

CHAPTER – IV

REVENUE SECTOR

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4.1 Trend of revenue receipts

4.1.1 The tax and non-tax revenue raised by the Government of Mizoram during the year 2022-23, State's share of net proceeds of divisible Union taxes and duties and Grants-in-Aid from the Government of India (GoI) during the year and corresponding figures for the preceding four years are given in the following **Table-4.1**.

Table-4.1: Trend of revenue receipts

₹ in crore)						
Sl. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
1.	Revenue raised by State Government					
	Tax revenue	726.70	730.98	647.56	853.94	1,101.82
	Non-tax revenue	449.96	522.35	561.76	622.12	1,027.77
	Total	1,176.66	1,253.33	1,209.32	1,476.06	2,129.59
2.	Receipts from GoI					
	State's share of net proceeds of divisible Union taxes and duties	3,502.96	3,017.80	3,010.55	4,222.86	4,745.25
	Grants-in-aid	4,359.88	5,387.13	3,520.80	3,460.82	3,407.22
	Total	7,862.84	8,404.93	6,531.35	7,683.68	8,152.47
3.	Total Revenue Receipts of State Government (1 + 2)	9,039.50	9,658.26	7,740.67	9,159.74	10,282.06
4.	Percentage of 1 to 3	13.02	12.98	15.62	16.11	20.71

Source: Finance Accounts, Vol-I of respective years

The above table indicates that during the year 2022-23, revenue raised by the State Government (₹ 2,129.59 crore) was 20.71 *per cent* of its total revenue receipts. The balance receipts (₹ 8,152.47 crore) constituting 79.29 *per cent* of total receipts during 2022-23 were from GoI.

4.1.2 Details of Budget Estimates (BEs) and tax revenue raised during the period from 2018-19 to 2022-23 are given in the following **Table-4.2**.

Table-4.2: Details of tax revenue

(₹ in crore)											
Head of Accounts	Year										Percentage of increase (+)/ decrease (-) in 2022-23 over 2021-22
	2018-19		2019-20		2020-21		2021-22		2022-23		
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
State Goods and Services Tax	50.00	454.73	355.03	532.22	504.00	457.91	538.00	632.34	598.00	904.20	(+) 42.99
Taxes on Sales, Trade, etc.	307.80	135.93	150.06	117.61	81.00	113.66	95.00	150.75	115.02	112.94	(-) 25.08
State Excise	59.40	65.34	5.00	2.72	1.00	0.96	1.00	1.79	1.00	1.89	(+) 5.59
Taxes on Vehicles	25.74	38.36	27.06	40.66	32.27	29.01	34.35	27.90	34.95	41.32	(+) 48.10
Land Revenue	10.81	8.64	11.00	9.05	15.00	20.74	18.00	13.04	19.00	9.56	(-) 26.69
Stamps and Registration fees	9.89	4.43	5.92	5.85	7.01	4.73	11.16	7.48	11.28	7.80	(+) 4.28
Taxes on Goods and Passengers	3.50	4.71	2.75	7.44	6.40	4.85	5.03	5.39	5.03	7.99.	(+) 48.24
Other Taxes	16.20	14.55	16.87	15.43	15.01	15.70	17.46	15.25	17.02	16.12	(+) 5.70
Total	483.34	726.69	573.69	730.98	661.69	647.56	720.00	853.94	801.30	1,101.82	(+) 29.03

Source: Finance Accounts, Vol-I & II and Annual Financial Statement of respective years

While the State's own tax revenue increased by 29.03 *per cent* in 2022-23 over 2021-22. Revenue receipts on account of Taxes on sales, trades, *etc.*, decreased by ₹ 37.81 crore (25.08 *per cent*) in 2022-23 over 2021-22 due to less receipt under Sale of Motor Spirits and Lubricants. Receipts on account of Goods and Services Tax (GST) were ₹ 904.20 crore which registered an increase of ₹ 271.86 crore (42.99 *per cent*) over the previous year.

The tax revenue on Vehicles registered an increase of ₹ 13.42 crore (48.10 *per cent*) in 2022-23 over the previous year. Receipts from Taxes on Goods and Passengers witnessed an increase of ₹ 2.60 crore (48.24 *per cent*) over the previous year.

4.1.2.1 State Goods and Services Tax

Goods and Services Tax (GST) was implemented with effect from 01 July 2017 on supply of goods or services or both. GST is concurrently administered by the Union (Central GST) and the States (State GST) on supply within the State while Integrated Goods and Services Tax (IGST) is levied on inter-state supply of goods or services or both.

The Central Goods and Services Tax (CGST) Act, 2017, the Mizoram State Goods and Services Tax Act, 2017 and the Integrated Goods and Service Tax Act, 2017 and allied Rules of all the three Acts are applicable in the State of Mizoram.

Goods and Services Tax Network (GSTN), a Non-Government Company set up by Government of India provides both front-end and back-end services to Mizoram being a Model-II State. Front-end services provided to taxpayers include registration, return filing, payment of tax, *etc.*, while back-end services include approval of registration, taxpayer detail viewer, refund processing, MIS reports, *etc.*

Implementation of GST necessitated smooth transitional provisions which enable migration of all existing businesses to the new regime. The transitional provisions have been specifically incorporated in all the three GST Acts/ Rules.

4.1.2.1.1 Registrations under GST

As per the GST Act, every taxpayer with turnover of above ₹ 10 lakh (enhanced to ₹ 20 lakh with effect from 01 April 2019 in respect of dealers dealing with sale of goods only) has to be registered under GST. During the transition period, the Department had to deal with migration of existing dealers as well as approval of new registrations.

The category wise registrations under GST as of March 2023 have been given in **Table-4.3**.

Table-4.3: Registered taxpayers under GST

Types of Taxpayers	Number of dealers	Percentage of total
Normal Taxpayers ¹¹⁹	9,255	91.92
Tax Deductors at source (TDS)	366	3.63
Tax Collectors at source (TCS)	176	1.75
Composition Taxpayers	265	2.63
Input Service Distributors (ISD)	7	0.07
Total Registrants	10,069	100.00

Source: Information as provided by State Taxation Department and CGST, Aizawl

The total registrations under GST in Mizoram as of March 2023 were 10,069 of which, normal taxpayers accounted for 91.92 *per cent*, tax deductors at source accounted for

¹¹⁹ Including casual taxpayers

3.63 per cent and others¹²⁰ (including TCS, Composition taxpayers and ISD) accounted for 4.45 per cent.

4.1.2.1.2 Division of Dealers between Central and State Government

As per the recommendation¹²¹ of GST Council, administrative control of over 90 per cent of the dealers with turnover less than ₹ 1.50 crore shall vest with the State tax administration and 10 per cent with the Central tax administration. In respect of dealers with turnover of ₹ 1.50 crore and above, the administrative control shall be divided in the ratio of 50 per cent each for the Central and State tax administration. The division of taxpayers as notified in Mizoram up to March 2023 is shown in **Table-4.4** below.

Table-4.4: Division of dealers between Centre and State Government

Jurisdiction	Number of dealers		Total
	Turnover above ₹ 1.5 crore	Turnover below ₹ 1.5 crore	
Centre	Not Available*	Not Available	Not Available
State	1,009	6,852	7,861
Total	1,009	6,852	7,861

Source: Information as provided by State Taxation Department and CGST, Aizawl

* Could not be provided by CGST, Aizawl as the figures could not appear in their system dashboard

4.1.2.1.3 Filing of Returns under GST

As per Mizoram Goods and Services Tax Rules¹²², 2017 (MGST Rules, 2017), regular taxpayers were required to file monthly returns¹²³ in GSTR-1, GSTR-2 and GSTR-3, whereas composition taxpayers were required to file quarterly returns in GSTR-4. However, the provisions of the rules could not be implemented due to issues relating to information technology infrastructure. Accordingly, filing of GSTR-2 and GSTR-3 were postponed and regular taxpayers are required to file GSTR-1 and GSTR-3B and composition dealers were to file GSTR-4 quarterly.

The trends of filing of GSTR-1 and GSTR-3B for the period from April 2022 to March 2023 in Mizoram have been depicted in **Table-4.5**:

Table-4.5: Filing pattern of GSTR-1 and GSTR-3B

Month	GSTR-1	GSTR-3B
April, 2022	4,913	5,083
May, 2022	4,953	5,148
June, 2022	5,781	6,022
July, 2022	5,036	5,174
August, 2022	5,102	5,238
September, 2022	6,110	6,163
October, 2022	5,232	5,284

¹²⁰ As of March 2023, there were no registrations under the categories of Corporation Taxpayers, Casual Taxpayers, Non-Resident Taxable Person (NRTP) and Online Information Database Access and Retrieval services (OIDAR)

¹²¹ Circular dated 20 September 2017

¹²² Rule 59, 60 and 61

¹²³ GSTR-1: containing outward supply, GSTR-2: Auto populated from GSTR-1 showing inward supply of the dealer and GSTR-3: Summarised details of outward and inward supplies of a dealer during the month along with amount of GST liability

Month	GSTR-1	GSTR-3B
November, 2022	5,296	5,370
December, 2022	6,210	6,309
January, 2023	5,257	5,378
February, 2023	5,262	5,414
March, 2023	5,252	6,389
Total	64,404	66,972

Source: Information as provided by State Taxation Department and CGST, Aizawl

4.1.3 The details of non-tax revenue receipts during the period 2018-19 to 2022-23 are given in the following **Table-4.6**:

Table-4.6: Details of non-tax revenue

(₹ in crore)

Head of account	2018-19		2019-20		2020-21		2021-22		2022-23		Percentage of increase (+)/ decrease (-) in 2022-23 over 2021-22
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
Interest receipts	24.04	57.68	25.96	32.84	50.27	19.12	53.07	41.83	58.38	50.19	(+) 19.99
Power	198.70	270.23	300.00	373.61	330.00	398.01	625.00	401.90	587.00	741.34	(+) 84.46
Others	101.11	122.05	132.06	115.90	202.80	144.63	174.19	178.39	191.05	236.24	(+) 32.43
Total	323.85	449.96	458.02	522.35	583.07	561.76	852.26	622.12	836.43	1,027.77	(+) 65.20

Source: Finance Accounts, Vol-II and Annual Financial Statement of respective years

Non-tax revenue ranged between 4.98 per cent (2018-19) and 10 per cent (2022-23) of the total revenue receipts during the last five years. During 2022-23, non-tax revenue recorded a growth of 65.20 per cent over the previous year. There was a steady increase in non-tax revenue from ₹ 449.96 crore in 2018-19 to ₹ 1,027.77 crore in 2022-23 with the major contributors being Power (₹ 741.34 crore) and Interest Receipts (₹ 50.19 crore).

4.2 Analysis of arrears of revenue

The arrears of revenue as of 31 March 2023 on some principal heads of revenue amounted to ₹ 24.38 crore, out of which ₹ 9.44 crore was outstanding for more than five years, as detailed below:

Table-4.7: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as of 31 March 2023	Amount outstanding for more than five years as of 31 March 2023
1.	Taxes/ VAT on Sales, Trades, etc.	23.76	9.43
2.	Taxes on Professions, Trades, Callings and Employment, etc.	0.36	0.00
3.	Taxes on Entertainment	0.26	0.01
	Total	24.38	9.44

Source: Information furnished by the Taxation Department

4.3 Arrears in assessment

The details of cases pending at the beginning of the year, cases due for assessment, cases disposed off during the year and number of cases pending finalisation at the end of the year as furnished by the Taxation Department in respect of Sales Tax, Motor Spirit Tax and Professional Tax are shown in **Table-4.8** below:

Table-4.8: Arrears in assessments

Head of account	Opening balance as of 01 April 2022	New cases due for assessment during 2022-23	Total assessments due	Cases disposed off during 2022-23	Closing balance as of 31 March 2023	Percentage of disposal
0040-Taxes on Sales, Trades, etc.	7	8	15	10	5	66.67
Taxes on Professions, Trades, Callings and Employment, etc.	-	25,660	25,660	25,660	-	100.00
Total	7	25,668	25,675	25,670	5	99.98

Source: Information furnished by the Taxation Department

It can be seen from the above table that out of 25,675 assessments due, the disposal was 25,670 (99.98 per cent) during the year 2022-23.

4.4 Evasion of tax detected by the Department

The details of cases of tax evasion detected by the Taxation Department, cases finalised and demands for additional tax raised as reported by the Department are given in **Table-4.9** below:

Table-4.9: Evasion of tax

Name of tax/ duty	Opening balance as of 01 April 2022	Cases detected during the year 2022-23	Total	Cases in which assignments/ investigation completed and additional demand including penalty, etc., raised during 2022-23		Number of pending cases as of 31 March 2023
				No. of cases	₹ in crore	
Sales Tax/ VAT	3	8	11	11	0.15	0
GST	-	249	249	209	1.03	40
Total	3	257	260	220	1.18	40

Source: Information furnished by the Taxation Department

4.5 Pendency of refund cases

The details relating to the number of refund cases pending at the beginning of 2022-23, claims received during the year, refunds allowed during the year and the cases pending at the close of 2022-23 as reported by the Taxation Department are given in **Table-4.10** below:

Table-4.10: Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	GST	
		No. of Cases	Amount
1.	Claims outstanding at the beginning of the year	19	0.01
2.	Claims received during the year	36	8.89
3.	Refunds made during the year	39	6.52
4.	Refunds rejected during the year	05	2.37
5.	Balance outstanding at the end of year	11	0.01

Source: Information furnished by the Taxation Department

Thus, the number of cases pending at the close of the year decreased from 19 to 11 cases involving amount of ₹ 0.01 crore.

4.6 Audit planning

The unit offices are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis. The risk criteria involved scrutiny of budget speech, white paper on State finances, Reports of the Finance Commission, recommendations of the Taxation Reforms Committee, analysis of the revenue earnings, tax administration, *etc.*

During the year 2022-23, there were 144 auditable units, of which 17 units constituting 11.81 *per cent* of the total auditable units were planned and audited.

4.7 Results of audit

Position of local audit conducted during the year

Records of 17 units of Taxation, Forests, Environment and Climate Change, Transport, Land Revenue & Settlement and Geology & Mineral Resources Departments were test-checked during 2022-23. Test check revealed short levy of royalty/ non levy of MPGT/ penalty, non deduction of license fee, labour cess, *etc.*, aggregating ₹ 58.60 crore in 38 out of 82 cases. The Departments concerned recovered ₹ 0.14 crore for the previous years in two cases.

4.8 Coverage of this Report

This Chapter contains one Subject Specific Compliance Audit (SSCA) on ‘Department’s oversight on GST Payments and Returns filing for the year 2017-18 and one Compliance Audit Paragraph involving a money value of ₹ 4.90 crore. The Departments/ Government issued notices to the two taxpayers and no recovery was made (April 2024).

SUBJECT SPECIFIC COMPLIANCE AUDIT

Taxation Department

4.9 Subject Specific Compliance Audit on “Department’s Oversight on Goods and Services Tax Payments and Returns Filing” for the year 2017-18

4.9.1 Introduction

Introduction of Goods and Services Tax (GST) has replaced multiple taxes levied and collected by the Centre and States. GST, which came into effect from 1 July 2017, is a destination-based consumption tax on the supply of goods or services or both levied on every value addition. The Centre and States simultaneously levy GST on a common tax base. Central GST (CGST) and State GST (SGST)/ Union Territory GST (UTGST) are levied on intra-state supplies, and Integrated GST (IGST) is levied on inter-state supplies.

Section 59 of the Mizoram Goods and Services Tax Act, 2017 (MGST Act) stipulates GST as a self-assessment based tax, whereby the responsibility for calculating tax liability, discharging the computed tax liability and filing returns is vested with the taxpayer. The GST returns must be filed online regularly on the common GST portal, failing which penalties will be payable. Even if the business has had no tax liability

during a particular tax period, it must file a nil return mandatorily. Further, Section 61 of the MGST Act read with Rule 99 of the Mizoram Goods and Services Tax Rules, 2017 (MGST Rules) stipulate that the proper officer may scrutinise the return and related particulars furnished by the taxpayers, communicate discrepancies to the taxpayers and seek an explanation.

This Subject Specific Compliance Audit (SSCA) was taken up considering the significance of the control mechanism envisaged for tax compliance and the oversight mechanism of the Taxation Department, Mizoram in this new tax regime.

4.9.2 Audit objectives

This SSCA was taken up with the following audit objectives to seek an assurance on:

- i. Whether the Rules and procedures were designed to secure an effective check on tax compliance and were being duly observed by taxpayers; and
- ii. Whether the scrutiny procedures, internal audit and other compliance functions of the Zones were adequate and effective.

4.9.3 Audit methodology and scope

This SSCA was predominantly conducted based on data analysis, which highlighted risk areas and red flags pertaining to the period July 2017 to March 2018. Through data analysis, a set of 11 deviations were identified across the domains of input tax credit (ITC), discharge of tax liability, registration and returns filing. Such deviations were followed up through a **centralised audit**¹²⁴, whereby these deviations were communicated to the State departmental field formations and action taken by the jurisdictional formations on the identified deviations was ascertained without involving field visits. The centralised audit was supplemented by a **detailed audit** involving field visits for verification of records available with the jurisdictional field formations. Returns and related attachments and information were accessed through the State GST Model-2 application - the back-end system of the State Taxation Department's application as much as feasible to examine data/ documents relating to taxpayers (*viz.*, registration, tax payment, returns and other departmental functions). The detailed audit also involved accessing relevant granular records from the taxpayers such as invoices through the respective field formations. This apart, compliance functions such as scrutiny of returns and action on non-filers by the departmental formations were also reviewed in selected Zones.

The review of the scrutiny of returns by the Department and verification of taxpayers' records covered the period from July 2017 to March 2018, while the audit of the functions of selected Zones covered the period from July 2017 to March 2021. This SSCA covered only the State administered taxpayers. The field audit was conducted from December 2021 to August 2022.

Entry conference for this SSCA was held on 3 December 2021 with the Commissioner of State Tax, Mizoram in which the audit objectives, sample selection, audit scope and methodology were discussed. The exit meetings were held between 18 July 2022 and

¹²⁴ Centralised Audit did not involve seeking taxpayer's granular records such as financial statements related ledger accounts, invoices, agreements, *etc.*

4 August 2022 with the Commissioner/ Deputy Commissioners of State Tax in which the audit findings were discussed. The views of the Commissioner/ Deputy Commissioners of State Tax expressed during the exit meetings and the replies received on the draft report have been suitably incorporated in the relevant paragraphs.

4.9.4 Audit sample

A data-driven approach was adopted for planning and also to determine the nature and extent of the substantive audit. The sample for this SSCA comprised a set of deviations identified through data analysis for Centralised Audit that did not involve field visits; a sample of taxpayers for Detailed Audit that involved field visits and scrutiny of taxpayers' records at the departmental premises and a sample for Zonal Audit for evaluating the compliance functions of the Zones.

This SSCA involved three distinct parts as under:

(I) Part – I Zonal Audit

Four Zonal offices, out of total 11 Zonal offices, having jurisdiction over highest number of taxpayers from the detailed audit sample were selected for Zonal Audit to evaluate their oversight functions.

(II) Part - II Centralised Audit

The sample for Centralised Audit was selected by identification of high-value or high-risk deviations from Rules and inconsistencies between returns through data analysis for evaluation of the adequacy and effectiveness of the scrutiny procedure of the Department. Accordingly, 86 sample cases were selected for Centralised Audit under this SSCA.

(III) Part – III Detailed Audit

Detailed Audit was conducted by accessing taxpayers' records through Zones for evaluation of the extent of tax compliance by taxpayers. The sample of taxpayers for Detailed Audit was selected on the basis of risk parameters such as excess ITC, tax liability mismatch, disproportionate exempted turnover to total turnover and irregular ITC reversal. 15 taxpayers selected for Detailed Audit comprised Large¹²⁵, Medium¹²⁶ and Small¹²⁷ strata taxpayers as well as taxpayers selected randomly.

The details of sample selected for Centralised Audit, Detailed Audit and Zonal Audit are shown in **Appendix-4.1, 4.2 and 4.3.**

4.9.5 Audit criteria

The source of audit criteria is derived from the provisions contained in the MGST Act, IGST Act, and Rules made thereunder. In addition, the notifications and circulars issued by State Taxation Department relating to filing of returns, notifying the effective dates of filing of various returns, extending due dates for filing returns, rates of tax on goods and services, payment of tax, availing and utilising ITC, scrutiny of returns

¹²⁵ First category strata comprising large taxpayers – top two *per cent* of taxpayers based on turnover

¹²⁶ Second category strata comprising medium taxpayers – next eight *per cent* of taxpayers based on turnover

¹²⁷ Third category strata comprising small taxpayers – remaining 90 *per cent* of taxpayers based on turnover

and oversight of tax compliance and Standard Operating Procedure (SoP) containing instructions to departmental officers on various aspects related to filing returns, scrutiny of returns, cancellation of registrations, *etc.*, also formed part of the audit criteria.

4.9.6 Audit findings

The audit findings are categorised into the following three categories:

1. Audit findings from Zonal Audit
2. Audit findings from Centralised Audit
3. Audit findings from Detailed Audit

4.9.7 Audit findings of Zonal Audit

The observations listed below pertain to four Zones¹²⁸ relating to the period from 2017-18 to 2020-21¹²⁹.

4.9.7.1 Scrutiny of returns not carried out

As per Section 61 of the MGST Act read with Rule 99 of MGST Rules, various returns filed by the taxpayers have to be scrutinised by the proper officer to verify the correctness of the returns and suitable action has to be taken on any discrepancies or inconsistencies reflected in the returns.

Further, it was also observed that the Department issued Standard Operating Procedure (SoP) on scrutiny of returns for the financial years 2017-18 and 2018-19 on 19 May 2022 to ensure uniformity in selection/ identification of returns for scrutiny, methodology of scrutiny of such returns and other related procedures. SoP also envisages maintenance of scrutiny register and preparation of scrutiny progress report by the Proper Officer.

On examination of the replies (July - August 2022) to audit queries (March 2022) furnished by the Dy. Commissioners of State Tax of the sampled Zones, it was observed that only Kolasib Zone conducted scrutiny of four returns furnished, while the other Zonal offices did not conduct any scrutiny of the taxpayers' returns under their zonal jurisdiction during the period from 2017-18 to 2020-21.

The Dy. Commissioners of State Tax were requested (August 2022) to initiate action to scrutinise the returns filed by the taxpayers as per SoP and intimate the results of such scrutiny to Audit. The Department in their reply stated (August 2023) that the Zonal Offices had initiated scrutiny of taxpayers' returns and as such in Aizawl West Zone, 74 cases had been scrutinised during the year 2022-23 and 59 cases had been scrutinised as of 31 July 2023 (for the year 2023-24); in Aizawl East Zone, initiative had been taken and scrutiny of returns had been conducted on certain taxpayers for the period starting from 2017-18; in Aizawl North Zone, 151 cases had been scrutinised as of 23 July 2023, and in Kolasib Zone, scrutiny of taxpayers began in 2022-23 with every Assistant Commissioner of State Tax expected to conduct at least five scrutiny of returns every month.

The Department had started scrutiny of returns after being pointed by Audit.

¹²⁸ Aizawl East Zone, Aizawl North Zone, Aizawl West Zone and Kolasib Zone

¹²⁹ In case of Aizawl West Zone the period related to 2019-20 to 2020-21 as the Zone started operating only during 2019-20 in the GST system

4.9.7.2 Action on non-filers

Section 46 of the MGST Act read with Rule 68 of MGST Rules stipulates issue of a notice in form GSTR-3A requiring filing of return within fifteen days if the taxpayer had failed to file the return within the due date. In case the said return is still not filed by the defaulter within 15 days of the said notice, an assessment order in Form ASMT-13 under Section 62 of the Act read with Rule 100 should be issued to determine the liability of the taxpayer based on the information available with the proper officer. If the said return still remains unfurnished within the statutory period of 30 days from the issuance of order in ASMT-13, then the proper officer may initiate recovery proceedings under Section 79 of the Act. In case the defaulter furnishes a valid return within 30 days of the service of assessment order in Form ASMT-13, the said assessment order shall be deemed to have been withdrawn in terms of the provision of Sub-Section (2) of Section 62 of the Act.

On scrutiny of replies (July – August 2022) to audit queries (March 2022) furnished by the Dy. Commissioners of State Tax, the following discrepancies were observed as shown in **Table-4.11** below:

Table-4.11: Status of non-filers identified by the tax authority and the action thereof

Zone	No. of non-filers identified					Number of GSTR-3A issued	Cases returns filed in pursuance of GSTR-3A		
	2017-18	2018-19	2019-20	2020-21	Total		No.	Interest	Late fee
Aizawl East Zone	Not available (NA)	NA	NA	NA	NA	NA	0	0	0
Kolasib Zone	NA	NA	37	28	65	65	0	0	0
Aizawl North Zone	82	59	59	72	272	202 ¹³⁰	0	0	0
Aizawl West Zone	NA	NA	97	105	202	NA	0	0	0
Total	82	59	193	205	539	267	0	0	0

From the table it is seen that out of 539 non-filers identified, GSTR-3A was issued in only 267 cases. Thus, the due process of issue of GSTR-3A followed by ASMT-13 was not observed in all cases. Also, adequate efforts to pursue recovery of the dues were not made by the Department.

The Dy. Commissioners of State Tax were requested (August 2022) to initiate action to pursue and identify the cases of non-filers under intimation to Audit. The Department in their reply stated (August 2023) that in Kolasib Zone, the identified non-filers were contacted by telephone and instructed to file their returns. GSTR-3A is an auto-populated notice issued to non-filers within 15 days and if the taxpayers fail to comply with this notice cancellation proceedings are auto initiated by suspension of registration as per Section 29(2)C of the MGST Act, 2017; in Aizawl West Zone, the number of non-filers and late filers of GST returns are being reduced and as of 30 June 2023 there are 63 non-filers; in Aizawl North Zone, the number of non-filers and late filers of GST returns are being reduced. Taxpayers who had not filed returns for six consecutive months were issued notice for cancellation. Since 01 January 2023, 195 taxpayers were issued

¹³⁰ Out of 202 cases where GSTR-3A issued, registration of 122 taxpayers were cancelled on suo-moto proceedings under Section 29(2)(c) while registrations of 57 taxpayers were cancelled based on the taxpayer's application and the remaining 23 taxpayers are still active

notice out of which 159 are cancelled. Further efforts will be made to issue demands for all unpaid liabilities even for those cancelled taxpayers, and in Aizawl East Zone, the GST system regularly identified and generated notices to the defaulters and appropriate action is being taken to ensure that the identified taxpayers file their returns regularly and correctly.

The Department may monitor whether returns were filed in pursuance of GSTR-3A or ASMT-13 issued in all the above mentioned cases.

4.9.8 Audit findings of Centralised Audit

Audit analysed GST returns data pertaining to 2017-18 as made available by Goods and Services Tax Network (GSTN). Rule-based deviations and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 11 parameters, which can be broadly categorised into two domains - ITC and Tax payments.

Out of the 13 prescribed GST returns¹³¹, following basic returns that apply to normal taxpayers were considered for the purpose of identifying deviations, inconsistencies and mismatches between GST returns/ data:

- **GSTR-1:** monthly return furnished by all normal and casual registered taxpayers making outward supplies of goods and services or both and contains details of outward supplies of goods and services.
- **GSTR-3 B:** monthly summary return of outward supplies and input tax credit claimed, along with payment of tax by the taxpayer to be filed by all taxpayers except those specified under Section 39(1) of the Act. This is the return that populates the credits and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger.
- **GSTR 6:** monthly return for Input Service Distributors providing the details of their distributed input tax credit and inward supplies.
- **GSTR 8:** monthly return to be filed by the e-commerce operators who are required to deduct TCS (Tax collected at source) under GST, introduced in October 2018.
- **GSTR-9:** annual return to be filed by all registered persons other than an Input Service Distributor (ISD), Tax Deductor at Source/ Tax Collector at Source, Casual Taxable Person and Non-Resident taxpayer. This document contains the details of all supplies made and received under various tax heads (CGST, SGST and IGST) during the entire year along with turnover and audit details for the same.
- **GSTR-9 C:** annual audit form for all taxpayers having a turnover above ₹ 5 crore in a particular financial year. It is basically a reconciliation statement between the annual returns filed in GSTR-9 and the taxpayer's audited annual financial statements.

¹³¹ GSTR-1, GSTR-3B, GSTR-4 (taxpayers under the Composition scheme), GSTR-5 (non-resident taxable person), GSTR-5A (Non-resident OIDAR service providers), GSTR-6 (Input service distributor), GSTR-7 (taxpayers deducting TDS), GSTR-8 (E-commerce operator), GSTR-9 (Annual return), GSTR-10 (Final return), GSTR-11 (person having UIN and claiming a refund), CMP-08, and ITC-04 (Statement to be filed by a principal/ job-worker about details of goods sent to/ received from a job-worker)

- **GSTR-2 A:** a system-generated statement of inward supplies for a recipient. It contains the details of all B2B transactions of suppliers declared in their Form GSTR-1/5, ISD details from GSTR-6, details from GSTR-7 and GSTR-8 respectively by the counterparty and import of goods from overseas on bill of entry.

The taxpayers identified on the basis of data analysis pertaining to the 11 identified parameters and extent of deviations/ inconsistencies observed are summarised in **Table-4.12** below.

Table-4.12: Summary of inconsistencies/ deviations identified for Centralised Audit

Sl. No.	Parameter	Algorithm used	Number of deviations	Amount (₹ in crores)
1.	ITC mismatch between GSTR-2A and GSTR-3B	ITC available as per GSTR-2A with all its amendments was compared with the ITC availed in GSTR-3B {Table 4A (5)} (accrued on domestic supplies) considering the reversals in Table 4(B) (2) but including the ITC availed in subsequent year 2018-19 from Table 8(C) of GSTR-9.	10	3.95
2.	ITC availed under RCM vs payment of tax in GSTR-3B/ GSTR-9	RCM payments in GSTR-3B Table 3.1(d) were compared with ITC availed in GSTR-9 Table (6C + 6D + 6F). In cases where GSTR-9 was not available, RCM liability in GSTR-3B Table 3.1(d) was compared with GSTR-3B Table {4(A)(2) + 4(A)(3)}	10	0.19
3.	Short payment of tax under RCM vs ITC availed in GSTR 3B/ GSTR 9	RCM liability declared in GSTR-9 Table 4G was compared with ITC availed in GSTR-9 Table (6C + 6D + 6F). In cases where GSTR-9 was not available, RCM payment in GSTR-3B Table 3.1(d) was compared with GSTR-3B 4(A)(2) and 4(A)(3).	3	0.006
4.	Incorrect availment of ISD credit	ISD received in GSTR-9 Table 6G or GSTR-3B Table 4(A)(4) of the recipients was compared with ITC transferred in GSTR-6 of the distributor.	2	0.01
5.	Reconciliation between ITC availed in annual returns with expenses in financial statements	Positive figure in GSTR-9C Table 14T.	10	6.17
6.	Mismatch of ITC availed between annual returns and books of accounts	Positive figure in GSTR-9C Table 12F.	9	0.58
7.	Mismatch in turnover declared in GSTR-9C Table 5R	Negative figure in GSTR-9C Table 5R	10	12.16
8.	Mismatch in tax paid between books of accounts and returns	Negative figure in GSTR-9C Table 9R.	10	0.42

Sl. No.	Parameter	Algorithm used	Number of deviations	Amount (₹ in crores)
9.	Unsettled liabilities	Greater of tax liability between GSTR-1 (Table 4 to 11) and GSTR-9 (Table 4N, 10 & 11) was compared with tax payable details in GSTR-3B Table {3.1 (a) + 3.1 (b)}. In cases where GSTR-9 was not available, tax paid in GSTR-3B was compared with GSTR-1 liability. The amendments and advance adjustments declared in GSTR-1 and GSTR-9 were duly considered.	10	5.36
10.	GSTR-3B was not filed but GSTR-1 or GSTR-2A available	Taxpayers who had not filed GSTR-3B but filed GSTR-1 or where GSTR-2A available, indicating taxpayers had carried the business without discharging tax.	2	0.004
11.	Short payment of interest	Interest calculated at the rate of 18 per cent on cash portion of tax payment on delayed filing of GSTR-3B vis-à-vis Interest declared in GSTR-3B Table 6.1.	10	2.19

4.9.8.1 Results of Centralised Audit

Based on the responses received from the Department on the audit queries (February 2022 and April 2022) to the extent against which each of the 11 parameters were translated into compliance deviations/ inconsistencies, the position is summarised in Table-4.13 below.

Table-4.13: Summary of compliance deviations

(₹ in crore)

Sl. No.	Audit Dimension	Cases where reply received		Department reply accepted by Audit						Compliance deviations							
				Data entry error		Action taken before query		Valid explanations		Recovered		Under correspondence with taxpayer		Department's reply not acceptable to Audit (Rebuttal)		Total	
		No	Amt	No	Amt	No	Amt	No	Amt	No	Amt	No	Amt	No	Amt	No	Amt
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
1.	ITC mismatch between GSTR-2A and GSTR-3B	10	3.95	1	2.67	0	0	6	0.94	0	0	3	0.34	0	0	3	0.34
2.	ITC availed under RCM vs payment of tax in GSTR-3B/ GSTR-9	10	0.19	0	0	0	0	1	0.02	1	0.0003	8	0.17	0	0	9	0.17
3.	Short payment of tax under RCM vs ITC availed in GSTR-3B/ GSTR-9	3	0.006	0	0	0	0	0	0	1	0.0001	2	0.006	0	0	3	0.006
4.	Incorrect availment of ISD credit	2	0.01	0	0	0	0	1	0.01	0	0	1	0.0008	0	0	1	0.0008

Sl. No.	Audit Dimension	Cases where reply received		Department reply accepted by Audit						Compliance deviations							
				Data entry error		Action taken before query		Valid explanations		Recovered		Under correspondence with taxpayer		Department's reply not acceptable to Audit (Rebuttal)		Total	
		No	Amt	No	Amt	No	Amt	No	Amt	No	Amt	No	Amt	No	Amt	No	Amt
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
5.	Reconciliation between ITC availed in Annual returns with expenses in financial statements	10	6.17	0	0	0	0	6	4.86	0	0	4	1.31	0	0	4	1.31
6.	Mismatch of ITC availed between Annual returns and Books of accounts	9	0.58	0	0	2	0.02	3	0.42	0	0	4	0.14	0	0	4	0.14
7.	Mismatch in turnover declared in GSTR-9C Table 5R	10	¹³²	0	0	1	-	3	-	0	0	5	-	1	-	6	-
8.	Mismatch in tax paid between books of accounts and returns	10	0.42	0	0	2	0.23	2	0.012	0	0	6	0.18	0	0	6	0.18
9.	Unsettled liabilities	10	5.36	0	0	0	0	2	1.51	0	0	8	3.85	0	0	8	3.85
10.	GSTR-3B was not filed but GSTR-1 or GSTR-2A available	2	0.004	0	0	0	0	0	0	0	0	2	0.004	0	0	2	0.004
11.	Short payment of interest	10	2.19	0	0	0	0	2	0.14	4	0.14	4	1.91	0	0	8	2.05
Total		86	18.88	1	2.67	5	0.25	26	7.91	6	0.14	47	7.91	1	0	54	8.05

4.9.8.2 Summary of Centralised Audit

Audit noticed deviations from the provisions of the Act in 54 cases (column No. 11, 13, and 15) involving amount of ₹ 8.05 crore (Column No. 12, 14 and 16) (constituting 62.79 *per cent*) out of the total 86 inconsistencies/ mismatches. Out of the 54 compliance deviations observed, 47 cases are under correspondence with the taxpayer and the Department accepted audit observations and made recoveries in six cases with tax effect of ₹ 0.14 crore, and in one case, the reply was not acceptable to Audit and suitable rebuttal was provided. Relatively higher rates of deviations were noticed in risk parameters such as short/ non-payment of interest, ITC mismatch, excess RCM ITC availed and short tax payments, *etc.*

¹³² This dimension is based on turnover. Therefore, tax liability under this dimension was not quantified. Total unreconciled turnover (TO) in Table 5R of GSTR-9C in 10 cases is ₹12.16 crore for which reply has been received in all cases. Action was taken before audit query in one case involving mismatch TO of ₹ 0.003 crore and valid explanation was provided in three cases involving TO of ₹ 11.00 crore. In five cases involving mismatched TO of ₹ 1.15 crore, compliance deviations were observed, and in one case involving mismatch TO of ₹ 0.006 crore rebuttal was provided.

In 32 cases (Column No. 5, 7 and 9), constituting 37.21 per cent, where the Department's reply was acceptable to Audit, data entry error by taxpayers comprised one (Col. No. 5) case, Department had proactively taken action in five (Col. No. 7) cases and 26 (Col. No. 9) cases had valid explanations.

Recommendation: The Department may urgently pursue the 47 inconsistencies/deviations pointed out by Audit which are under correspondence with the taxpayers and intimate the results there-of.

4.9.8.3 Top case of each dimension of Centralised Audit (for compliance deviations pertaining to cases recovery, rebuttal or under correspondence with taxpayer)

The top cases of each of the 11 dimensions of Centralised Audit pertaining to compliance deviations are shown in **Table-4.14** below.

Table-4.14: Top cases for each dimension

(₹ in crore)

Sl. No.	Dimension	GSTIN	Zonal jurisdiction	Mismatch	Remarks
1.	ITC mismatch between GSTR-2A and GSTR-3B	15AICPL8954****	Kolasib Zone	0.13	Department stated that the taxpayer had accepted charges of excess availing of ITC but has asked for an extension of time to go over their records. Progress is still awaited.
2.	ITC availed under RCM vs payment of tax in GSTR-3B/ GSTR-9	15APGPL1460****	Aizawl East Zone	0.13	Department stated that notice seeking the reasons for the discrepancy was re-issued.
3.	Short payment of tax under RCM vs ITC availed in GSTR-3B/ GSTR-9	15AARPL9788****	Aizawl North Zone	0.006	Department stated that notice issued to the taxpayer to submit clarification on the discrepancy.
4.	Incorrect availment of ISD credit	15AACCK5599****	Aizawl North Zone	0.0008	Department stated that notice issued to the taxpayer to submit clarification on the discrepancy.
5.	Reconciliation between ITC declared in annual returns with expenses in financial statements	15AEVPL3183****	Aizawl North Zone	0.82	Department stated that notice issued to the taxpayer to submit clarification on the discrepancy.
6.	Mismatch of ITC availed between annual returns and books of accounts	15AAACZ1168****	Aizawl East Zone	0.07	Department stated that notice issued to the taxpayer to submit clarification on the discrepancy.

Sl. No.	Dimension	GSTIN	Zonal jurisdiction	Mismatch	Remarks
7.	Mismatch in turnover declared in GSTR-9C Table 5R	15ARIPC4143****	Aizawl East Zone	1.14	Department stated that notice issued to the taxpayer to submit clarification on the discrepancy.
8.	Mismatch in tax paid between books of accounts and annual returns	15BOSPD8907****	Aizawl South Zone	0.06	Department stated that notice was sent to the taxpayer and response was awaited.
9.	Unsettled liabilities	15ANZPL8491****	Aizawl North Zone	0.68	Department stated that notice was sent to the taxpayer and response was awaited.
10.	GSTR-3B was not filed but GSTR-1 or GSTR-2A available	15AZNPC0633****	Aizawl South Zone	0.002	Department stated that notice was sent to the taxpayer and response was awaited.
11.	Short payment of interest	15ADIFS8476****	Aizawl West Zone	1.67	Department stated that notice was issued to the taxpayer and response was awaited.

4.9.8.4 Illustrative cases of highest value case under each dimension for the above table are shown below:

(i) ITC mismatch between GSTR-2A and GSTR-3B

GSTR-2A is a purchase related dynamic tax return that is automatically generated for each business by the GST portal, whereas GSTR-3B is a monthly return in which summary of outward supplies along with ITC declared and payment of tax are self-declared by the taxpayer.

To analyse the veracity of ITC utilisation, relevant data were extracted from GSTR-3B and GSTR-2A relating to the year 2017-18 and the ITC paid as per suppliers' details was matched with the ITC credit availed by the taxpayer.

Audit observed in the case of a taxpayer¹³³ under Kolasib Zone that there was mismatch of ITC availed of ₹ 0.13 crore (ITC in GSTR-2A was ₹ 0.32 crore which was compared with ITC in GSTR-3B considering reversals which was ₹ 0.45 crore) and was communicated to the Department (February 2022). In response, the Department stated (December 2022) that the taxpayer had accepted charges of excess availing of ITC but has asked for an extension of time to go over their records. Further progress in this regard is awaited (April 2024).

(ii) ITC availed under RCM vs payment of tax in GSTR-3B/ GSTR-9

Under Reverse Charge Mechanism, the liability to pay tax is fixed on the recipient of supply of goods or services instead of the supplier or provider in respect of certain categories of goods or services or both under Section 9(3) or Section 9(4) of the MGST

¹³³ M/s Kiangte Mobile House (GSTIN 15AICPL8954****)

Act, 2017 and under sub-section (3) or sub-section (4) of Section 5 of the IGST Act, 2017.

GSTR-9 is an annual return to be filed once for each financial year, by the registered taxpayers who were regular taxpayers, including Special Economic Zone (SEZ) units and SEZ developers. The taxpayers are required to furnish details of purchases, sales, input tax credit or refund claimed or demand created, *etc.*

To analyse the veracity of ITC availed on tax paid under Reverse Charge Mechanism (RCM) relating to the year 2017-18, the datasets pertaining to GSTR-3B and annual return GSTR-9 were compared to check whether the ITC availed on RCM was restricted to the extent of tax paid.

Audit observed in the case of a taxpayer¹³⁴ under Aizawl East Zone that there was mismatch of ITC availed of ₹ 0.13 crore (ITC in GSTR 3B was zero whereas ITC availed in GSTR-9 was ₹ 0.13 crore) and was communicated to the Department (February 2022). In response, the Department stated (December 2022) that notice seeking the reasons for the discrepancy was re-issued. Further progress in this regard is awaited (April 2024).

(iii) Short payment of tax under RCM vs ITC availed in GSTR-3B/ GSTR-9

The extent of availing of ITC under RCM relating to the year 2017-18 without discharging equivalent tax liability or, in other words, short payment of tax under RCM was analysed by comparing the datasets pertaining to GSTR-3B and annual return GSTR-9 to check whether the tax has been discharged fully on the activities/ transactions under RCM.

Audit observed in the case of a taxpayer¹³⁵ under Aizawl North Zone that there was excess availment of ITC on RCM without payment of tax amounting to ₹ 0.006 crore and was communicated to the Department (February 2022). In response, the Department stated (December 2022) that notice was issued to the taxpayer to submit clarification on the discrepancy. Further progress in this regard is awaited (April 2024).

(iv) Incorrect availment of Input Service Distributor (ISD) credit

To analyse whether the ITC availed by the taxpayer is in excess of that transferred by the Input Service Distributor (ISD), ITC availed as declared in the returns of the taxpayer is compared with the ITC transferred by the ISD in their GSTR-6.

In the case of a taxpayer¹³⁶ under Aizawl North Zone, it was observed that there was excess availment of ITC transferred by the ISD amounting to ₹ 8,000/- and was communicated to the Department (April 2022). In response, the Department stated (December 2022) that notice was issued to the taxpayer to submit clarification on the discrepancy. Further progress in this regard is awaited (April 2024).

¹³⁴ M/s Zoram Enterprise (GSTIN 15APGPL1460****)

¹³⁵ M/s Grace Home Enterprise (GSTIN 15AARPL9788****)

¹³⁶ M/s KEC International Limited (GSTIN 15AACCK5599****)

(v) Reconciliation between ITC availed in annual returns with expenses in financial statements

Table 14 of GSTR-9C reconciles ITC declared in annual return (GSTR-9) with ITC availed on expenses as per audited annual financial statement or books of accounts. Column 14 T of this table deals with unreconciled ITC.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of MGST Rules in form GSTR-9C relating to the year 2017-18 was analysed at data level to review the extent of identified mismatch in ITC declared in the Annual Return with the expenses reported in the Financial Statements.

Unreconciled ITC of ₹ 0.82 crore declared in Table 14 T of GSTR-9C, being ITC availed in GST returns in excess of eligible ITC based on expenses reported in financial statements in respect of a taxpayer¹³⁷ under Aizawl North Zone was noticed and communicated to the Department (February 2022). In response, the Department stated (December 2022) that notice was issued to the taxpayer to submit clarification on the discrepancy. Further progress in this regard is awaited (April 2024).

(vi) Mismatch of ITC availed between annual returns and book of accounts

Table 12 of GSTR-9C reconciles ITC declared in annual return (GSTR-9) with ITC availed as per audited annual financial statements or books of accounts. Column 12F of this table deals with unreconciled ITC.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of MGST Rules in form GSTR-9C relating to the year 2017-18 was analysed at data level to review the extent of identified mismatch in ITC declared in the Annual Return with the Financial Statements.

Unreconciled ITC of ₹ 0.07 crore declared in Table 12F of GSTR-9C, being ITC availed in GST returns in excess of eligible ITC based on financial statements in respect of a taxpayer¹³⁸ under Aizawl East Zone was noticed and communicated to the Department (February 2022). In response, the Department stated (December 2022) that notice was issued to the taxpayer to submit clarification on the discrepancy. Further progress in this regard is awaited (April 2024).

(vii) Mismatch in turnover declared in GSTR-9 C Table 5 R

Table 5 of GSTR-9C is the reconciliation of turnover declared in audited annual financial statements with turnover declared in annual turnover (GSTR-9). Column 5R of this table captures the unreconciled turnover between the annual return GSTR-9, and that declared in the Financial Statement for the year after the requisite adjustments.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of MGST Rules in form GSTR-9C relating to the year 2017-18 was analysed at data level to review the extent of identified mismatch in turnover reported in the Annual Return *vis-à-vis* the Financial Statements. The unreconciled amount in cases

¹³⁷ M/s 3:16 Plan Solution (GSTIN 15AEVPL3183****)

¹³⁸ M/s Zopar Exports Pvt. Ltd. (GSTIN 15AAACZ1168****)

where the turnover declared in GSTR-9 is less than the financial statement indicates non-reporting, under-reporting, short-reporting, omission, error in reporting of supplies leading to evasion or short payment of tax. It could also be a case of non-reporting of both taxable and exempted supplies.

Unreconciled turnover in Table 5R of GSTR-9C amounting to ₹ 1.14 crore in respect of a taxpayer¹³⁹ under Aizawl East Zone was observed and communicated to the Department (February 2022). In response, the Department stated (December 2022) that notice was issued to the taxpayer to submit clarification on the discrepancy. Further progress in this regard is awaited (April 2024).

(viii) Mismatch in tax paid between books of accounts and returns

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of MGST Rules in form GSTR-9C relating to the year 2017-18 was analysed at data level to review the extent of identified mismatch in tax paid between the annual return and the books of account. Table 9 of form 9C attempts to reconcile the tax paid by segregating the turnover rate-wise and comparing it with the tax discharged as per annual return in GSTR-9.

The unreconciled amounts could potentially indicate tax levied at incorrect rates, incorrect depiction of taxable turnover as exempt or *vice versa* or incorrect levy of Central GST/ State GST/ Integrated GST. There can also be situations wherein supplies/ tax declared are reduced through amendments (net of debit notes/ credit notes) in respect of 2017-18 transactions carried out in the subsequent year from April to September 2018. Consequential interest payments = both short payments and payments under incorrect heads - also need to be examined in this regard.

Unreconciled payment of tax declared in Table 9R of GSTR-9C amounting to ₹ 0.06 crore in case of a taxpayer¹⁴⁰ under Aizawl South Zone was observed and communicated to the Department (February 2022). In response, the Department stated (December 2022) that notice was sent to the taxpayer and that response was awaited. Further progress in this regard is awaited (April 2024).

(ix) Unsettled liabilities

GSTR-1 depicts the monthly details of outward supplies of Goods or Services. These details are also assessed by the taxpayer and mentioned in the relevant columns of the annual return in GSTR-9. Further, the taxable value and the tax paid thereof were also shown in GSTR-3B.

To analyse the undischarged tax liability, relevant data were extracted from GSTR-1 and GSTR-9 relating to the year 2017-18 and the tax payable in these returns was compared with the tax paid as declared in GSTR-9. Where GSTR-9 was not available, a comparison of tax payable between GSTR-1 and GSTR-3B was resorted to. The amendments and advance adjustments declared in GSTR-1 and 9 were also considered for this purpose.

¹³⁹ M/s C.L. Agency (GSTIN 15ARIPC4143****)

¹⁴⁰ M/s Zoram Party Sales (GSTIN 15BOSPD8907****)

During Audit, it was observed that there was mismatch of tax liability amounting to ₹ 0.68 crore between GSTR-1 and GSTR-3B (liability in GSTR-1 was ₹ 2.57 crore while payment in GSTR-3B was ₹ 1.89 crore) in the case of a taxpayer¹⁴¹ under Aizawl North Zone which was communicated to the Department (February 2022). In response, the Department stated (December 2022) that notice was sent to the taxpayer and that response was awaited. Further progress in this regard is awaited (April 2024).

(x) GSTR-3B was not filed but GSTR-1 or GSTR-2A available

The availability of GSTR-1/ 2A and non-filing of GSTR-3B indicates that the taxpayers had undertaken/ carried on the business during the period but have not discharged their tax liability. It may also include cases of irregular passing on of ITC. All these cases, therefore, warrant investigation.

During Audit, it was observed that a taxpayer¹⁴² under Aizawl South Zone had filed GSTR-1 but did not file GSTR-3B resulting in undischarged tax liability of ₹ 23,000/-. This was communicated to the Department (February 2022) and in response, the Department stated (December 2022) that notice was issued to the taxpayer and that response was awaited. Further progress in this regard is awaited (April 2024).

(xi) Short payment of interest

Section 50 of the MGST Act, 2017 stipulates that every person liable to pay tax in accordance with the provisions of this Act or the Rules made thereunder but fails to pay the tax or any part thereof to the Government within the period prescribed shall, for the period for which the tax or any part thereof remains unpaid, pay interest at the rate notified.

The extent of short payment of interest on account of delayed remittance of tax during 2017-18 was identified using the tax paid details in GSTR-3B and the date of filing of GSTR-3B. Only the net tax liability (cash component) has been considered to work out the interest payable.

It was observed in the case of a taxpayer¹⁴³ under Aizawl West Zone that there was short payment of interest amounting to ₹ 1.67 crore which was communicated to the Department (February 2022). In response, the Department stated (December 2022) that notice was issued to the taxpayer and that response was awaited. Further progress in this regard is awaited (April 2024).

4.9.8.5 Analysis of causative factors

Considering the Department's response to all the cases of sampled 86 deviations/ inconsistencies, the factors that caused the deviations/ inconsistencies are as follows:

(i) Deviations from GST law and rules

Out of the 86 deviations/ inconsistencies summarised in **Table-4.13**, the Department has recovered ₹ 0.14 crore in six cases (**Appendix-4.4**) after issue of audit queries

¹⁴¹ M/s David Enterprise (GSTIN 15ANZPL8491****)

¹⁴² M/s LRZ Enterprise (GSTIN 15AZNPC0633****)

¹⁴³ M/s Sri MLN Projects (GSTIN 15ADIFS8476****)

(February 2022) and was in correspondence with the respective taxpayers in 47 cases (listed in **Appendix-4.5**) involving amount of ₹ 7.91 crore on account of inconsistencies/mismatches.

An illustrative case of recovery is given below:

Audit observed in the case of a taxpayer¹⁴⁴ under Champhai Zone that there was short payment of interest amounting to ₹ 0.04 crore which was communicated to the Department (February 2022). In response, the taxpayer paid the amount through DRC-03 on 17 August 2022.

(ii) Cases where Department's reply is not accepted by Audit

Out of the 86 replies received from the Department, one case involving amount of ₹ 0.007 crore was not acceptable to Audit. In this case, the Department only forwarded the taxpayer's explanation without explicitly commenting on the audit observation.

An illustrative case is given below:

(a) Unreconciled turnover in Table 5R of GSTR-9C amounting to ₹ 65,000 in respect of a taxpayer¹⁴⁵ under Aizawl East Zone was observed and communicated to the Department (July 2022). In response, the Department only forwarded (December 2022) the taxpayers' clarification wherein the taxpayer stated that in GSTR-9 Table 8C for the year 2017-18, the amount was declared to be claimed in the subsequent year (ITC on inward supply received during 2017-18 but availed in subsequent year) and that they had subsequently discharged the liability as mentioned in GSTR-9C Table 5(R) and 6(A) for the year 2017-18. The reason for unreconciled turnover as declared in GSTR-9C was that credit note of ₹ 65,300 was erroneously uploaded in GSTR-1 also shown in GSTR-9 but was not considered in the books of account and that the taxpayer was advised to discharge ₹ 11,754 (₹ 5,877 CGST & ₹ 5,877 SGST) alongwith interest through DRC-03. The clarification provided by the taxpayer was not found satisfactory by Audit as the discrepancy pointed out was regarding turnover but the taxpayer's reply was regarding ITC. Also, the taxpayer was advised in GSTR-9C to discharge ₹ 11,754 through DRC-03 which also was not found on record. The Department may scrutinize taxpayers' replies in line with the audit queries and ensure availability of appropriate documents in support of taxpayers' clarification.

(iii) Cases where Department's reply is accepted by Audit

Out of the 86 replies received from the Department, one case involving mismatch of ITC of ₹ 2.67 crore was due to data entry error by the taxpayer. Action was taken before issue of audit query in five cases as provided in **Appendix-4.6(a)**. 26 cases were found acceptable due to valid explanations as provided in **Appendix-4.6(b)**.

Illustrative cases are given below:

(a) Audit observed in the case of a taxpayer¹⁴⁶ under Aizawl North Zone that there was mismatch of ITC availed of ₹ 2.67 crore which was communicated to the

¹⁴⁴ M/s Balajee Developers (GSTIN 15ALYPS8908****)

¹⁴⁵ M/s GTL Infrastructure Limited (GSTIN 15AACCG2107****)

¹⁴⁶ M/s Liando Auto Works (GSTIN 15AHGPL9637****)

Department (February 2022). In response, the Department forwarded (December 2022) the taxpayer's clarification wherein the taxpayer stated that error was committed while uploading data and as such the error was rectified while filing GSTR-9 and GSTR-9C and the ITC of ₹ 2.67 crore have been utilised which is matching with the figure as per GSTR-2A. This was examined and found acceptable to Audit.

(b) Audit observed that there was mismatch of tax liability amounting to ₹ 0.52 crore between GSTR-1 and GSTR-3B in the case of a taxpayer¹⁴⁷ under Serchhip Zone which was communicated to the Department (February 2022). In response, the Department had issued notice in Form ASMT-10 on 04 April 2022 and in response the taxpayer clarified in Form ASMT-11 dated 21 April 2022 stating that they had examined their documents and had agreed with the mismatch in GSTR-1 and GSTR-3B and that the mismatch was rectified in GSTR-9 which was audited by the Chartered Accountant based on the exact sales in GSTR-3B. The Department accepted the taxpayer's reply vide ASMT-12 dated 18 May 2022. Audit examined the documents and it was found correct.

Recommendation: The Department may conduct similar data analysis (as conducted by Audit for Centralised/ limited Audit) of GST returns and other related data of all the taxpayers under State jurisdiction to identify inconsistencies and take necessary steps to recover dues from the taxpayers wherever applicable.

4.9.9 Audit Findings of Detailed Audit

In a self-assessment regime, the onus of compliance with law is on the taxpayer. The role of the Department is to establish and maintain an efficient tax administration mechanism to provide oversight. With finite level of resources, for an effective tax administration, to ensure compliance with law and collection of revenue, an efficient governance mechanism is essential. An IT driven compliance model enables maintaining a non-discretionary regime of governance on scale and facilitates a targeted approach to enforce compliance.

From an external audit perspective, Audit also focused on a data-driven risk-based approach. Thus, apart from identifying inconsistencies/ deviations in GST returns through data analysis, a detailed audit of GST returns was also conducted as a part of this review. A risk-based sample of 15 taxpayers was selected for this part of the review.

The methodology adopted was to initially conduct a desk review of GST returns and financial statements filed by the taxpayers as part of the GSTR-9C and other records available in the back-end system to identify potential risk areas, inconsistencies/ deviations and red flags. Desk review was carried out at the office of the Pr. Accountant General, Mizoram. Based on desk review results, detailed audit was conducted in the Taxation Department, Mizoram by requisitioning corresponding granular records of taxpayers such as financial ledgers, invoices, *etc.*, to identify causative factors of the identified risks and to evaluate compliance by taxpayers.

¹⁴⁷ M/s D-3 Business Enterprise (GSTIN 15AEWPN8836****)

4.9.9.1 Scope limitation (Non-production of records)

During the desk review of taxpayers' records available in the back-end system, Audit identified the risks related to excess ITC and tax liability mismatches for detailed examination. On the ITC dimension, the mismatches were to be identified by comparing GSTR-3B with GSTR-2A and GSTR-9, and the declarations made in Table 12 and Table 14 of GSTR-9C. On the tax liability dimension, the mismatches were to be identified by comparing GSTR-3B with GSTR-1 and GSTR-9 and the declarations in Table 5, Table 7, and Table 9 of GSTR-9C. However, the Department did not produce the corresponding granular records such as the supplementary financial ledgers, invoices, agreement copies, *etc.*, required for examining the causative factors for mismatches between the ITC and the tax liability. Audit had requisitioned these granular records of the taxpayers through the respective Zones. Access to back-end system was provided but it could view only GSTR-3B, GSTR-9 and GSTR-9C. As such, detailed scrutiny could not be carried out in the absence of granular records. In all the observations since additional Key Documents were not available, mismatches brought out in this report were identified through desk-review analysis.

4.9.9.2 Audit findings on Detailed Audit

As brought out in the previous paragraphs, detailed audit involved a desk review of GST returns and other basic records to identify risks and red flags, which were followed up by field audit to identify the extent of non-compliance by taxpayers and action taken by the Department. Non-compliance by taxpayers at various stages ultimately impacts the veracity of returns filed, utilisation of ITC and discharge of tax payments. The audit findings are therefore categorised under a) Utilisation of ITC b) Discharge of tax liability and c) Returns.

(a) Utilisation of Input Tax Credit

Input Tax Credit (ITC) means the Goods and Services Tax (GST) paid by a taxable person on purchase of goods and/ or services that are used in the course or furtherance of business. To avoid cascading effect of taxes, credit of taxes paid on input supplies can be used to set-off for payment of taxes on outward supplies.

Case-wise observations relating to ITC are clubbed in **Table-4.15** below.

Table-4.15*(₹ in crore)*

Sl. No.	Audit Methodology	No. of cases	Amount involved	Remarks/ Replies
i.	ITC mismatch between GSTR-3B and GSTR-2A (Appendix-4.7-(i))	8	7.17	Reply is awaited (April 2024).
ii.	ITC availed under RCM without payment of tax in GSTR-3B (Tax paid under RCM of GSTR 3B was compared with ITC availed in GSTR 9 Table 6C, 6D, 6F) (Appendix-4.7 (ii))	1	0.001	Reply is awaited (April 2024).

Sl. No.	Audit Methodology	No. of cases	Amount involved	Remarks/ Replies
iii.	Reconciliation between ITC availed between Annual Return with expenses in financial statement. (Table 14T of GSTR-9C highlights the difference between figures of ITC claimed in returns and those detailed in financial statements) (Appendix-4.7 (iii))	2	2.00	Reply is awaited (April 2024).
iv.	Mismatch of ITC in Electronic Credit Ledger (ECL) than declared in annual return (GSTR-9 Table 6J) (ITC claimed gets credited to ECL of the taxpayer through GSTR-3B. Table 6J of GSTR-9 brings out the difference of ITC actually availed through 3Bs, and ITC entered in table 6B to 6H. A negative figure in 6J is indicative of excess availment of ITC) (Appendix-4.7 (iv))	3	1.12	Reply is awaited (April 2024).

(b) Discharge of tax liability

The audit findings pertaining to undischarged tax liability emanating from tax liabilities compared between returns (GSTR-1 and GSTR-9) and examination of the reconciliation statement (GSTR-9C) are given below.

Case-wise observation relating to discharge of tax liabilities are clubbed in Table-4.16 below:

Table-4.16

(₹ in crore)

Sl. No.	Audit Methodology	No. of cases	Amount involved	Remarks/ Replies
i.	Mismatch of turnover declared in GSTR-9C (Table 5R) (Appendix-4.8 (i))	2	1.67	Reply is awaited (April 2024).
ii.	Mismatch in tax payable from GSTR-1 (along with the respective adjustments) and the total tax payable in GSTR-9 (Appendix-4.8 (ii))	9	4.25	Reply is awaited (April 2024).

(c) Filing of returns

The audit observations pertaining to filing of returns – late filing and non-payment of interest are brought out below:

(i) Late filing of Returns

Section 39 (1) of MGST Act read with Rule 61 of MGST Rules provides that the returns of inward and outward supplies of goods or services or both, input tax credit availed,

tax payable, tax paid and such other particulars as may be prescribed are required to be filed on or before the twentieth day of the month succeeding such calendar month or part thereof.

In 12 out of 15 taxpayers audited during July-August 2022, it was observed that there were delays in filing of GSTR-3B returns with delays ranging from three to 333 days as detailed in **Appendix-4.9**.

This was pointed out by Audit and the Department had accepted the observation during the exit meetings (July-August 2022).

(ii) Non-payment of interest by taxpayers

As per Section 50(1) of MGST Act read with Notification No. J. 21011/1/2017-TAX/Vol-II(ii), dated 19 July 2017, the rate of interest on delayed payment of tax is 18 *per cent*.

In case of three taxpayers, constituting 20 *per cent* of the 15 taxpayers audited, it was observed that taxpayers had filed their returns belatedly but the interest amounting to ₹ 53,094/- were not discharged as detailed in **Appendix-4.10**.

The cases of irregularity noticed in this category with an illustrative case are featured in **Table-4.17** below:

Table-4.17

(Amount in ₹)

Sl. No.	Name of taxpayers	GST Number	Jurisdiction	Interest Amount
1.	Tata Projects Ltd.	15AAACT4119****	Kolasib Zone	16,408
2.	Bhartia Infra Projects Ltd.	15AACCB3413****	Kolasib Zone	17,149
3.	C.K. Cars	15ATLPC8929****	Aizawl North Zone	19,537
Total				53,094

An illustrative case is given below:

A taxpayer¹⁴⁸ had filed the GSTR-3B returns for August 2017 and October 2017 with delays of 21 and 11 days respectively. However, interest liability on delayed payment of tax amounting to ₹ 19,537/- was not discharged. This was communicated to the Department (July 2022). However, though the Department accepted the Audit observation during the exit meeting, status of action taken in this regard was awaited (April 2024).

Recommendation: The Department may initiate remedial action for all the compliance deviations/ mismatches pointed out through this report before they get time-barred.

4.9.10 Conclusion

The Subject Specific Compliance Audit (SSCA) on Department's Oversight on GST Payments and Returns Filing was undertaken with an objective of assessing the adequacy of the system in monitoring returns filing and tax payments by the taxpayers, extent of compliance and other departmental oversight functions. The audit was predominantly based on data analysis, which highlighted risk areas, red flags and in some cases, rule-based deviations and logical inconsistencies in GST returns filed for 2017-18.

¹⁴⁸ M/s CK Cars (GSTN 15ATLPC8929 ****)

A review of four Zonal offices disclosed that the Zonal Offices did not conduct scrutiny of returns even though SoP was issued in May 2022 by the Taxation Department, Mizoram, except in the case of Kolasib Zone where scrutiny was conducted in four cases. However, the Department had started scrutiny of returns after being pointed by Audit. No action was taken by the Zonal Offices to pursue recovery of dues against non-filers identified and no follow up for issue of ASMT-13 was observed. After being pointed by Audit, the Department had initiated appropriate action to ensure that the identified taxpayers file their returns regularly and correctly, and notice for cancellation were issued for taxpayers who had not filed returns for six consecutive months.

During Centralised Audit, replies were received in all 86 cases of data inconsistencies/ mismatches identified. Upon analysing the responses of the Department, 47 cases involving an amount of ₹ 7.91 crore are under correspondence with the taxpayers, in one case the reply was not acceptable to Audit and suitable rebuttal was provided. In six cases, the Department recovered the dues of ₹ 0.14 crore from taxpayers on compliance deviations being pointed out by Audit. The data entry error caused the inconsistency in one case involving amount of ₹ 2.67 crore, in five cases action was taken before being pointed out by Audit, and in 26 cases the taxpayers' clarifications were accepted by Audit.

As regards Detailed Audit having sample of 15 taxpayers, in all cases other granular records were not produced at all which significantly limited the scope for Detailed Audit. Detailed Audit pointed towards non-compliance on seven major issues: (i) ITC mismatch between GSTR-3B and GSTR 2A involving amount of ₹ 7.17 crore in respect of eight taxpayers, (ii) ITC availed under RCM without payment of tax involving amount of ₹ 0.001 crore in respect of one taxpayer, (iii) unreconciled ITC availed involving amount of ₹ 2.00 crore in respect of two taxpayers, (iv) mismatch of ITC in ECL involving amount of ₹ 1.12 crore in respect of three taxpayers, (v) mismatch of turnover declared in GSTR-9C (Table 5R) involving amount of ₹ 1.67 crore in respect of two taxpayers, (vi) mismatch in tax payable from GSTR-1 involving amount of ₹ 4.25 crore in respect of nine taxpayers, (vii) non-payment of interest by three taxpayers involving amount of ₹ 0.005 crore.

4.9.11 Recommendations

After evaluation of records furnished and analysis of data available in the State back-end system, the following recommendations are made:

- 1. The Department may urgently pursue the 47 inconsistencies/ deviations pointed out by Audit which are under correspondence with the taxpayers and intimate the results there-of;*
- 2. The Department may conduct similar data analysis (as conducted by Audit for Centralised/ Limited Audit) of GST returns and other related data of all the taxpayers under State jurisdiction to identify inconsistencies and take necessary steps to recover dues from the taxpayers wherever applicable; and*
- 3. The department may initiate remedial action for all the compliance deviations/ mismatches pointed out through this report before they get time-barred.*

COMPLIANCE AUDIT PARAGRAPH

TAXATION DEPARTMENT

4.10 Loss of revenue due to non-filing of returns as per extant rules

Due to non-filing of returns as per extant rules by two service providers, there was loss of revenue of ₹ 4.90 crore in the execution of Swadesh Darshan projects in Mizoram

As per Section 13(1) and (2) of Mizoram GST Act, 2017, the liability to pay tax on services shall arise at the time of supply, and the time of supply of services shall be the date of issue of invoice by the supplier or the date of receipt of payment, whichever is earlier. As per Section 39(1) of the Act *ibid*, every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52 shall, for every calendar month or part thereof, furnish, in such form and manner as may be prescribed, a return, electronically, of inward and outward supplies of goods or services or both, input tax credit availed, tax payable, tax paid and such other particulars as may be prescribed on or before the twentieth day of the month succeeding such calendar month or part thereof. Also, as per Section 51 (1), a department or establishment of the Central Government or State Government or Governmental agencies (deductor) is to deduct tax at source at the rate of two *per cent* (*i.e.*, one *per cent* for State GST and another one *per cent* for Central GST) from the payment made to the supplier (deductee) of taxable goods or services or both, if the total value of supply under the contract exceeds ₹ 2.50 lakh.

As per Government of Mizoram, Taxation Department's Notification No. 24/2017-State Tax (Rate) dated 03 October 2017, the Goods and Services Tax (GST) rate on services provided to the Central Government, State Government, Union Territory, a Local Authority or a Governmental Authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of a civil structure or any other original works meant predominantly for use other than for commerce, industry, or any other business or profession is six *per cent i.e.*, six *per cent* each for the State GST and the Central GST. In Mizoram, tax deduction at source (TDS) under Section 51 of the Act *ibid* is applicable with effect from 01 October 2018.

Test check (November-December 2020) of records of the Member Secretary, Mizoram Tourism Development Agency (MTDA) under Tourism Department, Government of Mizoram (GoM) revealed that there was loss of revenue of ₹ 4.90 crore due to non-filing of returns as per the extant rules by two service providers executing Swadesh Darshan projects in Mizoram as discussed in succeeding paragraphs.

(1) The Tourism Department entered into an agreement (30 August 2017) with a service provider/ taxpayer¹⁴⁹ to execute the adventure components of the project on Development of Eco-Adventure Circuit (Aizawl, Rawpuichhip, Khawhpawp, Lengpui,

¹⁴⁹ M/s Joint Venture of NEIP Projects (P) Ltd and Ropeways & Resorts Pvt. Ltd. bearing GST Registration GSTIN 15AAALJ1372**** under Aizawl North Zone, Mizoram *w.e.f.*, 1 February 2018 only and was cancelled *suo moto* from 30 September 2021

Durtlang, Chaltlang, Sakawrhmutuai Tlang, Muthee, Berawtlang, Tuirial Airfield and Hmuifang) under Swadesh Darshan Project without any specific item-wise component of works other than location-wise specification, for an amount of ₹ 65.00 crore inclusive of Value Added Tax (VAT) and Service Tax instead of the applicable GST which was effective from 01 July 2017. However, the reason for including VAT and Service Tax elements in the contract was not on record. Notice to proceed with the work was issued to the service provider on 30 August 2017. Out of the contract value of ₹ 65.00 crore, the MTDA sanctioned expenditure of ₹ 38.09 crore and actually paid ₹ 34.20 crore (excluding deductions/ recovery on account of Income tax, labour cess, VAT and mobilisation advance¹⁵⁰ of ₹ 3.89 crore) to the service provider during the period between September 2017 and April 2019 as of 24 January 2023 without deducting any GST at source even though payment of ₹ 4.68 crore was made after the effective date of applicability of tax deduction at source provisions *i.e.*, 01 October 2018. The MTDA stated (January 2023) that the service provider was expected to pay GST from their end and as such no GST was deducted at source, which was in violation of Section 51(1) of the MGST Act, 2017.

On cross verification with the Taxation Department, Mizoram to ascertain whether the service provider has paid the applicable GST, the Deputy Commissioner of State Tax, Aizawl North Zone stated (April 2023) that no GST return was filed by the service provider implying that no GST was paid. So, there was loss of revenue of ₹ 3.77 crore calculated at the rate of six *per cent* each against State GST and Central GST from the net taxable turnover of ₹ 31.44 crore including the unadjusted mobilisation advance of ₹ 3.61 crore (₹ 6.50 crore - ₹ 2.88 crore) as detailed in **Appendix-4.11(a)**.

The matter was brought to the notice of the Taxation Department, Government of Mizoram (July 2023). The Taxation Department stated (August 2023) that notice was issued to the service provider, but no reply was received. The Deputy Commissioner of State Tax, Aizawl North Zone, further confirmed (October 2023) that the service provider had not filed GSTR-10 and was not assessed by the Department in form ASMT-13. The Commissioner of State Tax was again requested (December 2023) to update on the status of action taken against the service provider and offer comment. The Commissioner stated (December 2023) that reply from the service provider against the notice issued was not received despite best efforts. It is evident that the Department did not initiate any action to recover the tax through best judgement assessment as provided under Section 62 of the Mizoram GST Act, 2017 from the taxpayer who failed to file returns.

Thus, due to non-deduction of tax at source by the tax deductor and due to non-filing of returns by the service provider/ taxpayer and subsequently due to non-assessment by the Taxation Authority on best judgement basis, there was a loss of revenue to the tune of ₹ 3.77 crore from net taxable turnover of ₹ 31.44 crore of the service provider.

¹⁵⁰ Out of the total mobilisation advance paid of ₹ 6.50 crore, an amount of ₹ 2.88 crore only was recovered

(2) Similarly, the Tourism Department entered into another agreement (01 September 2017) with a service provider/ taxpayer¹⁵¹ to execute the civil components of the project on Development of Eco-Adventure Circuit (Aizawl, Rawpuichhip, Khawhpawp, Lengpui, Durtlang, Chaltlang, Sakawrhmutuai Tlang, Muthee, Berawtlang, Tuirial Airfield and Hmuifang) under Swadesh Darshan Project without any specific item-wise component of works other than location-wise specification, for an amount of ₹ 29.36 crore. Notice to proceed with the work was issued to the service provider on 01 September 2017. Out of the contract value of ₹ 29.36 crore, the MTDA sanctioned expenditure of ₹ 10.56 crore and actually paid ₹10.51 crore (excluding amount deducted on account of performance guarantee of ₹ 0.05 crore) to the service provider during the period between October 2017 and April 2019 as of 24 January 2023 without deducting any GST at source even though payment of ₹ 0.95 crore was made after the effective date of applicability of tax deduction at source provisions *i.e.*, 01 October 2018. The MTDA stated (January 2023) that the service provider was expected to pay GST from their end and as such no GST was deducted at source, which was in violation of Section 51(1) of the MGST Act, 2017.

On cross verification with the Taxation Department, Mizoram to ascertain whether the service provider has paid the applicable GST, the Deputy Commissioner of State Tax, Aizawl North Zone stated (April 2023) that no GST return was filed by the service provider against this project implying that no GST was paid. So, there was loss of revenue of ₹ 1.13 crore calculated at the rate of six *per cent* each against State GST and Central GST from the net taxable turnover of ₹ 9.43 crore as detailed in **Appendix-4.11(b)**.

The matter was brought to the notice of the Taxation Department, Government of Mizoram (July 2023). The Taxation Department stated (August 2023) that notice was issued to the service provider and furnished a clarification provided by the service provider without any comment. Scrutiny of the clarification revealed that the taxpayer had admitted that GST return was not filed against this project and thus no GST was paid. The Deputy Commissioner of State Tax, Aizawl North Zone further, confirmed (October 2023) that the service provider was not assessed by the Department in form ASMT-13. The Commissioner of State Tax was again requested (December 2023) to update on the status of action taken against the service provider and offer comment. The Commissioner stated (December 2023) that the service provider did not receive the bill after the first and second running bill of ₹ 1.95 crore and further stated that the MTDA will release the bill in near future wherein TDS including those of the previously paid bills will be deducted. It is evident that the Department did not initiate any action to recover the tax through best judgement assessment as provided under Section 62 of the Mizoram GST Act, 2017 from the taxpayer who failed to file returns.

Thus, due to non-deduction of tax at source by the tax deductor and due to non-filing of returns by the service provider/ taxpayer and subsequently due to non-assessment by the Taxation Authority on best judgement basis, there was a

¹⁵¹ M/s Lushai Engineer, Ramhlun, Aizawl bearing GST Registration GSTIN 15BAOPC0326**** *w.e.f.*, 8 August 2017 under Aizawl North Zone, Mizoram

loss of revenue to the tune of ₹ 1.13 crore from net taxable turnover of ₹ 9.43 crore of the service provider.

Thus, from the above two contracts, there was loss of revenue of ₹ 4.90 crore (₹ 3.77 crore + ₹ 1.13 crore) from the two service providers out of the total net taxable turnover of ₹ 40.87 crore (₹ 31.44 crore + ₹ 9.43 crore) due to reasons stated above.