CHAPTER V

REVENUE SECTOR

5.1 Trend of revenue receipts

The Tax and Non-tax revenue raised by the Government of Manipur (GoM) during the financial year 2023-24, the State's share of net proceeds of Union taxes and duties and Grants-in-Aid (GIA) received from the Government of India (GoI) during the year and the corresponding figures for the preceding four years are given in **Table 5.1.1**.

Table 5.1.1 Trends of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
1	**Revenue raised by the State Government**					
	Tax revenue	1,201.12	1,294.49	1,648.52	1,867.90	1,223.50
	Non-tax revenue	134.53	148.07	108.13	457.59	209.57
	Total	**1,335.65**	**1,442.56**	**1,756.65**	**2,325.49**	**1,433.07**
2	**Receipts from the GoI**					
	State's share of Union taxes and duties	4,047.77	4,271.97	6,009.64	6,795.08	8,087.14
	GIA	5,300.74	7,268.12	6,324.72	6,772.58	5,185.96
Total		**9,348.51**	**11,540.09**	**12,334.36**	**13,567.66**	**13,273.10**
3	**Total receipts of State Government (1 & 2)**	**10,684.16**	**12,982.65**	**14,091.01**	**15,893.15**	**14,706.17**
Percentage of 1 to 3		**12.50**	**11.11**	**12.47**	**14.63**	**9.74**

Source: Finance Accounts of the respective years

During 2023-24, the revenue raised by the State Government was ₹1,433.07 crore which was 9.74 *per cent* of its total revenue receipts of ₹14,706.17 crore of the State. The balance receipts of ₹13,273.10 crore (90.26 *per cent*) during 2023-24 were from GoI as State's share of net proceeds of Union taxes and duties and GIA.

5.1.1 Tax Revenue

Details of Budget Estimates (BEs) of tax revenue and actual receipts of tax revenues raised during the period 2019-20 to 2023-24 are given in **Table 5.1.2**.

Table 5.1.2 Details of Tax Revenue

(₹ in crore)

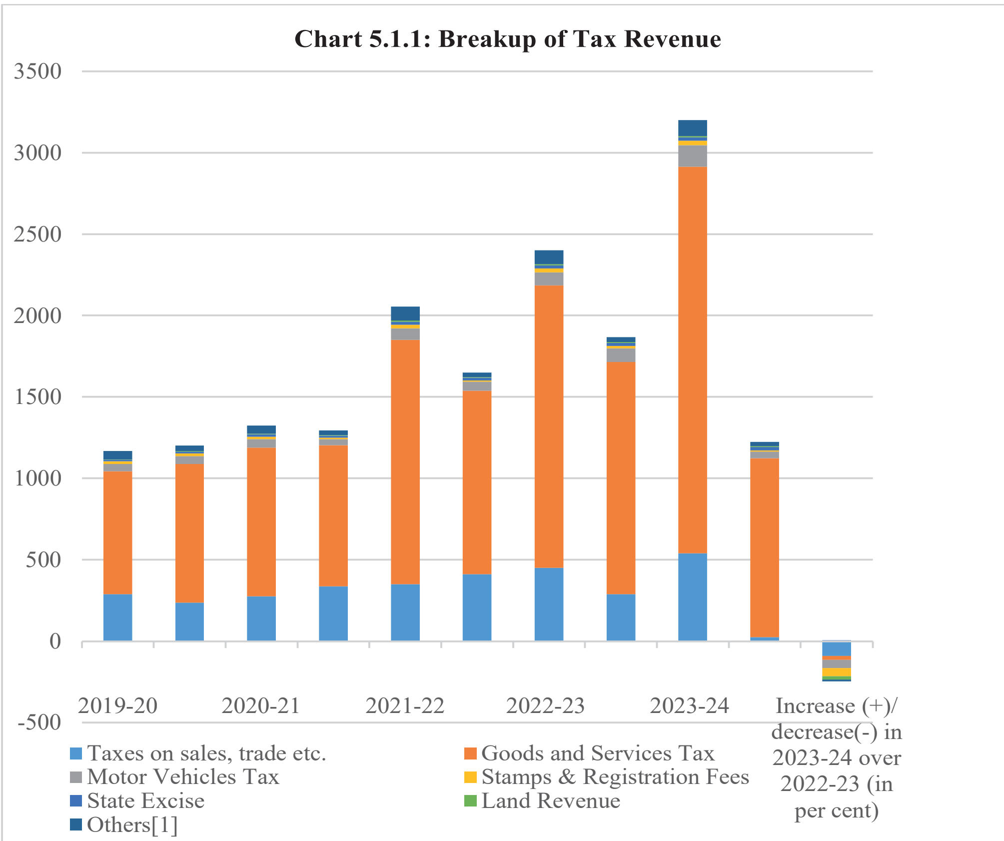
Head of revenue	2019-20		2020-21		2021-22		2022-23		2023-24		Increase (+)/ decrease(-) in 2023-24 over 2022-23 (in *per cent*)
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
Taxes on sales, trade	288.45	235.53	274.74	336.45	350.00	411.66	450.00	288.89	540.00	24.92	-91.37
Goods and Services Tax	754.78	852.58	913.58	866.51	1500.00	1125.56	1735.40	1426.15	2374.56	1098.77	-22.96
Motor Vehicles Tax	45.28	47.70	51.62	37.96	70.00	56.67	80.00	83.21	132.00	40.54	-51.28
Stamps & Registration Fees	16.01	16.60	16.01	8.66	24.00	7.98	24.00	13.95	27.36	6.87	-50.75
State Excise	8.79	11.60	14.50	11.85	18.00	16.00	18.00	19.24	20.52	20.36	+5.82

Head of revenue	2019-20		2020-21		2021-22		2022-23		2023-24		Increase (+)/ decrease(-) in 2023-24 over 2022-23 (in *per cent*)
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
Land Revenue	2.70	4.10	2.70	3.81	7.00	3.36	7.00	6.58	7.98	5.28	-19.76
Others[110]	51.08	33.01	51.51	29.25	85.60	27.29	85.60	29.88	97.59	26.76	-10.44
Total	**1167.09**	**1201.12**	**1324.66**	**1294.49**	**2054.60**	**1648.52**	**2400.00**	**1867.90**	**3200.01**	**1223.50**	**-34.50**

#BE: Budget Estimates.

Source: Annual Financial Statements and Finance Accounts of respective years.

Increase (+)/ decrease (-) in Budget Estimates (BEs) of tax revenue and actual receipts of tax revenues raised during the period 2022-23 to 2023-24, is given in **Chart 5.1.1**.



Source: Annual Financial Statements and Finance Accounts of respective years

Key insights from **Table 5.1.2**:

1. Sharp Declines in 2023-24 Compared to 2022-23:
   - Trades on sales, Trades : Dropped by ₹263.97 crore (from ₹288.89 crore to ₹24.92 crore, showing drop of 91.37 *per cent*)
   - Motor Vehicles Tax: Dropped by ₹42.67 crore (from ₹83.21 crore to ₹40.54 crore), showing a 51.28 *per cent* decline.
   - Stamps & Registration Fees: Fell by ₹7.08 crore (from ₹13.95 crore to ₹6.87 crore), showing a 50.75 *per cent* decline.

[110] Other taxes include Other Taxes on Income and Expenditure, Other Taxes and Duties on Commodities and Services, Taxes and Duties on Electricity and Taxes on Goods and Passengers.

- Land Revenue: Reduced by ₹1.30 crore (from ₹6.58 crore to ₹5.28 crore), showing a 19.76 *per cent* drop.
- Other Taxes: Dropped from ₹29.88 crore to ₹26.76 crore (10.44 *per cent* decline).
- Overall Revenue (Total): Declined by ₹644.4 crore (from ₹1,867.90 crore to ₹1,223.50 crore), a 34.50 *per cent* fall.

2. Exceptions which showed Positive Growth
   - State Excise increased slightly from ₹19.24 crore to ₹20.36 crore (5.82 *per cent* growth). It was the only head showing an upward trend.
3. Persistent Shortfalls Against Budget Estimates (BE)
   - Across all years, actual collections were consistently below BE targets, except for a few instances:
     - Taxes on sales, trade *etc*. exceeded BE in 2020-21.
     - Goods and services tax exceeded BE in 2019-20.
     - Stamps and registration Fees exceeded BE in 2019-20.
     - Motor Vehicles Tax exceeded BE in 2019-20 and 2022-23.
     - State Excise exceeded BE in 2019-20 and 2022-23.
4. Disproportionate Declines in Key Revenue Heads
   - Taxes on sales, Trade.
   - Motor Vehicles Tax and Stamps & Registration Fees suffered the steepest proportional declines in 2023-24.

5.1.2 Non-tax Revenue

Details of budget estimates of non-tax revenue and actual realisation of non-tax revenue during the period 2019-20 to 2023-24 are given in **Table 5.1.3.**

Table 5.1.3: Details of Non-Tax Revenue

(₹ in crore)

Sl. No.	Head of revenue	2019-20		2020-21		2021-22		2022-23		2023-24		Increase (+)/ decrease (-) in 2023-24 over 2022-23 (in *per cent*)
		BE	Actuals	Be	Actuals	BE	Actuals	BE	Actual	BE	Actual	
1	Social Security and Welfare	-	-	-	-	-	-	-	166.91	-	-	(-) 100.00
2	Miscellaneous General Services	220.11	101.13	206.86	123.77	300.00	84.23	310.00	81.44	206.61	82.58	(+) 1.40
3	Education, Sports, Art and Culture	2.39	2.06	2.53	0.46	2.78	0.55	2.86	98.08	0.70	67.24	(-) 31.44
4	Water Supply and Sanitation	2.82	3.48	3.52	4.52	3.87	3.36	4.60	31.27	4.00	3.18	(-) 89.83
5	Forestry and Wild Life	24.80	9.70	10.00	6.65	40.00	7.76	40.00	27.52	150.00	31.76	(+) 15.41
6	Other non-tax receipts[111]	32.66	18.16	33.70	12.67	40.88	12.23	42.54	52.38	38.69	24.81	(-) 52.63
Total		**282.78**	**134.53**	**256.61**	**148.07**	**387.53**	**108.13**	**400.00**	**457.60**	**400.00**	**209.57**	**(-) 54.20**

#BEs: Budget Estimates
Source: Annual Financial Statements and Finance Accounts.

[111] Comprising of 42 Major Heads amounting to ₹24.81 crore during 2023-24.

Key insights from **Table 5.1.3**:

1. Overall Decline in Non-Tax Revenue
   - The total actual non-tax revenue fell sharply from ₹457.60 crore in 2022-23 to ₹209.57 crore in 2023-24. This was a drop of 54.20 *per cent*.
   - This fall occurred despite the Budget Estimate (BE) for 2023-24 remaining constant at ₹400 crore, indicating overestimation and weak revenue realisation.
2. Sharpest Declines
   - Social Security and Welfare: Actual receipts fell from ₹166.91 crore in 2022-23 to zero in 2023-24 (100 *per cent* decline).
   - Water Supply and Sanitation: Dropped from ₹31.27 crore to ₹3.18 crore (89.83 *per cent* decline).
   - Other Non-Tax Receipts: Reduced by 52.63 *per cent*, from ₹52.38 crore to ₹24.81 crore.
3. Positive or Stable Trends
   - Forestry and Wildlife: Increased from ₹27.52 crore to ₹31.76 crore (15.41 *per cent* growth) despite a steep rise in BE from ₹40 crore to ₹150 crore.
   - Miscellaneous General Services: Slight growth of 1.40 *per cent* (₹81.44 crore to ₹82.58 crore), but far below BE targets.
4. Volatility in Education, Sports, Art & Culture
   - Jump from ₹0.55 crore in 2021-22 to ₹98.08 crore in 2022-23, then a steep drop to ₹67.24 crore in 2023-24 (31.44 *per cent* decline).
   - Indicates one-off receipts in 2022-23 that were not sustained.
5. Budget: Actual Gaps
   - Persistent gaps between BEs and actuals across almost all heads show optimistic forecasting.
   - Particularly large gaps in Forestry and Wildlife, where actuals remained far below the sharply increased BE.

5.1.3 Revenue and return filing trends under GST

5.1.3.1 GST Revenue of Government of Manipur: Comparison between budget estimates and actual receipts

The comparison of budget estimates and the corresponding actual collection of State Goods and Service Tax (SGST) during the period from 2019-20 to 2023-24 are shown in **Table 5.1.4.**

Table 5.1.4: Revenue from GST during 2019-20 to 2023-24

(₹ in crore)

Year	Budget Estimates (BE)	Revised Estimates (RE) - State GST	Actuals - State GST
2019-20	754.78	861.87	852.58
2020-21	913.58	1,000.00	866.51
2021-22	1,500.00	1,445.00	1,125.56
2022-23	1,735.40	1,705.40	1,426.15
2023-24	2374.56	971.00	1098.77

Source: Information furnished by Taxation Department, GoM.

It could be seen from the above **Table 5.1.4** that the actual collection of revenue from SGST in the five years from 2019-20 to 2023-24 was short of the targets as projected in the revised estimates except for the year 2023-24.

5.1.3.2 Bi-monthly compensation received from Union Government

Compensation is given to the State when there is less collection of revenue from the projected figure as prescribed under Section 7 of Goods and Services (Compensation) Act, 2017.

The State did not receive any bi-monthly compensation during the year 2023-24.

5.1.3.3 Trends of Integrated GST apportionment to the State and its cross utilisation

The Integrated GST (IGST) collected will be apportioned between the Centre and the State where the goods or services are consumed. The revenue will be apportioned to the Centre at the CGST rate, and the remaining amount will be apportioned to the consuming State.

The trends of IGST apportionment to the State and its cross utilisation are given in **Table 5.1.5**.

Table 5.1.5: Integrated Goods and Services Tax

(₹ in crore)

IGST[112] component	2019-20	2020-21	2021-22	2022-23	2023-24
IGST apportioned to the State as per Section 17 of IGST Act, 2017	71.92	623.85	808.61	1,093.30	749.88
IGST provisionally/ *ad-hoc* apportioned to the State	16.60	32.92	50.48	21.05	0
IGST cross utilised between					
SGST[113] as IGST	(-) 2.10	NA	(+) 4.46	(+) 6.07	(+) 70.18
IGST as SGST	(+) 561.14	NA	(+) 672.54	(+) 900.39	(+) 652.86

NA – Not furnished
Source: Information furnished by the Taxation Department, GoM.

As can be seen from the above Table, the IGST apportioned to the State that stood at ₹71.92 crore in 2019-20 increased significantly to ₹1,093.30 crore till 2022-23, which again decreased to ₹749.88 crore during 2023-24.

5.1.3.4 Registration under GST

The category-wise registrations under GST as on 31 March 2024 are given in **Table 5.1.6.**

Table 5.1.6: Details of GST registrations upto 31 March 2024

Category of Registrant	No. of Registrants	Percentage of total
Normal taxpayers	10,838	85.30
Composition taxpayers	1,066	8.39
Tax Deductors at Source	653	5.14
Tax Collectors at Source	141	1.11

[112] IGST: it is a tax collected by the Central Government for an inter-State Sale
[113] SGST: It is a tax collected by the State Government for an intra-State Sale

Category of Registrant	No. of Registrants	Percentage of total
Input Service Distributors	0	0.00
Others (Casual, NRTP, OIDAR)	7	0.06
Total Registrants	**12,705**	**100.00**

Source: Information furnished by the Taxation Department, GoM

As on 31 March 2024, the total registration under GST was 12,705 of which normal taxpayers were 10,838 which accounted for 85.30 *per cent* and composition taxpayers were 1,066 which accounted for 8.39 *per cent*.

5.1.3.5 GST Return filling pattern of GSTR-1 and GSTR-3B

The trends of filing of GSTR-1[114] and GSTR-3B[115] in Manipur as on 31 March 2024 are as shown in **Table 5.1.7** below:

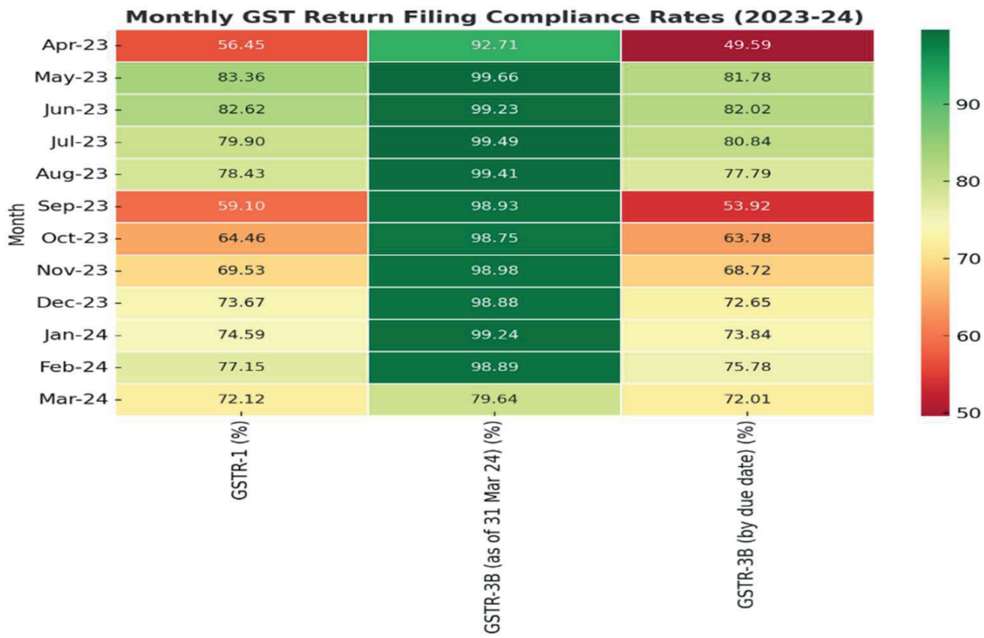
Table 5.1.7: Details of return filing (GSTR-1 and GSTR-3B) during 2023-24

GSTR – 1				GSTR – 3B				
Months*	**Due for filing (in No.)**	**Return filed (in No.)**	**Return filing (in *per cent*)**	**Due for filing**	**Returns filed as on last day of the report period March 2024**	**Return filing (*per cent*)**	**Returns filed by due date**	***Per cent* filed by due date**
April-23	11,229	6,339	56.45	11,229	10,410	92.71	5,588	49.76
May-23	8,800	7,336	83.36	8,800	8,274	94.02	7,245	82.33
June-23	8,763	7,240	82.62	8,763	8,298	94.69	7,131	81.38
July-23	10,654	8,513	79.90	10,654	10,217	95.90	8,378	78.64
August-23	8,621	6,003	69.63	8,621	8,147	94.50	5,796	67.23
September-23	8,774	5,185	59.10	8,774	8,144	92.82	4,731	53.92
October-23	10,734	6,919	64.46	10,734	10,151	94.57	6,505	60.60
November-23	8,589	5,731	66.72	8,589	8,037	93.57	5,342	62.20
December-23	8,660	6,021	69.53	8,660	7,989	92.25	5,602	64.69
January-24	10,698	7,324	68.46	10,698	9,021	84.32	6,834	63.88
February-24	8,445	6,139	72.69	8,445	7,541	89.30	5,698	67.47
March-24	8,623	6,234	72.30	8,623	6,867	79.64	5,823	67.53

Source: Information furnished by the Taxation Department, GoM

[114] GSTR-1: It is a sales return that is required to be filed by every GST registered person
[115] GSTR-3B: it is a self-declared consolidated summary return of inward and outward supplies which is required to be filed by a registered person electronically on the GST common portal.

Heatmap 5.1 showing monthly GST Return Filing Compliance Rates (2023-24).



Key insights from **Table 5.1.7**:

1. GSTR-1 Filing Performance

- Lowest filing rate: April 2023 (56.45 *per cent*) which is a significant compliance gap.
- Highest filing rate: May 2023 (83.36 *per cent*), followed closely by June (82.62 *per cent*) and July (79.90 *per cent*).
- Filing rates fluctuated between 56 *per cent* and 83 *per cent*, indicating inconsistent taxpayer compliance throughout the year.
- Notable dips occurred in April, September (59.10 *per cent*) and October (64.46 *per cent*).

2. GSTR-3B Filing (as of 31 March 2024)

- Filing rates by the end of the report period were consistently high, being mostly above 92 *per cent*.
- Lowest was 79.64 *per cent* in March 2024, possibly due to pending filings close to year-end.
- April 2023 had a strong 92.71 *per cent*, despite weak GSTR-1 filings that month.

3. GSTR-3B Filing by Due Date

- Timely compliance was found to be significantly lower than eventual compliance.
- Early months (April - June 2023) show less than 50 to 82 *per cent* timely filing.

- September 2023 was particularly poor: only 53.92 *per cent* filed on time.
- The gap between "filed by due date" and "filed eventually" indicates late compliance as a recurring pattern.

4. Compliance Gaps and Risks

- Large discrepancy between GSTR-1 filing and GSTR-3B filing, especially in April and September, suggests either:
    - Businesses prioritise payment returns (3B) over sales reporting (1), or
    - Systemic delays in invoice data reporting.
- Persistent late filing could affect GST revenue forecasting and reconciliation accuracy.

5.1.3.6 Revenue earning from top 10 commodities/ Services

The details of the revenue earning from top 10 commodities/ services during 2023-24 are given in **Table 5.1.8.**

Table 5.1.8: Revenue from top 10 commodities/services during 2023-24

(₹ in crore)

Sl. No.	Name of commodity	Revenue under GST	Ranking
1	Iron & steel	80.85	1
2	Automobiles	76.42	2
3	Lime, cement and Mineral Products	60.91	3
4	Electrical Machinery and Equipment and parts	55.38	4
5	Dairy Products	53.16	5
6	Pharmaceutical products	52.05	6
7	Mineral fuels & oils and products	29.90	7
8	Machinery and mechanical appliances parts	29.90	
9	Miscellaneous edible preparations	24.37	8
10	Plastics and articles thereof	21.04	9
Sl. No.	**Name of Services**	**Revenue under GST**	**Ranking**
1	Construction Services	64.24	1
2	Financial Services	21.04	2
3	Support Services	17.72	3
4	Communication Services	9.97	4
5	Transport Services	7.75	5
6	Professional Services	3.32	6
7	Accommodation, Food and Beverage services	2.22	7
8	Other Services	1.11	8
9	Real estate, Leasing, Rental services	1.11	
10	Maintenance & Repair services	0.00	9

Source: Information furnished by the Taxation Department, GoM.

During 2023-24, under the Commodity Sector, Iron & steel (₹80.85 crore), Automobiles (₹76.42 crore), and Lime, cement and Mineral Products (₹60.91 crore) were the main contributor of SGST, while Construction Services (₹64.2 crore), Financial Services (₹21.04 crore) and Support Services (₹17.72 crore) were the main contributor of SGST under Service Sector.

5.1.3.7 Analysis of arrears of revenue

The arrears of revenue on account of Taxes/ VAT and GST as on 31 March 2022 to 31 March 2024 as shown in **Table 5.1.9**.

Table 5.1.9: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March			Amount outstanding for more than five years as on 31 March		
		2022	2023	2024	2022	2023	2024
1	Taxes/ VAT	0.73	1.57	0.01	0.00	0.00	0.00
2	GST	1.57	0.87	0.01	0.00	0.00	0.00
Total		**2.30**	**2.44**	**0.02**	**0.00**	**0.00**	**0.00**

Source: Information furnished by the Taxation Department, GoM.

It can be seen from the above **Table 5.1.9** that the arrear of Taxes/VAT which was ₹2.30 crore at the end of March 2022 decreased considerably to ₹0.02 crore at the end of March 2024. There was no arrear of revenue (GST/ VAT) outstanding for more than five years as on 31 March 2024.

5.2 Non-production of records to audit

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

During the year 2023-24, there were two cases under Excise and Transport Departments where records[116] such as supporting vouchers for encashment of fully vouched Contingent bills of ₹23.99 lakh and records relating to new registration, number of vehicles applied for assignment and enforcement activities *etc*. were not made available to audit. Break-up of the cases are given in **Table 5.2.1**.

Table 5.2.1: Details of non-production of records

(*₹ in lakh*)

Name of the office/Department	Year in which it was to be audited	Number of cases not audited	Amount
Excise	2023-24	1	23.99
Transport	2023-24	1	-
Total		**2**	**23.99**

Source: Records of the Office of the Accountant General (Audit), Manipur.

Details are shown in ***Appendix 5.1.***

As the records were not produced for scrutiny, Audit was unable to vouchsafe the genuineness of the underlying transactions and therefore, possibilities of fraud and unhealthy practices taking place in those offices could not be ruled out.

5.3 Audit Planning

The audit units under various Departments are categorised into high, medium and low risk units according to their revenue position, volume of transactions,

[116] Supporting vouchers for encashment of fully Vouched Contingent Bills.

past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter alia* include critical issues in Government revenues and tax administration *i.e.* Budget Speech, White Paper on State Finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years,

During the year 2023-24, there were 93 auditable units, of which 21 units were planned and audited, which is 100 *per cent* of the total planned units.

5.4 Results of Audit

Position of local audit conducted during the year

Test check of the records of Sub-Divisional Officers (i) Moirang, (ii) Thoubal and (iii) Lilong during the year 2023-24 showed short-deposit of revenue collected to Government account to the tune of ₹0.21 crore. During the course of the year, the Department did not furnish any reply regarding under assessment and other deficiencies.

For the other units planned for audit during 2023-24 *viz*. Secretary, Finance, and Commissioner, Transport, IRs have not been issued/are under process. Therefore, the amount involving underassessment/short levy/loss of revenue/non-realisation of outstanding revenues cannot be ascertained in respect of these Departments.

5.5 Coverage of this Report

This Chapter contains one Performance Audit, one Subject Specific Compliance Audit and one compliance audit paragraph involving financial effect of ₹385.52 crore as discussed in the succeeding paragraphs.

PERFORMANCE AUDIT

TRANSPORT DEPARTMENT

5.6 Functioning of District Transport Offices and State Transport Authority

A Performance Audit on "Functioning of District Transport Offices and State Transport Authority" was carried out covering the period from 2019-20 to 2023-24. The Performance Audit brought out the following significant findings.

Highlights:

3,628 stage carriages (passenger vehicles) registered in the State were plying either with Conductors without holding Conductors' Licence or without any Conductors as no Conductor Licence was issued in the State.

(Paragraph 5.6.8.5)

Registration certificates for a period more than 15 years were issued to 5,679 non-transport vehicles, while registration certificates for a period less

than 15 years were issued to 3,677 non-transport vehicles which registered between 15 October 1988 to 31 March 2024

(Paragraph 5.6.9.4)

Royalty Fee amounting to ₹0.26 crore on issue of Smart Cards and Driving Licences for the period from 29 January 2020 to 31 March 2024 had not been paid by MANITRON.

(Paragraph 5.6.10.1)

As per VAHAN, 2,197 records of transport vehicles with expired permits and 18,415 records of transport vehicles without permits were active in the State as on 31 March 2024.

(Paragraph 5.6.10.2)

An amount of ₹1.66 crore for conducting test for fitness and grant and renewal of Fitness Certificate of motor vehicles was not realised from the vehicle owners.

{Paragraph 5.6.10.5 (A)}

There was excess collection of ₹4.12 crore on 55,683 vehicles and short collection of ₹3.97 crore on 23,328 vehicles in One Time Tax in respect of Transport vehicles. Similarly, there were excess collection of ₹17.50 lakh on 3,647 vehicles and short collection of ₹4.13 crore on 2,304 vehicles in One Time Tax in respect of Non-Transport vehicles.

{Paragraph 5.6.10.7 (A) & (B)}

There was non-collection of One Time Tax amounting to ₹4.34 crore for the balance years (remaining years to attain 15 years from the date of Registration) in respect of personalized vehicles registered and paid under the annual tax basis before the commencement of Manipur Motor Vehicles Taxation (MMVT) (Second Amendment) Act, 2015.

(Paragraph 5.6.10.8)

On the basis of laden weight of Transport vehicles, there were excess and short collection of MV tax amounting to ₹6.12 lakh and ₹4.46 crore respectively. Similarly, on the basis of seat capacity of Transport vehicles, there were excess and short collection of MV tax amounting to ₹0.98 lakh and ₹13.61 lakh respectively.

(Paragraph 5.6.10.9)

There was non-collection of five years MV tax and Green Tax to the tune of ₹65.12 lakh and ₹5.64 lakh respectively in respect of Non-transport vehicles who applied for Green Tax.

{Paragraph 5.6.10.10 (A)}

There was non-collection of MV tax and Green Tax to the tune of ₹8.98 lakh and ₹2.02 lakh respectively in respect of Transport vehicles who applied for Green Tax.

{Paragraph 5.6.10.11 (A)}

The data migration of all motor vehicles in the State to VAHAN database remained incomplete and therefore the vehicle database of the State did not represent true and correct picture of the vehicle population of the State.

(Paragraph 5.6.11.5)

5.6.1 Introduction

"Mechanically propelled vehicles including the principles on which taxes are to be levied" is under the concurrent list (Entry number 35 under list III) as per Schedule 7 of the Indian constitution. The Motor Vehicles Act, 1988 was enacted by the Parliament which provides the rules regarding the issuing of license to drivers of motor vehicles, issue of license to conductors of stage carriages, registration of motor vehicles, issue of various types of permits, *etc*. As per the Government of India (Allocation of Business) Rules, 1961, the Ministry of Road Transport, Government of India is responsible for formulation of broad policies relating to road transport and enforcement of Motor Vehicles Act, 1988 and Central Motor Vehicles Rules, 1989. Rule 68 of the Motor Vehicles Act also mandated the establishment of State Transport Authorities across India.

The taxation on the vehicles mentioned in the concurrent list is also included in the State list (Entry number 57). Resultantly, the State of Manipur enacted the Manipur Motor Vehicle Taxation Act, 1998 which details the taxes, fee, cess, to be levied on motor vehicles. The major regulatory functions envisaged under the Motor Vehicles Act, 1988 and the taxation powers envisaged under the various state Acts are implemented by the District Transport Offices (DTOs) that function under the State Transport Authority (STA).

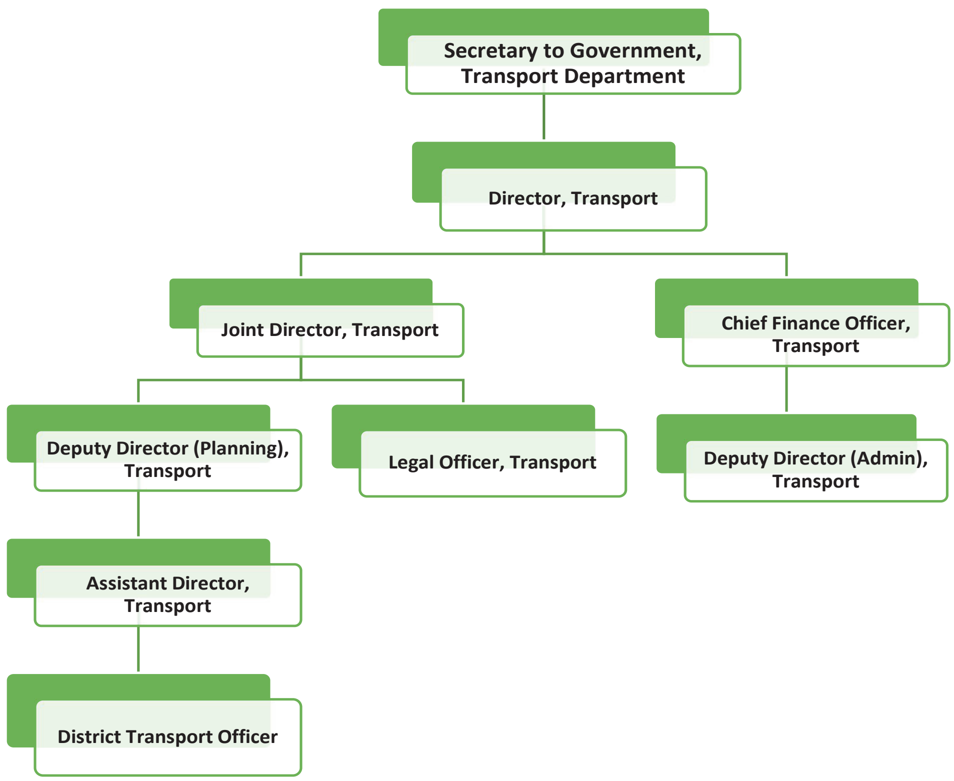
Manipur Motor Vehicle Taxation Act, 1998 governs the various levies on motor vehicles plying in the State. The Transport Department, Government of Manipur (GoM) is responsible for the enforcement of the Motor Vehicle Rules and collection of tax, levies, cess, *etc*. As on 31 March 2024, there are 11 DTOs that function under the Transport Department, GoM. Vehicle Administration and Highway Administration Network (VAHAN) 2.0 software and SARATHI software were introduced in Manipur in December 2003. The upgraded VAHAN 4.0 was implemented in Manipur in May 2017 and the SARATHI 4.0 in April 2018. The Statistical data of the Department *viz*., Revenue and Expenditure, of Transport Department during the year 2019-20 to 2023-24 and number of transactions in VAHAN and SARATHI application softwares are given in ***Appendix 5.2***.

5.6.2 Organisational set-up

The Secretary, Transport, Government of Manipur, is the Administrative Head of the Department while the Director, Transport, is the Head of the Department under the control of Secretary, Transport, and is responsible for regulation of use of Motor Vehicles and enforcement of Motor vehicle legislation in the State. Also, the Director, Transport, is the overall controlling authority in all matters relating to communication and exchanging responsibility with other departments and is responsible for overall functioning of the DTOs in the State. The Director is assisted by Joint Director of Transport, Chief Financial Officer, District Transport Officers.

The organisational structure of the Transport Department, Government of Manipur is given in **Chart 5.6.1**.

Chart 5.6.1: Organogram of the Transport Department Manipur



Source: Departmental records

5.6.3 Audit objectives

The Audit objectives were to assess whether the DTOs:

- managed the issue, renewal and cancellation of licenses effectively as per the Act/ Rules;
- implemented the regulation and control over registration and use of vehicles through registration, issuing permits and fitness certificates as per the Act/ Rules;
- efficiently assessed, levied, collected and remitted revenue (Motor vehicle taxes, fines, penalties, cess, *etc*. as per Act/ Rules) and took effective action on arrears;
- conducted the enforcement activities effectively to ensure compliance with the motor vehicles Acts/ Rules with adequate follow up to deter violations; and
- have been provided with required manpower, equipment, and other resources to discharge their functions and also to ensure public service delivery.

5.6.4 Audit criteria

The Audit findings were benchmarked against the following criteria:

i. The Motor Vehicles Act, 1988;
ii. The Central Motor Vehicles Rules, 1989;
iii. The Manipur Motor Vehicle Taxation Act, 1998;
iv. The Manipur Passengers and Goods Taxation Act, 1977;
v. Manipur Motor Vehicles (Pollution Under Control) Rules, 2020;
vi. Motor Vehicle Aggregators Guidelines, 2020;
vii. State Transport Policy, Manipur, 2013;
viii. Manipur Road Safety Fund Scheme, 2019;
ix. VAHAN and SARATHI database;
x. Manipur Road Safety Policy, 2023; and Notifications issued by the Ministry of Road Transport and Highways (MoRTH), Government of India (GoI) and Transport Department, GoM from time to time.

5.6.5 Scope and methodology of Audit

The Performance Audit covers five years' period from 2019-20 to 2023-24. An Entry Conference was held (16 June 2024) with the Secretary, Director and other responsible officers of the Transport Department to discuss the scope, criteria and methodology of Audit. Data of VAHAN and SARATHI and records of the Transport Commissionerate, Transport Directorate and three sampled[117] DTOs and the concerned SP (Traffic) offices were examined by using Interactive Data Extraction and Analysis (IDEA) software. Migration of all vehicle data registered in Manipur into VAHAN 4.0 database was incomplete till the completion of audit (November 2024). As such, the audit exercise is limited to the database available in VAHAN 4.0 and SARATHI 4.0 in respect of Manipur. An Exit Conference was held (16 April 2025) with the Secretary, Transport Department and the Director (Transport), Government of Manipur to discuss the audit findings. The replies of the Department had been incorporated at appropriate places.

5.6.6 Audit sampling and units selected for audit

Out of the 11 DTOs in the State, three DTOs[118] namely DTOs Imphal West (High Risk), Imphal East (Medium Risk) and Thoubal (Low risk) were selected for audit through stratified random sampling through IDEA software.

5.6.7 Acknowledgement

Audit acknowledges the cooperation extended by the Transport Department, Government of Manipur during the conduct of the performance audit.

Audit Findings

The audit findings of the Performance Audit are discussed in the succeeding paragraphs.

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[117] DTO Imphal West, DTO Imphal East and DTO Thoubal
[118] Out of 11 DTOs in Manipur, only four DTOs, namely, DTO Imphal West, DTO Imphal East, DTO Thoubal and DTO Bishnupur are currently feasible for audit, in the present law and order situation

5.6.8 Audit Objective: Whether the DTOs managed the issue, renewal and cancellation of licenses effectively as per the Act/ Rules?

5.6.8.1 Non-Issue of Driving Licence of E-Rickshaw/ E-Cart

As per Rule 8-A of Central Motor Vehicle Rules (CMVR) 1989, applicants of Learner License (LL)/ Driving License (DL) of E-Rickshaw/E-cart shall undergo training for at least ten days and obtain a certificate of training from the registered E-rickshaw/ E-cart Association/ the manufacturer producing E-Rickshaw or E-cart as the case may be.

Analysis of VAHAN and SARATHI database revealed that 766 E-rickshaw/ E-cart transport vehicles registered in the State did not have any LL/ DL to drive these vehicles. Of these, 619 E-rickshaw/ E-cart transport vehicles pertained to the three sample districts.

Driving licence issued to the drivers of E-rickshaw/ E-cart were not found in the database of SARATHI as such it was highly doubtful that the drivers of E-rickshaws have undergone the minimum requirement of 10 days training as per the Act. While accepting the audit observation, the Department stated (May 2025) that enforcement drives had been conducted to identify E-rickshaw and E-cart drivers without valid licences and consequently, some had consequently started applying for Driving Licenses of E-rickshaws/ E-carts.

The reply of the Department is not acceptable as no documentary evidence of the actions taken was furnished by the Department. Therefore, in the absence of such records, it was most likely that the E-rickshaws and E-carts were still plying without valid DLs.

5.6.8.2 Manipur State Transport Buses operated by Drivers without valid Driving Licence for Transport

As per Section 3(1) of MV Act 1988, no person shall drive a motor vehicle in any public place unless he holds a driving license. As per Section 14 (2)(a) of the Act, in case of transport vehicles, such license shall be effective for a period of five years from the date of issue or renewal.

Out of the 26 drivers of Manipur State Transport (MST), nine drivers were in the process of obtaining of DL as on date of audit (December 2024). Three drivers had not renewed[119] their DL for more than three to four years.

As such, MST vehicles which are meant for public transport were being operated by unqualified drivers, thereby, compromising the safety of the passengers and general public.

While accepting the audit observation, the Department stated that driving licences of the drivers were renewed. However, the reply of the Department is

[119] Date of expiry as per SARATHI: - 20/10/2022, 22/09/2020 & 17/07/2020

not acceptable as the documentary evidence of the renewed DLs for evidence were not furnished.

5.6.8.3 Unusual numbers of Driving Test in a Single Day with other irregularities

As per Section 9 (7) of the Central Motor Vehicle (CMV) Act 1988, the applicant of DL has to satisfy such appropriate licensing authority of his competence to drive the vehicle. Rule 15 of the CMV Rules, 1989 requires applicants to demonstrate their physical and driving competence through a comprehensive driving test.

As per SARATHI database, 3,38,362 DL tests have been conducted during 2019-20 to 2023-24 across the State. Analysis of the DL Test Table showed the following irregularities:

- No Driving Test Roster to allot slots to the applicants was maintained.
- The number of DL tests conducted per day in the DTOs differed substantially, ranging from 944 to one. In the three sample districts, the highest number of DL Tests conducted in a single day was 944 in DTO Imphal West, 416 in DTO Thoubal and 348 in DTO Imphal East. Thus, we calculated that the time taken to conduct DL Test per person (in 08 working hours or 480 working minutes per day) ranged from 1.56 seconds to 96 minutes.
- The Test result column of DL Test Table has no record of "Fail" applicants but only for "Pass" and all the applicants passed in the DL tests in their first attempts.
- DL Test Start Time and End Time were not recorded although respective columns were provided in the table. As such, the actual time taken to conduct the DL Test could not be ascertained.
- 41,829 DL tests in the State were conducted by unauthorised staff (*viz*., Cashier, Peon, Data Entry Operator and others) other than the Inspectors of Motor Vehicles (IMVs) across the State.
- State Code and DTO Code in 1,53,447 records were not entered and kept blank in DL Test Table. As such actual records of DL test conducted in each DTO could not be ascertained.

During joint physical inspection of DL tests (November 2024), a minimum of 7 minutes was taken for the test by an Inspector of Motor Vehicles. As such, the number of DL tests in a single day in the above sampled DTOs were unreasonably high which may result in compromising the quality of tests conducted and possible exclusion of some driving tests. Also, all the applicants having passed the DL test in their first attempt seems doubtful.

The lack of proper monitoring and checking of the quality of the DL test conducted may result in an increased number of road accidents and related injuries and fatalities caused by unqualified drivers.

While accepting the audit observation, the Department stated (May 2025) that due to shortage of manpower in the Department, the entry of driving test results into the application system was not carried out on a regular basis but updated on a weekly basis, resulting in a higher cumulative number of DL tests appearing under specific dates.

The reply of the Department is not tenable as the data entry of driving test results was done on daily basis as per the SARATHI database.

5.6.8.4 Inadequate Driving Test Facilities

As per Rule 15(3) of the CMV Rules, 1989, the applicant shall satisfy the person conducting the test that he is competent to drive and hones skills for examination of all the required parameters of driving test as per the rules made hereunder.

However, for the proper driving test and assessment of applicants, the Transport Department should have a conducive place to conduct driving tests with proper lane/ track and other markings of adequate length, different types of tracks provided for different class of vehicles such as two wheelers, Light Motor Vehicles and Heavy Motor Vehicles, proper waiting lounges with proper sitting, rest rooms, drinking water facilities, *etc.*

Audit observed that the driving tests in the three sampled DTOs of Imphal West, Imphal East and Thoubal were conducted at the Inter State Bus Terminus (ISBT), Khuman Lampak, Imphal East without dedicated lanes, tracks, or markings and other infrastructure required for comprehensive assessment of driving skills in a testing facility. As such, conduct of driving tests in place not conducive for driving test would compromise the quality of tests conducted and possible exclusion of the examination of the required parameters as per the rule, thereby compromising the quality of licensing and would also result in issue of license to unqualified drivers. Conducting driving tests without proper infrastructure defeated the objective of Rule 15(3) of the CMV Rules, 1989, and undermined the reliability of the licensing process.

While accepting the audit observation, the Department replied (May 2025) that the Institute of Drivers Training and Research Centre (IDTRC) began functioning from 01 July 2024 and the driving tests for all types of vehicles had been conducted at IDTRC, which was fully equipped with modern infrastructure, including separate tracks, lane markings, and other necessary facilities to ensure thorough and standardised evaluation of driving skills.

However, the Department stated that establishment of driving test centres at every district required huge capital expenditure. Thus, non-establishment of driving test centres at other districts compromises the quality of test conducted.

Recommendation: The Department should also establish dedicated driving test centres under other DTOs.

5.6.8.5 Non-issue of Conductor Licence

As per section 29 of MV Act 1988, no person shall act as a conductor of a stage carriage unless he holds an effective conductor's licence authorising him to act as such conductor; and no person shall employ or permit any person who is not so licensed to act as a conductor of a stage carriage.

However, as per SARATHI dashboard in Parivahan, it was observed that no conductor had applied for Conductors' Licence and the Licensing Authorities had not issued any Conductors' Licence till date (May 2025). This indicates that 3,628[120] stage carriages (2864[121] stage carriages in the three sampled districts) registered in VAHAN in the State were plying with unlicenced conductor or without conductor.

Further, as per the information on On-Road vehicles of MST, 26 conductors of MST did not have valid conductors' licence during the period from April 2019 to March 2024. Operation of stage carriages without licenced conductors may deprive the drivers from the required assistance which may lead to road accidents and compromise the safety of the passengers and general public and non-compliance with the provisions of the Motor Vehicle Acts and Rules.

While accepting the audit observation (May 2025), the Department stated that various corrective actions and preventive measures were being implemented, launching Licensing Drive by creating awareness, streamlining the licensing process, conducting tests and training for prospective conductors, *etc*.; strengthening enforcement mechanisms; collaboration with MST and private operators to ensure that all conductors employed comply with the licensing requirements.

However, the reply is silent whether the conductor of the 26 stage carriages of MST had obtained Conductors' Licence or not. However, Audit noticed that no Driving Licence (DL) was issued to the E-rickshaw/ E-cart drivers and no mandatory training programme was conducted for them. Further, Manipur Road Transport buses were plying by unqualified drivers without valid DL. No conductor licence was issued by the Department for stage carriages as required under MV Act. The unlicensed/ unqualified drivers were more likely to be involved in road accidents and to get engaged in high-risk driving behaviours like over speeding and driving in violation of extant traffic rules and notified directions which pose risk to both passengers and other road users.

[120] 1668 Buses, three Educational Buses, 1912 Maxi cab and 45 Omni Bus
[121] 2041in DTO Imphal West, 565 in DTO Imphal East and 258 in DTO Thoubal

Recommendations:

The Department may-

- ***Ensure that all E-rickshaw/ E-cart drivers undergo the prescribed 10-day training and obtain valid driving licences before being permitted to operate. Link vehicle registration with proof of valid LL/ DL.***
- ***Mandate that all Manipur State Transport (MST) drivers and conductors possess valid licences at all times. Maintain a centralised register with periodic verification and documentary evidence.***
- ***Introduce digital rosters and slot-booking for driving tests, record start/ end times, restrict test conduct to authorised Inspectors of Motor Vehicles, and institute regular quality checks.***
- ***Establish dedicated test centres with proper tracks, lane markings, and facilities at district level. Pending full rollout, ensure applicants from all districts have periodic access to the Institute of Driver Training and Research Centre (IDTRC).***
- ***Launch awareness drives and streamline processes for conductor licensing. Make it mandatory for MST and private operators to employ only licensed conductors, with penalties for non-compliance.***

5.6.9 Audit Objective:	**Whether the DTOs implemented the regulation and control over registration and use of vehicles through registration, issuing permits and fitness certificates as per the Act/ Rules?**

5.6.9.1 Assignment of same chassis number and engine number to multiple vehicles with other irregularities

Rule 47 of CMV Rules 1989 states that an application for registration of a motor vehicle shall be made to the registering authority within a period of seven days from the date of taking delivery of such vehicle, excluding the period of journey. Rule 49 of rules *ibid* also states that every registering authority shall keep a permanent register of motor vehicles registered by it under section 41 and of motor vehicles of other States for which new registration marks are assigned by it under sub-section (2) of section 47 and shall also enter in such record under the respective registration numbers, all changes made with reference to the provisions of the Central Motor Vehicle (CMV) Act, 1988. The application for registration in Form 20 and Permanent Register in Form 24 requires records of chassis number affix pencil print and attested by registering authority and engine umber or Motor Number in case of Battery-Operated Vehicles to be verified and recorded in the Registration Certificate along with other details of the vehicles.

As per clause 5.0 of Amendment No. 1 to AIS – 065, Statutory Plates and Inscriptions for Motor Vehicles, their Location and Method of attachment – Vehicle Identification Numbering System, Ministry of Shipping, Road Transport & Highways, Department of Road Transport & Highways, Government of India, Vehicle Identification Number (VIN) or the chassis number is a unique combination of characters consisting of 17 digits assigned to each vehicle by the manufacturer marked on the chassis or frame by punching or embossing and on the manufacturer's plate. An engine number is also a unique identification number consisting of nine digits assigned to each engine of a vehicle.

On analysis of VAHAN registration table of 5,43,570 vehicles registered between 12 February 1942 to 13 April 2024 in the State, the following irregularities were observed:

1. One chassis number has been assigned to four different vehicles (four records of vehicles). In eight cases, same chassis numbers had been assigned to three different vehicles (24 records of vehicles) and in 347 cases, same chassis numbers have been assigned to two different vehicles (694 records of vehicles). As such, total 722 records of vehicles with duplicate chassis numbers were found which were registered between 12 February 1985 to 24 August 2018.

2. Out of the 722 records of duplicate chassis numbers, 128 cases were found where engine number, registration number, registration date, purchase date, owner name of the vehicles were different.

3. 360 records of vehicles with duplicate chassis numbers and duplicate engine numbers were found to have different owner name, different registration number, different registration date, different purchase date, *etc*.

4. 100 records of vehicles with duplicate chassis numbers were different Makers and Maker models.

5. In 2,997 records of vehicles with registration date from 07 April 1945 to 16 January 2022, duplicate engine numbers were found wherein one engine number was assigned to nine different vehicles (nine records of vehicles); in three cases, same engine numbers had been assigned to five different vehicles (15 records of vehicles); in five cases, same engine numbers had been assigned to four different vehicles (20 records of vehicles); in 35 cases, same engine numbers had been assigned to three different vehicles (105 records of vehicles) and in 1,417 cases, same engine numbers had been assigned to two different vehicles (2,834 records of vehicles). Also, 14 records of vehicles were assigned as "Nil" engine number.

6. Out of the 2,997 records of duplicate engine numbers, 837 cases were found where chassis number, registration number, registration date, purchase date, owner name of the vehicles were different.
7. 398 records of vehicles with duplicate engine numbers had different Makers and Maker models.

On further analysis of VAHAN database, 428 records of vehicles with same chassis and engine numbers were found to have been registered at multiple DTOs assigned with different registration numbers.

Further, as per section 55 (5) of CMV Act, 1988, "If a registering authority is satisfied that the registration of a motor vehicle has been obtained on the basis of documents which were, or by representation of facts which was, false in any material particular, or the engine number or the chassis number embossed thereon are different from such number entered in the certificate of registration, the registering authority shall after giving the owner an opportunity to make such representation as he may wish to make (by sending to the owner a notice by registered post acknowledgement due at his address entered in the certificate of registration) and for reasons to be recorded in writing cancel the registration." However, there were no records for monitoring work taken up by the Department for cancellation of registration of motor vehicles with multiple chassis numbers and engine numbers registered with different registration numbers.

As such, the Department did not adequately capture and verify the unique identification details of vehicles, such as chassis and engine numbers during the process of registration, which compromised the integrity of the system and increased the risk of fraudulent registrations of illegally acquired vehicles.

While accepting the audit observation, the Department stated (May 2025) that nearly all the vehicles were registered at the DTOs before the introduction of VAHAN- 4.0, using the earlier VAHAN-2.0 version. During this period, the system had limitations, including the inability to detect data duplicity and other types of discrepancies at the time of registration. With the introduction of VAHAN-4.0 and the dealer point registration system, along with the implementation of homologated vehicle pricing in the State, the issue of data duplicity has been effectively eliminated.

Recommendation: The Transport Department should conduct periodic data validation of VAHAN records, reconcile duplicates, and cancel fraudulent registrations under Section 55(5) of the CMV Act to restore integrity of the vehicle registration database.

5.6.9.2 Delay in application for registration of motor vehicles

As per Rule 42 of the CMV Rules, 1989, no holder of a trade certificate shall deliver a motor vehicle to a purchaser without registration, whether temporary or permanent. As per Rule 47 of rules *ibid* an application for registration of a motor vehicle shall be made in Form 20 to the registering authority within a period of seven days from the date of delivery of such vehicle, excluding the period of journey.

Further, as per Section 41(1) of the CMV Act, 1988, the application for registration, in the case of a new motor vehicle, in the State shall be made by the dealer of such motor vehicle, if the new motor vehicle is being registered in the same State in which the dealer is situated. However, there was no legal provision for imposing penalty to Dealers for causing delay in submission of application for registration of motor vehicles.

Data analysis of VAHAN revealed that in the State 1,04,373 applications (9,010 for Temporary Registration and 95,363 for Permanent Registration) for registration were made after seven days from the date of purchase/ sale of motor vehicles purchased during 01 April 2019 to 31 March 2024. Out of these, 1,00,264 applications[122]pertained to the sampled districts.

As such, the Department did not effectively monitor dealers to ensure timely submission of registration applications or enforce compliance by trade certificate holders to prevent delivery of vehicles without registration. Thus, the possibility of vehicles plying on the road without registration could not be ruled out.

While accepting the audit observation, the State Government stated (May 2025) that the Department had been actively working to streamline the vehicle registration process by issuing instructions to dealers to submit the documents within the prescribed timelines and by organising enforcement drives to penalise vehicles plying without number plate.

The State Government further stated that a request had been made for updation of VAHAN application, so that the registration validity and the tax validity is calculated from the actual purchase date rather than the registration date, to avoid unusual extension of registration period of the vehicle.

During the Exit Conference (May 2025), the State Government stated that initiatives had been taken up in communication with NIC, Manipur for exploring features for imposition of automatic penalty to the defaulting dealers.

5.6.9.3 Non-registration/ non-hypothecation to Financier due to delay in issue of Registration Certificate of Motor Vehicles by Transport Department

As per Rule 48 of the CMV Rules 1989, on receipt of an application and after verification of the documents furnished therewith, the registering authority shall issue to the owner of the motor vehicle a certificate of registration in Form 23 or Form 23-A, as may be specified in the Notification issued by the concerned State Government or Union Territory Administration, within a period of 30 days from the receipt of such an application.

Further, as per State Bank of India (SBI) Master Circular– Auto-Loan of 2018, in case of non-registration of a vehicle within 120 days from the date of

[122] 51,008 in Imphal West, 44,545 in Imphal-East and 4711 in Thoubal

disbursement of loan, vehicle search charges @ ₹50 *plus* GST and penalty @ ₹2,500 *plus* GST per month were to be recovered from the borrower. Data analysis of VAHAN for the period from April 2019 to March 2024 revealed that in the State, 22,575 certificates of registration were issued after 30 days from the receipt of application for registration of motor vehicles, out of which, 21,934[123] pertained to the sampled districts.

Audit also noticed that out of the aforesaid 22,575 vehicles pertaining to the period from April 2019 to March 2024 registered after 30 days from the receipt of application, 9,420 vehicles were found to be hypothecated under various Banks/ Financiers with 324 vehicles financed by SBI. Audit further noticed that the owners of these 324 vehicles financed by SBI in the state had been imposed penalty of ₹28.86 lakh for non-registration/ non-hypothecation of vehicle within the timeframe and recovery/payment of vehicle search charges during the period from 01 April 2019 to 31 March 2024, as detailed in **Table 5.6.1**.

Table 5.6.1: Details of late registration of vehicles and penalty levied

Particulars of Department/ office	No. of Vehicles registered late (30 days after application)	No. of Hypo-Veh registered late (30 days after application)	No. of Hypo-Veh financed by all Financiers registered very late (120 days after application)	No. of Hypo-Veh financed by SBI registered late (120 days after application)	Penalty charged by SBI For Non-Regn/ Non-Hypo of vehicles (including GST)	Vehicle search charges (including GST) levied by SBI	Total Penalty recovered from borrower by SBI as on the date of registration
Transport Department, Manipur	22,575	9,420	3,455	324	2950	59	28,85,631
DTO IW	10,810	5,027	1,855	270	2950	59	23,28,966
DTO IE	10,649	4,177	1,503	50	2950	59	4,99,494
DTO Thoubal	475	184	82	0	2950	59	0

Source: VAHAN database and SBI Master Circular-Auto-Loan 2018

As can be seen from the above **Table 5.6.1**, there were 3,455 vehicles in the State where certificate of registration of hypothecated motor vehicles was issued after 120 days from the date of hypothecation of the vehicles in the State.

Thus, due to the delay in application of registration by the Dealers or the DTOs' inability to issue the certificate of registration of auto loaned motor vehicles in a timely manner or both, the vehicle owners had to pay penalty for non-registration/ non-hypothecation of vehicle and recovery/ payment of vehicle search charges as required by their respective Banks/ Financiers.

While accepting the audit observation, the State Government replied (May 2025) that the registration of vehicles was delayed not only due to DTOs but also delay in application by Dealers and cases involving BS-IV vehicles. The Department also expressed the need to bifurcate the delay in two categories *viz.* (i) delay by the Department and (ii) delay in submission of application by the Dealers to the Department

Recommendation: The Transport Department should monitor vehicle registration timelines by distinguishing delays attributable to Dealers and DTOs, enforce accountability, and ensure registration of hypothecated

[123] 10,810 in Imphal West, 10,649 in Imphal-East and 475 in Thoubal

vehicles within the prescribed 30-day period to prevent financial loss to vehicle owners.

5.6.9.4 Issuance of Registration Certificate less than or more than 15 years in respect of Non-Transport Vehicles

As per section 41 (7) of the CMV Act, 1988, a certificate of registration of a motor vehicle shall be valid only for a period of fifteen years from the date of issue of such certificate and shall be renewable.

Analysis of VAHAN database revealed that registration certificates for a period more than 15 years were issued to 5,679 non-transport vehicles, while registration certificates for a period less than 15 years were issued to 3,677 non-transport vehicles which registered between 15 October 1988 to 31 March 2024 The numbers of cases found in the State and sampled DTOs are given in **Table 5.6.2.**

Table 5.6.2: Vehicles registered for more than and less than 15 years

Particulars	No. of vehicles registered for more than 15 years	No. of vehicles registered for less than 15 years
Transport Department	5679	3677
DTO, Imphal west	3753	1765
DTO, Imphal East	788	1163
DTO, Thoubal	318	78

Source: VAHAN Database

Since the VAHAN database for registration plays a vital role for DTOs in monitoring the validity of registration, fitness of vehicle and history of tax payment of the registered motor vehicles, the erroneous entries in the database would restrict the system for further renewal of registration after the valid 15 years for the extended number of years entered. As such, not only the Department did not realise revenues such as the five-year tax after 15 years, green tax, *etc.*, payable in a timely manner, but it also compromised the safety of the public, other road users and the environment in cases where vehicles became unfit.

While accepting the audit comment, the State Government stated (May 2025) that the discrepancies in the validity period of Registration Certificates arose due to data entry errors and system-related issues during the migration and initial implementation phase of the VAHAN 4.0 database. Corrective measures have been taken up in collaboration with NIC which include Data Cleanup to review and correct the erroneous entries in the VAHAN database, System Enhancements to implement stricter data validation protocols in VAHAN to prevent incorrect validity periods from being entered during future registrations. The State Government also stated that an internal review is being conducted to ascertain the impact of erroneous entries on the collection of taxes and green tax. Any under-assessed or uncollected dues would be addressed promptly to ensure that there is no revenue loss to the exchequer.

5.6.9.5 Temporary Registration not followed by Permanent Registration & delay in Registration

As per Section 43 of MV Act 1988, the owner of a vehicle may apply to any registering authority or other authority as may be prescribed by the State Government to have the motor vehicle temporarily registered and such authority shall issue a temporary certificate of registration and temporary registration mark in accordance with such rules as may be made by Central Government. Provided that the State Government may register a motor vehicle that plies temporarily within the state and issue a certificate of registration and registration mark for a period of one month in such manner as may be prescribed by the State Government.

Data analysis of temporary vehicles purchased up to March 2024 revealed that 58 vehicles registered with temporary registration between 03 December 2018 to 02 April 2024 were found to not have been followed by permanent registration in any state in India. Out of these, 28[124] vehicles pertained to the sampled districts.

Further, a total of 5,315 temporary registered vehicles during 07 June 2013 to 29 February 2024 were found to have permanent registration after the expiry of 30 days with a delay ranging from 01 to 1,839 days in the State and 4,481[125] in the sampled districts. Out of these 5,315 registered vehicles, 127 vehicles pertain to loaned motor vehicles mentioned in **Paragraph 8.2.3**.

These discrepancies indicated weak system validation controls that did not prevent the registration of vehicles after the expiration of the temporary registration period.

While accepting the audit comment, the State Government replied (May 2025) that it was actively pursuing the matter to make the necessary modifications to the Motor Vehicle Act of the State, enabling the imposition of penalties on such vehicle owners for delays. Enforcement drives were also routine exercises to detect such cases.

5.6.9.6 Delay in implementation of AFMS/ ATS

MoRTH, GoI launched (2023) the Automatic Fitness Management System (AFMS) which aims to provide motor vehicle owners with the ability to book vehicle tests, view test results, apply for re-test and appeal against first test results online. Automated Testing System (ATS) operators will be able to manage test bookings and generate test results. In addition to this, DTOs will be able to manage requests for appeals against test results and update the status of vehicles accordingly. The application results are linked to VAHAN, which would help the authorities in enforcing strict action through measures like generating trigger on fuel stations when the vehicle enters it or gets re-fuelled. The application provides end-to-end visibility into vehicle testing process and

[124] Imphal West: 11, Imphal East: 05 and Thoubal: 12.
[125] Imphal West: 2,975, Imphal East: 1,201and Thoubal: 305.

its results, thus improving transparency. It will help in maintaining digital recordings of visual checks and concealing individual test results till final report is generated[126].

As per the Gazette Notification[127], the deadline for the implementation of AFMS for all categories of vehicle was 1 October 2024. The Transport Department, GoM, constituted a "Direct Land Purchase Committee" in February 2024 to access the value of the proposed private land located at Imphal-East District to be purchased for setting up of ATS. The State Cabinet approved (February 2024) the direct purchase of a total area of 3.77 acres at Tellou, Terakhong under Sawombung Sub-Division, Imphal East which would be utilised for setting up of the Automated Testing Station (ATS) under Automatic Fitness Management System (AFMS).

While accepting audit observation, the Department stated (May 2025) that the land has been purchased by the Transport Department Manipur. The Department has completed the preparation of the Detailed Project Report (DPR) which has been submitted to the Ministry for approval and release of funds. Upon receipt of the necessary funds, the Department will take up necessary steps to expedite the tendering process for the construction of the ATS.

Thus, the Transport Department did not implement the ATS by 01 October 2024 as notified by MoRTH, thereby depriving the public of the intended benefits of ATS in a timely manner and did not take adequate steps to expedite the tendering process for the construction of the ATS.

5.6.9.7 Non-registered bus operated under MST

As per Section 39 of MV Act 1988, "No person shall drive any motor vehicle and no owner of a motor vehicle shall cause or permit the vehicle to be driven in any public place or in any other place unless the vehicle is registered and the certificate of registration of the vehicle has not been suspended or cancelled and the vehicle carries a registration mark displayed in the prescribed manner".

As per the information furnished by Manipur State Transport (MST), a total of 43 buses (nine semi-low floor) had been handed over to MST between 2017 and 2023 out of which, 26 vehicles were operable while 17 were inoperable as on 31 March 2024. Out of these 17 buses, three buses had not been registered till date. Audit also noticed cases where registration certificates were issued more than or less than 15 years.

While accepting the audit observation, the State Government replied (May 2025) that out of nine semi low floored (SLF) buses released by the Ministry of Urban Development, GoI through MAHUD Department, GoM and handed over to Transport Department for public transport service in 2012, six buses have been registered on 23 June 2017 and three buses were left out for registration.

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[126] MoRTH Annual Report 2022-23.

[127] G.S.R.663(E) issued by the Ministry of Road Transport and Highways on 12 September 2023.

These nine SLF buses altogether were off-road and under process for condemnation.

Recommendations:

The Department may-

- ***cleanse and validate VAHAN records to eliminate duplicate chassis/engine numbers and cancel fraudulent registrations under Section 55(5) of the MV Act.***
- ***enforce timely dealer submissions by monitoring registration applications, fixing responsibility for delays, and enabling automatic penalties for defaulting dealers.***
- ***ensure prompt registration of hypothecated vehicles within 30 days by distinguishing delays attributable to DTOs and dealers and enforcing accountability.***
- ***strengthen system controls in VAHAN to prevent erroneous entries in validity of Registration Certificates and temporary registrations, ensuring correct tax and green tax realisation.***
- ***expedite establishment of ATS under AFMS to provide reliable fitness certification and improve transparency in vehicle testing.***

5.6.10 Audit Objective: Whether the DTOs efficiently assessed, levied, collected and remitted revenue (Motor vehicle taxes, fines, penalties, cess, *etc.* as per Act/ Rules) and took effective action on arrears?

5.6.10.1 Non-realisation of Royalty Fee @ 5 *per cent* from MANITRON

An Agreement was made (15 April 2008) between the Transport Department, Government of Manipur and the Manipur Electronics Development Corporation Ltd. (MANITRON) for making Smart Card Driving License and Smart Card Registration Certificate for five years with effect from the date specified by the State Government which may be extended for another five years upon entering into fresh agreement. However, the agreement could not be extended further owing to disagreement between the two parties over royalty till January 2020. Subsequently, agreements were executed on 29 January 2020 and 02 September 2021 for the period from 29 January 2020 to 28 January 2021 and from 29 January 2021 to 28 January 2026 respectively whereby, MANITRON shall have to pay a royalty of five *per cent* of the total amount for charge of making Smart Card Driving License and Smart Card Registration Certificate to the Transport Department to be paid on monthly basis before the 10th of the following month.

The rates for making Smart Card Driving License and Smart Card Registration Certificate as prescribed under Rule 32 of the Central Motor Vehicle Rules (CMVR),1989 as shown in **Table 5.6.3**.

Table 5.6.3: - Rate for Smart Card Fees *w.e.f.* 28 July 2016

Sl. No.	Description	Rate prescribed under CMV Rules, 1989 (in ₹) *(Inclusive of 18 & 5 per cent GST/ Royalty respectively)*
1	Smart Card Driving License	200
2	Smart Card Registration Certificate	200

Source: Departmental records

Test check of records of the office of the Directorate of Transport, GoM and the information furnished by MANITRON revealed that the Royalty fee @ five *per cent* had not been paid by MANITRON for making 1,58,587 Smart Card Driving Licenses and 1,59,813 Smart Card Registration Certificates during the period from 2019-20 to 2023-2024. The details are given in **Table 5.6.4.**

Table 5.6.4: - Royalty fees realisable from MANITRON for the period from 29 January 2020 to 31 March 2024

Sl. No.	Description	No. of Smart card	Amount Collected by MANITRON per Smart Card exclusive of Taxes/ Fee {(Base Cost) (₹ in crore) = @₹162.6/ Smart Card}	Royalty to be paid @Five *per cent* of Base Cost (₹ in crore)
1	Total Number of Smart Card Driving License issued	1,58,587	2.58	0.13*
2	Total Number of Vehicles registered	1,59,813	2.60	0.13**
Total Royalty Fee due from MANITRON				**0.26**

Source: Departmental data

* *(5 per cent of ₹162.60 x 1,58,587)*

** *(5 per cent of ₹162.60 x 1,59,813)*

As such, Royalty Fee amounting to ₹0.26 crore for the period from 29 January 2020 to 31 March 2024 had not been paid by MANITRON.

While accepting the audit observation, the State Government replied (May 2025) that necessary actions would be taken for recovery of the payable amount from M/s MANITRON.

However, the status of recovery was not intimated (May 2025).

5.6.10.2 Non-Realisation of Permit Fee

As per Section 66 of MV Act 1988, "No owner of a motor vehicle shall use or permit the use of the vehicle as a transport vehicle in any public place whether or not such vehicle is actually carrying any passengers or goods save in accordance with the conditions of a permit granted or countersigned by a Regional or State Transport Authority or any prescribed authority authorising him the use of the vehicle in that place in the manner in which the vehicle is being used."

Further, Section 81(2) provides that a permit may be renewed on application made not less than fifteen days before the date of its expiry. The rates of annual permit fee for different types of vehicles have been fixed as per the First

Schedule of the Manipur Motor Vehicles Taxation (Second Amendment) Act, 2015.

Analysis of VAHAN data Registration table with tables related to issue, renewal and cancellation of permits in the State pertaining to the period April 2010 to March 2024 revealed 2197 records of transport vehicles with expired permits and 18,415 records of transport vehicles without permits were active in the State as of 31 March 2024.

As per Section 11 of the Manipur Motor Vehicles Taxation Act, 1998 states that when the registered owner or the person having possession or control of a motor vehicle has given previous intimation in writing to the taxation authority that the motor vehicle would not be used in any public place for a particular period, being not less than one month, and deposits the certificate of registration of such motor vehicle with the taxation authority, and obtains an acknowledgement thereof from that authority, he shall be exempted from the payment of the tax for that period.

Operation of a large number of vehicles without valid permits and with expired permits implies that they did not have a defined route of journey.

However, Audit could not quantify the realisable permit fee of transport vehicles with expired permits and transport vehicles without permits due to non-availability of distinct categories of vehicles under different classes of transport vehicles in VAHAN database.

While accepting the audit observation, the State Government in its reply (May 2025) stated that the renewal and issuance of permits done at DTOs level and upon vehicle owners request. Moreover, there was no provision empowering Motor Vehicle Authority for realisation of such fees without following due process in the M.V. Act & Rules and the Department was not in a position to confirm the veracity of the vehicle fitness to ply on road and as such the Department cannot levy fines and collect fee.

However, the status of the commented vehicles was still shown as active in VAHAN and no records were made available to audit on prior intimation under Section 11 MMV Taxation Act, 1998 implying that the vehicles may be plying on road. And therefore, as per Manipur Motor Vehicle Taxation Act, 2015 (Second Amendment), the Department was required to take up actions for realisation of the pending permit fees.

5.6.10.3 Days Missed after the Registration to get the Permits issued

As per Section 66 of MV Act 1988, “No owner of a motor vehicle shall use or permit the use of the vehicle as a transport vehicle in any public place whether or not such vehicle is actually carrying any passengers or goods save in accordance with the conditions of a permit granted or countersigned by a Regional or State Transport Authority or any prescribed authority authorising him the use of the vehicle in that place in the manner in which the vehicle is being used”.

Analysis of VAHAN database revealed that 1482 vehicles in the State registered during 01 April 2019 to 31 March 2024 under transport category which had applied for permits were issued permits during 01 October 2019 to 10 April 2024 with delays ranging from 01 to 1,654 days from their initial registration date. Out of these, 1,212[128] vehicles were registered in the sampled districts and 46 in STA, Manipur.

Thus, due to lack of monitoring of the part of the Department to ensure whether vehicles registered under transport category were applied for issue of permit on time or not, the loss of revenue to the government could not be ruled out.

While accepting the audit observation, the State Government in its reply (May 2025) stated that following the implementation of the online permit system through VAHAN, the data from manually issued permits was not updated in the portal. Hence, the Audit team observed delays in permit renewals, which were primarily due to this transition and not actual lapses. At present, with the online permit system fully operational through VAHAN, all permit related processes were systemised. Therefore, the issue of days missed after registration no longer arises.

However, Audit observed significant delays ranging from 01 to 1,125 days in issue of permits after the initial registration in respect of 1,260 vehicles registered between 2021 and 2024, *i.e.,* after the implementation of online permit system in the State with effect from 04 January 2021.

5.6.10.4 Permits issued without valid Fitness Certificate

Section 84 (a) of CMV Act, 1988 states the conditions that the vehicle to which the permit relates carries valid certificate of fitness issued under section 56 and is all the time so maintained as to comply with the requirement of this Act and the rules made there under.

Further, Section 86 (1) of MV Act, 1988 provides that the transport authority which granted a permit may cancel or may suspend it for such period as it thinks fit on the breach of any conditions specified in section 84 or any condition contained in the permit.

Analysis of VAHAN Permit table with the Fitness table revealed that 2026 vehicles permits were issued during 2009-10 to 2023-24 without Fitness Checks as on 31 March 2024 as shown in **Table 5.6.5**. As such, 2026 vehicles had breached the conditions of Section 84 (a).

Table 5.6.5 : Permits issued without valid Fitness Certificate

Particulars	No. of Permits issued/ renewed without valid Fitness Certificate	No. of Permits Issued or Renewed but Fitness Details not available in VAHAN Registration Tables	Total Nos. of Permit Issued without Fitness Checks
Transport Department, Manipur	284	1742	2026

[128] 1,050 in Imphal West, 134 in Imphal East and 28 in Thoubal

Particulars	No. of Permits issued/ renewed without valid Fitness Certificate	No. of Permits Issued or Renewed but Fitness Details not available in VAHAN Registration Tables	Total Nos. of Permit Issued without Fitness Checks
DTO, IW	64	765	829
DTO, IE	52	219	271
DTO, Thoubal	26	71	97
STA, Manipur	98	391	489

Source: VAHAN database

The operation of transport vehicles without valid fitness certificates poses serious safety risks, as these vehicles may not meet the required standards for roadworthiness.

The State Government replied (May 2025) that given the automated checks embedded within the Parivahan system, no permits were manually issued without valid Fitness Certificates. The audit observations appear to have resulted from technical issues related to data synchronisation.

The reply is not acceptable as there was no data showing that the Fitness Certificates (FCs) were taken during the relevant missing period as highlighted in the observation.

5.6.10.5 Non-renewal of Fitness Certificate

As per Section 56 of MV Act 1988, a transport vehicle shall not be deemed to be validly registered for the purposes of Section 39, unless it carries a certificate of fitness in such form containing such particulars and information as may be prescribed by the Central Government, issued by the prescribed authority, or by an authorised testing station, to the effect that the vehicle complies for the time being with all the requirements of this Act and the rules made there under.

Rule 62 of CMV Rules, 1989 read with a Gazette Notification (02 November 2018) provided that the renewal of certificate of fitness in respect of transport vehicles shall be two years for vehicles up to eight years old and one year for vehicles older than eight years. Provided further that no fitness certification shall be required at the time of registration for new transport vehicle sold as fully built vehicle and such vehicle shall be deemed to be having certificate of fitness for a period of two years from the date of registration.

Rule 81 of CMVR 1989 read with a Gazette Notification (December 2016) provided that the fees which would be charged for conducting fitness and grant and renewal of fitness certificate for motor vehicles, provided further that an additional fee of fifty rupees for each day of delay after the expiry of fitness certificate shall be levied. Details of fitness fee as per the Gazettee Notification are given in **Table 5.6.6**.

Table 5.6.6: Details of Fitness Fee

Sl. No.	Purpose	Amount (in ₹)
1	Conducting test of a vehicle for grant and renewal of certificate of fitness	
	(i) Motorcycle	200
	(ii) Three wheeled or light motor vehicle or quadricycle	400
	(iii) Medium or heavy motor vehicle	600
	(iv) others	200
2	Grant or renewal of certificate of fitness for motor vehicle	200
3	Additional fee for each day of delay after the expiry of fitness certificate	50

Source: Gazette notification

A. **Non-realisation of fitness fee**

Data analysis of VAHAN database revealed that the fitness validity of 26,666-transport vehicles registered during 01 April 2010 to 31 March 2024 had expired. As per VAHAN, these vehicles were shown as active. As such, an amount of ₹1.66 crore for conducting test for fitness and grant and renewal of Fitness Certificate of motor vehicles need to be realised from the vehicle owners. Details of calculation for conducting test for fitness and grant/ renewal of Fitness Certificate of motor vehicles in the State and test checked DTOs are given in **Table 5.6.7.**

Table 5.6.7: Fee realisable for conducting fitness test, issue and renewal of Fitness Certificate

Particulars	No. of Active Transport Vehicles	Fitness Fee Due (₹ in crore)
Transport Department, Manipur	26,666	1.66
DTO, IW	13,456	0.84
DTO, IE	6,689	0.41
DTO, Thoubal	2,231	0.14

Source: VAHAN database.

B. **Non-realisation of additional fitness fee for delay**

Similarly, data analysis of VAHAN database revealed that fitness validity of 15,475 transport vehicles registered during 29 December 2014[129] to 31 March 2024 had expired. As per VAHAN, these vehicles were shown as active. As such, an amount of ₹102.59 crore on account of Additional fee for each day of delay after the expiry of fitness certificate need to be realised from the vehicle owners with effect from 29 December 2016. Details of calculation of Additional fee for each day of delay after the expiry of fitness certificate in the State and test checked DTOs are given in **Table 5.6.8**.

Table 5.6.8: Fee realisable for Additional Fitness

Particulars	No. of Active Transport Vehicles	Additional Fitness Fee Due (₹ in crore)
Transport Department, Manipur	15475	102.59
DTO, IW	7682	54.47
DTO, IE	3860	26.80
DTO, Thoubal	1519	7.72

Source: VAHAN database.

[129] In respect of vehicles in which fitness was expired after Gazette Notification (December 2016)

The operation of transport vehicles without valid fitness certificates poses serious safety risks, as these vehicles may not meet the required standards for road-worthiness.

The State Government in its reply (May 2025), while accepting the issue highlighted, did not accept the figure quantified by the audit and stated that the amount quantified by the audit is a presumptive figure purely based on the number of vehicles registered in VAHAN. It also stated that since the outbreak of Covid 19 pandemic and due to the ethnic clashes in the state, many vehicle owners had not been able to renew their Fitness Certificates. Moreover, whether the vehicles were plying/active on road was not confirmed. The Department can enforce only when the vehicles were plying on the road.

However, the status of the commented vehicles was still active in VAHAN and therefore, as per MMV Act, there was still an accrued liability amounting to ₹1.66 crore for conducting test for fitness and ₹102.59 crore as penalty for delay of renewal of Fitness Certificate from the vehicle owners.

5.6.10.6 MST buses not checked for fitness and pollution

As per Rule 115 (7) of the CMV Rule, 1989 after the expiry of a period of one year from the date on which the motor vehicle was first registered, every such vehicle shall carry a valid "Pollution under control certificate" (PUCC) with validity of twelve months for the vehicles manufactured as per BS-IV or BS-VI norms and six months for other vehicles issued by an agency authorised for this purpose by the State Government.

Cross verification of data available in VAHAN with the records furnished by the Department showed that the 43 Manipur State Transport (MST) buses have not been renewed for fitness certificate after the applicable two years from date of their registration as per Rule 62 of CMV Rule 1989 and PUCC after the applicable one year from the date of their registration as per Rule 115 (7) of CMV Rule 1989. The Transport Department, being the authority, did not take initiatives for timely checking of fitness and pollution of vehicles belonging to the MST.

While accepting the audit observation, the State Government replied (May 2025) that the necessary Fitness Certificates and PUCC of the buses belonging to MST were being obtained

5.6.10.7 Excess and short collection of One Time Tax

The Proviso to Section 3 of the Manipur Motor Vehicles Taxation (Second Amendment) Act, 2015 came into force from 18 February 2016 stipulates that the tax leviable under Section 3 in respect of personalised vehicles as well as auto rickshaws (goods or passengers), motor cabs, maxi cabs, school vans and goods vehicles below 7.5 Gross Vehicle Weight (GVW) after enactment of this Act shall be paid at the time of registration for fifteen years under One Time Tax (OTT) structure at the rates starting from minimum floor rate of tax at four to eight *per cent* on sale prices before VAT/ GST as prescribed in the First Schedule depending on the categories of vehicle.

A) Short/ excess collection in respect of non-transport vehicles

Analysis of VAHAN database revealed that 2,20,608 numbers of Light Motor Vehicles, three-wheelers and two-wheeler vehicles that attract OTT were registered in the State since the commencement (18 February 2016) of the Act till March 2024. Out of 2,20,608 vehicles, the sale amount of 2,899 vehicles was less than ₹10,000 - including 2,847 vehicles having zero sale amount which was unrealistic and not considered for audit comment. This indicates that the sale amount of some vehicles entered in VAHAN database were not accurately ascertained.

- Further, out of 2,20,608 vehicles, the sale amount of 2,17,709 vehicles had been considered as realistic as the sale amount was greater than or equal to ₹10,000.
- However, records for payment of tax pertaining to 3,383 vehicles out of 2,17,709 vehicles were not found in VAHAN database.
- Out of 2,14,326 (2,17,709 – 3,383) vehicles, the number of vehicles which were still active in the VAHAN database was 2,14,207.
- On further analysis of OTT collection of 2,14,207 vehicles revealed difference between tax collection and tax to be collected in respect of 79,011 vehicles and nil difference in respect of 1,35,196 vehicles.
- Further analysis of said OTT difference between tax collection and tax to be collected for 79,011 vehicles revealed excess collection of OTT on 55,683 vehicles amounting to ₹4.12 crore and short collection of OTT on 23,328 vehicles amounting to ₹3.97 crore calculated based on the sale value of the vehicles.

Further, in the case of the three sampled DTOs, there was an excess collection of OTT amounting to ₹3.05 crore and short collection amounting to ₹2.32 crore.

B) Short/ excess collection in respect of transport vehicles

Analysis of VAHAN database revealed that 13,563 number of transport vehicles such as Maxi cab, motor cab, three-wheeler (Passengers/ Goods) and Goods Carrier having below 7.5 GVW vehicles that attract OTT were registered in the DTOs of Manipur since the commencement (18 February 2016) of the Act till March 2024. Out of 13,563 vehicles, the sale amount of 497 vehicles was less than ₹10,000 - including 461 vehicles having zero sale amount which was unrealistic and non-considered for audit comment. This indicates that the sale amount of some vehicles entered in VAHAN database were not accurately ascertained.

- Further, out of 13,563 vehicles, the sale amount of 13,066 (13,563 - 497) vehicles was realistic as the sale amount is greater than or equal to ₹10,000.
- However, records for payment of tax pertaining to 198 vehicles against 13,066 vehicles were not found in VAHAN database.

- Further analysis of OTT collection of 12,868 (13,066 – 198) vehicles revealed difference between tax collection and tax to be collected in respect of 5,951 vehicles and nil difference in respect of 6,917 vehicles.
- Further analysis of the difference between tax collection and tax to be collected for 5,951 vehicles revealed that excess collection of OTT on 3,647 vehicles amounting to ₹17.50 lakh and short collection of OTT on 2,304 vehicles amounting to ₹4.13 crore calculated based on the sale value of the vehicles.

Further, in the case of the three sampled DTOs, there was an excess collection of OTT amounting to ₹11 lakh and short collection amounting to ₹2.14 crore.

In order to cross-verify the database in VAHAN, physical records like sale invoice, registration certificate and MV tax receipt of some cases were requisitioned. However, the said records were not furnished despite reminder issued to the DTOs as of, September 2025. In absence of the records, cross-verification could not be done and therefore the correctness of the database could not be ascertained.

Reasons for feeding of unrealistic data on sale price of vehicles in VAHAN database and excess and short collection of OTT were not on record. As such, the sale price of vehicles was not ascertained accurately and the corresponding OTT was not calculated at applicable rates in respect of 84,962 (79,011 non-transport vehicles + 5,951 transport vehicles) vehicles that attracted OTT. This resulted in charging of unauthorised excess tax to vehicle owners to the tune of ₹4.30 (₹4.12 + ₹0.18) crore on the one hand and loss of Government revenue amounting to ₹8.10 (₹3.97 + ₹4.13) crore on the other.

During Exit Conference (April 2025), the State Government stated that the discrepancies occurred mainly due to error in data migration of old records into VAHAN. In this regard, the Secretary Transport directed the DTOs to segregate data into pre-VAHAN and post-VAHAN data for identification of errors and necessary rectification of data and tax accordingly.

The State Government while accepting the audit observation (May 2025) stated that due to shortage of experienced staff and limited availability of qualified personnel, some payments made through TR-5 (manual) were not accurately entered into the VAHAN software resulting in discrepancies in collection of taxes.

5.6.10.8 Non-collection of One Time Tax for balance years in case of personalised vehicles

Proviso to Section 3 of the Manipur Motor Vehicles Taxation (Second Amendment) Act, 2015 that came into force from 18 February 2016 stipulates that the owners of the personalised vehicles registered and paid under the recurring tax structure (annual tax basis) before the commencement of this Act shall have to pay their taxes under One Time Tax[130] (OTT) structure which is meant for the remaining years to attain 15 years but subject to award of rebate on the tax payable and not on the cost of the vehicle @ 10 *per cent* discount per annum taking into consideration of the age of the vehicle with the original cost of the vehicle before VAT.

Analysis of VAHAN database revealed that 2,13,261 numbers of personalised/ non-transport vehicles were registered in Manipur during the period from 17 February 2002 to 17 February 2016 *i.e.,* since one day to fourteen years back before the commencement of the Act.

- Out of the 2,13,261 non-transport vehicles, the sale amount of 81,814 vehicles was found in the VAHAN database.
- On further analysis of the data, Audit noticed that the sale value of 77,968 vehicles against 81,814 vehicles was realistic considering the value of sale amount of vehicles as more than or equal to ₹10,000.
- However, tax details of 67,631 vehicles only against 77,968 vehicles were found in VAHAN database.
- Further analysis on collection of OTT for balance years from 67,631 vehicles revealed that there were 4,990 vehicles applicable for payment of OTT for balance years ranging from one year to fifteen years.
- Out of 4,990 vehicles, 4,851 vehicles *i.e.,* LMVs, three wheelers and two wheelers (private) that attract OTT were considered.
- Analysis of collection of OTT for balance years from 4,851 vehicles revealed that there was an excess collection of OTT for balance years amounting to ₹14.32 lakh in case of 333 vehicles and nil balance in 06 vehicles.
- However, the balance OTT payable by 4,512 (4,851- 339) vehicles (excluding 333 vehicles with excess collection and 06 vehicles having zero balance) worked out to ₹4.34 crore as shown in **Table 5.6.9.**

Table 5.6.9: Details of collectible OTT for balance years from vehicles

(Amount in ₹)

Sl. No.	Name of DTO	No. of LMV	Balance OTT amount payable	No. of two and three wheelers	Balance OTT amount payable	Total vehicles	Total Balance payable
1	Imphal West	2,857	3,24,24,362	404	4,56,680	3,261	3,28,81,042
2	Churachandpur	90	11,19,982	43	53,810	133	11,73,792
3	Kangpokpi	11	1,91,762	2	2,175	13	1,93,937
4	Imphal East	49	341720	10	12,750	59	3,54,470
5	Thoubal	148	12,03,130	65	68,702	213	12,71,832
6	Bishnupur	713	6869745	79	1,73,179	792	70,42,924
7	Ukhrul	13	203235	2	6,580	15	2,09,815
8	Senapati	23	191148	1	1	24	1,91,149
9	Chandel	2	33187	0	0	2	33,187
Total		**3,906**	**4,25,78,271**	**606**	**7,73,877**	**4512**	**4,33,52,148**

Source: VAHAN database. No non-transport vehicles were registered in respect of two DTOs (Tamenglong & Tengnoupal) till March 2024.

[130] Mode of calculation for OTT for balance years as depicted in the Act is reproduced below:
OTT payable for balance years = OTT-[(OTT/15) x n -(OTT/15) x n x 0.1]
Where 'OTT' means derived One Time Tax of the particular 'type/class of vehicle, and 'n' stands for the age of the vehicle.

In order to cross-verify the database in VAHAN, physical records like sale invoice, registration certificate and MV tax receipt of some cases were requisitioned. However, the said records were not furnished despite reminder issued to the DTOs as of September 2025. In absence of the records, cross-verification could not be done and therefore the correctness of the database could not be ascertained. As such, Audit concludes that non-collection of OTT for balance years to the tune of ₹4.34 crore from such defaulters resulted in loss of government revenue to that extent calculated based on the sale value of the vehicles.

The State Government while accepting the fact stated (May 2025) that efforts would be made to ensure adherence to statutory provisions and efficient revenue collection.

5.6.10.9 Excess and short collection of tax in respect of vehicles liable to pay MV tax on annual (recurring) basis

Proviso (1) to Section 3 of the Manipur Motor Vehicles Taxation (Second Amendment) Act, 2015 stipulates that every motor vehicle liable to pay on annual (recurring) basis may pay tax in advance on or before 31st day of March for the commencing financial year by owner of a motor vehicle as prescribed in the First Schedule.

Proviso (2) to Section 3 of the Act *ibid* stipulates that every motor vehicle other than a motor vehicle liable to pay One Time Tax shall have the option of paying the tax in advance in four equal quarterly instalments payable on or before the last day of March, June, September and December respectively as prescribed in the First Schedule

A) *Transport vehicles that needs to pay MV tax as per the parameter i.e., Laden weight*

Analysis of VAHAN database revealed that 2,318 numbers of transport vehicles having more than or equal to 7.5 tonne in Gross Vehicle Weight (GVW) that paid MV tax quarterly or yearly were registered in Manipur since the commencement (18 February 2016) of the Act till March 2024. Out of 2,318 vehicles, the tax details of 2,175 vehicles were found in VAHAN database whereas that of 143 vehicles were not found in the database. Further, out of 2,175 vehicles, 684 vehicles paid MV tax quarterly and 1,384 vehicles paid the tax yearly. However, analysis on 107 vehicles was not considered as there was no consistency in the mode of periodicity of tax payments; the tax was paid neither quarterly nor yearly.

- Of 684 vehicles paying tax quarterly, Audit noticed that there was excess collection of ₹4.08 lakh in case of 72 vehicles and short collection of ₹1.32 crore in case of 612 vehicles.

- Also, analysis of tax collection of 1,384 vehicles paying yearly tax revealed that there was excess collection of ₹2.04 lakh in case of 42 vehicles, short collection of ₹3.14 crore in the case of 1,342 vehicles.

- As mentioned above, there was a difference in collection of MV tax pertaining to such 2,068 (684 + 1,384) transport vehicles having more than or equal to 7.5 tonne in Gross Vehicle Weight (GVW).
- This indicates that collection of MV tax was made without considering the applicable parameters such as type of vehicle or laden weight in violation of the Act *ibid*.

Further, in the case of the three sampled DTOs, there was an excess collection of MV tax amounting to ₹0.02 lakh and short collection amounting to ₹2.86 crore.

B) *Transport vehicles that needs to pay MV tax as per the parameter i.e., Seat capacity*

Analysis of VAHAN database revealed that 602 number of buses were registered in Manipur since the commencement (18 February 2016) of the Act till March 2024. Out of 602 buses, 459 buses were still active as per the VAHAN database. The tax details of 415 buses against 459 buses were found in VAHAN database whereas that of 44 buses were not found in the database. Further, out of 415 buses, 100 buses paid MV tax quarterly and 287 buses paid the tax yearly. However, analysis on 28 buses was not considered as there was no consistency in the periodicity of tax payments, *i.e.,* the tax was paid neither quarterly nor yearly.

On further analysis of tax collection of 100 buses paying quarterly, Audit noticed that there was excess collection of ₹0.40 lakh in case of 21 buses and short collection of ₹5.95 lakh in case of 33 buses and in the case of 46 buses, there was no difference.

Also, analysis of tax collection of 287 buses paying yearly revealed that there was excess collection of ₹0.58 lakh in the case of 39 buses, short collection of ₹7.66 lakh in the case of 64 buses and in the case of 184 buses, there was no difference in tax collection and tax to be collected.

As mentioned above, there was excess collection of MV tax of ₹0.98 lakh and short collection of ₹13.61 lakh from 387 buses. This indicated that collection of MV tax was made without considering the applicable parameters such as type of vehicle or seat capacity in violation of the Act *ibid*.

Further, in the case of the three sampled DTOs, there was an excess collection of MV tax amounting to ₹0.45 lakh and short collection amounting to ₹7.10 lakh.

In order to cross-verify the database in VAHAN, physical records like sale invoice, registration certificate and MV tax receipt of some cases were requisitioned. However, the said records are not furnished despite reminder issued to the DTOs. In absence of the records, cross-verification could not be done and therefore the correctness of the database could not be ascertained.

Reasons for excess and short collection of MV tax were not record. Thus, the quarterly/ yearly tax had been levied and collected without considering the applicable parameter *i.e.*, Laden weight/ Seat capacity in violation of the Act *ibid*.

The State Government while accepting the audit observation replied (May 2025) that reason for discrepancies in collection of MV tax was due to incorrect application of parameters such as Laden Weight and Seat Capacity as prescribed by the Act. Further, the State Government stated that it had initiated corrective measures like instructions issued to DTOs to ensure proper verification of Laden Weight or Seat Capacity and other relevant parameters at the time of tax assessment and directives to DTOs to promptly furnish physical records for cross-verification with the VAHAN database.

However, the State Government is silent on recovery of short collection of MV tax. Therefore, the State Government may take up necessary steps to collect the amount of short realisation of MV tax and adjust the excess MV tax collected with the future tax liability in subsequent quarters/ years.

5.6.10.10 Non-collection of five years MV tax and Green Tax in respect of non-transport vehicles

Proviso (2) to Section 3 of the Manipur Motor Vehicles Taxation (Second Amendment) Act, 2015 came into force from 18 February 2016 stipulates that every motor vehicle more than fifteen years of age from the date of its registration and also found mechanically fit for use shall, on payment of such tax for another period of five years with a Green Tax (GT) as specified in the first schedule of the Act, be allowed to use for another five years.

Further, Section 11 of the Manipur Motor Vehicles Taxation Act, 1998 states that when the registered owner or the person having possession or control of a motor vehicle has given previous intimation in writing to the taxation authority that the motor vehicle would not be used in any public place for a particular period, being not less than one month, and deposits the certificate of registration of such motor vehicle with the taxation authority, and obtains an acknowledgement thereof from that authority, he shall be exempted from the payment of the tax for that period.

Analysis of VAHAN database revealed that 50,693 numbers of vehicles both transport as well as non-transport vehicles were registered during 01 April 2004 to 01 April 2009[131]. Out of 50,693 vehicles, 47,171 vehicles belong to non-transport vehicles of which 46459 vehicles were still active as per the VAHAN database. Out of the active non-transport vehicles, 2291 vehicles had applied for GT whereas 44,168 vehicles had not applied for GT.

[131] The period is considered as vehicles registered during the period fall completion of fifteen years during 01 April 2019 to 31 March 2024.

*A) **2291 active vehicles applied for GT***

In Manipur, 2291 vehicle owners applied for GT. Out of 2291 vehicles, 821 vehicles paid GT whereas 1470 vehicles had not paid GT as well as the corresponding five years Motor Vehicle (MV) tax though they were still plying *i.e.,* active as per the VAHAN database. Out of 1,470 vehicles, the number of personalised LMVs and Motor cycles/ scooters/ auto-rickshaws (personal) were 1,129 and 310 respectively as only such category of vehicles was considered**.**

Out of 1129 LMVs, the sale amount of 175 vehicles was not realistic as the sale amount was less than ₹10,000 and that of 954 vehicles have been considered as realistic. The relevant five years MV tax and corresponding GT to be collected from such 954 LMVs was ₹63.90 lakh and ₹5.38 lakh respectively**.**

Further, out of 310 motor-cycles/ scooters/ auto rickshaws, the sale amount of 216 vehicles was not realistic and that of 94 vehicles had been taken as realistic considering the sale amount of vehicle greater than or equal to ₹10,000 as realistic. The relevant five years MV tax and corresponding GT to be collected from such 94 vehicles were ₹1.22 lakh and ₹0.26 lakh respectively.

Thus, MV tax and GT of ₹65.12 (63.90 + 1.22) lakh and ₹5.64 (5.38 + 0.26) lakh respectively was not collected from 1,048 (954 + 94) non-transport vehicles.

Further, in the case of the three sampled DTOs, there was non-collection of MV tax and Green Tax amounting to ₹43.27 lakh and ₹3.78 lakh respectively

*B) **44,168 active vehicles not applied for GT***

Out of 44,168 vehicles, 177 vehicles paid Green Tax though they had not applied for GT for reasons not known to Audit. However, 43,991 vehicles against 44,168 vehicles were still plying *i.e.,* active as per the VAHAN database without paying any tax. Out of 43,991 vehicles, the number of personalised LMVs and Motor cycles/ scooters/ auto-rickshaws (personal) were 16,657 and 26,960 respectively as such category of vehicles were considered.

Out of 16,657 LMVs, the sale amount of 6684 vehicles was not realistic as the sale amount is less than ₹10,000 and that of 9,973 vehicles had been considered realistic. The relevant five years MV tax and corresponding GT to be collected from such 9,973 LMVs were ₹6.38 crore and ₹56.01 lakh respectively.

Further, out of 26,960 motor cycles/scooters/auto rickshaws, the sale amount of 12,661vehicles was not realistic and that of 14,299 vehicles taken as realistic considering the sale amount of vehicle greater than or equal to ₹10,000 as realistic. The relevant five years MV tax and corresponding GT to be collected from such 14,299 vehicles were ₹1.79 crore and ₹42.93 lakh respectively.

In the case of the three sampled DTOs, there was non-collection of MV tax and GT amounting to ₹7.25 crore and ₹90 lakh respectively.

In order to cross-verify the database in VAHAN, physical records like sale invoice, registration certificate and MV tax receipt of though requisitioned for some cases, were not furnished despite reminder issued to the DTOs as of

September 2025. In absence of the records, cross-verification could not be done and therefore the correctness of the database could not be ascertained.

Thus, MV tax and GT ₹8.17 (6.38 + 1.79) crore and ₹98.94 (56.01 + 42.93) lakh respectively was not collected from 24,272 (9,973 + 14,299) non-transport in violation of the Act *ibid*.

Reasons for non- collection of five years MV tax and GT were not on record. As such, non-collection of such MV tax and GT resulted in loss of Government revenue amounting to ₹9.16 crore.

The State Government in their reply (May 2025), stated that for renewal of a RC, the vehicle owner is required to physically bring the vehicle to the District Transport Office for inspection and testing of the vehicle and subsequent renewal of RC. In the absence of the vehicle owners visiting the offices of the DTOs, collection of MV tax and the relevant GT from the vehicles is not possible. Further, the State Government stated that the amount quantified by audit was a presumptive figure purely based on the number of vehicles registered in VAHAN; whether the vehicles were active/plying on road could not be confirmed. The Department can enforce only when the vehicles were plying on road.

The replies of the State Government were not acceptable as audit considered only the vehicles registered during 01 April 2004 to 01 April 2009, which fall completion of 15 years during 01 April 2019 to 31 March 2024 and the status of the commented vehicles was still active in VAHAN database. Further, the State Government could not furnish any documentary evidence in support of prior intimation in writing to the taxation authority that the active motor vehicles would not be used in any public place as per Section 11 of the MMV Act 1998. Therefore, as per MMV Act, there was still an accrued liability amounting to ₹9.16 crore to be paid by the vehicle owners.

5.6.10.11 Non-collection of MV tax and Green Tax in respect of transport vehicles

Analysis of VAHAN database revealed that 50,693 numbers of vehicles both transport as well as non-transport vehicles were registered during 01 April 2004 to 01 April 2009[132]. Out of 50,693 vehicles, 3,522 vehicles belong to transport vehicles of which 3,351 vehicles were still active as per the VAHAN database. Out of the active transport vehicles, 174 vehicles had applied for GT whereas 3,177 vehicles had not applied for GT.

A) 174 active vehicles applied for GT

- Out of 174 vehicles, two vehicles paid GT whereas 172 vehicles did not pay the relevant GT as well as the corresponding five years Motor Vehicle (MV) tax though they were still plying *i.e.,* active as per the VAHAN database.

[132] The period is considered as vehicles registered during the period fall completion of fifteen years during 01 April 2019 to 31 March 2024.

- Out of 172 vehicles, maxi cab (04), motor cab (23), three wheelers (goods and passengers) (63), goods carrier below 7.5 gvw (35) and goods carrier above 7.5 gvw (38) only were considered. Nine vehicles (one ambulance and eight buses) were not considered as specific categories of buses for applicability of the different rates as per the MMV Act was not clearly given in the VAHAN database while the rate of MV tax in respect of ambulance was not mentioned in the MMV Act.
- Out of 63 three - wheelers (goods and passengers), the sale value of 19 vehicles only was realistic considering the sale value more than ₹10,000 as realistic. The sale value of 44 vehicles was not realistic as the sale value was less than ₹10,000.
- Similarly, out of 35 goods carrier below 7.5 gvw, the sale value of 30 vehicles was realistic. But in the case of maxi cab, motor cab and goods carrier above 7.5 gvw vehicles, all the considered vehicles are treated as realistic.
- The relevant MV tax and corresponding GT to be collected from such 114vehicles (04 maxi cab + 23 motor cab + 19 three-wheelers + 30 goods carrier below 7.5 gvw + 38 goods carrier above 7.5 gvw) were ₹8.98 lakh and ₹2.02 lakh respectively.

Further, in the case of the three sampled DTOs, there was non-collection of MV tax and GT amounting to ₹5.02 lakh and ₹1.28 lakh respectively

B) 3,177 active transport vehicles not applied for GT

As these transport vehicles were still active as per the VAHAN database though they did not apply for renewal of registration certificate, it indicates that the vehicles were allowed to ply on the road without paying any tax.

- Out of 3,177 vehicles, maxi cab (63), motor cab (507), three wheelers (goods and passengers) (1,434), goods carrier below 7.5 gvw (479) and goods carrier above 7.5 gvw (593) only were considered. 101 vehicles (01 ambulance + 93 buses + 02 mobile workshop + 01 omni bus + 02 tractor) were not considered as specific categories of buses/ omnibus for applicability of the different rates as per the MMV Act is not clearly given in the VAHAN database while the rate of MV tax in respect of ambulance, mobile workshop and tractor is not mentioned in the MMV Act.
- Out of 1,434 three - wheelers (goods and passengers), the sale value of 476 vehicles only was realistic considering the sale value more than ₹10,000 had been treated as realistic. The sale value of 958 vehicles was not realistic as the sale value was less than ₹10,000.
- Similarly, out of 479 goods carrier below 7.5 gvw, the sale value of 183 vehicles was realistic. But in the case of maxi cab, motor cab and goods carrier above 7.5 gvw vehicles, all the considered vehicles are treated as realistic.

- The relevant MV tax and corresponding GT to be collected from such 1,822 vehicles (63 maxi cab + 507 motor cab +476 three wheelers + 183 goods carrier below 7.5 + 593 goods carrier above 7.5) were ₹1.06 crore and ₹28.06 lakh respectively.

Further, in the case of the three sampled DTOs, there was non-collection of MV tax and GT amounting to ₹99.18 lakh and ₹26.62 lakh respectively.

In order to cross-verify the database in VAHAN, physical records like sale invoice, registration certificate and MV tax receipt though requisitioned for some cases, were not furnished despite reminder issued to the DTOs as of September 2025. In absence of the records, cross-verification could not be done and therefore the correctness of the database could not be ascertained.

As discussed above, the Department did not collect ₹1.15 (0.09 + 1.06) crore as MV tax and ₹30 (₹2 + ₹28) lakh as GT from such 1,936 (114 + 1,822) transport vehicles that have completed 15 years life span in the state of Manipur and were still active. This indicates that GT at applicable rates and corresponding MV tax had not been charged and collected in violation of the Act *ibid*.

Reasons for non- collection of MV tax and GT were not on record. As such, non-collection of such MV tax and GT resulted in loss of government revenue amounting to ₹1.45 crore.

In reply (May 2025), the State Government stated that, for renewal of a RC, the vehicle owner is required to physically bring the vehicle to the District Transport Office for inspection and testing of the vehicle and subsequent renewal of RC. In the absence of the vehicle owners visiting the offices of the DTOs, collection of MV tax and the relevant GT from the vehicles was not possible. Further, the State Government stated that the amount quantified by audit is a presumptive figure purely based on the number of vehicles registered in VAHAN; whether the vehicles are active/plying on road could not be confirmed. The Department could enforce only when the vehicles were plying on road.

The replies of the State Government were not acceptable as audit considered only the vehicles registered during 01 April 2004 to 01 April 2009, which fall completion of 15 years during 01 April 2019 to 31 March 2024 and the status of the commented vehicles was still active in VAHAN. Further, there was no documentary evidence in support of prior intimation in writing to the taxation authority that the active motor vehicles would not be used in any public place as per Section 11 of the MMV Act 1998. Therefore, as per MMV Act, there was still an accrued liability amounting to ₹1.45 crore to be paid by the vehicle owners.

Audit noticed that MANITRON did not pay royalty of ₹0.26 crore to the Department on Smart Card Driving Licence and Registration Certificates as per agreement. Vehicles with expired permit and without permit were active as per VAHAN data. Instances of permits issued without valid fitness checks were noticed. Fitness fee of ₹1.66 crore was realisable from 26,666 transport vehicles. Vehicles plying without valid fitness certificate poses serious safety risks. There was short as well as excess collection of one time MV tax from transport and non-transport vehicles. Audit also noticed non-collection of Green Tax and MV tax from the vehicle owner who applied for Green Tax.

Recommendations:

The Department may-

- ***Recover pending royalty of ₹0.26 crore from MANITRON and enforce timely payment of future dues under the agreement.***
- ***Enforce permit compliance by cancelling or suspending vehicles operating without valid permits and recovering the pending permit fees.***
- ***Strengthen fitness monitoring by ensuring no permits are issued without valid fitness certificates and realising dues of ₹1.66 crore fitness fee and ₹102.59 crore penalty for delays.***
- ***Correct MV tax assessments by reconciling VAHAN data with physical records to recover short collections and refund excess collections under One Time Tax and recurring tax structures.***
- ***Enforce collection of Green Tax and five-year MV tax from vehicles older than 15 years that remain active in VAHAN, to prevent revenue loss and ensure compliance with environmental safeguards.***
- ***Update and validate VAHAN database through systematic data cleanup, ensuring accurate entry of sale prices, permit status, and fitness records to strengthen reliability of tax and fee assessments.***
- ***Fix accountability of DTOs by instituting periodic internal audits.***

5.6.11 Audit Objective: Whether the DTOs conducted the enforcement activities effectively to ensure compliance with the motor vehicles Acts/ Rules with adequate follow up to deter violations?

5.6.11.1 Limited Enforcement Activities and non-communication of offences to the Registering/ Licensing Authority

As per Rule 21 of the CMV Rules, 1989, the licensing authority has the power to disqualify holder of a driving licence for the acts which constitute nuisance or danger to the public, namely of the 25 offences including road accidents, theft of vehicle, driving under the influence of drinks or drugs, carrying overloads in goods carriages, mentioned hereunder this rule.

Further, as per Rule 22 of the rules *ibid*, a Court convicting a holder of a licence, for any one of the offences specified, shall endorse or cause to be endorsed in the driving licence, the particulars of such conviction, namely of the 22 offences.

As per records furnished by the Superintendent of Police (SP) (Traffic) of Imphal West, SP, Imphal East and SP, Thoubal, Manipur for the period from April 2019 to March 2024, the periodical returns and communication for the offences pertaining to violation of Motor Vehicles Act and Rules were not made available to their concerned District Transport Offices (DTOs) even though 1,404 cases of Road Accidents and 3,648 cases of theft of vehicles were reported in the test checked districts as shown in **Table 5.6.10**.

Table 5.6.10: Road accident and theft of vehicles data during 2019-2024.

Particulars	No. of Road Accidents	No. of theft of vehicles
Imphal west	646	2135
Imphal East	335	1111
Thoubal	423	402
Total	**1404**	**3648**

Source: Records of SP (Traffic) of sampled districts.

Audit, however, noticed that there were no details of the offenders such as name, address, age, Driving License Numbers, *etc*. As such, without the requisite information or direction from enforcement authorities on the offences committed, the licensing authorities would not be able to pursue the cancellation/ suspension/ disqualification exercise. This is indicative of weak enforcement activities.

While accepting the audit observation (May 2025), the State Government stated that to address the gap of non-communication between the Transport Department and the Police Department, instructions will be issued to the enforcement authorities to ensure timely submission of offenders' details, including particulars such as name, address, age, and driving license number, as per the CMV Act and Rules. Regular coordination meetings are being planned between the enforcement agencies and the concerned DTOs to strengthen the reporting mechanism.

However, the fact remained that the Transport Department had not sought the road accident and theft of vehicles data from the SPs (Traffic). Also, the Police Department had not shared details of the traffic offenders such as name, address, age, Driving License Numbers, *etc*. to the Transport Department.

5.6.11.2 Inadequate enforcement mechanism

Chapter XIII of the CMV Act, 1988 outlines the penalties for various motor vehicle-related offences, the compounding of certain offences, and the procedures for enforcement to be conducted by DTOs.

Also, the Department of Transport, Government of Manipur delegated (April 2006) provisions under 12 Sections of CMV Act, 1988 to the Traffic Police, Government of Manipur to check motor vehicle related offences[133]. Further, as per Government order (January 2021), all challans for motor vehicle/ traffic offences shall be collected through e-Challan system whereby the challans shall be generated through online mode using hand held terminals or Point of Sale (POS) machines specifically configured for the system *w.e.f.* 04 January 2021.

Audit observed that the provisions of penalties for various motor vehicle related offences were not complied in the three test-checked DTOs and Traffic Police as summarised below:

- Infrastructure such as CCTV cameras at check post/points, body worn cameras, space for seized vehicles were not available.
- In cases of overloading, no vehicle was offloaded before being released citing there was no safe custody and adequate space to keep the offloaded goods in contravention to the provisions of the Act.
- Vehicles liable to be seized due to offences were not impounded, citing lack of infrastructure and parking space.
- Delay in use of e-Challan machines in all the traffic police offices under the test-checked districts in violation of the order *ibid* as detailed in **Table 5.6.11**.

Table 5.6.11: Details of E-challans made during enforcement drive by SPs, Traffic Police

Directorate, Department of Transport, Manipur issued E-challan machines to SP, Traffic Control Wing, Imphal West on 19/12/2020			
Date of issue of the machines to the district Superintendent of Police by SP, TCW, Imphal West	Imphal West	Imphal East	Thoubal
	19.12.2020	12.01.2023	12.01.2023
Date of start of using the machines	01.04.2021	09.09.2024	Not started
Delay in use of the machines in months	3	19	-

Source: Transport Department and SPs of sampled districts

[133] The delegated offences are 1. Section 177 (General provision for punishment of offences) 2. Section 179 (Disobedience of orders, obstruction and refusal of information) 3. Section 180 (Allowing unauthorised persons to drive vehicles) 4. Section 181 (Driving vehicles in contravention of Sec 3 or Sec 4) 5. Section 182 (Offences relating to licenses) 6. Section 183 (Driving at excessive speed) 7. Section 184 (Driving dangerously) 8. Section 186 (Driving when mentally or physically unfit to drive) 9. Section 189 (Racing and trails of speed) 10. Section 190 (Using vehicles in unsafe condition) 11. Section 192 (Using vehicles without registration) and 12. Section 198 (Unauthorised interference of vehicles)

All the e-Challans sent to e-court (virtual court) during 2019-20 to 2023-24 were still pending for disposal as on 31 March 2024 as detailed in **Table 5.6.12**.

Table 5.6.12: Details of e-Challans issued by Transport Department and Police Department during 2019-20 to 2023-24.

Particulars	DTO, Imphal West	SP, TCW, Imphal West	DTO, Imphal East	SP, Imphal East	DTO, Thoubal	SP, Thoubal
Total number of e-Challans	1349	3578	1699	168	788	Nil
No. of e-Challans disposed at the spot	319	666	761	9	61	
No. of pending challans	1030	2912	938	159	727	
No. of e-Challans sent to e-Court	869	2912	30	159	456	
No. of e-Challans pending in e-Court	869	2912	30	159	456	
No. of disposed challan in court	0	0	0	0	0	
Total challan amount (**₹ in lakh**)	55.78	41.93	49.11	1.43	29.29	
Total revenue collected (**₹ in lakh**)	13.04	6.14	19.98	0.11	1.48	
Pending challan amount (**₹ in lakh**)	42.74	35.79	29.13	1.33	277.86	

Source: Transport Department and Police Department

The non-compliance with statutory requirements for enforcing motor vehicle penalties in the DTOs and SPs, Traffic Police under the three test checked districts demonstrates significant lapses in enforcement and follow-up procedures.

While accepting the audit observations the State Government stated (May 2025) that it had initiated necessary action to strengthen the enforcement mechanism like for purchasing two interceptor vehicles equipped with cameras, laser speed gun.

5.6.11.3 Non-adherence to prescribed standards by Pollution Checking Centres

Rule 6 (i) of the Manipur Motor Vehicles (Pollution under Control) Rules, 2021 states that the State Transport Department shall mandate a PUC centre at every fuel station in the State. Rule 6 (ii) of *ibid* states that the Transport Department shall conduct random checks of the Pollution Under Control (PUC) Centres. Rule 15 of the rules *ibid* prescribes *inter alia* standards like maintenance of register separately for diesel or petrol driven vehicles for recording all the physical affects for pollution checks done on daily basis in Form-4, maintain Complaint Book in Form 5 to be observed by the authorized Pollution Checking Centres.

Further, Rule 17 of the rule *ibid* prescribes, *inter alia*, standard operating procedures for the authorised operators like deployment of trained operator by the service engineers of the concerned manufacturer/supplier/dealer for pollution checking, have an Annual Maintenance Contract for Smoke meter/Gas Analyzer and other equipment to ensure the pollution checking equipment is regularly serviced and calibrated, shall periodically submit daily checking record, monthly report and other information relating to pollution checking to the Transport Department, shall prominently display the prevalent rates for pollution checking as prescribed by the department from time to time, prevalent emission norms/ standards, steps for pollution checking and name of pollution checking centre *etc*.

On scrutiny of records audit noticed that out of the three PUC/Pollution Checking Centres[134] authorised by the Transport Department, Government of Manipur during 2019-20 to 2023-24 the validity of licences of two centres[135] were till 24 December 2024 and 17 March 2026 respectively. Joint physical verification of the two Centres (September 2024) revealed that the prescribed standards were not fully adhered to as elucidated below:

- The Transport Department did not mandate a PUC centre at any fuel station in the State in violation of the rule *ibid*.
- Though the Department inspected the Centres at the time of granting licence, the Department did not conduct any random checks of the PUC centres during 2019-20 to 2023-24 as per the Rule.
- The authorised operators of both the Centres had not been trained.
- Of the two Centres, one centre[136] had no Annual Maintenance Contract for the equipment/ machines with their manufacturers or its authorised dealer to ensure the equipment/ machines regularly serviced and calibrated.
- Both the Centres had not submitted the daily checking record, monthly report and other information relating to pollution checking to the State Transport Authority.
- Both the Centres had not displayed the prevalent rates for pollution checking as prescribed by the Department from time to time, prevalent emission norms/ standards, steps for pollution checking.
- Both the Centres had not maintained registers separately for diesel or petrol driven vehicles for recording all the physical effects in pollution checks.
- Both the Centres had maintained neither Complaint book nor suggestion box. and
- Both the Centres had not displayed in cabin the valid calibration certificate.

[134] 1. M/s Keithel, Singjamei, 2. M/s Nirmala Auto Emission Testing Centre, Hiyangthang & 3. M/s KJ Auto Emission Testing Centre, Singjamei

[135] M/s Nirmala Auto Emission Testing Centre, Hiyangthang Mamang Leikai, Imphal West & M/s KJ Auto Emission Testing Centre, Singjamei

[136] M/s Nirmala Auto Emission Testing Centre, Hiyangthang Mamang Leikai, Imphal West

The reason/s for not imparting trainings to the authorised operators were attributable to lack of monitoring on the part of the Department and lack of mechanical inspectors of the Transport Department who are handling/ manning the Smoke Testing Centres as the Department has no Pollution Checking Centres of its own.

In view of the above, audit observes that testing of vehicles for Pollution under Control and issuance of Pollution Under Control Certificates by untrained operators may result in unreliability of emission data against the purpose for pollution control and non-adherence to the prescribed standards by the Pollution Checking Centres resulting in lack of enforcement of the rule on the part of the Department.

While accepting the audit comment the State Government stated (May 2025) that the reason for the lapses was due to shortage of mechanical inspector and overall manpower within the Department. However, the State Government assured that instruction had been issued to the PUCC centres to display rates for pollution checking, maintenance of register, for ensuring the objectives of pollution control and emission regulation.

5.6.11.4 Vehicles with expired Pollution Under Control Certificate

As per Rule 115(7) of the CMVR, 1989 on expiry of a period of one year from the date on which the motor vehicle was first registered, every such vehicle shall carry a valid "Pollution under Control" certificate (PUCC), with a validity of six months issued by an agency authorised for this purpose by the State Government and produced on demand by the officers referred to in sub-Rule (1) of Rule 116. Provided that the validity of the certificate shall be twelve months for the vehicles manufactured as per BS-IV or BS-VI norms". Further, as per section 190 (2) of the MV Act 1988, any person who drives a motor vehicle without a valid pollution certificate is punishable for the first offence with a fine of ₹1,000 and for any second or subsequent offence with a fine of ₹2,000.

As per VAHAN database, PUCCs were issued to 1,14,387 vehicles during the period from 04 August 2018 to 15 April 2024. However, details of vehicles such as registration date, registration up to fit up to *etc*., were available in the case of 91,818 vehicles. PUCC of 78,236 vehicles had expired as on 31 March 2024 though they were still active in VAHAN database. In the case of the three sampled DTOs, the number of vehicles with expired PUCC as on 31 March 2024 were 36,715 (Imphal West), 34,943 (Imphal East) and 3,344 (Thoubal).

This shows that vehicles with expired PUCC were still plying in violation of the rule *ibid*. Reason for plying of vehicles with expired PUCC is attributable to lack of enforcement activities.

While accepting the audit comment the State Government stated (May 2025) that random checking was being conducted by enforcement teams of the Department as well as traffic police.

5.6.11.5 Incomplete data migration of motor vehicles to VAHAN database

The Director (Transport) directed (November 2021) all the concerned DTOs to complete data migration/ data entry of motor vehicles from combined register to VAHAN 4.0 latest by 13 May 2022.

It was noticed that the data migration of all motor vehicles in the state was not completed yet (December 2024). Due to pending import of backlog data into VAHAN, the information/ data provided in VAHAN do not present the true and complete picture of the total vehicle population in the state. As such, matters regarding payment of due taxes, road worthiness/ fitness of the vehicle, valid insurance, pollution compliance norms, *etc*. in respect of such vehicles could not be ascertained. Moreover, allowing such vehicles to remain outside VAHAN may cause serious law and order problems because such vehicles may be used intentionally by unwanted elements to perpetrate crimes and unlawful activities as their vehicle details were not available in the VAHAN database.

While accepting audit observation, the State Government stated (May 2025) that the migration process had been delayed due to vehicle owners not submitting the mandatory documents required for migration to VAHAN 4.0 and due to the time-consuming nature of the migration process. Efforts are being made at the DTO level to expedite the completion of migration process.

However, the reply of the State Government is not tenable as migration of vehicle data to the VAHAN database is the primary responsibility of the Transport Department and the reasons for not submitting the documents by the vehicle owners is not clear.

5.6.11.6 Delay in implementation of Scheme under 'Nirbhaya' Framework

In order to enhance the safety of the women and the girl children in public transport vehicles by raising an alert in case of emergency, MoRTH, GoI had issued a notification on 28 November 2016 wherein Vehicle Location Tracking Device (VLTD) and Emergency Buttons were mandated to be fitted in all public service vehicles (all four wheeled or higher, passenger carrying vehicles) *w.e.f.* 01 April 2018. After re-examination by MoRTH, exemption from fitment of the aforesaid devices was given to all public service vehicles registered up to 31 December 2018 (old vehicles) till the time as notified by State/ UT Governments in their respective States/UTs. All public service vehicles registered on or after 01 January 2019 must be fitted with the devices.

Even though the implementation of Rule 125H of CMVR is the responsibility of the State Government, the matter being for safety of women and children, MoRTH decided to support the State Government for implementation of the said rule by providing financial support under 'Nirbhaya' fund managed by Ministry of Women & Child Development (MWCD).

As per MoRTH letter No. RT-16011/1/2018-T dated 15 January 2020, till the time the States set up the Monitoring Centres under this Scheme, they shall ensure the compliance of CMVR 125H for vehicles registered after 01 January 2019 through VAHAN/ respective State vehicle registration system using any backend system as per MoRTH SO No. 5453 date 25 October 2018.

The States shall notify the timelines for implementation of VLTD installation for vehicles registered prior to 01 January 2019 and the passenger transport vehicle owners shall be responsible for purchase of the devices and its installation from any approved VLT device vendors.

The State/ UT will enforce fitment/ functional status of device at the time of registration/ permit issuance/ renewal/ fitness check of the vehicle in VAHAN or the respective State vehicle registration/ permit system.

However, it was noticed that Monitoring Centre in respect of Manipur under this scheme has not been set up. The status and requisite documents/ records have been requisitioned to the Directorate office but not yet furnished. Further, on detailed analysis of VAHAN data, audit noticed that 193 Light Passenger Vehicles, 69 Medium Passenger Vehicles and 33 Heavy Passenger Vehicles totalling to 295 new passenger vehicles have been registered in the state during the period from 01 January 2019 to 31 March 2024 but none of these vehicles are fitted with VLT Device.

Further, it was noticed that out of 43 buses under MST, none of the 17 public passenger buses which were registered after 01 January 2019 were fitted with VLTD. As such, support mechanism for safety of women and girl children in public passenger transport vehicles under 'Nirbhaya' Framework was not implemented in the State.

While accepting audit observation, the Department in its reply stated (May 2025) that it has selected and awarded a firm (November 2024) as the Implementing Agency for setting up the Vehicle Tracking Platform under the 'Nirbhaya' Framework, which will enable real-time monitoring of public service vehicles and is targeting for its implementation by March 2026.

Audit noticed that there was lack of co-ordination between Transport Department and Police Department as details of number of motor vehicle offences were neither shared by the Police Department nor the Transport Department had requested the data to the Police Department. All the e-challans which were sent to e-court (virtual court) issued by Traffic Police were pending. Vehicles with expired Pollution Under Control Certificate were still plying on road in violation of Rule due to lack of enforcement activities. Vehicles remaining outside VAHAN data base due to pending import of backlog data into VAHAN may cause serious law and order problems in the State as the vehicles may be used for unlawful activities.

Recommendations:

The Department may-

- ***Strengthen enforcement coordination by mandating regular sharing of accident and offence data between Police and DTOs for timely licence suspension or disqualification.***
- ***Ensure effective use of e-Challan system by expediting deployment, clearing pending challans in e-courts, and monitoring revenue realisation.***
- ***Tighten pollution control compliance by mandating PUC centres at fuel stations, conducting random inspections, and enforcing adherence to prescribed standards by authorised centres.***
- ***Complete data migration to VAHAN 4.0 on priority to ensure full visibility of vehicle population and prevent misuse of unregistered vehicles.***
- ***Implement Nirbhaya safety framework by setting up the monitoring centre and ensuring fitment of Vehicle Location Tracking Devices and emergency buttons in all eligible public transport vehicles.***
- ***Enforce fitness and PUCC validity by penalising vehicles with expired certificates and ensuring real-time linkage of PUCC and fitness records with VAHAN for effective monitoring.***
- ***Augment enforcement infrastructure by providing DTOs and Traffic Police with adequate impounding yards, custody facilities, and modern equipment (CCTV, body cameras, speed guns) to ensure credible enforcement.***

5.6.12 Audit Objective: Whether the DTOs have been provided with required manpower, equipment, and other resources to discharge their functions and also to ensure public service delivery in a transparent and efficient manner?

5.6.12.1 Inadequate infrastructure in Driving Schools

As per Rule 24 (3) of the Motor Vehicle Rules, 1989 regarding establishment of Driving Schools, the licensing authority shall, when considering an application for the grant or renewal of a license under this rule, have to check that the Driving School maintains, *inter alia,* the following infrastructure/equipment, among other criteria like (i) adequate provision for conducting lecture and demonstration of models, (ii) vehicles (except motor cycles) fitted with dual control facility exclusively for purposes of imparting instruction to enable the instructor to control or stop the vehicle, (iii) a road plan board with necessary model signals and charts, (iv) Engine gear box, (v) puncture kit with tyre lever, wheel brace, jack and tyre pressure gauge, (vi) driving instructions manual, (vii) a collection of books on automobile mechanism, driving, road safety, traffic regulations, laws relating to motor vehicles and related subjects and (viii) a fully equipped first-aid box for use in emergency at the premises.

As per information furnished by the Transport Department, there were four active Driving Schools and one Institute of Driver Training and Research Centre (IDTRC) in the State as on 31 March 2024. During JPV (September and November 2024) of the four active Driving Schools[137], it was observed that there were cases of inadequate infrastructure and inadequate equipment/ apparatus in these Driving Schools as given in **Table 5.6.13**.

Table 5.6.13: Inadequacies in Driving Schools

Sl. No.	Parameter	SODAT Driving School	Mayol Driving School	Kingdom Driving School & Automobile Technology	Rabi Driving School
1	Availability of dedicated room(s) for conducting lecture and demonstration of models for imparting instructions in driving	Adequate	Adequate	Not Adequate	Adequate
2	*Availability of apparatus, equipment and other requirements, namely:*				
	i) road plan board with necessary model signals and charts	Yes	Yes	No	No
	ii) Engine gear box	Yes	Yes	No	No
	iii) Puncture kit with tyre lever, wheel brace, jack and tyre pressure gauge	Yes	Yes	Yes	No
	iv) Driving instructions manual	Yes	Yes	No	No
	k) Books on automobile mechanism, driving, road	Yes	Yes	Yes	No

137 1) School of Driving and Automobile Technology (SODAT), Thangmeiband Hijam Dewan Leikai, Imphal West; 2) Mayol Driving School, Sangakpham Nongpok Village, Imphal East; 3) Kingdom Driving School & Automobile Technology, Soibam Leikai, Imphal East; and 4) Rabi Driving School, Kakching

Sl. No.	Parameter	SODAT Driving School	Mayol Driving School	Kingdom Driving School & Automobile Technology	Rabi Driving School
	v) A fully equipped first-aid box for use in emergency at the premises	Yes	Yes	Yes	No
3	Availability of 4-wheel vehicle(s) fitted with dual control facility to enable the instructor to control or stop the vehicle	Yes	No	No	Yes

Source: Joint Physical Verification Report

Due to inadequate infrastructure in three Driving schools, the quality in imparting driving skills and driving knowledge could have been compromised.

While accepting audit observation, the State Government stated (May 2025) that it was committed to improving the quality of training and ensuring that Driving Schools adhere to the mandated standards to enhance driving skills, knowledge and road safety.

5.6.12.2 Delay in completion of IDTRC

As per MoRTH, GoI, majority of road accidents in India are due to driver's fault. Institutes of Driving Training and Research (IDTR) were set up to impart driving training in 2-tier system. In tier-I, Model Driver Training Institute (in area of 10-15 acres) shall have complete infrastructure required for a modern IDTR. In tier-II, Regional Driver Training Centre(s) (RDTCs) (area of about three acres) are proposed to be developed across states (excluding the district in the state where IDTR is proposed or developed) with basic support infrastructure including testing tracks.

MoRTH had sanctioned an amount of ₹12.78 crore in December 2016 for setting up of Institute of Driver Training & Research Centre (IDTRC) at Top Dasara, Imphal East, Manipur during 12th five-year plan (2012-2017). The time frame for completion of the project was 12 months.

Audit noticed delay in the completion of construction of IDTRC as the civil work started in July 2019 could be completed only by November 2022 after a delay of 29 months. Further, the Institute has started the normal driving training programme and learner testing procedure only from 01 July 2024, *i.e.,* after commencement of the Performance Audit. As such, the intended benefits were given after a delay of about four years from the date of completion of the IDTRC.

While accepting audit observation, the Department stated (May 2025) that the main reasons for delay in completion of IDTRC are as follows: -

1. The original sanction was based on an old State Schedule of Rates (MSR 2013) with 5.6 *per cent* VAT. However, as GST Act had already been implemented by the time funds were released, valuable time was lost as the new State Schedule of Rates (MSR 2017) with GST was prepared by the State PWD and approved by the State Government only in December 2018.

2. Out-break of Covid-19 was the another main reason for the delay.

5.6.12.3 Diversion of scheme fund

Paragraph 4 of the Guidelines for setting up of IDTR and RDTC issued by MoRTH provides that mobilisation advance @ 10 *per cent* of the project cost of IDTR will be released as first installment.

Audit however noticed that in violation of the scheme guidelines for setting up of the Institute, IDTRC incurred ₹1.14 crore by diverting from the first instalment of Mobilisation advance on various inadmissible items in the nature of road safety awareness as detailed in **Table 5.6.14**.

Table 5.6.14: Fund diversion from Mobilisation advance

Sl. No.	Date	Particulars of expenditure	Cheque No.	Amount (₹)
1	11.05.2017	Basic preparatory works, awareness for schools and colleges.	303001	66.80
2	16.08.2017	Hoardings and signboards, advertising in newspapers and pamphlets with mobile awareness campaign through Traffic Control Wing Imphal.	303002	31.35
3	04.02.2018	Panel discussion on ISTV, Impact TV and AIR; and District and State level workshop on road safety measures.	303003	16.18
Total				**114.34**

Source: Departmental records

While accepting audit observation, the Department stated (May 2025) that the diversion of scheme fund was due to lack of knowledge and concrete ideas about the purpose of mobilisation fund. Due to diversion, second instalment (March 2019) had been blocked for very long time.

Therefore, the diversion of scheme fund also contributed to the delay in timely completion of IDTRC.

5.6.12.3 Inadequate vehicles, infrastructure and training equipment at IDTRC

As per Paragraph 6.1 of the Guidelines for setting up of IDTR and RDTC issued by MoRTH, Original Equipment Manufacturers (OEM) Memorandum of Understanding (MoU) was entered on 24 November 2016 between the GoM through the Commissioner, Transport (First Party) and MGT Motors Pvt. Ltd. having its registered office at MG Avenue, Imphal, authorised dealer of the Tata Motors Commercial Vehicle (Second Party) mainly to avail assistance, guidance, know-how and service of the Second Party in relation to establishing and carrying operations of IDTR on similar lines as Driver Training Institute promoted by Second Party, for benefit of general members of public in the state of Manipur.

Audit noticed that the MoU was not made with the OEM but with an authorised dealer of Tata Motors, in violation of the scheme guidelines. The Transport Department, however, entered into new MoU with the OEM, *i.e.,* Tata Motors Limited (TML), Mumbai on 12 January 2024 after a period of seven years, with

TML agreeing among others to provide Vehicles, Aggregates[138] and Cut Section of Aggregates to the Institute (IDTRC).

On test check of records and joint physical verification of the Institute, the following deficiencies were noticed:

1. Out of the required 150 numbers of chair-cum-writing desk, only 20 chair-cum-writing desk were available;
2. None of the required teaching and training equipment except Traffic Sign Boards and Slide Projector; Workshop equipment, testing equipment; Driving Training Simulator and Driving Range Aids were available; and
3. In the Driving Range, out of the required 12 types of road/ tracks for imparting basic driving practice, six types (50 *per cent*) of Road/ Tracks, namely, Hump Road, Dip Road, 5 Point Turn, Reversing Box, Speed Track and Hill Track were not available.

Further, in violation of the terms of the MoU, TML did not supply any of the Vehicles, Aggregates and Cut Section of Aggregates to the Institute till date (May 2025). In addition to that, there is neither any mention of specific date (timeline) for supply of the requisite equipment nor for timeline of payments to be made to TML, Mumbai. As such, imparting driving training in the absence of vehicle, equipment, infrastructure, *etc*. would compromise the quality of the training imparted.

While accepting audit observation, the State Government stated (May 2025) that for deficiency of other infrastructure and equipment in respect of IDTRC, the Department would seek support of MoRTH, Government of India.

5.6.12.4 Ineffective implementation of Manipur Road Safety Fund Scheme

As per the directive of the Supreme Court Committee, a non-lapsable corpus *viz*., State Road Safety Fund was created (January 2019) for the state under the Manipur Road Safety Fund Scheme, 2019 by transferring 50 *per cent* of the accumulated revenue generated from the traffic offenders at source.

In this regard, Government of Manipur had constituted (December 2014) a High-Level Committee on Road Safety Measures under the Chairmanship of Chief Secretary with 13 members with the objective to deliberate in-depth study on causes and analysis of motor vehicle accidents, formulation of Action Plan for carrying out Road Safety Measures, monitoring and evaluation of the Action Taken Reports, The Committee was to convene at least once in 6 months to formulate/approve Annual Action Plan/ Schemes.

Further, Manipur Road Safety Policy 2023 envisages establishment of safe transport infrastructure including operation of smart transportation modes with

[138] Cylinder engine, Transaxle, Gear Box, Clutch Model (with Booster)

GPS/ GIS Vehicle Tracking System and CCTVs by Public Transporters and raising awareness about road safety, education and training.

According to record of the Police Department, the number of fatalities and injuries caused due to road accidents in the state of Manipur during the last five years are as given in **Table 5.6.15**.

Table 5.6.15: Road accident data of Manipur from 2019 to 2024

Year	No. of road accidents	No. of fatalities	No. of injured persons	Change in fatality rate *(Percent)*	Change in rate of injured persons *(Percent)*
2019	678	164	904	-	-
2020	433	125	563	-	-
2021	374	105	435	-	-
2022	508	127	817	Considering 2022 as base year	
2023	398	73	634	42 *percentage* decrease	22 *percentage* decrease
2024	299	72	462	43.3 *percentage* decrease	43.5 *percentage* decrease

Source: Records of SCRB/CID(CB)

Audit noticed that there was no approved Annual Action Plans since the implementation of the Scheme in the State. Further, out of prescribed 10 meetings of the High-Power Committee, only three meetings were held**.** The expenditure from the fund had been mainly on Observation of Annual National Road Safety Week/ Month (₹53.42 lakh) though there had been some expenditure on conducting mass awareness programme on road safety. Till date (May 2025), no initiatives have been taken up on the matters pertaining to in-depth study on causes and analysis of motor vehicle accidents in the State of Manipur, investigation of motor accident cases, *etc*. which is the main focus area of the scheme. As of March 2024, an amount of ₹1.75 crore was lying in the Manipur Road Safety Fund Account.

Also, there was no functional operation of smart transportation modes with GPS/ GIS Vehicle Tracking System and CCTVs by Public Transporters.

In the absence of a proper Annual Action Plan, the implementation of the Scheme has been ineffective thereby defeating the objective of the Scheme.

In reply (May 2025), the State Government stated that the Department carried out Road Safety Week/ Road Safety Month in line with the Ministry suggestions focusing mainly on creating awareness among the road users, students at district level as well as at State level. However, the Department would consider for preparation of Annual Action Plan for taking up activities throughout the year.

While accepting audit observation regarding the absence of smart transportation modes with GPS/ GIS based Vehicle Tracking Systems and CCTVs in public transport vehicles, the Department stated (May 2025) that the matter was taken up under a separate scheme which was being implemented and expected to be operationalised by 2025.

However, the State Government had neither taken up any concrete steps pertaining to in-depth study on causes and analysis of motor vehicle accidents in the State, investigation of motor accident cases, *etc*. which was the main focus area of the scheme nor prepared any systematic Annual Action Plan till date (May 2025).

5.6.12.5 Registered Vehicle Scrapping Facility not setup

The Motor Vehicles (Registration and Functions of Vehicle Scrapping Facility) Rules, 2021 which came into force with effect from 25 September 2021 provides for registration and functions of Registered Vehicle Scrapping Facility (RVSF). These rules shall apply to all categories of vehicles and their last registered owners, automobile collection centres, automotive dismantling, scrapping and recycling facilities and recyclers of all types of automotive waste products; and the guidelines for Environmentally Sound Management of End-of-life vehicles (ELVs) and Automotive Industry Standard (AIS) 129.

The requirement of RVSF will arise once the ATS becomes operational. Those vehicles which cleared the fitness test exercise in ATS are declared to be road worthy to continue plying on road whereas those vehicles declared unfit (ELVs) shall logically follow the scrapping process in RVSF which is to be carried out in an environment friendly way.

The Vehicle Scrapping application provides motor vehicle owners to phase out new/ old and/ or unfit vehicle seamlessly. It helps to boost the automotive sector and provide checks on vehicular pollution. The application also encourages setting up of inspection and fitness centres and scrap yards to judge the condition of vehicles and then subsequently scrap the vehicles. The vehicle owners can voluntarily choose to scrap the damaged/ unfit vehicles based on State or Central Government regulations. This facility is available online for vehicles registered in VAHAN.

Analysis of VAHAN data revealed 80,088 vehicles registered in Manipur as on 31 March 2024 which are more than 20 years old; out of which, 73,364 vehicles belong to Non-Transport category while 4,724 vehicles belong to Transport category of motor vehicles. The number of such old vehicles will continue to increase with each passing year. As such, fitness test of such old vehicles and subsequent scrapping of unfit vehicles (ELVs) in RVSF are necessary.

However, there was no RVSF in the state which may result in unregistered scrapping of old vehicles in a manner which is not environmentally sound and may cause hazardous waste, soil pollution, *etc*.

While accepting audit observation, the State Government stated (May 2025) that the Department had started taking up steps for establishment of RVSF in the state. Initially, all the Deputy Commissioners (DCs) in the State were requested to provide suitable land for the establishment of RVSF. The State Government also stated that has proposal been submitted for funding for setting up of RVSF under special incentive for North Eastern States and Hilly States. The State Government also informed that the Department was considering to invite private parties to set up RVSF in the State.

5.6.12.6 Shortage of manpower

For discharging mandates of Transport Department such as to enforce vehicle regulations, conduct safety inspections, manage road safety and deliver public services effectively and efficiently in a transparent way, a required manpower is needed. Audit scrutiny revealed that there was a shortage of manpower in the Department as detailed in **Table 5.6.16**.

Table 5.6.16: Details of sanctioned post and men-in-position of the Department of Transport, GoM as of March 2024

Sl.	Directorate/Name of DTO	Total Sanctioned Strength of different post	Men-in-position	Shortage of manpower	Shortage of manpower in *per cent*
1	Directorate, Transport	73	26	47	64.38
2	DTO/ Imphal West	55	19	36	65.45
3	DTO/ Imphal East	36	12	24	66.67
4	DTO/ Churachandpur	25	7	18	72.00
5	DTO/ Kangpokpi	28	7	21	75.00
6	DTO/ Senapati	20	5	15	75.00
7	DTO Thoubal	24	7	17	70.83
8	DTO/ Bishnupur	24	7	17	70.83
9	DTO Ukhrul	20	3	17	85.00
10	DTO/ Chandel	11	0	11	100.00
11	DTO/ Tamenglong	10	0	10	100.00
12	DTO/ Tengnoupal	10	0	10	100.00
Total		**336**	**93**	**243**	**72.32**

Source: Departmental records

As seen above, there was a shortage of manpower by 72.32 *per cent* in the Department as a whole and the percentage of shortage of manpower in DTOs ranges from 65.45 to 100 *per cent* as of March 2024.

Further, the shortage of manpower in some important posts of the three test-checked DTOs is highlighted in **Table 5.6.17**.

Table 5.6.17: Statement of shortage of manpower in some important posts

Name of post	DTO/ Imphal West		Shortage (*per cent*)	DTO/ Imphal East		Shortage (*per cent*)	DTO/ Thoubal		Shortage (*per cent*)
	S[139]	M[140]		S	M		S	M	
Inspector (Enforcement)	2	2	0	2	1	50	1	0	100.00
Inspector (Tax)	3	1	66.67	1	1	0	1	1	0
Inspector (Mechanical)	3	1	66.67	2	2	0	1	1	0
Sub-Inspector (Enforcement)	3	1	66.67	2	1	50	1	0	100
Sub-Inspector (Tax)	3	1	66.67	2	1	50	1	1	0
ASI (Enforcement)	5	3	40.00	5	1	80	3	1	66.67
ASI (Tax)	8	7	12.50	3	3	0	2	1	50.00

Source: Departmental records

[139] S stands for Sanctioned Strength
[140] M stands for Men-in-Position

From the above table it can be seen that there was shortage of manpower in some important posts in the test checked districts. This shortage in manpower may result in compromising the Department's ability to enforce vehicle regulations, conduct safety inspections, manage road safety and deliver public services effectively.

In reply (May 2025), the State Government acknowledged the issue of shortage of manpower in the Department. However, the State Government stated that, with the recent recruitment of 161 staff, it has arranged and distributed the staff to different DTOs.

However, even after considering the recent recruitment of 161 staff against the vacancy of 243, there was still shortage of staff in DTOs.

5.6.12.7 Inadequate infrastructure facilities

During conducting the horizontal performance audit on the Functioning of DTOs/STA, Transport Department, GoM, Audit observed the following inadequate infrastructure facilities:

- The office building of DTO/ Imphal West has no adequate working space; some portion of the roof of the building has leakage from rain; sign of frequent water logging during heavy rainfall is seen at areas where physical records are kept;

Photograph showing office building with sign of leakage in the roof (DTO, Imphal Wes)

Photograph showing keeping of physical records at the area where frequent waterlogging happens during heavy rainfall (DTO, Imphal West)

- Similarly, the office building of DTO/ Thoubal also has no adequate working space; it is in a dilapidated condition; the office is situated in low lying area, the front portion of the office has no secured gate and there is sign of frequent water logging during heavy rainfall at the areas where physical records are kept;
- The DTO/ Imphal East did not have its own building, the office is set up temporarily at Inter State Bus Terminal, Imphal;
- As stated by the respective DTOs, adequate desktop computers/ systems are not available for online functioning of the office using IT platforms in DTO/ Imphal East and DTO/ Thoubal;

- There was inadequate power backup for uninterrupted supply of power for online functioning of the offices using IT platforms in all the test-checked DTOs and the Directorate office;
- Offices of all the test-checked DTOs and the Directorate office have no functional Fire and Emergency Alarm System;
- There was no CCTV surveillance for promoting transparency and security in the office premises of all the test-checked DTOs and the Directorate office.
- There was no ramp available for differently abled persons in the offices of the DTO/ Imphal West, DTO/ Thoubal and the Directorate office; and
- There were no adequate toilet facilities separately for men and women in DTO/ Imphal West and DTO/ Thoubal;

In view of the inadequate infrastructure facilities the quality of the working environment in all the three test-checked DTOs for delivery of public services was compromised.

While accepting the audit comment, the State Government replied (May 2025) that proposal would be submitted to the higher authority regarding the requirements.

5.6.12.8 Limited faceless vehicle-related services in the state

The Ministry of Road Transport and Highways (MoRTH) had launched an AADHAAR - based 18 contactless service for vehicle-related services vide order dated 29 January 2021. Further, MoRTH has issued order (September 2022), a total of 58 citizen-centric services related to driving license, conductor license, vehicle registration, permit, transfer of ownership *etc*. which could be availed completely through online, eliminating the need to visit the RTO. This is for the purpose of ease of delivering the services thereby augmenting good governance.

However, as per the Annual Administrative Report for the year 2023-24, Department of Transport, GoM, only 10 online[141] faceless services out of the 58 citizen centric vehicle related services had been launched *w.e.f.* 26 February 2024.

Though the Department was working with NIC to launch 11 more services in the next current Financial Year 2024-25, there was no addition of other faceless services till the date of completion of audit (November 2024).

[141] (i)Transfer of ownership in case of normal sale, (ii) Transfer of ownership by succession, (iii) Transfer of ownership of vehicle purchased in public auction, (iv) Issue of duplicate RC, (v) Change of address in RC, (vi) Hypothecation addition/termination/continuation, (vii) No objection certificate, (viii) Information of RC particular, (ix) Withdrawal of application, (x) Mobile Number updation (Aadhaar based)

While accepting the audit comment in the reply (May 2025), the State Government stated that the Department had successfully launched 31 online faceless services out of 58.

Audit noticed inadequate infrastructure in the three driving schools out of four driving schools in the State which would compromise the quality of training. There was inadequate training equipment/ infrastructure in the Institute of Driving Training and research (IDTR). The Road Safety Fund was mainly used on observation of Annual National Road Safety Week/ Month. The Department had not initiated in-depth study on the causes and analysis of motor vehicle accident which is the main focus area of creation of the fund. Only 10 online faceless services out of 58 citizen centric vehicle related services were available in the State.

Recommendations

The Department may-

- ***Enforce compliance of Driving Schools by ensuring mandatory infrastructure, equipment, and dual-control vehicles before granting or renewing licences.***
- ***Strengthen IDTRC operations by completing pending infrastructure, procuring training equipment, and enforcing OEM obligations for vehicle and aggregate supply.***
- ***Prevent diversion of scheme funds by instituting financial controls and monitoring utilisation strictly as per MoRTH guidelines.***
- ***Revitalise Road Safety Fund by preparing Annual Action Plans, conducting accident cause analysis, and investing in smart transport infrastructure with GPS/GIS systems.***
- ***Establish Registered Vehicle Scrapping Facility (RVSF) to handle end-of-life vehicles in an environmentally sound manner and reduce vehicular pollution.***
- ***Address manpower shortages by filling critical enforcement, tax, and mechanical inspector posts to improve regulation, inspection, and public service delivery.***
- ***Upgrade DTO infrastructure with adequate office space, IT systems, power backup, CCTV, fire safety, ramps for differently abled, and gender-sensitive facilities.***

5.6.13 Conclusion

The Performance Audit on the Functioning of DTOs and State Transport Authority (STA) was conducted to mainly assess the effectiveness of driver licensing, vehicle registration, taxation, issue of permits, enforcement activities, *etc*. This Performance Audit revealed significant shortcomings across several critical areas. The procedures for issuing driving licenses were found to be inefficient, raising concerns about road safety. No conductor had applied for Conductor's Licence which may lead to road accident and safety of the passengers. Additionally, the vehicle registration process exhibited delays and inefficiencies that hinder compliance with MV Act and Rules as same chassis number and engine number assigned to multiple vehicles. There were also notable gaps in the regulation of statutory requirements, such as vehicle fitness, permits and Pollution Under Control Certificates (PUCC), which could compromise safety and environmental standards. The Transport Department is found to be sluggish in implementing fitment of Vehicle Location Tracking Device (VLTD) in passenger vehicles, realization of pending e-challan amount sent to e-court/ virtual court, establishment of Automated Testing Station (ATS) and consequential setting up of Registered Vehicle Scrapping Facility (RVSF) in the state. A substantial amount of tax in arrears indicates serious lapses in revenue collection which in turn indicated weak enforcement mechanisms allowing non-compliance to persist in addition to loss of government revenue. Finally, inadequate infrastructure for public service delivery hampered the ability to effectively serve the public. Data migration of all motor vehicles in the State to VAHAN database is still incomplete and therefore the vehicle database of the State does not represent true and correct picture of the vehicle population of the State. Vehicles remain outside VAHAN may cause serious law and order problems

5.6.14 Recommendations

Summary of our Key Recommendations to the Department

➢ ***Licensing & Training***

- ***Ensure all E-rickshaw/E-cart drivers undergo the mandatory 10-day training and hold valid licences; link registration to LL/DL.***
- ***Mandate valid licences for all MST drivers and conductors, with a centralised register and periodic verification.***
- ***Launch awareness drives and streamline conductor licensing; enforce penalties for employing unlicensed conductors.***
- ***Enforce compliance of Driving Schools with required infrastructure, equipment, and dual-control vehicles.***
- ***Strengthen IDTRC by completing infrastructure, procuring training equipment, and enforcing OEM supply commitments.***

➢ *Vehicle Registration & VAHAN Data*

- ***Cleanse and validate VAHAN records to remove duplicate chassis/ engine numbers and cancel fraudulent registrations.***
- ***Enforce timely dealer submissions, fix accountability for delays, and introduce automatic penalties for defaulting dealers.***
- ***Ensure registration of hypothecated vehicles within 30 days; distinguish dealer vs DTO delays.***
- ***Correct MV tax assessments by reconciling VAHAN with physical records, recover shortfalls, and refund excess collections.***
- ***Enforce Green Tax and five-year MV tax on vehicles over 15 years; prevent revenue loss.***
- ***Complete migration to VAHAN 4.0 and strengthen data validation protocols.***

➢ *Enforcement & Road Safety*

- ***Mandate data sharing between Police and DTOs for timely licence suspension/disqualification of offenders.***
- ***Ensure effective use of e-Challan system by deploying machines, clearing court pendencies and monitoring revenue.***
- ***Tighten pollution control by mandating PUC centres at fuel stations, enforcing adherence to standards, and penalising expired PUCCs.***
- ***Implement Nirbhaya framework by setting up monitoring centre and fitting Vehicle Location Tracking Devices (VLTDs) and emergency buttons in public transport vehicles.***
- ***Augment enforcement with impounding yards, custody facilities, CCTV, speed guns, and body cameras.***

➢ *Infrastructure & Resources*

- ***Address manpower shortages by filling critical enforcement, tax, and mechanical inspector posts.***
- ***Expand faceless citizen-centric services beyond current limited rollout to enhance transparency and ease of access.***

COMPLIANCE AUDIT

TAXATION DEPARTMENT

5.7 Subject Specific Compliance Audit (SSCA) on "Department's Oversight on GST Payments and Returns Filing – Phase II"

5.7.1 Introduction

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

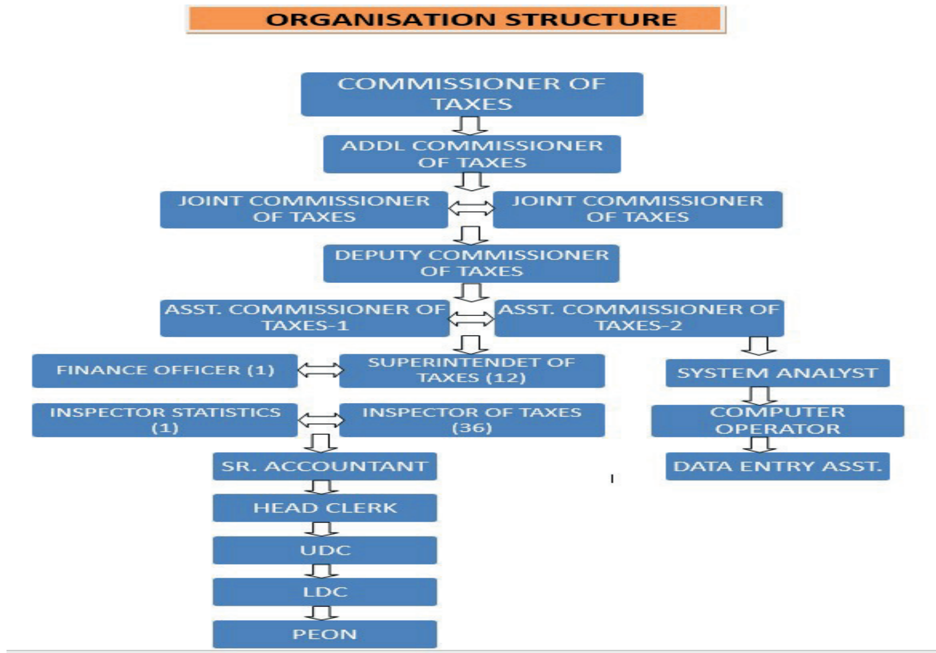
Section 59 of the Manipur GST (MGST) Act, 2017 stipulates GST as a self-assessment based tax, whereby the responsibility for calculating tax liability, discharging the computed tax liability and filing returns is vested with the taxpayer. The GST returns must be filed online regularly including nil return on the common GST portal, failing which penalties will be payable. Further, Section 61 of the MGST Act read with Rule 99 of MGST Rules stipulates that return must be scrutinised with particulars furnished by taxpayers, communicate discrepancies to the taxpayers and seek an explanation.

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

5.7.2 Organisational set up

The Commissioner of State Taxes is the head of the State Taxes Department and exercises overall control and supervision of the entire tax administration in the State. The Commissioner is assisted by an Additional Commissioner and two Joint Commissioners in the Commissionerate office. The organisational set up of the Taxation Department, Manipur under GST regime is given in **Chart 5.7.1.**

Chart 5.7.1: organisational set up of the Taxation Department, Manipur



5.7.3 Audit objectives

This audit was oriented towards providing assurance on the adequacy and effectiveness of systems and procedures adopted by the Department with respect to tax compliance under GST regime. Audit of 'Department's oversight on GST Payments and Returns filing' was taken up with the following audit

This audit was an attempt to provide assurance on the adequacy and effectiveness of systems and procedures adopted by the Department with respect to tax compliance under the GST regime with the following audit objectives:

I. Whether the rules and procedures were designed to secure an effective check on tax compliance and were being duly observed by taxpayers; and

II. Whether the scrutiny procedures, internal audit and other compliance functions of the Zones were adequate and effective.

5.7.4 Audit methodology and scope

This SSCA was predominantly conducted 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 16 deviations were identified across the domains of input tax credit (ITC), discharge of tax liability, registration and return filing. Such deviations were followed up through a centralised audit (Limited Audit)[142], whereby these deviations were communicated to the relevant State departmental field formations and action taken by the jurisdictional

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

formations on the identified deviations was ascertained without involving field visits. The centralised audit was supplemented by a Detailed Audit involving field visits for verification of records available with the jurisdictional field formations. Returns and related attachments and information were accessed through the back-end system of the Department/ State taxes department application as much as feasible to examine data/documents relating to taxpayers (*viz*. registration, tax payment, returns and other departmental functions). The Detailed Audit also involved accessing relevant granular records from the taxpayers such as invoices through the respective field formations. This apart, compliance functions of the departmental formations such as scrutiny of returns, action on non-filers and cancellation of registration were also reviewed in the selected Zones.

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 three Zones covered the period 2020-21. The SSCA covered only the State administered taxpayers. The field audit was conducted from August 2023 to February 2024.

Entry Conference of this SSCA was held on 10 August 2023 with the Commissioner, Department of Taxes, Government of Manipur in which the audit objectives, sample selection, audit scope and methodology were discussed. The Exit Conference was held on 02 December 2024 with the Commissioner, Department of Taxes in which the audit findings were discussed. The replies received from the Department have been suitably incorporated in the relevant paragraphs.

5.7.5 Audit sample

A data-driven approach was adopted for planning as also to determine 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 Zones for evaluating the compliance functions of the Zones.

There were *three* distinct parts of this SSCA as under:

(i) Part I-Audit of Zones

Three Zones *viz* Zones-1, 4 and 10 out of 14 Zones which were covered for audit during Phase -I Audit and having maximum number of sampled cases under Detailed Audit were considered as the sample of Zones for evaluation of their oversight functions.

(ii) Part II-Centralised Audit

The sample for Centralised Audit was selected by identification of high-value or high-risk deviations from rules and inconsistencies between returns through data analysis for evaluation of the adequacy and effectiveness of the scrutiny procedure of the State Tax Department. Accordingly, a sample of 159 taxpayers were selected for Centralised Audit under this SSCA.

(iii) Part III-Detailed Audit

Audit was conducted by accessing taxpayers' records through Zones for evaluation of the extent of tax compliance by taxpayers. The sample of 20 taxpayers from Zonal Records was selected for Detailed Audit on the basis of risk parameters such as ITC mismatch and unsettled liability, four ratio-based trends {ITC availed/ tax paid, IGST/ CGST + SGST, Exempted/ Taxable turnover, Credit Notes/ Tax paid}, Risk prone goods as per Harmonised System of Nomenclature (HSN)/ Service Accounting Codes (SAC), ITC availed after limitation period and ITC availed without supplier paying tax. The sample comprised of Large (L1[143] and L2[144]), Medium[145], Small[146] strata taxpayers as well as taxpayers selected randomly.

The details of sample for limited audit, detailed audit and audit of Zones selected for this SSCA are brought out in ***Appendix-5.3. (A, B&C)***.

5.7.6 Audit criteria

The sources of audit criteria comprised the provisions contained in the MGST Act, IGST Act, 2017 and Rules made thereunder. In addition, the notifications and circulars issued by the State Tax Department relating to filing of returns, the effective dates of filing of various returns, payment of tax, availing and utilising ITC, scrutiny of returns, oversight of tax compliance, *etc*. also formed part of the audit criteria.

Audit findings

The audit findings are categorised into the following three categories:

a. Oversight on Zone functions (Audit of Zones)
b. Centralised Audit (Limited Audit)
c. Detailed Audit.

5.7.7 Oversight on Zone functions – Audit of zones

The role of Zones is to provide oversight for ensuring compliance by taxpayers in respect of accuracy of the taxable value declared, calculation and payment of tax liabilities, filing of returns, ensuring compliance of GST Act. For evaluating the functions of the Zones, the audit areas include (i) Action on non-filers (ii) Effectiveness of scrutiny (iii) Cancellation of registration.

5.7.7.1 Lack of action on non-filers

Section 46 of the MGST Act, 2017 read with Rule 68 of MGST Rules, 2017 requires issuance of a notice in Form GSTR-3A to taxpayers who fail to furnish

[143] Top 0.25 *per cent* of taxpayers based on turnover.
[144] Next 0.25 *per cent* of taxpayers based on turnover.
[145] Taxpayers with a minimum turnover of ₹7.50 crore.
[146] Taxpayers with a minimum turnover of ₹2.50 crore.

returns (GSTR-1, 3B). Taxpayers who have been served notice under the above Act/ Rules are required to furnish their returns within fifteen days of receipt of the notice. Further, Section 62 of MGST Act, 2017 read with Rule 100 of MGST Rules, 2017 stipulates that where a registered person fails to furnish his returns even after the service of the notice, the Proper Officer may proceed to assess the tax liability of the said person to the best of his judgment in ASMT-13 (best judgment assessment order).

Audit accessed the profile of taxpayers and returns filed by taxpayer reports from the three selected Zones during 2020-21 from the GST portal. Audit noticed from the MIS GST back-end portal that 183 taxpayers in the three sampled zones did not file 3,871 returns for 2020-21 As per the MIS report on GSTR-3B non-filers, the total expected shortfall across the three zones for the year 2020-21 amounted to ₹17.12 lakh. (***Appendix 5.4A***). Out of 3,871 cases of non-filers identified, GSTR-3A was issued in 184 cases (***Appendix 5.4B***). Further, the due process of issue of GSTR-3A followed by ASMT 13 was also not observed in these cases.

The matter was communicated (March 2024) to the department. During the Exit Conference (December 2024) the department stated that reply/ clarification to audit observation would be provided. However, no reply has been received (January 2025).

Recommendation (i): The Department may initiate action against non-filers by assessing the tax liability to the best of their judgement by invoking the best judgment assessment order (ASMT-13).

5.7.7.2 Effectiveness of scrutiny of returns

Section 61 of the MGST Act, 2017, read with Rule 99, stipulates that the Proper Officer may scrutinise the returns and related particulars furnished by the taxpayers to verify the correctness of the returns and information. Discrepancies noticed, if any, are to be communicated to the taxpayer for seeking their explanation. If the explanation offered is found acceptable by the Proper Officer, the proceeding shall be dropped, the taxpayer shall be informed accordingly and no further action in the matter shall be taken. However, if the taxpayer does not furnish a satisfactory explanation within 30 days of being informed (extendable by the Proper Officer) or does not take any corrective measures, the Proper Officer may initiate appropriate action, including the issue of demand notices under Section 73 or Section 74 of the Act.

Out of the three sampled zones, two sampled zones *viz.* Zone-1 & 10 had not conducted scrutiny of taxpayers' returns for the year 2020-21. Only, Zone-4 conducted scrutiny for four taxpayers for the year 2020-21 and tax discrepancies of ₹14.40 lakh were issued to these four taxpayers through ASMT-10.

Audit pointed this in March 2024 but reason for non-conducting of scrutiny of taxpayers and action taken in respect of the scrutinised taxpayers were not furnished to Audit (September 2025).

Further, during the Exit Conference, the Department stated (December 2024) that reply/ clarification to audit observation would be provided. However, no reply had been received (September 2025).

Recommendation (ii): The Department may ensure the scrutiny of returns in a time bound manner before the cases become time barred.

5.7.7.3 Cancellation of registration

In the three Zones selected for audit, there were cases of 140 cases of cancellation during 2020-21 of which 87 cases were *suo moto* cancellations and 53 cases were cancelled on request by the taxpayers. Audit observations regarding cancellation of taxpayer registrations are as follows:

- **Date of cancellation prior to date of application**

Rule 20 of MGST Rules, 2017 read with a circular[147] dated 26 October 2018 provides that the taxpayer applying for cancellation of registration shall submit application in Form GST REG- 16 on the GST portal within a period of 30 days of the "occurrence of the event warranting the cancellation". The circular also specifies that the order for cancellation should be issued in Form GST REG-19 with the effective date for cancellation being the same as the date from which the applicant has sought cancellation in Form GST REG-16. In any case the effective date should not be a date earlier than the date of application for the same.

Scrutiny of records revealed that 43 cases out of 53[148] cases of request of cancellation by taxpayers, cancellation was made with effect from dates prior to the date of application by the taxpayers (***Appendix 5.5***).

Audit pointed this out in March 2024. During the Exit Conference (December 2024) the department stated that reply/clarification to audit observation would be provided. However, no reply has been received (September 2025).

- **Delays in cancellation**

Rule 22 of the MGST Rules, 2017 states that cancellation order in Form REG-19 is to be issued within 30 days from the date of application made by the taxpayers or date of reply to REG-17 in case of *suo moto* cancellation. Rule 22(3) of MGST Rules, 2017 provides that where a person who has submitted an application for cancellation of his registration is no longer liable to be registered, the Department shall issue an order in Form GST REG-19, within a period of thirty days from the date of application or, as the case may be, the date of reply to any show cause issued, cancel the registration with effect from a date to be determined by Department and notify the taxable person, directing him to pay arrears of any tax, interest or penalty including the amount liable to be paid under sub-section (5) of Section 29. Audit observed that in

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[147] Circular No. 69/43/2018-GST dated 26 October 2018. However, Department of Taxes, Manipur did not circulate the same.

[148] Zone-1=15, Zone-4=9 & Zone-10=29

56 cases out of the total 140 cases of cancellation, there were delays in issuance of Form REG-19 ranging from ranging between 01 to 917 days (***Appendix-5.6***). Audit further observed that the reason for delay in cancellation was because the Department did not monitor the cancellation process. During the Exit Conference, the department stated (December 2024) that reply/ clarification to audit observation would be provided. However, no reply has been received (September 2025).

- **Inadequate follow-up action on non-filing of GSTR-10**

As per Section 45 of the MGST Act, 2017, read with Rule 81 of MSGT Rules, 2017 GSTR-10 has to be filed by the taxpayer within three months of the effective date of cancellation or the date of order of cancellation, whichever is later through the common portal either directly or through a Facilitation Centre notified by the Commissioner. Further, as per Section 46 of the MGST Act, 2017, read with rule 68 of the MGST Rules, 2017 GSTR-3A has to be issued to the taxpayers, where GSTR-10 has not been filed. If the taxpayer still fails to file the final return within 15 days of the receipt of notice, an assessment order in Form ASMT-13 under Section 62 of the MGST Act read with Rule 100 of the MGST Rules shall have to be issued to determine the liability of the taxpayer under sub-Section (5) of Section 29 (*i.e.*, debit ITC equivalent to inputs, and inputs contained in semi-finished and finished goods held in stock or capital goods or the output tax payable on such goods whichever is higher). If the taxpayer files the final return within 30 days of the date of service of the order ASMT-13, then the said order shall be deemed to have been withdrawn. However, the liability for payment of interest and late fee shall continue. If the said return remains unfinished within the statutory period of 30 days from the issuance of order ASMT-13, then the Department may initiate proceedings under Section 78 and recovery under Section 79 of the MGST Act.

As mentioned in **Paragraph 5.7.7.3** above, there were 140 cases of cancellation of registration during 2020-21. Audit observed that GSTR-10 was filed in only 13 cases out of these 140 cases as shown in ***Appendix-5.7***. Audit also observed that the Department had no information/ reports to track the filing of GSTR-10 by the taxpayer and thus recovery proceedings of tax liability could not be initiated by the Zones. Audit further observed that best judgement orders in ASMT-13 were also not issued by the Department as a result of which tax liability, if any, could not be recovered.

The observation was communicated to the Department in March 2024. During the exit conference, the department stated (December 2024) that reply/ clarification to audit observation would be provided. However, no reply has been received (September 2025).

Recommendation (iii): The Department may strengthen the monitoring mechanism in the Zones to ensure that due procedures for cancellation of registration, filing of final returns in form GSTR-10 and assessment of tax liabilities are adhered to.

5.7.7.4 Inconsistencies in GST returns- Centralised audit

Audit analyzed GST returns data pertaining to April 2018 to March 2021 as made available by GSTN. Rule-based deviations, and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 16 parameters, which can be broadly categorized into three domains – ITC, Annual Return & Financial Statements and Tax & Interest Payment.

Out of the 13 prescribed GST returns[149] the following seven returns that are applicable 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 input tax credit claimed, along with payment of tax by the taxpayer to be filed by all taxpayers except those specified under Section 39(1) of the Act. This is the return that populates the credit and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger.
- **GSTR-6:** Monthly return for Input Service Distributors providing the details of their distributed input tax credit and inward supplies.
- **GSTR-8:** Monthly return to be filed by the e-commerce operators who are required to deduct TCS (Tax collected at source) under GST, introduced in October 2018.
- **GSTR-9:** Annual return to be filed by all registered persons other than an Input Service Distributor (ISD), Tax Deductor at Source/ Tax Collector at Source, Casual Taxable Person, and Non-Resident taxpayer. This document contains the details of all supplies made and received under various tax heads (CGST, SGST and IGST) during the entire year along with turnover and audit details for the same.
- **GSTR-9C:** Annual audit form for all taxpayers having a turnover above ₹Five crores 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 B2B transactions of suppliers declared in their Form GSTR-1/5, ISD details from GSTR6, details from

[149] i) GSTR-1, ii) GSTR-3B, iii) GSTR-4 (taxpayers under the Composition scheme), iv) GSTR-5 (non-resident taxable person), v) GSTR-5A (Non-resident OIDAR service providers), vi) GSTR-6 (Input service distributor), vii) GSTR-7 (taxpayers deducting TDS), viii) GSTR- 8 (E-commerce operator), ix) GSTR-9 (Annual Return), x) GSTR-10 (Final return), xi) GSTR-11 (person having UIN and claiming a refund), xii) CMP-08, and xiii) ITC-04 (Statement to be filed by a principal/ job-worker about details of goods sent to/ received from a job-worker).

GSTR-7 and GSTR-8 respectively by the counterparty and import of goods from overseas on bill of entry, as received from ICEGATE Portal of Indian Customs.

5.7.8 Audit findings based on Data Analysis

The data analysis of taxpayers' returns on 16 identified parameters and extent of deviations/ inconsistencies observed are summarised in **Tables 5.7.1-A** and **5.7.1-B.**

Table 5.7.1-A: Details of Data Analysis undertaken

Sl. No.	Algorithm used	Impact
	Domain: ITC	
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
	Domain: Annual Return and Financial Statements	
5.	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
6.	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
7.	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
	Domain: Tax and Interest Payment	
8.	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
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. This would lead to short payment/non-payment of tax.
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.	The composition taxpayers whose turnover (State jurisdiction) under all GSTINs of the same PAN have crossed the turnover limit of ₹50 lakh in 2018-19 and ₹75 lakh in 2019-20 were identified.	Ineligible composition levy i.e. taxpayers continue to operate under composition levy scheme despite crossing threshold for the same.
12.	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

Sl. No.	Algorithm used	Impact
13.	Interest calculated at the rate of 18 *per cent* on cash portion of tax payment on delayed filing of GSTR-3B *vis-à-vis* interest declared in GSTR-3B	Short payment of interest

Source: Departmental records

Table 5.7.1-B: Details of Data Analysis undertaken (Turnover mismatch)

Sl. No.	Algorithm used	Impact
14.	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
15.	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
16.	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

Source: Departmental records

Audit selected a sample of 159 cases from amongst top deviations/ inconsistencies in each of the 16 parameters for the year 2018-19 to 2020-21. Audit observations were issued to the respective zones during 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.

5.7.9 Summary of deficiencies noticed during Centralised Audit

Based on responses received in 159 cases of audit queries, the extent of compliance deviations in respect of the 16 parameters is summarised in ***Appendix-5.8***.

Audit observed deviations from the provisions of MGST Act in 159 cases involving mismatch amounting to ₹194.46[150] crore comprising mismatches in tax amounts in 141 cases (88.68 *per cent*) and turnover mismatches in 18 cases (11.32 *per cent*).

The Department provided responses in all the 159 cases. Out of these, 141 cases (88.68 *per cent*) involving ₹177.51[151] crore were under correspondence or notices had been issued to the taxpayer. The Department's reply in 05 cases involving ₹4.25 crore was not acceptable to Audit.

The reply of the Department in 13 cases, constituting 8.18 *per cent* of the audit sample of 159 cases, amounting to ₹12.69[152] crore was acceptable to Audit. Out of these cases, 01 case amounting to ₹0.07 crore was due to data entry errors by the taxpayers, 01 case amounting to ₹0.01 crore involved proactive action taken

[150] Excluding eighteen cases of turnover mismatch amounting to ₹430.12 crore
[151] Excluding twenty cases of turnover mismatch amounting to ₹427.47 crore
[152] Excluding two cases of turnover mismatch amounting to ₹2.65 crore.

by the Department prior to being pointed out by Audit and the remaining 11 cases amounting to ₹12.60[153] crore had valid explanations for the deviations.

A few high value illustrative cases are given below:

(A) Mismatch in availing of ITC

(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 of outward supplies along with ITC declared and payment of tax are self-declared by the taxpayer.

To analyse the veracity of ITC utilisation, relevant data were extracted from GSTR-3B and GSTR-2A for the period 2018-19 to 2020-21, and the ITC paid as per suppliers' details was matched with the ITC credit availed by the taxpayer. The methodology adopted was to compare the ITC availed as per GSTR-2A with all its amendments and the ITC availed in GSTR-3B in Tables 4A (5)[154], 4D (1) and 8C of GSTR-9.

A taxpayer (1XXXXXXXXXXXXXQ) under Zone-8 availed ITC of ₹69.22 crore in GSTR-3B during 2018-19 to 2019-20, against the available ITC of ₹61.22 crore as per GSTR-2A. This resulted in mismatch of ITC of ₹8.00 crore. On this being pointed out (September 2023), the Department replied (February 2024) that notice was issued to the taxpayer and further reply awaited (September 2025).

(ii) ITC passed on without supplier remitting tax

In order to analyse the extent of compliance of ITC availment under Section 64 of MGST Act, 2017 an attempt has been made to identify likely cases where ITC would have been passed on by the taxpayer without the actual remitting of tax. For this purpose, the relevant data form GSTR-9 particularly pertaining to Table 8A of GSTR-9 was compared with the ITC data reflected in GTSR-2.

A taxpayer (1XXXXXXXXXXXXXK) under works contract zone has ITC of ₹28.25 crore available under GSTR-2A against the admissible ITC of ₹18.05 crore shown under Table 8A of GSTR-9 for 2018-21. This resulted in availing of ineligible ITC ₹10.20 crore. On this being pointed out (September 2023) by Audit, the Department stated (February 2024) that notice was served to the taxpayer. Further reply was awaited (September 2025).

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

As per Section 16(4) of MGST Act, 2017 a registered person shall not be entitled to take ITC in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing GSTR-3B for the month of September following end of the financial year to which such ITC pertains or

[153] Excluding two cases of turnover mismatch amounting to ₹2.65 crore.
[154] All other eligible ITC.

furnishing of relevant annual returns 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, the ITC availed through Table 4 of GSTR-3Bs pertaining to 2018-19 to 2020-21 filed by the taxpayer beyond the due dates of October GSTR-3 return of the following year were identified at data level.

A taxpayer (1XXXXXXXXXXXXXC) under works contract zone availed ₹4.94 crore as ITC in GSTR-3B filed after limitation period for two months during 2018-19, which was inadmissible. On this being pointed out (September 2023) by Audit, the Department stated (February 2024) that notice was issued to the taxpayer and further reply awaited (September 2025).

(iv) Incorrect availing of ISD ITC:

To analyse whether the ITC availed by the taxpayer is in excess of that transferred by the Input Service Distributor (ISD), ITC availed as declared in the returns of the taxpayer is compared with the ITC transferred by the ISD in their GSTR-6. The methodology adopted was to compare Table 6G[155] of GSTR-9 or Table 4(A)(4)[156] of GSTR-3B of the recipient taxpayers under the jurisdiction of this State with the sum of Tables 5A[157], 8A[158] and 9A[159] of GSTR-6 of the respective ISD. This would help arrive at a determination of whether there is any excess ITC availed by the recipient taxpayers as compared to the ITC actually distributed by the ISD.

A taxpayer (1XXXXXXXXXXXXXB) under works contract zone availed ITC under ISD mechanism amounting to ₹5.47 lakh as per Table 6G against the actual sum of ₹22.37 only by the ISD distributor as per Table 5A and 8A of GSTR-6. This resulted in excess availing of ITC under ISD mechanism of ₹5.47 lakh. On this being pointed out (September 2023) by Audit, the Department stated (February 2024) that notice was served to the taxpayer for which reply was awaited (September 2025).

(B) Mismatch in Annual return and Financial Statement

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

Table12 of GSTR-9C reconciles ITC declared in Annual Return (GSTR-9) with ITC availed as per audited Annual Financial Statements or Books of Accounts. Table 12(F) deals with unreconciled ITC.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of MGST Rules, 2017 in form GSTR-9C for the years 2018-19 to 2020-21 were analysed at data level to review the extent of identified mismatch in ITC declared in the Annual Return with the Financial Statements.

[155] ITC received from ISD.
[156] Inward supplies from ISD.
[157] Distribution of the amounts of eligible ITC for the tax period.
[158] Distribution of input tax credit (Plus/Minus).
[159] Redistribution of ITC distributed to a wrong recipient.

A taxpayer (1XXXXXXXXXXXXXO) under works contract had availed ITC of ₹24.51 crore as per Table 12 (E) of GSTR-9C against ITC of ₹22.23 crore available as per Table 12 (D) of GSTR-9C during 2019-20. As such, there was mismatch in availment of ITC amounting to ₹2.28 crore between Annual Return and Financial Statements as mentioned in Table 12F of form GSTR-9C. Reconciliation statement in respect of Table 12F was not found uploaded, though the taxpayer had mentioned in the remarks column under Table 13.

On this being pointed out (September 2023) by Audit, the Department stated (February 2024) that notice was served to the taxpayer. Further reply was awaited (September 2025).

(vi) Reconciliation between ITC availed in Annual returns with expenses in financial statements:

Table14 of GSTR-9C reconciles ITC declared in annual return (GSTR-9) with ITC availed on expenses as per audited Annual Financial Statements or Books of Accounts. Table 14T of GSTR-9C deals with unreconciled ITC.

The certified reconciliation statement submitted by the taxpayer as required under the Rule 80 (3) of MGST Rules, 2017 in form GSTR-9C for the year 2018-19 to 2020-21 was analysed at data level to review the extent of identified mismatch in ITC declared in the Annual Return with the expenses reported in the Financial Statements.

In case of a taxpayer (1XXXXXXXXXXXXXY) under works contract zone, Audit observed that during the year 2020-21, there was unreconciled ITC of ₹57.28 lakh between Annual Return and Books of Accounts as per certified Reconciliation Statement submitted by taxpayer in Table 14T of form GSTR-9C. The details furnished in Table 15A of GSTR-9C did not adequately explain the unreconciled ITC. On this being pointed out (September 2023) by Audit, the Department replied (February 2024) that notice was issued to the taxpayer. Further reply was awaited (September 2025).

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

Table 9 of form GSTR-9C attempts to reconcile the tax paid by segregating turnover rate-wise and comparing with the tax discharged as per the Annual Return GSTR-9. The unreconciled amount could potentially indicate tax levied at incorrect rates, incorrect depiction of taxable turnover as exempt or incorrect levy of MGST/ IGST. There can also be situations, wherein supplies/ tax declared, are reduced through amendment (net of debit notes/ credit notes) in respect of the transaction 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-9, this amount was compared with actual tax payment details in GSTR-9.

A taxpayer (1XXXXXXXXXXXXXL) under works contract zone shorted unreconciled tax payment of ₹1.28 crore in Table 9R of Form GSTR-9C during 2018-19. This resulted in mismatch between the tax paid in Books of Accounts and Returns. The difference was due to advance adjusted in CGST (₹64,08,894.96) and SGST (₹64,08,894.96) as explained in Table 10A of GSTR-9C. However, the supporting document and break-up analysis to validate the claim of the taxpayer were not available in GSTR-9C. On this being pointed out (September 2023) by Audit, the Department stated (February2024) that notice was issued to the taxpayer. Further reply was awaited (September 2025).

(C) Tax and Interest payment

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

Short payment of tax under Reverse Charge Mechanism was analysed by comparing the datasets pertaining to GSTR-3B and annual return GSTR-9 to check whether the tax has been discharged fully on the activities transactions under RCM. RCM payments in Table 3.1(d) of GSTR-3B/ Table 4G of GSTR-9 was compared with ITC availed in Table 4(A)2 and 4(A)(3) of GST-3B/ Table 6C, 6D and 6F of GSTR-9. One case is discussed below:

A taxpayer (1XXXXXXXXXXXXXU) under works contract zone paid only ₹1.96 lakh in Table 3.1(d) of GSTR-3B against ₹1.73 crore availed in Table 4(a)(3) during 2018-19 on inward supplies liable to reverse charges. This resulted in short payment of tax under RCM- ITC amounting to ₹1.71 crore. On this being pointed out (September 2023) by Audit, the Department stated (February 2024) that notice was served to the taxpayer. Further reply was awaited (September 2025).

(ix) Unsettled liabilities:

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

To analyse the undischarged tax liability, relevant data were extracted from GSTR-1 and GSTR-9 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 attempted.

For the purpose, Tables 4 to 11 of GSTR-1 and Tables 4N, 10 and 11 of GSTR-9 were considered. Greater 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, Table 6.1 *minus* Table 3.1(d) were taken into account.

A taxpayer (1XXXXXXXXXXXXXU) under Zone-8 discharged a tax liability of ₹6.75 crore through GSTR-9 against a tax liability of ₹14.38 crore declared in GSTR-1 during 2020-21 resulting in short payment of tax of ₹7.63 crore. On this being pointed out (September 2023) by Audit, the Department stated (February 2024) that notice was issued to the taxpayer. Further reply was awaited (September 2025).

(x) 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 Table 3.1(a) and 3.1(b) of GSTR-3B for the period 2018-19 to 2020-21 were compared with the disclosures made in e-way bills. The outward e-way bills reflected a higher value of taxable supplies as compared to the liability declared in GSTR-3B leading to short payment of tax.

A taxpayer (1XXXXXXXXXXXXX0) under Zone-8 declared tax liability of ₹83.40 lakh in GSTR-3B against a tax liability of ₹103.38 lakh in the e-way bills for the year 2020-21, leading to short payment of GST amounting to ₹19.98 lakh.

On this being pointed out (September 2023) by Audit, the Department stated (February 2024) that notice was issued to the taxpayer. Further reply was awaited (September 2025).

(xi) Ineligible under composition levy scheme:

To analyse the veracity of ineligible composition levy scheme, taxpayers relevant data were extracted to identify composition levy scheme taxpayers whose turnover on pan India Basis (Central and State jurisdiction) under all GSTINs of the same PAN have crossed the turnover limit of ₹50 lakh in 2018-19 vide a notification[160] dated 29 June 2017 and ₹75 lakh in 2019-20 vide a notification[161] dated 7 March 2019, but still continue to avail the benefit of composition levy.

A taxpayer (1XXXXXXXXXXXXX5) under Zone-8 showed such deviation being in the composition levy scheme where the turnover (₹3.73 crore in 2019-20) crossed the prescribed limit. The taxpayer was thus, liable to get registered as a normal taxpayer and pay accordingly. On this being pointed out (September 2023) by Audit, the Department stated (February 2024) that notice was issued to the taxpayer. Further reply was awaited (September 2025).

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

As per Rule 61(2) of MSGT Rules, 2017 every registered person required to furnish return shall subject to the provision of section 49, discharge his liability towards tax, penalty, fees or any other amount payable under the Act by debiting the electronic cash ledger or electronic credit ledger and include the details in the return in Form GSTR-3B. Effort was made through data analysis to identify those taxpayers who had not filed GSTR-3B but had filed GSTR-1 or whose GSTR-2A was available. The very availability of GSTR-1 and GSTR-3A and non-filing of GSTR-3B indicates that the taxpayers had

[160] Notification No.5 /10/2017-FD(TAX)(A) dated 29 June 2017
[161] Notification No.14/2019-Central tax dated 07 March 2019

undertaken/ carried on business during the period but have not discharged their tax liability. It may also include cases of irregular passing on of ITC.

A taxpayer (1XXXXXXXXXXXXXM) under Zone-8 did not file GSTR-3B for 30 months during 2018-19 to 2020-21 despite being liable to pay tax of ₹85.93 lakh in GSTR-1. On this being out (September 2023) by Audit, the Department stated (February 2024) that notice was issued to the taxpayer. Further reply was awaited (September 2025).

(xiii) Short payment of interest:

As per Section 50(1) of MGST Act, 2017 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 prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest at such rate, not exceeding 18 *per cent*. The Section further provides that interest shall be payable on that portion of tax which is paid by debiting electronic cash ledger beyond due date. The extent of short payment of interest on account of delayed remittance of tax during 2018-19 to 2020-21 was identified using the tax paid details in GSTR-3B and date of filing GSTR-3B. Only the net tax liability (cash component) has been considered to work out the interest payable.

A taxpayer (1XXXXXXXXXXXXX0) under works contract zone delayed filing of GSTR-3B returns for 17 months during 2018-2021 by nine to 272 days. The short payment of interest of ₹81.89 lakh on account of delayed tax payment of ₹15.63 crore during 2018-2021 was communicated (September 2023). While admitting the observation, the Department stated (February 2024) that notice was served to the taxpayer. Further reply was awaited (September 2025).

(D) Details of Data Analysis undertaken (Turnover Mismatch)

(xiv) 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 were identified where the taxable value declared for 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-2.

A taxpayer (1XXXXXXXXXXXXXD) under works contract zone declared a taxable value of ₹64.29 crore in GSTR-3B for 2018-19 against a taxable value of ₹106.10 crore based on TDS statement. The short declaration of ₹41.81 crore resulted in short payment of tax amounting to ₹5.02 crore[162]. Audit pointed out in (September 2023). While admitting the observation, the Department stated (February 2024) that notice was served to the taxpayer. Further reply was awaited (September 2025).

[162] TDS is calculated at 12 *per cent*.

(xv) Suppression of taxable value based on unbilled revenue declared in GSTR-9C:

In order to review the extent of identified mismatch in taxable turnover reported in the Annual Return *vis-à-vis* the Financial Statements, the relevant data points pertaining to Table 5 of the GSTR-9C reconciliation statement pertaining to disclosure of unbilled revenue submitted by the taxpayer as required under MGST Rules, 2017 for the years 2018-19 to 2020-21 was analysed at data level.

Table 5B figure of GSTR-9C for the years 2018-19 to 2020-21 which captures the unbilled revenue at the beginning of the financial year was compared with Table 5H of the previous GSTR-9C returns which captures the unbilled revenue at the end of the year to review the extent of identified mismatch in turnover declared in the Annual Return with the Financial Statements.

In case of taxpayer (1XXXXXXXXXXXXX5) under works contract zone comparison of 5B with 5H of Annual Return GSTR-9C for 2018-19 showed a mismatch in unbilled revenue of ₹2.17 crore. On this being pointed out (September 2023) by Audit, the Department stated (February 2024) that notice was served to the taxpayer. Further reply was awaited (September 2025).

(xvi) Mismatch in taxable turnover declared in GSTR-9C Table 7G:

Table 7 of GSTR 9C is the reconciliation of taxable turnover. Table 7G of this table captures the unreconciled taxable turnover between the annual return GSTR-9 and the turnover declared in the Financial Statement for the year after the requisite adjustments. The unreconciled amount in cases where the turnover in GSTR-9 is less than the financial statement indicates non-reporting, under-reporting, short-reporting, omission or error in reporting of taxable supplies. It could also be on account of non-reporting of both taxable and exempted supplies.

A taxpayer (1XXXXXXXXXXXXXS) under Zone-8 showed a deviation of ₹337.67 crore in Table 7G of Form GSTR-9C for the year 2019-20. This resulted in a mismatch in the taxable turnover declared in the return. The taxpayer submitted that the reason for the unreconciled difference in taxable turnover reported in GSTR-9C was due to having turnover in other states as well. Audit pointed this out in September 2023 to provide supporting documents and break-up analysis to validate the reason given in Table 8 of GSTR-9C. Instead while admitting the observation, the Department responded (February 2024) that notice was issued to the taxpayer. Further reply was awaited (September 2025).

5.7.10 Analysis of causative factors

Considering the response of the Department to the sample of 159 cases pointed by Audit, reasons for mismatch/ deviations were identified as (a) Deviation from GST law and rules, (b) Data entry errors, and (c) Action taken before issues of queries. These reasons along with relevant observations are discussed in the succeeding paragraph.

5.7.10.1 Cases of deviation from GST Law and Rules accepted or action initiated by Department

Out of the 159 deviations summarised in Paragraph 8.2, the Department accepted the audit observations and initiated examination/ under correspondence/ served notice to the taxpayer in 141 cases involving mismatches amounting to ₹177.51[163] crore **(*Appendix-5.8, Column nos. 13 and 14)***

Illustrative case: ITC mismatch between GSTR-2A and GSTR-3B

A taxpayer (1XXXXXXXXXXXXX0) under works contract availed ITC of ₹34.54 crore in GSTR-3B during 2018-19 available against the available ITC of ₹28.19 crore in GSTR-2A. This resulted in mismatch of ₹6.35 crore. On this being pointed out (September 2023) by Audit, the Department stated (February 2024) that notice was served to the taxpayer. Further reply was awaited (September 2025).

5.7.10.2 Cases where Department's reply was not acceptable to Audit

The Department did not accept five out of 159 deviations pointed out by Audit. In these five cases, the Department's reply to the audit observation was not acceptable to Audit. Details of these cases along with the audit rebuttal are featured in ***Appendix-5.9***.

Illustrative case: Ineligible under Composition Levy Scheme

A taxpayer (1XXXXXXXXXXXXXO) under Zone-12 showed such deviation with a potential of irregularly availing composition levy scheme where the turnover (₹1.45 crore in 2018-19) crossed the prescribed limit. The taxpayer is liable to get registered as a normal taxpayer and pay accordingly. On this being pointed out (September 2023) by Audit, the Department stated (August 2024) that the taxpayer was unable to opt out of composition scheme even after turnover exceeded threshold limit due to technical glitch in the GST portal. However, the reply was not acceptable as relevant documents such as documentary proof of error in GSTN, any complaint report filed by the taxpayer *etc*. were not enclosed.

5.7.10.3 Cases of data entry errors by taxpayer

In one case, the deviation which had a revenue implication of ₹7.38 lakh, was on account of a data entry error as per the response of the Department. The data entry error **(*Appendix-5.8, Column Nos. 5, 6*)** related to short payment of tax under reverse charge mechanism.

5.7.10.4 Cases where action was taken before issue of Audit Queries

Department had already taken action in one case out of the 159 cases as detailed in ***Appendix-5.8 (Column Nos. 7, 8)***. One illustrative case is discussed below:

[163] Excluding turnover mis-matches amounting to ₹ 427.47 crore.

A taxpayer (1XXXXXXXXXXXXXXV) under Zone 9-2 discharged a tax liability of ₹5.87 crore through GSTR-3B against a tax liability ₹5.89 crore declared in GSTR-1 during 2018-19 resulting in short payment of ₹1.27 lakh.

On this being pointed out (September 2023) by Audit, the Department (January 2025) stated that the undischarged liability was discharged *vide* DRC-03 dated 19 December 2021.

Recommendation (iv): The Department must take up the matter with the GST Council to insert validation controls in GST Portals as highlighted above to curb data entry errors, enhance taxpayer compliance and facilitate better scrutiny.

5.7.11 Detailed audit of GST returns

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

From an external audit perspective, Audit also focused on a data-driven risk-based approach. Thus, apart from identifying inconsistencies/deviations in GST returns through pan-state data analysis, a detailed audit of GST returns was also conducted as a part of this review. A risk-based sample of 20 taxpayers was selected for this part of the review. The methodology adopted was to initially conduct a desk review of GST returns and financial statements filed by the taxpayers as part of the GSTR-9C and other records available in the back-end system to identify potential risk areas, inconsistencies deviations and red flags. Desk review was carried out in the office of the Accountant General (Audit), Manipur. Based on the desk review results, detailed audit was conducted in the Office of the Commissioner of Taxes, GoM by requisitioning corresponding granular records of taxpayers such as financial ledgers, invoices *etc*., to identify causative factors of the identified risks and to evaluate compliance by taxpayers.

5.7.11.1 Scope limitation-Non-production of records

During the desk review of taxpayers' records available in the back-end system, Audit identified the risks related to excess ITC and tax liability mismatches for detailed examination. On the ITC dimension, the mismatches were identified by comparing GSTR-3B and GSTR-9 with GSTR-2A and the declarations made in Tables 12 and 14 of GSTR-9C. On the tax liability dimension, the mismatches were identified by comparing GSTR-3B and GSTR-9 with GSTR-1 and the declarations in Tables 5, 7 and 9 of GSTR-9C. However, in 11 out of 20 sampled cases (55 *per cent*), the Department did not produce the corresponding granular records such as the tax invoices, financial ledgers, credit & debit notes required for examining the causative factors for mismatches of ITC and tax liability, though requisitioned by Audit through respective Zones. In the absence of these records, the audit findings were restricted to the information available in the returns filed by the taxpayers.

During the Exit Conference, the Commissioner of State Taxes stated that reply/ clarifications to audit observation would be provided. Further reply was awaited (September 2025).

The jurisdiction wise non-production of records is summarised in **Table 5.7.2.**

Table 5.7.2: Non-production of records

Jurisdictional formation	Sample	Non-production	Amount of Mismatch (₹ in crore)
	Number of taxpayers	Number of taxpayers	
Works contract	7	3	22.08
Zone-1	1	0	0
Zone-4	1	1	4.01
Zone-8	4	4	6.50
Zone-9(1)	3	3	13.89
Zone-9(2)	3	0	0
Zone-10	1	0	0
Total	**20**	**11**	**46.48**

Source: Departmental records

Recommendation (v): Departmental units may be instructed for ensuring timely and complete production of records to Audit.

5.7.11.2 Detailed Audit-Audit Findings

As brought out in the previous paragraphs, detailed audit involved a desk review of GST returns and other basic records to identify risks and red flags, which were followed up by field audit to identify the extent of non-compliance by taxpayers and action taken by the departmental field formations. Non-compliance by taxpayers at various stages ultimately impacts the veracity of returns filed, utilisations of ITC and discharge of tax payments. Out of the 20 taxpayers that were audited either fully or partially, Audit observed 40 compliance deficiencies consisting of mismatches of ₹72.13[164] crore for which Department action is pending. The audit findings are categorised under a) Returns, b) Availment of ITC, and c) Discharge of tax liability. Category-wise observations are discussed below:

5.7.11.2.1 Return: Non-payment of interest by taxpayers on delayed filing of returns

As per Section 50 of the MGST Act, 2017, 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 prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay on his own, interest at such rate, not exceeding 18 *per cent* as may be notified.

[164] Five cases of non-payment of interest on delayed return filing (₹0.11 crore), 28 cases of ITC mismatch (₹70.86 crore) and seven cases of tax liability mismatch (₹1.16 crore)

As per CBIC notification dated 18 September 2020[165], the taxpayer is liable to pay interest only on net cash tax liability *i.e.*, cash component, if there is delay in payment of tax.

Scrutiny of GSTR-3B returns of 20 taxpayers under seven zonal offices for the period 2018-19 to 2020-21 revealed that five taxpayers had filed their returns with delay of two to 325 days, for which these taxpayers were liable to pay ₹11.28 lakh interest as shown in ***Appendix-5.10***.

On this being pointed out (December 2023), the Department stated (February 2024) that notices were issued to the taxpayers.

5.7.11.2.2 Mismatch related to ITC

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

Section 16 and 17 of the MGST Act, 2017 prescribe the eligibility and conditions to avail ITC. Credit of CGST cannot be used for payment of SGST/ UTGST and credit of SGST/ UTGST cannot be utilised for payment of CGST. Rule 36 to 45 of the MGST Rules, 2017 prescribes the procedures for availing and reversal of ITC.

Audit analysed the dataset of GSTR-2A in respect of selected taxpayers along with datasets of GSTR-3B, GSTR-9 and GSTR-9C filed by the taxpayers and noticed mismatches of input tax credit among returns. Audit could not examine mismatches in detail since relevant granular records were not produced by the Department.

Audit observed 28 instances of ITC related mismatches amounting to ₹70.86 crore out of 20 sampled cases examined. The deficiencies were due to availing ITC irregularly, availing ineligible ITC and or non-reversal of ITC. Hence, these cases remain as mismatches. The details of mismatches in input tax credit noticed by Audit are given in **Table 5.7.3**. Dimension-wise details are given in ***Appendix 5.11***.

[165] This circular was issued by the Central Government. The State Government is implementing it but has not issued a similar circular.

Table 5.7.3: Mismatch in input tax credit claimed by taxpayers

Sl. No.	Parameter	Amount involved (₹in crore)/ Number of mismatches	Remarks
Mismatch in availing of ITC			
1.	GSTR-2A Vs 3B ITC available as per GSTR-2A (with all amendments was compared with the ITC availed in GSTR-3B {Table 4A(5) for domestic supplies) after considering (i) reversal of ITC (Others pertaining to Table 4B(2)) and (ii) ITC availed in the subsequent year (Table 8(C) of GSTR-9). This showed mismatch in ITC availed by the taxpayer.	37.19/ (9)	On this being pointed out in audit (December 2023), the Department replied (February 2024) that notices were issued to the taxpayers to explain the reason for mismatch. Further reply was awaited (September 2025).
2.	Under RCM Payment in GSTR-9 Table 4G (tax payable) were compared with ITC availed in GSTR-9 Tables 6C, 6D and 6F (ITC availed). In cases where GSTR-9 was not available, RCM payment in GSTR-3B Table3.1(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. This showed short payment of tax under RCM.	0.0007[166]/ (2)	On this being pointed out in audit (December 2023), the Department replied (February 2024) that notice was issued to the taxpayers to explain the reason for mismatch. Further reply was awaited (September 2025).
3	ITC availed without supplier remitting tax 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. This showed availing of ITC by the taxpayer wherein no tax was remitted by the suppliers of the taxpayers.	33.67/ (16)	On this being pointed out in audit (December 2023), the Department replied (February 2024) that notices were issued to the taxpayers to explain the reason for mismatch. Further reply was awaited (September 2025).
4	Positive figure in GSTR-9C Table 12F Higher amount of ITC claimed than credit that is due when compared between annual return and financial statements (Table 12F of GSTR-9C). This showed that unreconciled ITC availed by the taxpayer.	0.0003[167] (1)	The reason for difference was due to GSTR-9 wrongly filed by oversight as explained in Table 13. However, the difference was due to ITC availment on Cess. On this being pointed out in audit (December 2023), the Department replied (February 2024) that notice was issued to the taxpayer. Reply awaited (September 2025).
Total		**70.86/ (28)**	-

Source: Departmental records

5.7.11.2.3 Mismatches relating to discharge of tax liability

The taxable event in the case of GST is supply of goods and/ or services. Section 9 of the MGST Act, 2017 is the charging section authorising levy and collection of tax called Central State Goods and Services Tax on all intra-State supplies of goods or services or both, except on supply of alcoholic liquor for

166 ₹69,353
167 ₹29,833

human consumption, petroleum product, 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 Act and SGST Act.

Audit scrutinised GSTR-1, GSTR-3B and GSTR-9 returns filed by the 20 sampled taxpayers for the years 2018-19 to 2020-21 and noticed mismatch of ₹1.16 crore in discharge of tax liability by comparing the tax liability furnished in the returns. Audit could not examine these mismatches in detail since relevant granular records were not produced by the Department. The details of mismatches are given in **Table 5.7.4.**

Table 5.7.4: Granular records were not produced by the Department

Sl. No.	Parameter	Amount involved (₹ in crore)/ Number of mismatch	Remarks
1.	Mismatch between tax liability and tax payment A Comparison of GSTR-1 (Tables 4 to 11) or GSTR-9 (Tables 4N, 10 and 11) with tax paid details declared in Table 9 and 14 of GSTR-9 was carried out. In case where GSTR-9 is not available, tax paid details declared in Table 3.1(a) and 3.1(b) in GSTR-3B was compared with GSTR-1 liability. The amendment and advance adjustments declared in GSTR-1 and 9 are duly considered. This showed short payment of tax due to a gap between liability reported and tax discharged by the taxpayer (***Appendix-5.12***)	1.16/ (7)	On this being pointed out in audit (December 2023), the Department stated (February 2024) that notice was issued to the taxpayer to explain the reason for mismatch. Reply awaited (September 2025).

Source: Departmental records

Recommendation (vi): Department should ensure remedial action for all the compliance deviations brought out in this report before they get time barred.

5.7.12 Conclusion

The Subject Specific Compliance Audit (SSCA) on Department's Oversight on GST Payments and Returns Filing was taken up considering the significance of the control mechanism envisaged for tax compliance and the oversight mechanism in this new tax regime. The objectives were to assess the adequacy of the system in monitoring return filing and tax payments, extent of compliance and other departmental oversight functions.

This SSCA was predominantly based on data analysis, which highlighted risk areas, red flags and in some cases, rule-based deviations and logical inconsistencies in GST returns filed for 2018-19 to 2020-21. The SSCA entailed assessing the oversight functions of State Jurisdictional formation at two levels – at the data level and at the functional level carried out through detailed audits of the Zones and scrutiny of GST returns, which involved accessing taxpayer records. The audit sample comprised three Zones, 159 high value inconsistencies across 16 parameters and 20 taxpayers selected on risk assessment for detailed audit of GST returns for the years 2018-19 to 2020-21

A review of the functions of three Zones disclosed that there were deficiencies in oversight functions of Zones such as monitoring of return filing, scrutiny and cancellation of registration.

Further, out of the 159 high value data inconsistencies identified by Audit, the Department responded to all 159 cases with a revenue implications of ₹194.46[168] crore. The Department's reply in 13 cases amounting to ₹12.69[169]crore was acceptable to audit. Departmental action is pending in responses in 146 cases which has an identified risk exposure of ₹181.76[170]crore.

Detailed Audit of GST returns also suggested significant non-compliance. The Department did not produce the corresponding granular records such as the tax invoices, financial ledgers, credit & debit notes which constituted a significant scope limitation. These cases represent potential risk exposure towards identified mismatches in ITC availment and tax payments. Out of the 20 taxpayers that were audited either fully or partially, Audit observed 40 compliance deficiencies consisting of mismatches of ₹72.13 crore for which Department action is pending.

Considering the significant rate of compliance deficiencies, the Department must initiate remedial measures before they get time barred. From a systemic perspective, the Department needs to strengthen the institutional mechanism in the Zones to establish and maintain effective oversight on return filing, scrutiny of returns and cancellation of registrations. The Department may also consider introducing additional validation controls in GST returns to improve taxpayer compliance and to facilitate scrutiny of returns.

5.7.13 Recommendation

The Department may:

(i) Initiate action against late-filers and non-filers by assessing the tax liability to the best of their judgment by invoking the best judgement assessment order (ASMT-13).

(ii) Ensure the scrutiny of returns in a time-bound manner before the cases become time barred.

(iii) Strengthen the monitoring mechanism in the Zones to ensure that due procedure for cancellation of registration, filing of final returns in GSTR-10 and assessment of tax liability are adhered to.

(iv) Take up the matter with the GST Council to insert validation controls in GST Portals to curb data entry errors, enhance taxpayer compliance and facilitate better scrutiny.

[168] Excludes turnover mismatch of ₹430.12 crore.
[169] Excludes turnover mismatch of ₹2.65 crore.
[170] Excludes turnover mismatch of ₹427.47 crore.

(v) Instruct Departmental units for ensuring timely and complete production of records to Audit.

(vi) ***Ensure remedial action for all the compliance deviations brought out in this report before they get time barred.***

RURAL DEVELOPMENT AND PANCHAYATI RAJ DEPARTMENT (RD&PR)

5.8 Avoidable expenditure

Due to inefficiency leading to delay in remittance of TDS, an avoidable expenditure of ₹67.51 lakh was made by the Agency as penalty/interest

As per Section 51 of the Manipur Goods and Services Tax Act, 2017 a department or establishment of the Central Government or State Government is required to deduct tax at the rate of two *per cent* (one *per cent* CGST and one *per cent* SGST) 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 rupees. The amount so deducted as tax under this Section shall be paid to the Government by the deductor within ten days after the end of the month in which such deduction is made.

Further, if any deductor fails to pay to the Government the amount deducted as tax under this section, he shall 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 Finance Department, GoM *vide* notification[171] fixed the rate of interest for delayed remittance of tax @ 18 *per cent*.

Audit observed from scrutiny of records that the Manipur State Rural Roads Development Agency (Agency) deducted two *per cent* of GST as Tax Deduction at Source (TDS) from the Running Account Bill of various contractors while making payments.

Further scrutiny revealed that the Agency did not deposit the amount of TDS deducted from the contractors within the timeframe as stipulated in the Act. There was no record placed in the Chief Engineer's office indicating the reason as to why the Agency could not deposit the amount deducted from the contractors to the Government account. Due to inefficiency leading to delay in remittance of TDS, an avoidable expenditure of ₹67.51 lakh was made by the Agency as penalty/interest as shown in ***Appendix 5.13***.

The matter was reported to the Government (October 2024) and reply was awaited (September 2025).

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[171] No. 5/10/2017-FD (TAX)(D) dated 29 June 2017