

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

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CAG AUDIT REPORT ON GST PRESENTED IN PARLIAMENT

Compliance Audit Report of the Comptroller and Auditor General of India on Goods and Services Tax (Report No. 25 of 2025) for the year ended March 2023 was presented in Parliament here today.

The Report contains significant results of compliance audit of the Central Board of Indirect Taxes and Customs (CBIC) under the Department of Revenue. The report deals mainly with the issues involving levy and collection of Goods and Services Tax. This report is divided into four chapters. Chapter I provides a brief description of the nature of indirect taxes, organizational structure of CBIC, trends in Indirect Taxes revenue and comparative growth of various components of Indirect Taxes. Chapter II describes the CAG's audit mandate for audit of revenue receipts, audit universe, audit sample, and result of audit efforts. Chapter III brings out the effectiveness of Departmental monitoring mechanism in respect of taxpayers under Composition Levy Scheme and the Department's performance with respect to internal audit. Chapter IV discusses the systemic and compliance issues, observed during the course of the Subject Specific Compliance Audit (SSCA) of Department's oversight on GST payments and return filing. Major audit observations are as under:

The Indirect taxes collections increased by ₹ 93,612 crore (seven per cent) during FY23 over FY22. Central GST revenue increased by 22 per cent (₹ 1, 51,796 crore) during FY 23 over FY 22.

(Paragraph 1.3)

During 2023-24, Audit conducted a follow-up compliance audit of Composition Levy Scheme (CLS) taking the sample from a previous data analysis of CLS taxpayer's data, provided by GSTN in September 2022, the audit of which was conducted in 2022-23 for the financial years 2019-20 to 2021-22 and reported in Chapter VII of CAG's Audit Report No. 7 of 2024.

Audit observed that the mechanism to oversee compliance of conditions prescribed for composition levy taxpayers as prescribed in Rule 5 of the CGST Rules, 2017 such as mentioning the words "composition taxable person, not eligible to collect tax on supplies" and mentioning 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 of business was inadequate.

(Paragraph 3.1 and Paragraph 3.1.6)

The Subject Specific Compliance Audit (SSCA) on Department's oversight on GST payments and return filing, Phase-II (DORF II) was taken up as a continuation of the SSCA conducted during the year 2022-23 covering returns for the period 2017-18,

featured in CAG's Audit Report No.7 of 2024 as Chapter IV, considering the significance of the control mechanism envisaged for tax compliance and the Department's oversight mechanism in the new tax regime. This report for DORF II covers returns for the period 2018-19 to 2020-21.

Audit noted that during the audit period 2020-21, certain functions had not been automated such as issue of ASMT-13 and view non-filers reports for returns other than GSTR-3B. Therefore, the related MIS reports had either not been made or made partially available. These included unavailability of MIS reports related to GSTR-3A, Dispute, Settlement and Resolution (DSR) and REG-17 which have not yet been automated (April 2023) for the period prior to November 2020.

(Paragraph 4.8.1)

A sample of 10,124 deviations was taken up for Centralised Audit and responses of the Department were received in 8,106 deviations, out of which Audit noticed compliance deviations from the statutory provisions in 2,519 cases involving an amount of ₹ 21,695.11 crore, constituting 31 per cent of inconsistencies/mismatches in data, for which the Department provided responses. Relatively higher rates of deviations were noticed in risk parameters such as, Short-payment of interest, GSTR-3Bs not filed but GSTR-1 filed, ITC availed on GSTR-3B filed after cut-off period, ITC mismatch, undischarged liability, ITC passed on without supplier remitting tax, short payment of tax under RCM and Excess ISD credit.

(Paragraph 4.8.4)

Out of the 1,086 cases (under detailed examination) that were audited either fully or partially, Audit observed 741 compliance deviations with a revenue implication of ₹ 2,349.62 crore. These deviations translated into non-compliance with the provisions of the Act by 438 out of 1,086 taxpayers audited. The main causative factors were availing of ineligible and irregular ITC, misclassification of supplies, exclusion of supplies for taxation, undervaluation of supplies, and incorrect discharge of tax under RCM.

Some of the important audit recommendations are as under.

The Department may

- Expedite inclusion of Business Intelligence (BI) and MIS reports in the back-end system and till such time automation is complete, Department may ensure proper maintenance of manual records/registers.
- Extend 'view non-filer' functionality in back-end portal to enable Range Officer to identify and issue notices to the non-filers of returns to all categories of registrants. Presently, the facility is available only for GSTR-3B, GSTR-9, GSTR-10 and CMP-08.
- Improve the monitoring of the compliance to the DGARM risks both in terms of statistics to rule out possibility of revenue due not being detected or followed up and also in reviewing test check cases to ensure quality of checks exercised.

- Strengthen the monitoring mechanism in Ranges and ensure that due diligence is done in procedures for cancellation, suspension of registration, issue of Show Cause Notices and recovery.

(Paragraph 4.10)

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