

DEMAND NO. 4

**POLICY NOTE ON
TAX ADMINISTRATION -
TAMIL NADU GENERAL SALES TAX AND
OTHER TAXES AND DUTIES**

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 to about 70 per cent of the total revenue receipts through Commercial Taxes. The revenue collected by the Commercial Taxes Department in the year 1994-1995 is Rs.4164.84 crores. The revenue receipt for the last year i.e. 1993-94 was Rs.3399.29 crores as against Rs.3016.89 crores collected during the year 1992-93.

2. REVENUE AND EXPENDITURE OF THE COMMERCIAL TAXES DEPARTMENT

YEAR	REVENUE (Rs. in Crores)	EXPENDITURE (Rs. in Crores)	PERCENTAGE OF EXPENDITURE TO REVENUE
1990-91	2167.16	28.30	1.32
1991-92	2575.70	31.86	1.28
1992-93	3016.89	35.75	1.19
1993-94	3399.29	40.85	1.20
1994-95	4164.84	40.31	
(Up to Jan. '95)			

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:

The State has been divided into nine Commercial Taxes Divisions. Each Commercial Tax Division is headed by a Deputy Commissioner of Commercial Taxes. The division has been divided into Commercial Taxes Districts or Commercial Taxes Zones. There are at present 39 Commercial Taxes districts/zones. Each Commercial Taxes district/

zone is headed by an Assistant Commissioner of Commercial Taxes. It is proposed to bifurcate Pollachi Commercial Taxes District in Coimbatore Commercial Taxes division and create a new Commercial Taxes district with head quarters at Tiruppur during 1995-96.

The Commercial Taxes district/zone consists of several assessment circles. There are 316 assessment circles in the State. Out of these, 6 assessment circles (4 in Madras and 2 in Coimbatore), which are called as central assessment circles are headed by Assistant Commissioners of Commercial Taxes; 218 circles are headed by Commercial Tax Officers and the remaining 92 circles are headed by Deputy Commercial Tax Officers. During the year 1994-95, two new assessment circles were created at Korattur in Madras (South) Division and at Karur (West) in Trichy Commercial Taxes division. It is proposed to bifurcate Thudiyalur assessment circle in Coimbatore Commercial Taxes division and to create a new assessment circle and also to upgrade the Deputy Commercial Tax Officers assessment circles at (1) Ice House in Madras (2) Ariyakur (3) Kangeyam (4) Krishnagiri (5) Rasipuram and (6) Kuzhithurai into that of Commercial Tax Officers assessment circle during 1995-96. It is also proposed to form a Recovery Cell in Madras (North) Commercial Taxes Division for collecting old arrears, during 1995-96.

ii) Appellate Wing:

There are at present 20 Appellate Assistant commissioners working under the over all 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.

It is proposed to strengthen the appellate wing by creating additional posts of two Assistants and two Junior Assistants to additional

Appellate Assistant Commissioners 1 and 2 Madras and Departmental Representative before them respectively during 1995-96.

CONSTITUTION OF TAMIL NADU 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 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 4 Enforcement Divisions in the State. The Madras Enforcement Division is headed by a Joint Commissioner of Commercial Taxes and the other divisions of Madurai, Trichy and Coimbatore are headed by Deputy Commissioners. The checkpoints are also under the control of the Joint Commissioner/Deputy Commissioners (Enforcement). There are roving squads under their control in the enforcement wing to intercept and check the vehicles which do not pass through the checkpoints.

At present, there are 58 Commercial Taxes Checkposts functioning in the State; of which 31 Checkposts are situated on inter-state borders. There was a systematic illegal transport of rubber from Kanniyakumari district. Temporary Checkposts erected at diversion routes yielded good results. It is proposed to form 5 permanent Checkposts at (1) Kootapuli junction (2) Kumarapuram (3) Sanganapuram junction (4) Pazhavor village and (5) Kumarapuram Vilakku and also a roving squad in Kanniyakumari district during 1995-96. It is also proposed to create a Commercial Tax Officer (Enforcement) Office at Nagercoil to supervise the enforcement wing and Checkposts in Kanniyakumari

district and also to form roving squads at Theni and Sivakasi to check the movement of vehicles during 1995-96. Twenty one posts of Junior Asst-cum-typists are also proposed to be sanctioned to the Enforcement wing Officers during 1995-96.

When goods are transmitted by rail, it is found that a number of dealers give bogus names or do self-booking with the result that there is a lot of evasion. Hence Commercial Tax Officials have to be stationed in Railway booking offices and yards round the clock for checking movement of goods transmitted by rail. These officers will be there to check Commercial Tax Department forms, brought by dealers and the Railway booking registers. It is now proposed to utilise the services of 27 Deputy Commercial Tax Officers at 9 select Railway booking offices to be on duty round the clock.

With a view to avoid congestion of traffic and quicken the checking of goods vehicles in the checkpoints, two-way Checkposts are created in a phased manner if the vehicles that pass through the checkpoints exceed thousand per day. Out of 58 checkpoints, 23 are major checkpoints, of them, Poonamallee, Hosur, K.G.Chavadi, Ranipet, Irumbuliyur, Puzhal, Thoppur and Kaniyur are two-way checkpoints.

In order to mitigate the problems near the checkpoints, a high level discussion was held on 28.3.1994. Three Honourable Ministers, namely, Honourable Minister (Transport), Honourable Minister (Public Works Department) and Honourable Minister (Commercial Taxes) discussed with the Secretaries to Government, Home Department, Transport Department, Commercial Taxes and Religious Endowments Department and Public Works Department, Commissioner of Commercial Taxes, Chief Engineer (National Highways) and Managing Director, Thiruvalluvar Transport Corporation. It was decided in the meeting to make a survey of National and State Highways and find out all the traffic problems near the checkpoints for forming lay byes and parking spaces to ease the traffic congestions near the checkpoints. For this purpose, a local Committee has been formed with the District Collector concerned or his nominee as its Chairman and the Superintendent of Police, Joint Commissioner / Deputy Commissioner (Enforcement), Regional Transport Officer, Divisional Engineer (National Highways) and Divisional Engineer (State Highways) as members of the Committee. The Secretary

to Government, Home Department is the Nodal Agency for the above Committee. Eight checkposts at Poonamallee, Irumbuliyur, Puzhal, Hosur, Kaliyakkavilai, Thoppur, K.G.Chavadi and Thirumangalam have been identified for the survey.

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 except Deputy Commissioner (Commercial Taxes), Appeals, Madras are located in Government buildings. Similarly the offices of all the Assistant Commissioners except six Assistant Commissioners are located in Government buildings. The offices of thirteen Appellate Assistant Commissioners are functioning in Government buildings, while seven

offices of Appellate Assistant Commissioners are functioning in private buildings at Madras. Out of the 361 other offices, 128 are located in Government buildings and 233 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 58 checkposts, 15 are housed in permanent Government buildings. The other checkposts 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 1994-95, 20 officers in the cadre of Commercial Tax Officers, 84 officers in the cadre of Deputy Commercial Tax Officers and 83 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 by the Commercial Taxes Staff Training Institute. So far 60 Assistant Commissioners and 248 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 following aspects were covered during 1994-95.

The compilation of commoditywise turnover and revenue information based on the monthly A1 returns filed by assesseees under the Tamil Nadu General Sales Tax Act 1959 was completed and outputs processed for the year 1993-94. Subsequent to the above, outputs have also been processed for the half year ending September, 1994. These outputs were much useful in evolving taxation measures.

Besides above, checkpost data for select commodities collected from the Commercial Taxes checkposts have been processed for the quarters ending December 1993, March 1994, June 1994 and September 1994. These outputs were utilised by the Enforcement Wing for checking tax evasion. Updating of dealers directory was also continued to be done.

As the computer system in the Commercial Taxes Department established in the year 1987 had become outmoded, the Government have sanctioned in their G.O.Ms.No.261, Commercial Taxes and Religious Endowments Department, dated 12.8.1994, a sum of Rs.75.01 lakhs towards upgradation of the Computer System at Madras and also for establishment of sub-centres in the offices of the Deputy Commissioners of Commercial Taxes at Trichy, Madurai and Coimbatore. The installation of upgraded system at Madras has been completed and the work of establishment of sub-centres is under progress and is expected to be completed shortly. It is proposed to make further improvements, equipment balancing and further expansion of computerisation at an estimated cost of Rs.23.99 lakhs during 1995-96.

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 Honourable Chief Minister. Honourable Minister (Commercial Taxes) is its Co-Chairman. Thiru K.Liaquat Alikhan is the present Vice-Chairman. The Board consists of official and non-official Members. During the year 1994-95, two meetings of the Board were held on 15.4.1994 and 10.11.1994 under the Presidentship of the Honourable Minister (Commercial Taxes). During 1994-95 (upto 31.12.94) the Board has

enrolled 2663 life members and 1943 members. The Board is now rendering assistance to the traders as below:

- I. Members who do not have taxable income under the Income Tax Act are entitled to the following assistance:
 - a) A sum of Rs.20,000/- for heart surgery and Kidney surgery on the strength of medical certificate.
 - b) If a member who is the bread earner of the family dies, his family is entitled to a family benefit fund of Rs.20,000/-.
 - c) To complete the education of children of economically weaker members, a sum of Rs.2,000/- per annum till the completion of Polytechnic College or other equivalent education, a sum of Rs.2,000/- per annum till the completion of Post Graduate education or professional or equivalent courses.
 - d) A tri-cycle for a physically handicapped member or one of the members of the family who is handicapped.
- II. Members including those who are paying income-tax are entitled to cover under the following schemes.
 - a) Cash prizes for students scoring first marks in 10th Standard and 12th Standard as below:
 - (i) Students scoring first mark : Rs.5,000/-
 - (ii) Students scoring second mark : Rs.3,000/-
 - (iii) Students scoring third mark : Rs.2,000/-
 - b) Children of members participating in sports competition will be awarded cash prizes as below:
 - (i) For winning in international level competitions :Rs.25,000/-
 - (ii) For winning in national level competitions :Rs.10,000/-
 - (iii) For winning in State level competitions :Rs. 5,000/-

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 feed back 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-operative and Agriculture Institutions in addition to the Official Members. The Committee discussed 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 AND ENTERTAINMENTS TAX COLLECTIONS:

In order to augment the resources of the local bodies, 50 per cent of the total collection of surcharge on sales tax every year within the city limit of Madras is assigned and paid to the Corporation of Madras as grants. 20 per cent of total collection of surcharge on sales tax every year within the limits of Madurai and Coimbatore Corporation, Special Grade Municipalities, other Municipalities and Town Panchayats is assigned and paid to the respective civic bodies as grants on a population basis. Similarly while 70 per cent of the Entertainments Tax collected is assigned to the Corporations and Special Grade Municipalities, 65 per cent of the Entertainment Tax collected is assigned to the Selection Grade Municipalities, First Grade Municipalities, Panchayat towns and 60 per cent 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 1994-95 upto 28.02.95 is Rs.14,309.64 lakhs.

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 1990-91 to 1994-95 are as follows:

<i>Period</i>	<i>Gross Receipts (Rs. in crores)</i>
1990-91	1,779.03
1991-92	2,130.27
1992-93	2,507.28
1993-94	2,819.23
1994-95	3,452.92

B. Central Sales Tax Act, 1956:

Revenues realised under the Central Sales Tax Act, 1956 during the years 1990-91 to 1994-95 are as follows:

<i>Period</i>	<i>Gross Receipts (Rs. in crores)</i>
1990-91	276.07
1991-92	329.84
1992-93	363.12
1993-94	394.91
1994-95	477.19

C. Tamil Nadu Entertainments Tax Act, 1939 and Tamil Nadu Local Authorities Finance Act, 1961 :

Revenue realised under the above Acts for the years 1990-91 to 1994-95 are as follows :

<i>Period</i>	<i>Gross Receipts (Rs. in crores)</i>
1990-91	69.62
1991-92	68.56
1992-93	76.81
1993-94	82.19
1994-95	87.89

D. Tamil Nadu Betting Tax Act, 1935 :

Revenue realised under the above Act for the years 1990-91 to 1994-95 are as follows :

<i>Period</i>	<i>Gross Receipts (Rs. in crores)</i>
1990-91	5.66
1991-92	4.67
1992-93	5.12
1993-94	5.68
1994-95	5.70

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

Revenue realised under the above Act for the years 1990-91 to 1994-95 are as follows :

<i>Period</i>	<i>Gross Receipts (Rs. in crores)</i>
1990-91	17.04
1991-92	17.46
1992-93	22.43
1993-94	27.75
1994-95	35.86

F. Tamil Nadu Advertisement Tax Act, 1983 :

Revenue realised under the above Act for the years 1990-91 to 1994-95 are as follows :

<i>Period</i>	<i>Gross Receipts (Rs. in lakhs)</i>
1990-91	7.00
1991-92	6.00
1992-93	6.00
1993-94	2.00
1994-95	1.00

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

Revenue realised under the above Act for the years 1990-91 to 1994-95 are as follows :

<i>Period</i>	<i>Gross Receipts (Rs. in crores)</i>
1990-91	19.67
1991-92	24.84
1992-93	42.07
1993-94	69.51
1994-95	105.27

V. SATHIAMOORTHY
Minister for Commercial Taxes