

VATP017- Time Frame for Recovering Input Tax

As per VAT law Input Tax must be recovered in the first tax period in which the two conditions are satisfied:

- a) The tax invoice is received; and
- b) There is an intention to make the payment of consideration of the supply before the expiration of six months after the agreed date of payment

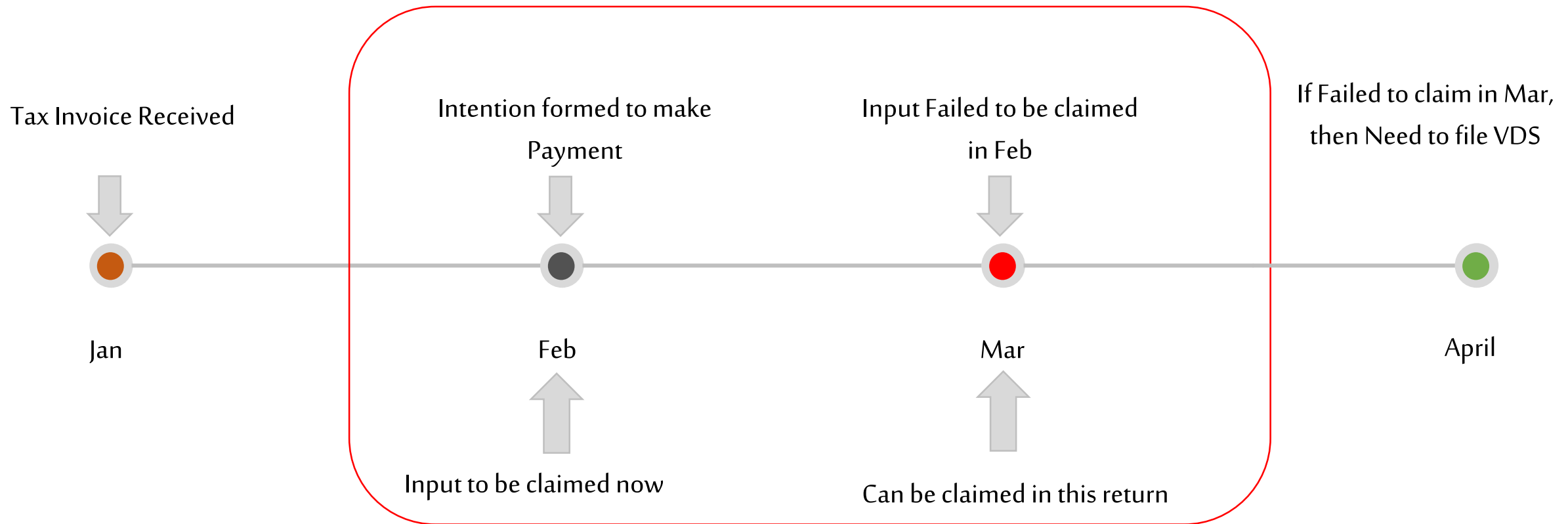


Synopsis of the Clarification:

- Input Tax can be claimed only when the above stated two conditions are met
- If a Tax invoice is received in one Tax period but the intension to make payment is formed in next tax period, then input tax can be claimed in Next tax period only.
- When Input Tax is not claimed in the Tax period where both the conditions are met, the taxpayer can claim the input tax in the immediate next tax period
- If the Input Tax is not claimed in the first two tax periods, a taxpayer is required to submit the Voluntary Disclosure in order to claim the input. If a Voluntary Disclosure is submitted to claim the input tax, the taxpayer should amend the input tax reported in the VAT return of one of the Tax periods

Example

*Example is based on Taxpayer having Monthly Tax Return



The FTA considers that the conditions of Article 55(1) of the VAT Law will only be met when the taxable person completes the **internal approval** process and forms an intention to make the payment within the prescribed period

- Team **Nimai - RAMA** has wide experience in the field of **Risk Management & Business Advisory, Indirect Taxes, ERP Implementations, Management Assurance** and **Corporate Finance** across varied industries for reputed corporates within India and Overseas.
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