CHAPTER-6

VAT EXPERIENCE IN INDIAN STATES

6.1 INTRODUCTION

The reform of the tax system is an important component of structural adjustment initiated in 1991. The emphasis has been to simplify the central taxes within the frame work provided by the Tax Reform Committee. The attempts have been to broaden the base, lower the rate structure and simplify the administration. There has also been an attempt to rationalize customs duty in terms of lowering the peak and average tariff rates, and reduction in their dispersion, and of excise duties in terms of the coverage of MODVAT facilities to larger number of commodities and capital goods. These reforms surely led to improvement in the structure of central taxes.

With the reforms of central taxes, the focus has been shifted to the reform of state taxes, particularly the sales tax. This is because, the sales tax contributes nearly 60% of the State's Own Revenues and almost one third of the domestic trade taxes in the country. Therefore, it is important to rationalize the sales tax system prevailing in different states.

The recent discussions pointed towards the need to transform the prevailing sales tax system into a consumption type Value Added Tax. A number of states have already taken steps to rationalize their sales tax system to achieve the desired reforms. But, there are considerable variations across the states both in the direction and sequencing of reforms.

The relevance of VAT has been under discussion ever since it was proposed by Jha Committee in 1977. In 1986, this idea was put into practice through the introduction of MODVAT as a partial replacement to excise duties. By 1994, the scope of the tax was expanded.

Apart from the introduction part, this chapter has been classified into six sections. Section 6.2 discusses about the reforms in state tax system. Since Haryana is the first state to adopt Value Added Tax in 2003, features of Haryana VAT and its revenue implication has been discussed in 6.3. Section 6.4, 6.5 and 6.6 studies the
snapshot of the key feature of the VAT Act in some states which have adopted VAT in 2005, 2006 and 2007 respectively. The last section presents conclusion based on the above discussion.

6.2 REFORMS IN STATE TAX SYSTEM

At the state level, efforts are under way to bring the states together to agree for transforming their existing sales tax system to VAT system. This issue attracted considerable attention. Towards forgoing a consensus, the Union Finance Ministry appointed a Committee of State Finance Ministers from 10 different state governments to work out the rationalization measures and to achieve a co-coordinated structure of sales taxation in the states. The Committees of States’ Finance Ministers in 1995 and 1998 respectively and of the Chief Ministers in 1999 have put forth recommendations to replace sales tax by VAT.

The first major break through in the direction of tax reform came in the form of an agreement between Union Finance Ministers and the State Chief Ministers on November 16, 1999. The main objectives are:

1. Implementation of floor rates within the existing sales tax regimes.
2. Elimination of the tax based industrial incentives for new and expanding industries.
3. Replacing the existing system of sales tax with a VAT at the state level VAT.

On the basis of the above objectives, Empowered Committee comprising of nine State Finance Ministers was constituted on 17th July 2000 to monitor the decisions taken in Chief Ministers Conference. Empowered Committee decided to rationalize the further rate structure under VAT to 5 rates:

1. Nil for certain goods.
2. 1% for gold, silver and precious stones.
3. 4% for certain essential goods and industrial inputs.
4. 20% for liquor and some petroleum products.
5. A Revenue Neutral Rates (RNR) of 10 to 12.5% for other goods.

In the budget 2002, the CST Act was amended and some of these amendments would help in implementation of VAT. Central government has agreed to compensate the states for loss due to implementation of VAT. The compensation package is 100% in the first year, 75% in second year and 50% in third year. The Committee
recommended adoption of VAT from 1\textsuperscript{st} April 2003. But, Haryana is the only state to introduce VAT from 1\textsuperscript{st} April 2003. The target date for introduction of VAT has been rescheduled in the meeting of Empowered Committee on June 18, 2004 with the new target set for April 1, 2005.

During this period, the Empowered Committee constituted to monitor the transition to the new tax regime through sustained deliberations, and at last 16 states have agreed to introduce VAT from 1\textsuperscript{st} April 2005.

It may be noted that the postponement of introduction of VAT from 1\textsuperscript{st} April, 2002 to 1\textsuperscript{st} April 2005 was due to various reasons such as divergent views on treatment of existing sales tax incentives already granted by states, treatment of Central Sales Tax under VAT, lack of commitment by central government at that time on compensating the states for loss in revenue etc. The important reason for postponement was lack of preparedness by the states. After a lot of persuasion by central government, VAT was introduced from 1\textsuperscript{st} April 2005.

Table 6.1: IMPLEMENTATION OF VAT IN INDIAN STATES

<table>
<thead>
<tr>
<th>STATES</th>
<th>VAT implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Andhra Pradesh</td>
<td>April 1, 2005</td>
</tr>
<tr>
<td>2 Arunachal Pradesh</td>
<td>April 1, 2005</td>
</tr>
<tr>
<td>3 Assam</td>
<td>May 1, 2005</td>
</tr>
<tr>
<td>4 Bihar</td>
<td>April 1, 2005</td>
</tr>
<tr>
<td>5 Chattisgarh</td>
<td>April 1, 2006</td>
</tr>
<tr>
<td>6 Goa</td>
<td>April 1, 2005</td>
</tr>
<tr>
<td>7 Gujarat</td>
<td>April 1, 2006</td>
</tr>
<tr>
<td>8 Haryana</td>
<td>April 1, 2003</td>
</tr>
<tr>
<td>9 Himachal Pradesh</td>
<td>April 1, 2005</td>
</tr>
<tr>
<td>10 Jammu and Kashmir</td>
<td>April 1, 2005</td>
</tr>
<tr>
<td>11 Jharkhand</td>
<td>April 1, 2006</td>
</tr>
<tr>
<td>12 Karnataka</td>
<td>April 1, 2005</td>
</tr>
</tbody>
</table>
6.2.1 Design of State-Level VAT

The White Paper is a result of collective efforts of all the states in formulating the basic design of the State VAT through repeated and candid discussions in the Empowered Committee of State Finance Ministers. The Empowered Committee worked out a design, through several rounds of discussions and striking a federal balance between the common points of convergence regarding VAT and flexibility for the local characteristics of the states. Since the State-Level VAT is centered around the basic concept of “Set-Off” for tax paid at earlier stages, the common points of convergence also relates to this concept set-off / input-tax credit, its coverage and
related issues. The following are the main design of VAT, as evolved on the basis of a consensus among the states through repeated discussions in the Empowered Committee.

Concept of Set-Off / Input-Tax Credit

The system provides for set-off for the tax paid earlier on purchases against taxes collected on sales. This input tax credit means setting off the amount of input tax by a registered dealer against the amount of his output tax. The vat is based on value addition to the goods and the related VAT liability of the dealer is calculated by deducting input tax credit from tax collected on sales during the payment period. For example, if input worth Rs.1,00,000/- is purchased and sales are worth Rs.2,00,000/- in a month and input tax rate are 4% and 10% respectively, then input tax credit and calculation of VAT will be:

Table 6.2: Calculating Input-Tax Credit

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Input purchased within the month</td>
<td>1,00,000</td>
</tr>
<tr>
<td>2</td>
<td>Output sold in the month</td>
<td>2,00,000</td>
</tr>
<tr>
<td>3</td>
<td>Input tax paid</td>
<td>4,000</td>
</tr>
<tr>
<td>4</td>
<td>Output tax payable</td>
<td>20,000</td>
</tr>
<tr>
<td>5</td>
<td>VAT payable during the month after set-off / input tax credit (4-3)</td>
<td>16,000</td>
</tr>
</tbody>
</table>

Coverage of Set-Off

For both manufacturers and traders, the input tax credit has been given for purchase of inputs meant for both sales within the state as well as to other states, irrespective of when these will be sold. This reduces immediate tax liability.

Carrying Over of Tax Credit

If the tax credit is more than the tax payable on sales in a month, the excess credit will be carried over to the end of the next financial year. In the end of the second year, if there is any excess unadjusted input tax credit then the same will be eligible for refund.

Input tax credit on capital goods is also available for traders and manufacturers. However, the tax credit on capital goods would be adjusted over a maximum period of 36 equal monthly installments.
Treatment of Exports

In case of exports made out of the country, tax paid within the state will be refunded in full, and this will be made within three months. Units located in SEZ and EOU will be granted either exemption from payment of input tax or refund of the input tax paid within three months.

Inputs Procured from other States

Tax paid on inputs procured from other states through inter state sale and stock transfer will not be eligible for credit.

Treatment of Opening Stock

All tax-paid goods purchased on or after April 1, 2004 and still in stock as on April 1, 2005, will be eligible to receive input tax credit. Resellers holding tax-paid goods on April 1, 2005 will also be eligible.

Compulsory Issue of Invoice Tax

The design of VAT is based on documentation of tax invoice or bill. Every registered dealer having a turnover above a specified amount would be required to issue a serially numbered tax invoice to the purchasers. Failure to comply with the above will attract penalty.

Registration, Small Dealers and Composition Scheme

Registration of dealers with gross annual turnover above Rs. 5, 00,000/- is compulsory. Dealers below the threshold of Rs.5, 00,000/- to be exempt from taxes. Other dealers with annual gross turnover not exceeding Rs.50,00,000/-, who are otherwise liable to pay VAT, shall however have the option for a composition scheme with payment of tax at a small percentage of gross turnover. The dealers opting for this composition scheme will not be entitled to input tax credits.

Return

Simplified form of returns will be modified under VAT. Returns are to be filed monthly / quarterly as specified in the State Acts/Rules.

Procedure of Self-Assessment of VAT Liability

VAT liability would be self-assessed by dealers themselves in terms of submission of return upon setting off the tax credit. Return forms as well as other
procedures have been proposed to be much simpler. If no specific notice is issued proposing departmental audit of the books of accounts of the dealers within the time limit specified in the Act, the dealers will be deemed to have been assessed on the basis of returns submitted by him. The correctness of the self-assessment would be checked through a system of departmental Audit.

A certain specific percentage of dealers would be taken up for audit every year for cross checking and to prevent evasion of tax. It has also been proposed to delink the tax collection wing of the Department from the audit functions, to remove biases.

Incentives

Existing incentives schemes have been allowed to continue in a manner deemed appropriate, but at the same time ensuring that the VAT chain does not get affected.

Other Taxes

VAT is a replacement of the sales that existed earlier. It is levied on sale of goods. All related taxes such as turnover tax, surcharge, additional surcharge and special additional tax have been abolished.

Coverage of Goods

In general, all goods, including declared goods, will be covered under VAT and will get the benefit of input tax credit. In the case of sugar, textiles and tobacco it has been proposed that the centre continue to levy and collect the additional excise duty.

VAT Rates and Classification of Commodities

Under the VAT system, 550 major commodities have been classified into four broad categories. VAT rates of 4 and 12.5 percent, a specified VAT rate of 1% for gold and silver and a special category of tax exempted goods. These rates are to remain uniform across all states. However, liquor, lottery tickets, petrol, diesel, aviation turbine fuel and motor spirit could remain out of the VAT system, since their prices are fully market determined. Under exempted category, there will be about 46 commodities comprising of natural and unprocessed products in unorganized sector and items which have social legislations. Under VAT 4% VAT rate, there will be the largest number of goods (about 270), common for all states, comprising of items of
basic necessities such as medicines and drugs, all agricultural and industrial inputs, capital goods and declared goods. The remaining commodities, common for all the states and fall under the general VAT rate of 12.5%.

6.2.2 Steps Taken By States

It is now of significance to note that most of the states, after collective interaction in the Empowered Committee, have modified their VAT bills by incorporating these common points of convergence including flexibility as mentioned in the VAT design above. As a part of the preparatory steps, the states have started the process of preparing the draft of VAT rules, including books of accounts to be maintained. The objective will be to keep these as simple as possible so that it becomes easy for small trades to comply with the requirements. The states have also initiated steps for computerization up to the levels of assessing officers and also at the check posts. This process will continue since this is extremely important for document based verification. Appropriate central funds for VAT related computerization in the North-Eastern states are also being released by the Government of India.

For successful implementation of state level VAT, close interaction with trade and industry is especially important. The Empowered Committee has therefore also set up a Consultative Committee with one representative from each of the national level trade organization and national level chambers of commerce and industry. This Committee has already started its function.

Finally, a comprehensive campaign on state-level has been launched to communicate in simple manner the benefit of VAT for common people, traders, industrialists and also the state governments. The purpose of this campaign is a two-way interaction between the government and the trade and industry as well as the common people.

By taking all these preparatory steps, the government of India has introduced VAT from 1April 2005.

6.2.3 Provisions Relating to CST

Presently, CST will continue, though it is proposed to be phased out in due course. The provisions in respect of Central Sales Tax are summarized below:
1. Present CST rate of 4% will continue for some time. Note that CST has been reduced to 3% w.e.f 1.04.2007 and is expected to be nil by 1.04.2010.

2. Present forms i.e. C, D, E-I / E-II and H will also continue. D form has been abolished w.e.f 1.04.2007 (see Appendix table 6.1, 6.2, 6.3, 6.4 and 6.5).

3. There will be no credit of CST paid on inter-state purchases.

4. If goods are sent on stock transfers outside the state, input tax paid in excess of 4% will be allowed as credit. In other words, input tax to the extent of 4% will not be allowed as credit if goods are sent inter-state.

6.3 **HARYANA (IMPLEMENTED VAT ON 1ST APRIL 2003)**

Entry 54 in list II in 7th schedule of the constitution gives power to states to legislate on the subject of ‘tax on sale or purchase of goods’. Haryana Value Added Tax Act 2003 has been enacted under this entry. Ideally VAT should include tax on both sales of goods and services but power to tax services does not vest with the states under the constitution. Government of India under the residuary entry 97 in list I in 7th schedule has been levying tax on services since 1994.

Haryana VAT Act 2003 has been framed comprehensively as it provides input tax credit in respect of all inputs used in manufacture, mining, generation of power or telecommunication networking with only a few exceptions (Petroleum based fuels and Paddy). Haryana was better placed to introduce VAT because it had already introduced input tax deductions from output tax on manufactured goods in 1998 itself. Haryana replaced the Haryana General Sales Tax Act by the Haryana Value Added Tax in 2003.

Transition to VAT system in Haryana was smooth affair. Haryana was already an active participant in the dialogue process of the Empowered Committee since the very beginning. Even when other state governments backed out, Haryana Government decided to go ahead with introducing VAT on April 1, 2003.

In the beginning there was some opposition to VAT by traders lobby on the basis that there is the possibility of harassment by the tax inspectors. Under VAT system records need to be maintained which is very cumbersome and would lead to harassment. However, the real reason was different. There is less scope for tax evasion under VAT and there will be stricter compliance. The traders lobby wants to retain the scope for tax evasion as it exists under sales tax. This was the real underlying reason for the protest.
6.3.1 Salient Features of the VAT Structure in Haryana

The salient feature of VAT structure of Haryana is as follows:

1. Tax Rates

Under VAT, there are three rates i.e. 4%, 10% and 12%. Apart from these three rates, there is a list of exempted goods. Besides, bullion and jewellery attract tax at 1%. Liquor, petrol and air turbine fuel attract tax at 20%. With the introduction of VAT, the following changes have taken place in rate of tax:

- Chemical fertilizer is taxable at 4%.
- Goods taxable at 8% before 1 April, 2003 are now taxed at 10% except ice, bamboo, firewood and sawdust which are now taxed at 4%.
- Aerated water/ cold drinks, molasses, rectified spirit, narcotics and minerals are now taxable at 12% in place of 20%.

2. Rates for Small Dealers

Under VAT, dealers having turnover up to Rs. 25 lakh have option to pay 1% on their value of purchases subject to minimum of Rs.900/- per month and they have to maintain simple account of their sales. This provision is likely to cover majority of the existing dealers. This provision is optional and does not apply to goods imported from outside the state. Registration procedure is very simple and no official of the department will check records or visit business promises of these dealers without prior permission of the State's Excise and Taxation Commissioner.

3. Tax Exemption

Since tax exemptions are not compatible with VAT, the existing units availing exemptions can not avail of tax exemptions. They have the option to switch over to tax department as per the deferment scheme already in operation in the states.

4. Assessment System

The assessment system has been totally streamlined. All cases would be deemed to have been assessed unless taken up for scrutiny by the Department. In case no notice is received within one year from the filing of the last return, the case would stand finalized. Cases taken up for scrutiny would be finalized within three years from the date of assessment.
5. **Provision For Appeals and Penalties for Late Payment of Tax**

Appeals under VAT will be heard without the precondition of payment of the disputed demand. The penalties under the Act have been rationalized. The penalty for non-payment of tax is three times of the tax involved. The discretion / arbitrariness about the quantum of penalty do not exist any more. Penalty for late payment of tax has been changed from 150% of the tax amount in arrears to interest at 1.5% per month for delay is beyond three months and no separate penalty will be levied.

6. **Inspection**

Inspection of business premises are possible only after obtaining prior sanction from the Excise and Taxation Commissioner or an officer authorized by him. The officer carrying out such inspection would have to carry such written permission with him, which he shall show to the owner of the premises. Such cases will have to be finalized within a period of one year.

7. ** Prosecution**

There is no provision for prosecution / criminal proceedings under VAT, unlike in most states.

8. **Barrier Policy**

Haryana continues to have ‘no barrier’ policy at state borders.

9. **Removal of CST**

After introducing of VAT the CST is proposed to be phased out from June 2003. It is likely to be reduced from 4% to 2% and completely removed with affect from 1 April 2005.

6.3.2 **Revenue Implication**

Revenue growth is the most important aspect by which to judge the success of VAT in Haryana. The following table gives a comparative picture of Sales Tax and Central Sales Tax collection in Haryana before and after introduction of VAT.

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Table 6.3: Sales Tax and CST Collections in Haryana (In Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>State sales tax (SST)</th>
<th>% change over previous year</th>
<th>Central sales tax (CST)</th>
<th>% change over previous year</th>
<th>SST+CST</th>
<th>% change over previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-00</td>
<td>1353.86</td>
<td>21.13</td>
<td>613.46</td>
<td>26.83</td>
<td>1967.32</td>
<td>23.01</td>
</tr>
<tr>
<td>2000-01</td>
<td>1652.64</td>
<td>22.06</td>
<td>927.77</td>
<td>51.24</td>
<td>2580.41</td>
<td>31.16</td>
</tr>
<tr>
<td>2001-02</td>
<td>2113.96</td>
<td>27.91</td>
<td>838.15</td>
<td>-0.66</td>
<td>2952.11</td>
<td>14.40</td>
</tr>
<tr>
<td>2002-03</td>
<td>2470.16</td>
<td>16.85</td>
<td>867.27</td>
<td>3.47</td>
<td>3337.43</td>
<td>13.05</td>
</tr>
<tr>
<td>2003-04</td>
<td>2950.95</td>
<td>19.46</td>
<td>887.05</td>
<td>2.28</td>
<td>3838.00</td>
<td>15.00</td>
</tr>
<tr>
<td>2004-05</td>
<td>3699.03</td>
<td>25.35</td>
<td>1061.89</td>
<td>19.71</td>
<td>4760.92</td>
<td>24.05</td>
</tr>
<tr>
<td>2005-06*</td>
<td>4246.70</td>
<td>14.80</td>
<td>1274.30</td>
<td>20.00</td>
<td>5521.00</td>
<td>16.00</td>
</tr>
<tr>
<td>2006-07#</td>
<td>4840.00</td>
<td>13.97</td>
<td>1550.00</td>
<td>21.63</td>
<td>6390.00</td>
<td>15.74</td>
</tr>
</tbody>
</table>


The above table shows that, after the introduction of VAT on April 1st 2003, in the first year (i.e. 2003-04) the increase was 15% and in the next year it was increased to 24.05%. So, the increase in the VAT revenue has really taken place in the second year after introduction of VAT. But in the next two years, even there is increase in the total SST and CST revenue we may notice that there is decrease in the percentage increase of revenue. However, the reason for this may be the changes in the rate categories and administrative problems. The desired objectives of VAT cannot be achieved unless the tax is properly administered.

Figure 6.1: SST and CST Collection (In Crores)
The table 6.4 shows the state’s sales tax as percentage of Own-tax revenue and as well as percentage of NSDP.

Table 6.4: States Sales Tax as Percentage of Own-Tax Revenue and NSDP

<table>
<thead>
<tr>
<th></th>
<th>Pre-VAT</th>
<th>Post-VAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>States Sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax as Percentage of Own-Tax revenue</td>
<td>51.27</td>
<td>55.93</td>
</tr>
<tr>
<td>States Sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax as Percentage of NSDP</td>
<td>4.17</td>
<td>4.58</td>
</tr>
</tbody>
</table>

Source: Appendix table 4, 5, 6.

In the above table we may note that, in the first two years of introduction of VAT there was an increase in the percentage of sales tax in own-tax revenue and in NSDP. But in the year 2005-06, there was a decrease in the percentage but the change is marginal.

6.4 STATES ADOPTED VAT FROM 1ST APRIL 2005.

In this section, an attempt has been made to study the nature and forms of VAT and the characteristic features of the VAT system. A snapshot of the key features of the VAT system of some states, has been presented.

6.4.1 ANDHRA PRADESH

As in many states, the tax system in AP was highly complex with excess of rates and exemptions. Although the basic design of the tax system is guided by the recommendations of the two expert Committees in 1977. The suggestions for streamlining the system made by Sarma, Bagchi and Mehta (1988), have not received much attention. Consequently, the chaos continues in defiance to all accepted principle of taxation-certainty, neutrality and equity.

The turnover tax in AP had evoked much resentment in the state. Although the state governments need to raise additional revenue to arrest deteriorating budget deficits in general and to make-up for the loss due to the ban on the sale of arrack in particular, the motivation in introducing the tax was viewed with suspicion by the
trader's associations. While seeking additional revenues the first step could have been to streamline the existing tax system which itself would improve its revenue productivity.

Apart from being a source of annoyance and harassment to tax payers, it constitutes an impediment to the economic progress of the state. The system was in need of a basic reform of both structure and administration if these deficiencies are to be removed. The rate structure was more complex. Apart from the General Sales Tax an additional tax and a surcharge were levied under the APGST Act. One peculiar aspect of the sales tax system in AP was that, taxable turnover has been defined as the total amount set out in the bill of sale. This has led to be collected by the complications in computing the tax to be collected by the dealers and observed its incidence.

In general, the sales tax system and its operation in the state have been causing severe impediments to the economy. The revenue growth from the existing system had been reached a dead end. This is because of the abolition of the turnover tax as recommended by the Chelliah Committee. Under these circumstances AP moved towards VAT from 1st April 2005.

**Features of Andhra Pradesh VAT**

1. Under AP VAT, there are mainly three rates i.e. 1%, 4% and 12.5%. Apart from these rates, there is a list of exempted goods and zero rated goods. As in other states, bullion and species attract tax at 1%. Sale of taxable goods in the course of inter-state trade is zero rated.

2. All liquors taxable at 90% (in case if the cost of liquor is more than Rs.700/- per case) and 70% (if it is less than Rs.700/-). Petrol, Aviation motor spirit and any other motor spirit and aviation turbine fuel are taxable at 32.55%. Diesel oil attracts tax at 21.33%.

3. Every dealer registered or liable to be registered as a VAT deal shall be liable to pay tax on every sale of goods in the state at the rates specified in the schedules. Every dealer who has not opted for registration as a VAT dealer and who is registered or liable to be registered for TOT or whose taxable turnover is a period of 12 consecutive months exceeds Rs.5, 00,000/- but does not exceed Rs.40, 00,000 shall pay tax at the rate of 1% on the taxable turnover in such manner as may be prescribed.
4. Subject to the conditions if any, prescribed, an input tax credit shall be allowed to the VAT dealer for the tax charged in respect of all purchases of taxable goods, made by the dealer during the tax period, if such goods are for use in the business of the VAT dealers.

5. The following shall be zero-rated sales for the purpose of the Act and shall be eligible for input tax credit:
   i) Sale of taxable goods in the course of inter-state trade and commerce falling within the scope of section 3 of the CST Act, 1956.
   ii) Sale of goods falling within the scope of sub sections (1) and (3) of section 5 of the CST Act, 1956.
   iii) Sale of goods to any unit located in Special Economic Zone.

6. When a VAT dealer fails to file a return in respect of any tax period within the prescribed time, the authority prescribed shall assess the dealer for the said period for such default in the manner prescribed.

7. Every VAT dealer shall maintain the documents and records specified in the rules at the place of business.

8. Any VAT dealer who fails to apply for registration before the end of the month, the application was due and applies during the subsequent month shall be liable to pay a penalty of Rs.5000. Any dealer who fails to notify any change in the circumstances, as required under the provision of the Act shall be liable to a penalty of Rs.2000/- for each offence.

9. A VAT dealer effecting sales falling in any tax period shall be eligible for refund of tax, if the input tax credit exceeds the amount of tax payable subject to the condition that the exports have been made outside the territory of India. The excess of tax shall be refunded within a period of ninety days on a claim made on a VAT return prescribed to the authority prescribed subject to the provisions of the Act and the rules.

6.4.2 Arunachal Pradesh

Sales tax was introduced in Arunachal Pradesh in the year 2000, to start with on 5 items. In the year 2001, the list of taxable items was increased to 83. Subsequently, in December 2004, the government had imposed sales tax on all the items as per the Uniform Floor Rates pattern. The sales tax system was governed by
the Arunachal Pradesh Sales Tax Act 1999, which was a first and last point tax system, which has been in practice in the country in the last few years.

The sales tax system in Arunachal Pradesh has a number of problems. The administration of last point sales tax system was very cumbersome both to dealer as well as department. It leads to levy high compliance costs to the tax payers in terms of visits to the department and creation of undue liabilities when forms are not received. The system was also not conducive to the trade and economy of the state.

The need to modernize tax administration and redesign tax policy is an imperative due to the increasing globalization of the economy. In addition, tax reform measures are needed to ensure buoyant revenues, improve voluntary compliance, check evasion and avoidance and combat corruption. The VAT system is considered the best available option.

In the meeting of Committee of Finance Ministers on 2 November 2004, Arunachal Pradesh agreed to implement VAT from 1 April 2005.

FEATURES OF ARUNACHAL VAT

The key features of the Arunachal VAT system is as follows:

1. Central Sales Tax shall be zero. The government has decided that CST on inter-state sales from Arunachal shall be reduced to zero. Simultaneously with introduction of VAT.

2. The Act ensures that there is no multiple taxation of the same commodity and if tax has already been levied on a particular commodity, further tax will only be levied on the value added by that particular dealer.

3. Entry tax-liability to pay is on importers. However, petty importers, temporary imports etc are exempted from entry tax. The entry tax is VATable, i.e. full tax credit of entry tax shall be allowed to the business importing the goods. If entry tax is levied on particular goods, the same is allowed to be set off against the tax liability of the importer so that there is no double taxation.

4. 8% slab removed. The proposed tax rates under VAT system are exempt, 1%, 4%, 12.5% and 20%. Power given to the government to reduce the slab tax-rate.

5. Higher threshold (Maximum limit Rs.5, 00,000/- for all dealers) proposed for registration (Present – 1, 00,000/- for dealers and nil for importers / exporters).
This will relieve nearly 40-50 percent of the existing dealers from VAT liability, without compromising on the revenue buoyancy.

6. The Act allows tax credit for all business inputs (and not just the trading / raw material stock) which is used to produce a taxable output.

7. The Act includes ‘specified services’ in the definition of business. Services are not taxable, but sale of goods by certain service providers like banks are proposed to be made taxable.

8. The Act will give an impetus to the inter-state sales from the state because of its tax credit mechanism. That is to say, in case of inter-state sales or exports, the entire local tax levied at the time of purchase will be set-off / refunded to the dealers. In order to ensure that in the cases of exporters and inter-state sellers, their capital does not get blocked with the department, there is a provision of refund which can be availed at the end of each quarter after filing quarterly returns.

9. The Act provides for –
   - Refunds to be given within 2 months of filing returns in all cases except where the dealer is being audited.
   - Self assessment provisions streamlined – leading to faster refunds.
   - Tax payers also allowed filing monthly returns which will lead to faster refunds.

10. Concept of return itself to be the self assessment and no departmental assessment if proper return is filed. Department to conduct Audits at dealers’ premises only in a small percentage of selected cases.

11. Sales to the embassies and international organizations to be taxed by the dealers. However, such embassies and international organizations can claim refund from the department.

12. No concept of declaration form. The transactions shall be documented using tax and retail invoices which can be printed by the declarer himself.

13. If a particular dealer is exempted from payment of tax, he is prohibited to claim any input tax credit as well as to issue a tax invoice. However, full input tax credit shall be available to exporters.
6.4.3 GOA

1. Goa implemented VAT from 1 April, 2005.

2. 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 CST Act, 1956 as on 1/4/2005. Limit of turnover are:
   - In case of non resident dealers and casual trader – Rs.10,000/-
   - In case of importer / manufacturer – Rs.1,00,000/-
   - In any other case – Rs.5,00,000/-

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

4. The rate of tax under VAT is as follows:
   - Goods specified in Schedule A – 1%
   - Goods specified in Schedule B – 4%
   - Goods specified in Schedule C – Shown against each entry
   - Goods specified in Schedule D – Nil Tax
   - Any other goods – 12.5%

5. Any registered dealer covered under Schedule E, whose turnover in the previous year does not exceed Rs.50,00,000/- and who is liable to pay tax under section 3 is eligible to apply for composition of tax:
   - When he makes inter-state sales
   - When he brings any goods in the state of Goa.
   - When he makes consignment sales or stock transfer out of Goa.
   - When he is a non-resident dealer.

6. 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. Input tax credit will not be available on inter-state purchases. It is only available on local purchases of goods on which GVAT that have been paid.
6.4.4 HIMACHAL PRADESH


2. Schedules A, C and D of the HP Act includes the goods which are liable to tax and Schedule B included the tax free goods. Only few goods will be outside the purview of VAT. For example, liquor and motor spirit.

3. Input tax credit is available on the basis of tax invoice which is to be kept by the dealers. No input tax credit can be given to the dealers who have purchased inputs from outside the state.

4. Agriculture and Horticulture produce is exempted from VAT.

5. For all exports made out of the country, tax paid within the state will be refunded in full, and this refund will be made within three months. Units located in SEZ and EOU will be granted either exemption from payment of input tax or refund of the input tax paid within three months.

6. Under the VAT there are only 4 slabs of rates as follows:
   - Gold and Silver – 1%
   - Declared goods and medicines etc – 4%
   - On other goods – 12.5%

7. Diesel, petrol and liquor will continue to be taxed at the first stage only and at the same rate is prevalent presently. In addition lime stone and timber and arms and ammunition taxed at higher rates.

8. Small dealers whose gross annual turnover does not exceed Rs.4,00,000 need not pay tax under VAT. However, small dealers having turnover between Rs.4,00,000/- to Rs.20,00,000/- covered under the special lump-sum composition scheme where they will pay only 1% of the turnover tax. A person covered under the composition scheme can charge 1% as tax from his customers.

9. Liable to pay tax under VAT:
   - Any dealer who imports goods from outside Himachal Pradesh of any value.
   - Any dealers who himself manufactures / purchases goods for sale of amount exceeding Rs.2,00,000/-.
   - In relation to any other dealer Rs.6,00,000/-
10. Section 28 of the HP Act deals with the issue of refund. Firstly, a refund can be claimed by the dealers, suomoto in his VAT return by the method of input tax credit. However, if even after claiming input tax credit, refund is still due and the same will be paid along with interest of 1 to 1.5 percent.

11. Composition scheme is a scheme to pay lump-sum tax on the basis of turnover without the need for maintaining detailed accounts.

- The dealer whose turnover exceeds Rs.6,00,000/- but does not exceed Rs.20,00,000/-.  
- The dealer who does not import goods from outside the state.
- The dealer who makes his entire purchase from registered dealers within the state.

6.4.5 JAMMU & KASHMIR


2. Under the Jammu & Kashmir VAT Act, 2005 taxable limit means in relation to a dealers who:

- Imports for sale or use in manufacturing or processing any goods into the state on his own behalf of his principal – Nil.
- Manufacturers or producers any goods for sale or is engaged in any business other than the business specified in above – 7.50 lakhs.

3. Facility of input tax credit is available for tax paid on goods purchased within Jammu & Kashmir by a registered dealer having a TIN (Tax Payer Identification Number) from another registered dealers also having a TIN. If the input tax credit of registered dealers exceeds the tax collected during a tax period the excess input tax credit will be carried over to the next tax period.

4. Inter-state purchases are not eligible for input tax credit.

5. Dealers who are neither manufacturers nor importers no exporters and whose gross annual turnover of sale is between Rs.7.50 lakh and Rs.20 lakh, have the option to register for turnover tax and pay tax at 1% of these taxable turnovers.

6. There is a mechanism of self-assessment under VAT where by the dealer assesses their own tax liability and pay the tax due as per the returns filed by them on a quarterly basis. The facility of self assessment is available to all registered dealers irrespective of their turnover.
7. The tax rate slabs under VAT are: Zero, 1%, 4% and 12.5%. Aviation turbine fuel, diesel, liquor, lottery tickets, natural gas, petrol and resin have been kept outside the VAT.

8. The services have been kept outside the purview of VAT in Jammu & Kashmir and are taxed under the Jammu & Kashmir General Sales Tax Act, 1962.

9. If any goods are exported outside the territory of India, the sales of such goods are zero rated and the dealer is entitled to the refund of the input tax paid in the state.

6.4.6 KARNATAKA

Measure to reform the existing commodity taxation system in the states has been the subject of discussion. The government of Karnataka recognized the need to modernize its tax administration, adopt the best tax policy design to suit the requirements in the light of globalization of the economy. In Karnataka, the first report of the Tax Reforms Commission was presented on 12th February 2001 and the final report was presented on October 19, 2001. The main recommendations made in the final report towards the VAT are as follows:

❖ The Commission recommended the proposal to extend central excises to the wholesale state and manage it through states.

❖ The Commission also recommended a single simple VAT. The commission had formulated a complete frame of reference for Karnataka to tackle the fears and reservations of states. It has suggested bringing all commodities within the three floor rates of 4%, 8% and 12% removing exemptions. A special rate of 2% was retained only for bullion, specie and gold ornaments and 25% for petroleum products and alcoholic beverages.

❖ To ensure smooth transition to inter state VAT, the commission recommended a developed a network information system for online sharing of inter-state data on registered dealers and their transactions.

❖ The Commission has prepared and e-governance frame work document for VAT visualizing three layers:

1. The first covers compliance, processing returns, assessments, demand and collection, refunds, enforcements and interstate relations.
2. Second includes administration, training and motivation, productivity, fraud control, citizen access and citizen satisfaction.

3. Third comprises collection of economic data, assessing the tax base, increasing revenue, empowerment, inter-departmental co-operation and technology.

❖ The decision is taken regarding adopting income tax PAN numbers for VAT administration to facilitate data exchange across states.

❖ The Commission suggested that the commodity classification data must be maintained on the computer. It is therefore essential to finalize it quickly and adopt it definitively.

❖ It also recommended a strong audit function under VAT which should be largely officer based with hierarchies fixed only for supervision and guidance.

❖ Finally, the commission recommended for careful planning, design, scheduling and education which are the pre-requisites for successful adoption of VAT.

By taking all these preparatory measures, the government of Karnataka decided to adopt VAT in April 2002. But due to several reasons like divergent view on treatment of existing sales tax incentives, treatment of CST under VAT, compensation to the states for loss in revenue, lack of preparedness by the state etc, the adoption of VAT has been postponed from 1st April 2002 to 1st April 2005.

FEATURES OF KARNATAKA VAT 2005


2. Threshold limits for registration
   - Dealer whose total turnover calculated as per the KST Act exceed Rs.2,00,000/- in the year ending.
   - Dealer whose taxable turnover exceeds Rs.15,000/- in any one month.
   - A dealer who has had taxable sales exceeding Rs.15,000/- in any one month, even though he does not expect that his taxable turnover for the year would exceed Rs.2,00,000/- would need to register.

3. “Taxable Turnover” is the turnover on which a dealer shall be liable to pay tax as determined after making eligible deductions taxable turnover shall not be include:
   - Turnover of purchase or sale in the course of inter-state trades.
   - Turnover of imports or exports.
• The value of goods transferred or dispatched outside the state otherwise than by way of sale.

4. Under the KVAT Act, input taxes payable under the Act by a registered dealer are eligible for deduction against output tax payable. Facility for compounding the tax liability is available subject to certain conditions and limits.

5. No input tax credit can be claimed against exempt sales, unless such goods are exported.

6. Under section 4 registered dealers are liable to tax on their taxable turnover as follows:
   • Goods specified in second schedule – 1%
   • Goods specified in third schedule – 4%
   • Goods specified in fourth schedule – 20%
   • In respect of other goods – 12.5%

7. The following types of dealers may elect to pay a composition tax in lieu of the net amount of tax payable by him.
   • Dealers whose total turnover in a period of 4 consecutive quarters does not exceed Rs.15,00,000/-.
   • Dealers who are executing works contracts.
   • Hoteliers, restaurateurs or caterers.
   • Mechanized crushing unit producing granite metals.

8. Goods specified in First schedule and any other goods as may be specified by a notification by the state government would be exempt from the tax payable under this Act. No input tax credit can be availed against such exempt goods. However, in respect of export of exempted goods, input tax credit can be claimed.

9. Registered dealers are required to submit a monthly return by the 20th of the month following the end of the tax period. Even if there be no tax due, as long as he is registered dealer, he must submit his monthly return.

10. If the input tax deductible by a dealer exceeds the output tax payable by him, the excess amount shall be adjusted or refunded together with interest, as may be prescribed.
6.4.7 Maharashtra

1. Maharashtra implemented VAT on April 1, 2005.

2. As in other states, under the VAT, the tax rates have been simplified. There only two main rates of VAT:
   
   • 4% for items consisting mainly of raw materials used in the manufacturing process, IT products and some goods of common consumption.
   
   • 12.5% for all goods unless they are listed under the other rates. Food grains including pulses, milk, vegetable and books are not subject to VAT.

In addition, there are two other rates for specified items:

   • 1% for gold, silver, other precious metals and jewellery.
   
   • 20% for liquor. The only exception to these rates is for the sale of motor spirits, which have special tax rates based on the existing Bombay Sale of Motor Spirit Taxation Act, 1958 subject to floor rate of 20%.

3. The threshold is based on the total turnover of sale and the level of taxable sales or purchases in a year commencing 1st April. The threshold limit, above which you must register, depends on the nature of business. If a person is an importer and total turnover exceeds Rs.1,00,000/- and your taxable sales or purchases exceed Rs.10,000/- in a year commencing 1 April, must register for tax. If the person is not importer and his total turnover exceeds Rs.5,00,000/- and your taxable sales or purchases exceed Rs.10,000/- in a year must register tax.

4. Composition of taxes will not apply to a manufacturer or an importer-dealer who brings goods into the state or to whom goods are dispatched from outside the state. The composition can be in respect of the entire turnover of sales affected by works contract or for individual works contract.

5. The dealer opting for composition is not denied the set-off of tax paid on his purchases. In this case, the set to which he is otherwise entitled shall be reduced by multiplying the same by the fraction 16/25. Thus if a dealer had paid Rs.1500 as tax on his taxable purchases, then he would be eligible for a set-off of Rs.960 (i.e. 1500*16/25).
6. In Maharashtra, unlike in Tamil Nadu, Karnataka, Andhra Pradesh etc there is no category of goods that are called exempt goods. However, there is a category of goods called "tax free" goods. Section 2(30) defines “tax-free goods” as against which the rate of sales tax is shown as ‘nil’ in the schedule.

7. Unlike the other states, input tax credit is not completely denied in Maharashtra in respect of tax-free goods. Thus if a dealer purchases taxable raw materials for Rs.1,000/- paying tax of Rs.150 and manufacturers tax-free goods, he will be eligible for set-off of Rs.110/- of the tax paid on purchases [i.e. Rs.150 less Rs.40(4% of Rs.1000)]. In other states, he would not entitle to any set-off of the tax paid at the time of purchase.

8. Every dealer shall file an annual return. In addition to the annual return, a registered dealer may be required to furnish other periodic returns, as may be prescribed. Every registered retail dealer who has opted for composition of taxes shall be submit a return once in six months within one month from the end of six months.

6.4.8 ORISSA

1. Orissa implemented VAT from 1st April 2005.

2. VAT will not cover small business with a turnover below a certain limit. In Orissa, a general trader having annual turnover of Rs.2,00,000/- or more will be covered under VAT. The dealer, who purchases goods from outside the state for resale inside the state, or sells to outside the state, is liable to pay tax on his first transaction. The taxable limit for works contractor is Rs.50,000 and for manufacturer is Rs.1,00,000/-. 

3. There are four rates under VAT-the Zero rate, 1%, 4% and a general rate of 12.5%. Most essential commodities are exempted from VAT or fall in the category of 4%. The rate of 20% is applicable to goods like petrol, diesel, liquor and narcotics etc.

4. Credit for input tax is allowed to registered dealers against tax paid in respect of sales or purchases made within the state. Input tax credit is allowed on goods if a registered dealer has purchased from registered dealers for the purpose of –
• Sale or resale by him in the state.
• Sale of outside the state, Export or sale to SEZ, STP etc.
• For use as container for packing of goods.
• Stock transfer to any place outside the state in excess of 4%.

5. Composition scheme is for the small dealers / retailers. A dealer having gross annual turnover within Rs.10 lakhs will come under composition scheme. A dealer under composition scheme will pay tax at a low flat rate on his taxable turnover and he will not avail input tax credit.

6. Refund flowing from an order shall be given to the dealer within 60 days from the date of receipt of the order. The dealer need not apply for such refund. In case of export, the dealer will make an application for refund. Refund will be granted to an exporter within 90 days from the date of application after an audit. In case of delay, interest at 8% per annum will be paid after 60 or 90 days as the case may be.

7. In Orissa, Entry tax is in lieu of Octroi. So it will continue and Empowered Committee had approved it. Luxury tax will also continue but it may be subsumed in VAT later on. Profession tax, entertainment tax will also continue. There will be no surcharge under VAT.

8. Orissa VAT Act will replace Orissa Sales Tax Act, CST Act will continue.

9. No procedure is prescribed for a consumer to procure goods from outside the state. If a registered dealer purchases goods from outside the state, he avails of the concessional rate of tax at 4% against declaration in Form ‘C’, but the tax so paid is not eligible for input tax credit.

**6.4.9 WEST BENGAL**

1. West Bengal moved towards VAT from 1 April 2005.

2. As in other states there are mainly two basic VAT rates of 4% and 12.5%. Basic necessities such as medicines, all agricultural and industrial inputs, capital goods have been placed under 4% category. Remaining taxable commodities will fall under the general VAT rate of 12.5%. Besides this a few goods, namely gold, silver, platinum and ornaments will attract a lower rate of tax of 1% only. There is a list of goods exempted from payment of tax.
3. All exports made out of the country by 100%. Exported Oriented Units (EOUs), situated outside SEZs, will be eligible for refund in full or tax paid within the state, and this refund will be made within three months.

4. A reseller, registered under the VAT Act and engaged in buying and selling goods within WB, and having an annual turnover of sales not exceeding Rs.50,00,000/- in the preceding year will have an option to pay tax at the compounded rate of 0.25%, on the entries turnover of sales. Similarly, works contractors registered under the VAT Act will have an option to pay tax at a compounded rate of 2% on the entire contractual transfer price, irrespective of quantum of constructural transfer price.

5. Entire design of VAT with input tax credit is crucially based on documentation of tax invoice, cash memo or bill. Tax invoice can be issued only by either a dealer registered under the VAT Act or by a dealer who has incurred liability to pay tax under the Act and has applied for registration within 30 days from the date of incurring liability. A dealer who has opted pay tax at compounded rate of 0.25% on his turnover of sale or a works contractor who has opted to pay tax at the compounded rate of 2% on his contractual transfer price is, however, not entitled to issue a tax invoice.

6. The VAT liability will be self-assessed by the dealer themselves in terms of submission of returns by setting of the input tax credit against output tax. There will no longer be compulsory assessment at the end of the each year as exists now. If no specific notice is issued proposing assessment within the time limit specified under the VAT Act, the dealer will be deemed to have been assessed on the basis of returns submitted by him.

7. VAT paid by a registered dealer while purchasing goods in WB from another registered dealer who has incurred liability to pay tax under the VAT Act and has applied for registration within 30 days of incurring such liability, and where such purchase is supported by a tax invoice.

8. Input tax credit is available to manufacturers for purchase of raw materials, consumable stores and packing materials. Similarly, reseller can enjoy input tax credit for purchase of goods for resale and packing materials used in packing of such goods.
Delhi Sales Tax Department (DST) of the Government of NCT of Delhi is responsible for developing and implementing a comprehensive VAT regime for the National Capital Territory of Delhi. DST implemented VAT in Delhi on 1st April 2005. Initially this system was protested by the trade unions and dealers. However, the department had explained the flexibility of VAT to the dealers, Trade Unions and Bar Council. The department has conducted numerous workshops, conference and awareness campaigns to bring about awareness among stake holders.

The implementation of VAT seeks to achieve a new tax system which is efficient. It seeks to reduce compliance cost for the tax payer and administrative costs of DST. The new tax system DVAT replaces the old Delhi Sales Tax Act, Delhi Sales Tax on Works Contract Act, Delhi Sales Tax on Right to Use Goods Act and Delhi Sales Tax on Entry of Motor Vehicles.

**Main Features of Delhi VAT**

1. There are 4 schedules prescribed for rate of tax.

2. Taxable quantum –
   - In case of exporter or inter-state dealer – as and when the first sale is carried out;
   - In case of manufacturer – Rs.2,00,000/-
   - Resellers – Rs.4, 00,000/-.  

3. It is the only state that provides for mandatory refund within one month, deepened disposal in case disputes are not resolved within 8 months, half yearly and annual return for small traders and friendly composition scheme for hard to tax sector like construction and building industry.

4. Dealer has to pay tax after deducting input tax which he had paid from total tax collected by him. All VAT registered dealers can claim input tax credit on the eligible purchases. However, those opting for compounding scheme, where-by all dealers whose gross turnover is up to 25 lakhs can pay 1% tax on their GTO and are not eligible to claim input tax credit.

5. An application for claim of refund of excess sales tax paid could be made on any of the following circumstances:
• Any excess amount found paid in assessment proceedings,
• Any excess amount declared in an order of appeal,
• Reimbursement of tax paid in state on declared goods subsequently sold in inter-state sale.
• Restoration of registration and the paid tax on purchase of goods during the period when first registration was not in operation.

6. Tax on petroleum products cannot be availed as input credit. The input tax credit on petroleum products is covered by schedule E. It provides that in the following circumstances the input tax credit on petroleum products and natural gas be taken as NIL.
• When used as fuel
• When exported out of state.

6.5 STATES ADOPTED VAT FROM 1ST APRIL 2006.

State-level VAT implementation has almost achieved nation-wide coverage, with the five BJP ruled states with Meghalaya, a non-BJP ruled state switching over to the new tax regime from the existing sales tax system. The six states that have implemented VAT from 1st April 2006 are:
• Chattisgarh
• Gujarat
• Jharkhand
• Meghalaya
• Madhya Pradesh
• Rajasthan

6.5.1 RAJASTHAN

1. Rajasthan implemented VAT from April 1, 2006.

2. Liability under the VAT:
• Manufacturers of goods having annual turnover exceeding Rs.2,00,000/-
• Importer of goods, irrespective of turnover limit.
• Dealer having annual turnover above Rs.5, 00,000/-. 
• Dealer registered under CST Act.
• Any person other than a casual trader.
3. The VAT rates are:
   - 1% for gold, silver, precious metals, gems and precious stones.
   - 4% for essential goods and primary raw materials.
   - 12.5% on goods not covered in any schedule and special category of goods taxable at specified rates.
   - Goods specified in the schedule-I of the Rajasthan VAT Act are exempted from tax.

4. The Act introduces the concept of self assessment for all returns filed by dealers. Accordingly, all dealers shall be deemed to have been assessed on the basis of returns filed. However, all returns filed shall be verified for correctness and in case any error is detected, a revised return would have to be filed by the dealer.

5. When the net tax payable by a dealer is negative, he would be allowed to adjust the same against tax payable or outstanding CST liability and the balance if any, shall be carried forward to the next tax period or periods of the year and refund of the remaining amount shall be granted only after the end of the immediately succeeding year. In case of exporters, the refund shall be granted within a period of 30 days of the filing of the application for refund.

6.5.2 MADHYA PRADESH

1. Madhya Pradesh also introduced VAT from 1st April 2005.

2. Dealers whose turnover during the 12 months immediately preceding the commencement of the Act exceeded the prescribed limits not exceeding Rs. 5,00,000/-, shall be liable to pay tax under the Act. The prescribed limits of turnover as follows:
   - Rs.1 lakh in respect of a dealer who imports goods in to the state or who manufactures in the state any goods worth Rs.20,000 or more in a year.
   - Rs.3 lakh in respect of other dealers.
   - Rs.1 lakh in respect of a dealer who purchases goods under circumstances in which purchase tax is leviable, but has no turnover.

3. VAT on the sale or purchase of goods shall not be imposed where such sale or purchase takes place outside the state of MP or in the course of inter-state trade or commerce or in the course of import of the goods into or export of the goods out of the territories of India.
4. Goods listed in schedule-I are tax-free goods i.e. no tax shall be charged on their sale purchase under the Act. 36 items have been listed in the schedule.

5. The following taxes are levied under the VAT Act:
   • Part I taxes gold, silver, precious stones at 1%.
   • Part II taxes at 4%. The items include industrial inputs and packing materials as notified by the government.
   • Part IV covers raw opium and tendu leaves and charges at 10%.
   • Part V charges tax at 10% being the RNR.
   • Part III covers petrol, diesel etc. On these items, tax is charged at 25%.

6. A registered dealer having a turnover of less than Rs.5 lakh purchasing goods specified in schedule II from another registered dealer within the state and / or exempt goods may opt for payment of a lump sum as may be prescribed, within one month of the commencement of the year. This means that dealers who make inter-state purchase from unregistered dealers are not eligible for composition of tax.

7. When a registered dealer purchases any goods specified in schedule II, within the state of MP from another registered dealer he will be eligible for input tax rebate, if such goods are purchased for sale.

8. Every registered dealer shall furnish a return within 30 days of service of notice.

9. Assessments are made for each year. An exporter who claims a refund of tax makes an application for refund of tax, he will be assessed within 3 months from date of filing the application.

6.6 STATES ADOPTED VAT FROM 2007

Till 2006, in India Value Added Tax system has been introduced by all states except Tamil Nadu and Uttar Pradesh.

6.6.1 TAMIL NADU

The manufacturing and trading communities of this state have been making repeated representations to the government for an early decision on introduction of Value Added Tax in this state. After examining the matter thoroughly and after ascertaining the views of the trading community in the pre budget meeting held on 5th July, 2006 with representative of manufacturers and traders, this Government has
decided to introduce the system of Value Added Tax in the state with effect from 1st January 2007.

The beneficial features of Tamil Nadu VAT are as follows:

1. Under the sales tax system, the tax rates are 1%, 4%, 10%, 12%, 12.5%, 16% and 20%. Surcharge at 5% on tax, additional sales tax and resale tax at 1% are also levied.

   But, there will be only three rates of 1%, 4% and 12.5% under VAT. Gold and silver bullion and jewellery will be taxed at 1%. Goods and commodities of basic necessities such as medicine and drugs, all agricultural and industrial inputs, capital goods will be taxed at 4%. All other items will be taxed at 12.5%.

2. Under the VAT system, tax is payable only on the value added to the product at every point of sale and not on the entire value of the goods. Under VAT there will be no Additional Sales Tax, Surcharge and Resale tax. Hence, the tax burden will be less in VAT. Due to the less tax burden it is expected that the prices of goods will fall.

3. Under VAT, rate of tax on industrial inputs will be at 4%. The manufacturer will be given the facility of deducting the input tax paid by him against the tax payable on sale of finished product.

4. Dealer will file simplified monthly returns showing purchases and sales of goods along with payment of tax after deducting the tax credit. VAT liability will be self assessed by the dealers themselves in terms of submission of monthly returns after deducting tax credit.

5. Under VAT system, dealer whose annual turnover does not exceed Rs.10 lakh is exempted from registration and tax liability.

6. The compounding tax payment for works contract and hotels and restaurants will continue under VAT.

7. Under VAT, small dealers with annual gross turnover not exceeding 1% as compounding rate. Dealers opting for payment of compounding tax will not be eligible for input tax credit.

8. Petrol, Diesel, Aviation Turbine Fuel, Indian made foreign liquor and sugar cane will not be taxed under VAT. They will be taxed at different rates.

9. Entry tax will continue. Entry tax paid will be given set-off against VAT payable on sale of the goods.
6.6.2 UTTAR PRADESH

Ignoring the opposition's protests, the BSP government in Uttar Pradesh took an in-principle decision to switch to VAT from January 1, 2008. The state realized it was missing out on an annual 20% rise in tax receipts recorded by other states, plus a gradual loss of business by India's most populous state to others. According to State Cabinet Secretary, Shashank Shekhar Singh, due to absence of VAT credit, traders and manufacturers in UP were being denied input tax credit. As a result, goods produced in UP were becoming uncompetitive in other states. The state has therefore followed Tamil Nadu to complete the Indian experiment for a nation-wide state-level VAT regime.

**Salient Features of Proposed UP VAT Act**

1. Threshold level for registration of dealers has been raised from Rs. 3 Lakh and Rs. 2 lakh for traders and manufacturers respectively under the existing Trade Tax Act to uniform Rs. 5 lakh as is the case in most other states.

2. Various types of forms like Form 3A, 3B, 3C abolished. Only Form 31 and 35 to remain.

3. All dealers with turnover of above Rs. 1 Crore will be required to file monthly returns. Under the existing Trade Tax Act this ceiling was as low as Rs. 10 lakh.

4. Self-assessment of all dealers under VAT regime while under Trade Tax Act, self assessment was available only to dealers with turnover up to Rs. 50 lakh.

5. Provision for settlement commission to resolve cases of tax evasion of more than Rs. 1 lakh detected by SIB/Enforcement agencies.

6. UP is the only state in the country to abolish all provisions relating to prosecution of dealers under the VAT Act.

7. Input Tax Credit (ITC) allowed to a registered dealer for intra-state purchase of goods for resale or use in manufacture and it is not allowed in respect of non-VAT goods, captive power plant etc. Developers, co-developers and units in SEZ eligible for ITC on taxable goods for specific operations.

8. Dealers with annual turnover of less than Rs. 50 lakh (those dealing in UP sale) can opt for composition scheme wherein they pay just 1% of their declared turnover.
9. All goods have been classified into five categories:
   - Schedule 1 – Goods carrying 0% tax
   - Schedule 2 – Goods carrying 4% tax
   - Schedule 3 – Goods carrying 1% tax
   - Schedule 4 – Non VAT goods
   - Schedule 5 – All other goods carrying 12.5% tax.

6.7 Conclusion

The implementation of VAT, begun in 2005 and completed in 2008 with Uttar Pradesh finally joining the VAT regime is a matter of great satisfaction for the Indian fiscal system and for the federal structure. The initial success has doubly ensured the possibilities to derive immense and all-round benefits from this tax reform. Introduction of state-VAT is the most important tax reform measure at the state level. Regarding to the VAT rates, in general all the states levy tax at two rates namely 4% and 12.5%. A special rate of 1% is levied on bullion and species and precious metal like gold & silver. In all the states basic necessities are exempted. Most items of common consumption, inputs & capital goods are taxed at 4% and all the other items are taxed at 12.5%.

In case of services, as in other countries, in India too, the services constitute not only a large part but also the service sector also grows relatively fast. The power to levy the service tax is with the centre under the existing constitutional arrangements. However, under certain specific provisions of the Constitution, states can tax a few services such as electricity, transportation, entertainment and professions. Therefore, under VAT system, it is of important that in addition to goods, services also come under its net. Inclusion of services broadens the tax base. Being an integral part of VAT it is there fore important that, tax on services devoid of cascading and does not cause distortion in costs or in resource allocation.
APPENDIX NUMBER 6.1

COUNTERPOIL
THE CENTRAL SALES TAX
(REGISTRATION AND TURNOVER)
RULES, 1957
FORM OF DECLARATION
[See rule 12(1)]

Name of the purchasing dealer to whom issued along with his Registration Certificate
No ________________

Date from which registration is valid ______________________
Serial No ________________

Seal of Issuing Authority

To
*(Seller)

Certified that the goods
**Ordered for in our purchase Order No. ____________________________
dated ________________________ and supplied as
per Bill/Cash memo/ Challan No ________________ dated ________________
as stated below are for ** resale

use in manufacture/processing of goods for sale use in mining
use in generation/distribution of power

DUPLICATE
THE CENTRAL SALES TAX
(REGISTRATION AND TURNOVER)
RULES, 1957
FORM OF DECLARATION
[See rule 12(1)]

Name of the purchasing dealer to whom issued along with his Registration Certificate
No ________________

Date from which registration is valid ______________________
Serial No ________________

Seal of Issuing Authority

To
*(Seller)

Certified that the goods
**Ordered for in our purchase Order No. ____________________________
dated ________________________ and supplied as
per Bill/Cash memo/ Challan No ________________ dated ________________
as stated below are for ** resale

use in manufacture/processing of goods for sale use in mining
use in generation/distribution of power

ORIGINAL
THE CENTRAL SALES TAX
(REGISTRATION AND TURNOVER)
RULES, 1957
FORM OF DECLARATION
[See rule 12(1)]

Name of the purchasing dealer to whom issued along with his Registration Certificate
No ________________

Date from which registration is valid ______________________
Serial No ________________

Seal of Issuing Authority

To
*(Seller)

Certified that the goods
**Ordered for in our purchase Order No. ____________________________
dated ________________________ and supplied as
per Bill/Cash memo/ Challan No ________________ dated ________________
as stated below are for ** resale

use in manufacture/processing of goods for sale use in mining
use in generation/distribution of power

1 Ins. by S.R.O. 896, dated 23rd September, 1958 (w.e.f. 1-10-1958).
2 Ins. by G.S.R. 962 (E), dated 30th December, 1976.
packing of goods for sale/resale and are covered by my/our registration certificate No ____________________ dated ________________________________ issued under the Central Sales Tax Act, 1956.

(e) ** It is further certified that I/We am/are not registered under section 7 of the said act in the State of...in which the goods covered by this Form are/will be delivered.

Name and address of the purchasing dealer in Full ________________________________________________________________________________________________

Date ______________________

"[The above statements are true to the best my knowledge and, belief]

(Signature) __________________________________________________________________________________

(Name of the person signing the declaration.)

(Date of the person signing the declaration in relation to the dealer) _______________________

[Name and address of the seller with name of the State.]

** Strike out whichever is not applicable.

*** Particulars of Bill/Cash Memo/Challan

Date ________________________

Amount ________________________

(Note.—To be retained by the purchasing dealer.)

packing of goods for sale/resale and are covered by my/our registration certificate No ____________________ dated ________________________________ issued under the Central Sales Tax Act, 1956.

(e) ** It is further certified that I/We am/are not registered under section 7 of the said act in the State of...in which the goods covered by this Form are/will be delivered.

Name and address of the purchasing dealer in Full ________________________________________________________________________________________________

Date ______________________

"[The above statements are true to the best my knowledge and, belief]

(Signature) __________________________________________________________________________________

(Name of the person signing the declaration.)

(Date of the person signing the declaration in relation to the dealer) _______________________

[Name and address of the seller with name of the State.]

** Strike out whichever is not applicable.

*** Particulars of Bill/Cash Memo/Challan

Date ________________________

Amount ________________________

(Note.—To be retained by the purchasing dealer.)

packing of goods for sale/resale and are covered by my/our registration certificate No ____________________ dated ________________________________ issued under the Central Sales Tax Act, 1956.

(e) ** It is further certified that I/We am/are not registered under section 7 of the said act in the State of...in which the goods covered by this Form are/will be delivered.

Name and address of the purchasing dealer in Full ________________________________________________________________________________________________

Date ______________________

"[The above statements are true to the best my knowledge and, belief]

(Signature) __________________________________________________________________________________

(Name of the person signing the declaration.)

(Date of the person signing the declaration in relation to the dealer) _______________________

[Name and address of the seller with name of the State.]

** Strike out whichever is not applicable.

*** Particulars of Bill/Cash Memo/Challan

Date ________________________

Amount ________________________

(Note.—To be retained by the purchasing dealer.)
APPENDIX 6.2

Counterfoil

FORM 'D'

THE CENTRAL SALES TAX
(REGISTRATION AND
TURNOVER)

RULES, 1957.

Form of Certificate for making Government Purchases

[See rule 12(1)]

(To be used when making purchases by Government not being registered dealer)

Central Government /Name of the State Government

Name of issuing Ministry / Department

Name and address of office of issue

To

Seller

Certified that the goods

—Ordered for in our purchase order No=[ ] dated=[ ]

and supplied as per bill/cash memo/ Challan No=[ ]

dated=[ ] as stated below*

supplied under your challan

NO=[ ] dated=[ ] are purchased by or on behalf of

the Government of

Date

Designation of the authorised officer of the Government

SEAL OF THE DULY AUTHOURED OFFICER OF THE GOVERNMENT

*Particulars of Bill/ cash/memo/

Date——— No——— Amount———

Name and address of the seller

with name of the State———

***Strike out whichever is not applicable.

(Note-To be retained by the Authorised officer).

Duplicate

THE CENTRAL SALES TAX
(REGISTRATION AND
TURNOVER)

RULES, 1957.

FORM 'D'

Form of Certificate for making Government Purchases

[See rule 12(1)]

(To be used when making purchases by Government not being registered dealer)

Central Government /Name of the State Government

Name of issuing Ministry / Department

Name and address of office of issue

To

Seller

Certified that the goods

—Ordered for in our purchase order No=[ ] dated=[ ]

and supplied as per bill/cash memo/ Challan No=[ ]

dated=[ ] as stated below*

supplied under your challan

NO=[ ] dated=[ ] are purchased by or on behalf of

the Government of

Date

Designation of the authorised officer of the Government

SEAL OF THE DULY AUTHOURED OFFICER OF THE GOVERNMENT

*Particulars of Bill/ cash/memo/

Date——— No——— Amount———

Name and address of the seller

with name of the State———

***Strike out whichever is not applicable.

(Note-To be retained by the Authorised officer).

Original

THE CENTRAL SALES TAX
(REGISTRATION AND
TURNOVER)

RULES, 1957.

FORM 'D'

Form of Certificate for making Government Purchases

[See rule 12(1)]

(To be used when making purchases by Government not being registered dealer)

Central Government /Name of the State Government

Name of issuing Ministry / Department

Name and address of office of issue

To

Seller

Certified that the goods

—Ordered for in our purchase order No=[ ] dated=[ ]

and supplied as per bill/cash memo/ Challan No=[ ]

dated=[ ] as stated below*

supplied under your challan

NO=[ ] dated=[ ] are purchased by or on behalf of

the Government of

Date

Designation of the authorised officer of the Government

SEAL OF THE DULY AUTHOURED OFFICER OF THE GOVERNMENT

*Particulars of Bill/ cash/memo/

Date——— No——— Amount———

Name and address of the seller

with name of the State———

***Strike out whichever is not applicable.

(Note-To be furnished to the prescribed authority in accordance with the rules framed under section 13(3)(e) by the appropriate state Government.)
<table>
<thead>
<tr>
<th><strong>COUNTERFOIL</strong></th>
<th><strong>DUPLICATE</strong></th>
<th><strong>ORIGINAL</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>THE CENTRAL SALES TAX (REGISTRATION AND TURNOVER) RULES, 1957</td>
<td>THE CENTRAL SALES TAX (REGISTRATION AND TURNOVER) RULES, 1957</td>
<td>THE CENTRAL SALES TAX (REGISTRATION AND TURNOVER) RULES, 1957</td>
</tr>
<tr>
<td><strong>FORM E1</strong></td>
<td><strong>FORM E1</strong></td>
<td><strong>FORM E1</strong></td>
</tr>
<tr>
<td>(CERTIFICATE UNDER SUB-SECTION (2) OF SECTION 6)</td>
<td>(CERTIFICATE UNDER SUB-SECTION (2) OF SECTION 6)</td>
<td>(CERTIFICATE UNDER SUB-SECTION (2) OF SECTION 6)</td>
</tr>
<tr>
<td>[See rule 12(4)]</td>
<td>[See rule 12(4)]</td>
<td>[See rule 12(4)]</td>
</tr>
<tr>
<td>Name of State __________________</td>
<td>Name of State __________________</td>
<td>Name of State __________________</td>
</tr>
<tr>
<td>Serial No___________________</td>
<td>Serial No___________________</td>
<td>Serial No___________________</td>
</tr>
<tr>
<td>(To be issued in duplicate (i) by the selling dealer who first moved the goods in the case of a sale falling under section 3(a) or (ii) by the dealer who makes the first Inter-State sale during the movement of the goods from one State to another in the case of a sale falling under section 8(b)).</td>
<td>(To be issued in duplicate (i) by the selling dealer who first moved the goods in the case of a sale falling under section 3(a) or (ii) by the dealer who makes the first Inter-State sale during the movement of the goods from one State to another in the case of a sale falling under section 8(b)).</td>
<td>(To be issued in duplicate (i) by the selling dealer who first moved the goods in the case of a sale falling under section 3(a) or (ii) by the dealer who makes the first Inter-State sale during the movement of the goods from one State to another in the case of a sale falling under section 8(b)).</td>
</tr>
<tr>
<td><strong>A.</strong> Name of the selling dealer</td>
<td><strong>A.</strong> Name of the selling dealer</td>
<td><strong>A.</strong> Name of the selling dealer</td>
</tr>
<tr>
<td>___________________________________</td>
<td>___________________________________</td>
<td>___________________________________</td>
</tr>
<tr>
<td><strong>B.</strong> (i) Name of the purchasing dealer</td>
<td><strong>B.</strong> (i) Name of the purchasing dealer</td>
<td><strong>B.</strong> (i) Name of the purchasing dealer</td>
</tr>
<tr>
<td>___________________________________</td>
<td>___________________________________</td>
<td>___________________________________</td>
</tr>
<tr>
<td>(ii) Address (with State)</td>
<td>(ii) Address (with State)</td>
<td>(ii) Address (with State)</td>
</tr>
<tr>
<td>___________________________________</td>
<td>___________________________________</td>
<td>___________________________________</td>
</tr>
<tr>
<td><strong>C.</strong> (i) Name of the place and State in which movement commenced</td>
<td><strong>C.</strong> (i) Name of the place and State in which movement commenced</td>
<td><strong>C.</strong> (i) Name of the place and State in which movement commenced</td>
</tr>
<tr>
<td>___________________________________</td>
<td>___________________________________</td>
<td>___________________________________</td>
</tr>
<tr>
<td>(ii) Name of place and State to which the goods have been consigned by the Signatory</td>
<td>(ii) Name of place and State to which the goods have been consigned by the Signatory</td>
<td>(ii) Name of place and State to which the goods have been consigned by the Signatory</td>
</tr>
<tr>
<td>___________________________________</td>
<td>___________________________________</td>
<td>___________________________________</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>D. (i)</th>
<th>Invoice No. and date</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ii) Description, quantity and value of goods</td>
<td></td>
</tr>
<tr>
<td>(iii) No. and date of the declaration form C received from purchasing dealer with name of State of issue</td>
<td></td>
</tr>
<tr>
<td>(iv) No. and date of the Railway Receipt/Trip sheet of lorry/or any other document of other means of transport</td>
<td></td>
</tr>
</tbody>
</table>

I/We the selling dealer mentioned above do certify that I/We am/are registered under the Act and am/ are holding registration certificate No. ___________ dated ___________ in the State of ___________.

I/We further certify that (i) I/we will pay/have paid tax under the Act or (ii) no tax was payable under the Act in view of the general exemption referred to in sub-section (2A) [or in pursuance to any exemption or concession granted under sub-section (5)] of section 8, on the sale of the goods covered by documents whose particulars are given above, to the appropriate sales tax authority of the State of ___________.

[The above statements are true to the best of my knowledge and belief.]

(Name of the person signing the certificate)  
(Signature)

(Place)  
Status of the person signing the certificate in relation to the dealer  
Dated ___________  
Address (with name of the State) ___________

(Note.—To be retained by the dealer issuing the certificate)]

[Explanation.—In this form, Item D (ii) shall not be applicable in cases covered by the second proviso to sub-section (2) of section 6.)

<table>
<thead>
<tr>
<th>D. (i)</th>
<th>Invoice No. and date</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ii) Description, quantity and value of goods</td>
<td></td>
</tr>
<tr>
<td>(iii) No. and date of the declaration form C received from purchasing dealer with name of State of issue</td>
<td></td>
</tr>
<tr>
<td>(iv) No. and date of the Railway Receipt/Trip sheet of lorry/or any other document of other means of transport</td>
<td></td>
</tr>
</tbody>
</table>

I/We the selling dealer mentioned above do certify that I/We am/are registered under the Act and am/ are holding registration certificate No. ___________ dated ___________ in the State of ___________.

I/We further certify that (i) I/we will pay/have paid tax under the Act or (ii) no tax was payable under the Act in view of the general exemption referred to in sub-section (2A) [or in pursuance to any exemption or concession granted under sub-section (5)] of section 8, on the sale of the goods covered by documents whose particulars are given above, to the appropriate sales tax authority of the State of ___________.

[The above statements are true to the best of my knowledge and belief.]

(Name of the person signing the certificate)  
(Signature)

(Place)  
Status of the person signing the certificate in relation to the dealer  
Dated ___________  
Address (with name of the State) ___________

(Note.—To be retained by the dealer issuing the certificate)]

[Explanation.—In this form, Item D (ii) shall not be applicable in cases covered by the second proviso to sub-section (2) of section 6.)

1. Ins. by G.S.R. 395 (E), dated 14th April, 1967.
<table>
<thead>
<tr>
<th>FORM E-II</th>
<th>DUPLICATE</th>
<th>ORIGINAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>THE CENTRAL SALES TAX (Registration &amp; Turnover) RULES, 1957</strong></td>
<td><strong>THE CENTRAL SALES TAX (Registration &amp; Turnover) RULES, 1957</strong></td>
<td><strong>THE CENTRAL SALES TAX (Registration &amp; Turnover) RULES, 1957</strong></td>
</tr>
<tr>
<td><strong>FORM E-II COUNTERFOIL</strong></td>
<td><strong>FORM E-II</strong></td>
<td><strong>FORM E-II</strong></td>
</tr>
<tr>
<td>NAME OF STATE......</td>
<td>NAME OF STATE......</td>
<td>NAME OF STATE......</td>
</tr>
<tr>
<td>Serial No ................</td>
<td>Serial No .................</td>
<td>Serial No ................</td>
</tr>
<tr>
<td><strong>Certificate under sub-section (2) of Section 6. (See rule 12(4))</strong></td>
<td><strong>Certificate under sub-section (2) of Section 6. (See rule 12(4))</strong></td>
<td><strong>Certificate under sub-section (2) of Section 6. (See rule 12(4))</strong></td>
</tr>
<tr>
<td>[To be issued (in duplicate) by the first or subsequent transferor in the series of sales referred to in Section 6(2)(a) or second or subsequent transferor in the series of sales referred to in Section 6(2)(b)].</td>
<td>[To be issued (in duplicate) by the first or subsequent transferor in the series of sales referred to in Section 6(2)(a) or second or subsequent transferor in the series of sales referred to in Section 6(2)(b)].</td>
<td>[To be issued (in duplicate) by the first or subsequent transferor in the series of sales referred to in Section 6(2)(a) or second or subsequent transferor in the series of sales referred to in Section 6(2)(b)].</td>
</tr>
<tr>
<td><strong>A. Name of the dealer effecting a sale by transfer of the documents of title to the goods</strong></td>
<td><strong>A. Name of the dealer effecting a sale by transfer of the documents of title to the goods</strong></td>
<td><strong>A. Name of the dealer effecting a sale by transfer of the documents of title to the goods</strong></td>
</tr>
<tr>
<td>..........................................................</td>
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<td>..........................................................</td>
</tr>
<tr>
<td><strong>B. (i) Name of the purchasing dealer</strong></td>
<td><strong>B. (i) Name of the purchasing dealer</strong></td>
<td><strong>B. (i) Name of the purchasing dealer</strong></td>
</tr>
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</tr>
<tr>
<td><strong>(ii) Address (with name of state)</strong></td>
<td><strong>(ii) Address (with name of state)</strong></td>
<td><strong>(ii) Address (with name of state)</strong></td>
</tr>
<tr>
<td>..........................................................</td>
<td>..........................................................</td>
<td>..........................................................</td>
</tr>
<tr>
<td><strong>C. (i) Name of the place and State in which movement commenced</strong></td>
<td><strong>C. (i) Name of the place and State in which movement commenced</strong></td>
<td><strong>C. (i) Name of the place and State in which movement commenced</strong></td>
</tr>
<tr>
<td>..........................................................</td>
<td>..........................................................</td>
<td>..........................................................</td>
</tr>
<tr>
<td><strong>(ii) Name of place and State to which the goods have been consigned</strong></td>
<td><strong>(ii) Name of place and State to which the goods have been consigned</strong></td>
<td><strong>(ii) Name of place and State to which the goods have been consigned</strong></td>
</tr>
<tr>
<td>..........................................................</td>
<td>..........................................................</td>
<td>..........................................................</td>
</tr>
<tr>
<td><strong>D. (i) Invoice No. and date</strong></td>
<td><strong>D. (i) Invoice No. and date</strong></td>
<td><strong>D. (i) Invoice No. and date</strong></td>
</tr>
<tr>
<td>..........................................................</td>
<td>..........................................................</td>
<td>..........................................................</td>
</tr>
<tr>
<td><strong>(ii) Description, quantity and value of goods</strong></td>
<td><strong>(ii) Description, quantity and value of goods</strong></td>
<td><strong>(ii) Description, quantity and value of goods</strong></td>
</tr>
<tr>
<td>..........................................................</td>
<td>..........................................................</td>
<td>..........................................................</td>
</tr>
<tr>
<td><strong>(iii) No. and date of the declaration form 'C' received from purchasing dealer with name of the State of issue</strong></td>
<td><strong>(iii) No. and date of the declaration form 'C' received from purchasing dealer with name of the State of issue</strong></td>
<td><strong>(iii) No. and date of the declaration form 'C' received from purchasing dealer with name of the State of issue</strong></td>
</tr>
<tr>
<td>..........................................................</td>
<td>..........................................................</td>
<td>..........................................................</td>
</tr>
<tr>
<td><strong>(iv) No. and date of Railway Receipt / Trip sheet of lorry / or any other document of other means of transport</strong></td>
<td><strong>(iv) No. and date of Railway Receipt / Trip sheet of lorry / or any other document of other means of transport</strong></td>
<td><strong>(iv) No. and date of Railway Receipt / Trip sheet of lorry / or any other document of other means of transport</strong></td>
</tr>
<tr>
<td>..........................................................</td>
<td>..........................................................</td>
<td>..........................................................</td>
</tr>
</tbody>
</table>
I / We the selling dealers
do certify that:
I / We am / are registered under
the Act and am / are holding
registration certificate
No..................... dated
........................ in the
State of ......................

(e) I / We, having purchased the
documents of title to the goods
during their movement from one
State to another referred to in
item C above against a
certificate No ..................
in Form EI / EII, have now
effected a subsequent sale during
such movement by transferring
the same in favour of the
purchasing dealer whose address
is given in this certificate;

(f) The dealer from whom I /
We purchased the documents
of title to the goods during the
movement referred to in (b)
above, has certified (i) that he
has paid / will pay the tax or
(ii) that the tax has been / will
be paid by any of the
preceding transferors of
documents of title to the
goods or (iii) that no tax
was payable under the Act in
view of the general exemption
referred to in sub-section (2A)
*[or in pursuance to any
exemption or concession
granted under sub-section(5)]
of Section 8.]*

"The above statements are
true to the best of my
knowledge and belief.

(Signature)

(Name of the person signing
the certificate)

(Place)

(Status of the person signing
the certificate in relation to the
movement referred to)

138
<table>
<thead>
<tr>
<th>Dealer</th>
<th>Dealer</th>
<th>Dealer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dated ...................................</td>
<td>Dated ...................................</td>
<td>Dated ...................................</td>
</tr>
<tr>
<td>Address (with name of the State) ..................................</td>
<td>Address (with name of the State) ..................................</td>
<td>Address (with name of the State) ..................................</td>
</tr>
</tbody>
</table>

N.B— To be retained by the dealer issuing the certificate.

**Explanation**: In this form, 'transferor' means any person who effects a sale in the mode referred to in clause (b) of Section 3.

**Explanation**: In this form, item D (iii) shall not be applicable in cases covered by the second proviso to sub-section (2) of Section 6.

N.B. To be furnished to the prescribed authority in accordance with the rules framed under section 13(3) by the appropriate State Government.

61. Original Form E-2 was inserted by GSR 896, dated 23.9.1958 and corrected subsequently by GSR 1059, dated 29.10.1958.
63. Subs. by Notification No: GSR 1321 dated 27.11.59.
64. Subs. by Notification No: GSR 56-E, dated 9.2.73 w.e.f. 1.4.1973.
66. This explanation has been renumbered as Explanation I and Explanation II was added by Notification No. GSR 597E, dated 30.12.75.

*Ins by GSR 395 (E) dated 14.4.87 w.e.f. 14.4.87.*
### FORM H

**Certificate of Export**

[See rule 12(10)]

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Seal of the Issuing Authority</th>
<th>Name of Issuing State</th>
<th>Office of Issue</th>
<th>Date of Issue</th>
<th>Name and complete address of the exporter</th>
<th>Registration No. of the exporter under the Central Sales Tax Act, 1956, if any.</th>
<th>To (Name and complete address of the seller)</th>
<th>Sales tax registration number of the seller: (a) under the relevant State sales tax law</th>
<th>(b) under the Central Sales Tax Act, 1956.</th>
<th>Certificate I: Certified that the goods (the particulars whereof have been specified in items (1) and (2) of the Schedule below) supplied in pursuance of our purchase order No .......... dated ............. purchased from you as per bill / cash memo / challan No .......... dated .............</th>
</tr>
</thead>
</table>

**Certificate II**

[See rule 12(10)]

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Seal of the Issuing Authority</th>
<th>Name of Issuing State</th>
<th>Office of Issue</th>
<th>Date of Issue</th>
<th>Name and complete address of the exporter</th>
<th>Registration No. of the exporter under the Central Sales Tax Act, 1956, if any.</th>
<th>To (Name and complete address of the seller)</th>
<th>Sales tax registration number of the seller: (a) under the relevant State sales tax law</th>
<th>(b) under the Central Sales Tax Act, 1956.</th>
<th>Certificate I: Certified that the goods (the particulars whereof have been specified in items (1) and (2) of the Schedule below) supplied in pursuance of our purchase order No .......... dated ............. purchased from you as per bill / cash memo / challan No .......... dated .............</th>
</tr>
</thead>
</table>
for Rs. ................ have been sold by me / us, in the course of export out of the territory of India, as per details given in items (3) to (6) of the said Schedule, and that the said goods were purchased from you by me / us after, and for the purpose of complying with, the agreement or order No. .................. dated ......................... for or in relation to such export.

Certificate II : It is further certified that non-liability to tax under the Central Sales Tax Act, 1956 in respect of goods referred to in Certificate I has not been claimed from any other person and that no other certificate for such non-liability has been issued to any other person in India in respect of those goods.

Certificate III : It is further certified that in case the goods covered by this certificate are reimported into India by me / us after their export, I / We under take to inform the sales tax authority of the person to whom this certificate has been supplied, about the fact of such reimport within a period of one month from the date of reimport of the said goods into India.

The Schedule

A. Particulars of goods
(1) Description of goods
(2) Quantity of goods

B. Details regarding export
(3) Name of airport, seaport or land customs station through which the goods have been exported.
(4) Name of the airlines / ship / railway / goods vehicle or other means of transport through which the export has taken place.
(5) Number and date of air consignment note / bill of

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(5) Number and date of air consignment note / bill of
(6) Description, quantity / weight and value of the goods exported under the document referred to in item (5) above.

Verification

The above statements are true to the best of my knowledge and belief and nothing has been concealed therefrom.

Signature with date ........................

Name of the person signing the certificate

Status of the person signing the certificate in relation to the exporter.

Note:- To be retained by the exporter.

Note:- To be furnished to the prescribed authority in accordance with the rules made by the State Government under Section 13.
REFERENCE

1. Andaman and Nicobar: http://www.and.nic.in
2. Andhra Pradesh: http://apcommercialtaxes.gov.in
3. Arunachal Pradesh: http://www.arunachalpradesh.nic.in
5. Bihar: http://www.bihar.nic.in
6. Chattisgarh: http://sampark.chd.nic.in
7. Delhi: http://www.delhisalestax.com
10. Himachal Pradesh: http://www.hptax.nic.in
11. Jammu & Kashmir: http://www.jammukashmir.nic.in
12. Jharkhand: http://www.jharkhandcomtax.nic.in
16. Maharashtra: http://www.vat.maharashtra.gov.in
17. Manipur: http://www.manipur taxation.nic.in
18. Meghalaya: http://megvat.nic.in
19. Mizoram: http://www.mizoram.nic.in
20. Nagaland: http://www.nagaland.nic.in
21. Orissa: http://www.orin.nic.in/salestax
24. Sikkim: www.sikkim.gov.in
25. Tamil Nadu: http://www.tnsalestax.com
26. Tripura: http://www.tripura.nic.in/taxes
27. Uttarakhand: http://gov.ua.nic.in/tradetax
28. Uttar Pradesh: http://tradetax.up.nic.in
29. West Bengal: http://www.wbcomtax.nic.in