

Chapter-I

Revenue Sector

1.1 Introduction

1.1.1 Trend of revenue receipts

1.1.1.1 The tax and non-tax revenue raised by the Government of National Capital Territory of Delhi (GNCTD) during the year 2017-18, Grants-in-aid received from the Government of India (GoI) during the year and the corresponding figures for the preceding four years are depicted in **Table-1.1**:

Table-1.1: Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	Revenue raised by the GNCTD					
	Tax revenue	25,918.69	26,603.90	30,225.16	31,139.89	35,717.02
	Non-tax revenue	659.14	632.55	515.40	380.69	766.06
	Total	26,577.83	27,236.45	30,740.56	31,520.58	36,483.08
2	Receipts from the Government of India					
	Grants-in-aid	1,402.86	2,348.14	4,258.29	2,825.16	2,184.19
3	Total revenue receipts of the GNCTD (1 and 2)	27,980.69	29,584.59	34,998.85	34,345.74	38,667.27
4	Percentage of 1 to 3	95	92	88	92	94

Source: Finance Accounts

The year-wise trend in revenue receipts during 2013-14 to 2017-18 is depicted in the **Chart-1.1**:

Chart- 1.1

The revenue raised by the NCT of Delhi of ₹ 36,483.08 crore during the year 2017-18 was 94 per cent of the total revenue receipts. The balance six per cent of the receipts during 2017-18 was Grants-in-aid from the GoI.

1.1.1.2 The details of tax revenue raised during the period 2013-14 to 2017-18 are given in **Table-1.2**:

Table-1.2: Details of Tax Revenue raised

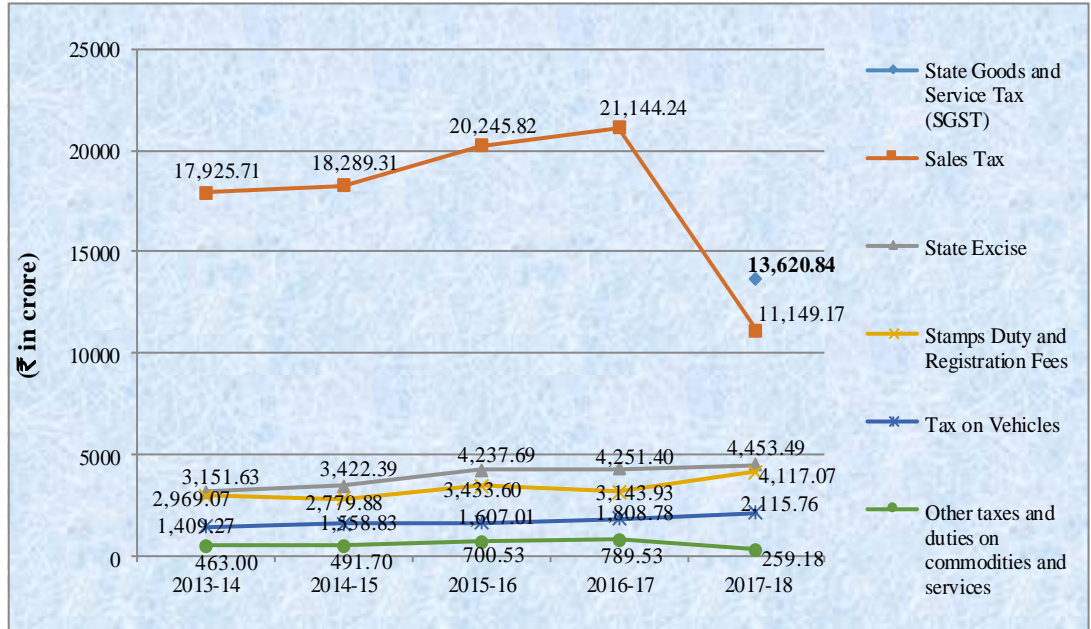
(₹ in crore)

Sl. No.	Head of revenue	2013-14 (percentage of total tax revenue)	2014-15 (percentage of total tax revenue)	2015-16 (percentage of total tax revenue)	2016-17 (percentage of total tax revenue)	2017-18 (percentage of total tax revenue)	Percentage of increase (+) or decrease (-) in actual of 2017-18 over 2016-17
1	State Goods and Services Tax (SGST)	-	-	-	-	13,620.84 (38.14%)	17.15
2	Sales Tax	17,925.71 (69.16%)	18,289.31 (68.75%)	20,245.82 (66.98%)	21,144.24 (67.90%)	11,149.17 (31.21%)	
3	State Excise	3,151.63 (12.16%)	3,422.39 (12.86%)	4,237.69 (14.02%)	4,251.40 (13.65%)	4,453.49 (12.47%)	4.75
4	Stamps Duty and Registration Fees	2,969.07 (11.46%)	2,779.88 (10.45%)	3,433.60 (11.36%)	3,143.93 (10.10%)	4,117.07 (11.53%)	30.95
5	Tax on Vehicles	1,409.27 (5.43%)	1,558.83 (5.86%)	1,607.01 (5.32%)	1,808.78 (5.81%)	2,115.76 (5.92%)	16.97
6	Other taxes and duties on commodities and services	463.00 (1.79%)	491.70 (1.85%)	700.53 (2.32%)	789.53 (2.53%)	259.18 (0.73%)	-67.17
7	Land Revenue	0.01 (0.00004%)	61.79 (0.23%)	0.51 (0.002%)	2.01 (0.01%)	1.51 (0.004%)	-24.88
Total Tax Revenue		25,918.69	26,603.90	30,225.16	31,139.89	35,717.02	

Source: Finance Accounts

Year-wise trend of various tax revenues is depicted in **Chart-1.2:**

Chart-1.2



The overall actual tax receipts of the NCT of Delhi shows an increasing trend which increased to ₹ 35,717.02 crore in 2017-18 from ₹ 25,918.69 crore in 2013-14. The GNCTD introduced State Goods and Services Tax (SGST) and it came into force from July 2017 in place of Value Added Tax (VAT). **Under the head SGST, actual receipts during the year 2017-18 was ₹ 13,620.84 crore against budget estimate (BE) of ₹ 14,600.00 crore.** The major contribution in

revenue receipts was from Sales Tax/SGST which grew by 17.15 *per cent* in 2017-18 over the previous year. **The actual receipts for the year 2017-18 under the heads ‘Stamps Duty and Registration Fees’ and ‘Tax on Vehicles’ increased by 30.95 *per cent* and 16.97 *per cent* respectively in 2017-18 while receipts under the head ‘Other taxes and duties on commodities and services’ decreased by 67.17 *per cent* over the previous year.** The respective Departments reported the following reasons for variation during the year:

Department of Trade and Taxes

Department of Trade and Taxes stated that the tax receipts increased due to difference in tax rate of items under GST regime and VAT regime. Items such as automobile, electronic items, soft drinks, paint, drinking water etc. were taxed @ 12.5 *per cent* under DVAT Act, whereas these items are now taxable @ 18 or 28 *per cent* under GST.

Transport Department

Transport Department stated that tax receipts increased during 2017-18 under the head ‘Tax on Vehicles’ due to:

- (i) increase in the number of vehicles registrations;
- (ii) imposing of ‘Green Tax’ of one *per cent* of ex-show room price on registration of diesel vehicles;
- (iii) revision of rates in respect of fees for Driving Licence from ₹ 300 per licence to ₹ 1,350 per licence etc.

Department of Revenue

Department of Revenue stated that tax receipts increased during 2017-18 under the head ‘Stamps Duty and Registration Fees’ due to increase of registration of documents. During the year 2016-17, documents valuing ₹ 2,237.10 crore were registered, whereas the value of documents registered during 2017-18 was ₹ 3,211.46 crore.

Other taxes and duties on commodities and services: Department stated that the decrease in receipts during 2017-18 was due to implementation of GST w.e.f. 01 July 2017. Taxes such as Entertainment, Luxury, Cable and Betting Tax, earlier were under this head, subsumed in GST and accordingly there was less receipts in 2017-18 under this head and receipts of taxes on Entertainment, Luxury, Cable and Betting are coming under GST after 1 July 2017.

Land Revenue

Land and building Department is not regular collector of Land Revenue. In October 2013 an order was passed by the Hon’ble Delhi High Court giving an award of ₹ 2.48 crore alongwith interest @ nine *per cent* per annum. In compliance of the above order part amount of ₹ two crore and ₹ 1.50 crore was received in 2016-17 and 2017-18 respectively.

1.1.1.3 The details of the non-tax revenue raised during the period 2013-14 to 2017-18 are indicated in **Table-1.3:**

Table-1.3: Details of Non-tax Revenue raised

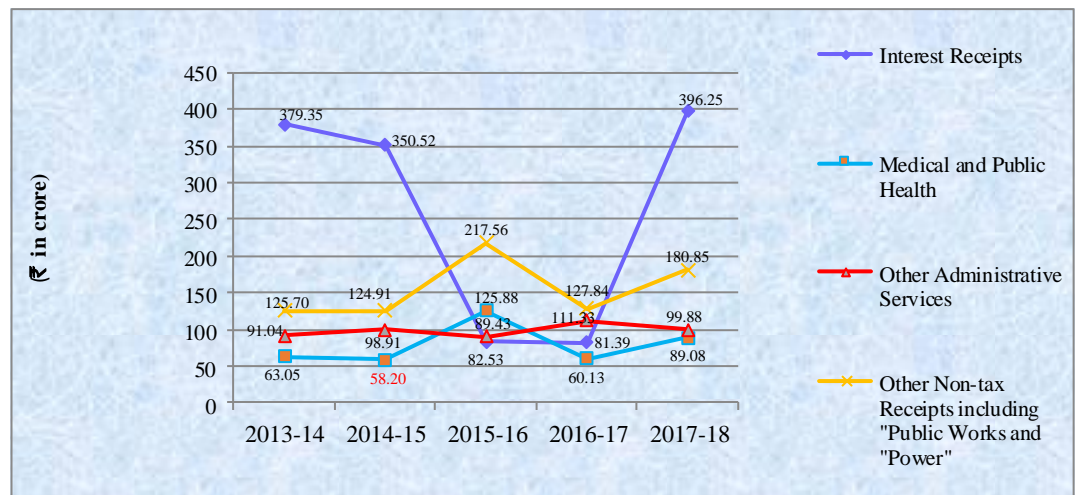
(₹ in crore)

Sl. No	Head of Revenue	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+) or decrease (-) in Actual of 2017-18 over 2016-17
1	Interest Receipts	379.35	350.52	82.53	81.39	396.25	386.85
2	Medical and Public Health	63.05	58.20	125.88	60.13	89.08	48.15
3	Public Works	18.59	14.74	18.47	22.23	14.34	-35.49
4	Power	18.46	16.38	42.06	21.40	26.25	22.66
5	Other Administrative Services	91.04	98.91	89.43	111.33	99.88	-10.28
6	Other ¹ Non-tax Receipts	88.65	93.79	157.03	84.21	140.26	66.56
Total		659.14	632.54	515.40	380.69	766.06	

Source: Finance Accounts

Year-wise trend of various Non-tax revenues is depicted in **Chart-1.3:**

Chart- 1.3



The non-tax revenue of the State shows decreasing trend from ₹ 659.14 crore in 2013-14 to ₹ 380.69 crore in 2016-17 and then improved to ₹ 766.06 crore in 2017-18. **The major contribution in non-tax revenue receipts was from ‘Interest Receipts’ which increased by ₹ 314.86 crore (386.85 per cent) during the current year over the previous year.**

Revenue receipts under the head ‘Medical and Public Health’ and ‘Power’ for the year 2017-18 increased by 48.15 per cent and 22.66 per cent respectively while the receipts under the heads ‘Public Works’ and ‘Other Administrative Services’ decreased by 35.49 per cent and 10.28 per cent respectively over the previous year. The respective Departments reported the following reasons for variation during the year:

¹ Dividends and Profits, Public Service Commission, Police, Jails, Education, Family welfare, Housing, Urban development, Information & Publicity, Labour and Employment, Social Security and Welfare, Crop Husbandry, Animal Husbandry, Fisheries, Forest and Wild Life, Cooperation, Other Agricultural Programme, Other Rural Development Programmes, Medium Irrigation, Village and Small Industries, Non-ferrous mining and metallurgical industries, Tourism, Civil Supplies, Other general economic services.

Interest Receipts

The Government stated that non-tax revenue increased during 2017-18 under the head 'Interest Receipts' was due to payment of arrears of ₹ 332.27 crore of interest on loans for the year 2013-14 to 2016-17 by Delhi Transco Limited.

Medical and Public Health

The increase in revenue under 'Medical and Public Health' was due to more realisation of receipts from Urban Health Services and Public Health.

Public Works

The decrease in revenue under 'Public Works' in 2017-18 was due to less realisation of receipts from office buildings.

Power

Increase in revenue was due to receipts of outstanding annual licence fee of ₹ 2.10 crore for the year 2016-17 and advance licence fee of ₹ 2.10 crore for the year 2018-19 from Delhi Transco Limited during the year 2017-18.

Other Non-tax Receipts

The major increase under the head was from Dividends and Profits, Urban Development and Labour and Employment Department's receipts.

- (i) Receipts under Dividend and Profits during the year 2017-18 was ₹ 15.91 crore as compared to previous year receipts of ₹ 11.28 crore.
- (ii) Receipts of Urban Development Department during the year 2017-18 was ₹ 32.23 crore against the previous year receipt of zero;
- (iii) Receipts of Labour and Employment Department during the year 2017-18 increased to ₹ 20.79 crore as compared to previous year receipts of ₹ 8.82 crore.

The Government should analyse the reasons for significant decrease in revenue under 'Public Works' and 'Other Administrative Services' for taking appropriate action.

1.1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2018 under some principal heads of revenue amounted to ₹ 33,036.82 crore of which ₹ 10,870.14 crore were outstanding for more than five years as depicted in the **Table-1.4:**

Table-1.4: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue		Total Amount outstanding as on 31 March 2018	Amount outstanding for more than five years as on 31 March 2018	Remarks
1.	Taxes on Sales, Trade etc.	DST & CST (DST regime)	7,069.14	7,069.14	Department was requested to provide the stages at which the arrears are pending; no reply has been furnished.
		DVAT & CST (DVAT regime)	25,941.00	3,801.00	
2.	State Excise, Entertainment and Luxury Tax		26.68	0	Licence fee, outstanding demands
Total			33,036.82	10,870.14	

Source: Department of Trade and Taxes, State Excise, Entertainment and Luxury Tax

Arrears of ₹ 7,069.14 crore pertaining to DST regime and ₹ 3,801.00 crore of DVAT regime could not be recovered for more than five years which indicate that the Department did not take effective steps to recover these arrears. Besides, arrears of VAT increased from ₹ 19,626.00 crore on 31 March 2017 to ₹ 25,941.00 crore on 31 March 2018.

Department should analyse, review and prepare a roadmap and take effective steps to recover these arrears.

1.1.3 Arrears in assessments

The details of units/cases pending at the beginning of the year, units/cases becoming due for assessment, units/cases disposed of during the year and number of units/cases pending for finalisation at the end of the year as furnished by Department of State Excise, Entertainment and Luxury Tax and Department of Trade and Taxes (DTT) are depicted in **Table-1.5:**

Table-1.5: Arrears in assessments

Head of revenue	Opening balance of units/cases	New units/cases due for assessment during 2017--18	Total assessments due	Units/cases disposed off during 2017-18	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
State Excise, Entertainment and Luxury Tax	2,515	15	2,530	1,632	898	64.50
Taxes on Sales, Trade etc.	0	2,82,919	2,82,919	2,82,919	0	100

Source: Department of Trade and Taxes, State Excise, Entertainment and Luxury Tax

The percentage of disposal of assessment units was 64.50 per cent in respect of Department of State Excise, Entertainment and Luxury Tax, whereas no assessment of cases was pending in respect of DTT.

1.1.4 Evasion of tax detected by the Department

During 2017-18, the Enforcement Branch (DTT) detected 187 cases in Search and Seizers and raised a demand of ₹ 2.35 crore, which was also recovered.

1.1.5 Details of pendency of refund cases

The number of refund cases pending at the beginning of the year 2017-18, claims received during the year, refunds allowed during the year and the cases pending at the end of 2017-18 as reported by Departments are depicted in **Table-1.6:**

Table-1.6: Details of pendency of refund cases

(Amount ₹ in crore)

Sl. No.	Particulars	Sales Tax/VAT		Entertainment Tax		Stamp and Registration		Transport	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	83,558	2,647.65	216	8.25	257	11.42	Nil	Nil
2	Claims received during the year	41,835	1,224.52	77	1.01	495	18.71	72	1.64
3	Total claims	1,25,393	3,872.17	293	9.26	752	30.13	72	1.64
4	Refunds made during the year	71,267	1,488.72	73	6.67	231	8.02	72	1.64
5	Percentage of refunds to the total claims	56.83	38.45	24.91	72.03	30.72	26.62	100	100
6	Balance outstanding at the end of year	54,126	2,383.44	220	2.59	521	22.11	Nil	Nil

DVAT Act, 2004 provides for payment of interest at an annual rate notified by the Government, if the excess amount is not refunded to the dealer within 60 days from the date of the order. Not refunding the claims within the stipulated period may attract the payment of interest. However, the interest paid on refunds was not provided by the Departments.

1.1.6 Response of the Government/Departments to Audit

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

The summarised position of the IRs issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2018 is depicted in **Annexure-1.1.1.**

The number of pending paras increased from 2,645 involving an amount of ₹ 1,758.51 crore in 2008-09 to 9,530 involving money value of

₹7,135.11 crore at the end of the year 2017-18 which indicates that the Department did not take adequate steps to settle the outstanding paragraphs.

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

1.1.6.1 Departmental Audit Committee Meetings

The Government set up Audit Committees to monitor and expedite the progress of settlement of audit paragraphs in the IRs. A meeting was held in June 2017 with the members of Audit Committee constituted by the DTT. In the meeting, the Additional Commissioner was asked to provide replies of outstanding paras for their early settlement. The Additional Commissioner assured to take necessary action in this matter. However, no Audit Committee meeting was held by the Departments of Transport, State Excise and Revenue.

1.1.6.2 Non-production of records to Audit for scrutiny

The programme of local audit of Tax Revenue Offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the Departments to enable them to keep the relevant records ready for audit scrutiny.

Primary records of the dealers were available in the DVAT system of the Department, however, in some cases these records were not considered sufficient for any audit conclusion. **Audit requisitioned physical records of 4,921 dealers during the year 2017-18 for intensive scrutiny but the Department provided only records of 1,624 (33 per cent) dealers.** Consequently, the revenue involved in these cases could not be ascertained. Department of Entertainment, Excise and Luxury Tax, Revenue and Motor Vehicles provided 100 per cent records.

1.1.6.3 Follow up on Audit Reports – summarised position

The Public Accounts Committee (PAC) stipulates that after presentation of the Report of the CAG of India in the Legislative Assembly, Departments shall initiate action on the audit paragraphs and the Action Taken Notes (ATNs) thereon should be submitted by the Government within four months of tabling the Report, for consideration of the Committee. However, ATNs on the Reports were delayed in respect of 16 paragraphs and two Performance Audits (PAs) included in the Reports of the CAG of India on the Revenue Sector of the GNCTD for the years ended 31 March 2013, 2014, 2015, 2016 and 2017 placed before the State Legislative Assembly between August 2014 and April 2018.

The ATNs from the concerned Departments were received late with an average delay of six months in respect of each of these Audit Reports. ATNs in respect of 15 paragraphs and two PAs from the Departments had not been received in respect of the Audit Reports for the year ended 31 March 2013, 2014, 2015, 2016 and 2017 as depicted in the **Table-1.7**:

Table-1.7: Details of Paragraphs, Performance Audits and the ATNs

Sl. No.	Year of Report ending 31 March	Number of Paragraphs and Performance Audits printed in Report	Number of Paragraphs and Performance Audits for which ATNs were awaited
1	2013	2+1 (PA)	2+1 (PA)
2	2014	3+0 (PA)	3+0 (PA)
3	2015	0+1 (PA)	0+1 (PA)
4	2016	4+0 (PA)	4+0 (PA)
5	2017	7+0 (PA)	6+0 (PA)
Total		16+2 (PA)	15+2(PA)

PAC did not discuss paragraphs/PAs pertaining to the Audit Reports (Revenue Sector) for the period 2012-13 to 2016-17.

1.1.7 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Departments and the amount recovered are depicted in **Annexure-1.1.2**.

The reports for the year 2007-08 to 2016-17 contained audit findings involving ₹ 9,294.75 crore, out of which, observations involving money value of ₹ 370.06 crore were accepted by the Departments. **However, only an amount of ₹ 2.03 crore (0.55 per cent) was recovered by the Department which was negligible. It was also observed that the recovery in 2017-18 was nil.**

The Department may initiate prompt action to pursue and monitor recovery of dues in the accepted cases.

1.1.8 Audit Planning

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

During the year 2017-18, there were 153 auditable units of which 91 units were planned for audit, whereas, 70 units were audited. Remaining 21 units could not be audited due to engagement of audit parties in settlement of old outstanding paras of Inspection Reports, preparation of guidelines of Thematic Audit and increase in man-days of auditable units.

1.1.9 Results of Audit

1.1.9.1 Position of local audits conducted during the year

Test check of the records of 70 units (VAT-48, MVT-06, Stamp and Registration-12, Excise-02 and Expenditure unit-02) involving tax revenue receipts² of ₹ 27,129.71 crore, out of 153 (VAT-115, Stamp and Registration-19, MVT-16, State Excise-03) auditable units of the Department of Trade and Taxes, State Excise, Transport and Revenue conducted during the year 2017-18 revealed under assessment/short levy/loss of revenue and other irregularities involving ₹ 1,701.14 crore in 500 paragraphs as categorised in **Table-1.8:**

Table-1.8: Category-wise Audit observations

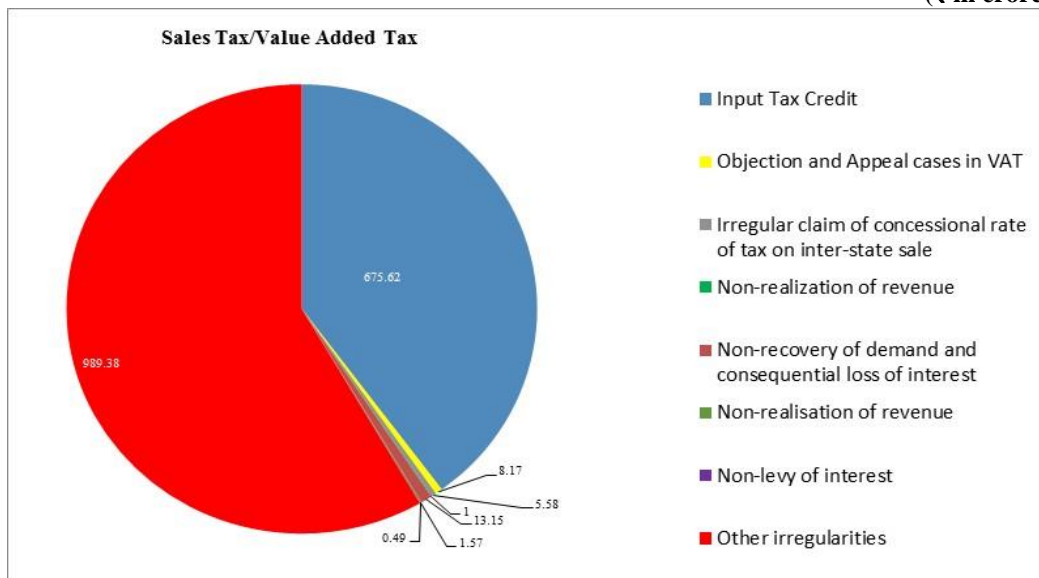
Sl. No.	Categories	No. of paras/cases	Amount (₹ in crore)
Sales Tax/Value Added Tax			
1	Preparedness for transition to Goods and Services Tax	1	0.00
2	Input Tax Credit	1	675.62
3	Objection and Appeal cases in VAT	1	8.17
4	Irregular claim of concessional rate of tax on inter-state sale	6	5.58
5	Non-realisation of revenue	1	1.00
6	Non-recovery of demand and consequential loss of interest	3	13.15
7	Non-realisation of revenue	1	1.57
8	Non-levy of interest	1	0.49
9	Other irregularities	348	989.38
Total		363	1,694.96
Motor Vehicle Tax			
1	Non-application of revised rates	1	0.08
2	Other Irregularities	32	0.00
Total		33	0.08
Stamp Duty and Registration Fee and State Excise, Entertainment and luxury tax			
1	Non-application of minimum rates for built up flats	4	0.38
2	Instruments wrongly registered as General Power of Attorney (GPA) instead of Conveyance/Sale deed	4	0.18
3	Non-disclosure of transaction with Income Tax Department	4	0.11
4	Application of Residential category instead of Commercial category	2	0.09
5	Other Irregularities	90	5.34
Total		104	6.10
Grand Total		500	1,701.14

Category-wise audit observations noticed under Sales Tax/Value Added Tax are depicted in **Chart- 1.4:**

² Includes the amount of tax receipts of audited period.

Chart 1.4

₹ in crore)



During the year, Audit pointed out instances of short/non-levy of revenue amounting to ₹ 1,701.14 crore, out of which the concerned Departments accepted under assessment and other deficiencies of ₹ 390.39 crore and an amount of ₹ 26.05 lakh has been recovered.

1.1.9.2 Recovery at the instance of audit

The Department of Trade and Taxes recovered an amount of ₹ 26.05 lakh. This amount includes recovery of ₹ 19.49 lakh in respect of three³ dealers, who matched their additional demand of ₹ 15.08 lakh incorrectly with regular tax paid previously in the ‘Reconciliation’ module of the system. This indicated lack of monitoring by the Department in cross-checking the amounts reflected in the system as paid by the dealers, with the actual amount received from the banks. Though the Department recovered the full amount of ₹ 19.49 lakh after being pointed out by audit in this case, being a system deficiency, it needs to be addressed by the Department.

1.1.10 Coverage of the Revenue Chapter

This chapter on Revenue Sector contains seven paragraphs involving financial effect of ₹ 705.58 crore. Besides, “Preparedness for transition to Goods and Services Tax” was also covered. The Government has accepted audit observations involving ₹ 390.39 crore. These are discussed in the succeeding paragraphs.

³ TIN no.07780404145, 07150200355, 07170104820

Department of Trade and Taxes

1.2 Preparedness for transition to Goods and Services Tax

1.2.1 Introduction

Goods and Services Tax (GST) was implemented in Delhi with effect from 1 July 2017. GST⁴ is levied on intra-state supply of goods or services (*except alcohol for human consumption and five specified petroleum products*⁵) separately but concurrently by the Union (CGST) and the States (SGST)/Union territories (UTGST). Further, Integrated GST (IGST) is being levied on inter-state supplies of goods or services (including imports) and the Parliament has exclusive power to levy IGST. Prior to implementation of GST, VAT was leviable on intra-state sale of goods in the series of sales by successive dealers, as per Delhi Value Added Tax (DVAT) Act, 2004 and Central Sales Tax (CST) on sale of goods in the course of inter-state trade or commerce as per CST Act, 1956. The State Government was empowered to regulate the provisions of DVAT Act, whereas provisions relating to GST are being regulated by Centre and State on the recommendation of Goods and Services Tax Council (GSTC) which was constituted with representation from Centre and all the States to recommend on the matters related to GST.

Goods and Services Tax Network (GSTN) was set up by the Government of India as a private company to provide IT services. It provides Front-end IT services to taxpayers namely registration, payment of tax and filing of returns. Back-end IT services i.e. registration approval, taxpayer detail viewer, refund processing, MIS reports etc. are also being provided by GSTN to Model-II⁶ States. Delhi has opted for Model-II.

1.2.2 Trend of Revenue

GST was implemented in Delhi State from 1 July 2017 and total receipts under GST including non-subsumed/subsumed taxes from July 2017 to March 2018 were ₹ 19,652 crore. Actual receipts under Pre-GST taxes⁷ and GST are depicted in **Table-1.2.1:**

⁴ Central GST (CGST) and State GST (SGST)/Union Territory GST (UTGST)

⁵ Crude, High Speed Diesel, Petrol, Aviation Turbine Fuel and Natural Gas

⁶ Model -I States: Only Front-end services provided by GSTN

Model -II States: Both Front-end and Back-end services provided by GSTN

⁷ Value Added Tax, Central Sales Tax, Entry Tax, Luxury Tax and Entertainment Tax

Table-1.2.1: Actual Receipts under Pre-GST and GST

(₹ in crore)

Year	Budget Estimate (RE)	Receipt under pre-GST taxes		Receipts under GST	Total receipts under pre-GST taxes and GST	Increase in per cent	Compensation received	Total receipts	Protected Revenue
		VAT	CST						
2013-14	18,200	16,176.68	1,748.66	-	17,925.71	13.43	--	17,925.71	--
2014-15	19,000	16,305.76	1,983.50	-	18,289.31	2.03	--	18,289.31	--
2015-16	21,000	18,164.46	2,081.17	-	20,245.82	10.70	--	20,245.82	--
2016-17	22,000	18,891.14	2,253.09	-	21,144.24	4.44	--	21,144.24	--
2017-18 (up to June 2017)	25,700	4,516.62	601.45	-	5,118.07	17.15	--	5,118.07	--
2017-18 (July to March 2018)		5,520.63	510.53	13,620.84 ⁸	19,652.00		157.00	19,809.00	16,359.36

Source: Data provided by the Department of Trade and Taxes

There was 17.15 per cent increase in receipts during the year 2017-18 as compared to the previous year.

1.2.3 Compensation to State

As per Section 5 of the Goods and Services Tax (Compensation to States) Act, 2017, the State Government provided the figures of the revenue for the base year 2015-16 which were audited by this office. The State Government and the Department of Revenue, Government of India have agreed with the figures of revenue amounting to ₹ 16,784 crore for the base year 2015-16 for calculating the compensation to the State from Goods and Services Tax Compensation Fund for shortfall, if any, in the revenue of the State. The projected nominal growth rate of revenue subsumed for the State during the transition period shall be 14 per cent per annum and the projected revenue was calculated amounting to ₹ 21,812.49 crore for the financial year 2017-18 by applying the projected growth rate over the base year revenue of the State. The compensation payable would be the difference between the projected revenue and the actual revenue collected by a State. The compensation payable to the State was to be provisionally calculated and released at the end of every two months period. The protected revenue for the period July 2017 to March 2018 was ₹ 16,359.36 crore whereas the Department of Trade and Taxes (Department) received ₹ 16,019.35 crore⁹. The Department intimated that compensation amounting to ₹ 340.01 crore was due to the State against which the State had received compensation amounting to ₹ 326.00 crore (₹ 157.00 crore received till March 2018 and ₹ 169.00 crore received in May 2018). The Department has taken up the matter of outstanding amount of compensation of ₹ 14.01 crore with

⁸ SGST - ₹ 7,960.89 crore and IGST - ₹ 5,659.95 crore

⁹ VAT and CST (excluding petroleum and liquor) - ₹ 2,328.64 crore, Entertainment tax, Luxury tax, Betting tax and Duties of excise on medicinal and toilet preparation - ₹ 69.87 crore, SGST - ₹ 7,960.89 crore, IGST - ₹ 5,659.95 crore (including advance/settlement of IGST of ₹ 735 crore)

the Ministry of Finance, Government of India in the month of November 2018. However, final reply from the Ministry is awaited.

1.2.4 Legal/statutory preparedness

The State Government notified (June 2017) the Delhi Goods and Services Tax Act, 2017 and the Delhi Goods and Services Tax Rules, 2017. E-way bill system was implemented in the State on inter-state transactions with effect from 01 April 2018 and on intra-state transactions with effect from 16 June 2018. Further, necessary notifications were issued by the State Government from time to time for facilitating implementation of GST in the State. The State Government/Department of Trade and Taxes had issued 113 notifications, 30 circulars and 38 orders regarding GST from July 2017 to March 2019.

1.2.5 IT preparedness

GSTN was to provide three Front-end services to the taxpayers namely registration, payment and filing of returns. As Delhi had opted for Model-II for implementation of GST, Back-end applications like registration approval, taxpayer detail viewer, refund processing, MIS reports, etc. for administration of GST were also being developed by GSTN. As per the information provided by the Department, the access for backend application was available to the State through Multi-Protocol Level Switching (MPLS) connectivity at State Data Centre. The State has two MPLS connections of five MBPS each, which has been provided by the GSTN.

The GSTN had recommended minimum configuration of desktops for Model-II States. The Department had assessed requirement of 350 new desktop computers, procured and installed the same for the implementation of GST.

The Department stated that back up of power supply from two UPS and network connectivity from GSTN and network connectivity at the Data Centre to access GSTN Portal by the departmental users have been set up. It was also stated that a dedicated IT team has been deployed to look after the IT related issues.

1.2.6 Capacity Building

Under the overall supervision of National Academy of Customs, Excise and Narcotics (NACEN), Faridabad, training programme for officers (Assistant Value Added Tax Officer, Value Added Tax Officer, Joint/Additional/Special Commissioner) was organised and 443 officials were imparted training on GST before the implementation of GST. Further, IT training on GSTN software in Chennai was attended by the officers working in the Department. Besides, IT training programmes were organised by the Department in its own computer lab for the officers up-to the level of Value Added Tax Officer. The Department had established a GST Facilitation Centre and Help Desk in order to facilitate the dealers for getting registered under GST.

1.2.7 Implementation of GST

Three front-end services namely registration, payment of tax and filing of returns were provided to taxpayers by GSTN. Further, migration facility was also provided to the existing taxpayers to implement the transitional provisions.

Back-end services viz. registration approval, taxpayer detail viewer, Letter of Undertaking (LUT) processing, refund processing, management information system (MIS) reports etc. were also provided by GSTN to the Department as a Model-II State. The various aspects of implementation of GST are discussed as under:

1.2.7.1 Registration of taxpayers

Every supplier making a taxable supply of goods or services or both in the State is liable to be registered under the SGST Act if his aggregate turnover in a financial year exceeds ₹ 20 lakh. Every person, registered under any of the Pre-GST laws and having a valid Permanent Account Number (PAN), was issued a certificate of registration on provisional basis and final certificate of registration was granted on completion of prescribed conditions.

(i) Migration of existing taxpayers of Department of Trade and Taxes

As per Rule 8 of Delhi GST Rules, 2017, every person registered under any existing law and having a PAN shall enroll on common portal by validating his e-mail address and mobile number and such person shall be granted registration on a provisional basis. Every person who has been granted a provisional registration shall submit an application along-with the information and documents specified in the application on common portal. A certificate of registration shall be made available to the registered person electronically. As per information provided by the Department, the position of provisional registration and final registration of existing registered dealers in the Department are depicted in **Table-1.2.2:**

**Table-1.2.2: Position of Provisional Registration and Final Registration
(as on 30 June 2017)**

Total No. of existing dealers as on 30 June 2017	Total No. of provisional ID received from GSTN	Complete enrollment done	Total No. of dealers not finally enrolled under GST
4,40,460	4,36,241	3,09,432	1,26,809

Source: Information furnished by Department of Trade and Taxes

Ninety nine per cent of the existing dealers received provisional ID from GSTN but only 71 per cent of the existing dealers completed the migration process and were finally registered under GST. Remaining 29 per cent dealers could not be migrated due to the dealers being non-active, return defaulters for four quarters, having 'Nil' turnover during 2016-17, multiple registration against same PAN, common dealers of VAT, Central Excise and Service Tax.

(ii) Allocation of taxpayers between Centre and State

Migrated taxpayers - As per recommendation of GST Council, 90 per cent of migrated taxpayers having turnover up to ₹ 1.5 crore and 50 per cent of migrated taxpayers having turnover of more than ₹ 1.5 crore were allotted to the State.

Accordingly, out of 3,92,147 migrated taxpayers (25 October 2017), the State was allotted the jurisdiction of 3,27,432 migrated taxpayers as depicted in Table-1.2.3:

Table-1.2.3: Allocation of Taxpayers to the State

Migrated Taxpayers			
	Turnover above ₹ 1.5 crore	Turnover below ₹ 1.5 crore	Total
State	31,871	2,95,561	3,27,432
Centre	31,868	32,847	64,715
Total	63,739	3,28,408	3,92,147

Source: Information furnished by Department of Trade and Taxes

1.2.7.2 Filing of returns

As per Rule 59 to 61 of Delhi GST Rules, 2017, taxpayers other than composition taxpayers were required to furnish details of outward supplies of goods or services in Form GSTR-1¹⁰, details of inward supplies of goods or services in Form GSTR-2¹¹ and a return in Form GSTR-3 (electronically generated by system on the basis of information furnished through GSTR-1 and GSTR-2) on monthly basis, whereas composition taxpayers were required to file a quarterly return GSTR-4.

The prescribed process of return filing was amended to address the difficulties faced by the tax payers in the initial period of the new tax regime. Therefore, filing of GSTR-2 and GSTR-3 was postponed and all taxpayers were mandated to submit a simple monthly return in Form GSTR-3B¹² with payment of tax by 20th of the succeeding month. The details of the taxpayers who have filed their returns (GSTR-3B) during the period from July 2017 to March 2018 are depicted in Table-1.2.4:

Table-1.2.4: Month- wise details of Returns filed

Month/Year	Total taxpayers	No. of taxpayers filed returns	No. of taxpayers who had not filed returns	Percentage of taxpayers who filed returns
July 2017	4,44,906	4,36,522	8,384	98
August 2017	4,96,430	4,62,182	34,248	93
September 2017	5,27,237	4,90,812	36,425	93
October 2017	5,43,861	4,12,339	1,31,522	76
November 2017	5,58,273	5,10,426	47,847	91
December 2017	5,71,442	5,17,971	53,471	91
January 2018	5,86,188	5,14,951	71,237	88
February 2018	6,00,477	4,23,156	1,77,321	70
March 2018	6,12,975	4,38,859	1,74,116	72

Source: Information furnished by Department of Trade and Taxes

¹⁰ GSTR-1: (a) Invoice wise details of all inter-state and intra-state supplies made to the registered persons and inter-state supplies with invoice value more than ₹ 2.50 lakh made to the unregistered persons, (b) consolidated details of all intra-state supplies made to unregistered persons and State wise inter-state supplies with invoice value upto ₹ 2.50 lakh made to the unregistered persons and (c) debit and credit notes, if any, issued during the month

¹¹ GSTR-2: (a) Invoice wise details of all inter-state and intra-state supplies received from the registered persons or unregistered persons, (b) Import of goods and services made and (c) Debit and credit notes, if any, received from supplier

¹² GSTR-3B: A monthly return required to be filed by all taxpayers other than composition taxpayers

Seventy per cent to 98 per cent of taxpayers have filed their returns during the period from July 2017 to March 2018. Audit is of the view that the Department needs to take concrete steps to ensure pending returns are filed by the taxpayers expeditiously.

1.2.7.3 Payment of tax

Monthly return GSTR-3B and quarterly return GSTR-4 were required to be filed after payment of due tax. Therefore, monitoring of these returns was important to ensure timely deposit of due tax by the taxpayers. Details of the GST collected by the Department during the period from July 2017 to March 2018 are depicted in **Table-1.2.5:**

Table-1.2.5: Details of the GST collected

(₹ in crore)	
Month/Year	Net collection of GST (SGST +IGST)
July 2017	0.65
August 2017	1,496.08
September 2017	1,652.04
October 2017	1,821.38
November 2017	1,701.90
December 2017	1,552.57
January 2018	1,708.65
February 2018	2,177.83
March 2018	1,509.74
Total	13,620.84

1.2.7.4 Transitional Credit

As per Rule 117 of Delhi GST Rules read with Section 140 of Delhi GST Act, the registered taxpayers were entitled to take credit of amount of Input Tax Credit (ITC) carried forward in the returns filed under the Pre-GST laws. This included un-availed ITC in respect of capital goods not carried forward in the returns. The registered persons were required to file a return in prescribed 'Form TRAN-1'. However, the taxpayers were not allowed to take credit where all the returns required under the Pre-GST law for the period of six months immediately preceding the appointed date were not furnished. **The Department intimated (April 2019) that 49,593 taxpayers had filed the 'Form TRAN-1' and claimed ₹ 8,553.54 crore as Transitional Credit (CGST+SGST). However, the Department has not provided the details of cases (out of 49,593 cases) of transitional credit which have been verified so far.**

During the regular audit of different wards conducted during the period April to June 2019, 118 cases, claiming transitional credits of ₹ 176.84 crore were scrutinised by Audit with VAT returns for the quarter ending 30 June 2017, filed by the respective taxpayers. It was observed that:

- i) In four cases, the taxpayers had claimed transitional credit of ₹ 8.85 crore in TRAN -1 under GST Act. However, it was noted that as per their returns filed under DVAT Act, credit of only ₹ 0.16 crore was available.

- ii) In five cases, the taxpayers had claimed transitional credit of ₹ 19.44 crore. However, it was observed that there was a mismatch of purchase made by these taxpayers compared to the amount mentioned by the corresponding selling dealers during the VAT regime.

1.2.7.5 Refunds under GST

Refund module under GSTN was not operational, hence the refunds are being allowed through manual system to the applicants. Specific procedures were prescribed for refund of the balance amount in the electronic cash ledger or unutilised input tax credit at the end of particular tax period. Refund of unutilised input tax credit was allowed in case of zero-rated supplies made without payment of tax or when the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies. As per information provided by the Department position of refunds was as under:

Table-1.2.6: Refunds under GST regime

Refund applications received upto 31 March 2018		Refund allowed (as on 31 March 2018)	
Number of taxpayers	Amount of Refund claimed (₹ in crore)	Number of taxpayers	Amount paid (₹ in crore)
18,627	470.95	Not provided	3.76

Source: Information furnished by Department of Trade and Taxes

As the filing of GSTR-2 (return for inward supply of goods or services or both for a particular tax period) is still postponed (till further orders), match/mismatch report of ITC could not be generated from the IT system. **The assessee is not uploading the purchase invoices and only providing the details of purchase and sale. In the absence of purchase invoices, department is unable to cross verify the ITC claimed. Therefore, the risk of wrong claim of ITC by the purchasing dealers could not be ruled out.**

1.2.8 Legacy issues

The status of legacy issues related to assessment, recovery of arrears and other related matters as intimated by the Department are as follows:-

1.2.8.1 Assessment of dealers

The Department conducts assessment of the dealers who were registered under DVAT Act and CST Act in Delhi. On the basis of assessment, demands are raised against the dealers. The demand amount includes Tax, interest and penalty which are levied under different sections of relevant Acts. During the period 2017-18, the Department had assessed 81,041 dealers under DVAT Act and CST Act and additional demand of ₹ 10,464.00 crore was raised.

1.2.8.2 Recovery of arrears

The total amount of arrears of revenue as on 31 March 2017 was ₹ 26,695.14 crore. During the period April 2017 to March 2018, the Department had raised demands of ₹ 10,464.00 crore and recovered ₹ 4,149.00 crore. The total arrears outstanding on 31 March 2018 was ₹ 33,010.14 crore.

1.2.8.3 Refunds of Pre-GST period

The position of refunds claimed by the dealers and allowed during the year 2017-18 under DVAT Act is depicted in **Table-1.2.7:**

Table-1.2.7: Refunds of Pre-GST

Dealers who claimed refund for the period upto 30 June 2017		Refund sanctioned	
Number of dealers	Amount (₹ in crore)	Number of dealers	Amount (₹ in crore)
1,25,393	3,872.17	71,267	1,488.72

Source: Information furnished by Department of Trade and Taxes

1.2.9. Conclusion

The Department/Government was prompt in its preparedness for implementation of GST as can be seen with reference to enactment of the relevant Act and Rules. It took necessary steps in capacity building and putting requisite IT infrastructure in place for implementing GST. The Department should put in place a proper system to verify transitional credits claimed by the taxpayers who have been transferred from the jurisdiction of the Central Government (Central Excise, Service tax). Further, the Department needs to take pro-active steps to resolve legacy issues like completing assessment under DVAT Act and CST Act, recovery of pending demand amount to reduce arrears of revenue and payment of refund, wherever due, expeditiously in a time-bound manner.

1.3 Input Tax Credit

1.3.1 Introduction

The Department of Trade and Taxes (DTT), GNCTD is entrusted with implementing the Delhi Value Added Tax (DVAT) Act, 2004 and Rules made thereunder.

Input Tax Credit (ITC) shall be allowed to registered dealers in respect of purchase of any taxable goods made within the State from a registered dealer to the extent and in such manner as may be prescribed for the purpose. DVAT Act provides for submission of a return for each tax period by the registered dealers for claiming the ITC. Along with the return, the registered dealers have to submit purchase and sale summary in Annexures 2A and 2B and the tax paid thereon. The DTT directed Assessing Authorities (AAs) in March 2016 that if there is any mismatch report, in the purchase and sale Annexures that would be shown to the dealer immediately after filing of return and assessments framed if mismatch is not rectified by the dealer. Further, DTT also directed its Ward Officers in July 2010, to conduct 100 *per cent* scrutiny of returns of dealers whose Gross Turn Over was more than ₹ five crore.

Section 28 of the Act provides that if a person discovers a discrepancy in its return for a tax period, he shall remove such discrepancy and furnish a revised return within the year following the year of such tax period. Section 34 of the DVAT Act provides for the limitation period of four years for the assessment or re-assessment.

The year-wise amount of ITC claimed in the last three years is given below:

(₹ in crore)				
Year	Total no. of live dealers	Revenue Collected	No. of dealers who claimed ITC	Amount of ITC claimed
2014-15	1,82,927	17,657.35	10,482	908.12
2015-16	1,89,650	19,526.31	8,128	906.89
2016-17	1,95,079	20,889.25	9,214	1,156.18

Source: Department of Trade and Taxes

The main objective of audit was to examine whether the ITC was allowed correctly. Audit test checked the cases where ITC was claimed by the dealers during 2014-15 to 2016-17. We analysed data of selected cases available in the DVAT System. This audit was conducted between April and November 2018 and replies of the DTT wherever received (July 2019) have been suitably incorporated.

1.3.2 Scope of audit and sample selection criteria

In 277 cases relating to the assessment years 2014-15 to 2016-17, although part assessment was made by the Assessing Authority yet default assessment of dealers for entire year under section 32 was not completed. All selected cases were within the limitation period of four years, so the Department had still time to make the assessment. However, in all these cases period of one year allowed

under Section 28 for revising the return has already been elapsed. Audit focused on the following two areas and criteria for sample selection of these areas is given below:

- a) Incorrect carry forward of ITC: As per the database of the Department, during the assessment years 2014-15 to 2016-17, there were 11,067 cases where there was a difference in ITC carried forward from the previous tax period. Out of these 11,067 cases, there were 133 cases where the difference in ITC carried forward from the previous tax period was more than ₹ two lakh. Audit selected all these 133 cases (1.2 per cent) for detailed scrutiny.
- b) Irregular claim of ITC: As per the database of the Department, during the assessment years 2014-15 to 2016-17, there were 24,462 cases, where the local purchases of the assessee in a tax period from a person was equal to or more than ₹ five crore. Out of these 24,462 cases, in 911 cases there was mismatch in purchases disclosed by the purchasing dealers and that of the sale disclosed by the corresponding selling dealers. Audit selected all these 911 cases (3.7 per cent) for detailed scrutiny. Besides, similar audit findings pointed out during local audit in nine cases have also been included.

Audit findings

1.3.3 Incorrect carry forward of Input Tax Credit

DVAT Act, 2004 stipulates that an amount paid by a person in excess of the amount due from him can be carried forward to the next tax period as a tax credit at the option of the person. Besides, section 86(10) of the DVAT Act stipulates that any person who furnishes a return under this Act which is false, misleading or deceptive in a material particular shall be liable to pay by way of penalty a sum of ten thousand rupees or the amount of tax deficiency, whichever is greater. Interest shall also be liable for any default in making the payment of any amount.

Scrutiny of 133 cases relating to 2014-15 to 2016-17 (where the difference of ITC carried forward from the previous tax period was more than ₹ two lakh) in the DVAT system revealed that in **130 cases, dealers carried forward ITC of ₹ 42.13 crore in their return, although ITC of ₹ 21.10 crore only was available to be carried forward from the previous tax period.** This resulted in excess carried forward of ITC of ₹ 21.03 crore.

The Government confirmed (August 2018/January 2019) the excess carry forward of ITC of ₹ 15.91 crore in 77 cases. It was also replied that in three cases, **excess carry forward of ₹ 6.56 lakh has been recovered/adjusted** against the refund and in remaining 74 cases, demand of ₹ 15.84 crore along with penalty and interest has been raised. Reply in respect of other 53 cases was awaited (July 2019).

1.3.4 Irregular claim of Input Tax Credit

Scrutiny of data (where the local purchase of the assessee in a tax period from a person was equal to or more than ₹ five crore) relating to the period 2014-15 to

2016-17 revealed that in 911 cases out of 24,462 cases, there was mismatch in purchases disclosed by the purchasing dealers and that of the sale disclosed by the corresponding selling dealers. Further, scrutiny of these 911 cases and nine cases pertaining to the period 2011-12 revealed the following:

(i) ITC claimed against purchases made from un-registered dealers

DVAT Act, 2004 stipulates that no tax credit shall be allowed to assessee for goods purchased from a person who is not a registered dealer.

In 37 cases pertaining to the period 2014-15 to 2016-17, the purchasing dealers had claimed ITC of ₹ 18.82 crore on local purchases of ₹ 327.75 crore. However, on cross verification, from the dealer's profile, it was found that the selling dealers were not registered with the DTT in the related tax period.

The Government confirmed (August 2018/January 2019) the irregular claim of ITC of ₹ 15.26 crore in 31 cases and also stated that demand of equivalent amount along with penalty and interest has been raised. Reply in respect of other six cases was awaited (July 2019).

(ii) ITC claimed against purchases from dealers registered under the Composition Scheme

Under the Composition Scheme, a dealer has to pay a fixed percentage of its turnover as tax and be relieved from the detailed compliance of the provisions of law and no tax credit shall be allowed for goods purchased from a dealer who has elected to pay tax under Composition Scheme.

In four cases pertaining to the year 2014-15, the purchasing dealers had claimed ITC of ₹ 3.28 crore on local purchases of ₹ 46.62 crore, though on cross verification from the dealers profile, it was found that the selling dealers were registered under the Composition Scheme. This resulted in irregular claim of ITC of ₹ 3.28 crore.

The Government confirmed (September 2018) the irregular claim of ITC of ₹ 2.24 crore in two cases and also stated that demand of equivalent amount along with penalty and interest has been raised. Reply in respect of other two cases was awaited (July 2019).

(iii) ITC claimed against mis-match of purchases and sales

DVAT Act stipulates that no tax credit shall be allowed to the dealers or class of dealers unless the tax paid by the purchasing dealer has actually been deposited by the selling dealer with the Government. In this regard, the following observations were made:-

a) Excess claim of ITC by inflating purchases

In 47 cases pertaining to the period 2014-15 to 2016-17, the purchasing dealers disclosed local purchases of ₹ 871.66 crore in their quarterly returns, whereas the selling dealers had shown sale of ₹ 570.69 crore only to those purchasing dealers. Thus, the purchasing dealers had shown inflated purchases by ₹ 300.98 crore involving excess claim of ITC of ₹ 16.40 crore.

The Government confirmed (August 2018/January 2019) the irregular claim of ITC of ₹ 6.99 crore in 29 cases and also stated that the demand of equivalent amount along with penalty and interest has been raised. Reply in respect of remaining 18 cases was awaited (July 2019).

(b) ITC claimed against purchases from dealers who had not shown any corresponding sale

In 240 cases for the period between 2011-12 and 2016-17, the purchasing dealers had claimed ITC of ₹ 186.97 crore on local purchases of ₹ 3,076.28 crore. However, on cross verification from their Returns and Sales Summary (Annexure-2B) it was found that the selling dealers had not made any sale to the concerned purchasing dealers for the respective tax periods.

The Government confirmed (between April 2018 and January 2019) irregular claim of ITC of ₹ 124.21 crore in 166 cases and also stated that demand of equivalent amount along with penalty and interest has been raised and in three cases, it was stated (December 2018) that no records (Annexure-2A) exist in DVAT portal. Reply was not tenable as the audit raised objection of mismatch amount on the basis of Annexure-2A details which was available in the DVAT portal. Reply in respect of remaining 71 cases was awaited (July 2019).

(c) ITC claimed against purchases from dealers who had not filed any return

In 444 cases pertaining to the period 2014-15 to 2016-17, it was found that the purchasing dealers had claimed ITC of ₹ 429.11 crore on local purchases of ₹ 5,945.47 crore. However, on cross verification from dealer's profile, it was found that the selling dealers had not filed any return for the respective tax periods.

The Government confirmed (August 2018/January 2019) the irregular claim of ITC of ₹ 205.97 crore in 294 cases and also stated that demand of equivalent amount along with penalty and interest has been raised. Reply in respect of other 150 cases was awaited (July 2019).

1.3.5 Conclusion

Excess ITC was carried forward from the previous tax period in violation of the provision of the DVAT Act. Failure of the Assessing Authorities to make assessments in case of mismatch of purchase and sale annexure which was available in the DVAT system resulted into irregular claim of ITC. ITC was claimed in the cases of purchases made from unregistered dealers and dealers registered under composition scheme. Excess ITC was claimed by showing inflated purchases. ITC was claimed on purchases from those dealers who had not shown any corresponding sales and from those dealers who had not filed any return.

1.4 Objection and Appeal cases in VAT

1.4.1 Introduction

The Department of Trade and Taxes (Department) is responsible for the levy, assessment and collection of Value Added Tax (VAT) and Central Sales Tax (CST) in NCT of Delhi under Delhi Value Added Tax (DVAT) Act, 2004 and CST Act, 1956 and Rules made thereunder. DVAT Act *inter-alia* provides that any person who is dissatisfied with (a) an assessment made under this Act (including an assessment made under section 33 of this Act); or (b) any order or decision made under this Act, may make an objection against such assessment, or order or decision, as the case may be, to the Commissioner, within two months of the date of service of the assessment, or order or decision, as the case may be. Section 76 of DVAT Act *inter-alia* provides that any person, who is aggrieved by a decision made by the Commissioner, may file an appeal to the Appellate Tribunal against such decision within two months from the date of service of the decision. Audit of Objection and Appeal cases in VAT for the period 2014-2017 was conducted during April to August 2018 to examine (i) whether the statutory provisions were complied with; (ii) disposal of objection/appeal cases was done within a reasonable time period; and (iii) internal system of monitoring of such cases was adequate.

The year-wise detail of number of objection cases filed and disposed of is given in **Table-1.4.1:**

Table-1.4.1: Objection cases filed and disposed

Year	Opening Balance (No. of cases)	Addition of cases	Disposal of cases	Closing Balance (No. of cases)	Pending Amount (₹ in crore)
2014-15	20,689	28,189	17,152	31,726	4,944.10
2015-16	31,726	22,084	18,020	35,790	5,517.91
2016-17	35,790	20,605	16,275	40,120	10,193.56

Source: Department of Trade and Taxes

The year-wise detail of number of appeal cases filed and disposed of is given in **Table-1.4.2:**

Table-1.4.2: Appeal cases filed and disposed

Year	Opening Balance (No. of cases)	Addition of cases	Disposal of cases	Closing Balance (No. of cases)
2014-15	4,335	695	2,335	2,695
2015-16	2,695	1,267	851	3,111
2016-17	3,111	384	1,125	2,370

Source: Appellate Tribunal

For this purpose, out of 12 Zones of the Department, two Zones (Zone- 3 and 9) were selected on random sampling basis and one Zone (Zone-11) was selected being the highest tax paying Zone. As per the data of these three Zones, there were 6,545 decided objection cases. All 207 decided objection cases having individual demand of ₹ five lakh and above were selected for audit scrutiny.

Further, out of remaining 6,338 decided cases having demand of less than ₹ five lakh, 100 cases were also randomly selected.

In addition, out of total 4,514 undecided cases having individual demand amount of ₹ five lakh and above, 1,301 undecided cases (609 cases having demand of ₹ five lakh to ₹ 15 lakh and 692 cases having demand above ₹ 15 lakh) were randomly selected.

Further, in case of decided appeal cases, three months (March 2015, September 2015 and February 2017) were randomly selected. In these three months, all 239 decided appeal cases were selected while nine appeal cases decided during the year 2016-17 having demand of more than ₹ 25 lakh were also scrutinised.

The para 2.3 on ‘Objection and Appeal cases’ was printed in the CAG’s Audit Report for the year ended March 2013 which highlighted the deficiencies in the Department. The Action Taken Note on the para has not been received as of July 2019.

Audit findings

1.4.2 Irregular remand back of objection cases

DVAT Act-2004 provides that Objection Hearing Authority (OHA) within three months after the receipt of the objection, shall either accept or refuse the objection; and in either case, serve on the person objecting, a notice in writing of the decision and the reasons for it, including a statement of the evidence on which it is based. Further, as per **DVAT, Tribunal decision (30 September 2010) in case of Shree Cement Ltd. vs. Commissioner of Trade and Taxes, the DVAT Act does not include power of remanding back of cases to the AAs.**

Audit selected 307 decided objection cases pertaining to three selected Zones which were decided by the OHAs between April 2014 and March 2017. Scrutiny of the data and details of these decided objection cases available in the DVAT system along-with case files received in audit revealed that in contravention to the above provisions, 101 objection cases involving disputed amount of ₹ 95.88 crore were remanded back by the OHAs to the AAs of the respective wards for re-assessment/re-examination of the case.

The Government stated (October 2018) that though in the scheme of legislation ‘remand back of objection cases’ has not been specifically prescribed, however, the term ‘Decision’ is a comprehensive term and it includes an ambit not only for accepting/rejecting the objection but also provides a scope for another opportunity of examination of records, etc. by the Value Added Tax Officer (VATO) in the interest of justice. It also stated that in some cases, the magnitude of transactions is quite enormous and time consuming and it is not always possible for the OHAs to go into the detailed examination of each and every transaction which happens to be the subject matter of the objection filed. In such scenario, the decision of the OHAs to ‘remand back’ the case for further

examination and providing due opportunity to the objector is in agreement with the principle of natural justice. This practice of remanding back the cases to AAs has contributed to further delay in finalising the cases.

101 objection cases involving disputed amount of ₹95.88 crore were remanded back by the OHAs to the AAs of the respective wards for re-assessment/re-examination of the case, even though there was no such provision in the Act.

The Department may issue suitable directions to the OHAs to finalise the objection cases at their level on the basis of merits and examination of documents furnished by the dealers or else consider review of the provisions of DVAT Act regarding remanding back of the objection cases.

1.4.3 Improper handling of remand back objection cases

Para 2.3.1 on 'Poor handling of remanded cases' was printed in CAG's Audit Report for the year ended 31 March 2013. The para highlighted the issue of non-assessment of majority of remanded objection cases by the AAs and weak monitoring and inefficient internal control mechanism in the Department to watch the timely disposal of remanded back objection cases. The Department while accepting the audit observation stated (January 2014) that the officers of the Department have been sensitised and instructed to clear the remanded back cases in a time bound manner. However, after a lapse of more than four years, Audit noted that similar deficiencies still persist in the Department as discussed below:

(a) Out of the 101 remanded back cases, during the year 2014-15, 2015-16 and 2016-17, re-assessment in 51 cases, involving demand of ₹ 27.65 crore had not been conducted by the AAs concerned till March 2018.

Therefore, these cases remained un-assessed for a period of one to three years even after they were remanded back to the AAs by the OHAs.

(b) Further, in six cases out of the remaining 50 cases, though re-assessment orders were issued by the AAs, demand of ₹ 10.97 lakh had not been deposited by the dealers till March 2018. The period of non-payment of demand ranged between 15 and 38 months.

It indicates that the cases remanded back were not followed up timely by the AAs for conducting their immediate re-assessment, raising demand so as to recover government revenue. It also indicates weak monitoring of such cases by the higher authorities.

The matter was reported to the Government in September 2018, their reply was awaited (July 2019).

1.4.4 Delay in service of assessment order to the dealers

DVAT Rules, 2005 provides that where the Commissioner makes a default assessment of tax, he shall record the order in Form DVAT-24 and such notice of assessment shall be served on the dealer as prescribed in Rule 62 of DVAT Rules.

Audit selected 307 decided objection cases of Zone-3, 9 and 11 which were decided by the OHAs during April 2014 to March 2017. Scrutiny of the details of these cases in the DVAT system revealed that in 205 cases, the Department took between one to 953 days in serving the assessment order to the dealers. It was noted that out of 205 cases, in 153 cases involving disputed amount of ₹ 25.53 crore, the delay was more than 30 days. The delay in serving assessment orders by the AAs resulted in subsequent delay in filing of objection by the dealers to OHAs, as the two months time period to file an objection is to be calculated from the date of service of assessment order.

The Government replied (July/August 2018) that in respect of 42 cases, as per the circular dated 17 January 2014, the e-service of notice is deemed to be a service of documents. The reply is not acceptable because if the e-service of notice date is taken as date of service of assessment order, then these cases should have been rejected by the OHAs on account of being time-barred as two months time to file the objection had already lapsed. However, all these objection cases were accepted and subsequently decided by the OHAs. This implied that the date of service of assessment order mentioned by the dealers in their objections had been accepted by the OHAs and the date of e-service of assessment order was not taken into consideration. The reply in remaining 163 cases was awaited (July 2019).

Delayed serving of assessment order resulted in blockade of revenue.

The Department may consider issuing of appropriate directions to the AAs regarding serving of assessment orders by registered post or otherwise to resolve the issue of delays as claimed by the dealers.

1.4.5 Undue delay in filing of objection cases by the dealers

DVAT Act, 2004 *inter-alia* provides that any person who is dissatisfied with an assessment made under this Act may make an objection against such assessment or order or decision to the Commissioner. The objection shall be made within two months of the date of service of the assessment order or decision. It also provided that where the Commissioner is satisfied that the person was prevented for sufficient cause from lodging the objection within the time specified; he may accept the objection within a further period of two months.

Scrutiny of the details of 307 decided objection cases available in the DVAT system revealed that in 66 cases valuing ₹ 6.79 crore, the objections were filed beyond the stipulated time of 60 days. The delay ranged between one and 544 days. In 48 cases, the delay was more than 100 days. In 53 out of 66 cases, Audit could not verify whether the delay of more than 60 days was duly condoned by the OHAs.

It would be pertinent to mention here that such delays had a cascading effect on the finalisation of the objection cases by the OHAs, their final assessment order and recovery of demand amount.

The Government stated (October 2018) that, an objection which is filed after the prescribed time limit, a statement (in DVAT Form-39) shall accompany the objection showing therein the reasons of delay. The above provision authorises the OHA to allow the objection after deciding the acceptance of reasons of such delay. The reply is not tenable in the above cases as there were no instances of condonation of delay by the OHAs found in all the seven cases files, which were produced to Audit.

The Department may consider issuing appropriate directions to the OHAs to record reasons for condonation of delay in the cases files while disposing of the objections by the dealers.

1.4.6 Delay in finalisation of objection cases

DVAT Act, 2004 *inter-alia* stipulates that within three months after the receipt of the objection, the Commissioner shall either accept the objection in whole or in part or refuse it. Provided that where the Commissioner within three months of making the objection notifies the person in writing, he may continue to consider the objection for a further period of two months. The person may, in writing, request the Commissioner to delay considering the objection upto three months for the proper preparation of its position.

Audit noted that in the 1,301 objection cases selected involving demand of ₹ 1,733.94 crore (692 cases above ₹ 15 lakh and 609 cases between ₹ five lakh to ₹ 15 lakh), the final decision had not been taken by the OHAs till 31 March 2018. The period of delay ranged between one and three years. The year-wise details of undecided cases are given in **Table-1.4.3**:

Table-1.4.3: Details of undecided objection cases

Year in which objection filed	No. of cases	Demand amount (₹ in crore)	Period of delay
2014-15	294	825.28	3 years
2015-16	429	638.58	2 years
2016-17	578	270.08	1 year
Total	1,301	1,733.94	

Source: Database of Department of Trade and Taxes

These long delays in deciding objection cases have an adverse effect on the realisation of Government revenue.

The Department may consider taking appropriate steps to finalise the objection cases filed by the dealers, in a time-bound manner, to minimise pendency of such cases.

1.4.7 Inadequate follow up on cases where demand amount was upheld by the OHAs

Scrutiny of 307 decided objection cases revealed that in 42 cases involving initial demand of ₹ 11.40 crore, the decisions taken by the OHAs resulted in the demand being reduced to ₹ 7.12 crore. However, in 18 out of 42 cases revised demand of ₹ 6.61 crore had not been recovered from the defaulting dealers

indicating a weak internal control mechanism in the Department to monitor recovery, as per the decisions of the OHAs. The year-wise details of unrecovered demand in 18 cases which were decided by OHAs are given in **Table-1.4.4:**

Table-1.4.4: Year-wise details of unrecovered demand

Sl. No.	Year of decision of the OHA	Number of cases
1	2014-15	04
2	2015-16	10
3	2016-17	04

1.4.8 Loss of revenue due to delay in conducting assessment

DVAT Act stipulates that no assessment or re-assessment shall be made by the Commissioner after the expiry of four years from the date on which the person furnished a return. Provided that where the Commissioner has reason to believe that tax was not paid by reason of concealment, omission or failure to disclose fully matter particulars on the part of the person, the said period shall stand extended to six years.

Scrutiny of appeal cases decided by the Appellate Tribunal revealed that in two cases¹³, the Department conducted assessment in December 2012 (for the first quarter of 2008-09) and October 2013 (for the year 2006-07), after the stipulated period of four years and raised demand of ₹ 32.84 lakh. The OHAs also decided the cases in favour of the Department. However, the Appellate Tribunal had set aside the orders of OHAs and stated that these cases do not fall under the category of cases which can be assessed after four years due to non-fulfilment of the conditions mentioned in the DVAT Act.

Delayed assessment by the AAs resulted in loss of ₹ 32.84 lakh as the Appellate Authority set aside the orders.

Thus, had the AAs assessed these cases within the stipulated period of four years and raised demand, the loss of revenue of ₹ 32.84 lakh to the Government could have been avoided.

1.4.9 Non-recovery in appeal cases decided in favour of the Department

Records of Appellate Tribunal revealed that in 10 cases involving ₹ 1.33 crore, the Tribunal had decided in favour of the Department but only ₹ 20.73 lakh were recovered from two dealers. This indicates a weak monitoring system in the Department to implement the orders of the Appellate Tribunal effectively to recover Government dues.

The matter was reported to the Government in September 2018, their reply was awaited (July 2019).

The Department may put in place an effective monitoring system to ensure that recovery is made timely in respect of appeal cases decided by the Appellate Tribunal.

¹³ TIN- 07970082437, Ward-92, Amount- ₹ 29,36,721, for the first quarter of 2008-09 and TIN- 07810294276, Ward-96, Amount- ₹ 3,47,622, 2006-07.

1.4.10 Weak internal control mechanism

Internal controls are safeguards that are put in place by the management of an organisation to provide assurance that its operations are proceeding as planned and objectives are being achieved. It was, however, observed that the internal control and monitoring system in Department was weak as evident from deficiencies such as there being inadequate follow-up action in respect of remand back objection cases, delays in serving assessment orders to dealers, which subsequently resulted in further delay in filing objections by the aggrieved dealers, and assessments done by the AAs beyond the stipulated time period of four years. Moreover, there was no proper system to watch the recovery of government dues in respect of cases decided in favour of the Department by the OHAs and the Appellate Tribunal.

1.4.11 Conclusion

The number of cases pending for disposal increased from 20,689 in April 2014 to 40,120 in March 2017. This shows that disposal of cases by OHAs was slow. Objection cases were remanded back to AAs by the OHAs even though there is no such provision in the DVAT Act. There was lack of monitoring system of remanded back cases, as either re-assessment was not done by the AAs or re-assessed demands remained unrecovered. There were many cases of long delay in filing of objection by the dealers, for which the justification for acceptance and condonation of those delays were not recorded. 1,301 cases where the demand was more than ₹ five lakh, filed during 2014-15 to 2016-17 were pending for disposal upto March 2018. Objection and appeal cases decided by the OHAs and the Appellate Tribunal in favour of the Department had not been followed up by the competent authorities thereby resulting in non-recovery of Government revenue.

The observations pointed out in this report are on sample basis. Hence, the Department may consider looking into such issues on similar lines as pointed out in the report and take appropriate action for the realisation of Government revenues, wherever due.

1.5 Irregular claim of concessional rate of tax on inter-state sale

Failure of the assessing officers to ensure eligibility of assesseees for concessional tax resulted in short levy of tax of ₹ 2.19 crore. In addition, interest of ₹ 1.20 crore and penalty of ₹ 2.19 crore were also leviable.

Central Sale Tax (CST) Act, 1956 provides that every dealer, who in the course of inter-state trade or commerce, sells to a registered dealer, shall be liable to pay tax under this Act, which shall be two *per cent* of his turnover or at the rate applicable to the sale or purchase of such goods inside the appropriate State under the sales tax law of the State, whichever is lower. Further, DVAT Act, 2004 stipulates that any person who furnishes a return under this Act which is false, misleading or deceptive in a material particular shall be liable to pay, by way of penalty, a sum of ten thousand rupees or the amount of tax deficiency, whichever is higher. Interest shall also be payable for any default in making the payment of any amount.

Scrutiny of records of six Wards¹⁴ (between June 2017 and May 2018) revealed that 14 assesseees¹⁵ who had filed online sales summary in Form 2B for the assessment years 2013-14 and 2014-15 (assessed during 2014-15 and 2015-16), made inter-state sale of ₹ 47.79 crore and paid concessional rate of tax of two *per cent* on such sales. Online data of Commercial Tax Department, Government of Rajasthan and Tax Information Exchange System (TINXSYS) showed that the registrations of the purchasing dealers were already cancelled before the transactions took place with the assesseees. Hence, the concessional rate of tax claimed by the assesseees was irregular and normal tax of 5 and 12.5 *per cent* was applicable in these cases. **Thus, failure of the AAs to ensure eligibility of assesseees for the concessional tax resulted in short levy of tax of ₹ 2.19 crore. In addition, interest of ₹ 1.20 crore and penalty of ₹ 2.19 crore were also leviable.**

The Government stated (during April to December 2018) that remedial action had been taken wherever appropriate and an additional demand of ₹ 3.62 crore has been raised. However, the replies in respect of ward 62 and 207 were awaited from the Government (July 2019).

¹⁴ Ward No:5, 27, 38, 62, 201 and 207

¹⁵ TIN No: 07620282304, 07510292307, 07720232876, 07290241600, 07270164884, 07750220977, 07860275285, 07330348666, 07490148952, 07590206515, 07220336941, 07500264425, 07720330943 and 07890176668

1.6 Non-realisation of revenue

Mis-classification of taxable sale of ₹ 4.94 crore as exempted sale in DVAT-16 return resulted in non-realisation of tax of ₹ 61.74 lakh. In addition, interest of ₹ 38.09 lakh was also leviable.

Delhi Value Added Tax (DVAT) Act, 2004 stipulates that every dealer shall be liable to pay tax at the rates specified in this Act on every sale of goods effected by him. Further, DVAT Act provides that when a person is in default in making the payment of any tax, penalty or other amount due under this Act, he shall, in addition to the amount assessed, be liable to pay simple interest on such amount at the annual rate notified by the Government from time to time, computed on a daily basis, from the date of such default for so long as he continues to make default in the payment of the said amount.

Scrutiny of records of Ward-1 revealed that an assessee¹⁶ filed its quarterly returns (DVAT-16) for the assessment year 2013-14 and the same was assessed in June 2015. The assessee disclosed turnover of ₹ 4.94 crore as exempted sale in his return for the fourth quarter of assessment year 2013-14. However, the assessee filed an affidavit in June 2017 and declared that goods taxable at the rate of 12.5 per cent were wrongly shown as exempted sale in his return for the fourth quarter of assessment year 2013-14. Tax of ₹ 61.74 lakh (@12.5 per cent on sale of ₹ 4.94 crore) was required to be levied but the Department had not taken any action on the affidavit. This resulted in non-realisation of tax of ₹ 61.74 lakh. In addition, interest of ₹ 38.09 lakh was also leviable.

On this being pointed out (November 2017), the Government replied (May 2018) that remedial action has been taken and demand of ₹ 98.76 lakh has been raised (27 March 2018) against the assessee. However, the assessee filed an objection (June 2018) against the additional demand before the OHA. The OHA remanded back (August 2018) this case to the AA for re-assessment, which was still pending (July 2019).

1.7 Non-recovery of demand and consequential loss of interest

The Department failed to recover demand of ₹ 13.15 crore from assessee whose registrations had been cancelled.

Delhi Value Added Tax (DVAT) Act, 2004 provide that an amount of additional tax and penalty assessed is due and payable within the date stipulated in the assessment order served by the Commissioner. Any amount of tax, interest or penalty, composition money or other amount due under this act which remains unpaid even after the due date shall be recoverable under the DVAT Act. Further, DVAT Act stipulates that the cancellation of registration shall not affect the liability of any person to pay tax due for any period and unpaid as on the date of such cancellation or which is assessed thereafter notwithstanding that he is not

¹⁶ TIN No.07510022162

otherwise liable to pay tax under this Act. Interest shall also be leviable under the DVAT Act for default in making the payment of any amount.

Scrutiny of records of three Wards¹⁷ for the years 2010-11, 2011-12 and 2013-14 revealed that the assessment of 12 assessees¹⁸ was completed between March 2015 and March 2016 raising a demand of ₹ 10.86 crore (tax ₹ 6.06 crore; interest ₹ 3.14 crore and penalty ₹ 1.66 crore) though their registrations had already been cancelled between December 2010 and September 2015 by the department. The assesseees were directed to deposit the demand within a stipulated time period mentioned in the assessment notice. In case, the demand was not deposited within the prescribed time period, the department had to start further proceedings for recovery by issuing recovery certificates. **However, audit noticed that the Department had not taken any action for realising the demand against the assesseees.**

On this being pointed out, the Department issued the recovery certificates/writ of demand after a lapse of 25 months to 38 months from the date of issue of the assessment notices. This resulted in non-realisation of revenue amounting to ₹ 13.15 crore i.e. tax ₹ 6.06 crore; interest ₹ 5.43 crore (calculated upto 31 May 2018) and penalty ₹ 1.66 crore.

The Government stated (during May/July 2018) that the recovery certificates/writs of demand have been issued to the assesseees and process of recovery of demand is going on.

1.8 Non-realisation of revenue due to mis-classification of goods

Mis-classification of taxable sale of ₹ 4.73 crore as exempted sale in DVAT-16 return resulted in non-realisation of tax of ₹ 59.12 lakh. In addition, interest of ₹ 39.20 lakh and penalty of ₹ 59.12 lakh were also leviable.

DVAT Act, 2004 stipulates that every dealer shall be liable to pay tax at the rates specified in schedules this Act on every sale of goods effected by him. All the goods that are not covered under these schedules will be treated as unspecified items and hence will attract tax at the rate of 12.50 *per cent* under Section 4(e) of the Act. The sale of goods listed in the first schedule shall be exempted from the tax. Further, DVAT Act stipulates that any person who furnishes a return under this Act which is false, misleading or deceptive in a material particular shall be liable to pay by way of penalty a sum of ten thousand rupees or the amount of tax deficiency, whichever is greater. Interest shall also be leviable for default in making the payment of any amount.

Scrutiny of records of Ward 5 revealed that two assesseees¹⁹ filed quarterly returns with the Department of Trade and Taxes for the assessment year 2013-14 which were assessed in September 2014. The assesseees disclosed description of

¹⁷ Ward No. 7, 62 and 84.

¹⁸ TIN No. 07510299000, 07930343292, 07200323954, 07220372928, 07240360113, 07950335036, 07760450328, 07520256848, 07060368845, 07410391108, 07590331742 and 07810426584.

¹⁹ TIN No. 07030442436 and 07730442439

goods as Rexine (100 per cent of sales volume) and showed their turnover of ₹ 4.73 crore as exempted sale (Local and Inter State Sales) in their quarterly returns. **However, the traded item (Rexine) was not in the list of goods specified in Schedule I- Exempted Goods but listed as unspecified goods taxable at the rate of 12.5 per cent. Thus, the AA failed to ascertain the correct tax liability of the assesseees at the time of assessment.** This has resulted in non-realisation of tax of ₹ 59.12 lakh (calculated at the rate of 12.5 per cent on ₹ 4.73 crore). In addition, interest of ₹ 39.20 lakh and penalty of ₹ 59.12 lakh were also leviable.

The Government stated (May 2018) that remedial action has been taken and demand of ₹ 1.14 crore has been raised against the assesseees. The assesseees filed objection (December 2018); final decision in this regard was still pending (July 2019).

1.9 Non-levy of interest

Failure of the Assessing Authority to levy interest on additional demand of ₹ 71.68 lakh, resulted in non-levy of interest of ₹ 49.05 lakh.

DVAT Act, 2004 stipulates that when a person is in default in making the payment of any tax, penalty or other amount due under this Act, he shall, in addition to the amount assessed, be liable to pay simple interest of 15 per cent on such amount, from the date of such default for so long as he continues to make default in the payment of the said amount.

Scrutiny of records of Ward 32 revealed that an assessee²⁰ filed its quarterly returns for the assessment year 2013-14 and were assessed between March 2014 and July 2015. Assessment orders revealed that the Assessing Authority while assessing the case for the year 2013-14 under Section 32 of DVAT Act disallowed the Input Tax Credit of ₹ 71.68 lakh on account of purchases made from cancelled dealers and reversed the same by raising an additional tax demand of ₹ 71.68 lakh. **However, audit noted that Assessing Authority failed to levy the interest on additional demand of ₹ 71.68 lakh which resulted in non-levy of interest of ₹ 49.05 lakh for the period between 22 July 2013 to 31 May 2018.**

The Government accepted the facts and reassessed the case in July 2018 by revising the additional demand to ₹ 1.24 crore including interest of ₹ 52.23 lakh. However, the assessee filed an objection against the additional demand before the OHA which was still pending (July 2019).

²⁰ TIN No. 07060393289