

**ORDER OF CLARIFICATION MADE BY SHRI RAMENDRA JAKHU,
FINANCIAL COMMISSIONER & PRINCIPAL SECRETARY,
GOVERNMENT OF HARYANA, EXCISE AND TAXATION
DEPARTMENT UNDER SECTION 56(3) OF THE
HARYANA VALUE ADDED TAX ACT, 2003**

**Querist : M/s Metro Motors Railway Road, Ambala Cantt.
TIN No. 06461006659**

The querist M/s Metro Motors Railway Road, Ambala Cantt. is a dealer registered under Haryana VAT Act holding TIN No. 06461006659 and has sought clarification under section 56(3) of the Haryana VAT Act as to the rate of tax applicable on pre-owned cars sold by the pre-owned car dealers. The applicant has further sought clarification regarding correct rate of tax on sale of pre-owned vehicles & whether tax on vehicles originally purchased within state are again liable to tax when sold by pre-owned vehicle dealers. Matter has been examined. As per entry 68 of schedule C of the Haryana VAT Act. VAT on **Pre-owned motor vehicles when sold by a dealer dealing in purchase and sale of motor vehicles subject to entry 2 in schedule G** is leviable @4%. Further, as per entry 2(a) & (b) of schedule G of the Haryana VAT Act lumpsum tax at the rate of Rs. 3000 per car is leviable on pre-owned cars having engine capacity not exceeding 1000 CC and at the rate of Rs. 5000 per car on pre-owned cars having engine capacity exceeding 1000 CC. This lumpsum tax is leviable on 1st sale by a dealer liable to pay tax under this Act.

From the facts explained above it is clear that entry 2(a) & (b) of schedule G appended to the Act pertains to pre-owned cars whereas entry 68 of the schedule pertains to vehicles other than cars. As to the liability of tax on vehicle originally purchased within the State, input tax credit as per scheme of the Haryana VAT Act is admissible only when the goods have been sold by a selling registered dealer to a purchasing registered dealer against Tax Invoice. Moreover, the selling as well as the purchasing dealers should be engaged in the purchase and sale of such goods sold against tax invoice. A dealer dealing in sale of pre-owned vehicles (including cars) purchases such vehicles from vehicle users who are not registered under Haryana VAT Act. Further, such vehicle users purchase such vehicles, including cars, for their personal use and sell the same after deriving proper satisfaction from use of such vehicles. Thus, even vehicles originally purchased within the State attract VAT when sold by pre-owned vehicle dealers. Vide Haryana Act No. 10 of 2009 (notification No. LEG 14/2009, dated 20.03.2009) a proviso as under was inserted in section 8 of Haryana VAT Act).

“Provided that in-put tax shall not include the tax paid in respect of the purchase of motor vehicles by a VAT dealer for running and facilitating business activities. However no tax shall be charged on the subsequent sale of such motor vehicles, if the dealer satisfies the

assessing authority that the purchase of such motor vehicle has already been subjected to tax with in the State”.

The proviso reproduced above relates to vehicles purchased by a dealer for running and facilitating his business activities and has no bearing on the tax payable by a dealer dealing in sale of pre-owned vehicles and cars. Matter is clarified accordingly.

(RAMENDRA JAKHU)
Chandigarh Financial Commissioner & Principal Secretary
Dated: to Govt. Haryana, Excise and Taxation Department.

Issued vide letter no, 1337-39/ST-1,Dated 14-09-2009