

Claiming Set-Off for VAT VAT leaflet 108

Q What is set-off?

A Set-off is the amount of tax credit which can be claimed in the VAT return. It is the tax that you have been charged on goods that you have purchased for your business. This credit can be adjusted against the VAT payable on your sales, and the balance of VAT has to be paid to the Government.

Q Who can claim set-off?

A Any registered dealer who has not opted to pay tax by way of composition as a retailer, owner of a restaurant / hotel or a bakery owner.

Q Is set-off available under a composition scheme?

A No, except in the case of works contracts and dealers in second hand motor vehicles where special provisions apply.

Q Which taxes are available for set-off?

A You can claim set-off for taxes paid under: · Maharashtra Value Added Act 2002, i.e VAT · Entry for Motor Vehicles into Local Areas Act, 1987, i.e Entry Tax · Entry of Goods into Local Areas Act, 2003, i.e Entry Tax

Q In respect of which goods can I claim set-off?

A Generally, you can claim set off for the full amount of tax paid on purchases for your business. This includes capital assets, goods the purchases of which are debited to profit and loss account, trading goods, raw materials, parts, components and spares, packing materials and fuel. However, there are conditions related to the set-off you can claim. The tax paid on some goods does not automatically qualify for set-off, and there are restrictions in some cases on the amount of set-off that can be claimed. Consult your tax consultant or Sales Tax Office for more details.

Q What are the conditions related to claiming set-off?

A The following conditions apply for claiming set-off: · you must be registered for VAT · you must not be paying tax by way of composition as a retailer, hotel / restaurant business or bakery. · you must hold a valid tax invoice for the goods purchased on which you are claiming set-off in which the VAT must be shown separately · you must maintain an account of all purchases in chronological order on which you are claiming set-off