

Sales Tax Department has changed the procedure for application of Declaration Forms w.e.f 01.02.2014 vide Circular No.4T of 2014

Existing Procedure for online applications upto 31.01.2014

1. Upto 31.01.14, the e-application form was simple and the dealer had to provide basic information such as TIN no. and Name of the dealer as well as supplier, description of goods purchased, No. of invoices and Value of purchases made, e-mail Id and mobile number of supplier.
2. Once the application was filed, the department used to cross-verify the same with the information available with them such as validity of registration certificate of the dealer, description of goods, and whether the returns are filed for the period for which application for forms is made. After verification was done, forms were printed and sent directly to the registered address of the dealer.
3. This process of the department was time consuming and forms were not received by the dealer within the stipulated time-period of 45 days from the date of application. Various reasons were given by the Sales Tax Department such as huge backlog of applications, shortage of stationery and man-power. Also in most cases dealer has to make various rounds of the department for getting the status of forms applied and in most cases forms were received after 2 to 3 months from the date of application.

As a result of the above difficulties faced by the dealers, the Sales Tax Department has started a new procedure from 01.02.2014 for filing of online form applications and getting the forms within the T+1 days on their e-mail Id.

New Procedure for Application of Declaration Forms w.e.f 01.02.2014

1. As per the new template for on-line C Form application, the dealer shall be required to make separate application for each period. Earlier the application for more than one period was possible in a single application.
2. The dealer can make **only two** applications for a particular period irrespective of number of suppliers.
3. Three separate Annexures have been prescribed for each of the Forms viz.
 - a. C-Form & F Form
 - b. Certificates in Form H
 - c. Declaration in Form E-1 & E-II
4. C Forms have to be applied on quarterly basis. But the dealers with periodicity of six monthly returns have an option of changing their periodicity to the quarterly and apply for the CST declarations on quarterly basis. Such application for change in periodicity has to be done at the beginning of the year.

5. The declarant before applying for CST declarations shall ensure that the turnover of inter state transactions is within the limits of the turnover of interstate transactions shown by him in the return covering the period of transactions.
6. **Additional details are required for filing new applications**

Sr. No.	C & F forms	H Form	E-I / E-II Form
a.	Invoice No.	Invoice No.	Invoice No.
b.	Invoice date	Invoice date	Invoice date
c.	Net, Tax and Gross value of invoice	Net, Tax and Gross value of invoice	Net, Tax and Gross value of invoice
d.	Description of goods	Description of goods	Description of goods
e.	Quantity of goods	Quantity of goods	Quantity of goods
f.	Purpose of purchase	P.O. no. of Local Buyer and date	Purpose of purchase
g.	Remarks, if any	Agreement / P.O. no. of Foreign buyer and date	Corresponding C-form No.
h.	-	Name of shipping vessel / airlines / railway / vehicle / postal record	Remarks, if any
i.	-	Number and date of air consignment note / bill of lading / railway receipt / goods vehicle record / postal receipt	-
j.	-	Remarks, if any	-

7. This new procedure is available for declarations pertaining to period 01.04.2008 onwards.
8. Declaration Forms will be electronically issued to the declarant on the registered E-mail Id.
9. Quantity of Goods is required to be given in the application form. Hence, the dealer will have to prepare the purchase register with the column of "Quantity" in it. Alternatively, for manufacturing goods Cenvat register can be used as a reference for inserting the invoice quantity column with a link to document no., while for traded goods different register with quantity column shall be prepared separately.
10. The description of goods mentioned in the application shall be prima facie matching with the Registration Certificate (R.C). If not amendment to R.C shall be first made before filing of on-line application of Forms.
11. In case there are more than one item of goods in the invoice, a single broad description of goods purchased shall be mentioned in the application.
12. The dealer shall be careful while applying for C Forms, since invoice date of the supplier shall be within the period selected for application. e.g If the dealer makes application for Quarter 1 i.e Apr-13 to Jun-13, then the suppliers' invoice date has to be within Apr-13 to Jun-13. The date of invoice cannot be before Apr-13, i.e application for prior period invoices will not be accepted by the system. The following procedure can be followed for application of on-line declaration forms.

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- a. With a view to ensure exhaustive control over issuance of C Forms for every eligible supplier invoice, basic data base should be dealer's own Purchase Register even though actual application for C Form is made according to dates of invoice from supplier.
 - b. Maintain a Cumulative Purchase Register from Apr 13 onwards in Excel Format by adding Purchase Register for each month in the cumulative file. Consider this Cum. Purchase Register as a basic data base for making E applications. Mark all interstate purchases in the cumulative register by putting some flag in the column created for that purpose. Have a column for C Form Number issued by Department against each purchase voucher. Update C form number column for the forms received from department during each quarter.
 - c. It is assumed that first E application under new system will be made in Apr 14 by using Cum. File for entire FY 13-14. This application will cover first three quarters of FY 13-14. This is to ensure that time lag of minimum 3 months from the end of the quarter will be maintained for making first application out of the two permitted applications for any quarter for which E application is made.
 - d. Separate 3 applications will be made for First 3 quarters by including in each application all purchase bills pending for C Form which have supplier invoice date falling in respective quarters.
 - e. Upon receipt of C Forms for each quarter column for C Form received will be updated in Cumulative Purchase Register file.
 - f. Purchase Registers for Apr 14, May 14 & Jun 14 will be appended to Cumulative file after the end of each month.
 - g. First E application for Jan-Mar 14 Qtr will be made in July 14 by using Cum. File referred to in (f) above.
 - h. Second E application for any quarter will be made after a gap of 1 year from the end of the quarter, so that any left out bills having supplier invoice dates falling in that quarter which have not been captured in First E application for that quarter can be covered under Second & Last application.
 - i. Accordingly second E application for Apr-Jun 13 Qtr will be made in Jul 14 using the Cum File referred to in (f) above.
 - j. Same process can be repeated in Oct 14 for First E application for Apr-Jun 14 Qtr and for second E application for Jul-Sep 13 qtr.
 - k. Any supplier invoices still not covered for any quarter can be applied through the third application for the said quarter which can be filed only after obtaining permission of Additional Commissioner of Sales Tax of the concerned location.
 - l. In case of dealers with voluminous data of purchases, options for customization in ERP Accounting Systems can be explored to avoid problems of working with huge excel files.

Representation & suggestions to be filed with Sales Tax Department:-

In view of various new difficulties arising out of this new procedure which are going to be faced by the dealers, we are filing a representation and suggestion with the Commissioner of Sales Tax for changes and modifications in the new procedure of online form applications along with additional areas of modifications. Copy of the same is also attached separately with this note.

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Representation and suggestions for automation system of Sales Tax

Date: - 10.02.2014

To,
The Commissioner of Sales Tax,
8th Floor, Vikrikar Bhavan,
Mazgaon, Mumbai – 400010.

Subject: - Representation and suggestions for modifications and amendments in the procedures for revamping of automation system of the Sales Tax Department:-

Reference: - Your Honour's Circular No. 5T-2014 issued on 06.02.2014.

Dear Sir,

In view of above circular issued by Your Honour for invitation of suggestions for modifications and amendments in the procedures for revamping of automation system of the Sales Tax Department, we would like to bring to Your Honour's notice the modifications required in the following areas:-

1) Online Application of Declaration forms (C/E-I/E-II/F/H) :-

As per the recent circular no. 4T-2014 issued on 28.01.2014 by the Government of Maharashtra, procedure of application of online forms has been changed and the dealers can now file invoice-wise application of declaration forms and get the forms within T+1 days, subject to scrutiny and online validation made by the online system of Mahavikas.

However we have found following lacunas in the above system which needs urgent modification:-

a) Limitation on Number of applications to be filed for a particular period:-

The number of rows given in the SORs of the e-application file is limited to 57 only. As a result a dealer can apply only for maximum 57 suppliers at a time. However since a dealer can apply only for 2 times for a particular period (as given under para 4e of the above mentioned Circular), extended by one extra application subject to permission from the CST of Maharashtra, the total number of forms which can be applied for a particular period is only limited to $(57 \times 3) =$

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171 forms. This limitation is very harsh to the dealers who have more the 200 dealers in a particular period.

As a result, the limit on number of applications to be filed by a dealer for a particular period should be removed, as was available in the earlier version or at least limit on the number of rows in the SOR Worksheet should be removed.

b) Quantitative information required in Invoice-wise details of e-application Form:-

The invoices issued by suppliers in most cases contain different types of items supplied with various quantities for each item in a single invoice.

If a particular invoice issued by a supplier has two or more than two types of goods, then such details of description of such goods cannot be given, as a particular invoice cannot be entered twice in the application form with two or more than two different types of goods.

As a result, the details of quantitative information should not asked from the dealers and such information should be removed from the e-application form.

c) Cross-verification of period of application with the purchases disclosed in the returns filed for said period :-

As per the internal validation procedure given under para 3d and 5b of the above mentioned circular, the Central Repository shall verify and cross-check the turnover of purchases to be applied in the SOR worksheet for a particular period with the turnover of purchases as given in the returns filed by a dealer for the said period. If the said turnover is not matching, the application shall be cancelled.

This cross-check system is going to be very difficult for the dealers due to time-lag involved in the booking of purchases vis-à-vis the date of issue of invoice by a supplier. All the purchases made by a dealer which are disclosed in the returns during a particular period are not going to match as per the date of invoice of the suppliers due various logistical and accounting issues. Hence every time there is going to be mismatch between supplier invoice date and purchases disclosed by the dealer in the returns.

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In view of above difficulty following three options are suggested:-

- (i) The cross check system should be based on the accounting date of the bills of the dealer, by adding new column in each form application sheet such as accounting document no. and date of booking in the books of the dealer. This way the cross check can be done as per the accounting dates given the application form which will match with the purchases disclosed in the returns to be filed by the dealer.
- (ii) Another option is that the c-form application should be issued as per the accounting dates of the dealer by containing the additional fields such as the invoice number and date of the supplier, thereby the purchases can also be matched as per the returns filed and the said forms should also be allowed in the assessment proceedings as the c-forms shall include the details of invoice number and dates of the supplier.
- (iii) If any of the above two options are not accepted, then it is better that the cross-check system of purchases as per the returns for a particular period with the invoice date of supplier should be removed.

2) Match-mismatch report and Input Tax Credit (ITC) reports issued by the department based on Annexure J2 filed for suppliers and Annexure J1 filed for customers.

The Sales Tax Department has started issuing match-mismatch reports based on Annexure J2 filed for suppliers and Annexure J1 filed for customers for the period of assessment from financial year 2008-09 onwards as per the 12 parameters for Sales Tax Assessment and Business Audit.

A) Excess set-off claim as per Annexure J1 filed by suppliers:-

As per the above match-mismatch reports, if there is any mismatch or any excess set-off is claimed by dealers, then the set-off amount is reduced to the extent of amount disclosed in Annexure J1 filed by suppliers.

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There is an **inherent limitation** to the above mismatch report as all the purchases made by a dealer which are disclosed in the returns for a particular financial year are not going to match as per the date of invoice and Annexure J1 filed by the suppliers, due to time-lag involved in accounting of suppliers invoices in the books of the dealer and various other logistical and accounting issues.

As a result, refunds filed by the dealers under Bank Guarantee Scheme are disallowed by the department, to the extent of any excess set-off claimed as per the above match-mismatch report or ITC Report. This is happening in-spite of the dealer being ready to provide full amount of Bank Guarantee equivalent to the amount of refund claim filed.

Also in case of Exporters Enrolment Scheme, refund amount of 95% is arrived at after deducting any excess set-off claimed as per the above match-mismatch report or ITC Report.

As a result of above, we would like to make the following suggestions:-

- 1) Full amount of the refund claimed under the Bank Guarantee Scheme (100%) and under Exporter Enrolment Scheme (95%) should be allowed as per the refund eligible to the dealers as per Circular 22T of 2010.
- 2) Any excess set-off claim as reported under match-mismatch report or ITC report **should be dis-allowed only after** obtaining ledger confirmations of suppliers at the time of refund/business audit or assessment.

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B) Sales-Suppression or Concealment of excess sales made as per Annexure J2 filed by customers:-

As per the above match-mismatch reports, if there is any mismatch or any excess sales is disclosed as per annexure J2 filed by customers vis-à-vis annexure J1 filed by the dealer, then department is issuing notices to the dealer for sales suppression and asking the dealer to pay taxes on such excess sales as reported by the customers in the annexure J2 filed by them.

As already discussed in the above para, there is an **inherent limitation** to the above mismatch report as all the purchases made by a dealer which are disclosed in the returns for a particular financial year are not going to match as per the date of invoice and Annexure J1 filed by the suppliers, due to time-lag involved in accounting of suppliers invoices in the books of the dealer and various other logistical and accounting issues.

As a result of above, we would like to make the following suggestions:-

- 1) In case of any such excess sales as reported under match-mismatch report, the such notices should not be issued for sales suppression and asking the dealer to pay taxes on such sales without giving an opportunity of hearing to the dealers and obtaining ledger confirmations of suppliers and the dealer at the time of refund/business audit or assessment.