

Tally 9 – FAQs on VAT Composite Returns

Q1. Who is a VAT Composite Dealer?

Answer:

Dealers whose turnover exceeds the threshold limit prescribed for registration under the VAT Act, but within a certain limit, may opt for the composition scheme of VAT. The turnover limits vary from State to State.

For e.g. A Dealer whose turnover exceeds 5 lakhs is required to register under VAT Act. However, dealers whose turnover exceeds 5 Lakhs but under 50 Lakhs may opt for the Composition Scheme of VAT.

Q2. How do I enable the VAT Composition feature in Tally?

Answer:

Go to **Gateway of Tally > F11: Features > Statutory & Taxation**

1. Set **Enable Value Added Tax (VAT)** to **Yes**
2. **Set/ Alter VAT Details** to **Yes**

The VAT Details screen displays

3. Specify the **State**
4. Select **Composition** as the type of Dealer
5. Specify the date of **applicability of Composition Scheme**

Q2. How do I compute Composition tax in Tally?

Answer:

The State-specific VAT classifications for VAT Composition dealer are predefined in Tally 9. This facilitates accurate and auto-calculation of VAT Composition tax on the total turnover at the prescribed rates.

To enable ledgers for VAT Composition tax:

1. Set **Use in VAT Return?** to **Yes** while creating the Sales Master
2. Select the VAT/Tax class from the list of **VAT/Tax class**. If you do not want to select the VAT/Tax class, select the **Not Applicable** option, so that the same can be selected at the time of passing the sales voucher

The Composition Tax is calculated on the basis of the **VAT/Tax class** selected.

Q3. How do I pass adjustment entries under VAT Composition Scheme?

Answer:

Create the Voucher Adjustment Class as shown:

1. Go to **Gateway of Tally > Accounts Info.> Voucher Types > Alter > Select Journal**
Enter the name of the class, for e.g., VAT Adjustment Class, and set **Use Class for VAT adjustment to Yes**
2. Go to **Gateway of Tally > Accounting Voucher > Select Journal Voucher** and select **VAT Adjustment Class**
Select the adjustment type from the list of **VAT Composition Adjustments**

Q4. How do I view VAT Computation Report for a VAT Composite Dealer?

Answer:

Go to **Gateway of Tally > Display > Statutory Reports > VAT Composition Reports > VAT Composition Computation**

Q5. How do I generate VAT Composition Returns?

Answer:

The VAT Returns for composite dealers are required to be filed with the VAT officer on a monthly or quarterly basis as prescribed by the State.

To generate VAT Returns:

Go to **Gateway of Tally > Display > Statutory Reports > VAT Composition Reports > VAT Composition Return**

Q6. How do I configure the change from Composite dealer to Regular dealer?

Answer:

When the turnover of a VAT Composite dealer exceeds the prescribed threshold limit, he is required to register as a VAT Regular dealer,

To switch from VAT Composite dealer to regular dealer:

1. Go to **Gateway of Tally > F11: Features > Statutory & Taxation**. Set **Set/Alter VAT Details** to **Yes**
2. In the **Type of Dealer?** Field, select **Composition To Regular**
3. Specify the date from which regular VAT is applicable in the field **Regular VAT Applicable From**
4. Specify the new VAT TIN provided to you in the field **VAT TIN (Regular)**

The dealer will be covered under the VAT Regular Dealer scheme from the effective date. Reports for the Composite Returns can be generated prior to the effective date.