ANNEXURE – ST-IV

RATIO ANALYSIS OF DATABASE

Source Documents	**Utility of the Ratios in Service Tax Audit and manner of use**	**Nature of Ratio / Method of calculation**
1. Profit & Loss Account; 2. Income & Expenditure Account (in case of non profit organisations like clubs); and 3. ST-3 return	Compare the ratio over a period of 3-4 years. If the ratio is increasing there is possibility of the following irregularities:- i) Rendering of unaccounted output services. ii) Undervaluation of output services. iii) Diversion of output service income into non-taxable services income. Compare this ratio (A) with (B) If ratio B is greater than ratio A, then there is a possibility of wrong availment of credit either due to calculation mistake or availment of credit on input services being not used properly in output services.	Major input service cost **:** Value of Taxable Service (say A) *Credit availed: Total Service Tax payable* (say B)
1. Profit & Loss Account; 2. Income & Expenditure Account (in case of non profit organisations like clubs); and 3. ST-3 return	Compare the ratio over a period of 3-4 years or with the Assessees/Taxpayers rendering the same services. If the ratio is increasing over a period of time or it is more when compared to other service providers, then there is a possibility of under valuation by showing output service income as non taxable / exempted service income.	Other incomes not charged to Service Tax **:** Value of taxable services
Balance Sheet	A comparison of this ratio with the rate of growth of the value of taxable service during the year may be useful in verifying whether the value of taxable service has been correctly declared. It is particularly to be checked in cases where the additions to plant & machinery / fixed assets directly impact the volume of sales.	Additions to plant and machinery / fixed assets during the year **:** Total value of assets at the beginning of the year
Tax Payer Profile; ST 3 return	Compare the ratio over a period of 3-4 years. If the ratio is increasing there is the possibility of the following irregularities:- (a) Rendering of unaccounted output services; (b) Under valuation of output services; (c) Showing output service income as non taxable services income. (d) Inflation of input service credit.	Amount of credit availed on input services **:** Total Service Tax liability
1. Profit & Loss Account; and 2. Income & Expenditure Account (in case of non profit organisations like clubs)	Compare this ratio over a period of 3-4 years or with the Assessees/Taxpayers rendering similar services. If the ratio is increasing over a period of time or if the ratio of the Assessee/Taxpayer is more than other service providers in the same industry, then there is a possibility of rendering of unaccounted output service or undervaluation of all the services. This ratio may be useful where consumables, fuel or power consumption are having relationship with the rendering of output services. This ratio may be used along with the ratio A, namely, Major input service cost **:** Value of taxable services, as discussed in first case above.	Consumables / Fuel value **:** Value of taxable services
Taxpayer Master File	i) To identify wrong availment of CENVAT credit ii) To identify under valuation of services as value-addition should involve adequate difference between the	Input CENVAT Credit **(A) :** Total duty payment (Account Current + Cenvat

	two. iii) To identify removal of goods without payment of duty. iv) To identify claiming of CENVAT credit on inputs used in exempted products.	Credit)**(B)** = **(A)/(B)**
Balance Sheet & ST-3 Return.	i) Addition to the Plant & Machinery is available from the Fixed Assets Schedule enclosed to the Balance sheet. ii) If this ratio is significantly higher than the ratio of 50% of the rate of duty on Capital Goods (Presently 12.5%):100, it may indicate wrong availment of credit. (This ratio needs to be verified at the time of audit because at the Desk Review stage the amount of CENVAT credit on Capital Goods purchased during the year may not be available as total credit availed will be inclusive of balance 50% credit of capital goods purchased in the previous year).	CENVAT availed on Capital Goods purchased during the year **:** Addition to Plant & Machinery
Profit & Loss Account.	If this ratio is higher than previous period, it may be on account of the following: a) Under valuation of services by non-inclusion of other incomes b) Service Tax liability on Other Income	Other Income: Sales