

OFFICE OF THE COMMISSIONER OF COMMERCIAL TAXES  
ODISHA, CUTTACK

No. 4493 CT  
REV-12/1/2018-REV-CT.  
To

Dated 19 / 3 / 18

**Addl.CCT / JCCT in charge of all Ranges**  
**DCCT/ ACCT in charge of all Circles**

Sub: Tax Audit of dealers for the Year 2018-19

Madam / Sir,

In exercise of the powers conferred by sub-section (1) of Section 41 of the Odisha Value Added Tax, 2004, the undersigned has selected 866 numbers of dealers for tax audit to be conducted during the year 2018-19. The same dealers are also selected for tax audit under sub-section (1) of Section 9 (B) of the Odisha Entry Tax Act, 1999. These dealers having interstate transactions shall also be deemed to have been selected for tax audit u/r 12(3) of the CST (O) Rules 1957. The Circle-wise list of dealers selected for tax audit is available in the website of CT Organization and is also being sent through intra-mail to all Circles and Ranges for assignment to different audit teams to be constituted at the Range Level.

General principles and procedures of audit, as mentioned below, should be followed without fail.

- 1. General Intent of Audit-** Under VAT regime regular annual assessment has been replaced by self assessment, By this, responsibility is fixed upon the dealer for assessing his/ her tax liability. On the other hand, responsibility has been put on the audit team in detection of non-compliance, procedural irregularities and leakage of revenue due to deliberate action or ignorance on the part of the dealer. At the same time, it is required that the Audit team should keep in mind the prevalent trade practices, the economic realities and business environment in which the dealer operates. The objective of tax audit, which is undertaken in selective cases, is to encourage voluntary tax compliance and to put a check on evasion of taxes. The audit should also be educative. The audit team should apprise the dealer of the

provisions of law, latest amendments and their implications. The audit team is expected to take a balanced, scrupulous and rational approach while conducting audit. The audit team should not visit a dealer with a preconceived notion of finding fault with the dealer. The audit team is required to carry out the duties in a fair and transparent manner with utmost sincerity and integrity.

2. **Selection of dealers:** Selection of dealers for audit has been done by applying different risk parameters. The list of risk parameters applied in the selection process is attached hereto for reference and guidance of the audit team. The same can be used by the audit team in formulating the audit strategy.
3. **Period of Audit:** Audit of the selected dealers should cover the period from 01.10.2015 to 30.06.2017. On the basis of the findings of the audit, if it is felt expedient to conduct audit for the years prior to the prescribed period, permission of the CCT (O) should be obtained in writing stating the reasons thereof.
4. **Time for completion of Audit:** The audit programme should be drawn up by the Range Head in consultation with Deputy/ Assistant Commissioners in charge of Circles. Since the number of dealers selected for audit is less, audit of the selected dealers must be completed and AVRs submitted by 30.09.2018. The Addl.CCT/ JCCT in charge of Range concerned should review the progress on monthly basis to ensure that audit is completed as per schedule. Non-completion of audit in time will be viewed seriously.
5. **Legal provisions as amended in the OVAT amendment Act 2015:** In view of significant changes made in the audit process in the OVAT Amendment Act, 2015 and the CST (O) Amendment Rules, 2016, the audit team members may be suitably instructed about the changes in procedure of audit in order to ensure uniformity in approach. It may be noted that Rule 10 of the CST (O) Rules has been omitted and audit of dealers selected u/s 41 having interstate transaction can be addressed through Rule 12(3) of the CST (O) Rules.
6. **Pre Audit Preparation:** Upon assignment of audit, auditors must do comprehensive preparation before their visit to the units. This should be done on the basis of the information available in the office. In the age of e-filing of returns and issue of e-waybills/ e-statutory forms, sufficient data is available electronically. All such

information should be viewed along with previous audit and assessment reports, Chartered Accountant audit report, etc. so that the audit party can generate a dealer profile and also have an understanding of the dealers' activities and past record before undertaking actual Tax Audit. To facilitate the same, Pre-Audit Dealer Profile should be made by the Audit Team and kept as part of the audit record.

7. **Public dealing and transparency:** The objective of Commercial Tax Organization is to collect taxes in a cost effective, responsive, fair and transparent manner and also to maintain public confidence in the system of tax collection. The audit team should follow the principles as given below while interacting with the dealers.
  - I. Once an audit notice is issued in Form VAT-301, it should be ensured that the audit team reaches the premises of the dealer at the time and date indicated in the notice.
  - II. If the documents have been submitted by the dealer previously either manually or electronically, the dealer should not ordinarily be asked to submit the document again.
  - III. A copy of statement of the dealer recorded by the audit officer in course of audit proceeding should be provided to the dealer on the spot. For this purpose, a carbon copy should be created at the time of recording of the statement.
8. **Audit at dealer's premises:** Audit must be undertaken effectively at the dealer's premises. Only under exceptional circumstances where the dealer fails to produce any account, record or document in course of the audit, the audit officer by issuing notice in Form VAT-302 may instruct the dealer to produce such accounts, records and documents in the office on the date and time specified in that notice.
9. **Mandatory entry in VATIS module:** All officers are mandatorily required to use VATIS audit module. Necessary process change has been made in the VATIS to facilitate uploading of the audit process as per the recent amendment in OVAT Act (Sub-section 4,5 7 6 of Section 41). The details of audit teams should be entered in the VATIS audit module. In event of any change of the audit team, the changes are required to be entered in the VATIS audit module. If you are going to change the head of the Audit Team for some reason, you should ensure that the team has

completed audit of the dealers for which they have initiated the process and submitted the audit visit reports. It is very important to ensure that audit reports are submitted immediately after audit is completed so that flow of audit assessment is maintained throughout the year.

**10. Quality of audit reports:** The objective of audit verification is to perform verification activities and document them in order to obtain and record audit evidence. It is important that in an audit, the objections that are raised are technically correct and stand up against scrutiny or challenge. Law being open to interpretation, it may be difficult to test the technical correctness of all objections. However, it should be correct to the extent that any professional auditor, working with and having access to the same research material, is likely to come to the same conclusion. It also means that the auditor must demonstrate, in writing, the research and reasoning used to base his/her application of law, policies and jurisprudence.

I. Audit must be technically correct and supported as per following standards:

- The VAT Act & Rules, CST Act & Rules, Entry Tax Act & Rules, Jurisprudence and Circulars issued by CCT (O) are properly adhered to.
- All objections should be technically correct and having reasoning.
- Amount of tax detected should be quantified, supported and fully explained in the audit report.

II. Audit report should be supported by documentation, which includes reports and correspondences which are complete, accurate and of professional quality. The audit report should have the following attributes.

- Be clear, concise, legible, organized, indexed and cross-referenced
- Disclose the techniques, materials and information used in the examination of each significant item.
- Support the conclusions reached and cover all queries raised
- Include audit evidence (e.g copy of a financial statement, an invoice, a contract, a bank statement, a job-work agreement, etc) to support the objection raised.

- Link results to supporting documents e.g the objections identified must agree with the summary of audit results or statement of audit objections and the audit report.
- III. To improve quality of audit, discussion should be made in the Monthly meeting at Range with the CTOs/ Addl.CTOs of the Audit Team. In the monthly meeting, some of the issues that can be discussed are:
- Clarifications/ Circulars that have been issued by the CCT from time to time.
  - The points raised during scrutiny of assessment orders by HO in case of refund of more than Rs. 10 Lakh.
  - Any other knowledge sharing activity like exposing audit officers and tax officials to various business sectors like textile, automobiles, jewellery, mining, irons & steel, marble, edible oil, works contractors and dealers having transactions under CST Act ( like export , import, branch transfer , sale in transit, high sea sale, etc) including big corporate dealers.

Yours faithfully

  
**Commissioner of Commercial Taxes**  
**Odisha, Cuttack**

Memo No. 4494 / Ct

Dated 19/3/18

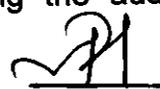
Copy forwarded to all Spl.CCTs / Addl.CCTs of Head Office for information.

  
**Commissioner of Commercial Taxes**  
**Odisha, Cuttack**

Memo No. 4495 / Ct

Dated 19/3/18

Copy forwarded to DCCT (IT & P) for uploading the audit programme in the Departmental website.

  
**Commissioner of Commercial Taxes**  
**Odisha, Cuttack**

**Parameters for selection of Non -LTU dealers for tax audit during 2018-19**

<b>No. of Parameters</b>	<b>Subject of Parameter</b>	<b>No of dealers under the parameter</b>
Parameter – 1	Dealers with CF ITC of 1 lakh+ by June17 & also have continuous CF ITC from 01-4-13	185
Parameter – 2	Dealers showing excess OB of ITC of Rs. 1 lac + than CF ITC of its preceding VAT return (5 Vs 55) for the period 1.4.2013 to 30.6.2017	170
Parameter – 3	Purchasers showing excess ITC of Rs. 5 lakhs + & each transaction Rs 500+ against their sellers (sl.57 of VAT return) 01.4.2015 to 30.6.2017	401
Parameter – 4	Sellers caused ITC mismatch of parameter - 3	661
Parameter –5	Dealers showing less total sale of Rs. 1 Cr.+ than their total purchase from 01-04-13 to 30-06-17	281
Parameter –6	Non -filers with WB transaction being unresolved Big ticket cases from 01-04-16 to 30-06-2017	15
Parameter –7	Nil tax filers with Waybill transaction being unresolved Big ticket cases from 01-04-16 to 30-06-2017	28
Parameter – 8	Nil transaction filers with Waybill transaction left as unresolved Big ticket cases from 01-04-16 to 30-06-2017	27
Parameter – 9	Dealers with less VAT paid of Rs. 10,000 + than payable from 1.4.13 to 30.6.17	76
Parameter – 10	Dealers showing SGST credit of Rs. 1 lakh + in TRAN 1	357
Parameter – 11	Dealers have not paid interest of Rs. 15000+ for 1.4.2013 to 30.6.2017	249
Parameter --12	High tax paying dealers of 6 small Circles not covered under 1 to 11 parameters	16
<b>Total</b>		<b>866</b>