Chart No 2.1
Different Variants of VAT

- **Gross Product Variant**
  - Tax levied on all sales with no deduction
  - For Business inputs.

- **Income Variant**
  - Tax levied on all sales with set – off
  - For depreciation on capital Goods.

- **Consumption Variant**
  - Tax levied on all sales with deduction
  - For Business inputs.

  - **Tax Credit Method**
    - Indirect Subtraction Method
    - Entails deduction of tax input.

  - **Addition Method**
    - Identification of value added by the summation of
    - Wages, Profit, rent, & interest.

  - **Subtraction Method**
    - Estimating value added by taking different
    - Between Output & input.

  - **Direct Subtraction Method**
    - Deduction aggregate tax exclusive value
    - of purchase from the tax Exclusive
    - value of sales.

  - **Intermediate Subtraction Method**
    - Deducting tax inclusive value of purchase
    - from the sales & taxing difference between
    - them.

  - **Indirect Subtraction Method**
    - Deduction tax on inputs from tax on
    - sales for each tax paid.

(Source: “Commodity Taxes in India” By M.C. Purohit & V.K. Purohit, Gayatri Publication, Delhi (1995))