

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

1. Introduction

Commercial Taxes Department is one of the three departments, the performance of which comes under the purview of the Commercial Taxes and Religious Endowments Department, at the Secretariat level. The State gets the largest part of its revenue, accounting for about 70 per cent of the total revenue receipts through the Commercial Taxes. The Commissioner of Commercial Taxes is the Head of the Commercial taxes Department. The Commissioner is assisted in the Headquarters by Joint Commissioners, Deputy Commissioners and Assistant Commissioners. In the field, the Commissioner is assisted by Deputy Commissioners (Territorial) and Deputy commissioners (Enforcement). The 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.

The collection from Commercial Taxes in the year 1991-92 upto January 1992 is Rs.2086.19 Crores against the anticipated revenue of Rs.2408 crores for the year. The revenue receipt for last year 1990-91 was Rs.2167.16 crores as against Rs.1759.02 crores collected during the year 1989-90.

In order to improve the quality of tax administration a new system called "self assessment" was introduced

last year replacing the system of deemed assessment. 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 has not used certain specific saleable forms. Random check of these return would be made to ensure that the returns filed are correct and complete. It is expected that the new self-assessment system will benefit a large number of traders, without subjecting them to procedural rigidity.

2. REVENUE AND EXPENDITURE OF THE COMMERCIAL TAXES DEPARTMENT:-

Year (1)	Income (2)	Expenditure (3)
(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
1991-92	1,856.12	24.96
(upto December 1991)	(upto December 1991)	

3. The Commercial Taxes Department functions in four wings.

They are (i) Assessment Wing (ii) Appellate wing (iii) Enforcement wing and (iv) Audit wing.

(i) ASSESSMENT WING:

There are 312 assessment circles in the State. Out of these, 102 assessment circles are headed by Deputy Commercial Tax Officers 204 by Commercial Tax Officers and 6 by Assistant Commissioners.

During last year four Central Assessments circles at Madras and two at Coimbatore were strengthened by providing one

Deputy Commercial Tax Officer to each of them. Two Commercial Taxes Zones in Madras South Division were identified for bifurcation for better administration and a new Zone headed by an officer in the rank of Assistant Commissioner was formed. In the ensuing financial year it is decided to bifurcate two more Commercial Taxes Districts viz., Virudhunagar and Coimbatore into four Commercial Taxes Districts. In addition to the creation of two new Commercial Taxes Districts, it is also decided to strengthen ten heavy Assessment circles by creating ten posts of Commercial Tax Officers. Suo moto Revision Branch of the Commissioner's Office will be strengthened by creation of one more Deputy Commissioner with complementary staff.

(ii) APPELLATE WING:

As regards appellate side, there are 18 Appellate Assistant Commissioners working under the overall supervision of Chairman, Sales Tax Appellate Tribunal. The Government are reviewing every month the progress in the disposal of cases. In order to strengthen the Appellate wing, it is proposed to sanction two posts of Appellate Assistant Commissioners with supporting staff.

CONSTITUTION OF TAMIL NADU TAXATION SPECIAL TRIBUNAL:

At present large number of cases involving several crores of rupees under various taxation enactments are pending before the High Court, Madras. In order to ensure speedy disposal of cases that would result in realisation of huge tax amounts due to the Government, the Government have decided to constitute a Taxation Special Tribunal by enacting a Law viz., Tamil Nadu Taxation Special Tribunal Act on the lines of Administrative Tribunal Act, 1985. The proposed Tribunal shall deal with tax cases that were hitherto dealt with by the High Court. To start with, the Tribunal shall deal with cases under the Tamil Nadu General Sales Tax Act, 1959, Tamil Nadu Additional Sales Tax Act, 1970 and the Tamil Nadu Sales Tax (Surcharge) Act, 1971. The Government have drafted a Bill viz., Tamil Nadu Taxation Special Tribunal Bill, 1992 and sent it to the Government of India for concurrence.

It is proposed to introduce the Bill in the current session of the Assembly as soon as the concurrence is received from the Government of India.

iii) ENFORCEMENT WING:

There are four Enforcement wings each working under the control of a Deputy Commissioner at (1) Madras (2) Coimbatore (3) Trichirappalli and (4) Madurai. At present 48 Commercial Taxes checkpoints are functioning in Tamil Nadu of which the first 13 check posts noted below are housed in permanent buildings and the last one in semi-permanent building:

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

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

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

As part of the Government policy to modernise the department and to strengthen communication facilities in the Enforcement Wing,the

Government have sanctioned last year the installation of wireless system at three major and four minor checkpoints and fourteen Roving squads in and around Madras connecting them by a wireless system with the Central Unit in the Greams Road building at a cost of Rs.6.50 lakhs.It is now proposed to strengthen the Roving Squad at Madras by sanctioning of additional staff of two Deputy Commercial Tax Officers and five Assistant Commercial Tax Officers.

iv) AUDIT WING:

This Department,felt the need for an internal audit wing in order to detect errors and omissions in the assessment and collection of tax and to rectify the same at the earliest.The internal audit wing is functioning for over 30 years in this Department.An internal audit party is headed by a Commercial Tax Officer,which is under the control of Territorial Assistant Commissioner. The internal audit programmes are drawn by the Deputy Commissioners concerned. There are 38 internal audit parties in the State at present.In the head office, the internal audit work and the audit reports received from the Accountant General and the work connected with the Public Accounts Committee are attended to by the Audit Cell supervised by the Joint Commissioner(Audit) under the control of Commissioner of Commercial Taxes. The audit parties take up the audit of assessment and collection made in the previous quarter,in the subsequent quarter.As on date,internal audit parties are up-to -date in their work and they are preceding Accountant Generals' audit.The internal audit parties prepare audit report and the follow up action on these reports are watched by the Territorial Assistant Commissioners. The settlement of important audit objections raised by both the internal audit parties and the Accountant General's audit parties are watched by the Audit Cell in the office of the Commissioner of Commercial Taxes. To improve efficiency of the internal audit parties, periodical reviews are made to assess their performance and latest Court decisions are communicated to them in the form of bulletin from the Commissioner's office.

4. BUILDINGS:

Constructions of Government Buildings for Commercial Taxes Offices and Checkposts:

It is the policy of the Government to have all the 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 Pudukottai, Namakkal, Thiruvannamalai, Karur and Villupuram. All Assistant Commissioners(Commercial Taxes), Enforcement, except the Assistant Commissioner(CT), Villupuram are housed in Government Buildings. The Government are considering proposal for constructing buildings at Pudukottai, Namakkal, Thiruvannamalai and Villupuram. The buildings will be so designed as to accommodate Commercial Tax Offices incharge of these Assistant Commissioners. Sites for these buildings have been identified. The Collectors of the districts have been instructed to permit the Commercial Taxes Department to enter upon the lands. The estimate cost is about Rs.80 lakhs.

Out of 312 Assessment Circles 137 are located in Government buildings.

The buildings construction work is in progress in following places:-

- (i) For construction of second floor in the existing Commercial Taxes Office buildings located within the taluk office compound at Rasipuram, the Government have sanctioned a sum of Rs10.50 lakhs. The work is in progress.
- (ii) 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 is in progress.
- (iii) Construction of a Commercial Taxes Building at Karur at an estimated cost of Rs.36.20 lakhs, is nearing completion.

4.(a) SUPPLY OF FURNITURE:

The Government have sanctioned a sum of Rs.6,78,075/- for the supply of chairs to all assessment circles for the benefit of the visiting mercantile public.

It is proposed to sanction supply of steel almirahs to Assessment circles in Vellore, Madurai, Thiruchirapalli and Tirunelveli and Inter-State Investigation Cell at a cost of Rs.1.72 lakhs in the ensuing financial year.

5. COMMERCIAL TAXES STAFF TRAINING INSTITUTE:

In order to improve managerial efficiency and to 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 lecturers 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 test.

To ensure that the data are sent by the Officers in a meaningful, appropriate format, a certain computer awareness and appreciation is needed. Therefore, last 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.

Last 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.

The Government have sanctioned the employment of a Lecturer in the cadre of Assistant Director of Statistics to be employed in the Commercial Taxes Staff Training Institute. In the first phase it is programmed to train all Commercial Tax Officers and

Assistant Commissioners (excluding those in the Appellate Wing) and about 250 Commercial Tax Officers, in computerisation in the Commercial Tax Staff Training Institute.

6. 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 turn over and revenue
- (c) Compilation of Data gathered from the checkposts:
- (d) Commodity -wise turnover and revenue for different commodities.
- (e) Selection by Random sample method of cases for detail check of Accounts from assessee eligible for self assessment.
- (f) Revenue details for top 100 assesseees for each Commercial Tax Division.
- (g) Cinema theatre-wise Directory.
- (h) Service details of officers of the Commercial Taxes Department.

7. COMMITTEE TO STUDY COMPUTERISATION OF SALES TAX ASSESSMENTS, ETC.

The Government have 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 to the Tamil Nadu General Sales Tax Act, 1959. The Committee started functioning from 3rd July 1991. As announced in the House last year, as a long term measure, a broad based High Power Sales Tax Reforms Committee with experts has been constituted under the Chairmanship of Thiru B. Vijayaraghavan, I.A.S., to study the structure, rate and incidence of existing taxes thoroughly with a view to provide an efficient and equitable tax system. The Committee on computerisation has been merged with this High Power Sales Tax Reforms Committee.

8. 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. Besides the Chairman, and Vice Chairman, the Board consists of officials and non-officials as members. The Traders Welfare Board has so far enrolled 3,147 dealers. The Government have contributed a sum of Rs.2 Crores, 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 to the traders. with a view to revitalise its activities which would result in providing for the welfare schemes to benefit the traders who are placed in indigent circumstances, the Board has been reconstituted with the Hon'ble Chief Minister as Chairman and Hon'ble Minister for Revenue as Vice Chairman with official and non-official members.

9. 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 Assistant Commissioner (Revision Petition) as Members.

The details of the grievances petitions received and disposed off in the last five 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	119	Nil
1990	94	94	Nil
1991	25	20	5
1992	2	Nil	2

10. 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 administration of 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 have reconstituted in January, 1992 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. The term of office of the Committee is three years from the date of Constitution.

11. GRANTS TO CIVIC BODIES OUT OF SURCHARGE COLLECTIONS:

In order to augment the resources of the local bodies 20 percent 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. Likewise 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.

12. 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 for the years 1987-88 to 1991-92

Period	Gross Receipts. (Rs. in Crores)
1987-88	1,062.08
1988-89	1,218.86
1989-90	1,426.04
1990-91	1,779.03
1991-92	1,724.60

(Upto January 1992)

(B) Central Sales Tax Act,1956:

Revenue realised under the Central Sales Tax Act,1956 for the years 1987-88 to 1991-92:

Period	Gross Receipts (Rs.in Crores)
1987-88	184.90
1988-89	213.00
1989-90	240.04
1990-91	276.07
1991-92	268.43

(upto January 1992)

(C) Tamil Nadu Entertainment Tax Act,1939 and Tamil Nadu Local Authorities Finance Act,1961: Revenue realised under the above Acts for the years 1987-88 to 1991-92 are as follows:

Period	Gross Receipts (Rs. in Crores.)
1987-88	60.21
1988-89	63.21
1989-90	68.64
1990-91	69.62
1991-92	56.33
(Upto January 1992)	

(D) Tamil Nadu Betting Tax Act,1935:

Horse races are held at Madras (Guindy) and Udthagamandalam 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 1987-88 to 1991-92 are as under:

Period	Gross Receipts. (Rs.in Crores.)
1987-88	3.52
1988-89	4.72
1989-90	5.70
1990-91	5.66
1991-92	4.12
(Upto January 1992).	

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

The receipts under the above Act for the period from 1987-88 to 1991-92 are as follows:

Period	Gross Receipts (Rs. in Crores)
1987-88	2.70
1988-89	2.87
1989-90	17.98
1990-91	17.04
1991-92	13.79
(Upto January 1992)	

(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 years 1987-88 to 1991-92 as under:

Period	Gross Receipts. (Rs. in Lakhs)
1987-88	8.00
1988-89	7.44
1989-90	6.89
1990-91	7.00
1991-92	3.00
(Upto January 1992)	

(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:

Period	Gross Receipts. (Rs. in Crores)
1989-90	0.55
1990-91	19.67
1991-92	18.89

(Upto January 1992)

13. CONCESSIONS AND ADDITIONAL RESOURCES MOBILISATION FOR 1992-93:

The following announcements made while presenting the Budget for 1992-93 came into effect from 7th March 1992:-

(A) The rate of tax on the following goods has been reduced:-

	From	To
i. Groceries (excluding those in Schedules I & II)	8	5
ii. Ghee and other milk products sold without a brand name registered under the Trade and Merchandise Marks Act, 1958.	8	5
iii. Fenugree (menthi) and cloves	8	5
iv. Tapioca Chips	8	5
v. Vermicelli	8	5
vi. Imitation Jewellery	8	5
vii. Laminated Jute Bags	8	5
viii. Motor Taxi-Cabs	15	5
ix. Rear dumps, loaders and scrapers	9	5
x. Dressed hides and skins	4	1
xi. Entry Tax on Tractors	12	7
xii. Entry Tax on Motor Taxi-Cab	20	10

B) The following goods are exempted from the levy of sales tax:-

- i) Kum Kum in all forms;
- ii) Kajal

C) The rate of tax on Indian Made Foreign Liquor is ^{increased} ~~increased~~ from 25 percent to 30 percent.

D) Molasses is to be excluded from the purview of Sec. 3(3) of the Tamil Nadu General Sales Tax Act, 1959.

E) The intention of the Government to exempt Wheat and to tax Wheat products at 4% is made clear.

F) The exemption limit for levy of sales tax on the sale of food and drinks by hotels, ~~restaurants~~ ^{restaurants} is reduced ~~from~~ ^{from} annual turn over of Rs 18.25 lakhs to Rs 3 lakhs.

G) In cases where the levy of sales tax has been questioned in courts and where tax has actually been collected, it is but proper that the tax is remitted to the Government. A new section will be introduced in the Tamil Nadu General Sales Tax Act to provide for the deposit of the tax so realised with the Government.

H) The Tamil Nadu General Sales Tax Act will be amended to vest the Commissioner of Commercial Taxes with powers to call for and examine any ~~Order~~ ^{Order} passed by any authority lower in rank to the Commissioner. This is necessary to prevent misuse of power by subordinate officers.

14. As the sales tax has now become the major and main source of revenue to the State exchequer, all the officers and members of the Commercial Taxes Department will rededicate themselves to discharge their onerous responsibilities, honestly, effectively and efficiently.

S.D.SOMASUNDARAM,
MINISTER FOR REVENUE.