VAT & S.TAX   PRATIK JAIN

Book 3

17/05/2012

Indirect Tax [IDT]

VAT - 10
ST - 30
Excise - 40
Custom - 20

Fedral economy
↓
where law is made & handle at 2 level. i.e. central govt. State govt.

power to make law
↓
~~under Entry 54 in List II of~~ Sch VII

list I → Union ↓ Excise, Custom, Service Tax

II → State ↓ Tax on sales (Entry 54)

III → Concurrent

VAT

→ No. Tax on Sale of Fresh Newspapes
→ Tax is applicable on Sales of papers as Scrap.

General Sales Tax
↓
In 2004, VAT introduced

On petrol & diesel ⟶ General Sal Tax applicable

→ CST paid on purchase is not allowed as credit for payment of VAT

→ CST paid on purchase is not allowed as credit for payment of CST on Purchase

→ CST Paid is allways form part of cost
i.e. NO set off is available
against VAT & CST

Case 1. Mr. A. from Mumbai

R.M. purchased from Guj ₹100
CST 2
102

Sold in Maharashtra — ₹200
VAT 4 — 8
208

— VAT payable 8 (NO. CST setoff)

Case 2 R.M. Purchased from Guj ₹100
CST 2
102

Sold in Guj — ₹200
CST 2% 4
204

→ CST payable — 4 (NO setoff)

Case 3 R m Pur. from mum. ₹100
VAT 4
104

Sold in Guj ₹200
CST 2% 4
204

Payable — Nil — (set off avai)

Q-6 VAT Liability

Calculation of Net VAT Payable

Particular	₹
Output VAT Collected from Customer. (850,000 + 90,000) × 4%	37,600
Less: Input Tax credit	
On Purchase from Rajasthan	NIL
On Purchase from Gujarat (1250,000 × 4%)	(50,000)
Excess VAT Credit	(12400)

Calculation of Net CST payable

Output CST Collected from Customer (500000 + 30,0000) × 2%	16000
Less:	
Excess VAT Credit	(12400)
Net CST Payable	3600

Q-14. Calculate of Net VAT Payable

Output VAT collected from Customer (A)		
Raw material Imported	110000	
Raw mat Purchased From Kerala (Note 2)	224000	
RM purchased from Karnataka	85000	
Transportation & Mfg cost	47000	
	466000	
Add profit 10%	46600	
Sales	512600	
VAT payable 4%		20 504
(-) Input ~~ta~~ VAT Credit		(8960

Net VAT Payable → 11544

VAT paid ~~as~~ Input Tax. ~~is not~~
↓
Credit not allowed if good sold is exempted.

→ Exemption ~~~~ can break the vat chain and create cascading effect.

Q.3 Calculation of Net VAT Payable

Output tax collected from customer

On F.G.	D	(Exempt)	NIL
	E	(400000 × 4%)	16000
	F	(500000 × 12%)	60000
			76000
Less: Input Tax Credit :-			
On R.M.	A	ITC is not allowed ~~800000 × 10%~~	NIL
	B	[Exempt]	
	C	[400000 × 12%]	(48000)
		~~Net VAT payable~~	28000

As RM A is used in exempted FG hence ~~Cenv~~ credit is not allowed

Inter State Stock transfer / Branch transfer / Consignment transfer

[2% reduction in credit tax rate]

⇒ Transfer between 2 States from one location to another location in another State of same Company.

Eg. ABC Ltd

Factory 'A' → Factory 'B'

Factory 'A':

Purchased RM. 50,000 units
× ₹ 100 PU
5000000
@ 10%. GVAT 300000

Goa VAT 500000

× 100
× 10%
300000

30,000 FG
× ₹ 200
GVAT @ 10%.
600,000
↓
Goa VAT Payable
₹ 600,000
(−) credit 460,000
1,40,000

Transferred 20,000:

20000
× 100
× 10%.
200,000
(40,000) (2%)
160,000

Factory 'B':

20,000 units
↓
No Tax
↓
form F Submitted
↓
Sold to customer
20,000 FG
@ ₹ 200
UP VAT 10%.
400,000
↓
UP VAT Payable
₹ 400000
[No credit available]

Q.9 Pg-44 | Calculate of VAT Payable by Delhi Branch

	₹
Output VAT Collected from Customers	
40,000 × 30 p.u. × 10%	120,000
Less: Input Tax Credit	NIL
Net VAT Payable	120,000

Calculation of Net VAT Payable by mumbai Branch

Output VAT collected from customers	
60000 × 30 × 10%	180000
less: Input Tax credit	
used : 60,000 units × 20 p.u. × 10% Tax rate	(120,000)
trf : 40,000 × 20 × (10% − 2%)	(64,000)
Reduction 2% on Branch trf.	
Input tax credit − c/f	(4000)

Q-11
Pg-14

Calculate Net VAT payable by dealer registered in Guj

Output VAT Collected from Customer

- Sold in Gujarat (500000 x 12.5%) Produced from Good x	₹ 62,500
- Produced from Good y.	Exempt
- Produced from Good z (40,00,000 x 4%)	16,0,000
	222,500

Less Input tax credit

Good x	- Exempt	NIL
Good y (used in Exempt FG)	- Exempt	NIL
Good z	- 3,00,000 x 12.5%	375000
	500000 x (10.5%)	52500
	Input tax credit —	(205000)

CST Payable

→ Sold in maharashtra

600000 x 2%	12000
credit available	(205000)
Input credit - C/F	(193000)

Input tax credit on Capital goods

- White paper — 36 monthly installment - Equally credit is given

Taxing System (world wide)

Variant

(1) Gross Product — Charge VAT on all sales
— No Input Tax credit of VAT paid on cap. goods.

(2) Income (Most popular) — Charge VAT on all sales
— Input tax credit of VAT paid on cap. goods will be allowed in proportion of depreciation. (SLM)

(3) Consumption — Charge VAT on all sales
— Input Tax credit on cap goods will be allowed in full

Consumption method → In India as per White paper policy ←

- Allow credit on capital goods except the goods stated in negative list.

- When to allow credit — At once or
— Installment
Limit of installment is next 36 months (Max).

Q.13

Calculation of Net VAT Payable

Output VAT Payable from customer
10,00,000 X 12.5% | 125000

Input tax credit
From URD | NIL
~~from~~ CG Not eligible for ITC | NIL
CG Eligible for ITC
[900000 X 4% X 1/36] | (1000)
Normal Input purchased
([60 lakh - 12.5 - 6.5 - 9] X 4%) | (104000)

Purchases from Assam (CST) | NIL
Net VAT Payable | 20,000

Dealer Under VAT

- Unregistered Dealer [URD].

Turnover → ₹ 5 lakh [₹10 lakh in Few States]

- Composition Dealer

Turnover → ₹ 5 lakh [or 10 lakh] but less then ₹50 lakh
if it have all purchase & sales (Not even in stock) from Outside State. ~~AO~~ he Cannot be composit dealer

white paper policy on C.D.
- relief from formalities
- Not credit available, NO VAT payable
- Pay VAT at the end on turnover (min. prescribed rate 0.25%)

- Registered Deales
  Turn over — ₹ 50 lakh of 10 lakh (Few States)
  within 30 days.

Q.12
Pg-14 Calculation of profit/loss of Retailer

	under Normal Scheme	under Composition
Total Sales Revenue Excluding VAT		
[45 lakh − $\frac{45 \text{ lakh}}{110\%}$ × 10%]	40,90,909	
[45 lakhs − $\frac{45 \text{ lakhs} \times 0.25\%}{100.25\%}$]		4488750
less: Cost Incurred		
Cost of Input	(30,00,000)	(34,25,000)
Cost of books of A/c	(50,000)	(25000)
Profit	1040909	1038750

– As profits under normal scheme are higher dealer is advice to follow normal Scheme & to maintain proper books of A/c

Q 2

Calculation of VAT liab

Out put VAT collected from customer

On sales of FG 4% (1500000 x 4%)	60,000
Exempted Sales	NIL
Raw mat sold @ 4% (20,00,000 x 4%)	40,000
	100,000

Input Tax Credit

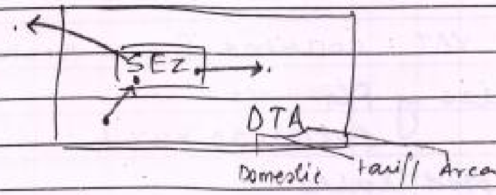
→ At NIL Rate	NIL
→ AT 4% VAT 50% Exp. goods	NIL
Other (40,00,000 x 50% x 4%)	(80,000)
→ AT 12% VAT (20,00,000 x 12%)	(240000)
Input Tax credit - c/f.	(220000)

1. Note:- 50% of RM of 12% VAT are used in mfg cap. goods. Assuming that state level VAT Act provides full input tax credit on cap goods in the month of purchase itself, entire VAT has been availed as input tax credit

-x-

Exports are zero rated sales & SEZ, 100% EOU hence input tax credit is available

SEZ - Deemed to be located Outside India



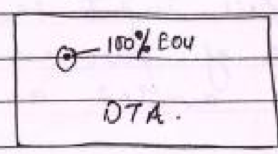
VAT/Sales tax

- DTA to SEZ = zero rated Sales
- SEZ to Outside India = No sales tax
- SEZ to DTA = No Sales tax/VAT

Excise & Custom

- SEZ to outside India: Sec 3 of CE Act provides that no E.D. on goods mfg in SEZ
- SEZ to DTA: Excise duty – X
  custom duty – ✓

100% EOU



VAT/Sales tax.

- DTA to 100% EOU = zero rated Sales
- 100% EOU to Outside India = No. Sales tax
- 100% EOU to DTA = No. Sales Tax/VAT

Excise & Custom:

- 100% EOU to Outside India: E.D. ✓ however E.D. – Not to pay Refunded
- 100% EOU to DTA: E.D. ✓ but on the rate of C.D.

Q-4

Calculation of Input tax credit available

	Total VAT paid on purchase (₹ 10,00,000 x10%)	100000
Less:	VAT paid on RM used for m/g exempt goods (100000 x 10%)	(10,000)
Less:	2% deduction for inter state Stock transfer (₹ 200000 x 2%)	(4000)
	Input tax credit available →	86000

Q.17

Calculation of Net VAT Payable

	Output VAT collected from customer (200000 x 12.5%)	25000
less	Input tax credit	
	On input - purchased (170000 x 4%)	(6800)
	On input purchased from composid dealer	NIL
	On input purchased from nijhar	NIL
	On cap goods (50000 x 12.5%)	(6250)
	Payable →	11950

Calculation of Net CST payable

Output VAT collected from customer (250000 x 2%)	5000
Payable	5000

Penultimate Sale — Not liable to VAT/CST

$\downarrow$

Sales in Course of Export
(last stage of export)

Eg.

Mr. A $\xrightarrow{\text{Sold}}$ Mr. B — **Export**

Mr. A $\xleftarrow{\text{Form 'H'}}$ Mr. B

— Hence Sales from A to B is Penultimate Sale.

VAT on Special Transaction

case

(1) Flat Sold ₹ 80 lakhs.
(Already constructed building)
↓
Immovable Property
↳ hence NO VAT. (Not liable)

(2) Mr. A → have piece of land to build Buildin
→ he purchase construction material
→ he ~~hig~~ hired Builder for construction
₹ 20 lakh / NO VAT as goods are not involve
(Service Tax is applicable

(3) Mr. A ⟶ Booked a Flat in under Construction Building.

- for ₹ 70 lakhs
- flat will be ready after 2 years.

Cianon Dunkerly Ltd (SC) (1958)
case (3), Dept demand Tax on Sale.
held that, Sales tax only on good, ultimately trf is. of immovable property hence No Sales tax

not valid — Associated hotels of India Ltd. (SC) (1972)
Bill — ₹ 2000 — vivisection — Bification
800 1200

held that, Vivi Section not allowed, VAT = x in a Composite Contract

* 46th Amendments in Constitution
Article 366(29A).

Composite Contract – vivisection allowed.

* BSNL (SC) (2006) ✓
Dept → ₹50 → SIM — 35 —pay→ VAT
↳ talk time — 10 —— Service Tax

held that
VAT is **not** payable as vivisection is not applicable to all composite transaction
↓
Applicable only to
- works contract
- catering.

Composition Scheme

Voltas Ltd (SC)
deemed as work contractor Sales cement & Bricks in whole contract.. But while sales of cement & Bricks add profit & then charge VAT.

Eg (1) Cement, brick etc (VAT paid @4%	20 lakhs
water + elec + fuel (consumable)	1 lakh
labour charges	20 lakh
Other services	2 lakh
machine on hire	1 lakh
Profit on his service & Expertise	15 lakh
profit on supply of goods	11 lakhs
Total Contract	70 lakhs

Ans

Composition Scheme

Particular	Goods	Services
	(lakhs)	
~~Labour charges~~		
(1) Cement, brick	20	
(2) Water + elec + fuel		1
(3) Labour ch		20
(4) Other Sr		2
(5) Machine on hire		1
(6) Profit on his service		11
(7) Profit on mat	11	
	31	39
VAT @ 10%	3.10	
Service Tax @ 12.36%		$\boxed{4.8204}$ Gross S.T.
Less: Input tax credit	(0.80)	
Payable	2.3	

Or

4% on Entire contract i.e. 70 lakh × 4% = 2.8 lakh

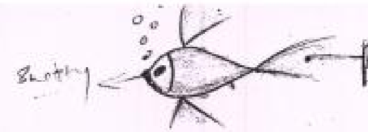
Q 15

Calculation of Net VAT Payable by work contract

[₹ lakhs]

	Goods Portion	Service Portion
labour charges paid	-	35
cost of consumables	-	5
material $\left[\frac{45 \text{ lakhs}}{110} \times 100\right]$	40	-
Sub total	40	40
Add: profit (Assuming equal profits on goods & Service portion) $\left(\frac{100-80}{2}\right)$	10	10
(Vivisection) - total value →	50	50 (charge ST)
Output VAT $50 \times 12.5\%$	6.25	
Less: Input tax credit		
On Input $\left[40 \times \cancel{12.5\%} / \frac{45}{112.5} \times 12.5\right]$	(5)	
on Cap goods $\left(10 \text{ lakhs} \times 4\% / \frac{10.40}{104} \times 4\right)$	(0.4)	
VAT Payable	0.85	

Note 1:- Teaktek processing complex, Kerala HC has held that cost of consumables cannot be added into goods portion as



they do not retain their identity after Completion of construction & hence Include in the Service portion of the Contract.

Note 2: In case of Voltas Ltd (SC) has held that goods portion shall also includes profit attributable for supply of goods involved in the execution of work contract & hence will be chargable to VAT

Q-16

Calculation of Net VAT payable ₹

Output VAT Collected from Customer		
FG Sold within State (20 lac x 4%)		80000
FG Exported out of India.		NIL
RM Sold (44 lac x 1%)		44000
on deemed Sales (12 lac x 12.5%)		150000
		274000
(-) ITC @ 1% (40 lac x 1%)	40000	
4% (60 lac x 4%)	240000	
12.5% (10 lac x 12.5%)	12500	(405000)
Excess VAT credit		(131000)

Calculation of Net CST payable

Output CST collected. (Note i) (10 lac x 4%)	40000
(-) Excess VAT Collected	(131000)
~~Ex~~ ITC c/f	(91000)

Note 1: Interstate Sales are charged at 4% CST which implies that buyer has not submitted ~~at~~ the C Form. There are few states which remitted partial input tax credit on such sales. However white paper does not contained any express provision in this behalf. Hence it is ~~consumed~~ assumed that full ITC is allowed of VAT paid on RM used in my such goods.