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# **SEMINAR ON VAT AUDIT**

Certification, Reporting,  
Accounting and  
Reconciliation of Turnover

**Presented by CA Madhukar Khandekar**

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## FORM 704 PART-1

Location of the Sales Tax office of place of business of the dealer .....

### AUDIT REPORT AND CERTIFICATION

The audit of M/s \_\_\_\_\_,

1. Holder of Tax Payer Identification Number \_\_\_\_\_ V DATED \_\_\_\_\_ under the Maharashtra Value Added Tax Act, 2002 (hereinafter referred to as "the MVAT Act") and Tax Payer Identification Number \_\_\_\_\_ C DATED \_\_\_\_\_ under the Central Sales Tax Act, 1956 (hereinafter referred to as "the CST Act") is conducted by (\*)me/us (Chartered Accountant/ Cost Accountant) in pursuance of the section 61 of the MVAT Act.

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- A. The Tax Audit under the provisions of the Income Tax Act, 1961 was conducted by (\*me/us/M/s \_\_\_\_\_ Chartered Accountant. We hereby annex a copy of their Tax Audit Report dated \_\_\_\_\_
- a. along with all the annexures to those reports and copies each of the audited Profit And Loss Account / Income and Expenditure Account for the year ended on \_\_\_\_\_
  - b. the audited Balance Sheet as at \_\_\_\_\_
- B. The Tax Audit of the dealer under the provisions of the Income Tax Act, 1961 has not been conducted but the Statutory audit is conducted under \_\_\_\_\_ Act.  
Therefore, we have obtained the Audit Report, Balance Sheet as at \_\_\_\_\_  
and the Profit and Loss Account / Income and Expenditure Account for the financial year ended on \_\_\_\_\_

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- C. The dealer's books of account are not audited under any statute. Therefore, we have obtained the Balance Sheet as at \_\_\_\_\_ and the Profit and Loss Account for the financial year ended on \_\_\_\_\_ duly certified by the dealer and the same are annexed herewith

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Maintenance of books of accounts, sales tax related records and preparation of financial statements are the responsibilities of the entity's management. Our responsibility is to express an opinion on their sales tax related records based on our audit. We have conducted our audit in accordance with the standard auditing principles generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the sales tax related records and financial statements are free of material mis-statement(s). The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates by management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

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2. (A) I/We have verified correctness of the tax liability of the dealer in respect of below mentioned sales tax returns.

## TABLE-1

1. Dealer is required to file returns (Tick appropriate box)
2. Dealer has filed all the returns as per given periodicity
3. Dealer has maintained Stock Register
5. Returns verified (Please tick the appropriate box)
  - a) (i) Returns under the Maharashtra Value Added Tax Act, 2002
  - (ii) Return in Form 405 or 424

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- b. Returns under the Central Sales Tax Act, 1956.
  - (i) The dealer has filed returns only for the period in which there is inter-State sales or sales u/s. 5(2) or 5(3).
  - (ii) Since there are no inter-State sales or sales u/s 5(2) or 5(3) in other periods, the dealer has / has not filed returns for such periods.

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2. (B) Subject to our remarks about non-compliance, shortcomings and deficiencies in the returns filed and the tax liability computed and presented in respective schedules and Para -4 of this Part, I/We certify that, - 3



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- a) I/We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of the audit.

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- b) I/We have read and followed the instructions for preparation of this audit report. Considering the nature of business of the dealer and the Form in which the dealer is expected to file return(s), we give the information as required in Para - 3 in Schedule (s) along with the applicable annexure(s).
- c) The books of account and other sales tax related records and registers maintained by the dealer along with sales and purchase invoices as also Cash Memos and other necessary documents are sufficient for computation of tax liability under the MVAT Act and the CST Act and The gross turnover of sales and purchases, determined by us, includes all the transactions of sales and purchases concluded during the period under audit.
- d) On the basis of information available on the website of the department the period under the audit involves no issue in the case of this dealer in which a decision against the State Government or The Commissioner was delivered by the Tribunal and the Reference and / or Appeal there in pending before appropriate forum except detailed in table 7 here in below , if applicable.

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- e) The adjustment to turnover of sales and / or purchases is based on entries made in the books of accounts during the period under Audit and same are supported by necessary documents.
- f) The deductions claimed from the gross turnover of sales and other adjustments thereto including deduction on account of goods return, adjustments on account of discounts as also debit / credit notes issued or received on account of other reasons, are supported by necessary documents and are in conformity with the provisions of the relevant Act.
- g) Considering the schedule and entry wise classification of goods sold, classification of exempted sales, sales at reduced rates are correct. The tax leviable on sales is properly computed by applying applicable rate of tax and / or composition tax.
- h) Computation of set-off admissible in respect of purchases made during the period under Audit and adjustments thereto are correct. While ascertaining the correctness, We have taken into account the factors such as goods returned, adjustments on account of discounts as also debit / credit notes issued or received on account of other reasons and these claims and adjustments are supported by necessary documents. The set-off is worked out only on the basis of tax invoices in respect of the purchases.

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- i) Wherever the dealer has claimed sales against the declarations or certificates: except as given in Annexure -H and Annexure-I, all such declarations and certificates are produced before us. We have verified the same and they are in conformity of the provisions related thereto.
- j) Computation of Cumulative Quantum of Benefits (CQB), wherever applicable, is in conformity with the provisions of the Act in this regard.
- k) The records related to the receipts and dispatches of goods are correct and properly maintained.
- l) The tax invoices in respect of sales are in conformity with the provisions of law.
- m) The bank statements have been examined by us and they are fully reflected in the books of account.

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- n) I/We certify that we have visited the principal place of business or a place of business from where major business activity is conducted by the dealer. The dealer is conducting his business from the place of business declared by him as his principal place of business and additional place of business.

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- o. Due professional care has been exercised while auditing the business and based on our observations of the business processes and practices, stock of inventory and books of account maintained by the dealer, we fairly conclude that, -
  - i. dealer is dealing in the commodities mentioned in the Part - 2 of this report;
  - ii. sales tax related records of the dealer reflects true and fair view of the volume and size of the business for period under audit.
  
- p. We have verified that the purchases effected by the dealer in respect of SEZ unit of the dealer are used in the said unit.

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- 3. Out of the aforesaid certificates; the following certificates are negative for the reasons given hereunder or be read with the following information :-**
- a) -----**
  - b) -----**

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## COMPUTATION OF TAX LIABILITY AND RECOMMENDATIONS TABLE – 2 UNDER MAHARASHTRA VALUE ADDED TAX ACT, 2002

Sr. No.	Particulars	Amount as per Returns (Rs.)	Amount as determined after Audit (Rs.)	Difference (Rs.)
i)	Gross Turnover of Sales, including taxes as well as Turnover of Non-Sales Transactions like Value of Branch Transfers / Consignment Transfers and job work charges	0.00	0.00	0.00
ii)	Less:- Total allowable Deductions	0.00	0.00	0.00



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iii)	Balance Net Turnover liable for tax	0.00	0.00	0.00
iv)	Tax leviable under the M.V.A.T. Act, 2002	0.00	0.00	0.00
v)	Excess collection under the M.V.A.T. Act, 2002	0.00	0.00	0.00
vi)	Less: Credits available on account of following:			
(a)	Set-off claimed	0.00	0.00	0.00
(b)	Amount of tax paid under the MVAT Act as per ANNEXURE A (including interest & RAO)	0.00	0.00	0.00
(c)	Credit of tax as per tax deduction at source certificates (As per ANNEXURE C)	0.00	0.00	0.00
(d)	Any other ----- [Please specify]	0.00	0.00	0.00

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<b>vii)</b>	<b>Total credits [(a) to (d) above] available</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
viii)	Add/Less: Any other ----- ----- [Please specify]	0.00	0.00	0.00
<b>ix)</b>	<b>Total Amount Refundable</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount as per Returns (Rs.)</b>	<b>Amount as determined after Audit (Rs.)</b>	<b>Difference (Rs.)</b>
x)	<b>Total amount of Tax Deferred</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
xi)	Less: Refund adjusted for payment of tax under the Central Sales Tax Act, 1956	0.00	0.00	0.00
xii)	Less: Excess Credit carried forward to subsequent tax period	0.00	0.00	0.00

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xiii)	Less: Refund already granted to dealer	0.00	0.00	0.00
	<b>Balance Tax Refundable</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
	Add:			
(i)	Interest U/s 30(2)	0.00	0.00	0.00
(ii)	Interest U/s 30(4)	0.00	0.00	0.00
xiv)	<b>Total Amount Refundable</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
xv)	<b>Differential tax liability for non-production of declaration / certificate as per Annexure-H.</b>		<b>0.00</b>	

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**TABLE – 3**  
**UNDER CENTRAL SALES TAX ACT, 1956**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount as per Returns (Rs.)</b>	<b>Amount as determined after Audit (Rs.)</b>	<b>Difference (Rs.)</b>
i)	Gross Turnover of Sales (as per Sch. VI)	0.00	0.00	0.00
ii)	Less: Total Deductions available	0.00	0.00	0.00
iii)	Balance Net Turnover liable for Tax	0.00	0.00	0.00
iv)	CST leviable under the Central Sales Tax Act, 1956 subject to production of declarations listed in Annexure-I.	0.00	0.00	0.00

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v)	(a)	Less: Amount of tax deferred	0.00	0.00	0.00
	(b)	Amount of tax paid under the CST Act as per ANNEXURE-B (including interest & RAO)	0.00	0.00	0.00
	(c)	MVAT refund adjusted (if any)	0.00	0.00	0.00
vi)	Add/Less: Any other [Please specify]		0.00	0.00	0.00
<b>vii)</b>	<b>Total Amount Refundable</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
viii)	Add:				
	(a)	Interest U/s 9(2) read with Section 30(2) of MVAT Act.	0.00	0.00	0.00
	(b)	Interest U/s 9(2) read with Section 30(4) of MVAT Act.	0.00	0.00	0.00

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ix)	<b>Total Dues Refundable</b>	0.00	0.00	0.00
x)	Excess Central Sales Tax Collection	0.00	0.00	0.00
xi)	<b>Differential CST liability for want of declaration as worked out in Annexure-I.</b>		0.00	

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**Table-4**

## **CUMULATIVE QUANTUM OF BENEFITS AVAILED**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount as per Returns (Rs.)</b>	<b>Amount as determined after Audit (Rs.)</b>	<b>Difference (Rs.)</b>
i)	Under Maharashtra Value Added Tax Act, 2002	0.00	0.00	0.00
ii)	Under Central Sales Tax Act, 1956	0.00	0.00	0.00
	<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>



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## TABLE - 5

### Classification of additional Dues with calculation of Tax and interest thereon

Sr. No.	Reasons for additional Dues (Tax)	Additional Dues	
		VAT	CST
1	Difference in Taxable Turnover	0.00	0.00
2	Disallowance of Branch / Consignment Transfers	0.00	0.00
3	Disallowance of Inter-state sales or sales under section 6(2) of CST Act.	0.00	0.00
4	Disallowance of High-seas Sales	0.00	0.00
5	Additional Tax liability on account of Non-production of Declarations and Certificates	0.00	0.00
6	Computation of Tax at Wrong rate	0.00	0.00
7	Excess claim of Set-off or Refund	0.00	0.00

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8	Disallowance of other Non-admissible claims (Please specify)		
	(a)	0.00	0.00
	(b)	0.00	0.00
<b>9</b>	<b>TOTAL DUES PAYABLE</b>	<b>0.00</b>	<b>0.00</b>
10	Amount of interest payable (To be calculated from due date to the date of Audit)	0.00	0.00
<b>11</b>	<b>TOTAL AMOUNT PAYABLE</b>	<b>0.00</b>	<b>0.00</b>

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## **5. Qualifications or remarks having impact on the tax liability:-**

a. -----

b. -----

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## 6. Dealer has been recommended to:-

Sr. No.	Particulars	MVAT (Rs.)	CST (Rs.)
i)	Pay additional tax liability of Rs.	0.00	0.00
ii)	Pay back excess refund received of Rs.	0.00	0.00
iii)	Claim additional refund of Rs.	0.00	0.00
iv)	Reduce the claim of refund of Rs.	0.00	0.00
v)	Reduce the tax liability of Rs.	0.00	0.00
vi)	Revise closing balance of CQB of Rs.	0.00	0.00
vii)	Pay interest under section 30(2) of Rs.	0.00	0.00
viii)	Pay interest under section 30(4) of Rs.	0.00	0.00

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- 7. Similar issue is involved in the case of dealer under audit, where a decision against the State Government or the Commissioner was given by the Tribunal and the reference /appeal is pending before appropriate forum in the case of following dealer (s) which is/are appearing in the list of pending reference (s) /appeal(s) kept on website of the department.**

<b>Sr No</b>	<b>Reference /Appeal Number</b>	<b>Name of Dealer</b>
1.		
2		

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## RECONCILIATION

<b>B</b>	<b>RECONCILIATION OF SALES REGISTER</b>
1	<b>Reconcile sales register with financial Statements for considering following transactions in sales register:</b>
	a) Deletions to fixed assets – profit / loss on sale of FA
	b) Scrap sales
	c) Miscellaneous income liable for VAT/CST
	d) Job work charges liable for VAT/CST (works contract)
	e) Rental income for movable goods (lease transactions)
2	<b>Reconcile sales register with Debtor's Ledger and confirm following:</b>
	a) Debit transactions are reflected in sales register
	b) Credit transactions other than payment are reflected in sales register

## ANNEXURE - K

(Section - 1)

**Determination of Gross Turnover of Sales along with reconciliation with Profit and Loss Account, Trial Balance / Sales Register**

### Sales Register Summary

<b>Particulars</b>	<b>Gross Amount</b>	<b>Sales Returns</b>	<b>Net Amount</b>
<b>VAT Sales</b>			
Net 1% Value	-	-	-
1% VAT	-	-	-
Tax Free Sales	-	-	-
Sales Exempt U/s 8 of MVAT Act	-	-	-

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Labour / Job Work Charges	-	-	-
Other Non-taxable Charges	-	-	-
Within the State Branch Transfers	-	-	-
<b>Total VAT Sales</b>	-	-	-



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<b>CST Sales</b>			
Net 1% Value	-	-	-
1% CST	-	-	-
Tax Free Sales	-	-	-
Exports	-	-	-
Form H Sales	-	-	-
High Sea Sales	-	-	-
Sales U/s 6(2) - Sale in Transit	-	-	-
Sales U/s 8(6)	-	-	-
Sales Outside the State	-	-	-
Other Non-taxable Charges	-	-	-
Branch Transfers	-	-	-
<b>Total CST Sales</b>	-	-	-
<b>Total VAT and CST sales</b>	-	-	-
Less: VAT Payable			-
Less: CST Payable			-
<b>Net Sales as per summary</b>			-

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## Sales Reconciliation Statement

Particulars	Reference	Amount (Rs.)	Amount (Rs.)
<b>Sales as per Profit and Loss Account</b>			
Add: Fixed Assets Sales		-	
Add: Miscellaneous Sales		-	
<b>Sales from Maharashtra State</b>			-
Add: Fixed Assets Sales		-	
Add: Miscellaneous Sales		-	
<b>Sales Outside the State of Maharashtra</b>			-
VAT Payable	As Above		-
CST Payable	As Above		-
<b>Gross Total VAT and CST Sales as per Sales Register</b>			-

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<b>B</b>	<b>RECONCILIATION OF PURCHASE REGISTER</b>
<b>1</b>	<b>Reconcile purchase register with financial Statements for considering following transactions in purchase register:</b>
	a) Additions to fixed assets
	b) Miscellaneous expenses for which VAT / CST have been charged
	c) Job work charges liable for VAT/CST (works contract)
	d) Rent for movable goods (lease transactions)
<b>2</b>	<b>Reconcile purchase register with Creditor's Ledger and confirm following:</b>
	a) Credit transactions are reflected in purchase register
	b) Debit transactions other than payments are reflected in purchase register (purchase return, price adjustments)

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## ANNEXURE – K (Section - 2)

### Determination of Gross Turnover of Purchases along with reconciliation with Profit and Loss Account, Trial Balance / Purchase Register

#### Purchase Register Summary

Particulars	Gross Amount	Pur. Returns	Net Amount
<b>VAT Purchases</b>			
Net 1% Value	-	-	-
1% VAT	-	-	-
Within the State Branch Transfers	-	-	-
URD Purchases	-	-	-
RD Purchases	-	-	-
Purchases exempt U/s 8 of MVAT Act	-	-	-
Purchases of Tax Free Goods	-	-	-
Lobour / Job Work Charges	-	-	-
Other Non-taxable Charges	-	-	-
<b>Total VAT Purchases</b>	-	-	-

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<b>CST Purchases</b>			
Direct Imports	-	-	-
High Sea Purchases	-	-	-
Purchases against Form H	-	-	-
Purchases against Form C/E-1	-	-	-
Other Inter-State Purchases	-	-	-
Purchases Outside the State (Surat Purchases)	-	-	-
OMS Branch Transfers	-	-	-
Other Non-taxable Charges	-	-	-
<b>Total CST Purchases</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total VAT and CST Purchases</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: VAT Receivable			-
<b>Net Purchases as per Purchase Register</b>			<b>-</b>

## Purchase Reconciliation Statement

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Particulars	Reference	Amount (Rs.)	Amount (Rs.)
<b>Purchases as per Profit and Loss Account</b>			
Add: Fixed Assets Purchases - Office Equipment	Annexure-FA&E	-	
Add: Fixed Assets Purchases - Furniture and Fixtures	Annexure-FA&E	-	
Add: Expenses - Repairs and Maintenance - Others	Annexure-FA&E	-	
Add: Expenses - Exhibition Expenses	Annexure-FA&E	-	
Add: Expenses - Miscellaneous Expenses	Annexure-FA&E	-	-
VAT Receivable	As Above	-	-
<b>Gross Total VAT and CST Purchases as per Purchase Register</b>			-

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*Thank You*