

Circular No. 16 (SMR)
Q3 / 41337 / 2008

Office of the Principal Secretary /
Commissioner of Commercial Taxes,
Chepauk, Chennai-600 005.

Dated: 22.12.2008.

CIRCULAR

Sub: Evasion of Tax in evasion prone commodities – Iron and Steel -
Certain instructions – Issued

Ref: Reports received from Territorial Joint Commissioners on
Iron & Steel Survey in October & November 2008.

It is seen from the reports received from the Territorial Joint Commissioners in respect of the survey conducted on Iron and Steel with the assistance of Enforcement Wing, that there are 234 cases business without information to the department, not available in their places of business during the survey and their registration have to be cancelled. This means that these dealers have not filed their returns and only on Survey the department has noticed the stoppage of their business in “Iron & Steel”. Evasion in this commodity is always huge, but steps are not taken by the Territorial Division immediately after issuance of registration, when the returns are not filed by the dealers on the prescribed dates. This leads to evasion of tax through bill trade and the State may lose revenue heavily. Even after instructions from this office, nearly 77% of cases were only surveyed, out of the total 5321 number of registered dealers in Iron and Steel in the State. Hence, the following instructions are given to prevent the sales tax evasion:

1. The survey should be completed in all cases before 31.01.09 and cancellation of Registration Certificate wherever necessary should also be effected on before 15.2.09.
2. After issuing registration, it is the duty of the Assessing Officer to whom the file has been allotted by the Head of Office to watch the returns, after a month, if returns are not filed (or) Nil returns filed, initiate proper action by surveying the place of business
3. If there 'NIL' returns or no returns for more than 3 months in a year from those dealers, the same has to be brought to the notice of all concerned Joint Commissioner (Enforcement) Wing for immediate investigation by them and audit to be taken following procedure as provided under the TNVAT Act,2006 and the instructions from this office, by the Assessing Officers.

4. If the registered dealer vanishes from the place, information has to be given immediately to the Enforcement Wing and also to all the Checkposts through e-mail and by written correspondence to enable the checkposts to insist security or penalty / Compounding fees or tax for the transportation of goods supported by their invoices for those goods.
5. By way of scrutiny of returns cross check references have to be issued in all cases by e-mail correspondence to the other end, where the claim of input tax credit exceeds Rs.5,000/- in a month and the copy of the e-mail shall be placed in the registration/assessment file.
6. This verification work has to be completed before the end of next month of the return date by the concerned Assessing Authority.
7. 25% of such cross check references issued have to be monitored and verified once in 2 months for the Zone/District by the concerned Territorial Deputy Commissioner and action followed.
8. The Territorial Joint Commissioners should select 10% of the scrutinised cases for the claim of input tax exceeding Rs.10 lakhs in a month and verify the same.
9. Any result disclosing evasion of tax has to be communicated to all wings concerned by the Territorial Joint Commissioner marking a copy to the Joint Commissioner (Computer Systems) to host it in the web site (both in internet and intranet) for the awareness of public and officials
10. All the details of stopped business cases and cancelled cases have to be communicated to all wings and also to be placed in the web site, within a week.
11. Copies of e-mail correspondence should be placed in the registration/assessment file.

The survey in pending items should be completed before 31.01.09.

These instructions should be carried out in full spirit and the reports have to be brought in person at the time of review by the superior authorities who will record their instructions in their minutes.

These instructions are also applicable to other evasion prone commodities viz.

Gold

- Furniture
- Medicine
- Timber / Marble / Tiles
- Rubber
- Electrical and
- Plastic goods

These instructions will be reviewed after 3 months.

The receipt of this Circular should be acknowledged.

**Sd./- T. Jacob,
Principal Secretary /
Commissioner of Commercial Taxes.**

To

All the Joint Commissioners(CT) (Territorial),

All the Joint Commissioners(CT) (Enforcement),

The Joint Commissioner(Computer Systems)

The Joint Commissioner(CT), Inter-State Investigation Cell, Chennai-6.

Copy to:

All the Deputy Commissioner(Territorial & Enforcement)

All the Additional Commissioners in the O/o the PS/CCT, Chennai-5.

All the Additional Commissioner(RP), O/o the PS/CCT, Chennai-5.

'Y' Section.

EDP Cell

Stock File

Spare-5.

// Forwarded / By Order //

Commercial Tax Officer.