



VAT
Registration
Incentive
Scheme

VRIS 2013

A background image showing a hand holding a yellow pencil, poised to mark a document. In the foreground, a calculator is visible. The overall scene suggests financial or administrative work.

✓ VAT

REGISTERED

1. Objective of VRIS

The objective of VRIS 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 VAT liability prior to registration.

2. Persons eligible to join VRIS

VRIS is open to persons in business, service providers and professionals who ought to register for VAT but have not done so.

3. Operation of VRIS

Persons who want to benefit from VRIS must:

- 3.1** Apply for VAT registration on or before 30th June 2013.
- 3.2** Submit their statement of prior liability by 30th September 2013.
- 3.3** If they ought to register prior to 1st January 2010, submit the statement of prior liability only for the period commencing on 1st January 2010 and ending on the date of registration.
- 3.4** If they ought to register on or after 1st January 2010, submit the statement of prior liability for the period they were required to register.

4. Concessions granted under VRIS

The following concessions are provided under VRIS:

4.1 Delay to apply for VAT registration.

- Persons liable to register for VAT will be given a delay of up to 30th June 2013 to file their application for VAT registration.

4.2 Delay for submission of statement of prior liability.

- Newly registered persons will be given a delay up to 30th September 2013 to submit their statement of prior liability.

4.3 Period covered under the statement of prior liability.

- The liability will cover only the period from 1st January 2010 to the date of registration.

4.4 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 the event a newly registered person cannot support his purchases by receipts and 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>	
Hardwares	85
Garments	70
Others	80
Restaurant and sale of cooked food and cakes	40
Boarding houses and bungalows	20
Building contractor providing manpower only	10
Other building contractor	40
Professional activities and other services	10

5. Penalty and Interest

5.1 No penalty or interest will apply to the VAT payable if a newly registered person submits his statement and makes payment on or before 30th September 2013.

5.2 If the person requests for additional delay to settle the VAT liability, interest at the rate of 1% per month will apply on any balance unpaid as at 30th September 2013.

5.3 In case the declaration gives rise to income tax liabilities as well, the person will be allowed to settle his income tax liability on the terms provided in the Voluntary Disclosure Income / under-declared VAT Arrangement (VDIA) under the Income Tax Act.

5.4 The newly registered person shall not be liable for prosecution for the offence of failure to register for VAT.

6. The following persons are excluded from VRIS

6.1 Persons who have been convicted on or after 1st July 2001 of an offence relating to trafficking of dangerous drugs, terrorism, money laundering or corruption.

6.2 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 6.1.



7. Illustration of concessions granted under VRIS

A person is engaged in the sale of cooked food. His annual turnover of taxable supplies exceeded Rs 2m in the year ended 31 December 2008 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 below.

Table 1

	31-12-2009	31-12-2010	31-12-2011	31-12-2012
Turnover	2,400,000	2,800,000	3,200,000	4,000,000
Purchases backed by VAT Invoice	325,000	350,000	400,000	500,000

VAT payable in the absence of VRIS

Year ended 31 December	2009	2010	2011	2012	Total
Output Tax	313,043	365,217	417,391	521,739	1,617,390
Allowable Input Tax			(52,174)	(65,217)	(117,391)
VAT due and payable	313,043	365,217	365,217	456,522	1,499,999
Penalties					
Failure to register					50,000
Penalty for Late Payment 5%					75,000
Interest 1% pm to 30-06-12	145,565	126,000	82,173	47,934	401,672
Total VAT due and payable	458,608	491,217	551,738	634,890	2,026,671

VAT payable under VRIS

Year ended 31 December	2009	2010	2011	2012	Total
Output Tax		365,217	417,391	521,739	1,304,347
Deemed Input Tax 40%		(146,087)	(166,957)	(208,696)	(521,740)
VAT due and payable	Nil	219,130	250,434	313,043	782,607



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