

Ref.No. 3VAT/R-62/9171

13.4.2011

To,
Shri V. N. Garg, I.A.S.
Executive Director
Udyog Bandhu,
12 C Mall Avenue Lucknow

Sub:- Clarifications on Entry Tax on Iron & Steel.

Sir,

The Commercial Tax Deptt. has issued Notification No. 418 on entry of goods in to local area. By virtue of this notification the entry tax rate schedule has been amended and entry tax to the tune of 5% instead of 1% (which was previously levied) has been provided.

The above notification followed by Notification No.422 on rebate of entry tax has raised certain complicated problems for the tax payers which need immediate clarification so that they may not adopt their own interpretations due to complicated language of the notification.

The rebate on entry tax will be available to the extent of VAT payable. Which means that full rebate of 5% will not be available but instead it will be 4% which is inforce on iron & steel under VAT Act. Thus, 1% entry tax deposited will always remain in ITC.

The entry tax rebate according to the notification will be available only when iron & steel purchased and is sold in the same form. This means the rebate will not be available for the manufacturers of goods from Iron & Steel.

When goods are imported from outside the state entry tax will have to be paid by importer of the goods then what would be the fate of the rebate if Iron & Steel is utilized in manufacturing and a product other than the Iron & Steel imported is manufactured and is classifiable under section 14 of CST Act.

Such questions and others are worrying the manufactures for which IIA is receiving representations for clarifying the complexities of the above two notifications. Therefore, in the interest of the business and revenue as well, an official clarification on the questions raised by honourable members is required to be issued as not to leave any room for discretionary interpretations by the different officers and Tax payers.

Therefore, an exhaustive circular and clarification on the following problems is immediately required to put both the notifications in to proper operation;-

In case of a trader of steel:

1. The trader purchases steel from a manufacturer in U.P. He pays a VAT of 4% and entry tax of 5% total 9%, for which he takes a credit i.e. a credit of 8% is taken in VAT.

When he sells them he pays a VAT of 4% and no entry tax, it means that a credit of entry tax shall always be available to him unless he sells the product at more than the double the purchase rate which is not possible. How the final settlement will be made?

2. The trader purchases steel from a manufacturer / trader from Ex U.P. He pays a CST of 2% and deposits entry tax of 5% and takes a credit of 4% i.e. entry tax deposited by him

When he sells the product he pays a VAT of 4% utilising his VAT credit what will happen to 1% excess of Entry tax.

In case of a manufacturer who uses steel as a raw material:

1. The manufacturer purchases steel from a manufacturer of steel in U.P. He pays a VAT of 4% and entry tax of 5% total 9%, for which he takes a credit i.e. a credit of 4% is taken in VAT. **(Whether the credit of entry tax can be taken by him or not and in which case the credit is available).** What will be the use thereof?

2. The trader purchases steel from a manufacturer / trader from Ex U.P. He pays a CST of 2% and deposits entry tax of 5%

(Whether the credit of entry tax deposited can be taken by him or not and in which case the credit is available)

1. As per the notification now the tax on steel is 4% VAT+5% Entry Tax total 9%.

2. As per the notification credit of entry tax can be taken in VAT. Now if we buy steel from a manufacturer within UP he shall charge VAT@4% and entry Tax @ 5% and we take the credit of both i.e. VAT and entry tax in VAT. How the balance will be treated?

3. If we buy steel from EX UP then entry tax has to be deposited by us @ 5%, in this case CAN we take the credit on entry tax deposited in VAT?

When a manufacturer sells the goods covered under section 14 of central sales tax Act (Steel) he pays 4% VAT and 1% (5% - 4%) as entry tax.

4. When a dealer purchase steel from UP he pays 4% VAT+1% entry tax.

5. When a dealer purchase steel from Ex UP he pays 2% CST (Non VATABLE) and pays 1% (entry tax and 4% VAT when he sells the material the end user takes the credit of VAT, hence net tax is 7% - 4% =3%. What will be the afterwards process?

6. When a manufacturer purchases steel he pays 2% CST and 5% entry tax as he is not selling steel in the same form and pays total 7% tax.

What will be the equation in above cases?

7. It means every manufacturer has to route his purchase of steel through traders to reduce his burden of taxes.

The points on which the clarification is sought are of immense importance and require earliest solution. Your goodself is requested to procure official clarification from Commercial Tax Deptt. and an exhaustive circular classifying all the fine points of both the notifications as well as the clarification of the questions enumerated in this letter.

Thanking you,

Yours faithfully,

Manish Goel
Vice-President
&
Chairman-EAC

Ref.No. 3VAT/R-62/9171

13.4.2011

To,
Shri Chandra Bhanu, I.A.S.
Secretary & Commissioner,
Commercial Tax Deptt.
Govt. Of UP,
Lucknow

Sub:- Clarifications on Entry Tax on Iron & Steel.

Sir,

The Commercial Tax Deptt. has issued Notification No. 418 on entry of goods in to local area. By virtue of this notification the entry tax rate schedule has been amended and entry tax to the tune of 5% instead of 1% (which was previously levied) has been provided.

The above notification followed by Notification No.422 on rebate of entry tax has raised certain complicated problems for the tax payers which need immediate clarification so that they may not adopt their own interpretations due to complicated language of the notification.

The rebate on entry tax will be available to the extent of VAT payable. Which means that full rebate of 5% will not be available but instead it will be 4% which is inforce on iron & steel under VAT Act. Thus, 1% entry tax deposited will always remain in ITC.

The entry tax rebate according to the notification will be available only when iron & steel purchased and is sold in the same form. This means the rebate will not be available for the manufacturers of goods from Iron & Steel.

When goods are imported from outside the state entry tax will have to be paid by importer of the goods then what would be the fate of the rebate if Iron & Steel is utilized in manufacturing and a product other than the Iron & Steel imported is manufactured and is classifiable under section 14 of CST Act.

Such questions and others are worrying the manufactures for which IIA is receiving representations for clarifying the complexities of the above two notifications. Therefore, in the interest of the business and revenue as well, an official clarification on the questions raised by honourable members is required to be issued as not to leave any room for discretionary interpretations by the different officers and Tax payers.

Therefore, an exhaustive circular and clarification on the following problems is immediately required to put both the notifications in to proper operation;-

In case of a trader of steel:

1. The trader purchases steel from a manufacturer in U.P. He pays a VAT of 4% and entry tax of 5% total 9%, for which he takes a credit i.e. a credit of 8% is taken in VAT.

When he sells them he pays a VAT of 4% and no entry tax, it means that a credit of entry tax shall always be available to him unless he sells the product at more than the double the purchase rate which is not possible. How the final settlement will be made?

2. The trader purchases steel from a manufacturer / trader from Ex U.P. He pays a CST of 2% and deposits entry tax of 5% and takes a credit of 4% i.e. entry tax deposited by him

When he sells the product he pays a VAT of 4% utilising his VAT credit what will happen to 1% excess of Entry tax.

In case of a manufacturer who uses steel as a raw material:

1. The manufacturer purchases steel from a manufacturer of steel in U.P. He pays a VAT of 4% and entry tax of 5% total 9%, for which he takes a credit i.e. a credit of 4% is taken in VAT. **(Whether the credit of entry tax can be taken by him or not and in which case the credit is available).** What will be the use thereof?

2. The trader purchases steel from a manufacturer / trader from Ex U.P. He pays a CST of 2% and deposits entry tax of 5%

(Whether the credit of entry tax deposited can be taken by him or not and in which case the credit is available)

1. As per the notification now the tax on steel is 4% VAT+5% Entry Tax total 9%.

2. As per the notification credit of entry tax can be taken in VAT. Now if we buy steel from a manufacturer within UP he shall charge VAT@4% and entry Tax @ 5% and we take the credit of both i.e. VAT and entry tax in VAT. How the balance will be treated?

3. If we buy steel from EX UP then entry tax has to be deposited by us @ 5%, in this case CAN we take the credit on entry tax deposited in VAT?

When a manufacturer sells the goods covered under section 14 of central sales tax Act (Steel) he pays 4% VAT and 1% (5% - 4%) as entry tax.

4. When a dealer purchase steel from UP he pays 4% VAT+1% entry tax.

5. When a dealer purchase steel from Ex UP he pays 2% CST (Non VATABLE) and pays 1% (entry tax and 4% VAT when he sells the material the end user takes the credit of VAT, hence net tax is 7% - 4% =3%. What will be the afterwards process?

6. When a manufacturer purchases steel he pays 2% CST and 5% entry tax as he is not selling steel in the same form and pays total 7% tax.

What will be the equation in above cases?

7. It means every manufacturer has to route his purchase of steel through traders to reduce his burden of taxes.

The points on which the clarification is sought are of immense importance and require earliest solution. Your goodself is requested to issue official clarification and an exhaustive circular classifying all the fine points of both the notifications as well as the clarification of the questions enumerated in this letter.

Thanking you,

Yours faithfully,

Manish Goel
Vice-President
&
Chairman-EAC

Ref.No. 3VAT/R-62/9209

23.04.2011

To,
The Additional Commissioner
Commercial Tax Deptt.
Govt. Of UP,
Lucknow

Sub:- Clarifications on Entry Tax on Iron & Steel.

Sir,

The Commercial Tax Deptt. has issued Notification No. 418 on entry of goods in to local area. By virtue of this notification the entry tax rate schedule has been amended and entry tax to the tune of 5% instead of 1% (which was previously levied) has been provided.

The above notification followed by Notification No.422 on rebate of entry tax has raised certain complicated problems for the tax payers which need immediate clarification so that they may not adopt their own interpretations due to complicated language of the notification.

The rebate on entry tax will be available to the extent of VAT payable. Which means that full rebate of 5% will not be available but instead it will be 4% which is inforce on iron & steel under VAT Act. Thus, 1% entry tax deposited will always remain in ITC.

The entry tax rebate according to the notification will be available only when iron & steel purchased and is sold in the same form. This means the rebate will not be available for the manufacturers of goods from Iron & Steel.

When goods are imported from outside the state entry tax will have to be paid by importer of the goods then what would be the fate of the rebate if Iron & Steel is utilized in manufacturing and a product other than the Iron & Steel imported is manufactured and is classifiable under section 14 of CST Act.

Such questions and others are worrying the manufactures for which IIA is receiving representations for clarifying the complexities of the above two notifications. Therefore, in the interest of the business and revenue as well, an official clarification on the questions raised by honourable members is required to be issued as not to leave any room for discretionary interpretations by the different officers and Tax payers.

Therefore, an exhaustive circular and clarification on the following problems is immediately required to put both the notifications in to proper operation;-

In case of a trader of steel:

1. The trader purchases steel from a manufacturer in U.P. He pays a VAT of 4% and entry tax of 5% total 9%, for which he takes a credit i.e. a credit of 8% is taken in VAT.

When he sells them he pays a VAT of 4% and no entry tax, it means that a credit of entry tax shall always be available to him unless he sells the product at more than the double the purchase rate which is not possible. How the final settlement will be made?

2. The trader purchases steel from a manufacturer / trader from Ex U.P. He pays a CST of 2% and deposits entry tax of 5% and takes a credit of 4% i.e. entry tax deposited by him

When he sells the product he pays a VAT of 4% utilising his VAT credit what will happen to 1% excess of Entry tax.

In case of a manufacturer who uses steel as a raw material:

1. The manufacturer purchases steel from a manufacturer of steel in U.P. He pays a VAT of 4% and entry tax of 5% total 9%, for which he takes a credit i.e a credit of 4% is taken in VAT.**(Whether the credit of entry tax can be taken by him or not and in which case the credit is available).** What will be the use thereof?

2. The trader purchases steel from a manufacturer / trader from Ex U.P. He pays a CST of 2% and deposits entry tax of 5%

(Whether the credit of entry tax deposited can be taken by him or not and in which case the credit is available)

1. As per the notification now the tax on steel is 4% VAT+5% Entry Tax total 9%.

2. As per the notification credit of entry tax can be taken in VAT. Now if we buy steel from a manufacturer within UP he shall charge VAT@4% and entry Tax @ 5% and we take the credit of both i.e. VAT and entry tax in VAT. How the balance will be treated?

3. If we buy steel from EX UP then entry tax has to be deposited by us @ 5%, in this case CAN we take the credit on entry tax deposited in VAT?

When a manufacturer sells the goods covered under section 14 of central sales tax Act (Steel) he pays 4% VAT and 1% (5% - 4%) as entry tax.

4. When a dealer purchase steel from UP he pays 4% VAT+1% entry tax.

5. When a dealer purchase steel from Ex UP he pays 2% CST (Non Vatable) and pays 1% (entry tax and 4% VAT when he sells the material the end user takes the credit of VAT, hence net tax is 7% - 4% =3%. What will be the afterwards process?

6. When a manufacturer purchases steel he pays 2% CST and 5% entry tax as he is not selling steel in the same form and pays total 7% tax.

What will be the equation in above cases?

7. It means every manufacturer has to route his purchase of steel through traders to reduce his burden of taxes.

The points on which the clarification is sought are of immense importance and require earliest solution. Your goodself is requested to issue official clarification and an exhaustive circular classifying all the fine points of both the notifications as well as the clarification of the questions enumerated in this letter.

Thanking you,

Yours faithfully,

Anil Gupta
President

Dated 23.4.2011 – A delegation of IIA met Additional Commissioner, Commercial Tax on 23.4.2011 and raised the problem with the new notification no. – 422 and 418 on entry tax on Iron & Steel.

The additional Commissioner was too agree with the issues raised by IIA and ensured that in a meeting with Commissioner, Commercial Tax on 25.4.2011, the points will be discussed for an amicable solution.