



GOVERNMENT OF ODISHA
Commercial Tax Department



Manual for System Based Scrutiny of Returns

Version 2

6th November, 2013

Introduction

The introduction of self-assessment in VAT, in 2005, was a defining moment for the Indian taxation system as the primary onus of assessment was conferred upon the taxpayer and the system of compulsory assessment by the department was done away with. With the introduction of these provisions, scrutiny of returns became crucial for a tax administrator since there was every possibility on the part of the taxpayer not to disclose his accurate tax liability. Further, scrutiny of returns helps in analyzing the data in advance, significantly reducing the requirement for field visits to the taxpayer's business premises.

An effective system of scrutiny of returns, therefore, becomes a key requirement for effective tax administration which in turn forms a strong foundation for selection of cases for audit and subsequent enforcement activities. And the success of the outcome of an audit or enforcement case largely depends on the proper selection of the case which can flow from a robust and efficient mechanism of return scrutiny.

Historically, the return scrutiny was done manually wherein the officer had to physically verify the returns filed under various Acts along with the books of accounts of the dealer if required. This used to be a cumbersome process and a lot of paper work was involved. With the introduction of online filing of returns; huge data are available online which has made it possible to replace the manual scrutiny with an online system based return scrutiny. This has considerably helped the officers in efficiently scrutinizing the returns. The online scrutiny and monitoring systems are useful not only for regular checks related to correctness, completeness and timeliness of data; they can also be used for advanced analysis of data for accurate assessment of tax liability of the taxpayer, thereby reducing the requirement for field visits to the taxpayer's business premises significantly.

The advantages of an online scrutiny and monitoring system are as follows:

- An online scrutiny system can provide results instantaneously, as opposed to the manual scrutiny process, which can be tedious and prone to inertia.
- Since the results of an online scrutiny can be communicated instantly to taxpayers, it also helps in impressing upon the taxpayer that they are being closely monitored by the tax administration. This increases the care and diligence on the part of the taxpayer in submitting the VAT returns.

- It reduces the scope of collusion between the tax administration and taxpayers.
- It is also independent of the variations in quality of tax administration staff, thereby making the process more reliable and consistent.

1.1. Legal framework for Scrutiny of returns

The legal framework of the scrutiny of return is already provided in the OVAT Act.

- Section 38 of the Odisha Value Added Tax Act mandates compulsory scrutiny of each and every return filed u/s 33.
- The scrutiny of returns may be system based or manual (Rule 40 OVAT rules 2004). There is also provision for issuing notice in Form VAT-209 asking the dealer to make payment of the balance amount of the tax along with the interest in cases where tax paid is found to be less than the tax payable amount for the tax period for which the return was scrutinized.

Procedure for System Based Scrutiny of Returns

The system based return scrutiny process introduced by the Odisha Commercial Tax Department has two broad steps which include:

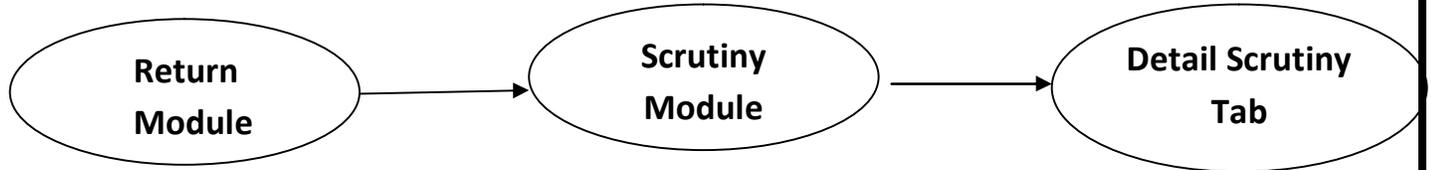
- *STEP 1:* Detailed scrutiny covering selective returns chosen on the basis of certain risk parameters drawn from the returns filed by the taxpayers.
- *STEP 2:* Scrutiny compliance of the dealers after receiving communication from the officers.

STEP 1: Detail Scrutiny of selected returns

The first step of scrutiny of returns begins with the filing of returns by the dealer. Once the returns are filed, the system will scrutinize them on the basis of certain risk parameters (listed in Annexure I). The information furnished in returns filed by a dealer under different Acts (OVAT, CST & OET) for specific tax periods have been interlinked for automatic cross matching across fourteen fields. Further three fields have also been added to the algorithm. The algorithm will run on all the returns on the basis of the chosen parameters. For each parameter, weights have been attached which varies between 0 to 1. The weights are assigned based on the relative importance of the parameters, wherein the most important parameter has been assigned the highest weights. The dealers will be assessed as “Yes” or “No”. “Yes” denotes score of “1” and “No” denotes score of “0”. Again, to these scores, the weights assigned will be multiplied. Based on the total score, dealers will be arranged in descending order with those dealers on top that show discrepancies on maximum number of parameters. Out of the monthly dealers, a maximum of 50 dealers and 1% of the quarterly dealers from top of the list will be selected for detail scrutiny.

Steps to proceed in VATIS:

Step 1: The path to reach detail scrutiny tab in the return scrutiny module is –



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ODISHA VATIS 4.0

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Home | Help Returns >> Detail Scrutiny

Generate Receipt
Return Details
Notice to Defaulters
Call Memo/Show Cause Notice
Refund Helpdesk
Penalty Order
Notice to Unregistered Dealer
Payment
Backlog Arrear/Advanced Payment
Scrutiny
Scrutiny Performance
Scrutiny Compliance
Bank Reconciliation
Confirm PaymentDetails
Scroll Entry
Result Verification

ReturnScrutiny Details

Office Name* BHUBANESWAR II CIRCLE
Tax Period From 01/09/2012 Tax Period To 30/09/2012
Assigned To
TIN

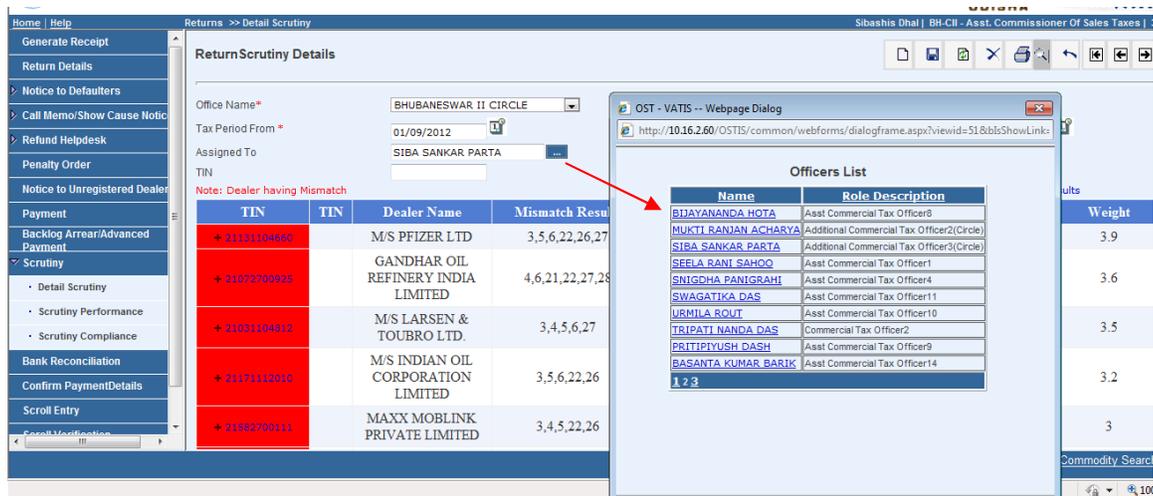
Note: Dealer having Mismatch [View all Mismatch Results](#)

TIN	TIN	Dealer Name	Mismatch Results	Mismatch Points Count	Assign TIN	Assigned To	Weight
+ 21131104660		M/S PFIZER LTD	3,5,6,22,26,27	6	<input type="checkbox"/>		3.9
+ 21072700925		GANDHAR OIL REFINERY INDIA LIMITED	4,6,21,22,27,28	6	<input type="checkbox"/>		3.6
+ 21031104812		M/S LARSEN & TOUBRO LTD.	3,4,5,6,27	5	<input type="checkbox"/>		3.5
+ 21171112010		M/S INDIAN OIL CORPORATION LIMITED	3,5,6,22,26	5	<input type="checkbox"/>		3.2
+ 21582700111		MAXX MOBLINK PRIVATE LIMITED	3,4,5,22,26	5	<input type="checkbox"/>		3

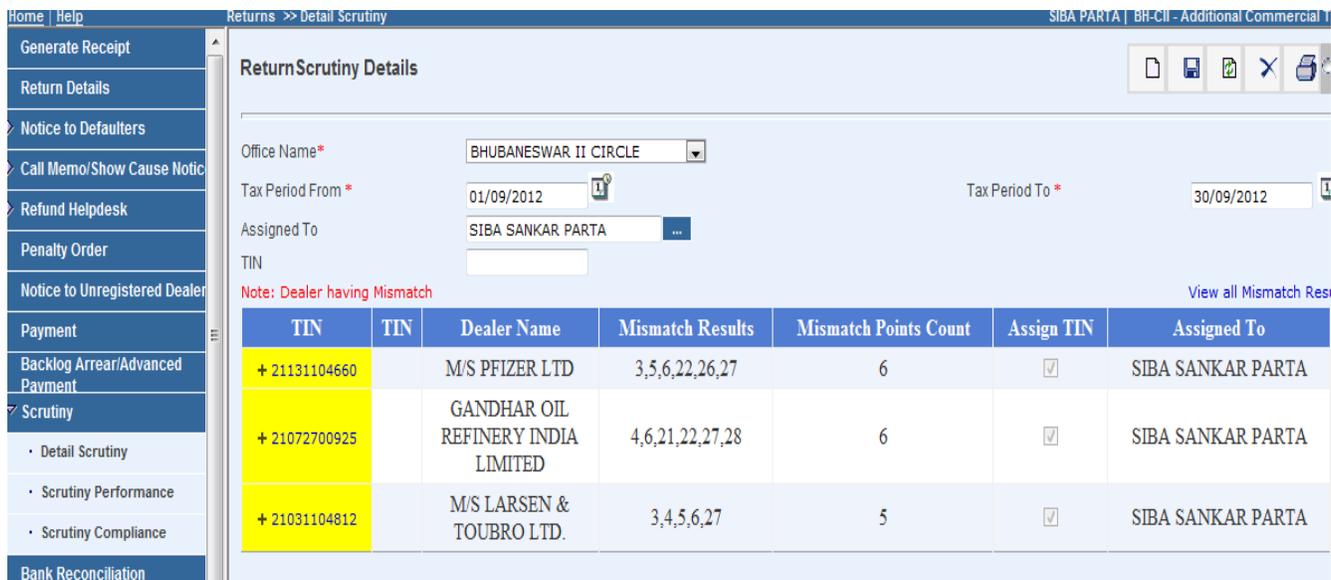
Dealer Search Notice Search Commodity Search Log

Internet | Protected Mode: On 100%

On the 1st day of each month, the search engine displays the returns in each circle for scrutiny. The head of the office (DCCT/ACCT), assigns the returns among the officers (CTO/ACTO). He can assign the returns to him as well.



After the returns are assigned, the officers in their login can find the list of returns assigned to them for scrutiny in the particular month.

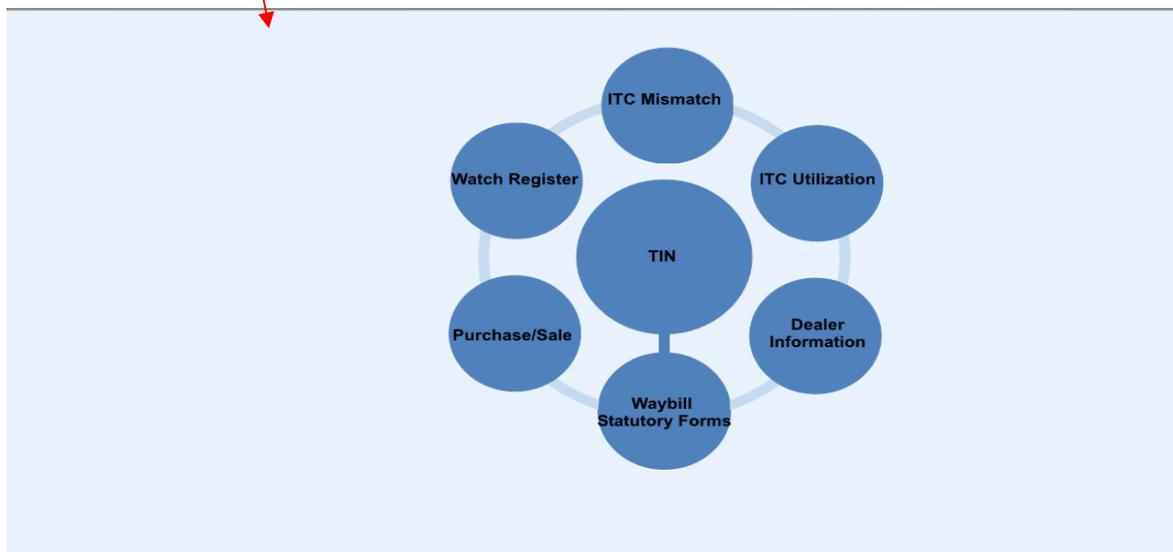


When the officer starts the scrutiny process, he should click on the TIN of the dealer which will open a separate window showing the mismatch points found in the particular return. The screen will show the values corresponding to each figure under various acts like VAT, CST and ET.

After going through each point, he starts further verification like checking his RC, Statutory forms, Purchase/Sale Register, ITC Utilization data, Watch Register etc. All these information are available at a single place in a separate window which is opened if the TIN of the dealer in the mismatch point window is clicked. Samples of all the reports found in the window are given in Annexure II.

TIN: 21781108328

Serial No	Parameter	Description	Mismatch	VAT	CST	ET
3	Interstate Purchase	Sum of inter-state purchase, purchase in course of import, receipt by way of stock transfer, consignment purchase, purchase / receipt value of capital goods from outside the State and purchase / receipt value of goods for sale by transfer of right to use from outside the State should be equal to the check gate (Out to In) data and Waybill utilization data	Mismatch between sum of Sl. no. 12,13,14,15,18(i) & 18(ii) of VAT 201 and check gate (Out to In) data and Waybill utilization data	Sl No (12+13+14+15+18i+18ii) :108824 OTI CG Value :197393		
6	Mismatch in value of interstate sale (Annex. II and sl. no. 30(iii) of VAT 201)	Total value of interstate sale stated at annexure should be equal to the sale in course of interstate trade & commerce as mentioned in VAT return	Sl no.1(VIII)(b) of Annexure-II = Sl no.30(iii) of VAT return	Annex-II SlNo1 viiib :0 Sl No30 iii :20672		
15	Sale/Despatch Of Goods to Outside State	Sale in course of export, Sale in course of interstate trade and Despatch of Goods to Outside State by way of branch transfer and consignment sale should be equal to the checkgate (in to out) data and waybill utilization data	Sl no. 30(iii) and 31 = check gate (in to out) data and waybill utilization data	Sl No (30i+30iii+31) :20672 ITO CG Value : 111083		
18	ITC Adjustment Against CST Payable	ITC adjusted against CST payable should be less than or equal to the excess amount of ITC in VAT 201	Sl.No 50 <= Sl. No.49 of VAT 201	Sl No50 :0 Sl No49 :325426		
21	More Input Tax Claim	Does the dealer claim more input tax than output tax?	(Is Sl. no.29>45 of VAT 201)	Sl No29 :533764 Sl No45 :200770		

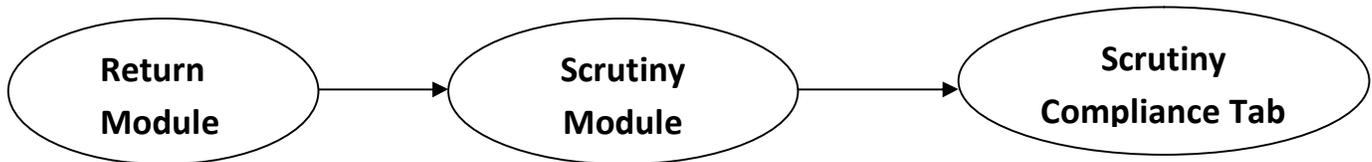


After scrutinizing the return, the Officer puts his observations in the 'Comment Box', saves it and then freezes it. Once the Freeze option is clicked, the comments cannot be edited again.

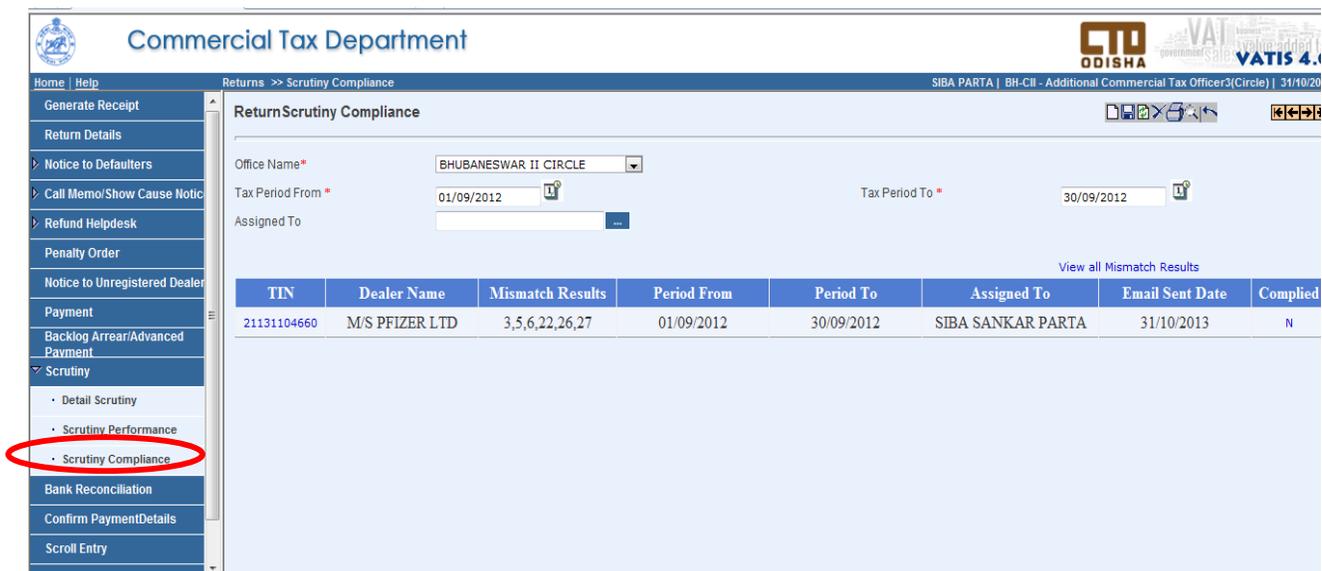
The screenshot shows a web application interface titled "Statutory Forms". At the top, there is a blue semi-circular header. Below it, a horizontal row of six radio button options is displayed: "No further action", "Send to CTO", "Send email/sms to dealer", "Call for Records", "Recommend for Audit", and "Closed". Below these options is a "Comment History" section. It features a "Select CTO:" dropdown menu with the text "<--- Select One --->". Below the dropdown is a large text area labeled "Comments : *". To the right of the text area are two buttons: "Save" and "Freeze". Below the text area is a field labeled "Amount Recovered : *". The browser's address bar shows "Done" and "Internet | Protected Mode: On". The bottom right corner of the browser window shows a signal strength icon, a battery icon, and "100%".

There are six options on the top of the Comment History, i.e., No further Action, Send to CTO, Send email/sms to dealer, Call for Records, Recommend for Audit and Closed. An ACTO can either choose 'No Further Action' (the message will automatically be seen by the CTO), if he is convinced that there are no significant aberrations, or choose 'Send to CTO' if he wants the CTO to take further action on his observations. The CTO/DCCT can choose any option as per the requirement (except for 'Send to CTO'). However, in the initial stage, when the detail scrutiny is done, only first three options would be enabled. The last three options would be enabled at the time of compliance. The CTO/DCCT after scrutinizing the returns communicate to the dealer about the discrepancies found in his return and ask him to comply within 30 days. Here, there is no need to send individual mails/sms to the dealer, rather by clicking the send email button, the observations of the scrutinizing officer is automatically communicated to the dealer.

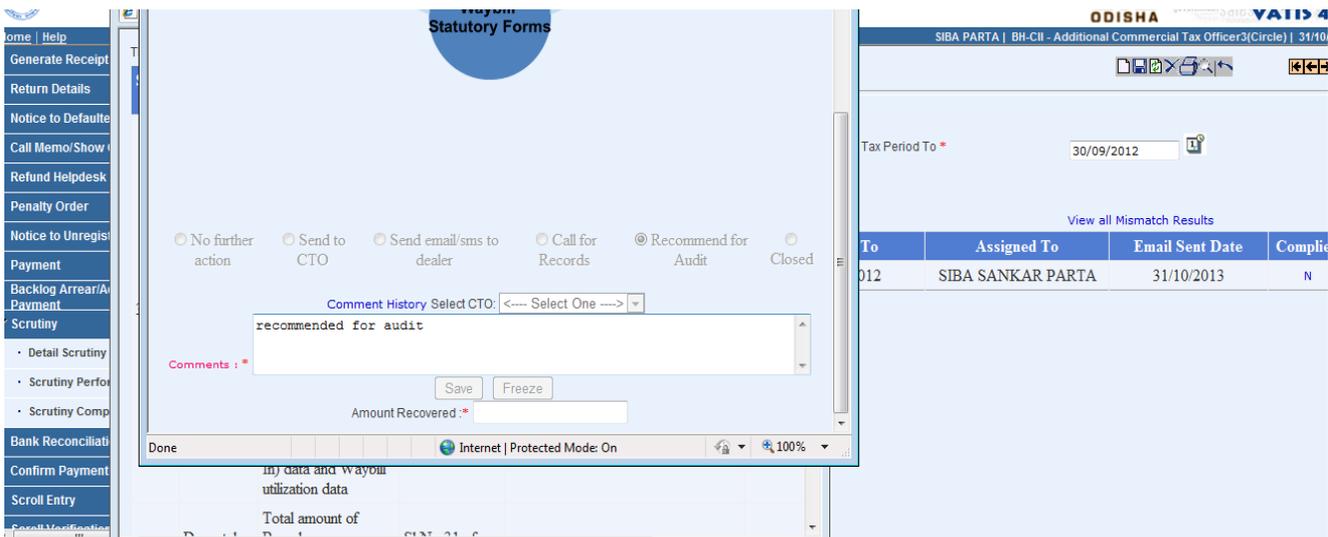
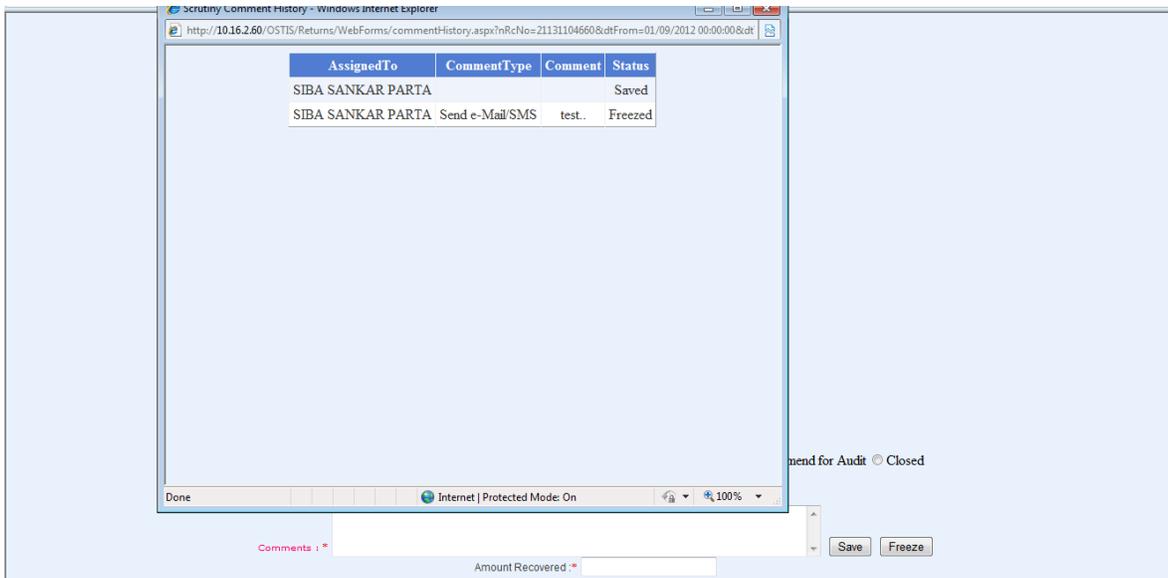
Step 2: The path to reach the Scrutiny Compliance tab is -



By clicking the 'Scrutiny Compliance' tab, all the returns which were scrutinized will be listed in the window. After receiving the communication from the officer, the dealer complies within 30 days either by filing revised return or by verbal communication to the concerned officers.



When the dealer complies by filing a revised return, then in the compliance window there is a provision for viewing the revised return of the dealer. After re scrutinizing the revised return of the dealer, the officer again follows the same procedure as the detail scrutiny and goes to the comment window. He can view his earlier comments in the 'Comment History' tab.



He can either click on the “close” button if he is satisfied with the compliance or call for records if he wants to further verify or he can recommend for audit if he finds the dealer to be evading tax. In the first and last case (closed or recommend for audit), the scrutiny process is complete. But in the case where the records are called for from the dealer, the process is not complete and he has to wait till the dealer produces the records. A color display is given to distinguish between the complete, Work in Progress (WIP) and Pending returns. (Red – Pending, Yellow – WIP and Green – Complete). After the scrutiny is complete, the officer puts his final observations and the amount recovered (if any).

Scrutiny Performance

There is also a facility given in the module to review the performance of the individual officers with regard to return scrutiny. The performance of the assigned officers can be examined by the head of the Circle through the Scrutiny performance module. They can also view the details of the returns scrutinised by them in this module.

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Home | Help Returns >> Scrutiny Performance Sibashis Dhal | BH-CII - Asst. Commissioner Of Sales Taxes | 31/10/2012

ReturnScrutiny Performance

Office Name: BHUBANESWAR II CIRCLE

Tax Period From: 01/09/2012 Tax Period To: 30/09/2012

SLNo	Name	Assigned	WIP	Completed
1	SEELA RANI SAHOO	3	1	2
2	SIBA SANKAR PARTA	2		2

- Detail Scrutiny
- Scrutiny Performance
- Scrutiny Compliance

Bank Reconciliation

Confirm PaymentDetails

Annexure I:

Serial No	Parameter	Description	Mismatch	Weights
1	No Purchase no sale	If there is no purchase and no sale in VAT 201, sl no. 6, 18 of ET return should also be nil	Mismatch between Sl. No. 4 of VAT 201 and Sl. No. 6 & 18 of E3	0.7
2	Mismatch in ITC carried forward and brought forward	ITC brought forward from the previous tax period in the current return should be same as the ITC to be carried forward in the previous return	Mismatch between Sl. No. 5 of current return and Sl.No. 55 of previous return of VAT 201	0.8
3	Interstate Purchase	Sum of inter-state purchase, purchase in course of import, receipt by way of stock transfer, consignment purchase, purchase / receipt value of capital goods from outside the State and purchase / receipt value of goods for sale by transfer of right to use from outside the State should be equal to the check gate (Out to In) data and Waybill utilization data	Mismatch between sum of Sl. no. 12,13,14,15,18(i) & 18(ii))of VAT 201 and check gate (Out to In) data and Waybill utilization data	0.6
4	Total Value of Goods Purchased Within Or Outside State	Total value of goods purchased under VAT should be greater than or equal to those under ET	Sl no. 6 of ET Return <= Sl no. 19 of VAT return .	0.6
5	Despatch of goods to outside state (VAT & CST)	Total amount of Branch Transfer/Consignment Sale made under VAT should be equal to that under CST	Sl No.31 of VAT return= Sl.no 5(a)+5(b) of CST	0.8
6	Mismatch in value of interstate sale (Annex. II and sl. no. 30(iii) of VAT 201)	Total value of interstate sale stated at annexure should be equal to the sale in course of interstate trade & commerce as mentioned in VAT return	Sl no.1(VIII)(b) of Annexure-II = Sl no.30(iii) of VAT return	0.8

Serial No	Parameter	Description	Mismatch	Weights
7	Sale value of goods sold in course of export	The sale value of goods sold in course of export as mentioned in VAT return should be greater than or equal to the sale value mentioned in ET return	Sl no. 21 of ET <= Sl no.30 (i) of VAT	0.5
8	Sale in course of Import	Sale in course of Import into or export out of the territory of India	Sl. No.30(i) + 30(ii) of VAT return = Sl no.6(b) of CST return	0.5
9	Sale/Despatch Of Goods to Outside State	Sale in course of export, Sale in course of interstate trade and Despatch of Goods to Outside State by way of branch transfer and consignment sale should be equal to the checkgate (in to out) data and waybill utilization data	Sl no.30(i)+ 30(iii) + 31 = check gate (in to out) data and waybill utilization data	0.7
10	ITC Adjustment Against CST Payable	ITC adjusted against CST payable should be less than or equal to the excess amount of ITC in VAT 201	Sl.No 50 <= Sl. No.49 of VAT 201	0.9
11	Refund as per Rule 65 or 66 or both whichever is applicable	Refund as per Rule 65 or 66 or both (in sl. no. 52(iii)) should be less than or equal to the balance ITC after adjustment of CST (Sl. no. 51)	Sl no. 52(iii) <= Sl no 51 of VAT 201.	0.6
12	More Input Tax Claim	Does the dealer claim more input tax than output tax?	(Is Sl. no.29>45 of VAT 201)	0.3
13	More Purchase Than Sale	Are the sales of the dealer less by 5 percent of its purchases?	Sl. no.19*1.05 < Sl. no. 40 of VAT 201	0.3

Serial No	Parameter	Description	Mismatch	Weights
14	Mis- Classification Of Goods under 13.5 Category	Is the dealer having less sale under 13.5% category than purchase	Sl. No9 (i+ii+iii+iv) < Sl No(33 IV+ 38 II) of VAT 201	0.3
15	Despatch of goods to outside state (VAT & ET)	Total amount of Branch Transfer/Consignment Sale made under VAT should be greater than or equal to that under ET	Sl no.10+22 of ET<=sl no 31 of VAT	0.7
16	Mismatch in value of interstate sale (VAT & CST)	Total value of interstate sale as stated at VAT 201 should be less than the sale in course of interstate trade & commerce as mentioned in CST return	Sl no.30(iii) of VAT return<Sl no. 6(a) of CST return	0.7
17	ITC Adjustment Against CST Payable under VAT and CST	ITC adjusted against CST payable under VAT 201 should be equal to that under Form I of CST.	Sl no. 50 of VAT 201 = Sl no.13 of CST (form I)	0.9

Annexure II:

Sample of a report generated on clicking watch register:

The screenshot shows a navigation menu on the left with five circular buttons: 'Watch Register' (selected), 'Purchase/Sale', 'Waybill Statutory Forms', 'TIN', and 'ITC Mismatch'. The main content area displays a report titled 'WATCH REGISTER' from the 'OFFICE OF THE COMMISSIONER OF COM BANJYAKAR BHAWAN, OLD SECRETARIATE C'. The report includes a table with dealer details and a monthly summary for the period 2012-2013.

NAME OF THE DEALER	M/S.MAA AUTOMOTIVES .
ADDRESS	GHANTAPADA TALCHER TALCHER ANGUL
TIN	21581311847

PERIOD	2012-2013		
	VAT	CST	ET
APRIL	197808.00		
MAY			
JUNE			
JULY	114627.00		
AUG			
SEPT			
OCT	106000.00		
NOV			
DEC			

Sample of report generated on clicking dealer information (Registration certificate will be displayed)

The screenshot shows the same navigation menu as above. The main content area displays a 'REGISTRATION CERTIFICATE FOR DEALERS LIABL' for M/S.MAA AUTOMOTIVES. The certificate includes a declaration of business activities, a list of business details, and the TIN 21581311847.

REGISTRATION CERTIFICATE FOR DEALERS LIABL
 [See sub rule(3) of rule 18, sub rule(1)]

I hereby certify that M/S.MAA AUTOMOTIVES .(Prop. - DEEPTI MALL) status f
 business activities comprise

Wholesale/Retail Distribution
 and whose Principal place of business/place of business is situated at :-

Village / Holding No. : GHANTAPADA
 Locality : TALCHER
 Ward No. : ANG-C
 Corporation/Municipality/N.A.C :
 Town/City : TALCHER
 Post Office : TALCHER
 Pin Code :
 Police Station : TALCHER
 District : ANGUL

is registered/is deemed to be registered under subsection (2)/sub section (5) of
 (2) of Section 26 of the Orissa Value Added Tax Act, 2004 and is assigned with 1

TIN 21581311847

DD MM YYYY
 With effect from 12-02-2008

Sample of report generated on clicking purchase/sales:

Purchase Sale -- Webpage Dialog
<http://10.16.1.1/OSTIS/Common/Webforms/ChildFrame.aspx?Caption=Purchase Sale>

Summary of Individual Dealer Returns Details
 TIN/RIN : 21581311847 Name of Dealer: M/S.MAA AUTOMOTIVES

Dr. No	Period	Purchases (Inside)	Creditable Input Tax	Purchase & Receipts (Outside)
1	06/01/2013 To 06/30/2013	791,677	104,757	0
		791,677		0

Dr. No	Sales (Taxable)	Output Tax	Zero Rated Sale	Total Branch Transfer In/Out	Total value of sale & Despatch	Tax Payable
1	728,088	98,292	0	0	728,088	0
	728,088	98,292	0	0	728,088	0

It is a simple re-production of all returns filed by the dealer during the defined period.

ITC utilization data

ITC Utilization -- Webpage Dialog
<http://10.16.1.1/OSTIS/Common/Webforms/ChildFrame.aspx?Caption=ITC Utilization>

ITC Utilization

Previous Month ITC	Total ITC Claimed	ITC Carry Forward	ITC Utilized
0	104757	6465	-98292

http://10.16.1.1/O Internet | Protected Mode: On
