

Chapter IV: Reliability of GST data maintained by Goods and Services Tax Network

Information Technology is at the core of the implementation of Goods and Services Tax. It provides the platform for tax compliance required under the law, constitutes the interface with taxpayers and aids the tax administration in the assessment and collection of revenue. Processes such as registration, filing of returns through various forms, and tax officers' communications with taxpayers are predominantly online. Hence, the procedures for capturing reliable data, the procedure of sharing it with relevant stakeholders and maintaining the integrity of such data form the basis of the GST regime.

Two phases of IT Audit of Goods and Services Tax Network (GSTN) have been completed. The audit findings of the first phase, on registration, payments and IGST settlement modules, were published in Audit Report No. 11 of 2019. The audit findings of the second phase were published in Audit Report No. 1 of 2021 and covered the modules of refunds, returns and e-way bills. Through these reports, various validation deficiencies and data inconsistencies were already highlighted.

4.1 Scope of audit and methodology followed

Audit was provided access to the GST returns data in February 2021, in GSTN's premises, pertaining to the period from FY 2017-18 to FY 2019-20, as filed by taxpayers up to August 2021. An analysis was performed by Audit with a view to deriving an assurance on the quality of data captured.

The analysis was done on the following return data provided to Audit:

- GSTR-1 (all outward supplies, including invoice level details of supplies to other registered taxpayers, filed by suppliers)
- GSTR-3B (monthly return, wherein suppliers declare summary of supplies and tax liability, as well as the ITC to be claimed on inward supplies and pay taxes)
- GSTR-9 (an annual return, containing the summary of the whole year's transactions; payment of tax, due to difference in the liabilities between the monthly returns and the annual return, if any, can also be made through this return, on the basis of self-declaration)

During analysis, it was noticed that the GST data has significant inconsistencies, possibly due to lack of validation checks in the GST common portal, at the time of data entry by the taxpayer, in various GST related returns and forms or through inadequate data analytics post-data entry. This was earlier highlighted

by Audit, during the IT audit of GSTN (Phase-II), published in Para 3.8 of CAG’s Audit Report 1 of 2021. It may be pertinent to mention that, in the same report, it had also been pointed out that Audit could not give assurance on the quality of GST data, as GSTN had neither provided the data, nor had it run the data analysis queries given by Audit on the said data. The data analysis could be performed now by Audit after GSTN gave access in February 2021.

4.2 Inconsistencies between taxable values and tax liability declared – resulting in capture of unreliable data

All GST return forms have fields to enter taxable values and tax dues. In GSTR-1, the rate of tax can also be entered. However, Audit observed lack of validations in the GST Common Portal to accept only reasonable values. Some significant issues, from the data analysis, are highlighted in the following paragraphs

4.2.1 During analysis of GSTR-1 data, Audit noticed that, in more than 4.63 lakh records of 3,424 GSTINs, the tax amount (sum of IGST, CGST and SGST) entered was more than 28 percent of the taxable value (which is the maximum rate of GST), as detailed in **Table 4.1**.

Table-4.1: Data inconsistencies in GSTR-1 with regard to the applicable GST rates

Financial Year	No. of Records	No. of GSTINs	Taxable value	IGST	CGST	SGST	Effective Rate
2017-18	10,752	987	135.59	249.81	539.95	184.62	719%
2018-19	1,36,259	1,280	276.36	333.84	6,980.77	1,311.58	3,121%
2019-20	3,16,771	1,157	204.61	126.98	332.86	304.01	373%
	4,63,782	3,424					

(₹ in crore)

4.2.2 Similarly, during analysis of GSTR-3B data, Audit noticed that, in 92,541 records of 60,908 GSTINs, the taxable values were inconsistent with the tax amounts (IGST+CGST+SGST) entered. In these cases, the aggregate annual tax amount (as per GSTR-3B) was more than 28 per cent of the corresponding taxable value, as detailed in **Table 4.2**.

Table-4.2: Data inconsistencies in GSTR-3B with regard to the applicable GST rates

Financial Year	No. of Records	No. of GSTINs	Taxable value	IGST	CGST	SGST	Effective Rate
2018-19	30,028	19,104	9,270.50	2,406.75	1,738.48	1,738.54	63%
2019-20	23,913	15,968	4,932.01	848.12	1,113.99	1,113.99	62%
2017-18	38,600	25,836	16,675.54	3,561.88	2,377.13	2,311.20	49%
	92,541	60,908					

(₹ in crore)

4.2.3 During analysis of GSTR-9 data, Audit noticed that, in 1,900 records of 1,900 GSTINs, the taxable values in the ‘total outward supplies’ were wildly

inconsistent with the tax amounts (IGST+CGST+SGST) entered therein, as detailed in **Table 4.3**.

Table-4.3: Data inconsistencies in GSTR-9 with regard to applicable GST rates

(₹ in crore)

Financial Year	No. of Records	No. of GSTINs	Taxable value	IGST	CGST	SGST	Calculated Effective Rate
2017-18	900	900	3,324.21	7,48,804.98	1,150.69	1,409.66	22,603%
2018-19	566	566	4,253.38	852.99	3,87,412.96	1,330.77	9,160%
2019-20	434	434	2,848.50	788.12	570.48	937.19	81%
	1,900	1,900					

Audit further observed lack of post-facto data analytics to identify cases of data inconsistencies and lack of a system to review and address such cases.

When Audit pointed this out (January 2022), GSTN stated (February 2022) that many validations were not implemented since it was a new system with a lot of technical challenges and was in the phase of getting stabilised and matured. Building more validations would have complicated the system, which would have negatively affected efficiency, resulting in poor return-filing of taxpayers and consequent revenue collection of the government.

GSTN further stated that exact co-relation between the taxable values and the tax amount is not checked in the system on account of difference in rounding-off method and issue of credit/debit notes.

The reply of the GSTN is not acceptable as Audit has suggested a combination of systems controls and post-facto data analytics to address the issue of data inconsistencies. Further, GSTN's system has gone past the phase of getting stabilised, if this is a justification for not implementing validations. Also, GSTN's reply is silent on the need for post-facto data analytics for identifying, reviewing and addressing the GST data inconsistencies. It may be pertinent to mention that compliance functions of the Department such as internal audit and anti-evasion activities now rely on GST data analysis to identify high risk taxpayers for appropriate action. Data inconsistencies and lack of reliable data, if not addressed in time, may lead to sub-optimal compliance functions and possible wastage of tax administration resources.

Reply of the Ministry was awaited (February 2022).

4.3 Inconsistencies in the CGST and SGST components of GST

The rates of CGST and SGST, levied on goods or services, are equal. Therefore, the amount of tax, declared under both CGST and SGST, by a taxpayer in the return, has to be equal. However, in the course of data analysis, it was noticed that there were significant differences between the declarations of these two

categories of taxes. Records where the difference between CGST and SGST amount was more than one thousand rupees, are discussed below.

4.3.1 During analysis of GSTR-1 data, Audit noticed that, in 8, 28,813 records of 55,130 GSTINs, there was a difference of more than one thousand rupees between the CGST and SGST amount, as detailed in **Table 4.4**.

Table-4.4: Data inconsistencies in GSTR-1 with regard to CGST/SGST

(₹ in crore)

Financial Year	No. of Records	No. of GSTINs	Taxable Value	CGST	SGST	Difference in CGST and SGST
2017-18	5,47,664	16,375	36,728.13	2,995.47	2,578.74	416.73
2018-19	2,13,517	20,186	36,315.58	9,853.96	4,254.95	5,599.01
2019-20	67,632	18,569	20,917.91	1,874.12	1,747.20	126.92
	8,28,813	55,130		14,723.55	8,580.89	6,142.66

4.3.2 During analysis of GSTR-3B data, Audit noticed that, in 26,942 records of 20,305 GSTINs, there was a difference between the CGST and the SGST of more than one thousand rupees. The total CGST amount was ₹ 24,896.51 crores, against the corresponding SGST amount of ₹ 25,120.12 crores, as detailed in **Table 4.5**.

Table-4.5: Data inconsistencies in GSTR-3B with regard to CGST/SGST

(₹ in crore)

Year	No. of Records	No. of GSTINs	Taxable Value	CGST	SGST	Difference in CGST and SGST
2017-18	22,256	17,694	2,05,533.58	13,019.86	13,069.58	49.72
2018-19	3,357	1,692	1,42,279.04	9,216.59	9,329.86	113.27
2019-20	1,329	919	41,576.73	2,660.04	2,720.64	60.60
	26,942	20,305		24,896.49	25,120.08	223.59

4.3.3 During analysis of GSTR-9 data, Audit noticed that, in 11,366 records, pertaining to the total taxable outward supply, in respect of 11,366 GSTINs, there was a difference of more than one thousand rupees, between the tax declared against the SGST and the CGST, as detailed in **Table 4.6**.

Table-4.6: Data inconsistencies in GSTR-9 with regard to CGST/SGST

(₹ in crore)

Financial Year	No. of Records	No. of GSTINs	Taxable Value	CGST	SGST	Difference in CGST and SGST
2017-18	5,368	5,368	4,95,806.26	24,233.25	25,033.01	799.76
2018-19	3,552	3,552	4,57,100.34	4,11,544.27	25,372.84	3,86,171.43
2019-20	2,446	2,446	1,94,893.07	10,981.13	11,576.22	595.09
	11,366	11,366		4,46,758.65	61,982.07	3,84,777.58

The above data inconsistencies indicate the existence of unreliable data and differential tax collections for the Union and States, in contravention of the GST Acts. Due to the lack of appropriate hard and soft controls, or lack of adequate post facto analysis at important data points, the data captured was unreliable in several cases. These inconsistencies are liable to increase the complexity and the resources needed for compliance functions that are required to be discharged by the tax administration.

When Audit pointed this out (January 2022), GSTN stated (February 2022) that the check for entering same CGST and SGST amount was not incorporated, as during the initial phase of GST, taxpayers had to issue Notes (Credit or Debit) pertaining to the earlier tax-regime, wherein, either a CGST component or only a SGST component was required. Further, it stated that in GSTR-3B, a check had been built to ensure that CGST component must be equal to SGST component. This check was built on GST portal in 2018 and was later added into Application programming interface (API)⁵⁸ in 2020. It admitted that no such check is kept in GSTR-1 and GSTR-9. GSTN further stated that such validations can be built in GSTR-1 and GSTR-9 subject to the directions from the Government/GST Council.

Audit is of the view that matching of CGST and SGST components is a basic validation control and falls under the purview of GSTN. Since a validation check has been built in GSTR-3B, similar checks may also be incorporated in GSTR-1 and GSTR-9.

Ministry's reply was awaited (February 2022).

4.4 Inconsistencies in Input Tax Credit (ITC) figures

Taxpayers claim ITC summarily, on a monthly basis, under different heads, such as from the imports of goods/ services, received from ISD distributors⁵⁹, on reverse charge⁶⁰ basis and other supplies, in GSTR-3B, and the same have to be declared again, in GSTR-9, on an annual basis. Similarly, the ITC being reversed and the ineligible ITC, are also shown in both the monthly, as well as the annual returns. In addition, GSTR-9 has a provision for declaring the ITC received during a financial year but claimed or reversed in the next financial year. The ITC declared in GSTR-3B has a direct impact on tax payments, as it is

⁵⁸ For third party applications. These third-party applications can connect with the GST system via secure GST system APIs.

⁵⁹ Input Service Distributor (ISD) means an office of the supplier of goods or services, or both, which receives tax invoices towards receipt of input services and issues a prescribed document for the purposes of distributing the credit of central Tax (CGST), State Tax (SGST)/ Union Territory Tax (UTGST) or Integrated Tax (IGST), paid on the said services, to a supplier of taxable goods or services, or both having same PAN as that of the ISD.

⁶⁰ Reverse charge is a mechanism where the recipient of the goods or services is liable to pay Goods and Services Tax (GST), instead of the supplier.

credited to the ITC ledger and can be utilized for settlement of outstanding liabilities. However, the ITC declared in GSTR-9 has no impact on the ledger, since neither is the excess ITC credited, nor is the short ITC automatically reversed from the ledger, unlike the unsettled tax liability (which can be settled in GSTR-9).

Hence, the ITC shown in GSTR-3B has a direct implication on tax payments. However, since GSTR-9 has scope for providing the details of utilization and reversal in the next financial year, it can be useful for reconciliation with the available ITC, for the purpose of assessment.

A comparison, of the values of GSTR-3B and the corresponding values of GSTR-9, showed that the records of 39, 59,790 GSTINs (constituting 76 per cent of the total 52, 19,332 GSTINs who had filed GSTR-9), included one or more records where the corresponding ITCs between GSTR-9 and the annual totals of GSTR-3B did not match (differences of less than ₹ 100 were ignored). A head-wise comparison, of cases where there are differences, is discussed in the following paragraphs.

4.4.1 Inconsistency in the auto-populated and non-editable field 6A of GSTR-9

Audit noticed inconsistencies in 26,478 records, amounting to ₹ 5,071 crore, in the field 6A of GSTR-9 (Total amount of input tax credit availed through GSTR-3B), which was supposed to be auto-populated and non-editable. The details are in **Table 4.7**.

Table-4.7: Difference in ITC values between 4A of GSTR-3B and 6A of GSTR-9

	(₹ in crore)				
Mismatch in Table	Records	GSTINs	Total of GSTR-9 Values	Total of GSTR-3B Values	Absolute Difference
Total ITC availed through GSTR-3B (6A of R9 vs 4A of R3B)	26,478	23,371	23,97,235	24,02,197	5,071

When Audit pointed this out (January 2022), GSTN admitted (February 2022) that there should not have been any difference in the above mentioned fields. GSTN stated that they would examine the issue in detail.

Reply of the Ministry was awaited (February 2022).

4.4.2 Inconsistency in auto-populated, though editable, fields of GSTR-9

Other ITC fields of table 6 of GSTR-9 are auto-populated. However, the taxpayer is allowed to edit the values. It may be noted that any change of value

in GSTR-9 has no direct impact on the ITC ledger, which is used for payment of tax. Hence, in case of any substantial difference, an alert should have been raised to the tax administration, for appropriate follow-up action. Inconsistencies noticed by Audit are detailed in **Table 4.8**.

Table-4.8: Difference in ITC values between the ITC figures of GSTR-3B and GSTR-9

Mismatch in Table	Records	GSTINs	Total of GSTR-9 Values	Total of GSTR-3B Values	(₹ in crore)
					Absolute Difference
Other ITC claimed (6B of R9 vs 4A(5) of R3B)	27,23,298	19,43,074	41,18,940	44,07,810	13,49,684
RCM ITC claimed (6C+D of R9 vs 4A(3) of R3B)	6,19,162	4,96,358	62,291	1,31,826	96,486
ITC claimed on account of Import of Goods (6E of R9 vs 4A(1) of R3B)	2,01,857	1,46,713	4,14,064	4,03,333	81,665
ITC claimed on account of ISD (6G of R9 vs 4A(4) of R3B)	1,06,597	97,319	17,455	29,115	16,176
ITC claimed on account of Import of Services (6F of R9 vs 4A(2) of R3B)	49,387	38,008	43,667	36,766	23,859
ITC reversal (7I of R9 vs 4B of R3B)	7,99,145	6,29,733	2,33,233	7,23,489	7,78,995
Ineligible ITC (8F of R9 vs 4D of R3B)	7,92,049	5,85,214	1,57,568	91,424	1,90,477
Total	52,91,495	39,36,419			25,37,342

Audit pointed this out (January 2022). In reply (February 2022), GSTN stated that in the editable fields, alert for variation of more than 20 per cent was given to the taxpayer while filing GSTR-9. However, the taxpayer was not stopped from reporting any value in the editable fields, even having variation of more than 20 per cent. It further stated that a suitable MIS of difference between pre-filled Annual Return and the user-entered values would be made available in consultation with GST Policy Wing so that an appropriate threshold of the difference might be decided for generating MIS.

Reply of the Ministry was awaited (February 2022).

4.4.3 Incorrect computation in GSTR-9

Audit further noticed the existence of computational errors in the system. In GSTR-9, field 6J is the difference of actual claims, as made in GSTR-3B (auto-populated as 6A) and the claims being shown in GSTR-9 (from 6B⁶¹ to 6H, which

⁶¹ 6B to 6H are different types of ITC shown in GSTR-9, as claimed.

are totalled as 6I). The system auto-computes 6J as the difference of 6I⁶² and 6A. Thus, 6J should be equal to (6I-6A).

Audit noticed that, in 1,387 records, there was a difference of more than one hundred rupees between both these sets of figures [i.e. 6J-(6I-6A)], as detailed in **Table 4.9**.

Table-4.9: Computational errors in GSTR-9

Records	GSTINs	6A of GSTR-9 (₹ in crore)	6I of GSTR-9 (total of 6B to 6H) (₹ in crore)	6J (6I-6A) (₹ in crore)	Absolute difference ⁶³ [6J-(6I-6A)] (mismatch) (₹)
1,387	1,011	15,30,989	13,81,973	-1,49,013	2,09,78,317

The above indicated that there were inconsistencies within the GSTR-9 form, which reduced the reliability of data and increased the complexity of the compliance functions to be discharged by the tax administration.

When Audit pointed this out (January 2022), GSTN stated (February 2022) that the issue would be examined in detail.

4.5 Non-allocation of taxpayers, to either the Centre or the States

The GST Council, in its ninth meeting, devised a formula for the division of taxpayers between the Centre and the States and issued Circular 1/2017 dated 20 September 2017 to this effect. The taxpayers are to be administered by either the Centre, or by the States. The GST master table captures records of the allocation of taxpayers. Data analysis revealed that 49,077 taxpayers were allocated to neither the Centre, nor to any of the States. Out of these, 14,322 were Normal taxpayers and 2,419 taxpayers had filed their GSTR-3B returns.

Table-4.10: Data showing approving authority null in the GST master

Registration Type (code)	Approving Authority	Registration in FY 2017-18	Registration in FY 2018-19	Registration in FY 2019-20	Registration in FY 2020-21
Casual Taxpayers (CA)	NULL	10,724	9,631	8,228	4,973
Composition (CO)	NULL	1,013	0	0	0
Input Service Distributor (ID)	NULL	186	0	0	0
Normal Taxpayer (NT)	NULL	14,322	0	0	0

In view of the above, there is a possibility that those taxpayers who have not been allocated to any authority, are not being monitored by any tax administration.

⁶² 6(I) is sum of 6B to 6H, which are different types of ITC now being declared as claimed, in GSTR-9

⁶³ Absolute difference is the sum of individual mismatch in 1,387 records.

Reply of the Ministry was awaited (February 2022).

4.6 Conclusion

During analysis of pan-India data provided by GSTN, Audit noticed significant data inconsistencies between the taxable value and declared tax liability. Inconsistencies were also noticed between the CGST and SGST components of GST, and between ITC figures captured in GSTR-3B and GSTR-9 returns. Due to significant inconsistencies in the GST data, Audit could not establish the reliability of data, for the purpose of finding audit insights and trends in GST revenue, and assessing high risk areas such as tax liability and ITC mismatch at the pan-India level.

Audit requested (January 2022) the Ministry to provide the reasons for such data inconsistencies and to ascertain whether a system/ mechanism has been put in place at GSTN or any other level to address such data inconsistencies, and actions that are being taken in cases of inconsistent data. Reply of the Ministry was awaited (February 2022).

4.7 Recommendation

Ministry should consider introducing appropriate validation controls (controls which prevent unreasonable data entries or alert the taxpayer to unreasonable data or both) supplemented by post-facto data analytics in respect of important data elements (including those covered in this audit analysis), where in data (such as tax amounts; taxable values; tax components, like CGST and SGST; validation of ITC and tax amounts, between the annual and monthly returns) is entered by the taxpayer. An effective review and follow up system needs to be developed at GSTN to review and address cases of data inconsistencies. In case of significant deviations, tax officers may be alerted to the inaccuracies and directed to take necessary action. Further, cases of all taxpayers, who have not been allocated to either the Centre or State jurisdictions, may be reviewed and they may be allocated to appropriate tax administrations, as per the guidelines of the GST Council.

