

Should I be registered for VAT? VAT leaflet 102

Q On 1 April 2005, I am registered for Bombay Sales Tax, do I need to apply for a new VAT registration?

A No. You will automatically be registered for VAT from 1 April 2005, if your annual turnover in the financial year 2004-05 is above the prescribed threshold limit of the new Act. You must charge VAT on your sales and file VAT returns.

Q On 1 April 2005, I am registered for Motor Spirit Tax Act, Works Contract Tax Act or Lease Tax Act, do I need to apply for VAT registration?

A Yes, if you are not registered under the BST Act and if your annual turnover in the financial year 2004-05 is above the prescribed threshold limit as per the new Act. You must apply for a new VAT registration before 30 April 2005. You must charge VAT on your sales and file VAT returns.

Q Who should register for VAT?

A If you are a dealer and your turnover exceeds the threshold, then you must register with the Sales Tax Department. However, there are provisions for dealers to register voluntarily. If you are registered under the Central Sales Tax Act, you must register for VAT, regardless of the threshold.

Q What is the threshold?

A The threshold is based on the total turnover of sales and the level of taxable sales or purchases in a year commencing 1 April. The threshold limit above which you must register, depends on the nature of your business. If you are an importer and your total turnover exceeds Rs. 1,00,000 and your taxable sales or purchases exceed Rs.10,000 in a year commencing 1st April, you must register and account for tax. If you are not an importer and your total turnover exceeds Rs 5,00,000 and your taxable sales or purchases exceed Rs.10,000 in a year commencing 1st April, you must register and account for tax. "Importer" for this purpose means a dealer who brings any goods into the state or to whom any goods are despatched from any place outside the state.

Q What are the benefits of being registered?

A When you calculate the amount of VAT you have to pay, you can claim set-off for the VAT you have paid on your business purchases. You can issue tax invoices to your customers who are registered dealers. This will enable them to claim a set-off for the VAT paid to you

Q I operate my business in more than one place

A If you have more than one place of business within the State, the threshold limit applies to all such business places taken together. And you must normally make a single application for registration.

Q I am registered for the Central Sales Tax, do I need to register for VAT?

A Yes, you must register for VAT. And, when registered, you must charge VAT on your sales and file VAT returns.

Q How will my customers know I am a registered dealer?

A When you register, you will receive a Registration Certificate. You must display this certificate in a prominent position at your place of business. If you have more than one place of business, you must obtain a duplicate copy of the Registration Certificate from the Sales Tax Department and display it at each place. You must also quote your Registration Certificate number on your tax invoices.

Q What happens if I do not register?

A There are benefits for those who get registered on time but not for those who fail to register at the right time. Most important, you are not eligible to claim set-off of VAT paid on your business purchases. For late registration, you will be required to pay the tax you should have accounted for and interest for the delayed payment. You could be liable to a penalty

Q What does voluntary registration involve?

A If your turnover is less than the threshold or even if there is no turnover, you may apply for voluntary registration. The procedure is the same as that for compulsory registration. And you will have the same rights and obligations, that is, you can charge VAT, issue tax invoices and claim a set-off for the VAT you pay on your business purchases when you file your VAT returns.

Q What happens if I am registered but I sell or close down my business?

A If your business is discontinued, you must bring this to the attention of the Sales Tax Department. You must complete form 103 and return it to the Department within 30 days of the event.

Q What happens if I change my place of business to another PIN code?

A You must notify the Department on form 103 within 30 days of the change.

Q What happens if I change the name of my business?

A You must notify the Department within 60 days of the change

Q What should I do if my turnover falls below the threshold?

A If your turnover falls below the threshold, you can remain as a registered dealer or apply for the cancellation of your Registration Certificate. If the Commissioner of Sales Tax approves the cancellation of your registration, it will be effective from the first day of the next month. You must continue to charge VAT and issue tax invoices up until the date your registration is officially cancelled.

Q When should I apply for registration?

A You must apply within 30 days of becoming liable for registration, that is when your turnover first exceeds the thresholds set out in this leaflet or you are liable to register for Central Sales Tax. There is a special form, Application for Registration, form number 101, which you can obtain from your local Sales Tax Office

Q How do I apply for registration?

A Form 101 tells you what to do and what information you must provide. There is also a leaflet, number MVAT 103, to help you complete the form.

Q Is there a registration fee payable?

A Yes, the registration fee is Rs.100.

Q If I have difficulty applying for registration, whom should I contact?

A If you have a problem with this or any other aspect of VAT, you should contact your local Sales Tax Office. You can find the address of the nearest office in the telephone directory.