How to register your Business in Karnataka with the VAT Department

Ø **Brief Descript ion about VAT (Value Added Tax)**

VAT is a Multi-Stage tax levied at each stage of the value addition chain, with a provision to allow input tax credit on tax paid at earlier stage, which can be appropriated against the VAT liability on subsequent sale.

Registration and payment of Taxes under VAT ACT can be of two types:

1. Registration and payment of Taxes under Full VAT.
2. Registration and payment of Taxes under Com position Tax.

At the time of Registration option has to be selected – Full VAT or Com position Tax.

Ø As per Section 22 of Karnataka Value Added Tax Act, 2003 (KVAT) Dealers/ Persons on which registration under the Act mandatorily applicable:

1. Every dealer whose *total turnover exceeds or who reasonably expects his total turnover to exceed two lakh rupees.
2. Every dealer who at any time has reason to believe that his **taxable turnover is likely to exceed two lakh rupees during any year after the year ending Thirty First day of March 2003 shall be liable to be registered.
3. Every dealer whose taxable turnover exceeds fifteen thousand rupees in any one month after the date from which the tax shall be levied & every dealer executing a works contract whose receipts or amounts receivable by way of consideration towards work executed exceed fifteen thousand rupees in any one month after the date from which the tax shall be levied, shall register forthwith.
4. Every dealer to whom a business or part of a business is transferred by another dealer who is liable to be registered under this Act, shall apply for registration from the date of that transfer, if he is not already registered.
5. Every dealer who obtains or brings taxable goods from outside the State i.e. Interstate Sales, whether as a result of purchase or otherwise, shall be liable to be registered after such first purchase or procurement irrespective of the value of goods purchased or procured.
6. Every dealer who exports taxable goods is liable to register after the first export.
7. Every casual trader and every non-resident dealer or his agent shall be liable to register after his first sale irrespective of the value of the taxable goods sold.

Ø Voluntary Registration:

As per Section 23 of KVAT Act, 2003 A dealer who sells taxable goods, though not liable to register under Section 22 but who desires to register voluntarily shall make an application to the prescribed authority in such form and in such manner as may be prescribed, giving correct and complete particulars.

Ø Forms to be filled:

1. VAT Form 1

2. VAT form 4 for Partnership (along with Form 1)

3. VAT for 3 for additional Places of Business (along with Form 1)

Ø Information/Document s required for filling up Registration Forms:

1. Name of the Dealer
2. Name of the Company
3. Postal Address
4. Telephone No
5. E-Mail Address
6. Details of Director/ Managing Director/ Partners / Proprietor – Address, Ph No, E-Mail ID
7. Details of Authorized Signatory
8. Nature of Business
9. Date of Commencement of Business
10. Date of Birth / Date of Incorporation – (in case of Company)
11. PAN No of Partnership firm
12. Commodities description
13. Bank Account details
14. List of Directors (in case of Companies)
15. Details of the Company / Individual – in case of Proprietorship

Ø The application forms to be supported with the following documents:

1. Incorporation Certificate of Company (in case of Companies)
2. MOA & AOA (in case of Companies)
3. Rental Agreement/ Lease Agreement of Company / Proprietorship
4. Company PAN Card / Individual PAN card in case of Proprietorship
5. Address Proof of Director – Lease / Rental Agreement
6. ID Proof of Director – Pan Card / Election Card/ Passport/ Driving License
7. Registration copies with other Departments like. VAT, PT, Labor dept.
8. True copy of Board resolution empowering company representatives as Authorized signatories.
9. Partnership Deed in case of Partnership firm
10. Passport size Photograph of Director

***Total Turnover means**
As per KVAT Rules, 2005 sub-section 1 of Section 3 The total turnover of a dealer, for the purposes of the Act, shall be the aggregate of:-

a) the total amount paid or payable by the dealer as the consideration for the purchase of any of the goods in respect of which tax is leviable under sub-section (2) of Section 3;

(b) the total amount paid or payable to the dealer as the consideration for the sale, supply or distribution of any goods where such sale, supply or distribution has taken place inside the State, whether by the dealer himself or through his agent;

(c) the total amount paid or payable to the dealer as the consideration for transfer of property in goods (whether as goods or in some other form) involved in the execution of works contract including any amount paid as advance to the dealer as a part of such consideration;

(d) the total amount paid or payable to the dealer as the consideration for transfer of the right to use any goods for any purpose (whether or not for specified period);

(e) the total amount payable to the dealer as the consideration in respect of goods delivered on hire purchase or any system of payment by installments;

(f) the aggregate of the sale prices received and receivable by the dealer in respect of sale of any goods in the course of inter-state trade or commerce and export out of the territory of India and sale in the course of import into the territory of India; and

(g) the value of all goods transferred or dispatched outside the State otherwise than by way of sale.

****Taxable Turnover means**
As per KVAT Rules, 2005 sub-section 2 of Section 3 The taxable turnover shall be determined by allowing the following deductions from the total turnover.-

(a) The aggregate of the sale prices received and receivable by the dealer in respect of sales of any goods in the course of inter-state trade or commerce and export out of the territory of India and sales in the course of import into the territory of India.

(b) The value of all goods transferred or dispatched outside the State otherwise than by way of sale.

(c) All amounts allowed as discount:

Provided that such discount is allowed in accordance with the regular practice of the dealer or is in accordance with the terms of any contract or agreement entered into in a particular case; and

Provided further that the accounts show that the purchaser has paid only the sum originally charged less discount.

(d) All amounts allowed to purchasers in respect of goods returned by them to the dealer:

Provided that the goods are returned within a period of six months from the date of delivery of the goods and the accounts show the date on which the goods were returned, the date on which the refund was made and the amount of such refund together with the details of credit notes issued as specified under subsection (1) of the section 30.

(e) All amounts received from the seller in respect of goods returned to them by the dealer, when the goods are taxable under sub-section (2) of section 3:

Provided that the goods are returned within period of six months from the date of delivery of the goods and the accounts show the date on which the goods were returned and the date on which the refund was made and the amount of such refund.

(f) All amounts for which goods exempt under section 5 are sold.

(g) All amounts realized by sale by a dealer of his business as a whole.

(h) All amounts collected by way of tax under the Act;

(i) The turnover in respect of which the dealer’s agent has paid tax, and the dealer has furnished a certificate in Form VAT 140.

(j) All amounts separately collected in tax invoices as commission under the provisions of the Agricultural Produce Marketing (Regulations) Act, 1966, by a commission agent:

Provided that the tax is not separately charged for and collected in the tax invoices on such commission.

(k) All amounts received or receivable by way of interest on the unpaid amount payable in respect of goods delivered on hire purchase or on any system of payment by installments, where such interest is specified and charged for by the dealer separately without including such amounts in the price of the goods delivered and does not exceed twenty percent per annum on the amount remaining unpaid.

(l) All amounts actually expended towards labour charges and other like charges not involving any transfer of property in goods in connection with the execution of works contract including charges incurred for erection, installation, fixing, fitting out or commissioning of the goods used in the execution of a works contract.

(m) Such amounts calculated at the rate specified in column (3) of the Table below towards labour charges and other like charges as incurred in the execution of a works contract when such charges are not ascertainable from the books of accounts maintained by a dealer.