



SALE IN TRANSIT
(E-I Transaction)

SALE IN TRANSIT

- In simple words, Sale in Transit means, Sales made by the Buyer (subsequent seller), without taking the physical delivery of the Goods bought during the movement of goods from one state to another i.e. goods resold by transferring the documents of title of the goods, normally called G.R. / R.R. to the another party (Subsequent Buyer).

Something about Form E-1

- FORM E-1 is a Statutory form under CST Act.
- The Subsequent Seller has to receive it from his immediate seller.

Manner of Claiming Exemptions

- For Claiming Exemption u/s 6(2) of CST Act for Subsequent Inter-State Sales, Form E-I/II and C Form should be obtained from the purchaser and in the absence of E-I/II and C Form, exemption will not be available.
- For Delhi Dealers

As per rule 7(5) of CST (Delhi) Rules, 2005, the subsequent seller shall furnish E-I/II form in original duly filed & signed to the VATO of his Ward along with DVAT-51 within prescribed time.

Submission of Forms

- These Forms should be submitted to the prescribed authority within prescribed period of time and in manner under the relevant State Act.



As per Central Sales Tax

Act, 1956

Section 6(2)

- Notwithstanding anything contained in sub-section (1) or sub-section (1A), where a sale of any goods in the course of inter state trade or commerce has either occasioned the movement of such goods from one state to another or has been effected by a transfer of documents of title to such goods during their movement from one state to another, any subsequent sale during such movement effected by a transfer of documents of title to such goods to a registered dealer, if the goods are of the description referred to in sub-section(3) of section 8, shall be exempt from tax under this Act.



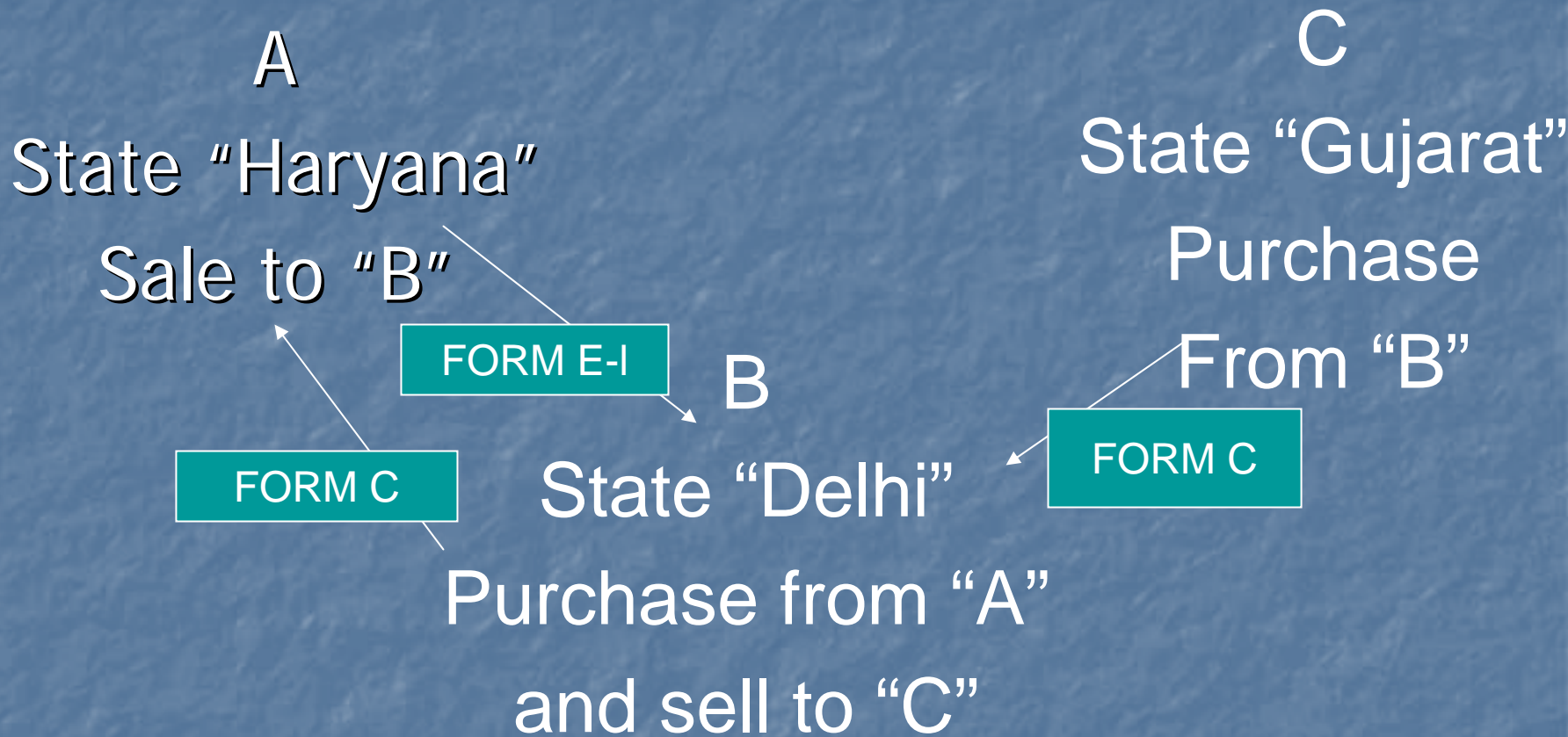
CONDITIONS

- PROVIDED that no such subsequent sale shall be exempt from tax under this sub-section unless the dealer effecting the sale furnishes to the prescribed authority in the prescribed manner and within the prescribed time or within such further time as that authority may, for sufficient cause, permit,-
 - a) A certificate duly filled and signed by the registered dealer from whom the goods were purchased containing the prescribed particulars in a prescribed form obtained from the prescribed authority; and
 - b) If the subsequent sale is made to a registered dealer, a declaration referred to in sub-section (4) of section 8:

PROVIDED FURTHER that it shall not be necessary to furnish the declaration referred to in clause (b) of the preceding proviso in respect of a subsequent sale of goods if,-

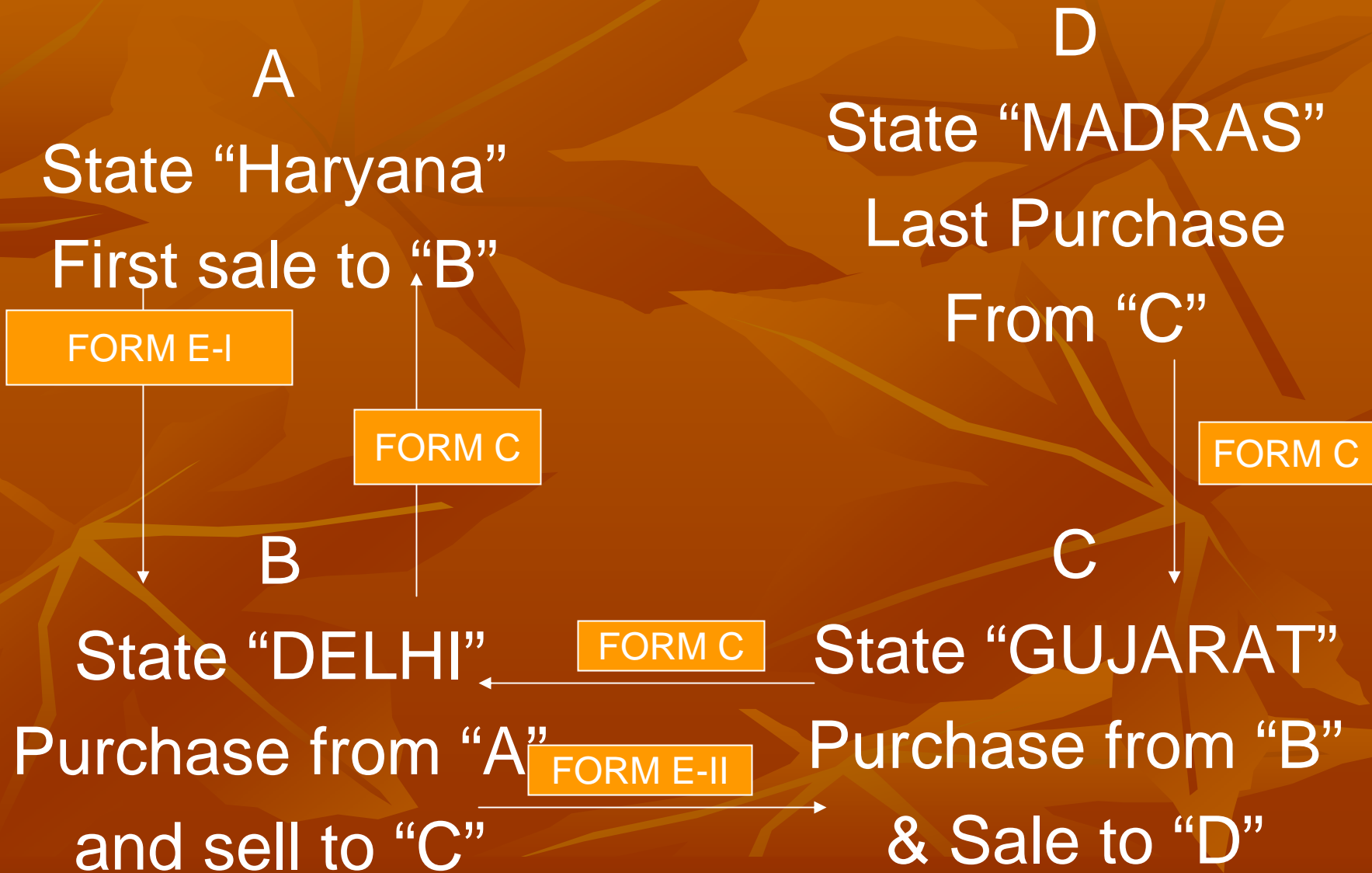
- a) The sale or purchase of such goods is under the sales tax law of the appropriate state exempt from tax generally or is subject to tax generally at a rate which is lower than three per cent, or such reduced rate as may be notified by the Central Government, by notification in the Official Gazette, under sub-section (1) of section 8 (whether called a tax or fee or by any other name); and
- b) The dealer effecting such subsequent sale proves to the satisfaction of the authority referred to in the preceding proviso that such sale is of the nature referred to in this sub-section.

Example:1



It is worthy to understand that the transactions between B and C will remain inter-state sale, even both of them are registered in the same state due to the fact that goods are transferred during the movement from one State to another.

Example :2



In this case the subsequent seller also transfer the goods in transit, then every subsequent buyer will issue form C to his preceding seller.

Can Form E-1 be issued for Tax Free Goods ?

As per form E-1, the seller gives the certificate that:

- He will pay/has paid tax under the CST Act.
- No tax was payable under the CST Act in view of the general exemption referred to in sub-section (2A)[or in pursuance to any exemption or concession granted under sub-section (5)] of section 8, on the sale of the goods covered by documents whose particulars are given above to the appropriate sales tax authority of state.

Can Unregistered Dealer issue/Get E-I Form ?

NO

Because as per Section 6(2), exemption is available only if the subsequent sale made to a registered dealer



THANKYOU

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