

# VAT Basics

Dear Client,

Please note following basic but necessary information regarding VAT in Madhya Pradesh:

1. Total 5 **types of taxes** have to paid in Madhya Pradesh (commercial tax department):
  1. VAT
  2. CST
  3. Entry Tax
  4. Professional Tax (persons) (Separate registration)
  5. Professional Tax (employer) (Separate registration)

2. **Due Date of Payment**– VAT, CST and Entry tax have to be deposited **monthly** on or before 10th of next month. For last month of each quarter, due date shall be 30th of next month instead of 10th. For month of **March**, for transactions upto 25th March, due date is 31st March and for remaining period due date is 30th April.

However, where quarterly tax liability does not exceed Rs.15,000/-, dealer can pay taxes on quarterly basis. Due date in such case shall be 30 days after expiry of each quarter.

3. **Interest on delayed payments** is payable @ 18% p.a. upto delay of 3 months and @24% p.a. thereafter.

4. **Professional Tax (Person)** is to be deposited annually.

1. Companies – Flat Rs.2500 per year
2. Other dealer liable for VAT-
  1. Turnover between 10L – 50L – Rs.2000 per year
  2. Turnover above 50L – Rs. 2500 per year

5. **Professional Tax (Employer)** is to be deposited monthly for each employee whose salary exceeds Rs.1,80,000/- per year. (Rs.208 per month, i.e. Rs.2500 per employee per year)

6. **Due date for filing** returns is as follows:

1. Q1 – 30th July (above 2 crore)/ 19<sup>th</sup> Aug
2. Q2 – 30th Oct (above 2 crore)/ 19<sup>th</sup> Nov
3. Q3 – 30th Jan (above 2 crore)/ 19<sup>th</sup> Feb
4. Q4 – 30th Apr (above 2 crore)/ 19<sup>th</sup> May

7. **Penalty for delayed returns** shall be **Rs.50/- per return per day** (i.e. Rs.150/- for delay of VAT, CST and ET returns) for delay of 30 days. Beyond 30 days, penalty shall be **Rs.500/- per return per day** (i.e. Rs.1500 per day for all returns) subject to maximum of Rs.25,000/- per return (i.e. Rs.75000 for all returns). [sec. 18(4)(d) of MP VAT Act]

8. General **rate of VAT and CST** is 5% and 14%. However, in case of interstate sale against “Form-C” CST is chargeable @ 2%. In case of stock transfer to other state against “Form F”, no tax is leviable, however, input tax rebate on goods transferred or raw material consumed on such transfer shall be liable for reversal @ 5%.

9. **Input tax rebate** of VAT paid on all goods purchased from registered dealers for use in relation to business in Madhya Pradesh is available subject to following conditions:

1. Full payment is to be made through banking channel for bills above Rs.40,000/-
2. Complete party-wise list of all purchase and sales is submitted in quarterly e-returns.
3. Seller is not a composition dealer.
4. ITR on goods that are sold in interstate trade or commerce is restricted to CST collected thereon (w.e.f. 05/04/2016). Example – Goods purchased for

Rs.105/- (100 Basic + 5 VAT). These goods are sold interstate for Rs.112.20(110 basic + 2.2 CST). In this case, ITR of Rs.2.2 only will be allowed instead of Rs.5/-.

5. ITR on stock transfer to other state, tax-free finished goods is liable for reversal at 5%.
6. ITR on Building material, fixtures, furniture and fittings, vehicles, office equipments, air conditioners etc. shall not be allowed. (noti. no. 28 – 2007)

10. **Entry tax** is payable on:

1. All purchases from outside Madhya Pradesh
2. Purchase of “ET not paid” goods from other local (municipal) area within Madhya Pradesh (eg- Entry tax shall be payable on goods purchased in Indore from a manufacturer in Bhopal. However, no ET shall be payable on goods purchased in Indore from a manufacturer in Indore. Please note- Goods purchased directly from “manufacturers” are always “ET not paid goods” and goods purchased from traders are generally “ET paid goods”)
3. All purchases from unregistered dealers.

11. General rate of entry tax is 1% (for goods covered under 5% VAT category) and 2% (for goods covered under 14% VAT category). However, in case of manufacturers entry tax is payable @ 1% on all raw material and incidental goods except for items for which special notification has been issued by the department.

12. **Form 49** is to be issued for bringing prescribed goods into Madhya Pradesh. For list of prescribed goods, visit <http://dineshgoyal.com/vat/list-of-goods-for-form-49/>

13. **Form C/Form F** can only be issued if CST registration is obtained.

14. **First interstate sale**– Intimation is to given to department within 30 days of first interstate sale transaction.

15. **Submission of Audit Report**– Audit report along with financial statements is to be submitted each year on or before 15<sup>th</sup> November.

16. **Composition Scheme**–

1. In case of **Works Contractor**– Dealer has option to apply for Composition for each works contract within 30 days. Brief details are as follows:

1. Flat rate of 1% VAT on total value of works contract [Condition- all purchases should be made from registered dealer in MP. Purchases upto Rs.1 lac can be done from unregistered dealer in MP]
2. Flat rate of 5% VAT on total value of works contract [No conditions]
3. Exemption from Entry tax [noti. no.16/2007]
4. No Input tax rebate on purchased goods shall be available.
5. Application has to be made within 30 days for each works contract.
6. Each application is subject to approval from CTO.

2. In case of **Traders**– Dealer has to apply for composition each year before 30<sup>th</sup> April. Details are as under:

1. Flat rate of tax @ 0.5%
2. Condition- All purchase must be made from registered dealer within Madhya Pradesh.
3. Turnover should not ordinarily exceed Rs.1 crore.
4. No input tax rebate on purchased goods shall be available

5. Customers shall not be eligible for input tax rebate.
3. In case of **manufacture of Cooked Food**– Dealer has to apply for composition each year before 30<sup>th</sup> April. Details are as under:
  1. Flat rate of tax @ 3%
  2. Turnover should not ordinarily exceed Rs.1 crore.
  3. No input tax rebate on purchased goods shall be available
  4. Customers shall not be eligible for input tax rebate.
4. In case of **manufacture of Goods other than cooked food**–
  1. Flat rate of tax @ 4%
  2. Turnover should not ordinarily exceed Rs.1 crore.
  3. No input tax rebate on purchased goods shall be available
  4. Customers shall not be eligible for input tax rebate.

17. **Annual Assessment**– Assessment is annually done by the department. [Last date: 31<sup>st</sup> Dec. of subsequent year after end of financial year.] However, where all the taxes are paid on time and returns are filed on time, case may not be selected for assessment. Also, generally govt. notifies self assessment schemes each year for small dealers.

We have tried to provide basic but necessary details in brief. However, there may be special cases where above provisions do not apply.

Also, you may please note, for enabling simplicity, minute details have not been given in above article. Hence, you are requested to kindly ask for an opinion by sending us a query with specific details before entering into transactions that

are not of regular nature.

Hope our above article will help you understand MP-VAT.

Regards,

**Dinesh Goyal & Co., Chartered Accountants**