

No.C1-45370/09/CT

Office of the Commissioner of
Commercial Taxes
Public Office Building
Thiruvananthapuram
Dtd.16-11-2009

From

The Commissioner

To

All Deputy Commissioners
Department of Commercial Taxes

Sir,

Sub:- Scrutiny of returns in KVATIS – reg.

(1) For the successful implementation of VAT, entire VAT trail has to be effectively monitored and the corresponding input tax claim closely scrutinized. It can be done only in an electronic environment.

(2) The e-filing process has been successfully implemented and scrutiny through electronic means is made possible. To make the process easier, a software has been developed by a field level officer.

(3) Instructions have already been issued to have a time bound scrutiny of the returns filed. In the system supported scrutiny report, even slight variations of details as among seller and purchaser i.e., an addition of a dot, or a character mistake will be shown as mismatch and having the effect of unaccounted sale of purchase. Various dealers association have pointed out that the defect notice issued in Form No.10G is note containing sufficient details so as to understand the actual defects pointed out and in cases where objections were filed the officers are not examining its merits and are passing orders mechanically without giving these sufficient opportunity to file objections and to produce evidence in support of their claim. Further it was also stated that heavy penalties were also imposed in an arbitrary manner without considering their objections and the mensrea involved.

(4) It is to be remembered that the cross verification tools act only as an aid in scrutiny and does not dispense with human intervention also scrutiny should not be a mechanical act and should be done with proper application of mind. Hence the discrepancies should be clearly spelt out in the notice and the dealers objections on this account should be considered in the right perspective.

(5) In the circumstances all Deputy Commissioners are hereby instructed to give clear instructions to their subordinates directing them to give notice clearly pointing out the defects and also sufficient opportunity shall be given to the dealer to file objections, hearing and to produce evidence in support of the same. This procedure shall be adopted in the case of penalty also.

Yours faithfully,

COMMISSIONER