

Frequently Asked Questions

1. What is VAT ?

VAT is the short form of Value Added Tax.

VAT is the tax that has replaced the earlier levy of Sales Tax. Under the earlier first point system of levy of tax, the manufacturer or the importer of goods into the State was liable to sales tax. There was no levy of sales tax on the further distribution channel.

VAT, in simple terms, is a multi point levy on each of the entities in the supply chain with the facility of set off of Input Tax i.e., the tax paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. i.e., only the value addition in the hands of each of the entities is subject to tax.

The levy of VAT is administered by the Goa Value Added Tax Act, 2005 and the rules made thereunder.

2. What are the advantages of VAT ?

- i) Set off is available.
- ii) No separate levy of surcharge or Additional Tax.
- iii) Shares the burden to all levels of supply chain.
- iv) Taxes only the value addition.
- v) Fewer rates.
- vi) Entry Tax is vatable i.e., it can be claimed as input tax credit.
- vii) Self assessment by the dealers.

3. Who are liable for registration under VAT ?

The dealers, whose turnover during the financial year 2004-05 has exceeded the limit of turnover or dealers, who are registered or liable for the registration under Central Sales Tax Act, 1956 as on 1/4/2005 are liable to pay tax on sales effected by them from 1/4/2005.

Limit of turnover

- a) Rs.10,000/- in case of non resident dealer and casual trader.
- b) Rs.1,00,000/- in case of importer/manufacturer.
- c) Rs.5,00,000/- in any other case.

The dealer, who had not exceeded the limit of turnover during the year 2004-05, will become liable from next date on which the turnover has exceeded the turnover limit.

Every dealer exporting any goods outside India or effecting stock transfers to any State and Union Territories within India, shall be liable to pay tax on all taxable sales effected within the State.

4. What are the fees for registration ?

The dealer has to pay the registration fees as per the turnover limit. Registration Certificate is valid for three years and has to be renewed on payment of fees.

<u>Category of dealer</u>	<u>Amount of registration /renewal fees</u>
Turnover limit upto Rs.5 lakhs.	Rs.2000/-
Turnover above Rs.5 lakhs and upto Rs.40 lakhs.	Rs.5000/-
Turnover exceeding Rs.40 lakhs but Below Rs.1 crore.	Rs.8000/-
Turnover of Rs.1 crore and above.	Rs.15000/-
Voluntary registration	Rs.3000/-

5. What are the rates of tax under VAT ?

The rate of tax under VAT is as follows:-

- | | |
|-----------------------------------|----------------------------|
| a) Goods specified in Schedule A. | @ 1% |
| b) Goods specified in Schedule B. | @ 5% |
| c) Goods specified in Schedule C. | @ shown against each entry |
| d) Goods specified in Schedule D. | Nil tax |
| e) Any other goods. | @ 12.5% |

6. Who is eligible for Composition of tax ?

Any registered dealer covered under Schedule E, whose turnover in the previous year does not exceed Rs.100 lakhs, and who is liable to pay tax under section 3 is eligible to apply for composition of tax. The dealer has to apply to the Appropriate Assessing Authority in Form VAT-XIII within 30 days from the date of commencement of the financial year or from the date of commencement of validity of registration certificate, or from the date of notification issued by the Government under sub-section (4) of section 5 of the Act and a new class of dealers or class of goods are included in the Schedule 'E' to the Ac. However, the Appropriate Assessing Authority may entertain application beyond 30days but not later than 60 days on payment of additional fees of Rs.50/- per day of delay or a sum of Rs 1000 which ever is higher. The dealer liable for registration under sub-section (2) and (3) of section 3 may apply at any time during the year, by making a self declaration that his turnover during the year will not exceed the specified limits.

Following dealers are not eligible for composition of tax:

- a) When he makes interstate sales.

- b) When he brings any goods in the State of Goa.
- c) When he makes consignment sales or stock transfer out of Goa.
- d) When he makes sales in the course of import of goods or export of goods out of Territory of India.
- e) When he brings or receives goods from other States.
- f) When he manufactures any goods for sale except when they are sold in hotel including bar and restaurant.
- g) When he is a non-resident dealer.
- h) When he exceeds exceeds the limit of turnover, specified in column 3 of Schedule .E. to the Act at any time during the year.

The composition certificate issued is valid for one year and can be renewed every year upon application to be made within 60 days of the commencement of the year alongwith declaration as regards to his turnover during the immediate preceding year to the Assessing Authority and within one hundred and fifty days to the Commissioner of Commercial Taxes upon payment of prescribed late fees.

7. What is Input Tax ?

Input Tax has been defined in section 2(r) of the Goa Value Added Tax Act, 2005 as " Input Tax means tax charged under this Act by a registered dealer to another registered dealer on purchases of goods in the course of business."

8. What is Input Tax Credit ?

Input Tax credit is the credit for tax paid on inputs. Every dealer is liable for output tax on the taxable sales effected by him. The basic principle of VAT is that every dealer pays tax only on the value addition in his hands. Input tax credit is the mechanism by which the dealer is enabled to setoff against the output tax, the input tax.

Dealers are not eligible for input tax credit in the following cases:

- i) Imports.
- ii) Interstate purchases or purchases made outside Goa.
- iii) Purchases of goods for manufacture of tax-free goods.
- iv) Purchases from un-registered dealers and purchases not supported by Tax invoice.
- v) Purchases of goods for packing tax-free goods.
- vi) Purchases of goods specified in Schedule "G".
- vii) Purchase of goods which are not sold because of theft or destruction.
- viii) Taxable goods purchased from another registered dealer for resale but given away by way of free samples or gifts.
- ix) Capital goods, industrial inputs and packing material covered under Schedule B utilized for the purpose other than covered in the prescribed declaration.
- x) Goods purchased by a dealer, who has opted for

composition of tax.

- xi) Capital goods purchased or paid before 1/4/2005.
- xii) Capital expenditure incurred prior to the date of registration.
- xiii) Capital goods not connected with the business of the dealer.
- xiv) Capital goods used in the manufacture of tax-free goods.
- xv) Capital goods used in generation of energy/power including captive power.
- xvi) Motor cars, its accessories and spare parts.
- xvii) Unsold goods at the time of closure of business.
- xviii) When tax is not separately shown in tax invoice.

9. What is Output Tax ?

Output tax is nothing but the tax payable on sales.

10. How is Input tax credit to be claimed?

The input tax credit in relation any tax period means setting off the amount of input tax paid or payable by a registered dealer against his output tax liability

The operation of the input tax mechanism is very simple. The dealer will be entitled to take credit of input tax in a tax period as specified on the entire eligible purchases. The dealer would charge VAT at the prescribed rate of tax as is being done in the present system of levy of Sales Tax .The dealer can adjust the Input tax eligible on the entire purchase in the tax period against the output tax payable irrespective of the fact whether the entire goods purchased are sold in that tax period or not.

For example, if a dealer purchases inputs worth Rs 1,00,000 and makes sales worth Rs. 2,00,000 in a month, and input tax rate and output tax rate are 4% and 12.5% respectively, then input tax credit / set-off and calculation of GVAT will be as shown below:

(a)	Inputs purchased within the month	: Rs 1,00,000
(b)	Output sold in the month	: Rs 2,00,000
(c)	Input tax paid	: Rs 4,000
(d)	Output tax payable	: Rs 25,000
(e)	GVAT payable during the month after set-off/Input tax credit	: Rs 21,000
	[(d)-(c)]	

11. How does Input tax credit work within the overall GVAT scheme?

In order to understand as to how the input tax credit works, let us take the example of Dealer B, a retailer who locally buys goods worth Rs 114,400 from Dealer A his margin is 20% and the tax rate is 4%. He sells only locally in Goa.

DEALER B	Margin 20%	Tax rate 4%
Month / Quarter	Purchases	Sales
Local Purchase	114,400	
Local Sale (GVAT Inclusive)	(GVAT Inclusive)	137,280
Tax Component of Dealer's Sale Price		
Tax inclusive Sale Price		137,280
Tax Component	[Use Tax Fraction = $r/(1 + r)$],	
5,280		
where r is the tax rate		
Base Price		132,000
1. Output tax for the Month' Quarter		
Total Sales in the Month / Quarter	(Use Base Price)	
132,000		
Output Tax Rate		4%
Output Tax		5,280
2. Input Tax Credit for the Month / Quarter		
Local Purchases in [tie Month/Quarter	114,400	
Tax Component of Local Purchase (Use tan fraction)		4,400
Input Tax Credits		4,400
3. GVAT Payable With the Return		
Output Tax		5,280
Input Tax Credit		4,400
GVAT Payable		880
4. Total Tax Collected by the Department {Presume that Dealer A&B form a chain)		
GVAT Collected {From A}		4,400
GVAT Collected (From B)		880
Total		5,280
5. Total Tax Paid by the Customer		
Tax Component of the Sale Price		5,280

12. Is there any requirement of a "one to one" correlation between input tax and output tax?

There is no need for a "one to one" correlation between input tax credit and output tax

13. Will input tax credit be available on all purchases for the business?

Input tax credit is allowed in respect of the GVAT paid on purchases that are for use in making taxable or non-taxed sales (eg. exports from Goa to other States or outside India)

However, input tax credit is not available even on local purchases of certain goods specified in subsection (2) of Section 9 of the GVAT Act for example automobiles, meals and entertainment items. Credits are also not allowed for purchase of goods to be incorporated into the structure of building owned or occupied by the person

14. Will input tax credit be available for the entire tax paid on eligible purchases?

Input Tax credit will be available on the entire GVAT paid on eligible purchases.

15. Will input tax credit be available on inter State purchases?

Input tax credit will not be available on inter State purchases. It is only available on local purchases of goods on which GVAT has been paid.

16. Is any proof required to claim input tax credit?

Yes, input tax credit can be claimed only on purchases from dealers registered under GVAT. The original 'tax invoice' is the proof required to claim input tax credit. The contents of "tax Invoice" is specified in Schedule 'F' The tax invoice must be preserved carefully to be produced in audit proceedings, if any tax invoice is not held by the dealer then a claim cannot be made for the input tax credit.

17. Are all dealers eligible to claim input tax credit?

All dealers registered under GVAT can claim input tax credit on the eligible purchases. However, those opting for the composition scheme (ie dealers whose turnover does not exceed Rs 100 lakhs and who choose to pay composition tax: on their turnover) are not eligible to claim input Tax credit.

18. Will the input tax credit set off be available for works contractors, transferors of right to use etc?

Yes, the input tax credit set off will be available to works contractors, transferors of right to use etc.

19. Is Input tax credit available as set off on Inter-State sale of goods?

Yes, the input tax credit available shall first be adjusted against the output tax payable on the sale of goods. If excess credit is available the dealer should adjust the credit against the CST payable and balance input Tax credit available can be carried forward to the next tax period.

20. Will input tax credit be available on capital goods?

Input tax credit on capital goods will be available in two equal annual installments after the close of the respective year as under:
(i) in case of existing units, upon installation of such capital goods, and
(ii) in case of new units, upon commencement of commercial production

21. What amount will be available as input tax credit in case machinery is used for manufacture of taxable goods and also manufacture of exempted goods?

The input tax credit will be available on a proportionate basis.

23. How is input tax calculated where goods purchased are used In part for an activity eligible for the tax credit and In part for an ineligible activity (eg personal use)?

Where goods purchased are used in part for an activity eligible for the tax credit, and in part for an ineligible activity, the dealer must allocate the input tax to two parts and claim the credit for the eligible part only. An adjustment is also required where there is a change in use of the inputs subsequent to claiming of the input tax credit

24. What is the eligibility of Input Tax credit on Capital Goods ?

Input tax credit on capital goods will be allowed in two equal Installments after the close of the respective year
a) in case of existing units, upon installation of capital goods;
b) in case of new units, upon commencement of production.

25. Is Input tax credit allowed on stock transfer ?

The Government by notification No. 4/5/2005-Fin(R&C)(60) dated 09-02-2009 has allowed input tax credit input tax credit in excess of the rate of tax specified in sub-section (1) of Section 8 of the Central Sales Tax Act ,1956 (Central Act 74 of 1956) on goods other than capital goods and such other goods as specified in Schedule 'G' appended to the said Act, or in sub-section (2) of Section 9 of the said Act, purchased within the State, and used in the manufacturing or processing of finished products and which are dispatched outside the State other than by way of sales, subject to the following conditions namely:-

- (1) The dealer shall be registered under the said Act.
- (2) The dispatches shall be supported by the declaration in 'Form F' as prescribed in the Central Sales Tax (Registration and Turnover) Rules, 1957, framed under the Central Sales Tax Act, 1956 (Central Act 74 of 1956).
- (3) The purchases shall be supported with Tax Invoices.

26. Export sale is said to be zero rated. What does it mean ?

In VAT, a zero rated sale is one which is not liable to tax but is eligible for refund of input tax credit. The export of goods out of India is exempt and the exporter can claim refund on the input tax credit. Claim for refund of such input tax should be made in Form VAT-XXVI to be submitted alongwith the quarterly return.

27. When returns are to be filed ?

A registered dealer is required to file a quarterly return in Form VAT – III to the Appropriate Assessing Authority within 30 days after the end of quarter. It should be accompanied by chalan in proof of payment of tax in respect of each month of the quarter. After filing the returns, if the dealer discovers any omission or incorrect statement, he should file a revised return for that period before the expiry of one year following the last date prescribed for furnishing original return or before issue of assessment notice whichever is earlier.

The dealers, who have opted for composition of tax, should file a return in Form VAT – IV within 30 days of the end of every quarter.

28. What is the time limit to pay the tax ?

Vat dealers are required to pay the tax in the appropriate Government Treasury under chalan in Form VAT – V as follows:

- | | | |
|----|--|---|
| 1. | If monthly tax liability exceeds one lakh other than who had opted for composition of tax. | Within 20 days from the end of each month |
| 2. | If monthly tax liability is upto rupees one lakh, other than who had opted for composition of tax. | Within 30 days from the end of each month |
| 3. | Who opted for composition of tax. | Within 30 days from the end of quarter. |

29. Who should deduct TDS and at what rate ?

The following persons are required to deduct tax at the rate of 5% from the amount payable involving transfer of property in goods (whether as goods or in some other form) in the execution of such Works Contract to a dealer to whom a works Contract has been Awarded. The tax is to be deducted when the payment is made to the contractor or his account is credited towards such payment.

1. The Central Government, or the State Government, or an industrial, or a commercial or trading undertaking of the Central Government or of the State Government.

2. Any Company registered under the Companies Act, 1956.
3. Any local authority.
4. Any dealer registered under this Act.
5. Such other persons as may be notified.

Deduction of tax at source is not required, when the amount payable under Works Contract is less than one lakh rupees during the year or when the cost of material used in execution of works contract is less than 10% of contract value.

30. Which acts of the dealer amounts to offence under the Act ?

The following acts of the dealer amounts to offence under the Act :

- a) If he fails to apply for registration.
- b) If he fails to notify the registering authority of change in circumstances.
- c) If he fails to provide a tax invoice.
- d) If he fails to provide debit or credit note as required.
- e) If he fails to file a return.
- f) If he fails to pay the tax.
- g) If he fails to maintain true and complete account and other records.
- h) Knowingly uses a false TIN.
- i) Knowingly makes a false or misleading statement.
- j) Obstructing taxation Officers in the performance of their duties.

The punishment for the above offences involves a fine not exceeding twenty five thousand rupees/ten thousand rupees or to imprisonment for a term not exceeding six months/three months/one month or both, upon conviction. All the above offences are cognizable and bailable.

31. What penalties are provided under the Act ?

The following penalties for the contravention of the provisions of the Act are provided under the Act :

- | | |
|------------------------------------|--|
| a) For failure to register. | A penalty not exceeding double the amount of tax payable from the time the person becomes a taxable person until he files an application for registration. |
| b) For failure to file the return. | A penalty of Rs.500/- plus an amount of simple interest @15% per annum or such higher/lower rate as |

	Government may notify on the tax payable for the return period.
c) For failure to pay the tax when due.	A penalty at the rate of 15% per annum or such higher/ lower rates as Government may notify.
d) For unauthorized collection of tax.	A penalty not exceeding one and half times of such tax collected.
e) For failure to maintain proper records.	A penalty not exceeding double the amount of net tax payable for the tax period.
f) For making a false or misleading statement or omits from the statement	A penalty of rupees one thousand or equal to double the amount of the excess tax payable, whichever is higher

32. When the accounts of the dealers are to be audited ?

Every dealer, whose turnover of sales exceed rupees one crore or the amount of Input Tax Credit exceeds rupees 10 lakhs in any year should get his accounts for such year audited by Chartered Accountant and submit to the Appropriate Assessing Authority the audited statement of accounts in Form VAT – XV within nine months after the end of the relevant year.

If any dealer fails to furnish a copy of such report within ten months, in addition to any tax payable, a penalty of rupees one hundred per day for each day of delay, subject to a maximum of rupees twenty-five thousand cumulatively.

33. Where the appeal should be filed ?

If any person is not satisfied with the order passed under the provisions of the Act, he can file an appeal before an Appellate Authority within sixty days from the date of receipt of order. Appeal against the order passed by an Appropriate Assessing Authority lies to the Assistant Commissioner and appeal against the order passed by the Assistant Commissioner lies to the Additional Commissioner.

A second appeal against the first appeal lies to the Tribunal.

The appellant should file memorandum of appeal to be drawn in duplicate in Form VAT – XVII bearing court fee stamp of Rs.400/- and accompanied by certified copy of the order appealed against.

The appellant should serve a copy of appeal memo to the authority against whose order the appeal is filed.

34. What are Capital goods ?

means plant and machinery (including spares and components) and equipment used in or in relation to manufacture or processing of goods for sale or any other goods which is notified by the Government and used in furtherance of any business excluding such civil structures as may be prescribed.

35. Who can appear before any authority in proceedings ?

The following persons are entitled to attend before any authority Including Tribunal :-

- a) a relative or a person regularly employed by him;
- b) a legal practitioner, Chartered Accountant or Cost Accountant, who is not disqualified earlier;
- c) a sales tax practitioner, who possesses the prescribed qualification and is entered in the list maintained by the Commissioner and who is not disqualified earlier;
- d) any person who was a sales tax practitioner under the Goa Sales Tax Act, 1964;
- e) a retired Officer of Sales Tax Department not below the rank of Sales Tax Inspector will be eligible to enroll as Sales Tax Practitioner after one year from the date of retirement

Sales Tax Practitioner should submit an application for enrolment in form VAT XXI, along with a receipted chalan of Rs.500/-.

Letter of authority in Form VAT XXXII for representation before any authority shall bear court fee stamp of Rs.20/-.

36. Can the sale bill or cash memo be issued showing the sales as inclusive of tax ?

When sales are made to the consumer for which sale bill or cash memo has to be issued, tax amount may be shown separately in the bill or cash memo or the sale can also be shown as inclusive of tax.

When the sales are made inclusive of tax, tax amount should be worked out on the following formula :

$$\text{Tax amount} = \frac{R \times A}{100 + R}$$

Where R = rate of tax

A = Aggregate of sales price.

37. Is sale bill or cash memo required to be issued for every sale ?

Sale bill or cash memo is required to be issued for every sale

involving an amount of Rs.250/- or more. However the dealer may refrain from issuing bill, unless demanded by the customer, when the sale price is below Rs.250/- but has to prepare a consolidated bill at the close of the day of such sales.