

No.CCT/12-22/2006-07/
Government of Goa,
Office of the Commissioner
Of Commercial Taxes,
Panaji.

Dated: 5^h Dec., 2006.

ORDER

Sub Section 1 of Section 29 of the Goa VAT Act, 2005 lays down the procedure for conducting audit and selection of cases. VAT being a self assessment scheme of taxation, the importance of audit is crucial for securing the interest of revenue.

It is proposed to commence the Audit process forthwith. The CTOs have already been instructed to take up the scrutiny of returns in a time bound manner so that the selection of cases for audit is not delayed. The following methodology is hereby decided for conducting of audit and subsequent follow-up action

(I)Each ward shall have one audit team comprising of CTO, ACTO, and 1 or 2 CTIs. The audit team shall be visiting the selected dealers on three working days and in and remaining two days the team shall be utilized for preparation of reports and scrutiny of records collected from the dealers.

(ii) Considering the target of 20% of dealers the audit targets shall be as follows:

	Panj	Marg	Vasco	Mapusa	Ponda	Curch	Bicho.
No. of Dealers as per DIS	3385	4542	1622	3242	1988	749	838
Audit Target	680	900	320	650	400	150	170

(iii) For selection of the dealers the following criteria shall be broadly followed:

Out of this target figure the ward shall select

- (1) 25-30 % from amongst the top 100 dealers of the ward;
- (2) 25-30 % out dealers in whose case the amount of Input tax refund claimed exceeds the deposit of output tax;
- (3) Around 50-100 cases where the dealers are showing decline in taxable turnover in the subsequent year;
- (4) 50-100 case of return defaulters;
- (5) 20-50 cases of newly registered dealers
- (6) All cases where refund has been given under Exports category
- (7) 30-50 cases based on the information available with the Enforcement and Intelligence cell and communicated to the ward in writing.

(iv) The ward officers shall finalise these list confidentially and submit to respective ACs for approval by 15.12.06 . In future also at the commencement of the financial year the ward officer shall prepare a list based on the above selection criteria and finalise the list of cases in consultation with the Asstt. Commissioner concerned. The lists finalized shall also be sent to office of CCT.

(v) The selection of dealers should be a mixture of proprietary, partnership, concerns, registered companies and Public Sector Companies . In no case shall the returns of Govt. Deptts. be audited except on specific instructions of CCT.

(vi) A calendar for audit shall be also prepared thereafter mentioning the date on which a particular dealer shall be visited by the audit team. The dealers to be visited shall be informed at least 10 days in advance. The audit calendar shall also be placed on the website of the department in order to apprise the dealers in advance about the proposed visit.

(vii) After the Audit the ward officers are also supposed to prepare a risk profile of the dealer and a register may be maintained as per Annexure I for future

references and for assisting in future selection of cases. Since this shall be an assessment audit a detailed report shall be served on the dealer in about a week's time after completion of audit.

(viii) A list of basic documents required is given at annexure II. The audit team should have with them this information before proceeding for audit.

(ix) A check list of issues to be verified is also attached at annexure III however the same is not exhaustive and the audit team shall have to compile information on case to case basis.

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(Ajit Srivastava)

All CTOs/AllACs/Addl.CCT

Annexure I

Risk Profile of Dealers

Sl. No. Date of Audit and Team composition	Premises visited TIN NO.
Summary of Findings	
Further Action Suggested	
Dealer risk rating (Low/Medium/High/ Very High Risk rating)	

Annexure II

The auditor should ensure that the facts of the case and all the documents, records and books of account maintained by entity to be audited are understood before beginning the audit and decide on the audit steps and tests and review of documents. The following are crucial documents which need to be comprehended before start of VAT Audit

1. Last return filed
2. Tax paid against the last return filed;
3. Any returns revised and reasons for the same;
4. Any returns not filed
5. Refunds claimed in any of the previous tax periods in the last 12 months;
6. Copy of the registration form filed;
7. Application filed for cancellation of registration;
8. Any pending objections and appeals against the Department by the dealer;
9. Any punitive action taken by the Department against the dealer;
10. Security furnished by the registered dealer; and
11. Any other intelligence information available with the enforcement department.

Annexure III

Some of the common methodologies adopted for evasion of VAT are the following:

1. Non registering of business;
2. Mis-reporting of domestic sales as export to benefit zero rating;
3. To show input tax in excess of the number of invoices actually held by the dealer;
4. Use of fake invoices and non-accounting in proper
5. The dealers with sophisticated computer systems for tracking goods by identification methods such as bar codes are less likely to be under risk;
6. The dealers that mainly deal with end consumer are more likely to be at risk as compared to those who deal mainly with registered dealers.

The auditor needs to exercise own judgment and experience to adapt the audit steps and tests to the audit situation and the circumstances of the case. Further, when required, the auditor should conduct additional audit tests and review additional documents to conduct an audit, which achieves its set objectives. Some of the issues requiring attention are listed below the list is however not exhaustive.

1. Registration particulars of the dealer:
2. Whether adequate records are being maintained by the dealer as per the VAT Act:
3. Raising of tax:

- a. Whether proper accounting for all business accounts
 - b. Whether raised at proper point:
 - c. Whether tax paid on good received is properly recorded:
 - d. Separation of business and non-business ensured
 - e. Proper accounting of credit and debit notes:
 - f. Details of imported goods and movement from bonded warehouse:
- 4. Brief particulars of business and non business accounts:
 - 5. Records of import and export and inter-State movement:
 - a. Verification of records evident for export actually having taken place:
 - b. Details for delivery of goods:
 - c. Evidence held in support of export(whether original copies of documents):
