



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थं सत्यनिष्ठा
Dedicated to Truth in Public Interest

**Report of the
Comptroller and Auditor General of India
for the year ended March 2024**

**Performance Audit Report on
E-Way Bill System under GST**

**Union Government
Department of Revenue
Indirect Taxes – Goods and Services Tax
Report No. 12 of 2025**

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Laid on the table of Lok Sabha and Rajya Sabha on.....

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Preface

This Report has been prepared for submission to the President of India under Article 151 of the Constitution of India.

The Report contains significant results of the Performance Audit on “E-Way Bill (EWB) System under GST” and covers results of audit verification on tax compliance by the taxpayers with reference to EWBs generation and Preventive functions of the department in enforcing EWB provisions.

The instances mentioned in this Report are those, which came to notice in the course of test audit conducted during the period from February 2023 to July 2023 for which responses were sought and partly received from the CBIC.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Audit wishes to acknowledge the cooperation received from the Department of Revenue, CBIC and its field formations at each stage of the audit process.

Executive Summary

Introduction

In the GST tax regime, E-Way bill (EWB) is a document required for the movement of goods and is designed to capture details of goods before being moved. The EWB has been introduced with effect from 1 April 2018. Automation and standardisation of the entire process was intended to help check tax evasion and shore up GST collections. EWB is also designed to dissolve the non-trade barriers, so that transit time is reduced and supply chain efficiency is improved.

The Performance Audit (PA) on EWB System under GST had objectives to examine effectiveness of EWB mechanism in protecting revenue interest of the Government and to evaluate efficiency and effectiveness of the preventive activities of the Department in enforcing EWB provisions. EWB transactions pertaining to the period from 1 April 2018 to 31 March 2022 were covered in this PA and the audit was conducted from February 2023 to July 2023.

A risk based approach has led this PA and samples were selected based on the Key Problem Areas (KPAs) identified - 2,244 EWBs relating to 956 taxpayers and 50 per cent of preventive units for the two objectives, respectively.

Limitation of scope due to non-production of records

In order to verify 2,244 selected EWBs, audit requisitioned records in respect of 956 selected taxpayers (with reference to corresponding 2,244 EWBs) for the period from 2018-19 to 2021-22. However, records were not produced in respect of 108 taxpayers and only partial records were produced in respect of 334 taxpayers. Similarly in respect of records relating to booked cases of EWB verifications, though records relating to 1,559 booked cases pertaining to 58 Commissionerates were called for, the documents for 153 cases were not produced by 13 Commissionerates.

(Paragraphs 2.5 and 5.1.2.1)

Audit findings

Summary of the major audit findings:

1. Non/short discharge of tax liability

(i) Audit observed that 36 taxpayers under Composition Levy scheme (CLS) pertaining to 24 Commissionerates had generated EWBs for effecting inter-State outward supplies or/and their turnover had crossed the threshold limit thereby violating the conditions specified for composition scheme. The

short payment of tax noticed in these cases was ₹ 6.74 crore alongwith interest of ₹ 0.51 crore.

(Paragraph 4.1.2(a))

(ii) Audit observed that 103 taxpayers pertaining to 37 Commissionerates who had effected outward supplies for ₹ 2,285.23 crore from April 2018 to March 2022 supported by EWBs either did not file their return or did not report the turnover in their returns. The amount of tax involved in these cases worked out to ₹ 307.37 crore alongwith interest of ₹ 3.25 crore.

(Paragraph 4.1.2(b))

(iii) Audit observed that 43 taxpayers pertaining to 24 Commissionerates had generated EWBs for effecting outward supplies for ₹ 152.60 crore from April 2018 to March 2022 after the effective date of cancellation of their registration. Tax liability of ₹ 23.56 crore is recoverable in these cases alongwith interest of ₹ 0.94 crore.

(Paragraph 4.1.2(c))

(iv) Audit observed that 71 taxpayers falling under 33 Commissionerates reporting Nil turnover in their returns actually effected outward supplies, as ascertained from EWBs, amounting to ₹ 340.42 crore. The amount of tax recoverable worked out to ₹ 50.41 crore alongwith interest of ₹ 3.69 crore.

(Paragraph 4.1.2(e))

(v) Audit also observed that 174 taxpayers pertaining to 53 Commissionerates had effected outward supplies of ₹ 1,750.87 crore from April 2018 to March 2022 without discharging tax liability of ₹ 168.06 crore recoverable with interest of ₹ 9.29 crore on these supplies.

(Paragraph 4.1.2(f))

2. Discrepancies identified through analysis of EWB data

Through analysis of EWB data, Audit noticed discrepancies in tax compliance by the taxpayers. The data was forwarded to the Department for taking remedial action at system level at their end.

(Paragraph 4.1.3)

3. Wilful suppression of turnover by a group of taxpayers

Audit observed that 18 taxpayers pertaining to three Commissionerates had generated 3,137 EWBs for outward supplies of ₹ 168.21 crore. The taxpayers did not discharge the tax liability of ₹ 81.11 crore with interest of ₹ 45.19 crore

due to either non-filing of returns or non/short reporting the turnover in their returns.

(Paragraph 4.1.4)

4. Discrepancies noticed in availing of ITC

Audit observed that 72 taxpayers pertaining to 28 Commissionerates had availed ITC of ₹ 1,357.89 crore through GSTR-3B, however, ITC available as per GSTR-2A was ₹ 1,202.48 crore. Thus, there was mismatch between ITC available as per GSTR-2A and that availed by the taxpayers through GSTR-3B to a tune of ₹ 155.41 crore.

(Paragraph 4.1.5(a))

5. Use of Analytical Reports on EWBs generated by NIC

NIC is generating 97 Analytical Reports on EWB transactions, and it shares the same through the NIC-EWB Portal with the GST Departments under Centre and State formations for their use.

Out of 58 selected Commissionerates, 46 Commissionerates stated that they were not using the reports for the purpose of planning of interception of vehicles.

(Paragraph 5.1.1.5(ii))

6. Non/short creation of demand for tax and penalty during EWB verification

Scrutiny of 1,405 booked cases pertaining to 58 Commissionerates revealed that in respect of 200 cases, vehicles were released without creating demand of ₹ 2.60 crore. Further, in respect of 93 cases, there was short demand of ₹ 0.79 crore.

(Paragraph 5.1.2.2)

7. EWB of more than threshold limit generated by unregistered taxpayers

Unregistered persons generated 3,585 EWBs exceeding threshold limit of ₹ 40 lakh in each EWB prescribed for registration under the CGST Act.

(Paragraph 5.1.3)

8. Recommendations

- (1) Department may incorporate validation controls in the EWB system to:

- (a) alert the CLS taxpayer, as well as the departmental officer, about crossing of the threshold limit and for generating EWB for inter-State supply.
 - (b) identify the taxpayers generating high value EWBs but not discharging tax liability and reporting such taxpayers to the Proper officers.
 - (c) alert taxpayer and departmental officer on generation of multiple EWBs with single invoice/similar invoice.
 - (d) alert taxpayers whenever EWB is generated for movement of banned goods.
 - (e) red flag/ prevent abnormally high value and inconsistent data in EWBs.
- (2) Department may consider issuing suitable instructions to the proper officers for considering EWBs generated by the taxpayer before cancelation of registration retrospectively and taking action for recovery of tax wherever applicable.
- (3) Department may consider to ensure availability of manpower and patrolling vehicles for adequacy and effectiveness of EWB verification to protect revenue.
- (4) Department may consider issuing suitable instructions for using NIC Analytical reports on EWBs for planning, execution and monitoring the interception of vehicles.
- (5) Department may consider incorporating validation control in EWB system to restrict generation of EWBs of more than threshold limit where the suppliers were unregistered persons.

(Paragraph 6.2)

Chapter-1: Introduction

1.1 Introduction to EWB

Goods and Services Tax (GST) has been introduced with effect from 1 July 2017, subsuming a wide range of Indirect Taxes based on the paradigm of 'One Nation One Tax'. One of the intended objectives of GST regime was to improve efficiency in the movement of goods and services by reducing process-related time delays.

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

EWB is a document required for the movement of goods and is designed to capture details of goods before being moved. Automation and standardisation of the entire process was intended to help check tax evasion and shore up GST collections. EWB is also designed to dissolve the non-trade barriers, so that transit time is reduced and supply chain efficiency is improved.

The EWB was introduced with effect from 1 April 2018 for all inter-State movement of goods having a value exceeding ₹ 50,000. For intra-State movements, EWB was made mandatory, in phases, with the threshold limit (**Appendix-I**) as may be prescribed by the concerned State Governments.

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

EWBs generated for outward supplies are supported by 'Invoices' and the invoice details are required to be reported in the GSTR-1 by the regular taxpayers. The summary details of such supplies are required to be reported by the composition taxpayers in GSTR-4/CMP-08. As per the instructions¹ issued by the CBIC, the Proper Officer may rely upon the data/details available in EWB Portal at the time of scrutiny of returns.

¹ Para 6.1 of Standard Operating Procedure (SOP) for Scrutiny of GST Returns for Financial Year (FY) 2017-18 and 2018-19 issued vide CBIC Instruction No.2/2022-GST, dated 22 March 2022 and Para No.5.1 of SOP for Scrutiny of GST Returns for FY 2019-20 onwards issued vide CBIC Instruction No.2/2023-GST, dated 26 May 2023.

1.2 Organisational structure of the Department

The Central Board of Indirect Taxes and Customs (CBIC), working under the aegis of the Ministry of Finance, is the apex body implementing GST for Centrally administered taxpayers across the country. There are 21 GST Zones and thereunder, 107 GST Taxpayer Service Commissionerates (Executive Commissionerates), 48 Audit Commissionerates and 49 Appeal Commissionerates.

Each Commissionerate has dedicated Preventive formations which perform functions relating to anti-evasion, including verification of EWBs.

1.3 Information Systems used for EWBs

The EWB Common portal is managed by National Informatics Centre (NIC) and is integrated with the VAHAN² system of the Ministry of Road Transport and Highways, so that vehicle registration number can be verified at the time of generating EWB. FASTag system had been integrated with the EWB system with effect from 1 January 2021. On the EWB Common Portal, one-time registration of the taxpayer is required for the purpose of generation, extension, cancellation and rejection of EWBs.

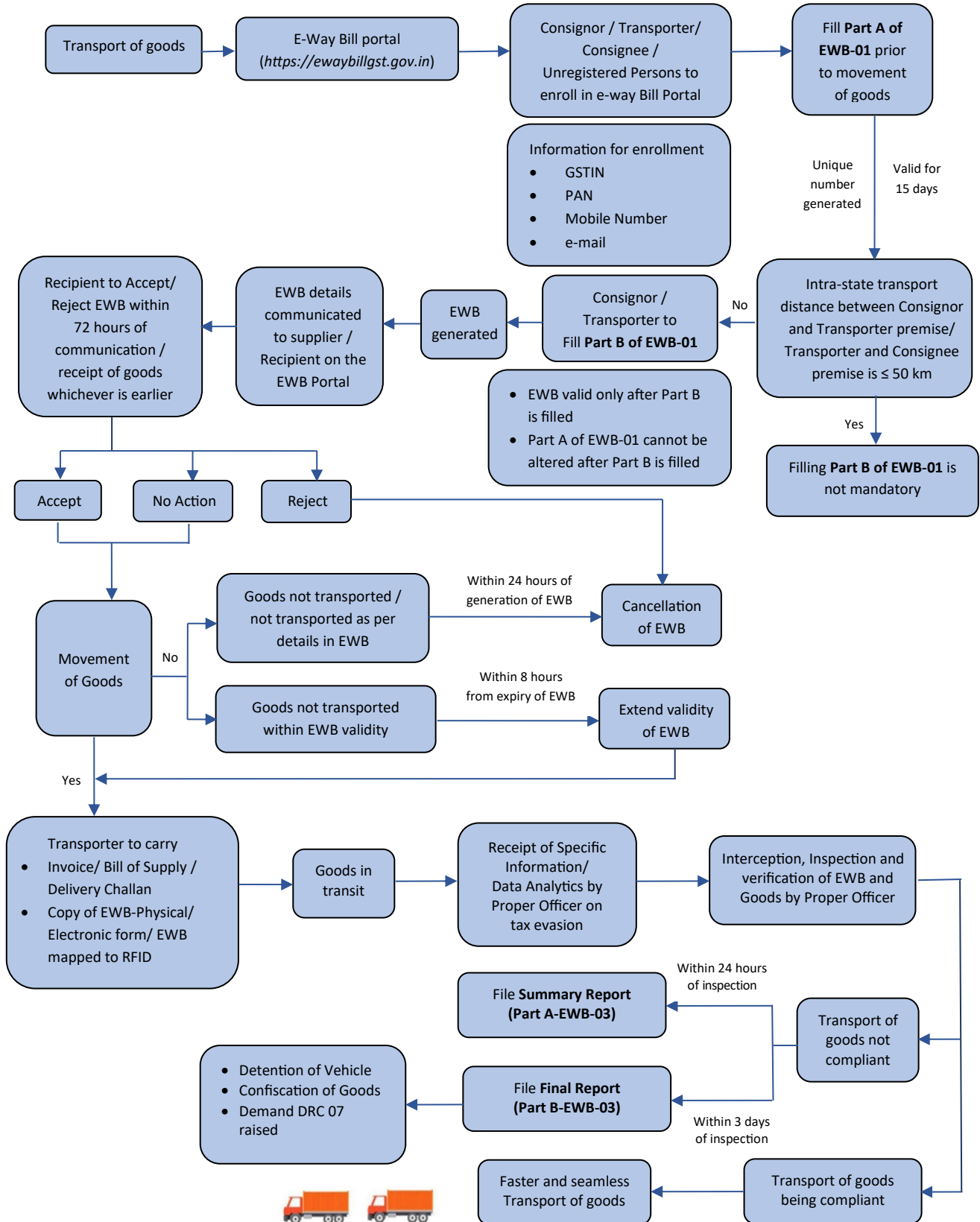
The Proper Officers (both Centre and State/UT) can access the EWB Portal through two means: - (i) Logging into EWB Common Portal through a web browser using the login credentials provided or (ii) Logging into the GST EWB System Mobile App. The functions performed by the proper officer are Verification of EWBs, Unblocking of EWB generation, Viewing and accessing Management Information System (MIS) reports etc.

1.4 Processes involved in the EWB System

The EWB system includes various processes such as the Enrolment of the required persons in the portal, Generation of EWB, Extension, Cancellation and Rejection of the EWBs generated, etc. The entire process flow of EWB system under GST is depicted in the following flowchart (**Figure-1**).

² VAHAN is a system that takes care of all the activities of Vehicle Registration.

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



The process involved in generation, cancellation and extension of EWBs and important terminologies used in the EWB System are discussed in the following paragraphs:

1.4.1 Enrolment in the Portal

As per the provisions of Rule 138 of the CGST Rules, every person who causes movement of goods of consignment value exceeding the prescribed limit shall generate an EWB by providing required details in EWB-01.

For generation of EWBs, GST Registered Persons, Transporters (GST Registered or Unregistered) and Citizens/Unregistered persons³ are required to enrol themselves in the EWB portal by providing necessary details such as State, Goods and Services Tax Identification Number (GSTIN), Legal Name, Permanent Account Number (PAN), Mobile Number etc. The transporters, who may not be registered under the GST but cause movement of goods for their clients, need to enrol on the EWB portal and get 15-digit Unique Transporter ID.

1.4.2 Generation of EWBs

As per Rule 138 of the CGST Rules, EWB can be generated electronically by furnishing details in Part A (once submitted cannot be edited) of the Form GST EWB-01 by any of the following persons:

- the Consignor
- the Transporter
 - in the case of authorization by the Consignor or
 - if the Consignor is an unregistered person,
- the Consignee

Details of the consignments viz. GSTIN of Supplier, Place of Dispatch, GSTIN of Recipient, Place of delivery, Document Number, Document Date, Value of Goods, Harmonised System of Nomenclature (HSN) Code and Reason for transportation are available in Part-A of the EWB-01. In Part-B, Vehicle Number for consignment by road and Transport document number are provided.

Furnishing details of vehicle number is not mandatory for intra-state/Union Territory transactions with a distance upto 50 km when the goods are moved from premises of consignor to that of transporter or from the premises of

³ Fourth proviso inserted with effect from 10 July 2024 under rule 138(3) of CGST Rules, 2017 provides that an un-registered person required to generate EWB shall submit the details on the common portal in Form GSTR ENR-03 and upon validation of the details a unique enrolment number shall be generated.

transporter and that of consignee. Consolidated EWBs can be generated in Form GST EWB-02, in the case of multiple EWBs generated for multiple consignments but transported in a single vehicle.

1.4.3 'Bill to Ship to' Transactions

In 'Bill to Ship to' transactions, three persons are involved viz. Supplier, Buyer and Recipient. The goods are purchased by the buyer and transported from the place of supplier to the place of recipient on behalf of the buyer. In these transactions, EWB can be generated either by the Supplier or by the Buyer. Buyer orders the Supplier to supply the Goods to the recipient on behalf of the Buyer. In this transaction, two supplies and two invoices are involved.

1.4.4 Validity of EWBs

As per Rule 138(10) of the CGST Rules, the validity of the EWB depends upon the distance and the type of shipment. Validity is calculated from the date on which the EWB had been generated (relevant date) and the period of validity shall commence from the midnight of the generation of EWB.

The validity period is one day for 200 km in respect of consignment other than over dimensional cargo and one additional day for every 200 km or part thereof with effect from 1 January 2021. Before that date, validity period was one day for 100 km and one additional day for every 100 km or part thereof. In respect of over dimensional cargo, it is one day for 20 km and one additional day for every 20 km or part thereof.

1.4.5 Extension of EWBs

As per Proviso-3 of the Rule 138(10) of the CGST Rules, the validity of the EWB can be extended by the transporter under circumstances of an exceptional nature where the goods cannot be transported within the original validity period of the EWB after updating the details in Part B of form GST EWB-01, within eight hours from the time of its expiry. Further, in terms of Proviso-1 of the Rules *ibid*, the validity of EWB can be extended by the Commissioner for certain categories of specified goods on the recommendation of the Council.

1.4.6 Cancellation of EWBs

As per Rule 138(9) of the CGST Rules, where an EWB is generated, the same may be cancelled electronically on the common portal within 24 hours of generation. However, an EWB cannot be cancelled if it had been verified in-transit.

1.4.7 Rejection of EWBs

As per Rule 138(11) and (12) of the CGST Rules, the details of the EWB generated will be communicated electronically to the Recipient, and he is

required to communicate his acceptance or rejection of the goods being transported. If the recipient does not communicate his acceptance or rejection within 72 hours of the details being communicated to him or the time of delivery of goods whichever is earlier, the EWB shall be deemed to be accepted.

Chapter-2: Audit Objectives, Criteria, Scope and Sampling Methodology

The Audit Objectives, Criteria, Scope and Sampling methodology determined for conducting the Performance Audit on EWB System under GST (PA on EWB) are discussed in the following paragraphs.

2.1 Audit Objectives

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

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

2.2 Audit Criteria

The PA on EWB System under GST had been evaluated against the following audit criteria:

- » Central Goods and Services Tax Act, 2017 (CGST Act)
- » Central Goods and Services Tax Rules, 2017 (CGST Rules)
- » Notifications / Circulars / Instructions issued by CBIC
- » Advisories / Standard Operating Procedures issued by NIC/CBIC

2.3 Audit Scope

EWB transactions of the persons registered in the EWB portal pertaining to the period between 1 April 2018 and 31 March 2022 were covered in this PA. Audit examined the overall performance of EWB System under the GST regime with reference to the Audit objectives. EWB data (generated) for the audit period had been obtained from Goods and Services Tax Network (GSTN) and had been analysed. Movement of conveyances by roadways alone have been considered for this Audit and Railway/Airway/Seaway EWBs have been excluded from the scope of this Audit.

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

2.4 Audit Sampling Methodology

A risk based approach had been attempted for this PA as EWB generation is necessary to cause any movement of goods subject to the threshold limit. Samples for Audit Objective-1 were evolved based on the Key Problem Areas (KPA) identified. The KPAs are listed in **Appendix-II**.

The basic unit of sampling for Audit Objective-1 is EWB identified by the risk model designed for this purpose. This risk model works on Total Weighted Score attached to each EWB. It involves allocation of weightage (W) for various KPAs between 1 to 10; where the highest risk will receive 10. A Weighted Score (WS) was calculated for each of EWB falling under such KPA by adding Normalised Assessable Value (AV(n))⁴ to the weightage of the particular Risk. The sum of weighted score was then computed for each EWB and the EWBs were selected based on weighted score. Eighty per cent of the sample was centrally determined and remaining 20 per cent was selected by Field Audit Offices from the buffer sample provided.

Based on the above methodology, Audit selected 2,244 EWBs relating to 956 taxpayers as sample cases for conducting Substantive Audit⁵ on the basis of various risks through data analysis. Apart from this, Audit selected 19 taxpayers⁶ as additional samples for verification. During the Audit conducted between February 2023 and July 2023, while examining records relating to the selected taxpayers, Audit examined transactions relating to EWBs and discharge of tax liability by these taxpayers with reference to GST returns and other records available in CBIC-GST Application.

Audit Objective-2 evaluated the problems associated with enforcement/preventive activities viz. Operational Preparedness, Effectiveness of Anti-Evasion measures and Intra-Department and Inter-Department co-ordination. For Audit Objective-2, 50 per cent of the preventive units were selected as sample, on the basis of stratified sampling method. For this, the preventive units were stratified into two parts based on the median number of EWBs verified by the Department. From each stratum, 50 per cent preventive formations were randomly selected.

⁴ AV (n) was computed by using a formula viz. $AV(n) = \frac{AV - AV(\text{minimum})}{AV(\text{maximum}) - AV(\text{minimum})}$

⁵ Substantive Audit: Detailed verification of transactions covered by EWBs with reference to Returns filed by the respective taxpayers and their books of accounts (wherever required) to ascertain the extent of tax compliance.

⁶ Nineteen taxpayers were identified as additional samples. Seventeen taxpayers were identified during audit of one taxpayer, who were involved in evasion of tax as a group and four taxpayers were selected by Chandigarh Audit Office, out of taxpayers dealing in evasion prone commodities.

In the selected Preventive Units, sub-samples were selected on booked cases. If the number of booked cases in any Preventive Unit were 50 cases or less, then all cases were selected as sub-sample. In case, where the number of booked cases exceeded 50 cases, then 50 cases were selected on the basis of stratified sampling method by dividing total cases in two strata⁷ and selecting 25 cases from each stratum.

Based on the above methodology, Audit called for information on EWB verifications and booked cases from the selected 58 Commissionerates. On the basis of details provided by these 58 Commissionerates, booked cases were requisitioned for verification.

An Entry Conference was conducted with the CBIC on 27 February 2023 and during the conference audit objectives and scope of this Performance Audit were discussed. The draft PA Report was issued to the Ministry on 11 July 2024. Exit Conference was conducted on 14 November 2024; wherein Member (CBIC), CEO (GSTN) and their teams and DDG, NIC participated. During the Conference, the audit observations and related recommendations were deliberated. The reply of the Ministry was received on 21 October 2024 and 25 November 2024. The replies received from the Ministry on the audit observations and their response to Audit recommendations have been incorporated suitably in the Report, wherever required.

We acknowledge the co-operation extended by the CBIC and its subordinate formations in providing the necessary records for the conduct of this Performance Audit.

2.5 Audit Constraints

Section 16 of the CAG's DPC Act 1971 lays down the Audit Mandate of the CAG regarding Audit of receipts. Further, Section 18(2) of the CAG's DPC Act, 1971 imposes a statutory duty on Offices/Departments to comply with the requests for information in complete form as far as possible and with all reasonable expedition.

In this regard, the Chairman, CBIC had also issued instructions vide Board's DO letter F.No.232/Misc. DAP/2018-CX-7, dated 26 April 2018 regarding cooperation with the C&AG audit team by procuring and providing complete and comprehensive information.

During this PA, audit requisitioned information and records related to 2,244 selected EWBs and GST returns for the period 2018-19 to 2021-22 in respect of 956 taxpayers. Further additional records like Annual Accounts, Purchase,

⁷ on the basis of amount of tax and penalty.

Sales registers etc. pertaining to sampled taxpayers were also sought for. In spite of requisitions and follow up, records were not produced in respect of 108 taxpayers and partial records were produced in respect of 334 taxpayers. In some of the cases, Department stated that they had sought the records from the taxpayers and the same was awaited.

Due to non-production of records, Audit could not ascertain tax compliance by the taxpayers and also the extent of correctness of the action taken by Department in respect of cases booked while interception of vehicles and verification of EWBs.

Jurisdictional Zone-wise non/partial production of records is summarised in **Table-1** below.

Table-1: Non/partial production of records

Zone	Total No of sample taxpayers	No. of taxpayers where records		
		Produced	Not produced	Partially produced
Ahmedabad	29	29	0	0
Bengaluru	51	0	0	51
Bhopal	95	23	52	20
Bhubaneswar	48	7	1	40
Chandigarh	56	16	0	40
Chennai	97	47	13	37
Delhi	53	36	2	15
Guwahati	45	35	0	10
Hyderabad	19	12	7	0
Jaipur	53	22	0	31
Kolkata	58	46	1	11
Lucknow	30	4	13	13
Meerut	40	9	8	23
Mumbai	44	32	0	12
Nagpur	21	18	0	3
Panchkula	25	20	0	5
Pune	15	14	0	1
Ranchi	83	61	0	22
Thiruvananthapuram	44	44	0	0
Vadodara	20	20	0	0
Vishakhapatnam	30	19	11	0
Grand Total	956	514	108	334

On this being pointed out (July 2024), the Ministry replied (October 2024) that in respect of 19 cases relating to non-production of records and in 107 cases relating to partial production of records, requisite records have since also been

produced to Audit. It was further stated that all supporting documents requested by Audit may involve calling for the same from the taxpayers. Field formations have been advised to ensure expeditious completion of this cycle.

As the Field visits for the PA have already been completed by the Audit, the documents which were subsequently produced could not be subjected to examination. Ministry may issue suitable instructions to the field formations for timely production of records to Audit.

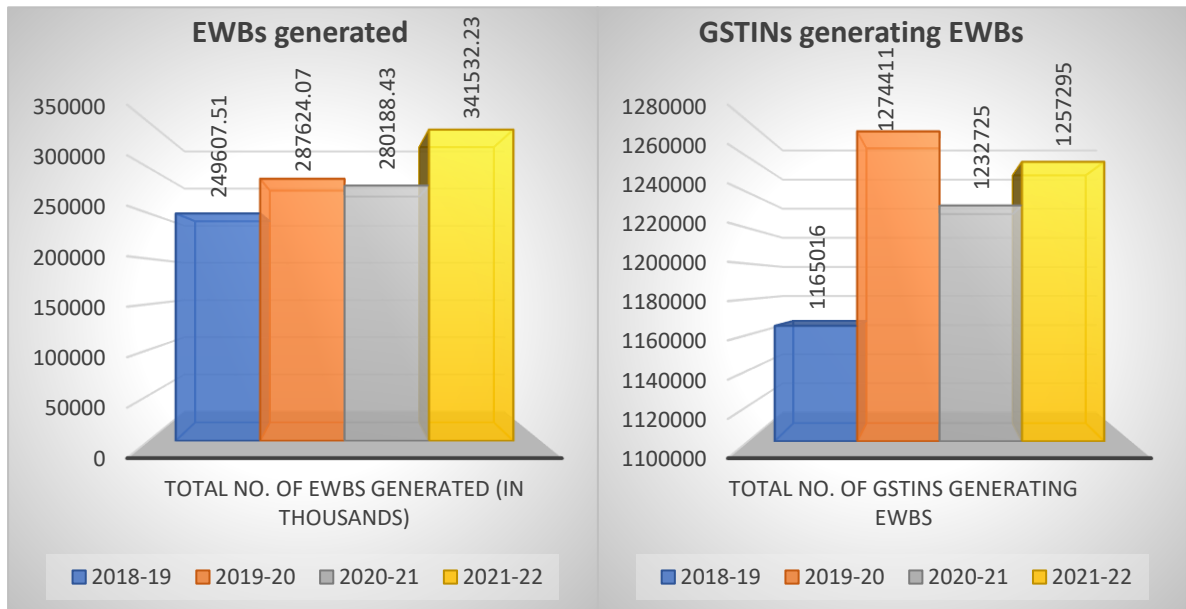
Chapter-3: Trends and Insights of EWB data

The generation of EWB before causing the movement of goods was made mandatory for all inter-State supplies exceeding threshold limit with effect from 1 April 2018 and extended to intra-State supplies also in phased manner. The Trends and Insights of EWB data are depicted in the following infographics.

3.1 Trend Analysis of EWBs

The trend on usage of EWBs with reference to number of EWBs generated, number of unique GSTINs involved and the value of consignments relating to the Audit period pertaining to CBIC Taxpayers is given in the following graphical presentation:

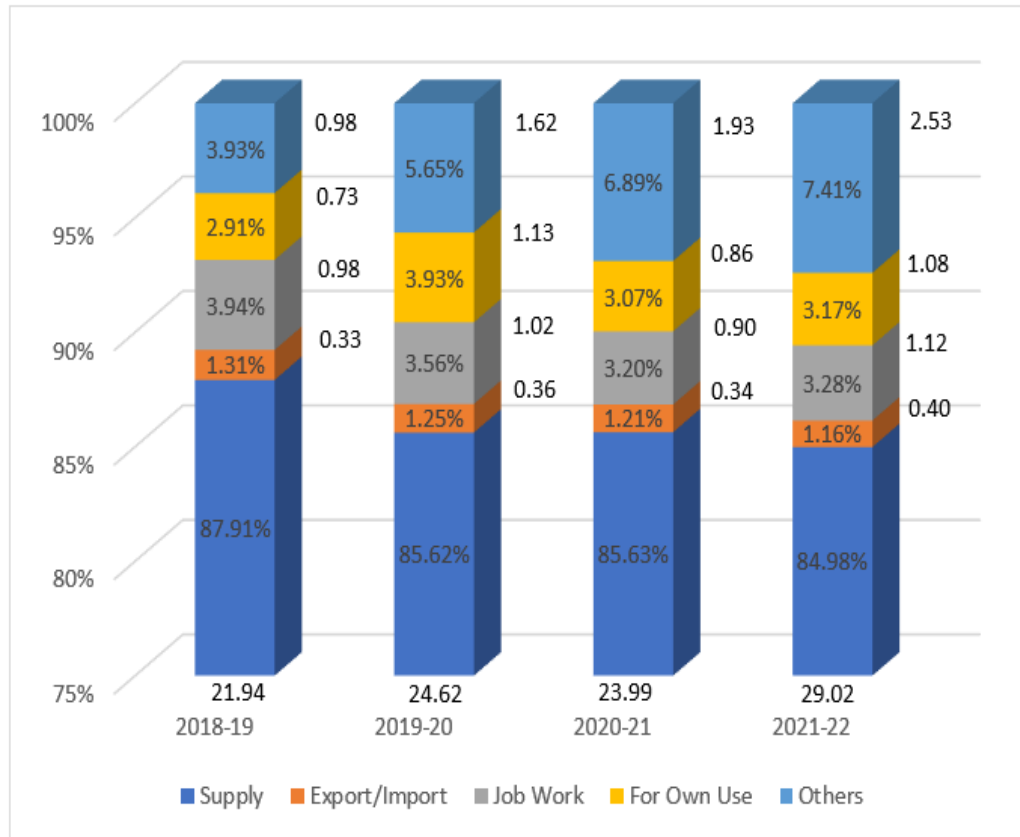
Graph-1: EWBs generated (Centre jurisdiction) and GSTINs involved - year-wise distribution



Source: Data made available by GSTN

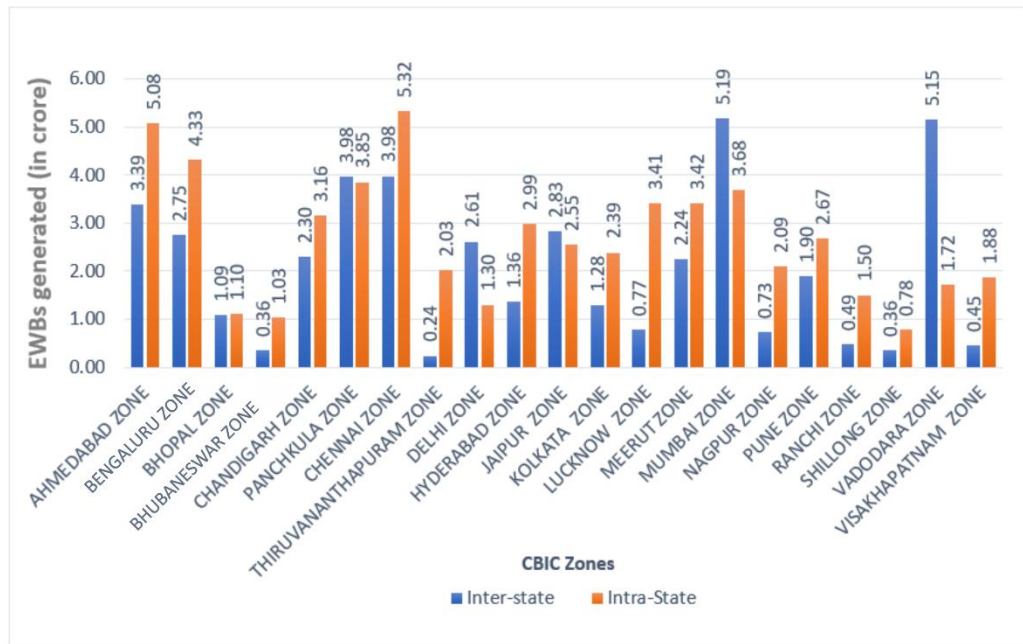
The above infographic image illustrates the year-wise distribution of total number of EWBs generated for supplies and GSTINs involved in the generation. There was eight per cent increase in the number of unique GSTINs generating EWBs from the fiscal year 2018-19 to 2021-22, while there is 37 per cent surge in the total number of EWBs generated for the fiscal year 2021-22 when compared to 2018-19.

**Graph-2: Transaction type distribution of EWBs generated
(Numbers in crore)**



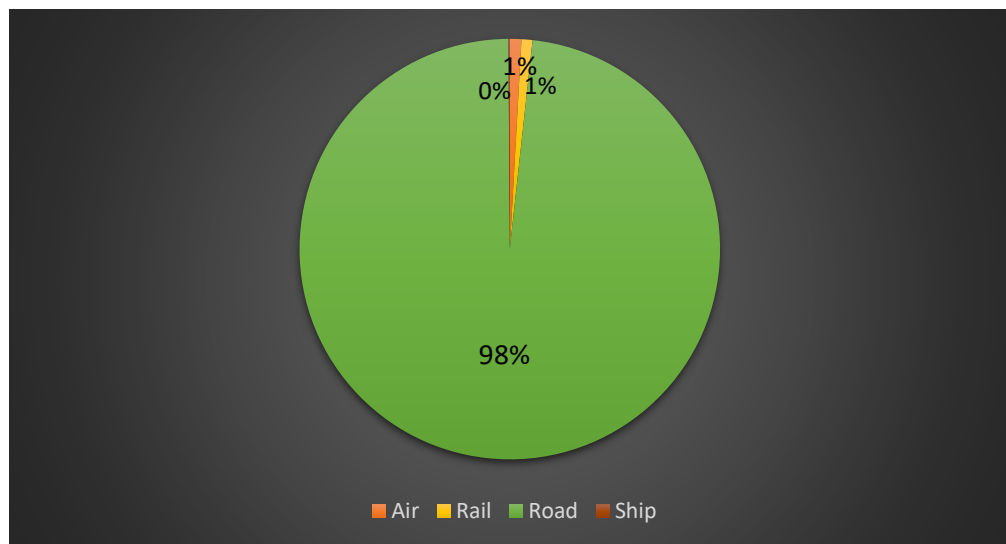
Source: Data made available by GSTN

Above infographic indicates the distribution of EWBs among different kinds of consignments for the period from 2018-19 to 2021-22. As may be seen from the trend, 'Supply' had taken the lead position and there was 32 per cent increase in generation of EWBs in this category in 2021-22 (29.02 crore) when compared to 2018-19 (21.94 crore). EWB generation for the transactions relating to 'Exports/Imports' increased by 21 per cent. While transactions for 'Job work' increased by 14 per cent, in respect of transactions relating to 'for own use' it increased by 48 per cent. Miscellaneous kinds of consignments categorised as 'Others' had seen an increase of 158 per cent over the four years.

Graph-3: Inter-State vs Intra-State EWB⁸ generation - CBIC Zone-wise (Numbers in crore)

Source: Data made available by GSTN

The above Infographic represents distribution of EWBs generated for Inter-State and Intra-State transactions by the taxpayers under the jurisdiction of CBIC zone during the period 2018-19 to 2021-22. The number of EWBs for Intra-State transactions were more than Inter-state transactions in respect of all Zones except Vadodara, Panchkula, Delhi, Jaipur and Mumbai.

Graph-4: Details of EWBs generated - Transportation Mode-wise

Source: Data made available by GSTN

⁸ EWBs generated for the purpose of supplies by the taxpayers pertaining to Central jurisdiction were considered here.

Transportation by Road constitutes major part of consignments supported by EWBs as it constitutes 98 per cent of total EWBs generated during the period from 2018-19 to 2021-22. The other mode of transports played minor role as their share is only two per cent.

Chapter-4: Effectiveness of EWB System

The PA on EWB commenced with data analysis of EWBs generated during the period from 2018-19 to 2021-22. Based on KPAs identified during data analysis, sample EWBs were identified and detailed verification of connected records were conducted at field formations of the Department. During the field visit, the records and information required for audit scrutiny were called for and examined. In respect of certain samples, taxpayers' records, viz., Financial Accounts, Purchase/Sales Registers, Stock accounts, etc. were also called for through the Department. Audit findings are detailed in the following paragraphs.

4.1 Whether EWB mechanism was effective in protecting revenue interest of the Government

During the Audit conducted between February 2023 and July 2023, based on initial examination, Audit further examined transactions relating to the above taxpayers with reference to GST returns and other records available in CBIC GST Application. For this purpose, periodical returns, viz., GSTR-1, GSTR-3B, GSTR-4, GSTR-9 and Statement CMP-08 relating to the taxpayers were downloaded from CBIC-GST Application. Further, GSTR-2A and details of EWB transactions were requisitioned from the Department. The taxpayers' records, viz., Annual Financial Statements, Stock Accounts, Purchase/Sales Registers were also called for from the taxpayers through the Department, wherever required. Verification of these records revealed deficiencies in tax compliance and the same are discussed in the following paragraphs.

4.1.1 Results of Audit

The extent of deficiencies noticed while undertaking the detailed scrutiny of the sampled cases during Substantive Audit are summarised in **Table-2** below and are discussed in the following paragraphs.

Table-2: Summary of observations noticed during Substantive Audit

Sl. No.	Details	No. of Audit observations	Money value involved ⁹ (₹ in crore)
1	Non/Short discharge of tax liability		
	a) By the Composition taxpayers	36	7.25
	b) By the taxpayers who did not file returns	103	310.62
	c) By the taxpayers who generated EWBs after cancellation of Registration Certificate (RC)	43	24.50

⁹ The amount of tax involved in the audit observations mentioned in Sl.No.1 to 3 relates to the transactions pertaining to the EWBs and records made available by the Department.

Sl. No.	Details	No. of Audit observations	Money value involved (₹ in crore)
	d) By the taxpayers who have generated multiple EWBs on the basis of single/same Invoice	43	3.04
	e) By the taxpayers who filed 'Nil' returns	71	54.10
	f) By the taxpayers with respect to other KPAs ¹⁰	174	177.35
2	<i>Evasion of Tax by group of taxpayers</i>		
	a) Non/short discharge of tax liability	18	126.30
	b) Mismatch in availing of ITC	1	6.39
3	<i>Discrepancies noticed in availing of ITC</i>		
	(i) Mismatch in availing of ITC	72	155.41
	(ii) Availing of ineligible ITC	2	1.63
Sub-total		563	866.59
4	<i>Department functioning on Interception of vehicles</i>		
	(i) Demand was not created during interception of vehicles	200	2.60
	(ii) Short-creation of demand for either tax or penalty	93	0.79
Sub-total		293	3.39
Grand total		856	869.98

The jurisdictional Office-wise details of sample EWBs allotted, number of EWBs verified and deficiencies pointed out are given in following **Table-3**.

Table-3: Results of Audit

Zone	AO-1				AO-2
	No of EWBs selected (as per sample)	No. of tax-payers	No. of tax-payers (addl. Samples)	Money value (₹ in crore)	Money value (₹ in crore)
Ahmedabad	115	29	0	18.75	0.06
Bengaluru	138	51	0	8.57	0.03
Bhopal	225	95	0	28.39	0.72
Bhubaneswar	94	48	0	96.64	0
Chandigarh	127	56	2	63.21	0.00
Chennai	145	97	9	72.05	0.80
Delhi	141	53	8	238.25	0
Guwahati	99	45	0	14.96	0.39
Hyderabad	65	19	0	13.19	0.08
Jaipur	137	53	0	3.76	0.04
Kolkata	179	58	0	51.36	0.45
Lucknow	118	30	0	17.59	0.07
Meerut	63	40	0	111.81	0.03

¹⁰ Pertaining to various KPAs mentioned in Appendix-II, excluding cases mentioned in serial No. 1(a) to (e) in Table-2 above were included under this category. These taxpayers also have observations on KPAs at serial No. 1(a) to (e) above.

Zone	AO-1				AO-2
	No of EWBs selected (as per sample)	No. of tax-payers	No. of tax-payers (addl. Samples)	Money value (₹ in crore)	Money value (₹ in crore)
Mumbai	85	44	0	21.14	0.10
Nagpur	54	21	0	0.58	0.01
Panchkula	25	25	2	1.55	0.11
Pune	19	15	0	0.02	0
Ranchi	186	83	0	81.11	0.50
Thiruvananthapuram	92	44	0	10.57	0
Vadodara	24	20	0	3.88	0
Visakhapatnam	113	30	0	9.21	0
Total	2,244	956	21	866.59	3.39

The deficiencies are discussed in detail in the following paragraphs:

4.1.2 Non/short discharge of tax liability

(a) Non/short-discharge of tax liability by Composition taxpayers

Section 10 (1) of the CGST Act provides that a registered person whose aggregate turnover in the preceding financial year did not exceed the threshold limit¹¹ may opt to pay tax under composition scheme. Section 10(2)(c) of the Act *ibid*, however, imposes a restriction that the taxpayer shall not be eligible to opt for composition scheme if he is engaged in making any inter-State outward supplies of goods. Rule 6(2) of the CGST Rules provides that the composition taxpayer shall be liable to pay tax under regular rate from the day he ceases to satisfy the condition and he shall intimate for withdrawal from the composition scheme through Common Portal within seven days of the occurrence of such event.

Based on data analysis, 47 taxpayers were identified as having contravened the conditions¹² governing the applicability of the Composition Scheme. These cases were taken up for Substantive Audit and it was observed that 36 taxpayers pertaining to 24 Commissionerates had generated EWBs for effecting inter-State outward supplies or/and their turnover had crossed the threshold limit (25 taxpayers effected inter-State supplies, five taxpayers had crossed threshold limit and six taxpayers contravened both the conditions).

¹¹ Threshold limit per year for becoming eligible for composition scheme was ₹ 75 lakh for the period upto 31 March 2019 and ₹ 1.5 crore thereafter. In respect of Special Category States, it was ₹ 50 lakh for the period upto 31 March 2019 and ₹ 75 lakh thereafter.

¹² Composition taxpayers generating EWBs for inter-State supplies and Composition taxpayers who exceeded threshold limit.

The outward supplies effected by these taxpayers during the period from April 2018 to March 2022 amounted to ₹ 53.82 crore.

Further examination revealed the following.

- Out of the 36 taxpayers, 11 taxpayers pertaining to nine Commissionerates were still continuing to be under Composition Scheme despite the non-fulfilment of the conditions governing the scheme;
- Six taxpayers pertaining to five Commissionerates did not file returns for continuous period of six months. However, the Department failed to take action to cancel the registration; and
- Two taxpayers pertaining to two Commissionerates had generated EWBs after the dates of cancellation of their registration. The Department, however, did not take any action to recover the tax liability.

The short payment of tax noticed in these cases was ₹ 6.74 crore which was recoverable alongwith an interest of ₹ 0.51 crore.

On this being pointed out (between April 2023 and August 2023), the Department/Ministry accepted the audit observations in 24 cases pertaining to 17 Commissionerates involving money value of ₹ 6.04 crore. In respect of one case pertaining to Shimla Commissionerate, the Department stated that the turnover of the taxpayer was lesser than threshold limit of ₹ 1.5 crore and as such Audit observation was not accepted. The reply of the department was not tenable as the EWB details indicated that the taxpayer effected outward supplies for ₹ 1.85 crore. Department needs to verify the EWB transactions with reference to the transactions reported in returns.

Reply of Department/Ministry in respect of remaining 11 cases was awaited (November 2024).

Two illustrative cases are discussed in the following paragraphs:

1. A Composition Taxpayer (GSTIN 24XXXXXXXXXX1ZW), falling under Gandhinagar Commissionerate, got registered on 19 February 2019 and its registration was cancelled suo-moto with effect from 29 September 2021. The taxpayer had generated 46 EWBs for inter-State supplies of ₹ 8.94 crore, involving tax of ₹ 60.04 lakh during March 2019 and April 2019, which is in contravention of the provisions of Section 10 of the CGST Act. The taxpayer did not file returns during the said period and hence did not discharge tax liability. The tax of ₹ 60.04 lakh on the inter-State supplies was recoverable alongwith interest of ₹ 44.80 lakh. On this being pointed out (June 2023), the

Ministry accepted (October 2024) the observation stating that SCN had been issued in the case.

2. A Composition taxpayer (GSTIN 21XXXXXXXXXX1Z3), falling under Bhubaneswar Commissionerate got registered on 31 January 2018 and their registration was cancelled on application of the taxpayer with effect from 1 April 2022. The taxpayer had filed CMP-08 upto March 2022 and paid tax at concessional rate of tax under composition scheme. For the year 2019-20, it was noticed that the taxpayer had declared its turnover to the tune of ₹ 1.70 crore and paid tax of ₹ 1.70 lakh. However, as the taxpayer violated the threshold provisions of Section 10 and exceeded the turnover of ₹ 1.50 crore, he was liable to pay tax at normal rate on the turnover exceeded ₹ 1.50 crore.

During the year 2020-21, the taxpayer had generated 39 EWBs for outward supplies with assessable value of ₹ 2.90 crore but have declared supplies of only ₹ 1.50 crore and paid tax at concessional rate. Further, the taxpayer declared turnover of ₹ 1.50 crore in his CMP-08 and also paid tax at concessional value for the year 2021-22 also. Though the taxpayer had already violated the provisions of the composition scheme in 2019-20, it continued to avail the scheme and paid tax at concessional rate on the turnover of ₹ 1.50 crore declared. As the taxpayer became ineligible for composition scheme in 2019-20 itself, he was required to pay tax for the entire turnover at the normal rate after crossing the threshold limit.

The taxpayer was required to pay tax of ₹ 84.27 lakh for the year 2019-20 to 2021-22. He paid ₹ 4.70 lakh only through composition scheme during these years. Hence, the short-payment of tax was worked out to ₹ 79.58 lakh; which was recoverable alongwith interest. On this being pointed out (June 2023), the Ministry replied (October 2024) that the SCN issued to this taxpayer had been adjudicated (July 2024).

Audit observed that there was no mechanism in the system to alert the Composition Levy Scheme (CLS) taxpayers and departmental officer for crossing threshold limit or generating EWB for inter-State supply.

Recommendation 1: Department may incorporate validation control in the EWB system to alert the CLS taxpayer, as well as the departmental officer, about crossing the threshold limit and for generating EWB for inter-State supply.

The Ministry replied (November 2024) that a check had been incorporated in EWB System, in August 2020, to block the composition taxpayers from generating EWBs for inter-State supplies. Further, Analytical Report was also provided to the tax officers listing out the composition taxpayers whose value

of supply on the basis of EWBs had exceeded the threshold limit. In addition, error message was provided to the composition taxpayer when the turnover declared in CMP-08 crosses ₹ 1.50 crore. Thus, both tax officers and taxpayers are suitably alerted.

The reply indicated that error messages were displayed in GSTN Portal to the taxpayers with reference to CMP-08 return and not on the basis of EWBs. Ministry may issue instructions to ensure proper utilisation of NIC Reports by tax officers. Ministry may also consider to provide error messages to the taxpayers as well as tax officers on the basis of transactions reported in EWBs.

(b) Non/short- discharge of tax liability by the taxpayers identified as Non-filers

As per Section 37 of the CGST Act read with Rule 59 of the CGST Rules, regular taxpayers shall furnish the details of outward supplies in GSTR-1. Further, in accordance with Section 39 of the CGST Act read with Rule 61 of the CGST Rules, they are required to furnish a return in GSTR-3B declaring the details of inward and outward supplies of goods or services or both, ITC availed, tax payable, tax paid. The summary details of such supplies are required to be reported by the composition taxpayers in GSTR-4/CMP-08, as per Rule 62 of CGST Rules.

Rule 138E of CGST Rules¹³ restricts the generation of EWB by the taxpayer who had not filed relevant GST Returns for two consecutive tax periods¹⁴.

(i) Audit observed that 103 taxpayers pertaining to 37 Commissionerates had effected outward supplies of ₹ 2,285.23 crore during the period from April 2018 to March 2022. On verification of records, it was noticed that the taxpayers did not discharge their tax liability either due to non-filing of their returns or non-reporting the turnover in their returns. Out of the above 103 taxpayers who did not discharge tax liability, 30 taxpayers filed their GSTR-1 for the respective period reporting their outward supplies and thereby passed on the Input Tax Credit (ITC) of ₹ 110.60 crore. The amount recoverable on account of non-discharge of tax liability worked out to ₹ 307.37 crore alongwith interest of ₹ 3.25 crore.

On these being pointed out (between March 2023 and August 2023), the Department/Ministry accepted the audit observations in 64 cases, pertaining

¹³ Rule 138E was introduced vide Notification No.74/2018, dated 31 December 2018. The Rule was given effect from 21 November 2019 vide Notification No.36/2019, dated 20 August 2019.

¹⁴ Form GST-CMP-08 for two consecutive quarters in respect of persons paying tax under Section 10 of the CGST Act *ibid* and GSTR-3B for normal taxpayers for two consecutive tax periods as applicable.

to 25 Commissionerates, involving money value of ₹ 125.73 crore. In respect of one case, the department stated (July 2024) that the taxpayer intimated that he had not generated any EWB and his GSTIN was being misused by some unknown person and his registration was also cancelled (February 2023). However, the Department did not intimate further action taken to identify the person who generated EWB. Further progress was awaited.

The reply in respect of remaining 38 cases was awaited (November 2024).

Two illustrative cases are given below:

1. A taxpayer (GSTIN 05XXXXXXXXXX1Z8) under Dehradun Commissionerate, was registered as a regular GST taxpayer with effect from 26 July 2019 and its registration was cancelled suo-moto on 29 August 2019. Audit noticed that the taxpayer had generated 1,534 Outward EWBs with an assessable value of ₹ 560.78 crore during the month of August 2019. Thus, the taxpayer generated high value EWBs within the short period of two months from the registration. The taxpayer had neither filed GSTR-1 nor GSTR-3B and hence, did not discharge the tax liability of ₹ 67.29 crore; which was recoverable alongwith applicable interest.

On this being pointed out (July 2023), the Ministry replied (October 2024) that the taxpayer could not be traced during physical verification and, therefore, action for recovery of demand was being initiated by issuing SCN.

2. A taxpayer (GSTIN-07XXXXXXXXXX1ZA) pertaining to Delhi West Commissionerate, was registered as a regular GST taxpayer with effect from 8 January 2018 and their registration was cancelled suo-moto on 7 October 2019. Audit observed that the taxpayer had filed GSTR-1 returns upto October 2019 with tax value of ₹ 32.47 crore and thereby passing on ITC of ₹ 32.47 crore. However, the taxpayer did not file GSTR-3B for the said period. This resulted in non-payment of tax on the outward supplies reported in GSTR-1, which worked out to ₹ 32.47 crore. The same was recoverable alongwith applicable interest.

On this being pointed out (August 2023), the Ministry accepted (October 2024) the observation stating that SCN was under process.

(ii) Audit further noticed that the registration of these 103 taxpayers were cancelled by the Department. Registrations of three taxpayers were cancelled from the date of registration itself and in respect of remaining 100 taxpayers, the registrations were cancelled within the range of one to 1,647 days from the date of the registration. Out of the above 103 taxpayers, the registration of 17 taxpayers were cancelled within six months from the date of registration. These taxpayers conducted the business for a short span of time of less than 180 days; but did not pay tax or made short-payment of tax for their outward

supplies. The details of validity of registration of these taxpayers are provided in the following **Table-4**:

Table-4: Taxpayers who generated high money value EWBs within six months

Period of registration validity	Number of taxpayers	Assessable value of EWB generated ¹⁵ (in crore)	Tax involved (in crore)
Upto one month	8	27.57	8.14
More than one month but upto three months	4	622.67	81.80
More than three months but upto six months	5	168.40	18.99
Total	17	818.64	108.93

It had also been observed that there was no mechanism to identify such taxpayers, who generate high money value EWBs within six months of their registration, and reporting the details to the proper officers for necessary action.

Recommendation 2: Department may incorporate validation control in the EWB system to identify the taxpayers generating high value EWBs but not discharging tax liability and reporting such taxpayers to the proper officers.

The Ministry replied (October 2024 and November 2024) that NIC is generating Analytical Reports on this issue and sharing with jurisdictional tax officers. DGARM also generates report on taxpayers, generating high value EWBs and not discharging tax liability and shared with field formations.

Ministry may issue instructions to ensure proper utilisation of NIC/DGARM Reports.

(c) Non/short-discharge of tax liability by the taxpayers who had generated EWBs after cancellation of registration

As per Section 63 of the CGST Act, in respect of a taxable person whose registration had been cancelled but remains liable to pay tax, the Proper Officer may proceed to assess the tax liability of such taxable person to the best of his judgement.

Audit observed that 43 taxpayers pertaining to 24 Commissionerates had generated EWBs for effecting outward supplies of ₹ 152.60 crore during the period from April 2018 to March 2022 after the effective date of cancellation of their registration. The taxpayers, however, failed to discharge the tax

¹⁵ Assessable value/Money value involved is as per the information filled in by the taxpayers in EWBs.

liability of ₹ 23.56 crore; which was recoverable alongwith an interest of ₹ 0.94 crore.

On this being pointed out (between April 2023 and August 2023), the Department/Ministry accepted the audit observations in 23 cases, pertaining to 16 Commissionerates, involving money value of ₹ 22.32 crore. Further, in respect of six cases, the Department replied that the EWBs were generated after the effective date of cancellation but before the issue of order for cancellation of registration. Hence, there was no irregularity. The reply revealed the futility of passing an order of cancellation with a retrospective date since business was already conducted and it was silent on the raising of a demand and recovery of tax for such transactions, as pointed out by Audit.

In respect of one case, the Department stated that letter addressed to the taxpayer was not delivered to the addressee and physical verification at principal place of business revealed that no such taxpayer was found. The Department further stated that on being called upon through mobile number it was informed by the son of the taxpayer that the taxpayer expired and he did not know about the business of his father. The reply was not acceptable as the Department was required to initiate action for raising the demand and collection thereof.

The reply in respect of remaining 13 cases was awaited (November 2024).

Two illustrative cases are discussed below:

1. A taxpayer (GSTIN 03XXXXXXXXXX1Z1) pertaining to Ludhiana Commissionerate had taken the registration on 18 September 2020 and the same was suo-moto cancelled with effect from 21 September 2020. The taxpayer had generated 81 EWBs during the period of November 2020 for outward supplies of ₹ 6.23 crore involving tax of ₹ 1.04 crore. However, he did not file GSTR-1 and GSTR-3B for the month of November 2020 and thus did not discharge his tax liability to that extent.

Further, during the months of December 2020 and January 2021, the taxpayer generated 359 EWBs involving outward supplies of ₹ 26.48 crore. Audit noticed that the tax payer declared outward supplies of ₹ 26.67 crore in his GSTR-1 for the same period. But, he did not file GSTR-3B returns for these months also.

Thus, the taxpayer did not file the GSTR-3B for the period from November 2020 to January 2021 and did not discharge tax liability of ₹ 5.70 crore which was recoverable with applicable interest.

On this being pointed out (July 2023), the Ministry replied (October 2024) that SCN had been issued to the taxpayer.

2. A taxpayer (GSTIN 19XXXXXXXXXX1Z0) pertaining to Kolkata North Commissionerate had taken registration on 19 March 2020; which was suo-moto cancelled with effect from 1 April 2020. However, the taxpayer generated 334 EWBs for ₹ 28.84 crore during the period from October 2020 to December 2020. The taxpayer had filed its GSTR-1 returns upto December 2020 but filed GSTR -3B for the month of March 2020 only. As a result, there was non-payment of tax of ₹ 5.38 crore by the taxpayer which was recoverable with applicable interest.

On this being pointed out (July 2023), the Ministry replied (October 2024) that action for recovery of dues had been initiated.

Recommendation 3: Department may consider issuing suitable instructions to the proper officers for considering EWBs generated by the taxpayer before cancellation of registration retrospectively and taking action for recovery of tax wherever applicable.

The Ministry replied (October 2024) that the Act provides cancellation of registration if the taxpayer fails to furnish the returns for a specified period. The Act also provides for taking action by the proper officer to assess the tax dues to the best of his judgement taking into account all the material available with him. It also stated that instructions had been issued (October 2024) to the field formations in this regard.

(d) *Short discharge of tax liability by the taxpayers identified as having generated multiple EWBs using same invoice*

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

As per Para 5-1 of the User Manual issued by the NIC, the taxpayer while generating the EWB is required to enter the Document Number relating to the consignment. The Document Number entered should be unique. Invoice Number is the Document Number in respect of consignments relating to supplies. Hence, only one EWB is required to be generated based on each invoice¹⁶.

Audit observed that 43 taxpayers pertaining to 23 Commissionerates, had generated multiple EWBs using single invoice during the period between April

¹⁶ In case of multiple consignments based on single Invoice (for sending goods in Semi Knocked Down (SKD) and Completely Knocked Down (CKD) conditions or supply of large quantity of goods under single invoice) the EWB shall be generated for each of such consignment separately based on the delivery challans issued for that portion of the consignment. Each Delivery Challan should have a reference to the particular Invoice.

2018 and March 2022. The taxpayers generated 685 EWBs on the basis of 278 Invoices and the multiple or ratio ranged from 2 to 22. The taxpayers, instead of disclosing all consignments, either reported a single consignment in GSTR-1 return or did not report any consignment therein. Thus, there was under-reporting of turnover of ₹ 22.75 crore in the returns and consequential short discharge of tax liability of ₹ 2.46 crore; which was recoverable alongwith an interest of ₹ 0.58 crore.

Generation of multiple EWBs based on single/same invoice indicated lack of validation in the EWB Common Portal to prevent generation of multiple EWBs using similar/same invoices.

On this being pointed out (between April 2023 and August 2023) the Department/Ministry accepted the audit observations in 17 cases, pertaining to 12 Commissionerates, involving money value of ₹ 0.59 crore. The Department did not accept the audit observations in respect of three cases stating that the second EWB was generated by the concerned transporter by mistake. As both the EWBs were active and not cancelled by the respective consignor, the department may examine the genuineness of the contention of the taxpayer to ensure that there was no multiple movements of goods with single invoice.

In one case, it was stated that the EWBs were generated by different divisions of the taxpayer company and there was a practice of numbering the invoices starting from '1' by each division. Because of this practice, same invoice number was declared in the multiple EWBs generated by the different divisions. However, all the invoices were declared in the GSTR-1. Reply was not acceptable since as per Rule 46(b) tax invoice should have consecutive serial number. Hence to ensure the genuineness of the claim of the taxpayer, the department may examine the case with reference to relevant documents.

In another case, the department forwarded the reply of the taxpayer who claimed that multiple EWBs were generated by mistake. The department may examine the claim of the taxpayer to ensure protection of revenue. In respect of another case, department replied that as per taxpayer's contention the taxpayer was a dealer in vehicles and the vehicles were transferred to sub-dealers on stock transfer using EWBs. The reply was not acceptable as Audit pointed out short-reporting of taxable turnover in the returns only after excluding stock transfer transactions. In respect of another case, the Ministry replied (October 2024) that the details were sent to Audit (October 2024). However, it was found that the details were related to documents requisition during Field visit and not to the audit observation.

Reply in respect of remaining 19 cases was awaited (November 2024).

Two illustrative cases are discussed below:

1. A taxpayer (GSTIN 33XXXXXXXXXE1Z6) pertaining to Salem Commissionerate got registered on 1 July 2017. Audit observed that the taxpayer generated 191 EWBs during the period from April 2018 to March 2019 using 50 similar invoices more than once. The multiplicity of EWBs against each invoice is in the range of 2 to 22. Out of 191 EWBs, 146 EWBs were generated with assessable value of ₹ 3.50 crore involving tax of ₹ 20.02 lakh using 39 similar invoices. These 39 invoices with assessable value of ₹ 96.52 lakh were reported in GSTR-1 once; thus remaining 107 EWBs were not reported. Further out of 191 EWBs, 45 EWBs with assessable value ₹ 1.17 crore involving tax of ₹ 8.14 lakh, generated using 11 invoices were not reported in GSTR-1 even once.

Thus, the transactions made through 152 EWBs with assessable value of ₹ 3.71 crore involving a tax of ₹ 22.43 lakh were not reported in the GSTR-1; which resulted in short-discharge of tax liability to an extent of ₹ 22.43 lakh. The same was recoverable alongwith an interest of ₹ 18.42 lakh.

On this being pointed out (July 2023), the Department replied (January 2024) that the reasons attributed for generation of multiple EWBs were (i) raising invoices using the same series of numbers by their divisions at different places and entering all transactions in GSTR-1 by prefixing different alphabets to the invoice numbers. Other reasons were EWBs generated for returning empty gas cylinders, transferring exempted goods etc. Reply of the department was not tenable as Rule 46 (b) provides that the tax invoice should contain a consecutive serial number not exceeding sixteen characters. Further, audit has duly considered the inclusion of the transactions bearing invoices with alphabets prefixed in their numbers in the GSTR-1. The Department needs to examine the correctness and genuineness of claim of the taxpayer by verifying the books of accounts viz. stock account, Outward supply register, Inward supply register, etc.

2. A taxpayer (GSTIN 33XXXXXXXXXP1Z6) pertaining to Salem Commissionerate got registered on 1 July 2017. The taxpayer generated 638 EWBs during the period from April 2018 to March 2019. During verification, Audit noticed that taxpayer generated 36 EWBs using 18 similar invoices using each invoice twice during April 2018 and May 2018. Out of 36 EWBs, 18 EWBs generated based on 18 invoices were reported by the taxpayer in his GSTR-1 of the respective months and tax was paid through GSTR-3B. However, the transactions relating to remaining 18 EWBs with assessable value of ₹ 3.24 crore involving a tax of ₹ 16.18 lakh were not reported in the GSTR-1. Thus,

the taxpayers short-discharged his tax liability to an extent of ₹ 16.18 lakh, which was recoverable alongwith an interest of ₹ 14.07 lakh.

On this being pointed out (August 2023), the Department forwarded (December 2023) the reply of the taxpayer in which it was stated that the transporter while changing the vehicles midway had generated new EWBs. Supporting documents to verify taxpayer's claim were not provided.

To the audit contention that the Department may consider including suitable validation control in the EWB System to prevent use of same/similar invoice in generation of multiple EWBs, the Ministry replied (November 2024) that an Analytical Report is available in NIC Portal; the tax officer can view the report on EWB cases with duplicate invoice numbers and take action accordingly. Further, building a hard control in the portal to block generation of EWB in these cases may not be appropriate as GST Rules allows generation of multiple EWBs in certain situations like goods supplied in lots.

Recommendation 4: Department may incorporate validation control in the EWB system to alert taxpayer and departmental officer on generation of multiple EWBs with single invoice/similar invoice.

(e) Non/short discharge of tax liability by the taxpayers identified as Nil filers

As per Section 37 of the CGST Act read with Rule 59 of the CGST Rules, regular taxpayers shall furnish the details of outward supplies in GSTR-1. Further, in accordance with Section 39 of the CGST Act read with Rule 61 of the CGST Rules, they are required to furnish a return in GSTR-3B declaring the details of inward and outward supplies of goods or services or both, ITC availed, tax payable, tax paid. Under Section 61 of the CGST Act, various returns filed by the taxpayers have to be scrutinised by the proper officer to verify the correctness of the returns, and suitable action had to be taken.

Audit observed that during the period April 2018 to March 2022, 71 taxpayers falling under 33 Commissionerates effected outward supplies, by generating EWBs, amounting to ₹ 340.42 crore involving tax of ₹ 50.41 crore. The taxpayers, however, did not report the turnover in their GSTR-3B returns and failed to discharge the tax liability thereon. The amount of tax recoverable worked out to ₹ 50.41 crore alongwith interest of ₹ 3.69 crore.

Non-reporting of EWB transactions indicates that though the EWB Portal had been integrated with GSTN Portal with effect from December 2019, EWB transactions are not linked with the returns filed by the taxpayers.

On this being pointed out (April 2023 to August 2023), the Department/Ministry accepted the audit observations in 43 cases, pertaining to 33 Commissionerates, involving money value of ₹ 33.28 crore.

In one case, the Department replied that some transactions related to job work and other transactions related to supply made to SEZ. Hence, there was no tax liability. Audit could not verify the reply as supporting documents were not provided. In respect of another case, the Ministry replied (October 2024) that the details were sent to Audit in September 2024. However, it was found that the details were related to documents requisitioned during Field visit and not to the audit observation.

Reply in respect of remaining 26 cases was awaited (November 2024).

Two illustrative cases are discussed in the following paragraphs:

1. A taxpayer (GSTIN 21XXXXXXXXXX1ZU) pertaining to Bhubaneswar Commissionerate got registered on 27 December 2019 and its registration was suo-moto cancelled with effect from 1 February 2020. Audit observed that the taxpayer had generated 190 EWBs for outward supplies with assessable value of ₹ 44.02 crore during the period from September 2020 to March 2022. However, the taxpayer did not report the turnover in GSTR-3B as he filed Nil returns for the period from September 2019 to December 2021 and did not file returns for the months of January 2022 and February 2022. This resulted in non-payment of tax on the outward supplies involved in 190 EWBs, which worked out to ₹ 7.92 crore. The same was recoverable alongwith applicable interest.

On this being pointed out (May 2023), the Ministry replied (October 2024) that SCN had been issued to the taxpayer.

2. A taxpayer (GSTIN 07XXXXXXXXXX1ZC) pertaining to Delhi North Commissionerate got registered on 10 August 2017 and its registration was suo-moto cancelled with effect from 10 August 2017. Audit observed that the taxpayer had effected outward supplies of ₹ 22.85 crore through 132 EWBs during the months of July 2018 and August 2018. The taxpayer reported these transaction in GSTR-1; however he filed GSTR-3B with Nil turnover. Audit further observed that the taxpayer filed GSTR-1 for the period from April 2018 to September 2018 with a tax value of ₹ 6.89 crore and thereby passed on ITC of ₹ 6.89 crore. However, the taxpayer filed GSTR-3B with Nil turnover for the entire period (from April 2018 to September 2018). This resulted in non-payment of tax on the outward supplies reported in GSTR-1 for the period from April 2018 to September 2018, which worked out to ₹ 6.89 crore. The same was recoverable alongwith applicable interest.

On this being pointed out (May 2023), the Ministry replied (October 2024) that SCN had been issued .

(f) Non/Short-discharge of tax liability by the taxpayers with respect to other KPAs¹⁷

As per Section 37 of the CGST Act read with Rule 59 of the CGST Rules, regular taxpayers shall furnish the details of outward supplies in GSTR-1. Further, in accordance with Section 39 of the CGST Act read with Rule 61 of the CGST Rules, they are required to furnish a return in GSTR-3B declaring the details of inward and outward supplies of goods or services or both, ITC availed, tax payable, tax paid. The summary details of such supplies are required to be reported by the composition taxpayers in GSTR-4/CMP-08 as per Rule 62 of CGST Rules.

(i) Audit observed that 174 taxpayers pertaining to 53 Commissionerates had effected outward supplies of ₹ 1,750.87 crore during the period from April 2018 to March 2022. On comparison of details of outward supplies with respective GST returns, viz., GSTR-1 and GSTR-3B, it was noticed that the taxpayers did not discharge the tax liability on these supplies. The tax amount of ₹ 168.06 crore was recoverable alongwith an interest of ₹ 9.29 crore.

On this being pointed out (April 2023 to August 2023), the Department/Ministry accepted the audit observations in 85 cases pertaining to 33 Commissionerates, involving, money value of ₹ 69.75 crore.

In two cases, the Department replied that the transactions were relating to purchase return of the goods. The reply could not be verified as supporting documents were not provided to audit. In respect of another two cases, it was replied that there was no short-payment of tax. The reply was not accepted as there was short-payment of tax for the month of September 2018 in respect of one case and in another supporting documents were not provided. Further, in another case it was replied that the transactions related to Domestic Tariff Area (DTA) sales and taxes were paid through TR-6 challans. The reply could not be verified as documents in support of payment of tax were not made available to Audit for verification.

In respect of four cases, the Ministry replied that the details were sent to Audit. However, it was found that in respect of three cases, the details related to

¹⁷ Pertaining to various KPAs mentioned in Appendix-II, excluding cases mentioned in serial No. 1(a) to (e) in Table-2 were included under this category. These taxpayers also have observations on KPAs at serial No. 1(a) to (e).

documents requisition during Field visits and not for the audit observation and in respect of another case no reply was received from the Department.

In respect of one case, the Ministry's reply is detailed in illustration (1) below.

The reply in respect of remaining 79 cases was awaited (November 2024).

Two illustrative cases are discussed below:

1. A taxpayer (GSTIN 21XXXXXXXXXX1ZG) under Rourkela Commissionerate got registered under GST on 1 July 2017. Audit observed that the taxpayer generated 243 EWBs against single invoice and 77 more EWBs against another invoice with total assessable value of ₹ 386.66 crore involving of ₹ 19.33 crore in the month of January 2020. It was further observed that the taxpayer reported ₹ 2.49 crore, involving tax of ₹ 12.47 lakh, relating to two transactions supported by two invoices in his GSTR-1 for the month of January 2020 and paid tax through GSTR-3B. However, the taxpayer did not report the remaining 318 EWBs with turnover of ₹ 384.17 crore in GSTR-1 and consequently failed to discharge the tax liability of ₹ 19.21 crore; which was recoverable alongwith applicable interest.

On this being pointed out (July 2023), the Ministry replied (October 2024) that the taxpayer supplied iron ore on the basis of two invoices to the two consignees through Railways. The recipients further transported the goods to various dealers using the invoice issued by the taxpayer and there was no tax evasion. As noticed from the reply, the goods were moved from the place of Railways by the consignees and subsequently transported to several taxpayers by road. However, EWBs were generated using the invoices issued by the taxpayer. As the subsequent supplies were also taxable, the department needs to examine the case to ensure discharge of tax liability on subsequent supplies.

2. A taxpayer (GSTIN 07XXXXXXXXXX1Z9), under Delhi West Commissionerate got registered under GST on 2 February 2019 and their registration was suo-moto cancelled on 16 August 2019. Audit noticed that they had generated 20 EWBs of ₹ 83.00 crore involving tax of ₹ 15.15 crore in the month of June 2019 for the invoices issued during May 2019. However as noticed from CBIC ACES-GST Application, the taxpayer filed GSTR-1 and GSTR-3B upto the month of April 2019 only; but did not file them thereafter. Thus, the taxpayer failed to discharge the tax liability of ₹ 15.15 crore.

On this being pointed out (May 2023), the Ministry replied (October 2024) that issuance of SCN was under process.

(ii) Use of risky vehicles in generating EWBs

Audit further observed that out of the above 174 taxpayers, 35 taxpayers pertaining to 23 Commissionerates had used risky vehicles (vehicles identified from VAHAN database, as stolen vehicles, suspended vehicles, surrendered vehicles, scrapped vehicles, RC cancelled vehicles and two wheelers) for transportation of goods. Though, the EWB system was integrated with VAHAN database, the system was unable to identify and prevent use of such vehicles for generation of EWBs and transportation of goods by such vehicles.

This was pointed out (between March 2023 and September 2023) and the reply was awaited (November 2024).

4.1.3 Discrepancies identified through analysis of EWB data

Audit analysed the data on EWBs generated during the period from April 2018 to March 2022 on the basis of KPAs and observed that discrepancies in tax compliance by the taxpayers could be ascertained directly in respect of certain KPAs. The data extracted under these KPAs, excluding samples selected for Substantive Audit, were forwarded to the Department during the period between July 2023 and August 2023 for considering further course of remedial action at their end. Issues involved in these observations have also been examined by Audit in substantive audit of sample taxpayers and the observations are included in the paragraphs 4.2.2 (a) to (d).

The details of observations, shared with the Department are depicted in the following **Table-5**:

Table-5: Details of Observations identified through data analysis

Sl. No.	Nature of observations	No. of taxpayers (TPs)	No. of EWBs
1	Generation of Inter-State EWBs by Composition taxpayers	2,585	41,524
2	Generation of EWBs by Composition taxpayers who had crossed prescribed threshold limit	59	9,168
3	Generation of EWBs by Non-filers of GST Returns	38,758	7,77,684
4	Generation of EWBs by Cancelled taxpayers	6,657	2,56,357
5	Generation of multiple EWBs using same Invoice	88,235	4,15,400

The observations were forwarded to the Department (July and August 2023) for verification and taking suitable actions at their end and giving a summary reply of the actions taken. The summary reply was awaited (October 2024). Department may also take suitable action to address these issue at system level.

4.1.4 Wilful suppression of turnover by a group of taxpayers

During the examination of records of a taxpayer (GSTIN 33XXXXXXXXXX1ZW), pertaining to Salem Commissionerate, Audit initially observed that the taxpayer had transacted with four traders and one among them was a distinct person¹⁸ (person having same PAN Registration located in Delhi). Audit noticed similarities in these five cases as regards to the nature of commodities dealt with by them and their return filing pattern. Though they generated EWBs for outward supplies, they defaulted in filing of returns and the registrations of all of the taxpayers were cancelled suo-moto by the respective jurisdictional officers. As Audit noticed evasion of tax in all these five cases, Audit further analysed all inward and outward transactions supported by EWBs pertaining to all these five taxpayers which led to identification of other taxpayers with whom they had transacted with. In this exercise, Audit could identify 26 taxpayers, under different jurisdictional control of Union and State Governments, involved in this supply chain who failed to discharge their tax liability.

The analysis of their GST registrations and return filing status of the above 26 taxpayers revealed the following details as given in **Table-6**:

Table-6: Analysis of Taxpayers' profile and their return filing pattern

Sl. No.	Details	No. of taxpayers
1	Having more than one Registration against same PAN	16 (8 taxpayers was having two registrations each)
2	Active Registration period	
	< one month	6
	one month to three months	3
	> 3 months to 1 year	9
	>1 year	8
3	Place of business having same address	3 taxpayers having same address
4	Return filing	
	Non-filers	15
	Return filed initially but not filed subsequently	3

From the above table, following points were noticed:

- Eight taxpayers had taken two registrations in two different States/UTs with single PAN.

¹⁸ As per Section 25 of CGST Act, 2017, a person having multiple places of business in a State or Union territory may be granted a separate registration for each such place of business, subject to such conditions as may be prescribed and such person shall, in respect of each such registration, be treated as distinct persons for the purposes of this Act.

- Three taxpayers were operating from the same address.
- 18 taxpayers had valid registration for the period less than one year; out of which registrations of six taxpayers were cancelled within one month.
- 15 taxpayers did not file returns for any period whereas 3 taxpayers though filed returns during the initial period of their registration, failed to file the returns subsequently even though they effected transactions.

The above findings point strongly about heavy risk of possible collusion amongst themselves in tax evasion. Out of these 26 taxpayers, 18 taxpayers are pertaining to central jurisdictions and remaining eight taxpayers fall under State/UT jurisdictions and the details are provided below:

The 26 taxpayers are pertaining to two CBIC zones and three State jurisdictions; the details of which are provided below in **Table-7**:

Table-7: Jurisdictional details of the taxpayers

Sl. No.	Jurisdiction	Number of Taxpayers
CBIC Jurisdiction		
1	Chennai Zone	10
2	Delhi Zone	8
State/UT Jurisdiction		
3	Tamil Nadu	2
4	Puducherry	2
5	Delhi	4
	Total	26

Out of the 26 taxpayers, 18 taxpayers pertained to Central jurisdiction under two zones (three Commissionerates¹⁹). The deficiencies in tax compliance pertaining to these 18 taxpayers are discussed in the following paragraphs:

(i) Non/short discharge of tax liability

As per Section 37 of the CGST Act read with Rule 59 of the CGST Rules regular taxpayers shall furnish the details of outward supplies in GSTR-1. Further in accordance with Section 39 of the CGST Act read with Rule 61 of the CGST Rules, they are required to furnish a return in GSTR-3B declaring the details of inward and outward supplies of goods or services or both, ITC availed, tax payable, tax paid.

Audit scrutiny revealed that these 18 taxpayers pertaining to three Commissionerates had generated 3,137 EWBs in respect of outward supplies

¹⁹ Delhi North, Puducherry and Salem.

valued at ₹ 168.21 crore during the period from March 2019 to September 2020. Tax including Cess involved in respect of these outward supplies amounted to ₹ 81.11 crore. The taxpayers, however, had either failed to file returns and pay tax for the period for which they had generated EWBs or short-reported the value of outward supplies in the returns filed by them. The non/short reporting of turnover consequently resulted in non/short discharge of tax liability amounting to ₹ 81.11 crore which was recoverable alongwith interest of ₹ 45.19 crore.

On this being pointed out (August 2023), the Department/Ministry accepted the audit observations in 11 cases pertaining to two Commissionerates, involving money value of ₹ 85.57 crore. In respect of one case, the Department replied that an SCN had already been issued and it was also subsequently adjudicated. However, Audit observed from the adjudication order that the SCN was dropped stating that the matter was required to be handled by other central Government agency as areas of investigations were quite widespread beyond the jurisdiction of Puducherry CGST Commissionerate. Department needs to take action accordingly and intimate to Audit.

Reply in respect of remaining six cases was awaited (November 2024).

An illustrative case is discussed below:

A taxpayer (GSTIN 33XXXXXXXXXX1ZW), falling under Salem Commissionerate got GST registration on 6 July 2019 and his registration was cancelled with effect 14 November 2019. Audit noticed that he had effected outward supplies during the period from August 2019 to October 2019 through 187 EWBs with assessable value of ₹ 12.07 crore involving tax amounting to ₹ 7.33 crore (inclusive of cess).

However, the taxpayer filed GSTR-3B Return only for the month of August 2019 and reported a turnover of ₹ 8.82 crore in GSTR-3B including the transaction covered by 130 EWBs having assessable value of ₹ 8.55 crore. He did not file GSTR-3B returns thereafter. Thus, the non-filing of returns for September and October 2019 resulted in non-reporting of transactions covered by 57 EWB, involving turnover of ₹ 3.53 crore and consequent non-payment of tax (including cess) amounting to ₹ 5.79 crore, which was recoverable alongwith interest of ₹ 3.59 crore.

This was pointed out to the Department/Ministry (August 2023/July 2024), the reply was awaited (November 2024).

(ii) Mismatch of ITC between GSTR-3B and GSTR-2A

As per Section 16 of the CGST Act, every registered person shall be entitled to take credit of input tax (ITC) charged on any supply of goods or services or both to him 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.

According to Rule 36 of CGST Rules, the ITC shall be availed only on the basis of certain documents and one of the documents prescribed is invoices issued by the supplier of goods or services. As per Section 37 of the CGST Act read with Rule 59 of the CGST Rules, every registered person other than composition taxpayers shall furnish the details of outward supplies of goods or services or both effected during a tax period in GSTR-1.

Audit observed that a taxpayer (GSTIN 33XXXXXXXXXX1ZW), falling under Salem Commissionerate had availed ITC of ₹ 7.23 crore through GSTR-3B filed for the month of August 2019. The taxpayer discharged the tax liability of ₹ 1.59 crore for the month of August 2019 utilising ITC. However, the eligible claim of ITC as noticed from GSTR-2A for the month was ₹ 84.27 lakh. Thus, the taxpayer had claimed excess ITC of ₹ 6.39 crore as compared to ITC available in GSTR-2A. This mismatch was required to be examined and excess ITC, if any, was recoverable from the taxpayer alongwith applicable interest. This was pointed out to the Department/Ministry (August 2023/July 2024). The reply was awaited (November 2024).

In respect of the taxpayers falling under State jurisdictions, the matter had been taken up with State authorities by the respective State Audit Offices. As multi-jurisdictional taxpayers are involved in these transactions, Department may investigate the matter to identify all the taxpayers involved in this supply chain and to take remedial action.

(iii) Movement of banned products

Audit further noticed that the major commodities moved from Delhi to Tamil Nadu/Puducherry by five taxpayers, under Delhi Zone were tobacco related products. It is pertinent to mention that Gutkha, Pan-Masala and any other food products containing tobacco are banned in Tamil Nadu and Puducherry under the Food Safety and Standards Act (FSSA), 2006. This indicates that there was no mechanism to prevent transportation of banned goods in EWB system.

Recommendation 5: Department may incorporate validation control in the EWB system to alert taxpayers whenever EWB is generated for movement of banned goods.

The Ministry replied (November 2024) that no validation was available to prevent supply of banned goods through EWBs since data differs from State to State i.e. Gutkha, Pan Masala are banned in certain states only. Also, blocking EWBs would lead to movement going undercover which would not be in favour of revenue.

The Department may consider generating alerts to tax officers and taxpayers whenever EWBs are generated for movement of banned goods.

4.1.5 Discrepancies noticed in availing of ITC

(a) Mismatch in availing of ITC

As per Section 16 of the CGST Act, every registered person shall be entitled to take ITC charged on any supply of goods or services or both to him 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.

During the audit of taxpayers selected for examination of EWB System, correctness of availment of ITC in respect of sample taxpayers was also examined. The claim of ITC as per GSTR-3B/GSTR- 9 was correlated with ITC available under GSTR-2A returns. Audit observed that 72 taxpayers pertaining to 28 Commissionerates had availed ₹ 1,357.89 crore; even though ITC available as per GSTR-2A was only ₹ 1,202.48 crore. Thus, there was mismatch between ITC available as per GSTR-2A and that of availed by the taxpayers through their GSTR-3B. The amount of mismatch worked out to ₹ 155.41 crore. Department may verify the detail and recover the excess ITC claimed, if any, alongwith interest applicable.

On this being pointed out (between March 2023 and September 2023), the Department/Ministry accepted the audit observations in 44 cases, pertaining to 25 Commissionerates, involving money value of ₹ 99.76 crore. In respect of two cases, the Department/ Ministry replied that there was no discrepancy in the ITC claim. However no supporting documents were furnished to Audit to verify the claim in respect of one case and in respect of another, it was noticed from the reconciliation statement provided by the taxpayer that ITC of ₹ 15.85 lakh was claimed in excess as compared to GSTR-2A. In respect of another case, the department replied that as per the contention of the taxpayer there was no excess claim of ITC. The department may examine the contention of the taxpayer with relevant documents and forward the result of examination with supporting documents.

Reply in respect of remaining 25 cases was awaited (November 2024).

Two illustrative cases are as follows:

1. A taxpayer (GSTIN 07XXXXXXXXXX1ZP), pertaining to Delhi North Commissionerate, got registered under GST on 14 September 2018 and his registration was cancelled on 3 May 2021 with retrospective effect from 13 February 2019 on the basis of physical verification of business premises conducted on 13 February 2019. Audit noticed that the taxpayer had claimed ITC of ₹ 7.30 crore through GSTR-3B during the year 2018-19. However, the ITC available was only ₹ 45 lakh in GSTR-2A for the corresponding period. Thus, there was a mismatch between the ITC available in GSTR-2A and that of claimed by the taxpayer which worked out to ₹ 6.85 crore.

Audit further noticed that physical verification of the business premises was conducted on 13 February 2019 and based on that the registration of the taxpayer was cancelled suo-moto by proper officer on 3 May 2021. However, during the intervening period of conducting physical verification and cancellation of registration, the taxpayer had availed ITC of ₹ 14.49 crore during years 2019-20 and 2020-21 through GSTR-3B; however the ITC available in GSTR- 2A was only ₹ 13.73 lakh. Thus, there was a mismatch between the ITC available in GSTR-2A and that of claimed by the taxpayer to a tune of ₹ 14.36 crore. In total, there was a mismatch between ITC availed and ITC available for the period from 2018-19 to 2020-21 to an extent of worked out to ₹ 21.21 crore which was recoverable alongwith applicable interest.

On this being pointed out (July 2023), the Ministry replied (October 2024) that issuance of SCN was under process.

2. A taxpayer (GSTIN 07XXXXXXXXXX1ZY), pertaining to Delhi East Commissionerate, got registered on 7 March 2020 and his registration was cancelled suo-moto with effect from 7 March 2020 itself. Audit noticed that the taxpayer had claimed ITC of ₹ 17.13 crore through GSTR-3B during the period 2020-21. However, as noticed from GSTR-2A for the corresponding period, the ITC available was Nil. Thus, the taxpayer had claimed excess ITC of ₹ 17.13 crore as compared to ITC available in GSTR-2A. This mismatch was required to be examined and excess ITC, if any, was recoverable from the taxpayer alongwith applicable interest.

On this being pointed out (July 2023), the Ministry replied (October 2024) that the matter was being investigated further and action was being taken.

(b) Availing of ineligible ITC

As per Section 16(2)(c) of the CGST Act, ITC is not eligible unless the tax charged in respect of corresponding supplies had been actually paid to the Government.

Audit observed that two taxpayers of two Commissionerates had claimed ITC of ₹ 1.46 crore during the period July 2018 to March 2022, however, the suppliers of the taxpayers had not filed their returns and thereby did not pay tax on the outward supplies. As the tax on supplies was not paid to Government by the suppliers, the taxpayers were not eligible to claim ITC of ₹ 1.46 crore. The ineligible ITC of ₹ 1.46 crore was recoverable with interest of ₹ 0.17 crore.

On this being pointed out (March 2023 and June 2023), the Department accepted the audit observations in both the cases, pertaining to two Commissionerates, involving money value of ₹ 1.64 crore.

An illustrative case is given below:

A taxpayer (GSTIN 33XXXXXXXXXX1Z7), under the jurisdiction of Coimbatore Commissionerate, got registered under GST on 22 November 2021 and his registration was cancelled, suo-moto, with effect from 23 November 2022. Audit noticed that the taxpayer had claimed ITC of ₹ 1.58 crore and adjusted the ITC of ₹ 1.58 crore against his tax liability for the period from December 2021 to March 2022. On further verification it was observed that out of the ITC claim of ₹ 1.58 crore, ₹ 1.31 crore pertained to ITC passed on by a single supplier, taxpayer, (GSTIN 33XXXXXXXXXX1ZX), whose registration had been cancelled with effect from 1 September 2021 due to filing of GSTR-3B without inputs in GSTR-2A. As a result, the ITC passed on by him became invalid. The supplier had discharged his entire tax liabilities of ₹ 3.53 crore through ITC only during the period from November 2021 to March 2022. Thus, ITC of ₹ 1.31 crore by the taxpayer was ineligible; which had to be reversed alongwith applicable interest.

On this being pointed out (March 2023), the Ministry accepted the audit observation (October 2024) and stated that the taxpayer was fake entity and in order to safeguard revenue, issuance of SCN was in process.

4.1.6 Miscellaneous issues

(i) Non-initiation of action on alert circulars issued for disallowance of irregular ITC

During the verification of tax compliance in respect of two sample taxpayers pertaining to Kolkata North Commissionerate, Audit observed that the Commissionerate had already identified these two taxpayers as non-existent during physical verification and the two taxpayers had passed on ITC for ₹ 26.36 crore to their recipients during the period 2018-19 and 2019-20. In

this regard, the Commissionerate had issued 'Alert Circulars'²⁰ to the jurisdictional officers regarding the ITC passed on by these two taxpayers. Audit noticed that no further development had taken place on these alert circulars.

An illustrative case is mentioned below:

In the case of a taxpayer (GSTIN 19XXXXXXXXXX1Z9) falling under the jurisdiction of Kolkata North Commissionerate, it was observed that the taxpayer had made taxable supply during FY 2018-19 without discharging the applicable tax. The Department conducted a physical verification in November 2019 and found the taxpayer to be non-existent. The registration of the taxpayer was cancelled suo-moto on 16 December 2019 for not filing the returns. Subsequently, the Department issued an 'Alert Circular' in February 2020 enlisting 172 recipients, who had received the invoices without involving supply of goods from the above taxpayer and asking the concerned jurisdictions to initiate action against them for recovery of irregular ITC availed. The total ITC passed on fraudulently by the taxpayer as per 'Alert Circular' was ₹ 19.03 crore. Out of the above 172 taxpayers, 30 recipients, who had received ITC of ₹ 1.82 crore were falling under the jurisdiction of Kolkata North Commissionerate itself. However, no action had been initiated by the proper officers on the alert notices received to recover the ITC claimed by the taxpayers under their jurisdiction (July 2023).

On this being pointed out (July 2024), the Ministry replied (October 2024) that out of 172 recipients who had received the invoices without supply of goods from taxpayer, 11 taxpayers are under the administrative control of Kolkata North Commissionerate. Out of these 11 cases, SCN had been issued in three cases. Details on action taken in respect of other cases were awaited (November 2024).

(ii) Abnormally high value EWBs generated by taxpayers

Through data analysis, Audit identified that 19 taxpayers pertaining to 14 Commissionerates had generated 42 EWBs with abnormally very high assessable value i.e. value exceeding ₹ 10,000 crore. The generation of EWBs with abnormally high value was reported (May to August 2023) to the Department to ascertain the veracity of the 'Assessable value' mentioned therein.

On this being pointed out, the Department/Ministry replied (between July 2023 and October 2024) that assessable values were wrongly mentioned in 19

²⁰ Internal communication issued by Kolkata North Commissionerate to respective GST Commissionerates/Units.

EWBs due to data entry error. In respect of remaining 23 cases, reply was awaited (November 2024).

One case is illustrated below:

A taxpayer (GSTIN 36XXXXXXXXXX1ZT), pertaining to Hyderabad Commissionerate generated five EWBs with high money value; out of which, an EWB (No.121446807120, dated 10 March 2022) was generated for outward supply of ₹ 7,97,90,480.32 crore (₹ 79,79,04,80,32,54,452). As the value of the EWB was abnormally high, this was pointed out to the Department (May 2023) to examine the case. The Department replied (October 2023), that it was due to clerical error while entering the value in EWB Bill portal. The reply indicates that there is no validation control in the EWB system to prevent such data entry errors.

Recommendation 6: Department may incorporate validation control in the EWB system to red flag/prevent abnormally high value and inconsistent data in EWBs.

The Ministry replied (November 2024) that Alert messages are provided when EWBs having value of more than ₹ 10 crore are being generated. The taxpayers receive SMS messages on details of EWBs generated in their GSTIN as supplier as well as recipient. Analytical report in respect of abnormal high value EWBs are also available to the tax officer.

Chapter 5: Preventive functions of the Department

The Commissioner or an Officer empowered by her/him in this behalf may authorise any officer to intercept any conveyance to verify the EWB. CBIC had issued detailed instructions²¹ elaborating the procedure for interception of conveyances for inspection of goods in movement, detention, release and confiscation of goods and conveyances for contravening the provisions of Act/Rules relating to EWB. A summary report of every inspection of goods in transit shall be recorded online by the proper officer in Part A of Form EWB-03 within 24 hours of inspection and the final report in Part B of Form EWB-03 shall be recorded within three days of such inspection.

Once physical verification of goods being transported on any conveyance had been done during transit at one place within the State or Union Territory or in any other State or Union Territory, no further physical verification of the said conveyance shall be carried out again in the State or Union Territory, unless a specific information relating to evasion of tax is made available subsequently. Where a vehicle had been intercepted and detained for a period exceeding thirty minutes, the transporter may upload the said information in Form GST EWB-04 on the common portal.

Audit sought to review whether the preventive activities of the Department in enforcing EWB provisions were efficient and effective. For this purpose, 58 Commissionerates, being 50 per cent of the preventive units under the jurisdiction of Field Audit Offices, were taken as sample on stratified sampling method.

5.1 Efficiency and effectiveness of the preventive/enforcement activities of the Department in enforcing EWB provisions

Audit examined EWB related functions of the Preventive Units of the Central formations with specific focus on (i) Operational Preparedness, (ii) Effectiveness of Anti-Evasion Measures and (iii) Intra-Departmental Coordination in monitoring EWB related transactions. For this purpose, Audit selected Preventive Units of 58 Commissionerates. During verification, Audit noticed several deficiencies in the activities of the Preventive Wings; which are detailed in the following paragraphs:

Section 68(1) of the CGST Act stipulates that the person in charge of a conveyance carrying any consignment of goods of value exceeding a specified amount shall carry with him the documents and devices prescribed in this

²¹ Circulars no. 41/15/2018-GST dated 13 April 2018, 49/23/2018-GST dated 21 June 2018 and 64/38/2018-GST dated 14 September 2018.

behalf. As per Sub-section (3) of the Section, *ibid*, where any conveyance referred to above can be intercepted by the proper officer at any place and he may require the person in charge of the conveyance to produce the documents for verification, and the said person shall be liable to produce the documents and also allow the inspection of goods.

Further, Section 129 of the CGST Act provides for detention, seizure and release of goods and conveyances in transit where any person transports any goods in contravention of the provisions of this Act. According to Rule 138 of the CGST Rules, in case of transportation of goods an EWB is required to be generated before the commencement of movement of the consignment.

For verification of EWBs, the CBIC had issued instructions vide Circular Nos. 41, 49 and 64 of 2018, cited above, where procedure for interception of conveyances for inspection of goods and action to be taken by the proper officers are enumerated.

5.1.1 Operational Preparedness of the Department

In order to assess adequacy and effectiveness of preventive function, Audit examined Department preparedness in respect of dedicated preventive setup, adequacy of manpower, adequacy of patrolling vehicles, and target and achievements in respect of interception of vehicles and examination of EWB during transit. The findings are discussed below:

5.1.1.1 Dedicated setup/unit

A dedicated Unit for EWB related enforcement activities like verification of EWBs during interception of vehicles and follow up action wherever required, utilizing EWB Analytical Reports in planning the EWB verification, etc. can improve the efficiency of preventive functions. When the details regarding the position of existence of dedicated setup/unit was requisitioned from 58 selected Commissionerates, three Commissionerates did not provide any information. Only Rohtak Commissionerate intimated that dedicated mobile squads were constituted for conducting EWB verification. Fifty three other Commissionerates intimated that no dedicated setups were formed for conducting EWB related enforcement activities. Pune-II Commissionerate intimated that dedicated unit existed till 2019; but no dedicated unit existed afterwards. The Commissionerate further stated that the exiting Preventive Units / Anti Evasion Branches are entrusted with the verification of EWB functions.

On this being pointed out (September 2023 and October 2023), the Ministry replied (October 2024) that dedicated set-ups exist in three more Commissionerates.

5.1.1.2 Adequacy of manpower

Details of existing manpower were ascertained from Preventive Units of the 58 selected Commissionerates. Thirty five Commissionerates did not provide information on the manpower availability. Twenty two Commissionerates also did not give details of manpower, but stated that they are having inadequate manpower in their Preventive Units. Bolpur Commissionerate intimated that adequate manpower was available in their Preventive Units to conduct the EWB verification.

Non-availability of dedicated set-up coupled with vacancies in staff strength may affect EWB related preventive functions.

On this being pointed out (September 2023 and October 2023), the Ministry replied (October 2024) that four Commissionerates²² have adequate manpower to conduct the EWB verification. Ministry may instruct the field formations to maintain adequate manpower for conducting EWB verification.

5.1.1.3 Lack of sufficient patrolling vehicles

Details of availability of patrolling vehicles exclusively for EWB verification functions were called for from the 58 selected Commissionerates. Four Commissionerates did not provide information. 54 Commissionerates intimated that exclusive patrol vehicles were not available. In these formations, the verifications were conducted using the vehicles available at the Commissionerates whenever verifications are planned.

Availability of sufficient patrolling vehicles for EWB verification is important for effective and timely interception and verification of goods in transit.

On this being pointed out (September 2023 and October 2023), the Ministry replied (October 2024) that sufficient patrol vehicles are available in eight Commissionerates²³.

Ministry may consider deploying adequate patrol vehicles at all the field formations exclusively for conducting EWB verification.

5.1.1.4 Targets and achievements

Audit called for the details of targets fixed by the Board/Zone/Commissionerate for verification of EWBs through vehicle interceptions and achievements against them, from the selected Preventive units. Preventive Units of 39 Commissionerates intimated that there were no specific targets for verification of EWBs. Information on targets were not provided by remaining four Commissionerates.

²² Delhi West, Nagpur, Puducherry and Rourkela.

²³ Alwar, Belapur, Delhi West, Mangaluru, Kanpur, Pune-II, Rourkela and Udaipur.

This was pointed out to the Department/Ministry (September 2023 and October 2023/ July 2024) and their reply was awaited (November 2024).

In respect of 10 Commissionerates, it was intimated that month-wise internal targets were prescribed. However, audit could not examine achievement/ shortfall against these targets as month-wise data were not provided by these units. In respect of other five Commissionerates²⁴, targets fixed were not achieved as against the target of verification of 1,13,400 EWBs, only 6,129 EWBs (5.4 per cent) were verified.

On this being pointed out (March 2023 to July 2023/July 2024), three Commissionerates²⁵ replied (between March 2023 and August 2023) that due to restrictions on account of Covid-19 pandemic, the verification process was discontinued for some time and the same resumed when the restrictions were relaxed. Reply from other Commissionerates/Ministry was awaited (November 2024).

Recommendation 7: Department may consider to ensure availability of manpower and patrolling vehicles for adequacy and effectiveness of EWB verification to protect revenue.

The Ministry stated (November 2024) that the EWB related preventive measures are being taken by the field formations based on DGARM reports. Further, it was decided in the Chief Commissioners/ Director Generals Conferences held in September 2024 and October 2024 that road patrolling and checks in respect of EWBs shall be done in cases which are based on specific intelligence.

5.1.1.5 Use of Analytical Reports on EWBs generated by NIC

NIC is generating 97 Analytical Reports on EWB transactions and it shares the same through the NIC-EWB Portal with the GST Departments under Centre and State formations for their use. The Manual on the Comprehensive Analytics on EWB issued by the NIC provides the nature of each report and its usage. These reports help the Proper Officers in identifying cases of fake invoices, tax evasion, recycling etc. by using the vehicle movement information.

Audit examined the extent to which these reports were utilized by the Preventive Formations in 58 Commissionerates for planning the verifications of EWBs. The results are as follows:

²⁴ Bolpur, Haldia, Howrah, Kolkata North and Rourkela.

²⁵ Bolpur, Kolkata North and Rourkela.

(i) Access to the Analytical reports

Preventive Units of 38 Commissionerates stated that they have at least one User ID with access to the analytical reports with preferential access to Assistant Commissioner and above. Preventive Units of 15 Commissionerates stated that they do not have access to the analytical reports. Details from five Commissionerates were awaited.

(ii) Use of Analytical reports

Regarding usage of analytical reports for planning vehicle interception, four Commissionerates stated that they were using the analytical reports for planning purposes and Mangaluru Commissionerate intimated that it sparingly used the Reports. 46 Commissionerates stated that they were not using the reports for the planning purpose. Details from seven Commissionerates are awaited.

(iii) Sharing of Analytical reports

Audit ascertained whether the Analytical Reports were forwarded to field formations for using them in process of scrutiny of Returns. In respect of sharing the analytical reports with the jurisdictional Officers, three Commissionerates stated that they are sharing the information on analytical reports with the jurisdictional Officers. 49 Commissionerates were not sharing with the jurisdictional officers for using them in scrutiny of Returns. Reply was still awaited from six Commissionerates.

(iv) Making request for requirement of additional reports

NIC receives requests from the officers of Central and State GST Departments for new reports and NIC designs and develops the new analytical reports. When ascertaining whether any requirements for new Analytical/MIS reports were made to NIC, it was noticed that no requisitions were made in respect of 41 Commissionerates. Reply was awaited from 17 Commissionerates.

This was pointed out to the Department (September 2023 and October 2023) and to Ministry (July 2024) and their reply was awaited (November 2024).

During the Exit Conference (November 2024), the Member (GST) informed that instructions were issued to field formations for utilisation of the analytical report. The CEO, GSTN intimated that several reports are being generated and shared with the Officers at field level.

Though several Analytical reports are generated and shared by the NIC, poor usage of these reports by the field formations warrants devising suitable monitoring mechanism.

5.1.1.6 Analytical reports on movement of vehicles

Out of the Analytical reports available, Audit examined reports relating to movement of vehicles and the findings are detailed below:

(i) Monitoring non-movement of goods

One of the Analytical Reports created by the NIC is the Report on Non-movement of Vehicles (B-1 Report) on which EWBs were generated. During Audit, Preventive Units of 50 Commissionerates replied that they are not using the report on non-movement of goods. Puducherry Commissionerate stated that there was no case of non-movement of goods by registered suppliers, hence no case was booked using the said report. Preventive Unit of Delhi South Commissionerate stated that they were using the Report for gathering evidence. In respect of remaining six Commissionerates, information was awaited (July 2024).

This was pointed out to the Department (September 2023 and October 2023) and their reply was awaited (July 2024).

Based on the above Analytical Report generated by the NIC, Audit identified 40 taxpayers pertaining to nine Commissionerates and selected 1,942 EWBs for verification. Out of 1,942 EWBs, Audit noticed that 1,593 EWBs were reported in GSTR-1 by the consignors. As there was no movement of vehicles in respect of these EWBs, there was possibility of generating invoices without actual supply of goods. All the cases were reported to the Department to verify the details and to ascertain whether ITC was passed on to the recipients without actual supply of goods. The remaining 349 EWBs were not reported in GSTR-1. As the EWBs generated were not cancelled, Audit referred these cases to the Department to examine whether there was any movement of goods involving non-payment of tax due on the outward supplies.

On this being pointed this out to (between July 2023 and September 2023), the Ministry accepted (October 2024) the observation in five cases stating that SCNs were issued. Reply in respect of other cases was awaited (November 2024).

(ii) Report on multiple movements of vehicles

NIC is generating other two Reports²⁶ on multiple movements of vehicles. The details on usage of these reports were also called for from the selected Commissionerates. Fifty one Commissionerates intimated that they did not use the report on multiple movement of goods. The Puducherry Commissionerate stated that they are monitoring misuse of same EWB for multiple

²⁶ B4 Report on 'Multiple movement of same vehicle' and B5 Report on 'Multiple movements in other vehicles'.

consignments; but no case was booked so far. In respect of six Commissionerates, information was awaited (July 2024).

This was pointed out to the Department/Ministry (September 2023 to October 2023/ July 2024). Reply of the Department/Ministry was awaited (November 2024).

Recommendation 8: Department may consider issuing suitable instructions for using NIC Analytical reports on EWBs for planning, execution and monitoring the interception of vehicles.

The Ministry replied (October 2024) that CBIC Zones have been directed to use NIC Analytical reports on EWBs for planning, execution and monitoring the interception of vehicles to verify compliance of EWB provisions.

Department may consider devising suitable mechanism for monitoring compliance of these instructions.

5.1.2 Effectiveness of Anti-Evasion measures

Section 16 of the CAG's DPC Act 1971 lay down the audit mandate of the CAG regarding audit of receipts. Further, Section 18(2) of the CAG's DPC Act 1971 imposes a statutory duty on Offices/Departments to comply with the requests for information in as complete as far as possible and with all reasonable expedition.

According to Rule 138 of the CGST Rules, in case of transportation of goods an EWB is required to be generated before the commencement of movement of the consignment. For conducting verification of EWBs, the CBIC had issued instructions²⁷; where procedure for interception of conveyances for inspection of goods and action to be taken by the proper officers were discussed.

Audit examined effectiveness of the interception activities of the Department and verified cases booked by the Department during interception of vehicles. The results are below:

5.1.2.1 Scope limitation due to documents not produced

(i) Audit called for information on EWB verifications and booked cases (reference number and amount of tax/penalty) from the selected 58 Commissionerates. Out of 58 Commissionerates, eight Commissionerates did not provide the details of booked cases, though the number of booked cases was provided. In the absence of details of cases booked, Audit could not select the sample for audit. In these eight Commissionerates, Audit called for 243

²⁷ Circulars no. 41/15/2018-GST dated 13 April 2018, 49/23/2018-GST dated 21 June 2018 and 64/38/2018-GST dated 14 September 2018.

booked cases out of 584 cases. However, the Department produced only 146 cases (60 per cent) and 97 cases were not produced.

Further, out of remaining 50 Commissionerates who produced the list of booked cases, Audit called for 1,315 cases out of 2,444 booked cases. As against 1,315 booked cases called for, 1,259 cases were produced. Five Commissionerates did not produce 56 cases.

The details of non-production of files relating to booked cases are provided in **Table-8:**

Table-8: Details of non-production of documents/files

Sl. No.	Commissionerate	Total number of cases booked	Sample	No of cases produced	Non production
List not provided					
1	Agartala	39	39	37	2
2	Ahmedabad North	12	12	6	6
3	Delhi West	16	16	0	16
4	Lucknow	4	4	2	2
5	Madurai	44	44	36	8
6	Pune-I	28	28	9	19
7	Vadodara -II	112	50	46	4
8	Surat	329	50	10	40
Sub-total		584	243	146	97
List provided					
9	Rohtak	56	50	23	27
10	Mysuru	36	36	30	6
11	Panchkula	72	49	46	3
12	Medchal	86	48	29	19
13	Puducherry	8	8	7	1
Sub-total		258	191	135	56
Total		842	434	281	153

Non-production of records in respect of 153 cases resulted in audit not being able to derive conclusion on preventive aspects/issues involved in such cases.

This was pointed out to the Department/Ministry (March 2023 to September 2023/July 2024). Reply of the Department/Ministry was awaited (November 2024).

(ii) Further, documents provided relating to 309 booked cases pertaining to 16 Commissionerates were not complete as all the GSTR forms/documents

were not made available²⁸ in these cases. The summary details are given in the following **Table-9**.

Table-9: Details of Partial-production of documents

Sl. No.	Commissionerate	No. of cases where documents produced	No of cases where records produced partially
1	Agartala	37	8
2	Bengaluru East	50	50
3	Bhavnagar	50	2
4	Bhopal	46	1
5	Bolpur	50	24
6	Guwahati	50	7
7	Ludhiana	9	8
8	Madurai	36	34
9	Mangaluru	6	5
10	Mysuru	30	30
11	Panchkula	46	35
12	Patna-I	50	47
13	Puducherry	7	4
14	Rohtak	23	23
15	Salem	50	13
16	Udaipur	50	18
	Total	590	309

Due to partial production of files, Audit could not examine the effectiveness of action taken and correctness of tax and penalty demanded in these cases.

This was pointed out to the Department/Ministry (March 2023 to September 2023/July 2024). Reply of the Department/Ministry was awaited (November 2024).

5.1.2.2 Non/short creation of demand for tax and penalty during EWB verification

As per Section 129 (1) of CGST Act, when the goods and vehicle are detained for any contravention of the provisions of the Act, then the same shall be released on payment of the applicable tax and equal amount of penalty (upto 31 December 2021). With effect from 1 January 2022, penalty at 200 per cent of the applicable tax alone was required to be collected.

According to the Guidelines issued by the Board²⁹, the proper officer shall upload demand order (MOV-09) on the common portal and demand accruing from the proceedings shall be added in the Electronic Liability Register and the payment made shall be credited to such electronic liability register by debiting

²⁸ Audit noticed that some of the prescribed documents like MOV-3, MOV-4, MOV-5, MOV-6, MOV-8, etc., used during the interception of vehicles for verification of EWBs, were not available in the records produced to Audit.

²⁹ Para 2(h) of Circular 41/15/2018-GST dated 13 April 2018.

the electronic cash ledger or the electronic credit ledger of the concerned person.

Scrutiny of 1,405 booked cases pertaining to 58 Commissionerates revealed that in respect of 200 cases, though vehicles were released but demand of ₹ 2.60 crore was not created.

Further in respect of 93 cases, there was short demand of ₹ 0.79 crore; the details of which are provided below in **Table-10**.

Table-10: Non/Short creation of demand

(₹ in crore)

Sl. No.	Gist of discrepancies noticed	Details	No. of cases	Amount involved			
				Tax	Penalty	Fine	Total
1	Demand was not created during interception of vehicles	Vehicle released without creating the demand of tax and penalty in the system	200	1.17	1.43	0	2.60
2	Short-creation of demand for either tax or penalty	Short-collection and short-creation of demand for tax/penalty	93	0.41	0.31	0.07	0.79
Total			293	1.58	1.74	0.07	3.39

On this being pointed out (between 2023 March and August 2023), the Department/Ministry accepted the audit observations in 61 cases, involving money value of ₹ 0.65 crore. The Department/Ministry in respect of 61 cases stated that EWB System was newly introduced at the time and functionalities for raising DRC-3 and DRC-7 were not available and in some cases the persons involved were unregistered under GST and raising the demand was not required and therefore the vehicles were released on collection of tax/penalty. In respect of one case, it was replied that DRC-3 challan was forwarded; however, the same was not received in Audit.

Moreover, action to protect the revenue in these cases was not intimated. Department needs to examine these cases and ensure recovery of revenue in all the cases.

The reply in respect of remaining 170 cases was awaited (November 2024).

5.1.2.3 Non-adherence to Guidelines for interception of vehicles

The CBIC had provided guidelines, vide three Circulars³⁰, on the procedure for interception of conveyances for inspection of goods in movement, and detention, release and confiscation of such goods and conveyances. Audit examined the extent of adherence to the procedures prescribed by the CBIC. Audit observed procedural deviations in 17 cases as given in **Table-11** below:

Table-11: Procedural lapses by the departmental officer

Details of deficiencies noticed	No. of Commissioners	Total No. of Booked cases	No. of Booked cases selected as Sample	No. of Booked cases verified	No. of Booked cases in which deficiency noticed
Improper follow up of procedure (during interception of vehicles, MOV forms were not used, instead, summons were issued under Section 70 of the CGST Act and tax and penalty were collected for deficiencies)	1	99	50	50	6
Improper procedure followed (Orders signed by Superintendent instead of Assistant Commissioner, Forms not signed, etc.)	5	475	230	205	11

On this being pointed out (between March 2023 and August 2023) the Department/Ministry accepted the audit observations in eight cases. In respect of three cases, it was replied that the transactions related to imports and no suppression of tax was observed and hence penalty under section 122 of the CGST Act was levied. The reply was not acceptable as for non-generation of EWB, action was required to be initiated under section 129 of the CGST Act demanding the applicable tax and equal amount of penalty. In respect of another case, it was replied that the vehicle was released after payment of Tax & penalty by the taxpayer. The reply was silent on non-adherence of the prescribed procedure (form MOV-05 was not available and form MOV-06 was not signed by the proper officer). In respect of another case, the Ministry replied that the payment of penalty was made through DRC-03 and therefore, MOV-10 was not issued. The reply was not accepted as the payment was made only after the prescribed period; for which action was required to be taken to confiscate the goods by issuing MOV-10.

³⁰ Circular No. 41/15/2018-GST dated 13 April 2018, Circular No. 49/23/2018-GST dated 21 June 2018 and Circular No.64/38/2018-GST dated 14 September 2018.

Reply in respect of remaining four cases was awaited (November 2024).

5.1.3 EWB of more than threshold limit generated by unregistered taxpayers

As per Section 22 of the CGST Act, every supplier shall be liable to be registered under the Act in the State or Union territory, other than special category States, from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds 20 lakh rupees. The limit was increased to ₹ 40 lakh³¹ from 1 April 2019. An unregistered person can generate EWB by registering himself to the EWB system.

During the data analysis, Audit identified 3,585 EWBs relating to supplies where the suppliers were unregistered persons. The value of the transactions in each EWB exceeded the threshold limit of ₹ 40 lakh, prescribed for registration under the CGST Act. Thus, these taxpayers should have been registered under GST. Further, the EWB system did not prevent unregistered persons taxpayers to generate EWB exceeding the threshold limit.

The details were shared with 20 Zones (between June 2023 and September 2023) for examining and taking remedial action. Reply for the same was awaited (November 2024).

Recommendation 9: Department may consider incorporating validation control in EWB system to restrict generation of EWBs of more than threshold limit where the suppliers were unregistered persons.

The Ministry stated (October 2024 and November 2024) that on recommendation of GST Council a fourth proviso to sub-rule (3) of 138 of the CGST Rules was being inserted and the said amendment had not yet been notified³². ENR-03³³ facility was being introduced and the same will address this issue. Unregistered persons who are required to generate EWB must submit their details electronically using Form GST-ENR-03. On submission, a unique enrolment number will be issued. This facility aims to enable unregistered persons to generate EWBs and enhance transparency in movement of goods. Further, GSTN had been entrusted for developing the functionality for the same on the common portal.

The Ministry replied (November 2024) that the cases are being shared with field formations for taking action.

³¹ The limit is ₹ 20 lakh for special category States.

³² Since notified by notification No.12/2024 - Central Tax dated 10 July 2024.

³³ Form for application of enrolment by the unregistered persons.

5.2 Impact on State Goods and Services Tax

GST payments includes various components such as CGST, IGST, SGST, etc. and impact the revenue of both Union and the States/UTs. For the audit observations highlighted in this report, the monetary impact of findings on the revenue of the States/UTs is given in **Appendix-III**.

Chapter 6: Conclusion and Recommendations

6.1 Conclusion

During the Performance Audit of EWB System under GST, Audit observed deficiencies in effectiveness of EWB system and noticed instances of composition taxpayers generating EWBs for inter-State supplies, generating EWBs crossing threshold limit of composition scheme, taxpayers generating EWBs but filing nil returns, taxpayers generating EWBs but not filing returns, taxpayers generating EWB after the cancellation of registration and taxpayers using single invoice for generating multiple EWBs. Audit observed 563 instances involving tax effect/mis-match of ITC ₹ 866.59 crore (inclusive of interest). Out of this, the Ministry/Department accepted 313 observations with money value of ₹ 444.68 crore. Further, the Ministry/Department reported recovery of ₹ 7.98 crore in 23 cases.

In respect of preventive functions of the Department, Audit observed administrative deficiencies such as not having dedicated setup for verification of EWBs, insufficient patrolling vehicles, inadequate manpower, not having targets or insufficient verification of EWBs against the targets and insufficient use of analytical reports of NIC on EWBs. Audit also observed deficiencies in interception of vehicles by the Department, involving non/short collection of tax and penalty and non/short creation of demand in the system. Discrepancies observed in 293 instances involved tax effect of ₹ 3.39 crore.

6.2 Recommendations

Recommendation 1: Department may incorporate validation control in the EWB system to alert the CLS taxpayer, as well as the departmental officer, about crossing the threshold limit and for generating EWB for inter-State supply.

Recommendation 2: Department may incorporate validation control in the EWB system to identify the taxpayers generating high value EWBs but not discharging tax liability and reporting such taxpayers to the proper officers.

Recommendation 3: Department may consider issuing suitable instructions to the proper officers for considering EWBs generated by the taxpayer before cancellation of registration retrospectively and taking action for recovery of tax wherever applicable.

Recommendation 4: Department may incorporate validation control in the EWB system to alert taxpayer and departmental officer on generation of multiple EWBs with single invoice/similar invoice.

Recommendation 5: Department may incorporate validation control in the EWB system to alert taxpayers whenever EWB is generated for movement of banned goods.

Recommendation 6: Department may incorporate validation control in the EWB system to red flag/prevent abnormally high value and inconsistent data in EWBs.

Recommendation 7: Department may consider to ensure availability of manpower and patrolling vehicles for adequacy and effectiveness of EWB verification to protect revenue.

Recommendation 8: Department may consider issuing suitable instructions for using NIC Analytical reports on EWBs for planning, execution and monitoring the interception of vehicles.

Recommendation 9: Department may consider incorporating validation control in EWB system to restrict generation of EWBs of more than threshold limit where the suppliers were unregistered persons.

New Delhi

Dated: 19 June 2025


(SMITA GOPAL)

Principal Director (Goods and Services Tax)

Countersigned

New Delhi

Dated: 23 June 2025


(K. SANJAY MURTHY)

Comptroller and Auditor General of India

Appendices

Appendix-I
Threshold limit for intra-State EWBs
(Refer paragraph 1.1)

Sl. No.	Name of the State	Threshold Limit
1	Andhra Pradesh	₹ 50,000
2	Andaman and Nicobar Islands	₹ 50,000
3	Arunachal Pradesh	₹ 50,000
4	Assam	₹ 50,000
5	Bihar	₹ 1,00,000
6	Chhattisgarh	₹ 50,000
7	Chandigarh	₹ 50,000
8	Dadra Nagar Haveli	₹ 50,000
9	Delhi	₹ 1,00,000
10	Goa	₹ 50,000
11	Gujarat	₹ 50,000
12	Haryana	₹ 50,000
13	Himachal Pradesh	₹ 50,000
14	Jammu & Kashmir	₹ 50,000
15	Jharkhand	₹ 1,00,000
16	Karnataka	₹ 50,000
17	Kerala	₹ 50,000
18	Ladakh	₹ 50,000
19	Lakshadweep	₹ 50,000
20	Madhya Pradesh	₹ 1,00,000
21	Maharashtra	₹ 1,00,000
22	Manipur	₹ 50,000
23	Meghalaya	₹ 50,000
24	Mizoram	₹ 50,000
25	Nagaland	₹ 50,000
26	Odisha	₹ 50,000

Sl. No.	Name of the State	Threshold Limit
27	Puducherry	₹ 50,000
28	Punjab	₹ 50,000
29	Rajasthan	₹ 1,00,000 / 2,00,000*
30	Sikkim	₹ 50,000
31	Tamil Nadu	₹ 50,000
32	Telangana	₹ 50,000
33	Tripura	₹ 50,000
34	Uttar Pradesh	₹ 50,000
35	Uttarakhand	₹ 50,000
36	West Bengal	₹ 50,000

* Upto 31 March 2022, the threshold limit for EWB in respect of intra-State transactions was ₹ 1 lakh. With effect from 1 April 2022, the threshold limited was increased to ₹ 2 lakh in respect of movement of goods commences and terminates within the area of same city without crossing the city. In respect of intra-State transactions, the threshold limit is ₹ 1 lakh.

Appendix-II
Key Problem Areas
(Refer paragraph 2.4)

Sl. No.	KPA Details
1	Taxpayers with only outward supply EWBs
2	EWBs generated by Nil filers
3	EWBs generated by return defaulters (non-filers)
4	EWBs generated after cancellation of registration of the taxpayer
5	High value EWBs generated within six months of GST registration
6	EWBs of Hi-risk taxpayers identified by Maharashtra Tax Authority and Directorate General of Analytics and Risk Management (DGARM)
7	EWBs of taxpayers whose registration was subsequently cancelled
8	Composition Taxpayers generating EWBs for inter State supply
9	Composition Taxpayers who exceeded threshold limit
10	Generation of multiple EWBs with single Invoice
11	EWBs of Directorate General of Foreign Trade (DGFT) blacklisted entities.
12	EWBs of taxpayers having disproportionate inward-outward supply ratio.
13	EWBs with high distance from PIN to PIN
14	EWBs subsequently rejected by the recipient
15	EWBs with dis-proportionate outward Supply ratio
16	EWBs using Invalid Pin codes
17	EWBs extended beyond eight hours
18	EWB generated with Registration Numbers of Vehicles whose registration had been cancelled
19	EWB generated using Numbers of two wheeler vehicles
20	EWB generated with Registration Numbers of Surrendered vehicles
21	EWB generated and later on cancelled
22	EWBs generated with Registration Numbers of Scrapped vehicles
23	Registration Numbers of Stolen vehicles used in generation EWBs
24	EWBs belonging to Ministry of Corporate Affairs (MCA) Defaulters
25	EWB generated with Registration Numbers of Suspended vehicles
26	EWB generated by Income Tax defaulters

Appendix - III
Impact on State Goods and Service Tax
(Refer Paragraph 5.2)

State/UT Para Number	SGST Amount involved	SGST Amount accepted	Amount in ₹ Crore
			SGST Amount recovered
Andhra Pradesh	0.37	0.34	0.00
4.1.2 (b)	0.01	0.01	0.00
4.1.2 (c)	0.32	0.32	0.00
4.1.2 (d)	0.00	0.00	0.00
4.1.2 (a)	0.00	0.00	0.00
4.1.4 (a)	0.04	0.00	0.00
Assam	0.30	0.00	0.00
4.1.2 (b)	0.03	0.00	0.00
4.1.2 (e)	0.05	0.00	0.00
4.1.2 (f)	0.04	0.00	0.00
4.1.4 (a)	0.15	0.00	0.00
5.1.2.2	0.02	0.00	0.00
Bihar	0.28	0.00	0.00
4.1.2 (c)	0.04	0.00	0.00
4.1.2 (d)	0.01	0.00	0.00
4.1.2 (e)	0.00	0.00	0.00
4.1.2 (f)	0.17	0.00	0.00
4.1.2 (a)	0.02	0.00	0.00
5.1.2.2	0.05	0.00	0.00
Chhattisgarh	0.18	0.10	0.02
4.1.2 (c)	0.02	0.02	0.00
4.1.2 (d)	0.05	0.01	0.00
4.1.2 (f)	0.05	0.05	0.00
5.1.2.2	0.05	0.02	0.02
Delhi	64.40	51.63	0.00
4.1.2 (b)	28.70	28.70	0.00
4.1.2 (d)	0.20	0.03	0.00
4.1.2 (e)	6.55	5.88	0.00
4.1.2 (f)	6.88	5.56	0.00
4.1.4 (a)	22.07	11.47	0.00
Gujarat	9.43	9.43	0.00
4.1.2 (b)	0.05	0.05	0.00
4.1.2 (c)	0.67	0.67	0.00
4.1.2 (e)	1.64	1.64	0.00
4.1.2 (f)	4.58	4.58	0.00
4.1.4 (a)	2.47	2.47	0.00
5.1.2.2	0.03	0.03	0.00

State/UT Para Number	SGST Amount involved	SGST Amount accepted	SGST Amount recovered
Haryana	0.01	0.00	0.00
4.1.2 (f)	0.01	0.00	0.00
Himachal Pradesh	0.00	0.00	0.00
4.1.2 (a)	0.00	0.00	0.00
Jharkhand	4.38	4.12	3.50
4.1.2 (b)	0.07	0.07	0.00
4.1.2 (e)	0.74	0.63	0.00
4.1.2 (f)	3.52	3.51	3.50
5.1.2.2	0.05	0.01	0.00
Karnataka	0.46	0.15	0.00
4.1.2 (c)	0.01	0.01	0.00
4.1.2 (e)	0.05	0.05	0.00
4.1.2 (f)	0.40	0.09	0.00
4.1.2 (a)	0.00	0.00	0.00
5.1.2.2	0.00	0.00	0.00
Kerala	0.28	0.10	0.00
4.1.2 (c)	0.01	0.01	0.00
4.1.2 (d)	0.02	0.01	0.00
4.1.2 (f)	0.25	0.09	0.00
4.1.4 (a)	0.00	0.00	0.00
Madhya Pradesh	1.96	0.43	0.00
4.1.2 (b)	0.02	0.02	0.00
4.1.2 (c)	0.00	0.00	0.00
4.1.2 (d)	0.00	0.00	0.00
4.1.2 (f)	1.25	0.21	0.00
4.1.2 (a)	0.35	0.00	0.00
4.1.4 (a)	0.20	0.20	0.00
5.1.2.2	0.13	0.00	0.00
Maharashtra	8.37	6.94	0.00
4.1.2 (b)	6.51	5.29	0.00
4.1.2 (c)	0.04	0.04	0.00
4.1.2 (d)	0.01	0.00	0.00
4.1.2 (e)	0.83	0.83	0.00
4.1.2 (f)	0.79	0.79	0.00
4.1.4 (a)	0.17	0.00	0.00
5.1.2.2	0.04	0.00	0.00
Manipur	0.96	0.00	0.00
4.1.2 (f)	0.96	0.00	0.00
Orissa	18.88	11.27	0.00
4.1.2 (b)	1.45	1.45	0.00
4.1.2 (d)	0.00	0.00	0.00

State/UT Para Number	SGST Amount involved	SGST Amount accepted	SGST Amount recovered
4.1.2 (e)	3.01	3.00	0.00
4.1.2 (f)	1.14	0.22	0.00
4.1.2 (a)	0.58	0.58	0.00
4.1.4 (a)	12.69	6.02	0.00
Puducherry	0.00	0.00	0.00
5.1.2.2	0.00	0.00	0.00
Punjab	31.05	31.02	0.00
4.1.2 (b)	7.33	7.33	0.00
4.1.2 (c)	4.77	4.77	0.00
4.1.2 (e)	0.76	0.76	0.00
4.1.2 (f)	0.98	0.96	0.00
4.1.4 (a)	17.21	17.21	0.00
Rajasthan	1.64	1.64	0.01
4.1.2 (b)	0.52	0.52	0.00
4.1.2 (c)	0.04	0.04	0.00
4.1.2 (f)	0.01	0.01	0.00
4.1.2(a)	0.00	0.00	0.01
4.1.4 (a)	1.07	1.07	0.00
Tamil Nadu	14.84	10.63	0.10
4.1.4 (b)	6.70	6.70	0.00
4.1.2 (b)	4.08	3.57	0.07
4.1.2 (c)	0.00	0.00	0.00
4.1.2 (d)	0.18	0.12	0.00
4.1.2 (e)	0.00	0.00	0.00
4.1.2 (f)	1.73	0.21	0.02
4.1.4 (a)	1.22	0.00	0.00
4.1.5 (ii)	0.79	0.00	0.00
5.1.2.2	0.13	0.02	0.01
Telangana	0.20	0.18	0.01
4.1.2 (b)	0.17	0.17	0.00
5.1.2.2	0.03	0.01	0.01
Tripura	0.02	0.00	0.00
4.1.2 (b)	0.01	0.00	0.00
5.1.2.2	0.01	0.00	0.00
Uttar Pradesh	9.12	0.51	0.00
4.1.2 (b)	0.97	0.51	0.00
4.1.2 (e)	0.05	0.00	0.00
4.1.2 (f)	7.02	0.00	0.00
4.1.2 (a)	0.01	0.00	0.00
4.1.4 (a)	1.06	0.00	0.00
5.1.2.2	0.00	0.00	0.00

State/UT Para Number	SGST Amount involved	SGST Amount accepted	SGST Amount recovered
Uttarakhand	46.35	0.00	0.00
4.1.2 (b)	37.08	0.00	0.00
4.1.2 (d)	0.01	0.00	0.00
4.1.2 (f)	9.26	0.00	0.00
West Bengal	16.30	2.70	0.01
4.1.2 (b)	10.78	0.00	0.00
4.1.2 (c)	3.44	2.69	0.00
4.1.2 (e)	0.00	0.00	0.00
4.1.2 (f)	0.63	0.00	0.00
4.1.4 (a)	1.32	0.00	0.00
5.1.2.2	0.12	0.01	0.01
Grand Total	229.80	131.30	3.65

Glossary

ACES-GST	Automation of Central Excise and Service Tax – Goods and Services Tax
ADVAIT	Advanced Analytics in Indirect Taxation
AO	Audit Objective
AV	Assessable Value
CAG	Comptroller and Auditor General of India
CAG's (DPC Act, 1971)	Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971
CBIC	Central Board of Indirect Taxes and Customs
CEO	Chief Executive Officer
CGST	Central Goods and Services Tax
CKD	Completely Knocked Down
CLS	Composition Levy Scheme
DDG	Deputy Director General
DGARM	Directorate General of Analytics and Risk Management
DGFT	Directorate General of Foreign Trade
DO	Demi Official
DRC	Demand and Recovery Certificate
DTA	Domestic Tariff Area
EWB	E-Waybill
FASTag	Radio Frequency Identification Technology Tag for toll payments
FSSA	Food Safety and Standards Act
FY	Financial Year
GST	Goods and Services Tax
GSTIN	Goods and Services Tax Identification Number
GSTN	Goods and Services Tax Network
GSTR	Goods and Services Tax Return
HSN	Harmonised System of Nomenclature

ID	Identification
IGST	Inter-state Goods and Services Tax
ITC	Input Tax Credit
KPA	Key Problem Area
MIS	Management Information System
MCA	Ministry of Corporate Affairs
MOV	MOV forms are used in Inspection, Verification and Detention of goods in transit
MV	Money Value
NIC	National Informatics Centre
OIO	Order-in-Original
PA	Performance Audit
PAN	Permanent Identification Number
RC	Registration Certificate
SCN	Show Cause Notice
SEZ	Special Economic Zone
SGST	State Goods and Services Act
SKD	Semi-Knocked Down
SOP	Standard Operating Procedure
SSO-ID	Single Sign-On Identification
UT	Union Territory
VAHAN	Portal maintained by Ministry of Road Transport & Highways
URP	Un-Registered Person
WS	Weighted Score

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