

Leaflet 15
PURCHASE TAX

01. ARE THERE ANY PROVISIONS IMPOSING TAX ON PURCHASE IN AP VAT ACT 2005?

Yes. In certain exceptional circumstances, tax on the purchase value of goods is levied.

02. WHAT ARE THOSE CIRCUMSTANCES?

A VAT dealer purchasing taxable goods from a non-VAT dealer and uses such goods:

- a) as input for exempt goods;
- b) as input for taxable goods and disposes off otherwise than by way of sale;
- c) as inputs for goods sent outside the State by way of branch transfer or consignment sales.

Purchase tax is also levied if the goods liable to tax under AP VAT Act 2005 are disposed off without being consumed or without resulting in a taxable sale either within the State or in the Inter-State trade.

03. WHAT IS THE RATE OF PURCHASE TAX?

The rate applicable to such goods is 4% except for the goods mentioned in Schedule III of the Act, where the rate applicable is 1%.

04. HOW DO I DECLARE AND PAY TAX ON SUCH TRANSACTIONS?

The purchase value should be declared in the Box 6(A) of VAT return in the tax period pertaining to purchases. The liability to pay tax on such purchases arises only in the circumstances mentioned in Question 2 of this leaflet and the value of goods liable for tax in that tax period alone shall be entered in Box 15(A) of VAT return. The tax due on such value shall be entered in Box 15(B).

For instance, if you have purchased taxable goods worth Rs. 1,00,000 from a non-VAT dealer in the month of October, you are required to show the value in Box 6(A) of the VAT return for October. If the goods have been put to use in the month of December in the manner explained in Question 2, the value of such goods, say Rs. 50,000/-, shall be entered in Box 15(A) of VAT return for the month of December. The tax due on it shall be disclosed in the Box 15(B) of the VAT return.

05. WHAT SHOULD I DO TO OBTAIN FURTHER INFORMATION?

You should contact your local Tax Office.