

VAT PROCEDURES

Question 1

Explain briefly the mandatory provisions under VAT with respect to the records to be maintained by the assessee.
(3 Marks)(May 2011)

Answer

The following records should be maintained under VAT system:

- (i) Purchase records
- (ii) Sales records
- (iii) VAT account containing the details of output tax and input tax together with credit and debit notes issued during the period
- (iv) Separate record for exempt sale

The following records should also be kept and produced to an officer:-

Copies of invoices, debit and credit notes issued, all purchase invoices, details of tax charged on purchases and sales, total output tax, input tax and net tax for each period, details of goods manufactured and delivered from the factory, details of each supply of goods from the business premises. Failure to keep these records may attract penal provisions under the State VAT law.

Question 2

What is VAT invoice? What are the mandatory provisions to be complied with while issuing a VAT invoice by a registered dealer?
(4 Marks)(May 2010)

Answer

VAT invoice is a document providing details of goods sold along with price, tax charged and other details as may be prescribed. Vat invoice is issued by a dealer authorized under the Act.

Mandatory provisions to be complied with:

- (i) Every registered dealer whose turnover of sales exceeds the specified amount shall issue to the purchaser a serially numbered tax invoice, cash memo or bill with the prescribed particulars.

- (ii) The VAT invoice shall be dated and signed by the dealer or his regular employee, showing the required particulars.
- (iii) The dealer shall keep a counterfoil or duplicate of such VAT invoice duly signed and dated.

Question 3

Briefly explain the importance of VAT invoice.

(2 Marks)(Nov 2009)

Answer

Invoices are crucial documents for administering VAT. In the absence of invoices, VAT paid by the dealer earlier cannot be claimed as set off. The importance of a VAT invoice can be gauged from the following:-

- (i) It helps in determining the input tax credit;
- (ii) It prevents cascading effect of taxes;
- (iii) It facilitates multi-point taxation on the value addition;
- (iv) It promotes assurance of invoices;
- (v) It assists in performing audit and investigation activities effectively;
- (vi) It helps in checking evasion of tax.