Chapter 2
Excise and Taxation Department
SSCA on Department's Oversight on GST Payments and Return Filing- phase II

CHAPTER 2

Subject Specific Compliance Audit

2. Department's Oversight on GST Payments and Return Filing- phase II

2.1 Introduction

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

Section 59 of the Haryana GST Act (HGST), 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 on the taxpayer. The GST returns must be filed online regularly on the common GST portal, failing which penalties will be payable. Even if the business has had no tax liability during a particular tax period, it must file a nil return mandatorily. Further, Section 61 of the Act read with Rule 99 of HGST Rules stipulate that the proper officer may scrutinise the return and related particulars furnished by taxpayers, communicate discrepancies to the taxpayers and seek an explanation.

This Subject Specific Compliance Audit (SSCA) was taken up as a continuation of the SSCA conducted during the year 2022-23 (Phase I), considering the significance of the control mechanism envisaged for tax compliance and Department's oversight mechanism in this new tax regime.

2.2 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 Return filing' was taken up with the following audit objectives to seek an assurance on:

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

ii. Whether the scrutiny procedures, internal audit and other compliance functions of the Range/Departmental field formations were adequate and effective.

2.3 Audit methodology and scope

This SSCA was predominantly conducted based on data analysis (data obtained from GST Wing), which highlighted risk areas and red flags pertaining to the period April 2018 to March 2021. Through data analysis, a set of 17 deviations were identified across the domains of ITC, Discharge of tax liability, Registration and Return filing. Such deviations were followed up through a Centralised (Limited) Audit[1], whereby these deviations were communicated to the relevant State departmental field formations and action taken by the jurisdictional formations on the identified deviations was ascertained without involving field visits. The Centralised (Limited) 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 *boweb.internal.gst.gov.in* - the *back-end* system of the Excise and Taxation 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. Apart from this, compliance functions of the departmental formation such as scrutiny of returns were also reviewed in selected Departmental field formations.

The review of the scrutiny of returns by the Department and verification of taxpayer's records covered the period from April 2018 to March 2021, while the audit of the functions of selected Departmental field formations covered the period from July 2017 to March 2023. The SSCA covered only the State administered taxpayers. The field audit was conducted from September 2023 to April 2024.

Before the start of field audit, an Entry conference was held (April 2023) with Principal Secretary, Excise & Taxation Department, Government of Haryana in which the audit objectives, sample selection, audit scope and methodology were discussed. An Exit Conference was conducted (November 2024) with Principal Secretary, Excise and Taxation Department, Government of Haryana. Replies of the Department have been suitably incorporated in the Audit Report.

2.4 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

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

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 Department's field formations for evaluating the compliance functions of the Department's field formations.

There were three distinct parts of this SSCA as under:

(i) Part I-Audit of Departmental field formations (DETCs)

For tax administration, Haryana State is divided into 27 District Excise and Taxation Commissionerate (DETCs). Audit selected 10[2] District Excise and Taxation Commissioners (DETCs) out of 27 DETCs , for evaluation of oversight functions of Departmental field formations. It covered the cases scrutinized by Range officers in 2022-23.

(ii) Part II –Centralised (Limited) Audit

The sample for Centralised (Limited) Audit was selected by identification of high-value or high-risk deviations from rules and inconsistencies between returns through data analysis for evaluation of the adequacy and effectiveness of the scrutiny procedure of the Department. Accordingly, 380 taxpayers were selected for Centralised (Limited) Audit under 17 parameters in this SSCA.

(iii) Part III-Detailed Audit

Detailed Audit was conducted by accessing taxpayers' records through the Department's field formations for evaluation of the extent of tax compliance by taxpayers. The sample of taxpayers for 'Detailed Audit' was selected on the basis of risk parameters such as mismatch in ITC, tax liability mismatch, disproportionate exempted turnover to total turnover and irregular ITC reversal. 70 taxpayers were selected from 18 DETCs[3] comprising Large (L1 & L2)[4], Medium[5], Small[6] and Multi-location[7] units taxpayers for Detailed Audit.

(Appendix-2.1)

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2 Hisar, Jagadhri, Jhajjar, Kaithal, Karnal, Kurukshetra, Panchkula, Panipat, Rewari and Rohtak.

3 Ambala, Bhiwani, Faridabad (East), Faridabad (North), Faridabad (South), Gurugram (East), Gurugram (North), Gurugram (South), Gurugram (West), Hisar, Jhajjar, Karnal, Kurukshetra, Panchkula, Panipat, Rewari, Rohtak and Sonepat.

4 First category comprising large taxpayers – top 0.25 *per cent* of taxpayers based on turnover (L1 category); Second category comprising the next set of large taxpayers – next 0.25 *per cent* of taxpayers based on turnover (L2 category).

5 Third category comprising medium taxpayers – remaining taxpayers with a minimum turnover of ₹ 20 crore/₹ 10 crore/₹ 7.5 crore (minimum thresholds are defined to cater to varying levels of activity in Central/State jurisdictions).

6 Fourth category comprising the bottom most layer – remaining taxpayers with a minimum turnover of ₹ 5 crore/₹ 2.5 crore (minimum thresholds are defined to cater to varying levels of activity in Central/State jurisdictions).

7 Fifth category, 10 *per cent* taxpayers of Multi-location units selected on a Random Sample basis.

2.5 Audit criteria

The sources of audit criteria comprised the provisions contained in the HGST Act, CGST Act, IGST Act and Rules made thereunder. The significant provisions are given in ***Table 2.1***.

Table 2.1: Sources of criteria

Sr. No.	Subject	HGST Act/ Rules
1.	Payment of tax	Sections 49 to 53 under Chapter X and Rules 85 to 88A under Chapter IX
2.	Filing of GST Returns	Sections 37 to 47 under Chapter IX and Rules 59 to 68 and 80 to 81 under Chapter VIII. Part B of HGST/CGST Rules prescribes format of returns
3.	Availing and utilizing Input Tax Credit	Sections 16 to 21 and Rules 36 to 45 under Chapter V
4.	Assessment and Audit functions	Sections 61, 62, 65 and 66 under Chapter XII & XIII and Rules 99 to 102 under Chapter XI

In addition, the notifications and circulars issued by Excise and Taxation Department, Haryana relating to filing of returns, notifying the effective dates of filing of various returns, extending due dates for filing returns, rates of tax on goods and services, payment of tax, availing and utilising ITC, scrutiny of returns and oversight of tax compliance and Standard Operating Procedures (SOP) containing instructions to departmental offices on various aspects related to filing returns, scrutiny of returns, audit, cancellation of registrations and verification of Tax Research Unit (TRU) reports etc. also formed part of the audit criteria.

2.6 Audit findings- Audit of Departmental field formations

As discussed earlier, Haryana State is divided into 27 DETCs. The DETCs have a broad set of functions to be exercised with respect to oversight functions, which were assessed as a part of this SSCA. Accordingly, relevant records and information were requisitioned from the selected 10 DETCs. The audit findings have been discussed in the following paragraphs.

2.6.1 Action not taken on non-filers of GSTR 3B

Section 46 of the HGST Act, 2017 read with Rule 68 of HGST Rules, 2017 stipulates issue of a notice in Form GSTR-3A requiring filing of return within fifteen days, if the taxpayer had failed to file the return within the due date. In case the taxpayer fails to file the returns even after such notice, the proper officer may proceed to assess the tax liability of the said person to the best of their judgment, taking into account all the relevant material, which is available or gathered and issue an assessment order in Form ASMT-13.

Audit extracted the data related to non/late filers of GST returns from MIS report through boweb.internal.gst.in portal of the State Tax Department for the selected 10 DETCs. Audit observed that 6,064 taxpayers did not file the GSTR-3B for more than seven months or above during the period 2017-18 to 2019-20. However, the Department did not issue notice in GSTR-3A in any of these cases during this period.

This was pointed out by Audit in August 2024. Reply of the Department was awaited (December 2025).

(Appendix-2.2)

2.6.2 Action not taken against cancellation of Registration

Section 29 (2) of the HGST Act, 2017 allows for *suo moto* cancellation of the registration of taxpayer by tax officer on the grounds of contravention of the Acts or Rules by the taxpayer, composition levy scheme taxpayers not filing return for three consecutive tax periods, normal taxpayers not filing return for continuous period of six months, registered persons not commencing business within six months from date of registration and registration obtained by means of fraud, wilful misstatement or suppression of facts.

Section 45 of the HGST Act, 2017 requires every registered person other than (a) Input Service Distributor (ISD) or a non-resident taxable person or (b) Composition taxable person (Section l0) or (c) persons paying tax under Section 51-Tax Collected at Source (TCS) or persons paying tax under Section 52-Tax Deducted at Source (TDS), whose registration has been cancelled, to file a final return in GSTR-10, within three months of the effective date of cancellation or the date of order of cancellation, whichever is later. The purpose of the final return is to ensure that the taxpayer discharges the outstanding liability. In case of non-filing of GSTR-10, the same procedure as adopted for non-filing of any return must be followed by the tax officer.

Section 46 of the HGST Act, 2017 read with Rule 68 of HGST Rules, 2017 stipulates issue of a notice in Form GSTR-3A requiring filing of return within fifteen days, if the taxpayer had failed to file the return within the due date. In case the taxpayer fails to file the returns even after such notice, the proper officer may proceed to assess the tax liability of the said person to the best of their judgment, taking into account all the relevant material which is available or gathered and issue an assessment order in Form ASMT-13.

During the audit relating to functioning of 10 DETCs, it was noticed that total 55,984 *suo-moto* cancellation cases were approved by the Department for the period 2017-18 to 2022-23. After approval of cancellation, the final return in form GSTR-10 was required to be filed but GSTR-10 was not filed by 49,641 taxpayers. These non-filers should have been issued notices in form GSTR-3A but GSTR 3A was not issued in 40,344 cases. The Jurisdictional officers had also not initiated any action regarding best judgment assessment in form ASMT-13 against the non-filers.

This was pointed out by Audit in August 2024. Reply of the Department was awaited (December 2025).

(Appendix-2.3)

2.6.3 Scrutiny of returns

Section 61 of the HGST Act, 2017 read with Rule 99 of HGST rules 2017 on scrutiny of returns provides that:

(1) Where any return furnished by a registered person is selected for scrutiny, the Proper Officer shall scrutinize the same in accordance with the provisions of section 61 with reference to the information available with him, and in case of any discrepancy, he shall issue a notice to the said person in FORM GST ASMT-10, informing him of such discrepancy and seeking his explanation thereto within such time, not exceeding thirty days from the date of service of the notice or such further period as may be permitted by him and also, where possible, quantifying the amount of tax, interest and any other amount payable in relation to such discrepancy.

(2) The registered person may accept the discrepancy mentioned in the notice issued under sub rule (1), and pay the tax, interest and any other amount arising from such discrepancy and inform the same or furnish an explanation for the discrepancy in FORM GST ASMT-11 to the Proper Officer.

(3) Where the explanation furnished by the registered person or the information submitted under sub-rule (2) is found to be acceptable, the Proper Officer shall inform him accordingly in FORM GST ASMT-12.

Rule 47 of the HGST Rules, 2017 provides that "Any registered person who fails to furnish the return required under section 44 by the due date shall be liable to pay a late fee of one hundred rupees for every day during which such failure continues subject to a maximum of an amount calculated at a quarter *per cent* of his turnover in the State or Union territory. Annual returns GSTR 9 and GSTR 9C were mandatory for the taxpayers having turnover above ₹ two crore and ₹ five crore respectively.

Haryana Scrutiny Manual, 2022 provides that while scrutinising the case, interest liability in terms of section 50 has to be levied by the Proper Officer. It also provides levy of late fee in case of late filing of return under section 47.

Ten sample DETCs had scrutinised 2,444 cases for the period 2017-18 out of total 7,881 cases selected for scrutiny. Audit selected sample of 200 scrutiny cases and significant findings noticed are given below:

(a) Short levy of interest

As per section 50 (1) of the HGST 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 by the Government on the recommendations of the Council".

During test check (between January and March 2024) of the records of two DETCs[8] in which returns were scrutinised by the Department revealed that the department levied short interest to the tune of ₹ 3.17 crore in two cases on delayed payment of tax-

(i) In scrutiny of records of DETC Rohtak, Audit observed (April 2024) that taxpayer having GSTIN- 06Axxxxxxxxxx1ZR had made delayed payment of GSTR-1 tax liability amounting to ₹ 16.32 crore of the year 2017-18. The interest of ₹ 3.19 crore for the delay payment of tax liability was to be levied but the Proper Officer levied interest of ₹ 0.08 crore. The interest of ₹ 3.10 crore was short levied.

On being pointed out, DETC Rohtak replied (January 2025) that the assessment order had been revised and interest of ₹ 3.21 crore had now been included.

(ii) In one case of DETC Jhajjar, the taxpayer having GSTN-06Axxxxxxxxxx1ZG had utilised excess ITC of ₹ 1.19 crore and reversed it with delay of 70 to 157 days but interest of ₹ 0.07 crore was not levied by the Proper Officer. Department's reply was awaited (December 2025).

(b) Erroneous issue of ASMT-12

On scrutiny of records of DETC (SGST), Kaithal, it was noticed that annual turnover of a firm having GSTIN 06AAXXXXXX1R1ZX was ₹ 16.59 crore during the year 2017-18. Despite being mandatorily eligible to file the annual return, the assessee did not file annual returns (GSTR 9 and 9C) for the year 2017-18. The case was scrutinised by the proper officer but late fee of ₹ 2.30 lakh i.e. ₹ 200 per day for 1,149 days (from 6 February 2020 to 31 March 2023) was not levied to the said firm due to non-filing of annual returns. The Proper Officer issued ASMT-12 without levy of late fee for non-filing of returns. Department's reply was awaited (December 2025).

2.6.4 Other issues: Human Resources in State GST Department

The implementation of GST in India brought about significant changes in the

[8] Jhajjar and Rohtak.

tax structure and adoption of technology on a large scale and on an integral basis. A fundamental component in ensuring achievement of objectives of the GST is the human resources.

For tax administration, the State is divided into 5 ranges and 27 taxation districts. As per notification under section 3 of the HGST Act, Commissioner of State tax is the Head of the Department. He is assisted by Additional Commissioners of State tax and Joint Commissioners of State tax. At District level, Deputy Commissioners of State tax, Excise & Taxation Officer of the State tax; Assistant Excise & Taxation Officer of the State tax and Taxation Inspectors have been appointed for the purpose of the Act.

Audit had sought (April 2024) the information related to number of officials/offices with designation for deployment in Haryana GST wing for smooth functioning of the GST wing.

Department provided (July 2024) the details of human resources deployed in the GST Department (March 2023). Audit observed that out of sanctioned strength of 1,075 posts, 32 *per cent* posts (344 posts) were vacant in various cadre.

(Appendix-2.4)

Absence of adequate manpower may impact the working efficiency of the Department which is evident from lack of action in cases of cancellation of registrations, non- issue of GSTR 3A notices etc. as discussed in the preceding paragraph.

2.7 Inconsistencies in Goods and Services Tax returns-Centralised (Limited) Audit

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

Out of the 13 prescribed GST returns,[9] the following basic returns that apply to normal taxpayers were considered for the purpose of identifying deviations, inconsistencies and mismatches between GST returns/data:

GSTR-1: *Monthly return to be filed 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.*

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

GSTR-3B: *Monthly summary return of outward supplies and ITC claimed, along with payment of tax by the taxpayer to be filed by all taxpayers except those specified under Section 39 (1) of the HGST Act. This is the return that populates the credit and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger.*

GSTR 6: *Monthly return for ISDs providing the details of their distributed ITC and inward supplies.*

GSTR 8: *Monthly return to be filed by the e-commerce operators who are required to deduct TCS under SGST, introduced in October 2018.*

GSTR-9: *Annual return to be filed by all registered persons other than an ISD, TDS/TCS, Casual Taxable Person, and Non-Resident taxpayer. This document contains the details of all supplies made and received under various tax heads (CGST, HGST 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 crore in a particular financial year. It is basically a reconciliation statement between the annual returns filed in GSTR-9 and the taxpayer's audited annual financial statements.*

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

The pan State data analysis pertaining to state jurisdiction on the 17 identified risk parameters and extent of deviations/inconsistencies observed ***(Appendix 2.5)*** are summarised in ***Table 2.2***.

Table 2.2: Summary of Sample data analysis (Centralised Audit)

Sr. No.	Parameter	Algorithm used	Number of Taxpayers	Number of deviations	Amount (₹ in crore)
		Domain: ITC			
1	ITC Mismatch between GSTR 2A and GSTR 3B	ITC available as per GSTR 2A with all its amendments and the ITC availed in GSTR 3B in Table 4A (5) including 4(D) blocked credits and subsequent years from Table 8C of GSTR 9.	45	73	1,438.87
2	ITC Availed without supplier remitting tax	GSTR 9 particularly pertaining to table 8A of GSTR 9 was compared with the ITC data reflected in GSTR 2A	20	45	413.47
3	ITC Availed on GSTR 3B filed after limitation	ITC availed through Table 4 of GSTR 3Bs filed by the taxpayer beyond the due dates of September, GSTR 3B return of	35	44	179.28

Sr. No.	Parameter	Algorithm used	Number of Taxpayers	Number of deviations	Amount (₹ in crore)
	period	the following year, were identified by examining the data.			
4	Incorrect availment of ISD credit	ISD transferred in GSTR 9 Table 6G or GSTR 3B Table 4(A) (4) was compared with the sum of Table 5A, Table 8A, and Table 9A of GSTR 6 of recipient GSTINs.	25	35	17.14
5	ITC availed under RCM versus payment of tax in GSTR 3B/GSTR 9	RCM payments in GSTR 3B Table 3. I (d) was compared with ITC availed in GSTR 9 Table 6C, 6D and 6F. In cases where GSTR 9 was not available, the check was restricted within GSTR 3B - tax discharged in Table 3.1(d) *vis-a-vis* ITC availed Table 4A (2) and 4A (3)	25	34	266.55
6	Mismatch of ITC availed between Annual returns and Books of accounts	Positive figure in GSTR 9C Table 12F and examination of reasons provided in Table 13 for mismatch	10	16	239.95
7	Reconciliation between ITC availed in Annual returns with expenses in financial statements	Positive figure in GSTR 9C Table 14T and examination of reasons provided in Table 15 for mismatch	10	19	429.89
Domain: Tax Payments					
8	Unsettled liabilities	The greater of tax liability between GSTR 1 (Tables 4 to 11) 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. The amendments and advance adjustments declared in GSTR 1 and 9 were duly considered.	45	97	4,014.98
9	Suppression in taxable value in comparison with E-Way Bill	Where Table 3.1 (a) +(b) tax payable in GSTR 3B was less than the tax liability declared in the e-way bills	35	91	14,971.31
10	Mismatch in tax paid between books of accounts and returns	Negative figure in GSTR 9C Table 9R and examination of reasons provided in Table 10 for mismatch	10	16	103.03
11	Suppression of taxable value identified through TDS/TCS declaration	The cases where the taxable value declared on account of outward taxable supplies (other than zero rated, nil rated and exempted) in GSTR 3B were less than the net amount liable for TCS and TDS credit as per Table 9 of GSTR-2 have been identified.	15	19	333.26
12	Suppression of taxable value	Table 5B figures of GSTR 9C which captures the unbilled revenue at the	10	10	271.35

Sr. No.	Parameter	Algorithm used	Number of Taxpayers	Number of deviations	Amount (₹ in crore)
	identified through mismatch in unbilled revenue declared in Table 5 of GSTR 9C	beginning of the financial year was compared with Table 5H of the previous GSTR 9C returns which captures the unbilled revenue of the end of the year to review the extent of identified mismatch in turnover declared in the Annual Return with the Financial Statements			
13	Mismatch in taxable Turnover declared in GSTR 9C Table 7G	Negative figure in GSTR 9 Table 7G and examination of reasons provided in Table 8 for mismatch	10	20	29,837.09
14	Ineligible composition levy due to incorrect turnover	To identify composition taxpayers whose turnover on pan India basis (Central and State jurisdiction) under all GSTINs of the same PAN have crossed the turnover limit of 1 crore in 2018-19 and 1.5 crore in 2019-20 but continue to avail the benefit of composition levy scheme.	5	7	17.83
15	Composition taxpayer also availing e-commerce facility	E-commerce GSTR 8 became effective from 1 October 2018 when TCS provisions became effective. Prior to October 1, 2023, taxpayers under the GST composition levy scheme were not permitted to supply goods through an e-commerce operator. GSTINs declared in GSTR 8 who are also filing GSTR 4 under composition levy scheme.	5	5	5.89
16	GSTR-3B was not filed but GSTR 1 available	Taxpayers who have not filed GSTR 3B but have filed GSTR I or where GSTR 2A available, indicating taxpayers earning on the business without discharging tax	30	37	108.94
17	Short payment of interest	Interest calculated at the rate of 18 *per cent* on cash portion of tax payment on delayed filing of GSTR-3B *vis-a-vis* interest declared in GSTR 3B	45	119	50.46
	Total		**380**	**687**	**52,699.29**[10]

It may be seen from the table above that the analysis of data provided by GST Department has depicted large number of deviations with extreme money values e.g. Suppression in taxable value in comparison with E-Way Bill (₹14,971.31 crore) and Mismatch in taxable Turnover declared in GSTR 9C Table 7G (₹29,837.09 crore). These unrealistic money value figures indicate that controls to input and validate data in the system are not designed optimally. Hence, the Department needs to rule out issues of data integrity/correctness and take suitable corrective action wherever required, apart from taking action in cases of loss /short collection of revenue.

[10] This includes mismatches in taxable turnover of ₹ 45,103.47 crore.

Significant deviations from each of the audit dimensions are illustrated below:

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

To analyse the veracity of ITC utilization, relevant data were extracted from GSTR 3B and GSTR 2A for the year 2018-19 to 2020-21, and the ITC paid as per suppliers' details were matched with the ITC credit availed by the taxpayer.

Audit observed that in case of a taxpayer under DETC Rewari ITC available as per GSTR 2A for the year 2018-19 was ₹ 0.85 crore whereas the ITC availed in table 4A (5) of GSTR 3B for the year 2020-21 was ₹ 33.57 crore. This resulted in mismatch of ITC availed amounting to ₹ 32.72 crore which was communicated to the Department (October 2023) and the State Government (August 2024). In response, the Department stated (January 2025) that DRC 01 had been issued under section 74 of HGST Act.

(ii) ITC availed without supplier remitting tax

Section 16 (2) (c) of the HGST Act, 2017 provides that no registered person shall be entitled to the credit of any ITC in respect of any supply of goods or services or both to him unless the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilisation of ITC admissible in respect of the said supply.

To analyse the extent of compliance of ITC availment under Section 16 of the HGST Act, an attempt has been made to identify likely cases where the ITC would have been passed on by the taxpayer without the actual remitting the tax. For this purpose, the relevant data from GSTR 9 particularly pertaining to Table 8A of GSTR 9 was compared with the ITC data reflected in GSTR 2A. Table 8A of GSTR 9 auto-populates from Table 3 and 5 of GSTR-2A and capture details of total credit available for inward supplies (other than imports and inward supplies liable to reverse charge but includes services from SEZs). This would be the aggregate of all the ITC that has been declared by the corresponding suppliers. Higher values in GSTR-2A than Table 8A of GSTR-9 reflect that tax was not paid by the supplier in respect of such supplies and therefore, ITC was not available.

Under this dimension, the Department was required to examine the difference in the ITC availed by the recipient who is a taxpayer under DETC Faridabad (West) and the tax paid by the supplier amounting to ₹ 36.07 crore. The difference was noticed by comparing ITC available of ₹ 674.44 crore in Table 8A of GSTR-9 with ITC available of ₹ 710.51 crore in GSTR-2A for the year 2020-21. The difference could be on account of difference in the place of supply or recipient availing ITC on invoices issued after cancellation of registration of the supplier, in which case the recipient is liable to reverse the

ITC. The difference could also be on account of the supplier not filing his monthly return, i.e. GSTR-3B and thereby not discharging the tax liability.

The audit query was communicated to the Department (August 2023) and the State Government (August 2024). In response, the Department stated (January 2025) that DRC-01 had been issued.

(iii) Availing ITC in GSTR 3B filed after the limitation period for availing ITC

Section 16(4) of the HGST Act provides that a registered person shall not be entitled to take ITC in respect of any supply of Goods or Services or both after the due date of furnishing of the returns under section 39 for the month of September following the end of financial year to which such ITC pertains or furnishing of the relevant annual return, whichever is earlier. Accordingly, if any GSTR 3B is furnished after such time, ITC availed therein becomes inadmissible.

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

Audit observed that in case of a taxpayer under DETC Sonipat, ITC amounting to ₹ 29.37 crore was availed for the period of 2018-19 through GSTR 3B filed after the limitation period which was communicated to the Department (October 2023) and the state Government (December 2024). In response, the Department stated (January 2025) that a show cause notice under Section 74 has been issued to the taxpayer.

(iv) Incorrect availing of ITC by recipient on ISD credit

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

In case of taxpayer under DETC Panipat, Audit observed that during 2018-19, the ITC transferred by the ISD in table (5A+8A+9A) of GSTR 6 was ₹ 0.83 crore and ITC availed in GSTR 9 table 6G (net of ITC reversed or ineligible ITC declared in Table 7B of GSTR-9) was ₹ 1.42 crore. This resulted in mismatch in availment of ITC transferred by the ISD amounting to ₹ 0.59 crore which was communicated to the Department (December 2023) and the State Government (August 2024).

In response, the Department stated (January 2025) that the case was taken under for audit under section 65 of the GST Act and DRC 07 had been issued.

However, it was seen that against the deviation of ₹ 59.46 lakh, the Department had issued DRC-07 for ₹ 38.01 lakh only. The reply was silent with respect to remaining ITC mismatch of ₹ 21.45 lakh.

(v) Incorrect availment of ITC under Reverse charge mechanism

Under Reverse Charge Mechanism (RCM), the liability to pay tax is fixed on the recipient of supply of goods or services instead of the supplier or provider in respect of certain categories of goods or services or both under Section 9(3) or Section 9(4) of the HGST Act, 2017 and under sub-section (3) or sub-section (4) of Section 5 of the IGST Act, 2017.

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

Audit observed that in case of a taxpayer under DETC Gurugram (West), the ITC available as per the tax payable under RCM in table 4G of GSTR 9 during 2018-19 was ₹ 20.04 crore whereas the ITC availed in table 6C, 6D and 6F of GSTR 9 was ₹ 41.53 crore resulting in mismatch of ITC availed amounting to ₹ 21.49 crore which was communicated to the Department (October 2023) and the State Government (August 2024). Reply was awaited (December 2025).

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

Table 12 of GSTR 9C reconciles ITC declared in annual return (GSTR9) with ITC availed as per audited Annual financial statement or books of accounts. Column 12F of this table deals with unreconciled ITC.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of HGST Rules 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 Financial Statements.

In case of a taxpayer under DETC Sonipat Audit noticed that there was mismatch between the ITC claimed in annual return as per Table 12E of GSTR-9C, was ₹ 16.94 crore and ITC claimed as per audited financial statements as per Table 12 (D) of GSTR-9C was ₹ 0.15 crore for the period 2019-20. As such, unreconciled ITC of ₹ 16.79 crore was declared in Table 12F of GSTR 9C. This was communicated to the Department (October 2023). In response, the Department stated (January 2025) the DRC01 had been issued.

(vii) Unreconciled ITC in Table 14T of GSTR-9C

Table 14 of GSTR 9C reconciles ITC declared in annual return (GSTR9) with ITC availed on expenses as per audited Annual financial statement or books of accounts. Column 14T of this table deals with unreconciled ITC.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of HGST Rules 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 in DETC Gurugram (East), Audit noticed that for the year 2020-21, the ITC claimed in annual return as per Table 14S of GSTR 9C was ₹ 31.68 crore whereas total amount under eligible ITC as per Table 14R of GSTR 9C was nil. As such, there was unreconciled ITC of ₹ 31.68 crore declared in Table 14T of GSTR 9C, being ITC availed in GST returns in excess of eligible ITC based on expenses reported in financial statements. This was communicated to the Department (September 2023) and the State Government (August 2024). Reply was awaited (December 2025).

(viii) Unsettled tax liability

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

To analyse the unsettled tax liability, relevant data were extracted from GSTR-I and GSTR-9 for the year 2018-19 to 2020-21 and the tax payable in these returns was compared with the tax paid as per GSTR-9. The amendments and advance adjustments declared in GSTR-1 and 9 were also considered for this purpose. Where GSTR 9 was not available, a comparison of tax payable between GSTR 1 and GSTR 3B was resorted to. For the algorithm, tables 4 to 11 of GSTR 1 and tables 4N, 10 and 11 of GSTR 9 were considered. The greater of the tax liability between GSTR 1 and GSTR 9 was compared with the tax paid declared in tables 9 and 14 of GSTR 9.

During audit, it was observed that in case of a taxpayer under DETC Faridabad (South), the tax payable as per GSTR 1 was ₹ 7.29 crore during the year 2018-19. However, as per GSTR 3B, the taxpayer declared nil tax liability. This resulted in mismatch of tax liability amounting to ₹ 7.29 crore which was communicated to the Department (December 2023) and the State Government (August 2024). In response, the Department stated (January 2025) that DRC 01 had been issued against the taxpayer.

(ix) Suppression in taxable value in comparison with E-Way bills

To analyse the extent of short payment of tax, relevant data related to tax liability declared in GSTR 3B for the years 2018-19 to 2020-21 were compared with disclosures made in E-way bill. For the algorithm, the cases where GSTR 3B tax payable {Table 3.1 (a) + (b)} were less than the tax liability declared in the e-way bills were identified.

In case of a taxpayer under DETC Gurugram (East), Audit noticed that tax liability payable in Table 3.1 of GSTR 3B for the year 2018-19 was ₹ 1,431.17 crore whereas tax liability payable as per the e-way bills was ₹ 7,265.24 crore. This resulted in undischarged tax liability amounting to ₹ 5,834.07 crore which was communicated to the Department (October 2023) and the State Government (August 2024). Reply from the Department was awaited (December 2025).

(x) Mismatch in tax paid between books of accounts and Annual Return

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of CGST/HGST Rules 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 tax paid between the Annual Return and the books of account. Table 9 of the GSTR 9C attempts to reconcile the tax paid by segregating the turnover rate-wise and comparing it with the tax discharged as per annual return GSTR 9. The unreconciled amounts could potentially indicate tax levied at incorrect rates, incorrect depiction of taxable turnover as exempt or *vice versa* or incorrect levy of CGST/HGST/IGST.

In case of a taxpayer under the DETC Gurugram (North), Audit noticed that for the year 2020-21, total tax to be paid as per table 9P of GSTR-9C was ₹ 25.45 crore, whereas declared total tax paid in annual return, as per table 9Q of GSTR-9C, was ₹ 8.33 crore. As such, unreconciled payment of tax of ₹ 17.12 crore was declared in Table 9R of GSTR 9C.

This was communicated to the Department (September 2023) and the State Government (August 2024). In response, the Department stated (November 2025) that DRC-01 has been issued and final action was awaited.

(xi) Suppression of taxable value identified through TDS/TCS declaration

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. The cases where the taxable value declared on account of outward taxable supplies (other than zero rated, nil rated and exempted) in GSTR-3B was less than the net amount liable for TCS and TDS credit as per Table -9 of GSTR-2A have been identified. The deviation amount indicated may only be a fraction of non-disclosure, as exact comparison is not possible as the taxpayer may have other supplies which do not necessitate TDS recovery.

During audit it was observed that a taxpayer under DETC Gurugram (East) declared taxable value of ₹ 621.33 crore on account of outward taxable supplies in GSTR 3B during 2019-20 whereas the value on which TDS was recovered (the net amount liable for TCS and TDS credit as per Table-9 of GSTR-2A) was ₹ 718.62 crore resulting in mismatch in taxable turnover of ₹ 97.29 crore. The matter was reported to the Department (September 2023) and the State Government (August 2024). Reply was awaited (December 2025).

(xii) Unreconciled taxable turnover in Table 7G of GSTR 9C

Table 7 of GSTR 9C is the reconciliation of taxable turnover. Column 7G of this table captures the unreconciled taxable turnover between the annual return GSTR 9 and that declared in the financial statement for the year after the requisite adjustments. It could also be on account of data entry error where amounts are abnormally high.

The certified reconciliation statement submitted by the taxpayer as required under rule 80 (3) of CGST/HGST Rules in Form GSTR 9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in taxable turnover reported in the Annual Return *vis-a-vis* the Financial Statements. The unreconciled amount in cases where the turnover in GSTR-9 is less than the financial statement could indicate non-reporting, short-reporting, omission, error in reporting of taxable supplies. It could also be on account of non-reporting of both taxable and exempted supplies.

One audit observation on unreconciled taxable turnover in Table 7G of GSTR-9C, amounting to ₹ 10,660.60 crore during the year 2019-20 in respect of a taxpayer under the DETC Gurugram (South) was communicated to the Department (February 2024) and the State Government (August 2024). However, reply was not received and it could not be ascertained whether this was on account of a data entry error or for any other reason.

(xiii) e-Commerce suppliers availing Composition levy Scheme

As per the Provision of Section 10(2) (d) of the HGST Act 2017, composition levy scheme taxpayers are not allowed to supply any goods or services through e-commerce operators and are required to collect tax at source under Section 52 of the act.

To identify those composition taxpayers who have availed the e-commerce facility, the datasets pertaining to GSTR 8 filed by the e-commerce operators and GSTR 4 filed by the composition taxpayers were compared to check whether the recipient GSTINs mentioned in GSTR 8 have also filed GSTR 4.

Apart from irregularly availing the benefit of composition levy, it was also noticed that the turnover as declared by the e-commerce provider in the GSTR 8 returns pertaining to these taxpayers was more than the turnover declared by the taxpayers in their CMP-08 for composition levy, hence there may be a likelihood of short payment of tax too.

In the case of a taxpayer under the DETC Faridabad (North) for the year 2018-19, Audit observed that sum of composition turnover was shown as ₹ 0.19 crore in CMP-08 whereas sum of gross amount declared in GSTR 8 was ₹ 0.46 crore as per e-Commerce deductee. As such, the turnover as declared by the E-Commerce provider in the GSTR 8 returns pertaining to the taxpayers was more than the turnover declared by the taxpayers in its CMP-08 for composition levy. The matter was reported to the Department (November 2023) and the State Government (August 2024). Reply not received.

(xiv) Cases where GSTR 3B not filed but GSTR 1 available

GSTR 3B return under rule 61(5) of CGST/HGST Rule 2017 is the only instrument through which the tax liability is offset and ITC is availed.

Efforts were made through data analysis to identify those taxpayers who had not filed GSTR 3B but filed GSTR 1 or whose GSTR 2A was available. The very availability of GSTR 1 and 2A and non-filing of GSTR 3B indicates that the taxpayers had undertaken/carried on the business during the period but have not discharged their tax liability. It may also include cases of irregular passing on of ITC.

The datasets pertaining to relevant fields in GSTR 1, 2A and 3B were analysed in case of a taxpayer under the DETC Faridabad (South) and it was observed that the taxpayer had not filed GSTR 3B in 2019-20 whereas the taxpayer had declared taxable supplies in its GSTR1 with tax amount of ₹ 6.96 crore. It indicates that the taxpayers had undertaken/carried on the business during the period but have not discharged their tax liability. The matter was reported to the Department (October 2023) and the State Government (August 2024).

In response, the Department stated (April 2024) that DRC-07 was issued.

(xv) Short Payment of interest

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

The extent of short payment of interest on account of delayed remittance of tax during 2018-19 to 2020-21 was identified through the tax paid details in GSTR 3B and the date of filing of the GSTR 3B. The due date of filing of GSTR 3B for the respective months (including any extension provided) and the actual date of filing of GSTR 3B has been taken into account to work out the interest liability and only the net tax liability (cash component) has been considered to work out the interest payable.

Audit observed that in case of a taxpayer under DETC Gurugram (North), wherein short payment of interest on account of delayed remittance of tax during 2020-21 was ₹ 3.97 crore. The matter was reported to the Department (September 2023) and the State Government (August 2024). Reply was awaited (December 2025).

2.7.1 Non-submission of reply to Centralised (Limited) cases by the department

For Centralised (Limited) audit, Audit selected a sample of 380 taxpayers from amongst the top deviations/ inconsistencies in each of the 17 parameters for the period 2018-19 to 2020-21. Audit issued 687 audit queries amounting to ₹ 52,699.29[11] crore to the respective DETCs (between August 2023 and February 2024). The audit check in these cases was limited to verifying the Department's action on the identified deviations/mismatches. The Department replied to 339 queries issued.

Initial responses for 348 out of 687 inconsistencies were yet to be received which involved an amount of ₹ 35,956.13 crore (including mismatches of turnover) as detailed in ***Table 2.3***.

Table 2.3: Cases where replies not received

(₹ in crore)

Sr. No.	Audit Dimension	Sample/Observation		Department Reply not received		Percentage	
		Number of Observation	Amount of mismatch	Number	Amount	Number (5 to 3)	Amount (6 to 4)
1	2	3	4	5	6	7	8
1	ITC Mismatch (R3B & R2A)	73	1,438.87	46	855.89	63	59
2	ITC Availed without supplier remitting tax	45	413.47	26	200.05	58	48
3	ITC Availed on GSTR 3B filed after limitation period	44	179.28	30	89.17	68	50
4	Excess ISD credit	35	17.14	15	11.37	43	66
5	Short payment of tax on RCM	34	266.55	23	179.02	68	67
6	Unreconciled ITC w.r.t. Financial Statements (Table 12F)	16	239.95	4	27.10	25	11.32

[11] This includes taxable turnover of ₹ 45,103.47 crore.

Sr. No.	Audit Dimension	Sample/Observation		Department Reply not received		Percentage	
		Number of Observation	Amount of mismatch	Number	Amount	Number (5 to 3)	Amount (6 to 4)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
7	Ineligible ITC (Table 14T)	19	429.89	8	45.30	42	10.53
8	Undischarged tax liability (R1 & R9)	97	4,014.98	52	3537.31	53.60	88.10
9	Suppression of taxable value (E-Way Bill)	91	14,971.31	29	10,063.49	31.87	67.21
10	Short payment of tax (Table 9R)	16	103.03	9	48.99	56	48
11	Short payment of tax (TDS/TCS)	19	333.26	11	155.38	57.89	46.62
12	Suppression of taxable value (Unbilled revenue)	10	271.35	8	251.49	80	93
13	Unreconciled taxable turnover (Table 7G)	20	29,837.09	14	20,422.60	70	68
14	Ineligible composition levy due to incorrect turnover	7	17.83	1	2.85	14	16
15	E-commerce benefactors under composition levy	5	5.89	2	1.43	40	24
16	GSTR-3B not filed but GSTR 1 available	37	108.94	17	39.22	46	36
17	Non-payment of interest	119	50.46	53	25.47	45	50
Total		**687**	**52,699.29**	**348**	**35, 956.13**	**52**	**68**

Considering the overall rate of conversion of inconsistencies into compliance deviations significant deviations are brought out in the next paragraph, the Department is required to expedite verification of these cases as a priority. ***(Appendix-2.6)***

Recommendation 1: Audit recommends that the Department may urgently pursue the 348 deviations/inconsistencies pointed out by Audit and analyse the reasons for such deviations to take necessary action to strengthen the system so that such deviations do not repeat.

2.7.2 Results of centralised (Limited) audit

Based on responses received from the Department to the audit queries, the extent to which each of the 17 parameters translated into compliance deviations is summarised in ***Table 2.4***.

Table 2.4: Summary of deficiencies

(₹ in crore)

Name of Dimensions	Reply Received		Cases related to Data Entry Error, ATBQ, Other valid explanation, and interim replies		Compliance Deviations									
					Accepted by Dept. including cases where action initiated						Department reply not acceptable to Audit including those cases where reply was not furnished with appropriate documentary evidence		Total	
					Recovered		ASMT-10/ ADT-1		SCN issued					
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
ITC Mismatch (R3B & R2A)	27	582.98	19	445.6	0	0	0	0	8	137.38	0	0	8	137.38
ITC Availed without supplier remitting tax	19	213.42	12	163.69	0	0	0	0	7	49.73	0	0	7	49.73
ITC Availed on GSTR 3B filed after limitation period	14	90.11	9	35.91	0	0	0	0	5	54.19	0	0	5	54.19
Excess ISD credit	20	5.77	4	1.46	2	0.004	0	0	5	1.55	9	2.76	16	4.31
Short payment of tax on RCM	11	87.53	7	23.49	0	0	0	0	2	46.62	2	17.41	4	64.03
Unreconciled ITC w.r.t. Financial Statements (Table 12F)	12	212.85	11	196.06	0	0	0	0	1	16.79	0	0	1	16.79
Ineligible ITC (Table 14T)	11	384.59	11	384.59	0	0	0	0	0	0	0	0	0	0
Undischarged tax liability (R1 & R9)	45	477.67	31	337.60	0	0	1	1.48	8	42.62	5	95.97	14	140.07
Suppression of taxable value (E-Way Bill)[12]	62	4,907.82	10	-	-	-	--	-	8	--	44	--	52	--
Short payment of tax (Table 9R)	7	54.04	4	21.54	0	0	0	0	3	32.5	0	0	3	32.5
Short payment of tax (TDS/TCS)	8	177.88	1	6.90	0	0	0	0	5	147.95	2	23.02	7	170.97

[12] Under the dimension 62 replies were received which involved mismatch of ₹ 4,907.82 crore. Out of these cases where replies received, SCN was issued in 8 cases amount ₹ 395.66 crore. In 44 cases, involving mismatches of ₹ 2,871.29 crore, Department's reply was not acceptable to Audit. In 10 cases, involving mismatch of ₹ 1,640.87 crore, Department's response is acceptable to Audit due the reasons such as action was taken before audit query, mismatches had valid explanations or the mismatched were on account of data entry errors.

Name of Dimensions	Reply Received		Cases related to Data Entry Error, ATBQ, Other valid explanation, and interim replies		Compliance Deviations									
					Accepted by Dept. including cases where action initiated						Department reply not acceptable to Audit including those cases where reply was not furnished with appropriate documentary evidence		Total	
					Recovered		ASMT-10/ ADT-1		SCN issued					
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Suppression of taxable value (Unbilled revenue)[13]	2	19.86	-	-	-	-	-	-	2	-	-	-	2	-
Unreconciled taxable turnover (Table 7G)[14]	6	9,414.49	-	-	-	-	-	-	3	-	3	-	6	
Ineligible composition levy due to incorrect turnover	6	14.98	6	-	-	-	-	-	-	-	-	-	-	-
E-commerce benefactors under composition levy	3	4.46	0	0	0	0	0	0	2	1.6	1	2.85	3	4.45
GSTR-3B not filed but GSTR 1 available	20	69.72	5	25.66	0	0	1	1.44	13	40.34	1	2.27	15	44.05
Non-payment of interest	66	24.99	13	5.05	15	3.49	3	1.68	29	10.8	6	3.9	53	19.87
Total	**339**	**16,743.16**	**143**	**1,647.55**	**17**	**3.49**	**5**	**4.6**	**101**	**582.07**	**73**	**148.18**	**196**	**738.34**

Audit noticed deviations from the provisions of the HGST Act in 196 cases involving an amount of ₹ 738.34 crore, constituting 57.81 *per cent* of the 339 inconsistencies/mismatches in data, for which the Department provided responses. Relatively higher rates of deviations were noticed in risk parameters such as such as short payment of tax under TDS/TCS, undischarged tax liability and ITC mismatch between GSTR 2A and GSTR 3B.

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[13] Department replied in two cases involving turnover mismatch of ₹ 19.86 crore and intimated issuance of SCN both the cases.

[14] Under the dimension six replies involving mismatch of ₹ 9,414.49 crore were received. Out of these, in three cases SCN were issued involving ₹ 7,874.23 crore and in three cases involving mismatches of ₹ 1,540.26 crore reply was not supported by documentary evidence.

In 143 cases, constituting 42.18 *per cent* of the cases where Department provided replies, the Department's replies were acceptable to Audit. Out of 143 cases, in 38 cases, department had proactively taken action and other valid explanations comprised 91 cases. Data entry errors by taxpayers comprised 10 cases and in four cases, the Department stated that these cases are either being examined or pending under Appeal/NCLT/High court etc. The details are given in ***Appendix-2.7***.

In the remaining 73 cases though the Department did not accept the deviations pointed out by Audit, its contention was not borne out by evidence and was thus not amenable to verification by Audit.

(*Appendix-2.8*)

Considering the Department's response to 339 cases, the factors that caused the data deviations/inconsistencies are as follows:

(a) Deviations from GST law and rules: Out of the 339 deviations where the Department provided replies, as summarised in **Table 2.4** above, the Department had accepted the audit observations and initiated action in 123 cases with tax effect of ₹ 590.16 crore. Out of these cases, the Department has recovered ₹ 3.49 crore in 17 cases, issued SCN/DRC-07[15] for ₹ 582.07 crore in 101 cases, and initiated action by conveying discrepancies to the taxpayer in Form ASMT-10/ DRC 01A in five cases for ₹ 4.6 crore. A few illustrative cases are featured below:

(i) Suppression in taxable value in comparison with E-Way bills

During audit it was observed in case of a taxpayer under DETC Palwal, that e-way bill liability payable in Table 3.1 of GSTR 3B for the year 2020-21 was ₹ 175.17 crore whereas tax liability payable as per the e-way bills was ₹ 256.26 crore. This resulted in undischarged tax liability amounting to ₹ 81.09 crore which was communicated to the Department (September 2023) and the State Government (August 2024). In response DRC-01 was issued to the taxpayer. Further progress was awaited (December 2025).

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

Audit observed that in case of a taxpayer under DETC Sonepat, ITC available as per GSTR 2A for the year 2018-19 was ₹ 7.52 crore whereas the ITC availed in table 4A (5) of GSTR 3B for the year 2018-19 was 30.68 crore. This resulted in mismatch of ITC availed amounting to ₹ 23.16 crore which was communicated to the Department (October 2023) and the State Government (August 2024). In response, the Department stated (December 2023) that DRC-01 has been issued under section 74 of HGST Act. Further progress was awaited (December 2025).

[15] DRC-07 is a summary of order used for the confirmation of demand of GST dues.

(b) Inconsistencies/mismatches rebutted by Audit

Out of the audit sample of 339 cases of mismatch/inconsistencies where Department provided replies, Department's replies were not acceptable to Audit in 73 cases involving mismatches/discrepancies of ₹ 148.18 crore. In these 73 cases, Department did not either provide a valid explanation for the discrepancies or the reply was not supported with sufficient documents.

An illustrative case is given below:

(i) Incorrect availment of ITC under Reverse charge mechanism (RCM)

Audit observed that in case of a taxpayer under DETC Gurugram (West), the ITC available as per the tax payable under RCM in table 4G of GSTR 9 during 2018-19 was ₹ 34.85 crore whereas the ITC availed in table 6C, 6D and 6F of GSTR 9 was ₹ 46.16 crore resulting in mismatch of ITC availed amounting to ₹ 11.31 crore which was communicated to the department (October 2023) and State Government (August 2024). In response, State Government stated (January 2025) that audit query has been dropped. However, Department neither provided the justification for the dropping of the audit enquiry nor provided supporting documents in support of the reply.

2.8 Detailed Audit of GST returns

From an external audit perspective, Audit also focused on a data-driven risk-based approach. Thus, apart from identifying inconsistencies/deviations in GST returns, a Detailed Audit of GST returns was also conducted as a part of this review. A risk-based sample of 70 taxpayers was selected through pan State data analysis for detailed examination. 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 the mismatch/inconsistencies/deviations and red flags. Desk review was carried out in the office of Principal Accountant General (Audit), Haryana. Based on the results of the desk review, Detailed Audit was conducted in field formations of the Excise and Taxation Department, Haryana by requisitioning corresponding granular records of taxpayers such as financial ledgers, invoices of selected months etc. through field formation to identify causative factor of the identified risks and to evaluate compliance by taxpayers.

2.8.1 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 mismatch/deviations in ITC and tax liability mismatches for detailed examination. On the ITC dimension, the mismatches/deviations were identified by comparing GSTR 3B with GSTR

2A and GSTR 9, and the declarations made in Table 12 and 14 of GSTR 9C. On the tax liability dimension, the mismatches/deviations were identified by comparing GSTR 3B with GSTR 1 and GSTR 9.

Audit requisitioned the granular records such as invoices of selected months, financial statements along with notes and schedules, debit/credit notes, list of creditors, supplementary financial ledgers, agreement copies etc. required for examining the causative factor for mismatches of ITC and tax liability of the taxpayers through the DETCs concerned.

In this regard, it is pertinent to state that Rule 80 of HGST Rules, 2017 provides that every registered person, other than those referred to in the second proviso to section 44, an Input Service Distributor, a person paying tax under Section 51 or Section 52, a casual taxable person and a non-resident taxable person, whose aggregate turnover during a financial year exceeds five crore rupees, shall also furnish a self-certified reconciliation statement as specified under Section 44 in FORM GSTR-9C along with the annual return referred in sub Rule (1), on or before the thirty-first day of December following the end of such financial year, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner. Further, the reconciliation statement in GSTR form 9C should be prepared and duly signed by the Auditor and other statements, as applicable including financial statements, profit and loss account and balance sheet etc. must be uploaded with GSTR 9C. However, these records were not properly uploaded with the GSTR 9C.

Inspite of requisitions and follow up, the jurisdictional DETCs didn't produce the requisitioned records in 69 cases out of the sample of 70 cases. Thus, 98.57 *per cent* of the sample could not be audited due to which identified risks relating to mismatch/deviations in ITC availment and undischarged liability amounting to ₹ 7,692.48 crore could not be examined in detail by Audit. The jurisdiction wise non-production of records is summarised in ***Table 2.5***.

Table 2.5: Non-production of records

Jurisdictional formation	Sample	Non-production
	Number of taxpayers	Number of taxpayers
Ambala	2	2
Bhiwani	1	1
Faridabad (East)	1	1
Faridabad (North)	3	3
Faridabad (South)	1	1
Gurugram (East)	23	23
Gurugram (North)	16	16
Gurugram (South)	5	5
Gurugram (West)	2	2

Jurisdictional formation	Sample	Non-production
	Number of taxpayers	Number of taxpayers
Hisar	3	2[16]
Jhajjar	1	1
Karnal	2	2
Kurukshetra	1	1
Panchkula	1	1
Panipat	2	2
Rewari	3	3
Rohtak	1	1
Sonepat	2	2
Total	**70**	**69**

*** Records related to one case in Hisar were produced.**

The case-wise detail of non-production of records are given in (***Appendix-2.9***).

Recommendation 2: Non-production of records in 99 per cent of the sampled cases constitutes significant scope limitation, as a result Audit could not derive the assurance on the correctness of the ITC availed and tax payments in these cases. Government may ascertain the reasons for the non-production of records to Audit and ensure timely and complete production of records and information to Audit.

2.8.2 Returns

The detailed audit of returns filed by a sample of 70 taxpayers disclosed that interest payment was not discharged by 19 taxpayer which is brought out below:

Non-payment of interest by taxpayer

As per section 50 (1) of the HGST 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 by the Government on the recommendations of the Council".

Audit observed that in 169 instances of 19 taxpayers[17], taxpayers had filed monthly return GSTR-3B with a delay of one to 293 days and had not discharged the interest liability amounting to ₹ 164.34 lakh.

On being pointed out by Audit (December 2023), Department accepted the audit observation in respect of 69 instances of five taxpayers[18] with interest

[16] In one case of Hisar records were produced.

[17] DETC cases Bhiwani 1, Faridabad (S) 1, Gurugram(E) 6, Gurugram (N) 4, Gurugram (S) 3, Hisar 1, Jhajjar 1, Rewari 2.

[18] Hisar 1, Gurugram (S) 1, Gurugram (E) 1, Jhajjar 1, Rewari 1.

liability of ₹ 34.87 lakh and reported recovery of ₹ 14.68 lakh.

In respect of one taxpayer of Gurugram (South), the Department stated that proceedings under HGST Act have been initiated. However, neither the Department provided any supporting evidence in support of the reply nor the same could be verified by Audit from the back-end application of the Department, i.e. BOWEB Portal.

Reply of the Department in respect of 13 taxpayers with 98 instances of delayed filing of GSTR-3B, was awaited (December 2025).

(*Appendix-2.10*)

2.8.3 Utilisation of ITC

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

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

The details of cases where Audit noticed mismatch in utilization of ITC during examination of returns available on the backend application of the Department are given in ***Table 2.6***.

Table2.6: Mismatch in utilisation of ITC

(Amount in ₹ crore)

Sr. No.	Parameter	Inconsistency/mismatches noticed		Department's response when the mismatches/deviations were intimated to the Department for production of records.	
		Cases	Amount of mismatch	Department's response	Amount
1	The ITC available as per GSTR-2A with all its amendments was compared with ITC availed in GSTR 3B and GSTR 9. ITC availed in GSTR 3B and GSTR 9 (whichever is higher) was ₹ 63,137.88 crore and ITC available in GSTR 2A ₹ 60,348.00 crore (***Appendix-2.11***)	106	2,789.88	The department in 21 cases gave reasons for the mismatches/deviations. However, the fact remains that the requisitioned records were not produced and therefore, Audit could not examine these cases to verify the reasons for the discrepancies.	256.31
				SCN was issued in one case.	78.07
				In 84 cases, Department neither produced records nor provided reply with respect to the mismatch/deviations.	2,455.50
2	The tax liability under RCM in GSTR 9 was compared with tax payable as per	32	32.74	The department in 10 cases gave reasons for the mismatches/deviations. However, the requisitioned	4.65

Sr. No.	Parameter	Inconsistency/mismatches noticed		Department's response when the mismatches/deviations were intimated to the Department for production of records.	
		Cases	**Amount of mismatch**	**Department's response**	**Amount**
	GSTR 3B (***Appendix-2.12***)			records were not produced and therefore, Audit could not examine these cases to verify the reasons for the discrepancies.	
				In 22 cases, Department neither produced records nor provided reply with respect to the mismatch/deviations.	28.09
3	The difference was due to ITC available in GSTR 9 Table 8A with all its amendments and ITC availed in Table 8B + Table 8C was compared. (***Appendix-2.13***)	113	3,296.46	The department in 24 cases gave reasons for the mismatches/deviations. However, the requisitioned records were not produced and therefore, Audit could not examine these cases to verify the reasons for the discrepancies.	313.99
				SCN were issued in two case.	5.43
				In 87 cases, Department neither produced records nor provided reply with respect to the mismatch/deviations.	2,977.04
4	The difference between ITC availed in 3B as shown in Table 6A of GSTR-9 and ITC availed in Table 6I of GSTR 9 was compared. (***Appendix-2.14***)	52	375.27	The department in 12 cases gave reasons for the mismatches/deviations. However, the requisitioned records were not produced and therefore, Audit could not examine these cases to verify the reasons for the discrepancies.	2.32
				In 40 cases, Department neither produced records nor provided reply with respect to the mismatch/deviations.	372.95
5	The difference was due to ITC available in GSTR2A with all its amendments and the ITC available in GSTR9 (8A) was compared. (***Appendix-2.15***)	164	852.78	The department in 25 cases gave reasons for the mismatches/deviations. However, the requisitioned records were not produced and therefore, Audit could not examine these cases to verify the reasons for the discrepancies.	60.71
				In five cases, the Department replied that cases are under process.	41.41
				In 134 cases, Department neither produced records nor provided reply with respect to the mismatch/deviations.	750.66
Total		**467[19]**	**7,347.13**		**7,347.13**

Audit requisitioned additional records such as ITC register, Purchase Invoice, ITC reversal working sheet etc. from the Department to ascertain the reasons

[19] These cases pertain to 69 taxpayers for the period 2018-19 to 2020-21.

for the mismatches in respect of these 467 cases. The Department had not produced the records in these cases but gave reasons with mismatches of ₹ 637.98 crore in 92 cases and intimated that SCNs had been issued of ₹ 83.50 crore in three cases. However, the fact remains that the Department did not produce requisitioned records to the Audit and therefore, Audit could neither derive assurance regarding correctness of ITC availed in these cases nor examine the veracity of the Department's replies. In five cases of ₹ 41.41 crore, Department informed that the cases were under examination. Further, in 367 cases with mismatches of ₹ 6,584.24 crore, Department neither provided reply nor provided requisitioned records (August 2025).

2.8.4 Discharge of tax liability

The taxable event in case of GST is the supply of goods and/or services. Section 9 of the HGST Act is the charging section authorizing levy and collection of tax called SGST on all intra-State supplies of goods or services or both, except on supply of alcoholic liquor for human consumption, on value determined under section 15 of the HGST Act ibid and at such rates not exceeding 20 *per cent* under each Act, i.e., CGST Act and HGST Act. Section 5 of the IGST Act vests levy and collection of IGST on inter-state supply of goods and services with Central Government with maximum rate of 40 *per cent*.

During the examination of GST returns for the years 2018-19 to 2020-21, available on the backend application of the Department, Audit noticed 87 instances of mismatches of tax liability between the GSTR-1 and GSTR-3B involving money value of ₹ 356.76 crore. Audit requested the Department to produce additional granular records such as sale invoice, statement of advances, Trial Balance etc. to examine the reasons for the differences. The Department had not produced the records in these cases but gave reasons with mismatches of ₹ 8.42 crore in 18 cases and intimated that SCNs had been issued of ₹ 0.42 crore in one case. However, the fact remains that the Department did not produce requisitioned records to the Audit and therefore, Audit could neither derive assurance regarding correctness of tax liability and ITC availed in these cases nor examine the veracity of the Department's replies. Further, in 68 cases with mismatches of ₹ 347.92 crore, Department neither provided reply nor provided requisitioned records (August 2025).

(*Appendix-2.16*)

2.9 Conclusion

This Subject Specific Compliance Audit (SSCA) was taken up as a continuation of the SSCA conducted during the year 2022-23 (Phase I), to assess the compliance verification functions of the department and the extent of compliance by registered taxpayers.

The 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 the year 2018-19 to 2020-21. 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 Department's field formations for evaluating the compliance functions of the Department's field formations. The audit sample, therefore, comprised 10 DETCs, 687 high value mismatches/inconsistencies across 17 parameters selected through data analysis and 70 taxpayers selected on the basis of risk assessment for detailed audit of GST returns.

The analysis of data provided by GST Department has depicted large number of deviations with extreme money values e.g. Suppression in taxable value in comparison with E-Way Bill (₹14,971.31 crore) and Mismatch in taxable Turnover declared in GSTR 9C Table 7G (₹29,837.09 crore). These unrealistic money value figures indicate that controls to input and validate data in the system are not designed optimally. Hence, the Department needs to rule out issues of data integrity/correctness and take suitable corrective action wherever required, apart from taking action in cases of loss /short collection of revenue.

A review of the 10 DETCs disclosed inadequate oversight on returns filing as the instances of non-issuance of notices in GSTR-3A for non-filing of GSTR-3B; non-initiation of action regarding best judgment assessment in form ASMT-13 with respect to cancellation of registrations were observed. Audit also observed the instances of short levy of interest and issuance of erroneous ASMT-12 by the Department while conducting scrutiny of returns.

Further, with respect to centralised audit, out of 687 cases of high value data inconsistencies identified by Audit, the department responded to only 339 cases. Thus, initial responses for 348 out of 687 inconsistencies were yet to be received which involved an amount of ₹ 35,956.13 crore (including mismatches of turnover). Out of 339 cases where Department provided replies, Audit noticed deviations from the provisions of the HGST Act in 196 cases involving an amount of ₹ 738.34 crore, constituting 57.81 *per cent* of the 339 inconsistencies/ mismatches in data for which the Department provided responses. Relatively higher rates of deviations were noticed in risk parameters such as such as short payment of tax under TDS/TCS, undischarged tax liability and ITC mismatch between GSTR 2A and GSTR 3B.

In Detailed Audit of GST returns, Audit identified the risks related to mismatch/deviations in ITC and tax liability mismatches for detailed examination. Audit requisitioned the granular records such as invoices of selected months, financial statements along with notes and schedules, debit/credit notes, list of creditors, supplementary financial ledgers, agreement copies etc. required for examining the causative factor for mismatches of ITC and tax liability of the taxpayers through the DETCs concerned. In spite of requisitions and follow up, the jurisdictional DETCs didn't produce the requisitioned records in 69 cases out of the sample of 70 cases. Thus, 98.57 *per cent* of the sample could not be audited due to which identified risks relating to mismatch/deviations in ITC availment and undischarged liability amounting to ₹ 7,692.48 crore could not be examined in detail by Audit.

Accordingly, Audit recommends that the Department may urgently pursue the 348 deviations/inconsistencies pointed out by Audit and analyse the reasons for such deviations to take necessary action to strengthen the system so that such deviations do not repeat.

Chandigarh **(ASHUTOSH SHARMA)**
Date: 10 July 2026 **Principal Accountant General (Audit), Haryana**

Countersigned

New Delhi **(K. SANJAY MURTHY)**
Date: 24 July 2026 **Comptroller and Auditor General of India**