

# VAT COMPLIANCES

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## MEANING OF VAT

- **VAT in common man's language**  
“is a tax levied on the value, added to any product AT EVERY STAGE”
- ❖ Destination based tax system
- ❖ Provision for input tax credit for purchase from a registered dealer
- ❖ Tax is ultimately borne by the consumers.

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## UNDERSTANDING VAT

How VAT would work is illustrated hereafter which indicates that everybody becomes happier under VAT regime with multi-point taxation but with lesser tax burden.

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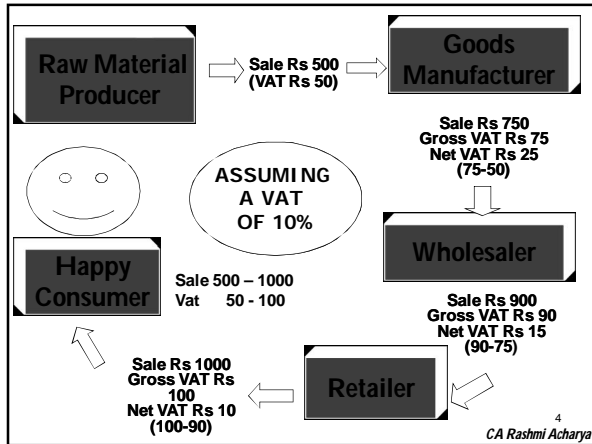
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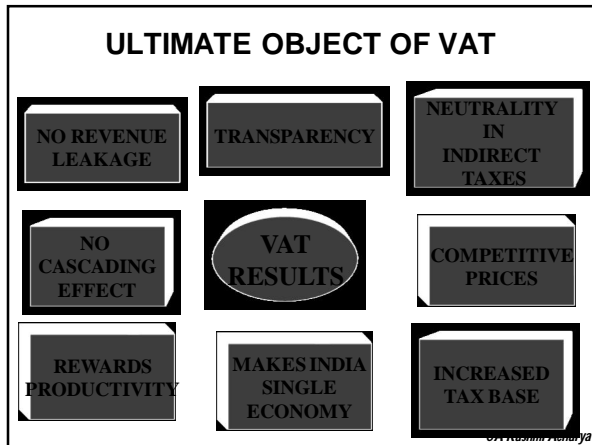
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**Filing of Returns**

- Quarterly Returns**

If the Total Tax Payable amount is less than Rs. 60000/- in a year then the dealer has to file Quarterly Returns within 30 days from the end of month to which return relates. (co-op. society mfg. sugar/khandsari -30<sup>th</sup> November. Half -yearly return.

The prescribed forms for monthly returns are:  
 Form 201  
 Form 201A – Details of Taxable Sales – With Tax  
 Form 201B – Details of Taxable Purchase – With Tax  
 Form 201C – Details of Stock (Six Monthly)  
 Form 212 & 213 – For dealer dealing in commodities-Sch.III like high speed diesel oil, gasoline, turbine fuel, etc.

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### Filing of Returns

- **Monthly returns**

If the Total Tax Payable amount Exceeds Rs. 60000/- in a year then the dealer has to file Monthly Returns.

- To file Monthly Returns from succeeding the month, if Tax Payable exceeds **Rs.15,000/- in any quarter.**

The prescribed forms for monthly returns are:  
 Form 201  
 Form 201A – Details of Taxable Sales – With Tax  
 Form 201B – Details of Taxable Purchase – With Tax  
 Form 201C – Details of Stock (Quarterly)

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### Filing of Returns

Annual Return – Self Assessment

- Submission within Three months
  - 30<sup>th</sup> June
  - 31<sup>st</sup> December
- In normal course
  - Form 205
  - Form 205A
- For Lumpsum Payers
  - Form 202
  - Form 202A
  - Form 202B
  - Form 202C
- New Industry enjoying benefits of sales tax incentive
  - Form 203 or 204
- All forms under CST Act which are not furnished during the year, shall be furnished with Annual Return.

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### Time Limit for Filing Returns

TYPE OF RETURN	DUE DATE
Monthly	Within 30 Days from the end of the month.
Quarterly	Within 30 Days from the end of the quarter.
Annual Return (self Assessment)	Within 3 months from the end of the year.

- Note: It is mandatory for all dealers to file Annual Return.

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**Penalty for Late Returns**

(A) Penalty for Return late up to 7 days at Rs.100/- and for further delay, Rs.100/- per day of default up to thirty days from the due date.

(B) Penalty for Return delayed beyond first thirty days from due date will be imposed from Rs.3,000/- to a maximum of Rs.10,000/-.

(C) For Dealers holding Composition Permission U/s 14, maximum penalty will be restricted to Rs.1,000/- per return and in the case of Dealers who are required to file quarterly returns, maximum penalty will be restricted to Rs.2,000/- per return.

(D) Failure to furnish return for three consecutive period – Registration Certificate cancellation. <sup>10</sup>  
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**REVISED RETURN**

- Within 30 days from the last date prescribed for furnishing the original return.
- Revised Return can be filed if original return is filed in time.
- Remedy to Penalty.
- Annual Return cannot be revised.

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**SEPERATE RETURN**

- Apply in Form 206 to furnish separate return.
- Company having other places of business – sales depo, Factory Outlet.
- Annual Return as per Rules – Consolidated for all places.
- Single Registration Certificate for all Places.

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### Exemption from Filing Return

- Apply in Form 209.
- Certify that – not to make any purchase for sale of taxable goods.
- Undertake to file return on contravention of above.

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### Tax Rate

- Essential commodities, capital goods, basic inputs and declared goods = 4%
- Agricultural products and sea goods = 0%
- Gold = 1%
- Cigarettes, liquor, petrol, diesel = 21%
- Floor rate = 12.5% (Revenue Neutral Rate)

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### TAX RATE AND PAYMENT

The Rate of Additional Tax is :-

- 1% in case of goods liable to tax at the rate of 4%
- 2.5% in case of goods liable to tax at the rate of 12.5% or more.
- No Additional Tax is liable on Gold, Diesel, Petrol, Declared goods & lumpsum tax payers.
- Tax Within 22 days of succeeding the month/quarter.
- Interest @ 18% per annum on delayed payment for the period.

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### Lump sum Tax Rates

Small Traders	@0.50% of taxable turnover
Bakery	@2.00% on turnover of sales
Bricks Manufacturer	@2.00% on turnover of sales

•Limit Rs. 50 Lacs.

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### Lumpsum Tax Rate on Works Contract

Nature of Works Contract	Lump Sum Rate of Tax on <u>Total Works Contract Value</u>
From 11-10-2006 onwards	
(a) Processing of polyester fabrics including bleaching, dyeing and printing thereof	0.50%
(b) For specified civil construction contract	0.60%
(c) For others	2.00%

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### Lumpsum Permissions:

- Application for lump sum payment of tax is to be made in **Form 210,210A,210B and 210C.**
- The permission is granted in **Form 211,211A,211B and 211C within 15 days** from the date of application. W.e.f. 1-4-2008, a dealer who is granted permission to pay Lump Sum Tax need not file fresh application for renewal of permission every year.
- **Permission will be granted if the dealer is not engaged in the activity of Inter-State Sale or Purchase, Transfer from/to Branch/Agent, Import, Export, Sales/Purchases through Agent, Works Contract, Leasing and Manufacturing activity other than notified manufacturing activity.**

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**Lumpsum Permissions:**

- A dealer who is permitted to pay lump sum tax shall **not avail** of the following entitlements:-
  - claim **Tax Credit** in respect of tax paid by him on his purchases.
  - **Charge any Tax** under this Act in his sales bill or sales invoice in respect of the sales on which lump sum tax is payable; and
  - **Issue Tax Invoice** to any dealer who has purchased the goods from him.
- A dealer who is permitted to pay lump sum tax shall be liable to pay, in addition to the lump sum tax, purchase tax leviable under sub- sections (1) and (3) of section 9 and Additional Tax u/s 9(6).

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**Notes for filling of returns**

Purchases (TAX INVOICES)

List Total Purchase as

- (1) Name of Supplier
- (2) Tin No.
- (3) Purchase Value
- (4) VAT
- (5) Add. VAT

\* Note: "Verify Tin No. on Bills for Input Tax Credit."  
 \* It should be filled in the given format of Form 201B

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**Notes for filling of returns**

Sales (TAX INVOICES)

List Total Sales as

- (1) Name of Customer
- (2) Tin No.
- (3) Sales Value
- (4) VAT
- (5) Add. VAT

\* It should be filled in the given format of Form 201A

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### I . T . C . ON URD PURCHASES

- Tax Payable
- Input Tax Credit available.
- No liability to pay.
- Tax Payable on Sales.

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### Tax Credit Admissible

- Tax Credit is admissible on,
- The inputs of a Registered Dealer in full on receipt of tax invoice. – YEAR END.
  - VAT paid on purchases, purchase tax u/s. 9 & Entry Tax.
  - On Capital Goods, provided such plant and machinery is purchased after 1-4-2006 and which are not second hand.
  - On Fuel used in manufacture is available after deduction of 4% of tax paid on purchase of such fuel.
  - On goods dispatched by way of branch transfer outside the Gujarat State is eligible for Tax Credit after deducting 4% of tax on taxable turnover within the State consigned – branch transfer or used in manufacture/packing material of goods consigned.
  - On the purchase related to sale of goods to the Developer or Co-developer of SEZ or to a Unit carrying on business in the Processing or Demarcated area of SEZ (i.e. zero rated sales).

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### Tax Credit Not Admissible

- Tax Credit is not admissible on the following purchases:
- Vehicles — Its equipments, accessories and spares (except for vehicle dealers).
  - For goods or property not connected with business.
  - For goods used as fuel in generation of electrical energy.
  - For fuel in motor vehicle.
  - For unsold stock at the time of closure of business.
  - For purchases from dealer who has opted for lump sum payment u/s. 14. E.g. Retailers, Constructors.
  - For Inter-State/import purchases
  - For Goods used in manufacture of exempt goods.
  - For Goods which are given for right to use only.

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### Tax Deduction at Source

- Any Person responsible for paying amount exceeding Rs. 1 Crore to the contractor or sub-contractor is liable to deduct Tax at Source @ 2%
- File a return of the TDS in Form 704 by 30th June after the end of the financial year.
- Out of the gross payment, the amount liable for deduction is to be arrived at by deducting labour charges, price of inter-State/import purchases as per declaration given by the contractor/sub-contractor in Form 702.
- Collect Certificate in Form 703 and 704 (in case of Work Contract)

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### E-Filing of Returns

- E-filing is mandatory for dealers having turnover more than Rs. 1 Crore.
- VAT as well as CST returns have to be furnished.
- Any dealer in need of C/H/F forms under CST Act, need to compulsorily file their returns electronically, Along with VAT returns even if the turnover does not exceed Rs. 1 Crore.
- **Dealer has to file returns physically, after e-filing.**

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### E-Filing of Returns

- The forms for E-Filing of returns are prescribed by the Department and no changes can be done in the given format.
- The prescribed details needed in the format are specified in the first row of the format. e.g. Date format: **DD/MM/YYYY or DD-MM-YYYY only.**

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- The dealer may check “C Form” Status from the Website:  
<http://www.commercialtax.gujarat.gov.in/vatwebsite/home/home.jsp> , By entering your User ID(TIN No.) and Password you may be able to Check Online forms status given in the options (Check Application Status) in the left hand side of the page.
- C Form – To be corrected in case of Return of goods.

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### AUDIT UNDER VAT

As per Section 63(1), a dealer having turnover exceeding **Rs.1 Crore** and (As per Press Release) Taxable Turnover exceeding **Rs. 20 lacs** is liable to get his accounts audited within 6 months from the end of the year and submit the same within 30 days of the date of the Audit Report Received.

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### General Specifications for VAT Audit

- **Indicative list of Documents / statements of Records/ records to be kept ready by the dealer for submission to & for assisting inspection by the Business Audit Team**
- ✓ The Balance Sheet and Profit and Loss Accounts with appendices and 3CD report.
- ✓ Month wise statements of annual sales clearly showing tax collection, goods returned with division of claims such as exports, sales in transit, sales in course of export, high seas sales and branch transfers. These claims should be taken into account while preparing the statements.

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**General Specifications for VAT Audit**

- ✓ Month wise statements of annual purchases showing input tax claim segregated under various tax rates, source of purchases such as import, inter-state purchases, tax free purchases in course of import etc. and any other deductible claims.
- ✓ Actual Stock inventory statement as on the beginning and the closing of years for the identification of stock if stock register is not maintained.
- ✓ Photocopies of purchases invoices may also requested for the purpose of cross-checks.

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**General Specifications for VAT Audit**

- ✓ The Declaration forms such as Form C, Form H etc. for verification along with the list of missing declarations.
- ✓ Documents / records/ evidences supporting various claims of sales and purchase.
- ✓ Ledger of all accounts.
- ✓ Sales and purchase registers.
- ✓ Sales and purchase invoices and corresponding delivery challans and other proof of dispatch.

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**General Specifications for VAT Audit**

- ✓ Cash book and bank book.
- ✓ Stock register.
- ✓ Returns and challans of payments.
- ✓ Any other document or record as may be demanded by the Auditor should be made available for inspection.

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**CONCEPTS**

1. Turnover – Purchase or sale for Audit.
2. Sales Price – Freight F.O.R.  
- Discount – cash/Trade/Quantity  
- Warranty Charges – optional
3. Sales Tainted by illegality & its Taxation
4. Return of Goods – 6 months – accounting – claim
5. Machinery – I.T.C.- Installation
6. Capital Goods.
7. Fuel – I.T.C.
8. Hire Purchase - Stipulation in Agreement – Property Passing.
9. Lease Transactions
10. Records – Six Years .-In case of appeal or revision

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**Goods and Service Tax(Gst)**

- **Justification**

1. Tax on Tax effect is removed.
2. State Vat is levied on the value of the goods inclusive of cenvat.
3. Continuous chain of set off from the producer's point to the retailers point.
4. Tax Credit in intra and inter – state levels
5. CST to be phased out.
6. Cross utilisation of credit of tax on goods and services.

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**Goods and Services Tax (GST)**

<ul style="list-style-type: none"> <li>• <b><u>Covered</u></b></li> <li><u>Central Levies</u></li> <li>Central Excise Duty</li> <li>Additional Custom Duty</li> <li>Special Additional Custom Duty</li> <li>Surcharges</li> <li>Cess</li> <li>Service Tax</li> </ul>	<ul style="list-style-type: none"> <li>• <b><u>Not Covered</u></b></li> <li>Taxes on Alcohol certain petroleum Products Fuels</li> <li>Octroi</li> <li>levies at Local Level</li> </ul>
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- **State Levies**  
VAT  
Entertainment Tax  
Luxury Tax  
Taxes on Lottery, betting, gambling  
State cesses and surcharges  
Entry Tax (Not in lieu of Octroi)
- **Applicability - ??????**

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*Thank You*

*CA. Rashmi Acharya*  
*Cell No. 99250 32710*  
*Email Id: rashmi1212@hotmail.com*

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