

Input Tax Credit and Composition Scheme for Small Dealers

UNIT 1: INPUT TAX CREDIT

Question 1

Is any threshold exemption limit fixed for dealers to obtain VAT registration, as per the White Paper? If yes, why is the same provided?

Answer

The threshold limit for small traders, as per the White Paper is ₹ 5 lakh. The same was subsequently increased to ₹ 10 lakh.

The same is fixed to provide relief to small traders.

Question 2

Mr. X, a dealer in Mumbai dealing in consumer goods, submits the following information pertaining to the month of March, 2012:

- (i) Exempt goods 'A' purchased for ₹ 2,00,000 and sold for ₹ 2,50,000.
- (ii) Goods 'B' purchased for ₹ 2,25,000 (including VAT) and sold at a margin of 10% profit on purchases (VAT rate 12.5%)
- (iii) Goods 'C' purchased for ₹ 1,00,000 (excluding VAT) and sold for ₹ 1,50,000 (VAT rate 4%);
- (iv) His unutilized balance of VAT input credit on 1.3.2012 was ₹ 1,500.

Compute the turnover, Input VAT, Output VAT and Net VAT payable by Mr. X.

Answer

Goods	Purchases	Input VAT credit	Sales (Turnover)	Output VAT
	₹	₹	₹	₹
A	2,00,000	-	2,50,000	-
B (See Note)	2,00,000	25,000	2,20,000	27,500
C	<u>1,00,000</u>	<u>4,000</u>	<u>1,50,000</u>	<u>6,000</u>
	<u>5,00,000</u>	<u>29,000</u>	<u>6,20,000</u>	<u>33,500</u>

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	₹	₹
Exempt turnover	2,50,000	
Taxable turnover	<u>3,70,000</u>	
Total turnover	<u>6,20,000</u>	
Opening balance of Input VAT credit		1,500
Add: Input VAT credit for March, 2012		<u>29,000</u>
Total Input VAT credit available		30,500
Less: Output VAT payable on taxable turnover		<u>33,500</u>
Net VAT payable		<u>3,000</u>
Note: Goods B purchase value (including VAT)		2,25,000
Less: VAT included in above		25,000
$2,25,000 \times \frac{12.5}{112.5}$		
Purchase price excluding VAT		2,00,000
Add: Profit on above @ 10%		<u>20,000</u>
Selling price before VAT		2,20,000
VAT @ 12.5% on selling price		27,500

Note : Profit margin of 10% is taken at purchase value excluding VAT.

Question 3

Discuss the tax consequences of inter-state stock transfer under the VAT scheme.

Answer

Inter-State stock transfers do not involve sale and, therefore they are not subjected to sales tax. The same position is continued under VAT.

However, the tax paid on:

- (i) inputs used in the manufacture of finished goods which are stock transferred; or
- (ii) purchases of goods which are stock transferred

is available as input tax credit after retention of 2% of such tax by the State Governments.

Question 4

List the purchases which are not eligible for input tax credit.

Answer

The following purchases are not eligible for input tax credit:

- (a) purchases from unregistered dealers;
- (b) purchases from registered dealers who opt for composition scheme under the provisions of the Act;
- (c) purchase of goods as may be notified by the State Government;
- (d) purchase of goods where the purchase invoice is not available with the claimant or there is evidence that the same has not been issued by the registered selling dealer from whom the goods are purported to have been purchased;
- (e) purchase of goods where invoice does not show the amount of tax separately;
- (f) purchase of goods which are being utilized in the manufacture of exempted goods;
- (g) purchase of goods used for personal use or consumption or provided free of charge as gifts;
- (h) goods imported from other States;
- (i) goods imported from outside the territory of India;
- (j) goods in stock which have suffered tax under an earlier Act but under VAT Act they are covered under exempted items.

Question 5

What is meant by input tax credit in the context of VAT provisions? How does input tax credit help in achieving the essence of VAT?

Answer

The tax paid by a registered dealer on the earlier point is called input tax. This amount will be adjusted/rebated against the tax payable by the purchasing dealer on his sales. This credit availability is called input tax credit (ITC). It can also be referred to as tax credit on a sale within the State or in the course of intra-State trade or commerce.

The essence of VAT is in providing set-off for the tax paid earlier, and this is given effect through the concept of input tax credit/rebate. Thus, input tax credit in relation to any period can be set off by the registered dealer against the amount of his output tax.

Question 6

Laxman, a registered dealer submits the following information for the month of February, 2012:

6.4 Service Tax & VAT

Particulars	Amount (₹)	Rate of VAT
<u>Details of purchase</u>		
Raw material purchased from another State (CST @ 2%)	10,00,000	
Raw material X purchased within the State	15,00,000	1%
Raw material Y imported from Singapore (includes customs duty paid @ 10%)	11,00,000	
Raw material Z purchased within the State.	6,00,000	12.5%
<u>Details of Sales</u>		
Sale of goods produced from raw material X	27,00,000	4%
Sale of goods produced from inter-state purchase and imported raw materials	32,00,000	1%
Sale of goods produced from raw material Z	8,00,000	12.5%

Note: The purchase and sales figures given above do not include VAT / CST.

Assume that there was no opening or closing inventory. Compute the amount of Value Added Tax (VAT) payable by Laxman for the month of February, 2012.

Answer

Computation of VAT payable by Laxman for the month of February, 2012:-

Particulars	₹	₹
Total Output VAT payable [A]		
Goods produced from raw material x (27,00,000 × 4%)	1,08,000	
Goods produced from inter-State purchases and imported raw materials (32,00,000 × 1%)	32,000	
Goods produced from raw material Z (8,00,000 × 12.5%)	<u>1,00,000</u>	2,40,000
Input VAT [B]		
Raw material purchased from another State [Refer Note 1]	Nil	
Raw material Y imported from Singapore [Refer Note 2]	Nil	
Raw material X purchased within the State (15,00,000 × 1%)	15,000	
Raw material Z purchased within the State (6,00,000 × 12.5%)	<u>75,000</u>	<u>90,000</u>
Net VAT payable [A-B]		1,50,000

Notes:

- Input tax credit is not available on purchases made from another State liable to central sales tax.

2. Purchases made from outside India liable to customs duty are not eligible for input tax credit.

Question 7

State with reason whether the following is true or false in the context of VAT as per White Paper:

Set off of input tax credit on capital goods is available only to manufacturers and not to traders

Answer

The statement is **false**. As per the White Paper on VAT, set off of input tax credit on capital goods is available to both manufacturers and traders.

Question 8

R. Ltd. of Mumbai made a total purchases of input and capital goods of ₹ 60,00,000 during the month of February, 2012. The following further information is available.

- (i) *Goods worth ₹ 15,00,000 were purchases from Assam on which C.S.T. 2% was paid.*
- (ii) *The purchases made in February, 2012 include goods purchased from unregistered dealers amounting to ₹ 18,50,000.*
- (iii) *It purchased capital goods (not eligible for input credit) worth ₹ 6,50,000 and those eligible for input credit for ₹ 9,00,000.*
- (iv) *Sales made in Mumbai during the month of February, 2012 is ₹ 10,00,000 on which VAT at 12.5% is payable.*

Assuming that all purchases given are exclusive of tax and VAT 4% is paid on them calculate:

- (a) *the amount of purchases eligible for input credit.*
- (b) *the amount of input credit available for the month of February, 2012.*
- (c) *the VAT payable for the month of February, 2012.*

The input VAT credit on eligible capital goods is available in 36 equal monthly installments.

Answer

Computation of purchases eligible for input tax credit, input tax credit available for February, 2012 and net VAT payable for the month:-

S. No.	Particulars	₹
(i)	Goods purchased from Assam on which CST @ 2% was paid (Purchases made from outside the State on which CST is payable are not eligible for input tax credit)	-
(ii)	Purchases from unregistered dealers (Purchases from unregistered dealers are not eligible for input tax credit)	-

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(iii)	Capital goods eligible for input credit	9,00,000
(iv)	Balance purchases liable to VAT which are eligible for input tax credit (₹60,00,000 – (₹15,00,000 + ₹18,50,000 + ₹6,50,000 + ₹9,00,000))	<u>11,00,000</u>
	Purchases eligible for input tax credit	<u>20,00,000</u>
	VAT paid on purchases of inputs eligible for input tax credit (₹11,00,000 x 4%)	44,000
	VAT paid on capital goods eligible for input tax credit (input tax credit available in 36 equal monthly installments)	<u>1,000</u>
	₹ $\left[\frac{9,00,000 \times 4\%}{36} \right]$	
	Input tax credit available for February, 2012	<u>45,000</u>
	Output VAT payable (₹10,00,000 x 12.5%)	1,25,000
	Less: Input tax credit available	<u>45,000</u>
	Net VAT payable	<u>80,000</u>

Question 9

ABC & Co. purchased raw material 'A' for ₹ 30,00,000 plus VAT at 12.5%. Out of such raw material 80% was used for manufacture of taxable goods and the balance for the manufacture of exempted goods.

Another raw material 'B' was purchased for ₹ 20,00,000 on which VAT was paid @1%. Out of the raw material 'B', 50% was used for manufacture of taxable goods and the balance for the manufacture of exempted goods.

The entire taxable goods were sold for ₹ 44,00,000 plus VAT at 12.5%. There was no opening or closing inventory of taxable goods or raw materials.

Compute the Vat liability of ABC & Co.

Answer

Computation of VAT liability of ABC & Co.

Particulars	₹	₹
Output VAT (44,00,000 x 12.5%) (A)		5,50,000
Input VAT (B)		
Raw material 'A' (30,00,000 x 80% x 12.5%) (Refer Note 1)	3,00,000	
Raw material 'B' (20,00,000 x 50% x 1%) (Refer Note 2)	<u>10,000</u>	<u>3,10,000</u>
Net VAT payable by ABC & Co. (A) – (B)		<u>2,40,000</u>

Notes:

- 1) In respect of the raw material 'A', input tax credit is allowed only to the extent raw material 'A' is used in manufacture of taxable goods and hence the same is restricted to the extent of 80%.
- 2) In respect of the raw material 'B', input tax credit is allowed only to the extent raw material 'B' is used in manufacture of taxable goods and hence the same is restricted to the extent of 50%.

Question 10

Mr. Jagannath, a dealer in Delhi dealing in consumer goods, submits the following information pertaining to the month of April, 2012:

- (i) Exempt goods 'X' purchased for ₹1,00,000 and sold for ₹1,60,000.
- (ii) Goods 'Y' purchased for ₹2,25,000 (including VAT) and sold at a margin of 20% profit on purchases excluding VAT. [VAT rate 12.5% (both input and output)]
- (iii) Goods 'Z' purchased for ₹2,00,000 (excluding VAT) and sold for ₹3,00,000 [VAT rate 4% (both input and output)]
- (iv) His unutilized balance of VAT input credit on 1.4.2012 was ₹6,000.

Compute the taxable turnover, Input VAT, Output VAT and Net VAT payable by Mr. Jagannath.

Answer

Goods	Purchases	Input VAT credit	Sales (Turnover)	Output VAT
	₹	₹	₹	₹
X	1,00,000	-	1,60,000	-
Y(Refer Note)	2,00,000	25,000	2,40,000	30,000
Z	<u>2,00,000</u>	<u>8,000</u>	<u>3,00,000</u>	<u>12,000</u>
	<u>5,00,000</u>	<u>33,000</u>	<u>7,00,000</u>	<u>42,000</u>
<i>Computation of the taxable turnover, Input VAT, Output VAT and Net VAT payable:-</i>			₹	₹
Total turnover			7,00,000	
Less: Exempt Turnover			<u>1,60,000</u>	
Taxable turnover			<u>5,40,000</u>	
Opening balance of Input VAT credit				6,000
Add: Input VAT credit for April, 2012				<u>33,000</u>
Total Input VAT credit available				39,000

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Less: Output VAT payable on taxable turnover		<u>42,000</u>
Net VAT payable		<u>3,000</u>

Note: Goods Y purchase value (including VAT)	2,25,000
Less: VAT included in above	<u>25,000</u>
$2,25,000 \times \frac{12.5}{112.5}$	
Purchase price excluding VAT	2,00,000
Add: Profit on above @ 20%	<u>40,000</u>
Selling price before VAT	2,40,000
VAT @ 12.5% on selling price	30,000

Question 11

State the eligibility of purchases for input tax credit in the following cases:-

- Mohan purchased goods to use them in the execution of a works contract.
- Singla & Co. purchased goods from Malhotra Enterprises, a registered dealer. Malhotra Enterprises has opted for composition scheme under the provisions of the Act.
- Sahil purchased goods from Ganesh. Ganesh has not shown the amount of VAT paid by him separately in the invoice.

Answer

- Mohan can claim the input tax credit as the purchase of goods for being used in the execution of a works contract are eligible for claiming input tax credit.
- Purchases made by Singla & Co. from Malhotra Enterprises are not eligible for input tax credit as purchases from registered dealer who opts for composition scheme under the provisions of the Act are not eligible for input tax credit.
- Purchases made by Sahil are not eligible for input tax credit as the purchases where invoice does not show the amount of tax separately are not eligible for input tax credit.

Question 12

The following particulars are provided by Mr. Prohit of Calcutta, who has purchased raw materials for manufacturing PVC Cans and PVC Pipes from Mr. Arvind. The State VAT for raw materials and other materials was 12.5%.

		₹
1.	Cost of raw materials purchased	1,00,000
2.	VAT paid by Mr. Arvind	12,500

3.	Cost of other materials-Local	20,000
	-Interstate purchases	40,000
4.	VAT paid on local materials purchased -12.5%	2,500
5.	CST paid @ 2%	800
6.	Manufacturing expenses	39,200
7.	Profit margin (on Sale Value)	20%

Mr. Prohit utilized and manufactured 75% of production as PVC cans and 25% of production as PVC pipes. While PVC cans are subject to 12.5% VAT, PVC pipes are exempt. All materials were used in production and there was no closing stock of raw materials and other materials.

What would be the invoice value of sales charged by Mr. Prohit if all the manufactured goods were sold within the State? What would be his liability to VAT?

Answer

Computation of invoice value of sales charged by Mr. Prohit:

Particulars	PVC Cans (12.5% VAT)	PVC Pipes (exempt)
	(₹)	(₹)
	(75%)	(25%)
Cost of raw materials purchased	75000	25000
VAT paid	NIL (refer Note 2)	3125 (refer Note 3)
Cost of other materials local	15000	5000
VAT paid	NIL (refer Note 2)	625 (refer Note 3)
Interstate purchases	30000	10000
CST paid (Refer Note 4)	600	200
Manufacturing expenses	29400	9800
Cost of goods sold	150000	53750
Add : Profit is 20% on sales (i.e., 25% of cost)	37500	13438
Sale price	187500	67188
Add : VAT payable (rounded off to nearest rupee)	23438	NIL
Invoice value	210938	67188

Computation of VAT liability for PVC Cans:

Particulars	(₹)
Output VAT	23438

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Less : Input VAT = [(12500 × 75%)+(2500×75%)] refer Note 5	11250
Net VAT liability	12188

Notes:-

1. All the expenses have been apportioned in the ratio of 3:1 on *pro-rata* basis
2. Since PVC Cans are taxable goods, VAT paid on raw materials is allowed as input tax credit and thus, the same will not form part of total cost.
3. Since PVC pipes are exempt goods, VAT paid on raw materials will not be allowed as input tax credit and thus, the same will form part of total cost.
4. Input tax credit is not available on CST. Therefore it will form part of total cost.
5. Input tax credit to the extent (75%) used in the production of taxable PVC Cans is allowed.

Question 13

Raj and Co., a manufacturer of product 'X', sold its goods to a distributor at ₹ 11,250 (inclusive of tax). The distributor sold the goods to wholesaler for ₹ 13,500. The wholesaler sold the goods to a retailer for ₹ 16,875. The retailer sold the goods to consumer at ₹ 22,500. All the sales were inclusive of VAT @ 12.5%.

Compute the total VAT payable under the subtraction method.

Answer

Calculation of VAT payable by Raj & Co. under subtraction method:-

Particulars	Turnover under VAT (₹)	VAT (₹)
Sale by manufacturer to distributor	11,250	$\left[11,250 \times \frac{12.5}{112.5} \right] = 1,250$
Sale by distributor to whole seller	13,500 - 11,250 = 2,250	$\left[2,250 \times \frac{12.5}{112.5} \right] = 250$
Sale by whole seller to retailer	16,875 - 13,500 = 3,375	$\left[3,375 \times \frac{12.5}{112.5} \right] = 375$
Sale by retailer to consumer	22,500 - 16,875 = 5,625	$5,625 \times \left[\frac{12.5}{112.5} \right] = 625$
Total VAT payable	22,500	2,500

EXERCISES

1. *Input tax is*
 - (a) *the tax charged in the course of business for the sale of any goods made to any dealer of the State.*
 - (b) *the tax paid in the course of business on purchases of any goods made from any dealer of the State.*
 - (c) *the tax paid or payable in the course of business on purchases of any goods made from a registered dealer of the State.*
 - (d) *the tax charged or chargeable in the course of business for the sale of any goods made to a registered dealer of the State.*
2. *Output tax is*
 - (a) *the tax charged or chargeable by a registered dealer for the sale of goods in the course of business.*
 - (b) *the tax paid or payable by any dealer for the purchase of goods in the course of business.*
 - (c) *the tax charged or chargeable by any dealer for the sale of goods in the course of business.*
 - (d) *None of the above*
3. *Input tax credit in relation to any period means*
 - (a) *setting off the amount of input tax by a registered dealer against the amount of his output tax.*
 - (b) *setting off the amount of output tax by a registered dealer against the amount of his input tax.*
 - (c) *setting off the amount of input tax by any dealer against the amount of his output tax.*
 - (d) *All of the above*
4. *For stock transfer/consignment transfers/branch transfer of goods out of the State, input tax paid in excess of _____ will be eligible for tax credit.*
 - (a) 4%
 - (b) 10%
 - (c) 5%
 - (d) 2%
5. *Which of the following purchases is not eligible for input tax credit?*
 - (a) *Purchases made for sale to other parts of India in the course of inter-State trade or commerce*
 - (b) *Purchases to be used in the packing of manufactured goods intended for sale in the State*

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or in the course of inter-State trade or commerce

- (c) *Purchases to be used as capital goods required for the purpose of manufacture or resale of taxable goods*
 - (d) *Purchases from unregistered dealers*
6. *Which of the following statement is true?*
 - (a) *Set off of input tax credit on capital goods is available to both traders and manufacturers.*
 - (b) *Set off of input tax credit on capital goods is available only to manufacturers.*
 - (c) *Set off of input tax credit on capital goods is available only to traders.*
 - (d) *None of the above.*
 7. *Can input tax credit be carried forward? Discuss.*
 8. *Enumerate the eligible purchases in respect of which input tax credit can be availed.*
 9. *Mention the purchases which are not eligible for input tax credit.*
 10. *How will the input tax credit be availed when common inputs are used for taxable and tax-free good?*
 11. *Explain whether units in SEZ and EOU units are required to pay input tax on purchases made by them?*
 12. *Discuss the procedural requirements to be fulfilled in order to claim input tax credit on capital goods.*
 13. *Discuss the policy contained in the White Paper with regard to availment of input tax credit on capital goods.*

Answers

1.(c); 2.(a); 3.(b); 4.(d); 5.(d); 6.(a)

UNIT 2: COMPOSITION SCHEME FOR SMALL DEALERS

Question 1

Is the VAT chain continued when a purchasing dealer opts for VAT composition scheme? What is the loss to the seller and buyer opting for the composition scheme, and the subsequent buyers?

Answer

As soon as the dealer opts for the composition scheme, the VAT chain is broken.

When a composition scheme is availed by a seller or buyer, he cannot claim input credit of the tax paid on the purchases. This will add to the cost of the goods.

The benefit of tax paid earlier will not be passed on to subsequent buyers.

Question 2

What are the conditions to be fulfilled by the dealer accepting the composition scheme under the value added tax?

Answer

The dealer accepting the composition scheme should fulfill the following conditions:

- (i) He should intimate to the Commissioner of VAT in writing that he is opting to such scheme for a year or a part of the year in which he gets himself registered.
- (ii) If he avails this scheme, he is not required to maintain any statutory records as prescribed under the Act. Only the records for purchases, sales and inventory should be maintained.
- (iii) The dealer should not have any stock of goods which were brought from outside the State on the date he opts to pay tax under composition scheme and should not use such goods after such date.
- (iv) The dealer should not claim input tax credit on the inventory available on the date on which he opts for composition scheme.

Question 3

M/s. Staruss & Co., a registered dealer under the local VAT law, having stock of goods purchased from outside the State, wishes to opt for the Composition Scheme. Advise him whether the same is possible. Will the VAT chain be broken if the dealer opts for the said scheme?

Answer

As per the principles laid down in the White Paper, a dealer desirous of availing the benefits of VAT Composition Scheme should not have stock of the goods purchased from outside the

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State. Therefore, if the dealer wishes to avail the benefit of the scheme, he must ensure that he does not possess stock of such goods as on the date of exercise of option. Advice is to be tendered on above lines.

The selling dealer will not be able to pass on the benefit of the input credit when he opts for the Composition Scheme. A purchasing dealer buying goods from a dealer operating under the Composition Scheme will not get any tax credit for the goods purchased. Hence, as soon as any dealer opts for the Composition Scheme, the VAT chain is broken.

Question 4

State any two benefits and two drawbacks for a dealer who opts for composition scheme under VAT as per White Paper.

Answer

Benefits of composition scheme for a dealer:-

- (i) VAT system requires detailed accounting and record keeping which increases the labour and the compliance cost. The composition scheme saves a lot of labour and efforts in keeping records thereby reducing the cost of doing business. Under this scheme, a very small amount of tax is payable.
- (ii) Composition scheme simplifies the calculation of tax liability of a dealer. Moreover, there is a simple return form to cover longer return period.

Drawbacks of composition scheme for a dealer:-

- (i) The dealer under a composition scheme cannot avail input tax credit and issue tax invoices in order to pass on tax credit. This adds to the cost of the goods sold by him.
- (ii) As the purchaser would not get any tax credit for the purchases made by him from the dealer operating under the composition scheme, the purchasers desirous of availing input tax credit on their purchases may not prefer to buy from composition dealers. Hence, the profitability of the dealer may get affected.

Question 5

Lee Traders, a registered dealer, having stock of goods cost ₹ 30,000 purchased from outside the State, wishes to opt for the Composition Scheme. Advise the dealer whether it is possible?

State the conditions to be satisfied by a dealer before opting for composition scheme.

Answer

If a dealer wishes to opt for the composition scheme, he should not have any stock of goods which were brought from outside the State on the day he exercises the option to pay tax by way of composition.

Hence, it is not possible for Lee Traders to opt for the composition scheme as it has a stock of goods costing ₹ 30,000 purchased from outside the state on the day it wishes to opt for the composition scheme.

Other conditions to be satisfied by a dealer who wishes to opt for the composition scheme are as follows:

- (i) A dealer who wishes to avail the composition scheme has to exercise the option in writing for a year or a part of the year in which he gets himself registered. For this, the dealer has to intimate to the Commissioner.
- (ii) The dealer should also not claim input tax credit on the inventory available on the date on which he opts for composition scheme

Question 6

What happens to VAT chain when a seller opts for composition scheme?

Answer

If the composition scheme is availed by a seller then such seller cannot avail input tax credit in respect of input tax paid. Hence the seller will be losing the input tax credit on purchases made by him. He will not be able to pass on the benefit of input tax credit, which will add to the cost of the goods.

The purchaser shall not get any tax credit for the purchases made by him from the seller operating under the composition scheme. Therefore, as soon as a seller opts for the composition scheme, the VAT chain will be broken, and the benefit of tax paid earlier will not be passed on to the subsequent buyers.

Question 7

Who are not eligible for composition scheme under the VAT regime? Discuss briefly.

Answer

Following are not eligible for composition scheme under the VAT regime:-

- (i) a manufacturer or a dealer who sells goods in the course of inter-state trade or commerce.
- (ii) a dealer who sells goods in the course of import into or export out of the territory of India.
- (iii) a dealer transferring goods outside the State otherwise than by way of sale or for execution of works contract.

EXERCISES

1. As per the White Paper, which of the following dealer may opt for composition scheme?
 - (a) the dealer whose total turnover does not exceed ₹50 lakhs
 - (b) the dealer whose total turnover exceeds ₹70 lakhs

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- (c) the dealer whose total turnover exceeds ₹60 lakhs
 - (d) the dealer whose total turnover exceeds ₹50 lakhs
2. Which of the following statement is false?
- (a) Under the composition scheme, a dealer cannot avail input tax credit.
 - (b) Under the composition scheme, a dealer cannot issue tax invoice.
 - (c) Under the composition scheme, a dealer can pass on credit by issuing a supplementary invoice.
 - (d) None of the above.
3. Which of the following dealer cannot opt for composition scheme?
- (a) a manufacturer or a dealer who sells goods in the course of inter-state trade or commerce
 - (b) a dealer who sells goods in the course of import into or export out of the territory of India
 - (c) a dealer transferring goods outside the State otherwise than by way of sale or for execution of works contract
 - (d) All of the above
4. Which of the following statement is true?
- (a) The composition scheme is optional.
 - (b) A dealer availing composition scheme need not maintain any statutory records as prescribed under the State VAT Act.
 - (c) A dealer availing composition scheme should not have stock of goods brought from outside the State on the day he exercises his option and should not use any goods brought from outside the State after such date.
 - (d) All of the above
5. What do you understand by a composition scheme under VAT laws?
6. What is the eligible turnover to avail the benefit of this scheme?
7. What are the special features of this scheme?
8. Who is not entitled to the benefits of the composition scheme?
9. How does the composite scheme affect the VAT chain?

Answers

1.(a); 2. (c); 3.(d); 4.(d).