<u>Leaflet   04-B</u>

WHAT CAN I CLAIM AS A CREDIT OF INPUT TAX IF I AM MAKING BRANCH TRANSFERS AND CONSIGNMENT SALES?

This leaflet is meant for VAT dealers who are making branch transfers and consignment sales (exempt transactions) in addition to taxable sales. If you are one of them, you should read this leaflet in addition to the leaflet 04 –A.

01. HOW DO I CALCULATE THE AMOUNT OF INPUT TAX WHICH I CAN CLAIM AS A CREDIT IF I MAKE BRANCH TRANSFERS AND CONSIGNMENT SALES AND USING COMMON INPUTS?

Where a VAT dealer is making **taxable sales** and **exempt transactions** in a tax period and inputs are common for both, the amount which can be claimed as input tax credit for the purchases of the goods at the **tax rate of 4%** shall be calculated by the formula

$$A \times \frac{B}{C}$$

Where

A is the total amount of input tax for the tax rate of 4% for the tax period, excluding the tax paid on the purchase of negative list goods on which input tax cannot be claimed ***(Refer Leaflet 04-A)***;

B is the value of taxable sales for the tax period and which shall include value of international exports and value of inter-state sales of taxable goods (B is the sum total of Boxes 13 A, 14 A, 16 A, 17 A and 19 A on your VAT return);

C is the total sale turnover, which includes value of branch transfers and consignment sales (C is the sum total of Boxes 12 A, 13 A, 14 A, 16 A, 17 A and 19 A on your VAT return).

The result of this calculation is the amount of input tax that can be claimed in Box (7B) of your VAT return. The value related to the tax claimed must be entered in Box (7A) of the VAT return and the balance of the value including the unclaimed input tax entered in box (6A) of the VAT return.

For **tax rate of 12.5%** paid on inputs, the tax amounting to 8.5% portion is given as input tax credit in total and for the remaining 4% portion the formula mentioned above shall be applied. The total of these calculations is the amount of input tax that can be claimed in Box (8B) of your VAT return. The value related to the tax claimed must be entered in Box (8A) of the VAT return and the balance of the value including the unclaimed input tax entered in Box (6A) of the VAT return.

Note: If you are dealing in Gold & Jewellery, for **tax rate of 1%** paid on inputs, the formula mentioned above for tax rate of 4% shall be adopted and the result of this calculation can be claimed in Box (9A) of your VAT return. The value related to the tax claimed must be entered in Box (9B) of the VAT return and the balance of the value including the unclaimed input tax entered in Box (6A).

02. AM I REQUIRED TO MAKE ANY DECLARATIONS OR FILE ADDITIONAL ENCLOSURES ALONG WITH THE TAX RETURN?

You are required to file an annexure to monthly return in Form VAT 200A every tax period. In addition to the monthly annexure, you are required to file an annual return in Form VAT 200B. The excess input tax credit claimed shall be paid back or the balance input tax credit eligible can be claimed in the tax return for March.

03. CAN I ADOPT A DIFFERENT METHOD TO CALCULATE INPUT TAX CREDIT?

If you are not having common inputs and are able to establish that specific inputs are meant for specific output, then you can adopt the following method to arrive at eligible input tax credit every tax period:

1. You can take credit for the full amount of input tax paid on inputs used separately for taxable goods. You need to keep with you evidence in the form of stock registers or other accounts for establishing the above.
2. For the common inputs, you can claim input tax credit by applying the formula Ax B/C for the common inputs used for taxable sale and stock transfers.
3. You are required to file an annexure to monthly return in Form VAT 200A every tax period. In addition to the monthly annexure, you are required to file an annual return in Form VAT 200B. The excess input credit claimed shall be paid back or the balance input credit eligible can be claimed in the tax return for March.

ILLUSTRATIONS :

<u>1. VAT dealer following sub rule 6 of Rule 20:</u>

(Specific inputs to specific outputs)

SSS, a VAT dealer is engaged in manufacturing of two separate products (product **x** and product **y**) wherein the dealer always makes taxable sales of product **x** and the product **y** is meant for both taxable sales and stock transfers. The dealer maintains separate records indicating specific inputs required for specific outputs. For a tax period, the method and procedure for arriving eligible input tax credit is illustrated below:

	PURCHASES (INPUT)		SALES (OUTPUT)	
RATE OF TAX	**TURNOVER**	**VAT PAID**	**TURNOVER**	**VAT PAYABLE**
4% Goods for taxable goods	2,00,000	8,000	1,50,000 (Product 'x')	6,000
4% goods common for taxable sales & exempt transactions	4,00,000	16,000	3,00,000 (Product 'x' and 'y')	12,000
12.5% goods specific to taxable sales	32,000	4,000	NIL	NIL
12.5% goods common for taxable sales and exempt transactions	40,000	5,000	NIL	NIL
Exempt transactions	NIL	NIL	1,50,000 (Product 'y')	NIL
TOTAL INPUT TAX		**33,000**	**TOTAL OUTPUT TAX**	**18,000**