

Leaflet - 02

VAT & TOT REGISTRATION GUIDE

This leaflet will help you decide whether or not you have to register for VAT, and your obligations to register for TOT. It does not contain exhaustive information on everything to know about registration. More information can be obtained from your Tax Office.

Remember that if you are liable to register and you do not apply for registration at the proper time, you will be committing an offence under the Value Added Tax Act 2005 and may be liable to a penalty.

01. WHO HAS TO BE REGISTERED FOR VAT?

Any dealer conducting a business or intending to conduct a business may apply to be registered for VAT. However all persons conducting a business must register for VAT from the date they commence business if they believe their taxable turnover will exceed a threshold of Rs.40 lakhs in 12 consecutive calendar months.

All dealers must register for VAT if their taxable turnover exceeds Rs.10 lakhs for the preceding three consecutive calendar months.

Regardless of their taxable turnover the following dealers must register for VAT at the commencement of their business:

- Every dealer importing goods in the course of business from outside the territory of India;
- Every person residing outside the State but carrying on business within the State;
- Every dealer registered or liable to be registered under the Central Sales Tax Act 1956, or any dealer making purchases or sales in the course of inter-state trade or commerce or dispatches any goods to a place outside the State otherwise than by way of sale;
- Every dealer liable to pay tax at Special rates specified in Schedule VI of the AP VAT Act 2005;
- Every commission agent, broker, del credere agent, auctioneer or any other mercantile agent by whatever name called, who carries on the business of buying, selling, supplying or distributing goods on behalf of his non-resident principal;
- Every person availing an industrial incentive in the form of a tax holiday or tax deferment;
- Every dealer executing any works contract exceeding Rs 5 lakhs for the State Govt. or a local authority and any dealer executing works contracts and opting to pay tax by way of composition.

Taxable turnover is the aggregate total of sale prices of all taxable goods including goods taxable at zero rate. Sale price of goods and transactions exempted and VAT charged on taxable sales do not form part of Taxable Turnover.

(See VAT Leaflet 01: “Value Added Tax Guide”)

The term “any dealer” for the purposes of VAT registration includes:

- Sole Proprietor
- Partnership
- Private Company
- Public Company
- Government Enterprise
- Club, Society or Association
- Hindu undivided family

02. CAN I APPLY FOR VOLUNTARY REGISTRATION?

Yes. However, your activities must constitute a business for VAT purposes and you will be required to meet the conditions laid down in the AP VAT Act 2005.

03. WHEN DO I BECOME LIABLE TO REGISTER FOR VAT?

If you are in business in the categories listed in the Answer to the Question 1 of this leaflet, you must register prior to the commencement of your business. For other businesses, if you are commencing a business and expect your taxable turnover to exceed, in 12 consecutive calendar months Rs.40 lakhs you must register for VAT at the commencement of the business.

If you intend to make inter-state purchases or sales or intend to dispatch goods outside the State other than by way of sale, then you must apply for VAT registration before applying for CST registration.

Other dealers have to consider their taxable turnover for the preceding 3 months and preceding 12 months. If during the past 3 months their taxable turnover exceeded Rs.10 lakhs, or exceeded Rs. 40 lakhs in the past 12 months, they must apply for VAT registration by the 15th of the following month.

Illustration:

If your taxable sales exceeded Rs.10 lakhs during the preceding 3 months ending August 2005 say on 25.08.2005, your liability to be registered as VAT dealer arises at the end of August 2005.

The time to apply for VAT registration in this case is on or before 15.09.2005. You will be registered with effect from 01.10.2005. This is the date from which you are liable to charge and pay VAT. For the earlier period i.e., before 1.10.2005, you are liable for TOT.

04. HOW DO I CALCULATE MY TAXABLE TURNOVER?

Your taxable turnover is calculated on an ongoing basis. You should calculate at the end of each month the total value of taxable goods sold for the preceding three months. Where the total exceeds Rs.10 lakhs you are required to apply for VAT registration. You should also see whether your taxable turnover for the preceding twelve months exceeds Rs.40 lakhs. If it exceeds Rs.40 lakhs you are required to apply for VAT registration.

05. WHAT FACTORS DO I HAVE TO CONSIDER IN DECIDING WHETHER TO APPLY FOR VOLUNTARY VAT REGISTRATION?

In considering whether you should register voluntarily for VAT, you should ask yourself these questions:

a. Do I make taxable sales to other VAT dealers ?

If you are not registered for VAT you cannot issue tax invoices on which your customer VAT dealer can claim credit for the tax. Your customer will therefore have to charge a higher price for his sales if he cannot claim a credit for the VAT. In this case he might choose to trade with another VAT dealer and you would lose business.

b. Do I trade, principally with non-VAT dealers/consumers ?

In this case it is likely to be in your interest not to register for VAT.

c. What are the obligations of VAT registration ?

Once registered, you will have to account for output tax that is attributable to your taxable sales. You will also have to submit VAT returns monthly to the Commercial Taxes Department and keep proper books of accounts.

If you decide to register voluntarily, the Law requires that you must remain registered for VAT for a period of 24 months regardless of your taxable turnover.

d. Is my input tax credit likely to exceed the tax on the sales I make?

In this case you will benefit from VAT registration.

06. IF I WANT TO REGISTER VOLUNTARILY, CAN THE COMMERCIAL TAXES DEPARTMENT REFUSE TO REGISTER ME?

Voluntary registration can be refused for one or more of the following reasons when an applicant:

- Has no taxable sales;
- Has no fixed place of business;
- Does not keep proper accounting records;
- Has not provided details of a bank account with any bank;
- Has arrears outstanding under APGST Act 1957 or CST Act 1956 or AP VAT Act 2005;

- Is not able to establish his identity.

Where the Commercial Taxes Department refuses an application for voluntary registration, the applicant has the right to raise an objection and to pursue the issue to a formal appeal.

07. WHEN I REGISTER FOR VAT CAN I CLAIM A CREDIT FOR VAT I HAVE PAID ON MY GOODS IN STOCK AT THE TIME OF REGISTRATION ?

Yes. However to obtain this credit you must comply with the following conditions:

- The goods, including capital goods must be on hand on the date of effective registration notified on your VAT Certificate of Registration.
- The goods must have been purchased within the three months preceding the date of effective registration.
- The goods must have been purchased from a VAT dealer and you must have an invoice (not a tax invoice) from a VAT dealer with his TIN on the invoice.
- You must take inventory within 7 days of the date of effective registration.

YOU CANNOT CLAIM A CREDIT FOR TOT OR CST INCURRED BEFORE VAT REGISTRATION.

08. HOW DO I REGISTER FOR VAT?

Applications for VAT registration must be made on form VAT 100 (“Application for VAT registration”), which is obtainable from your Tax Office. You must fill in this form and submit it to the Tax Office.

09. WHEN DO I START TO CHARGE VAT?

You should start keeping VAT records and charging VAT to your customers from the date notified to you by the Commercial Taxes Department. This will be the date shown as the effective date of your registration on your Certificate of Registration. You will have to account for VAT from that date.

10. WHAT RECORDS DO I NEED TO KEEP FOR VAT PURPOSE?

You must keep records of all sales and purchases of goods and a summary of VAT for each tax period covered by your VAT returns. This summary is called a “**VAT Account**”. (See *VAT leaflet 05: “VAT Accounts & Records”*).

If you are already in business, you will find that your normal business records can be adapted to give this information.

11. WHAT ABOUT MY VAT RETURNS?

Every month, you must file a VAT return on Form VAT 200. The period covered by the return is called a Tax Period and will cover a calendar month.

You have to fill in details of the sales and purchases in that period and pay the total tax you owe to the Commercial Taxes Department or claim a refund or a credit.

Your VAT return and payment relating to a tax period must reach the Tax Office by the 20th day of the following month.

There are penalties for late filing of the return and for late payment or failure to pay the tax.

12. IF I DO NOT HAVE TO REGISTER FOR VAT AND I CHOOSE NOT TO REGISTER WHAT ACTION DO I HAVE TO TAKE?

If you start a business, or have a business operating you must apply for registration as a TOT dealer at your local Tax Office, if your taxable turnover in the preceding 12 consecutive months exceeds Rs.5 lakhs or you expect it to exceed Rs.5 lakhs.

13. WHAT IS THE PROCEDURE FOR REGISTRATION AS A TOT DEALER?

If you are already a registered dealer with the Commercial Taxes Department and do not apply for VAT registration you will be issued with a notification of General Registration as a TOT dealer, provided your taxable turnover exceeds Rs.5 lakhs but not Rs.40 lakhs for the 12 months ending 31-12-2004.

If you are applying for Registration as a TOT dealer under the APVAT Act 2005 on or after 1.4.2005, you must complete a simple application in form TOT 001 and take it to your Tax Office. You will receive a notice of General Registration if your application is satisfactory.

14. WHAT ARE THE OBLIGATIONS OF A TOT DEALER ?

You must fulfill the following obligations:

- a. You must file a quarterly return and pay the tax due for each quarter ending June, September, December and March by the end of the following month.
- b. Failure to file the quarterly return and make the payments due can result in the imposition of penalties and interest charges.
- c. A person registered for turnover tax cannot claim a credit for any VAT that he is charged in the course of his business or any turnover tax charged by his suppliers.
- d. A person registered for turnover tax cannot issue a Tax invoice.

(See VAT leaflet 03 "Turnover Tax Guide").

15. WHAT SHOULD I DO TO OBTAIN FURTHER INFORMATION:

You should contact your local Tax Office.