

GOVERNMENT OF NATIONAL CAPITAL TERRITORY OF DELHI
DEPARTMENT OF TRADE AND TAXES
VYAPAR BHAWAN, I.P. ESTATE, NEW DELHI-110002

No.F.6(70)/Policy-I/VAT/2010/1298

Dated: 19.05.2010

CIRCULAR NO. 3 OF 2010-11

Subject : Calculation of input tax credit to be carried forward on closing stock

1. The amendment in section 9(1) of the DVAT Act, 2004 has been made effective from 01.04.2010 vide which a dealer who is registered or is required to be registered under this Act shall be entitled to a tax credit in respect of the turnover of the purchases occurring during the tax period to the extent of proportion of the goods which have been put to sale in the course of his activities as a dealer. The corresponding Rule 6 A in the DVAT Rules has also been inserted for proper operationalization of the said amendment.

2. The Sales Tax Bar Association and Trade Associations have represented to the Commissioner that dealers are facing difficulties in calculation of ITC which is to be carried forward on closing stock. These representations were examined in the department in details.

3. It is clarified that it is already provided in Section 9(5) of the DVAT Act, 2004 that “the method used by a dealer to determine the extent to which the goods are used in the manner specified in sub-section 4 of this section, shall be fair and reasonable in the circumstances.” Likewise, the method for calculation of the input tax credit to be carried forward on closing stock shall be fair and reasonable.

(i) It is further specified in the same section that:-

“Provided that Commissioner may

- (a) after giving reasons in writing, reject the method adopted by the dealer and calculate the amount of tax credit: and
- (b) prescribe methods for calculation the amount of tax credit or the amount of any adjustment and reduction of a tax credit in certain instances.

(ii) Further, it is also open to the dealer that in case there is any grievance on this account, a person may object in the manner referred to in section 74 of this Act to a decision of the Commissioner to reject a method of calculating a tax credit, as is provided for under the said Act, Section 9(5).

4. Thus, it is clarified further that the essential nature of self-assessment by a dealer in a fair and reasonable manner is very much a basic provision of the said Act and does not, in the ordinary course of business, give any reasons for apprehension, even after taking into account the recently included Amendment in Section 9(1) of DVAT Act, 2004.

This issues with the approval of Commissioner, Trade & Taxes.

(Naveen Katarya)
VATO (Policy)

No.F.6(70)/P-I/VAT/2010/1298-1309

Dated: 19.05.2010

Copy for information and necessary action to :-

1. PS to Commissioner, Value Added Tax, Department of Trade and Taxes, Vyapar Bhawan, I.P. Estate, New Delhi.
2. All Special Commissioners, Department of Trade and Taxes, Vyapar Bhawan, I.P. Estate, New Delhi.
3. All Additional Commissioners, Department of Trade and Taxes, Vyapar Bhawan, I.P. Estate, New Delhi.
4. All Joint Commissioner (PR/Adv.), Department of Trade and Taxes, Vyapar Bhawan, I.P. Estate, New Delhi.
5. Dy. Director (Policy), Department of Trade and Taxes, Vyapar Bhawan, I.P. Estate, New Delhi.
6. All VATOs/AVATOs of all Wards of Operations through Zonal In-charges.
7. All VATOs/AVATOs, Front Office/CRC Cell/PR Branch/TPS/Legal Service Cell/CFC.
8. Manager (EDP), Department of Trade and Taxes, Vyapar Bhawan, I. P. Estate, New Delhi is requested to upload on the website of the Department.
9. Assistant Director (R&S), R&S Branch, Department of Trade and Taxes, Vyapar Bhawan, I. P. Estate, New Delhi.
10. President, Sales Tax Bar Association (Regd.), Vyapar Bhawan, I.P. Estate, New Delhi
11. President, Trade Associations, Delhi.
12. Guard File.

(Naveen Katarya)
VATO (Policy)