

Illustration of concessions granted under the Scheme

A person is engaged in the sale of cooked food. His turnover of annual taxable supplies exceeded Rs 2,000,000 in year ended 31 December 2007 but he failed to apply for VAT registration. His turnover of taxable supplies and purchases that can be supported by invoices from VAT registered persons are as illustrated in Table 1.

Taxable periods in year ended	31/12/08 Rs	31/12/09 Rs	31/12/10 Rs	31/12/11 Rs
Turnover	2,400,000	2,500,000	2,600,000	2,800,000
Purchases supported by VAT invoices	325,000	350,000	400,000	500,000

Table 1

Tax payable in the absence of VRIS

Taxable periods in year ended	31/12/08 Rs	31/12/09 Rs	31/12/10 Rs	31/12/11 Rs	Total (Rs)
* Output tax	313,043	326,067	339,130	366,217	1,343,477
** Allowable Input Tax			(52,174)	(66,217)	(117,391)
VAT due and Payable	313,043	326,067	286,956	300,000	1,226,066
PENALTIES					
Failure to register					60,000
Late payment penalty (5%)					61,304
Interest (1% per month) up to 30 June 2012	148,668	112,800	64,668	31,800	354,130
Total VAT due & payable					1,691,520

Assumptions:

(1) The person registers for VAT in January 2012.

(2) Output tax and allowable input tax are spread evenly over the relevant taxable periods of each year.

Tax payable under VRIS

Taxable periods in year ended	31/12/08 Rs	31/12/09 Rs	31/12/10 Rs	31/12/11 Rs	Total (Rs)
Output tax			339,130	366,217	704,347
Deemed Input Tax 40%			(135,652)	(140,086)	275,738
VAT due and Payable	Nil	Nil	203,478	225,131	428,609



The following are excluded from the Scheme :

1. Persons who have been convicted on or after 1 July 2001 of an offence relating to trafficking of dangerous drugs, terrorism, money laundering or corruption.
2. Persons against whom any civil or criminal proceedings are pending or contemplated or in relation to whom an enquiry is being conducted in respect of any act mentioned at paragraph (1).



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OBJECTIVE OF THE SCHEME

The objective of the Scheme is to provide an incentive to persons who have failed to register for VAT to regularize their situation by granting them major concessions in respect of their tax liability prior to registration.

PERSONS ELIGIBLE TO JOIN THE SCHEME

The Scheme is open to persons in business, service providers and professionals who are liable to register for VAT but have so far failed to do so.

Operation of the Scheme

- The persons who are liable to register for VAT shall have to apply for VAT registration on or before 31st March 2012.
- They will have to submit their statement of prior liability by 30 June 2012 at latest.
- Persons who were liable to register prior to 1 January 2010 will be allowed to submit the statement of prior liability only for the period commencing on 1 January 2010 and ending on the date of registration.
- Persons who were liable to register on or after 1 January 2010 will have to submit the statement of prior liability for the period they were required to register.

Concessions granted under the scheme

- Delay to apply for VAT Registration
- Persons liable to register for VAT will be given a delay up to 31 March 2012 to file their application for VAT registration.
- Delay for submission of statement of prior liability.
- The newly registered persons will be given a delay up to 30 June 2012 to submit their statement of prior liability.
- Period covered under the statement of prior liability
- Where the persons were liable to register prior to 1 January 2010, their statement of prior liability will cover only the period 1 January 2010 to the date of registration.

- Credit for input tax
- All the newly registered persons will be entitled to take credit for input tax for the whole period for which they submit their statement of prior liability.
- In case a newly registered person cannot support his purchases by receipts or invoices, he will be entitled to a deemed credit for input tax from his declared output tax as follows:

Sector	Deemed Credit
<i>Manufacturing</i>	
Garments and processed food	25%
Footwear	70%
Others	50%
<i>Wholesale Trade</i>	
Processed food	70%
Garments	50%
Others	75%
<i>Retail Trade</i>	
Hardware	85%
Garments	70%
Others	80%
Restaurant and sale of cooked food and cakes	40%
Boarding Houses and bungalows	20%
Building Contractor	
- Providers of Labour only	10%
- Others	40%
Professional activities and other services	10%

PENALTY AND INTEREST

- No penalty or interest will apply to the VAT payable if a newly registered person submits his statement and effects payment by 30th June 2012 at latest.
- If the person seeks additional delay to settle the VAT payable, interest at the rate of 1% per month will apply only in respect of the additional delay granted.
- In case the declaration gives rise to Income Tax liability as well, the person will be allowed to settle his Income Tax liability on the terms provided in the Voluntary Disclosure of Income Arrangement Scheme (VDIA) under the Income Tax Act.
- The newly registered persons shall not be liable for prosecution for the offence of failure to register for VAT.

