

<b>PROCEEDINGS OF THE AUTHORITY FOR CLARIFICATION AND ADVANCE RULING</b>	
<b><u>ACAAR No. 134/ 2013-14.</u></b> <b><u>(Acts Cell – II/8804/2014)</u></b>	Dated 23.10.2014
<b><u>Present:</u></b>	1. Thiru. K.Rajaraman, I.A.S., Principal Secretary & Commissioner of Commercial Taxes.  2. Thiru. R.Vayanaperumal, Additional Commissioner (CT), (Public Relations)  3. Thiru. Mahalingam, Additional Commissioner (CT), (Revision Petitions)
1	Name and address of the Applicant : Tvl. Mitsubishi Heavy Industries India Precision Tools Limited, No.2, SIPCOT Industrial Complex, Ranipet - 632 403
2.	Registration Certificate No. : TIN: 33604362385 /CST:353882
3.	Date of application : 14.03.2014
4.	Date of receipt of application : 14.03.2014
5.	Clarification sought for : Rate of tax on "Tools, Cutters"
6.	Date of Personal Hearing : ---- ----
7.	Represented by : ---- ----

### **ORDER**

Tvl. Mitsubishi Heavy Industries India Precision Tools Limited, No.2, SIPCOT Industrial Complex, Ranipet - 632 403, (TIN:33604362385), the registered dealers in the files of Ranipet (SIPCOT) Assessment Circle, manufacturing and marketing the cutters/tools for Gear and Automobile Spares manufacturers, have preferred application in Form 'VV' and sought clarification under Section 48-A (1) of the TNVAT Act, 2006, read with Rule 12-A of TNVAT Rules, 2007.

2. The applicant-dealers have sought for clarification regarding rate of tax on "**Tools/Cutters**" commonly known as Gear cutting tools and broaches.

3. The applicant-dealers have stated in their application that they are manufacturers of cutters, tools, commonly known as Gear

Cutting Tools and Broaches. The applicant –dealers have pointed out that there is a specific entry in Serial No.138 with the description, "Tools" in Part-B of First Schedule to the TNVAT Act, 2006 and therefore taxable @ 5 %. In this regard, the applicant-dealers have furnished Brochure for their products, such as Hob, Shaping Cutter, Gear Shaving Cutter, Broaches, Master Gear, Rotary Cutter, Rack milling cutter, Swaging cutter etc. Besides, the applicant-dealers have pointed out that the term, "tools", employed under section 2(11)(a) of the Act provides room to treat the tools as capital goods under Entry 25 of Part-B of First Schedule, as the tools are some or other how closely associated with manufacture. It is prayed that the applicable rate of tax for cutters/ tools commonly known as Gear Cutting tools and Broaches, may be clarified.

4. The issue has been examined in detail with reference to the provisions of TNVAT Act, 2006 and Rules, 2007, the relevant entries in the respective schedules to TNVAT act, 2006. Section 48-A of TNVAT Act, 2006 provides for clarification on any point concerned with rate of tax for commodities. The applicant-dealers have sought for clarification regarding rate of tax for **cutters/tools** commonly known as Gear Cutting tools and Broaches.

5. Tools are also classified as capital goods by having employed the term, "tools" in section 2(11)(a) of the Act, so as to include every kind of tools machine tools under this category as such tools are some or other how closely associated with the process of manufacture in different kinds of manufacturing industry. Tools are classified among the goods normally taxable @ 5 % vide Entry 138 with the description, "Tools" in Part-B of First Schedule to the Act. As "Tools" are classified to be a separate class of goods under specific Entry 138 of Part-B of First Schedule, the tools shall be dealt for the purpose of taxation as a specific class of goods though they bear the eligibility to be treated as capital goods, under Entry 25 of Part-B of First Schedule read with section 2(11)(a) of the Act.

6. The term, "Tools" employed under Entry 138 of Part-B of First Schedule and in section 2(11)(a) of the Act, is of wide connotation to include every kind of tools, that is to say, manually operated hand tools, Hand held Power tools, operated by pneumatic, hydraulic and electrical power and the machines like lathe and its cutting, grinding, turning and drilling parts, called machine tools. The cutters / tools such as Hob, Shaping Cutter, Gear Shaving Cutter, Broaches, Master Gear, Rotary Cutter, Rack milling cutter, Swaging cutter etc., as revealed from the brochure furnished along with applications are for the purpose of use in CNC Lathe machines and therefore they are machine tools. CNC Lathe Machines are classifiable under the category of "Machinery" found among the capital goods under Section 2(11)(a) of the Act. Since all the afore said cutters/tools generally known as Gear cutting tools



and Broaches could be used only as attached into the CNC Lathe Machines, they, though being generally known as tools, bear the identity as component parts of the CNC Lathe Machines. The aforesaid machine tools are therefore being more specifically the parts of CNC Lathe Machines than being the tools generally. The cutters/tools known as Gear cutting tools and Broaches would squarely fall under Entry 25 of Part-B of First Schedule read with section 2(11) of the Act. The machine tools as aforesaid are taxable at 5 % on either count; but specifically as capital goods.

7. The clarification is therefore that that the **"Cutters/Tools"** generally known as Gear cutting tools and Broaches, **are taxable @ 5 %, specifically as capital goods under Entry 25 of Part-B of First Schedule, read with section 2(11) of the TNVAT Act, 2006**, since being parts of CNC Lathe Machines if sold in the State of Tamil Nadu and @14.5% if sold otherwise to other States without 'C' Form.

Dated this, the 23<sup>rd</sup> Day of October, 2014.

Sd/- R. Vayanaperumal,  
Additional Commissioner (PR)

Sd/- K. Mahalingam,  
Additional Commissioner (RP)

Sd/- K. Rajaraman,  
Principal Secretary/  
Commissioner of Commercial Taxes

To

Tvl. Mitsubishi Heavy Industries India Precision Tools Limited,  
No.2, SIPCOT Industrial Complex,  
Ranipet - 632 403

Copy to

The Assistant Commissioner (CT)  
Ranipet (Sipcot) Assessment Circle.

The Joint Commissioner (CT),  
Vellore 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 (CT) including Enforcement, LTU, MOU and ISIC.

All Deputy Commissioners (CT), 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, Greaves Road, Chennai - 6.

A

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 File3 / Acts Cell-II / Spare - 5.

//Forwarded/By order//

  
Additional Commissioner (PR)