

CIRCULAR No.33/ 2007

Sub:- KVAT Act, 2003- Filing of returns- remittance of tax by cheque short payment due to realization of collection charges – instructions issued-reg

As per Rule 22(6) and Rule 24(3) KVAT Rules, 2005 every return filed under the provisions of the KVAT Act, 2003 shall be accompanied by a receipt from a Government Treasury or any designated Bank or self-attested copy of the receipt from the Government Treasury or any designated Bank or crossed cheque or crossed demand draft in favour of the assessing authority for the full amount of tax or taxes or interest due as per the return.

Rule 98(1) further requires that where any payment by cheque or demand draft is permitted by these rules, the cheque or demand draft shall be of a bank or branch of a bank which is a member of the clearing house situated within the jurisdiction of the authority before whom it is presented; this is intended to ensure that the due amounts are credited to Government account immediately.

But it is come to notice that a substantial number of dealers are remitting their taxes etc through 'out station cheques' in contravention of the requirement under Rule 98(1); this leads to realization of collection charges by the collecting agency causing short credit of the due amount to Government accounts since the dealers are tendering cheques for the actual amount payable by them as per the returns; it also delays realization of the amount by Government, leading to loss of interest to Government. In such situations credit can be given to the dealers only for the actual amount credited to Government account and the differential amount will remain as arrears outstanding against such dealers.

This situation cannot be allowed to continue and so the following instructions are issued:

- (i) All assessing authorities shall ensure that the requirements under Rule 98(1) of KVAT Rules are strictly enforced.
- (ii) In the circumstances detailed *ibid* the differential amount on account of the collection charges realized by the clearing agency for the collection of out station cheques shall be treated as arrears outstanding against the dealers and such arrears shall be liable to be recovered with interest from the dealers.

All supervisory officers shall review such cases in all offices and ensure that the above instructions are carried out strictly with immediate effect.

Commissioner

To

All concerned.