The background of the slide is a blue-tinted image of a calculator keypad. A magnifying glass is positioned over the keypad, with its lens centered on the text 'GST Return'. The text 'GST Return' is written in a light blue, sans-serif font. The magnifying glass has a silver handle and a black frame. The overall theme is financial auditing and compliance.

Chapter-II

Subject Specific Compliance Audit

on

**Department's Oversight on GST
Payments and Return Filing**

Chapter-II

Department's Oversight on GST Payments and Return Filing

2.1 Introduction

Goods and Services Tax (GST) has replaced multiple taxes levied and collected by the Centre and States. GST, which came into effect from 1 July 2017, 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 interstate supplies.

Section 59 of the Punjab GST Act (PGST), 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 with the taxpayer. The GST returns must be filed online regularly on the common GST portal, failing which penalties are payable. Even if the business 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 SGST/CGST Rules stipulates that the proper officer may scrutinise 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 Department's oversight mechanism in this new tax regime.

2.2 Organisational setup

The Additional Chief Secretary-cum-Financial Commissioner (Taxation) is overall in-charge of the Department of State Taxes in Punjab. The Department administers Goods and Services Tax as well as Punjab Value Added Tax Act/Central Sales Tax Act in the State, subject to overall control and superintendence of the Commissioner of State Tax with the help of Director (GST) and Additional Commissioner of State Tax at Headquarters, Deputy Commissioners of State Tax at the divisional level and Assistant Commissioners of State Tax (ACsST), State Tax Officers and other allied staff at the district level.

2.3 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 the GST regime. The audit of 'Department's oversight on GST Payments and Return filing' was taken up with the following audit objectives to seek an assurance on:

- i. Whether the rules and procedures were designed to secure an effective check on tax compliance and were being duly observed by taxpayers; and
- ii. Whether the scrutiny procedures, internal audit and other compliance functions of the Circles were adequate and effective.

2.4 Audit methodology and scope

This SSCA was predominantly conducted based on data analysis, which highlighted risk areas and red flags pertaining to the period July 2017 to March 2018, i.e., the first tax period after the introduction of GST. Through data analysis, a set of 13 deviations were identified across the domains of input tax credit, discharge of tax liability, registration and return filing. Such deviations were followed up through centralised audit¹ (limited audit), whereby these deviations were communicated to the Department and action taken by the Department on the identified deviations was ascertained without involving field visits. The centralised audit was supplemented by a detailed audit involving field visits for verification of records available with the field formations (Circles). Returns and related attachments and information were accessed through the GST portal at Commissionerate office. The detailed audit also involved accessing relevant granular records from the taxpayers such as invoices through the respective Circles. This apart, compliance functions of the Circles such as scrutiny of returns, were also reviewed in the selected Circles.

The review of returns scrutinised by the Department covered the period from July 2017 to March 2018 and audit of functions of selected Circles /Department field formation covered the period from 2017-18 to 2020-21.

Before the start of field audit, an Entry Meeting was held on 30 December 2021 with Director (GST) to discuss the audit objectives, scope of audit and sampling. Further, each audit engagement in field office commenced by holding an entry meeting and concluded by holding Exit Meeting with the concerned Assistant Commissioner of State Tax. An Exit Meeting was held with the Financial Commissioner (Taxation) and Department's officers on 17 April 2023. The replies of the Department have been suitably incorporated in the relevant paragraphs.

2.5 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 centralised audit that did not involve field visits; a sample of taxpayers for detailed audit that involved field visits and scrutiny of taxpayer's records at departmental premises; and a sample of Circles for evaluating the compliance functions of the Circles.

¹ Centralised (limited) audit did not involve seeking taxpayer's granular records such as financial statements related ledger accounts, invoices, agreements, etc.

There were *three* distinct parts of this SSCA as under:

Part I-Audit of Circles

Ten Circles were considered as sample for the evaluation of their oversight functions, under whose jurisdiction more than one case was selected for detailed audit.

Part II-Centralised Audit

The sample for 'Centralised Audit' was selected by identification of high-value or high-risk deviations from rules and inconsistencies between returns through data analysis for evaluation of the adequacy and effectiveness of the scrutiny procedure of the Department. Accordingly, 408 taxpayers were selected for Centralised Audit under this SSCA.

Part III-Detailed Audit

Detailed Audit was conducted by accessing taxpayers' records through Circles for evaluation of the extent of tax compliance by taxpayers. The sample of taxpayers for 'Detailed Audit' was selected on the basis of risk parameters such as excess input tax credit, tax liability mismatch, disproportionate exempted turnover to total turnover and irregular input tax credit reversal. The 61 taxpayers pertaining to ten Circles² selected for 'Detailed Audit' comprised of large, medium and small strata³ taxpayers.

The details of audit of Circles selected, sample for centralised audit and detailed audit for this SSCA are brought out in **Appendix 2.1**.

2.6 Audit criteria

The source of audit criteria comprised the provisions contained in the Central GST/State GST Act, Integrated GST Act, and Rules made thereunder. The significant provisions are given in **Table 2.1**.

Table 2.1: Source of criteria

Sr. No.	Subject	Act and Rules
1	Levy and collection	Section 9 of Punjab GST Act, 2017
2	Reverse Charge Mechanism	Section 9(3) of Punjab GST Act, 2017
3	Availing and utilising ITC	Sections 16 to 21 of Punjab GST Act, 2017 Rules 36 to 45 under Punjab GST Rules, 2017
4	Registrations	Section 22 to 25 of Punjab GST Act, 2017 Rules 8 to 26 of Punjab GST Rules, 2017

² Bathinda, Fatehgarh Sahib, Jalandhar-I, Jalandhar-II, Ludhiana-I, Ludhiana-II, Ludhiana-III, Mohali, Muktsar Sahib, Patiala

³ Large taxpayers-39, Medium taxpayers-16 and Small taxpayers-6.

Sr. No.	Subject	Act and Rules
5	Supplies	Section 7 and 8 Punjab GST Act, 2017 Schedule I, II and III of Punjab GST Act, 2017
6	Place of supply	Section 10 to 13 of IGST Act, 2017
7	Time of Supply	Section 12 to 14 of Punjab GST Act, 2017
8	Valuation of supplies	Section 15 of Punjab GST Act, 2017 Rules 27 to 34 of Punjab GST Rules, 2017
9	Payment of Tax	Sections 49 to 53 of Punjab GST Act, 2017 Rules 85 to 88A of Punjab GST Rules, 2017
10	Filing of GST Returns	Sections 37 to 47 of Punjab GST Act, 2017 Rules 59 to 68 and 80 to 81 of Punjab GST Rules, 2017
11	Zero-rated supplies	Section 16 of IGST Act, 2017
12	Assessment and Audit functions	Sections 61, 62, 65 and 66 of Punjab GST Act, 2017 Rules 99 to 102 of Punjab GST Rules, 2017

In addition, the notifications and circulars issued by CBIC⁴/Punjab Taxation 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 utilising input tax credit, 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, etc. also formed part of the audit criteria.

2.7 Audit findings

The audit findings have been categorised into the following three categories:

- Oversight on returns filing
- Oversight on tax payments
- Other oversight functions

2.7.1 Oversight on returns filing

A return is a statement of specified particulars relating to the business activity undertaken by a taxpayer during a prescribed period. Every taxpayer is legally obligated to furnish a complete and correct return during the tax liability for a given period and taxes paid within the stipulated time. In a self-assessment regime, the significance of monitoring return filing by taxpayers acquires greater significance as the returns are the first mode of information about taxpayers and their respective business activities.

⁴ Central Board of Indirect Taxes and Customs

2.7.1.1 Lack of action on late-filers and non-filers

Section 46 of the Punjab GST Act, 2017 read with Rule 68 of Punjab GST Rules, 2017 stipulates issuance of a notice in form GSTR-3A requiring filing of return within fifteen days, if the taxpayer fails to file the return within the due date. In case the taxpayer fails to file the returns even after such notice, the proper officer may proceed to assess the tax liability of the said person to the best of his judgment, taking into account all the relevant material which is available or gathered and issue an assessment order in form ASMT-13. If the said return still remains unfurnished within the statutory period of 30 days from the issuance of order in ASMT-13, then the proper officer may initiate recovery proceedings under Section 79 of the Act. In case the defaulter furnishes a valid return within 30 days of the service of assessment order in form ASMT-13, the said assessment order shall be deemed to have been withdrawn in terms of the provision of Sub-Section (2) of Section 62 of the Act.

In audit of 10 sampled Circles, information and records related to non-filers and late-filers were not provided to Audit (November 2022). The Department also had not maintained pan-State data centrally for the period July 2017 to October 2020 on late/non filing of GSTR-3B returns. As per information provided by the Department (October 2022) for the period November 2020 to March 2021, there were 27,676 non-filers in the selected Circles. Notices in GSTR-3A were issued to all the 27,676 non-filers. The Department had completed best judgement assessments in five cases only with tax demand of ₹ 0.12 crore. In respect of the remaining cases, information was not available with the Department.

During the exit meeting, the Department stated (April 2023) that issue of non-production of records would be examined.

Recommendation 1: The Department may reinforce the institutional mechanism in the circles to establish and maintain effective oversight on returns filing and tax payments.

2.7.1.2 Slow pace of scrutiny of returns

As per Section 61 of the Punjab GST Act, 2017, various returns filed by taxpayers have to be scrutinised by the proper officer to verify the correctness of the returns, and suitable action has to be taken on discrepancies or inconsistencies reflected in the returns. The proper officer designated for this purpose is the State Tax Officer in-charge of the jurisdictional ward. Further, Rule 99 of the Punjab GST Rules, 2017 mandates that the discrepancies, if any, noticed shall be communicated in form GST ASMT-10 to the taxpayer to seek his explanation.

Year-wise status of scrutiny of returns in the Department is given in **Table 2.2**.

Table 2.2: Year-wise status of scrutiny of returns

Financial year	Number of cases in which scrutiny done	Number of cases where ASMT-10 issued	Amount recovered (₹ in crore)
2017-18	Nil	0	0.00
2018-19	Nil	169	0.03
2019-20	Nil	976	0.34
2020-21	Nil	630	0.49

Source: Departmental Data

As per information provided by the Department (October 2022 and June 2023), scrutiny of returns was not undertaken during 2017-18 because more focus was on creating GST awareness among the stakeholders and educating them about the registration and return filing process. Even the tax officials were undergoing training on the new law and GSTN procedures. In such a scenario of massive shift, much focus was not laid on scrutiny of returns.

The Department issued Standard Operating Procedure (SOP) in April 2022 to ensure uniformity in methodology of scrutiny of returns and other related procedures. As per SOP, the selection of returns for scrutiny is based on specific risk parameters i.e., data analysis with pre-defined parameters for a particular financial year. Basic data relevant for scrutiny is auto populated by ETTSA⁵ from various data sources like GSTN and Data Mining Wing. ETTSA had developed a web-based scrutiny application PGEIU⁶ showing ward-wise GSTINs, whose returns are to be scrutinised.

Prior to issue of SOP in April 2022, no specific parameters were framed by the Department for selection of returns for scrutiny.

Details of ASMT-10 issued in the sampled 10 Circles during 2018-19 to 2020-21 are given in **Table 2.3**.

Table 2.3: Details of ASMT-10 issued

Sr. No.	Circle	2018-19				2019-20				2020-21			
		No. of cases where ASMT-10 issued	No. of cases where discrepancy accepted by the taxpayer	Amount recovered (₹ in crore)	No. of remaining cases	No. of cases where ASMT-10 issued	No. of cases where discrepancy accepted by the taxpayer	Amount recovered (₹ in crore)	No. of remaining cases	No. of cases where ASMT-10 issued	No. of cases where discrepancy accepted by the taxpayer	Amount recovered (₹ in crore)	No. of remaining cases
1.	Bathinda	4	0	0	4	93	32	0.02	61	1	0	0	1
2.	Fatehgarh Sahib	0	0	0	0	0	0	0	0	0	0	0	0
3.	Jalandhar-I	2	2	0.02	0	377	54	0.01	323	236	69	0.21	167
4.	Jalandhar-II	1	0	0	1	2	2	0	0	8	3	0	5

⁵ Excise and Taxation Technical Services Agency (ETTSA) is a society created by the Government of Punjab for computerisation of Excise & Taxation Department.

⁶ Punjab GST Enforcement and Investigation Unit Portal.

Sr. No.	Circle	2018-19				2019-20				2020-21			
		No. of cases where ASMT-10 issued	No. of cases where discrepancy accepted by the taxpayer	Amount recovered (₹ in crore)	No. of remaining cases	No. of cases where ASMT-10 issued	No. of cases where discrepancy accepted by the taxpayer	Amount recovered (₹ in crore)	No. of remaining cases	No. of cases where ASMT-10 issued	No. of cases where discrepancy accepted by the taxpayer	Amount recovered (₹ in crore)	No. of remaining cases
5.	Ludhiana-I	0	0	0	0	4	0	0	4	12	5	0.08	7
6.	Ludhiana-II	9	5	0	4	24	4	0	20	14	10	0.04	4
7.	Ludhiana-III	0	0	0	0	25	3	0	22	23	8	0	15
8.	Patiala	0	0	0	0	9	5	0.02	4	2	2	0	0
9.	Mohali	1	0	0	1	9	0	0	9	5	1	0	4
10.	Muksar	25	0	0	25	319	66	0.06	253	200	60	0.04	140
Total		42	7	0.02	35	862	166	0.11	696	501	158	0.37	343

Source: Departmental Data

Analysis of the above data revealed that no ASMT-10 was issued in Fatehgarh Sahib during 2018-19 to 2020-21.

1405 ASMT-10 were issued during 2018-19 to 2020-21, out of which, in 331 cases, the taxpayers had accepted the discrepancies and ₹ 0.50 crore had been recovered. Further, outcome status of ASMT-10 in 35 (83 per cent), 696 (81 per cent), and 343 (68 per cent) cases pertaining to 2018-19, 2019-20 and 2020-21, respectively, was not intimated to Audit.

During the exit meeting, the Department informed (April 2023) that scrutiny of returns was not conducted during the period 2018-19 to 2020-21. It was also stated that those cases where recoveries against ASMT-10 were pending, would be examined.

The Department further intimated (June 2023) that the limitation period of adjudication as per Section 73(10) of Punjab GST Act, 2017 is three years from the due date of furnishing of annual return for the financial year to which the tax was not paid or short paid or input tax credit wrongly availed or utilised relates to or is within three years from the date of erroneous refund. This period was further extended up to 31 December 2023, 31 March 2024 and 30 June 2024 for the financial years 2017-18, 2018-19 and 2019-20, respectively. So adequate time is available for proper scrutiny of returns under Section 61 of Punjab GST Act, 2017, due to which nil or very few ASMT-10 were issued during 2017-18 to 2020-21. Further, after issue of SOP in April 2022, the selected cases for 2017-18, 2018-19 and 2019-20 were sent to the Circles for scrutiny and cases pertaining to 2017-18 were near completion.

Recommendation 2: Year-wise target should be set for scrutiny of cases under Section 61 of Punjab GST Act, 2017.

2.7.1.3 Delay in audit by tax authorities

As per Section 65 of the Punjab GST Act, 2017, the Commissioner or any officer authorised 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 Punjab GST 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 input tax credit availed, and to assess his compliance with provisions of the Act or the rules made thereunder.

Criteria adopted for selection of audit pertaining to the financial year 2017-18 was based on risk parameters as per CBIC and GSTN ratings. For the financial year 2018-19, parameters were as per BIFA⁷ module developed by GSTN. Taxation Department, Punjab strengthened the internal audit in February 2020 and issued GST Audit Manual in January 2021.

The details of audit undertaken by the Department during 2020-23 are given in **Table 2.4**.

Table 2.4: Details of audit

Financial Year	Total number of normal taxpayers	No. of taxpayer selected for audit (in per cent)	Actual number of audits completed (as of March 2023)	₹ in crore	
				Demand created	Recovered
2017-18	1,99,186	449 (0.23%)	447	200.80	14.32
2018-19	2,21,724	449 (0.20%)	175	116.24	8.54
Total		898	622	317.04	22.86

Source: Departmental Data

Above data shows that 0.23 per cent and 0.20 per cent cases for the years 2017-18 and 2018-19 were selected for audit. Further, due to delay in issue of Audit Manual and strengthening of the internal audit wing, the Department conducted the audit for 2017-18 and 2018-19 during 2020-23. 276 cases out of selected 898 cases were not audited and tax demand of ₹ 294.18 crore out of created demand of ₹ 317.04 crore was pending for recovery (March 2023).

During the exit meeting, the Department intimated (April 2023) that GST portal was a robust system, wherein returns were analysed at various levels within the Department. Therefore, cases selected for audit under Section 65 of Punjab GST Act cannot be linked to the total number of taxpayers. Also, the audit has to be conducted keeping in view the manpower available with the Department.

⁷ Business Intelligence and Fraud Analytics

Internal audit is an important tool available with the Department to verify the correctness of records maintained by the taxpayers. The Department may consider increasing its efforts in this area keeping in view the additional tax demand created as a result of internal audit as detailed in **Table 2.4**.

Recommendation 3: Year-wise targets under Section 65 of Punjab GST Act, 2017 may be increased in view of additional tax demand created as a result of internal audit.

2.7.1.4 Action on Tax Intelligence Unit Reports

The CBIC formed Directorate General of Analytics and Risk Management (DGARM) on 11 July 2017 with the aim of studying, interpreting and analysing the GST data and sharing the results with various stakeholders under the Board. Similarly, Punjab Taxation Department established a specialised wing 'Tax Intelligence Unit' (TIU) in January 2023 to detect irregularities and discrepancies in the returns filed by the taxpayers. Additional information available on various platforms like Boweb portal⁸, e-Way bill portal, BIFA⁹, GST Prime¹⁰, etc. is also consulted. Further, ETTSA assists TIU. The reports prepared by TIU are shared with concerned wings of the Department for necessary action and compliance.

This information pertaining to action on TIU reports was called for (March 2023). In the exit meeting, the Department assured (April 2023) that details/data will be provided soon.

As per information provided (June 2023) to Audit, the Department had reversed input tax credit of ₹ 209.09 crore, blocked input tax credit of ₹ 9.78 crore and created demand of ₹ 43.20 crore up to 31 March 2023 by acting upon the reports prepared by TIU.

2.7.2 Oversight on tax payments

2.7.2.1 Inconsistencies in GST returns-Centralised Audit

Audit analysed GST returns data pertaining to 2017-18 as made available by the GSTN. Rule-based deviations and logical inconsistencies in GST returns filed by taxpayers were identified on a set of 13 audit dimensions, which can be broadly categorised into two domains viz. input tax credit and tax payments.

Out of the 13 prescribed GST returns¹¹, the following basic returns that apply to normal taxpayers were considered for the purpose of identifying deviations,

⁸ Back-end GST Portal

⁹ Business Intelligence and Fraud Analytics

¹⁰ GST Prime is a product by National Informatics Centre (NIC) to help the tax administrators of State/Centre to analyse and monitor the tax collection and compliance in their jurisdiction.

¹¹ 1. GSTR-1 2. GSTR-3B, 3. GSTR-4 (taxpayers under the Composition scheme) 4. GSTR-5 (non-resident taxable person) 5. GSTR-5A (Non-resident OIDAR service providers) 6. GSTR-6 (Input service distributor) 7. GSTR-7 (taxpayers deducting TDS) 8. GSTR-8 (E-commerce operator) 9. GSTR-9 (Annual Return) 10. GSTR-10 (Final return) 11. GSTR-11 (person having UIN and claiming a refund) 12. CMP-08 13. ITC-04 (Statement to be filed by a principal/job-worker about details of goods sent to/received from a job-worker)

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-3B: Monthly summary return of outward supplies and input tax credit claimed, along with payment of tax by the taxpayer to be filed by all taxpayers except those specified under Section 39(1) of the Act. This is the return that populates the 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 input tax credit and inward supplies.
- 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.
- GSTR-2A: System-generated statement of inward supplies for recipient. It contains the details of all B2B¹² 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 ICEGATE¹³ Portal of Indian Customs.

The pan-Punjab data analysis pertaining to State jurisdiction on the 13 identified audit dimensions and extent of deviations/inconsistencies observed (sample for centralised audit) are summarised in **Table 2.5**.

¹² Business to Business

¹³ Indian Customs Electronic Data Interchange Gateway

Table 2.5: Summary of pan Punjab data analysis

Sr. No	Audit dimension	Algorithm used	Number of deviations	Amount of deviations / Mismatches (₹ in crore)
1.	Non-filing of GSTR-3B Returns	Taxpayers who had not filed GSTR-3B but filed GSTR-1 or where GSTR-2A available, indicating taxpayers had carried on the business without discharging tax.	25	8.62
2.	Mismatch in total turnover between Annual Return and Financial Statements [Table 5R of GSTR-9C]	Negative figure in GSTR-9C, Table 5R and examination of reasons provided in Table 6 for mismatch	50	9,601.19
3.	Mismatch in taxable turnover between Annual Return and Financial Statements [Table 7G of GSTR-9C]	Negative figure in GSTR-9C, Table 7G and examination of reasons provided in Table 8 for mismatch	22	1777.64
4.	Mismatch in tax paid between books of accounts and tax payable in Annual Return [Table 9R of GSTR-9C]	Negative figure in GSTR-9C, Table 9R and examination of reasons provided in Table 10 for mismatch	50	81.51
5.	Mismatch between ITC availed in Annual Return and Financial Statements (Table 12F of GSTR-9C)	Positive figure in GSTR-9C, Table 12F and examination of reasons provided in Table 13 for mismatch	25	83.15
6.	Mismatch in ITC declared in Annual Returns with expenses in Financial Statements [Table 14T of GSTR-9C]	Positive figure in GSTR-9C, Table 14T and examination of reasons provided in Table 15 for mismatch	25	1,335.34
7.	Availing of ITC under Reverse Charge Mechanism	RCM liability declared in GSTR-9 Table 4G was compared with ITC availed in GSTR-9 Table (6C+6D+6F). In those cases where GSTR-9 was not available, RCM liability in GSTR-3B Table 3.1(d) was compared with GSTR-3B Table {4(A)(2) + 4(A) (3)}.	25	1.91

Sr. No	Audit dimension	Algorithm used	Number of deviations	Amount of deviations / Mismatches (₹ in crore)
8.	Excess availing of ITC under Reverse Charge Mechanism than corresponding tax paid	RCM payments in GSTR-3B Table 3.1 (d) was compared with ITC availed in GSTR-9 Table (6C+6D+6F). In those cases where GSTR-9 was not available, check was restricted within GSTR-3B, RCM payments in Table 3.1 (d) vis-a-vis ITC availed in Table {4A(2) + 4A(3)}	50	25.06
9.	Excess availing of input tax credit	ITC available as per GSTR-2A with all its amendments was compared with ITC availed in GSTR-3B {Table 4(A)(5)} (accrued on domestic supplies) considering the reversal in Table 4(B)(2) but including ITC availed in the subsequent year 2018-19 from Table 8(C) of GSTR-9.	49	53,697.99
10.	Non/Short payment of interest on delayed payments of tax	Interest calculated at the rate of 18 per cent on cash portion of tax payment on delayed filing of GSTR-3B vis-a-vis interest declared in GSTR-3B Table 6.1.	25	6.99
11.	Composite dealers dealing with e-Commerce business	E-commerce GSTR-8 became effective from 01.01.2018 when TCS provisions became effective. GSTINs declared in GSTR-8 who are also filing GSTR-4 under composition scheme.	11	0
12.	Excess availment of input tax credit than transferred by Input Service Distributor	ISD received in GSTR-9 Table 6G or GSTR-3B Table 4(A)(4) of the recipients was compared with ITC transferred in GSTR-6 of the distributor.	26	24.48

Sr. No	Audit dimension	Algorithm used	Number of deviations	Amount of deviations /Mismatches (₹in crore)
13.	Undischarged tax liability	Greater of tax liability between GSTR-1 (Table 4 to 11) and GSTR-9 (Table 4N, 10 & 11) was compared with tax paid details in GSTR 3B Table {3.1 (a) + 3.1 (b)}. In cases where GSTR-9 was not available, tax paid in GSTR-3B was compared with GSTR-1 liability. The amendments and advance adjustments declared in GSTR-1 and GSTR-9 were duly considered.	25	174.09
Total			408	66,817.97

A Non-submission of reply by the department

Audit queries were issued to the respective Circles between February 2022 and March 2022 in respect of deviations/inconsistencies identified in 408 cases of 2017-18 (**Table 2.5 above**) without further scrutiny of taxpayer's records. The audit checks in these cases were limited to verifying the Department's action on identified deviations/mismatches.

As of May 2023, initial responses were yet to be received for deviations/inconsistencies in seven cases communicated to the Department (February 2022 to July 2022), which represent a mismatch of turnover of ₹ 71.48 crore in one case and mismatch of tax liability/input tax credit of ₹ 7.58 crore in six cases as detailed in **Table 2.6**.

Table 2.6: Replies not received on identified deviations/inconsistencies

Audit Dimension	Sample		Reply not received		Percentage	
	No.	Amount of mismatch (₹in crore)	No.	Amount of mismatch (₹in crore)	No.	Amount (₹in crore)
Non-filing of GSTR-3B Returns	25	8.62	1	0.82	4.00%	9.51%
Mismatch in total turnover between Annual Return and Financial Statements [Table 5R of GSTR-9C]	50	9,601.19	1	71.48	2.00%	0.74%

Audit Dimension	Sample		Reply not received		Percentage	
	No.	Amount of mismatch (₹ in crore)	No.	Amount of mismatch (₹ in crore)	No.	Amount (₹ in crore)
Mismatch between ITC availed in Annual Return and Financial Statements [Table 12F of Form GSTR-9C]	25	83.15	1	1.58	4.00%	1.90%
Excess availing of ITC under Reverse Charge Mechanism than corresponding tax paid	50	25.06	1	0.11	2.00%	0.44%
Excess availing of input tax credit	49	53,697.99	2	2.38	4.08%	0.00%
Undischarged tax liability	25	174.09	1	2.69	4.00%	1.55%
Total	224	63,590.10	7	79.06	3.12%	0.12%

Considering the rate of conversion of inconsistencies into compliance deviations as brought out in the next paragraph, the Department is required to expedite verification of these seven cases on priority. Details of these cases are listed in **Table 2.7**.

Table 2.7: Details of cases, where Department's responses were not received

Sr. No.	Audit Dimension	GSTIN	Jurisdiction	Amount (₹ in crore)
1.	Non-filing of GSTR-3B Returns	03*****1ZN	Gurdaspur	0.82
2.	Mismatch in total turnover between Annual Return and Financial Statements [Table 5R of GSTR-9C]	03*****1ZJ	Gurdaspur	71.48
3.	Mismatch between ITC availed in Annual Return and Financial Statements [Table 12F of Form GSTR-9C]	03*****1Z6	Gurdaspur	1.58
4.	Excess availing of ITC under Reverse Charge Mechanism than corresponding tax paid	03*****1ZQ	Ludhiana-I	0.11
5.	Excess availing of input tax credit	03*****1ZN	Ludhiana-II	1.23
6.	Excess availing of input tax credit	03*****1Z1	Ludhiana-II	1.15
7.	Undischarged tax liability	03*****1ZA	Ludhiana-I	2.69
Total				79.06

B Results of Centralised Audit

Based on responses received from the Department to the audit queries, the extent to which each of 13 audit dimensions has been translated into compliance deviations, is summarised in **Table 2.8**. The category-wise details of cases included in this table are annexed to the report at **Appendix 2.2**.

Table 2.8: Summary of deficiencies

(₹ in crore)

		Audit Dimensions													Total	
		Non-filing of GSTR-3B Returns	Mismatch in total turnover declared in GSTR-9C (Table 5R)	Mismatch in taxable turnover declared in GSTR-9C (Table 7G)	Mismatch in tax paid between AR and Books of accounts (Table 9R)	Mismatch in ITC availed between AR and FS (Table 12F)	Mismatch in ITC declared in AR with expenses in FS (Table 14T)	ITC availed under RCM vs payment of tax	Excess availing of ITC under RCM than corresponding tax paid	Excess availing of ITC	Short payment of interest	Composition taxpayer availing e-commerce facility	Incorrect availing of ISD credit	Undischarged tax liabilities		
		1	2	3	4	5	6	7	8	9	10	11	12	13		
Cases where reply received	No.	24	49	22	50	24	25	25	49	47	25	11	26	24	401	
	Amt	7.80	9529.71	1777.64	81.51	81.57	1335.34	1.91	24.95	53695.61	6.99	0.00	24.48	171.40	66738.91	
Department reply accepted by Audit	Data Entry errors	No.	0	3	10	10	7	25	15	26	14	0	0	8	5	123
		Amt	0.00	5159.36	1184.40	48.20	30.02	1335.32	1.15	5.53	53606.27	0	0	1.57	58.00	61429.82
	Action taken before query	No.	3	1	0	7	2	0	0	1	2	10	1	1	4	32
		Amt	1.37	47.03	0	10.97	6.05	0.00	0.00	0.12	5.87	2.98	0.00	0.32	17.85	92.56
	Other valid explanations	No.	0	20	12	7	7	0	1	0	3	0	10	1	0	61
		Amt	0.00	1335.90	593.23	6.79	23.36	0.00	0.10	0.00	13.85	0.00	0.00	0.00	0.00	1973.23
Compliance Deviations	Accepted by Department including cases, where action is yet to be initiated	Recovered	No.	1	0	0	4	0	0	2	1	2	3	0	0	14
			Amt	0.00	0.00	0.00	0.55	0.00	0.00	0.06	0.10	0.20	1.20	0.00	0.00	0.02
	SCN issued	No.	13	0	0	3	1	0	2	3	2	8	0	1	3	36
		Amt	9.01	0	0	1.98	0.08	0.00	0.22	0.54	6.36	1.49	0.00	0.32	14.71	34.71
	ASMT-10	No.	3	2	0	3	1	0	1	1	3	0	0	1	4	19
		Amt	0.17	61.88	0.00	2.11	3.82	0.00	0.07	4.26	16.13	0.00	0.00	4.17	28.04	120.65
	Under correspondence with taxpayers	No.	0	0	0	1	0	0	1	0	1	0	0	1	0	4
		Amt	0	0.00	0.00	0.95	0	0.00	0.07	0	1.27	0.00	0.00	3.42	0	5.71
	Department's reply not acceptable to Audit (Rebuttal)	No.	4	5	0	2	1	0	1	4	3	0	0	2	2	24
		Amt	0.80	635.97	0.00	2.07	3.20	0.00	0.09	1.87	6.64	0.00	0.00	0.60	5.73	656.97
Total	No.	21	7	0	13	3	0	7	9	11	11	0	5	10	97	
	Amt	9.98	697.85	0	7.66	7.1	0.00	0.51	6.77	30.6	2.69	0.00	8.51	48.50	820.17	
Department's reply not furnished with appropriate documentary evidence	No.	0	18	0	13	5	0	2	13	16	4	0	11	5	87	
	Amt	0.00	2289.57	0	7.43	13.10	0	0.14	12.10	35.82	1.25	0.00	14.17	47.96	2421.54	
Department stated that they are examining the audit query	No.	0	0	0	0	0	0	0	0	1	0	0	0	0	1	
	Amt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.76	0.00	0.00	0.00	0.00	1.76	

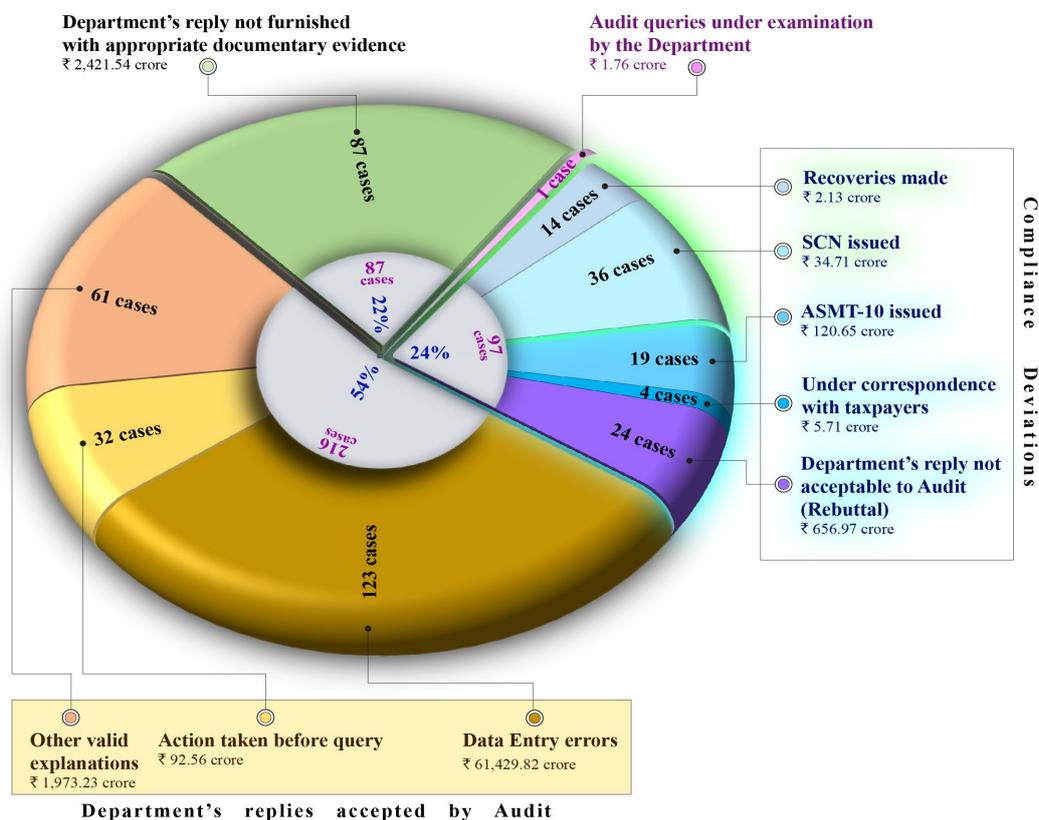
☞ The words 'AR' and 'FS' used in title of above table, mean 'Annual Return' and 'Financial Statement', respectively.

☞ The amount in above table under 'Recovered' and 'SCN issued' category is as per recoveries made and amount of SCN issued by the Department irrespective of the amount pointed out by Audit.

C Summary of Centralised Audit

Summary of Centralised Audit, where the Department's replies were received, is shown in **Chart 2.1** below.

Chart 2.1: Summary of Centralised Audit where replies were received



Out of deviations/inconsistencies in 401 cases, for which the Department's responses were received, in 50 cases (12.47 per cent) involving ₹ 36.84 crore, the Department accepted the deviations/inconsistencies out of which ₹ 2.13 crore was recovered in 14 cases and Show Cause Notice (SCN) amounting to ₹ 34.71 crore issued in 36 cases. Further, the Department issued ASMT-10 in 19 cases involving ₹ 120.65 crore to seek the taxpayers' reply which represent a mismatch of turnover of ₹ 61.88 crore in two cases and mismatch of tax liability/input tax credit of ₹ 58.77 crore in 17 cases. In these cases, higher rates of deviations were noticed in risk areas such as input tax credit mismatch, excess input tax credit availed under reverse charge, incorrect turnover declarations and short payment of tax.

In five cases (1.25 per cent), the Department stated that four cases involving ₹ 5.71 crore were under correspondence with the taxpayer and one case involving ₹ 1.76 crore was being examined.

In 87 cases amounting to ₹ 2421.54 crore (including mismatch of turnover), the Department did not accept the deviations pointed out by Audit. Its contention was not borne out by evidence, and was thus, not amenable to verification by Audit and in 24 cases amounting to ₹ 656.97 crore (including

mismatch of turnover), the Department's replies were not acceptable to Audit and further clarification was sought.

In 216 cases (53.86 per cent) where the Department's reply was acceptable to Audit, data entry errors by taxpayers comprised 123 cases (30.67 per cent), the Department had proactively taken action in 32 cases, and in 61 cases, the Department had valid explanations.

High value cases for each audit dimension of Centralised Audit (for compliance deviation pertaining to cases of recovery, ASMT-10, SCN issued and under correspondence with taxpayer) are detailed below in **Table 2.9**.

Table 2.9: Highest value cases for each audit dimension

Sr. No.	Audit dimension	GSTIN	Circle	Amount (₹ in crore)	Action taken
1.	Non-filing of GSTR-3B returns	03*****2ZI	Ludhiana-I	3.17	SCN
2.	Mismatch in turnover declared in GSTR-9C (Table 5R)	03*****1ZU	Mohali	31.69	ASMT-10
3.	Mismatch in taxable turnover declared in GSTR-9C (Table 7G)	No recovery, ASMT-10 or SCN was issued under any case in this category. Department's replies accepted by Audit.			
4.	Mismatch in tax paid between Annual Returns and Financial Statements (Table 9R)	03*****1Z0	Amritsar-I	0.97	SCN
5.	Mismatch between ITC availed in Annual Returns and Financial Statements (Table 12F of GSTR-9C)	03*****1ZH	Mohali	3.82	ASMT-10
6.	Mismatch between ITC declared in Annual Returns with expenses in Financial Statements (Table 14T of GSTR-9C)	No recovery, ASMT-10 or SCN was issued under any case in this category. Department's replies accepted by Audit.			
7.	Availing of ITC under Reverse Charge Mechanism	03*****1Z3	Fatehgarh Sahib	0.13	SCN
8.	Excess availing of ITC under RCM than corresponding tax paid	03*****1ZX	Fatehgarh Sahib	4.26	ASMT-10
9.	Excess availing of input tax credit	03*****1Z5	Fatehgarh Sahib	12.22	ASMT-10
10.	Short/non-payment of interest on delayed payment of tax	03*****1ZM	Ludhiana-II	0.66	Recovered
11.	Composition taxpayer also availing e-commerce facility	No recovery, ASMT-10 or SCN was issued under any case in this category. Department's replies accepted by Audit.			
12.	Incorrect availing of ISD input tax credit	03*****1ZN	Ludhiana-III	4.17	ASMT-10
13.	Undischarged tax liabilities	03*****1ZQ	Ludhiana-III	12.32	ASMT-10

The illustrative cases included in the above table are explained below:

1. Non-filing of GSTR-3B

The Punjab GST Act, 2017 prescribed three returns i.e., form GSTR-1 (for outward supplies), form GSTR-2 (for inward supplies) and form GSTR-3 (combined return for outward and inward supplies). However, due to technical glitches in the system, a simplified return in form GSTR-3B¹⁴ was introduced in lieu of form GSTR-3 as a stop gap arrangement, which was to be filed on a monthly basis. Therefore, GSTR-3B became the instrument through which the tax liability was discharged and input tax credit was availed by the registered persons.

Audit noticed (February 2022) in case of a taxpayer having GSTIN 03*****2ZI under the jurisdiction of Ludhiana-I that GSTR-1 and GSTR-2A returns for the year 2017-18 were available on GSTN but GSTR-3B returns were not available. Availability of GSTR-1 and GSTR-2A indicated that the taxpayer had carried out the business but did not discharge his tax liability because GSTR-3B returns were not found. Such cases also carry the risk of irregular passing of input tax credit. In this case, the tax liability as per GSTR-1 was ₹ 1.41 crore, whereas input tax credit of ₹ 0.70 crore was available as per GSTR-2A. As the registered persons had not filed GSTR-3B, no evidence for discharge of balance tax liability was available, indicating that tax liability of ₹ 0.71 crore was not discharged.

In response, the Department replied (March 2023) that SCN for tax liability (including interest and penalty) of ₹ 3.17 crore in DRC-01 has been issued.

2. Mismatch in total turnover declared in Table 5R of GSTR-9C

Table 5 of GSTR-9C attempts to reconcile the turnover declared in the audited annual financial statement with turnover declared in the annual return GSTR-9. Column 5R of this table captures the unreconciled turnover between the annual return GSTR 9 and that declared in the financial statement.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of Punjab GST Rules, 2017 in form GSTR-9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in turnover reported in the annual return *vis-à-vis* the financial statement. The unreconciled amount in cases, where the turnover declared in GSTR-9 was less than that declared in the financial statement, carried the risk of non-reporting, under-reporting, short-reporting, omission and error in reporting of supplies that could lead to evasion or short payment of tax. It could also be a case of non-reporting of both taxable and exempted supplies.

¹⁴ **GSTR-3B:** Monthly summary return of outward supplies and input tax credit claimed, along with payment of tax, to be filed by all registered persons except those specified under Section 39(1) of the Punjab GST Act, 2017. This is the return that populates the credit and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger.

Audit noticed (February 2022) in case of a taxpayer having GSTIN 03*****1ZU under the jurisdiction of Mohali that there was unreconciled turnover of ₹ 31.69 crore in Table 5R of GSTR-9C.

In response, the Department replied (March 2023) that ASMT-10 had been issued to the taxpayer.

3. *Mismatch in tax paid between Annual Returns and Financial Statements (Table 9R of GSTR 9C)*

Table 9R of GSTR-9C attempts to reconcile the tax paid by segregating the turnover rate-wise and comparing it with the tax discharged as per annual return GSTR-9. The unreconciled amounts could potentially indicate tax levied at incorrect rates, incorrect depiction of taxable turnover as exempt or *vice versa* or incorrect levy of CGST/SGST/IGST. There can also be situations wherein supplies/tax declared are reduced through amendments (net of debit notes/credit notes) in respect of financial year 2017-18 transactions carried out in the subsequent year from April to September 2018.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of Punjab GST Rules, 2017 in form GSTR-9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in tax paid between the annual return and the financial statement.

Audit noticed (February 2022) in case of a taxpayer having GSTIN 03*****1Z0 under the jurisdiction of Amritsar-I that there was unreconciled payment of tax of ₹ 0.39 crore in Table 9R of GSTR-9C.

In response, the Department replied (March 2023) that SCN for tax liability (including interest) of ₹ 0.97 crore in DRC-01 has been issued.

4. *Mismatch in input tax credit availed between Annual Returns and Financial Statements (Table 12F of GSTR-9C)*

Table 12 of GSTR-9C reconciles the input tax credit declared in the annual return GSTR-9 with the input tax credit availed as per audited annual financial statement or books of accounts.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of Punjab GST Rules, 2017 in form GSTR-9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in input tax credit availed between the annual return and financial statement.

Audit noticed (February 2022) in case of a taxpayer having GSTIN 03*****1ZH under the jurisdiction of Mohali that there was unreconciled input tax credit of ₹ 3.82 crore in Table 12F of GSTR-9C.

In response, the Department replied (March 2023) that ASMT-10 under Section 61 of Punjab GST Act had been initiated.

5. *Availing of input tax credit under Reverse Charge Mechanism*

The extent of availing of input tax credit under Reverse Charge Mechanism (RCM) for the year 2017-18 without discharging equivalent tax liability or, in other words, short payment of tax under RCM was analysed by comparing the datasets pertaining to GSTR-3B and annual return GSTR-9 to check whether the tax has been discharged fully on the activities/transactions under RCM. In cases where GSTR-9 was filed, the RCM payments in Table 4G was compared with input tax credit availed in Tables 6C, 6D and 6F. In cases where GSTR-9 was not available, RCM payments in Table 3.1(d) of GSTR-3B was compared with Tables 4(A) (2) and 4(A) (3).

Audit noticed (March 2022) in case of a taxpayer having GSTIN 03*****1Z3 under the jurisdiction of Fatehgarh Sahib that tax liability under RCM as per Table 3.1(d) of GSTR-3B was zero, whereas corresponding input tax credit availed in Table 4A (2)/(3) of GSTR-3B was ₹ 0.07 crore, causing mismatch of ₹ 0.07 crore.

In response, the Department replied (March 2023) that SCN for tax liability (including interest) of ₹ 0.13 crore in DRC-01 has been issued.

6. *Excess availing of input tax credit on Reverse Charge Mechanism than corresponding tax paid*

As per provisions under Section 9(3), Section 9(4) of the Punjab GST Act, 2017 and Section 5(3), Section 5(4) of the Integrated GST Act, 2017, the liability to pay tax lies with the recipient of goods or services instead of the supplier or provider under certain categories of goods or services or both. One of the condition is that the supplier of goods or services or both is not registered under GST.

GSTR-9 is an annual return to be filed once for each financial year, by the registered taxpayers who were regular taxpayers, including SEZ units and SEZ developers. The taxpayers are required to furnish details of purchases, sales, input tax credit or refund claimed or demand created, etc.

To analyse the veracity of input tax credit availed on tax paid under reverse charge mechanism for the year 2017-18, the datasets pertaining to GSTR-3B and annual return GSTR-9 were compared to check whether the input tax credit availed under reverse charge mechanism was restricted to the extent of tax paid. The methodology adopted was to compare the tax discharged in Table 3.1 (d) of GSTR-3B with input tax credit availed in Tables 6C¹⁵, 6D¹⁶ and 6F¹⁷ of GSTR-9. In cases where GSTR-9 was not available, the check was restricted

¹⁵ Inward supplies receive from unregistered persons liable to reverse charge

¹⁶ Inward supplies received from registered persons liable to reverse charge

¹⁷ Import of services

within GSTR-3B and the tax discharged in Table 3.1 (d) of GSTR-3B was compared with the input tax credit availed under Tables 4A (2)¹⁸ and 4A (3)¹⁹.

Audit noticed (March 2022) in case of a taxpayer having GSTIN 03*****1ZX under the jurisdiction of Fatehgarh Sahib that input tax credit on reverse charge basis availed as per Tables 4 A(2) + 4 A(3) of GSTR-3B was ₹ 4.26 crore; however, tax payment under reverse charge mechanism as per Table 3.1 (d) of GSTR-3B was zero. Thus, there was mismatch of ₹ 4.26 crore between the tax paid and input tax credit availed under reverse charge mechanism.

In response, the Department replied (March 2023) that ASMT-10 had been issued to the taxpayer.

7. Excess availing of input tax credit

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 input tax credit declared and payment of tax are self-declared by the taxpayer.

To analyse the veracity of input tax credit utilisation, the relevant data sets were extracted from GSTR-3B and GSTR-2A for the year 2017-18, and the input tax credit paid as per suppliers' details was matched with the input tax credit availed by the recipient taxpayers. The methodology adopted was to compare the input tax credit available as per GSTR-2A with all its amendments and the input tax credit availed in GSTR-3B in Table 4A(5)²⁰ considering the reversals in Table 4B(2)²¹ but including the input tax credit availed in the subsequent year 2018-19 in Table 8C of GSTR-9.

Audit noticed (March 2022) in case of a taxpayer having GSTIN 03*****1Z5 under the jurisdiction of Fatehgarh Sahib that the input tax credit available as per GSTR-2A was ₹ 1.38 crore, whereas input tax credit availed in Table 4A(5) of GSTR-3B was ₹ 13.60 crore (including the input tax credit availed in the subsequent year 2018-19 in Table 8C of GSTR-9). Thus, there was mismatch of ₹ 12.22 crore between input tax credit available and input tax credit availed.

In response, the Department replied (March 2023) that ASMT-10 had been issued to the taxpayer.

8. Short payment of interest on delayed payment of tax

Section 50 of the Punjab GST Act, 2017 stipulates that if any person liable to pay tax in accordance with the provisions of this Act or the rules made

¹⁸ Import of services

¹⁹ Inward supplies (liable to reverse charge)

²⁰ All other eligible Input Tax Credit

²¹ Other Input Tax Credit reversed

thereunder fails to pay the tax or any part thereof to the Government within the period prescribed, he 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 2017-18 was identified using the tax paid details in GSTR-3B and the date of filing of return. Only the net tax liability (cash component) was considered to work out the interest payable.

Audit noticed (March 2022) in case of a taxpayer having GSTIN 03*****1ZM under the jurisdiction of Ludhiana-II that GSTR-3B returns for the months from July 2017 to March 2018 were belatedly filed with delays which ranged between 46 and 214 days, on which interest amounting to ₹ 0.66 crore was payable.

In response, the Department replied (April 2023) that the tax liability of ₹ 0.66 crore had been recovered in DRC-03.

9. *Incorrect availing of ISD credit*

Rule 39(1)(a) of Punjab GST Rules, 2017 provides that an Input Service Distributor shall distribute input tax credit available with him and provide details thereof in GSTR-6²² return.

Audit noticed (April 2022) in case of a taxpayer having GSTIN 03*****1ZN under the jurisdiction of Ludhiana-III that the input tax credit availed in Table 6G of GSTR 9 was ₹ 4.17 crore, whereas corresponding input tax credit transferred by the Input Service Distributor in GSTR-6 was zero.

In response, the Department replied (March 2023) that ASMT-10 had been issued to the taxpayer.

10. *Undischarged tax liability*

GSTR-1 depicts the monthly details of outward supplies of Goods or Services. This detail is also assessed by the taxpayer and declared in the annual return GSTR-9 in the relevant columns. Further, taxable value and tax paid thereof is also shown in the monthly return GSTR-3B.

To analyse the undischarged tax liability, relevant data sets were extracted from GSTR-1 and GSTR-9 for the year 2017-18 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 GSTR-9 were also considered for this purpose.

²² **GSTR-6:** Monthly return for Input Service Distributors providing the details of their distributed input tax credit and inward supplies.

For the algorithm, Tables 4 to 11 of GSTR-1 and Tables 4N, 10 and 11 of GSTR-9 were considered. The greater of the tax liability between GSTR-1 and GSTR-9 was compared with the tax paid as reflected in Tables 9 and 14 of GSTR-9 to identify the short payment of tax. In case of GSTR-3B, Tables 3.1(a)²³ and 3.1(b)²⁴ were taken into account.

Audit noticed (July 2022) in case of a taxpayer having GSTIN 03*****1ZQ under the jurisdiction of Ludhiana-III that tax payable in Tables 4N, 10 and 11 of GSTR-1 was ₹ 12.32 crore and the tax paid as per GSTR-3B was ₹ 0.0002 crore. Thus, there was mismatch of tax liability of ₹ 12.32 crore between GSTR-1 and GSTR-3B.

In response, the Department replied (March 2023) that ASMT-10 had been issued to the taxpayer.

D Analysis of causative factors

Considering the Department's response to deviations/inconsistencies in 408 cases, the factors that caused the data deviations/inconsistencies are discussed below.

Out of the 13 audit dimensions summarised in **Table 2.8** above, the Department accepted the audit observations or initiated examination in 73 cases²⁵ with tax effect of ₹ 163.20 crore which represent a mismatch of turnover of ₹ 61.88 crore in two cases and mismatch of tax liability/input tax credit of ₹ 101.32 crore in 71 cases. Out of these cases, the Department recovered ₹ 2.13 crore in 14 cases (**Appendix 2.2-IV**), issued SCN in 36 cases for ₹ 34.71 crore (**Appendix 2.2-V**), issued ASMT-10 notices in 19 cases for ₹ 120.65 crore (**Appendix 2.2-VI**) which relates to mismatch of turnover of ₹ 61.88 crore in two cases and tax liability/ input tax credit of ₹ 58.77 crore in 17 cases, and four cases for ₹ 5.71 crore were under correspondence with the taxpayers (**Appendix 2.2-VII**).

The details of the top five accepted cases are given in **Table 2.10** below.

Table 2.10: Top five cases accepted or action initiated by the Department

Sr. No	GSTIN	Jurisdiction	Audit dimension	Amount (₹ in crore)	Action taken
1.	03*****1Z7	Patiala	Undischarged tax liability	7.86	SCN issued
2.	03*****1Z4	Fatehgarh Sahib	Undischarged tax liability	3.73	SCN issued
3.	03*****1Z8	Ludhiana-II	Excess availing of ITC	3.40	SCN issued
4.	03*****2Z1	Ludhiana-I	Non filing of GSTR-3B	3.17	SCN issued
5.	03*****1Z1	Fatehgarh Sahib	Undischarged tax liability	3.12	SCN issued
Total				21.28	

²³ Outward taxable supplies (Other than zero rated, nil rated and exempted).

²⁴ Outward taxable supplies (Zero rated).

²⁵ Recovered: 14 (₹ 2.13 crore), SCN: 36 (₹ 34.71 crore), ASMT-10: 19 (₹ 120.65 crore = ₹ 61.88 crore in two cases + ₹ 58.77 crore in 17 cases), Under correspondence with taxpayer: 4 (₹ 5.71 crore)

The illustrative cases included in above table are explained below.

1. Undischarged tax liability

Audit noticed (July 2022) in case of a taxpayer having GSTIN 03*****1Z7 under the jurisdiction of Patiala that tax payable in Tables 4 to 11 of GSTR-1 was ₹ 7.23 crore, whereas tax paid as per GSTR-3B was ₹ 3.27 crore. The mismatch in tax liability of ₹ 3.96 crore between GSTR-1 and GSTR-3B was communicated to the Department.

In response, the Department replied (March 2023) that SCN for tax liability (including interest and penalty) of ₹ 7.86 crore in DRC-01 has been issued.

2. Undischarged tax liability

Audit noticed (July 2022) in case of a taxpayer having GSTIN 03*****1Z4 under the jurisdiction of Fatehgarh Sahib that tax payable in Tables 4 to 11 of GSTR-1 of the taxpayer was ₹ 5.93 crore whereas the tax paid as per GSTR-3B was ₹ 1.71 crore. The mismatch of tax liability of ₹ 4.22 crore between GSTR-1 and GSTR-3B was communicated to the Department.

In response, the Department replied (March 2023) that SCN for tax liability (including interest and penalty) of ₹ 3.73 crore in DRC-01 has been issued.

3. Excess availing of Input tax credit

Audit noticed (March 2022) in case of a taxpayer having GSTIN 03*****1Z8 under the jurisdiction of Ludhiana-II that the input tax credit available as per GSTR-2A was ₹ 1.34 crore, whereas input tax credit availed in Table 4A(5) of GSTR-3B was ₹ 3.10 crore (including the input tax credit availed in the subsequent year 2018-19 in Table 8C of GSTR-9). Thus, there was mismatch of ₹ 1.76 crore between input tax credit available and input tax credit availed.

In response, the Department replied (March 2023) that DRC-07 for tax liability of ₹ 3.40 crore (including interest) has been issued to the taxpayer.

4. Non filing of GSTR-3B

Audit noticed (February 2022) in case of a taxpayer having GSTIN 03*****2ZI under the jurisdiction of Ludhiana-I that GSTR-1 and GSTR-2A returns for the year 2017-18 were available on GSTN but GSTR-3B returns were not available. Availability of GSTR-1 and GSTR-2A indicated that the taxpayer had carried out the business but did not discharge his tax liability because GSTR-3B returns were not found. Such cases also carry the risk of irregular passing of input tax credit. In this case, the tax liability as per GSTR-1 was ₹ 1.41 crore, whereas input tax credit of ₹ 0.70 crore was available as per GSTR-2A. As the registered person had not filed GSTR-3B, no evidence for discharge of balance tax liability was available, indicating that tax liability of ₹ 0.71 crore was not discharged.

In response, the Department replied (March 2023) that SCN for tax liability (including interest and penalty) of ₹ 3.17 crore in DRC-01 has been issued.

5. Undischarged tax liability

Audit noticed (July 2022) in case of a taxpayer having GSTIN 03*****1Z1 under the jurisdiction of Fatehgarh Sahib that tax payable in Tables 4 to 11 of GSTR-1 of the taxpayer was ₹ 2.86 crore and the tax paid as per GSTR-3B was ₹ 0.27 crore. The mismatch of tax liability of ₹ 2.59 crore between GSTR-1 and GSTR-3B was communicated to the Department.

In response, the Department replied (March 2023) that penalty of ₹ 3.12 crore in SCN (DRC-01) has been issued.

E Cases where Department's reply is not accepted by Audit

Out of 111 cases of non-compliance involving ₹ 3078.51 crore, which represent a mismatch of turnover of ₹ 2925.54 crore in 23 cases and mismatch of tax liability/input tax credit of ₹ 152.97 crore in 88 cases, the Department's reply was not accepted in 24 cases amounting to ₹ 656.97 crore which represent mismatch of turnover of ₹ 635.97 crore in five cases and mismatch of tax liability/input tax credit of ₹ 21.00 crore in 19 cases. Details of the top five cases are featured in **Table 2.11** below.

Table 2.11: Top five cases where Department's response was rebutted

Sr. No.	GSTIN	Audit Dimension	Jurisdiction	Amount (₹ in crore)
1.	03*****1Z1	Undischarged tax liability	Jalandhar-II	3.08
2.	03*****1Z2	Excess availing of input tax credit	Mohali	2.84
3.	03*****1ZQ	Undischarged tax liability	Taran Tarn	2.65
4.	03*****1Z6	Excess availing of input tax credit	Patiala	2.03
5.	03*****3ZX	Mismatch in tax paid between Annual Returns and Financial Statements	Ludhiana-III	1.40
Total				12.00

Illustrative cases included in the above table are discussed below:

1. Audit noticed (July 2022) in case of a taxpayer having GSTIN 03*****1Z1 under jurisdiction of Jalandhar-II that tax payable in Tables 4N, 10 and 11 of GSTR-9 was ₹ 3.50 crore and as per GSTR-1 was ₹ 0.44 crore. Further, tax paid as per GSTR-3B was ₹ 0.42 crore. Thus, there was mismatch of tax liability of ₹ 3.08 crore vis-à-vis tax liability shown in GSTR-9.

In response, the Department replied (April 2023) that the tax liability of ₹ 3.50 crore was wrongly submitted in GSTR-9 by the taxpayer, whereas

tax liability of ₹ 0.42 crore in GSTR-1 was correct and accordingly tax liability was discharged correctly in GSTR-3B.

The reply of the Department was not acceptable as tax liability of the dealer as per GSTR-1 was ₹ 0.44 crore, whereas tax paid in GSTR-3B was ₹ 0.42 crore. The difference (₹ 0.02 crore) between tax liability as per GSTR-1 and tax paid as per GSTR-3B was not clarified by the Department.

2. Audit noticed (March 2022) in case of a taxpayer having GSTIN 03*****1Z2 under the jurisdiction of Mohali that input tax credit available as per GSTR-2A was ₹ 126.04 crore, whereas input tax credit availed in Table 4A(5) of GSTR-3B was ₹ 128.88 crore (including the input tax credit availed in the subsequent year 2018-19 in Table 8C of GSTR-9). Thus, there was mismatch of ₹ 2.84 crore between input tax credit available and input tax credit availed.

In response, the Department replied (February 2023) that input tax credit of 2017-18 allowed in the next year was ₹ 0.03 crore only and not ₹ 5.81 crore²⁶.

The reply of the Department was not acceptable because input tax credit availed in GSTR-3B was already credited in Electronic Credit Ledger of the taxpayer, whereas, Audit had pointed out difference of ₹ 2.84 crore between the input tax credit available as per GSTR-2A and input tax credit availed in GSTR-3B.

3. Audit noticed (July 2022) in case of a taxpayer having GSTIN 03*****1ZQ under the jurisdiction of Tarn Taran that tax payable in Tables 4 to 11 of GSTR-1 was ₹ 2.65 crore, whereas the dealer had not discharged the tax liability as per GSTR-3B/GSTR-9. Thus, there was undischarged tax liability of ₹ 2.65 crore.

In response, the Department replied (March 2023) that the taxable person was issued with a SCN for the cancellation of the GSTIN on 22 May 2018. But due to technical problems at the back end in the portal, the proceedings of cancellation were not completed. In pursuance of this, the Additional Commissioner (Administration) was requested in October and November 2018 for updating the status of the proceedings. But the issue remained unresolved and the proceedings for cancellation of GSTIN could not be completed. Further, the Department stated that for reversal of input tax credit from the purchasers of the taxpayer, letters have been sent to jurisdictional ACsST.

The reply of the Department was not acceptable because cancellation of registration of the taxpayer was initiated in May 2018 whereas letters regarding reversal of the input tax credit were forwarded to other ACsST

²⁶ Entry in Table 8(c) of GSTR-9 as visible in GSTR-9C point-IV at Sr. No 12C.

(under whose jurisdiction buyers of these supplies were falling) in March 2023, after Audit raised this issue (July 2022), with delay of approximately five years.

4. Audit noticed (March 2022) in case of a taxpayer having GSTIN 03*****1Z6 under the jurisdiction of Mohali that the input tax credit available as per GSTR-2A was ₹ 5.25 crore, whereas input tax credit availed in Table 4A(5) of GSTR-3B was ₹ 7.28 crore (including the input tax credit availed in the subsequent year 2018-19 in Table 8C of GSTR-9). Thus, there was mismatch of ₹ 2.03 crore between input tax credit available and input tax credit availed.

In response, the Department replied (March 2023) that the taxpayer had claimed excess input tax credit of ₹ 1.03 crore in GSTR-3B for the month of January 2018 which was against the available input tax credit in GSTR-2A for the month of September 2018. Further, the taxpayer had also claimed excess input tax credit of ₹ 1.03 crore in GSTR-3B for the month of March 2018 due to data entry error amounting to ₹ 0.93 crore. However, the taxpayer had rectified the data entry error of ₹ 0.93 crore in GSTR-3B for the month of April 2018 and the balance amount was adjusted in GSTR-3B for the month of February 2019.

The reply of the Department was not fully acceptable because ITC available in GSTR-2A for the period 2017-18 (as on September 2020) was ₹ 5.25 crore which was short by ₹ 2.03 crore against the ITC availed in GSTR-3B for the period 2017-18. Against this mismatch, reversal of ₹ 0.85 crore only was noticed in GSTR-3B for the months of April 2018 and February 2019. The remaining difference of ₹ 1.18 crore still needed explanation.

5. Audit noticed (February 2022) in case of a taxpayer having GSTIN 03*****3ZX under the jurisdiction of Ludhiana-III that there was unreconciled amount of tax paid of ₹ 1.40 crore in Table 9R of GSTR-9C.

In response, the Department replied (March 2023) that tax liability of ₹ 1.40 crore²⁷ on account of reverse charge was paid in 2018-19 in the month of March 2019. Further, interest of ₹ 0.85 crore²⁸ had also been paid by the taxpayer in January 2020.

The reply of the Department was not acceptable because as per GSTR-3B, the tax of ₹ 1.50 crore discharged under reverse charge in the month of March 2019 was against the supplies of ₹ 8.34 crore received during March 2019 and not for balance tax liability of 2017-18. Further reply of the Department is awaited (July 2023).

²⁷ CGST: ₹ 69,52,832 + SGST: ₹ 69,52,832 + IGST: ₹ 1,01,145

²⁸ CGST: ₹ 41,37,245 + SGST: ₹ 41,37,245 + IGST: ₹ 2,07,697

F Data entry errors by taxpayers

The data entry errors in 123 cases constituted 30.67 *per cent* of the total 401 responses received, and 56.94 *per cent* of the 216 cases, where the Department's responses were accepted by Audit. These data entry errors did not have any revenue implication. Most of the data entry errors relate to tax under Reverse Charge Mechanism, input tax credit distributed by Input Service Distributor (ISD), total turnover, taxable turnover and tax paid (**Appendix 2.2-I**). An illustrative case is given below.

Audit query (March 2022) on excess input tax credit availed in GSTR-3B amounting to ₹ 52,857.47 crore was communicated to the Department in respect of a taxpayer having GSTIN 03*****1Z7 under the jurisdiction of Jalandhar-II.

The Department clarified (October 2022) that the taxpayer was a trader of *karyana* goods. The difference in input tax credit arose because the taxpayer had mistakenly claimed input tax credit of ₹ 52,857.47 crore in GSTR-3B filed for the month of November 2017, but the same was not utilised against tax liabilities and was debited in October 2018 from the electronic credit ledger.

Recommendation 4: The Department may consider introducing validation controls in GST returns to curb data entry errors, enhance taxpayer compliance and facilitate better scrutiny.

G Action taken before issue of audit queries

As summarised in **Table 2.8**, the Department had already taken action in 32 cases (**Appendix 2.2-II**), constituting 7.98 *per cent* of the 401 cases. The top five Circles involved in 24 cases, which had proactively addressed the deviations/inconsistencies, are shown in **Table 2.12** below.

Table 2.12: Details of top five Circles where action was taken before audit query - Circle wise

Jurisdiction	Action taken before Audit Query	Responses received	Responses not received	<i>Per cent</i> cases where action taken before query
Mohali	10	75	0	13.33
Ludhiana-II	7	43	2	16.27
Ludhiana-III	3	32	0	9.37
Amritsar-I	2	15	0	13.33
Mansa	2	7	0	28.57

2.7.2.2 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 61 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 GSTR-9C and other records available in the back-end system to identify potential risk areas, inconsistencies/deviations and red flags. Desk review was carried out in office of the Taxation Commissioner, Punjab. Based on desk review results, detailed audit was conducted in field formations of the Taxation Department 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 taxpayers.

As brought out in the previous paragraphs, detailed audit involved a desk review of GST returns and other basic records to identify risks and red flags, which were followed up by field audit to identify the extent of non-compliance by taxpayers and action taken by the field formations of the Taxation Department. Non-compliance by taxpayers at various stages ultimately impacts the veracity of returns filed, utilisation of input tax credit and discharge of tax payments. The audit findings of detailed audit are, therefore, categorised under three sub-categories, which are discussed in succeeding paragraphs.

- Returns
- Utilisation of input tax credit
- Discharge of tax liability

There was scope limitation of audit due to non-production or partial production of records by the Department. The details of non-production of records and partial production of records are summarised in following paragraphs:

a) Non-production of records: The jurisdiction-wise non-production of records is summarised in **Table 2.13** below. The case-wise listing of non-production of records is given in **Appendix 2.3**.

Table 2.13: Non-production of records

Jurisdictional formation	Sample taxpayers	Non-production of records	
		No. of taxpayers	Mismatch in ITC/Tax liability/ Turnover (₹ in crore)
Bathinda	7	0	0.00
Fatehgarh Sahib	4	4	0.06
Jalandhar-I	3	2	2.38
Jalandhar-II	6	1	42.53
Ludhiana-I	13	3	36.47
Ludhiana-II	6	0	0.00
Ludhiana-III	4	1	1.27
Mohali	14	13	27.27
Muktsar	2	0	0.00
Patiala	2	2	0.46
Total	61	26	110.44

Non-production of records constituted 42.62 *per cent* of the sample size and mismatch (including mismatch of turnover) of ₹ 110.44 crore could not be addressed. In these cases, even the basic records such as financial statements and GSTR-2A were not produced and hence, identified risks could not be examined in detail.

The Department intimated (December 2022) that documents sought by the audit team like financial statements (for Punjab Region taxpayers only) ledger accounts, Director's report, details of inward/outward supplies with HSN, cost audit report, details of debit/credit notes, etc. of taxpayers especially registered in multiple States are not available with the district office as there is no provision of manual submission of documents under GST. Such information is not available on Boweb portal. The documents can be produced by district authorities only in cases where scrutiny/assessment or adjudication of the firm has been taken up by the Department.

b) Partial production: Audit identified the risks related to excess input tax credit and tax liability mismatches for detailed examination. On the input tax credit dimension, the mismatches were identified by comparing GSTR-3B with GSTR-2A and GSTR-9, and the declarations made in Tables 12 and 14 of GSTR-9C. On the tax liability dimension, the mismatches were identified by comparing GSTR-3B with GSTR-1 and GSTR-9 and the declarations made in Table 5, Table 7 and Table 9 of GSTR-9C. However, in 34 cases, the Department did not produce the corresponding granular records such as the supplementary financial ledgers, invoices, agreement copies, etc. required for examining the causative factors for mismatches of input tax credit and tax liability. Audit had requisitioned these granular records of taxpayers through the respective circles. The jurisdiction-wise partial production of records is

summarised in **Table 2.14** below. The case-wise listing of partial production of records is given in **Appendix 2.4**.

Table 2.14: Partial production of records

Jurisdictional formation	Sample Taxpayers	Mismatch in ITC/tax liability/turnover	
		No. of taxpayers	Amount (₹ in crore)
Bathinda	7	7	64.57
Fatehgarh Sahib	4	0	0.00
Jalandhar-I	3	1	0.30
Jalandhar-II	6	5	13.50
Ludhiana-I	13	10	4.90
Ludhiana-II	6	6	17.51
Ludhiana-III	4	3	4.69
Mohali	14	0	0.00
Muktsar	2	2	0.31
Patiala	2	0	0.00
Total	61	34	105.78

The granular records were partially produced in 55.74 per cent of the sample size. As a result, the identified risks, relating to mismatch/excess/irregular availing of input tax credit, undischarged liability and mismatch of turnover of ₹ 105.78 crore could not be examined in detail by Audit.

A Returns

The detailed audit of returns exhibited non-payment of interest on belated payment of tax, data entry errors, exempt turnover vs reversals of input tax credit and non-filing of GSTR-3B, which are discussed below.

a) Non-payment of interest by taxpayers

Audit observed (between October 2022 and November 2022) in 18 cases, constituting 29.51 per cent of the sampled 61 cases, that taxpayers had either filed their returns belatedly or had erroneously utilised excess input tax credit, which were reversed but the interest liability of ₹ 0.64 crore (**Appendix 2.5**) on belatedly filed returns or reversal of excess input tax credit was not discharged.

The Department replied (April 2023) that recoveries of ₹ 0.007 crore in three cases²⁹ have been made and three cases³⁰ have been taken up for scrutiny. In

²⁹ Bathinda: GSTIN 03*****1ZF (₹ 44,784), 03*****1ZX (₹ 11,969), Muktsar Sahib: GSTIN 03*****1ZZ (₹ 14,103)

³⁰ Mohali: GSTIN 03*****1Z7, 03*****1ZU, 03*****1ZZ

one case³¹, the Department intimated recovery, but the same could not be verified in audit as relevant DRC-03 did not pertain to interest payment. Replies in the remaining 11 cases were awaited (July 2023).

During the exit meeting, the Department replied (April 2023) that recoveries will be made.

An illustrative case is featured below.

A taxpayer having GSTIN 03*****1Z7 under the jurisdiction of Mohali had belatedly filed the GSTR-3B returns for the period July to September 2017 in November 2017 and the taxes due in these returns were paid by debiting the Electronic Cash Ledger and Electronic Credit Ledger. Audit noticed (August 2022) that interest liability of ₹ 0.43 crore on delayed payment of tax was not discharged.

On being pointed out (August 2022), the Department replied (October 2022) that the case had been taken up for scrutiny under Section 61 of Punjab GST Act, 2017. Further outcome was awaited (July 2023).

b) Data entry errors

Audit observed (between October 2022 and December 2022) in three cases³², constituting 4.92 *per cent* of the sampled 61 cases, that the taxpayers had made data entry error involving ₹ 3.48 crore (**Appendix 2.6**) while filing the GST return. The error was on account of discrepancy in the input tax credit availed.

One case is illustrated below.

A taxpayer having GSTIN 03*****1ZD under the jurisdiction of Jalandhar-II had exhibited mismatch of ₹ 2.61 crore in input tax credit availed between GSTR-9 and GSTR-2A.

On this being pointed out (October 2022), the Department clarified (March 2023) that the taxpayer had inadvertently availed input tax credit while filing return of September 2017 due to clerical error. This input tax credit was never utilised and was reversed by the taxpayer in GSTR-3B of July 2018.

B Utilisation of Input Tax Credit

Input Tax Credit (ITC) means the Goods and Services Tax (GST) paid by a taxable person on purchase of goods and/or services that are used in the course or furtherance of business. To avoid cascading effect of taxes, credit of taxes paid on input supplies can be used to set-off for payment of taxes on outward supplies.

³¹ Bathinda: GSTIN 03*****1ZW

³² Fatehgarh Sahib: GSTIN 03*****1ZW ₹ 0.79 crore; Jalandhar-II: GSTIN 03*****1ZD ₹ 2.61 crore; Muktsar Sahib: GSTIN 03*****1ZX ₹ 0.07 crore

Section 16 of the Punjab GST Act, 2017 prescribes the eligibility and conditions to avail input tax credit. Credit of CGST cannot be used for payment of SGST or UTGST and credit of SGST or UTGST cannot be utilised for payment of CGST. Rule 36 to 45 of the Punjab GST Rules, 2017 prescribe the procedures for availing and reversal of input tax credit.

Audit findings and mismatches noticed related to utilisation of input tax credit are discussed below.

a) Mismatches in input tax credit

Audit analysed the dataset of GSTR-2A in respect of selected taxpayers along with datasets of GSTR-3B, GSTR-9 and GSTR-9C filed by the taxpayers and noticed mismatches of input tax credit among returns. Audit could not examine the mismatches in detail since relevant granular records were not produced by the Department. However, in some cases the Department had replied against the mismatches pointed out by Audit. The details of mismatches in input tax credit noticed by Audit are given in **Table 2.15**.

Table 2.15: Mismatch in input tax credit claimed by taxpayers

Sr. No	Parameter	No. of cases	No. of Circles	Amount of mismatch (₹ in crore)	Remarks
1.	Mismatch in ITC availed under RCM: Data of Table 3.1 (d) of GSTR-3B, which contains the details of inward supplies that are liable to reverse charge, was compared with RCM ITC availed as per Tables 4A(2), 4A(3) of GSTR-3B and Table 6C of GSTR-9. (Appendix 2.7-A)	1	1	0.16	The case was pointed out (September 2022) to the Department. During the exit meeting, the Department assured (April 2023) that complete replies with relevant records will be provided shortly. Further reply is awaited (July 2023).
2.	Mismatch in ITC availed under RCM: Data of Table 4A(3) of GSTR-3B, which contains the details of inward supplies liable to reverse charge, was compared with RCM ITC availed as per Tables 6C, 6D and 6F of GSTR-9. (Appendix 2.7-B)	1	1	20.79	The case was pointed out (August 2022) to the Department. During the exit meeting, the Department assured (April 2023) that complete replies with relevant records will be provided shortly. Further reply is awaited (July 2023).

Sr. No	Parameter	No. of cases	No. of Circles	Amount of mismatch (₹ in crore)	Remarks
3.	Non/short reversal of ITC availed for exempt and non-GST supplies: As per Section 17(2) of Punjab GST Act, 2017, read with Rules 42 and 43 of Punjab GST Rules, 2017, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies. (Appendix 2.8-A and 2.8-B)	10 ³³	7	1.14	On being pointed out (April 2023), the Department partially accepted one case ³⁴ with recovery of ₹ 0.05 crore (including interest). One case ³⁵ was taken under scrutiny and two cases ³⁶ were being examined. During the exit meeting, the Department assured (April 2023) that complete replies with relevant records will be provided shortly. Further, replies in remaining six cases were awaited (July 2023).
4.	Mismatch in availing of ITC under Input Service Distribution credit: As per Section 20(2) of Punjab GST Act, 2017, ISD may distribute the credit available for distribution in the same month in which it is availed. Table 4A (4) of GSTR 3B which contains the details of ISD credit availed shall tally with Table 6G of GSTR 9. (Appendix 2.9)	3	2	0.22	On being pointed out (between August 2022 and October 2022), the Department replied (October 2022) in one case ³⁷ that the issue was being examined. During the exit meeting, the Department assured (April 2023) that complete replies with relevant records will be provided shortly. Further replies in the remaining two ³⁸ cases were awaited (July 2023).

³³ 11 instances (GSTIN 03*****1ZZ of Muktsar Sahib had two instances, one under capital goods and second under Inputs)

³⁴ Muktsar Sahib: GSTIN 03*****1ZZ

³⁵ Mohali: GSTIN 03*****1ZU

³⁶ Bathinda: GSTIN 03*****2ZD, Ludhiana-II: GSTIN 03*****1ZI

³⁷ Bathinda: GSTIN 03*****1ZI

³⁸ Ludhiana-I: GSTIN 03*****1ZY, 03*****1ZG

Sr. No	Parameter	No. of cases	No. of Circles	Amount of mismatch (₹ in crore)	Remarks
5.	ITC mismatch between GSTR-2A and GSTR-3B /GSTR-9: The ITC available as per GSTR-2A was compared with ITC availed under GSTR-3B /GSTR-9 return. (Appendix 2.10)	40	9	120.28	On being pointed out, (between August 2022 and October 2022) the Department replied (April 2023) that in two cases ³⁹ , SCN had been issued. Two cases ⁴⁰ were taken up for examination. Five cases ⁴¹ were taken under scrutiny. In one case ⁴² recovery of ₹ 0.03 crore was made. In seven cases ⁴³ , replies were received but could not be examined in the absence of supporting documents. During the exit meeting, the Department assured (April 2023) that complete replies with relevant records will be provided shortly. Further replies in the remaining 23 cases were awaited (July 2023).
6	Unreconciled ITC as per Table 12F of GSTR 9C: Table-12F of GSTR-9C captures the difference between the total ITC as computed from the books of accounts (Table-12D) and ITC as declared in GSTR-9. (Appendix 2.11)	5	5	15.01	On being pointed out, (between September 2022 and December 2022) the Department replied (April 2023) that one ⁴⁴ case was taken up for examination. One ⁴⁵ case was taken up for scrutiny. During the exit meeting, the Department assured (April 2023) that complete replies with relevant records will be provided shortly. Further replies in the remaining three cases were awaited (July 2023).

³⁹ Bathinda: GSTIN 03*****1ZW, Ludhiana-II: GSTIN 03*****1ZL

⁴⁰ Bathinda: GSTIN 03*****1ZZ, 03*****1ZI

⁴¹ Mohali: GSTIN 03*****1Z7, 03*****1ZU, 03*****1ZY, 03*****1ZF, 03*****1Z3

⁴² Bathinda: GSTIN 03*****1ZX

⁴³ Bathinda: GSTIN 03*****1ZF, 03*****1ZE, Jalandhar-II: GSTIN 03*****1ZA, Ludhiana-II: GSTIN 03*****1ZD, 03*****1ZI, 03*****1ZD, Muktsar Sahib: GSTIN 03*****1ZX

⁴⁴ Bathinda: GSTIN 03*****1ZI

⁴⁵ Mohali: GSTIN 03*****1ZF

Sr. No	Parameter	No. of cases	No. of Circles	Amount of mismatch (₹ in crore)	Remarks
7	<p>Mismatches pertaining to ITC noticed in GSTR-9C (Table 14T)</p> <p>Table 14T of GSTR-9C compares expenses incurred by the registered persons on inputs, capital goods or services with the input tax credit availed and highlights any excess availing of input tax credit on account of ineligibility, blocked credits in Table 14T.</p> <p>(Appendix 2.12)</p>	2	1	12.17	These cases were pointed out to the Department between August 2022 and September 2022. During the exit meeting, the Department assured (April 2023) that complete replies with relevant records will be provided shortly. Further replies were awaited (July 2023).
8.	<p>Mismatch in input tax credit in return</p> <p>Section 16(1) of Punjab GST Act, 2017 provides that every registered person shall be entitled to take credit of input tax charged on taking input 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.</p> <p>ITC availed as per Table 6A of GSTR-9 was compared with ITC available as per Table 6B to 6H of GSTR-9.</p> <p>(Appendix 2.13)</p>	9	7	4.30	On being pointed out (October to December 2022), the Department replied (April 2023) that in one case ⁴⁶ DRC-01 had been issued to the taxpayer. One case ⁴⁷ was taken up for examination and recoveries amounting to ₹ 0.06 crore (including interest) were made in two cases ⁴⁸ . One case ⁴⁹ was taken up for scrutiny under Section 61 of the Punjab GST Act, 2017. During the exit meeting, the Department assured (April 2023) that complete replies with relevant records will be provided shortly. In the remaining four cases, the Department's replies were awaited (July 2023).

⁴⁶ Ludhiana-II: GSTIN 03*****1ZL

⁴⁷ Bathinda: GSTIN 03*****1ZZ

⁴⁸ Bathinda: GSTIN 03*****1ZW (₹ 6,820), Muktsar Sahib: GSTIN 03*****1ZZ (₹ 5,48,997)

⁴⁹ Mohali: GSTIN 03*****1ZU

Sr. No	Parameter	No. of cases	No. of Circles	Amount of mismatch (₹ in crore)	Remarks
9	<p>Non reversal of ITC on payment of consideration within 180 days</p> <p>As per proviso below Section 16(2)(d) of Punjab GST Act, 2017, if a recipient fails to make payment to the supplier of goods or services or both within one hundred and eighty days of the date of issuing invoice, the amount of input tax credit availed would be added back to his output tax liability along with interest thereon. (Appendix 2.14)</p>	3	3	0.16	<p>On being pointed out (September to December 2022), the Department replied (April 2023) in one case⁵⁰ that goods received by the taxpayer from one supplier were in damaged condition, which caused dispute between the taxpayer and supplier. The goods were returned to the supplier in April 2018 and July 2018. Reply of the Department was not acceptable because the taxpayer was required to either reverse the input tax credit or pay the tax equivalent to input tax credit availed after one hundred and eighty days of non-payment of consideration. During the exit meeting, the Department assured (April 2023) that complete replies with relevant records will be provided shortly. Further, in the remaining two cases, the Department's replies were awaited (July 2023).</p>
10	<p>Reversal of input tax credit</p>	1 ⁵¹	1	2.53	<p>Audit noticed (November 2022) income of ₹ 2.53 crore in profit and loss account of 2017-18, which comprised of insurance claim, sale of scrap, etc. However, the tax implication such as reversal, if any, could not be ascertained as relevant granular records were not produced to Audit. During the exit meeting, the Department assured (April 2023) to look into the matter.</p>

⁵⁰ Jalandhar-II: GSTIN 03*****1ZA

⁵¹ Muktsar Sahib: GSTIN 03*****1ZZ

b) Availing of excess transitional credit

Section 140(1) of Punjab GST Act, 2017 allows a registered person, other than composition taxpayer, to take in his electronic credit ledger, credit of the amount of VAT, if any, carried forward in the return relating to the period ending with the day immediately preceding the appointed day.

Audit observed (September and October 2022) in one case⁵² that the registered person had claimed SGST transitional credit of ₹ 0.06 crore without filing quarterly/annual return for the year 2017-18. Filing of return for the last six months preceding the appointed day was a prerequisite for claiming transitional credit. Thus, the taxable person had availed excess transitional credit of ₹ 0.06 crore.

On being pointed out (September 2022), the Department replied (September 2022) that SCN has been issued to the taxpayer in DRC-01.

C Discharge of tax liability

The taxable event in case of GST is supply of goods and/or services. Section 9 of the Punjab/Central GST Act, 2017 is the charging section authorising levy and collection of tax called State/Centre 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 5 of the IGST vests levy and collection of Integrated GST on interstate supply of goods and services with Central Government with maximum rate of 40 *per cent*.

Under Section 8 of the Goods and Services Tax (Compensation to States) Act, 2017, a cess is levied on all inter-state and intra-state supply of such goods or services or both which are listed in the schedule of the said Act such as tobacco products, aerated drinks, cigarettes, vehicles, etc. Section 9(4) of the Punjab GST Act, 2017 and Sections 5(3) and 5(4) of the Integrated GST Act, 2017 provide for reverse charge levy of tax on certain goods or services, wherein the recipient instead of the supplier becomes liable to pay tax.

Audit findings and mismatches noticed related to discharge of tax liabilities are discussed below.

a) Mismatches relating to discharge of tax liability

Audit scrutinised GSTR-1, GSTR-3B and GSTR-9 returns filed by the taxpayers for the year 2017-18 and noticed mismatches in discharge of tax liability by comparing the tax liability furnished in the returns. Audit could not examine these mismatches in detail since relevant granular records were not

⁵² Fatehgarh Sahib: GSTIN 03*****1ZX

produced by the Department. The details of mismatches are given in **Table 2.16**.

Table 2.16: Mismatch related to discharge of tax liability

Sr. No	Parameter	No. of cases	No. of circles	Amount of mismatch (₹ in crore)	Remarks
1.	Mismatch of tax payable and tax paid as per GSTR-9 (Appendix 2.15)	2	2	0.07	On being pointed out (between September 2022 and October 2022), the Department replied that one case ⁵³ was taken for scrutiny (October 2022) and in another case ⁵⁴ recovery of ₹ 0.008 crore ⁵⁵ had been made along with interest. During the exit meeting, the Department assured (April 2023) that complete replies with relevant records will be provided shortly. Further reply is awaited (July 2023).
2	Short-discharge of tax liability under the Reverse Charge Mechanism: RCM tax liability as per Table 4G of GSTR-9 was compared with tax paid as per Table 6.1(B) of GSTR-3B. (Appendix 2.16)	1	1	0.0026	The case was pointed out (September 2022) to the Department. During the exit meeting, the Department assured (April 2023) that complete replies with relevant records will be provided shortly. Further reply is awaited (July 2023).
3.	Tax liability mismatch between GSTR-1, GSTR-9 and GSTR-3B: The tax liability based on the greater of the amounts furnished in two returns i.e. GSTR-1 and GSTR-9 was compared with	30	8	17.75	On being pointed out (between August 2022 and November 2022), the Department stated that seven cases ⁵⁶ had been taken up for scrutiny. Three cases ⁵⁷ were being examined and in one case ⁵⁸ SCN had been issued. In

⁵³ Mohali: GSTIN 03*****1ZA

⁵⁴ Fatehgarh Sahib: GSTIN 03*****1ZW

⁵⁵ Tax ₹ 43,203 Interest ₹ 35,700

⁵⁶ Jalandhar-II: GSTIN 03*****2ZO, Mohali: GSTIN 03*****1ZU, 03*****1Z7, 03*****1ZU, 03*****1ZY, 03*****1ZF, 03*****1Z3

⁵⁷ Bathinda: GSTIN 03*****1ZI, 03*****1ZW, Ludhiana-II: GSTIN 03*****1ZI

⁵⁸ Ludhiana-II: GSTIN 03*****1ZL

Sr. No	Parameter	No. of cases	No. of circles	Amount of mismatch (₹ in crore)	Remarks
	actual payment of tax in GSTR-3B. (Appendix 2.17)				one case ⁵⁹ , reply was received but could not be examined in the absence of supporting documents. During the exit meeting, the Department assured (April 2023) that complete replies with relevant records will be provided shortly. Further replies in the remaining 18 cases were awaited (July 2023).
4.	Mismatch in turnover declared in GSTR 9C: Table 5R of GSTR-9C captures reconciliation between gross turnover declared in annual return GSTR-9 and audited Annual Financial Statements. (Appendix 2.18)	6	4	23.74	On being pointed out (between August 2022 and December 2022), the Department replied (October 2022 to April 2023) that two cases ⁶⁰ had been taken up for scrutiny. Two ⁶¹ cases were being examined. During the exit meeting, the Department assured (April 2023) that cases will be looked into and replies will follow shortly. Further replies in the remaining two ⁶² cases were awaited (July 2023).
5.	Mismatch in tax paid between books of accounts and returns captured in Table 9R of GSTR-9C. (Appendix 2.19)	3	1	0.40	These cases were pointed out (August 2022) to the Department. During the exit meeting, the Department assured (April 2023) that the cases will be looked into and replies will follow shortly. Further reply is awaited (July 2023).

(b) Short payment of tax on turnover disclosed

As per Section 49(8) of Punjab GST Act, 2017, every taxable person shall discharge his tax and other dues under the Act or the rules made thereunder.

⁵⁹ Jalandhar-II: GSTIN 03*****1ZA

⁶⁰ Mohali: GSTIN 03*****1ZU, 03*****1ZF

⁶¹ Bathinda: GSTIN 03*****1ZZ, 03*****1ZW

⁶² Jalandhar-I: GSTIN 03*****1ZQ, Ludhiana-I: GSTIN 03*****1ZA

In one case⁶³, Audit observed (September and October 2022) that a person registered as Goods Transport Agency had provided services valuing ₹ 0.79 crore during 2017-18, on which GST of ₹ 0.12 crore⁶⁴ was not paid.

On being pointed out (September 2022), the Department replied (October 2022) that GST of ₹ 0.11 crore on services valuing ₹ 0.73 crore had been paid by the concerned recipients of services under reverse charge. For the remaining portion of services valuing ₹ 0.06 crore, the tax demand (including interest) of ₹ 0.02 crore had been created.

Recommendation 5: The Department may initiate remedial action for all the compliance deviations brought out in this report before they get time barred.

(D) Non furnishing of replies by the Department

Audit had issued 140 number of observations to the Department under detailed audit. The Department furnished replies in 60 number of observations only (42.86 per cent). Timely submission of replies by the Department helps to take the audit observation to its logical conclusion.

Recommendation 6: The Department may instruct its field formations to provide timely response to audit observations.

2.7.3 Other oversight functions

The role of Circles (Department's field formations) is to provide oversight over taxpayers' compliance with regard to filing of returns, discharging tax liability and other compliance obligations. The Circles have a broad set of functions to be exercised in this regard such as initiating action on late filers and non-filers, scrutiny of returns and assessment and cancellation of registrations.

The oversight functions relating to return filing, action on late/non-filers and scrutiny have been discussed in the previous sections of this report. This section highlights the audit findings on cancellation of registrations.

2.7.3.1 Cancellation of registrations

Section 29 of the Punjab GST Act, 2017 read with Rule 20 of the Punjab GST Rules, 2017 allows for cancellation of registration by the taxpayer in certain situations like closure of business, turnover falling below threshold for registration, transfer of business/merger/amalgamation, change of PAN, non-commencement of business within the stipulated time period and death of the proprietor. The taxpayer applying for cancellation of registration should apply in REG-16 on the GST common portal within a period of 30 days of the 'occurrence of the event warranting the cancellation'.

⁶³ Mohali: GSTIN 03*****1Z5

⁶⁴ ₹ 83,156 at the rate of 5 per cent on ₹ 16,63,130 and ₹ 11,20,324 at the rate of 18 per cent on ₹ 62,24,024

Section 29(2) of the Punjab GST Act, 2017 allows for *suo-moto* cancellation of the registration of the taxpayer by the tax officer on the grounds of contravention of the Acts or Rules by the taxpayer, composition taxpayers not filing return for three consecutive tax periods, normal taxpayers not filing return for continuous period of six months, registered persons not commencing business within six months from date of registration and registration obtained by means of fraud, willful misstatement or suppression of facts.

Section 45 of the Punjab GST Act, 2017 requires every registered person other than (a) ISD or a non-resident taxable person or (b) Composition taxable person (Section 10) or (c) persons paying tax under Section 51 - Tax Collection at Source (TCS) or persons paying tax under Section 52 - Tax Deducted at Source (TDS), whose registration has been cancelled, to file a final return in GSTR-10, within three months of the effective date of cancellation or the date of order of cancellation, whichever is later. The purpose of the final return is to ensure that the taxpayer discharges the outstanding liability. In case of non-filing of GSTR-10, the same procedure as adopted for non-filing of any return must be followed by the tax officer.

Audit observed (November and December 2022) in the sampled 10 Circles that 91,337 registered persons had requested for cancellation of registration during 2017-18 to 2020-21. During the same period, the Department had taken *suo-moto* action for cancellation of 25,648 registrations. Out of total 1,16,985 cases, the order for cancellation of registrations in 48,501 cases were issued, proceedings in 2,988 cases were dropped and 65,496 cases were pending. However, no documents in support of this were provided.

Further, no data was made available by the Department for GSTR-10 returns filed by cancelled taxpayers, in absence of which Audit could not ensure whether the cancelled taxpayers had discharged their tax liabilities or not. It could also not be ascertained whether the Department had taken action against the cancelled taxpayers as per provisions of GST, who had failed to file GSTR-10 returns and discharge their pending tax liabilities.

During the exit meeting, the Department stated (April 2023) that they will examine the matter.

2.7.3.2 Capacity building efforts

Capacity building is necessary for the effectiveness of officers and staff of the Department at all levels. The Department organises various training programmes on GST for officers and staff to enhance their skills and upgrade their knowledge of new tax reforms and for revenue augmentation.

During 2017-18, no training was imparted by the Department and during 2018-19 to 2021-22, trainings in 12,891 slots were imparted as detailed in **Table 2.17**.

Table 2.17: Details of trainings imparted by the Department

Designation	Training slots				
	2018-19	2019-20	2020-21	2021-22	Total
Dy. Commissioner	-	15	7	26	48
Asstt. Commissioner	35	38	49	124	246
State Tax Officer	553	3,345	605	1,052	5,555
Taxation Inspector			757	1,191	1,948
Other Staff	3,749	207	298	840	5,094
Total	4,337	3,605	1,716	3,233	12,891

Source: Departmental Data

However, Audit could not offer comments on the adequacy of the capacity building efforts of the Department because details of staff covered in training out of total strength available with the Department were not provided to Audit.

During the exit meeting, the Department stated (April 2023) that training was being provided to the GST staff from time to time.

2.7.3.3 Adequacy of manpower

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

Audit could not offer comments on the adequacy of manpower available with the Department because details of sanctioned and working strength in Taxation Department in respect of adjudicating authority (Dy. Commissioner/Assistant Commissioner, State Tax Officer) and other supporting staff (Tax Inspector) was not provided to Audit.

2.8 Conclusion

The Subject Specific Compliance Audit (SSCA) on Department Oversight on GST Payments and Return Filing was undertaken in the context of varying trend of return filing and continued data inconsistencies 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 2017-18. The SSCA entailed assessing the oversight functions of State Jurisdictional formation at two levels, at the data level through global data queries and at the functional level with a deeper detailed audit both of the Circles and of the GST returns, which involved accessing taxpayer records. The audit sample, therefore, comprised 10 Circles, 408 high value inconsistencies across 13 audit dimensions selected through global queries and 61 taxpayers selected on risk assessment for detailed audit of GST returns for the year 2017-18.

The Department commenced scrutiny of returns for the year 2017-18 after formulating Standard Operating Procedure (SOP) for scrutiny of returns in April 2022. Until then, the Department had been pursuing GST returns related identified inconsistencies only. A review of the 10 Circles disclosed that documentation of essential oversight functions of Circles such as monitoring of return filing, taxpayer compliance, etc. was poor.

Further, out of the 408 high value data inconsistencies identified by Audit in centralised audit, the Department responded to 401 cases. Of these, 73 cases⁶⁵ constituting 18.20 *per cent*, turned out to be clear compliance deficiencies with a revenue implication of ₹ 163.20 crore, which represent a mismatch of turnover of ₹ 61.88 crore in two cases and mismatch of tax liability/input tax credit of ₹ 101.32 crore in 71 cases. A relatively higher rate of deficiencies was noticed in short/non-payment of interest, input tax credit mismatch, availing of input tax credit under Reverse Charge Mechanism without discharging corresponding tax liability, incorrect turnover declarations and short payment of tax. While data entry errors caused the inconsistencies in 30.67 *per cent* of the cases, in 7.98 *per cent* of the cases the Department had already taken proactive action. The Department did not respond to seven cases of inconsistencies, which had an identified risk exposure of ₹ 79.06 crore, which include a mismatch of turnover of ₹ 71.48 crore in one case.

Detailed audit of GST returns also suggested significant non-compliance. At the outset, essential records such as financial statements, GSTR-2A were not produced in 26 cases out of sample 61 taxpayers and in another 34 cases, the granular records of taxpayer were not produced, which constituted a significant scope limitation. These 60 cases represent a potential risk exposure of ₹ 216.22 crore⁶⁶ towards identified mismatches in input tax credit availment and tax payments. Audit observed compliance deficiencies in 50 cases⁶⁷ involving 128 instances with a revenue implication of ₹ 193.00 crore⁶⁸ under detailed audit by covering the audit of one case fully, partial audit of 34 cases and audit to the extent of returns available on GSTN in 26 cases⁶⁹. Out of these, audit observations involving ₹ 52.03 crore⁷⁰ in 43 instances were accepted by the Department including recoveries of ₹ 0.14 crore in nine instances. The main causative factors were availing of ineligible and irregular input tax credit, and

⁶⁵ Recoveries made: 14 cases (₹ 2.13 crore), SCN issued: 36 cases (₹ 34.71 crore), ASMT-10 issued: 19 cases (₹ 120.65 crore), Under correspondence with taxpayer: 4 cases (₹ 5.71 crore)

⁶⁶ Financial implication of records not produced 26 cases: ₹ 110.44 crore, Financial implication of records partially produced 34 cases: ₹ 105.78 crore.

⁶⁷ Number of cases have been counted based on GSTIN irrespective of multiple instances of deviations, that may occur under different audit findings.

⁶⁸ Interest: ₹ 0.64 crore [Paragraph 2.7.2.2(A)(a)], ITC: ₹ 174.13 crore [Paragraph 2.7.2.2(B)(a)(1 to 8), 2.7.2.2(B)(b)] and Tax: ₹ 18.23 crore [Paragraph 2.7.2.2(C)(a)(1 to 3, 5 and Paragraph 2.7.2.2(C)(b)]

⁶⁹ In 26 cases, records were not produced, hence, audit was conducted to the extent of returns available on GSTN.

⁷⁰ Cases taken up for scrutiny: 20 instances (₹ 24.85 crore), Recoveries made: 9 instances (₹ 0.14 crore), SCN issued: 4 instances (₹ 1.15 crore), Taken up for correspondence with taxpayer: 10 instances (₹ 25.89 crore)

incorrect discharge of tax under reverse charge mechanism as well as forward charge mechanism.

From a systemic perspective, the Department needs to strengthen the institutional mechanism in the Circles to establish and maintain effective oversight on return filing, taxpayer compliance, tax payments, cancellation of registrations and recovery of dues from defaulters.

2.9 Recommendations

- The Department may reinforce the institutional mechanism in the circles to establish and maintain effective oversight on return filing and tax payments.
- Year-wise target should be set for scrutiny of cases under Section 61 of Punjab GST Act, 2017.
- Year-wise targets under Section 65 of Punjab GST Act, 2017, may be increased in view of additional tax demand created as a result of internal audit.
- The Department may consider introducing validation controls in GST returns to curb data entry errors, enhance taxpayer compliance and facilitate better scrutiny.
- The Department may initiate remedial action for all the compliance deviations brought out in this report before they get time barred.
- The Department may instruct its field formations to provide timely response to audit observations.

