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**Office of Commissioner**  
**Kerala Goods and Services Taxes Department,**  
**Govt of Kerala, Thiruvananthapuram**

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**No CT /14646/2017-C1**

**Dated 22nd Sept 2017**

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**CIRCULAR No 13**  
**Sub:- KVAT Act 2003- Works Contracts-Assessments – reg.**

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Government has set up the target of total revenue Rs 42000 crores which is 25% revenue growth this financial year. It is observed that the progress of the revenue work is slow. The Government have informed to take strategic actions to improve the revenue by identifying potential areas and completing the priority cases within the identified potential areas.

The Works contract is one of the important areas to be examined in detail. Random verification of assessment records relating to works contracts done in some of the districts revealed that the record keeping of the cases is very poor. The statutory forms, certificates and statements as prescribed in KVAT Act and Rules to prove the veracity of claims have not been adduced. In majority of cases scrutiny and assessment not attempted, wherever done in such cases turn over exemption is granted and assessments are completed by accepting the return figures without any corroborative evidence to establish exemptions. The officers are not sending pre assessment notices therefore the dealers are not filing statutory forms, the cases are going time bar and such things have been

going on. This could have resulted in huge revenue losses to the State exchequer.

Another thing noticed is that the scrutiny and assessment are pending and many cases are now time barred. As GST is implemented, it is important that all pending VAT assessment especially in Works Contracts should be completed in time bound manner to ensure that no case becomes time bar and tax due is collected in time.

In order to streamline the works the following instructions shall be meticulously followed -

**A. Strategy**

1. Completion of scrutiny and assessment of various years
2. Passing of modified orders on the basis of Appellate orders
3. Fresh disposal of remanded cases
4. Disposal of LAR cases

**B. Action Plan**

- a. Updation of Assessment files
- b. Submission of the following statutory forms/ certificates
  - i. Form No 20 H in the case of amount given to Sub Contractor
  - ii. Trading and profit and loss account
  - iii. Copy of labour contract or proof of SEZ in the case of zero rated works
  - iv. Form No 20 F , if availed TDS credit
  - v. From No 20 E, if paid amount to sub contractors without collecting TDS
  - vi. Summary statement of purchases
  - vii. Audited statement ( Form No 13, 13 A)
  - viii. Closing stock inventory

- ix. Proof of payment of TDS if any
  - x. Income tax return and Tax audit report
  - xi. Annual returns
  - xii. Financial statements like manufacturing, trading, profit and loss account and balance sheet
  - xiii. Copies of works contract agreement
  - xiv. Form 43
  - xv. Form 10 C
- c. Other documents to be kept ready in files by the Assessing authorities are -
- i. Any other report of data mining, internal audit team, economic intelligence wing, CAG audit, O&M inspection
  - ii. Copies of appellate orders and orders passed on the basis of Appellate orders
  - iii. Replies filed in respect of Data mining cases, internal audit paras, CAG audit, Economic intelligence wing and O&M inspection notes

#### **Organizing the works at the works contract units –**

1. Analyse pending assessment files for the last 5 years and other files over and above five years, which can be taken up wherever the law permits, extensions granted, CAG audit cases etc
2. Identify top potential files and list out in a descending order
3. Divide these files among the staff and monthly complete the potential cases.
4. At the outset, all the staff shall ensure that all the available documents are kept systematically in the file as stated above.

5. Identify missing documents and statutory documents submission etc.
6. Take actions to get the statutory documents submitted in time bound manner
7. After collating all the required documents, do deep scrutiny and assessments
8. Send monthly report to the Head quarter. A separate proforma will be sent separately.
9. While doing assessment preference shall be given to cases falling in limitation period.
10. The dealers pending assessment for entire assessment year shall be done at a stretch without piecemeal assessment.
11. No undue adjournment to be given. More than two adjournments to be given with permission of Dy Commissioner based on genuine grounds only.
12. A separate register shall be kept for Appellate orders and follow up action has to be properly entered in it.
13. The completed assessment orders to be passed and served in time. The notices and orders to be uploaded in Peer review module.
14. Dy Commissioners shall assess and monitor submission of all statutory documents by the dealers in time. They shall report the same every week.
15. All supervisory officers shall give approval of the draft notices and orders only after thorough verification of the details.
16. All supervisory officers shall verify completed assessments cases exemption given based on the filing of statutory documents, tax rates and application.

## SCRUTINY OF COMPOUNDED DEALERS IN WORKS CONTRACT

Sl No.	Nature of Defect	Result of Verification	Source of Verification
1	<b>Eligibility for Compounding:</b>		
1	Whether compounding application filed	<b>Yes/No</b>  ( If no proceed to scrutiny of non-compounded dealers)	KVATIS>Dealer Information  >Online applications > Year>Compounding application.
2	Type of compounding application filed	<b>Annual/Work wise</b>  (If work wise compounding opted verify list of non-compounded works if any and proceed to scrutiny of non-compounded dealers for such works)	KVATIS >Dealer Information  >Online applications > Year >Compounding application >whether compounded for all works>Yes/No.
3	Whether Compounding application filed in time?  <u>Annual Compounding:</u>  On or before 30th April or such period extended.  <u>Work wise Compounding:</u>  Within 30 days of date of execution of agreement.	<b>Yes/ No</b>  ( If no proceed to scrutiny of non-compounded dealers)	1. KVATIS >Dealer Information  >Online applications > Year >Compounding application >Date of filing.  2. Date of execution of Agreement filed.
4	Whether transfer of material is not in the form of goods	<b>Yes/ No</b>  ( If no proceed to scrutiny of non-compounded dealers- if sales proceed as per rule 10 )	1. Nature of work declared in Returns.  2. Nature of work declared in Audit Report.  3. Nature of work as per Agreement and schedule filed.

5	<p>Whether contractor is having CST/import of goods for incorporation in works contract executing works contract in negative list</p> <p>(Applicable for new and old works w.e.f 01.04.2015 )</p>	<p><b>Yes/No</b></p> <p>( If yes proceed to scrutiny of non-compounded dealers)</p>	<p><u>CST Details:</u></p> <p>1. KVATIS &gt;Returns&gt;Select return of the dealer&gt;Dealer details&gt; CST details.</p> <p>(Relying on CST data in return may not be correct since it shows the current position of CST of a dealer and does not reflect previous CST data of a dealer.</p> <p>(AND)</p> <p><u>Import Details:</u></p> <p>1. KVATIS&gt;Returns&gt;Select Return of the dealer&gt;Check post transactions &gt;Consignee&gt;year.</p> <p>2. KVATIS&gt;Returns&gt;Select Return of the dealer&gt;Parcel transactions&gt;Period.</p> <p>3. KVATIS&gt;Returns&gt;Select Return of the dealer&gt;Form 8FA&gt;Period.</p>
II	<b>Rate of Tax:</b>		
1	Type of Awarder	<p>(a) Govt of Kerala, LSGD and KWA.</p> <p>(b) Other Awarders</p>	<p>1. Awarder details declared in Returns.</p> <p>2. Awarder details declared in Audit Report.</p> <p>3. Awarder details as per Agreement and schedule filed.</p>
2	<p>Whether dealer is having CST/import of goods for incorporation in works contract.</p>	<p><b>Yes/No</b></p>	<p><u>CST Details:</u></p> <p>1. KVATIS &gt;Returns&gt;Select return of the dealer&gt;Dealer details&gt; CST details.</p> <p>(Relying on CST data in return may not be correct since it shows the current position of CST of a dealer and does not reflect previous CST data of a dealer.</p> <p><u>Import Details:</u></p> <p>1. KVATIS&gt;Returns&gt;Select Return of the dealer&gt;Check post transactions &gt;Consignee&gt;year.</p>

2. KVATIS>Returns>Select Return of the dealer>Parcel transactions>Period.

3. KVATIS>Returns>Select Return of the dealer>Form 8FA>Period.

III **Contract Value /**

**Taxable turnover**

1	Whether whole contract amount declared is correct	Yes/No	<p>1. Gross Contract amount of work declared in Returns.</p> <p>2. Gross Contract amount of work declared in Audit Report.</p> <p>3. Gross Contract amount of work as per Agreement and schedule filed.</p>
2	Whether awarder supply is included in whole contract amount	Yes/No	<p>1. Gross Contract amount of work declared in Returns.</p> <p>2. Awarde supply in P&amp;L A/c.</p> <p>3. Agreement.</p>
3	Whether balance contract amount carry forwarded to current year.	Yes/No	<p>1. Part A - Details of ongoing contracts in Previous year return-Balance outstanding with Amount received up to the previous quarter in Current year return.</p> <p>2. Part A - Details of ongoing contracts in Previous year return-Balance outstanding with Contract Receipts - new and old contract in Audit Statement.</p>
4	Whether 6(2) tax applicable and paid (01.04.2014 to 02.09.2014)	Yes/No	<p>1. Agreement and schedules filed.</p> <p>2. Part BA in Return.</p>
5	Whether 6(2) purchase comparable with nature of work.	Yes/No	<p>1. Part BA in Return.</p> <p>2. Unregistered Purchase in P&amp;L A/c.</p>
6	Whether liable to pay tax on Inter - state purchases.  01.04.2009 to 31.03.2014)	Yes/No	<p>1. Part E of Return - Inter-state purchases with tax liability.</p> <p>2. Inter-state purchase as per KVATIS data.</p>

Import Details:

1. KVATIS>Returns>Select Return of the dealer>Check post transactions >Consignee>year.

2. KVATIS>Returns>Select Return of the dealer>Parcel transactions>Period.

3. KVATIS>Returns>Select Return of the dealer>Form 8FA>Period.

IV **Claim of Exemption:**

1 Whether exemption claimed Yes/No

1. Part B of Return.

2. Form 13A>Works Contract> Contract >Exempted.

2 Whether proof of exemption for land value claim filed. Yes/No

1. Part B of Return.

2. Copy of registered land deed.

3 Whether proof of exemption for labour contract filed. Yes/No

1. Return.

2. Copy of labour contract agreement.

3. Copy of Service tax return.

4 Whether proof of exemption for sub contract filed Yes/No

1. Form 20 H countersigned by Assessing Authority.

2. Authenticated copy of invoice.

3. Copy of sub contract agreement.

V **Unaccounted Transactions:**

1 Unaccounted purchases Yes/No

Cross verify purchases as per return with KVATIS data and purchases in P&L A/c.

1. KVATIS>Returns>Select Return of the dealer>Check post transactions >Consignee>year.

2. KVATIS>Returns>Select Return of the dealer>Parcel transactions>Period.

3. KVATIS>Returns>Select Return of the dealer>Form 8FA>Period.



			4. KVATIS>Returns>Select Return of the dealer>Unaccounted purchases>Period. 5. Purchases as per P&L A/c.
2	Un accounted works	Yes/No	1. Works declared in Part A of Returns and Contract Receipts in Audit Statement. 2. Unaccounted sales invoices: Returns>Invoice Verification >Sales>Unaccounted. 3. TDS Statement in KVATIS: Returns>Reports>Works Contract>Awarder details. 4. Form 26 AS from IT Department. 5. Bank Account. 6. IT Return.
3	Whether contract receipts as per Return and audit report/P&L A/c are correct.	Yes/No	1. Compare amount received during the quarter in Part B of Return with Column No.12 in Works Contract in Form 13A and Contract Receipts in Profit and Loss Account filed.
4	Delivery Note used.	Yes/No (If yes verify with location of works)	1. KVATIS>Returns>Select Return of the dealer>Delivery Note > Period.
VI	<b>TDS Verification</b>		
1	TDS claim if any	Yes/No	1. Return >Summary column> Other>TDS.
2	Proof for TDS claim filed.	Yes/No	1. Form 20 F.

## SCRUTINY OF NON-COMPOUNDED DEALERS IN WORKS CONTRACT

Sl No.	Nature of Defect	Result of Verification	Source of Verification
1.	Status of dealer	(a) Works of Govt of Kerala, LSGD and KWA.  (b) Works of Other Awarders.  (c) Builder	1. Nature of work declared in Part A of Returns.  2. Nature of work declared in Audit Report.  3. Nature of work as per Agreement and schedule filed.
2	Whether compounding application filed	<b>Yes/No</b>  ( If no proceed to scrutiny of compounded dealers)	KVATIS>Dealer Information  >Online applications > Year>Compounding application.
3	Whether sale of goods	<b>Yes/ No</b>  (sales proceed as per rule 10 )	1. Nature of work declared in Part A of Returns.  2. Nature of work declared in Audit Report.  3. Nature of work as per Agreement and schedule filed.
4	Nature of Work	Civil, Electrical, etc.	1. Nature of work declared in Returns.  2. Nature of work declared in Audit Report.  3. Nature of work as per Agreement and schedule filed.
<b>Contract Value/ Taxable turnover</b>			
1	Whether whole contract amount declared is correct	Yes/No	1. Gross Contract amount of work declared in Returns.  2. Gross Contract amount of work declared in Audit Report.  3. Gross Contract amount of work as per Agreement and schedule filed.
2	Whether awarder supply is included in whole contract amount	Yes/No	1. Gross Contract amount of work declared in Returns.  2.Awarder supply in P&L A/c.
3	Whether balance contract amount carry forwarded	Yes/No	1. Part A - Details of ongoing contracts in  Previous year return-Balance outstanding with Amount received up to the previous quarter in Current year return.

2. Part A - Details of ongoing contracts in  
Previous year return-Balance outstanding with  
Contract Receipts - new and old contract in  
Audit Statement.

**II Claim of Exemption:**

1	Whether exemption claimed	Yes/No	1. Part B of Return. 2. Form 13A>Works Contract> Contract >Exempted.
2	Whether proof of exemption for land value filed.	Yes/No	1. Part B of Return. 2. Copy of registered land deed.
3	Whether proof of exemption for sub contract filed	Yes/No	1. Form 20 H countersigned by Assessing Authority. 2. Authenticated copy of invoice. 3. Copy of sub contract agreement.
4	Whether Audit Report filed	Yes/No	1. KVATIS>Returns>Audit Report. 2. Form 13,13A filed.
5	Exemption claimed as per Rule 10 (2) (b).	Yes/No	1. Part B of Return. 2. Form 13A>Works Contract> Contract >Exempted. 3. Statement showing computation of turnover as per Rule 10 (2) (b).
6	Proportion of Declared goods in taxable turnover.		1. Returns > Part E >Turnover of declared goods. 2. Purchase value of declared goods as per Profit and Loss Account. 3.Returns>Invoice verification>Purchases>Build from others 4. Value of declared goods incorporated as per Statement showing computation of turnover as per Rule 10 (2) (b).
7	Whether taxable turnover declared is less than cost of goods incorporated.	Yes/No	1. Taxable turnover as per Part B of return. 2. Cost of goods incorporated as per Rule 10 (2)

			(b).
8	Form 49 by builders	Yes/No	1. Verify the details with receipts in Part B of Return.
9	Whether the project is a joint venture	Yes/No	1. Verify the agreements filed. 2. Ensure that tax paid on consideration in any form given to the land owner like flats, commercial building, cash, etc.
10	Whether exemption claimed on completed projects.	Yes/No	1. Proof of completion. 2. Ownership license from LSGD in the name of builder. 3. Non-existence of any prior agreement or payment of advances if any. 4. Source of finance.
IV	<b>Unaccounted Transactions:</b>		
1	Unaccounted purchases	Yes/No	Cross verify purchases as per return with KVATIS data and purchases in P&L A/c. 1. KVATIS>Returns>Select Return of the dealer>Check post transactions >Consignee>year. 2. KVATIS>Returns>Select Return of the dealer>Parcel transactions>Period. 3. KVATIS>Returns>Select Return of the dealer>Form 8FA>Period. 4. KVATIS>Returns>Select Return of the dealer>Unaccounted purchases>Period. 5. Purchases as per P&L A/c.
2	Un accounted works	Yes/No	1. Works declared in Part A of Returns and Contract Receipts in Audit Statement. 2. Unaccounted sales invoices: Returns>Invoice Verification >Sales>Unaccounted. 3. TDS Statement in KVATIS: Returns>Reports>Works Contract>Awardee

details.

4. Form 26 AS from IT Department.

5. Bank Account.

6. IT Return.

3	Delivery Note used.	Yes/No  (If yes verify with location of works)	1. KVATIS>Returns>Select Return of the dealer>Delivery Note > Period.
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**V TDS Verification**

1	TDS claim if any	Yes/No	1. Return -summary column.
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2	Proof for TDS claim filed.	Yes/No	1. Form 20 F.
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**VI IPT Claim verification**

1	Whether IPT credit claimed is correct.	Yes/No	1. Returns> IPT as per Part E.  2. Returns>Invoice verification>IPT comparison.  3. Returns>Invoice verification>Purchases>Build from others>IPT total.
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2	Whether IPT claimed on purchases effected for compounded works.	Yes/No	1. Verify whether contractor is having compounded and non-compounded works.  2. Returns>Part E > Purchases.  3. Purchases - work wise analysis.
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All Dy Commissioner shall ensure the follow up and regular reporting. The reporting format will be separately sent.

All respective nodal officers shall monitor at the circle the action taken and facilitate further.

From Head Quarter a special team shall do continuous monitoring of the follow up actions.

The circular has stipulated broad strategy, methodology to organize the work in the office and various issues to be looked into, which is a guideline/Checklist. It is the responsibility of the Assessing authority to ensure that all the statutory requirements as per the KVAT Act and Rules have been taken into consideration for completing the assessments and recovery of the tax.

  
COMMISSIONER

**Copy to -**

All Jt Commissioners

All Dy Commissioners for information. They are instructed to orient the assessing authorities.

ITMC section - To upload the circular in web site

C Section