

DEMAND NO. 4

**TAMIL NADU GENERAL SALES TAX AND OTHER TAXES
AND DUTIES ADMINISTRATION**

1. INTRODUCTION :

Commercial Taxes Department is the major tax collection department of the State Government. 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 Joint/Deputy Commissioners (Enforcement).

**THE COMMERCIAL TAXES DEPARTMENT ADMINISTERS THE
FOLLOWING ACTS :**

1. The Tamil Nadu General Sales Tax Act, 1959.
2. The Tamil Nadu Additional Sales Tax Act, 1970.
3. The 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 Advertisement Tax Act, 1983.
10. The Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990.

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The State gets the largest part of its revenue, amounting for about 70 percent of the total revenue receipts through Commercial Taxes. The revenue collected by the Commercial Taxes Department in the year 1993-94 is Rs. 3399.29 crores. The revenue receipt for last year i.e., 1992-93 was Rs.3016.89 crores as against Rs.2575.70 crores collected during the year 1991-92.

2. REVENUE AND EXPENDITURE OF THE COMMERCIAL TAXES DEPARTMENT

Year	Revenue (Rupees in crores)	Expenditure (Rupees in crores)
(1)	(2)	(3)
1989-90	1759.02	23.28
1990-91	2167.16	28.30
1991-92	2575.70	31.86
1992-93	3016.89	35.75
1993-94	3399.29	31.95 (upto Jan.1994)

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 314 assessment circles in this State. Out of these, 6 assessment circles are headed by Assistant Commissioners; 216 by Commercial Tax Officers and 92 by Deputy Commercial Tax Officers. During the year

1993-94, 2 new assessment circles were created, one at Avarampalayam in Coimbatore Commercial Tax Division and the other at Arisipalayam in Salem Commercial Tax Division. There are, at present, 39 Commercial Taxes Districts/Zones in this State. To cope with the increasing workload, a new Commercial tax zone, viz., Zone XI Madras was created at Madras in 1993-94. The State is divided into nine Commercial Taxes Divisions and each Commercial Taxes Division is headed by a Deputy Commissioner of Commercial Taxes.

For the year 1994-95 the following proposals are under consideration:

- 1) Bifurcation and creation of two more Assessment Circles.
- 2) Strengthening of two Assessment Circles by upgrading the existing posts.
- 3) Sanction of Junior Assistant-cum-typist to Audit parties.
- 4) Strengthening of collection Wing.

ii) APPELLATE WING:

There are at present 20 Appellate Assistant Commissioners working under the overall supervision of Chairman, Sales Tax Appellate Tribunal, who reviews the progress of disposal of appeals. Government are also reviewing the progress from the administrative point of view.

In the present scheme the appellate side is outside the control of the Department. It was considered rational that the same principle may be extended to the Deputy Commissioners who exercise appeal jurisdiction also. Therefore Government have created two posts of Appellate Deputy Commissioners to hear and dispose the appeals arising out of the assessment orders of Assistant Commissioners of Central Assessment Circles at Madras and Coimbatore.

CONSTITUTION OF TAMILNADU TAXATION SPECIAL TRIBUNAL:

In order to ensure speedy disposal of tax cases that would result in realisation of huge tax amount due to the State Government, Government have decided to constitute a Taxation Special Tribunal and have also enacted an Act called "The Tamil Nadu Taxation Special Tribunal Act, 1992". The Special Tribunal will deal with cases that were hitherto dealt with by the High Court. To start with, the Special Tribunal will deal with the cases under the

Tamil Nadu General Sales Tax Act, 1959; Tamil Nadu Additional Sales Tax Act, 1970; and Tamil Nadu Sales Tax(Surcharge) Act, 1971. Government have since framed "Tamil Nadu Taxation Special Tribunal(Procedure) Rules" and "Tamil Nadu Taxation Special Tribunal(Salaries, Allowances and conditions of service of Chairman, Vice-Chairman and Members) Rules".

iii) ENFORCEMENT WING:

There are four enforcement Divisions in the State. The Enforcement Wing at Madras is under the control of a Joint Commissioner of Commercial Taxes and the Enforcement Wings at Madurai, Trichy and Coimbatore are under the control of Deputy Commissioners.

The checkpoints are also under the control of Joint/Deputy Commissioners, Enforcement. At present 57 Commercial Taxes Checkpost are functioning in the State, of which 31 are situated on inter-state borders. During the year 1993-94, two new checkpoints have been created, one at Kaniyur(Karumathampatti outgoing) and the second at Pallipalayam. Government have recently sanctioned the creation of 8 checkpoints around Pondicherry and 3 checkpoints around Karaikal, to check the movement of goods to and from Pondicherry and Karaikal.

Of the 57 checkpoints, 22 are major checkpoints. Of them Poonamallee, Hosur, K.G.Chavadi, Ranipet Irumbuliyoor and Puzhal are two-way checkpoints. With a view to avoid congestion of traffic and quicken the checking of trucks in the checkpoints, where the average number of vehicles that passes through are more than 1000 per day, Government have been creating two-way checkpoints in a phased manner. As the average number of vehicles that passes through Kaniyur(Karumathampatti) is more than 1200, Kaniyur (outgoing) checkpost with supporting staff was created during 1993-94.

There are Roving Squads in the enforcement wing to intercept and check the vehicles which do not pass through the checkpoints. In 1993-94 additional Roving Squads were created with headquarters at Thiruvallur, Poonamallee and Chengalpattu and the Roving Squads at Karaikudi and Nagercoil were strengthened. Wireless facilities have been provided connecting 3 Major Checkposts, 1 Minor Checkpost, 4 cars of the Officers and 7 Roving Squads vehicles with the Central unit at Grems Road, Madras.

iv) AUDIT WING

The internal audit wing audits and detects errors and omissions in the assessment and collection of tax so as to rectify the same at the earliest, prior

to Accountant General's audit. There are 41 internal audit parties functioning in the State at present. The internal audit programmes are drawn up by the Deputy Commissioner concerned. In the Head Office, the internal audit work and the reports received from the Accountant General are attended to by a separate Cell supervised by the Joint Commissioner (Audit) under the control of Commissioner of Commercial Taxes. During each quarter, the audit parties take up the audit of assessment and collection made for the previous quarter. Action on the internal audit reports are pursued by the Assistant Commissioners(Territorial) till they are settled. Important paras and issues raised by both internal audit parties and Accountant General's audit parties are watched and dealt with by the Audit Cell in the Office of the Commissioner of Commercial Taxes. To improve the efficiency of the internal audit parties, periodic reviews are made to assess their performance. Latest court decisions and clarifications are communicated to the audit parties by way of circulars and bulletins issued by the Commissioner of Commercial Taxes.

4. BUILDING:

CONSTRUCTION OF GOVERNMENT BUILDINGS FOR COMMERCIAL TAXES OFFICES:

It is the policy of the Government to have all offices in the Commercial Taxes Department located in Government buildings in a phased manner. At present, the offices of all the Deputy Commissioners are located in Government buildings. Similarly the offices of all the Assistant Commissioners except four Assistant Commissioners are located in Government buildings. The offices of 11 Appellate Assistant Commissioners are functioning in Government buildings, while six offices of Appellate Assistant Commissioners are functioning in private buildings at Madras. Out of the 345 other offices, 114 are located in Government buildings and 231 are functioning in private buildings. In respect of these offices, Government buildings will be constructed in a phased manner after acquiring suitable lands. Of the 57 checkpoints, 15 are housed in permanent Government buildings. The other checkpoints are functioning either in private buildings or in thatched sheds. The construction of Commercial Taxes buildings at Arni and Vaniyambadi at an estimated cost of Rs.10 lakhs each and a permanent Government building for Bannari Checkpost at an estimated cost of Rs.3.70 lakhs sanctioned in 1993 are under progress.

5. 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 runs refresher courses to officers in the cadre of Assistant Commercial Tax Officer, Deputy Commercial Tax Officer and Commercial Tax Officer. The Institute arranges for guest lectures on special topics relevant to tax administration by eminent personalities in the respective fields of specialisation. During the year 1993-94, 48 officers in the cadre of Commercial Tax Officers, 54 officers in the cadre of Deputy Commercial Tax Officers, and 124 officers in the cadre of Assistant Commercial Tax Officers were trained in the Institute. To ensure that the data are sent by the officers in a meaningful, appropriate format for computerisation, computer awareness and appreciation is needed. Therefore, for the officers of the department at the level of Assistant Commissioners and below, computer based training courses are conducted from last year. So far 60 Assistant Commissioners and 185 Commercial Tax officers have been given training.

6. COMPUTER CENTRE :

The Commercial Taxes Department has established a Computer Centre to facilitate collection, storage processing and retrieval of information in order to improve the efficiency of tax administration and policy planning. The project for computerisation implemented during the last year is continued in the current year also and the following aspects were covered during 1993-94:

1. The updated dealers directory for all the registered dealers in the State was prepared;
2. The monthly returns of the dealers were computerised to compile commodity-wise turnover and revenue information;
3. Checkpost data has been computerised to compile information on select commodities;
4. Information on the top 100 assesseees in the State and in each of the Commercial Taxes Division were compiled in the descending order of revenue under Tamil Nadu General Sales Tax and Central Sales Tax Acts ;

5. The data relating to the Entertainment tax for all the theatres in the State were computerised for the year 1991-92.

The High Power Sales Tax Reforms Committee recommended progressive computerisation of the data on Sales taxes, in tune with the growth of Trade and Commerce to effectively combat the innovative and ingenious techniques of tax evaders. It has been decided to upgrade the existing hardware system in the Computer Centre and a sum of Rs.35 lakhs has been sanctioned by the Government in G.O.Ms.No.175 Commercial Taxes And Religious Endowments Department, dated 8.6.1993 for the purpose.

The High Power Sales Tax Reforms Committee had recommended phased decentralisation of data capture as well as output processing to facilitate speedy data collection, correction, processing and output generation for immediate use. In the first phase it is proposed to install computers at Coimbatore, Trichy and Madurai divisions.

7. TRADERS WELFARE BOARD :

The Traders Welfare Board was constituted by the Government to extend assistance to traders. The Chairperson of the Board is the Chief Minister. Minister (Commercial Taxes) is its co-chairman. Thiru M.Sathakkathullah is the present Vice Chairman. The Board consists of officials and non-officials as Members. During 1993-94 (upto 28.2.1994), the Board has enrolled 105 new members.

8. GRIEVANCES CELL :

A 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 Relation) and Assistant Commissioner (Commercial Taxes)-II as members.

9. SALES TAX ADVISORY COMMITTEE :

With a view to provide a forum for exchange of views and to get feedback from the traders on sales tax administration, Sales Tax Advisory Committees have been constituted by the Government at the State and District 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 Agriculture

Institutions in addition to the Official Members. The Committee discusses various problems pertaining to the administrations of 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.

10. GRANTS TO CIVIC BODIES OUT OF SURCHARGE ENTERTAINMENTS TAX COLLECTIONS :

In order to augment the resources of the local bodies, a surcharge is levied at the rate of 20% on the Sales Tax collected and this surcharge collected is assigned and distributed to the respective civic bodies as grants. In the case of Corporation of Madras, 50% of the surcharge collected on the Sales Tax is assigned to the Corporation of Madras as grant. Likewise 70% of the Entertainment Tax collected are assigned to the Corporations and Special grade Municipalities, while 60% is assigned to other local bodies.

11. SALES TAX INCENTIVES TO INDUSTRIES - DEFERRAL OF SALES TAX :

Government as a measure of encouraging the growth of Industries in the State have been granting waiver of Sales Tax payable by new Industries located in the most backward taluks, and interest free deferral of Sales Tax to new Industries/expansion of Industries/Sick Units/Sick Textile Mills in the State. The amount of Sales Tax deferred in 1993-94 upto 31.1.1994 is Rs.7717.78 lakhs.

In order to enable the industries in the State to get the full benefit of Sales Tax deferral scheme by treating the amount deferred as a deemed payment for the purpose of getting Income Tax exemption under section 43(B) of the Income Tax Act, 1961, the Government have issued orders in G.O.Ms.No.48 Commercial Taxes And Religious Endowments Department, dated 11.2.1994 for treating the deferral amount as a deemed payment and an equivalent amount as an interest free loan to the industries.

12. TRENDS IN REVENUE COLLECTIONS:

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

A. TAMIL NADU GENERAL SALES TAX ACT, 1959 :

Revenue realised under the Tamil Nadu General Sales Tax Act, 1959 during the years 1989-90 to 1993-94 are as follows :—

Period	Gross Receipts (Rs. in Crores)
1989 - 90	1,426.04
1990 - 91	1,779.03
1991 - 92	2,130.27
1992 - 93	2,507.28
1993 - 94	2,819.23

B. CENTRAL SALES TAX ACT, 1956 :

Revenues realised under the Central Sales Tax Act, 1956 during the years 1989-90 to 1993-94 are as follows :

Period	Gross Receipts (Rs. in Crores)
1989 - 90	240.04
1990 - 91	276.07
1991 - 92	329.84
1992 - 93	363.12
1993 - 94	394.91

C. TAMIL NADU ENTERTAINMENTS TAX ACT, 1939 AND TAMIL NADU LOCAL AUTHORITIES FINANCE ACT, 1961 :

Revenue realised under the above Acts for the years 1989-90 to 1993-94 are as follows :

Period	Gross Receipts (Rs. in Crores)
1989 - 90	68.64
1990 - 91	69.62
1991 - 92	68.56
1992 - 93	76.81
1993 - 94	82.19

D. TAMIL NADU BETTING TAX ACT 1935 :

Revenue realised under the above Act for the years 1989-90 to 1993-94 are as follows :

Period	Gross Receipts (Rs. in Crores)
1989 - 90	5.70
1990 - 91	5.66
1991 - 92	4.67
1992 - 93	5.12
1993 - 94	5.68

E. TAMIL NADU TAX ON LUXURIES IN HOTELS AND LODGING HOUSES ACT, 1981 :

Revenue realised under the above Act, for the years 1989-90 to 1993-94 are as follows :

Period	Gross Receipts (Rs. in Crores)
1989 - 90	17.98
1990 - 91	17.04
1991 - 92	17.46
1992 - 93	22.43
1993 - 94	27.75

F. TAMIL NADU ADVERTISEMENT TAX ACT, 1983 :

The revenue realised under the above Act for the years 1989-90 to 1993-94 are as follows :

Period	Gross Receipts (Rs. in Lakhs)
1989 - 90	6.89
1990 - 91	7.00
1991 - 92	6.00
1992 - 93	6.00
1993 - 94	2.00

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 for the year 1989-90 to 1993-94 are as follows:

Period	Gross Receipts (Rs. in Crores)
1989 - 90	0.55
1990 - 91	19.67
1991 - 92	24.84
1992 - 93	42.07
1993 - 94	69.51

V. SATHIAMOORTHY
MINISTER FOR COMMERCIAL TAXES