Calculation of ITC disallowance under Uttarakhand Vat Act

1. Step 1: Bifurcation of Sales under following two categories:

    a. **SALE:** Sale in Uttarakhand + Central sales + Export sales

    b. **STOCK TFR:** Goods transferred outside the State, otherwise than by way of sale.

2. Step 2: Bifurcation of **Purchases + Tax paid** under following two categories:

    a. Purchases of Raw Materials + Tax Paid

    b. Purchases of packing materials & other consumable items + Tax Paid

3. Step 3: Calculate the Sale Ratio a : b, as per Step 1.

4. Step 4: Divide the Input Tax Credit to be claimed on Stock transfer as under:

    a. Calculate allowable Input Tax (as per step 2) on the **SALE** portion (in ratio as per Step 3)

    b. Calculate allowable Input Tax Credit on the **STOCK TFR** portion (Note- A)

5. Step 5: Allowable Tax Input= 4(a) + 4(b)

6. Step 6: Disallowable Tax Input= Total ITC as per Step 2 – Amount as per Step 5

Note A:

In case of Trading, if the goods are dispatched outside the state by Stock Transfer or by consignment sale etc, the Input Tax Credit is **NOT** allowed as per Section 6(8)(f) .
while, **if the manufactured goods** are dispatched outside the state by Stock Transfer or by consignment sale etc by a manufacturer the Input Tax Credit **on the raw material used** is allowable on the tax paid, in excess of the rate prescribed under sub-section (1) of section 8 of the Central Sales Tax Act, 1956 on the raw materials used directly in the manufacture of such finished products.

In simple words,

In case of Trading: No input Tax Credit is allowable on the portion of Input Tax Credit which relates to the Stock transferred proportionately.

In case of Manufacturing: Input tax Credit in case of Stock Transfer will be allowable but with a capping of 2% (present CST rate) on it, whereas on packing material & consumable it is fully allowable.

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