No.C7-29021/14/CT

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Dated:08-10-2014

CIRCULAR No. 27 / 2014

Sub:- Report of the CAG - Effective utilization of KVATIS data for revenue augmentation and monitoring – reg.

The CAG report, titled "Effectiveness of the Kerala Value Added Tax Information System (KVATIS) in the Tax Administration of Commercial Taxes Department", was tabled in the Assembly on July, 2014. One of the major points that emerge from the report is the non-utilization / under-utilization of data available in KVATIS for generation of revenue.

It is a fact that though capture of information by the Department through KVATIS has ensured a good level of compliance, there is serious laxity in pro-active verification of data and its utilization, on the part of assessing authorities. Data submitted through returns, electronic check post declarations, sales and purchase statements, CST declarations, audited statements and closing stock inventories has to be filtered through for ensuring correctness of the returns and to identify escaped / evaded transactions. It is imperative that all assessing authorities have to understand that KVATIS is not an automated self contained system, like that of Income Tax Department. From the data available in KVATIS, Department officials have to intelligently cull out the data relevant to transactions in the sale or purchase of goods, and utilize the same for initiation of assessment proceedings. In fact, KVATIS has emerged as an efficient tool in the assessment functions of the tax officials compared the days of manual scrutiny. Since, assessing officers are critical factors in this chain and as assessment and verification is a quasi judicial function and it cannot be expected to be done entirely by the electronic system.

The review of officer-wise performance on the basis of KVATIS generated reports has also underlined the serious lapses on the part of the assessing authorities in utilizing the robust database available in KVATIS by not doing system based scrutiny. Such laxity on the part of assessing authorities in utilizing the data available in KVATIS cannot be tolerated by the Department, whose primary objective is revenue augmentation. It is noticed that, even some minimum functional aspects of scrutiny are not being followed methodically, by the assessing authorities.

In the circumstances, the following instructions are issued for strict compliance.

i.   The diary figures of monthly performance have to be uploaded online.

ii. The basis of performance review of officers at District level and State level shall, henceforth, include the effective utilization of KVATIS and MIS reports. Deputy Commissioners and Inspecting Asst. Commissioners shall also monitor the performance of assessing officers under their control on daily basis, through MIS reports in KVATIS and shall effectively intervene with necessary instructions whenever any laxity/shortfall is noticed.

iii. Monthly returns of all dealers should be subjected to scrutiny at least, once in three months, as instructed earlier. Apart from the cross verification of sales and purchases, the assessing authority has to analyse and compare the trade results of the dealer along with tax payments using the MIS reports in KVATIS. The focus should be on current revenue stream and it has to be rigorously monitored through monthly return scrutiny and utilization of MIS reports in KVATIS. Specifically, the MIS reports relating to excess input tax credit shall be utilized. The scrutiny of monthly returns should be conducted in such a manner that, these returns along with the details gathered from the previous year's annual returns, form the basis for the recommendations for audit visits and inspections.

iv. Apart from the scrutiny of monthly returns, annual returns of all dealers who are liable to file Form No.13 & 13A shall be subjected to scrutiny. Scrutiny of annual returns of 2012-13 shall be completed in the year 2014-15, and so forth. The total turnover conceded as per annual returns shall be cross verified with audited statements on Trading, Profit and Loss Account and Balance Sheet. Previous year's closing stock and current year's opening stock shall be mandatorily verified. In case of inter-state sale / stock transfer for which concessional rate has been claimed and no CST declarations are produced; assessment proceedings shall be initiated as per law.

v. It has also been brought to notice during the review meetings that, certain dealers having excess input tax credit at the end of the year, escapes scrutiny by not claiming refund. This suspicious habit has to be verified, if necessary, with the aid of Intelligence Wing and compulsory assessment shall be done in such cases.

vi. The details of those dealers whose registration have been cancelled shall be mandatorily intimated to the CTCP authorities, so that the transport of goods in the name of such non-existent dealers can be prevented. Data in such cases shall be updated in KVATIS promptly.

vii. The turnover returned by presumptive dealers shall be closely monitored and immediate action taken against such dealers who bring goods from outside the State for sale, by verifying the details available in the check post modules and against such dealers whose turnover exceeds Rs.60 lakh.

viii. Interstate transactions should be cross verified with the Electronic check posts declarations and MIS reports.

ix. Multiple registrations using a single PAN shall not be allowed. Steps would be taken to verify such instances pointed out in the reports of the Accountant General.

x. Major Form 16 transactions shall be closely monitored by IB wing. Data available in KVATIS shall be utilized for this purpose.

xi. Action against return defaulters should be pursued utilizing the facility in KVATIS only.

xii. Data available in KVATIS shall be utilized by the check post authorities and designated officers for assessing the cases detected, in the case of TRANSIT PASS not surrendered at Exit Check Posts.

COMMISSIONER

To

    All concerned