

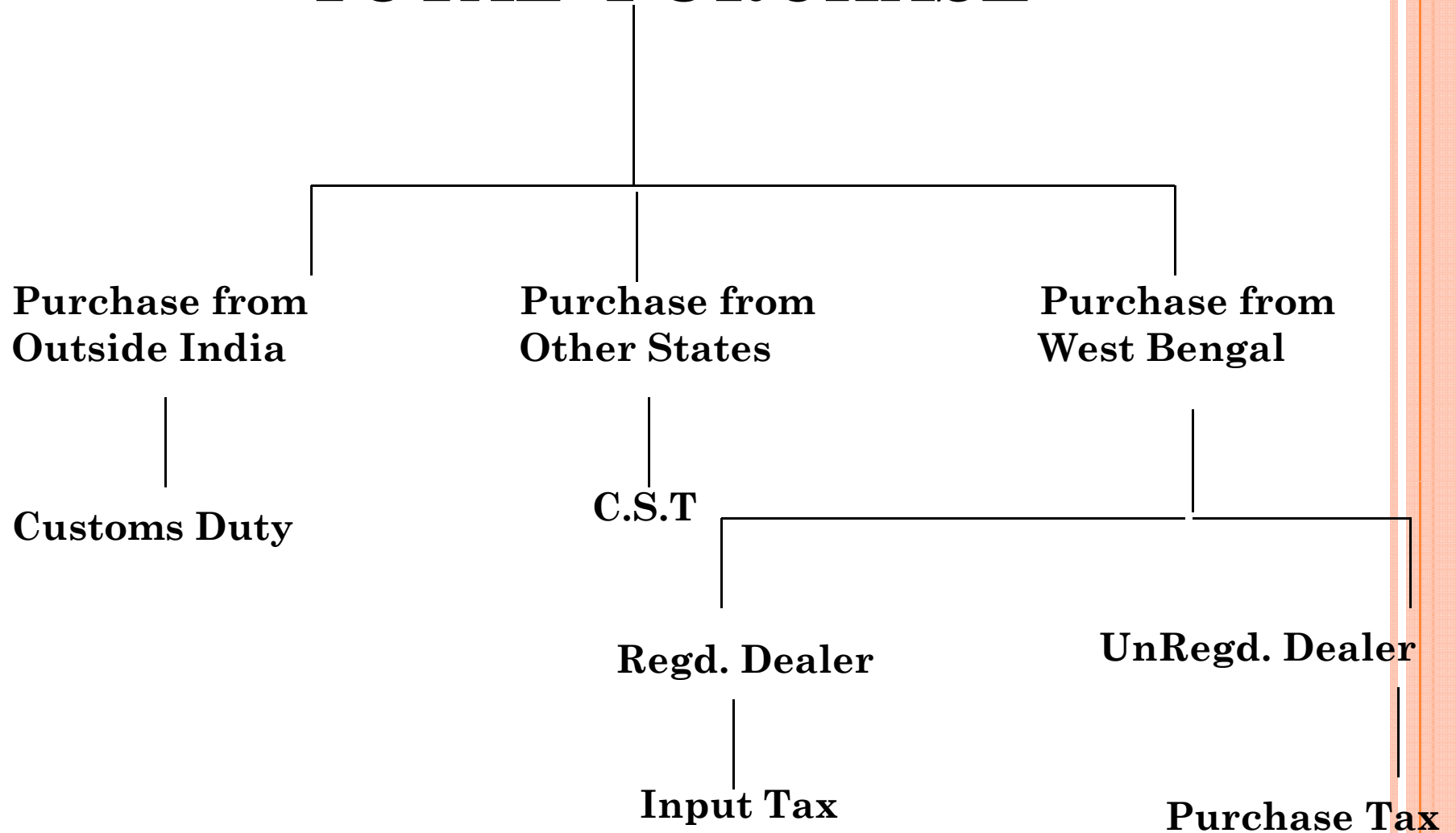
Essentials of VAT

Nandini Ghosh

Joint Commissioner Commercial Taxes.



TOTAL PURCHASE



INPUT TAX

Is a tax paid/payable on:

***Purchase of taxable goods from
Registered Dealers of West Bengal.**

***Purchase of taxable goods from a
Deemed Registered Dealer.**

**Please refer to section
22(3),22(12)(da)&(db).**



INPUT TAX CREDIT/REBATE

****Credit:**

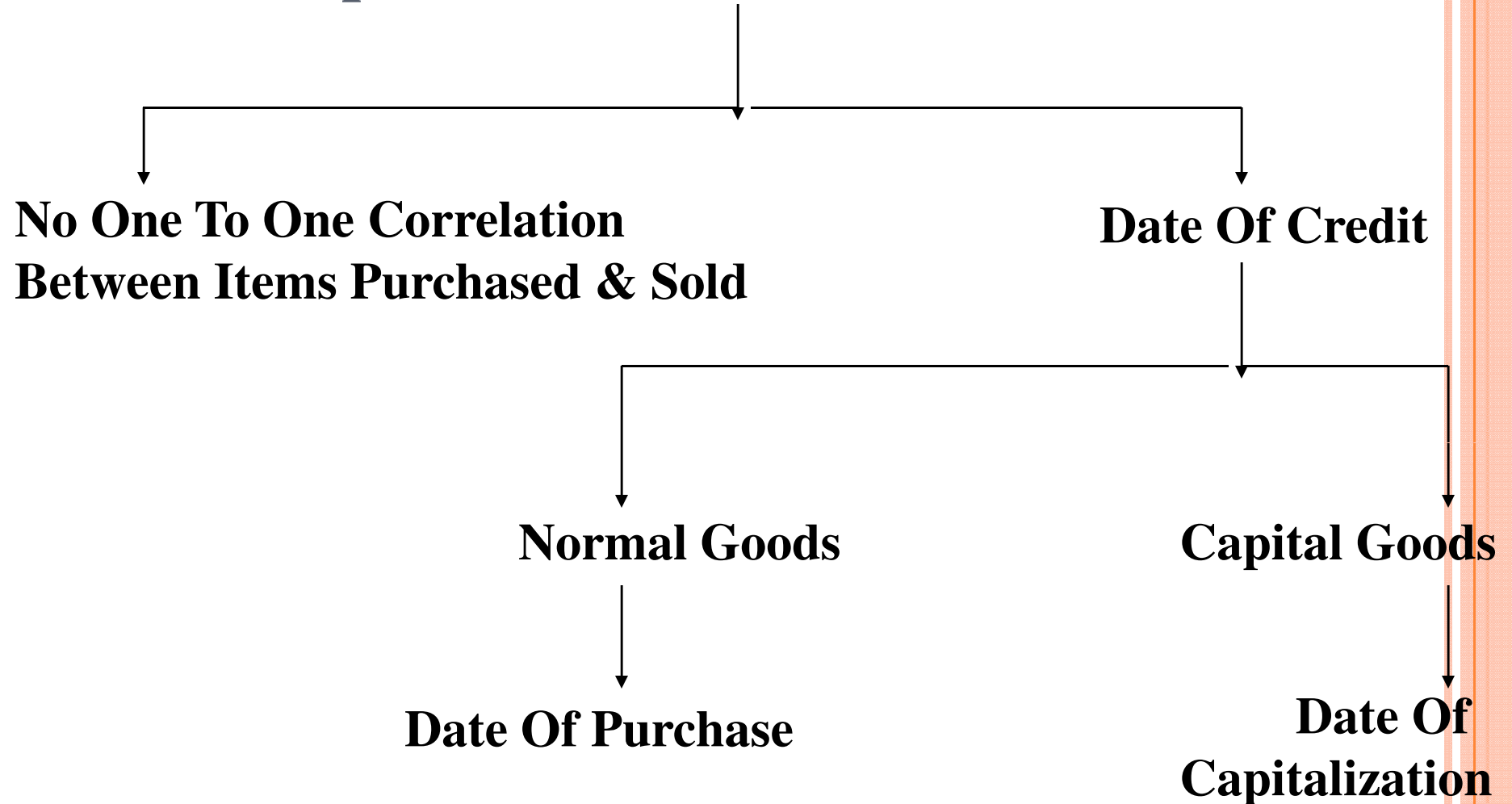
Is a mechanism of adjusting the Input Tax paid with Output Tax payable.

****Rebate:**

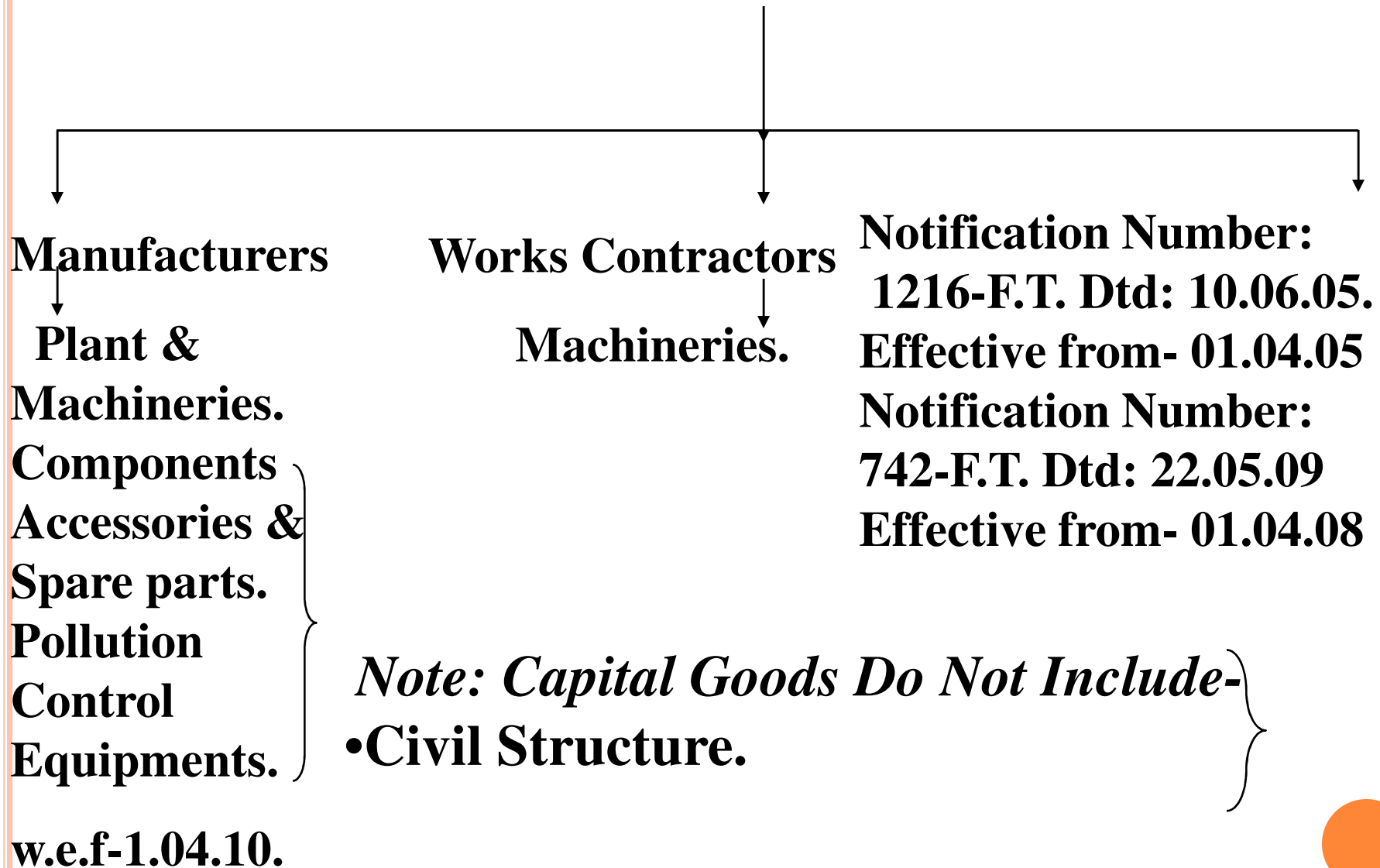
Is a mechanism of adjusting the *excess Input Tax Credit with C.S.T. payable.*



Unique Features Of Credit/Rebate



CAPITAL GOODS



CONDITIONS FOR GETTING CREDIT CAPITAL GOODS

- **For Use Directly In The Manufacture Of Goods In The State.**
- **Must Be Capitalized In The Books Of Accounts. Credit Will Be Allowed From The Date Of Capitalization. (From The Date Of Installation Of Such Plant & Machinery).**
- **The State Govt. May Specify Certain Goods As Capital Goods Through Notification From Time To Time.**
- **Second Hand Plant & Machinery now come under the purview of Capital Goods subject to Capitalization.**



- **ITC/ITR On Purchase of Capital Goods Shall be available in one Installment-In The Month Of Capitalization.**
- **In Case The Capital Goods Are Acquired On Hire Purchase, Lease, Installment Scheme, ITC/ITR = The Amount Of Tax Charged By The Selling Dealer (ITC on proportionate manner).**
- **In Case Of Stock Transfer Of Capital Goods Within Three Years from The Date Of Purchase, there will Be Credit Reversal.**
- **When Capital Goods Are Used For MFG. Both Taxable & Non- Taxable Goods, ITC/ITR Will Be Allowed Depending On the Expected Sale Of Taxable Goods As A Percentage To Total Sales in a Period As Per Table Specified In Rule-19(2A).**

General Conditions For Getting Credit

***Sale/Resale.**

***Sale in course of Inter State Trade/ Commerce.**

***Use as Raw Materials for Manufacturing Taxable Goods for the purposes as stated above.**

***Use as Containers/Packing of Taxable Goods for the purposes as stated above.**

***Use in the Execution of Works Contract.**



- *In case of partial use for the purposes specified in sec-22,ITC/ITR will be proportionately allowed.**
- *Where Per Unit Sale Price of any goods is less than Per Unit Purchase Price ITC/ITR will be allowed to the extent of Output Tax.**
- *Making Zero-Rated Sales.**
- *Payment in A/C payee Cheque/draft/ECS if it exceeds rs.20,000 in a day.**
- *Maintenance of Books of A/C as Per law.**
- Where the semi finished goods are sent for processing, the same should be returned within 90 days from the date of dispatch.**
- *ITC/ITR will be allowed in excess of 3% in case of stock transfer of goods outside West Bengal.**



IN-ADMISSIBILITY OF ITC/ITR

- *Absence of original Tax Invoice in respect of registered purchase.**
- *If Tax is not charged separately in Tax Invoice.**
- *Goods are lost, theft, damaged.**
- *Goods remain unsold at the time of closure of business.**
- *For manufacturer of Sch-A goods.**
- *For goods mentioned in Negative List.**
- *Goods not directly required in Business.**



REVERSE CREDIT

Reversal/Returning of credit.

CASES

- *Closure of business.**
 - *Purchase returned.**
 - *Goods destroyed/damaged/theft.**
 - *Goods used for own consumption.**
 - *Goods given as free samples/gifts.**
 - *Goods not directly used in business.**
 - *For Stock Transfer outside W.B.**
 - *Goods Mentioned In The Negative List.**
- 

NET TAX CREDIT FOR A TAX PERIOD

$$A+B-C$$

A=Input Tax Credit during the month.

B=Input Tax Credit brought forward from the previous month.

C=Reverse Credit during the month.



PURCHASE TAX

- **Payable:**
On Purchase Of Taxable Goods
From Unregistered Dealers Which
Are Not Directly Used In Business.
- **When The Purchased Goods are Directly**
used in Business, then No P. Tax is
Payable.



OUTPUT TAX

•IT IS THE TAX PAYABLE BY THE DEALER ON SALES OF OUTPUT/COMMODITY IN WEST BENGAL AND IT INCLUDES PURCHASE TAX PAYABLE ON UNREGD PURCHASES NOT USED DIRECTLY IN BUSINESS & OUTPUT TAX ON TCTP.

NET TAX

•IT IS THE TAX PAYABLE AFTER SETTING OFF THE NET TAX CREDIT WITH THE OUTPUT TAX PAYABLE.

**NET TAX FOR A PERIOD=OUTPUT TAX PAYABLE-
NET TAX CREDIT.**



CHAPTER-XI
SECTIONS-63 TO 65.
RULES-87 TO 93.
MAINTENANCE OF ACCOUNTS.

- **Dealers have to keep true & up to date a/c of quantity & value of Goods purchased/sold/manufactured/held in stock/used in works contract.**
 - **Dealer claiming I.T.C. shall have to maintain Input Tax, I.T.C., Output Tax a/c in ledger separately.**
 - **Provisions are mandatory for the dealers having Turnover of Sales more than Rs.2 Crores.**
 - **W.E.F.- 01.04.05.**
- 

- All Documents, Books of a/c shall be kept at the principal place of business & shall not be removed.
- A registered dealer has to issue TAX INVOICE for all sales made to another registered dealers.

*Provision of Section 22(11) has been withdrawn
&
section 63 has been delinked with respect to
getting ITC Claim allowed.*



PENAL PROVISIONS

- **Penalty for false claim of ITC/ITR – not less than 25% & not more than 150% of the amount of fake ITC/ITR.**
- **Penalty for Issuance of Tax Invoice without Sale/ Delivery of Goods- not less than 125% & not more than 250% of the amount of Tax involved in such Tax Invoices.**



TAX INVOICE

- **Shall be issued in Triplicate & duly signed.**
- **Duplicate copy shall be retained.**
- **Buyers Copy to be forwarded to the purchaser.**
- **Between 2 Regd. Dealers there will always be Tax Invoice.**
- **Tax to be separately charged.**
- **Shall contain Prescribed particulars.**



- **Seriality & Date shall be strictly maintained.**
- **For Multiple Sale Points, separate Prefix to be attached.**
- **Composite Dealers & Dealers opting MRP Scheme can't issue Tax Invoice.**
- **For loss of Tax Invoice, Commissioner takes up the matter.**
- * **Non/Improper issuance of Tax Invoice calls for Penalty.**
- * **Penalty amount : Double the amount of Tax or Rs.10,000/- whichever is higher.**

ISSUANCE OF INVOICE BY REGD./DEEMED REGD. DEALERS

For making Sales to:

- *Unregistered Dealers**
- *Government**
- *Casual Dealers**
- *Persons.**



THREE ACCOUNTS IN THE LEDGER

INPUT TAX A/C	INPUT TAX CREDIT A/C	OUTPUT TAX A/C
*Input Tax Paid On The Purchases Made During The Current Month.	*B/F Credit From The Earlier Month. *Credit Eligible For The Current Month. *(-)Credit Reversed During The Month.	*Output Tax Payable In The Current Month. *Purchase Tax Payable.

***Note:* 1.For U/R Purchases Which Are Directly Used In Business,
No Purchase Tax Is Payable& Subsequently Will Not Be Reflected
In Any Of These Three A/Cs.**

2. Entries in these Three A/Cs relate to the VAT Act only.



Submission of Form-88A&88

Statutory Provision Section 30E and Rule 44,45

**Registered Dealers having Turnover more than
Rs.3 Crores < Rs.5 Crores
(Proprietorship/Partnership Concern)**

To submit Form-88A

**Registered Dealers having Turnover more
than Rs.5 Crores**

(Proprietorship/Partnership Concern)

Public/Private Limited Company

(Even with zero Turnover)

To submit Form-88

- **Submission by 31st December from the end of each year**
 - **Along with audited P/L Account, Balance Sheet.**
- 

SOME INTERESTING ISSUES

- **ITC claimed against purchases from the dealers whose R.C. have been cancelled**
- **ITC claimed against purchases from the Composite Dealers**
- **ITC claimed against purchases from the Dealers who have filed NIL Returns**
- **ITC claimed against purchases from the Dealers who have defaulted in furnishing Returns**
- **Interpretation of the judgment passed by Ld Kolkata High Court in Vineet Sharda Vs Sales Tax Officer, Fairlie Place Charge.**
- **Is Interest leviable on disallowance of ITC Claim when the assessment order is passed ex parte?**



THANK YOU

