SALE IN TRANSIT

1. To understand Sale in transit, let us first have knowledge have forms involved in Sale in Transit.

C FORM

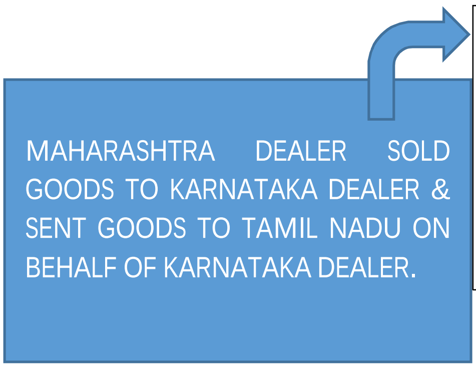
It is a form used to purchase from other state at concessional (Reduced) rate of tax by registered dealer (Currently the rate is 2% or rate of tax in goods from where it is purchased, whichever is lower).

C Form covers all the transactions done in a quarter.

This form is used only when there is inter state transaction.

E-1 FORM

It is the form issued by first selling dealer to his purchaser dealer to state that the goods have been sold by the purchasing dealer when goods were in transit.



INVOICE Extract (DRAFT)

Sold To: Consignee(A/c):

Karnataka Dealer Tamil Nadu Address

Basic Value	100
Cst @ 2%	002
Transportation(Note)*	020
Total Invoice Value	122

Note: As per CST ACT, CST is not levied on transportation charges.

SALE IN TRANSIT

CONCEPT

Whenever there is interstate sale, Central State Tax(CST) is levied, in case of sale in transit, The Goods move only once but if exemption is not given CST will be levied twice (Mahrashtra dealer to Karnataka dealer & than when Karnataka dealer will bill to Tamilnadu dealer if exemption is not available) on single goods movement.

Hence the concept of sale in transit was introduced along with various forms.

Example: Suppose a dealer in Maharashtra "M" sells goods to Karnataka dealer "K" and Karnataka dealer purchases this goods from "M" to sell it further to his client situated in Tamil Nadu "T", In this case, instead of bringing the goods to Karnataka and then again sending to Tamil nadu, "K" can instruct "M" to send the goods directly to "T". In this case

a) "M" Would issue e-1 form and invoice of sale to "K"
b) K would issue C Form as he has purchased interstate goods
c) "K" would issue invoice to "T"
d) "T" Would issue C Form to "K" as "T" has purchased interstate goods.

SALE IN TRANSIT

Let’s understand it with diagrammatic representation.

“M” Sells goods to “K” and sends goods to “T”

Karnataka Dealer receives Invoice and E-1 Form from Maharashtra dealer & Issue Invoice for sale to “T”

Issue C Form

INVOICE Extract (DRAFT)
Sold To:
T

Basic Value	105
CST(Exempt since sale in transit)	NIL
Total Invoice Value	105

INVOICE Extract (DRAFT)

Sold To: K

Consignee(A/c):Mr.T Tamil Nadu Address

Basic Value	100
Cst @ 2%	002
Transportation	020
Total Invoice Value	122

Issue C Form

“T would receive invoice from K and goods from Maharashtra.

(II)

Suppose in a Situation, a dealer of Punjab “P” had asked for goods from “T” and “T” did not have such goods,hence he purchased those goods from “K”, “K” also did not have such goods hence he purchased such goods from “M”. Here “T” can ask “K” and accordingly “K” can instruct “M” to send goods directly to “P”, in this case Form E-2 wou[ld] come into consideration.

Karnataka Dealer receives Invoice and E-1 Form from Maharashtra dealer & Issue Invoice for sale to “T” & FORM E-2 also.

INVOICE Extract (DRAFT)
Sold To:
T

Basic Value	105
CST(Exempt since sale in transit)	NIL
Total Invoice	105

“M” Sells goods to “K” and sends goods to “P”
Forms: He will receive C Form from K and issue E-1 form to K

INVOICE Extract (DRAFT)

Sold To: K

Consignee(A/c):Mr.P Punjab Address

Basic Value	100
Cst @ 2%	002
Transportation	020
Total Invoice Value	122

“T would receive invoice without tax and FORM E-2 from “K”.He will issue Form C to Karnataka Dealer.

He will raise invoice to “P”.

“P” would receive Invoice without Tax from “T” and

SALE IN TRANSIT

Other Points

1. For goods to be covered under E-1 & E-2, First sale should be interstate sale , subsequent sale can be within the state also
    a. Taking above case, First sale compulsory to be between two state, remaining parties can be within "K" also, still E-1 and E-2 will apply and no tax will be applicable.

2. The dealer also has an option instead of administering and managing forms, can charge Vat/Cst as applicable.

3. Only Condition for E-1,E-2 sale is, goods should be in transit.

4. Sale should be by registered dealer.

For Further Queries related to VAT, CST & Indirect taxation

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