FAQ

Category: GENERAL

Question	**What is VAT**
Answer	VAT is a simplified and transparent system of tax in which tax is levied on the value additions, at each stage in the production-distribution with provision of set-off of tax paid on earlier stage.
Question	**What taxes will VAT replace?**
Answer	It will replace RST Surcharge and Turnover Tax.
Question	**How VAT differs from Sales Tax?**
Answer	Sales tax is single point levy as against multiple point levy under VAT with set off provisions being available for tax paid at earlier stage. Thus, in sales tax no tax is being levied on the value additions on subsequent sales
Question	**How does VAT work?**
Answer	Under VAT tax is paid at each stage of Sale, the value addition is taxed and set-off of the tax paid in the State at the earlier stage (input tax) is granted against subsequent sales (output tax). Thus VAT eliminates tax cascading.
Question	**How is the tax liability of a dealer calculated under VAT?**
Answer	The net tax payable by a VAT dealer under the VAT Act would be equivalent to the total of the output tax, purchase tax and reverse tax after reducing there from, the amount of input tax credit available.
Question	**What is input tax?**
Answer	"input tax" means tax paid or payable by a registered dealer in the course of business, on the purchase of any goods made from a registered dealer
Question	**What is output tax?**
Answer	"out put tax" means the tax charged or chargeable under this Act by a registered dealer in respect of the sale of goods in the course of his business
Question	**What is reverse tax?**
Answer	"reverse tax" means that part of the input tax for which credit has been availed in contravention of the provisions of section 18

18. Input Tax Credit.- (1) Input tax credit shall be allowed, to registered dealers, other than the dealers covered by sub-section (2) of section 3 or section 5, in respect of purchase of any taxable goods made within the State from a registered dealer to the extent and in such manner as may be prescribed, for the purpose of –

(a) sale within the State of Rajasthan; or

(b) sale in the course of Inter-state trade and commerce; or

(c) sale in the course of export outside the territory of India;or

(d) being used as packing material of goods, other than exempted goods, for sale; or

(e) being used as raw material in the manufacture of goods other than exempted goods, for sale within the State or in the course of Inter-state trade or commerce; or

(f) being used as raw material in the manufacture of goods for sale in the course of export outside the territory of India; or

(g) being used in the State as capital goods;

however, if the goods purchased are used partly for the purposes specified in this sub-section and partly as otherwise, input tax credit shall be allowed proportionate to the extent they are used for the purposes specified in this sub-section.

Category: LIABILITY TO TAX

Question	**Who is liable to pay tax under the proposed VAT Act?**
Answer	Every Manufacturer of goods having annual turnover exceeding rupees 2 lakhs Importer of goods (i.e. dealer who brings goods into the State) Dealer having an annual turnover above rupees five lakhs Dealer registered under CST Act Any person having occasional transactions in notified goods Any person other than a casual trader and a registered dealer carrying on business temporarily for less than 120 days are liable to pay tax.
Question	**What is the VAT rate structure?**
Answer	The VAT Rates are: 1% - gold, silver, precious metals, gems & precious stones , 4% - essential goods & primary raw materials, 12.5% on goods not covered in any schedule & 20% or more on
Question	**What is the VAT rate levied on?**
Answer	The applicable VAT rate is generally levied on the taxable turnover of the dealer. However, the State Government has the power to notify certain goods in respect of which the tax payable shall be based on the weight, volume measurement or unit of goods sold.
Question	**Is there any composition scheme for small dealers?**
Answer	Yes. Dealers (other than manufacturers and importers) whose turnover does not exceed rupees fifty laks and purchases goods from a registered dealer may opt for payment of tax on its turnover at such rates as may be notified by the State Govt.
Question	**Are there any goods, which are exempt from tax under VAT?**
Answer	Goods specified in the schedule-I of VAT Act. are exempt for tax.
Question	**Is there any tax on purchase and sale of livestock under VAT regime?**
Answer	Sale or purchase of live-stock are exempt from tax as per schedule I of the VAT Act.
Question	**Under what circumstances is purchase tax payable?**
Answer	Purchase tax is payable when a dealer purchases goods other than exempt goods in the circumstances where no tax is payable on their sale price at the time of such purchase and the dealer disposes of these goods for a purpose other than the following: n Sale within the State of Rajasthan and Sale in the course of inter state trade or commerce n Export out of India n Use as packing material of goods other than exempted goods for sale n Use as raw material or processing material in manufacture of goods other than exempted goods, for sale in the State or CST sale or export out of India n Use as raw material in manufacture of goods for export out of India n Use in the State of Rajasthan as capital goods.

Category: REGISTRATION

Question **Who is required to be registered under the VAT Act?**

Answer Every n Manufacturer of goods having annual turnover exceeding Rs. 2 lakhs; n Importer of goods (i.e. dealer who brings goods into the State from outside the State); n Dealer having an annual turnover above rupees five lakhs; n Dealer registered under CST Act;

Question **Whether existing registered dealers would require fresh registration?**

Answer Where a dealer is registered under the repealed Act he shall be deemed to have been registered under this Act from the date of commencement of this Act, provided he has submitted such information as has been required by the Commissioner under the repealed Act by notification in the Official Gazette.

Question **Is there a provision for voluntary registration?**

Answer Yes. Dealers who intend to commence or who have commenced a business may apply for voluntary registration.

Question **A person does not have regular business in a specific commodity but undertakes occasional transactions. Is he required to register?**

Answer A casual trader has been defined under the Act to mean a person who has occasional transactions of business nature whether as principal, agent or in any other capacity in respect of such goods as the government may notify. Such a person shall also be liable to pay tax at the applicable rate irrespective of its turnover. However, it would not be necessary for such a person to get himself registered

Question **How can a dealer obtain registration?**

Answer

(i) A dealer can obtain registration under VAT by making an application in the prescribed form along with the prescribed documents with the authority competent to grant registration having territorial jurisdiction over the principal place of business.

Question **What information is required to be submitted along with the registration application?**

Answer Information generally required to be submitted along with the registration application would include: The application for registration shall accompany,-

(ii) Declaration of business manager in Form VAT-02;

(iii) Copy, of partnership deed, if any, memorandum and articles of association of a company, constitution deed of trust, association of persons or body of individuals, certified by the applicant;

(iv) Copy of resolution passed by Board of Directors, in case of a company and of governing body, in case of other entities, for authorisation of a person to file the application for registration certified by the applicant;

(v) Security required to be furnished as per section 15 of the Act in such form as prescribed in rule 78.

(vi) Signed photo duly attested by a gazetted officer or notary public of following:-

a) Proprietor, in case of Proprietorship concern;
b) Every Partner, in case of Partnership firm;
c) Managing Director / Director or authorized signatory, in case of a Company;
d) Karta, in case of Hindu Undivided Family; and
e) Authorised Signatory, in all other cases.

(vii) Copy of voter identification card or passport or Permanent Account Number or driving license.

(viii) Copy of rent deed or rent receipt or electricity bill or telephone bill or water bill or own property documents, in support of address proof.

Question **What is the time period within which a dealer is required to get himself registered?**

Answer A dealer is required to get himself registered within 30 days from the date he becomes liable to pay tax under the VAT Act.

Question **What happens if a person liable to register does not get himself registered?**

Answer The Act provides penalty of a sum not excluding rupees rupees one thousand for dealers who fail to register within the prescribed time and in the prescribed manner.

Question **What are the provisions relating to security to be filed at the time of registration?**

Answer The Act requires to furnish security at the time of registration. A dealer would have to furnish initial security at the time of registration in form of surety of two dealers registered under the Act. If he is not able to furnish such surety, he would have to furnish the following security: - Rs.10,000 in case of a small scale manufacturing unit, Rs. 15,000 for medium scale manufacturing unit and Rs. 25,000 for large scale manufacturing unit; and - Rs. 10,000 in cases that are not covered in the categories mentioned above For voluntary registrants, security requirement is for Rs 10,000 in the form of NSC, cash or three years bank guarantee.

Question **Whether existing security would continue or new security required from VAT registrants?**

Answer No. New security would not be required to be furnished by existing registrants.

Question **When is additional security required to be furnished?**

Answer Additional security is required to be furnished in such cases where the assessing authority has reason to believe that such increase in security is required

Question **Whether separate registration is required for additional places of business within the State?**

Answer No separate registration is required for additional places of business within the State. However, a separate branch certificate under the existing registration number will be granted for each additional place of business within the State. The present system of additional registration will no longer prevail.

Question **What will happen to the existing registrations for the additional places of business?**

Answer Such dealer shall have to inform his assessing authority or authority competent to grant registration within 60 days from the commencement of the act. declaration of principal place of business, otherwise the Commissioner or any officer authorized by him for this purpose, shall declare one such registration to be the registration under this Act and shall issue branch certificate in lieu of remaining registration certificates.

Question **Whether provision regarding provisional registration in case of intending manufacturer will continue?**

Answer No such provision will exist under the new VAT Act.

Question **In case of change in the Constitution of Business like status, name, place of business, etc at the time of registration, what action is required to be taken and when?**

Answer In case of any change in the information submitted at the time of obtaining registration, an application in the prescribed from along with the necessary proof of such change is required to be filed with the jurisdictional authority competent to grant registration within 30 days of such change. On submission of such information the said authority shall amend the certificate of registration. However, when there is a change in the basic status of a dealer such as conversion of proprietary concern to partnership firm or vice-versa, dissolution of the firm, creation of a new firm, conversion of firm into company or vice-versa, a fresh certificate of registration has to be obtained

Question **In what circumstances will the certificate of registration be cancelled?**

Answer The certificate of registration would be liable to be cancelled in the following, where: n any business in respect of which a certificate of registration has been granted to a dealer under this Act, is discontinued permanently; or n in the case of transfer of business by a dealer, the transferee already holds a certificate of registration under this Act; or n a dealer has ceased to be required to be registered and to pay tax under this Act; or n a dealer has obtained the certificate of registration by misrepresentation of facts or by fraud; or n a dealer has obtained a certificate of registration against the provisions of this Act; or n a dealer has failed to furnish security within the period specified and a period of ninety days has elapsed ; or n a dealer issues false or forged VAT invoices However, an opportunity of being heard shall be given to the dealer before such cancellation

Question **Whether Commissioner has an authority to cancel registration?**

Answer Yes. In interest of revenue, Commissioner can cancel the registration.

Category: PAYMENT OF TAX AND FILING OF RETURNS

Question What is the net tax payable by a dealer?

Answer

The net tax payable by a dealer for a tax period shall be calculated as under:-

$$T = (O+R+P) - I$$

Where –

T is net tax payable;

O is amount of output tax ;

R is amount of reverse tax;

P is the amount of tax payable under sub-section (2) of section 4; and

I is the amount of input tax.

Illustrative example:

Sale Value	Purchase Price	Output tax (@10%)	Input tax credit (@10%)	Tax payable
Rs. 100,000	Rs.70,000	Rs. 10,000	Rs.7,000	Rs. 3,000

Question **Under what circumstances will input tax credit be available under VAT?**

Answer

Input tax credit shall be allowed, to registered dealers, other than the dealers covered by sub-section (2) of section 3 or section 5, in respect of purchase of any taxable goods made within the State from a registered dealer to the extent and in such manner as may be prescribed, for the purpose of –

(a) sale within the State of Rajasthan; or

(b) sale in the course of Inter-state trade and commerce; or

(c) sale in the course of export outside the territory of India;or

(d) being used as packing material of goods, other than exempted goods, for sale; or

(e) being used as raw material in the manufacture of goods other than exempted goods, for sale within the State or in the course of Inter-state trade or commerce; or

(f) being used as raw material in the manufacture of goods for sale in the course of export outside the territory of India; or

(g) being used in the State as capital goods;

however, if the goods purchased are used partly for the purposes specified in this sub-section and partly as otherwise, input tax credit shall be allowed proportionate to the extent they are used for the purposes specified in this sub-section.

Question **Under what circumstances will input tax credit not be available under VAT?**

Answer no input tax credit shall be allowed on the purchases.

(i) from a registered dealer who is liable to pay tax under sub-section (2) of section 3 or who has opted to pay tax under section 5 of this Act; or

(ii) of goods made in the course of import from outside the State; or

(iii) where the original VAT invoice or duplicate copy thereof is not available with the claimant, or there is evidence that the same has not been issued by the selling registered dealer from whom the goods are purported to have been purchased; or

(iv) of goods where invoice does not show the amount of tax separately; or

(v) where the purchasing dealer fails to prove the genuineness of the purchase transaction by producing the selling dealer or otherwise, on being asked to do so by an officer not below the rank of Assistant Commercial Taxes Officer authorised by the Commissioner

Question **Whether input tax credit is allowed on exempted sales?**

Answer No input tax credit is allowed on exempted sales.

Question **Whether credit of tax paid on purchase would be allowed as set off against inter-state sales?**

Answer Yes, set off is available against the liability arising under CST Act

Question **Whether input tax credit would be available as set off against branch transfers?**

Answer Generally, no such set off shall be allowed. However, partial credit as may be notified shall be allowed in case of tax paid on purchases for branch transfer, if the State Government deems fit.

Question **When would the input tax credit be available and what proof is required to claim input tax?**

Answer Input tax credit can be claimed in the period in which the dealer receives the original VAT invoice. However, no credit would be available after 3 months from the date of such invoice. Moreover, in case where original VAT invoice is lost, input tax credit may be allowed on the basis of duplicate copy of VAT invoice.

Question **What is VAT invoice?**

Answer VAT invoice means an invoice issued by a registered dealer other than a dealer paying lump sum tax containing certain specific particulars such as: • Pre -

printed serially numbered running for the whole financial year beginning from 1st April of each year or the accounting year, if any other period is permitted • The words ‘VAT Invoice’ in a prominent place; • Name and address of the Selling Dealer • TIN of the Selling Dealer • Name, address and TIN (if registered) of the Purchaser • Name, address and TIN (if registered) of the Consignee, if Purchaser is not the consignee • Marking of copies, Original/Duplicate/Triplicate, as the case may be • Description, quantity, volume and value of goods • VAT Rate and the amount of VAT; • Signature of dealer or his/ her declared business manager.

Question **How input tax credit would be available on closing stocks on the date of commencement of VAT Act if the goods are:**

Answer (a) Tax paid goods Input Tax credit shall be allowed on the goods other than capital goods, provided that the dealer has submitted the details of such stock as required by the Commissioner. (b) Exempted goods No credit shall be allowed even if the goods were taxable at the time of purchase or exempt in VAT. (c) Incentive scheme purchased goods Credit would be granted only to the extent the incentive unit has charged tax. (d) Sales returns after 01.04.2006 If such sales returns have been made within the time prescribed. (e) Purchases from dealers paying lumpsum tax No set-off as such selling dealers would not be entitled to charge tax. (f) CST paid purchase No set-off as the tax has been paid in other State and not in our State. (g) Imported goods No input tax credit (h) Stock of adhat goods Set-off would be granted to the Principal who has the original invoice in his name. Agent cannot get set-off in such cases, as he is not the owner of the goods.

Question **Whether furnishing of stock statement is mandatory?**

Answer Yes, otherwise no input tax credit would be permitted

Question **Explain treatment of tax paid on purchase of capital goods:**

Answer No credit shall be available, in respect of tax paid on goods purchased prior to 31 March 2006. Full credit of tax paid on purchase of capital goods purchased after 31 March 2006, shall be allowed in equal installments over a period of 3 years provided such capital goods fall within the definition as given under the proposed VAT Act and are used for specified purposes.

Question **What is the difference between zero-rated and exempted goods?**

Answer In case of exemption no set-off of the input tax would be granted. Whereas, in case of zero-rating it is treated as a case that the goods are taxable but the rate of tax is zero, therefore, being taxable goods, input tax credit would be granted. Therefore the total input tax credit will be refunded e.g. in case of an exporter, exports would be zero rated.

Question **How would tax be levied on works contract / lease in VAT regime?**

Answer These transactions would be taxed as normal sale transactions

Question **How would tax be levied on hire purchase transactions?**

Answer As applicable on normal transaction on the date of delivery of the goods.

Question **Would existing incentive / deferment granted to the industries continue and how input tax credit would be granted?**

Answer As per the consensus of the Empowered Committee of the State Finance

Ministers, it is proposed to convert all incentive schemes to deferment. The terms and conditions of such scheme would be notified.

Question What would be the proposed time frame for payment of tax by a dealer?

Answer The proposed time frame for payment of tax by a dealer is as under:

Column No. 1	**Column No. 2**
(a) Dealers with annual gross turnover of rupees ten crore and above in the year proceding to the current year.	(a) By 20th day of the month in respect of tax charged or collected up to 15th day of the month and for the tax charged or collected from 16th day of the month to the end of the month, shall be deposited within seven days from the close of the month.
(b) Dealers whose annual gross turnover was less than rupees ten crores.	(b) Monthly- within fourteen days from the close of each month
(c) Dealers who had obtained new registration.	(c) Monthly- within fourteen days from the close of each month
(d) Dealers dealing in all kinds of stone in all their forms, whether used as building material or otherwise, including marble, granite etc	(d) Immediately on completion of transaction of sale or purchase where such goods pass through check post established under section 76 of the Act or otherwise.
(e). Dealers not covered by clauses (a), (b), (c) and (d) above	(e). Quarterly - within fourteen days from the close of each quarter

Question **Is a dealer required to file returns under VAT and at what intervals?**

Answer Yes, a dealer is required to file quarterly returns in the prescribed form within 30 days of the close of each quarter i.e. a period of three months ending on 30th June, 30 September, 31st December and 31st March.

Question **What information is required to be accompanied along with the returns?**

Answer The return to be filed by a registered dealer shall be accompanied with: The return required to be filed, under sub-rule (1), by a registered dealer shall accompany.-

(a) treasury receipt(s) / bank challan(s) of authorised bank as a proof of deposit of tax in accordance with section 20 of the Act;

(b) declaration forms / certificates/ forms required under the rules or the notification issued by the State Government;

(c) statement of purchases against VAT Invoices shall be in Form VAT –07;

(d) copy of statement of import against declaration, in Form VAT-48,

(e) statement of sales to registered dealers who may claim input tax credit, other than those who exercise option under sub-section (2) of section 3 or under section 5, in Form VAT– 09;

(f) statement of inter-State sales against declaration, in Form VAT-50;

(g) copy of sales return register in Form VAT-12, if applicable;

(h) proof of export as specified in rule 29, if applicable; and

(i) account of declaration forms along with details of use,

and shall be signed and verified by the dealer himself or his business manager. If any of the above requirements are not met with, it shall be deemed to be a case of non-filing of return.

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Question **Who shall sign the return?**

Answer The return shall be signed and verified by the dealer himself or his declared business manager.

Question **What are the consequences for non-payment of tax?**

Answer Non-payment of tax would attract interest at such rate as may be notified and penalty up to 2 times the amount of tax evaded.

Question **What are the consequences of non-filing of returns?**

Answer Any dealer who without reasonable cause, fails to furnish prescribed returns within the time allowed, shall be liable to pay by way of penalty: (i) in case the dealer is required to pay tax every month, a sum equal to Rs. 10 per day for the period during which the default in furnishing such return continues, but not exceeding in aggregate 20% of the tax so assessed. (ii) in all other cases, a sum equal to Rs. 5 per day subject to a maximum limit of Rs. 500 , for the period during which the default in furnishing of such return continued.

Category: ASSESSMENT and AUDIT

Question	**Is there a procedure for the assessment of the returns filed by the dealer?**
Answer	The Act introduces the concept self-assessment for all returns filed by dealers. Accordingly, all dealers shall be deemed to have been assessed on the basis of returns filed. However, all returns filed shall be verified for correctness and in case any error is detected a revised return would have to be filed by the dealer. On timely filing of such revised return the dealer shall be deemed to have been assessed on the basis of such revised return.
Question	**Under what circumstances would refund be granted and when?**
Answer	When the net tax payable by a dealer is negative, he would be allowed to adjust the same against tax payable or outstanding CST liability and the balance if any, shall be carried forward to the next tax period or periods of the year and refund of the remaining amount shall be granted only after the end of the immediately succeeding year. However, in case exporters the refund shall be granted within a period of thirty days of the filing of the application for refund
Question	**What is audit?**
Answer	In view of the incorporation of self-assessment procedures and for promoting compliance, the concept of audit has been introduced in the Act. Based on certain pre decided criteria as well as random selection, cases will selected for audit.

Category: MAINTENANCE OF RECORDS

Question	**What accounts are to be maintained by a dealer under VAT?**
Answer	Every dealer is required to maintain an account of his business activities including value and quantity of goods received, manufactured, sold or otherwise disposed of or held in stock. Further a manufacturer has to additionally maintain a stock book of raw materials used and finished goods produced.
Question	**Where are the accounts to be kept?**
Answer	The accounts are required to be kept at the places of business as mentioned in the certificate of registration. In case of manufacturer, stock records have to be maintained at the place where manufacturing activity is carried on. In case of branches, accounts, registers and documents relating to the activities of the branch should be kept at the respective branch. However, final accounts, annual statements, registers and documents shall be kept at the principal place of business.
Question	**Are the accounts of a VAT dealer required to be audited?**
Answer	A VAT dealer is required to get his accounts audited by a Chartered Accountant if his annual turnover exceeds rupees forty lakhs. The report of such audit is required filed within the prescribed time.
Question	**What is the penalty for not filing the audit report?**
Answer	Non-filing of the audit report would attract penalty of 1/10th percent of the dealer’s total turnover or Rs.1,00,000 whichever is less.

Category: RECTIFICATION OF MISTAKE

Question	**In which cases can an application for rectification by made?**
Answer	Application for rectification can be made when the mistake is apparent from the record. It includes an order which was valid when it was made but is subsequently rendered invalid by an amendment of the law having retrospective effect or by a judgement of the Supreme Court, the Rajasthan High Court or the Rajasthan Tax Board.
Question	**What is the time period within which the concerned authority needs to decide the case after filing of the form?**
Answer	The concerned authority needs to decide the case within one year of the date of filing of the form. In case the authority does not decide the case within this time period, then the application will be deemed to have been accepted.
Question	**Can the rectification happen suo-moto by the concerned authority?**
Answer	Rectification can be conducted suo-moto by the concerned authority within a period of four years from the date of the order sought to be rectified.

Category: DETERMINATION OF DISPUTED QUESITONS

Question	**In which cases can an application for determination of disputed questions be made?**
Answer	An application for determination of disputed questions can be made in respect of whether: n any person is a dealer; or n any particular dealer is required to be registered; or n any transaction is a sale, and if so the sale price thereof; or n any tax is payable in respect of any particular sale or purchase or if tax is payable, the point and the rate thereof; or n any particular thing done to any goods amounts to or results in the manufacture of goods; or n any dealer is entitled to any particular amount of input tax credit;
Question	**Can a question that has arisen in court proceedings be asked?**
Answer	No, a question that has arisen in proceedings before a court cannot be asked.

Question	**Can a question that arises from an order already passed under the Rajasthan VAT Act, 2003 be asked?**
Answer	No, such a question cannot be asked. However, such a question can be raised in appeal against the said order or in application for revision of the said order.

Category: APPEAL TO APPELLATE AUTHORITY

Question	**What is the time period within which an appeal is required to be filed?**
Answer	The appeal needs to be filed within sixty days of the date of the order sought to be appealed against. In case the appeal is filed late then application for condonation of delay needs to be filed.
Question	**Is the non-disputed tax, interest and penalty required to be paid?**
Answer	Yes, the non-disputed amount is required to be paid before you file an appeal. The bank challan needs to be attached to the appeal form as proof of payment.
Question	**What is the requirement with respect to the disputed tax, interest and penalty?**
Answer	In case of appeal against an ex-parte assessment, you need to pay 5% of the disputed amount. In other cases, you need to pay 10% of the disputed amount. Please attach the bank challan to the appeal form as proof of payment. For the remaining disputed amount, you can either pay it or get a stay against its recovery. In case of latter, you need to file application for stay of recovery of disputed amount.
Question	**When can an appeal be filed?**
Answer	An appeal can be filed against any order of an Assistant Commissioner, a Commercial Tax Officer, an Assistant Commercial Tax Officer, a Junior Tax Officer or Incharge of a check-post or barrier.