

**Dr. Asim Kr Dasgupta hails Guidance Note on Accounting for State-level VAT**

# 'ICAI vital part of VAT system'

**Following is the text of the speech delivered by the Chairman of the Empowered Committee of State Finance Ministers on VAT Dr. Asim Kr. Dasgupta while dedicating the Guidance Note on Accounting for State-level Value Added Tax at a function in the ICAI premises recently.**

I am indeed thankful to the ICAI for inviting me for release of a very important Guidance Note on Accounting for State-level VAT. I will make very specific observations on this VAT system and also on the role such a publication or such a Guidance Note by the ICAI can play.

You are all aware that in the pre-existing sales tax structure in our country, there was a genuine problem of taxation if you were a common manufacturer. At that time when you were manufacturing any item, you were required to purchase inputs for which you were required to pay sales tax once with that input tax load. When the output was produced, that output was taxed again. So, in a sense, it is input tax loaded plus output tax--there was tax on tax. The advantage of the VAT is that from output tax you give the set off, you make a deduction; so the load of tax on the commodity immediately falls.

The other accompanying feature is that with progress of VAT, steps are taken to phase out other taxes as well. There is another great disadvantage in the pre-existing sales tax structures (under which) when any dealer or manufacturing dealer or trader dealer used to submit his/her tax return with tax due for assessment he/she had to go to the concerned commercial tax offices, and there were complaints of lack of transparency and harassment. In the VAT, the dealer is his own assessor since he submits his simple return in which he indicates the inputs tax paid by the manufacturer and the level of purchase made by him and

the tax he has collected in the relevant period and deduct the input tax on the output tax. And he computes the figures and pays the amount that is treated as deemed assessment so that harassment part is immediately lessened. At the same time, there is a provision for a small fraction of traders to be audited in a transparent, regular and scientific basis. The choice is of the sample as well as the system of auditing just to keep everything intact. Both these are critical steps and I am not going into details.

The profession of chartered accountants is very critical now since the

collected. It has to be simple, it has to be transparent and it better be uniform.

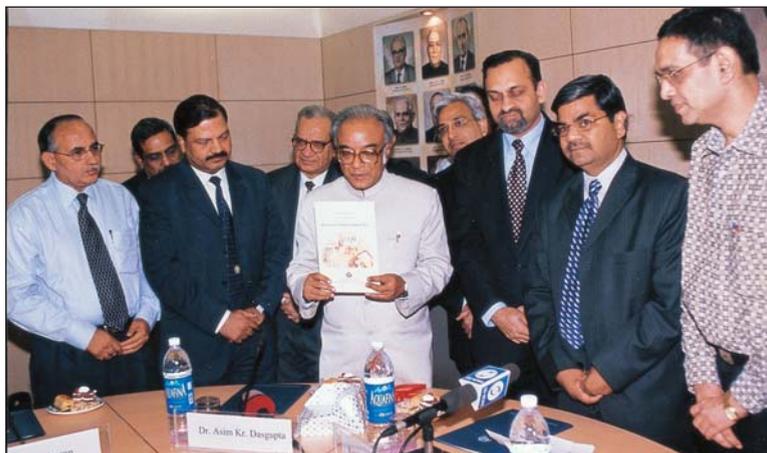
I have gone through this Guidance Note on Accounting for State-level VAT. It has all these properties eminently. I applaud this effort of ICAI; It has been written very well by the research team of the Institute. I take this opportunity to congratulate them and the Institute as a whole.

We turned to the Institute since it is the only Institute, which is not only statutory one but the only one of national importance to which we turned for guidelines on accounting. So on these

two critical points on which the VAT system rests, you have become an inherent part of VAT. You have fondly over estimated my contribution. The decision to introduce the VAT was taken by West Bengal Chief Minister way back in 1999; nobody imposed this on us and we don't need foreign advices. In the Committee, we are working as a team.

So when I release this (the Guidance Note) on behalf of the team, sharing all the enjoyment with my colleague Finance Ministers and officials

like Commissioner Commercial Tax West Bengal, and Punjab, all of whom have contributed, I also say thanks to manufacturers and common traders. I personally, and we collectively have learned from them; the traders have wisdom and they are our partners in this, what I might say, the most important tax reforms in our country since independence



*Dr Asim Kr Dasgupta (Centre) releases the Guidance Note on Accounting for State-level VAT at Institute premises on 15th April 2005. Others present on the occasion included (from Left) Central Council Member Mr Amarjit Chopra, Past President of ICAI Mr Sunil Goyal, Vice President ICAI Mr TN Manoharan, Central Council Members Mr SC Vasudeva and Mr Ved Jain, ICAI President Mr Kamlesh S Vikamsey, ICAI Secretary Dr Ashok Haldia and Mr CM Bacchawat, Commissioner (Commercial Taxes) Govt of West Bengal*

dealers will have to keep the accounts in a manner that they can claim the set off. This has to be a very simple accounting book; we normally say that whatever books the dealer used to keep for the sales tax would be adequate under the new system. It is just a misinformation campaign that a small dealer would have to keep computer. It is from his own books of accounts that all the data can be