

Office of the Commissioner of Sales Tax,
8th floor, Vikrikar Bhavan,
Mazgaon, Mumbai – 400 010.
cst@mahavat.gov.in

TRADE CIRCULAR

To,

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No.: JC/EIU/CDA/2014-15
Trade Circular No. 14 T of 2014

Mumbai. Dt. -06/08/2014

Sub.: The Computerized Desk Audit (CDA) for the period 2011-12.

Background:

The VAT system envisages voluntary tax compliance by the tax payers. In order to achieve this goal, various e services have been offered to the tax payers helping them to be self-compliant. In recent years, based on the electronic analysis, cases for verification are being picked up. The full audits/assessments are carried out in the cases of the Large Tax Payer Units, refunds, investigation and high value discrepancy cases. The issue based audits are being carried out where the discrepancies of relatively smaller amounts have been noticed. In all of these proceedings, the tax payers are required to invariably attend before the concerned officer for the purpose of verification and closure of the case.

2. The Computerized Desk Audit (CDA):

Now the department has developed a system called as the **Computerized Desk Audit i.e. CDA**. This new utility envisages analysis of electronic data pertaining to e>Returns, audit reports in form e-704 and annexures thereof uploaded by all the tax payers.

The **CDA** for the period 2011/12 has resulted into findings of likely tax liability in respect of some of the tax payers. Instead of sending notices of verification to such tax payers, the department has provided a facility by which it will be possible for him **to access and also comply** with the said findings electronically on the web site www.mahavat.gov.in . The tax payer will not be required to visit the sales tax office if he agrees with the findings of the CDA.

2. Selection of cases for the regular assessment for the period 2011/12:

The department has selected the cases for comprehensive assessment for the year 2011/12. The facility of CDA will not be available to these assesses. Assesses, in these cases, will be required to attend before the assessing authority for the complete verification of their books of accounts. The list of assesses selected for assessment is displayed on the web site www.mahavat.gov.in.

3. The CDA parameters and the cases selected for the CDA for the period 2011/12:

The CDA has been done on 11 parameters as shown in the table below.

<i>Sr. No.</i>	<i>Audit Parameter Description</i>
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 tax payers, in whose cases, discrepancies have been found in any or all of the parameters as above, and whose names appear in **CDA Dealer List -2011/12** 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 tax payer can see the details of the transactions pertaining to the CDA parameters.
- The **CDA Compliance Form** which the tax payer need to fill and submit online.

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 is in notice in form **604 A**. It is available to the concerned tax payer on the web site www.mahavat.gov.in. The tax payer will be required to login with his user id and password and download the **CDA findings in form 604 A**.

After log in, the link for download of **CDA findings in form 604 A** (HTML file) will be available to the tax payer on the web-site. After clicking the link for download, **CDA findings in form 604 A** will open which can be saved by the tax payer. 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 taxpayer on the web-site.

The **CDA findings in form 604 A** (HTML file) have been made available to the tax payers. The same may be accessed by them through their log in IDs on MAHAVAT website as stated above. The tax payers will also receive the **CDA findings in form 604 A** (HTML file) through e-mails on the e-mail IDs which are available with the department.

After compulsorily downloading **CDA findings in form 604 A**, the link for CDA compliance form will be available to the tax payer. It may be noted that unless the **CDA findings in form 604 A** is downloaded, the tax payer 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 tax payer will be required to access the "**CDA Compliance Form**" 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 the facility for entering interest payments u/s 30(2) and 30(4) have been made available to the tax payer on the same web page.

- a. The tax payer 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 tax payer 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 taxpayer 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 tax payer may accept liability on account of some parameters and may deny the tax liability on some other parameters.
- c. In case of accepted tax liability the taxpayer shall calculate the interest payable under section 30(2) and 30(4), as may be applicable, and first pay the net tax and the interest so calculated. If the tax payer had already made tax payments for the audit parameter now communicated to him, then such chalan details can be entered in **CDA Compliance Report**. The details about balance additional tax, if any, paid after receipt of CDA report can be entered in another chalan added by clicking the link provided in the CDA Compliance Report. The facility of entering multiple chalan details under MVAT and CST Acts is provided in the CDA Compliance form.

Needless to say that the interest u/s. 30(2) is payable for the return period in which such tax liability arises and the interest will accordingly be required to be calculated from the due date of such return till the date of payment.

As per the recently introduced 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 tax payer 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.

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. Once the tax and interest are paid the tax payer shall then file the **revised annual return** as contemplated **u/s 20(4) (c)** showing the revised details appropriately.
- e. The tax payer shall 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 **03.09.2014**. It is therefore in the interest of the tax payer 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.**

- f. The tax payer 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 assessment, for the confirmation of facts through the personal hearing of the tax payer 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.
- g. 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 2011-12. As stated earlier, the cases selected for comprehensive audits or assessments pertaining to period 2011-12 have been displayed on the MAHAVAT web-site.

7. Benefits of the online CDA Compliance:


The tax payer will not be required to come to the department for verification of the books of accounts. 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 tax payer 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 tax payers 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. If any member of the trade has any doubt, he may refer the matter to the office of Joint Commissioner of Economic Intelligence Unit for clarification.

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


(Dr. Nitin Kareer)
Commissioner of Sales Tax,
Maharashtra State, Mumbai.

No.: JC/EIU/CDA/2014-15
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Mumbai. Dt. -05/08/2014

Copy forwarded to:-

- Special Commissioner of Sales Tax, MS, Mumbai.
- All the Addl. Commissioners of Sales Tax in the State.
- All the Joint Commissioners of Sales Tax in the State.
- All the Deputy Commissioners of Sales Tax in the State.
- The Sales Tax Revenue Audit, Mumbai and Nagpur.

Copy forwarded with compliments and for information to:-

- The Additional Chief Secretary, Finance Department, Mantralay, Mumbai.
- The officer on special duty, Finance Department, Mantralay, Mumbai.


(G.V.Bilolikar)
Joint Commissioner of Sales Tax,
Economic Intelligence Unit, Mumbai