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Office of the Commissioner of State Tax  
State Goods and Services Tax Department  
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Ph: 0471-2785276, Dated: 08-04-2025

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File No. SGST/771/2023-C12

From

The Commissioner of State Tax

To

All Joint Commissioners  
(Audit/ Intelligence & Enforcement/Taxpayer Services)

Sir,

Sub: SGSTD- Revised and consolidated guidelines issued by  
Government specific to the State GST Department in dealing  
with the Audit objections raised by the Accountant General  
-intimated and instructions issued-reg:

Ref: Circular No. 13/2025-Fin dated 22/02/2025 issued by Finance  
(PAC-A) Department, Government of Kerala.

Please see the Circular referred to above, a copy of which is enclosed herewith. The government of Kerala, vide the Circular referred to above, issued revised guidelines specific to the State GST Department with regard to the handling of audit objections raised by the Office of the Accountant General at various stages. The above circular shall be communicated to all officers immediately.

It is instructed that, while dealing with audit objections, if any officer at any level feels that the conditions specified in Para 7.1.1 of the Circular are to be invoked , then the same may be informed to the C & AG Cell of the Commissionerate through proper channel and would decide on the matter considering the manpower and resources . The C & AG Cell will then take up the matter with the Economic Intelligence Division at the

Commissionerate to decide on how to manage such audit objections involving large number of taxpayers. Thereafter, the Commissioner of State Tax would take appropriate decision, laying out the options emanating from the discussion with the Economic Intelligence Division.

Yours faithfully,

Encl: As above

ABRAHAM RENN S IRS  
SPECIAL COMMISSIONER  
**For COMMISSIONER**



**GOVERNMENT OF KERALA**  
**Finance (PAC-A) Department**

Thiruvananthapuram

Dated: 22/02/2025

No:13/2025-Fin

**CIRCULAR**

**Sub:-** Finance (PAC-A) Department -Revised and consolidated guidelines specific to the State GST Department in dealing with the Audit objections raised by the Accountant General-issued

**Ref:-** i)Hand Book of Instructions for the speedy settlement of Audit Objections- edition 2017

ii)Lr.no.SGST/771/2023-C12 dated 27.01.2024 from the Commissioner of State Tax Department

iii) UO file no. TAXES-C2/10/2024-TAXES

The Hand Book of Instructions for the speedy settlement of Audit Objections- edition 2017, issued vide ref(i) cited by Finance (PAC-A) Department, Govt. of Kerala is being considered as the guiding material for proper monitoring and furnishing of Action Taken Statements/replies to the recommendations of various committees and reports/ objections from Accountant General. Accordingly the procedures/remarks and the time allotted for furnishing final reply for Audit objections, Inspection Report, Draft Paras, Audit Paras and PAC recommendations mentioned in the Hand Book are being followed by all the departments including SGST.

Hand Book of instructions has been issued, to make speedy settlement of Audit objections/ Inspection reports, timely disposal of draft audit paragraphs and the procedures to be followed in dealing with audit objections raised by the Office of the Accountant General.

Now that the State GST Department vide ref (ii) has requested to review the past practices and formulate a revised and consolidated guidelines similar to that issued by the Central Board of Indirect Taxes and Customs (CBIC) which administers the Central GST Act which is concurrently operating with the Kerala State GST Act, so as to have uniformity in dealing with audit objections, especially those related to revenue receipts.

Considering the need of the situation the following revised guidelines are made specific to the State GST Department with regard to the handling of audit objections raised by the Office of the Accountant General at different stages.

(1) Audit Enquiry (AE): In the matter of an audit enquiry [AE], the field level officers shall discuss it with the senior auditors of the Accountant General, who are conducting the audit then and there. This will help to clear as many objections as possible on the spot and reduce the number of paras in the Local Audit Report (LAR). The Head of the Office may simultaneously, without waiting for the receipt of the Inspection Report, initiate action to rectify the irregularities, defects, omissions, etc. that come to light in the course of the audit. A reply to the audit inquiry may be given immediately and, in any case, before the end of the audit. If an audit inquiry, objection slip, letter, or audit note is received via mail, it has to be replied to within a fortnight of its receipt.

(2) Local Audit Report (LAR): The head of office of the auditee office has to furnish the report on all the paras to the Accountant General through the Controlling Officer. A reply to the audit enquiry may be given within the time specified by the AG in the inspection report or within four weeks, whichever is earlier.

(3) Draft Note: The head of office of the auditee office has to incorporate all the paras in the action taken report and report it through the controlling office for onward transmission to the C & AG cell at department headquarters. In cases where audit objections are contested, detailed reasons for contesting the audit objection have to be recorded in the file, quoting relevant case laws, and circulars, if any. The reply to the draft note is to be furnished by the Commissioner of State Tax to the Government within six weeks of its receipt.

(4). Draft Audit Para (DAP): As the Secretary to Government has to furnish the report within stipulated time, a reply to Draft Para from the department is to be furnished by the Commissioner of State Tax to the Government within four weeks of its receipt.

(5) Audit Paragraph: The Administrative Department (Taxes Department in Government) shall prepare 40 copies of the Action Taken Statement duly signed by an officer of and above the rank of Joint Secretary and the same shall be forwarded directly to the Legislature Secretariat with 5 copies to AG and 3 copies to Finance Department. As per Circular No. 27/1997/Fin. dated 03.04.1997, of the Finance (PAC) Department, prior vetting by AG is not required. The time limit for submitting an action taken statement may be fixed at two months from the publication or presentation of the report in the Legislature.

(6) Coordination Meetings: One of the reasons for the pendency in the disposal of AG's objections is the lack of a mechanism for periodic reconciliation of the status of audit objections. A quarterly coordination meeting may be held by the officers of the State Goods and Services Tax Department, Kerala, with the officers of the AG to ensure that the list of audit objections, replies given by the Department, and final view taken by the AG can be discussed. Additional

Commissioner, Taxpayer Services shall be the nodal officer to coordinate and attend such meetings.

(7) Issuance of Show Cause Notices in cases of audit objections:

(7.1). Audit objection at LAR and Draft Note Stage: Based on the reply send by the Department, they can be divided into the following categories.

a. Where the Department has agreed with the audit objection on merits

b. Where the Department has not agreed with the audit objection on merits

(7.1.1) Where the department has agreed with the audit objection on merits: In such cases where the department has agreed to the merits of the audit objections, action under appropriate section shall be initiated immediately. In case, the number of assesseees to be dealt with in an objection raised by AG is a large number in the opinion of the Commissioner, the Commissioner may decide the number of assesseees to be attended to. The number of assesseees who may be covered shall be decided by the Commissioner based on available manpower and resources, in order to optimize revenue collection.

(7.1.2). Where the Department has not agreed with the audit objection on merits: No show cause notice is to be issued in cases where the Department has not agreed with the audit objection on merits.

(7.2). Show Cause Notice at the direction of the Commissioner of State Tax: Where a contested audit objection has become a Draft Audit Para and on examination it is found by the Commissioner of State Tax that the objection has to be admitted, necessary directions may be given to the concerned field officers to issue a Show Cause Notice and to adjudicate the case on merits.

(8) Adjudication of Show Cause Notices (SCNs)

(8.1) Disposal of SCNs: After adjudication of SCNs, the outcome of the adjudication may be communicated to the AG after the review of the adjudication order.

(8.2) Where an issue was under audit objection and has been either judicially settled, by say, a judgement of court, or where a circular of the Department has been issued on the subject, further correspondence with the Headquarters on the audit objections, even if they have become DAPs, is not necessary, and such cases may be adjudicated, taking into consideration the latest judgements and circulars. Audit objection cases where SCNs were already issued may also be adjudicated following the procedures prescribed under Para 8.

(9) All audit objections after the issue of these instructions or past audit objections where no show cause notices have been issued may be dealt with as per these instruction

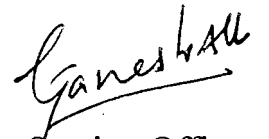
The above revised instructions issued specific to the State GST Department shall be incorporated in the Hand Book of Instructions for the speedy settlement of Audit Objections.

**DR A JAYATHILAK IAS**  
**ADDITIONAL CHIEF SECRETARY(FINANCE)**

To:

- i) The Principal Accountant General (Audit I)
- ii) The Principal Accountant General (Audit II)
- iii) The Accountant General (A&E)
- iv) The Secretary, Legislature Kerala
- v) Taxes (C ) Department
- ✓vi) The Commissioner, State GST Department
- vii) Office Copy/ Stock File (Exp-B1/313/2024-Fin)

Forwarded /By order,

  
Section Officer