

## Suggested Answers of Income Tax and VAT

CAP II Examination – June 2011

8. Answer the following with reference to the Indian Income Tax Act, 1961.

a) What are the bases for the dividend income to be includible in the total income of the assessee?

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b) Mr. Rama Swami is an Indian citizen. He left India for the first time on May 10, 2004. During the previous year 2008/09, he came to India once on June for a period of 10 days. Determine his residential status for the assessment year 2009/10 on the assumption that financial year is previous year. Does it make any difference if Mr. Rama Swami is not an Indian citizen?.

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c) Income earned during a previous year is charged to tax in the financial year next following it.” Write in brief if there are any exceptions to this normal rule.

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### Answer No.1

a) Dividend income is includible in the total income of the assessee on the following basis:

Nature of dividend	Year of chargeability
1. Final dividend	The previous year in which it is declared in the AGM.
2. Interim dividend	The previous year in which it is unconditionally made available.
3. Deemed dividend	The previous year in which it is paid or distributed.

b) Since Mr. Rama Swami comes to India only for 10 days in the previous year 2008/09, he does not satisfy any of the basic conditions mentioned in sec 6(1). Therefore, he is non-resident in India for the assessment year 2009/10. Even if he is not a citizen of India, he will remain a non-resident for the assessment year 2009/10.

c) The exceptions to the said rule are as follows:

i. In the case of shipping business of a non-resident, the ship is allowed to leave the port only if the tax due thereon has been paid or arrangement has been made for payment thereof.(Sec.172)

ii. If a person is leaving India, the total income of such individual for the period from the expiry of the previous year for that assessment year up to the date of his probable departure is chargeable to tax in that assessment year. (Sec.174)

iii. In the case of a person likely to transfer property to avoid tax, the total income of such person for the period from the expiry of the previous year for that assessment year to the date when the Assessing Officer starts preceding is chargeable to tax in that assessment year. (Sec.175)

iv. Where any business is discontinued in any year, any sum received after the discontinuance is deemed to be the income of the recipient and charged to tax accordingly in the year of receipt. (Sec.176).

9.

a) Mr. Yubaraj Thapa, a bank officer, retired from his job in the year 2065/66. He received Rs. 4,50,000 as retirement payment. The payment was made through an approved retirement fund. From the Shrawan 1, 2066 he is entitled to get a pension of Rs. 21,000 per month. He also entitled to get one month's pension as dashain bonus. Mr. Yubaraj received interest of Rs. 50,000 from a fixed deposit from Rastriya Banijya Bank. He has also received a dividend of Rs. 95,000 from Nabil Bank. He started a consultancy business in the month of Shrawan 2066 and earned net profit of Rs. 25,000 in the year 2066/67.

His wife Mrs. Lolita is a school teacher in a government school and getting Rs. 10,000 monthly salary. She is also operating a boutique since last five years and the net profit and the annual sales for the year 2066/67 are Rs. 1,50,000 and Rs. 12,45,000 respectively. Mrs. Lolita owns a house located at Putalisadak and the rental income of the house is Rs. 50,000 per month. The house was rented to a commercial bank. She also does the assignment of question paper setting and evaluation of answers and she received Rs. 1,05,000 during the year 2066/67.

Mr. Yubaraj and his wife have not selected the option as a couple for tax returns purpose. Calculate the tax liability of Mr. Yubaraj and Mrs. Lolita and also state their responsibility to file the income tax return for the year 2065/66 and 2066/67. 12

b) Smart Pvt. Ltd. purchased a piece of land on Ashwin 25, 2064 for Rs. 10,00,000 and incurred an expenditure of Rs. 1,50,000 on registration and brokerage. It constructed a building on the land costing Rs. 25,00,000. The building was ready for use on Shrawan 25, 2065. The depreciated value in Block A was Rs. 10,00,000 at the end of year 2064/65 excluding the cost of the building under construction. During the year 2065/66 the company capitalized Rs. 60,000 as repair and improvement cost in Block A.

On Shrawan 1, 2066, the company sold the land and newly constructed building for Rs. 40,00,000. The market value of land on that date was Rs. 15,00,000 and that of the building was Rs. 25,00,000. You are required to calculate taxable gain for the disposal of land and building for the year 2066/67.

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c) In the occasion of Deepawali 2067, Himal Group organized a nationwide song competition and Mr. Ghanashyam wins a first prize of Rs. 5,00,000. The organizer of the program wants to deduct TDS @ 25% on the prize amount and pay the balance to him.

d) Mr. Ghanashyam was of the view that prize is related to the work of art and TDS is not applicable on this payment. As a tax consultant, you are required to advice to Mr. Ghanashyam whether TDS is applicable in this payment or not also mention the relevant provisions of Income Tax Act 2058.

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## Answer No.2

### a) Calculation of Tax Liability for the year 2065/66

Mr. Yubaraj was the bank officer in the year 2065/66 his employer must have deducted TDS from his salary and deposited to the revenue. The payment from approved retirement fund Rs. 4,50,000 is exempt (as it is less than 5,00,000) from tax as per the provisions of section 65.

There is no information regarding the total income of Mrs. Lolita for the year 2065/66, therefore we could not calculate her tax liability for this year.

### Calculation of Tax Liability for the year 2066/67

#### Calculation of Tax Liability of Mr. Yubaraj

Pension income (21000*12)	2,52,000
Dashain Bonus	21,000
Net Profit from consultancy business	<u>25,000</u>
Total assessable income	<u>2,98,000</u>

#### **Tax Liability:**

Upto Rs. 1,60,000 @1%	1,600
Additional exemption for pension 25% of Rs. 160000 or actual pension whichever lower = Rs. 40,000	Nil
Balance Rs. 98,000 @ 15%	<u>14,700</u>
<b>Total Tax Liability</b>	<b><u>16,300</u></b>

#### Calculation of Tax Liability of Mrs. Lolita

Salary Income (10,000*12)	1,20,000
Dashain Bonus	10,000
Income from boutique	1,50,000
Income from question paper setting and evaluation	<u>1,05,000</u>
Total assessable income	<u>3,85,000</u>

#### **Tax Liability:**

Upto Rs. 1,60,000 @1%	1,600
First Rs. 1,00,000 @ 15%	15,000
Balance Rs. 1,25,000 @ 25%	<u>31,250</u>
<b>Total Tax Liability</b>	<b><u>47,850</u></b>

### Responsibility to file income tax return:

#### **Mr. Yubaraj is required to file income tax return as follows:**

- He is not required to file income tax return for the year 2065/66 as he has only salary income and his employer must have deducted TDS from his salary.
- He should file income tax return for the year 2066/67 as he earned income from pension and consultancy business.

#### **Mrs. Lolita is required to file income tax return as follows:**

- She is required to file income tax return for the year 2065/66 as she has boutique business in that year.
- She is also required file income tax return in the year 2066/67 as she has salary income as well as business income.

Notes:

- i. Bank interest and dividend are final withholding income of Mr. Yubaraj therefore these incomes are not included in his income.
- ii. House rent income of Mrs. Lolita is also a final withholding income.
- iii. It is assumed that Mrs. Lolita will get dashain bonus equal to one month's salary.
- iv. TDS shall not be deducted while making payment for the setting of question papers and evaluation of answers but this income shall be included while calculating the taxable income of the recipient.

**b. Calculation of taxable gain or loss from the disposal of land:**

Selling price of land	15,00,000
Cost of land:	
Purchase price	10,00,000
Registration and brokerage	<u>1,50,000</u>
Total cost of land	<u>11,50,000</u>
<b>Gain on disposal of land</b>	<b><u>3,50,000</u></b>

**Calculation of taxable gain or loss from the disposal of building:**

Depreciated balance at the end of the year 2064/65	10,00,000
Absorbed addition for the year 2065/66 (cost of building)	<u>25,00,000</u>
Depreciable basis at the end of 2065/66	35,00,000
Less: Depreciation for the year 2065/66 @5%	<u>1,75,000</u>
Depreciated balance	33,25,000
Add: Repairs capitalized	<u>60,000</u>
Depreciated balance at the end of 2065/66	33,85,000
Less: Selling price of building	<u>25,00,000</u>
<b>Depreciable basis of building</b>	<b><u>8,85,000</u></b>

**Note 1:**

Taxable gain from the disposal of land is Rs. 3,50,000 and there is no taxable gain from the disposal of building. The sales value of building shall be deducted from the total amount of block and the remaining amount Rs. 8,85,000 will be the depreciable balance of Block A.

c. As per section 88ka, TDS @ 25% shall be deducted in any windfall gain. Therefore, the organizer has to deduct TDS @ 25% while making this payment to Mr. Ghanashyam. The contention of Mr. Ghanashyam is not correct in this case as this amount has not exempted by Nepal Government from windfall gain tax.

**10.**

- a. As a tax consultant, you have been enquired of the implication on income tax on the following transactions: **(2+1+1+1=5)**
- i) Kanyam Tea Estate Ltd. is a co-operative society established under the Co-operative Society Act 2048. In that society, 40 farmers of Kanyam region are involved in tea gardening and processing. In the financial year 2067/68, Kanyam Tea Estate has earned Rs. 1 Crore. State with reason on the taxability of such income earned. Further, what will be the impact on income tax if dividends are declared by that society?
  - ii) Income of the Securities Board of Nepal.
  - iii) Foreign investors have earned Rs. 50,00,000 as foreign technology and management service fee from the industry established in the special economic zone
  - iv) Income earned by the Entities listed in the securities market and engaged in the business of production, Tourism sector.

b. As a tax consultant, you have been enquired by the clients on the depreciation facility for the purpose of income tax on following cases: **(2×2.5=5)**

- i) Assets, required for power generation for its industry, capitalized by the production oriented industries.
- ii) If a person who wants to issue the tax invoices using fiscal printer and cash machine.

c. What do you understand by the expenses of Domestic or Personal nature? **5**

d. Define Income, Windfall gain, Assessable Income and Taxable Income. **5**

**Answer No.3**

**a)**

i. As per section 11(2) of the Act, Income of a co-operative society, having incorporated under the Cooperative Society Act, 2048 earned from any or more activities specified including tea gardening and processing is exempted from income tax. Hence Rs. 1 crore is exempted from income tax. Further as per the same section, dividend distributed by such cooperatives is also exempted from tax and hence no need to deduct TDS while making payment to its members.

- ii. As per section 10(Chha) of the Act, income of Securities Board of Nepal earned as per its objectives is exempted from income tax.
- iii. As per section 11(3Ka)(gha) of the Act, in case of income earned by a foreign investors towards foreign technology and management service fee and royalty income from the industries established in Special Economic Zones, 50% exemption in the applicable tax is available.
- iv. As per section 11(3Chha) of the Act, entities engaged in the business of Production, Tourism, Hydroelectricity generation, distribution and transmission etc. and listed in the securities market get 10% exemption in applicable income tax.

**b)**

- i. As per Sec 3(3) of schedule 2 of Income Tax Act 2058, Production oriented industries if capitalize the assets required for power generation for its industries can claim 50% of total capitalized amount as depreciation in the year of capitalization.
- ii. As per Sec 3(4) of schedule 2 of Income Tax Act 2058, if a person wants to issue the tax invoice by using fiscal printer and cash machine, then total amount spent for such fiscal printer and cash machine can be claimed as depreciation in the year of purchase.

**c)** Expenses of domestic nature or personal nature are not allowed for deduction for the purpose of income tax. The clarification clause of section 21 explains the nature of domestic or personal nature as follows:

- Interest incurred on amount borrowed to the extent to which it is used for personal purpose.
- Expenses of very personal nature incurred for an individual in providing residence, meals, refreshment, entertainment or other leisure activities.
- Expenses incurred by an individual on conveyance from residence to office and office to residence.
- Expenses incurred on an individual for clothing which is also suitable to wear outside the work
- Expenses incurred on education and training. But the expenses incurred on such training directly relating to the business, yet not leading to a degree or diploma, are allowed for deduction.
- Any expenses incurred to make a payment to a natural person or the expenses incurred for a third person, except in and to the extent of the following conditions:
  - The payment is included in calculating the income of the individual- such as house rent, driver facility, gardener, servant, telephone in residence provided to an employee. If the expenses are included in the taxable income of the individual, the expenses are allowed for deduction to the person.
  - The individual makes a return payment of an equal market value to the person as a consideration for the payment.
  - Small amount incurred in this respect for which keeping an individual account is impracticable, for tea, stationery, awards, emergency medical facility or any other expenses as provided by IRD up to Rs. 500 at a time.

**d)** As per section 2(ja) of the Act, income is the total amount received from business, employment, investment or windfall gain. Income denotes the total receipts, which are included in calculation of taxable income (sec. 7, 8 and 9).

As per section 2(ja1) of the act, windfall gains includes income from lottery, gift, prize, tip, win-rings and other similar casual incomes. As per section 6 of the act, assessable income is the sum of income from business, employment, investment. In case of a resident person, it includes all income from any country for the concerned income year and in the case of non resident person, it includes the income having source in Nepal. As per proviso to section 6 of the act, assessable income does not include any concession under section 11 and income of an Approved Retirement Fund under section 64.

As per section 5 of the act, taxable income is determined by deducting the amount of donation, subject to limitation under section 12 and 12ka and contribution to approved retirement fund subject to limitation under section 63 from the assessable income.

**4.**

a. XYZ Co. Ltd purchased an Accounting Software for Rs. 50,00,000 with the life span of 10 yrs and 5 months. It was installed on 1<sup>st</sup> Shrawan 2065. Also, the Company purchased Inventory Management Software for Rs. 31,50,000 with the working life of 10 yrs and 6 months. This was put in use in the month of Baisakh 2066.

Compute the allowable depreciation for Tax purpose for Financial Year 2065/066. **5**

b. Details of annual estimated tax and withholding tax of A & Co. are as follows:

	<u>Estimated Tax</u>
Poush end	Rs. 10,00,000
Chaitra end	Rs. 12,00,000 (Re-estimated)
Ashad end	Rs. 12,00,000 (Re-estimated)
 Withholding Tax details:	
Upto Poush end	Rs. 20,000
Magh to Chaitra end	Rs. 10,000
Chaitra to Ashad end	Rs. 15,000

**Answer No.4**

a) These intangible assets fall under Block ‘E’. As per section 3 of schedule 2 of Income Tax Act, the depreciation of intangible assets shall be charged as follows:

Cost of the software/ useful life= Amount of depreciation per year (straight line Basis).

In case the year of useful life is in fraction of a year, the nearest half year shall be considered.

According to section 1(2)(kha) of schedule 2, each intangible assets should be disclosed separately.

**Accounting software:**

Cost Rs. 5,000,000 and the useful life is 10 years 5 months = 10.5 years.

As the software was installed on 1<sup>st</sup> Shrawan 2065, for the financial year 2065-66, depreciation shall be available for the whole year.

Thus, depreciation for 2065-66 shall be:

Rs. 5,000,000 /10.5 = Rs. 4,76,190.48

**Inventory Management software:**

Cost Rs. 3,150,000 and the useful life is 10 years 6 months = 10.50 years.

As the software was installed on Baisakh 2066, as per section 5 of the schedule, depreciation shall be available on 1/3<sup>rd</sup> of the amount for financial year 2065-66.

Thus, the amount of depreciation shall be:

Rs. 3,150,000/10.5/3 = Rs. 100,000.

Thus, the total depreciation for 2065-66 shall be: Rs. 4,76,190.48 + Rs. 100,000= Rs. 5,76,190.48.

b) 1<sup>st</sup> Installment (Poush end)

= 40% of estimated tax – withholding tax – Advance tax

= 40% of Rs. 10,00,000 – Rs. 20,000 – 0

= Rs. 3,80,000

2<sup>nd</sup> Installment (Chaitra end)

= 70% of Rs. 12,00,000 – Rs. 30,000 – Rs. 3,80,000

= Rs. 4,30,000

3<sup>rd</sup> Installment (Ashad end)

= 100% of Rs. 12,00,000 – Rs. 45,000 – Rs. 8,10,000

= Rs. 3,45,000

**Total Advance Tax paid:**

Withholding Tax	Rs. 45,000
1 <sup>st</sup> Installment	Rs. 3,80,000
2 <sup>nd</sup> Installment	Rs. 4,30,000
3 <sup>rd</sup> Installment	Rs. 3,45,000
<b>Total</b>	<b><u>Rs. 12,00,000</u></b>

**5.**

a. Sharma & Sharma Co. has been a self employed VAT registered trader since 2064 B.S, and is in the process of completing the VAT return for the month ended 31 Baisakh 2068. The following information is relevant to the completion of the VAT return;

- Sales invoices totaling Rs. 44,00,000 (excluding VAT) were issued to VAT registered customers in respect of VAT sales. The firm offers a 5% discount for prompt payment.
- Sales invoices totaling Rs. 16,92,000 were issued to customers that were not registered for VAT. Of this figure, Rs. 51,700 was in respect of zero-rated VAT sales.
- During the month of Baisakh 068, goods amounted to Rs. 11,20,000 were purchased. Of this figure, Rs. 80,000 was used for Mr. Sharma’s private purpose.
- On 15 Baisakh 068, a Toyota Hilux vehicle was purchased for Rs. 24,00,000. The cost is inclusive of VAT.
- During the month ended 31 Baisakh 068, Rs. 40,000 was spent on mobile telephone calls, of which 30% relates to private calls.
- On 17 Baisakh 068, an office equipment was purchased for Rs. 6,00,000. The purchase was partly financed by a bank loan of Rs. 5,00,000.

Unless stated otherwise, all of the figures are exclusive of VAT.

Calculate the amount of VAT payable by Sharma & Sharma Co. for the month ended 31 Baisakh 2068.

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b. XYZ Pvt. Ltd. imports/purchases the taxable raw materials such as Iron Ingots and Steel Plates to manufacture them into different furniture items as well as agriculture tools.

Details of total imports excluding Input VAT are as follows:

Cost of Iron Ingots declared by XYZ Pvt. Ltd. Rs. 3,00,000

Revised cost fixed by Customs Officer	Rs. 3,50,000
Freight	Rs. 50,000
Insurance	Rs. 5,000
Import Duty @ 6%	
In addition, it has also purchased following raw materials:	
Steel plates (exclusive of VAT)	Rs. 1,00,000
Woods (exclusive of VAT)	Rs. 35,000

The products manufactured out of the above raw materials are sold out with the details as given below:

Agriculture tools (VAT exempt items)	Rs. 2,50,000
Furniture	Rs. 3,00,000

Find the ratio between taxable and non taxable sales and calculate the amount of Input VAT that XYZ Pvt. Ltd. is entitled to claim under sec 17 (3) of VAT Act. **10**

**Answer No 5**

a) Statement of VAT Return for the month ended 31 Baisakh 2068:

Sales (Rs. 44,00,000 * 13%)	Rs. 5,72,000
Sales (Rs. 16,92,000 – Rs. 51,700 = Rs. 16,40,300* 13%)	Rs. 2,13,239
Sales (Rs. 51,700 * 0%)	<u>Rs. 0</u>
<b>Total output VAT (A)</b>	<b><u>Rs. 7,85,239</u></b>

Goods Purchased (Rs. 11,20,000 - Rs. 80,000) * 13%	Rs. 1,35,200
Vehicle (Rs. 24,00,000 * 40% * 13/113)	Rs. 1,10,442
Mobile expenses (Rs. 40,000 * 70%) * 13%	Rs. 3,640
Office Equipment Purchase (Rs. 6,00,000 * 13%)	<u>Rs. 78,000</u>
<b>Total Input VAT (B)</b>	<b><u>Rs. 3,27,282</u></b>

**Net VAT payable (A-B)**

**Rs. 4,57,957**

b.

**Computation of Input VAT amount on import:**

Cost of Iron Ingots	Rs. 3,50,000
Freight	Rs. 50,000
Insurance	<u>Rs. 5,000</u>
<b>Total</b>	<b><u>Rs. 4,05,000</u></b>
Import Duty	<u>Rs. 24,300</u>
<b>Total cost for VAT purpose</b>	<b><u>Rs. 4,29,300</u></b>

Input VAT on import = 13% of Rs. 4,29,300  
= Rs. 55,809

Computation of Input VAT amount on local purchase:

Steel plates	Rs. 1,00,000
Woods	<u>Rs. 35,000</u>
<b>Total cost</b>	<b><u>Rs. 1,35,000</u></b>

Input VAT = 13% of Rs. 1,35,000  
= Rs. 17,550

**Total input VAT:**

Input VAT on Import	= Rs. 55,809
Input VAT on local purchase	= <u>Rs. 17,550</u>
<b>Total</b>	<b>= <u>Rs. 73,359</u></b>

Computation of sales:

Taxable sales (Furniture)	Rs. 3,00,000
VAT Exempted sales (Agriculture tools)	<u>Rs. 2,50,000</u>
<b>Total sales</b>	<b><u>Rs. 5,50,000</u></b>

Ratio between taxable and non-taxable sales is 54.546:45.454 say 55:45.

Therefore, XYZ Pvt. Ltd. is entitled to claim only for 55% or Rs. 40,347.45 out of total Input VAT of Rs. 73,359.

**Note:** Total amount of VAT paid on raw materials could be setoff against the sales of finished products if the finished product is taxable item. In the question, it is not given that the raw materials purchased are used only for taxable item or non-taxable item. Thus, the VAT paid on raw materials is proportionately on the basis of sales of taxable and non-taxable sales.

**6.**

a. How is the taxable value for second hand or used goods computed? Similarly how the taxable value for wood of national forest, private and community forest is computed? **5**

b. Describe the procedure of Administrative Review in Value Added Tax.

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c. What are the penalties mentioned in section 29 of the act on the following infringements:

(5×1=5)

- i) Registration as mentioned in section 10(1) and (2) related infringement.
- ii) An unregistered person issuing an invoice or documents showing collection of tax.
- iii) On obstruction in inspection by a tax officer.
- iv) On infringement of the VAT act and the rules.
- v) To erase and edit the data in software of approved computer Billing System.

d. M/s XYZ Drinkers Ltd. has sold a kind of drink to non VAT registered party for Rs.10,000. As per the retail price published by the same company under the direction of IRD, the retail price is Rs. 12,000. The company has collected VAT from the party on the amount of Rs.10,000 as it says it has given trade discount to the party and the trade discount can be deducted to arrive at the transaction value. But the assessing officer insists to collect VAT on the published price. As an expert, give your opinion on this.

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#### Answer No.6

a) As per Rule 33 of VAT Rules, taxable value for dealers in secondhand or used materials is the difference of Sales amount and Purchase Amount (including VAT). In case the purchase price of every item of used goods exceeds Rs.10,000, separate records of buying or selling shall be maintained. As per rule 19, in case of registered person dealing in second hand or used goods is not required to issue tax invoice if the selling price is less than the purchase price and the cost of the material is less than Rs.10,000. It means if used goods sold in loss (purchase price + additional cost+ VAT paid on purchase – selling amount without VAT), then the taxable amount is nil and tax invoice need not to be issued. In case a registered person is observed by Tax Officer that it has not maintained the prescribed records satisfactorily, Tax Officer may impose VAT on the total selling price of the goods sold by such tax payer, and the tax officer may issue a written order requiring him to pay such tax along with the next tax return.

As per section 12ka, in case the wood from a national forest is being sold, tax shall be levied on the amount on which royalty is being calculated or the amount of the auction, whichever is higher. The amount considered for such calculation shall be on the basis of the earlier of these happenings: auction of wood of the national forest, issue of delivery order or issue of an order to cut the wood. Similarly, wood of a private area, private forest and community forest, in case it is sold for business, although royalty is not charged on such sales, for tax purpose, it is determined on the basis given for the wood of national forest.

b) As per section 31(ka) of the Act, in case a taxpayer is not satisfied with any decision on tax assessment made by a tax officer, it can file an application to IRD for an administrative review, within thirty days of the receipt of the notice of the decision.

In case the taxpayer is not able to submit an application within the specified days, it can apply to IRD for extension of the time, specifying the valid reasons for the delay, within seven days from the expiry of the time. IRD may extend the time for a period not exceeding 30 days from the expiry of the time.

In case IRD, on scrutiny of the application and the documents submitted by the taxpayer, thinks that the application is allowable, after noting the fact in a file, it may order a reassessment by the same tax officer or by any other tax officer.

IRD, up to possible, has to decide on the application within 60 days of the date of application received.

In case IRD fails to decide on the application within sixty days, the taxpayer may appeal to the Revenue Tribunal supposing that IRD has given its verdict against the taxpayer. [0.5]

A person who applies for departmental review has to deposit 100% of the undisputed amount and 1/3 of the disputed amount before the application is submitted.

c)

i. Non registration within the time period mentioned attracts penalty Rs.10,000 for each tax period.

ii. If an unregistered person issues an invoices or documents showing collection of tax, then 100% of the tax collected shall be the applicable penalty.

iii. If obstruction is caused in inspection by a tax officer, then Rs.5,000 for each time shall be applicable as penalty.

iv. On infringement of the VAT Act and the Rules, then Rs.1000 for each time shall be the applicable penalty.

v. If the tax payer has erased and edit the data in software of approved billing system, then Rs. 5 Lac will be the applicable penalty.

d) As general rules, the taxable value of an item is net of discount allowed in invoice. But, as per section 14(7) of VAT Act, in case a registered person sales a notified item to a non-registered person, then the taxable value shall be the retail published price. If discount is to be given that should be given after charging VAT.

Here notified items means the items for which IRD has notified that a producer of the items is required to publish its retail price. Hence the contention of the assessing officer is correct.