

OFFICE OF THE COMMISSIONER OF COMMERCIAL TAXES, ODISHA,
CUTTACK.

NO. VII(REV)4/2013 8568 /CT DATED 26-03-13

To

The Joint Commissioners of Commercial Taxes,
In charge of Ranges.

Sub: Tax Audit of the dealers for the year 2013-14- General Instructions.

Sir,

In exercise of the powers conferred by sub-section (1) of Section 41 of the Odisha Value Added Tax Act, 2004, the undersigned has selected 3260 dealers for tax audit to be conducted during the year 2013-14. The same dealers are also selected for tax audit under sub-section (1) of section 9B of Odisha Entry Tax Act, 1999 and under Rule-10(1) of the CST (O) Rules, 1957. The list of dealers selected for tax audit is sent herewith to the respective Ranges in both hard & soft copies.

2. **AUDIT – GENERAL INTENT:** Under VAT regime regular annual assessment has been replaced by self-assessment. This marks a paradigm shift from the erstwhile Sales tax regime and makes the dealer responsible for assessing his/her tax liability. The statute thus lays emphasis on the goodness of the dealer for assessing his tax liability correctly. The objective of audit, which is undertaken in only selective cases is to encourage voluntary tax compliance and to put a check on evasion of taxes. The audit should also be educative. The auditor should apprise the dealer of the provisions of the law, latest amendments and its implications. The Auditor is expected to take a balanced, scrupulous and rational approach while conducting the audit and should not visit a dealer with a pre-conceived notion of finding flaws with the dealer. He/She is required to carry out his/her duties in a transparent manner with utmost sincerity, integrity and diligence.

3. **PERIOD OF AUDIT:** **Audit of the selected dealers during F.Y. 2013-14 should cover the period of two financial years i.e. tax period from 1.4.2011 to 31.3.2013.** On the basis of the findings of the Audit, if it is felt expedient to conduct audit for the years prior to the period audited, permission of the Commissioner, Commercial Taxes, Odisha may be obtained in writing stating the reasons thereof.

4. **SELECTION PROCEDURE:** The audit selection has been made by using certain risk parameters. The procedure followed for such audit selection has been provided in **Annexure-I**. The audit list has been prepared by excluding the dealers those who have already been audited as per information received from the Ranges. In case names/TINs of the dealers selected are found to be incorrect or the names of the dealers already audited (in case of LTU during last two years and in case of non-LTU during last three years) are found in the list, the same may be brought to the notice of the undersigned within 15 days so that substitutes will be selected and intimated.

5. **AUDIT FUNCTIONALISATION:** While selecting dealers for tax audit for the year 2013-14, the availability of officers in the Ranges has been duly considered. Therefore, audit should be completed against all the dealers selected. In order to achieve that, a non-LTU audit team may be assigned with 12-16 dealers in a year. DCCTs and ACCTs may be assigned with audit of LTU dealers. Dealers with turnover about Rs.50 crore should be assigned to very competent officers only. Similarly, the CTOs should be in-charge of the team assigned for audit of SRIN dealers. In circles having sanctioned posts of 4 or more CTOs, exclusive audit teams should be formed to conduct audit. **Separate instructions are being issued in this regard.**

6. **AUDIT TO BE COMPLETED WITHIN F.Y. 2013-14:** The audit programme should be drawn up in consultation with Deputy/Asst. Commissioner in-charge of Circles so as to complete the audit of all the selected dealers and ensure submission of reports by 31.3.2014. It has been seen that in the previous years the total dealers selected for audit have not been audited within that financial year. For F.Y. 2013-14, no fresh notice for audit should be issued to dealers who had been selected for audit

during the last year. The concerned JCCT should ensure that all the dealers selected for audit in the current year are audited and the report submitted within the financial year. The JCCT should review the progress on a monthly basis to ensure that audit is done as per schedule. **Any non-compliance in this matter will be viewed seriously.**

7. **PREPARATORY WORK:** It has been observed that the audit team usually goes for the audit visit without preparatory work. **Upon assignment of audit, the auditors must do comprehensive preparation before the visit to the unit.** This should be done on the basis of the information available in the office. After e-filing of returns and issue of e-way bills and e-statutory forms sufficient data is available electronically. All such information should be reviewed along with any previous audit and assessment reports as well as other information such as Chartered Accountant Audit Report etc. so that the audit party can generate a dealer profile and also have an understanding of the dealer's activities and past record.

8. **PUBLIC DEALING & TRANSPARENCY:** The objective of the Commercial Tax Department is to collect correct amount of taxes levied under various statutes in a cost effective, responsive, fair and transparent manner and also to maintain public confidence in the system of tax collection. This should be reflected in the auditors conduct and attitude. **The audit team should follow the principles laid down in the Tax Payer Charter while interacting with the dealers.** The audit should look into transparent application of law and recognise the right of the assessee, such as right to be treated impartially, uniform with courtesy and consideration.

- (i) A copy of the statement of the dealer recorded by the officer in course of any proceeding should be provided to the dealer on the spot . For this purpose, a carbon copy should be created at the time of recording of the statement.
- (ii) After completion of the tax audit of any dealer, findings of the Audit should be provided to the dealer through e-mail while submitting the AVR to the assessing authority in the interest of fairness and transparency.
- (iii) Once an audit notice is issued in Form VAT 301, it should be ensured that the audit team reaches the premises of the dealer at the time and date indicated in the notice.

(iv) If the documents have been submitted by the dealer previously either manually or electronically the dealer should not ordinarily be asked to submit the documents again.

9. **AUDIT AT DEALERS PREMISES:** Audits must be undertaken effectively at the dealer's premises. **Only under exceptional circumstances should the dealers be asked to produce books and records for verification in the office.** If adequate preparatory work is done, the audit visit can be made more purposeful and effective and completed at the premises itself. To enable the audit team to take copies of documents etc. during the audit visit hand held scanner devices may be provided to each audit team. The circle officers may be directed to procure the devices without any delay. If, there is no cooperation from the dealer then action under Section 73(13) of OVAT Act can be initiated and thereafter, if the necessity arises, stringent action as per law may be resorted to.

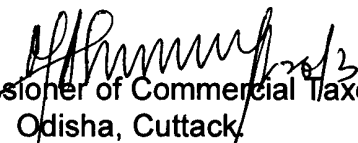
10. **MANDATORY ENTRY IN VATIS MOUDLE:** All the officers are mandatorily required to use the VATIS Audit Module. The details of audit teams should be entered in the VATIS Audit Module. In the event of any change of the audit team, you are required to enter the changes in the VATIS Audit Module. If, you are going to change the head of the audit team in the middle of the year, in the event of transfer of the officer or for some other reason, you should see to it that the team has completed the audit of the dealer for which they have initiated the process and submitted the Audit Visit Reports. It is very important to ensure that audit reports are submitted immediately after audit is completed so that flow of audit assessment is maintained throughout the year.

11. **QUALITY OF AUDIT REPORTS:** To improve the quality of reports, a workshop should be organised on a quarterly basis at the range level taking all team heads of the audit teams to exchange the findings of the audit reports. The concerned officers should make presentation on audit reports on which there is involvement of substantial amount of revenue or there is a question of subtle point of law or where the reports are well written and comprehensive. The reports should cover different types of dealers like Textiles, Automobiles, Jewellery, Mining, Medicines, Trading, Automobiles, Manufacturing, Iron and Steel, Marbles, Edible Oil,

Works Contractors, and Rice Mill, Flour Mills and transactions like Export, Import, CST sale, branch transfer, Sale in transit, High Sea sale and should also cover big corporate dealers.

12. **COORDINATION BETWEEN DIFFERENT WINGS OF CTD:** It is seen that due to lack of coordination between the enforcement, Vigilance and the Territorial wings, even while audit under section 41 of the OVAT act is initiated/scheduled or in process, reports are submitted after surprise visits and inspections by the different wings for assessment. Visits by different wings of the same department causes undue harassment to the dealer and should be avoided at all costs. After publication of the list of dealers to be audited in F.Y. 2013-14 along with the period of audit, the Enforcement and Vigilance Wing may be informed of the list and they should not carry out parallel visits and submit evasion reports for assessment. Any credible actionable information which is available with them, obtained either from their review or from other sources, should be provided to the concerned JCCTs and Circle in-charge, so that the same can be provided to the Audit team to take appropriate action during the audit process.


Officers may refer to the VAT manual for Audit to bring about uniform and standard audit procedures and ensure the quality of audit. The Manual will soon also be available on the Departmental Website.


Commissioner of Commercial Taxes,
Odisha, Cuttack.

Memo No. 8569 /CT

Dated 26-03-13

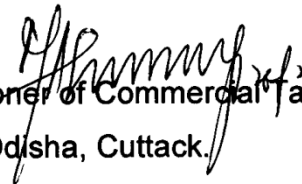
Copy forwarded to the Special Commissioner of Commercial Taxes (Enforcement)/ additional Commissioner of Commercial Taxes, Vigilance for information and necessary action with reference to Para 12 above.


Commissioner of Commercial Taxes,
Odisha, Cuttack.

Memo No. 8570 /CT

Dated 26-03-13

Copy to all DCCTs/ACCTs, in-charge of the circles for information and necessary action.


Commissioner of Commercial Taxes,
Odisha, Cuttack.

ANNEXURE-I

PROCEDURE FOR SELECTION OF DEALERS FOR AUDIT

For the financial year 2013-14, the following parameters have been decided for selection of dealers for tax audit.

LTU DEALERS

As per provision of rule 41 (4) of OVAT Rules every LTU Dealer has to be audited once in a cycle of 3 years. Therefore, LTU selection is considered separately. There are 674 LTU Dealers in the state. Audit of all the LTU dealers who have not been audited during last two years should be selected for audit.

OTHER TIN/SRIN DEALERS

1. Basing on the man power and past experience in the last two years, a total of 3260 dealers approximately will be taken up for audit in the financial year 2013-14.
2. Out of these 3260 dealers, 110 will be SRIN dealers. The SRIN dealers will be selected on random basis and from those who do not submit e-returns.
3. After finalizing the LTU dealers, the total number will be deducted circle wise from 3150 TIN dealers to be taken up for audit.
4. The dealers to be selected for audit will be on the basis of the following parameters which have been given equal weightage and from among those who have not been audited in the last five years.

SI No	Parameters	Score
1.	Decrease in (tax paid/turnover) from April to December 2011 to 2012 by 20%. (Applicable for turnover >30 lakh for any year).	1
2.	Sells/purchase less than 1.05 in April to Dec 2012	1
3.	Dealers taking Waybills for value more than ₹1lakh, C/F Forms and filing nil or no return during April to Dec 2012.	1
4.	Dealers carrying forward excess ITC consecutively for three tax periods during April,2012 to Dec, 2012	1

SI No	Parameters	Score
5.	(Exempt goods turnover)/ (Total taxable turnover)- 10% increase in variation from April, 2011 – Dec, 2011 to April, 2012-Dec,2012.	1
6.	(Amount of ITC claimed)/ (Total taxable turnover)- 20% increase in variation from April, 2011 – Dec, 2011 to April, 2012-Dec,2012.	1
7.	(Amount of ITC claimed)/(Total VAT paid)- 20 % increase in variation from April, 2011 – Dec, 2011 to April, 2012-Dec,2012.	1
8.	(ITC carried forward)/ (Total VAT paid)-20% increase in variation from April, 2011 – Dec, 2011 to April, 2012--Dec,2012.	1
TOTAL		8

5. Selection of dealers circle-wise for all other TIN dealers should be made on the basis of tax throughput and also as per selected sectoral classification of dealers as follows.
- i. Those with higher aggregate score based on parameters will be selected for audit on the basis of throughput tax.
 - ii. Priority will be given to dealers for selection from sectors such as Sanitary fittings, Plywood, veneered panels and similar laminated wood, Marble tiles, Marbles, Automobile Parts and Accessories, Edible oil, Hardware goods, Electrical Goods & equipments, Electronic Goods & Plywood, Venered panels and similar laminated wood.