

SIRC of ICAI
Chennai

TNVAT AUDIT

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INPUT TAX CREDIT

ALLOWED on tax paid or payable

If **Purchases**

are from registered dealer
of taxable goods in **First** Schedule
inside the State and
tax payment is established in the
prescribed manner.

Section 19: input tax credit

(2) Input tax credit shall be allowed for the purchase of goods made within the State from registered dealer and which are for the purpose of -

- i. re-sale by him within the State; or
- ii. use as input in manufacturing or processing of goods in the State; or
- iii. use as containers, labels and other materials for packing of goods in the State; or
- iv. use as capital goods in the manufacture of taxable goods.
- v. **Sale in the course of inter-State trade or commerce falling under subsection (1) of section 8 of the Central Sales Tax Act 1956**
- vi. Agency transactions by the principal in the manner as may be prescribed

Provided that the reversal of ITC has to be made at 3% for sales falling under section 19(2)(v) effective from 11/11/13

3(a) Every registered dealer, in respect of purchases of **capital goods wholly for use in the course of business of taxable goods, shall be allowed** input tax credit.

(b) Deduction of such input tax credit shall be allowed only after the commencement of commercial; production and **over a period of three years** in the manner as may be prescribed. After the expiry of three years, the unavailed input tax credit shall lapse to Government.

(c) Input tax credit shall be allowed for the tax **paid under section 12 of the Act**, subject to clauses (a) and (b) of this sub- section.

4. Input tax credit shall be allowed on tax paid or payable in the State on the purchase of goods, in **excess of four percent of tax** relating to such purchases

—

(i) **for transfer** to a place outside the place otherwise than by way of sale; or

(ii) for use in manufacture of other goods **and transfer** to a place outside the State, otherwise than by way sale.

Provided that if a dealer has already availed input tax credit there shall be reversal of credit against such transfer.

5(a) **No input tax credit** shall be allowed in respect of **sale of goods exempted** under section 15

(b) **No input tax credit** shall be allowed on **tax paid or payable in other States** or union territories on goods brought into this State from outside the State.

(c) **No input tax credit** shall be allowed on the purchase of goods sold in the course of **interstate trade or commerce** falling under sub-section (2) of section 8 of the Central Sales Tax, 1956.

(6) **No input tax credit** shall be allowed on purchase of **capital goods**, which are used in the **manufacture of goods exempted** under **section 15**.

(7) No registered dealer shall be entitled to input tax credit in respect of—
goods purchased and accounted for in business but **utilised for the purpose of providing facility to the proprietor or partner or director including employees** and in any residential accommodation; or

(b) **purchase of all automobiles** including commercial vehicles, two wheelers and three wheelers **and spare parts for repair and maintenance thereof**, unless the registered dealer is in the business of dealing in such automobiles or spare parts; or

(c) purchase of **air conditioning units** unless the registered dealer is in the business of dealing in such units.

(8) **No input tax credit** shall be allowed to any registered dealer in respect of any goods purchased by him for sale **but given away by him by way of free sample** or gift or goods consumed for personal use.

(9) No input tax credit shall be available to a registered dealer for tax paid or payable at the time of purchase of goods, if such-

(i) **goods are not sold** because of any theft, loss or destruction, for any reason, including natural calamity. If a dealer has already availed input tax credit against purchase of such goods, there shall be reverse credit; or

(ii) **inputs destroyed in fire accident** or lost while in storage even before use in the manufacture of final products; or

(iii) **inputs damaged in transit** or destroyed at some intermediary stage of manufacture.

(10) (a) The registered dealer **shall not claim input tax credit** until the dealer receives an **original Tax Invoice duly filled**, signed and issued by a registered dealer from whom the goods are purchased, containing such particulars, as may be prescribed, of the sale evidencing the amount of input tax.

(b) **If the original tax invoice is lost**, input tax credit shall be allowed only on the basis of **duplicate/ carbon copy** of such tax invoice obtained from the selling dealer **subject to such conditions as may be prescribed**.

(11) In case any registered dealer fails to claim input tax credit in respect of any transaction of taxable purchase in any month, he shall make the claim before the end of the financial year or before ninety days from the date of purchase, whichever is later.

(12) Where a dealer has availed credit on inputs and **when the finished goods become exempt**, credit availed on inputs used therein shall be reversed.

(13) Where a registered dealer **without entering into a transaction of sale**, issues a invoice, bill or cash memorandum to another registered dealer, **with the intention to defraud** the Government revenue, the assessing authority shall, after making such enquiry as it thinks fit and giving a reasonable opportunity of being heard, **deny the benefit of input tax credit** to such registered dealer who has claimed input tax credit based on **such invoice**, bill or cash memorandum from such date.

(14) Where the **business of a registered dealer is transferred** on account of change in ownership or on account of sale, merger, amalgamation, lease or transfer of the business to a joint venture with the specific provision for transfer of liabilities of such business, then, the registered dealer shall be **entitled to transfer the input tax credit lying unutilized** in his accounts to such transferred, sold, merged, leased or amalgamated concern. The transfer of input tax credit shall be allowed only if the stock of inputs, as such, or in process, or the capital goods is also transferred to the new ownership on which credit has been availed of are duly accounted for, in the manner as may be prescribed.

(15) Where a registered dealer has **purchased** any taxable goods from another dealer and has **availed input tax credit** in respect of the said goods and if the **registration certificate of the selling dealer is cancelled** by the appropriate registering authority, such registered dealer, who has availed by way of input tax credit, shall **pay the amount availed** on the date from which the order of cancellation of the registration certificate takes effect. Such dealer shall be liable to pay, in addition to the amount due, interest **at the rate of one and a quarter per cent, per month**, on the amount of tax so payable, for the period commencing from the date of claim of input tax credit by the dealer to the date of its payment.

(16) The **input tax credit** availed by any registered dealer shall be **only provisional** and the assessing authority is empowered to revoke the same if it appears to the assessing authority to be incorrect, incomplete or otherwise not in order.

(17) If the input tax credit determined by the assessing authority for a year exceeds tax liability for that year, the excess may be adjusted against any outstanding tax due from the dealer.

(18) The excess input tax credit, if any, after adjustment under sub-section (17), shall be carried forward to the **next year or refunded**, in the manner, as may be prescribed.

(19) Where any registered dealer has availed input tax credit and has goods remaining unsold at the time of **stoppage or closure of business**, the amount of tax availed shall **be reversed** on the date of stoppage or closure of such and recovered.

(20) Notwithstanding anything contained in the section where any registered dealer has **sold** goods at a **price lesser than the price of the goods purchased** by him, the amount of the input tax credit over and above the output tax of those goods shall be reversed.

NO INPUT TAX CREDIT ON

- Purchase of goods relating to sale of **II sch goods** S 19(1), Pr S 3(5)
- Purchase of any **automobiles** etc., - S19(7)(b). **Exception** dealer it
- Purchase of any **air-conditioning units** - S19(7)(c) **Exception** dealer A/c
- Inputs purchased & a/ctd in business & used by proprietor/ partner/ directors/ employee & in residence.-S19(7)(a)
- Goods purchased for sale & given as sample/gift/personal use -S19(8)
- Goods not sold due to theft, loss, destruction etc.,- S19(9)(i)
- Goods destroyed in fire accident, lost in storage **b4 use in mfg** S19(9)(ii)
- Inputs damaged in transit or **destroyed dg Mfr.**S19 (9)(iii)
- Purchase of goods used as **containers of exempted** goods S 3(7)
- Invoice issued by a “bill trader” S(19)(12)
- Invoice which is not original of “tax invoice” S 19(10) (a)
- Purchase inv in which **Tax not charged separately** S2(36) & 19(10)(a)
- ITC on Purchases, if not claimed before the end of year or 90 days from date of purchase whichever is later.

REVERSAL OF TAX CREDIT

- Purchase Returns
- Sale of exempted goods -IV Sch- S 15 [S19(5) (a)]
- ITC availed & not sold at time of Stoppage of business - S19(19)
- Stock tfr / consignment tfr (4/3%) - S19(4)
- Price variations
- Goods lost, stolen, destroyed & not sold.
- Goods issued as free, gift and samples.
- Theft, loss, natural calamity.
- Input destroyed in fire or during process/mfg
- Unavailed credit on capital goods
- Inputs destroyed in transit.
- Capital goods used for mfg exempted goods.
- Inter–State sales not covered by forms.
- Personal use of goods by director etc.,
- On inputs if Finished goods subsequently exempted -S19(12)
- Bogus purchases (bill traders)
- Suppliers registration cancelled-S19(15)
- Tfr/sale of business not as a whole
- Unutilised ITC of stock inventory within 6 months.
- Tax inv lost/misplaced & carbon copy not given in time or if AO rejects claim

SAMPATHKUMAR V V

ITC REVERSAL WORKINGS

	Purchases		Sales	
TAX RATE	TURNOVER	INPUT TAX	TURNOVER	OUTPUT
5%	4,00,000	20,000	5,00,000	25,000
14.5%	2,00,000	29,000	3,00,000	43,500
Exempted	NIL	NIL	1,00,000	NIL
Stk Tfr	NIL	NIL	1,00,000	NIL
TOTAL	6,00,000	49,000	10,00,000	68,500

- ITC REVERSAL EXEMPTED SALES: $49000/1000000 * 100000 = 4900$
- ITC REV: STK TFR 5% GOODS: $4,00,000 * 25000/1000000 * 100000 = 2500$
- STK TFR REVERSAL IS 3% = $2500/5% * 3% = 1500$
- 14.5% GOODS: Rs 2,00,000 ITC 3% PORTION $20000 * 3% = 6000$
- ITC 11.5% PORTION $20000 * 11.5% = 23000$
- PROPORTIONATE REVERSAL OF 3% $6000 * 100000/1000000 = 600$
- Total reversal $4,900 + 1500 + 600 = 7000$
- TOTAL VAT PAYABLE: $68500 - (49000 - 7000) = 26500$

WORKS CONTRACT ASSESSMENT - THREE METHODS

- **1. Material identification (Regular Method) S5 Reconciliation TO?**
- Tax on **goods**, *deemed sale value*, ITC ✓, Tax can be collected
- **2. Compounding system payment of tax S6**
- Tax on **contract price**, **No** ITC, **No** I/s Purchase, **No** Imports,
- Tax **cannot** be collected. **S6 restriction** is *dealer or WC specific* ?
- Option to be filed with first monthly return for year **or** after commencement of the contract in the next return.
- Option exercised is **final** for *that year*
- No need to maintain accounts **except**
 - **a.** Original of Works contract,
 - **b.** extent of execution of work &
 - **c.** payment received
- Rate of VAT **2%** Civil WCT and **5%** Non civil WCT
- **3. Specified % of Deduction method R8(5)**

WORKS CONTRACT ASSESSMENT

S. No`	Types of WC	Labour or other charges as a percentage value of the WC
1	Electrical Contracts	15
2	All Structural Contracts	15
3	Sanitary Contracts	25
4	Watch and / or clock repairs Contracts	50
5	Dyeing Contracts	50
6	All other Contract	30

TNVAT 2006

• **TURNOVER** = **TNVAT** + **CST**

• **TNVAT** = **(1) Taxable Purchases** +
(2) Taxable Sales + **(3) Exempted**

• **CST** = **(4) Taxable** + **(5) Exempted**

TNVAT AUDIT PROVISIONS

•Section **63-A**: Accounts to be audited in certain cases by **Registered Dealers**

•**Total turnover*** in a year **exceeds Rs one crore** (TNVAT + CST)

Turnover = Taxable (**purchases** + sales) + **Exempted**

•shall get his accounts, audited by an **Accountant** and

•submit a **report** of such audit in the **Form WW**

•duly **signed and verified** by the Accountant to the Assessing authority

•within **NINE** months from the end of the financial year

•*Total turnover **includes** Zero-rate sale and Sale in the course of inter-State trade or commerce as per section 3 of the CST Act 1956

TNVAT AUDIT PROVISIONS

If the Registered Dealer

fails to get his accounts audited and submit a report of such audit within 7 months from the end of the year the AO may direct the RD to pay **penalty** of **Rs 10,000/-** in addition to any tax payable, in respect of the said period.

Audit is not applicable to

departments of Central and State Governments,
local authorities,
railway administration as defined under the Railways Act, 1989,
Tamil Nadu State Road Transport Corporations and
similar such registered dealers, as may be *notified* by the Government

RULE 16A, form WW & **amendment to form RR** notified in GO Ms 119 dated 300812

Rule 16A RD liable to get his accounts audited as per S63A(1)

Furnish report **in duplicate** in **form WW**

Time limit **SEVEN** months from the end of the year

TNVAT AUDIT PROVISIONS

- Whether **VAT Audit** is to be completed first or the finalization of accounts **or** Tax Audit as per Income Tax Act 1961 ?
- Consider the following and state whether it is an **auditable entity or not?**
 - If the turnover of a dealer A as per trading account is **Rs 95 lakhs**
 - If the Turnover of the dealer A is **Rs 110 Lakhs**
 - Turnover of a manufacturer M as per books **Rs 92 Lakhs**
 - Entire sales of company E is **exports or exempted** turnover
- One cannot make a sale to himself when goods are despatched & when goods are sent to selling agent. Whether the goods sent to branches situated in **other States** and goods consigned to selling agent is to be part of “Turnover” for the purposes of sales tax law.

TNVAT AUDIT PROVISIONS

TNVAT Audit Questionnaire

TNVAT AUDIT PROVISIONS

FORM - WW

[See rule 16-A]

Audit Report under section 63-A of the Tamil Nadu
Value Added Tax Act, 2006

Certified that I / we being a Chartered Accountant / Cost Accountant have audited the accounts of (Name and address of the dealer) having registration number (TIN)for the year ending 31stMarchand **subject to my / our observations and comments about non-compliance, shortcomings and deficiencies** in the returns filed by the dealer, as given in the **attached report,**

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TNVAT AUDIT PROVISIONS

- **Form WW** prescribed which among others ,to contain whether
- Books of accounts / records and registers maintained **are sufficient** for verifying the **correctness and completeness** of the returns filed
- Returns filed **includes** all **sales** effected
- Returns filed **includes** all **purchases** effected
- **Sales returns** claimed is as **per law**
- **Adjustment of TO** of sales / pur is **as per entries** passed in books of A/c.
- Classification of goods **sold**, rate of VAT, computation of output tax & net tax payable shown in the returns are **correct**
- Classification of goods **Purchased**, amount of input tax paid, deduction of input tax claimed & reversed is **correct & in conformity with law**
- Utilisation of statutory forms is **valid** purposes as per TNVAT / CST
- **Other info** given in returns is **correct** and **complete**

TNVAT AUDIT PROVISIONS

Annexure

Part A

GENERAL INFORMATION

1. Name of the dealer
2. Taxpayer Identification No (TIN)
3. CST registration No
4. Address (Within TN) **Principal place of business and other places**
5. Nature of business **Mfr/ Trader/WC/Lessor/Agent/Hotelier/ Others (Specify)**
6. **Constitution of business**
7. Name,Address of propr/Partners/Directors as on 31.03.,,,,,**Sl # Name & adr Designn**
8. Details of Regns with other deptmnts : **ITPAN, CE, Serv Tx, IE & CIN**
9. Bank accounts : Name of **Bank & Branch & Account number**
10. **List of books of accounts maintained**
11. **List of books of accounts examined**

TNVAT AUDIT PROVISIONS

Annexure Part B Computation of TNVAT Turnover

13 Computation of Turnover Assessable under the Tamil Nadu Value Added Tax Act 2006				
	Category (1)	Turnover (2)	Rate of Tax (3)	Tax (4)
		(In Rs)	(In %)	(in Rs)
(i)	First Schedule-Part A			
(ii)	First Schedule-Part B			
(iii)	First Schedule-Part C			
(iv)	Works contract TO under S6*			
(v)	Turnover under section 7(1)(a)			
	*Mention the rate of tax			

TNVAT AUDIT PROVISIONS

Annexure Part B Computation of TNVAT Turnover

13 Computation of Turnover Assessable under the Tamil Nadu Value Added Tax Act 2006				
	Category (1)	Turnover (2)	Rate of Tax (3)	Tax (4)
		(In Rs)	(In %)	(in Rs)
(vi)	Turnover under section 7(1)(b)			
(vii)	Goods sold at a concessional rate of tax (covered by a notification)*			
(viii)	Second Schedule Goods*@			
(ix)	Others, if any, specify *@			
(A)	Total Sales Turnover liable to tax under Tamil Nadu Value Added Tax Act 2006{(i) to (ix)}			
	*Mention the rate of tax @ Provide the description of goods			

TNVAT AUDIT PROVISIONS

Annexure Part B Computation of TNVAT Turnover

13 Computation of Turnover Assessable under the Tamil Nadu Value Added Tax Act 2006				
	Category (1)	Turnover (2)	Rate of Tax (3)	Tax (4)
		(In Rs)	(In %)	(in Rs)
(x)	Purchase liable to be taxed under sec 11			
(xi)	Purchase liable to be taxed under sec 12			
(B)	Total Purchase Turnover liable to tax under Tamil Nadu Value Added Tax Act 2006{(x) + (xi)}			
(C)	Total Taxable Turnover Under Tamil Nadu Value Added Act 2006 {(A) + (B)}			

TNVAT AUDIT PROVISIONS

Annexure Part B Computation of TNVAT Turnover

13 Computation of Turnover Assessable under the Tamil Nadu Value Added Tax Act 2006

	Category (1)	Turnover (2)	Rate of Tax (3)	Tax (4)
		(In Rs)	(In %)	(in Rs)
(xii)	Turnover within the State, of goods specified in the Fourth Schedule to the Tamil Nadu Value Added Tax Act, 2006@			
(xiii)	Turnover within the State, of goods which are exempted by Notification @			
(xiv)	Zero-rated sales within the State			
(xv)	Others, if any, specify			
(D)	Total Exempted Turnover {(xii) to (xv)}			
	TOTAL TURNOVER under Tamil Nadu Value Added Tax Act, 2006{(C) + (D)}			
	@ Provide the description of goods			

TNVAT AUDIT PROVISIONS

Annexure Part B

13	Computation of Purchases	Value in (Rs)	Value Added Tax paid (in Rs)
(a)	(i) Registered Compounding Dealers (ii) Registered Annual Return Filers (iii) Other Registered Dealers * (iv) Unregistered Dealers		
(b)	Inter-State Purchases		
(c)	Imports into India		
(d)	Inter-State Stock Transfer (inward)		
(e)	Others, if any, specify*		
	TOTAL PURCHASE TURNOVER (including stock transfer) {sum of (a) to (e) above}		
	* VAT paid details to be furnished		

TNVAT AUDIT PROVISIONS

Annexure Part B

14.Details Of Input Tax Credit Reversal/Adjustment.

<u>S.No</u>	<u>Nature of Transaction</u>	<u>Relevant Section Rule</u>	<u>Purchase value (net of tax) (in Rs)</u>	<u>Tax paid (in Rs)</u>	<u>Reversal/ Adjustment Of Input Tax Credit</u>	<u>Remarks *</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Goods used for Civil Structures	section 2(11)				
2.	Goods utilized for self use	Sec 19(7)(a)				
3.	Purchase of automobiles and spare parts other than a dealer in Automobiles	Section 19(7)(b)				
4.	Purchase of Air-conditioners other than a dealer in Air-conditioners	Section 19(7)(c)				
5	Goods given as gift, free sample	Section 19(8)				
	*If space is insufficient attach the details in a separate sheet.					

TNVAT AUDIT PROVISIONS

Annexure Part B

14.Details Of Input Tax Credit Reversal/Adjustment.

<u>S.No</u>	<u>Nature of Transaction</u>	<u>Relevant Section Rule</u>	<u>Purchase value (net of tax) (in Rs)</u>	<u>Tax paid (in Rs)</u>	<u>Reversal/ Adjustment Of Input Tax Credit</u>	<u>Remarks*</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6	Goods lost on theft, loss etc.	section 19(9)(i)				
7	Inputs destroyed in fire or lost	Section 19(9)(ii)				
8	Inputs damaged in transit or destroyed before manufacture	section 19(9)(iii)				
9	Unavailed credit on Capital Goods(time-barred)	section 19(3)(b)				
10	Consignment sales with 'F' Form	section 19(4)(i)&(ii)				
	*If space is insufficient attach the details in a separate sheet.					

TNVAT AUDIT PROVISIONS

Annexure Part B

14.Details Of Input Tax Credit Reversal/Adjustment.

<u>S.No</u>	<u>Nature of Transaction</u>	<u>Relevant Section Rule</u>	<u>Purchase value (net of tax) (in Rs)</u>	<u>Tax paid (in Rs)</u>	<u>Reversal/ Adjustment Of Input Tax Credit</u>	<u>Remarks *</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
11.	Stock transfer with 'F' Form	S 19(4)(i)(ii)				
12	Purchases for production of Exempted Goods (Finished)	Section 19(5)(a)				
13.	Inter-State sale without 'C'Form	Section 19(5)(c)				
14	Purchase Return	Sec 14(i)				
15	Input Tax Credit availed for Finished Goods subsequently exempt	Section 19(12)				
	*If space is insufficient attach the details in a separate sheet.					

TNVAT AUDIT PROVISIONS

Annexure Part B

14.Details Of Input Tax Credit Reversal/Adjustment.

<u>S.No</u>	<u>Nature of Transaction</u>	<u>Relevant Section Rule</u>	<u>Purchase value (net of tax) (in Rs)</u>	<u>Tax paid (in Rs)</u>	<u>Reversal/ Adjustment Of Input Tax Credit</u>	<u>Remarks*</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
16	Consignment Sales without 'F' Form					
17	Stock Transfer without 'F' Form					
18	Purchase of Capital Goods used in the manufacture of exempted goods.	Section 19 (6)				
19	Others(if any, specify)					
		Total				
	*If space is insufficient attach the details in a separate sheet.					

TNVAT AUDIT PROVISIONS

Annexure Part B

15. Turnover under the Central Sales Tax, Act, 1956

	<u>Category</u>	<u>Turnover</u> <u>(in Rs.)</u>	<u>Rate of Tax</u>	<u>Output</u> <u>Tax</u> <u>(in Rs.)</u>
	(1)	(2)	(3)	(4)
(a)	Inter-State sales with 'C' Form			
(b)	Inter-State sales without 'C' Form			
(c)	Consignment Sales and/or Stock Transfer without 'F' form			
(d)	Pre-export sales without 'H' form			
(e)	Any other taxable sales not covered by declaration forms/certificates/documents			
(A)	Taxable Turnover Under Central Sales Tax Act{(a) to (e)}			
	Add: Exempted Turnover			

TNVAT AUDIT PROVISIONS

Annexure Part B

15. Turnover under the Central Sales Tax, Act, 1956

	<u>Category</u>	<u>Turnover</u> <u>(in Rs.)</u>	<u>Rate of Tax</u>	<u>Output Tax</u> <u>(in Rs.)</u>
	(1)	(2)	(3)	(4)
(f)	Sales under section 5(1)			
(g)	Sales under section 5(2)			
(h)	Sales under section 5(3)			
(i)	Inter-State Consignment sales and Stock Transfer			
(j)	Inter-State sales to Special Economic Zone			
(k)	Transit Sales			
(l)	Sale of Exempted Goods			
(m)	Any other sales exempted			
(B)	Total Exempted Turnover Under Central Sales Tax Act {(f) to (m)}			
C	Total Turnover Under Central Sales Tax Act {(A) + (B)}			

TNVAT AUDIT PROVISIONS

Annexure Part B

16(A). Details of Input Tax Credit availed on purchase of Capital Goods (Other than Parts and Accessories)

SI no	Month & Year of Purchase	Date of commencement of commercial production	Input tax credit claimed	First year from which input tax credit can be adjusted	Input tax credit adjusted			Input tax credit lapsed	Input tax credit carried forward
					First Year Amt	Second year Amt %	Third year Amt %		
1									
2									
	Total								

TNVAT AUDIT PROVISIONS

Annexure Part B

16(B). Total Input Tax Credit on Capital Goods

S.no	Description	<u>Eligible Input Tax Credit Brought Forward from the Previous Year</u>	<u>Input Tax Credit Adjusted in the Current Year</u>	<u>Input Tax Credit Lapsed</u>	<u>Input Tax Credit eligible to be Carried Forward to Next Year</u>
(1)	(2)	(3)	(4)	(5)	(6)
1	Capital Goods				
2	Parts and Accessories				
	Total				

TNVAT AUDIT PROVISIONS

Annexure Part B

17. Details of delayed filing of Returns / Payment of Taxes

<u>Sno</u>	<u>Month to which the return relates</u>	<u>Due date of filing</u>	<u>Date of filing</u>	<u>Date of payment of Tax</u>	<u>Number of days delayed</u>	<u>Tax amount</u>	<u>Interest due</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

TNVAT AUDIT PROVISIONS

Annexure Part B

18. (a) In the case of a trading concern, give quantitative details of principal items of goods traded:

- i. opening stock;
- ii. purchases during the previous year;
- iii. sales during the previous year;
- iv. closing stock;
- v. shortage/ excess, if any

18 (b) In the case of a manufacturing concern, give quantitative details of the principal items of raw materials, finished products and by-products:

(A) Raw materials:

- i. opening stock;
- ii. purchases during the previous year;
- iii. consumption during the previous year;
- iv. sales during the previous year;
- v. closing stock;
- vi. *yield of finished products;
- vii. *percentage of yield;
- viii. * shortage/ excess, if any,

TNVAT AUDIT PROVISIONS

•Summary of tax due / refunds is to be worked considering returns / accounts as below:

Amt as per Returns	Correct Amt as per A/c	Difference
-------------------------------	-----------------------------------	-------------------

- Out put tax** payable under TNVAT
- Purchase tax** payable u/s 11 / 12
- CST** Payable
- Input Tax **Credit claimed**
- Ineligible **ITC reversed**
- Net **ITC available** for Adjustment
- Refunds** claimed
- ITC adjusted **against VAT**
- ITC adjusted **against CST**
- ANY** other items

TNVAT AUDIT PROVISIONS

•TAX liability of the dealer for the year is to be worked out as below :

• Act	Tax Due	Tax Paid	Balance/ Excess
	After adjustment		
• (1)	(2)	(3)	(4)

•TNVAT

•CST

•Based on the above the dealer has to be advised to

•File revised returns for the year/month.....(rule 7(9))

•Pay differential tax of Rs With interest of Rs..... & penalty of Rs.....

•Reverse ITC of Rs.....in the monthly returns of

•Claim refund of Rs.....

•With the above the form WW gets completed but prescribed annexures as listed below are to be filed and submitted

•Annexure to form WW, (1) Descriptive report of Non compliance , (2) short comings & deficiencies in returns filed & (3) Copies of Trading, P&L A/c and Balance Sheet

THANK YOU !!

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TNVAT Audit Questionnaire

The following sample and illustrative questions may be used while conducted the VAT Audit. The points, remarks and observations for each of the following may be noted and such nothings etc., will form part of the working papers and will be very useful to form an opinion about the accounts and in finalizing the TNVAT Audit Report

Books and accounts

1. Whether the List of all books of accounts and registers maintained at all places relating to TN activity is provided or not?
2. If in electronic mode only whether the prints are generated periodically and kept or not?
3. What are the List of books and registers made available verification and audit?
 - ✓ List out the books and registers verified

Turnover details

1. Whether the turnover summary details, *as per returns filed*, is prepared showing data month wise, rate of tax wise?
2. Is there any difference between the figures shown in the summary of turnover prepared based on *returns* filed and *accounts* audited/ under audit?
3. If there is any difference in turnover(s), whether the reconciliation of turnover as per *accounts* and *returns* filed is prepared and shown to you?
4. Have you recorded the reasons for the variation in turnover?
5. Have verified the reconciliation of turnover statement?
6. Due to the variation in turnover whether any revised return is to be filed? If so, whether the time to file revised returns is there or not?
7. Whether any revised returns is filed during the year?
 - ✓ If so, whether details / reasons for the revised return(s) filed is to be obtained and noted in your work papers with connected details/ copies of such revised returns?
8. Whether the revised return(s) is filed in time prescribed? [which is six months from the end of the relevant month of transaction]
9. Whether acknowledgement for having filed is taken from the CT office?
10. Further liability if any was paid along with interest or not?
11. Whether Interest calculation is correct or not? - Interest is 2% per month
12. Have you verified the interest workings / calculations?
13. If tax is claimed by filing revised returns, proof of having filed the revised returns is to be seen and verified?

Direct Sales

1. Whether List of all goods sold is obtained or not?
2. What is the VAT rate adopted for each of the goods sold?
3. Whether the rate of VAT adopted for sale of goods is as per the rate(s) mentioned in the schedule(s)?
4. Whether the vat rates for each goods sold is noted with relevant entries in schedule to the Act or not?
5. Whether any notification for the commodity involved is issued by the Government?
 - ✓ If so, the changes are effective from which date?
6. Whether such revised rates were followed immediately or later with delay?
7. If the revised rates are adopted involving delay, whether the implications arising out of this were addressed properly or not?
8. If the rates of VAT or the reduced rate as per G O is attached with any conditions, whether such conditions were complied with or not?

9. If not, the details of such reduced rate turnover is gathered and higher rate of liability is paid or not?
- 10.If higher rate of tax is paid, note down the details of such higher rate payments along with the returns or later?
 - ✓ Note down amount paid, workings involved, due date, date of payment, interest paid
- 11.Whether all sale bills are verified to satisfy about the correctness of the contents in the returns as to sale value and output tax shown or test check is carried out on samples? if so the basis of selection samples is also to be noted ?
- 12.For sales to SEZ,EOU and covered by notifications with conditions whether the related certified true copies of documents were collected by the dealer and verified by you?
- 13.Whether any goods are sold against industrial input certificates at concessional rate of tax?
 - ✓ If so, whether input certificate is obtained for all the sales effected? Rule 6(3)(b)
- 14.If collection of any industrial input certificate is pending in respect if any sales, list of such sales, customer wise for such pending certificates?
- 15.Whether the collected industrial input certificate is in requirement of the provisions of the Act and Rules.
- 16.If any wanting in any of industrial input certificate is noticed whether such nothings are recorded or not?

Purchases

1. List of all goods purchased and dealt with is obtained or not?
2. What is the VAT rate adopted for each of the goods purchased?
3. Whether the rate of VAT adopted for the purchase of goods is as per the rate(s) mentioned in the schedule(s) to the Act?
4. Whether the vat rates for each goods purchased is noted in the returns backed up by relevant entries in books or not?
5. Whether any notification is issued for the commodity by the Government?
 - ✓ If so, the changes are effective from which date?
6. Whether such revised rates were followed immediately or later with delay ?
7. If the revised rates are adopted delayedly, whether the implications arising out of this were addressed properly or not?
8. If the rates of VAT or the reduced rate, as per any notification, is attached with any conditions, whether such conditions were complied with or not?
 - ✓ If not, the details of such turnover is gathered and higher rate of liability is paid or not?
9. If higher rate of tax is paid, note down the details of such higher payments along with the returns or payments made later?
- 10.Whether all purchase bills are verified to satisfy about the correctness of the contents in the returns as to sale value and output tax shown or test check is carried out on samples?
 - ✓ If so the basis of selection samples is also to be noted?
- 11.If goods were purchased against industrial input certificate whether the certificates were issued or not?
- 12.Whether the dealer is entitled to issue industrial input certificate or not?
 - ✓ If not eligible, whether the reasons and justifications for the such ineligibility is noted or not?
- 13.Whether the implications arising out of this is analysed the tax impact noted and reported?

Purchases/sales, returns

1. Whether any goods purchased/sold were returned to/ by the supplier/customer?
2. Whether the goods movement documents were produced and verified?

3. Whether any statement of purchases/ sales returns was prepared and produced along with the supporting documents of debit notes/ credit notes?
4. Whether return / receipt of goods took place within the stipulated time of purchase/sale?
- Time prescribed is 6 months
5. Whether the goods sent / received back is recorded in the stock book?
6. Whether the sales / purchases along with tax has been paid / claimed as ITC along with the monthly returns?
7. Whether the reference about the sale / purchase is noted in the Credit note / debit note?
8. If unfructified sales whether the goods were returned within 30 days of sales?
9. The implications arising out of the findings were analysed, discussed and noted for reporting?

Input tax credit

1. Whether Input tax credit claim and adjustment account prepared by dealer?
2. Whether the same is verified
3. What is the net amount eligible for adjustment each month?
4. What is quantum of ITC that is adjusted towards VAT dues and what is the quantum for CST?

ITC reversals

- 1) Check whether any of the following ITC reversals applicable to the dealer?
 - ✓ If so, have you checked the correctness of ITC reversal workings and its reporting in returns and accounting in books account?
 - ✓ Workings for reversal should have been made on the actuals. If data is not available whether the proportionate value of tax to be reversed is worked out on any acceptable basis using formula or otherwise?
 - ✓ Deficiencies, shortcomings and omissions are to be noted and form part of the report
 - ✓ Whether the ITC reversals were calculated on a consistent basis for month on month?
 - ✓ If not, note down the implications involved and the variation, in quantum if workable for reporting?
- 2) The input tax credit is to be reversed in respect of the following has been done or not?
 - ✓ If the goods purchased are used for making civil structure - Section 2(11)
 - ✓ Purchase of automobiles, spare parts and accessories other than dealer in Automobiles – Section 19(7)(b)
 - ✓ Purchase of Air conditioners other than dealer in Air conditioners. Section 19(7)(c)
 - ✓ Goods purchased for sale issued as free of cost – samples –Section 19(8)
 - ✓ Unavailed credit on Capital goods (time barred) Section 19(3) (b)
 - ✓ Purchase Returns & Sales returns
 - ✓ Sale of exempted goods -IV Schedule- S 15 [S19(5) (a)]
 - ✓ ITC availed and not sold at time of Stoppage of business - S19(19)
 - ✓ Stock transfer / consignment transfer (5%) - S19(4)
 - ✓ Goods are stolen, lost or destroyed, due to natural calamity, fire etc., while in storage or in transit S 19(9)
 - ✓ Consignment Sales without `F' Form Section 19(4) full ITC reversal
 - ✓ Stock transfer without `F' Form Section 19(4) full ITC reversal
 - ✓ Purchases for production of Exempted goods (Finished) Section 19(5)(a)
 - ✓ Inter-State sale without `C' Form section 19(5) (c)
 - ✓ Inter-State sale with `C' Form 3% reversal from 11/11/13 section 19(2) (v)
 - ✓ ITC availed for finished goods subsequently exempt. Section 19(12)
 - ✓ Price variations relating to sales purchase effected within the year
 - ✓ Input destroyed in fire or during process/mfg
 - ✓ Capital goods used for manufacturing of exempted goods.

- ✓ Goods purchased for business activity, but subsequently used for personal use or other activity not in the course of business - Section 19(7)(a)
- ✓ On inputs if Finished goods subsequently exempted –Section 19(12)
- ✓ Bogus purchases (bill traders)
- ✓ Suppliers' registration cancelled-Section 19(15)
- ✓ Transfer / sale of business not as a whole
- ✓ ITC not claimed in time. (Within the Financial Year or 90 days of purchases)
- ✓ Tax inv lost/misplaced and carbon copy not given in time or if AO rejects claim
- ✓ ITC CG Claimed but CG sold within 3 years
- ✓ Arithmetic calculations and wrong workings and claims.
- ✓ In case of stoppage or closure of business, the input credit availed to the extent that it pertains to goods remaining unsold shall be reversed on the date of stoppage / closure.
- ✓ Where the supplier's registration is cancelled, [Section 19 (15)] the credit availed in respect of purchases from such supplier. Where a net amount payable to the Government arises as a result of the reversal, interest is also payable @ 2% per month from the date of cancellation to the date of ultimate payment.

Stock book / records / registers

- 1) Whether stock is maintained?
 - ✓ If so, it is for all goods or only for major goods dealt with?
- 2) Have you verified the stock book with reference to goods movement documents?
- 3) Whether the goods receipt and issues are accounted then and there or is there any delay involved?
- 4) Whether goods movement documents are valid and proper with respect to its contents and the proscribed delivery challans is used or not? Like form JJ
- 5) Whether the registers prescribed for the prescribed delivery challans/ way bills etc for the movement of goods is maintained or not? Like form NN register
- 6) Whether register is updated then and there or delay is noticed in updating?
- 7) Prescribed registers like form 8, 10,12, 13 14,15 etc is maintained and updated?
- 8) Prescribed form H register for raw materials and finished goods is maintained by the manufacturer

Works contract Regular Method

1. Whether the calculations and the basis adopted to arrive at the deemed sale value and VAT liability is explained and workings shown?
2. Whether the basis is followed month on month consistently or if there is any change in the methods of calculations of arriving at the deemed sale value and VAT liability?
3. Whether the goods used as such (of purchases) and goods used in some other form (of purchases) is identified?
4. Whether the deemed sale value of goods used as such is arrived by adding reasonable percentage of profit to the landed cost of the cost of goods till it reached the site place or till the time of accretion ?
5. Whether the deemed sale value of arrived at for the goods used in some other form, other than purchases, is arrived at by adding conversion charges, reasonable profit the landed cost of the goods till it reached the site place or till the time of accretion ?
6. Whether Goods if any provided by the Contractee and such value is part of turnover or not?
7. Whether any sub contract given by the dealer?
 - ✓ If so, whether any deduction is claimed by the dealer?
8. Whether the deduction is claimed in the monthly return or not?
 - ✓ If so, in which column the deduction is shown and claimed?

- No columns to show deductions
9. If deduction claimed for the payment made to the sub contractor whether the certified true copy of the VAT registration certificate and the proof for having paid the tax on the amounts paid to such sub contractor is obtained from such sub contractor?
 - ✓ If not, whether the implications were analysed, discussed and noted for reporting?
 10. For all the payments made to sub contractors, whether the WCT TDS provisions are complied with as to deduction of TDS in time, remittance of TDS within the prescribed time and issuance of certificate in time?
 11. If form S no deduction certificate is furnished whether it is valid for this contract and for the payments made in this year?

Works contract standard percentage deduction Method – Rule 8(5)

1. Whether the labour and other like charges are ascertainable from the books and records maintained by the dealer or not?
2. What is the nature of the works contract carried out?
3. What is the percentage of deduction as per rule 8(5) of TNVAT rules?
4. Whether Goods if any provided by the Contractee and such value is part of turnover or not?
5. What is the percentage adopted by the dealer in this regard?
6. Whether any sub contract given by the dealer?
 - ✓ If so, whether any deduction is claimed by the dealer for sub contractors payment / labour charges portion etc?
7. Whether the deduction is claimed in the monthly return or not for sub contractors payment / labour charges portion etc?
 - ✓ If so, in which column the deduction is shown and claimed? No columns to show deductions
8. If deduction claimed for the payment made to the sub contractor whether the certified true copy of the VAT registration certificate and the proof for having paid the tax on the amounts paid to such sub contractor is obtained from such sub contractor?
 - ✓ If not, whether the implications were analysed, discussed and noted for reporting?
9. For all the payments made to sub contractors, whether the WCT TDS provisions are complied with as to deduction of TDS in time, remittance of TDS within the prescribed time and issuance of certificate in time?
10. If form S no deduction certificate is furnished whether it is valid for this contract and for the payments made in this year?

Works contract paying tax as per the composition scheme - Section 6

1. Whether any option letter is filed to pay composition tax as per this section 6?
2. Whether the copy of the option letter is produced for verification?
3. Whether the acknowledgement for having filed the copy of option letter is produced and verified?
4. Whether the option letter is filed in time? [Along with the first monthly returns or after the commencement of contract in the next monthly returns]
5. Any input tax credit is claimed by the dealer? - Not entitled to claim ITC
6. Any tax is collected from the contractee by this contractor? Not entitled to collect
7. Whether Goods if any provided by the Contractee and such value is part of turnover?
8. Whether any imports from foreign country effected by the dealer?
 - ✓ If so, not entitled to pay tax under the composition scheme at all?
9. Whether any inter State purchases effected by the dealer?
 - ✓ If so, not entitled to pay tax under the composition scheme at all?
10. Whether any deduction is claimed by this dealer? No deduction permissible
11. Whether any contract is carried out for SEZ unit in TN?

12. Whether the tax is paid for the works contract carried out for SEZ unit contract also?

- ✓ If tax not paid for the contract work carried out for SEZ unit, whether the implications arising out of this has been considered analysed, discussed and noted for reporting?

Others

1. Miscellaneous income & Profit or loss of sale of used assets -- analysis
2. Profit or loss of sale of used assets - tax implications
3. Whether the information given in the monthly return is correct and complete?
4. Management representation letter is to be obtained for various matters that requires the Audit to be completed and, amongst others, it should cover the following,

Whether

- ✓ Books of accounts / records and registers maintained are sufficient for verifying the correctness and completeness of the returns filed
- ✓ Returns filed includes all sales effected
- ✓ Returns filed includes all purchases effected
- ✓ Sales returns claimed is as per law
- ✓ Adjustment of TO of sales / purchase is as per entries passed in books of A/c.
- ✓ Classification of goods sold, rate of VAT, computation of output tax & net tax payable shown in the returns are correct
- ✓ Classification of goods Purchased, amount of input tax paid, deduction of input tax claimed & reversed is correct & in conformity with law
- ✓ Utilisation of statutory forms is valid purposes as per TNVAT / CST
- ✓ Other info given in returns is correct and complete

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