

**GOVERNMENT OF TAMILNADU
COMMERCIAL TAXES DEPARTMENT**

**PROCEEDINGS OF THE AUTHORITY FOR CLARIFICATION AND
ADVANCE RULING**

ACAAR No.119/2015-2016
Acts cell-II/4734/2016

Dated: 30.05.2018

- Present:**
1. Dr.T.V. Somanathan, I.A.S.,
Principal Secretary / Commissioner of Commercial Taxes.
 2. Thiru M. Parameswaran,
Additional Commissioner (ST), (Public Relations)(FAC)
 3. Dr. C. Palani,
Additional Commissioner (ST), (Revision Petitions)(FAC)

1	Name and address of the Applicant	:	Tvl. V.L.S.Fibre, No.16,3 rd Cross Street, Sriram Nagar, Paruthipattu Village, Kamaraj Nagar (Post), Avadi, Chennai-600 071.
2.	Registration Certificate No.	:	TIN No.33071301793 CST No.841662
3.	Assessment Circle	:	Avadi Assessment Circle.
4.	Date of application	:	22/02/2016
5.	Date of receipt of application	:	24.02.2016.
6.	Clarification sought for	:	Rate of tax on " Waste Cement Bags Pulp "
7.	Date of Personal Hearing	:	--
8.	Represented by	:	--

ORDER

Tvl. V.L.S.Fibre, No.16, 3rd Cross Street, Sriram Nagar, Paruthipattu Village, Kamaraj Nagar (Post), Avadi, Chennai-600 071 (TIN 33071301793), registered dealer in the files of Avadi Assessment Circle have preferred application in Form 'VV' and sought clarification under Section 48-A (1) of the Tamil Nadu Value Added Tax Act,2006 (TNVAT Act,2006), read with Rule 12-A of the Tamil Nadu Value Added Tax Rules, 2007 (TNVAT Rules, 2007).

2.1. The applicant-dealer have sought for clarification for the rate of tax for **"Waste Cement Bags Pulp"**.

2.2. The applicant-dealer have stated that they are dealing in cement paper bag pulp. They acquire raw material (Cement Paper Bags) from local registered vendor and process the same to convert it into pulp. The process consists of cutting the bags, trimming the edges and cleaning them for the final stage where the pulping is done. It is also stated that in order to manufacture 1 tonne of pulp they add about 2400 litres of water which is the reason that their material consist of 50% moisture. The clients to the applicant-dealer make the payment and issue C form after deducting the value of water content in the supplied material. Hence the final value obtained after moisture deduction and the billed amount is not actual. In the above circumstances, the applicant-dealer have requested the Authority for Clarification and Advance Ruling to allow a limit upto 50% after moisture deduction in their material for doing business.

3. The issue has been examined in detail with reference to the provisions of the TNVAT Act, 2006 and TNVAT Rules, 2007 and the related entries in all the Schedules to the TNVAT Act, 2006. Section 48-A of the TNVAT Act, 2006 provides for clarification on any point concerned with rate of tax for commodities.

4.1. Though the applicant-dealer requested for clarification for the rate of tax on Waste Cement Bags pulp, it is observed from the detailed explanations of their products that their request is with reference to the adoption of the turnover for the purpose of assessment and taxation as the buyers of their product are not paying and issuing C forms as per the actual bill value and instead deduct certain percentage (upto 50%) on the basis of the moisture.

4.2. The above question raised in their application is not within the purview of this Committee for Advance Ruling and therefore the request for allowing a limit upto 50% after moisture deduction in their material is not feasible of compliance. However, the Authority for Advance Ruling and Clarification have to clarify the rate of tax on "Waste Cement Bag Pulp".

4.3 Pulps are of various types based on the pulping process, raw materials used, or type of bleaching etc., Pulping is nothing but breaking/removing lignin to separate fibers. Lignin is physically and chemically weaker than cellulose fibers. Hence when a physical force or chemical is applied to plant (Wood, grass, straw, rag, etc.,) lignin breaks down faster than cellulose. It is observed from the process explained by the dealer applicant that

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the pulping process is fully mechanical and based on the raw material namely Waste Cement Bags. Various raw materials involved in Pulp formations include Wood, Agricultural Residue (Straws), Annual plants & Grasses (Hemp, Jute, Kenaf, Bamboo), Rags, etc., The present case pertains to pulp formation from cement waste bags which may be equated to Jute.

4.4. As per entry 109 of Part-B of the First Schedule to the TNVAT Act, 2006, Pulp made of Bamboo, Wood, Bagasse and Paper are taxable at 5%. The entry reads as under: "Pulp of Bamboo, Wood, Bagasse and Paper". From the above, it is clear that only pulp made out of Bamboo, Wood, Bagasse and Paper alone covered under the entry taxable at 5% and any other Pulp made out of other goods as specified above cannot be fitted against this entry. Hence, this has to be classified as any other goods not specified in any of the Schedules to the TNVAT Act, 2006 and therefore falls under residual entry 69 of Part C of the First Schedule to the TNVAT Act, 2006 taxable @ 14.5%. However, as these goods are used in Asbestoes Industry, the rate of tax applicable is 5% when it is sold as Industrial Inputs to manufacturers inside the State of Tamil Nadu under entry 67 of Part-B of the First Schedule to the TNVAT Act, 2006. But the same concessional rate is not applicable when it is sold to manufacturers located outside the State of Tamil Nadu.

5. In view of the above, it is clarified that the commodity "**Waste Cement Bags Pulp**" is taxable @ 14.5% as a residual item (Any goods not specified in any of the Schedules) as per entry 69 of Part C of the First Schedule to the TNVAT Act, 2006.

Dated this the thirtieth day of May 2018.

Sd/- M. Parameswaran,
Additional Commissioner (PR)(FAC)

Sd/- C. Palani,
Additional Commissioner (RP) (FAC)

Sd/- T.V. Somanathan,
Principal Secretary/
Commissioner of Commercial Taxes

To

Tvl. V.L.S.Fibre,
No.16,3rd Cross Street,
Sriram Nagar, Paruthipattu Village,
Kamaraj Nagar (Post),
Avadi, Chennai-600 071.

Copy to:
The Assistant Commissioner (ST),
Avadi Assessment Circle.

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The Joint Commissioner (ST),
Chennai (South) Division.

The Joint Commissioner (CS)

To host in the Department Website

The Principal Secretary to Government, Commercial Taxes &
Registration Department, Chennai - 9.

All Joint Commissioners (ST) including Enforcement, LTU, MOU and
ISIC.

All Deputy Commissioners (ST), Territorial, Assessment and
Enforcement

All Head of Offices (Assessment)

The State Representative, Sales Tax Appellate Tribunal, Chennai- 104.

The Addl. State Representative, (AB) Chennai, Madurai and
Coimbatore.

The Director, CTSTI, Greams Road, Chennai - 6.

The Executive Officer, Traders Welfare Board, Chennai - 5.

The Accountant General (Audit)-II, No.44, Greams Road, Chennai- 6.

The Additional Commissioners, Deputy Commissioners, Assistant
Commissioners, Commercial Tax Officers in CCT's Office.

Personal Clerk to the CCT.

Stock File 3/ Acts Cell-II /Spare - 5.

//forwarded / by order//


State Tax Officer 3/11/18
3/5/18