



Value Added Tax

Taxpayer's Guide



Sales Tax Department

Government of Maharashtra, Mumbai

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Disclaimer

This Guide has been compiled by the Sales Tax Department, Government of Maharashtra, for information and general guidance. While every effort is made to ensure that the contents are accurate, the examples and topics represent the general provisions only. This Guide reflects the provisions of law at the date of release. This Guide does not replace the law or affect the rights and obligations under the law. The readers are advised to refer to Government Gazettes for details.

“Harmony, indeed, was the reign’s password. The polite arts and pure sciences flourished. Technology, applied physics, industrial chemistry and so forth were suffered to thrive

The climate seemed to be improving.

Taxation had become a thing of beauty.”

- Vladimir Nabokov, the Pale Fire.

Preface

As you may be aware, introduction of Value Added Tax (VAT) in India is one of the most important fiscal reforms since independence. It is a positive step towards achieving simplicity and transparency in the sales tax system. VAT is a progressive sales taxation system whereby emphasis is given to self-assessment and more trust is placed on the dealers.

The compilation of this Guide is the maiden attempt by the Sales Tax Department and it has been compiled to assist you in understanding the provisions of the Maharashtra Value Added Tax Act, 2002 and the rules, notifications issued thereunder. This Guide intends to explain, in plain language, the provisions of the VAT law. However, it does not replace the law, or affect your rights and obligations under the law. The Guide endeavours to:

- familiarise you with the scheme of VAT in the State of Maharashtra;
- explain your rights and obligations as a registered dealer;
- set out the expectations that the Sales Tax Department has from you;
- list the addresses and contact details of the Sales Tax Offices across the State.

We in the Sales Tax Department would like to help you pay your taxes with dignity and enjoy the beautiful experience of being a proud participant in the process of development of Maharashtra.

Should you require any further assistance, please do not hesitate to get in touch with any of our sales tax offices in the State.

Alternatively, you may visit our website

www.vat.maharashtra.gov.in for further information.

I welcome any suggestions / feedback on this Guide which will help us in serving you in a more meaningful manner.

I wish you every success in your entrepreneurial venture.

B.C.Khatua
Commissioner of Sales Tax
Maharashtra State
Mumbai.

1st July 2006

Abbreviations

CST	- Central Sales Tax
EHTP	- Electronic Hardware Technology Park
EOU	- Export Oriented Unit
LTU	- Large Taxpayers' Unit
MVAT Act	- Maharashtra Value Added Tax Act, 2002
MVAT Rules	- Maharashtra Value Added Tax Rules, 2005
PAN	- Permanent Account Number
PSI	- Package Scheme of Incentives
PT	- Profession Tax
SEZ	- Special Economic Zone
STD	- Sales Tax Department
STP	- Software Technology Park
TIN	- Taxpayer Identification Number
TINXSYS	- Tax Information Exchange System
VAT	- Value Added Tax

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Part 1 - Introduction

Background

Maharashtra is one of the 21 States which have introduced the Value Added Tax (VAT) system of taxation from 1st April 2005. With the introduction of VAT, we have moved to a globally recognized sales taxation system that has been adopted by more than 130 countries.

The design of Maharashtra State VAT is generally guided by the best international practices with regard to legal framework as well as operating procedures. Another key factor in preparation of the design of State level VAT is the national consensus on certain issues. The consensus has been arrived at through the discussions in the Empowered Committee of State Finance Ministers on implementation of State level VAT.

On 1st April 2005, VAT replaced the single point sales tax. Single point sales tax had a number of disadvantages, primarily that of double taxation. VAT is a modern and progressive taxation system that avoids double taxation. In addition to offering the possibility of a set-off of tax paid on purchases, VAT has other advantages for both business and government.

- It eliminates cascading impact of double taxation and promotes economic efficiency.
- It is primarily a self-policing, self-assessment system with more trust put on dealers.
- It provides the potential for a stronger manufacturing base and more competitive export pricing.
- It is invoice based, and as a result it offers a better financial system with less scope for error.
- It has an improved control mechanism resulting in better compliance.
- It widens the tax base and promotes equity.

VAT in Maharashtra is levied under a legislation known as the Maharashtra Value Added Tax Act (MVAT Act), supported by Maharashtra Value Added Tax Rules (MVAT Rules). VAT is levied on sale of goods including intangible goods.

The meaning of 'goods' for VAT purposes

'Goods' means every kind of moveable property including goods of incorporeal and intangible nature but there are some exclusions, such as newspapers, actionable claims, money, shares and securities and lottery tickets.

Businesses engaged in the buying and selling of goods within the scope of the VAT law are referred to as dealers.

The meaning of 'sale' for VAT purposes

A transaction of sale can be a:

- normal sale of goods;
- sale of goods under hire-purchase system;
- deemed sale of goods used / supplied in the course of execution of works contract;
- deemed sale of goods given on lease.

The rate of tax applicable to the goods sold under various classes of sales is uniform. However, in respect of normal sales of goods and deemed sales of goods under works contract and specified deemed sale of goods given on lease, the Act provides for an optional method for discharging tax liability by way of composition. Being so, the tax liability has to be determined with reference to the option exercised by the dealer for discharging tax liability.

Businesses covered by VAT

The VAT system embraces all businesses in the production and supply chain, from manufacture through to retail. VAT is collected at each stage in the chain when value is added to goods. It applies to all businesses, including importers, exporters, manufacturers, distributors, wholesalers, retailers, works contractors and lessors.

Our key commitments to you

The law gives the Commissioner of Sales Tax extensive powers, but we undertake to act fairly and reasonably in all our dealings with you.

- We will provide you with the information you need to help you meet your responsibilities under the VAT legislation.
- We will respond to you promptly if you visit, contact or call any of our offices.
- You are entitled to a courteous service from us.
- We will make sure that the members of our staff are trained so that we can meet these commitments.

What we expect from you

In order that we may fulfil our commitments, we expect that you

- notify us when there is any change in the information communicated to us earlier
- complete and submit your returns and pay the tax by the due date
- ensure that your returns are complete, correct and self consistent
- provide promptly all the necessary information that we may ask for.

Telling us when things go wrong

We aim to offer you a courteous and efficient service.

If you are not satisfied with the service provided, please talk to an officer in your local sales tax office. Many problems can be resolved locally. The staff will do their best to sort out the problem quickly, but if you think it appropriate, you may speak to the local supervisory officer.

If you are still not satisfied with the outcome, you may write to the Commissioner of Sales Tax at the following address:

Commissioner of Sales Tax
8th Floor, Vikrikar Bhavan,
Mazgaon, Mumbai 400 010
E – mail: cst@maharashtra.gov.in

You can get further information and copies of forms, notifications, circulars etc from our website www.vat.maharashtra.gov.in

Part 2 - Registration under VAT

Rules for registration

If you are a dealer and your annual turnover exceeds the below mentioned threshold, you must register with the local office of the Sales Tax Department.

Category	Annual turnover of sales	Turnover of sales or purchase of taxable goods not less than	Fees payable on registration
Importer	Rs.1.00,000	Rs.10,000	Rs.100
Others	Rs.5,00,000	Rs.10,000	Rs.100

If your turnover is less than the above threshold, you are not liable to collect and pay VAT. However, if you wish to avail the benefits of being a registered dealer, you may apply for voluntary registration by paying a fee of Rs.5,000/-.

Benefits of being a registered dealer

As a registered dealer you are entitled to:

- collect VAT on the sales;
- claim set-off of tax (input tax credit) paid on purchases;
- Issue tax invoices and be competitive.

Effective date of registration

The effective date of your registration, that is, the date from which you may charge VAT on sales, will depend on the date you first become liable to pay VAT. This date will be determined as follows:

a) New businesses

If you are a dealer and you were not registered because your annual turnover was less than the threshold, your liability to account for VAT starts from the date you cross the threshold.

b) Existing businesses

If you took over an existing business that is registered for VAT, you will be liable to pay tax on sales from the date you took over the business.

c) Voluntary registration

If you are registered on a voluntary basis, you will be liable to account for VAT from the date shown on the certificate of registration.

d) Late registration

If your turnover has exceeded the appropriate threshold but you have applied late for registration, then you can charge VAT on your sales only after you are registered, i.e., from the date shown on the certificate of registration.

Further, having crossed the threshold, it is an offence to be engaged in business as a dealer without a certificate of registration

Certificate of registration

You should prominently display the certificate and hologram , or a copy of the certificate and hologram, at each place where you carry on your business.

If you have more than one place of business, we will provide you, upon your request, one copy of the certificate of registration and hologram for each additional place of business.

If you lose your certificate of registration or hologram, or it is accidentally destroyed or defaced, you may obtain a duplicate copy of the certificate or hologram from your sales tax office.

The certificate of registration and hologram is personal to the dealer to whom it is issued and is non-transferable.

Changes to business circumstances

If, following your registration, there are any amendments to the details you reported when applying for registration, you must, **within 60 days** of the change, inform us in writing.

Where the amendment involves a:

- change in the name of the business;

- change in the constitution of the business without dissolution of the firm;
- change in the trustees of a Trust;
- change in the guardianship of a ward;
- change in the Karta of a Hindu Undivided Family;
- conversion of Private limited Company to a Public limited Company;
- change in the place of business;
- addition of new place of business;
- formation of a partnership with regard to the business.
- an application made by you for insolvency or liquidation of your business;
- an application made against your business for insolvency or liquidation;
- opening or closing of a bank account;

you will not need to make a fresh application for registration.

However, the communication to the Registering Authority concerned should be made within sixty days of the change or occurrence of the event.

Cancellation of registration

You will be liable to pay VAT while your registration is effective. If, however, your turnover falls below the threshold, you may choose to apply for cancellation of your registration. However, you should continue to collect and pay VAT in the normal way until your registration is formally cancelled. Alternatively, you may allow the registration to continue.

If you

- discontinue your business;
- dispose of or sell or transfer your business;

you must inform the Sales Tax Department **within 30 days** of the event. In case of disposal or sale of business, your successor will need to apply for a fresh registration certificate.

For cancellation of registration you should submit form 103 which is available with the local sales tax office. It can also be downloaded from our website www.vat.maharashtra.gov.in

If the Sales Tax Department cancels your registration, you must return the Certificate of Registration.

The cancellation of your certificate does not affect your liability to pay any tax, interest or penalties in respect of any period prior to the date of cancellation of your registration.

The obligations of a registered dealer

Following your registration, you are obliged to:

- display prominently your certificate of registration and hologram in your place of business, and a copy of the certificate and hologram in each of the other places where you carry on your business;
- inform your sales tax office of any changes in the details previously reported to the sales tax office;
- collect VAT on all sales at appropriate rates;
- calculate the tax due and submit correct, complete and self-consistent returns and pay the amount of tax due on or before the due dates;
- issue tax invoice / bill or cash memorandum to all your customers;
- maintain adequate records and retain them for a period of five years from the end of the tax year to which they relate;
- extend co-operation to the officers of the Sales Tax Department at your business premises and provide all assistance to them to discharge their duties

Points to note:

- Apply for VAT registration in time.
- Inform the changes in your registration details to the Sales Tax Department in time.
- Consult the local sales tax office if in doubt.

Part 3 - Explaining VAT

How VAT works

When you sell goods, the sale price is made up of two elements; the selling price of the goods and the tax on the sale. The tax is payable to the State Government.

The tax payable on sales is to be calculated on the selling price. The tax paid on purchases supported by a valid tax invoice is generally available as set-off (input tax credit) while discharging the tax liability on sales.

Example

The following example shows how the VAT works through the chain from manufacturer to retailer.

Company A buys iron ore and other consumables and manufactures stainless steel utensils; Partnership firm B buys the utensils in bulk from Company A and polishes them; shopkeeper C buys some of the utensils and purchases packing material from vendor D, packages them and sells the packed utensils to the public.

(The sale and purchase figures shown in the example are excluding tax)

Particulars	Amount (Rs)	VAT @ 4 % (Rs)
Company A		
Cost of iron ore and consumables	50,000	2,000
Sales of unpolished stainless steel utensils	1,50,000	
Value added	1,00,000	
Company A is liable to pay VAT on		
Rs.1,50,000 @ 4%	6,000	
less set off	2,000	
Net VAT amount to pay with the Return		4,000

(Note: Tax invoice issued by Company A will show sale price as Rs.1,50,000, tax as Rs.6,000. Therefore, the total invoice value will be Rs.1,56,000)

Particulars	Amount (Rs)	VAT @ 4 % (Rs)
<i>Partnership B</i>		
Purchases unpolished stainless steel utensils	1,50,000	
Sales polished stainless steel utensils	1,80,000	
Value added	<u>30,000</u>	
Partnership B is liable to pay VAT on Rs. 1,80,000 at 4%	7,200	
But can claim set off of tax paid on purchases	6,000	
Net VAT amount to pay with the Return		<u>1,200</u>
<i>Shopkeeper C</i>		
Purchases polished stainless steel utensils	1,80,000	
Packing material	5,000	
Total purchases	1,85,000	
Sales	2,25,000	
Value added	<u>40,000</u>	
Shopkeeper C is liable to pay VAT on Rs.2,25,000 @ 4%	9,000	
Set off of tax paid on purchases (Rs.7,200 + Rs.200 of packing material)	7,400	
Net VAT amount to pay with the Return		<u>1,600</u>
<i>Vendor D</i>		
Tax paid costs	Nil	
Sales	5,000	
Value added	<u>5,000</u>	
Vendor D is liable to pay VAT on Rs. 5,000 @ 4%		<u>200</u>
The VAT due on the value added through the chain, i.e., 4 % on Rs.2,25,000 is		<u>9,000</u>

The State Government received the tax in stages. The payments of tax were as follows.

	Amount (Rs.)
Suppliers of Company A	2,000
Company A	4,000
Partnership B	1,200
Shopkeeper C	1,600
Vendor D	200
Total	9,000

Thus, through a chain of tax on sale price and set off on purchase price, the cascading impact of tax is totally eliminated.

Since set-off of tax on purchases is given only on purchases from registered dealers where tax is collected separately, your purchases from unregistered dealers, imports, inter-state purchases and purchases from registered dealers without separate tax collection are not entitled to set-off.

In practice, the tax is finally borne by the ultimate consumer, who is not a registered dealer, in this case, people who buy utensils from the shopkeeper C.

Rates of value added tax

There are two main rates of VAT; 4% and 12.5%. The goods are grouped into five schedules as under:

Schedule	Rate of tax	Illustrative items
A	0 %	Vegetables, milk, eggs, bread
B	1 %	Precious metals and precious stones and their jewellery
C	4%	Raw materials, notified industrial inputs, notified information technology products

Schedule	Rate of tax	Illustrative items
		and a few essential items
D	20 % and above	Liquor, petrol, diesel etc
E	12.5 %	Other than items specified in schedules A, B, C & D

(The list is illustrative and not exhaustive. Please refer to the schedules for details)

Difference between tax free goods and exempt sales

It is sometimes confusing to have goods that are tax free and sales that are exempt. Both result in no VAT being charged, so what is the difference?

Tax free goods do not attract tax at any stage of sale or in any type of transaction, whereas, exempted sales are certain types of transactions, viz., export sales which are exempt from tax.

Composition schemes

Certain dealers may find it difficult to keep detailed records for claiming set-off. For such dealers, a simpler and optional method of accounting for VAT has been introduced. This method is the composition scheme. It may be noted that composition scheme is not meant to be a tax concession scheme but only a simplification of tax calculation and payment system.

Tax payable by dealers opting for composition in lieu of VAT

The following classes of dealers are eligible for option to pay tax under composition:

- Resellers selling at retail, i.e., to consumers,

- Restaurants, eating houses, hotel (excluding hotels having gradation of 'Four Star' and above), refreshment rooms, boarding establishments, clubs and caterers,
- Bakers,
- Dealers in second-hand passenger motor vehicles and
- Works contractors
- Dealers engaged in the business of providing mandap, pandal, shamiana.

Accordingly, if the dealer has opted for payment of tax liability under composition, the tax liability has to be determined in terms of the guidelines given in the relevant Notification in this regard. Apart from the terms and conditions governing each of the composition schemes, the Notification explains the methodology for computation of turnover liable to tax and the rate of composition payable.

A dealer can opt for the composition option at the beginning of the financial year and has to continue to be a composition dealer at least till the end of that financial year. If he wishes to switch over to normal VAT, he can do so only at the beginning of the next financial year. However, a new dealer can opt for composition at the time of registration.

In respect of works contract, the contractor can choose to discharge tax liability under composition option. Moreover, such an option can be exercised by the contractor on contract to contract basis. For details please refer to our website www.vat.maharashtra.gov.in

Points to note

- Charge correct rate of tax
- Consider the composition scheme option, if you find it suitable and convenient
- Consult the local sales tax office if in doubt

In order to calculate how much tax you have to pay, you must first determine your turnover of sales and turnover of purchases. The second stage is to ascertain the amount of tax due for payment.

Calculating turnover of sales and purchases

The turnover of sales is the total of the amounts received or receivable (excluding VAT charged separately) in respect of the sale of goods, less the amount refunded to a purchaser in respect of goods returned, within six months of the date of the sale.

Similarly, the turnover of purchases is the total of the amounts paid or payable (excluding VAT charged separately) in respect of the purchase of goods less the amounts repaid to you in respect of goods you return, within six months of the date of purchase.

Credit notes and debit notes

If the sale price, or the purchase price, of any goods is varied and either a credit note or a debit note is issued, then the credit note or the debit note, as the case may be, should

- show, separately, the tax and the price
- be accounted for in the period in which the appropriate entries are made in your accounts.

Special cases

Auctioneers

If you are an auctioneer, you must include in your turnover, the price of the goods you auction for your principal.

Hotels

There are special rules for hotels and other establishments that provide boarding and lodging for an inclusive amount.

The rules provide a formula to enable you to calculate your turnover of sales for meals (food and beverages) you provide.

The supply of food in a restaurant also includes an element of service. But the full amount charged is the sale price for the purposes of calculating turnover and tax.

Works contracts

VAT applies only to the sale of goods. Supply of services is not liable to VAT. Works contracts are deemed sales where both, goods and services are provided in a transaction and cannot be separated.

A works contract may involve the creation of immovable property, e.g. a house, a factory or a bridge. Some other examples of works contracts are photography, repairs & maintenance etc.

To calculate the amount you should include in your turnover of sales, you may deduct, from the total contract price, the

- costs of labour and service charges
- amount paid to sub-contractors
- charges for planning and designing, and any architect's fees
- hiring charges for machinery and tools
- cost of consumables, such as, water, gas and electricity
- your administrative costs relating to labour and services and any other similar expenses
- any profit element that relates to the supply of labour and services.

Alternatively, in lieu of the deductions as above, you may choose to discharge the liability arising on works contracts by referring to the table prescribed in the rules. For details please refer to our website www.vat.maharashtra.gov.in

If you find that it is too complicated to calculate the deductions, you may opt for a composition scheme for any works contract.

Sales and purchases not liable to tax under VAT

The VAT law specifically excludes from value added tax all imports, exports and inter-state transactions. These transactions are covered by the CST Act. Similarly, transactions that take place outside Maharashtra are not within the scope of MVAT Act.

Point of levy in certain cases

Hire purchase

Where there is a hire purchase agreement or an agreement for sale by instalments, the date of the sale is deemed to be the date of the delivery of goods. This is despite the fact that legal ownership of the goods only passes to the buyer after payment of the final instalment.

If the hire–purchase agreement specifies the interest component then in calculating the sale price, you should disregard the interest component included in the agreement.

Calculating the amount of VAT due on sales

You should now make some adjustments to the total turnover of sales to arrive at the amount on which tax is due.

From the total sales you should deduct

- the total of exports and inter-State sales
- the total of sales of goods that are tax free, and
- branch / consignment transfers to locations in Maharashtra as well as other States.
- the tax collected

To calculate the tax due, you start by allocating your turnover of sales in the return period (net of the above deductions) to the rates of tax you have charged. You should ensure that the correct tax rates are applied. The information should be readily available from your records. This gives the total of sales tax due.

Calculating the turnover of purchases

Your records will provide the total figure, but you may not have paid VAT on all your purchases. You must now deduct the total value of

- imports from out of India
- inter-State purchases
- purchases of tax free goods
- direct purchases from exempted units under the Package Scheme of Incentives

- consignment transfers, and
- local purchases from **unregistered** dealers.
- local purchases from registered dealers not supported by tax invoice.

The resulting figure represents purchases against tax invoices from registered dealers.

Calculating the amount of set off due (VAT paid on purchases)

This is the next stage of your tax calculation. You can now arrive at the VAT that has been charged on your purchases. You must, however, make some adjustments to this amount for, in certain cases, the full set off of the VAT paid on purchases is not available.

Adjustments to tax available for set off

If your purchases include goods, used

- as fuel, or
- for the manufacture of any tax-free goods, or
- as packaging for tax-free goods you have sold

then you must calculate the value of those items and deduct tax @ 4% of the corresponding purchase price from the amount otherwise available for set off. (Not applicable to PSI dealers other than the New Package Scheme of Incentives for Tourism Projects, 1999 and also to manufacturers of tax-free sugar or fabrics covered by Entry A 45 and where such goods are sold in the course of export falling under section 5 of the CST Act, 1956)

Similarly, if the goods are stock transferred by way of branch / consignment transfer to a place outside the State, deduct tax @ 4% (1% in respect of goods covered by Schedule B) of the corresponding purchase price from the amount otherwise available for set off.

You must also make further adjustments as follows.

- If you have used any goods (other than capital assets) as part of a works contract for which you have opted for payment composition @ 8% on the total contract value, you must deduct 36% of the amount from the set off otherwise available (4% of purchase price in respect of construction contracts for which

you have opted for payment of composition @ 5% on total contract value).

- Where your sales are less than 50 % of your gross receipts, then you can claim set off only on those purchases of goods or packing materials effected in that year where the corresponding goods are sold within six months of the date of purchase or consigned within the said period to another State by way of stock transfers.
- In respect of office equipment, furniture or fixtures which have been treated as capital assets, you should reduce set-off otherwise entitled by an amount equal to 4% of the purchase price.
- If you are retail liquor vendor and your actual sale prices are less than the Maximum Retail Price, there is a special formula for calculating the amount of the adjustment. Effectively this means that, if you sell at 75% of the MRP you can claim set off only to the extent of 75% of the tax paid.
- You can not claim any set off for the tax paid on any purchases that remain unsold on the date your business discontinues.

All this information should be available from your records, including tax invoices and bills or cash memorandum you have issued, and the tax invoices you have received.

Set off not available

There are various items on which set-off is not available such as, goods of incorporeal or intangible character other than those specified, passenger motor vehicles, motor spirits, crude oil, building material used for construction etc. For more details, you may refer to our website www.vat.maharashtra.gov.in

Conditions for claiming set off

You can claim set off only for VAT paid on purchase if you have a valid tax invoice for that transaction and you maintain account of purchases showing the specified details.

Tax payable

The amount of set-off admissible can be adjusted against tax payable. The amount of net tax payable is the total of sales tax collected on sales less the set-off available.

Refund cases

If the amount of set-off admissible during the period is more than the amount of tax payable, your return would reflect a balance refundable to you. The amount of set-off can be more than the tax payable for a variety of reasons, such as –

- Inputs are taxable at higher rate as compared with the rate of tax on output.
- Outputs are tax-free goods while inputs carry tax.
- Outputs are export sales.
- Outputs are CST sales which are taxable at the concessional rate of CST.
- Manufactured goods or trading goods are transferred to branches outside the State or are sent on consignment transfers.

Apart from part of the admissible set-off which can remain unutilised, excess credit can be on account of:

- unutilised portion of tax deducted at source or
- refund payment order or
- ad-hoc payment made is more than tax payable.

Whatever may be the reason for credit in excess of tax due and payable during a tax period, you are eligible to claim refund of such excess credit. For the purpose of granting refund, dealers have been classified under two categories viz. a) specified class of dealers and b) other dealers.

Refund to specified class of dealers

Specified class of dealers are –

- Exporters exporting out of the country or dealers selling to an exporter against form H.
- A unit set-up in SEZ or STP or EHTP or a 100% EOU unit. These units have to be certified by the Commissioner of Sales Tax,

- An Entitlement Certificate holder availing of the benefit of incentives under the Package Scheme of Incentives (PSI).

Specified class of dealers and the dealers who have made a sale in the course of inter-State trade or commerce and in the return he has shown any amount to be refundable are eligible to claim refund in each of the returns filed by them. Full amount of excess credit can be claimed as refund due for the return period.

The dealer eligible to claim refund has to file refund application in Form 501. The application has to be filed with the Refund Branch. The Refund Branch may ask for Bank Guarantee and any relevant information for checking correctness of refund claimed. Normally, refund would be granted within one month from the receipt of Bank Guarantee or within three months from the date of receipt of refund application in Form 501, or as the case may be, the date of receipt of the additional information, whichever is later.

Refund to other dealers

Other dealers are not eligible to get refund in each of the return filed. They are required to carry forward excess credit to the next return within the same financial year and claim refund of excess credit in the return for the period ending March.

The dealer claiming refund in March return has to make refund application in Form 501. The application has to be filed with the Refund Section. Normally, refund would be granted within six months of the end of the year to which the return relates. However, if you are a newly registered dealer, refund would be granted within six months of the end of the year succeeding the said year.

Audit of refund claims

The refund granted to you would be subject to audit by the Refund Audit Section. The audit may be taken up before granting the refund or after the refund is granted. Normally, refunds made against Bank Guarantee would be taken up for audit after the refund has been granted. During the course of the audit, the audit team would check your eligibility to claim refund and the correctness of the amount of refund claimed by you.

Interest on delayed refund

No interest is payable on the refund due to you as per returns filed by you. However, if granting of refund is delayed beyond the above mentioned periods, you are eligible for interest for delayed payment. Simple interest at the rate of 6% per year would be payable for the period from the due date to the date of refund.

Some tips for getting timely refund

Your refund claim would be processed faster if –

- You have filed the return with the Returns branch as per the prescribed time schedule.
- The return filed by you is correct, complete and self-consistent.
- You have claimed refund as per the appropriate periodicity.
- The amount of refund due to you has been computed correctly.
- Refund application in Form 501 is filed with the Refunds branch in time.
- You have promptly furnished Bank Guarantee and other details when called for.
- You have kept ready all the documents and records for audit.
- You have filed the return for a period for which you are required to file a return. Thus, if you are required to file a quarterly return, but you file a monthly return, then the refund would not be granted for the monthly return. In order to be eligible for refund, you would have to file a quarterly return.

Points to note

- Calculate your sales and purchase turnover correctly
- Calculate the set-off admissible correctly
- Ensure that proper tax invoices are available to support the set-off claimed
- Calculate your tax liability correctly
- File the return in the Returns branch in time
- File form 501 expeditiously for claiming refund
- Consult the local sales tax office if in doubt.

Part 5 - Filing a return and paying the tax

VAT is a self-assessment system and you are expected to make self-assessment for a given tax period and declare your VAT liability by filing returns. The returns have to be filed in the prescribed form and by the specified dates. Further, you are required to pay the tax due as per the return filed.

In Maharashtra, return form is return-cum-chalan. As such, filing of returns alongwith payment of tax on or before the due date at the notified bank would be considered as sufficient compliance. However, where any amount of tax including interest or penalty is due as per a fresh or revised return, then you should first pay such amount in Government Treasury and file the return in the local office of Sales Tax Department along with a self attested copy of the challan. If no payment is due or a refund is claimed as per the return, you are required to file the return in the local office of the Sales Tax Department.

Return forms

The return forms prescribed are as follows.

Form No.	To Be Used By
221	All VAT dealers other than dealers executing works contract, dealers engaged in leasing business, composition dealers (including dealers opting for composition only for part of the activity of the business), PSI dealers and notified Oil Companies.
222	All composition dealers whose entire turnover is under composition (excluding works contractors opting for composition and dealers opting for composition only for part of the activity of the business).

Form No.	To Be Used By
223	VAT dealers who are also in the business of executing works contracts, leasing and dealers opting for composition only for part of the activity of the business.
224	PSI dealers holding Entitlement Certificate (Transactions by PSI dealers relating to the business of execution of works contracts, leasing, trading and composition only for part of the activity of the business to be included in a separate return in Form 223).
225	Notified Oil Companies. (Transactions by OIL Companies relating to the business of execution of works contracts, leasing and composition only for part of the activity of the business to be included in a separate return in Form 223).

Please use appropriate return form relevant to you.

You can refer to the instructions given in the form before filling the return.

Please ensure that the return for a tax period covers all the transactions of sales, purchases, branch transfers received, branch transfers made etc. Further, you must ensure that all the columns of the return are duly filled in and are clearly legible. If a particular column is not relevant, please do not leave it blank but mention “not applicable”. The return filed by you must be correct, complete and self-consistent.

Time schedule for filing returns

Periodicity of filing returns is as follows :--

- Retailers who have opted for composition should file six-monthly returns.
- Newly registered dealers should file quarterly returns until the end of the year in which they first register.

- All package scheme dealers should file quarterly returns.
- All other dealers should file returns as given below :--
 - Dealers whose tax liability in the previous year was less than Rs.1,00,000/- (Rs. 1 lakh) or whose entitlement for refund was less than Rs.10,00,000/- (Rs. 10 lakh) should file six-monthly returns.
 - Dealers whose tax liability in the previous year was more than Rs.10,00,000/- (Rs. 10 lakh) or whose entitlement for refund was more than Rs.1,00,00,000/- (Rs.1 crore) should file monthly returns.
 - All other dealers should file quarterly returns.

Filing and payment dates for return-cum-chalan are as follows:

Return frequency	Filing / payment date
Monthly	<ul style="list-style-type: none"> • 21 days from the end of the return period
Quarterly	<ul style="list-style-type: none"> • 21 days from the end of the return period
Six monthly	<ul style="list-style-type: none"> • 21 days from the end of the return period

Scrutiny of returns filed

Your return must be correct, complete, and self-consistent in every respect. The Sales Tax Office will check your return to ensure there are no obvious errors in consistencies or contradictions in your calculation. If this check reveals discrepancies, you will be advised and invited to submit a **fresh return**. The department will issue this defect notice within four months of receiving your return. You should file your **fresh return** within 30 days of the notice. If you fail to do so, you will be deemed not to have filed your return within the time allowed, and so liable to a penalty charge.

At the same time, as we issue the defect notice, you will be sent a 'show cause' notice, explaining that a penalty may be imposed. (See Part 10 – Recovery, Offences and penalties.)

Offences relating to filing of returns and payment of tax

The following are the offences liable for interest / penalty / prosecution etc.

- Short- payment / non- payment of tax due
- Failure to file returns
- Delay in filing returns
- Knowingly furnishing false returns
- Filing of incorrect or incomplete or inconsistent returns

Consequences for filing a return, which is not correct, complete and self-consistent

Each of the returns filed by you is checked to confirm that the same is correct, complete and self-consistent. In case the return is defective, a defect notice is issued by the Returns Branch pointing out the error or the omission. On receipt of the notice, you are required to file **fresh return** which is correct, complete and self-consistent and also pay differential tax due, if any.

The return filed by you in response to defect notice is termed as **Fresh Return** and you should indicate so on the return in the space provided for the same.

Fresh return rectifying the defects has to be filed within the time limit specified in the defect notice. Failure to comply with the notice would be construed as non-filing of return and consequently, a **unilateral (ex-parte) assessment order would be passed.**

Failure to file a return

If you fail to file a return within the time allowed, you are committing an offence and, in addition to any tax and interest that may be due, you are liable to a penalty. Such a situation is dealt with in Part 7 – Business Audit and Part 10– Recovery, Offences and Penalties.

As no return has been filed by you, a unilateral assessment without giving you a notice will be made. This unilateral assessment order is non-appealable. However, you can get this assessment order cancelled only by filing the return and paying the tax and interest due as per the return. For this purpose you should file application in Form 304 and submit to Returns Branch.

Please note that filing a return is a pre-condition for issuance of statutory forms (C, F, EI, EII, & H) under the CST Act.

Paying the tax due

You must file your return and pay the tax due, in a bank that is authorised to accept the return. If you are required to file a **revised return**, and the tax due exceeds the amount you paid when you submitted the earlier form, you must pay any balance that may now be due.

The bank will give you an acknowledgement of the receipt of your return and payment. If you are in doubt where to file your return and pay the tax due, ask your local sales tax office.

Revised return

Subsequent to filing the return, in case you notice any error or omission, you can file a revised return before expiry of eight months from the end of the financial year to which the return relates or before a notice for assessment is served, whichever is earlier. Such return should be accompanied by payment of tax and interest, if any. In case the return filed by you is a revised return, please indicate so on the return form in the space provided for the same.

The various types of returns and their description have been summarised as under:

Type of Return	Description
Original	The return filed by you originally along with the payment in the bank.

Type of Return	Description
Fresh	The return filed by you after we issue a defect notice.
Revised	The return filed by you to correct any error or omission.

Filing of returns in special cases

Newly registered dealer

If you are a newly registered dealer, your first return is for the period upto the end of the quarter containing the date of your registration.

Example 1

Your turnover exceeds the threshold on 1st November. You apply for registration, which is granted on 30th November and the date of effect is 1st November. The first return is for the quarter ended 31st December covering the period 1st April to 31st December; and the second return is for the quarter ending following 31st March.

Example 2

Your turnover exceeds the threshold on 1st November. But you apply late for registration i.e. on 10th December and the registration is granted on 10th December, then the date of effect of registration is 10th December i.e Date of application. The first return is due for the quarter ending on 31st December (covering the period 10th December to 31st December).

You will also be liable for tax on your sales effected from the date of crossing the threshold till prior to the date of effect for registration i.e from 1st November upto 9th December.

Filing of return in case of cancellation of registration

Your registration may be cancelled if you discontinue, transfer or sell the business. You may also choose to cancel your registration if your turnover falls below the threshold limit.

However, you should continue to file the return and pay your tax until the registration is formally cancelled.

The final return will be for the period containing the date of cancellation.

Example

You file returns quarterly and your last return was for the quarter ending 30th September. You close the business on 15th November. Your final return will be for the period 1st October to 15th November. The return should be filed within one month, that is, before 15th December.

Dealer under the Package Scheme of Incentives

If you hold a Certificate of Entitlement granting an exemption from payment of tax or deferment of payment of tax, you should, for the unit which is eligible for the incentives, file a quarterly return, in Form 224. You must continue to file quarterly return till the Certificate of Entitlement remains valid.

When the validity of your Certificate of Entitlement ends, you must file -

- a quarterly return, in form 224, for the period from the first day of the quarter in which the event occurs to the date the Certificate of Entitlement ceases, **and**
- a quarterly return, in form 221 or 222 or 223 as the case may be, for the remainder of that financial year. For succeeding years, the period and frequency of your returns will be determined on the basis of the tax liability or entitlement for refund of the preceding financial year

Filing multiple returns

You are required to file a single return at your principal place of business for all your businesses or *places of business*. If you desire to

file separate returns for separate places / divisions, you may apply in Form 211 for permission to file multiple returns. You should ensure that correct, complete and self-consistent returns are filed at all the locations in the State.

Tax deduction at source by an employer in a works contract

The works contractor is obliged to pay the tax on the works contracts executed by him. However, the employer i.e. the notified person who has engaged the works contractor is obliged to deduct tax at the specified rate from the amount payable to the works contractor, excluding the amount of tax, if any, separately charged or service tax levied by the contractor. The tax amount so deducted and paid to the Government treasury is considered as a payment made on behalf of the works contractor.

The employer is required to deposit this tax and issue a certificate of tax deduction at source in the prescribed format based on which the works contractor is allowed to take the credit of the same while discharging his tax liability.

Points to note

- File a correct, complete and self-consistent return in the appropriate form.
- Pay the tax due within the prescribed date.
- Consult the local sales tax office if in doubt

Part 6 - Records and accounts

Keeping records

Proper records are an essential part of effective management and control of your business. You are required by law to keep a true and accurate account of the transactions effected by you. This will also help you to correctly quantify your tax liability or refunds, as the case may be.

You should keep all your accounts, registers and documents relating to your stocks of goods, purchases, sales and deliveries of goods, at your place of business. If you wish to keep them at a different location you may do so, **but only if you have the permission of the Commissioner of Sales Tax.**

Please note that not keeping the records at the designated place is a punishable offence under the Act. (Please see Part 10 – Recovery, Offences and Penalties).

Nature of records

Normally, we will not expect you to keep any special records for VAT purposes. However, the records that you do keep should have sufficient details to enable you to correctly calculate the amount of VAT due for payment and file your return.

If we happen to find that your records are not properly maintained, we will issue a notice, informing you what records you must keep.

Your records should-

- enable you to identify the nature and value of goods purchased and sold;
- distinguish between
 - local sales, interstate sales & exports
 - local purchases, interstate purchase & imports
- indicate value of
 - sale and purchase of tax free goods
 - sales exempted from tax
 - purchases from URD
 - ratewise purchases & sales

- local purchases from registered dealer with VAT shown separately
- record payments for the purchases and sale of goods in cash book / bank book.
- include a summary of VAT paid separately on purchases, VAT charged on sales, VAT paid to the State treasury and VAT refundable / refunded to you
- contain adequate proof that goods have been exported or imported;
- be supported by invoices for all goods purchased, and copies of invoices, and bills or cash memoranda, issued for goods sold.

Tax invoices and memoranda of sales or purchases

As a registered dealer, you should issue a tax invoice when you sell goods to another registered dealer and charge VAT. *For sales made to consumers and unregistered dealers*, you must issue a tax invoice, or a bill or cash memorandum. However, if you are a composition dealer other than a works contractor, you must issue a bill or cash memorandum only and not a tax invoice. Failure to issue a tax invoice, or a bill or cash memorandum may result in a penalty.

The tax invoice must contain

- the words 'Tax invoice', printed in bold letters at the top or at a prominent place;
- your name, address and registration number (TIN)
- the name, address and the registration number of the purchaser;
- serial number of the invoice;
- date of issue;
- description of the goods, the quantity and price of the goods sold;
- rate and the amount of the tax charged and indicated separately;
- prescribed declaration regarding validity of the registration and payment of tax;

and it must be signed either by you or by someone authorised by you.

If you issue a **bill or cash memorandum**, it must contain:

- words 'Bill / cash memorandum', printed in bold letters at the top or at a prominent place;
- if you are a composition dealer (other than works contractor) the words **Composition Dealer** at the top of the bill / cash memorandum;
- your name, address and registration number (TIN);
- the name and address of the purchaser;
- serial number of the bill / cash memorandum;
- date of issue;
- description of the goods, the quantity and price of the goods sold;
- prescribed declaration regarding validity of the registration and payment of tax;

and it must be signed either by you or by someone authorised by you.

Retention of records

You must keep all your records including tax invoices / bill / cash memorandum, relating to your stock of goods , purchases, sales, deliveries and payments made or received for the purchase or sale of goods for a minimum of five years from the end of the year to which they relate.

However, in case any legal proceedings are pending, the records pertaining to that period should be retained till the proceedings reach finality.

Independent audit of accounts by a Chartered Accountant

If your annual turnover of sales exceeds Rs.40 lakh, or if you hold a license for the manufacture or sale of liquor, you must have your books of accounts audited by a practising chartered accountant.

The Chartered Accountant's audit report, to be made on Form 704, must be submitted within 8 months from the end of the financial year. If you fail to submit the audit report to the Sales Tax Department within the prescribed time, you may be liable to a penalty (*see Part 10 - Recovery, Offences and Penalties*).

Production and inspection of accounts and documents

If the concerned sales tax authorities have reason to believe that there may have been attempts to evade the payment of tax, they may require you to produce all your books of accounts.

If you fail to comply with such a requirement, you commit an offence and will be liable to a penalty (*see Part 10 - Recovery, Offences and Penalties*).

Points to note

- Maintain proper books of accounts, registers, documents etc.
- Keep them ready for inspection whenever asked by the Sales Tax Officials.
- Issue tax invoice / bill / cash memorandum as the case may be, for every sale transaction.
- Submit the audit report in time.
- Consult the local sales tax office if in doubt.

Part 7 – Business Audit

Business Audit is a new function of the Sales Tax Department. This will be conducted by the Sales tax officials ordinarily at the dealer's place of business. This audit is independent from the audit by a Chartered Accountant. Business Audit is however, not an activity of enforcement for search and seizure at dealers' business premises.

Objectives of Business Audit

The objective of a Business audit is to close any possible gap between the tax declared by a dealer and the tax legally due. It aims to ensure optimum revenue collection and voluntary compliance. The aim of Business audit is to encourage the highest possible level of voluntary compliance in a system of self-assessment.

Selection for audit

The main purpose of an audit is to ensure tax compliance, cross check of transactions and initiate corrective actions, if necessary. The returns filed by the dealers will be examined for discrepancies. Based on such examination and pre-determined criteria, some dealers will be selected for audit. Generally, cases selected for audit will include those dealers -

- who file their returns late
- in whose case we have reason to believe that the return may not be correct or a detailed scrutiny is necessary
- chosen randomly, on the basis of certain criteria.

A dealer who consistently and regularly complies with the VAT law and files correct, complete and self consistent returns will normally not be selected for audit. The selection of audit cases will be by exception rather than as a rule.

The Business Audit Process

If your business is selected for an audit, we will inform you and fix a suitable date.

The audit officer will inspect your books of accounts and supporting documents. You should make available any information or documents that he may require to enable him to carry out the audit effectively and speedily.

The audit officer may like to understand your business process and examine your stocks of goods. He may also like to interview you or your employees for this.

The audit officer cannot remove any books of accounts or documents from your premises. However, he can request for copies.

Results of the audit

If the audit shows that the returns filed do not reflect the true picture of your business, the auditor will discuss the matter with you and give guidance to you to prevent recurrence and explain what action will follow. The audit may result in additional tax demand or a refund.

Additional tax demand

If any additional tax is due, the auditor will issue a notice explaining the additional demand. If you accept the additional demand shown, you should file a revised return alongwith the payment of tax.

However, if you disagree with the findings of the auditor, he will proceed to assess your case and issue an assessment order unless you are able to provide evidence and convince the audit officer not to assess your for additional demand. The assessment order will also include interest due from the date you should have paid the tax to the date of the assessment. In addition, he may also impose a

penalty (see Part 10 – Recovery, Offences and Penalties). You should pay the dues as per the assessment order or you may prefer an appeal against this order. (see Part 8 Appeals)

Time limit for audit

There is no time limit prescribed for conducting Business Audit. Normally, we will carry out an audit within two years of filing the return. We will follow the timelines as prescribed for completion of assessments under the MVAT Act and MVAT Rules.

Investigation

Normally, we will make Business Audit visits by appointment. However, if the department suspects any tax evasion, it may conduct investigation of the business including search and seizure operations at any time without giving notice. Such investigation will be carried out by a duly authorised investigation officer (not audit officer).

Points to note

- Make available the necessary information and documents as required by the audit officer
- Comply with the audit findings

Part 8 - Appeals

You may appeal against an assessment order if you do not agree with the amount assessed. You may also appeal against an order for the charging of interest or the imposition of a penalty. You can file an appeal against any other order passed in your case. Please remember that appeals cannot be filed against certain *interlocutory* proceedings or orders. Also, you can not appeal against an unilateral assessment order passed as a consequence of non filing of returns.

There are two appeal bodies; the first is the departmental appeal officers and the second is the Maharashtra Sales Tax Tribunal ('Tribunal').

Appeal bodies

Normally, your appeal will be, in the first instance, to the departmental appellate authority. However, where the Commissioner, or a Joint or Additional Commissioner issues the order, your appeal is directly to the Tribunal. (The order will show the designation of the officer.)

If you are not satisfied with the decision of the departmental appellate authority, you may make a second appeal to the Tribunal.

The Tribunal

The Tribunal consists of equal number of judicial and technical members. The latter are ordinarily, senior ex-officers of the Sales Tax Department.

Filing an appeal

Your appeal must be made, using Form 310, **within 60 days** of the date of service of the order against which you are appealing. You can get a copy of the form from the local sales tax office or download it from our website www.vat.maharashtra.gov.in

You must make sure that the form is fully and correctly completed. If there are any mistakes or omissions, you will be advised and given an opportunity to correct them. If you fail to do so, your appeal will be rejected.

Before making an appeal, you must pay a fee through a challan in Form 210. If the amount involved in your appeal is one lakh rupees or more, the fee is one tenth of a percent (0.1%) of the amount in dispute, subject to a maximum of Rs1,000. In all other cases, the fee is Rs100.

Application to stay the order

In case you are preferring an appeal against an order of demand, you may apply for stay the order to the extent of any amount to be paid by the appellant pending disposal of your appeal. You must make your said application on Form 311 which can be simultaneously filed alongwith the appeal.

Appeal rejected

If your appeal is rejected on the ground of non-attendance, you may apply, **within 30 days** for the restoration of the appeal citing sufficient reasons. The appellate authority will take appropriate decision

Appeal accepted

If your appeal is admitted, the appellate authority will give you a minimum of 10 days' notice of the date, place and time of the appeal hearing (unless you request an earlier hearing). The hearing may be adjourned or postponed upon your request if deemed fit by the appellate authority.

The Appeal hearing

At the appeal hearing, you - together with your legal adviser, if any, - will be given an opportunity to explain your reasons for making the appeal and to support your case by producing evidence.

After considering your arguments and evidence, the appeal officer will confirm or modify the order under appeal.

If you are not satisfied with the appeal officer's decision, you may, **within 60 days**, file a second appeal to be heard by the Tribunal.

Appeal to Tribunal

You should file your appeal to the Tribunal in Form 310, taking care to ensure that you provide all the information relevant to your appeal as required by the form. And you must pay the appropriate fee through a challan in Form 210.

The proceedings before the Tribunal will be similar to those outlined above. You may present your case and evidence before the Tribunal yourself or through your legal representative.

After examining your arguments and evidence, the Tribunal will pass appropriate order confirming or modifying the order under appeal or remanding the case for fresh order to the lower authority with appropriate directions.

In addition, there are two important differences.

1. The Tribunal has the discretionary power to award costs.
2. The decision of the Tribunal is final, especially on points of facts, subject only to an appeal to the High Court if the case involves a substantial question of law.

If you fail to attend the hearing by the Tribunal, you will be liable to such costs as the Tribunal may award.

If you, or the department, are not satisfied with the decision of the Tribunal and believe that the disagreement involves a substantial question of law, an appeal can be filed before the High Court.

However, such filing of an appeal to the high court shall not affect your liability for payment of tax / claim of refund as per the order of the Tribunal.

Appeal to the High Court

You may appeal to the High Court **within 120 days** of receiving the order from the Tribunal. A statement setting out in detail the point (s) of law to be decided must accompany the appeal memo.

Late appeals

A late appeal may be admitted provided you have a good reason for not making the appeal within the time allowed.

But you must demonstrate that, having become aware that your appeal was late, you made the appeal without further delay.

Priority hearings for senior citizens

Appeals are normally heard keeping in view the two criteria of the age of the appeal and the stakes involved. However, if you are a senior citizen aged 75 years and over, you may apply (using Form 313) for priority to be given to the hearing of your appeal.

Points to note

- File the appeal within the time limit prescribed.
- Use the appropriate form for filing appeal and grant of stay.
- Attach all relevant documents, orders etc with the appeal application.
- Pay the prescribed fee through a challan.
- Consult the local sales tax office if in doubt.

Part 9 - Tax Payer Services

We expect you to comply with the law and fulfil your obligations to pay your taxes correctly, and timely. We provide certain services and facilities to help you in this regard. Some of the important ones are listed below.

Advisory visits

In case you are a newly registered dealer, an advisory visit will follow shortly after you receive your new VAT Registration Certificate. The Sales Tax Department will contact you to arrange a visit to your place of business at a convenient time.

The purpose of the advisory visit is to ensure that you understand how to maintain books of accounts, claim set-off, file your return and pay your tax correctly. You can also use this opportunity to get your queries, doubts clarified.

By providing such information, the Sales Tax Department is trying to ensure that you do not incur any penalties or interest by failing to comply with the legal requirements of being a registered dealer.

The advisory visit team will also verify the details submitted by you at the time of registration. You are expected to make available the necessary information and documents at the time of the visit.

The Sales Tax Department would appreciate your feedback on the usefulness of the advisory visit. Your valued suggestions / input will help us improve our system and serve you better.

Central Repository for Issuance of Statutory Forms

A Central Repository has been set up in every Sales Tax Office having Registration branch. Each Central Repository issues various statutory forms prescribed under the CST Act, to the dealers registered within the jurisdiction of the concerned registration office.

However, Form I will be issued to the SEZ units from the office of the Commissioner of SEZ.

You have to submit an application in the prescribed format for supply of statutory forms along with the 'Statement of Requirement' which is available in every sales tax office or can be downloaded from our website www.vat.maharashtra.gov.in

You will be issued the requisite number of forms on payment of the following fees by way of court fee stamps only:

Srl. No	Type of form	Fee per form (Rs.)
1	C	3.00
2	F	3.00
3	H	3.00
4	E-I	1.00
5	E-II	1.00

The statutory forms will be issued on a quarterly basis only after the transactions of the said quarter are completed. However, form F will be issued on a monthly basis.

TINXSYS

Tax Information Exchange System (TINXSYS) is a centralised exchange of all CST dealers spread across various States and Union territories of India. TINXSYS can be used by any dealer to verify authenticity of his counter part dealer in any other State.

The TINXSYS will also help the States in cross checking the inter-state transactions on a real time basis.

The pilot phase of TINXSYS has commenced and the Maharashtra Sales Tax Department is an active partner in the system.

Determination of disputed questions

If you want to find out the correct interpretation on certain issues related to the taxation matter, you may apply to the Commissioner for determination of the particular question. An illustrative list of such questions is given below:

- whether a person is liable to be registered as dealer
- what is the rate of tax on a particular commodity
- whether a particular transaction is a sale
- the price on which tax is payable
- whether set off can be claimed in a particular transaction

You will be given an opportunity to present your case before the Commissioner makes an order. If you disagree with the Commissioner's ruling, you may appeal to the Tribunal against the order.

However, if the Sales Tax Department has commenced assessment proceedings or if the case is pending in appeal, you can not apply for determination of disputed question.

Tax clearance certificates

If you wish to apply for a tax clearance certificate, we will provide the same within 15 days of your request.

We will issue the certificate based on your record. It will show the

- periods for which you have filed returns
- periods for which you have not filed a return
- periods for which we have made an assessment
- status of any pending proceedings, and
- any amounts of tax outstanding and due for payment.

You should apply for a certificate using Form 414.

Service Cell

The service cell meetings are held at the Head Quarters in Mumbai once in every quarter. You can actively participate and give us your valuable feedback / suggestions during these meetings.

Our Website (www.vat.maharashtra.gov.in)

We have developed a website for serving you in a more efficient and faster way. The website has been divided into five sections as under:

What's new

You will get all the latest notifications / circulars that are issued by the Sales Tax Department in this section.

General information

This section contains general information on the Sales Tax Department such as statistical information with regard to the tax collection, location of all our offices in the State.

Knowledge Center

This section is a repository of the MVAT Act & MVAT Rules and also includes the notifications and Circulars issued under the MVAT Act as well as earlier Acts.

Tax payer services

This section contains the soft copies (downloadable format) of the forms that have been prescribed. This section also contains the information as required by the Right to Information Act. You can find out your Tax Identification Number (TIN) and also TIN of other dealers by using various search criterion. You can obtain various declaration forms as prescribed under the Central Sales Tax Act, through online requisition of these forms. The web links menu of this section connects you to the relevant important websites including the websites of other States' Sales Tax Department.

Communication Centre

This section facilitates the communication process wherein you can post your queries. You may also be able to post your valuable feedback / suggestions.

Part 10 – Recovery, Offences and Penalties

Recovery of unpaid tax

VAT is a self-assessed tax. In order to operate effectively, the self-assessment system relies on the expectation that every dealer will deal with his tax matters promptly and honestly.

But there will be occasions when a dealer does not pay the tax that is due. And so, there is a system designed to recover unpaid tax and to deter dealers from trying to avoid paying tax.

The self-assessment return requires the dealer to pay the tax due at the time of submission of the return. If this dealer does not pay the tax that he has declared, or if only pays a part of the tax due, interest is payable in addition to the tax due.

Attachment of Bank Account

Where any tax, interest or penalties remain unpaid, the department may issue an attachment notice to the dealer's bank and to his debtors. If necessary, officials of the Sales Tax Department may call for the records from the defaulting dealer to examine and obtain the necessary details.

Attachment proceedings

The department may also recover the amounts due by attaching the defaulting dealer's moveable or immovable property under the provisions of Maharashtra Land Revenue Code.

If the department is still unable to recover the amounts of tax, interest and penalties plus any costs incurred in the attachment proceedings, it will initiate prosecution proceedings through police.

The VAT law outlines a number of offences and the financial and other consequences that follow. These are outlined briefly here.

In addition, interest will be charged on any tax paid late at the rate of 15 % per year.

Offences

The principal offences, each of which has been referred to in the text of this guide, are as follows.

If a person-

- poses as a registered dealer when you are not registered
- files a false return
- keeps false account of the value of goods bought or sold

- produces false accounts, registers or documents or provides false information
- issues any document (including bills, cash memoranda, vouchers or any other certificate or declaration) which he knows or has reason to believe is false

He may be liable for criminal proceedings including imposition of fine.

In addition, he is committing an offence if he fails to

- register when his turnover exceeds the threshold
- provide information about changes to his business
- declare the name of the manager
- provide to Sales Tax Department the PAN allotted to the business
- file a return
- get his accounts audited, when required
- keep proper accounts, when required to do so by the Sales Tax authorities because the existing records are inadequate
- produce his accounts for inspection, when required
- issue a tax invoice, bill or cash memorandum.

In these circumstances, the dealer may be prosecuted and a fine may also be imposed.

There are two other events that may also give rise to a penalty. If the dealer:

- transfers any assets of his business with the intention of not paying tax, or
- fails to respond to a notice requiring him to provide statistical information

He will be liable to a fine and may also face prosecution.

Financial penalties or fines

There are various financial penalties, each depending on the nature of the offence:

Tax related

Some offences attract a maximum penalty in proportion to the amount of tax due.

If the dealer

- conceals or misclassifies any transaction or provides inaccurate information or claims a set off in excess of the amount due or,
- issues or produces a document, including tax invoice, bill or cash memorandum, that results in a person or dealer not paying the correct amount of tax,

the penalty is an amount equal to the tax due.

If the dealer avoids paying the correct amount of tax as a result of issuing bogus, false tax invoices, the maximum penalty is an amount equal to half of the tax under assessed or Rs 100, whichever is higher.

Non tax-related penalties

If the dealer fails to file a return, within the time allowed, the penalty is Rs. 2,000.

If he files the return late but before any penalty proceedings have started, the penalty will be reduced to Rs1,000.

If his return is not correct, complete and self-consistent, the penalty is Rs1,000, but this is without prejudice to any other penalties that may be imposed.

If, after the issue of summons, the dealer fails to attend any proceedings or to produce books of account, registers or documents, the Tribunal or the Sales Tax authorities may impose a fine, not exceeding Rs 5,000.

Most other offences attract a penalty of Rs 1,000 although there is also a provision for some offences to attract a penalty of Rs 2,000 plus a continuing daily penalty of Rs100.

Payment of penalty or fine

As a result of proceedings, such as audit, investigation, assessment etc., we will issue a demand notice containing details of tax, interest and penalties, if any, that are imposed.

The dealer should pay the amount due **within 30 days** of the date of the order. He should make the payment using Form 210 through the bank where he normally files your return.

Appendix 1

List of important forms referred to in the Guide

Sr. No.	Form Number	Subject
1	101	Application for Registration under the MVAT Act, 2002
2	103	Application for cancellation of Registration Certificate
3	210	Chalan in respect of payment made otherwise than with return by a dealer under the MVAT Act, 2002
4	221	Return-cum-chalan for all VAT dealers other than dealers executing works contract, dealers engaged in leasing business, composition dealers (including dealers opting for composition only for part of the activity of the business), PSI dealers and notified Oil Companies.
5	222	Return-cum-chalan for all composition dealers whose entire turnover is under composition (excluding works contractors opting for composition and dealers opting for composition only for part of the activity of the business).
6	223	Return-cum-chalan for VAT dealers who are also in the business of executing works contracts, leasing and dealers opting for composition only for part of the activity of the business.
7	224	Return-cum-chalan for PSI dealers holding Entitlement Certificate. (Transactions by PSI dealers relating to the business of execution of works contracts, leasing, trading and composition only for part of the activity of the business to be included in a separate return in Form 223).

Sr. No.	Form Number	Subject
8	225	Return-cum-chalan for Notified Oil Companies. (Transactions by OIL Companies relating to the business of execution of works contracts, leasing and composition only for part of the activity of the business to be included in a separate return in Form 223).
9	304	Application for cancellation of assessment order under section (1) of section 23 of the Maharashtra Value Added Tax Act, 2002.
10	310	Appeal against an order of assessment, interest, penalty or fine
11	311	Application for grant of stay against order of assessment, penalty, interest or fine
12	414	Application for tax clearance certificate
13	501	Application for refund under sub-section (1) of section 51 of the Maharashtra Value Added Tax Act, 2002
14	704	Audit report under section 61 of the Maharashtra Value Added Tax Act, 2002

List of Sales Tax Offices in the State of Maharashtra

Srl. No.	Office	Address Of The Office	Tel No.	E-mail
1	Mumbai (Head Quarters)	Commissioner Of Sales Tax, Vikrikar Bhavan, Mazgaon, Mumbai-400010	(022) 23712121	cst@mahavat.gov.in
2	Bandra	Additional Commissioner Of Sales Tax, Vikrikar Bhavan, Bandra-Kurla Complex, Bandra(E)-400051	(022) 26591757	acst@mahavat.gov.in
3	Raigad (Division)	Joint Commissioner Of Sales Tax, Raigad Div., Kokan Bhavan, CBD, Belapur, Navi Mumbai-400611	(022) 27571554	std.raigad@mahavat.gov.in
4	Thane (Division)	Joint Commissioner Of Sales Tax, Thane Div, Sales Tax Office Bldg., 4th Floor, Collector Office Compound, Court Naka, Thane(W)-400601	(022) 25344702	std.thane@mahavat.gov.in
5	Kalyan	Deputy Commissioner of Sales Tax (Adm), 53, Shiv Vihar, 3rd Floor, Above Gurudev Hotel, Shivaji Peth, Kalyan (W)-421301	(0251) 2315877	std.kalyan@mahavat.gov.in

Srl. No.	Office	Address Of The Office	Tel No.	E-mail
6	Nalasopara	Deputy Commissioner of Sales Tax (Adm), 56, Jaimala Apartments, Neel More Road, Near Muncipal Office,Nalasopara (W)-401303	(0250) 2403002	std.nalasopara@mahavat.gov.in
7	Palghar	Deputy Commissioner of Sales Tax (Adm), 55, Macchimar society office bldg., Mahim Road, Palghar (W)-401404	(02525) 256917	std.palghar@mahavat.gov.in
8	Pune (Division)	Joint Commissioner Of Sales Tax, Pune, Vikrikar Bhavan, Airport Road, Yeravada, Pune-411006.	(020) 26686883	std.pune@mahavat.gov.in
9	Solapur	Deputy Commissioner of Sales Tax (Adm), 69, Pune 2, Vikrikar Bhavan, Hotgi Road, Solapur- 413003.	(0217) 2600723	std.solapur@mahavat.gov.in
10	Barshi	Assistant Commissioner of Sales Tax (C-743), Shah Chambers, Station Road, Barshi-413401	(02184) 222343	std.barshi@mahavat.gov.in

Srl. No.	Office	Address Of The Office	Tel No.	E-mail
11	Kolhapur (Division)	Joint Commissioner Of Sales Tax, (Adm), Vikrikar Bhavan, Kasaba Bawada Road, Kolhapur-416005.	(023) 2659709	std.kolhapur@mahavat.gov.in
12	Satara	Deputy Commissioner of Sales Tax (Adm), M-83, Vikrikar Bhavan, Pawai Naka, Ravivar Peth, Satara-415001.	(02162) 237232	std.satara@mahavat.gov.in
13	Sangli	Deputy Commissioner of Sales Tax (Adm), M-84, Sadguru Building, Timber Market, Sangli-416416.	(0233) 2623583	std.sangli@mahavat.gov.in
14	Sindhudurg	Deputy Commissioner of Sales Tax (Adm), M-85, Administrative Building, Block No. A, 1st floor, Oras- 416520.	(02362) 228836	std.sindhudurg@mahavat.gov.in
15	Ratnagiri	Assistant Commissioner of Sales Tax (C-867), Ratnagiri, Outram Bunglow, Jail Road, Ratnagiri-415612.	(02352) 226108	std.ratnagiri@mahavat.gov.in

Srl. No.	Office	Address Of The Office	Tel No.	E-mail
16	Nasik (Division)	Joint Commissioner Of Sales Tax, (Adm), Vikrikar Bhavan, Nasik Jilha Krishi Audyogik Sahakari Sangh Ltd Near Dwaraka Hotel, Agra Road, Nasik- 422001.	(0253) 2599077	std.nasik@mahavat.gov.in
17	Malegaon	Assistant Commissioner Of Sales Tax, (C- 810), Sales Tax Office,Nikam Building,Opp. Tahasildar Court,Camp Road, Malegaon- 422203.	(0255) 2434875	std.malegaon@mahavat.gov.in
18	Dhule	Deputy Commissioner of Sales Tax (Adm), M-77, Vikrikar Bhavan, Jamnagari Road, SRP Camp, Dhule- 424001.	(02562) 238519	std.dhule@mahavat.gov.in
19	Nandurbar	Deputy Commissioner of Sales Tax (Adm), M-77, Vikrikar Bhavan, Jamnagari Road, SRP Camp, Dhule- 424001.	(02562) 238519	std.nandurbar@mahavat.gov.in
20	Jalgaon	Deputy Commissioner of Sales Tax (Adm), M-79, Vikrikar Bhavan, Ganapati Nagar, Rasik Marg, Jilha Peth,	(0257) 2238705	std.jalgaon@mahavat.gov.in

Srl. No.	Office	Address Of The Office	Tel No.	E-mail
		Jalgaon- 425001.		
21	Ahmednagar	Deputy Commissioner of Sales Tax (Adm), M-78, Kalyan Building, Tilak Road, Ahmednagar-414001.	(0241) 2357961	std.ahmednagar@mahavat.gov.in
22	Aurangabad (Division)	Joint Commissioner Of Sales Tax, (Adm), Vikrikar Bhavan, Opp. Railway Station, Aurangabad-431001.	(0240) 2334869	std.aurangabad@mahavat.gov.in
23	Jalna	Deputy Commissioner of Sales Tax, (Appeal) P - 46, Vikrikar Bhavan, Near Railway Station, Jalna-431203.	(02482) 230313	std.jalna@mahavat.gov.in
24	Beed	Assistant Commissioner of Sales Tax (C-914), Vikrikar Bhavan, Jalna Road, Beed-431122.	(02442) 222468	std.beed@mahavat.gov.in
25	Parbhani	Assistant Commissioner of Sales Tax (C-910), Vikrikar Bhavan, Opp. Railway Station, Parbhani-	(02452) 223089	std.parbhani@mahavat.gov.in

Srl. No.	Office	Address Of The Office	Tel No.	E-mail
		431401.		
26	Hingoli	Assistant Commissioner of Sales Tax (C-910), Vikrikar Bhavan, Opp. Railway Station, Parbhani-431401.	(02452) 223089	std.hingoli@mahavat.gov.in
27	Nanded	Deputy Commissioner of Sales Tax, (Adm), M - 92, Vikrikar Bhavan, Opp. Railway Station, Nanded- 431601.	(02462) 231977	std.nanded@mahavat.gov.in
28	Latur	Deputy Commissioner of Sales Tax, (Adm), M - 93, Vikrikar Bhavan, Gandhi Chowk, Latur-413512.	(02382) 246242	std.latur@mahavat.gov.in
29	Osmanabad	Sales Tax Officer, D-1621, Vikrikar Bhavan, Near Bus Stop, Osmanabad-413501.	(02472) 222895	std.osmanabad@mahavat.gov.in
30	Nagpur (Division)	Joint Commissioner Of Sales Tax, (Adm), Vikrikar Bhavan, Civil Line, Nagpur- 440001.	(0712) 2564511	std.nagpur@mahavat.gov.in
31	Wardha	Assistant Commissioner Of Sales Tax, (C- 976), Administrative Building, 1st floor,	(07152) 240171	std.wardha@mahavat.gov.in

Srl. No.	Office	Address Of The Office	Tel No.	E-mail
		Civil Lines, Wardha 442001.		
32	Chandrapur	Deputy Commissioner of Sales Tax, (Adm), M - 99, R.D. Punglia Building, Civil Line, Opp. Janata College, Chandrapur- 442401.	(07172) 256547	std.chandrapur@mahavat.gov.in
33	Gondia	Assistant Commissioner Of Sales Tax, (C- 963), Vijay Sadan, Phulchoor Road, Gondia-441601.	(07182) 222158	std.gondia@mahavat.gov.in
34	Bhandara	Assistant Commissioner Of Sales Tax, (C- 963), Vijay Sadan, Phulchoor Road, Gondia-441601.	(07182) 222158	std.bhandara@mahavat.gov.in
35	Gadchiroli	Sales Tax Officer (D- 1697), Administrative Complex, Road No.2, Barracks No.4, Unit No.1, Gadchiroli-442605.	(07132) 232640	std.gadchiroli@mahavat.gov.in
36	Amaravati (Division)	Joint Commissioner Of Sales Tax (Adm), Compound of Divisional Commissioner's Office, Bi-pass Road, Amravati-	(0721) 2662022	std.amravati@mahavat.gov.in

Srl. No.	Office	Address Of The Office	Tel No.	E-mail
		444602.		
37	Akola	Deputy Commissioner Of Sales Tax (Adm), M-98, Vikrikar Bhavan, Neem Wadi, Bi-pass Road, Near Police Head Quarters, Akola -444001.	(0724) 2444398	std.akola@mahavat.gov.in
38	Khamgaon	Assistant Commissioner Of Sales Tax, (C- 973), Vikrikar Bhavan, Near Jai Sthambh, Khamgaon, Dist. Buldana- 444303.	(07264) 252149	std.khamgaon@mahavat.gov.in
39	Yeotmal	Assistant Commissioner Of Sales Tax, (C- 967), Sharma Sadan, Peshwa Plot, Yeotmal -445001.	(07232) 242260	std.yeotmal@mahavat.gov.in
40	Washim	Deputy Commissioner Of Sales Tax (Adm), M-98, Vikrikar Bhavan, Neem Wadi, Bi-pass Road, Near Police Head Quarters, Akola- 444001.	(0724) 2444398	std.washim@mahavat.gov.in

Sales tax in Maharashtra - The way forward

Sales tax was first introduced in India in the then Bombay Province as early as March 1938 where a tax was imposed on sale of tobacco within certain urban and suburban areas. In the year 1946, a general sales tax was introduced levying sales tax at the last stage of sale of goods.

The Bombay Sales Tax Act, 1959 introduced in 1959 underwent many changes thereafter and in July 1981, first point tax was introduced wherein goods were classified into three main schedules, broadly covering tax free goods, intermediate products and finished goods. The BST Act was repealed and Maharashtra Value Added Tax Act, 2002 came into force w.e.f. 1st April, 2005 to usher in the progressive value added tax system in place of the old sales tax system.

VAT is a progressive and transparent system of taxation which eliminates the cascading impact of multiple taxation through a multipoint taxation and set-off principle. It promotes transparency, compliance and equity and therefore, is both dealer friendly and consumer friendly.

VAT being a multi point tax, envisages an increase in the number of dealers and is based on the concept of self-assessment and self-compliance. It is therefore, inevitable that the Sales Tax Department transforms itself into a dealer friendly, focussed and dynamic department to cater to the ever increasing expectations of both the Government and the Trade & Industry.

We, at the Sales Tax Department have taken up the challenge to transform ourselves and be available for assisting the dealers in complying with the provisions of the law. We are in the process of installing a state-wide networked IT system to computerise our entire tax administration and hope to provide online service to the dealers in due course. We are also realigning our organisational structure to meet the challenges of the new system and stakeholders' expectations.

This guide is intended to be part of the assistance program and we seek full co-operation from the dealers.