Introduction

WHAT IS VALUE ADDED TAX (VAT) ?

VAT (Value Added Tax) is a multistage tax system for collection of sales tax. The system envisages levy of tax on the sale at each stage and contemplates allowing of set off of tax paid on purchases. Thus, tax is getting paid on the value addition in the hands of each intermediatory vendor. The process covers whole chain of distribution i.e. from manufacturers till retailers.
Prior to 1-4-2005, the system for levy of tax in Maharashtra was, in general, single point tax system. As a consequence to national consensus for introduction VAT, the earlier Bombay Sales Tax Act, 1959 is replaced by Maharashtra Value Added Tax Act, 2002. The Act has come into force with effect from 01/04/2005. Thus, from 1-4-2005, sales tax is being collected under VAT system in Maharashtra. Salient features of this Act are mentioned hereunder:

(I) Definitions

Section 2 gives definitions of various terms. The definitions are almost at par with earlier law i.e. Bombay Sales Tax Act, 1959.

Some of the important definitions:

- **Section 2 (4)** – The definition of **Business** includes in its scope any service, trade, commerce, manufacture or any adventure or concern in the nature of such service, trade, commerce or manufacture, whether carried on with or without profit motive and whether actual profit is earned or not. Further, it also includes any transaction which is incidental or ancillary to such trade, commerce, manufacture, adventure, concern or service and also includes any transaction which is incidental or ancillary to commencement or closure of such trade, commerce, manufacture, service etc. The purchase of any goods the price of which is debited to business is also be deemed to be the purchase effected in the course of business. Similarly sale of any goods, the proceeds of which are credited to the business is also deemed to be the sale effected in the course of business.

  Though service is also included in the definition of business, as per Section 2(34) only notified services are to be included in the scope of the definition. As on today no such services are notified and as such at present no service gets covered under the definition of business.

* **Section 2(12)** – **Goods** means every kind of movable property. The definition specifically includes live stocks, growing crop, grass and tree, plants including produce thereof under given circumstances. However, it excludes newspapers, money, stocks, shares, securities or lottery tickets and actionable claims.

- ***Section 2(8)-*** Definition of **Dealer** includes **any person** who buys or sells goods in the state for commission, remuneration or otherwise. It also includes, among others, by an Explaination, public charitable trust government departments, societies, State Government, Central Government, shipping companies, airlines, advertising agencies etc.

- **Section 2 (13) : Importer** means a dealer who brings any goods into the State or to whom any goods are dispatched from outside the state, which will include import out of India also.

Section 2 (24) - **Sale** means a sale of goods made within the State for cash or deferred payment or other valuable consideration but does not include a mortgage, hypothecation, charge or pledge. Ordinarily sale means transfer of property to buyer in goods for cash or deferred payment or other

valuable consideration. A sale within the State includes a sale determined to be inside the State in accordance with the principles formulated in Section 4 of the Central Sales Tax Act, 1956. Following types of transactions are also included in definition of sale.
(i) the transfer of property in any goods, otherwise than in pursuance of a contract, for cash, deferred payment or other valuable consideration;
(ii) the transfer of property in goods (whether as goods or in some other form) involved in the execution of' a works contract including an agreement for carrying out for cash, deferred payment or other valuable consideration, the building, construction, manufacture, processing, fabrication, erection, installation, fitting out, improvement, modification, repair or commissioning of any movable or immovable property; (known as works contract transactions)
(iii) a delivery of goods on hire-purchase or any system of payment by instalments;
(iv) the transfer of the right to use any goods or any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration; (known as lease transactions)
(v) the supply of goods by any association or body of persons incorporated or not, to a member thereof for valuable consideration;
(vi) the supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (whether or not intoxicating), where such supply or service is made or given for cash, deferred payment or other valuable consideration:

- ***Section 2(25) – Sale Price -*** The definition is almost at par with old definition under BST Act, 1959. Therefore, interpretations made under BST Act will apply in relation to this definition also. Sale price is defined to mean an amount received/ receivable for any sale including any sum charged by seller in respect of the goods at the time of or before delivery thereof. The amount of duties levied or leviable on goods under the Central Excise Act, 1944 or the Customs Act, 1962 or the Bombay Prohibition Act, 1949, shall be deemed to be part of the sale price of such goods, whether such duties are paid or payable by or on behalf of, the seller or the purchaser or any other person.

However, the definition excludes the cost of insurance for transit or of installation, when such cost is separately charged. Sales tax, if any, charged separately shall not form a part of sale price.

Generally, freight/ and octroi will be a part of sale price if the sale is door delivery contract. If the same is ex seller's place and the above expenses are received as reimbursement then it will not form a part of sale price.
However, freight separately charged on interstate sale will not form part of sale price, because the definition of sale price under the C.S.T Act specifically excludes freight charged separately.

Discount - The discount will be deductible as per the legal position interpreted so far i.e. if pre agreed allowable, otherwise not.

(II) Registration

Section 3 of the Act provides for turnover limits for liability to pay tax as well as for registration. The registration number, which used to be referred to as Registration Certification No. (R.C.No.) has been changed to TIN (Tax Payers' Identification Number) and hence the R.C.No. is now referred to as VAT TIN (Tax Payers' Identification Number). This change is effective from 1.4.2006. The limits for registration are as under:

<u>Threshold Turnover Limit:</u>

Sr. No.	Category of Dealer	Total turnover of sale to exceed	Turnover of sale or purchase of taxable goods
1	Importer:	Rs.1,00,000/-	Not less than Rs. 10,000/-
2	Others (Including manufacturer, reseller, liquor dealer, works contractors, lessors etc.)	Rs. 5,00,000/-	Not less than Rs. 10,000/-
3	Voluntary Registration	- NA-	-NA-

Notes:

(i) Reference of turnover of Rs.1,00,000 or Rs.5,00,000 is with respect to **sales only**. Sales will include sales of both, tax-free goods as well as taxable goods.

(ii) No turnover limit for **import** is specified for importer. Even an import of Re. 1 is sufficient to treat the dealer as an importer.

(iii) The dealer who is liable to pay tax is required to apply for registration under the Act **within 30 days** from the date on which prescribed limit of turnover exceeds. In case of **change in ownership or constitution**, an application for new registration certificate (TIN certificate) is to be made within 30 days from the date of such change. In case of **death** of a dealer, an application for new registration for transfer or succession of business can be made within **60 days** from the date of death of dealer. If so applied in time, registration certificate will be granted form the date of liability, otherwise from the date of application. One TIN number will be issued for whole state of Maharashtra, which will cover all the places of business of the dealer.

(iv) With effect from 20th June 2006, if there is a **shifting of place of business** from one place to another place, there is no need to cancel the existing number and apply for new number. The existing TIN will continue. However, the event of shifting should be intimated to the registration authority of the old place.

(v) The dealer can also apply for **voluntary registration** by paying registration fees of Rs. 5,000/-. Registration certificate in such case will be granted with effect from the date of application, which should be accompanied by challan of payment of Rs. 5,000/-. Apart from registration fee of Rs. 5000/- , a dealer is also required to deposit Rs. 25,000/-. This deposit is in the nature of advance tax and is to be adjusted against his tax liability during the year of registration and in subsequent financial year.

(vi) The application for registration (VAT TIN) is to be made in Form No.101 and in Form A for C.S.T TIN. Following documents are required to be submitted along with the application:

- Two passport size photographs of the proprietor / any one partner of the firm/ any one director of private limited company. This requirement is not applicable in case of Public Ltd. Co., public trusts, corporations or a local authority.
- Payment of registration fees of Rs. 500 or Rs. 5,000/- and deposit of Rs. 25,000, as the case may be for Vat TIN and Rs.25/- for C.S.T.TIN. Payment is to be made in chalan No. 210.
- Bill wise statement of sales and purchases from the beginning till the date on which turnover of sales or purchases exceeds the prescribed limit for registration. However, the same is not required in case of application for TIN under voluntary registration scheme.
- Copy of partnership deed / memorandum and articles of association / trust deed etc.

- Proof of address of place of business and residence of applicant, partners, directors etc.(copy of maintenance bill, electricity bill, property card, leave license agreement etc.– any one proof of above for place of business as well as for place of residence is required.)
- Copy of passport / /driving license / voter card of applicant / partners/ directors.(any one proof is required)
- Copy of license or certificate issued under any other Act, if any.
- Income Tax PAN of the applicant / company / firm / partners / HUF and Karta.
- Profession tax number of the proprietor /Company /Partners / Directors.
- Proof of bank account of the applicant, Firm or Company.
- Copy of proof of filing of last return and assessment order, if any (applicable only in case of application for registration due to change in constitution or change in ownership of the concern).

III Levy of tax

Under MVAT Act, 2002, sales tax is payable on all sale of goods effected from the state, whether such goods are manufactured or resold or imported from out of the State of Maharashtra or purchased from registered or unregistered dealer. There is no concept of 'resale' or 'second sale' under the MVAT Act, 2002.

IV. Charging Provisions

Section 4, 5, 6 and 7 are charging Sections.
As per Section 5, no tax is to be levied on sale of goods covered by **Schedule A.**
Section 6 provides for levy of tax on turnover of goods covered by **schedule B, C, D and E.**
Section 7 specifies the rate of tax on **packing material**. Where any goods are sold and such goods are packed in any material, then the tax on such sale of packing material shall be at the same rate of tax, if any, at which tax is payable on the goods so packed**,** whether the packing material is charged separately or not.

V. Schedules and Rate of Tax

- All the goods are classified under Schedule A to E.
- Schedule A covers goods, which are generally necessities of life. Goods covered by schedule A is free from tax. Some of the items covered by Schedule A are agricultural implements, cattle feed, books, bread, fresh vegetables, milk, sugar, fabrics, plain water etc.
- Schedule B covers jewellery, diamonds and precious stones.
- Goods covered by Schedule B are subject to tax at 1%.
- Goods covered by Schedule C are subject to tax @ 4%. Schedule C covers items of daily use or raw material items like drugs, readymade garments, edible oil, utensils, iron and steel goods, non ferrous metal, IT products, oil seeds, paper, ink, chemicals, sweetmeats, farsan, industrial inputs, packing materials etc.
- Schedule D covers liquor which is subject to 20% tax. It also covers various types of motor spirits that are subject to tax from 4% to 34%.
- All items which are not covered in any of the above Schedules are automatically covered in residuary Schedule E. Goods covered by Schedule E are subject to tax at 12.5%.

VI Exemptions

Following sales transactions are exempt from payment of tax under MVAT Act:

- Interstate sale is exempt from payment of sales tax since it is liable to tax under C.S.T Act. [Section 8(1)]

- Sales taking place outside the state as determined under Section 4 of the C.S.T Act. [Section 8(1)]
- Sales in the course of import or export [Section 8(1)]
- Sales of fuels and lubricants to foreign aircrafts**.** [Section 8 (2)]
- Inter-se sales between Special Economic Zones, developers of SEZ, 100% EOU, Software Technology Parks and Electronic Hardware Technology Park Units subject to certain conditions. [Section 8 (3)]
- Sales to any class of dealers specified in the Import and Export Policy notified by the Government of India [8(3A)]. This is subject to issue of notification by State Government under this Section. However, no such notification is issued till today.
- As per Section 8(3B), the State Government may, by general or special order, exempt fully or partially sales to the Canteen Stores Department or the Indian Naval Canteen Services.
- Under power granted u/s. 8(3C), the State Government, by general order, has exempted fully the sale by transfer of property in goods involved in the processing of textile covered in column 3 of the first schedule to the Additional Duties of Excise (Goods of Special Importance) Act, 1957.
- Sales effected by manufacturing unit under exemption mode in backward area is exempt u/s. 8(4).
- As per Section 8(5), the State Government may, by general or special order, exempt fully or partially sales to specific category of dealers mentioned in this sub Section. By Notification dated 19.4.2007 concessional rate of tax @ 4% is provided for sale to specified Electric Power Generating and Distribution Companies', MTNL, BSNL and other specified telephone service providers.
- The State Government may issue the notification to grant refund of any tax levied on and collected from any class or classes of dealers or persons or as the case may be, charged on the purchases or sales made by such class or classes of dealers or persons. (Section 41).
- At present this notification is issued for grant of refund in case of Consulate and Diplomat authorities.
- As per Section 41(4)(b) read with notification dated 30.11.2008 issued under the said section, the sale of motor spirit at retail outlets is exempted from tax.

VII Set-off (Input Tax Credit)

Set off is the back bone of the VAT system. Section 48 of the Act provides for grant of set off (also referred to as input tax credit) to any registered dealer in respect of any sales tax paid on his purchase subject to conditions provided in the rules made in this behalf by the State Government. Rules 51 to 58 of the MVAT Rules, 2005, provide for grant of set off.

Rule 51 provides for set off on opening stock as on 1.4.2005. However, being of limited interest not elaborated here.

Rule 52 provides for set off on purchases effected on or after 1.4.2005.

Important conditions:

1. To be eligible for set off, a dealer must be registered under MVAT Act at the time of purchase of goods. However, set off is also available on purchases effected as URD subject to the condition that the goods are purchased in the financial year in which the registration certificate is obtained and the goods so purchased are capital goods which are otherwise eligible for set off. Set off is available on other goods also if they are in stock as on the date of registration. (Rule 55(1)(a))
2. As per rule 52 set off is available on RD purchases of goods being capital assets and goods the purchases of which are debited to Profit and Loss Account or Trading A/c.
3. Following sums are eligible for set off:

(i) Tax paid separately on purchases effected within the State and supported by `**Tax Invoice`.**

(ii) Entry tax paid under Maharashtra Entry Tax on Goods Act as well as Maharashtra Entry Tax on Motor Vehicles Act.
Note: CST paid on interstate purchase is not eligible for set off.

4. Set off is allowable as and when purchase is made, irrespective of its disposal. However set off in certain circumstances are subject to time limits of disposals, as discussed below. Set off is subject to the reductions specified in Rule 53 and negative list contained in Rule 54.

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– 53 (2) (a)	@ 2 % of PP of corresponding taxable goods (from 1.6.2008 onwards)
3) Resale of tax free goods – 53 (2)(b)	@ 2 % of PP of corresponding packing material used to pack taxfree goods. (from 1.6.2008 onwards)
4) Transfer of taxable goods to branch in other State or to agent in other State – 53(3)	@ 2 % of corresponding PP (from 1.6.2008 onwards). (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%).
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. 20.06.2006 - 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,	3% of PP of such goods with effect from 1-4-07.

furniture & fixture, if the same is treated as capital asset – 53 (7A)	
11) Electricity Transmission or Distribution Companies- 53(7B)	3% of PP of goods used in distribution/ transmission including capital assets

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)].

Non-Admissibility of Set off – Negative List (Rule 54)

Following purchases of goods are not eligible for set off:

1) Passenger Motor vehicles, if treated as capital assets & their parts components and accessories. However, a dealer dealing in sale of motor vehicles or leasing of motor vehicles is entitled to set off. Rule 54(a).
2) Motor spirits, as notified u/s. 41(4) unless it is resold or transferred to branch or agent outside the State. Rule 54(b).
3) Crude oil described in Section 14 of the C.S.T Act, if it is used by refinery for refining. Rule 54(c).
4) If a dealer is principally engaged in job work or labour work and where only waste/scrap is sold then no set off will be granted on consumables and capital assets. Rule 54(d).
5) Unit covered by package scheme of Incentives under exemption scheme or deferment scheme is not entitled for set off of tax paid on “raw materials” as defined in Rule 80 [Rule 54(e)]. However, it can claim refund of tax paid on such purchases as per Rule 79**.**
6) Incorporeal or intangible goods like trademark, patents, are not eligible for set off. Import licenses, sim cards, export permits license/ Quota ,DEPB and duty free replenishment certificates are eligible for set off. Software packages are eligible for set off in the hands of trader of software. Copyright, which is resold within 12 months of the date of purchase, is eligible for set off. Rule 54(f).
7) Purchases effected by way of works contract where the contract results in immovable property, other than plant and machinery. Rule 54(g).
8) Purchase of any goods, if the same are not transferred but are used in erection of immovable property, other than plant and machinery. Rule 54 (h).
9) Purchases of Indian Made Foreign Liquor or of country Liquor if the dealer has opted for composition under sub-Section (2) of Section 42. Rule 54(i).
10) With effect from 20.06.2006 Purchases of mandap, tarpaulin, pandal, shamiana, decoration of such mandap, pandal or shamiana, and furniture, fixtures, lights and light fittings, floor coverings, utensils and other articles ordinarily used alongwith a mandap, pandal or shamiana if the purchasing dealer has opted for composition of tax under sub-Section (4) of Section 42. Rule 54(j).
11) Purchases made on or after 1st April 2005 by a hotelier, which are treated by him as capital assets and which do not pertain to the supply by way of or as part of service or in any other manner whatsoever of goods, being food or any other article for human consumption or any drink [whether or not intoxicating] where such supply or service is made or given for cash, deferred payment or other valuable consideration. Rule 54(k).

VIII Tax Invoice – Section 86

One of distinguishing feature of VAT Act is the provision for Tax Invoice. There can be two types of sale invoice, Tax Invoice and other than Tax Invoice i.e. bills, normal invoice or cash memo etc. The provisions relating to the sale bill are contained in Section 86 read with Rule 77. For individual sale upto Rs.50, making of invoice is not mandatory.

Tax Invoice:
A registered dealer, selling any goods, may issue to the purchaser a 'Tax Invoice' containing following particulars, and retain a copy thereof for three years from the end of the year in which sale took place:-

1. The word Tax Invoice must appear in bold letter at the top or prominent place.
2. Name, address and registration number of selling dealer.
3. Name and address of the purchasing dealer.
4. Serial number and date.
5. Description, quantity and price of the goods sold.
6. The amount of tax charged is to be shown separately.
7. Signed by the selling dealer or a person authorised by him.
8. A declaration u/r. 77(1)

To claim input tax credit, the purchaser must have tax invoice.
The dealer opting for composition scheme, u/s 42(1) or (2) cannot issue Tax Invoice. Instead he shall issue a Bill or Cash Memo in the prescribed manner.

Bill or Cash Memo
Any registered dealer at his option, may issue to the purchaser a Bill or Cash Memo serially numbered, dated and signed by him or his servant or manger or agent. Such bill or cash memo shall contain a declaration u/r 77 (3) and such other particulars as may be prescribed. However, it must not contain the word 'Tax Invoice" and the selling dealer can not collect tax separately. The counterfoil or duplicate of such bill or cash memo shall be preserved for a period of three years form the end of the year in which such sale took place.

Under Section 86(5), a dealer may apply for permission to maintain the records of the bill or cash memo on such electronic systems as may be approved. On getting such permission, a dealer will be exempted from signing and keeping the counterfoils of the bills or cash memos. The Commissioner of Sales Tax vide Circular No. 23T of 2007 dated 12.3.2007 and Circular No. 11T of 2008 dated 04.04.2008 has specified the scheme for the same.

IX Composition Schemes

Section 42 of the Act empowers State Government to issue Notification to provide for a scheme of Composition. Accordingly, State Government has issued Notification No.VAT-1505/CR-105/Taxation-1 dated 1st June 2005, which provides for Composition to different types of dealers subject to various conditions, which are as follows:

Though the provisions are not very clear, it appears that existing dealers who did not opt for the scheme in the year 2007-08 and who wanted to opt for the scheme for the year 2008-09 were required to apply for the same in the prescribed form at the beginning of the year 2008-09. Similarly, existing dealers who opted for the scheme for the year 2007-08 and who did not want to continue, were required to withdraw from the scheme at the beginning of the year 2008-09.

New dealers should apply for composition at the time of registration. The prescribed form for making application for various categories of dealers is as follows:

Form No	Class of dealers
‘Form-1’	Restaurants, eating house, refreshment room, boarding establishment, factory canteen, clubs, hotels
‘Form-2’	Caterers
Form-3’	Bakers
Form -4	Retailers
Form-5’	Dealers in second hand motor vehicles.
	Liquor Vendor – still not effective.

General Conditions applicable to all dealers opting for composition

1. Dealer opting for composition is not eligible for any set-off or refund under the MVAT Rules, 2005 in respect of the purchase corresponding to any goods which are sold or resold or used in packing of goods, except dealer in second hand motor vehicle. Such dealers are entitled to set off in respect of items used for refurnishing or refurbishing of second hand motor vehicles.
2. The dealers cannot issue ‘tax Invoice’. The claimant dealers shall not be eligible to recover composition amount from any customer separately. It can issue bill or cash memo, wherein tax cannot be separately collected.
3. If the option to join the composition scheme is exercised, in any year then it can be changed only at the beginning of the next financial year.

The Schemes for different type of dealers alongwith the specific conditions are as follows:

1. <u>Retailers</u>:

1.1 Reference is available in Section 42(1) and Rule 85.The scheme is meant for registered dealers in business of reselling the goods at retail level, having at least 90% of sales to person who are non dealers.

1.2 Turnover of sales of goods shall not exceed Rs.50 lakhs in the year previous to the current year for which the composition is to be availed of and if the dealer was not liable for registration under B.S.T Act or as the case may be under MVAT Act in the immediately preceding year, then he shall be entitled to claim the benefit of the scheme in respect of the first fifty lakhs rupees of the total turnover of sales in the current year.

1.3 Further eligibility criteria

Such retailers shall not have –

. Manufacturing activity
. Imports
. Inter-state Purchase/Stock transfers

1.4 Additional condition:

The taxable goods resold must be purchased from registered dealers. However, purchase of tax free goods can be from registered dealers as well as unregistered dealers. Any other purchases from unregistered dealers must be of packing materials only.

1.5 Taxable Turnover:

For calculating the composition amount, first a dealer has to arrive at the figure of resale made by a registered dealer of all goods, tax free and taxable, excluding the turnover of resale of the following goods on six monthly basis:-

a) Foreign Liquor, as defined in rule 3(6) (1) of the Bombay Foreign Liquor Rules, 1953.
b) Country liquor as defined in Maharashtra Country Liquor Rules, 1973.
c) Liquor imported from any place outside the territory of India as defined, from time to time in rule 3(4) of the Maharashtra Foreign Liquor (Import and Export) Rules, 1963.
d) Drugs covered by the entry 29 of the Schedule C appended to the Act (upto 30-06-07) and
e) Motor Spirits notified by the State Government under sub-Section (4) of Section 41 of the Act.

Thereafter, the dealer has to work out the turnover of purchases of goods i.e. tax free and taxable except a) to e) as above on same six monthly basis. The turnover of purchases shall be increased by the amount of tax collected by the vendor of the retailer separately from the retailer. The turnover of purchases shall be reduced by the amount of every credit of any type received by the selling dealer from any of his vendors whether or not such credit is in respect of any goods purchased by the selling dealer from the said vendor.
As stated above both these turnovers have to be worked out for six months. After reducing figure of purchase from the figure of sales arrived at as above, composition sum at prescribed rate is payable on excess of turnover of sales, if any.

1.6 **Rate of Tax**:

The applicable rate is of 5% for the retailers whose aggregate of the turnover of sales of goods, covered by schedule A and goods taxable at the rate of 4%, if any, is more than 50% of the total turnover of sales: excluding the turnovers of liquor, drugs and motor spirits. Composition is payable at the rate of 8% in any other case. Thus, the retailers dealing in goods with rate of 12.5% only or having more than 50% turnover of such goods will have to pay 8% on the difference between sales and purchases.
Retailers of drugs and medicines whose at least $3/4^{th}$ of the turnover of sales consist of drugs and medicines can pay the tax @ 6% on the difference between the turnover of sale and purchase of all goods including drugs and medicines.

Restaurants and caterers: Sec. 42(2)

Eligibility Criteria
List of eligible dealers in this category includes restaurants, eating house, refreshment room, boarding establishment, factory canteen, clubs, hotels and caterers.
The Composition is available qua aggregate of sales of food and non-alcoholic drinks served for consumption at or in the immediate vicinity of such dealers or supplied by them, not being served for consumption in any restaurant or hotel or any part thereof having gradation of “Four star” and above.
The claimant dealer has to apply in the ‘Form-2 if he is a caterer and in the ‘Form-1’ in other cases.

Restaurant etc. serving alcoholic drink can also opt for this composition scheme in relation to food and non alcoholic drinks. In respect of alcoholic drinks he will be required to discharge tax liability as per the provisions of the Act.

Tax amount
8 % on the turnover of sales in the case of registered dealer and 10% on the turnover of sales in case of unregistered dealer.

Bakers

Eligibility criteria

Bakers can opt for composition. The term 'Baker' is not defined, but baker is a dealer whose business is of manufacturing and selling of bread, cakes and other bakery products. If he is trading in bakery products, he is not entitled for composition on traded goods.

Compliance
He is supposed to apply and will be allowed composition only if the turnover of sales of bakery products including bread has not exceeded rupees thirty lakhs in the year previous to year for which the composition is to be availed and if the dealer was not liable to pay tax in the immediately preceding year, then he is entitled to claim the benefit of the scheme in respect of the first thirty lakhs rupees of the total turnover of sales in the current year.

Additional Condition:

An application is to be made to the Joint Commissioner, who shall certify the claimant dealer for the purpose of claiming benefit under composition scheme.

Tax amount

On first turnover of Rs.30 lacs of bakery products, claimant dealer has to pay composition amount @4%, such turnover will include the sale of bread in loaf, rolls, in slices or toasted form. If the claimant dealer is unregistered, the rate will be 6% instead of 4%.
In the turnover of goods, he has to calculate sales of goods manufactured by him.
For turnover exceeding prescribed limit, he has to pay tax as per normal sales tax rates. In such case he will get deduction for tax free sales of bread.

Dealer in second hand motor vehicles: Sec.42 (2)

Eligibility Criteria
Registered dealer whose principal business is of buying or selling of motor vehicles is eligible in respect of the turnover of sales of second hand passenger motor vehicle whether or not sold after reconditioning or refurnishing.

Additional conditions:
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1) An application is required to be made to the Joint Commissioner, who shall certify the claimant dealer for the purpose of claiming benefit under composition scheme
2) The selling dealer has to prove to the satisfaction of the Commissioner that the Entry tax in respect of the said vehicle has been paid or that the said vehicle is registered at the time of purchase under the Central Motor Vehicle Rules, 1989 in the state of Maharashtra and accordingly, registration mark of this state was allotted to the said vehicle.

Tax amount
Tax is to be paid at 12.5% on 15% of the sale price of the vehicle.

New category of dealers:

As per the amendments effected in the M.V.A.T Act by Maharashtra Ordinance No. VI of 2006 dated 20th June, 2006 the benefit of Composition Scheme is extended to vendors selling Indian Made

Foreign Liquor or Country Liquor on retail basis and holding license in Form FL II or CL III or CL/FL/TOD/III. The details of the scheme are yet to be notified.

X - Tax liability on Works Contract transactions

Works Contract transaction consists of supply of material and labour. However, tax under MVAT Act is leviable on sale of materials only. Therefore, a dealer has to identify the sale value of the material transferred under works contract. Rule 58 prescribes the deductions available which can be deducted from the value of contract to arrive at the sale price of the goods transferred in the execution of the works contract.

The eight items, which are eligible for deduction from total contract value for arriving at value of goods, are as under.

(a) labour and service charges for the execution of the works;

(b) Amounts paid by way of price for sub-contract, if any, to sub-contractors;

(c) Charges for planning, designing and architect's fees;

(d) Charges for obtaining on hire or otherwise, machinery and tools for the execution of the works contract;

(e) Cost of consumables such as water, electricity, fuel used in the execution of works contract, the property in which is not transferred in the course of execution of the works contract;

(f) Cost of establishment of the contractor to the extent to which it is relatable to supply of the said labour and services;

(g) Other similar expenses relatable to the said supply of labour and services, where the labour and services are subsequent to the said transfer of property;

(h) profit earned by the contractor to the extent it is relatable to the supply of said labour and services:

Alternatively, proviso to the Rule 58 has prescribed the specific percentages for different types of works contracts. A dealer may deduct the prescribed percentage from the total value of contract.

<u>The Table for Standard deduction towards labour charges:</u>

Serial No.	**Type of Works contract**	***Amount to be deducted from the contract price (expressed as a percentage of the contract price)**
(1)	(2)	(3)
1	Installation of plant and machinery	Fifteen per cent.
2	Installation of air conditioners and air coolers	Ten per cent.
3	Installation of elevators (lifts) and escalators	Fifteen per cent.
4	Fixing of marble slabs, polished granite stones and tiles (other than mosaic tiles)	Twenty five per cent.

5	Civil works like construction of buildings, bridges, roads, etc.	Thirty per cent.
6	Construction of railway coaches on under carriages supplied by Railways	Thirty per cent.
7	Ship and boat building including construction of barges, ferries, tugs, trawlers and dragger	Twenty per cent.
8	Fixing of sanitary fittings for plumbing, drainage and the like	Fifteen per cent.
9	Painting and polishing	Twenty per cent.
10	Construction of bodies of motor vehicles and construction of trucks	Twenty per cent.
11	Laying of pipes	Twenty per cent.
12	Tyre re-treading	Forty per cent.
13	Dyeing and printing of textiles	Forty per cent.
14	Annual maintenance contracts	Forty per cent
15	Any other works contract	Twenty five per cent

Note: The percentage is to be applied after first deducting from the total contract price, the quantum of price on which tax is paid by the sub contractor, if any, and the quantum of tax separately charged by the contractor if the contract provides for separate charging of tax.
The balance value arrived at by deduction of labour charges by any of above methods will be taxable value of goods. On such value, tax will be required to be paid at 0%, 4% or 12.5% depending upon the goods transferred in the contract. Contractors can issue 'tax invoice' while charging above tax.

Composition Scheme for works contact

Alternatively, a composition scheme is prescribed u/s. 42(3). A contractor may pay tax @ 8% on the total contract value without claiming the deduction for labour. However, deduction for payment to sub contractor is available subject to conditions. Such composition tax @ 8% can be collected separately by issuing 'tax invoice'.

From 20th June 2006 a composition scheme for payment at 5% is also available for notified construction contracts.

The notified construction contracts as per Notification No. VAT.1506/CR-134/Taxation-1 dated 30.11.2006 are as under.

(A) Contracts for construction of, -

(1) Buildings,
(2) Roads,
(3) Runways,
(4) Bridges, Railway overbridges,
(5) Dams,
(6) Tunnels,
(7) Canals,
(8) Barrages,
(9) Diversions,
(10) Rail Tracks,
(11) Causeways, Subways, Spillways,
(12) Water supply schemes,
(13) Sewerage works,
(14) Drainage,

(15) Swimming pools,
(16) Water Purification plants, and
(17) Jetty.

(B) Any works contract incidental or ancillary to the contracts mentioned in paragraph (A) above, if such work contracts are awarded and executed before the completion of the said contracts.

Contractor/ Sub-contractor:
If the contractor allots the works contract to the sub-contractor, then the contractor and sub contractor are treated as Principal and agent. The responsibility for payment of tax will be joint and several. However the contractor can make the payment of tax on contract and subcontractor can take deduction by obtaining declaration and certificate in Form 406 and 409 from the contractor. Similarly if the sub contractor has made payment of tax on contract allotted to him, then contractor can take deduction to that extent by obtaining declaration and certificate in Form 407 and 408 from sub contractor.

XI Tax liability on Lease transactions

There is no specific schedule of lease tax. In case of transaction of lease of any movable goods, tax is payable on the amount received or receivable at the same rate as applicable to the sale of such goods.

Composition scheme for mandap decorators:
Where a dealer is liable to pay tax on sales effected by way of the transfer of the right to use mandap, tarpaulins, shamiana or pandal (including the transfer of the right to use furniture, fixtures, lights and light fittings, floor coverings, utensils and other articles ordinarily used alongwith a mandap, pandal or shamiana), then he may pay a tax @ 1.5 % of the turnover of sales effected by him instead of payment as per provisions of Act.

XII Filing of returns

Section 20 states that every registered dealer shall file correct, complete and self-consistent returns. Rules 17 and 18 deal with forms and periodicity of returns etc. The information is tabulated as under:

With effect from 1st May, 2008, the forms of return are changed. All the Vat returns whether original, revised or fresh and for whatever period are required to be filed in newly prescribed forms, which are as follows:

To be used by	Form No.
Oil companies	235
Dealer holding entitlement certificate and enjoying tax benefit under package scheme of incentives.	234
Dealers who are fully or partially in the business of works contracts and/or leasing.	233
Dealers who are covered under the composition scheme except works contract composition scheme.	232
All other dealers are required to file their monthly or quarterly or six monthly returns in this form.	231
C.S.T returns in all cases	III-E

Periodicity of filing of returns:

Payment Of Taxes	Periodicity of Payment/ Return	Returns to be filed
(A) In case of First Year	a) From 1st day of April of the year or from the date of event dealer becomes liable to pay tax till the end of half yearly period in which the certificate of registration is granted. b) Thereafter six monthly	Within 21 days from the end of the six monthly period. -- As above --
B) In case of Subsequent Year	a) If tax liability during the previous year exceeded Rs.ten lacs or refund during the previous year exceeded Rs. 1 crore	Monthly
	b) If tax liability during the previous year did not exceed Rs.ten lacs but exceeded Rs.one lac. Or refund during the previous year did not exceed Rs one crore but exceeded Rs. 10 lacs	Quarterly
	c) If tax liability during the previous year did not exceed Rs.one lac. Or refund during the previous year did not exceed Rs. Ten lacs	Six Monthly
(C) In case of Last Year	a) Returns as per (B) above	Monthly or quarterly or six monthly depending upon the previous year's liability
	b) Last return from the first day of month, quarter or half year as the case may be till the date of closure/ discontinuation of the business	----- --- do -------------
(D) Dealers covered under Composition Scheme	a) Retailer	Half yearly
	b) Restaurant	depends upon the previous year's liability
	c) Bakery	depends upon the previous year's liability
	d) Dealer of Second Hand Motor Vehicles	depends upon the previous year's liability
	e) Caterer	depends upon the previous year's liability
(E) For other types of	a) Motor Spirit Dealer	depends upon the previous

Dealers	b) Certificate of Entitlement Holder (For both - Exemption as well as Deferral units)	year's liability with provision for advance payment Quarterly-Refer Rule 18

Tax liability: - It means total tax payable under the MVAT Act as well as CST Act after adjustment of the amount of set-off or refund claimed by the dealer, if any under the MVAT Act.

If dealer does not have any transactions covered by the CST Act than he is not liable to file any returns under CST Act, 1956. (Commissioner's Circular No. 52T of 2007 dated 31-07-2007).

With effect from 20th December, 2008 all the dealers in Maharashtra State are required to file the vat and CST returns in electronic form.

DUE DATE CHART FOR PAYMENT OF TAX UNDER THE MAHARASHTRA VALUE ADDED TAX ACT, 2002 FROM 1/4/2008 ONWARDS

For monthly payments		**For quarterly payments**		**For half yearly Payments**	
1)If tax liability exceeded Rs. 10,00,000/- or 2) refund exceeded Rs. 1,00,00,000		**1) Tax liability exceeded Rs. 1,00,000/- but did not exceed Rs. 10,00,000/-or 2) Refund exceeded Rs. 10,00,000 but did not exceed Rs. 1,00,00,000** **3) PSI Units**		**1) Tax liability upto Rs.1,00,000/- or Refund upto Rs. 10,00,000** **2) Retailers who opted for Composition** **3) Newly registered dealers**	
Months	**Due Date**	**Quarters**	**Due Date**	**Half year**	**Due Date**
April	21st May				
May	21st June				
June	21st July	1st Quarter	21st July		
July	21st August				
August	21st September				
September	21st October	2nd Quarter	21st October	1st half	21st October
October	21st November				
November	21st December				
December	21st January	3rd Quarter	21st January		
January	21st February				
February	21st March				
March	21st April	4th Quarter	21st April	2nd half	21st April

1] If the due date falls on a State Holiday or Sunday, the immediate next working day will be the due date.

2] Date of presentation of cheque will be considered to be the date of payment.

Revised return:

Dealer can file revised return within nine months from the end of the respective year in which the period of original return is covered.

Fresh return:

If after filing original return, the department issues defect notice mentioning the defect remained in such return, the dealer will be required to file fresh return within one month from the date of receipt of defect notice.

Annual return:

As per amendment in Rule 17(4)(a)(ii) dated 14.03.2008, a registered dealer to whom the Explanation to clause (8) of section 2 applies (i.e. deemed dealers), if his tax liability during the previous year was rupees one crore or less, can file an annual return within twenty-one days from the end of the year to which such return relates, instead of filing monthly, quarterly or six monthly returns. However, an application to the Joint Commissioner is required for the same.

XIV Assessment, review, rectification, appeal and refunf of tax

- Section 21 to 27 contains the provisions regarding assessment of tax, review rectification and filing of appeal. Section 51 deals with refund of tax.

XVI Interest & Penalty

Penalties: Section 29

Section	Nature of offence	Penalties
29(3)	(i) Concealment, (ii) Knowingly furnishing inaccurate particulars of transactions liable to tax (iii) Concealment or knowingly misclassifying any transaction liable to tax, (iv) Knowingly claiming excess set-off.	Equal to the amount of tax found due.
29(4)	Knowingly issuing/ producing any document including a false bill, cash memo, voucher, declaration certificate by which tax is not levied or is levied at reduced rate or incorrect set-off is claimed.	Equal to the amount of tax found due.
29(5)	Where a buyer enjoys exemption u/s. 8(3),8(3A),8(3B) or 8(5) and thereafter do not comply with the conditions specified therein	Equal to one and half times of the tax payable on sale.
29(6)	Contravention of provision of Section 86 (Tax Invoice and memorandum of Sales or Purchases) resulting in under assessment.	Equal to half the amount of tax which would have been under assessed or Rs. 100/-, whichever is more.
29(7)	Failure without reasonable cause to comply with any notice in respect of any proceedings.	Rs. 1,000/-
29(8)	Failure without reasonable cause to file within prescribed time, a return for any period under Section 20	If return is filed before initiation of proceeding for levy of penalty then Rs. 5,000/-, otherwise Rs. 10,000/- (As per amendment with effect from 01-05-2008)
29(9-c)	When return is found to be not complete and self consistent	Rs. 1,000/-.
29(10)	Collection of any sum by way of tax in contravention of provisions of Section 60	Not exceeding Rs. 2,000/-
61(2)	Failure to furnish copy of audit report u/s 61 within prescribed time. [If filed within one month from due date and delay was on account of factors beyond dealer's control then no penalty as per proviso.]	One tenth percent of total turnover of sale.
Rule 90	Breach of any of the rules	Fine which may extend to Rs.2,000 and for continuing offence with a daily fine not exceeding Rs.100

Prosecution
Section 74 of the Act, provides for prosecution of any dealer or person who has committed any default provided in it, with or without fine. Section 74(7) states that in any prosecution for an offence under this Section, which requires a culpable mental state on the part of the accused, the Court shall presume the existence of such mental state. The accused has to prove that he had no such mental state with respect to the Act charged as an offence in that prosecution.
Section 78 of the Act provides for compounding of any specified offences by the Commissioner of the Sales Tax, upon payment of any sum not exceeding double the amount of tax that would have been payable on turnover of sales or purchases.

Interest: Section 30:

(1) **Unregistered Dealer:** Interest for Unregistered dealer period is to be levied for each month or part thereof for the period commencing on the 1st April of the respective year to the date of payment of tax.

If as a result of any order passed under the Act amount of tax is reduced, the interest shall be reduced accordingly and where the said amount is enhanced, it shall be calculated upto the date of such order.

Interest levied under this sub-Section shall not exceed the amount of tax found payable for the respective year.

(2) Registered Dealer:

- Failure to pay tax within time specified by or under this Act shall be visited with interest after last date by which he should have paid such tax.
- **Rule 88:** Rate of interest is presently notified for Section 30 is one and quarter percent of amount of tax for each month or for part thereof.

XVII Survey, Search, Seizure and Check post

Section 64, 65 & 66 of the Act provides for survey, search and seizure.

Section 67 of the Act provides for establishment of check post. However, this provision is not yet made operative.

XVIII MAINTENANCE OF RECORDS

Although no specific format has been prescribed for the maintenance of records under MVAT Act 2002, it is expected that every dealer shall keep such accounts and records as usually required to be maintained in his normal course of his business.

Section 63 of the MVAT Act 2002 requires every dealer to maintain a true account of the value of the goods sold and goods purchased by him. It also requires that every registered dealer shall ordinarily keep all his accounts, registers and documents relating to his stocks of goods, purchases, sales and delivery of goods made by him or payments made or received towards sale or purchase of goods, at the place or places of business specified in his certificate of registration.

As per Section 63(5)/(6) the effect of credit /notes debit notes for goods return or variation in sale price is to be taken in the period in which the entries for the same are made in the books. It is also provided that if such credit/debit notes have the effect of varying the sale/purchase price then tax element should be shown separately.

Preservation of books of accounts, register, etc

Every registered dealer shall preserve all books of accounts, registers and other documents relating to the stocks, purchases, dispatches and deliveries of goods and payments made towards sale or purchase of goods for a period of not less than six years from the expiry of the year to which they relate. (Rule 68)

XIX Audit of Accounts (Sec. 61)

Every dealer liable to pay tax shall, if his turnover of sales or, as the case may be, of purchases, exceeds rupees forty lakhs in the year or if he is a dealer or person who holds **specified** liquor license, is required to get his accounts audited by a Chartered Accountant or a Cost Accountant. The audit report in Form 704 is to be submitted to the sales tax department within ten months from the end of the relevant year.

If any dealer liable to get his accounts audited under sub-Section (1) fails to furnish a copy of such report within the time as aforesaid, the Commissioner may, after giving the dealer a reasonable opportunity of being heard, impose on him a sum by way of penalty equal to $1/10^{th}$ percent of the total sales.

It is also provided that if the dealer fails to furnish a copy of such report within the aforesaid period but files it within one month of the end of the said period and the dealer proves to the satisfaction of the Commissioner that the delay was on account of factors beyond his control, then the Commissioner may condone the delay.

However, the provisions of VAT Audit prescribed under Section 61 shall not apply to Departments of the Union Government, any Department of any State Government, local authorities, the Railway Administration as defined under the Indian Railways Act, 1989, the Konkan Railway Corporation Limited and the Maharashtra State Road Transport Corporation constituted under the Road Transport Corporation Act, 1950.

Some of the important features of VAT audit are as follows:

(1) Turnover of all purchases including purchases debited to Profit & Loss Account (like printing and stationery, packing material, consumables etc.) and purchase of assets are to be considered for deciding the limit of Rs. 40 lakhs.
(2) Turnover of all sales including sale of scrap, old assets, sale to employees, sale of goods on commission basis etc. is to be considered for deciding the limit of Rs. 40 lakhs.
(3) Unlike Income Tax Audit, the VAT auditor is not required to certify the true and fair view, but is required to certify the correctness and completeness of the VAT and C.S.T returns filed by the dealer.
(4) Copy of the Statutory Audit Report**,** along with Profit & Loss Account and Balance Sheet is required to be enclosed with VAT audit report in Form No. 704.
(5) The auditor is required to determine the amount of tax payable, compare it with the amount of tax paid alongwith return and is required to advise the dealer to file the revised return and pay the differential tax or claim the refund of excess tax paid.
(6) In case a dealer has opted for any composition scheme, then he has to verify and report whether the dealer has fulfilled the required conditions of the composition scheme as specified in the notification.
(7) In case of export sales, high seas sales, sale in transit, sales to an exporter against Form H or inter state transfer of goods to a branch or an agent against Form F, an auditor is required to verify all relevant documents and

operating procedure in terms of the provisions of the C.S.T Act and legal position in this regard.

(8) If the dealer has purchased any goods against Form C, then an auditor has to satisfy that the said goods have been purchased only for those purposes as allowable under the C.S.T Act and if any contravention of the recitals of the form is found then he has to report the same in the format prescribed in the Form 704.

(9) The auditor has to give the details of purchases/ works contracts of Rs. 10,000 or more from dealer/persons not registered under the M.V.A.T Act, 2002 in the prescribed format.

(10) The auditor has to verify whether dealer has deducted the TDS on transactions liable for the same under M.V.A.T Act, 2002 and comment on the timely payment of T.D.S, issue of T.D.S certificates etc in the prescribed format. .

(11) The auditor has to provide the details of inter state sales or transfers not supported by the declarations in Form C, H, E-I or E-II or F in the prescribed format.

(12) The auditor has to give the figures of opening stock, collections, utilization and closing stock of declaration Forms C, E-I, E-II, F and H.

CENTRAL SALES TAX ACT, 1956

I Purpose / Scope

(i) This Act is applicable to sales/ purchases taking place in course of inter-state trade and commerce.

(ii) The inter-state nature of transaction is to be determined as defined in Section 3(a) / (b). If sale /purchase occasions movement of goods from one State to another State it is an interstate sale. A sale, effected by transfer of documents of title to goods when goods are in inter-state movement, is also an inter-state sale.

(iii) Section 4 of the CST Act determines situs of sale: i.e. State in which the sale takes place. Accordingly the situs is to be decided on the location of the goods at the time of sale.

(iv) Section 5 defines the sale/ purchase taking place in course of import/export and such transactions are immune from levy of any tax by State Government or Central Government. [(Section 5(1), 5(2) and 5(3)].

The sale of goods to any exporter for the purpose of complying with the pre-existing order and covered by Section 5(3) is also exempt as deemed export. These sales are to be supported by H form alongwith the certified true copy of bill of lading or airway bill.

II Exemptions

(i) Section 6 is charging Section. As per Section 6(2) subsequent inter-state sale transaction taking place by transfer of document of title to goods, when the goods are in course of movement, are exempt. For this purpose the claimant dealer has to obtain form E-1 from his vendor (if such vendor is first seller otherwise, E-II) and ‘C’ form from the buyer.

(ii) Sale to notified foreign diplomat authorities is also exempt u/s. 6(3) against Form ‘J’.

(iii) The inter-state sale to units situated in Special Economic Zone (SEZ) or developers of SEZ against ‘I’ form are exempt as per Sections 8(6) read with Section 8(8).

III Branch Transfer

Under Section 6A, branch transfer is allowed only if Form 'F' is produced, else it will be deemed to be a sale. Form 'F' is required to be obtained from transferee branch/agent. One 'F' form can cover transfers effected in one calendar month.

IV Rates of tax

As per Section 8 of CST Act, the rates of taxes are to be decided as per rates under Local Act. The rates can be as under:

(Prior to 1-4-2007):

Local Rate of Tax	**Rate of Tax under C.S.T Act**	
	Supported by Form 'C' or 'D'	**Without 'C' or 'D' Form**
Declared goods	Local rate of tax	Twice the local rate of tax
If the goods are generally exempt under Local Act	Exempt	Exempt
Less than 4%	Local Rate of tax	10%
4% or more, up to 10%	4%	10%
More than 10%	4%	Local rate of tax

(From 1-4-2007 to 31-5-2008):

Local rate of tax	**Rate of Tax under C.S.T Act**	
	Supported by 'C' Form (Form D is abolished)	**Without 'C' Form**
Declared goods	3%	4%
If the goods are generally exempt under Local Act	Exempt	Exempt
1%	1% (C form not required)	1%
4%	3%	4%
12.5%	3%	12.5%

(From 1-6-2008):

Local rate of tax	**Rate of Tax under C.S.T Act**	
	Supported by 'C' Form (Form D is abolished)	**Without 'C' Form**
Declared goods	2%	4%
If the goods are generally exempt under Local Act	Exempt	Exempt
1%	1% (C form not required)	1%
4%	2%	4%
12.5%	2%	12.5%

V. Registration, 'C' form purchases and other provisions

1) There is no threshold limit for registration under CST Act and hence even on the basis of single transaction a dealer will be liable for registration under Section 7(1). The dealer can also obtain

registration voluntarily along with registration under VAT Act as per Section 7(2) of CST Act. Application for registration should be in Form A. Registration certificate will be in Form B.

2) As per Section 9(2), the interest/penalty/return/assessment provisions applicable under Local Act are also applicable to CST Act. In addition there are provisions for levy of penalty u/s.10 like contravention of declaration forms, wrong issue etc.

3) Purchases to be effected against 'C' form are subject to conditions. The compliance is to be checked before using 'C' forms. In nutshell it can be mentioned that 'C' form can be used for effecting purchases which are meant for:

a) Resale by him
b) Use in manufacturing/ processing of goods for sale
c) Use in mining
d) Use in generation /distribution of power
e) Use in packing of goods for sale/resale
f) Use in telecommunication network.

4) One 'C' form can be issued for one quarter of a financial year. Similarly EI / EII can also be issued on quarterly basis.

The Central Government has substituted second and third proviso to Rule 12(1) vide Notification No. 588(E) dated 16th September, 2005. According to these provisos, with effect from 1st October, 2005, Form C will have to be collected separately for each quarter of the year. Form D was required to be obtained transaction wise. However, Form D has been abolished with effect from 1st April, 2007.

Central Government has also substituted sub rule (7) to rule 12 with effect from 1st October, 2005. Form C or certificate in Form E-I or E-II will have to be submitted to sales tax department within three months from the end of the quarter in which sale is effected. In case of Form F, it is to be obtained on monthly basis and it is to be submitted to the sales tax department within three months from the end of the month in which goods are transferred to the interstate branch or agent. In Maharashtra State, the Commissioner of Sales Tax has exempted the dealer from submission of Form C, D, F, E-I or E-II. Instead of that, dealers are required to submit the list of missing forms on quarterly basis as per the format specified in Trade Circular No.28T of 2005 dated 24.10.2005.

5) From 11-5-2002 the six deemed transactions of sale, including works contracts and leases are taxable under the CST Act if they are effected in the course of inter-state trade.

6) Chapter VI-A provides for filing of appeals before Central Sales Tax Appellate Authority in case of disputes involving more than one state.

7) In addition, there are other provisions for declared goods, liability in case of companies, offences and prosecution etc.