

OFFICE OF THE COMMISSIONER OF COMMERCIAL TAXES, ODISHA, CUTTACK

No.V-32011/6/2015 5595 /CT., Dated. 12.09.2017

CIRCULAR

As per the provisions of OVAT Act, some registered dealers dealing in Drugs and Pharmaceuticals and procuring the drugs and pharmaceuticals from other States by way of interstate transfer/purchase or by way of import are paying tax at the prescribed rate on the MRP. On subsequent resale of such goods, the dealers involved in the chain i.e. wholesalers, sub-wholesalers and retailers are neither paying tax on such subsequent sale nor claiming input tax paid at the time of purchase. With introduction of GST, all the sale transactions will be subjected to levy of GST and the provisions of present VAT Act will cease to apply. As a result, the dealers will be required to pay GST even on sale of VAT-paid (on MRP) goods in stock for which input tax credit is currently not available. Of course, GST law will provide some mechanism for claiming credit of the tax paid on the available closing stock, but the procedure may not be a simple and dealer-friendly one.

Keeping the aforesaid difficulties in view, an advisory was issued vide this office letter No.5091/CT., dated 31.03.2017 addressed to the President, Utkal Chemist and Druggist Association to advise its members to collect tax on actual sale value instead of on MRP in the entire chain of transactions and to claim credit of input tax paid in due manner. In the process, the dealers will be in a position to liquidate the stock on which VAT was paid on MRP before introduction of GST. For the remaining stock, the dealers will have input tax credit. Members of the Association have agreed to adopt the new process as advised by this Office.

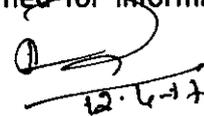
It is, therefore, brought to the notice all concerned to follow the advisory issued vide this office letter No. 5091/CT., dated 31.03.2017.



Commissioner of Commercial Taxes
Odisha, Cuttack

Memo No. 5596 /CT., Dated. 12.09.2017.

Copy to the Secretary, Utkal Chemist and Druggist Association for information with a request to bring it to the notice of all the Company Depots, Super Distributors, C and F Agents, Clearing Agents of Pharmaceutical Companies and all other concerned for information and further action.



Addl. Commissioner of Commercial Taxes
(Policy)