

**GOVERNMENT OF TAMILNADU
COMMERCIAL TAXES DEPARTMENT**

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

ACAAR No.50/2016-17
(Acts Cell-II/32425/2016)

Dated:02.06.2017



- Present:**
1. Dr. C. Chandramouli, I.A.S.,
Additional Chief Secretary / Commissioner of
Commercial Taxes.
 2. Thiru. A. Sarvar Allam,
Additional Commissioner (CT), (Public Relations)(FAC)
 3. Thiru. K. Gnanasekaran,
Additional Commissioner (CT), (Revision Petitions)(FAC)

1	Name and address of the Applicant	:	Tvl Velavan Red Oxide, 1165-B Cumbum Road, Theni.
2.	Registration Certificate No.	:	TIN.No. 33385121434
3.	Assessment Circle	:	Theni I Assessment Circle
4.	Date of application	:	10.11.2016
5.	Date of receipt of application	:	22.11.2016
6.	Clarification sought for	:	Rate of tax on " Iron Red Oxide. "
7.	Date of Personal Hearing	:	----
8.	Represented by	:	----

ORDER

Tvl. Velavan Red Oxide, 1165-B Cumbum Road, Theni. (TIN No.33385121434), registered dealers in the files of Theni-I 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 Tamil Nadu Value Added Tax Rules, 2007 (TNVAT Rules, 2007) on the rate of tax applicable on "**Iron Red Oxide**".

2.1. The applicant-dealers have stated that they are the manufacturer of **Iron Red Oxide** are manufactured by mixing Ferrous Sulphate ($\text{Fe}_2\text{SO}_4 \cdot 7\text{H}_2\text{O}$), Sodium Hydroxide (NaOH) and Iron scraps. This Chemical combination is then filtered dried and pulverised. It is nothing but a combination of chemicals. Hence the applicant-dealers claim that the powders of iron oxide are only chemicals falling under item No 1 of Part- B of first Schedule to the TNVAT Act and liable to be tax at 5%.

2.2. The applicant-dealers have also stated that the commissioner of commercial Taxes had also clarified that the commodity red oxide falling under item No.1 of Part B of first schedule to the TNVAT Act and liable to tax at 4% as chemicals in clarification in VCC 369 dt 23.04.2007 and VCC 461 dt.11.05.2007.

2.3. The applicant-dealers have cited the view of Hon'ble Madhya Pradesh High court in the case of Commissioner of sales Tax, Madhya Pradesh Vs Olpherts Pvt Limited reported in 63 STC 401:

"Held, that the words "dye", "dyer", and "dying" were commodity understood that as denoting the ordinary process of colouring articles by using a colour powder. It was not disputed that Red Oxide of Iron was used as a colouring agent for imparting colour to cement and plaster. Therefore red oxide of iron which was manufactured and sold was covered the entry "dye".

In view of the above, the applicant-dealers have contended that the red oxide of Iron could also fall under the Entry 45 of Part-B of First Schedule to the TNVAT Act, 2006.

2.4. However, the Advance Ruling Authority had clarified in ACAAR 111/12-13 dated 14.8.13 that "Iron Oxide" cannot be considered as ores and minerals or a chemical as claimed, but it is only a synthetic paint powder. It serves as colouring agent only. Hence the commodities of "Iron Oxides" are taxable at 14.5% under Entry-50 of Part-C of first schedule to the TNAVt Act, 2006.

The applicant-dealers therefore contended that, when once the commodity is a colouring agent as mentioned in the court order in the matter of Commissioner of Sales Tax, Madhya Pradesh Vs Olpherts Pvt Ltd reported in 63STC 401, it has to be treated as "Dye" only.

In view of the above stated facts, the applicant-dealers have requested the Authority for clarification and Advance Ruling to consider the judicial precedent and classify the Iron Red Oxide as "Dyes" taxable at 5% falling under the Entry 45 of Part-B of First Schedule to the TNVAT Act, 2006.

3. It had been already clarified in ACAAR 111/12-13 dated 14.8.13 "Iron Oxide" are synthetic paint powder and the product finds place in Entry 50 of Part-C of the First Schedule to the TNVAT Act, 2006.

Entry 50(i) of Part-C of the First Schedule to the TNVAT Act, 2006 reads as follows

- 50 (i) Paints and enamels not otherwise specified in this Schedule, including powder paints, stiff paste paints and liquid paints.
- (ii) Colours.
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4. It is therefore reiterated that **"Iron Red Oxide" sold by the applicant-dealers are liable to VAT at 14.5% under Entry 50(i) of Part-C of First Schedule to the TNVAT Act, 2006.**

Dated this the Second day of June 2017.

Sd/- A. Sarvar Allam,
Additional Commissioner (PR)(FAC)

Sd/- K. Gnanasekaran,
Additional Commissioner (RP) (FAC)

Sd/- Dr.C. Chandramouli, I.A.S
Additional Chief Secretary/
Commissioner of Commercial Taxes

To,
Tvl Velavan Red Oxide,
1165-B Cumbum Road,
Theni.

Copy to:

The Assistant Commissioner (CT)
Theni I Assessment Circle

The Joint Commissioner (CT),
Madurai 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.

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

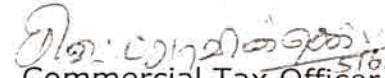
The Accountant General (Audit)-II, No.44

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//


Commercial Tax Officer