



LEVY OF VAT, RATE OF TAXES & EXEMPTIONS

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OBJECTIVES

- Brief about Levy of Tax Provisions
- Method of Calculating Tax payable
- Turnover Determination
- Details of Schedules
- Rate of Taxes
- Understanding Exemptions

LEVY OF VAT

- Charging Section Chapter III, Section 4 of VAT Act
- The components of levy of taxation has been mentioned clearly by the Hon'ble Supreme Court in the case of Govind Saran Gangasaran 60 STC 1(SC) 1985

LEVY OF VAT

1. Taxable event - Point of sale or purchase
2. Taxable person-
 - a)Regular,
 - b)Casual,
 - c)Liable to be Registered
3. Rate of tax
4. Taxable Turnover

DEFINITIONS

- Section 2(34) - 'Tax' means a tax on the sale or purchase of goods payable under the Act and includes:

Works contracts, Hire Purchase, Lease Transactions, Hoteliers etc.,

- Section 2(38) - Taxable turnover means the aggregate of sale prices of all taxable goods

DEFINITIONS

- Section 2(39) - "Total turnover" means
- Aggregate of sale prices of all goods,
- Taxable & exempted,
- Sold at all places of business of the dealer in the State,
- whether directly by himself or through his agent or agents,
- including CST sales

TURNOVER TAX

- Sec.2(40): Turnover (or) TOT:
A tax on the taxable turnover of dealers registered or liable to be registered for TOT
- Sec.2(41): Turnover Tax Dealer (or) TOT Dealer:
Any dealer who is registered or liable to be registered for TOT (As per Sec.17(7))

SECTION -4 – CHARGING SECTION

- Sec. 4(1):
 - Every dealer registered or liable to be registered as a VAT dealer , shall be liable to pay tax on every sale of goods in the State at the rates specified in the Schedules.

SECTION -4

- Sec. 4(2) :

Every dealer, who has not opted for registration as a VAT dealer and who is registered or liable to be registered for Turnover Tax, shall pay tax at the rate of 1% on the taxable turnover in such manner as may be prescribed.

SECTION -4

- Sec. 4(3) : Every VAT dealer shall pay tax on every sale of goods taxable under the Act on the sale price at the rates specified in the Schedules III, IV and V, subject to the provisions of Section 13.

■ Sec.4(4) : Purchase Tax

- On un registered purchases @ purchase point5% on purchase price
 - (i) used as inputs for goods which are exempt from tax under the Act; or
 - (ii) used as inputs for goods, which are disposed of otherwise than by way of sale (or)
 - (iii) disposed of otherwise than by way of consumption

SECTION 4

- Sec.4(5) - Special rates Schedule VI -
Point offirst sale
- Sec.4(6)- Casual Traders -
As applicable in Schedule

SECTION 4

- 4(7)– a)Works contract–Incorporation,
b)Works contract– Composition,
Sub-Contracts,
c)Builders– Composition &
Non Composition

MEASURE OF TAX

- Taxable event in works contract is “transfer of property in goods involved in the execution of works contract”.
- Measure of Tax is “value of goods at the time of incorporation”.
- As works contract involves both goods and service, the determination of value of goods at the time of incorporation is difficult.

MEASURE OF TAX

- The Apex Court in 2nd Gannon and Dunkerly case (88 STC) has laid down the procedure to establish the value of goods at the time of incorporation.
- In Seven Hills Construction case (54 APSTJ), the controversy of computation of turnover on deduction vs. addition basis also ended.

CHARGE TO TAX

- Sec.4(7)(a)– For general contract, where value portion of goods in the contract has to be determined for Taxation. Tax as applicable to goods with ITC.
- Sec.4(7)(b)– For composition contract, where Tax is paid at a reduced rate on the entire consideration @5% without ITC.

CHARGE TO TAX

- Sec.4(7)(g) – Exemption from Tax on goods if sold by contractor to contractee in the course of inter-state trade.
- Sec.4(7)(h) – Exemption on amounts paid to a registered subcontractor.

CHARGE TO TAX

- Sec.13(7) – The input tax credit for a general contractor is limited to 75%.
- Sec.13(5)(a)– No input tax credit for composition contractor.
- Sec.22(3) - Tax deduction at source by Government Organization & Companies.

CHARGE TO TAX

- The contract value is inclusive of Tax.
- Sec.22(3-A)– Tax collection at source only by State Government Departments and Local Bodies when VAT is separately added over and above estimated contract value.

SECTION 4

- 4(8)- Transfer of Right to use goods (As per Schedule)
- 4(8A)- Transfer of Right to use the film by producers to Distributors & Exhibitors – May opt for composition

SECTION 4

- 4.9(a) Hotels -3 Star and above @14.5%

(b) Other than (a) 5% on Food

(c) Other than (a)&(b) – Annual Turnover greater than 1.5 Crores @14.5%

(d) Up to 1.5 Crores @5%



SECTION 4

- 4(10) – Agent commission
- 4(11) – Printing and supplying printing material Tax@ 5% on 60% receipts - Under Composition
- 4(12) -5% on 20% of Total Turnover – Option to Textile dealers Conditions –
 1. Maintenance of books of accounts
 2. Option form

SECTION 6

Tax on packing material

- 1) When Goods are packed in any packing material liable to tax
 - The rate of tax applicable is Goods rate

Conditions : Whether, the price of packing material is charged separately or not

- 2) If a Goods are exempt from Tax, the packing material shall also be exempted



VAT RATE OF TAXES SCHEDULES

Schedule	Rate of tax	Commodities
I	List of goods Exempt from tax Under Section 7	Agricultural products, Printed Books, Electrical energy, Textiles, Seeds, Milk, Salt etc.,
II	Transactions Zero-Rated and Eligible for ITC	CST sales, & Export sales
III	List of goods taxable @ 1%	Gold & Jewellery

Schedule	Rate of tax	Commodities
IV	List of goods taxable @5%	Drugs & Medicines, Readymade Garments, Hardware, Electronics, Fertilizers & Pesticides etc.,
V	Goods Taxable at Standard Rate (RNR) of 14.5%	Cosmetics, Plywood, Timber, Electrical Goods, Confectionery etc - All Goods other than those specified in Schedules I, III, IV and VI.
VI	Special rate Goods	Liquor, Petrol, Diesel, ATF & Tobacco

EXEMPTIONS

- Goods - Schedule -I - Section-7 -No ITC eligible
- Transactions
 - Section 7(A) Exemption of tax in Goods sold to SEZ & Developers of SEZ

EXEMPTIONS

- CST transactions,
- Interstate sales – Exempt turnover- ITC eligible,
- Transit sale – Exempt turnover – ITC not eligible,
- Export sales – Exempt turnover – ITC eligible

EXEMPTIONS

- 'Exempt sale' means a sale of goods on which no tax is chargeable, and consequently no credit for input tax related to that sale is allowable;
- 2(13) Exempt sale – No tax, No ITC

EXEMPTIONS

- 2(14) 'Exempted Turnover' means the aggregate of sale prices of all goods exempted under the Act and full or part of the actual value or fair market value of all transactions not taxable under the provisions of the Act, including transactions falling under Section 6A of the *(Sales Tax levy validation Act 1956;) "Central Sales Tax Act, 1956;"

DETERMINATION OF TAX PAYABLE

- Section 2(22) : 'Output tax' means the tax paid or payable by a VAT dealer (whether by himself or through his agent) on the sale of goods to another VAT dealer or any other person;
- Calculation of Tax payable as per Sec. 11 Read with Rule 19 is Output tax – Input tax

DETERMINATION OF TAX PAYABLE

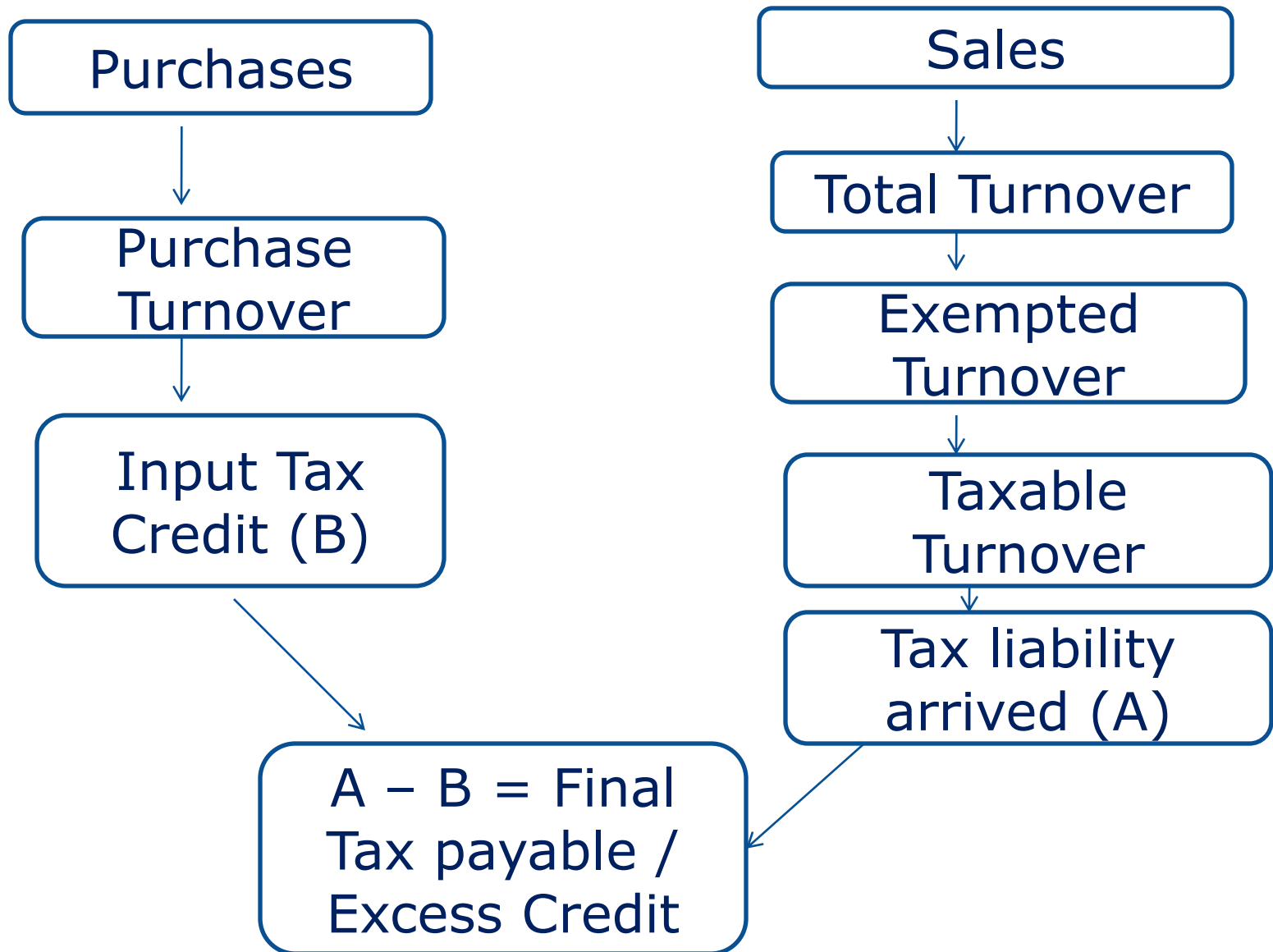
- Section 2(19): 'Input tax' means the tax paid or payable under the Act by a VAT dealer (whether directly by himself or through his agent on his behalf) to another VAT dealer on the purchase of goods in the course of business;

RULE -16

Determination of Taxable Turnover :

- Taxable Turnover does not include
 - Discounts
 - Interest on Hire Purchase
 - Cancelled Sale
 - Variations
 - Return Goods

TURNOVER DETERMINATION



Example :

Sale: A

100 T.Vs @ 10,000/- Each	= Rs.10,00,000/-
@ 14.5% VAT	= Rs. 1,45,000/-

Purchase :B

100 T.Vs @ 8,500/- Each	= Rs.8,50,000/-
@ 14.5% VAT	= Rs.1,23,250/-

A = Total VAT payable	= Rs.1,45,000/-
B = Total ITC	= Rs.1,23,250/-
A-B = Total Tax payable	= Rs. 21,750/-

FINAL WORD

- Knowing the Charging Sections and Rules
- Clarity in arriving at
 - Total Turnover,
 - Taxable Turnover
 - Exempt Turnover
- Rate of tax applicability

Q & A

- Question and Answers

**Thank
You**

