

From

Excise and Taxation Commissioner,  
Haryana, Chandigarh.

To

- (1) All Joint Excise and Taxation Commissioners (Range), and
- (2) All Deputy Excise and Taxation Commissioners (ST),  
in the State of Haryana.

Memo No. 457 /S.T.6 dated Chandigarh, the 14.3.2006

**Subject: Instructions/guidelines for scrutiny assessment for assessment year 2003-04**

Vide Para I of the instructions issued vide this office memo No. 1112/ST 1, dated 21.7.2005, it was intimated that though notices in form VAT-N2 in the cases falling under the categories mentioned below shall also be issued by the circle officers yet these cases (except where there was likely to be heavy additional demand or refund in a particular case) will not be finalized till further orders;

- (a) Gross turnover exceeding five hundred lakh rupees in a year;
- (b) Claim of refund exceeding three lakh rupees in a year;
- (c) Claim of input tax exceeding ten lakh rupees in a year;
- (d) Claim of sale, purchase or consignment of goods not matching with the accounts of the other party to the transaction;
- (e) Cases based on definite intelligence about evasion of tax.

These cases were to be decided by SATs but as the same have not been constituted, it has been decided that these cases will be decided by the circle officer concerned.

2. As per section 15(3) of the HVAT Act, limitation for making assessment in a case is three years from the close of the year to which the assessment relates, so assessment orders in the **cases for the year 2003-04** can be passed only up to 31.3.2007. It has, therefore, been decided that the circle officers should pass assessment orders well in time and in any case by 31<sup>st</sup> December, 2006 and **serve assessment orders by 15.1.2007**. This is required to avoid last minute pressure of cases becoming time barred and making order in undue haste at the cost of proper examination. It is felt that the number of cases selected for scrutiny in a particular circle shall not normally be large (generally less than 200) and the circle officers should be in a position to assess cases of their circle well within the specified time limit. However, if the DETC (ST) is of the view that the number of cases in a particular circle is more than the circle officer will be in a position to decide

within the specified time, he may allocate cases with turnover below Rs. 50 lacs to AETOs posted in the district. The cases of the categories reserved earlier for SATs and the cases of industrial units availing any tax concession under section 61(2)(d) till such units are subject to the relevant provisions in the 1975 rules will however remain with the circle officers.

3. The system of assessment has undergone a change in the past few years. With the increase in the number of dealers with each Assessing Authority, it is no more feasible and even desirable to assess each and every case by calling the dealer in the office. As such the HVAT Act requires the regular assessment of only select cases selected for scrutiny. The selection is made on scientific basis after assessing the risk factors which dictate as to which cases are to be taken up for scrutiny. As regular assessment is to be taken up only in select cases, it is imperative that these cases are so thoroughly examined that tax evasion/avoidance, if any, is brought to surface and dealt appropriately under the law. Unless this is done, the temptation to evade tax shall grow and voluntary tax compliance shall come down resulting in a heavy cost to State exchequer.
4. A committee was constituted to suggest guidelines for assessing authorities for dealing with the scrutiny assessment cases. The report of the committee has since been received. The guidelines suggest methods and techniques to make detection of tax evasion when carrying out scrutiny assessment. Even though each case shall have its own peculiar facts, which only the assessing officers can fully discern and grasp, these guidelines explain, by giving examples, the general practices followed for evading tax and techniques needed to detect such evasion. The guidelines suggested by the committee (henceforth the Guidelines) along with draft VAT manual made available by EC are attached herewith for the guidance of the assessing authorities. These may be carefully gone through and be applied. This however should not limit the imagination and creativity of the assessing authority as each case may throw up its own challenges and peculiarities and he may have to innovate constantly. ***It should be noted that there could be no precise cut and dried guidelines for processing scrutiny cases. The officers must apply their minds to the facts of each case.***
5. The difference between routine examination of returns and scrutiny of cases should be clearly understood. As the number of cases to be taken up for scrutiny shall be small, each and every return should first be examined as to its arithmetic correctness, completeness (including lists and account of forms) and full and timely payment of tax. Detailed examination of the books of account and other evidence should be carried out with an inquisitive mind thereafter keeping all the possibilities listed in these guidelines in view and those, which arise in peculiar circumstances and facts of a case. The process of assessment should go beyond the table and cross verification should be carried out not only in the case of

suspected transactions but also in case of other transactions on test check basis to verify the credit worthiness of the account books of the dealer. Proper use should be made of any information about the dealer available in the office, which might have been collected during the course of roadside checking or otherwise. For this purpose any information about any dealer in possession of any officer should be passed on to the concerned DETC within a fortnight who shall pass it on to the concerned officer within further one week. DETC should coordinate collection of information from other departments like Railways, Market Committees, Electricity Department, Income Tax Department, and any other source he considers useful and pass it onto the concerned assessing authorities as early as possible. This does not exclude an assessing authority to collect information from a potential source as the facts and circumstances of a case may suggest. In fact, an assessing authority is expected to do so in each important case.

6. Following **initial steps** must be taken in each case
- a) Place all the four quarterly returns in form VAT-R1 along with annual returns in form VAT-R2 on the file. The commodity return in form VAT-A3 if not already on file must be obtained and placed on file.
  - b) Prepare a *summary of the quarterly returns* and crosscheck the same with the Annual Return.
  - c) *Verify payments of tax* from the *DCR* and TDS certificates if any.
  - d) Check whether the *tax is payable quarterly or monthly* and whether the same has been paid in time. In case of late payments *interest* be calculated.
  - e) Check whether all the *statutory purchase and sale lists* submitted with the returns are complete and tally with the corresponding entries claimed in the returns by the dealer and are the declarations C,F,H,E-I,E-II in support of various claims on file.
  - f) Check whether an *authorized person has signed* the returns and the statutory lists.
  - g) See whether *copy of annual account statements*, namely trading/manufacturing account, profit and loss account and balance sheet and reconciliation statement if any, is available on file with the annual return VAT-R2.
  - h) Place on file the details of all the *statutory declarations ST 38/VAT-D3,C, F,H,E-I,E-II* issued to the dealer and details of any VAT- D1 and VAT-D2 authenticated since 1.4.2003 or to be used during 2003-04 as per office record.
  - i) Place all the returned ST 38/VAT-D3 forms on file.
  - j) All information collected in respect of business activities of the dealer including any detection made during the year or verification of any transaction concerning the dealer must be collected and put on file.
  - k) Place a photocopy of the registration certificate of the dealer on the assessment record for each year. *Supply a copy of the RC VAT-G1 under VAT Act* if not done already.

- l) Tax deposited should be *matched* with out put tax and admissible input tax *for each quarter separately*.
- m) Prepare general information about the dealer in the format given in annexure 'C' of the guidelines. Most of such information will be available in the Fact Sheet in form VAT-A2. Any other information mentioned in *Annexure 'C'* of the Guidelines should also be obtained before hand at the earliest.
- n) Check whether the information furnished by the dealer in form VAT-A2 (**fact sheet**), if registered earlier under HGST Act, is on file and is complete. Check, in particular whether the EAC, the details of *bank accounts, movable properties, additional places* of business etc. are duly furnished. See carefully whether all the annexures are duly filled and attached with the fact sheet. Check information about names, addresses and **signatures** of proprietor, partner, Karta of HUF, Director etc, details of their properties and other businesses in which they have an interest (*Annexure I*). Check and update information, about additional places of business and about the goods required to be purchased at concessional rate of tax, in Annexure II and III. Check and update the information about **sureties** in Annexure IV.
- o) Under the VAT Act input tax is admissible on the closing stock of goods, which had suffered tax at the first stage under the HGST Act. The information about **closing stock of goods on 31.3.2003** is therefore important. It may be examined very carefully whether this information has been correctly submitted in Annexure V. Check whether the *break up* of taxable, tax-free and tax paid goods is given. See whether break up of tax paid goods according to different rates of tax is given and whether tax element has been correctly worked out. For this, cross verify the related information from assessment record for the year 2002-03. Normally there is an element of profit & expenses in the hands of previous sellers. Purchase expenses in the hands of the claimant dealer also become part of value of the closing stock. Assess whether a **reasonable deduction** on this account has been done before claiming the input tax. *Opening balances* reflected in the First Quarterly Return and account statements for 2003-04 should be cross-verified with the assessment record for the year ending 31<sup>st</sup> March, 2003.
7. Notices for assessment in form VAT-N2 have already been issued by now for the assessment year 2003-04. Before issuing notice next it shall be entered in Peshi Register and the actions listed in *Para 6* above should be complete.
8. *When the dealer appears* in response to notice, the details still unfilled in the general information in format in Annexure 'C', fact sheet and any other **missing documents**, lists, signatures, should be completed with the help of the dealer. **List of the persons authorized** as per requirement of rule 16(4) of the Haryana VAT Rules, 2003, to sign the returns and other documents, must be obtained and placed

on the file. In case the assessing authority wants, keeping in view the specific facts of any case, to obtain any further information about the dealer, it should be obtained from him and recorded on Annexure 'C'. Details of use of statutory forms by the dealer, if not already on record, should be obtained from him and placed in the above folder. (See Para 6 of the Guidelines.)

9. In case it comes to the notice of the Assessing Authority that the **RC needs any amendment** on account of the dealer having not given the information necessitating such amendment, the dealer should be asked to give that information in writing and RC should be duly amended. For his future guidance the dealer should be briefed about the law.

10. The Assessing Authority should carefully go through the details so far gathered on the file and, with his knowledge about the dealer, attempt to form a **mental picture** of the business of the dealer. This is essential to decide the further course of action. It is important that while trying to zero down on the specific area of examination, the assessing authority should have an alert and open mind but he should also be ready to accept reasonable explanations given by the dealers. His conduct should be such as to earn the confidence of the dealers. There may be totally unintentional underpayments of tax or cases of inadmissible input tax credit claim. The scrutiny proceedings should also have educative value for the dealers, which tell him about his obligations under the HVAT Act (See Para 9 of the Guidelines)

#### 11. Hints for suspecting tax evasion

After perusing the returns any officer can, simply by instinct, backed by his professional experience and knowledge about the dealer, broadly form a reasonably accurate idea as to whether the returns filed are commensurate with the business of the dealer. For each and every dealer there is a pattern of business peculiar to him. Para 11 of the Guidelines lists a number of examples where a dealer has deviated from this discernible pattern, which will suggest the course of action an assessing authority should normally follow.

12. It should be kept in mind that non-accounting of goods actually purchased is not the only modus operandi of tax evasion. An equally pernicious way of tax evasion is **fictitious accounting** of goods neither purchased nor sold **with a view to passing input tax credit** (also called "bill trading"). Under the VAT Act, this method is likely to be used more frequently. As such the assessing authority should look into cases reflecting unreasonably higher turnover, particularly in case of new registrations. (See Para 12 of the Guidelines)

In case of **suspicion about the genuineness of any transaction**, the first action should be verification of transaction from the returns filed by the purchaser as well as seller. In case a purchase is not verified, input tax credit should be denied and penal action taken. However, **when the purchaser and seller are in**

*collusion*, there will be no mismatch. In case of suspicion of collusion, the genuineness of the transaction should be further examined by looking into:-

- (a) **Movement of goods.** The dealer should be asked to produce the evidence of movement of goods. In this context, it should be noted that use of ST 38/VAT-D3 is no conclusive evidence of movement. On the other hand unscrupulous dealers generally fill up ST 38/VAT-D3 in such cases. The dealer should be asked to produce GR/delivery notes and find out if the mentioned vehicle exists, actually carried the goods and the transporter received freight charges. Needless to say, any delay in such enquiry will make the investigation more difficult.
- (b) **Proof of payment.** Generally, bogus transactions carried out through collusion between sellers and purchasers are of bigger values. As per Income Tax law, payments of higher amounts in business has to be made through cheques or demand drafts. The dealer should be asked to give details of payments, including the bank accounts. Generally, one of the parties to a bogus transaction is of sound financial health and the other, a man of no means who gets registration only to facilitate tax evasion. For further examination, bank documents, cheques/drafts and pay-in slips etc should be summoned from the bank and closely examined. Handwriting on these pay in slips can give useful evidence of fraud. It should be noted that the tax evaders who defraud revenue in a pre-planned way keep all the necessary documents and follow the procedure. It is only the close examination of the documents produced that can detect and prove the fraud. (See *Para 13 of the Guidelines*)
- (c) **Payment of tax** While investigating the chain of fictitious accounting backward it may be examined whether the tax, in respect of which the input tax is being passed on, has been paid at the earlier of the stages. The dealer issuing fake tax invoices would either not have paid the tax or would have obtained fake tax invoice himself adding one more link in the chain of passing of fictitious input tax credit. The investigation should reach and expose the last end of the chain.

**13. Some of the methods of tax evasion:** - Some of the methods commonly used for evasion of tax are mentioned below: -

- a) Taxable sales are not recorded.
- b) Tax invoices are forged and input tax is claimed against these.
- c) Claiming of input tax, which is not admissible.
- d) Allowing of discounts to related companies, which may reduce the taxable value incorrectly.
- e) Use of goods for non-business purposes like self-consumption, gift & sample
- f) Accounting goods at a lower rate of tax
- g) Showing taxable goods as tax exempted
- h) Any claim at reduction of tax liability whether by way of deduction from the gross turnover or credit to the input tax or computation of turnover or of tax

on pro-rata basis should be examined with care as there would be generally a tendency to link up purchases/import of goods with sale of goods (as such or goods manufactured therefrom) in a manner that reduces the tax liability. While such claim is not impermissible at law, this has to be tested on the facts of the case and allowed only if genuine. To illustrate, an exporter(out of India) of rice may claim that the un-exportable rice he sold in the domestic market outside the state by consignment sales is out of the rice purchased/imported by him from outside the state while such purchases may not actually be of the same variety wholly or may be of a different quality of rice or may be during a different period to which the dispatches relating to consignment sales relate.

- i) Showing sales of goods other than those actually purchased and thereby suppressing sales of goods actually purchased. This practice is commonly adopted by the iron and steel traders.

A conclusive proof of any of the above shall have to be found out from examination of account books. (Refer to *Para 14* of the Guidelines)

**14. Examination of account books:** - HVAT Act has prescribed a purchase daybook and sales daybook and other relevant details of accounts as discussed in *Para 15* of the Guidelines. The assessing authority should follow the steps given there. The following accounts must be examined with special reference to the points highlighted in *Para 16* of the Guidelines: -

- a. *Purchase account*
- b. *Sales account*
- c. *Hire/Purchase/Lease account*
- d. *Capital/Fixed assets account*
- e. *Other income accounts*
- f. *Party accounts*
- g. *Power and fuel accounts*

**15. Examination of critical ratios.** Each trade has almost standard ratios of various parameters. These are: -

- (a) *Input/output ratio*
- (b) *Expenses/sales ratio*
- (c) *Power and fuel/production ratio*
- (d) *Stock/sales ratio*
- (e) *Gross Profit/sale ratio*
- (f) *Wages/production ratio*

There can be various types of such ratios depending from trade to trade, which can be determined from the statement of accounts of the dealers. These ratios should be within a certain band in respect of all the dealers of a particular class and also for different periods of the same dealer. An examination of these ratios can give useful hints for scrutiny. It may however be noted that a deviation in these ratios by itself is not sufficient to reject the account books but has importance as corroborating evidence and is to be used alongwith other evidence

for the purpose of making best judgment assessment. (See *Para 17* of the Guidelines)

**16. Examination relating to sales/purchases other than local sales.**

*Para 18* of the Guidelines has discussed in details the issues, like use of C and F forms for petty transactions, genuineness of the forms, chronology of events in the case of indirect exports out of India etc., which must be looked into for each of such transactions namely Inter state sales and purchases, import into or export out of the country and consignment transfers/receipts. These must be carefully followed.

**17. Input tax and tax invoice: -**

Input tax as per section 8 of the VAT Act is admissible only if a VAT dealer has issued tax invoice charging tax from the claimant dealer. Therefore all the **tax invoices relating to purchase of goods should be physically seen.**

**18. Cross verification of input tax: -**

- (i) **Purchase transactions** involving **huge input tax** credit being claimed or **doubtful** ones should be **cross verified** and also examined with the Challan Forms ST-38/VAT-D3 used by the dealer for transportation purpose.
- (ii) In the cases of dealers of **specific trades** (selected for scrutiny) all transactions totaling more than **one lakh rupees** from a single VAT dealer in a year should be cross-verified.
- (iii) Most of plywood manufactures in Haryana have opted for the lump sum scheme and are barred from issuing tax invoice. The **plywood traders** purchasing plywood from such dealers are not entitled to claim input tax even on production of tax invoices (which lump sum tax payers are not authorized to issue). All such purchase transactions, where input tax on plywood has been claimed, must therefore be cross verified from the selling dealers and claim of input tax be allowed only when purchases are from VAT dealers and not from lump sum dealers.
- (iv) It has been observed in a number of cases that **stone crushers** have claimed input tax against **bills, which were not issued in their names** by selling VAT dealers but were issued in the names of third parties/truck owners/cash. Section 8 of the VAT Act does not permit input tax against such bills, which is admissible only if tax invoice is issued in the name of the purchasing dealer by the selling VAT dealers. The cases of stone crushers must be examined thoroughly from this aspect. Information about power consumption by these must also be obtained from Electricity Department in all the cases.
- (v) **Cases of works contractors.** (a) It should be verified whether the purchased material on which input tax has been claimed has been used in the works and tax has been paid thereon by the works contractor.

(b) It should also be verified that the *material supplied by the contractees* for a price has been made part of GTO of the contractor and claim of input tax against such purchases is allowed only if contractee is a registered VAT dealer and has raised tax invoices for such sales and paid tax thereon. (c) *Lump Sum works contractors* are allowed to purchase goods at the concessional rate of tax @4% for use in works. It should be ensured that this provision is not misused and there is *no excessive purchase at lower rate*. (d) It must be carefully seen that a works contract claimed by a dealer is actually a works contract and that supply/sale of goods has not been claimed as a works contract.

- (vi) While assessing the cases of units engaged in *bleaching, dyeing, printing* etc. of textiles, the instructions issued by this office vide memo no. 1655/ ST II dated 18/10/05 may be kept in view.
- (vii) Any *cross verification* may be carried out with the *help of special messengers*. The DETC (ST) shall coordinate verification of information for different circle officers working under them, so as to make optimal use of time and resources, by deputing only one messenger for one district. The DETCs receiving requests for verifications of information should deal with the matter on priority basis.

19. All the transactions recorded in **Challan Forms ST-38/VAT-D3** used by a dealer should be cross verified with the books of account and the respective list of sales, purchases, imports, exports etc. and a note in this regard be incorporated in the body of assessment order as well. If the assessing authority in a particular case feels that verification of such declarations is not likely to be fruitful it shall *record reasons for not carrying out the verification*. The use of forms should be reconciled with their issue and stock in hand. Account of other statutory forms should also be obtained and cross verified with its use.
20. Special attention needs to be given to the **input tax** claimed by the dealer and the **admissibility** thereof. Inadmissible input tax credit should be reversed. Section 8 read with Schedule E specifies inadmissibility of input tax credit. These provisions should be closely looked into.
21. As the manufacturers are allowed to **purchase goods at concessional rate** of tax, therefore, the dealers who have shown these types of sales and purchases require extra probing whether they have used the same for the **authorized purpose** or not.
22. Many of the dealers are known to avoid/evade tax by showing purchases of the goods from fictitious sources. For example, goods locally purchased and sent for sale on consignment basis, might be fictitiously shown to have been procured from out of State to escape liability to pay purchase tax. There can be a number of variations of such manipulations. Assessing authority must carefully examine such transactions from books of account especially from stock registers.

23. While finalizing assessment the A.A. should make detailed calculation of input tax and output tax and *where any claim is disallowed* to the dealer it should specially be mentioned on the order sheet that the dealer claimed the benefit by such amount but the same is allowed by such amount and the *reasons* for disallowing the same should *be specified*.
24. Further wherever there is any refund, it should be mentioned on the order sheet and in the main order that there is no demand due from the dealer and the refund is legally admissible to the dealer in view of the provision of the Section (No.) \_\_\_\_\_ or the Rule (No.) \_\_\_\_\_.
25. Assessing authorities shall *keep a note of all the test checks*, cross verifications, external data verified by them on the order sheet and shall also *mention the same briefly in the assessment order*.
26. The *orders of clarification* issued by the Govt. u/s 56(3), on various legal issues, from time to time, must be applied where relevant.
27. **Record of proceedings:** - It is very important that an adequately self-speaking record of assessment proceedings is maintained on the order sheet. It has generally been observed that at the end of a day's proceedings the Assessing Authority simply records "*Case partly examined and adjourned to.....*". Such noting does not enable him to have a quick review of the progress of examination. It is important that the Assessing Authority *records all the material findings* on the order sheet on day-to-day basis alongwith brief reason for adjournment. (Refer to *Para 10* of the Guidelines)
28. The case once finalized in the presence of the dealer should immediately be entered in the Disposal Register and the copy of the *order be served* upon the dealer *not later than fifteen days*.
29. **Checklist:** The assessing authority shall check in each case at least the points mentioned in the enclosed checklist, wherever applicable, and record remarks accordingly. The checklist so completed shall be signed by the assessing authority and be made a permanent part of the assessment record. It may however be noted that the checks suggested are by no means exhaustive and are only some of general checks that must normally be carried out. An officer must examine each case minutely from various other possible angles also and ensure that tax has been paid fully and correctly.
30. **Points that must be incorporated in the assessment orders**
- At least the following points must be covered and discussed in an assessment order wherever applicable to the facts of the case: -
- The entire quarterly and the annual returns, duly signed by an authorized person, being kept on file.
  - All the statutory lists, being in consonance with the entries in returns and duly signed by an authorized person, being kept on file.
  - Copy of final accounts namely trading account, profit and loss account, balance sheet etc. duly signed by an authorized person being kept on file.

- d. Tax being payable *quarterly/monthly* and having been paid timely. If paid late, levy of interest for late payment of tax to be discussed.
- e. Discuss whether *book version & return version* tally and whether the same are correctly reconciled in VAT-R2. Mention the *accepted figure* after discussing other income and any sales like the sales of any fixed assets, DPEB, lease income from movable assets etc.
- f. A note regarding the total number of *VAT-D3/ST-38* inward and outward challans issued, used, returned and placed on the file and verification thereof from the books of account and purchase and sale lists etc.
- g. A detailed note about the amount of *claim of input tax* with specific reference to its admissibility keeping in view the bar in Schedule E, use of goods for authorized purpose, verification of the claim from original tax invoices, any *cross verification* got done from the selling dealers etc. Names of the selling dealers from which the claim of input tax was verified shall be mentioned. Any *claim disallowed* on account of any reason must *be discussed specifically*.
- h. Details of any *information received* from extraneous sources and result of verification thereof should be specially mentioned. *If no information* has been received the fact should *be recorded*.
- i. Wherever the assessment results in *any refund*, discuss that there is no demand due from the dealer and the refund is legally admissible. Mention specific section and rule under which refund is allowed. Any refund allowed provisionally earlier must be adjusted and discussed.
- j. The claim of *return of goods* u/s 6(1)(i) and 6(2) is to be provided as per rule 22(4) wherein, it has been provided that “no claim of return of goods sold to any person shall be admissible if the claim is not made in the return for the quarter in which goods have been returned”. The escalation/de-escalation of goods also to be treated as per rule 23 and 24 of Haryana VAT Rules.

**31.** DETCs (ST) should circulate copy of these instructions alongwith copy of guidelines and of draft VAT manual, amongst the assessing authorities working under them. JETC(R) and DETCs (ST) shall also discuss these instructions with them for guidance of the assessing authorities and compliance.

**32.** Please acknowledge receipt of this letter.

Jt. Excise and Taxation Commissioner (ST)  
for Excise and Taxation Commissioner,  
Haryana, Chandigarh

Endst. No. 458 /ST- 6, dated 14.3.2006.

A copy is forwarded to ?

- (i) All Additional Excise and Taxation Commissioners,
- (ii) All Joint Excise and Taxation Commissioners (Appeals),
- (iii) All Deputy Excise and Taxation Commissioners (Excise), in the State,
- (iv) All other Officers in the Head office,  
for information and necessary action; and
- (v) PA/ETC for kind information of the Excise and Taxation Commissioner,  
Haryana, Chandigarh.

Jt. Excise and Taxation Commissioner (T)  
for Excise and Taxation Commissioner,  
Haryana, Chandigarh.

## **Check list for scrutiny cases**

**Atleast the following checks should be performed where applicable**

### **A RC Part**

- 1 Has a copy of new RC in form VAT-G1 under VAT been supplied to the dealer ?
- 2 Is the RC amended upto date?
- 3 Is the 'FACT SHEET' in form VAT-A2 placed on file and got completed and information prepared in annexure 'C' of the Guidelines?

### **B Preliminary**

- 1 Are all returns,including Annual Return VAT-R2 and Commodity Return VAT-R3 on file?
- 2 Are all statutory lists on file and tally with entries in returns ; both quarterly and annual; and are declarations(C,F,H,E-1,E-2 etc.) in support of various claims on file?
- 3 Is a copy of annual account statements namely trading account , profit and loss account and balance sheet; and is reconciliation statement where applicable, on file?
- 4 Are the details of issued statutory forms ST 38/VAT-D3, C,E-I,E-II,For,H and of authenticated forms VAT-D1, VAT-D2, on file?
- 5 Have all the used ST 38/VAT-D3 forms been returned and placed on file?
- 6 **Is tax payable quarterly or monthly ?**  
( If the tax has not been paid in time interest be calculated.)  
**Has the payment of tax been verified from DCR and TDS certificates if any**
- 7 Have the opening balances in trading account been verified from previous year's record
- 8 **Has input tax been brought forward correctly from previous year to 1st quarter return?**
- 9 Has the extrenal information gathered if any been placed on the file?

### **C Completion of information and documents with the help of dealer**

- 1 Has any missing information/action, out of the above, been completed with the help of dealer ?
- 2 Have the Tax Invoices and declarations been obtained and placed on file?

### **D Examination of account books**

- 1 Whether other income account checked & corresponding sales verified as shown in returns?
- 2 Whether sales of assets if any has been shown in returns and tax paid thereon?
- 3 Have the expenses upto the time of delivery been ncluded in sales turnover?
- 4 Whether Sales are in reasonable proportion to average running stock?
- 5 Is the production of goods in reasonable proportion of power and/or fuel consumption?
- 6 Have the ST 38/VAT-D3 forms been verified with purchase and sales lists etc. and with books of account and the result of verification recorded?
- 7 Has the external information if any been cross checked and result thereof recorded (if no information received, mention the fact here and in assessment order)?
- 8 Have the rates of tax been checked as correctly applied?
- 9 Have the entries in party accounts been test checked with goods accounts?
- 10 Are any goods taxable at higher rates wrongly included in account of goods taxable at lower rate and tax evaded?
- 11 Does any of the orders of clarification issued under section 56(3) apply to the facts of the case?

### **E Checking of Input Tax Account**

- 1 Have the Tax invoices for input tax claim been examined for their completeness, correctness and genuineness?
- 2 Has the Input tax account been checked for any wrong claim of goods used for self consumption, office use, construction of building etc.?
- 3 Whether any Input Tax has been claimed for nonpermissible purposes mentioned in Schedule E?
- 4 Have the goods purchased at concessional rate been used for permissible purposes?
- 5 Whether Input tax cross verified and names of dealers and result of verification recorded?
- 6 For credit entries in purchase account for goods returned or price de-escalation in purchase account- Whether Input Tax has been reversed?

*Note- The above checks are only of general nature and are suggested as the minimum required to be carried out and are by no means exhaustive. The officers must minutely examine the case from various other possible angles also and ensure that tax is paid correctly.*