

Circular No. 2/2014
[Roc. No. Taxation Cell/2316/2014]

Office of the Principal Secretary &
 Commissioner of Commercial Taxes,
 Chepauk, Chennai – 600 005.

Dated 28.01.2014

CIRCULAR

Sub: TN VAT Act, 2006 – Issue of Registration Certificate to the dealers
 – Certain instructions issued earlier – Revised instructions- Issued
 – Regarding.

- Ref.**
1. This Office VAT Cell Circular No.10/2007 dated 22.01.2007
 2. This Office Circular No.6/2007 (SMR) Q3/33134/2007 dated 13 12.2007.
 3. This Office Lr. No. VAT CELL/11618/2010/A1 dated 05.04.2010
 4. This Office Circular No.18/2010 Q3/35610/2010 dated 28.09.2010
 5. This Office Circular No.11/2011 Acts Cell –VI/9049/2011 dated 22.03.2011.
 6. This Office Circular No.11/2011 Acts Cell –VI/9049/2011 dated 28.09.2011

Attention is invited to the circulars cited above issued with reference to the procedure to be followed for issuing new registration certificate under TNVAT Act, 2006. As per the existing procedure laid down in circulars 5th & 6th read above, the registering authority should forward the application for new registration of a business in respect of six evasion prone commodities, **viz., Electrical goods, Iron & Steel, Tiles & Marbles, Timber, Edible oil and Granite** to Enforcement Wing Authorities for pre-inspection of the business premises of the proposed business and to report about the genuineness of the applicant and the proposed business. For dealers dealing in other goods, no such pre-inspection is currently required to be done either by registering authority or Enforcement wing.

2. There are no provisions in TNVAT Act or Rules to the effect that a registered dealer should not deal in goods other than declared in the application for registration. Past experience has proved that issue of registration certificate without pre-verification of the genuineness of the applicant has resulted in the menace of exorbitant or false claim of Input tax credit and non-payment of tax even at the stage of first sales in the VAT chain. This tax evasion method is practiced with the aid of bills issued by bill traders and non-existent bogus dealers. In order to curb the indiscreet issue of registration certificate and consequent tax evasion, it is felt that pre-inspection of places of business on application for new registration to ascertain the genuineness of the applicant is essential in respect of all the commodities.

3. **A comprehensive circular, covering all the aspects, pertaining to pre-registration inspection in the declared place of business and related enquiry of the details furnished in the application for registration and post registration monitoring of filing returns by the newly registered dealers is now issued in supersession to all the above circulars so far issued in this regard. The guidelines in this regard are as follows.**

A. PRE-REGISTRATION VERIFICATION & ENQUIRY:

4. Hereinafter, the Registering Authorities should ensure that all the new registration certificates under TNVAT Act and branch/godown certificates for the existing registered dealers should be issued only after satisfying with the genuineness of the applicant and correctness of the applicant doing business at the declared place of business by inspecting the place of business prior to the issue of Registration Certificate and making further necessary enquiry by the registering authority. Registering Authorities are instructed to follow pre-verification procedures as detailed below:

- (a) Applicants shall be given an acknowledgement slip after registering them in the Registration Certificate application register.
- (b) Every action from the date of receipt of application for new registration till issuing Registration Certificate should be time bounded. Every application should be dealt on a first come first serve basis as per date of registration in the Registration Certificate application register. *(Manual Register till online system comes into force)*
- (c) Every application for new registration should be subjected to scrutiny for completeness of the details to be furnished in the application and the documents to be accompanied the application.
- (d) After such scrutiny, if the application is found to be complete in respect of all the particulars furnished therein and the documents of proof accompanied, the applicant should be informed about the date and time for pre-inspection and enquiry to be conducted.
- (e) Assigning the date and time for pre-inspection should be in such a manner to complete the pre-inspection and such enquiry within a week from the date of receipt of application.
- (f) The pre-inspection and enquiry should be done with reference to the particulars furnished in the application and the documents of proof accompanied the application so as to ascertain their correctness and genuineness.
- (g) Enquiries shall be made from the landlord or the estate owner of the building wherein the proposed business is located to ascertain, “whether actually the rental or lease agreement has been executed on mutual consent”, if the business place is occupied by the dealer-applicant on Rental or Lease agreement and a statement should be recorded from the owner.
- (h) In case of own buildings, local enquiries shall be made with reference to the documents of proof about the ownership of the proposed business premises by the dealer-applicant, if copies of such documents have accompanied the application for registration and a statement should be recorded.

- (i) Online verification of the personal identity of the applicant and his residential address shall be made as follows:
- (i) Personal Bank Savings Accounts with Photo ID can be also proof of identity and residence. The veracity can be checked by making a telephone call to the bank.
 - (ii) If ID happens to be the driving license, the correctness may be verified in the web site of the Department of Transports.
 - (iii) If ID happens to be the PAN card, the correctness may be verified with the web site of Income tax Department. (www.incometaxindiaefiling.gov.in & Go to know your PAN)
 - (iv) If ID happens to be the Adhar Card, necessary verification may be done with the Adhar website. www.uidai.gov.in [will be tied up shortly with Unique Identification Authority of India (UIDAI)]
 - (v) If ID happens to be the Voter Identity, the same may be verified with the voters' list available online in Elections Department (www.elections.tn.gov.in)
- (j) The applicant-dealer if happens to be the exporter of the goods outside the country or importer of the goods from other countries, necessary verification to be made with reference to his or their "IE Code" in the web site of Department of Foreign Trade. (www.icegate.gov.in/iecode_status.html)
- (k) On pre-inspection in the place of business, the fitness of the place for the proposed business should be ascertained, with reference to the facility or area for keeping the stock of goods.
- (l) The *locus standi* and the *bona fide* of the dealer-applicant, his/her/their financial solvency and capital investment and the antecedents of the dealer applicant with the Department should be ascertained and recorded.
- (m) The dealer-applicant's interest or share in other lines of business or in other business concerns in the same line of business proposed to commence or commenced should also be ascertained.
- (n) It is also to be necessarily ascertained, whether the proposed business is under the Licence or Certificates under other Central or State Acts in force as issued by the Department concerned. (For example: Central Excise Registration Certificate in the case of manufacturers of excisable commodities, The Trade or Profession License issued by Local Authority, Explosives License issued by Department of Explosives, Fertilizer Distribution Certificate as issued by Department of Agriculture and alike)

- (o) The Bank Account details, (both personal savings bank account and business current account) and the details relating to the term deposits in Banks and post office savings bank, both in the names of persons connected with business and in the name of business should also be enquired.
- (p) Necessary enquiries should also be made from the dealers referred by the applicant-dealer, regarding their relationship with the applicant-dealer, the extent of their knowledge about the applicant dealer etc.,

5. Thus, for every registration certificate issued, the Registering Authority is to vouch for the authenticity of the applicant. The process of pre-registration inspection in the declared place of business and related inquiry into the details furnished in the application for registration should be recorded in the Check-list appended with this circular and authenticated by the dealer-applicant or his/her/their representative or legal assignee. **The process of pre- registration inspection and enquiry should be completed in normal circumstances within a fortnight from the date of receipt of application for registration.**

6. The Registering authority, if satisfied with the results of pre-inspection and enquiry, that the details furnished in the application and the documents accompanied the application are correct and genuine, shall assign the Tax Payer Identification Number” and then issue the Registration Certificate in Form “D” super scribing the “TIN” so assigned on it. The Registration Certificate should be sent to the dealer-applicant only through “Registered Post with Acknowledgment Due”. **As already instructed, the Registration Certificate should not be handed over in person to the applicant dealer or to any representative there for.**

7. If the Registering authority finds, as the result of pre-inspection and enquiry, that certain details furnished in the application are incorrect and the documents accompanied are false or the proposed place of business is found to be not fit enough to store the goods on comparison with the proposed volume of working capital, shall reject the application to the applicant-dealer directing him/her/them to rectify the mistakes or errors and to resubmit the application within such time, especially a week, from the date of receipt of the rejection notice. On resubmission after rectifying the defects pointed out, the process of registration shall be continued to assign TIN and issue Certificate of Registration.

8. If there is good and sufficient reason for summary rejection, the application may be rejected by way of a speaking order, after giving reasonable opportunity to the applicant of being heard. However, the Registering Authorities are instructed that they should ensure that this procedure does not lead to harassment of genuine dealers and the registering authority should not give any room for any kind of complaint in this regard; and if any such complaints turn out to be true after enquiry, the officer concerned will be dealt with severely.

9. All the processes of registering a new business to the files of Department, starting with the pre-inspection in the declared place of business and enquiry in respect of the details furnished in the application to assigning the TIN and issuing and serving the Registration Certificate bearing the assigned TIN should be completed within the statutory time limit of 30 days from the date of receipt of

application. No case should be made to be deemed to have been registered, by ensuring all the processes are completed within the stipulated 30 days.

10. Regarding security deposit, Rule 5 of the TNVAT Rules 2007 shall be followed. No security deposit should be demanded from the applicant-dealer who applies for new registration. At the same time, the Registering Authorities are at their liberty to demand earnest security in any form as contemplated under clauses (a) to (d) of Rule 5 of TNVAT Rules, 2007, in the case of registration of business concerns in the line of evasion prone commodities, like **Electrical goods, Iron & Steel, Ceramic Tiles, Marble and Granite, Timber, Edible Oil & Oil Seeds and Raw Rubber** in order to ensure proper realization of tax. The quantum of such security in term deposits in banks or NSC or Postal Savings Bank Deposit should not exceed 50 percent of the tax due and payable on the reasonable estimate of the taxable turnover for a year.

11. The Registering Authorities should issue a memorandum along with the Certificate of Registration, to every newly registered dealer directing them to file return either in Form "K" or Form "L" or in Form "I" or Form "J" based on their option to pay tax respectively under Section 3(2) read with sec. 3(3) or under section 3(4) of the TNVAT Act. 2006.

B. POST REGISTRATION MONITORING AND VERIFICATION:

12. In respect of every newly registered dealer, especially, in taxable goods, the Registering Authority or the Assessing Authority concerned should monitor closely, as to whether every newly registered dealer in taxable goods is filing the return for every month either in Form "K" or in Form "I" or in Form "L" as the case may be", from the month following registration. It is to inculcate the behaviour of filing monthly return in every newly registered dealer in taxable goods. The newly registered dealers who are found to be not prompt in filing monthly returns and paying the monthly tax dues or filing "NIL" returns continuously for more than 3 or 4 months, such dealers may be referred to Enforcement Wing for re-verification so as to ascertain whether the business is alive and actually being carried on in the declared place of business or not. The Enforcement Authority concerned should cause re-verification in the place of business and report the results to the Registering authority **within a fortnight** from the date of receipt of the reference from Registering Authority.

13. The Enforcement Authority may recommend for cancellation of the Registration Certificate of the dealers, in respect of whom, it is found at the time of re-verification, that,

- (i) the place of business is found closed and the dealer is not available there in the declared place of business and/or in the declared residential address; or
- (ii) the door is found locked continuously and the dealers is not able to be traceable; and
- (iii) the enquiry further in the neighbourhood reveals that the declared place of business is being locked continuously for months together and no business is being carried on there.

On the basis of the findings and recommendations of the Enforcement Authority, the Registering Authority may proceed further to cancel the Registration Certificate after providing the dealers the reasonable opportunity of being heard. The cancellation order shall be posted to the online system on same day to prevent any further wrongful Input Tax Credit claims.

C. SUPERVISION:

14. The Territorial Joint Commissioners and Deputy Commissioners should monitor closely the pre-registration verification and enquiry in respect of the applications for new registration. They should ensure that this process of pre-registration inspection and related enquiry is being properly carried out by the Registering Authorities and their aides in their respective jurisdictions, without giving any room for complaints.

15. The Enforcement Joint Commissioners and Deputy Commissioners should monitor closely the process of post-registration re-verification in the declared place of business in respect of the dealers referred by the Registering Authorities for re-verification. They should ensure that the process of re-verification in the referred cases is being properly carried out with result orientation and completed within the time limit prescribed in this circular.

16. The receipt of this circular should be acknowledged by e-mail by all Joint Commissioners of both territorial and enforcement wings. All Territorial joint Commissioners should get such acknowledgement from the Heads of Assessment circles under their control. All Enforcement Joint Commissioners should get similar acknowledgements from the Deputy Commissioners and Assistant Commissioners of enforcement under their control.

Sd.. K.Rajaraman.
Principal Secretary &
Commissioner of Commercial Taxes

// Forwarded / By Order//

Copy Submitted to the Secretary, Commercial Taxes and Registration Department,
Fort St.George, Chennai – 600 009.

Copy Submitted to the Principal Secretary/Commissioner of Commercial Taxes,
Chepauk, Chennai-600 005.

To

All the Registering Authorities through the Joint Commissioner /
Deputy Commissioners,

Copy to : -

1. All Additional Commissioners (PR) ,(RP),Audit,& SMR,
2. The Joint Commissioner (CT), Chennai (North),Central, East,South
3. All Deputy Commissioner (Territorial) and Enforcement including ISIC
4. All the Assistant Commissioners (Territorial) and Enforcement

5. All the Joint Commissioners and Deputy Commissioners in the Office of the Commissioners of Commercial Taxes.

Sd/-R.Vaayanaperumal,
Additional Commissioner (CT),
Taxation.

NEW REGISTRATION – CHECK LIST

1.	(a) Date of Receipt Application				
	(b) Date of notification of the pre-registration inspection				
	(c) Date of pre-registration inspection				
2. (a)	Name of the Applicant Dealer				
(b)	Name & Style of Business				
(c)	Locus standi of the applicant dealer	Resident / Non-resident			
(d)	PAN				
(e)	Whether applied for branch / godown registration	Yes / No			
	If yes, Address(es) of the branch(es) / godown(s)				
(f)	Name of commodity or commodities proposed to be dealt				
(g)	Whether applied for registration under CST Act, 1956 separately	Yes/ No.			
	If yes, name of the commodities to be dealt	<table border="1"> <thead> <tr> <th>Category</th> <th>Commodity description</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> </tr> </tbody> </table>	Category	Commodity description	
Category	Commodity description				
3.	Constitution of the business (<i>not applicable may be stricken off</i>)	Proprietorship/ Partnership Firm / Private or Public Limited Company / Hindu Undivided Family / Trust / Association / Society			
3.(a)	If Partnership firm:				
	(i) No. of Partners				
	(ii) Names & addresses of Partners				

	(iii) Partnership agreement or deed if any executed and Registered under Indian Partnership Act.	Yes / No
	(iv) Copy of the deed or agreement if any attached with application	Yes / No
3.(b)	If Limited Company: (Private/ Public)	
	(i) No. of directors	
	(ii) Names & addresses of Directors	
	(iii) Articles of Memorandum if any executed and Registered under Indian Companies Act.	Yes / No
	(iv) Copy of the Articles of memorandum and Company Registration Certificate if any attached with application	Yes / No
3.(c)	If Hindu Undivided Family	
	(i) No. of Members	
	(ii) Names and addresses of the members of the HUF	
3.(d)	If an Association or Society	
	(i) No. of Members	
	(ii) Names and addresses of the Office bearers.	
	(iii) Laws and Bye Laws of the Association or society if any furnished (copy should be obtained and enclosed)	Yes / No
3.(e)	If a Trust,	
	(i) No. of Members	
	(ii) Names and addresses of the Office bearers.	
	(iii) Laws and Bye Laws of the Trust, if any furnished (copy should be obtained and	

	<i>enclosed)</i>	
4.	Address of the business place / branch(es) / godown(s)	
4.(a)	(i)Whether the principal place or business/ branch / godown is owned by the dealer (ii)If yes, any proof has been furnished (<i>nature of proof may be described</i>)	Yes / No Yes / No
4.(b)	(i)whether the business place is a rented one (ii)whether any rental agreement or lease agreement / deed has been entered into with the estate owner (<i>nature of proof and period may be specified</i>) (iii)Whether the bonafide of the proof furnished is verified on enquiry with the estate owner.	Yes / No Yes / No. Yes / No
5.	Proof of Present/Permanent Address if any furnished (i)Nature of proof (<i>not applicabe may be stricken off</i>) (ii)Bonafide of the residential proof, If ascertained on enquiry with the concerned Authority (<i>enquiry details may be furnished</i>)	Bank Photo Pass Book / Adhar Card / Voter Identity Card / Driving License / Passport Yes / No
6.	In the case of Non-resident dealer (i)Address of the business in the other State/in the other country (ii)Address of the permanent residence in the other State / other Country (<i>with Proof</i>) (iii)Details of Registration in other State or other Country (<i>Copy of registration certificate may be furnished</i>)	

7.	Interest / Share of the applicant dealer in other lines of business	Name and address of the business concern	Extent of Shareholding	
8.	Antecedents of the Applicant dealer (i) Did the applicant dealer do any Registered business previously	Yes / No		
	(ii) If yes, the details (a) the name and address of the Business previously done (b) Whether proprietorship/ Partnership (c) Name of the Assessment Circle and Registration Certificate No. (d) if closed or cancelled, the reasons for Closure or Cancellation with date (e) Arrears if any stands unpaid by the previous business. (e) If released from any Partnership the details (<i>with the copy of Release Deed.</i>)			
9.	(i) Details of Immovable properties, if any held (<i>with documentary proof – Title deeds</i>) by the dealer-proprietor/firm and partners of the firm/company	Nature of property	Extent	Survey No. & Current value
		Land (wet/dry)/ building/ house site		
	(iii) In the case of Non-resident dealer, the details of immovable properties held in the other State in the name of the dealer-proprietor or the partners or the firm or the company. (<i>with documentary proof</i>)	Nature of property	Extent	Survey No. & Current value
		Land (wet/dry)/ building/ house site		

10.	Details of Bank Accounts				
	(i) Name of the Bank(s)				
	(ii) Branch				
	(iii) Nature of Account		Current A/c / Savings Bank A/c		
	(iv) Account No.				
11.	Deposits, if any		Name of the Bank & Branch	Term and Certificate No.	Amount. Rs.
12.	Capital Investment, (i) In the case of manufacturer	Cost of Land	Cost of Building / Rental/lease Advance*	Cost of Machinery	Working capital*
		Rs.	Rs.	Rs.	Rs.
	(ii) In the case of trader*				
13.	Pledge/hypothecation of capital assets, if any, to any bank or other financial institution		Name of the Bank or Financial Institution	Property pledged hypothecated	Value of pledge
	(i) If yes, the details				
	(ii) If any deed of pledge or deed of hypothecation executed and registered (<i>copy of the deed may be obtained and filed</i>)		Yes/ no		
			If yes, Deed No.dated.....		
14.	Whether registered as a Commercial / Professional Enterprise with the Local Authority		Yes/ no		
			If yes....details		
15.	Whether Registered /Licensed with/by any other Department of State or Central Governments		Yes/ no		
			If Yes:		
			(i) Name of the Department		
			(ii) License or Certificate No. ...dated		

		(iii)Period of Validity	
16.	Details of references		
Sl. No.	Name and address of the dealer referred	Relationship with the applicant dealer	TIN with effect from
(i)			
(ii)			
17.	Are the above details are true, bonafide and satisfactory to the Registering Authority?	Yes / No. If No, reasons	
18.	Is there any necessity to demand Security	Yes/ No If yes, Reasons:	
The above details are true and correct to the best of my knowledge			
Signature of the Dealer – Applicant		The details as furnished by the dealer applicant on enquiry on place verification are found to be true, correct with reference to the documentary evidences or proof provided at the time of place verification and on further enquiry.	
		Registering Authority/ Verifying Authority	