



GOVERNMENT OF KARNATAKA
Department of Commercial Taxes

No. Adcom (A, I &C)/PA/CR-05/2023-24

Office of the
Commissioner of Commercial Taxes
(Karnataka), VTK-1, Gandhinagar,
Bengaluru, Dated 13-06-2023.

COMMISSIONER OF COMMERCIAL TAXES
CIRCULAR No.GST-03/2023-24

Sub: Measures to achieve revenue optimisation-reg.

The major mandate for the department is to ensure that the annual revenue from GST and other commercial taxes as estimated by the Government based on applicable key economic indicators, promptly accrues to the public exchequer so that its budgeted expenditure is funded adequately. In this direction, appropriate systems have been put in place in the department to ensure that the applicable tax laws and rules are complied with by the taxpayers. Instructions have been issued from time to time for improving compliance management system to ensure that the self-compliance envisaged under the tax laws are not misused. In this regard, it is felt that the GST Audit mechanism require certain interventions.

2. Effective GST Audit: Effective GST Audit presupposes a systematic examination of taxpayers' records, returns and documents etc., which results in discovery of undeclared liabilities either by error, omission or by deliberate deception. This can better be achieved by **Visit to the business premises of the Auditee** to understand the establishment, business practices, methodical review of internal controls etc. Since, the Audit proceedings U/s 65 of the KGST Act 2017, is a time bound process, in order to achieve the desired result of the Effective Audit expeditiously, the Audit officer or the team would be required to perform verification processes of the books of account and other documents at the office of the Auditee after desk review and assessment of Audit risks. Further, sub-section 2 of section 65 of the KGST Act empowers the officer referred in section 65(1) to conduct Audit at the premises of the registered person who is required to afford necessary facility to the Audit officer to verify the books of accounts and other documents in terms of sub-section 5 of section

65 of KGST Act. Accordingly, in the interest of effective disposal of cases, the Audit officer or Audit team shall take up Visit Audit in all the **Top tax payers allotted cases** and **in all the high tax yielding cases** which require physical visit to the taxpayers' business premises. In all other allotted audit assignments, the Audit officer shall decide their suitability to Visit Audit in consultation with the concerned Joint Commissioners. Further, the Jurisdictional Joint commissioners shall fix the number of days required to complete the Visit Audit proceedings depending upon the nature and complexity of the cases.

3. Thematic Audit: The GST Council has constituted an **All-India Coordination Committee** for selection of themes for Thematic Audit and the Commissioner of Commercial Taxes (Karnataka) is one of the members of this committee. In pursuance thereof, a State Level Coordination Committee of officers has been constituted vide No. Adcom (A, I&C)/PA/CR-03/2023-24 dated: 05-05-2023 and a mandate is given to the Committee to coordinate with all the DGSTOs for selection of themes and cases for Audit in terms of the **SOP** given therein. The Joint Commissioners (DGSTOs) have already been instructed to conduct an in-depth analysis of prominent sectors of businesses in their divisions and select a theme or an issue of specific sector having implications for the revenue across the State. The CoO constituted for the purpose will co-ordinate with all the Divisional heads in preparation of Thematic Audit plan for meticulous execution.

4. Audit Monitoring Committee: Audit is treated to be completed, when once Audit report which may contain objections observed during the Audit is finalized by the Department. But before finalizing the objections, the initial objections raised by the Audit officer may be taken up for discussion by the Committee of Officers in fortnightly/periodical meeting with regard to the sustainability/correctness or otherwise of each Audit para. This system of AMC would reduce disputes, filter out unproductive issues and also standardize practices. **The Audit Monitoring Committee** shall comprise of the Joint Commissioner (Divisional Head), two officers from Audit wing of DGSTO and one officer from Internal Audit in each division. The Audit Monitoring Committee shall be constituted immediately in each DGSTO and intimated to the office of Adcom (A, I & C) within 3 days from the date of issue of this circular. The minutes of the Meeting of AMC shall be maintained by AMC in Annexure-3 appended hereto. The

consolidated report of AMC in Annexures 4 and 5 shall be submitted to the O/o Adcom (A, I&C) on or before 5th of every month. (Annexures 1 and 2 appended hereto are for internal use of the respective DGSTOs). AMC shall engage in intensive interaction among themselves in their jurisdictions and across, to select risk parameters, themes, sectors, and risky tax payers, devise action plans and strategies. Respective reviewing Adcoms of the DGSTOs shall monitor the AMC for better effective Audit outcomes.

5. Given the ubiquity of data in GST Prime/E-way bill analytics/GSTN BIFA and the information from Local Intelligence Network (Informants), their effective use could contribute enormously to overall organizational performance. The goal of the work programme set out here is to provide mechanism and measures that would help to develop a culture of continuous improvement and incremental progress in performance. The jurisdictional Joint Commissioners shall draw-up clear strategies, provide objectives and bench-marks to the field officers and shall encourage sharing of information, initiatives, experiences and best practices and also facilitate an environment of effective GST Audit to improve compliance management systems. Performance Review of DGSTOs shall be taken up on the basis of parameters and goals set out here and corresponding MIS reporting formats for the same will also be issued in the course of time. The Additional Commissioner (A, I & C) shall supervise and monitor the progress of the action taken and put up the outcomes periodically for scrutiny of the Commissioner.

6. The instructions issued aforesaid shall be adhered to in letter and spirit and any deviance or breach thereof will be viewed seriously.



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ANNEXURE-1
AUDIT CASE-WISE REPORT
(To be submitted to AMC by the Audit Officer)

1.	Assignment Number:				
2.	Legal Name and Trade Name:				
3.	GSTIN:				
4.	Period of Audit:				
5.	Name of the Audit Officer(s) with designation:				
6.	Name and designation of the officer who sanctioned the Audit Plan:				
7.	Important dates:	Date of initiation:	Date of sanction of Audit Plan:	Date of Draft Audit Report	
8.	Date of first appearance:				
9.	Name & other details (phone no., e-mail) of TP/Person appearing on behalf of TP:				
10.	Mode of Audit (specify):	Desk Audit	Field Audit	Both	
11.	List of observations made upon Audit: (In brief)	Revenue implication (Rs.)	Whether admitted by Auditee (Yes/No)	If yes, amount realized, Act-wise (Rs.)	
	i) Rate difference (wrong HSN/SAC) in brief:				
	ii) Supply not disclosed in returns:(Separate row may be used for each type of such non-disclosure)				
	iii) Tax was payable under RCM but not paid:				
	iv) Wrong claim of ITC:				
	v) Reversal of ITC not made: (Specify in brief)				
	vi) Excess refund claimed:(specify brief findings)				
	vii) Similarly add rows, if required				
12.	Particulars	Integrated tax with POS	Central Tax	State Tax	Cess
	(a) Total amount of tax involved for the discrepancy found (In Rs.):				
	(b) Tax paid during audit:				
	Tax dues (12a – 12b):				



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13.	(a) Total interest payable:				
	(b) Interest paid during audit:				
	Interest dues (13a-13b):				
14.	(a) Penalty Payable:				
	(b) Penalty paid during audit:				
	Penalty dues (14a-14b):				
15.	Total amount paid during audit:				
16.	Total amount due (Tax+ Interest+ Late fees + Penalty):				
17.	Specify Reasons in case of Nil Report:				

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ANNEXURE-2
ADJUDICATION CASE-WISE REPORT
(To be submitted to AMC by the Audit Officer)

1.	Assignment Number:					
2.	Adjudication as a result of ADT-2/ Adjudication Assignment issued by HO/DGSTO					
3.	Legal Name and Trade Name:					
4.	GSTIN:					
5.	Period of Adjudication:					
6.	Name of the Adjudicating Officer(s) with designation:					
7.	Stages of Adjudication Process:	Date of ADT-2	Date of DRC- 01A:	Date of DRC-01:	Date of DRC-03	Date of Adjudicati on Order /DRC-07
8.	Liability quantified in ADT-02: (in Rs.)					
	Demand created u/s 73/74: (in Rs.)					
	Reduction/enhancement in demand: (in Rs.)					
	Reasons for reduction in demand:					
9.	List of discrepancies made upon adjudication: (in brief)	Revenue implication (Rs.)	Whether admitted by TP(Yes/No)	If yes, amount realized, Act-wise (Rs.)		
	i. Rate difference (wrong HSN/SAC) in brief:					
	ii. Supply not disclosed in returns:(Separate row may be used for each type of such non- disclosure)					
	iii. Tax was payable under RCM but not paid:					
	iv. Wrong claim of ITC:					
	v. Reversal of ITC not made:					
	vi. (Specify in brief)					
	vii. Excess refund claimed: (specify brief findings)					
	viii. vii) Similarly add rows, if required					
10.	Particulars	Integrated tax with POS	Central Tax	State Tax	Cess	
	(a) Total amount of tax involved for the discrepancy found (In Rs.):					


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	(b) Tax paid against DRC-01A/DRC-01/Adjudication Order				
	Tax dues (12a – 12b):				
11.	(a) Total interest payable:				
	(c) Interest paid against DRC-01A/DRC-1/Adjudication Order:				
	Interest dues (13a-13b):				
12.	(a) Penalty Payable:				
	(b) Penalty paid against Adjudication Order:				
	Penalty dues (14a-14b):				
13.	Total amount paid during Adjudication Proceedings (Tax + Interest + Penalty):				
14.	Total amount Due (Tax+ Interest + Penalty):				
15.	Specify Reasons in case of Nil Report:				

DCCT/ACCT/CTO
DGSTO - __

ANNEXURE-3
MINUTES OF AMC MEETING

(To be maintained at DGSTO)

Sl. No	Name and Designation of the Officer	No. of Audit cases discussed	Audit Observations Discussed:			Audit Observations settled (Taxes Paid)		Audit Observations Sustained:		Audit Observations for Re-Examination/Deferred	
			No.	Revenue involved	Revenue realised	No.	Revenue involved	No.	Revenue involved	No.	Revenue involved
TOTAL											

Sl. No	Name and Designation of the Officer	No. of Adjudication cases discussed	Adjudication issues Discussed:			Adjudication issues settled (Taxes Paid)		Adjudication issues Sustained:		Adjudication issues for Re-Examination/Deferred	
			No.	Revenue involved	Revenue realised	No.	Revenue involved	No.	Revenue involved	No.	Revenue involved
TOTAL											


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ANNEXURE-4
AMC(AUDIT) REPORT FORMAT
(CONSOLIDATED)

(To be submitted to the Head Office)

1.	Name of DGSTO:				
2.	No. of cases assigned:	2017-18:			
		2018-19:			
		2019-20:			
		2020-21:			
		2021-22:			
		2022-23:			
3.	No. of Audit cases completed:				
4.	Status of Completed Cases:	a) No. of Cases with No liability detected: (Reasons in brief with case-wise report in such cases shall be enclosed)			
		b) No. of Cases fully collected:			
		c) No. of Cases with partial payment:			
		d) No. of Cases with zero payment:			
5.	No. of cases pending:	Pending for less than 3 months	Pending for 3-6 months	Pending for 6-12 months	Pending for more than one year
	2017-18:				
	2018-19:				
	2019-20:				
	2020-21:				
	2021-22:				
	2022-23:				
6.	Status of pending cases:	Pending at the stage of ADT-1:			
		Pending at the stage of desk-review:			
		Pending for approval of Audit plan:			
		Pending at the stage of examination of books of account:			
		Examination of books of accounts completed but Draft Audit Report is pending:			
		Pending at the stage of preparation of ADT-2:			
7.	Notable findings in respect of cases where ADT-2 is issued:	Findings in brief (case-wise report may be placed in such cases only as per following format)			

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ANNEXURE-5
ADJUDICATION REPORT FORMAT
(CONSOLIDATED)

(To be submitted to the Head Office)

1.	Name of DGSTO:					
2.	No. of cases Assigned:	Audit-65 to Adjudication-73/74		Direct Assignment U/s 73/74		Total
	2017-18:					
	2018-19:					
	2019-20:					
	2020-21:					
	2021-22:					
	2022-23:					
	Total					
3.	No. of Adjudication cases completed:					
4.	Status of Completed Adjudication Cases:	No. of Cases	Liability detected in ADT-2	Demand Created U/s 73/74 vis-à-vis Audit to Adjudication Cases	Demand Created in Direct Adjudication Cases	Total Demand Created u/s 73/74
	Cases with No demand creation/Dropped:					
	Cases fully collected:					
	Cases with partial payment:					
	Cases with zero payment:					
	Total					
5.	ADT-2 demand reduced in 73/74:	No. of Cases	Liability detected in ADT-2	Demand Created u/s 73/74	Liability Reduced (in Rs.)	
6.	No. of cases pending:	Pending for less than 3 months	Pending for 3-6 months	Pending for 6-12 months	Pending for more than one year	
	2017-18:					
	2018-19:					
	2019-20:					
	2020-21:					
	2021-22:					
	2022-23:					
	Total:					


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7.	Status of pending cases:	a) Pending at the stage of DRC-01A:	
		b) Pending at the stage of DRC-01:	
		c) Pending as not yet due for Adjudication Order:	
		d) Pending at the stage of preparation of Adjudication Order:	

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