



For private circulation only | Tax and Regulatory | India | 16 July 2015



Indirect Tax Alert

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Delhi Value Added Tax (2nd Amendment) Act, 2015

Volume: IDTX/11/2015

In this issue

Delhi Value Added Tax (2nd
Amendment) Act, 2015
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Contacts

Delhi Value Added Tax (2nd Amendment) Act, 2015

The Delhi Value Added Tax (2nd Amendment) Bill, 2015 has received the assent of Lieutenant Governor of the National Capital of Delhi and accordingly vide notification dated July 15, 2015, the Delhi Value Added Tax (2nd Amendment) Act, 2015 has come into force from the said date. A glimpse of the Delhi Value Added Tax (2nd Amendment) Act, 2015 as discussed above are as under:

- **Regarding levy of special rate of tax in case of various goods**

Amendment has been undertaken in Section 4 of the Delhi Value Added Tax Act, 2004 ('DVAT Act' or 'the Act') whereby goods specified under Schedule IV will now be subject to special rate of tax, as against 20% at present. However, the same is subject to the condition that the special rates will be higher than the residual rate of 12.5% and less than 30%.

Pursuant to the above, amendment has also been carried out under Schedule IV appended to the Act whereby the rates of tax have been specifically mentioned against each product (e.g. specified petroleum products, liquor, molasses, lottery tickets, etc.). At present, the rate of tax applicable on the products specified under the said Schedule is 20%, except Petrol and Diesel (High Speed Diesel, Super Light Diesel Oil, Light Diesel Oil) on which the rate of tax is 25% and 16.6% respectively.

- **Regarding adjustment in output tax and corresponding input tax under various circumstances**

Amendments have been undertaken in Section 8, Section 10 and Section 51 of the Act whereby adjustments in output tax and the corresponding input tax have been disallowed in case of post-sale discounts and incentives. Additionally, it has been specified that credit notes issued on account of such post-sale discounts and incentives will be required to be independent of the tax component.

- **Regarding surrender of certificate of registration at the time of cancellation of registration**

Amendments in Section 22 and Section 89 of the Act have been undertaken whereby the condition related to surrender of certificate of registration at the time of cancellation of

registration has been withdrawn. Accordingly, the registration certificate will not be required to be surrendered, whether the application for cancellation of registration is filed, or registration is otherwise cancelled by the authorities.

Pursuant to this amendment, the provisions levying penalty in case of non-submission of certificate of registration in such cases have also been omitted.

- **Regarding time limit for demand of security in case refund claims are filed by dealers**

As per Section 38 of the Act at present, the Commissioner may demand security within 15 days from the date on which claim for refund is filed by the dealer. The said time limit of 15 days has been increased to 45 days.

- **Amendment in Section 86 of the Act levying penalty under various circumstances**

Summary of the amendments under the said Section are as under:

- Penalty amounting to INR 500/- in case of delay in filing application for amendment in registration has been reduced to INR 200/-.
- Penalty amounting to INR 1,000/- per day in case of delay or failure in filing application for cancellation of registration has been reduced to INR 200/- per day. However, the same will continue to be subject to the maximum penalty of INR 25,000/-.
- Penalty in case of failure to furnish return or any other related document within the prescribed due date has been reduced from INR 500/- per day to INR 200/- per day. However, the same will continue to be subject to the maximum penalty of INR 50,000/-.
- Provisions for levy of penalty have been introduced in cases of failure to issue tax invoice or retail invoice as required under the provisions. The amount of penalty introduced is INR 5,000 or 20% of the tax deficiency, whichever is greater.

Source: Delhi Value Added Tax (2nd Amendment) Bill, 2015; and

Notification No. F.3(4)/Fin.(Rev.-1)/2015-16/dsVI/536 dated July 15, 2015

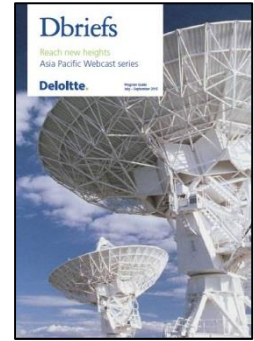
Notification No. F.3(10)/Fin.(Rev.-1)/2015-16/dsVI/547 dated July 15, 2015

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Contacts

Mumbai

Prashant Deshpande
pradeshpande@deloitte.com

M.S.Mani
msmani@deloitte.com

Anjlika Chopra
achopra@deloitte.com

Indiabulls Finance Centre,
Tower 3, 28th Floor,
Elphinstone Mill Compound,
Senapati Bapat Marg, Elphinstone (W),
Mumbai – 400013
Tel: + 91 (022) 6185 4000
Fax: + 91 (022) 6185 4101

Kolkata

Debasish Ghosh
dghosh@deloitte.com

Bengal Intelligent Park Building Alpha, 1st
floor, Block EP and GP Sector V, Salt Lake
Electronics Complex, Kolkata - 700 091.
Tel : + 91 (033) 6612 1000
Fax : + 91 (033) 6612 1001

Chennai

L Sayee Mohan
ismohan@deloitte.com

No.52, Venkatanarayana Road, 7th Floor,
ASV N Ramana Tower,
T-Nagar, Chennai 600 017.
Tel: +91 (044) 6688 5000
Fax: +91 (044) 6688 5050

Bangalore

Krupa Venkatesh
krvenkatesh@deloitte.com
Deloitte Centre, Anchorage II,
100/2, Richmond Road,
Bangalore 560 025.
Tel: +91 (080) 6627 6000
Fax: +91 (080) 6627 6010

Ahmedabad

Y.G. Shah
yshah@deloitte.com
Heritage” 3rd Floor,
Near Gujarat Vidyapith,
Off Ashram Road, Ahmedabad – 380 014.
Tel: + 91 (079) 2758 2542
Fax: + 91 (079) 2758 2551

Pune

Rajesh Chanchlani
rpchanchlani@deloitte.com
Sachhin Shinde
sachhins@deloitte.com
106, B-Wing, 1st Floor
ICC Trade Tower,
Senapati Bapat Road,
Pune – 411 016.
Tel: + 91 (020) 6624 4600
Fax: +91 (020) 6624 4605

Delhi/Gurgaon

R. Muralidharan
rmuralidhar@deloitte.com
Saloni Roy
saloniroy@deloitte.com
Building 10,
Tower B, 7th Floor,
DLF Cyber City, Gurgaon 122 002
Tel : +91 (0124) 679 2000
Fax : + 91 (0124) 679 2012

Hyderabad

Jatin Arora
jarora@DELOITTE.com
1-8-384 and 385, 3rd Floor,
Gowra Grand S.P.Road, Begumpet,
Secunderabad – 500 003.
Tel: +91 (404) 031 2600
Fax: +91 (040) 6603 2714

Coimbatore

Perinkulam Krishnan
pskrishnan@deloitte.com
"Shanmugha Manram"
41, Race Course, Coimbatore
Tamil Nadu - 641018
Tel: + 91 (0422) 439 2801
Fax: +91 (0422) 221 3615

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