

Problems on VAT

Problem No 1

Compute the invoice value to be charged and amount of tax payable under VAT by a dealer who had purchased goods for Rs. 1,20,000 and after adding for expenses of Rs. 10,000 and of profit Rs. 15,000 had sold out the same. The rate of VAT on purchases and sales is 12.5%.

Particulars	Rs.	Rs.
Cost of goods purchased		1,20,000
Add: Expenses	10,000	
Profit margin	15,000	25,000
Product Sale Value		1,45,000
Add: VAT @ 12.5%		<u>18,125</u>
Invoice Value		1,63,125

COMPUTATION OF AMOUNT OF TAX PAYABLE UNDER VAT

VAT charged on sales	18,125
Less: Input credit of VAT paid on purchases @ 12.5% on 1,20,000 (Refer Note)	15,000
Tax Payable under VAT	3,125

Note: It has been assumed that the purchase price of Rs. 1,20,000 is exclusive of VAT.

Problem No 2

input worth Rs. 1,00,000/- is purchased and sales are worth Rs. 2,00,000/- in a month, input tax rate and output tax rate are 4% and 12.5% respectively, Calculate vat payable:

Ans:

Output Tax payable on sales -2,00,000 x 12.5%	Rs.25,000
Less: Tax paid on purchases (input tax)-1,00,000 x 4 %	Rs.4,000
Vat payable	Rs.21,000

Problem No 3

The following are the details in respect of dealer, calculate vat liability

Tax paid on purchases made in the State within a month (input	Rs.10,000
Tax charged for sales in the State within a month (output tax)	Rs.4,500
CST Charged for inter-State sales within a month	Rs.15,000

Ans

Output Tax Payable on sales in the State within a month	Rs.4,500
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Indirect taxes Problems and Solutions /May -June/ Nov- Dec 2011 Exam

Output Tax Payable on interstate sales within a month	Rs.15,000
Total Output tax payable	Rs.19,500
Less :Tax paid on purchases made in the State within a month(input tax)	Rs.10,000
Net Vat payable	Rs.9,500

Problem No 4

The following are the details in respect of dealer, calculate vat liability

(a) Inputs purchased within a month	Rs. 10,00,000
(b) Outputs sold in the month	Rs. 7,50,000

Ans:

Output Tax Payable on sales 7,50,000 x 12.5%	93,750
Less :Tax paid on purchases (input tax) -10,00,000 x12.5%	93,750
1,25,000- credit to the extent of Rs.93,750	
Net Vat payable	NIL

Problem No 5

Purchases by S & Co. for the month of December are as follow: (1) Rs. 1,00,000 at 4% VAT (2) Rs. 5,00,000 at 12.5% VAT. Sales of S & Co. for the month of December are as follows – (1) Sales of Rs. 3,00,000 at 4% VAT (2) Sales of Rs. 3,00,000 at 12.5% VAT. Compute eligible input tax credit and VAT payable for the month (CA Final, New Syllabus, June 2009).

Answer –

(A) Vat payable for the month of December – (a) VAT payable on local sales @ 4% (3,00,000*4%) – Rs 12,000 (b) VAT payable on local sales @ 12.5% (3,00,000*12.5%) – Rs 37,500. Total – Rs 49,500

(B) Input Tax credit on purchases (a) (1,00,000*4%) - Rs 4000 (b) (5,00,000*12.5%) – Rs 62,500. Total - Rs 66,500

(C) VAT Payable – Nil (As the credit exceeds the Vat payable. Balance credit of Rs 17,000 (66,500 – 49,500) can be carried forward to next month and utilised against future sales.

Problem No.6

The particulars regarding sale, purchase etc. of Shubham Udyog for the last quarter of the year 2009-10 are as under : (1) Purchases of raw material within the state - (i) taxable @ 1% - Rs 40,00,000 (ii) taxable @ 4% - Rs 60,00,000 (iii) taxable @ 12.5% - Rs 10,00,000 (2) Sale of goods manufactured from raw material purchased @ 4% tax rate (i) Taxable sale within the State (tax rate 4%) – Rs 20,00,000 (ii) Exempted sale within the state – Rs 10,00,000 (iii) Sale in the course of Inter-State trade or Commerce (tax rate 4%) – Rs 10,00,000 (3) Sale of raw material purchased @ 1% tax rate – Rs 44,00,000 (4) Goods manufactured from the raw material purchased @ 12.5% tax rate were given on lease. The deemed sale Price of such goods is Rs. 12,00,000, taxable @ 12.5%. - - You may assume that input tax credit of tax on raw material used in manufacture of leased goods is available immediately. Compute the amount of Value Added Tax (VAT) payable by M/s Shubham Udyog for the relevant quarter. There was

Indirect taxes Problems and Solutions /May -June/ Nov- Dec 2011 Exam

no opening or closing inventory. How can he utilise the balance of input tax credit available, if any? (CA Final May 2010).

Answer –

A. Output tax (VAT plus CST) payable – (i) On raw material (1% of Rs 44,00,000) – Rs 44,000 (ii) On sale taxable @ 4% (4% of Rs 20,00,000) – Rs 80,000 (iii) Vat on lease (12.5% of Rs 12,00,000) – Rs 1,50,000 (iv) CST on inter-State sale (4% of Rs 10,00,000) – Rs 40,000. Total tax payable – Rs 3,14,000

B. Input tax credit (ITC) – (i) Taxable @ 1% (1% of Rs 40,00,000) – Rs 40,000 (ii) Taxable @ 4% (Tax paid on Rs 60,00,000 – 2,40,000. Eligible credit 75% as 25% is exempt sale) – Rs 1,80,000 (iii) Taxable @ 12.5% (12.5% of Rs 10,00,000) – Rs 1,25,000. Total credit – Rs 3,45,000.

C. Input Credit available is more than tax payable. Hence, no tax is payable by cash. The excess credit of Rs 31,000 can be carried forward for utilization subsequently. If such excess credit remains un-utilizable till the time limit as specified in State Vat Act, then it will be refundable.

(Note: The excess credit is because goods purchases @ 4% were sold at a loss by the dealer, as purchase price is Rs 60,00,000 and Sale price is Rs 40,00,000. Even then full ITC shall be available, as Vat provisions do not require one to one relation. Total input credit is a 'common pool' which can be used for payment of Vat on sales. However, it shall be reduced proportionately to extent of tax exempt sales).

Transactions involving inter-state transactions or exports

Problem No. 7

Compute net VAT liability of Rishi from the following information - * Raw materials from foreign Market (Includes duty paid on imports @20%) – Rs 1,20,000 * Raw material purchased from local market - Cost of Raw material Rs 2,50,000 Add : Excise duty @16% Rs 40,000 (sub-total – Rs 2,90,00) - Add : VAT @ 4% - Rs 11,600. Total Rs 3,01,600 * Raw material purchased from neighbouring State (Includes CST @ 2%) - Rs 51,000 * Storage and transportation cost – Rs 9,000 * Manufacturing expenses – Rs 30,000. - - Rishi sold goods to Madan and earned profit @ 12% on the cost of production. VAT rate on sale of such goods is 4% (CA PCC November 2010).

Answer – Cost of production is as follows – (i) Imported raw material – Rs 1,20,000 (ii) Local raw material – Rs 2,90,000 (Vat is not to be considered as its set off i.e. credit is available) (iii) Raw material from neighbouring State – Rs 51,000 (Set off of CST is not available. Hence, it is incudible in cost) (iv) Storage and transportation cost Rs 9,000 (v) Manufacturing Expenses – Rs 30,000. - - Total cost of production [i to v] – Rs 5,00,000. Profit @ 12% - Rs 60,000. Hence, selling price – Rs 5,60,000. Vat @ 4% on selling price – Rs 22,400. Vat credit available – Rs 11,600. Hence, Net Vat payable – Rs 9,800 [22,400 – 11,600].

Problem No 8

Mr. Rajesh is a registered dealer and gives the following information. You are required to compute the net tax liability and total sales value under Value Added Tax. Rajesh sells his products to dealers in his State and in other States. The profit margin is 15% of cost production and VAT rate is 12.5% of sales (i) Intra State purchases of raw material Rs. 2,50,000 (excluding VAT @ 4%) (ii) Purchases of raw material from an unregistered dealer - Rs. 80,000 (including VAT @ 12.5%) (iii) High seas purchases of raw material are Rs. 1,85,000 (excluding custom duty @ 10% of Rs. 18,500) (iv) Purchases of raw materials

Indirect taxes Problems and Solutions /May -June/ Nov- Dec 2011 Exam

from other States (excluding CST @ 2%) - Rs. 50,000 (v) Transportation charges, wages and other manufacturing expenses excluding tax - Rs. 1,45,000 (vi) Interest paid on bank loan Rs. 70,000 (CA IPCC and AT November 2010)

Answer – The total cost of production is as follows – (i) Intra State Purchases of Raw material (Net of Vat) – Rs 2,50,000 [Since Vat credit i.e. set off is available, it is not considered for calculating cost of production] (ii) Purchases from unregistered dealer - Rs 80,000 including 12.5% Vat [Really, an unregistered dealer cannot charge Vat in his invoice. Even if he has charged Vat in his invoice, the buyer cannot avail set off (Vat credit) of such amount. Hence, cost of production is considered including such Vat] (iii) High seas purchases – Rs 2,03,500 (including customs duty since its Vat credit is not available (iv) Interstate Purchases of raw materials – Rs 51,000 (including CST @ 2% i.e. Rs 1,000 since set off of CST is not available) (v) Transportation charges, wages and other manufacturing expenses – Rs 1,45,000 (vi) Interest – Not considered as it is not to be considered while calculating cost of production (Interest would have been added if the words used were 'total cost, while here the words used are 'cost of production']. - - Hence, total cost of production is Rs 7,29,500 (2,50,000 plus 80,000 plus 2,03,500 plus 51,000 plus 1,45,000). Sale value is cost of production plus 15% i.e. Rs 8,38,925 (7,29,500 plus 1,09,425). Vat payable on sale value @ 12.5% is 1,04,865.63. Vat credit i.e. set off available on intra-state purchases is Rs 10,000 [4% of Rs 2,50,000]. Hence, net tax payable (after taking Vat credit) is Rs 94,865.63

Problem No. 9

Calculate the VAT liability for the period Jan. 1, 2007 to Jan. 31, 2007 from the following particulars: Inputs worth Rs. 1,00,000 were purchased within the State. Rs. 2,00,000 worth of finished goods were sold within the State and Rs. 1,00,000 worth of goods were sold in the course of inter-State trade. VAT paid on procurement of capital goods worth Rs. 1,00,000 during the month was at 12.5%. If the input and output tax rate in the State are 12.5% and 4% respectively and the central sales tax rate is 3%, show the total tax liability under the State VAT law and under the Central Sales Tax Act. (CA Final, November 2008, New Syllabus)

Answer – Tax payable on sale within State – Rs 8,000 (4% of Rs 2,00,000) Tax payable on inter-state sale – Rs 3,000 (3% of Rs 1,00,000). Thus, total tax payable is Rs 11,000.

Vat Credit – On capital goods – Rs 12,500. As per White Paper credit on capital goods will be spread over three years. Hence, credit available in first year is Rs 4,166.67. Balance of Rs 8,333.33 will be carried forward. On inputs – Rs 12,500 (12.5% of Rs 1,00,000). Total Vat Credit Rs 16,666.67 can be utilized in current year.

Thus, out of Vat credit of Rs 16,666.67, Rs 11,000 can be utilised to pay sales tax and balance Rs 5,666.67 (balance credit Rs 5,666.67 plus carry forward credit of capital goods Rs 8,333.33) will be carried forward.

Problem No. 10

Mr. Goenka, a trader selling raw materials to a manufacturer of finished products. He imports his stock in trade as well as purchases the same from the local markets. Following transaction took place during financial year 2008-09 - (1) Cost of imported materials (from other State) excluding tax - Rs 1,00,000 (2) Cost of local materials including VAT – Rs 2,25,000 (3) Other expenditure includes storage, transport, interest and loading and unloading and profit earned by him - Rs 87,500. Calculate the VAT and invoice value charged by him to a manufacturer. Assume the rate of VAT @12.50% (CA PCC November 2009)

Indirect taxes Problems and Solutions /May -June/ Nov- Dec 2011 Exam

Answer – On imported material, the trader does not get credit. On local material, he gets Vat credit. The Vat paid on local material is Rs 25,000 (by back calculations). Hence, his net purchase price of local material is Rs 2 lakhs.

Hence, his net selling price would be Rs 1,00,000 + Rs 2,00,000 + Rs 87,500 i.e. Rs 3,87,500. He will charge Vat @ 12.5% i.e. Rs 48,437.50. Thus, his selling price to customer (inclusive of Vat) is Rs 4,35,937.50.

Net Vat paid is Rs 23,437.50 (Rs 48,437.50 less Rs 25,000).

(Note that if the purchase price of local material is taken as Rs 2,25,000, his actual profit will be higher than as indicated in the example).

Problem No.11

Compute the net VAT liability of Janak from the under-mentioned information: (i) Raw material purchased from foreign market (including duty paid on imports @ 20%) - Rs 47,000 (ii) Raw material purchased from local market (including VAT charged on the material @ 1 %) – Rs 10,100 (iii) Raw material purchased from another State (excluding CST) – Rs 20,000 (iv) Storage, transportation cost and insurance – Rs 3,000 (v) Other manufacturing expenses incurred – Rs 600. - - Janak sold the goods to Prem adding margin of profit @ 10% on the selling price. VAT rate on sale of such goods is 10% (ICWAI Final New Syllabus June 2010)

Answer – No Vat credit is available on imports and raw material purchased from other State. Vat paid on local material is Rs 100 (1% of Rs 10,000). In case of inter-state purchases, assuming that CST rate is 2%, purchase cost is Rs 20,400.

Total cost is = 47,000 + 10,000 + 20,400 + 3,000 + 600 = Rs 78,000. the margin of profit is 10% of selling price. If X is selling price, profit is 0.10X. Hence, cost = 0.90X = 78,000. Hence, selling price is Rs 86,666.67 (check that 86,666.67 – 8,666.67 = Rs 78,000). Vat @ 10% of Rs 86,666.67 is Rs 8,666.67. The dealer has Vat credit of Rs 100. Hence, he has to pay by cash Rs 8,566.67.

Problem No 12

M/s. Abanti Associates is a registered dealer engaged in the manufacturing of steel in the State of Maharashtra. During the year 2008-09 the firm has procured raw materials of Rs. 25,50,320 (VAT @ 4%) and purchased plant and machinery of Rs. 20,00,000 (VAT @ 4%) and Rs. 5,00,000 (CST @ 2%) for use in the manufacturing of steel. Sales of steel materials made during the year is Rs. 40,00,000 (VAT @ 4%) and inter-State sale is Rs. 5,29,000 (@ 2% CST). Besides above, branch transfer of Rs. 3,20,000 was made to Kolkata. Calculate the following as per White Paper on VAT Law in India - (i) Output tax (ii) Input tax credit to be availed during the year (iii) Balance tax payable and (iv) Input tax credit, if any, to be carried forward (ICWA Final New Syllabus June 2009)

Answer -

(A) Output tax – (a) sale within State – Rs 1,60,000 (4% of Rs 40,00,000) (b) Interstate sale – Rs 10,580 (2% of Rs 5,29,000) (c) Stock transfer of Rs 3,20,000 – No tax. Total sales (including stock transfer) – Rs 48,49,000. Total Tax payable – Rs 1,70,580

(B) Input tax credit on raw material 1,02,012.80 (4% of Rs 25,50,320 – It is presumed that the purchase price given in example is net of Vat). Total sales (including stock transfer) are Rs 48,49,000, out of which stock transfer is of Rs 3,20,000 i.e. 6.6%. Hence, on 6.6% of input raw material, 2% Input Tax Credit is

Indirect taxes Problems and Solutions /May -June/ Nov- Dec 2011 Exam

disallowed. Total raw material – Rs 25,50,320. Raw material used for stock transfer (6.6%) i.e. Rs 1,68,321.12. Hence, 2% of Rs 1,68,321.12 i.e. Rs 3,366.42 is not allowed. Thus, Input Tax Credit available is Rs 98,646.38 (Rs 1,02,012.80 – Rs 3,366.42)

(C) Input credit on Plant and machinery – Rs 20,000 (4% of Rs 5,00,000 – As per White Paper, the credit is to be taken in three years. Hence, credit in first year is Rs 6,666.67. Balance Rs 13,333.33 will be carried forward.

(D) No Input tax credit of inter-state purchases of Rs 5,00,000.

(E) Hence, total credit available for use – Rs 98,646.38 + 6,666.67 = Rs 1,05,313.05.

(F) Net tax payable by cash – Rs 65,266.95 (Rs 1,70,580 – Rs 1,05,313.05).

(G) Credit of Rs 13,333.33 on capital goods will be carried forward.

Problem No.13

A dealer purchased 11,000 Kgs of inputs on which Vat paid @ 4% was Rs 4,000. He manufactured 10,000 Kgs of finished products from the inputs. 1,000 Kgs was the process loss. The final product was sold at uniform price of Rs 10 per Kg, as follows – Goods sold within State – 4,000 Kgs. Finished product sold in inter-state sale against C form – 2,500 Kgs. Goods sent on stock transfer to consignment agents outside the State – 2,000 Kgs. Goods sold to Government departments outside the State – 1,500 Kgs. There was no opening or closing stock of inputs, WIP or finished product. The State Vat rate on the finished product of dealer is 12.5%. Calculate liability of Vat and CST. Find Vat credit available to dealer and tax required to be paid in cash.

Answer - CST against C form is 2%. Sale to government will be treated as sale to unregistered dealer and tax payable is 12.5%. Thus, the tax payable would be as follows –

Description	Quantity sold	Value of goods sold	CST payable Rs	State Vat payable Rs
Sale within State @ 12.5%	4,000	40,000		5,000
Goods sent on stock transfer	2,000	20,000		
Goods sold against C form, tax rate 2%	2,500	25,000	500	
Goods sold to Government, tax rate 12.5%	1,500	15,000	1,875	
Total	10,000	1,00,000	2,375	5,000

Tax paid on inputs – Rs 4,000. Credit (set off) will not be available in case of goods sent on stock transfer. Tax on inputs attributable to goods sent on stock transfer is 20% i.e. Rs 800. Out of this, credit will be available of tax paid in excess of 2%.. Thus, credit of Rs 400 will be available in respect of goods stock transferred and credit of Rs 400 will not be available (since Vat rate is 4%). Thus, total credit of Rs 3,600 (tax paid on inputs) is available.

Indirect taxes Problems and Solutions /May -June/ Nov- Dec 2011 Exam

Thus, tax payable is as follows –

(A) Total Tax payable (State Vat plus CST) – Rs 7,375

(B) Set off (credit) available) – Rs 3,600

Tax payable in cash – Rs 3,775

Problem No.14

In aforesaid example, if 2,000 Kgs were exported (and not stock transferred), what would be the tax liability and credit available.

Answer - If finished product is exported. There is no tax liability. Further, the credit of tax paid on raw material is available. This credit can be utilised either for payment of CST or for State Vat or even for both, if required. Hence, tax payable is as follows –

(A) Total Tax payable (State Vat plus CST) – Rs 7,375

(B) Set off (credit) available – Rs 4,000

Tax payable in cash – Rs 3,375.

Problem No 15

Mr. X, a manufacturer sells goods to Mr. B, a distributor for Rs. 2,000 (excluding of VAT). Mr. B sells goods to Mr. K, a wholesale dealer for Rs. 2,400. The wholesale dealer sells the goods to a retailer for Rs. 3,000 who ultimately sells to the consumers for Rs. 4,000. Compute the Tax Liability, input credit availed and payable by the manufacturer, distributor, wholesale dealer and retailer under Invoice method assuming rate @ 12.5%.

Problem No 16

Mr. Goenka, a trader selling raw materials to a manufacturer of finished products. He imports his stock in trade as well as purchases the same from the local markets. Following transactions took place during financial year 2010-11. Calculate the VAT and invoice value charged by him to a manufacturer. Assume the rate of VAT @ 12.50%.

(1) Cost of imported materials (from other State) excluding tax 1,00,000 (2) Cost of local materials including VAT 2,25,000 (3) Other expenditure includes storage, transport, interest and loading and unloading and profit earned by him 87,500

Particulars	Amount
Cost of outside state purchases (incl, CST-2 %)	102,000
Cost of local purchases with in state	
(excluding Vat)- $225000 \times 100/112.5$	200000
Add: Value addition	
Expenditure and Profit	87500
	389,500
Vat @ 12.5% on above	48688
Invoice Value	438,188

Indirect taxes Problems and Solutions /May -June/ Nov- Dec 2011 Exam

No Vat credit in case of purchased made from other states. Hence cost includes CST paid on Outside state purchases. It is assumed that rate of CST is 2%, as purchases are from registered dealer

Problem 17 :

Aloke, a registered dealer in the State of Orissa, furnishes the following details relating to its sales for the month of March, 2011

Rs.

1. Sale of exempted goods (<i>Schedule A goods</i>)	75,000
2. Sale of goods of zero rate (<i>Schedule AA goods</i>)	50,000
3. Sale of goods taxable at 4% (<i>Schedule C goods</i>)	4,00,000
4. Sale of goods taxable at 12.5% (<i>Schedule CA goods</i>)	1,20,000

On buyer of *Schedule C* goods (taxable at 4%) returned goods worth Rs. 20,000 on 20th April,

2011 Tax on maximum retail price has been paid at the time of purchase of *Schedule CA goods*, taxable at 12.5%. Determine turnover of sales and taxable turnover of the dealer.

Ans:

Computation of Turnover of Sales and Taxable Turnover of Mr. Alok for the Month of March, 2011

	Rs.	Rs.
Aggregate Sale Price Rs. (75,000 + 50,000 + 4,00,000 + 1,20,000)		6,45,000
Less : (i) Sales return of <i>Schedule C</i> goods within 6 months from the date of sale		
(ii) Sale price of goods, tax on which has been paid on the Maximum Retail Price (MRP) at the time of purchase	1,20,000	1,40,000
Turnover of Sales [Section 2(55)]		5,05,000
Less : (i) Sale of Exempted Goods (<i>Schedule A goods</i>)	75,000	
(ii) Sale of Zero-rated Goods (<i>Schedule AA goods</i>)	50,000	1,25,000
Taxable Turnover (on which tax is payable)		3,80,000

Problem 18 :

M/s. Vijoy Traders, a registered dealer in the State of Bihar, furnishes the following details relating to it's sales and purchases during the month of March, 2011 :

Details of sales :

Invoice No. 301 dated	5.3.2011	Rs.	10,500	(inclusive of 12.5% tax)
Invoice No. 302 dated	10.3.2011	Rs.	15,000	(inclusive of 12.5% tax)
Invoice No. 303 dated	12.3.2011	Rs.	12,500	(inclusive of 4% tax)
Invoice No. 304 dated	18.3.2011	Rs.	14,700	(inclusive of 12.5% tax)
Invoice No. 305 dated	22.3.2011	Rs.	16,750	(inclusive of 4% tax)
Invoice No. 306 dated	25.3.2011	Rs.	9,750	(inclusive of 12.5% tax)
Invoice No. 307 dated	31.3.2011	Rs.	10,000	(inclusive of 4% tax)

Indirect taxes Problems and Solutions /May -June/ Nov- Dec 2011 Exam

Details of Purchase : Within

Bihar on

	4.3.2011	Rs.	7,000	(inclusive of 12.5% tax)
From Other State (CST)	8.3.2011	Rs.	3,500	(inclusive of 4% tax)
Within Bihar on	12.3.2011	Rs.	9,500	(inclusive of 4% tax)
Within Bihar on	15.3.2011	Rs.	10,000	(inclusive of 12.5% tax)
Within Bihar on	18.3.2011	Rs.	7,500	(inclusive of 12.5% tax)
Within Bihar on	22.3.2011	Rs.	12,000	(inclusive of 4% tax)

Out of sale against Invoice No. 302, Goods worth Rs. 2,000 has been returned on 15.4.2011. Compute the amount of VAT liability for the month of March, 2011

Total sales within state

Date	Invoice No	4%	12.50%
05.03.2011	301		10500
10.03.2011 (less returns)	302		13000
12.03.2011	303	12500	
18.03.2011	304		14700
22.03.2011	305	16750	
25.03.2011	306		9750
31.03.2011	307	10000	
Total sales including vat		39250	47950
Purchase value			
29250 x 100/104, 38200 x100/112.5		37740	42622
Vat value			
29250 x 4/104, 38200 x12.5/112.5		1510	5328

Total purchases with in state including vat			
Date	Invoice No	4%	12.50%
04.03.2011			7000
12.03.2011		9500	
15.03.2011			10000
18.03.2011			7500
22.03.2011		12000	
		21500	24500
Purchase value			
21500 x 100/104, 24500 x100/112.5		20673	21778
Vat value			
21500 x 4/104, 24500 x12.5/112.5		827	2722

Calculation of Vat liability

Output tax			
for sales within state (1125+4244)			6837
Less: vat credit on Purchases			
with in state -827+2722			3549
Vat Payable			3288

Indirect taxes Problems and Solutions /May -June/ Nov- Dec 2011 Exam

Note : No input tax credit is available in respect of purchases from other states, i.e., inter-State purchase.

Problem No1 9

M/s Ashok Engg. Co. Ltd., a registered dealer in the State of Punjab, furnishes the following details relating to it's sales and purchases during the quarter ended 31st March, 2011 :

Sales :

Invoice No. 101 dated	4.3.2011	Rs.	20,000	(inclusive of 12.5% tax)
Invoice No. 102 dated	8.3.2011	Rs.	17,000	(inclusive of 4% tax)
Invoice No. 103 dated	12.3.2011	Rs.	16,000	(inter-State sale inclusive of 4% tax)
Invoice No. 104 dated	18.3.2011	Rs.	19,700	(inclusive of 12.5% tax)
Invoice No. 105 dated	26.3.2011	Rs.	20,100	(inclusive of 4% tax)
Invoice No. 106 dated	27.3.2011	Rs.	22,750	(inclusive of 12.5% tax)

Goods sent to Patna branch of the company on 15.3.2011 for Rs. 12,000.

Purchases :

From dealer in Punjab on	2.3.2011	Rs.	10,000	(inclusive of 4% tax)
From dealer in Punjab on	4.3.2011	Rs.	15,000	(inclusive of 12.5% tax)
From dealer in Delhi (CST) on	6.3.2011	Rs.	7,500	(inclusive of 4% tax)
From dealer in Punjab on	12.3.2011	Rs.	8,500	(inclusive of 12.5% tax)
From dealer in Punjab on	18.3.2011	Rs.	18,000	(inclusive of 12.5% tax)
From dealer in Punjab on	22.3.2011	Rs.	14,000	(inclusive of 4% tax)

Goods purchased on 2.3.2011, was sent to Patna branch of the company. Compute the amount of VAT liability for the month of March, 2011.

Total sales including within state			
Date	Invoice No	4%	12.50%
04.03.2011	101		20000
8.03.2011	102	17000	
18.03.2011	104		19700
26.03.2011	105	20100	
27.03.2011	106		22750
Total sales including vat		37100	62450
Sale value			
$31700 \times 100/104$, $62450 \times 100/112.5$		35673	55511
Vat value			
$31700 \times 4/104$, $62450 \times 12.5/112.5$		1427	6939

Total purchases with in state including vat			
Date	Invoice No	4%	12.50%
04.03.2011			15000
12.03.2011			8500
18.03.2011			18000
22.03.2011		14000	

Indirect taxes Problems and Solutions /May -June/ Nov- Dec 2011 Exam

		14000	41500
Purchase value			
$24000 \times 100/104$, $41500 \times 100/112.5$		13462	36889
Vat value			
$24000 \times 4/104$, $41500 \times 12.5/112.5$		538	4611

Calculation of Vat liability			
Output tax			
for sales within state (1427+6939)			8366
Less: vat credit on Purchases			
with in state -1212+4611			5150
Vat Payable			3216
CST Liability on outside sales			
$16000 \times 4/104$			615

Problem No 20

BBJ Co. Ltd., a registered dealer under the Central Sales Tax Act and VAT Act in the State of West Bengal. It makes inter-State sale as well as sale within West Bengal of goods specified in *Schedule C* (rate of tax 4%) and *Schedule 3 CA* (tax rate 12.5%).

From the following details, determine the amount of Central Sales Tax and VAT liability of the dealer for the month of January, 2011.

- (1) Sale price of *Schedule C* (4%) goods in West Bengal on 12.3.2011 Rs. 5,00,000.
- (2) Sale price of *Schedule CA* (12.5%) goods in West Bengal on 18.3.2011 Rs. 3,00,000. (3) Sale price of *Schedule C* (4%) goods in West Bengal on 20.3.2011 Rs. 7,50,000.
- (4) Sale price against *Form C* (4%) goods in West Bengal on 24.3.2011 Rs. 4,00,000.

(All the above sales are exclusive of sales tax)

Purchase of *Schedule C* (4%) Goods in West Bengal Rs. 4,16,000 inclusive of tax. Purchase of *Schedule CA* (12.5%) Goods in West Bengal Rs. 1,68,750 inclusive of tax. Purchase from Delhi, against *Form C* (4%) Rs. 52,000 inclusive of CST.

Computation of Net VAT liability of M/s BBJ Co. Ltd. for the month of March, 2009.

	Output Tax Rs.
Output Tax Liability :	
1. On Sale price of Rs. 5,00,000 Rs. 5,00,000 × 4%	20,000
2. On Sale price of Rs. 3,00,000 Rs. 3,00,000 × 12.5%	37,500
3. On Sale price of Rs. 7,50,000 Rs. 7,50,000 × 4%	30,000
Total Output VAT Liability [A]	87,500

Input Tax Credit on Purchase :	
1. On Purchase of Rs. 4,16,000 inclusive of 4% tax Rs. $4,16,000 \times \frac{4}{104}$	16,000
2. On Purchase of Rs. 1,68,750 inclusive of 12.5% tax Rs. $1,68,750 \times \frac{12.5}{112.5}$	18,750
Total Input Tax Credit [B]	34,750
Net VAT Payable [A – B]	52,750

Note : No input tax credit is available in respect of purchases from other State. Hence inter- State purchase from Delhi of Rs. 52,000 is not eligible for input tax credit under VAT.

Liability under Central Sales Tax :

Sale of Rs. 4,00,000 @ 4% CST (against Form C) = Rs. 16,000

Accordingly, Net VAT Payable = Rs. 52,750

Net CST Payable = Rs. 16,000

Problem no 21 :

M/s Jyoti Industries, a registered dealer of VAT in the State of Rajasthan, furnishes the following details relating to it's sales and purchases during the quarter ended 31st March, 2011 :

Sales :

Sale of *Schedule C* (4%) goods in Rajasthan Rs. 8.32,000 inclusive of tax

Sale of *Schedule CA* (12.5%) goods in Rajasthan Rs. 4,50,000 inclusive of tax

Sale of *Schedule C* (4%) goods in Rajasthan Rs. 4,16,000 inclusive of tax

Sale of *Schedule A* (Exempted) goods in Rajasthan Rs. 85,000.

Sale, return of *Schedule CA* goods in April, 2011 for Rs. 20,000 inclusive of tax. Freight and delivery charges included in turnover and not separately charged :

For <i>Schedule A</i> goods	Rs. 5,000
For <i>Schedule C</i> goods	Rs. 30,000
For <i>Schedule CA</i> goods	Rs. 22,000

Purchases :

Schedule C (4%) goods from dealers in Rajasthan Rs. 9,00,000 inclusive of tax

Schedule CA (12.5%) goods in Rajasthan Rs. 3,50,000 inclusive of tax

Schedule A (exempted) goods in Rajasthan Rs. 70,000

Purchase from unregistered dealer in Rajasthan for Rs. 2,000 goods used in regular business of the dealer (*Schedule CA* goods) 12.5%

Indirect taxes Problems and Solutions /May -June/ Nov- Dec 2011 Exam

Determine aggregate sale price, taxable turnover of sales, output tax liability, input tax credit and net VAT liability of the dealer.

Solution :

Computation of Net VAT Liability of M/s. Jyoti Industries Ltd. for the month of March, 2011.

Output Tax Liability :	Output Tax Rs.
1. On Turnover of Rs. 8,32,000 inclusive of 4% tax Rs. $8,32,000 \times \frac{4}{104}$ Sale Price Rs. 8,32,000 – Rs. 32,000 = Rs. 8,00,000 on which VAT is payable @ 4%	32,000
2. On Turnover of Rs. 4,50,000 less returned goods Rs. 20,000 Net turnover of Rs. 4,30,000 @ 12.5% Rs. $4,30,000 \times \frac{12.5}{112.5}$ Sale Price Rs. 4,30,000 – Rs. 47,778 = Rs. 3,82,222 on which VAT is payable @ 12.5%	47,778
3. On Turnover of Rs. 4,16,000 inclusive of 4% tax Rs. $4,16,000 \times \frac{4}{104}$ Sale Price Rs. 4,16,000 – Rs. 16,000 = Rs. 4,00,000 on which VAT is payable @ 4%	16,000
4. Tax on purchase from Unregistered Dealer [Section 17] Rs. 2,000 × 12.5%	250
Total Output Tax [A]	96,028
Input Tax Credit :	
1. On Purchase within Rajasthan @ 4% on Rs. 9,00,000 Rs. $9,00,000 \times \frac{4}{104}$	34,615
2. On Purchase of Rs. 3,50,000 @ 12.5% Rs. $3,50,000 \times \frac{12.5}{112.5}$	38,889
3. On Purchase from Unregistered Dealer (No credit is available)	Nil
Total Input Tax Credit [B]	73,504

Total Output Tax	(A)	96,028
Less : Input Tax Credit	(B)	73,504
Net VAT Liability		22,524

- Notes :**
- (1) No Input Tax Credit is available in purchase of exempted goods.
 - (2) No Input Tax Credit is available on purchase from unregistered dealer under Section 22(5) of the Act.
 - (3) Freight and delivery charges are included in the definition of 'Sale Price' under Section 2(41) of the Act and hence no deduction is allowed.