INDIRECT TAX

1. Mr. X of Mysore having his place of business at saraswathipuram, Mysore, states that he is engaged in buying the goods from Orissa and selling all such goods to his customer in Kerala. you are required to advice him whether he is required to obtain registration under the kvat Act.

   Answer: In this situation the dealer , though not liable for payment of tax under kvat act is required to obtain registration under KVAT act for the reason that he is dealing in goods by selling the same and he has a place of business with in the state.Sec.22(8).

2. A company having its registered office in Bangalore and engaged in providing network solutions services to its clients within the state and also outside the state, seeks your advice on requirement of registration under kvat act 2003. Advice the client with supportive reasons for the decisions.

   Answer: The company is engaged in providing network solutions which can be considered as the prima facie evidence that the company does not deal with goods. Hence, there is no obligation for the dealer for obtaining registration under KVAT act.

3. A Tourist office has obtained 15 number of taxies on hire from different owners on a monthly rental of Rs 9,000 per taxi. the total collection made by the tourist office from tourist and other passengers amounted to Rs 3,40,000. You are required to comment on the taxability of the above transactions and the consequential requirement of registration.

   Answer: In this case, there are 2 situations. One is taxi owner to the tour operator and other is tour operator to the passenger. In second situation the tax is not levied because there is no transfer of right to use , but there is only service given. But in the first situation the tax is levied , because there is right to use taxi from taxi owner to the tour operator. Tour operator must pay the tax on Rs. 1,35,000 i.e., taxable turnover. Therefore from the point of view of registration, the registration is compulsory for tour operator.

4. A registered dealer having his place of business in Karnataka furnishes the following transaction in respect of a particular tax period.

   a) Sale of news papers Rs. 40,000.
   b) Sale of taxable goods at 5.5% Rs. 65,000 excluding tax.
   c) Sale of taxable goods at 14.50 % Rs.76,000 excluding tax.
   d) Sale of exempted goods Rs 26,000.
   e) Sale against ‘C’ form Rs 1,00,000 excluding tax.
   f) Sale in the course of inter-State trade without ‘C’ form Rs 50,000 taxable at 5.5% excluding-tax.
   g) Collection of rentals on hiring of equipment Rs.21,000.

   you are required to compute the total turnover, deductions and taxable turnover making necessary assumptions.

Answer: Computation of total turnover and taxable turnover

Particulars	Net value	Tax amount	Gross value
Sale of goods against C form	1,00,000	2,000	1,02,000
Interstate sale without c form	50,000	2,750	52,750
Turnover – Inter-State Trade (A)			**1,54,750**
Sale of newspaper(not a goods)	-	-	-
Sale of taxable goods	65,000	3,575	68,575
Sale of taxable goods	76,000	11,020	87,020
Sale of exempted goods	26,000	-	26,000
Collection of rents from hiring of Equipments	21,000	3,045	24,045
Turnover in the state (B)			**2,05,640**
Total turnover (A + B)			**7,20,780**
Less: Deduction			
Sales – inter-State		1,54,750	
Exempt Sales		26,000	
Taxes Collected		17,640	
Total Deductions			**1,98,390**
Taxable turnover			**1,62,000**

Classification of turnover and taxes

Particulars	Rate of Tax	Taxable Turnover	Amt. of Tax
Taxable at 14.5%	14.5%	97000	14,065
Taxable at 5.5%	5.5%	65000	3,575
TOTAL		1,62,000	17,640

5. A dealer has sold certain commodity for Rs 245 which is inclusive of tax at 5.5%. you are required to calculate the net value and the vat (tax)

Answer: Net Value 232.23 (245 / 105.50 x 100)
Vat 12.77 (245 / 105.50 x 5.5)
245.00

6. A dealer states that he has sold certain goods attracting vat at 14.5%. The invoice is totally defaced and only the gross amount can be seen on the invoice as Rs 17,400. You are required to make out the net value and the tax.

Answer: Net value 15,197 (17,400 / 114.50 x 100)
vat/tax 2,203 (17,400 / 114.50 x 14.50)
Total 17,400

Section 4 – Information relating to tax rates.

Schedule 1- Exempted goods
Schedule 2- 1% U/S 4(1)(a)
Schedule 3- 5.5% U/S 4(1)(a)
Schedule 4- 20% U/S 4(1)(a)
Schedule 5 –input tax restrictions.
Schedule 6- Works contract 4(1)©

7. Which are declared goods?

Answer: Declared goods are those goods which are considered to be of special importance in the course of inter-State Trade or Commerce and are contained in Section 14 of the CST Act 1956.

8. Mr. X states that he usually maintains margin of 20% on sales and during the particulars tax period the margin earned by him was Rs.16,400 . You are required to calculate the sales value, margin as a percentage of cost and the amount of cost.

Answer:	Sales value	82,000 (16400*5)
	Margin as a % of cost	25%
	Amount of cost	65,600 (16400*4) or (80% of 82,000)

9. Mr. X furnishes the following particulars of his turnover during the tax period from July to September 2014.(3 months)

a) Sale of goods taxable at 5.5% Rs 6,48,900 inclusive of tax.

b) Sale of goods taxable at 14.5% Rs 8,32,100 inclusive of tax.

you are required to calculate the output tax liability and the net tax payable assuming an input credit of Rs 24000.

Answer:
Computation of output tax liability

Particulars	Value	Vat Rate	Vat Amt.	Total
Sale at 5.5%	6,15,071	5.5%	33,829	6,48,900
Sale at 14.5%	7,26,725	14.5%	1,05,375	8,32,100
Total	13,41,796		1,39,204	14,81,000

a) $\frac{648900}{105.5}*5.5\%=33829$
b) $\frac{832100}{114.5}*14.5= 105375$

Output tax liability	1,39,204
(-) input credit	24,000
Net tax liability	1,15,204

10. If, in the above illustration the rate of tax remains the same, but, the amounts furnished are exclusive of taxes, what will be your answer.

Answer:

Computation of output tax liability

Particulars	Value exclusive of tax	Vat rate	Vat Amount	Total
Sale at 5.5%	6,48,900	5.5%	35,690	6,48,900
Sale at 14.5%	8,32,100	14.5%	1,20,655	8,32,100
Total	14,81,000		1,56,345	14,81,000

Output tax liability	1,56,345
(-) input credit	24,000
Net tax liability	1,32,345

11. A dealer has furnished the following particulars of his transactions for the tax period Mar-2014.

1. Sale of III schedule goods Rs.12,45,000 inclusive of taxes at 5.5%
2. Sale of IV schedule goods Rs.3,82,400 inclusive of taxes at 20%
3. Sale of I Schedule goods Rs.80,000
4. Sale of non-Scheduled goods Rs.5,40,400 inclusive of taxes at 14.5%
5. The input credit brought forward from previous year is Rs.8,900 and the input tax credit for the tax period is Rs.35,600.

You are required to calculate the out-put tax liability, input tax credit and the net tax payable.

Answer:

Sl.No	Schedule	Rate	Taxable Turnover	Vat Amount	Total Turnover
1	Schedule III	5.5%	11,80,095	64,905	12,45,000
2	Schedule IV	20%	3,18,667	63,733	3,82,400
3	Schedule I	Exempted	80,000	NIL	80,000
4	Non-Schedule	14.5%	47,965	68,435	1,16,400
			16,26,727	1,97,073	18,23,800

Output tax liability	1,97,073
Less: Input tax liability	44,500 (35,600 + 8,900)
Net tax payable	1,52,573

12. A dealer states that he has sold goods worth Rs 9,32,000 taxable at 14.5% exclusive of tax and he further states that he usually keeps a margin of 20% on sales. the purchases are made to the extent it is sufficient to effect the above sales and all the purchases are made from registered dealers. You are required to compute the out-put tax, input-tax and the net tax payable.

Answer:	Sales made	Rs.9,32,000
	Less: Margin at 20%	Rs.1,86,400
	Cost	Rs.7,45,600
	Out put Tax payable	Rs.1,35,140 (9,32,000 x 14.5%)
	Less: Input Tax Cr.	Rs.1,08,112 (7,45,600 x 14.5%)
	Net Tax Payable	Rs. 27,028

13. A dealer dealing in oil states that he purchases the oil in bulk through tankers @ Rs.68 per litre and sells the same with a margin of 15% on sale price. Further he charges Rs.2 per pouch of 1 litre and declares the MRP accordingly on the package. Oil is taxable @ 14.5% and pouches @ 5.5%. During a particular tax period, he purchases 8,000 litres of oil and sells 7950 litres. It is also given to your information that he sells pouches alone for Rs.2,500 exclusive of taxes. You are required to calculate the out-put tax, input-tax and net tax payable on the assumption that he purchases oil from RDs and pouches from URDs.

Make necessary assumptions. The pouches will cost him to the extent of 60% of the sales price.

Answer:

Calculation of out-put tax:
Purchase price of oil Rs.68 per litre.
Add: Margin of 15% on Sale Price.
Selling Price : Rs.68 / Rs.85 * Rs.100 = Rs.80

Add: Cost of pouches	Rs. 2
Total MRP on Pouches	Rs.82 per litre.

Sale of Oil – 7,950 Liters at Rs.82	Rs.6,51,900	Tax at 14.5%	Rs.	94,525.50
Sale of Pouches :	Rs. 2,500	Tax at 5.5%	Rs.	137.50
URD Purchase of Pouches for Sale	Rs. 1,500	Tax at 5.5%	Rs.	82.50
URD Purchase of pouches for pkg (7,950 pkts * Rs.2 * 60%)	Rs. 9,540	Tax at 5.5%	Rs.	524.70
Total Out-put tax liability			Rs.	95,270.20

Calculation of Input Tax:				
Oil – 8,000 Litres at Rs.68	Rs.5,44,000	Tax at 14.5%	Rs.	78,880.00
Input Credit on Pouches (Rs.82.50 + Rs.524.70 = 607.20)			Rs.	607.20
Total Input Credit			Rs.	79,487.20

Net Tax Payable:	
Out put tax liability	Rs.95,270.20
Less: Input Credit	Rs. 79,487.20
Net Tax Payable	Rs. 15,783.00

14. A dealer states that, he has the following transactions for the tax period Mar-2014.

i) Purchase of ready made garments 85 pieces @ Rs.1,800 + 5.5% Tax from RDs
ii) Purchase of ready made garments 35 pieces @ Rs.2,100 from URDs taxable @ 5.5%
iii) Sale of ready made garments from out of RD Purchases 62 pieces and from out of URD purchases 20 pieces.
iv) The margin in fixed at 20% on sale price.

You are required to calculate the output tax, input tax available for credit, input tax not allowable for credit during the tax period but, should be carried forward and the net tax payable.

Answer:

Purchases:-

Particulars		Value	VAT	Total
Purchases from RD	85*1,800=	1,53,000	8415	1,61,415
Purchases from URD	35*2,100=	73,500	4043	77,543

Sales:-

1) 62Pcs@2,250=	1,39,500	7,673
2) 20Pcs@2,625=	52,500	2,887
3)Tax U/s 3(2) 35*2100=	73,500	4,043
Output Tax		14,603
Input Credit		10,725
Net Tax Payable		3,878
Credit C/f		1,733

Input Credit:-

RD Purchase 85*1800=153000*5.5%	=	8,415
URD Sale 20*2100=42000*5.5%	=	2,310
Total	=	10,725

15. A dealer furnishes the following particulars of his transactions for the tax period Jan-Mar 2014.

i) Purchase of dry fruits 2,500 boxes at Rs.180 per box from RDs which are taxable at 5.5%.
ii) Purchase of dry fruits from URDs at Rs.160 per box – 1,500 boxes.
iii) Sale from out of RD Purchases 80%
iv) Sale from out of URD Purchases 75%

The margin in respect of all the sales is at Rs.40 per box. You are required to calculate the input tax available for set-off, to be carried forward if any, out put tax and net tax payable.

Answer:

Purchases from RD's	180*2,500=4,50,000	24,750	4,74,750
Purchases from URD's	160*1,500=2,40,000	13,200	2,53,200
Sale of RD's	2,000*220=4,40,000	24,200	

Sale of URD's	1,125*200=2,25,000	12,375
Tax U/s 3(2)	160*1,500=2,40,000	13,200
Output tax liability		49,775
Less: input Credit		34,650
Net Tax Payable		15,125
C/f		3,300

Input Tax Working Note:

RD Purchases	24,750
URD Purchases (1,125*160=1,80,000*5.5%)	9,900
Total Input Credit	34,650

16. Following is the transaction of a dealer for the tax period Jan-Mar 2014.

i) Sale of goods taxable at 5.5% Rs.21,36,400.
ii) Sale of goods taxable at 14.5% Rs.18,21,500.
iii) Sale of goods against C-form Rs.6,45,000 – Taxable at 14.5%.
iv) Sale of goods without Form-C Rs.2,18,000 – Taxable at 5.5%.
v) Purchase of goods from RDs taxable at 5.5% Rs.16,45,000.
vi) Purchase of goods from RDs taxable at 14.5% Rs.2,02,000.
vii) Purchase of goods against Form-C Rs.1,45,000.
viii) Purchase of goods without C-Form Rs.2,30,000 – LST in selling state 12.5%.

All the above amounts are exclusive of taxes. You are required to calculate out-put tax, input tax and net tax payable.

Answer:

Purchases	**Value**	**VAT**	**Total**
From RD's 5.5%	16,45,000	90,475	17,35,475
From RD's 14.5%	2,02,000	29,290	2,31,290
Against C Form 2%	1,45,000	2,900	1,47,900
Without C Form 12.5%	2,30,000	28,750	2,58,750
TOTAL	22,22,000	1,51,415	23,73,415

Sales	**Value**	**VAT**	**Total**
Taxable @ 5.5%	21,36,400	1,17,502	22,53,902
Taxable @ 14.5%	18,21,500	2,64,117	20,85,610
Against C Form 2%	6,45,000	12,900	6,57,900
Without C Form 5.5%	2,18,000	11,990	2,29,990
TOTAL	48,20,900	4,06,509	52,27,402

Output Tax	4,06,509
Less: Input Credit	1,19,765
Net Tax Payable	2,86,744

In the above problem the dealer has purchased goods from outside the state against C form as well as without the cover of C form. Whenever goods are purchased from outside the state, taxes paid on such purchases will not be available for input rebating for the reason that such revenue is not paid to the Government of Karnataka.

17. Mr. X, a civil contractor undertakes to construct a class room for a total consideration of Rs.20,00,000. The agreement is signed on 10-01-2014 by accepting an advance of Rs.1,00,000. He incorporates materials to the extent of Rs.1,00,000 (Cost to contractor) on 10-01-2014. The composition of materials and labour according to the experience of the contractor is 65% and 35% respectively and the margin estimated is 20% on sales. The applicable rate of tax is 14.5%. You are required to determine the turnover subject to tax and the time of sale.

Answer:
Before deciding on time of sale, consider the following situation, assuming the contractor has finished the entire contract and the resulting tax liability. Only output tax liability is calculated, ignoring input credits.

Particulars		**Gross Receipts Rs.20,00,000**	
Composition	65% Materials		35% Labour
Value of Sale	Rs.13,00,000		Rs.7,00,000
Less: Margin 20% on Sale	Rs.2,60,000		Rs.1,40,000
Cost of Material / Labour (including tax)	Rs.10,40,000 Including Tax		Rs.5,60,000 Including Tax, but there is no tax on labour
Tax Content	10,40,000 / 114.50 x 14.50		NIL
Tax Amount	Rs.1,31,703		NIL
Cost of Material / Labour (excluding tax)	Rs.9,08,297 (10,40,000 – 1,31,703)		

From the above table, it may be noted that, on completion of the entire contract, the contractor is liable for payment of Rs.1,31,703. Also, it may be noted that, the contractor will be liable for payment Rs.1,31,703 on incorporation of materials costing Rs.9,08,297 or on receipt of amount of Rs.20 Lakhs. Keeping this relation of cost of materials and gross receipts, the tax liability can be worked out proportionately, as follows:

1. On the date of agreement, no liability arises.
2. On the date of receipt of advance, no liability arises, unless, materials are incorporated.
3. On the date of incorporation of materials 10-01-2014, the liability arises. The bill is to be raised within 14 days from that date. However, if there is receipt of payment, such date will be the time of sale, to the extent money is received. In the present case, though the materials are incorporated in 10-01-2014, there is a receipt of payment of Rs.1,00,000 on 01-01-2014.

4. The liability on receipt of Rs.1,00,000 and the liability on incorporation of materials costing Rs.1,00,000 is to be calculated, which works out as follows.
5. On Receipt of Rs.1,00,000 :
   On Receipt of Rs.20 lakhs, liability will be Rs.1,31,703
   Proportionately for Rs.1.00 Lakhs, it is Rs.6,585.15
6. On incorporation of Material of Rs.1.00 Lakhs:
   On incorporation of Materials costing Rs.9,08,297, liability Rs.1,31,703.
   Proportionately for 1.00 Lakhs cost of materials
   1,31,703 / 9,08,297 x 1,00,000 = Rs.14,500.

On the date of incorporation of materials, to the extent of receipt of money of Rs.1,00,000, tax liability will be Rs.6,585.15. The balance i.e., Rs.14,500 – 6,585.15 = Rs.7,914.85, the bill is to be raised within 14 days from the date of incorporation of materials i.e., 24.01-2014. Hence, the balance liability arises on such date.

18. A contractor undertakes to construct a building for a total consideration or an all inclusive consideration of Rs.10,00,000 on 01-01-2014. He receives an advance of Rs.1,50,000 on 10-01-2014. He commences the execution of contract and incorporates materials worth Rs.65,000 on 16-01-2014. There are no other activities during the month of Jan-2014. The constructor estimates his G.P. at 20% and the composition of materials and labor is estimated at 70% and 30% respectively. You are required to calculate the VAT payable if any, assuming that the value of Rs.65,000 worth of materials is the cost of materials to the contractor. The tax rate applicable is 14.5%,

Answer:

Sales Value	6,11,354
Less: margin	1,22,271
Cost of Material	4,89,083
	7,00,000
	6,11,354
Vat	88,646

88,646*65,000/4,89,083=11,781

OR

Cost	65,000
(+) Margin	16,250
	81,250

81,250*14.5%=11,781

19. A contractor furnishes the following of his contract transactions for the period Mar-2014.
   i) Contract for aggregate consideration of Rs.20,00,000.
   ii) Composition of materials and labor 65:35 respectively.
   iii) Vat rate 14.5%.
   iv) Advance received Rs.5,00,000 on 12-03-2014.

v) Incorporation of materials Rs.2,80,000 on 15-03-2014.
vi) Further advance paid Rs.1,40,000 on 16-03-2014.
vii) Invoice raised Rs.1,80,000 on 17-03-2014.

You are required to calculate out-put tax, assuming a margin of 25% on sale.

Answer: A similar table as done in the above problem will help solving the problem.

Particulars		**Gross Receipts Rs.20,00,000**	
Composition	65% Materials		35% Labour
Value of Sale	Rs.13,00,000		Rs.7,00,000
Less: Margin 25% on Sale	Rs.3,25,000		Rs.1,75,000
Cost of Material / Labour (including tax)	Rs.9,75,000 Including Tax		Rs.5,25,000 Including Tax, but there is no tax on labour
Tax Content	9,75,000 / 114.50 x 14.50		NIL
Tax Amount	Rs.1,23,472		NIL
Cost of Material / Labour (excluding tax)	Rs.8,51,528 (9,75,000 – 1,23,472)		

From the above table, it may be noted that, on completion of the entire contract, the contractor is liable for payment of Rs.1,23,472. Also, it may be noted that, the contractor will be liable for payment Rs.1,23,472 on incorporation of materials costing Rs.8,51,528 or on receipt of amount of Rs.20 Lakhs. Keeping this relation of cost of materials and gross receipts, the tax liability can be worked out proportionately, as follows:

Particulars	Advance Rece	Execution	Invoice Raised	Equivalent Gross Receipt	Tax or Difference Tax
Advance Recd 12-03-2014	5,00,000			5,00,000	1,23,472 / 20,00,000 x 5,00,000 = 30,868 (Time of sale 15-03-2014)
Incorporation of Materials 15-03-2014		2,80,000		20,00,000 / 8,51,528 x 2,80,000	On Account of This, Rs.5 Lakh

				= 6,57,641	already taxed. Balance to be taxed Rs.1,57,641. Tax on receipt of Rs.1,57,641 is Rs. 1,23,472 / 20,00,000 x 1,57,641 = 9,732 (Time of sale : 15-03-14 + 14 days i.e., 29-03-2014)
Further Advance 16-03-2014	1,40,000			1,40,000	Total GR already Taxed Rs.5,00,000 + 1,57,641 = 6,57,641 is more than advance received so far Rs.5,00,000 + Now Rs.1,40,000. Hence, no more tax liability. Out of above Rs.9,732, tax in respect of GR of Rs.1,50,000 becomes due on 16-03-14 i.e., date of receipt of further

					advance) Hence, (1,23,472 / 20,00,000 x 1,50,000 =) Rs.9,260, the time of sale is 16-03-2014. For the balance i.e., Rs.472 (9,732 – 9,260), the time of sale will be 29-03-2014.
Invoice Raised 17-03-2014			1,80,000	1,80,000	No further liability, as the invoice is raised for works already executed or advance received.

Summary of time of sale:

On receipt of Advance Rs.5,00,000 = Tax Rs.30,868 Time of sale 15-03-2014.

On Material Incorporation Rs.2.80 Lakh Tax Rs.9,732 Time of Sale 29-03-2014

On Further Advance Receipt Rs.1.50,000 Tax Rs. 9,260 (out of 9,732) Time of Sale 16-03-2014. For the balance Rs.472, the time of sale remains 16-03-2014.

20. A dealer who has commenced his business on 01-10-2013 furnishes the following particulars of his transactions.

i) Purchases made for the period from 01-10-2013 to 31-12-2013 Rs.2,45,000 taxable at 5.5% excluding tax.
ii) Purchase made from 01-01-2014 to 31-03-2014 Rs.6,30,000 taxable at 5.5%, excluding tax.
iii) Sales made for the period from 01-10-2013 to 31-12-2013, entire purchases during the relevant period for a margin of 20% on sales.
iv) Sales made for the period from 01-01-2014 to 31-03-2014, 75% of the purchases made during the relevant period, for a margin of 25% on sales.
v) Purchases during Apr-2014 Rs.6,30,000 taxable at 5.5%, excluding tax.
vi) Sales during Apr-2014 Rs.2,30,000 excluding tax, taxable at 5.5%.

He makes an application for registration on 01-04-2014. From the given data, you are required to calculate the total liability for the tax period Apr-2014.

Answer:
Calculation of output tax liability:-

Particulars	**Taxable Turnover**	**Tax Rate**	**Tax Amount**
(a) For the period from 01.10.2013 to 31.12.2013	3,06,250	5.5%	16,844
(b) For the period from 01.01.2014 to 31.03.2014	5,90,625	5.5%	32,484
(c) For the period from 01.01.2014 to 30.04.2014	2,30,000	5.5%	12,650
Total	11,26,870		61,978

Calculation of input credit:-

Particulars	**Taxable Turnover**	**Tax Rate**	**Tax Amount**
(a) For the period from 01.10.2013 to 31.12.2013	No Input credit available	-	-

(b) For the period from 01.01.2014 to 31.03.2014	on 75% of the stock purchases and sold, there is no input credit on 25% and the stock purchased and the held in inventory as on the date of registration on qualifies for input credits. The input credit alignments will be postponed the period of post registration. Rs. 6,30,000*25%=1,57,500*5.5%=8,663	-	-
(c) For the period from 01.01.2014 to 30.04.2014	Total Purchases; 6,30,000*5.5%=34,650	-	-

Output Tax liability	61,978
Less: Input Credit	43,313
Net Tax Payable	18,665

21. A dealer who started his business on the eve of diwali i.e., 23-10-2013 states that he makes a daily purchases of Rs.9,800 and daily sales of the entire purchase at Rs.10,800. He approaches the department for registration on 10-03-2014. He further states that, due to certain un-expected interruptions during the last 15 days prior to registration, though he could purchase the goods, he could not effect any sales. You are required to calculate the tax liability on the date of registration and the credit of input tax, if any that stands brought forward as on the date of application for registration. All the amounts furnished are exclusive of taxes and the applicable rate of tax is 14.5%.

Answer:
Out-put tax liability:
No. of days from 23-10-2013 to 09-03-2014 = 138 days
Sales per day Rs.10,800 x (138-15) x 14.5% = 1,92,618
Input Tax Credit:
Input-credit upto 3 months prior to registration will be available for credit, if these goods are in stock. The purchases before 3 months is not available for credit, whether the goods are in stock or not. In the present case, he is holding stock of 15 days, as he could not sell the goods.
Amt. of Input Credit = 15 x 9,800 x 14.5% = 21,315.

Net Tax Payable :

Out-put tax liability	= Rs.1,92,618	
Less: Input Credit	= NIL	(Credit available for Post Registration Period only)
Net Tax Payable	= Rs.1,92,618	
Credit Available for Post Regn Period	= Rs.21,315.	

22. A person who proposes to obtasin registration under KVAT furnishes the following particulars.

He is an ordinary dealer engaged in buying and selling goods. The estimated purchases and sales are respectively Rs.25 Lakhs and Rs.30 Lakhs. The rate of tax applicable u/s.4 is @ 5.5%. You are required to suggest the applicant as to mode of tax payment to be opted for i.e., VAT or COT.

Answer:

In the given problem, it is stated that the estimated purchases of the dealer is Rs.25 Lakhs and the estimated sales is Rs.30 Lakhs. The provisions of composition tax for dealers covered under Section 15(1)(a) is applicable only if the total turnover of the dealer does not exceed Rs.25 Lakhs. Hence, in the given case, the dealer can not exercise any option of gitting the registration as VAT dealer or COT dealer, but has to obtain registration compulsorily under VAT only.

23. A dealer engaged in extraction of oil from oil cake furnished the following particulars for the tax period Mar-2014.

i) Purchase of oil seed Rs.10,50,000, tax rate 5.5%.
ii) Purchase of oil cake Rs.7,40,000, tax rate 5.5%.
iii) Sale of oil Rs.15,80,000, tax rate 5.5%.
iv) Sale of De-oiled cake Rs.4,50,000, exempted goods.

Assume that, there was no opening and closing stock or raw-materials and finished goods and all the amounts above are exclusive of taxes. You are required to calculate the out-put tax liability, by applying the provisions of Partial Rebate, as provided u/s.17 of the Act.

Answer:

Calculation of Out-put Tax Liability:

Particulars	Taxable Turnover	Tax Rate	Tax Amount
Sale of Oil	15,80,000	5.5%	86.900
Sale of De-oiled Cake	4,50,000	NIL	NIL
Total			86.900

Calculation of Total Input Credit:

Particulars	Taxable Purchase	Tax Rate	Tax Amount
Purchase of Oil Seeds	10,50,000	5.5%	57,750
Purchase of Oil Cake	7,40,000	5.5%	40,700
Total			98,450

Calculation of Partial Rebate Amount:

Out of the total input credit available of Rs.98,450, the allowable and dis-allowable portion of input credit will be arraived in the ratio of Taxable Sale and Exempt Sale.

Particulars	Taxable Turnover and Allowable Input Credit	Non-taxable Turnover and dis-allowabel input Credit
Sale	15,80,000	4,50,000
Ratio	158	45
Input Credit	98,450 / 203 x 158	98,450 / 203 x 45
Allowable / Disallowable Amt.	76,626.11	21,823.89

The allowable portion of Credit is to be deducted as input rebating. The non-allowable portion of input credit is to be ignored, as it is not available at any point of time.

Net Tax payable:

Particulars	Amt.(Rs.)	Amt.(Rs.)
Out-put Tax Liability		86,900
Total Input Credit	98,450	
Less: Dis-allowable	21,824	
Allowable/ Partial Input Credit		76,626
Net Tax Payable		**10,274**

24. The dealers A and B have approached you, seeking your advice on the Maximum Security deposit that is permitted to be collected under sub-section 3-BB of section 7 of the CST Act, who furnishes the following particulars.

1. Mr. A estimated that, his annual sales turnover will be Rs.10 Lakhs, excluding tax and he effects sales only against C-Forms.
2. Mr. B estimates that, his sales will be nil, but his purchase turnover will be Rs.6 Lakh worth of plant and machinery, for which the rate of tax in selling state is 12.5%.
3. Mr. A also estimates, inter-State purchase of equipments valued at Rs.3,50,000 against C Form.

All the above furnished figures are exclusive of taxes.

Answer:

(a) Mr.A has inter-state sales turnover. Hence, he should get registration compulsorily and the Security Deposit is calculated on the basis of sales turnover only. His estimated purchases are not to be considered. The estimated sales turnover is Rs.10 Lakhs and all sales will be against Form-C. Hence, the tax liability will be Rs.10,00,000 x 2% = Rs.20,000. Hence, the maximum security deposit shall not exceed Rs.20,000

(b) Mr.B is not having any sales turnover. He has purchase turnover. Hence, only purchase turnover is to be considered for quantifying maximum security deposit. He may go for voluntary registration. The maximum security deposit will the the annual tax liability on purchases, ignoring the concessional rate. Hence, only for the purpose of quantifying the security deposit, the tax rate will be taken at 12.5%. The annual tax liability will be Rs.6,00,000 x 12.5% = Rs.75,000.

It should be noted that, Mr.B will be make the purchases at 12.5%, but makes the purchases only at 2%. But, for the limited purpose of quantification of security deposit, the concessional rate will be ignored and actual rate will be taken into consideration.

25. A dealer registered under the CST Act desires to get the registration certificate cancelled and for this purpose he makes the cancellation application on

First Case : 27-09-2013
Second Case : 07-10-2013

You are required to state the effective date of cancellation in the above situations.

Answer:

Subject to fulfillment of other conditions like payment of tax, interest, penalty other other sums due, the effective date of cancellation will be as follows:

First Case: The application for cancellation is made on 27-09-2013. He has made the application 6 months before the financial year ending 31-03-2014. Hence, the effective date of cancellation of registration will be 01-04-2014.

Second Case: The application for cancellation si mnade on 07-10-2013. The application is made not before 6 months before the financial year ending 31-03-2014, but, it amounts to making application 6 months before the financial year ending 31-03-2015. Hence, the effective date of cancellation of registration will be 01-04-2015.

26. A dealer furnishes the following transactions for the quarter Jan-14 to Mar-14.

Sales Transactions.

Inv.No	Date	Value	Tax Rate	Tax Amt	Total
006	08-01-14	4,00,000	5.5%	22,000	4,22,000
007	21-01-14	26,000	5.5%	1,430	27,430
008	02-02-14	38,600	14.5%	5,597	44,197
009	09-02-14	21,600	14.5%	3,132	24,732
010	10-03-14	31,800	5.5%	1,749	33,549
011	27-03-14	14,400	14.5%	2,088	16,488
TOTAL		5,32,400		35,996	5,68,396

Purchase from Registered Dealers.

Bill.No	Date	Value	Tax Rate	Tax Amt	Total
21245	09-01-14	48,000	5.5%	2,640	50,640
32156	14-01-14	31,600	5.5%	1,738	33,338

1245	21-02-14	41,600	14.5%	6,032	47,632
8124	28-02-14	83,200	14.5%	12,064	95,264
8125	29-02-14	61,000	5.5%	3,355	64,355
32158	30-03-14	28,800	14.5%	4,176	32,976
TOTAL		2,94,200		30,005	3,24,205

Returns from Customers : (Sales Returns)

Inv. No.007 Rs.13,000 Value 20-03-2014.

Inv.No.009 50% of the goods returned on 31-03-2014.

Returns to Suppliers: (Purchase Returns)

Bill No.8124 Rs.15,000 Value return on 28-03-2014.

You are required to calculate the out-put tax, input tax and net tax payable.

Ans:

Any purchase returns or Sales returns made **within 6 months from the date of purchase or sales** respectively should be reversed. Returns beyond 6 months should not be considered as per Rule.3 of KVAT Rules.

In the given problem, there are sales returns and purchase returns. However, the returns are within 6 months from the date of respective purchase or sales. Hence, sales and purchases should be deducted accordingly.

Out-Put Tax liability:

Sales and Sales returns:

Inv.No	Date	Value	Tax Rate	Tax Amt	Total
006	08-01-14	4,00,000	5.5%	22,000	4,22,000
007	21-01-14	26,000	5.5%	1,430	27,430
008	02-02-14	38,600	14.5%	5,597	44,197
009	09-02-14	21,600	14.5%	3,132	24,732
010	10-03-14	31,800	5.5%	1,749	33,549
011	27-03-14	14,400	14.5%	2,088	16,488
TOTAL		5,32,400		35,996	5,68,396
Less: Returns					
007	20-03-14	13,000	5.5%	715	
009	31-03-14	10,800	14.5%	1,566	
Total Returns		23,800		2,281	
Out-put tax after returns				33,685	

Input-Tax Credit:

Bill.No	Date	Value	Tax Rate	Tax Amt	Total
21245	09-01-14	48,000	5.5%	2640	50640
32156	14-01-14	31,600	5.5%	1738	33338
1245	21-02-14	41600	14.5%	6032	47632
8124	28-02-14	83200	14.5%	12064	95264
8125	29-02-14	61000	5.5%	3355	64355
32158	30-03-14	28,800	14.5%	4176	32976
TOTAL		294,200		30005	324205
Less: Returns					
8124	28-03-14	15000	14.5%	2175	
Net input credit after returns.				27,830	

Net Tax Payable :	Net Out put tax	Rs.33,685
	Net Input Credit	Rs.27,830
	Net Tax payable	Rs. 5,855