

No. C1/520/06/CT

Office of the Commissioner,
Department of Commercial Taxes,
Thiruvananthapuram
Dated.20/3/2007

CIRCULAR No.13/2007

Sub:- KVAT Act, 2003- claim of in put tax credit in respect of purchases effected during month/year-end - clarified - instructions issued -reg

As per section 11 of the KVAT Act, 2003 dealers are entitled for input tax credit on their purchases subject to other provisions of the said section and such conditions prescribed there under. Rule 58 of the Kerala Value Added Tax Rules, 2005 prescribes the procedure for maintenance of books of accounts. Accordingly every purchase and every sale shall be brought to account as soon as the purchase or sale is effected. Sub rule (2) of the said rule further requires keeping separate account for the purchases in respect of which a dealer is eligible to claim input tax credit.

Now a doubt has been raised from some quarters as to the eligibility for input tax credit against bills/invoices raised, especially at the fag end of a return period or year, before taking delivery of such goods i.e. while the goods are in transit. It is also brought to notice that some assessing authorities are allowing input tax credit in a return period against the bills/invoices raised during that return period only.

The issue has been examined in detail. Section 11 of the said Act entitles dealers to input tax credit on the purchases of taxable goods from a registered dealer within the State, subject to eligibility. Sub rule (3) of rule 22 of KVAT Rules, 2005 requires filing of statement regarding purchase and sales invoices along with the periodic returns. As per rule 58, every purchase and every sale shall be brought to account as soon as the purchase or sale is effected. Normally a sale become

complete only when the property in the goods is transferred, so that the buyer can normally file purchase statements only on taking delivery of such goods. In other words dealers are not entitled to claim Input Tax Credit without taking delivery of the goods.

In such situations the purchasing dealers are entitled to account the purchases during the return periods in which the goods in question are actually delivered to him irrespective of the date of the bill or invoice of the corresponding selling dealer, and such dealers are entitled to claim input tax credit during the return period in which such purchases are accounted in the books of accounts, subject to maintaining proof of taking delivery of such goods

All assessing authorities shall note the above position while verifying returns.

Commissioner.