

Office of the Commissioner of
Sales Tax, Maharashtra, 8th Floor,
Vikrikar Bhavan, Mazgaon, Mumbai

Trade Circular

To

NO. Project Director /ADIC/New Automation-2016/B- 264 **Mumbai, Dt. 25.02.2016**
Trade Circular No. 7T of 2016

Subject: Changes in the automation processes and other changes in procedures

Background:

The Maharashtra Sales Tax Department is developing a new automation system. The software application is being developed on the SAP platform using the Tax and Revenue Management (TRM) and the Customer Relationship Management (CRM) functionalities. The NIIT Technologies Ltd are the system integrators for the said project. The application is slated to Go Live in a phased manner from 1st May 2016. The changed processes will be made known to the stake holders well before the date of Go Live.

The implementation of new application envisages certain changes in the processes of registration, filing of returns, applications for refund, requisitions for CST declarations and is also slated to cause change in the processes like audit/assessments and appeals etc. It is felt necessary that the stakeholders of the sales tax department know the salient features of the new proposed automation system so that they prepare themselves and participate in the process of change competently. It may kindly be noted that the contents of this circular are in the form of a proposal.

2. The proposed changes:

The web portal will offer different e-Services to the registered dealers through a common window. A dealer will be able to

- ✓ Edit his Profile to make certain changes in the registration record
- ✓ Comply with the filing obligations including returns, audit report, refund applications, application for CST declarations
- ✓ File appeals
- ✓ Appoint his Authorized Representatives, Auditors
- ✓ See the pending assessments, recoveries
- ✓ Seek appointments for hearing
- ✓ Issue TDS Certificates, etc.
- ✓ Seek No dues and Tax dues Certificates,
- ✓ Pay taxes online through the Electronic Payment Gateways
- ✓ The design of the web portal will be maintained in such a manner so as to provide effective ease of operation to the dealers.

A. Registrations under the MVAT Act 2002 and all the Allied Acts.

i. Creation of Temporary Profile:

Every applicant of registration will be required to create a Temporary Profile on the web site of the department. The applicant will be required to mention his PAN, Mobile number and e-mail id while creating this Temporary Profile. This Temporary Profile will be very useful in terms of the rejected applications as it will remain in the system for 90 days from the date of its creation.

ii. Verification of identity and place of business: Sales Tax Department wishes to grant hassle free and quick registrations to the applicants. This requires quick verification of the identity and place of business of the applicant. In order to achieve this objective the Sales Tax Department is introducing a system of computerized verifications through **Third Part Integration (TPI)** with

- a. NSDL for PAN verification,
- b. Power supply companies and the IGR for proof of place of business,

c. UIDA for verification of personal identity.

The applicants will be asked to mention the PAN, Electricity Consumer Number of the place of business and UID Number in the application for registration. Whereas the mention of UID Number will be optional, the mention of PAN and that of Electricity Consumer Number will be mandatory. Wherever these numbers are mentioned and are successfully verified through the TPI then normally the physical verifications may not be done before the grant of registration certificate. However, the applicants who are unable to put these details/proper details in the application for registration, will be subjected to physical verifications prior to grant of the registration certificate.

- iii. **Upload of scanned documents:** The application of registration will be required to be accompanied with necessary documents. It has been tried to provide ease in uploading of such documents
- iv. **Mandatory Online Payment of Registration Fees and Deposit, as applicable, with the registration application:** Once the applicant validates his application for registration, a challan for tax payment will get generated. The application for registration contains a window through which the payment of applicable fees and deposit is/are to be made. The applicant will not be required to mention any dummy TIN while making this payment on this auto-generated challan.
- v. **Verification of application and grant of TIN:** The Registration Officer will verify the application and documents for correctness. In case of correct and complete applications he will grant the TIN. The information received from the NSDL, the Electricity Companies and the UIDA through TPI will be verified by the registration officer on the system. This will save time taken for the grant of registration. The applicants therefore will be at advantage if they fill all these details scrupulously.
- vi. **Certain Registrations only after field visits:** The system will identify the applicants whose TIN application will be processed only after field visit by the concerned Nodal Officer. The applicants whose PAN is connected with the PAN of suspicious dealers (as published on the web site of the department) and the applicants in whose case any of the third party verifications fail get covered in this category.
- vii. **Restoration of rejected application and date of effect of registration:** If the Registration Officer who verifies the application or finds any defects then the application shall be rejected and accordingly communicated to the applicant through e-mail. If the applicant complies with the defects in the application or documents within 30 days from the date of communication of the rejection by e mail then his application

shall stand restored from the date of original application. Of course, the applicant may apply even after the period of 30 days, but then the original application shall not be restored and the said application shall be treated as a fresh application and all legal consequences like date of effect of TIN shall follow.

viii. Refund of fees and deposit paid in respect of Voluntary Registration: The fees and deposit paid by the applicant will be refunded in case the application for voluntary registration is rejected by the registration officer or withdrawn by the applicant.

B. Returns:

Present process:

- i. The dealers upload TIN-wise Sales and Purchase Annexures along with the return. However, the return figures are not derived from annexures but have to be keyed in separately. The cross verification of sales and purchase annexure is done after filing audit reports for the relevant year. The cases of mismatch of ITC are found after a time lag of more than a year and results in selection of cases for CDA, IBA or assessments. Dealers and the tax consultants have represented in many of the cases that the mismatches are not the actual mismatches. It has also been represented that the mismatch report be made available to the dealers as early as possible.
- ii. Presently, the revised returns are not linked with the annexure data hence even if a defaulter admits/corrects the transactions the automatic passing of ITC to the purchaser is not possible.

New Process:

Department is developing an automated system which will enable the dealers to see the **ITC Mismatch Report** even before filing of returns. The dealers will also be able to see the **ITC Register**, Dealer Ledger and month wise credits of TDS amounts. The contractors will be able to pass on the TDS credit to the sub-contractors.

The new process of filing of returns is explained below:

- i. **Invoice wise uploading of sales and purchase annexures and auto-population of returns:** The dealers will be able to download "**Return Form Bundle Template**". This template will comprise of the annexures of sales and purchases and all the VAT return forms viz. 231, 232,233,234,235 and Form III E under the CST Act. The dealers will be

required to fill **invoice-wise details in the Sales and Purchase Annexures** which have been integrated with the returns. A provision has been made to mention the transaction type of each invoice. Each local taxable, tax free, exempt, inter-state transactions etc. have been allocated specific transaction codes. It has also been provided to mention the type of return form to which a particular invoice belongs to. On the basis of the transaction codes and the return form mentioned by the dealers in the annexures, the relevant fields of relevant return form will get auto-populated. The dealers will be able to see the **auto-populated excel template** of the return. Once this filled in template is validated this file i. a .txt file ready for upload will get created.

- ii. **Uploading of "Return Form Bundle Template" and facility to view draft return in PDF format:** The dealers will be required to upload the .txt extension file of the "Return Form Bundle Template". Once this is done a programme will run for the calculation of ITC and carry out other necessary validations. Subsequently, the dealers will be able to see the **Draft Return in PDF format**. The dealers may be able to take a print of this draft PDF return. They will be able to either file this draft return or they may go back to modify the contents of the return through the modification in the sales and purchases annexures.

A demo of the process of return filing will be made available to the dealers in the month of March 2016.

- iii. **The process of verification of claim of ITC and claims of Goods Returned is as under:**

- a. **Verification of ITC passed on by the vendors:** The dealers will have a facility to view the **ITC Report** wherein they will be able to see the transactions of sales shown to them by the vendors who have uploaded their sales annexures for a particular return period. The dealers may find mismatches in the transactions shown by the vendors as against claimed by him. They are supposed to reconcile with the vendors for actual disclosure of facts. Where the vendors have not shown any sales to the claimant dealer the claimant dealer may ask the vendor to disclose the actual transactions.

- b. **Claim of ITC in the returns:** It is possible that despite follow-up, the discrepancies in disclosure of transactions between the claimant dealer and his vendors shall remain un-reconciled. Irrespective of such discrepancies, the claimant dealer would be able to claim the ITC as per his own disclosures for a particular return period.

- c. **Disallowance of un-confirmed ITC and allowance of disallowed ITC after confirmation of the transaction by the sellers:** The dealers will be able to see the **ITC Register** where the TIN-wise account of ITC will be maintained. If any ITC

which is claimed for a particular period does not get confirmed in the ITC Register either because of non-disclosure of the transactions by the supplier or non-filing of return by the supplier will be reversed in the next return of buyer.

This reversal, for example, will happen in the following manner: Let us take a **monthly return filer dealer X** who has claimed ITC in the month of April on the purchases effected from a **quarterly return filer dealer Y**. The dealer X will keep on enjoying ITC claimed from Y till 21 July. If the dealer Y fails to file return for the quarter Apr-Jun on or before 21 July then the ITC Register of the dealer X will show reversal of ITC claimed from Y. When the ITC claimant dealer X files his return for July the said excess claimed ITC will be reversed. However, if the dealer Y files the return for the period Apr-Jun before the dealer X files his return for the month of July or 21 Aug whichever is earlier then such reversal shall not take place. The ITC Register of X in this case will have shown the confirmation of ITC passed on by the dealer Y.

Similar will be the case where both X and Y have filed their returns for the month of April and for the quarter Apr-Jun respectively. But the dealer Y does not conform the purchases claimed by the dealer X. In this case also the ITC claimed by the dealer X from dealer Y will be reversed in the July return to be filed by the dealer X. However, if the dealer Y files revised return for the quarter Apr-Jun, before the dealer X files his July return or 21 Aug whichever is earlier and conforms the transactions claimed by the dealer X then the ITC reversal shall not take place.

d. Disclosure of reduction in ITC u/r 53 and disclosure of not admissible ITC u/r 54: Although the return of a dealer will get auto-populated, a dealer will be required to key in the figures of reduction of ITC u/r 53 (rule 52A/52B etc.) and the figures of not admissible ITC u/r 54 of the MVAT Rules 2005. A dealer will also be required to key in the figures of rate-wise classification of turnover of taxable sales/purchases at the appropriate places in the return.

e. Claims of Goods Returned: The seller will be able to claim the deduction on account of goods returned etc. allowed as claimed in return. If the buyer does not confirm this transaction through debit note to be shown in the purchase annexure then the tax liability to the extent of tax element involved in the claim of goods returned will added in the next return of the seller.

- iv. **Filing of return and the payment of tax:** After uploading of return, the system will generate form type wise acknowledgements. The system will also generate form type wise challans. The dealers will be required to make form type wise payment of due tax and interest through the **Electronic Payment Gateways**. While making payment, the dealer will be able to see the amount of tax due and interest payable as on the date making payment.
- Prior to filing of return a dealer may make advance payment of due tax. The credit of the same will be visible to the dealer when he files return.
- v. **Filing of monthly return in form 424 by the employers (TDS):** The employers shall be required to file return in form 424.
- vi. They will be required to show TIN and the names of contractors and also show the amount of TDS effected from each of the contractors.
- vii. **Filing of revised returns:** The dealers will be able to file revised returns. However, in order to do so, they will be required to revise the annexures which they have already uploaded with original return. The revised returns will be prepared on the basis of these revised annexures and will be subjected to specific validations. The revised annexures shall replace the original annexures and also the original return filed by the dealer.
- viii. **Mandatory payment of fees before filing delayed return:** A delayed return can be uploaded only after the dealer has paid the requisite late fees.
- ix. **Annexures to be filed by the Composition Dealers:** The dealers who have opted for full composition will not be required to upload the annexure of Sales. They shall be required to upload the annexure of purchases.
- x. **Billing software:** In order to provide facility and ease of preparing annexures and thereby the returns, a downloadable free Billing Software will be available to the taxpayers.
- xi. **Filing of annual annexures by the dealers not eligible to file 704:** The dealers who are not eligible to file e 704 shall file annexures of CST forms received/not received, annexures of PAN wise URD purchases (e.g. PAN wise in excess of Rs 100000/-), annexures of TIN wise-HSN wise details, the annexure of the latest bank accounts and also the closed bank accounts, the annexures of imports and annexures of exports. These annexures will be required to be filed with the last return for FY 2016-17 onwards.
- xii. **Filing of the annexure of the latest bank accounts and also the closed bank accounts:**

All the dealers will be required to file the annexure of the latest bank accounts and also the closed bank accounts with the last return of the financial year.

C. Assessment:

Present Process:

Presently when the dealers are issued notices for transaction wise assessment or comprehensive assessment they need to come to the office and submit the necessary documents to the assessing officer. The officer files these documents in the assessment file. The assessment order is subsequently passed using the current assessment module. The assessing officer takes appropriate action of recovery of dues or refund based on the assessment order.

New Process:

The new process of assessment will have the following features:

- i. Uploading of required statements in particular templates. Similarly uploading of requisite scanned documents.
- ii. Facility of filing revised return in terms of finding of the assessing officer leading to closure of assessment.
- iii. Facility to close the assessment without requiring the assessee to attend before the assessing officer.
- iv. Access to returns, audit reports etc, filed. This access may also be given by the dealers to their authorized representatives.
- v. Online facility to seek adjournments.
- vi. Assessing Officers to mention the issues on which the tax liability has been assessed. A comprehensive 'Issue Master' will be available to the assessing officer. This will help the assessee while filing the appeals.
- vii. Facility of online tracking of the status of assessment, rectification, review and appeal case.
- viii. Online issuance of notices/orders.
- ix. Review, Rectification processes to follow the same route as mentioned from i to viii above except for the fact that in these proceedings orders will be mandatorily passed.

D. Refunds:

Existing process:

The refund claimants file application in form 501. The applications are processed in the refund module. Part refunds, Fast Track refunds, refunds against bank guarantees etc., are various types under which the refunds are granted. The refund cases are subjected to verification. The ITC Verification Utility is used to verify ITC admissible to the refund claimant.

The Refunds are deposited directly into the bank account indicated by the refund claimant.

New Process:

- i. **Application for refund and the Refund Calculator:** A dealer may be able to claim refund due with return by filing an application in form 501. However before he does so he may be able to calculate amount refundable to him by using a Refund Calculator. This refund calculator will show the probable amount refundable after taking into account the ITC admissible and tax payable on un-received CST declarations, if any. This will help a dealer in understanding the first hand status of as to whether any refund becomes due to him or not.
- ii. **Allocation of application for refund:** Whenever an application in form 501 is filed, the same will be allocated to the nodal officer.
- iii. **Refund against Bank Guarantee:** A dealer may furnish Bank Guarantee. If it is submitted, refund as per the prevailing guidelines will be issued to the dealer and the case will be taken up for assessment.
- iv. **Refund under Special Schemes:** Similarly, a dealer may like to apply for refunds under the special schemes like Exporters' Refund Scheme, Fast Track Refund Scheme etc. In these cases the dealer may be issued the amount of provisional refunds as per the departmental guidelines.
- v. **Part Refunds:** The annual refunds may be claimed by the dealers and part refunds may be granted to them after making the necessary statutory deductions from the refund claim amount.
- vi. **Assessments in refund cases and personal attendance:** The refund cases may normally be subjected to assessments. Dealers having technical capabilities, may choose to upload the required documents for processing of refund applications from the portal itself. In such cases it may not be required for a refund claimant to come to the office.
- vii. **Direct credit of refund amount in the bank account:** The amounts sanctioned as refunds will be credited to the dealer's bank accounts through NEFT after

adjusting against any previous liability (if any) through RAO. Messages regarding the credit of such amounts or regarding the reason behind the failure to credit these amounts to their accounts will be sent to the dealers via SMS, mails etc.

- viii. • **Electronic verifications of interstate sales and exports:** The department is also developing an ability to cause electronic verifications of interstate sales and exports through Third Party Interface with the TINXSYS and the ICEGATE of Department of Customs.

The overall attempt is to build a transparent and efficient mechanism of issuance of due refunds to the eligible dealers.

E. Appeals:

Present Process:

A dealer who desires to file an appeal against the assessment order is required to submit an application in form 314 to the assessing officer so that the officer does not proceed and recover the dues as per the assessment order till the period of appeal is over. The appellant is needed to file his appeal within 60 days of the date of receipt of assessment order and the demand notice. Once the appeal is filed, its admission needs hearing. The appeal officer issues an ad-interim stay order to the appellant for the preliminary hearing. On the date of hearing the part payment is fixed. This part payment is to be made by the date fixed by the appellate authority. Till such time the appellant is issued an interim stay order. Once the appellant makes this part payment his appeal is admitted by the appeal officer and the appeal officer issue a Final stay order operative till disposal of appeal.

It has been represented by the trade and tax consultants that a lot of time and effort is spent in following the process of ad-interim and the interim stay order. The said process, therefore, was under review. The new automation system provides relief to the appellants in terms of physical effort and will save time of the appellants.

New Process:

Online filing of appeals:

- i. **Option of obtaining Automatic Final Stay Order:** The new system of automation provides for online filing of appeal. The appellant will be required to log in into his account. He will access the Appeals Tab on the screen to access the Appeal Form in form 310. This appeal form will have all the statistical contents

of the assessment/rectification/review order against which the appellant will be required to mention his own values. Once these values are filled the appeal form will show the disputed and the undisputed tax liability of the appellant. The system will ask the appellant as to whether he desires to obtain **Automatic Final Stay Order**. If the appellant chooses the Automatic Final Stay Order then the system will prompt the appellant to pay the undisputed dues in full and may prescribe some predetermined amount .If the appellant makes these payments then he will get an automatic final stay order. This facility is optional for the appellants.

- ii. **Stay Orders through hearing:** The appellants who do not desire to obtain the automatic stay order may proceed with the online filing of appeal. In these cases an ad interim stay order will be generated by the system till the first auto-generated date of hearing. These appellants will be required to attend the office of the concerned appeal officer for determination of part payment, if any. In these cases the stay orders, interim and/or final, will be granted by the appeal officers.

E. e CST declarations:

Present Process:

The dealers are required to upload the Statement of Requirement, an application for the e CST declarations. Once this application is uploaded the system carries out certain validations. A defect memo is issued to the applicants in case of failed validations. Where the SOR is successfully validated the CST declarations are electronically issued to the applicants.

New Process:

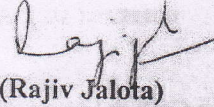
As mentioned earlier the dealers shall be required to upload the invoice-wise annexures of sales and purchases prior to filing of returns. Thus invoice-wise transactions of interstate purchases/stock transfers/consignment transfers will be available in the system. The dealer will be required to access the **SOR Tab** after logging in into his account. The invoice-wise details of interstate transactions will get auto-populated in his SOR. However, before submitting the SOR the dealer will be shown certain pending items which include available dues, non-filing default etc. Once the dealer clears these pending items his SOR will get uploaded and the CST forms will be electronically sent to him.

G. Enrollment of Tax Practitioners:

Chartered Accounts, Company Secretary, Cost Accountants, Advocates and Sales Tax Practitioners who wish to avail the facility of accessing the (restricted) details of their clients need to be electronically enrolled with the department. For this purpose they will be required to file online application for enrollment with fees which may be prescribed. The new system of automation is likely to go Live from the month of May 2016. The trade and the tax practitioners are therefore requested to take note of the proposed changes and prepare themselves for the efficient implementation of the new system of automation. Any suggestions and queries in this regard may be communicated on the E-mail ID-

mvatautomation@gmail.com

This circular is only informative in nature and cannot be used for any legal interpretation of statutory provisions.

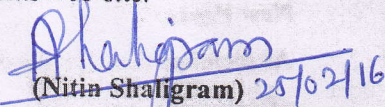


(Rajiv Jalota)

Commissioner of Sales Tax,
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Project Director/ADIC/New Automation/B- 264 Dt 25/2/2016
Trade Circular No. 7 T of 2016

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(Nitin Shaligram) 25/02/16

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