Illustrative Audit Checklist for Service Tax

C A mangala Hampasagar, Hospet.

The checklist for auditors for the period April 1, 2017 to June 30, 2017 is only illustrative in nature. Members are expected to exercise their professional judgment while using the checklist depending upon facts and circumstances of each case.

Head Office

In case of Branch-wise Registration

- Whether the head office, regional offices, zonal offices have properly availed the CENVAT Credit of the tax/duty paid on the input services, input, capital goods, as the case may be?
- Whether the head office, regional offices, zonal offices have properly distributed the amount of service tax in the manner as specified in the CENVAT Credit Rules, 2004?

In Case of Single Registration of Head Office/Regional Office/Zonal Offices

- Whether the permission of the Commissioner has been obtained for seeking single registration for the Head Office/Regional Office/Zonal Offices on the basis of Centralised Accounting? i.e. Centralised Registration
- Whether the head office have filed the return of service tax on half yearly basis, i.e., for the half-year ending on 30th September and on 31st March within 25 days from the end of each half-year? (Form ST-3 (format) was updated through Notification no. 43/2016-ST, dated 28th September, 2016).
- Whether the head office have filed the return of service tax for quarter ended on 30.06.2017 and the return has been filed upto 31.08.2017
- Whether the head office has made the payment of service tax so collected monthly, by 6th day of the following month. For the month of March, the payment should be made by 31st day of March. Online payment of Service Tax is mandatory since 1st October, 2014.
- Whether bank has discharged the interest liability under section 75 of the Finance Act, 1994 on late payment of service tax made by bank?

- Whether the appropriate amount of CENVAT Credit of the tax/duty paid on the eligible input services, inputs and the capital goods have been availed?
- Whether the head office has not availed depreciation u/s 32 of the Income Tax Act, 1961 on the amount of duty on the capital goods on which CENVAT Credit has been availed?
- Whether the CENVAT Credit on input services have been taken on the basis of proper documents containing all particulars as prescribed by rule 4A of Service Tax Rules, 1994 read with Rule 9 of the CENVAT Credit Rules, 2004, i.e., serially numbered invoice/bill, etc. containing the requisite information like, Name and address of the service provider, Service Tax Registration Number, Description of the services, Amount of the service tax, Name, address of the recipient bank, etc.
- Similarly, whether the bank has taken the CENVAT Credit in respect of input and capital goods on the basis of proper duty paying documents, containing all particulars as prescribed by Central Excise Rules, 2002 read with Rule 9 of the CENVAT Credit Rules, 2004, i.e., serially numbered invoice / bill etc. containing the requisite information like, Name, address and registration no. of manufacturer, description of the goods, amount of the excise duty, name and address bank, etc.?
- Whether the credit is taken in respect of input services at the time of receipt of invoice. Further, in case payment is not made within 3 months from the date of invoice, credit has to be reversed and bank will be eligible to re-avail credit after making payment to vendor.
- Whether the credit taken in respect of services covered under full as well as partial reverse charge mechanism is taken only after making payment of Service Tax.
- Whether the bank have not availed the credit in respect of reverse charge more than the payment made for service tax?
- Whether the banking company or a financial institution including a non-banking financial company has either paid for every month an amount equal to 50 % of the CENVAT credit availed on inputs and input services in that month or with effect from 01.04.2016 credit has been reversed in respect of exempted services on actual basis?
- Whether the Bank has made repayment of CENVAT Credit availed in respect of capital goods removed after being used? Bank is required to pay an amount equal to the CENVAT Credit taken on the said capital goods reduced by 2.5 per cent for each quarter (for computers 10%, 8%, 5% and 1% respectively for each quarter in the first year, second year, third year, fourth & fifth year) of a year or part thereof from the date of

taking the CENVAT Credit. In case, duty calculated on transaction value is more than amount calculated by way of % specified supra, Bank has to pay amount equal to excise duty on transaction value.

- In case, capital goods are cleared as waste and scrap, Bank has to pay an amount equal to duty leviable on transaction value.
- In case, value of inputs or capital goods before being put to use is written off/provision to write off fully or partially has been made in books, bank has to reverse amount equivalent to CENVAT Credit taken.
- In case of removal of goods as such, bank has to reverse 100% amount of CENVAT Credit availed.
- Whether return for the period April 1, 2017 to June 30, 2017 has been filed before August 31, 2017 and revised return, if any, is filed till October 15, 2017 pursuant to Circular No. 207/5/2017- Service Tax, Dated September 28, 2017?
- It is pertinent to mention that in case of reverse charge, since the ITC is available only after payment of service tax. Therefore-
  - Check whether, the details of payment are indicated in Part I of Form ST-3 in entries, 13.1.2.6, 13 2.2.6 and 13 3.2.6 and linked entries are made in Part H of Form ST-3 where service was received before 1-7-2017 and payment for the value of such services are made after 30.06.2017 but by 5 or 6.07.2017 (*vide above circular*)
  - Check whether revise return is filed till October 15,2017 where service was received before 1-7-2017 and payment for the value of such services was made after 30.06.2017 but by 5or 6.07.2017, indicating such payment in Part I of revised Form ST-3 in entries, 13.1.2.6, 13 2.2.6 and 13 3.2.6 and linked entries in Part H of revised Form ST-3?
- Whether the Bank has submitted (in compliance of requirement of provision of rule 5(2) of Service Tax Rules, 1994) a list of records maintained by Bank to the concerned Superintendent, Service Tax. Whether bank maintains the records specified by it in terms of Notification no. 45/2007-ST dated 28.12.2007?

Branch

- Whether the branches have followed the proper procedure? If any discrepancy is noticed by the branch auditor, the same has been properly considered at the head office level.
- Whether the bank has followed the uniform policy of collection and payment of service tax in respect of all the branches?

- Whether the Head Office/Regional Office/Zonal Offices has issued the proper guidelines in respect of taxable and exempted services?
- Whether the branches have taken the Registration of Service Tax within 30 days from the date of levy of service tax or the date of start of business of the branch, whichever is later?
- Whether the branches have collected the service tax separately from the customers on the value of the taxable services. If it is inclusive of service tax, has the amount of service tax been properly calculated?
- Whether the branches have made the payment of service tax so collected monthly, by 6th day of the following month. For the month of March, the payment should be made by 31st day of March. Online payment of service tax is mandatory since 1st October, 2014.
- Whether the branch has discharged the interest liability under section 75 of Finance Act, 1994 on late payment of service tax made by the branch?
- Whether the branches have filed the return of service tax on half yearly basis, i.e., for the half-year ending on 30th September and on 31st March within 25 days from the end of each half-year, in Form ST-3? (Form ST-3 (format) is updated through Notification no. 43/2016-ST, dated 28th September, 2016)
- Whether the branches have filed the return of service tax for quarter ended on 30.06.2017, and return for the quarter ended on 30.06.17 has been filed upto 31.08.2017?
- Whether the branches have taken the appropriate amount of CENVAT Credit of the tax/duty paid on the eligible input services, inputs and the capital goods used for rendering output services?
- Whether the branches have taken the CENVAT Credit on input services on the basis of proper documents containing all particulars as prescribed by rule 4A of Service Tax Rules, 1994 read with Rule 9 of the CENVAT Credit Rules, 2004, i.e., serially numbered invoice / bill, etc. containing the requisite information like Name, address and registration no. of the service provider, Description of the services, Amount of the service tax, Name, address of the bank's branch, etc.?
- Similarly, whether the branches have taken the CENVAT Credit in respect of input and capital goods on the basis of proper duty paying documents containing all particulars as prescribed by Central Excise Rules, 2002 read with Rule 9 of the CENVAT Credit Rules, 2004, i.e., serially numbered invoice/bill etc., containing the requisite information like Name, address and registration no. of manufacturer, Description of the goods, Amount of

the excise duty, Name and address of the bank's branch etc.?

- Whether the credit is taken in respect of input services at the time of receipt of invoice. Further, in case payment is not made within 3 months from the date of invoice, credit has to be reversed and bank will be eligible to re-avail credit after making payment to vendor.
- Whether the credit taken in respect of services covered under full as well as partial reverse charge mechanism is taken only after making payment of Service Tax.
- Whether the bank have not availed the credit in respect of reverse charge more than the payment made for service tax?
- Whether the banking company or a financial institution including a non-banking financial company has either paid for every month an amount equal to 50% of the CENVAT credit availed on inputs and input services in that month or with effect from 01.04.2016 credit has been reversed in respect of exempted services on actual basis?
- Whether the Bank has made repayment of CENVAT Credit availed in respect of capital goods removed after being used? Bank is required to pay an amount equal to the CENVAT Credit taken on the said capital goods reduced by 2.5 per cent for each quarter (for computers 10%, 8%, 5% and 1% respectively for each quarter in the first year, second year, third year, fourth & firth year) of a year or part thereof from the date of taking the CENVAT Credit. Further, the aforesaid percentage is to be computed on Straight Line Method. In case, duty calculated on transaction value is more than amount calculated by way of % specified supra, Bank has to pay amount equal to excise duty on transaction value.*[Refer proviso to Rule 3(4) of the CENVAT Credit Rules, 2004*]
- In case, capital goods are cleared as waste and scrap, Bank has to pay an amount equal to duty leviable on transaction value.
- In case, value of inputs or capital goods before being put to use is written off/provision to write off fully or partially has been made in books, bank has to reverse amount equivalent to CENVAT Credit taken in respect of said input or capital goods.
- In case of removal of goods as such, bank has to reverse 100% amount of CENVAT Credit availed.
- Where any input or capital goods are removed outside the premises of the bank for providing Banking or Other Financial Services, no reversal of CENVAT Credit is required.
- Whether the banks (HO/ZO/RO) have sought registration as input service

distributor under Service Tax (Registration of Special Category of Persons) Rules, 2005 for distribution of CENVAT to its various branches where such branches are registered under single registration basis and HO/ZO/RO has availed some common services on behalf of branches? In all such cases, auditor shall ensure that the returns are being regularly filed for input service distributor. Auditor shall also ensure that office registered as 'input service distributor' is issuing invoice for distributing the CENVAT Credit as per Rule 4A (2) of Service Tax Rules, 1994.

- Whether the branches have taken the appropriate credit on the invoice/challan/bill or any other documents issued by the head office, regional office, zonal office as an input service distributor?
- Whether the branches have mentioned their service tax registration number on the statement, challan, bill, invoice or any other documents issued to the customer for the services rendered by the Bank?
- Whether bank maintains the records specified by it in said submission submitted in terms of Notification no. 45/2007 dated 28.12.2007?

  Whether the branches have made arrangements to ensure that service tax is not collected on the interest amount?
- Whether return for the period April 1, 2017 to June 30, 2017 has been filed before August 31,2017 and revised return, if any, is filed till October 15, 2017 pursuant to Circular No. 207/5/2017-Service Tax, Dated September 28, 2017?
- It is pertinent to mention that in case of reverse charge, since the ITC is available only after payment of service tax. Therefore-
  - Check whether, the details of payment are indicated in Part I of Form ST-3 in entries, 13.1.2.6, 13 2.2.6 and 13 3.2.6 and linked entries are made in Part H of Form ST-3 where service was received before 1-7-2017 and payment for the value of such services are made after 30.06.2017 but by 5 or 6.07.2017 (vide above circular)
  - Check whether revise return is filed till October 15,2017 where service was received before 1-7-2017 and payment for the value of such services was made after 30.06.2017 but by 5or 6.07.2017, indicating such payment in Part I of revised Form ST-3 in entries, 13.1.2.6, 13 2.2.6 and 13 3.2.6 and linked entries in Part H of revised Form ST-3?