Retention (Reduction) in set off (RULE 53)

In certain circumstances set off granted will be reduced. Following are such circumstances:

CIRCUMSTANCE REDUCTION FROM SET OFF AMOUNT

1) Purchase of fuel — 53(1)
@ 3% of purchase price (PP) of taxable goods used as fuel (prior to 1-4-2007 the reduction rate was 4%).

2) Manufacture of tax free goods (except manufacturing of sugar and textile for export out of India) — 53(2)(a)
@ 3% of PP of corresponding taxable goods. (other than capital assets and fuel) (Prior to 1-4-2007 the reduction rate was 4%).

3) Resale of tax free goods — 53(2)(b)
@ 3% of PP of corresponding packing material used to pack taxfree goods. (Prior to 1-4-2007 the reduction rate was 4%).

4) Transfer of taxable goods to branch in other State or to agent in other State — 53(3)
@ 3% of corresponding PP (Deduction not to apply if goods are brought back in the State within six months. In case, eligible to set off purchases are covered by Schedule B, the reduction should be 1%, instead of 3%). (The above reduction rate was 4% prior to 1-4-2007).

5) If opted for 8% composition scheme on works contract —53(4)(a)
9/25 of tax amount (thus only 16/25=64% of tax is eligible as set off) (retention does not apply to capital goods and goods in which property does not pass).

6) If opted for 5% composition scheme in relation to construction contract w. e. f. 20-6-2006 — 53(4)(b)
@4% of corresponding PP of goods transferred in such construction contract. (Retention does not apply to capital goods and goods in which property does not pass).

7) Business discontinued or not continued by successor — 53(5)
No set off on closing stock (other than capital assets) on the date of such event.

8) If the receipts from sale of goods is less than 50% of the gross receipts in the year — 53(6)
Set off is available only on plant and machinery and those goods which are sold or consigned or used in packing of the goods sold or consigned, within six months of date of purchase. This position applies from 8-9-2006. Irrespective of this condition of reduction it is provided that in case of hotels, clubs, on purchases of capital assets and consumables pertaining to kitchen and services of food and drinks, set off is available.

9) If retailer of liquor holding liquor License in Form FL-II,CLIII, or in Form CL/FL/TOD/III effect sale of liquor at the price lower than MRP — 53(7)
Set off available = set off allowable on purchase x selling price ¸ MRP value of the liquor sold

10) Purchase of office equipments, furniture & fixture, if the same is treated as capital asset — 53(7A)
3% of PP of such goods with effect from 1-4-2-07. [4% of PP (9-9-2006 to 31-3-2007)]

11) Electricity Transmission or Distribution Companies —53(7B)
3% of PP of goods used in distribution/transmission including capital assets (4% of PP up to 31-3-2007)

The claimant dealer shall deduct the amount required to be reduced under this rule from the amount of set-off available in respect of the period in which the contingency specified in this rule occurs and claim only the balance amount as set-off and when the amount so required to be deducted exceeds the said amount of set off available in respect of that period, he shall pay an amount equal to the excess in return for the said period. [Rule 53(8)].