CA IPCC – Paper 4 Taxation

presented by CA. Pankaj Saraogi

VALUE ADDED TAX

INTRODUCTION

VAT is a ***tax***.

VAT is an ***Indirect*** Tax.

It is levied and collected at ***each stage*** of sale made by manufacturer/trader

It is levied only on the ***value added*** by the manufacturer/trader

VARIANTS OF VAT

Gross product variant

- Tax is levied on all sales and
- deduction for tax paid on inputs
- ***excluding capital inputs***
- is allowed

Income variant

- Tax is levied on all sales
- with set-off for tax paid
  - on inputs and
  - only ***depreciation on capital goods***

Consumption variant

- Tax is levied on all sales
- with deduction for tax paid
- on all business inputs (***including capital goods***)

VARIANTS OF VAT – CONTD……

- GPV - No allowance for taxes on capital goods. Capital goods carry a heavier tax burden. Modernization and upgrading of plant & machinery is delayed.
- IV - Many difficulties connected with specification of any method of measuring depreciation.
- CV - This form is neutral between the methods of production (capital intensive or labour intensive). Tax is also neutral between the decision to save or consume.

CV IS WIDELY USED…….

CV is widely used because of following reasons:

- (i) Neutral between the methods of production.
- (ii) Obviates need to distinguish between purchases of intermediate and capital goods on the one hand and consumption goods on the other hand, and hence convenient in administration.

FOR COMPLETE NOTES, VISIT

WWW.SARAOGI.CO.IN

CA. Pankaj Saraogi

- FCA – 10th Rank
- B. Com (H) – SRCC
- Licentiate ICSI
- B. Ed.
- M. Com
- DISA (ICAI)

- 96546 24201
- www.saraogi.co.in
- ipcctax@saraogi.co.in
- visiting faculty - ICAI