

GOVERNMENT OF NATIONAL CAPITAL TERRITORY OF DELHI
DEPARTMENT OF TRADE AND TAXES
(POLICY BRANCH)

VYAPAR BHAWAN, I.P. ESTATE, NEW DELHI-110 002

No.F.3(639)/Policy/VAT/2016/ 1642-48

Dated: 8-3-16

CIRCULAR NO. 40 2015-16

Sub: – Scrutiny of Returns-regarding

As you are aware that a return furnished by a person required under section 26 of Delhi Value Added Tax Act, 2004 is treated as self-assessed as per provisions of section 31 of the said Act. This was a major departure from the erstwhile Delhi Sales Tax Act, 1975, repealed by the aforesaid Act. Under erstwhile Delhi Sales Tax Act, all cases used to be assessed mandatorily to find out from the returns filed or otherwise, whether tax has been paid properly or not. Therefore, to protect the interests of revenue, a scrutiny sheet was prescribed vide circular no. 9 of 2005-06 dated 23-05-2005, immediately after introduction of DVAT Act, to find out authenticity of tax calculation, payment made, input tax credit claimed on purchase of capital and other goods, tax credit carried forward from previous tax period and ratio of input tax credit vis-avis output tax etc. Keeping in view the revenue stakes and resources available, a percentage of returns were required to be scrutinized. The returns used to be filed manually in the beginning of introduction of DVAT Act and digitized later on by the department.

2. With the passage of time, an application software was got developed from a vendor M/s CMC Ltd and most of validations and formulae for numerical calculations were put in place in the software itself. Though, the circular No.9 of 2005-06 was reiterated in 2010 (Circular no. 08 of 2010-11) but as stated above, the validations used to be taken care of by software itself. With the improvement in technology and modernization of application software, more checks and validations were put in place to safeguard the revenue. To further consolidate the checks and validations, sale and purchase annexures were prescribed to be filed along with return and matching process of ITC and output tax started from the year 2012-13 onwards. A mismatch report is shown to the dealer immediately after filing of return and assessments are framed if mismatch is not rectified. With these mechanism in place, the above said circulars have become infructuous as on date.

3. Besides, mismatch of ITC vis-a-vis output tax, some unscrupulous dealers have found new ways to evade tax. It has come to notice that in the name of central sale, some dealers are making sale to cancelled dealers of other States; some are issuing tax invoices of huge amount immediately after registrations without paying any tax or filing return. With a view to curb, such practices, circulars / instructions have been issued from time to time and in the recent past also so as to keep a watch on new registrants showing high GTO and paying little tax or no tax. Instances have also come to the notice where dealers are downloading statutory forms of huge amount without showing corresponding sale/stock transfer.

4. Though, necessary, checks have been put in place however some cases need to be looked into on sample basis as it is difficult to visualize the modus operandi of unscrupulous elements therefore ward officers are hereby directed to keep a watch on following classes of dealers' alongwith the advisory to safeguard the revenue:

- i. newly registered dealers showing sharp vertical growth in GTO;
- ii. dealers downloading statutory forms of huge amount without showing matching sale/stock transfer;
- iii. frequent change in trade practice / commodities;
- iv. circular trading;
- v. dealers stopping return filing within a period of less than an year of registration;
- vi. dealers applying for cancellation within a year or so, of registration;

- vii. dealers filing 'Nil' GTO return continuously for a period exceeding one year;
- viii. return defaulters
- ix. frequent refund claimants
- x. non-tax payers
- xi. continuously carrying forward excess ITC for a period exceeding one year;

5. While cancelling a dealer, all dues should be checked and assessment may preferably be framed wherever required. Though, assessment can be framed after cancellation but notice of assessment may be served upon the person at the address given in the cancellation application, for future correspondence.

6. Un-registered dealers functioning in the ward is another area of concern. Ward Inspector should persuade the un-registered dealers, who otherwise are liable for registration, to obtain registration failing which action should be initiated against such persons by ward officers.

7. Recovery proceeding should be expedited for which no objections have been preferred or stay has been granted by OHAs/court as per provisions of DVAT Act/DLR Act.

8. System should provide necessary help in showing data in the form of reports and alerts to the ward officers.

9. This Circular is in supersession of earlier Circular Nos of 9 (2005-06) and 8 (2010-11) and issues with the approval of Commissioner, Value Added Tax.


(R.K.Mishra)

Special Commissioner (Policy)

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Copy forwarded for information and necessary action to:

1. All Spl./Addl./Joint Commissioners, Department of Trade and Taxes, GNCT of Delhi, Vyapar Bhawan I.P.Estate, New Delhi-02.
2. Joint Director (IT), Department of Trade and Taxes, GNCT of Delhi, Vyapar Bhawan, I.P.Estate, New Delhi-02 for uploading the circular on the website of the department.
3. Joint Commissioner (System) Department of Trade and Taxes, GNCT of Delhi, Vyapar Bhawan, I.P.Estate, New Delhi-02,
4. The President/General Secretary, Sales Tax Bar Association (Regd.), Vyapar Bhawan, I.P.Estate, New Delhi.
5. All Assistant Commissioners/AVATOs Department of Trade and Taxes, GNCT of Delhi, Vyapar Bhawan, I.P.Estate, New Delhi-02 through Zonal Incharges.
6. PS to the Commissioner, VAT, Department of Trade and Taxes, GNCT of Delhi Vyapar Bhawan, I.P.Estate, New Delhi-02.
7. Guard File.


(Anil Kumar)

Assistant Commissioner (Policy)