

NAGPUR BRANCH OF WIRC OF ICAI

SEMINAR ON MVAT AUDIT 2012

**IMPORTANT ISSUES -
FORM 704**

Issues while uploading Form-704



Important Aspects and
Issues – uploading
Form -704

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Issues while uploading Form-704

Issue 1.

Whether it is necessary in Part 1 of form 704 to tick all the Applicable Schedules and Annexure.?

What if we forget to tick ?

Issue 2

Importance of PTRC/PTEC Number,
Return and payment in Part II of Form
704

-New Notices from Mumbai office

-New Search Facility & Notices will follow
for the Period under Audit.

Issue 3

Whether all the commodities in which dealer is dealing is to be provided in Part II or only 1 Product Schedule entry will do ?

Issue 4

Whether additional place of Business is necessary to be incorporated in RC ?

- Multilocation / Godowns /
- C Form / F Form Dispatch through other location.

Issue 5

Whether all Loan Accounts, OD/ CC accounts are to be entered in Part II , Column L, that is in Bank Account details ?

Issue 6

Automatic Interest Calculation in Annexure A and B.

Eg, Dealer A is having Half Yearly Periodicity. For The Period ended Sep 2012 he made payment of Rs.150000/- on 12.10.2012. By mistake he made payment of same challan once again on 08.11.2012. Now he has made excess payment to the tune of Rs. 150000/- . In Audit Annexure A is self calculating Interest on Second Challan as it is paid after due date. What to do in such cases as dealer is not liable to pay interest. ?

* Even Holidays are not considered.

Issue 7

Whether it is Vat Auditors Responsibility to correct Gross Profit, Net Profit Ratios , Previous year ratios which are wrongly calculated by another Auditor ?

Issue 8

If dealer is having multi State activities, then the ratios relating to Gross Profit and Net profit in Annexure F may be given for entire states business activity, and other ratios should be given for within the state activities.

Issue 9

Whether Annexure J1 and J2 can be prepared after netting Debit notes and Credit Notes of sales and Purchases ?

Issue 10

If dealer has already revised return u/s 20(4)(b), then whether details of should be incorporated in Audit Report ?

Issue 11

Whether division-wise details is to be given in Part II of Form 704.

No of Division and Separate Balance Sheet To be Specifically mentioned.

Issue 12

Figure of Annexure J1, J2, J6 should match with Locals taxable Sale, Taxable Purchase and Supplier wise transaction under CST Act respectively.

Issue 12

Figures of Annexure J5 should match with total of Direct Export and High Seas Sale.

Issue 13

Total of Annexure G, H, I and J5 and after adding Local Sale should match with Schedule VI GTO.

Informative Issue

Section 2 of Annexure E:

As all the taxable purchases are to be entered in Section 1 of Annexure E, it is essential to provide TIN numbers of all those dealers against which setoff is not claimed in Annexure J2. So that there should be no mismatch in J1/J2. Now safeguarding our self by providing a Note in Audit Report will not be sufficient.

Eg-Motor Car, Misc Exp, Immovable Property.....

Informative Issue

ANNEXURE G & I: C Forms Received
can be verified online from
www.tinxsys.com for Critical &
Sensative Sector.

We can also verify Interstate Dealer
his Place of business correct Tin No
from above site.

Informative Issue

WCT-TDS deducted , but certificate not received by the dealer.

As per Sec- 31(4) WCT credit is not available without certificate. Nowadays at some Rural places Government organizations , Municipal corporations are issuing Form 402, after 2-3 years. So this has not been considered in Audit.

It should be provided by way of note that , TDS certificate for Contract of Rs..... Are not received and it should be considered and credit should be given as and when certificates are received .

Disclosures 1

Turnover of URD period in cases of Builders and Developer

Remark in Audit Report –

Figures of URD Period from.....to..... period are disclosed in this Report. This disclosure is in line with Trade Circular No. 26 T of 2006 and 14T of 2012. Further dealer has applied for Administrative relief on Dt..... And received the permission on Dt.....

Disclosures 2

Additional Place of business not included in R.C

The additional place _____ is not included in Registration Certificate under MVAT Act, 2002 obtained by the dealer, but the turnover of sales and purchases and taxes there on are included in the Returns filed for the period under audit. This disclosure is in line with clause no. 4 of Trade Circular No. 26T of 2006 dated 18.9.2006

Disclosures 3

Misc. Purchases not included in Turnover of Purchase

The dealer has not included purchases for administrative use in the returns filed. However, details in respect of administrative Expenses involving purchases are not ascertainable as the dealer has not maintained records in respect of the same and the same have not been included in the turnover of purchases. Consequently, the dealer has not claimed set-off of the tax paid on such purchases in the returns filed.

Disclosures 4

Capital Assets Purchases not included in Turnover

The dealer has not included purchases for capital assets in the returns filed. The turnover of purchases of capital assets Rs.-_____ has not been included. Consequently, the dealer has also not claimed set-off as per rule 54(a) i.e. Motor Car of the tax paid on such purchases in the returns filed.

Disclosures 5

Accounting of VAT Payable

The dealer has not charged VAT separately but has made a composite charge, i.e., tax has not been shown and collected separately in invoice. As per rule 57 dealer has calculated the tax and segregate the portion of sales which is attributable to tax and credited the same to “VAT Payable Account” at periodic intervals as per returns filed.

Disclosures 6

SETOFF retention and disallowance figures not given separately i.e, Sub rule wise of rule 53 and 54

The dealer has provided the information as Annexure E to the extent available and possible. The same has been reported on the basis of above. As per dealer's accounting system the information is provided and there is no impact on tax liability, the purchases on which setoff retention and disallowance taken are not shown separately by the dealer, but claim of setoff is taken as per MVAT Act and Rules by the dealer

Disclosures 7

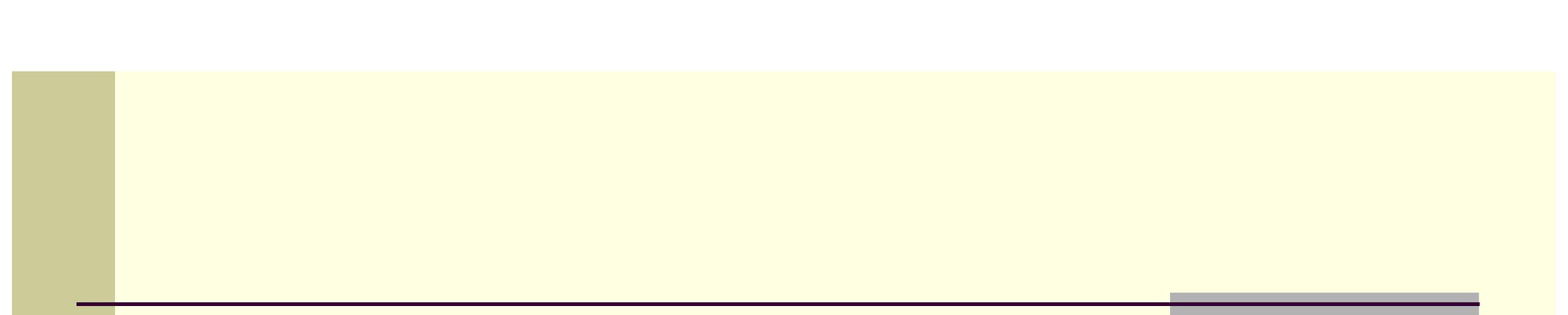
Adjustment of Excess tax paid against prior period return in the same financial year

The dealer has adjusted refund of the month Mar 12 of
Rs_____ against tax liability of the month Sept 12
Rs_____.

Disclosures 8

TINWISE details of sales and purchases of Local as well as OMS dealers not available.

The dealer has provided the information as Annexure J to the extend available and possible. The same has been reported on the basis of above and liability is ascertained as per rules.



THANK YOU.

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