

## Crackdown on VAT defaulters under Delhi VAT

### **Introduction:**

The introduction of form DS-2, few months back, was an important step taken by the Government of Delhi to curb the practice adopted by some tax evaders. Last year, i.e. in 2015, collection Delhi VAT was 40% short of the annual target of INR 24,000 crores despite introduction of form DS-2 which contains the information about goods, the applicable rate of tax and the destination(s).

Usually every year VAT Department officials would conduct raids and searches during the last few months of the financial year. While this is a common practise being followed, such raids and searches cause hardship to the honest taxpayers in the city. But, unfortunately the State Government was not left with a choice considering the fact that Delhi is a consumption State with trading hubs such as Chandani Chowk, the state still continuous to fail achieving the annual targets.

In the recent times, the Government of Delhi has added a new method to curb the malpractice adopted by certain tax evaders. The Police along with the VAT Officials have started inspecting vehicles at almost every entry points.

As per a news published in Times of India, more than 10,000 vehicles were inspected in December 2015 which resulted in raising more than INR 50,000, as penalties in 783 cases. The penalties were levied under Section 86 and various Sub-Sections for not carrying the desired documents like form DS-2, GR Copies and other relevant documents. The department started installing number plate reading cameras at various entry points in Delhi which will capture the information of various number plates and send it to the department's server. Such information could help them in detecting such cases where form DS-2 was not filed.

In the last three months of the year 2015, there were 539 vehicles detained and tax amount of more than INR 3 Crores was realized from such vehicles which were transporting goods illegally.

### **Penalty Provisions under Delhi VAT:**

- Two types of penalties can be levied on erring dealers for not carrying proper documents as per recent notification from the department.
  1. A residual penalty of up to INR 50,000 can be levied under Section 86(19) for not carrying complete documents, and
  2. Another penalty can be levied which will be equal to 20% of value of goods.
- Section 3 of Delhi VAT makes transporters deemed dealer if they are not able to explain the source and destination of goods.
- The goods will be assumed to be related to transporters and penalty and taxes will be recovered accordingly.

### **What are the proper documents?**

The Government has also specified few documents which are necessary to prevent unnecessary challenges.

The owner, driver or person in charge of a vehicle used for transporting goods, shall carry with him such documents as prescribed by the department and need to produce the same before any officer authorised for such purposes by the Commissioner. As per rule 43(1) of VAT rules following important documents need to be carried by the transporter along with the goods:

1. Goods transport receipt in form DVAT32 (GR must contain all the particulars of DVAT Section 32);
2. Sale invoice or delivery note in form DVAT33;
3. Export declaration in form DVAT34 (Yet to be notified by the commissioner);
4. Import declaration in form DVAT35 (Yet to be notified by the commissioner);

5. Transit slip in form DVAT-35A if goods are intended to be transit through Delhi (Yet to be notified by the commissioner).
6. Form DS-2 hard copy or soft copy as the case may be. (Notified by the commissioner vide notification dated 08-01-2016)

**Conclusion:**

The Delhi VAT department could collect INR 14,720 Crores till first week of January 2016. This means, the department would need to collect the balance 9280 crores within the next 2-3 months. The raids and searches are being carried on full-fledged by department and interception of vehicles has grown manifold.

Recently, the department has impounded 250 cases of tax evasion. INR 2 Crores has been collected as penalties from people held guilty as per these cases.

Every year, huge amount of liquor, gutka, auto parts and ready-made garments are imported into Delhi without proper documents. The dealers must take into account the important documents which need to be carried with the goods along with form DS-2, which is mandatory for all dealers irrespective of their turnover.