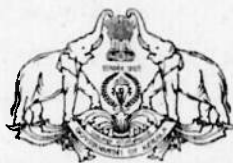


FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2023-2026)**

HUNDRED AND FIRST REPORT

(Presented on 28th January, 2026)



**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2026**

FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2023-2026)**

HUNDRED AND FIRST REPORT

on

**Paragraphs 2.4.7.7 to 2.6 relating to Taxes Department contained
in the Report of the Comptroller and Auditor General of India
for the year ended 31st March, 2015
(Revenue Sector)**

CONTENTS

	Page
Composition of the Committee	: V
Introduction	: VII
Report	: 1
Appendices :	
I. Summary of main Conclusions/Recommendations	:
II. Notes furnished by the Government	:
III. Appendices from AG's Report	:

COMMITTEE ON PUBLIC ACCOUNTS
(2023-2026)
COMPOSITION

Chairperson :

Shri. Sunny Joseph

Members :

Shri. Manjalamkuzhi Ali

Shri. M. V. Govindan Master

Dr. K. T. Jaleel

Shri. C. H. Kunhambu

Shri. Mathew T. Thomas

Shri. M. Rajagopalan

Shri. P. S. Supal

Shri. Thomas K. Thomas

Shri. K. N. Unnikrishnan

Shri. M. Vincent

Legislature Secretariat :

Dr. N. Krishna Kumar, Secretary.

Shri. Selvarajan P. S., Joint Secretary.

Shri. Jomy K. Joseph, Deputy Secretary

Smt. Beena O. M., Under Secretary.

INTRODUCTION

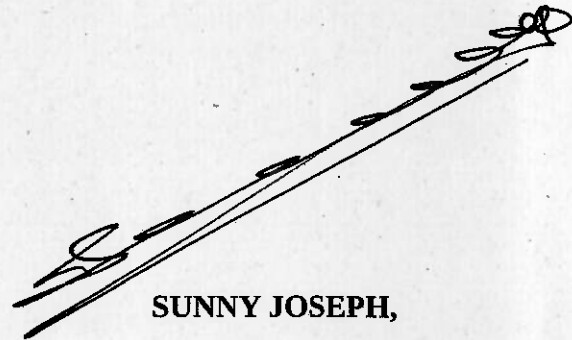
I, the Chairperson, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the Hundred and First Report on paragraphs 2.4.7.7 to 2.6 relating to Taxes Department contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2015 (Revenue Sector).

The Report of the Comptroller and Auditor General of India for the year ended 31st March, 2015 (Revenue Sector) was laid on the Table of the House on 24th February, 2016.

The Committee considered and finalised this Report at the meeting held on 20th January, 2026.

The Committee place on records our appreciation of the assistance rendered to us by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,
28th January 2026



SUNNY JOSEPH,
Chairperson,
Committee on Public Accounts.

REPORT

TAXES DEPARTMENT

2.4.7.7 Lack of coordination between other departments in collecting data useful for the completion of assessment

The white paper published by empowered committee on State level Value Added Tax emphasised the need for cross verification of data between various implementing and taxation authorities so as to check tax evasion and to ensure growth of revenue.

Audit found that the Department was not collecting these details from any other Central/State Government agencies and compiling a data bank either in the macro or in the micro level. Audit found suppression in import purchase reported at Customs and turnover reported at Income Tax Department escaped from assessment as detailed below:

- **Suppression of import purchases than that reported with Customs Department**

Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble/tile, timber and cement amounting to ₹817.57 crore against which ₹569.19 crore only was conceded. The suppression of import purchase worked out to ₹248.38 crore and the resultant short levy of tax, interest and penalty worked out to ₹108.38 crore Appendix III(1). The Tax district-wise deviation from provisions of the Act/Rules is detailed in Table — 2.13.

Table – 2.13

(₹ in crore)

Name of the Tax District	Number of dealers	Turnover suppressed	Total Tax due
Deputy Commissioner, Ernakulam	12	23.65	10.25
Deputy Commissioner, Kozhikode	9	103.02	44.48
Deputy Commissioner, Mattancherry	8	81.07	35.71
Deputy Commissioner, Kannur	7	4.18	1.82
Deputy Commissioner, Kottayam	3	36.36	16.08
Deputy Commissioner, Thiruvananthapuram	1	0.10	0.04
Total	40	248.38	108.38

Audit observed that amongst the defaulters, M/s Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of ₹ 30.97 crore.

Audit noticed that M/s Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s Hillwood furniture of Special Circle II, Kozhikode repeated the default for four years.

The nature of business dealt by these dealers is indicated below.

- Twenty four in Timber with tax effect of ₹ 87.98 crore.
- Twelve in Marble/tiles with tax effect of ₹ 13.01 crore.
- Four in Cement with tax effect of ₹ 7.39 crore.

The Principal Secretary (Taxes) agreed in the exit meeting (December 2015) to take measures to improve the co-ordination with other Departments.

- **Short return of turnover than that reported with Income Tax Department**

Audit collected the details of scrutiny assessments completed for the financial year 2010-11 and 2011-12 in Corporate Circle 1(1), Corporate Circle 1(2) and Corporate Ward 1(3), Ernakulam of the Income Tax Department. The cross verification of this data with the turnover details

returned by 22 dealers in four assessment circles of Commercial Taxes Department revealed that four dealers short reported their turnover than that reported with the Income Tax Department. The consequent short payment of tax including interest and penalty worked out to ₹ 9.24 crore as shown in Table — 2.14.

Table — 2.14

(₹ in crore)

Name of the Office	Name and TIN	Turnover escaped		Total Tax due
		2010-11	2011-12	
CTO, Special Circle II, Ernakulam	India Techs Ltd 32070389512	3.52	3.96	1.60
CTO, Special Circle III, Ernakulam	Hi Build Coatings 32070469195	0.45	0.45	0.12
Works Contract Office, Ernakulam	Holyfaith Constructions 32072022472	5.20	11.00	4.88
CTO, II Circle, Thripunithura	Kerala Shipping and Inland Navigation Corporation Limited 32070335095	2.71	6.11	2.64
Total		11.88	21.52	9.24

Department failed in utilising the data available with Government agencies to generate additional revenue.

Audit observed that there is no system in place in the Department to collect data relating to various taxable events from other Departments and cross verifying the same to analyse whether tax due was paid or not.

Recommendation No. 6- A system may be established to collect the data relating to the taxable events from other departments and transfer the results of analysis to the lower/sub-ordinate level for utilising in the assessment process.

[Audit Paragraph 2.4.7.7 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2015. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraph is included as Appendix II]

(Excerpts from the discussion of Committee with officials concerned on 15.05.2024)

1) When the Committee enquired about the audit observation on suppression of import purchases than that reported with Customs Department, the Commissioner, Taxes Department submitted that as per the observation in the Audit Report for the financial year ended 31st March 2015, there had been a shortfall of ₹181 crore in 273 cases, in which necessary action had been taken in 88 cases which were found valid on verification. 11 cases were found partially valid and the remaining 174 cases were found non sustainable. Though the recovery action had been initiated in the valid cases with an assumption of getting ₹25 crore, the amount that could be collected and its interest has amounted to ₹39 crore at present. Targeting a collection of about 0.47 lakh rupees, demand notices had been issued to partially valid cases. He added that the cases found non sustainable might be reviewed, if necessary. On the basis of the preliminary discussion held between the AG and the Department on the cases identified in the audit, the reply of the Department might be accepted and disposed for those cases with consensus, and for most of the others, the additional information enquired by the AG had been collected. Necessary attempts were being made to collect the whole details. The Commissioner, Taxes Department regretted before the Committee on the delay occurred and assured to be careful in avoiding such flaws in future. He also mentioned the technical issues in getting information, which were being analysed. The Committee directed to furnish the revised RMT at the earliest and the Commissioner, Taxes Department agreed to do so.

2) The Committee accepted the reply furnished regarding cases, Sl No. 1- ABC Impex/2010-11, Sl No. 2- Hollywood Panels/2010-11, Sl No. 3- Hollywood Panels/2013-14, Sl No. 4- IBNA Plywood & Decors, Sl No. 5- Wood Board/2013-14, Sl No. 8- Spaniso Studio/2012-13, Sl No. 9- Spaniso

Studio/2013-14, Sl No. 10- Marble Gallery/2012-13, Sl No. 11- Marble Gallery/2013-14, Sl No. 21- Stone Impex/2014-15, Sl No. 24- Westwood floorings/2011-12, Sl No. 25- Westwood floorings/2012-13, Sl No. 26 - Purnima Distributors/2011-12, Sl No. 27- Purnima Distributors/2012-13, Sl No. 28- Purnima Distributors/2013-14, Sl No. 41- Safee Systems, Sl No. 43- Surabhi Woods/2013-14, Sl No. 44- Ukkens Timbers/2011-12, Sl No. 45- Ukkens Timbers/2012-13, Sl No. 49- Classic wood and veneers/2012-13, Sl No. 50- Classic wood and veneers/2013-14, Sl No. 51 - Classic wood and veneers/2014-15, Sl No. 52- Delta Wood Panel/2012-13, Sl No. 53 - Delta Wood Panel/2013-14, Sl No. 54- United Timber industries/2011-12, Sl No. 55 - United Timber industries/2013-14, Sl No. 56 - VS Timbers Industries/2011-12, Sl No. 57 - VS Timbers Industries/2012-13, Sl No. 58 - VS Timbers Industries/2013-14, Sl No. 59 - VS Timbers Industries/2014-15, Sl No. 60 - Smart India Exports & Imports/2012-13, Sl No. 61 - Smart India Exports & Imports/2013-14, Sl No. 65 - Prestige Veneers/2014-15, Sl No. 66 - Binoy Marbles & Granites/2014-15, Sl No. 74 - Travancore cements/2012-13, Sl No. 75 - Travancore cements/2013-14.

3) When the Committee enquired about the schemes which were mentioned in the reply "The assessments were completed and the dealers paid the requisite amount through various schemes", the Additional Commissioner, GST Department submitted that the cases were settled through the amnesty schemes. The Committee opined that amnesty schemes had been announced in Taxes Department over the years, like that of the various settlement schemes in the banks.

4) While considering Sl No. 6 - Mermeritalia Bldg Products/2012-13, Sl No. 7 - Mermeritalia Bldg Products/2014-15, Sl No. 46 - Popular Timbers 32150601628/2011-12, Sl No. 47 - Popular Timbers 32150601628/ 2012-13, Sl No. 48 - Popular Timbers 32150601628/2014-15, the Additional Commissioner, GST Department submitted that the data analysed by the C&AG was obtained directly from the Customs Department, and as per the audit findings in all the

cases, the valuation done on the imported goods by the Customs Department was higher than the VAT declaration made by the dealer. The Customs Department had their own estimation for imposing duty on the basis of quantity as well as specifications of the goods imported, but the tax assessment by the GST Department would be based on the VAT declaration. He explained it through an example that in 2010, since there were many cases of under valuation of live chicken brought to the State, the Government had intervened and fixed its floor rate at ₹ 60 per kg. Though the dealer would pay the advance tax for the floor rate of ₹ 60 at the check post, the tax return would be filed at ₹ 50 or 55. In such situations, the GST Department had made attempts for direct assessment, but later, all the cases had to be settled on the basis of the observation made by the Hon'ble Court that the assessment would sustain only if there was documentary evidence for the amount paid by the dealer to the seller who collected the goods. He added that the cases mentioned above were of similar nature. Though the issues mentioned had been noticed and the assessment procedure had been initiated by the Department at the early stage, the assessment of the remaining cases could not be carried out on the basis of the observation made by the Hon'ble High Court in the important case of K.P. Rafeeqe Vs the State of Kerala that the assessment made by the GST Department would sustain only if there was documentary evidence for the amount paid by the dealer to the seller. Communications had been forwarded to Customs Department and AG that the actual data available with the Customs Department, if provided to the GST Department, would benefit their assessment process. He added that the GST Department could not proceed any further action at present, as it had not received any reply from the Customs Department.

5) The Senior Audit Officer intervened and opined that if the GST Department had verified the assessment value and invoice value of marble and timber, it would have been done quantity wise. He added that if the GST Department would give an assurance that the tax on marble and timber had been

calculated and levied as per the floor rate fixed by the Department, the same could be accepted. The Committee pointed out the judgment that the tax could be levied on the actual amount only. The Additional Commissioner, GST Department submitted that the fact mentioned by the Audit Officer was important, and the AG's question was about the input purchase details in the dealer's stock. He added that taxation based on floor rate had been obviated by the Hon'ble Court, and the tax being levied would be the output tax, based on the amount realized by the dealer on sale of the imported goods. The dealers' accounts details were being verified in most of the cases, but the verification was restrained to checking whether the imported goods had been fully sold and the sale had not not been made at a loss. It had been verified and confirmed that the sale had been made at gross profit in all the cases.

6) When the Committee asked about the data based on which the customs duty was being imposed, and whether there were instances of variation in the quantity of goods, the Additional Commissioner, GST Department submitted that customs data must be made available to know the actual imported quantity, but Customs were not willing to share the data with them. The Departmental inspection was limited to the verification of the sale tax accounts submitted by the dealer, and without getting the data from outside source, no further assessment could be done. The Senior Audit Officer pointed out that the assessable value would be calculated by assessing the market value and a variation of one third value of the assessable value was found in the reply furnished. Then the Committee opined that it was a huge variation.

7) The Committee pointed out that every product manufactured in our country would be imposed a tax at its source, and enquired whether similar taxation would be done for a product when imported. The Additional Commissioner, GST Department replied that indirect tax was being collected since GST came in to force, and in other cases, the customs duty tax would be

levied by the Central Government. Taxation of an imported item would be done only at the time of its sale, otherwise concrete evidences were needed for assessment, as per the direction made by the Hon'ble High Court. When the Committee enquired how the rate and quantity could be acceded without reconciling, the Additional Commissioner, GST Department submitted that the quantity, valuation etc. recorded in the documents from abroad as well as the transaction statements from the banks were being examined in detail, and not any corruption could be identified by the Department in the above mentioned cases. He added that the AG's findings of more quantity was based on some secret data, which had to be made accessible to the Department Officials to substantiate the variations and to resolve the issue. The Senior Audit Officer intervened and opined that the customs data was obtained to the Principal Accountant General on an assurance that it would never be disclosed.

8) The Additional Commissioner, GST Department submitted that if any related materials were made available to the Department, they could proceed the reassessment as per the Best Judgment Assessment under the VAT Act. The Department Officials had made attempts for reassessment on the basis of the customs duty amount and the C&AG's findings, but all the observations put forward by them had been quashed by the Hon'ble Court. The Department Officials were compelled to cease wide assessment as they received threats from some lawyers that contempt of court cases would be filed against them. The Additional Commissioner, GST Department mentioned the case of K.P. Rafeeqe Vs the State of Kerala in the Hon'ble High Court as an example for such cases. To a query of the Committee about the judgment in that case, the Additional Commissioner, GST Department excerpted the observation made by the Hon'ble Court that without having any evidence on the transacted amount to the outside supplier, the Department had no right to conduct reassessment on the basis of the Customs valuation or the information by any other agencies. He added that it was the same thing that happened in the case of floor rate of

chicken and timber. The Senior Audit Officer opined that a reply assuring the quantity based reconciliation and subsequent assessment of rate could be accepted.

9) The Committee enquired whether any methodology for customs data verification was in use, as the Taxes Department had earlier turned down any possibility of communication with the Customs Department. Then the Senior Audit Officer clarified that the Department had furnished reconciled reply for many of their observations in accordance with the customs data. He added that the reply received after verification of the bill of loading of many items also were found foolproof. The Additional Commissioner, GST Department agreed with him and submitted that not any discrepancy was found in the reconciliation of some cases to which customs data was available with the Department officials. The Committee enquired how the PAC could proceed its exercise while such issues were remaining. The Committee also wanted to know the reason for the cases being kept confidential and whether they were related to national security. The Additional Commissioner, GST Department replied that the amount of import, being a trade secret, would not be disclosed. The Committee opined that it being a matter of the year 2014, no longer needed to be kept confidential. The Additional Commissioner, GST Department submitted that all the cases mentioned above had been audited by the Chartered Accountants and hence no assessment on imagination would be possible. The Committee decided to accept the reply and reiterated the need for reconciliation in further proceedings of both the Customs and the GST Departments. The Additional Commissioner, GST Department accepted it and informed that the information available with the Customs Department's ICEGATE (Indian Customs Electronic GATEway) portal had also been requested.

10) When the Committee enquired about the cases Sl No. 14 - Excel Timber/2010-11, Sl No. 15 - Excellent Timber Imp & Exp/2010-11, Sl No. 16 -

Excellent Timber Imp & Exp/2011-12, Sl No. 17 - Hillwood Furniture/2010-11, Sl No. 18 - Hillwood Furniture/2011-12, Sl No. 19 - Hillwood Furniture/2013-14, Sl No. 20 - Hillwood Imports and Exports/2012-13, Sl No. 23 - Espion International/2012-13, Sl No. 29 - Somany Ceramics/2010-11, Sl No. 30 - Tayash Trade Impex (P) Ltd./2010-11, Sl No. 31 - Kairali Granite/2012-13, Sl No. 32 - Oriental Timber/2010-11, Sl No. 33 - Oriental Woods/2011-12, Sl No. 34 - Premier Timbers/2012-13, Sl No. 35 - Premier Timbers/2013-14, Sl No. 36 - Royal Impex/2011-12, Sl No. 37 - Royal Impex/2012-13, Sl No. 38 - The Wood Ind/2011-12, Sl No. 39 - The Wood Ind/2013-14, Sl No. 40 - The Wood Ind/2014-15, Sl No. 62 - Good Wood Products/2010-11, Sl No. 63 - Good Wood Products/2011-12, Sl No. 64 - Good Wood Products/2011-12, Sl No. 67 - Southern Timber depot/2014-15, Sl No. 68 - Southern Timber depot/2011-12, Sl No. 69 - Southern Timber depot/2012-13, Sl No. 70 - Southern Timber depot/2013-14, Sl No. 71 - Southern Timber depot/2014-15, Sl No. 72 - Sree & Co/2011-12, Sl No. 73 - Sree & Co/2012-13, to which assessment had not been done, the Additional Commissioner, GST Department submitted that no issues had been found in verification of the data available with those cases and the bank statements, and customs data was needed to take action on any other issues found in that regard. He added that the cases on which some differences were found in freight, insurance etc. were accounted separately had been tallied on verification. Then the Senior Audit Officer intervened and opined that the tallied cases had been accepted by the C&AG, but those cases mentioned above were not found so. The Commissioner, GST Department submitted that the information regarding the quantity of goods purchased, bank documents, purchase ledgers, stock book etc. of each institution had been made available and it was quite natural to occur differences in some cases where cost of goods, freight charges etc. were recorded separately for accounting purpose. Customs data regarding the quantity of goods was needed to carry out the assessment and assessment had been made on various cases for which customs data was

obtained. He added that investigation would be carried out and necessary action could be taken on cases to which specific information was obtained. The Committee directed the Department to furnish a detailed report in that regard. The Commissioner, GST Department accepted it and submitted that the Departmental assessment had been completed in all cases except those to which customs data was not available.

11) When the Committee directed to give an explanation regarding the cases related to Sl No.12. Thai Impex (P) Ltd 32110787962/2013-14 CTO, Special Circle -II, Kozhikode and Sl No.13. Thai Impex (P) Ltd 32110787962/2014-15 CTO, Special Circle-II, Kozhikode, the Additional Commissioner GST Department submitted that the freight charges, insurance, incidental charges etc. would not be mentioned in the return statement, but must be shown in the statement of accounts, and the import value alone would be recorded in the column named "import" of the return and the same was found tallied on verification. There would not be any loss of tax, but gross profit in sales. When the Senior Audit Officer enquired about the statement 'Loss in Foreign Exchange Rate was above one crore rupee', the Additional Commissioner, GST Department replied that Loss in Foreign Exchange Rate was calculated on the basis of fluctuation in dollar rate at the time of purchase and payment. The Senior Audit Officer asked for the reconciled statement of the same and the Additional Commissioner GST Department agreed with it. He added that the Department officials who had dealt with the files concerned had retired from service and the officers at present were not much conscious about the matter. He assured to provide available information in spite of such limitations.

12) When the Committee directed to give an explanation regarding the case related to Sl No.22. Kajarria Ceramics 32071516042/2014-15 CTO, Special Circle -I, Ernakulam, the Additional Commissioner GST Department submitted that no issues were found in the Books of Accounts and the customs data was

needed to verify the difference. The Commissioner, GST Department submitted that no difference in declared quantity was found in Books of Accounts, but quantity difference was noticed in the inspection conducted as per the intimation received from the C&AG Office. He added that customs data or any other evidence of the undeclared quantity was not available. To a query of the Committee about the source of information of the undeclared quantity, the Senior Audit Officer informed that the same was obtained from the customs data. The Commissioner, GST Department reiterated that the documents in the Books of Accounts were found tallied. The exact information about the quantity of products imported and the products sold, available with the Customs Department was needed to verify the quantity difference, but the customs data regarding the valuation difference alone was received to the GST Department. The Committee accepted the C&AG's findings as authentic that there was short levy of tax and the customs data obtained by them was not found tallied with the tax collected. The Committee observed that the contention made by the GST Department was also genuine that the Books of Accounts had been reconciled, but customs data was not accessible to them for verification. The Committee became aware of the situation that the customs data obtained by the C&AG was not made available to the GST Department for verification and, enquired how the PAC could unravel the situation. The Committee excerpted the contention made by the GST Department that the assignment on their part had been carried out as per the data available with them, and opined that the discrepancies if any, identified by the C&AG might be transferred to the GST Department for necessary verification. To a query of the Committee about the customs data provided to the C&AG, the Senior Audit Officer informed that the data would be obtained confidentially from the Customs Department on an assurance made to them. When the Committee wanted to know whether the data obtained so confidentially would be disclosed in the Audit Report, which is a public document, the Senior Audit Officer informed that a brief mention would be

provided in the Audit Report.

13) The Committee pointed out the audit remarks regarding the above mentioned case that the import price of the product purchased by spending ₹27,58,67,792/- had amounted to ₹ 44,27,11,896/-, and the profit would figure in addition to that amount. The Committee mentioned the audit remarks that the dealer had requested the customs data, and reminded the impropriety in saying that customs data at the time of import was not available with the dealer. When the Committee sought a clarification whether the figures provided to the GST Department was the amount mentioned as Duty paid in the audit para, the Commissioner submitted that the GST Department had some restrictions in that regard and quoted the Audit Report as follows: "Audit collected the data of import made through Kochi, Manglore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble/tile, timber and cement amounting to ₹ 817.57 crore against which ₹ 569.19 crore only was conceded. The suppression of import purchase worked out to ₹ 248.38 crore and the resultant short levy of tax, interest and penalty worked out to ₹ 108.38 crore." He added that the value based figures had been provided by the Customs Department and some discrepancies had been found on verification of the total import value and the records in the books. The customs data provided to the GST Department might not contain any reference to the quantity. To a query of the Committee, the Senior Audit Officer informed that the audit observation was made in 2016.

14) The Committee enquired whether any inspection had been conducted regarding the action taken in similar cases in the States like Gujarat, having larger ports. The Additional Chief Secretary, Taxes Department submitted that

all the States had raised the issue in the national conference and all the GST Commissioners had thereby demanded access to the customs data. He added that the Department Officials could not proceed without having any access to the required data. For preparing reply to the notice received from the Department, the dealer would forward the same to the Customs, but the customs data would be made available to the AG only. The Committee wanted to know how the Audit Report could be prepared without revealing the customs data. The Senior Audit Officer informed that not the entire details but only the total value would be mentioned. The Committee opined that the audit observation could have been omitted from the Audit Report if the Department Officials had convinced the fact in their exit meeting with the audit team, and the Commissioner, GST Department submitted that the argument made in the meeting had been shared with the audit team.

15) The Committee accepted the report of the Government, and coincided to the issues addressed by the States in the National Conference that the GST Department was being denied access to the customs data. The Committee recommended to take necessary steps to share the customs data with the Department if needed, without hindering its confidential nature.

16) When the Committee directed to give an explanation regarding the case related to Sl No.42. Surabhi Woods 32150836024/2011-12 CTO, Special Circle, Mattancherry, the Commissioner, GST Department submitted that the case was also similar to the previous one, and the Committee accepted the reply.

17) While considering the cases pointed out in the audit observation "Short return of turnover than that reported with Income Tax Department", the Committee accepted the reply furnished regarding the cases Sl No. 2 - M/s. Hi Build Coatings, Sl No. 3 - M/s Holy faith Builders & Developers (P) Ltd, Sl No. 4 - M/s Kerala Shipping and Inland Navigation Corporation Ltd.

18) While considering the audit observations related to Sl No.1. India Techs Ltd 32070389512/2011-12 Special Circle 11, Ernakulam, the Additional Commissioner, GST Department submitted that assessment had been completed and since the report showed lack of clarity, a detailed report had been requested. An additional demand of ₹42.00 lakh had been created on completing fifty percent of assessment.

(Excerpts from the discussion of Committee with officials concerned on 08.04.2025)

19) The Committee enquired about the present status of the revenue recovery actions initiated in connection with India Techs Ltd, 32070389512 Special Circle 11, Ernakulam 2011-12. The Additional Commissioner, GST Department submitted that as per the audit observations, the turn over escaped was ₹3.96 crore. But fifty percent of the amount was found taxable and the remaining was a credit note and was non taxable. She added that the firm had neither remitted the amount nor opted the amnesty scheme, and the revenue recovery action was in progress.

Conclusion/Recommendation

20) The Committee directs the Department to furnish a detailed report regarding the following cases in Appendix III(1) within two months.

Sl No. 6 - Mermeritalia Bldg Products/2012-13,

Sl No. 7 - Mermeritalia Bldg Products/2014-15,

Sl No. 12 - Thai Impex (P) Ltd 32110787962/2013-14

Sl No. 13 - Thai Impex (P) Ltd 32110787962/2014-15

Sl No. 14 - Excel Timber/2010-11

Sl No. 15 - Excellent Timber Imp & Exp/2010-11

Sl No. 16 - Excellent Timber Imp & Exp/2011-12

Sl No. 17 - Hillwood Furniture/2010-11

Sl No. 18 - Hillwood Furniture/2011-12

- Sl No. 19 - Hillwood Furniture/2013-14**
- Sl No. 20 - Hillwood Imports and Exports/2012-13**
- Sl No. 22 - Kajaria Ceramics 32071516042/2014-15**
- Sl No. 23 - Espion International/2012-13**
- Sl No. 29 - Somany Ceramics/2010-11**
- Sl No. 30 - Tayash Trade Impex (P) Ltd./2010-11**
- Sl No. 31 - Kairali Granite/2012-13**
- Sl No. 32 - Oriental Timber/2010-11**
- Sl No. 33 - Oriental Woods/2011-12**
- Sl No. 34 - Premier Timbers/2012-13**
- Sl No. 35 - Premier Timbers/2013-14**
- Sl No. 36 - Royal Impex/2011-12**
- Sl No. 37 - Royal Impex/2012-13**
- Sl No. 38 - The Wood Ind/2011-12**
- Sl No. 39 - The Wood Ind/2013-14**
- Sl No. 40 - The Wood Ind/2014-15**
- Sl No. 46 - Popular Timbers 32150601628/2011-12**
- Sl No. 47 - Popular Timbers 32150601628/2012-13**
- Sl No. 48 - Popular Timbers 32150601628/2014-15**
- Sl No. 62 - Good Wood Products/2010-11**
- Sl No. 63 - Good Wood Products/2011-12**
- Sl No. 64 - Good Wood Products/2011-12**
- Sl No. 67 - Southern Timber depot/2014-15**
- Sl No. 68 - Southern Timber depot/2011-12**
- Sl No. 69 - Southern Timber depot/2012-13**
- Sl No. 70 - Southern Timber depot/2013-14**
- Sl No. 71 - Southern Timber depot/2014-15**
- Sl No. 72 - Sree & Co/2011-12**
- Sl No. 73 - Sree & Co/2012-13**

21) The Committee directs the Department to submit a report on the present status of the revenue recovery proceedings initiated in connection with India Techs Ltd, 32070389512/2011-12.

22) The Committee notes that the GST Department currently does not have access to the customs data on quantity of products imported, and the customs data regarding the valuation difference alone is made available at present. The Committee further observes that the Department requires customs data on product quantities in order to verify the discrepancies between the quantity of the products imported and the products sold. Hence, the Committee recommends the Department to seek the possibility of obtaining the customs data on the quantity of products imported, without compromising its confidential provisions.

2.4.7.8 Data in KVATIS not relied upon for analysis before accepting the self assessments/completing the assessments

The KVATIS is capturing all the details of transportation of goods in and out of the State through various check posts, the purchases made by a registered dealer from another registered dealer in the State, the sales effected by a registered dealer, the commodity traded and its rate of tax, the certified statement of accounts etc. However, the Software was not equipped with self assessing the tax due from a dealer by analysing the data captured through different modules in the system.

Audit found that all aspects of taxable transactions were not considered while accepting the self assessments since data in KVATIS was not relied upon. Though there were differences in the turnover as per returns filed and that captured by other modules in KVATIS, the assessments were finalised without reconciling the differences. The shortfall in the collection of tax due to under-utilisation of data in KVATIS is discussed in succeeding paragraphs:

- **Failure to pay tax on the entire sales effected through invoices.**

As per Section 20A of the Act, every dealer shall file his return as well as purchase and sales list through electronic filing in addition to hard copy to be filed along with the return.

Audit found that 52 out of 74 dealers scrutinised in 14 assessment circles issued sales invoices worth ₹1,248.60 crore, whereas the turnover reported for paying tax was only ₹1,175.01 crore resulting in short reporting of turnover by ₹73.58 crore. The resultant short levy of tax including interest and penalty worked out to 16.41 crore Appendix III(2). The Tax district-wise deviation from provisions of the Act/Rules is detailed in Table — 2.15.

Table — 2.15

Name of the Tax District	Number of dealers	Turnover escaped	Total Tax due (₹ in crore)
Deputy Commissioner Thiruvananthapuram	25	49.61	11.37
Deputy Commissioner Ernakulam	23	21.11	4.6
Deputy Commissioner Kozhikode	2	2.22	0.33
Deputy Commissioner Kottayam	2	0.64	0.11
Total	52	73.58	16.41

Audit observed that amongst the defaulters, M/s Marikar (Motors) Ltd. of Special Circle, Thiruvananthapuram was the biggest defaulter with tax effect of ₹5.63 crore. The nature of business dealt by these dealers was as under:

- Five in Grocery with tax effect of ₹0.69 crore.
- Five in Iron and Steel with tax effect of ₹0.24 crore.
- Three in Computer with tax effect of ₹0.30 crore.
- Thirty nine in multiple commodities with tax effect of ₹15.18 crore.

Audit observed that though these details were available in the KVATIS, the Department failed to address the issue. Thus, the Government needs to streamline the working of the Department and that the Departmental officials need to be vigilant about the availability of such details while doing assessment.

- **Short return of interstate purchases than that was reported at the check posts**

Audit found that 30 out of 56 dealers scrutinised in 11 assessment circles assessee's transported into the State through various check posts, goods worth ₹1,148.16 crore as interstate purchase and interstate stock transfer against which only ₹921.85 crore was reflected in the annual returns. Though the data was readily available in KVATIS, the assessing officers failed to utilise the same, resulting in short reporting of purchases by ₹213.59 crore. The resultant short levy of tax including interest and penalty worked out to ₹63.62 crore. The Tax district-wise deviation from provisions of the Act/Rules is detailed in Table – 2.16.

Table – 2.16

(₹ in crore)

Name of the Tax District	Number of dealers	Purchase short reported	Total Tax due
Deputy Commissioner, Ernakulam	22	203.08	61.88
Deputy Commissioner, Kottayam	5	5.67	0.99
Deputy Commissioner, Thiruvananthapuram	3	4.84	0.75
Total	30	213.59	63.62

Audit observed that amongst the defaulters, M/s Indus Motors Light Commercial Vehicles Pvt. Ltd. of Special Circle II, Emakulam was the biggest defaulter with tax effect of ₹30.08 crore.

In exit meeting (December 2015) the Principal Secretary (Taxes) stated that once the process of upgrading the server capacity and application upgradation is completed, full use of the information would be made.

- **Excess claim of ITC than the Output Tax (OPT) paid to Government account**

Audit found 10 out of 24 dealers scrutinised in eight assessment circles availed ITC of ₹91.12 crore for their purchases from eight selling dealers whereas the sales details of these dealers show that they had paid

only ₹85.23 crore as tax collected from the above 10 dealers. Since the OPT paid by the selling dealers is less than the ITC claim of the purchasing dealers, the allowance of entire claim of ITC means excess withdrawal of money from Government account amounting to ₹5.88 crore. The resultant short levy of tax including interest and penalty worked out to ₹19.84 crore Appendix III(3). The Tax district-wise deviation from provisions of the Act/Rules is detailed in Table – 2.17.

Table – 2.17

(₹ in crore)

Name of the Tax District	Number of dealers	Turnover escaped	Total Tax due
Deputy Commissioner, Ernakulam	4	2.12	6.93
Deputy Commissioner, Mattancherry	2	1.52	5.33
Deputy Commissioner, Thiruvananthapuram	1	1.15	4.02
Deputy Commissioner, Kozhikode	1	0.06	0.19
Deputy Commissioner, Palakkad	1	0.43	1.41
Deputy Commissioner, Kannur	1	0.60	1.96
Total	10	5.88	19.84

Audit observed that amongst the defaulters, M/s T.V Sundram Iyengar & Sons Pvt. Ltd. of Special Circle Thiruvananthapuram was the biggest defaulter with tax effect of ₹4.02 crore.

- **Input tax credit was claimed through invoices without valid registration**

Section 2(xxiii) of KVAT Act, 2003 defines input tax as the tax paid or payable under the Act by a registered dealer to another registered dealer on the purchase of goods in the course of business.

Audit found that 11¹ out of 23 dealers scrutinised in seven

¹Rose Flames (₹ 0.67 crore), Plant Lipids (P) Ltd (₹ 0.24 crore), ABT Industries Limited (₹ 0.17 crore), Manju.L.John Timbers (₹ 0.09 crore), Gopan Rubber Company (₹ 0.30 crore), India Rubber & Chemicals, (₹ 0.16 crore) Kavanar Latex Lt (₹ 0.22 crore), JMJ Traders (₹ 0.62 crore), Mehar Reynold (₹ 0.09 crore), Cosmic Group (₹ 0.07 crore), Aiswarya Enterprises (₹ 0.07 crore).

assessment circles availed ITC of ₹23.83 crore. Out of this, ITC amounting to ₹0.82 crore was claimed by furnishing either the dealer's own registration number or registration numbers which were not assigned. Since the purchases were not from a registered dealer, the ITC claimed to that extent was to be disallowed. The resultant short levy of tax including interest and penalty worked out to ₹2.70 crore. The Tax district-wise deviation from provisions of the Act/Rules is detailed in Table-2.18.

Table – 2.18

(₹ in crore)

Name of the Tax District	Number of dealers	Excess claim of ITC	Total Tax due
Deputy Commissioner Kottayam	5	0.42	1.39
Deputy Commissioner Ernakulam	3	0.30	0.98
Deputy Commissioner Thiruvananthapuram	2	0.05	0.16
Deputy Commissioner Kozhikode	1	0.05	0.17
Total	11	0.82	2.70

The under utilisation of data captured in KVATIS resulted in under-assessment of tax.

Analysis revealed that two assesseees traded in rubber with tax effect of ₹0.52 core and the rest nine dealers traded multiple commodities with tax effect of ₹2.18 crore.

Audit observed that though these details were available in the KVATIS, the Department failed to address the issue. Thus, the Government needs to streamline the working of the Department and that the Departmental officials need to be vigilant about the availability of such details while doing assessment.

Government stated (December 2015) that detailed verification is needed in all the cases pointed out. Final report would be submitted after verification.

Recommendation No. 7 - Department may ensure that the final assessments are completed by utilising the data captured in KVATIS.

[Audit Paragraph 2.4.7.8 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2015. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraph is included as Appendix II]

(Excerpts from the discussion of Committee with officials concerned on 15.05.2024)

23) The Committee considered the audit observation “Data in KVATIS not relied upon for analysis before accepting the self-assessments/completing the assessments” and accepted the report furnished by the Government. While considering the cases pointed out in the audit observation “Failure to pay tax on the entire sales effected through invoices”, the Additional Commissioner, GST Department explained that the bill number and amount would be uploaded in KVATIS (Kerala Value Added Tax Information System) month wise and the tax payable would be provided in the return, but there might be some errors made by the accounting staff in uploading bill details. He added that all such errors had been verified and found tallied.

24) The Committee accepted the reply furnished by the Department in the 41 cases, Sl No. 1 – Aswathywud, Sl No. 3 - Modern sports industries, Sl No. 4 - National Steel Company, Sl No. 6 - Shree Mahaveer Traders, Sl No. 7 - Build Aid Corporation, Sl No. 8 - Rashtriya Ispat Nigam Ltd., Sl No. 9 - Tayash Trade, Sl No. 10 - Reliance Footprint Limited, Sl No. 11 - True Coat Paints (P) Ltd, Sl No. 12 - Traco Cable Co. Ltd., Sl No. 14 – Essar pipes and profiles Sl No. 15 - M & T Steels, Sl No. 16 - Rubber dealer, Sl No. 17 - ICICI Bank Limited, Sl No. 18 - ICICI Bank Limited, Sl No. 19 – Marikar(Motors)Ltd, Sl No. 20 - QRS Retail Limited, Sl No. 21 - Variety Marbles, Sl No. 22 - The Calicut Tile Company, Sl No. 23 - Gowri Enterprises, Sl No. 24 - Sparkle Sales, Sl No. 25 – Blossom, Sl No. 26 – Getech-Doppler, Sl No. 28 – Janatha, Sl No. 29 – Kopab,

Sl No. 30 - M/S Abhay Busines Corporation, Sl No. 32 - Metro Watches and Mobiles, Sl No. 33 - Sharief N Sharief, Sl No. 34 - Vishnu Fashion Jewellery, Sl No. 35 - Kailas Enterprises, Sl No. 36 - Karthika Enterprises, Sl No. 40 - Pamba Associates, Sl No. 43 - Shibu Agencies, Sl No. 44 - Sree Manikandan Stores, Sl No. 45 - Sreelekshmi Agencies, Sl No. 46 - Jemis Enterprise, Sl No. 47 - Noveon Systems, Sl No. 50 - Macronet Mercantile (P) Ltd, Sl No. 51 - Reliance Hypermart Limited, Sl No. 52 - Web Solutions India Limited, Sl No. 53 - Janatha Agencies,.

25) When the Committee enquired about the current status of revenue recovery measures related to Sl No. 27 - H.A.K Home Shoppee, Sl No. 31 - M/s. Falcon Systems, Sl No. 37 - KMS Traders, Sl No. 38 - M.F Agencies & Provision Store, Sl No. 39 - Matha Agencies, Sl No. 41 - Royal Leather, Sl No. 42 - Sabarinathan Iron & Traders, Sl No. 48 - Sreepriya Agencies, the Additional Commissioner, GST Department agreed to submit a present status report in that regard.

26) While discussing the audit observation in the case related to Sl No.2. M/s. B.H. Mammi, 32070281152/2012-13 CTO, Special Circle-I, Ernakulam, the Additional Commissioner, GST Department submitted that the bill amount paid directly to the customers was wrongly uploaded as ₹ 33,00,000 instead of ₹ 9,46,000, and the error had been rectified and the bill had been verified. He added that there was no demand in that case and a revised RMT in that regard would be submitted.

27) When the Committee directed to give an explanation regarding the case related to Sl No.5. Playwell Sports, 32071674442/2012-13, CTO, Special Circle-I, Ernakulam, the Commissioner, GST Department submitted that the case had been settled through the amnesty scheme, and a revised RMT in that regard would be submitted.

28) When the Committee enquired about the case related to Sl No.13. Super LPG Services, 32071203292/2010-11, CTO, Special Circle-III, Ernakulam, the Commissioner, GST Department replied that the case had been settled and a revised RMT in that regard would be submitted.

29) While considering the audit observation in the case related to Sl No.49. Vinsa Today's, 32070332586/2012-13, CTO, I Circle, Thripunithura, the Committee directed to report the present status of the appeal case. The Additional Commissioner, GST Department submitted that the appeal case had been disposed of and the assessment was modified. The same was reviewed as ₹ 6.59 lakh in the second appeal. He added that the revenue recovery measures were being taken and the updated status report in that regard would be submitted.

30) While considering the cases pointed out in the audit observation "Short return of interstate purchases than that was reported at the check posts", the Joint Secretary, Legislature Secretariat stated that though there were 30 cases in the audit para, only the case related to Sl No. 1. Indus Motors Light Commercial Vehicles Pvt Ltd., 32070377823/2012-13, CTO, Special Circle II, Ernakulam was mentioned specifically. The Additional Commissioner, GST Department submitted that all the cases except that one were general observations. The audit remarks 'Number of dealers 30' contained in the audit para had not been listed and only the case in Sl No. 1 had been pointed out by the AG. Detailed reply in that regard was awaited and would be submitted on receiving the same.

31) Out of the ten cases referred to in the audit para "Excess claim of ITC than the Output Tax (OPT) paid to Government account", the Committee accepted the explanation made for the four cases, Sl No. 2 - Janatha Trading Corporation, Sl No. 4 - Eram Motors Private Ltd, Sl No. 6 - Nook Micro Distribution, Sl No. 7 - Sangam Stationery.

32) When the Committee directed to give an explanation regarding the case related to Sl No. 1. Steel House, CTO, Special Circle, Mattancherry 32150242225/2010-11, the Additional Commissioner, GST Department submitted that M/s Chettinad Cement Corporation was the supplier of Steel House. The buyer's VAT number had to be recorded while raising an invoice, but in cases where the number become unregistered or not received, the same might be erroneously uploaded by the accounting staff. Later on issuing notice, they would be informed the matter and the details would be collected by the assessing authority. He added that Eligibility Certificate had been issued after verifying the bills issued by M/s Chettinad Cement Corporation. The Committee accepted the reply and directed to submit copy of the assessment order. The Additional Commissioner, GST Department agreed to do so.

33) While discussing the audit observation in the case related to Sl No. 3. T.V. Sundaram Iyengar & Sons Ltd., CTO, Special Circle, Thiruvananthapuram 32010188782/2010-11, when the Committee enquired about the collection details, the Additional Commissioner, GST Department replied that demand had been created. First appeal of the assessee was dismissed and modification in accordance with the Tribunal Judgment on second appeal was not completed, but in progress.

34) While considering the case related to Sl No. 5. Max Enterprises, CTO, Special Circle-I, Ernakulam 32071561389/2012-13, the Committee directed to submit copy of the assessment order and the Additional Commissioner, GST Department accepted it.

35) When the Committee enquired about the audit observation regarding the cases related to Sl No. 8. Eoriental Timbers, CTO, Special Circle-III, Ernakulam 32070455144/2012-13 and Sl No. 9. Oriental Woods, CTO, Special Circle III, Ernakulam, 32070405824/2012-13, the Additional Commissioner, GST Department submitted that the revenue recovery measures were being taken and

present status report in that regard would be submitted.

36) While considering the case related to Sl No. 10. ABT Industries Limited 32110278895/2012-13, CTO, Special Circle-I, Kozhikode, Additional Commissioner, GST Department submitted that it pertained to the erroneous uploading made by the accounting staff, without recording the registration number. He added that the same had been verified, and a revised reply would be furnished.

37) Out of the eleven cases referred to in the audit para "Input tax credit was claimed through invoices without valid registration", the Committee accepted the explanation made for the eight cases, Sl No. 2 - Plant Lipids (P) Ltd, Sl No. 3 - ABT Industries Limited, Sl No. 5 - Gopan Rubber Company, Sl No. 6 - India Rubber & Chemicals, Sl No. 7 - Kavanar Latex Ltd, Sl No. 8 - JMJ Traders, Sl No. 9 - Mehar Reynold, Sl No. 10 - Cosmic Group.

38) When the Committee enquired about the audit observation regarding the case related to Sl No. 1. Rose Flames, the Additional Commissioner, GST Department submitted that the assessment was completed, but some errors had occurred while recording the registration number in the return. He added that a revised reply would be submitted.

39) When the Committee enquired about the audit observation in the case related to Sl No. 4. Manju.L, John Timbers, 32010973424/2012-13, CTO, Special Circle, Thiruvananthapuram, the Additional Commissioner, GST Department submitted that in place of the buying dealer's registration number, the selling dealer's registration number was uploaded by mistake and the same had been verified. The Committee wanted a report in that regard and the Additional Commissioner, GST Department agreed to do so.

40) While considering the audit observations in the case related to Sl No. 11. Aiswarya Enterprises, 32010616675/2012-13, CTO, I Circle,

Thiruvananthapuram, the Committee directed to furnish the present status report of the revenue recovery measures taken and the Additional Commissioner, GST Department agreed to do so.

(Excerpts from the discussion of Committee with officials concerned on 08.04.2025)

41) The Committee considered the audit observation "Failure to pay tax on the entire sales effected through invoices" in connection with the two firms, Modern Sports Industries 32070274705/2010-11, CTO, Special Circle-I, Ernakulam and Playwell Sports, 32071674442/2012-13, CTO, Special Circle-I, Ernakulam, and accepted the reply furnished by the Government. When the Committee enquired about the current status of revenue recovery action related to Super LPG Services, 32071203292/2010-11, CTO, Special Circle-III, Ernakulam, the Additional Commissioner, GST Department submitted that the assessment made had been set aside by the Hon'ble High Court. Its limitation period had been expired and was in time bar at present, as a delay of one month had occurred to issue the notice. The Senior Audit Officer intervened and clarified that the case was about whether any retrospective effect would be applicable to the judgment. He added that retrospective effect could be given for a reasonable time and enquired whether the assessment year 2010-11 would come within the period of five years allowed by the Hon'ble Court. The Additional Commissioner, GST Department submitted that the records would be maintained by the Department Official as per Rule 58 and the time bar happened was due to a technical issue occurred in amending the assessment time. To a query of the Committee about the Department official who was responsible for the delay occurred, the Additional Commissioner, GST Department submitted that it could be identified only on verification since there were many pending assessment works during the aforesaid period of five years and many Department officials were in charge of assessment. When the Committee

enquired about the steps taken to avoid such lapses in future, the Additional Commissioner, GST Department replied that large number of assessments were being made within a period of five years and there might occur one or two cases of such lapses, and he assured that utmost care would be taken to avoid such lapses in future. He added that the assessment details were being reviewed regularly by the Commissioner.

42) The Committee considered the audit observation "Short return of interstate purchases than that was reported at the check posts" in connection with Indus Motors Light Commercial Vehicles Pvt Ltd. 32070377823/2012-13 CTO, Special Circle II, Ernakulam and accepted the reply furnished by the Government.

Conclusion/Recommendation

43) The Committee directs the Department to submit a report on the present status of the revenue recovery proceedings in connection with the following cases in Appendix III(2) within two months.

Sl No. 27 - H.A.K Home Shoppee

Sl No. 31 - M/s. Falcon Systems

Sl No. 37 - KMS Traders

Sl No. 38 - M.F Agencies & Provision Store

Sl No. 39 - Matha Agencies

Sl No. 41 - Royal Leather

Sl No. 42 - Sabarinathan Iron & Traders

Sl No. 48 - Sreepriya Agencies

Sl No.49 - Vinsa Todays

44) The Committee directs the Department to furnish revised RMT in connection with M/s. B.H. Mammi, 32070281152/2012-13 and ABT Industries Limited 32110278895/2012-13, within two months.

45) The Committee directs the Department to furnish the present status report in respect of T.V. Sundaram Iyengar & Sons Ltd., CTO, Special Circle, Thiruvananthapuram 32010188782/2010-11.

46) The Committee directs the Department to furnish copy of the assessment order in connection with Steel House, 32150242225/ 2010-11 and Max Enterprises, 32071561389/2012-13. within two months.

47) The Committee directs the Department to submit a report on the present status of the revenue recovery proceedings in connection with Eoriental Timbers, 32070455144/2012-13 and Oriental Woods, 32070405824/2012-13 within two months.

48) The Committee directs the Department to furnish revised RMT in connection with M/s Rose Flames and Manju L. John Timbers, 32010973424/2012-13, within two months.

49) The Committee directs the Department to submit a report on the present status of the revenue recovery proceedings initiated in connection with Aiswarya Enterprises, 32010616675/2012-13, within two months.

2.4.7.9 Failure to assess dealers who did not comply with the provisions in the Act

Audit found that failure to assess the dealers who did not comply with the provisions of the Act resulted in non levy of tax as shown below.

- **Assessments not completed in respect of assesseees who failed to file returns**

As per Section 20(1) of the Act, every registered dealer and every dealer liable to be registered under the Act shall submit to the assessing authority such return or returns before such dates and in such manner and accompanied by such documents as may be prescribed. Under Section 22(3), if any dealer fails to submit any return as provided under Section 20(1), the assessing authority shall estimate the turnover of the return period and complete the

assessment to the best of its judgment.

In four assessment circles, 123 dealers out of the 3,791 dealers failed to file their annual returns during 2013-14. The best judgement assessments under Section 22 were initiated against only eight dealers. Audit verified 74 out of the 115 cases on which assessments were pending and found that 10 dealers² had tax liability. Deputy Commissioners were not monitoring the assessments in respect of return defaulters resulting in non levy of tax of ₹22.40 crore including interest and penalty. The Tax district-wise deviation from provisions of the Act/Rules is detailed in Table — 2.19.

Table – 2.19

(₹ in crore)

Name of the Tax District	Number of dealers	Turnover escaped	Total Tax due
Deputy Commissioner, Ernakulam	6	121.89	22.26
Deputy Commissioner, Thiruvananthapuram	4	0.66	0.14
Total	10	122.55	22.40

Audit found that of the 10 cases, five were on account of short reporting of inter state purchase, three on account of irregular exemption claimed and two on account of short reporting of sales invoices.

- **Failure to assess tax due from the dealers at the time of cancellation of their registration**

As per Section 2(xlii) of the Act and Rule 15 of the KVAT Rules, if any goods for which input tax credit has been availed but such goods remain unsold at the time of cancellation of registration, the input tax so availed would be reversed. Similarly, if any goods imported into the State by issuing statutory forms remain unsold, tax should be levied on such goods, treating it as sale

²Eureka Forbes Limited (₹ 3.62 crore), MMTC Limited (₹ 15.57 crore), Leela Soft Pvt Ltd. (₹ 1.42 crore), Hindalco Industries Limited (₹ 1.39 crore), Bharath Glass House (₹ 0.21 crore), Chemplast Sanmar Limited (₹ 0.05 crore), Foot Care (₹ 0.03 crore), OG Arcade (₹ 0.05 crore), Nasr Trade Links (₹ 0.03 crore), Gift Palace (₹ 0.03 crore).

within the State. As per Section 22(3), if any dealer fails to submit any return as provided under Section 20(1) for a period of time and later his registration is cancelled; then the assessing authority shall estimate the turnover of such return periods and complete the assessment to the best of its judgment.

Audit noticed that out of 75 dealers in five assessment circles whose registrations were cancelled during the years 2010-11 to 2013-14, assessment was completed in 11 cases only. All dealers who cancelled their registration are to be assessed which is not being done. Audit verified balance 64 cases and found 10 dealers³ had tax liability. Deputy Commissioners were not monitoring the assessments on cancelled dealers resulting in non levy of tax of ₹ 3.20 crore including interest and penalty. The Tax district-wise deviation from provisions of the Act/Rules is detailed in Table – 2.20.

Table – 2.20

Name of the Tax District	Number of dealers	Total Tax due (₹ in crore)
Deputy Commissioner, Kozhikode	5	2.19
Deputy Commissioner, Ernakulam	2	0.82
Deputy Commissioner, Kannur	2	0.18
Deputy Commissioner, Palakkad	1	0.01
Total	10	3.20

Audit found that failure to analyse the outstanding tax liability of the assesseees at the time of cancellation of their registration resulted in non demand of tax.

Further, analysis revealed that M/s Calicut Gas in the rolls of Commercial Tax Officer, Special Circle II, Kozhikode alone had tax liability of ₹ 2.03 crore.

Government stated (December 2015) that detailed verification is needed in all the cases pointed out. Final report would be submitted after verification.

³Malabar Agencies (₹ 0.0045 crore), Maneesh Pharmaceuticals (₹ 0.12 crore), Sunitha Furniture and Foam Palace (₹ 0.16 crore), Sreechakra Agencies (₹ 0.02 crore), Calicut Gas (₹ 2.03 crore), KM Wood (₹ 0.0023 crore), VS Timbers (₹ 0.03 crore), Allied System (₹ 0.01 crore), Tebma Shipyard (₹ 0.69 crore), Asian Electronics (₹ 0.13 crore).

[Audit Paragraph 2.4.7.9 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2015. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraph is included as Appendix II]

(Excerpts from the discussion of Committee with officials concerned on 15.05.2024)

50) Out of the ten cases referred to in the audit para “Assessments not completed in respect of assesseees who failed to file returns”, the Committee accepted the explanation made in the report regarding the eight cases, Sl No. 1 - Eureka Forbes Ltd., Sl No. 2 - MMTC Ltd., Sl No. 3 - Leela Soft (P) Ltd., Sl No. 4 - Hindalco Industries Ltd., Sl No. 6 - Chemplast sanmar Ltd., Sl No. 7 - Foot care, Sl No. 8 - OG Arcade, Sl No. 9 - Nasr Trade links.

51) When the Committee enquired about the audit observation in the case related to Sl No. 5. Bharath Glass House, the Additional Commissioner, GST Department submitted that the assessment was completed. He added that the revenue recovery measures were being taken and the present status report in that regard would be submitted.

52) When the Committee wanted to give an explanation regarding the case related to Sl No. 10. Gift palace, 32010662261/2012-13, CTO, I Circle, Thiruvananthapuram, the Additional Commissioner, GST Department submitted that the monthly return, containing all the details had been filed by the dealer, but the annual return had not been filed. He added that the same had been verified by the assessing authority. The Committee accepted the reply.

53) Out of the ten cases referred to in the audit para “Failure to assess tax due from the dealers at the time of cancellation of their registration”, the Committee accepted the explanation made in the report of the eight cases, Sl No. 1 - M/s.

Malabar agencies, Sl No. 2 - M/s. Maneesh Pharmaceuticals, Sl No. 3 - M/s. Sunitha Furniture and foam palace, Sl No. 4 - M/s. Srechakra, Sl No. 5 - M/s. Calicut Gas, Sl No. 6 - M/s. KM Wood, Sl No. 8 - M/s. Allied System, Sl No. 9 - M/s. Tebma Shipyard.

54) While considering the cases related to Sl No. 7. M/s. VS Timber, 2012-13, TIN32110340095 ,CTO, Special Circle II, Kozhikode and Sl No. 10. M/s. Asian Electronics, 2012-13, TIN32070371905, CTO, Special Circle II, Ernakulam, the Committee directed to submit the present status of the revenue recovery measures taken and the Additional Commissioner, GST Department agreed to do so.

Conclusion/Recommendation

55) The Committee directs the Department to submit report on the present status of the revenue recovery proceedings initiated in connection with M/s Bharath Glass House, M/s. VS Timber, 2012-13, TIN32110340095 and M/s. Asian Electronics, 2012-13, TIN32070371905, within two months.

2.4.7.10 Inadequate Internal control mechanism

- **Internal Audit Wing**

Internal audit is intended to examine and evaluate the level of compliance with the rules and procedures so as to provide a reasonable assurance on the adequacy of internal control. An efficient functioning of internal auditing can improve an organisation's operations.

Though the VAT was introduced in April 2005, the internal audit wing was formed in June 2009 only. The wing does not have any internal audit manual. The details of coverage of internal audit for the year 2010-11 to 2014-15 were as detailed in Table – 2.21.

Table – 2.21

Year	No. of units to be audited	No. of units audited	Percentage of coverage	No. of paras involved	Amount involved	Amount realised
					(₹ in lakh)	
2010-11	356	46	13	919	330.53	Not available
2011-12	356	32	9	445	2,738.20	
2012-13	356	56	16	369	1,488.88	
2013-14	356	60	17	1,333	1,675.15	
2014-15	356	85	25	1,976	3,492.00	

Audit found that the coverage of units audited was less than twenty five *per cent* of the total units which needs to be widened. The low coverage of internal audit depicts the ineffectiveness of the internal audit wing.

Government stated (December 2015) that now the wing consists of one Deputy Commissioner, two assistant commissioners and five commercial tax officers. The shortfall in conducting internal audit is attributed to acute shortage of staff.

Reply was not acceptable viewed in the light of the fact that deficiencies and non-compliance by officials called for strengthening of internal control mechanism including internal audit.

- **Lack of follow up action in crime cases reported by the intelligence wing**

Reports on crime cases received from the intelligence wing should be utilised for creating additional demands by reopening the self assessment. Audit found that in four assessment circles test checked, action was not initiated in 82 crime cases involving ₹0.89 crore reported by the Intelligence Wing Appendix III(4). In eight cases, three years had elapsed after reporting the crime by the Intelligence Wing indicating the lapse of proper monitoring mechanism in the Department.

Audit found that all the 82 cases related to Builders/Works contractors in the office of the Commercial Tax Officer (Works Contract), Kannur,

Kozhikode and Palakkad.

Government stated (December 2015) that out of 82 cases pointed out, assessments in 27 cases have been completed and instructions issued to assessing authorities to verify the remaining cases.

- **Lack of follow up action in realising additional demand created through assessment**

Audit found that additional demand created amounting to ₹2.75 crore through 101 assessment files in five assessment circles was not realised. Follow up action was not initiated to collect demand in seven cases even after four years of its creation resulting in lack of proper monitoring mechanism to collect the arrears of revenue.

Though the assessing officers had sent the details of defaulters to the respective Inspecting Assistant Commissioners responsible for initiating RR action, but the cases were pending for want of action. The reasons stated by the Inspecting Assistant Commissioners were: (a) Stay by courts and others, (b) whereabouts of the dealers were not traceable, (c) RR proceedings were in the initial stage etc.

Government stated (December 2015) that out of 101 cases pointed out, one case had been quashed by Court and final reply would be submitted in the remaining cases.

- **Lack of a system to ensure quality of assessments**

As per Section 55 of the Act, any person aggrieved by any order or proceedings passed by an assessing authority may within thirty days from the date on which the order was served on him, appeal against such order to the Deputy Commissioner (Appeals), if the order was passed by Assistant Commissioner. If the order was passed by Commercial Tax Officer, AC (Appeal) is the Appellate Authority. The Appellate Authority after hearing and examination of related records, disposes the appeals, by an order stating the reasons for arriving at the decision such as the appeal is allowed,

dismissed or modified or set aside.

Audit had called for details in respect of cases of appeals disposed in all the seven appellate authorities, however, data was made available only from one appellate authority. Audit found that the Appellate authority⁴ had disposed of 794 cases of appeals during 2013 and 2014 out of which 527 cases were disposed of as allowed in favour of the assessee or stood modified. Audit test checked 121 of these cases and found that the assessments were completed in contravention of the provisions of the Act such as non-affording of opportunity of being heard, non-availability of material evidence, non-verification of records produced etc., or the claim made by the assessee was not rebutted which led to its disposal as above.

The quality of an assessment depends on its sustainability with law and the collection of demanded tax. But the assessments were completed without analysing all provisions of the Acts and Rules. In order to ensure the quality of assessment orders, in Central Receipts, Chief Commissioners/ Director General of Income tax are required to analyse at least 50 quality assessments of their respective charges and send the report to the respective Zonal Member.

Government stated (December 2015) that a peer review mechanism is being implemented to minimize the apparent legal and factual errors creeping into the assessment orders.

Recommendation No. 8 - Department may ensure the quality of assessments by adopting the system prevailing in Central Receipts as basis so that the number of cases which are failing in judicial review would be on a lower side.

Conclusion

Audit arrived at the following conclusions:

- VAT is a self-assessment system, which contemplates that the tax liability is calculated and paid by the tax payer (assessee) through periodical

⁴Deputy Commissioner (Appeal)-II, Ernakulam

returns. Thus, it is necessary to check and ensure that the tax payers are disclosing their tax liability properly while filing the returns. Certain dealers are evading/minimising the tax liability through various methods such as, unaccountal of purchases and corresponding sales, concealment of a portion of turnover, ineligible/incorrect claiming of input tax on bogus purchase invoices, incorrect claiming of concessional rate and exemption of tax, non-filing the periodical returns though they are conducting business and not paying the legitimate tax due to Government.

- KVATIS is not robust enough to ensure the accuracy of the returns filed. Hence, scrutiny of the return filed by dealers, detailed audit of returns and books of accounts of the errant dealers are imperative in the administration of VAT.
- Internal Control mechanism existing in the Department was not adequate to maximise tax collection.

Fifty five cases which were considered by Audit for inclusion in the Audit Report noticed during regular audit are also given in the following paragraphs.

[Audit Paragraph 2.4.7.10 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2015. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraph is included as Appendix II]

(Excerpts from the discussion of Committee with officials concerned on 15.05.2024)

56) The Committee considered the audit observation regarding the Internal Audit wing and accepted the explanation furnished in the reply. Out of the eighty two cases referred to in the audit para "Lack of follow up action in crime cases reported by the intelligence wing", the Committee accepted the explanation made for the sixty seven cases, Sl No. 1 - M/s Premier Builders, Sl

No. 3 - M/s Malabar Borewells, Sl No. 12 - M/s Supergood homes, Sl No. 13 - P Manikandan, HK Constructions, Sl No. 16 - M/s Medha Servo Drivers, Sl No. 25 - M/s Sandhya Construction, Palakkad, Sl No. 26 - Shri Manikantan, Kanjikode, Sl No. 29 - M/s Kaliyan Erectors, Sl No. 30 - M/s Gunja Constructions, Sl No. 31 - M/s Techno Plumbing and Sanitary works, Sl No. 34 - M/s Malabar Aluminium Fabricators, Sl No. 36 - M/s Rods and Creels, Sl No. 37 - M/s PMK Constructions, Sl No. 38 - M/s Safe Coating system (P) Ltd., Sl No. 42 - M/s Rods and Creels, Sl No. 44 - Universal road marketing, Sl No. 45 - Express Foundation, Sl No. 46 - Safiyulla KV, Calicut, Sl No. 48 - M/s Sigma Machine and Engineering Co., Sl No. 49 - IP Steel Decors, Sl No. 50 - Origin Consultants, Sl No. 51 - Aluminium World, Sl No. 52 - Sabi Engg. Co., Sl No. 54 - Metro tech, Calicut, Sl No. 58 - M/s Travancore Communications, Sl No. 63 - Alacets Enterprises, Sl No. 64 - Escon Elevators (P) Ltd., Sl No. 65 - Ajila Charms & Controls, Sl No. 68 - M/s Olive Builders, Sl No. 74 - Seawood Homes (India)(P) Ltd, Sl No. 75 - Seawood Homes (India)(P) Ltd., Sl No. 78 - Kirloskar Brothers (P) Ltd, Sl No. 80 - Arvin Interiors (P) Ltd, Cochin, Sl No. 5 - Consolidated Consurtium Ltd, Sl No. 7 - Vinod Kumar, Sl No. 8 - Cheerans Structurals, Sl No. 11 - Span Constructions, Sl No. 14 - M/s Keechery Solutions (P) Ltd, Sl No. 15 - M/s Eagle and Omega Computers, Sl No. 17 - M/s Eagle and Omega Constructions, Sl No. 24 - Consolidated Construction Consortium, Sl No. 39 - M/s Safe Coating system (P) Ltd, Sl No. 40 - M/s Bharat Geo System (P) Ltd, Sl No. 41 - M/s Alfa Architectural System, Sl No. 43 - M/s Gina Enterprises, Sl No. 47 - Hajee AP Bava, Calicut, Sl No. 55 - M/s Infra interiors, Palarivattom, Sl No. 56 - M/s L&T Ltd, Ernakulam, Sl No. 59 - M/s Universal Electricals, Sl No. 61 - M/s Suncon Some JV, Sl No. 62 - Wire less TT Info services, Sl No. 66 - L & T, Ernakulam, Sl No. 69 - M/s Sree Narayana Shopping Complex, Sl No. 71 - Infra Constructions, Vallarpadom, Sl No. 72 - KM Elias Constructions, Kakkanad, Sl No. 76 - KA Hassanair, Kakkand, Sl No. 4 - Consolidated Consurtium Ltd., Sl No. 6 - Oceanus Dwelling(P) Ltd., Sl No.

18 - Anil Santhosh Associates, Sl No. 19 - Consolidated construction Consortium, Sl No. 21 - K Manoj, Elapully, Sl No. 22 - Consolidated Construction Consortium, Sl No. 23 - Consolidated Construction Consortium, Sl No. 28 - M/s Peak Developers, Sl No. 35 - M/s Soubhaya Builders, Sl No. 60 - M/s Skyline Builders, Sl No. 81 - Flair Alliance Builders, Kaloor.

57) The Committee directed to report the current status of revenue recovery measures of the nine cases, Sl No. 2 - M/s Poshak Agrivael (P) Ltd., Sl No. 20 - M/s RPP Infra Projects Ltd., Sl No. 27 - M/s Kancos Kadirur, Sl No. 32 - M/s SS New life style, Sl No. 33 - M/s SS New life style, Sl No. 53 - M/s PS Constructions, Chalappuram, Sl No. 67 - M/s Geographic infra Structure, Sl No. 73 - M/s Square Associates, Kochi, Sl No. 79 - M/s Valiyilil Engineers and the Additional Commissioner, GST Department accepted it.

58) While considering the cases related to Sl No. 9. PCM Automotive Designers, CTO (WC), Palakkad, 2011-12 and Sl No. 10. PCM Automotive Designers, CTO (WC), Palakkad, 2012-13 the Committee directed to submit the present status report of the collection details and the Additional Commissioner, GST Department accepted it.

59) While considering the audit observations related to Sl No. 57. M/s L&T Ltd, Ernakulam CTC (WC), Ernakulam, 2007-08, the Additional Commissioner, GST Department submitted that the case in that regard was pending before the Hon'ble High Court and the current status report would be submitted to the Committee.

60) When the Committee directed to give explanation regarding the case related to Sl No. 70. Assured Services (P) Ltd CTC (WC), Ernakulam, 2011-12, the Additional Commissioner, GST Department submitted that the assessment had been modified and the equal addition made had been reduced. The addition made for two times had been reduced to one and not any possibility for

collection would be there. A demand and collection details report could be requested, and would be submitted to the Committee on receiving the same.

61) While considering the audit observations related to Sl No. 77. Increation Designs & Contracts (P) Ltd CTC (WC), Ernakulam, 2011-12 and Sl No. 82. Soma Enterprises Ltd, Cheranallur CTC (WC), Ernakulam, 2009-10, the Additional Commissioner, GST Department submitted that the cases filed in connection with those were pending before the Hon'ble High Court and the current status report would be submitted to the Committee.

62) The Committee considered the audit observations "Lack of follow up action in realising additional demand created through assessment" and "Lack of a system to ensure quality of assessments", and accepted the explanation made in the reply furnished.

(Excerpts from the discussion of Committee with officials concerned on 08.04.2025)

63) The Committee considered the audit observation "Lack of follow up action in crime cases reported by the intelligence wing" related to Sl No. 10. PCM Automotive Designers, CTO (WC), Palakkad, TIN 32091636666/2012-13, Sl No. 25. M/s Sandhya Construction, Palakkad, CTO (WC), Palakkad, 2011-12, Sl No. 30. M/s Gunja Constructions, CTO (WC), Kozhikode, 2011-12, Sl No. 39. M/s Safe Coating system (P) Ltd, CTO (WC), Kozhikode, 2011-12, Sl No. 54. M/s Metro tech, Calicut, CTO (WC), Kozhikode, 2013-14, Sl No. 57. M/s L&T Ltd, Ernakulam, CTC (WC), Ernakulam, 2007-08, Sl No. 61. M/s Suncon Some JV, Rohini CTC (WC), Ernakulam, 2008-09, Sl No. 69. M/s Sree Narayana Shopping Complex, CTC (WC), Ernakulam, 2012-13 and accepted the reply furnished by the Government.

64) While considering the audit observations related to M/s Assured Services (P) Ltd, CTC (WC), Ernakulam, 2011-12, the Committee enquired

about the details of tax due and interest. The Additional Commissioner, GST Department submitted that although the firm had opted for the amnesty scheme, the payment had not yet been made. When the Committee enquired about the time limit for payment under the amnesty scheme, the Additional Commissioner, GST Department submitted that the application period had been expired and demand notice had not been issued. The Committee directed to expedite the departmental action and the Additional Commissioner, GST Department agreed to do so.

65) To a query of the Committee about the period up to which the amnesty scheme was in force, the Additional Commissioner, GST Department informed that the amnesty scheme existed during the period 2020-24, and any non GST arrears prior to that period could also have been applied till December 31. The Committee wanted to know whether the firm had applied for the amnesty scheme. The Additional Commissioner, GST Department replied that the firm had applied, but the percentage of arrear amount to be paid had not been remitted. He added that the application was under processing and if the payment due was not done, the revenue recovery action would be continued. The Committee opined that the revenue recovery proceedings would often be delayed due to the amnesty scheme. The Commissioner, GST Department clarified that revenue recovery proceedings could have been kept in abeyance on the grounds that an application for amnesty had been filed. Stopping period is applicable only for the period of the amnesty, and revenue recovery notice would be issued by the Department on expiry of the notice period. Earlier, payment in installments was allowed and no revenue recovery actions were initiated, but at present, if the pay was unlisting, the firm would not be allowed to apply in the amnesty scheme of 2024 and 2025. Demand notice would be issued even though there was any short payment and if it was not addressed in time, necessary revenue recovery action would be initiated. The relief allowed would be limited to a maximum period of three months.

66) The Committee wanted to know whether any interest would be realized from a firm which had applied in the amnesty scheme, but had not paid any amount. The Commissioner, GST Department submitted that interest due would be realized in such cases. He added that as per the norms in force, the firm would become eligible for full benefit of amnesty scheme if it had applied during the first month within the time limit, and for a delay of one month, the benefit would be cut down by one and half percent and the amount to be paid would be increased. In Tamil Nadu, when the amnesty scheme was announced, no body had paid any amount during the amnesty period and all the remittance was done on the last day as they could collect the whole amount and interest from their business during the amnesty period of six months. To avoid such situations, the amnesty scheme in Kerala was also revised accordingly. The Committee accepted the reply.

Conclusion/Recommendation

67) The Committee directs the Department to furnish a report on the present status of the revenue recovery proceedings initiated in connection with the following cases in Appendix III(4) within two months.

Sl No. 2 - M/s Poshak Agrivael (P) Ltd

Sl No. 20 - M/s RPP Infra Projects Ltd

Sl No. 27 - M/s Kancos Kadirur

Sl No. 32 - M/s SS New life style

Sl No. 33 - M/s SS New life style

Sl No. 53 - M/s PS Constructions, Chalappuram

Sl No. 67 - M/s Geographic infra Structure

Sl No. 73 - M/s Square Associates, Kochi

Sl No. 79 - M/s Valiyilil Engineers

68) The Committee directs the Department to furnish report on collection details regarding M/s PCM Automotive Designers, 2011-12 within

two months.

69) The Committee directs the Department to expedite the Departmental action to recover the balance amount in connection with M/s Assured Services (P) Ltd CTC (WC), Ernakulam, 2011-12 and furnish a report within two months.

70) The Committee directs the Department to furnish the present status of the cases filed before the Hon'ble High Court of Kerala in connection with M/s Increation Designs & Contracts (P) Ltd 2011-12 and M/s Soma Enterprises Ltd, 2009-10, within two months.

2.5 Short payment of tax due to non revision of self assessments having defects/ deficiencies

Assessing authorities did not re-assess tax in the case of defective self assessments.

As per Section 25(1) of KVAT Act, 2003 where for any reason the whole or any part of turnover of business of a dealer has escaped assessment to tax in any year or has been assessed at a rate lower than the rate at which it is assessable, or where any input tax credit or special rebate has been wrongly availed of the assessing authority may, at any time within five years from the last date of the year to which the return relates, proceed to determine, to the best of its judgement, the turnover which has escaped assessment to tax or has been assessed at a rate lower than the rate at which it is assessable or input tax credit or special rebate that has been wrongly availed of and assess the tax payable on such turnover or disallow the input tax credit or special rebate wrongly availed of.

Audit noticed between June 2013 and November 2014 irregularities such as purchase suppression, sales suppression, misclassification of commodities etc., in the annual returns filed by the assesseees in five cases. However, the assessing authorities did not detect the defect and assessed to tax

the escaped turnover or the turnover misclassified. This resulted in short payment of tax, cess and interest of ₹ 26.08 crore as detailed in the following paras.

- **CTO, Special Circle, Kottarakkara**

M/s Sree Vinayaka Motors, Kottarakkara, a dealer in motor vehicles and spare parts while filing the revised return for 2011-12, had not included interstate purchase turnover of ₹ 54.03 crore relating to motor vehicles and spare parts. This resulted in short payment of tax, cess and interest of ₹ 10.65 crore. In addition, penalty of ₹ 15.10 crore was also leviable under Section 67 of KVAT Act, 2003.

The Government stated (July 2015) that the assessment had been revised creating additional demand of ₹ 11.39 crore. It was also stated (October 2015) that the dealer approached the Hon'ble High Court of Kerala and the Hon'ble High Court allowed (April 2015) instalment facility for remittance of the amount in 12 equal instalments with accrued interest from 30 April 2015. The dealer remitted (between July 2015 and September 2015) ₹ 2.06 crore. Upto September 2015, the assessee had to remit ₹ 4.75 crore with interest against which amount remitted was only ₹ 2.06 crore. Government had not explained the reason for the short remittance of the dues by the assessee. Further report had not been received (January 2016).

- **CTO, Special Circle, Mattancherry**

M/s Labtech Medico Private Ltd., Karukutty, a dealer in laboratory scientific equipments and Medical surgical equipments and spares including bandages conceded in their annual return for 2011-12 import of the above items taxable at 12.5 *per cent* and four *per cent* for ₹ 68.07 lakh and ₹ 158.48 lakh respectively. Audit found from the HSN⁵ code affixed on the bill of entry that the assessee imported goods taxable at 12.5 *per cent* and four *per cent* for ₹ 210.51 lakh and ₹ 16.23 lakh respectively during the year. Thus, the assessee had misclassified import purchase of goods taxable at 12.5 *per cent*

amounting to ₹1.42 crore as four *per cent* taxable goods. Misclassification of purchase turnover and corresponding sales turnover resulted in short payment of tax, cess and interest of ₹15.69 lakh.

The Government stated (January 2016) that assessment of the dealer had been completed (July 2015) creating additional demand of ₹17.59 lakh and the demand was advised for RR proceedings. Further report had not been received (January 2016).

- **CTO, Kuthiathode**

M/s Royal Ocean, Aroor was a manufacture and dealer in meat and fish products. During 2012-13, they conceded a total sales turnover of ₹16.76 crore as exports sales. However, as per Form 13 A, forming part of annual accounts certified by Chartered Accountant, filed by the assessee, they had a local sales turnover of ₹1.25 crore, which was not self assessed to tax by the assessee. This resulted in short payment of tax and interest of ₹7.08 lakh.

Government stated (May 2015) that assessment had been completed creating total additional demand of ₹21.98 lakh. The assessee had remitted ₹6.60 lakh (January 2015) as per the stay condition of DC (Appeal) Kollam. Further report had not been received (January 2016).

- **CTO, Special Circle, Thrissur**

M/s Superstone Diamonds, Thrissur, was a dealer in jewellery and precious stones. Audit found that the assessing authority while finalising the assessment for 2010-11 allowed special rebate of ₹5.50 lakh to the assessee which was not admissible. Further, the assessing authority after allowing special rebate of ₹5.50 lakh refunded ₹3.52 lakh, instead of demanding balance tax due amounting to ₹1.98 lakh. The incorrect allowance of special rebate resulted in short levy of tax and interest of ₹6.98 lakh.

Government stated (October 2015) that the DC, Thrissur had been directed to re-examine the case. Further report had not been received (January 2016).

- **CTO, II Circle, Kozhikode**

M/s PVR Enterprises, Kozhikode, a dealer in toughened glasses and automobile spare parts filed annual return for 2011-12 conceding sales turnover of item taxable at 4 *per cent* and 12.5 *per cent* as ₹77.61 lakh and ₹48.11 lakh respectively. Audit found from Form 13A that sales turnover of items taxable at 12.5 *per cent* conceded by the assessee was ₹35.65 lakh less than the cost of goods sold which amounted to ₹83.76 lakh. There was corresponding difference between purchase and sales turnover of four *per cent* taxable items. Application of incorrect lower rate of tax on sales turnover of goods taxable at higher rate resulted in short payment of tax, cess and interest of ₹3.46 lakh.

Government stated (August 2015) that assessment had been completed (October 2013) creating additional demand of ₹5.56 lakh. The assessee had paid ₹2.50 lakh and the remaining dues were under revenue recovery. Further report had not been received (January 2016).

Though the assessments were completed in the cases where the short levy was pointed out by Audit, it was seen that most of the defects were similar to those pointed out during previous years. No action was however found taken on assessing officers for persistent omissions to improve the quality of assessment to avoid by way of institutional reforms at Government level. The Department had failed to improve the system to avoid the similar defects in succeeding years. Moreover, penalty under Section 67 of KVAT Act was also not levied in these cases.

[Audit Paragraph 2.5 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2015. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraph is included as Appendix II]

(Excerpts from the discussion of Committee with officials concerned on 15.05.2024)

71) While considering the audit para "Short payment of tax due to non revision of self assessments having defects/deficiencies", the Committee accepted the explanation made regarding the cases, M/s. Sree Vinayaka Motors Special Circle, Kottarakkara/2011-12, M/s. Labtech Medico Pvt. Ltd. Special Circle, Mattancherry/2011-12, M/s. Royal Ocean Aroor, Kuthiathode/2012-13, M/s. Superstone Diamonds, Thrissur and M/s PVR Enterprises, Kozhikode.

Conclusion/Recommendation

72) **No comments**

2.6 Short payment of tax due to application of incorrect rate of tax

Rate of tax applied on the taxable turnover was less than the rate applicable as per the statute

2.6.1 Government issued a notification⁶ in January 2006 including a list of goods which are taxable at 12.5 per cent. The rate of tax was enhanced to 13.5 per cent with effect from 1.4.2012.

Audit noticed between November 2013 and December 2014 that in four cases, the assessee applied incorrect rate of tax resulting in short payment of tax, cess and interest of ₹ 6.19 crore as detailed in the following cases.

- **CTO, Special Circle I, Ernakulam**

M/s 3F Industries Ltd., Kochi, was a dealer in edible oil, milk products etc. During 2012-13, they assessed to tax sales turnover of edible oil for ₹ 56.54 crore at one per cent. Audit found from the check post module of KVATIS that during 2012-13, the assessee had interstate purchase and interstate stock transfer of margarine into the State for ₹ 85.52 lakh and ₹ 36.87 crore respectively. However corresponding sales turnover of margarine

⁶SR O No. 82/2006 (GO(P) No. 4/2006/TD dated 21 January 2006.

was misclassified by the assessee as edible oil and self assessed to tax at one *per cent* instead of the applicable rate of 13.5 *per cent*. Application of incorrect rate of tax on the sales turnover of margarine resulted in short payment of tax and interest of ₹ 5.33 crore.

Government stated (October 2015) that based the audit objection, a notice under Section 25A had been issued by the assessing authority and the case had not been finalised. Further report had not been received (January 2016).

- **CTO, Ettumanoor**

M/s Jojo Industries, Ettumanoor, self assessed to tax local sales turnover of parts of space craft, spacecraft launch vehicles etc., for ₹ 44.11 lakh, ₹ 87.88 lakh, ₹ 204.47 lakh and ₹ 254.71 lakh respectively for the years 2008-09, 2009-10, 2010-11 and 2011-12 at four *per cent* classifying as steel and iron products. Audit found that the entire local sales were made to Vikram Sarabhai Space Centre, Indian Space Research Organisation, Thiruvananthapuram for use as parts in spacecraft, suborbital and spacecraft launch vehicles which are taxable at 12.5*per cent*. Application of incorrect rate of tax resulted in short payment of tax, cess and interest of ₹ 65.17 lakh.

Government stated (July 2015) that assessment had been completed (February and March 2015) creating additional demand of ₹ 81.29 lakh. It was also stated (December 2015) that the assessee had remitted ₹ 11.17 lakh as per the direction of the Hon'ble High Court of Kerala.

The details of collections though called for (November 2015) had not been received (January 2016).

- **CTO, II Circle, Palakkad**

Audit observed that M/s Kottukapilly Sand and Metals Pvt. Ltd., Palakkad, a dealer in sand and metal had assessed the sales turnover of metals of various sizes produced with the aid of crushing machines for ₹ 128.87 lakh at five *per cent* instead of the applicable rate of 13.5 *per cent* during 2012-13.

Application of incorrect rate of tax resulted in short payment of tax and interest of ₹ 13.04 lakh.

Government stated (July 2015) that assessment had been completed (February 2015) creating additional demand of ₹ 14.41 lakh. The assessee had remitted (March 2015) an amount of ₹ 4.32 lakh. Recovery of the balance amount was under interim stay by Hon'ble High Court of Kerala.

The details of collections though called for (November 2015) had not been received (January 2016).

- **CTO, Koothuparamba**

M/s Malabar Construction Materials (P) Ltd, Kannavam, was an assessee engaged in crushing of metal. During 2010-11, the assessee self assessed to tax the sales turnover of M- sand for ₹ 73.3 lakh, at four *per cent* instead of the applicable rate of 12.5 *per cent*. Application of incorrect rate of tax resulted in short payment of tax, cess and interest of ₹ 8.18 lakh.

Government stated (July 2015) that assessment of the dealer had been completed (January 2014) creating additional demand of ₹ 8.36 lakh and dues were advised for Revenue Recovery. The assessee had remitted 40 *per cent* of the demand and preferred appeal before DC (Appeal) Kozhikode who had issued modification (January 2015) directing the assessing authority to give exemption to the sales turnover of M-Sand conceded by the assessee. The DC, Kannur had reported that there was no scope for second appeal against the order of the DC (Appeal), Kozhikode, as the dealers who had opted for compounding were exempted from payment of tax on the turnover of M-Sand as per the proviso to Section 8 (b) of KVAT Act, 2003. The reply was not acceptable since the crushers compounded and the crusher used for producing M-Sand were different.

Audit noticed that though the assessments were completed in the above cases where the short levy was pointed out by Audit, it was seen that most of the defects were similar to those pointed out during previous years. Thus, Department failed to improve the system to avoid the similar defects in

succeeding years.

[Audit Paragraph 2.6.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2015. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraph is included as Appendix II]

(Excerpts from the discussion of Committee with officials concerned on 15.05.2024)

73) When the Committee enquired about the audit observation related to M/s. 3F Industries Ltd., 2012-13, Special Circle I, Ernakulam, the Additional Commissioner, GST Department submitted that the revenue recovery measures were being taken and updated report in that regard would be submitted. The Committee considered the audit observation related to M/s. Jojo Industries, Ettumanoor and accepted the explanation made in the reply furnished. While considering the audit observation related to M/s. Kottukapilly Sand and Metals Pvt., Ltd 2012-13, II Circle, Palakkad, the Additional Commissioner, GST Department submitted that the firm had agreed to opt amnesty scheme. The Committee considered the audit observation related to M/s. Malabar Construction Materials (P) Ltd., 2010-11, CTO, Koothuparamba and accepted the explanation made in the reply furnished.

Conclusion/Recommendation

74) The Committee directs the department to furnish the current status of revenue recovery procedures initiated in connection with M/s. 3F Industries Ltd. 2012-13 within two months.

2.6.2 Bakery items

Bakery products including biscuits sold under brand name, registered under the Trade Mark Act, 1999 are liable to be taxed at 12.5per cent and

13.5 *per cent* during 2011-12 and 2012-13 respectively, under SI No. 11 of list of goods notified⁷ under KVAT Act, 2003.

Audit noticed between June 2013 and December 2014 that in three cases, the assessee self assessed tax on sales turnover of bakery products at four/five *per cent*. Audit found that the bakery products sold by the assessee were under brand name. This resulted in short payment of tax, cess and interest of ₹ 1.81 crore as given in succeeding paragraphs.

• **CTO, Special Circle II, Emakulam**

M/s Elite Foods Private Limited, Ernakulam, was a manufacturer of Bakery products selling goods under a brand name 'Elite' under Trade Mark Act, 1999. They self assessed to tax the sales turnover of bakery products for the period from April 2012 to September 2012 amounting ₹ 16.22 crore at five *per cent* instead of the applicable rate of 13.5 *per cent*. This resulted in short payment of tax and interest of ₹ 1.64 crore.

Government stated (July 2015) that assessment had been completed (June 2015) creating an additional demand of ₹ 1.75 crore and the amount was under collection. Further report had not been received (January 2016).

• **CTO, II Circle, Kozhikode**

M/s Ojin Bakes, Nadakkavu, was a manufacturer and dealer of bakery products. During 2011-12, they self assessed tax on sales turnover of bakery products for ₹ 1.18 crore at four *per cent*. Audit found that the bakery products sold by the assessee were under brand name 'OJIN' registered under Trade Mark Act, 1999 and as such taxable at 12.5 *per cent*. Application of incorrect rate of tax resulted in short payment of tax, cess and interest of ₹ 11.46 lakh.

Government stated (September 2015) that assessment had been completed (May 2015) creating total additional demand of ₹ 13.89 lakh. Further report had not been received (January 2016).

⁷SRO No. 82/2006.

• **CTO, III Circle, Kozhikode**

M/s Ojin Bakes, Kozhikode was a dealer of bakery products. They self assessed tax on sales turnover of bakery products at four *per cent* on ₹ 31.22 lakh during 2011-12 and at five *per cent* on ₹ 23.94 lakh during 2012-13. Audit found that the bakery products sold by the assessee were under the brand name 'OJIN' registered under Trade Marks Act, 1999 and were liable to be taxed at 12.5 *per cent* and 13.5 *per cent* during 2011-12 and 2012-13 respectively. Application of incorrect rate of tax resulted in short payment of tax, cess and interest of ₹ 5.79 lakh.

Government stated (August 2015) that assessment of the dealer had been completed (March 2015) creating additional demand of ₹ 6.17 lakh. Further report had not been received (January 2016).

As per Section 67 of KVAT Act, the assessing officer may impose penalty upto double the tax evaded or sought to be evaded. Though the assessee evaded tax by filing returns showing incorrect rate of tax for goods dealt with, no penalty was levied by the assessing officer.

Though Audit had pointed out the same defect in respect of the same assessee in Audit Report 2012, Government had not addressed the issue. The Principal Secretary (Taxes) and Commissioner of Commercial Taxes were requested (November 2015) to take remedial action. Their replies had not been received (January 2016).

[Audit Paragraph 2.6.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2015. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraph is included as Appendix II]

(Excerpts from the discussion of Committee with officials concerned on 15.05.2024)

75) When the Committee enquired about the audit observation related to

M/s. Elite Foods Pvt. Ltd., 2012-13 Special Circle II, Ernakulam, the Additional Commissioner, GST Department submitted that the brand name had been allotted to the manufacturing unit called 'Yamuna Roller Flour Mills', a sister concern of the said firm. The AG's findings were about the sister concerns including ELITE, holding only the label registration, using the brand name allotted to the said firm. But the AG's findings was not sustainable as a certificate in that regard had been obtained from the Chennai Office. The Senior Audit Officer intervened and stated that the brand name allotted was to the product and the products from Yamuna, Elite Foods, Elite naturals etc. were being purchased by the said firm. The Additional Commissioner, GST Department submitted that a clarification had been made by the Deputy Registrar, Trade Marks, Chennai on 17.07.2012 that the label registration and trade mark registration were different and 'ELITE' was not a trade mark, but a label and it being an artistic work, was not provided the trade mark registration. The Senior Audit Officer intervened again and pointed out that the AG's observation was not concerned about whether ELITE had trade mark or not, but the products sold by them had trade mark. The manufacturing units like Yamuna, Elite Foods, Elite naturals etc. were provided the brand name and the said firm had purchased products of those units. As per the entry 11 of SRO 82/2006, the products sold under the brand name registered under Trade Mark Act were taxable at higher rate. The Additional Commissioner, GST Department explained that as per the certificate obtained, the word 'ELITE' used in the products sold by them was only a label and there was no evidence of registration made as per the Trade Mark act. The Senior Audit Officer stated that according to Section 30 of KVAT Act, the label was a license including registered trademark. Then the Additional Commissioner, GST Department reiterated that as per the clarification received from the Deputy Registrar, Trade Marks, Chennai, it was only a label registration. Then the Senior Audit Officer made it clear that the said label was the trademark of the brand holder, as per Section 30

of the KVAT Act.

76) The Additional Commissioner, GST Department quoted the remarks made in the Certificate obtained from the Deputy Registrar, Trade Marks, Chennai as "The Deputy Registrar of Trade Mark at Chennai vide letter dated 17.07.2012 inter alia clarified that the label used by the appellant company with its artistic work does not appear to be registered in the records of the Trade Marks Registry though the search made in Class 30 shows there are many Trade Marks bearing the Word Mark ELITE registered in the records." The Senior Audit Officer cited the AG's findings that the products being sold would be Trade Mark registered, and verification of the purchase details of the said firm would unveil the fact that the goods had been purchased from all the above mentioned manufacturers, but the tax due on the brand name products had not been paid. Then the Additional Commissioner, GST Department submitted that the matter would be examined and resubmitted.

77) To a query of the Committee about the audit observation related to M/s Ojin Bakes, 2011-12, II Circle, Kozhikode and M/s. Ojin Bakes, 2011-12 & 2012-13 III Circle, Kozhikode, the Additional Commissioner, GST Department submitted that the revenue recovery measures were being taken and an updated report in that regard would be submitted.

Conclusion/Recommendation

78) The Committee directs the Department to furnish an updated report of revenue recovery procedures initiated in connection with M/s. Ojin Bakes, 2011-12, II Circle, Kozhikode and M/s. Ojin Bakes, 2011-12 & 2012-13, III Circle, Kozhikode, within two months.

79) The Committee directs the Department to furnish revised RMT regarding the audit observation in connection with M/s. Elite Foods Pvt. Ltd., 2012-13.

2.6.3 Works Contract

Under Section 8 (a)(ii) of KVAT Act, works contractors registered under the provisions of CST Act, 1956 or an importer, when opted for payment of compounded tax, are liable to pay tax at three *per cent* of the contract amount after deducting the purchase value of goods excluding freight and gross profit element consigned into the State on stock transfer or purchased from outside the State and for the purchase value of goods so deducted shall pay tax at the scheduled rate applicable to such goods. Further, the compounded tax payable by any works contractor registered under the provisions of CST Act, 1956 or an importer shall be four *per cent* of the whole contract amount in respect of contract awarded by Government of Kerala.

• **CTO (WC), Kozhikode**

M/s Uralungal Labour Contract Co-operative Society Ltd., Vadakara, was a contractor, who was also an importer. Audit found that during 2010-11, 2011-12 and 2012-13, the works contract receipts from the work of Government of Kerala and local bodies amounting to ₹ 72.73 crore, ₹ 72.59 crore and ₹ 65.03 crore were self assessed to tax by the assessee at three *per cent* against the correct rate of four *per cent*. Application of incorrect rate of tax resulted in short payment of tax and interest of ₹ 2.95 crore.

Government stated (October 2015) that based on the audit objection, the assessment of the dealer for the year 2012-13 had been completed (August 2015) taking into account other defects also, creating total additional demand of ₹ 4.02 crore which included the amount pointed out by Audit also. The dealer remitted (between September and November 2015) ₹ 86.39 lakh. Further report for the remaining period had not been received (January 2016).

• **CTO, Aluva**

M/s Padmaja Specialties, Aluva, was a works contractor who had trading of chemicals also. During 2012-13, they had inter-State purchase of chemicals taxable at 13.5*per cent* for ₹ 1.44 crore. Though chemicals valued at

₹ 1.08 crore effected through inter-State purchase were incorporated into the work during the year, the assessee self assessed the entire works contract receipts of ₹ 6.45 crore at three *per cent* only. Non levy of tax at 13.5 *per cent* on the inter-State purchase turnover of goods resulted in short payment of tax and interest of ₹ 18.15 lakh.

Government stated (August 2015) that assessment had been completed (July 2015) creating additional demand of ₹ 21.53 lakh. Further report had not been received (January 2016).

- **CTO (WC), Kozhikode**

Shri. T Asokan, Kozhikode, was a works contractor registered under CST Act, 1956. During 2010-11, 2011-12 and 2012-13, he self assessed to tax his contract receipts of ₹ 5.62 crore, ₹ 2.38 crore and ₹ 5.96 crore received from Government of Kerala and local bodies at three *per cent* instead of the applicable rate of four *per cent*. Application of incorrect rate of tax resulted in short payment of tax and interest of ₹ 15.44 lakh.

Government stated (July 2015) that assessment for the year 2012-13 had been completed (August 2014) creating additional demand of ₹ 6.36 lakh and the assessee had paid the amount of ₹ 6.63 lakh including up-to-date interest. Further report for the years 2010-11 and 2011-12 had not been received (January 2016).

2.6.4 PVC Panels

Under Sl.No.29 (l)(a) of list of goods notified under KVAT Act, 2003 vide SRO No. 82/2006, doors, windows and their frames and thresholds for doors having HSN code 3925.20.00 are liable to be taxed at 12.5 *per cent* during 2010-11 and 2011-12 and at 13.5 *per cent* during 2012-13. Further, PVC ceiling panels with hole and Celluca PVC Board (White) are not covered by any other entry of that list or any entry of the schedule to the KVAT Act, 2003 and hence taxable at the above

rate as per Sl. No. 103 of the above list.

Audit noticed in June 2014 that in the following two cases the assessee misclassified the items taxable at higher rate as goods taxable at lower rate to evade tax. This resulted in short payment of tax, cess and interest of ₹ 68.84 lakh as detailed in the following cases.

- **CTO, Special Circle (Produce), Mattancherry**

M/s Jaihind Aluminium Traders, Kochi, was dealing with PVC panels taxable at 12.5 *per cent* during 2010-11 and 2011-12 and 13.5 *per cent* during 2012-13. However, the assessee misclassified sales turnover of the above commodities and assessed to tax at four/five *per cent*. This resulted in short payment of tax, cess and interest of ₹ 60.23 lakh.

Government stated (September 2015) that assessments for the years 2010-11 to 2012-13 had been completed creating total additional demand of ₹ 87.97 lakh. The assessee had remitted (between October 2014 and December 2014) ₹ 26.97 lakh as per the stay condition of DC (Appeal) Ernakulam. Further report had not been received (January 2016).

- **CTO, Special Circle (Produce), Mattancherry**

M/s Jaihind International, Mattancherry, was dealing with PVC panels which were taxable at 13.5 *per cent* during 2012-13. However, the assessee misclassified sales turnover of the above commodities amounting to ₹ 89.63 lakh at five *per cent*. This resulted in short payment of tax, cess and interest of ₹ 8.61 lakh.

Government stated (August 2015) that assessment had been completed (August 2014) creating additional demand of ₹ 12.02 lakh. The assessee had remitted (December 2014) ₹ 4.40 lakh as per the stay condition of DC (Appeal) Ernakulam. Further report had not been received (January 2016).

[Audit Paragraph 2.6.3 and 2.6.4 contained in the Report of the

Comptroller and Auditor General of India for the year ended 31st March, 2015. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraph is included as Appendix II]

(Excerpts from the discussion of Committee with officials concerned on 15.05.2024)

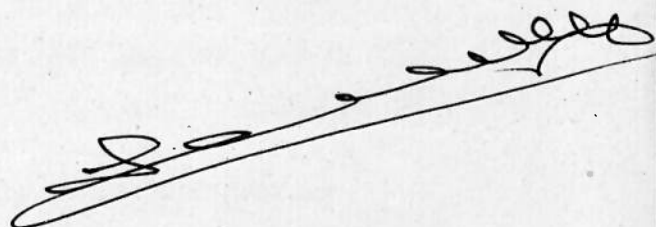
80) The Committee considered the audit paragraph 2.6.3 related to the three cases M/s Uralungal Labour Contract Co-operative Society Ltd., 2010-11 to 2012-13 WC, Kozhikode, M/s Padmaja Specialities, 2012-13, CTO, Aluva and Sri. T. Asokan, Kozhikode/2010-11, 2011-12 & 2012-13, and accepted the reply furnished.

81) The Committee considered the audit paragraph 2.6.4 related to the two cases M/s Jaihind Aluminium Traders, 2010-11 to 2012-13 WC, Kozhikode and M/s Jaihind International 2012-13, Special Circle (Produce), Mattancherry, and accepted the reply furnished by the Government.

Conclusion/Recommendation

82) No comments

Thiruvananthapuram,
28th January 2026



SUNNY JOSEPH,
Chairperson,
Committee on Public Accounts.

APPENDIX I**SUMMARY OF MAIN CONCLUSIONS / RECOMMENDATIONS**

Sl No.	Para No.	Department concerned	Conclusion / Recommendation
1	20	Taxes	<p>The Committee directs the Department to furnish a detailed report regarding the following cases in Appendix III(1) within two months.</p> <p>Sl No. 6 - Mermeritalia Bldg Products/2012-13, Sl No. 7 - Mermeritalia Bldg Products/2014-15, Sl No. 12 - Thai Impex (P) Ltd 32110787962/2013-14 Sl No. 13 - Thai Impex (P) Ltd 32110787962/2014-15 Sl No. 14 - Excel Timber/2010-11 Sl No. 15 - Excellent Timber Imp & Exp/2010-11 Sl No. 16 - Excellent Timber Imp & Exp/2011-12 Sl No. 17 - Hillwood Furniture/2010-11 Sl No. 18 - Hillwood Furniture/2011-12 Sl No. 19 - Hillwood Furniture/2013-14 Sl No. 20 - Hillwood Imports and Exports/2012-13 Sl No. 22 - Kajaria Ceramics 32071516042/2014-15 Sl No. 23 - Espion International/2012-13 Sl No. 29 - Somany Ceramics/2010-11 Sl No. 30 - Tayash Trade Impex (P) Ltd./2010-11 Sl No. 31 - Kairali Granite/2012-13 Sl No. 32 - Oriental Timber/2010-11 Sl No. 33 - Oriental Woods/2011-12 Sl No. 34 - Premier Timbers/2012-13 Sl No. 35 - Premier Timbers/2013-14 Sl No. 36 - Royal Impex/2011-12</p>

Sl No.	Para No.	Department concerned	Conclusion / Recommendation
			Sl No. 37 - Royal Impex/2012-13 Sl No. 38 - The Wood Ind/2011-12 Sl No. 39 - The Wood Ind/2013-14 Sl No. 40 - The Wood Ind/2014-15 Sl No. 46 - Popular Timbers 32150601628/2011-12 Sl No. 47 - Popular Timbers 32150601628/2012-13 Sl No. 48 - Popular Timbers 32150601628/2014-15 Sl No. 62 - Good Wood Products/2010-11 Sl No. 63 - Good Wood Products/2011-12 Sl No. 64 - Good Wood Products/2011-12 Sl No. 67 - Southern Timber depot/2014-15 Sl No. 68 - Southern Timber depot/2011-12 Sl No. 69 - Southern Timber depot/2012-13 Sl No. 70 - Southern Timber depot/2013-14 Sl No. 71 - Southern Timber depot/2014-15 Sl No. 72 - Sree & Co/2011-12 Sl No. 73 - Sree & Co/2012-13
2	21	Taxes	The Committee directs the Department to submit a report on the present status of the revenue recovery proceedings initiated in connection with India Techs Ltd, 32070389512/2011-12.
3	22	Taxes	The Committee notes that the GST Department currently does not have access to the customs data on quantity of products imported, and the customs data regarding the valuation difference alone is made available at present. The Committee further observes

Sl No.	Para No.	Department concerned	Conclusion / Recommendation
			that the Department requires customs data on product quantities in order to verify the discrepancies between the quantity of the products imported and the products sold. Hence, the Committee recommends the Department to seek the possibility of obtaining the customs data on the quantity of products imported, without compromising its confidential provisions.
4	43	Taxes	<p>The Committee directs the Department to submit a report on the present status of the revenue recovery proceedings in connection with the following cases in Appendix III(2) within two months.</p> <p>Sl No. 27 - H.A.K Home Shoppee Sl No. 31 - M/s. Falcon Systems Sl No. 37 - KMS Traders Sl No. 38 - M.F Agencies & Provision Store Sl No. 39 - Matha Agencies Sl No. 41 - Royal Leather Sl No. 42 - Sabarinathan Iron & Traders Sl No. 48 - Sreepriya Agencies Sl No.49 - Vinsa Todays</p>
5	44	Taxes	The Committee directs the Department to furnish revised RMT in connection with M/s. B.H. Mammi, 32070281152/2012-13 and ABT Industries Limited 32110278895/2012-13, within two months.
6	45	Taxes	The Committee directs the Department to furnish the

Sl No.	Para No.	Department concerned	Conclusion / Recommendation
			present status report in respect of T.V. Sundaram Iyengar & Sons Ltd., CTO, Special Circle, Thiruvananthapuram 32010188782/2010-11.
7	46	Taxes	The Committee directs the Department to furnish copy of the assessment order in connection with Steel House, 32150242225/ 2010-11 and Max Enterprises, 32071561389/2012-13. within two months.
8	47	Taxes	The Committee directs the Department to submit a report on the present status of the revenue recovery proceedings in connection with Eoriental Timbers, 32070455144/2012-13 and Oriental Woods, 32070405824/2012-13 within two months.
9	48	Taxes	The Committee directs the Department to furnish revised RMT in connection with M/s Rose Flames and Manju L. John Timbers, 32010973424/2012-13, within two months.
10	49	Taxes	The Committee directs the Department to submit a report on the present status of the revenue recovery proceedings initiated in connection with Aiswarya Enterprises, 32010616675/2012-13, within two months.
11	55	Taxes	The Committee directs the Department to submit report on the present status of the revenue recovery proceedings initiated in connection with M/s Bharath Glass House, M/s. VS Timber, 2012-13, TIN32110340095 and M/s. Asian Electronics, 2012-

Sl No.	Para No.	Department concerned	Conclusion / Recommendation
			13, TIN32070371905, within two months.
12	67	Taxes	<p>The Committee directs the Department to furnish a report on the present status of the revenue recovery proceedings initiated in connection with the following cases in Appendix III(4) within two months.</p> <p>Sl No. 2 - M/s Poshak Agrivael (P) Ltd Sl No. 20 - M/s RPP Infra Projects Ltd Sl No. 27 - M/s Kancos Kadirur Sl No. 32 - M/s SS New life style Sl No. 33 - M/s SS New life style Sl No. 53 - M/s PS Constructions, Chalappuram Sl No. 67 - M/s Geographic infra Structure Sl No. 73 - M/s Square Associates, Kochi Sl No. 79 - M/s Valiyilil Engineers</p>
13	68	Taxes	The Committee directs the Department to furnish report on collection details regarding M/s PCM Automotive Designers, 2011-12 within two months.
14	69	Taxes	The Committee directs the Department to expedite the Departmental action to recover the balance amount in connection with M/s Assured Services (P) Ltd CTC (WC), Emakulam, 2011-12 and furnish a report within two months.
15	70	Taxes	The Committee directs the Department to furnish the present status of the cases filed before the Hon'ble

Sl No.	Para No.	Department concerned	Conclusion / Recommendation
			High Court of Kerala in connection with M/s Increation Designs & Contracts (P) Ltd 2011-12 and M/s Soma Enterprises Ltd, 2009-10, within two months.
16	74	Taxes	The Committee directs the department to furnish the current status of revenue recovery procedures initiated in connection with M/s. 3F Industries Ltd. 2012-13. within two months.
17	78	Taxes	The Committee directs the Department to furnish an updated report of revenue recovery procedures initiated in connection with M/s. Ojin Bakes, 2011-12, II Circle, Kozhikode and M/s. Ojin Bakes, 2011-12 & 2012-13, III Circle, Kozhikode, within two months.
18	79	Taxes	The Committee directs the Department to furnish revised RMT regarding the audit observation in connection with M/s. Elite Foods Pvt. Ltd., 2012-13.

APPENDIX II

Notes Furnished by the Government

II

1

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.10	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p>10. Marble Gallery 32110337812/2012-13 CTO, Special Circle-II, Kozhikode</p> <p>Books of accounts of the dealer has verified. Correct amount declared in the annual return is ₹. 2.2263 Cr. So the differential value is 0.3942 Cr. (2.6205 - 2.2263). The said differential values are freight and import clearance charges that was declared in books of account under direct expenses whose details are given below.</p> <p>Ocean freight charges: ₹. 30.63,349.00</p> <p>Import clearing and forwarding: ₹ 5,19,618.00</p> <p>Carnage onward: ₹.3,59,033.00 (Portion for import)</p> <p>Total: ₹. 39,42,000.00/-</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.11	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>11. Marble Gallery</u> <u>32110337812/2013-14</u> <u>CTO, Special Circle -II,</u> <u>Kozhikode</u></p> <p>Books of accounts of the dealer has verified. The mentioned differential values are freight and freight and import clearance changes which was declared in books of accounts under direct expenses which is given below.</p> <p>Ocean freight charges: ₹. 14,20,488.00 (Portion for import)</p> <p>Import clearing and forwarding: ₹. 13,23,512.00</p> <p>Total: ₹. 27,44,000.00/-</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.12	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>12. Thai Impex (P) Ltd</u> <u>32110787962/2013-14</u> <u>CTO, Special Circle -II,</u> <u>Kozhikode</u></p> <p>Books of account of the dealer was verified and it is seen that the said differential values are ocean freight, insurance, gain/loss in foreign exchange rate & MRP based calculation for customs duty which will vary time to time depend upon the size, category of tiles etc, as below:</p> <p>Ocean freight : ₹. 4,75,39,174 (Under purchase & direct expenses in financial statement)</p> <p>Insurance : ₹. 2,52,395 (Under other expenses in financial statement)</p> <p>Loss in Foreign Exchange Rate : ₹. 1,13,54,145</p> <p>MRP Based calculation : ₹. 58,02,813</p> <p>Total : ₹. 6,49,48,527/-</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.13	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>13. Thai Impex (P) Ltd</u> <u>32110787962/2014-15</u> <u>CTO, Special Circle -II.</u> <u>Kozhikode</u></p> <p>Books of account of the dealer was verified and it is seen that the said differential values are ocean freight insurance, gain/loss in foreign exchange rate & MRP based calculation for customs duty which will very time to time depend upon the size, category of tiles etc, as below:</p> <p>Ocean freight : ₹. 6,77,67,135 (Under purchase & direct expenses in financial statement) Insurance: ₹. 5,39,586 (Under other expenses in financial statement) Loss in Foreign Exchange Rate: ₹. 18,23,527 MRP Based calculation: ₹. 1,95,27,945 Total: ₹. 8,96,53,375/-</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.14	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>14. Excel Timber</u> <u>32110338025/2010-11</u> <u>CTO, Special Circle -II,</u> <u>Kozhikode</u></p> <p>This defect can be examined only after obtaining data from customs authorities. Hence assessing authority requested to the Assistant Commissioner of Customs Department in Kochin port. Mangalore Port and Tuticorn port for availing import details of above said dealer for the above years . But details are not received from Tuticorin. In the absence of details the assessing authority is not in a position to proceed further.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.15	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>15. Excellent Timber Imp & Exp 32110366825/2010-11 CTO, Special Circle -II, Kozhikode</u></p> <p>Excellent Timber Import and Export for the year 2010-11 This defect can be examined only after obtaining data from customs authorities. Hence assessing authority requested to the Assistant Commissioner of Customs Department in Cochin port, Mangalore Port and Tuticorin port for availing import details of above said dealer for the above years . But details are not received from Tuticorin. In the absence of details the assessing authority is not in a position to proceed further.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.16	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules.Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>16. Excellent Timber Imp & Exp</u> <u>32110366825/2011-12</u> <u>CTO, Special Circle -II,</u> <u>Kozhikode</u></p> <p>Excellent Timber Import and Export for the year 2011-12. This defect can be examined only after obtaining data from customs authorities. Hence assessing authority requested to the Assistant Commissioner of Customs Department in Kochi port. Mangalore Port and Tuticorn port for availing import details of above said dealer for the above years . But details are not received from Tuticorin. Notice issued to the dealer for produce books of accounts. In the absence of details the assessing authority is not in a position to proceed further.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.17	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>17. Hillwood furniture</u> <u>32110373744/2010-11</u> <u>CTO. Special Circle -II.</u> <u>Kozhikode</u></p> <p>M/s. Hillwood Furniture for the year 2010-11 Hillwood Import and Export for the year 2012-13 This defect can be examined only after obtaining data from customs authorities. Hence assessing authority requested to the Assistant Commissioner of Customs Department in Kochi port. Mangalore Port and Tuticorn port for availing import details of above said dealer for the year 2010-11 . But details are not received from Tuticorin. Notice issued to the dealer for produce books of accounts. In the absence of details the assessing authority is not in a position to proceed further.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.18	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>18. Hillwood furniture</u> <u>32110373744/2011-12</u> <u>CTO, Special Circle -II,</u> <u>Kozhikode</u></p> <p>M/s. Hillwood Furniture for the year 2011-12. This defect can be examined only after obtaining data from customs authorities. Hence assessing authority requested to the Assistant Commissioner of Customs Department in Kochin port, Mangalore Port and Tuticorn port for availing import details of above said dealer for the year 2011-12. But details are not received from Tuticorin. Notice issued to the dealer to produce books of accounts. In the absence of details the assessing authority is not in a position to proceed further.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.19	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>19. Hillwood furniture</u> <u>32110373744/2013-14</u> <u>CTO, Special Circle -II,</u> <u>Kozhikode</u></p> <p>M/s. Hillwood Furniture for the year 2013-14 This defect can be examined only after obtaining data from customs authorities. Hence assessing authority requested to the Assistant Commissioner of Customs Department in Kochin port. Mangalore Port and Tuticorn port for availing import details of above said dealer for the year 2013-14. But details are not received from Tuticorin. Notice issued to the dealer to produce books of accounts. In the absence of details the assessing authority is not in a position to proceed further.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.20	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import*purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules.Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>20. Hillwood furniture</u> <u>32110373744/2012-13</u> <u>CTO, Special Circle -II,</u> <u>Kozhikode</u></p> <p>Hillwood Import and Export for the year 2012-13 This defect can be examined only after obtaining data from customs authorities. Hence assessing authority requested to the Assistant Commissioner of Customs Department in Kochin port. Mangalore Port and Tuticorn port for availing import details of above said dealer for the year 2012-13. But details are not received from Tuticorin. Notice issued to the dealer to produce books of accounts. In the absence of details the assessing authority is not in a position to proceed further.</p>


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Para No.	Gist of the case	Present position
2.5 (4)	<p>As per section 25(1) of KVAT Act, 2003 where for any reason the whole or any part of turnover of business of a dealer has escaped assessment to tax in any year or has been assessed at a rate lower than the rate at which it is assessable, or where any input tax credit or special rebate has been wrongly availed of the assessing authority may, at any time within five years from the last date of the year to which the return relates, proceed to determine, to the best of its judgment, the turnover which has escaped assessment to tax or has been assessed at a rate lower than the rate at which it is assessable or input tax credit or special rebate that has been wrongly availed of and assess the tax payable on such turnover or disallow the input tax credit or special rebate wrongly availed of.</p> <p>M/s Superstone Diamonds, Thrissur, was a dealer in jewellery and precious stones. Audit found that the assessing authority while finalising the assessment for the year 2010-11 allowed special rebate of Rs.5.50 lakh to the assessee which was not admissible. Further, the assessing authority after allowing special rebate of Rs.5.50 lakh refunded Rs.3.52 lakh, instead of demanding balance tax due amounting to Rs.1.98 lakh. The incorrect allowance of special rebate resulted in short levy of tax and interest of Rs.6.98 lakh.</p>	<p><u>M/s. Superstone Diamonds</u> <u>Special Circle, Thrissur</u></p> <p>The original assessment u/s 25(1) of the KVAT Act was completed on 31.10.2012. Audit found that the Assessing Authority while finalising the assessment for the year 2010-11 allowed special rebate of Rs.5.50 lakhs to the assessee which was not admissible. Further, the assessing authority after allowing special rebate of Rs.5.50 lakhs, refunded Rs.3.52 lakhs, instead of demanding balance tax due amounting to Rs.1.98 lakh. The incorrect allowance of special rebate resulted in short.</p> <p>On subsequent scrutiny of records, the above irregularity was noticed and issued a pre-assessment notice dated 02.11.2015 proposing to revise the assessment and completed the assessment u/s 25(1) of the KVAT Act vide order No.32080552154/2010-11 dated 21.12.2015 by creating additional demand of Rs.5,50,286/- and interest of Rs.2,03,604/-. Aggrieved by this order, the assessee filed WP© No.2600/2016 dated 16.01.2016 before the Hon'ble High Court and stayed further proceedings. Thereafter, the Hon'ble High Court of Kerala as per Order WP© No.2600 of 2016Y dated 19.03.2020, set aside the case and directed the assessing authority to</p>

		<p>reconsider the assessment, after giving one more opportunity of hearing.</p> <p>In the circumstances, a fresh order was passed u/s 25(1) read with 25(AA) of the KVAT Act 2003 vide order No. 32080552154/2010-11 dated 10.11.2020 by creating additional demand of Rs.5,50,286/- and interest of Rs. 5,22,772/-. The assessee opted Amnesty Scheme 2020 and paid tax (Rs.220115/-) as per e-chalan No GRN KL013189211202021E dated 25.11.2020.</p>
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PARA 2.4.7.7 (Bullet 1)

Case No. 196

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.1	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>1. ABC Impex /</u> <u>32122208633/2010-11</u> <u>CTO, Special Circle, Kannur</u></p> <p>The dealer have accounted Rs. 9,48,148/- as import purchase and the balance turnover was high sea purchase which was entered as interstate purchase. Verification of the records revealed that the assessee has accounted the custom duty paid separately in the books of accounts and the same shown in the trading account as direct expense under the head custom and excise duty. The other charge relating to the import were shown under the head "Clearing and Forwarding charges" in the trading account. The total amount of import purchase is Rs. 45,45,082/- including custom duty paid, and no short levy is noticed in this case as pointed out in the Audit report.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.2	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>2. Hollywood Panels</u> <u>32121087952/2010-11</u> <u>CTO, Special Circle, Kannur</u></p> <p>In the absence of supporting documents the assessment has been completed as per order No. 3212187952/10-11 dtd. 29.02.2016 creating an additional demand of Rs. 1,33,606/-. The dealer filed appeal against this order and the Deputy Commissioner(Appeals), Kozhikode directed to modify the assessment as per VATA 961/16 dtd. 29.9.2017. As per the appellate order, the contentions of the dealer were justified as they had only one import during the year and the customs department has shown the turnover including landing cost also. The purchase value shown in the dealer's accounts is on the basis of dollar conversion rate as on the date of accounting. In addition to the invoice amount, they had incurred expenses such as customs duty, handling charges, service bill etc. Hence the purchase turnover of timber as per the dealer's accounts was Rs. 88,25,129/- which is far above the value disclosed in the return. From the above, it is evident that the turnover of import is accounted properly and the defect is not sustainable.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.3	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules.Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>3. Hollywood Panels</u> <u>32121087952/2013-14</u> <u>CTO, Special Circle, Kannur</u></p> <p>The assessment has been completed as per order No. 3212187952/13-14 dtd. 30.4.2016, creating an additional demand of Rs. 2,25,076/-. As per the appellate order VATA-1079/16 dtd 27.07.2018 the appellate authority directed to modify assessment. But the assessee had not produced evidences, Hence the assessment restored,and due amount adjusted from the excess credit available as per return.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.4	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>4. IBNA Plywood & Decors</u> <u>32120256025/2010-11</u> <u>CTO, Special Circle, Kannur</u></p> <p>On verification of purchase bill, bill of entry and bank statement produced by the dealer, it is found that the reason for the difference is the difference in the exchange rate and hence there is no short levy.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.5	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>5. Wood Board</u> <u>32120699354/2013-14.CTO.</u> <u>Special Circle, Kannur</u></p> <p>On verification of books of accounts of the assessee, it is found that the dealer had effected import purchase of Timber and accounted both in return & accounts. The cost of clearance such as Terminal handling charges, custom duty, freight, etc. are seen separately shown as direct expenses in the trading account. As such from the available records it is found that the turnover of import is accounted properly and the defect is not sustainable.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.21	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p>21. Stone Impex 32110787902/2014-15 CTO, I Circle, Kozhikode</p> <p>On verification of the audit statement in form 13, 13A and annual return for the year 2014-15, the then STO, 1st Circle, Kozhikode had reported that the dealer had disclosed an amount of Rs. 2,10,58,589.54 as interstate purchase and hence no discrepancies noticed. On verification of audit statement for the year 2014-15, it is seen that the dealer has disclosed an import purchase of Rs. 8,66,961.00 from outside the country which is inclusive of the amount Rs. 5,16,000.00 detected by the C & AG as per customs data. The dealer has disclosed his purchases in annual return as follows.</p> <p>Interstate Purchase: Rs. 21058478.19 Local Purchase: Rs. 3498514.66 Total: Rs. 24556992.85</p> <p>The bifurcation of the total purchases as per trading results of audit statement are as follows.</p> <p>From VAT dealers: Rs. 3498515.00 Interstate Purchase: Rs. 20191518.00 Import Purchase: Rs. 866961.00 Total: Rs. 24556994.00</p> <p>Hence it is obvious that an import purchase of Rs. 866961.00 is included in the interstate purchase disclosed by the dealer in annual return for the year 2014-15. Hence the Audit objection raised by the AG is non-sustainable and may be dropped.</p> <p>However on verification of the financial statement in form No. 13/13A and annual return in Form 10, an arithmetical difference of</p>

		<p>Rs.3,83,334.00 was detected and based on this the assessment for the year 2014-15 was completed as per order No.321106837831/14-15 dated 27-3-2018 , demanding Tax due of Rs. 55583.00 and interest Rs. 20010.00.</p> <p>The dealer paid Rs. 11,117/- as per challan No.KL001649102201819M Dated 17-05-2018 .Then opted amnesty for balance amount (tax) and paid Rs. 44,466/- as per challan No. KL011866760201920M dated 23-12-2019. Consider the above fact and may kindly be dropped the audit objection in this case.</p>
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Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.22	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>22. Kajararia Ceramics</u> <u>32071516042/2014-15</u> <u>CTO. Special Circle -I, Ernakulam</u></p> <p>The interim report has already been submitted on 24.10.2016. Accounts in respect of M/s. Kajararia Ceramics for the year 2014-15 called for. On verification of the records the dealer produced bill of entry, details available at their end. As per the records the dealer has accounted import purchase of tiles as follows:-</p> <ul style="list-style-type: none"> • Bill amount converted to INR- Rs.27,58,67,792/-, • Duty paid Rs.6,24,29,913/-, • Shipping freight Rs.3,84,09,897/-, • THC (handling charges) Rs.63,87,759/-, • Ex.Work Rs.27,87,891/-, • other charges Rs.1,78,64,677/-, • Lorry Freight Rs.86,15,605/-, • Insurance Rs.11,70,441/-, • BankCharge Rs.20,34,453/- . • Grant total Rs.42,03,70,066/-, <p>Import purchase of the tiles reported as per return Rs.44,27,11,896/-. The dealer reported the figure in the return is including gross profit. The dealer filed a request to provide the customs data to finalize the issue of unaccounted import purchases.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.23	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>23. Espion International</u> <u>32071577837/2012-13</u> <u>CTO, Special Circle -I, Ernakulam</u></p> <p>The C&AG report that the dealer has reported short accounting of import purchase of timber as per the data from customs department. Interim report on the above subject has already been submitted on 24.10.2016. Subsequently the dealer filed reply on the notice issued dated 20.01.2017. The dealer produced books of accounts and copies of bill of entry. As per the details the dealer effected import purchase of Rs.1,18,98,002/- during the year 2012-13 as per bill of entry No.6968538/dt.30.05.12 from Blue Rose International (P) Ltd, Singapore. The dealer filed a request to furnish the customs data to cross verify the issue. Hence the data from the Customs Department was not available to proceed further. The dealer stopped their business w.e.f. 31.03.2016.</p> <p>A meeting of the stake holder departments used to be conducted regularly in the name and style Regional Economic Intelligence council REIC incorporating the Customs departments, Central Excise, Income Tax etc. This is being conducted for the sharing of the informations from related departments for the utilisation of the same in other departments. Moreover if any information is received in connection with the escape of tax that department will be followed up and details collected. If no such external information is available assessment would not be proceeded against the assessee under section 25(1) as the assessment of escaped turn over is not mandatory as for as and assessing authority is concerned.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.41	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>41. Safee Systems</u> <u>32150797086/2011-12</u> <u>CTO. Special Circle.</u> <u>Mattancherry</u></p> <p>The assessee had already accounted Rs.0.4502 crores as import purchase in annual return. Hence there is only a difference of Rs. 0.0021 crores between the values as as per customs data and annual return. The difference amount is the difference in exchange value of dollar/estimation for customs duty.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.42	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p>42. Surabhi Woods 32150836024/2011-12 CTO, Special Circle, Mattancherry</p> <p>As per the Customs data the assessee had effected import purchase of Rs.9,95,61,000.00 But in annual return , the purchase turnover conceded was Rs.7,54,50,023.00. Hence notice dated.22.11.2016 U/s.25(1) of the KVAT Act 2003 was issued to the dealer proposing to assess the differential purchase turnover of Rs.2,41,10,977.00. The assessee filed reply dated. 15.12.2016 stating that they had accounted all import purchase in the books of accounts and produced commercial invoices and books of accounts for verification. Later, a revised notice under section 25(1) of the KVAT Act 2003 was issued based on the own purchase list filed by the assessee (Rs.11,04,85,023.60) and the import purchase conceded in the annual return for the year 2011-12(Rs.7,54,50,023.00). The differential purchase turnover of Rs.3,50,35,000.60 was proposed to be assessed adding Gross Profit @15%. The assessee had filed a reply dated.26.03.2019 stating that the difference is due to a clerical mistake in the purchase list uploaded in the month of December 2011. In the month of December 2011 the purchase from Export Trading Commodities Pte Ltd, Singapore as per Invoice No.ETG/11276/1112 dt..22.11.2011 for Rs.39,73,404.94 was uploaded by mistake as Rs.3,90,08,404.94. They have shown this value of import purchase in monthly returns which is Rs.39,73,404.94. They have also produced copy of the above commercial invoice. Hence the Audit Objection is not sustainable.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.43	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>43. Surabhi Woods</u> <u>32150836024/2013-14</u> <u>CTO, Special Circle,</u> <u>Mattancherry</u></p> <p>With regard to the difference in import purchase, it is seen that they have a total import purchase of Rs.4,62,84,339.41 during the year 2013-14 in which they have omitted to include an import purchase for an amount of Rs. 1,62,44,434.93 in the September return. But they have included it in the Ledger accounts as well as in the uploaded purchase list in the KVATIS.</p> <p>Assessee has submitted import Leger, Checkpost details for the year 2013-14 and they have produced the copies of the same. It is seen from Audited Report in 13,13A that the import purchases are reflected in the Books of accounts of the dealer for the year 2013-14. No loss of revenue involved in this case.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.44	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>44. Ukkens Timbers</u> <u>32150869784/2011-12</u> <u>CTO, Special Circle,</u> <u>Mattancherry</u></p> <p>There is no import purchase for the year 2011-12 as per the books of accounts of the dealer. In the C&AG report the amount as per customs data for the 2012-13 & 2011-12 is the same. Hence it may be an error, no loss of revenue as per the books of accounts of the assessee.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.45	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore. 	<p><u>45. Ukkens Timbers</u> <u>32150869784/2012-13</u> <u>CTO, Special Circle,</u> <u>Mattancherry</u></p> <p>The assessee effected an import purchase of timber logs worth US Dollar 2,43,532.96 from Singapore to Karukutty vide commercial invoice No. 3804/2011-12 dtd: 16.02.2011. The timber logs were take delivery after being undergone customs duty on 20.06.2012 & 22.06.12. The value as per the said date is Rs. 243532.96x48.99=Rs. 1,19,30,680,.00. Hence no irregularity involved in this case.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.60	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <p>Twenty four in Timber with tax effect of Rs. 87.98 crore.</p> <p>Twelve in Marble/tiles with tax effect of Rs. 13.01 crore.</p> <p>Four in Cement with tax effect of</p>	<p><u>60. Smart India Exports & Imports</u> <u>32120589611/2012-13</u> <u>CTO, I Circle, Kannur</u></p> <p>Assessment completed as per order No.32120589611/12-13 dtd:11.05.2016 as per VATA No.2119/17 to 2124/17 dtd:02.02.2018 of DC(A) Kozhikode, assessment was modified with Nil demand as per order no 32120589611/2012-13 dtd 28.05.2019. Assessment was completed U/s.25(1) on the basis of difference in purchase turnover between Form 8FA declaration and turnover as per return. In appeal, the assessment was modified with directions to accept the purchase price disclosed by the appellant's account. On verification of Form 8 FA declaration, it was noticed that there are duplications of entries in Form 8FA declarations as per KVATIS. As per Form 8F data in KVATIS Bill No. 9092092 with Invoice value Rs.4,33,487/- and 9615884 with invoice values Rs.4,26,278/- are seen entered twice. Infact there are only 9 purchase invoices during the year as per accounts which are properly uploaded as per returns.</p> <p>The difference in purchase price between return and Form 8FA declarations is that dealer declared the purchase value at checkpost including import duty, freight etc. But as per accounts these amounts are separately included as direct expenses. Hence</p>

	Rs. 7.39 crore.	there is no purchase suppressions compared to the value declared at checkpoints. As per the Appellate direction assessment order has been modified and recorded as 'Nil' demand. Hence the case is not sustainable.
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Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.61	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <p>Twenty four in Timber with tax effect of Rs. 87.98 crore.</p> <p>Twelve in Marble/tiles with tax effect of Rs. 13.01 crore.</p> <p>Four in Cement with tax effect of Rs. 7.35 crore.</p>	<p>61. Smart India Exports & Imports 32120589611/2013-14 CTO, I Circle, Kannur</p> <p>Assessment completed as per order No.32120589611/13-14 dtd:12.02.2016 as per VATA no.2119/17 to 2124/17 dtd:02.02.2018 of DC(A) Kozhikode, assessment was modified with Nil demand 32120589611/2013-14 dtd 25.06.2019.</p> <p>Assessment was completed based on the data gathered from Customs Department as per which purchase value (import) for the year 2013-14 is Rs.1,72,10,953/- as against the reported purchase value of Rs.1,02,61,879/- in Annual return. In appeal, DC(A-II), Kozhikode had held that "since purchase price is defined under KVAT Act the value estimated by the customs department has no relevance. It is for the purpose of computing import duty alone. The assessing authority is therefore erred in taking the assessable value fixed by customs department as purchase value."</p> <p>Assessing authority verified the Audited Statements of accounts and ledgers and it revealed that total import accounted is Rs.1,98,78,217/- which includes direct expenses Rs.58,62,660/- also. The same figure (Rs.1,98,78,217/-) is reported by the dealer as per his monthly return and purchase list uploaded along with monthly returns. Hence there is no purchase suppression in this case and it is not sustainable.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 SL.No.62	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <p>Twenty four in Timber with tax effect of Rs. 87.98 crore.</p> <p>Twelve in Marble/tiles with tax effect of Rs. 13.01 crore.</p> <p>Four in Cement with tax effect of Rs. 7.39 crore.</p>	<p><u>62. Good Wood Products</u> <u>32120657155/2010-11</u> <u>CTO, II Circle, Kannur</u></p> <p>On verification of the records, it is seen that registration under KVAT Act and CST of the dealer has been cancelled w.e.f 25-09-2007. The business was run only for a short period of time starting from 22.05.2006 to 25.09.2007. Being a cancelled TIN, it is not possible to verify the import purchases during the three years in C&AG report. The firm was started as a SSI unit for manufacturing block board, veneer and furniture and to sell them locally and interstate and there was no import purchases till the closure of the business. The Customs authorities were requested to share the details so as to cross verify the import details and ensure its genuineness. As per records, no details were made available by the customs authorities.</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 Sl.No.63	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <p>Twenty four in Timber with tax effect of Rs. 87.98 crore.</p> <p>Twelve in Marble/tiles with tax effect of Rs. 13.01 crore</p> <p>Four in Cement with tax effect of Rs. 7.39 crore.</p>	<p><u>63. Good Wood Products</u> <u>32120657155/2011-12</u> <u>CTO, II Circle, Kannur</u></p> <p>On verification of the office records, it is seen that registration under KVAT Act and CST of the dealer has been cancelled w.e.f 25-09-2007. Being a cancelled TIN, it is not possible to verify the import purchases during three years.</p> <p>The business was run only for a short period of time starting from 22.05.2006 to 25.09.2007. The firm was started as a SSI unit for manufacturing block board, veneer and furniture and to sell them locally and interstate and there was no import purchases till the closure of the business.</p> <p>The Customs authorities were requested to share the details so as to cross verify the import details and ensure its genuineness. As per records, no details were made available by the customs authorities</p>

Para No.	Gist of the case	Present position
2.4.7.7 Bullet 1 SL.No.64	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules. Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <p>Twenty four in Timber with tax effect of Rs. 87.98 crore.</p> <p>Twelve in Marble/tiles with tax effect of Rs. 13.01 crore.</p> <p>Four in Cement with tax effect of Rs. 7.39 crore.</p>	<p><u>64. Good Wood Products</u> <u>32120657155/2014-15</u> <u>CTO, II Circle, Kannur</u></p> <p>On verification of the office records, it is seen that registration under KVAT Act and CST of the dealer has been cancelled w.e.f 25-09-2007. Being a cancelled TIN, it is not possible to verify the import purchases during three years.</p> <p>The business was run only for a short period of time starting from 22.05.2006 to 25.09.2007. The firm was started as a SSI unit for manufacturing block board, veneer and furniture and to sell them locally and interstate and there was no import purchases till the closure of the business.</p> <p>The Customs authorities were requested to share the details so as to cross verify the import details and ensure its genuineness. As per records, no details were made available by the customs authorities.</p>

Para No.	Gist of the case
2.4.7.7 Bullet 1 Sl.No.65	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions of the Act/Rules.Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <p>Twenty four in Timber with tax effect of Rs. 87.98 crore.</p> <p>Twelve in Marble/tiles with tax effect of Rs. 13.01 crore.</p> <p>Four in Cement with tax effect of Rs. 7.39 crore.</p>

Para No.	Present position									
2.4.7.7 Bullet 1	65. <u>Prestige Veneers 32120607104/2014-15</u> <u>CTO, II Circle, Kammur</u>									
Sl.No.65	The books of accounts of the dealer called for and verified. On the verification of the purchase bill, bill of entry and Bank statements discloses as narrated below.									
Sl.N o.	Bill No. & Date	Inv. Value in USD	USD rates as on bank clear ance	Value in Indian rupee	Date of encash ment as per bank statem ent	Customs calculation. Ass.value for the purpose of levying import duty				Total
						USD rate on the date of entry of consig nment	Value in Indian rupee	1% extra for landin g charg e		

1	FAR- 72556 /24.04 .2014	130089	59.1	7688260	27.05. 2014	60.45	7863880	78.64	7942519
								Differ ence	254258

The Customs Department calculated the purchase value in the exchange rate on the date of entry of consignment. But the dealer accounted the invoice value paid as per the Bank clearance details. The document produced substantiate the turnover of import declared in the return and accounts. The cost of clearance such as terminal landing charges, import duty, freight etc are seen separately shown as direct expense in the manufacturing account. As such from the available records the turnover of import purchases are seen accounted properly. Hence the defects pointed out is not sustainable.

Para No.	Gist of the case	Present position
2.6.1 (Bullet 3)	M/s Kottukapilly Sand and Metals Pvt. Ltd., Palakkad, a dealer in sand and metal had assessed the sales turnover of metals of various sizes produced with the aid of crushing machines for Rs.128.87 lakh at five per cent instead of the applicable rate of 13.5 per cent during 2012-13. Application of incorrect rate of tax resulted in short payment of tax and interest of Rs.13.04 lakh.	<p><u>M/s. Kottukapilly Sand and Metals Pvt. Ltd 2012-13</u> <u>II Circle, Palakkad</u></p> <p>Assessment for the year 2012-13 has been completed vide Order dated 28.02.2015 by creating an additional demand of Rs.14,41,001/- The dealer paid an amount of Rs.4,32,300/- vide challan No.619/27.03.2015 and filed appeal before the Deputy Commissioner appeals, Palakkad and the same is dismissed. The dealer filed second appeal before the Appellate Tribunal, Palakkad and a conditional stay was granted to the dealer. The dealer remitted the entire dues under Amnesty scheme 2020 vide challan No. KL007246831202021E dated 02.09.2020 for Rs.2,88,201/-.</p>

Para No.	Gist of the case	Present position																		
2.6.2 (Bullet 1)	<p>M/s Elite Foods Private Limited, Ernakulam was a manufacturer of Bakery products selling goods under a brand name 'Elite' under Trade Mark Act, 1999. They self assessed to tax the sales turnover of bakery products for the period from April 2012 to September 2012 amounting to Rs 16.22 crore at five per cent instead of the applicable rate of 13.5 per cent. This resulted in short payment of tax and interest of Rs.1.64 crore.</p>	<p><u>M/s. Elite Foods Pvt. Ltd.</u> <u>2012-13</u> <u>Special Circle II, Ernakulam</u></p> <p>The audit pointed out that the assessee conceded taxable turnover of bakery products like cake, biscuits etc conceded taxable turnover of Bakery products amounting to Rs.43,77,33,627/- for which tax has been paid @5% as per Entry 7 of the third schedule of the KVAT Act.</p> <p>Verification of the details of Brand name "ELITE" as contained in the website of Government of India, Ministry of Commerce and Industry, Controller General of Patents Design & Trade Marks it was observed that the Brand name Elite (The promise of good health) is registered under the Indian Trade Mark Act as shown below.</p> <table border="1"> <tr> <td>Work Mark</td><td>ELITE (The promise of good health)</td></tr> <tr> <td>Application No</td><td>1143734</td></tr> <tr> <td>Class</td><td>30</td></tr> <tr> <td>Application Date</td><td>16-10-2002</td></tr> <tr> <td>Proprietor</td><td>M/s.Yamuna Roller Floor Mills Pvt.Ltd</td></tr> <tr> <td>Journal No</td><td>1352</td></tr> <tr> <td>Since Used</td><td>01-01-1991</td></tr> <tr> <td>Valid upto</td><td>15-10-2012</td></tr> <tr> <td>Goods & Service Description</td><td>Coffee, Tea, Cocoa, Sugar, Rice, Tapioca, Sago, Artificial Coffee, Flour and preparations made from cereals, bread, pastry and confectionery, ices, bread, biscuits, cakes, buns, chocolates, vermicelli, rice and rice powder, dal, naturally</td></tr> </table>	Work Mark	ELITE (The promise of good health)	Application No	1143734	Class	30	Application Date	16-10-2002	Proprietor	M/s.Yamuna Roller Floor Mills Pvt.Ltd	Journal No	1352	Since Used	01-01-1991	Valid upto	15-10-2012	Goods & Service Description	Coffee, Tea, Cocoa, Sugar, Rice, Tapioca, Sago, Artificial Coffee, Flour and preparations made from cereals, bread, pastry and confectionery, ices, bread, biscuits, cakes, buns, chocolates, vermicelli, rice and rice powder, dal, naturally
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		<p>sweetened tea ,honey ,treacle ,yeast ,baking powder, salt, mustard,vinegar,sauces(condiments), spices</p> <p>The letter head of the company also depicts the brand name " Elite",The promise of good health. Hence for the period from 01/04/2012 to 15/10/2012, the brand name is registered. As such,as per Entry 11 of SRO 82/2006 bakery products including biscuits of all varieties,cakes,pastries,pizza bread sold under the brand name registered under the Trade Mark Act 1999 are taxable @13.5% .The turnover of bakery products for the period from April 2012 to September 2012 amounts to Rs.16,22,33,341/-.</p> <p>The assessing authority completed the assessment by assessing the turnover from 4/2012 to 9/2012 of Rs.16,22,33,341/- at higher rate creating additional demand of tax Rs.1,37,89,834/- under section 25(1) of KVAT Act. The assessee filed appeal against the said assessment order. The Deputy Commissioner(Appeals) allowed the appeal filed by the assessee and rejected the contentions of the assessing authority stating that "The Deputy Registrar of Trade Mark at Chennai vide letter dated 17/07/2012 interalia clarified that the label used by the appellant company with its artistic work does not appear to be registered in the records of the Trade Marks Registry though the search made in Class 30 shows there are many Trade Marks bearing the Word Mark ELITE registered in the records. Sale of goods under brand name registered under the Trade Mark Act is totally different from sale of goods under the registered label." Registration of label empowers the user to use the label in its entirety. Label according to the authority on the subject 'Trade Mark & Passing Off' by P.Narayanan VI Edition is: "A label</p>
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refers to a composite mark containing various features including devices and word and descriptive expressions, usually printed on paper which can be pasted or attached to the goods themselves." Whereas, in the case of a registered brand, it covers all products manufactured under that brand name. Thus 'Label' and 'Brand Name' are quite different. Further, according to the judgement of Hon'ble Supreme Court in Ashok Chandra's case (AIR 1955, Sec 558) "Right confined to the mark as a Whole - Generally speaking when a distinctive label is registered as a whole such registration cannot possibly give an exclusive statutory right to the proprietor of the trademark to the use of any particular word or name contained therein apart from the mark as a whole, unless the word or name in question is registered separately. "

The label used by the assessee is

Elite

**THE PROMISE OF GOOD
HEALTH**

and that of Yamuna Roller Mill is

ELITE

The promise of good health

In the appellate order, the appellate authority confirms that "Label registration and Trade Mark registration are different. 'Label registration' is full content of the Label and it should be used as such in the product or products registered under the Trade Mark Act whereas 'Brand name registration' means name of the particular brand Elite with font colour and size if any is registered. Hence both the registrations are different. Sale of goods under brand name registered under the Trade Marks

		<p>Act is totally different from sale of goods under the registered label. Registration of label empowers the user to use the label in its entirety. Hence the font, letters, colour and artistic form used by the assessee in their label is clearly different from that is used by Yamuna Roller Mill."</p> <p>Hence the assessee is not liable to pay a higher rate of tax. There is no short levy in this case. As per the the direction of appellate authority the case has been modified and recorded as a case of 'Nil' demand. Copy of appellate order is enclosed herewith.</p> <p>In the circumstances, the audit objection raised in this case may be dropped.</p>
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Para No.	Gist of the case	Present position														
2.6.4 (bullet 1)	M/s Jaihind Aluminium Traders, Kochi, was dealing with PVC panels taxable at 12.5 per cent during 2010-11 and 2011-12 and 13.5 per cent during 2012-13. However the assessee misclassified sales turnover of the above commodities and assessed to tax at four/five per cent. This resulted in short payment of tax, cess and interest of Rs.60.23 lakh.	<p><u>M/s. Jaihind Aluminium Traders, 2010-11 to 2012-13</u> <u>WC, Kozhikode</u></p> <p>Based on the audit objection, the assessments for the years 2010-11 to 2012-13 were completed u/s 25(1) of the KVAT Act, 2003 by the Assistant Commissioner, Special Circle(Produce), Mattancherry and made good the short levy of tax pointed out by the Accountant General .</p> <p>The demand due for the above three years have been advised for Revenue Recovery. The dealer has filed appeal against the assessment orders for the years 2011-12 and 2012-13 and the Deputy Commissioner(Appeals), Ernakulam granted conditional stay on remittance of 30% of the dues and furnishing security for the balance. The details of the above are as follow</p> <table border="1"> <thead> <tr> <th>Assessment Year</th><th>Amount Remitted</th><th>Collection Particulars</th></tr> </thead> <tbody> <tr> <td>2010-11</td><td>Rs.48,468</td><td>Chalan No. 171 dated 28-10-2014</td></tr> <tr> <td rowspan="2">2011-12</td><td>Rs.7,26,031</td><td>Chalan No.172 dated 28-10-2014</td></tr> <tr> <td>Rs.2,19,825</td><td>Chalan No.79 dated 18-12-2014</td></tr> <tr> <td>2012-13</td><td>Rs.11,14,224</td><td>Chalan No.169 dated 28-10-2014</td></tr> </tbody> </table>	Assessment Year	Amount Remitted	Collection Particulars	2010-11	Rs.48,468	Chalan No. 171 dated 28-10-2014	2011-12	Rs.7,26,031	Chalan No.172 dated 28-10-2014	Rs.2,19,825	Chalan No.79 dated 18-12-2014	2012-13	Rs.11,14,224	Chalan No.169 dated 28-10-2014
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ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	STATE GOODS AND SERVICE TAX
	(b)	Subject/Title of the Review Paragraph	<p>Lack of co-ordination between other departments in collecting data useful for the completion of assessment</p> <p>Suppression of import purchases than that reported with Customs Department</p>
	(c)	Paragraph No.	2.4.7.7(1)
	(d)	Report No. and Year	C & AG Report for the year ended 31.03.2015
II	(a)	Date of receipt of the Draft Para / Review in the Department	-
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble / -tile, timber and cement amounting to Rs. 817.57 crore against which Rs. 569.19 crore only was conceded. The suppression of import purchase worked out to Rs. 248.38 crore and the resultant short levy of tax, interest and penalty worked out to Rs. 108.38 crore (Appendix X). The tax district wise deviation from provisions</p>

			<p>of the Act/Rules.</p> <p>Audit observed that amongst that the defaulters, M/s. Hillwood Furniture of Special Circle II, Kozhikode was the biggest defaulter with tax effect of Rs. 30.97 crore.</p> <p>Audit noticed that M/s. Southern Timber depot of Special Circle, Kottayam repeated the default for five years and M/s. Hill wood furniture of Special Circle II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <ul style="list-style-type: none"> • Twenty four in Timber with tax effect of Rs. 87.98 crore. • Twelve in Marble/tiles with tax effect of Rs. 13.01 crore. • Four in Cement with tax effect of Rs. 7.39 crore.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

REMEDIAL ACTION TAKEN

(a) Improvement in system and procedures, including internal controls.

Sl.No. 6 & 7:

Mermer Italia Building Products – 2012-13 & 2014-15

In the report of C & AG of India on revenue sector for the year ended March 2015 shows huge import purchase suppression regarding Mermer Italia Building Products (2012-13, 2014-15) as detailed below:

Assessment year	Import Purchase		Suppression of turnover (in crores)	Total tax due including interest and penalty (in crores)
	As per customs data	As per annual return		
2012-13	2.8654	2.4754	0.39	0.17
2014-15	2.8103	1.2454	1.5649	0.69

The Accountant General pointed out loss of revenue on the basis of data available from the Customs Department. The assessing authority issued a letter to Customs Department to get import details of the dealer on the basis of the data available from the Customs Department and issued a Form 17 notice to produce the books of accounts and the same verified with the import details furnished by office of the Commissioner of Customs. The difference in the customs data and commercial invoice is detailed below:

Year	Invoice No.	Date	Quantity	Amount as per Customs Bill of Entry	Amount as per invoice	Difference
2014-15	189	08-05-14	1813.230	6770243	3255654	3514639
2014-15	398	22-10-14	1810.160	7025609	3423646	3601963
2014-15	399	22-09-14	1852.64	7170179	3503990	3666189
2014-15	604	01-12-14	1802.290	7137318	2270885	4866433
				28103349	12454125	15649224

The suppression of 1.5649 crores for the year 2014-15 is due to this difference in pricing of marbles by Customs Department as they adopted approximately 60 US Dollar/m² for fixing customs duty whereas the actual price in the invoice is only

20US Dollar/m². Moreover there is no suppression detected in the quantity of marble imported. The same issue involved in the year 2012-13 also. Hence it is clear that the difference is due to the difference in the rate adopted by the customs department.

Moreover, Hon'ble High Court of Kerala had quashed an assessment which adopted the price estimated by Customs Authority vide OTR No. 97 of 2012 dated 20-02-2014 by K.P. Rafeeqe, K.P. Distributors, Vadakara against order in TAVAT 1270/2011 of Kerala VATA Tribunal, Ernakulam. Therefore there is no loss of revenue as pointed out in the C & AG report 2015.

Sl.No. 8 & 9: M/s.Spaniso Studio

YEAR	AS PER ANNUAL RETURN (Import Purchases in Crore)	AS PER CUSTOMS DATA (Import Purchases in Crore)
2012-13	14.3335	16.2975
2013-14	16.4999	18.7102

The books of accounts of the dealer was called for, especially the import purchase details for the years 2012-13 & 2013-14. The dealer produced all documents pertaining to import purchase for the years 2012-13 & 2013-14. On thorough verification it is found that the Import purchase value reported in Annual Return is the Import purchase value which involves invoice amount only, whereas the the import purchase value as per Customs data includes invoice amount, ocean freight, insurance and 1% landing cost for arriving customs assessable value for calculating Customs duty.

The dealer has accounted the Ocean freight, insurance , 1% landing cost and customs Duty under the head of Direct Expenses in the trading account separately and the invoice amount only is shown under the head Import Purchases. The dealer had also remitted Advance tax after taking Invoice value, Ocean freight, Insurance, 1% landing cost and Customs duty into consideration.

Hence there is no suppression of import purchases in respect of Spaniso

Studio for the years 2012-13 & 2013-14 and hence the para 2.4.7.7 in this respect may be dropped.

Sl.No. 10 & 11

Marble Gallery for the year ended 2012-13 & 2013-14

This defect can be examined only after obtaining data from customs authorities. Hence assessing authority requested to the Assistant Commissioner of Customs Department in Kochin port. Mangalore Port and Tuticorn port for availing import details of above said dealer for the above years . But details are not received till date. On receipt of this data report will be submitted as fast as possible.

Sl.No.12 & 13

Thai Impex for the year 2013-14 & 2014-15.

This defect can be examined only after obtaining data from customs authorities. Hence assessing authority requested to the Assistant Commissioner of Customs Department in Kochin port. Mangalore Port and Tuticorn port for availing import details of above said dealer for the above year . But details are not received till date. On receipt of this data report will be submitted as fast as possible.

Sl.No.14

Excel Timber for the year, 2010-11

This defect can be examined only after obtaining data from customs authorities. Hence assessing authority requested to the Assistant Commissioner of Customs Department in Kochin port. Mangalore Port and Tuticorn port for availing import details of above said dealer for the above years . But details are not received till date. On receipt of this data report will be submitted as fast as possible.

Sl.No.15 &16

Excellant Timber Import and Export for the year 2010-11 & 2011-12

This defect can be examined only after obtaining data from customs authorities.

Hence assessing authority requested to the Assistant Commissioner of Customs Department in Kochin port. Mangalore Port and Tuticorn port for availing import details of above said dealer for the above years . But details are not received till date. On receipt of this data report will be submitted as fast as possible.

Sl.No.17,18,19 & 20

M/s. Hillwood Furniture for the year 2010-11, 2011-12 & 2013-14, Hillwood Import and Export for the year 2012-13

This defect can be examined only after obtaining data from customs authorities. Hence assessing authority requested to the Assistant Commissioner of Customs Department in Kochin port. Mangalore Port and Tuticorn port for availing import details of above said dealer for the year 2010-11 to 2014-15. But details are not received till date. On receipt of this data report will be submitted as fast as possible.

Sl. No. 24 West Wood Floorings 320715 36202/2011-12

The objection is the total import of timber as per return is Rs. 31,22,816.00 where as per the Customs data, the total import comes to Rs. 44,90,000.00. The difference is Rs. 13,67,184.00.

In this regard it is submitted that the difference amount of Rs. 13,50,117.00 out of Rs. 13,67,184.00 relates to the mistake committed by the dealer during the time of filing of return for the month of October 2011 i.e., the purchase turnover under import purchase was mistakenly conceded under the interstate purchase. Consequently the return was revised and the mistake was rectified. Copy of the revised return for the month of October was produced. But the same was not reflected in the annual return. The balance difference of Rs. 16,827 comes under the various heads of landing charges, insurance etc. Hence the audit objection may be dropped.

Sl. No. 25 West Wood Floorings 320715 36202/2012-13

The objection is that total import of timber as per return is Rs. 87,74,000.00

where as per the customs data the total import comes to Rs. 91,68,000.00. The difference of Rs. 3,94,000.00 is due to various reasons such as forex rate fluctuations, freight charges paid directly to the shipping company, Notional landing charges, Insurance etc.

Sl. No. 26 M/s. Purnima Distributors for the year 2011-12

A proposal assessment for non declaring actual value of import has been initiated for which the dealer filed reply. The same has been examined with reference to the database and documents produced by the dealer. Though the purchases are not reflected in return under the specific head as 'cement', the same have been included in the total turnover of import. On verification of the purchase list uploaded by the dealer, it has been noticed that the invoices of import mentioned in the 8FA have been uploaded as purchases. Hence there may not be a purposeful intention to conceal the import of cement. The dealer had shown a taxable sales turnover of Rs. 370920409.51, out of which Rs. 27751657.65 belongs to cement sale. Local purchase of 12.5% taxable cement is Rs. 20221194.07 and there is no opening stock or closing stock for cement during the year. The 8FA declarations generated by the dealer which is available in the Data base of the Department clearly shows that the item of imported goods are cement/white cement. Since the dealer had admitted the import of cement and the same have been completely sold out during the year itself and tax has been suffered at the point of sale, there is no suppression of import of cement amounting to Rs. 6348796.00 as fetched from customs data. In the above circumstances, the audit objection may kindly be dropped.

Sl. No. 27: M/s. Purnima Distributors for the year 2012-13

A proposal assessment for non declaring actual value of import has been initiated for which the dealer filed reply. The same has been examined with reference to the database and documents produced by the dealer. Though the purchases are not reflected in return under the specific head as 'cement', the same have been included in the total turnover of import. On verification of the

purchase list uploaded by the dealer, it has been noticed that the invoices of import mentioned in the 8FA have been uploaded as purchases. Hence there may not be a purposeful intention to conceal the import of cement. The dealer had shown a taxable sales turnover of Rs. 305585735.93, out of which Rs. 9948152.00 belongs to cement sale. Local purchase of 13.5% taxable cement is Rs. 4192734.06 and there is no opening stock or closing stock for cement during the year. The 8FA declarations generated by the dealer which is available in the Data base of the Department clearly shows that the item of imported goods are cement/white cement. Since the dealer had admitted the import of cement and the same have been completely sold out during the year itself and tax has been suffered at the point of sale, there is no suppression of import of cement amounting to Rs.4732574.00 as fetched from customs data. In the above circumstances, the audit objection may kindly be dropped.

Sl No. 28 : M/s. Purnima Distributors (32070326905/2013-14)

The assessing authority reported that a proposal assessment for non declaring actual value of import has been initiated for which the dealer has filed reply. The same was examined with reference to the database and documents produced by the dealer. The dealer admitted that they had effected 6 imports of cement aggregating to 33,600/- bags for a total turnover of Rs. 85,74,423/- and produced details of BOE and 8FA details. Though the purchases were not reflected in return under the specific head as 'cement', the same was included in the total turnover of import. On verification of the purchase list uploaded by the dealer, it was noticed that the invoices of import mentioned in the 8FA have been uploaded as purchases. Hence there may not be a purposeful intention to conceal the import of cement. The dealer had shown a taxable sales turnover of Rs.44,12,79,760/-, out of which Rs. 2,58,95,056/- belongs to cement sale. Local purchase of 14.5% taxable cement is Rs. 1,63,42,659/- and there is no opening stock or closing stock for cement during the year. The 8FA declarations generated by the dealer which is available in the Data base of the Department clearly shows that the item of imported goods are cement/white cement. Since

the dealer had admitted the import of cement amounting to Rs. 85,74,423/- and the same have been completely sold out during the year itself and tax has been suffered at the point of sale, there is no suppression of import of cement amounting to Rs. 71,78,812/- as fetched from customs data. In the above circumstances, the audit objection may kindly be dropped.

29. M/s. Somany Ceramics TIN - 32070445604

As per the audit enquiry a notice directing to file reply was issued to the dealer. The dealer had replied that they had not effected any import through Cochin Port during the year 2010-11. Hence allegation in the audit report was baseless. A letter dtd. 05.05.2017 seeking data regarding import purchase was sent to the office of Accountant General (A&E), Thiruvananthapuram. But details has not received in this office till this time. So we could not ascertained the veracity of the defects thereby completing the assessment. In this circumstances objection against this case may be dropped.

49 to 51. Classic Wood and Veneers

32151335534/2012-13

The audit has a view that the assessee had suppressed turnover of import purchase at Rs. 0.3156 crore in the year 2012-13, Rs. 0.6507 crore in 2013-14 & Rs. 0.2342 crore in 2014-15. The verification report is detailed below:

2012-13

Particulars	Amount
Import details as per Annual return and 13A	Rs. 2,47,70,000
Import as per customs data received from various ports	
Cochin Rs. 89,37,536	
Mangalore Rs. 0	
Tuticorin Rs. 94,94,000	Rs. 1,84,31,536
Import as per C&AG Reports	2.7926 crores

All import data received from the Customs Department are reflected in their

annual return and final accounts. One bill of entry through Cochin port for the year 2012-13 and duly accounted by the assessee is reflected in the Customs data of 2013-14. The assessee had conceded all their imports under head of account High Sea purchase from M/s. Cochin Veneers, Vengola. The invoice relating to the high sea purchase are verified and found genuine.

2013-14

Particulars	Amount
Import details as per Annual return and 13A	Rs. 1,62,70,000
Import as per customs data received from various ports	
Cochin Rs. 2,27,76,859	
Mangalore Rs. 0	
Tuticorin Rs. 0	Rs. 2,27,76,859
Import as per C&AG Reports	2.2777 crores

One bill of entry is accounted during the year 2012-13 as per annual return and 13A. Therefore there is no escape in turnover as pointed out in the audit.

2014-15

Particulars	Amount
Import details as per Annual return and 13A	Rs. 42,27,000
Import as per customs data received from various ports	
Cochin Rs. 19,69,501	
Mangalore Rs. 0	
Tuticorin Rs. 0	Rs. 19,69,501
Import as per C&AG Reports	0.6529 crores

Import amounting to Rs. 19,69,501 has been duly accounted in the return and accounts. The total import turnover of the assessee for this period is Rs. 42,27,000/-. Therefore there is no escape in import purchase turnover as pointed out in the audit.

52 & 53. M/s. Delta Wood Pannel

32151258112/2012-13 & 2013-14

The audit has a view that the assessee had suppressed turnover of import purchase of Rs. 0.2016 crores in the year 2012-13 and Rs. 0.0251 crores in 2013-14. The verification report is detailed below:

2012-13

Particulars	Amount
Import as per customs data received from Cochin port	Rs. 46,82,865
Import details as per Annual return	Rs. 26,66,863
Import as per C&AG Reports	0.2016 crores

As per data received from Cochin, Mangalore and Tuticorin Ports, there was only 2 import purchases of timber in this year and both of them are through Cochin port.

Sl. No.	Date	B.E. No.	Item Assessable Value (Rs.)
1	17.01.2013	90465.21	885253.09
2	26.03.2013	9680392	3797611.92
	Total		4682865.01

Verification of import data with reference to assessment records and bill of entries reveals that as per the documents the actual invoice value is only Rs. 32,92,504/- (Rs. 6,25,641/- + 26,66,863/-) whereas the value of Rs. 46,82,865/- is only the assessable value fixed by the Customs Authorities for levying duty. In the annual return, the assessee accounted Rs. 6,25,641/- wrongly as the head of local purchase not eligible for ITC. No other import purchases of timber are seen effected by the dealer during the year.

The assessee has accounted the purchase and incorporated in the returns filed for the month of January, 2013 and March 2013. From the above explained facts and figures it is ascertain there is no escape in import turnover and short levy of tax as mentioned in the C&AG Report.

2013-14

Particulars	Amount
Import as per customs data received from Cochin port	Rs. 28,50,000
Import details as per Annual return	Rs. 25,98,816
Import as per C&AG Reports	0.0251 crores

As per data received from Cochin, Mangalore and Tuticorin ports only 2 import purchases of timber in this year and that too through Cochin port.

Sl. No.	Date	B.E. No.	Item Assessable Value (Rs.)
1	09.07.2013	2653721	1616105.04
2	09.07.2013	2653755	1233416.83
	Total		2849521.87

As per the documents, the actual invoice value is Rs. 25,98,816/- (16,16,105.04 + 9,82,711) whereas the value of Rs. 28,50,000/- is the assessable value fixed by the Customs Authorities for levying duty. No other import purchases are seen effected by the dealer during the year.

The assessee has been accounted the purchase and incorporated in the returns filed for the month of January 2013 and March 2013. From the above explained facts and figures it is ascertain there is no escape in import turnover and short levy of tax as mentioned in the C&AG Report. Therefore objection raised in the audit may be kindly be dropped.

Sl.No. 54 & 55

M/s United Timber Corporation

TIN & Year - 32151480682/2011-12& 2013-14

AG pointed out that the assessee had suppressed turnover of import purchase for the years 2011-12 & 2013-14. The assessing authority issued a notice under section 25A to the assessee incorporating the defect pointed out by the audit. In reply to the notice the assessee submitted the import details and the same were verified by the assessing authority with import data & KVATIS data

and no irregularities noticed.

As the import details were not available in C&AG Reports and also could not be traced out from KVATIS module details, a letter was issued to the Customs Authority of India, Cochin and collected the import details from Cochin Port. Also the import details from Mangalore Port and Tuticorin Port were collected by the Economic Intelligence Wing. The assessing authority verified by the import data & KVATIS data and no irregularities noticed. The details of verification are given under.

2011-12

Import of timber as per annual return&13A	Rs.24018109.00
Import data as per C&A.G Report	Rs.5.8152 crores

Import data received from various ports (customs data)

Cochin	Rs. 18907329.00	Rs.18907329.00
Mangalore	Rs.0	
Tuticorin	Rs.0	

The assessing authority verified the import data received from Cochin Port with assessment records and bill of entries and reported that all imports through Cochin Port are reflected in their returns. As per import data received from Customs department, there is no import through Mangalore & Tuticorin Ports for the year 2011-12.

From the above explained facts and figures it is ascertained that there is no escape in import turnover and no short levy of tax as mentioned in the C&A.G Report. Therefore steps may kindly be taken to drop the objection raised in the audit.

2013-14

Import as per annual return&13A	Rs 7624121.00
Import data as per C&A.G Report	Rs 1.9874 crores

Import data received from various ports (customs data)

Cochin	Rs.7624121.00	Rs.19873800.00
Mangalore	Rs.0	
Tuticorin	Rs.12249680.00	

The assessing authority verified the import data received from Cochin Port with reference to assessment records and bill of entries and reported that all imports through Cochin Port are reflected in their returns. As per the data received from Tuticorin Port, the import comes to Rs. 12249680.00. This import relates to the branch business place of the assessee in Tamil Nadu in the name and style M/s United Timber Corporation, /835E, Courtallam Road, Piravoor, Sengottai (TIN- 33505702786), Tamilnadu, with separate VAT registration (TIN- 33505702786) and same I.E. code (109 700 0494) and PAN (AAAFU6927G). This import details received from Tuticorin Port at Rs. 12249680.00 is reflected in their branch returns at Tamilnadu.

From the above explained facts and figures it is ascertained that there is no escape in import turnover and no short levy of tax as mentioned in the C&A.G Report. Therefore steps may kindly be taken to drop the objection raised in the audit.

56 to 59 M/s. V. S. Timber Industries

32151458305/2011-12 to 2014-15

The audit objection is that the assessee had suppressed turnover of import purchase of Rs. 7.974 crores in 2011-12, Rs. 18.3717 crores in 2012-13, Rs. 18.5318 crores in 2013-14 and Rs. 16.8564 in 2014-15.

Verification report is detailed as under:

2011-12

Particulars	Amount
Import details as per Annual return and 13A	Rs. 18,84,92,129
Import as per customs data received from	

various ports		
Cochin	Rs. 3,69,39,490	
Mangalore	Rs. 3,16,40,342	
Tuticorin	Rs. 1,88,60,262	Rs. 8,74,40,094
Import as per C&AG Reports		26.8232 crores

Verification of the records reveals that all imports through Cochin are reflected in their returns. As per import data received from Customs Department, Mangalore Port, the import comes to Rs. 3,16,40,342/-. The assessee had accounted these imports during the year 2012-13. As per the books of accounts of the assessee for 2011-12 they have conceded import of Rs. 12,63,34,936/- through Mangalore port which was not mentioned in the data received. On verification of these details with corresponding bill of entries, it is realized that import amounting to Rs. 12,63,34,936/- was effected through Mangalore Port during 2011-12. As per the data received from Tuticorin Port, the import comes to Rs. 1,88,60,262/-. This import relates to the branch business place of the assessee in Tamilnadu in the name and style M/s. V.S.Timber Industries, Pudukkottai, Main Road, Subramanyapuram, Trichy, with separate VAT registration and same I.E.Code (1006010939) and PAN (AABFV9282G). This import details received from Tuticorin Port at Rs. 1,88,60,262/- is reflected in their branch returns at Trichy. M/s.V.S.Timber Industries, Muvattupuzha has accounted imports through Tuticorin Port at Rs. 2,52,17,703/- during 2011-12, which was not available in the data received.

A detailed statement is given as under.

Particulars	Amount
Import details as per Annual return and 13A	Rs. 18,84,92,129
Import as per customs data received from various ports	
Cochin Rs. 3,69,39,490	
Mangalore Rs. 12,63,34,936	
Tuticorin Rs. 2,52,17,703	Rs. 18,84,92,129

From the above explained facts and figures it is ascertain that there is no escape

in import turnover and short levy of tax as mentioned in the C&AG Report.

2012-13

Particulars	Amount
Import details as per Annual return and 13A	Rs. 18,66,67,570
Import as per customs data received from various ports (customs data)	
Cochin Rs. 5,03,33,175	
Mangalore Rs. 13,63,34,404	
Tuticorin Rs. 12,26,53,976	Rs. 30,93,21,555
Import as per C&AG Reports	37.0385 crores

Verification of records reveals that all imports through Cochin & Mangalore Ports are reflected in their returns. As per the data received from Tuticorin Port, the import comes to Rs. 12,26,53,976/-. This import relates to the branch business place of the assessee in Tamil Nadu in the name and style M/s.V.S. Timber Industries, Pudukkottai, Main Road, Subrahmanyapuram, Trichy, with separate VAT registration and same I.E. Code (1006010939) and PAN (AABFV9282GFT001). This import details received from Tuticorin Port at Rs. 12,26,53,976/- is reflected in their branch returns at Trichy. A detailed statement is given as under:

Particulars	Amount
Import details as per Annual return and 13A	Rs. 18,66,67,570
Import as per customs data received from various ports (customs data)	
Cochin Rs. 5,03,33,175	
Mangalore Rs. 13,63,34,404	Rs. 18,66,67,579

From the above explained facts and figures it is ascertain there is no escape in import turnover and short levy of tax as mentioned in the C&AG Report.

2013-14

Particulars	Amount
Import details as per Annual return and 13A	Rs. 17,84,25,940
Import as per customs data received from various ports (customs data)	

Cochin	Rs. 4,64,51,653	
Mangalore	Rs. 13,19,74,286	
Tuticorin	Rs. 6,54,94,415	Rs. 24,39,20,354
Import as per C&AG Reports		36.3444 crores

Verification of records reveals that all imports through Cochin & Mangalore Ports are reflected in their returns. As per the data received from Tuticorin Port, the import comes to Rs.6,54,94,415/-. This import relates to the branch business place of the assessee in Tamil Nadu in the name and style M/s.V.S. Timber Industries, Pudukkottai Main Road, Subramanyapuram, Trichy with separate VAT registration and same I.E. Code (1006010939) and PAN (AABFV9282GFT001). This import details received from Tuticorin Port at Rs. 6,54,94,415/- is reflected in their branch returns at Trichy. A detailed statement is given as under:

Particulars	Amount
Import details as per Annual return and 13A	Rs. 17,84,25,940
Import as per customs data received from various ports (customs data)	
Cochin Rs. 4,64,51,653	
Mangalore Rs. 13,19,74,286	Rs. 17,84,25,939

From the above explained facts and figures it is ascertain there is no escape in import turnover and short levy of tax as mentioned in the C&AG Report.

Verification of records reveals that all imports through Cochin & Mangalore Ports are reflected in their returns. As per the data received from Tuticorin Port, the import comes to Rs. 6,08,25,493/-. This import relates to the branch business place of the assessee in TamilNadu in the name and style M/s.V.S. Timber Industries, Pudukkottai Main Road, Subramanyapuram, Trichy with separate VAT registration and same I.E. Code (1006010939) and PAN (AABFV9282GFT001). This import details received from Tuticorin Port at Rs. 6,08,25,493/- is reflected in their branch returns at Trichy. A detailed statement is given as under:

Particulars		Amount
Import details as per Annual return and 13A		Rs. 24,14,34,202
Import as per customs data received from various ports (customs data)		
Cochin	Rs. 12,19,97,205	
Mangalore	Rs. 11,94,36,993	Rs. 24,14,34,202

Hence there is no escape in import turnover and short levy of tax as mentioned in the C&AG Report.

In order to ascertain the genuineness of the returns filed by the assessee with respect to firm in Trichy, request was forwarded to the Assistant Commissioner (ST), State Goods and Services Tax Department, Tamil Nadu, Thiruverambur Assessment Circle, Trichy – 620020, Tamil Nadu on 03.08.2019. The State Tax Officer, Ponmalai Circle, Trichy replied that all the import purchases relating to the above four years other than that duly accounted in Kerala, had been duly accounted by M/s.V.S. Timber Industries 102, Pudukkottai, Main Road, Subramanyapuram, Trichy – 620020 with TIN 33713565615.

On a joint reading of the information availed earlier and communication received from Tax Officials of Tamil Nadu it is ascertained that there is no escape in import turnover and short levy of tax as mentioned in the C&AG Report. Therefore objection raised in the report may kindly be dropped.

**66. M/s Benoy Marbles –
32010673454/2014-15**

This was verified with KVATIS data and found that the import value of goods as per customs data Rs.37,24,055/- is related to the following transactions for which the dealer had used Form 8A.

Check post	Entry Date	Consignor	Invoice No.	Invoice date	Commodity	Qty	Weight	Value (Rs.in lakhs)
Facilitation centre, Kochi	19.01.15	Sino Sources Ltd	20141223 RAC	23.12.14	Ceramic tiles/ Vitrified tiles	5299.2 sq.mtr	112 ton	17.08
Facilitation centre, Kochi	26.02.15	Sino Sources Ltd	20150126 BEN	26.01.15	Ceramic tiles/ Vitrified tiles	5299.2 sq.mtr	112 ton	20.17

This was verified with purchase list filed by the dealer and found that the import purchases are accounted in the return filed for January 2015 and February 2015 as shown below:

205	20141223 RAC	23.12.14	888888888888	Unregistered	14,04,608.00	0	14,04,608.00
166	20150126 BEN	26.01.15	888888888888	Unregistered	14,04,608.00	0	14,04,608.00


Thus the transaction was seen accounted but there is difference in value of import shown in customs documents and purchase bill uploaded. This was examined with customs data and found that the value as per customs document and the value for which Form 8FA was taken is assessable value computed under Customs Act whereas the value accounted in the purchase list filed is purchase value as per purchase invoice.

Sl. No. 67-71 Southern Timber Depot.32050997155 2010-11 to 2014-15

On verification of assessment records it is seen that a report is sent that variation noticed is due to duplication of invoice raised at the time of storing the goods at the customs warehouse and transport of goods from warehouse to the destination of the importer. The details of invoices has been requested from the Accountant General vide this office letters. In the absence of the invoice details, actual variation could not be ascertained and therefore further action could not be taken in this case.

		<p><u>Sl. No. 72 Sree & Co. – 32050566506/ 2011-12</u></p> <p>The dealer stated that they used to have multiples of 5 containers, in a consignment. Hence they have to generate separate declaration of each container to clear the facilitation centre at the seaport. The details of invoices has been requested from the Accountant General . In the absence of the invoice details, actual variation could not be ascertained.</p> <p><u>Sl. No. 73 Sree & Co. 2011-12 & 2012-13.</u></p> <p>The assessment in respect of the dealer for the year 2012-13 was completed vide order No. 32050566506/2012-13 dated 10/12/2017 with tax and interest demand Rs. 13,72,920/- and Rs. 7,82,564/- respectively. Against this order the dealer filed appeal before the Deputy Commissioner (Appeals) Kottayam. The Deputy Commissioner (Appeals) directed to modify the assessment vide order No. KVATA 397/18 dated 07/01/2019. The assessment was modified vide this office order No. 32050566506/2012-13 dated 12/06/2019.</p> <p><u>Sl. No. 74-75.Travancore Cement – 32050212265 – 2012-13 & 2013-14</u></p> <p>The item imported is white clinker, a raw material for production, not white cement. The import purchases are correctly uploaded in the ledger.</p>
(b)	Recovery of overpayment pointed out by audit	
(c)	Recovery of under assessment, short levy or other dues	

(d) Modification in the schemes and programmes including financing pattern	
(e) Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	


 സിനി ജെ. കുമാർ
 അഡ്വക്കേറ്റ് സെക്രട്ടറി
 നീക്കം വകുപ്പ്
 ഗവൺമെന്റ് സെക്രട്ടറിയേറ്റ്
 തിരുവനന്തപുരം

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	STATE GOODS AND SERVICE TAX
	(b)	Subject/Title of the Review Paragraph	Lack of co-ordination between other departments in collecting data useful for the completion of assessment Short return of turnover than that reported with the Income Tax Dept.
	(c)	Paragraph No.	2.4.7.7 (2)
	(d)	Report No. and Year	C & AG for the year ended 30-03-2015
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	Audit collected the details of scrutiny assessments completed for the financial year 2010-11 and 2011-12 in Corporate Circle 1(1), Corporate Circle 1(2), Corporate ward 1(3), Ernakulam of the Income Tax Dept. The cross verification of this data with the turnover details returned by 22 dealers in four assessment circles of CTD revealed that 4 dealers short reported their turnover than that reported with the income tax dept. The consequent short payment of tax including interest and penalty worked out to 9.24 crore
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies	NA

		of relevant documents in support	
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

VI

REMEDIAL ACTION TAKEN

(a)		<p><u>2.M/s. Hi Build Coatings (TIN 32070469195/10-11 & 11-12)</u></p> <p>As per C&AG Report the turnover escaped for the above dealer for the years 2010-11 & 2011-12 was Rs. 0.45 crores. As per Profit and Loss account filed in this office, revenue from operations was Rs. 71,04,40,262/-while the sales/gross receipts of business or profession as per Profit and Loss stated to be filed by the dealer before the Income Tax Department was Rs. 64,25,37,534/-. Since the turnover conceded is higher, there is no revenue loss.</p> <p>The assessing authority has reported that if copy of the details received from Income Tax Department is provided they would be in a better position to take action against revenue loss, if any. Hence necessary arrangements may be initiated from that end to provide the details received from Income Tax</p>
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Department.

Sl.No. 3 M/s Holyfaith Builders & Developers (P) Ltd.
Mamangalam

TIN : 32072022472/ 2011-12 -

The assessment in respect of the assessee for the year 2011-12 was completed under Sec 24(1) as per officer order No. 32072022472/2011-12 dated 19.07.2014 fixing the taxable turnover as Rs. 7,56,37,120/-. Subsequently the C & AG reported that they have audited the Income Tax assessment and found that the Income Tax Department had unearthed undisclosed income of Rs. 11,00,03,282/- from the business cash book of the assessee and included in the taxable income for the year.

Since such income received are to be included in the taxable turnover as works contract receipt under the KVAT Act 2003, a notice u/s 25(1) read with sec 25(A) of the Act was issued proposing to assess the suppressed turnover to tax as follows:-

Taxable turnover fixed as per order dated 19.07.2014	:
Rs. 7,56,37,122.00	-
Add suppressed turnover	:
<u>Rs. 11,00,03,282.00</u>	
Total turnover	:
Rs. 18,56,40,404.00	
Less turnover assessed as per order dated 19.07.2014	
<u>Rs. 7,56,37,122.00</u>	
Balance turnover	
: Rs. 11,00,03,282.00	
Less exemption @ 30% rule 10(2)(b)	
<u>: Rs. 3,30,00,984.00</u>	

Balance taxable turnover proposed

: Rs. 7,70,02,298.00

The above proposal was communicated to the assessee.

The assessee appeared in person and filed the reply stating that the income tax assessment was completed based on the alleged suppression which was subsequently remanded by the appeal and the Income Tax Officer has re-examined this case. It was found that some of the cash receipts shown as withdrawal from their bank cash book obtained in survey were excluded from the audited cash book. The officer accepted the explanation of the assessee in this regard that for control purpose, the assessee used to show entire amounts of cash withdrawals from banks as receipt in the cash book. However, these entire amounts withdrawn did not reach the assessee's office on many days as these amounts withdrawn were partially utilized for depositing into other bank accounts to meet fund requirements and also for meeting expenses at work sites and the balance amounts if any only reached the office. As the cash which actually reached the office cash box was lesser than the amount withdrawn on corresponding days, the mistake of recording entire amount of cash withdrawn from banks as receipts in the cash book were corrected at the time of audit by passing necessary journal entries through the day book of the year.

Moreover it was found that the amount of Rs. 35,00,000/- shown as receipt in the cash book on 15.07.2011 obtained in survey related to the settlement of land advance dispute through Court. This was wrongly shown as receipt in the cash book. This was corrected later by removing the entry from the cash book and passing entries in the day book of the year. Certain other receipts are also found not related to

contract receipts.

The Income Tax Officer observed that the details verified from the cash book obtained from the survey, audited cash book, pay back reconciliation statements and other related materials was found supporting the assessee's argument that the cash deposited to bank accounts were out of cash withdrawals from other banks. The other contentions were also convinced by the Income Tax Officer. Based on the above, the Income Tax department has withdrawn from their findings that the assessee has suppressed Income of Rs. 11,00,03,282/-.

The assessing authority verified the cash book and relevant records and no suppressed income was proved. In these circumstances, it is requested that the proposal to assess the suppressed income of Rs. 11,00,03,282/- may be dropped.

Sl.No. 4.

M/s Kerala Shipping and Inland Navigation Corporation Limited.

TIN : 32070335095/2011-12

Based on the objection- raised by the A.G. the assessment for the year 2011-12 was completed as per order No.32070335095/2011-12 dt. 30.09.2016. A penalty order under section 67 also issued dt. 09.03.2017 in which the demand created Rs. 1,44,53,120/-. As per WP(C)No.11021 of 01.06.2017 the Hon'ble high court of Kerala quashed the penalty order and directed to pass fresh order. The fresh order issued dt. 15.07.2017 amounting to Rs. 1,39,72,946/- which is now under RR of IAC and stay as per order No. WP(C) 33043/2017 dt.17.10.2017.

(b)	Recovery of overpayment pointed out by audit	
(c)	Recovery of under assessment, short levy or other dues	
(d)	Modification in the schemes and programmes including financing pattern	
(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	

സിനി ജെ. ജുക്കുർ
അഡീഷണൽ സെക്രട്ടറി
നിക്ഷേപ വകുപ്പ്
ഗവൺമെന്റ് സെക്രട്ടറിയേറ്റ്
തിരുവനന്തപുരം

69

142

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	<p>Data in KVATIS not relied upon for analysis before accepting the self assessments/completing the assessments</p> <p>Failure to pay tax on the entire sales effected through invoices.</p>
	(c)	Paragraph No.	2.4.7.8(1)
	(d)	Report No. and Year	-
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	-
III		Gist of Paragraph/Review	<p>As per Section 20A of the Act, every dealer shall file his return as well as purchase and sales list through electronic filing in addition to hard copy to be filed along with the return.</p> <p>Audit found that 52 out of 74 dealers scrutinised in 14 assessment circles issued sales invoices worth ₹ 1,248.60 crore, whereas the turnover reported for paying tax was only ₹1,175.01 crore resulting in short reporting of turnover by ₹73.58 crore. The resultant short levy of tax including interest and penalty worked out to ₹ 16.41 crore. The Tax district wise deviation from provisions of the Act/Rules.</p> <p>Audit observed that amongst the defaulters, M/s.Marikar (Motors)Ltd of Special Circle, Thiruvananthapuram was the biggest deafaulter with tax effect of ₹ 5.63 crore. The nature of business dealty by these dealers was as under :</p>

143

			<ul style="list-style-type: none"> • Five in Grocery with tax effect of ₹ 0.69 crore • Five in Iron and Steel with tax effect of ₹0.24 crore • Three in Computer with tax effect of ₹ 0.30 crore • Thirty nine in multiple commodities with tax effect of ₹15.18 crore <p>Audit observed that though these details were available in the KVATIS, the Department failed to address the issue. Thus, the Government needs to streamline the working of the Department and that the Departmental officials need to be vigilant about the availability of such details while doing assessment.</p>
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	- NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

(a)	Improvement in system and procedures, including internal controls.	<p><u>Sl. No. 7. Build Aid Corporation (TIN 32071886414/2012-13)</u></p> <p>The audit objection in this case is that the dealer "Build Aid Corporation" disclosed sales turnover of Rs. 8,56,95,154/- as per the invoices uploaded whereas the turnover disclosed as per the returns is Rs. 8,45,69,421/- only. Based on this audit observation, the assessing authority issued pre-assessment notice u/s 25(1) of the KVAT Act and the dealer filed detailed reply along with books of accounts and supporting documents. Verification of the reply furnished by the dealer with reference to the books of accounts and supporting documents reveals that there is no escapement of turnover. The difference caused in this regard was only due to the doubling of the actual 'sales value' in the case of certain invoices while uploading the details of sales invoices.</p> <p>Actual sales turnover as per the books of accounts of the dealer has been verified and which is seen disclosed in the monthly returns and also in Part VI (a) of Form 13A, the statutory audit report of the dealer. The list of invoices in which doubling error occurred and copies of certain specimen invoices in which the doubling error happened in the uploaded data.</p> <p>From the above, it is clear that no revenue loss has happened in this case as there is no turnover suppression occurred. Hence it is requested that the audit objection may kindly be dropped.</p> <p><u>8) M/s. Rashtriya Ispat Nigam Ltd./2012-13</u></p> <p>Audit objection is that the dealer M/s. Rashtriya Ispat Nigam Ltd., filed annual return disclosing total sales turnover of Rs. 4,45,06,91,211/- whereas they issued sales invoices</p>
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worth Rs. 4,45,38,56,203/- as per the details uploaded in KVATIS. Short levy of tax worked out to Rs. 1,58,250/- is based on this differential escaped turnover of Rs. 31,64,991/-.

Based on the audit objection, the assessing authority has verified this aspect and noticed that, the total sales turnover mentioned in the audit enquiry i.e., Rs. 4,45,06,91,211/- is not correct. The actual sales turnover disclosed in the annual return is Rs. 4,67,31,26,486/-.

Hence there is no turnover escape and no loss of revenue occurred. The dealer has remitted entire tax due on the turnover disclosed in the annual return, which is bigger than that disclosed as per the invoices uploaded in KVATIS. Hence it is requested that the audit objection may kindly be dropped.

9. M/s. Tayash Traders TIN 32070455109 2012-13

In the audit report 2015 by the Audit Party of the Account General, Kerala pointed out the defects that for the for the assessment year 2012-13 that turnover short reported by dealers with reference to the sales invoices issued by them

Assessment u/s.25(1) has been completed vide order dtd 17.02.2017 by incorporating above defects. Additional demand of Rs.125759/- and interest of Rs.105637/- created. Later assessment order modified by the appellate authority and amount reduced to Rs.18203/-. Dealer opted amnesty scheme and paid Rs.7281/- vide chalan No.K-L007211221202021E dtd 29.08.2020 . Hence the objection may be treated as settled.

10.M/s. Reliance Foot Print Ltd TIN 32070473908 I

In the audit report 2015 by the Audit Party of the Account General, Kerala pointed out the defects that for the for the assessment year 2011-12 that turnover short reported by

dealers with reference to the sales invoices issued by them.

A pre assessment notice u/s.25(1) by including the defects notified in the audit report was served. As per sales invoice issued by the dealer sales effected during the year was 124017560/- whereas that reported in the returns was Rs.90097213/-. Assessment u/s.25(1) had been completed vide order dtd 14.07.2016 by taking taxable turnover as Rs.124017560/-. Additional demand of Rs.37344/- created. The assessee has paid amount vide chalan No.163 dtd 10.11.2016. Hence the objection may be treated as settled.

11. M/s. True Coat Paints P Ltd TIN 32070474325

In the audit report 2015 by the Audit Party of the Account General, Kerala pointed out the defects that for the for the assessment year 2011-12 that turnover short reported by dealers with reference to the sales invoices issued by them.

Assessment u/s.25(1) has been completed vide order dtd 25.10.2018 by incorporating above defects. Additional demand of Rs.31496/- and interest of Rs.24567/- created. Dealer opted amnesty scheme 2019-20 and paid amount vide chalan No.KL011240850201920M dtd 06.12.2019. Hence the objection may be treated as settled.

13. M/s. Super LPG Services TIN 32071203292

In the audit report 2015 by the Audit Party of the Account General, Kerala pointed out the defects that for the for the assessment year 2010-11 that turnover short reported by dealers with reference to the sales invoices issued by them

As per the audit report Assessment u/s.25(1) has been completed vide order dtd 22.05.2017 ,by including suppressed sales turnover of Rs. 5649854.00 ,as per audit report. Additional demand of Rs. 711017.00 created. Hence

the objection may be treated as settled

14. M/s. Essar Pipes and Profiles TIN 32071214362

In the audit report 2015 by the Audit Party of the Account General, Kerala pointed out the defects that for the for the assessment year 2012-13 that turnover short reported by dealers with reference to the sales invoices issued by them.

Assessment u/s.25(1) has been completed vide order dtd 07.11.2017 by incorporating above defects. Additional demand of Rs.38025/- was created. The assessee have opted amnesty and paid Rs.9750/- as per chalan no KL017365164202021E dated 23.01.2021. Hence the objection may be treated as settled.

Sl. No. 15. M/s. M & T Steels - 32050266625/2011-12

Best judgment assessment was completed in respect of the dealer for the year 2011-12 based on the objections pointed out vide Order No. 32050266625/2011-12 dated 23/07/2015 with tax and interest as Rs.1,05,005/- and Rs.39,902/- respectively. Against this order the dealer filed appeal before the Deputy Commissioner (Appeals) Kottayam and the order was remanded by the Deputy Commissioner (Appeals). Hence a notice was issued to the dealer. In reply the dealer explained that while filing the original return on 21/01/2012 for the month of December 2011 the Sales turnover was mistakenly shown as Rs. 24,32,804/- which was corrected on the same day by filing revised return showing the correct turnover of Rs.7,86,950/-. The difference between there is Rs. 16,45,584/-. Hence no suppressed turnover as pointed out in the audit.

Sl. No. 16. Rubber Dealer 32051028925/10-11

1. Rubber Dealer - 32051028925/2010-11

The objection raised in the audit is the variation in sales turnover of Rs. 47,94,000/-, as per annual return filed and figures obtained from build from other in KVATIS. Notice issued to the dealer which was returned since the dealer expired and again served on the legal heir. The dealer stated that the invoices and figures of the following dealers are not their sales.

Sl. No.	Invoice No., Date & Name of dealer	Amount (Rs.)
.1	34 dated 04/12/2010 K. C. P. M. Co. Ltd	11,76,000
.2	35 dated 07/12/2010 South Indian Rubber Co.	11,94,000
3.	36 dated 11/12/2010 South Indian Rubber Co.	11,91,000
4.	37 dated 15/12/2010 South Indian Rubber Co.	11,91,000
5.	38 dated 21/12/2010 K. C. P. M. Co. Ltd	12,21,000
6.	39 dated 23/12/2010 Amala Enterprises	12,42,000
7.	40 dated 29/12/2012 C. V. V Trading Co.	12,45,000
	Total	84,60,000

And while uploading the sales statement, they have omitted to include the following sales, which have already disclosed in their returns in Form 10.

Sl. No.	Invoice No., Date & Name of dealer	Amount (Rs.)
1.	22 dated 16/12/2010 Chettiparambil Traders	11,97,000
2.	23 dated 23/12/2010 South Indian Rubber Co.	12,21,000
3.	24 dated 30/12/2010 M. V. Rubbers	12,48,000
	Total	36,66,000

The difference between the above two figures (Rs.

84,60,000/- Rs. 36,66,000 = Rs. 47,94,000) is the Variation detected by the Accountant General.

The assessing authority has verified the reply with KVATIS and already reported that the tax due from the dealer for the year as per the return has been remitted.

22 M/s Calicut Tile Company TIN 32110231015 .

The returns and uploaded invoice details were verified, notice was issued to the assessee for which he replied that the difference was technical; which occurred while copying the sales statement from their system and uploading it with the returns, as its enclosures.

Verified the contentions in detail. It was found that the claim was true. Amidst the sales list there contains certain rows with the particulars in the column for invoice No. as 'NIL'. The sum of values in such rows is found to be equal to the total difference as between the annual returns & own invoice details.

The hardcopy of the sales statement from the official site '<https://comitax.kerala.gov.in>' - as could be viewed from the dealer's id - was produced. It evidences that those sales particulars with invoice no. "NIL" were actually the sum total of each ledger account, viz., that of sales to registered dealers, sales to unregistered dealers, interstate sales taxable @2% and interstate sales taxable @4%, as on the last day of that particular return period. Thus, actually there occurred duplication of invoice values in the sales list which resulted in the difference in sales turnover as between returns and own invoice details. While uploading the sales statement for each month, the row which represented the 'total' figure of each ledger account was omitted to be deleted.

The reflected difference as between own invoice details and annual return in sales turnover:-

(Rs. 84139883.00 – Rs. 60233142.59) = Rs. 23906740.41
(23950733 – 23906740 = 43991.00) -

For the month of March 2011, the sales turnover conceded in return was of a figure greater by Rs. 43,991.00 than that in the invoice details. This value has, however been subjected to levy. If this value hike of Rs. 43,991.00 in the sales turnover in Form 10 was not there, then the turnover in annual return would have been lesser by Rs. 2,39,50,733/- itself than that reflected by 'own invoice details'.

Therefore, the difference pointed out could be explained as the technical error occurred while uploading monthly sales statements for the month of April 2010 to October 2010.

As stated herein above, the assessee has produced the hard copies of uploaded sales statement from the site 'https://comtax.kerala.gov.in'. It could be seen from the said copies that, the rows with invoice column 'NIL' - in the sales list reflected through KVATIS – were reflected therein as 'TOTAL' in the column for buyer's name and address.

The above being the facts it is hereby submitted that there is no case of escapement or evasion and hence the audit objection may kindly be dropped.

46. Jemis Enterprise (10-11) –CTO, First Circle, Kalamassery

The major irregularity noticed in the audit enquiry referred above is an escaped turnover of Rs.2723347/- during 2010-11.

The accounts of the dealer for the year 2010-11 were called for and examined by the assessing authority. After verification, the assessing authority remarked that, while filing the revised monthly return for the month of 07/10,

8/10, 10/10, 11/10 and 01/2011, dealer revised the actual sales amount in the monthly return, but failed to revise the actual sales list mistakenly uploaded along with original return filed. It is the reason for the difference of Rs.27,23,347/-.

49. Vinsa Todays (12-13) - CTO, FIRST CIRCLE, THIRUPUNITHURA


The final assessment in respect of M/s.Vinsa Todays has been completed on 18.07.2016 in order to make good the short levy of Rs.21,20,994/-(including interest).Moreover a penalty under section 67 also invoked and completed as per order No. 32070332586/2012-13 dated 17/11/2016 for an amount of Rs. 45,44,988/- and the case is pending before the Appellate Authority.

53) M/s Janatha Agencies:

The assessment in respect of M/s. Janatha Agencies for the year 2011-12 was completed demanding Rs.4,82,021/- (tax) and Rs.4821/- cess vide order No. 32110226651/2011-12 dtd. 27.1.16 of the State Tax Officer, I Circle, Kozhikode. Aggrieved by this order, the assessee filed appeal before the Deputy Commissioner(Appeals), Kozhikode. The Deputy Commissioner(Appeals) vide order No. VATA 357/2016 dtd. 11.1.18 modified the order directing the assessee to appear before the assessing authority with all documents to prove his claim within one month of receipt of this order, failing which the original order stand restored.

As the assessee has not produced the required details within the stipulated time, the original assessment order stand restored vide the office order dtd. 1.6.2018 of the State Tax Officer, I Circle, Kozhikode. Accordingly request for re-initiating the RR proceedings against the assessee was

		forwarded to Asst. Commissioner of State Tax, Kozhikode.
(b)	Recovery of overpayment pointed out by audit	
(c)	Recovery of under assessment, short levy or other dues	
(d)	Modification in the schemes and programmes including financing pattern	
(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	


 സിനി ജെ. ജൂക്കൂർ
 അഡീഷണൽ സെക്രട്ടറി
 നികുതി വകുപ്പ്
 ഗവൺമെന്റ് സെക്രട്ടറിയേറ്റ്
 തിരുവനന്തപുരം

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES-
	(b)	Subject/Title of the Review Paragraph	<p>Data in KVATIS not relied upon for analysis before accepting the self assessments/completing the assessments</p> <p>Short return of interstate purchases than that was reported at the Checkposts</p>
	(c)	Paragraph No.	2.4.7.8(2)
	(d)	Report No. and Year	
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	<p>Audit found that 30 out of 56 dealers scrutinised in 11 assessment circles assesseees transported into the State through various checkposts, goods worth ₹1,148.16 crore as interstate purchase and interstate stock transfer against which only ₹ 921.85 crore was reflected in the annual returns. Though the data was readily available in KVATIS, the assessing officers failed to utilise the same, resulting in short reporting of purchases by ₹ 213.59 crore. The resultant short levy of tax including interest and penalty worked out to ₹ 63.62 crore. The Tax district-wise deviation from provisions of the Act/Rules.</p> <p>Audit observed that amongst the defaulters, M/s.Indus Motors Light Commercial Vehicles Pvt.Ltd,. Of Special Circle-II, Ernakulam was the biggest defaulter with tax effect of ₹ 30.08 crore.</p>

			In exit meeting (December 2015) the Principal Secretary (Taxes) stated that once the process of upgrading the server capacity and application upgradation is completed, full use of the information would be made.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

REMEDIAL ACTION TAKEN

① M/s. Sud Chemi India Pvt. Ltd. 32070467474/12-13

Based on the audit objection a notice U/Sec. 25(1) of the KVAT Act 2003 was issued to the dealer on 01.08.2016 and the dealer produced books of accounts and on verification of the same, the assessing authority convinced that there is no suppression or escape of any taxable turnover / purchase turnover. The detailed reconciliation regarding the same is submitted herewith. Hence it is requested that the audit objection may be dropped.

② M/s. Tulsyan (P) Ltd. 32070244645/2012-13

Based on the audit objection Notice u/s 25(1) of the KVAT issued to the dealer proposing to complete the assessment for the year 2012-13. The dealer produced the list of purchases during the year 2012-13 and as per the details checkpost data turnover escaped is Rs. 7478837.

On verification of the purchase details, the assessing authority found that the assessee remitted advance tax for the purchases made by them. It is also noted that the following purchase invoices are entered two times in the check post data.

Sl. No	Invoice No.	Amount (Rs.)
1	U 06653/29.10.2012	172000
2	U3 06666/29.10.2012	515300
3	U3 07395/23.11.12	545500
4	U1 0711/24.11.12	126400
5	8688/02.01.13	387500
6	9040/11.01.2013	524400
7	10050/08.02.2013	661000
8	9735/01.02.2013	661900
9	10817/04.03.2013	576300

10	10875/04.03.2013	82300
11	10870/05.03.2013	303600
12	10896/05.03.2013	271000
13	U3/11550/26.03.2013	655000
14	11571/28.03.2013	643300
15	11560/26.03.2013	1291000
16	11585/28.03.2013	652100
	Total	

Hence the difference in the value of goods in the checkpost data and return filed.

In the circumstances, there is no scope for completing assessment U/Sec. 25(1) of the KVAT Act.

M/s. Mondelez India Foods Pvt Ltd 32070329842/2012-13

Based on the audit enquiry, detailed scrutiny of the checkpost transaction details available in KVATIS. has been done and the pre-assessment notice was issued to the dealer, Accordingly, assessment has been reopened and completed as per Order No. 32070329842/2012-13 dated 28.04.2017 by assessing the escaped purchase turnover of Rs. 20,55,13,683/-. Additional demand created vide the above order is given below.

Tax Due : Rs. 3,24,60,886.00

Interest : Rs. 1,59,05,834.00

Total : Rs. 4,83,66,720.00

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On receipts of the order of assessment, the assessee filed appeal before Deputy Commissioner (Appeals), Ernakulam vide KVATA No. 2639/2017 and remitted Rs. 64,92,177/- ie 20% of the disputed tax. As such the balance amount is under stay. Appeal filed by the assessee before Deputy Commissioner (Appeals) is

not yet disposed.

(4)

M/s. P.M. Trading Co. 32070215845/2012-13

The objection is, as per return of the dealer filed for the year 2012-13, the total interstate purchase accounted was Rs.11,38,89,163/- only where as on verification of the details of goods transported into the state through various check posts revealed that the total value of goods declared there is was Rs.14,18,18,309/-. The difference of interstate purchase worked out to Rs.2,79,29,146. Pre-assessment notice was issued to assess the difference of Rs. 2,79,29,146/- in the interstate purchase conceded in the returns and audited accounts from the interstate purchase declared by the dealer at the check post. To the above proposal, the dealer stated that they have import commodities at Chennai and transported the same to the state by using delivery note and the difference is due to the import value of Rs. 1,97,40,759/- plus customs duty of Rs.58,11,793/- and container charge and handling charges of Rs.23,73,594/-. They furnished copy of delivery note, import invoices, bill of entry for verification. The amount of import is compared with that of invoices produced. But the value of delivery note used for transporting the imported goods is not tallying with the customs duty and container and handling charges. Hence assessment was completed vide Order No. 32070215845/2012-13 dated 29.07.2016. Against the Order, the dealer filed Writ Appeal before the Hon'ble High Court of Kerala. The Hon'ble High Court has quashed the order vide WP(C) No. 28908 of 2016 dated 29.11.2016. Hence there is no scope of turnover liable to be assessed in this case.

(5)

M/s. Lilly White 32010147595/2012-13

The assessment has been completed vide order No. 32010147595/2012-13 dtd. 03.02.2015 by creating an additional demand Rs. 20,74,826/-. Aggrieved by this order, the dealer filed appeal before the DC (A), Thiruvananthapuram and remitted an amount of Rs. 6,22,450/- (30% of the amount due). The appeal filed was remanded by the DC (A), Thiruvananthapuram vide order No. KVATA No. 86/16 dtd. 29.08.2016.

⑥

M/s. Lilly White 32010147595/2013-14

The assessment has been completed vide order No. 32010147595/2013-14 dtd. 25.02.2016 and creating additional demand Rs. 17,65,538/-. Aggrieved by this order, the dealer filed appeal before the DC (A), Thiruvananthapuram and remitted an amount of Rs. 5,29,661/- (30% of the amount due). The appeal filed was remanded by the DC (A), Thiruvananthapuram vide order No. KVATA No. 305/16 dtd. 29.08.2016. Based on the appellate order fresh assessment was made on 07.03.2017. As per the said order the additional demand reduced to Rs. 1,20353/-. The said amount has been adjusted with excess amount paid.

⑦

M/s. Kerala State Rubber Co-Operative Ltd. 2012-13

Based on the audit objection the assessment has been completed vide Order dated 29.07.2015 and creating an additional demand of Rs. 8.67 lakh. The assessee filed appeal before the Deputy Commissioner (A), Kottayam against this order. The appellate authority remanded the assessment vide order No. KVATA 568/15 dated 31.08.2018.

⑧

M/s. Avant Enterprises (P) Ltd TIN 32070256942/12-13

Considering the audit objection the assessment has been completed vide office proceedings No. 32070256942/2012-13 dtd 30.09.2015, creating an additional demand of Rs. 8,35,798/- (VAT) & Rs. 2,42,381/- (interest) respectively. The assessee has paid 30% of the outstanding demand for Rs. 3,23,454/- as per DD No. 167336 dtd 15.04.2016 and filed an appeal against the order before the Deputy Commissioner (A), Commercial Taxes, Ernakulam who has directed to modify the original assessment order vide KVATA No. 2182/15 dtd 24.06.2017. The modification is still pending. Hence the audit objection may be dropped.

(9)

M/s. Cochin Glass House TIN 32071330045/12-13

Considering the audit objection the assessment has been completed vide office proceedings No. 32071330045/2012-13 dtd 30.10.2015, creating an additional demand of Rs. 8,51,182/- (VAT) & Rs. 2,63,866/- (interest) respectively. The balance due is under RR. Hence the audit objection may be dropped.

(10)

M/s. Kerala State Civil Supplies Corporation Ltd (TIN 32070336974/2012-13)

The Audit objection is with regard to the difference in purchase turnover in check post data & invoices uploaded in KVAT returns. Notice U/s. 25(1) issued to the dealer and assessment completed vide order dtd 06.03.18, creating additional demand of Rs. 92,52,046/-. The above demand is under RR vide requisition No. 393/17-18 dtd 28.03.18 to State Tax Asst. Commissioner, Ernakulam.

(11)

M/S. Nirmal Glass & Plywoods (TIN 32070432385/2012-13)

On verification and scrutiny of the Audited Reports in respect of

M/s Nirmal Glass Ply Wood, Janatha Junction, Palrivattom, Cochin, the Accountant General pointed out the following defects.

The dealer filed annual return in Form No10 and 13A audited statement as Rs. 14952169/- (sales) & Rs.6349589/ (Purchase) respectively. But verification of the details of goods transported in to various check post revealed that the total value of goods declared therein was 75,11,597/-. Hence it was noticed that the dealer has not accounted interstate purchase of Rs. 1152008 and there by short paid tax including interest of Rs 199237/-.

On the basis of the audit objection, a notice was issued & the dealer filed reply with all supporting documents to prove their actual purchase. The same was verified with the check post data taken from the KVATIS module for the year 2012-13. On cross verification of the books of accounts ,interstate purchase documents such as bills, FormNo8F, declaration in form No 27 it was found certain consignment were recorded repeatedly which was the reason for the difference in the turnover. Hence the difference was only due to duplicate entry.

Hence the objection raised by Accountant General is not sustainable and hence may kindly be dropped.

(12) **M/s. Salim Barrels 2012-13**
32050276345

The audit team pointed out that on verification of the check post transactions in to the state through various checkpost, the dealer effected unaccounted interstate purchase resulting short levy of tax including interest and penalty worked out to Rs. 0.12 crore.

Verified the accounts of the dealer for the year 2012-13 and

the following facts are revealed.

Interstate purchase shown in return : 501.98 lakh

Interstate purchase as per check post data : 574.41 lakh

In check post data, several mistakes were crept as detailed below.

Interstate purchase as per check post data : 574.41 lakh

Less: (1) Interstate sale entered as interstate

purchase : 6.24 lakh

(2) Purchase of March 2012 included

in check post data : 6.23 lakh

(3) Bill No 57 dated 09.06.2012 entered

as 21.66 lakh instead of the actual value

of Rs. 2.16 lakh (Variation) : 19.00 lakh

(4) Plant and Machinery purchased

not included in the return : 5.02 lakh

(5) In monthly return of November 2012

interstate purchase of 36.91 lakhs

entered as local purchase by mistake

(ITC not availed) : 36.91lakh

Balance turnover : 501.01 lakh

Interstate purchase shown in return : 501.98 lakh

Hence there is no short return of interstate purchase. The objection raised may kindly be dropped.

(13)

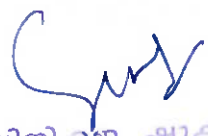
M/s. P.M.Trading Co. 320702 15845/2012-13

The objection is, as per return of the dealer filed for the year 2012-13, the total interstate purchase accounted was Rs. 11,38,89,163 only where as on verification of the details of goods transported into the state through various check posts revealed that the total value of goods declared there in was Rs. 14,18,18,309/-. The difference of interstate purchase worked out to Rs. 2,79,29,146. Pre-assessment notice was issued to assess the difference of Rs. 2,79,29,146 in the interstate purchase conceded in the returns and audited accounts from the interstate purchase declared by the dealer at the check post. To the above proposal, the dealer stated that they have import commodities at Chennai and transported the same to the state by using delivery note and the difference is due to the import value of Rs.1,97,40,759 plus customs duty of Rs. 58,11,793 and container charges and handling charges of Rs. 23,76,594. They furnished copy of delivery note, import invoices, bill of entry for verification. The amount of import is compared with that of invoices produced. But the value of delivery note used for transporting the imported goods is not tallying with the customs duty and container and handling charges. Hence assessment was completed vide order no. 320702 15845/2012-13 dated 29.07.2016. Against the order, the dealer filed Writ appeal before the Hon'ble High Court of Kerala. The Hon'ble High Court has quashed the order vide WPC No. 28908 of 2016 dated 29.11.2016. Hence there is no escape of turnover liable to be assessed in this case. Hence the objection may be dropped.

(b)

Recovery of
overpayment
pointed out by
audit

(c)	Recovery of under assessment, short levy or other dues	
(d)	Modification in the schemes and programmes including financing pattern	
(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit	


 സിനി ജെ. ഷുക്കൂർ
 അഡീഷണൽ സെക്രട്ടറി
 നികുതി വകുപ്പ്
 ഗവൺമെന്റ് സെക്രട്ടറിയേറ്റ്
 തിരുവനന്തപുരം

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	<p>Data in KVATIS not relied upon for analysis before accepting the self assessments/completing the assessments</p> <p>Excess claim of ITC than the Output Tax (OPT) paid to Government account</p>
	(c)	Paragraph No.	2.4.7.8(3)
	(d)	Report No. and Year	
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	<p>Audit found 10 out of 24 dealers scrutinised in eight assessment circles availed ITC of ₹ 91.12 crore for their purchases from eight selling dealers whereas the sales details of these dealers show that they had paid only ₹ 85.23 crore as tax collected from the above 10 dealers. Since the OPT paid by the selling dealers is less than the ITC claim of the purchasing dealers, the allowance of entire claim of ITC means excess withdrawal of money from Government account amounting to ₹ 5.88 crore. The resultant short levy of tax including interest and penalty worked out to ₹ 19.84 crore (Appendix XII) The Tax district-wise deviation from provisions of the Act/Rules.</p>

			Audit observed that amongst the defaulters, M/s.T.V.Sundaram Iyengar & Sons Pvt,Ltd of Special Circle,Thiruvananthapuram was the biggest defaulter with tax effect of ₹ 4.02 crore.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

REMEDIAL ACTION TAKEN

(a) Improvement in system and procedures, including internal controls.	<p><u>Sl.No. 5 : M/s. Max Enterprises (TIN 32071561389/12-13)</u></p> <p>Considering the audit objection the assessment of the dealer was completed, as per No.320715 61389/2012-13 dt.09.02.2016 . The additional demand was recorded as nil demand.</p>
	<p><u>Sl.No. 6: M/s. Nook Micro Distributors (TIN 32070209499/12-13)</u></p> <p>Considering the audit objection the assessment has been completed as per this office order No.320702 09499/2012-13 dt.29.01.2016 and the additional demand created is Rs.88,69,667.00 (VAT) and Rs.30,15,687.00(Interest) respectively. The assessee has filed a appeal before the Deputy Commissioner(Appeals), SGST Department, Ernakulam as per the direction from the Honourable High Court of Kerala (WP(C) No.9877 of 2016).The appeal is pending before the Deputy Commissioner(Appeals), Ernakulam . No amount has been collected till date.</p>
	<p><u>Sl.No. 7 : M/s. Max Enterprises (TIN 32071561389/12-13)</u></p> <p>Considering the audit objection the assessment of the dealer was completed, as per No.320715 61389/2012-13 dt.09.02.2016 . The additional demand was recorded as nil demand</p>
	<p><u>8- M/s. Oriental Woods, TIN 32070405824</u></p> <p>In the audit report 2015 by the Audit Party of the Account General, Kerala pointed out the defects that for the for the</p>

assessment year 2012-13 that excess claim of input tax credit than the output tax paid to Government account

A pre assessment notice u/s 25(1) of the KVAT Act 2003 dtd 02.06.2017 ,by including above defects ,was served on the dealer. The dealer had not filed any substantiating evidences against the proposal to disallow excess claim of IPT to the tune of Rs.5780962.00. Hence the assessment completed vide order dated 20.07.2017 by adding reverse tax of Rs.5780962.00 .Additional demand created of Rs.15023967/- and interest determined of Rs.7812463/-.Now amount is under RR.

9. M/s. E Oriental Timbers,Edappally TIN 3207045144

In the audit report 2015 by the Audit Party of the Account General, Kerala pointed out the defects that excess claim of input tax credit than the output tax paid to Government account

A pre assessment notice u/s 25(1) dtd 02.06.2017 by incorporating the defects mentioned in the audit report was served on the dealer. The dealer had submitted a reconciled statement showing purchase and supporting sales details except purchase turnover of Rs.4854534.00 having VAT amount of Rs.655362.00.Hence tax element in this excess IPT claim has been added as reverse tax in the assessment order vide No.320704455144/2012-13 dtd 20.07.2017.Additional demand created of Rs.761000/- and interest calculated of Rs.395720.00. The Amount is under RR.

10) ABT Industries


The audit enquiry was that the dealer has adjusted an amount of Rs. 48,30,298/- from the tax due, being the tax on

sales return without supported by Form 9 Debit Notes issued by the purchasing dealers.

Pointing out the above defect a notice was issued to the dealer. The dealer has filed a reply stating that Motor vehicles were sold to various customers as per the annexures. Since the customers had not taken delivery of motor vehicles for various reasons, the sales had not materialised and subsequently the invoices were cancelled and the motor vehicles have been re-billed to new customers and collected VAT at the time of subsequent sale and the same is duly remitted. The dealer has produced corresponding documents to prove the same.

The explanations rendered by the assessee upon enquiry were that the customers upon whom the vehicles were billed, have not taken delivery of the goods for financial reasons. The vehicles dealt by the assessee were commercial vehicles and these sales are financed by M/s Sundaram Finance, Cholamandalam Investment & Finance Co. Ltd etc. The return of sales are explained as only documentary. No physical possession was taken or returned by the concerned purchasers. This recordal sales returns are in the events of issues between the financing company & the customers. Invoices are raised when financing companies intimate the willingness for hypothecation. In case when financiers rejects the loan the invoice raised is cancelled. So also, bulk booking cases by parties expecting tenders from Government were also contended as cancelled later. The same vehicles (recordally returned) are said to have sold subsequently to other customers. The assessee has produced the statements containing first invoice details including purchasers name, the

		<p>chasis No., the rebilled invoice details, the registration details from website Kerala Motor vehicles Department etc.</p> <p>To verify the genuineness of the claim and the documents produced, letters were issued to the financing companies. The financing company M/s Sundaram Finance have responded and the data produced found matching with the details furnished by the assessee. Hence the audit enquiry may be dropped.</p>
(b)	Recovery of overpayment pointed out by audit	
(c)	Recovery of under assessment, short levy or other dues	
(d)	Modification in the schemes and programmes including financing pattern	
(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	


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ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	<p>Failure to assess dealers who did not comply with the provisions in the Act</p> <p>Assessments not completed in respect of assesseees who failed to file returns</p>
	(c)	Paragraph No.	2.4.7.9(1)
	(d)	Report No. and Year	C&AG for the year ended 31.03.2015
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	<p>As per Section 20(1) of the Act, every registered dealer and every dealer liable to be registered under the Act shall submit to the assessing authority such return or returns before such dates and in such manner and accompanied by such documents as may be prescribed. Under section 22(3), if any dealer fails to submit any return as provided under section 20(1), the assessing authority shall estimate the turnover of the return period and complete the assessment to the best of its judgement.</p> <p>In four assessment circles, 123 dealers out of the 3,791 dealers failed to file their annual returns during 2013-14. The best judgement assessments under section 22 were initiated against only eight dealers. Audit verified 74 out of the 115 cases on</p>

			<p>which assessments were pending and found that 10 dealers had tax liability. Deputy Commissioners were not monitoring the assessments in respect of return defaulters resulting in non levy of tax of ₹ 22.40 crore including interest and penalty. The Tax district wise deviation from provisions of the Act/Rules.</p> <p>Audit found that of the 10 cases, five were no account of short reporting of interstate purchase, three on account of irregular exemption claimed and two on account of short reporting of sales invoices.</p>
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

REMEDIAL ACTION TAKEN

(a) Improvement in system and procedures, including internal controls.	<u>2. M/s. MMTC Ltd (TIN 32070382672/12-13)</u>																								
	Verification of the entries in KVATIS reveals that the above dealer had submitted return (revised return) for the month of April 2012 on 12.06.2012. But the original return filed along with due tax was already submitted in time. The date of filing of returns for the subsequent months are given below																								
	<table><tr><th><u>Month</u></th><th><u>Date of filing</u></th></tr><tr><td>May 2012</td><td>13.06.2012</td></tr><tr><td>June 2012</td><td>13.07.2012</td></tr><tr><td>July 2012</td><td>14.08.2012</td></tr><tr><td>August 2012</td><td>10.09.2012</td></tr><tr><td>September 2012</td><td>13.10.2012</td></tr><tr><td>October 2012</td><td>09.11.2012</td></tr><tr><td>November 2012</td><td>11.12.2012</td></tr><tr><td>December 2012</td><td>11.01.2013</td></tr><tr><td>January 2013</td><td>22.04.2013 (revised return)</td></tr><tr><td>February 2013</td><td>29.01.2016 (revised return)</td></tr><tr><td>March 2013</td><td>05.04.2013</td></tr></table>	<u>Month</u>	<u>Date of filing</u>	May 2012	13.06.2012	June 2012	13.07.2012	July 2012	14.08.2012	August 2012	10.09.2012	September 2012	13.10.2012	October 2012	09.11.2012	November 2012	11.12.2012	December 2012	11.01.2013	January 2013	22.04.2013 (revised return)	February 2013	29.01.2016 (revised return)	March 2013	05.04.2013
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March 2013	05.04.2013																								
	Revised return for the month of January 2013 is seen filed on 22.04.2013. But the original return along with legitimate tax due to the State Exchequer, was already filed within the stipulated time. The original return for the month of March 2013 was E-filed on 05.04.2013. It is to be noted that the return for March 2013 could be uploaded only after clearing backlogs. The revised return for the month of February 2013 is seen filed on 29.01.2016. But the tax due for February 2013 was already paid along with original return. In the circumstances no question of loss of revenue has occurred in this case due to the belated filing of revised return for certain																								

months. Since all the monthly returns are filed along with due tax, there is no scope for completion of assessment under section 22(3) of the KVAT Act 2003. Hence the above audit objection may be dropped.

3 M/s Leela Soft Pvt Ltd (TIN32070471906/2012-13)

The annual return in respect of M/s Leela Soft Pvt, Plot. No 5 Ltd, Info Park, Kusumagiri, Kakkanad for the year 2012-13 was scrutinized by the Accountant General. On verification of the return the following defect was noticed.

During the year 2012-13 the assessment was not completed in respect of the assessee who failed to file returns. The amount involved in this case was Rs.1.42 Crores.

On the basis of audit objection, the entire assessment records were verified. It was found that the dealer has already filed a request for revising the return for the year 2011-12 (Jan, Feb, March), 2012-13 and 2013-14. The reason for revision as submitted by the dealer was that in the monthly and annual return filed by them the sales turnover of Rs.87356032/- has been declared. They were a company in the SEZ, engaged in construction and lending out of commercial space for IT based enterprises. Absolutely there was no sales of goods. All the goods purchased were used in the construction of building which was subsequently let out. They have produced the audited annual accounts of the company for the year 2012-13 and 2013-14. Verification of the audited accounts revealed the income from immovable property. In the case it is submitted that in the returns, goods used for the above purpose was declared as disposal. This was purely a mistake on their part. It was submitted that turnover can arise on a mere mistake of fact. Hence they requested permission to file revised return

declaring nil turnover. On the basis of the request, permission has been granted to revise the return and the assessee filed annual return. As per revised annual return, the dealer has conceded sales turnover of Rs 30990/- only with tax effect of Rs.1550/- which has been remitted as per return. Hence the objection raised by the C& AG is not sustainable & may kindly be dropped.

7. M/s. Foot Care-2013-14

The dealer filed annual return conceding total turnover of Rs. 18,37,308/- and paid net tax Rs. 1,13,727/- with interest Rs. 3534/- for the year 2013-14. As the dealer filed monthly and annual return, there is no scope for best judgment assessment in this case.

8. M/s. O G Arcade

The dealer filed annual return conceding compounded turnover of Rs. 83,34,515/- and paid compounded tax Rs. 44219/- with interest Rs. 1899/- for the year 2013-14. Dealer also filed annual return in Form No. 10 conceding turnover of Rs. 347289/-. As the dealer filed monthly and annual return, there is no scope for best judgment assessment in this case.


9. M/s. Nasar Trade Links

The dealer filed annual return conceding total turnover Rs.1226423/- and paid Rs. 41982/- for the year 2013-14. The dealer has stopped business with effect from 30.06.2014.

10.M/s. Gift Palace

The dealer stopped business and the registration of the dealer has been cancelled with effect from 30.07.2014.

		Whether the assessing authority verified and found there is no purchases and sales documents during the year.
(b)	Recovery of overpayment pointed out by audit	
(c)	Recovery of under assessment, short levy or other dues	
(d)	Modification in the schemes and programmes including financing pattern	
(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	


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ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	<p>Failure to assess dealers who did not comply with the provisions in the Act</p> <p>Failure to assess tax due from the dealers at the time of cancellation of their registration</p>
	(c)	Paragraph No.	2.4.7.9(2)
	(d)	Report No. and Year	C & AG report for the year ended 31-3-2015
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	-
III		Gist of Paragraph/Review	<p>As per section 2(xlii) of the Act and Rule 15 of the KVAT Rules, if any goods for which input tax credit has been availed but such goods remain unsold at the time of cancellation of registration, the input tax so availed would be reversed. Similarly if any goods imported in to the State by issuing statutory forms remain unsold, tax should be levied on such goods, treating it as sale within the State. As per Section 22(3), if any dealer fails to submit any return as provided under Section 20(1) for a period of time and later his registration is cancelled, then the assessing authority shall estimate the turnover of such return periods and complete the assesment to the best of its judgment.</p> <p>Audit noticed that out of 75 dealers in five assesment circles whose registrations were cancelled during the years 2010-11 to 2013-14, assesment was completed in 11 cases only. All dealers who cancelled their registration are to be assessed which is not being done. Audit verified balance 64 cases and found 10 dealers had tax liability. Deputy Commissioners were</p>

			<p>not monitoring the assessments on cancelled dealers resulting in non levy of tax of ₹ 3.20 crore including interest and penalty. The tax district wise deviation from provisions of the Act/Rules.</p> <p>Audit found that failure to analyse the outstanding tax liability of the assessee at the time of cancellation of their registration resulted in non demand of tax.</p> <p>Further , analysis revealed that M/s.Calicut Gas in the rolls of Commercial Tax Officer,Special Circle-II, Kozhikode alone had tax liability of ₹ 2.03 crore.</p>
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	NA
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	NA
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

REMEDIAL ACTION TAKEN

(a)	Improvement in system and procedures, including internal controls.	<p><u>1. Malabar Agencies 32110240274/12-13</u></p> <p>Based on the audit objection the assessment has been completed vide Order No. 32110240274/12-13 dtd. 1.3.2016 creating an additional demand of Rs. 5184/- which was paid as per chalan No. 318/9.3.2018</p> <p><u>2. Maneesh Pharmaceuticals 32071136624/12-13</u></p> <p>The assessee had stopped business with effect from 31.03.2013 and there is no closing stock as on 31.03.2013.</p> <p>The assessee had unaccounted sales as evident from 'build from others' data in KVATIS. Notice was issued to the assessee and books of accounts were verified and found that Maneesh pharmaceuticals had appointed consignee agent M/s. City Drugs & Millennium Drug Associates (32071136624) for sales of South Kerala. The purchasers by mistake uploaded their old TIN of Maneesh pharmaceuticals instead of TIN of City Drugs & Millennium Drug Associates' on their purchase, which was affirmed by all dealers as per notarised signed affidavits. The assessment was completed vide 32110282934/12-13 dtd. 13.01.2016 creating an additional demand of Rs.297941.00. This order was set aside by Deputy Commissioner(A) vide VATA 597/16 dtd. 26.11.2016.</p> <p><u>3. M/s. Sunitha Furniture and Foam Palace:-(KNR)</u></p> <p>M/s. Sunitha Furniture and Foam Palace, a proprietorship firm with TIN 32120786452 was on the rolls of STO III Circle, Kannur. Sri. Narayanan Kutty Kaiprath</p>
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was the proprietor of the firm. On 31.03.2014, the assessee put in an application for cancellation of Registration Certificate due to stoppage of business as a proprietorship concern and took new registration as partnership firm in the name 'M/s. Sunitha Furniture" with TIN:32120774289. Sri. Narayanankutty is the Managing Partner of the new firm.

The assessee filed the annual return and uploaded Form 53 in KVATIS. The closing stock of the firm as per Form 53 was Rs. 2,87,68,427/- (5% taxable item : Rs.45,23,522/- and 14.5% items: Rs. 2,42,44,905/-). The assessee, M/s. Sunitha Furniture have filed an undertaking that they have taken entire closing stock in respect of M/s. Sunitha Furniture and Foam Palace as on 31.03.2014. The partners of M/s. Sunitha Furniture also declared that the stock value of the defunct concern as on 31.03.2014 were valued at Rs. 45,23,522/-(5%) and Rs. 2,42,44,905.00 (14.5%) and partners of M/s. Sunitha Furniture (TIN: 32120774289) undertake to pay tax liability of Rs. 37,41,687/- at the time of sale of those goods and any excess amount over and above if any shall also be paid by them. As per the Audit report for the year 2013-14, the closing stock filed by M/s. Sunitha Furniture and Form Palace was the same amount which was shown in the trading and profit and loss account of M/s. Sunitha furniture, new firm, for the year 2014-15.

On further verification of the annual return with audited statement filed by the assessee for the year, it was found that Sales turnover reported by the dealer as per annual return was Rs. 9,82,33,947/- where as the sales turnover reported as per audited statement was Rs. 9,82,90,828/-. Thus it was found that the sales turnover

reported by the dealer as per annual return was short by Rs. 56,881/-. This has been assessed as per Order No. 321207 86452/2013-14 dated 26.05.2016 and the dealer has paid tax amount of Rs. 16,495/- with interest of Rs. 4,289/- vide Chalan No. 337 dated 03.06.2016 Dist. Treasury, Kannur.

4. Sreechakra Associates:-


The assessee was a dealer on the rolls of AC, Special Circle, Kannur. Verification of books of accounts of the assessee revealed that the assessee has stopped their business w.e.f 31.03.2014. Detailed scrutiny of Annual return with books of accounts revealed no discrepancies in any of their accounts. Closing stock of the assessee is 'Nil' for the year 2013-14, and no short payment of tax was found at the time of cancellation.

5. M/s. Calicut Gas 32110781174/12-13

Sri. P. Venugopal, Prop: Calicut Gas was authorized dealer of Indian Oil Corporation dealing LPG and accessories. The assessee had stopped business from 02.05.2012 and no closing stock at that time. But the subsequent verification of KVATIS it is found that there is unaccounted purchase of LPG from Indian Oil Corporation for Rs. 4,61,84,949 having the tax effect of Rs. 38,55,146. The dealer submitted that from 3rd May 2012 they started a partnership firm bearing TIN 32110781174 instead of their new TIN 32110712098. The new TIN was applicable from 3rd May 2012 to March. On verification of purchase details of M/s. Calicut Gas (32110712098), it is found that all the purchases seen as unaccounted related to Calicut Gas (32110781174) is accounted by their new business. Hence

		<p>there is no actual purchase suppression.</p> <p><u>6. K M Wood Industries 32110974944/12-13</u></p> <p>The assessee M/s. K M Wood Industries, engaged in business of Timber/Veneers , the assessee already reported stoppage of business from 31.03.12 and reported a closing stock of Rs. 1,74,300/-. The assessee already paid tax due at the rate of 4% Rs. 6972+interest Rs. 488/- for closing stock remain unsold as per challan No. 110/18.10.2012. But the tax rate applicable is @5% w.e.f 1.04.12. Based on this issue the assessment has been completed and created additional demand Rs. 2510. This amount was paid as per challan No. 435/2.12.15.</p> <p><u>7. V S Timbers 32110340095/12-13</u></p> <p>Sri. V. Sasidharan, Prop. Of V S Timbers was a registered dealer of Asst. Commissioner, Special Circle II, Kozhikode. On 4.10.2012 wife of Sasidharan reported that he was expired on 15.06.2012. Hence the registration cancelled w.e.f 5.10.12. The assessment was completed vide order No. 32110340095/12-13 dated 23.3.2016 and created additional demand Rs. 4,53,395/-.</p>
(b)	Recovery of overpayment pointed out by audit	NA
(c)	Recovery of under assessment, short levy or other dues	NA
(d)	Modification in the schemes and programmes including financing pattern	NA

(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	NA
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ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Inadequate Internal Control Mechanism Internal Audit Wing
	(c)	Paragraph No.	2.4.7.10(1)
	(d)	Report No. and Year	C & AG report for the year ended 31-3-2015
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	<p>Internal audit is intended to examine and evaluate the level of compliance with the rules and procedures so as to provide a reasonable assurance on the adequacy of internal control. An efficient functioning of internal auditing can improve an organisation's operations.</p> <p>Though the VAT was introduced in April 2005, the internal audit wing was formed in June 2009 only. The wing does not have any internal audit manual. The details of coverage of internal audit for the year 2010-11 to 2014-15.</p> <p>Audit found that the coverage of units audited was less than twenty five per cent of the total units which needs to be widened. The low coverage of internal audit depicts the ineffectiveness of the internal audit wing.</p>
IV	(a)	Does the Department agree with the facts and figures included in the	Yes


		paragraph?	
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

VI

REMEDIAL ACTION TAKEN

(a)	Improvement in system and procedures, including internal controls.	<p>The Internal Audit Wing is functioning under the direct control of the Commissioner, KGST Department since 1.06.2009. Head quarters of Internal Audit wing is at Thiruvananthapuram and it has 3 regional offices at Ernakulam, Thrissur and Kozhikode.</p> <p>The work of the Internal Audit Wing is of the nature of supportive supervision. The objectives of the audit wing is to verify and ensure that the assessment systems of the sub offices is functioning correctly paving way to augment collection of revenue. This Wing verifies the assessment files which includes assessed as well as non assessed files. The Audit team verify the refund files also. At the time of visit the Audit team verify whether assessment and connected registers are maintained properly and follow up action also taken in revenue recovery cases.</p> <p>On an average 10 audit programmes are done in every month by deploying officers of all the zones in separate teams. Potential cases and collection fall cases are compulsory checked. Potential offices like Special circle offices and Works contract offices are audited by State Tax officers. Every month there will be 2 programmes for each Audit Officers. Even though all offices are not inspected every year, when an audit team visits an office, inspection is done for the previous pending years also.</p> <p>The Audit Officers after completing the audit prepares the audit report and is given to the concerned office in that month itself. The assessing authority complete assessment based on the directions in the audit report and creates additional demand. After rectifying the defects the assessing officer submit the rectification report of the audit inspection along with supporting enclosures. The Audit Officer has to review and verify the rectification report and the enclosures which is a time consuming process. All audit officers in the wing are putting their maximum effort to effectively complete 2 audit</p>
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		<p>inspections in every month, prepares Audit report and review of rectification reports submitted by assessing officers in a time bound manner.</p> <p>After the audit conducted by C & AG in 2015, conscious efforts has been taken from our side to increase the efficiency of this wing. Previously the wing consisted of one Deputy Commissioner, 2 Assistant Commissioners and 5 State Tax Officers. On 20-12-2016 Audit Assessment Wing was merged to Internal Audit wing and thereby the strength of the wing was increased. At present the Internal Audit Wing consists of One Deputy Commissioner, 6 Assistant Commissioners and 16 State Tax Officers. After the strengthening of the wing the work turnout has increased substantially.</p>
(b)	Recovery of overpayment pointed out by audit	
(c)	Recovery of under assessment, short levy or other dues	
(d)	Modification in the schemes and programmes including financing pattern	
(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	


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 അഡീഷണൽ സെക്രട്ടറി
 നികുതി വകുപ്പ്
 ഗവൺമെന്റ് സെക്രട്ടറിയേറ്റ്
 തിരുവനന്തപുരം

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Inadequate Internal control mechanism Lack of follow up action in crime cases reported by the intelligence wing
	(c)	Paragraph No.	2.4.7.10(2)
	(d)	Report No. and Year	C & AG report for the year ended 31-3-2015
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	<p>Reports on crime cases received from the intelligence wing should be utilised for creating additional demands by reopening the self assessment. Audit found that in four assessment circles test checked, action was not initiated in 82 crime cases involving ₹ 0.89 crore reported by the Intelligence Wing (Appendix XIII). In eight cases, three years had elapsed after reporting the crime by the Intelligence Wing indicating the lapse of proper monitoring mechanism in the Department.</p> <p>Audit found that all the 82 cases related to Builders/Works contractors in the office of the Commercial Tax Officer (Works Contract), Kannur, Kozhikode and Palakkad.</p> <p>Government stated (December 2015) that out of 82 cases pointed out, assessments in 27 cases have been completed and instructions issued to assessing authorities to verify the remaining cases.</p>
IV	(a)	Does the Department agree with the facts and figures	Yes

		included in the paragraph?	
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA -

VI

REMEDIAL ACTION TAKEN

(a)	Improvement in system and procedures, including internal controls.	<p><u>27. M/s. Kancos Kadirur 2012-13</u></p> <p>Assessment for the year 2009-10 has been completed vide order No. 32121208045/2012--13 dated 20.08.2015. creating additional demand of Rs. 31913/-. Dealer paid Rs. 21000/- and balance collection particulars will be intimated in due course.</p> <p><u>28. M/s. Peak Developers Kannur 2012-13</u></p> <p>The defaulter engaged in the work of garden settings . Books of accounts called for and verified. Since no turnover suppression was found after the finalisation of the crime file by the IB, There was little scope for finalising the assesement giving addition. Compounding fee Rs. 1,77,000/- and tax of Rs. 1,73,000/- was paid as per receipt No. 43741 dated 10.06.2014.Hence the defect pointed out may kindly be dropped.</p> <p><u>29. M/s Kalyan Erectors, Kozhikode (Unni Pachat) 2010-11</u></p> <p>Assessment completed on verification of VCR File with addl. Demand of Rs. 10331/- order dated 04-05-15. Paid Rs. 10538/- vide DD No. 043857/17-08-15.</p> <p><u>30. M/s Gunja Constructions, (Sunil Kumar Deo Narayanan Prajapathi) 2011-12</u></p> <p>On verification of the OR file, no scope for assessment. Recorded.</p> <p><u>31. M/s Techno Plumbing & Sanitary Works, Kozhikode (Ramesh Kumar) 2011-12</u></p> <p>Assessment completed on verification of ER File on 30-12-16 with addl. Demand of Rs. 300592/-. RRC issued</p>
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**32. M/s S.S. New Life Style Properties Builders & Developers,
RC Road, Kozhikode 2009-10**

Assessment completed on utilization of IB File on 20-03-17 with addl. Demand of Rs.400553/-. Installment granted. Paid Rs. 50000/- vide cq. No. 546772/29-11-17, Rs. 50000/- vide cq. No. 404332/01-03-18.

**33. M/s S.S. New Life Style Properties Builders & Developers,
RC Road, Kozhikode 2010-11**

Assessment completed on verification of CR File on 13-02-17 with addl. Demand of Rs. 7984142/-. Paid Rs. 356442/- vide cq. No. 940194/30-11-17, Rs. 108132/ vide cq. No. 178367/01-12-17 & Rs. 470000/- vide cq. No. 940228/22-12-17.

**34. M/s Malabar Aluminum Fabricators, Orkateri (P. Madhu)
2011-12**

Assessment completed on verification of TCR File on 31-10-15 with addl. Demand of Rs. 2.5 lakhs. Paid Rs. 38000/- vide DD No. 849233/15-02-18 & Rs. 3000/- vide DD No. 84925/15-02-18. Balance amount under RR.

35. M/s Soubagya Builders, Kozhikode 2011-12

Assessment completed on verification of CR File on 31-12-15 with addl. Demand of Rs.0 .82 lakhs. Paid Rs. 36000/- vide cq. No. 980107/28-05-16

36. M/s Rods & Creels, Malaparamba 2010-11

Assessment completed on verification of VCR File on 22-02-16 with addl. Demand of Rs.75750/-. RRC issued

37. M/s PMK Constructions, Kozhikode 2010-11

Original assessment completed on verification of Enquiry File on 30-01-16 . Rectified order dated 25-06-16. Addl. Demand 65000/- fully paid vide cq. No. 293714/02-04-16.

38. M/s Safe Coating System (P) Ltd., 2011-12

Assessment completed on verification of CR File on 26-10-16 with addl. Demand of Rs. 20483/-. Paid Rs. 20615/- vide cq. No. 038276/30-10-16.

39. M/s Safe Coating System (P) Ltd., 2011-12

On the basis of verification of IB File, no scope for assessment. Hence Recorded

40. M/s Bharath Geo System (P) Limited 2011-12

On the basis of verification of ER File no scope for assessment. Hence Recorded

41. M/s Alfa Architectural System 2011-12

Compounded dealer. On verification of File No scope for assessment. Hence Recorded

42. M/s Rods & Creels, Malaparamba, Kozhikode 2011-12

Assessment completed on verification of ER File on 31-01-17 with addl. Demand of Rs.55385/-. RRC issued.

43. M/s Gina Enterprises 2012-13

On verification of VCR File, purchase of runners capital goods, hence no scope for assessment. Hence Recorded

44. Universal Road Marketing 2012-13

Assessment completed on verification of VCR File on 18-12-15 with addl. Demand of Rs.45784/-. Paid Rs. 49000/- vide cq.

No. 863867/13-04-16.

45. Express Foundation, Calicut 2012-13

Assessment completed on verification of ER File on 18-03-17 with addl. Demand of Rs.55710/-. Fully paid vide cq. No. 157856/21-04-17.

46. Safiyulla. K.V, Calicut, Rahad Engineering 2011-12

Assessment completed on utilization of IB File on 22-02-16 with addl. Demand of Rs.237043/-. Full amount paid vide cq. No. 032272/30-03-16.

47. Haji. A.P. Bava, 2012-13

On verification of VCR File no scope for assessment, involves Capital goods transfer. Hence Recorded

48. M/s Sigma Machine & Engineering Company 2013-14

Assessment completed on utilization of IB File on 30-10-15 with addl. Demand of Rs.0.16 Lakhs. Fully paid vide cq. No. 411788/15-12-15.

49. J.P. Steel Decors, Calicut 2014-15

Assessment completed on utilization of IB File on 26-08-15 with addl. Demand 0.51 lakhs. RRC issued.

50. Origon Consultants 2012-13

Assessment completed on utilization of IB File on 19-08-17 with addl. Demand of Rs.47468/- paid vide cq. No. 332638/30-08-17.

51. Aluminium World, Calicut 2012-13

Assessment completed on utilization of Enquiry File with

addl. Demand of Rs.46325/-. Fully paid vide DD No. 453475/22-12-16.

52. Sabi Engineering Company 2013-14

Assessment completed on utilization of VCR File on 22-06-17 with addl. Demand of Rs.8271752/-. Assessment to be rectified.

53. P.S. Constructions, Chalappuram 2013-14

Pre-assessment notice issued in the address of the individual at Kottayam since the firm is not functioning at Kozhikode.

54. Metro Tech, Calicut, N.K. Pradeesh 2013-14

Assessment completed on utilization of IB File on 20-03-17 with addl. Demand of Rs.400553/-. Installment granted. Paid Rs. 50000/- vide cq. No. 546772/29-11-17, Rs. 50000/- vide cq. No. 404332/01-03-18.

55. Ms. Infra Interiors, Palarivattom 2009-10

Assessment completed utilising the OR 06.11.2015. Additional Demand created Rs 16608 adjusted to Excess credit for 2009-10.

56. M/s. L & T Ltd, Ernakulam 2008-09

Assessment completed. Assessee filed appeal before JC (A).
Appeal pending

57. M/s. L & T Ltd, Ernakulam 2007-08

Assessment completed. Assessee filed appeal before JC (A).
Appeal pending

58. M/s. Travancore Communications 2011-12

Assessment completed utilising the OR on 28.06.2015.
Demand Rs. 1.62 Lakhs

59. M/s. Universal Electricals, 2011-12

File Transferred to CTO(WC), Mattanchery. Since it related to that office.

60. M/s. Skyline Builders, Kochi 2008-09

Assessment completed. Assessee opted Amnesty Scheme 2020 and cleared complete dues. Chalan no.KL015973210202021E, KL016141334202021E & KL0168902552021E

61. M/s. Suncon Some JV, Rohini 2008-09

Assessment completed utilising the OR on 31.03.2016.
Additional demand created Rs.1.81 lakhs

62. Wire less TT Info services 2008-09

Further report will be submitted.

63. Alacets Enterprises, Kochi 2008-09

Assessment completed utilising the OR. Additional demand created Rs.16310/- paid fully

64. Elevators (P) Ltd 2009-10

Assessment completed

65. Ajra Chems & Controls 2011-12

Assessment completed utilising the OR on 11.02.2016.
Additional demand created Rs.3.34 lakhs.

66. L & T, Ernakulam 2008-09

Assessment completed. Assessee filed appeal.

67. Geographic infra structure 2009-10

Assessment completed utilising the OR Additional demand created Rs.27.10 lakhs. Stayed the collection of demand as per KVATA No.1828/15 17.09.2015 of DC(A), Ekm.

68. M/s. Olive Builders 2011-12

Assessment completed utilising the OR Additional demand created Rs.27.10 lakhs. Stayed the collection of demand as per KVATA No.1828/15 17.09.2015 of DC(A), Ekm.

69.M/s. Sree Narayana Shopping Complex 2012-13

Assessment completed utilising the OR 25.09.2015. Additional demand created Rs.0.59lakhs

70. Assured Services (P) Ltd 2011-12

Assessment completed utilising the OR on 26.02.2018. Additional demand created Rs.42.8lakhs. RRC issued to IAC ekm. 14/2018-19 dtd. 24/06/2018

71. Man Infra Constructions, Vallarpadam 2008-09

Assessment completed utilising the OR with an Excess amount of Rs.58.99 lakhs on 25.11.2014.

72. KM Elias Constructions, Kakkanad 2013-14

Assessment completed utilising the OR on 31.01.2016. Additional demand created Rs.25.47lakhs. Remitted fully.

73. Ms. Square Associates, Kochi 2010-11

Assessment completed utilising the OR 30.09.2014. Additional demand created Rs.5.93lakhs. RRC to IAC Ekm 257/14-15 dated

17.11.2014.

74. Sea wood Homes 2011-12

Assessment completed utilising the OR 24.04.2017. Additional demand Rs.0.21 lakhs paid fully

75. Sea wood Homes 2012-13

Assessment completed utilising the OR on 13.01.2016. Additional demand Rs.43.19 lakhs RRC issued to IAC 256/15-16 dated 22.2.16

76. K A Hassainar, Kakkanad 2014-15

Assessment completed utilising the OR on 27.07.2015. Additional demand created Rs. .09 lakhs.

77. Increation Designs & Contracts 2011-12

Notice issued by the assessing authority but the notice is stayed by the Hon'ble High Court as per WP(C) No.16856/18 dated.24.05.2018

78. Kirloskar Brothers (P)Ltd 2009-10

Assessment completed utilising the OR with an excess amount of Rs.3.09 lakhs on 31.08.2015.

79. Veliyil Engineers, Kalmassery 2014-15


Assessment Completed utilising the OR on 20/12/2018 created an additional demand 0.67. The demand is under RR.

80. Arvin Interiors (P)Ltd Cochin 2009-10

Assessment completed utilising the OR on 29.11.2014. Additional demand created Rs. 0.12 lakhs amount paid fully.

81. Flair Alliance Builders, Kaloor 2012-13

		<p>Assessment completed vide order dtd. 31.12.2013 creating addl. Demand of Rs.12.96 lakhs. RRC issued.</p> <p><u>82. Soma Enterprises Ltd, Cheranallur 2009-10</u></p> <p>Assessment completed utilising the OR on 28.02.2017. Additional demand created Rs.1086.97 lakhs. Collection stayed by WPC 12415/17 DATED 14/06/2017</p>
(b)	Recovery of overpayment pointed out by audit	
(c)	Recovery of under assessment, short levy or other dues	
(d)	Modification in the schemes and programmes including financing pattern	
(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	


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65

ACTION TAKEN NOTES ON C & AG'S REPORTS

	(a)	Department	COMMERCE TAXES
	(b)	Subject/Title of the Review Paragraph	Lack of coordination between other departments in collecting data useful for the completion of assessment Suppression of import purchases than that reported with Customs Department
	(c)	Paragraph No.	2.4.7.7(1)
	(d)	Report No. and Year	C&AG 2015 year ended 31/03/2015.
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	<p>Audit collected the data of import made through Kochi, Mangalore and Tuticorin ports by the dealers in Kerala from the Director General of Systems and Management, Central Excise and Customs, New Delhi and cross verified it with their assessment records. Audit cross checked the import details furnished by 79 dealers and found that 40 dealers in 14 assessment circles had imported marble/tile, timber and cement amounting to ₹ 817.57 crore against which ₹ 569.19 crore only was conceded. The suppression of import purchase worked out to ₹ 248.38 crore and the resultant short levy of tax, interest and penalty worked out to ₹108.38 crore (Appendix X). The Tax district-wise deviation from provisions of the Act/Rules.</p> <p>Audit observed that amongst that the defaulters, M/s.Hillwood Furniture of Special Circle II,Kozhikode was the biggest defaulter with tax effect of ₹30.97 crore.</p> <p>Audit noticed that M/s.Southern Timber depot of Special Circle,Kottayam repeated the default for five years and M/s.Hillwood furniture of Special Circle-II, Kozhikode repeated the default for four years.</p> <p>The nature of business dealt by these dealers is indicated below.</p> <p>Twenty four in Timber with tax effect of ₹ 87.93 crore.</p>

			<ul style="list-style-type: none"> • Twelve in Marble/tiles with tax effect of ₹ 13.01 crore. • Four in Cement with tax effect of ₹ 7.39 crore.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	No
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	The assessee has conceded the purchase and included in the total turnover of import and also uploaded invoice of imports as per 8FA as purchase.
V	(a)	Does the Department agree with the Audit conclusions?	No
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	The assessee has conceded the purchase and included in the total turnover of import and also uploaded invoice of imports as per 8FA as purchase.

VI

REMEDIAL ACTION TAKEN

(a) Improvement in system and procedures, including internal controls.

**28. Purnima Distributors
32070326905/2013-14**

The audit objection has been examined by the assessee authority with reference to the database and documents produced by the assessee. The assessee admitted that they had effected 6 imports of cement aggregating to 33,600 bags for a total turnover of Rs.85,74,423/- and produced details of BOE and 8FA details. Though the purchases were not reflected in return under the specific head as 'cement', the same was included in the total turnover of import. On verification of the purchase list uploaded by the assessee it was noticed that the invoices of import mentioned in the 8FA have been uploaded as purchases. Hence there may not be a purposeful intention to conceal the import of cement. The dealer has shown a taxable sales turnover of Rs.44,12,79,760/-, out of which Rs.2,58,95,056/- belongs to cement sale. Local purchase of 14.5% taxable cement is Rs.1,63,42,659/- and there is no opening stock or closing stock for cement during the year. The 8FA declarations generated by the assessee which is available in the Data base of the Department clearly shows that the item of imported goods are cement/White cement. Since the assessee had admitted the import of cement amounting to Rs.85,74,423/- and the same have been completely sold out during the year itself and tax has been suffered at the point of sale, there is no suppression of import of cement amounting to Rs.71,78,812/- as fetched from customs data.

**66. Binoy Marbles & Granites,
32010673454/2014-15**

The audit objection has been verified. verification of accounts produced by the dealer shows that they had imported goods having assessable value of Rs.46,67,235/- during the year 2014-15. Among this goods having assessable value of Rs.37,24,054/- is tiles imported by the assessee for re-sale where as goods having assessable value of Rs.9,43,181/- is electrical goods and furniture imported by the dealer for own use in their new business place. The assessee had accounted the purchase cost of tiles imported Rs.28,09,216/- in the return filed whereas purchase cost of Rs.9,43,181/- relating to electrical goods and furniture's are accounted as fixed assets in the balance sheet for 2014-15. The difference in import value is due to the fact that the import value shown is assessable value computed as per

	Customs Act, where as the purchase cost is based on the purchase invoice as per Accounting standard and declared in the returns filed.
(b) Recovery of overpayment pointed out by audit	
(c) Recovery of under assessment, short levy or other dues	
(d) Modification in the schemes and programmes including financing pattern	
(e) Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	


R. Raja Gopal
Additional Secretary
Taxes Dept

129 4-1

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Data in KVATIS not relied upon for analysis before accepting the self assessments/ completing the assessments Failure to pay tax on the entire sales effected through invoices.
	(c)	Paragraph No.	2.4.7.8(1)
	(d)	Report No. and Year	C&AG Report for the year ended 31.03.2015
II	(a)	Date of receipt of the Draft Para / Review in the Department	
III	(b)	Date of Department's Reply	
		Gist of Paragraph/Review	Audit found that 52 out of 74 dealers scrutinised in 14 assessment circles issued sales invoices worth Rs.1,248.60 crore, whereas the turnover reported for paying tax was only Rs.1,175.01 crore resulting in short reporting of turnover by Rs.73.58 crore. The resultant short levy of tax including interest and penalty worked out to Rs.16.41 crore.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	

REMEDIAL ACTION TAKEN

(a) Improvement in system and procedures, including internal controls.

15. M/s. M&T Steels
32050266625/2011-12

Based on the audit objection the assessment has been completed vide Order No.32050266625/11-12 dtd 23/07/2015 creating additional demand Rs.1,44,907/- Revenue Recovery has been advised for collecting the amount. The Deputy Commissioner (Appeals), Kottayam in KVATA 558/2015 dated 17.10.2015, directed to remit 30% of the demand furnish adequate security for the balance demand. Accordingly the dealer has remitted Rs. 61,745/-.

22. M/s. The Calicut Tile Company
32110231015/2010-11

The returns and uploaded invoice details were verified and found that the technical error occurred while uploading monthly sales statements for the month of April 2010 to October 2010. The assessee had produced the hard copies of uploaded sales statement from the department site. The copies evidences that those values in the rows with invoice column 'NIL' - in the sales list reflected through KVATIS - were reflected therein as 'TOTAL' in the columns for buyer's name and address. Hence there is no case of escapement or evasion of tax.

49. M/s. Vinsa Todays
32070332586/2012-13

Based on the audit objection the final assessment in respect of M/s. Vinsa Todays has been completed on 18.07.2016 in order to make good the short levy of Rs. 21,20,994/- (including interest). Moreover a penalty u/s 67 also invoked and completed as per order No. 32070332586/12-13 dated 17.11.2016 for an amount of Rs. 45,44,988/- and the case is pending before the Asst. Commissioner (Appeals), Ernakulam.

53. M/s. Janatha Agencies
32110226651/2011-12

Based on the audit objection the assessment for the year 2011-12 has been completed vide Order No. 32110226651/11-12 dtd. 27.01.16 creating additional

demanded Rs. 4,82,021/- (tax) and Rs. 4821/- (Interest). Aggrieved by this order, the assessee filed appeal before the Deputy Commissioner (Appeals), Rozhikode. The Deputy Commissioner (Appeals) vide order No. KVATA 357/2016 dtd. 11.1.18 modified the order directing the assessee to appear before the assessing authority with all documents to prove his claim within one month of receipt of this order, failing which the original order stand restored.

As the assessee has not produced the required details within the stipulated time, the original assessment order stand restored vide the order dated 1.06.18. The demand is under RR.

(b) Recovery of overpayment pointed out by audit

(c) Recovery of under assessment, short levy or other dues

(d) Modification in the schemes and programmes including financing pattern

(e) Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.


R. Raja Gopal
Additional Secretary
Taxes Dept

132 44

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	<p>Data in KVATIS not relied upon for analysis before accepting the self assessments/ completing the assessments</p> <p>Short return of interstate purchases than that was reported at the Checkposts</p>
	(c)	Paragraph No.	2.4.7.8(2)
	(d)	Report No. and Year	C&AG Report for the year ended 31/03/2015.
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	<p>Audit found that 30 out of 56 dealers scrutinised in 11 assessment circles assesseees transported into the State through various checkposts, goods worth ₹1,148.16 crore as interstate purchase and interstat stock transfer against which only ₹ 921.85 crore was reflected in the annual returns. Though the data was readily available in KVATIS, the assessing officers failed to utilise the same, resulting in short reporting of purchases by ₹ 213.59 crore. The resultant short levy of tax including interest and penalty worked out to ₹ 63.62 crore. The Tax district-wise deviation from provisions of the Act/Rules.</p> <p>Audit observed that amongst the deefaulters, M/s.Indus Motors Light Commercial Vehicles Pvt.Ltd,. of Special Circle-II, Ernakulam was the biggest defaulter with tax effect of ₹ 30.08 crore.</p> <p>In exit meeting (December 2015) the Principal Secretary (Taxes) stated that once the process of upgrading the server capacity and application upgradation is completed, full use of the information would be made.</p>
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also	

		attach copies of relevant documents in support	
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	

REMEDIAL ACTION TAKEN

(a)	Improvement in system and procedures, including internal controls.	<p>ERNAKULAM</p> <p>4. M/s. Avant Enterprises (p) Ltd TIN 32070256942/12-13</p> <p>Based on the audit objection the assessment has been completed vide order No. 32070256942/2012-13 dtd 30.09.2015, creating an additional demand of Rs. 8,35,798/- (VAT) & Rs. 2,42,381/- (interest) respectively. The assessee has paid 30% of the outstanding demand for Rs. 3,23,454/- as per DD No. 167336 dtd. 15.04.2016 and filed an appeal against the order before the Deputy Commissioner (A), Ernakulam.</p> <p>5. M/s. Cochin Glass House TIN 32071330045/12-13</p> <p>Based on the audit objection the assessment has been completed vide order No. 32071330045/12-13 dtd. 30.10.2015, creating an additional demand of Rs. 8,51,182/- (VAT) & Rs. 2,63,866/- (interest) respectively. The demand is under RR.</p> <p>Kerala State Civil Supplies Corporation Ltd (TIN 32070336974/2012-13)</p> <p>The Audit objection is with regard to the difference in purchase turnover in check post data & invoices uploaded in KVAT returns. Based on the audit objection the assessment has been completed vide order dtd 06.03.18, creating an additional demand of Rs. 92,52,046/-. The above demand is under RR vide requisition No. 393/17-18 dtd 28.03.18 to State Tax Asst. Commissioner, Ernakulam.</p>
(b)	Recovery of overpayment pointed out by audit	
(c)	Recovery of under assessment, short levy or other dues	
(d)	Modification in the schemes and programmes including financing pattern	
(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	

[Signature]
A. Raja Gopal
 Additional Secretary
 Taxes Dept

135 47

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	<p>Data in KVATIS not relied upon for analysis before accepting the self assessments/completing the assessments</p> <p>Input Tax credit was claimed through invoices without valid registration</p>
	(c)	Paragraph No.	2.4.7.8(4)
	(d)	Report No. and Year	C&AG Report for the Year ended 31.03.2015
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	<p>Section 2(xxiii) of KVAT Act, 2003 defines input tax as the tax paid or payable under the Act by a registered dealer to another registered dealer on the purchase of goods in the course of business.</p> <p>Audit found that 11 out of 23 dealers scrutinised in seven assessment circles availed ITC of ₹ 23.83 crore. Out of this, ITC amounting to ₹ 0.82 crore was claimed by furnishing either the dealer's own registration number or registration numbers which were not assigned. Since the purchases were not from a registered dealer, the ITC claimed to that extent was to be disallowed. The resultant short levy of tax including interest and penalty worked out to ₹ 2.70 crore.</p> <p>The under utilisation of data captured in KVATIS resulted in under-assessment of tax.</p> <p>Analysis revealed that two assessees traded in rubber with tax effect of ₹ 0.52 crore and the rest nine dealers traded multiple commodities with tax effect of ₹ 2.18 crore.</p> <p>Audit observed that though these details were available in the KVATIS , the Department failed to address the issue . Thus, the Government needs to streamline the working of the Department and that</p>

			<p>the Departmental officials need to be vigilant about the availability of such details while doing assessment.</p> <p>Government stated (December 2015) that detailed verification is needed in all the cases pointed out. Final report would be submitted after verification.</p>
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	No
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	Verification of invoices along with KVATIS data by the assessing authority it is seen that there is no irregular claim of ITC
V	(a)	Does the Department agree with the Audit conclusions?	No
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	Verification of invoices along with KVATIS data by the assessing authority it is seen that there is no irregular claim of ITC

VI

REMEDIAL ACTION TAKEN

(a) Improvement in system and procedures, including internal controls.

KOTTAYAM

Mehar Reynold - 2010-11

As per the invoices filed the ITC is Rs 16,61,243/-. However the assessee had claimed Rs 15,60,049/- as ITC in the returns filed. Scrutiny of the purchase invoices uploaded by the dealer revealed that M/s.Alpha Auto Add-One is entered as unregistered dealer even though it is a registered dealer with TIN : 32050586714. M/s.Tyre House entered as unregistered dealer but it is a registered dealer with TIN : 32050535332. Similarly M/s.Indian Auto Air Services is entered as unregistered dealer but the TIN of that dealer is 32071235501. The ITC amounting to Rs 1,01,194/- on local purchase of vehicles has not been claimed by the dealer in the returns filed.

Hence there is no irregular claim of ITC in this case.

Ernakulam

M/s. Cosmic Group
(TIN 32071091365/2012-13)

Pre assessment notice was issued to the assessee based on the Audit observation on 29/09/2015. The assessee replied that while uploading the purchase list in KVATIS for various months of the year 2012-13, they have entered the TIN of Cosmic Group wrongly against the purchases effected from a few suppliers and this lead to the conclusion that they have effected purchases from un-registered dealers and took the benefit of excess and illegal input credit through VAT returns. The assessee also produced list of the purchases for which they have entered their own TIN wrongly in the KVATIS along with the original invoices.

The assessing authority verified the above original invoices with list of suppliers for which Cosmic Group had entered their own TIN according to KVATIS Data and found that all the above purchases were effected from registered dealers with valid TIN.

The following are the supplier dealers for which the TIN of Cosmic Group was fed in KVATIS wrongly by the Cosmic Group.

Sl.No.	Supplier	TIN
1	Megha Marketing Brahmins	32071305464
2	Sabari Distribution	32071229774
3	Willy Marketing	32071524524
4	Ria Marketing	32150730104
5	Krishna lakshmi Agencies	32071001095
6	Jerrin Enterprises	32071187834
7	Sneha Marketing	32071220482

The only defect noticed in the verification is that the assessee Cosmic Group had claimed input tax on one SB Bill issued by M/s. Willy Marketing vide Invoice No. 1394/31/7/12 for Rs. 3,936.20 with Tax paid Rs. 197/-. The above claim of input tax was disallowed and demanded with interest and penalty under section 67.

- (b) Recovery of overpayment pointed out by audit
- (c) Recovery of under assessment, short levy or other dues
- (d) Modification in the schemes and programmes including financing pattern
- (e) Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.

R. Raja Gopal
R. Raja Gopal
Additional Secretary
Taxes Dept

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	<p>Failure to assess dealers who did not comply with the provisions in the Act</p> <p>Assessments not completed in respect of assessee who failed to the returns</p>
	(c)	Paragraph No.	2.4.7.9(1)
	(d)	Report No. and Year	C&AG Report for the year ended 31.03.2015.
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	<p>As per Section 20(1) of the Act, every registered dealer and every dealer liable to be registered under the Act shall submit to the assessing authority such return or returns before such dates and in such manner and accompanied by such documents as may be prescribed. Under section 22(3), if any dealer fails to submit any return as provided under section 20(1), the assessing authority shall estimate the turnover of the return period and complete the assessment to the best of its judgement.</p> <p>In four assessment circles, 123 dealers out of the 3,791 dealers failed to file their annual returns during 2013-14. The best judgement assessments under section 22 were initiated against only eight dealers. Audit verified 74 out of the 115 cases on which assessments were pending and found that 10 dealers had tax liability. Deputy Commissioners were not monitoring the assessments in respect of return defaulters resulting in non levy of tax of ₹ 22.40 crore including interest and penalty. The Tax district wise deviation from provisions of the Act/Rules.</p> <p>Audit found that of the 10 cases, five were on account of short reporting of interstate purchase, three on account of irregular exemption claimed and two on account of short reporting of sales invoices.</p>
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes

	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	

- (a) Improvement in system and procedures, including internal controls.

M/s Leela Soft Pvt Ltd
(TIN 32070471906/2012-13)(EKM)

The annual return in respect of M/s. Leela Soft Pvt Ltd., Plot. No 5, Info Park, Kusumagiri, Kakkanad for the year 2012-13 was scrutinized by the Accountant General. On verification of the return, during the year 2012-13 the assessment was not completed in respect of the assessee who failed to file returns. The amount involved in this case was Rs.1.42 Crores.

The assessing authority verified the audit objection. It is found that the assessee has already filed a request for revising the return for the year 2011-12 (Jan, Feb, March), 2012-13 and 2013-14. The reason for revision as submitted by the assessee was that in the monthly and annual return filed by them the sales turnover of Rs.87356032/-has been declared. They were a company in the SEZ, engaged in construction and lending out of commercial space for IT based enterprises. Absolutely there was no sale of goods. All the goods purchased were used in the construction of building which was subsequently let out. They have produced the audited annual accounts of the company for the year 2012-13 and 2013-14. Verification of the audited accounts revealed the income from immovable property. In the returns, goods used for the above purpose was declared as disposal. This was purely a mistake on their part. Hence they requested permission to file revised return declaring nil turnover. On the basis of the request, permission has been granted to revise the return and the assessee filed annual return. As per revised annual return, the assessee has conceded sales turnover of Rs 30990/-only with tax effect of Rs.1550/- which has been remitted as per return. Hence the objection raised by the C& AG is not sustainable.

M/s. MMTCL Ltd (TIN 32070382672/12-13)(EKM)

Verification of the entries in KVATIS reveals that the above assessee had submitted return (revised return) for the month of April 2012 on 12.06.2012. But the original return filed along with due tax was already submitted in time. The date of filing of returns for the subsequent months are given below

<u>Month</u>	<u>Date of filing</u>
May 2012	13.06.2012
June 2012	13.07.2012
July 2012	14.08.2012
August 2012	10.09.2012
September 2012	13.10.2012
October 2012	09.11.2012

November 2012	11.12.2012
December 2012	11.01.2013
January 2013	22.04.2013 (revised return)
February 2013	29.01.2016(revised return)
March 2013	05.04.2013

Revised return for the month of January 2013 is seen filed on 22.04.2013. But the original return along with legitimate tax due to the State Exchequer, was already filed within the stipulated time. The original return for the month of March 2013 was E-filed on 05.04.2013. The return for March 2013 could be uploaded only after clearing backlogs. The revised return for the month of February 2013 is seen filed on 29.01.2016. But the tax due for February 2013 was already paid along with original return. In the circumstances no question of loss of revenue has occurred in this case due to the belated filing of revised return for certain months. Since all the monthly returns are filed along with due tax, there is no scope for completion of assessment under section 22(3) of the KVAT Act 2003.

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|-----|---|
| (b) | Recovery of overpayment pointed out by audit |
| (c) | Recovery of under assessment, short levy or other dues |
| (d) | Modification in the schemes and programmes including financing pattern |
| (e) | Review of similar cases / complete scheme / project in the light of findings of sample check by audit |


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Taxes Dept

143

55

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	<p>Failure to assess dealers who did not comply with the provisions in the Act</p> <p>Failure to assess tax due from the dealers at the time of cancellation of their registration</p>
	(c)	Paragraph No.	2.4.7.9(2)
	(d)	Report No. and Year	C & AG report for the year ended 31-3-2015
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	<p>As per section 2(x1ii) of the Act and Rule 15 of the KVAT Rules, if any goods for which input tax credit has been availed but such goods remain unsold at the time of cancellation of registration, the input tax so availed would be reversed. Similarly if any goods imported in to the State by issuing statutory forms remain unsold, tax should be levied on such goods, treating it as sale within the State. As per Section 22(3), if any dealer fails to submit any return as provided under Section 20(1) for a period of time and later his registration is cancelled, then the assessing authority shall estimate the turnover of such return periods and complete the assesment to the best of its judgment.</p> <p>Audit noticed that out of 75 dealers in five assesment circles whose registrations were cancelled during the years 2010-11 to 2013-14, assesment was completed in 11 cases only. All dealers who cancelled their registration are to be assessed which is not being done. Audit verified balance 64 cases and found 10 dealers had tax liability. Deputy Commissioners were not monitoring the assesments on cancelled dealers resulting in non levy of tax of ₹ 3.20 crore including interest and penalty. The tax district wise</p>

			<p>deviation from provisions of the Act/Rules.</p> <p>Audit found that failure to analyse the outstanding tax liability of the assessee at the time of cancellation of their registration resulted in non demand of tax.</p> <p>Further , analysis revealed that M/s.Calicut Gas in the rolls of Commercial Tax Officer,Special Circle-II, Kozhikode alone had tax liability of ₹ 2.03 crore.</p>
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Partly agreed
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	The assessing authority verified the audit objection and assessment completed with the extent turnover suppression detected.
V	(a)	Does the Department agree with the Audit conclusions?	Partly agreed
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	The assessing authority verified the audit objection and assessment completed with the extent turnover suppression detected.

(a)	Improvement in system and procedures, including internal controls.	<p><u>KANNUR</u></p> <p><u>1. Sreechakra Associates:-</u></p> <p>The assessee was a dealer on the rolls of AC, Special Circle, Kannur. Verification of books of accounts of the assessee revealed that the assessee has stopped their business w.e.f 31.03.2014. Detailed scrutiny of Annual return with books of accounts revealed no discrepancies in any of their accounts. Closing stock of the assessee is 'Nil' for the year 2013-14, and no short payment of tax was found at the time of cancellation.</p> <p><u>2. M/s. Sunitha Furniture and Foam Palace:-(KNR)</u></p> <p>M/s. Sunitha Furniture and Foam Palace, a proprietorship firm with TIN 32120786452 was on the rolls of STO III Circle, Kannur. Sri. Narayanan Kutty Kaiprath was the proprietor of the firm. On 31.03.2014, the assessee put in an application for cancellation of Registration Certificate due to stoppage of business as a proprietorship concern and took new registration as partnership firm in the name 'M/s. Sunitha Furniture' with TIN:32120774289. Sri. Narayanankutty is the Managing Partner of the new firm.</p> <p>The assessee filed the annual return and uploaded Form 53 in KVATIS. The closing stock of the firm as per Form 53 was Rs. 2,87,68,427/- (5% taxable item : Rs.45,23,522/- and 14.5% items: Rs. 2,42,44,905/-). The assessee, M/s. Sunitha Furniture have filed an undertaking that they have taken entire closing stock in respect of M/s. Sunitha Furniture and Foam Palace as on 31.03.2014. The partners of M/s. Sunitha Furniture also declared that the stock value of the defunct concern as on 31.03.2014 were valued at Rs. 45,23,522/-(5%) and Rs. 2,42,44,905.00 (14.5%) and partners of M/s. Sunitha Furniture (TIN: 32120774289) undertake to pay tax liability, of Rs. 37,41,687/- at the time of sale of those goods and any excess amount over and above if any shall also be paid by</p>
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them. As per the Audit report for the year 2013-14, the closing stock filed by M/s. Sunitha Furniture and Form Palace was the same amount which was shown in the trading and profit and loss account of M/s. Sunitha furniture, new firm, for the year 2014-15.

On further verification of the annual return with audited statement filed by the assessee for the year, it was found that Sales turnover reported by the dealer as per annual return was Rs. 9,82,33,947/- where as the sales turnover reported as per audited statement was Rs. 9,82,90,828/-. Thus it was found that the sales turnover reported by the dealer as per annual return was short by Rs. 56,881/-. This has been assessed as per Order No. 321207 86452/2013-14 dated 26.05.2016 and the dealer has paid tax amount of Rs. 16,495/- with interest of Rs. 4,289/- vide Chalan No. 337 dated 03.06.2016 Dist. Treasury, Kannur.

KOZHIKODE

Maneesh Pharmaceuticals
32071136624/12-13

The assessee had stopped business with effect from 31.03.2013 and there is no closing stock as on 31.03.2013.

The assessee had unaccounted sales as evident from 'build from others' data in KVATIS. Notice was issued to the assessee and books of accounts were verified and found that Maneesh pharmaceuticals had appointed consignee agent M/s. City Drugs & Millennium Drug Associates (32071136624) for sales of South Kerala. The purchasers by mistake uploaded their old TIN of Maneesh pharmaceuticals instead of TIN of City Drugs & Millennium Drug Associates' on their purchase, which was affirmed by all dealers as per notarised signed affidavits. The assessment was completed vide 32110282934/12-13 dtd. 13.01.2016 creating an additional demand of Rs.297941.00. This order was set aside by Deputy Commissioner(A) vide VATA 597/16 dtd. 26.11.2016.

M/s. Calicut Gas
32110781174/12-13

Sri. P. Venugopal, Prop: Calicut Gas was authorized dealer of Indian Oil Corporation dealing LPG and accessories. The assessee had stopped business from 02.05.2012 and no closing stock at that time. But the subsequent verification of KVATIS it is found that there is unaccounted purchase of LPG from Indian Oil Corporation for Rs. 4,61,84,949 having the tax effect of Rs. 38,55,146. The dealer submitted that from 3rd May 2012 they started a partnership firm bearing TIN 32110781174 instead of their new TIN 32110712098. The new TIN was applicable from 3rd May 2012 to March. On verification of purchase details of M/s. Calicut Gas (32110712098), it is found that all the purchases seen as unaccounted related to Calicut Gas (32110781174) is accounted by their new business. Hence there is no actual purchase suppression.

K M Wood Industries
32110974944/12-13

The assessee M/s. K M Wood Industries, engaged in business of Timber/Veneers, the assessee already reported stoppage of business from 31.03.12 and reported a closing stock of Rs. 1,74,300/-. The assessee already paid tax due at the rate of 4% Rs. 6972+interest Rs. 488/- for closing stock remain unsold as per challan No. 110/18.10.2012. But the tax rate applicable is @5% w.e.f 1.04.12. Based on this issue the assessment has been completed and created additional demand Rs. 2510. This amount was paid as per challan No. 435/2.12.15.

V S Timbers
32110340095/12-13

Sri. V. Sasidharan, Prop. Of V S Timbers was a registered dealer of Asst. Commissioner, Special Circle II, Kozhikode. On 4.10.2012 wife of Sasidharan reported that he was expired on 15.06.2012. Hence the registration cancelled w.e.f 5.10.12. The assessment was completed vide order No. 32110340095/12-13 dated 23.3.2016 and created additional demand Rs. 4,53,395/-.

		Malabar Agencies 32110240274/12-13 Based on the audit objection the assessment has been completed vide Order No. 32110240274/12-13 dtd. 1.3.2016 creating an additional demand of Rs 5184/- which was paid as per chalan No. 318/9.3.2018
(b)	Recovery of overpayment pointed out by audit	
(c)	Recovery of under assessment, short levy or other dues	
(d)	Modification in the schemes and programmes including financing pattern	
(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	


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149 • 61

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Inadequate Internal control mechanism. Lack of follow up action in crime cases reported by the intelligence wing
	(c)	Paragraph No.	2.4.7.10(2)
	(d)	Report No. and Year	C & AG report for the year ended 31-3-2015
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	<p>Reports on crime cases received from the intelligence wing should be utilised for creating additional demands by reopening the self assessment. Audit found that in four assessment circles test checked, action was not initiated in 82 crime cases involving ₹ 0.89 crore reported by the Intelligence Wing (Appendix XIII). In eight cases, three years had elapsed after reporting the crime by the Intelligence Wing indicating the lapse of proper monitoring mechanism in the Department.</p> <p>Audit found that all the 82 cases related to Builders/Works contractors in the office of the Commercial Tax Officer (Works Contract), Kannur, Kozhikode and Palakkad.</p> <p>Government stated (December 2015) that out of 82 cases pointed out, assessments in 27 cases have been completed and instructions issued to assessing authorities to verify the remaining cases.</p>
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	
V	(a)	Does the Department agree with the Audit conclusions?	Yes

	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	
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REMEDIAL ACTION TAKEN

- (a) Improvement in system and procedures, including internal controls.
27. **Kancos Kadirur/2012-13**
Assessment has been completed as per order no. 32120865865/09-10 dated 20.08.2015 and created an additional demand Rs. 25706/- (Tax), Rs. 12,207/- (Interest). The assessee paid Rs. 21,100/-. The balance amount is under RR.
29. **M/s Kalyan Erectors, Kozhikode (Unni Pachat) / 2010-11**
Assessment has been completed by utilizing the crime file and created addl. Demand of Rs. 10331/- vide order dated 04-05-15. The demand was fully paid vide DD No. 043857/17-08-15.
30. **M/s Gunja Constructions, (Sunil Kumar Deo Narayanan Prajapathi)/2011-12**
On verification of the OR file with KVATIS and books of accounts noticed no scope for assessment.
31. **M/s Techno Plumbing & Sanitary Works, Kozhikode (Ramesh Kumar)/2011-12**
Assessment has been completed by utilizing crime file and created additional demand of Rs. 300592/-. The demand is under RR.
32. **M/s S.S. New Life Style Properties Builders & Developers, RC Road, Kozhikode/2009-10**
Assessment has been completed by utilizing crime file and created additional demand of Rs. 17.44 lakhs.. The demand is under RR.
33. **M/s S.S. New Life Style Properties Builders & Developers, RC Road, Kozhikode/2010-11**
Assessment has been completed by utilizing crime file and created additional demand of Rs. 7984142/-. Paid Rs. 356442/- vide cq. No. 940194/ 30-11-17, Rs. 108132/ vide cq. No. 178367/01-12-17 & Rs. 470000/- vide cq. No. 940228/22-12-17.
34. **M/s Malabar Aluminum Fabricators, Orkateri (P. Madhu)/ 2011-12**
Assessment has been completed by utilizing crime file and created additional demand of Rs. 2.5 lakhs. Paid Rs. 38000/- vide DD No. 849233/15-02-18 & Rs. 3000/- vide DD No. 84925/15-02-18. Balance demand is under RR.

35. M/s Soubagya Builders, Kozhikode/2011-12

Assessment has been completed by utilizing crime file and created additional demand of Rs.0 .82 lakhs. Paid Rs. 36000/- vide cq. No. 980107/28-05-16 . Balance demand is under RR.

36. M/s Rods & Creels, Malaparamba/2010-11

Assessment has been completed by utilizing crime file and created additional demand of Rs.75750/-. The demand is under RR.

37. M/s PMK Constructions, Kozhikode/2010-11

O Assessment has been completed by utilizing crime file and created additional demand of Rs. 65000/-. The amount was fully paid vide cq. No. 293714/02-04-16.

38. M/s Safe Coating System (P) Ltd.,/2011-12

Assessment has been completed by utilizing crime file and created additional demand of Rs. 20483/-. The amount was fully paid vide cq. No. 038276/30-10-16.

39. M/s Safe Coating System (P) Ltd.,/2011-12

The file verified with KVATIS and books of accounts noticed, no scope for assessment.

40. M/s Bharath Geo System (P) Limited/2011-12

The file verified with KVATIS and books of accounts noticed, no scope for assessment.

41. M/s Alfa Architectural System/2011-12

The file verified with KVATIS and books of accounts noticed, no scope for assessment.

42. M/s Rods & Creels, Malaparamba, Kozhikode/2011-12

Assessment has been completed by utilizing crime file and created additional demand of Rs.55385/-. RRC issued.

43. M/s Gina Enterprises/2012-13

The file verified with KVATIS and books of accounts noticed, no scope for assessment.

44. Universal Road Marketing/2012-13

Assessment has been completed by utilizing crime file and created additional demand of Rs.45784/-. Paid Rs. 49000/- vide cq. No. 863867/13-04-16.

45. Express Foundation, Calicut/2012-13

Assessment has been completed by utilizing crime file and created additional demand of Rs.55710/-. Fully paid vide cq. No. 157856/21-04-17

46. Safiyulla. K. V, Calicut, Rahad Engineering/2011-12

Assessment has been completed by utilizing crime file and created additional demand of Rs.237043/-. Full amount was paid vide cq. No. 032272/30-03-16.

47. Haji. A. P. Bava,/2012-13

The file verified with KVATIS and books of accounts noticed, no scope for assessment.

48. M/s Sigma Machine & Engineering Company/2013-14

Assessment has been completed by utilizing crime file and created additional demand of Rs.0.16 Lakhs. Fully paid vide cq. No. 411788/15-12-15.

49. J. P. Steel Decors, Calicut/2014-15

Assessment has been completed by utilizing crime file and created additional demand of Rs. 0.51 lakh. RRC issued.

50. Origon Consultants/2012-13

Assessment has been completed by utilizing crime file and created additional demand of Rs.47468/- paid vide cq. No. 332638/30-08-17.

51. Aluminium World, Calicut/2012-13

Assessment has been completed by utilizing crime file and created additional demand of Rs.46325/-. Fully paid vide DD No. 453475/22-12-16.

52. Sabi Engineering Company/2013-14

Assessment has been completed by utilizing crime file and created additional demand of Rs.8271752/-.

53. P.S. Constructions, Chalappuram/2013-14

The assessment has been completed vide order No. 32111520805/2013-14 dtd. 23.10.2018 and creating additional demand of Rs. 14,28,421/- (Tax Rs. 9,27,546/- and interest Rs. 5,00,875/-).

54. Metro Tech, Calicut, N.K. Pradeesh/2013-14

Assessment has been completed on utilization of IB file on 20-03-17 with addl. Demand of Rs.400553/-. Paid Rs. 50000/- vide cq. No. 546772/29-11-17, Rs. 50000/- vide cq. No. 404332/ 01-03-18.

55. M/s. Infra Interiors, Palarivattom/2009-10

Assessment has been completed and created additional demand of Rs. 16608/-. The demand created was adjusted to the excess credit for the year 2009-10.

58. M/s. Travancore Communications/2011-12

Assessment has been completed by utilising the OR on 28/06/2013 and created additional demand Rs. 1.62 lakh. The demand is under RR

61. M/s. Suncon Some JV, Rohini/2008-09

Assessment has been completed by utilising the OR on 31/03/2016 and created additional demand of Rs. 1.81 lakh. The demand is under RR

63. Alacets Enterprises, Kochi/2008-09

Assessment has been completed by utilising the OR and created additional demand Rs. 16310/- and the assessee fully remitted the amount.

65. Ajila Charms & Controls/2011-12

Assessment has been completed by utilising the OR on 11.12.2016 and created additional demand Rs. 3.43 lakh. The demand is under RR

68. M/s. Olive Builders/2011-12

Assessment has been completed by utilising the OR and created an additional demand Rs. 27.10 lakh. Stayed the collection of demand as per KVATA No.1828/15, dtd 17/09/2015 of DC(A), Ernakulam.

69. M/s. Sree Narayana Shopping Complex/2012-13

Assessment has been completed by utilizing OR file and

155 67
created additional demand of Rs. 0.59 lakh. The demand is under RR

70. Assured Services (p) Ltd/2011-12

Assessment has been completed by utilizing OR file and created additional demand of Rs. 42.8 lakh. This amount under RR.

71. Infra Constructions, Vallarpadam/2008-09

Assessment has been completed by utilizing OR file and created additional demand of Rs.58.99 lakhs on 25/11/2014.

72. KM Elias Constructions, Kakkanad/2013-14

Assessment has been completed by utilising the OR file on 31.01.2016 and created an additional demand Rs. 2.54 lakh and the amount was fully remitted.

73. M/s. Square Associates, Kochi/2010-11

Assessment has been completed by utilising the OR file on 30/09/2014 and created an additional demand Rs. 5.93 lakh. The demand is under RR.

74. Seawood Homes (india)(p) Ltd/2011-12

Assessment has been completed by utilising the OR file on 30.09.2014 and created an additional demand Rs.0.21 lakhs and the amount was fully paid.

75. Seawood Homes (india)(p) Ltd/2012-13

Assessment has been completed by utilising the OR file on 13/01/2016 and created an addl.demand Rs.43.19lakhs. This amount under RR.

76. KA Hassanair, Kakkanad/2014-15


Assessment has been completed utilising the OR file on 27/07/2015 and created additional demand Rs. 9806/- and remitted the full amount.

77. Increation Designs & Contracts/2011-12

Notice U/Sec. 25 has been issued and the notice was stayed by the Hon'ble High Court as per WP(C) No. 16856/18, dtd 24/05/2018.

80. Arvin Interiors (P) Ltd/2009-10

Assessment has been completed by utilizing OR file and created additional demand of Rs. 0.12 lakh and the demand is under RR.



81. Flair Alliance Builders, Kaloor/2012-13

Assessment has been completed by utilizing OR file and created additional demand of Rs. 1.81 lakh. The demand is under RR.

82. Soman Enterprises Ltd, Cheranallur/2009-10

Assessment has been completed by utilizing OR file and created additional demand of Rs.1086.97 lakhs. Collection stayed by the Hon'ble High Court vide order No. WPC 12415/17 dtd 14/06/2017.

- (b) Recovery of overpayment pointed out by audit
- (c) Recovery of under assessment, short levy or other dues
- (d) Modification in the schemes and programmes including financing pattern
- (e) Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.


R. Raja Gopal
Additional Secretary
Taxes Dept

ACTION TAKEN NOTES ON C & AG'S REPORTS

	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Inadequate Internal Control mechanism Lack of follow up action in realising additional demand created through assessment
	(c)	Paragraph No.	2.4.7.10(3)
	(d)	Report No. and Year	C&AG Report for the year ended 31.03.2015
I	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
II		Gist of Paragraph/Review	<p>Audit found that additional demand created amounting to ₹ 2.75 crore through 101 assessment files in five assessment circles was not realised. Follow up action was not initiated to collect demand in seven cases even after four years of its creation resulting in lack of proper monitoring mechanism to collect the arrears of revenue.</p> <p>Though the assessing officers had sent the details of defaulters to the respective Inspecting Assistant Commissioners responsible for initiating RR action, but the cases were pending for want of action. The reasons stated by the Inspecting Assistant Commissioners were : (a) Stay by courts and others, (b) whereabouts of the dealers were not traceable, (c) RR proceedings were in the initial stage etc.</p>
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA



VI

REMEDIAL ACTION TAKEN

(a) Improvement in system and procedures, including internal controls.	Additional demand created are advised for revenue recovery either to the Inspecting Asst. Commissioner or to the District Collector. In the case of running business, if there is arrear demand, bank account will be freezed and block all e-services including Check Post Services. The details of additional demand and collection thereof are reviewed by the District Deputy Commissioners. Stringent instructions are being given to all Inspecting Asst. Commissioners to realize the arrears promptly.
(b) Recovery of overpayment pointed out by audit	
(c) Recovery of under assessment, short levy or other dues	
(d) Modification in the schemes and programmes including financing pattern	
(e) Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	


R. Raja Gopal
Additional Secretary
Taxes Dept

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Inadequate Internal control mechanism Lack of system to ensure quality of assessment
	(c)	Paragraph No.	2.4.7.10(4)
	(d)	Report No. and Year	C&AG Report for the year ended 31.03.2015
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	<p>As per Section 55 of the Act, any person aggrieved by any order or proceedings passed by an assessing authority may within thirty days from the date on which the order was served on him, appeal against such order to the Deputy Commissioner (Appeals), if the order was passed by Assistant Commissioner. If the order was passed by Commercial Tax Officer, AC (Appeal) is the Appellate Authority. The Appellate Authority after hearing and examination of related records, disposes the appeals, by an order stating the reasons for arriving at the decision such as the appeal is allowed, dismissed or modified or set aside.</p> <p>Audit had called for details in respect of cases of appeals disposed in all the seven appellate authorities, however, data was made available only from one appellate authority. Audit found that the Appellate authority¹⁸ had disposed of 794 cases of appeals during 2013 and 2014 out of which 527 cases were disposed of as allowed in favour of the assessee or stood modified. Audit test checked 121 of these cases and found that the assessments were completed in contravention of the provisions of the Act such as non-affording of opportunity of being heard, non-availability of material evidence, non-verification of records produced etc., or the claim made by the assessee was not rebutted which led to its disposal as above.</p>

			The quality of an assessment depends on its sustainability with law and the collection of demanded tax. But the assessments were completed without analysing all provisions of the Acts and Rules. In order to ensure the quality of assessment order, in Central Receipts, Chief Commissioners/Director General of Income tax are required to analyse at least 50 quality assessments of their respective charges and send the report to the respective Zonal Member.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA



REMEDIAL ACTION TAKEN

Improvement in system and procedures, including internal controls.

As per the KVAT Act and Rules when assessment is completed on best judgment basis under sections 22, 23, 24 read with Rules 34, 35 & 38 the assessing authority may serve a notice to the dealer calling upon him to produce the books of accounts to prove his tax liability at a place and time as specified in the notice. If the dealer fails to prove the correctness, the assessing authority shall proceed to make the best judgment assessment. The dealer shall be given a reasonable opportunity of being heard before completing the best judgment. Circular instructions have been issued to the assessing authorities to comply with the procedural requirements incidental to completion of assessment and penalty in order to avoid violation of natural justice.

As a measure to bring in more transparency and accountability in tax administration, the department has introduced 'peer review system' as per Circular No. 29/2015. This system enables the evaluation of notices and orders issued by the assessing officers by other officers including supervisory officers and has proved to be effective in improving the quality of assessments. This has made the orders more sustainable and capable of standing the test of law.

- (b) Recovery of overpayment pointed out by audit
- (c) Recovery of under assessment, short levy or other dues
- (d) Modification in the schemes and programmes including financing pattern
- (e) Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.


R. Raja Gopal
Additional Secretary
Taxes Dept

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	STATE GOODS AND SERVICE TAX
	(b)	Subject/Title of the Review Paragraph	Short payment of tax due to non revision of self assessment having defects/deficiencies
	(c)	Paragraph No.	2.5
	(d)	Report No. and Year	C & AG Report for the year ended 31.03.2015
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	<p>As per section 25(1) of KVAT Act, 2003 where for any reason the whole or any part of turnover of business of a dealer has escaped assessment to tax in any year or has been assessed at a rate lower than the rate at which it is assessable, or where any input tax credit or special rebate has been wrongly availed of the assessing authority may, at any time within five years from the last date of the year to which the return relates, proceed to determine, to the best of its judgment, the turnover which has escaped assessment to tax or has been assessed at a rate lower than the rate at which it is assessable or input tax credit or special rebate that has been wrongly availed of and assess the tax payable on such turnover or disallow the input tax credit or special rebate wrongly availed of.</p> <p>Sree Vinayaka Motors, Kottarakkara, a dealer in motor vehicles and spare parts while</p>

			filing the revised return for 2011-12, had not included interstate purchase turnover of Rs. 54.03 crore relating to motor vehicles and spare parts. This resulted in short payment of tax, cess and interest of Rs. 10.65 crore. In addition, penalty of Rs. 15.10 crore was also leviable under section 37 of KVAT Act, 2003.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

VI

REMEDIAL ACTION TAKEN

(a)	Improvement in system and procedures, including internal controls.	<p><u>M/s. Sree Vinayaka Motors, Kottarakkara/2011-12</u></p> <p>Based on the audit objection, the assessment in respect of the above dealer for the year 11-12 was completed vide order dated 29.01.2015 creating additional demand of Rs. 7,44,16,950/- as tax Rs. 3,94,40,984/- as interest and thereby a total of Rs. 11,38,57,934/-. The assessee had remitted Rs. 6,36,05,000/- under RR. An amount of Rs. 14,88,33,901/- has been imposed as penalty as per order dated 25.04.2016. Though the dealer had opted Amnesty Scheme 2019, he had not remitted any amount under that scheme. Later the dealer had opted amnesty scheme 2020 for payment of balance tax by paying 40% of tax due Rs. 1,08,11,950/-. The dealer remitted entire dues from 2011-12 to 2016-17 through online payment in a single Chalan KL004732875202021E dated 14.07.2020. The penalty of Rs. 14,88,33,901/- is waived under Amnesty Scheme 2020.</p>
(b)	Recovery of overpayment pointed out by audit	
(c)	Recovery of under assessment, short levy or other dues	
(d)	Modification in the schemes and programmes including financing pattern	
(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	

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 തിരുവനന്തപുരം

ACTION TAKEN NOTES ON C & AG'S REPORT

(a) Department		COMMERCIAL TAXES
I	(b) Subject/Title of the Review	Escape of turnover from assessment.
	(c) Paragraph No.	2.5.1
	(d) Report No. and Year	C & AG Report for the year ended 31.03.2015
II	(a) 1. Date of receipt of the Draft Para/Review in the Department	17.08.2015
	(b) Date of Department's Reply	08.12.2015
III	Gist of Paragraph/Review	<p>M/s. Sree Vinayaka Motors, Kottarakara filed annual return for 2011 - 12 conceding total sales turnover of ₹ 48.01 crore. Subsequently the assessee filed a revised return manually conceding total sales turnover of ₹ 55.93 crore. While filing the revised return, the assessee had not included inter-state purchase turnover ₹ 54.03 crore relating to motor vehicles and spares parts which was included in the original return. Audit verified the C form details available in the department website www.keralataxes.gov.in and found that the assessee had issued 19 'C' forms covering an amount of ₹ 88.65 crore to M/s. Piaggio Vehicle Private Limited in respect of purchases effected during 2011 - 12. Thus the assessee had suppressed purchase turnover and corresponding sales turnover to evade tax. The Assistant Commissioner (Assessment) did not detect the defect and assessed tax on the escaped turnover. This resulted in short payment of tax, cess and interest of ₹ 10.65 crore.</p>
IV	(a) Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b) If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a) Does the Department agree with the Audit conclusions?	Yes
	(b) If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

VI

REMEDIAL ACTION TAKEN

REMEDIAL ACTION TAKEN																							
(a)	Improvement in system and procedures, including internal controls.	<p>Based on the audit objection, the assessment was completed under Section 25(1) of the KVAT Act, 2003 vide order No. 32021000954/11-12 dated. 29.01.2015 creating an additional demand of ₹ 11,38,57,934/-. This amount was advised for Revenue Recovery to District Collector vide RRC No. 2015/2704/2 dated. 28.03.2015. Mean while, the dealer approached the Honourable High Court of Kerala by filing WP(C) No. 11802/2015 (A). The Honourable High Court vide judgment on WP(C) No. 11802/2015 (A) dated. 09.04.2015 allowed installment facility at 12 equal installments with accrued interest from 30.04.2015. The court also directed the accessing authority to keep in abeyance all further proceedings initiated against the dealer. The same was intimated to the Revenue Recovery authorities.</p> <p>The dealer remitted the following amounts by way of DD and the collection particulars are as shown below.</p> <table><tr><th></th><th>Amount (₹)</th><th>DD No. / Date</th><th>Chalan No. / Date</th></tr><tr><td>In obedience to court order</td><td>95,00,000</td><td>009870/ 22.07.15</td><td>267/ 24.07.15</td></tr><tr><td>First installment</td><td>11,05,000</td><td>001786/ 31.07.15</td><td>2537/ 03.08.15</td></tr><tr><td>Second installment</td><td>1,00,00,000</td><td>002818/ 31.08.15</td><td>167/ 03.09.15</td></tr><tr><td>Total</td><td>2,06,05,000</td><td></td><td></td></tr></table>			Amount (₹)	DD No. / Date	Chalan No. / Date	In obedience to court order	95,00,000	009870/ 22.07.15	267/ 24.07.15	First installment	11,05,000	001786/ 31.07.15	2537/ 03.08.15	Second installment	1,00,00,000	002818/ 31.08.15	167/ 03.09.15	Total	2,06,05,000		
	Amount (₹)	DD No. / Date	Chalan No. / Date																				
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Second installment	1,00,00,000	002818/ 31.08.15	167/ 03.09.15																				
Total	2,06,05,000																						
(b)	Recovery of overpayment pointed out by Audit	NA																					
(c)	Recovery of under Assessment, short levy or other dues	Short levy																					
(d)	Modification in the schemes and programmes including financing pattern	Rs. 2.06 crore collected.																					
(e)	Review of similar cases/complete scheme / project in the light of findings of sample check by Audit	Balance under R. R (Rs. 9.34 crore)																					


R. Raja Gopal
 Additional Secretary
 Taxes Dept

Action taken Notes on C & AG's Reports

1	(a)	Department	COMMERCIAL TAXES
	(b)	Subject / Title of the Review Paragraph	Application of Incorrect rate of tax
	(c)	Paragraph No	2.5. (2)
	(d)	Report No. and Year	C & AG report for the year ended 31-03- 2015.
II	(a)	Date of receipt of the Draft Para/ Review in the Department	23-02-2015
	(b)	Date of Department's Reply	19-08-2015
III		Gist of Paragraph/ Review	M/s. Labtech Medico Pvt.Ltd. Angamaly is a dealer engaged in the business of Laboratory Scientific Equipments, medical Surgical Equipments and spares including bandages . The dealer filed his annual return for the year 2011-12 disclosing a total and taxable turnover of Rs. 6,02,70,673.29. As per the annual return the assessee had effected import purchase of Laboratory and Scientific Equipments amounting to Rs. 68,06,826/- taxable @ 12.5% and Medical Surgical Equipments and spares including bandages, gauzes etc. amounting to Rs. 15848089/- taxable @ 4%. The audit objection is that as per the HSN code affixed on the bills of entry, the assessee had imported goods taxable @ 12.5% amounting to Rs. 2,10,50,626/- and goods taxable @ 4% amounting to Rs. 16,22,790/-. This resulted in short levy of tax, cess and interest of Rs. 15,68,875/-.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph ?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions ?	Yes
	(b)	If not, Please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

Remedial action taken

VI	(a)	Improvement in system and procedures including internal controls.	<p>The assessment in respect of M/s. Labtech Medico (P) Ltd., Angamaly for the year 2011-12 was completed U/Sec. 25(1) of the KVAT Act 2003 vide order No. 32150847284/11-12 dated 17.07.2015 creating an additional demand of Rs. 17,58,638/- (in VAT Rs. 12,52,680/- + Cess Rs. 12,527/- + interest Rs. 4,93,431/-).</p> <p>RR proceedings were stayed by appellate authority vide order No. KVAT 1754/15 dated 19.10.2015, on condition that to pay 30% of the demand and furnish adequate security for the remaining balance. As per the order they paid Rs. 5,27,600/- vide chalan No. 128/17.10.2015. The appeal is still pending for disposal.</p>
	(b)	Recovery of overpayment pointed out by audit	NA
	(c)	Recovery of under assessment, short levy or other dues	Short levy
	(d)	Modification in the schemes and programmes including financing pattern	Collected ₹.5,27,600/- Ch. No. 128/17-10-2015
	(e)	Review of similar cases/complete scheme/project in the light of findings of sample check by Audit findings of sample check by Audit.	----

[Signature]
L. Raja Gopal
 Additional Secretary
 Taxes Dept

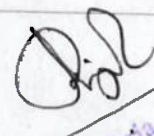
ACTION TAKEN NOTES ON C & AG'S REPORT

1	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review	Escape of turnover from assessment
	(c)	Paragraph No.	2.5.3
	(d)	Report No.& Year	C&AG report for the year ended 31.03.15
II	(a)	1. Date of receipt of the Draft Para/Review in the Department.	02-07-2015
	(b)	Date of Department's Reply	29-07-2015
III		Gist of the Paragraph/Review	M/s.Royal Ocean, Aroor was a manufacture and dealer in meat and fish products. During 2012-13, they conceded a total sales turnover of Rs.16.76 crore. However, as per Form 13 A, filed by the assessee, they had a local sales turnover of Rs.1.25 crore, which was not self assessed to tax by the assessee. The assessing authority also did not detect and set right the omission. This resulted in short payment of tax and interest of Rs.7.08 lakh.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph ?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions ?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary.	NA

VI

REMEDIAL ACTION TAKEN

(a)	Improvement in system and procedures, including internal control	<p>M/s.Royal Oceans, Chandiroor is an assessee on the rolls of Commercial Tax officer, Kuthiyathode. In the annual return filed for the year 2012-13, they had disclosed total and taxable sales turnover of Rs.16,73,93,472/- and Rs.13,83,29,312/- respectively.</p> <p>During Accountant General's audit it was pointed out that the dealer had effected local sales turnover of Rs.125.30 lakh in the self assessed return which was omitted to assess which resulted in short levy of tax including interest of Rs.7,14,229/-(5% on 12530340). There was another defect of purchase suppression also. Both defects were brought to the notice of the dealer and the assessment was completed as per order No.32041866598/12-13 dtd.17.09.14 demand tax Rs. 18,79,029/- and interest Rs.319,435/-. RR steps are initiated against the dealer for non payment of the dues.</p> <p>Being aggrieved, the dealer has filed appeal before Deputy Commissioner(A) Kollam and conditional stay was granted as per Order No.KVATA (AlPy) 546/14 and 23.10.14. The dealer has paid tax Rs/6,59,540/- as per chalan No. 276 dt.06.01.15 and 227 dtd.31.01.15 before the RR authorities. The dealer had furnished security bond for the balance amount.</p>
(b)	Recovery of overpayment pointed out by Audit	NA
(c)	Recovery of under Assessment,short levy of other dues	Short levy
(d)	Modification in the schemes andprogrammes including financting pattern	Rs.6,59,540/- collected vide Ch.No.276 dt.06.01.15 and Ch.No.227 dt.31.01.15.
(e)	Review of similar cases/ complete scheme/project in the light of findings of sample check by Audit.	Stayed by DC(A), Kollam.


R. Raja Gopal
 Additional Secretary
 Taxes Dept

ACTION TAKEN NOTES ON C & AG'S REPORT

	(a)	Department	COMMERCIAL TAXES
I	(b)	Subject/Title of the Review	Incorrect rate of tax
	(c)	Paragraph No.	2.5. (5)
	(d)	Report No. and Year	C & AG Report for the year ended 31/03/2015
II	(a)	1. Date of receipt of the Draft Para/Review in the Department	27/07/2015
	(b)	Date of Department's Reply	31/07/2015
III		Gist of Paragraph/Review	M/s. PVR Enterprises, Kozhikode a dealer in toughened glasses and automobile spare parts filed annual return for 2011-12 conceding sales turnover of item taxable at 4% and 12.5% as Rs. 77.61 lakh and Rs. 48.11 lakh respectively. Audit found that sales turnover of items taxable at 12.5% conceded by the assessee was Rs. 35.65 lakh less than the cost of goods sold which amounted to Rs. 83.76 lakh. There was corresponding difference between purchase and sales turnover of 4% taxable items. Application of incorrect lower rate of tax on sales turnover of goods taxable at higher rate resulted in short payment of tax , cess and interest of Rs. 3.46 lakh.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

REMEDIAL ACTION TAKEN

(a)	Improvement in system and procedures, including internal controls.	<p>The audit objection raised in the case is misclassification of goods coming under 4% and 12.5% tax rate by the dealer , M/s. P.V.R. Enterprises, Nadakkavu, Kozhikode bearing TIN 32110773748 for the year 2011-12. Based on the audit the assessing officer has completed the assessment under Section 25 of the KVAT Act 2003 on 31/10/2003 by analyzing the trade results and fixing Gross Profit @ 10 % , creating an additional demand of Rs. 5,56,241/-.</p> <p>The Assessee had already remitted Rs. 2,50,000/- against the additional demand of Rs. 5,56,241/- and the remaining dues are under revenue recovery. In the mean time the dealer preferred appeal before the Assistant Commissioner (Appeals), Kozhikode . The Assistant Commissioner (Appeals), Kozhikode vide order No. VATA 1466/13 dated 30/03/2015 has modified the case. Aggrieved with this the department proposed 2nd appeal on 30/05/2015.</p>
(b)	Recovery of overpayment pointed out by Audit	NA
(c)	Recovery of under Assessment, short levy or other dues	Short levy
(d)	Modification in the schemes and programmes including financing pattern	Rs. 2,50,000/- Collected
(e)	Review of similar cases/complete scheme / project in the light of findings of sample check by Audit	


R. Raja Gopal
 Additional Secretary
 Taxes Dept

ACTION TAKEN NOTES ON C & AG'S REPORT

	(a)	Department	COMMERCIAL TAXES
I	(b)	Subject/Title of the Review	Application of incorrect rate of tax
	(c)	Paragraph No.	2.6.1 (2)
	(d)	Report No. and Year	C & AG Report for the year ended 31/03/2015
II	(a)	1. Date of receipt of the Draft Para/Review in the Department	19/11/2015
	(b)	Date of Department's Reply	10/12/2015
III		Gist of Paragraph/Review	M/s.3F Industries Ltd., Kochi was a dealer in edible oil, milk products etc. during 2012-13. They assessed to tax sales turnover of edible oil for Rs.56.54 crore at one per cent. Audit found from the check post module of KVATIS that during 2012-13, the assessee had interstate purchase and interstate stock transfer of margarine into the State for Rs.85.52 lakh and Rs.36.87 crore respectively. However corresponding sales turnover of margarine was misclassified by the assessee as edible oil and self assessed to tax at one per cent instead of the applicable rate of 13.5 per cent. Application of incorrect rate of tax on the sales turnover of margarine resulted in short payment of tax and interest of Rs.5.33 crore.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

(a)	Improvement in system and procedures, including internal controls.	Considering the Audit Objection, assessment was completed on 07.11.2015 creating an additional demand of Rs.5,64,40,709/- and interest of Rs.48,86,504/- (from 4/13 to 11/15).
(b)	Recovery of overpayment pointed out by Audit	NA
(c)	Recovery of under Assessment, short levy or other dues	Short levy
(d)	Modification in the schemes and programmes including financing pattern	-
(e)	Review of similar cases/complete scheme / project in the light of findings of sample check by Audit	-


R. Raja Gopal
Additional Secretary
Taxes Dept

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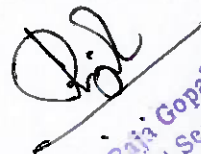
ACTION TAKEN NOTES ON C & AG'S REPORT

	(a)	Department	COMMERCIAL TAXES
I	(b)	Subject/Title of the Review	Application of incorrect rate of tax
	(c)	Paragraph No.	2.6.1 (4)
	(d)	Report No. and Year	C & AG Report for the year ended 31/03/2015
II	(a)	1. Date of receipt of the Draft Para/Review in the Department	12/05/2015
	(b)	Date of Department's Reply	30/06/2015
III		Gist of Paragraph/Review	M/s.Malabar Constructions Materials (P) Ltd, Kannavanam is an assessee engaged in crushing of metal. During 2010-11, the assessee self assessed to tax the sales turnover of M-sand for Rs.73.3 lakh, at four per cent instead of the applicable rate of 12.5 per cent. Application of incorrect rate of tax resulted in short payment of tax, cess and interest of Rs.8.18 lakh.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	No
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	No
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

REMEDIAL ACTION TAKEN

(a)	Improvement in system and procedures, including internal controls.	<p>M/s.Malabar Constructions Materials (P) Ltd., Edayar, Kolayad a registered dealer on the rolls of the Commercial Tax Officer, Kuthuparamba bearing TIN 32121013882, had opted to pay compounded tax under Section 8 in respect of the Metal Crusher Unit and River Sand for Rs.7,80,000/- purchased from registered dealers sold for Rs.8,56,435/- was assessed @ 4%. The assessee had produced M-sand by a separate machinery (VSI) and the compounded tax due under Section 8 was not paid for that machinery. The metal-sand produced was also assessed @ 4% along with the River sand during 2010-11 as per the annual return. During 2011-12 also, the metal-sand was assessed @ 4%. Metal-sand was brought under III schedule to the KVAT Act Entry 82 A with effect from 01.04.2011 only vide Finance Act 2011. During 2010-11, M-sand produced by machinery attracts tax @ 12.5% vide Entry 103 of list of RNR goods. Application of incorrect rate of tax has resulted in short levy of tax of Rs.6,29,238/- at the differential rate of 8.5% and Cess 1%.</p> <p>On the basis of the audit observation, the assessment of the above dealer had been completed by the Commercial Tax Officer, Kuthuparamba on 09.01.2014 creating additional demand of Rs.8,36,062/- including interest and the dues were advised for Revenue Recovery. The appellant had remitted 40% of the demand and furnished adequate security for the balance amount against the stay petition filed in VATA No.221/2014.</p>
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1.		<p>Now as per appeal Order VATA No.221/2014 dated 01.01.2015, the Deputy Commissioner (Appeals), Kozhikode has issued modification directing the assessing authority to give exemption to the sales turnover of M- Sand conceded by the assessee and to modify the order accordingly.</p> <p>The appellate authority took the above view on the reason that by Kerala Finance Act 2007, Section 8(b) of the KVAT Act 2003, has been amended re-fixing the rate of compounded tax payable under the said section and by inserting a proviso to the said section to provide exemption on the turnover of M-sand in the case of dealers who had opted for compounding under this section.</p>
(b)	Recovery of overpayment pointed out by Audit	NA
(c)	Recovery of under Assessment, short levy or other dues	NA
(d)	Modification in the schemes and programmes including financing pattern	NA
(e)	Review of similar cases/complete scheme / project in the light of findings of sample check by Audit	NA


R. Raja Gopal
 Additional Secretary
 Taxes Dept

ACTION TAKEN NOTES ON C & AG'S REPORT


	(a)	Department	COMMERCIAL TAXES
I	(b)	Subject/Title of the Review	Application of incorrect rate of tax
	(c)	Paragraph No.	2.6.2(2)
	(d)	Report No. and Year	C & AG Report for the year ended 31.03.2015
II	(a)	1. Date of receipt of the Draft Para/Review in the Department	10.07.2015
	(b)	Date of Department's Reply	20.08.2015
III		Gist of Paragraph/Review	M/s. Ojin Bakes, Nadakkavu is a manufacturer and dealer of bakery products. During 2011 – 12, they self assessed tax on sales turnover of bakery products for ₹ 1.18 crore at four per cent. Audit found that the bakery products sold by the assessee were under brand name 'OJIN' registered under Trade Mark Act, 1999 and as such taxable at 12.5 per cent. Application of incorrect rate of tax resulted in short payment of tax, cess and interest of ₹ 11.46 lakh.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

VI

REMEDIAL ACTION TAKEN

(a)	Improvement in system and procedures, including internal controls.	<p>On verification of the data obtained from the Controller General of Patents, Designs and Trade Mark, Mumbai by the assessing authority it is revealed that the Ojin as well as Ojin Bakes was a trade mark registered under the trade mark Act 1999 as given below:</p> <table border="1" data-bbox="762 506 1481 1357"> <tr> <td>Word Mark</td><td>:</td><td>Ojin Bakes</td></tr> <tr> <td>Application No.</td><td>:</td><td>1986219 Class : 30</td></tr> <tr> <td>Application date</td><td>:</td><td>29-06-2010</td></tr> <tr> <td>Proprietor</td><td>:</td><td>Ojin Foods Private Ltd</td></tr> <tr> <td>Journal No.</td><td>:</td><td>1562 - 0</td></tr> <tr> <td>Journal date</td><td>:</td><td>12.11.2012</td></tr> <tr> <td>Status</td><td>:</td><td>Registered</td></tr> <tr> <td>Used since</td><td>:</td><td>24.12.2001 valid upto 29.06.2020 food for human consumption coffee, Tea, Cocoa, Sugar, Rice, Tapioca, Sago, Flour and preparations made from cereals. Bread, Biscuits, Cake, Pastry and Confectionery. Honey, Yeast, Baking Powder, Tread salt, Vinegar, Atta, Rava, Sauces, Candiments, Spices and all other products coming under class 30.</td></tr> </table> <p>The assessee was in possession of trade mark. It was also noticed from the KVATIS that the assessee had effected purchase of bakery products @ 4% from its sister concern OJIN Foods Private Limited with TIN 32110634924. As such, the assessee was liable to pay tax @ 12.5% on the bakery products vide entry 11 of SRO 82/2006. Short levy of tax at differential rate of 8.5% as ₹ 1,18,10,032 worked to ₹ 10,13,891/- including cess 1%. This will also attract interest under Section 31 (5).</p> <p>The case has been examined and books of accounts of the dealer were verified by the assessing authority which reveal the following:</p> <p>1) It has been ascertained by the assessing authority that the trade mark was obtained by the sister concern OJIN Foods Private Limited for items</p>	Word Mark	:	Ojin Bakes	Application No.	:	1986219 Class : 30	Application date	:	29-06-2010	Proprietor	:	Ojin Foods Private Ltd	Journal No.	:	1562 - 0	Journal date	:	12.11.2012	Status	:	Registered	Used since	:	24.12.2001 valid upto 29.06.2020 food for human consumption coffee, Tea, Cocoa, Sugar, Rice, Tapioca, Sago, Flour and preparations made from cereals. Bread, Biscuits, Cake, Pastry and Confectionery. Honey, Yeast, Baking Powder, Tread salt, Vinegar, Atta, Rava, Sauces, Candiments, Spices and all other products coming under class 30.
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		<p>coming under class 30 which included bakery products too. The accounts of the dealer, OJIN Bakes were called for so as to arrive actual quantity of the branded / trade marked bakery products dealt by the dealer. The Accountant General computed the tax effect taking whole turnover of bakery products reported by the dealer in the annual return. But the dealer had sold bakery products supplied by some other dealers such as "Real Sweets", "Honey Food Products" etc. in supplier's own label, in addition to the bakery manufactured by them and purchased from their sister concern.</p> <p>2) Thus total turnover of bakery products reported by the dealer is ₹ 1,18,10,032/- for the year 2011 – 12. Out of this bakery manufactured and sold by the dealer, which could be treated as branded / trade marked is of ₹ 82,97,654/-. The remaining bakery products worth ₹ 35,12,378/- sold by the dealer were supplied by other dealers and this could not be treated as branded.</p> <p>3) Assessment was completed as per Order No. 32110757324/11-12 dated. 30.05.2015 under Section 25 (1) of KVAT Act with tax ₹ 10,03,851/-, Cess ₹ 10,039/-, Interest ₹ 3,75,139/-. Demand notice served to the dealer on 08.06.2015. Subsequently, RRC advised as per RRC No. 51/15-16 dated. 20.07.2015 of the Commercial Tax Officer, Second Circle, Kozhikode. The Revenue Recovery action is being pursued by the Inspecting Assistant Commissioner, Kozhikode.</p>
(b)	Recovery of overpayment pointed out by Audit	NA
(c)	Recovery of under Assessment, short levy or other dues	Short levy
(d)	Modification in the schemes and programmes including financing pattern	Under Revenue Recovery
(e)	Review of similar cases/complete scheme / project in the light of findings of sample check by Audit	


R. Raja Gopal
Additional Secretary
Taxes Dept

ACTION TAKEN NOTES ON C & AG'S REPORT

	(a)	Department	COMMERCIAL TAXES
I	(b)	Subject/Title of the Review	Application of incorrect rate of tax
	(c)	Paragraph No.	2.6.2.(3)
	(d)	Report No. and Year	C & AG Report for the year 31/03/2015
II	(a)	1. Date of receipt of the Draft Para/Review in the Department	10/07/2015
	(b)	Date of Department's Reply	11/08/2015
III		Gist of Paragraph/Review	M/s.Ojin Bakes, Kozhikode was a dealer of Bakery products. They self assessed tax on sales turnover of bakery products at 4% on Rs.31.22 lakh during 2011-12 and at 5% on Rs.23.94 lakh during 2012-13. Audit found that the bakery products sold by the assessee were under the brand name 'OJIN' registered under Trade Marks Act, 1999 and were liable to be taxed at 12.5% and 13.5% during 2011-12 and 2012-13 respectively. Application of incorrect rate of tax resulted in short payment of tax, cess and interest of Rs.5.79 lakh.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

REMEDIAL ACTION TAKEN

(a)	Improvement in system and procedures, including internal controls.	<p>Considering the above audit objection, the assessment of the dealer for the years 2011-12 & 2012-13 were completed U/s 25 of the KVAT Act 2003 as per the order No.32110840618/11-12 & 12-13 dated 01.03.2015, creating an additional demand of Rs.3,64,524/- (tax 2,68,032 + interest 96,492) and Rs.2,52,351/- (tax 2,03,509 + interest 48,842) respectively.</p> <p>Since the dealer had not remitted any amount towards dues, both cases have been referred to the Inspecting Assistant Commissioner, Kozhikode for initiating Revenue Recovery action on 18.04.2015.</p>
(b)	Recovery of overpayment pointed out by Audit	NA
(c)	Recovery of under Assessment, short levy or other dues	Short levy
(d)	Modification in the schemes and programmes including financing pattern	-
(e)	Review of similar cases/complete scheme / project in the light of findings of sample check by Audit	-

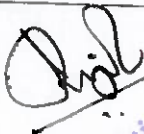

R. Raja Gopal
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Taxes Dept

ACTION TAKEN NOTES ON C & AG'S REPORT

	(a)	Department	COMMERCIAL TAXES
I	(b)	Subject/Title of the Review	Application of incorrect rate of tax
	(c)	Paragraph No.	2.6.3.(1)
	(d)	Report No. and Year	C & AG Report for the year ended 31.03.2015
II	(a)	1. Date of receipt of the Draft Para/Review in the Department	10.07.2015
	(b)	Date of Department's Reply	25.09.2015
III		Gist of Paragraph/Review	M/s. Uralungal Labour Contract Co-op. Society Limited, Vadakara is a works contractor, who was also an importer during 2012 - 13. Audit found that the works contract receipts towards the work of Government of Kerala and local bodies amounting to ₹ 65.03 crore, were self assessed to tax by the assessee at three per cent against the correct rate of four per cent. Application of incorrect rate of tax resulted short payment of tax and interest of ₹ 74.78 lakh.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

VI REMEDIAL ACTION TAKEN

(a)	Improvement in system and procedures, including internal controls.	<p>M/s.Uralungal Labour Contract Co-op. Society Limited is a registered society in the rolls of the Office of the Commercial Tax Officer, Works Contract, Kozhikode holding TIN 32111574772 under KVAT Act. M/s.Uralungal Labour Contract Co-op. Society Limited is mainly undertaking contract works from various awarders, either Government or Private. The society is also involved in manufacturing and trading activities also, such as Metal crushing Units, "Sargalaya" the handy craft Unit, Hollow Bricks manufacturing unit.</p> <p>Based on the audit objection pointed out by the Accountant General, the Commercial Tax Officer, Works Contract, Kozhikode has completed the assessment as per order No. 32111574772/12-13 dated. 31.08.2015, including other defects, apart from the defects pointed out by the Accountant General, proposing a total enhancement of tax to the tune of ₹ 4.02 crores (₹ 3.12 crores tax + ₹ 90.37 lakh interest). This includes the amount as observed by the Accountant General, ie ₹ 74.78 lakh.</p>
(b)	Recovery of overpayment pointed out by Audit	NA
(c)	Recovery of under Assessment, short levy or other dues	Short levy
(d)	Modification in the schemes and programmes including financing pattern	-
(e)	Review of similar cases/complete scheme / project in the light of findings of sample check by Audit	-


R. Raja Gopal
Additional Secretary
Taxes Dept

21

185

ACTION TAKEN NOTES ON C & AG'S REPORT

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review	Application of incorrect rate of tax.
	(c)	Paragraph No.	2.6.3.(2)
	(d)	Report No. and Year	C & AG Report for the year ended 31/03/2015
II	(a)	1. Date of receipt of the Draft Para/Review in the Department	12/06/2015.
	(b)	Date of Department's Reply	31/07/2015
III		Gist of Paragraph/Review	The audit objection in this case is that M/s. Padmaja specialties , Aluva was a works contractor who had trading of chemicals also. During 2012-13, they had interstate purchase of chemicals valued Rs. 1.08 crore effected through interstate purchase ad the same was incorporated into the work during the year. The assessee self assessed the entire works contract receipts of Rs. 6.45 crore at three per cent only. Non levy of tax at 13.5 per cent on the interstate purchase turnover of goods resulted in short payment of tax and interest of Rs. 18.45 lakh.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	No
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	No
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

VI

REMEDIAL ACTION TAKEN

(a)	Improvement in system and procedures, including internal controls.	In the light of audit, the Assistant Commissioner, Special Circle, Mattancherry has completed the revised assessment under Section 25 (1) of the KVAT Act on 17/07/2015 creating additional demand of Rs. 17,06,341/- towards tax and Rs. 4,46,358/- towards interest
(b)	Recovery of overpayment pointed out by Audit	NA
(c)	Recovery of under Assessment, short levy or other dues	Short levy
(d)	Modification in the schemes and programmes including financing pattern	-
-(e)	Review of similar cases/complete scheme / project in the light of findings of sample check by Audit	-


 R. Raja Gopal
 Additional Secretary
 Taxes Dept

23
ACTION TAKEN NOTES ON C & AG'S REPORT


187

	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review	Application of incorrect rate of tax
	(c)	Paragraph No.	2.6.3 (3)
	(d)	Report No. and Year	C & AG Report for the year ended 31/03/2015
II	(a)	1. Date of receipt of the Draft Para/Review in the Department	28/05/2015
	(b)	Date of Department's Reply	20/06/2015
III		Gist of Paragraph/Review	Shri. T. Asokan, Kozhikode was a works contractor registered under CST Act 1956. During 2012-13 the assessee self assessed to tax his contract receipts of Rs. 5.96 core received from Government of Kerala at three per cent instead of the applicable rate of four per cent. Application of incorrect rate of tax resulted in short payment of tax and interest of Rs. 6.25 lakh.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

VI

REMEDIAL ACTION TAKEN

(a)	Improvement in system and procedures, including internal controls.	<p>Shri. T. Ashokan, Works Contractor, Kozhikode is an assessee on the rolls of the Commercial Tax Officer (WC & LT), Kozhikode bearing TIN 32111547434. The Accountant General , Kerala in the audit has pointed out that the above contractor, holding CST registration with effect from 05/08/2010 and engaged in the work for Government of Kerala had assessed the works contract receipts of 5.96 crores @ 3% for the year 2012 – 2013 against the correct rate 4%. Application of incorrect rate of tax results short levy of 6.25 lakhs (including interest) .</p> <p>Considering the audit objection , the assessment of the dealer was completed on 30/08/2014 demanding short levy of tax of Rs. 5,43,367.00 and interest of Rs. 92,372.00. Now the dealer has paid the entire amount of Rs. 6,62,908/- (Tax Rs. 543367/-), interest Rs. 119541/- vide cheque No. 384208 dated 09/03/2015.</p>
(b)	Recovery of overpayment pointed out by Audit	NA
(c)	Recovery of under Assessment, short levy or other dues	Short levy
(d)	Modification in the schemes and programmes including financing pattern	Collected entire amount
(e)	Review of similar cases/complete scheme / project in the light of findings of sample check by Audit	NA


R. Raju Gopal
Additional Secretary
Taxes Dept

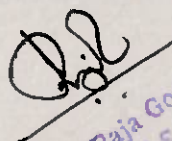
ACTION TAKEN NOTES ON C & AG'S REPORT

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject / Title of the Review	Misclassification of commodity
	(c)	Paragraph No.	2.6.4.(2)
	(d)	Report No. & Year	C & AG Report for the year ended 31.03.2015.
II	(a)	Date of receipt of the Draft Para / Review in the Department	20.05.2015
	(b)	Date of Department's reply	12.08.2015
III		Gist of the Paragraph / Review	In Commercial Tax Office, Special Circle, Mattancherry, scrutiny of assessment records in respect of M/s. Jaihind International revealed that during the year 2012-13, the dealer had assessed the sales turnover of imported PVC ceiling panel with hole under customs tariff head 3925.20.00 classified under entry 29(1)(a) of list of goods appended to SRO 82/06 and Calluca PVC boards (white) with HSN 3925.90.90 and 3626.90.59 coming under entry 103 of list of goods appended to SRO 82/06 was misclassified as item coming under Sl. No. 99(1)(1)(iii) of the IIT ^d Schedule. This misclassification had resulted in the short levy of Rs. 8.97 lakh including interest.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit Conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

VI

REMEDIAL ACTION TAKEN

(a)	Improvement in system and procedures, including internal control	<p>Based on the audit the self assessment made by the dealer for the year 2012-13 was revised U/s. 25(1) of the KVAT Act, 2003 by the Assistant Commissioner, Special Circle (Produce), Mattancherry and made good the short levy of tax pointed out by the Accountant General vide order dated 30.08.2014 fixing a Taxable Turn over (including import purchase of Rs. 30,28,473/- skipped from the books of accounts) of Rs. 1,23,64,903/- resulting a total demand of Rs. 12,02,440/- including interest of Rs. 2,28,463/-.</p> <p>The demand due has been advised for Revenue Recovery. The dealer has filed Appeal against this and the Deputy Commissioner (Appeals), Ernakulam granted conditional stay on remittance of 30% of the dues and furnishing security for the balance. The dealer has remitted Rs. 2,90,456/- and Rs. 1,49,637/- vide Chalan No. 74 and 76 respectively dated 18.12.2014. The appeal is still pending.</p>
(b)	Recovery of overpayment pointed out by Audit	NA
(c)	Recovery of under Assessment, short levy or other dues	Short levy
(d)	Modification in the scheme and programmes including financing pattern	-
(e)	Review of similar cases / complete scheme/project in the light of findings of sample check by Audit	-


R. Raja Gopal
Additional Secretary
Taxes Dept.

Para No.	Gist of the case	Present position
2.4.7.7(2) Sl.No.1	Audit collected the details of scrutiny assessments completed for the financial year 2010-11 and 2011-12 in Corporate Circle 1(1), Corporate Circle 1(2), Corporate ward 1(3), Ernakulam of the Income Tax Dept. The cross verification of this data with the turnover details returned by 22 dealers in four assessment circles of CTD revealed that 4 dealers short reported their turnover than that reported with the income tax dept. The consequent short payment of tax including interest and penalty worked out to 9.24 crore	<p>1. India Techs Ltd 32070389512 Special Circle 11, Ernakulam</p> <p>2011-12</p> <p>The assessment for the year 2011-12 was completed on 29/11/2017, the difference in the amount shown in the income tax department and that of Form No 10 was verified and the difference found is assessed. The FOC and discount as per account was Rs.3,95,51,025/- out of this 50% of this value was assessed and demand was created for Rs. 42,13,613/- for the year 2011-12. Amount under RR (RRC-2/2018-19).</p>

Para No.	Gist of the case	Present position
<p>2.4.7.8 Bullet 1 Sl.No.3</p>	<p>As per Section 20A of the Act, every dealer shall file his return as well as purchase and sales list through electronic filing in addition to hard copy to be filed along with the return.</p> <p>Audit found that 52 out of 74 dealers scrutinised in 14 assessment circles issued sales invoices worth ₹ 1,248.60 crore, whereas the turnover reported for paying tax was only ₹1,175.01 crore resulting in short reporting of turnover by ₹73.58 crore. The resultant short levy of tax including interest and penalty worked out to ₹ 16.41 crore. The Tax district wise deviation from provisions of the Act/Rules.</p> <p>Audit observed that amongst the defaulters, M/s.Marikar (Motors)Ltd of Special Circle, Thiruvananthapuram was the biggest defaulter with tax effect of ₹ 5.63 crore. The nature of business dealt by these dealers was as under :</p> <ul style="list-style-type: none"> • Five in Grocery with tax effect of ₹ 0.69 crore • Five in Iron and Steel with tax effect of ₹0.24 crore • Three in Computer with tax effect of ₹ 0.30 crore • Thirty nine in multiple commodities with tax effect of ₹15.18 crore <p>Audit observed that though these details were available in the KVATIS, the Department failed to address the issue. Thus, the Government needs to streamline the working of the Department and that the Departmental officials need to be vigilant about the availability of such details while doing assessment.</p>	<p><u>3.Modern Sports Industries</u> <u>32070274705/2010-11</u> <u>CTO, Special Circle-I, Ernakulam</u></p> <p>Considering the audit objection, the assessment has been completed vide Order No.32070274705/2010-11 dated 30.09.2015 creating additional demand of Rs.4,60,147.00 (VAT) and Rs.2,48,480.00 (Interest) respectively. The assessee filed an appeal before the Deputy Commissioner (Appeals), Ernakulam and the Deputy Commissioner (Appeals), Ernakulam has granted a conditional stay that the appellant shall pay 30% of the outstanding demand by demand draft and to furnish adequate security to the satisfaction of the assessing authority for the remaining balance within 15 days of receipt of this order (Order No.KVATA-2443/2015 dated 31.12.2015 of Deputy Commissioner (Appeals), Ernakulam). As per this Order, the assessee has paid Rs.2,12,600.00 (Tax Rs.1,38,044.00 and Interest Rs.74,556.00) Vide chalan No.252/08-02-2016 (DD No.012665 dated 21.01.2016 (HDFC Bank, Ernakulam).</p> <p>Further, the Deputy Commissioner (Appeals), Ernakulam has modified the assessment order as per KVATA No.2443/15 dated 09.03.2017. Accordingly, the assessment order has been modified vide order No.32070274705/2010-11 dated 21.06.2017. After modification, the demand is fixed as Rs.14,350.00 (Rs.7,674.00 as Tax and Rs.6,676.00 as Interest). This amount is already paid for stay condition vide chalan No.252/08-02-2016.</p>

		<p>Subsequently, an escaped assessment of sales turnover of purchase suppression has been completed on 27/09/2016 vide Order No.32070274705/2010-11 creating an additional demand of Rs.1,31,416.00 (Tax Rs.78,857.00, Interest Rs.51,770.00, and Cess Rs.789.00). The assessee has opted Amnesty Scheme of the year 2020 for entire amount of the years 2007-08, 2010-11, 2012-13, 2013-14 and 2014-15 and paid lumpsum amount of Rs.80,779.00 vide GRN: KL013214075202021E dtd: 26/11/2020. Hence, no arrear is pending against the dealer. In the circumstances, the audit objection may kindly be dropped.</p>
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Para No.	Gist of the case	Present position
2.4.7.8 Bullet 1 Sl.No.5	<p>As per Section 20A of the Act, every dealer shall file his return as well as purchase and sales list through electronic filing in addition to hard copy to be filed along with the return.</p> <p>Audit found that 52 out of 74 dealers scrutinised in 14 assessment circles issued sales invoices worth ₹ 1,248.60 crore, whereas the turnover reported for paying tax was only ₹ 1,175.01 crore resulting in short reporting of turnover by ₹ 73.58 crore. The resultant short levy of tax including interest and penalty worked out to ₹ 16.41 crore. The Tax district wise deviation from provisions of the Act/Rules.</p> <p>Audit observed that amongst the defaulters, M/s. Marikar (Motors) Ltd of Special Circle, Thiruvananthapuram was the biggest defaulter with tax effect of ₹ 5.63 crore. The nature of business dealt by these dealers was as under :</p> <ul style="list-style-type: none"> • Five in Grocery with tax effect of ₹ 0.69 crore • Five in Iron and Steel with tax effect of ₹ 0.24 crore • Three in Computer with tax effect of ₹ 0.30 crore • Thirty nine in multiple commodities with tax effect of ₹ 15.18 crore <p>Audit observed that though these details were available in the KVATIS, the Department failed to address the issue. Thus, the Government needs to streamline the working of the Department and that the Departmental officials need to be vigilant about the availability of such details while doing assessment.</p>	<p><u>5. Playwell Sports</u> <u>32071674442/2012-13</u> <u>CTO, Special Circle-I,</u> <u>Ernakulam</u></p> <p>As per the audit objection the Assessment for the year 2012-13 was completed on 30.09.2015 creating additional demand of Rs. 2,05,412/- (VAT) and Rs. 61,624/- (Interest) respectively. Against this order, the dealer preferred appeal before Deputy Commissioner (Appeal)-IV, Ernakulam and the Deputy Commissioner (Appeals)-IV had modified the order as per KVATA 2400/2015 dtd. 30.09.2015. The contention of the dealer were to the effect that the difference occurred due to error in uploaded sale statement for the return period November 2012. It is argued that the turnover of retail sales as per form 8B for November 2012 is Rs. 37,68,908.00. Instead of entering the amount, the amount of Form 8 invoice Rs. 76,58,249.95 was entered in the uploaded statement. The dealer submitted detailed invoice wise statements of Form 8 and 8B sales. Differential turnover for the year is the amount equal to the difference between Form 8 and 8B sales in the month of November 2012. There is no case that there is difference between annual return and audited statements. Turnover difference noticed appear to be due to data entry mistake while uploading sales statements. If the turnover as per annual return tally with the</p>

		<p>turnover reported in Form 13 and 13A, and if there is no evidence available from KVATIS or outside source to prove sales in excess of that reported in Form 10 the turnover as per the books of accounts can be accepted. As per the direction in the appellate order, verified the turnover as per the annual return filed with reference to the turnover reported as per the audit Report in Form 13 and 13A and found as tallied and noted no difference between them. The said assessment has been modified vide order No.32071674442/2012-13 dtd. 15.06.2020 as NIL Demand. The audit objection may kindly be dropped.</p>
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Para No.	Gist of the case	Present position
2.4.7.8 Bullet 1 Sl.No.13	<p>As per Section 20A of the Act, every dealer shall file his return as well as purchase and sales list through electronic filing in addition to hard copy to be filed along with the return.</p> <p>Audit found that 52 out of 74 dealers scrutinised in 14 assessment circles issued sales invoices worth ₹ 1,248.60 crore, whereas the turnover reported for the assessment year 2010-11 paying tax was only ₹1,175.01 crore resulting in short reporting of turnover by ₹73.58 crore. The resultant short levy of tax including interest and penalty worked out to ₹ 16.41 crore. The Tax district wise deviation from provisions of the Act/Rules.</p> <p>Audit observed that amongst the defaulters, M/s.Marikar (Motors)Ltd of Special Circle, Thiruvananthapuram was the biggest defaulter with tax effect of ₹ 5.63 crore. The nature of business dealt by these dealers was as under :</p> <ul style="list-style-type: none"> • Five in Grocery with tax effect of ₹ 0.69 crore • Five in Iron and Steel with tax effect of ₹0.24 crore • Three in Computer with tax effect of ₹ 0.30 crore • Thirty nine in multiple commodities with tax effect of ₹15.18 crore <p>Audit observed that though these details were available in the KVATIS, the Department failed to address the issue. Thus, the Government needs to streamline the working of the Department and that the Departmental officials need to be vigilant about the availability of such details while doing assessment.</p>	<p><u>13. Super LPG Services</u> <u>32071203292/2010-11</u> <u>CTO, Special Circle-III,</u> <u>Ernakulam</u></p> <p>AG pointed out the defects for the assessment year 2010-11 that turnover short reported by dealers with reference to the sales invoices issued by them. As per the audit objection, assessment u/s.25(1) has been completed vide order dtd 22.05.2017, by including suppressed sales turnover of Rs. 56,49,854.00, as per audit report. Additional demand of Rs.7,18,127/- (tax+cess), Rs.5,31,414/- (Interest) Total Tax due: Rs.12,49,541/-. Stay was there in WPC No.19310/2017 dtd.09.06.2017 was dismissed on 30.11.2022. Thereafter, RR issued to DC(Arrear Recovery) as per RR No.01/2024 dtd.24.06.2024. Tax due is Rs. 7,11,017/- with Interest Rs.11,09,187/- and Cess is Rs.7110. Total RR amount is RS.18,27,314/-.</p>

Para No.	Gist of the case	Present position
2.4.7.8(2) Sl.No.1	<p>Audit found that 30 out of 56 dealers scrutinised in 11 assessment circles assessee transported into the State through various check posts, goods worth Rs. 1,14.16 crore as interstate purchase and interstate stock transfer against which only Rs. 921.85 crore was reflected in the annual returns. Though the data was readily available in KVATIS, the assessing officers failed to utilise the same, resulting in short reporting of purchases by 213.59 crore. The resultant short levy of tax including interest and penalty worked out to Rs. 63.62 crore.</p>	<p><u>1. Indus Motors Light Commercial Vehicles Pvt Ltd. 32070377823/2012-13 CTO, Special Circle</u></p> <p><u>II. Ernakulam</u></p> <p>The defect pointed was the difference in turnover between the conceded turnover and turnover detected in 8F declaration. 8F declaration was to be complied by the dealer where there is an interstate purchase or import where the goods are transported to the state not passing through any checkpost.</p> <p>Verified the statutory audited financial statement filed by the assessee in Form 13 and 13A declared U/s. 42 of the KVAT Act 2003 by chartered accountant.</p> <p>The assessing authority meticulously verified the reply with supporting documents. It is noticed that M/s. Indus Motors Light commercial vehicle Pvt Ltd have Interstate purchase of spares and accessories and no interstate purchase of Vehicles. And the Dealer purchases Vehicles from Ashok Leyland Kerala. During the financial year 2012-13, the dealer had interstate purchases totalling of Rs.2,31,74,188/- which had already conceded in the returns filed. Of the balance purchase of Rs.69,02,17,454/- shown in the notice, transported through various check posts, are the purchases mostly made from M/s. Ashok Leyland (Kerala) which was also conceded in the returns filed by the dealer as intra state purchases.</p> <p>Such goods were delivered from M/s. Ashok Leyland (Tamilnadu) and shipped to the dealer, where M/s. Ashok Leyland (Tamilnadu) has billed to M/s. Ashok Leyland (Kerala), who in turn billed to the dealer Indus Motors Light commercial vehicle Pvt Ltd</p> <p>The noticed points related are as below;</p> <p>1. Invoices raised by M/s. Ashok Leyland (Tamilnadu) to M/s. Ashok Leyland (Kerala) and invoices raised by M/s. Ashok Leyland (Kerala) to the dealer, M/s. Indus Motors Light commercial vehicle Pvt Ltd are attached with the reply are same.</p>

	<p>2. The unique chassis numbers of the vehicles shown in both set of invoices (M/s. Ashok Leyland (Tamilnadu) to M/s. Ashok Leyland (Kerala).M/s. Ashok Leyland (Kerala) to Indus Motor light vehicles)found as same</p> <p>3. On the above point 2 8F generated to M/s. Indus Motors Light commercial vehicle Pvt Ltd by mistake instead of M/s. Ashok Leyland (Kerala). where the dealer was the party to which the goods were shipped to . Such transactions were erroneously added to, as purchases made by the dealer, which resulted in interstate purchases wrongly booked in their name, which the dealer had already booked as intra state purchase in the returns filed by the dealer. This has made an erroneous additional purchase in the dealer's name. During the financial year 2012-13, the total sales amounts to Rs.106,00,22,346/- and purchases amounts to Rs.114,98,31,017/- with a closing stock balance of Rs. 14,18,97,716/- and the same has been filed in the respective returns. An extract of Profit and Loss Account is attached with reply.</p> <p>On verification of the reply with attached documents, no irregularities noticed. Hence the Audit objection is not sustainable and may be dropped.</p>
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Para No.	Gist of the case	Present position
2.4.7.10 Bullet 2 Sl.No.25	<p>Reports on crime cases received from the intelligence wing should be utilised for creating additional demands by reopening the self assessment. Audit found that in four assessment circles test checked, action was not initiated in 82 crime cases involving ₹ 0.89 crore reported by the Intelligence Wing (Appendix XIII). In eight cases, three years had elapsed after reporting the crime by the Intelligence Wing indicating the lapse of proper monitoring mechanism in the Department.</p> <p>Audit found that all the 82 cases related to Builders/Works contractors in the office of the Commercial Tax Officer (Works Contract), Kannur, Kozhikode and Palakkad.</p> <p>Government stated (December 2015) that out of 82 cases pointed out, assessments in 27 cases have been completed and instructions issued to assessing authorities to verify the remaining cases.</p>	<p><u>25. M/s Sandhya Construction, Palakkad</u> <u>CTO (WC), Palakkad, 2011-12</u></p> <p>The original assessment in respect of M/s.Sandhya Constructions for the year 2011-12 was completed vide order No.32091645868/2011-12 dated 31.07.2015 demanding tax- Rs. 15,36,731/-, Interest- Rs.6,14,692/- (Total- Rs.21,51,423/-) and advised for revenue recovery proceedings to IAC, Palakkad and this RRC was returned. Meanwhile aggrieved by this order the dealer filed appeal before Assistant Commissioner (Appeals), Palakkad and vide order No.IA No.417/2015 in KVATA No.522/15 dated 04.04.2016 conditional stay allowed subject to the condition that the appellant shall furnish 30% of additional demand. Accordingly dealer paid Rs.6,45,427/- vide cheque No.23058756/TL-6 of Federal Bank, Kanjikode. Later the appeal disposed vide order No.KVATA 2132/2016 dated 05.12.2016, Deputy Commissioner (Appeals). The appeal was partially allowed and directed to modify the assessment order. Accordingly the assessing authority modified the assessment order vide order No.32091645868/2011-12 dated 18.02.2017 demanding tax- Rs. 7,96,594/-, Interest - Rs.4,66,645/-, Cess - Rs.7,966/- (Total -Rs.12,71,205/-) and RR requisition has been submitted to The Deputy Commissioner, Arrear Recovery. This is for your kind information.</p>

Para No.	Gist of the case	Present position
2.4.7.10 Bullet 2 Sl.No.30	<p>Reports on crime cases received from the intelligence wing should be utilised for creating additional demands by reopening the self assessment. Audit found that in four assessment circles test checked, action was not initiated in 82 crime cases involving ₹ 0.89 crore reported by the Intelligence Wing (Appendix XIII). In eight cases, three years had elapsed after reporting the crime by the Intelligence Wing indicating the lapse of proper monitoring mechanism in the Department.</p> <p>Audit found that all the 82 cases related to Builders/Works contractors in the office of the Commercial Tax Officer (Works Contract), Kannur, Kozhikode and Palakkad.</p> <p>Government stated (December 2015) that out of 82 cases pointed out, assessments in 27 cases have been completed and instructions issued to assessing authorities to verify the remaining cases.</p>	<p><u>30. M/s Gunja Constrctions CTO (WC), Kozhiode, 2011-12</u></p> <p>Assessment completed on verification of CR file on 10.11.2016 with additional demand of Rs.1,46,019/- and interest of Rs.81,771/-.</p> <p>The dealer paid Rs.77,249/- prior to Amnesty and for balance amount (Rs.68770/-) the dealer opted Amnesty 2020 and paid 40% of Tax Rs-27508/- Challan-KL0159501242021E/6.1.2021.</p>

Para No.	Gist of the case	Present position
2.4.7.10 Bullet 2 Sl.No.39	<p>Reports on crime cases received from the intelligence wing should be utilised for creating additional demands by reopening the self assessment. Audit found that in four assessment circles test checked, action was not initiated in 82 crime cases involving ₹ 0.89 crore reported by the Intelligence Wing (Appendix XIII). In eight cases, three years had elapsed after reporting the crime by the Intelligence Wing indicating the lapse of proper monitoring mechanism in the Department.</p> <p>Audit found that all the 82 cases related to Builders/Works contractors in the office of the Commercial Tax Officer (Works Contract), Kannur, Kozhikode and Palakkad.</p> <p>Government stated (December 2015) that out of 82 cases pointed out, assessments in 27 cases have been completed and instructions issued to assessing authorities to verify the remaining cases.</p>	<p><u>39. M/s Safe Coating system (P) Ltd, CTO (WC), Kozhikode, 2011-12</u></p> <p>Assessment completed and created an additional demand of tax- Rs. 23,278/- and interest - Rs. 19,088/- dated 30.01.2019 utilising OR.</p> <p>The dealer opted amnesty 2019 and paid the dues under amnesty.</p>

202

Para No.	Gist of the case	Present position
2.4.7.10 Bullet 2 Sl.No.54	<p>Reports on crime cases received from the intelligence wing should be utilised for creating additional demands by reopening the self assessment. Audit found that in four assessment circles test checked, action was not initiated in 82 crime cases involving ₹ 0.89 crore reported by the Intelligence Wing (Appendix XIII). In eight cases, three years had elapsed after reporting the crime by the Intelligence Wing indicating the lapse of proper monitoring mechanism in the Department.</p> <p>Audit found that all the 82 cases related to Builders/Works contractors in the office of the Commercial Tax Officer (Works Contract), Kannur, Kozhikode and Palakkad.</p> <p>Government stated (December 2015) that out of 82 cases pointed out, assessments in 27 cases have been completed and instructions issued to assessing authorities to verify the remaining cases.</p>	<p><u>54. Metro tech, Calicut CTO (WC), Kozhiode, 2013-14</u></p> <p>Assessment completed on utilization of IB File on 20.03.2017 with addl. Demand of Rs. 4,00,553/- (Tax Rs. 2,70,644/- + Interest Rs. 1,29,909/-)</p> <p>The dealer paid Rs. 1,90,220/- prior to amnesty and for the balance amount Rs.80,424/- the dealer opted Amnesty 2020 and paid 40% of Tax Rs.32170/- Challan-KL005385624202021E/ 28.7.2020.</p>


Para No.	Gist of the case	Present position
2.4.7.10 Bullet 2 Sl.No.61	<p>Reports on crime cases received from the intelligence wing should be utilised for creating additional demands by reopening the self assessment. Audit found that in four assessment circles test checked, action was not initiated in 82 crime cases involving ₹ 0.89 crore reported by the Intelligence Wing (Appendix XIII). In eight cases, three years had elapsed after reporting the crime by the Intelligence Wing indicating the lapse of proper monitoring mechanism in the Department.</p> <p>Audit found that all the 82 cases related to Builders/Works contractors in the office of the Commercial Tax Officer (Works Contract), Kannur, Kozhikode and Palakkad.</p> <p>Government stated (December 2015) that out of 82 cases pointed out, assessments in 27 cases have been completed and instructions issued to assessing authorities to verify the remaining cases.</p>	<p>61. M/s Suncon Some JV, Rohini CTC (WC), Ernakulam, 2008-09</p> <p>Assessment completed utilising the OR on 31.03.2016. Additional demand created Rs.1.81 lakhs. Utilizing the OR file assessment completed vide Order No. 32072004775/2008-09 dtd 31.03.2016. As per the assessment order tax due fixed is Rs. 98,515.10 with interest Rs.82,752.70 Total Rs.1,81,267.80. The dealer remitted Rs.98515 as Tax and Rs.82753 as interest as per Chalan No.228 dtd.21.05.2016.</p>

Para No.	Gist of the case	Present position
2.4.7.10 Bullet 2 Sl.No.69	<p>Reports on crime cases received from the intelligence wing should be utilised for creating additional demands by reopening the self assessment. Audit found that in four assessment circles test checked, action was not initiated in 82 crime cases involving ₹ 0.89 crore reported by the Intelligence Wing (Appendix XIII). In eight cases, three years had elapsed after reporting the crime by the Intelligence Wing indicating the lapse of proper monitoring mechanism in the Department.</p> <p>Audit found that all the 82 cases related to Builders/Works contractors in the office of the Commercial Tax Officer (Works Contract), Kannur, Kozhikode and Palakkad.</p> <p>Government stated (December 2015) that out of 82 cases pointed out, assessments in 27 cases have been completed and instructions issued to assessing authorities to verify the remaining cases.</p>	<p>69. M/s Sree Narayana Shopping Complex, CTC (WC), Ernakulam, 2012-13</p> <p>Assessment Completed utilising the OR 25.09.2015. Additional demand created Rs.0.59 lakhs. The dealer paid the entire amount on 29.12.2015.</p>

Para No.	Gist of the case	Present position
2.4.7.10 Bullet 2 Sl.No.70	<p>Reports on crime cases received from the intelligence wing should be utilised for creating additional demands by reopening the self assessment. Audit found that in four assessment circles test checked, action was not initiated in 82 crime cases involving ₹ 0.89 crore reported by the Intelligence Wing (Appendix XIII). In eight cases, three years had elapsed after reporting the crime by the Intelligence Wing indicating the lapse of proper monitoring mechanism in the Department.</p> <p>Audit found that all the 82 cases related to Builders/Works contractors in the office of the Commercial Tax Officer (Works Contract), Kannur, Kozhikode and Palakkad.</p> <p>Government stated (December 2015) that out of 82 cases pointed out, assessments in 27 cases have been completed and instructions issued to assessing authorities to verify the remaining cases.</p>	<p><u>70. Assured Services (P) Ltd</u> <u>CTC (WC), Ernakulam, 2011-12</u></p> <p>Assessment completed utilising the OR on 26.02.2018. Additional demand created Rs.42.8 lakhs. RRC issued to IAC ekm. 14/2018-19 dated 24/06/2018. Assessment modified as per KVATA 2102/2018 (2011-12). The audit objection was "OR/CR case reported No action was taken".</p> <p>This aspect is verified and found that in the assessment order dated 26/02/2018, the Turnover of the CR file is included and equal addition is made to cover the probable omission and suppression. The appellate authority upheld the findings of the assessing authority but reduced the addition made on the probable omission and suppression to half. Considering the fact and circumstance of the case the addition for probable omission and suppression is reduced to 50% of the suppression detected as per modified order dated 01/07/2024 Total Tax due 22,82,290/-, Interest from 01/04/2012 to 01/07/2024 - Rs. 38,26,743/-.</p>

Para No.	Gist of the case	Present position
2.4.7.10 Bullet 2 Sl.No.57	<p>Reports on crime cases received from the intelligence wing should be utilised for creating additional demands by reopening the self assessment. Audit found that in four assessment circles test checked, action was not initiated in 82 crime cases involving ₹ 0.89 crore reported by the Intelligence Wing (Appendix XIII). In eight cases, three years had elapsed after reporting the crime by the Intelligence Wing indicating the lapse of proper monitoring mechanism in the Department.</p> <p>Audit found that all the 82 cases related to Builders/Works contractors in the office of the Commercial Tax Officer (Works Contract), Kannur, Kozhikode and Palakkad.</p> <p>Government stated (December 2015) that out of 82 cases pointed out, assessments in 27 cases have been completed and instructions issued to assessing authorities to verify the remaining cases.</p>	<p><u>57. M/s L&T Ltd, Ernakulam CTC (WC), Ernakulam, 2007-08</u></p> <p>The issue involved in this case is OR/CR cases reported on which no action was taken. Assessment completed as per order no. 32070329245/2007-08 dtd 17.03.2014 by utilising the turnover suppression detected vide OR No. II/VC/776/2007-08 dated 12.02.2014 of IO, Squad No.II, Ernakulam booked by Intelligence wing creating an additional demand of Rs.29820136/- as tax and 21470498/- as interest. Now the case is under stay by Hon'ble High Court of Kerala as per WF(C) No.11771/2014.</p>

Para No.	Gist of the case	Present position
2.4.7.10 Bullet 2 Sl.No.10	<p>Reports on crime cases received from the intelligence wing should be utilised for creating additional demands by reopening the self assessment. Audit found that in four assessment circles test checked, action was not initiated in 82 crime cases involving ₹ 0.89 crore reported by the Intelligence Wing (Appendix XIII). In eight cases, three years had elapsed after reporting the crime by the Intelligence Wing indicating the lapse of proper monitoring mechanism in the Department.</p> <p>Audit found that all the 82 cases related to Builders/Works contractors in the office of the Commercial Tax Officer (Works Contract), Kannur, Kozhikode and Palakkad.</p> <p>Government stated (December 2015) that out of 82 cases pointed out, assessments in 27 cases have been completed and instructions issued to assessing authorities to verify the remaining cases.</p>	<p><u>10. PCM Automotive Designers CTO (WC), Palakkad, TIN 32091636666/2012-13.</u></p> <p>In the audit objection it was mentioned that there was lack of follow up action in crime cases reported by the intelligence wing. It was mentioned in the audit objection that crime files received from the intelligence wing were not utilized for creating additional demand by reopening the self assessment by the assessing authority. The two OR files vide Nos.VC-VIII/190/2012-13 Dt.05/05/2014 and VC VIII/192/2012-13 Dt.05/05/2014 related to the assessment year 2012-13. OR No VC VIII/190/12-13 dt05/05/2014 the intelligence officer vide order no VC-VIII/190/2012-13 ORNo 39/12-13 Dt.05/05/2014 converted the SD paid of Rs.1760/- towards penalty and vide order no VC-VIII/192/2012-13 OR No 40/12-13 Dt.05/05/2014 converted the SD paid of Rs.7380/- towards penalty imposed. The turnover detected in the OR files were mentioned in the assessment order for the year 2012-13. On 25/07/2015 the case was recorded stating that no scope for further assessment stating that the dealer has returned the interstate sale of scrap for Rs.91,400/- and paid Rs.4,570/- @5% in the monthly return for 09/2012 (for the assessment year 2012-13). Hence the objection is non sustainable.</p>



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208

REMEDIAL MEASURES TAKEN REPORT ON C&AG 2015

Case No. 259

Para No.	Gist of the case	Present position
2.4.7.8 Bullet 1 Sl.No.13	<p>As per Section 20A of the Act, every dealer shall file his return as well as purchase and sales list through electronic filing in addition to hard copy to be filed along with the return.</p> <p>Audit found that 52 out of 74 dealers scrutinised in 14 assessment circles issued sales invoices worth ₹ 1,248.60 crore, whereas the turnover reported for paying tax was only ₹1,175.01 crore resulting in short reporting of turnover by ₹73.58 crore. The resultant short levy of tax including interest and penalty worked out to ₹ 16.41 crore. The Tax district wise deviation from provisions of the Act/Rules.</p> <p>Audit observed that amongst the defaulters, M/s.Marikar (Motors)Ltd of Special Circle, Thiruvananthapuram was the biggest defaulter with tax effect of ₹ 5.63 crore. The nature of business dealt by these dealers was as under :</p> <ul style="list-style-type: none"> • Five in Grocery with tax effect of ₹ 0.69 crore • Five in Iron and Steel with tax effect of ₹0.24 crore • Three in Computer with tax effect of ₹ 0.30 crore • Thirty nine in multiple commodities with tax effect of ₹15.18 crore <p>Audit observed that though these details were available in the KVATIS, the Department failed to address the issue. Thus, the Government needs to streamline the working of the Department and that the Departmental officials need to be vigilant about the availability of such details while doing assessment.</p>	<p><u>13. Super LPG Services</u> <u>32071203292/2010-11</u> <u>CTO, Special Circle-III,</u> <u>Ernakulam</u></p> <p>As per the audit objection, assessment in respect of the dealer u/s.25(1) has been completed vide order dtd 22.05.2017, by including suppressed sales turnover of Rs. 56,49,854.00, with Additional demand of Rs.7,18,127/- (tax+cess), Rs.5,31,414/- (Interest) Total Tax due: Rs.12,49,541/- Aggrieved by this Order, the dealer approached the Hon'ble High Court of Kerala and accordingly the said Order was set aside by the Hon'ble Court as per the Judgement issued on 30.11.2022 in WP(C) No.19310 of 2017. At present, no demand is existing against the said dealer in the above case. (Copy of assessment order (2010-11) & WP(C) No.19310 of 2017 are attached herewith.)</p>


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REMEDIAL MEASURES TAKEN REPORT ON C&AG 2015

Case No. 366

Para No.	Gist of the case	Present position
2.4.7.10 Bullet 2 Sl.No.25	<p>Reports on crime cases received from the intelligence wing should be utilised for creating additional demands by reopening the self assessment. Audit found that in four assessment circles test checked, action was not initiated in 82 crime cases involving ₹ 0.89 crore reported by the Intelligence Wing (Appendix XIII). In eight cases, three years had elapsed after reporting the crime by the Intelligence Wing indicating the lapse of proper monitoring mechanism in the Department.</p> <p>Audit found that all the 82 cases related to Builders/Works contractors in the office of the Commercial Tax Officer (Works Contract), Kannur, Kozhikode and Palakkad.</p> <p>Government stated (December 2015) that out of 82 cases pointed out, assessments in 27 cases have been completed and instructions issued to assessing authorities to verify the remaining cases.</p>	<p><u>25. M/s Sandhya Construction, Palakkad CTO (WC), Palakkad, 2011-12</u></p> <p>The original assessment in respect of M/s. Sandhya Constructions for the year 2011-12 was completed vide order no. 32091645868/2011-12 dated 31.07.2015 demanding tax – Rs. 15,36,731/-, Interest Rs. 6,14,692/- (Total-Rs.21,51,423/-). And the amount was advised for revenue recovery proceedings to IAC, Palakkad and further the said RRC was returned. Meanwhile aggrieved by this order the dealer filed appeal before Assistant Commissioner (Appeals), Palakkad and vide order no. IA No.417/2015 in KVATA No.522/15 dated 04.04.2016 conditional stay allowed subject to the condition that the appellant shall furnish 30% of additional demand. Accordingly dealer paid Rs.6,45,427/- vide cheque no. 23058756/TL-6 of Federal Bank, Kanjikode. Later the appeal disposed vide order no. KVATA 2132/2016 dated 05.12.2016, Deputy Commissioner (Appeals). The appeal was partially allowed and directed to modify the assessment order. Accordingly the assessing authority modified the assessment order vide order no. 32091645868/2011-12 dated 18.02.2017 demanding tax-Rs. 7,96,594/-, Interest -Rs.4,66,645/-, Cess -Rs.7,966/- (Total -Rs.12,71,205/-).But, while modifying the assessment for the year 2013-2014 credit has not given which was remitted before DC(Appeal) for conditional stay. In the circumstances the modified order for the year 2013-2014 and 2011-2012 were rectified on 31/08/2024. The excess amount for the year 2013-2014 adjusted towards the year 2011-2012. Hence there is no outstanding dues for the years 2013- 2014 and 2011-2012.</p>

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Appendix III

Appendices From AGI's Audit Report

Audit Report (Revenue Sector) for the year ended 31 March 2015

Appendix -X

(Ref: Paragraph 2.4.7.7 - bullet 1)

Suppression of import purchases than that reported with Customs Department

(₹ in crore)						
Sl. No.	Name of the Office	Name of the assessee	As per customs data	As per annual returns	Suppression of turnover	Total due including interest and penalty
		TIN/Year				
1	CTO, Special Circle, Kannur	ABC Impex/ 32122208633/2010-11	0.4304	0.0948	0.3356	0.15
2		Hollywood Panels 32121087952/2010-11	0.7927	0.7664	0.0263	0.01
3		Hollywood Panels 32121087952/2013-14	1.1488	1.0973	0.0515	0.02
4		IBNA Plywood & Decors 32120256025/2010-11	2.0923	2.05	0.0423	0.02
5		Wood Board 32120699354/2013-14	1.248	1.2151	0.0329	0.01
6	CTO, Special Circle I, Kozhikode	Mermeritalia Bldg Products 32110870307/2012-13	2.8654	2.4754	0.39	0.17
7		Mermeritalia Bldg Products 32110870307/2014-15	2.8103	1.2454	1.5649	0.69
8		Spaniso Studio 32110684457/2012-13	16.2975	14.3335	1.964	0.86
9		Spaniso Studio 32110684457/2013-14	18.7102	16.4999	2.2103	1.01
10	CTO, Special Circle II, Kozhikode	Marble Gallery 32110337812/2012-13	2.6205	2.1739	0.4466	0.2
11		Marble Gallery 32110337812/2013-14	5.3757	5.1013	0.2744	0.12
12		Thai Impex(P) Ltd 32110787962/2013-14	38.7394	32.2658	6.4736	2.95
13		Thai Impex(P) Ltd 32110787962/2014-15	44.8854	35.9187	8.9667	3.93
14		Excel Timber 32110338025/2010-11	11.118	10.1505	0.9675	0.42
15		Excellent Timber Imp & Exp 32110366825/2010-11	2.1761	0.7264	1.4497	0.64
16		Excellent Timber Imp & Exp 32110366825/2011-12	2.2222	1.8924	0.3298	0.14
17		Hillwood furniture 32110373744/2010-11	35.5343	21.1085	14.4258	6.33
18		Hillwood furniture 32110373744/2011-12	64.0134	34.1808	29.8326	11.75
19		Hillwood furniture 32110373744/2013-14	69.4508	41.1415	28.3093	12.89
20		Hillwood Imports and Exports 32110371112/2012-13	37.9623	32.6002	5.3621	2.36
21	CTO, I Circle, Kozhikode	Stone Impex 32110787902/2014-15	0.0516	0	0.0516	0.02
22	CTO Special Circle I, Ernakulam	Kajaria Ceramics 32071516042/2014-15	44.3881	44.2712	0.1169	0.05
23		Espion International 32071577837/2012-13	2.8053	1.1898	1.6155	0.71
24		Westwood floorings 32071536202/2011-12	0.449	0.3123	0.1367	0.06
25		Westwood floorings 32071536202/2012-13	0.9168	0.8774	0.0394	0.02

Sl. No.	Name of the Office	Name of the assessee	As per customs data	As per annual returns	Suppression of turnover	(₹ in crore)
		TIN/Year				Total due including interest and penalty
26	CTO, Special Circle II, Ernakulam	Purnima Distributors 32070326905/ 2011-12	0.6349	0	0.6349	0.27
27		Purnima Distributors 32070326905/2012-13	0.4733	0	0.4733	0.21
28		Purnima Distributors 32070326905/2013-14	0.7178	0	0.7178	0.33
29	CTO, Special Circle III, Ernakulam	Somany Ceramics 32070445604/2010-11	4.988	0	4.988	2.19
30		Tayash Trade Impex (P) Ltd 32070455109/2010-11	0.0938	0.0617	0.0321	0.01
31		Kairali Granite 32070446392/2012-13	4.1103	3.4854	0.6249	0.28
32		Oriental Timber 32070415824/2010-11	0.7474	0.37	0.3774	0.17
33		Oriental Woods 32070405824/2011-12	18.4942	10.6015	7.8927	3.34
34		Premier Timbers 32070437212/2012-13	3.918	3.0077	0.9103	0.4
35		Premier Timbers 32070437212/2013-14	2.9307	2.6453	0.2854	0.13
36		Royal Impex 32070430923/2011-12	26.6942	24.9028	1.7914	0.76
37		Royal Impex 32070430923/2012-13	30.9031	29.3513	1.5518	0.68
38		The Wood Ind 32071304204/2011-12	13.9636	13.6138	0.3498	0.15
39		The Wood Ind 32071304204/2013-14	6.9393	6.5194	0.4199	0.19
40		The Wood Ind 32071304204/2014-15	4.9502	4.2561	0.6941	0.3
41	CTO, Special Circle, Mattancherry	Safee Systems 32150797086/2011-12	0.4523	0.2103	0.242	0.1
42		Surabhi Woods 32150836024/2011-12	9.9561	7.545	2.4111	1.02
43		Surabhi Woods 32150836024/2013-14	4.612	3.004	1.608	0.73
44		Ukkens Timbers 32150869784/2011-12	1.2348	0	1.2348	0.52
45		Ukkens Timbers 32150869784/2012-13	1.2348	1.1931	0.0417	0.02
46	CTO, Special Circle (Produce) Mattancherry	Popular Timbers 32150601628/2011-12	16.4735	15.7955	0.678	0.29
47		Popular Timbers 32150601628/2012-13	23.875	18.8792	4.9958	2.2
48		Popular Timbers 32150601628/2014-15	17.5722	15.5695	2.0027	0.88
49	CTO, Special Circle, Perumbavoor	Classic wood and veneers 32151335534/2012-13	2.7926	2.477	0.3156	0.14
50		Classic wood and veneers 32151335534/2013-14	2.2777	1.627	0.6507	0.3
51		Classic wood and veneers 32151335534/2014-15	0.6569	0.4227	0.2342	0.1

Audit Report (Revenue Sector) for the year ended 31 March 2015

Sl. No.	Name of the Office	Name of the assessee	As per customs data	As per annual returns	Suppression of turnover	(₹ in crore)
		TIN/Year				Total due including interest and penalty
52		Delta Wood Panel 32151258112/2012-13	0.4683	0.2667	0.2016	0.09
53		Delta Wood Panel 32151258112/2013-14	0.285	0.2599	0.0251	0.01
54		United Timber industries 32151480682/2011-12	5.8152	2.4018	3.4134	1.45
55		United Timber industries 32151480682/2013-14	1.9874	0.6741	1.3132	0.6
56		VS Timbers Industries 32151458305/2011-12	26.8232	18.8492	7.974	3.38
57		VS Timbers Industries 32151458305/2012-13	37.0385	18.6668	18.3717	8.09
58		VS Timbers Industries 32151458305/2013-14	36.3444	17.8426	18.5018	8.42
59		VS Timbers Industries 32151458305/2014-15	40.9998	24.1434	16.8564	7.38
60	CTO, I Circle, Kannur	SmartIndia Exports & Imports 32120589611/2012-13	0.35	0.3047	0.0453	0.02
61		SmartIndia Exports & Imports 32120589611/2013-14	1.7211	1.0262	0.6949	0.32
62	CTO, II Circle, Kannur	Goodwood Products 32120657155/2010-11	0.1198	0	0.1198	0.05
63		Goodwood Products 32120657155/2011-12	1.37	0	1.37	0.58
64		Goodwood Products 32120657155/2014-15	1.433	0	1.433	0.63
65		Prestige Veneers 32120607104/2014-15	0.7943	0.7689	0.0254	0.01
66	CTO, Special Circle, Thiruvananthapuram	Binoy Marbles & Granites 32010673454/2014-15	0.3807	0.2809	0.0998	0.04
67	CTO, Special Circle, Kottayam	Southern Timber depot 32050997155/2010-11	3.873	2.8639	1.0091	0.44
68		Southern Timber depot 32050997155/2011-12	1.9567	1.3868	0.5699	0.24
69		Southern Timber depot 32050997155/2012-13	5.1503	3.4099	1.7404	0.77
70		Southern Timber depot 32050997155/2013-14	2.9109	2.8652	0.0457	0.02
71		Southern Timber depot 32050997155/2014-15	19.9798	1.6422	18.3376	8.03
72		Sree & Co32050566506/2011-12	1.0825	0.9554	0.1271	0.05
73		Sree & Co32050566506/2012-13	1.4276	1.3511	0.0765	0.03
74		Travancore cements32050212265/2012-13	5.2577	0	5.2577	2.31
75		Travancore cements32050212265/2013-14	9.1985	0	9.1985	4.19
		Total	817.57	569.19	248.38	108.38

Appendix -XI

(Ref: Paragraph 2.4.7.8 - bullet 1)

Details of turnover short reported by dealers with reference to the sales invoices issued by them

SL No.	Name of Office	Name of assessee TIN/Year	Turnover as per invoices Conceded in the return	Turnover difference Rate of tax	Tax due	Interest due	Penalty	Total due	Reply of the Assessing Officer	Remarks
1	CTO, Special Circle I, Ernakulam	Aswathywud 32070216205/2011-12	9.59 9.30	0.29 4%-5, 12.5%-95	0.0361	0.0137	0.0721	0.12	Pre assessment notice issued based on the Audit observation	Final reply not received
2		M/S. B.H. Mammi 32070281152/2012-13	14.04 13.81	0.23 5%	0.0119	0.0031	0.0238	0.04	Reply not received	Final reply not received
3		Modern Sports Industries 32070274705/2010-11	8.47 7.32	1.15 4%-95, 12.5%-5	0.0509	0.0255	0.1018	0.18	Pre assessment notice issued based on the Audit observation	Final reply not received
4		National Steel Company 32070297442/2010-11	30.15 29.84	0.31 4%	0.0126	0.0063	0.0252	0.04	Pre assessment notice issued based on the Audit observation	Final reply not received
5		Playwell Sports. 32071674442/2012-13	12.10 11.71	0.39 5%-96, 13.5%-4	0.0208	0.0054	0.0415	0.07	Pre assessment notice issued based on the Audit observation	Final reply not received
6		Shree Mahaveer Traders 32070233015/2012-13	24.00 22.46	1.54 1%	0.0154	0.0040	0.0308	0.05	Pre assessment notice issued based on the Audit observation	Final reply not received
7	CTO, Special Circle II, Ernakulam	Build Aid Corporation 32071886414/2012-13	8.57 8.46	0.11 5%-39, 13.5%-61	0.0115	0.0030	0.0229	0.04	Replied that the dealer paid the entire tax collected	The observation is not on collected tax, but suppression of taxable turnover on which no tax was collected.
8		Rashtriya Ispat Nigam Ltd. 32070312595/2012-13	445.39 445.07	0.32 5%	0.0158	0.0041	0.0316	0.05	Reply not received	Final reply not received
9	CTO, Special Circle III, Ernakulam	Tayash Trade 32070455109/2012-13	6.55 6.21	0.34 5%-89,	0.0204	0.0053	0.0408	0.07	Reply not received	Final reply not received

Sl. No.	Name of Office	Name of assessee TIN/Year	Turnover as per invoices Conceded in the return	Turnover difference Rate of tax	Tax due	Interest due	Penalty	Total due	Reply of the Assessing Officer	Remarks (₹ in crore)
10	CTO, Special Circle, Kottayam	Reliance Footprint Limited 32070473908/2011-12	12.40 9.01	13.5%-11 3.39 4%-13, 12.5%-87	0.3865	0.1469	0.7730	1.31	Reply not received	Final reply not received
11		True Coat Paints (P) Ltd 32070474325/2011-12	7.73 7.28	0.45 12.50%	0.0562	0.0213	0.1124	0.19	Reply not received	Final reply not received
12		Traco Cable Co. Ltd 32070491572/2012-13	53.55 53.17	0.38 5%	0.0189	0.0049	0.0378	0.06	Reply not received	Final reply not received
13		Super LPG Services 32071203292/2010-11	11.60 11.04	0.56 4%-28, 12.5%-72	0.0571	0.0285	0.1143	0.20	Reply not received	Final reply not received
14		Essar Pipes & Profiles 32071214362/2012-13	7.14 6.88	0.26 5%	0.0130	0.0034	0.0260	0.04	Reply not received	Final reply not received
15		M & T Steels 32050266625/2011-12	2.86 2.70	0.16 4%-72, 12.5%-28	0.0105	0.0040	0.0210	0.04	Based on the Audit observation, Assessment completed creating additional demand	Collection particulars awaited
16		Rubber Dealer 32051028925/2010-11	3.98 3.50	0.48 4%	0.0192	0.0096	0.0384	0.07	Reply not received	Final reply not received
17		ICICI Bank Limited 32010192584/2010-11	16.65 12.78	3.87 1%	0.0387	0.0193	0.0773	0.14	Reply not received	Final reply not received
18		ICICI Bank Limited 32010192584/2011-12	45.89 31.32	14.57 1%	0.1457	0.0553	0.2913	0.49	Reply not received	Final reply not received
19		Marikar(Motors)Ltd 32010120325/2010-11	71.34 58.28	13.06 4%-2 12.5%-98	1.6095	0.8047	3.2190	5.63	Pre assessment notice issued based on the Audit observation	Final reply not received
20	CTO, Special Circle, Thiruvananthapuram	QRS Retail Limited 32010155605/2010-11	191.76 190.74	1.02 4%-17, 12.5%-83	0.1125	0.0563	0.2251	0.39	Reply not received	Final reply not received
21		Variety Marbles 32010979634/2011-12	69.67 65.00	4.67 12.50%	0.5833	0.2217	1.1667	1.97	Reply not received	Final reply not received
22		The Calicut Tile Company 32110231015/2010-11	7.50 6.00	1.50 4%	0.0597	0.0298	0.1194	0.21	Reply not received	Final reply not received

Sl. No.	Name of Office	Name of assessee TIN/Year	Turnover as per invoices Conceded in the return	Turnover difference Rate of tax	Tax due	Interest due	Penalty	Total due	Reply of the Assessing Officer	Remarks
23	CTO, I Circle Ernakulam	Gown Enterprises 32071524715/2011-12	2.28 1.70	0.58 4%-80, 12.5%-20	0.0333	0.0126	0.0666	0.11	Pre assessment notice issued based on the Audit observation	Final reply not received
24		Sparkle Sales 32071557892/2010-11	4.50 4.20	0.30 12.50%	0.0380	0.0190	0.0760	0.13	Pre assessment notice issued based on the Audit observation	Final reply not received
25	CTO I Circle Thiruvananthapuram	Blossom 32010683387/2011-12	0.28 0.18	0.10 12.50%	0.0125	0.0047	0.0250	0.04	Pre assessment notice issued based on the Audit observation	Final reply not received
26		Getech-Doppler Elevators Private Limited 32010663609/2012-13	0.54 0.23	0.31 13.50%	0.0415	0.0108	0.0830	0.14	Reply not received	Final reply not received
27		H.A.K Ilome Shoppee 32010601162/2011-12	0.44 0.33	0.11 4%-38 12.5%-62	0.0098	0.0037	0.0196	0.03	Reply not received	Final reply not received
28		Janatha 32010682465/2011-12	1.50 0.14	1.36 12.50%	0.1702	0.0647	0.3404	0.58	Reply not received	Final reply not received
29		Kopab 32010695256/2012-13	2.74 0.27	2.48 5%	0.1238	0.0322	0.2475	0.40	Reply not received	Final reply not received
30		M/S Abhay Busines Corporation 32010686807/2012-13	2.79 2.69	0.10 5%-5, 13.5%-95	0.0132	0.0034	0.0263	0.04	Reply not received	Final reply not received
31		M/S Falcon Systems 32010647117/2011-12	12.67 12.37	0.30 4%	0.0121	0.0046	0.0242	0.04	Reply not received	Final reply not received
32		Metro Watches And Mobiles 3201065861/2010-11	2.02 1.70	0.32 12.5%	0.0402	0.0201	0.0804	0.14	Reply not received	Final reply not received
33		Sharief N Sharief 32010670361/2010-11	3.56 3.07	0.49 4%	0.0197	0.0098	0.0394	0.07	Pre assessment notice issued based on the Audit observation	Final reply not received
34		Vishnu Fashion Jewellery 32010627262/2010-11	0.67 0.01	0.66 4%	0.0264	0.0132	0.0526	0.09	Reply not received	Final reply not received

Sl. No.	Name of Office	Name of assessee TIN/Year	Turnover as per invoices Conceded in the return	Turnover difference Rate of tax	Tax due	Interest due	Penalty	Total due	Reply of the Assessing Officer	Remarks
35	CTO, II Circle, Thiruvananthapuram	Kailas Enterprises 32010776897/2010-11	0.75 0.45	0.30 1% - 8, 4% - 92	0.0112	0.0056	0.0224	0.04	Reply not received	Final reply not received
36		Karthika Enterprises 32010755231/2010-11	0.37 0.04	0.33 12.5%	0.0408	0.0204	0.0816	0.14	Reply not received	Final reply not received
37		KMS Traders 32010789442/2010-11	0.37 0.21	0.16 4% - 36, 12.5% - 64	0.0148	0.0074	0.0297	0.05	Reply not received	Final reply not received
38		M.F Agencies & Provision Store 32010730986/2011-12	1.10 0.73	0.37 4%	0.0147	0.0056	0.0294	0.05	Reply not received	Final reply not received
39		Matha Agencies 32010747581/2012-13	7.44 7.05	0.39 13.5% - 46, 20% - 54	0.0665	0.0173	0.1329	0.22	Reply not received	Final reply not received
40		Pamba Associates 32010787855/2011-12	0.38 0.02	0.36 4%	0.0145	0.0055	0.0290	0.05	Reply not received	Final reply not received
41		Royal Leather 32010755499/2011-12	0.42 0.07	0.35 4% - 74, 12.5% - 26	0.0214	0.0081	0.0428	0.07	Reply not received	Final reply not received
42		Sabarinathan Iron & Traders 32010196555/2012-13	1.43 1.02	0.41 5%	0.0209	0.0054	0.0418	0.07	Reply not received	Final reply not received
43		Shibu Agencies 32010795562/2011-12	6.47 6.34	0.13 12.50%	0.0159	0.0060	0.0317	0.05	Reply not received	Final reply not received
44		Sree Manikandan Stores 32010764253/2011-12	8.30 5.10	3.20 4%	0.1279	0.0486	0.2557	0.43	Reply not received	Final reply not received
45		Sreelekshmi Agencies 32010785414/2012-13	0.22 0.01	0.21 5%	0.0101	0.0026	0.0201	0.03	Reply not received	Final reply not received
46	CTO, I Circle Kalamassery	Jemis Enterprise 32071228885/2010-11	11.87 11.60	0.27 4% - 14, 12.5% - 86	0.0308	0.0154	0.0616	0.11	Pre assessment notice issued based on the Audit observation	Final reply not received
47	CTO, II Circle Kalamassery	Noveon Systems 32071356832/2011-12	55.92 54.84	1.08 4%	0.0431	0.0164	0.0863	0.15	Replied that the files were not yet transferred to the	Final reply not received

Sl. No.	Name of Office	Name of assessee TIN/Year	Turnover as per invoices Conceded in the return	Turnover difference Rate of tax	Tax due	Interest due	Penalty	Total due	Reply of the Assessing Officer	Remarks
48		Sreepriya Agencies 32070204922/2011-12	1.68 1.58	0.10 12.50%	0.0126	0.0048	0.0251	0.04	office. Hence the Audit observation were not verified	Final reply not received
49	CTO, I Circle, Thripunithura	Vinsa Todays 32070332586/2012-13	4.46 3.34	1.12 0%-22, 1%- 13, 5%-29, 13.5%-35, 20%-1	0.0728	0.0189	0.1456	0.24	Replied that the files were not yet transferred to the office. Hence the Audit observation were not verified	Final reply not received
50	CTO, II Circle Thripunithura	Macronet Mercantile (P) Ltd. 32070204696/2012-13	0.86 0.49	0.37 5%	0.0184	0.0048	0.0369	0.06	Reply not received	Final reply not received
51		Reliance Hypermart Limited 32070425804/2011-12	45.96 39.20	6.76 0%-14, 1%- 4, 4%-61, 12.5%-19, 20%-2	0.3553	0.1350	0.7106	1.20	Reply not received	Final reply not received
52		Web Solutions India Limited 32070447562/2010-11	2.09 1.27	0.82 4%	0.0328	0.0164	0.0656	0.11	Reply not received	Final reply not received
53	CTO, I Circle Kozhikode	Janatha Agencies 32110226651/2011-12	3.58 2.86	0.72 0%-13, 1%- 1, 4%-70, 12.5%-16	0.0345	0.0131	0.0690	0.12	Reply not received	Final reply not received
			1.248.60 1,175.01	73.58	4.7951	2.0271	9.5902	16.41		

Appendix -XII

(Ref: Paragraph 2.4.7.8 - bullet 3)

Details of excess claim of input tax credit than the output tax paid to Government account

Sl. No.	Office name of purchaser Name of purchaser TIN/Year	Office name of seller Name of seller TIN/Year	ITC availed for the purchase from the seller	Corresponding OPT paid by the seller	Excess IPT claimed	Interest due	Penalty	Total due	Reply of the assessing officer	Remarks
1	CTO, Special Circle Mattanchery Steel House 32150242225/2010-11	CTO, Special Circle II Ernakulam Chettinad Cement Corporation Ltd 32070316342/2010-11	4.19	3.24	0.9462	0.4731	1.8923	3.31	CTO Special Circle Aluva replied that Steel India's purchase is correct, hence Chettinad should be assessed.	Reply of the CTO Special Circle II Ernakulam is awaited
2	CTO, Special Circle Mattanchery Janatha Trading Corporation 32150217172/2010-11	CTO, Special Circle II Ernakulam Chettinad Cement Corporation Ltd 32070316342/2010-11	5.07	4.50	0.5777	0.2889	1.1555	2.02	CTO Special Circle Aluva replied that the file was transferred to CTO Aluva	Reply of the CTO Special Circle II Ernakulam and CTO Aluva are awaited
3	CTO, Special Circle Thiruvananthapuram T.V Sundram Iyengar & Sons Ltd 32010188782/2010-11	CTO, Special Circle I, Ernakulam Ashok Leyland Ltd 32070200174/2010-11	30.64	29.49	1.1472	0.5736	2.2945	4.02	Based on the Audit observation of Ashok Leyland re-opened and completed by creating additional demand of ₹ 1.78 crore	Collection particulars awaited.
4	CTO, Special Circle Palakkad Eram Motors Private Ltd. 32090664216/2012-13	CTO, Special Circle III, Ernakulam Mahindra and Mahindra Ltd. 32070475214/2012-13	44.19	43.76	0.4312	0.1121	0.8625	1.41	Reply not received	Final reply not received
5	CTO, Special Circle I	CTO, Special Circle II,	1.16	0.27	0.8898	0.2313	1.7796	2.90	Reply not received	Final reply not received

Sl. No.	Office name of purchaser Name of purchaser TIN/Year	Office name of seller Name of seller TIN/Year	ITC availed for the purchase from the seller	Corresponding OPT paid by the seller	Excess ITC claimed	Interest due	Penalty	Total due	Reply of the assessing officer	Remarks
	Ernakulam Max Enterprise 32071561389/2012-13	Ernakulam Supermax Personal Care Pvt. Ltd. 32070310839/2012-13								
6	CTO, Special Circle I, Ernakulam Nook Micro Distribution 32070209499/2012-13	CTO, Special Circle I Ernakulam Redington India Ltd. 32070276865/2012-13	0.66	0.06	0.6014	0.1564	1.2028	1.96	Reply not received	Final reply not received
7	CTO, Special Circle, Kannur Sangam Stationery 32120547682/2012-13	CTO, Special Circle II, Ernakulam Supermax Personal Care Pvt. Ltd. 32070310839/2012-13	0.73	0.13	0.6023	0.1566	1.2047	1.96	Reply not received	Final reply not received
8	CTO, Special Circle III, Ernakulam Eorinetal Timbers 32070455144/2012-13	CTO, Special Circle III, Ernakulam Oriental Woods 32070405824/2012-13	1.94	1.88	0.0581	0.0151	0.1161	0.19	Reply not received	Final reply not received
9	CTO, Special Circle III, Ernakulam Oriental Woods 32070405824/2012-13	CTO, Special Circle III, Ernakulam Eorinetal Timbers 32070455144/2012-13	2.35	1.77	0.5781	0.1503	1.1562	1.88	Reply not received	Final reply not received
10	CTO, Special Circle I, Kozhikode ABT Industries Limited 32110278895/2012-13	CTO, Special Circle, Palakkad Castrol India Ltd 32090264425/2012-13	0.19	0.14	0.0590	0.0153	0.1179	0.19	Reply not received	Final reply not received
			91.12	85.23	5.88	2.1728	11.7821	19.84		

Appendix -XIII

(Ref: Paragraph 2.4.7.10 - bullet 2)

Details of OR/CR cases reported on which no action was taken

(₹ in crore)						
Sl. No.	Office Name	Dealer Name	Assessment year	Crime No. of the Intelligence wing	Date of receipt of the case	Amount of penalty/CF
1	CTO (WC), Palakkad	M/s Premier Builders, Palakkad	2010-11	VCR-IV/149/11-12	20.09.12	0.0015
2		M/s Poshak Agrivael (P) Ltd	2011-12	E-123/11-12/VLM	18.12.12	0.0016
3		M/s Malabar Borewells	2011-12	E-395/10-11/LR	24.6.13	0.0008
4		Consolidated Consurtium Ltd	2013-14	OR-777/13-14	23.9.13	0.0189
5			2012-13	OR-1102/13-14	10.10.13	0.0034
6		Oceanus Dwelling(P) Ltd	2011-12	OR-755/11-12	28.11.13	0.0005
7		Vinod Kumar	2009-10	OR-173/09-10	13.2.14	0.0004
8		Cheerans Structural, Chalissery	13-14	OR-764/13-14	21.4.14	0.0012
9		PCM Automotive Designers	2011-12	VC-VIII/896/11-12	15.5.14	0.0012
10			2012-13	VC-VIII/192/12-13	15.5.14	0.0007
11		Span Constructions, Ottapalam	2013-14	IB(A)/14/2013-14 dated 28.4.14	25.5.14	0.0016
12		M/s Supergood homes, Metupalayam	2012-13	IB(B)67/2013-14	2.6.14	0.0008
13		P Manikandan, HK Constructions	2012-13	VC-IV/642/12-13 dated 6.5.13	16.6.14	0.0006
14		M/s Keechery Solutions (P) Ltd	2010-11	VC-I/686/2010-11 dated 2.5.12	23.6.14	0.0005
15		M/s Eagle and Omega Computers, Meenakshipuram	2012-13	VC-IV/683/12-13 dated 28.12.12	7.7.14	0.0010
16		M/s Medha Servo Drivers	2013-14	VCR 46/13-14 of IO, Rapid Action, Kozhikode	11.7.14	0.0149
17		M/s Eagle and Omega Constructions	2013-14	VC-IV/17/13-14 dated 15.7.14	5.9.14	0.0017
18		Anil Santhosh Associates	2014-15	VC-V/22/14-15 dated 18.7.14	5.9.14	0.0045
19		Consolidated construction Consortium	2011-12	E-161/11-12 dated 2.7.13	5.9.14	0.0004
20		M/s RPP Infra Projects Ltd	2011-12	E/33/11-12 of CTO (E), Palakkad	19.9.14	0.0015
21		K Manoj, Elapully	2011-12	E/1833/11-12	19.9.14	0.0009
22		Consolidated Construction Consortium	2010-11	E-1320/10-11 dated 2.9.13 of CTO(E), Palakkad	10.10.14	0.0006
23			2012-13	E-71/12-13 dated 19.9.13 of CTO (E), Palakkad	10.10.14	0.0030
24			2012-13	E-16/12-13 dated 19.9.13 of CTO (E), Palakkad	10.10.14	0.0142
25		M/s Sandhya Construction, Palakkad	2011-12	IPD/III/37/11-12 dated 24.2.12 of IO Squad No. III, Palakkad	25.10.14	0.0758
26		Shri Manikantan, Kanjikode	2013-14	VC-VII/584/2013-14 dated 22.9.14 of IO, Squad No. VII, CT, Palakkad	5.11.14	0.0015

Sl. No.	Office Name	Dealer Name	Assessment year	Crime No. of the Intelligence wing	Date of receipt of the case	(₹ in crore) Amount of penalty/CF
27	CTO (WC), Kannur	M/s Kancos Kadirur	2012-13	IB-1-3/14-15 dated 31.5.14 of IO (IB), Kozhikode	23.7.14	0.0020
28		M/s Peak Developers, Kannur	2012-13	Order No. 1505/14-15 of IO, Squad No. IV, Kannur	23.9.14	0.0177
29	CTO (WC), Kozhikode	M/s Kaliyan Erectors, Kozhikode	2010-11	VCR NO.1075/2010-11 dated 22.06.11 of the IO, Rapid action	22.2.12	0.0020
30		M/s Gunja Constructions	2011-12	Order No. SQ V/Or-233/2011-12 dated 22.3.12 of IO, Sq IV Kozhikode	26.6.12	0.0800
31		M/s Techno Pumping and Sanitary works, Kozhikode	2011-12	Order No. ER.V/2/2012-13 dated 21.4.12 of IO, Squad IV, Kozhikode	26.6.12	0.0033
32		M/s SS New life style, RC road, Kozhikode	2009-10	Order No. IB.II/E/18/11-12/E dated 30.11.12 of IO(IB) Kozhikode	20.7.12	0.0141
33		M/s SS New life style, RC road, Kozhikode	2010-11	Order No. IB.II/E/18/11-12/E dated 25.8.12 of IO(IB) Kozhikode	3.9.12	0.0758
34		M/s Malabar Aluminium Fabricators, Orkateri	2011-12	Order No. TCR 15/11-12 dated 22.9.12 of IO, Sq. IV Kozhikode	7.1.13	0.0208
35		M/s Soubhaya Builders, Kozhikode	2011-12	Order No. IB.II/E/2/12-13/D dated 16.5.13 of IO(IB), Kozhikode	14.6.13	0.0032
36		M/s Rods and Creels, Malaparamba	2010-11	Order No. VCR.341/10-11 dated 5.6.12 of IO, Rapid Action	27.6.13	0.0013
37		M/s PMK Constructions, Kozhikode	2010-11	Order No. ER 84/11-12 OR No.162/10-11 dated 19.8.13 of STO (E), Kozhikode	26.8.13	0.0004
38		M/s Safe Coating system (P) Ltd	2011-12	Order No. IB.II/E/2/12-13/D dated 7.12.13 of IO(IB), Kozhikode	10.1.14	0.0001
39			2011-12	Order No. IB.II/E/19/12-13/E dated 7.12.13 of IO(IB), Kozhikode	10.1.14	0.0010
40		M/s Bharat Geo System (P) Ltd	2011-12	Order No ER 557/11-12 dated 8.1.14 of STO (E), Kozhikode	21.1.14	0.0042
41		M/s Alfa Architectural System	2011-12	Order No VCR No.344/11-12	24.1.14	0.0022
42		M/s Rods and Creels, Calicut	2011-12	ER 617/11-12 dated 15.3.14	21.3.14	0.0030
43		M/s Gina Enterprises	2012-13	VCR 3247/12-13	24.3.14	0.0035
44		Universal road marketing	2012-13	VCR No.234/12-13	24.3.14	0.0115

Audit Report (Revenue Sector) for the year ended 31 March 2015

Sl. No.	Office Name	Dealer Name	Assessment year	Crime No. of the Intelligence wing	Date of receipt of the case	Amount of penalty/CF (₹ in crore)
45		Express Foundation, Calicut	2012-13	ER 92/12-13/OR81/1/12-13 dated 21.3.14 of STO (E), Kozhikode	12.5.14	0.0047
46		Safiyulla KV, Calicut	2011-12	IB.IIE 17/13-14 of IO (IB) II, Calicut	30.5.14	0.0093
47		Hajee AP Bava, Calicut	2012-13	VCR518/12-13 dated 12.2.14 of IO (I), Rapid action, Kozhikode	26.6.14	0.0135
48		M/s Sigma Machine and Engineering Co	2013-14	IB.II.E/01/14-15 dated 31.5.14	26.6.14	0.0014
49		IP Steel Decors, Calicut	2014-15	IB.IV/2/14-15/F	6.8.14	0.0054
50		Origin Consultants	2012-13	IBI/E75/14-15	7.8.14	0.0016
51		Aluminium World, Calicut	2012-13	ER 609/12-13	18.9.14	0.0031
52		Sabi Engg. Co	2013-14	VCR OR 124/13-14 dated 13.5.14 of IO, Rapid action, Kozhikode	4.10.14	0.0094
53		PS Constructions Chalappuram	2013-14	VCR II/308//13-14 dated 3.4.14 of IO, Rapid action, Kozhikode	14.10.14	0.0003
54		Metro tech, Calicut	2013-14	IB II E14*2013-14/D dated 12.11.14 of IO (IB) II, Kozhikode	4.12.14	0.0057
55	CTO (WC), Ernakulam	M/s Infra interiors, Palarivattom	2009-10	OR.III/246/09-10 dated 8.10.10 of IO, Squad No.III, Ernakulam	6.3.14	0.0007
56		M/s L&T Ltd, Ernakulam	2008-09	OR No. II/VC/777/2007-08 dated 12.2.14 of IO, Squad No. II, Ernakulam	8.3.14	0.0056
57		M/s L&T Ltd, Ernakulam	2007-08	OR No. II/VC/776/2007-08 dated 12.2.14 of IO, Squad No. II, Ernakulam	8.3.14	0.0034
58		M/s Travancore Communications	2011-12	OR III/847/11-12 dated 14.1.13 of the IO, Squad III, Ernakulam	11.3.14	0.0006
59		M/s Universal Electricals, Vytilla	2011-12	OR No.III/1081/2011-12 dated 14.1.13 of the IO, Squad No. III, Ernakulam	11.3.14	0.0009
60		M/s Skyline Builders, Kochi	2008-09	OR No. VII/235/12-13 dated 10.2.14 of IO, Squad No. III, Ernakulam	13.3.14	0.0082
61		M/s Suncon Some JV, Rohini	2008-09	OR 470/A-1/08-09 dated 1.1.14 of the CTO (E) Mattanchery	20.3.14	0.0035
62		Wire less TT Info services	2008-09	OR 994/6/08-09 dated 17.1.14 of the CTO (E), Mattanchery	20.3.14	0.0016
63		Alacets Enterprises, Kochi	2008-09	OR-189/08-09 dated 20.06.13 of the CTO (E), Mattancherry	20.3.14	0.0010
64		Escon Elevators (P) Ltd	2009-10	OR I/834/2009-10	25.3.14	0.0298

Sl. No.	Office Name	Dealer Name	Assessment year	Crime No. of the Intelligence wing	Date of receipt of the case	Amount of penalty/CF (₹ in crore)
65		Ajila Charms & Controls	2011-12	dated 14.2.2014 of Squad No. I, Ernakulam CR-02/11-12 dated 27.5.13 of the IO, Squad No. IV Ernakulam	28.3.14	0.0050
66		L & T, Ernakulam	2008-09	E-2279/08-09/WLR dated 16.09.09 of CTO (E), Palakkad	28.3.14	0.0008
67		Geographic infra Structure	2009-10	ORI/686/2009-10 dated 27.01.2013 of IO, Squad No. I, Ernakulam	28.3.14	0.0071
68		M/s Olive Builders	2011-12	Order No. IBE/OR-23/2013-14 dated 26.2.14 of IO (IB), Ernakulam	1.4.14	0.0302
69		M/s Sree Narayana Shopping Complex	2012-13	Order No IBH-I/IP-150/12-13 dated. 15.1.2014	7.5.14	0.0006
70		Assured Services (P) Ltd	2011-12	Order No. IBE-IIIR-101/2013-14 dated 27.02.14 of the IO (IB), Ernakulam	20.6.14	0.0400
71		Infra Constructions, Vallarpadom	2008-09	Order No. 4093/08-09 dated 30.9.13 of the CTO (E), Mattancherry	18.7.14	0.0127
72		KM Elias Constructions, Kakkanad	2013-14	Order No. IBM/TV/IP-32/13-14 dated 29.5.14 of the IO (IB), Mattancherry	2.8.14	0.0028
73		M/s Square Associates, Kochi	2010-11	Order No IBE-IV/OP-5/2014-15 dated 10.06.14 of IO (IB), Ernakulam	14.08.14	0.0057
74		Seawood Homes (India)(P) Ltd	2011-12	Order No. IBE/V/OR-3/2013-14 dated 20.11.13 of the IO (IB), Ernakulam	14.8.14	0.0063
75			2012-13	Order No. IBE/V/OR-4/2013-14 dated 20.11.13 of the IO (IB), Ernakulam	14.8.14	0.0516
76		KA Hassanair, Kakkand	2014-15	Order No. IBM-IV/IR-16/14-15/OR-9/ dated 10.6.14 of IO (IB), Mattancherry	29.9.14	0.0005
77		Incration Designs & Contracts (P) Ltd	2011-12	Order No. IBM/III/OR-19/14-15 dated 23.06.14 of IO (IB), Mattancherry	27.9.14	0.0029
78		Kirloskar Brothers (P) Ltd	2009-10	Order No. OR-307/09-10 dated 17.7.14 of the CTO (E), Mattancherry	4.10.14	0.0016
79		Valiyilil Engineers, Kalamassery	2014-15	Order No. CR V/07/14-15 dated 22.07.14 of IO, Squad	4.10.14	0.0010

Audit Report (Revenue Sector) for the year ended 31 March 2015

Sl. No.	Office Name	Dealer Name	Assessment year	Crime No. of the Intelligence wing	Date of receipt of the case	(₹ in crore)
						Amount of penalty/CF
80		Arvin Interiors (P) Ltd, Cochin	2009-10	No. IV, Ernakulam Order No. E-346/09-10/MLR dated 28.3.12 of the CTO (E), Palakkad	23.10.14	0.0005
81		Flair Alliance Builders, Kaloor	2012-13	Order No. IR-59/14-15/OR-17/14-15 dated 22.08.14 of the CTO (E), Mattancherry	23.10.14	0.1063
82		Soma Enterprises Ltd, Chcranallur	2009-10	Order No. OR 240/3/09-10 dated 13.9.14 of the CTO (E), Mattancherry	7.11.14	0.1024
Total						0.89