

भारत के नियंत्रक एवं महालेखापरीक्षक का कार्यालय

10, बहादुरशाह ज़फर मार्ग,

नई दिल्ली-110 124

OFFICE OF THE COMPTROLLER &
AUDITOR GENERAL OF INDIA
10, BAHADURSHAH ZAFAR MARG
NEW DELHI - 110 124दिनांक : DATE 3 September 2019

To

1. The Director General of Audit (Central Receipts), New Delhi
2. The Director General of Audit (Central), Chandigarh
3. The Director General of Audit (Central), Kolkata
4. The Director General of Audit (Central), Mumbai
5. The Director General of Audit (Central), Chennai
6. The Principal Director of Audit (Central), Ahmedabad
7. The Principal Director of Audit (Central), Hyderabad
8. The Principal Director of Audit (Central), Lucknow
9. The Principal Director of Audit (Central), Bengaluru

Sub.: - GST issues to be examined in Audit.

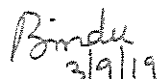
Madam/Sir,

Please find attached issues to be examined in GST Audit which were identified based on the GST Audit Report No.11 of 2019 for information and further necessary action.

Besides the issues included in the Audit Report, the important issues discussed during the GST Co-ordination Committee meeting held on 31 July 2019 at Jaipur are also mentioned in the attached documents for dissemination among the field audit parties.

This issues with the approval of DAI (CRA).

Yours faithfully,


(M. HIMABINDU)

Principal Director (Goods and Services Tax-I)

GST issues to be examined in Audit

1. Issues under Composition Levy Scheme (CLS):
 - 1.1. Taxpayers registered under CLS as well as Normal taxpayer category for different business verticals, in violation of section 10.
 - 1.2. PAN holders registering under CLS even in case their aggregate turnover from all registrations on all India basis exceeded the threshold of turnover prescribed for CLS.
 - 1.3. PAN holders under CLS not forced to move to Normal taxpayer category as soon as they crossed the prescribed turnover.
 - 1.4. Taxpayers belonging to the following ineligible categories availing CLS
 - Inter-state suppliers,
 - Ecommerce operators,
 - SEZ developers / units,
 - providers of works contract services,
 - manufacturers of Ice-cream and other edible ice – Tariff Heading 21050000, Pan Masala – Tariff Heading 21069020, Tobacco and manufactured tobacco substitutes – Chapter 24.
2. Allocation of assessee:
 - 2.1. Non-allocation of taxpayers to the Centre/State jurisdiction, if any, to be analysed with reasons for such non-allocation and how tax administration functions are being carried out or tax payer grievances redressed in such cases.
 - 2.2. Incorrect jurisdiction mapping : Mapping of tax payers to wrong jurisdictions (Wrong Range or Circle). Considering that most of registration approval happened through deemed approval mode, incorrect jurisdiction mapping may be impacting tax administration in terms of incorrect reporting, lack of monitoring by the jurisdictional tax officer and pendency of grievance redressal.
3. Approval of Registrations:
 - 3.1. It is essential to check if any cases of registrations were deemed approved even before the registration application was made available to the jurisdictional tax officer. This can happen due to non-mapping or non-allocation of tax payer or any technical issues. Impact of such approvals (for instance ineligible persons registered under composition levy remaining undetected and such tax payers availing benefits of composition levy) to be pointed out, along with reasons. Focus to be on systemic issues rather than individual failures.
4. Mandatory information not being filled up at the time of registration, for example:
 - 4.1. PAN and Notification number for registration of Other Notified Persons (ONP) under UIN category.
 - 4.2. TIN number and vital documents like scanned copies of passport with visa details, certificate of incorporation of the company, license issued by the country of origin

and clearance certificate issued by the GoI in case of registration under Online Information Database Access and Retrieval Services (OIDAR), PAN and address of authorised representatives of OIDAR applicants.

- 4.3. Tax Deductor at Source (TDS) registrations under Category (iv) of Section 51 of CGST Act without specific notification issued in respect of that category.
- 4.4. Information regarding 'jurisdictional approving authority' in case of registrants under Tax Collected at Source (TCS) category.
5. Discrepancies in taxpayer details (Legal Name, Type of Business and CIN) available under GST when compared with CBDT and MCA Databases. This can be verified by cross linking with data available in field offices or by checking from MCA database.
6. Non Resident Taxable Person (N RTP)/Casual taxpayer not filing for registration five days prior to date of commencement of business duly paying advance tax, as required under Section 25 of CGST Act read with Rule 13(i) of CGST Rules. Initially no alert was being sent out by the GST portal to tax payer in such cases and that was built in after being pointed out. Action taken by jurisdictional tax officers in such cases to be examined.
7. Delay in updating of ECL of tax payers, in spite of money being already deducted from their bank accounts.
8. On the issue of division of taxpayers, the service tax data was used to cross check GST turnover and it was observed that taxpayers with turnover more than Rs.1.50 crore were included in the list of taxpayers having turnover less than Rs.1.50 crore probably due to considering only VAT turnover and non-inclusion of service tax turnover. All FOs can focus on high risk sectors in their jurisdiction to compare Pre-GST turnover with category in which taxpayer figures, post GST roll out. A joint exercise by Central and State GST audit offices is required for this. Following is the indicative list of data sets that can be used: -

For pre-GST turnover

- VAT data
- CX/ST turnover of assesses available with PD (Central) offices used for audit planning and assessee selection.
- Sectoral data collected earlier for PAs/TBAs like commercial coaching centres, entertainment sector, works contract services (Pan India data being shared with CEDAR)

For GST turnover

- Assessee allocation details/data used by State Co-ordination Committees which decided distribution of assessees
- Localised GST data sets available with various officers

9. Transitional credits

- 9.1. Omission in detection of wrong carry forward of credit despite issue being red flagged by IT application of pre-GST tax period. Such instances noticed by CRA wing based on details available in Automation of Central Excise and Service Tax (ACES) have been illustrated below:

- Scrutiny of the Tran-1 of a taxpayer revealed that the taxpayer had claimed credit of ₹ 2.33 crore. Audit noticed that in the Service Tax (ST-3) return of the taxpayer for the period April to June 2017, the opening balance of Cenvat credit of Service Tax was ₹ 1.38 crore. This was pointed out as 'an error' in the return by ACES as the taxpayer had 'Nil' closing balance in the previous return (i.e. for the period October 2016 to March 2017). Thus, the transitional credit to the tune of ₹ 1.38 crore was inadmissible.
- Cases were noticed where tax payers claimed ITC of service tax in its Tran-1 form without filing the last service tax return – ST-3 (for the period up to June 2017), as seen from ACES.

9.2. Double availing of same credit under two registration numbers by the same taxpayer

- It was noticed that a taxpayer having two registration numbers, had filed Tran-1 for both GST registrations and claimed transitional credit of ₹ 25.51 crore and ₹ 4.27 crore. The same were reflected as ITC in the respective credit ledgers on 13 December 2017. The taxpayer had again filed revised Tran-1 in the month of December 2017 and claimed transitional credit of ₹ 4.27 crore under the other registration number and the same was reflected in the ECL on 27 December 2017.

9.3. Credit involving multiple units

The transition credit claimed by one unit say 'X' was more than the closing balance of eligible credit as available in the last Central Excise return (ending June 2017) of X. It was noticed that credit relating to two other units say 'Y' and 'Z' was also claimed in Tran-1 of X. This was irregular as Y and Z were neither registered as principal place of business nor additional place of business of X under GST.

It was replied that the assessee tried to add the above two units as additional place of businesses before filing TRAN-1, but GSTN portal was not allowing to add additional places of business and a Show Cause Notice was however issued to the taxpayer.

The argument put forth by the Ministry appeared flawed on account of the following reasons :-

- The functionality to apply for amendment to Registration was made available on the GST portal in September 2017.
- Instead of issuing SCN for recovery of the amount, Ministry should have instructed the field formation to facilitate taxpayer to correct the registration details and thereby regularise the TRAN-1 which appeared as an irregular availment due to the initial technical glitches.

It was recommended that the Ministry should verify all similar cases where difficulty was faced by the taxpayer due to technical glitch on the GST portal and ensure corrective action.

9.4. Incorrect availing of Cenvat credit on Capital goods

We noticed that a taxpayer had carried forward Cenvat credit on capital goods or parts of capital goods, as transitional credit which was not in order.

9.5. During audit of transitional credit, it was noticed that registration number of pre-GST Taxes were not being displayed in Tran-1 in the State GST system. Such cases to be shared with Central GST offices for verifying whether same problem existed in case of Central Excise/Service Tax Registration number also. All offices can check this to see if this is a systemic issue.

10. Refunds:

10.1. Grant of provisional refund in cases other than refund on account of zero rated supply of goods and or services

10.2. Excess allowance of refund in violation of Rule 89 (5) of the CGST, Rules 2017

10.3. A taxpayer claimed refund on account of inverted duty structure for the month of March 2018 and the same was allowed as claimed. Scrutiny of the documents available on record revealed that the Net ITC considered for computation of the maximum amount of refund also included credit availed on input services which is not admissible as per the formulae.

11. Issues relevant for certification: Non-reconciliation with accounting authorities and bookings under suspense head.

12. It was observed that refunds were made by State Tax department without having details of export general manifest (EGM) was discussed. In such cases EGM details should be verified from Customs department with the help of PD Central offices.

13. Others

- GST data access related issue must be pursued regularly with department
 - Utilisation of MIS report of tax department to be used for Audit Planning and risk analysis. CBIC Commissionerate level MIS reports shared with PDA (Central) offices by CEDAR
 - Formation of Joint audit party of Central and State GST audit offices can be explored
 - The audit checks like those for instance, listed at Sl. No. 8, 9.5 and 12 indicate the need for close co-ordination and exchange of information between Central and State GST Audit offices
-