

ANNEXURE - ST - VIII

WORKING PAPERS

Date of Preparation _____

W/P No. _____

I. GENERAL:

- a) Name of the Tax payer :
- b) Address :
- c) Service Tax Registration No.
- d) Whether Audit conducted in integrated manner
(If Yes)

CE Registration No. : _____

Customs registration No. (BIN No.) & IEC for OSPCA : _____

- e) Period covered in Present Audit :
- f) DATE OF AUDIT :
- g) DATE OF SUBMISSION OF AUDIT REPORT :
- h) DRAFT AUDIT REPORT NO. :
- i) DETAILS OF THE AUDIT GROUP :

S. No.	Name of the officer	Designation

- j) Whether the tax payer is also registered for ISD:
- k) Major audit objections in earlier IAD reports along with their current status

FAR No.	Date of audit		Para No	Issue and compliance
	From	to		

- l) Major CERA Observations in the past along-with their current status:

CERA REF. NO. & DATE	Date of audit		Para No	Issue and compliance
	From	to		

- m) Details of Anti Evasion Cases along with their current status: (as per information available in master file)

Executive Commissionerate Ref. No. and dated	Issue	compliance

II. NATURE OF BUSINESS OPERATION OF THE TAX PAYER

A. Details of Services, their classification and Board Circulars, DGST Circulars, Clarifications or Modus Operandi Circulars.

Sl No	Classification of Service	As Provider or Receiver of Service ?	Date of taking registration	Instruction No. & Date and issued by	Gist of Instruction	Observations

B. Brief details of Service Wise taxes paid for the last five years (For Major Four Services only) [Rs in lakhs]

a) Name of Service :

Year	Taxable Value	Tax Payable

b) Name of Service :

Year	Taxable Value	Tax Payable

c) Name of Service :

Year	Taxable Value	Tax Payable

d) Name of Service :

Year	Taxable Value	Tax Payable

C. Brief details of taxes paid for the last five years and the current year(All taxes)

Year	Value of Taxable Services	Total Service Tax paid	Service Tax Paid-Cash	Service Tax paid -Cenvat	% of Cenvat

III. DESK REVIEW AND AUDIT PLAN:

A. RECORDS EXAMINED:

A standard list of records have been called for from the assessee vide letter dated : _____. The following are the list of records received and examined:

- a)
- b)
- c)

B. RATIO ANALYSIS:

Work out some of the important financial ratios over a period of time. Mention the important indicators, which require to be included in the Audit Plan.

The results of Ratio analysis may be summarised in the following table.

	RATIO	2012-13	2013-14	2014-15
(a)	Major input service cost : Value of service			
(b)	Total Credit availed : Total Service Tax payable			
(c)	Other incomes charge to Service Tax : Value of taxable services			
(d)	Additions to plant and machinery/ fixed assets during the year : Total value of assets at the beginning of the year			
(e)	Amount of credit availed on input services : Total service Tax liability			
(f)	Consumables/ fuel value: Value of taxable services.			

C. TREND ANALYSIS:

Work out trends of the following over a period of five years.

	TREND	2012-13	2013-14	2014-15
(a)	Service Tax collection			
(b)	Service tax of a particular service vis-a-vis overall growth of that industry.			

(c)	Trend in proportion of value of exempted services to the total value of services.			
(d)	Sales Value Services rendered			
(e)	Gross Operating Profit			
(f)	Export Clearance			
(g)	Value of Services undertaken on sub-contract			
(h)	Total Service Tax paid			

D. CENVAT CREDIT ANALYSIS : (Rs in lakhs) for the last five years

Subject/ Year					
Opening Balance					
Credit availed on Input					
Credit availed on Capital Goods					
Credit availed on Input services					
Total credit availed					
Credit utilised for payment of tax					
Credit utilised for Rule 6(3) CCR					
Closing Balance					

E. ANNUAL TURNOVER VIS-A-VIS SERVICE TAX PAID:

Brief details of the annual turnover and the Service Tax paid for the last five years and the current year (Only Income side to be mentioned, and as regards Value and Taxes, they refer to only output services- Reverse charge taxes not to be mentioned) (Rs in lakhs):

Year	Turnover as per P&L A/c or Trial Balance	Income on interest/FDs etc	Value of Taxable Services	Total Service Tax paid	Service Tax Paid-Cash	Service Tax paid -Cenvat	% of Cenvat

F. ASSOCIATE OF ENTERPRISES:

i	Does the assessee have an associated Enterprise as defined in Section 65B(13) of Chapter V of the Finance Act, 1994	
ii	If yes, then provide details	

S.No.	Name	PAN	Address	Type of relationship	Details of transaction, if any

G. ANNUAL EXPENDITURE (IN INDIAN RUPEES) VIS-A-VIS SERVICE TAX PAID UNDERSE REVERSE CHARGE:

Brief details of the annual expenditure and the Service Tax paid for the last five years and the current year (Only Expenditure to be mentioned, and as regards Value and Taxes, they refer to only taxes payable under reverse charge - except in case of import of services) [Rs in lakhs]

Year	Expenditure and per P/L statement pertaining to reverse charge items	Value of Taxable Services	Total Service Tax paid	Service Tax Payable - Cash

H. ANNUAL EXPENDITURE OF FOREIGN CURRENCY VIS-A-VIS SERVICE TAX PAID UNDERSE REVERSE CHARGE:

Brief details of the expenditure in foreign currency and the Service Tax paid for the last five years and the current year(Only Expenditure to be mentioned in relation to import of services) [Rs in lakhs]

Year	Expenditure as per P/L statement and Noes to Accounts(Foreign currency) and connected to Services only	Value of Taxable Services	Total Service Tax payable	Service Tax Payable-Cash

I. Brief details of Service Wise Exports, turnover of non-taxable services and exempted services for the last five years:

Year	Description of Service	Value of Exports	Value of Services provided in non-taxable territory and non-taxable services as per Section 66D.					Exempted services.	
			Provided in J&K	Out of India	Considered as exports as per Rule 6A of ST Rules, 1994	Non-taxable service as per Section 66D	Entry No. in Section 66D	Value	Details of exemption Notification

J. Brief details of Service Wise Abatements Claimed for the last five years: [Rs in lakhs]

Year	Classification of Service	Taxable Value	Amount claimed as abatemet	% of abatement claimed	Auditor's comments on the eligibility.

K. Brief details of Service Wise Pure Agent benefit Claimed for the last five years: [Rs in lakhs]

Year	Classification of Service	Taxable Value	Amount claimed as Pure Agent	% of Pure agent amount claimed	Auditor's comments on the eligibility.

L. In case the unit is registered as ISD also, give the details of credit availed and distributed: [Rs in lakhs]

Year	Credit taken	Credit not eligible for distribution	Credit distributed	Closing Balance of credit

M. Analysis of data of ST-3 Returns filed.

Observations of the group (for each year of the audit period) particularly whether the amount of service tax calculated and paid correctly, Delay in filing of returns, Late payment of tax etc.

(Rs in lakhs)

Year	Total Tax payable	Paid by Cash	Paid using Cenvat	Total Tax paid	Tax short paid	Auditor's observations on delayed filing of returns, late payment of tax etc.

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N. RISK LOSS ANALYSIS

1. Service Tax payment validation :

a). Service Tax payable as per Service Tax account in the Sales Account of the General Ledger = PLA payment.

b). Service Tax paid as per tax returns = PLA

c). Difference if any =

2. Sales Income and Service Tax payment :

(a). Estimated sales value calculated from service tax payment particulars =

(b). Estimated value of sales as per Sales Account =

(c) Estimated sales value as per 3CD =

(d) Difference if any

3. Purchase of Input Services and Cenvat tax availment :

Estimate taxable input services from purchase account and apply the rate of tax to determine the CENVAT credit that should have been availed on inputs and compare it with CENVAT availment reported in service tax return

4. Expenditure Account : Whether recoveries are made under various expenditure heads. If so, indicate the nature of such recoveries.

5. Whether services has any third party regulator. If so, name the regulator. Enclose copy of return submitted to third party regulator.

O. AUDIT PLAN:

Date of Preparation _____

Audit Plan approved by _____

The Audit Plan must be based on the issues identified in the previous steps as to be verified during the conduct of audit and must be specific and may be in the following format (may be included any other specific issues also that may emerge from Desk Review):

Sr. No.	Subject	Specific Issue	Source document	Field Document	Coverage Period	Select ion Criteria
1	Scrutiny of Returns	Timely filing of returns				
		Timely payment of Tax				
		Any short payment of tax as per declaration made in the returns				
2	Classification	Whether classification of the service and use minor code in GAR Challan is appropriate ?	Important contracts, invoices, purchase orders issued by the clients			
		Exempted Services – Check eligibility to Notifications	Relevant notifications, Relevant contracts, invoices, purchase orders issued by the clients			
		Any abatement claimed ?	Relevant notifications, Relevant contracts, invoices, purchase orders issued by the clients			
		Non Taxable services	Relevant notifications, Relevant contracts, invoices, purchase orders issued by the clients			
		Any receipts claimed as not a “Service” at all ?	Relevant invoices, purchase orders placed by the client, JVs			
3	Valuation	Issue relating to Reimbursements, FOC, etc.				
4	PoT	Payment of ST at the time of receipt of Advances				
		Transactions with Associated Enterprises				
5	Reverse Charge	Import of Services				
		Domestic (Partial) Reverse Charge				
6	Cenvat	Eligibility as input service ?				
		CENVAT admissibility and Rule 6(3)				
		Short receipt/removal of inputs				
		Short receipt of input services				
		Rule 4(7) of CCR				
7	Other issues	Admissibility of coverage under Works Contract Services				
		Reconciliation between ST Returns and P&L A/C / TB				
		Any Other issue				

IV. CONDUCT OF AUDIT :

A. Gathering of information about the tax payer:

While visiting the business premises of the tax payer, the auditor shall invariably gather the information as detailed in the Annexure – IV and the results thereof and any fresh/ additional points identified for verification be recorded hereunder:

B. Evaluation of internal controls (Walkthrough and ABC analysis):

a. Perform a walkthrough for the Records maintained. Trace a sample of transactions (all types, including those on Credit) from source documents through to Service Tax account.

b. Perform a walkthrough of the purchase system (including capital assets). Trace a sample of transactions, of all types, including Credits. Examine specifically system for purchase, rejection, short supply etc.

c. Perform a walkthrough of any other system (eg. Stores Journal Entries, CENVAT accounting etc.) Trace a sample of transactions of all types.

d. Perform a walkthrough of the process of compiling service tax return, tracing from the tax return amounts backwards through to their sources. Check services provided as per relevant account in ledger with value shown in the return.

e. Evaluate the soundness of level of Internal Control of each of the following areas/sub-systems and grade them as good, acceptable or poor in the following format:

In case quantum of data/information to be analyzed is voluminous, apply ABC analysis.

Name of area/sub system	Grade (good/acceptable/poor)	Problem areas if any
Services / sales.		
Tax Accounting.		

Posting to General Ledger and Journals (specially of high value transactions).		
Recording of invoice.		
Recording of cash sales and purchases.		
Credit/debit and their documentation.		
Other expenditures.		
Recording of and availment of CENVAT credit.		
Account adjustments.		
Others		

C. Carry out verification as per Audit plan:

The result of verification of each of the issues should be mentioned in the format below, whether or not there is any detection of discrepancy/audit point. The verification reports in respect of issues verified which was not part of original Audit Plan but verified later should also be mentioned at the end.

Proforma of a Verification Report

V.R. NO

DATE

1. Name of the auditor verifying the issue:
2. Issue involved in brief:
3. Ref. No. of the Audit Plan:
4. Documents verified:
5. Brief account of the process and extent of verification:
6. Auditor's observation and conclusion in brief:
7. Quantification of revenue involved, if any (also give the calculation sheet):
8. Documents relied upon to support the conclusion:
9. Party's agreement : Yes/No
10. If yes : In writing/Oral
11. Amount of recovery, if any :

Signature of the auditor

Supervisor's remarks and signature.

V. POST VERIFICATION

(to be filled up before leaving the tax payer's premises)

Date of Preparation _____

- A.** Indicate information provided and specific actions suggested to the assessee to improve future compliance. Where the assessee is in agreement with the suggestions, request a commitment in writing and include it in the Audit Report. If the assessee is unwilling to give a written undertaking, obtain a verbal commitment. Mention results.

B. SUMMARY OF AUDIT RESULTS

Provide an outline of all objections, which involve short/non levy of duty, amounts, irregular availment/utilization of credit and non-payment of interest due. Details of objections of technical/procedural in nature without involving revenue/credit/interests/amounts should also be mentioned. Indicate whether the taxpayer has agreed to the objections and if so, has made spot payment (if so details thereof). The summarised objections are to be uploaded in the audit utility and a draft audit report is to be generated for discussion during the Monitoring Committee Meeting.

Place: (Auditor) Name and designation,

Group No.

Date: