

Practical issues in TNVAT Audit on
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CHARTERED ACCOUNTANT STUDY CIRCLE

TNVAT – PRACTICAL ISSUES - ANALYSIS

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ISSUES FACED

1. Dealer M/S. A Ltd have effected total sale in Tamilnadu during the year 2012-13 of Rs. 2.5crores .The entire sales is Sale of Rice.

Should A Ltd undergo VAT Audit ?

Ans : Yes Sec 63A says when **Turnover** crosses Rs. 1crore VAT Audit to be done .

ISSUES FACED(CONTD.)

2. **M/S.** B Ltd have reported in their Trading A/c total sales as follows

TNVAT Sales 97 Lacs

Sales returns 2.8 Lacs

Stock transfer 3 Lacs

Should M/S.B Ltd under go VAT Audit ?

Ans: The total turnover here is

TNVAT 97lacs

Sales returns 2.8lacs

Stock turnover 3lacs

102.8crores

VAT Audit is necessary

ISSUES FACED(CONTD.)

- 3 . C Ltd who is a manufacturer have reported a total sale of 90Lacks. They have paid 12Lakhs towards Central Excise Duty . Verify whether C Ltd. Is liable for VAT Audit.

Ans. The Excise duty is a Pre sale charge and VAT should be paid including excise duty.

Total sales	90 lacs
(excluding Excise Duty)	
(+) Excise Duty	12 lacs
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	102crores
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VAT Audit is necessary

ISSUES FACED(CONTD.)

4. Mr. Anand is a trader he has effected TNVAT sales of 2.86Crores and

CST Sales against C	2%	-	10Lacs
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CST Sales without C	14.5%	-	1Lacs
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Stock Transfer		-	15Lacs
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C Form received			8.5Lacs
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F Form received			14.25Lacs
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But while reporting the sales Mr. Anand reported CST sales with C Form as 10-50Lacks and CST with out Form C 0-50Lakhs

ISSUES FACED(CONTD.)

The TNVAT Audit is specified under Sec63A of TNVAT Act. Will it Apply to CST Transaction and conform whether a reconciliation under CST to be made .

ANS: CST Sales are also to be reconciled and correct turnover will have to be reported. The provisions of Local Act will equally apply to CST Act .

Hence reconciliation is to be made .

ISSUES FACED(CONTD.)

5. Mr. Neversay have effected the CST sales of 10Crores and have collected C Form for Rs. 9Crores . Should the reversal has to be made and what is the consequence of the reversal.

Ans: When the sales are without C form a higher rate of tax is to be charged. Similarly the input tax is to be reversed .

Assuming that the dealers will not be in a position to file the C form even in future

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The form WW can be prepared with higher rate and input is also to be reversed.

But if the Assessee get the C form with in 6 years from the date of assessment then they can request the Authority to give concessional rate of tax for the turnover covered by C form. The assessment can be revised but the input already reversed can't be restored.

ISSUES FACED(CONTD.)

6. Mr. Problem have produced the records for VAT Audit and the Auditor verifies the tax Payment and finds that there is a shortfall in payment of tax .

What action should the VAT Auditor to take?

Ans: The Auditor should ask the Assessee to make the payment of balance tax and should calculate the penal interest for belated payments

ISSUES FACED(CONTD.)

7. Mr. X handover the records to his Auditor for VAT Audit for the year ending 31.03.2014.

The Auditor disagrees with MR. X in arriving at the taxable issue .How Should be Report.

Ans: The form WW can be prepared with correct details and the VAT Auditor can ask Mr. X to pay tax if he refuses to pay the non payment may be incorporated in the Audit Report . The tax need not be paid now. But if the Authority gives notice he will reject the accounts and may levy penalty.

ISSUES FACED(CONTD.)

8. Mr. Doubt failed to get the books Audited under Sec63AA for the year ending 31.03.2013.

What will be the next course Action ?

Ans: The Authority will issue a notice for a penalty of Rs. 10000 and may call for the VAT Audit Report . If the Report is not filed even after paying the penalty then Authority may make a Best Judgment Assessment by disallowing the Books of Accounts.

ISSUES FACED(CONTD.)

9. Mr. Neversay have reported a total sale of Rs.10Crores and have failed to report a sale of asset. The asset was sold for a loss of 50000 .

Discuss the Scope of work of VAT Auditor?

Ans: The VAT Auditor should ascertain the sale value and the same is assessable at the respective rate. Mr. Neversay should make the payment of tax along with penal interest at the time of filing the form WW.

ISSUES FACED(CONTD.)

10. The X Ltd. Have done the VAT Audit for M/s Suspense & co. for the year ending 31.03.2013.

While providing the records for VAT Audit the Assessee failed to declare the following

- (a) VAT inspection conducted during 31.03.2013.
- (b) C fees paid for a Check post detention
- (c) Notice received for the mismatch of input.

Discuss the Consequences.

ISSUES FACED(CONTD.)

Ans: The Auditor should frame the opinion only after verifying all the records. But when the Assessee failed to declare the inspection, compounding fee payment and notice received the report may not be formed based on the records. Hence the opinion of the VAT Auditor may not be correct.

ISSUES FACED(CONTD.)

11. Which Audit should be carried on First ? Is it Statutory Audit or VAT Audit? Give reasons .

Ans : The VAT Audit is to be conducted first or both the Audits are to be carried on simultaneously .

Because if any changes are made in VAT Audit which was conducted after the Statutory Audit then the framing of opinion by the STATUTORY Auditor may not be correct.

ISSUES FACED(CONTD.)

Hence it is advisable to conduct VAT Audit first .

ISSUES FACED(CONTD.)

12. Kindly confirm whether the Audited Trading Account is to be filed along with Form WW .

Ans: The VAT Audit requires the enclosure of Trading and Profit and loss account . Section does not require Audited Books .Hence the Form WW can be accompanied by UnAudited Trading Profit and Loss account .

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THANK YOU!

**Presented By
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