

For Departmental circulation only

Manual for Scrutiny of Service Tax Returns

2009



Directorate of Publicity & Public Relations
Customs, Central Excise & Service Tax
New Delhi



Central Board of Excise and Customs
Ministry of Finance
Government of India

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Preface

1. The introduction of self assessment in Service Tax in July 2001 necessitated the introduction of a system of returns' scrutiny. Returns' scrutiny is therefore a key business process and is one of the three important prongs of the compliance verification system comprising returns' scrutiny, audit, and anti-evasion.
2. The Manual for Scrutiny of Service Tax Returns seeks to put into place a two-part system of returns' scrutiny—a preliminary scrutiny system covering all the returns and a detailed scrutiny system covering a few returns selected on the basis of risk parameters. This manual seeks to standardize checks for carrying out detailed scrutiny. It is visualized that the preliminary scrutiny system would be automated shortly.
3. The Manual for Scrutiny of Service Tax Returns is organized into four chapters. Chapter 1 outlines the rationale for returns' scrutiny and discusses the legislative provisions underpinning the scrutiny process. The chapter also looks at the critical distinction between audit and returns' scrutiny as key differentiated business processes. Chapter 2 examines the policy guidelines covering returns' scrutiny and discusses the risk parameters to be employed for selecting returns for detailed scrutiny. The logic embedded in these risk parameters would be incorporated into the software which would facilitate system-based selection of returns for detailed scrutiny. Chapter 3 looks at the salient features of the ACES project (Automation of Central Excise and Service Tax) which, when implemented, would automate the preliminary scrutiny process. Finally, Chapter 4 presents guidelines for carrying out the detailed scrutiny of selected returns. This chapter contains detailed guidelines for ensuring correctness of assessment and reconciling the information given in the statutory Service Tax return with the information furnished in the financial records. Chapter 4 also contains guidelines for documenting the scrutiny findings in an observation sheet. This observation sheet would contain a record of the findings of the scrutiny officers on whether any action needs to be taken post scrutiny for referral either to audit or to anti-evasion for further investigation for seeking a closure.
4. Like all manuals, this manual is visualized as an evolving document which will benefit from periodic updation on the basis of feedback received from the field formations.

This manual has been prepared as part of the Asian Development Bank's Technical Assistance Project (IND: TA 4263) titled 'Capacity Building for Tax Administration'.

Chapter 1: Introduction

1.1 SELF ASSESSMENT AND RETURNS' SCRUTINY

1.1A The introduction of self assessment in Service Tax in July 2001 was a defining moment for the Indian taxation system as assessment functions were transferred from the Department to the taxpayer. The initiative was a logical outcome of the introduction of self-assessment in Central Excise returns earlier in October 1996. The Central Board for Excise and Customs (CBEC) visualized the introduction of self-assessment as being complementary to invoice-based assessment, which would in turn facilitate the introduction of Central VAT (CENVAT). The introduction of self-assessment underscored the need for a strong compliance verification mechanism. Such a mechanism has three important prongs—returns' scrutiny, audit and anti-evasion. A key imperative of self-assessment was to put in place a strong returns' scrutiny system. The legislative provision in the form of Section 71 of the Finance Act, 1994, was brought in with effect from 16 July 2001 which, inter alia, provided that the returns could be self-assessed by the assessee. This provision was later incorporated into Section 70 of the said Act with effect from 10 September 2004.

1.2 BUSINESS PROCESS RE-ENGINEERING AND RETURNS' SCRUTINY

1.2A Service Tax administration has had the benefit of building on the experience of Central Excise administration which is an older tax going back to 1870. More recently, in July 2000, under the CIDA-assisted capacity building project, a detailed business process re-engineering exercise was initiated.¹ For the first time, key business processes were identified and small working groups set up to examine each business process and suggest qualitative improvements to enhance revenue efficiency and ensure taxpayer satisfaction. The business re-engineering exercise conducted for returns' scrutiny revealed the need to distinguish between preliminary scrutiny and detailed scrutiny in a two-tier scrutiny process.

1.2B It was decided that a preliminary scrutiny would be conducted on all returns. This could even be undertaken online. Detailed scrutiny, on the other hand, would cover select returns, identified on the basis of risk parameters, drawn from the information furnished by taxpayers in the statutory returns (Service Tax returns or ST-3 in this case). CBEC felt that facilitating preliminary scrutiny online would enhance efficiency and release manpower for detailed manual scrutiny, which could then become the core function of the Range/Group.

¹ CIDA is the Canadian International Development Agency.

1.2.1 Purpose of Scrutiny of Returns

- 1) Purpose of preliminary scrutiny would be to ensure:
 - a) completeness of the information furnished such as PAN No., description of the Service Tax category including the Service Tax accounting code and registration details of the units including details of centralized registration;
 - b) timely submission of the return;
 - c) timely payment of duty;
 - d) arithmetic accuracy of the amount computed as duty in the return; and
 - e) identification of non-filers and stop filers.
- 2) Purpose of detailed scrutiny is to:
 - a) establish the validity of the information furnished in the tax return;
 - b) ensure correctness of the assessment by:
 - i) ensuring correctness of classification of the services adopted and appropriateness of the effective rate of duty availed after taking into account the admissibility of the exemption notification availed, if any;
 - ii) determining the correct value of taxable services in terms of Section 48 of the Finance Act, 1994, read with Service Tax Valuation Rules; and
 - iii) ensuring correct availment of Cenvat credit on input, capital goods, and input services in terms of the Cenvat Credit Rules, 2004.

1.2.1A The importance of scrutiny of returns was also highlighted by Dr. Kelkar in his report on Indirect Taxation.² The observation made in the context of Central Excise but also found to be relevant to Service Tax is reproduced below:

It is the view that assessment should be the primary function of the Central Excise Officers. Self-assessment on the part of the taxpayer is only a facility and cannot and must not be treated as a dilution of the statutory responsibility of the Central Excise Officers in ensuring correctness of duty payment. No doubt, audit and anti-evasion have their roles to play, but assessment or confirmation of assessment should remain the primary responsibility of the Central Excise Officers.

1.2.1B A detailed scrutiny programme is part of the risk management policy of many international tax administrations. They perform two important functions:

- 1) A detailed scrutiny programme typically supplements the audit programme. An audit programme normally targets assessee displaying high risk of non-compliance. It requires more time to complete (as it is conducted on site) and entails high audit expertise. On the other hand, a detailed scrutiny programme typically tackles lower risk cases. It helps to cover a larger number of units (as it is conducted at the scrutinizing officer's office premises), requires lower skill levels, and resolves assessment in a timely and cost effective manner;

² Report of the Task Force on Indirect Taxation 2002, Central Board of Excise and Service Tax, Government of India.

- 2) A detailed scrutiny programme also serves a 'workload development' function by initiating referrals for audit/anti-evasion.

1.2.2 Authority and Ownership

1.2.2A The authority to conduct scrutiny of returns for verifying the assessment done by the assessee is provided in Rule 5A of the Service Tax Rules, 1994. This rule, inter alia, authorizes the Commissioner to empower any officer to carry out 'Scrutiny, verification and checks, as may be necessary to safeguard the interest of revenue'. The Rule also allows the officer to call for any record maintained by the assessee for accounting of transactions, the trial balance or its equivalent, and the Income Tax Audit Report maintained under Section 44AB of the Income Tax Act. In other words, the Rule permits the officer to examine financial records for scrutinizing the return to determine the correctness of the assessments made. In pursuance of this, the Board has also issued guidelines vide letter F.No.137/27/2007 CX.4, dated 08.02.2007, which makes it mandatory to scrutinize returns on a regular basis. Details of the Board's guidelines on returns' scrutiny are discussed in Chapter 2 of this Manual.

1.2.2B The guidelines clearly envisaged that returns' scrutiny would become the core function of the Service Tax Group/Range, supervised by the Assistant Commissioner of the Service Tax Unit.

1.2.3 Distinction between Audit and Returns' Scrutiny

1.2.3A Returns' scrutiny and audit are two distinct prongs of the compliance verification system. The purpose of returns' scrutiny is to ensure correctness of assessment made in the return. The scope of audit, on the other hand, is to inspect the financial records of a company for a complete financial year to identify non-compliance issues and to evaluate its internal control system. In evaluating the internal control system, the auditors also have to examine control mechanisms in place with respect to purchase, inventory management, and sales to ensure that there is proper documentation and completeness of information furnished, such that all transactions are recorded in the books of accounts. An audit also addresses issues of documentary discipline for they have implications for compliance.

1.2.3B Therefore in returns' scrutiny, the officer would look at the same financial record for the limited purpose of validating the correctness of the assessment made in the Service Tax return. There is a special need to do this in the case of Service Tax as distinct from Excise. Unlike Central Excise duty, Service Tax is not levied on the billed amount reflected in the invoice but on the amount actually received for the services rendered. The actual amount received for the output services can be determined only by perusal of the debtors' ledger. Similarly, the officers would have to look at the creditors' ledger to determine whether CENVAT Credit has been taken on the paid amount for the input services received. This requirement is contained in Rule 4(7) of CENVAT Credit Rules, 2004. Therefore, officers have to scrutinize information obtained from both the sundry debtors' ledger and the creditors' ledger.

1.2.3C Access to financial records is required to validate the information furnished by the assessee in the tax return. This reconciliation exercise supplements the efforts to verify the correctness of the assessment made. The outcome of the reconciliation exercise may contribute to workload development for audit and anti-evasion through referrals, and thus, strengthen the risk management administration of the Department.

1.3 CONCLUSION

1.3A Scrutiny of selected returns embodying these features is outlined in Chapter 4 of this Manual. The checklist provides guidelines for verifying the correctness of the information provided in the return submitted to the Department.

Chapter 2: Policy Guidelines for Returns' Scrutiny

2A Based on the re-engineering of the returns' scrutiny process in Central Excise, the distinction between preliminary scrutiny and detailed scrutiny has also been extended to the case of Service Tax. The Board, vide its letter GF No. 137/27/2007 CX-4 dated 2 July 2007, issued detailed guidelines for preliminary scrutiny and also specified risk parameters for the selection of returns for detailed scrutiny.

2.1 WHAT TO CHECK FOR IN THE PRELIMINARY SCRUTINY OF SERVICE TAX RETURNS

2.1A The designated officer must seek answers to certain key questions while conducting the preliminary scrutiny of Service Tax returns. These are listed below.

1. Has the taxpayer filed the first return during the current year? If so, was it filed within the statutory period?
2. Do arithmetic checks of tax payable and tax paid (both by cash and credit) reveal any inconsistencies?
3. Has the TR-6 challan to show actual duty payment in cash been verified?
4. Is the applicable rate of tax correctly calculated?
5. Are the exemption claims (if any) admissible?
6. Does the comparison of taxable value and tax payment in the year of scrutiny with corresponding period during the previous financial year reveal major variations? If significant fall is detected, it should be immediately reported to the supervisory officer who should ascertain the reasons thereof.
7. Have all other points as directed by the Commissioner been addressed?

2.2 PROCESSING GUIDELINES ISSUED BY THE BOARD FOR THE PRELIMINARY SCRUTINY OF RETURNS

2.2A The Board's guidelines provide a checklist for preliminary scrutiny of ST-3 returns (see Annexe 2.1). Action to be taken in respect of each preliminary check specified is provided.

2.3 GUIDELINES FOR SELECTING ST-3 RETURNS FOR DETAILED SCRUTINY

2.3A The Board has laid down risk parameters for selecting returns for detailed scrutiny. The selection guidelines of the Board are given in Annexe 2.2. The working group constituted to prepare this Manual was of the view that the actual number of returns selected for scrutiny may be left to the field formations based on administrative resources available. However, on the basis of the responses to the checks and verifications in Annexe 2.2, risk may be evaluated and used as a measure for prioritizing of returns to be selected for detailed scrutiny. For example, if the duty paid in this return is less than in the last return, then it may be concluded that there is risk reflected in a 'yes' response. Therefore, in Annexe 2.2, the percentage criterion has been deleted. The selection could be made on the basis of the number of 'yes' responses. The local Commissionerates could make the final selection keeping in view some of the following local factors as well:

- Returns not scrutinized in the last two years;
- Units not audited in the last five years;
- Absolute increase in the quantum of input Service Tax availed over the last return;
- Decrease in the ratio of amount received to amount billed; and
- Cases where the assessee renders both exempted and dutiable services

2.3B In the ACES project (Automation of Central Excise and Service Tax Project) discussed in Chapter 3, the process of preliminary scrutiny and selection of return for detailed manual scrutiny is discussed. Until the ACES project is implemented, the preliminary scrutiny conducted would have to be manual, and should, therefore, be carried out in conformity with the Board's guidelines discussed in Chapter 2. Mini risk parameters that need to be built into the automated system-assisted selection process for detailed scrutiny have been presented in Annexe 2.3.

ANNEXE 2.1: FORMAT FOR PRELIMINARY SCRUTINY OF ST-3 RETURNS

1. Registration No.: May be indicated and matched with the Assessee master

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2. Name of the assessee: Must match with the name given in the ST-1 Application for Registration.

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Sr. No.	Question	Action if Answer is 'No'
3	Does the registration number and the name of the assessee match the records available in the Range/Group?	The actual registration number must be obtained from the assessee master and the number corrected in consultation with the assessee.
4.	Was the return filed within the stipulated period?	Notice may be issued for imposition of penalty.
5.	Were all the relevant columns in the return duly filled?	Return must be sent back to all the assessees and the columns filled.
6.	If assessee provided more than one taxable service, was the information furnished separately for each of the services provided in the return?	Return must be sent back to the assessee and the separate information obtained for each taxable service.
7.	Was the amount received as advance towards taxable services to be provided taken into account while arriving at the Service Tax payable?	Notice may be issued for collection of Service Tax short paid.
8.	Are the Notification No.(s) and date(s) of abatement from value exemption, as shown in the return prima facie, correct with reference to the services shown in the return?	Return must be sent back to the assessee and corrected.
9.	Is any condition prescribed in any of the exemption notifications claimed by the assessee? If so, is it prima-facie satisfied?	In case conditions are not satisfied, tax along with interest must be demanded on value and abatement through a show-cause notice.
10.	Have the taxes/amounts due and payable been correctly calculated with reference to the rate of tax and taxable value(s) shown in the return?	Arithmetical mistake may be correctly indicated and Deficiency Memo issued to make good the shortfall in Service Tax payable.
11.	Do the debits made from CENVAT credit account and cash payment add up to the 'total tax paid' as shown in the return?	Arithmetical mistake may be correctly indicated and Deficiency Memo issued to make good the shortfall in Service Tax payable.

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Sr. No.	Question	Action if Answer is 'No'
12.	Have copies of challans (through which duty has been paid) been submitted with the return?	Copies of challans may be obtained from the assessee.
13.	Does the opening balance of CENVAT credit indicated in the return tally with the closing balance indicated in the previous ST-3 return?	Reasons for inconsistency may be indicated in consultation with the assessee.
14.	Is the (opening balance+total credit availed) –(credit utilized for payment of tax on service+ credit utilized when inputs or capital goods are removed as such) = closing balance of CENVAT credit?	It may be reconciled with the assessee's records.
14a)	Is the tax payer maintaining separate accounts for receipts and utilization of inputs for manufacture of both dutiable and exempted goods?	If the answer is No, then ascertain whether the tax payer is reversing CENVAT credit amount equivalent to 8% of the value of the exempted goods/ services in terms of provision of Rule 6(3) of CENVAT Credit Rules, 2004. In case no reversal of CENVAT Credit amount has been made, show-cause notice may be issued to recover the amount with interest.
15.	Was the total tax payable more than the total tax paid? If answer is yes, what was the date on which necessary action was taken?	If no action was taken, notice may be issued to recover short payment of Service Tax.
16.	Was the tax payment made on the due date?	Interest may be collected by issue of notice.
17.	If not, was interest paid for the period of delay?	Interest may be collected by issue of notice.
18.	In case an adjustment of excess Service Tax paid has been made in terms of Rule 6(3) of the Service Tax Rules 1994, were the conditions of Rule 6(3) prima facie satisfied?	Notice may be issued to deny the adjustment and recovery of Service Tax equivalent to amount adjusted.
19.	In case the assessee is paying Service Tax on a provisional basis, are the provisions of Central Excise Rules as made applicable to Service Tax in such cases being followed?	The compliance with the provisions of Rules may be ensured. If provisional assessment is pending for more than one year, it should be reviewed and put up to the appropriate authority.

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<i>Sr. No.</i>	<i>Question</i>	<i>Action if Answer is 'No'</i>
20.	<p>Audit objections:</p> <p>(i) Is there any objection from the Internal Audit Department or the Central Excise Revenue Audit related to valuation or classification of service with recurring implications?</p> <p>(ii) If yes, were protective demands issued as per existing instructions?</p>	<p>Details of show-cause notices issued in case of audit paras having recurring implications for classification or valuation may be indicated. In case of non-issue, the same may be issued.</p>
21.	<p>Adjudication orders passed in respect of the assessee:</p> <p>(i) Is there any order pertaining to the classification of taxable services provided by the assessee?</p> <p>(ii) If yes, is the assessment in accordance with the said order?</p> <p>(iii) If there is any order pertaining to value of taxable services provided by the assessee, is the assessment in accordance with the said order?</p>	<p>The reason for not following the orders in assessment should be examined. If it is found that there was no ground to deviate from the said orders, immediate action should be taken to safeguard revenue.</p>
22.	Date of data entry of the return in the system.	Not applicable.
23.	Has appropriate action has been taken in respect of discrepancies/deficiencies noticed in the context of Sr.No. 3 to 20 above?	Mention date of correction of deficiencies.

ANNEXE 2.2: RISK PARAMETERS FOR DETAILED SCRUTINY

1. Registration No.

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2. Name of the service provider

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3.	Calculate the changes in tax paid through cash over the last return in percentage terms. Is there a decrease?	Yes/No.
4.	Calculate the change in the value of exempted services (other than export) over the last return in percentage terms. Is there an increase?	Yes/No.
5.	Calculate the change in the ratio of CENVAT utilization to total tax payment over the last return. Is there an increase?	Yes/No.
6.	Calculate the change in value of each service over the last return. Is there a decrease?	Yes/No.
7.	Calculate the CENVAT utilization as a percentage of Service Tax payable. Is there an increase in CENVAT utilization?	Yes/No.
8.	Total number of parameters for which the response is 'Yes'	

Name of the Inspector

Name of the Superintendent

Signature

Signature

Date :

**ANNEXE 2.3: MINI RISK PARAMETERS FOR SELECTION OF A RETURN FOR
DETAILED SCRUTINY IN A SYSTEM ASSISTED BUSINESS PROCESS**

S. No.	Mini Risk Parameters	Value in Current Return	Value in Last Return	% Variation on $=\frac{(3/4)}{100} * 100$	Weightage Assigned	Risk Amount Quantified
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	(Cumulative Value Charged for Taxable Services)/(Cumulative Value Received for Taxable Services)			NA	0.1	(3)*(6)*V
2	(Amount Received against export of service)/ (Amount Received against taxable service)				0.1	(5)*(6)*V
3	(Value of Exempted Service)/(Value of Taxable Service)				0.15	(5)*(6)*V
4	(Amount of Abatement Claimed)/(Value of Taxable Service)				0.1	(5)*(6)*V
5	(Amount Received as Pure Agent)/(Gross Amount Received for Taxable Services)				0.05	(5)*(6)*V
6	(Service Tax paid by CENVAT Credit)/(Total Service Tax Paid)				0.15	(5)*(6)*V
7	Service Tax paid by adjustment under Rule 6(3) and 6(4A)/ Total Service Tax Paid			NA	0.05	(3)*(6)*V
8	Amount Paid under Rule 6(3) of CENVAT Credit Rules/ [Value of exempted service (+) Value of Exempted Goods]				0.05	(5)*(6)*V
9	(Total Credit Taken)/(Total Value of Taxable Service Charged)				0.1	(5)*(6)*V
10	(Value of Risk Parameter 9)/(Value of Risk Parameter 8)				0.05	(5)*(6)*T
11	(Credit received from input service distributor)/(Total Credit taken on input services)			NA	0.05	(3)*(6)*T1
12	Credit taken on inputs/Total Credit taken				0.05	(5)*(6)*T

Total Risk = Sum of (7)

Where V = Value of Taxable Service; T1 = Credit Taken on Input Service; T= Total CENVAT Credit taken

Chapter 3: Automated Scrutiny of Returns

3A Assessee file returns to inform the Department about the amount of duty paid by them in the cash account and the CENVAT account during the assessment period. In addition, the assessee also provides a host of other relevant information. In the ACES project, filing of returns and the subsequent processing of returns would be handled through a centralized computing environment and it would be possible to file returns online. In the case of assessee who already have accounting systems in place for generating these returns in the form prescribed by the government, a facility would be provided to enable uploading of such returns.

3B The ACES project has been assigned to Wipro which is developing an application software in order to automate the process of the preliminary scrutiny of returns. The application software developed by Wipro will create a format which can be used by all assessee who generate returns electronically. This will enable them to upload their returns with ease.

3C The detailed scrutiny of returns would continue to remain manual and would be confined to a few returns selected on the basis of risk parameters drawn from the information furnished by the taxpayer in the ST-3.

3.1 PROCESSES IDENTIFIED IN THE AUTOMATED RETURNS' SCRUTINY IN RESPECT OF ST-3

<i>Process ID</i>	<i>Process name</i>	<i>Brief Description of the process</i>
STX06	Filing of returns	The assessee accesses the Service Tax system using his user ID and clicks on a link to file his return. Certain fields are fed into the form by the system when the form is shown to the assessee. The structure of the form itself is customized based on the business of the assessee. Details pertaining to provisional assessment, finalized orders, refunds, and disputes under resolution are fed from the system. The assessee has an option to file returns for more than one service offered from one office location and for multiple premises as well.

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<i>Process ID</i>	<i>Process name</i>	<i>Brief Description of the process</i>
STX07	Uploading of returns	This process caters to those assesseees who have computerized accounting and reporting systems in place and it would be uploading the ST-3 returns generated by their systems as per the upload format that is made available to such users.
STX08	Processing of returns	Returns, whether filed online or uploaded, would be processed at a specified time of the day. This processing would be taken up as a batch job. The current process describes the checks that the system would make during this processing.
STX09	Review and Correction	There might be certain discrepancies between the figures in the returns filed by the assessee and those computed by the system while processing the returns. These are marked and such returns are not processed unless the discrepancies are resolved. The process of resolving discrepancies is taken up by a Central Excise official in consultation with the assessee.

3.1A The Returns' Scrutiny Module of the ACES seeks to automate the process of checking the return instead of the manual preliminary scrutiny described in Chapter 2. As explained above, the application software throws up two classes of returns: one set of returns for review and correction and another set of returns for detailed scrutiny of assessment, on the basis of the mini risk parameters built into the application software. STX 08 (Processing of returns) might bring to the fore, certain entries in the returns that need to be corrected or at least reviewed by either the officer or the assessee or both. These returns are marked for review, triggering the process detailed in section 3.1.2 below.

3.1.1 Marking an ST-3 Return for Review

<i>Code</i>	<i>Cause for which the return is marked for review</i>
SR01	Cause: Difference between the duty liability figure entered by the assessee and that computed by the system. Explanation: This might be a case of computation error by the assessee or a case where the assessee has chosen a wrong notification or provisional assessment order. A difference could also arise when the assessee selects a notification or provisional assessment order when neither is applicable, or when the system differs with the interest liability figure stated by the assessee.
SR02	Cause: There is insufficient available credit in the deposit account of the assessee (implying that the assessee has attempted to defray more duty than the amount he has paid to the department).

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Code	Cause for which the return is marked for review
	Explanation: This might be on account of an error by the assessee or on account of some TR-6 information not having been reflected in the system— implying that the assessee has paid the amount, but the system has not received this information from the National Securities Depository Limited (NSDL) and thus, the deposit account of the assessee has not been updated.
SR03	Cause: An entry in the remarks column of the return. Any entry here would automatically mark the return for review after it has been processed successfully. Explanation: The status of the return need not change but the fact that an entry has been made in the remarks column should alert a supervising Central Excise official that the return needs to be looked into. The assessee can enter remarks for a variety of reasons—payment of duty under protest or a difference of opinion with the list of notifications the system has, to name a few.
SR04	Cause: The assessee defrays an amount greater than the amount mentioned in a particular source document.
SR05	Cause: The assessee has not mentioned the serial code of a duty head against the TR-6 challan using which he has defrayed arrears under Section 73(3), of the Finance Act, or when he has defrayed his interest liability as applicable while paying the above arrears.
SR06	Cause: Mismatch in the details of the differential duty amount (provisional assessment) mentioned to have been paid in the return, and the figure obtained from the TR-6 challan that is mentioned in the return.
SR07	Cause: Any mismatch in the figures mentioned by the assessee in the section on 'Details of dispute settlement' and the figures as they exist in the system, or as they have been indicated by the assessee elsewhere in the return (cases of provisional assessment and confirmed and unconfirmed demand).

3.1.2 Action to be Taken When an ST-3 Return is Highlighted for Review

3.1.2A For every case, the concerned officer would record the reason why his attention was drawn to the return during the scrutiny, followed by the corresponding observation/ revenue implication etc. in a separate screen provided for this purpose. This screen can be described as the observation sheet. The observation sheet would refer to the return of the assessee (and would thus, have the registration number, name, and other details of the assessee as well). This observation sheet can be kept as a record in case a dispute arises on account of the issues the return raises.

3.1.2B The observation sheet can be marked to the Assistant /Deputy Commissioners who in turn can mark it to the Joint/Additional Commissioners. The officials to whom the records are marked would be selected from the hierarchy chart (workflow) that would be available in the system. Since the observation sheet would have a reference to the return, all officials in the hierarchy would be able to view the return in question. Provisional entries in the running account would need to be finalized as manual entries into the running account of the assessee.

3.1.2C These returns marked for review would have to be validated in consultation with the assessee and returned to the system. Selection of returns for scrutiny of assessment would only be made from the validated returns. Unvalidated returns would remain outside the zone of selection.

3.1.2D Once the issues marked for review have been resolved, the Superintendent of Excise would have to manually record the changes in the returns. Simultaneously, the provisional entries in the running account would need to be finalized as a manual entry into the running account of the assessee.

3.2 SELECTION OF RETURNS FOR DETAILED SCRUTINY THROUGH ACES

3.2A The software being developed for returns' scrutiny under the ACES project will also aid in selecting returns for detailed manual scrutiny on the basis of the following principles:

1. An assessee would be considered risky or not-risky on the basis of his return if a particular parameter has increased or decreased in relation to either the average value of the parameter as recorded in the returns submitted in the fiscal in which the return that is being assessed belongs or the value of the parameter as recorded in the return submitted in the same month of the previous fiscal. The pass condition is, as can be seen, an either-or one.
2. The logic is to select those returns that qualify as risky, based on some or all of these parameters. First, all those returns that have been proven 'risky' on all the parameters listed are picked up. If the list furnishes less than two per cent of the total returns filed during that month, those returns are selected that have been proven 'risky' on all but one of the parameters listed, and so on till the system has five per cent of the total returns submitted during that month available for scrutiny.

3.2B Once these returns are identified, detailed scrutiny of assessment for the selected returns would have to be done by the Range officer as these returns would be flagged by the Division and sent to the Range for detailed scrutiny to ensure correctness of assessment. The guidelines for detailed manual scrutiny of the selected ST-3 returns are outlined in Chapter 4 (also see Annexe 2.3).

Chapter 4: Guidelines for Detailed Scrutiny

4.1 INTRODUCTION

4.1A The guidelines contained in this chapter provide a detailed checklist for carrying out scrutiny of Service Tax returns furnished by the Service Tax assessee. These represent returns selected on the basis of risk parameters. One of the objectives of detailed scrutiny is to validate the information furnished in the ST-3 return through reconciliation with the financial records. Unlike in the case of Central Excise, this cannot be done merely by perusing the sales invoices or the input invoices for CENVAT credit, as Service Tax duty payment is not based on the billed amount but on the amount received as payment. In addition to this, the detailed scrutiny is also designed to ensure correctness of classification, valuation, and availment of CENVAT credit by the Service Tax assessee. This is over and above the preliminary scrutiny which is sought to be automated under the ACES project. The scope of the automated preliminary scrutiny process implemented was discussed in Chapter 2.

4.2 GUIDELINES FOR SELECTION OF RETURNS FOR DETAILED SCRUTINY

4.2A The scrutiny effort has been visualized as a two-stage exercise. In the first stage, preliminary scrutiny is envisaged to cover all returns. This process is sought to be automated under the ACES project and would cover core checks like correctness of the information furnished in the return, arithmetic accuracy of the duty computation, timeliness in filing returns, and timeliness in payment of duty. The second stage is designed to cover not more than two per cent of the total returns. The selection guidelines are therefore, designed to select a small number of returns based on certain risk parameters extracted from the information furnished in the return. It is visualized that the selection process would be centralized and system-based (within the ACES Project). Some of the risk factors are:

- 1) Nature of service;
- 2) Quantum of annual Service Tax payment in cash or through CENVAT;
- 3) Service providers, whose activities are not governed by any third party regulator;
- 4) Significant increase in availment of input Service Tax credit;
- 5) Taxpayers providing both taxable and non-taxable/exempted services;
- 6) Taxpayers showing downward trend of Service Tax revenue;
- 7) Taxpayers who have opted for centralized registration.

4.2B In selecting the returns, the following aspects may be kept in mind by the officer conducting the scrutiny:

- 1) No return of any assessee must be taken up if the unit has been compulsorily audited during the financial year or is proposed to be audited.
- 2) The right to make the final selection of the number of returns to be taken up for scrutiny by each Service Tax Group must be vested with the Joint Commissioner/Additional Commissioner in-charge of the Service Tax Group, who would make an assessment based on available administrative resources.
- 3) The Joint Commissioner/Additional Commissioner could also select some earlier returns of 'stop filers' as this in itself may be an indicator of risk.
- 4) Further, returns of an assessee once selected, must not be normally selected for twelve months unless warranted by local risk factors.

4.3 SCRUTINY GUIDELINES

4.3A One of the important objectives of the returns' scrutiny is to ensure validation of the information furnished in the self-assessed Service Tax return. As Service Tax levy is based on the Service Tax amount received and not on the billed amount given in the sales invoice, validation of the information furnished in the Service Tax return has to be done on the basis of reconciliation with the financial records.

4.3B Broadly, the following information furnished in the Service Tax Return needs to be validated:

- 1) gross Service Tax income represented by the billed amount for all services rendered;
- 2) gross taxable billed amount in respect of the dutiable service rendered;
- 3) gross taxable value for all dutiable services rendered based on payment received; and
- 4) CENVAT credit availed on the input services based on duty paid on payments made.

4.3C As reconciliation with the financial records requires reconciliation on a yearly basis, the scrutiny would involve taking up a set of two half-yearly returns at a time.

4.3D The validation exercise would require reconciling information furnished in the ST-3 with the profit & loss account, the debtors' ledger in respect of payments received from the dutiable service recipients, and the creditors' ledger in respect of payments made to dutiable input service suppliers. In addition to this, the scrutiny exercise must also look at the correctness of assessment with respect to classification, valuation, and CENVAT credit availed.

4.3.1 Features of the Checklist

4.3.1A A checklist has been prepared for carrying out detailed manual scrutiny of selected ST-3 returns (see Annexe 4.1). The checks have been categorized as follows for achieving the stated objectives of:

- 1) reconciliation for validation of the information furnished in the ST-3 return;

- 2) dutiability in respect of services which may have escaped assessment;
- 3) classification;
- 4) valuation; and
- 5) CENVAT availment.

4.3.1B The checklist indicates the documents that need to be scrutinized for each of the stated objectives which have been outlined above. The information required has to be collected from the assessee through requisition rather than through a visit. The indicative list of documents, both financial and non-financial, that may be required to carry out the scrutiny is contained in Annexe 4.2 which also describes the purpose for which the information from the document is required. It is important that only documents which are relevant for scrutiny of returns are called for. The distinction between returns' scrutiny and audit has to be kept in mind and this has been explained in Chapter 1 of this Manual.

4.3.2 Documentation of Findings Flowing from the Scrutiny of Assessment

4.3.2A Scrutiny of Service Tax returns is a statutory function. In order to ensure transparency of the scrutiny, it is important to document the findings flowing from the scrutiny effort. For this purpose, a format of an observation sheet has been prepared and enclosed as Annexe 4.3. The format of the observation sheet bears a one-to-one relationship with the checklist. The scrutiny officer must record his finding under each checklist subject to, dutiability, reconciliation, classification, valuation, and CENVAT. Under each of these heads, the scrutiny officer should record any action that needs to be taken by the Service Tax Division. The findings should clearly outline the process of scrutiny that led to action outcomes. It is also possible that the scrutiny officer comes across some issue which may have to be referred to audit or anti-evasion. These should also be noted in the relevant column given in the observation sheet.

4.3.2B The documentation of scrutiny findings has many advantages. First of all, some of the findings/observations of the Group may have an immediate revenue implication which may warrant issuance of deficiency memo or show-cause notice or cause voluntary payment in terms of Section 73(3) of the Finance Act, 1994. In some other cases, scrutiny may also point to the need for further verification by either audit or anti-evasion. Therefore, documentation of the findings in a structured observation sheet is critical to an effective scrutiny process.

4.3.3 Administrative Arrangements

4.3.3A The list of returns to be taken up for detailed scrutiny would be finalized by the Joint Commissioner/ Additional Commissioner from among the returns listed in descending order of risk by taking into account local risk factors if any.

4.3.3B Detailed scrutiny must be conducted by the Service Tax Group headed by the Superintendent and assisted by a complement of inspectors. The Assistant Commissioner would provide guidance and take action on the scrutiny findings. Before returns' scrutiny is initiated, the assessee must be given prior intimation of at least fifteen days so that necessary information can be compiled and furnished to the Service Tax Group Officer.³

³ A glossary has been prepared and enclosed as Annexe 4.4 to explain some of the key accounting terms which may be of relevance for the scrutiny exercise.

ANNEXE 4.1: CHECKLIST FOR DETAILED MANUAL SCRUTINY OF ST-3 RETURNS

Sr. No.	<i>Scrutiny Activity</i>	<i>Verification Methodology</i>	<i>Observations</i>
<i>(i)</i>	<i>(ii)</i>	<i>(iii)</i>	<i>(iv)</i>
A. GENERAL			
1	Date of filing the return with the Range Officer.	Indicate date.	In case of late filing, initiate action for late filing as per provisions.
2	Date of payment of Service Tax.	Indicate date.	In case of late filing, initiate action for late filing as per provisions.
3	In case of e-filing, (i) Verify the date of filing the return; (ii) Verify the date of receipt by the Group.	Indicate date.	In case of late filing and late payment, initiate necessary action for such non-compliance.
4	Is the assessee a single service unit or a multi-service unit?	Indicate status along with the date of registration.	
5(a)	Has the tax payer opted for provisional assessment by making a special request in writing to the jurisdictional AC/DC giving cogent reasons for payment of Service Tax?	Examine whether tax payer has filed quarterly/half-yearly ST-3 returns (ST-3A in case of provisional assessment) giving details of the difference between the Service Tax deposited and the Service Tax paid for that month.	
5(b)	Were the revised returns filed within the prescribed limit?	If not, was an SCN issued for imposition of penalty?	
6	Has/have any adjudication order(s) been issued or implemented? If so, present status of same may be checked.	Present status of the OIO/OIA (order-in-original/order-in-appeal) may be ascertained. Has compliance with the adjudication orders been made? Is there a revenue implication for the present scrutiny? Has appropriate action been taken to safeguard the revenue?	

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<i>Sr. No.</i>	<i>Scrutiny Activity</i>	<i>Verification Methodology</i>	<i>Observations</i>
<i>(i)</i>	<i>(ii)</i>	<i>(iii)</i>	<i>(iv)</i>
7	Examine if there is any objection by Internal Audit Department or Central Excise Revenue Audit.	Has appropriate action been taken to safeguard the revenue?	
8	Has any return been submitted to third party regulatory authority by the tax payer?	Indicate the name of the regulatory authority and periodicity of the return and obtain a copy of the said return.	
B.	DUTIABILITY		
1	Examine whether the services claimed as non-taxable are genuinely non-taxable.	Call for the declaration of rendered services claimed as non-taxable by the taxpayer. The correctness of the claim may be examined in conjunction with sample sales invoices, agreements / contracts.	In case of any doubt about non-taxability, reference may be made to the AC / DC (Service Tax), for direct referrals to audit / anti-evasion.
2	Determine whether duty liability in terms of Section 66A of Finance Act, 1994 under reverse charge method has been discharged in respect of services received from the service provider located outside India.	Scrutinize the entries on the expenditure side of the Profit & Loss Account to ascertain whether payments have been made in foreign exchange for any service. Call for details of services received from the service provider located outside India and where Service Tax liability has not been discharged under reverse charge. Verify the correctness of the claim of the taxpayer about the services being non-taxable under reverse charge keeping in view the provisions of the Service Tax legislation.	In case of any doubt, a reference may be made to the AC / DC (Service Tax) who may consider referring the case to audit / anti-evasion for detailed examination.
C	CLASSIFICATION		
1	Verify the description of taxable service furnished in the return and verify whether the taxpayer has correctly declared the	Check whether the taxpayer is providing the correct description on the basis of particulars given in the purchase order and in the contract agreement. Verify the correctness of	In case of any doubt, a reference may be made to the AC / DC (Service Tax) for detailed examination.

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Sr. No.	Scrutiny Activity	Verification Methodology	Observations
(i)	(ii)	(iii)	(iv)
	classification of the services provided.	classification of the services provided in conjunction with Board's Circulars/Modus Operandi Circulars and views taken by the jurisdictional adjudicating authorities on the issue.	
2	Examine whether the services claimed as exempted / non-taxable by the taxpayer are genuinely exempted.	Verify the eligibility and entitlement of the exemption notification in the light of Board's Circulars / Modus Operandi Circulars. If required, call for the invoices, product catalogues / literature and description of such services.	In case of any doubt, a reference may be made to the AC / DC (Service Tax) for detailed examination.
3	Examine the correctness of exemption notification being availed by the taxpayer.	Check whether the conditions stipulated in the exemption notification are fulfilled.	In case of any doubt, a reference may be made to the AC / DC (Service Tax) / anti-evasion for detailed examination.
4	Examine the eligibility of the services claimed to be exported by the taxpayer.	Check the correctness of the claim of the taxpayer of treating the rendering of service as export of service in terms of Export of Service Rules, 2005. If required, call for catalogues, contract/ agreement, other documents.	In case of any doubt a reference may be made to the AC / DC (Service Tax) / anti-evasion for detailed examination.
D. RECONCILIATION			
1	Match the gross billed amount on the income side of Profit & Loss Account with both ST-3 returns covering a financial year.	Matching to be made taking both the ST-3 returns and comparing the gross billed amounts provided in the returns with the gross service income declared on the income side of the Profit & Loss Account of the same financial year.	In case of any discrepancy, reasons are to be ascertained from the taxpayer. If the reasons advanced are unsatisfactory, a reference may be made to the AC / DC (Service Tax) for further reference to audit / anti-evasion.

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Sr. No.	Scrutiny Activity	Verification Methodology	Observations
(i)	(ii)	(iii)	(iv)
2	Match the taxable billed amount shown in ST-3 returns with the corresponding entry on the income side of Profit & Loss Account.	<p>Call for break-up of the gross billed amount⁴ shown in Profit & Loss Account in respect of the following categories:</p> <ul style="list-style-type: none"> (i) Dutiable services, (ii) Exempted services (including non-taxable services), (iii) Export services, (iv) Others. <p>Match the taxable billed amount given in (i) above with the information furnished in the two ST-3 returns taken together to cover the entire financial year.</p>	In case of any discrepancy, reasons may be ascertained from the taxpayer. If the explanation provided is unsatisfactory, a reference may be made to the AC / DC (Service Tax) for further reference to audit / anti-evasion.
3	Match the sum of the 'taxable incomes received' in the two ST-3 returns together with the corresponding entry on the income side of the Profit & Loss Account.	<p>Call for the break-up of the opening balance (OB) and closing balance (CB) of sundry debtors⁵ covering receivables as shown in the Profit & Loss Account for the financial year in respect of following categories:</p> <ul style="list-style-type: none"> (i) Dutiable service recipients, (ii) Exempted service recipients, (iii) Export of services recipients, (iv) Other recipients. <p>Calculate the taxable income amount received during the financial year by adding/subtracting the difference between O.B. and C.B. of sundry debtors to the taxable billed amount in respect of Dutiable Services as ascertained in respect of D(2)(i) above. Match the above calculated taxable income amount with the receivable amount furnished in the two ST-3 returns of the same financial year taken together.</p>	In case of any discrepancy, reasons may be ascertained from the taxpayer. If difference persists, a reference may be made to the AC / DC (Service Tax) for further reference to audit / anti-evasion.

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⁴ Normally in the Profit & Loss Account, the figures given in gross income represent total income. Therefore, the break-up of all categories is necessary to conduct reconciliation with the financial records.

⁵ Normally in the Profit & Loss Account the figures of C.B. & O.B. are in respect of all categories of debtors. Therefore, the break-up of all categories is required to facilitate scrutiny.

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Sr. No.	Scrutiny Activity	Verification Methodology	Observations
(i)	(ii)	(iii)	(iv)
4	Match the service income shown on account of export of services in the ST-3 returns with the corresponding entry on the income side of the Profit & Loss Account.	Calculate the service income on amount received on account of export during the financial year by adding the difference between O.B. and C.B. of sundry debtors (pertaining to export recipients) computed from D(3)(iii) to the total billed amount pertaining to export recipient obtained from information furnished at D(2)(ii) above. Match the amount computed in the manner explained above with sum of the 'export service income received' figures shown in both the ST-3 returns of the same financial year taken together.	In case of any discrepancy, reasons may be ascertained from the taxpayer. If difference persists, the reference may be made to the AC / DC (Service Tax) for further reference to audit / anti-evasion.
5	Match the expenditure incurred in foreign exchange on account of receipt of taxable services (as specified in Section 66A of the Finance Act, 1994 under reverse charge) as shown in ST-3 returns with the corresponding entry in Profit & Loss Account.	Call for expenditure incurred in foreign exchange for goods & services received in respect of following categories – (i) Goods, (ii) Services specified under Section 66A, (iii) Other services. Match the expenditure incurred for services specified under Section 66A with the value of taxable service shown in both the ST-3 returns.	In case of any discrepancy, reasons may be ascertained from the taxpayer. If explanation is unsatisfactory, a reference may be made to the AC / DC (Service Tax) for further investigation by audit / anti-evasion.
E. VALUATION			
1	Check the correctness of availment of exemption, Notification no. 12/03-ST dt. 20.06.2003, in respect of services sold along with goods.	In respect of services sold along with the goods, the said notification provides for exemption from payment of Service Tax on value of goods sold if CENVAT credit has not been availed in respect of these inputs. Check if the CENVAT credit has not been availed on the inputs.	If not, ask the taxpayer to pay Service Tax on the value of the goods sold along with the services. Consider applicability of voluntary compliance provisions made under Section 73(3) of the Finance Act, 1994.

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Sr. No.	Scrutiny Activity	Verification Methodology	Observations												
(i)	(ii)	(iii)	(iv)												
2	Examine the eligibility and percentage of abatement claimed.	Examine whether the taxpayer is complying with the conditions of the Notification No. 1/06-ST dt. 1.3.06 (as amended).	If not, ask the taxpayer to pay Service Tax on full / correct amount. Consider applicability of voluntary compliance provisions made under Section 73(3) of the Finance Act, 1994.												
F.	CENVAT														
1	Verify the eligibility of CENVAT credit availed on inputs / input services / capital goods in terms of CENVAT Credit Rules, 2004.	Call for the list of inputs / input services / capital goods from the taxpayer on which CENVAT credit has been availed. Determine whether they have been used for providing output services as provided under CENVAT Credit Rules, 2004.	If not, take remedial measures for reversal / recovery of CENVAT amount wrongly availed on ineligible inputs / inputs services / capital goods.												
2	Match the 'input service credit availed' figure furnished in the ST-3 returns with the corresponding entry of expenditure on purchase of input service shown in the expenditure or purchase in Profit & Loss Account.	<p>Call for the abstract of creditors' ledger in respect of purchase invoices of input services where CENVAT credit has been availed by the taxpayer in the following format:</p> <table border="1" data-bbox="579 1267 1058 1491"> <thead> <tr> <th data-bbox="579 1267 639 1451">O.B.</th> <th data-bbox="639 1267 826 1451">Amount of purchase bills received during the F.Y.</th> <th data-bbox="826 1267 986 1451">Payment made during the F.Y.</th> <th data-bbox="986 1267 1058 1451">C.B.</th> </tr> <tr> <th data-bbox="579 1451 639 1491">1</th> <th data-bbox="639 1451 826 1491">2</th> <th data-bbox="826 1451 986 1491">3</th> <th data-bbox="986 1451 1058 1491">4</th> </tr> </thead> <tbody> <tr> <td data-bbox="579 1491 639 1863"></td> <td data-bbox="639 1491 826 1863"></td> <td data-bbox="826 1491 986 1863"></td> <td data-bbox="986 1491 1058 1863"></td> </tr> </tbody> </table> <p>Calculate the admissible CENVAT credit amount on input services during the financial year by applying the prevailing Service Tax rate to the amount in column 3. Match the above calculated figure with the 'CENVAT credit amount' as shown in both the ST-3 returns of the same financial year taken together.</p>	O.B.	Amount of purchase bills received during the F.Y.	Payment made during the F.Y.	C.B.	1	2	3	4					If not, ascertain the reasons from the taxpayer. If the reasons advanced are unsatisfactory take action for recovery / reversal of the wrong CENVAT availed on input services.
O.B.	Amount of purchase bills received during the F.Y.	Payment made during the F.Y.	C.B.												
1	2	3	4												

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<i>Sr. No.</i>	<i>Scrutiny Activity</i>	<i>Verification Methodology</i>	<i>Observations</i>
<i>(i)</i>	<i>(ii)</i>	<i>(iii)</i>	<i>(iv)</i>
3	Ascertain whether the assessee is providing both dutiable and exempted services and if not, whether he is maintaining separate accounts for receipts and utilization of inputs. In case he is not doing so, then check whether the assessee is reversing an amount in the CENVAT account equivalent to 8% of value of exempted goods/ services in terms of provisions of Rule 6(3) of CENVAT Credit Rules, 2004.	Peruse the ST-3 return to determine the same.	If not, take remedial measures.

ANNEXE 4.2 GUIDELINES FOR SEEKING INFORMATION

The scrutiny of the ST-3 returns for ascertaining the correctness of assessment and reconciling information given in the return will require financial and non-financial information to be recalled from the assessee. This information may have to be obtained only from those taxpayers whose returns have been selected for detailed scrutiny on the basis of approved risk parameters. These may be classified into two categories:

Financial

Information required from financial records and the purpose for which such information is recalled is tabulated below:

<i>Sr. No.</i>	<i>Particulars of documents called for</i>	<i>Reason for which the documents are called for</i>
1	Break-up of gross billed amount in respect of following categories namely, taxable services; non-taxable services; exempted service; export of services, and others.	Reconciliation of gross billed amount shown in the ST 3 return with the amount shown in the Profit & Loss account.

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<i>Sr. No.</i>	<i>Particulars of documents called for</i>	<i>Reason for which the documents are called for</i>
2	Trial-balance or Profit & Loss account	-do-
3	Opening & closing balance of sundry debtors from the trial balance & balance sheet in respect of categories of service providers mentioned at Sr. No. 1 above.	a) To match the taxable service income shown in ST 3 return with financial records. b) Value of abatement claimed. c) To match the service income on account of Export of Service.
4	Details of expenditure incurred in foreign currency from the total expenditure shown in Profit & Loss account in respect of following: a) goods b) services specified in Section 66A of the Finance Act, 1994 and c) other services	To match the expenditure incurred in foreign exchange in respect of taxable services (specified in Section 66A of the Finance Act, 1994) as shown in ST 3 return for verification of payment of Service Tax under reverse charge.
5	Abstract of creditors' ledger in respect of input service invoices where CENVAT credit has been taken.	To reconcile and verify the correctness of the input Service Tax credit availed, as shown in ST 3.

Non-financial

Information required from non-financial records and the purpose for which such information is recalled is tabulated below:-

<i>Sr. No.</i>	<i>Particulars of documents called for</i>	<i>Reason for which the documents are called for</i>
1	Copies of catalogues, contract, and agreement or MOU, in case of non-taxable / exempt income.	a) To examine the eligibility of the services claimed to be exported or otherwise; b) To examine the eligibility of the services claimed to be non-taxable or otherwise.
2	List of inputs / inputs services / capital goods on which CENVAT Credit has been availed.	a) To examine the eligibility of the CENVAT credit availed on inputs / input services / capital goods. b) To examine whether they have been used in providing output services as provided under CENVAT Credit Rules, 2004.

ANNEXE 4.3 OBSERVATION SHEET FOR DOCUMENTING SCRUTINY FINDINGS

To be filled by the Superintendent, Service Tax, and countersigned by the AC / DC.

Reasons for selection of S.T. 3 Returns of M/s..... for scrutiny.

An illustrative list of reasons is given below. If the reasons are other than those below, please specify in detail.

- Nature of service.
- Quantum of annual Service Tax payment in cash or through CENVAT.
- Service providers, whose activities are not governed by any third party regulator.
- Assesseees showing significant increase in availment of input Service Tax credit.
- Tax payers providing both taxable and non-taxable / exempted services.
- Tax payers showing downward trend of Service Tax revenue.
- Tax payers who have opted for centralized registration.

The outcome of the verification done by the officer with respect to the items mentioned in the check-list may be recorded in the following categories as action points.

- Dutiability
- Classification
- Reconciliation
- Valuation
- CENVAT

The officer may finally highlight any point which can be referred to audit / anti-evasion as an outcome of the scrutiny process and reasons thereof.