

Leaflet 23

NEGATIVE LIST GOODS

01. WHAT IS A NEGATIVE LIST ?

It is a list of goods specified in Rules 20(2) of APVAT Rules 2005. When these goods are purchased no input tax credit shall be claimed except as in the instances provided in the Rule.

02. WHAT GOODS ARE CURRENTLY IN THE NEGATIVE LIST ?

- a. All automobiles including commercial vehicles / two wheelers/ three wheelers required to be registered under the Motor Vehicles Act 1988 and including tyres and tubes, spare parts and accessories for the repair and maintenance thereof; unless the dealer is in the business of dealing in these goods.
- b. Fuels used for automobiles or used for captive power generation or used in power plants.
- c. Air conditioning units other than those used in plant and laboratory, restaurants or eating establishments, unless the dealer is in the business of dealing in these goods.
- d. Any goods purchased and used for personal consumption.
- e. Any goods purchased and provided free of charge as gifts otherwise than by way of business practice.
- f. Any goods purchased and accounted for in the business but utilized for the purpose of providing facilities to employees including any residential accommodation.
- g. Crude oil used for conversion or refining into petroleum products.
- h. Natural Gas and coal used for power generation.
- i. Any inputs used in construction or maintenance of any buildings including factory or office buildings, unless the dealer is in the business of executing works contracts.
- j. Earth moving equipment such as bulldozers, JCB's and poclain etc., and spares and accessories thereof unless the dealer is in the business of dealing in these goods.
- k. Generators and accessories thereof used for captive power generation unless the dealer is in the business of dealing in these goods.

03. IF I AM BUYING SUCH GOODS CAN I CLAIM INPUT TAX CREDIT ?

You can only claim input tax credit for generators, automobiles & spare parts, AC's, earth moving equipment, etc., if you are in the business of selling them.

- For e.g.:-
- a. If you are a dealer of automobiles and purchase spare parts from other VAT dealers and sell them to your customers by charging VAT, you can claim input tax credit.

- b. You are a manufacturer of motor vehicles and you purchase tyres and tubes and spare parts from other VAT dealers to use them as components. If you are selling vehicles and charging VAT to your customers you can claim input tax credit.

If you are a works contractor and not availing any composition you can claim input tax credit on the inputs used in the construction even though the inputs are in the negative list. If you are running a restaurant and not opted to pay tax by way of composition, you are eligible to claim Input Tax credit on purchase of Air Conditioner.

04. IF I AM SELLING GOODS LISTED IN QUESTION 2 CAN I ISSUE A TAX INVOICE ?

Yes. If you are selling such goods to a VAT dealer, you must issue a tax invoice. You may not know the nature of the buyer's business and it is his responsibility to decide whether he can claim input tax.

05. WHAT IF I CONSUME OR USE ANY GOODS IN THE NEGATIVE LIST IN MY BUSINESS?

You cannot claim a credit unless you are selling such goods.

For e.g.:- a. If you purchase a vehicle and use it for transportation / personal use and spare parts for maintenance, you cannot claim input tax credit.

06. WHAT SHOULD I DO TO OBTAIN FURTHER INFORMATION?

You should contact your local Tax Office.