

No. C1/36965/06/CT

Office of the Commissioner,
Dept of Commercial taxes
Thiruvananthapuram
Dt.15.11.06

CIRCULAR No.38/2006

Sub:- KVAT Act, 2003 – Registration of dealers under
KVAT Act- Further instructions –reg

Read:- Circular No. 10/2006 dated 28.2.2006

In the Circular read above, instructions were issued simplifying the procedure for granting registration under the Act. The procedure simplification was intended to grant registration to genuine applicants without any inordinate delay. Unlike KGST Act, the registered dealers under the KVAT Act enjoy certain privileges like input tax credit under section 11, special rebate under section 12 etc. Further, the 'set off' of input tax credit has to be made against the output tax due. Only registered dealers are entitled to collect tax on their sales as per section 30 of the Act. So delay in granting registration will cause difficulties to the dealers and will run counter to the concept of VAT system. The privileges enjoyable by the dealers under the VAT system cannot be given retrospective operation and so the registration when given, cannot be given with retrospective effect.

Even though time limit for disposing the registration applications had been prescribed in the circular cited, the same is not seen strictly adhered to for one reason or other. Further, certain doubts with regard to the 'form of security' to be furnished by the applicants were also raised from some quarters.

Taking into consideration the feedback received in this context and having examined the issue in detail, the following further instructions are issued.

1. Routine cases of evasion-prone notified goods should not be sent to Intelligence Wing for investigation:
2. An application for registration received in line with the requirements complete in all respects specified in the circular cited shall be disposed within the time limit

prescribed in the said Circular. In case such applications are not disposed within ten days of filing or on rectifying the defects, if any, pointed out within the said period, registration shall be deemed to have been granted with effect from the eleventh day of such filing or rectifying the defects.

3. Dealers shall be permitted to remit the registration fee as provided in Rule 17(8)(iii) also. In the case of security deposit the dealers may be permitted to furnish 'security' in any form prescribed under rule 19(2) of the KVAT Rules, 2005.

The instructions issued in the Circular read above stands modified to the above extent.

All registering authorities are directed to see that the applications are processed and disposed within the time limit prescribed and to ensure that no spurious applicants get through by the deeming provision due to non-disposal of the application within the time limit; any loss of revenue to the State through grant of registration through the deeming provision shall be liable to be recovered from the erring registering authority.

COMMISSIONER.