

18th June 2015

To,
Shri Ritvik Pandey ji,
Hon'ble Commissioner of Commercial Taxes,
Finance Department,
Government of Karnataka.

Ref: Circular No. 23/2014-15 dated 27th March 2015 for the cross matching of Input tax credits.

Hon'ble Commissioner of Commercial Taxes,

Greetings from Retailers Association of India (RAI)!

It is my pleasure to write to you on behalf of RAI.

Retailers Association of India (RAI) is the unified voice of Indian retailers working with all the stakeholders for creating the right environment for the growth of the modern retail industry in India. RAI is the body that encourages, develops, facilitates and supports retailers to become modern and adopt best practices that will delight customers. RAI has a three charter aim of Retail Development, Facilitation and Propagation. RAI is the premier body of Retailers in India having around 1000 member establishments including large and small retailers in the country having approximately 1,72,000 stores.

RAI's mission is to develop, facilitate and propagate practices and processes that will grow the Indian retail industry, leading to increased consumption and growth of the economy. Retail industry gets its strength from the expertise of people working in the Industry who in turn create services committed to customer satisfaction.

We would like to draw your attention to the circular No. 23/2014-15 dated 27th March 2015 for the cross matching of Input tax credits.

The Karnataka VAT authorities vide above circular has started the ITC (Input Tax Credit) matching activity in their system i.e. ITC availed by the purchasing dealer vis-a-vis the data uploaded by the selling dealer. This is also known as e-UPass. The activity has started from May-14.

The parameters used by the department for matching the ITC is as follows:

1. Purchaser TIN

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B A Kodandarama Setty,
Vivek Ltd.

B S Nagesh,
Shoppers Stop Ltd.

Kishore Biyani,
Future Group

Noel Tata,
Trent Ltd.

Shashwat Goenka,
Spencer's Retail

Vinay Nadkarni,
Globus Stores Pvt. Ltd.

Atul Chand,
ITC - LRBD

Bhaskar Bhat,
Titan Industries Ltd.

Bijou Kurien,
L Capital Asia

Kabir Lumba,
Lifestyle International (P) Ltd.

Govind Shrikhande,
Shoppers Stop Ltd.

Jamshed Daboo,
Trent Hypermarket Ltd.

Pinakiranj Mishra,
Ernst & Young Pvt. Ltd.

Rafique Malik,
Metro Shoes Ltd.

Rakesh Biyani,
Future Group

Rahul Mehta,
CMAI

Shubhranshu Pani,
Jones Lang LaSalle

J Suresh,
Arvind Brands

2. Seller TIN
3. Invoice Number
4. Invoice Date
5. Net Value
6. Tax Charged

If any of the above parameters do not match, then the system will generate unmatched / mis-match report of the full ITC amount claimed by the purchasing dealer. However, in other states the differences are generated based on TIN no. matching and VAT amount matching. Hence, in such states the difference is much lower compared to the full ITC mis-match generated in Karnataka.

The above matching of various parameters has resulted in huge mis-match / unmatched report for various retailers.

The major reason for such differences is on account of invoice number which would have been uploaded by the purchasing and the selling dealer. For e.g. the department does not allow special characters in the invoice no. field in such instances the invoice number would have been entered based on their own assumptions by both the dealers which would result in mismatch.

Besides the above mentioned reason there could be various other reasons which could result in mis match as follows:

- Time gap in invoice recording by purchasing and selling dealer.
- Special characters not allowed in Annexure upload in Karnataka (as given in example above)
- Rejections / returns adjusted against different invoice by purchasing and selling dealer.
- Annexure uploading not mandatory in Karnataka for vendors below 50 lacs turnover.

Constraints / Challenges faced by the purchasing dealer:

The list of vendors in retail is large in numbers and the onus is on the purchaser to chase these vendors to ask them to provide:

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1. The details uploaded in the department website which is a huge task in itself
2. Reconcile the data with their own data uploaded
3. Request the vendor to make necessary correction by uploading the revised return and
4. Get a copy of such revised return to ensure the correction is done by the vendor
5. It may also be possible that few of the vendors would not have complied with the tax laws by not uploading the data
6. A dealer has to match not only eUPaSS uploaded data but also Karnataka VAT returns data with eUPaSS data, which is a time consuming job
7. Man power required, effort and time consumed do all the above activities.

Further, the department has also mentioned that “Where the mismatches of purchase and sales statements persist and significant, it may require intervention in the form of manual audit/re-assessment of ITC claims or refunds.”

There is a need to remove the onus from the purchasing dealer for such corrections to the selling dealers and also to resolve other possible technical hurdle, which may also cause the MIS-MATCH/UN-MATCH.

We can also suggest to follow tin number wise upload, which will help minimizing MIS-MATCH/UN-MATCH to the extent of difference, which can be supported purchase invoice to give the effect and allow the set off to the purchasing dealer.

Looking forward to your kind response.

Warm Regards,

For and on behalf of Retailers Association of India



Gautam Jain,

Director - Advocacy, RAI

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