

THE VALUE ADDED TAX ACT, 2003.

VAT is a system whereby a taxable commodity is taxed at every point of sale within the state from the stage of production or manufacture within the state, or from the stage of first sale within the state after import from outside the state, to the stage of sale to the consumer, subject to a threshold limit. But one redeeming feature of the system is that at every subsequent point of sale after the first sale within the state, tax is payable only on the value addition. Only a couple of tax rates are applicable in VAT. The system is very transparent as all transactions take place through invoices showing tax separately; tax is not merged with the sale price and so there is no cascading effect of tax in the subsequent points of sales. The retailers having the gross turnover upto a certain prescribed level shall have the option to pay presumptive tax at a certain percentage of their taxable turnover.