



Sales Tax / Value Added Tax

Understanding Notes:

- Sales Tax is the tax charged on the sale of goods by the government.
- Value Added Tax (VAT) is a tax on the value added to a product at each stage of its production or distribution.
- The customer pays Sales Tax or VAT along with the price of goods.
- Sales Tax and VAT are usually calculated as a percentage of the selling price (marked price) of the goods.
- VAT replaced Sales Tax in many states to avoid double taxation.
- Nowadays, GST (Goods and Services Tax) has replaced VAT and Sales Tax in India, but understanding VAT is still important for concept clarity.

Important Points:

- $\text{Sales Tax} = \frac{\text{Rate of Sales Tax} \times \text{Price of the goods}}{100}$
- $\text{VAT} = \frac{\text{Rate of VAT} \times \text{Price of the goods}}{100}$
- Total Price Paid by Customer = Price of Goods + Sales Tax or VAT.
- Tax is always calculated on the marked price (unless discount is mentioned).
- If discount is given, tax is calculated after applying the discount.

Different Types of Examples with Solutions:

Example Easy (Find Sales Tax)

➤ A table is sold for ₹2000. Sales Tax rate is 5%. Find the Sales Tax.

Solution: $\text{Sales Tax} = \left(\frac{5}{100}\right) \times 2000 = ₹100$

Example Easy (Find Total Price with Sales Tax)

➤ A fan is sold for ₹3000. Sales Tax rate is 8%. Find the total amount paid by the buyer.

Solution: $\text{Sales Tax} = \left(\frac{8}{100}\right) \times 3000 = ₹240$

Total Price = $3000 + 240 = ₹3240$



Example Moderate (Find VAT)

- A mobile phone is priced at ₹12,000. VAT charged is 12.5%. Find the amount of VAT and the total price.

Solution: $\text{VAT} = \left(\frac{12.5}{100}\right) \times 12000 = ₹1500$

Total Price = $12000 + 1500 = ₹13500$

Example Moderate (Find Price before VAT)

- The price of a refrigerator after VAT at 10% is ₹22000. Find the original price before VAT.

Solution: Let original price be x

$$x + \left(\frac{10}{100}\right) \times x = 22000$$

$$\left(\frac{110}{100}\right) \times x = 22000$$

$$x = \frac{22000 \times 100}{110}$$

$$x = ₹20000$$

Example Moderate (Find Tax when Discount is given)

- A washing machine has a marked price of ₹25000. A discount of 10% is given. VAT at 8% is charged on the discounted price. Find the VAT amount.

Solution: Discount = $\left(\frac{10}{100}\right) \times 25000 = ₹2500$

Discounted Price = $25000 - 2500 = ₹22500$

$$\text{VAT} = \left(\frac{8}{100}\right) \times 22500 = ₹1800$$

Summary Points:

- Sales Tax and VAT are taxes charged on selling goods.
- Tax is calculated on marked price or discounted price (if discount given).
- Total amount paid = Price of goods + Sales Tax or VAT.
- If total price including tax is given, original price can be found by reverse calculation.
- Sales Tax and VAT help the government in collecting revenue.