

CHAPTER XVIII : MINISTRY OF TOURISM

18.1 Unrealised VAT refund

Lack of monitoring and pursuance of claims for VAT refunds by India Tourism Office, Tokyo led to loss of at least ₹ 62.18 lakh and unclaimed revenue of ₹ 25.63 lakh.

Diplomatic Missions/Posts and the offices abroad are entitled to refund of Value Added Tax (VAT) paid on expenditure incurred on running and maintenance of the offices. For this purpose, they are required to maintain record of VAT paid and file claims with the host government in time.

India Tourism Office, Tokyo (ITO) has jurisdiction over Japan, North Korea, South Korea and Taiwan. The primary markets are Japan and South Korea. Audit examination of the records pertaining to ITO revealed the following:

ITO did not claim tax refunds for the payments made to firms at South Korea since introduction of VAT in South Korea (August 2011) on the ground that ITO was not registered in South Korea and was therefore, not eligible for tax refund. However, it was observed that Embassy of India (EoI), Seoul regularly claimed VAT refunds during this period. In response to an Audit observation, EoI, Seoul stated (March 2015) that it had no objection to ITO's bills being routed through Mission.

Further, as per local laws, refund claims pertaining to the period prior to March 2014 have been declared as time barred which has rendered these refunds unrealizable. Analysis of payments made by ITO during the years 2012-13 and 2013-14 revealed that unrealizable refunds for these years amounted to ₹ 62.18 lakh. Thus, failure of ITO to explore the option of routing its bills through EoI, Seoul resulted in a loss of at least ₹ 62.18 lakh.

On being pointed out by Audit (January 2015), ITO stopped payment of VAT with effect from 1st September 2015 and was successful in recovering the VAT paid for the period from 1st April 2014 to 31 August 2015 amounting to ₹ 30.77 lakh.

ITO had engaged (May 1999) M/s Sugiyama Accountant Office, Tokyo for filing Consumption Tax (VAT in Japan) returns for payments made in Japan

and receiving the refund for the same. The agency discontinued its services from January 2013.

Scrutiny of records revealed that ITO did not claim tax refunds for the period from January 2013 to March 2015. An estimate of the amount of refunds yet to be claimed for the period October 2013 to March 2015 worked out to ₹ 25.63 lakh. The VAT claimable for the period from 1 January to 30 September, 2013 could not be ascertained in Audit as the records pertaining to the period were not available with ITO, Tokyo.

ITO accepted (October 2015) that refunds pertaining to the period prior to March 2014 in case of South Korea were unrealisable. ITO further informed (January 2016) that the proposal for appointment of tax consultant for Japan was under consideration at its Headquarters.

Thus, failure of ITO, Tokyo to claim VAT refunds in time, resulted in loss of at least ₹ 62.18 lakh and revenue of at least ₹ 25.63 lakh remained unrealized, as of January 2016. VAT claimable for the period from 1 January to 30 September 2013 could not be ascertained in Audit as the records pertaining to that period were not available with ITO, Tokyo.