

Improvement in Data Governance at a refinery to deliver US\$ 686K in additional profit

BUSINESS CASE

Organization Trends

- CENVAT stands for Central Value Added Tax and was introduced in 1986
- The government provides CENVAT Credit to government organizations basis the submission of certain receipts from suppliers and specific customers
- The organization is responsible to maintain and submit this information to obtain CENVAT credits

CHALLENGE

What is the challenge

- Cenvat credit against service tax paid on services can be availed only on the basis of duly correct invoices
- In order to monitor correct availment of credit, there is a clearing GL 383802 where all the service tax paid during the period gets accumulated. To ensure that the eligible credit has been availed the balance in this GL should be zero
- At present this GL also includes service tax paid in respect of services availed at other locations hence of tracking of invoices for unavailed credit becomes difficult. The yearly balance in this GL is US \$0.97 Million on an average

Where and When is the challenge

- At the refinery in 2011

IMPACT

What is the impact

- Inability to avail timely credit on taxes (example CENVAT credit on service taxes)
- Since 1986 an estimated cumulative US\$ 17.4 million is estimated to have been lost due to inefficient CENVAT filing

TARGET

What is the Target

- Standardization of forms across service processes leading to enhanced data capturing
- Transfer of responsibilities and accountabilities to the right people in the process
- Separate automated system to be created for automatic reconciliation of CENVAT credit
- Service master to incorporate tax codes as per current tax scenario so that cenvatability can be properly determined
- Current Purchase Orders to be tracked in the system with discipline for correct capturing of CENVAT credit

OUTCOMES

Improved Profit

- Improvement in recovery of CENVAT credit by an additional US\$ 686k
- This improved the overall profitability of the refinery

Leaders of Tomorrow

- As the employee yearly bonus was linked to the profitability of the refinery, it enabled the employees to increase their probability of obtaining an increased bonus

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