

Office of the Commissioner
Commercial Taxes,
Thiruvananthapuram,
Dated:30-3-2007.

CIRCULAR NO.15/07

Sub:- KVAT Act,2003- Section 8 -payment of tax at compounded rate on MRP- goods covered under the Standards of Weights and Measures (Packaged Commodities) Rules 1977, issued under Standards of Weights and Measures Act, 1976- instructions issued-reg.

1. A new clause (h) has been inserted to Section 8 of the KVAT Act, 2003 to provide for payment of compounded tax in respect of goods covered under the Standards of Weights and Measures (Packaged Commodities) Rules 1977, issued under Standards of Weights and Measures Act, 1976.
2. The tax will have to be paid at their respective schedule rates on the maximum retail price of such goods. The compounding facility is available to any importer or a manufacturer having dealings in the above said categories of goods (i.e. first seller in the State).
3. Only first sellers offering all the MRP marked goods in respect of which they are first sellers will be eligible to exercise this option for compounding under section 8(h).
4. Those dealers who wish to pay tax in accordance with the said clause are required to file an option in Form 1D before their assessing authority on or before the 30th day of April, 2007. Form 1D prescribed under Rule 11(1) of KVAT Rules, 2005 shall be used with suitable modification or insertions for the purpose.
5. First sellers shall have to pay tax on the maximum retail price printed on the packages of such goods. Since the MRP printed is inclusive of the tax element the value of the goods and tax has to be split and shown separately in the respective invoices/bills by these dealers.
6. The value of the goods has to be computed using the following formula:

$$\frac{\text{MRP including tax} \times 100}{[100 + \text{tax rate}]}$$

Compounded tax at the Schedule rate has to be levied on the above value.

7. Dealers are at liberty to sell the goods at a rate lower than the built-in value covered under the MRP printed on the packages; they will be entitled to recover the full tax paid by them while purchasing such goods. At any rate the total amount collected from the ultimate customer shall not exceed the maximum retail price printed on the packages of such goods.
8. Dealers paying tax under this clause shall not be permitted to give any trade discount or incentive in terms of quantity or cash discount for the purpose of computing the tax liability under this clause.
9. Where a dealer purchases goods from
 - a. another dealer who has opted for payment of compounded tax on such goods, or

- b. from another registered dealer and compounded tax had been paid on an earlier sale on such goods,
he shall be exempt from payment of tax under section 6(1) of the KVAT Act on the sale of such goods, provided the dealer claiming such deduction obtains an invoice in Form 8HH (proposed), given below, from the selling dealer. But he will be entitled to recover from the buyer the tax which he had paid at the time of purchase of such goods which had to be shown separately in the invoice/bills.
10. Separate formats of bills /invoices in Form 8HH (proposed) have to be issued by all dealers paying tax under this clause.
 11. Where a dealer has dealings in other categories of goods for which clause (h) of section 8 does not apply, separate accounts in respect of the goods covered under this clause, and those goods for which tax has to be paid under the regular stream under section 6(1) of the Act, have to be maintained.
 12. In this transitional year, subsequent dealers dealing in the above category of goods and holding opening stock on the 1st April, 2007 would qualify as first sellers holding goods for 'first taxable sale', since the tax if any paid on purchasing such goods would have been either adjusted against their output tax liability or claimed refund under section 11(6) of the Act, and so would have to file option for compounding under this clause before their assessing authority on or before 30th April 2007 and pay tax under this clause in respect of such goods held as opening stock as on 1-4-2007 after filing the details of the stock held as on 1st April, 2007 along with the option under this clause and the procedure detailed supra would mutatis mutandis apply to such dealers also.
 13. The option under this clause shall be on a yearly basis and the dealers who opted for compounding shall not be entitled to withdraw such option in the middle of the year.
 14. Where second or subsequent dealers who had effected purchases prior to 1-4-2007 but accounted these purchases on or after 1-4-2007 opt for payment of tax of such goods under section 8(h), he would be entitled to a reduction of tax paid on such goods against the output tax liability.
 15. Presumptive Taxpayers: The eligibility of dealers for presumptive taxation will be determined including the turnover of goods under section 8(h). But their tax liability under section 6(5) will be computed excluding the turnover of goods on which tax has been suffered under section 8(h). Presumptive taxpayers shall also be liable to pay tax of 0.5% on the opening stock of goods as on 1-4-2007 covered under section 8(h).

COMMISSIONER

To

All Concerned.

TIN.....

CST Regn No.....

Proposed

DEALER'S NAME AND ADDRESS

THE KERALA VALUE ADDED TAX RULES, 2005
FORM NO. 8HH
[See Rule 58(10)]

TAX INVOICE / SALE BILL
 (CASH / CREDIT)

(To be prepared in Quadruplicate*)

Sl. No	Sch. Entry No	Commodity	Tax Rate	Unit Rate (MRP)	Qty	Sale Value	Max Retail Price	Tax Collected on MRP	Tax Paid to Supplier on MRP	Total
1	2	3	4	5	6	7	8	9	10	11=7+9or10
Total										

Total in wordsonly

DECLARATION

(To be furnished by the seller)

1. Certified that all the particulars shown in the above Invoice/Bill are true and correct in all respects and the tax charged and collected are in accordance with the provisions of the KVAT Act 2003 and the rules made thereunder. It is also certified that my/our Registration under KVAT Act 2003 is not subject to any suspension /cancellation and that it is valid as on the date of this Invoice/Bill.
2. Certified that the goods sold as per this Invoice/Bill have duly suffered compounded tax under section 8(h) at the preceding point of sale, at the hands of my supplier(s) or at any previous points. *(applicable to second/subsequent sellers only)*

Authorised Signatory
 [With Status & Seal]

* Original for the buyer, Duplicate for the Transport Copy, Triplicate for filing at the Check Post / Extra Copy & Quadruplicate to be retained with the seller.