



PUNJAB STATE TRANSMISSION CORPORATION LIMITED
(Regd. Office: PSEB, Head Office, The Mall, Patiala-147001, Punjab, India)
Corporate Identity Number - U40109PB2010SGC033814,
Office of CFO, AO/Taxation, Shakti Sadan, Patiala
E-mail: ao-taxation@pstcl.org, Tel/Fax No. 0175-2203637

Taxation Circular no.8/2015

To

1. All Addl. SEs/Sr. Xens under PSTCL
2. All Accounts Officers under PSTCL

Memo No: 1656-1712/CFO/Taxation/11

Dated: - 29/07/2015

Subject: - Detailed Manual Scrutiny of Service Tax Returns.

Central Board of Excise and Customs (Service Tax wing) vide circular no. 184/4/2015- Service Tax dated 30.06.2015 issued the guidelines for Detailed Manual Scrutiny of Service Tax Returns w.e.f. from 01/08/2015. In order to put in place a strong 'return scrutiny' system, a two part system of return scrutiny was envisaged- a preliminary scrutiny which would be online covering all the returns and a detailed manual scrutiny of selected returns, identified on the basis of risk parameter, to be done by Division/Range officers. Detailed Manual Scrutiny of Service Tax Returns will be done in two parts as under:-

1) Preliminary Online Scrutiny

The purpose of preliminary scrutiny of returns includes ensuring the completeness of the information furnished in the return, arithmetic correctness of the amount computed as tax and its timely payment, timely submission of the return and identification of non-filers and stop-filers.

2) Scope of Detailed Manual Scrutiny

The purpose of detailed manual scrutiny of returns is to ensure the correctness of the assessment made by the assessee. This includes checking the taxability of the service, the correctness of the value of taxable services in terms of Section 67 of the Finance Act, 1994, read with the Service Tax (Determination of Value) Rules, 2006 and the effective rate of tax after taking into account the admissibility of an exemption notification, abatement, or export, if any; ensuring the correct availment/utilization of CENVAT Credit on inputs, capital goods, and input services in the terms of the CENVAT Credit Rules, 2004, etc. In doing this, the proper officer must rely mainly on assessment-related documents like

agreements/contracts and invoices. Detailed financial records should not be called for in a routine manner.

3) Selection of Returns for Detailed Scrutiny

The focus of the detailed manual scrutiny of the returns would be on the returns of those assesses which are not being audited. The detailed return scrutiny would be conducted in respect of such assesses whose total tax paid (Cash + CENVAT) for the FY 2014-15 is below Rs 50 lakhs. Each Commissionerate has to select equal number of assesses for carrying out returns' scrutiny from each of the these three total tax paid bands (Cash + CENVAT) viz., Rs 0 to Rs 10 lakhs, Rs 10-25 lakhs and Rs 25-50 lakhs for the financial year 2014-15.

The assesseees who have been selected for audit or have been audited recently (in the past three years) should not be taken up for detailed scrutiny. However, the Chief Commissioner may direct detailed manual scrutiny of an assessee's return that has paid service tax (Cash + CENVAT) more than Rs 50 lakhs in certain specific cases. In no event should an assessee be subjected to both audit and detailed manual scrutiny.

4) **Methodology**

Before return scrutiny is initiated, the assessee must be given prior intimation of at least fifteen days and the purpose of the exercise must be spelt out in an **Intimation Letter** in a format given as **Annexure I**.

One of the important objectives of return scrutiny is to ensure validation of the information furnished in the self-assessed ST-3 return. The validation exercise would require reconciling information furnished in the ST-3 return with ITR Form Nos. 4, 5, 6 and 26AS and any third party information made available. In addition to this, the scrutiny exercise must also look at the correctness of self-assessment with respect to taxability of abatement and eligibility for exemption, valuation and CENVAT credit availed/utilized.

A checklist has been prepared for carrying out detailed manual scrutiny of selected ST-3 returns (Annexure III). For achieving the stated objectives, the checks have been categorized as follows:

- Reconciliation for validation of the information furnished in the ST-3 return;
- Taxability in respect of services which may have escaped assessment;
- Classification (for the purpose of due availment of abatement/exemption benefit);
- Valuation; and
- CENVAT credit availment/utilization.

In case any additional details are required, the same may be obtained from the assessee through requisition rather than through a visit. Calling of such additional documents must be done with the approval of the jurisdictional DC/AC so as to obviate the complaint of administrative intrusion

In view of above circular by Service Tax wing of Central Board of Excise and Customs you all are requested to deposit correct amount of Service Tax and also submit your Service Tax returns as per applicable provisions and within time frame to avoid the any hardship and penal action by Service Tax department. For complete details of circular no. 184/4/2015- Service Tax dated 30.06.2015 issued by Central Board of Excise and Customs (Service Tax wing) kindly visit the following link <http://www.servicetax.gov.in/st-circulars-home.htm>.

This issue is with the approval of competent authority.


Accounts Officer/ Taxation
PSTCL, Patiala.

Endst No: - 1713-1732/CFO/Taxation/11

Dated: - 29/07/2015

Copy of the above is forwarded to the following for information please.

1. All Engineer-in -Chief/ Chief Engineer in PSTCL
2. Financial Advisor, PSTCL, Patiala
3. Company Secretary, PSTCL, Patiala
4. All Dy. CEs/SEs under PSTCL
5. All Dy. CAOs/ Dy. FAs under PSTCL
6. SE/IT, PSTCL, Patiala with a request to upload the circular on PSTCL website.


Accounts Officer/ Taxation
PSTCL, Patiala.

CC: Sr. PS to Director/F&C, PSTCL, Patiala for kind information of Director, please.

INTIMATION LETTER

ANNEXURE I



**OFFICE OF THE DEPUTY/ASSISTANT COMMISSIONER OF SERVICE
TAX/CENTRAL EXCISE**

Division
Phone: Email:

F. No.
To

Dated: . . . 2015

M/s _____
(STC : _____)

Sir/Madam,

Sub: Intimation for conducting detailed scrutiny of ST-3 returns-

This is to inform you that the CBEC has issued revised guidelines for conducting detailed manual scrutiny of ST-3 returns. Scrutiny of returns forms one of the three prongs of compliance verification- the other two being audit and anti-evasion. The principal role of detailed manual scrutiny is to check the correctness of self-assessment which implies checking the correctness of valuation, effective rate of tax and CENVAT credit availment/utilization. These will be done by looking at assessment related documents and will be done in the Range Office.

2. In addition, it is also proposed to do a broad reconciliation with respect to the income tax return. The scrutiny of returns will be done on a yearly basis by combining two half-yearly returns so that reconciliation with the income tax return can be done. You are requested to kindly cooperate in this task.

Yours faithfully,

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Deputy/Assistant Commissioner