

DELHI VAT AMENDMENT IMPOSING RESTRICTIONS TO INPUT TAX CREDIT EFFECTIVE FROM 1 APRIL, 2010

The Delhi Government has imposed certain restrictions and conditions subject to which a [dealer](#) can avail [input tax credit](#). The amendments, **effective from 1 April, 2010**, are as follows:

1. Input tax credit will be available to a dealer for a tax period on the [goods](#) purchased during that tax period

- proportionately to the extent the purchased goods have been put to sale and
- used directly or indirectly for the purpose of making sales liable to tax under Section 3 or export of goods out of India or to other States.

In respect of the goods that have been put to sale, the unutilized input tax credit on account unsold goods lying in stock at the end of [the tax](#) period is allowed to be carried forward to the subsequent tax periods till such stock is sold by the dealer.

However, provisions pertaining to carry forward of unutilized input tax credit shall not apply to prevent a claim or refund of a dealer in respect of:

- sale already effected during the relevant tax period
- sale in the course of export out of India
- sale in the course of inter-State trade or commerce
- manufacturer purchasing raw materials at a higher rate for use in manufacture of finished goods subject to tax at a lower rate

2. Input tax credit shall not be allowed to the purchasing dealer unless the selling dealer has either deposited the tax with the Government or has lawfully adjusted the same against output tax liability and has correctly reflected in the returns filed.

3. Where the goods purchased by a dealer are sold at a price lower than their purchase price, the tax credit on such purchases shall be reduced proportionately in the tax period during which the goods are sold. The tax credit is required to be so reduced only in situations where the purchasing dealer receives credit note from the selling dealer on account of discount, omission, rebate, remission in price or incentive resulting in reduction of the purchase price. Further, input tax credit on purchase of goods shall be restricted to the amount of tax payable on sale of the said goods. However, the above restrictions on input tax credit shall not apply in the following situations:

- sale by a dealer at a loss in the ordinary course of business
- sale by specified oil companies in pursuance of administered price

Source:- The Delhi Value Added Tax (Amendment) Act, 2009 read with Notification Nos. F.3(23)/Fin.(T&E)/2009- 10./JS/Fin/286 and F.3(23)/Fin.(T&E)/2009-10/JS/Fin/287 both dated 1 April, 2010