

**CIRCULAR No. 52/2007**

Sub:- KVAT Act, 2003 – Granting of registration to dealers in plywood, glass and veneer – instructions -issued

Instructions were issued simplifying the procedure for granting registration in general under KVAT Act, 2003. The intention is to bring as many dealers as possible under tax net in tune with the VAT concept. However in the interest of revenue, instructions for issuing registrations to dealers dealing in evasion-prone commodities such as 'live chicken' were issued separately vide Circular No.4/20007.

Even though procedure for registration was simplified, strict directions were issued to watch the activities of dealers after registration and to demand adequate additional security if the situation so warranted. But once registration is granted, no *post facto* enquires are seen conducted either by the assessing authority or by the Intelligence Wing. Unscrupulous dealers in some areas have taken advantage of the situation and are practicing large scale tax evasion and even engaging in 'bill trading' activities.

It has been brought to notice that some unscrupulous persons are taking benami/bogus registration, especially for dealing in plywood and glass and veneers, taking grant of the liberalized procedure and are disappearing from the scene after creating substantial tax liabilities.

Registration confers on the dealer certain rights and privileges which unregistered dealer do not possess. So it is essential that the registration application in respect of evasion prone commodities shall have to be processed with more care. The Registering Authority has the added responsibility to confirm that dealers making application to deal in goods, which are commercially important and prone to evasive tendency, are carefully and faultlessly evaluated and the registrations are issued only in genuine cases.

Therefore, in the interest of revenue, the following further instructions are issued with regard to granting of registration for dealers in 'plywood and/or glass and veneers' and for regulating issue of departmental delivery notes to them:

- (i) Applications for registration in 'plywood and/or glass and veneers' shall be processed in detail. Identity and genuineness of the dealer shall be confirmed with reference to their nativity certificate and other supporting documents filed. While conducting enquiry the officer shall satisfy themselves that the applicant possesses sufficient area with reference to the nature of business, in the declared place of business to run the business and the details of areas so possessed shall be recorded in his report. New registration for veneer may be issued only if the native place of the dealer and place of business are in the same District.
- (ii) In case the nativity certificate produced by the applicant relates to a place outside his jurisdiction the assessing authority shall forward such application to the concerned Inspecting Asst commissioner (Intelligence)

having jurisdiction over the area to which the nativity certificate relates, and he shall conduct enquiries with regard to the identity of the applicant and furnish a report in the matter to the assessing authority, preferably within three days on receipt of such a request, from the assessing authority.

- (iii) A defective application or an application with insufficient details does not authorise the Registering Authority to go beyond the time frame prescribed for the disposal of registration applications. That is, an application must be disposed of by issue of Registration Certificate or it must be rejected, setting out reasons, after hearing the objections of the applicant, within the time limit.
- (iv) The Intelligence Wing as well as the Audit Assessment Wing shall closely monitor the activities of such dealers and any acts, connivance or collusion for tax evasion on the part of such dealers noticed shall be brought to the notice of the assessing authorities, under intimation to the concerned Deputy Commissioner. The assessing authorities in turn shall take immediate remedial steps to protect revenue.
- (v) The assessing authorities shall themselves ensure that delivery notes are not issued to any dealers who are in default of filing returns or tax payment. In all such cases proceedings under section 67 shall be invariably be initiated.
- (vi) Where the security furnished by the dealer is not sufficient to protect the interest of revenue considering his volume of business, additional security shall be demanded. If he does not furnish sufficient additional security or give an undertaking to the effect that he will pay tax in advance, action may be taken to cancel his RC following the statutory formalities.
- (vii) Assessing authorities should verify all the returns filed by the plywood / veneer dealers. If the purchase list is filed by such dealers without complete identifiable name and address of the purchaser no Delivery Notes to be issued to such dealer. Plywood / veneer being an industrial product, assessing authorities should take all steps to identify and to register such unregistered dealers.
- (viii) The C form declarations obtained should be verified with TINXSYS. If it is not possible in an office a copy of the C form should be forwarded to IAC, Commercial Investigation, Thiruvananthapuram for further verification of the C form from TINXSYS and to forward to the concerned State's enforcement wing to ascertain genuineness.
- (ix) Check Post Officials should collect security deposit for veneer consignments not accompanied with Delivery Note.

General instructions issued earlier regarding of registration stand modified to the above extent.

All supervising officers shall ensure that the above instructions are strictly carried out by all officers under their control.

Commissioner