

**GOVERNMENT OF TELANGANA
COMMERCIAL TAXES DEPARTMENT**

Office of the
Commissioner of Commercial Taxes,
Telangana:: Hyderabad.

CCT's Ref. No. CS(1)/18/2015, Date. 04-05-2016

CIRCULAR

Sub : Ease of Doing Business- Defining of Risk Parameters for Audit – Reg

Kind attention of all the Deputy Commissioner is invited to the subject cited.

The following instructions are reiterated regarding the Audit procedures in the State. The VAT audit is an integral part of a VAT compliance system. The objective of a VAT audit is to close the gap between the tax declared by the VAT dealer and the tax legally due.

In an effort to increase the ease with which VAT dealers operate in the State, the Government has been following a system of audit based on risk assessment of establishments.

The risk parameters for choosing a case for Audit are defined as under:

S No	Risk Categorization	Risk Parameter	Frequency of audit
1	Very High Risk Special Audit (Fraud Investigation)	Evidence of serious fraud or from information provided from intelligence and which require in-depth investigation by specially trained officers.	Based on Evidence
2	High Risk Specific Audit	a)Refund Audit in cases of Refund > Rs.50,000/- b)Receipt of Market Intelligence c)Receipt of Urgent Cross References d) Mismatch reports given by HO	Annual Based on Evidence Based on Evidence Based on Evidence
3	Medium Risk General Audit	a)LTU cases – Once every year b)Tax Payable in Last 12 months-Top 100 cases in	Annual Once in Every 2 years

		every division (excluding LTU) in Descending order c)Commodity Growth rate(Includ sensitive commodities, works Contracts) – Cases below the average Divisional/ State Growth rate d)Return Defaulters - Returns not filed for more than 3 months in last 12 months e)Credit Returns for more than 3 months in the last 12 months f)Nil returns for more than 3 months in last twelve months g)Sales Purchase ratio analysis in last 12 months h) Not Audited in last 24 months	
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The cases are to be allocated by the concerned Deputy Commissioner (CT) on a jumbling basis to the field officers. The cases shall be selected in VATIS based on the Computer allocated risk parameters.

Every Audit should be taken up only after Proper Authorization by the DC/JC/Addnl CCT/CCT only.

The guidelines for conduct of Audit are defined in VAT Audit Manual 2012 and all Audit officers in the State shall abide by the instructions given therein.

Sd/- V. Anil Kumar
Commissioner of Commercial Taxes

To
 All Deputy Commissioners (CT) of the Divisions
 All Commercial Tax Officers in the state
 Copy to Senior Officers in the Office of Commissioner (CT)