

**GOVERNMENT OF NATIONAL CAPITAL TERRITORY OF DELHI
DEPARTMENT OF TRADE AND TAXES
VYAPAR BHAWAN, I.P. ESTATE, NEW DELHI-110 002**

No. F.6(72)/Policy-I/VAT/2009/499

Dated : 15.10.2009

CIRCULAR NO. 8 OF 2009-10

Subject : Scrutiny of Refunds

Instructions have been issued from time to time in the past for processing of refund applications. However, certain deficiencies at the level of ward authorities in dealing with the claim of refunds have been brought to notice.

One of the mandatory conditions should be to find out whether selling dealers (the local dealers/suppliers from whom the refund claimant has made purchases) have paid any tax for the local purchases made to the refund claimant-dealers and whether the same is in the proportion of ITC or made lawful adjustment of tax. Examination of the refund claim of some of the dealers especially exporters has revealed that these refund claimant dealers had made purchases from many parties which have remained in existence for a short period (may be on papers only) and have paid nominal tax to the Department and disappeared after enabling the refund claimant-dealers to claim refund.

The major problem before VATO/AVATO pertains to examination of the role of selling parties/suppliers. It is easy for VATO of the refund claimant dealer to appreciate the business pattern of the refund-claimant dealer, being registered in his territorial jurisdiction but the VATO of the refund claimant ward has no control over the selling parties/supplier and it becomes difficult for him to ascertain the overall genuineness of the refund claim. The number of selling parties in case of each of the refund claim is much more and they might be registered in different Wards across the department.

In order to overcome these difficulties, the following strategy should be adopted by the ward authorities in dealing with refund applications with a view to enable them to examine not only the business process of the refund claimant dealer but also those of the selling parties/suppliers specially with reference to the transactions between the selling parties and refund claimant dealers (the purchaser):-

- (1) All ward VATOs/AVATOs/VATIs should carry out inspection/examination of the dealers registered in any Ward in the context of examination of refund application and they are authorized to seek information u/s 59(2) not only from the dealer of their ward but also from the selling parties irrespective of the territorial jurisdiction of their ward.
- (2) While the power to grant refund is delegated at various level depending upon the pecuniary limits, primarily, it shall remain the responsibility of the ward VATOs to ensure that the refund claim is in order and no irregular/wrong refund claim is recommended by them to the DC/JC/ Additional Commissioners for approval.

If any adverse is found against the supplier/selling dealer the VATO shall upload the adverse information on the Departmental Internal Mail.

The VATO of the selling dealer shall also be intimated in writing by the VATO of the refund claiming dealer.

This authorization / empowerment of VATOs, AVATOs, VATIs will however be exclusively in the context of processing of the refund claims only.

This issues with the approval of Commissioner, Value Added Tax.

(Naveen Katarya)
Value Added Tax Officer (Policy)

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Copy for information and necessary action to :-

1. PS to Commissioner, Value Added Tax, Department of Trade and Taxes, Vyapar Bhawan, I.P. Estate, New Delhi.
2. All Additional Commissioners, Department of Trade and Taxes, Vyapar Bhawan, I.P. Estate, New Delhi.
3. All Joint / Deputy Commissioners, Department of Trade and Taxes, Vyapar Bhawan, I.P. Estate, New Delhi.
4. Dy. Commissioner (PR/Adv.), Department of Trade and Taxes, Vyapar Bhawan, I.P. Estate, New Delhi.
5. All VATOs/AVATOs of all Wards of Operations through Zonal In-charges.
6. All VATOs/AVATOs, Front Office/CRC Cell/PR Branch/TPS/Legal Service Cell/CFC.
7. Manager (EDP), Department of Trade and Taxes, Vyapar Bhawan, I. P. Estate, New Delhi.
8. Assistant Director (R&S), R&S Branch, Department of Trade and Taxes, Vyapar Bhawan, I. P. Estate, New Delhi.
9. President, Sales Tax Bar Association (Regd.), Vyapar Bhawan, I.P. Estate, New Delhi.
10. Guard File.

(Naveen Katarya)
Value Added Tax Officer (Policy)