

Leaflet 04-A

**WHAT CAN I CLAIM
AS A CREDIT OF INPUT TAX?
(Taxable Sales)**

This leaflet is meant for VAT dealers whose sales are entirely taxable goods and do not include any exempt goods and exempt transactions (branch transfers and consignment sales). If you are one such VAT dealer, this leaflet will help you calculate input tax credit you are eligible for.

01. WHAT IS INPUT TAX?

Input tax is the VAT charged by your supplier on your business purchases in the State of Andhra Pradesh. It includes the VAT on goods purchased for resale, raw materials, consumables, packing materials, capital goods and general office equipment. It excludes taxes paid other than VAT on purchases from dealers not registered for VAT or on purchases from outside the state or outside the country.

It does not include VAT paid on goods not meant for business. VAT charged in these circumstances is not your input tax.

02. ARE THERE ANY BUSINESS PURCHASES ON WHICH INPUT TAX CANNOT BE CLAIMED?

The purchases on which you cannot claim a credit for your input tax are:

- a) All automobiles including commercial vehicles/two wheelers/three wheelers required to be registered under the Motor Vehicles Act 1988 and including spare parts for the repair and maintenance thereof; unless you are in the business of dealing in these goods.
- b) Fuels used for automobiles or used for captive power generation or used for power plants.
- c) Air conditioning units other than used in plant and laboratory, restaurants or eating establishments, unless you are 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 / refining into petroleum products.
- h) Natural gas and coal used for power generation.
- i) Any input used in construction or maintenance of any buildings including factory or office buildings, unless you are in the business of executing works contracts.
- j) Earth moving equipment such as bulldozers, JCB's and poclairn etc., and parts and accessories thereof, unless you are in the business of dealing in these goods.
- k) Generators and Parts and accessories thereof used for captive generation unless you are in the business of dealing in these goods.

The above list of goods is generally called 'negative list'.

03. CAN I ALWAYS CLAIM A CREDIT FOR INPUT TAX?

When you purchase goods and have to pay VAT, ask yourself “is this purchase wholly for my taxable business activities”?

If it is for business activities and is not listed in the answer to Question 2 above, you will be able to claim a credit for the VAT you have paid, which is your input tax credit. You must possess an original tax invoice to claim a credit for input tax.

04. WHAT PROOF DO I NEED TO CLAIM A CREDIT FOR INPUT TAX?

You must have an **original tax invoice** to substantiate a claim for input tax credit. Without this document you will be unable to claim a credit.

05. HOW DO I CLAIM MY INPUT TAX CREDIT?

When you complete your VAT return each month the amounts you enter in Boxes (7B), (8B), and (9B) is your claim for credit of input tax on purchases of goods at the tax rates of 4%, 12.5% and 1% respectively.

If the input tax exceeds the output tax in a tax period i.e. total in Box (11) exceeds the amount in Box (20) of the VAT return, you can claim credit for the excess in Box (24). You also have the option of adjusting this credit towards CST tax due if any for that tax period in Box 24(a). The balance credit will be carried forward to the next VAT return.

If you have any international exports in this tax period, you can claim refund of excess credit in Box (23) of VAT return.

06. CAN I CORRECT MYSELF IF WRONG CREDIT IS CLAIMED IN A PARTICULAR TAX PERIOD?

Yes. If the VAT return filed does not contain correct amount of input tax credit, an application on Form VAT 213 shall be submitted to the tax officer within a period of six months from the end of the relevant tax period.

07. HOW DO I OBTAIN FURTHER INFORMATION?

You should contact your Tax Office.

1. VAT dealers making only taxable sales (sub rule 3 of Rule 20 :

M/s.Venkateswara Agencies, a VAT dealer is dealing in sales of Medicines and Cosmetics which are taxable at 4% and 12.5% respectively under the provisions of the VAT Act. M/s. Venkateswara Agencies is not dealing in sales of any exempt goods. The procedure for claiming input tax credit for a month is illustrated below:

PURCHASES (INPUT)			SALES (OUTPUT)	
RATE OF TAX	TURNOVER	VAT PAID	TURNOVER	VAT PAYABLE
4% Goods (Medicines)	1,50,000	6,000	1,00,000	4,000
12.5% Goods (Cosmetics)	1,00,000	12,500	2,00,000	25,000
TOTAL INPUT TAX		18,500	TOTAL OUTPUT TAX	29,000

$$\begin{aligned} \text{VAT payable} &= \text{Output tax} - \text{Input tax} \\ &= \text{Rs.29,000} - \text{Rs.18,500} = \text{Rs.10,500} \end{aligned}$$

NOTE: No adjustments need to be carried since the dealer is dealing only in taxable goods.