VAT PRACTICALS

VARIANT QUESTIONS

1. ñXò provides following details of his sale and purchases, compute his VAT liability under different variants.

PARTICULARS	VAT RATE	AMOUNT (INCLUDING VAT)
A. Purchase Of Capital Goods	4%	Rs. 104000.00
B. Purchases Of Material	4%	Rs. 520000.00
C. Purchases Of Packing Material	12.50%	Rs. 56250.00
D. Sales	4%	Rs. 728000.00

Additional Information:-
Under Income variant , VAT credit of capital goods is available in following manner:
a. 50% in the year of acquisition of such capital goods
b. 50% in the following year

2. A manufacturer has purchased raw material for Rs. 104000.00 (Inclusive of VAT 4%) and plant and machinery for Rs. 225000.00 (Inclusive VAT 12.50 %). The manufacturing and other expenses (excluding depreciation) are Rs. 300000.00. He sells the resultant products at 50% above cost (VAT on sales is 4%). The plant & machinery is to be depreciated at 50% straight line. Compute the amount of VAT payable in cash, as per different variants.

METHODS OF COMPUTATION OF VAT – QUESTIONS

1. A manufacturer has purchased raw material for Rs. 104000.00 (Inclusive Of VAT 4%) and plant and machinery for Rs. 200000.00 (VAT ï Nil). The manufacturing and other expenses (including building rent, wages etc.) are Rs. 300000.00. He sells the resultant product at 50% above cost (VAT on sales is 4%). The plant & machinery is to be depreciated at 50% straight line. Compute the amount of VAT payable as per the addition methd.

2. Compute the invoice value to be charged and amount of tax payable under VAT by a dealer who had purchased goods for Rs. 120000.00 and after adding for expenses of Rs. 10000.00 and profit Rs. 15000.00 had sold out the same. The rate of VAT on purchases and sales is 12.50%. **(Nov. 2007)**

3. A dealer purchases goods for Rs. 250000.00 (Exclusive of VAT). He incurs Rs. 35000.00 on the goods and sells them at a profit of Rs. 15000.00. Compute the invoice value to be chargedand amount of tax payable under VAT. The rate of VAT on purchases & sales is 4%.

4. Compute the VAT liability of Mr. S Banerjee, for the month of January 2009, using ñinvoice methodò of computation of VAT, from following particulars :

   a. Purchase price of the inputs purchased from the local market (Inclusive Of VAT) Rs. 26000.00

b. VAT rate on Purchases	4%
c. Storage cost incurred	Rs. 250.00
d. Transportation cost	Rs. 950.00
e. Goods sold at a profit margin of 5% on cost of such goods	
f. VAT rate on sales	12.50%

5. Compute the VAT amount payable by Mr. A who purchases goods from a manufacturer on payment of Rs. 225000.00 (Including VAT) and earns 10% profit on sale to retailers. VAT rate on purchases and sales is 12.50%. **(June 2009)**

6. Mr. X is trader and he has purchased certain goods from Punjab for Rs. 400000.00 and has paid CST@ 2%. He has sold all goods in the state of Delhi for Rs. 600000.00 plus VAT @ 12.50%. He has purchased certain goods in Delhi for Rs. 500000.00 and paid VAT @12.50% and all the goods were sold by him under inter-state sale to some person in U.P. for Rs. 700000.00 plus CST@ 2%. Show VAT calculations.

7. Dinesh purchases raw material from Ram & Shyam for manufacturing goods. Dinesh sells goods to wholesaler Mohan. Mohan sells goods to Trilok, a retailer, who sells goods to consumers. Calculate the amount of VAT collected by government from the following particulars based on the facts that Shyam charges VAT @ 4% and other sellers charges VAT @ 12.50%.

Raw Material Supplied	Price Without VAT (Rs.)
Ram To Shyam	Rs. 5000.00
Shyam To Dinesh	Rs. 8000.00
Manufactured Goods Sold	
Dinesh To Mohan	Rs. 18000.00
Mohan To Trilok	Rs. 25000.00
Trilok To Consumer	Rs. 30000.00

Calculate using invoice method.

8. ***Subtraction method v. invoice method- uniform VAT rates :*** Manufacturer A extracted raw produce X and raw produce Y from mines and sold the same to manufacturer B for Rs. 40000.00 and Rs. 60000.00 respectively. Manufacturer B used X & Y as raw material and sold the resultant product to wholesaler C for Rs. 300000.00. Wholesaler C sold the same to retailer D for Rs. 450000.00. The retailor D sold the same to a consumer for Rs. 500000.00.
Compute the VAT payable at each stage under ï a. Invoice Method b. Subtraction Method, assuming that all sales are liable to VAT @ 4% and all the prices given above are exclusive of VAT.

9. ***Subtraction method v. invoice method- uniform VAT rates :*** Inputs used for the production of output ñAò are ñUò and ñVò respectively. The following are details of inputs :

Input	***VAT Rate***	***Invoice Price(Inc. Of VAT)***
Product U	4%	Rs. 83200.00
Product V	4%	Rs. 52000.00

The following are details of Sales and the rate of VAT applicable for the output ñAò is 4%-

Name Of Seller	*Name Of Purchaser*	*Invoice Price (Inc. Of VAT)*
A	B	Rs. 141440.00
B	C	Rs. 208000.00
C	D	Rs. 332800.00
D	E	Rs. 416000.00
E	Consumer	Rs. 499200.00

From the above details, calculate the VAT collected at each stage and the VAT finally remitted using

a. Invoice Method & b. Subtraction Method

10. ***Subtraction method v. invoice method- Different VAT rates :*** Inputs used for the production of output ñPò are ñXò and ñYò respectively. The following are details of inputs :

Input	*VAT Rate*	*Invoice Price(Inc. Of VAT)*
Product X	12.50%	Rs. 90000.00
Product Y	4%	Rs. 52000.00

The following are details of Sales and the rate of VAT applicable for the output ñPò is 12.50%-

Name Of Seller	*Name Of Purchaser*	*Invoice Price (Inc. Of VAT)*
A	B	Rs. 153000.00
B	C	Rs. 225000.00
C	D	Rs. 360000.00
D	E	Rs. 450000.00
E	Consumer	Rs. 540000.00

From the above details, calculate the VAT collected at each stage and the VAT finally remitted using

a. Invoice Method & b. Subtraction Method

11. X provides following details for computation of his VAT liability through Addition Method :

Particulars	*Amount*
Purchase of Capital Goods	Rs. 104000.00
Purchase Of Material	Rs. 520000.00 (Including VAT 4%)

Additional Information

* Manufacturing & Other Expenses Rs. 50000.00
* Depriciation is charged @ 50%
* Company earns 20% profit on cost
* VAT rate (on sale) is 4%

QUESTIONS ON VAT INPUT, OUTPUT & TAX PAYABLE

1. Mr. X of Rajasthan started business w.e.f 01-01-2011 and got himself registered with VAT authorities. He presents the following details for the month of January 2011.

Purchases From Rajasthan	Rs. 1000000.00
Purchases From Delhi	Rs. 400000.00
Sales within Rajasthan out of purchases from Rajasthan	Rs. 800000.00
Sales within Rajasthan out of purchases from Delhi	Rs. 100000.00
Sales to dealer of Maharastra out of purchases within Rajasthan	Rs. 400000.00
Sales to dealer of Maharastra out of purchases from Delhi	Rs. 200000.00

Compute tax payable by Mr. X. Aforesaid amounts are exclusive of taxes. VAT rate is 4% and CST rate is 2%.

2. Mr. Ravi of West Bengal provides following information for computation of his VAT liability:

Purchased From	***Purchase** (Net Of VAT)*	***VAT/CST Tax***
Anil of West Bengal	Rs. 100000.00	Rs. 12500.00(VAT)
Bajrang of Assam	Rs. 200000.00	Rs. 4000.00(CST)
Rahim Of Delhi	Rs. 50000.00	Rs. 2000.00 (VAT)
Biswas of West Bengal	Rs. 100000.00	Rs. 4000.00(VAT)

- He incurred transport expenses, packing material and processing expenses amounting to Rs. 25000.00. (excluding VAT paid on purchases made in West Bengal Rs. 500/-)
- He sold all the goods after adding profit margin of Rs. 29000.00
- Rate of VAT applicable on Mr. Ravi is 12.50%
- Invoice method is followed for computation of VAT liability.

3. Calculate the VAT liability for the period Jan 1- 2011 to Jan 31. 2011 from the following particulars.

Inputs worth Rs. 100000.00 were purchased within the state. Inputs of Rs. 50000.00 were purchased from other state. Material of Rs. 70000.00 was purchased from a dealer following composition scheme. Goods worth Rs. 90000.00 were purchased from a registered dealer but without invoice.

Rs. 200000.00 worth of finished goods were sold within the state and Rs. 100000.00 worth of goods were sold in the course of inter-state.

VAT paid on procurement of capital goods worth Rs. 100000.00 during the month was at 12.50%, if the input and output tas rate in the state are 12.50% & 4% respectively and the CST rate is 3%.

Show the input tax credit available, output tax, net tax payable under VAT and CST, credit to be carried forward, on the assumption that amount given are exclusive of taxes.

4. Calculate the VAT Liability for the period 1st April 2010 to 31st March 2011 from the following particulars:

a. Inputs worth Rs. 100000.00 were purchased within the state.

b. Inputs of Rs. 20000.00 purchased from a dealer following composition scheme.
c. Inputs of Rs. 50000.00 were purchased which are exempted under the state law.
d. Rs. 200000.00 worth of finished goods were sold within the state.
e. Rs. 100000.00 worth of goods were sold in the course of inter-state trade.
f. VAT paid on procurement of capital goods worth Rs. 100000.00 during the year was at 12.50%.

If the input and output tax rate in the state was 12.50% and 4% respectively and the central sales tax rate is 2%, show the input Vat, Output Vat and Net VAT payable under the state VAT law(clearly mention the reasons.)

5. Raj & Co. a manufacturer of product óXô sold its goods to a distributor at Rs. 11250.00 inclusive of tax. The distributor sold the goods to wholesaler for Rs. 13500.00. The wholesaler sold the goods to a retailer for Rs. 16875.00 . The retailer sold the goods to consumer at Rs. 22500.00. All the sales were inclusive of VAT @12.50%.
Compute the total VAT payable under the subtraction method.(IPCC-Nov 2010)

6. Compute the VAT amount payable by Mr. Shyam, who purchased goods from a manufacturer on payment of Rs. 416000.00 (Including VAT) and earned 20% profit on purchase price. VAT rate on both purchases ans sales is 4%. (IPCC-Nov 2010)

7. Mr X a manufacturer sells goods to Mr. B, a distributor for Rs. 2000.00(excluding of VAT). Mr. B sells goods to Mr. K, a wholesale dealer for Rs. 2400.00. The wholesale dealer sells the goods to a retailer for Rs. 3000.00, who ultimately sells to the consumer for Rs. 4000.00

Compute the tax liability, input credit availed and tax payable by the manufacturer, distributor, wholesale dealer and retailor under invoice method assuming VAT rate @ 12.50%. **(Nov. 2009- 8 Marks)**

8. Mr R, sells goods on retail basis. The transaction made by him during the year is that he purchases goods of Rs. 52 Lakh (VAT @ 4%) and sales at inclusive of all taxes Rs. 68 Lakhs (VAT@ 4%).
He wants your suggestion that whether he should opt for composition scheme if composite tax is 1% of turnover as the expense he is already incurring for keeping statutory records required under the VAT law is Rs. 100000.00 p.a. which shall get reduced to Rs. 40000.00 if composition scheme is opted for.

Other expenses are of Rs. 600000.00 p.a.

9. Mr. Rajesh is a registered dealer and gives the following informations. You are required to compute the net tax liability and total sales value under Value Added Tax.

Rajesh sells his products to dealers in his state and in other states.
The profit margin is 15% of the production and Vat rate is 12.50% on sales.

a. Intra state purchases of raw material Rs. 250000.00 (excluding VAT @ 4%)
b. Purchases of raw material from an unregistered dealer Rs. 80000.00 (Including VAT@ 4%)

c. High Seas purchases or raw material are Rs. 185000.00 (excluding custom duty @ 10% of Rs 18500.00)
d. Purchases of raw material from other states (excluding CST @ 2%) Rs. 50000.00
e. Transportation charges, wages and other manufacturing expenses excluding tax Rs. 145000.00
f. Interest paid on Bank loan Rs. 70000.00 (IPCC- Nov. 2010)

10. Mr. Goenka , a trader selling raw material to a manufacturer of finished products. He imports his stock in trade as well as purchases the same from local markets. Following transaction took place during financial year 2008-09. Calculate tha VAT and invoice value charged by him to a manufacturer. Assume the rate of VAT @ 12.50%

a. Cost of imported material (Vat paid in other state) Rs. 100000.00
b. Cost of local materials including VAT Rs. 225000.00
c. Other expenditure includes storage, transport, interest and loading and unloading and profit earned by him Rs. 87500.00

(Nov. 2009)

11. Mr. X a dealer in Mumbai dealing in consumer goods, submits the following information pertaining to the month of march 2010 :

a. Exempt goods ñAò purchased for Rs. 200000.00 and sold for Rs. 250000.00
b. Goods ñBò purchased for Rs. 225000.00(including VAT) and sold at a margin of 10% profit on purchases (VAT rate 12.50%)
c. Goods ñCò purchased for Rs. 100000.00 (excluding VAT) and sold for Rs. 150000.00 (VAT rate 4%)
d. His unutilized balance in VAT input credit on 01.03.2010 was Rs. 1500.00

Compute the turnover, input Vat, output Vat and Net Vat payable by Mr. X. **(May 2010)**

12. Calculate total sales and net VAT of Ritu & Co. in Delhi on the basis of following informations :

a. Purchased goods from manufacturer in Delhi (Including excise duty of Rs. 10000.00 and VAT of Rs. 5000.00) Rs. 72000.00
b. Intra State purchases from registered dealers (Including VAT of Rs. 6000.00) Rs. 98000.00
c. Imported goods from UK (Including Custom Duty of Rs. 6000.00) Rs. 118000.00
d. Purchased goods from a dealer who is following composition scheme Rs. 66000.00
e. Imported goods from UP (Including UP VAT Rs. 3000.00) Rs. 75000.00
f. Inter-state purchases (Including CST) Rs. 102000.00
g. Inputs purchased without Incoice Rs. 50000.00

The company earns profit @ 10% on purchases. VAT is 12% on sales.

13. From thhe following particulars arrive at the VAT liability for the month of January 2010 and also determine the amount of input tax credit to be carried forward for the next month :

a.	Input tax rate 5% and output tax rate is 15% in the state.	
b.	Inputs purchased in the month from within the state	Rs. 4800000.00
c.	Output sold to buyers within the state during the month	Rs. 1500000.00
d.	Output sold during the month to buyers as inter state sales (CST rate 2% against C form)	Rs. 300000.00
e.	Inputs purchased from other states as inter state purchases against C form @ 2%	Rs. 200000.00

(Provide suitable explanations where required with appropriate assumption if necessary)

(CA Final Nov. 2010)

14. Purchases by S & Co. for the month of December are as follows:

    a. Rs. 100000.00 at VAT 4%
    b. Rs. 500000.00 at VAT 12.50%

    Sales of S & Co. for the month of December are as follows:

    a. Sales of Rs. 300000.00 at VAT 4%
    b. Sales of Rs. 300000.00 at 12.50% VAT

    Compute eligible input tax credit and vat payable for the month.

15. Mr X a manufacturer sells goods to Mr. B, a distributor for Rs. 1000.00(excluding of VAT). Mr. B sells goods to Mr. K, a wholesale dealer for Rs. 1200.00. The wholesale dealer sells the goods to a retailer for Rs. 1500.00, who ultimately sells to the consumer for Rs. 2000.00

    Compute the tax liability, input credit availed and tax payable by the manufacturer, distributor, wholesale dealer and retailor under invoice method assuming VAT rate @ 12.50%.

16. State how excess VAT credit can be utilized in the following cases:

a. Tax paid on purchases made in the state within a month	Rs. 10000.00
Tax charged for sale in the state within a month	Rs. 4500.00
CST charged for inter-state sale within a month	Rs. 15000.00
b. Vat paid on the procurement of inputs	Rs. 12500.00
VAT paid on the procurement of capital goods	Rs. 125000.00
VAT credit available in the month	Rs. 137500.00
VAT on sales during the month	Rs. 125000.00

17. Compute the net VAT liability of Rishabh using the information given as follows:

Particulars	***Amount***
Raw material purchased from foreign market (Including duty paid on imports @ 20%)	12000.00
Raw material purchased from local market (Including VAT charged on the material @ 4%)	20800.00
Raw material purchased from neighboring state (including CST paid on purchases @ 2%)	7140
Storage, transportation cost and interest	2500
Other manufacturing expenses incurred	600

Rishabh sold the goods to Rajul and earned profit @ 10% on the cost. VAT rate on sale of such goods is 12.50%.

18. ***Normal Taxation V. Composition Scheme :*** Mr. A, a retailor who keeps no inventories, presents the following expected information for the year:

a. Purchases of goods : Rs. 20 Lakhs (VAT 4%)
b. Sales (at fixed selling price inclusive of all taxes): Rs. 30 Lakhs (VAT on sales @ 4%)

Discuss whether he should opt for composition scheme if composite tax is 1% of turnover. Expenses of keeping statutory records required under VAT laws will be Rs. 50000.00 p.a, which shall get reduced to Rs. 20000.00 if composition scheme is opted for. Other expenses are Rs. 300000.00 p.a.

*****BEST OF LUCK*****