



Office of the Prl secretary & Commissioner
Kerala Goods and Services Tax Department
Govt. Of Kerala, Thiruvananthapuram

No. CT/5747/2018-EIW

Dated. 27th June 2018

Circular No 15/2018

**Sub:- KLT Act- Scrutiny and Assessment of LT dealers- Standard Operation Procedures –
Reg.**

The Kerala Tax on Luxuries Act 1976 was passed with the sole objectives of paying tax on luxuries items provided in various establishments such as hotels, house boat, home stay, hospitals etc.

Luxury Tax is levied and collected for the luxuries provided in a hotel, house boat, hall, auditorium, Kalyanamandapam, clubs or the other places of like nature rented for accommodation for residence or used for conducting functions of public or private nature and in respect of luxury provided by cable operators, hotels and home stays. Presently, the rate of tax is as follows: -

In the case of hotel for charges of accommodation for residence and other amenities and other services except charges for food and liquor at the rate of 6 % per room where the charges is above Rs.400/- upto 1000/- per day and 10 % for charges above Rs1,000/- per day.

"in respect of a hospital, for charges of accommodation for residence for use of amenities and services, at the rate of ten percent per room where the gross charges, excluding charges of food, medicine and professional services, is one thousand rupees per day or more"

The Economic Intelligence Wing has carried out detailed field enquiries in the Luxury Tax Sector and gathered extensive data in respect of various hotels and resorts in the State of Kerala for the period from 01-04-2014 to 30.06-2017.

It indicates that there is wide spread under reporting and huge escapement of tax. The Government stated declared policy is to ensure corruption free administration. The

Government has also given specific targets to generate revenue. In order to ensure achieving both these objectives, it is necessary to have a strategy and specific plan of action in the areas having huge revenue potential.

Therefore, the following instructions are issued for follow up and compliance at the Luxury Tax Units.

1. In order to strengthen the works in Luxury Tax Units of the districts, at State level the LT Cell is opened up in Economic Intelligence Wing. The LT Cell from Head Quarter shall monitor all the LT Units.
2. After reviewing the total number of files and present manpower, additional manpower shall be deployed to complete the back log works within specified time. Separate proceedings No CT/6601/2018-A8 dated 6th June 2018 have been issued.
3. The total number of files and priority files details is attached in Annexure A.
4. At the LT unit all the files are to be kept properly and wherever the details have not been submitted such Proprietor may be asked to furnish the details in stipulated time. The detailed proceedings mentioning the procedure for getting the statutory details have been issued. Those guidelines need be followed up.
5. Notices shall be issued for the production of books of accounts, Bank statements, related relevant records and Tour Operator wise ledger of the dealers.
6. Simultaneously, investigation and cross checks shall be done by the verification authority to unearth other bank accounts, if any, of the dealer and on such identification statutory notices to respective banks for the production of the Bank Account Extracts shall be issued.
7. The officer may strive to collect the details from all the banks in the vicinity of the property. The LT Officers may give specific cases to Dy Commissioners for getting the details of the bank accounts in the district. Dy Commissioner may take up such requests with District Collector especially during the Bankers District Level Committee meeting. Dy Commissioner may give the request by clearly mentioning the statutory provision that gives mandate to get such information from any Bank and follow up till the information is received.
8. On production of the books of accounts by the dealer, the data obtained from various tour operators, facilitators and service providers shall be meticulously cross checked with books of accounts and bank statements for tax compliance.
9. The plan wise details of guests have to be obtained from dealers at the time of verification.
10. The Credit side of the Bank statement shall be cross verified with turnover reported. The debit side may be verified to see whether there is any commission paid to booking agents, the corresponding booking may have suppressed by the Proprietor in his returns filed.
11. The difference in bank receipt with respect to reported turnover shall be arrived

and the dealer shall be given opportunity to explain the variations.

12. If the dealer claims that the bank receipts include turnover of cooked food/liquour also then the VAT and KGST return shall also be verified to ascertain the transactions.
13. In case of finding that the Proprietor had apportioned major part of revenue towards sales of cooked food in order to avail concessional rate of 0.5% compounded tax then enquiry at the business place shall be conducted and on such enquiry the menu card/daily business statements of the Proprietors shall be tactfully obtained under proper receipt/mahassar. These details obtained can be relied on for further proceeding against the said Proprietor, in case there are deviation in the food rates claimed.
14. There may be other facilities provided by the Proprietor like laundry charges, Tour operations, House boat facility etc. The amount for the entire may have been collected by the Proprietor from the client but only the room rent portion is disclosed in the return filed. That aspect has to be verified.
15. The turnover suppression, if any, identified shall be proceeded with as provided u/s 6 of the Kerala Tax on Luxuries Act 1976
16. The State LT Cell shall conduct periodic field visits and provide guidance to the LT units at the districts. The Nodal officer shall put up the monthly field visit plan before the Commissioner. The visiting team shall provide guidance and get works done at the site. They shall submit the field visit report for taking further follow up actions.
17. Dy Commissioner shall ensure that as per the plan the works at LT unit are getting done. He shall report the progress in monthly work diary.
18. Dy Commissioner shall forward the report in the format as Annexure B1 and B2



Pr Secretary & Commissioner

Copy to:

Addl Commissioner

All Jt. Commissioners

All Deputy Commissioners of the districts

Deputy Commissioner (Internal Audit)

Asst Commissioner Economic Intelligence Wing

C Section/Stock file.

Annexure A			
Name of District	No.of files in which data obtained	No.of priority files	Remarks
Thiruvananthapuram	383	97	
Alappuzha	240	71	
Kottayam	129	49	
Ekm / Mtry	646	242	
Thrissur	107	51	
Kozhikode	90	34	
Wayanad	229	169	
Kannur	82	20	
Idukki	380	194	
Palakkad	39	0	
Malppuram	17	0	
Kasargode	17	0	
Kollam	22	0	
Pathanamthitta	21	0	

ANNEXURE –B1						
SL.NO	Name of Dealer	TIN	Year	Assessment Completed / PA notice Issued	Suppressed Turnover	Remarks
1	2	3	4	5	6	

ANNEXURE – B2

S. No.	Name & Designation of Officer	No. of LT Cases issued	No. of Cases in which accounts verified	No. of cases in which		Suppressed turnover	Tax Due	Remarks
				Pre- Assessment Notice issued	Final Assessment Completed			
1	2	3	4	5	6	7	8	9