

CHAPTER II

VALUE ADDED TAX

2.1 Tax administration

During 2016-17, Value Added Tax (VAT) laws and rules framed thereunder were administered at the Government level by the Principal Secretary, Finance (Revenue) Department. He was assisted by one Commissioner of Commercial Taxes (CCT), nine Special Commissioners, 37 Additional Commissioners, 108 Senior Joint Commissioners, 179 Joint Commissioners, 134 Deputy Commissioners, 581 Commercial Tax Officers, three Senior Joint Commissioners (Accounts) and three Senior Joint Commissioners (Audit) for administering the relevant tax laws and rules.

2.2 Internal Audit

The Department had an Internal Audit Wing (IAW) under the charge of the Special Commissioner of Commercial Taxes. He was assisted by one Senior Joint Commissioner and three Commercial Tax Officers. This Wing was to conduct scrutiny and detect irregularities in the assessments of VAT cases as well as to check different records and registers to ascertain whether internal control system as envisaged in the Acts and Rules made thereunder was properly followed.

Of the 68 Charge offices and 10 Ranges under the Directorate of Commercial Taxes (DCT), West Bengal, the wing planned to audit eight Charge offices/Ranges during 2016-17 for checking of 497 cases. However, the wing audited only six Charge offices/Ranges and checked 340 cases only. IAW stated that the target could not be achieved due to shortage of manpower.

Moreover, there was no internal audit manual to formulate working procedure of IAW.

2.3 Results of audit

In 2016-17, test check of the records of 39 units relating to VAT assessments and other records showed underassessment of tax and other irregularities involving ₹ 185.11 crore in 642 cases, which fall under the following categories as given in Table 2.1.

Table - 2.1
Results of audit

(₹ in crore)			
Sl. No.	Categories	Number of cases	Amount
1.	Incorrect determination of Contractual Transfer Price / turnover of sales	112	30.07
2.	Irregular allowance of transfer of goods /Input Tax Credit /remission	104	26.92
3.	Irregular allowance of compounded/ concessional rate of tax	2	0.08
4.	Application of incorrect rate of tax/mistake in computation	54	9.14
5.	Non/short levy of purchase tax/penalty/interest	285	95.10
6.	Others	85	23.80
Total		642	185.11

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 55.98 crore in 301 cases, of which in 287 cases involving ₹ 54.23 crore were pointed out in audit during the year 2016-17 and the rest in the earlier years. An amount of ₹ 39.77 lakh was realised in 14 cases during the year 2016-17.

A few illustrative cases involving ₹ 40.49 crore are discussed in the following paragraphs.

2.4 Irregular remission of tax on resale of goods

Claim for remission of tax ₹ 34.61 crore in three cases was allowed in assessment/appellate orders instead of ₹ 29.87 crore. This was done without verifying the correctness of the claims with the Final Accounts resulting in irregular allowance of remission of tax of ₹ 4.74 crore.

In terms of Rule 177 of the West Bengal Value Added Tax (WBVAT) Rules, 2005, read with Section 116 (1)(c) and 118 (1)(c) of the WBVAT Act, 2003, a registered dealer³, is eligible for enjoying remission of output tax. Remission of output tax is admissible, according to his return, in respect of sales of such goods manufactured in such unit. Under Rule 185 of WBVAT Rules, 2005, the Eligibility Certificate (EC) granted to him for such remission shall be valid for a period not exceeding 12 months. On expiry of the period of validity, the EC may be renewed for a further period not exceeding 12 months.

It was observed that the Special cell of the Directorate of Commercial Taxes (DCT) granted two ECs to Kitchen Appliances India Limited. One EC was granted in July 2008 for remission of tax on sale of goods manufactured in a newly set up industrial unit⁴. The other EC was granted in April 2008 for remission of tax on sale of goods manufactured in an expanded portion of an existing industrial unit.

In the course of scrutiny of assessment records in Large Taxpayers Unit (LTU), Audit observed⁵ that during the assessment periods 2008-09, 2009-10 and 2011-12⁶, the dealer made sales of trading goods⁷, in addition to sale of goods manufactured in his industrial units. The dealer claimed remission of tax of ₹ 34.61 crore for assessment periods 2008-09, 2009-10 and 2011-12. According to the Final Accounts, the claim for remission of output tax included tax amounting to ₹ 4.74 crore payable on resale of goods. The remission of output tax on resale of goods was not admissible under the provisions of the Act. In assessing the

³ Manufacturing any goods in a newly set up industrial unit established by him or in an expanded portion of the existing industrial unit, in West Bengal.

⁴ Located at Salt Lake City, Kolkata.

⁵ Between October and November 2015.

⁶ No remission of tax on sale of trading goods was noticed in returns for the period 2010-11.

⁷ Goods for resale and not manufactured by seller.

cases⁸, the assessing authorities (AAs) in one case⁹, allowed the claim for remission of output tax of ₹ 12.29 crore. The AA did not consider that the remission claim included the tax of ₹ 1.59 crore payable on the resale of goods. In other two cases¹⁰, the AAs disallowed the claims of remission of tax of ₹ 22.32 crore in the absence of renewed ECs.

The dealer filed appeals against disallowance of remission of tax and other claims towards ITC, Sales returns etc. At the appellate stage, however, the appellate authorities not only confirmed¹¹ the remission allowed¹² by the AA, but also allowed¹³ the claims for remission of tax of ₹ 22.32 crore. This was done on the basis of renewed ECs produced by the dealer at appellate stage. The claims so allowed by the appellate authorities¹⁴ was inclusive of inadmissible remission of tax of ₹ 3.15 crore claimed on resale of goods. In pursuance of the appellate orders, modified assessment orders were passed¹⁵ accordingly. Thus, claim for remission of tax of ₹ 34.61 crore was allowed in assessment/appellate orders instead of ₹ 29.87 crore. Audit observed that from assessment to appeal, the facts related to the trading sales were not considered and remissions were allowed without verifying the correctness of the claims with the Final Accounts. This resulted in irregular allowance of remission of tax of ₹ 4.74 crore as shown in the following table:

Table - 2.2
Irregular remission of tax

(₹ in crore)

Period of assessment	Total tax assessed on sale by assessing/appellate authorities	Tax payable on resale of goods	Tax payable on sale of manufactured goods	Remission of tax allowable	Remission of tax allowed	Remission allowed in excess
1	2	3	4 (2-3)	5	6	7 (6-5)
2008-09	13.13	2.43	10.70	10.70	12.29	1.59
2009-10	14.83	3.03	11.80	11.80	13.95	2.15
2011-12	16.33	8.96	7.37	7.37	8.37	1.00
Total	44.29	14.42	29.87	29.87	34.61	4.74

After the cases were pointed out in July 2016, the Department accepted (May 2017) the audit observation and stated as follows:

⁸ Between June 2011 and July 2014.

⁹ For the assessment period 2008-09

¹⁰ For the assessment periods 2009-10 and 2011-12.

¹¹ Between August 2012 and August 2015.

¹² For assessment period 2008-09.

¹³ For the assessment periods 2009-10 and 2011-12.

¹⁴ For the assessment periods 2009-10 and 2011-12.

¹⁵ Between December 2013 and September 2015.

- Proceedings for suo motu revision had been initiated in two cases in respect of assesment periods 2008-09 and 2009-10; and
- The dealer had filed a revision application to the West Bengal Appellate & Revisional Board in respect of case for the assesment period 2011-12. The AA had filed cross revision to the Board informing of the excess remission of output tax in the appellate order.

The matter was reported to the Government in June 2017. Reply was awaited (February 2018).

2.5 Incorrect determination of turnover of sales

In six cases, AAs incorrectly determined turnover of sales (TOS) at ₹ 11.81 crore instead of ₹ 17.54 crore. This resulted in short determination of TOS of ₹ 5.73 crore with consequent short levy of tax of ₹ 53.13 lakh.

In terms of Section 2(55) of WBVAT Act, 2003, turnover of sales in relation to any period, means the aggregate of the sale prices/parts of sale prices received/receivable by a dealer for sales of goods made during such period which remains after making deductions prescribed under the Act. Section 16 of WBVAT Act, 2003 provides for levy of tax at applicable rates on such part of the TOS which remains after making deductions therefrom as prescribed under the Act.

Audit found¹⁶ in four¹⁷ Charge offices that in six cases¹⁸, AAs incorrectly determined TOS at ₹ 11.81 crore instead of ₹ 17.54 crore. This resulted in short determination of TOS of ₹ 5.73 crore with consequent short levy of tax of ₹ 53.13 lakh as detailed in the following table:

Table - 2.3

Incorrect determination of TOS

(₹ in lakh)						
Sl. No.	Nature of irregularity	No. of cases	TOS assessable	TOS assessed	TOS determined short	Short levy of Tax
1.	In the absence of books of account, TOS assessed by AAs was short of that shown in returns ¹⁹	2	151.20	121.29	29.91	4.09
2.	TOS assessed by AAs was short of that shown in books of account	4	1,602.83	1,059.85	542.98	49.04
Total		6	1,754.03	1,181.14	572.89	53.13

¹⁶ Between November 2015 and September 2016.

¹⁷ Balurghat, Behala, Fairlie Place and N.S. Road.

¹⁸ Assessed between August 2012 and May 2015 for assesment periods between 2009-10 and 2012-13.

¹⁹ Revised return was not furnished within six months from due date of filing of original returns as prescribed under the WBVAT Act.

After this was pointed out²⁰, Charge offices accepted²¹ the audit observations in four cases involving ₹ 22.78 lakh. They, however, did not furnish any report on realisation of tax. In the remaining cases, the Charge office did not furnish any reply (February 2018).

The matter was reported to the Government in June 2017. Reply was awaited (February 2018).

2.6 Irregular allowance of input tax credit

In 43 cases, the AAs allowed ITC of ₹ 9.11 crore. However, the dealers were eligible to ITC of only ₹ 5.31 crore. This resulted in irregular allowance of ITC of ₹ 3.80 crore.

Section 22 of the WB VAT Act, 2003 and Rules made there under prescribe that a registered dealer can avail the benefits of Input Tax Credit (ITC) to the extent of tax paid or payable by him in respect of purchases of taxable goods from the registered dealers of West Bengal. Any amount of ITC, which remains excess at the end of assessment period, shall be carried over to the next assessment period. ITC is, however, not admissible on purchase of goods specified in the negative list and purchases made from a registered dealer enjoying payment of tax at compounded rate.

Audit found²² in 17²³ charge offices that in assessing 43 cases of 42 dealers²⁴, the AAs allowed ITC of ₹ 9.11 crore. However, the dealers were eligible to ITC of only ₹ 5.31 crore. This resulted in irregular allowance of ITC of ₹ 3.80 crore as detailed in the following table:

Table - 2.4
Irregular allowance of ITC

(₹ in lakh)					
Sl. No.	Nature of irregularity	No. of cases	ITC allowed	ITC allowable	Irregular allowance of ITC
1.	ITC was allowed on purchases made from dealers whose registration certificates were cancelled before purchases were made.	2	8.16	Nil	8.16
2.	ITC was allowed on purchases made from dealers who did not file returns or did not show any purchase and sale in their returns.	22	423.15	202.42	220.73
3.	ITC was allowed on claim of purchases higher than the sales disclosed by selling dealers.	2	80.87	Nil	80.87
4.	ITC allowed on purchases made from dealers paying tax at compounded rate.	5	7.47	Nil	7.47

²⁰ Between November 2015 and September 2016.

²¹ Between November 2015 and September 2016.

²² Between November 2015 and September 2016

²³ Asansol, Balurghat, Baruipur, Beadon Street, Behala, Berhampur, Bowbazar, Chandney Chawk, Ezra Street, Fairlie Place, LTU, Manohar Katra, N S Road, Park Street, Raiganj, Siliguri and Ultadanga.

²⁴ Between March 2013 and July 2015 for assessment periods between 2008-09 and 2012-13.

Sl. No.	Nature of irregularity	No. of cases	ITC allowed	ITC allowable	Irregular allowance of ITC
5.	ITC brought forward from previous assessment period was allowed in excess of the amount carried forward after assessment.	4	70.17	38.89	31.28
6.	ITC admissible to the dealer was computed excess in assessment.	1	23.72	20.07	3.65
7.	ITC was allowed on purchase of goods specified in negative list.	5	33.46	9.97	23.49
8.	ITC was allowed on purchase of goods tax on which was claimed to have been paid at rates higher than applicable rates.	1	1.62	0.48	1.14
9.	ITC in respect of purchase return was not reversed in assessment.	1	93.02	89.45	3.57
Total		43	741.64	361.28	380.36

After this was pointed out, the Charge offices while accepting²⁵ the audit observation in 17 cases stated that:

- Proposal for suo motu revision had been sent to the higher authorities in seven cases involving ₹ 0.97 crore;
- Notices under Section 66(1) of WBVAT had been issued to the dealers to produce books of account in three cases involving ₹ 0.15 crore;
- Proposals had been sent to the higher authorities to reopen two cases involving ₹ 0.59 crore; and
- Necessary actions were being taken in five cases involving ₹ 0.14 crore.

Report on levy and realisation of tax was yet to be furnished. In the remaining 26 cases, the Charge offices did not furnish any reply/specific reply (February 2018).

The matter was reported to the Government in June 2017 followed by a reminder issued in August 2017. Replies were awaited (February 2018).

2.7 Incorrect determination of contractual transfer price (CTP)

In 29 cases, the AAs incorrectly determined CTP of ₹ 392.46 crore instead of ₹ 522.52 crore. This resulted in short determination of CTP of ₹ 130.06 crore with consequent short levy of tax of ₹ 9.94 crore.

In terms of Section 2(10) of the WBVAT Act, 2003, contractual transfer price (CTP) in relation to any period is the amount received or receivable by a dealer in respect of transfer of property in goods in the execution of any works contract. Sections 14 and 18 of the Act prescribe that any transfer of property in goods involved in the execution of a works contract shall be deemed to be a sale by the person making such transfer. Tax at prescribed rates shall be levied on his CTP after allowing deductions towards labour, service and other like charges and

²⁵ Between December 2015 and September 2016.

payments to sub-contractors etc. Under Section 40 of the Act, a contractee shall deduct tax at source at the rate of two *per cent* from payments made to a registered dealer for execution of a works contract. Information in respect of contractual transfer price arising from execution of works contract is also available in IMPACT (Information Management for Promotion of Administration in Commercial Taxes), a web based application software developed for DCT for better tax administration. The information available in IMPACT is accessible to the assessing authorities.

Audit found²⁶ in 15²⁷ Charge offices that in 29 cases²⁸, the AAs incorrectly determined CTP of ₹ 392.46 crore instead of ₹ 522.52 crore. This resulted in short determination of CTP of ₹ 130.06 crore with consequent short levy of tax of ₹ 9.94 crore as detailed in the following table.

Table - 2.5
Incorrect determination of CTP

(₹ in crore)

Sl. No.	Nature of irregularity	No. of cases	CTP assessable	CTP assessed	CTP determined short	Short levy of Tax
1.	CTP assessed by AAs was less than that shown in books of account.	14	148.92	62.55	86.37	6.70
2.	CTP assessed by AAs was less than that claimed in certificate of tax deducted at source (TDS).	2	106.02	101.84	4.18	0.32
3.	CTP as per database available in IMPACT was higher than that shown in returns.	12	14.49	0.99	13.50	0.94
4.	CTP determined by the AA in ex-parte assessment was less than that disclosed by the dealer in annexure to returns, showing details of payments received from contractees.	1	253.09	227.08	26.01	1.98
Total		29	522.52	392.46	130.06	9.94

Charge offices accepted²⁹ the audit observations in 19 cases involving tax effect of ₹ 3.84 crore. Report on realisation of tax is yet to be furnished. In the remaining cases, the Charge offices did not furnish any reply/specific reply (February 2018).

The matter was reported to the Government in June 2017 followed by a reminder issued in August 2017. Their reply has not been received (February 2018).

²⁶ Between May 2015 and September 2016.

²⁷ Asansol, Baruiipur, Beadon Street, Behala, Beliaghata, Burdwan, Fairlie Place, Krishnanagar, LTU, Medinipur, N S Road, Radhabazar, Raigunj, Siliguri and Tamluk.

²⁸ Assessed between June 2012 and July 2015 for assessment periods between 2009-10 and 2012-13.

²⁹ Between November 2015 and September 2016.

2.8 Incorrect determination of taxable contractual transfer price (TCTP)

In three cases, AAs allowed excess deduction towards payment to sub-contractors and labour, service and other like charges. This resulted in short determination of taxable contractual transfer price by ₹ 98.43 crore with consequent short levy of tax of ₹ 11.59 crore.

Under Section 18(2) of the WBVAT Act, 2003, taxable contractual transfer price (TCTP) of a dealer is determined after deducting from the CTP, labour, service and other like charges, payment to sub-contractors etc. In terms of Section 18(3), however, if labour, service and other like charges or the TCTP for applying proper rates of tax are not ascertainable from books of account maintained by a dealer, such labour, service and other like charges or the TCTP shall, for the purpose of deduction from CTP, be determined on the basis of percentage of the value of the works contract, as prescribed for different types of works contract under Rule 30(2). Information in respect of payment made to sub-contractors in execution of a works contract is available in IMPACT software. The information available in IMPACT is accessible to the assessing authorities.

Audit found³⁰ in the Large Tax Payers Units (LTU) that in three cases of three dealers³¹, AAs in two cases allowed excess deduction of ₹ 55.76 crore towards payment to sub-contractors. In one case, apart from allowing excess deduction of ₹ 29.61 crore towards payment to sub-contractors, the AA also allowed excess deduction of ₹ 13.06 crore over deduction allowable towards labour, service and other like charges. This resulted in short determination of TCTP by ₹ 98.43 crore with consequent short levy of tax of ₹ 11.59 crore as detailed in the following table:

Table - 2.6
Incorrect determination of TCTP

(₹ in crore)

Sl. No	Nature of irregularity	No. of cases/No. of dealers	Deduction allowed	Deduction admissible	Deduction allowed excess	TCTP determined short	Short levy of Tax
A	B	C	D	E	F(D-E)	G	H
1.	Claim for deduction towards payment to 168 sub-contractors was allowed twice in assessment.	1/1	193.76	164.15	29.61	42.67	6.17
	Deduction allowed for labour, service and other like charges was in excess of the amount admissible as per Section 18(3).		70.69	57.63	13.06		

³⁰ Between January 2016 and February 2016.

³¹ Assessed between February 2013 and June 2014 for the assessment periods between 2009-10 and 2011-12.

Sl. No	Nature of irregularity	No. of cases/No. of dealers	Deduction allowed	Deduction admissible	Deduction allowed excess	TCTP determined short	Short levy of Tax
A	B	C	D	E	F(D-E)	G	H
2.	Claim for deduction allowed by AA to 15 sub-contractors was excess than the payments made by the dealer to such sub-contractors as per information available in the database accessed through IMPACT.	2/2	116.98	61.22	55.76	55.76	5.42
Total		3/3	381.43	283.00	98.43	98.43	11.59

After this was pointed out³², the LTU accepted³³ the audit observations in two cases involving tax effect of ₹ 5.42 crore. The report on realisation of tax is awaited. In the remaining one case, the LTU did not furnish any reply (February 2018).

The matter was reported to the Government in June 2017 followed by a reminder issued in August 2017. Their reply was awaited (February 2018).

2.9 Application of incorrect rate of tax

In 24 cases, AAs, involving sales of ₹ 42.69 crore levied output tax of ₹ 2.47 crore instead of ₹ 5.57 crore due to application of incorrect rate of tax. This resulted in short levy of tax of ₹ 3.10 crore.

Section 16 (2) the WBVAT Act, 2003 prescribes the rates of tax on sale of goods according to classification of the goods. Further, Sections 14 and 18 of the WBVAT Act, 2003 prescribe the rates of tax on CTP. Section 8 (2) of the Central Sales Tax (CST) Act, 1956 provides that in the case of inter-state sales of goods made to unregistered dealers, tax is leviable at the rates applicable to the sale/purchase of such goods within the state.

Audit observed³⁴ that in 12³⁵ Charge offices, the AAs in 24 cases³⁶, involving sales of ₹ 42.69 crore levied output tax of ₹ 2.47 crore instead of ₹ 5.57 crore. This was due to application of incorrect rate of tax resulting in short levy of tax of ₹ 3.10 crore as detailed in the following table:

³² Between January 2016 and February 2016.

³³ Between January 2016 and February 2016.

³⁴ Between January 2015 and November 2016.

³⁵ Amratola, Baruipur, Beliaghata, China Bazar, Fairlie Place, LTU, Radhabazar, Salkia, Salt Lake, Shibpur, Siliguri and Tamluk.

³⁶ Assessed between March 2013 and May 2015 for the assessment periods from 2009-10 to 2012-13.

Table - 2.7
Application of incorrect rate of tax

(₹ in lakh)

Sl. No.	Nature of irregularity	No. of cases	Taxable turnover	Tax leviable	Tax levied	Short levy of tax
1.	Application of lower rates of tax due to misclassification of commodity	20	3,115.03	406.82	133.94	272.88
2.	Application of lower rate of tax on goods taxable at higher rate	3	897.91	115.74	80.75	34.99
3.	Application of pre-revised rate of tax by AA on CTP	1	256.32	34.60	32.04	2.56
Total		24	4,269.26	557.16	246.73	310.43

Six³⁷ Charge offices accepted³⁸ the audit observations in 13 cases involving ₹ 1.05 crore. The report on levy and realisation of tax is awaited. In the remaining cases, the Charge offices did not furnish any/specific reply (February 2018).

The matter was reported to the Government in June 2017 followed by a reminder issued in August 2017. Their reply has not been received (February 2018).

2.10 Penalty on evaded tax not levied

In 109 cases, the AAs did not initiate proceedings to levy penalty despite evasion of tax by dealers. Penalty not exceeding ₹ 98.96 crore was leviable for such evasion of tax.

Section 96 of the WBVAT Act, 2003 prescribes levy of penalty, if a dealer has claimed excess ITC but has not reversed the same within the tax period or concealed any sales/purchases. Further, the quantum of penalty should not exceed twice the amount of tax, which would have been avoided if such concealment was not detected.

Audit observed³⁹ in 26⁴⁰ charge offices that in 109 cases of 96 dealers⁴¹, AAs detected evasion of tax of ₹ 49.80 crore. Of this, 12 dealers in as many cases evaded tax by claiming excess ITC of ₹ 5.45 crore without entering into valid transactions with other dealers. Eighty four dealers in 97 cases evaded tax of ₹ 44.35 crore by suppression of sales/purchases. Though the AAs detected evasion of tax, they did not initiate proceedings to levy penalty under Section 96 of WBVAT Act. Penalty not exceeding ₹ 98.96 crore was leviable for such evasion of tax.

³⁷ Baruipur, Fairlie Place, Radhabazar, Salt Lake, Shibpur and Siliguri.

³⁸ Between February 2015 and August 2016.

³⁹ Between November 2015 and November 2016.

⁴⁰ Alipore, Amratola, Asansol, Balurghat, Baruipur, Bankura, Barasat, Beadon Street, Behala, Berhampore, Bowbazar, Burdwan, China Bazar, Diamond Harbour, Durgapur, Esplanade, Ezra Street, Fairlie Place, Krishnanagar, LTU, Medinipur, Manohar Katra, Park Street, Shibpur, Taltala and Ultadanga.

⁴¹ Assessed between June 2012 and August 2016 for assessment periods between 2008-09 and 2013-14.

After this was pointed out, 19⁴² Charge offices while accepting⁴³ the audit observations in 47 cases stated that

- Penal proceedings had already been initiated in 37 cases involving ₹ 26.07 crore,
- Proposal had been forwarded to the higher authorities for necessary action in five cases involving ₹ 1.21 crore, and
- Necessary action was being taken in five cases involving ₹ one crore.

In the remaining 62 cases, the Charge offices did not furnish any/specific reply (February 2018).

The matter was reported to the Government in June 2017 followed by a reminder issued in August 2017. Their reply has not been received (February 2018).

2.11 Interest not /short levied

Interest of ₹ 4.65 crore was not/short levied in 33 cases.

Section 33 of the West Bengal Value Added Tax Act, 2003 prescribes that a dealer, who fails to adjust any amount of reverse credit by way of deducting inadmissible ITC from the amount of ITC claimed for a tax period or fails to make full payment or makes delay in payment of net tax in respect of any tax period of a return period, shall be liable to pay interest at the rate of 12 *per cent* per annum.

Audit found⁴⁴ in 11⁴⁵ Charge offices that in 33 cases of 28 dealers⁴⁶, AAs did not levy interest of ₹ 4.44 crore in 32 cases. In the remaining one case, the AA levied short interest by ₹ 20.14 lakh. Thus interest of ₹ 4.65 crore was not/short levied as detailed in the following table:

Table - 2.8
Interest not /short levied

(₹ in lakh)						
Sl. No.	Nature of irregularity	No. of cases/ No. of dealers	Tax on which interest was leviable	Interest leviable	Interest levied	Interest not /short levied
1.	Number of days involved in delay in payment of tax was determined short by 345 days.	1/1	142.74	53.27	37.07	20.14
	Interest for non-reversal of ITC was levied short.		23.51	7.45	3.51	

⁴² Alipore, Asansol, Balurghat, Baruipur, Barasat, Beadon Street, Behala, Berhampore, Burdwan, Diamond Harbour, Esplanade, Ezra Street, Fairlie Place, Krishnanagar, LTU, Medinipur, Manohar Katra, Park Street and Taltala.

⁴³ Between December 2015 and November 2016.

⁴⁴ Between November 2015 and November 2016.

⁴⁵ Asansol, Bowbazar, Burdwan, Durgapur, Esplanade, Ezra Street, Fairlie Place, LTU, Medinipur, Posta Bazar and Radha Bazar.

⁴⁶ Assessed between June 2012 and June 2015, for assessment periods between 2008-09 and 2012-13.

Sl. No.	Nature of irregularity	No. of cases/ No. of dealers	Tax on which interest was leviable	Interest leviable	Interest levied	Interest not /short levied
2.	Interest was not levied on tax admitted in returns, but not paid by a dealer by the prescribed dates.	1/1	22.47	6.96	Nil	6.96
3.	Interest on non-reversal of inadmissible ITC claimed in returns by the dealers was not levied.	31/26	1,394.62	437.46	Nil	437.46
Total		33/28	1,583.34	505.14	40.58	464.56

After this was pointed out⁴⁷, six⁴⁸ Charge offices accepted⁴⁹ the audit observations in seven cases involving ₹ 1.28 crore. Report on realisation of interest was yet to be furnished. In the remaining cases, six⁵⁰ Charge offices did not furnish any/specific reply (February 2018).

The matter was reported to the Government in June 2017 followed by a reminder issued in August 2017. Reply was awaited (February 2018).

2.12 Short levy of tax due to mistake in computation

In 19 cases, the AAs assessed output tax of ₹ 5.28 crore instead of ₹ 7.42 crore due to mistake in computation. This resulted in short levy of tax of ₹ 2.14 crore.

Under the WBVAT Act, 2003, tax is to be computed at prescribed rates along with interest and penalty, if any, on the goods sold.

Audit observed⁵¹ in 15⁵² Charge offices that in 19 cases⁵³, the AAs assessed output tax of ₹ 5.28 crore instead of ₹ 7.42 crore. This was due to (i) calculation of tax on TOS/CTP⁵⁴ less than the TOS/CTP actually determined by them, (ii) calculation of tax at the rates lower than the rates actually determined by them and (iii) other arithmetical mistakes. Such mistakes in computation resulted in short levy of tax of ₹ 2.14 crore.

⁴⁷ Between November 2015 and November 2016.

⁴⁸ Burdwan, Esplanade, Ezra Street, Fairlie Place, Posta Bazar and Radha Bazar.

⁴⁹ Between March 2016 and August 2016.

⁵⁰ Asansol, Bowbazar, Durgapur, Esplanade, LTU and Medinipur.

⁵¹ Between October 2015 and November 2016.

⁵² Asansol, Baruipur, Behala, Burdwan, Chandney Chawk, Durgapur, Fairlie Place, LTU, Manohar Katra, N.S. Road, Posta Bazar, Radha Bazar, Shibpur, Tamluk and Ultadanga.

⁵³ Assessed between June 2012 and August 2015 for assessment periods between 2009-10 and 2012-13.

⁵⁴ Turnover of sales (TOS)-in case where assessee was a Dealer/Contractual transfer price (CTP)-in case where assessee was a Contractor.

After this was pointed out, 11⁵⁵ Charge offices while accepting⁵⁶ the audit observations in 12 cases stated that

- Proposals for revision had been sent to the higher authorities in eight cases involving ₹ 0.13 crore,
- Necessary action was being taken in three cases involving ₹ 0.09 crore, and
- Proposals had been sent to the higher authority for necessary action in one case involving ₹ 0.29 crore.

Report on realisation of tax was yet to be furnished. In the remaining seven cases, the Charge offices did not furnish any/specific reply (February 2018).

The matter was reported to the Government in June 2017. Reply was awaited (February 2018).

⁵⁵ Asansol, Baruipur, Behala, Burdwan, Fairlie Place, Manohar Katra, Posta Bazar, Radha Bazar, Shibpur, Tamluk and Ultadanga.

⁵⁶ Between November 2015 and November 2016.

