

K1-56649/05/CT

Office of the Commissioner  
Commercial Taxes  
Thiruvananthapuram  
Dated. 12.12.05

**CIRCULAR NO.34/05/CT**

Sub:- KVAT Act 2003 - gathering of information and materials – survey to identify unregistered dealers- details to be forwarded to Audit Assessment wing- instructions reg.

Ref:- 1) D2-46514/05 dt.30.9.2005 of CCT.

2) Circular No. 18/05 dt. 17.8.2005 of CCT.

A review of the collection under VAT for the last seven months shows that the collection has recorded a negative growth of 7% in Kerala whereas in other States the position is far better. It is high time to ascertain the reasons for the negative growth in the VAT collection and to prevent the leakage of revenue on account of wrong claims of input tax, short collection of output tax, postponement of payment of output tax, suppression of taxable purchases and sales, misclassification of taxable goods, etc. No serious effort is seen made by the Departmental officers for analyzing the performance of at least the major dealers (who were paying tax amounting to Rs.10 lakhs or more per annum under the KGST Act). The tax on the value addition in respect of evasion prone commodities could not be captured as expected.

The tax base has to be widened and more compliance from the trading community is to be ensured. In order to have a purposeful audit, the Audit Wing needs more materials from different wings of this Department. For the smooth functioning of the Audit Assessment Wing the following instructions are issued:

1. The Survey of the trading centers as directed in the letter No.D2-46514/05 CT dated 30.9.2005 should be continued from 15.12.2005 to 24.12.2005. The Deputy Commissioner (Intelligence) may seek the assistance of the officers of the VAT audit wing and the VAT circles without hindrance to their normal work in consultation with the DC(AA) and the District DCs. A copy of the programme chalked out should be forwarded to the undersigned before re-starting the survey. The DC(Intelligence) and the District DCs should report the result of cases booked by the Survey team as per the last programme, before 15.12.2005.

2. The details of cases booked by the Sales Tax Check Posts of all districts as well as the Intelligence Squads and the Investigation branch should be forwarded to the concerned DC (AA) before 29.12.2005 in the following format:

(a) Offence booked on inspection of goods in transit								
OR No & Date	Name of the Consignee/Dealer in the State	Commodity	Quantity	Documents accompanied	Value as per Invoice	Value Estimated	Defects detected (specify whether excess stock, bogus bills, undervaluation, misclassification, etc)	Particulars of Security Deposit remitted/furnished

(b) Offence detected on inspection of business place/extract verification							
CR No	Month to which it relates	Proceedings No. & date	Notice date	Commodity	Nature of offences detected	Turnover of suppression	CF?Penalty proposed/levied

The CTO (Enquiry) shall forward the above details in respect of the OR files received till date to the DC (Audit Assessment) concerned. In future, a copy of the notice pointing out the irregularities by the detecting officer will also be forwarded along with the details. The District DCs and DC(I)s should watch compliance of these directions, and mention the progress in the monthly DO to CCT.

3. The District DCs shall prepare a list with details of input tax and output tax in the following category of dealers with reference to the VAT assessment registers:

- a. Those who claimed input tax of Rs.1 lakh and above monthly in respect of evasion-prone commodities such as timber, plywood, glass, rubber iron and steel, spare parts, electrical and electronic goods, readymade garments, footwear, home appliances, etc.
- b. Those who collected output tax 1 lakh and above, but paid tax either Nil or below 75% of the output tax collected every month.
- c. Those, whose total turnover for the current year is below that conceded during the corresponding period (2004-05) of the previous year under the KGST Act.

The DC(I) shall make available the services of the officers of the investigation branch for gathering the details if required by the District DCs. A copy of the list shall be forwarded to the DC(AA) concerned and the undersigned before 20.12.2005

4. Taxable goods consigned by the dealers from outside the State as well as within the State should be physically verified on random basis for detecting evasion on account of excess quantity,

misclassification of goods, etc. While doing so, the officers of the STCPs and Intelligence Squads shall bear in mind that the directions contained in the Circular instructions NO. 20/05/CT dated 8.8.05 are strictly adhered to. The District DCs shall furnish all information and records including commodity wise collection of revenue to the Audit assessment wing as and when required.

5. As regards the sorting and filing of check post declaration under VAT law, the instructions contained in the Circular 15 /04 dated 14.6.2004 of CCT is squarely applicable to VAT circles and the files handed over to the Audit assessment wing should contain all declarations received till then.

All Deputy Commissioners should acknowledge the receipt of this Circular by return and get it circulated among the officers for strict compliance.

Commissioner, Commercial Taxes