

**GOVERNMENT OF NATIONAL CAPITAL TERRITORY OF DELHI**  
**DEPARTMENT OF TRADE AND TAXES**  
**VYAPAR BHAWAN, I.P.ESTATE, NEW DELHI-110 002**

No.F.3(556)/Policy/VAT/2015/ 689-695

Dated: 10/9/2015

**CIRCULAR NO. 23 OF 2015-16**

It has been noticed in the recent past that some dealers enter into contract or agreement with fellow unscrupulous dealers, with a motive to evade tax or to claim undue refund or to pass on input tax credit without payment of due tax. In some cases, such dealers are found to be indulging in downloading of Central Forms against fictitious inter-state purchases of huge amount. Central sale at concessional rate to non-functioning dealers of other states have also come to the notice of the department in few cases. Such dealers are not only causing huge loss of revenue to the Government but also creating a great inconvenience to genuine dealers.

2. It has also come to notice that majority of such dealers have been registered recently and are 'fly by night' operators, who usually vanish from the system in thin air within a short span of time. The gravity of this issue was also deliberated with trade associations and it was felt that there is a need to check activities of such dealers.

3. Therefore, to curb the activities of such dealers, it has been decided to prescribe security in terms of the provisions of section 25 of the DVAT Act, 2004 read with rule 25 of the DVAT Rules, 2005. To begin with, security shall be prescribed for such dealers -

- 12
- (i) Who are registered with the department for a period upto three financial years leaving the current financial year. It means that the dealers registered with the department after 31<sup>st</sup> March, 2012 shall qualify for the category; and
  - (ii) Whose taxable turnover (excluding sale of exempted goods, export, high sea sale, sale to SEZ, stock transfer, job work, turnover of labour & services) during any of the preceding three years exceeds Rs. 10 Cr. and
  - (iii) Who are paying tax u/s 16 of Act; and
  - (iv) Who has paid less than 0.1% of the taxable turnover worked out at 3(ii) above in any of the preceding three years.



4. Security @ 0.1% of the turnover worked out at 3(ii) shall be prescribed, after due examination and scrutiny, in accordance with the provisions of Act & Rules stated above.

5. Systems Branch shall provide a list of all such dealers on the dashboard of each Assessing Authority. This list shall be refreshed periodically as and when necessitated. Concerned Assessing Authority shall monitor the compliance of the security so prescribed and initiate action in accordance with the provisions of the Act in case of failure to comply. Non-compliance of the instructions shall be viewed seriously.

12/9/15  
(R K Mishra)

Spl. Commissioner, VAT

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Copy forwarded for information and necessary action to:

1. All Spl./Addl./Joint Commissioners, Department of Trade and Taxes, GNCT of Delhi, Vyapar Bhawan I.P.Estate, New Delhi-02.
2. Dy. Director (Policy), Department of Trade and Taxes, GNCT of Delhi, Vyapar Bhawan, I.P.Estate, New Delhi-02.
3. Programmer (EDP), Department of Trade and Taxes, GNCT of Delhi, Vyapar Bhawan, I.P.Estate, New Delhi-02 for uploading the circular on the website of the department.
4. The President/General Secretary, Sales Tax Bar Association (Regd.), Vyapar Bhawan, I.P.Estate, New Delhi.
5. All Assistant Commissioners/AVATOs Department of Trade and Taxes, GNCT of Delhi, Vyapar Bhawan, I.P.Estate, New Delhi-02.
6. PS to the Commissioner, VAT Department of Trade and Taxes, GNCT of Delhi Vyapar Bhawan, I.P.Estate, New Delhi-02.
7. Guard File.

(S.K. KAMRA)

Assistant Commissioner (Policy)