

Audit Applicability under MVAT

Audit under section 61 of the MVAT Act 2002, is applicable to two kinds of dealers as below.

- 1) Every dealer who is liable to pay tax and his turnover, either of sales or purchases,
exceeds Rs. 40 lakhs during the financial year, and
- 2) A dealer or person who holds license in, -
 - a. From P. L. L. under the Maharashtra Distillation of Spirit and Manufacture of potable Liquor Rules, 1966 or
 - b. Form B- RL under the Maharashtra Manufacture of Beers and Wines Rules, 1966 or
 - c. Form E under the special Permits and License Rules, 1952, or
 - d. Form FL- I, FL-II, FL-III, FL-IV under the Bombay Foreign Liquor Rules, 1953 or
 - e. Form CL-I, CL-II, CL-III, CL/FL/TOD-III under the Maharashtra Country Liquor Rules, 1973,

Such dealers are required to get their returns and accounts audited by Chartered Accountants and submit the report of the same in Form no. 704 to the department within a period of eight months from the end of the year to which the report relates. i.e. audit report must be submitted on or before 30th November each year to avoid penalty.

The term 'Turnover of Sales' is defined in sub-sections 33 of section 2 of the MVAT Act. According to the provision of this sub-section, aggregate of the amount of the sale price received and receivable by a dealer during the period, after deducting the sales price of the goods and amount of refund deposited with in a period of six month will be amount of the 'Turnover of Sales'. Here important point to be kept in mind is that turnover of all sales i.e. turnover of trading goods, scrap and turnover of capital assets (Moveable property)etc, shall be taken in to consideration. If a person is carrying on business at two or more places in same date under same R. C. No., the turnover of all such business shall be taken into consideration while calculating the prescribed turnover limit.

The Term 'Turnover of Purchases' is defined in sub-section 32 of section 2 of the MVAT Act 2002, as per provisions of this sub-section aggregate of the amount of the purchase price paid or payable by a dealer in respect of any purchase of goods made by him during the year after deducting the purchase price of the goods returned and amount of deposit refunded within a period of six months will be amount of the 'Turnover of Purchases'. It is important to note that turnover of all purchases is to be considered i.e., purchases of trading goods, purchase of capital assets and also the purchase of goods which are debited to the profit and loss account.

As per explanation, if the goods are delivered on hire purchase or any system of payment by installment or in respect of the transfer of the right to use any goods for any purpose, the amount of purchase price paid or payable during a given period shall mean the aggregate of the amount paid and payable, for this purpose, during the given period.

So as you got basic idea of audit applicability, we want you to please confirm us as whether your firm or company come under audit under section 61 of MVAT Act or not. We are enclosing herewith table of details of sales and purchase so please fill in same and send us back so that we get exact idea for us to do audit or not. We are planning to start VAT audit as soon as possible so please send us back this details as soon as possible.

Details for Audit Applicability

Turnover of Sales

Amount

Net Sales for F. Y. (CST + MST)

Sales of Moveable property or Fixed Assets

Sales of Byproducts

Sales of Scrap

Total Sales

Less : Sales Return (with in Six months only)

Turnover of Sales

Turnover of Purchases

Net Purchase for F. Y. (CST + MST)

Purchase of Moveable property or Fixed Assets

Purchase of Scrap

Purchase of goods which are debited to profit and loss account.

Total Purchases

Less : Purchases Return (with in Six months only)

Turnover of Purchases

So as per above information my turnover of sales or purchase do/don't exceed Rs. 40 lakhs so yes/ no I am liable/not liable for VAT audit.