

**NOTE ON DEMAND No. 4—TAMIL NADU GENERAL
SALES TAX AND OTHER TAXES AND DUTIES—
ADMINISTRATION.**

1. Introduction :

Sales Taxes constitute the largest source of revenue to Government, accounting for about 70 per cent of the total revenue receipts of the State. The collections from commercial taxes in the year 1990-91 amount to Rs. 2,167.16 crores as against Rs. 1,759.02 crores in the year 1989-90. This represents an increase of Rs. 408.14 crores., which is 23.2 per cent. The Government intends to provide a tax system which would respect those asses sees who pay their taxes sincerely and punish those who evade taxes. Such a system would provide positive stimulus to assesseees and improve collection of taxes.

In pursuance of this objective, short and long term measures will be formulated to rationalise the existing tax rates and improve the quality of tax administration.

In order to improve the quality of tax administration, it has been decided to introduce a new self-assessment system, especially as the deemed-assessment system, introduced last year, has not been working well. Under this new self-assessment scheme, any assessee who has a clean record can file a self-assessment return which would be accepted, provided the assessee does not use certain specified saleable forms. A random check of these returns would be made. It is expected that the new self-assessment will benefit a large number of traders without subjecting them to procedural rigidity.

As a long term measure, it is proposed to constitute a broad based High Power Sales Tax Reforms Committee with experts to study the structure, rates and incidence of existing taxes thoroughly with a view to provide an efficient and equitable tax system.

Commercial Taxes Department administers the following Acts :

1. Tamil Nadu General Sales Tax Act, 1959.
2. Tamil Nadu Additional Sales Tax Act, 1970.
3. Tamil Nadu Sales Tax (Surcharge) Act, 1971.
4. The Central Sales Tax Act, 1956.
5. The Tamil Nadu Entertainments Tax Act, 1939.
6. The Tamil Nadu Local Authorities Finance Act, 1961.
7. The Tamil Nadu Betting Tax Act, 1935.
8. The Tamil Nadu Tax on Luxuries in Hotels and Lodging-Houses Act, 1981.
9. The Tamil Nadu Advertisements Tax Act, 1983.
10. The Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990.

2. Revenues and Expenditures of the Commercial Taxes Department, 1986-91 :

Year.	Income.			Expenditure.		
	(1)	(2)	(3)	(4)	(5)	(6)
		(RUPEES IN CRORES.)				
1986-87	--	--	--	1,172.44	15.58	
1987-88	--	--	--	1,313.49	17.35	
1988-89	--	--	--	1,502.73	20.77	
1989-90	--	--	--	1,759.02	23.28	
1990-91	--	--	--	2,167.16	28.30	

3. Construction of Government Buildings for Commercial Taxes offices and Checkposts :

It is the policy of the Government to have all its offices in the Commercial Taxes Department located in Government buildings. Consequently, the construction of buildings for the Commercial Taxes Department has been undertaken in a phased manner. At present, Government buildings have been provided for all the offices of the Deputy Commissioners, both Administrative and Enforcement Wings, all territorial Assistant Commissioners except Pudukkottai, Namakkal, Thiruvannamalai, Karur and Villupuram. All Assistant Commissioners (CT), Enforcement, except the Assistant Commissioner (CT) Enforcement, Villupuram have been housed in Government buildings. Out of 301 Assessment Circles, 137 are located in Government buildings.

The building construction work is in progress in the following places :—

(i) For construction of additional buildings with compound wall in the Tuticorin Commercial Taxes building, the Government have sanctioned Rs. 13.60 lakhs. The construction work is nearing completion.

(ii) For the construction of second floor in the existing Commercial Taxes office building located within the Taluk Office compound at Rasipuram, the Government have sanctioned Rs. 10.50 lakhs. The work is in progress.

(iii) The Government have sanctioned a sum of Rs. 12.10 lakhs for the construction of an additional floor to the existing building at Sankagiri. The construction work is in progress.

As regards checkposts, there are 48 Commercial Taxes checkposts functioning in Tamil Nadu of which the first 13 checkposts noted below are housed in permanent buildings and the last checkpost is in a semi-permanent building :

1. Irumbuliyur (Tambaram)
2. Poonamallee
3. Puzhal
4. Ranipet
5. Hosur
6. K.G. Chavadi
7. Meenakshipuram
8. Katpadi
9. Chinnasalem
10. Puliyarai
11. Chanurapatti
12. Kadambarkoil
13. Kaliakkavilai
14. Thoppur.

The other 34 checkposts are functioning either in thatched sheds erected in poramboke lands or in private buildings.

Of the 48 checkposts, 20 checkposts are major checkposts. Of them, 4 checkposts namely, Poonamallee, Hosur, K.G. Chavadi and Ranipet are two-way checkposts.

4. Strengthening, Bifurcating and Reorganising Assessment Circles :

There are 301 assessment circles in the State. Out of these, 102 assessment circles are headed by Deputy Commercial Tax Officers, 193 by Commercial Tax Officers and 6 by Assistant Commissioners. In order to improve the quality of assessment work and enhance collection, it is proposed to bifurcate 15 heavy circles and create 11 more assessment circles, each, under a Commercial Tax Officer in the following places as indicated below :—

<i>Name of the existing assessment circles.</i>	<i>Name of the new assessment circles to be created.</i>
1. C.T.O., Royapuram ..	1. C.T.O., Royapuram.
2. C.T.O., Washermenpet.	2. C.T.O., Washermenpet-I.
3. C.T.O., Tondiarpet ..	3. C.T.O., Tondiarpet.
	4. C.T.O., Washermenpet-II (New).
4. C.T.O., Thiruvanmiyur	1. C.T.O., Thiruvanmiyur.
	2. C.T.O., Velacheri (New).
5. C.T.O., Ashoknagar ..	1. C.T.O., Ashoknagar.
6. C.T.O., Porur	2. C.T.O., Porur.
	3. C.T.O. Saligramam (New).
7. C.T.O., Ambattur ..	1. C.T.O., Ambattur.
	2. C.T.O. Koyambedu (New).
8. C.T.O., Egmore ...	1. C.T.O., Egmore-I.

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9. C.T.O., Nungambakkam 2. C.T.O., Nungambakkam.
3. C.T.O., Egmore-II (New).
 10. C.T.O. T., Nagar (South). 1. C.T.O., T. Nagar (South).
2. C.T.O., Nandanam (New).
 11. C.T.O., Mandaveli .. 1. C.T.O., Mandaveli.
2. C.T.O., Alwarpet (New).
 12. C.T.O., Coimbatore .. 1. C.T.O., Podanur.
(Rural). 2. C.T.O., Perur (New).
 13. C.T.O., Peelamedu ... 1. C.T.O., Peelamedu (South).
2. C.T.O., Peelamedu (North) (New).
 14. C.T.O., Udumalpet ... 1. C.T.O., Udumalpet (South).
2. C.T.O., Udumalpet (North) (New).
 15. C.T.O., Tiruppur .. 1. C.T.O., Tiruppur Kongu-
Kongunagar.
2. C.T.O., Tiruppur Lakshmi nagar (New).

During this year it is also proposed to strengthen the Central Assessment Circles 4 at Madras and 2 at Coimbatore by providing one Deputy Commercial Tax Officer to each of the Central Assessment Circle in the two cities. Further in order to improve the monitoring and overall administration of the Department, it is proposed to bifurcate 2 C.T. Zones in Madras South Division and form a new Zone to be headed by an Officer in the rank of

Assistant Commissioner. The above three schemes would cost the Government Rs. 57.99 lakhs recurring and Rs. 18.25 lakhs non-recurring.

5. Modernisation of the Enforcement Wing :

As part of the Government's policy to modernise the Department and to strengthen communication facilities in the Enforcement Wings, it is proposed to provide wireless systems to 3 major and 4 minor check-posts and also to 14 mobile units in and around Madras during this year. Wireless facilities would also be provided to the Central Unit in the Greaves Road building. This would cost Rs. 6.50 lakhs.

6. Functions of Appellate Wing :

As regards appellate side, there are 18 Appellate Assistant Commissioners working under overall supervision of Chairman, Sales Tax Appellate Tribunal. The Government is reviewing every month the progress in the disposal of cases.

7. Commercial Taxes Staff Training Institute :

In order to improve managerial efficiency and upgrade the quality of personnel, the Commercial Taxes Staff Training Institute which started functioning from 1982, imparts training to the officials of the Commercial Taxes Department. The Institute has a teaching faculty, headed by a Deputy Commissioner of Commercial Taxes, who is assisted by two Assistant Commissioners of Commercial Taxes and one Commercial Tax Officer. The Institute imparts training in the form of refresher course to officers from the cadre of Assistant Commercial Tax Officer to the cadre of Commercial Tax Officer.

Apart from offering in-service training to the trainees, the Institute arranges for guest lectures on special topics connected with the functioning of the Commercial Taxes

Department by eminent personalities in the respective fields of specialisation. On completion of training, the trainees undergo performance evaluation tests.

The Government have sanctioned the employment of a Lecturer in the cadre of Commercial Tax Officer to be employed in the C.T. Staff Training Institute. In the first phase it is programmed to train all C.T.Os. and Assistant Commissioners i.e., 75 Assistant Commissioners (excluding those in the Appellate wing) and about 250 C.T.Os. in the C.T. Staff Training Institute.

To ensure that the data is sent by the officers in a meaningful, correct format, a certain computer awareness and appreciation is needed. Therefore, this year, the Government approved the proposals for imparting computer training at a cost of Rs. 37,440 to the Joint Commissioners and Deputy Commissioners of Commercial Taxes at the Anna Institute of Management, Madras. The training programme has been conducted in September 1991.

This year, the Government approved the proposals for providing computer based training for the officers of the Commercial Taxes Department at the level of Assistant Commissioners and below at a cost of Rs. 1.43 lakhs recurring and Rs. 3.31 lakhs non-recurring at the Commercial Taxes Staff Training Institute, Madras.

8. Computer Centre :

In order to retrieve, process and store information, the Commercial Taxes Department has been undertaking a project to computerise the following information :—

(a) Directory of all registered dealers in the State.

(b) Monthly commodity-wise turnover and revenue for Madras City (from April 1989).

(c) Compilation of Data gathered from the check-posts (from January, 1990).

(d) Commodity-wise turnover and revenue (for 791 different commodities).

(e) Commodity-wise turnover and revenue for the the year ended 1990-91.

(f) Deemed assessee cases selected for check of accounts of Random sample method.

(g) Revenue details for top 100 assesseees for each division (from 1989-90).

(h) Cinema theatre-wise Directory for 2,240 Theatres.

The Department has a computer centre with a system 286 WIPRO main frame mini computer and 25 terminals. The data collected from the assessment circles spread all over the State are fed into it. The computer is now being used for furnishing commodity-wise turnover, revenue, printing and updating of dealers directory, computerisation and verification of checkpost documents etc.

9. Committee to Study Computerisation of Sales tax Assessments, etc. :

Side by side with computerisation, the Government have also appointed a First Class Committee under the Chairmanship of Thiru S. Jayaraman, I.A.S., (Retired) to examine the introduction of computerisation of sales tax assessments and to streamline and simplify the entries found in the First Schedule of Tamil Nadu General Sales Tax Act, 1959. The Committee is functioning from 3rd July 1991.

10. Traders Welfare Board :

The Traders Welfare Board was constituted by the Government to extend assistance to traders. The Chairman of the Board is the Chief Minister who is in charge of Commercial Taxes. Besides the Chairman, the Board consists of a Vice-Chairman, officials and non-officials as members. The Traders Welfare Board has so far entrolled 1,550 dealers. The Government has contributed a sum of Rs. 2 crores. Out of which Rs. 1.95 crores are held in interest bearing public deposits and this interest will be released by the Government to meet the expenditure of the Board and to provide for welfare schemes of the traders. Effective action will be taken to revitalise its activities which would result in providing for the welfare schemes to benefit the traders who are placed in indigent circumstances.

11. Grievances Cell :

The Grievances Cell was constituted in the year 1984 to provide a forum for traders to represent their grievances. The Cell is headed by the Joint Commissioner (Administration) as Chairman and Joint Commissioner (Public Relations) and Joint Commissioner (Acts Cell) as Members.

The details of the grievances petitions received and disposed of in the last three years are given below :—

Year.	Number of petitions received.	Number of petitions disposed of.	Balance.
(1)	(2)	(3)	(4)
1988	105	105	Nil.
1989	119	117	2
1990	94	93	1
1991 (upto June 1991)	19	9	10

12. SALES TAX ADVISORY COMMITTEE :

With a view to providing a forum for exchange of views to get feedback of sales tax administration, Advisory Committees have been constituted by the Government at various levels. The District Advisory Committees are headed by the respective District Collectors and they consist of non-official members representing Chambers of Commerce, Trade Associations, Co-operatives and Agricultural Institutions in addition to the official members. The Committee examines various problems of the trade with reference to the Commercial Taxes Laws, on matters pertaining to the Sales Tax Acts and Rules. The deliberations of the Committees and suggestions made by them are taken note of for improving the administration and in dealing with the problems faced by the trading community.

The Government intend reconstituting the State Level Sales Tax Advisory Committee which would provide an opportunity to the representatives of the various trades to put forward their representations with regard to the implementation of the provisions of the Sales Tax Acts.

13. Grants to Civic Bodies out of Surcharge Collections :

In order to augment the resources of the local bodies 20 per cent of surcharge on sales tax collected every year within the limits of Madurai and Coimbatore Corporations, Special Grade Municipalities, other Municipalities, Town Panchayats and Townships is assigned and paid to the respective civic bodies as grants on population basis. Further 50 per cent of the realisation from the surcharge on sales tax collected within the city limits of Madras is assigned and paid to the Corporation of Madras as grant.

14. The trends in revenues collected under various Acts administered by the Commercial Taxes Department are presented below :

(A) *Tamil Nadu General Sales Tax Act, 1959 :*

Receipts under the Tamil Nadu General Sales Tax Act, 1959 during the year 1985-86 to 1990-91 :

<i>Period.</i>				<i>Gross Receipts.</i>
				(RS. IN CRORES.)
1985-86	..	..	..	824.46
1986-87	..	..	..	937.47
1987-88	..	..	..	1,062.08
1988-89	..	..	..	1,218.86
1989-90	..	..	..	1,426.04
1990-91	..	..	..	1,779.03
1991-92	..	..	..	499.83

(upto 30th June 1991.)

(B) *Central Sales Tax Act, 1956 :*

Revenue realised under the Central Sales Tax Act, 1956 for the years 1985-86 to 1990-91 :

<i>Period.</i>				<i>Gross Receipts.</i>
				(RS. IN CRORES.)
1985-86	..	..	..	150.06
1986-87	..	..	..	171.65
1987-88	..	..	..	184.90
1988-89	..	..	..	213.00
1989-90	..	..	..	240.04
1990-91	..	..	..	276.07
1991-92	..	..	..	79.42

(upto 30th June 1991.)

(C) *Tamil Nadu Entertainment Tax Act, 1939 and Tamil Nadu Local Authorities Finance Act, 1961 :*

<i>Period.</i>				<i>Gross Receipts.</i>
				(RS. IN CRORES.)
1985-86	..	--	..	53.28
1986-87	..	..	..	57.98
1987-88	..	..	..	60.21
1988-89	..	..	..	63.21
1989-90	..	..	..	68.64
1990-91	..	..	..	69.62
1991-92	..	..	..	16.43

(upto 30th June 1991.)

(D) *Tamil Nadu Betting Tax Act, 1935 :*

Horse races are held at Madras (Guindy) and Udhamandalam from 9th April 1986. This has been taken over by the Department of Racing, Government of Tamil Nadu.

The receipts from the above Act for the period from 1985-86 to 1990-91 are as under :

<i>Period.</i>				<i>Gross Receipts.</i>
				(RS. IN CRORES.)
1985-86	..	..	..	4.55
1986-87	..	..	..	2.58
1987-88	..	--	..	3.52
1988-89	..	..	..	4.72
1989-90	..	..	..	5.70
1990-91	..	..	..	5.66
1991-92	..	..	..	0.81

(upto 30th June 1991.)

(E) *Tamil Nadu Tax on Luxuries in Hotels and Lodging Houses Act, 1981 :*

The receipts under the above Act for the period from 1985-86 to 1990-91 are as follows :

<i>Period.</i>	<i>Gross Receipts.</i>
	(RS. IN CRORES.)
1985-86	2.72
1986-87	2.69
1987-88 —	2.70
1988-89	2.87
1989-90	17.98
1990-91	17.04
1991-92	3.90
(upto 30th June 1991.)	

(F) *Tamil Nadu Advertisement Tax Act, 1983 :*

This Act came into force with effect from 5th December, 1983. The revenue realised under this Act during the period from 1987-88 to 1990-91 is as under :

<i>Period.</i>	<i>Gross Receipts.</i>
	(RS. IN LAKHS.)
1987-88	8.00
1988-89	7.44
1989-90	6.89
1990-91	7.00
1991-92	1.00
(upto 30th June 1991.)	

(G) *Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990 :*

This Act Came into force with effect from 20th February 1990. The revenue realised under this Act is as follows :

<i>Period.</i>	<i>Gross Receipts.</i>
	(RS. IN CRORES.)
1989-90	0.55
1990-91	19.67
1991-92	4.61
(upto 30th June 1991.)	

15. *Concessions and Additional Resources Mobilisation for 1991-92 :*

I. The following announcements made while presenting the Budget for 1991-92 came into effect from 5th September 1991 :—

(A) The sale of rubber at present does not attract levy of sales tax unlike Kerala where rubber is taxable. Tamil Nadu is the second largest producer of rubber in India. It is, therefore, proposed to amend Section 2 (r) of the TNGST Act to enable the assessment of sales of rubber under TNGST Act. Planters having less than eight ordinary acres will, however, be exempted from the levy, so that tax is only on large planters.

(B) As several commodities which are taxed under Section 3(3)(i) of the Act now bear a reduced rate of tax the concessional rate of 3 per cent now applied to purchase of raw-materials used in the manufacture of these goods has been withdrawn.

(C) Under Section 3(3)(iii) of this Act a concessional rate of 3 percent is allowed on the purchase of materials, which are used in the execution of works contract. Based on the ruling of the Supreme Court on this issue, it has now become necessary to charge the normal tax rate on the materials going into the works contract. Section 3(3)(iii) of the Act will, therefore, be amended withdrawing the concessional rate of tax for such materials used in a works contract.

(D) The rate of tax on the following items is reduced :

	Per cent	
	From	To
(i) Chillies	6	4
(ii) Tamarind	6	4
(iii) Turmeric	6	4
(iv) Coriander	6	4
(v) Soapnut (Sikakai)	6	4
(vi) Gold bullion pure or alloy and specie	2	1
(vii) Gold covering jewellery	8	2
(viii) Household stainless steel utensils	10	5
(ix) Drugs and medicines	8	6
(x) Paper envelopes	8	5
(xi) Empty Gunny bags	8	5
(xii) Zinc	8	5
(xiii) Motor three wheelers	15	8
(xiv) Parts of trailers	15	4
(xv) Fully built heavy commercial Motor Vehicles	15	7
(xvi) Fertilizers and pesticides	3.5	3
(xvii) Handmade soaps	6	4
(xviii) Articles made of gold and silver	4	2

(E) The following commodities and life-saving drugs are exempted from the levy of sales tax :—

Commodities :

- (i) Barley.
- (ii) Bullock cart.
- (iii) Cycle rickshaw without motor.
- (iv) Dry leaves.

Life-saving Drugs:

- (i) Cyclosporine.
- (ii) Bleomycin.
- (iii) Cytosine Arabinoside.
- (iv) Azathioprine.
- (v) Nitroglycerine.
- (vi) Pentoxifyline.

(F) The rates of tax on the following goods are increased :—

	Per cent.	
	From ;	To ;
(i) Paper and paper board excluding News print	4	6
(ii) Soaps except handmade soaps	8	10
(iii) Indian Made Foreign Liquor	20	25
(iv) Diesel;	14	16
(v) Steel scrap .. .. .	..	2

(G) The rate of tax on the following goods in the course of inter-State trade or commerce with or without 'C' Form is reduced :—

	Per cent	
	From	To
(i) Aluminium vessels	10	4
(ii) Newsprint	10	4

(H) Hides and skins are now taxable at 2 per cent at two different stages, viz., at raw stage and dressed stage. In order to rationalise the tax structure, the tax on raw hides and skins will be taxed at 4 per cent. The dressed hides and skins will be taxed at 4 per cent only if it has not suffered tax at raw stage.

(I) As a measure of rationalisation, the surcharge will here after be levied at the uniform rate of 15 per cent throughout the State. Twenty per cent of the additional revenue will be assigned to the local bodies as a grant.

(J) The exemption granted from payment of Additional Sales Tax for motor cars with a capacity upto 900 cc has been withdrawn.

11. ~~(K)~~ At present under a separate Act, an entry tax is levied on Motor Vehicles entering into Tamil Nadu. This tax is levied to prevent evasion of tax due to diversion of trade. The rate of entry tax is now linked to the rate of tax in the Tamil Nadu General Sales Tax Act. It is now decided to change this system. The Entry tax Act will, therefore, be amended specifying the rate of tax in the Entry Tax Act itself.

16. The officilas and members of the Gommercial Taxes Department will rededicate themselves to discharging their duties honestly, efficiently and effectively in the public interest, as the Sales Tax constitutes a major source of revenue to the State exchequer.

J. JAYALALITHA,
Chief Minister.