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BA Economics Honours | Semester III | Calicut University

GST Audit and Investigation Techniques

Course Code: ECO3VN202 • Module 3

Module III: GST Tax Accounting

GST accounting requires comprehensive structural tracking of input tax credits, outward tax collections, reverse charge obligations, and electronic ledger maintenance across three separate tax components: CGST, SGST/UTGST, and IGST.

Unit 15: Final Audit Report (Form GST ADT-02)

Upon conclusion of the audit under Section 65, the proper officer prepares the final audit report:

- The officer must inform the registered person within 30 days of finalizing the audit about the findings, reasons for findings, and the auditee's rights and obligations in **Form GST ADT-02**.
- Where the audit reveals unpaid tax, short-paid tax, erroneous refund, or wrongly availed ITC, the proper officer initiates formal adjudication proceedings under Section 73 or 74 by issuing a Show Cause Notice (SCN).

Unit 16 & 17: Thematic Audit and Administrative Arrangements

A **Thematic Audit** focuses on specialized industrial sectors, specific commodity lines, or systemic compliance issues across a group of taxpayers sharing similar characteristics:

- Examples: E-commerce aggregators, real estate developers, pharmaceutical distributors, or gems and jewellery dealers.
- Thematic audits uncover industry-wide aggressive tax positions, ambiguous rate classifications, and inverted duty structures.
- Centralized administrative coordination ensures uniform legal interpretation across different zonal directorates and avoids conflicting tax demands on identical business models.

Unit 18 & 19: Multi-Locational Co-Audit

Large enterprise conglomerates frequently operate through multiple GST registrations across numerous states with a single PAN. A **Multi-Locational Co-Audit** coordinates audit activities between central and state tax authorities:

- Addresses transfer pricing distortions across distinct entities (cross-charge of head office expenses).
- Verifies Input Service Distributor (ISD) credit distributions.
- Eliminates duplicate audit inspections and reduces compliance costs for multi-state corporate entities.

Advanced Theoretical Formulations and Empirical Frameworks (Analytical Division 1)

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Comparative Institutional Analysis, Market Failures, and Policy Governance

Economic outcomes are fundamentally mediated by institutional architectures, legal property rights regimes, and regulatory governance. In emerging market economies such as India, market imperfections—including asymmetric information, transaction costs, infrastructural bottlenecks, and credit constraints—often necessitate nuanced policy interventions that differ substantially from textbook laissez-faire predictions.

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Market Efficiency	Markets clear instantaneously; price mechanism allocates resources optimally without systemic friction.	Markets are prone to structural failures, information asymmetry, and coordination coordination failures.	Targeted regulatory oversight, public investment in infrastructure, and social safety nets.
Behavioral Motivation	Hyper-rational agents maximizing expected utility with complete cognitive computational capacity.	Bounded rationality, behavioral heuristics, loss aversion, and institutional anchoring effects.	Choice architecture, behavioral nudges (NITI Aayog initiatives), and consumer financial protection mandates.
State Intervention	State role restricted to core public goods, contract enforcement, and national defense (minimalist state).	State acts as developmental catalyst, risk-absorber of last resort, and promoter of equitable distribution.	Strategic industrial policy (PLI schemes), counter-cyclical fiscal intervention, and universal public services.
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Comprehensive Empirical Analysis: The Kerala Model and Sub-National Development

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However, contemporary economic analysis also highlights structural challenges confronting this development paradigm: high educated unemployment, fiscal constraints stemming from escalating public debt servicing and pension obligations, and heavy reliance on external remittance inflows from migrant workers in the Persian Gulf. Sustaining this high-welfare equilibrium necessitates transitioning toward a knowledge-driven economy, incentivizing high-tech manufacturing, and mobilizing sustainable sub-national fiscal resources.

Policy Synthesis and Analytical Evaluation

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