

FAQs on Manipur Value Added Tax Act, 2004

1. Question: What is VAT?

Answer: VAT is a simplified and transparent system of tax in which tax is levied on the value additions, at each stage in the production-distribution with provision of set-off of tax paid on earlier stage.

2. Question: How VAT differs from Sales Tax?

Answer: Sales Tax is single point levy as against multiple point levies under VAT with set off provisions being available for tax paid at earlier stage. Thus, in Sales Tax no tax is being levied on the value additions on subsequent sales.

3. Question: How does VAT work?

Answer: Under VAT tax is paid at each stage of sale, the value addition is taxed and setoff of the tax paid in the State at the earlier stage (input tax) is granted against subsequent sales (output tax). Thus VAT eliminates tax cascading.

4. Question: How is the tax liability of a dealer calculated under VAT?

Answer: The net tax payable by a VAT dealer under the VAT Act would be equivalent to the total of the output tax and reverse tax after reducing there from, the amount of input tax credit available.

5. Question: What is input tax?

Answer: "input tax" means tax paid or payable by a registered dealer in the course of business, on the purchase of any goods made from a registered dealer.

6. Question: What is output tax?

Answer: "Output tax" means the tax charged or chargeable under this Act by a registered dealer in respect of the sale of goods in the course of his business.

7. Question: What is reverse tax?

Answer: "Reverse tax" means that part of the input tax for which credit has been availed in contravention of the provisions of section 17.

8. Question: How is Input tax credit to be claimed?

Answer: Input tax credit shall be allowed, to registered dealers, in respect of purchase of any taxable goods made within the State from a registered for the purpose of –

- (a) sale or resale within the State of Manipur; or
- (b) being used as raw material in the manufacture of goods other than exempted goods, for sale within the State or
- (c) inter state sales effected from the state of Manipur; or
- (d) being used as packing material of goods, other than exempted goods, for Sale or resale in the State of Manipur; or
- (e) manufacture of goods, production, processing, assembling, treating, repairing, reconditioning, re-engineering, packaging in special Economic Zone (SEZ) and software Technology Park (STP).

Category: LIABILITY TO TAX

9. Question: Who is liable to pay tax under the proposed VAT Act?

Answer: (a) Every Manufacturer or producers of goods having annual turnover exceeding Rupees 6 lakhs.
(b) Importer of goods (i.e. dealer who brings goods into the State): Nil Turnover

- (c) dealer engaged in any other business other than clause (a) and (b): Rupees 5 lakhs.
- (d) dealer involved in the execution of works contract: Rs. 50 thousand

10. Question: What is the VAT rate structure?

Answer: The rate of tax under VAT is as follows :-

- a) Goods specified in Schedule I (A) @ 1%
- b) Goods specified in Schedule I (B) @ 5%
- c) Goods specified in Schedule I (C) @ 13.5%
- d) Goods specified in Schedule I (D) @ 20%
- e) Goods specified in Schedule II @ Exempted

11. Question: What is the VAT rate levied on?

Answer: The applicable VAT rate is generally levied on the taxable turnover of the dealer.

12. Question: Is there any composition scheme for small dealers?

Answer: It is provided in section 53 of the MVAT however, no notification in this regard is notified.

Category: REGISTRATION

13. Question: Who is required to be registered under the VAT Act?

Answer Every Manufacturer or Producer of goods having annual turnover exceeding Rs. 6 lakhs; Importer of goods (i.e. dealer who brings goods into the State from outside the State) with Nil turnover; Dealer engaging in any other business having an annual turnover above Rupees five lakhs; Dealer involved in execution of works contract having annual turnover above Rupees fifty thousand.

14. Question: Is there a provision for voluntary registration?

Answer: Yes. Dealers who intend to commence or who have commenced a business may apply for voluntary registration.

15. Question: How can a dealer obtain registration?

Answer: A dealer can obtain registration under VAT by making an online application in the prescribed e-form 5 along with the prescribed scan documents with the authority competent to grant registration having territorial jurisdiction over the principal place of business.

16. Question: What information is required to be submitted along with the registration application?

Answer: Information generally required to be submitted along with the registration application would include:

The online application for registration shall accompany:-

- i) Online application form is available in website and all necessary scan documents to be uploaded along with.
- (ii) Nomination/authorization for Operator.
- (iii) Copy of partnership deed, if any, memorandum and articles of association of a company, constitution deed of trust, list of Directors, association of persons or body of individuals, certified by the applicant;
- (iv) Copy of resolution passed by Board of Directors, in case of a company and of governing body, in case of other entities, for authorization of a person to file the application for registration certified by the applicant;
- (v) Minimum security required to be furnished as prescribed under notification.
- (vi) Three photos

- (vii) Residential Certificate issued by jurisdictional revenue officer, Copy of voter identification card, Income tax Permanent Account Number.
- (viii) Copy of rent deed/Lease deed /Power of Attorney of business site
- ix) Drug licenses/any other equivalent for items, which requires.
- x) Email ID, Mobile Number, Bank Detail(s).

17. Question: What is the time period within which a dealer is required to get himself registered?

Answer: A dealer is required to get himself registered within 2 months from the date he becomes liable to pay tax under the VAT Act.

18. Question: What happens if a person liable to register does not get himself registered?

Answer The prescribed authority may, after giving an opportunity of being heard, by order impose by way of penalty a sum , not less than rupees 5,000/- and not exceeding rupees 10,000/- for each month of default.

19. Question: What are the provisions relating to security to be filed at the time of registration?

Answer: As notified by the Department all categories of dealer would have to furnish initial security in minimum amount at the time of registration are given as below:

Sl. No.	Category of Applicant	Minimum Security amount to be paid/furnished
1.	Trader Distributor/Wholesaler	Rs. 15,000/-
2.	Trader Retailer	Rs. 8,000/-
3.	Manufacturer of Medium and small scale Industry	Rs. 8,000/
4.	Manufacturer of large scale Industry	Rs. 15,000/-
5.	Works contractor (Class II or below)	Rs. 6,000/-
6.	Works contractor (Class I and Above)	Rs. 15,000/-
7.	Company registered under the Company Act	Rs. 25,000/-
8.	Government Dept/Local Authority or Body/Corporation or Govt. Company/ Board/ Govt. Society.	Rs. 25,000/-
9.	Any others which are not specified above	Rs. 15,000/-

20. Question: When is additional security required to be furnished?

Answer: Additional security is required to be furnished in such cases where the assessing authority has reason to believe that such increase in security is required.

21. Question: Whether separate registration is required for additional places of business within the State?

Answer No separate registration is required for additional places of business within the State. However, a separate branch certificate under the existing registration number will be granted for each additional place of business within the State.

22. Question: Whether provision regarding provisional registration in case of intending manufacturer will continue?

Answer: No such provision will exist under the new VAT Act.

23. Question: In case of change in the Constitution of Business like status, name, place of business, etc at the time of registration, what action is required to be taken and when?

Answer: In case of any change in the information submitted at the time of obtaining registration, an application in the prescribed Form-9 along with the necessary proof of such change is required to be filed with the jurisdictional authority competent to grant registration. On submission of such information the said authority shall amend the certificate of registration.

24. Question: In what circumstances will the certificate of registration be cancelled?

Answer: The certificate of registration would be liable to be cancelled in the following, where:

- (a) any business in respect of which a certificate of registration has been granted to a dealer on an application made, has been discontinued;
- (b) a dealer has ceased to be liable to pay tax; or
- (c) an incorporated body is closed down or if it otherwise ceases to exist; or
- (d) the owner of an ownership business dies leaving no successor to carry on business; or
- (e) in case of a firm or association of persons if it is dissolved ; or
- (f) a person or dealer is registered by mistake; or
- (g) a dealer fails to furnish return and pay tax and interest according to such return or returns within the time extended; the prescribed authority shall cancel the registration of such dealer.

Category: PAYMENT OF TAX AND FILING OF RETURNS

25. Question: What is the net tax payable by a dealer?

Answer: The net tax payable by a dealer for a tax period shall be calculated as under:-

$$T = (O+R) - I$$

Where –

T is net tax payable;

O is amount of output tax ;

R is amount of reverse tax; and

I is the amount of input tax.

Illustrative example:

Sale Value Rs.100,000, Purchase value Rs.70,000

Output tax (@10%), Input tax credit (@10%)

Tax payable = Rs. 10,000 -Rs.7,000 = Rs. 3,000

26. Question: What is Input Tax?

Answer: Input Tax has been defined in section 15 of the Manipur Value Added Tax Act, 2004 as “Input Tax in relation to a registered dealer means tax charged under this Act by the selling dealer to such dealer on the sale to him of any goods for resale or use in manufacturing or processing of goods for sale.”

27. Question: What is Input Tax Credit?

Answer: Input Tax credit is the credit for tax paid on inputs. Every dealer is liable for output tax on the taxable sales effected by him. The basic principle of VAT is that every dealer pays tax only on the value addition in his hands. Input tax credit is the mechanism by which the dealer is enabled to setoff against the output tax, the input tax.

28. Question: Under what circumstances will input tax credit be available under VAT?

Answer: Input tax credit shall be allowed, to registered dealers, in respect of purchase of any taxable goods made within the State from a registered dealer holding a valid certificate of registration and which intended for the purpose of

- (a) sale or resale within the State of Manipur; or

- (b) being used as raw material or capital goods in the manufacturing and processing of goods other than those exempted from tax under this Act intended for sale in the State of Manipur; or (c) inter-states effected from the state of Manipur; or
- (d) manufacture of goods, production, processing, assembling treating, repairing, reconditioning, re-engineering packing in Special Economic Zone (SEZ) and Software Technology Park (STP); or
- (e) for used as containers for packing material of goods other than those exempted from tax under this Act for sale or resale in the state.

29. Question: Under what circumstances will input tax credit not be available under VAT?

Answer: Dealers are not eligible for input tax credit in the following cases:

- (i) in respect of any taxable goods under this Act purchased by him from another registered dealer for resale but give away by way of free sample or gift;
- (ii) who has been permitted by the Commissioner to make payment of presumptive tax at a percentage of the turnover of sales in lieu of tax as provided under section 21 ;
- (iii) in respect of capital goods other than those directly used for manufacturing or processing of goods for sale ;
- (iv) in respect of goods brought from outside the State against the tax paid in other State;
- (v) in respect of stock of goods remaining unsold at the time of closure of business ;
- (vi) in respect goods purchased on payment of tax, if such goods are not sold because of any theft;
- (vii) where the tax invoice is -
 - (a) not available with the dealer, or
 - (b) there is evidence that the same has not been issued by the selling dealer from whom the goods are purported to have been purchased;
- (viii) in respect of goods purchased from a dealer whose certificate of registration has been suspended ;
- (ix) in respect of goods used for branch transfer of stock other than by way of sale outside the State of Manipur ;
- (x) in respect of sales exempt from tax as specified in Schedule-II; and
- (xi) in respect of raw materials used in manufacture or processing of goods where the finished products are dispatched for branch transfer of stock other than by way of sales :
- (xii) If the purchase of goods intended for sale or resale or use specified under sub-section (4) are not sold or resold or used because of theft, loss or destruction.

30. Question: What is Output Tax?

Answer: Output tax is nothing but the tax payable on sales.

31. Question: How is Input Tax Credit to be claimed?

Answer: The Input Tax Credit in relation any tax period means setting off the amount of input tax paid or payable by a registered dealer against his output tax liability. The operation of the input tax mechanism is very simple. The dealer will be entitled to take credit of input tax in a tax period as specified on the entire eligible purchases. The dealer would charge VAT at the prescribed rate of tax. The dealer can adjust the Input tax eligible on the entire purchase in the tax period against the output tax payable irrespective of the fact whether the entire goods purchased are sold in that tax period or not.

For example, if a dealer purchases inputs worth Rs 1,00,000 and makes sales worth Rs.2,00,000/- in a month, and input tax rate and output tax rate are 4% and 12.5% respectively, then input tax credit / set-off and calculation of MVAT will be as shown below:

- (a) Inputs purchased within the month: Rs 1,00,000/-
- (b) Output sold in the month: Rs 2,00,000/-

- (c) Input tax paid: Rs 4,000/-
- (d) Output tax payable: Rs 25,000/-
- (e) MVAT payable during the month: Rs 21,000 after set-off/Input tax credit[(d)-(c)]

32. Question: How does Input tax credit work within the overall MVAT scheme?

Answer: In order to understand as to how the input tax credit works, let us take the example of Dealer B, a retailer who locally buys goods worth Rs 114,400 from Dealer A his margin is 20% and the tax rate is 4%. He sells only locally in Manipur.

DEALER B Margin 20% Tax rate 4%

Month / Quarter

Purchases & Sales

Local Purchase 114,400

Local Sale 137,280 (MVAT Inclusive)

Tax Component of Dealer's Sale Price

Tax inclusive Sale Price 137,280

Tax Component [Sales Price x Tax rate/100+Tax rate]=[1,37,280x4]/[100+4]=5,280

Base Price 132,000

1. Output tax for the Month' Quarter

Total Sales in the Month / Quarter (Use Base Price) 132,000

Output Tax Rate 4%

Output Tax 5,280

2. Input Tax Credit for the Month / Quarter

Local Purchases in [the Month/Quarter]114,400 [(1,14,400x4/100+4)=4,400]

Tax Component of Local Purchase 4,400

Input Tax Credits 4,400

3. MVAT Payable With the Return Output Tax 5,280

Input Tax Credit 4,400

MVAT Payable 880

4. Total Tax Collected by the Department {Presume that Dealer A&B form a chain}

MVAT Collected {From A} 4,400

MVAT Collected (From B) 880 Total 5,280

5. Total Tax Paid by the Customer

Tax Component of the Sale Price 5,280

33. Question: Is there any requirement of a "one to one" correlation between input tax and output tax?

Answer: There is no need for a "one to one" correlation between input tax credit and output tax.

34. Question: Will input tax credit be available on all purchases for the business?

Answer: Input tax credit is allowed in respect of the MVAT paid on purchases that are for use in making taxable.

35. Question: Will input tax credit be available for the entire tax paid on eligible purchases?

Answer: Input tax credit will be available on the entire MVAT paid on eligible purchases.

36. Question: Will input tax credit be available on inter State purchases?

Answer: Input tax credit will not be available on inter State purchases. It is only available on local purchases of goods on which MVAT that have been paid.

37. Question: Is any proof required to claim input tax credit?

Answer: Yes, input tax credit can be claimed only on purchases from dealers registered under MVAT. The original 'tax invoice' as provided in section 55, is the proof required to claim input tax credit. The tax invoice must be preserved carefully to be produced in audit proceedings; if any tax invoice is not held by the dealer then a claim cannot be made for the input tax credit.

38. Question: Are all dealers eligible to claim input tax credit?

Answer: All dealers registered under MVAT can claim input tax credit on the eligible purchases. However, those opting for the composition scheme under section 54 are not allowed.

39. Question: Will the input tax credit set off be available for works contractors, transferors of right to use etc?

Answer: Yes, the input tax credit set off will be available to works contractors, transferors of right to use etc.

40. Question: Will input tax credit be available on capital goods?

Answer: Input tax credit on capital goods shall be limited to plant and machinery directly connected with the manufacturing or processing of the finished products and admissibility shall commence from the date of commercial production and shall be adjustable over a period of three year.

41. Question: Export sale is said to be zero rated. What does it mean?

Answer: In VAT, a zero rated sale is one which is not liable to tax but is eligible for refund of input tax credit. The export of goods out of India is exempt and the exporter can claim refund on the input tax credit.

42. Question: When returns are to be filed?

Answer: A registered dealer is required to file a quarterly return in Form 10 to the Appropriate Assessing Authority within 20 days after the end of month/quarter. It should be accompanied by challans in proof of payment of tax in respect of each month/quarter. After filing the returns, if the dealer discovers any omission or incorrect statement, he should file a revised return for that period before the expiry of sixty days following the last date prescribed for furnishing original return or before issue of assessment notice whichever is earlier. In addition to above every registered dealer is required to file annual return in Form 10 to the Appropriate Assessing Authority within 30 days after the end of financial year.

43. Question: Who are the dealers to furnish returns online?

Answer: Dealers having interstate business transaction and whose annual Gross Turn Over (GTO) is Rs. 40 lakhs and above during the preceding year have to submit returns online in e-Form 10 through department website on or before 20 days of the succeeding period. However, it will not be applicable to the works contract dealers paying tax through deduction at source mechanism.

44. Question: What is the time limit to pay the tax?

Answer: VAT dealers are required to pay the tax in the appropriate Government Treasury within 20 days after the end of month/quarter in respect of dealers having turnover as follows:

1. If the dealer's annual turnover is exceeding Rs. 40 lakhs in preceding year he is required to furnish monthly.
2. If the dealer's annual turnover is less than Rs. 40 lakhs in preceding year he is required to furnish quarterly.

45. Question: What is e-Payment?

Answer: It is a facility provided to the taxpayers to make tax (VAT & CST) payment through Internet, using net banking facility.

46. Question: Which are the authorized accounts for e-Payment?

Answer: Presently, State Bank of India (SBI) has been authorized to facilitate e-Payment of tax and only SBI account holder can use this facility.

47. Question: Whether input tax credit is allowed on exempted sales?

Answer No input tax credit is allowed on exempted sales.

48. Question: What is TAX invoice?

Answer: TAX invoice means an invoice issued by a registered dealer other than a dealer paying lump sum tax containing certain specific particulars such as: • Pre -printed serially numbered • The words 'TAX Invoice' in a prominent place; • Name and address of the Selling Dealer • TIN of the Selling Dealer • Name, address and TIN of the Purchaser • Description, quantity, volume and value of goods • VAT Rate and the amount of VAT; • Signature of dealer or his/ her declared business manager.

49. Question: Who shall sign on the Returns?

Answer: The Returns shall be signed and verified by the dealer himself or his declared business manager.

50. Question: What are the consequences for non-payment of tax /non-filing of Returns?

Answer: For failure to file the Returns, a penalty of Rupees 100/- per day of default subject to a maximum of Rupees 10,000/- in addition to tax and interest @2 % for a month shall be paid by the dealer

Category: ASSESSMENT and AUDIT

51. Question: Is there a procedure for the assessment of the returns filed by the dealer?

Answer: The Act introduces the concept self-assessment for all returns filed by dealers. Accordingly, all dealers shall be deemed to have been assessed on the basis of returns filed. However, all returns filed shall be verified for correctness and in case any error is detected a revised return would have to be filed by the dealer. On timely filing of such revised return the dealer shall be deemed to have been assessed on the basis of such revised return.

52. Question: Under what circumstances would refund be granted?

Answer: Commissioner shall refund to a dealer the amount of tax, penalty and interest, if any paid by such dealer in excess of the amount due to him. Where any refund is due to any dealer according to return furnished by him for any period, such refund may provisionally be adjusted by him against the tax due or tax payable as per return filed under section 28 for any subsequent period in the year. However, in case of exporters, the dealer may apply in the manner and form prescribed to the Commissioner for grand of provisional refund.

53. Question: What is Audit?

Answer: In view of the incorporation of self-assessment procedures and for promoting compliance, the concept of Tax Audit under section 33 has been introduced in the Act. Based on certain pre decided criteria as well as random selection, cases will selected for audit by the Department.

Category: MAINTENANCE OF RECORDS

54. Question: What accounts are to be maintained by a dealer under VAT?

Answer: Every dealer is required to maintain an account of his business activities including value and quantity of goods received, manufactured, sold or otherwise disposed of or held in

stock. In addition, he shall maintain and keep registers and accounts in such form in the manner prescribed in Rule 35.

55. Question: Where are the accounts to be kept?

Answer: The accounts are required to be kept at the places of business as mentioned in the certificate of registration. In case of manufacturer, stock records have to be maintained at the place where manufacturing activity is carried on. In case of branches, accounts, registers and documents relating to the activities of the branch should be kept at the respective branch. However, final accounts, annual statements, registers and documents shall be kept at the principal place of business.

56. Question: Are the accounts of a VAT dealer required to be audited?

Answer: Every dealer, whose turnover of sales exceeds Rupees sixty lakhs in preceding year should get his accounts for such year audited by a Chartered Accountant and submit to the Appropriate Assessing Authority the audited statement of accounts in Form 25 within six months after the end of the relevant year. If any dealer fails to furnish a copy of such report within six months, penalty of 0.1% of the turnover may be levied.

Category: RECTIFICATION OF MISTAKE

57. Question: Is which cases can an application for rectification be made?

Answer: Application for rectification or otherwise can be made when the mistake/error is apparent from the record at any time within three years from the date of any order passed.

58. Question: Can the rectification happen suo-moto by the concerned authority?

Answer: Rectification can be conducted suo-moto by the concerned authority within a period of three years from the date of the order passed. However, in case enhancing of tax or penalty or interest an opportunity of being heard, notice should be issued.

Category: APPEAL TO APPELLATE AUTHORITY

59. Question: What is the time period within which an appeal is required to be filed?

Answer: The appeal needs to be filed within thirty days of the date of the order receipt to be appealed against. In case the appellate authority is satisfied the reason for delay it may accept within one year.

60. Question: Is the non-disputed tax, interest and penalty required to be paid?

Answer: Yes, the non-disputed amount is required to be paid before you file an appeal.

61. Question: When can an appeal be filed?

Answer: An appeal can be filed against any order of an Assistant Commissioner, a Commercial/Superintendent Tax Officer, or In-charge of a check-post or barrier.

62. Question: Where are the appeals filed?

Answer: If any person is not satisfied with the order passed under the provisions of the Act, he can file an appeal (1st Appeal) along with court fee to a minimum of Rs. 50/- and maximum of Rs. 100/- before an Appellate Authority (Deputy Commissioner of Taxes) within thirty days from the date of receipt of order. A second appeal against the first appeal with same amount of above lies to the Appellate Tribunal but no Tribunal is constituted.