

CIRCULAR No.16/2006/CT

Sub: KVAT Act, 2003 - Renewal of Permit under Section 19 – reg.

As per rule 21(5) of the KVAT Rules, 2005, every permit under section 19 granted in accordance with rule 21 expires on the expiry of the 31st day of March of the year in respect of which it is granted and may be renewed for periods not exceeding one year at a time. So where a dealer obtains a permit under section 19 during the course of a year it cannot be used beyond that year. The dealer whose permit so lapses under section 19 will face problems where he has to transact business at places other than his regular place of business or where he employs a traveling sales man or representative from the 1st day of April of the subsequent year till the date on which he obtains a fresh permit. In order to avert such a situation rule 21(5) provides for filing an application for renewal of permit well in advance, i.e. in March of the year in which permit was granted to him so that he can obtain the permit before the expiry of the year and will be having a valid permit from the 1st day of April of the subsequent year.

Complaints are being received that the officers are not entertaining applications submitted by dealers under section 19 on or after 1-4-2006 on the ground that the applications are belated.

A dealer who obtains a permit under section 19 during a year should not be denied the benefit of the permit system during subsequent years merely for the reason that he failed to submit the application on or before the 10th day of March merely for the reason that Rule 21(5) provides for filing an application for renewal of permit well in advance, i.e. in March of the year in which permit was granted to him. Such an interpretation will go against the provisions of section 19 which makes it obligatory on the part of every dealer who transacts business at places other than his regular place of business or where he employs a traveling sales man or representative to take a permit.

So where a dealer who was having a permit during the previous year submits an application on or after the first day of April of the current year, it has to be treated as an application for a fresh permit to be disposed of under Rule 21(1). This Rule does not specify any time limit for the submission of the application.

If before the disposal of the application, he transacts business using the old permit, the transaction shall be treated as one without the support of a permit under section 19 and shall be dealt with accordingly.

COMMISSIONER