

Leaflet 14

AGENTS & PRINCIPALS

01. HOW ARE AGENTS AFFECTED BY VAT?

- a) An Agent of Non Resident Principal is required to register as a VAT dealer. He should appoint an agent in A.P, who would conduct business on his behalf;
- b) An agent on behalf of Resident Principal / Agriculturist Principal is under no obligation to register under the AP VAT Act 2005;
- c) An agent having own purchases / sales of taxable goods will be required to register depending on his turnover and other obligations to register under the Act.

02. WHAT ARE THE OBLIGATIONS OF AN AGENT OF A NON-RESIDENT PRINCIPAL ?

An Agent of a Non-resident principal is required to register for VAT. The agent of the Non-resident principal has all the legal obligations of a VAT dealer. He has to account for VAT for all the purchases / sales made on behalf of his non-resident principal on the tax returns to be filed by him. He can issue / receive tax invoices/ invoices on behalf of his non-resident principal. He will be required to maintain accounts and records as prescribed in the AP VAT Rules.

03. HOW DOES AN AGENT OF A RESIDENT PRINCIPAL ISSUE / RECEIVE INVOICES ?

A resident principal can :

- a) authorise his agent by supplying his tax invoices / invoices to be issued by the agent or;
- b) allow his agent to issue the agents' invoices on his behalf under his stamp and seal. Conversely, the agent can receive the purchase invoices on behalf of the principal. In both the cases, the purchase / sale invoices shall be sent to the principal within 10 days, so as to enable the principal to account for them in his VAT return or TOT return as the case may be.

04. DOES THE AGENT HAVE TO PAY ANY TAX ?

The agent of the non-resident principal is liable to pay tax and file the tax return.

The agent of the resident principal is not liable to pay any tax for the transactions carried out on behalf of the resident principal. The liability for tax is on the resident principal only.

05. WHAT ARE THE ACCOUNTS WHICH NEED TO BE MAINTAINED BY THE AGENTS ?

- A selling agent acting on behalf of an agriculturist principal needs to maintain records in Form 521(Annexure-I).
- An agent of the resident principal needs to maintain records in Form 522 (Annexure –II).

- An agent of the non-resident principal shall maintain records in Form 523 (Annexure –III).

06. CAN AN AGENT CLAIM ANY INPUT TAX CREDIT ?

An agent of the non-resident principal can claim input tax credit relating to any sale made on behalf of the non-resident principal.

An agent of a resident principal cannot claim input tax credit for transactions made on behalf of the resident principal.

07. WHAT ARE THE OBLIGATIONS OF AGENTS OF RESIDENT PRINCIPAL NOT REGISTERED UNDER THE ACT ?

There are no obligations on the agent to pay any tax on behalf of his resident principal. However, he may inform the tax department and the principal in case the transactions of his resident principal in his account exceed the threshold limit prescribed under AP VAT Act 2005.

08. HOW DOES AN AGENT FILE A RETURN ?

If you are an agent having transactions of your own, and/or an agent on behalf of a non-resident principal, you are required to file an appropriate return.

09. HOW DOES A RESIDENT PRINCIPAL ACCOUNT FOR AND PAY TAX?

A resident principal should register himself either for VAT or TOT depending on the turnover threshold. He should obtain the invoices from the agent or agents and consolidate the turnover including transactions directly done by him and file a VAT or a TOT return as the case may be.

10. WHAT ARE THE OBLIGATIONS OF A RESIDENT PRINCIPAL ?

An agriculturist principal is under no obligation to register irrespective of his turnover. However, if any agricultural produce is converted into some other form and sold by an agriculturist principal, he will be required to register under the Act as per his obligations (*See Leaflet 02 “VAT & TOT Registration Guide”*).

Other resident principals carrying on business of selling any taxable goods shall be required to register depending upon their turnover and other obligations to register under the Act.

11. WHAT SHOULD I DO TO OBTAIN FURTHER INFORMATION?

You should contact your local Tax Office.

