cent* of EWBs, goods movement had taken place through road and in less than three *per cent* through other modes. The details are given in **Annexure 1.4**.

A problem oriented approach had been attempted for this PA as EWB generation is necessary to cause any movement of goods subject to the threshold limit. Samples for Audit Objective-1 were evolved based on the Key Problem Areas (KPAs) identified. The KPAs that constrain revenue realisation for the Government are provided in **Annexure 1.5**. The sample selected for this PA is as under:

For the Audit Objective-1, a total of 129 EWBs (eight cases of cross PAN analysis of eight taxpayers, one case of high money value and 120 cases of 36 taxpayers) were taken as sample. The details are given in **Annexure 1.6** to **1.9**. Further, where discrepancies were identified in any EWB of a taxpayer, all EWBs generated by the taxpayer were reviewed for verifying compliance.

Audit Objective-2 evaluated the enforcement/ preventive activities viz. Operational Preparedness, Effectiveness of Anti-Evasion measures and Intra-Departmental and Inter-Department co-ordination. For Audit Objective-2, Anti Evasion II (AE II) cell (only Preventive unit verifying the EWBs) was selected and 50 verified cases by the unit were randomly selected for detailed examination.

Entry conference of this PA was held on 6 July 2023 with the Special Commissioner (Audit) of Department of Trade and Taxes in which the audit objectives, sample selection, audit scope and methodology were discussed. The

[5] Goods and Service Tax Network

field audit was conducted from July 2023 to December 2023 and audit observations issued to the department. The replies, however, are awaited from the Department.

Exit conference of this PA was held on 03 February 2025 with Commissioner of Department of Trade and Taxes in which audit findings were discussed in details.

1.3.9 Acknowledgement

Audit is thankful for the cooperation and support extended by State Tax Department in providing records, information, and clarifications from time to time for the smooth conduct of audit.

1.3.10 EWB mechanism in protecting revenue interest of the Government

Sample EWBs were selected based on KPAs identified during data analysis, and detailed verification of related records was conducted at field formations of the Department. During the field visit, taxpayers' records, *viz.*, purchase/sales registers, stock accounts, etc. were called for and examined.

1.3.10.1 Substantive audit findings

The systemic and compliance issues noticed during Substantive Audit[6]are discussed under each KPA to provide the impact of the risks identified.

(i) Ineligible taxpayers continuing under Composition Levy Scheme

In terms of Section 10(1) of the DGST Act, a registered person whose aggregate turnover in the preceding financial year did not exceed the threshold limit[7] may opt to pay tax under Composition Levy Scheme (CLS). Section 10(2)(b) provides that he shall not be eligible to opt for CLS, if engaged in making any inter-State outward supply of goods and in terms of Section 10(3), this scheme shall lapse on the day his aggregate turnover during a financial year exceeds the limit specified. Further, Section 61 of the Act provides that various returns filed by the taxpayers may be scrutinised by Proper Officer to verify the correctness of the returns, and suitable action is to be taken on discrepancies or inconsistencies reflected in the returns.

During the substantive audit of 129 EWBs pertaining to 45 taxpayers falling under Delhi SGST Commissionerate, it was observed that one taxpayer continued to be under CLS while making inter-State outward supply of goods and whose aggregate turnover also exceeded the threshold limit.

The case is illustrated below:

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6 Substantive Audit- detailed scrutiny

7 Threshold limit per year for becoming eligible for CLS was rupees one crore for the period between 1 April 2018 and 31 January 2019 and ₹ 1.5 crore thereafter. In respect of Special Category States, it is ₹ 75 lakh.

Analysis of EWB data revealed that a taxpayer (GSTIN-07XXXXX9177XXXX) registered under CLS had generated EWBs amounting to ₹ 63.89 crore for inter-state supplies in the state of Uttar Pradesh. All these supplies were made in the financial year 2019-20 which not only exceeded the specified threshold limit of ₹ 1.5 crore but also violated the provision of CLS by making inter-state supplies. The firm continued to be under the CLS. Further, examination of information from GSTN portal revealed that the taxpayer did not file any return for this period and in this regard, no action was initiated by the Department to safeguard the revenue interests of the Government. The integrated GST (IGST) due to the Government, against these supplies amount to ₹ 7.52 crore.

On being pointed out (July 2023), no reply was furnished by the Department (May 2025).

Recommendation 1.3.1: Department may incorporate validation control in EWB system to alert the taxpayer under CLS as well as the departmental officers for crossing the threshold limit and prevent generating EWB for inter-state supply by CLS taxpayer.

(ii) Generation of EWBs by the taxpayers who had filed 'Nil' Returns

As per Section 37 of the DGST Act, 2017, every registered person other than CLS taxpayers shall furnish the details of outward supplies of goods or services or both, effected during a tax period, in GSTR-1 return and discharge tax liability thereon in GSTR-3B return. In case of CLS taxpayers, the tax liability is to be discharged in GSTR-4/GST-CMP-08 returns. Further, Section 61 of the Act provides that various returns filed by the taxpayers may be scrutinised by Proper Officer to verify the correctness of the returns, and suitable action is to be taken on discrepancies or inconsistencies reflected in the returns.

It was observed that five taxpayers who generated 759 EWBs had not discharged tax liabilities of ₹ 4.68 crore against outward supplies of ₹ 33.89 crore involved in these EWBs (**Annexure 1.10**) as scrutiny of data on GSTN portal for the corresponding months revealed that the taxpayers had filed nil GSTR-3B returns.

On being pointed out (December 2023 and January 2024), the Department had issued DRC-01 in one case and DRC-07 in three cases (May 2025). Reply of the Department was awaited in remaining one case (May 2025).

A case is illustrated below:

A taxpayer having GSTIN-07XXXXX7189XXXX, under Delhi SGST Commissionerate, had generated 548 EWBs during the period March 2019 to July 2019 involving assessable value of ₹ 4.49 crore and tax liability was ₹ 0.80 crore but filed nil GSTR-3B returns for March, May and June 2019 and hence did not discharge his tax liability. It was also noticed that the Department cancelled the registration of taxpayer on his application with effect from 05 June 2019. The taxpayer had generated 203 EWBs during the period 06 June 2019 to 01 July 2019 involving assessable value of ₹ 1.48 crore and tax liability was ₹ 0.27 crore i.e. after cancellation of registration but the Department did not take any action against the taxpayer. Thus, the Department had not utilized the information available on EWB MIS portal and failed to initiate action to recover the dues from the taxpayer.

On being pointed out (December 2023), no reply was furnished by the Department (May 2025).

(iii) Generation of EWBs by non-filers of GST returns

As per Section 37 of the DGST Act, 2017, every registered person other than CLS taxpayers shall furnish the details of outward supplies of goods or services or both, effected during a tax period, in GSTR-1 return and discharge tax liability thereon in GSTR-3B return. Further, Section 62 of the Act provides that where a registered person fails to furnish the returns even after the service of a notice, the Proper Officer may proceed to assess the tax liability of the said person to the best of his judgement taking into account all the relevant material which is available or which he has gathered and issue an assessment order. In cases, where a taxable person whose registration has been cancelled but who was liable to pay tax, the Proper Officer may proceed to assess the tax liability of such taxable person to the best of his judgement as per provisions of Section 63 of the Act.

Audit observed that 15 taxpayers **(Annexure 1.11)** generated 580 EWBs during the period 2018-19 to 2021-22 having assessable value of ₹ 252.66 crore and tax of ₹ 31.46 crore but did not file GSTR-3B returns in the corresponding months, hence no tax liability was discharged.

Due to non-filing of returns, the Department cancelled the registration of these taxpayers under Section 29 of the DGST Act. However, no action was initiated to assess the tax liability as specified under Sections 62 and 63 of the DGST Act and it thereby failed to protect the revenue interest of the Government. Further, it was observed from the GSTN portal that these cancelled taxpayers did not file GSTR-10[8] returns.

[8] GSTR-10 – every registered person whose registration has been cancelled shall furnish a final return in form GSTR-10 within three months of the date of cancellation or date of order of cancellation whichever is later

On being pointed out (November 2023 and January 2024), the Department issued DRC-01 in seven cases and DRC-07 in six cases (May 2025). Reply of the Department was awaited in remaining two cases (May 2025).

A case is illustrated below:

A taxpayer having GSTIN-07XXXXX2772XXXX under Delhi SGST Commissionerate generated nine EWBs for outward supplies in July 2019 involving assessable value of ₹ 3.46 crore and tax of ₹ 0.36 crore. Further, examination of information from GSTN portal revealed that GSTR-3B return for the corresponding month of August 2019 was not filed by the taxpayer, hence tax liability was not discharged. The registration of the taxpayer was cancelled suo-moto by the Proper Officer on 15 September 2020 with effect from 30 July 2019. However, no action was initiated to assess the tax liability as specified under Sections 62 and 63 of the DGST Act by the Proper Officer. On being pointed out (December 2023), the Department reported (May 2025) issuance of DRC-07 to the taxpayer.

This indicated that the departmental officers are not properly utilizing the information related to EWBs available to them while calculating / determining the tax liabilities of the cancelled tax payers.

(iv) Non-follow up of cancelled taxpayers for outstanding tax liability

As per Section 45 of DGST Act, 2017, it is binding upon the cancelled taxpayer to file a final return in form GSTR-10 within a period of three months from the date of cancellation or date of order of cancellation, whichever is later and discharge his due tax liabilities. In case cancelled taxpayer fails to furnish final return in GSTR-10 within prescribed period, a notice has to be issued by proper officer under Section 46 of the Act asking cancelled taxpayer to furnish his GSTR-10 return within 15 days. If cancelled taxpayer fails to file his GSTR-10 return, even after service of a notice, then Proper Officer is empowered under Section 62 of the Act to proceed to assess the tax liability of the said person to the best of his judgement taking into account all the relevant material, which is available or which he has gathered and issue an assessment order within a period of five years from the due date of furnishing annual return for the financial year to which the tax not paid relates. In case the cancelled taxpayer does not discharge his tax liabilities within three months of passing of an assessment order under Section 62 of the Act, then Proper Officer shall initiate recovery proceedings under Section 78 of the Act and recover pending tax dues by one or more of the modes prescribed under Section 79 of the Act.

Audit observed that registration of 28 taxpayers **(Annexure 1.12)** were cancelled between July 2017 and January 2021. These taxpayers generated 3,629 EWBs involving assessable value of ₹ 734.75 crore prior to cancellation of registration with tax implication of ₹ 99.39 crore, as seen from EWBs MIS report on GSTN Portal, and were required to discharge their final tax liabilities by filing GSTR-10 returns. Audit further observed that none of the 28 cancelled taxpayers had filed GSTR-10 returns after cancellation of registration and the Department had not initiated action to assess taxpayer's pending tax liabilities.

On being pointed out (November 2023 and January 2024), the Department issued DRC-01 in 13 cases and DRC-07 in eight cases (May 2025). Reply of the Department was awaited in seven cases (May 2025).

Recommendation 1.3.2: Department may consider issuing suitable instructions to the Proper Officers for considering EWBs generated by the taxpayer before cancellation of registration retrospectively and taking action for recovery of tax wherever applicable.

(v) Generation of multiple EWBs on same/similar invoices

As per Rule 46 of DGST Rules, a tax invoice shall be issued by the registered person containing consecutive serial number, not exceeding sixteen characters, unique for a financial year.

As per Para 5(1) of the user manual issued by the NIC, the taxpayer while generating EWB is required to enter the unique document number relating to the consignment. Invoice number is the document number in respect of consignments relating to supplies. Hence, only one EWB is required to be generated based on each invoice.

It was observed that seven taxpayers under Delhi SGST Commissionerate, had generated 65 EWBs involving assessable value of ₹ 1.79 crore and tax of ₹ 0.32 crore **(Annexure 1.13)** on the strength of 32 invoices. Each invoice number was used for generating two to three EWBs. As the taxpayers had generated multiple EWBs using same invoice, there was a potential risk of under-reporting of outward supplies by the taxpayers in their GSTR-1 returns. It was further noticed that the respective taxpayers either did not report any consignments or reported only one consignment in their GSTR-1 returns.

This indicates lack of validation controls in the EWB Common Portal to restrict generation of multiple EWBs using same/similar invoices.

On being pointed out (November 2023 and January 2024), the Department issued DRC-01 in five cases and ASMT-10 in one case (May 2025). Reply of the Department was awaited in remaining one case (May 2025).

A case is illustrated below:

A taxpayer having GSTIN-07XXXXX2617XXXX under Delhi SGST Commissionerate, generated 24 multiple EWBs using the same invoice numbers (12 invoices) but different vehicle numbers during April 2018 to January 2019 in violation of DGST Rules. Further examination of data from GSTN portal revealed that GSTR-3B return for the corresponding months were not filed by the taxpayer, hence no tax liability was discharged. On being pointed out (December 2023), no reply was furnished by the Department (May 2025).

Recommendation 1.3.3: Department may incorporate validation controls in the EWB system to alert the taxpayer and the departmental officers on generation of multiple EWBs with single invoice.

(vi) Generation of EWBs for the transactions effected through suspicious vehicles

As per Rule 138(2) of the DGST Rules, 2017, where goods are transported by the registered person as a consignor, whether in his own conveyance or through a hired one or a public conveyance, by road, the said person shall generate the e-Waybill in form GST-EWB-01 electronically on the common portal after furnishing information in Part-B of the form. Where 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 on the basis of 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 the form.

Audit analysed e-Vahan data of vehicles involved in sampled 129 EWBs pertaining to 45 taxpayers to identify risky transactions like use of theft vehicles, scrapped, surrendered, cancelled and suspended vehicles, two wheelers, multiple EWBs using same vehicle across the States on the same day, etc.

Audit analysis revealed that 18 EWBs were generated by 11 taxpayers having an assessable value of ₹ 4.72 crore using suspicious vehicles i.e. by using scrapped, stolen, surrendered, registration cancelled and suspended vehicles etc. as detailed in **Annexure 1.14**. Therefore, the veracity of these transactions was to be checked by the Department, which was not found done so.

On being pointed out (December 2023 and January 2024), the Department issued DRC-01 in five cases and DRC-07 in five cases (May 2025). Reply of the Department was awaited in remaining one case (May 2025).

A case is illustrated below:

A taxpayer having GSTIN-07XXXXX2772XXXX under Delhi SGST Commissionerate generated a EWB, the same was cross verified with the EWB portal and e-vahan, it was noticed that the vehicle (vehicle No. UP14DT9895) used to transport the goods (amounting to ₹ 39,88,051) on 01 August 2019 at 09.48 pm, was identified as suspended/blacklisted by Ghaziabad, Uttar Pradesh State Transport Department on 26 November 2016.

On being pointed out (December 2023), the Department reported (May 2025) issuance of DRC-07 to the taxpayer.

Recommendation 1.3.4: Department may consider incorporating suitable validation controls in the EWB system to prevent use of suspicious vehicles for generation of EWBs and transportation of goods.

(vii) Generation of EWBs using incorrect pin codes

Rule 138 (9) of DGST Rules, provides that where an EWB has been generated under this rule, but goods are either not transported or are not transported as per the details furnished in the EWB, the EWB may be cancelled electronically on the common portal within twenty-four hours of generation of the e-way bill.

It was noticed that eight EWBs involving an assessable value of ₹ 0.80 crore and tax of ₹ 0.14 crore pertaining to four taxpayers **(Annexure 1.15)** were generated by using invalid pin codes i.e. did not pertain to the address mentioned in EWBs and that were to be cancelled within 24 hours from the time of generation of the EWB as per Rule 138(9) of the DGST Rules.

It is evident from the above that necessary validity controls are not available in EWB Portal to prevent transportation of goods by using invalid pin codes.

On being pointed out (December 2023 and January 2024), the Department reported (May 2025) issuance of ASMT-10, DRC-01 and DRC-07 in one case each. The reply of the Department was awaited in remaining one case (May 2025).

1.3.10.2 Other Issues

(i) Irregular availment and utilization of ITC

As per Section 16 of the DGST Act, every registered person shall be entitled to ITC on any supply of goods or services or both which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person. Further, the claim of ITC is subject to the condition, inter-alia that the tax charged in respect of such supply has been actually paid to the Government.

Audit test checked returns of 45 taxpayers to examine the correctness of availment of ITC. It was observed that one taxpayer had availed irregular ITC of ₹ 1.47 lakh **(Annexure 1.16)** from the suppliers whose registration had already been cancelled.

The case is illustrated below:

As per sub-section (2) of the section 41 of the DGST Act, 2017, the credit of input tax availed by a registered person under sub-section (1) in respect of such supplies of goods or services or both, the tax payable whereon has not been paid by the supplier, shall be reversed along with applicable interest, by the said person in such manner as may be prescribed.

For a taxpayer having GSTIN-07XXXXX3559XXXX under Delhi SGST Commissionerate, it was noticed that the taxpayer availed and utilized irregular ITC of ₹ 0.75 lakh in July 2018 from a taxpayer whose registration was cancelled with effect from 1 July 2017. Also, the taxpayer availed and utilized the irregular ITC of ₹ 0.72 lakh in July 2020 from another taxpayer whose registration was cancelled with effect from 1 December 2019. Thus, the taxpayer availed and utilised total ITC of ₹ 1.47 lakh from taxpayers whose registrations were cancelled. This ITC was liable to be reversed alongwith applicable interest on it.

On being pointed out (December 2023), no reply was furnished by the Department (May 2025).

(ii) Excess availing and utilization of ITC

As per Section 37 of Delhi Goods and Services Tax Act, 2017 every registered person other than an input service distributor, a non-resident taxable person and a composition taxpayer or a taxpayer deducting tax at source or a taxpayer collecting tax at source, shall furnish, electronically, in such form and manner as may be prescribed, the details of outward supplies of goods or services or both effected during a tax period on or before the tenth day of the month succeeding the said tax period. Further, GSTR-2A return is a system generated statement of inward supplies for a recipient, which is auto populated on the basis of details of outward supplies furnished by the supplier taxpayers.

Audit observed that three taxpayers had claimed ITC of ₹ 14.99 crore in GSTR-3B whereas ITC available as per GSTR-2A was only ₹ 5.29 crore. Thus these three taxpayers had availed excess ITC of ₹ 9.70 crore.

Further, eight cases were selected for cross PAN analysis. Returns of these eight taxpayers were scrutinised to examine the correctness of availment of ITC. It was observed that three out of eight taxpayers had availed ITC of ₹ 109.77 crore through GSTR-3B. However, as per GSTR-2A only ₹ 106.44 crore was available. Thus, ITC of ₹ 3.33 crore was availed in excess by these taxpayers **(Annexure 1.17)**.

On being pointed out (December 2023 and January 2024), the Department issued DRC-07 in two cases (May 2025). Reply of the Department was awaited in remaining four cases (May 2025).

A case is illustrated below:

A taxpayer having GSTIN-07XXXXX3874XXXX under Delhi SGST Commissionerate, utilised ITC of ₹ 5.88 crore in GSTR-3B returns during April 2018 and July 2018, whereas ITC was NIL as per GSTR-2A returns (as per comparison summary). Thus, there was mismatch of ₹ 5.88 crore between ITC availed and available as per GST returns.

On being pointed out (December 2023), no reply was furnished by the Department (May 2025).

(iii) Availing of Inadmissible ITC

Returns of eight taxpayers were selected for cross PAN analysis. In one case it was noticed that ITC of ₹ 34.40 lakh was availed, even though the ITC was blocked as per section 17(5) of the DGST Act 2017 **(Annexure 1.18)**.

The case is illustrated below:

As per Section 17(5) (c) DGST Act, ITC shall not be available in respect of works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service.

Scrutiny of records for the period from 2018-19 to 2021-22 of the taxpayer revealed that the taxpayer had availed and utilized inadmissible ITC of ₹ 34.40 lakh for works contract services. Further scrutiny of taxpayer revealed that it did not declare any output service under works contract services. Thus, the inadmissible availed ITC is required to be recovered with applicable interest.

On being pointed out (December 2023), no reply was furnished by the Department (May 2025).

1.3.10.3 Observations detected in analysis of data of EWBs (Totality Observations)

Risk based samples were selected from the data-base relating to EWBs and a total of 28,198 taxpayers (including CLS taxpayers) were selected. Audit analysed data on EWBs generated during the period from April 2018 to March 2022 on the basis of KPAs. The data extracted under these KPAs were forwarded to the Department, as totality observations, for considering further course of remedial action and summary report on action taken was called for.

The details of totality observations shared with the department and response received thereon are given in **Table 1.3.1**.

Table 1.3.1: Totality Observations of the whole department

(₹ in crore)

Sl. No.	Nature of Totality Observation	No. of taxpayers (TPs)	Assessable value involved	Department's response			Response yet to be received
				Accepted		Not accepted	
				No. of TPs	Tax involved	No. of TPs	
1	Generation of Inter-State EWBs by Composition taxpayers	93	82.67	-	-	-	--
2	Generation of EWBs by Composition taxpayers who had crossed prescribed threshold limit	2	80.20	-	-	-	--
3	Generation of EWBs by non-filers of GST Returns	4076	11,635.36	-	-	-	--
4	Generation of EWBs by cancelled taxpayers	8334	68,680.88	-	-	-	--
5	Generation of duplicate EWBs using same invoice	15,693	1664.55	-	-	-	--
Total		**28,198**	**82,143.66**	-	-	-	--

Source: GSTN data

The pan-state data analysis in respect of EWBs generated by taxpayers depicted many deviations with substantial money value. For example, EWBs were generated by 8,334 cancelled taxpayers, with money value of ₹ 68,680.88 crore. Similarly. EWBs were generated by 4,076 non-filers of GST returns, with money value of ₹ 11,636.36 crore. These huge money value figures indicated that controls to input and validate data in GST system and EWB system are not working properly.

It can be seen from the above table that despite having assessable value of ₹ 82,143.66 crore, which was pointed out (December 2023), no response was given by the Department in respect of observations related to 28,198 taxpayers (May 2025).

1.3.11 Preventive functions of the Department

Audit studied EWB related functions of the Preventive Units with specific focus on (i) Operational Preparedness, and (ii) Effectiveness of Anti-Evasion Measures. It was noticed that NIC generates analytical reports viz. total EWBs, interstate EWBs, reports for generation and cancellation of EWBs, etc. on EWB transactions and shares it with GST Departments under Centre and State formations. For this purpose, 50 cases of Anti-Evasion –II cell (Preventive Unit) were selected. Audit noticed several shortcomings in the activities undertaken by the Anti-Evasion –II cell (Preventive Unit) as detailed in the succeeding paragraphs.

1.3.11.1 Operational preparedness of the Department

(i) Adequacy of manpower

The man-power resources allocated for the Preventive/Anti-Evasion branch has a direct impact on EWB related preventive functions. During audit of the Preventive Unit, it was stated that there was no separate/dedicated units (manpower) assigned for EWB checking in the Anti-Evasion branch of the Commissionerate. It was further stated that the Anti-Evasion Cell headed by the Assistant Commissioner, also looks after various other charges/branches due to shortage of officers. It was also stated that there was no cadre wise sanction strength and men in position for the verification of EWBs.

(ii) Lack of sufficient patrol vehicles

Audit noticed that AE-II (Preventive Unit) of the Commissionerate did not provide status of patrol vehicles exclusively allocated for EWB verifications. In these formations, the verifications were generally conducted using the vehicles hired at the Commissionerate for other purposes.

(iii) Targets and achievements

Audit called for details of targets fixed by the AE-II (Preventive Unit) of the Commissionerate for verification of EWBs through vehicle interceptions and achievements against them. The Department stated that the formation does not have any specific or normal targets for conducting verification of EWBs.

1.3.12 Effectiveness of anti-evasion measures

1.3.12.1 EWBs generated and cases booked by Preventive Unit

The Preventive Unit of Delhi Commissionerate intercepts conveyances for inspection of goods in movement, detention, release and confiscation of such goods and conveyances. The details of inspections carried out by the Preventive Unit and the cases booked during 2018-19 to 2021-22 are given in **Table 1.3.2**.

Table 1.3.2: Details of EWBs generated and number of cases booked by Preventive Unit

Year	Number of EWBs (Outward)	Number of EWBs (Inward)	Number of EWBs verified	Number of cases booked (Part-B)
2018-19	1,48,40,095	3,43,405	1,067	20
2019-20	1,61,71,084	2,94,206	2,187	271
2020-21	1,34,71,591	2,37,760	28,118	997
2021-22	1,53,34,169	3,04,675	31,911	1,046
Total	**5,98,16,939**	**11,80,046**	**63,283**	**2,334**
Gross Total	**6,09,96,985**			

Source: GSTN data and reply of department

Audit noticed from GSTN data that 6.10 crore EWBs (comprising both for outward and inward supplies) were generated in Delhi during the years 2018-19 to 2021-22. Out of these 6.10 crore EWBs, only 63,283 were verified by the Preventive Unit, which was 0.10 *per cent* of the total EWBs generated. Further, it was also noticed that out of 63,283 verified EWBs (Part-A), only 2,334 cases were booked (Part-B) which was 3.69 *per cent* of the total EWBs verified and 0.004 *per cent* of the total EWBs generated in Delhi during the years 2018-19 to 2021-22.

Recommendation 1.3.5: The Department should examine availability of dedicated setup, sufficient manpower along with patrolling vehicles for verification of EWBs.

1.3.13 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 April 2018 for all inter-State movement of goods having value exceeding ₹ 50,000. For the intra-State movements in Delhi, EWB was made mandatory for the consignment value of ₹ one lakh as the threshold limit.

Audit selected 120 EWBs of 36 Taxpayers, eight other EWBs of eight taxpayers were selected for Cross PAN analysis and one EWB of high money value was also selected, for the period 2018-19 to 2021-2022 for examination of EWB mechanism and its effectiveness in protecting revenue. Audit also selected the only anti-evasion unit verifying EWBs and examined 50 booked cases from the selected unit for ensuring efficiency and effectiveness of the enforcement activities related to EWBs.

Audit observed systemic lapses on examining the EWB system such as 'Ineligible taxpayers continuing under Composition Levy Scheme'; and 'taxpayers filed nil returns or did not file returns though they had generated E-Way Bills'. Audit examination also revealed compliance deviation in the categories of 'E-Way Bills generated by the cancelled taxpayer' and generation of multiple EWBs on the same invoices. Audit findings also highlight the gaps in the efficacy of the Department in utilising the information available in EWB system to ensure compliance by the taxpayers.

Audit also noticed gaps in the operational preparedness of the Department with respect to preventive and enforcement activities done by Anti-evasion Unit such as no separate staff strength, non-availability of dedicated patrol vehicles, no specific targets were fixed for verification of EWBs for the anti-evasion unit.

Department only verified 63,283 EWBs out of total 6.10 crore EWBs generated during the audit period which was 0.10 *per cent* of the total EWBs generated. Further, it was also noticed that out of 63,283 verified EWBs(Part-A), only

2,334 cases were booked (Part-B) which was 3.69 *per cent* of the total EWBs verified and 0.004 *per cent* of the total EWBs generated in Delhi during the years 2018-19 to 2021-22.

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

1.3.14 *Recommendations at a glance:*

1. *Department may incorporate validation control in EWB system to alert the taxpayer under CLS as well as the departmental officers for crossing the threshold limit and prevent a CLS taxpayer from generating EWB for inter-state supply by CLS taxpayer.*
2. *Department may consider issuing suitable instructions to the Proper Officers for considering EWBs generated by the taxpayer before cancellation of registration retrospectively and taking action for recovery of tax wherever applicable.*
3. *Department may incorporate validation controls in the EWB system to alert the taxpayer and the departmental officers on generation of multiple EWBs with single invoice.*
4. *Department may consider incorporating suitable validation controls in the EWB system to prevent use of suspicious vehicles for generation of EWBs and transportation of goods.*
5. *The Department should examine availability of dedicated setup, sufficient manpower along with patrolling vehicles for verification of EWBs.*

1.4 Compliance Audit on Department's Oversight on Goods and Service Tax Payments and Returns Filing for the years 2018-19 to 2020-21

1.4.1 Introduction

Goods and Service Tax (GST) has replaced multiple taxes levied and collected by the Centre and States. GST came into effect from 01 July 2017. It is a destination-based consumption tax on the supply of goods or services or both levied on every value addition. The Centre and States simultaneously levy GST on a common tax base. Central GST (CGST) and State GST (SGST)/Union Territory GST (UTGST) are levied on intra state supplies, and Integrated GST (IGST) is levied on inter-state supplies.

Section 59 of the Delhi Goods and Services Tax (DGST) Act, 2017 stipulates GST as a self-assessment-based tax, whereby the responsibility for calculating tax liability, discharging the computed tax liability and filing returns is vested on the taxpayer. The GST returns must be filed online regularly on the common GST portal, failing which penalties will be payable. Even if the business has had no tax liability during a particular tax period, it must file a nil return mandatorily. Further, Section 61 of the Act read with rule 99 of DGST Rules, 2017 stipulates that the Proper Officer may scrutinize the return and related particulars furnished by taxpayers, communicate discrepancies to the taxpayers and seek an explanation.

This Subject Specific Compliance Audit (SSCA) was taken up considering the significance of the control mechanism envisaged for tax compliance and the oversight mechanism of the Department of trade and taxes (Department), GNCT of Delhi in this new tax regime.

1.4.2 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:

(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 field formations were adequate and effective.

1.4.3 Audit methodology and scope

This SSCA was predominantly conducted based on data analysis, which highlighted risk areas and red flags pertaining to the period April 2018 to March 2021. Through data analysis, a set of 17 deviations were identified across the domains of Input Tax Credit (ITC), Discharge of tax liability, Registration and Return filing. Such deviations were followed up through a ***centralized audit*** (limited audit)[9], whereby these deviations were communicated to the relevant Departmental field formations (Wards) and action taken by the jurisdictional formations on the identified deviations was ascertained without involving field visits. The centralized audit (limited audit) was supplemented by a detailed audit involving field visits for verification of records available with the jurisdictional field formations. Returns and related attachments and information were accessed through the GSTN Portal application - the back-end system of the State Taxes Department application (boweb) as much as feasible to examine data/documents relating to taxpayers (viz. registration, tax payment, returns and other Departmental functions). The ***detailed audit*** also involved accessing relevant granular records from the taxpayers such as invoices through the respective field formations. This apart, compliance functions of the Departmental formation such as scrutiny of returns, were also reviewed in selected Wards.

9 Centralized Audit (Limited Audit) also did not involve seeking taxpayer's granular records such as financial statements related ledger accounts, invoices, agreements etc.

The review of the scrutiny of returns by the Department and verification of taxpayers' records covered the period from April 2018 to March 2021, while the audit of the functions of selected Wards covered the period April 2020 to March 2021. The SSCA covered only the State administered taxpayers.

Entry conference of this SSCA was held on 6 July 2023 with Special Commissioner (Audit) in which the audit objectives, sample selection, audit scope and methodology were discussed. The field audit was conducted from September 2023 to March 2024.

Exit conference of this SSCA was held on 26 November 2024 with the Commissioner, Department of trade and taxes in which audit findings were discussed in detail.

1.4.4 Audit sample

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

There were three distinct parts of this SSCA as under:

Part I- Audit of Wards

Ten Wards[10] with jurisdiction over more than one selected sample of cases for Detailed Audit were considered for evaluation of their oversight functions.

Part II –Centralized audit

A sample of 487 high value inconsistencies pertaining to 285 taxpayers were selected by identification of high-value or high-risk deviations from rules and inconsistencies between returns through data analysis.

Part III-Detailed audit

Seventy taxpayers were selected based on risk parameters such as excess ITC, tax liability mismatch, disproportionate exempted turnover to total turnover and Irregular ITC reversal etc.

The details of sample for Centralized audit and Detailed audit selected for this SSCA are brought out in **Annexure 1.19(a)** and **Annexure 1.19(b)** respectively.

[10] 1, 2, 7, 64, 94, 201, 203, 204, 207 and 208

1.4.5 Audit criteria

The sources of audit criteria comprised the provisions contained in the DGST Act, IGST Act, and Rules made thereunder. The significant provisions are given in **Table 1.4.1**.

Table 1.4.1: Sources of criteria

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

In addition, the notifications and circulars issued by CBIC/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 DGARM reports etc. also formed part of the audit criteria.

1.4.6 Audit findings

The audit findings are categorized into three categories viz. (a) Audit of wards, (b) Centralised (Limited) audit, and (c) Detailed audit, as discussed in the subsequent paragraphs.

1.4.6.1 Audit of Wards

The role of Wards (Departmental field formations) is to provide oversight on various compliances by taxpayers. Adequacy and effectiveness of the procedures in the Wards was examined.

(i) Delays in follow up of scrutiny of returns

Section 61 of the DGST Act, 2017 (the Act) and Rule 99 of the DGST Rules, 2017 (the Rules) provide for scrutiny of returns by the Proper Officer (the Ward

Officer) to verify their correctness and communication of discrepancies, if any noticed, to the taxpayers for seeking explanation. Further, Section 61(3) provided for action in case of failure of the registered person to provide satisfactory explanation within stipulated period of 30 days of being informed or after accepting discrepancy failure to take corrective measure.

a) The selected Wards did not provide the records and information (June-2023 to March-2024) in respect of scrutiny of taxpayers. However, examination of MIS report ASMT 3.1 (List of cases scrutinized and action taken thereon) revealed that out of 66,671 taxpayers registered in the 10 selected Wards, scrutiny was conducted in 5,979 cases during the period 2020-21. Audit examined 102 cases pertaining to 100 taxpayers **(Annexure 1.20)** to check effectiveness of the follow up process after scrutiny whether or not appropriate action was taken after scrutiny of returns. The observations noticed are summarised in **Table 1.4.2**.

Table 1.4.2: Observations noticed in sample selected from ASMT 3.1 MIS Report

Sl. No.	Notice/order issued	Number of cases	Deviation amount (in ₹ crore)	Pendency in number of days (as on February 2024)
1.	ASMT-10	61	78.24	183 to 1,295
2.	DRC-01	07	82.55	353 to 1,151
3.	DRC-07 (cases pending for recovery)	05	32.12	868 to 1,123
4.	In 19 cases, 1015 to 1172 days were taken by the Wards to issue final demand after the initiation of adjudication.			

From the table above, it is seen that in 61 cases, no action was taken after issuing ASMT-10 notices (Notice intimating discrepancies) having deviation amount of ₹ 78.24 crore. These notices were pending for further action and the pendency ranged from 183 to 1,295 days **(Annexure 1.20(a))**. Out of these 61 cases, in 26 cases, reply has been furnished by the taxpayer, however no further action was taken by the Ward (December 2023 to March-2024). In seven cases, DRC-01/ Show Cause Notice (SCN) having amount of ₹ 82.55 crore were issued. However, these cases were pending for final order, and the pendency ranged from 353 to 1,151 days **(Annexure 1.20(b))**. In five cases, DRC-07 (summary of demand) amounting to ₹ 32.12 crore were issued, however these cases were pending for recovery as per MIS report even after a lapse of 868 to 1,123 days **(Annexure 1.20(c))**. In 19 cases, Wards took 1,015 to 1,172 days to issue the DRC-07, after initiation of adjudication, which further delays the process of recovery **(Annexure 1.20(d))**.

On this being pointed out (December 2023 to March 2024), the Department furnished following reply (July 2025):

In respect of annexure **1.20(a)**, the Department issued DRC-07 in four cases, DRC-01 in two cases, ASMT-12(Order of acceptance of taxpayer's reply) in three cases, in two cases proceedings were finalised. In one case the Department had already issued DRC-07 before issuance of audit query. Further, in three cases pertaining to the financial year 2017-18, the Department stated that no further action can be taken as the case is time barred. The reply of remaining 46 cases involving deviation amount of ₹ 71.73 crore was awaited (July 2025).

In respect of annexure **1.20(b),** the Department issued DRC-07 in one case. The reply of remaining six cases involving deviation amount of ₹ 66.02 crore was awaited (July 2025).

In respect of annexure **1.20(c)** and **1.20(d)**, reply of the Department was awaited in all cases (July 2025).

The time-barring of three cases of 2017-18 resulted in possible loss of Government revenue. The Department needs to complete the proceedings in remaining cases expeditiously, else these cases may get time-barred too.

b) Audit also analysed list of cases (MIS report ASMT 3.2) scrutinised by the Department but pending for taking action. It was noticed that 7,994 scrutinised cases were pending for taking action for days ranging from 120 days to 1,567 days. Out of these, Audit examined the ASMT-10 notices issued and replies of taxpayers in 102 cases pertaining to 100 taxpayers **(Annexure 1.21)**. The results are shown in **Table 1.4.3**.

Table 1.4.3: Observations noticed in sample selected from ASMT 3.2 MIS Report

Sl. No.	Notice/order issued	Number of cases	Deviation amount (in ₹ crore)	Number of days since no action taken by Wards after the issuance of Notice/Final Demand (Feburary-2024))
1.	ASMT-10	76	54.07	120 to 1567
2.	DRC-01	03	0.46	958 to 1119
3.	DRC-07 (cases pending for Recovery)	1	18.70	702
4.	In 8 cases 391 to 1171 days were taken by the Wards to issue final demand after the initiation of adjudication.			

From the table above, it is seen that in 76 cases having deviation amount of ₹ 54.07 crore, no action was taken after issuing ASMT-10 notices. The pendency ranged from 120 to 1,567 days **(Annexure 1.21(a))**. Out of these 76 cases, in 32 cases, the taxpayers had furnished reply but no further action was taken by the Ward. In three cases, DRC-01 having deviation amount of ₹ 0.46 crore were issued and were pending for issue of final order. The pendency ranged from 958 to 1,119 days **(Annexure 1.21(b))**.In these cases though the reply has been furnished by the taxpayers, no further action was taken by the Ward. In one case, DRC-07 (Final demand) amounting to ₹ 18.70 crore was issued and the case was pending for recovery for 702 days **(Annexure 1.21(c))**. In eight cases, Wards took 391 days to 1,171 days to issue the DRC-07 after initiation of adjudication, which further delays the process of recovery **(Annexure 1.21(d))**.

c) It was further noticed that out of the aforesaid 200 taxpayers, registration of 26 taxpayers **(Annexure 1.21(e))** were cancelled and 'nil' demand determined in cancellation orders despite the fact that notices having deviation amount of ₹ 164.68 crore, were issued to these taxpayers.

On this being pointed out (December 2023 to March 2024), the Department furnished following reply (July 2025):

In respect of annexure **1.21(a)**, in 11 cases, the Department issued DRC-07 and in one case, the Department issued ASMT-12. The reply of remaining 64 cases involving deviation amount of ₹ 44.47 crore was awaited (July 2025).

In respect of annexure **1.21(b)** to **1.21(e)**, the reply of the Department in all cases was awaited (July 2025).

(ii) Inadequate follow up on cancellation of GST registration

Issuing of order by PO for cancellation of registration, within a period of 30 days from the date of submission of application is stipulated under the provisos of Rule 22(3) of DGST Rules 2017. Moreover, failure to furnish the final return by the registered person to this effect, within three months of the date of cancellation or date of order of cancellation, whichever is later will attract the provisions of Section 45 of DGST Act 2017, read with Rule 81 and section 62(1) read with Rule 100 of DGST Rules 2017.

Audit selected 196 taxpayers whose registration were cancelled in 2020-21 (120 taxpayers (suo moto) **(Annexure 1.22(a))** and 76 taxpayers (on application basis) **(Annexure 1.22(b))**, to review the verification mechanism for cancellation of registrations. Audit observed that out of 76 taxpayers, in 45 cases cancellation order was not issued within 30 days of receiving the application. Further, out of total selected 196 taxpayers, only 31 taxpayers (two taxpayers cancelled suo moto and 29 taxpayers cancelled on application) filed GSTR-10 returns after cancellation of registration. Cancellation of registration of two taxpayers was revoked and for remaining 163 taxpayers (116 taxpayers cancelled suo moto and 47 taxpayers cancelled on application), filing of final return was pending for more than 90 days. The delay in filing the final return ranges from 1,036 to 1,394 days (January-2024) **(Annexure 1.22(c))**. However, even after lapse of statutory period to file return, no action was taken by the Wards under Section 62 of the Act.

Audit noticed that out of selected taxpayers, in 51 cases, notices i.e. ASMT-10/DRC-01/DRC-07**(Annexure 1.22(d))** were issued, having deviation amount of ₹ 646.16 crore, after issuance of cancellation order and same were pending for taking further necessary action i.e. adjudication, recovery etc. Out of these, in 13 cases, ASMT-10 notices amounting to ₹ 3.28 crore were issued after date of order of cancellation, with delay ranging from 29 to 343 days. In 22 cases, DRC-01/1A amounting to ₹ 205.77 crore were issued after date of order of cancellation, with delay ranging from 100 to 1,317 days. In 16 cases, DRC-07 orders amounting to ₹ 437.11 crore were issued after the date of order of cancellation, with delay ranging from 447 to 1,311 days. Audit is of the view that the demand could have been determined at the time of cancellation of registration itself and shown in the order as determined amount, as information based on which SCN were issued, was available at the time of cancellation of registrations. Thus, recovery of the pending government dues could have been actively pursued with the respective taxpayers.

On this being pointed out in January-February 2024, the Department furnished following reply (July 2025):

In respect of **annexure 1.22(c)**, in nine cases, the Department issued DRC-07. In 20 cases, the Department found no liability against the taxpayers, in 16 cases the Department found no details in GST portal. In three cases Department found no return filed by the Taxpayer. In remaining 115 cases, reply of Department was awaited (July 2025).

In respect of Annexure **1.22(a), 1.22(b)** and **1.22(d)**, reply of the Department was awaited (July 2025).

Recommendation 1.4.1:

- ***Department may ensure that delays are avoided in issuing notices and notice of demands to taxpayers.***
- ***The Department may ensure assessment of liability at the time of cancellation of registrations and actively pursue recovery of the government dues with the defaulting taxpayers.***

(iii) Internal Audit

As per Section 65 of the DGST 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 DGST Act, 2017, defines "Audit" 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 ITC availed, and to assess his compliance with the provisions of this Act or the rules made thereunder.

List of taxpayers who were selected for internal audit was sought along with audit report thereof from the audit wing and wards selected for audit. The audit wing of the Department, in its reply (April 2024), submitted that 101 taxpayers from 43 wards were selected for internal audit during the period 2021-22 to 2022-23. However, the Department did not produce the audit reports related to selected taxpayers. Thus, Audit could not form opinion about effectiveness and efficacy of internal audit.

This has been pointed out to the Department in September 2024, no reply has been furnished by the Department (July 2025).

1.4.6.2 Inconsistencies in GST returns - Centralised audit

Audit analyzed GST returns data pertaining to 2018-19 to 2020-21 and Rule-based deviations and logical inconsistencies between GST returns filed by taxpayers were identified with data queries on a set of 17 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 to be filed 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-2A: System-generated statement of inward supplies for recipient. It contains the details of all B2B[12] transactions of suppliers declared in their form GSTR-1/GSTR-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[13] Portal of Indian Customs.
- GSTR-3B: Monthly summary return of outward supplies and ITC claimed, along with payment of tax by the taxpayer to be filed by all taxpayers except those specified under Section 39(1) of the Act. This is the return that populates the credits and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger.
- GSTR-5: Monthly return to be filed by non-resident taxpayers containing outward supplies of goods and services.
- GSTR-6: Monthly return for Input Service Distributors providing the details of their distributed ITC and inward supplies.

11 GSTR-1, GSTR-3B, GSTR-4 (taxpayers under the CLS), 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)

12 Business to Business

13 Indian Customs Electronic Data Interchange Gateway

- GSTR-7: Monthly return to be filed by persons who deduct tax at the time of making/crediting payment to suppliers towards the inward supplies received.
- GSTR-8: Monthly return to be filed by 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, SGST and IGST) during the entire year along with turnover and audit details for the same.
- GSTR-9C: Annual audit form for all taxpayers having a turnover above ₹ 5 crore in a particular financial year. It is basically a reconciliation statement between the annual return filed in GSTR-9 and the taxpayer's audited annual financial statement.

The details of data analysis undertaken on the 17 identified parameters and impact thereon is given in **Table 1.4.4 (a)** and **1.4.4 (b)**.

Table 1.4.4(a): Details of Data Analysis undertaken

Sl. No.	Algorithm used	Risk pursued
Domain: ITC		
1.	ITC available as per GSTR-2A with all its amendments was compared with the ITC availed in GSTR-3B in Table 4A (5) (accrued on domestic supplies) excluding the reversals in Table 4B (2) but including the ITC availed in the subsequent year from Table 8C of GSTR-9 and blocked credits.	ITC mismatch between GSTR-2A and GSTR-3B
2.	ITC available from GSTR-2A was compared with Table 8A of GSTR-9 which captures ITC available from GSTR-2A (as an auto-populated non-editable field) but excludes those entries in GSTR-2A where the supplier has not filed GSTR-1 by due date of its filing and also excludes the ITC for the period during which the recipient taxpayer was under composition levy scheme (CLS).	ITC passed on without supplier remitting tax
3.	ITC availed through Table 4 of GSTR-3Bs pertaining to period 2018-19 to 2020-21 filed after October of the following year	ITC availed in GSTR-3B filed after the cut-off period.
4.	ISD ITC availed in GSTR-9 Table 6G or GSTR-3B Table 4(A)(4) of recipient was compared with the sum of Table 5A, Table 8A, and Table 9A of GSTR-6 of distributor GSTINs	Incorrect availing of ISD credit
	Domain: Annual Return and financial statements (FS)	
5.	Positive figure in GSTR-9C Table 12F and examination of reasons provided in Table 13 for mismatch	Mismatch of ITC availed between Annual returns and Books of accounts
6.	Positive figure in GSTR-9C Table 14T and examination of reasons provided in Table 15 for mismatch	Reconciliation between ITC availed in Annual

Sl. No.	Algorithm used	Risk pursued
		returns with expenses in financial statements
7.	Negative figure in GSTR-9C Table 9R and examination of reasons provided in Table 10 for mismatch	Mismatch in tax paid between books of accounts and returns
	Domain: Tax and Interest payment	
8.	RCM payments in GSTR-9 Table 4G (tax payable) were compared with ITC availed in GSTR-9 Table 6C, 6D and 6F (ITC availed). In cases where GSTR-9 was not available, RCM payment in GSTR-3B Table 3.1(d) was compared with GSTR-3B 4(A)(2) and 4A(3). Greater of difference in GSTR-9 and GSTR-3B considered where both were available	Short payment of tax under RCM versus ITC availed in GSTR-3B/ GSTR-9
9.	The greater of tax liability between GSTR-1 (Tables 4 to 11), considering advances and amendments, 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..	Unsettled liabilities
10.	GSTR-3B Table 3.1(a)+(b) was compared with tax liability declared in the e-way bills (EWB) and cases where GSTR-3B are less than EWBs are identified	Suppression of tax liability based on EWB verification
11.	E-commerce GSTR-8 became effective from 1 October 2018 when TCS provisions became effective. GSTINs declared in GSTR-8 who are also filing GSTR-4/CMP-08 under CLS.	CLS taxpayers also availing e-commerce facility
12.	The CLS taxpayers whose turnover on all India basis (Central and State jurisdiction) under all GSTINs of the same PAN have crossed the turnover limit of ₹ 1 crore in 2018-19 and ₹ 1.5 crore in 2019-20 were identified.	Ineligible Taxpayer to remain under CLS
13.	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	GSTR-3B was not filed but GSTR-1 is available
14	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	Short payment of interest

Table 1.4.4 (b): Details of Data Analysis undertaken (Turnover mismatch)

Sr. No.	Algorithm used	Risk pursued
15.	Table 3.1(a) of GSTR-3B was compared with Column 6 of Table 9 of GSTR-2A. Cases where GSTR-3B values are less than that of GSTR-2A are identified.	Under-declaration of taxable supplies by comparing TDS returns
16.	Unbilled revenue at the beginning of the year in GSTR-9C Table 5B should tally with the unbilled revenue of the previous GSTR-9C shown in Table 5H. Any mismatch indicates suppression of taxable turnover.	Suppression of taxable value based on unbilled revenue declared in GSTR-9C
17.	Negative figure in GSTR-9C Table 7G and examination of reasons provided in Table 8 for mismatch	Mismatch in taxable turnover declared in GSTR-9C Table 7G

The pan-state data analysis disclosed deviations with substantial money values which point out lack of basic validation controls.

The pan-state analysis of data pertaining to Delhi state jurisdiction on the 17 identified parameters and extent of deviations/inconsistencies observed are summarised in **Annexure 1.23**.

(A) Non-submission of reply by the Department

Audit queries were issued to the respective Wards (June 2023 to November 2023) in 487 cases pertaining to 285 taxpayers reflecting deviations/ inconsistencies against 17 parameters for the period 2018-19 to 2020-21.

Responses were awaited (December 2024) for 360 inconsistencies (including 41 inconsistencies pertaining to mismatch in turnover) having mismatch in tax payable ITC amounting to ₹ 5,293.68 crore in 319 cases **(Annexure 1.24)** and the mismatch of turnover of ₹ 9,742.01 crore related to 41 inconsistencies **(Annexure 1.25)**.

Recommendation 1.4.2: Department may urgently pursue the 360 cases of inconsistencies and deviations in GST returns pointed out by Audit, for which responses have not been provided and intimate the results to Audit.

(B) Results of centralized audit

Based on responses received from the Department to audit queries, the extent to which each of the 17 parameters translated into compliance deviations are shown parameter wise in **Annexure 1.26** and **Annexure 1.27**.

Summary of Central Audit

Out of 487 cases pointed out by Audit, the Department provided response in 127 cases (26.07 *per cent*), which includes 115 cases of mismatches of ITC to tax payment ₹ 3,224.43 crore **(Annexure 1.26)** and 12 cases of mismatch of turnover of ₹ 1,977.80 crore **(Annexure 1.27)**. Out of these 127 cases, Department accepted the audit observation in 91 cases (71.65 *per cent*) and initiated rectification action in the form of issuing SCN in 74 cases and issued ASMT-10 in 17 cases. In 28 cases, constituting 22.04 *per cent*, reply of the Department was acceptable to Audit. These cases included cases related to data entry errors and cases where action was taken before audit query etc. In the remaining eight cases (6.30 percent), the Department only forwarded explanations of the taxpayers without supporting documents or its comments.

A case under each dimension, where department has initiated remedial measure is detailed in **Annexure 1.28.** The gist of these cases is given below.

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

GSTR-2A is a purchase related dynamic tax return that is automatically generated for each business by the GST portal, whereas GSTR-3B is a monthly return in which summary of outward supplies along with ITC declared and payment of tax as self-declared by the taxpayer.

In order to analyze the veracity of ITC availed, relevant data were extracted from GSTR-3B and GSTR-2A for the period 2018-19 to 2020-21, and the ITC paid as per suppliers' details was matched with the ITC credit availed by the taxpayer. The methodology adopted was to compare the ITC available as per GSTR-2A with all its amendments and the ITC availed in GSTR-3B in Table 4A(5) including 4(D) blocked credits and subsequent years from Table 8C of GSTR-9.

Audit observed that in case of GSTIN- 07XXXXXXXXXX1ZH under Ward 12, the ITC available as per GSTR-2A was ₹ 'nil' and the ITC availed in table 4A (5) of GSTR-3B was ₹ 33.18 crore. This resulted in mismatch of ITC availed amounting to ₹ 33.18 crore during the year 2018-19 which was communicated to the Department (July 2023). In response, the Department stated (May 2025) that Summary of the Order in form DRC-07 (April 2024) determining the demand of ₹ 70.17 crore was issued to the taxpayer.

(ii) ITC availed without supplier remitting tax

GSTR-2A of the recipient taxpayer is generated on the basis of disclosures made by the supplier taxpayers in their GSTR-1 for outward supplies made. The supplier taxpayers are required to discharge their tax liabilities by filing GSTR-3B returns. The data captured as on 31 October of the following financial year in the Table 8A of the GSTR-9 was compared with Table 3 to 6 of GSTR-2A[14]. The deviations may indicate risk where ITC would have been passed on by the taxpayer without actual remitting the tax.

Audit observed that in case of GSTIN- 07XXXXXXXXXX1ZC under Ward 02, the ITC available as per GSTR-2A was ₹ 15.09 crore and the ITC reflecting in table 8A GSTR-9 was ₹ 5.05 crore. This resulted in mismatch of ITC availed amounting to ₹ 10.04 crore during the year 2019-20, which was communicated to the Department (August 2023). In response, the Department stated (August 2023) that Notice intimating discrepancy in form ASMT-10 (August 2023) had been issued. Further progress in this regard was awaited (July 2025).

(iii) ITC availed after limitation period

DGST Act provides for availing of ITC only till the due date of furnishing GSTR-3B for the month of September following the end of the financial year to which such ITC pertains or furnishing of relevant Annual Return, whichever is earlier. Accordingly, if any GSTR-3B is furnished after such time, ITC availed therein becomes inadmissible. In order to review the extent of excess/irregular ITC availed on this account, the ITC availed through Table 4 of GSTR-3Bs pertaining to 2018-19 to 2020-21 filed by the taxpayer beyond the due dates of September GSTR-3B return of the following year, were identified at data level.

[14] Tables 3 and 5 of the old GSTR-2A format.

Audit observed that in the case of GSTIN- 07XXXXXXXXXX1ZG under Ward 98, the ITC availed by the taxpayer beyond the due dates of September GSTR-3B return of the following year was ₹ 24.12 crore This resulted in mismatch of ITC availed amounting to ₹ 24.12 crore during the year 2018-19, which was communicated to the Department (June 2023). In response, the Department stated (November 2023) that Pre Show Cause Notice (SCN) intimation in form DRC-01A (November 2023), determining the demand of ₹ 51.39 crore was issued to taxpayer. Further progress in this regard was awaited (July 2025).

(iv) Mismatch in availing ISD credit

To analyze whether the ITC availed by the taxpayer is in excess of the amount transferred by the Input Service Distributor (ISD), ITC availed as declared in GSTR-3B return of the taxpayer is compared with the ITC transferred by the ISD in their GSTR-6. The methodology adopted was to compare Table 6G[15] of GSTR-9 or Table 4(A)(4)[16] of GSTR-3B of the recipient taxpayers under the jurisdiction of this State with the sum of Table 5A[17], Table 8A[18], and Table 9A[19] of GSTR-6 of the respective ISD.

Audit observed that in case of GSTIN-07XXXXXXXXXX1ZK under Ward 96, the ITC availed in table 6G of GSTR-9 was ₹ 2.46 crore and the ITC transferred by the ISD in table (5A+8A+9A) of GSTR-6 was ₹ 2.01 crore. This resulted in mismatch of ITC availed amounting to ₹ 0.45 crore during the year 2019-20, which was communicated to the Department in (July 2023). In response, the Department stated (November 2023) that show Cause Notice (SCN) in form DRC-01 (November 2023), determining the demand of ₹ 0.99 crore was issued to the taxpayer. Further progress in this regard was awaited (July 2025).

(v) Mismatch in payment of tax

In order to review the extent of identified mismatch in tax paid reported in the Annual Return vis-à-vis the Financial Statements, the relevant data points pertaining to Table 9 of the GSTR-9C reconciliation statement submitted by the taxpayer as required under rule 80(3) of DGST Rules, 2017 for the years 2018-19 to 2020-21 was analyzed at data level. In order to rule out the possibility of incorrect disclosure of the tax paid amount in GSTR-9C, the amount was also compared with actual tax payment details in GSTR-9.

Audit observed that in case of 07XXXXXXXXXX1ZQ under Ward 101, there was un-reconciled payment of tax declared in Table 9R of GSTR-9C during the year 2019-20, this resulted in mismatch of tax amounting to ₹ 5.40 crore, which was communicated to the Department (July 2023). In response, the Department

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[15] ITC received from ISD.
[16] Inward supplies from ISD.
[17] Distribution of the amounts of eligible ITC for the tax period.
[18] Mismatch of ITC reclaimed and distributed.
[19] Redistribution of ITC distributed to a wrong recipient.

stated (January 2024) that DRC-01 (January 2024), determining the demand of ₹ 11.06 crore was issued to taxpayer. Further progress in this regard was awaited (July 2025).

(vi) Mismatch in payment of tax under RCM

In RCM, the liability to pay tax is fixed on the recipient of supply of goods or services instead of the supplier or provider in respect of certain categories of goods or services or both under Section 9(3) or Section 9(4) of the DGST Act, 2017.

To analyze the veracity of ITC availed on tax paid under RCM, the datasets pertaining to GSTR-3B and annual return GSTR-9 were compared to check whether the ITC availed on RCM was restricted to the extent of tax paid. The methodology adopted was to compare the RCM payments in Table 4G of GSTR-9 with ITC availed in GSTR-9 Table 6C[20], 6D[21] and 6F[22]. In cases where GSTR-9 was not available, the check was restricted within GSTR-3B where the tax discharged part in GSTR-3B Table 3.1(d) was compared with the ITC availing part of GSTR-3B 4A (2)[23] and 4A (3)[24].

Audit observed that in case of taxpayer 07XXXXXXXXXX1ZI under ward 88, the ITC available in Table 4G of GSTR-9 was ₹ 'nil' but the ITC availed in Table 6C, 6D and 6F of GSTR-9 was ₹ 7.30 crore. This resulted in mismatch of ITC availed amounting to ₹ 7.30 crore during the year 2020-21, which was communicated to the Department (July 2023). In response, the Department stated (May 2025) that DRC-07 (November 2024), determining the demand of ₹ 12.48 crore was issued to taxpayer.

(vii) Short declaration of tax liability

GSTR-1 depicts the monthly details of outward supplies of Goods or Services. This detail is 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 GSTR-3B.

To analyze the un-discharged 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 declared in GSTR-9. Where GSTR-9 was not available, a comparison of tax payable between GSTR-1 and GSTR-3B was resorted to. The amendments and advance adjustments declared in GSTR-1 and 9 were also considered for this purpose. The greater of tax liability between GSTR-1 and GSTR-9 was compared with the tax paid declared

[20] Inward supplies receive from unregistered persons liable to reverse charge.
[21] Inward supplies received from registered persons liable to reverse charge.
[22] Import of services.
[23] Import of services.
[24] Inward supplies (liable to reverse charge).

in tables 9 and 14 of GSTR-9 to identify the short payment of tax. In case of GSTR-3B, tables 6.1 minus table 3.1(d) were taken into account.

Audit observed that in case of GSTIN-07XXXXXXXXXX1ZU under Ward 79, the tax payable in Table 4 to 11 of GSTR-1 was ₹ 76.86 crore and the liability shown as per GSTR-9 was ₹ nil. This resulted in mismatch of tax liability amounting to ₹ 76.86 crore during the year 2019-20, which was communicated to the Department (July 2023). In response, the Department stated (May 2025) that DRC-07 (August 2024) determining the demand of ₹ 129.32 crore was issued to taxpayer.

(viii) Suppression in taxable value in comparison with EWBs

To analyze 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 EWB. For the algorithm, the cases where tax payable declared in Table 3.1 (a) + (b) of GSTR-3B were less than the tax liability declared in the EWBs were chosen.

Audit observed that in case of GSTIN-07XXXXXXXXXX4ZG under Ward 77, the tax payable in Table 3.1 (a) + (b) of GSTR-3B was ₹ 0.91 crore and the liability of EWBs was ₹ 97.24 crore. This resulted in mismatch of tax liability amounting to ₹ 96.33 crore during the year 2019-20, which was communicated to the Department (June 2023). In response, the Department stated (May 2025) that DRC-07 (August 2024) determining the demand of ₹ 186.06 crore was issued to taxpayer. Further progress in this regard was awaited (July 2025).

(ix) E-commerce beneficiary under CLS

At the data level, the Audit attempted to identify those CLS taxpayers who have availed the e-commerce facility for making their supplies. The datasets pertaining to GSTRs 8 filed by the e-commerce operators and CMP-08 filed by the CLS taxpayers were compared to check whether the recipient GSTINs mentioned in GSTR 8 have also filed CMP-08. Apart from irregularly availing the benefit of CLS, it is also noticed that the turnover as declared by the E-commerce service provider in the GSTR 8 returns pertaining to most of these taxpayers is more than the turnover declared by the taxpayers in their CMP-08, for CLS, hence there may be a likelihood of short payment of tax too.

In case of GSTIN- 07XXXXXXXXXX1ZB under Ward 84, Audit communicated to the Department (August 2023) that the CLS taxpayer availed e-commerce facility for making their supplies during year 2020-21. In response, the Department stated (May 2025) that DRC-01 (May 2025) determining the demand of ₹ 1.29 crore was issued to taxpayer. Further progress in this regard was awaited (July 2025).

(x) GSTR-3B not filed but GSTR-1/2A available

At the data level, it has been identified that those taxpayers who have not filed GSTR-3B but have filed GSTR-1. GSTR-3B return is the only instrument through which the liability is offset and ITC is availed. The availability of GSTR-1 and GSTR-2A and non-filing of GSTR-3B indicates that the taxpayers had undertaken/carried on business during the period but have not discharged their tax liability. It may also include cases of irregular passing on of ITC.

Audit observed that in case of GSTIN-07XXXXXXXXXX2ZT under Ward 41, the liability declared by the taxpayer in GSTR-1 including the amendments carried out in the subsequent years pertaining to invoices issued in 2019-20 works out to ₹ 16.77 crore, however, the tax discharged in GSTR-3B was ₹ nil excluding the tax paid under RCM (which is not declared in GSTR-1). This resulted in mismatch of tax liability amounting to ₹ 16.77 crore, which was communicated to the Department (July 2023). In response, the Department stated (July 2023) that ASMT-10 (July 2023) seeking the reasons for the discrepancy had been issued. Further progress in this regard was awaited (July 2025).

(xi) Short Payment of interest on delayed payments

Section 50 of the DGST Act, 2017 stipulates that every person liable to pay tax in accordance with the provisions of this Act or rules made thereunder but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay interest at the rate notified.

The extent of short payment of interest on account of delayed remittance of tax during 2018-19 to 2020-21 was identified using the tax paid details in GSTR-3B and the date of filing of the GSTR-3B. Only the net tax liability (cash component) has been considered to work out the interest payable.

In case of GSTIN-07XXXXXXXXXX1Z5 under Ward 101, Audit observed short payment of interest due to late filing of GSTR-3B amounting to ₹ 1.12 crore during the year 2018-19, which was communicated (August 2023) to the Department. In response, the Department stated (October 2023) that DRC-01 (October 2023) determining the demand of ₹ 1.12 crore was issued to taxpayer. Further progress in this regard was awaited (July 2025).

(xii) Suppression of taxable value identified through TDS/TCS declaration

TDS in GST refers to the tax deducted at the source by the buyer while making payments to the supplier. It helps track transactions and ensures compliance. TCS in GST is the tax collected at the source by e-commerce operators. The collected amount is deposited with the government.

TDS[25] and TCS[26] 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.

Audit observed that in the case of GSTIN-07XXXXXXXXXX1Z3 under Ward 03, the outward value of taxable supplies were ₹ 32.80 crore and the value on which TDS/TCS recovered was ₹ 67.27 crore. This resulted in mismatch of taxable value amounting to ₹ 34.47 crore during the year 2019-20, which was communicated to the Department (July 2023). In response, the Department stated (June 2025) that DRC-07 (August 2024) determining the demand of ₹ 13.85 crore was issued to taxpayer.

(xiii) Suppression of taxable value (unbilled revenue)

In order to review the extent of identified mismatch in taxable turnover reported in the Annual Return vis-à-vis the Financial Statements, the relevant data points pertaining to Table 5 of the GSTR-9C reconciliation statement pertaining to disclosures of unbilled revenue submitted by the taxpayer as required under Rule 80(3) of DGST Rules, 2017 for the years 2018-19 to 2020-21 was analyzed at data level.

Table 5B[27] figures of GSTR-9C for the years 2018-19 to 2020-21 which captures the unbilled revenue at the beginning of the financial year was compared with Table 5H[28] of the previous year 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.

Audit observed that in the case of GSTIN-07XXXXXXXXXX2ZO under Ward 52, the unbilled revenue at the end of year 2017-18 was ₹ 30.47 crore, whereas unbilled revenue at beginning of the year 2018-19 was ₹ nil. This resulted in mismatch in turnover amounting to ₹ 30.47 crore having tax impact of ₹ 5.48 crore, which was communicated to the Department (July 2023). In response, the Department stated (November 2023) that DRC-01 (December 2023) determining the demand of ₹ 10.97 crore was issued to taxpayer. Further progress in this regard was awaited (July 2025).

(xiv) Un-reconciled taxable turnover

In order to review the extent of identified mismatch in taxable turnover reported in the Annual Return vis-à-vis the Financial Statements, the relevant data points pertaining to Table 5 and 7 of the GSTR-9C reconciliation statement submitted

[25] Tax deducted at source
[26] Tax collected at source
[27] Unbilled revenue at the beginning of financial year
[28] Unbilled revenue at the end of financial year

by the taxpayer as required under the rule 80(3) of DGST Rules, 2017 for the years 2018-19 to 2020-21 was analysed at data level.

In case of GSTIN-07XXXXXXXXXX2ZK under Ward 28, Audit observed that there was un-discharged taxable turnover in Table 7G of GSTR-9C. This resulted into mismatch of turnover amounting to ₹ 83.31 crore having tax impact of ₹ 15 crore during the year 2019-20, which was communicated to the Department (July 2023). In response, the Department stated (November 2023) that DRC-01(November 2023), determining the demand of ₹ 24.54 crore was issued to the taxpayer. Further progress in this regard was awaited (July 2025).

(C) Analysis of causative factors

Considering the Department's response to 127 cases out of the sample of 487 data deviations/inconsistencies, the factors that caused the data deviations/inconsistencies are as follows:

(i) Deviations from GST law and rules

(a) Cases where Department accepted audit observation

Out of the 127 instances where responses were received, the Department has accepted the audit observation and initiated remedial action in 91 cases, involving money value of ₹ 2,930.52 crore. Out of these cases, the Department has issued SCN in 74 cases (**Annexure 1.29**) for ₹ 2,656.65 crore and issued notice conveying discrepancies to the taxpayer in Form ASMT-10 in 17 cases amounting to₹ 273.87 crore **(Annexure 1.30)**. An illustrative case is discussed below:

- Audit observed that in the case of GSTIN 07XXXXXXXXXX1ZE under Ward 65, there was short payment of un-discharged tax liability arising out of comparison between GSTR-1 and GSTR-9. This resulted in a mismatch of tax liability amounting to ₹ 72.47 crore during the year 2018-19, which was communicated to the Department (July 2023). In reply, the Department stated that DRC-01A (pre-show cause notice) determining the demand of ₹ 138.36 crore was issued (October 2023) to tax payer. Further progress in this regard was awaited (July 2025).

(b) Cases where Department's reply was without supporting documents or its comments

Out of the 127 instances where the Department had furnished reply, the Department did not accept audit observations in eight cases amounting to ₹ 86.79 crore. In these cases, the Department only forwarded explanations of the taxpayers without supporting documents or its comments. Details of these cases are given in **Annexure 1.31**.

An illustrative case is discussed below:

- Audit observed mismatch in ITC available in GSTR-2A and ITC availed in GSTR-3B amounting to ₹ 50.14 crore (₹ 13.89 crore, ₹ 15.70 crore and ₹ 20.55 crore for the year 2018-19, 2019-20 and 2020-21) in respect of GSTIN-07XXXXXXXXXX1ZO under Ward 206, which was communicated to the Department (July 2023). In response, the Department forwarded the reply (October 2023) of the taxpayer without offering its comments on the same. The taxpayer in its reply had only considered the ITC availed under 4A (5) of GSTR-3B and GSTR-2A. The taxpayer did not furnish the details of blocked ITC credit (4D) of GSTR-3B of ₹ 4.70 crore and ITC availed under Table 8C of GSTR-9 of ₹ 57.38 crore. On this being pointed out again (October 2023), no reply was received from the Department (July 2025).

(ii) Data entry errors by taxpayers

Data entry errors constituted 3.93 *per cent* (five out of 127 cases) of the total responses received. These data entry errors did not have any revenue implication. The data entry errors related to ISD, RCM, tax paid and CLS as detailed in **Annexure 1.32**.

(iii) Action taken before issue of Audit Queries

Out of the 127 instances where the Department had furnished reply, the Department had already taken action in seven cases **(Annexure 1.33)**.

(iv) Other valid explanation

Out of the 127 instances where the Department had furnished reply, the Department had given valid explanations in 16 instances **(Annexure 1.34).**

1.4.6.3 Detailed audit of GST returns

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 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-state data analysis, a detailed audit of GST returns was also conducted as a part of this review. A risk-based sample of 70 taxpayers was selected for this part of the review. 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. Based on desk review results, detailed audit was conducted in Wards by requisitioning corresponding granular records of taxpayers such as financial ledgers, invoices etc. to identify causative factors of the identified risks and to evaluate compliance by taxpayer.

Non-compliance by taxpayers at various stages ultimately impacts the veracity of returns filed, utilisation of ITC and discharge of tax payments. Out of the 70 taxpayers that were selected, Audit observed 344 cases of non-compliance deficiencies with a revenue implication of ₹ 3,071.92 crore and mismatch of turnover having mismatch of ₹ 3,710.17 crore.

(A) Scope limitation (non-production/partial production of records)

Audit conducted desk review of 70 cases selected for detailed audit and identified the risks related to excess ITC and tax liability mismatches etc. for detailed examination. The ITC mismatches were identified by comparing GSTR-3B with GSTR-2A and GSTR-9, and the declarations made in Table 12 and 14 of GSTR-9C. The mismatches on account and tax liability were identified by comparing GSTR-3B with GSTR-1 and GSTR-9 and the declarations in Table 5, Table 7, and Table 9 of GSTR-9C.

However, in 66 cases having risk exposure relating to mismatch of ITC availment, tax liability and turnover, the Department did not produce the specific taxpayer records (granular records) i.e. sale and purchase invoices, credit and debit notes, details of sundry debtors and creditors, agreement copies etc. while in three cases, the granular records were partially provided. Due to non-production/partial production of records in these cases, mismatch of ITC, tax liability and turnover identified through data analytics could not be verified in detail.

The audit findings are, categorized under I. Returns, II. Utilization of ITC and III. Discharge of tax liability.

I. Returns

The detailed audit of returns filed by 70 taxpayers disclosed that interest payments were not discharged by taxpayers which are brought out below:

(a) Non-payment of interest by taxpayers

Audit observed that in 16 cases, the taxpayers had filed their returns late, but interest payments on cash component amounting to ₹ 4.46 crore were not discharged by them **(Annexure 1.35)**. This was pointed out (January-March-2024) and reply of the Department in all cases was awaited (July 2025).

One illustrative case is given below:

- A taxpayer (GSTIN-07XXXXXXXXXX2ZQ) under jurisdiction of Ward-202 belatedly filed monthly returns for the period 2018-19 to 2020-21. However, the taxpayer did not pay interest amounting to ₹ 4.21 crore on delayed payment of tax as prescribed under section 50(1) of DGST Act, 2017**.** This was pointed out (December 2023) and reply of the Department was awaited (July 2025).

II. Mismatches in availing of ITC by taxpayers

Section 16 and 17 of the DGST Act prescribe the eligibility and conditions to avail ITC. Credit of CGST cannot be used for payment of SGST/ UTGST and credit of SGST / UTGST cannot be utilised for payment of CGST. Rule 36 to 45 of the DGST Rules prescribe the procedures for availing and reversal of ITC.

Audit analysed the returns GSTR-2A in respect of selected taxpayers along with returns GSTR-3B, GSTR-9 and GSTR-9C filed by the taxpayers and noticed mismatches of ITC among returns. Audit could not examine the mismatches in detail since relevant granular records were not produced by the Department. The details of mismatches in ITC are given in **Table 1.4.5**.

Table 1.4.5: Mismatches in ITC claimed by taxpayers

Sl. No.	Audit parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)
1.	**Mismatch in availing of ITC under RCM** Mismatch between ITC availed under RCM as per GSTR-3B Table 4A(2)+4A(3)and Tax paid under RCM as per GSTR-3B table 6.1(B). **(Annexure 1.36)**	15	08	9.06
	In one case, the Department issued DRC-07 to the taxpayer. In one case, the Department issued ASMT-10 to the taxpayer. In one case, the Department did not accept the audit observation, however, no supporting documents were provided. In remaining 12 cases, reply of the Department was awaited (July 2025).			
2.	**Mismatch in availing of ITC under Input Service Distribution** Mismatch between ITC availed under ISD as per GSTR-3B table 4A(4)-4B(2) and ITC available under ISD as per GSTR-2A. **(Annexure 1.37)**	20	06	296.43
	Reply of the Department was awaited in all cases (July 2025).			
3.	**Mismatch in availing of ITC** The ITC availed under GSTR-3B table 4A(5)+4D and table 8C of GSTR-9 return was compared with ITC available as per GSTR-2A.**(Annexure-1.38)**	62	24	1334.67
	In two cases, the Department issued DRC-07 to the taxpayers. In two cases, the Department issued DRC-01 to the taxpayers. In one case, the Department did not accept the audit observation, however, no supporting documents were provided. In remaining 57 cases, reply of the Department was awaited (July 2025).			
4.	**Mismatch in availing of ITC under GSTR-9 table 8D** Negative figures in Table 8D of GSTR-9 captures the mismatch between ITC available as shown in GSTR-9 table 8A and ITC availed as shown in GSTR-9 table 8B after considering subsequent period's adjustment under GSTR-9 table 8C. **Annexure-1.38(a)**	57	22	164.69
	In one case, the Department issued DRC-07 to the taxpayer. In one case, the Department issued DRC-01 to the taxpayer. In two cases, the Department issued ASMT-10 for the financial year 2019-20 and stated that further action cannot be taken as these cases have become time barred			

Sl. No.	Audit parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)
	for taking further action under DGST Act. Reply of the Department was awaited in remaining 53 cases (July 2025).			
5.	**Mismatch in availing of ITC under GSTR-9 Table 6J** The taxpayer provides bifurcation of the ITC availed in form of inputs, input services, and capital goods under GSTR-9 tables 6B to 6H. A comparison of these tables with GSTR-9 Table 6A will throw the possibility of excess ITC availment. Same is shown in GSTR-9 table 6J. **Annexure 1.38(b)**	24	14	69.49
	In three cases, the Department issued DRC-07 to the taxpayers. In one case, the Department issued ASMT-10 and stated that no further action can be taken as period is being time barred. Reply of the Department was awaited in remaining 20 cases (July 2025).			
6.	**Mismatch of ITC as shown in table 12F of GSTR-9C.** Positive difference shown in GSTR-9C table12F shows mismatch of ITC availed as per audited financial statements or books of account (GSTR-9C table 12D) and ITC claimed in annual return (GSTR-9C table 12E). **Annexure 1.38(c)**	2	2	3.68
	Reply of the Department was awaited in both cases (July 2025).			
7.	Short/non-reversal of ITC in lieu of common inputs for taxable and exempted/nil supplies. To check correct reversal of ITC, under rule 42 of DGST Rules, in lieu of common inputs for taxable and exempted/ nil supplies: GSTR-3B table 4B(1) was compared with ITC to be reversed pertaining to Nil/exempt supplies. The ITC to be reversed was worked out using the algorithm (GSTR-9 Table (5D+5E)/ GSTR-9 Table (5N-5F) X [GSTR-9 Table 6B+6C+6D+6E+6F+6G (ITC of input and input services only considered) + Table 8C (-) (the sum of Table 4D (2) of GSTR-3Bs + GSTR-9 Table 7E + Table 12)].**(Annexure 1.39)**	50	11	881.71
	In one case, the Department issued DRC-01 to the taxpayer. In remaining 49 cases, reply of the Department was awaited (July 2025).			
8.	Short/non-reversal of ITC in lieu of capital goods for taxable and exempted/nil supplies. To check correct reversal of ITC, under rule 43 of DGST Rules, in lieu of capital goods for taxable and exempted/ nil supplies: GSTR-9 table 7D (ITC Capital Goods) was compared with ITC to be reversed pertaining to nil/exempt supplies. The ITC to be reversed was worked out using the algorithm worked out using algorithm (GSTR-9 Table (5D+5E)/ GSTR-9 Table (5N-5F) X [GSTR-9 Table6B+6C+6D+6E+6F+ 6G (ITC of capital goods only considered) **(Annexure 1.40)**	10	4	21.95
	Reply of the Department was awaited in all cases (July 2025).			

III. Mismatches relating to discharge of tax liability

The taxable event in case of GST is supply of goods and/or services. Section 9 of the DGST Act is the charging section authorizing levy and collection of tax called Central/State Goods and Services Tax on all intra-State supplies of goods or services or both, except on supply of alcoholic liquor for human consumption, on value determined under Section 15 of the Act ibid and at such rates not exceeding 20 *per cent* under each Act, i.e., CGST Act and SGST Act.

Section 9(4) of the DGST Act and Sections 5(3) and 5(4) of the IGST Act provide for reverse charge levy on certain goods or services, wherein the recipient instead of the supplier, becomes liable to pay tax.

Audit scrutinised GSTR-1, GSTR-3B, GSTR-9 and GSTR-9C returns filed by the taxpayers for the year 2018-19 to 2020-21 and noticed mismatches in discharge of tax liability and turnover by comparing the tax liability and turnover declared in the returns. Audit could not examine these mismatches in detail since relevant granular records were not produced by the Department. The details of mismatches of tax liability and turnover are given in **Table 1.4.6** and **Table 1.4.6 (a)**.

Table 1.4.6: Mismatch related to discharge of tax liability

Sl. No.	Audit parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)
1.	**Tax liability mismatch between GSTR-1, GSTR-9 and GSTR-3B** The tax liability based on the greater of the amounts furnished in GSTR-1 or GSTR-9 was compared with actual payment done as perGSTR-3B table 6.1(A) and GSTR-9 table 14. **(Annexure 1.41)**	45	15	255.02
	In two cases, the Department issued DRC-07to the taxpayers. In remaining 43 cases, reply of the Department was awaited (July 2025).			
2.	**Mismatch in discharge of tax liability under RCM** Maximum liability under RCM shown in returns GSTR-2A, Table 4G of GSTR-9 and Table 3.1d of GSTRB was compared with actual tax liability paid under RCM as per Table 6.1(B) of GSTR-3B. **(Annexure 1.42)**	07	4	10.69
	Reply of the Department was awaited in all cases (July 2025)			
3.	**Mismatch of Tax paid shown in GSTR-9C and GSTR-9** **a)** Mismatch of tax paid as shown in table 9S of GSTR-9C. **(Annexure 1.43 Section-I)** b) Mismatch of Tax paid as per GSTR-9C table 9Q and GSTR-9 table 9. **(Annexure 1.43 Section-II)**	5	5	20.07
	Reply of the Department was awaited in all cases (July 2025)			

Table 1.4.6 (a): Mismatch of Turnover

Sl. No.	Audit parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)
1.	**Reduction of Turnover through Adjustment in table 5O of GSTR-9C** As no reasons are given in GSTR-9C returns for adjustments made in table 5O and negative value in said table indicates that taxpayers may have reduced their turnover by that amount. **(Annexure 1.44)**	27	11	3,573.33

Sl. No.	Audit parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)
	In three cases, the Department issued ASMT-10, and out of which in two cases the Department stated that further no action can be taken as period is time barred. In one case, the Department issued DRC-01 to the taxpayer. In remaining 23 cases, reply of the Department was awaited (July 2025).			
2.	**Suppression of taxable turnover on unbilled revenue** Comparison of Table 5B of GSTR-9C of a year with Table 5H of the previous year's GSTR-9C. **(Annexure 1.45)**	2	2	11.95
	Reply of the Department was awaited in both cases (July 2025).			
3.	**Unreconciled Turnover as per audited financial statements.** As per Table 5R, 7G of GSTR-9C. **(Annexure 1.46)**	2	2	124.89
	Reply of the Department was awaited in both cases (July 2025.			

Recommendation 1.4.3: Department may pursue all the mismatches and initiate remedial action before they became time barred.

1.4.6.4 Other observations

(i) Inadequacy of manpower

For efficient functioning of the Department, proper manpower planning to meet its objectives and its proper deployment is necessary.

The sanctioned and working strength of manpower in the Department in respect of adjudicating authority (Assistant Commissioner and GSTO) and other supporting staff (Inspector) during the years 2018-19 to 2021-22 is shown in **Table 1.4.7**.

Table 1.4.7: Sanctioned and working strength

Year	Name of the posts	Number of sanctioned posts	Actual strength	Number of vacant posts	Percentage of vacant posts
2018-19	Adjudicating authority	300	230	70	23.33
	Supporting staff (Inspector)	127	99	28	22.05
2019-20	Adjudicating authority	300	189	111	37.00
	Supporting staff(Inspector)	127	74	53	41.73
2020-21	Adjudicating authority	300	207	93	31.00
	Supporting staff(Inspector)	127	77	50	39.37
2021-22	Adjudicating authority	304	199	105	34.54
	Supporting staff(Inspector)	129	90	39	30.23

Source: Information provided by the Department of Trade and Taxes.

It can be seen that during 2018-19 to 2021-22, the vacant posts in respect of adjudicating authority ranged between 23.33 *per cent* and 37.00 *per cent*. Further, the vacant posts in respect of supporting staff ranged between 22.05 *per cent* and 41.73 *per cent*. Absence of adequate manpower has adversely impacted the working efficiency of the Department, which is evident in the slow pace of remedial action in scrutiny of returns, lack of action in cases of cancellation of registrations, etc.

1.4.7 Conclusion

The Subject Specific Compliance Audit (SSCA) on Department Oversight on GST Payments and Return Filing was undertaken with an objective of assessing the adequacy of the system in monitoring return filing and tax payments, extent of compliance and other Departmental oversight functions.

This SSCA was predominantly based on data analysis, which highlighted risk areas, red flags and in some cases, rule-based deviations and logical inconsistencies in GST returns filed for 2018-21. The SSCA entailed assessing the oversight functions of Delhi State Tax Department jurisdictional formations (Sectors) at two levels i.e.– at the data level through pan State data queries and at the functional level with a detailed audit of Wards, GST returns and internal audit which involved accessing taxpayer records. The audit sample therefore comprised 10 Wards, 487 high value inconsistencies involving 285 taxpayers across 17 parameters selected through data queries and 70 taxpayers selected on risk assessment for detailed audit of GST returns for the year 2018-21.

Audit of wards disclosed delays in follow up action of scrutiny of returns and cancellation of registration.

In centralised audit, out of 487 high value inconsistencies the Department provided responses in only 127 cases, out of which, the Department had initiated remedial action in 91 cases, by issuing SCN in 74 cases for ₹ 2,656.65 crore and ASMT-10 in 17 cases amounting to ₹ 273.87 crore.

Detailed audit of GST returns also suggested significant mismatches in the GST returns of the taxpayers. Taxpayer records (granular records) were not provided in 66 cases and were partially provided in three cases, therefore, these cases could not be examined in detail.

Considering the significant mismatches identified in centralized and detailed audit, the Department must initiate remedial measures before they get time barred.

1.4.8 *Recommendations at a glance:*

1. *Department may ensure that delays are avoided in issuing notices and notice of demands to taxpayers.*
2. *The Department may ensure assessment of liability at the time of cancellation of registrations and actively pursued recovery of the government dues with the defaulting taxpayers.*
3. *Department may urgently pursue the 360 cases of inconsistencies and deviations in GST returns pointed out by Audit, for which responses have not been provided and intimate the results to Audit.*

4. *Department may pursue all the mismatches and initiate remedial measures before they become time barred.*

1.5 Irregular claim of Input Tax Credit

The Assessing Authority allowed Input Tax Credit (ITC) of ₹ 89.35 lakh to an assessee without verifying the details of tax deposited by the selling dealer which resulted in short levy of tax of ₹ 89.35 lakh. In addition, interest of ₹ 72.70 lakh and penalty of ₹ 89.35 lakh were also leviable.

Section 9(2) (g) of the Delhi Value Added Tax Act, 2004 (DVAT Act) stipulates that no tax credit shall be allowed to a dealer unless the tax paid by the purchasing dealer has actually been deposited by the selling dealer with the Government or has been lawfully adjusted against output tax liability and correctly reflected in the return filed for the respective tax period. Section 86 (10) of the DVAT Act stipulates that any person who furnishes a return under this Act which is false, misleading or deceptive in a material particular shall be liable to pay by way of penalty a sum of ten thousand rupees or the amount of tax deficiency, whichever is greater. Interest shall also be liable under Section 42(2) of the DVAT Act for default in making the payment of any amount.

Audit test-checked records of the Assessing Authority (Ward 208) of Department of Trade and Taxes, Government of National Capital Territory of Delhi (GNCTD) and noticed that an assessee (TIN-07XXXXXX409) had shown local purchases of ₹ 4.47 crore from seller (TIN-07XXXXXX813) in the Annexure-2A (Form DVAT-30) and claimed ITC of ₹ 89.35 lakh in DVAT return (Form DVAT-16) for the fourth quarter of the year 2018-19 filed on 27 February 2020. Further, on cross-verification from sale summary (Annexure 2B-Form DVAT-31) of the seller filed on 30 November 2019, it was found that selling dealer had not shown any sale to the assessee during the year 2018-19. Hence, the ITC claimed by the assessee was not allowable.

However, the Assessing Authority, in its default assessment on 10 March 2022 under Section 32 of the DVAT Act, incorrectly assessed the tax liability of the assessee and allowed inadmissible ITC of ₹ 89.35 lakh to the assessee without verifying the details of tax deposited by the selling dealer. This resulted in short levy of tax of ₹ 89.35 lakh. In addition, interest of ₹ 72.70 lakh (@15 *per cent* per annum) and penalty of ₹ 89.35 lakh were also leviable.

In reply, the Department stated (27 January 2025) that it had issued notice dated 27 January 2025 to the taxpayer and after completion of all necessary procedures, it would issue an appropriate order. Audit observed that the Department followed up its notice with a reminder dated 10 March 2025 and later in view of no response from the assessee, issued (21 March 2025) a *suo moto* assessment order, in line with the audit contention.