



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

**Report of the
Comptroller and Auditor General of India
for the period ended March 2023**

**Government of Gujarat
Report No. 5 of 2025
(Compliance Audit - Civil)**

**Report of the
Comptroller and Auditor General of India
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TABLE OF CONTENTS

Particulars	Paragraph	Page
Preface		v-vi
Executive Summary		vii-xii
CHAPTER I – INTRODUCTION		
About this Report	1.1	1
Audited Entity Profile	1.2	1
Authority for Audit	1.3	4
Planning and conduct of Audit	1.4	4
Significant audit observations	1.5	5
Response of the Government to Audit	1.6	5
CHAPTER II – SUBJECT SPECIFIC COMPLIANCE AUDITS		
FINANCE DEPARTMENT		
E-Way Bill system under the Gujarat Goods and Services Tax	2.1	9
Composition Levy Scheme under the Gujarat Goods and Services Tax	2.2	36
CHAPTER III – COMPLIANCE AUDIT PARAGRAPHS		
REVENUE DEPARTMENT		
Non/ short levy of Stamp Duty on allotment of Government land	3.1	61
Non/ short levy of Conversion Tax	3.2	66
Non/ short levy of Interest	3.3	74
Non/ short levy of Penalty in cases involving purchase of agricultural land for <i>bona fide</i> industrial use	3.4	76
Short levy of Premium in cases where non-agricultural permissions were given for multipurpose use	3.5	81
Non/ short levy of Premium	3.6	83
Non/ short levy of Service Charge	3.7	85
Short levy of Occupancy Price on allotment of Government land	3.8	86
ROADS AND BUILDINGS DEPARTMENT		
Time and cost escalation due to delayed land acquisition	3.9	88
Recovery of credit for dismantled material	3.10	91

Particulars	Paragraph	Page
HOME DEPARTMENT		
Wasteful expenditure and cost escalation due to commencement of construction without ascertaining title of the land or obtaining required permission	3.11	92
SCIENCE AND TECHNOLOGY DEPARTMENT		
Sub-optimal maintenance of Aquatics Gallery	3.12	96
ENERGY AND PETROCHEMICALS DEPARTMENT		
Short recovery of royalty and interest from Gujarat State Petroleum Corporation Limited and NIKO Resources Limited for Hazira field	3.13	98

APPENDICES			
Appendix No.	Subject	Refer Paragraph	Page
I	Year-wise details of IRs and paragraphs outstanding as of 30 September 2023	1.6.1	103
II	Key Problem Area	2.1.5 and 2.1.8.1	104
III	Eligibility for the Composition Levy Scheme	2.2.6.1 and 2.2.6.4 v	105
IV	Details of penalty leviable for delayed use of land for industrial purpose	3.4(A)	106
V	Details of the market value required to be recovered	3.4(B)	108
VI	Non-levy of premium for transfer of land on Demerger/ Amalgamation of the company	3.4(C)	109
VII	Short levy of Premium in cases where NA permission was given for multipurpose use	3.5	110
VIII	Non/ short levy of Premium Price	3.6	117
IX	Short recovery of Service Charge	3.7	123

APPENDICES			
Appendix No.	Subject	Refer Paragraph	Page
X	Chronology of Work No. 1: ROB in lieu of LC - 81	3.9	126
XI	Month wise details of exhibit tanks having aquatic species less than the prescribed numbers and penalty leviable	3.12	127
XII	Heat Map showing the tanks with less than the adequate number of species across the audit period	3.12	131
XIII	Royalty and Interest amount payable to Government of Gujarat	3.13	133

Preface

This Report for the period ended March 2023 has been prepared for submission to the Governor of Gujarat under Article 151 of the Constitution of India.

The Report contains significant findings of the Compliance audit of six State Government Departments. The audit was conducted under the Comptroller and Auditor General of India's (Duties, Powers, and Conditions of Service) Act, 1971 and Regulations on Audit and Accounts, 2020 issued thereunder by the Comptroller and Auditor General of India. This Report is required to be placed before the State Legislature under Article 151(2) of the Constitution of India.

The instances mentioned in this Report were noticed during the test audit for the period 2022-23 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2022-23 have also been included, wherever necessary.

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

Executive Summary

Executive Summary

Introduction

This Audit Report contains audit findings arising from two Subject Specific Compliance Audits and 13 individual Audit Paragraphs. The significant audit findings are discussed below.

Subject Specific Compliance Audit

The highlights of Subject Specific Compliance Audits related to Finance Department of the State Government included in the Report are mentioned below.

Finance Department

E-Way Bill system under the Gujarat Goods and Services Tax

Electronic-Way Bill (EWB) is conceived as a shift from Government-monitored tax administration model to a self-reporting model by the taxpayer. It is a document required for movement of goods and is designed to capture details of goods before being moved.

Audit reviewed the E-Way Bill transactions of the persons registered in the EWB portal pertaining to the period between 01 April 2018 and 31 March 2022 with the objective of assessing the effectiveness of the EWB mechanism in safeguarding the Government's revenue interests and evaluating the efficiency and effectiveness of the Department's preventive and enforcement actions in implementing EWB provisions. For this purpose, Audit selected 89 EWBs of 30 taxpayers, falling under 18 units, for the period 2018-19 to 2021-22 and eight Preventive Units (out of total 14 units) and examined 376 booked cases from these selected Preventive Units.

Invoice-wise outward supply details in GSTR-1 were not accessible to Audit through the Department's SSOID-based access to the GSTN Portal. Consequently, Audit requested the Department to furnish these details for 18 taxpayers across 10 units for the period 2018-19 to 2021-22. However, the information was not provided. The Department stated that the issue had been raised with the e-Governance branch.

Audit examination revealed compliance deviation by 13 taxpayers, out of selected 30 taxpayers, with money value of ₹ 23.57 crore. Audit findings included generation of EWBs by cancelled taxpayers, by non-filers of GST Returns, by the taxpayers filing Nil returns and by composition taxpayers who had crossed prescribed threshold limit. The inter-State EWBs were generated by composition taxpayers. In three cases there were data entry errors as the value of outward supply was abnormally high. The EWB portal allowed generation of EWBs with invalid PIN code and improper distance between two PIN codes. Significant audit findings in this regard are presented below:

Out of sampled 63 EWBs generated during 2018-19 to 2020-21, five EWBs were generated by cancelled taxpayers, whose registrations were *suo motu* cancelled with retrospective effect. All these taxpayers had generated 1,901 EWBs for assessable value of ₹ 98.87 crore involving tax of ₹ 15.80 crore after the effective date of cancellation of registration. However, the Department did not assess the tax liability of these taxpayers under Section 63 of the GGST Act.

Audit test checked 17 EWBs, generated by eight taxpayers, falling under six units during 2018-19 to 2020-21. Audit observed that two taxpayers had generated 175 outward supply EWBs of ₹ 17.65 crore involving tax of ₹ 1.49 crore during the period 2019-20 and 2020-21, though they had filed nil GSTR-3B. This resulted in suppression of taxable supplies and non-payment of tax.

Audit also noticed gaps in the preventive and enforcement activity done by Preventive Units of the Department such as release of vehicle without levying proper tax, penalty and fine through cash ledger, short levy of tax, penalty and fine on intercepted vehicles.

Audit examined 373 Booked cases pertaining to seven Preventive Units and JCST (Enforcement), Ahmedabad and noticed that in 82 cases, the Department had not adhered to the prescribed procedure (Inspection Report in GST-MOV-04 was not served to the person in-charge of the conveyance, Final Inspection Report in GST-EWB-03 (Part-B) was pending, *etc.*).

Information regarding action taken under Section 129 and 130 was neither available with the jurisdictional authority, nor shared by the Enforcement Divisions. As a result, the jurisdictional authority remained unaware of the enforcement action against the taxpayer.

NIC shares Analytical Reports on EWB transactions with the GST Departments under Centre and State formations. Audit examined the extent to which these reports were utilised by the Preventive Formations for planning EWB verifications and found that Preventive Units and the Proper Officers of Mobile Squad teams had limited access to the MIS reports.

Audit recommends the following:

- ***The Government may take up the matter with the Department of Revenue (Union Government) and GST Council to ensure the linking of GSTN Portal and EWB Portal and availability of the same to the tax officers at the backend application, i.e. Boweb.***
- ***The Government may take up the matter with the GSTN, and the Department of Revenue (Union Government) to consider judicious mix of validation controls and soft alerts in EWB system to curb data entry errors and facilitate better scrutiny and optimal utilisation of the resources of the Department.***
- ***The Department may consider developing a mechanism to generate red flags for jurisdictional authority, in cases where actions have been***

initiated under Section 129 and 130 of the Act so as to ensure timely action by the jurisdictional authority against non-compliant taxpayers.

- *The Department may direct the Enforcement Divisions to plan interception activities by proper use of MIS reports.*

(Paragraph 2.1)

Composition Levy Scheme under the Gujarat Goods and Services Tax

The Composition Levy scheme (CLS) under the Gujarat Goods and Services Tax (GGST) Act, 2017 provides an alternative method of levy of tax for small taxpayers to provide relief to them by simplifying the processes of filing of returns, hassle free maintenance of records and limited tax liability.

The audit was conducted to examine compliance by the registered persons while opting in or out of the CLS and the scrutiny and monitoring procedures of the Department. To achieve the envisaged audit objectives, test check of the sampled 321 registered persons for the period between 1 July 2017 and 31 March 2022 was conducted between November 2022 and January 2024. The methodology involved verification of the details of the sampled registered persons using SSOID (Single Sign On Identity) facility to verify returns/statements filed online on the GSTN common portal.

The audit findings *inter alia* comprise irregular availment of benefit under CLS despite breach of threshold limit of turnover, non/ short payment of late fee for delayed filing of returns, registered persons not furnishing mandatory self-assessed declaration forms about their existing stock and ITC reversal, and data entry errors. Audit noticed deficiencies in the procedures for cancellation of registrations *viz.* cancellation of registration prior to date of application, cancellation without assuring filing of annual return and non-initiation of *suo motu* cancellation of registration by proper officer. Further, there was lack of adequate system to ensure compliance by persons registered under composition scheme.

Audit recommends the following:

- *The Department may work towards ensuring validation check within the GSTN for real-time alerts when the threshold limit of turnover prescribed for composition scheme is breached.*
- *The Department may review the compliance verification mechanism of the Composition Levy Scheme taxpayers and ensure that appropriate action may be taken in cases where the CLS taxpayer breached the eligibility conditions for CLS.*
- *Government may take up the matter with the GSTN to introduce validation controls in the GST System to ensure that any taxpayer opting to CLS or switching to CLS from normal category mandatorily filed the required Forms such as ITC-03 within the prescribed time limit. If the taxpayers failed to file such forms, automated notices may be issued to the taxpayers.*

- *The Department needs to devise a mechanism for conducting periodic verification of a sample of composition taxpayers to ensure that they are adhering to the conditions of display of their status as composition taxable persons in their places of businesses and Bills of Supplies.*

(Paragraph 2.2)

Compliance Audit Paragraphs

Revenue Department

During test check of the records of seven offices for the period 2014-15 to 2022-23, Audit noticed that Stamp Duty of ₹ 34.07 crore in 142 allotment cases was either not levied or short levied on market value of the Government land allotted to different entities.

(Paragraph 3.1)

During test check of the records of 13 offices for the period from 2014-15 to 2022-23, Audit observed that Conversion Tax of ₹ 12.52 crore in 147 cases was either not levied or short levied on account of change in use of land from Agricultural to Non-Agricultural (NA) purpose, or from one NA purpose to another.

(Paragraph 3.2)

During audit of Additional Chief Secretary, Revenue Department, Gandhinagar and six District Collector offices, Audit noticed that interest of ₹ 5.74 crore in 21 cases was either short levied or not levied on differential Occupancy price or delayed payment of lease rent.

(Paragraph 3.3)

The non-compliance of the provisions regarding use/ sale of agricultural land for industrial purpose within the stipulated period or sale or demerger/ amalgamation of company resulted in short/ non levy of Penalty of ₹ 17.40 crore in 34 cases.

(Paragraph 3.4)

Premium of ₹ 28.79 crore in 210 cases leviable under Section 43 of the Gujarat Tenancy and Agricultural Lands Act 1948 read with different Government Regulations and guidelines issued from time to time was short levied in cases of conversion of agricultural land under 'new and restricted tenure' to 'old tenure' for multipurpose.

(Paragraph 3.5)

Premium of ₹ 19.35 crore in 161 cases was not/ short levied involving conversion of agricultural land under 'new and restricted tenure' to 'old tenure' for different non-agricultural purposes.

(Paragraph 3.6)

Service Charge of ₹ 1.98 crore in 49 cases was not or short levied from the applicants in allotment of Government land.

(Paragraph 3.7)

The Occupancy Price of ₹ 48.72 crore in three cases was short levied due to non-compliance of prescribed valuation procedure to determine the market value of Government land allotted to different applicants.

(Paragraph 3.8)

Roads and Buildings Department

The R&B Division did not ensure availability of land for the construction of Railway Over Bridges before issuing the work order. The subsequent delays in land acquisition resulted in cost escalation of ₹ 15.22 crore in two cases.

(Paragraph 3.9)

Despite incorporating provisions for recovery of credit for dismantled material in the contract agreement, R&B Divisions did not recover an amount of ₹ 1.07 crore from the payments made to the Contractors in five cases. In 14 other works across six Divisions, credit for dismantled material amounting to ₹ 1.89 crore was recovered by the concerned Divisions after the lapse was pointed out by Audit.

(Paragraph 3.10)

Home Department

The Gujarat State Police Housing Corporation Limited neither ascertained the title of the land nor obtained the required permission before commencing execution of work. Consequently, the works had to be stopped midway in three cases, resulting in wasteful expenditure of ₹ 7.81 crore in two cases and cost escalation of ₹ 5.27 crore in one case.

(Paragraph 3.11)

Science and Technology Department

The Gujarat Council of Science City (GCSC) awarded Construction and Maintenance Contract (CMC) of 'Aquatics Gallery' to a Contractor, which included a maintenance period of 60 months from July 2021. Under the contract, the Contractor was responsible for 100 *per cent* replacement of the deceased aquatic species within one month at own cost. Audit observed that since the opening of the Aquatics Gallery, certain exhibit tanks had lesser aquatic species than the numbers prescribed for the individual tanks in the CMC; with deficit ranging from 33.82 *per cent* (July 2021) to 61.76 *per cent* (July 2022). However, the GCSC did not levy applicable penalty of ₹ 7.11 crore on the Contractor for non-compliance with the contractual requirement to maintain the specified number of aquatic species.

(Paragraph 3.12)

Energy and Petrochemicals Department

The Joint Venture operating Hazira oilfield did not pay the GoG's share of royalty and interest as per the terms of Production Sharing Contract, resulting in short recovery of royalty of ₹ 6.72 crore and interest of ₹ 36.52 crore for delay in payment of the royalty.

(Paragraph 3.13)

CHAPTER I

Introduction

CHAPTER I

INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) presents matters arising from compliance audit of the Departments of the Government of Gujarat (GoG).

Compliance audit refers to an assessment of the functioning and transactions of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with. Thus, compliance audit evaluates the functioning of entities on matters of regularity and propriety.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit findings are expected to enable the Executive to take corrective actions to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

The Chapters in this Report are structured as follows:

- This chapter (Chapter I) in addition to explaining the planning and extent of audit, provides a synopsis of the audit observations made during various types of audits and also briefly analyses the follow-up of the previous Audit Reports.
- Chapter II contains results of the two Subject Specific Compliance Audits (SSCA) namely 'E-way Bill system under the Gujarat Goods and Services Tax' and 'Composition Levy Scheme under the Gujarat Goods and Services Tax', both under Finance Department.
- Chapter III contains 13 individual Audit Paragraphs on the transactions of the five Government Departments namely Revenue Department, Roads and Buildings Department, Home Department, Science and Technology Department and Energy and Petrochemicals Department.

1.2 Audited Entity Profile

The Principal Accountant General (Audit-II), Gujarat conducts audit of 14 Departments of Government of Gujarat. This includes audit at the Secretariat level, the field offices, and autonomous bodies falling under the jurisdiction of these Departments. Each Department is headed by Additional Chief Secretary (ACS)/ Principal Secretary (PS)/ Secretary, who are assisted by Directors/ Commissioners/ Chief Engineers and subordinate officers under them.

The summary of fiscal transactions of the Government of Gujarat (GoG) from 2018-19 to 2022-23 is represented below:

Chart 1.1: Total Disbursements and Total Receipts (in ₹ crore)

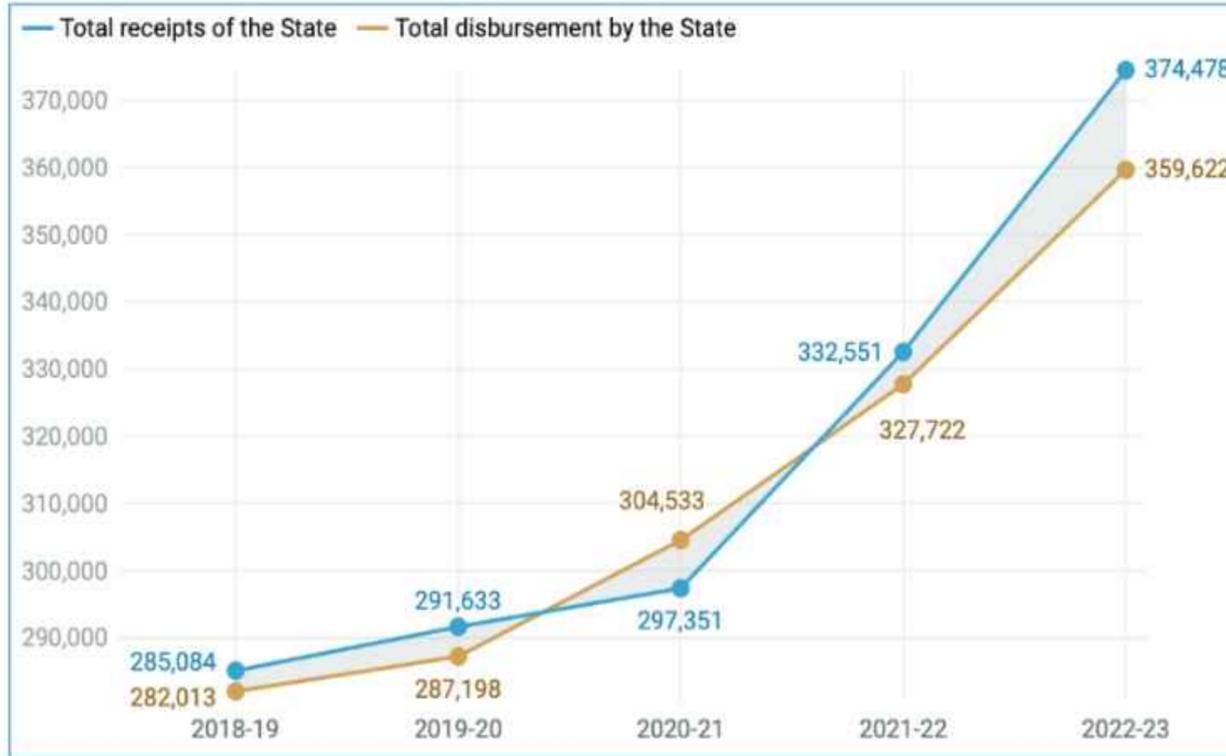


Chart 1.2: Total Receipts Profile (in ₹ crore)

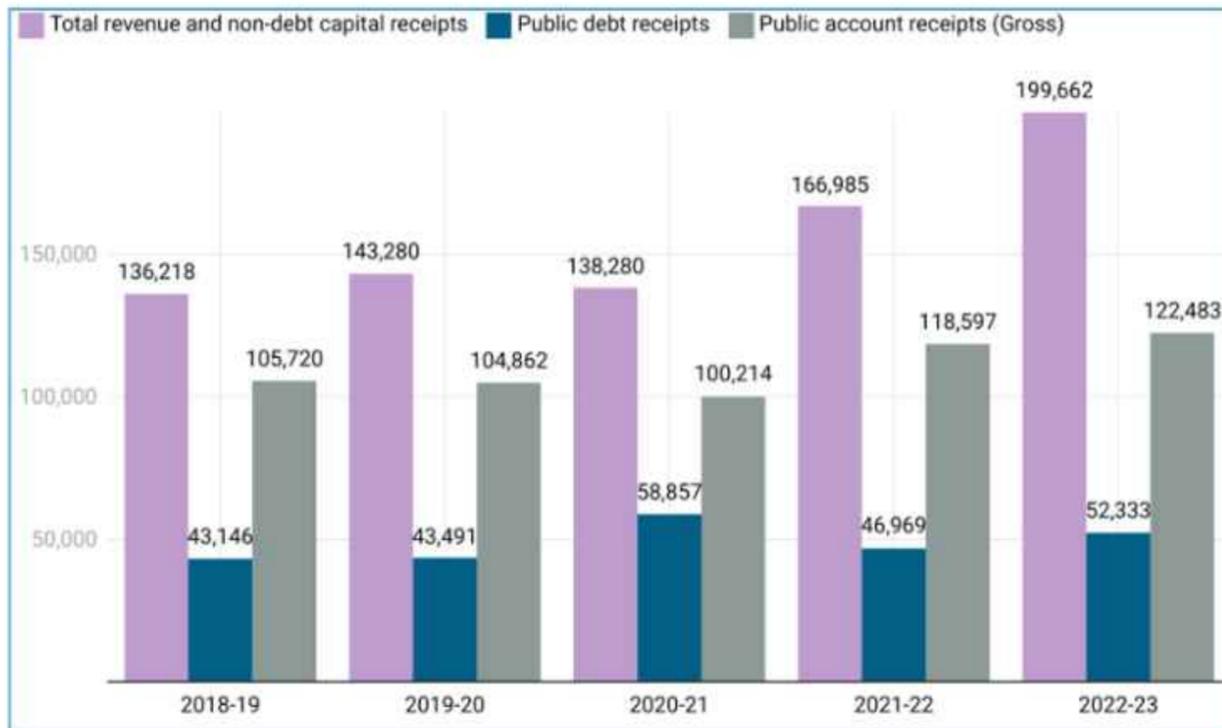


Chart 1.3: Revenue and Grants in aid Profile (in ₹ crore)

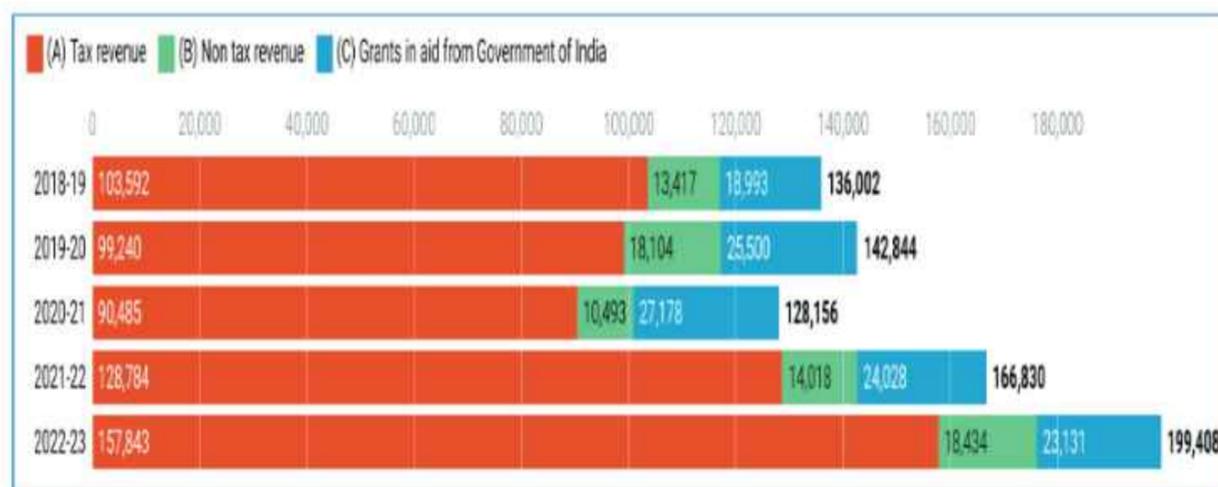
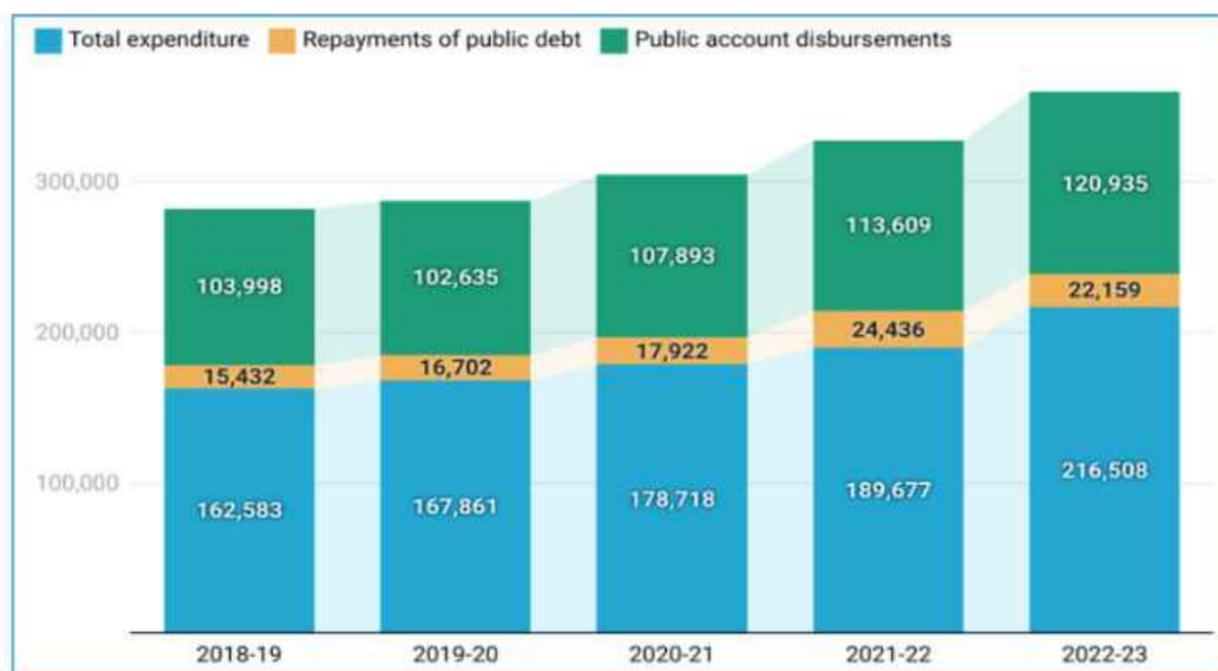
Chart 1.4: Total Expenditure, Public Debt repayment and Public Account disbursements Profile¹ (in ₹ crore)

Chart 1.5: Total Expenditure Profile (in ₹ crore)



Source for all graphs: Statement under Gujarat Fiscal Responsibility Act, 2005 (Budget Publication No.30 of 2023-24)

¹ The amount of Contingency fund disbursements, being meagre (2018 - 19: ₹ 0.25 crore, 2022 - 23: ₹ 20 crore), have not been shown in Chart 1.4.

1.3 Authority for Audit

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971.

- The C&AG conducts the audit of expenditure and the audit of receipts of the Departments of the Government of Gujarat under Section 13² and Section 16³ of the C&AG's (DPC) Act, respectively.
- In addition, the C&AG also conducts audit of other Autonomous Bodies (ABs), which are substantially funded by the Government, under Section 14 of the C&AG's (DPC) Act⁴.

Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts 2020 and the Auditing Standards and Guidelines issued by the C&AG.

1.4 Planning and conduct of Audit

Audit process starts with the assessment of risks associated with various Government activities based on expenditure incurred, revenue earned, criticality and complexity of activities, delegated financial powers and responsibilities, analysis of internal controls, and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of the audit of each unit, Inspection Reports (IRs) containing audit findings are issued to the heads of the offices. The Departments are requested to furnish replies to the audit findings within one month of receipt of the IRs. On receipt of replies, audit findings are either settled or further action for compliance is advised.

The important audit observations arising out of these IRs are processed for inclusion in the relevant Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India. The data on audit coverage during 2022-23 is as follows:

² This Section empowers C&AG to audit- (a) all expenditure from the Consolidated Fund of the State and to ascertain whether the moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it; (b) all transactions of the State relating to Contingency Funds and Public Accounts; (c) all trading, manufacturing, profit and loss accounts and balance-sheets and other subsidiary accounts kept in any Department of the State; and in each case to report on the expenditure, transactions or accounts so audited by him.

³ This Section empowers C&AG to audit all receipts which are payable into the Consolidated Fund of the State and to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed and to make for this purpose such examination of the accounts as he thinks fit and report thereon.

⁴ This Section empowers the C&AG to audit receipts and expenditure of (i) a body/ authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year are not less than ₹ one crore, and to report on the receipts and expenditure audited by him.

7,843 man-days
utilised for
compliance audit

154 entities covered
under compliance
audit

Two SSCAs
undertaken

1.5 Significant audit observations

In the last few years, through performance and compliance audits, Audit has reported on:

- Deficiencies in the implementation of various programmes/ schemes,
- Quality of internal controls in selected Departments which impact the success of programmes,
- Deficiencies in matters of regularity and propriety in the functioning of the Departments, *etc.*

The present Report contains:

Two SSCAs

- Finance Department (2)

13 Draft Paragraphs (DPs)

- Revenue Department (8)
- Roads and Buildings Department (2)
- Home Department (1)
- Science and Technology Department (1)
- Energy and Petrochemicals Department (1)

1.6 Response of the Government to Audit

1.6.1 Inspection Reports

The Handbook of Instructions for prompt Settlement of Audit Objections/ Inspection Report issued by the Finance Department, GoG in 1992 provides for the prompt response by the Executive to the Inspection Reports (IRs) issued by the Principal Accountant General (PAG). The Heads of Offices and higher authorities are required to comply with the observations contained in the IRs, rectify the defects, omissions, *etc.* and fix accountability promptly, and report their compliance to the AG within four weeks of receipt of the IRs. Periodical reminders are issued to the Heads of the Departments requesting them to furnish the replies expeditiously on the outstanding paragraphs in the IRs.

Audit Committee Meetings (ACMs) are organised between Audit and the Executive to address the outstanding IR paragraphs and settle some of them expeditiously. Five ACMs were held during the year 2022-23 in respect of

paragraphs contained in IRs pertaining to four Departments⁵ under the three Audit Management Groups of the Office.

As of 30 September 2023, 1,029 IRs (4,730 Paragraphs) were outstanding against 14 Departments under the three Audit Management Groups. Year-wise details of IRs and paragraphs outstanding are given in **Appendix I**.

1.6.2 Results of Audit

During the course of the year 2022-23, the Departments concerned:

- Accepted under-assessment and other irregularities of ₹ 97.48 crore involved in 143 cases, which were pointed out in audit through Inspection Reports of 2022-23 and earlier, and
- Recovered ₹ 6.75 crore in 85 cases at the instance of Audit.

1.6.3 Subject Specific Compliance Audits and Paragraphs

Two SSCA Paragraphs and 13 individual Audit Paragraphs were forwarded to the ACS/ PS/ Secretary of the Departments concerned between September 2024 and January 2025 with a request to send their responses within six weeks.

The replies of the Departments and their response have been duly considered while finalising this Report.

1.6.4 Follow up of Audit Reports

Rule 7 of the Public Accounts Committee (PAC) (Rules of Procedure) 1990 provides for furnishing of Detailed Explanation (DE) by all the Departments of Government to the observations which feature in Audit Reports within 90 days of their being laid on the Table of the Legislative Assembly. These DEs are required to be furnished to the PAC after vetting by the concerned Accountant General.

1.6.4.1 Status of receipt of the Detailed Explanation on Audit Report paragraphs

Multiple Audit Reports were placed in the Gujarat Legislative Assembly as follows:

- The Audit Reports on Economic Sector and Revenue Receipts/ Sector for the years 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 and 2019-22 were placed in the Gujarat Legislative Assembly in April 2013, July 2014, March 2015, March 2016, March 2017, March 2018, December 2019, September 2020 and March 2025, respectively.
- Four Standalone Performance Audits for the years ended March 2020 (one Report), March 2021 (two Reports), and March 2022 (one report),

⁵ (i) Finance, (ii) Ports and Transport, (iii) Revenue, (iv) Roads and Buildings.

were placed in September 2022, March and September 2023, and March 2025, respectively.

These Reports included paragraphs⁶ pertaining to 11 Departments, as detailed in **Table 1.1** below:

Table 1.1: Details of paragraphs included in Audit Reports and DEs received

Name of Department	Audit Report*	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Total	DEs received
Industries and Mines	ES	0	0	0	2	1	0	0	1	2			23	3
	RS	9	0	2	0	2	1	2	1					17
Energy and Petrochemicals	RS	3	0	1	0	2	0	0	0	0			6	6
Forests and Environment	ES	0	0	1	3	0	1	0	1	0	0	0	6	5
	SPA	0	0	0	0	0	0	0	0	1	2	0	3	0
Climate Change	ES	0	0	0	0	0	0	1	0	0			1	0
Science and Technology	ES	0	0	0	0	0	0	1	0	0			1	0
Home	SPA	0	0	0	0	0	0	0	0	0	0	1	1	0
Ports and Transport	ES	0	1	0	0	1	0	0	0	2			27	1
	RS	8	0	5	2	1	1	4	2					21
Roads and Buildings	ES	5	4	5	3	3	4	3	0	1			28	24
Information and Broadcasting	RS	2	0	0	0	0	0	0	0	0	0	0	2	2
Revenue	RS	18	14	19	4	11	10	10	14	10			110	86
Finance Department	ES	0	0	0	2	0	0	0	0	3			124	2
	RS	33	24	24	7	7	9	7	8					114
Total		78	43	57	23	28	26	28	27	22			332	281

*ES: Economic Sector, RS: Revenue Receipts/ Revenue Sector, SPA: Standalone Performance Audit Report.

Out of 332 paragraphs for the years 2011-12 to 2021-22, DEs for 281 paragraphs have been received up to March 2025. No DEs for the remaining 51 paragraphs⁷ have been received as of March 2025.

1.6.4.2 Discussion of Audit Reports by PAC

The status of discussion of the Performance Audit (PA) and Compliance Audit (CA) paragraphs from various Audit Reports, by the Public Accounts Committee (PAC) was as under:

Table 1.2: Status of discussion of PA/ CA Paragraphs by the PAC as on 31 March 2025

Period of Audit Report	Number of PA/ CA paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PA	CA	PA	CA
2011-12	1	77	1	75
2012-13	3	40	3	40

⁶ In case a paragraph pertains to two different Departments, the same has been considered as a separate paragraph under each Department.

⁷ 2015-16 (five paragraphs), 2016-17 (11 paragraphs), 2017-18 (nine paragraphs), 2018-19 (four paragraphs), 2019-22 (22 paragraphs).

Period of Audit Report	Number of PA/ CA paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PA	CA	PA	CA
2013-14	3	54	3	54
2014-15	2	21	2	21
2015-16	2	26	0	9
2016-17	1	25	0	0
2017-18	1	27	0	0
2018-19	1	26	0	0
2019-20	1	18	0	0
2020-21	2		0	
2021-22	1		0	
Total	18	314	9	199

Source: Compiled based on the discussions of PAC on the Audit Reports.

Since 2001, the office of the Principal Accountant General (Audit-II), Gujarat is in receipt of 20 Reports of the PAC of different Legislative Assemblies (as of March 2025). These Reports contained 50 recommendations, in respect of audit observations featured in Economic Sector and Revenue Sector/ Receipts Audit Reports, pertaining to 11 Departments⁸.

However, as of March 2025, Action Taken Notes (ATNs) in respect of 44 recommendations were yet to be received from the Departments concerned. Thus, there was delay on the part of the State Government Departments to act on the recommendations given by the PAC on the audit observations.

⁸ (i) Agriculture and Cooperation (three), (ii) Energy and Petrochemicals (eight), (iii) Finance (five), (iv) Forests and Environment (one), (v) Home (one), (vi) Industries and Mines (two), (vii) Information and Broadcasting (one), (viii) Ports and Transport (11), (ix) Revenue (11), (x) Roads and Buildings (three) and (xi) Water Resources (four).

CHAPTER II

Subject Specific Compliance Audits

CHAPTER II

SUBJECT SPECIFIC COMPLIANCE AUDITS

Finance Department

2.1 E-Way Bill system under the Gujarat Goods and Services Tax

The Government's key objective behind introduction of Electronic-Way Bill (EWB) is to safeguard revenue. Automation and standardisation of the entire process was intended to help check tax evasion and shore up GST collections.

Rule 138 of the Gujarat Goods and Services Tax Rules (GGST Rules), 2017 provides for the EWB mechanism.

Audit had critically examined the overall performance of EWB system with the objectives to assess the effectiveness of the EWB mechanism and the preventive/ enforcement activities of the Department in enforcing EWB provisions.

Audit examination revealed compliance deviation by 13 taxpayers, out of examined 30 taxpayers, with money value of ₹ 2,356.64 lakh. The compliance deviation inter alia included EWB generated by the cancelled taxpayers, taxpayers filed nil returns or did not file returns though they had generated EWBs and data entry errors. Audit also noticed gaps in the preventive and enforcement activity done by Preventive Units of the Department.

2.1.1 Introduction

Goods and Services Tax (GST) has been introduced with effect from 01 July 2017, subsuming a wide range of indirect taxes based on the paradigm of 'One Nation One Tax'. One of the intended objectives of GST regime was to improve efficiency in movement of goods and services by reducing process-related time delays.

Waybill was a feature present 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. Electronic-Way Bill (EWB) is conceived as a shift from Government-monitored tax administration model to a self-reporting model by the taxpayer.

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

The EWB was introduced with effect from 01.04.2018 for all inter-State movement of goods having value exceeding ₹ 50,000. For the intra-State movements in Gujarat, EWB was made mandatory for the consignment value of ₹ 50,000 as the threshold limit.

Rule 138 of the Gujarat Goods and Services Tax Rules (GGST Rules), 2017 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 such as Job Work.

Information Systems used for EWBs

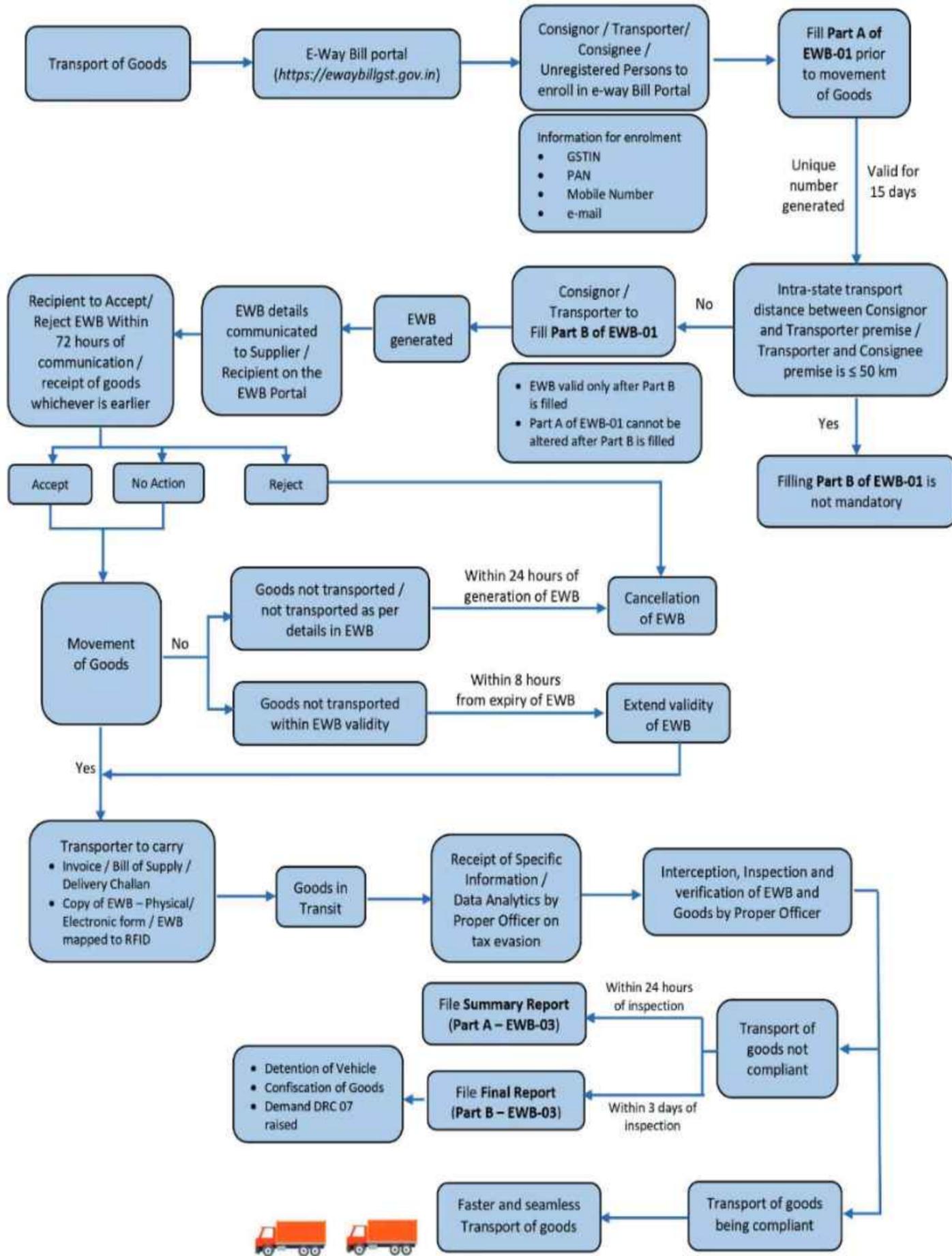
The EWB Common Portal is managed by National Informatics Centre (NIC) based in Karnataka. In February 2020, the EWB portal was integrated with the VAHAN software of the Ministry of Road Transport and Highways, so that vehicle registration number can be validated at the time of generating EWB. FASTag system has also been integrated with the EWB system with effect from 01 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 either by logging into EWB Common Portal through a web browser using the login credentials provided or logging into the GST EWB system mobile app. The functions performed by the proper officer are verification of EWBs, unblocking of EWBs, viewing and accessing MIS reports, *etc.*

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 E-Way Bill, extension, cancellation and rejection of the EWBs generated, *etc.* The entire process flow of E-Way Bill system under GST is depicted in **Figure 1**.

Figure 1: E-Waybill Mechanism - Process Flow Chart



2.1.2 Audit Objectives

The audit of E-Way Bill system under the GST was conducted to assess whether:

- i. The EWB mechanism is effective in protecting revenue interest of the Government, and
- ii. The preventive/ enforcement activities of the Department in enforcing EWB provisions are efficient and effective.

2.1.3 Audit Criteria

The audit of E-Way Bill system under the GST has been evaluated against the following audit criteria:

- i. Section 10, 17, 25, 29, 30, 31, 37, 39, 44, 61, 62, 63, 68, 73, 74, 122, 129, 130 of Gujarat Goods and Services Tax (GGST) Act, 2017,
- ii. Rule 46, 59, 60, 61, 62, 80, 138 of GGST Rules, 2017,
- iii. Notifications/ Circulars/ Instructions authorized by GST Council and issued by CBIC and State Tax Department, Government of Gujarat,
- iv. Advisories/ Standard Operating Procedures issued by NIC, CBIC & State Tax Department, Government of Gujarat.

2.1.4 Audit Scope and Methodology

E-Way Bill transactions of the persons registered in the EWB portal pertaining to the period between 01 April 2018 and 31 March 2022 were covered in this audit. Audit had done critical examination of the overall performance of E-Way Bill system in the GST regime with reference to the Audit Objectives. EWB data for the audit period has been extracted from GSTN and has been analysed. Movement of conveyances by roadways alone have been considered for this audit and Railway/ Airway/ Seaway EWBs have been excluded from the scope of this audit.

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

An Entry Conference of this audit was held in April 2024 with the Additional Chief Secretary, Finance Department, Government of Gujarat in which the audit objectives, audit scope and methodology, and sample were discussed. The Exit Conference was held in February 2025 with the Secretary (Economic Affairs), Finance Department, Government of Gujarat, in which the audit findings were discussed. The views expressed by the State Government during the Exit Conference and the written replies to the draft report, received up to March 2025 have been suitably incorporated in the relevant paragraphs.

2.1.5 Audit sampling methodology

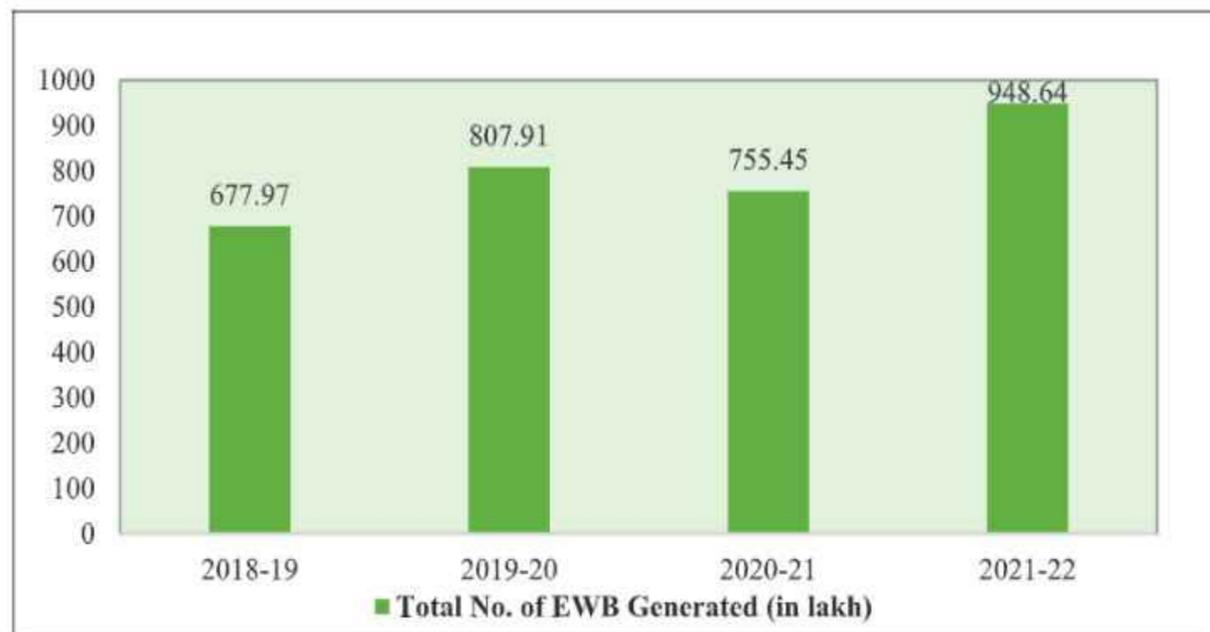
A problem-centric approach has been attempted for this audit as EWB generation under GST is a necessary condition to precede any movement of goods subject to the threshold limit. Samples for the first Audit Objective were evolved based on the Key Problem Areas (KPAs)/ Risk Dimensions identified. The KPAs that constrain revenue realisation for the Government are provided in **Appendix-II**. For this Audit Objective, 89¹ EWBs of 30 Taxpayers, falling under 18 units², for the period 2018-19 to 2021-22 were selected as a sample.

The second Audit Objective evaluated the problems associated with enforcement/ preventive activities, viz. effectiveness of anti-evasion measures inter-Department coordination, and operational preparedness. For this Audit Objective, eight Preventive units³ out of total 14 Units, were taken as sample. In the selected Preventive Units 376 booked cases were selected from these Preventive Units for audit analysis by stratified sampling method.

2.1.6 Trends and insights of EWB data

The trend of number of EWBs generated for the audit period is depicted in the following graph:

Graph 1: Year-wise number of E-Way Bills generated



Source: Details provided by the Department

The graph shows that except during the year 2020-21, there was an increase in the number of EWBs generated between 2018-19 and 2021-22 by the taxpayers registered under State jurisdiction.

The Department expressed (November 2024) its inability to provide the assessable value of EWBs generated. The Department further stated

¹ This includes 80 sampled EWBs and three abnormally high money value EWBs and six EWBs where consignor and consignee were having same PAN.

² ACST: 08, 09, 10, 11, 12, 20, 21, 22- Ahmedabad (08 Units), 30-Mehsana, 36-Unjha, 38-Patan, 79-Surendranagar, 82-Amreli, 89, 92, 93 –Rajkot (03 Units), 91-Morbi and 103- Gandhidham.

³ JCST (Enforcement) and seven Preventive Units viz. DCST (Enforcement) Division: 1 Ahmedabad, 4 Mehsana, 5 and 6 Vadodara, 7 Surat, 9 Bhavnagar and 10 Rajkot.

(February 2025) that the issue of non-availability of the assessable value has been raised with the NIC for required data.

Audit findings

The deficiencies noticed during audit are discussed in the subsequent paragraphs.

2.1.7 Scope limitation due to documents not produced

Section 16 of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) 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.

The invoice-wise outward supply details, in GSTR-1, were not available to Audit through Single Sign-on Identity (SSOIDs) based access to GSTN Portal⁴ of the Department, *i.e.* backend application of the Department. Audit, therefore, requisitioned the Department to provide the information and records related to invoice wise details as required to be furnished in the GSTR-1 for the period 2018-19 to 2021-22 in respect of 18 taxpayers of 10 units. However, the requisitioned information was not provided to Audit.

Due to non-production of requisitioned information, Audit could not ascertain whether the taxpayers in these cases had correctly reported the details of outward E-Way Bill supply in the GST Returns.

The Department stated (February 2025) that the details of invoice-wise outward supply were not accessible in GSTN portal and the issue had been raised with the e-Governance branch.

In this regard, Audit had raised the same issue during the SSCA on Department's Oversight on GST Payments and Return Filing (Compliance Audit Report No. 04 of 2024 Compliance Audit- Civil and Commercial, Government of Gujarat) and reported that row wise information of various columns of GSTR-1 was not visible to the proper officer and Audit. Audit had recommended that the Department may consider taking necessary action for making available all the information/ particulars of GSTR-1 row-wise separately to the proper officer at the back-end portal of Department. However, the issue has not been resolved yet.

Recommendation-1:

State Government may take up the matter with the GSTN and Department of Revenue (Union Government) for ensuring availability of all the information/ particulars of GSTR-1 row-wise separately to the proper officer at the back-end portal of Department.

⁴ <https://boweb.internal.gst.gov.in/boservices>.

2.1.8 Result of Audit

2.1.8.1 Observations detected in analysis of data of E-Way Bills

Data analysis was conducted on the risk-based sample of total of 22,747 taxpayers (including 339 composition taxpayers), provided by the GSTN from the database relating to EWBs generated during the period from April 2018 to March 2022. Audit analysed data on EWBs on 22 risk-parameters which were identified as Key Problem Areas (KPAs). The details of these risk parameters are given in **Appendix-II**. The details of observations shared with the Department are discussed in **Table** below.

Table 2.1: Details of observations of data analysis

Sl. No.	Observations of Data analysis	No. of taxpayers	No. of EWBs (2018-19 to 2021-22)	Assessable Value (₹ in crore)
1	Generation of EWBs by cancelled taxpayers	4,520	1,43,539	7,655.28
2	Generation of duplicate EWBs using same invoice	15,455	64,469	3,271.01
3	Generation of EWBs by non-filers of GST Returns	2,432	29,619	1,266
4	Generation of inter-State EWBs by Composition taxpayers	337	1,054	13.76
5	Generation of EWBs by composition taxpayers who had crossed prescribed threshold limit	3	288	7.78

Source: Details provided by the GSTN

The findings of the data analysis under these KPAs were forwarded to the Department for considering further course of remedial action and summary report on action taken was called for.

On this being pointed out (May 2024), the Department replied (February 2025) as under:

- With respect to generation of EWB by cancelled taxpayers, the Department stated that if the GST number is cancelled there exists a mechanism in system that such taxpayer cannot generate the E-Way Bills. This facility has been started since 21 November 2019 under Rule 138 *vide* notification no. 26/2019 (Sl. No. 1).
- With respect to duplicate EWBs, as per downloaded report normally multiple E-Way Bills are generated by large companies or PSUs *etc.* Hence, *prima facie* it appears that there might be some misinterpretation. However, the issue will be raised with NIC after detailed study (Sl. No. 2).

Audit is of the view that there was a potential risk of clandestine supply of goods without payment of tax due to generation of duplicate EWBs, as the taxpayers may had effected multiple movement of goods using same invoice.

- With respect to non-filing of returns, Department stated that if the taxpayer had not filed returns for two consecutive tax periods, then E-Way Bill generation facility will be blocked by E-Way Bill system. The mechanism was active since December 2019 as per Rule 138 of the GGST Rules 2017. Further, the Department has already initiated scrutiny for the said cases and also implemented the remedial action. In bogus cases, the Department has initiated action under Section 122⁵ of GGST Act 2017 (Sl. No.3).
- The Department also replied that as per the E-Way Bill analytics report no. C-7⁶ very few cases were found. However, to develop a mechanism to raise red flags to alert the proper officer NIC and GSTN will be intimated for integration. Further, the Department has developed in-house facility for selection of cases for scrutiny and adjudicates numerous cases. These criteria also will be considered during selection of cases for scrutiny in future course (Sl. No. 4 and 5).

However, Department's reply on details of remedial action taken on the cases pointed out by Audit such as numbers of cases examined by them after being pointed out by Audit and status of recovery, if any, was silent (March 2025).

2.1.8.2 Substantive Audit

Table below brings out the extent of deficiencies and consequent revenue impact noticed during the detailed scrutiny of 89 EWBs of 30 taxpayers.

Table 2.2: Details of observation in sampled cases

Sl. No.	Nature of Observation	Sampled			Compliance Deviations		
		No. of taxpayers	Total EWB issued	Tax involved (₹ in lakh)	No. of taxpayers	Total EWB issued	Tax involved (₹ in lakh)
1	Generation of EWBs by cancelled taxpayers	12	63	88.70	5	1,901	1,579.78
2.	Generation of EWBs by Non-Filers of GST Returns	6	20	28.87	5	1,015	591.73
3.	Generation of EWBs by the taxpayers filing Nil returns	8	17	51.45	2	175	148.60
4.	Ineligible taxpayers continuing under Composition Scheme	1	23	27.88	1	29	36.53
Total		27*	123	196.90	13	3,120	2,356.64

Source: Information compiled during audit

* One taxpayer was examined for three risk parameters, eight taxpayers for two parameters, eight taxpayers for one parameter. 13 taxpayers were not falling under any of the above parameters.

⁵ Under Section 122 of the GGST Act penalty of rupees ten thousand or an amount equivalent to the tax evaded whichever is higher for tax evasion.

⁶ Composition taxpayer with turnover more than ₹ 1.5 crore in EWBs for year.

Audit selected sample cases, by using the Risk Model, for conducting substantive audit and the systemic issues noticed during the audit are discussed under each Key Risk Area to provide the impacts of the risks identified. Audit examination revealed deviation from the Acts and Rules by 13 taxpayers which may result in non/ short levy of tax of ₹ 23.57 crore.

The results on revenue impact of substantive audit are discussed in succeeding paragraphs.

(i) Generation of EWBs by cancelled taxpayers

As per Section 63 of the GGST Act, where a taxable person whose registration has been cancelled, but who was liable to pay tax, the proper officer may proceed to assess the tax liability of such taxable person to the best of his judgment. A cancelled taxpayer cannot generate EWBs, as he may be passing on ITC without filing of returns, resulting in non-payment of tax.

As per Section 16 of the GGST Act 2017, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless, (a) he is in possession of a tax invoice or such other tax paying documents as may be prescribed; (b) he has received the goods or services or both; (c) subject to the provisions of Section 41, the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilisation of input tax credit admissible in respect of the said supply; and (d) he has furnished the return under Section 39.

During the audit, 63 EWBs involving an assessable value of ₹ 10.44 crore and tax of ₹ 88.70 lakh, generated during 2018-19 to 2020-21 pertaining to 12 taxpayers falling under seven Units⁷ were test-checked. Audit noticed in five cases⁸ that these EWBs were generated by cancelled taxpayers. The registrations of these taxpayers were *suo motu* cancelled with retrospective effect due to reasons 'Taxpayer found non-functioning/ not existing at the Principal Place of Business'. All these cancelled taxpayers (five) had generated 1,901 EWBs for assessable value of ₹ 98.87 crore involving tax of ₹ 15.80 crore after the effective date of cancellation of registration.

Audit also observed that these taxpayers had been discharging the tax liabilities by utilizing ITC. In one case of Unit 21, Ahmedabad the taxpayer had availed and utilised ITC without being available in GSTR-2A. Further, the taxpayer had filed GSTR-1 but did not file GSTR-3B since January 2019, though he had generated 92 EWBs, having assessable value of ₹ 4.16 crore, involving tax of ₹ 45.19 lakh in the respective month. However, the Department did not assess the tax liability of these taxpayers under Section 63 of the GGST Act and thereby failed to protect the revenue in the interest of the Government.

When Audit pointed this out (April 2024 to May 2024), Department accepted the audit observation (February 2025 to March 2025) in all the five cases and

⁷ ACST: Unit 11, 21 and 22 Ahmedabad, Unit 30 Mehsana, Unit 36 Unjha, Unit 38 Patan and Unit 91 Morbi.

⁸ ACST: Unit-11 (two cases), 21 and 22- Ahmedabad and 38-Patan.

stated that such cases require to be assessed under Section 122 of the GGST Act, 2017 (March 2025).

An illustrative case is given below:

A taxpayer falling under Unit-22, Ahmedabad, generated 1,074 EWBs for outward supplies of ₹ 52.88 crore which involved tax of ₹ 9.21 crore during 2019-20 and 2020-21 after the effective date of cancellation. Audit observed that records on GSTN Portal relating to filing of returns GSTR-1 for the period 2019-20 and 2020-21 were not available/displayed. The taxpayer had filed GSTR-3B for the period December 2019 to December 2020 and discharged the tax liability by utilizing ITC for the said period which was not admissible as the registration of the taxpayer was *suo motu* cancelled in February 2021 by the Department with effective date of cancellation as 19 Dec 2019 due to reasons 'Taxpayer found non-functioning/ not existing at the Principal Place of Business'. The Department did not initiate action to assess the tax liability as specified under Section 62 or 63 of the Act *ibid* and thereby failed to protect the revenue interest of the Government.

On this being pointed out (May 2024), the Department stated (February 2025) that the case required action under Section 122 of the GGST Act.

(ii) Generation of EWBs by Non-Filers of GST Returns

In terms of Section 29 of the GGST Act, the proper officer may cancel the registration of the taxpayer when a composition taxpayer has not furnished returns for three consecutive tax periods, or any other registered person has not furnished returns for a continuous period of six months.

According to Section 62 of the Act *ibid*, where a registered person fails to furnish the returns even after the service of a notice, the proper officer may proceed to assess the tax liability of the said person to the best of his judgement, taking into account all the relevant material which is available or which he has gathered, and issue an assessment order.

As per Section 63 of the GGST Act, where a taxable person whose registration has been cancelled, but who was liable to pay tax, the proper officer may proceed to assess the tax liability of such taxable person to the best of his judgment.

As per Section 30(1) of the said Act, any registered person whose registration is cancelled, may apply for revocation of cancellation of the registration in the prescribed manner within thirty days from the date of service of the cancellation order.

Audit identified the non-filers as risky taxpayers and test-checked 20 EWBs generated during the period 2018-19 and 2019-20, pertaining to six such non-filers falling under three Units⁹, having assessable value of ₹ 2.21 crore involving tax of ₹ 28.87 lakh for substantive audit.

⁹ ACST: Unit-21 Ahmedabad (one taxpayer), 36-Unjha (one taxpayer) and 91- Morbi (four taxpayers).

Audit observed that five taxpayers¹⁰ had generated 1,015 E-Way Bills for outward supplies of ₹ 40.77 crore involving tax of ₹ 5.92 crore during the period 2018-19 to 2019-20. However, returns were not filed for the respective period. Audit further observed that the Department had cancelled the registration of these five taxpayers for failing to furnish the returns. Out of these five taxpayers, in one case, though the taxpayer¹¹, had generated 37 EWBs in July 2019, for outward supply of ₹ 5.05 crore involving tax of ₹ 25.27 lakhs, had filed nil return for the said month. However, the Department did not initiate action to assess the tax liability as specified under Section 62 or 63 of the Act *ibid* and thereby failed to protect the revenue interest of the Government.

On this being pointed out (April 2024 to May 2024), the Department accepted the audit observation in all the cases (February 2025) and stated that action under Section 122 of the GGST Act, 2017 would be taken (March 2025). Further, in one case (Unit-36), the Department also stated that at Unit level, there was no access to the EWB portal.

An illustrative case is given below:

In case of a taxpayer falling under Unit-91, Morbi the EWB portal shows that the taxpayer had generated 362 outward supply EWBs for an amount of ₹ 13.39 crore which involved tax of ₹ 2.39 crore during 2018-19. The taxpayer neither filed GSTR-1 nor GSTR-3B since the date of registration. Further, the GSTR-2A for the period 2018-19 was nil, hence there was no inward supply from registered dealers. The registration of the taxpayer was cancelled in February 2019 (*suo motu w.e.f.* 16 August 2018) due to non-filing of returns however, no dues were assessed at the time of cancellation of the registration of the taxpayer. Thus, the Department failed to initiate action to assess the tax liability as specified under Section 62 or 63 of the Act *ibid* and thereby failed to protect the revenue interest of the Government.

On being pointed out (May 2024), the Department accepted the audit observation and replied (February 2025) that such case require action under Section 122 of the GGST Act.

(iii) Generation of EWBs by the taxpayers filing Nil returns

As per Section 61 of the GGST Act, various returns filed by the taxpayers have to be scrutinized by the proper officer to verify the correctness of the returns, and suitable action has to be taken on any discrepancies or inconsistencies reflected in the returns.

During the audit, 17 EWBs, generated by eight taxpayers, falling under six Units¹² during 2018-19 to 2020-21, having assessable value of ₹ 4.33 crore involving tax of ₹ 51.45 lakh were test-checked. Audit observed that two taxpayers¹³ had generated 175 outward supply EWBs of ₹ 17.65 crore involving tax of ₹ 1.49 crore during the period 2019-20 and 2020-21. However,

¹⁰ ACST: Unit 36-Unjha (one taxpayer) and 91- Morbi (four taxpayers).

¹¹ ACST Unit 36-Unjha.

¹² ACST: Unit 9 and 11-Ahmedabad, 30-Mehsana, 36-Unjha, 79- Surendranagar and 93-Rajkot.

¹³ ACST: Unit 9-Ahmedabad and Unit 30-Mehsana.

during that period these taxpayers had filed nil GSTR-3B which resulted in suppression of taxable supplies and non-payment of tax. The Department had not taken any action for assessment and recovery of dues (February 2025).

On being pointed this out (April and May 2024), the Department accepted (February 2025) the audit observation in both the cases and in one case of Unit-9 Ahmedabad, intimated that SCN had been issued (May 2024). In other case of Unit 30 Mehsana, Department stated that such case require to be assessed under Section 122 of the GGST Act.

An illustrative case is given below:

A taxpayer falling under Unit-30, Mehsana, generated 174 EWBs for outward supplies for an amount of ₹ 15.90 crore which involved tax of ₹ 1.17 crore during 2019-20 and 2020-21. In GSTN portal, GSTR-1 for the period 2020-21 were not available. Further, the GSTR-2A for the period 2019-20 and 2020-21 was nil, hence there was no inward supply from registered dealers. The taxpayer filed nil returns in Form GSTR-3B (March-2020 to June 2020) and no returns were filed thereafter. Hence, the taxpayer did not discharge his tax liability. The registration of the taxpayer was cancelled in September 2020 (*suo motu w.e.f.* 13 March 2020) due to principal place of business not found at the time of field visit. Further, no dues were assessed at the time of cancellation of the registration of the taxpayer. The Department failed to initiate action to assess the tax liability as specified under Section 62 or 63 of the Act *ibid* and thereby failed to protect the revenue interest of the Government.

On being pointed out (April 2024), the Department accepted the audit observation and replied (February 2025) that such case require to be assessed under Section 122 of the GGST Act.

(iv) Ineligible taxpayers continuing under composition scheme

As per Section 10(1) of the GGST Act, a registered person whose aggregate turnover in the preceding financial year did not exceed the threshold limit¹⁴ may opt to pay tax under composition scheme. Further, Section 10(2)(c) of GGST Act provides that a taxpayer shall not be eligible to opt for composition scheme, if he is engaged in making any inter-State outward supplies of goods.

Further, in terms of Section 10(3) of the GGST Act, the option availed by a registered person for composition scheme shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the limit specified.

As per Section 61 of the GGST Act, various returns filed by the taxpayers have to be scrutinized by the proper officer to verify the correctness of the returns, and suitable action has to be taken on any discrepancies or inconsistencies reflected in the returns.

¹⁴ Threshold limit per year for becoming eligible for composition scheme was ₹ one crore for the period between 01.04.2018 to 31.03.2019 and ₹ 1.5 crore thereafter.

Audit observed that a taxpayer registered under composition scheme under Section 10(1) of the GGST Act, 2017, falling under Unit-38 Patan, had generated 29 EWBs for inter-State outward supply of ₹ 6.49 crore involving tax of ₹ 36.53 lakh during January 2019 and February 2019. Further, the aggregate turnover of the taxpayer exceeded the threshold limit of ₹ one crore for composition scheme and therefore, the taxpayer was required to switch its registration under 'Normal category' taxpayer.

Audit further observed that the Department had issued (February 2021) show-cause notice (SCN) to the taxpayer for non-filing of returns for three consecutive tax periods and *suo motu* cancelled registration in March 2021 with effective date of cancellation as 10 December 2018, *i.e.* after lapse of more than two years of generation of EWBs¹⁵ for inter-State supply. However, no dues were assessed at the time of cancellation of the registration of the taxpayer. Thus, the Department failed to initiate action to assess the tax liability as specified under Section 62 or 63 of the Act *ibid* and thereby failed to protect the revenue interest of the Government.

On being pointed out (April 2024), the Department replied (February 2025) that EWB portal is developed and maintained by NIC whereas GSTN portal is developed and maintained by GST Network. The EWB and GSTN portal are distinct and there is no link between these two portals. However, the issue has been raised with the e-Governance branch to further escalate the matter of linking the GSTN with EWB portal.

Recommendation-2:

- (a) The Government may take up the matter with the Department of Revenue (Union Government) and GST Council to ensure the linking of GSTN Portal and EWB Portal and availability of the same to the tax officers at the backend application, i.e. Boweb.***
- (b) The State Government may take up the matter with the GST Council to consider to make it mandatory, till the EWB Portal is linked with GSTN, for the proper officer cancelling registrations, retrospectively, to certify that the every EWB generated by the taxpayer has been checked and tax liability if any, has been duly discharged.***
- (c) Government may also take up the matter with the GSTN to introduce soft alerts in the GST system to prompt an alert message to proper officer in cases where EWBs were generated by a taxpayer but returns such as GSTR-1 and GSTR-3B were not filed by him.***

¹⁵ First EWB was generated in January 2019.

2.1.8.3 Other issues

Audit also observed other systemic deficiencies during the course of audit. The findings are discussed in the following paragraph.

(i) Data Entry errors

Audit observed that in three EWBs pertaining to three taxpayers falling under three units¹⁶, the value of outward supply was abnormally high *i.e.* ₹1,81,21,200 crore, ₹ 71,017 crore and ₹ 65,132 crore.

On this being pointed out (January 2024), the proper officers of all the respective Units replied (April 2024 to June 2024) that there was typographical error at the time of generating E-Way Bill.

The CAG Audit Report (No.5 of 2022)- Union Government Department of Revenue-Indirect Taxes-GST for the year ended March 2021, had already highlighted GSTN data quality issue and significant inconsistencies in the GST data and recommended that the Ministry should consider introducing appropriate validation control (controls to prevent unreasonable data entries and/or alert the taxpayer to unreasonable data). Presence of abnormally high values in EWB data due to the data entry errors may lead to sub-optimal compliance functions and possible wastage of tax administration.

Recommendation-3:

The Government may take up the matter with the GSTN, and the Department of Revenue (Union Government) to consider judicious mix of validation controls and soft alerts in EWB system to curb data entry errors and facilitate better scrutiny and optimal utilisation of the resources of the Department.

(ii) Generation of multiple EWBs on the same invoices

As per Rule 46 (b) of GGST 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 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 invoice.

During the test check of 12 EWBs of six taxpayers¹⁷ generated during 2018-19 and 2019-20, Audit observed that a taxpayer, falling under Unit-91 Morbi, had generated five EWBs on the two invoices (three EWBs for one invoice and two EWBs for another invoice) for movement of goods in May 2018.

¹⁶ ACST: Unit- 11, 12 and 20 Ahmedabad.

¹⁷ ACST: Unit-10, 11 Ahmedabad, Unit-89, 92 and 93 Rajkot and Unit-91 Morbi.

This indicated lack of validation controls in the EWB portal to restrict generation of multiple EWBs using same invoices. This may result in clandestine supply of goods without payment of tax.

On this being pointed out (May 2024), the Department replied (February 2025) that the registered taxpayer was found bogus. Hence, the registration of taxpayer had been *ab initio* cancelled with effect from May 2018. The said case would be required to be assessed under Section 122.

Recommendation-4:

The Government may take up the matter with the Department of Revenue (Union Government) and GST Council to incorporate the validations controls in the E-way Bill system to restrict generation of multiple EWBs on the same invoice.

(iii) E-Way Bills using invalid PIN codes or PIN to PIN discrepancy in the distance

Audit in two EWBs pertaining to one taxpayer, falling under Unit-91 Morbi, observed that there was a mismatch between the actual distance between the PIN codes (From and to) entered in the EWBs and the distance declared in the EWBs. In both the cases, the distance shown in the EWBs was more by 268 km. and 1,354 km., respectively from the actual distance between the PIN codes entered in the EWBs (661040769588 and 671041080353). This may result in clandestine supply of goods without payment of tax.

Audit in two EWBs (601194595419 and 651196789747) of a taxpayer under Unit-30, Mehsana, observed that EWBs were generated even after invalid PIN codes was entered by the taxpayer.

Thus, the EWB portal allows generation of EWBs with invalid PIN code and improper distance between two PIN codes. The system was deficient to that extent.

On this being pointed out (April 2024 and May 2024), the Department replied (February 2025) that for the E-Way Bill generated, distance will be automatically calculated on the basis of the PIN code mentioned in the E-Way Bill. In cases of wrong PIN code there would be restriction of E-Way Bill generation. The issue has been forwarded to the e-Governance branch to further escalate it with GSTN and EWB portal.

Recommendation-5:

(a) The Government may take up the matter with the Department of Revenue (Union Government) and GST Council to incorporate the validations controls in the E-way Bill system to prohibit taxpayers to edit the auto-populated distance between the 'From' and 'to' Pin codes.

(b) The Government may take up the matter with the Department of Revenue (Union Government) and GST Council to incorporate the validations

controls in the E-way Bill system to restrict generation of EWBs on invalid PIN codes.

Preventive function of the Department

The Commissioner¹⁸ or an officer empowered by him in this behalf may authorise any officer to intercept any conveyance to verify the EWB for all inter-State and intra-State movement of goods. The physical verification of conveyances may also be carried out by the proper officer as authorised by the Commissioner or an officer empowered by him in this behalf. A summary report of every inspection of goods in transit shall be recorded online by the proper officer in Part A of Form GST EWB-03 within twenty-four hours of inspection and the final report in Part B of Form GST EWB-03 shall be recorded within three days of such inspection.

As per Rule 138C(2), where a physical verification of goods being transported on any conveyance has 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 has 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.

The CBIC and State Tax Department has issued detailed circulars viz. 41/2018 (02 May 2018), 49/23/2018-GST (21 June 2018) and 64/2018 (18 September 2018) elaborating procedures for interception of conveyances, inspection of goods in movement, detention, release and confiscation of contravening goods and conveyances and its treatment thereafter. Section 129 and 130¹⁹ of GGST Act, 2017 shall apply to the preventive activities performed by the Department in relation to verification of EWBs and/or conveyances.

2.1.9 Non-production of records

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 a form as far as possible and with all reasonable speed.

Audit requisitioned information and records related to preventive activities of the Divisions with reference to EWBs. On receipt of information on EWBs verified by Department, Audit requested records of Booked cases, i.e. cases where GST-EWB-03 (Part B) were issued. In spite of requisitions and follow-up, out of original sample of 376 Booked cases, seven Preventive Units did not

¹⁸ Enforcement activities *vis-à-vis* EWBs is jurisdiction-agnostic viz., any proper officer can intercept any conveyance within the jurisdictional State/ UT to verify EWBs irrespective of the fact whether the taxpayer is CBIC-administered or State/ UT-administered.

¹⁹ With effect from 01.01.2022, penalty for non-generation of E-Way Bills has been increased from 100% of tax payable to 200% of tax payable. Input Tax Credit for tax paid on inward supplies which had been intercepted by any proper officer under Sections 129 and 130 of GGST Act, 2017 is blocked for the recipients.

produce records in respect of 39 Booked cases. Thus, 10.37 *per cent* of the sample could not be audited. However, Audit requested for another 36 cases²⁰ in lieu of these unproduced cases which were provided by the respective Preventive Units.

The jurisdiction wise non-production of records is summarised in the following Table.

Table 2.3: Jurisdiction-wise non-production of records

Name of Division	No. of Booked cases selected as Sample	Non-production of No. of Booked cases
DCST (Enforcement) Division-1, Ahmedabad	50	9
DCST (Enforcement) Division-4, Mehsana	50	10
DCST (Enforcement) Division-5, Vadodara	50	5
DCST (Enforcement) Division-6, Vadodara	50	5
DCST (Enforcement) Division-7, Surat	50	0
DCST (Enforcement) Division-9, Bhavnagar	50	3
DCST (Enforcement) Division-10, Rajkot	50	4
Others JCST (Enforcement) Ahmedabad	26	3
Total	376	39

Source: Information compiled during audit

2.1.10 Efficiency and effectiveness of the Preventive/ Enforcement activities of the Department in enforcing EWB provisions

Audit studied EWB related functions of the Preventive Units with specific focus on (i) Effectiveness of Anti-Evasion Measures, (ii) Intra-Departmental coordination in monitoring EWB related transactions and (iii) Operational Preparedness. For this purpose, Audit selected seven Preventive Units²¹ as sample and office of the JCST Enforcement. During verification, Audit noticed several deficiencies and shortcomings in the activities undertaken by the Preventive Units, which are detailed in the following paragraphs.

Effectiveness of Anti-Evasion Measures

2.1.10.1 Discrepancies noticed in cases booked by Mobile Squad

According to Section 129(1) of the GGST Act, where any person transports any goods in contravention of the provisions of this Act or the Rules made thereunder, all such goods and conveyance used as a means of transport for carrying the said goods and documents relating to such goods and conveyance shall be liable to detention or seizure and after detention or seizure, shall be released, on payment of the applicable tax and penalty equal to one hundred *per cent* of the tax payable on such goods²² and, in case of

²⁰ The three unproduced cases in JCST (Enforcement) Ahmedabad could not be replaced due to non-availability of other booked cases.

²¹ DCST (Enforcement) Division: 1 Ahmedabad, 4 Mehsana, 5 and 6 Vadodara, 7 Surat, 9 Bhavnagar and 10 Rajkot.

²² With effect from 1.1.2022, the amount payable was modified as penalty equal to two hundred *per cent* of the tax payable.

exempted goods, on payment of an amount equal to two *per cent* of the value of goods or twenty-five thousand rupees, whichever is less, where the owner of the goods comes forward for payment of such tax and penalty.

According to the Guidelines issued by the Commissioner of State Tax²³, the order in Form GST MOV-09 shall be uploaded on the Common Portal and the demand accruing from the proceedings shall be added in the Electronic Liability Register.

Where the proper officer is of the opinion that such movement of goods is being effected to evade payment of tax, he may directly invoke Section 130 of the GGST Act by issuing a notice proposing to confiscate the goods and conveyance in Form GST MOV-10. In the said notice, the quantum of tax and penalty leviable under Section 130 read with Section 122 of the GGST Act, and the fine in lieu of confiscation leviable under sub-section (2) of Section 130 of the GGST Act shall be specified.

In the 373 Booked cases verified, Audit noticed several discrepancies in 33 Booked cases as detailed in **Table** below:

Table 2.4: Discrepancies noticed in cases booked by Mobile Squad

Name of DCST (Enforcement) Division	Details of discrepancies noticed	Sample	Compliance Deviation				
			No. of cases	Amount involved (₹ in lakh)			Total
				Tax	Penalty	Other ²⁴	
Division-1 and JCST (Enforcement), Ahmedabad, Division 10 Rajkot	Vehicles detained during interception were released without ensuring payment of tax or penalty or both and without raising demand	123	5	5.41	5.79	17.35	28.55
Division-1 Ahmedabad, Division 4 Mehsana, Division 5 and 6 Vadodara, Division 9 Bhavnagar, Division 10 Rajkot	Vehicles detained during interception were released without ensuring payment of tax, penalty or fine through cash ledger	300	22	9.70	3.31	1.65	14.66
Division-5 and 6 Vadodara	Release of vehicles on payment of tax or penalty or both without raising demand for the same	100	4	1.88	1.80	5.48	9.16
Division-1 Ahmedabad, Division-6 Vadodara	Vehicles detained during interception were released under Section 129 instead of Section 130 (non-levy of fine) ²⁵	100	2	-0.48	-0.48	4.60	3.65
Total			33	16.51	10.42	29.08	56.02

Source: Information compiled during audit

²³ Para 2(h) Circular No. 41/2018 dated 02.05.2018 issued by the Commissioner of the State Tax, Gujarat.

²⁴ It includes fine for the market value of the goods confiscated and fine in lieu of the confiscation of the conveyance equal to the tax payable on the goods.

²⁵ These are cases where neither the invoice nor the EWB was available. There is negative figure in tax and penalty as the proper officer assessed tax and penalty under Section 129 on the entire quantity while audit calculated tax, penalty and fine under Section 130 on the differential quantity.

(i) Vehicles released without raising demand and levy of tax or penalty or both

Audit noticed (August to September 2024) that in five booked cases under Division-1 Ahmedabad, Division 10 Rajkot and office of the JCST (Enforcement), the proper officer released the intercepted vehicles without recovery of applicable tax, penalty and fine amounting to ₹ 28.55 lakh.

On this being pointed out (July 2024 to October 2024), in one case the Department accepted (February 2025) the audit observation and effected recovery of ₹ 0.38 lakh while in the remaining four cases the Department did not accept audit observations on the grounds mentioned below:

- i. In one case, Division-1 Ahmedabad stated that the goods sent on different days (14.04.2021 and 15.04.2021) by the taxpayer to the same consignee were loaded in the same vehicle by the transporter and the value of both the consignments was below ₹ 50,000. There was no intention of tax evasion on the part of the taxpayer, therefore no penal action was taken.

The reply of the Department is not convincing, since if the goods were not transported on 14.04.2021 and second consignment (15.04.2021) was supplied by the same taxpayer through same transporter to the same consignee, an EWB for aggregate value of both the invoices was required to be generated. Audit also noticed that in similar case the proper officer of Division 10 (Enforcement), Rajkot had taken action under Section 129 of the Act.

- ii. In second case, Division-1 Ahmedabad stated that the goods of the taxpayer were being transported from the godown of the transporter to the consignee, the distance of which was less than 20 km. Thus, there was no need to generate a new E-Way Bill. The taxpayer's vehicle was released without paying any fine, accepting the taxpayer's submission.

The reply of the Department is not convincing in view of point no. 3 of the Circular no. 61/35/2018-GST (04 September 2018) in which it was clarified that when the goods in movement are stored in the transporter's godown (even if the godown is located in the recipient taxpayer's city/town) prior to its delivery to the consignee, it shall always be accompanied by a valid E-Way Bill.

- iii. In another case, Division-1 Ahmedabad stated that since the taxpayer has not shown any intention to evade tax and Part-B was generated within the normal time of stopping the vehicle, keeping in mind the principle of natural justice, the taxpayer's vehicle was released without paying any penalty.

The reply of the Department is not convincing as no such normal time limit was defined in the GGST Act/ Rules. The EWB is required to be generated prior to the movement of goods.

- iv. In one case, Division 10 Rajkot stated that at the time of interception of vehicle, history of the dealer could be genuine taxpayer. So, Section 129 was applied. The reply of the Department is, however, silent about non-recovery of dues of ₹ 25,200 in respect of one order issued in GST MOV-09, out of two orders issued for the same interception.

An illustrative case is given below:

Audit observed (September 2024) that the goods were being transported using two invoices and two EWBs. Both EWBs had expired about two months before the date of interception of the vehicle and fresh EWBs had not been generated. The proper officer did not levy any penalty on such goods. This resulted in non-levy of penalty and fine of ₹ 17.95 lakh.

On this being pointed out (September 2024), the Department replied (February 2025) that the vehicle of the taxpayer was transported from the godown of consignor to consignee on 28 July 2021. The distance between godown and place of delivery of consignee was less than 20 km. for which there was no need to generate a new E-Way Bill. Hence, the taxpayer's vehicle has been released without paying any fine.

The reply of the Department is not acceptable in view of point no. 3 of the Circular no. 61/35/2018-GST dated 4 September 2018 in which it was clarified that when the goods in movement are stored in the transporter's godown (even if the godown is located in the recipient taxpayer's city/ town) prior to its delivery, it shall always be accompanied by a valid E-Way Bill.

(ii) Vehicles released without set off of tax, penalty and fine through Cash ledger

In 22 booked cases under six²⁶ Divisions, the proper officer released the intercepted vehicles without set off of tax, penalty and fine of ₹ 14.66 lakh through Cash Ledger for credit of dues in Government account.

On this being pointed out (August 2024 and September 2024), the Department effected recovery of ₹ 7.46 lakh in 14 cases falling under five²⁷ offices of DCST (Enforcement) while in the remaining eight cases the Department accepted audit observation and forwarded the case details to the concerned jurisdictional authority to initiate appropriate action.

Illustrative case is given hereunder:

In DCST (Enforcement) Division-4, Mehsana, after interception of the vehicle, a taxpayer made payment of dues of ₹ 0.98 lakh in Cash Ledger under Section 129 of the GGST Act. The proper officer issued DRC-07 in May 2021 but dues were pending for set-off and were not credited in Government account.

The DCST accepted (August 2024) the observation and effected recovery.

²⁶ DCST (Enforcement) Division: 1 Ahmedabad, 4 Mehsana, 5 Vadodara, 6 Vadodara, 9 Bhavnagar and 10 Rajkot.

²⁷ DCST (Enforcement) Division: 1 Ahmedabad, 4 Mehsana, 5 Vadodara, 9 Bhavnagar and 10 Rajkot.

(iii) Release of vehicles on payment of tax or penalty or both without raising demand for the same

In four booked cases under two Divisions²⁸, Audit observed that the proper officer had released the intercepted vehicles on the grounds *i.e.* genuineness of the goods in transit and no invoice/ no E-Way Bill without raising demand of ₹ 9.16 lakh in Form DRC-07. Further, out of these four cases, in two cases in DCST (Enforcement) Division-6, Vadodara, two taxpayers paid proper dues by generating challans themselves by way of Temporary Reference Number (TRN). However, the dues were pending for set-off. Hence, it was not credited in the Government account till date.

On this being pointed out (August 2024 and September 2024), DCST (Enforcement) Division-5, Vadodara while accepting the audit observation in two cases, effected recovery of ₹ 2.01 lakh.

In two cases pertaining to DCST (Enforcement) Division-6, Vadodara, the Department replied (February 2025) that the taxpayer himself had filled the challan by taking Temporary Reference Number (TRN). The proper officer could not generate DRC-07 due to system glitch which was noted on the file. Currently this TRN shows invalid and also furnished the screenshot. In these cases, MOV-11 demand order was issued by the then proper officer. As per this demand order, the amount payable was paid in the electronic cash ledger of the taxpayer.

The reply is not tenable in view of the fact that the amount credited in the cash ledger of the taxpayer does not mean discharge of tax liability. The Department should take necessary action for debiting the Government dues from the cash ledger and credit it in the Government account. Further, the Department may take necessary action to resolve the technical problem.

(iv) Short levy of tax, penalty and fine on intercepted vehicles

According to Section 129(1) of the GGST Act, where any person transports any goods in contravention of the provisions of this Act or the Rules made thereunder, documents relating to such goods and conveyance shall be liable to detention or seizure and shall be released, on payment of the applicable tax and penalty equal to one hundred *per cent* of the tax payable on such goods.

As per Para 2(1) of Circular no. 41/2018 dated 02.05.2018 issued by Commissioner of State Tax, Gujarat in case of evasion of tax, the proper officer shall take action under Section 130 of the GGST Act to confiscate the goods and conveyance and can release the goods and conveyance after recovery of tax, penalty and fine in lieu of confiscation of goods and conveyance.

In two booked cases under two Divisions²⁹, Audit observed that the proper officer had intercepted two vehicles on the grounds *i.e.* no invoice and no E-Way Bill for excess quantity and released the vehicles after taking action for recovery of dues and penalty under Section 129 of the GGST Act, 2017.

²⁸ DCST (Enforcement) Division: 5 (two cases) and 6 Vadodara (two cases).

²⁹ DCST (Enforcement) Division: 1 Ahmedabad and 6 Vadodara.

However, these cases pertained to the tax evasion and therefore, action under Section 130 was required to be taken instead of Section 129 of the GGST Act, 2017. This resulted in under assessment of dues of ₹ 3.65 lakh.

On this being pointed out (September 2024), the Department accepted (February 2025) the audit observation in one case and effected recovery of ₹ 0.58 lakh.

In the remaining case the Department did not accept the audit observation and stated that 2,500 kg of tin plate goods were dispatched for job work. There is no need to assess tax on goods sent for job work. In addition, the taxpayer has accepted the ownership of the goods in writing and has shown readiness to pay the fine. The taxpayer appeared to be genuine at first glance and on looking at the taxpayer's profile, it was assumed that the taxpayer does not intend to commit any fraud. As the motive of tax evasion was not known, action was taken as per Section 129 of the GGST Act.

The reply is not convincing since there is no need to assess tax for goods sent on job work however, the taxpayer was required to generate EWB for the movement of the goods based on delivery challan. In the instant case both the EWB and delivery challan was not produced at the time of interception of the vehicle hence, Section 130 was applicable.

2.1.10.2 Guidelines for interception of vehicles

The CBIC and State Tax Department has provided, *vide* three Circulars³⁰, guidelines on the procedure for interception of conveyances for inspection of goods in movement, detention, release and confiscation of such goods and conveyances. Audit attempted to ascertain the extent of adherence to these procedures by the field formations. For this, out of total 6,534 Booked cases of eight Preventive Units, Audit selected 376 Booked cases pertaining to seven Preventive Units and JCST (Enforcement), Ahmedabad for scrutiny and verified 373 Booked cases. The deviations noticed are discussed in **Table** below:

Table 2.5: Deficiencies noticed in records of Booked cases

Sl. No.	Details of deficiencies noticed	Division	No. of Booked cases in which deficiency noticed
1.	Statement of person in charge of conveyance has not been recorded in GST-MOV-01 during interception of conveyance	Rajkot- 10	01
2.	Order for physical inspection of conveyance was not issued in GST-MOV-02	Vadodara-6, Rajkot-10	15
3.	Inspection Report in GST-MOV-04 was not served to the person in-charge of the conveyance	Mehsana-4, Vadodara-6, Surat-7, Rajkot-10	41
4.	Final Inspection Report in GST-EWB-03 (Part-B) was pending	Rajkot-10	25
Total Cases			82

Source: Information compiled during audit

³⁰ Circular No. 41/2018 (02 May 2018), 49/23/2018-GST (21 June 2018) and 64/2018 (18 September 2018).

During the scrutiny of GST-EWB-03 (Part B) issued cases, Audit noticed that in 82 cases, Department had not observed the prescribed procedure as stated in the Circular no. 41/2018-GST dated 02.05.2018, *i.e.* issue of MOV-01 to MOV-4 wherever applicable. In one case under DCST (Enforcement) Division-1, Ahmedabad, no information, such as EWB Number, names of Consignee and Consignor, commodity, value and invoice, *etc.* were recorded in the Annexure to the Form GST MOV-01. Further, no details of issuance of notice and order were available on record.

On this being pointed out, the Department in one case (Sl. No.01) replied that (February 2025) MOV-1 is currently unavailable and is being traced. Further, there was no revenue loss and just a procedural lapse.

For Sl. No. 2 and 3 the Department stated (February 2025) that Order of Physical Verification (MOV-2) and Order of Inspection Report (MOV-4) documents are currently unavailable. However, the records will be maintained physically as well as on GST Portal so that such discrepancies will not occur in future. It was further stated that there was no revenue loss and was just a procedural lapse.

For Sl. No. 4, in 25 cases, the Final Inspection Report in GST-EWB-03 (Part-B) was not made available to Audit (March 2025).

2.1.10.3 Intra-Departmental co-ordination in monitoring EWB related transactions

EWB is directly linked with movement of goods and the Preventive Units were entrusted with the enforcement functions related to EWBs. NIC had generated various Analytical Reports and the Preventive Wing has the access to those reports through NIC Portal. The tax liability on the EWB transactions will be discharged by the taxpayers through periodical returns, and the jurisdictional authorities (ACST/ STO at Unit level) are the proper officer for scrutiny of returns and assessment. Audit was to ascertain the effectiveness of the usage of Analytical Reports by the Preventive Units and to what extent intra-Departmental co-ordination exists in the Department.

The findings are discussed in the following paragraphs.

(i) Passing on information to the jurisdictional authority

As per Section 129 of the GGST Act, whenever any discrepancies were found during the interception of the vehicles, tax and penalty were leviable up to 31 December 2021. In terms of Section 17(5) of the Act³¹, ITC shall not be available on any tax paid under the provisions of Section 129.

Audit observed that information regarding action taken under Section 129 and 130 was not available with the jurisdictional authority nor the same is shared by the Enforcement Divisions with the concerned jurisdiction authority. Due to this lack of intra-Departmental co-ordination the jurisdictional authority remains unaware of the enforcement action taken by the Enforcement Divisions on the

³¹ The Section was amended with effect from 01 November 2024 and it was made applicable for Section 74 only.

taxpayer falling in his jurisdiction. Further, the system does not generate any alert message to the jurisdictional authority regarding such action taken on the taxpayer of his jurisdiction. If information in this regard is provided to the jurisdictional authority, he may take timely action to prevent any illegal activity done by the jurisdictional taxpayer in time.

An illustrative case is given below

Audit noticed in one booked case under DCST (Enforcement) Division-7, Surat that the proper officer assessed dues under Section 130 of the GGST Act for reasons of bogus billing (March 2020). The proper officer did not inform the jurisdictional authority (*i.e.* ACST/ STO of the respective Unit) regarding the case. Further, the GSTN system was not generating any alert message regarding intercepted vehicles to the jurisdictional authority. The registration of the taxpayer was cancelled retrospectively *w.e.f.* 08 March 2020 on 08 July 2021, 16 months after the date of interception (14 March 2020). During the activation period, the taxpayer generated 506 EWBs for outward supplies amounting to ₹ 965.58 lakh involving tax of ₹ 173.96 lakh. The taxpayer had not filed any returns in the said period and effected bogus transaction involving tax of ₹ 173.96 lakh. Timely action with proper internal control mechanism would have prevented the bogus transaction done by the taxpayer.

On this being pointed out, the Department stated (February 2025) that as per Notification No. 39/2021 dated 21/12/2021, since 01 January 2022 onwards the recovery under Section 129 and 130 was restricted through cash ledger instead of ITC ledger as the provision was changed to do recovery under penalty portion only and not under tax portion. So, it is not possible now to use ITC for the purpose of collection of penalty under Section 129 and 130.

The audit observation was largely related to internal control and monitoring mechanism of the Department and availability of updated information with the jurisdictional officers. Hence, the Department may work towards making the internal procedures better for preventing the same in future.

Recommendation-6:

The Department should consider developing a mechanism to generate red flag for jurisdictional authority, in cases where actions have been initiated under Section 129 and 130 of the Act so as to ensure timely action by the jurisdictional authority against non-compliant taxpayers.

(ii) Monitoring movement of goods by unregistered taxpayers

NIC is preparing an Analytical Report named “EWBs generated by Citizens (H5 Report)” which provides details of EWBs generated by the unregistered persons. These reports were not used by the Department. Non-using the reports by Department defeats the purpose of the Report to that extent.

Audit observed (October 2024) through data analysis that 4,426 EWBs were generated by or on behalf of the unregistered persons for an assessable value of ₹ 32,763.64 crore during the period 2018-19 to 2021-22 for making outward

supplies (Source-H5 report data). Audit had selected only those EWBs that had been generated by unregistered persons to effect outward supply of goods with assessable value more than ₹40 lakh (in any month) which was the minimum limit for obtaining registration under GST.

On this being pointed out, the Department replied (February 2025) that they have provided more access of E-Way Bill analytics reports to Deputy Commissioner and above rank official. The Department also assured they will use these reports and take preventive measures when required.

2.1.11 Operational Preparedness of the Department

2.1.11.1 Targets and achievements

Audit called (July 2024 to September 2024) for details of targets fixed by the Head Office for verification of EWBs through vehicle interceptions and achievements against them, from seven Preventive Units (DCST Enforcement). The replies received from all Preventive Units revealed that these Units did not have specific targets for conducting verification of EWBs.

On this being pointed out, the DCST Mobile Squad set (August 2024) the target of verification of 20,000 E-Way Bill per month per team since September 2024.

2.1.11.2 Usage of MIS Reports

NIC generates Analytical Reports on EWB transactions and shares the same with the GST Departments under Centre and State formations. Audit studied the extent to which these Reports were utilized by the Preventive Formations for planning the verifications of EWBs. The results are given in subsequent paragraphs:

- Access to the MIS report was provided to the DCST (Enforcement) who was in charge of the Preventive Unit while proper officer of Mobile Squad team had limited access to the MIS reports.
- Four Preventive Units³² stated (August 2024 to September 2024) that they were not using the Analytical Reports for planning the vehicles interception and it was being done randomly. However, a control room maintained at Head Office was conducting analysis of these reports based on which alerts were generated and shared with Mobile Squad. This was used for interception of vehicle.

Further, DCST (Enforcement) Division-7, Surat replied (September 2024) that periodical alert notices are provided to the Mobile Squad using the MIS Analytical Reports for planning the vehicles interception. DCST (Enforcement) Division-10, Rajkot replied (September 2024) that in many instances, EWB MIS system was being used while planning the interception of the vehicle. DCST (Enforcement) Division-6, Vadodara replied (September 2024) that MIS reports were used efficiently for

³² DCST (Enforcement) Division: 1 Ahmedabad, 4 Mehsana, 5 Vadodara and 9 Bhavnagar.

various enforcement related work including interception of vehicle, however, no informative data is maintained for such work at office.

Though Audit requisitioned (September 2024) for the details of number of alerts provided to Mobile Squad/ Enforcement Division, number of cases booked and recovery of dues if any, no documentary evidence was provided in support of any analysis carried out by the Department using MIS reports or alerts, if any, generated for interception of vehicles.

- In seven Preventive Units, the Analytical Reports were not shared with the jurisdictional officers for using them in scrutiny of returns.
- In seven Preventive Units, no requirement for any new MIS report was submitted to NIC.

Recommendation-7

The Department may direct the Enforcement Divisions to plan interception activities by proper use of MIS reports and may also share the relevant information with the jurisdictional authority for better internal control mechanism.

2.1.12 Conclusion

EWB is a document required for movement of goods and is designed to capture details of goods before being moved. Automation and standardisation of the entire process was intended to help check tax evasion and shore up GST collections. The EWB was introduced with effect from 01.04.2018 for all inter-State movement of goods having value exceeding ₹ 50,000. For the intra-State movements in Gujarat, EWB was made mandatory for the consignment value of ₹ 50,000 as the threshold limit.

Audit selected 89 EWBs of 30 taxpayers, falling under 18 units, for the period 2018-19 to 2021-22 for examination of EWB mechanism and its effectiveness in protecting revenue. Audit also selected eight Preventive Units and examined 376 booked cases from these selected Preventive Units for ensuring efficiency and effectiveness of the enforcement activities of the Department.

Audit examination revealed compliance deviation by 13 taxpayers, out of examined 30 taxpayers, with money value of ₹ 23.57 crore. Important compliance deviations noticed were in the categories of 'E-Way Bills generated by the cancelled taxpayer'; and 'taxpayers filed nil returns or did not file returns though they had generated E-Way Bills'. Audit findings also highlight the gaps in the efficacy of the Department in utilising the information available in EWB system to ensure compliance by the taxpayers.

Audit also observed systemic lapses in the EWB system such as generation of multiple EWBs on the same invoices and generation on EWBs using invalid PIN codes.

Audit also noticed gaps in the preventive and enforcement activity done by Preventive Units of the Department such as release of vehicle without levying tax, penalty and fine, release of vehicle; without set off of dues in Government account through cash ledger, short levy of tax, penalty and fine due to application of incorrect Section of the GGST Act, 2017.

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

- 1 State Government may take up the matter with the GSTN and Department of Revenue (Union Government) for ensuring availability of all the information/ particulars of GSTR-1 row-wise separately to the proper officer at the back-end portal of Department.*
- 2 (a) The State Government may take up the matter with the Department of Revenue (Union Government) and GST Council to ensure the linking of GSTN Portal and EWB Portal and availability of the same to the tax officers at the backend application, i.e. Boweb.*
 - (b) The State Government may take up the matter with the GST Council to consider to make it mandatory, till the EWB Portal is linked with GSTN, for the proper officer cancelling registrations, retrospectively, to certify that the every EWB generated by the taxpayer has been checked and tax liability if any, has been duly discharged.*
 - (c) The State Government may also take up the matter with the GSTN to introduce soft alerts in the GST system to prompt an alert message to proper officer in cases where EWBs were generated by a taxpayer but returns such as GSTR-1 and GSTR-3B were not filed by him.*
- 3. The State Government may take up the matter with the GSTN, and the Department of Revenue (Union Government) to consider judicious mix of validation controls and soft alerts in EWB system to curb data entry errors and facilitate better scrutiny and optimal utilisation of the resources of the Department.*
- 4. The State Government may take up the matter with the GSTN, and the Department of Revenue (Union Government) to incorporate validation controls and soft alerts in EWB system to:*
 - (i) restrict generation of multiple EWBs on the same invoice;*
 - (ii) prohibit taxpayers to edit the auto-populated distance between the 'From' and 'to' Pin codes; and.*
 - (iii) restrict generation of EWBs on invalid PIN codes.*
- 5 The Department may consider developing a mechanism to generate red flag for jurisdictional authority, in cases where actions have been initiated under Section 129 and 130 of the Act so as to ensure timely action by the jurisdictional authority against non-compliant taxpayers.*

- 6 *The Department may direct the Enforcement Divisions to plan interception activities by proper use of MIS reports and may also share the relevant information with the jurisdictional authority for better internal control mechanism.*

2.2 Composition Levy Scheme under the Gujarat Goods and Services Tax

The Composition Levy scheme (CLS) under Goods and Services Tax Act provides relief to small taxpayers, by simplifying the processes of filing of returns, hassle free maintenance of records and limited tax liability.

The audit of CLS included verification of the legality of returns filed, facts and figures declared in the returns, tax liability declared and paid and assessment if any initiated by the State tax authorities.

The audit findings have been grouped in two categories i.e. Compliance issues and Systemic issues. The deficiencies noticed during audit mainly included irregular availment of benefit of CLS, non/ short payment of late fee for delayed filing of quarterly and annual return, lapses in cancellation of registration by the proper officers, non-furnishing of declaration forms regarding existing stock and ITC reversal and data entry errors. There was no mechanism in the Department to ensure the compliance verification of CLS taxpayers.

2.2.1 Introduction

The Gujarat Goods and Services Tax (GGST) Act, 2017 provides for levy and collection of tax on intra-state supply of goods or services or both and the matters connected therewith or incidental thereto. The Composition Levy scheme (CLS) under the GGST Act provides an alternative method of levy of tax for small taxpayers whose turnover is up to ₹ 1.5 crore (with effect from 01 April 2019). The objective of the CLS is to provide relief to small taxpayers, by simplifying the processes of filing of returns, hassle free maintenance of records and limited tax liability. The CLS is optional, and eligible person can opt to pay tax at a prescribed *percentage* of turnover every quarter in lieu of regular rate of tax prescribed³³ under Section 9(1) of the GGST Act. Section 10 of the Act, *ibid* read with Rule 3 to 7 of the Gujarat Goods and Service Tax Rules, 2017, deals with composition scheme subject to such conditions and restrictions as prescribed under the Act and Rules.

³³ Rates of taxes under the GGST Act are 0; 0.25; 3; 5; 12; 18 and 28 *per cent*.

2.2.2 Audit Objectives

The audit of composition levy scheme under the GGST Act was conducted to assess:

- i. Whether the rules and procedures are adequate to secure an effective check for compliance and its observance by the registered persons; and
- ii. Whether the Department adequately adhered to the existing provisions and effectively monitored compliances by the registered person.

2.2.3 Audit Scope and Methodology

The audit was conducted to examine compliance by the registered persons while opting in or out of the CLS and the scrutiny and monitoring procedures of the Department. This included verification of the legality of returns filed, facts and figures declared in the returns, tax liability declared and paid and assessment if any initiated by the State tax authorities.

To achieve the envisaged audit objectives, test check of the sampled registered persons for the period between 1 July 2017 and 31 March 2022 was conducted between November 2022 and January 2024. The methodology involved verification of the details of the sampled registered persons using SSOID (Single Sign On Identity) facility to verify returns/ statements filed online on the GSTN common portal.

An Entry Conference for this audit was held on 11 November 2022 with the Principal Secretary, Finance Department, Government of Gujarat in which the Audit objectives, Audit scope and Methodology, and sample were discussed. The Exit Conference was held on 21 February 2025 with the Secretary (Economic Affairs), Finance Department, Government of Gujarat, in which the audit findings were discussed. The views expressed by the State Government during the Exit Conference and the written replies to the draft report have been suitably incorporated in the relevant paragraphs.

Replies furnished by the Department have been incorporated in the relevant paragraphs (March 2025).

2.2.4 Sample

The State Tax Department functions through 12³⁴ Divisions with underlying 103 field units³⁵ under them. The Department provided data of registered persons availing composition scheme under respective field units. The 12 Divisions were grouped in three strata (on the basis of number of registrations under composition scheme) of which five divisions³⁶ were selected. In these five Divisions, 257 sampled cases comprising active/cancelled registered persons for each financial year (FY) were selected through random sampling as shown in the **Table 2.6**:

³⁴ Ahmedabad (Division-1); Ahmedabad (Division-2); Gandhinagar (Division-3); Mehsana (Division-4); Vadodara (Division-5); Vadodara (Division-6); Surat (Division-7); Surat (Division-8); Bhavnagar (Division-9); Rajkot (Division-10); Junagadh (Division-11) and Gandhidham (Division-12).

³⁵ 103 Unit formations are under administrative control of 12 Divisions.

³⁶ Ahmedabad (Division-1); Mehsana (Division-4); Vadodara (Division-5); Bhavnagar (Division-9) and Junagadh (Division-11).

Table 2.6: Year-wise selection of sampled cases

Financial Year	Number of registered persons			Selected registered persons		
	Active	Cancelled	Total	Active	Cancelled	Total
2017-18 (from July 2017)	51,271	21,292	72,563	26	11	37
2018-19	52,889	19,109	71,998	18	05	23
2019-20	56,415	12,799	69,214	60	11	71
2020-21	58,552	6,731	65,283	55	04	59
2021-22	57,388	2,782	60,170	66	01	67
Total	2,76,515	62,713	3,39,228	225	32	257

In addition to above, registered persons having aggregate turnover in excess of the admissible threshold limit of ₹ one crore (up to FY 2018-19) and ₹ 1.5 crore (FY 2019-20 onwards) for the composition levy scheme being of potential risk to revenue were separately identified and selected as under:

Table 2.7: Year-wise selection of sampled cases wherein the aggregate turnover exceeded the permissible threshold limit

Year	Active	Cancelled	Total	Selected registered persons		
				Active	Cancelled	Total
2017-18	33	3	36	1	0	1
2018-19	480	27	507	38	1	39
2019-20	192	20	212	19	2	21
2020-21	88	0	88	3	0	3
2021-22	10	1	11	0	0	0
Total	803	51	854	61	03	64

Thus, to achieve the envisaged audit objectives a total sample of 321³⁷ (257+64) registered persons were selected for substantive check.

2.2.5 Audit Criteria

The source of audit criteria comprised of the provisions contained in the GGST/CGST Act and the Rules made thereunder. In addition, the notifications and circulars issued by the State Tax Department, Gujarat and CBIC (Central Board of Indirect Taxes and Customs) also formed part of the Audit criteria.

2.2.6 Audit findings

The deficiencies noticed during audit are discussed in the subsequent paragraphs. The audit findings have been grouped in two categories *i.e.* Compliance issues and Systemic issues.

³⁷ Division-1 Ahmedabad (11 Units-71 cases); Division-4 Mehsana (seven Units-100 cases); Division-5 Vadodara (nine Units-108 cases); Division-9 Bhavnagar (three Units-13 cases); Division-11 Junagadh (six Units-29 cases).

Compliance Issues

2.2.6.1 Irregular availment of benefit under composition levy scheme despite breach of threshold limit of turnover

The composition levy provisions are covered under Section 10 of the GGST Act read with Rule 3 to 7 and is applicable to the registered person whose aggregate turnover in the preceding financial year is up to a specified limit As per Rule 6, an option exercised by a registered person to pay tax under the composition scheme remains valid so long as the conditions mentioned in Section 10 of the GGST Act and the Rules are satisfied. The eligibility conditions for availing CLS are given in **Appendix-III**. The threshold limit for aggregate turnover in preceding financial year for composition scheme was enhanced by the State Government from time to time as detailed in **Table** below:

Table 2.8: Modification in threshold limit of aggregate turnover for CLS

Notification Number	Threshold limit	Effective date
Notification no (GHN-27) GST-2017-S.10(1)-TH dated 23 June 2017, No 8/2017- State Tax	₹ 75 lakhs	01 July 2017
Notification no (GHN-97) GST-2017-S.10(1)(2)-TH dated 13 October 2017, No 46/2017-State Tax	₹ 1 crore	13 October 2017
Notification no (GHN-25) GST-2019-S.10(1)(5)-TH dated 7 March 2019, No 14/2019-State Tax	₹ 1.5 crore	01 April 2019

As per Section 10(1) of the GGST Act, registered person whose aggregate turnover in preceding financial year does not exceed the threshold limit may opt to pay tax under composition scheme. Under Rule 6(4), where proper officer, has reason to believe that the registered person is ineligible to pay tax under Section 10 or has contravened provisions of the GGST Act or Rules, he may issue notice (Form CMP-05) to the registered person to show cause within 15 days of the receipt of such notice as to why the option to pay tax under Section 10 shall not be denied.

As per Section 50(1) of GGST Act, a registered person is required to pay interest on delayed payment of tax at such rate, not exceeding 18 *per cent*, as may be notified by the Government on recommendations of the Council.

Audit observed the instances of composition taxpayers who had breached the threshold limit of turnover in both preceding financial year and current financial year. Audit observations are discussed in succeeding paragraphs.

i. Breach of threshold limit of turnover during preceding financial year

Section 10(1) of the GGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed specified limit, may opt for the Composition Levy Scheme

Audit observed while scrutinising the cases selected for the financial years 2018-19 and 2019-20, the aggregate turnover of the previous financial year of

nine registered persons³⁸, out of sampled 64 taxpayers, ranged between ₹ 1.09 crore and ₹ 1.40 crore that exceeded the prescribed threshold limit declared in the quarterly returns of the previous financial years, *i.e.* seven taxpayers in 2017-18 and two taxpayers in 2018-19. However, these taxpayers continued to avail benefit of the composition scheme in the succeeding financial year³⁹. Further, out of these nine taxpayers, five registered persons⁴⁰ had subsequently breached the prescribed threshold limit of turnover in the financial year *i.e.* 2018-19 also. This had resulted in short levy of tax of ₹ 75.64 lakh⁴¹ in the next financial year in which these nine taxpayers had exceeded the turnover limit. These taxpayers were also liable to pay interest of ₹ 55.68 lakh at the rate of 18 *per cent* thereon under Section 50 of the GGST Act.

On this being pointed out (between January 2023 to January 2024), the Department accepted (January 2025) the audit observations with money value of ₹ 80.70 lakh in five cases⁴² and reported recovery of ₹ 65.16 lakh in four cases⁴³.

In four cases⁴⁴, while accepting the audit observation, Department stated (December 2024 and January 2025) that tax payable was adjusted with Input Tax Credit (ITC) of ₹ 45.83 lakh and tax of ₹ 7.93 lakh was paid through DRC-03⁴⁵ inclusive of interest and penalty. The reply needs to be taken in light of Section 16(4) of the Act, *ibid*, which prescribes limitation period⁴⁶ for availing ITC. In this case the adjustment of ITC was carried on after the limitation period which was irregular.

An illustrative case is given below:

The turnover of a person registered, falling under the jurisdiction ACST-41 Vadodara, in the preceding financial year 2017-18 aggregated to ₹ 1.40 crore (inclusive of VAT turnover of ₹ 42.22 lakh). The registered person was, therefore, required to pay tax at regular GST rate on the entire turnover of ₹ 1.45 crore of the financial year 2018-19. Audit ascertained tax liability of ₹ 10.54 lakh⁴⁷ inclusive of interest of ₹ 4.74 lakh (November 2023).

³⁸ ACST: 8 Ahmedabad; 9 Ahmedabad; 30 Mehsana; 34 Palanpur; 35 Deesa (two cases); 41 Vadodara; 42 Vadodara and 75 Bhavnagar.

³⁹ For ascertaining the turnover for 2017-18, reliance is placed on decision of the Andhra Pradesh High Court in Godway Furnicrafts vs State of Andhra Pradesh & Others dated 6 May 2022 wherein it was held that the turnover of the VAT period of 2016-17 has to be considered in determining aggregate turnover of financial year 2017-18.

⁴⁰ ACST: 8 Ahmedabad; 30 Mehsana; 34 Palanpur; 41 Vadodara; and 75 Bhavnagar.

⁴¹ Lowest of the GST rates as applicable to the goods and services supplied by the registered person has been taken into consideration.

⁴² ACST: 9 Ahmedabad; 34 Palanpur; 41 Vadodara; 42 Vadodara and 30 Mehsana.

⁴³ ACST: 9 Ahmedabad; 34 Palanpur; 41 Vadodara; and 42 Vadodara.

⁴⁴ ACST: 8 Ahmedabad; 35 Deesa (two cases) and 75 Bhavnagar.

⁴⁵ Intimation of payment made voluntarily or made against show cause notice.

⁴⁶ 30 September of the following of the financial year or furnishing of annual return whichever is earlier.

⁴⁷ Tax of ₹ 7,24,740 at the rate of five *per cent* levied on turnover of ₹ 1,44,94,789 was adjusted with composition tax of ₹ 1,44,948 paid at the rate of one *per cent* and on balance tax of ₹ 5,79,792 interest of ₹ 4,73,777 worked out at the rate of 18 *per cent* for 1657 days.

When Audit pointed this out (November 2023), Department accepted (January 2025) the observation and raised demand of ₹ 11.60 lakh inclusive of interest and penalty

ii. Breach of threshold limit of turnover during the financial year

As per Section 10(3) of the GGST Act, 2017, option availed by registered person for composition scheme shall lapse with effect from the day the aggregate turnover during a financial year exceeds the limit specified under Section 10(1). Tax at normal rate is required to be paid from the day the registered person ceases to satisfy any of the conditions prescribed for composition levy and tax invoice is required to be issued for every taxable supply made thereafter.

Audit observed (between December 2022 to October 2023) in four cases⁴⁸ that the aggregate turnover of registered persons in the financial year⁴⁹ exceeded the prescribed threshold limit declared in the quarterly return, hence, were ineligible to continue under the composition scheme from the day threshold limit was breached. Accordingly, the defaulting registered persons were required to be treated as normal taxpayers and tax liability ascertained considering the applicable rate of GST. This resulted in short levy of tax of ₹ 9.45 lakh⁵⁰ in case of three taxpayers where the turnover limit was exceeded in the present financial year. These taxpayers were also liable to pay interest of ₹ 5.84 lakh at the rate of 18 *per cent*⁵¹ thereon under Section 50 the GGST Act.

On being pointed this out (October 2023), the Department (January 2025) accepted the audit observation in one case⁵² and reported recovery of ₹ 4.34 lakh inclusive of interest.

In one case⁵³ it was stated (January 2025) that the turnover in financial year 2017-18 was ₹ 97.85 lakh (net of sales return of ₹ 8.87 lakh) hence was below the threshold limit for continuation under composition scheme of the concerned financial year. The reply is not convincing as sales return was not supported with financial statement including necessary rectification in previously reported turnover as stated in Section 39.

In one case⁵⁴ the Department while not accepting the objection replied (January 2025) that the registered person's actual turnover as per financial statement was ₹ 1.49 crore which was inadvertently reported as ₹ 1.66 crore in GSTR-4. The reply is not acceptable as on turnover of ₹ 1.66 crore, the

⁴⁸ ACST: 10 Ahmedabad; 38 Patan; 40 Vadodara; and 75 Bhavnagar.

⁴⁹ The financial year of the sampled cases.

⁵⁰ (1) ₹ 1,21,648 (tax levied at the rate of five *per cent* on the turnover of ₹ 30,41,200 of the fourth quarter and adjusted CLS tax of ₹ 30,412 paid in the quarter); (2) ₹ 1,59,100 (tax levied at the rate of five *per cent* on turnover of ₹ 40,18,525 of the fourth quarter and adjusted CLS tax of ₹ 41,826 paid in the quarter); (3) ₹ 6,63,969 (tax levied at the rate of 18 *per cent* on the turnover of ₹ 39,05,715 of the fourth quarter and adjusted CLS tax of ₹ 39,060 paid in the quarter).

⁵¹ (1) Interest of ₹ 1,01,144 levied at the rate of 18 *per cent* for 1,686 days on tax of ₹ 1,21,648; (2) Interest of ₹ 80,343 levied at rate of 18 *per cent* for 1,024 days on tax of ₹ 1,59,100; (3) Interest of ₹ 4,02,747 at the rate of 18 *per cent* for 1,230 days on tax of ₹ 6,63,968.

⁵² ACST: 38 Patan.

⁵³ ACST: 10 Ahmedabad.

⁵⁴ ACST: 75 Bhavnagar.

registered person paid composition tax of ₹ 1.66 lakh at the rate of one *per cent*. Further, documentary evidence supporting turnover of ₹ 1.49 crore was not furnished. In one case⁵⁵ reply was not furnished (March 2025). In this case, the registered person dealt in mix commodities that attracted tax of zero and five *per cent* and the tax rate leviable on the output value could not be separately identified. As a result, the tax liability could not be quantified by Audit.

In the above cases, as the individual aggregate turnover exceeded the prescribed threshold limit either in preceding financial year or in course of the financial year, the registered persons were ineligible to continue under the composition scheme. As per Section 10(5), proceedings should have been initiated against them under provision of Section 73 or 74 in determining tax, interest and penalty for the period starting from the date of contravention of provision till the date of issue of order⁵⁶.

Recommendation

1. *The Department may work towards ensuring validation check within the GSTN for real-time alerts when the threshold limit of turnover prescribed for composition scheme is breached.*
2. *The Department may review the compliance verification mechanism of the Composition Levy Scheme taxpayers and ensure that appropriate action may be taken in cases where the CLS taxpayer breached the eligibility conditions for CLS.*

2.2.6.2 Filing of returns and statements

As per Section 39(2) of the GGST Act, read with Rule 62(1) a registered person paying tax under Section 10 shall, for each financial year or part thereof furnish a return⁵⁷, electronically, of turnover in the State of inward supplies of goods or services or both, tax payable and tax paid within such time as may be prescribed. Under Section 44 read with Rule 80(1), every registered person shall furnish an annual return for every financial year in such form and manner as may be prescribed on or before 31 December following the end of the financial year. The type of returns, periodicity and due date of submission is tabulated below.

Table 2.9: Returns to be filed under composition levy

Returns	Particulars
Quarterly return – GSTR-4 (Applicable up to 31-03-2019)	A statement of inward and outward supplies filed as a quarterly return for the financial year 2017-18 and 2018-19.
Annual return – GSTR-4 (Applicable from 01-04-2019)	Annual return filed for every financial year till 30th April following end of the financial year (Rule 62).
Quarterly statement – GST CMP-08 (Applicable from	A quarterly statement containing details of payment of self-assessed tax, outward supplies and inward supplies (reverse charge) which must be filed till 18th of the month following

⁵⁵ ACST: 40 Vadodara.

⁵⁶ Notice in Form CMP-07 under Rule 6(5).

⁵⁷ Form GSTR-4 and Form GST CMP-08.

Returns	Particulars
01-04-2019)	such quarter. Nil statement shall be filed if there is no tax liability due during the quarter.
Annual return – GSTR-9A	Annual return to be filed once, for each financial year, for any period during the said financial year. Filing of GSTR-9A was optional ⁵⁸ for financial years 2017-18, 2018-19 and 2019-20.

Late fee for delayed filing of returns

Under Section 47 of the GGST Act, any registered person who fails to furnish details of outward or inward supplies required under Section 37 or Section 38 or returns required under Section 39 or Section 45 by the due date shall pay late fee of ₹ 100 for every day during which such failure continues subject to a maximum late fee of ₹ 10,000 (₹ 5,000 each under CGST and GGST). On recommendation of the GST Council, Government issued notifications for an amnesty scheme providing relief to registered persons for non-filing of returns and waiving late fee payable under Section 47, subject to the condition that the return of defaulting tax periods was filed within the extended period.

i. Late fee for delayed filing of quarterly return

Audit observed that 10 registered persons⁵⁹ had not filed their quarterly return⁶⁰ for the concerned quarterly tax periods by the due date. The delay in filing of return ranged between one to 1,961 days. Audit observed that in these 10 cases the Department failed to levy and collect late fees of ₹ 60,150.

Further, in other 15 cases⁶¹ for delayed filing of return Department levied late fee of ₹ 37,550 instead of ₹ 80,650. The delay in filing of return ranged between three to 330 days. This had resulted in the short levy of ₹ 43,100.

On this being pointed out (between January 2023 to January 2024), the Department while accepting the audit observations in 24 cases for amount of ₹73,250 (between August 2023 to January 2025) stated that notice had been issued in four cases⁶² and recovery of ₹ 62,300 was reported in 20 cases⁶³. However, in the two accepted cases⁶⁴ against late fee dues of ₹ 10,100 pointed out in audit, ₹ 600 under the amnesty scheme was paid and waiver of late fees was availed against the original dues.

It is pertinent to mention that in these two cases⁶⁵ the taxpayers had availed the benefit of amnesty scheme after the non-payment of late fee was pointed out by

⁵⁸ For small taxpayers whose aggregate turnover does not exceed ₹ two crore and who have not furnished the annual return under Section 44 read with Rule 80 before the due date.

⁵⁹ ACST: 10 Ahmedabad; STO-31 Visnagar; 35 Deesa (two cases); 39 Vadodara; 40 Vadodara; 41 Vadodara (two cases); 47 Dahod and 84 Junagadh.

⁶⁰ GSTR-4 for the FY 2017-18 and 2018-19.

⁶¹ ACST: 1 Ahmedabad; 5 Ahmedabad; 10 Ahmedabad (two cases); 33 Kadi, 35 Deesa (two cases); 39 Vadodara; 40 Vadodara; 41 Vadodara (two cases); 46 Godhra; 47 Dahod; 85 Junagadh and 76 Bhavnagar.

⁶² ACST: 40 Vadodara (two cases) and 41 Vadodara (two cases).

⁶³ ACST: 1 Ahmedabad; 5 Ahmedabad; 10 Ahmedabad (three cases); 31 Visnagar; 33 Kadi; 35 Deesa (three cases); 39 Vadodara (two cases); 41 Vadodara (two cases); 46 Godhra; 47 Dahod (two cases); 76 Bhavnagar; 84 Junagadh and 85 Junagadh.

⁶⁴ ACST: 5 Ahmedabad and 84 Junagadh.

⁶⁵ ACST: 5 Ahmedabad and 84 Junagadh.

Audit. Department's reply was also silent on the failure to take any action on late/non-filers.

The JCST in one case⁶⁶ replied (January 25) that due to non-filing of quarterly returns for the period from 01 July 2018 to 31 March 2019 the proper officer *suo motu* cancelled (December 2023) GSTIN number with effect from June 2018 hence, the liability to pay late fee for the said period does not arise. However, the Department neither provided copy of the cancellation order nor intimated the details of the assessed tax liability, if any, for the relevant tax periods, that was undertaken as provided in Section 63 read with Section 29(2).

ii. Late fee for delayed/ non filing of annual return

Audit observed that 47 registered persons⁶⁷ had not filed the annual return within the stipulated due date. The delay in filing of return ranged between 156 to 1,156 days. Audit observed that in these 47 cases, the Department failed to levy and collect late fee of ₹ 3,74,000.

Further, in the cases of other 10 registered persons⁶⁸ for delayed filing of return, Department levied and collected late fee of ₹ 15,700 instead of ₹ 35,800. This had resulted in short levy of late fee of ₹ 20,100. The delay in filing of return ranged between one to 185 days.

On this being pointed (between December 2022 to January 2024) the Department while accepting the audit observations in 55 cases (between February 2023 to February 2025) intimated the issuance of notices in 20 cases⁶⁹ and recovery of ₹ 1,34,500 in 35 cases⁷⁰.

In one case⁷¹ the proper officer replied (April 2024) that the late fee payable was auto-populated in GSTR-4⁷² and was paid by the registered person. Reply is not convincing as late fee calculation⁷³ at the rate of ₹ 25 *per* day auto populated in GSTR-4 was for delayed filing of quarterly return GSTR-4 rather than the annual return.

⁶⁶ ACST: 35 Deesa.

⁶⁷ ACST: 1 Ahmedabad (two cases); 3 Ahmedabad (two cases); 4 Ahmedabad; 5 Ahmedabad (four cases); 7 Ahmedabad (three cases); 8 Ahmedabad; 9 Ahmedabad (four cases); 11 Ahmedabad (three cases); 30 Mehsana; 34 Palanpur (two cases); 35 Deesa (two cases); 38 Patan; 39 Vadodara (two cases); 40 Vadodara (two cases); 42 Vadodara (five cases); 45 Vadodara (five cases); 46 Godhra (six cases) and 85 Junagadh.

⁶⁸ ACST: 34 Palanpur; 38 Patan; 40 Vadodara; 42 Vadodara; 45 Vadodara; 46 Godhra (three cases); and 85 Junagadh (two cases).

⁶⁹ ACST: 9 Ahmedabad; 34 Palanpur (two cases); 35 Deesa (two cases); 38 Patan (two cases); 39 Vadodara; 42 Vadodara (five cases); 45 Vadodara (three cases); and 46 Godhra (four cases).

⁷⁰ ACST: 1 Ahmedabad (two cases); 3 Ahmedabad (two cases); 4 Ahmedabad; 5 Ahmedabad (four cases); 7 Ahmedabad (three cases); 8 Ahmedabad; 9 Ahmedabad (three cases); 11 Ahmedabad (three cases); 30 Mehsana; 34 Palanpur; 39 Vadodara; 40 Vadodara (three cases); 42 Vadodara; 45 Vadodara (three cases); 46 Godhra (five cases); and 85 Junagadh.

⁷¹ ACST: 85 Junagadh.

⁷² Under Rule 62 of the GGST Rules, 2017 GSTR-4 was quarterly return in FY 2017-18, 2018-19 required to be filed on or before 18th of the month following the end of each quarter and from FY 2019-20 onwards it became annual return the due date for filing being 30th of April following the end of the relevant financial year.

⁷³ Notification no. 73/2017-CT dated 29/12/17 waived late fee in excess of ₹ 25 for every day for failure to furnish GSTR-4.

In one case⁷⁴ the proper officer replied (April 2024) that due to covid pandemic, extension for filing of returns was granted. Department's reply is not acceptable as Audit had already factored various notifications tabulated as shown under, that permitted extended time limit for filing of annual return.

Table 2.10: Extension and waiver provided for filing of Form GSTR-4 (quarterly return up to 2018-19 and annual return from 2019-20 onwards)

Notification number and date	Tax period applicable	Extended period	Late fee waiver under the amnesty scheme
77/2018-CT dated 31/12/2018	July 2017 to September 2018	22/12/2018 to 31/03/2019	No waiver of late fee was provided.
67/2020-CT dated 21/09/2020	July 2017 to March 2019	22/09/2020 to 30/10/2020	Late fee payable, shall stand waived which is in excess of ₹ 250 and fully waived where the total amount of tax payable in the said return is nil.
07/2022-CT dated 26/05/2022	2021-22	01/05/2022 to 30/06/2022	Late fee payable shall stand waived (i) which is in excess of ₹ 250 each for CGST and SGST per return where the total amount of tax payable in the said return is nil; (ii) which is in excess of ₹ 1,000 each for CGST and SGST per return.
12/2022-CT dated 05/07/2022	2021-22	Extended up to 28/07/2022	As above
02/2023-CT dated 31/03/2023	July 2017 to March 2019 and for financial years from 2019-20 to 2021-22	01/04/2023 to 30/06/2023	Late fee payable shall stand waived which is in excess of ₹ 250 and shall stand fully waived where the total amount of tax payable in the said return is nil.
22/2023-CT dated 17/07/2023	As above	Extended up to 31/08/2023	As above

The taxpayer in the instant case was required to file annual return for the period 2020-21 by 31 August 2023. However, the taxpayer did not file the annual return as per the due date.

2.2.6.3 Systemic Issue

i. Breach of threshold limit specified for turnover in the financial year

As per notification no. 46/2017-State Tax dated 13 October 2017 for the financial year 2018-19, the aggregate turnover limit was set at ₹ one crore to enable eligible registered person to pay tax at a concessional rate. If registered person's aggregate turnover exceeded ₹ one crore in the financial year 2018-19, they were required to exit from the CLS and transition to regular GST scheme. This transition is mandatory to ensure compliance with the GST regulations. As

⁷⁴ ACST: 85 Junagadh.

per notification no. 14/2019-State Tax dated 7 March 2019, the threshold limit for composition scheme was increased to ₹ 1.5 crore. This change was applicable for the subsequent financial year *i.e.* 2019-20 without affecting the threshold limit of ₹ one crore for continuing under the composition scheme effective for the financial year 2018-19.

Audit observed in 31 cases⁷⁵ that the outward supplies declared by the registered persons in their individual quarterly return, exceeded the aggregate turnover threshold limit fixed for the financial year⁷⁶. These registered persons though being ineligible continued under the composition scheme.

These 31 registered persons were required to be treated as normal taxpayers from the date they had exceeded the threshold of ₹ one crore till 31 March 2019.

On this being pointed (between December 2022 to January 2024), the Department accepted (between April 2024 to February 2025) the observations in 19 cases for an amount of ₹ 113.46 lakh and reported recovery of ₹ 33.32 lakh in 13 cases⁷⁷ and in five cases⁷⁸ demand through DRC-07 was raised and in one case⁷⁹ DRC-01 was issued.

In four cases⁸⁰ it was stated (December 2024 and January 2025) that demand of ₹ 53.65 lakh was raised. However, the registered persons in these cases had filed an appeal against the demand.

The JCST in one case (Unit-1) replied (January 2025) that on concluding the scrutiny proceedings under Section 61, the actual turnover was ₹ 97.35 lakh as declared in GSTR-9A (for 2018-19) against ₹ 1.11 crore reported by the registered person in the quarterly returns and was in conformity with the figures depicted in the financial statements, income tax return, sales register/ bank accounts details including annual return GSTR-9A.

The reply is not acceptable as per Section 39 of the GGST Act, no rectification of outward supplies after furnishing the return, due to omission or incorrect particulars, shall be allowed after the due date for furnishing of return for the month of September or second quarter following end of the financial year to which such details pertain, or actual date of furnishing the relevant annual return whichever is earlier. The registered person in quarterly returns (GSTR-4) for financial year 2018-19 paid tax at the rate of one *per cent* on aggregate value of outward supplies of ₹ 1.11 crore. No rectification in outward supplies was affected either in quarterly returns of current financial year (2018-19) nor in Form CMP-08 (quarterly) returns filed for succeeding financial year (2019-20), especially for quarter ending September 2019 filed on 04 December 2019 since, it predated the annual return GSTR-9A for 2018-19 filed on 29 June 2023.

⁷⁵ ACST: 1 Ahmedabad; 4 Ahmedabad; 5 Ahmedabad (three cases); 11 Ahmedabad (two cases); 34 Palanpur; 38 Patan (four cases); 39 Vadodara (four cases); 40 Vadodara; 41 Vadodara (two cases); 42 Vadodara; 45 Vadodara (three cases); 46 Godhra (five cases); 84 Junagadh; 85 Junagadh and STO-12 Viramgam.

⁷⁶ The financial year of the sampled cases *i.e.* 2018-19.

⁷⁷ ACST: 5 Ahmedabad (two cases); 11 Ahmedabad; 12 Viramgam; 34 Palanpur; 38 Patan; 39 Vadodara (three cases); 40 Vadodara; 45 Vadodara (two cases) and 84 Junagadh.

⁷⁸ ACST: 39 Vadodara; 41 Vadodara (two cases); 42 Vadodara and 46 Godhra.

⁷⁹ ACST: 46 Godhra.

⁸⁰ ACST: 4 Ahmedabad; 5 Ahmedabad; 11 Ahmedabad and 46 Godhra.

Further, in GSTR-9A, outward supplies of ₹ 97.35 lakh were declared without adjustment due to amendments on account of debit/ credit notes in original turnover of ₹ 1.11 crore previously reported.

In one case⁸¹ it was stated (January 2025) that turnover in financial year 2018-19 was ₹ 99.75 lakh (net of sales return of ₹ 1.09 lakh) hence was below the threshold limit in the concerned financial year. The reply is not convincing as sales return was not supported with financial statement including necessary rectification in previously reported turnover as stated in Section 39 *ibid*.

In three cases⁸² it was replied (January 2025) that against the tax liability of ₹ 9.97 lakh ITC of ₹ 3.48 lakh was adjusted. Of these three cases, in two cases registered person voluntarily paid ₹ 5.62 lakhs. Out of these two cases, in one case demand for nonpayment of interest of ₹ 3.58 lakh was also raised. In the third case, demand of ₹1.92 lakhs inclusive of interest and penalty was raised. The reply is not convincing as Section 16(4) of the Act, *ibid* prescribes limitation period for availing ITC and the adjustment of ITC after the limitation period against the tax liability was irregular.

ACST in one case⁸³ replied (December 2023) that for financial year 2018-19, the turnover of the registered person was ₹ 97.54 lakh as per financial statement and sales register. The reply is not acceptable as per Section 39(9) read with 39(2), adjustment/ amendments in outward supplies declared in quarterly return GSTR-4 for current tax period *i.e.* FY 2018-19 was not carried out. Further there is a time limit within which such amendments in returns is permissible⁸⁴ and it was noticed that amendment/ rectification for the transactions of previous financial year (2018-19) was neither carried out in CMP-08 quarterly return filed for period ending 30 September 2019 nor reported in the annual return GSTR-9A filed for financial year 2018-19.

In one case⁸⁵, it was replied (January 2025) that considering the notification no. 14/2019-CT dated 07 March 2019, the aggregate turnover was enhanced from ₹ one crore to ₹ 1.5 crore hence the registered person was eligible under the composition scheme. The reply is not convincing since the effective date of the notification was 01 April 2019. The notification is not applicable in the instant case, as the registered person was already availing composition scheme benefit and violated provision of Section 10(3) as turnover in financial year 2018-19 exceeded the threshold limit of ₹ one crore.

In one case⁸⁶, the Department replied (January 2025) that the case has been referred to the jurisdictional authority⁸⁷.

⁸¹ ACST: 45 Vadodara.

⁸² ACST: 38 Patan (three cases).

⁸³ ACST: 85 Junagadh.

⁸⁴ 30 September of succeeding financial year or date of filing the annual return of concerned financial year whichever is earlier.

⁸⁵ ACST: 46 Godhra.

⁸⁶ ACST: 46 Godhra.

⁸⁷ ACST: 43 Vadodara.

Few illustrative cases are featured as under:

- a. In case of a registered person under ACST-46, Godhra, the turnover aggregated to ₹ 1.80 crore in the first quarter of the financial year (2018-19) exceeding threshold limit of ₹ one crore. On this turnover, Audit ascertained tax liability of ₹ 13.01 lakh inclusive of interest of ₹ 5.79 lakh (October 2023). The Department stated (January 2025) that demand of ₹ 14.48 lakh inclusive of interest and penalty was raised, but the registered person had filed an appeal.
- b. In a case registered with ACST-4, Ahmedabad, the turnover in fourth quarter of the financial year (2018-19) aggregated to ₹ 1.40 crore which exceeded the threshold limit of ₹ one crore. Audit ascertained tax liability of ₹ 4.65 lakh inclusive of interest of ₹ 1.83 lakh (December 2022). The JCST stated (January 2025) that demand of ₹ 11.75 lakh inclusive of interest and penalty was raised, but the registered person had filed an appeal.

ii. Data Entry Errors

As per Section 61 of the GGST Act, returns and related particulars furnished by the registered person may be scrutinized by the proper officer to verify correctness of the returns and suitable action be taken on any discrepancies or inconsistencies reflected in the said returns.

1. Audit observed the inconsistencies of ₹ 87.64 crore between the turnovers declared and the turnover on which the tax liability was discharged in the quarterly returns in nine cases⁸⁸. In these cases, the taxpayers declared turnover of ₹ 88.54 crore whereas discharged tax of ₹ 1.15 lakh only, *i.e.* discharged tax liability on turnover of ₹ 89.42 lakh. Audit also requested the Department to ascertain whether these cases were red flagged or selected for scrutiny or detailed examination.

On being pointed this out (between December 2022 to January 2024), the Department in all the cases stated that these mismatches were due to typographical errors by the taxpayers while filing turnover details in the quarterly returns. However, the Department's reply was silent on red-flagging or selection of these cases for detailed examination.

2. Audit further observed unrealistic values of turnover declared by 12 taxpayers⁸⁹ in the quarterly returns. These values ranged from ₹ 3,04,65,00,650 crore to ₹ 20,73,48,60,73,486 crore.

Audit also requested the Department to ascertain whether these cases were red flagged or selected for scrutiny or detailed examination. However, Department's reply was silent on the same.

⁸⁸ ACST: 3 Ahmedabad; 4 Ahmedabad; 7 Ahmedabad; 34 Palanpur; 35 Deesa; 38 Patan; 40 Vadodara; and 45 Vadodara (two cases).

⁸⁹ ACST: 5 Ahmedabad (two cases); 6 Ahmedabad; 8 Ahmedabad; 11 Ahmedabad; 30 Mehsana; 34 Palanpur; 35 Deesa (two cases); 41 Vadodara; 42 Vadodara and 85 Junagadh.

Presence of such unrealistic high values in the GST System reflects lack of validations (Soft and Hard controls) and may lead to sub-optimal compliance functions and possible wastage of tax administration resources.

In the CAG Audit Report (No.5 of 2022)-Union Government Department of Revenue-Indirect Taxes-GST for the year ended March 2021, Audit had already highlighted GSTN data quality issue and significant inconsistencies in the GST data and recommended that the Ministry should consider introducing appropriate validation control (controls to prevent unreasonable data entries and/ or alert the taxpayer to unreasonable data). Presence of abnormally high values due to the data entry errors may lead to sub-optimal compliance functions and possible waste of time of tax administration.

Recommendation:

3. ***The Government may take up the matter with the GST Council, and the Department of Revenue (Union Government) to consider judicious mix of validation controls and soft alerts to curb data entry errors and facilitate better scrutiny and optimal utilisation of the resources of the Department.***

iii. Intimation of opting for the composition scheme

Section 10 of the GGST Act, enables registered person opting for composition scheme to pay tax at a lower rate without availing input tax credit (ITC) subject to such terms and conditions as enumerated therein. The conditions, restrictions, procedures including documentation are contained in Chapter II of the Rules (Rule 3 to Rule 7).

The non-compliance by the registered persons intimating for the composition levy scheme are detailed in the following paragraphs.

a. Person registered under erstwhile GVAT Act opting for composition scheme from the appointed day

A taxpayer registered under the existing law (Gujarat Value Added Tax Act (GVAT)) and granted provisional registration under Rule 24(1) opts to pay tax under Section 10 read with Rule 3(1), must electronically file intimation in Form GST CMP-01⁹⁰ on the GST common portal. As per Rule 4(1), option to pay tax under Section 10 shall be effective from the appointed day⁹¹ where intimation is filed under Rule 3(1). Rule 3(4) stipulates that besides filing the intimation, the registered person must electronically upload Form GST CMP-03⁹² through the common portal specifying details of stock including inward supply of goods received from unregistered persons within ninety days⁹³ from the day option for composition scheme was exercised.

⁹⁰ Only for persons registered under the existing law migrating on the appointed day.

⁹¹ The date on which the provisions of the Act came into force *i.e.* 01 July 2017.

⁹² Only for person registered under the existing law migrating on the appointed day.

⁹³ W.e.f. 17 August 2017 *vide* notification no. 22/2017-(GHN-70) GSTR-2017(7)-TH dated 18 August 2017.

The following conditions/ restrictions are to be followed by the registered person opting to pay tax under Section 10.

- (i) Goods held in stock on the appointed day must not have been purchased in course of inter-state trade/ imported / stock transfer [Rule 5(1)(b)].
- (ii) Goods held in stock must not have been purchased from unregistered supplier and if purchased, tax on reverse charge basis be paid under Section 9(4) [Rule 5(1)(c)].

Audit observed that out of 23 cases of migration, in two cases⁹⁴ the registered persons had filed Form GST CMP-03. However, as these forms could not be accessed by Audit, its correctness could not be ascertained. On being pointed out (December 2022 and January 2024), Department in one case⁹⁵ stated (January 2025) that ASMT-10 was issued for non-submission of CMP-03 and in other case⁹⁶ it was stated (January 2025) that nil CMP-03 was filed as the registered person was under composition scheme of the erstwhile GVAT Act and on the value of stock held was not entitled to input tax credit. The reply is not acceptable even though both the registered persons had filed CMP-03 on the common portal within the due date, in one case the Department issued ASMT-10 for non-submission of the said return. This reveals that the Department could not access CMP-03 filed on the portal as such correctness of the details furnished and discharge of tax liability if any was not verified. In the other case though the registered person filed CMP-03, the value of stock of finished goods held on the day preceding the date from which option to pay tax under Section 10 had not been furnished. The tax payable if any is calculated on the stock details declared in Form GST CMP-03 since, stock details had not been disclosed, the Department could not verify whether the tax liability if any was payable by the registered person.

In the remaining 21 cases⁹⁷, the registered persons on migration from existing law opted to pay tax under Section 10 from 01 July 2017. However, Form GST CMP-03 required to be furnished under Rule 3(4) was not available in GST common portal. Thus, Audit could not ascertain if the registered persons had correctly declared the stock details held by them prior to the appointed day and discharged the tax liability, if any.

On this being pointed out (between December 2022 to January 2024), JCST/ proper officers in eight cases⁹⁸ replied (between August 2023 to January 2025) that the registered persons did not file CMP-03 due to the following reasons:

⁹⁴ ACST: 4 Ahmedabad and 82 Amreli.

⁹⁵ ACST: 4 Ahmedabad.

⁹⁶ ACST: 82 Amreli.

⁹⁷ ACST: 10 Ahmedabad (two cases); 12 Viramgam; 30 Mehsana (two cases); 31 Visnagar; 32 Vijapur; 33 Kadi; 35 Deesa (two cases); 40 Vadodara; 41 Vadodara; 44 Vadodara; 46 Godhra; 47 Dahod; 84 Junagadh; 86 Porbandar (two cases); 87 Veraval; 98 Jamnagar and 101 Jam Khambaliya.

⁹⁸ ACST: 10 Ahmedabad (two cases); 12 Viramgam; 30 Mehsana; 33 Kadi; 40 Vadodara; 44 Vadodara and 101 Jam Khambaliya.

- i. In four cases⁹⁹, it was stated (between August 2023 to January 2025) that the registered persons were under composition scheme¹⁰⁰ of the erstwhile GVAT Act. The reply is not acceptable as though the registered persons were under composition scheme of the erstwhile GVAT Act, they were required to intimate the stock details in Form CMP-03 on opting for composition scheme under the GGST Act, 2017.
- ii. In two cases¹⁰¹, it was stated (January 2025) that the registered persons had Nil stock (30 June 2017) and did not avail ITC while migrating from erstwhile GVAT to GGST Act.

The reply is not acceptable, as intimation of stock details in Form CMP-03 on opting for the composition by migrated person is mandated under the GGST rules. Further, the nil stock balance was not supported/ corroborated with evidence.

- iii. In one case under the jurisdiction of ACST Unit 33, Kadi, it was stated (June 2024) that portal does not permit belated uploading of CMP-03, Reply is not acceptable, since intimation of stock details in Form CMP-03 is required to be filed within ninety days on opting for composition scheme by the migrated person. The said stipulated time limit to file CMP-03 was not adhered by the registered person.
- iv. In one case under the jurisdiction of ACST Unit 101, Jam Khambaliya it was stated (February 2024) that due to technical glitch, the registered person could not access the GST portal on opting for the composition scheme. The reply is not convincing as details of Request/ Ticket number for complaint filed with GST helpdesk was not forwarded to substantiate claim of technical glitch if any.

In another case¹⁰², the proper officer replied (September 2023) that though the registered person was in possession of stock valuing ₹ 87,366, he failed to file CMP-03 within the stipulated timeframe. Therefore, he manually filed the said return and paid ₹ 2,000 inclusive of interest. The reply is not convincing, as the registered person on the closing stock declared in CMP-03 paid tax at composition rate of one *per cent* whereas, as per Section 18(4) the tax payable was required to be calculated on each item of stock by applying standard GST rates to the value of such stock as against normal GST rate of tax payable thereon.

In six cases¹⁰³, it was stated (between August 2023 to January 2025) that registered person accepted that though stock valuing ₹ 13.69 lakh was in their possession as on 30 June 2017, Form CMP-03 was not filed. Out of these six cases, in three cases¹⁰⁴ tax liability and interest of ₹ 84,682 was discharged at

⁹⁹ ACST: 10 Ahmedabad, 12 Viramgam; 30 Mehsana and 44 Vadodara.

¹⁰⁰ Section 14 of the Gujarat Value Added Tax Act, 2017 provided for payment of lumpsum tax by way of composition at such rate as may be fixed by the State Government.

¹⁰¹ ACST: 10 Ahmedabad and 40 Vadodara.

¹⁰² ACST: 87 Veraval.

¹⁰³ ACST: 46 Godhra; 47 Dahod; 35 Deesa (two cases); 32 Vijapur and 30 Mehsana.

¹⁰⁴ ACST 46 Godhra; 47 Dahod and 30 Mehsana.

the instance of Audit whereas, in other three cases¹⁰⁵ the JCST replied (January 2025) that due to ignorance of law, Form CMP-03 was belatedly submitted in manual form instead of filing it on the common portal. Reply is not acceptable since Form GST CMP-03 is a crucial document for registered person opting for the composition scheme under Section 10 of the Goods and Services Tax (GST) Act as this form ensures a smooth transition into the composition Scheme and to account for any tax liabilities on existing stock.

In two cases¹⁰⁶ the proper officer replied (August 2024) that scrutiny proceedings had been initiated under Section 61. In two cases¹⁰⁷, the proper officer replied (April 2024) that DRC-01¹⁰⁸ and DRC-07¹⁰⁹ was served to the registered person.

In one case¹¹⁰ JCST replied (January 2025) that the registered person paid ₹ 25,658 inclusive of interest. In the remaining one case¹¹¹ the proper officer stated (November 2023) that notice would be served to the registered person.

b. Registered person switching from normal taxpayer to composition scheme in financial year 2017-18

Under Rule 3(3A), a registered taxpayer could switch over from the normal scheme to composition scheme by filing an intimation in Form GST CMP-02 through GST common portal on or before 31 March 2018 and file intimation¹¹² for reversal of input tax credit under Rule 44(4) within 180 days¹¹³ from the day option to pay tax under Section 10 was exercised.

Section 18(4) read with Rule 3(3A) provides that a registered person who has availed ITC and opted to pay tax under composition levy, shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to credit of input tax on inputs held in stock, inputs contained in semi-finished goods or finished goods held in stock and on the capital goods reduced by such *percentage* points as may be prescribed on the day immediately preceding the date of exercising of such option. The balance ITC in the electronic credit ledger would lapse after payment of such amount.

Audit observed that during 2017-18, though 10 registered persons¹¹⁴, out of sampled 38 taxpayers, switched over from normal taxpayer to composition scheme, Form GST ITC-03 intimating reversal of input tax credit and payment of tax on inputs held in stock or semi-finished goods or finished goods held in stock including input availed on capital goods was not filed on the common portal by them.

¹⁰⁵ ACST 35 Deesa (two cases) and ACST 32 Vijapur.

¹⁰⁶ ACST:86 Porbandar (two cases).

¹⁰⁷ ACST: 98 Jamnagar, 84 Junagadh.

¹⁰⁸ Under Rule 142 summary of notice electronically issued.

¹⁰⁹ Summary of order referred to in Rule 142(5) specifies the amount of tax, interest and penalty payable by the person concerned.

¹¹⁰ ACST: 31 Visnagar.

¹¹¹ ACST: 41 Vadodara.

¹¹² Form GST ITC-03.

¹¹³ Notification no. 3/2018-Central Tax dated 23 January 2018.

¹¹⁴ ACST: 5 Ahmedabad; 35 Deesa; 40 Vadodara; 41 Vadodara; 43 Vadodara; 45 Vadodara; 86 Porbandar; 101 Jam Khambaliya and 47 Dahod (two cases).

On this being pointed out (between July 2023 to January 2024), in three cases¹¹⁵, the Department reported (between February 2024 to January 2025) recovery of ₹ 62,636. In two cases¹¹⁶ the proper officer replied (September 2023) that the registered person has not filed ITC-03 within the extended time limit of 180 days and the details of ITC-03 is not verifiable. In one case¹¹⁷ the proper officer replied (July 2024) that due to non-filing of ITC-03 action under Section 61/70¹¹⁸ would be initiated.

In another case¹¹⁹ for non-filing of ITC-03, DRC-07 with tax liability of ₹ 60,194 was served to the registered person. The JCST replied (December 2024) in one case¹²⁰ that since the registered person had not availed ITC in GSTR-3B and the tax liability was discharged in cash hence, ITC-03 was not filed. In another case¹²¹ it was stated that due to ignorance of law since ITC-03 was not filed, ITC of ₹ 4,634 was reversed in the credit ledger through DRC-03. In one case¹²² JCST replied (January 2025) after considering representation of the registered person a reply would be furnished.

Thus, on switching over to the composition scheme, the registered persons did not upload Form GST ITC-03 within 180 days and therefore defaulted in the conditions laid down for availing benefit of composition levy. Due to non-filing of mandatory GST ITC-03, the Department could neither verify correctness of the stock details nor authenticate reversal of ITC and payment of tax, proportionate to the value of stock.

c. Registered person switching from normal taxpayer to composition scheme from beginning of the financial year

Under Rule 3(3), a registered person, must electronically file intimation in Form GST CMP-02 on the GST common portal prior to commencement of a financial year for which option to pay tax under Section 10 has been exercised. As per Rule 4(1), option to pay tax under Section 10 shall be effective from the beginning of the financial year, where intimation is filed under Rule 3(3).

Section 18(4) of the GGST Act read with Rule 3(3), a registered person switching from normal taxpayer to composition scheme is required to file Form GST ITC-03, declaring reversal and/or payment equivalent to credit of input tax of the inputs held in stock, inputs contained in the semi-finished/ finished goods held in stock and capital goods held in the stock reduced by such percentage basis as may be prescribed preceding the date of exercising option by way of debit in the electronic credit ledger and/ or electronic cash ledger as the case may be within 60 days from commencement of the relevant financial year.

¹¹⁵ ACST: 43 Vadodara; 45 Vadodara and 101 Jam Khambaliya.

¹¹⁶ ACST: 47 Dahod (two cases).

¹¹⁷ ACST: 86 Porbandar.

¹¹⁸ Section 70: Power to summon persons to give evidence and produce documents.

¹¹⁹ ACST: 40 Vadodara.

¹²⁰ ACST: 5 Ahmedabad.

¹²¹ ACST: 35 Deesa.

¹²² ACST: 41 Vadodara.

Audit observed that five registered persons¹²³ opted for composition scheme but failed to file intimation in Form GST ITC-03.

When this was pointed out (between December 2022 to November 2023), in two cases¹²⁴ it was replied (December 2024 and January 2025) that the registered persons paid the tax of ₹ 34,223 along with interest and penalty. The JCST in one case¹²⁵ stated (December 2024) that Form GST DRC-07 was issued (July 2023) to the registered person wherein dues of ₹ 1,19,201 inclusive of interest (₹ 50,719) and penalty (₹ 6,226) was intimated. Further, it was stated against the DRC-07 dues the registered person has filed appeal.

In one case¹²⁶, the proper officer replied (April 2024), that ITC balance existing on 31 March 2021 was utilised and adjusted in return of March 2021. The reply is not convincing as though the registered person opted for composition scheme but had not complied to the provision of Rule 44(4)¹²⁷. Further, it was noticed that his electronic credit ledger depicted meagre amount of unutilised ITC that was required to be reversed.

In remaining one case¹²⁸, the proper officer replied (November 2023) that notice would be served to the registered person.

Recommendation

- 4. Government may take up the matter with the GSTN to introduce validation controls in the GST System to ensure that any taxpayer opting to CLS or switching to CLS from normal category mandatorily filed the required Forms such as ITC-03 within the prescribed time limit. If the taxpayers failed to file such forms, automated notices may be issued to the taxpayers.***

2.2.6.4 Cancellation of registration

As per Section 29 of the GGST Act, a registered person may make an application for cancellation of their registration subject to conditions¹²⁹ specified therein. Rule 22(3) provides that where a person who has submitted application¹³⁰ for cancellation of his registration, the proper officer shall issue an order¹³¹ within 30 days from the date of application submitted or date of reply to show cause issued and cancel registration with effect from a date to be

¹²³ ACST: 4 Ahmedabad; 8 Ahmedabad; 30 Mehsana and 41 Vadodara (two cases).

¹²⁴ ACST: 8 Ahmedabad and 41 Vadodara.

¹²⁵ ACST: 4 Ahmedabad.

¹²⁶ ACST: 30 Mehsana.

¹²⁷ Rule 44 (4) of the GGST Rules, 2017 provides that amount to be reversed, as determined under Rule 44(1) shall form part of the output tax liability of the registered person and the details of the amount shall be furnished in Form ITC-03, where such amount relates to any event specified in sub-section 4 of Section 18 and in Form GSTR-10, where such amount relates to the cancellation of registration.

¹²⁸ ACST: 41 Vadodara.

¹²⁹ Business has been discontinued; transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or otherwise disposed of; there is change in constitution of business; taxable person is no longer liable to be registered under Section 22 or Section 24 or intends to opt out of the registration voluntarily made under Section 25(3).

¹³⁰ Form GST REG-16 under Rule 20.

¹³¹ Form GST REG-19.

determined by him and notify the taxable person, directing him to pay arrears of any tax, interest or penalty including amount liable to be paid under Section 29(5).

i. Cancellation of registration prior to date of application for cancellation

Rule 21A of the GGST Act, 2017 states that where a registered person has applied for cancellation of registration, the registration shall be deemed to be suspended from the date of submission of the application or the date from which the cancellation is sought, whichever is late, pending the completion of proceedings for cancellation of registration.

In 2018, the Department issued a Circular¹³² in which it was stated that order for cancellation must be issued in Form GST REG-19 with effective date of cancellation being the same as the date from which applicant has sought cancellation in Form GST REG-16 and in any case the effective date cannot be a date earlier to the date of application for the same.

Audit noticed that in 11 cases¹³³ out of sampled 35 cancelled registrations of CLS taxpayers, the effective date of cancellation of registration preceded the date of application preferred by the taxpayers¹³⁴.

Audit further observed that out of these 11 cases, in two cases¹³⁵, the order for cancellation was not issued within a period of thirty days from the date of application submitted by the registered person, with delay of 24 and 115 days, respectively; in five cases¹³⁶ cancellation order REG-19 were not available in the GSTN Portal.

On this being pointed out (April 2023 to January 2024), the Department accepted (between October 2023 to February 2025) the fact that effective date of cancellation was prior to the date of application in seven cases¹³⁷.

¹³² Circular no. 69/2018 dated 26 October 2018.

¹³³ ACST: 7 Ahmedabad; 9 Ahmedabad; 11 Ahmedabad (two cases); 31 Visnagar; 32 Vijapur; 34 Palanpur; 35 Deesa (two cases); 46 Godhra and 85 Junagadh.

¹³⁴

Case	Date of cancellation of GSTIN by proper officer	Date of application for cancellation of GSTIN by registered person
1	01/01/2022	17/01/2022
2	01/01/2019	21/02/2019
3	01/10/2019	19/11/2019
4	30/06/2020	14/07/2020
5	30/06/2018	10/08/2018
6	30/06/2020	14/08/2020
7	31/12/2019	14/01/2020
8	31/03/2019	01/05/2019
9	30/09/2020	20/10/2020
10	31/03/2022	07/04/2022
11	31/03/2020	16/10/2020

¹³⁵ ACST: 9 Ahmedabad and 46 Godhra.

¹³⁶ ACST: 7 Ahmedabad; 11 Ahmedabad (two cases); 31 Visnagar and 32 Vijapur.

¹³⁷ ACST: 7 Ahmedabad; 31 Visnagar; 32 Vijapur; 34 Palanpur; 35 Deesa; 46 Godhra and 85 Junagadh.

In one case¹³⁸, the proper officer replied (April 2024) that Form GST DRC-01A¹³⁹ was served to registered person informing actual effective date of cancellation of registration as 17 January 2022 against date of cancellation of registration previously approved (01 January 2022) with instructions to file return for intervening period between the said two dates.

In remaining three cases¹⁴⁰, the proper officers replied (between May 2023 to December 2023) that reply would be received from the registered person and intimated to Audit. Further reply was awaited (March 2025).

ii. Non-assessment in cases of cancellation of registration

Section 29(5) read with Section 29(3) of the GGST Act states that where registration of any registered person is cancelled, he would be required to pay the output tax payable on the goods held in stock on the day immediately preceding the date of such cancellation.

Audit noticed that six registered persons¹⁴¹ on their own volition requested for cancellation of their registration. Form GSTR-4A¹⁴² in these cases revealed taxable purchases aggregating to ₹ 61.16 lakh. At the time of making application for cancellation of registration, the registered persons neither declared value of stock nor paid tax commensurate to the value of stock.

On this being pointed out (between February 2023 to December 2023), JCST in one case¹⁴³ replied (February 2025) that under Rule 100(2)¹⁴⁴ and 142(1A)¹⁴⁵, tax (₹ 19,79,496), interest (₹ 9,79,850) and penalty (₹ 1,99,950) was ascertained and intimated to the registered person.

In another case¹⁴⁶, JCST stated (January 2025) that under Section 74(5) tax has been ascertained and intimated to the registered person.

In one case¹⁴⁷ the proper officer stated (December 2023) that the registered person had paid ₹ 6,900. Further, proper officer in one case¹⁴⁸ stated (April 2024) that Form DRC-07 was issued wherein ₹ 1.14 lakh payable towards tax, interest and penalty was ascertained. In remaining two cases¹⁴⁹ the proper officers replied (July to December 2023) that on receipt of reply and its verification reply would be furnished to Audit.

¹³⁸ ACST: 9 Ahmedabad.

¹³⁹ Rule 142(1A) of the CGST Rules provides a mechanism for the proper officer to communicate the ascertained tax, interest, and penalty to the taxpayer through Form GST DRC-01A before issuing a formal show cause notice.

¹⁴⁰ ACST: 11 Ahmedabad (two cases) and 35 Deesa.

¹⁴¹ ACST: 9 Ahmedabad; 11 Ahmedabad; 35 Deesa (two cases); 45 Vadodara and 84 Junagadh.

¹⁴² It contains auto-populated details of inward supplies for registered person opting for composition scheme.

¹⁴³ ACST: 9 Ahmedabad.

¹⁴⁴ The proper officer shall issue a notice in ASMT-14 containing the grounds on which the assessment is proposed to be made on best judgement basis and shall also serve a summary thereof.

¹⁴⁵ The proper office shall before service of notice under Section 73 or 74, as the case may be, communicate the details of dues as ascertained by the said officer in DRC-01A.

¹⁴⁶ ACST: 11 Ahmedabad.

¹⁴⁷ ACST: 35 Deesa.

¹⁴⁸ ACST: 84 Junagadh.

¹⁴⁹ ACST: 35 Deesa and 45 Vadodara.

iii. Cancellation of registration without assuring filing of annual return

As per Section 39(8) of the GGST Act, every registered person who is required to furnish a return under sub-section (1) and (2) of Section 39 shall furnish a return for every tax period whether, or not any supplies of goods or services or both have been affected during such tax period. Under Rule 62(1)(ii) read with Section 39 every registered person paying tax under Section 10 shall electronically furnish a return for every financial year or part thereof in Form GSTR-4, till the thirtieth day of April following the end of such financial year.

Audit observed that in one case¹⁵⁰, the registered person filed (April 2022) for cancellation of registration which was approved (August 2022) by the proper officer. However, this was done without ensuring submission of Form GSTR-4 for financial year 2021-22.

When this was pointed out (October 2023), the Department replied (January 2025) that registered person has been served DRC-01 in April 2024. However, Department's reply was silent on the cancellation of the Registration without ensuring submission of GSTR-4.

iv. Non-initiation of suo motu cancellation of registration by proper officer

Under Section 29(2)(b) of the GGST Act read with Rule 22, Proper Officer may cancel registration of a person from such date including any retrospective date as he may deem fit if a person paying tax under Section 10 has not furnished returns for three consecutive tax periods. The procedure for cancellation of registration under Rule 22 requires issuance of show cause notice (SCN)¹⁵¹, reply¹⁵² to be furnished by registered person and issuance of order¹⁵³ cancelling the registration inclusive of tax dues as determined.

Audit observed that three registered persons¹⁵⁴ for the financial years 2018-19, 2019-20, 2020-21 and 2021-22 failed to file quarterly returns GSTR-4/ (CMP-08) exceeding three consecutive tax periods. It was noticed that the status (August 2024) of one registered person¹⁵⁵ was shown as active on the common portal and in other two cases, the registrations was *suo motu* cancelled after being pointed out by Audit.

On this being pointed out (between February 2023 to December 2023), JCST concerned in one case¹⁵⁶ stated (December 2024) that pursuant to issuance of REG-17 (April 2023) the registration was cancelled. In one case¹⁵⁷, JCST replied (January 2025) demand of ₹ 93,239 (inclusive of interest of ₹ 46,385) has been raised. In remaining one case, reply was awaited (March 2025).

¹⁵⁰ ACST: 46 Godhra.

¹⁵¹ Form GST REG-17.

¹⁵² Form GST REG-18.

¹⁵³ Form GST REG-19.

¹⁵⁴ ACST: 9 Ahmedabad; 35 Deesa and 46 Godhra.

¹⁵⁵ ACST: 46 Godhra.

¹⁵⁶ ACST: 9 Ahmedabad.

¹⁵⁷ ACST: 35 Deesa.

v. System to ensure compliance by persons registered under composition scheme

As per Section 10(4) of the GGST Act, a person registered under composition scheme shall neither collect any tax from recipient on supplies made by him nor entitled to any credit of input tax. Further, as per Section 31(3)(c) of the Act, the registered person shall instead of tax invoice issue bill of supply as prescribed in Rule 49. Rule 5(1)(f) adds another conditionality requiring mentioning the words “composition taxable person, not eligible to collect tax on supplies” at the top of the bill of supply issued.

In view of above, to ensure, provision of the Act/ Rules is scrupulously observed, in respect of the sample of 321 registered persons, it was ascertained from the proper officers, about the action taken to ensure that tax was separately not being collected on supplies and existing mechanism/ procedures adopted to detect infraction, if any, by the registered persons.

In 250 cases, the Department stated (February 2025) that there is no technical mechanism to identify if tax has been separately collected from the recipients. In the event of any complaint or search activity undertaken under Section 67 and/ or adjudication under Section 73/ Section 74 action can be initiated. JCST Division-1, Ahmedabad in 54 cases also reiterated this contention. The proper officers in three cases¹⁵⁸ replied that as filing of GSTR-1/ 3B was not applicable as there was no question of collection and forwarding of tax. In 13 cases¹⁵⁹ it was stated that tax was not separately collected as verified with sample bills or on assertion made by the registered person. In one case¹⁶⁰ the proper officer stated (December 2022) that after scrutiny reply would be furnished.

As evident from the Department’s reply, there is no robust technical mechanism in the Department to ensure the eligibility conditions for the CLS, as prescribed in the Section 10(2) and Section (2A) of the GGST Act, 2017 and Rule 5 of the GGST Rules, 2017, as given in the **Appendix-III**. Further, Department’s reply that in the event of any complaint or search activity undertaken under Section 67 and/ or adjudication under Section 73/ Section 74 action can be initiated shows inadequate coverage of the CLS taxpayers in the compliance verification process of the Department, *i.e.* scrutiny of returns, internal audit and anti-evasion activities.

In view of non-compliance to the eligibility conditions for the CLS the possibility charging of tax by the taxpayers from the recipients cannot be ruled out. This may lead to unjust enrichment of such CLS taxpayers and non-transfer of the benefits of the scheme to the consumers.

¹⁵⁸ ACST: 1 Ahmedabad; 7 Ahmedabad (two cases).

¹⁵⁹ ACST: 1 Ahmedabad (four cases); 4 Ahmedabad (five cases); 8 Ahmedabad (two cases); 10 Ahmedabad (two cases).

¹⁶⁰ ACST: 4 Ahmedabad.

Recommendation

5. *The Department needs to strengthen the mechanism to verify that each CLS dealer is complying with the Rule 5 of the CGST Rules, 2017 and are indicating that they are not entitled to collect tax.*
6. *The Department needs to devise a mechanism for conducting periodic verification of a sample of composition taxpayers to ensure that they are adhering to the conditions of display of their status as composition taxable persons in their places of businesses and Bills of Supplies.*
7. *The Department may consider to enhance the coverage of taxpayers in the Composition Levy Scheme in the compliance verification functions of the Department, if the coverage is not adequate.*

2.2.7 Conclusion

The composition levy scheme aims to provide relief to small taxpayers by simplifying the processes of filing of returns, hassle free maintenance of records and limited tax liability. During substantive check of the sampled cases, Audit observed inadequate departmental action against the registered persons even though their aggregate turnover had exceeded the prescribed threshold limit, the registered persons continued under the composition scheme. Due to delayed filing of returns there were instances of non/ short payment of late fee. Registered persons on opting for composition scheme did not furnish mandatory self-assessed declaration forms about their existing stock and ITC reversal (CMP-03 and ITC-03). Though the basic requirement for opting into composition scheme was not fulfilled, the Department did not detect these cases until pointed out by Audit. There were lapses in cancellation of registrations viz. registration was cancelled prior to the date of application, non-assessment of cases on cancellation, cancellation without assuring filing of annual return and non-initiation of *suo motu* cancellation by the proper officer. Audit also observed that there is no robust technical mechanism in the Department to ensure the eligibility conditions for the CLS along with the inadequate coverage of the CLS taxpayers in the compliance verification process to prevent unjust enrichment of such CLS taxpayers and non-transfer of the benefits of the scheme to the consumers.

Accordingly, Audit recommends the following.

1. *The Department may work towards ensuring validation check within the GSTN for real-time alerts when the threshold limit of turnover prescribed for composition scheme is breached.*
2. *The Department may review the compliance verification mechanism of the Composition Levy Scheme taxpayers and ensure that appropriate action may be taken in cases where the CLS taxpayer breached the eligibility conditions for CLS.*
3. *The Government may take up the matter with the GST Council, and the Department of Revenue (Union Government) to consider judicious mix*

of validation controls and soft alerts to curb data entry errors and facilitate better scrutiny and optimal utilisation of the resources of the Department.

- 4. Government may take up the matter with the GSTN to introduce validation controls in the GST System to ensure that any taxpayer opting to CLS or switching to CLS from normal category mandatorily filed the required Forms such as ITC-03 within the prescribed time limit. If the taxpayers failed to file such forms, automated notices may be issued to the taxpayers.*
- 5. The Department needs to strengthen the mechanism to verify that each CLS dealer is complying with the Rule 5 of the CGST Rules, 2017 and are indicating that they are not entitled to collect tax.*
- 6. The Department needs to devise a mechanism for conducting periodic verification of a sample of composition taxpayers to ensure that they are adhering to the conditions of display of their status as composition taxable persons in their places of businesses and Bills of Supplies.*
- 7. The Department may consider to enhance the coverage of taxpayers in the Composition Levy Scheme in the compliance verification functions of the Department, if the coverage is not adequate.*

CHAPTER III

Compliance Audit Paragraphs

CHAPTER III

COMPLIANCE AUDIT PARAGRAPHS

Revenue Department

3.1 Non/ short levy of Stamp Duty on allotment of Government land

Stamp Duty of ₹ 34.07 crore in 142 allotment cases was either not levied or short levied on market value of the Government land allotted to different entities.

As per Article 20(a) of the Gujarat Stamp Act 1958, Stamp Duty on conveyance is leviable, at the rate of 4.9 *per cent*, of the amount of the consideration for such conveyance or, as the case may be, the market value of the property which is the subject matter of such conveyance, whichever is greater. Further, as per Article 30(a)(v) of the Act, where the lease purports to be for a term more than 30 years but not more than 98 years, Stamp Duty is leviable as on a conveyance under Article 20 for thrice the amount or value of the average annual rent reserved. The Revenue Department had instructed¹ (April 2002) the Revenue Authorities for inclusion of condition of payment of Stamp Duty in allotment orders and not to hand over possession of land till proper Stamp Duty is paid. Moreover, the Revenue Department clarified² (April 2012) that in cases where Government land is allotted revenue free/ free of cost or given on lease for token rent of ₹ one under the Gujarat Land Revenue Rules 1972, the *Jantri*³ rate is to be taken into consideration for arriving at the market value of the land. Further, under Article 45(f)(ii)(b) of the Act *ibid*, w.e.f. 15 May 2013 in case Power of Attorney (PoA)⁴ holder, not being a family member, is authorised to sell or transfer immovable property, with or without consideration, Stamp Duty is to be levied at the rates applicable to conveyance.

During test check of the records of seven offices⁵ for the period 2014-15 to 2022-23, Audit noticed⁶ that Stamp Duty of ₹ 34.07 crore was either not levied or short levied in 142 cases as detailed in **Table 3.1**:

¹ Government Resolution No. STP-102000-2052-A1 dated 01 April 2002.

² Circular dated 20 April 2012.

³ Annual Statement of Rates issued by the Government showing the rates for the purpose of determination of value of immovable properties and levy of stamp duty.

⁴ Notification No. GHM-2013-26M-STP-122013-59-H-I dated 8 May 2013.

⁵ I: Additional Chief Secretary, Revenue Department, Gandhinagar.

II: District Collector: (i) Amreli, (ii) Dang, (iii) Kheda, (iv) Morbi, (v) Porbandar, and (vi) Valsad.

⁶ Between August 2021 and May 2024.

Table 3.1: Details of non/short levy of Stamp Duty

Sl. No.	Office/ No. of cases/ Non/ short levy of Stamp Duty (₹ in crore)	Nature of observation
1	Additional Chief Secretary, Gandhinagar <u>18 cases</u> 33.13	<ul style="list-style-type: none"> In three cases, Government land measuring 10,25,917 sq. m. was allotted to (i) All India Institute of Medical Science, New Delhi (AIIMS)⁷ (ii) Children University⁸, Gandhinagar, and (iii) Jawahar Navodaya Vidyalaya⁹, Vadodara either without recovery of occupancy price or free of revenue under Rule 32(1) and 32-A of the Gujarat Land Revenue Rules 1972. However, neither the Revenue Authorities recovered the applicable Stamp Duty in these cases nor inserted any condition regarding recovery of the Stamp Duty from the above institutions in the land allotment orders. This resulted in non-levy of Stamp Duty of ₹ 29.97 crore. In case of Jawahar Navodaya Vidyalaya, the Department stated (December 2024) that a proposal to publish a notification for exemption from Stamp Duty under Section 9(a) of the Gujarat Stamp Act was under consideration. In case of AIIMS, the Department stated (January 2025) that encumbrance entry has been registered against the property. In the remaining one case, reply was awaited (March 2025). The Revenue Department issued (between February and September 2022) Government Resolutions (GRs) for allotment of Government land measuring 14,069 sq. m. situated at three villages of District Kheda to Gujarat Energy Transmission Corporation Limited (GETCO) for establishment of 66 KV sub-stations on recovery of market value of ₹ 2.79 crore. In these cases, the Collector, Kheda had already given possession to the allottee between June 2015 and June 2021 on recovery of Stamp Duty of ₹ 2.88 lakh in two cases on <i>ad-hoc</i> Occupancy price. However, the Collector did not recover the differential Stamp Duty of ₹ 10.78 lakh at the time of issuance of final allotment orders in February and September 2022. Though, the Collector marked the final allotment orders to the Deputy Collector (Stamp Duty Valuation Organization) (SDVO) also, the differential Stamp Duty of ₹ 10.78 lakh was pending for recovery at the time of audit in June 2023. The Department allotted (April 2021) Government land measuring 40,58,072 sq. m. situated at four villages, Taluka Jambusar of District Bharuch to the Gujarat Industrial Development Corporation (GIDC) on lease for 50 years for 'Bulk Drugs Park'. The annual rent of the land was kept at ₹ 6.57 crore for the first five years with

⁷ 6,51,545 sq. m. at Village: Khandheri, Taluka: Paddhari, District: Rajkot and 1,61,874 sq. m. at Village: Parapipaliya, Taluka and District: Rajkot.

⁸ 1,21,410 sq. m. at Village: Shahpur, Taluka and District: Gandhinagar.

⁹ 91,088 sq. m. at Village: Bahadurpur, Taluka: Sankheda, District: Chhota Udepur.

Sl. No.	Office/ No. of cases/ Non/ short levy of Stamp Duty (₹ in crore)	Nature of observation
		<p>10 per cent increase at the end of every five years. Therefore, the average annual rent for the 50 years comes to ₹ 10.48 crore per year, attracting Stamp Duty of ₹ 1.54 crore (being 4.9 per cent of three times of ₹ 10.48 crore i.e. ₹ 31.43 crore). However, the District Collector levied Stamp Duty of ₹ 71.79 lakh only (at the rate of 4.9 per cent of thrice of ₹ 4.88 crore). This resulted in short levy of Stamp Duty of ₹ 82.22 lakh.</p> <ul style="list-style-type: none"> In 11 cases, the Department ordered (between May 2021 and March 2023) for allocation of Government land measuring 4,61,488 sq. m. (having market value of ₹ 52.13 crore) situated in seven Districts¹⁰ to various organisations which included Kendriya Vidyalaya, Municipalities, Societies, Trusts, industry, etc. The District Collector concerned issued allotment orders between November 2021 and May 2023. Out of these cases, the land was allotted at 'nil' Occupancy price in six cases while in four cases land was allotted at concessional rate of 10/ 50 per cent of the market value. In the remaining one case, the land was allotted on recovery of full market value. Out of these cases, in eight cases the Collector concerned did not recover the applicable Stamp Duty while in three cases Stamp Duty of ₹ 32.90 lakh was recovered on concessional market value instead of actual market value. This resulted in non/ short levy of Stamp Duty of ₹ 2.23 crore.
<p>In other cases, the Department stated (July 2021/ June and July 2023) that final reply would be furnished after scrutiny of the cases and obtaining detailed report/ information from the Collector/ Authority concerned.</p>		
2	<p>District Collector, <u>Porbandar</u> <u>11 cases</u> 0.06</p> <p>District Collector, <u>Amreli</u> <u>01 case</u> 0.07</p>	<ul style="list-style-type: none"> In 11 cases, the District Collector, Porbandar allotted (in June 2022 and March 2023) Government land measuring 1,035 sq. m. having market value of ₹ 1.55 crore to State Government employees at concessional value of ₹ 41.89 lakh for residential purpose. In these cases, the Collector levied Stamp Duty of ₹ 2.05 lakh at the concessional value instead of Stamp Duty of ₹ 7.60 lakh on the actual market value of the land. This resulted in short levy of Stamp Duty of ₹ 5.55 lakh. The District Collector, Amreli gave (October 2018) advance possession of Government land measuring 46,200 sq. m. situated at village Charkha, Taluka Babra to GETCO for 220 KV sub-station. The DLVC determined (October 2019) value of the land at ₹ 3.16 crore (at the rate of ₹ 625 per sq. m.). Thus, in the instant case, Stamp Duty of ₹ 15.51 lakh was required to be recovered. However, the Collector recovered Stamp Duty of ₹ 8.11 lakh only. This resulted in short levy of

¹⁰ (i) Ahmedabad, (ii) Amreli, (iii) Gandhinagar, (iv) Jamnagar, (v) Mehsana, (vi) Morbi and (vii) Sabarkantha.

Sl. No.	Office/ No. of cases/ Non/ short levy of Stamp Duty (₹ in crore)	Nature of observation
		Stamp Duty of ₹ 7.40 lakh. The District Collector, Amreli stated (January 2025) that letter has been issued to the Company to deposit the Stamp Duty.
		The Collector, Porbandar stated (March 2024) that matter had been referred to the Deputy Collector (SDVO) for the necessary action.
3	<p>District Collector, Kheda 14 cases 0.41</p> <p>District Collector, Valsad 07 cases 0.16</p> <p>District Collector, Dang 90 cases 0.16</p>	<ul style="list-style-type: none"> Out of 12 cases, the District Collector, Kheda while giving advance possession (between November 2014 and October 2019) of Government land measuring 58,800 sq. m. to GETCO, recovered <i>ad-hoc</i> Stamp Duty of ₹ 10.34 lakh in 11 cases. The final orders of allotment in these 12 cases were issued between November 2020 and April 2022 on recovery of the Occupancy price aggregating to ₹ 5.92 crore as determined by the District Level Valuation Committee (DLVC)/ State Level Valuation Committee (SLVC) with the condition of payment of applicable Stamp Duty. In these 12 cases, the Stamp Duty recoverable was ₹ 28.98 lakh¹¹. However, the differential Stamp Duty of ₹ 18.64 lakh¹² remained to be recovered at the time of audit in September 2022. Further, in two orders (issued in March and April 2022) of allotment of Government land (measuring 4,617 sq. m. and valued at ₹ 4.64 crore) to University¹³/ Trust¹⁴, though condition regarding payment of applicable Stamp Duty was mentioned, the District Collector did not levy Stamp Duty of ₹ 22.75 lakh specifically. In seven cases, the District Collector, Valsad while allotting/ giving advance possession (between November 2008 and December 2022) of Government/ <i>Gauchar</i> land measuring 28,673 sq. m. to GETCO/ Dedicated Freight Corridor Corporation of India (DFCCI)/ Societies/ Trust, did not levy Stamp Duty of ₹ 15.97 lakh. Though, in six cases, the Collector incorporated a condition regarding payment of applicable Stamp Duty, the Stamp Duty remained to be recovered at the time of audit in June 2023. This resulted in non-levy of Stamp Duty of ₹ 15.97 lakh. The District Collector, Dang allotted/ gave advance possession (between August 2014 and August 2022) of Government land measuring 16,666 sq. m. to individuals (86 cases <i>i.e.</i> residential 63 cases and commercial 23 cases), Bharat Sanchar Nigam Limited (three cases for erection of Tower) and GWSSB (one case for construction of Office building. Though in these cases, the Collector inserted condition for payment of applicable Stamp Duty in the allotment order, but the

¹¹ $4.9/100 \times 59152800 = ₹ 28,98,487$.

¹² Differential amount between the leviable Stamp Duty on occupancy price aggregating to ₹ 5.92 crore and the *ad hoc* Stamp Duty (2898487-1034426 = ₹ 18,64,061).

¹³ One case of allotment (April 2022) of land (2011 sq. m.) to a University at Nadiad.

¹⁴ One case of allotment (March 2022) of land (2,606 sq. m.) to Samadhi Sthan at Nadiad.

Sl. No.	Office/ No. of cases/ Non/ short levy of Stamp Duty (₹ in crore)	Nature of observation
		Stamp Duty remained to be recovered till the time of audit (July 2023). This resulted in non-realization of revenue of Stamp Duty of ₹ 16.38 lakh. Thus, there was non/ short levy of Stamp Duty aggregating to ₹ 0.73 crore in these 111 cases.
On this being pointed out, the Collector, Kheda replied (September 2022) that the jurisdictional Deputy Collector (SDVO) had been informed to recover the deficit Stamp Duty while simultaneously intimating the allottees regarding the same. The Collector, Valsad stated (June 2023) that henceforth applicable Stamp Duty would be recovered at the time of allotment/ advance possession of Government land. The Collector, Dang stated (July 2023) that detailed reply would be furnished after examination of the records.		
4	District Collector, <u>Morbi</u> 01 case 0.08	<ul style="list-style-type: none"> The District Collector, Morbi allotted (September 2019) Government land measuring 27,869 sq. m. situated at village Lajai, Taluka Tankara to a Trust for social and educational purpose at a concessional rate of 50 per cent of the market value of the land <i>i.e.</i> by recovering Occupancy price of ₹ 1.54 crore instead of actual market value of ₹ 3.08 crore. The Trust represented (19 June 2019) that as per opinion (06 June 2019) of the Superintendent of Stamp (SS), Gandhinagar; the Trust was liable to pay Stamp Duty on the Occupancy price and not on actual market value of the land as per provisions of Section 32A of the Gujarat Stamp Act 1958. The Revenue Department also ratified the opinion of the SS and directed (February 2020) the Collector to recover the Stamp Duty on the Occupancy price. Since, the Trust had already paid (28 June 2019) Stamp Duty of ₹ 15.09 lakh (being 4.9 per cent of ₹ 3.08 crore), the Collector ordered (November 2020) a refund of Stamp Duty of ₹ 7,54,853. The opinion of the SS and ratification thereof by the Revenue Department was incorrect as Section 32A is applied only in cases where the document is executed by the Government and not any other person/ agency. This resulted in irregular refund of Stamp Duty of ₹ 7.55 lakh.
On this being pointed out, the Collector, Morbi replied (October 2023/August 2024) that clarification had been sought from the Revenue Department on the audit observation and necessary action would be taken after receipt of direction from the Department.		

The matter was reported to the Government in September 2020, October 2021, June 2023, December 2023, and February/ March/ April 2024. Reminders have been sent in January /February 2025. The reply in the cases except incorporated above was awaited (March 2025).

3.2 Non/ short levy of Conversion Tax

Conversion Tax of ₹ 12.52 crore in 147 cases was short levied on change in use of land from Agricultural to Non-Agricultural (NA) purpose or from one NA purpose to another.

Section 67A of the Gujarat Land Revenue Code (GLRC) 1879 provides for levy of Conversion Tax at prescribed rates on change in the mode of use of land from Agricultural to Non-Agricultural (NA) purpose or from one NA purpose to another. The Conversion Tax is payable from the date on which NA permission is, or is deemed to have been granted, or from the date on which the land is put to NA/ another NA use, whichever is earlier. Different rates of Conversion Tax are prescribed for residential/ charitable/ temporary non-agriculture and industrial/ other purposes, depending upon the population of the city/ town/ notified area/ village. The State Government *vide* amendment (March 2016) in GLRC further prescribed rates of Conversion Tax where land is to be used for 'other different NA purposes' (say 'multipurpose'). Further, as per Government Resolution¹⁵ of December 2006, though requirement of obtaining NA permission from the competent authority was waived off in case of grant of Government land for NA purpose, Conversion Tax and Non-Agricultural Assessment (NAA) are leviable as per prevailing policy. Similarly, as per Circular of February 1979, though requirement of obtaining NA permission from the competent authority was waived off in case of land acquired and allotted, the allottee was liable to pay the applicable Conversion Tax as per prevailing policy. The GR dated 01 July 2008 prescribes the allottee to pay the applicable Conversion Tax within 15 days of taking possession of the acquired land. The provisions of the above cited Circular and GR were reiterated by the Revenue Department *vide* its GR dated 05 March 2021.

During test check of the records of 13 offices¹⁶ for the period from 2014-15 to 2022-23, Audit observed¹⁷ non/ short levy of Conversion Tax of ₹ 12.52 crore in 147 cases as detailed **Table 3.2** below:

Table 3.2: Details of non/short levy of Conversion Tax

Sl. No.	Office/ No. of cases Non/ short levy of Conversion Tax (₹ in crore)	Nature of observation
1	ACS, Revenue Department	<ul style="list-style-type: none"> Government land measuring 9,24,507 sq. m. was allotted (March 2019/ February 2020/ March 2023) to All India Institute of Medical Science (AIIMS)¹⁸; Rajkot, Jawahar

¹⁵ No. JMN-3995-3170-A dated 18.12.2006.

¹⁶ I. Additional Chief Secretary (ACS), Revenue Department, Gandhinagar;
II. District Collectors: (i) Ahmedabad; (ii) Amreli, (iii) Bhavnagar, (iv) Botad, (v) Dahod, (vi) Gandhinagar, (vii) Kachchh-Bhuj, (viii) Morbi, (ix) Panchmahal, (x) Patan, (xi) Surendranagar and (xii) Vadodara.

¹⁷ Between February 2017 and April 2024.

¹⁸ 8,13,419 sq. m. of New Revenue Survey No. 64 (old R.S. No.16P3), Village: Khandheri, Taluka: Paddhari, District: Rajkot and R.S. No. 197P, Village: Parapipaliya, Taluka and District: Rajkot.

Sl. No.	Office/ No. of cases Non/ short levy of Conversion Tax (₹ in crore)	Nature of observation
	<u>03 cases</u> <u>0.60</u>	<p>Navodaya Vidyalaya¹⁹, Vadodara at Bahadurpur, District Chhota Udepur; and Kendriya Vidyalaya²⁰, Amreli. However, neither the Department recovered the applicable Conversion Tax nor inserted any condition in this regard in the allotment order. This resulted in non-levy of Conversion Tax of ₹ 60.27 lakh.</p> <p>On this being pointed out, the Department in case of land allotted to AIIMS stated (January 2025) that encumbrance entry has been registered on the property. In case of Jawahar Navodaya Vidyalaya, the Department stated (December 2024) that Collector, Chhota Udepur has been asked to recover the applicable Conversion Tax. In remaining case, the Department stated (June 2023) that reply would be furnished after scrutiny of the case.</p>
2	District Collector, Ahmedabad <u>41 cases</u> <u>2.68</u>	<ul style="list-style-type: none"> In six cases, the District Collector issued (between March and October 2020) permission/ Certificates under Section 63AA of the Gujarat Tenancy and Agricultural Land Act (GTALA) 1948 through iORA²¹ to the occupants for <i>bona fide</i> industrial use of agricultural land purchased by these occupants between December 2015 and June 2019. As per conditions stipulated in the Certificate issued, the occupants were required to obtain NA permission under the GLRC from the competent authority. However, the occupants had not applied for the NA permission (as of 29 June 2021). Further, there was a gap of six to 50 months between the date of purchase of the land for <i>bona fide</i> industrial use and date of sending notice to the Collector under Section 63AA of the GTALA intimating him for the <i>bona fide</i> industrial use of the land so purchased. However, no details regarding actual date of commencement of use of the land for industrial purpose were on record. As per Section 67A of the GLRC, Conversion Tax is payable from the date on which NA permission is, or is deemed to have been granted, or from the date on which the land is put to NA use, whichever is earlier. Thus, in these six cases, the occupants were required to pay Conversion Tax from the date of issue of Certificate under Section 63AA of the GTALA or from the date of commencement of use of the land for industrial purpose, whichever is earlier. However, though the Collector recovered applicable NAA while issuing the Certificate, the authority did not recover Conversion Tax of ₹ 7.49 lakh. <p>On this being pointed out, the Collector stated (July 2023) that encumbrance entries had been made (July 2023) in the land</p>

¹⁹ 91,088 sq. m. of R.S. No. 437, 438, 441, 771, 772, 773 and 774, Village: Bahadurpur, Taluka: Sankheda, District: Chhota Udepur.

²⁰ 20,000 sq. m. of R.S. No. 334 p5, Village, Taluka and District: Amreli.

²¹ Integrated Online Revenue Application.

Sl. No.	Office/ No. of cases Non/ short levy of Conversion Tax (₹ in crore)	Nature of observation
		<p>records in the above six cases. Further reply was awaited (March 2025).</p> <ul style="list-style-type: none"> Government land measuring 7,21,102 sq. m. was allotted (February 2020) to Ahmedabad Municipal Corporation (AMC)²², for the purpose of Sabarmati riverfront development. Advance possession of the land was given to AMC in March 2020. However, applicable Conversion Tax of ₹ 2.16 crore was not levied. <p>On this being pointed out, the Collector stated (June 2021) that presently advance possession of land is given, however Conversion Tax along with other taxes would be recovered from AMC at the time of issuance of final allotment order. Further reply was awaited (March 2025).</p> <ul style="list-style-type: none"> In six cases, the Collector gave (between October 2020 and May 2022) advance possession of Government/ <i>Gauchar</i> land measuring 21,083.56 sq. m. to National High Speed Rail Corporation Limited (land measuring 3,969.56 sq. m. for Mumbai-Ahmedabad High Speed Rail Project), Ahmedabad Municipal Corporation (land measuring 13,272 sq. m. for water distribution system) and Sanand Municipality (land measuring 3,842 sq. m. for segregation plant and material recovery facility). However, the Collector did not levy and recover the applicable Conversion Tax. This resulted in non-levy of Conversion Tax of ₹ 6.33 lakh. <p>On this being pointed out, the Collector stated (March 2023) that Conversion Tax along with other taxes would be recovered at the time of issuance of final allotment orders. Further reply was awaited (March 2025).</p> <p>Replies of the Collector, Ahmedabad in the above-mentioned cases is not acceptable as Section 67A of the GLRC clearly stipulates that Conversion Tax is payable from the date of permission/ deemed permission for NA use of the land or from the date on which the land is put to such use, whichever is earlier. Further, the Revenue Department is required to consider updating iORA software to enable competent authority to recover the applicable Conversion Tax also at the time of issuance of Certificate under GTALA.</p> <ul style="list-style-type: none"> The District Collector granted NA permission (in 2020-21 and 2021-22) in 28 cases involving land measuring 2,98,131 sq. m. which comprised of 10 cases of multipurpose use, 14 cases of residential use, three cases of industrial use and one case of commercial use, on levy of Conversion Tax at the rates applicable in rural areas. However, the land involved in the cases was covered under the limits of Ahmedabad Urban Development Authority (AUDA) <i>i.e.</i> urban conglomerate.

²² Survey No.: *Bin Numberi* (without survey number), Village (s): Acher, Motera, Dariyapur-Kajipur and Hansol.

Sl. No.	Office/ No. of cases Non/ short levy of Conversion Tax (₹ in crore)	Nature of observation
		<p>Thus, in these cases the Collector was required to levy Conversion Tax by adopting rates applicable to urban areas for the specified purpose. The incorrect application of rates resulted in short levy of Conversion Tax of ₹ 38.60 lakh.</p> <p>On this being pointed out, the Collector stated (March 2023) that encumbrance entries would be made in the land records in these cases and action would be initiated to recover the deficit Conversion Tax. Further reply was awaited (March 2025).</p>
3	<p>District Collector, Gandhinagar <u>16 cases</u> 0.83</p>	<ul style="list-style-type: none"> In four cases, the District Collector allotted/ gave advance possession (between September 2020 and August 2022) Government land measuring 3,10,448 sq. m., to Gandhinagar Municipal Corporation (GMC) (2,02,350 sq.m. for landfill site), GWSSB (7,487 sq. m. for sub-headworks), Kalol Municipality (48,000 sq. m. for waste disposal), and Gujarat Biotech University (52,611 sq. m.). Out of these four cases, the Collector did not levy the applicable Conversion Tax in three cases while in the case of GMC, the Collector levied Conversion Tax at the rate of ₹ six per sq. m. (applicable to rural area) instead of correct rate of ₹ 30 per sq. m., as the land allotted fell within the limits of GMC. This resulted in non/ short levy of Conversion Tax of ₹ 66.57 lakh. <p>The Collector Gandhinagar replied (January 2025) that in all the four cases encumbrance entry has been registered against the property.</p> <ul style="list-style-type: none"> The District Collector granted NA permission (in June and July 2020) in 12 cases involving land measuring 50,820 sq. m. for multipurpose use on levy of Conversion Tax at the rate of ₹ eight per sq. m. applicable in rural areas. Since, the land involved in these cases fell within the limits of GMC <i>i.e.</i> urban conglomerate; the Collector was required to levy Conversion Tax at the rate of ₹ 40 per sq. m. applicable to urban areas. The incorrect application of rate resulted in short levy of Conversion Tax of ₹ 16.26 lakh. <p>On this being pointed out, the Collector stated (January 2023) that the respective agency/ person would be asked to pay the applicable Conversion Tax. Further reply was awaited (March 2025).</p>
4	<p>District Collector, Kachchh-Bhuj <u>02 cases</u> 0.26</p>	<p>In two cases, the land holders (individuals) had applied for conversion of agricultural land measuring 89,132 sq. m. situated at two villages²³ of Taluka Gandhidham for 'residential plus commercial' use.</p> <p>In these cases, the District Collector, based on lay-out plan approved by the Gandhidham Development Authority, levied Conversion Tax at the rate of ₹ 10 per sq. m. for 'residential' use and at the rate of ₹ 30 per sq. m. for 'commercial' use. However,</p>

²³ (i) Antarjan and (ii) Sinay.

Sl. No.	Office/ No. of cases Non/ short levy of Conversion Tax (₹ in crore)	Nature of observation
		<p>on scrutiny of the lay-out plans furnished by the applicants, Audit observed that-</p> <ul style="list-style-type: none"> In case of land measuring 58,983 sq. m. of village Sinay, the Collector considered area of Development Plan (DP) road, area of internal roads, garden/ park plot and residential plots, aggregating to 56,038.16 sq. m. under 'residential' use while the remaining area of 2,944.84 sq. m. of 'shopping plot' was considered under 'commercial' use. In case of land measuring 30,149 sq. m. of village Antarjan, the Collector considered road area, garden area, part water line area and residential plots, aggregating to 29,345 sq. m. under 'residential' use while the remaining area of 804 sq. m. comprising of shopping area and part water line area was considered under 'commercial' use. <p>Audit further observed that the lay-out plan was common for different land uses <i>i.e.</i> 'residential plus commercial'. Thus, the common area of internal/ external roads, garden/ park and water line served different land uses. Hence, the Collector was required to treat these applications for NA use under 'other different NA purpose'.</p> <p>Moreover, Conversion Tax at the rate of ₹ 10 per sq. m. is applicable only for 'residential', 'charitable' and 'temporary NA purpose' only. Thus, treating internal roads, garden/ park and water line, serving both 'residential' and 'commercial' land uses, under 'residential' category and levying Conversion Tax at lower rate was irregular.</p> <p>In view of above facts, as per amended provisions of 2016, the Collector was required to levy Conversion Tax at the rate of ₹ 40 per sq. m. applicable to 'other different NA purpose'. Non-adoption of correct rate resulted in short levy of Conversion Tax of ₹ 25.99 lakh.</p> <p>On this being pointed out, the Revenue Department stated (June 2024) that encumbrance entries had been made (February 2024) in the land records in both the cases. Further reply was awaited (March 2025).</p>
5	<p>District Collector, Kachchh-Bhuj <u>04 cases</u> 0.10</p>	<ul style="list-style-type: none"> In two cases²⁴ where land was falling in area having population above one lakh, the District Collector, while granting permission for 'multipurpose' use, levied Conversion Tax at the rate of ₹ eight per sq. m. by treating the land as falling in rural area instead of correct rate of ₹ 40 per sq. m. This resulted in short levy of Conversion Tax of ₹ 8.73 lakh.

²⁴ (i) Land measuring 15,530 sq. m. situated at Village: Mithi Rohar, Taluka: Gandhidham falling under the Gandhidham Development Authority and (ii) land measuring 11,736 sq. m. situated at Bhuj city.

Sl. No.	Office/ No. of cases Non/ short levy of Conversion Tax (₹ in crore)	Nature of observation
		<ul style="list-style-type: none"> In case of land measuring 4,021 sq. m. situated at Village Varsamedi, Taluka Anjar, though land was converted²⁵ from 'new and restricted tenure' to 'old tenure' for 'commercial' purpose on recovery of applicable premium, the District Collector issued order for 'multipurpose' use on recovery of Conversion Tax at the rate (of ₹ 10 per sq. m.) applicable to 'residential' purpose. In the instant case, the Collector was required to recover Conversion Tax at the rate of ₹ 30 per sq.m. applicable to 'commercial' purpose. This resulted in short levy of Conversion Tax of ₹ 0.80 lakh. Similarly, in case of land measuring 29,227 sq m. situated at the same village, the Collector granted permission for 'multipurpose' use by levying Conversion Tax at the rate of ₹ six per sq. m. (applicable to 'commercial' purpose) instead of correct rate (i.e. the highest rate) of ₹ eight per sq. m. This resulted in short levy of Conversion Tax of ₹ 0.58 lakh. <p>Thus, there was short levy of Conversion Tax aggregating to ₹ 10.11 lakh in these four cases.</p> <p>On this being pointed out, the District Collector stated (August 2023) that layout plan of the land involved in the audit observation had been called from the authority concerned. Necessary action would be initiated on scrutiny of the layout plans. Further reply was awaited (March 2025).</p>
6	District Collector, Surendranagar <u>43 cases</u> 0.34	<ul style="list-style-type: none"> The District Collector granted (between November 2018 and March 2022) NA permission for multipurpose use in 43 cases involving land measuring 6,53,026 sq. m. situated at various villages of the District. In these cases, the Collector levied Conversion Tax at the rate of ₹ 10/ ₹ six/ ₹ two per sq. m. instead of rate of ₹ 40 per sq. m. or ₹ eight per sq. m. applicable to multipurpose use depending upon the land falling in urban or rural area, as the case may be. The application of incorrect rates in these cases resulted in short levy of Conversion Tax of ₹ 34.09 lakh. <p>On this being pointed out, the Collector stated (March 2023) that necessary action would be taken for recovery of deficit Conversion Tax after scrutiny of the cases. Further reply was awaited (March 2025).</p>
7	District Collector, Bhavnagar <u>01 cases</u> 0.13	<ul style="list-style-type: none"> In pursuance to the Revenue Department's Resolution dated 11 January 2021, the District Collector allotted (January 2021) Government land measuring 2,21,417 sq. m. situated at village Nava Ratanpar, Taluka and District Bhavnagar to Gujarat Water Infrastructure Limited (GWIL) for Desalination Plant. However, the Collector did not recover the applicable Conversion Tax of ₹ 13.29 lakh.

²⁵ 'New and restricted tenure' land means the tenure of occupancy of the land which is non-transferrable and impartible without the prior approval of the District Authority whereas 'Old tenure' land means the land free of all restrictions of transfer but subject to permitted purpose of usage of land.

Sl. No.	Office/ No. of cases Non/ short levy of Conversion Tax (₹ in crore)	Nature of observation
		On this being pointed out, the Collector informed (January 2025) that ₹ 13.29 lakh has been recovered from GWIL.
8	District Collector, Dahod <u>08 cases</u> 0.09	<ul style="list-style-type: none"> The District Collector granted (between April 2019 and August 2021) NA permission for multipurpose use in seven cases and for residential purpose in one case for land measuring 66,584 sq. m. situated at Dahod, an urban area (six cases) and two other villages. In the five cases of NA permission for multipurpose use of land situated in urban area, the Collector levied Conversion Tax at the rate of ₹ eight per sq. m. applicable to rural areas instead of correct rate of ₹ 40 per sq. m. applicable to urban areas. Similarly, in two cases of NA permission for multipurpose use of land situated in rural areas, the Collector levied Conversion Tax at the rate of ₹ six per sq. m. (applicable to commercial purpose) and ₹ two per sq. m. (applicable to residential purpose) instead of correct rate of ₹ eight per sq. m. In the remaining one case of NA permission for residential purpose situated in urban area, the Collector levied Conversion Tax at the rate of ₹ eight per sq. m. instead of correct rate of ₹ 10 per sq. m. Thus, application of incorrect rates resulted in short levy of Conversion Tax of ₹ 9.07 lakh. <p>On this being pointed out, the Collector stated (December 2023) that necessary action would be taken after consulting with the Municipality of Dahod regarding classification of area under urban or rural. Further reply was awaited (March 2025).</p>
9	District Collector, Panchmahal <u>17 cases</u> 0.09	<ul style="list-style-type: none"> The District Collector granted (between April and August 2019) NA permission in 17 cases involving land measuring 1,26,899 sq. m. situated at Godhra and 13 other villages of the District, for multipurpose use. In these cases, the applicants had not mentioned any specific NA purpose in their applications. Thus, in these cases the applicants were eligible for NA use of their land as per their requirement(s). Therefore, in these cases the Collector was required to levy Conversion Tax applicable to 'multipurpose' use. However, the Collector levied Conversion Tax applicable to residential purpose <i>i.e.</i> at the rate of ₹ two per sq. m. for land situated in rural areas (16 cases) and at the rate of ₹ 10 per sq. m. for land situated in urban area (one case). The correct rate applicable in these cases was ₹ eight per sq. m. for rural areas and ₹ 40 per sq. m. for urban area. The application of incorrect rates in these cases resulted in short levy of Conversion Tax of ₹ 9.45 lakh. <p>On this being pointed out, the Collector stated (March 2024) that necessary action would be taken after scrutiny of the cases. Further reply was awaited (March 2025).</p>
10	District Collector, Botad	<ul style="list-style-type: none"> In pursuance to the Revenue Department's GR dated 20 September 2018, the District Collector allotted (October 2018) land measuring 1,21,410 sq. m. situated at

Sl. No.	Office/ No. of cases Non/ short levy of Conversion Tax (₹ in crore)	Nature of observation
	<u>01 case</u> 0.07	Botad to Jawahar Navodaya Vidyalaya. However, neither the Department nor the Collector levied the applicable Conversion Tax of ₹ 7.28 lakh. On this being pointed out, the Collector stated (March 2024) that reply would be furnished after verifying the provisions of the rules/ regulations and GRs/ Circulars issued by the Government. Further reply was awaited (March 2025).
11	District Collector, Amreli <u>01 case</u> 0.05	<ul style="list-style-type: none"> In pursuance to the Revenue Department's Resolution dated 16 October 2019, the District Collector allotted (February 2020) Government land measuring 89,034 sq. m. situated at village Chanch of Taluka Rajula, to GWIL for Desalination Plant. However, the Collector did not recover the applicable Conversion Tax of ₹ 5.34 lakh. <p>On this being pointed out, the Collector stated (January 2024) that necessary action would be taken after due verification of the case. Further reply was awaited (March 2025).</p>
12	District Collector, Vadodara <u>04 cases</u> 3.75	<ul style="list-style-type: none"> In 10 cases, the District Collectors had allotted land measuring 4,73,95,017 sq. m. to various agencies namely the Western Railway, National Highway Authority of India (NHAI), and Dedicated Freight Corridor Corporation of India (DFCCI) between 2011-12 and 2022-23 for various railway/ road projects. The land so allotted included acquired land measuring 4,73,65,828 sq. m. and Government land measuring 29,189 sq. m. (in Morbi district). However, the Collector concerned did not levy the applicable Conversion Tax. This resulted in non-levy of Conversion Tax of ₹ 7.28 crore. <p>On this being pointed out, the Deputy Collector (Special Land Acquisition Officer), Vadodara stated (May 2021, August and November 2023) that the agencies did not agree to pay the applicable Conversion Tax stating that the State taxes are not recoverable under the Railway Act 1989 and National Highway Act 1956. The District Collector, Dahod stated (July 2024) that matter has been brought to the notice of Project Director, National Highway Authority for payment of Conversion Tax. No further response is received. The District Collectors, Morbi and Patan districts agreed to review the matter and take necessary action. The District Collector, Panchmahal instructed (February 2024) the Special Land Acquisition Officer to recover the applicable Conversion Tax. Further reply was awaited (March 2025)</p> <p>The reply of the Deputy Collector, Vadodara is not convincing as the Revenue Department, Government of Gujarat (GoG) had reiterated the applicability of the Conversion Tax under the GLRC through its various Circular and GRs, issued from time to time. Moreover, the Revenue Department in its letter of January 2024 had asked the NHAI to pay the applicable Conversion Tax. Hence, the applicable Conversion Tax is required to be</p>
13	District Collector, Dahod <u>01 case</u> 0.29	
14	District Collector, Patan <u>02 cases</u> 0.05	
15	District Collector, Panchmahal <u>01 cases</u> 2.96	
16	District Collector, Morbi <u>02 cases</u> 0.23	

Sl. No.	Office/ No. of cases Non/ short levy of Conversion Tax (₹ in crore)	Nature of observation
		recovered from the respective allottee in the above-mentioned cases. Further, no exemption in payment of Conversion Tax is provided in the Railway Act, 1989.

The matter was reported to the Government in September 2020, October 2021, June 2023, December 2023, February/ March/ April/September 2024 and January/ February 2025. The reply in these cases, except where incorporated above, was awaited (March 2025).

3.3 Non/ short levy of Interest

Interest of ₹ 5.74 crore in 21 cases was either short levied or not levied on differential Occupancy price or delayed payment of lease rent.

The Government Resolution (GR) dated 23 February 2015 read with GR dated 07 September 2009 prohibits advance possession of Government land to the Boards, Corporations, Municipalities, etc. without recovering *ad hoc* Occupancy price as per prevailing *Jantri* rates. Further, the District Level Valuation Committee (DLVC) or State Level Valuation Committee (SLVC), would determine the value of the land at the time of giving the advance possession of the land. The allottee is liable to pay the differential Occupancy price of the land, over and above the *ad hoc* Occupancy price paid at the time of taking advance possession and interest at the rate of eight/ 10 *per cent* per annum for the period from the date of advance possession of the land to the final payment of the differential Occupancy price. Further, as per GR dated 25 January 2019 regulating grant of Government land for establishment of wind/ solar/ wind-solar hybrid park, the annual lease rent and other taxes are to be paid in advance at the time of giving possession of the land. In case, the lessee fails to pay the lease rent and other taxes within 90 days, interest at the rate of 12 *per cent* per annum is leviable. Similar provisions are made in GR dated 30 March 2021 governing allotment of Government land under Gujarat Industrial Policy 2020.

During audit of Additional Chief Secretary (ACS), Revenue Department, Gandhinagar and six District Collector offices²⁶ Audit noticed (between November 2021 and January 2024) non/ short levy of interest of ₹ 5.74 crore in 21 cases. The details are as under:

- In pursuance to Revenue Department GR dated 14 September 2020, the District Collector, Kachchh allotted (12 December 2020) Government land measuring 19,000 hectare to and 9,500 hectare to two companies for setting up Renewable Energy Parks. In these cases, the allottees were required to pay the annual lease rent of ₹ 28.50 crore and ₹ 14.25 crore

²⁶ (i) Anand, (ii) Chhota Udepur, (iii) Mahisagar, (iv) Porbandar, (v) Surendranagar and (vi) Valsad.

respectively for the first year (at the rate of ₹ 15,000 per hectare) within 90 days of allotment of the land. However, one company paid the applicable lease rent on 09 November 2022 whereas the second company paid the lease rent on 16 December 2022. As such, the Collector was required to levy interest²⁷ of ₹ 5.69 crore and ₹ 3.02 crore on these companies respectively. However, the Collector levied interest of ₹ 3.42 crore and ₹ 1.71 crore, respectively. This resulted in short levy of interest aggregating to ₹ 3.58 crore (first company: ₹ 2.27 crore, second company: ₹ 1.31 crore) for late deposit of annual lease rent for the first year.

On this being pointed out, the Department stated (June 2023) that reply would be furnished after scrutiny of the cases. Further reply was awaited (February 2025).

- In pursuance to Revenue Department GR dated 08 April 2021, the District Collector, Bharuch allotted (03 October 2022) Government land measuring 40,58,072 sq. m. to GIDC for setting up Bulk Drugs Park. The advance possession of the said land was already given to the GIDC on 23 September 2020. The GIDC was required to pay the annual lease rent of ₹ 6.57 crore (being six *per cent* of market value of the land *i.e.* ₹ 109.57 crore) within 90 days of the advance possession of the land. However, the GIDC paid the applicable lease rent on 28 September 2021. The delayed payment of the lease rent attracted interest²⁸ of ₹ 60.51 lakh (at the rate of 12 *per cent per annum*). However, the Collector did not levy the applicable interest. This resulted in non-levy of interest of ₹ 60.51 lakh.

On this being pointed out, the Department stated (June 2023) that reply would be furnished after obtaining the information from the Collector concerned. Further reply was awaited (February 2025).

- In remaining 18 cases the District Collectors²⁹ had given (between December 2008 and March 2022) advance possession of 47,06,625 sq. m. of Government land to Gujarat Energy Transmission Corporation, Vadodara (GETCO) and Gujarat Industrial Development Corporation (GIDC) on recovery of *ad hoc* Occupancy price. In these cases, the Collector concerned either did not levy the applicable interest or levied incorrect interest on the differential Occupancy price at the time of final allotment order. This resulted in non/ short levy of interest of ₹ 1.56 crore.

On this being pointed out, the District Collector, Anand stated (November 2022) that notices have been issued to allottees for recovery of interest. The District Collector, Mahisagar stated (January 2025) that interest of ₹ 22.73 lakh in three cases has been recovered and notice has been issued to allottee in one case. The District Collector, Valsad and Porbandar stated (January 2025/February 2025)

²⁷ At the rate of 12 *per cent* per annum.

²⁸ At the rate of 12 *per cent* per annum.

²⁹ (i) Anand, (ii) Chhota Udepur, (iii) Mahisagar, (iv) Porbandar, (v) Surendranagar, and (vi) Valsad.

that interest of ₹ 22.89 lakh has been recovered³⁰ in all cases. The District Collector, Surendranagar stated (March 2023) that necessary action would be taken to recover the differential interest from the organisations.

The matter was reported to the Department between November 2021 and September 2024. Reminders for replies were issued in December 2024/ February 2025. The replies in the cases except wherever mentioned above was awaited (March 2025).

3.4 Non/ short levy of Penalty in cases involving purchase of agricultural land for *bona fide* industrial use

The non-compliance of the provisions regarding use of land for industrial purpose within the stipulated period or sale or demerger/ amalgamation of company resulted in short/ non levy of Penalty of ₹ 17.40 crore in 34 cases.

Section 63(1) of the Gujarat Tenancy and Agricultural Lands Act 1948 (the GTAL Act), Section 89(1) of the Gujarat Tenancy and Agricultural Lands (Vidarbha Region and Kutch Area) Act 1958 (the VRKA Act) and Section 54(1) of the Saurashtra Gharkhed, Tenancy Settlement and Agricultural Lands Ordinance 1949 (the Ordinance) stipulates that no sale, gift, exchange, lease, mortgage of any (agricultural) land or interest therein shall be valid in favour of a person who is not an agriculturist. However, Section 63AA(1) of the GTAL Act, Section 89A(1) of the VRKA Act and Section 55(1) of the Ordinance provides for sale of agricultural land for *bona fide* industrial purpose.

(A) Non/ short levy of Penalty for delayed use of land for industrial purpose

Section 63AA(4)(b) of the GTAL Act, Section 89A(4)(b) of the VRKA Act and Section 55(3)(b) of the Ordinance (as amended w.e.f. 05 December 2015) provides that the purchaser (of agricultural land) shall commence production of goods or providing of services within five years from date of permission for *bona fide* industrial use of the land. The period of five years may, on an application made by the purchaser in that behalf, be extended by two years, one year at a time, by the Collector and by another three years by the State Government (on payment of 50 *per cent* of the prevailing *Jantri* value). As per the amendment dated 29 August 2019, the State Government may extend the period of seven years by another three years on payment of 20 *per cent* of the prevailing *Jantri* value and thereafter, for further periods on payment of 20 *per cent* of the prevailing *Jantri* value for every three years.

However, Section 63AA (4A) of the GTAL Act, Section 89(4A) of the VRKA Act and Section 55(3A) of the Ordinance provides (w.e.f. 05 December 2015) that in case where the purchaser fails to commence the production of goods or providing the services within three years from the date of permission for *bona fide* industrial use of the land, the Collector may grant permission for sale or transfer of such land upon payment of (a) 40 *per cent* or (b) 60 *per cent* or (c) 100 *per cent* of the market value as per prevailing *Jantri* rates, if the

³⁰ ₹ 7.54 lakh in seven cases in Valsad and ₹ 15.35 lakh in one case in Porbandar.

application is made (a) after a period of three years but before completion of a period of five years or (b) after a period of five years but before completion of a period of seven years or (c) beyond a period of seven years, respectively from the date of permission for *bona fide* industrial use. Subsequently, w.e.f. 21 August 2020, the slabs were changed to (a) 100 per cent or (b) 60 per cent or (c) 30 per cent or (d) 25 per cent of the market value as per prevailing *Jantri* rates, if the application is made (a) after a period of three years but before completion of a period of five years or (b) after a period of five years but before completion of a period of seven years or (c) after a period of seven years but before completion of a period of 10 years or (d) beyond a period of 10 years, respectively from the date of permission for *bona fide* industrial use.

Further, the Superintendent of Stamps (SS) *vide* Circular dated 30 April 2011 instructed all Deputy Collectors (SDVO)/ Sub-Registrars that if any city survey/ block/ revenue survey number of urban or rural areas, as the case may be is missing in the *Jantri*, then the market value of the property shall be determined based on the rates of the adjacent survey/ block numbers available in the *Jantri* for the grid/ value zone map in which the missing city survey/ block/ revenue survey number is falling.

During test-check of records of three District Collector offices³¹ for the period 2016-17 to 2022-23, Audit noticed³² in following 10 cases, non/ short levy of penalty of ₹ 11.92 crore, leviable as per above stated provisions (**Appendix IV**):

- In eight cases of District Kachchh, the purchasers had failed to commence production of goods or providing of services within the stipulated time, after issuance (between December 2003 and March 2008) of the permission under the VRKA Act. In these cases, the delay in commencement of industrial use of the agricultural land ranged between seven years and 12 years. On this being pointed out, the Collector, Kachchh stated (January 2025) that Mamlatdars concerned have been asked to register the encumbrance entry against the property.
- In one case of District Bharuch, the purchaser failed to commence production of goods or providing of services within the stipulated time, after issuance (between February 2010 and September 2014) of the permission under the GTAL Act for different parcels³³ of land to the purchaser. In this case, the delay in commencement of industrial use of the agricultural land ranged between eight years and 13 years.

Thus, in these cases, the purchasers were required to obtain approval for extension of period for commencement of industrial activity, on payment of the prescribed penalty. However, neither the purchaser applied for extension of time period nor the District Collector concerned levied the applicable penalty for non-commencement of the use of land for industrial purpose within the stipulated time, rather the Collector, Kachchh issued (May and July 2019) fresh Certificates under

³¹ (i) Aravalli, (ii) Bharuch and (iii) Kachchh.

³² Between May 2022 and June 2023.

³³ Land spread over 10 different survey numbers allotted to the purchaser.

Section 89(A)(3)(c)(i) in two cases of one purchaser. This resulted in non-levy of penalty of ₹ 11.39 crore in above nine cases.

On this being pointed out, the District Collector, Kachchh and Bharuch stated (April 2022/ May 2023) that detailed reply would be furnished after due verification of the records. Further reply was awaited (March 2025).

- In one case of District Aravalli, the purchaser had purchased (in 2014/ 2015) land measuring 50,810 sq. m. situated at survey numbers 375-378, 395, 396 and 409 of Village Semaliya, Taluka Bayad and was given permission under the GTAL Act in January 2016 for industrial use of the land. However, the land could not be put to industrial use within the stipulated time period and the purchaser sought (July 2018) permission to sell the land to another company for industrial use *i.e.* within five years of grant of permission for *bona fide* industrial use. Audit noticed that since rate for the said survey numbers for industrial use were not available in the *Jantri* 2011, the Collector levied penalty at the rate of 40 *per cent* of the market value of the land based on rate of ₹ 195 per sq. m. as per previous *Jantri* 2008. This was incorrect since as per the instructions of the SS, the Collector was required to adopt *Jantri* rate of ₹ 458 per sq. m. of the other survey numbers (372, 373, 374) of the village. The adoption of incorrect *Jantri* rate resulted in short levy of penalty of ₹ 53.45 lakh.

On this being pointed out, the District Collector, Aravalli stated (March 2023) that detailed reply would be furnished after verification of the records. Further reply was awaited (March 2025).

(B) Non levy of Penalty for sale of agriculture land to another non-agriculturist before commencement of industrial activity

Section 63AA (5) of the GTAL Act, Section 89(5) of the VRKA Act and Section 55(4) of the Ordinance Section 89A(5), respectively stipulates that where the Collector, after making such inquiry as he deems fit and giving the purchaser an opportunity of being heard, comes to the conclusion that the purchaser has failed to commence industrial activity or production of goods or providing of services within the period of three years or the period extended under the provisions of the Act, the land shall vest in the State Government free from all encumbrances on payment to the purchaser of such compensation as the Collector may determine, having regard to the price paid by the purchaser, and such land shall be disposed-off by the State Government, having regard to the use of land.

The Supreme Court of India *vide* its judgement³⁴ dated 23 January 2014 ordered for regularisation of agriculture land, purchased (by Indigold Refineries Ltd., say Purchaser-1 for ease of understanding) for *bona fide* industrial use under Section 89A of the VRKA Act, which was subsequently sold to another non-

³⁴ In SLP (Civil) No. 36738/2012 (Dipak Babaria & others Vs State of Gujarat & others) [key respondent parties: Indigold Refineries Ltd, Mumbai and Alumina Refinery Ltd.].

agriculturist (Alumina Refinery Ltd., say Purchaser-2 for ease of understanding)³⁵ without putting to industrial use; on recovery of the market value of the land from Purchaser-2 after giving set-off of the amount of the sale consideration as compensation to Purchaser-1. The above judgement of the Supreme Court would act as a statute where the subsequent sale of the agricultural land to another industry is regularised by the Revenue Department, GoG.

- In 19 cases (of seven companies *i.e.* Purchaser-1) of District Kachchh, the companies had purchased agricultural land for *bona fide* industrial use under Section 89A of the VRKA Act. However, instead of putting land to industrial use, the companies sold the land to three other companies (*i.e.* Purchaser-2) within three years of obtaining permission for the *bona fide* industrial use of the land. Out of these 19 cases, in 15 cases, though Purchaser-1 did not obtain prior permission of the Collector before effecting sale to Purchaser-2, the jurisdictional Mamlatdar approved entries in Village Form (VF)-6 regarding these sales and consequent transfer of ownership of the land. In the remaining four cases, in case of sale of one of the Revenue Survey No. 560/p2, the subordinate authorities had recommended to act in accordance with the judgement of the Supreme Court of India cited above. However, the District Collector did not accept the submission.

The sale of agricultural land (purchased for *bona fide* industrial use) within a period of three years without commencing production of goods/ providing of services was against the provisions of the VRKA Act. In these cases, land was required to be brought under Government account with payment of appropriate compensation to the Purchaser-1 and the subsequent sale of the land to Purchaser-2 was to be treated as fresh allotment of Government land at market value, as a natural corollary of the judgement of the Supreme Court. This however was not done. This resulted in non-recovery of penalty in the form of market value³⁶ of the land amounting to ₹ 2.65 crore from Purchaser-1 or Purchaser-2, as the case be. The details are shown in **Appendix V**.

On this being pointed out, the District Collector, Kachchh stated (January 2025) that in 14 cases the Mamlatdar concerned has been asked to register the encumbrance entry against the property. No details in remaining five cases has been received. Further status was awaited (March 2025).

³⁵ Indigold Refinery Limited had purchased various agricultural lands for ₹ 70 lakh for *bona fide* industrial use in the year 2003 and later sold these lands to Alumina Refinery Limited for ₹ 1.20 crore in the year 2010 with the approval of Revenue Department, GoG in violation of the provisions of Section 89A of the Act, *ibid*.

³⁶ Audit has assumed Purchaser-1 liable to pay the market value of the land where amount of consideration in the subsequent sale transaction was more than the market value of the land and Purchaser-2, where amount of consideration in the subsequent sale transaction was less than the market value of the land.

- In one case of District Anand, a company (say Purchaser-1) had purchased (February 2011) agricultural land measuring 59,186 sq. m. situated at survey No. 677pA, 677pB, 677pC and 677pF of village Indranaj, Taluka Tarapur for *bona fide* industrial use for an aggregate amount of ₹ 22 lakh. However, the Purchaser-1 subsequently sold the said land to another company (say Purchaser-2) in February 2012 for an amount of ₹ 4.12 crore. Thus, Purchaser-1 earned a profit of ₹ 3.90 crore in the transaction. In April 2012, the Collector granted permission under the GTAL Act to the Purchaser-2 for the *bona fide* industrial use of the land. Audit further observed that a third company (say Purchaser-3) sold the said land for a consideration of ₹ 2.14 crore to another purchaser (say Purchaser-4) in December 2018 and thereafter the Purchaser-4 sold the land to another purchaser (say Purchaser-5) for a consideration of ₹ 2.25 crore in March 2021. As per the approved mutation entries in the land records, none of the purchasers had obtained any permission from the District Collector for subsequent sale of the agricultural land which was purchased by the Purchaser-1 for *bona fide* industrial use. Moreover, as per mutation entry number 6,294 dated 09 March 2021 (regarding sale transaction between Purchaser-4 and Purchaser-5) the land was open and not put to industrial use even after lapse of over nine years since grant of permission to Purchaser-2 for industrial use of the land. This not only indicated lack of monitoring on the part of the district revenue authorities but also attracted minimum, penalty of ₹ 1.26 crore (being 60 *per cent* of the market value of ₹ 2.10 crore of the land as per *Jantri* rate of ₹ 355 per sq. m.).

On this being pointed out, the District Collector, Anand stated (September 2024) that encumbrance entries have been made in revenue records of this land. Further status was awaited (March 2025).

(C) Non-levy of Penalty on Demerger/ Amalgamation of the company

As per Section 63AA (4A) of the GTAL Act (w.e.f. 21 August 2020), in case of transfer of land, purchased for *bona fide* industrial use, owing to merger, amalgamation, joint venture, subsidiary company, group company and associate company, conversion of partnership in the company and *vice versa* or into limited liability partnership, change in partners; the Collector shall grant permission for transfer of such land after charging of 10 *per cent* of the market value as per prevailing *Jantri* rates. Similar provision in cases of agriculture land purchased for setting up of Industrial Park (*bona fide* industrial purpose) were inserted under Section 63AA (4B) of the Act w.e.f. 29 August 2019.

During audit of the office of the District Collector, Vadodara for the period 2018-19 to 2020-21 and District Collector, Panchmahal for the period 2018-19 to 2022-23, Audit noticed (October 2021/ February 2024) in case of four companies that after issuance (between November 2007 and March 2020) of the permission for *bona fide* industrial use under the GTAL Act, assets and liabilities including the agricultural land purchased for the *bona fide* industrial purpose, had been transferred to the transferee company by virtue of demerger/ amalgamation (between August 2018 and May 2022). The office of the Superintendent of Stamps, Gandhinagar had also recovered applicable Stamp

Duty on such demerger/ amalgamation. Audit further noticed from the revenue records that the corresponding mutation entries were made (between December 2020 and February 2023) in the revenue records by the jurisdictional Mamlatdar without obtaining the approval of the Collector concerned. In these cases, the Collector concerned was required to levy penalty at the rate of 10 *per cent* of the market value of the land as per the prevailing *Jantri* before recording the mutation entries in the land records. This resulted in non-levy of penalty of ₹ 1.57 crore (**Appendix VI**).

On this being pointed out, the Deputy Collector (Land Reforms), Vadodara stated (June 2024) that in all these three cases, demerger/amalgamation orders for transfer of land to the new company were passed by the NCLT prior (between August 2018 and February 2020) to the amendment (21 August 2020) in sub-section 4A of Section 63 AA of the GTALA. Thus, in these cases the amended provisions could not be applied. The Collector, Panchmahal stated (March 2025) that the encumbrance entries have been made in revenue records of this land. Further status was awaited (March 2025).

The reply of the Deputy Collector, Vadodara is not acceptable as in these cases mutation entries for transfer of land ownership had taken place after the amendment in August 2020 on payment of prescribed Stamp Duty. Therefore, in these cases the original purchaser company was liable to pay penalty in the form of premium at the rate of 10 *per cent* of the market value as per prevailing *Jantri*.

The above matters have been reported to the Department between October 2021 and June/ December 2024. Reminders were issued in February 2025. The reply/status in the cases except incorporated above was awaited (March 2025).

3.5 Short levy of Premium in cases where non-agricultural permissions were given for multipurpose use

Premium of ₹ 28.79 crore in 210 cases leviable under Section 43 of the Gujarat Tenancy and Agricultural Lands Act 1948 read with different GR and guidelines issued from time to time was short levied in cases of conversion of agricultural land under ‘new and restricted tenure’ to ‘old tenure’ for multipurpose.

As per the Government Resolutions (GRs)³⁷ issued under Section 43 of the Gujarat Tenancy and Agricultural Lands Act 1948 in case of conversion of agricultural land under ‘new and restricted tenure’ to ‘old tenure’ for various non-agriculture purposes such as residential, industrial and commercial, premium at the prescribed rates is required to be recovered by the District Collector concerned.

The rate of premium prescribed (GR dated 03 May 2011) is 25/ 40 *per cent* of the market value of the land for agriculture/ non-agricultural (NA) purpose which is to be determined in accordance with the *Jantri* rates and subject to the conditions prescribed therein. Further, the GR dated 04 July 2008 clarified that

³⁷ Dated 13 July 1983 read with the Resolution No NSJ-102006-571-J (Part 2) dated 04 July 2008.

in rural areas, the *Jantri* rate should be adopted depending upon the purpose of non-agriculture use, *i.e.* residential/ industrial/ commercial, as the case may be, while in urban areas, rate of 'open plot' should be adopted for all non-agricultural purposes. Further, the Superintendent of Stamps (SS) instructed (30 April 2011) all Deputy Collectors (Stamp Duty Valuation Office)/ Sub-Registrars that if any city survey/ Block/ revenue survey number of urban or rural areas, as the case may be, is missing in the *Jantri*, then the market value of the land shall be determined based on the rates of the adjacent survey/ Block numbers available in the *Jantri* for the grid/ value zone map in which the missing city survey/ Block/ revenue survey number is falling.

The Gujarat Land Revenue (Amendment) Bill, 2016 introduced a clause of 'multipurpose NA' which allowed occupants to use their NA land for any purpose of their choice without applying for a new NA certificate every time they change the purpose. Keeping in view the permissions granted for multipurpose NA use in case of change in tenure of land for NA 'multipurpose use', and for arriving at the applicable premium, a Circular³⁸ dated 07 March 2019 instructed to apply *Jantri* rates of 'open plot' in urban areas and *Jantri* rates of 'residential' in rural areas. It was further clarified that if the rate of developed land is not available in the *Jantri* in any particular case, opinion of the Deputy Collector (SDVO) concerned is to be obtained. Subsequently, the Revenue Department, in continuation of the Circular dated 07 March 2019, clarified (22 October 2019) to all District Collectors that in case of change in tenure for NA 'multipurpose use', premium would be leviable at highest *Jantri* rate of the particular Survey No./ village. A rectification Circular of even number dated 22 May 2020 was also issued in this regard.

During test-check of records of the 18 District Collector offices³⁹ and Office of the Commissioner of Land Reforms and Ex-officio Secretary, Revenue Department, Gandhinagar for the period from 2016-17 to 2022-23, Audit noticed⁴⁰ that in 210 cases of 'change in tenure' of land measuring 24.27 lakh sq. m., the District Collector had levied and recovered premium at 'residential/ industrial/ commercial/ open plot' rates available in the *Jantri*. However, subsequently in these cases, the Collector gave NA permission for 'multipurpose use' or did not mention any specific purpose.

As per the clarification and rectification Circular issued by the Revenue Department, the Collector was required to levy premium in these cases at the highest *Jantri* rate of the particular Survey No./ village. The observations in detail have been narrated in **Appendix VII**. In these cases, the Department was required to levy premium price amounting to ₹ 88.94 crore, but levied premium price amounting to ₹ 60.15 crore only. The non-compliance with the above instructions of the Revenue Department resulted in short levy of premium of ₹ 28.79 crore in these 210 cases.

³⁸ Para no.15 of Circular No. NSJ/102006/571/J (part-2) dated 7.3.2019 (w.r.t. introduction of iORA).

³⁹ Amreli, Anand, Aravalli, Bharuch, Botad, Dahod, Gandhinagar, Godhra, Kachchh, Kheda, Mahisagar, Mehsana, Morbi, Patan, Rajkot, Surendranagar, Tapi, Vadodara.

⁴⁰ Between October 2021 and April 2024.

The matter was reported to the Department between October 2021 to April 2024. Reminders for replies were issued in August 2024/ November 2024/ February 2025. The reply/ status in the cases except incorporated in **Appendix VII** was awaited (May 2025).

3.6 Non/ short levy of Premium

Premium of ₹ 19.35 crore in 161 cases was non/ short levied in cases of conversion of agricultural land under ‘new and restricted tenure’ to ‘old tenure’ for different non-agricultural purposes.

As per the Government of Gujarat, Revenue Department Resolutions⁴¹ issued under Section 43 of the Gujarat Tenancy and Agricultural Lands Act, 1948 (the Tenancy Act) in case of conversion⁴² of land under ‘new and restricted tenure’ to ‘old tenure’, premium at the prescribed rates is required to be recovered by the Collector concerned. Further, Government Resolution (GR) dated 03 May 2011 prescribed the rate of premium as 25/ 40 *per cent* of the market value of the property for agriculture/ non-agricultural (NA) purpose, respectively. The market value of the property is to be determined in accordance with the *Jantri*⁴³ rates and subject to the conditions prescribed therein.

During scrutiny of records of 20 Collector offices⁴⁴ and Office of the Commissioner of Land Reforms and Ex-officio Secretary, Revenue Department, Gandhinagar for the period from 2016-17 to 2022-23, Audit noticed⁴⁵ that in 161 cases of ‘change of tenure’ of land, measuring 25.13 lakh sq. m. and valued at ₹ 163.18 crore for agricultural or various non-agricultural purposes, the Department had adopted incorrect *Jantri* rates for levy of premium as shown below. The observations in detail have been narrated in **Appendix VIII**, and briefly, are summed up as under:

- a. In case of NA permission for ‘multipurpose’ use, premium is required to be paid at the highest *Jantri* rate for the village/ survey number.

In 14 cases, permissions have been granted for multipurpose use, but highest non-agricultural rates available in *Jantri* have not been adopted for levy of premium.

This resulted in short levy of premium to the tune of ₹ 6.61 crore.

- b. If any city survey/ Block/ revenue survey number of urban or rural areas is missing in the *Jantri*, then the market value of the property shall be determined based on the rates of the adjacent survey/ Block numbers

⁴¹ Dated 13 July 1983 read with the Resolution No NSJ-102006-571-J (Part 2) dated 04 July 2008.

⁴² ‘New and restricted’ tenure land means the tenure of occupancy of the land which is non-transferrable and impartible without the prior approval of the District Authority whereas ‘old’ tenure land means land free of all restrictions of transfer but subject to permitted purpose of usage of land.

⁴³ Annual Statement of Rates (ASR) issued by the Government showing the rates for the purpose of determination of value of immovable properties and levy of Stamp Duty.

⁴⁴ Ahmedabad, Amreli, Bharuch, Chhota Udepur, Dahod, Gir-Somnath, Godhra, Himatnagar, Kachchh, Kheda, Mahisagar, Mehsana, Morbi, Navsari, Palanpur, Patan, Rajkot, Surendranagar, Vadodara and Valsad.

⁴⁵ Between October 2021 and April 2024.

available in the *Jantri* for the grid/ value zone map in which the missing city survey/ Block/ revenue survey number is falling.

In 103 cases, the rates of the survey/ Block numbers were missing in the *Jantri* 2011. However, instead of following the codal provision as above, the Collectors adopted rates prescribed for the survey/ Block numbers in previous *Jantri* 2006, or rates arrived at two/ three/ four times of the agricultural rate of the same survey number of the property for residential/ industrial/ commercial purposes respectively.

This resulted in short levy of premium to the tune of ₹ 9.69 crore.

- c. In the case of conversion of land under 'new and restricted tenure' to 'old tenure' for residential/ industrial/ commercial purposes, where the rate for the survey number is not prescribed in the *Jantri*, two/ three/ four times of the agricultural rate of the same survey number of the property respectively should be considered for the purpose of levy of premium. The rates so arrived should not be less than the rates provided in the previous *Jantri* effective from 01 April 2008 to 31 March 2011. Further Department *vide* GR of 30 December 2011 clarified that in case of availability of both *piyat* (irrigated land) and *bin-piyat* (non-irrigated) agricultural rates in *Jantri*, the higher rate should be considered for calculation of market value for non-agricultural purposes.

Out of three cases, in two cases, the Collector adopted (in August 2020) *Jantri* rates arrived at two/ three/ four times of the agricultural rate of the same survey number of the property for residential/ industrial/ commercial purposes respectively. However, these rates were lower than the rates prescribed in the previous *Jantri* effective upto 31 March 2011. In one case of change of tenure for multipurpose use, the Commissioner of Land Reforms and Ex-officio Secretary, Gandhinagar adopted *Jantri* rates arrived at by adopting four times of *piyat* rates instead of *bin-piyat* rates, which were higher, for levy of premium price.

This resulted in short levy of premium to the tune of ₹ 0.23 crore.

- d. Premium for conversion of agricultural land in urban areas under 'new and restricted tenure' to 'old tenure' for any non-agricultural use shall be charged based on the 'open plot rates' provided in the *Jantri* effective from 18 April 2011.

In one case of change of tenure for industrial purpose, the Collector adopted the *Jantri* rates applicable for 'open plot (industrial)' which was lower in comparison to the 'open plot' rates.

This resulted in short levy of premium to the tune of ₹ 0.06 crore.

- e. In 40 cases of change of tenure for various purposes, premium was either not levied or short levied due to adoption of incorrect *Jantri* rates.

This resulted in non/short levy of premium to the tune of ₹ 2.76 crore.

Thus, in the above-mentioned 161 cases, the Department was required to levy premium of ₹ 64.58 crore. However, the Department levied premium of ₹ 45.23 crore only which resulted in non/short levy of premium price of ₹ 19.35 crore.

The matter was reported to the Department at various points of time between October 2021 to April 2024. Reminders for replies were issued in August 2024/ November 2024/ February 2025. Their reply/ status was awaited except in the cases wherever included (March 2025).

3.7 Non/ short levy of Service Charge

Service Charge of ₹ 1.98 crore in 49 cases was non/ short levied from the applicants in allotment of Government land.

As per the Revenue Department Resolution dated 22 May 2018 read with Resolution dated 26 April 2011 and Resolution dated 28 April 2015, the applicant at the time of applying for allotment of Government land is required to pay non-refundable Service Charge at the rate of one *per cent* of the market value of the land as per prevailing *Jantri* rates. The application shall only be processed if the applicant pays the applicable Service Charge with his application. In case of allotment of land for commercial or industrial purpose to Boards/ Corporations, Service Charge shall be recovered at the time of issuance of final order of allotment.

During test-check of records of the office of the Additional Chief Secretary, Revenue Department, Gandhinagar and four District Collector offices⁴⁶ for the period from 2016-17 to 2022-23, Audit noticed⁴⁷ that the Department/ Collector had allotted Government land in 49 cases, measuring 109.38 lakh sq. m. and valued at ₹ 274.15 crore, to various applicants, including Boards and Corporations. In these cases, the Department did not levy and recover Service Charge at prescribed rates before processing of applications/ at the time of issuance of final orders (in case of Boards/ Corporations) for allotment of land. The Department was required to levy Service Charge of ₹ 274.15 lakh but recovered Service Charge of ₹ 75.94 lakh only. This resulted in non/ short levy of Service Charge of ₹ 1.98 crore in 49 cases as shown in **Table 3.3**. The observations in details have been narrated in **Appendix IX**.

Table 3.3: Short levy of Service Charge

Sl. No.	Name of Offices	No. of Cases	Short Levy (₹ in lakh)
1	Additional Chief Secretary, Revenue Department, Gandhinagar	3	16.47
2	District Collector, Kachchh-Bhuj	28	32.26
3	District Collector, Surendranagar	15	75.80
4	District Collector, Ahmedabad	2	64.07

⁴⁶ Ahmedabad, Amreli, Kachchh and Surendranagar.

⁴⁷ Between May 2022 to February 2024.

Sl. No.	Name of Offices	No. of Cases	Short Levy (₹ in lakh)
5	District Collector, Amreli	1	9.62

The matter was reported to the Department between May 2022 to February 2024. Reminders for replies were issued in August 2024/ November 2024/ February 2025. The reply in cases except incorporated in **Appendix IX** was awaited (February 2025).

3.8 Short levy of Occupancy Price on allotment of Government land

The Occupancy Price of ₹ 48.72 crore in three cases was short levied due to non-compliance of prescribed valuation procedure to determine the market value of Government land allotted to different applicants.

The Revenue Department, Government of Gujarat (GoG) is empowered – by means of various Government Resolutions (GRs) to allot Government/ *Gauchar* land to different interested entities by charging applicable Occupancy Price as per the GRs concerned. In case value of the land exceeds ₹ one crore, prior approval of the State Cabinet is required before issuance of the order of allotment of Government land.

The Guidelines for the valuation of Government land (issued *vide* GR dated 11 September 2018) prescribes for considering a minimum of 10/ 7/ 3 sale deeds (for area greater than 10,000 sq. m./ between 3,000 sq. m. and 10,000 sq. m./ less than 3,000 sq. m., respectively) executed within the past one year in respect of survey numbers falling within one km. of the Government land under consideration for allotment. The Guidelines further prescribe for incrementing (one *per cent* for a month or part thereof (greater than 15 days)) the value of the land considered for valuation, for the period elapsed since the date of sale of such land and date of valuation of the Government land. Further, an incremental factor of 100 or 200 *per cent* is to be added in the base value arrived on the basis of sale deed of the survey number considered for the valuation if such survey number falls under Draft Town Planning Scheme (DTPS) which had been submitted to the Government for approval or the DTPS has been approved respectively.

During audit of the office of the Additional Chief Secretary (ACS), Revenue Department, Government of Gujarat (GoG), Gandhinagar for the period 2019-20 to 2022-23, Audit noticed⁴⁸ that in three cases of allotment of Government land, required incremental factors were not added to the base value to arrive at final market value of lands by District Level Valuation Committee (DLVC)/ State Level Valuation Committee (SLVC) which resulted in short levy of Occupancy Price of ₹ 48.72 crore as follows:

⁴⁸ Between August 2021 and July 2023.

a. City Survey No. 3451 (Revenue Survey No. 1829) Village, Taluka and District: Mehsana (Area: 10,024.37 sq. m.)

The Department allotted (October 2020) Government land after recovery of Occupancy Price of ₹ 23.32 crore. The SLVC fixed (July 2020) the rate of ₹ 23,266 per sq. m. by considering 11 comparable sale deeds. However, on scrutiny of the valuation sheet, Audit observed that the incremental factor⁴⁹ for time elapsed from the date of sale deed (of the land considered for valuation) to the date of valuation (of Government land) was not taken into account for all the 11 sale deeds considered for the purpose of valuation. This resulted in short levy of Occupancy Price of ₹ 1.78 crore.

b. Survey No. 206 paiki Village-Jaswantpur, Taluka-Lodhika, District: Rajkot (Area: 40,000 sq. m.)

The Department allotted (February 2023) the land on recovery of Occupancy Price of ₹ 52.40 crore (based on rate of ₹ 13,100 per sq. m. decided by the SLVC). Incidentally, out of the 10 survey numbers considered for valuation by the SLVC (in September 2022), three survey numbers (sale deeds executed in June 2021 and March 2022) fell under DTSPS proposed in May 2021. Thus, incremental factor of 100 *per cent* was required to be added in the base value of these three survey numbers, which was not done by the SLVC. Thus, the land was incorrectly valued at ₹ 13,100 per sq. m. instead of correct valuation of ₹ 18,956 per sq. m. The incorrect valuation resulted in short levy of Occupancy Price of ₹ 23.42 crore.

c. Survey No. 285 (Old survey no. 136) Village-Sughad, Taluka and District: Gandhinagar (Area: 6,000 sq. m.)

The Department allotted (October 2022) land on recovery of Occupancy Price of ₹ 30.26 crore (based on rate of ₹ 50,435 per sq. m. decided by the SLVC). Incidentally, out of the 11 survey numbers considered for valuation by the SLVC (in December 2020), 10 survey numbers (sale deeds executed between April 2018 and April 2019) fell under DTSPS proposed in May 2021. Thus, incremental factor of 100/ 200 *per cent*, as the case may be, was required to be added in the base value of these 10 survey numbers, which was not done by the SLVC. Thus, the land was incorrectly valued at ₹ 50,435 per sq. m. instead of correct valuation of ₹ 89,638 per sq. m. This incorrect valuation resulted in short levy of Occupancy Price of ₹ 23.52 crore.

On this being pointed out, the Department stated (September 2023) that incremental factor of 150 *per cent* was added in the base value for the land falling under urban area.

Reply of the Department is not convincing as in accordance with the provision of GR dated 11 September 2018 *ibid*, the incremental factor for urban area stated in the reply was required to be added to the land value arrived at after considering the incremental factor for DTSPS aspect. However, the incremental

⁴⁹ Incrementing the value of the land considered for valuation by one *per cent* for a month or part thereof (greater than 15 days) for the period elapsed since the date of sale of such land and date of valuation of the Government land.

factor for DTPS aspect was not considered in the base value of the survey numbers which resulted in under valuation of the land and subsequent short recovery of Occupancy Price.

The matter was reported to the Department between August 2021 and July 2023. Reminders for replies were issued in August 2024/February 2025. The reply was awaited (February 2025).

Roads and Buildings Department

3.9 Time and cost escalation due to delayed land acquisition

The R&B Division did not ensure availability of land for the work before issuing the work order. The subsequent delays in land acquisition resulted in cost escalation of ₹ 15.22 crore in two cases.

As per Paragraph 232 of the Gujarat Public Works Manual, work can be commenced on land only after the complete possession of the said land with due transfer of title⁵⁰. Further, as per condition 10 of Clause 59A (4) of the Contract Agreement⁵¹, the difference (price variation) shall be payable to the contractor for the asphalt consumed in work executed during original and extended time limit if the time limit has been extended for reasons of delay attributable to the Department.

During audit of the Roads and Buildings (R&B) Division, Valsad (Division), for the period April 2017 to March 2022, Audit observed (March 2023) that the R&B Department (Department) had accorded (between October 2015 and July 2020) Administrative Approval (AA) for construction of 13 Railway Over Bridges (ROBs). After due tender process, the Division issued (between January 2017 and October 2021) work orders for the construction of these 13 ROBs with stipulated work completion dates between July 2018 and April 2023.

However, as of March 2023, only one ROB could be constructed (March 2022) with a delay of 44 months from the stipulated completion timeline of July 2018 while the remaining 12 ROBs were under construction with the time overrun ranging from four months to 50 months. Audit analysed the reasons for delay in the construction of ROBs and observed that the delay was mainly attributable to non-acquisition/ delay in acquisition of required land, changes in design, *etc.* as detailed below:

- In Work No. 1, the delay in land acquisition resulted in cost escalation of ₹ 14.30 crore;
- In the completed Work No. 2, the delay in land acquisition resulted in minimum cost escalation of ₹ 91.94 lakh;

⁵⁰ Paragraph 232 of the Gujarat Public Works Manual states that 'no work should be commenced on land which has not been duly made over by the responsible civil officer. When tenders for works are accepted but the land required for the purpose is still to be acquired the time that should be allowed for the acquisition of the land should be ascertained from the Collectors concerned before orders to commence the works are issued.

⁵¹ Pertaining to payment of price variation for cement/ steel and asphalt brought by the contractor.

- In case of the other 11 test-checked ROBs, under construction, five ROBs had been completed subsequently at a cost of ₹ 275.37 crore against the Tendered Cost (TC) of ₹ 229.27 crore while construction of the remaining six ROBs was under progress (as of October 2025).

Work No.1 concerns the construction of ROB in lieu of Railway Level Crossing (LC) 81 between railway stations Udvada and Vapi⁵². The Division had issued (December 2017) the work order to the L1 bidder (the original Contractor) even before the Revenue Department initiated (January 2018) the land acquisition process by appointing the Land Acquisition Officer (LAO). In fact, the land was finally acquired through the awards declared⁵³ (October 2020 and September 2021) only after the stipulated date of completion of the work (21 June 2019). The chronology is detailed in **Appendix X**.

The tender cost of the work was ₹ 39.67 crore, of which the Division made a payment of ₹ 8.24 crore to the Contractor up to April 2022 for the works⁵⁴ executed. Since land was not provided for work execution within the period of contract resulting in increase in the cost of materials, the Contractor requested the Division 15 times (between February 2018 and October 2021) to foreclose the contract without any liquidated damages or penalty and also asked to pay 15 *per cent* of the contract value towards loss of profit as compensation⁵⁵. The Department accorded (November 2022) approval for relieving the Contractor from the work without any penalty. Meanwhile, the Division invited (September 2022) fresh tenders for the remaining work. A work order was issued (January 2023) to the new L1 bidder with a tender cost of ₹ 45.73 crore and the stipulated date for completion of work as October 2023.

Therefore, not ensuring the availability of land for the work before issuance of the work order, and the subsequent delay in land acquisition resulted in a cost escalation of ₹ 14.30 crore⁵⁶ for the remaining part of the work.

Work No. 2 concerns the construction of the ROB in lieu of LC-88 between railway stations Paradi and Udvada⁵⁷. The Division had issued (January 2017) the work order with a stipulated completion date of 20 July 2018. However, the Division requested the District Collectorate to acquire the required land only in March 2018, *i.e.*, 14 months after the issuance of the work order. Land aggregating to 3,252 sq. m. was then acquired in October 2020 (1,336 sq. m.) and August 2021 (1,916 sq. m.). As a result, work was completed in March 2022, after a delay of 44 months from the stipulated deadline.

⁵² ROB was proposed on the Balitha-Daman Road to National Highway 8. The LC falls enroute the Dedicated Freight Corridor and faces high traffic congestion.

⁵³ Land aggregating to only 23,600 sq. m. of the total 25,208 sq. m. was acquired, leaving 1,608 sq. m. to be acquired as of March 2023.

⁵⁴ Excavation, providing and filling in foundation, construction of reinforced earth retaining wall, and other related cement and steel works.

⁵⁵ Under the provisions of the Indian Contract Act.

⁵⁶ ₹ 45.73 crore minus ₹ 31.43 crore (original tendered cost of ₹ 39.67 crore minus payment of ₹ 8.24 crore made to the Contractor).

⁵⁷ On the road from Motivada to National Highway No. 8E.

The Star Rate⁵⁸ for Asphalt was specified as ₹ 28,160 per Metric Ton (MT) in the tender. Since, the work could not be completed within the initially stipulated date of completion (July 2018) due to delay in land acquisition, as per the contract agreement the Division was under obligation to pay the price variation for the Asphalt brought by the Contractor during the extended time limit. Accordingly, the Division through Running Account Bill paid (March 2022) price variation of ₹ 1.14 crore⁵⁹ at the rates of ₹ 60,359.36 per MT and ₹ 61,952.36 per MT as per the Indian Oil Corporation Limited (IOCL) Refinery prices for the total quantity of 345.44 MT of Asphalt brought (March 2022) by the Contractor.

Audit observed that the rate per MT of Asphalt during the original contract period varied between ₹ 28,013 (August 2017) and ₹ 34,515 (December 2017). If the work was completed within the stipulated timeline, the Division would have been required to pay only a maximum price variation of ₹ 21.95 lakh⁶⁰.

Therefore, the delay in acquisition of land, and the consequent delay in completion of work, led to cost escalation of at least ₹ 91.94 lakh⁶¹.

The Division stated (March 2023 and March 2025) that the work orders for both Work No.1 and Work No. 2 were issued in anticipation of land acquisition within the work order validity period. However, land acquisition got delayed due to the delay in land measurement, final award by the Land Acquisition Officer and the COVID-19 pandemic. The Division further stated that if they had waited for 100 *per cent* land acquisition, both projects would have been delayed by two to three years with consequent increase in cost as a result of the revision of the SOR. As of March 2025, the Division informed that 95 *per cent* of the work has been completed in Work No.1 and the ROB has been opened for traffic.

The Division's reply is not acceptable, as the State Government had granted in-principle approval in October 2015, but the Division initiated the land acquisition process only in September 2017 and March 2018. Further, the Gujarat Public Works Manual requires full land possession before work commencement.

The matter was brought to the notice of the R&B Department in January and February 2025. Their response was awaited (May 2025).

Recommendation: The Department may ensure that the land acquisition process for works is initiated soon after the Administrative Approval and Technical Sanction, and work orders are issued by the respective Divisions only after acquisition of the required land. The Department may also establish

⁵⁸ The Star Rate is the rate of an item during the month in which draft tender papers are approved. It is specified in the tender and used for calculation of adjustment of price variation.

⁵⁹ [(178.56 MT multiplied by ₹ 60,359.36 per MT) plus (166.88 MT multiplied by ₹ 61,952.36 per MT)] minus (345.44 MT multiplied by ₹ 28,160 per MT).

⁶⁰ 345.44 MT multiplied by (₹ 34,515 minus ₹ 28,160).

⁶¹ Price variation paid of ₹ 1,13,88,787 minus maximum price variation liability (in case of completion of work within stipulated timeline) of ₹ 21,95,271.

a mechanism to ensure coordination with the Revenue Department to streamline the land acquisition process.

3.10 Recovery of credit for dismantled material

Despite incorporating provisions for recovery of credit for dismantled material in the estimates/ tender document/ contract agreement, the R&B Divisions did not recover an amount of ₹ 1.07 crore from the payments made to the Contractors in five cases.

The Roads and Buildings (R&B) Department, Government of Gujarat (GoG) instructed (June 2018) the R&B Divisions to take credit for dismantled material in the estimates of works of construction of bridges/ roads and cross-drainage at the rate of 70 *per cent* of the total material used in the diversions of these works.

Accordingly, the Divisions are to make provisions for the credit of usable materials to be recovered from dismantling of road diversion related to the works in the estimates and tender agreements. Further, in case of electrical works, the Divisions have to ascertain the total amount of the dismantled items and incorporate the condition for the dismantle credit in the estimates of the work.

Audit observed (between April 2023 and February 2024) that in five works⁶² across four R&B Divisions⁶³, though the Divisions concerned incorporated necessary provisions for recovery of credit for dismantled material worth ₹ 1.07 crore in the estimates/ tender document/ contract agreement but did not actually recover the applicable amount.

Thus, there was non-recovery of credit for dismantled material amounting to ₹ 1.07 crore across these four R&B Divisions.

Audit observed similar issues of non-recovery of credit for dismantled material of ₹ 1.89 crore in 14 other works of six Divisions⁶⁴. In these cases, the Division concerned recovered the amount after being pointed out by Audit. In respect of the five works involving credit for dismantled material amounting to ₹ 1.07 crore, as mentioned above, the Divisions concerned accepted (February 2025) the observations and agreed to recover the applicable amounts.

Further reply regarding latest status of recovery was awaited (May 2025).

Thus, the issue had been observed across nine Divisions of the R&B Department, which constitutes 15.52 *per cent* of the total 58 R&B Divisions under the R&B Department, GoG. The non-recovery of the credit for dismantled material has been a recurrent issue across R&B Divisions and the amounts were

⁶² Four works of widening and strengthening or resurfacing of road and one electrical work.

⁶³ (i) R&B Division, Bharuch (ii) R&B Division, Mehsana (iii) R&B Division, Modasa, and (iv), Capital Electrical Project Division, Gandhinagar.

⁶⁴ (i) R&B Division, Anand, (ii) Capital Project Division No. 2, Gandhinagar, (iii) R&B Division, Tapi-Vyara, (iv) R&B Division, Vadodara, and (v) Capital Electrical Division, Gandhinagar, and (vi) Electrical R&B Division, Rajkot.

being recovered only after being pointed out by Audit. The same has been observed on multiple occasions in the past and observations have been suitably issued through Inspection Reports too.

The irregularities in the recovery of credit for dismantled material in the execution of works indicate deficiencies in the internal control mechanism of the Department. Therefore, possibility of similar irregularities in other cases, not checked by Audit, cannot be ruled out and the Department is required to look into the matter.

The matter was brought to the notice of the R&B Department in January and February 2025. Their response was awaited (May 2025).

Home Department

3.11 Wasteful expenditure and cost escalation due to commencement of construction without ascertaining title of the land or obtaining required permission

The GSPHCL did not either ascertain the title of the land or obtain the required permission before commencing execution of work. Consequently, the works had to be stopped midway in three cases resulting in wasteful expenditure of ₹ 7.81 crore and cost escalation of ₹ 5.27 crore.

Paragraph 154 of the Gujarat Public Works Manual directs that the site of every building should, if possible, be definitely settled before the detailed designs and estimates are signed. Further, Paragraph 155 of the Manual *ibid* mandates consultation with local authorities regarding the convenience of the site in all cases.

If the works are intended to be undertaken in the neighbourhood of a cantonment, then as per Paragraph 155 of the Gujarat Public Works Manual aforesaid, they need to be referred to the local Military Works Officer and the Defence Ministry's concurrence is to be obtained⁶⁵. If the construction or repair works are undertaken in the regulated area⁶⁶ of a protected monument⁶⁷ or archaeological remains, then prior permission from the competent authority of the Archaeological Survey of India (ASI) needs to be obtained, as per Section 20C of the Ancient Monuments and Archaeological Sites and Remains Act 1958 (AMASR Act).

⁶⁵ Paragraph 155 of the Gujarat Public Works Manual states that, 'in the case of works or buildings which are intended to be erected in the neighbourhood of any fort or cantonment the matter should, in the first instance, be referred to the local Military Works Officer for an expression of his opinion from a military point of view and then submitted to the Central Government in the Defence Department for concurrence, and when such concurrence has been obtained, no deviation is permissible without previous reference to that department.'

⁶⁶ As per Section 20B of the Ancient Monuments and Archaeological Sites and Remains Act 1958 (AMASR Act), the area extending to a distance of 200 meters from the limit of the prohibited area of 100 meters around the ancient monument and archaeological site/ remains, declared as of national importance, shall be a regulated area.

⁶⁷ As per Section 2(j) of the AMASR Act 'protected monument' means an ancient monument which is declared to be of national importance by or under the Act.

During audit of the Gujarat State Police Housing Corporation Limited (GSPHCL) for the period April 2021 to March 2023, Audit noticed (August/September 2023) that:

- In two cases, GSPHCL did not ascertain the title of the land before commencing work execution, and
- In one case, GSPHCL did not obtain the required permission before commencing work execution.

Consequently, the works had to be stopped midway in these three cases, with the contracts terminated in two (Work Nos. 1 and 3), as mentioned in the table below. This resulted in wasteful expenditure of ₹ 7.81 crore and cost escalation of ₹ 5.27 crore.

Wasteful expenditure in Work No.1 and 2

The details of the works are given below:

Table 3.4: Details of cases of wasteful expenditure

Work No.	Name of the work	Date of work order/ Date of stopping the work/ Date of official termination of the work order	Expenditure incurred at the time of stopping the work (₹ in crore)
1	Construction of IPS Mess at Dafnala, Shahi Baug, Ahmedabad at a cost of ₹ 3.97 crore.	16 December 2019/ 10 January 2021/ 19 October 2022	1.44
2	Construction of Police Staff Quarters (PSQs) at Pratap Nagar, Vadodara, at a cost of ₹ 117.99 crore ⁶⁸ .	10 May 2019 and 06 February 2020/ 10 March 2021/ <i>Status of termination of the work order has not been furnished by GSPHCL (February 2025). However, GSPHCL had planned to issue fresh tender.</i>	6.37

In Work No. 1, GSPHCL had erected the structural foundation for the proposed Indian Police Service Mess building on a total area of 1,222 sq. m., which was Defence land belonging to the Ahmedabad Cantonment. This land parcel was part of the land allotted by the Cantonment to the Ahmedabad Municipal Corporation (AMC). Hence, neither GSPHCL nor the Government of Gujarat (GoG) had any title for the said land.

⁶⁸ PSQs Category B-156 (P+13) at a cost of ₹ 24.43 crore and Category B-480 (P+12) at a cost of ₹ 93.56 crore.

Thus, the Defence Estate Officer (DEO), Ahmedabad stopped (January 2021) the work given that the structural foundation for the building fell within the boundary of Defence land. Later, the work order was terminated (October 2022) leading to wasteful expenditure of ₹ 1.44 crore. The construction of the mess remains to be undertaken as of September 2023.

GSPHCL replied (September 2023 and February 2025) that the work was commenced as per the verbal permission granted by the Director General of Police (DGP) during a site visit in December 2019 and that there was no official intimation from the Office of the DGP to GSPHCL for commencement of the work. Scrutiny of records in Audit also confirmed the fact stated in the reply that no documentary evidence of any official intimation from the office of the DGP was available. The GSPHCL further stated that the details of land titles and ownership for the land involved in the works assigned to GSPHCL are usually maintained by the beneficiary *i.e.* the Department for whom the GSPHCL undertakes the construction activity.

The reply of GSPHCL indicates that the works were being executed without official communication from the beneficiaries and proper scrutiny of the land title.

In Work No. 2, the site of four PSQ Blocks *i.e.* Block No. 3 to 6 (out of the total 13 Blocks⁶⁹) were within the regulated area of a protected monument⁷⁰. However, GSPHCL did not obtain prior permission from the Archaeological Survey of India (ASI) to carry out the construction work.

Thus, the Senior Conservation Assistant, Archeological Survey of India, Vadodara Sub-Circle stopped (March 2021) the work and GSPHCL applied (June 2021) for permission from the National Monument Authority (NMA), but the NMA rejected (July 2021) the application. At the time of stopping the work (March 2021), ₹ 6.37 crore of work concerning the four Blocks was executed. GSPHCL in its reply (February 2025) did not furnish the status of termination of the work order but stated that it planned to issue fresh tender. Thus, the incomplete work remains in abeyance.

If GSPHCL had ascertained the title and the details of the land before issue of work order, then they would have been able to identify that they had no authority to construct on Defence land and that the proximity to the protected monument would mean permission is to be sought from the competent authority. Thus, the expenditure of ₹ 7.81 crore remained wasteful with the works having to be stopped and kept in abeyance.

⁶⁹ Construction of Block No. 1 and 2 was completed in August 2022 while construction of the Block No. 7 to 13 was completed in January 2025.

⁷⁰ Hazira or Qutbuddin Mohammad Khan's Tomb, Danteshwar, Vadodara.

Issue of revised work order resulted in higher cost

The details of the work is given below:

Table 3.5: Details of case of higher cost

Work No.	Name of the work	Date of work order/ Date of stopping the work/ Date of official termination of the work order	Likely cost escalation (₹ in crore)
3	Construction of PSQs at Hathijan, Ahmedabad, at a cost of ₹ 16.21 crore.	28 September 2020/ 07 October 2020/ 09 September 2022	5.27

The estimated cost of Work No. 3 was ₹ 15.59 crore based on Schedule of Rates (SoR) 2015-16. GSPHCL issued the work order (September 2020) for a contract amount of ₹ 16.21 crore.

In August 2015, Original Plot (OP) No. 40 was allotted to the Home Department. Later, Ahmedabad Municipal Corporation (AMC) carried out (November 2018) a revised Town Planning (TP) exercise where OP No. 40 was carved into Final Plot (FP) No. 40. While carving out FP No.40, some parts of the OP No.40 were deducted towards roads and reserve/ public utility while certain portion was included in the FP No.39 (of private person).

AMC, while intimating (December 2018) the District Collector regarding the above changes, asked the local Police authorities to take possession of FP No. 40 on 18 December 2018. However, the Department took possession of the land comprising of new FP No.40 (as per the TP Scheme) in November 2020 after the work order was issued in September 2020. In the meantime, the contractor had initiated (October 2020) work in a portion of OP No. 40, a part of which now had become FP No. 39. However, on receipt of a complaint from the owner of the FP No. 39, AMC asked (October 2020) GSPHCL to stop the work. Accordingly, GSPHCL issued (April 2021) a revised work order but the contractor expressed (May and July 2022) his inability to execute the work at FP No. 40 due to changes in land conditions and plans.

GSPHCL terminated (September 2022) the contract and invited (December 2022) fresh bids for the work with an estimated cost of ₹ 20.03 crore based on SoR 2021-22. A fresh work order was issued (February 2023) with a contract amount of ₹ 23.35 crore. The work was in progress (January 2025).

If GSPHCL had ascertained the land title and the revised boundaries of their allotted land prior to issue of work order, the work order could have been issued for the correct land parcel or fresh bids invited in 2020 itself. Comparing the items included in the original and the new work orders, there is a cost escalation of ₹ 5.27 crore⁷¹ which could then have been avoided.

⁷¹ Considering the common items covered in both the estimates as per SoR 2015-16 and 2021-22 and premium of 16.60 per cent over and above the estimates as per SoR 2021-22 as accepted by the GSPHCL in the fresh tender issued in February 2023.

GSPHCL's mission is to become a support system for the Home Department for their housing and other construction needs, enhancing the quality of life of police personnel and thereby, the quality of public service delivery. However, in the above three cases, not only has there been wasteful expenditure and cost escalation, but the timely provisioning of necessary housing and mess to the personnel have been adversely affected due to the lack of adequate checks before commencing execution of work.

Audit is of the view that the GSPHCL cannot be absolved of the responsibility of ascertaining the necessary requirements for itself before initiating the work, as per Para 154 and 155 of the Gujarat Public Works Manual.

The matter was brought to the notice of the Home Department in December 2024 and February 2025. Their response was awaited (May 2025).

Recommendation: GSPHCL needs to ensure title clearance of land and obtain necessary permissions from various authorities concerned before floating tenders for works.

Science and Technology Department

3.12 Sub-optimal maintenance of Aquatics Gallery

The GCSC did not levy applicable penalty on the Contractor for instances of non-compliance to the terms and conditions of the contract regarding maintenance of the specified number of aquatic species, resulting in short levy of penalty of ₹ 7.11 crore.

Gujarat Council of Science City (GCSC)⁷², Ahmedabad, was established in 1999 with the objective of '*promoting and exhibiting interaction of science, technology, energy and environment with human life*'. The GCSC awarded (October 2017) Construction and Maintenance Contract (CMC) of 'Aquatics Gallery' to the Contractor⁷³. The scope of work *inter-alia* included maintenance services for the project⁷⁴ as set forth in Schedule 2 and in conformity with the Technical Specifications set forth in Schedule 3 of the CMC.

The total construction work including 68 tanks was completed at a cost of ₹ 257.51 crore and the gallery was opened for visitors in July 2021. The Contractor was bound by the CMC with respect to the following maintenance conditions:

- The maintenance period was 60 months with effect from July 2021;
- During the maintenance period, the Contractor was responsible for 100 *per cent* replacement of the deceased aquatic species within one month at own cost; and

⁷² A Society registered under the Society Registration Act 1860.

⁷³ Shapoorji Pallonji and Company Private Limited in consortium with Marinescape Limited, New Zealand.

⁷⁴ Including maintenance, feed, veterinary support of the Aquatic Species.

- During the maintenance period, at least 95 *per cent*⁷⁵ of exhibit tanks were to contain the specified number of aquatic species as per Schedule 3 of the CMC. If the prescribed threshold was not met, the Contractor would incur a penalty of one *per cent* of the monthly maintenance price⁷⁶ for each additional non-compliant tank for the duration of the default.

During audit of the GCSC for the period April 2018 to March 2023, it was observed (June 2023) that since the opening of the Aquatics Gallery, certain exhibit tanks had lesser aquatic species than the numbers prescribed for the individual tanks in the CMC. This deficit ranged between 23 tanks (July 2021) and 42 tanks (July 2022), constituting a shortfall ranging from 33.82 *per cent* to 61.76 *per cent*. In fact, five of the tanks⁷⁷ had no aquatic species for certain periods of time and 11 exhibit tanks⁷⁸ were such that the deficiency in prescribed aquatic species existed throughout the period from July 2021 to March 2023 (**Appendix XI**).

Further, Audit observed the following with respect to the replenishment of the species in the 68 tanks:

- In nine tanks⁷⁹ (13.24 *per cent* of the total), no replenishment was done at all, since the first instance of aquatic species going below the prescribed minimum.
- 51 tanks (75 *per cent* of the total) required replenishment as per the Contract in the audit period. Excluding the above nine, Audit analysed the number of months taken for replenishment after the first instance of default and found that the contractor took between two months and 18 months⁸⁰ for replenishment after the default was first noticed.

This reveals the delay in replenishment of the tanks with the stipulated species and required numbers as agreed upon in the CMC. The number of species in the 51 tanks in terms of *percentage* of stipulated aquatic species across the audit period has been shown in the Heat Map (**Appendix XII**).

This non-performance on the part of the Contractor attracted penalty of ₹ 7.12 crore⁸¹, calculated by Audit at prescribed rates as per the CMC (**Appendix XI**). However, the GCSC imposed a penalty of ₹ one lakh only for the deficit aquatic species in the month of October 2022. Thus, GCSC did not levy the applicable penalty on the Contractor for instances of non-compliance to the terms and conditions of the CMC.

⁷⁵ 64 tanks out of the total 68 tanks containing 196 different aquatic species.

⁷⁶ ₹ 1.06 crore per month (from July to November 2021) and ₹ 1.09 crore per month (from December 2021 onwards).

⁷⁷ (i) Tank No. 42 (Stone fish), (ii) 49 (Cuttlefish), (iii) 50 (Octopus), (iv) 55 (Moon Jellyfish), and (v) 56 (Spotted Jellyfish).

⁷⁸ Tank No. 1, 17, 20, 37, 39, 41, 51, 57, 59, 60, and 63.

⁷⁹ Tank No. 8, 17, 33, 36, 49, 56, 58, 61 and 67.

⁸⁰ Number of months taken for replenishment (Number of tanks): (i) Less than one (Nil), (ii) one to three (six), (iii) three to six (10), (iv) six to nine (12), (v) nine to twelve (five), (vi) More than 12 (nine).

⁸¹ From July to November 2021: ₹ 1,06,48,723 multiplied by one *per cent* multiplied by 126 tanks. From December 2021 to March 2023: ₹ 1,08,66,044 multiplied by one *per cent* multiplied by 532 tanks.

The GCSC stated (July 2023) that mortalities are common in the aquarium industry. It further stated that the Contractor had been replenishing the fishes against mortalities and many exotic and attractive additional species were introduced from time to time due to non-availability of the specified species.

The reply of the GCSC is not tenable because the Aquatics Gallery was required to be maintained as per its conceptual plan, and the terms and conditions of the CMC. Maintaining the required number of species was specified in the Contract Agreement and the penalty was a measure to enforce the same. The introduction of new species cannot justify non-compliance with the contractual obligations. Moreover, the replenishment has been inadequate, delayed and not in compliance with the Contract Agreement. The Terms and Conditions of the CMC were duly considered at the time of plan conception, and potential for mortalities was known, and same was agreed upon by both parties also.

Therefore, non-compliance with the CMC and delays in replenishment of tanks indicated laxity on the part of the GCSC in maintaining the Aquatics Gallery.

The matter was brought to the notice of the Science and Technology Department in January and February 2025. Their response was awaited (May 2025).

Energy and Petrochemicals Department

3.13 Short recovery of royalty and interest from Gujarat State Petroleum Corporation Limited and NIKO Resources Limited for Hazira field

The Joint Venture operating Hazira oilfield did not pay the GoG's share of royalty and interest as per the terms of Production Sharing Contract resulting in short recovery of royalty of ₹ 6.72 crore and interest of ₹ 36.52 crore.

The levy and collection of mining receipts from Petroleum and Natural Gas in the form of royalty, dead rent, surface rent, license fees and penalty, *etc.* are regulated under the Oilfields (Regulation and Development) (ORD) Act, 1948 and the Petroleum and Natural Gas (PNG) Rules, 1959 and the PNG Amendment Rules, 2003 made thereunder.

Rule 14(1)(a) of the PNG (Amendment) Rules, 2003 states that royalty shall be payable on monthly basis as may be provided for in the lease and shall be paid by the last day of the month succeeding the period in respect of which it is payable. Further, Rule 23 of the Rules *ibid*, states that all license fees, lease fees, royalties and other payments, if not paid to the Central Government or the State Government within the time specified for such payment, be increased by a penal rate of 200 basis points over the prime lending rate of State Bank India for the delayed period.

During audit of the Office of the Secretary, Energy and Petrochemicals Department (EPD), Government of Gujarat (GoG) for the period of April 2019 to March 2022, it was observed (May 2022) that Gujarat State

Petroleum Corporation Limited⁸² (GSPC) and NIKO Resources Limited⁸³ (NIKO) formed a Joint Venture (JV) (hereinafter referred as GSPC-NIKO JV) for gas production in Hazira field with 66.67 per cent and 33.33 per cent Participating Interest (PI) respectively. As per terms of the Production Sharing Contract (PSC) entered (September 1994) by the GSPC-NIKO JV with Government of India (GoI), royalty at the rate of 10 per cent of the value of natural gas at the well head⁸⁴ was payable by GSPC-NIKO JV to GoI in respect of natural gas produced from Hazira field.

After execution of the PSC, it was realised by the GSPC-NIKO JV that the producing areas of the Hazira field lay in onshore as well as offshore areas⁸⁵. Since mining lease in respect of onshore areas could be granted by GoG only, Article 15.2 of the PSC was amended (May 2005) to state that the royalty payments to be made by GSPC-NIKO JV shall be distributed between GoI and GoG in the ratio of 47 per cent and 53 per cent respectively.

For sale of natural gas produced from Hazira field, GSPC-NIKO JV entered into Gas Sale Agreement (GSA) with its customers since 2000. The GSA entered into between the customers of Hazira field and GSPC-NIKO JV provided for passing on to the customers the royalty component (over and above the gas price) payable by GSPC-NIKO JV to GoI and GoG. GoI objected this and recovered (July 2013) royalty for the period 2003-04 to 2013-14 of ₹ 17.88 crore from GSPC-NIKO JV and also the interest of ₹ 16.80 crore thereon⁸⁶ claiming that such royalty component additionally recovered by GSPC-NIKO JV from its customers should be considered as additional price of gas. Consequently, royalty was payable to GoI by GSPC-NIKO JV on this additional amount.

The additional royalty as well as the interest on delayed payment was recovered from the GSPC-NIKO JV by GoI from the payments to be made by Indian Oil Corporation Limited (IOCL⁸⁷) to GSPC-NIKO JV towards sale of crude oil. GSPC-NIKO JV while disputing the above recovery, initiated (October 2013) arbitration proceedings and *inter alia* sought refund of the additional royalty recovered by GoI.

Audit observed that the EPD, GoG neither demanded the GoG's portion of the additional royalty, nor did the GSPC-NIKO JV inform GoG about additional royalty recovered by GoI and arbitration proceedings. The Arbitral Tribunal passed (August 2020) the award in favour of GoI and rejected the claim of GSPC-NIKO JV for refund of additional royalty.

In June 2021, it was decided by GSPC-NIKO JV not to challenge the Arbitration award. In August 2021, EPD requested GSPC to deposit royalty alongwith interest as per the share of GoG in the PSC. GSPC paid (18 August 2021)

⁸² A State Government-owned Oil and Gas Company under EPD, GoG.

⁸³ A Company incorporated under the laws of Canada.

⁸⁴ The price of natural gas at the wellhead is determined by subtracting post wellhead levies and specific deductions from the sale price.

⁸⁵ Fact informed by GSPC to Audit *vide* letter dated 01 September 2022.

⁸⁶ For the period from 2003-04 to 2013-14.

⁸⁷ Oil and Gas Company under the ownership of GoI.

₹13.44 crore towards its share (66.67 per cent) of pending royalty for the period 2003-04 to 2013-14⁸⁸. Directorate of Petroleum, EPD subsequently requested (August 2023) GSPC to pay the interest for delay in payment of its share of royalty and also requested NIKO for payment of royalty as well as interest for its share in the PSC (33.33 per cent). GSPC paid interest amounting to ₹ 1.68 crore⁸⁹ to GoG in August 2023.

Audit observed that though GSPC made the part payment of interest but it did not pay the remaining interest on delayed payment of royalty for the period 2003-04 to 2013-14 as required under Rule 23 of the PNG (Amendment) Rules, 2003. Audit worked out the remaining interest of ₹ 22.62 crore on delayed payment, which is yet to be paid by the GSPC (February 2025). Further, NIKO has not paid (September 2023) the royalty of ₹ 6.72 crore (33.33 per cent) of its share and interest thereon to the GoG. Audit worked out the interest on delayed payment of royalty by NIKO, which amounts to ₹ 13.90 crore (upto 2022-23). This resulted in non-recovery of royalty of ₹ 6.72 crore from NIKO and interest of ₹ 36.52 crore⁹⁰ (Appendix XIII) on delayed/ non-payment of royalty (upto March 2023) from GSPC and NIKO.

It is pertinent to mention that NIKO has sold off its PI and operatorship in Hazira field to Sun Petrochemicals Limited (SPL) during FY 2017-18. Thereafter, the field is being operated (January 2018) by SPL. GSPC has also transferred its PI in the field to SPL during FY 2020-21. Even though the field had been taken over by SPL in 2020-21, the demand for additional royalty from GSPC and NIKO has been made by the EPD in August 2021 and August 2023 respectively. Therefore, pending royalty as well as the interest for delayed payment of the same as mentioned above remains the liability of the GSPC and the NIKO.

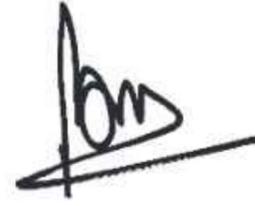
In reply (March 2025), GSPC reiterated the facts already mentioned above and stated that payment of royalty to GoG was kept in abeyance as the recovery of additional royalty by GoI was *sub judice* matter and it crystalized only when GSPC lost their claim in arbitration in August 2020. The reply of GSPC is not acceptable as the royalty was paid to GoG by GSPC in August 2021 from the year 2003-04 after the award of the arbitration. This clearly indicates that while GSPC realises that the demand accrued from 2003-04 and accordingly, the payment to GoG was due from 2003-04 (and not from date of Arbitration award), they still chose not to pay up for the interest on royalty w.e.f. 2003-04. If the royalty was due from 2003-04 and payment of the same was made in August 2021, it implies *mutatis mutandis* that the same has to be applied for the interest component as well from the same date and in the exact and same manner as was paid to GoI.

⁸⁸ Thereafter, GSPC-NIKO JV paid the additional royalty on monthly basis.

⁸⁹ For delay of 321 days from the due date of payment after award of Tribunal (30 September 2020) to actual date of payment (18 August 2021).

⁹⁰ ₹ 22.63 crore from GSPC (after adjustment of interest paid for the period from September 2020 to August 2021) and ₹ 13.90 crore from NIKO.

The matter was referred (November 2024/ December 2024/ January 2025/ March 2025/ April 2025) to the Department. However, the reply was still awaited (April 2025).



(BIJIT KUMAR MUKHERJEE)

**Principal Accountant General (Audit-II),
Gujarat**

**Ahmedabad
The 17 DEC 2025**

Countersigned



(K. SANJAY MURTHY)

Comptroller and Auditor General of India

**New Delhi
The 18 DEC 2025**

Appendices

Appendix I
Year-wise details of IRs and paragraphs outstanding as of 30 September 2023
(Referred to in Paragraph 1.6.1)

SL No.	Department	2014-15		2015-16		2016-17		2017-18		2018-19		2019-20		2020-21		2021-22		2022-23		Total	
		IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para
1	Industries and Mines	0	0	16	59	24	89	17	91	21	143	11	90	2	10	16	116	6	26	113	624
2	Energy and Petrochemicals	0	0	3	10	3	13	2	5	2	10	1	2	0	0	1	6	3	16	15	62
3	Forests and Environment	0	0	3	3	8	21	12	46	14	56	3	8	1	1	1	3	2	19	44	157
4	Climate Change	0	0	1	6	1	3	1	2	1	4	1	4	0	0	0	0	1	6	6	25
5	Science and Technology	0	0	0	0	1	2	4	18	3	6	1	4	1	6	0	0	3	43	13	79
6	Home	0	0	12	27	8	18	13	30	1	2	2	2	3	11	6	34	25	155	70	279
7	Legal	0	0	10	46	10	28	13	32	6	10	4	14	3	10	10	45	7	24	63	209
8	Ports and Transport	2	13	26	134	17	70	11	40	15	88	10	74	3	36	20	154	25	215	129	824
9	Roads and Buildings	0	0	12	25	19	66	25	131	23	148	18	124	5	48	13	89	8	90	123	721
10	General Administration	0	0	8	27	7	21	12	51	1	2	5	36	1	1	0	0	9	61	43	199
11	Information and Broadcasting	0	0	1	2	0	0	1	1	0	0	0	0	1	4	0	0	7	17	10	24
12	Legislature and Parliamentary Affairs	0	0	0	0	0	0	0	0	0	0	0	0	1	5	0	0	1	5	2	10
13	Revenue (SD)	0	0	26	74	20	61	31	81	24	51	35	133	3	15	3	15	5	29	147	459
	Revenue (LR)	0	0	12	62	12	79	14	102	14	160	5	35	3	18	5	79	17	87	82	622
14	Finance	0	0	21	43	17	19	34	73	40	109	39	106	2	5	4	14	12	67	169	436
	Total	2	13	151	518	147	490	190	703	165	789	135	632	29	170	79	555	131	860	1029	4730

Appendix II

Key Problem Area

(Referred to in Paragraph 2.1.5 and 2.1.8.1)

Sl. No.	Key Problem Area
1	Composition taxpayers generating EWBs for inter-State supplies
2	Composition taxpayers generating EWBs for outward supplies exceeding threshold limit
3	Taxpayers with only outward supplies supported by EWBs in any given year
4	Taxpayers who effect disproportionate outward supplies compared to inward supply (EWBs supported) in any given year.
5	Taxpayers who had generated EWBs using duplicate invoices.
6	Generation of EWBs by Nil filers of return.
7	Generation of EWBs by returns defaulters (non-Filers).
8	Taxpayers who have generated EWBs after effective date of cancellation.
9	Taxpayers who have generated EWB whose registration was subsequently cancelled.
10	Taxpayers who had generated EWBs and had cancelled subsequently.
11	Taxpayers who had generated EWBs and were subsequently rejected by the recipients.
12	Taxpayers who had generated disproportionate supplies supported by EWBs on the inward side compared to outward side in any given year.
13	Extension of EWBs by taxpayers.
14	EWBs generated using risky vehicles <i>i.e.</i> two wheelers.
15	EWBs generated using theft vehicles.
16	High value of EWBs in first six months of registration.
17	EWBs using invalid PIN codes.
18	EWBs generated using suspended, scrapped, surrendered, and cancelled vehicles.
19	EWBs generated by defaulter list of Ministry of Corporate Affairs (MCA).
20	EWBs generated by income tax defaulters.
21	EWBs generated by DGARM-identified/ Other agencies-identified taxpayers.
22	EWBs generated by DGFT-blacklisted exporters.

Appendix III

Eligibility for the Composition Levy Scheme

(Referred to in Paragraph 2.2.6.1 and 2.2.6.4 v)

As per Section 10 (2) and Section (2A) of the Act, a registered person is eligible for the Scheme, if

- a. He is not engaged in the supply of services, except for restaurant services. However, supply of services up to 10 *per cent* of the turnover, or ₹ 5 lakh, whichever is higher, is permitted;
- b. He is not engaged in making any supply of goods or services, which are not leviable to tax under the Act;
- c. He is not engaged in making any inter-State outward supplies of goods or services;
- d. He is not engaged in making any supply of goods or services through an electronic commerce operator who is required to collect tax at source;
- e. He is not a manufacturer of such goods as may be notified by the Government. The goods notified to this effect are-'Ice-cream and other edible ice' (Tariff item 2105 00 00), Pan Masala' (Tariff item 2106 90 20), Tobacco and manufactured tobacco substitutes' and 'Aerated Water';
- f. He is neither a casual taxable person nor a non-resident taxable person;
- g. Supplier of services may also opt to pay tax under this scheme if his aggregate turnover in the preceding financial year did not exceed ₹ 50 lakh.

Other conditions and restrictions for Composition Levy Scheme

1. The option to pay tax under the scheme shall lapse from the day on which the aggregate turnover, during a financial year, exceeds the prescribed limit;
2. He shall not collect any tax from the recipients on supplies made by him;
3. He shall not be entitled to any credit of input tax;
4. In case he is an existing taxpayer, the goods held, in stock, by him, on the appointed day, have not been purchased in the course of inter-State trade or commerce, or imported from a place outside India, or received from his branch situated outside the State or from his agent or principal outside the State;
5. The goods, held in stock by him, have not been purchased from an unregistered supplier, and, where purchased, he pays the tax under reverse charge;
6. He shall pay tax, under reverse charge, on inward supply of goods or services, or both;
7. He shall mention the words "composition taxable person, not eligible to collect tax on supplies", at the top of the bill of supply, issued by him; and
8. He shall mention the words "composition taxable person" on every notice or signboard, displayed at a prominent place, at his principal place of business and at every additional place or places of business.

Appendix IV

Details of penalty leviable for delayed use of land for industrial purpose

(Referred to in Paragraph 3.4(A))

Sl. No.	Description of land	Area (in sq. m.)/ Jantri rate (in ₹ per sq. m.)	Market value of the land (₹ in lakh)	Date of issuance of permission	Date when the land was put to <i>bona fide</i> industrial use	Time elapsed since issuance of the permission / purchase of the land	Non/short levy of Penalty (₹ in lakh)
District: Kachchh							
1	R.S.No.490, 491/2 & 492/2 Village: Bhachau Taluka: Bhachau	72,945/ 1,350	984.76	27.03.2008	05.04.2016	08 years	492.38
2	R.S.No.657p1, 657p2 and 657p3 Village: Varsamedi, Taluka: Anjar	49,541/ 618	306.16	29.01.2008	12.10.2015	07 years 08 months	153.08
3	R.S.No.720 Village: Varsamedi, Taluka: Anjar	31,869/ 618	196.95	25.04.2007	13.04.2016	08 years 11 months	98.48
4	R.S.No.295 Village: Samaghogha, Taluka: Mundra	39,457/ 415	163.74	12.05.2006	06.08.2015	09 years 02 months	81.87
5	Survey No. 1210/2, Village and Taluka: Bhachau	14,872/ 1,100	163.59	14.02.2008	31.08.2020	12 years 06 months	65.44
6	R.S.No.287 Village: Samaghogha, Taluka: Mundra	29,643/ 415	123.01	04.12.2003	06.08.2015	11 years 08 months	61.51
7	Survey No. 1, Village: Pragpar-2, Taluka: Mundra	18,919/ 260	49.19	26.07.2006 (afresh on 15.05.2019)	20.10.2016	10 years 02 months	24.59
8	Survey No. 3/1, Village: Pragpar-2, Taluka: Mundra	11,938/ 260	31.04	15.09.2006 (afresh on 26.07.2019)	15.07.2019	12 years 10 months	15.52
						Sub-total	992.87
District: Bharuch							
1	Survey No. 265,267,282,283, 297,298,299,301, 302,305,284,266 Village: Kasva Taluka: Bharuch	2,63,770/ 335	883.63	Between February 2010 and September 2014	28.05.2018	More than seven years as of May 2018	146.22
Grand-total							1,139.09

Sl. No.	Description of land	Area (in sq. m.)/ Jantri rate (in ₹ per sq. m.)	Market value of the land (₹ in lakh)	Date of issuance of permission	Date of sale to the second company	Short levy of Penalty (₹ in lakh)
District: Aravalli						
1	R.S.No. 375-378, 395, 396 & 409 Village: Semaliya Taluka: Bayad	50,810/458	232.71	06.01.2016	25.09.2019	53.45

Appendix V
Details of the market value required to be recovered
(Referred to in Paragraph 3.4(B))

(Amount in ₹ in lakh)

Sl. No.	No. of cases	Total area of the land (in sq. m.)	Consideration paid by		Market Value of the land as per prevailing <i>Jantri</i> rate		Amount to be deposited by Purchaser-1 or Purchaser-2, as the case may be	Remarks
			Purchaser-1 at the time of purchase of agricultural land	Consideration paid by Purchaser-2 to Paurchaser-1 at the time of subsequent sale	Profit earned by Purchaser-1	Profit earned by Purchaser-1		
1	8	1,64,124	230.53		453.50		79.55	Market value of the land was more than the consideration paid by Purchaser-2 to Purchaser-1, therefore, Purchaser-2 were required to pay the difference between market value of the land and the consideration paid at the time of subsequent sale.
			373.95		143.42			
2	3	68,780	66.10		103.46		60.72	Consideration paid by Purchaser-2 to Purchaser-1 was more than the market value of the land. After adjusting the consideration paid by Purchaser-1 at the time of purchase of agricultural land, towards compensation, Purchaser-1 were required to pay the market value of the land. However, in these three cases, the profit earned being less than the market value, the liability of payment of Purchaser-1 has been restricted to the profit earned.
			126.82		60.72			
3	8	1,59,572	125.00		124.83		124.83	Consideration paid by Purchaser-2 to Purchaser-1 was more than the market value of the land. After adjusting the consideration paid by Purchaser-1 at the time of purchase of agricultural land, towards compensation, Purchaser-1 were required to pay the market value of the land out of the profit earned by them, which was more than the market value of the land.
			304.60		179.60			
Total	19	3,92,476					265.10	

Appendix VI

Non-levy of premium for transfer of land on Demerger/ Amalgamation of the company

(Referred to in Paragraph 3.4(C))

A: District Collector, Vadodara					
Sl. No.	Reason for transfer of land	Land description	Area (in sq. m.)	Market value as per <i>Jantri</i>	Premium leviable (at the rate of 10 per cent of the market value)
1	Demerger ¹	Revenue Survey (RS) No. 252 (old no.178/19), RS No. 256 (old no.178/7), RS No. 904 (old no.163) of Village: Alwa, Taluka: Waghodia	79,443	5,82,31,719	58,23,172
2	Amalgamation ²	RS No. 45/5, RS No. 45/5/p1, RS No. 51p1 of Village: Kambola, Taluka: Savli	66,301	1,45,51,895	14,55,190
3	Demerger ³	RS No. 136 (old 112), RS No. 145 (old 119p), RS No. 146 (old 119p1), RS No. 150/p1, RS No. 216 of Village: Dethan, Taluka: Karjan; and RS No. 2912 of Village: Valan, Taluka: Karjan	43,783	2,61,11,980	26,11,198
Total			1,89,527	9,88,95,594	98,89,560

B: District Collector, Panchmahal					
Sl. No.	Reason for transfer of land	Land description	Area (in sq. m.)	Market value as per <i>Jantri</i>	Premium leviable (at the rate of 10 per cent of the market value)
1	Demerger ⁴	Revenue Survey (RS) No. 974/59, 974/63P1, 974/64P1, and 974/85 of Village: Timba, Taluka: Godhra.	1,14,883	5,77,86,149	57,78,615

¹ Demerged into three companies *vide* National Company Law Tribunal (NCLT), Mumbai's order dated 31 August 2018.

² National Company Law Tribunal (NCLT), Chandigarh order dated 22 April 2019.

³ National Company Law Tribunal (NCLT), Ahmedabad's order dated 12 February 2020.

⁴ Demerged *vide* National Company Law Tribunal (NCLT), Ahmedabad's order dated 31 May 2022.

Appendix VII

Short levy of Premium in cases where NA permission was given for multipurpose use

(Referred to in Paragraph 3.5)

Sl. No.	Office/ No. of cases/ Short levy of premium (₹ in lakh)	Nature of observation
1	District Collector, Kachchh <u>02 cases</u> 3.29	In two cases of 'change in tenure' of land measuring 16,964 sq. m. situated at two villages of taluka Bhuj, the District Collector had levied and recovered (in July and August 2019) premium at 'commercial' rate in one case and at 'industrial' rate in another case. However, subsequently the Collector gave (November 2019) NA permission for 'multipurpose use' in these two cases. In these cases, differential premium of ₹ 3.29 lakh was required to be recovered at the time of giving the NA permission.
2	District Collector, Kheda <u>09 cases</u> 82.01	Out of nine cases of 'change in tenure' of land measuring 79,632 sq. m. situated at four villages of four talukas ⁵ , the District Collector had levied and recovered (between May 2019 and July 2020) premium at 'residential' rates (in three cases), 'industrial' rates (in five cases) and 'commercial' rate ⁶ (in one case). However, in these cases, subsequently the Collector gave (between August 2019 and July 2020) NA permission for 'multipurpose use'. In these cases, differential premium of ₹ 82.01 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular. On this being pointed out in audit, the Collector stated (March 2025) that notices have been issued to the parties concerned and action for amendment in orders or recovery of differential amount of premium will be initiated after hearing the parties.
3	District Collector, Rajkot <u>14 cases</u> 79.17	In 14 cases of 'change in tenure' of land measuring 2,96,385 sq. m. situated at 10 villages of five talukas ⁷ , the District Collector had levied and recovered (between June 2018 and June 2020) premium at 'industrial' rates. However, in these cases, subsequently the Collector gave (between December 2018 and July 2021) NA permission for 'multipurpose use'. In these cases, differential premium of ₹ 79.17 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular.
4	District Collector, Vadodara <u>10 cases</u>	Out of 10 cases of 'change in tenure' of land measuring 1,41,800 sq. m. situated at seven villages of four talukas ⁸ , the District Collector had levied and recovered (between August 2019 and March 2020) premium at 'residential' rates

⁵ (i) Kapadvanj, (ii) Kathlal, (iii) Mahemdavad, (iv) Thasra.

⁶ Though the rate adopted was incorrect.

⁷ (i) Gondal, (ii) Kotda Sangani, (iii) Lodhika, (iv) Paddhari, (v) Rajkot.

⁸ (i) Dabhoi, (ii) Padra, (iii) Vadodara, (iv) Waghodia.

Sl. No.	Office/ No. of cases/ Short levy of premium (₹ in lakh)	Nature of observation
	806.74	(in five cases), 'industrial' rates (in two cases) and 'open plot' rates (in three cases). However, in these cases, subsequently the Collector gave (between November 2019 and July 2020) NA permission for 'multipurpose use'. In these cases, differential premium of ₹ 806.74 lakh was required to be recovered at the time of giving the NA permission.
5	District Collector, Anand <u>07 cases</u> 44.78	Out of seven cases of 'change in tenure' of land measuring 46,093 sq. m. situated at seven villages of three talukas ⁹ , the District Collector had levied and recovered (between May 2019 and December 2021) premium at 'residential' rates (in six cases) and 'industrial' rate (in one case). However, in these cases, subsequently the Collector gave (between August 2019 and January 2022) NA permission for 'multipurpose use'. In these cases, differential premium of ₹ 44.78 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular. On this being pointed out, the District Collector, Anand issued orders (August 2024) for making encumbrance entry in the land records for the objected amount in two cases.
6	District Collector, Gandhinagar <u>24 cases</u> 735.74	Out of 24 cases of 'change in tenure' of land measuring 1,89,006 sq. m. situated at five villages of taluka Gandhinagar, the District Collector had levied and recovered (between January 2020 and June 2022) premium at pre-revised <i>Jantri</i> rates (in 14 cases), open plot rates (in two cases), residential rates (in two cases) and unspecified rates (in six cases). However, in these cases, subsequently the Collector gave (between January 2020 and July 2022) NA permission for 'multipurpose use' (in 18 cases)/ without mentioning any specific purpose (in six cases). In these cases, differential premium of ₹ 735.74 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular.
7	District Collector, Aravalli <u>12 cases</u> 32.73	Out of 12 cases of 'change in tenure' of land measuring 99,670 sq. m. situated at nine villages of five talukas ¹⁰ , the District Collector had levied and recovered (between March 2019 and January 2020) premium at 'residential' rates (in eight cases) and 'industrial' rates (in four cases). However, in these cases, subsequently the Collector gave (between April 2019 and January 2020) NA permission for 'multipurpose use'. In these cases, differential premium of ₹ 32.73 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular.
8	District Collector, Tapi (Vyara) <u>04 cases</u>	Out of four cases of 'change in tenure' of land measuring 52,965 sq. m. situated at four villages of taluka Vyara, the District Collector had levied and recovered (between

⁹ (i) Anand, (ii) Anklav, (iii) Khambhat.

¹⁰ (i) Bayad, (ii) Bhiloda, (iii) Dhansura, (iv) Malpur, (v) Modasa.

Sl. No.	Office/ No. of cases/ Short levy of premium (₹ in lakh)	Nature of observation
	9.31	September 2019 and November 2019) premium at 'residential' rates (in three cases) and 'industrial' rate (in one case). However, in these cases, subsequently the Collector gave (between September 2019 and May 2020) NA permission for 'multipurpose use' (in three cases)/ without mentioning any specific purpose (in one case). In these cases, differential premium of ₹ 9.31 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular. The Collector Tapi stated (February 2025) that as the NA permission was granted online, manual order is not acceptable and no records can be changed in <i>e-dhara</i> . A letter has been forwarded (August 2024) to the Revenue Department to accord the approval for change of NA purpose.
9	Commissioner of Land Reforms and Ex-officio Secretary, Revenue Department, Gandhinagar <u>27 cases</u> 123.95	Out of 27 cases of 'change in tenure' of land measuring 2,60,014 sq. m. situated at five villages of three talukas ¹¹ , the District Collector had levied and recovered (between April 2018 and June 2019) premium at 'residential' rates (in six cases) and 'industrial' rates (in 21 cases). However, in these cases, subsequently the Collector gave (between August 2019 and September 2020) NA permission for 'multipurpose use'. In these cases, differential premium of ₹ 123.95 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular.
10	District Collector, Surendranagar <u>08 cases</u> 27.14	In eight cases of 'change in tenure' of land measuring 1,40,596 sq. m. situated at seven villages of five talukas ¹² , the District Collector had levied and recovered (August 2019 to February 2020) premium at 'residential' rates. However, in these cases, subsequently the Collector gave (August 2019 to February 2020) NA permission for 'multipurpose use'. In this case, differential premium of ₹ 27.14 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular.
11	District Collector, Dahod <u>09 cases</u> 15.22	In nine cases of 'change in tenure' of land measuring 49,126 sq. m. situated at nine villages of five talukas ¹³ , the District Collector had levied and recovered (September 2019 to April 2022) premium at 'residential' rates (in seven cases), at mining rate (in one case) and at pre-revised commercial rate (in one case). However, in these cases, subsequently the Collector gave (January 2020 to May 2022) NA permission for 'multipurpose use'. In this case, differential premium of ₹ 15.22 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular. The District Collector stated

¹¹ (i) Gandhinagar, (ii) Sanand, (iii) Viramgam.

¹² (i) Chotila, (ii) Dasada, (iii) Dhrangadhra, (iv) Sayla, (v) Thangadh.

¹³ (i) Dahod, (ii) Dhanpur, (iii) Limkheda, (iv) Sanjali, (v) Sinvad.

Sl. No.	Office/ No. of cases/ Short levy of premium (₹ in lakh)	Nature of observation
		(March 2025) that ₹ 6.18 lakh was recovered in six cases between January and March 2025. In the remaining three cases, encumbrance entries have been made against the property.
12	District Collector, Godhra <u>03 cases</u> 10.57	In three cases of 'change in tenure' of land measuring 22,430 sq. m. situated at three villages of two talukas ¹⁴ , the District Collector had levied and recovered (September 2019 to October 2022) premium at 'residential' rates. However, in these cases, subsequently the Collector gave (December 2019) NA permission for 'multipurpose use'. In this case, differential premium of ₹ 10.57 lakh was required to be recovered at the time of giving the NA permission. The District Collector issued (January/ February 2025) notices to the applicants to pay the differential amount of premium.
13	District Collector, Botad <u>04 cases</u> 14.70	In four cases of 'change in tenure' of land measuring 41,282 sq. m. situated at four villages of three talukas ¹⁵ , the District Collector had levied and recovered (March 2019 to June 2019) premium at 'residential' rates (in three cases) and industrial rate (in one case). However, in these cases, subsequently the Collector gave (May 2019 to October 2019) NA permission for 'multipurpose use'. In this case, differential premium of ₹ 14.70 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular.
14	District Collector, Morbi <u>11 cases</u> 102.81	In 11 cases of 'change in tenure' of land measuring 1,16,394 sq. m. situated at eight villages of three talukas ¹⁶ , the District Collector had levied and recovered (August 2019 to June 2020) premium at 'residential' rates (in 10 cases) and industrial rate (in one case). However, in these cases, subsequently the Collector gave (October 2019 to July 2020) NA permission for 'multipurpose use'. In this case, differential premium of ₹ 102.81 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular. The District Collector stated (February 2025) that ₹ 4,51 lakh was recovered in one case. In the remaining 10 cases orders were issued between 07 March 2019 (introduction of iORA with guidelines) and 22 May 2020 when clarification was issued for considering the highest <i>Jantri</i> rate for issue of NA permission for multipurpose. The reply is not convincing as the clarification was issued (22 October 2019) to all Collector Offices to consider the highest <i>Jantri</i> rate of the survey number for levy of premium for multipurpose NA permission.
15	District Collector, Mehsana	In 28 cases of 'change in tenure' of land measuring 3,14,958 sq. m. situated at 15 villages of four talukas ¹⁷ , the District Collector had levied and recovered (July 2019 to June

¹⁴ (i) Godhra, (ii) Kalol.

¹⁵ (i) Botad, (ii) Gadhada, (iii) Ranpur.

¹⁶ (i) Morbi, (ii) Tankara, (iii) Wankaner.

¹⁷ (i) Kadi, (ii) Kheralu, (iii) Mehsana, (iv) Vijapur.

Sl. No.	Office/ No. of cases/ Short levy of premium (₹ in lakh)	Nature of observation
	<u>28 cases</u> 229.03	2022) premium at 'residential' rates (in 26 cases) and industrial rates (in two cases). However, in these cases, subsequently the Collector gave (August 2019 to December 2022) NA permission for 'multipurpose use' (in 27 cases)/ without mentioning any specific purpose (in one case). In this case, differential premium of ₹ 229.03 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular. On this being pointed out, the District Collector issued notices (October 2024) in all cases to pay the differential amount.
16	District Collector, Mehsana <u>09 cases</u> 166.54	In nine cases of 'change in tenure' of land measuring 2,88,579 sq. m. situated at seven villages of three talukas ¹⁸ , the District Collector had levied and recovered (June 2018 to February 2020) premium at 'residential' rates (in eight cases) and industrial rate (in one case). Besides, out of these nine cases, in one case, there was erroneous calculation of premium recoverable also. However, in these cases, subsequently the Collector gave (August 2019 to May 2020) NA permission for 'multipurpose use'. In this case, differential premium of ₹ 166.54 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular.
17	District Collector, Mahisagar <u>04 cases</u> 30.41	In four cases of 'change in tenure' of land measuring 15,193 sq. m. situated at four villages of two talukas ¹⁹ , the District Collector had levied and recovered (February 2020 to July 2020) premium at 'residential' rates (in three cases) and industrial rate (in one case). However, in these cases, subsequently the Collector gave (March 2020 to July 2020) NA permission for 'multipurpose use' (three cases)/ without mentioning any specific purpose (in one case). In this case, differential premium of ₹ 30.41 lakh was required to be recovered at the time of giving the NA permission. The District Collector stated (February 2025) that encumbrance entries have been made against the properties.
18	District Collector, Patan <u>14 cases</u> 196.04	In 14 cases of 'change in tenure' of land measuring 1,95,770 sq. m. situated at 12 villages of six talukas ²⁰ , the District Collector had levied and recovered (June 2019 to January 2020) premium at 'residential' rates (in 11 cases) and open plot rates (in three cases). However, in these cases, subsequently the Collector gave (August 2019 to July 2020) NA permission for 'multipurpose use'. In these cases, differential premium of ₹ 196.04 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular. The District Collector stated (February 2025) that in five cases encumbrance entries have been made against the property and

¹⁸ (i) Kadi, (ii) Mehsana, (iii) Visnagar.

¹⁹ (i) Lunawada (ii) Virpur.

²⁰ (i) Harij (ii) Patan, (iii) Radhanpur, (iv) Sami, (v) Santalpur (vi) Sidhpur.

Sl. No.	Office/ No. of cases/ Short levy of premium (₹ in lakh)	Nature of observation
		in one case the Mamlatdar concern has been intimated for making encumbrance entries against the property. In seven cases notices for payment of differential amount of premium has been issued and in one case ₹ 0.32 lakh has been recovered.
19	District Collector, Amreli <u>02 cases</u> 42.98	In two cases of 'change in tenure' of land measuring 33,791 sq. m. situated at village Akala of taluka Lathi, the District Collector had levied and recovered (August 2019) premium at 'residential' rates. However, in these cases, subsequently the Collector gave (October 2019) NA permission for 'multipurpose use'. In these cases, differential premium of ₹ 42.98 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular. The District Collector, Amreli stated (January 2025) that letters (July 2024) have been issued in both cases to DC (SDVO) to ascertain the correct amount of premium.
20	District Collector, Godhra <u>07 cases</u> 119.34	In seven cases of 'change in tenure' of land measuring 47,754 sq. m. situated at village Dayal of taluka Godhra, the District Collector had levied and recovered (September 2019 to October 2019) premium at pre-revised <i>Jantri</i> rates. However, in these cases, subsequently the Collector gave (October 2019 to November 2019) NA permission for 'multipurpose use'. In these cases, differential premium of ₹ 119.34 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular. The District Collector stated (March 2025) that land is being used for industrial purpose. The reply is not convincing as the grant of NA permission for multipurpose is not based on usage of land but a onetime measure available to the land owner to change the usage of land without again obtaining NA permission. Hence, highest applicable <i>Jantri</i> rate of survey/ grid should have been considered for calculation of premium for NA permission for multipurpose.
21	District Collector, Botad <u>01 case</u> 3.77	In one case of 'change in tenure' of land measuring 9,915 sq. m. situated at village Ranpur of taluka Ranpur, the District Collector had levied and recovered (May 2019) premium at residential <i>Jantri</i> rates. However, in this case, subsequently the Collector gave (December 2019) NA permission for 'multipurpose use'. In this case, differential premium of ₹ 3.77 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular. The District Collector, Botad (November 2024) stated that premium is recovered correctly considering the Revenue Department Circular 03.12.2011. Reply is not convincing as NA permission is granted for multipurpose, highest <i>Jantri</i> rate

Sl. No.	Office/ No. of cases/ Short levy of premium (₹ in lakh)	Nature of observation
		of survey/grid should have been considered for calculation of premium.
22	District Collector, Bharuch <u>01 case</u> 2.42	<p>In one case of 'change in tenure' of land measuring 1,100 sq. m. situated at village Kapodra of taluka Ankleshwar, the District Collector had levied and recovered (July 2021) premium at residential <i>Jantri</i> rates. However, in this case, subsequently the Collector gave (August 2021) NA permission for 'multipurpose use'. In this case, differential premium of ₹ 2.42 lakh was required to be recovered at the time of giving the NA permission/ by reopening the case and finalizing afresh considering the provisions of the clarification and the rectification Circular.</p> <p>The District Collector, Bharuch (March 2025) stated that ₹ 2.42 lakh was recovered (February 2025).</p>

Appendix VIII

Non/ short levy of Premium Price

(Referred to in Paragraph 3.6)

In case of non-agricultural permission for 'multipurpose' use, premium at highest *Jantri* rate for the village/ survey number was not levied.

The market value of the property for levy of premium is determined in accordance with the *Jantri* rates and subject to the conditions prescribed therein. As per Clause no.15 of Circular²¹ dated 07 March 2019 read with clarification dated 22 October 2019 and rectification Circular dated 22 May 2020, in case of NA permission for 'multipurpose' use, premium is required to be paid at the highest *Jantri* rate for the village/ survey number.

Audit observation:

(i) In four cases (pointed out by audit in May 2022), the Collector, Kachchh office had granted permission (in April 2018 and January 2019) to convert new and restricted tenure agricultural land measuring 93,619 sq. m. (falling under Bhuj Area Development Authority/ BADA) of village Mirzapar, taluka Bhuj, to old tenure for non-agriculture (residential) purpose on recovery of premium as per the opinion of Deputy Collector (SDVO), Bhuj. However, on detailed examination of value zone maps of *Jantri* 2011 *vis-à-vis* BADA map, map furnished by District Inspector of Land Records (DILR) office, Bhuj and value zone maps of *Jantri* 2006; Audit observed that the Deputy Collector (SDVO) had classified the land under wrong value zones. This resulted in adoption of incorrect *Jantri* rates and consequent short levy of premium of ₹ 581.56 lakh.

(ii) In four cases (pointed out by audit in May 2022), the Collector, Kachchh office had granted permission (between June 2018 and October 2019) to convert new and restricted tenure agricultural land measuring 98,979 sq. m. of various villages of taluka Bhuj and Mandvi, to old tenure for non-agriculture purpose (multipurpose in two cases and industrial in two cases) on recovery of premium. However, in the cases of 'multipurpose' use, the Collector did not adopt the highest *Jantri* rate for the village while in the cases of 'industrial' use, the Collector did not adopt the rates opined by the Deputy Collector (SDVO). The incorrect adoption of *Jantri* rates in these four cases resulted in short levy of premium of ₹ 17.26 lakh.

(iii) In two cases (pointed out by audit in February 2022), the Collector, Rajkot office had granted permission (between January 2018 and February 2021) to convert new and restricted tenure agricultural land measuring 8,296 sq. m. of two villages, to old tenure for non-agriculture purpose (multipurpose in one case and one case where NA purpose was not mentioned) on recovery of premium. However, in one case of 'multipurpose' use/ where the NA purpose was not mentioned specifically, the Collector did not adopt the highest *Jantri* rate for the village. The incorrect adoption of *Jantri* rates in these two cases resulted in short levy of premium of ₹ 2.86 lakh.

(iv) In four cases (pointed out by audit in May 2023), the Collector, Palanpur office had granted permission (between January 2020 and June 2022) to convert new and restricted tenure agricultural land measuring 20,993 sq. m. of various villages, to old tenure for non-agriculture (multipurpose in three cases and one case where NA purpose was not mentioned) purpose on recovery of premium. However, the Collector did not adopt the highest *Jantri* rate for the village. The incorrect adoption of *Jantri* rates in these four cases resulted in short levy of premium of ₹ 59.19 lakh. The Collector stated (January 2025) that final notice has been issued to the applicants to pay the differential amount of premium and in case of failure to pay the amount, the encumbrance entry will be registered against the property.

The market value of the property was not determined based on the rates of the adjacent survey/ block numbers available in the *Jantri*.

Superintendent of Stamps (SS) *vide* Circular letter dated 30 April 2011 instructed all Deputy Collectors (Stamp Duty Valuation Office)/ Sub Registrars that if any city survey/ block/ revenue survey number of urban or rural areas, as the case may be is missing in the *Jantri*, then the market value of the property shall be determined based on the rates of the adjacent survey/ block

²¹ No. NSJ/102006/571/J (part-2).

numbers available in the *Jantri* for the grid/ value zone map in which the missing city survey/ block/ revenue survey number is falling.

Audit observation:

(i) In eight cases (pointed out by audit in November 2021) of conversion of land measuring 52,801 sq. m. situated at various villages of District Chhota Udepur from new and restricted tenure to old tenure for non-agricultural purposes (residential/ industrial/ commercial), the rates of the survey/ block numbers were missing in the *Jantri* 2011. The Collector was required to adopt the rates of the adjacent/ nearby survey/ block numbers falling in the same grid/ value zone map of the missing survey/ block numbers. However, the Collector adopted (between July 2015 and November 2020) rates prescribed for the survey/ block numbers in previous *Jantri* 2006. This resulted in short levy of premium price of ₹ 16.09 lakh.

(ii) In 25 cases (pointed out by audit in May 2022) of conversion of land measuring 8,22,825 sq. m. situated at various villages of District Kachchh from new and restricted tenure to old tenure for non-agricultural purposes (residential/ industrial/ multipurpose/ unspecified purpose), the rates of the survey/ block numbers were missing in the *Jantri* 2011. The Collector was required to adopt the rates of the adjacent/ nearby survey/ block numbers falling in the same grid/ value zone map of the missing survey/ block numbers. However, the Collector adopted (between October 2016 and November 2021) rates prescribed for the survey/ block numbers in previous *Jantri* 2006 or rates arrived at as per the formula prescribed *vide* GR dated 03 December 2011. This resulted in short levy of premium price of ₹ 202.94 lakh.

(iii) In seven cases (pointed out by audit in October 2021) of conversion of land measuring 1,42,736 sq. m. situated at various villages of District Vadodara from new and restricted tenure to old tenure for non-agricultural purposes (residential/ industrial/ multipurpose), the rates of the survey numbers were missing in the *Jantri* 2011. The Collector was required to adopt the rates of the adjacent/ nearby survey numbers falling in the same grid/ value zone map of the missing survey numbers. However, the Collector adopted (between August 2018 and June 2021) the rates prescribed for the survey numbers in previous *Jantri* 2006. This resulted in short levy of premium price of ₹ 24.83 lakh. The Collector, Vadodara office stated that premium was levied after obtaining the opinion of the Deputy Collector (SDVO) regarding the applicable *Jantri* rate for the respective survey number. The reply is not convincing as the *Jantri* rate considered for valuation of the land for levy of premium was not in line with the instructions issued by the Superintendent of Stamps.

(iv) In six cases (pointed out by audit in October 2021) of conversion of land measuring 92,790 sq. m. situated at various villages of District Kheda from new and restricted tenure to old tenure for non-agricultural purposes (residential/ industrial), the rates of the survey/ block numbers were missing in the *Jantri* 2011. The Collector was required to adopt the rates of the adjacent/ nearby survey/ block numbers falling in the same grid/ value zone map of the missing survey numbers. However, the Collector adopted (between November 2017 and September 2021) rates prescribed for the survey numbers in previous *Jantri* 2006. This resulted in short levy of premium price of ₹ 46.64 lakh. On this being pointed out, the Collector stated (March 2025) that based on the opinion of DC(SDVO), notices have been issued to the applicants for recovery of differential premium. In case of non-payment of differential premium amount encumbrance entries will be registered against the properties.

(v) In three cases (pointed out by audit in February 2022) of conversion of land measuring 28,329 sq. m. situated at various villages of District Rajkot from new and restricted tenure to old tenure for agriculture/ non-agricultural purpose, the rates of the survey numbers were missing in the *Jantri* 2011. The Collector was required to adopt the rates of the adjacent/ nearby survey numbers falling in the same grid/ value zone map of the missing survey numbers. However, the Collector adopted (between January 2018 and September 2019) either rates pertaining to far off survey numbers or incorrect rates. This resulted in short levy of premium price of ₹ 8.50 lakh. On this being pointed out, the Collector stated (January 2025) that encumbrance entry has been registered in three cases.

(vi) In eight cases (pointed out by audit in April 2023) of conversion of land measuring 1,31,967 sq. m. situated at various villages of District Navsari from new and restricted tenure to old tenure for non-agricultural purposes, the rates of the survey numbers were missing in *Jantri* 2011. The Collector was required to adopt the rates of the adjacent/ nearby survey numbers falling in the same grid/ value zone map of the missing survey numbers. However, the Collector adopted (between February 2017 and September 2019) rates arrived at as per the

formula prescribed *vide* GR dated 03 December 2011. This resulted in short levy of premium price of ₹ 209.72 lakh.

(vii) In four cases (pointed out by audit in June 2023) of conversion of land measuring 41,217 sq. m. situated at various villages of District Gandhinagar from new and restricted tenure to old tenure for residential purpose, the rates of the survey numbers were missing in the *Jantri* 2011. The Commissioner of Land Reforms and Ex-officio Secretary, Gandhinagar was required to adopt the rates of the adjacent/ nearby survey numbers falling in the same grid/ value zone map of the missing survey numbers. However, the Commissioner of Land Reforms and Ex-officio Secretary, Gandhinagar adopted (between December 2018 and October 2020) rates arrived as per the formula prescribed *vide* GR dated 03 December 2011. This resulted in short levy of premium price of ₹ 101.11 lakh.

(viii) In two cases (pointed out by audit in April 2023) of conversion of land measuring 34,753 sq. m. situated at various villages of District Surendranagar from new and restricted tenure to old tenure for industrial/ commercial purpose, the rates of the survey numbers were missing in the *Jantri* 2011. The Collector was required to adopt the rates of the adjacent/ nearby survey numbers falling in the same grid/ value zone map of the missing survey numbers. However, the Collector adopted (between May 2018 and October 2018) incorrect rates. This resulted in short levy of premium price of ₹ 6.57 lakh.

(ix) In four cases (pointed out by audit in January 2024) of conversion of land measuring 48,919 sq. m. situated at various villages of District Mehsana from new and restricted tenure to old tenure for non-agricultural purposes (industrial in one case, multipurpose in two cases and purpose not specified in one case), the commercial rates (*i.e.* the highest rates) of the survey numbers were missing in the *Jantri* 2011. Later, non-agricultural use permissions for multipurpose use were obtained (October 2019 to December 2021) in all of these cases. The Collector was required to adopt the commercial rates of the adjacent/ nearby survey number falling in the same grid/ value zone map of the missing survey number. However, the Collector adopted (between September 2019 and December 2021) incorrect rates. This resulted in short levy of premium price of ₹ 60.92 lakh.

(x) In 15 cases (pointed out by audit in January 2024) of conversion of land measuring 40,225 sq. m. situated at various villages of District Mahisagar from new and restricted tenure to old tenure for non-agricultural purposes, the rates of the survey numbers were missing in the *Jantri* 2011. The Collector was required to adopt the rates of the adjacent/ nearby survey number falling in the same grid/ value zone map of the missing survey number. However, the Collector adopted (between October 2018 and September 2021) rates of ASR-2006 or incorrect value zone. This resulted in short levy of premium price of ₹ 99.23 lakh. The District Collector stated (February 2025) that encumbrance entries have been registered against the properties.

(xi) In three cases (pointed out by audit in February 2024) of conversion of land measuring 32,259 sq. m. situated at various village of District Amreli from new and restricted tenure to old tenure for non-agricultural purposes, the rates of the survey numbers were missing in the *Jantri* 2011. The Collector was required to adopt the rates of the adjacent/ nearby survey number falling in the same grid/ value zone map of the missing survey number. However, the Collector adopted (between June 2021 and February 2023) rates of ASR-2006 (in two cases) or rate arrived at as per the formula prescribed *vide* GR dated 03 December 2011 (in one case). This resulted in short levy of premium price of ₹ 45.47 lakh. On this being pointed out, the Collector, Amreli stated (January 2025) that letter has been forwarded to DC (SDVO) for his opinion and necessary action will be initiated after receipt of the opinion.

(xii) In nine cases (pointed out by audit in April 2024) of conversion of land measuring 88,210 sq. m. situated at various village of District Godhra from new and restricted tenure to old tenure for non-agricultural purposes, the rates of the survey numbers were missing in the *Jantri* 2011. The Collector was required to adopt the rates of the adjacent/ nearby survey number falling in the same grid/ value zone map of the missing survey number. However, the Collector adopted (between November 2018 and February 2023) incorrect rates (in three cases), rates of ASR-2006 (in three cases) and rates arrived as per the formula prescribed *vide* GR dated 03 December 2011 (in three cases). This resulted in short levy of premium price of ₹ 57.63 lakh. On this being pointed out, the Collector, Godhra stated (March 2025) that encumbrance entries have been registered in seven cases. In one case, the applicant has been asked to pay the differential amount of premium. No reply received in the remaining one case.

(xiii) In nine cases (pointed out by audit in May 2023) of conversion of land measuring 89,759 sq. m. situated at various villages of District Ahmedabad from new and restricted tenure

to old tenure for agricultural/ non-agricultural purposes, the rates of the survey numbers were missing in the *Jantri* 2011. The Collector was required to adopt the rates of the adjacent/ nearby survey number falling in the same grid/ value zone map of the missing survey number. However, the Collector adopted (between March 2021 and March 2022) rates of ASR-2006 (in seven cases), incorrect rate (in one case) and *Jantri* rate of incorrect value zone (in one case). This resulted in short levy of premium price of ₹ 89.78 lakh. The District Collector, Ahmedabad stated (January 2025) that encumbrance entries have been registered against the properties in all cases.

The rate for the survey number not prescribed in the *Jantri* worked out in accordance with the instructions contained in the Government Resolution dated 03 December 2011 was less than the rates provided in the previous *Jantri*.

The Government Resolution dated 03 December 2011 provides that in the case of conversion of land under new and restricted tenure to old tenure for residential/ industrial/ commercial purposes, where the rate for the survey number is not prescribed in the *Jantri*, two/ three/ four times of the agricultural rate of the same survey number of the property, respectively should be considered for the purpose of levy of premium. The rates so arrived should not be less than the rates provided in the previous *Jantri* effective from 01 April 2008 to 31 March 2011.

The Government Resolution dated 30 December 2011 provides that when both *piyat* and *bin-piyat* agricultural rates are available in *Jantri*, the higher rate should be considered for calculation of market value for non-agricultural purposes.

Audit observation:

(i) In one case (pointed out by Audit in November 2021) of conversion of new and restricted tenure agricultural land measuring 3,500 sq. m. to old tenure non-agricultural purpose, the Collector, Chhota Udepur office adopted (in August 2020) *Jantri* rates arrived as per the formula prescribed *vide* GR dated 03 December 2011, which were lower than the rates prescribed in the earlier *Jantri* effective upto 31 March 2011. Adoption of lower *Jantri* rates has thus resulted in non-compliance to the GR dated 03 December 2011 and short levy of premium price of ₹ 0.25 lakh.

(ii) In one case (pointed out by Audit in May 2022) of conversion of new and restricted tenure agricultural land measuring 16,188 sq. m. to old tenure non-agricultural purpose, the Collector, Kachchh office adopted (in January 2019) *Jantri* rates arrived as per the formula prescribed *vide* GR dated 03 December 2011, which were lower than the rates prescribed in the earlier *Jantri* effective upto 31 March 2011. Adoption of lower *Jantri* rates has thus resulted in non-compliance to the GR dated 03 December 2011 and short levy of premium price of ₹ 0.52 lakh.

(iii) In one case (pointed out by Audit in June 2023) of conversion of new and restricted tenure agricultural land measuring 27,620 sq. m. to old tenure non-agricultural multipurpose use, the Commissioner of Land Reforms and Ex-officio Secretary, Gandhinagar adopted (in February 2019) *Jantri* rates arrived by adopting four times of *piyat* rates instead of *bin-piyat* rates, which were higher, for levy of premium price. Adoption of lower *Jantri* rates has thus resulted in short levy of premium price of ₹ 22.09 lakh.

Adoption of *Jantri* rates applicable for 'open plot (industrial)' instead of 'open plot' rates

As *Jantri* effective from 18 April 2011 has two categories of rates for the urban areas *viz* 'open plot rates' and 'open plot rates (industrial)', the Revenue Department issued a Circular dated 5 January 2015 to clear the ambiguities in choosing *Jantri* rate from the two categories for levy of premium for conversion of new and restricted tenure land to old tenure industrial purpose. As per the Circular, premium for conversion of agricultural land in urban areas under new and restricted tenure to old tenure for any non-agricultural use shall be charged based on the 'open plot rates' provided in the *Jantri* effective from 18 April 2011.

Audit observation:

In one case (pointed out by audit in February 2022) of conversion of new and restricted tenure land measuring 13,456 sq. m. to old tenure industrial purpose, the Collector, Rajkot office adopted the *Jantri* rates applicable for 'open plot (industrial)' instead of 'open plot' rates. This has resulted in short levy of premium price of ₹ 6.03 lakh. On this being pointed out, the Collector stated (January 2025) that highest open plot (Industrial) *Jantri* rate has been considered to levy the premium. The reply is not convincing as the Revenue Department Circular dated 05 January 2015 clearly states that premium for conversion of agricultural land

in urban areas under new and restricted tenure to old tenure for any non-agricultural use shall be charged based on the 'open plot rates' provided in the *Jantri*.

Adoption of incorrect *Jantri* rates

In case of conversion of land (situated in urban areas, towns, cities, Nagarpalika areas *etc.*) under 'new and restricted tenure' to 'old tenure', premium at the prescribed rates is required to be recovered.

The market value of agricultural land in town planning area should be fixed with the rate applicable for open plot land shown in *Jantri*.

In order to regularize breach of the condition due to inadvertent error in mentioning the words 'new and restricted tenure' in the land records by the revenue authorities and subsequent sale of land effected without obtaining permission and payment of premium by the *bona fide* purchasers, the Revenue Department issued a Circular no GNT/ 3016/2135/Z dated 17-03-2017. As per this Circular, Revenue Department allowed for conversion of land from agriculture to agriculture or non-agriculture purpose (new tenure to old tenure) by charging premium as per prevailing rules/GRs by considering this sale *as Bona fide (Shuddhabuddhi)* sale *i.e.* agriculture to agriculture as well as agriculture to non-agriculture based on the purpose and merits of such transfer.

Audit observation:

(i) In two cases (pointed out by audit between November 2021) of 'new and restricted tenure' land measuring 16,895 sq. m. situated at village and taluka Chhota Udepur *i.e.* urban area; the Mamlatdar, Chhota Udepur converted (in July 2009 and April 2017) the tenure of the land to 'old tenure for agricultural purpose' without levying the applicable premium of ₹ 9.43 lakh.

(ii) In one case (pointed out by audit in May 2023) of conversion of new and restricted tenure land measuring 15,440 sq. m. to old tenure for industrial purpose, the Collector, Himatnagar office adopted (August 2018) incorrect *Jantri* rates for levy of premium price. This resulted in short levy of premium price of ₹ 11.92 lakh.

(iii) In eight cases (pointed out by audit in March 2023) of conversion of new and restricted tenure land measuring 29,979 sq. m. to old tenure for non-agricultural purposes, the Collector, Gir Somnath office adopted (between May 2018 and July 2022) *Jantri* rates as per revenue survey numbers instead of adopting *Jantri* rates as per city survey numbers for levy of premium price. These revenue survey numbers have been assigned city survey numbers in 1996. This resulted in short levy of premium price of ₹ 136.79 lakh. On this being pointed out, the District Collector stated (January 2025) that land owners will be intimated to pay the differential amount of premium in view of the *Jantri* rate determined by DC(SDVO).

(iv) In two cases (pointed out by audit in June 2023) of conversion of new and restricted tenure land measuring 28,277 sq. m. to old tenure for residential purpose, the Commissioner of Land Reforms and Ex-officio Secretary, Gandhinagar office adopted (August 2020) incorrect *Jantri* rates for levy of premium price. This resulted in short levy of premium price of ₹ 11.31 lakh.

(v) In seven cases (pointed out by audit in July 2023) of conversion of new and restricted tenure land measuring 64,061 sq. m. to old tenure for non-agricultural purposes, the Collector, Valsad office adopted incorrect *Jantri* rates for levy of premium price. This resulted in short levy of premium price of ₹ 12.66 lakh. On this being pointed out, the Collector stated (January 2025) that encumbrance entry has been registered in all cases.

(vi) In three cases (pointed out by audit in April 2023) of conversion of new and restricted tenure land measuring 77,194 sq. m. to old tenure for non-agricultural purposes, the Collector, Surendranagar office adopted (between November 2018 and January 2020) incorrect *Jantri* rates for levy of premium price. In one case, agricultural rate was adopted instead of residential/ open plot rate and in two cases, residential rates were adopted instead of commercial rates. This resulted in short levy of premium price of ₹ 42.67 lakh.

(vii) In four cases (pointed out by audit in October 2023) of conversion of new and restricted tenure land measuring 35,309 sq. m. to old tenure for industrial purpose, the Collector, Morbi office adopted (July 2019) incorrect *Jantri* rates for levy of premium price. In these cases, residential rates were adopted instead of industrial rates. This resulted in short levy of premium price of ₹ 14.12 lakh. The District Collector stated (February 2025) that recovery in all cases have been completed.

(viii) In one case (pointed out by audit in January 2024) of conversion of new and restricted tenure land measuring 46,508 sq. m. to old tenure for multipurpose use, the Collector, Patan

office adopted (November 2022) incorrect *Jantri* rate for levy of premium price. This resulted in short levy of premium price of ₹ 6.88 lakh. On this being pointed out, the Collector stated (February 2025) that encumbrance entry has been registered against the property.

(ix) In five cases (pointed out by audit in April 2024) of conversion of new and restricted tenure land measuring 84,682 sq. m. to old tenure for agricultural or non-agricultural purposes, the Collector, Godhra office adopted (between November 2021 and April 2022) incorrect *Jantri* rates for levy of premium price. This resulted in short levy of premium price of ₹ 12.30 lakh.

(x) In two cases (pointed out by audit in January 2024) of conversion of new and restricted tenure land measuring 1,541 sq. m. to old tenure for non-agricultural purposes, the Collector, Dahod office adopted (between July 2021 and May 2022) incorrect *Jantri* rates for levy of premium price. In one case, residential rate was adopted instead of commercial rate and in another case, commercial rate of ASR-2008 was adopted instead of commercial rate of ASR-2011. This resulted in short levy of premium price of ₹ 0.28 lakh. On this being pointed out, the Collector, Dahod stated (March 2025) that recovery has been completed in both cases.

(xi) In one case (pointed out by audit in October 2023) of conversion of new and restricted tenure land measuring 9,245 sq. m. to old tenure for industrial purpose, the Collector, Morbi office adopted (February 2020) residential rate *instead* of industrial rate for levy of premium price. This resulted in short levy of premium price of ₹ 1.55 lakh.

(xii) In three cases (pointed out by audit in June 2023) of conversion of new and restricted tenure land measuring 88,059 sq. m. to old tenure for agricultural or non-agricultural purposes, the Collector, Bharuch office adopted (between July 2018 and July 2020) incorrect *Jantri* rates/ area for levy of premium price. In one case, lower agricultural rate was adopted despite the fact that the Revenue Survey number was within the municipal limits. In one case, premium was not recovered in respect of merged area. In one case, *Jantri* rates arrived at as per the formula prescribed *vide* GR dated 03 December 2011 for multipurpose use were adopted, which were lower than the commercial rates prescribed in ASR-2008. This resulted in short levy of premium price of ₹ 8.53 lakh. The Collector, Bharuch stated (March 2025) that ₹ 3.27 lakh has been recovered in two cases. Reply of remaining one case is awaited (March 2025).

(xiii) In one case (pointed out by audit in April 2024) of conversion of new and restricted tenure land measuring 17,604 sq. m. to old tenure for industrial purpose, the Collector, Godhra office issued orders (September 2018) after recovery of premium price at non-agricultural rates. Originally, the land was of new tenure and previously, the land had been sold for agricultural purpose without the permission of the Collector and recovery of premium price for agricultural purpose. The Department recovered premium price for non-agricultural purpose only but failed to recover premium price for agricultural purpose. This resulted in non-levy of premium price of ₹ 7.22 lakh.

Appendix IX

Short recovery of Service Charge

(Referred to in Paragraph 3.7)

Sl. No.	Office/ Period/ No. of cases/ Amount (₹ in lakh)	Nature of observation
1	District Collector, <u>Kachchh-Bhuj</u> 2016-21 <u>28 cases</u> 32.26	<p>Audit noticed (in February 2019 and May 2022) that in 28 cases, for the purpose of setting up Windmills, 10 applicants had applied for allotment of Government land measuring 30,25,000 sq. m., situated at various Revenue Survey numbers of 26 villages of five Talukas. As per the <i>Jantri</i> rates, the market value of the said land was ₹ 61.22 crore. Thus, in these cases, the District Collector was required to ensure payment of Service Charge of ₹ 61.22 lakh (being one <i>per cent</i> of the market value of the land) before processing the applications. However, the applicants had paid Service Charge of ₹ 28.96 lakh only with their applications. The Collector, therefore, was required to levy the differential Service Charge of ₹ 32.26 lakh from the applicants before finalisation of their applications. However, the Collector neither levied nor recovered the differential Service Charge of ₹ 32.26 lakh.</p> <p>On this being pointed out, the District Collector replied (October 2023) that in four cases²² part amount of ₹ 2.04 lakh had been recovered from two applicants. Status of recovery of remaining amount of the Service Charge was awaited (February 2025).</p>
2	District Collector, <u>Surendranagar</u> 2017-22 <u>02 cases</u> 67.91	<p>Audit noticed (April 2023) that in two cases, for the purpose of construction of residential colony/ setting up electricity sub-station, two applicants had applied for allotment of Government land measuring 39,16,076 sq. m., situated at various Revenue Survey numbers of two villages of two Talukas. As per the <i>Jantri</i> rates, the market value of the said land was ₹ 77.45 crore. Thus, in these cases, the District Collector was required to ensure payment of Service Charge of ₹ 77.45 lakh (being one <i>per cent</i> of the market value of the land) at the time of issuance of final orders of allotment. However, the applicants had paid Service Charge of ₹ 9.54 lakh only. The Collector, therefore, was required to levy the differential Service Charge of ₹ 67.91 lakh from the applicants before issuance of final orders of allotment. However, the Collector neither levied nor recovered the differential Service Charge of ₹ 67.91 lakh.</p> <p>On this being pointed out, the District Collector replied (March 2023) that necessary action would be taken for recovery of the deficit Service Charge. Further reply is awaited (February 2025).</p>
3	District Collector, <u>Surendranagar</u> 2017-22 <u>13 cases</u>	<p>Audit noticed (April 2023) that in 13 cases, for the purpose of setting up Windfarms, one applicant had applied for allotment of Government land measuring 5,70,000 sq. m., situated at various Revenue Survey numbers of 13 villages of two Talukas. As per the <i>Jantri</i> rates, the market value of the said</p>

²² Two cases of a Company at village Khanbhala and Nadapa and two cases of another company at village Laxmipar (Netra) and Vadva Bhopavala.

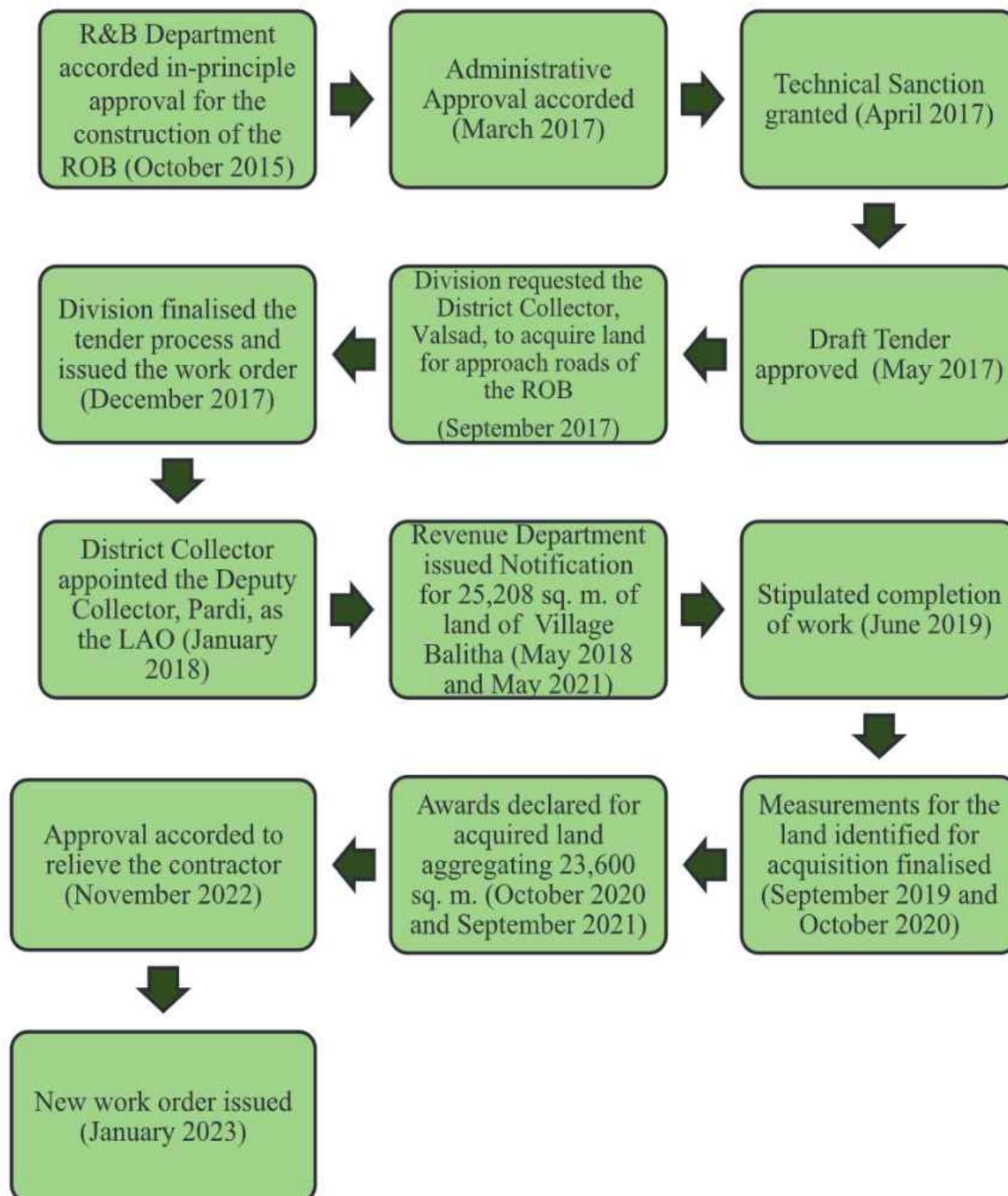
Sl. No.	Office/ Period/ No. of cases/ Amount (₹ in lakh)	Nature of observation
	7.89	land was ₹ 11.98 crore. Thus, in these cases, the District Collector was required to ensure payment of Service Charge of ₹ 11.98 lakh (being one <i>per cent</i> of the market value of the land) before processing the applications. However, the applicant had paid Service Charge of ₹ 4.09 lakh only with its applications. The Collector, therefore, was required to levy the differential Service Charge of ₹ 7.89 lakh from the applicant before finalisation of his applications. However, the Collector neither levied nor recovered the differential Service Charge of ₹ 7.89 lakh. On this being pointed out, the District Collector replied (March 2023) that necessary action would be taken for recovery of the deficit Service Charge. Further reply is awaited (February 2025).
4	Additional Chief Secretary, Revenue Department, Gandhinagar 2021-23 03 cases 16.47	Audit noticed (July 2023) that in three cases, for the purpose of construction of residential colony/ setting up electricity sub-station, two applicants had applied for allotment of Government land measuring 10,62,932 sq. m., situated at various Revenue Survey numbers of three villages of three Talukas. As per the <i>Jantri</i> rates, the market value of the said land was ₹ 49.82 crore. Thus, in these cases, the District Collector was required to ensure payment of Service Charge of ₹ 49.82 lakh (being one <i>per cent</i> of the market value of the land) at the time of issuance of final orders of allotment in pursuance to the Revenue Department orders. However, the applicants had paid Service Charge of ₹ 33.35 lakh only. The Collector, therefore, was required to levy the differential Service Charge of ₹ 16.47 lakh from the applicants before issuance of final orders of allotment. However, the Collector neither levied nor recovered the differential Service Charge of ₹ 16.47 lakh. On this being pointed out, the Department replied (June 2023) that the matter would be referred to the District Collector for necessary action. Further reply is awaited (February 2025).
5	Collector, Ahmedabad 2020-22 02 cases 64.07	Audit noticed (May 2023) that in two cases, for the purpose of setting up solar plant, one applicant had applied for allotment of Government land measuring 22,74,986 sq. m., situated at various Revenue Survey numbers of village Pachchham. As per the <i>Jantri</i> rates, the market value of the said land was ₹ 64.07 crore. Thus, in these cases, the District Collector was required to ensure payment of Service Charge of ₹ 64.07 lakh (being one <i>per cent</i> of the market value of the land) before processing the applications. However, neither the applicant paid the Service Charge, nor the Collector recovered the Service Charge of ₹ 64.07 lakh from the applicant before finalisation of applications. The reply of the District Collector is awaited (February 2025).
6	Collector, Amreli 2018-23 01 case 9.62	Audit noticed (February 2024) that in one case, for the purpose of setting up desalination plant, the applicant had applied for allotment of Government land measuring 89,034 sq. m., situated at village Chanch. As per the <i>Jantri</i> rates, the market value of the said land was ₹ 9.62 crore. Thus, in this case, the District Collector was required to ensure payment of Service

Sl. No.	Office/ Period/ No. of cases/ Amount (₹ in lakh)	Nature of observation
		<p>Charge of ₹ 9.62 lakh (being one <i>per cent</i> of the market value of the land) at the time of issuance of final order of allotment. However, neither the applicant paid the Service Charge, nor the Collector recovered the Service Charge of ₹ 9.62 lakh from the applicant before issuance of final order of allotment.</p> <p>On this being pointed out, the District Collector stated (January 2025) that applicant has been informed (July 2024) to pay the Service Charge. Further reply is awaited (February 2025).</p>

Appendix X

Chronology of Work No. 1: ROB in lieu of LC - 81

(Referred to in Paragraph 3.9)



Appendix XI

Month wise details of exhibit tanks having aquatic species less than the prescribed numbers and penalty leviable

(Referred to in Paragraph 3.12)

Month	Total number of tanks having deficit number of species (Percentage of the total 68 tanks)	Specific number of the tank (s)	Remarks	No. of instances (i.e. number of non-compliant tanks more than permissible four tanks ²³)
July 2021	23 (33.82)	1, 2, 5, 12, 16, 17, 18, 19, 20, 22, 24, 26, 27, 29, 37, 39, 41, 51, 57, 59, 60, 63, 64		19
August 2021	30 (44.12)	1, 2, 5, 6, 12, 16, 17, 18, 19, 20, 22, 23, 24, 26, 27, 28, 29, 37, 39, 41, 46, 51, 55, 56, 57, 59, 60, 62, 63, 64		26
September 2021	30 (44.12)	1, 2, 5, 6, 12, 16, 17, 18, 19, 20, 22, 23, 24, 26, 27, 28, 29, 37, 39, 41, 46, 51, 55, 56, 57, 59, 60, 62, 63, 64		26
October 2021	31 (45.59)	1, 2, 5, 6, 12, 16, 17, 18, 19, 20, 22, 23, 24, 26, 27, 28, 29, 37, 39, 41, 46, 51, 55, 56, 57, 59, 60, 61, 62, 63, 64		27
November 2021	32 (47.06)	1, 2, 5, 6, 12, 16, 17, 18, 19, 20, 22, 23, 24, 26, 27, 28, 29, 37, 39, 41, 45, 46, 51, 55, 56, 57, 59, 60, 61, 62, 63, 64		28
Sub-Total of instances				126
Penalty leviable (one per cent per month for each instance)				₹ 1,06,48,723 multiplied by one per cent multiplied by 126 = ₹ 1,34,17,391

²³ As per the contract terms, at least 95 per cent of the exhibit tanks (i.e. 64 out of 68 tanks) must have the specified number of aquatic species.

Month	Total number of tanks having deficit number of species (Percentage of the total 68 tanks)	Specific number of the tank (s)	Remarks	No. of instances (i.e. number of non-compliant tanks more than permissible four tanks ²³)
December 2021	37 (54.41)	1, 2, 5, 6, 7, 9, 12, 16, 17, 18, 19, 20, 22, 23, 24, 26, 27, 28, 29, 37, 39, 41, 44, 45, 46, 49, 51, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64	Tank No. 49 (Cuttlefish) had 'nil' number of species	33
January 2022	37 (54.41)	1, 2, 5, 6, 7, 9, 12, 16, 17, 18, 19, 20, 22, 23, 24, 26, 27, 28, 29, 37, 39, 41, 44, 45, 46, 49, 51, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64	Tank No. 49 (Cuttlefish), 55 (Moon Jellyfish) and 56 (Spotted Jellyfish) had 'nil' number of species	33
February 2022	28 (41.18)	1, 5, 6, 12, 17, 20, 27, 28, 37, 39, 41, 42, 44, 45, 46, 49, 51, 53, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64	-do-	24
March 2022	30 (44.12)	1, 5, 6, 12, 17, 18, 19, 20, 27, 28, 37, 39, 41, 42, 44, 45, 46, 49, 51, 53, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64	-do-	26
April 2022	32 (47.06)	1, 5, 6, 12, 17, 18, 19, 20, 26, 27, 28, 37, 39, 41, 42, 44, 45, 46, 49, 50, 51, 53, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64	-do-	28
May 2022	36 (52.94)	1, 3, 5, 6, 12, 17, 18, 19, 20, 26, 27, 28, 36, 37, 39, 41, 42, 43, 44, 45, 46, 49, 50, 51, 52, 53, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64	Tank No. 42 (Stone fish), 49 (Cuttlefish), 50 (Octopus), 55 (Moon Jellyfish) and 56 (Spotted Jellyfish) had 'nil' number of species	32
June 2022	39 (57.35)	1, 3, 5, 6, 9, 10, 12, 17, 18, 19, 20, 26, 27, 28, 32, 36, 37, 39, 41, 42, 43, 44, 45, 46, 49, 50, 51, 52, 53, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64	-do-	35

Month	Total number of tanks having deficit number of species (Percentage of the total 68 tanks)	Specific number of the tank (s)	Remarks	No. of instances (i.e. number of non-compliant tanks more than permissible four tanks ²³)
July 2022	42 (61.76)	1, 3, 5, 6, 9, 10, 12, 17, 18, 19, 20, 24, 26, 27, 28, 31, 32, 33, 36, 37, 39, 41, 43, 44, 45, 46, 49, 50, 51, 52, 53, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 67	Tank No. 49 (Cuttlefish), 50 (Octopus), 55 (Moon Jellyfish) and 56 (Spotted Jellyfish) had 'nil' number of species	38
August 2022	42 (61.76)	1, 3, 5, 6, 9, 10, 12, 17, 18, 19, 20, 26, 27, 28, 31, 32, 33, 36, 37, 39, 41, 42, 43, 44, 45, 46, 49, 50, 51, 52, 53, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 67	-do-	38
September 2022	38 (55.88)	1, 3, 5, 6, 9, 10, 12, 17, 18, 19, 20, 26, 27, 28, 32, 33, 36, 37, 39, 41, 43, 44, 45, 46, 48, 49, 51, 52, 55, 56, 57, 58, 59, 60, 61, 62, 63, 67	Tank No. 49 (Cuttlefish), 55 (Moon Jellyfish) and 56 (Spotted Jellyfish) had 'nil' number of species	34
October 2022	39 (57.35)	1, 3, 5, 6, 9, 10, 12, 17, 18, 19, 20, 26, 27, 28, 32, 33, 36, 37, 39, 41, 43, 44, 45, 46, 48, 49, 50, 51, 52, 55, 56, 57, 58, 59, 60, 61, 62, 63, 67	Tank No. 49 (Cuttlefish), 50 (Octopus), 55 (Moon Jellyfish) and 56 (Spotted Jellyfish) had 'nil' number of species	35
November 2022	42 (61.76)	1, 2, 3, 5, 6, 9, 10, 12, 17, 18, 19, 20, 22, 24, 26, 28, 32, 33, 36, 37, 39, 41, 42, 43, 44, 45, 46, 48, 49, 51, 52, 53, 55, 56, 57, 58, 59, 60, 61, 62, 63, 67	Tank No. 49 (Cuttlefish), 55 (Moon Jellyfish) and 56 (Spotted Jellyfish) had 'nil' number of species	38
December 2022	39 (57.35)	1, 2, 3, 5, 6, 8, 12, 17, 19, 20, 22, 26, 28, 32, 33, 36, 37, 39, 41, 42, 43, 44, 45, 46, 48, 49, 51, 52, 53, 55, 56, 57, 58, 59, 60, 61, 62, 63, 67	Tank No. 42 (Stone fish), 49 (Cuttlefish), 55 (Moon Jellyfish) and 56 (Spotted Jellyfish) had 'nil' number of species	35
January 2023	38 (55.88)	1, 2, 3, 6, 8, 10, 12, 17, 19, 20, 22, 26,	Tank No. 42 (Stone fish), 49	34

Month	Total number of tanks having deficit number of species (Percentage of the total 68 tanks)	Specific number of the tank (s)	Remarks	No. of instances (i.e. number of non-compliant tanks more than permissible four tanks ²³)
		28, 32, 33, 36, 37, 39, 41, 42, 43, 44, 45, 46, 48, 49, 51, 52, 53, 56, 57, 58, 59, 60, 61, 62, 63, 67	(Cuttlefish) and 56 (Spotted Jellyfish) had 'nil' number of species	
February 2023	37 (54.41)	1, 2, 3, 6, 8, 9, 12, 17, 19, 20, 22, 26, 28, 32, 33, 36, 37, 39, 41, 42, 43, 44, 45, 46, 48, 49, 51, 52, 56, 57, 58, 59, 60, 61, 62, 63, 67	Tank No. 42 (Stone fish), 49 (Cuttlefish) and 56 (Spotted Jellyfish) had 'nil' number of species	33
March 2023	40 (58.82)	1, 2, 3, 5, 6, 8, 9, 17, 19, 20, 22, 23, 26, 28, 31, 32, 33, 36, 37, 39, 41, 42, 43, 44, 45, 46, 48, 49, 50, 51, 52, 56, 57, 58, 59, 60, 61, 62, 63, 67	Tank No. 49 (Cuttlefish), 50 (Octopus) and 56 (Spotted Jellyfish) had 'nil' number of species	36
Sub-Total of instances				532
Penalty leviable (one per cent per month for each instance)				₹ 1,08,66,044 multiplied by one per cent multiplied by 532 = ₹ 5,78,07,354
Total penalty leviable				₹ 7,12,24,745

Appendix XII

Heat Map showing the tanks with less than the adequate number of species across the audit period

(Referred to in Paragraph 3.12)

Tank ID	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	
Tank 1	81	76	76	76	76	76	76	76	59	59	59	33	77	97	46	50	53	64	73	82	73	73
Tank 2	94	94	94	94	94	94	94	100	100	100	100	100	100	100	100	100	94	94	94	94	94	94
Tank 3	100	100	100	100	100	100	100	100	100	100	62.5	63	88	88	88	88	75	75	75	75	75	75
Tank 5	95	95	95	95	95	95	95	95	94	94	94	94	94	94	94	94	94	94	100	100	100	98
Tank 6	100	92	85	85	85	77	77	92	85	85	85	85	85	85	85	85	85	85	85	85	85	85
Tank 7	100	100	100	100	100	83	83	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Tank 8	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	99	99	98	98
Tank 9	100	100	100	100	100	94	91	100	100	100	100	94	94	94	94	94	94	100	100	100	97	97
Tank 10	100	100	100	100	100	100	100	100	100	100	100	83	83	83	83	91	87	100	99	100	100	100
Tank 12	93	92	91	91	91	91	91	99	99	99	99	86	81	81	88	95	90	90	90	95	95	100
Tank 16	99	99	99	99	98	97	97	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Tank 17	97	97	97	97	97	97	97	93	91	91	91	90	88	88	88	88	87	87	87	87	87	85
Tank 18	95	95	90	90	85	85	85	100	85	80	60	55	50	95	90	60	55	100	100	100	100	100
Tank 19	98	98	98	98	98	98	98	100	99	99	99	99	99	99	99	99	98	98	98	98	98	97
Tank 20	99	99	98	98	98	98	98	97	93	93	93	73	94	94	94	94	93	93	93	93	93	93
Tank 22	98	97	96	95	93	93	91	100	100	100	100	100	100	100	100	100	99	99	99	99	99	99
Tank 23	100	98	98	98	98	98	98	100	100	100	100	100	100	100	100	100	100	100	100	100	100	98
Tank 24	87	87	87	87	87	87	87	100	100	100	100	100	93	100	100	100	93	100	100	100	100	100
Tank 26	87	85	85	83	83	82	81	100	100	97	97	96	67	98	95	97	91	97	96	98	98	94
Tank 27	92	92	92	91	88	84	80	78	75	75	56	56	58	77	73	73	100	100	100	100	100	100
Tank 28	100	100	100	99	89	89	89	99	97	97	84	72	50	43	50	67	63	73	60	54	70	70
Tank 29	98	98	98	98	98	98	98	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Tank 32	100	100	100	100	100	100	100	100	100	100	100	59	59	59	84	84	83	81	79	75	72	72

Tank ID	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Tank 33	100	100	100	100	100	100	100	100	100	100	100	100	98	94	93	90	87	86	84	84	84
Tank 36	100	100	100	100	100	100	100	100	100	100	95	95	95	95	95	85	80	55	40	90	90
Tank 37	86	86	84	84	84	84	84	84	84	44	44	10	16	29	29	31	33	33	31	41	43
Tank 39	95	95	95	95	95	85	85	85	85	85	85	85	87	91	55	56	56	56	64	62	62
Tank 41	80	80	73	73	58	48	43	55	55	15	15	5	5	23	50	63	53	55	63	65	65
Tank 42	100	100	100	100	100	100	100	67	67	67	0	0	100	67	100	100	33	0	0	0	33
Tank 43	100	100	100	100	100	100	100	100	100	100	91	84	85	85	80	80	80	86	81	76	93
Tank 44	100	100	100	100	100	97	96	96	94	94	68	69	81	81	86	86	86	80	77	79	79
Tank 45	100	100	100	100	96	91	90	90	89	89	89	35	35	20	16	15	15	14	14	15	16
Tank 46	100	100	98	98	98	97	96	100	97	97	97	11	9	19	19	18	25	33	33	33	57
Tank 48	100	100	100	100	100	100	100	100	100	100	100	100	100	100	94	81	81	94	93	89	89
Tank 49	100	100	100	100	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tank 50	100	100	100	100	100	100	100	100	100	0	0	0	0	0	100	0	100	100	100	100	0
Tank 51	99	99	99	99	99	98	98	99	79	79	76	4	15	11	6	55	53	50	23	27	45
Tank 52	100	100	100	100	100	100	100	100	100	100	83	60	53	43	57	57	57	57	67	70	70
Tank 53	100	100	100	100	100	100	100	98	90	90	50	50	88	70	100	100	95	78	78	100	100
Tank 55	100	60	60	60	60	60	0	0	0	0	0	0	0	0	0	0	0	0	100	100	100
Tank 56	100	20	4	4	4	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tank 57	99	99	99	99	99	98	98	96	89	89	89	85	88	92	92	96	95	96	97	98	98
Tank 58	100	100	100	100	100	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80
Tank 59	90	65	65	65	65	25	25	25	25	25	25	45	45	45	45	45	45	45	45	45	45
Tank 60	92	92	92	92	91	91	91	91	91	91	91	73	68	71	73	61	71	71	77	82	82
Tank 61	100	100	100	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83
Tank 62	100	97	97	97	97	97	97	97	97	97	97	97	97	97	72	63	63	71	77	88	86
Tank 63	97	97	97	97	97	97	97	97	97	97	97	97	97	97	75	75	75	77	85	92	92
Tank 64	96	96	96	96	96	96	96	96	96	96	96	96	96	96	100	100	100	100	100	100	100
Tank 67	100	100	100	100	100	100	100	100	100	100	100	100	75	75	75	75	75	75	75	75	75

In the Heat Map, the dark red corresponds to all tanks with less than 2/3rd of the required species. The colour then lightens, up to white for 100 per cent of the aquatic species in the tank.

Appendix XIII

Royalty and Interest amount payable to Government of Gujarat

(Referred to in Paragraph 3.13)

Year	Col. 1	Col. 2	Col. 3= Col. 2*0.53	Col. 4=Col. 2*0.47	Col. 5	Royalty paid by GSPC to GoG in 2021-22 (66.67%) (In ₹)	Royalty payable by NIKO to GoG (33.33%) (In ₹)	No. of years for GSPC (upto 2020-21)	Col. 7	Col. 8	200 basis point	Interest Payable by GSPC (In ₹)	No. of years for NIKO (upto 2022-23)	Col. 11	Interest payable by NIKO (In ₹)
2003-04		64836383.00	34363282.99	30473100.01	22910000.77	11453282.22	11453282.22	17	Col. 7	Col. 8	Col. 9=Col. 8 plus 2	47710076.60	19	Col. 11	Col. 12= Col. 6*Col. 9*Col. 11/100
2004-05		65918805.00	34936966.65	30981838.35	23292475.67	11644490.98	11644490.98	16			12.25	45653252.30	18		26657514.37
2005-06		73145803.00	38767275.59	34378527.41	25846142.64	12921132.95	12921132.95	15			12.25	47492287.09	17		25676102.62
2006-07		49785802.00	26386475.06	23399326.94	17591862.92	8794612.14	8794612.14	14			12.25	30170044.91	16		26908259.38
2007-08		33382377.00	17692659.81	15689717.19	11795696.30	5896963.51	5896963.51	13			14.25	21851527.39	15		17237439.79
2008-09		37853572.00	20062393.16	17791178.84	13375597.52	6686795.64	6686795.64	12			14.25	22872271.76	14		12604759.51
2009-10		20336070.00	10778117.10	9557952.90	7185770.67	3592346.43	3592346.43	11			13.75	10868478.14	13		13340157.30
2010-11		12825821.00	6797685.13	6028135.87	4532016.68	2265668.45	2265668.45	10			13.75	6231522.93	12		6421319.24
2011-12		9605713.00	5091027.89	4514685.11	3394188.29	1696839.60	1696839.60	9			15.00	4582154.20	11		3738352.95
2012-13		8211546.00	4352119.38	3859426.62	2901557.99	1450561.39	1450561.39	8			16.45	3818450.32	10		2799785.33
2013-14		4573656.00	2424037.68	2149618.32	1616105.92	807931.76	807931.76	7			16.45	1860945.97	9		2386173.49
Total		380475548.00	201652040.44	178823507.56	134441415.36	67210625.08	67210625.08					243111011.61			138966006.95

* The lowest prime lending rate for the respective financial year is considered.

- A. Interest paid by GSPC for delay in depositing royalty with GoG after arbitration award (30.09.2020 to 18.08.2021) @14.25 per cent: ₹16848454.33
- B. Remaining Interest payable by GSPC (₹24311011.61 less ₹16848454.33) : ₹226262557.28
- C. Interest payable by NIKO : ₹138966006.95
- D. **Total Interest payable by GSPC and NIKO to GoG** : **₹365228564.23**
- E. **Royalty payable by NIKO to GoG** : **₹67210625.08**



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