

# AUDIT

## Under DVAT Act

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Email :-



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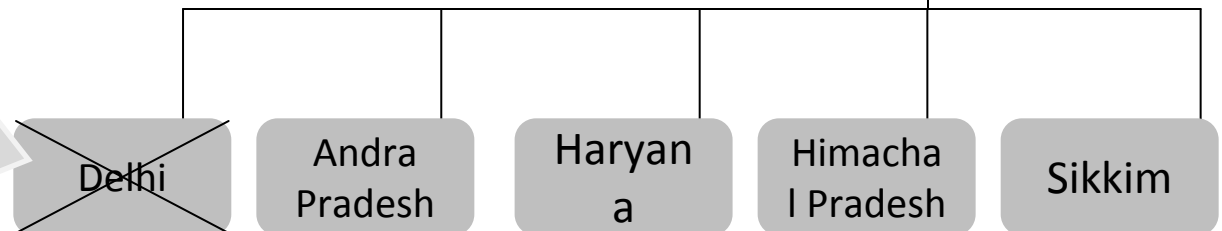
# Introduction to VAT Audit

The overall objective of the system is to maximize the collection of VAT Revenue by maximizing the level of voluntary compliance and by deterring evasion.

The principle of checking of submitted returns by going through books of accounts has been assigned to the Professional Chartered Accountants.

In India, VAT Audit is compulsory in all except 4 States, *(subject to Turnover limits for the dealers)*

Till recently, Delhi was a part of this list. However, the Delhi Government has notified that a Dealer with a Turnover of over Rs. 10 crore has to submit a VAT Audit report.





## Applicable Provisions

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### Section 49

If, in respect of any particular year, the gross turnover of a dealer **exceeds sixty lakh rupees** or such other amount as may be prescribed, then, such dealer shall submit a report in such manner, form and period as may be notified by the Commissioner.



## Applicable Provisions

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### Rule 42A

**Date of Amendment:** 31<sup>st</sup> March, 2013

**Post Amendment:**

For the purpose of Section 49, a dealer whose gross turnover **in a year exceeds one crore rupees**, shall get his accounts of such year audited by **an accountant**, and shall be liable to submit a report, as notified by the Commissioner, from time to time:

PROVIDED that the Commissioner may, by an order, require a dealer or class or classes of dealers, to submit a simplified version of the report in lieu of report notified by him under section 49,

PROVIDED FURTHER that the Commissioner may, by an order, ***exempt a dealer or class or classes of dealers***, from furnishing a report, for the purpose of Section 49.

**Prior to Amendment:**

A dealer whose gross turnover in a year exceeds the prescribed limit as fixed for the purpose, ***under section 44AB of the Income Tax Act, 1961*** as amended from time to time or any other law substituting the Act, he shall get his accounts of such year audited by an accountant, as per the provisions of section 49.



# Notification

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Prior

Prior to the notification, Audit under DVAT was governed by Section 49 along with Rule 42A of the Act.

Section 49 states, “if, in respect of any particular year, the gross turnover of a dealer exceeds sixty lakh rupees or such other amount as may be prescribed, then, such dealer shall submit a report in such manner, form and period as may be notified by the commissioner”.

Rule 42A reads as “a dealer whose gross turnover in a year exceeds the prescribed limit as fixed for the purpose, under section 44ab of the income tax act, 1961 as amended from time to time or any other law substituting the act, he shall get his accounts of such year audited by an accountant, as per the provisions of section 49.” (Amended on 20th march, 2013)

Issue of notification no. F.7/420/Policy/Vat/2011/1203-1213 dated 11<sup>th</sup> Feb, 2013 made Audit under Delhi VAT compulsory for dealers having a turnover more than Rs. 10 crore.



### Notification

Issue of notification no. F.7/420/Policy/VAT/2011/1203-1213 dated 11<sup>th</sup> Feb, 2013 made Audit under Delhi VAT compulsory for dealers having a turnover more than Rs. 10 crore.

After

Notification no. F.7/420/Policy/VAT/2011/1203-1213 was issued by the commercial tax department of Delhi on 11th February, 2013.

According to the notification, every dealer liable to get his accounts audited as per **Section 49 read with Rule 42A** of the DVAT Act, shall submit the audit report to the department in the following manner:

- In the prescribed form: Form AR-I
- Within seven and a half months from the end of the year.

This notification is applicable only for the dealers whose Gross Turnover exceeds Rs. 10 crore in 2011-12 or any of the subsequent financial years.

The following are exempt from the purview of the notification:

- **Dealers exclusively** dealing in commodities listed in the First schedule appended to the act.
- Dealers with **100% export turnover**.



## Applicability of Notification

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### This notification is applicable on the following:

- A dealer whose **Gross Turnover exceeds Rs. 10 crore in 2011-12** or any of the subsequent financial years.
- The definition of Turnover under Delhi VAT is *“the aggregate of the amounts of **sale price received or receivable** by the person in any tax period, reduced by any tax for which the person is liable under section 3 of this Act”*
- The following are exempted from the applicability of the notification:
  - ❖ Dealers exclusively dealing in commodities listed in the First Schedule appended to the Delhi VAT Act.
  - ❖ The First Schedule contains the list of 85 “exempted commodities” under DVAT.
  - ❖ Dealers with 100% export turnover.



First Schedule





## Who is Liable for VAT Audit

S.N.	Nature of the Dealer –Based upon Turnover	Exemption , if any.
1.	Dealers whose Gross Turnover does not exceed Rs. 1 crore	Not liable for VAT Audit
2.	Dealers whose turnover exceeds Rs. 1 crore but is less than Rs. 10 crore	Form of Audit Report and its time and manner yet to be notified by the Commissioner.
3.	Dealers whose Gross Turnover is Rs. 10 crore or more.	1) Dealers exclusively dealing in Commodities listed in first schedule to the ACT 2) Dealers with 100 % export Turnover.
	<b>Form</b>	<b>Form AR-1</b>



## Time limit and Penalty

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- Audit Report in Form AR-1 to be submitted within Seven and half months from the date of the Financial year in duplicate.



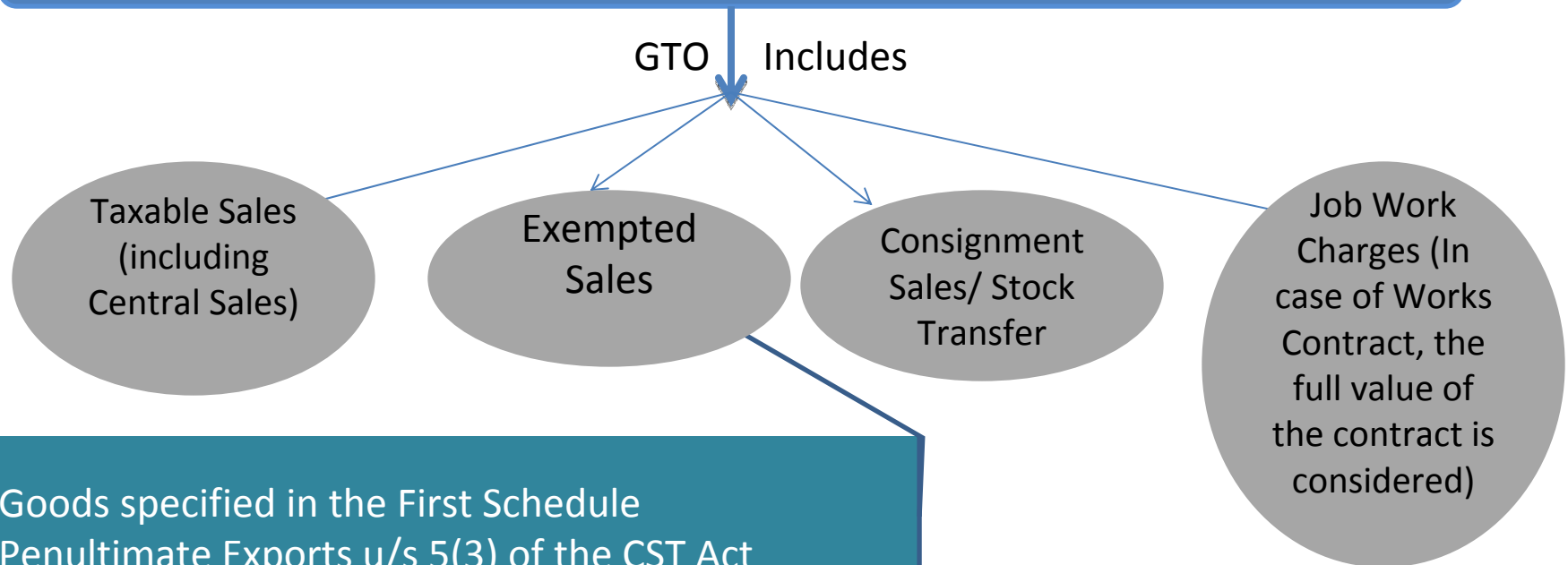
- As per section 86(18) of Delhi VAT Amendment Act, 2013, in case the dealer fails to comply with the provision of audit, the dealer shall be liable to pay penalty, a sum equal to 1% of his Turnover or sum of one lakh rupee, whichever is less.

Issue :- ????



## Calculation of Gross Turnover

Part 4 of the form prescribes for the calculation of Gross Turnover.



- Goods specified in the First Schedule
- Penultimate Exports u/s 5(3) of the CST Act
- Labour & Service Charges involved in the execution of Works Contract
- Sale of Capital Goods (Refer section 6(3) of DVAT)
- Dealers specified in the Fifth Schedule Others



## How to Calculate Gross Turnover

Particulars	Rs.
Sale within Delhi Taxable under DVAT ACT	XXX
Add:- Inter State Sale	XXX
Add:- Sale in Course of Import and export including penultimate export	XXX
Add:- Stock Transfer from Delhi to Branches/agents in Other State	XXX
Add:- Excise Duty (Local and Central) and Custom Duty	XXX
Less:- DVAT/CST payable by the dealer .. ( If already included)	XXX
Less:- Cost of Freight or delivery separately charged in the Invoice; provided that the ownership of the goods is not transferred at the buyer's place	XXX
Less:- Cost of installation separately charged in the Invoice	XXX
<b>Gross Turnover</b>	<b>XXXX</b>



## Points for Discussion –Gross Turnover

- Turnover as per DVAT Return or P & L Account.
- Turnover of Delhi office or Entire Entity
- Turnover of 2011-12 and 2012-13- A criteria
- Exemption to Dealers exclusively dealing in Exempted Goods.
- Exemption to Dealers with 100 percent Export Turnover.





## Relevant Definitions

Turnover	Goods (Section 2 m)	Capital Goods
<p><b>r</b> Under <b>Section 2(zm)</b> of DVAT Act, "turnover" means</p> <ul style="list-style-type: none"> <li>▪the aggregate of <b>the amounts of sale price received or receivable by the person in any tax period</b></li> <li>▪reduced by any tax for which the person is liable under section 3 of this Act;</li> </ul>	<p>"goods" means every kind of moveable property <b>(other than newspapers, actionable claims, stocks, shares and securities)</b> and includes –</p> <ul style="list-style-type: none"> <li>▪livestock, all materials, commodities, grass or things attached to or forming part of the earth which are agreed to be severed before sale or under a contract of sale; and</li> <li>▪property in goods (whether as goods or in some other form) involved in the execution of a works contract, lease or hire-purchase or those to be used in the fitting out, improvement or repair of movable property;</li> </ul>	<p>Capital Goods Under Section 2(f) of DVAT Act, "capital goods" means</p> <ul style="list-style-type: none"> <li>▪plant,</li> <li>▪machinery and</li> <li>▪equipment</li> </ul> <p><b><u>used</u></b></p> <ul style="list-style-type: none"> <li>▪ directly or</li> <li>▪indirectly,</li> <li>▪in the process of trade or</li> <li>▪ manufacturing or</li> <li>▪ for execution of works contract in Delhi;</li> </ul>



### Relevant Definitions (Sale Under Section 2(zc) of DVAT Act,

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**"sale" with its grammatical variations means:**

- any transfer of property in goods by one person to another for

**not including-**

- a grant or
- subvention payment made by one government agency or department, whether of the central government or of any state government, to another)

Cash or  
deferred payment or  
valuable consideration

**includes-**

- a transfer of goods on **hire purchase** or other system of payment by instalments, but does not include a mortgage or hypothecation of or a charge or pledge on goods;
- supply of goods by a society (including a co-operative society), club, firm, or any association to its members for cash or for deferred payment or for commission, remuneration or other valuable consideration, whether or not in the course of business;
- transfer of property in goods by an auctioneer referred to **in sub-clause (vii) of clause (j) of this section**, or sale of goods in the course of any other activity in the nature of banking, insurance who in the course of their main activity also sell goods repossessed or re-claimed;



## Relevant Definitions

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- a transfer, otherwise than in pursuance of a contract, of property in any goods for cash, deferred payment or other valuable consideration;
- transfer of property in goods (whether as goods or in some other form) involved in the execution of a **works contract**;
- transfer of the **right to use** any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration;
- supply, by way of or as part of any service or in any other manner whatsoever, of goods, **being food or any other article for human consumption** or any drink (whether or not intoxicating), where such supply or service is for cash, deferred payment or other valuable consideration;
- every **disposal of goods** referred to in **sub-clause (vii) of clause (j) of this sub-section** and the words "**sell**", "**buy**" and "**purchase**" wherever appearing with all their grammatical variations and cognate expressions, shall be construed accordingly;





## Relevant Definitions (Dealer)

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**Under Section 2(j) of DVAT Act, "dealer" means **any person** who, for the purposes of or consequential to his engagement in or in connection with or incidental to or in the course of **his business, buys or sells goods in Delhi directly or otherwise**, whether for cash or for deferred payment or for commission, remuneration or other valuable consideration and includes , -**

- **a factor, commission agent, broker, del credere agent or any other mercantile agent by whatever name called**, who for the purposes of or consequential to his engagement in or in connection with or incidental to or in the course of the business, buys or sells or supplies or distributes any goods on behalf of any principal or principals whether disclosed or not ;
- **a non-resident dealer** or as the case may be, an agent, residing in the State of a non-resident dealer, who buys or sells goods in Delhi for the purposes of or consequential to his engagement in or in connection with or incidental to or in the course of the business;
- a local branch of a firm or company or association of persons, outside Delhi where such firm company, association of persons is a dealer under any other sub-clause of this definition;





## Relevant Definitions

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- iv. a club, association, society, trust, or cooperative society, whether incorporated or unincorporated, which buys goods from or sells goods to its members for price, fee or subscription, whether or not in the course of business;
- v. an auctioneer, who sells or auctions goods whether acting as an agent or otherwise or, who organizes the sale of goods or conducts the auction of goods whether or not he has the authority to sell the goods belonging to any principal, whether disclosed or not and whether the offer of the intending purchaser is accepted by him or by the principal or a nominee of the principal;
- vi. a casual trader ;
- vii. any person who, for the purposes of or consequential to his engagement in or in connection with or incidental to or in the course of his business disposes of any goods as unclaimed or confiscated, or as unserviceable or scrap, surplus, old, obsolete or as discarded material or waste products by way of sale.



## Relevant Definitions

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**Explanation**.- For the purposes of this clause, each of the following persons, bodies and entities who sells any goods whether in the course of his business, or by auction or otherwise, directly or through an agent for cash or for deferred payment or for any other valuable consideration, shall, notwithstanding anything contained in clause (d) or any other provision of this Act, be deemed to be a dealer, namely:-

- i. Customs Department of Government of India administering Customs Act, 1962 (52 of 1962);
- ii. Departments of Union Government, State Governments and Union territory Administrations;
- iii. Local authorities, Panchayats, Municipalities, Development Authorities, Cantonment Boards;
- iv. Public Charitable Trusts;
- v. Railway Administration as defined under the Indian Railways Act, 1989 ( 24 of 1989) and Delhi Metro Rail Corporation Limited;



## Relevant Definitions

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- vi. Incorporated or unincorporated societies, clubs or other associations of persons;
- vii. Each autonomous or statutory body or corporation or company or society or any industrial, commercial, banking, insurance or trading undertaking, corporation, institution or company whether or not of the Union Government or any of the State Governments or of a local authority;
- viii. Delhi Transport Corporation;
- ix. Shipping and construction companies, air transport companies, airlines and advertising agencies.



## Relevant Definitions

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### Sale Price

**Under Section 2(zd) of DVAT Act, "sale price"** means the amount paid or payable as valuable consideration for any sale, including-

- I. the amount of tax, if any, for which the dealer is liable under section 3 of this Act;
- II. in relation to the delivery of goods on hire purchase or any system of payment by instalments, the amount of valuable consideration payable to a person for such delivery including hire charges, interest and other charges incidental to such transaction;
- III. in relation to transfer of the right to use any goods for any purpose (whether or not for a specified period) the valuable consideration or hiring charges received or receivable for such transfer;
- IV. any sum charged for anything done by the dealer in respect of goods at the time of , or before, the delivery thereof;
- V. amount of duties levied or leviable on the goods under the Central Excise Act, 1944 (1 of 1944) or the Customs Act, 1962 (62 of 1962), or the Delhi Excise Act, 2009 (Delhi Act 10 of 2010) whether such duties are payable by the seller or any other person; and



## Relevant Definitions

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- vi. amount received or receivable by the seller by way of deposit (whether refundable or not) which has been received or is receivable whether by way of separate agreement or not, in connection with, or incidental to or ancillary to the sale of goods;
- vii. in relation to works contract means the amount of valuable consideration paid or payable to a dealer for the execution of the works contract;

### less –

- any sum allowed as discount which goes to reduce the sale price according to the practice, normally, prevailing in trade;
- the cost of freight or delivery or the cost of installation in cases where such cost is separately charged; and the words "purchase price" with all their grammatical variations and cognate expressions, shall be construed accordingly;



## Relevant Definitions

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Provided that where the dealer makes sale of goods imported into the territory of India, the sale price shall be greater of the following;

- a) the valuable consideration received or receivable by the dealer;
- b) value determined by the Custom authorities for payment of custom duty at the time of the import of such goods.

- Explanation.1- A dealer's sale price always includes the tax payable by it on making the sale, if any;
- Explanation.-2 The amount received or receivable by oil marketing companies for the sale of diesel and petrol shall be deemed to be equivalent to the price on which the retail outlets will sell these commodities to the consumer.



## Questions for Sale Price ???

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1. Amount of Delhi VAT
2. Higher purchases
3. Transfer of right to use of goods
4. Central excise duty and state excise duty
5. Pre sale expenses
6. Service tax
7. Customs duty
8. Security deposit
9. Works contract
- 10. Discounts**
  1. At the time of making sale
  2. Ex post facto
11. Cost of freight/insurance and installation charges
- 12. Additional consideration/subsidy/Ex gratia**
  1. By Buyer
  2. By government
  3. By third party





# FORM AR-I



Form AR-1, as prescribed by the notification, contains the following particulars:

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s. no.	PART	Particulars	Relevant Annexure Incorporating observations
1	Part 1	Audit Report, verification and certification, summary of additional tax liability, adverse comments and recommendations to dealer	1
2	Part 2	General Information about the dealer	2
3	Part 3	Details of returns furnished und Delhi VAT Act and Central Sales Tax act	3
4	Part 4	Computation of Turnover under Delhi VAT Act	4-1 to 4-5
5	Part 5	Computation of Turnover under Central Sales Tax Act	5-1 to 5-5



Form AR-1, as prescribed by the notification, contains the following particulars:

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s. no.	PART	Particulars	Relevant Annexure Incorporating observations
6	Part 6	Purchases (Local and Central)	6-1 to 6-4
7	Part 7	Sales against declaration forms	7
8	Part 8	Tax Deduction at source	8
9	Part 9	Financial Summary and analysis of Delhi	9
10	Part 10	Questionnaire	10
11	Part 11	Details of non-receipt of information and records required to conduct audit	-
12	Part 12	Annexures forming part of Part1 to Part 10	-



The Auditor is to submit the following enclosures along with the Report:

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1 Statutory audit report with complete set of annexure including that of related party disclosure as required under accounting standard 18.

2 Tax Audit report under the I.T Act'1961 with complete set of annexure including that of related party disclosure as required under Accounting standard 18.

3 Audited balance sheet, P&L A/c, Income & Expenditure Account

4 In case dealer is having multi-state activities, the trial balance, trading account & P & L A/c for the business activities in the NCT of Delhi

# Audit under Delhi VAT



## AUDIT REPORT UNDER SECTION 49 OF THE DELHI VALUE ADDED TAX ACT, 2004

### EXECUTIVE SUMMARY

Name & Address of the Dealer

TIN No.

WARD

PERIOD UNDER AUDIT

FROM

TO

1	Default in furnishing DVAT Returns During the Audit period	indicate number
2	Default in furnishing CST Returns During the Audit period	indicate number
3	Understatement of Local Turnover	
4	Understatement of Local Taxable Turnover	
5	Default in computation of DVAT	
6	Understatement of Central Turnover	
7	Understatement of Central Taxable Turnover	
8	Default in Computation of CST	
9	Default in complying with TDS provisions (None /occasional/significant)	
10	Mis-utilization of central Declaration Forms, if any (category wise value i.e. C/F/H/I/J)	
11	Maintenance of books of accounts and records	Good/Average/Poor
12	Give rating to the conduct of the dealer Towards compliance of DVAT/CST Laws	Excellent/Good/Average/Poor

Place:

Signature

Date:

Seal

Name

Enrolment/ Membership No



### Part 1: Audit Report & Certification

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Part 1 of the Form contains the following:

1. **Declarations and Audit Report** from the Auditor regarding the Company whose Audit has been conducted.
2. Summary of the Returns filed by the Assessee and whether they're filed on a Monthly or Quarterly basis.
3. **Certifications by the Auditor regarding the verifications done by him. There are a total of 15 certifications asked to certify by the Auditor. This feature is unique to DVAT and has been seen for the first time in any VAT Audit Report.**
4. Qualifications by the Auditor with regards to the above certifications, if any.
5. Summary of the additional tax liability or additional refund due to the dealer for the relevant audit period and his Tax liability for the same.



### Clause 3 of Part 1-CERTIFICATION

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a

I/we have obtained all the information and explanations. which is to the best of my/ our knowledge and belief, were necessary for the purposes of the audit Summary of the additional tax liability or additional refund due to the dealer for the relevant audit period and his Tax liability for the same.

b

I/we have read and followed the Instruction for conducting the audit and preparation of the audit report;

c

**The books of accounts and other Sales tax /VAT Related Record and Registers maintained by the dealer along with sales and purchase invoices as also Cash Memos and other necessary documents are sufficient for computation of tax liability under the DVAT and CST Acts;**

d

I/We have Verified all returns (including the TDS returns) under the DVAT Act and CST Act filed by the Auditee for the period under audit

e

The gross turnover of sales and purchases determined, includes all the transactions of sales and purchases concluded during the period under audit in accordance with the provisions of the DVAT Act and the CST Act;



### Clause 3 of Part 1-CERTIFICATION

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The adjustment in turnover of sales and/or purchases is based entries made in the books of accounts during the period under audit and the same are supported by necessary documents;

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The deductions claimed from the gross Turnover of sales and other adjustments thereto including deduction on account or goods return, adjustment on account of discounts as also debit /credit notes issued or received on account of other reasons, are supported by necessary documents and are in conformity with the provisions of the relevant Act;

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**CERTIFIED**





### Clause 3 of Part 1-CERTIFICATION

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h

As per the information made available for the purpose of audit, the tax leviable on sales is properly computed applying rate of tax specified in the Delhi VAT Act and/or Schedules appended to that Act, advance rulings under Section 85 and Determination orders passed by the commissioner (unless overruled by the Higher Courts)

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i

Wherever the dealer has claimed sales against the declarations or certificates; except as given in para 7, duplicate copies of all such declarations and certificates are produced before me/us and the same are in conformity of the provisions related thereto:

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;

j

The records related to the receipt and dispatch of goods are correct and properly maintained ;

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k

The tax invoices in respect of sales are in conformity with the provisions of law;

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### Clause 3 of Part 1-CERTIFICATION

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The Auditee has maintained separate bank account for carrying its activities in the National Capital Territory of Delhi. The Bank statement have been examined by me/us and they are fully reflected in the books of accounts;

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The dealer is conducting his business from the place/places of business declared by him as his principal place of business/and the additional place of business; and

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Due professional care has been exercised while carrying the audit, and based on my observations of the business processes and practices, Stock of inventor, and books of account maintained by the dealer, 1/we fairly conclude that,  
i.if dealer is dealing in the commodities mentioned in the Part 3 of this report;  
ii.Sales tax/VAT related records of the dealer reflect true and fair view of the volume and size of the business for period under audit.



The Auditee/Dealer, if opted for Composition Scheme under Section 16 has fulfilled all the necessary conditions of the Scheme and has complied with the requirements of the Scheme.

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**CERTIFIED**



## **Part 2 - General Information about the Dealer:**

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**This part contains the following information:**

**1. General Information**

- A. General
- B. Related Information under Delhi VAT Act
- C. Related Information under CST Act
- D. Related Information under Other Acts



## **Part 2 - General Information about the Dealer:**

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### **2. Business Related Information**

1. Info related to Accounting
2. Business Activities in Brief
3. Commodities dealt in
4. Address of Business place
5. Accounting Software
6. Method of Accounting
7. Method of Valuation
8. Major changes during audit period
9. Nature of Business
10. Constitution of Business
11. Working Capital Employed

### **3. Particulars of Bank Account(s) maintained**



## Part 2 - General Information about the Dealer:

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### Important Points:-

1. Related Party disclosure
2. Information about separate books of accounts
3. Bank Account detail

3	Particulars of the Bank Account(s) maintained during the period under Audit				
	Sr. No.	Name of the Bank	Branch BSR Number (Give Branch Address, if BSR code not known)	Account Number(s)	Whether the account is operated for other State activities



## **Part 3: Details of Returns Furnished under DVAT and CST Act**

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### **PART-3**

#### **DETAILS OF RETURNS FURNISHED UNDER THE DELHI VAT ACT AND CENTRAL SALES TAX ACT**

<b>Sr. No.</b>	<b>Tax Period</b>	<b>Due Date of e- filing</b>	<b>Date of e-filing</b>	<b>Due Date for filing of Hard copy</b>	<b>Date of filing of Hard copy</b>
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					



## **Part 4A: Computation of Turnover under DVAT Act**

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This part is prescribed for the calculation of Gross Turnover and computation of the VAT liability thereon with respect to Local Sales. It is calculated in the following manner:

**1. Gross Turnover Of Sales**

(Including: Taxable Sales, Exempted Sales, Consignment / Branch Transfers, Job Work Charges.) (For works contract, gross consideration includes labor, services & land price)

**2. Add: Central Sales**

**3. Turnover Under DVAT (1-2)**

**4. Computation Of Output Tax (Refer Part 4C)**

**5. Adjustment In Output Tax**

**6. Net Output Tax [4(+/-) 5]**

**7. Input Tax Credit**

**8. Adjustments in ITC**



## **Part 4A: Computation of Turnover under DVAT Act**

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- 9. Net ITC [ 7(+/-)8]**
- 10. Net Tax Payable (6-9)**
11. Add: Interest Payable
12. Add : Penalty Payable
13. Less T.D.S
14. Less Tax Deposited
15. Less: Amount Adjusted Against CST Liability
16. Less: Refund Availed
- 17. Amount Payable/(-)Excess [10+11+12-(13 To 16)]**
18. Amount Paid During Audit (taken from Returns)





## **Part 4A: Computation of Turnover under DVAT Act**

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### **Computation of Gross Turnover of Sales:**

#### **1. Taxable Sales**

Taxable Sales consist of the following:

- A. Sale of Goods- Local- Taxed at the rate given in the Schedules prescribed in the Act
- B. Sale of Goods- Central- Two different methods of taxability:
  - i. Against C-Form: If sold interstate to a registered dealer and C-Form is procured regarding the same, then the sale will be taxed @ 2%
  - ii. Not against C-Form: If C-Form is not procured, then the sale will be taxable at the rate given in the Schedules prescribed in the Act.

#### **2. Exempted Sales**

Exempted Sales consist of the following:

- A. Goods specified in the first Schedule of the Act
- B. Penultimate Exports u/s 5(3) of the CST Act
- C. Labour & Service Charges involved in the execution of Works Contract
- D. Sale of Capital Goods (Refer section 6(3) of DVAT)
- E. Dealers specified in the Fifth Schedule
- F. Others (Eg: E-I/II (subsequent) sales made locally exempt under section 6(3) of the CST Act, Any goods exempted via some notification, Service/Admin Charges like Interest etc. )



## Part 4A: Computation of Turnover under DVAT Act

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### Computation of Gross Turnover of Sales:

#### 3.Value of Consignment/Branch Transfer

- A Branch Transfer is where the Principle office transfers the Goods to one of its own Branches without any consideration. A branch transfer is not chargeable to VAT. However, declaration from the Branch is required as a Compliance for the same. This declaration is received in the Form F, procured from the VAT departments. Form F is issued on a monthly basis.
- A Consignment Sale is a Trading arrangement in which a seller sends goods to a buyer or reseller who pays the seller only as and when the goods are sold. The seller remains the owner (title holder) of the goods until they are paid for in full and, after a certain period, takes back the unsold goods.

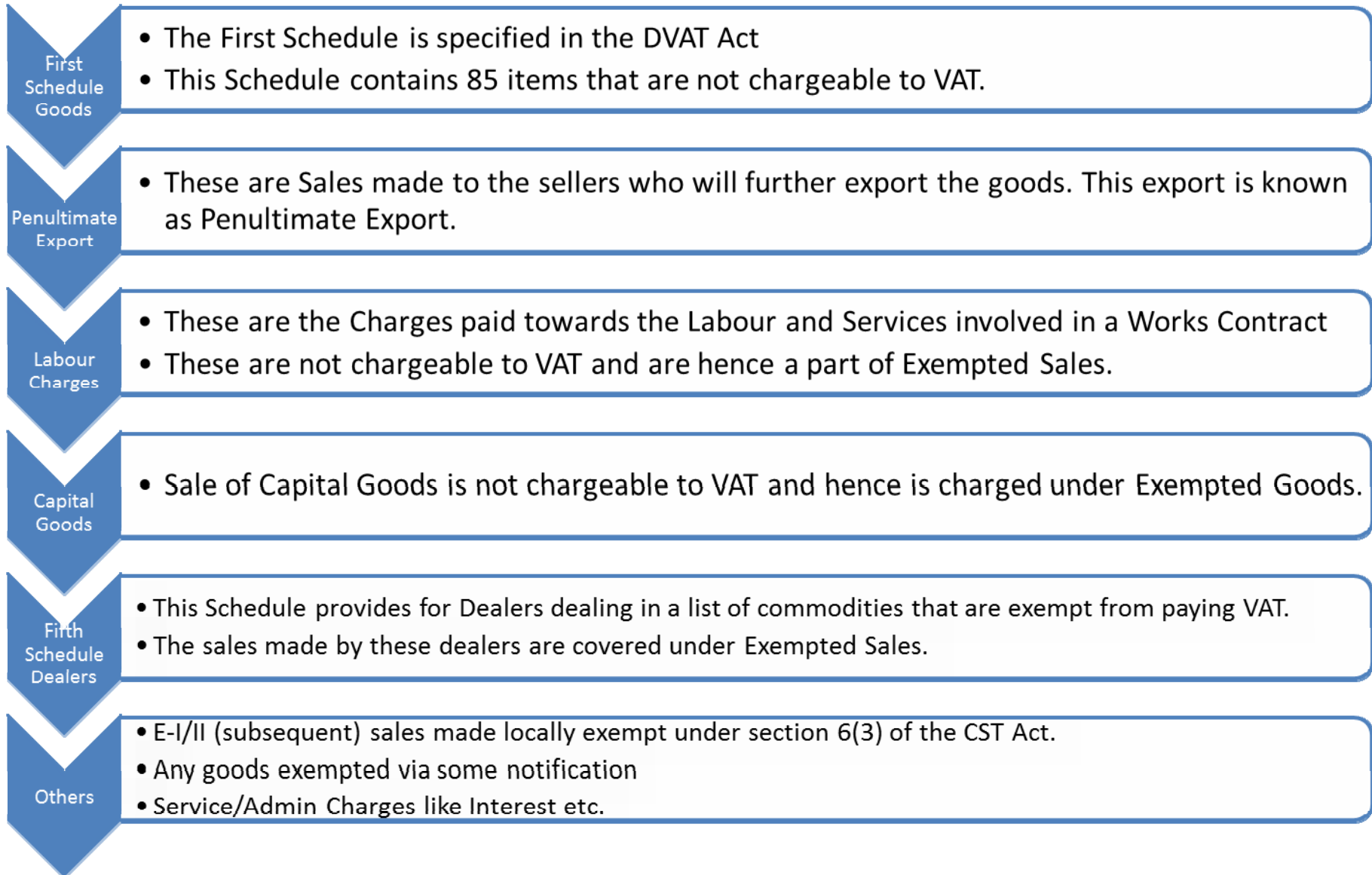
#### 4.Job Work Charges

Job Work Charges consist of the Total Consideration received for the execution of Works Contract, for both Local and Interstate Sales. Works Contract is a contract which consists of both Sale of Goods and Provision of Service in the same contract.

Under VAT, only the Goods portion is chargeable, however in calculating the Gross Turnover, the whole Contract value is considered.



### Part 4B: Exempted Sales under DVAT Act





## **Audit Checklist for gross Turnover**

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- ✓ Check the income side of P&L A/c to ensure that job work, sale of DEPB, rent of machinery etc.
- ✓ Ensure reconciliation inter branch/ consignment A/c.
- ✓ Sale of fixed asset.
- ✓ Unbilled revenue in customer A/c.
- ✓ **Income which to be taxed under service and VAT both.**
- ✓ If income is directly credited to customer A/c.
- ✓ If goods are sent on delivery challan basis are bill to then as per contract.
- ✓ Goods in transit.



## Computation of Taxable Turnover

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Gross turnover	XXX
Less: Exempted goods (Sch 1) Section 6(1)	XXX
Less: Turnover of Exempted dealers Section 6(2)	XXX
Less: Turnover of Capital goods Section 6(3)	XXX
Less: Sale in course of interstate trade or commerce	XXX
Less: Sale outside Delhi	XXX
Less: Sale in case of export from India and import in India	XXX
Less: Works contract- Value of Land and labour service and like charges	XXX
<b>Total Taxable Turnover</b>	<b>XXX</b>



### Checklist for Input Tax credit

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1. Credit is only against Tax invoice
2. Eligible purchase
3. Use for eligible sale – means not for exempted goods
4. Reversal of input tax credit in term of section 9(6).
  1. Credit Note received
  2. Stock transfer/consignment transfer (2%)
5. No credit for purchases from a dealer who is paying tax u/s 16 of the DVAT Act.



### Questions related to Input Tax Credit on Capital goods

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1. Time of allowance tax credit
2. Adjustment in input tax at the time of sale of capital goods
3. Transfer of capital goods to other state before expiry of 3 years.
4. Reversal of input tax credit if capital goods sold within a 5 year at the price below the fair market value
5. Restriction on claiming depreciation on Input Tax.

**Detail in following format**

Nature of capital goods	Cost of goods	Amount of Tax involved	Tax credit claimed during 2012-13



## Question

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1. Whether ITC has been reversed on return/ rejection of goods ?Section 10(1). Case Alpha marketing company vs. CTT.
2. Whether ITC has been reversed on goods lost/destroyed in accordance with rule 7.
  1. Lost or destroyed
  2. Normal manufacturing lost





## Part 4C: Computation of Output VAT

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4C COMPUTATION OF OUTPUT VAT								
Sl. No	Nature of goods / class of goods (Top 10)	As per returns		As per Auditor				Difference
		DVAT Turnover	Output Tax	Applicable Rate of Tax	Relevant entry of schedule	DVAT Turnover	Output Tax	
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								



### Part 5A: Computation of Turnover under CST ACT

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This part is prescribed for the calculation of Gross Turnover and computation of the CST liability thereon with respect to Central Sales. It is calculated in the following manner:

1. Gross turnover of sales including Taxable & Exempted transaction like value of consignment/Branch transfer & Job work charges
2. Turnover under DVAT
3. Central sales
4. Cost of freight, deliveries, insurance or installation separately charged.
5. Value of goods returned under CST.
6. CST collected, if included in the central turnover
7. Cash discounted allowed and included in Central Turnover.
8. Job work, labor & services charges for works contracts Net central turnover [3-4-5-6-7-8]
9. Export outside India u/s 5(1) of the CST Act.
10. Sales in the course of import u/s 5(2) of the CST Act.
11. Penultimate sales against H forms u/s 5(3) of the CST Act.
12. Stock/branch transfer against F forms u/s 6A of the CST Act.
13. Sales against E-1 & E-11 forms u/s 6(2) of CST Act.
14. Sales to diplomatic missions & U.N etc. U/s 6(3) of CST Act.
15. Exempted sales u/s 8(5) of the CST Act.
16. Sales covered under proviso to section 9(1) read with section 8(4)(a)
17. Sales of goods outside Delhi (section 4)
18. Total of exemption /deduction [sum(10:18)]
19. Balance total taxable turnover of inter state sales (9-19)



### Part 5A: Computation of Turnover under CST Act

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21. Breakup of Turnover
22. Turnover of Declared Goods Against C Forms [Sec. 8(4) Read With Sec. 14]
23. Turnover of Declared Goods Sold Otherwise [Sec.8(2) Read With Sec.14]
24. Turnover of Other Than Declared Goods Against C forms [Sec.8(4) Read With Sec 8(1)]
25. Turnover of Other Than Declared Goods Sold Otherwise [Sec.8(2)]
26. Computation of CST
27. Total CST Payable [Refer To Part 5B]
28. Add: Interest Payable
29. Add: Penalty Payable
30. Less: Amount Adjusted Against DVAT Credits.
31. Less: Tax Deposited
32. Amount Payable [25+26+27-28-29]
33. Amount Paid During Audit (Taken from Returns)



## Part 5B: Computation of CST

**5B COMPUTATION OF CENTRAL SALES TAX**

Sl. No	Nature of goods / class of goods	As per returns		As per Auditor				Difference
		CST Turnover	Tax paid	Applicable Rate of Tax	Relevant entry of DVAT schedule	CST Turnover	Tax	
1								
2								
3								
4								
5								



### Checklist for Export Sale

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1. Export Invoice
2. Bill of lading/ Airway bill duly stamped by the customs authority
3. Any other documents like agreements or documents for export of goods

Question:

- Whether the proceeds has been realized in 180 days
- Detail of outstanding payments



## Branch Transfer checklist - Section 6 A

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1. It should not be pre determined sale.
2. Method of valuation of goods
3. Whether single form F consist stock transfer made during multiple Months
4. Whether form F duly filled and signed have been furnished to the AO.
5. Branch agent etc have been included in the central registration certificate.



## Sale in course of import and export - Section 5(2) and 5(3)

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### Section 5(2)(1)

“ Sale or purchase occasion such import”

### Section 5(2)(2)

- By Transferring of documents of title of goods before the goods have been crossed the custom frontier of India ”
- Duty to be paid by high sea buyer

### Section 5(3)

- Last sale or purchase of any goods
- Proceeding the sale occasion
- The export of those goods out of territory of India.



### Part 6: Purchases (Local & Central)

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- The auditor shall furnish the following details:
  - ❖ Purchases eligible for ITC (Capital Goods & Others)
  - ❖ Purchases not eligible for ITC (Capital Goods & Others)
  - ❖ Purchase made from unregistered/composition/casual dealers
  - ❖ Interstate Purchases
  - ❖ Stock Transfers
  - ❖ Local Purchases
  - ❖ Central Purchases
  - ❖ Import from other Countries
  - ❖ Purchases by SEZ/diplomats
- Local Purchases are classified into Exempted Goods, Goods from unregistered/composition/casual dealers, Goods taxable @ 1%, 5%, 12.5% and 20%, Purchases against form H etc.
- Central Purchases are classified into Purchases against Form C, against any other form and without forms.





### Part 7: Sale against Declaration Forms

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This part asks for a reconciliation between the Returns and the Declaration Forms under CST procedures already submitted. The following forms are covered:

- I. Form C: Declaration form to be issued by buyer to the seller in case of an Inter-state Sale.
- II. Form E I/II: Declaration Form to be issued by subsequent buyer to buyer and then from buyer to seller in case of Subsequent Sales.
- III. Form F: Declaration Form to be issued in case of Branch Transfer
- IV. Form I: Declaration Form in the case of SEZ Sales
- V. Form H: Declaration Form to be issued in the case of Exports.
- VI. Form J: Declaration Form to be issued in the case of Sales to Notified Foreign Diplomats Authorities.



### Checklist

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1. Verify whether the Auditee has furnished declaration form within the specified period.
2. Give detail of pending forms yet to be furnished before authorities on the due date.
3. Verify whether proper extension, if necessary, has been apply along with DVAT 51.
4. Precaution
5. Auditor shall verify the following:
  - a) Name and Address of both the seller and purchaser
  - b) TIN, CST no, of the seller and purchaser
  - c) Stamp of issuing state authority
  - d) Date of issue of form
  - e) Detail of invoices against which the forms have been issued
  - f) Cutting and over writing should be properly authentic.
  - g) Annexure attached along with the form should be properly authentic



### **Part 8: TDS u/s 36A of DVAT ACT**

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Section 36A under the DVAT Act prescribes the liability of a Contractee to deduct WCT-TDS from the payment he is to make to the Contractor in case of a Works Contract and deposit the same with the Department in the prescribed forms. It says “Any person, not being an individual or a HUF who is responsible for making payment to any the contractor for discharge of any liability on account of valuable consideration payable for the transfer of property in goods in pursuance of a works contract, for value exceeding Rs. 20,000/- or such amount as may, T.D.S thereon at the rate of 2%”

Part 8 of the form contains a reconciliation between the TDS Return and the amount determined during the Audit of the following:

- ❖ Amount of Contracts awarded as a Contractor
- ❖ Amount of Contracts awarded as a Contractee
- ❖ Amount of Contracts executed by Contractor
- ❖ Amount of Contracts executed by Sub Contractor
- ❖ Tax Deducted at Source as a Contractee
- ❖ Tax Deducted at Source as a Contractor
- ❖ TDS deposited in time
- ❖ TDS deposited late



## ***Part 9: Financial Summary & Analysis (Delhi Only)***

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It's a detailed reflection of the Financial Books of the Company in the Audit Form. It consists of the following:

A. Income:

Sales, Services rendered, Misc. Income including interest.

B. Expenditure

Opening Stock, Purchases, Contracts, Labour & Wages, Other manufacturing expenses, Salaries, Financial Charges, Advertisement Expenses, Depreciation.

C. Capital & Liabilities

Capital Employed & Reserves, Long Term Loans, Short Term Loans, Creditors

D.Assets

Fixed Assets, Investment, Cash & Bank, Debtors, Stock, Other Current Assets, Loans & Advances

E.Financial Ratios

GP Ratio, NP Ratio, Stock-to-Sales, Creditors-to-Purchases, Purchases-to-Sales, Profit-to-Funds employed



## Part 10: Questionnaire

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1. Related to dealer engaged in works contract.
  - a) Test check of contracts
  - b) Valuation method works contract
2. Maintenance of books of Accounts.
3. Verification of RC
4. Question related to bank guarantee – Fixed deposit.
5. **Last but not the least**
  1. Whether the Auditee has violated any other provision of the DVAT Act or CST Act.
  2. Are you satisfied, in general, with the compliance of VAT/CST laws by the auditee.



CA Sandeep Garg ( An Idea of Shared  
Mission)