

Course Code – COM (H) 226

Lecture 1



Configuring VAT in Tally ERP 9

Introduction

The Value Added Tax (VAT) is a type of indirect tax and is one of major source of revenue to the state. The VAT system was introduced in India by replacing the General Sales Tax laws of each state. Presently in India, out of 35 States and Union Territories, 33 are following this new system of Sales Taxation. The States/Union territories which are yet to implement the VAT system are Andaman and Nicobar Islands, Nagaland and Lakshadweep.

General Terminologies of VAT

Input Tax: This is the tax paid on purchases

Output Tax: This is the tax charged on sales

Input Credit: The excess amount of Input tax over output tax for the current period which is permitted to be set off against Output tax of subsequent periods is termed as Input Credit.

Tax Identification Number (TIN): is the Registration Number given by the department to the dealer at the time of Registration. This needs to be quoted at all required places where the registration details are to be provided.

Tax Invoice: This is the Sales invoice format issued by one Registered Dealer to another. Based on this Invoice, ITC can be claimed by the purchasing dealer.

Retail Invoice: The Sales invoice format used for invoicing the Exempted Sales and the Sales made to Unregistered dealers is termed as Retail Invoice.

VAT Classifications

Exempt from tax:

Primarily natural & unprocessed products i.e. Agricultural implements, Rice, Wheat, Pulses, Seeds, Bread, Meat, Fish, Spices, Paddy etc.

Taxable @ 1%:

Items like Bullion, Articles of Jewellery, Precious Stones etc.

Taxable @ 4%

Basic necessity items such as drugs & medicines, agricultural & industrial inputs, capital goods and declared goods.

Taxable @12.5%

All items that do not fall under the preceding classification

Taxable at special tax rates

Alcoholic Liquors, Petrol, Diesel, Aviation, Spirit, Turbine Fuel and Sugarcane

To View the list of VAT classifications

Go to Gateway of Tally > Display > Statutory Info. > VAT Classifications

Enabling Value Added Tax (VAT)

Step 1: Press F11 and set the following as Yes

1. Enable Value Added Tax (VAT)
2. Set/ Alter VAT Details

Step 2: On activating VAT details screen appears, Select the state, type of dealer, regular VAT applicable from and additional information related to LVO code

Step 3: In F11 (accounting features), set Maintain Bill Wise Details to YES

Thank You