

VAT AUDIT and Recent Case **laws under VAT law**



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Provisions and practical issues to audit u/s 31(4) of the KVAT Act in relation to certification of KVAT 240

- Form VAT 240
- Audit Certificate/Audit Report
- Taxable Limit- Rs. One Crore
- Total Turnover/ Taxable Turnover
- CA, Cost Accountant- (Corporate Audits)
- and Tax Practitioner- (Non Corporate Audits)
- To be filed With Nine months from the end of the Financial Year
- No Annual statement
- Penalty



▶ **KVAT Audit-**


- ▶ For K-VAT Purposes audit means scrutiny of the records of assessee and the **verification** of the actual K-VAT payments and receipts of inputs and capital goods provided with a view to check whether the assessee is paying the K-VAT correctly and following the K-VAT provisions and procedures.
- ▶ Rule 33 provides an **elaborate listing of methodology** of maintaining accounts and records.
- ▶ The Audit can be of various types like statutory audit, Procedures Audit, Internal Audit of K-VAT and CST transactions, Input Credit Audit (Inputs and capital goods Credit), legal compliance audit, review audit.



- ▶ The KVAT Audit has various advantages to the Government or to the dealers like it is advantageous to the government by increasing the revenue, lesser cost of administration and collection, check on misclassification of goods to ensure the correct rate of tax and availment of input tax credit is as per law or not.
- ▶ It is beneficial to the Industry as it updates the assessee with respect to exemption, notification, clarification and circulars.
- ▶ The basic simplification in VAT is that VAT liability will be self assessed by the dealers in terms of submission of returns upon setting off the tax credit. The correctness of self-assessment will be checked through a system of audit.



Preparation of Audit Report

- To prepare a meaningful audit report, the auditor must have sound knowledge of the relevant statutory requirement under the KVAT law.
 - The audit notes and observations must be prepared in a systematic and methodological manner.
 - These audit notes are the basis of drafting the report.
 - The auditor should use his professional judgment to rectify the accounting principles and statutory law followed by the dealer.
 - Some audit observations require classification to ensure minimum legal requirements and some audit observations require auditor to make a qualification due to infringement of statutory requirements.
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KVAT Audit Procedure...

- Preliminary procedure by KVAT Auditor :
 - a. Acceptance of the Appointment
 - b. Plan for the Audit
 - c. Audit Programme
 - d. Compilation of Report and Working papers
 - e. Management Representation for specific issues
 - f. Basic Information of the dealer business
 - g. List of documents required for the KVAT Audit.....



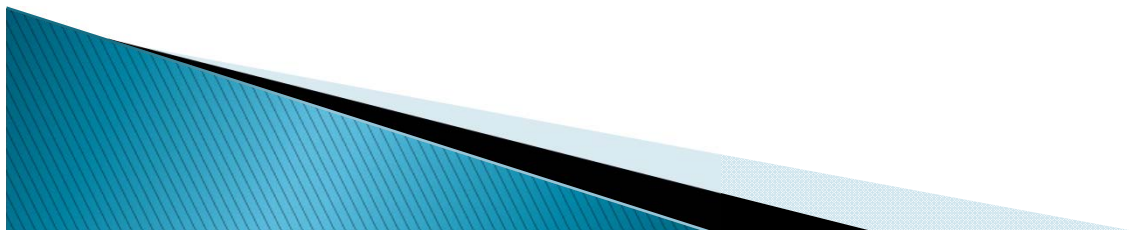
KVAT Audit Procedure...

- Data to be collected for compiling KVAT Audit
 - a. Sales Register, (Local, interstate, Export)
 - b. Purchase Register(Local, interstate, Import)
 - c. Sales Invoices
 - d. Purchase Invoices
 - e. Credit/Debit Note register
 - f. Monthly Returns- Original/Revised
 - g. Stock Valuation Statement
 - h. Financial statement- Audited
 - i. Correspondence with the departments



KVAT Audit Procedure...

- **Data to be collected for compiling KVAT Audit**
 - a. Registration certificate (VAT, PT, Entry Tax)
 - b. Statutory Forms Register
 - c. Classification Schedule (Rate of tax)
 - d. Stock inward/Stock Outward Register
 - e. Input VAT/Output VAT Register
 - f. Place of business within Karnataka and outside Karnataka
 - g. Opinion file/Consultancy file
 - h. Copies of any specific Notifications applicable



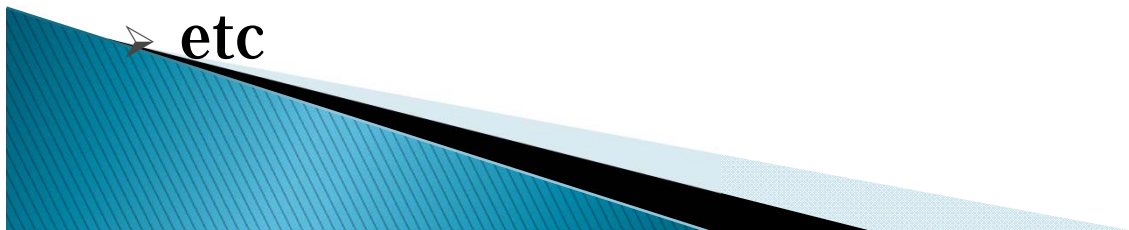
Audit Procedures

- Verification of sales book,
- Corresponding entries in the stock records should have been made, ensure that rates on which sales have been made are according to price list,
- Sales return should be duly account for and stock should duly adjusted,
- Ensure that goods sent on approval basis,
- Goods sent on consigner are not recorded as sales, tally sales with sales tax returns,
- Reconcile VAT collections with payments and transfer after adjusting the input tax credit, the net balance to appropriate accounts,
- Check adjustment of input tax by setting off against output tax by relevant journal entries,



Audit Procedures

- Check the different classification of sales at different of taxes as per schedule,
- Check the credit notes issued and reason for issue,
- Check the tax invoices, bill of sale prepared as per the Provisions of account, tally the monthly figures with the figures shown in the monthly return,
- Check the purchase invoices and proper classification of purchase is made at different rate of taxes, Purchase returns are accounted correctly,
- Check whether any stock is transferred to branches within the state and outside the state,
- Check whether capital goods are purchased,
- Ensure rebates and discounts have been adjusted properly
- etc



Objectives of VAT Audit

- Close the gap between the tax declared by VAT dealer and the tax legally due
- system of self-assessment
- correct computation of taxable and total turnovers
- books of accounts and other records are maintained
- facilitate the assessing authority
- claimed the input tax set-off and other deductions correctly;
- bring to light any deviations of the dealer
- determine the correct rate of tax
- highest possible level of voluntary compliance



How VAT Audit Report is used by department?

- Comprehensive information about dealer
- Key issues of non -compliance and compliance
- Comparison statement between the returns filed and actual books of Accounts.
- Assessment of tax payable along with interest and penalty
- or refund claimed by the dealer
- VAT Audit Report encloses the details of VAT payable, CST payable and also entry details as per books of Accounts.
- Officers can decide whether reliance on such specialized reports
- should be given to complete the Assessment



- Functioning of the department

Regulatory functions

- Compliance of the VAT provisions with regard to maintenance of books of accounts of the dealer is also enforced by the department failing to which penal action will be initiated
- Proper realization of tax
- Inspections
- Audit of Returns
- Compliance of VAT returns



- Functioning of the department

Service Providing Functions

- Issuance of various declaration forms
- Grant of registration certificate
- Clarification authority
- Uploading information in website



- **Department are ensuring that**
- Dealer is registered
- List the activities undertaken by the business
- Noting the accounting records used by the dealer
- Ensure that records correctly reflect the business activities of the dealer
- Ensure that return and other statutory filings are timely done by dealers.



- **Analysis of Financials**

- Gathering the information from other Government departments
- If the sales or purchases of the dealer have been fluctuating, establishing the reason
- Trends of the similar business
- Checking of input to output ratio to other business in the same trade to see if they are credible
- Make arithmetical checks on records of sales and purchases until satisfied that they are accurately maintained



- **Analysis of Financials**

- Attempting to reconcile the records on the Vat returns filed with the dealers certified annual accounts
- Linking the inputs and capital goods used to the outputs produced by the dealer
- Cross reference system are being used to verify suspicious tax invoices, check on large input tax claims and confirm that sellers are significant



Common types of objections noticed by officers

- E- Esugam – VAT return comparison- Turnover difference
- E- upass- Notice
- For non uploading (Section 10(6))
- For difference between E- upass and monthly return
- Sub contractor deductions- disallowing
- Excess Tax collection
- Difference in turnover- as per Return/ books whichever is higher
- Visit by Enforcement
- Dispute in Assessment order



MATCHING

- ▶ e-UPaSS is the basis for preparation of return
- ▶ The values uploaded under e-UPaSS are compared with corresponding Box wise details of e-Return
- ▶ Mismatches are displayed which may be corrected before filing of e-Return
- ▶ The dealers can access mismatch statement at the path *e-filing System >Purchase Statement>Download>eUPaSS Vs eReturn*



MATCHING PARAMETERS

SL No	Matching Conditions	Status
1	Tax Claim in Invoices Zero	Accepted
2	Purchase from URDs	Accepted
3	Purchase belongs to Pre-UPaSS Periods	Accepted
4	Purchase from Non-Targeted Dealers	Accepted
5	Purchase invoice is matching with Sellers Invoice	Accepted
6	Purchase value less than the Seller Value	Accepted
7	Purchase invoice matching with seller's invoice except Invoice Number	Acceptable
8	Purchase invoice matching with seller's invoice except Invoice Date	Acceptable
9	Purchase from targeted dealers who have not uploaded	Unmatched
10	Purchase from COT dealers	Unmatched
11	Purchase from De- Registered dealers	Unmatched
12	Purchase from dealers where invoice date is preregistration date	Unmatched
13	Purchase Invoice claimed multiple times	Unmatched
14	Purchase is not matching with seller' invoice	Unmatched

Invoice Mismatches: TO Sum up

- Invoice Number Mismatch
- Date of Invoice Mismatch
- Seller Uploaded: Wrong Data/TIN Mismatch
 - Lumpsum
 - Under URD
 - Partly Invoice wise
 - Partly under Lumpsum
- Purchaser has uploaded Invoice wise
- Purchaser Invoice not matching with Seller Invoice:
Combination of Invoice No/Date with Net
value/Tax Charged

Common types of objections noticed by officers



- Documentary evidence case- through altered invoices, false invoices.
- Delivery address is same as the consignor's.
- Situation where pre-numbered invoices are recorded and un-numbered
- Invoices are not recorded – VAT collectible understated
- Zero-rated export sales are not supported by appropriate documentation
- Missing dealer cases.
- Dealers liable to be registered not registered.
- Dealers not carrying delivery Challans as specified/Notified

Common types of objections noticed by officers

- Works contractor tax – different tax aspects.
- Disallowing labour and like charges.
- Charging lower rate of tax whereas liable to pay higher rate of tax as per schedule.
- Non production of statutory forms under CST law.
- Payment of interest and penalty under different sections.
- Input tax credit on unregistered purchase.
- Disallowing input tax credit availed based on special and partial rebate formula.
- Taxability of Declared goods used in same form or in different form in course of execution of works contract.
 - Land deduction



Common types of objections noticed by officers

- Zero-rated export sales are not supported by appropriate documentation
- Missing dealer cases.
- Dealers liable to be registered not registered.
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VALUE ADDED TAX

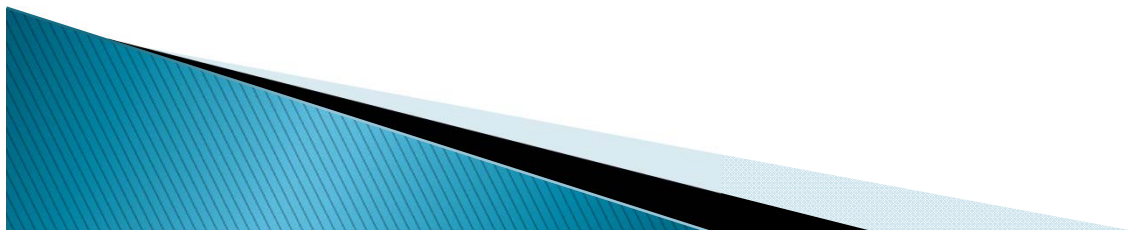
The objective of the amendments in KVAT Act is to

- Maintain balance between the need for resources for various welfare schemes.
- Make businesses more competitive.
- Simplify the administration systems.
- Support e- governance which is making tax compliance and tax administration a lot easier.



These objectives acts as a preparatory path for bringing in GST regime which helps in a smooth transition from the present state.

This will lead systematic verification and prevention of disputes and speedy settlements of issues.



Amendment of Section 10.– In the Karnataka Value Added Tax Act, 2003 (Karnataka Act 32 of 2004) (hereinafter referred to as the principal Act), in section 10-

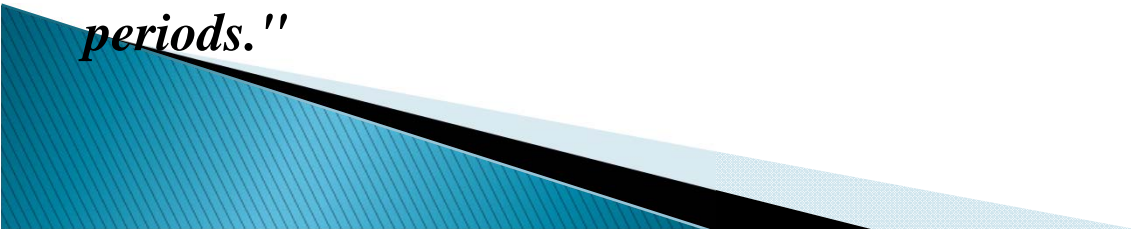
Prior to Amendment of Act

Section 10(3): Subject to input tax restriction specified in Sections 11, 12,14, 17,18,and 19, the net tax payable by a registered dealer in respect of each tax period shall be the amount of output tax payable by him in that period less the input tax deductible by him as may be prescribed in that period and *relatable to goods purchased during the period immediately preceding five tax periods of such tax period, if input tax of such goods is not claimed in any of such five preceding tax periods* and shall be accounted for in accordance with the provisions of this Act.

After Amendment of Act

-----and shall be accounted for in accordance with the provisions of this Act.

“Provided that, a registered dealer while calculating the net tax payable on or after first day of April 2015 may claim input tax relatable to goods purchased during the period immediately preceding five tax periods of such tax period, if input tax of such goods is not claimed in any of such five preceding tax periods.”



After Amendment

Section 10(6): Notwithstanding anything contained in this Act, input tax deducted by a registered dealer to calculate net tax payable is provisional to a dealer who fails to furnish or furnishes incorrect and incomplete particulars for preparation of the return in the prescribed form electronically through internet in the manner specified in the notification issued by the Commissioner under first proviso to section 35 and the jurisdictional Local VAT Officer or VAT sub-officer shall assess such dealer for such tax period by disallowing input tax claimed by him and issue demand notice:

Provided that, where an assessment has been made under this sub-section and the dealer subsequently furnishes particulars for preparation of the return in the prescribed form or furnishes correct and complete particulars for preparation of the return electronically through internet in the manner specified in the notification for the tax period to which assessment relates, the jurisdictional Local VAT Officer or VAT sub-officer shall withdraw the assessment but the dealer shall be liable to penalty as applicable under sub-section (3-A) of section 72”.



After Amendment

Section 31: Accounts.

After Amendment

The following proviso shall be inserted, namely:- “Provided further that the dealers so required to submit a copy of the **audited statement of accounts** and prescribed documents in the prescribed manner shall submit them **electronically** through the website notified by the Commissioner.”


Section 35: Returns- shall be deemed to have been substituted with effect from the first day of April 2010.

Prior to Amendment

Provided that the specified class of dealers as may be notified by the Commissioner shall furnish particulars for preparation of the return in the prescribed form **or** submit the return in the prescribed form electronically through internet in the manner specified in the said Notification.

After Amendment

Provided that the specified class of dealers as may be notified by the Commissioner shall furnish particulars for preparation of the return in the prescribed form **and** submit the return in the prescribed form electronically through internet in the manner specified in the said Notification.



After Amendment

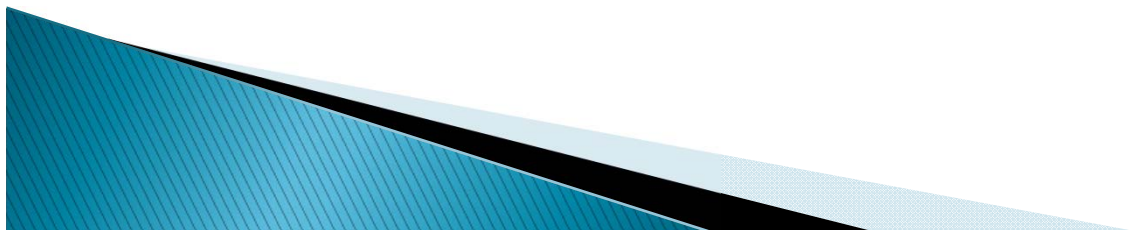
Section 38: Assessment of tax

Prior to Amendment

Section 38(2): Where a registered dealer fails to furnish his monthly or final return on or before the date provided in this Act or the rules made **thereunder**, the prescribed Authority shall issue an assessment to the registered dealer to the best of its judgment and the tax assessed shall be paid within ten days from the date of service if such assessment on the dealer.

After Amendment

Section 38(2): Where a registered dealer fails to furnish his monthly or final return on or before the date provided in this Act or *the return furnished is incorrect or incomplete*, the prescribed Authority shall issue an assessment to the registered dealer to the best of its judgement and the tax assessed shall be paid within ten days from the date of service if such assessment on the dealer.



After Amendment

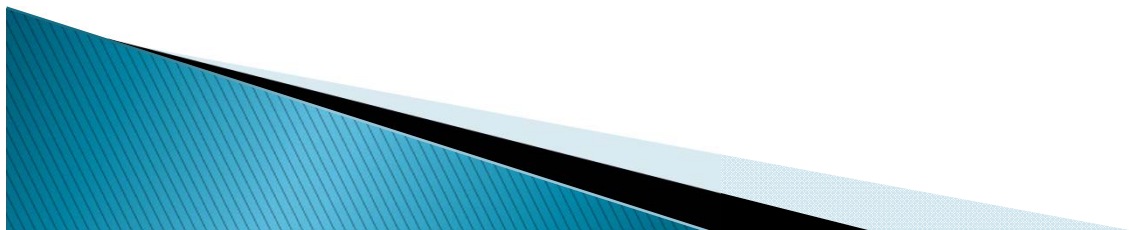
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After Amendment

Section 72: Penalties relating to returns and assessment

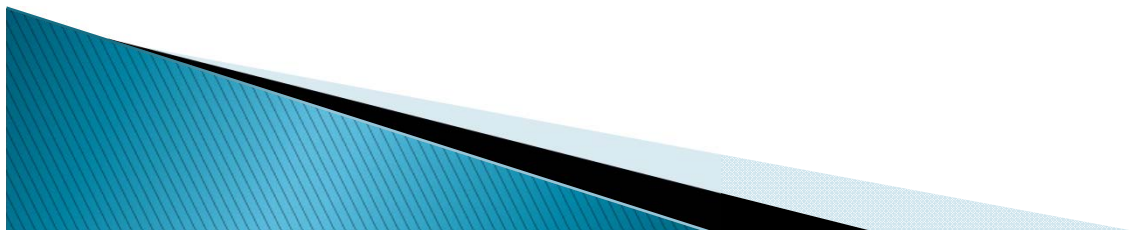
After Amendment

Section 72(2-A): A dealer who for any prescribed tax period furnishes a revised return which understates his liability to tax or overstates his entitlement to a tax credit by more than five per cent of his actual liability to tax, or his actual tax credit, as the case may be shall after being given the opportunity of showing cause in writing against the imposition of a penalty, be liable to a penalty equal to ten per cent of the amount of such tax under or overstated.

Explanation: Notwithstanding anything contained in this Act, for the purpose of this section, revised return means a return filed under clause (a) and clause (b) of sub-section (4) of section 35.”

After Amendment

Section 72 (3-B). A dealer who fails to submit the copy of the audited statement of accounts and prescribed documents as prescribed in the proviso to sub-section (4) of section 31 as informed in the notice issued to him shall be liable to a penalty of fifty rupees for each day of default.



E-VARADI

What is E-VARADI?

E-VARADI enables us for easy e-filing of returns. With the help of E-VARADI, the following types of returns can be filed:

1. Form VAT 100 (VAT Regime)
2. Form VAT 120 (COT Regime)
3. Form VAT 105 (VAT Regime)



TYPES OF RETURNS

VAT
100

- Dealer who is paying tax or claiming tax refund on the basis of output tax and input tax is required to file Form VAT 100

VAT
120

- Dealers who is opting to pay tax at the composition rate is required to file Form VAT 120.

VAT
105

- Form VAT 105 is required to be filed by those dealer who are purchasing goods by seller charging tax on MRP and dealer opting to pay tax on MRP.

FORM VAT 100

Sl No.	Type of return	Who will file	Tax period	Last date of filing
1	Form VAT 100	Total turnover < 25 lakhs	Each quarter of an year	Within 15 days after the end of the quarter
2	Form VAT 100	Total turnover > 25 lakhs	Each calendar month.	Within 20 days of the succeeding month.

FORM VAT 120


Sl No.	Type of return	Who will file	Tax period	Last date of filing
1	Cot Regime	Total Turnover < 25 lakhs	Each quarter of an year	Within 15 days after the end of the relevant quarter.
2	Cot Regime	Hoteliers, caterers, bakery etc	Each calendar month	Within 15 days after the end of the month.
3	Cot Regime	Mechanized crushing units	Each calendar month	Within 15 days after the end of the month
4	Cot Regime	Works contract @	Each calendar	Within 15 days after the end

FORM VAT 105


Sl No.	Type of return	Who will file	Tax period	Last date of filing
1	VAT Regime	Total Turnover < 25 Lakhs and opting to pay tax on MRP	Each quarter of an year	Within 15 days after the end of the relevant quarter.
2	VAT Regime	Total Turnover >25 Lakhs and opting to pay tax on MRP	Each calendar month	Within 20 days of the succeeding month.

Making entries in VAT form 105

While making entries in VAT form 105 for output tax and input tax, points to be noted:

- In respect of sales, if the dealer has opted for payment of tax on MRP or payment of tax on actual net sale price,
 - enter such respective values and tax in the appropriate box.
 - In case of purchases, the charged tax on MRP or on some of the purchases tax, charged on the actual sale price then enter such respective values and tax in the appropriate box.
- 


Instructions on entering details by works contractors in Form VAT 120

- The dealer is eligible for deduction of payment made to sub-contract/s from total consideration for computation of tax, then details of Tin No and value of sub-contractor amount has to be entered.
 - Purchase made from URDs is taxable at the usual rates applicable to goods.
 - This is apart from value of consideration towards works contract.
 - Tax deducted a source has to be entered in the return.
- 

E-SUBMISSION OF TDS FORMS AND CST RECEIPT FORMS

TDS Forms

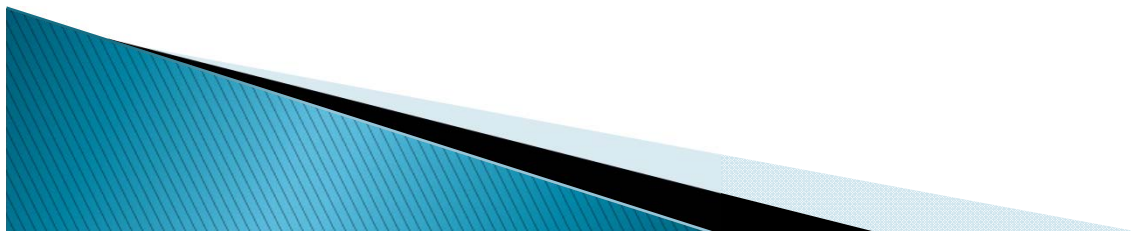
Dealers have been provided with the facility to enter basic details of TDS forms received from TDS authority.

- 1) TDS forms can be submitted into system.
 - 2) On submission , a Ref NO. is generated.
 - 3) The dealer should submit original TDS form and copy of ACK to LVO/VSO.
- 

CST Receipt Forms


Similarly, CST forms received from other states towards interstate sales/ stock transfers / deemed exports etc. can be submitted through 'CST Receipt Form'.

- 1) Details of CST forms issued by other party, including invoice details to be entered.
- 2) On submission , a Ref NO. is generated.
- 3) The dealer should submit original CST Receipt form and copy of ACK to LVO/VSO.




REPORTS AND HELP

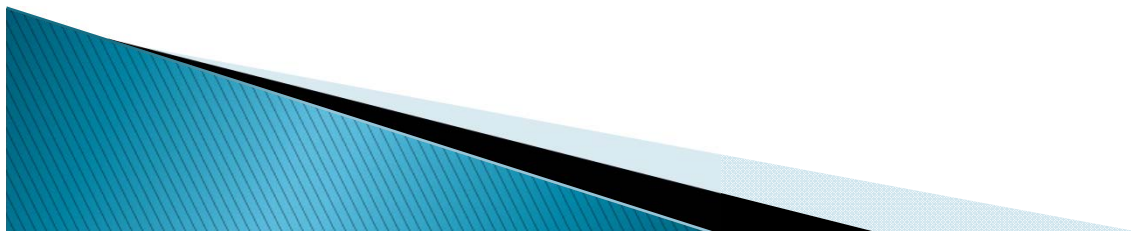
Dealers can view the status of reports, e-payments and returns. The following status can be viewed:

- e-VARADI entries
 - e-payment entries
 - e-TDS entries
 - e-CST receipts entries
 - e-payments made (prior to preparation of e-return also)
 - Status of submissions /acknowledgements by VAT officer
- 

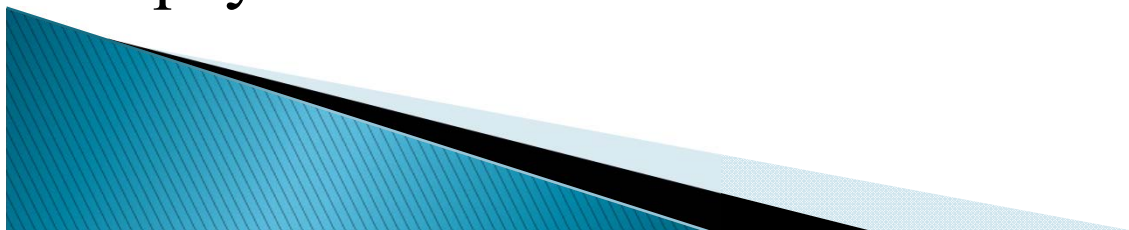
RETURN- POINTS TO REMEMBER


- ✓ Change the password often.
 - ✓ If username and password is not available, contact concerned LVO/VSO.
 - ✓ Two types of monthly returns are available- original and revised which can be chosen accordingly.
 - ✓ If any errors occur, details entered cannot be saved and uploaded.
 - ✓ The dealer can make payment through multiple instruments.
 - ✓ If the payment made is less than the demand, then return can't be submitted.
- 

- ✓ A copy of VAT 100/120/105 should be kept for reference before submitting.
- ✓ Values as regards to ineligible input tax has to be entered in relevant boxes in the return.
- ✓ Tax involved in credit notes and debit notes can now be adjusted /set off /paid by entering the tax calculated in the appropriate boxes.
- ✓ The excess tax credit of the previous month is carried forward automatically.
- ✓ Dealer can update and delete transactions before submitting the transaction.



- ✓ There is a column 'others', where any other rate of tax which is not mentioned in of the boxes can be entered.
- ✓ In the column 9, input tax should be equivalent to the purchases made or it can be reduced i.e. which is lower.
- ✓ Input tax credit on URD purchase on the unused and unsold purchases is eligible for carry forward.
- ✓ In column No. 6, details of local sales/ URD purchases and output tax payable/ purchase tax payable should be entered.
- ✓ In column No. 7, details of interstate sales and CST payable should be entered.




- ✓ Column 8.1, shows the total output tax payable and output tax deferred to industries as per incentives notifications can added in 8.2.
 - ✓ In column 9, details of purchases and input tax should be entered. The following details of purchases can be entered.
 - Local purchases at different rates of tax (9.1- 9.5.1)
 - Value of URD purchases extent to used/sold (9.6)
 - Value of URD purchases extent to not used/sold (9.8)
 - Value of VAT exempted goods. (9.9)
 - Value of composition purchases. (9.10)
 - Value of goods import/export/ interstate trade including E-I & E-II purchases. (9.11)
- 

- Value of goods received by stock/ consignment transfer.
(9.12)
- Purchase return of previous six months. (9.12.1)
- Column No. 9.22 shows total input tax credit.
- ✓ In column 10, following details of ineligible input tax credit can be entered.
- Non-deductible input tax being restricted u/s 11.
- Non-deductible input tax- pre registration purchases u/s 13
- Non-deductible input tax- special rebating scheme u/s 14
- Non-deductible input tax- partial rebating scheme u/s 17
- Non-deductible input tax relating to return of goods purchased.
- Others, specify

- ✓ Column 11 shows eligible input tax credit:
- Capital goods value in respect of which input tax credit is not availed during current month/tax period.
- Capital goods related tax
- Capital goods value in respect of which the brought forward input tax credit is availed during the current month/tax period being restricted u/s 11.
- *Eligible input tax = Total input tax credit (as per 9.22) minus ineligible input tax credit (as per 10.7)*



- ✓ In column 2, particulars of local and interstate turnovers and related labour charges, tax/CST collected, sales return of previous six months, exempted sales can be entered.
 - ✓ In column 1 general information is displayed.
 - ✓ Sales return is treated in two ways,
 1. It can be reduced from sales and related taxes accordingly.
 2. It can be reduced from the turnover by showing separately as sales returns within six months in serial no. 2.1.1 and taxes on the same in serial 4.6 where taxes already paid can be adjusted.
- 


- ✓ In column 4, following details is shown
- Output tax payable and input tax credit (4.1 and 4.3)
 - B / f of input tax from previous month, is automatically displayed.(4.2)
 - Tax payable (4.1-4.3-4.2)
 - Tax deducted at source.
 - Adjustment of any excess credit towards KST/ KTEG/ KSTECCG. (4.8)
 - Refund claimed in original return. (4.9)
 - Credit/ excess payment carried forward in original return. (4.10).




✓ The system generates the following different kinds of reference numbers in the e-filing of VAT/ COT /Entry Tax returns for different activities:

- a. Return Reference Number (RRN) for Form VAT 100 ;
- b. Return Reference Number (RRN) for Form VAT 105 ;
- c. Return Reference Number (RRN) for Form VAT 120 ;
- d. Return Reference Number (RRN) for Entry Tax return ;
- e. Reference number for e-TDS forms submission; and
- f. Reference number for e-CST forms submission.

On obtaining the Ref No. for submission of e-submission and e- TDS, the dealer has to file the physical forms and get it acknowledged.

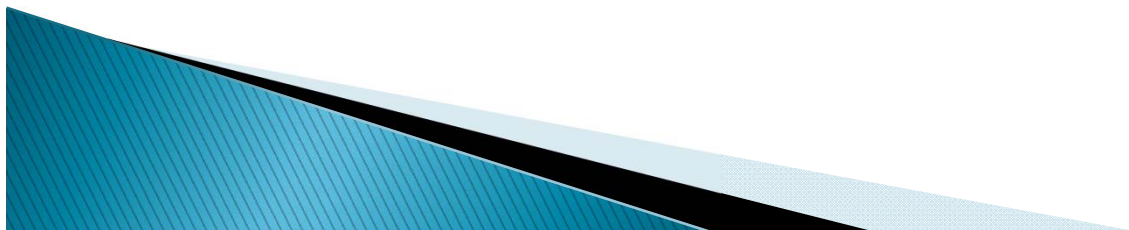


REFUND OF WRONG E-PAYMENTS

- It should be noted that once e-payment is made successfully, corrections are not possible.
 - Corrections can be made in respect of TIN No., tax period, tax type and tax/ penalty/ interest.
 - Thereafter submit returns within due dates, and apply for refund of *wrong payments*.
 - If the refund requires countersignature of JCCT, then JCCT will take immediate steps.
 - If the dealer has ensured proper e-payment of taxes that are legally due, the refund process will conclude in 3 or 4 days
- 


Content of Form VAT 240

- ▶ Form VAT 240 is divided into 4 parts
 - Certificate – issued by the CA / Cost Accountants / STP
 - Part I – General Information
 - Part II – particulars of turnover, deductions and payment of tax
 - Note to Part II
 - Part III – particulars of declarations and certificates



Kvat Audit- Form VAT 240

Audit Certificate

- Part 1- Certificate and Part-II -Report
 - The introductory para of the certificate defines the status of the Auditor,
 - Details of the dealer with TIN and Year of Audit.
 - The comments, observations and shortcoming on the returns filed by the dealer should be added to the report- Monthly return
- 

Audit Certificate- Clauses

a) The books of account and other related records and registers maintained by the dealer are sufficient for the verification of the correctness and completeness of the returns filed for the year.

- Sufficient is subjective
- Maintenance of Books of Accounts as per KVAT law (vary from dealer to dealer)
- Reference of section 29 (TI &BS), 30,31(Accounts),35 (Returns), Rule 33 (Keeping of Accounts),



Audit Certificate- Clauses


b) The total turnover of sales declared in the returns includes all the sales affected during the year.

- All sales as per books of Accounts/ Non declared sales
- Unaccounted removals/ Confirmation from debtors
- Section 2(36) turnover, Section 2(29), sale, include normal sale, deemed sale (works contract, sale of food, hire transactions), principal to agent, sale from society, club, AOP to its members
- sale of car, sale of other movable assets, Scrap sale, Freight and insurance charges and
- Any sum charged in or before delivery of goods



Audit Certificate- Clauses

c) The total turnover of purchases declared in the returns includes all the purchases made during the year.

- Accounting of all purchase invoices,
 - All kinds of purchases like local purchases, interstate purchases, import, Stock inwards
 - Confirmation from the suppliers
- 

Audit Certificate- Clauses

d) The adjustment to turnover of sales and purchases is based on the entries made in the books of account maintained for the year.

- Entries for adjustment of taxes, charges, or cancellation of invoices, etc
- Entries for difference between contract receipts and total turnover
- Rate difference, sales or purchase returns
- Portion of in-eligible input tax credit treated as purchase cost etc.,



Audit Certificate- Clauses

e) The deductions from the total turnover including deduction on account of sales returns claimed in the returns are in conformity with the provisions of the law.

- Deductions within six months for sales return
- Credit notes, Debit notes, journal entries, tax adjustments
- All the deductions as per Rule 3(2) of KVAT Rules



Audit Certificate- Clauses

f) The classification of goods sold, rate of tax applicable and computation of output tax and net tax payable as shown in the return is correct;

- KVAT Schedules, Central Excise Tariff, Commissioner Clarifications, Notifications, circulars
- Computation of output tax and net tax payable as per KVAT law



Audit Certificate- Clauses

g) The computation of classification of goods purchased, the amount of input tax paid and deductions of input tax credit claimed in the return is correct in conformity with the provisions of law;

- Section 2(19), input, Section 2(20), input tax, Section 2(16), goods vehicle, Section 12, capital goods, Section 10, input tax, Section 11, Input tax restrictions, Section 12, input tax claim for capital goods, Section 14, for special rebating scheme, Section 17, partial rebate, Rule 131, partial rebate formula



Audit Certificate– Clauses

h) The utilization of statutory forms under the KVAT Act, 2003 and the CST Act, 1956 is for valid purposes;

- Statutory forms with the Invoices, Registration certificates, Value in Invoices and Forms
- Any pending statutory forms for previous year and utilized in current year




Audit Certificate- Clauses

i) Other information given in the returns is correct and complete.

- Verification of Entry tax
- Any adjustment of input tax credit against entry tax
- information other than the above clauses like excess tax collected, etc



Audit Certificate

- Summarize the additional tax liability or additional refund due to the dealer in his report.
 - The Summary sheet should disclose the difference between the monthly returns (not annual statement) and the audited figure pertaining to output tax payable, Eligible input tax credit, Ineligible input tax credit, CST payable and other items.
- 

Certificate

- ▶ Tax liability with interest and penalty-
- ▶ Refund
- ▶ Input tax credit carry forward- Opening and closing
- ▶ Revision of Returns along with VAT 240- ????
- ▶ Tax payment along with VAT 240-????



Kvat Audit- Form VAT 240

Certificate– Issues

- Part 1 – certificate and Part–2 Report (vice versa)
- Classification of goods/ schedule Ref/
Commissioner clarification
- Certification on sampling methods/ Test Check
- Comparison to other statutory reports like Income
Tax Audit Report, Statutory Report, Internal Reports
- Global Financial Statements
- Certifying Sales made by vendor – difficult



Certificate– Issues

- Tracking of Input tax deduction pertaining to interstate sales and export
- Adjustment Entries for sales and purchases
- Management Representation
- Audited Financial Statements or unaudited statements
- Interest and penalty– from which date



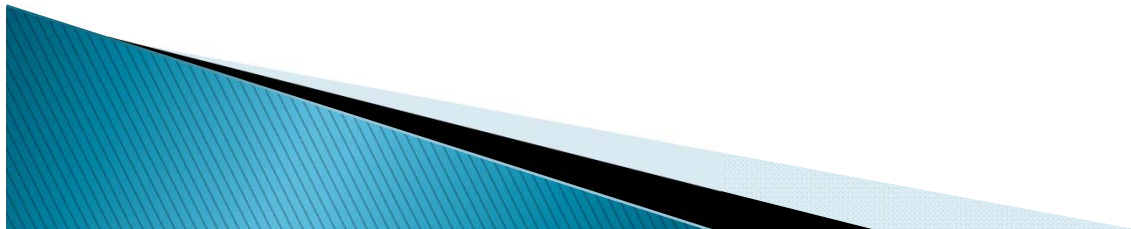
Clause 1 and 2 of Part I

▶ **Name of the dealer**

- Dealer means any person who carries on the business of buying, selling, or distributing goods.....
- Refer registration certificate
 - Regular dealer – VAT NIF / VAT 7 / Provisional Certificate
 - Composition dealer – VAT NIC / VAT 8

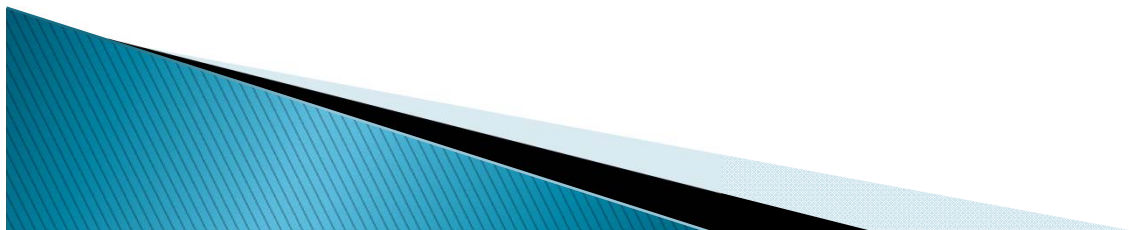
▶ **Registration Certificate No. (TIN)**

- Mandatory registration if taxable turnover exceeds more than 7.5 lakhs otherwise one can go for voluntary registration



Clause 3- Part I

- ▶ **Status of the dealer (specify whether proprietor, etc.)**
 - If change in the status ????? – refer section 28
- ▶ If partnership firm, name of all the partners
 - If Company, then name of all the directors ????
 - If change in partners / directors / share holding pattern etc....do we need to report ????
 - Whether Registration certificate is amended or not



Clause 4- Part I

- ▶ **Trade name and full address of the principal place of business**
 - Refer registration certificate
 - If there is any change – whether applied for amendment or not? – Refer Form VAT 2
 - Name of dealer vs Trade name – in case of proprietor name of dealer is different from trade name



Clause 5- Part I

- ▶ **Full address of all additional places of business in the State**
 - Refer VAT 3 and Registration Certificate
 - Branch Registration certificates for each branch within the state.

- ▶ **Full address of all additional places of business outside the State**
 - Additional place of business means as defined under section 2(23)
 - Obtain management certificate or registration certificate of all the States



Clause 6 and 7- Part I

- ▶ **Address of any branch or unit in the State having a different registration number (TIN)**
 - Only permitted in special case as per Rule 47 of KVAT Rules.
 - Obtain certificate issued by the commissioner

- ▶ **Nature of business (specify whether manufacturer, reseller, works contractor, etc.)**
 - Refer VAT 1 / Registration certificate
 - If there is a change in the nature of business?



Clause 8 & 9- Part I

- ▶ **Description of 10 major goods sold**
 - It can be based on value / quantity etc
 - Refer VAT 100

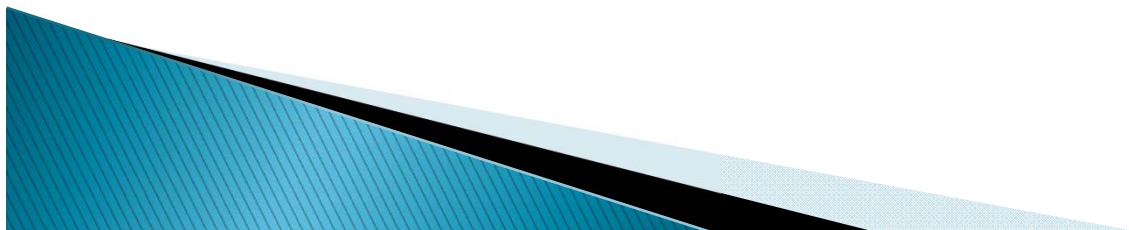
- ▶ **Whether opted for composition or not**
 - 4 types of dealer /s can opt of composition scheme
 - Refer VAT 1 / Registration certificate
 - Report if there is a change in option.



Clause 10 and 11 of Part I

- ▶ **Whether permitted under special accounting scheme or not**
 - Applicable only to retailers
 - Permission needs to be obtained from the commissioner

- ▶ **Whether availing incentive as a new industrial unit (specify whether exemption/deferment)**
 - Obtain GO
 - Under VAT law there is no incentive scheme



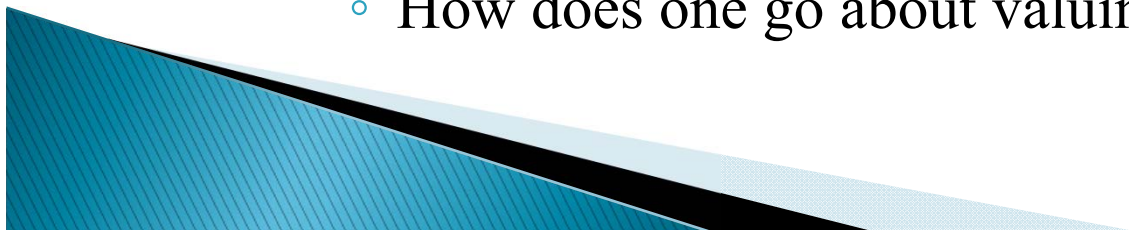
Clause 12 of Part I

- ▶ **Whether registered under the KTEG Act, 1979 and enrolled / registered under the KTPTC & E Act, 1976**
 - Refer VAT 1
 - Obtain PT registration certificate as both employer and employee
 - Check whether Professional Tax has been discharged or not for all the branches.



Clause 13, 14 & 15 of Part I

- ▶ **Books of account maintained**
 - Cash Book, General Ledger, Bank book, Sales Register, Purchase Register, , etc which are generated from the computer system
- ▶ **List of books of account examined**
- ▶ **Method of valuation of opening and closing stocks**
 - How does one go about valuing the opening stocks
 - How does one go about valuing the closing stocks???????



Clause 1 of Part II

▶ **Total and taxable turnover**

- Refer Rule 3 for the purpose of both total and taxable turnover;
- URD taxes shall not form part of total turnover
- Stock transfer should be disclosed at prevailing market value or the amount for which the goods are ordinarily sold by the dealer;
- Advances received prior to commencement of the work in case of works contractor;
- Purchase return beyond six months generally considered as sales and offered to tax.



Clause 2 of Part II

► Deductions

- Freight charges ????
- Labour charges – Rule 3(2)(1) read with explanation 1 ????
- Discounts / Returns etc – whether supported by debit note / credit note as the case may be.
- VAT collected should be shown separately
- Forfeiture of VAT in case of excess collection
- TAX on URD whether form part of deduction?
- Export / CST sales also needs to be disclosed



Clause 2.....of Part II

- Tracking of credit notes for sales return with reference to original sales within six months or above six months
- Stock transfer of capital goods



Clause 3 of Part II

► **Details of taxable sales within the State**

- One needs to provide – description of goods, taxable turnover, rate of tax and tax payable
- Tax payable and tax collected is different
- Sale of fixed assets which is not subject to tax – can the sale value is considered as inclusive of taxes or one needs to charge on the whole sale value
- VAT on Freight charges



Clause 4 of Part II

► **Details of purchase and receipts**

- Imports
 - What value one needs to declare – landed cost or invoice value
 - Is foreign exchange fluctuation will form part of import value
- Inter-state purchase
- Inter-state stock transfer
- Purchases from registered dealers within the State
- Purchases from unregistered dealers within the State

► *Where does one reflects the exempted purchases*



Clause 4 of Part II

- ▶ Non disclosure of interstate purchases, Imports , E-1 purchases and other interstate purchases in the monthly return- comments



Clause 5 of Part II

▶ **Details of input tax paid on purchases**

- One needs to provide – description of goods, taxable turnover, rate of tax and tax payable
- All purchase which is covered within the definition of input needs to be disclosed;



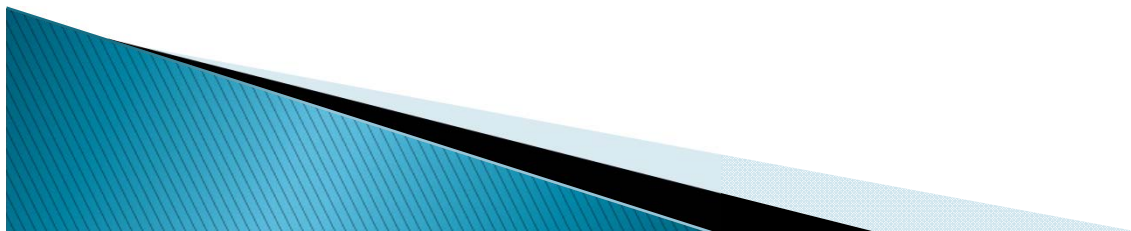
Clause 6 of Part II

- ▶ **Details of input tax paid on purchases eligible for deduction (give details of capital goods separately and specify whether calculated on the basis of partial rebating formula)**
 - Here also one needs to provide – description of goods.....
 - Input credit based on original/Duplicate copies and not Xerox copies
 - Input tax credit on purchase invoices where the invoices does not bifurcate the tax component.



Clause 6 of Part II

- ▶ Input tax credit based on date of invoice or Accounting of Invoice in the books of Accounts.
- ▶ Can input tax credit be adjusted against the scrap sales where the goods are exempted from tax?



Clause 7 of Part II

- **Details of input tax paid on purchases ineligible for deduction (give details of capital goods and special rebate separately and specify whether calculated on the basis of partial rebating formula)**
 - As per section 3(2), Whether Unregistered purchase tax is to be paid on consumables, printing and stationery (Input tax restricted goods)?
 - Goods sent for job work
- Restriction of input tax credit against the use of exempted goods?
- And also Apportionment of input tax credit for sale to SEZ, EOU, E-1 sales, Form I Sales



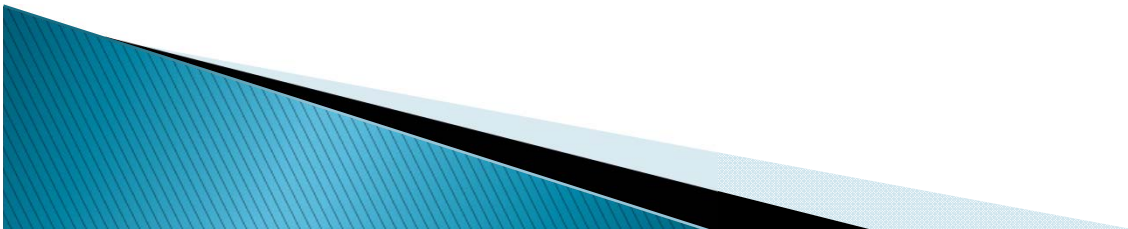
Clause 8 of Part II

- ▶ **Details of input tax deduction claimed on purchases relating to inter-State sales and export sales**
- ▶ (Give details of capital goods and special rebate separately)
- ▶ Specify whether calculated on the basis of partial rebating formula)
- ▶ **Not Ascertainable**



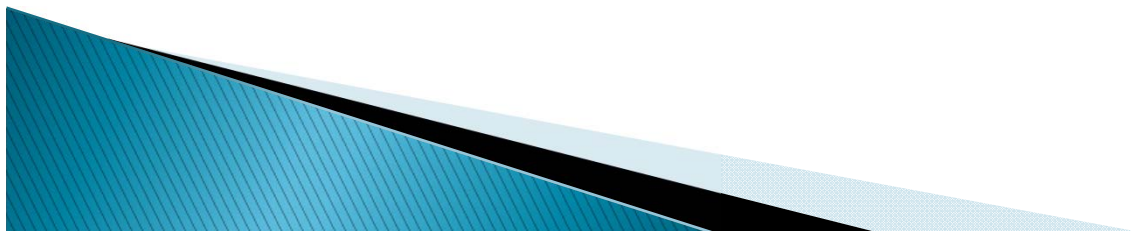
Clause 9 of Part II

- ▶ **Details of un-adjusted excess input tax credit carried over from the previous year and to the next year**



Clause 10, 11, 12 of Part II

- ▶ **Total and taxable turnovers under the CST Act, 1956**
- ▶ Deductions claimed (specify in respect of each deduction its nature, whether it is in order and supported by prescribed documents)
- ▶ Details of taxable sales



Clause 13 of Part II


- ▶ **If the dealer has opted for composition indicate the type of composition scheme opted**
- ▶ **and details of the composition amount paid its rate and the basis**
- ▶ **Change in the scheme from regular to composition or vice versa**



Clause 14 & 15 of Part II

- **Details of returns filed – original and Revised**
- **Details of inspection of the business premises / books of account of the dealer by departmental authorities on inspection / visit**
 - Statement/ Notices from the departments- observations by the Auditor
 - Any application for Commissioner clarifications or Appeal pending
 - Visits by the VAT officials in the current year asking the details for financial year 2014-2015, 2015-2016 and till date

Note to Part II:


- ▶ Trading account should be maintained in respect of each class of goods by the traders
 - ▶ Manufacturing account in respect of each class of goods (whether taxable or not)
 - ▶ The Accounting ratios on sales and non sales transactions has to be furnished separately like turnover ratio, stock turnover ratios, gross profit ratio. Cost of goods sold ratio
 - ▶ The details of the transactions within the state and outside the state should be suitably computed and declared separately. It has to be declared separately in the profit and loss Account and the Balance sheet.
- 

ADDITIONS

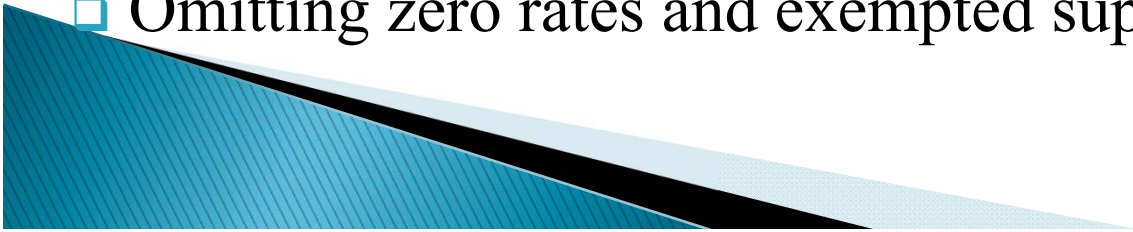
- ▶ Reconciliations of Trading Account under Income tax and VAT law- Adjustments
- ▶ Reconciliation of Centralized Financial statement with trading Account for each classification of goods and balance sheet for the transactions within the state and outside the state
- ▶ Reconciliation of Accounting ratios with Financial statements



Reconciliation of returns and Financial Statement

- Why Reconciliation ??????????????????????
 - Annual reports- Financial Statements and other relevant reports
 - Reconciliation of VAT returns with Books of Accounts maintained by the dealer
 - Reconciliation of VAT Audit Report as filed by the dealer with the Books of Accounts maintained by the dealer
 - Contents of original and revised monthly return
 - Consolidation of Monthly returns.
 - Books of Accounts maintained by the dealer
 - Basic documents like Tax invoice / Bill of sale/URD purchases /Delivery challans /**Credit / Debit Notes ?**
 - Registers: Purchase register /Sales register /Inventory register /Production register / Input credit register /Stock transfer register /Contract register /Sub contract register
- 

Reconciliation of returns and Financial Statements .

- VAT Return calculations should include all business activities of the registered person. While a business may keep separate financial records for different aspects of its business for commercial or other administrative purposes.
 - Common errors expected while reconciliation of returns like
 - ❑ manual, arithmetical and consolidation errors
 - ❑ omitted or duplicated invoices
 - ❑ sales invoices posted gross without extracting output tax
 - ❑ Output tax incorrectly calculated on VAT-inclusive amounts or on supplies subject to a discount
 - ❑ Sales credit notes incorrectly posted
 - ❑ Output tax due on sale of fixed assets
 - ❑ Omitting zero rates and exempted supplies
- 

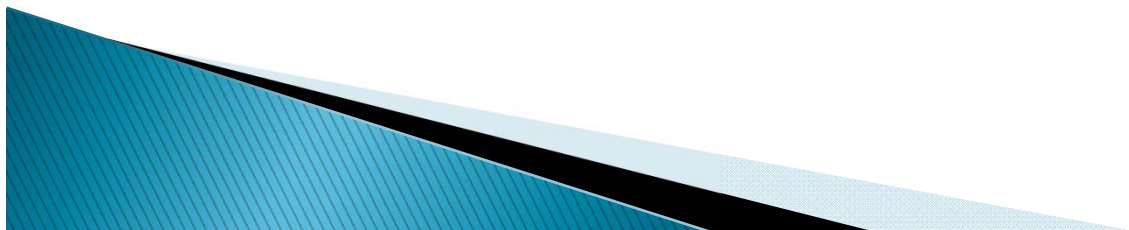
Reconciliation of returns and Financial Statements.

- ▶ Occasional or miscellaneous supplies to ensure that output tax has been declared
 - ❑ Cash sales
 - ❑ Sales of scrap
 - ❑ Incentives payments received from suppliers for meeting purchase or sales targets
 - ❑ Commission for agency sales
 - ❑ Supplies to staff
 - ❑ Disposal of assets used in the business
 - ❑ Barter transactions
 - ❑ Miscellaneous Income



- **Reasons for Reconciliation between Returns and Financial Statement**

- ❑ **Sales: Trading and P& L Accounts**
- ❑ Sales and purchases inclusive or exclusive of excise duty
- ❑ Sales return (including for WC)
- ❑ Discount
- ❑ Service Income
- ❑ Free gifts/
- ❑ Insurance claim for loss of goods
- ❑ Sale of fixed assets
- ❑ Classification of goods with rate of taxes
- ❑ Classification of sales and stock transfer (Interchange ability)
- ❑ Recognition of revenue (Accounting standard)
- ❑ Multiple business by dealer



- **Reconciliation between Returns and Financial Statement**

- ☐ Purchases and expenses: **Trading & P&L Accounts**

- ☐ Unregistered purchase part of turnover

- ☐ Purchase return

- ☐ Consumables

- ☐ Freight charges

- ☐ Classification of purchases and stock inward

- ☐ Labour and like charges

- ☐ Purchases as part of expenses

- ☐ Fuel purchases

- ☐ Ineligible input tax credit

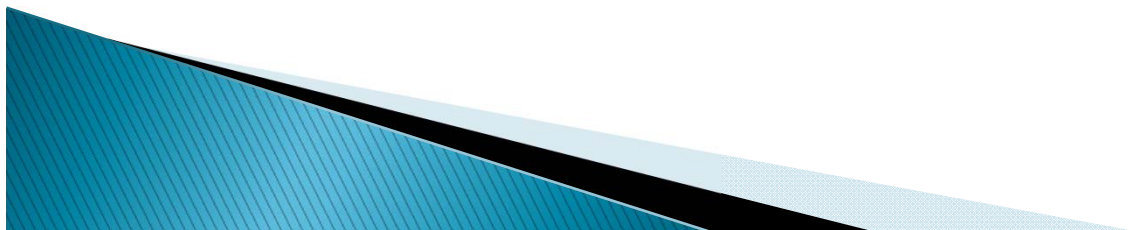
- ☐ Entry tax impact

- ☐ VAT 170




- **Reconciliation between Returns and Financial Statement**
Stock:

- Reconciliation of the actual stock with financials
- **Stock Turnover ratio** : $\text{Cost of goods sold} / \text{Average stock}$
- Valuation methods of stock like for - Work in progress, Semi finished goods, finished goods,
- Transactions relating to Goods sent for consignment, for approval, for job work, etc



Reconciliation of returns and Financial Statement.

- ☐ For Works Contractor- Contract Receipts/Advances
 - ☐ Declared turnover as per Percentage Completion method
 - ☐ Disallowed labour and like charges
 - ☐ Actual or Adhoc labour and like charges
 - ☐ Closing work in progress
 - ☐ Composition/Regular scheme
 - ☐ TDS for works contractor- IT/ VAT
 - ☐ Sub contractor Audited figures
- 

Sale of Assets.

- ▶ Fixed Asset register
- ▶ Valuation method of Fixed Asset
- ▶ Rate of tax as applicable
- ▶ Disclosure method in Balance Sheet- Addition/deletion
- ▶ Fixed Asset reconciliation report if any
- ▶ Buyback of Assets
- ▶ Sale of assets to employees
- ▶ Change in use
- ▶ Sale of assets from one company to another company -at what value
- ▶ Sale of Office Equipments


Analyzing data under allied laws, viz. Excise, customs, and Service tax.

➤ **Excise**


Co relation with HSN code for arriving VAT output rate/
Valuation mechanism for arriving turnover

➤ **Customs :** CST sales- Export and Import

➤ **Service Tax:**

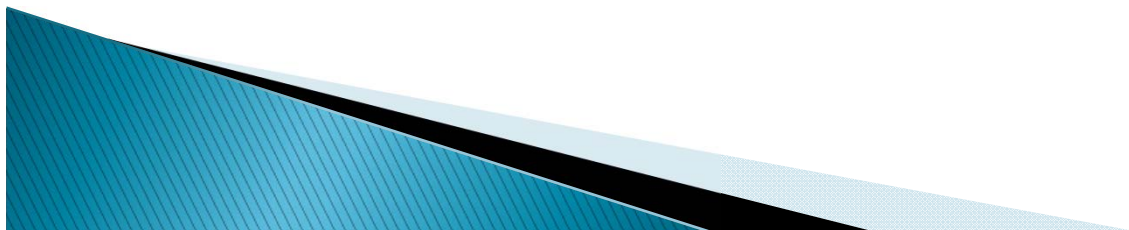
- Certain transactions having implication of both VAT and Service tax
 - like works contract,
 - Right to use goods,
 - job work,
 - Repairs, etc
- 

Ratio Analysis

- ▶ The ratio analysis will help in assessing the various business factors, from the perspective of VAT law like,
 - ▶ Gross profit ratio
 - ▶ Input tax credit to output tax ratio
 - ▶ Net profit ratio
 - ▶ Stock turnover ratio
 - ▶ Output Tax to sales ratio
 - ▶ Input tax credit to Purchases ratio
 - ▶ Proportion of Ineligible Input credit to Total Input tax credit
 - ▶ Wastage to production ratio;
 - ▶ Yield ratio etc.
- 

Clause 1, 2 & 3 of Part III

- ▶ **Details of sales / purchase as commission agent**
 - Principal and Agent transactions where principal/Agent, within/outside the state and or Agent/ principal, within/outside the state
- ▶ **Details of tax deducted at source from the amounts payable to the dealer**
 - VAT 156 / 158
 - TDS deductions- Compliance like industrial canteens, Government works contract



Clause 4 & 5 of Part III

- **Stock of declarations / certificates / delivery notes under the KVAT Act, 2003 / CST Act.**
 - Opening Stock
 - Forms obtained during the year from CTD
 - Forms utilized during the year
 - Loss, if any
 - Closing Balance
- Details of any misuse of forms
- Compliance of Statutory forms: TDS certificates, C form, E-1 forms, E-2 forms, Form –H.
- Even the forms issued pertaining to previous year has to be accounted in the KVAT Audit Report for Financial Year 2015-2016



Case laws

- **M.Madhava Gowda v. Under Secretary To Government, Finance Department, Bengaluru. 2016(84) Kar. L.J. 193(HC)**

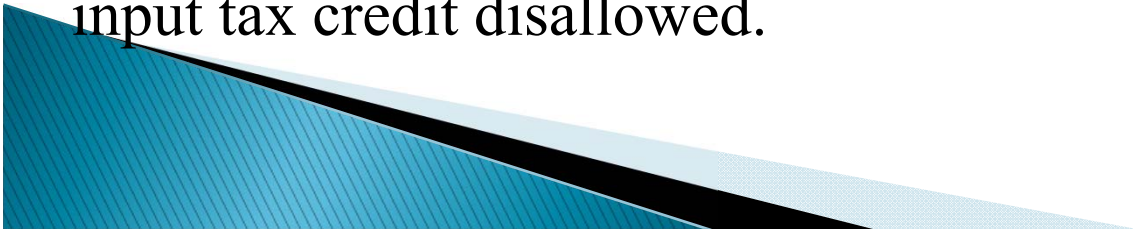
Dealers holding license CL-7, operating in rural areas, not exempted from tax, due to value addition in sale price.

- **Ever shine Wire Products v. State Of Karnataka 2016(84) Kar. L.J. 255 (Tri.) (DB)**

Estimation of sales suppression on the basis of loose slips is invalid. Also, reliance on facts stated by lower authorities without using own wisdom is incorrect.

- **Purushotham Gokuldas Plywood Company (Private) Limited vs. State of Karnataka. 2016(84) Kar. L.J. 499(Tri.) (DB):**

Selling dealers proved to be non-existent, tax invoices were not genuine, purchaser failed to discharge burden of proof, therefore, input tax credit disallowed.



Case laws

Accurate Steels and Engineering Company Bengaluru vs State of Karnataka 2016(84) Kar.L.J. 519 (Tri.) (DB).

Burden of proving the genuineness of input tax claimed as credit, lies on the purchasing dealer.

Ajay Apparels, Bengaluru vs. State of Karnataka.-2016(84) Kar. L.J. 568 (Tri.) (DB).

Embroidery work on cloth amounts to works contract, and the consideration includes quantum of wastage and quantum of goods transferred in execution of works contract.

Shrathi Printers and Publishers Private Limited, Baikampady, Mangaluru vs. State of Karnataka. -2016(84) Kar. L.J. 469(Tri.) (DB).

E-sugam form mandatory for transporting goods under Notification No. ADCOM(I&C)/P.A./CR-31/2011-12.



Case laws

**Sonal Apparel Private Limited, Bangalore vs State of Karnataka.
2016(85) Kar. L.J.1(HC).**


Input tax credit is deductible in another month irrespective of the month in which the purchases were effected.

**Rajendra Coffee Limited, Mysore Vs The State of Karnataka –
2016 84 Kar. L.J. 633 (Tri.) (DB).**

Provisions of KVAT Act, does not provide for input tax credit on purchase of fertilizers and chemicals used for agricultural cultivation of coffee.

**Continental Automotive Components India (Private) Limited
Bangalore Vs State of Karnataka 2016 (85) Kar.L.J. 130 (Tri.)
(DB)**

Interstate movement of goods, pursuant to a purchase order does not amount to a stock transfer but falls under Section 3(a) of the CST Act.



Case laws

Tractor and Farm Equipment Limited Bangalore Vs State of Karnataka 2016 (85) Kar.L.J. 172 (Tri.) (DB)

Excess tax collection from customer, and admitting the same in returns, shall be forfeited under Section 47 of KVAT Act, though such amount is not received from customer.

S.B. Audio and Video, Gulbarga v. Additional Commissioner of Commercial Taxes, Zone-I, Bangalore and Others 2016(85) Kar.L.J. 181(HC)(DB).

Discounts after issuance of tax invoice are allowable only if they are trade discounts or pertain to terms of contract entered into with customer, issued by way of a credit or debit note.

Jones Lan Lasalle Property Consultant India (Private) Limited, Bangalore vs. State of Karnataka – 2016(84) Kar. L.J. 489 (HC)

(DB). Credit of input tax can be used for setting off an additional tax liability, arising on revision of monthly return. circular dated 7-7-2008 vide No. VAT/CR-31/2008-09

Case laws

Bharat Earth Movers Limited, BEML Soudha, Bangalore v. State of Karnataka.-2016(85)Kar. L.J. 209 (HC)(DB).


Circular 13/2006-07 allows non-applicability of formula towards restriction of input tax credit, only if any ambiguity towards its application exists

Hydrostatic Machines, Udyambag, Belgaum v. State of Karnataka (2016(85) Kar. L.J. 268 (Tri.) (DB)).

Orders passed without providing a copy of the information seized, to the assessee is against the principles of natural justice.

Ravji Patel, Proprietor, M/s Shanti Steel and Sanitary Syndicate, Raichur v. State of Karnataka.-2016(85) Kar. L.J. 317 (Tri.) (DB)

The burden of proving that the selling dealer who has issued the tax invoice, have disclosed the turnover in Form VAT 100, does not lie on the purchasing dealer.



Case laws

Mahesh, Mahendra and Smt. Lalita (Partners), Malu Marbles and Granites, Kalaburgi v. State of Karnataka.-2016(85) Kar. L.J. 484 (Tri.) (DB)

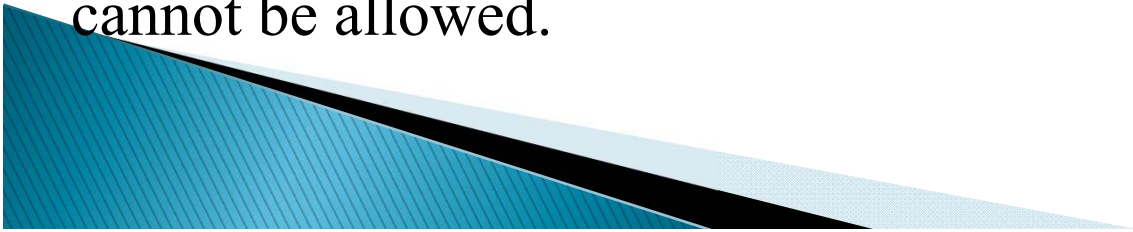
Sales to be taxed in the month it was effected and not as per convenience of the dealer.

Damodar Lime Chemical, Mahadwar Road, Belgaum v. State of Karnataka.-2016(85) Kar. L.J. 598 (Tri.) (DB).

Freight/transportation charges are presale expenses and thus, forms part of the sale consideration.

Hindustan Unilever Limited, Bangalore v. State of Karnataka.-2016(85) Kar. L.J. 515 (HC) (DB).

Input claimed towards research activity is incidental to its main business but not used in the operations of the business, therefore, cannot be allowed.



Ajanta Digital Lab, Rajajinagar, Bengaluru Vs. The Commercial Tax Officer (Audit – 2.2), Bengaluru and Others -2016(85) Kar. L.J. 653 (HC)

Deductions like labour and like charges or input tax credit not claimed in monthly returns can be claimed during the assessment proceedings. court has directed the assessing authority to allow the available deductions and input tax credit as per law, which was claimed before the assessing authority during re-assessment proceedings for the reason that the issue as to whether the photograph transaction attract tax or not. In lieu of Hon'ble Apex Court decision in the case of **Pro Lab**, the issue has been clarified by Apex Court, therefore the dealer should be allowed deductions towards labour and input tax credit before arriving tax liability.

COMMENT:- With this decision it is clear that, even if dealer had not claimed certain deductions and input tax credit in vat monthly returns, but claimed during assessment proceedings, the assessing authority is required to allow such labour deduction and input tax credit as per law

Jay Ambey Traders and Another v. State of Gujarat and another 2016 (94) VST 338 (Guj.)

Detention of Vehicle and collection of Penalty not preceded by Order – Illegal

Smt. B. Narasamma v. The Deputy Commissioner, Commercial Taxes, Karnataka and Another. -2016(86) Kar. L.J. 229 (SC).

Declared Goods in Same Form at 4%

Kishore Kumar, Secretary, M/s Bank Officer's Housing Co-operative Society Limited, Bengaluru v. State of Karnataka. - 2016 (86) Kar. L.J. 291 (Tri.) (DB).

Penalty under section 72(5) of KVAT Act leviable for Non-Registration

Hindustan Liver Limited Vs State of Karnataka TS-358-SC-2016

Hon'ble Apex Court on "input" word, wherein it is held that, packing materials used for packing finished goods (tea manufacture) does not fall under the word "input" for the purpose of concession rate of entry tax.

Cognizant Technology Solutions India Private Limited Vs The State of Karnataka 386/2014&452-481/2014 dated 21.9.2016

wherein it was held that, input tax paid on administration expenses are eligible for SEZ refund

K.M.C Constructions Limited, Indiranagar, Bangalore v. The Deputy Commissioner of Commercial Taxes (Audit and Recovery), Bellary and Others.- 2016(85) Kar. L.J. 625 (HC) (DB).

The powers under section 45 of the KVAT Act cannot be initiated until the matter is decided by the Tribunal.

Rangoli Digitals, Bejai Church Cross Road, Mangalore v. State of Karnataka. -2016 (86) Kar. L.J. 89 (Tri.) (DB).

Revision of order of Commissioner revising the order of Advance Ruling Authority is prospective and not retrospective



Issues on KVAT Audit

- Query 1
- Whether the Total Turnover includes Exempted Sales, Stock transfers within state, E-1 Sale?
- Query 2
- Whether revised returns should be filed along with VAT Form 240?
- Query 3
- Whether the Interest and penalty should be calculated till date of filing the VAT Audit report?



Issues on KVAT Audit

- Query 4
- How the clauses of the VAT Audit report to be defined ?
Whether comments to be added only in VAT Audit certificate and computations are to be added in VAT Audit Report?
- Query 5
- Whether the Auditor should give specific or general opinion for verification of compliance of KVAT law?



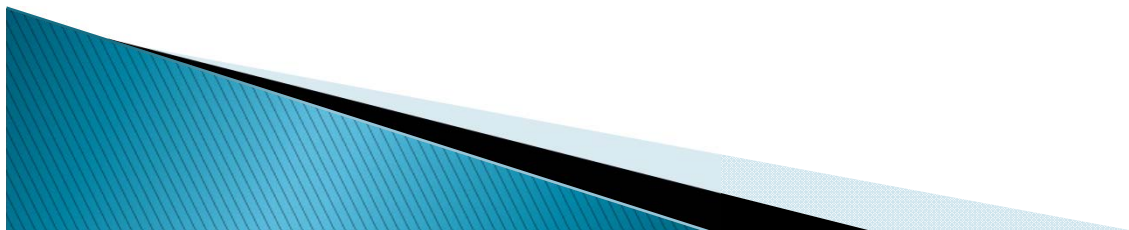
Issues on KVAT Audit

- Query 6
- How the Auditor should consider the retrospective Amendments for drafting the VAT Audit Report Allowability of depreciation, etc?
- Query 7
- What are the possibilities of difference between Income tax Audited statements and VAT Audited Statements?



Issues on KVAT Audit

- Query 8
- Whether the Auditor can comment on non compliance of KTEG law or Professional Tax law?
- Query 9
- Whether filing of KVAT Audit report is only procedure aspect or it becomes a department document once it is filed ? In other words can the Assessment or Reassessment be completed based on detailed KVAT Audit report filed? What in case simultaneous department Audit is undertaken by the department?



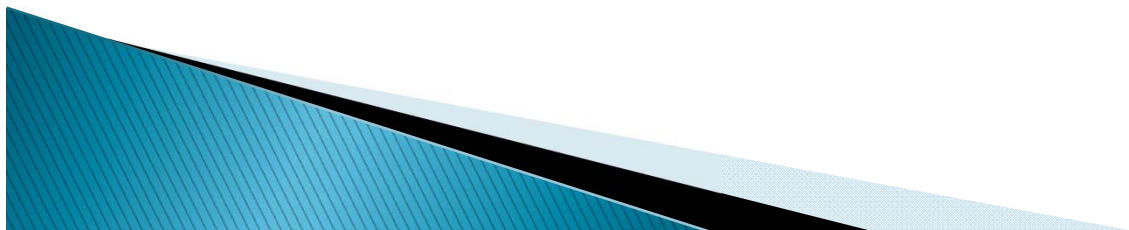
Issues on KVAT Audit

- Query 10
- How the clause 4 of Audit Certificate should be analyzed- Adjustment to turnover of sales and purchase based on entries in books of accounts?
- Query 11
- For computing the tax liability for VAT 240, whether the tax liability at the beginning of the financial year can be adjusted against the excess input tax credit at end of financial year?



Issues on KVAT Audit

- Query 12
- Whether the Auditor should verify the purchases for composition dealer as they are not eligible for input tax credit?
- Query 13
- How the auditor should conclude for different approach for special and partial rebating formula?



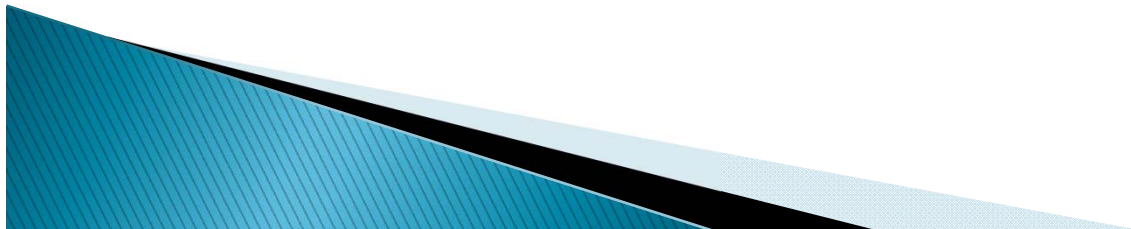
Issues on KVAT Audit

- Query 14
- Whether the E-uploading of the data and the forms are required to be verified by Auditor?
- Query 15
- Whether valuation of closing stock included closing work in progress? What is the relevance of this clause for VAT Audit Report?



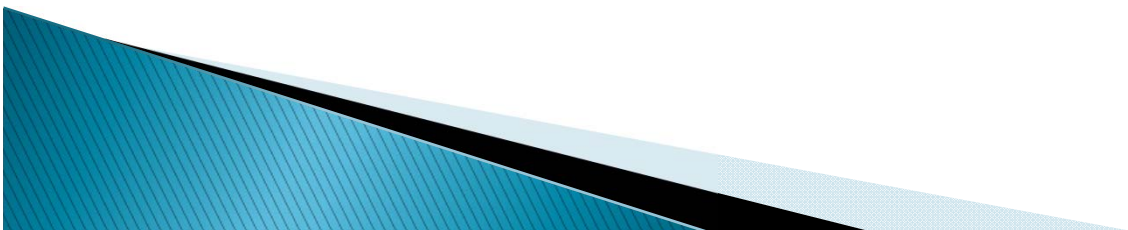
Issues on KVAT Audit

- Query 16
- Whether Unregistered purchase tax should be calculated for all kinds of purchase including used for administration purpose?
- Query 17
- Whether the dealer can revise the earlier reports or can make adjustments in current Year Audit Report?



Issues on KVAT Audit

- Query 18
- Whether the relevant Accounting standards to be applied for drafting the VAT Audit Report? Like AS-7, AS-2, AS-10, AS-19, etc
- Query 19
- What the relevant documents which the Auditor should be filed and the documents which are to be recorded by the Auditor?



Issues on KVAT Audit

- Query 20
- Whether the tax liability pertaining to non submission of Statutory forms has to be paid or only reflected in Audit Reports?
- Query 21
- Who should give the details of statutory forms under KVAT law in Part III– ?
- How the auditor should rely on electronic data maintained in complicated software?
- How the Auditor can conclude the interpretations which is pending before higher Authority

Issues on KVAT Audit

- Query 22

What happens in cases where the dealer has not filed monthly returns but has filed the VAT Audit Report / Certificate for the relevant period?

- Query 23

Where a part of the records of the dealer have been seized by the VAT authorities before the due date for submission of the Audit Report / Certificate and the dealer has not been able to get his accounts audited under KVAT Act, 2003, will the penalties still be applicable?



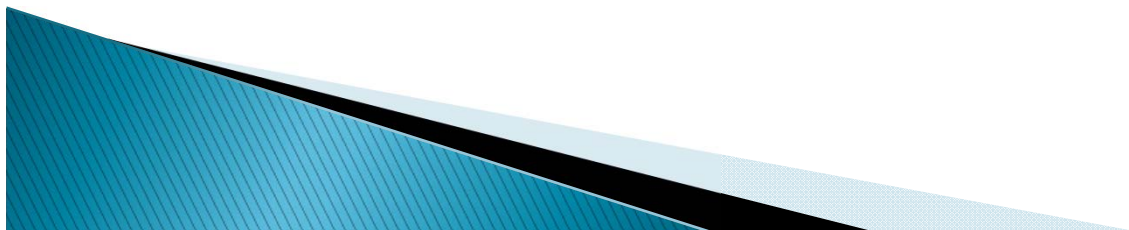
Issues on KVAT Audit

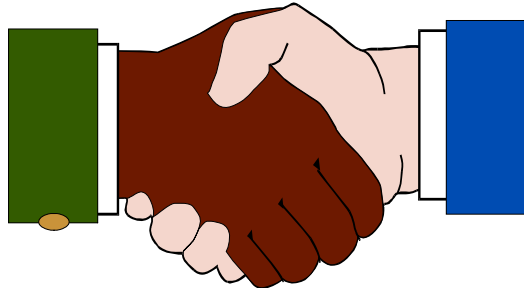
- Query 24

How does a casual dealer who has carried on business for a brief period in the State and has left the State immediately thereafter, file the Audit Report / Certificate? Are there any exceptions for casual dealers to file the audit report within the same year?

- Query 25

In clause 6, what do you mean by address of any branch or unit in the State having a different registration number? If a dealer has more than one TIN in the State, whether separate audit reports have to be filed for each TIN obtained or a consolidated Audit Report / Certificate can be filed?





Thank you