

TRADE CIRCULAR

To,

.....
.....

No.: JC/EIU/CDA1415/2017-18 B-180
Trade Circular No. 19 T of 2017

Mumbai. Dt.- . 08/06/2017.

Subject: The *Computerized Desk Audit* (CDA) for the period 2014-15.

Reference: 1) Trade Circular No. 14T of 2014 dated 06-08-2014.
2) Trade Circular No. 12T of 2015 dated 14/08/2015
3) Trade Circular No. 37 T of 2014 dated 25/11/2016

The department has now generated **Computerized Desk Audit (CDA)** reports for the period 2014-2015 after analyzing electronic data pertaining to e>Returns, audit reports in form e-704 and annexures thereof uploaded by all the dealers. The CDA for this period has resulted into findings of likely tax liability in respect of some of the dealers. The CDA findings for this period are available through dealers' access on the web site www.mahavat.gov.in and also dealers can submit compliance electronically. The dealer will not be required to visit the sales tax office for audit period if he agrees with the findings of the CDA and pays tax as per CDA along with applicable interests.

2. Selection of cases for the regular assessment for the period 2014-2015:

The department has selected the cases for comprehensive assessment and issue base audit for the year 2014-15. The facility of CDA will not be available to these Assesseees. Assesseees, in these cases, will be required to attend before the assessing authority for the complete verification of their books of accounts. The list of assesseees selected for assessment and IBA is displayed on the web site www.mahavat.gov.in.

3. The CDA parameters and the cases selected for the CDA for the period 2014-2015:

The CDA findings have been generated on 11 parameters as shown in the table below.

Sr. No.	Audit Parameter Description
1	Tax Credit (set-off) from non-genuine suppliers
2	Tax Credit (set-off) from TINs not existing in MAHAVIKAS registration database
3	Tax Credit (set-off) from Registration Cancelled Suppliers
4	Tax Credit (set-off) from suppliers who are return non-filers for the complete year

5	Tax credits (set-off) from suppliers who are composition dealers filing only Form 232
6	Tax credits (set-off) from suppliers not showing taxable sales in returns
7	Excess tax credits (set-off) in annexure J2 of buyer where supplier has filed complete annexure J1 but has shown no sale to the buyer
8	Excess tax credits (set-off) in annexure J2 of buyer where supplier has filed complete annexure J1 but has shown less sales to the buyer
9	Asked to pay amount in Part I of Form e-704 under MVAT Act
10	Asked to pay amount in Part I of Form e-704 under CST Act
11	Excess tax credit (set-off) in annexure J2 claimed by buyer where Gross purchase amount matches with Gross Sales amount shown by seller in annexure J1

The dealers, in whose cases, discrepancies have been found in any or all of the parameters as above, and whose names appear in **CDA Dealer List -2014-2015** on the web site www.mahavat.gov.in may opt for compliance to the CDA through the online system.

4. The CDA compliance system available on the web site:

The Computerized Desk Audit compliance system consists of;

- The communication of the CDA findings in **Form 604 A** followed by the Annexure wherein the dealer can see the details of the transactions pertaining to the CDA parameters.
- The **CDA Web Compliance Form** in which the dealer can accept or reject the parameter-wise tax liability
- The **Interest Utility** for calculation of interest under section 30(2)
- The dealer can fill **Payment details & Return details** and submit online compliance.

5. Communication of findings of CDA through a notice in form 604 A i.e. an intimation u/s. 63(7) of the MVAT Act:

The communication of the CDA findings shall be in notice in form **604 A**. It shall be available to the concerned dealer on the web site www.mahavat.gov.in. The dealer will be required to login with his user id and password.

After log in, the dealer will open the link "Computerized Desk Audit" and select the relevant financial year to download CDA findings. After clicking the link for download, **CDA findings in form 604 A** will be downloaded in zipped file and can be saved by the dealer as HTML file. At the same time an **acknowledgment** will be generated for the department regarding successful delivery of **CDA findings in form 604 A**. The said acknowledgment will also be available to the dealer on the web-site.

The **CDA findings in form 604 A** (HTML file) will be available to the dealers from **08/06/2017** through their log in IDs on MAHAVAT website as stated above. The dealers will also receive the **CDA findings in form 604 A** (zipped HTML file) through e-mails on the e-mail IDs which are available with the department. An

intimation about selection of case under CDA category will also be intimated to the dealer through customized SMS.

After compulsorily downloading **CDA findings in form 604 A**, the link for CDA compliance web-form will be available to the dealer for compliance. It may be noted that unless the **CDA findings in form 604 A** is downloaded, the dealer will not be able to access the CDA Compliance Form.

6. Compliance to the CDA and Payment of due Tax and Interest.

The compliance to the CDA is required to be made directly on the website. For this purpose, the dealer would be required to access the “**CDA Compliance Form**” for the relevant year in the link “**Computerized Desk Audit**” on the web site www.mahavat.gov.in through his login Id and the password. This report shows the audit parameters and the related tax liability in a tabular form. The facility of acceptance or denial of any of the audit parameters and also the facility for entering interest payments u/s 30(2) and 30(4) have also been made available to the dealer through a button on the same web page. Also a button is provided for accessing Interest calculation utility.

- a. The dealer shall go through the information provided in CDA so as to arrive at a decision as to whether the additional tax liability for each audit parameter is acceptable to him or not. For this purpose he may go through the details as mentioned in **CDA findings in form 604 A (html file)** where the tax liability against each audit parameter in CDA is supported by party-wise sale / purchase transactions.
- b. The dealer may accept the audit parameter and the tax liability thereof in terms of any or all of the audit parameters. For his acceptance, he will select ‘**YES**’ from the drop down menu against the relevant parameter. The dealer may not accept the audit parameter and the tax liability thereof. For his non-acceptance he will select ‘**NO**’ from the drop down menu against the relevant parameter. **Partial acceptance of tax liability against any parameter is not provided for.** However, the dealer may accept liability on account of some parameters and may deny the tax liability on some other parameters. The dealer should select ‘**NO**’ if the parameter risk is zero.
- c. In case of accepted tax liability the dealer would calculate the interest payable under section 30(2) using the utility provided under the button “**Calculate Interest**”. The dealer has to distribute the admitted tax liability across all return periods applicable as per the periodicity if the payments are made before 1st April 2015 e.g. asked to pay category payment. If the payments are made on or after 1st April 2015, then the dealer has to calculate interest applicable for Annual revised return as per the amendment in section 30(2) applicable for such periods.

Further, the State Government has issued a Notification No. VAT 1515/CR-81/Taxation-1, dated 5th November 2015. By virtue of the said notification an amendment to sub rule (1) of the principle rule 88 under Maharashtra Value Added Tax Rules 2005 is effected. Earlier under rule 88(1) the rate of interest was one and half quarter percent of the amount delayed tax payment. By this amendment the rate of interest prescribed under rule 88(1) for the purpose of subsection (1)(2) and (3) of section 30 of Maharashtra Value Added Tax Act 2002 are revised. The said amendment is effective from 1st December 2015

Depending upon the applicable due dates and as per revised interest rate, the system will calculate interest for relevant return periods. The dealer is required to calculate interest on the total tax admitted in Compliance web-form excluding any interest amount if included in asked to pay parameters. The dealer would also calculate the interest payable under section 30(4), as may be applicable, and first pay the net tax and the interest so calculated. Necessary validations have been provided so that the CDA Compliance Report gets accepted only if the tax liability and the applicable interests are fully paid in relation to the accepted parameters.

- d. If the dealer had already made tax payments for the audit parameter now communicated to him, then such chalan details can be entered in the Chalan form available by clicking "Payment button" provided in the CDA Compliance web-form. The details about balance additional tax, if any, paid after receipt of CDA report can be entered in another chalan added by clicking the "Payment button". The facility of entering multiple chalan details under MVAT and CST Acts is provided the "Payment button".
- e. As per the Explanation to section 30(4), if the additional tax liability is less than **10 percent** of 'Taxes paid' as per the admitted tax liability in returns / revised returns (after adjusting tax credits) filed before receipt of CDA intimation, then interest u/s **30(4)** is not payable. Similarly, if the additional liability is on account of CST declarations not received by the dealer, then also interest under section 30(4) is not payable. If a dealer admits some or all of the audit parameters and the admitted tax liability is below 10% of the taxes paid along with returns filed before delivery of CDA intimation, then he will not be required to pay interest under section 30(4).

It may be noted that without the payment of applicable interests, the CDA Compliance will not be accepted on the web-site. It may also be noted that the physical submission of the CDA Compliance will not be accepted.

- f. Once the tax and interests are paid the dealer would then file the **annual revised return** as contemplated u/s **20(4) (c)** showing the revised details appropriately.

- g. The dealer would then fill in the details of tax and interest payment in the CDA compliance report and confirm the same by clicking the **"Submit Compliance"** button on the web page of the **"CDA Compliance Report"**. The compliance to the CDA is to be made on or before **31-07-2017**. It is therefore in the interest of the dealer to download the **"CDA Report"** and the intimation in form 604 A as soon as possible. The online submission of the CDA Compliance Report will be treated as full compliance in relation to admitted audit parameters' additional tax liability. **Full compliance related to a parameter will result in closure of the parameter.**
- h. The dealer is at liberty to disagree with the CDA. However, all the cases where parameters have not been accepted will be taken up for scrutiny, by way of Issue Based Assessment or comprehensive assessment, for the confirmation of facts through the personal hearing of the dealer in which case the penalty under section 29(3), in addition to interests, shall also be payable. As stated above the partial acceptance against a particular parameter will not be accepted.
- i. The facility of CDA Compliance will not be available to LTU dealers or PSI cases or refund claiming dealers or the cases pending for investigation or the cases specifically selected for comprehensive audits or assessments for the period 2014-15. As stated earlier, the cases selected for comprehensive audits/ Issue base audit or assessments pertaining to period 2014-15 are displayed on the MAHAVAT web-site.

7. Benefits of the online CDA Compliance:

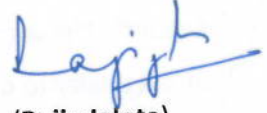
The dealer will not be required to come to the department for verification of the books of accounts for CDA related issues. The audit parameters selected are clear and generated from the dealer's own submissions. In most of the cases, there is a single audit parameter which is easy to comply. The dealer will be saved from the cost of compliance through the online compliance mechanism.

8. Communication of case closure in form 605:

The department will separately inform the closure of the CDA cases in which full compliance is received and the due taxes and interests have been paid. Such a communication will be in form 605.

9. The dealers are requested to positively respond to the contents of this circular. This Circular cannot be made use of for legal interpretation of provisions of law, as it is clarificatory in nature. In case of any doubt, the dealer may contact the designated officer on the telephone number provided in Form 604 (A) or mentioned in CDA Cases list on Mahavat website.

You are requested to bring the contents of this circular to the notice of all the members of your association.



(Rajiv Jalota)

Commissioner of Sales Tax,
Maharashtra State, Mumbai.

Mumbai. Dt. ____

No. JC/EIU/CDA/2017-18 B - 180

08/06/2017.

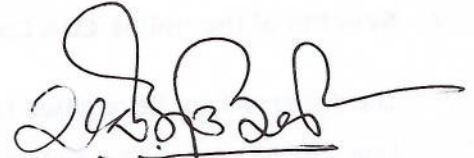
Trade Circular No. 19 T of 2017.

Copy forwarded to:-

- a) Special Commissioner of Sales Tax, MS, Mumbai.
- b) All the Addl. Commissioners of Sales Tax in the State.
- c) All the Joint Commissioners of Sales Tax in the State.
- d) All the Deputy Commissioners of Sales Tax in the State.
- e) The Sales Tax Revenue Audit, Mumbai and Nagpur.

Copy forwarded with compliments and for information to:-

- a) The Principal Secretary, Finance Department, Mantralay, Mumbai.
- b) The officer on special duty, Finance Department, Mantralay, Mumbai.



(R. D. Adsul)

Joint Commissioner of Sales Tax,
Economic Intelligence Unit, Mumbai.