

PRACTICAL QUESTIONS IN VAT

1. Y is a registered dealer and gives the following information. You are required to compute the net tax liability and total sales value under VAT. X sells his products to dealers in his state and in other states. The profit margin is 15% of cost of production and VAT rate is 12.5% of sales.

	Rs.
Intra-state purchases of raw material (excluding VAT @ 4%)	2,50,000
Purchases of raw material from an unregistered dealer (including VAT @ 12.5%)	80,000
High seas purchases of raw material (excluding customer duty @ 10 % which comes to Rs.18,500)	1,85,000
Purchases of raw materials from other states (excluding CST @ 2 %)	50,000
Transportation charges, wages and other manufacturing expenses excluding tax	1,45,000
Interest paid on bank loan	70,000

2. State with reasons in brief whether the following statements are correct or incorrect with reference to the provision of value added tax.
- It is permitted to issue 'tax invoice' inclusive of VAT (i.e., aggregate of sales price and VAT).
 - A registered dealer is compulsorily required to get its books of account audited under VAT of different States irrespective of limit of turnover.
3. Compute the VAT amount payable by X, who purchased goods from a manufacturer on payment of Rs.4,16,000 (including VAT) and earned 20 percent profit on purchase price. VAT rate on both purchases and sales is 4 percent.
4. Compute net VAT liability of C from the following information:

	Rs.	Rs.
Raw materials from foreign market (includes duty paid on imports @ 20 percent)		1,20,000
Raw material purchased from local market		
Cost of raw material	2,50,000	
Add: Excise duty @ 16 percent	40,000	
Cost including excise duty	<u>2,90,000</u>	
Add: VAT @ 4 percent	11,600	
Raw material purchased from neighbouring state (includes CST @ 2 percent)		51,000
Storage and transportation cost		9,000
Manufacturing expenses		30,000

C sold goods to D and earned profit @ 12 percent on the cost of production. VAT rate on sale of such goods is 4 percent.

5. Y & Co., a manufacturer of product X, sold its goods to a distributor at Rs.11,250 inclusive of tax. The distributor sold the goods to wholesaler for Rs.13,500. The wholesaler sold the goods to a retailer for Rs.16,875. The retailer sold the goods to consumer at Rs.22,500. All the sales were inclusive of VAT @ 12.5 percent. Compute the total VAT payable under subtraction method.
6. X & Co. receives the following amounts:

Date of Receipt	Nature of receipt	Amount Rs.	Time of providing service
April 20, 2010	For service	1,00,000	Service rendered in July 2010.
June 30, 2010	Advance for service	5,00,000	Service were rendered in July and August 2010.
August 5, 2010	For service	50,000	For services rendered in March 2010
Sept 10, 2010	Advance for service	3,50,000	A sum of Rs.50,000 is refunded in April 2011 after termination of agreement. For the balance amount, service is provided in September 2010.

Compute (a) the amount of taxable service tax for the first two quarters of the financial year 2010-11, and (b) the amount of service tax payable thereon.

7. X, a trader selling raw materials to a manufacturer of finished products. He imports his stock in trade as well as purchases the same from the local markets. Following transaction took place

during financial year 2010-11. Calculate the VAT and invoice value charged by him to a manufacturer. Assume the rate of VAT @ 12.50 percent.

	Rs.
Cost of imported materials (from other state) excluding tax	1,00,000
Cost of local materials including VAT	2,25,000
Other expenditure includes storage, transport, interest and loading and unloading and profit earned by him	87,500

8. X, a dealer in Mumbai dealing in consumer goods, submits the following information pertaining to the month of March 2011.

Exempt goods A purchased for Rs.2,00,000 and sold for Rs.2,50,000.

Goods B purchased for Rs.2,25,000 (including VAT) and sold at a margin of 10% profit on purchases (VAT rate: 12.5%)

Goods C purchased for Rs.1,00,000 (excluding VAT) and sold for Rs.1,50,000 (VAT rate: 4 %)

His unutilized balance in VAT input credit on March 1, 2011 was Rs.1,500. Compute the turnover, input VAT output VAT and net VAT payable by X.

9. X, a manufacturer sells goods to B, a distributor for Rs.2,000 (excluding of VAT). B sells goods to K, a wholesale dealer for Rs.2,400. The wholesale dealer sells the goods to a retailer for Rs.3,000, who ultimately sells to the consumers for Rs.4,000.

Compute the tax liability, input credit availed and tax payable by the manufacturer, distributor, wholesale dealer and retailed under invoice method assuming VAT rate at the rate of 12.5 percent.

10. Answer the following:

- What are the different stages of VAT? Can it be said that entire burden falls on the final consume?
- Discuss filing of return under VAT.
- List out six purchases which are not eligible for input tax credit.

11. Compute the VAT among payable by A who purchases goods from a manufacturer on payment of Rs.2,25,000 (including VAT) and earn 10% profit on sale to retailers? VAT rate on purchase and sale is 12.5%.

12. Compute the invoice value to be charged and amount of tax payable under VAT by a dealer who had purchased goods for Rs.1,20,000 and after adding for expenses of Rs.10,000 and of profit Rs.15,000 had sold out the same.

The rate of VAT on purchases and sales is 12.5 percent.

13. VAT is calculated by deducting tax credit from tax collected during the payment period.

	Rs.
Purchase price	100
Tax paid on purchase (i.e., input tax) at the rate (assumed of 10 percent)	10
Sale price	180
Tax on sale price (i.e., output tax) at the rate (assumed) of 12.5 percent	22.5
VAT payable (Rs.22.5-Rs.10)	12.5

14. X purchases input worth Rs.15,00,000 and records sales of Rs.22,00,000 in the month of January 2010. Input tax rate and output tax rate is 12.5%. Input tax credit/set-off shall be computed as follows:

	Rs.
a. Input procured within the state in a month	15,00,000
b. Output sold in the month	22,00,000
c. Input tax paid @ 12.5% on (a)	1,87,500
d. Tax collected 12% on (b)	2,75,000
e. VAT Payable during the month [(d)-(c)]	87,500

- 15.X** Purchases input worth Rs.16,00,000 and records sales of Rs.21,00,000 in the month of January 2010. Input tax rate and output tax rate are 4 % and 12.5 % respectively. Input tax credit/set-off shall be calculated as follows:

	Rs.
a. Input purchased during January 2010	16,00,000
b. Output sold in the month of January 2010	21,00,000
c. Input tax paid @ 4% of (a)	64,000
d. Output tax collected during January 2010 @ 12.5% of (b)	2,62,500
e. VAT payable for January 2010 after set-off / input tax credit [(d)-(c)]	1,98,500

- 16.** Calculate the VAT liability for the period Jan.1.2007 to Jan.31.2007 from the following particulars:

Inputs worth Rs. 1,00,000 were purchased within the state Rs. 2,00,000 worth of finished goods were sold within the State and Rs. 1,00,000 worth of goods of finished goods were sold in the course of inter-State trade. VAT paid on procurement of Capital goods worth Rs. 1,00,000 during the month was at 12.5%. If the input and output tax rate in the State are 12.5% and 4% respectively and the Central Sales Tax rate is 3%, show the total tax liability under the State VAT law and under the Central Sales Tax Act.

- 17.** Purchases by S & Co. for the month of December are as follows:

- i.** Rs. 1,00,000 at 4% Vat
- ii.** Rs. 5,00,000 at 12.5% Vat

Sales of s & Co. for the month of December are as follows:

- i.** Sales of Rs. 3,00,000 at 4% Vat
- ii.** Sales of Rs. 3,00,000 at 12.5% Vat

Compute eligible input tax credit and Vat payable for the month

- 18.** Determine the taxable turnover, input tax credit and net VAT payable by a works contractor from the details given below on the assumption that the contractor maintain sufficient records to quantify the labour charges. Assume output VAT at 12.5%

	Rs. lakhs
i. Total contract price (excluding VAT)	100
ii. Labour charges paid for execution of the contract	35
iii. Cost of consumables used not involving transfer of property in goods	5
iv. Material purchased and used for the contract taxable at 12.5% VAT (VAT included)	45