

CHAPTER II

Revenue Sector

2.1 Revenue receipts

2.1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Goa during the year 2022-23, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and grants-in-aid received from the Government of India during the year and corresponding figures for the preceding four years are detailed in **Table 2.1**.

Table 2.1: Details of total revenue receipts of State Government

(₹ in crore)

Sl. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
1	Revenue raised by the State Government					
	Tax revenue	4871.36	4700.56	4150.68	5805.23	7826.93
	Non-tax revenue	2873.66	2737.54	2902.80	3787.25	3868.46
	Total	7745.02	7438.10	7053.48	9592.48	11695.39
2	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties ¹	2878.36	2479.85	2296.53	3356.98	3665.19
	Grants-in-aid*	814.60	1379.57	1090.28	1336.81	1923.09
	Total	3692.96	3859.42	3386.81	4693.79	5588.28
3	Total revenue receipts of the State Government (1 and 2)	11437.98	11297.52	10440.29	14286.27	17283.67
4	Percentage of 1 to 3	68	66	68	67	68

(Source: Finance Accounts of the State)

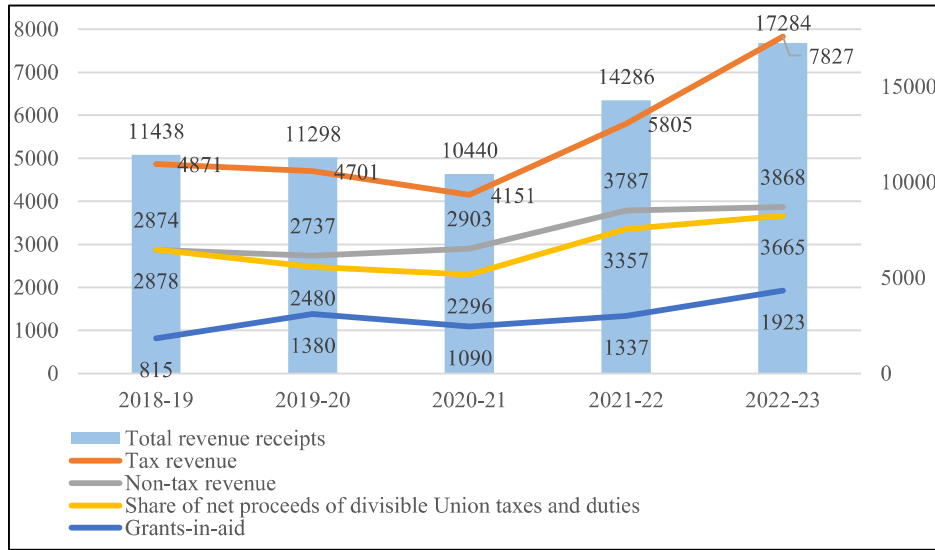
*This includes compensation received for loss of revenue arising out of implementation of GST.

The revenue raised by the State Government (₹ 11,695.39 crore) was 68 *per cent* of the total revenue receipt (₹ 17,283.67 crore) during the year 2022-23. The balance 32 *per cent* of receipt during 2022-23 was from Government of India by way of share of net proceeds of divisible Union taxes and duties and grant-in-aid. Components of revenue receipts are shown in **Chart 2.1**.

¹ For details, please see Statement Number 14-Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Goa for the year 2022-23. Figures under the head 005-Central Goods and Services Tax, 0008-Integrated Goods and Services Tax, 0020-Corporation Tax, 0021-Taxes on income other than corporation Tax, 0028-Other Taxes on income and Expenditure, 0032-Taxes on wealth, 0037-Customs, 0038-Union excise duties, 0044-Service Tax and 0045-Other Taxes and Duties on Commodities and Services -share of net proceeds assigned to State booked in the Finance Accounts.

Chart 2.1: Components of Revenue Receipts

(₹ in crore)



2.1.2 Tax revenue

The details of tax revenue raised by the Government of Goa during the period 2018-19 to 2022-23 is given in **Table 2.2**.

Table 2.2: Details of actual tax revenue receipts of the State Government

(₹ in crore)

Sl. No.	Head of revenue	2018-19	2019-20	2020-21	2021-22	2022-23	Percentage increase (+) or decrease (-) in 2022-23 over 2021-22
1	Taxes on sales, trade, etc.	1013.53	1032.84	989.81	1383.26	1898.76	37.27
2	SGST ²	2529.09	2438.50	1984.92	2757.66	3536.28	28.23
3	Entertainment Tax/Luxury Tax etc.	13.50	(-)2.52	33.85	12.08	3.43	(-) 71.61
Sub-total (Actual collection under 1, 2 and 3 above)		3556.12	3468.82	3008.58	4153.00	5438.47	
4	Stamp Duty & Registration fees	432.33	393.37	350.41	644.53	985.99	52.98
5	State Excise	477.95	491.77	514.86	649.83	865.28	33.15
6	Taxes on Goods and Passengers	25.39	25.02	10.04	13.21	22.64	71.39
7	Land Revenue	66.62	37.11	34.18	65.84	84.12	27.76
8	Other taxes	312.95	284.47	232.65	278.82	430.43	54.37
Total		4871.36	4700.56	4150.68	5805.23	7826.93	34.82

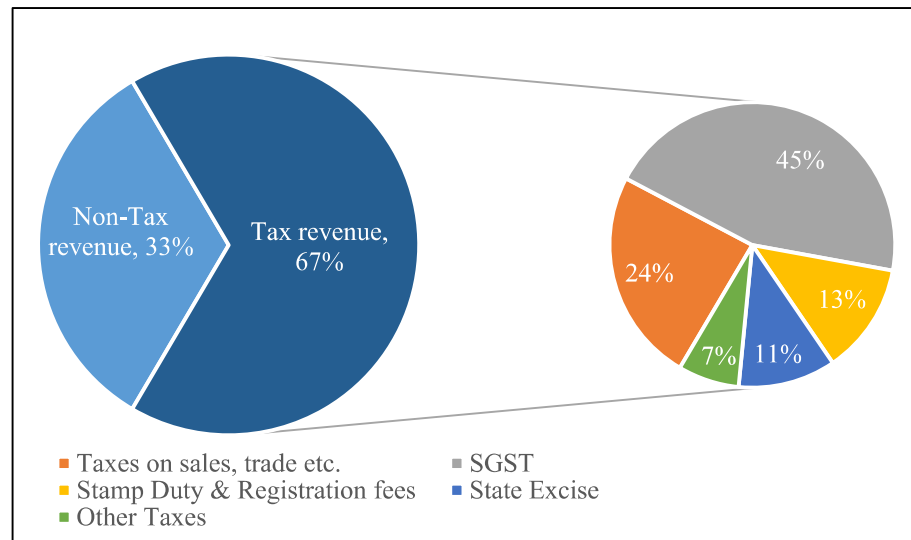
(Source: Compiled by Audit from Finance Accounts)

² State Goods and Services Tax (SGST) including apportionment and advance apportionment of IGST.

There has been a decline of (-) 3.51 *per cent* and (-) 11.70 *per cent* in collection of tax revenue during 2019-20 and 2020-21 respectively. Total tax revenue increased significantly during 2021-22 and 2022-23.

The revenue of the State during 2022-23 and the compositions of the tax revenue are shown in **Chart 2.2**.

Chart 2.2: Revenue of the State



2.1.3 Non-tax revenue

The details of non-tax revenue raised during the period 2018-19 to 2022-23 is given in the **Table 2.3**.

Table 2.3: Details of Non-tax revenue receipts of the State Government

(₹ in crore)

Sl. No.	Heads of revenue	2018-19	2019-20	2020-21	2021-22	2022-23	Percentage increase (+) or decrease (-) in 2022-23 over 2021-22
1	Power	1919.80	1960.52	2051.05	2191.12	2757.06	25.83
2	Non-Ferrous Mining and Metallurgical Industries ³	34.39	8.78	168.10	129.20	99.60	(-) 22.91
3	Other Non-tax receipts ⁴	71.02	69.55	57.90	372.42	106.58	(-) 71.38
4	Water Supply and Sanitation	145.96	147.66	135.67	176.56	231.45	31.09
5	Other Administrative Services	450.94	260.25	190.71	309.40	436.67	41.13
6	Miscellaneous General Services	14.54	26.67	17.99	11.47	5.73	(-) 50.04

³ Includes major minerals such as iron ore, manganese and bauxite; minor minerals such as basalt (Granite), laterite stones, ordinary sand, river pebbles, murrum and laterite boulders

⁴ Police, Printing and Stationary, Labour and Employment, Inland Water Transport, Tourism, Forest and WildLife, Public Works, Port and Light House, Social Security, Co-operation, etc.

Sl. No.	Heads of revenue	2018-19	2019-20	2020-21	2021-22	2022-23	Percentage increase (+) or decrease (-) in 2022-23 over 2021-22
7	Education, Sports, Art and Culture	24.95	25.27	21.68	25.34	35.88	41.59
8	Medium Irrigation	6.51	27.66	60.97	316.76	12.65	(-) 96.01
9	Interest Receipts	24.20	62.82	82.58	21.52	48.78	126.67
10	Medical and Public Health	31.70	27.31	23.82	31.83	45.22	42.07
11	Urban Development	85.21	48.63	31.27	55.73	48.47	(-) 13.03
12	Roads and Bridges	52.44	24.18	21.90	68.88	21.59	(-) 68.66
13	Minor Irrigation	12.00	48.24	39.16	77.05	18.78	(-) 75.63
Total		2873.66	2737.54	2902.80	3787.28	3868.46	2.14
Percentage of increase of actual over previous year		(-) 5.26	(-) 4.74	6.04	30.47	2.14	

(Source: Finance Accounts of the respective years)

In 2022-23, there was overall increase in non- tax revenue collection by 2.14 per cent as compared to the previous year.

2.1.4 Analysis of arrears of revenue

The arrears of revenue pending collection in respect of some principal departments of the State Government as on 31 March 2023 were ₹ 4,731.42 crore of which ₹ 857.84 crore had been pending for more than five years as detailed in **Appendix 2.1**.

The information relating to cases pending in courts and with Departmental Appellate Authorities was not furnished by all the departments. However, it could be seen from the above that 18 per cent of arrears have been pending for more than five years. As the chances of their recovery become low with the passage of time, it is recommended that the Government may instruct the concerned departments to make extra efforts for settlement of arrears.

2.1.5 Pendency of refund cases

Details of refund cases pending at the beginning of the year 2022-23, claims received and refunded during the year and the cases pending at the close of the year 2022-23 in respect of Commercial Taxes Department, State Excise Department and Registration Department are given in **Table 2.4**.

Table 2.4: Details of pending refund cases

Sl. No.	Particulars	GST/VAT (Commercial Taxes Department)		State Excise (Excise Department)		Registration Department	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)
1	Claims outstanding at the beginning of the year	930	476.96	-	-	46	0.49
2	Claims received during the year	697	530.87	5	0.03	203	3.09
3	Claims rejected	314	482.12	-	-	-	-

Sl. No.	Particulars	GST/VAT (Commercial Taxes Department)		State Excise (Excise Department)		Registration Department	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)
4	Refunds made during the year	572	316.37	5	0.03	144	2.20
5	Balance outstanding at the end of the year	741	209.34	-	-	105	1.38

(Source: Information furnished by respective departments)

As seen above, 741 cases (GST/VAT) and 105 cases (Registration Department) of refunds involving ₹ 209.34 crore and ₹ 1.38 crore were outstanding in Commercial Taxes Department and Registration Department as on 31 March 2023 respectively. Section 33 (2) of Goa Value Added Tax Act, 2005 and Section 54 (12) of Goa Goods and Services Tax Act, 2017 provides for payment of interest, at the rate of eight *per cent* and six *per cent per annum* for delay in refunds respectively. It would be prudent on the part of the departments to settle the refund cases expeditiously to save the Government from interest liability. In the case of State Excise Department, no claims were pending for refund at the end of 31 March 2023.

2.1.6 Response of Government/departments towards Audit

The office of the Accountant General, Goa (AG) conducts periodical inspection of Government/Departments to test check transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed by the issue of Inspection Reports (IRs) which incorporate irregularities detected during the inspection and not settled on the spot. The IRs are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the offices/the Government are required to promptly respond to the observations contained in the IRs and rectify the defects and omissions and report compliance through initial reply to the Accountant General within four weeks from the date of issue of the IRs. Serious financial irregularities are reported to the Heads of the Department and the Government.

Analysis of IRs issued up to March 2023 disclosed that 1,353 observations involving amount of ₹ 867.89 crore relating to 277 IRs remained outstanding at the end of June 2023. Out of these, 587 observations from 170 IRs were outstanding for more than five years. The figures as of June 2023 along with the corresponding figures for the preceding two years are given in **Table 2.5**.

Table 2.5: Details of pending Inspection Reports

Particulars	June 2021	June 2022	June 2023
Number of IRs pending for settlement	232	241	277
Number of outstanding audit observations	1143	1176	1353
Amount of revenue involved (₹ in crore)	3571.34	827.76 ⁵	867.89

(Source: Compiled from Audit records)

Department-wise details of the IRs and audit observations outstanding as of June 2023 are mentioned in **Table 2.6**.

Table 2.6: Department-wise details of pending Inspection Reports

Sl. No.	Name of the Department/ Directorate	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1	Finance	Commercial Taxes	116	621	560.59
2	Excise	State excise	26	121	21.34
3	Revenue	Revenue	48	240	31.06
4	Transport	Taxes on motor vehicles	43	187	70.68
5	Stamps and Registration	Stamp duty and registration fee	44	184	184.22
Total			277	1353	867.89

(Source: Compiled from Audit records)

Audit did not receive first reply from the heads of offices within four weeks from the date of issue of IRs in respect of 14 IRs issued up to March 2023. This indicated that the heads of offices/departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

2.1.7 Response of the departments to draft audit paragraphs

One Subject Specific Compliance Audit on “Departments’ oversight on GST payments and Return filing Phase II” and four draft paragraphs were sent to the Secretaries of the respective departments between April 2024 and July 2024. Replies in respect of these paragraphs have not been received from the Government (January 2025).

2.1.8 Planning and conduct of Audit

The auditable units under various departments are categorised into high, medium and low risk units. Risk analysis is done considering their revenue position, trend of past audit observations and other parameters specified in Compliance Audit Guidelines. The annual audit plan is prepared on the basis of critical issues in Government revenues and tax administration. Audit also considered the priorities of the Government as per the budget speech,

⁵ Three Inspection Reports containing 30 paras and money value of ₹ 2,803.09 crore of Mines and Geology Department has been transferred to the Economic Sector.

revenue during the past five years, features of the tax administration, audit coverage and its impact during past five years, *etc.*

For the period 2022-23, 19 units were planned and audited.

2.1.9 Results of audit and coverage of this chapter

During the year 2022-23, Audit test-checked the records of 19 units of State/ Commercial Tax, State Excise, Stamp Duty and Registration and other Departmental offices.

The details of the assessments, registrations, licenses issued and other activities undertaken by the three major revenue collection departments (covering 12 units out of 19 test-checked) and the extent and coverage of audit are as discussed below:

Commercial Taxes Department

There are eight auditable units in the Commercial Taxes Department. The Commissioner of State Tax, Panaji, was scheduled for audit during the year 2022-23. Since a SSCA on Department's oversight on GST Payment and Return Filing Phase-II was conducted during the year 2022-23, no assessment units were planned.

Department of Excise

There are 12 auditable units in the Department of Excise, of which seven units were selected for test check during the year 2022-23. In these seven units there were 9,931 licensees, out of which audit test-checked records of 673 licensees (6.78 *per cent*). During test check, audit noticed non-payment of minimum bottling fee, application of incorrect license fee on hotel, non-levy of excise duty on old stock lying idle for more than three years in bonded warehouse, non-renewal of licenses of distilleries, non-levy of surcharge on the license fee on Foreign Liquor (FL) retailers, delay in disposal of confiscated liquor goods, *etc.* involving ₹ 7.34 crore.

Registration Department

There are 15 auditable units in the Registration Department, out of which four units were audited during 2022-23. A total of 24,529 instruments were registered during 2022-23, out of which 47 instruments were selected for test check. Audit noticed 10 paras of short levy of Registration fee due to under valuation of property, short levy of Stamp duty and Registration fees due to non-application of minimum land rate, *etc.*, involving ₹ 1.67 crore.

Department of State Tax

2.2 Subject Specific Compliance Audit (SSCA) on Departments' oversight on GST payments and Return filing- Phase II

Executive Summary

SSCA on Departments' oversight on GST Payments and Return Filing:

The Subject Specific Compliance Audit (SSCA) on Departments' oversight on GST payments and Return filing was taken up considering the significance of the control mechanism and oversight mechanism. The objective was to seek assurance whether rules and procedures were designed to secure an effective check of tax compliance and whether scrutiny procedures, internal audit and other compliance functions of the wards were adequate. The scrutiny of returns by the Department and verification of taxpayers' record for the period from April 2018 to March 2021 was covered and the audit of the functions of selected wards covered the period from April 2020 to March 2021.

During the test-check of records of four wards under **Ward Audit** pertaining to period 2020-21, the following issues of non-compliance with the provisions of Act/Rules were noticed.

❖ **Oversight functions of Ward Audit**

- Inaction on non-filers of GSTR-3Bs
- Delay in initiation of scrutiny of returns
- Non-initiation of follow-up action after cancellation of registration
- Non-utilisation of BIFA/DGARM reports
- Non-completion of actions against cases selected by EIU

During the test-check of returns data for the period 2018-19 to 2020-21 of 287 mismatches were identified on a set of 17 parameters under **Centralised Audit**, the following deviations with the provisions of Act/Rules were noticed:

❖ **Oversight on tax payments**

- Audit noticed deviations from the provisions of the Act in 109 cases (constituting 40.37 *per cent*) of the total 270 cases where reply was received involving mismatch/deviation amounting to ₹ 157.99 crore. Relatively higher rates of deviations were noticed in risk parameters such as 'Tax not remitted due to GSTR-3B not filed', 'Non/short payment of interest on delayed payment of tax' and 'Mismatch in tax payments as per Table 9R of GSTR-9C', *etc.*

- In 65 cases (constituting 24.07 *per cent*), where the replies were acceptable to Audit; data entry errors by the taxpayers comprised three cases, the Department had proactively taken action in eight cases and 54 cases had other valid explanations.
- In 11 cases (constituting 4.07 *per cent*), the Department's reply is not acceptable to the Audit and rebutted accordingly. In 44 cases (constituting 16.30 *per cent*), though the Department did not accept the deviations pointed out by Audit, their contention was not borne out by evidence, and was thus not amenable to verification by Audit. In the remaining 41 cases audit observation was under examination by the Department.
- Audit also noticed turnover related mismatches in 16 cases, of these, in two cases (constituting 12.50 *per cent*), the Department had initiated/taken action on the audit observations. In five cases (constituting 31.25 *per cent*), replies were acceptable to Audit. In five cases (constituting 31.25 *per cent*), the Department had not provided relevant documents in support of their contention; hence, reply could not be verified. In the remaining four cases audit observation was under examination.

During the test-check of available records of 15 taxpayers under **Detailed Audit** pertaining to the period 2018-19 to 2020-21, the following issues of non-compliance with the provisions of the Act/Rules were noticed.

❖ **Scope limitation**

- Out of 15 selected taxpayers pertaining to five wards, the State Tax Department did not produce granular records in 14 cases and one ward constituting one case produced partial records only, due to which Audit could not evaluate the extent of compliance by the taxpayers and deviations relating to ITC availment and discharge of tax liability are reported as mismatches only.

❖ **Filing of Returns**

- Non/short payment of interest of ₹ 0.85 lakh on account of delayed filing of GSTR-3B returns by two, out of 15 taxpayers.
- Non-payment of interest of ₹ 0.03 crore on delayed payment of additional tax liability by one, out of 15 taxpayers.
- Short payment of tax liability of ₹ 3.78 lakh and non-payment of interest of ₹ 9.40 lakh on account of non-receipt of goods sent for job work by one, out of 15 taxpayers.
- Non-payment of interest of ₹ 0.29 crore on reversal of excess ITC utilised by one, out of 15 taxpayers.

❖ **Utilisation of Input Tax Credit (ITC)**

- Mismatch of ITC of ₹ 195.61 crore between GSTR-2A and GSTR-3B returns by 12, out of 15 taxpayers.
- Mismatch of ITC of ₹ 57.97 crore availed on import of goods by four, out of 15 taxpayers.
- Mismatch of ITC of ₹ 0.18 crore availed as per Table-8D of GSTR-9 by one, out of 15 taxpayers.
- Mismatch in ITC of ₹ 50.26 crore availed on ITC received from Input Service Distributor (ISD) by eight, out of 15 taxpayers.
- Mismatch in ITC of ₹ 0.22 crore availed under RCM (Reverse charge mechanism) by three, out of 15 taxpayers.
- Mismatch in availing of ITC of ₹ 3.50 crore between annual return and audited financial statement by two, out of 15 taxpayers.
- Availment of ineligible ITC of ₹ 3.88 crore by 12, out of 15 taxpayers, on account of either supplier not remitting the tax to the Government or issuing invoices after the effective date of cancellation of registration of the suppliers.

❖ **Discharge of tax liability**

- Mismatch in tax liability of ₹ 1.39 crore between returns by six, out of 15 taxpayers.
- Mismatch in tax liability and tax payment under RCM between returns of ₹ 0.08 crore by two, out of 15 taxpayers.
- Mismatch in taxable turnover between annual return and audited financial statement by one, out of 15 taxpayers.
- Mismatch in payment of tax of ₹ 0.23 crore under RCM by two, out of 15 taxpayers.
- Understatement of total turnover by one, out of 15 taxpayers.
- Non-verification of details of return of goods in time.

These instances under detailed audit involved deviation/mismatch of ₹ 313.78 crore.

2.2.1 Introduction

Goods and Service Tax (GST), which came into effect from 01 July 2017, replaced multiple taxes levied and collected by the Centre and States. GST 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. While Central GST (CGST) and State

GST (SGST)/Union Territory GST (UTGST) are levied on *intra-state* supplies, Integrated GST (IGST) is levied on *inter-state* supplies.

Section 59 of the Goa Goods and Service Tax (GGST) Act, 2017 stipulates GST as a self-assessment-based tax, where the responsibility for calculating tax liability, discharging the computed tax liability and filing returns is vested on the taxpayer. The GST returns must be filed online regularly on the common GST portal, failing which late fee will be payable. Even if the business has no tax liability during a particular tax period, it is required to file a *Nil* return mandatorily. Further, Section 61 of the Act read with Rule 99 of GGST Rules, 2017 stipulates that the proper officer may scrutinize the return and related particulars furnished by taxpayers, communicate discrepancies to the taxpayers and seek an explanation.

This Subject Specific Compliance Audit (SSCA) was taken up considering the significant role envisaged for control mechanisms and oversight mechanisms within the State Taxes Department in the State (herein after referred to as the Department), to ensure tax compliance.

2.2.2 Audit objectives

Audit of ‘Departments’ oversight on GST Payments and Return filing’ was taken up with the following audit objectives to seek assurance as to:

- 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 wards were adequate and effective.

2.2.3 Audit methodology and scope

This SSCA was predominantly based on data analysis, which highlighted risk areas and red flags pertaining to the period from April 2018 to March 2021. Through data analysis, a set of 17 deviations were identified across the domains of Input Tax Credit, Discharge of tax liability, Registration and Return filing, *etc.* This was followed by a centralised audit (limited audit)⁶, where these deviations were communicated to the relevant wards (State Departmental field formations) and action taken by the wards 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 wards. Returns and related details were accessed through the GGST Backend Portal to the extent feasible, to examine data/documents relating to taxpayers (*viz.* registration, tax payment, returns and other departmental functions). The detailed audit sought to access relevant granular records from the taxpayers such as

⁶ Centralised Audit did not involve seeking taxpayer’s granular records such as financial statements related ledger accounts, invoices, agreements, *etc.*

invoices, through the respective wards. This apart, compliance functions of the wards such as scrutiny of returns and action on non-filers of returns were also reviewed in selected wards.

The review of the scrutiny of returns by the Department and verification of taxpayers' records covered the period from April 2018 to March 2021, while the audit of the functions of selected wards covered the period from April 2020 to March 2021. The SSCA covered only the State administered taxpayers. The field audit was conducted from July 2023 to November 2023.

Entry conference for the SSCA was held (31 August 2023) with the Commissioner of State Tax (CST), Goa in which, the audit objectives, sample selection, audit scope and methodology were discussed. Exit conference was held with the Principal Secretary, Finance on 21 August 2024 to discuss the findings. The responses provided therein and the replies received from the State Government have been duly incorporated in the Report.

2.2.4 Audit sample

A data-driven approach was adopted for planning as for determining the nature and extent of 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 taxpayer's records at Departmental premises; and a sample of wards for evaluating the compliance functions of the wards. Accordingly, the three distinct parts of this SSCA were as under:

(i) Part I- Audit of wards

Four⁷ out of eight⁸ wards were considered as sample for evaluation of their oversight functions.

(ii) Part II- Centralised Audit (Limited Audit)

For evaluation of the adequacy and effectiveness of the scrutiny procedure of the Department, 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. Accordingly, 287 instances of deviations under 17 dimensions were selected.

(iii) Part III- Detailed Audit

It was conducted by accessing taxpayers' records through wards, for evaluation of the extent of 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

⁷ Bicholim, Curchorem, Mapusa and Pernem

⁸ Bicholim, Curchorem, Mapusa, Margao, Panaji, Pernem, Ponda and Vasco

to total turnover and irregular ITC reversal. 15 taxpayers⁹ pertaining to five¹⁰ wards were selected¹¹ for detailed audit of risk based, parameters based and random based taxpayers.

The details of sample for centralised audit and detailed audit are brought out in **Appendix 2.2A, 2.2B and 2.3.**

2.2.5 Audit criteria

Audit criteria comprised the provisions contained in the GGST Act 2017, IGST Act 2017, and rules made thereunder. The significant provisions are given in **Table 2.7.**

Table 2.7: Source of criteria

Sl. No.	Subject	Act and Rules
1	Levy and collection	Section 9 of the GGST Act 2017
2	Reverse Charge Mechanism	Section 9(3) of GGST Act 2017 and Section 5(3) of IGST Act 2017
3	Availing and utilizing ITC	Sections 16 to 21 under Chapter V of GGST Act 2017; Rules 36 to 45 under Chapter V of GGST Rules 2017
4	Registrations	Section 22 to 25 of GGST Act; Rules 8 to 26 of GGST Rules
5	Supplies	Section 7 and 8 of GGST Act; Schedule I, II and III of the Act
6	Place of supply	Section 10 to 13 of IGST Act
7	Time of Supply	Section 12 to 14 of GGST Act
8	Valuation of supplies	Section 15 of GGST Act; Rules 27 to 34 of GGST Rules
9	Payment of tax	Sections 49 to 53 under Chapter X of GGST Act; Rules 85 to 88A under Chapter IX of GGST Rules
10	Filing of GST returns	Sections 37 to 47 under Chapter IX of GGST Act; Rules 59 to 68 and 80 to 81 under Chapter VIII of GGST Rules; Part B of GGST Rules prescribes format of returns
11	Zero-rated supplies	Section 8 of IGST Act
12	Assessment and Audit functions	Sections 61, 62, 65 and 66 under Chapter XII & XIII of GGST Act; Rules 99 to 102 under Chapter XI of GGST Rules

In addition, the notifications and circulars issued by State Tax Department relating to filing of returns, notification of 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 utilizing ITC, scrutiny of returns and

⁹ Large taxpayers-4, Medium taxpayers-2 and Small Taxpayers-1(Risk based), Parameter based-06 and Random based -02 (10% of total of 15)

¹⁰ Mapusa, Margao, Panaji, Ponda and Vasco

¹¹ Out of 15 taxpayers selected, 90 *per cent* of the sample were selected based on risk scores (60 *per cent* in descending order of risk as determined by the composite risk score for each GSTN-Risk based and 40 *per cent* from among the four major deviations in individual risk-parameter based) and remaining 10 *per cent* of the sample size were drawn on random basis.

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

Audit findings

The audit findings are categorised into the following categories:

- a. Oversight functions of ward offices (return filing, tax payment, documentation and other functions)
- b. Centralised audit
- c. Detailed audit

2.2.6 Oversight functions of ward

In four selected wards, Audit observed that the action on non-filers of GSTR-3B was not taken up for the year 2020-21. Further, the order for scrutiny of returns for the year 2020-21 was issued after a lapse of period of 26 months after the due date of filing of annual returns. Follow-up actions were not initiated after the cancellation of registration. BIFA/DGARM reports were not utilised by the selected wards and action on cases selected by EIU was not completed. The details are given in the following paragraphs:

2.2.6.1 Inaction on non-filers of GSTR-3Bs

Section 39 read with Rule 61(5) stipulates that all taxpayers except those specified¹² under Section 39(1) of the Act to file a monthly summary return (GSTR-3B) of outward supplies and ITC claimed, along with payment of tax by the taxpayer, on or before the twentieth day of the month succeeding such calendar month or part thereof.

Section 46 of the GGST Act, 2017 read with Rule 68 of GGST Rules, 2017 stipulates issue of a notice in form GSTR-3A, requiring filing of return within fifteen days, if the taxpayer fails to file the return within the due date. As per Section 62 of the GGST Act, 2017 read with Rule 100 of the GGST Rules, 2017 in case the taxpayer fails to file the returns even after such notice, the proper officers may proceed to assess the tax liability of the said person to the best of their judgement, taking into account all the relevant material available or gathered and issue an assessment order in form ASMT-13 and a summary of demand in form DRC-07 (as a follow up of ASMT-13) is to be issued to the taxpayers concerned.

¹² 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

During the ward audit, information regarding number of cases of non-filers, GSTR-3A issued, returns filed in response to GSTR-3A, ASMT-13 issued, DRC-07 issued and subsequent actions, was requisitioned (October-November 2023) for the period 2020-21. The ward offices reported 1,177 non-filers, however, information regarding action taken in respect of these non-filers were not provided. Further, Audit downloaded (October 2023) the MIS data (as on March 2021)¹³ from GST backend portal, which showed 1,185 taxpayers (as of October 2023), who did not file 32,520 GSTR-3B returns. As per MIS data, revenue of ₹ 5.40 crore (SGST) was expected to be recovered from these 1,185 non-filers. Details are given in **Appendix 2.4**.

Audit selected 80 (20 from each selected ward) cases out of 1,185 non-filers for test-check. Audit noticed that in 12 cases, there was a mismatch of ₹ 0.34 crore in tax liability (between GSTR-1 and GSTR-3B) and in case of six cases, there was a mismatch of ₹ 0.13 crore in ITC (between GSTR-3B and GSTR-2A) for the year 2020-21. Information on action taken by the ward offices was not available in MIS reports in respect of 80 test-checked non-filers, hence, the same was called for from the Department.

All four wards (November 2023-March 2024) replied that form GSTR-3A is automatically generated and sent to identified non-filers and no further actions have been initiated due to the time-bound scrutiny of returns for the years 2017-18 and 2018-19 as the department was busy with scrutiny and audit of cases pertaining to the years 2017-18 and 2018-19 as they were close to being time barred. Two wards¹⁴ further stated that proceedings for the year 2020-21 would be initiated and concluded before the expiration of the limitation¹⁵ period. One¹⁶ ward replied (June 2024) that orders for the period 2020-21 had been issued and the cases had been assigned to the proper officers for assessment under Section 62 of GGST Act, 2017.

The reply of the Department is not tenable as Section 46 stipulates filing of return within fifteen days of issuance of GSTR-3A notice and SoP on non-filers stipulates conducting best judgement without any further communication.

Recommendation 1: The Department may ensure timely and proper action and assessment of non-filers for safeguarding Government revenue.

¹³ MIS data of March 2021 was downloaded as it contains the progressive figure.

¹⁴ Curchorem and Mapusa

¹⁵ Notification No. 40/2021 CT dated: 29/12/2021-for the FY 2020-21 annual return shall be furnished on or before 28/02/2022 and due date for issuing assessment order under section 62 of GGST Act, for FY 2020-21 is five years from the due date for furnishing of annual return which will be 28/02/2027

¹⁶ Curchorem

2.2.6.2 Delay in initiation of scrutiny of returns for the year 2020-21

As per Section 61 of the GGST Act, 2017 various returns filed by 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. The Proper Officer designated for this purpose is the Ward Officer. Further, Rule 99 of the GGST Rules, 2017 mandates that the discrepancies, if any, noticed shall be communicated to the taxpayer to seek his explanation. In case no satisfactory explanation is furnished within a period of thirty days of being informed by the proper officer or after accepting the discrepancies, taxpayer fails to take the corrective measure in his return for the month in which the discrepancy is accepted, the proper officer may initiate appropriate action including those under Section 65, 66 or 67, or proceed to determine the tax and other dues under Section 73 or 74.

As per sub-Section (10) of Section 73 and 74 of the GGST Act, 2017 order for recovery of any tax short paid/ ITC wrongly availed/ utilised is to be issued within three years (in the cases of other than fraud or wilful misstatement of facts) or five years (in the cases of fraud or wilful misstatement of facts) from the due date for furnishing of annual return for the financial year to which the tax not paid or short paid or input tax credit wrongly availed or utilised relates.

Audit requisitioned (October-November 2023) from the selected four wards, the details of cases scrutinised for the year 2020-21. The ward offices informed that they had not initiated scrutiny of returns for the year 2020-21 as the scrutiny of the time bound case of the year 2018-19 was being taken up. The Department issued order of scrutiny in May 2024 directing the wards to conduct scrutiny of returns for the FY 2020-21. The due date for filing of annual returns (GSTR-9) for the FY 2020-21 was 28 February 2022. The Department issued instructions for scrutiny for the FY 2020-21 after lapse of a period of more than two years (26 months) from the due date of filing of annual returns for the FY 2020-21.

After issuance of order, the Department conducted scrutiny of 705 taxpayers, out of which 215 taxpayers pertained to selected four wards. Out of 215 cases, discrepancy notices in form ASMT-10 was issued in 193 cases involving an amount of ₹ 79.44 crore. No discrepancy was stated to have been noticed in 18 cases. Reply in form ASMT-11 was not filed in 85 out of 193 cases and in remaining 108 cases, reply was filed and an amount of ₹ 1.06 crore was accepted by the taxpayers, out of which ₹ 0.66 crore was paid by the taxpayers through DRC-03. SCNs under Section 73/74 were also issued in 104 cases for an amount of ₹ 24.82 crore.

The fact that the Department conducted scrutiny after being pointed out by Audit, indicates inefficiency of monitoring of scrutiny function of the ward offices.

Recommendation 2: The Department may ensure the initiation and completion of scrutiny of returns for the year 2020-21 in a time bound manner.

2.2.6.3 Non-initiation of follow-up action after cancellation of registration

Sections 29 of the GGST Act, 2017 provides for the cancellation of registration (i) on application filed by taxpayer, if the business is discontinued, its structure changes, or the taxpayer is no longer liable for registration and (ii) *suo-moto* cancellation of the registration by the proper officer in certain cases such failure to file returns for consecutive six months (for normal taxpayer), not starting the business within six months, or obtaining registration by means of fraud, willful misstatement or suppression of facts. As per Section 45 of the Act, the taxpayers are required to file final return (GSTR-10) to discharge the outstanding liability, if any, within three months of the effective date of cancellation or the date of order of cancellation, whichever is later. Section 46 of the Act requires that in case GSTR-10 is not filed within the due date, a notice shall be issued to the taxpayer after five days of the due date of furnishing the return, electronically, requiring him to furnish such return within fifteen days of issuance of such notice.

In case the taxpayer fails to file the returns even after such notice, the proper officers may proceed to assess the tax liability of the said person to the best of their judgment and issue an assessment order (ASMT-13) as per Section 62 (read with Rule 100) of the GGST Act, 2017 alongwith a summary of demand (DRC-07). If the taxpayer fails to file final return within 30 days of issuance of ASMT-13, action under Sections 78 and 79 for the recovery of the dues and penalty may be initiated.

Audit sought (October-November 2023) information from four selected wards on *suo-moto* cancellations of registration and cancellations on taxpayer's application during the year 2020-21, for evaluation of cancellation functions and follow-up action after cancellation of registration.

All four selected ward offices replied (November 2023-February 2024) that information on *suo-moto* cancellation and cancellations of registrations on taxpayers' application during the year 2020-21, was not readily available in the required format at the ward office. However, the ward offices furnished MIS reports containing information on *suo-moto* cancellation and

registrations cancelled on taxpayer's application. These MIS reports had no information of action taken by the Department on cancelled taxpayers.

The analysis of MIS data revealed that out of 1,423 cancelled taxpayers (On application-727 and *suo-moto*-696), only 214 (15.04 *per cent*) taxpayers filed final return (GSTR-10), of which 143 taxpayers filed final return on time, while 71 taxpayers filed returns with delay. Remaining 1,209 (94.96 *per cent*) taxpayers did not file final return (**Appendix 2.5**).

Audit selected 80 (20 from each selected four wards) cases and requisitioned records of follow-up action taken by the Department. However, no records were provided to Audit.

The Department replied (September 2024) that the assessment of registrations cancelled u/s 62 of GGST Act, is required to be completed within a period of five years from the date of filing of annual return for the FY to which the return relates. As GST back-office system does not have facility to conduct scrutiny of non-filers of final return, the same has not commenced. The Department further stated that in respect of 20 selected cases pertaining to Mapusa ward, follow-up action and assessment will be carried out on priority basis. Also, an officer had been assigned for monitoring of progress of these cases assigned to proper officer on timely basis for better compliance and reporting.

The reply is indicative of urgent need of having a module in the system for assessment of non-filers or conduct the assessment manually. Also, action to protect revenue should start as soon as it comes to the notice of the proper officers and they should not wait till the timeline of three/five years to avoid possibility of such cases becoming time barred.

Recommendation 3: The Department may monitor the status of cancellation of registrations and take timely action in consonance with the statutory provisions to check undischarged tax liabilities.

2.2.6.4 Non-utilisation of BIFA/DGARM reports

The Goods and Service Tax Network (GSTN) formed a Business Intelligence and Fraud Analytics (BIFA) unit in March 2019 to act as a fraud detection platform from a tax compliance perspective. BIFA uses Artificial Intelligence and Machine Learning, Big Data Analytics and Deep Learning to evolve the GST Analytics and Intelligence Network (GAIN) portal which provides specific intelligence to the tax officers. The proper officers of the State and the Center are provided access to GAIN, wherein the officers can utilise these analytical models for identifying the tax defaulters and new *modus operandi* of tax evasion.

The CBIC (Board) formed¹⁷ Directorate General of Analytics and Risk Management (DGARM) with the aim of studying, interpreting and analysing the GST data and sharing the results with various stakeholders under the Board and also with the respective Tax Departments.

Information on the receipt and utilisation of BIFA/DGARM reports was sought from the selected ward offices (October-November 2023).

The ward offices replied (November 2023-January 2024) that the reports were normally generated or received at the Head office and sent to concerned ward offices and as such no BIFA/DGARM reports were received from the Commissionerate. Information on BIFA/DGARM report was also sought from the Commissionerate for cross verification.

The Department replied (September 2024) that BIFA reports were used for selection of cases for audit under Section 65, scrutiny under Section 61 and enforcement under Section 67. The Department intimated that BIFA access was given to State of Goa in the year 2020, initially access was given to the CST, one Addl. CST and one Dy. CST only and thereafter to other Dy. CSTs and the STOs in-charge of the ward offices between July 2022 and August 2024. It was also stated (November 2024) that no BIFA reports were generated by the Enforcement section for the period 2018-19 to 2020-21 and forwarded to ward offices for further scrutiny. The reply of the Department was silent on receipt of DGARM reports and action taken thereon.

Reply of the Department indicates though the tax officers were given access to BIFA reports, the same have not been gainfully utilised by tax officers.

Recommendation 4: The Department need to issue instructions for effective utilisation of BIFA and DGARM reports and monitoring thereof.

2.2.6.5 Non-completion of action against cases selected by EIU

As per Order No. CCT/1-51/2021-22/730, dated 22/06/2021, issued by the Commissioner of State Taxes (CST), Goa, the Economic Intelligence Unit (EIU) and the Enforcement Cell, comprising four Senior Tax Officers (STOs) and a Deputy Commissioner (EIU) as the in-charge, were assigned various responsibilities. These duties included studying tax evasion dynamics, identifying the *modus operandi*, formulating strategies to combat economic offences and tax evasion, conducting data analytics, performing risk analysis for selective assessments, and carrying out inspections, searches, and seizures.

Audit sought (October 2023) information from the Commissionerate regarding the reports generated by the EIU and the subsequent follow-up

¹⁷ CBIC formed DGARM vide OM F.NO. A-11013/19/2017-Ad. IV dated 11 July 2017

actions taken. No information was provided to audit during field audit. The Department provided (December 2023) a list, detailing 53 taxpayers selected by the EIU, covering assessment periods from 2017-18 to 2020-21. Further, the Department submitted details of the actions taken on these 53 taxpayers in July 2024.

From the data provided, it was observed that of the 53 taxpayers, 44 were selected for enforcement under the GST Act. These cases were forwarded to the appropriate officers at the respective ward offices for necessary action. Further, the assessment was completed in only four cases, in ten cases assessment was partially completed. Show Cause Notices (SCN)/DRC-01 were issued in three cases. Notice calling for records under Section 151 of the GGST Act, 2017 was issued in one case. Assessment was initiated by the CGST authorities in one case. One taxpayer was unavailable at the business location, and notices were being returned undelivered. In the remaining 24 cases, action was still under process.

Out of 24 pending cases, in six cases, entire period had become time barred at the time of furnishing information to Audit (July 2024), in other 15 cases part period had become time barred and remaining three cases became time barred in November 2024.

The Department need to analyse the reasons of delay in taking action and take effective measure for timely action to protect the interest of revenue in cases selected by EIU.

Recommendation 5: The Department may ensure proper follow-up action on cases selected by EIU in a time bound manner before they are time barred.

2.2.7 Centralised audit

2.2.7.1 Inconsistencies in GST returns

Audit analysed GST returns data pertaining to 2018-19 to 2020-21 as made available by GSTN. Rule-based deviations, and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 17 parameters, which can be broadly categorised into two domains - ITC and Tax payments.

Out of the 15 prescribed GST returns,¹⁸ the 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-3B: monthly summary return of outward supplies and ITC 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 credit and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger.
- GSTR-6: monthly return for ISDs providing the details of their distributed ITC and inward supplies.
- GSTR-8: monthly return to be filed by the e-commerce operators who are required to deduct TCS under GST, introduced in October 2018.
- GSTR-9: annual return to be filed by all registered persons other than an ISD, TDS/TCS deductors, Casual Taxable Person and Non-Resident taxpayer (NRTP). 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-9C: 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.
- GSTR-2A: a system-generated statement of inward supplies for a recipient. It contains the details of all business to business (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, as received from Indian Customs Electronic Gateway (ICEGATE) Portal of Indian Customs.
- GSTR-2B: It is a month-wise auto-drafted statement for regular taxpayers {whether or not opted into the quarterly return and monthly

¹⁸ GSTR-1, GSTR-2A, GSTR-2B, GSTR-3B, GSTR-4 (taxpayers under the Composition scheme), GSTR-5 (non-resident taxable person), GSTR-5A {Non-resident online information and database access or retrieval (OIDAR) service providers}, GSTR-6 (ISD), GSTR-7 (taxpayers deducting TDS), GSTR-8 (E-commerce operator), GSTR-9 (Annual Return), GSTR-10 (Final return), GSTR-11 {person having Unique Identification Number (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).

payment (QRMP) scheme} introduced on the GST portal providing eligible and ineligible ITC for each month, similar to GSTR-2A but remains constant or unchanged for a period. The statement was launched from the August 2020 tax period onwards.

The details of data analysis undertaken on the 17 identified parameters and impact thereon is given in **Table No. 2.8(a) and 2.8(b)**.

Table 2.8(a): Data analysis summary of sampled cases of Goa State

Sl. No.	Algorithm used	Impact
Mismatch in availing of ITC/Tax payment		
1	ITC available as per GSTR-2A with all its amendments was compared with the ITC availed in GSTR-3B in Table 4A(5) (accrued on domestic supplies) excluding the reversals in Table 4B(2) but including the ITC availed in the subsequent year from Table 8C of GSTR-9 and blocked credits.	ITC mismatch between GSTR-2A and GSTR-3B
2	ITC available from GSTR-2A was compared with Table 8A of GSTR-9 which captures ITC available from GSTR-2A (as an auto-populated non-editable field) but excludes those entries in GSTR-2A where the supplier has not filed GSTR-1 by due date of its filing and also excludes the ITC for the period during which the recipient taxpayer was under composition scheme.	ITC passed on without supplier remitting tax
3	ITC availed through Table 4 of GSTR-3Bs pertaining to period 2018-19 to 2020-21 filed after October of the following year.	ITC availed in GSTR-3B filed after the cut-off period
4	ISD ITC availed in GSTR-9 Table 6G or GSTR-3B Table 4(A)(4) of recipient was compared with the sum of Table 5A, Table 8A, and Table 9A of GSTR-6 of distributor GSTINs	Incorrect availing of ISD credit
5	RCM payments in GSTR-9 Table 4G (tax payable) were compared with ITC availed in GSTR-9 Table 6C, 6D and 6F (ITC availed). 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 4A(3). Greater of difference in GSTR-9 and GSTR-3B considered where both were available.	Short payment of tax under RCM versus ITC availed in GSTR-3B/ GSTR-9
6	Negative figure in GSTR-9C Table 9R and examination of reasons provided in Table 10 for mismatch	Mismatch in tax paid between books of accounts and returns

Sl. No.	Algorithm used	Impact
7	Positive figure in GSTR-9C Table 12F and examination of reasons provided in Table 13 for mismatch	Mismatch of ITC availed between Annual returns and Books of accounts
8	Positive figure in GSTR-9C Table 14T and examination of reasons provided in Table 15 for mismatch	Reconciliation between ITC availed in Annual returns with expenses in financial statements
9	The greater of tax liability between GSTR-1 (Tables 4 to 11), considering advances and amendments, and GSTR-9 (Tables 4N, 10 and 11) was compared with tax paid details in GSTR-3B Tables 3.1(a) and 3.1(b). In cases where GSTR-9 was not available, GSTR-3B tax paid was compared with GSTR-1 liability.	Unsettled liabilities
10	GSTR-3B Table 3.1(a)+(b) was compared with tax liability declared in the e-way bills and cases where GSTR-3B are less than e-way bills are identified.	Suppression of tax liability based on e-way bill verification
11	Taxpayers who have not filed GSTR-3B but have filed GSTR-1 or where GSTR-2A available, indicating taxpayers carrying on the business without discharging tax.	GSTR-3B was not filed but GSTR-1 is available
12	Interest calculated at the rate of 18 <i>per cent</i> on cash portion of tax payment on delayed filing of GSTR-3B <i>vis-à-vis</i> interest declared in GSTR-3B	Non/short payment of interest
13	The composition taxpayers whose turnover on all India basis (Central and State jurisdiction) under all GSTINs of the same PAN have crossed the turnover limit of ₹ one crore in 2018-19 and ₹ 1.50 crore in 2019-20 were identified.	Ineligible composition levy
14	E-commerce GSTR-8 became effective from 01 October 2018 when TCS provisions became effective. GSTINs declared in GSTR-8 who are also filing GSTR-4/CMP-08 under composition scheme.	Composition taxpayers also availing e-commerce facility

**Table 2.8(b): Data analysis summary of sampled cases of Goa State
(Turnover mismatch)**

Sl. No.	Algorithm used	Impact
Turnover mismatch in Annual Return and financial statements		
1	Negative figure in GSTR-9C Table 7G and examination of reasons provided in Table 8 for mismatch	Mismatch in taxable turnover declared in GSTR-9C Table 7G
2	Table 3.1(a) of GSTR-3B was compared with Column 6 of Table 9 of GSTR-2A. Cases where GSTR-3B values are less than that of GSTR-2A are identified.	Under-declaration of taxable supplies by comparing TDS returns
3	Unbilled revenue at the beginning of the year in GSTR-9C Table 5B should tally with the unbilled revenue of the previous GSTR-9C shown in Table 5H. Any mismatch indicates suppression of taxable turnover.	Suppression of taxable value based on unbilled revenue declared in GSTR-9C

The Pan-state data analysis depicted large number of deviations with high money values which point out lack of basic validation control that should have been built into the application software. For example, in sample of parameter ‘suppression of tax liability based on e-way bill’, the number of deviations were 19 with money value of ₹ 1,225.01 crore. These money value figures flowing from data indicated that controls to input and validate data in GST system and EWB system are either not working properly or are entirely absent.

2.2.7.2 Results of Centralised audit

Audit selected a sample of 287 cases from amongst the top deviations/inconsistencies in each of the 17 parameters for the period 2018-19 to 2020-21. The audit queries were issued to the respective ward offices between August 2023 and September 2023 without further scrutiny of taxpayer’s records. The audit check in these cases was limited to verifying the Department’s action on the identified deviations/mismatches.

The Department provided responses in 286 cases. In one case amounting to ₹ 0.11 crore, response of the Department was awaited (September 2024).

Based on responses received (286 cases) from the Department to the Audit enquiries, the extent to which these parameters translated into compliance deviations is summarized in **Table 2.9(a) and 2.9(b)**.

Table 2.9(a): Dimension-wise summary of deficiencies

Dimension	Sample		Cases where reply received		Compliance deviations												Total				Department reply accepted by Audit								Department reply not acceptable to Audit (Rebuttal)				Department furnished reply without appropriate documentary evidence				Department Stated they are examining the AQ (₹ in crore)			
					Accepted by Dept. including cases where action is yet to be initiated																																			
	Recovered/ Demand order (DRC-07) issued				SCN (DRC-01) issued				ASMT-10/Action initiated				No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.						
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	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	19	20	21	22	23	24	25																
ITC mismatch between GSTR-2A and GSTR-3B	30	244.24	30	244.24	3	10.76	2	29.59	2	12.48	7	52.83	-	-	5	50.34	9	55.86	1	6.36	4	20.63	4	20.63	4	58.22														
ITC passed on without supplier remitting tax	26	49.09	26	49.09	3	2.54	1	0.47	2	2.01	6	5.02	-	-	-	-	6	13.18	2	2.29	7	23.80	5	4.80																
ITC availed in GSTR-3B filed after the cut-off period.	15	23.40	15	23.40	-	-	2	3.55			2	3.55	-	-	1	2.86	11	14.97	-	-	-	-	1	2.02																
Incorrect availing of ISD credit	15	4.44	15	4.44	-	-	3	0.33	2	1.38	5	1.71	-	-	-	-	3	0.96	-	-	3	0.98	4	0.79																
Short payment of tax under RCM <i>versus</i> ITC availed in GSTR-3B/ GSTR-9	16	34.03	16	34.03	2	2.87	-	-	1	0.19	3	3.06	2	8.69	-	-	4	15.49	-	-	7	6.79	-	-																
Mismatch in tax paid between books of accounts and returns	9	14.23	9	14.23	-	-	3	5.35	2	4.77	5	10.12	-	-	-	-	1	0.002	-	-	2	4.10	1	0.01																
Mismatch of ITC availed between Annual returns and Books of accounts	9	5.31	9	5.31	-	-	1	0.15			1	0.15	-	-	1	0.73	3	2.57	2	1.07	1	0.72	1	0.07																
Reconciliation between ITC availed in Annual returns with expenses in financial statements	9	22.60	9	22.60	-	-	-	-	-	-	-	-	-	-	1	1.21	3	6.59	1	1.15	2	7.81	2	5.84																
Unsettled liabilities	34	70.04	34	70.04	7	21.77	6	5.38	4	5.37	17	32.52	-	-	-	-	5	11.68	1	3.43	8	17.49	3	4.92																
Suppression of tax liability based on E-way bill verification	19	1225.01	19	1225.01	5	19.51	-	-	1	5.02	6	24.53	-	-	-	-	-	60.32	1	24.68	6	965.14	1	150.34																

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Dimension	Sample		Cases where reply received		Compliance deviations								Total				Department reply accepted by Audit								Department reply not acceptable to Audit (Rebuttal)				Department furnished reply without appropriate documentary evidence				Department Stated they are examining the AQ	
					Accepted by Dept. including cases where action is yet to be initiated																													
	Recovered/ Demand order (DRC-07) issued		SCN (DRC-01) issued		ASMT-10/Action initiated		No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.				
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	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	19	20	21	22	23	24	25										
GSTR-3B was not filed but GSTR-1 is available	23	15.90	23	15.90	9	11.68	1	0.23	9	2.29	19	14.20	-	-	-	-	-	-	-	-	-	2	1.21	2	0.49									
Non/short payment of interest	56	14.30	55	14.19	25	3.91	6	5.82	6	0.57	37	10.30	-	-	-	-	3	0.68	3	0.37	2	0.19	10	2.65										
Ineligible composition levy	6	NQ	6	NQ	-	-	-	-	-	-	-	-	1	NA	-	-	1	NA	-	-	-	-	4	NA										
Composition taxpayers also availing e-commerce facility	4	NQ	4	NQ	-	-	-	-	1	NA	1	NA	-	-	-	-	-	-	-	-	-	-	3	NA										
Total	271	1722.59	270	1722.48	54	73.04	25	50.87	30	34.08	109	157.99	3	8.69	8	55.14	54	182.30	11	39.35	44	1048.86	41	230.15										

NQ: Not quantified

Table 2.9(b): Dimension-wise summary of deficiencies (Turnover mismatch)

(₹ in crore)

Dimension	Sample		Cases where reply received		Compliance deviations										Total			Department reply accepted by Audit								Department reply not acceptable to Audit (Rebuttal)				Department furnished reply without appropriate documentary evidence				Department Stated they are examining the AQ				
					Accepted by Dept. including cases where action is yet to be initiated																																	
	No.	Amt.	No.	Amt.	Recoverd/ Demand order (DRC-07) issued	No.	Amt.	SCN (DRC-01) issued	No.	Amt.	ASMT-10/Action initiated	No.	Amt.	No.	Amt.	No.	Amt.	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	19	20	21	22	23	24	25	6	1187.65	6	1187.65	-	-	-	-	-	-	2	354.44	4	833.21
Mismatch in taxable turnover declared in GSTR-9C Table 7G	5	158.04	5	158.04	-	-	-	-	2	34.59	2	34.59	-	-	-	-	1	5.69	-	-	2	117.76	-	-	-	Under-declaration of taxable supplies by comparing TDS returns	-	-	-	-	-	-	-	-	-	-	-	-
Suppression of taxable value based on unbilled revenue declared in GSTR-9C	5	32.29	5	32.29	-	-	-	-	-	-	-	-	2	9.26	-	-	2	17.59	-	-	1	5.44	-	-	-	Suppression of taxable value based on unbilled revenue declared in GSTR-9C	-	-	-	-	-	-	-	-	-	-	-	-
Total	16	1377.98	16	1377.98	-	-	-	-	2	34.59	2	34.59	2	9.26	-	-	3	23.28	-	-	5	477.64	4	833.21	-	Total	-	-	-	-	-	-	-	-	-	-	-	-

2.2.7.3 Summary of Centralised Audit

Audit noticed deviations from the provisions of the Act/Rule in 109 cases {Col. No. 6, 8 and 10 of Table 2.9(a)} involving mismatch in ITC/Tax liability of ₹ 157.99 crore (Col. No. 7, 9 and 11) constituting 40.37 *per cent* of the 270 inconsistencies/mismatches (**Appendix 2.6A**) in data for which the Department provided responses, wherein, the Department issued notices/demand orders or recovered the amount. Relatively higher rates of deviations were noticed in risk parameters such as ‘Tax not remitted due to GSTR-3B not filed’, ‘Non/short payment of interest on delayed payment of tax’ and ‘Mismatch in tax payments as per Table 9R of GSTR-9C’, *etc.*

In 65 cases (Col. No. 14, 16 and 18), constituting 24.07 *per cent*, where the replies were acceptable to Audit; data entry errors by the taxpayers comprised three cases (Col. No. 14): the Department had proactively taken action in eight cases (Col. No. 16) and 54 cases (Col. No. 18) had other valid explanations.

In 11 cases (Col. No. 20) constituting 4.07 *per cent* the Department’s reply is not acceptable to the Audit and rebutted accordingly. In 44 cases (Col. No. 22), constituting 16.30 *per cent*, though the Department did not accept the deviations pointed out by Audit, their contention was not borne out by evidence, and was thus not amenable to verification by Audit. In the remaining 41 cases (Col. No. 24) audit observation was under examination by the Department.

Audit also noticed turnover related mismatches (**Appendix 2.6B**), in 16 cases {(Col. No. 4) of Table 2.9(b)}. Of these, in two cases (Col. No. 10), constituting 12.50 *per cent* the Department had initiated/taken action on the audit observations. In five (31.25 *per cent*) cases (Col. No. 14 and Col. No. 18) replies were acceptable to Audit. In five cases (Col. No. 22), constituting 31.25 *per cent* the Department had not provided relevant documents in support of their contention; hence reply could not be verified. In the remaining four cases (Col. No. 24) audit observation was under examination.

A few high value illustrative cases from each dimension are given 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.

In order to analyse the veracity of ITC availed, relevant data was extracted from GSTR-3B and GSTR-2A for the period 2018-19 to 2020-21, and the

ITC available as per suppliers' details was matched with the ITC credit availed by the taxpayer. The methodology adopted was to compare the ITC available as per GSTR-2A with all its amendments and the ITC availed in GSTR-3B in Table 4A(5) including 4(D) (blocked credits) and ITC availed in subsequent period as per Table 8C of GSTR-9.

Audit observed that in the case of taxpayer (GSTIN: 30XXXXXXXXXX1Z5) under Mapusa ward, the ITC available as per GSTR 2A (with all its amendments) was ₹ 172.50 crore and ₹ 184.41 crore for the year 2018-19 and 2019-20 respectively and ITC availed in GSTR3B {Table 4A (5) including 4(D) blocked credits of GSTR-3B and ITC claimed in subsequent period as per Table 8C of GSTR-9} was ₹ 178.23 crore and ₹ 212.00 crore for the year 2018-19 and 2019-20 respectively. This resulted in mismatch of ITC availed amounting to ₹ 5.73 crore and ₹ 27.59 crore for the year 2018-19 and 2019-20 respectively.

On this being pointed out (September 2023), the Department replied (September 2024) that demand order under Section 73 for ₹ 4.05 crore was issued for FY 2018-19 and an appeal against the demand was filed by the taxpayer which was pending. Case for FY 2019-20, was selected for audit, and a show cause notice was issued on 30/05/2024 and proceedings were ongoing. Further progress in this regard was awaited (September 2024).

(ii) ITC passed on without supplier remitting tax

In order to analyse the extent of compliance of ITC availment under Section 16(4) of the GGST Act, the relevant data from GSTR-9 particularly pertaining to Table 8A of GSTR-9 was compared with the ITC data reflected in GSTR-2A. While GSTR-2A is generated based on the disclosures made by the suppliers in their GSTR-1, Table 8A of the GSTR-9 is auto-populated from Tables 3, 4, 5 and 6 of the GSTR-2A (Tables 3 and 5 of the old GSTR-2A format) and considers GSTR-2A as available on 31 October of the following financial year.

Audit observed in the case of a taxpayer (GSTIN: 30XXXXXXXXXX1ZD) under Vasco ward, that ITC available as per GSTR-2A was ₹ 32.12 crore, ₹ 25.16 crore and ₹ 21.69 crore for the year 2018-19, 2019-20 and 2020-21 respectively and ITC as per Table 8A of GSTR-9 was ₹ 29.74 crore, ₹ 25.00 crore and ₹ 21.21 crore for the year 2018-19, 2019-20 and 2020-21 respectively. This resulted in mismatch of ITC between GSTR-2A and GSTR-9 return, amounting to ₹ 2.38 crore, ₹ 0.16 crore and ₹ 0.48 crore for the years 2018-19, 2019-20 and 2020-21 respectively.

On this being pointed out (August 2023), the Department replied (September 2024) that the taxpayer was assessed for the year 2018-19 and

2019-20 and demand orders (DRC-07) under Section 73 was issued, verification had been initiated for the year 2020-21.

Further progress in this regard was awaited (September 2024).

(iii) ITC availed in GSTR-3B filed after the cut-off period

GST Act provides for availing of ITC only till the due date of furnishing GSTR-3B for the month of September following the end of the financial year to which such ITC pertains or furnishing of relevant Annual Return, whichever is earlier. Accordingly, if any GSTR-3B is furnished after such time, ITC availed therein becomes inadmissible.

In order to review the extent of excess/irregular ITC availed on this account, instances of ITC availed through Table 4 of GSTR-3Bs pertaining to 2018-19, 2019-20 and 2020-21 filed by the taxpayer beyond the due dates of September GSTR-3B return of the following year were identified.

Audit observed in the case of a taxpayer (GSTIN: 30XXXXXXXXXX1ZL) under Panaji ward, that the taxpayer had availed ITC amounting to ₹ 3.07 crore on the GSTR-3B returns for the period August 2019 to March 2020 filed between November 2019 to October 2020 and ₹ 2.01 crore on the GSTR-3B returns for the period November 2020 to March 2021 filed between January 2022 to March 2022. The GSTR3B returns for the said period were filed after limitation period *i.e.* after 31 October 2020 and 31 October 2021 for the year 2019-20 and 2020-21 respectively.

On this being pointed out (August 2023), the Department replied (September 2024) that the taxpayer was assessed for 2019-20, and the DRC-01 was issued. The 2020-21 case will be verified, and the outcome will be intimated to the Audit. Further progress in this regard was awaited (September 2024).

(iv) Incorrect availing of ISD credit

In order to check whether the ITC availed by the taxpayer was in excess of that transferred by the ISD, the ITC availed as declared in the returns of the taxpayer was compared with the ITC transferred by the ISD(s) in their GSTR-6s.

The methodology adopted was to compare GSTR-9 Table 6G (net of Table 7B) with the sum of Table 5A, Table 8A, and Table 9A (considering adjustments) of GSTR-6 for respective GSTINs. In cases where Table 7B was null, Table 7H values were considered. In cases where GSTR-9 was not available, GSTR-3B Table 4(A)(4) {net of Table 4(B)(2)} was compared with the sum of Table 5A, Table 8A and Table 9A (considering adjustments) of GSTR-6 for respective GSTINs.

Audit observed in the case of a taxpayer (GSTIN:30XXXXXXXXXX1ZW) under Panaji ward, that the ITC

availed in Table 6G (net of reversal in Table 7H) of GSTR-9 was ₹ 1.59 crore for the year 2020-21, the ITC distributed by the ISD in Table (5A+8A+9A) of GSTR-6 was ₹ 0.98 crore for the year 2020-21. This resulted in excess availing of ITC by recipient under ISD mechanism, amounting to ₹ 0.61 crore.

On this being pointed out (September 2023), The Department replied (September 2024) that the case was marked for audit under Section 65 of the GGST Act, 2017 and Audit observation had been forwarded to the concerned Assessing Authority for further necessary action in the matter. Further progress in this regard was awaited (September 2024).

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

Under RCM, 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 GGST Act, 2017 and under Sub-section (3) or Sub-section (4) of Section 5 of the IGST Act, 2017.

In order to analyse the veracity of tax paid under RCM, the datasets in GSTR-3B and annual return GSTR-9 pertaining to RCM was compared to check whether the tax has been discharged fully on the activities/transactions under RCM. In cases where GSTR-9 was filed, the RCM payments in Table 4G was compared with ITC availed in Table 6C, 6D and 6F of GSTR-9. In cases where GSTR-9 was not available, RCM payments in GSTR-3B Table 3.1(d) were compared with GSTR-3B Table 4(A)(2) and 4A(3).

Audit observed in the case of a taxpayer (GSTIN: 30XXXXXXXXXX1ZP) under Panaji ward, that the tax paid under RCM, as reported in Table 4G of GSTR-9 was Zero for the year 2019-20, while the ITC availed declared in Table 6C+6D+6F of GSTR-9 was ₹ 1.56 crore for the year 2019-20. This resulted in mismatch of tax paid under RCM amounting to ₹ 1.56 crore for the year 2019-20.

On this being pointed (August 2023), the Department replied (September 2024) that the order u/s 73 was issued to the taxpayer. Further progress in this regard was awaited (September 2024).

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

To review the extent of mismatch in tax paid reported in the Annual Return *vis-à-vis* the Financial Statements, the relevant datapoints pertaining to Table 9 of the GSTR-9C reconciliation statement submitted by the taxpayer as required under Rule 80(3) of GGST Rules for the years 2018-19 to 2020-21 was analysed at data level.

Table 9 of GSTR-9C attempts to reconcile the tax paid by segregating the turnover rate-wise and comparing it with the tax discharged as per annual return GSTR-9. The unreconciled amounts could potentially indicate tax levied at incorrect rates, incorrect depiction of taxable turnover as exempt or incorrect levy of CGST/SGST/IGST. There can also be situations, wherein supplies/tax declared, are reduced through amendments (net of debit notes/credit notes) in respect of the transactions carried out in the subsequent year from April to September. In order to rule out the possibility of incorrect disclosure of the tax paid amount in GSTR-9C, the amount was also compared with actual tax payment details in GSTR-9.

Audit observed in the case of a taxpayer (GSTIN: 30XXXXXXXXXX1Z4) under Mapusa ward, that there was a mismatch amounting to ₹ 2.54 crore between the tax payable (Table 9P of GSTR-9C) as per the books of accounts and actual tax paid (Table 9Q of GSTR-9C) as per annual returns (Table 9R of GSTR-9C) for the year 2020-21.

On this being pointed out (August 2023), the Department replied (September 2024) that scrutiny/verification of the same was under process. Once the case records of the taxpayer are scrutinised and verified, outcome along with action taken report will be intimated to audit in due course. Further progress in this regard was awaited (September 2024).

(vii) Mismatch of ITC availed between Annual returns and Books of accounts

In order to review the extent of identified mismatch in ITC availed, figures reported in the Annual Return *vis-à-vis* the Financial Statements, the relevant datapoints pertaining to Table 12 of the GSTR-9C reconciliation statement submitted by the taxpayer as required under Rule 80(3) of GGST Rules, for the years 2018-19 to 2020-21 were analysed at data level.

Table 12F of form GSTR-9C captures the unreconciled ITC between the annual return GSTR-9 and that declared in the Financial Statements for the year after the requisite adjustments. Table 12 deals with three aspects of ITC, ITC accounted in the books of accounts (Booked), ITC claimed in returns/ECL (Availed) and ITC utilised for payment (Utilised). Though there is no restriction on utilising the ITC, the GST law imposes a restriction on the time period to avail the ITC. The unreconciled amount in Table 12F where the ITC claimed in GSTR-9 is more than ITC availed in Financial Statements indicates excess availing of ITC. Since the taxpayer has been provided with an option not to fill the table 12B and 12C of GSTR-9C, only those cases where at least there was one entry in Table 12B to 12E, were considered.

Audit observed in the case of a taxpayer (GSTIN: 30XXXXXXXXXX1ZO) under Margao ward, that there was unreconciled ITC as per Table 12F of

GSTR-9C of ₹ 0.94 crore for the period 2018-19 to 2020-21, between ITC availed as per Annual Financial Statements and ITC claimed in Annual Return (GSTR-9). This resulted in mismatch of ITC amounting to ₹ 0.94 crore.

On this being pointed out (September 2023), the Department replied (September 2024) that for the year 2018-19, the difference was due to not mentioning of IGST credit of the year 2018-19 on import of goods in Table 6E of GSTR-9 of 2018-19, as clarified vide press release dated 04 June 2019. Also, the same was examined and found acceptable by the Department. For the year 2019-20, SCN (DRC-01) was issued (30/05/2024) for the FY 2019-20. For the year 2020-21, Audit enquiry was marked to proper officer. Further progress in this regard was awaited (September 2024).

(viii) Unsettled liabilities

In order to analyse the undischarged tax liability, relevant data was extracted from GSTR-1, and GSTR-9 for the years 2018-19 to 2020-21, 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 made. The amendments and advance adjustments declared in GSTR-1 and GSTR-9 were also considered for this purpose. For identification of mismatch, Tables 4 to 11 of GSTR-1 and Tables 4G, 4N, 10, and 11 of GSTR-9 were considered. The greater of tax liability between GSTR-1 and GSTR-9 was compared with the tax paid declared in Tables 9 and 14 of GSTR-9 to identify the short payment of tax. In the case of GSTR-3B, Tables 6.1 *minus* Table 3.1(d) were taken into account.

Audit observed in the case of a taxpayer (GSTIN: 30XXXXXXXXXX1Z5) under Margao Ward, that the taxpayer had declared a liability of ₹ 10.95 crore (excluding RCM liability) in his GSTR-1 returns for the year 2018-19 while the tax liability as per GSTR-3B for the year 2018-19 was ₹ 1.60 crore. The greater liability as per GSTR-1 was ₹ 10.95 crore. However, tax liability discharged as per GSTR-3B was ₹ 1.60 crore. This resulted in mismatch between tax liability and tax payment of ₹ 9.35 crore for the year 2018-19.

On this being pointed out (August 2023), the Department replied (September 2024) that the NCLT¹⁹ Mumbai, initiated Corporate Insolvency Resolution Process (CIRP) against the taxpayer on 14/12/2018, imposing a moratorium on legal proceedings. On 16/12/2020, NCLT ordered the liquidation of the taxpayer. The department had filed a claim with the

¹⁹ NCLT-National Company Law Tribunal

liquidator for dues amounting to ₹ 89.62 crore, including tax, interest, and penalties. Further progress in this regard was awaited (September 2024).

(ix) Suppression of tax liability based on e-way bill verification

To analyse the extent of short-payment of tax, relevant data related to tax liability declared in GSTR-3B for the years 2018-19, 2019-20 and 2020-21 was compared with disclosures made in e-way bill. For identification of mismatch, the cases where tax payable as per Table 3.1(a)+3.1(b) of GSTR-3B, were less than the tax liability declared in the e-way bills were chosen.

Audit observed in the case of a taxpayer (GSTIN: 30XXXXXXXXXX1Z5) under Margao ward, that the tax liability as per Table 3.1(a)+3.1(b) of GSTR-3B returns was ₹ 1.60 crore and zero for the year 2018-19 and 2019-20 respectively. However, the tax liability as per the e-way bills was ₹ 9.31 crore and ₹ 0.27 crore for the year 2018-19 and 2019-20 respectively. This resulted in mismatch of tax liability to the tune of ₹ 7.71 crore and ₹ 0.27 crore for the year 2018-19 and 2019-20 respectively.

On this being pointed out (August 2023), the Department replied (September 2024) that the NCLT Mumbai, initiated CIRP against the taxpayer on 14/12/2018, imposing a moratorium on legal proceedings. On 16/12/2020, NCLT ordered the liquidation. The department had filed a claim with the liquidator for dues amounting to ₹ 89.62 crore, including tax, interest and penalties.

Further progress in this regard was awaited (September 2024).

(x) GSTR-3B was not filed but GSTR-1 is available

At the data level, attempt was made to identify those taxpayers who did not file GSTR-3B but filed GSTR-1. GSTR-3B return is the instrument through which the liability is discharged, and ITC is availed. The very availability of GSTR-1 and non-filing of GSTR-3B indicates that the taxpayers had undertaken/carried on the business during the period but did not discharge their tax liability. It may also include cases of irregular passing on of ITC. All these cases, therefore, warrant investigation.

Audit observed in the case of a taxpayer (GSTIN: 30XXXXXXXXXX1ZD) under Mapusa ward, that the taxpayer had filed his GSTR-1 returns for the period from October 2018 to September 2020 and disclosed a net liability of ₹ 1.46²⁰ crore for the same. However, the liability was not discharged by the taxpayer as GSTR-3B returns for the period October 2018 to September 2020 were not filed by the taxpayer.

²⁰ Tax liability was ₹ 0.39 crore, ₹ 0.75 crore and ₹ 0.32 crore for the years 2018-19, 2019-20 and 2020-21 respectively.

On this being pointed out (September 2023), the Department replied (September 2024) that for the year 2018-19, the taxpayer had paid partial amount of ₹ 0.08 crore, and for the remaining amount of 2018-19 and amount of 2019-20, demand order (DRC-07) was issued. For the year 2020-21, the case was marked for enforcement action under Section 67 of GGST Act, verification was under process and the outcome would be intimated. Further progress in this regard was awaited (September 2024).

(xi) Non/Short payment of interest

Section 50 of the GGST Act 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 2018-19 to 2020-21 was identified through the tax paid details in GSTR-3B and the date of filing of the GSTR-3B. The due date of filing of GSTR-3B for the respective months (including any extension provided) and the actual date of filing of GSTR-3B has been taken into account to calculate the interest liability and the net tax liability (cash component) has been considered to work out the interest payable.

All the relaxations, and reduced rate of interest extended to the industries during the COVID-19 Phase I from January to April 2020 and Phase II for March 2021 returns have been considered while working out the interest component. The interest is worked out to the extent the records were made available to Audit. As, for the supplies made prior to the tax period and declared in the return for the said tax period, the interest is to be discharged on the entire tax component. Due to the non-availability of such bifurcation, the interest on such supplies have also been worked out on the cash component.

Audit observed in the case of a taxpayer (GSTIN: 30XXXXXXXXXX1Z7) under Mapusa ward, that the taxpayer had filed his GSTR-3B returns for the period from April 2018 to March 2021 with a delay ranging from 197 days to 769 days for which the taxpayer was liable to pay interest amounting to ₹ 0.50 crore and ₹ 0.42 crore and ₹ 0.002 crore for the year 2018-19, 2019-20 and 2020-21 respectively.

On this being pointed out (September 2023), the Department replied (September 2024) that for the year 2018-19 demand order (DRC-07) under Section 73 had been issued for ₹ 0.45 crore for the year 2019-20, SCN (DRC-01) for ₹ 0.89 crore had been issued and for the year 2020-21, scrutiny was in progress, and the outcome would be intimated to Audit. Further progress in this regard was awaited (September 2024).

(xii) Composition taxpayers also availing E-Commerce facility

As per Section 10(2)(d) of the GGST Act, 2017, a registered taxpayer cannot be eligible for composition levy if he is engaged in making supplies through an e-commerce operator who is required to collect tax at source under Section 52.

At the data level, attempt was made to identify those composition taxpayers who had made their supplies through e-commerce. The datasets pertaining to GSTR-8 filed by the e-commerce operators and CMP-08 filed by the composition taxpayers were compared to check whether the recipient GSTINs mentioned in GSTR-8 also filed CMP-08. Apart from irregularly availing the benefit of composition levy, it was also noticed that the turnover as declared by the e-commerce provider in the GSTR-8 returns pertaining to most of these taxpayers was more than the turnover declared by the taxpayers in their CMP-08 for composition levy and there may also be a likelihood of short payment of tax.

Audit observed in the case of a taxpayer (GSTIN: 30XXXXXXXXXX1ZE) under Margao ward, that the taxpayer was availing composition levy, despite making supplies through e-commerce operator. It was also noticed that the turnover of ₹ 0.47 crore as declared by the e-commerce operators in their GSTR-8 returns for the year 2020-21 (August 2020-March 2021) was more than the turnover of ₹ 0.18 crore declared by the taxpayer in his CMP-08 returns for the year 2020-21, for composition levy.

On this being pointed out (August 2023), the Department replied (September 2024) that ASMT-10 had been issued (13/10/2023). Further progress in this regard was awaited (September 2024).

(xiii) Under-declaration of taxable supplies by comparing TDS returns

TDS and TCS details are declared in GSTR-7 and GSTR-8 respectively and communicated to the registered person in Table 9 of GSTR-2A. Cases where the taxable value declared on account of outward taxable supplies (other than zero rated, nil rated and exempted) in GSTR-3B were less than the net amount liable for TCS and TDS credit as per Table 9 of GSTR-2A, have been identified.

Audit observed in the case of a taxpayer (GSTIN: 30XXXXXXXXXX1ZP) under Panaji Ward, that suppression of taxable value amounting to ₹ 23.97 crore was identified through TDS declaration for the year 2020-21, as the taxable value of outward supplies (other than zero rated, nil rated and exempted), amounting to ₹ 0.24 crore, declared in his GSTR-3B returns for the year 2020-21, was less than the net amount of ₹ 24.22²¹ crore, liable for

²¹ ₹ 48,43,535.50 X 100/2 = ₹ 24,21,76,775

TDS credit, as per Table 9 of GSTR-2A, for the year 2020-21. Since the taxpayer may have made other supplies also which do not necessitate TDS recovery, the Department may examine in detail all such cases to rule out any loss of revenue.

On this being pointed out (August 2023), the Department replied (September 2024) that the case was selected for assessment u/s 65 of the GGST Act. Further progress in this regard was awaited (September 2024).

2.2.7.4 Analysis of causative factors

Considering the Department's response to the 286 identified data deviations/inconsistencies, the factors that caused the data deviations/inconsistencies are as follows:

A. Deviations from GST law and rules-accepted or action initiated by Department

Out of the 286 deviations where replies were received, the Department has issued demand orders or recovered the amount in 54 cases. Further, the Department issued show cause notices in 25 cases, initiated action or issued notice conveying discrepancies to the taxpayer in form ASMT-10 in 32 cases.

An illustrative case is given below:

Audit observed in the case of a taxpayer (GSTIN: 30XXXXXXXXXX1Z1) under Panaji ward, that there was a mismatch amounting to ₹ 0.15 lakh, ₹ 2.27 crore and ₹ 0.01crore between the tax payable as per the books of accounts and the tax paid as per annual returns (Table 9R of GSTR-9C) for the period 2018-19, 2019-20 and 2020-21 respectively.

On this being pointed out (August 2023), the Department replied (September 2024) that for the year 2018-19, the difference of ₹ 0.15 lakh was due to excess tax paid for the year 2017-18, which was adjusted during the year 2018-19. For the year 2019-20, DRC-01 had been issued. The case for the year 2020-21 shall be verified and the outcome shall be intimated to the Audit.

Further progress in this regard was awaited (September 2024).

B. Cases where department's reply was not tenable

Out of the 286 compliance deviations to which the Department had replied, replies in 11 cases amounting to ₹ 39.35 crore were not tenable.

An illustrative case is given below:

Audit observed in the case of a taxpayer (GSTIN: 30XXXXXXXXXX1ZZ) under Margao ward, that the ITC available as per GSTR-2A (with all its amendments) was ₹ 12.62 crore and ₹ 15.83 crore for the year 2018-19 and

2020-21 respectively and ITC availed in GSTR-3B in Table 4A (5) including 4(D) (blocked credits) and ITC availed during subsequent period from Table 8C of GSTR-9 was ₹ 18.98 crore and ₹ 19.32 crore for the years 2018-19 and 2020-21 respectively. This resulted in mismatch of ITC availed amounting to ₹ 6.36 crore and ₹ 3.49 crore for the year 2018-19 and 2019-20 respectively.

On this being pointed out (September 2023), the Department replied (September 2024) that for the year 2018-19, ITC of ₹ 5.70 crore towards SEZ imports, ₹ 0.06 crore towards ITC-RCM paid and ₹ 0.20 crore towards ISD credit were received, which were not reflected in the GSTR-2A. And for wrongly availed ITC of ₹ 0.42 crore, DRC-07 had been issued (25/04/2024). The case records of the taxpayer were under verification for the year 2020-21.

The reply is not tenable as the ITC mismatch arrived at by Audit excluded the ITC under RCM, ITC from ISD credit and ITC from SEZ imports, as only ITC under Table 4A(5) of GSTR-3B was considered. The Department needs to re-examine the case and issue the notice accordingly.

The case for the year 2020-21 was under verification. Further progress in this regard was awaited (September 2024).

C. Data entry errors by taxpayers

Out of 286 cases where Department's reply was received, in five cases, the Department intimated that mismatches were due to data entry error which did not have any revenue implication.

An illustrative case is given below:

Audit observed in the case of a taxpayer (GSTIN: 30XXXXXXXXXX1Z1) under Ponda ward, that the tax paid under RCM as reported in Table 4G of GSTR-9 was ₹ 0.29 crore for the year 2019-20 while the ITC availed declared in Table 6C+6D+6F of GSTR-9 was ₹ 5.14 crore for the year 2019-20. This resulted in short payment of tax under RCM amounting to ₹ 4.85 crore for the year 2019-20.

On this being pointed out (August 2023), the Department replied (September 2024) that the deviation is due to the fact that the amount as stated in GSTR-9, Table 6F (₹ 4.85 crore) was erroneously shown under Import of services instead of Import of goods under Table 6E. The taxpayer was informed and the taxpayer had filed statement of IGST credit availed on import of goods along with bill of entry number. Further it was stated that the above error was also clarified in GSTR-9C.

2.2.8 Detailed audit of GST returns

Apart from identifying inconsistencies/deviations in GST returns through data analysis, detailed audit of GST returns was also conducted as part of

this SSCA. A risk-based and parameter-based sample of 15 taxpayers²² were selected. The methodology adopted was to initially conduct a desk review of GST returns and financial statements filed by taxpayers as part of GSTR-9C and other records available in the back-end system to identify potential risk areas, inconsistencies/deviations and red flags and then accessing taxpayers' records through wards for evaluation of tax compliance. Audit identified the risks related to excess availment of ITC and undischarged tax liability and non or short payment of interest for detailed examination. On the ITC dimension, the mismatches were identified by comparing GSTR-2A, GSTR-3B with and GSTR-9. On the tax liability dimension, the mismatches were identified by comparing GSTR-3B with GSTR-1 and GSTR-9 and for non or short payment of interest, interest was calculated on account of delay in filing of GSTR-3B, delayed payment of tax *vide* DRC-03, interest on tax payable on account of non-receipt of goods sent for job work and interest on reversal of excess ITC utilised.

2.2.8.1 Scope limitation (non-production of records)

Based on desk review results, audit requisitioned corresponding granular records of taxpayers such as financial statements, invoices (outward and inward supplies), stock accounts of purchases, *etc.* to evaluate compliance by taxpayers.

However, in 14 out of 15 cases, the Department did not produce the corresponding granular records and in one case²³, produced only partial records. The case-wise listing of non-production is given in **Appendix 2.7**. The matter was brought to the notice (November to December 2023) of the Department by Audit. In response, the Department stated (September 2024) that all the records were called for under Section 151 of the GGST Act, 2017 in respect of 15 selected taxpayers and were made available to the audit. The reply of the Department is not correct as records were either not produced during the audit or produced partially on later dates.

Thus, due to non-production of records, audit was constrained in the conduct of the detailed audit of deviations relating to discharge of tax liability and availment of ITC. These deviations, noticed from the returns filed by the taxpayers are reported as 'Mismatch', in **paragraphs 2.2.8.3(i), 2.2.8.4(i) and 2.2.8.4 (ii)**.

²² Panaji (8), Margao (3), Mapusa (1), Vasco (2) and Ponda (1)

²³ Mapusa Ward

2.2.8.2 Filing of returns

(i) Non/short payment of interest on account of delayed filing of GSTR-3B returns

Section 50 (1) and (2) of GGST Act, 2017, provides that every person who is 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 prescribed²⁴, shall for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest at such rate, not exceeding eighteen *per cent*, as may be notified by the Government on the recommendations of the Council.

The extent of non/short payment of interest on account of delayed remittance of tax during 2018-19 to 2020-21 was identified using the tax paid details and the date of filing of the GSTR-3B. Only the net tax liability (cash component) was considered to work out the interest payable.

Audit observed that in two cases, constituting 13.33 *per cent* of the 15 selected cases, taxpayers had filed their GSTR-3B returns with a delay ranging from 01 day to 184 days. However, the interest liability of ₹ 0.85 lakh for delayed filing of returns was not discharged/short-discharged as detailed in **Appendix 2.8**. On being pointed out (October to December 2023), the department stated that interest had been recovered from both the taxpayers.

An illustrative case is featured below:

A taxpayer (GSTIN: 30XXXXXXXXXX1ZD), under Panaji ward had filed his GSTR-3B returns for the period 2018-19 to 2020-21 with a delay ranging from 01 day to 36 days and paid the tax dues by debiting the electronic credit and cash ledger. However, interest amounting to ₹ 0.76 lakh was not paid by the taxpayer.

On this being pointed out (October 2023), the Department stated (September 2024) that the taxpayer had paid (December 2023) the interest and furnished the DRC-03.

(ii) Non-payment of interest on delayed payment of additional tax liability (DRC-03)

The extent of non-payment of interest on account of delayed payment of tax was identified using the tax paid *vide* DRC-03 after filing GSTR-3B and GSTR-9. Only the tax paid with delay by debiting electronic cash ledger was considered to work out the interest payable.

Audit observed from the annual return of the taxpayer (GSTIN: 30XXXXXXXXXX4ZG) under Panaji ward that the taxpayer declared his

²⁴ 20th day of succeeding month

tax liability (excluding tax liability under RCM) of ₹ 1.31 crore in Table 5N of GSTR-9 for the year 2018-19, whereas tax liability of only ₹ 1.20 crore was discharged by debiting his electronic ledgers (₹ 0.72 crore from electronic credit ledger and ₹ 0.48 crore from electronic cash ledger). Further, the differential amount of tax amounting to ₹ 0.11 crore was paid by the taxpayer by debiting electronic cash ledger *vide* DRC-03 dated 23/12/2020 after a delay of 609 days (*i.e.* from 23/04/2019 to 22/12/2020). Though the taxpayer was liable to pay interest on the delayed payment of tax as required under section cited *supra*, no interest was paid. The amount of interest payable worked out to ₹ 0.03 ²⁵crore.

On this being pointed out (November 2023), the Department stated (September 2024) that the observation will be verified and outcome would be intimated. Further progress in this regard was awaited (October 2024).

(iii) Short payment of tax liability and non-payment of interest on non-receipt of goods sent for job work

As per Sub-section (1) of Section 143 of GGST Act, 2017 a registered person (referred to as the “principal”) may under intimation and subject to such conditions as may be prescribed, send any inputs or capital goods, without payment of tax, to a job worker for job work and from there subsequently send to another job worker.

As per Sub-section (3) of Section 143 of GGST Act, 2017 read with Rule 45(4) of GGST Rules, 2017 where the inputs sent for job work are not received back by the principal after completion of job work or are not supplied from the place of business of the job worker within a period of one year of their being sent out, it shall be deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were sent out and the principal shall be liable to pay the tax along with applicable interest. Further, as per Rule 45(3) of GGST Rule 2017, the details of challans in respect of goods dispatched to a job worker or received from a job worker or sent from one job worker to another during a quarter shall be included in Form GST ITC-04 furnished for that period on or before the twenty-fifth day of the month succeeding the said quarter.

Audit scrutiny of ITC-04 returns filed by one taxpayer (GSTIN: 30XXXXXXXXXX1ZR) under Margao ward revealed that the taxpayer sent goods to job worker during 2018-19 to 2020-21. However, details of goods returned such as challan number, date, quantity and taxable value, was not mentioned in ITC-04.

Audit sought (October 2023) challan wise receipt of goods from the STO, Margao. The STO, Margao, furnished (October 2023) the copy of representation filed by the taxpayer in response to audit observation where

²⁵ ₹ 0.11 crore X 18 per cent X (609/365) = ₹ 0.03 crore

the copy of taxpayer's representation (May 2021) to the Commissioner of State Tax (CST) for extension of timeline for inputs which were not received in time from the job workers and the order (June 2023) of the CST, dismissing the extension sought by the taxpayer. The CST, *vide* the said order, instructed the taxpayer to discharge the tax liability arising from the supply of inputs from the respective dates, when goods were sent for job work. In compliance with the said instruction, the taxpayer discharged ₹ 12.45 lakh for the F.Y. 2019-20 and 2020-21 *vide* two DRC-03 dated 07/07/2023.

Audit further observed (December 2023) that the taxpayer did not discharge the tax liability of ₹ 3.78 lakh for F.Y. 2018-19 and did not discharge interest liability amounting to ₹ 9.40 lakh on account of delay in receipt of goods from job worker for the F.Y. 2018-19 to 2020-21.

On this being pointed out (December 2023), the Department stated (September 2024) that the taxpayer discharged the tax liability of ₹ 3.78 lakh through DRC-03 dated 28/12/2023, and interest liability of ₹ 9.40 lakh *vide* DRC-03 dated 22/12/2023.

(iv) Non-payment of interest on reversal of excess ITC utilised

As per Section 50 (3) of the GGST Act, 2017 a taxable person who makes an undue or excess claim of input tax credit under sub-Section (10) of Section 42 or undue or excess reduction in output tax liability under Sub-section (10) of Section 43, shall pay interest²⁶ on such undue or excess claim or on such undue or excess reduction, as the case may be. Section 128A of GGST Act, 2017 provides for waiver of interest or penalty or both relating to demands raised under Section 73 for the period from 01 July 2017 to 31 March 2020, subject to filing of request by the taxpayer and verification of the same by the tax officer.

Audit observed (November 2023) from scrutiny of electronic credit ledger of one taxpayer (GSTIN: 30XXXXXXXXXX1Z4) under Vasco ward, that the taxpayer for the period 2018-19 and 2019-20 made voluntary payment of ₹ 59.12 lakh and ₹ 19.11 lakh for the F.Y. 2018-19 and 2019-20 respectively through DRC-03 dated 29/07/2021 on account of excess utilisation of ITC.

The taxpayer reversed only the excess utilised ITC and did not pay the interest payable at the applicable rate on the excess ITC utilised that was reversed belatedly, as required under Section cited *supra*.

Audit sought (November 2023) month-wise details of availment and utilisation of ITC which was reversed *vide* the above-mentioned DRC-03,

²⁶ As per notification dated 08 June 2022, rate of interest was revised from 24 *per cent* to 18 *per cent* with retrospective effective from 01 July 2017.

in order to ascertain the adequacy of ITC reversal made by the taxpayer. Records were however not provided.

The interest liable to be recovered from the taxpayer worked out to ₹ 28.51 lakh.

On this being pointed out (November 2023), the Department stated (September 2024) that with insertion of Section 128A in Central Goods and Service Tax Act, which provides for the waiver of interest and penalty in respect of F.Y. 2017-18, 2018-19 and 2019-2020, the taxpayer was not liable to pay interest.

The reply is not acceptable as Goa circular No. 31/2024-25-GST dated 01 November 2024 envisages that waiver of interest under Section 128A is available only if demand is raised under Section 73 of GGST Act, 2017 and thereafter, request of waiving off of interest is submitted by the taxpayer in form SPL-01, which is subject to verification by the tax officer. Since the procedure for waiving off interest was not followed, the undischarged liability of interest of ₹ 28.51 lakh stood recoverable from the taxpayer.

2.2.8.3 Utilisation of ITC

Input Tax Credit (ITC) refers to 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 the cascading effect of taxes, credit of taxes paid on inward supplies can be used to set-off for payment of taxes on outward supplies.

GSTR-2A is a purchase related dynamic 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.

(i) Mismatch in ITC availment

Audit analysed GSTR-2A returns of the selected taxpayers along with GSTR-3B, GSTR-9 and GSTR-9C returns filed by the taxpayers and noticed mismatches between ITC availed and ITC available under RCM, ISD, import of goods and all other ITC claimed in the returns. However, facts and figures of the returns could not be ascertained due to non-production of granular records like purchase invoices, purchase register and suppliers' ledger, ISD invoices, bills of entries, etc. The details of mismatches of ITC noticed in returns are enumerated in **Table 2.10**.

Table 2.10: Mismatch in ITC claimed by the taxpayers

Sl. No.	Parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)	Remarks
1	Mismatch of ITC between GSTR-2A and GSTR-3B returns: ITC available as per GSTR-2A with all its amendments was compared with the ITC availed in GSTR-3B in Table 4A(5) ²⁷ considering ineligible ITC in Table 4D and including the ITC availed in the subsequent years as per Table 8C of GSTR-9. (APPENDIX 2.9)	12	4	195.61	<p>In one case²⁸, the Department stated (September 2024) that excess availment of ITC of ₹ 1.08 crore is on account of: a) claim of ITC amounting to ₹ 3.78 lakh under other ITC instead of ITC under RCM; b) excess claim of ITC amounting to ₹ 22.26²⁹ lakh and c) Classification error by the Maharashtra branch of the taxpayer as the Maharashtra branch of the taxpayer, instead of treating branch transfer under IGST, erroneously treated the goods as local sales and discharged CGST and SGST to the tune of ₹ 82.34 lakh in the State of Maharashtra, and therefore, it is revenue neutral. However, STO stated (October 2024) that the taxpayer had paid IGST to the tune of ₹ 82.34 lakh to rectify the classification error.</p> <p>At the instance of audit, excess claim of ITC amounting to ₹ 22.26 lakh (December 2023) and ₹ 82.34 lakh (October 2024) on account of classification error have been recovered from the taxpayer.</p> <p>In three cases³⁰, the Department stated (September 2024) that the cases would be verified by the proper officer and the action taken would be intimated to audit.</p> <p>In two cases³¹, the Department stated (September 2024) that for year 2019-20, show cause notice (DRC-01) had been issued under Section 73 of the Act. In response, the taxpayer submitted a reconciliation statement. Reply for the year 2018-19 and 2020-21 was awaited.</p> <p>In one case³², the Department stated (September 2024) that for the year</p>

²⁷ All other ITC

²⁸ Sl. No. 5 of APPENDIX 2.9 (GSTIN: 30XXXXXXXXXX1ZD)

²⁹ ₹ 22.26 lakh (₹ 108.39 lakh – ₹ 82.35 lakh – ₹ 3.78 lakh)

³⁰ Sl. No. 1, 3 and 6 of APPENDIX 2.9 (GSTIN: 30XXXXXXXXXX1ZS, 30XXXXXXXXXX4ZG and 30XXXXXXXXXX1ZY)

³¹ Sl. No. 2 and 4 of APPENDIX 2.9 (GSTIN: 30XXXXXXXXXX1Z9 and 30XXXXXXXXXX1Z2)

³² Sl. No. 7 of APPENDIX 2.9 (GSTIN: 30XXXXXXXXXX1Z5)

Sl. No.	Parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)	Remarks
					<p>2019-20, the proper officer had issued DRC-07 to the taxpayer. Reply for the year 2018-19 and 2020-21 was awaited.</p> <p>In one case,³³ the Department stated (September 2024) that the audit observation was marked to the proper officer for assessment and adjudication under Section 73 of the Act.</p> <p>In one case³⁴, the Department stated (September 2024) that show cause notice (SCN) in GST DRC-01 for the F.Y. 2019-20 was issued to the taxpayer. As regards F.Y. 2020-21, verification of case records of the taxpayer was under process.</p> <p>In one case³⁵, the Department stated (September 2024) that for F.Y. 2018-19 and 2019-20, the case was scrutinised by the proper officer under Section 61 of GGST Act, 2017 and on verification of returns and compliance submitted by taxpayer, it was observed that ITC claimed in GSTR-3B return was much lower than GSTR-2A. Therefore, the proper officer dropped the proceedings. For F.Y. 2020-21, the Department stated that the case is selected for scrutiny u/s 61 of GGST Act, 2017 and outcome of the same would be informed.</p> <p>The reply of the department for F.Y. 2018-19 and 2019-20 is not acceptable as from the details furnished by the Department for the year 2019-20, it was observed that the proper officer did not adjust ITC under ISD for working out excess availing of ITC. Further progress in the verification for F.Y. 2020-21 was awaited.</p> <p>In one case³⁶, the Department stated (September 2024) that there is no excess availing of ITC. It was further stated that copies of invoices pertaining to 2017-18 claimed in 2018-19 are obtained</p>

³³ Sl. No. 8 of APPENDIX 2.9 (GSTIN: 30XXXXXXXXXX1Z8)

³⁴ Sl. No. 9 of APPENDIX 2.9 (GSTIN: 30XXXXXXXXXX1ZR)

³⁵ Sl. No. 10 of APPENDIX 2.9 (GSTIN: 30XXXXXXXXXX1ZN)

³⁶ Sl. No. 11 of APPENDIX 2.9 (GSTIN: 30XXXXXXXXXX2Z1)

Sl. No.	Parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)	Remarks
					and attached. However, documentary evidence was not found attached. In one case ³⁷ , the Department stated (September 2024) that excess availed ITC had been reversed by the taxpayer. However, documentary evidence was not provided.
2	Mismatch in ITC availed on import of goods: ITC availed in respect of import of goods in Table-6E of GSTR-9 was compared with the ITC available on account of import of goods in GSTR-2A. (APPENDIX 2.10)	4	3	57.97	In one case ³⁸ , the Department stated (September 2024) that the taxpayer had discharged the cess liability of ₹1.82 crore vide DRC-03, dated 24/05/2024 and IGST credit (import of goods) of ₹ 2.40 lakh pertaining to 2018-19 was availed in 2019-20 and ₹ 9.33 lakh pertained to forward charge credit and inadvertently availed under import of goods. Hence, IGST credit availed under import of goods was not in excess to the IGST credit available in GSTR-2A. The reply for the remaining amount could not be verified as documentary evidence in support of the reply was not furnished. In one case ³⁹ , the Department stated (September 2024) that DRC-01 u/s 73 of GGST Act, 2017 for the F.Y. 2018-19 and 2019-20 was issued to the taxpayer. In response to the SCN, the taxpayer submitted all the documents for F.Y. 2018-19 and the same had been verified. As regards F.Y. 2020-21, verification of case records of the taxpayer is under process. The reply of the department for the year 2018-19 could not be verified as copies of bill of entries were not furnished in support of the reply. Further progress in verification for F.Y. 2019-20 and 2020-21 along with documentary evidence was awaited. In one case ⁴⁰ , the Department stated (September 2024) that for F.Y. 2018-19, the case was selected for

³⁷ Sl. No. 12 of APPENDIX 2.9 (GSTIN: 30XXXXXXXXXX1Z4)

³⁸ Sl. No. 1 of (APPENDIX 2.10) (GSTIN: 30XXXXXXXXXX1Z9)

³⁹ Sl. No. 4 of (APPENDIX 2.10) (GSTIN: 30XXXXXXXXXX1ZR)

⁴⁰ Sl. No. 3 of (APPENDIX 2.10) (GSTIN: 30XXXXXXXXXX1ZN)

Sl. No.	Parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)	Remarks
					<p>scrutiny where the proper officer undertook the scrutiny of returns under Section 61 of GGST Act, 2017. It was further stated that the taxpayer submitted a detailed statement of the bill of entries not reflected in GSTR-2A.</p> <p>The reply is not acceptable as audit observation pertained to F.Y. 2020-21, but the department's reply pertained to F.Y. 2018-19.</p> <p>In one case⁴¹, the Department stated (September 2024) that the taxpayer had given reply which would be verified by the proper officer and necessary action would be initiated.</p> <p>Further progress in recovery of undischarged tax was awaited.</p>
3	Mismatch in ITC available and ITC availed as per Table 8D of GSTR-9: Table 8D of GSTR-9 captures the difference between ITC available as per GSTR-2A and that of availed as per GSTR-3B with subsequent period's adjustments. The negative figure in Table-8D of GSTR-9 indicates that ITC is availed in excess over eligible.	1 ⁴²	1	0.18	<p>The Department stated (September 2024) that for F.Y. 2018-19, the taxpayer has reversed wrongly availed ITC of ₹ 15.64 lakh in July 2019 returns and for the balance amount (₹ 1.71 lakh) of excess ITC availed, DRC-07 dated 26/04/2024 had been issued. For F.Y. 2020-21, verification of case records of the taxpayer is under process.</p> <p>The reply could not be verified as the Department did not provide supporting documents. Further progress in verification of excess availed ITC, for the year 2020-21 may also be intimated to audit.</p>
4	Mismatch in ITC availed on ISD: ITC availed in respect of Input Service Distributor in Table 6G of GSTR-9 was compared with the ITC available on account of ISD in GSTR-2A. (APPENDIX 2.11)	8	4	50.26	<p>In three cases⁴³, the Department stated (September 2024) that proper officers had issued DRC-01 for the year 2019-20 and for F.Y. 2020-21, verification is under process. In one⁴⁴ out of three cases, the taxpayer stated that due to technical glitch, ISD credit was not available in GSTR-2A and the taxpayer furnished GSTR-6 and ISD invoices. The proper officer had accepted the taxpayer's reply and dropped the proceedings. However, documentary evidence</p>

⁴¹ Sl. No. 2 of (APPENDIX 2.10) (GSTIN: 30XXXXXXXXXX1ZY)

⁴² GSTIN- 30XXXXXXXXXX1ZP

⁴³ Sl. No. 3, 5 and 6 of APPENDIX 2.11 (GSTIN: 30XXXXXXXXXX4ZG, 30XXXXXXXXXX1ZR and 30XXXXXXXXXX1ZP)

⁴⁴ Sl. No. 3 of APPENDIX 2.11 (GSTIN: 30XXXXXXXXXX4ZG)

Sl. No.	Parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)	Remarks
					<p>for pro-rata distribution of ITC was not provided.</p> <p>In one case⁴⁵, the Department stated (September 2024) that due to technical issues on the GST Portal, ITC amounting to ₹ 392 only was reflecting in Form GSTR-2A for the year 2018-19. It was further stated that the taxpayer submitted ISD invoices amounting to ₹ 50.97 lakh distributed to Goa Branch.</p> <p>However, documentary evidence for pro-rata distribution of ITC was not provided.</p> <p>In one case⁴⁶, the Department furnished the statement of ISD ITC availed in excess and short for the year 2018-19 along with GSTR-6 and tax invoices and stated (September 2024) that the taxpayer had given reply, which would be verified by the proper officer and necessary action would be initiated as per the provisions of the Act.</p> <p>The reply for the year 2018-19 could not be verified, as the working of pro-rata distribution of ITC was not provided. Action for the F.Y. 2019-20 and 2020-21 is awaited.</p> <p>In one case⁴⁷, the Department stated (September 2024) that for the year 2019-20, order under Section 73(9) had been issued (August 2024) to the taxpayer.</p> <p>Further progress in recovery of the tax dues for the F.Y. 2018-19, 2019-20 and 2020-21 is awaited.</p> <p>In one case⁴⁸, the Department stated (September 2024) that the difference is on account of the fact that ISD ITC pertaining to year 2017-18 was availed in the wrong head (CGST & SGST) and was reversed in the period April 2018 of the year 2018-19 and correctly availed under IGST for the period April 2018 of the year 2018-19.</p>

⁴⁵ Sl. No. 4 of APPENDIX 2.11 (GSTIN: 30XXXXXXXXXXXX1Z8)

⁴⁶ Sl. No. 1 of APPENDIX 2.11 (GSTIN: 30XXXXXXXXXXXX1ZS)

⁴⁷ Sl. No. 2 of APPENDIX 2.11 (GSTIN: 30XXXXXXXXXXXX1ZK)

⁴⁸ Sl. No. 7 of APPENDIX 2.11 (GSTIN: 30XXXXXXXXXXXX1ZN)

Sl. No.	Parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)	Remarks
					<p>The reply could not be verified as supporting documents were not provided.</p> <p>In one case⁴⁹, the Department stated (September 2024) that there is no excess availing of ITC under ISD mechanism with regard to IGST credit. However, there is excess availing of ITC under CGST and SGST of ₹ 0.71 lakh each. It was further stated that the taxpayer has paid the same <i>vide</i> DRC-03. However, supporting documents for IGST credit was not provided.</p>
5	Mismatch in ITC availed on RCM: ITC availed under RCM as per Table 6C+6D+6F of GSTR-9 was compared with the tax paid under RCM as per Table-6.1B of GSTR-3B. (APPENDIX 2.12)	3	2	0.22	<p>In two cases⁵⁰, the Department stated (September 2024) that the cases would be verified by the proper officer and necessary action would be initiated as per the provisions of the Act.</p> <p>In one case⁵¹, the Department stated (September 2024) that SCN along with GST DRC-01 is issued for the F.Y. 2019-20.</p> <p>Further progress in this regard was awaited.</p>
6	Mismatch in ITC availed between annual return and audited financial statements: Figures in Table 12F of GSTR-9C captures mismatch of ITC availed in annual return (GSTR-9) and audited financial statements (GSTR-9C). Reasons for mismatch in ITC (as per Table 12F of GSTR-9C) were examined. (APPENDIX 2.13)	2	2	3.50	<p>In one case⁵², the Department intimated (September 2024) that order had been issued (August 2024) by the proper officer under Section 73(9) of GGST Act, 2017 for the year 2019-20. Reply for the year 2020-21 was awaited.</p> <p>In the remaining one case⁵³, the Department stated (September 2024) that the taxpayer had already reversed ITC amounting to ₹ 0.50 crore in GSTR-3B for the month of August 2020.</p> <p>The reply was silent about verification of reversal made by the taxpayer and the remaining amount by the Department.</p>

⁴⁹ Sl. No. 8 of APPENDIX 2.11 (GSTIN: 30XXXXXXXXXX2Z1)

⁵⁰ Sl. No. 1 and 2 of APPENDIX 2.12 (GSTIN: 30XXXXXXXXXX1Z9 and 30XXXXXXXXXX1Z2)

⁵¹ Sl. No. 3 of APPENDIX 2.12 (GSTIN: 30XXXXXXXXXX1Z8)

⁵² Sl. No. 1 of APPENDIX 2.13 (GSTIN: 30XXXXXXXXXX1ZK)

⁵³ Sl. No. 2 of APPENDIX 2.13 (GSTIN: 30XXXXXXXXXX2Z1)

(ii) Availment of ineligible ITC

As per Section 16(2) of the GGST Act, 2017 no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless, the tax charged in respect of such supply has been actually paid to the Government.

Section 29(2) of GGST Act, 2017 stipulates that the proper officer may cancel the registration of the person from such date including any retrospective date as he may deem fit for reasons such as, obtaining registration by means of fraud, wilful misstatement or suppression of facts, non-filing of returns for a continuous period of six months, *etc.*

Further, as per Standard Operating Procedure (SOP) regarding scrutiny of returns, issued by the Commissioner of State Tax (June 2023), in case of retrospective cancellation of registration of a supplier, the recipient is not entitled to claim ITC in respect of invoices or debit notes issued after the effective date of cancellation of the registration.

Audit observed in 12 cases (80 *per cent*) out of 15 selected cases that taxpayers had availed ineligible ITC of ₹ 3.88 crore (3,272 invoices), passed on by 234 suppliers, where either supplier had not discharged the tax liability by filing GSTR-3B returns or had issued invoices after effective date of cancellation of his registration, or both, which is detailed in **APPENDIX 2.14**.

On this being pointed out (October to December 2023), the department stated that ITC amounting to ₹ 4.43 lakh was paid along with interest by one taxpayer⁵⁴. In case of two taxpayers⁵⁵, DRC-01 had been issued for the year 2019-20 and for the remaining years verification was awaited. In respect of one⁵⁶ out of these two cases, proper officer had dropped the proceedings for the year 2019-20 after getting reply from the taxpayer, however, no documentary evidence in support of verification had been furnished to audit. In case of two taxpayers⁵⁷, DRC-07 had been issued for the year 2019-20 and for F.Y. 2018-19 and 2020-21 reply was awaited. In case of one taxpayer⁵⁸, DRC-07 had been issued for the year 2018-19 and for the F.Y. 2020-21, case was marked to proper officer for scrutiny and the same is under process. In case of two taxpayers⁵⁹, verification was awaited. In

⁵⁴ Sl. No. 12 of APPENDIX 2.14 (GSTIN: 30XXXXXXXXXX1ZB)

⁵⁵ Sl. No. 4 and 6 of APPENDIX 2.14 (GSTIN: 30XXXXXXXXXX1Z9 and 30XXXXXXXXXX1ZY)

⁵⁶ Sl. No. 6 of APPENDIX 2.14 (GSTIN: 30XXXXXXXXXX1ZY)

⁵⁷ Sl. No. 1 and 7 of APPENDIX 2.14 (GSTIN: 30XXXXXXXXXX4ZG and 30XXXXXXXXXX1Z5)

⁵⁸ Sl. No. 9 of APPENDIX 2.14 (GSTIN: 30XXXXXXXXXX1Z8)

⁵⁹ Sl. No. 3 and 5 of APPENDIX 2.14 (GSTIN: 30XXXXXXXXXX1Z2 and 30XXXXXXXXXX1ZK)

case of one taxpayer⁶⁰, the case was marked to proper officer for assessment under Section 73 of GGST Act and the same is under process.

In case of one taxpayer⁶¹, the Department stated that the taxpayer had not claimed ITC from one supplier and claimed less ITC than ITC available in GSTR 2A, however, response in respect of other suppliers and documentary evidence in support of the reply had not been furnished to audit. In one case⁶², the Department stated that the purchase invoice is reflecting in GSTR-2A. However, the Department did not consider the non-payment of tax by the supplier. In case of one taxpayer⁶³, it was stated that the taxpayer was selected for scrutiny for the year 2018-19 and taxpayer's reply that payment of tax to the Government is the responsibility of the supplier and ITC cannot be denied to the taxpayer was found acceptable and proceedings were dropped by issuing ASMT-12. The reply is not acceptable as Section 16(2) (c) of the Act requires tax to be paid to the Government for availing ITC. Reply for the years 2019-20 and 2020-21 was awaited.

An illustrative case is featured below:

Audit observed from GSTR-2A returns of the taxpayer (GSTIN:30XXXXXXXXXX1Z9) under Panaji ward that the total ITC for the year 2018-19, 2019-20 and 2020-21, available in GSTR-2A was ₹ 317.62 crore. On further scrutiny of GSTR-2A, it was observed that there were 1,460 invoices against which ITC of ₹ 3.08 crore had been passed on to the taxpayer by 88 suppliers. However, these suppliers had not furnished their GSTR-3B return. Further, ITC of ₹ 0.15 crore was passed on by the supplier to the taxpayer through one invoice issued on 28/01/2021, though the registration of the supplier had been cancelled *w.e.f.* 31/01/2020. Thus, the taxpayer had availed ineligible ITC of ₹ 3.23 crore (₹ 3.08 crore + ₹ 0.15 crore), during the years 2018-19 to 2020-21.

On this being pointed out (October 2023), the Department stated (September 2024) that for the year 2019-20, the proper officer had issued (May 2024) the show cause cum demand notice (DRC-01) under Section 73 of the GGST Act, 2017. In response to the notice, the taxpayer had failed to submit reply or to reverse the ineligible ITC.

Further progress in this regard was awaited (October 2024).

2.2.8.4 Discharge of tax liability

The taxable event in the case of GST is the supply of goods and/or services. Section 9 of the GGST Act is the charging section authorising levy and collection of tax called Central/State Goods and Services Tax on all

⁶⁰ Sl. No. 8 of APPENDIX 2.14 (GSTIN: 30XXXXXXXXXX1ZP)

⁶¹ Sl. No. 2 of APPENDIX 2.14 (GSTIN: 30XXXXXXXXXX1ZD)

⁶² Sl. No. 11 of APPENDIX 2.14 (GSTIN: 30XXXXXXXXXX1Z4)

⁶³ Sl. No. 10 of APPENDIX 2.14 (GSTIN: 30XXXXXXXXXX1ZN)

intra-state supplies of goods or services or both, except on supply of alcoholic liquor for human consumption, on value determined under Section 15 of the Act *ibid* and at such rates not exceeding 20 *per cent* under each Act, *i.e.*, CGST and GGST Act. Section 5 of the IGST vests levy and collection of IGST on *inter-state* supply of goods and services with Central Government with maximum rate of 40 *per cent*. Section 9(4) of the GGST Act and Sections 5(3) and 5(4) of the IGST Act provide for reverse charge levy on certain goods or services, wherein the recipient instead of supplier becomes liable to pay tax.

(i) Mismatch in discharge of tax liability

Audit scrutinised GSTR-1, GSTR-3B and GSTR-9 returns filed by the taxpayers and noticed mismatch between tax liability and payment of tax by comparing the tax liability disclosed by the taxpayers and tax paid. However, facts and figures of the returns could not be verified due to non-production of granular records like invoices for outward supplies, debit and credit notes issued, details of supplies on which tax paid on reverse charge mechanism, documents related to export, exempted supplies *etc.* The details of mismatches of tax liability and tax payment, noticed from returns, are provided in **Table 2.11**.

Table 2.11: Mismatch related to discharge of tax liability

Sl. No.	Parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)	Remarks
1	Mismatch in tax liability and tax payment between returns- tax liability declared in GSTR-1 and GSTR-9 was compared with the tax paid as per GSTR-3B. (APPENDIX 2.15)	6	4	1.39	<p>In three cases⁶⁴, the Department stated (September 2024) that cases would be verified by the proper officer and necessary action would be initiated.</p> <p>In one case,⁶⁵ the Department stated (September 2024) that the taxpayer had accepted and paid the amount ₹ 0.59 lakh <i>vide</i> DRC-03 dated 24/04/2024.</p> <p>In one case⁶⁶, the Department stated (September 2024) that the case was scrutinised under Section 61 of GGST Act, 2017 and on verification of returns and compliance submitted by</p>

⁶⁴ Sl. No. 1, 2 and 3 of APPENDIX 2.15 (GSTIN: 30XXXXXXXXXX1Z9, 30XXXXXXXXXX1ZY and 30XXXXXXXXXX1Z5)

⁶⁵ Sl. No. 6 of APPENDIX 2.15 (GSTIN: 30XXXXXXXXXX1ZB)

⁶⁶ Sl. No. 4 of APPENDIX 2.15 (GSTIN: 30XXXXXXXXXX1ZN)

Sl. No.	Parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)	Remarks
					<p>taxpayer, the proper officer has dropped the proceedings.</p> <p>However, documentary evidence was not provided.</p> <p>In one case⁶⁷, the Department stated (September 2024) that the taxpayer is in construction business and it was exempted under service tax and due to exemption, it was recording revenue on gross basis, <i>i.e.</i> 100 <i>per cent</i> income. With GST introduction, taxpayer recorded the revenue on gross basis and paid the tax thereon and the difference between the taxable gross turnover and the taxable net turnover is on account of change in Law in turnover.</p> <p>The reply could not be verified as RA bills of the relevant period to calculate the turnover had not been furnished to Audit.</p>
2	Mismatch in tax liability under RCM and tax payment between returns (GSTR-3B and GSTR-9) : the tax liability under RCM in Table 3.1(d) of GSTR-3B was compared with the tax liability reported in Table 4G of GSTR-9 and payments made under RCM as per Table 6.1B of GSTR-3B. (APPENDIX 2.16)	2	1	0.08	In both cases, the Department stated (September 2024) that the cases would be verified by the proper officer and necessary action would be initiated.
3	Mismatch in tax liability under RCM and tax payment between returns (GSTR-2A and	2	2	0.23	In case of one taxpayer ⁶⁸ , STO stated that the issue would be verified and intimated to audit.

⁶⁷ Sl. No. 5 of APPENDIX-2.15 GSTIN: 30XXXXXXXXXX1Z4)

⁶⁸ Sl. No. 1 of APPENDIX 2.17 (GSTIN: 30XXXXXXXXXX1Z2)

Sl. No.	Parameter	No. of cases	No. of Wards	Amount of mismatch (₹ in crore)	Remarks
	GSTR-3B): the tax liability under RCM discharged by the taxpayer in Table 6.1(b) of GSTR-3B was compared with the ITC reflected in GSTR-2A of the taxpayer. (APPENDIX 2.17)				In case of remaining taxpayer ⁶⁹ , the case was scrutinised by the proper officer and thereafter proceedings were dropped considering the taxpayer's reply satisfactory. However, no documentary evidence in support of verification had been furnished to Audit.
4	Mismatch in taxable turnover between annual return and audited financial statement: Negative figure in Table 7G of GSTR-9C captures unreconciled taxable turnover between annual return and audited financial statement. Reasons for taxable turnover (as per Table 7G of GSTR-9C) were examined.	1 ⁷⁰	1	30.90	The Department stated (September 2024) that the taxpayer is in construction business and it was exempted under service tax and due to exemption, it was recording revenue on gross basis, <i>i.e.</i> 100 <i>per cent</i> income. With GST introduction, taxpayer recorded the revenue on gross basis and paid the tax thereon and the difference between the taxable gross turnover and the taxable net turnover is change in Law in turnover. Therefore, the value ₹ 30.90 crore was recorded excessive on account of change in Law. The reply could not be verified as RA bills of the relevant period to calculate the turnover had not been furnished to the audit.

(ii) Understatement of the total turnover by the taxpayer

As per Section 51(1) of GGST Act, 2017 a Department or establishment of the Central Government or State Government, local authority, Governmental agencies or such persons or category of persons as may be notified by the Government on the recommendations of the Council, is required to deduct tax at the rate of one *per cent* from the payment made or credited to the supplier of taxable goods or services or both, where the total value of such supply, under a contract, exceeds two lakh and fifty thousand

⁶⁹ Sl. No. 2 of APPENDIX 2.17 (GSTIN: 30XXXXXXXXXX1ZN)

⁷⁰ GSTIN: 30XXXXXXXXXX1Z4

rupees. Total taxable turnover of the taxpayer must include the taxable value on which TDS is deducted by the deductor.

Audit observed from the scrutiny of GSTR-2A, GSTR-3B (Monthly Returns) and GSTR-9 (Annual returns) of the taxpayer (GSTIN: 30XXXXXXXXXX1Z4) under Vasco ward for the year 2020-21, that the taxpayer had declared his total turnover in GSTR-9 (Table 5N) of ₹ 277.06 crore, whereas the taxable turnover of the taxpayer as per tax deducted at source (TDS) declared by the deductor, in his GSTR-7 was ₹ 399.90 crore. The amount of TDS declared in GSTR-7 of the deductor, was compared with that of the amount auto-populated in GSTR-2A of the taxpayer and it indicated understatement of total turnover, to the extent of ₹ 122.30 crore (₹ 399.90 crore - ₹ 277.60 crore). In addition to the said understatement of the turnover, the total turnover of the taxpayer may also include other outward supplies such as contracts awarded by non-governmental agencies where deduction of TDS was not required.

Audit called for (November 2023) details of outward supplies effected by the taxpayer for the F.Y. 2020-21 from the ward, but, no information was furnished. In absence of details of outward supplies, audit could not ascertain the total turnover of the taxpayer for the F.Y. 2020-21. Hence, the Department needs to examine all the transactions and not to limit to the amount pointed out by audit. This was communicated to the Department (November 2023).

On this being pointed out (November 2023), the Department stated (September 2024) that the TDS deductor (Ministry of Road Transport and Highways) was required to deduct TDS on taxable value of the supplies, but it had been deducted on invoice value, which led to variation in the turnover reported in GSTR-3B and GSTR-2A (TDS amount). The Department further stated that on verification of records, it was also found that the TDS on gross turnover pertaining to the month March 2020, was deducted in the month of April 2020. The Department had also furnished GSTR-1, GSTR-3B for the month March 2020 and reconciliation of tax liability and TDS deducted. However, supporting documents such as copies of RA bills, invoices, *etc.* of the relevant period to verify deduction of TDS had not been furnished by the Department. The same was awaited (October 2024).

(iii) Non -verification of details of return of goods from Job Worker

As per Sub-section (3) of Section 143 of GGST Act, 2017 where the inputs sent for job work are not received back by the principal after completion of job work within a period of one year of their being sent out, it shall be deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were sent out.

Also as per Rule 45(3) of GGST Rules, 2017 the details of challans in respect of goods dispatched to a job worker or received from a job worker or sent from one job worker to another during a quarter shall be included in Form GST ITC-04 furnished for that period on or before the twenty-fifth day of the month succeeding the said quarter.

Audit observed from the scrutiny of ITC-04, filed by the taxpayer (GSTIN: 30XXXXXXXXXX1ZN) under Ponda ward, that the taxpayer had sent goods for job work during the period 2017-21, however, ITC-04 were not filed or filed with delay, the details of which are given in the **Table 2.12**.

Table 2.12 - Details of Job Work

Financial Year	Period	Taxable Value of the Goods sent for Job work (₹ in crore)	Due date of Return Filing	Date of Return Filing	Delay in months
2017-18	July to September 2017	0.14	25/10/2017	31/12/2017	2
2018-19	ITC- 04 was not available on GSTN Backend Portal				
2019-20	April to June 2019	42.40	25/07/2019	16/08/2021	23
	July to September 2019	49.18	25/10/2019	16/08/2021	20
	October to December 2019	58.20	25/01/2020	16/08/2021	30
	January to March 2020	35.09	25/04/2020	31/08/2021	16
2020-21	April to June 2020	27.67	25/07/2020	31/08/2021	13
	July to September 2020	51.01	25/10/2020	31/08/2021	10
	October to December 2020	39.37	25/01/2021	03/11/2021	9
	January to March 2021	53.13	25/04/2021	03/11/2021	6
Total Taxable Value (₹ in crore)		356.19			

ITC-04 for the F.Y. 2018-19 was not available on the GSTN backend portal because of which audit could not check whether goods sent for job work in the F.Y. 2017-18 were received within the specified time limit. For F.Y. 2017-18, 2019-20 and 2020-21, ITC-04 returns were filed with delay ranging from 02 to 30 months.

Further, scrutiny of ITC-04 filed by the taxpayer revealed that the taxpayer did not mention details of goods (challan number, date, quantity, taxable value, etc.) received back from the different job workers. In the absence of date wise receipt of goods along with challan number, quantity, taxable value, etc., from job workers, audit could not ascertain whether goods worth ₹ 356.19 crore sent for job work were received back within the specified time period or not.

On this being pointed out (November 2023), the Department stated (September 2024) that details from the taxpayer were awaited and further progress of the same would be intimated.

Further progress in this regard was awaited (October 2024).

Recommendation 6: The Department may initiate remedial action for all the compliance deviations brought out in this report before they get time barred.

2.2.9 Summary of recommendations

The Department may:

- ***Ensure timely and proper action and assessment of non-filers for safeguarding government revenue.***
- ***Ensure the initiation and completion of scrutiny of returns for the year 2020-21 in a time bound manner.***
- ***Monitor the status of cancellation of registrations and take timely action in consonance with the statutory provisions to check undischarged tax liabilities.***
- ***Issue instructions for effective utilisation of BIFA and DGARM reports and monitoring thereof.***
- ***Ensure proper follow-up action on cases selected by EIU in a time bound manner, before they are time barred.***
- ***Initiate remedial action for all the compliance deviations brought out in this report before they get time barred.***

Department of Captain of Ports

2.3 Undue favour to contractors in award of contracts on nomination basis

Award of contracts on nomination basis, contravening Government rules and regulations, resulted in undue benefit of ₹ 3.14 crore to the contractors.

General Financial Rules, 2017 (GFR) envisages that every authority delegated with financial powers of procuring goods in public interest shall have the responsibility and accountability to bring efficiency, economy, and transparency in matters relating to public procurement and for fair and equitable treatment of suppliers and promotion of competition in public procurement (Rule 144 refers). However, Rule 133 and 194 of the GFR allow single-source selection through direct negotiation or nomination in exceptional circumstances, such as emergencies or when the task is a natural extension of previous work by the firm. This provision is contingent upon ensuring that prices remain reasonable and consistent with the market rates for tasks of similar nature. Further, as per Section 3.5.7 of the Manual for Procurement of Works, 2019, if the new tasks seamlessly continue previous work by the firm and considering the relatively small scale of the additional

work in relation to the initial procurement and the reasonableness of pricing, single-source procurement/work can be cost-effective. However, the cost of the additional work should not exceed 25 *per cent* of the original contract value.

The Government of Goa resolved⁷¹ to undertake the desilting of the River Sal from the Taulim-Varca New Bridge towards downstream upto the mouth of river Sal, in an area of 18 Kilometers (kms) length, 12 Meters (mtrs) width and 3 mtrs depth to facilitate free movement of Vessels. The Captain of Ports Department (CoP) decided to undertake this work in three phases (6.00 kms length in each phase) and two⁷² tenders were floated in June 2020 and June 2021 respectively as discussed below:

Phase 1: Desilting of River Sal from Taulim – Varca New Bridge towards downstream up to Shatmalley opposite Salt pan (6 kms length, 12 mtrs width and 3 mtrs depth)

CoP prepared an estimate (March 2020) of ₹ 15,38,83,800⁷³ for the above work and tendered the same on 04 June 2020. M/s Vaibhavi Dredging was selected as the lowest bidder at their tendered cost of ₹ 8,46,36,750 (45 *per cent* below the estimated cost). The Work order was issued on 24 November 2020. The work was completed in May 2021 within the stipulated time frame (180 days from the issue of Work order).

In the meantime, on request (January 2021) of the Department (Water Resources, Fisheries & Legal Metrology) and Village Panchayat, Dramapur-Sirlim (March 2021) an additional⁷⁴ dredging work was estimated for ₹ 3,97,94,025 (31 March 2021). The CoP allotted (22 October 2021) the additional work to the same contractor on nomination basis, on grounds of continuation of work in the same area and availability of machinery, enabling immediate commencement and completion of work. The contractor completed the additional work (18 February 2022), and the Department paid (03 March 2022) the final bill of ₹ 3,97,94,025.

⁷¹ Budget speech 2017-18

⁷² (i) Desilting of River Sal from the Taulim–Varca New Bridge towards downstream upto Shatmalley opposite salt pan in 1st phase within an area of 6 kms in length, 12 mtrs. wide and 3 mtrs. depth, (ii) Desilting of River Sal from the Shatmalley opposite salt pan towards downstream upto Ambelim in 2nd phase, within an area of 6 kms in length, 12 mtrs. wide and 3 mtrs. depth.

⁷³ Quantity desilted (2,16,000 cubic mtrs.) X Rates per cubic mtrs. @ ₹ 525 (₹ 11,34,00,000) + pre & post dredging surveys @ 5 *per cent* (₹ 56,70,000), Mobilisation & Demobilisation @ 10 *per cent* (₹ 1,13,40,000) and GST @ 18 *per cent* (₹ 2,34,73,800)

⁷⁴ Desilt rivulet of river Sal in Dramapur-Sirlim within an area of 2.5 kms in length x 2.3 mtrs. depth x 12.0 mtrs. width.

Phase 2: Desilting of River Sal from the Shatmalley opposite salt pan towards downstream upto Ambelim (6 kms length, 12 mtrs width and 3 mtrs depth)

The CoP prepared identical tender estimates (phase 1) of ₹ 15,38,83,800⁷⁵ for phase 2. The work was e-tendered (21 June 2021) and M/s Western Dredging, Margao, Goa was selected as the lowest bidder at their tendered cost of ₹ 12,47,00,000 (19 *per cent* below the estimated cost). The work order was issued on 02 December 2021. The work was completed in April 2022 within the specified time frame (to be completed within 180 days from the issue of work order).

Subsequently, the Government forwarded (06 May 2022) a note to the CoP along with the resolutions of Chinchinim and Assolna Panchayats, urging urgent desilting of river Sal from Cancnamoddi till Assolna- Chinchinim road due to flood risks.

Accordingly, the CoP prepared an estimate of ₹ 4,46,45,300 (07 June 2022) for the additional work⁷⁶ and awarded the contract (12 September 2022) to the same contractor (M/s Western Dredging) on nomination basis as approved by the Government. As per the Work order, additional work had to be carried out on the same terms and conditions as per the original tendered work. The work was completed in June 2023 and payment of ₹ 4,46,45,300 was made (30 November 2023).

Scrutiny of the above works (09 February 2023) revealed the following irregularities:

1. Additional works were taken up during the execution of original works both in Phase 1 and Phase 2. As per the Manual for Procurement of Works, 2019, the cost of any additional work exceeding 25 *per cent* of the original contract value of the work should undergo a tendering process. The amount of the additional works taken up by the CoP amounted to 47⁷⁷ *per cent* and 36⁷⁸ *per cent* of the original works in Phase 1 and 2 respectively. Hence, the works should have been tendered instead of being awarded on nomination basis.
2. Further, audit observed that the contracts were granted under the stipulation that the terms and conditions of the original projects must be adhered to, and no additional cost towards mobilization and demobilization of de-silting machinery would be involved on the plea

⁷⁵ Quantity desilted (2,16,000 cubic mtrs.) X Rates per cubic mtrs. @ ₹525 (₹ 11,34,00,000) + pre & post dredging surveys @ 5 *per cent* (₹ 56,70,000), Mobilisation & Demobilisation @ 10 *per cent* (₹ 1,13,40,000) and GST @ 18 *per cent* (₹ 2,34,73,800)

⁷⁶ Desilting/dredging and cleaning of Assolna river, a tributary of river Sal within an area of 4.70 kms in length, 10 mtrs. wide and 1.4 mtrs. depth.

⁷⁷ ₹ 3,97,94,025 X 100/₹ 8,46,36,750

⁷⁸ ₹ 4,46,45,300 X 100/₹ 12,47,00,000

that such machinery was already available at site. Given that the initial tenders were awarded at prices 45 *per cent* and 19 *per cent* below the estimated costs, the same principle should have been applied to the additional work. However, this procedure was not followed, and additional work was awarded without applying the 45 *per cent* and 19 *per cent* reduction from the estimated cost and additionally, cost of mobilization and demobilization of de-silting machinery was also paid, which resulted in excess payment of ₹ 3.14 crore to the contractor (**Appendix 2.18**).

3. Audit also observed that the tender for Phase 3 of the project contained the same quantities and estimated costs as Phases 1 & 2 and this was awarded (13 December 2022) at 37 *per cent* below the estimated cost. Thus, tenders for all the three phases attracted competitive proposals below the estimated cost. The CoP not only opted to award additional works on nomination basis at higher prices than the corresponding cost of the original works, but also did not apply the lower rates quoted by the bidders against the original tenders, though the same terms and conditions were applicable as per the award.

The CoP replied (10 February 2023) that the additional works involved were more challenging tasks and necessitated a different set of machinery. Further, the CoP replied (05 September 2024) that both additional works were awarded on a nomination basis with the approval of the Government. However, the CoP acknowledged that the rates quoted by the tenderers were accepted, and the work orders were issued at those rates.

The reply is not tenable because there was nothing on record at either at the proposal stage or in the additional work estimates, that the additional work was more challenging or required additional machinery. In fact, it was stated during the proposal for the additional works that de-siltation machinery was available at site so the same machineries could be mobilised and the additional works would be awarded under the same terms and conditions as the original work.

Further, the estimates were prepared solely based on the rates quoted by the contractors, without taking into account the rates previously quoted by the same agency in the original tenders and thus, the quoted rates should have been reduced by the same percentage as in the original tender. However, the Captain of Ports failed to apply this reduction.

Thus, the decision of CoP to award the additional works on nomination basis was in contravention of procurement rules. Besides, inability to adhere to the same terms and conditions as applicable to the original works, led to an excess payment of ₹ 3.14 crore made to the Contractors. Beside the objectives of achieving economy, efficiency and transparency in public procurement was not achieved.

Department of Excise

2.4 Short levy of excise duty and health surcharge

Assessing Authority short-levied excise duty of ₹ 59.10 lakh and health surcharge of ₹ 1.18 lakh respectively due to consideration of lower Maximum Retail Price (MRP) slab for liquor manufacturing unit

As per the Government of Goa (GoG) explanation *vide* Notification No.1/1/2008-Fin (R&C), dated 10/11/2008 read with circular dated 25/11/2008, all volumes of packages of foreign liquor/Indian-made foreign liquor and wine whether they are below or above 750 ml packaging, are to be individually converted to the volume of 750 ml for determination of the MRP slab irrespective of their pack size. The highest MRP arrived at, after calculating the same *vis-à-vis* each volume, is to be considered for the determination of MRP slab and levy of excise duty.

Further, the GoG *vide* Notification No.1/2/2020-Fin (R&C)/556 dated 11/05/2020 stipulated that duty on Excise in the form of Health Surcharge at the rate of two *per cent* in addition to the rates of Excise Duty be levied and collected.

During scrutiny (February, 2024) of determination of MRP slab for the liquor product recorded in the labels by a distillery⁷⁹, it was observed that the Assessing Authority (AA) had incorrectly determined lower MRP slab of two different rates of excise duty for two different volumes⁸⁰, though a single rate of excise duty was applicable on the highest MRP derived after conversion of all different volumes to 750 ml products for levy of the excise duty.

Thus, incorrect determination of MRP slab for levy of excise duty during 2021-22 and 2022-23 by the AA resulted in a short levy of excise duty of ₹ 59.10 lakh (as detailed in **Table 2.13**) *plus* health surcharge of ₹ 1.18 lakh⁸¹.

⁷⁹ Agave Industries India Pvt. Ltd (a lessee of M/s Blue Oceans Beverages Ltd.), Goa

⁸⁰ 90 ml and 750 ml

⁸¹ Health surcharge @ two *per cent* of excise duty *i.e.*, two *per cent* x ₹ 59,09,850 = ₹ 1,18,197

Table 2.13: Details of short levy of Excise Duty due to incorrect determination of MRP slab during the period 2021-22 and 2022-23

Name of the brand	Year	MRP (₹)		MRP (₹) after converting to 750 ML		Quantity dispatched in Bulk litre (BL)	Excise Duty levied (₹)	Excise Duty leviable on highest MRP (in ₹)	Short levied duty (₹)	Health surcharge leviable @ 2 per cent of E.D (₹)	
		Volume of packaging (ml)									
Desmondji 51 Agave	2021-22	₹ 115	₹ 675	958	675	18891	2833650	5667300	2833650	56673	APPENDIX 2.19A
		90 ml	750 ml								
	2022-23	₹ 115	₹ 850	958	850	27873	6982650	8361900	1379250	27585	
		90 ml	750 ml								
Desmondji Blue Margarita	2021-22	₹ 110	₹ 675	917	675	5589	838350	1676700	838350	16767	APPENDIX 2.19B
		90 ml	750 ml								
	2022-23	₹ 110	₹ 850	917	850	7164	1290600	2149200	858600	17172	
		90 ml	750 ml								
Total									5909850	118197	

Thus, action to recover the short-levied amount of ₹ 60.28 lakh towards Excise Duty and health surcharge from the Manufacturing Unit M/s Agave Industries Pvt. Limited by the department need to be initiated.

The matter was referred to the Government (02 April, 2024); their reply was awaited (January, 2025).

2.5 Short levy of License fee from the hoteliers

Short levy of license fee of ₹ 33.59⁸² lakh from hoteliers due to incorrect identification of category of hotels

Under Section 13(A) of the Goa Excise Duty Act, 1964 the Government levies fee in consideration of grant of license under the Act for retail sale of liquor on its licensed premises. The license fee is levied based on “Category of Hotels viz; A/B/C” as classified by the Department of Tourism (DoT), Government of Goa (GoG) and “Star” status classified by the Ministry of Tourism, Government of India (GoI).

Further, Rule 122 of the Goa, Daman and Diu (Excise Duty) Rules, 1964 provides for levy of additional amount at the rate of two *per cent* per month for delay in payment of short-levied license fee.

Scrutiny of records (December 2023 and February 2024) of license fee levied on category hotels during audit period (2019-20 to 2022-23) for the offices of the Excise Stations: Pernem and Margao revealed short levy of license fee due to incorrect identification of category “B/C” and Star status

⁸² ₹ 19.60 lakh + ₹ 13.99 lakh = ₹ 33.59 lakh

of hotels, amounting to ₹ 19.60 lakh which is recoverable along with leviable interest of ₹ 13.99 lakh from 22 hoteliers as detailed below in the **Table 2.14:**

Table 2.14: Short levy of License Fee due to incorrect categorization/misclassification of Hotels by the Excise Stations Pernem and Margao during 2019-20 to 2022-23

Name of Taluka Excise Station	No. of hoteliers	Category/Star status of hotels	Short Levy (in ₹)	Interest leviable as per Rule 122 (in ₹)	Particulars
Excise Station, Pernem	5	B	367594	311395	APPENDIX 2.20A
Excise Station, Pernem and Margao	16	C	1096983	800486	APPENDIX 2.20B
Excise Station, Margao	1	5 Star	495000	287100	APPENDIX 2.20C
Total	22	-	1959577	1398981	

Thus, the excise stations failed to verify the correctness of the category of the hotels which resulted in short levy of license fees of ₹ 33.59 lakh (including interest at the rate of two *per cent* per month of delay in payment of license fee) during the period 2019-20 to 2022-23.

The short-levied license fees in the 22 cases above needs to be reviewed and the amount recovered on priority in the interest of Government revenue. Further, the Department may consider putting in place necessary internal controls for identification of the correct category of hotels to avoid the recurrence of such lapses and to plug in the leakage of revenue in future.

The matter was referred to the Government (April, 2024); their reply was awaited (January, 2025).

2.6 Short levy of license fee

Short levy of license fee of ₹ 10.39 lakh due to incorrect application of rate for levy of license fee from bar/bar-cum-restaurant in 'A' class municipality

As per Govt. of Goa (GoG) Notification No. 1/2/2018-Fin (R&C) dated 21 March 2018, higher license fee was applicable for 'A' class municipality in comparison to 'B' class municipality for grant of excise license for retail sale of Indian Made Foreign Liquor (IMFL), Country Liquor (CL) and Foreign Liquor (FL) for consumption on premises. The Government *vide* notification mentioned *ibid*; designated Mapusa municipality as an 'A' class municipality. The rates of renewal of license fee of IMFL/CL and FL license for bar/bar-cum-restaurant in 'A' and 'B' class municipality applicable during 2018-19 to 2022-23 were as given in **Table 2.15.**

Table 2.15: Details of annual fee

Type of license	Annual fee for IMFL (₹)		Annual fee for FL (₹)	
	'A' class municipality	'B' class municipality	'A' class municipality	'B' class municipality
Bar/bar-cum-restaurant to which air conditioning facility is not available/ not provided	15000	9000	6000	4500
Bar/bar-cum-restaurant to which air conditioning facility is available/ provided	30000	19000	6000	4500

(Source: Data provided by the Department)

Further, Rule 122 of Goa Daman and Diu (Excise Duty) Rules, 1964 empowers the Department to levy additional amount equivalent to two *per cent* of such license fee for each month of delay on grounds of non-payment of any annual license fee in prescribed time.

During scrutiny of records of license fees levied by the office of Excise Station, Mapusa, during 2018-19 to 2022-23, Audit identified 39 cases where the rate applicable to 'B' class municipality was levied instead of the rate applicable to 'A' class municipality for the years 2018-19 to 2020-21. However, correct license fee as applicable to 'A' class municipality was levied for the years 2021-22 and 2022-23 in these 39 cases. The short-levied license fees in these 39 cases amounted to ₹ 10,39,482 (including interest) as detailed in **Appendix 2.21**.

On being pointed out (03 January, 2023), the Excise Inspector accepted the Audit observation and stated that notices would be issued for recovery of short-levied amount of the license fees. As the cases pointed out are illustrative and not exhaustive, the Department may therefore consider carrying out a detailed scrutiny of similar cases and effect recovery in such cases where license fee was short levied.

The matter was referred to the Government (04 April, 2024); their reply was awaited (January, 2025).