



**COMMERCIAL TAXES AND RELIGIOUS ENDOWMENTS
DEPARTMENT**

DEMAND No. 4

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

1997 - 98

DEMAND NUMBER 4

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

INTRODUCTION

The Commercial Taxes Department is the major tax collection department of the State Government. The total revenue collected by the Department in 1995-96 was Rs.5,023 Crores which formed 70% of total tax revenue. The collection in 1996-97 up to February 97 was Rs.5,137 Crores. The Special Commissioner and Commissioner of Commercial Taxes is the Head of the Commercial Taxes Department and is assisted in the headquarters by Joint

Commissioners, Deputy Commissioners, and Assistant Commissioners. In the field, the Special Commissioner and Commissioner of Commercial Taxes is assisted by Deputy Commissioners (Territorial) and Deputy Commissioners (Enforcement). The field assessment and collection offices are under the control of Commercial Tax Officers. The Chart in the Annexure gives an overview of the Organisation.

2. The Commercial Taxes Department administers the following Acts:

- * The Tamil Nadu General Sales Tax Act, 1959.
- * The Tamil Nadu Additional Sales Tax Act, 1970.
- * The Central Sales Tax Act, 1956.
- * The Tamil Nadu Entertainments Tax Act, 1939.
- * The Tamil Nadu Local Authorities Finance Act, 1961.
- * The Tamil Nadu Betting Tax Act, 1935.
- * The Tamil Nadu Tax on Luxuries in Hotels and Lodging Houses Act, 1981.
- * The Tamil Nadu Advertisement Tax Act, 1983.
- * The Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990.

3. The details of yearwise revenue collection under various Acts administered by the Commercial Tax Department are given in the statement below:-

TAX RECEIPTS						
Minor Heads	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97 (upto February 1997)
(Rupees in Crores)						
General Sales Tax	2,130	2,505 ✓	2,818	3,453	4,119 \	4,201 ✓
Central Sales Tax	330	362	393	477	590	611 ✓
Entertainment Tax	69	76	82	88	99	98 ✓
Betting Tax	5	5	6	5	6	6 ✓
Luxury Tax	17	22	28	36	51	55 ✓
Entry Tax	25	42	70	105	158	166 ✓
Total Tax Revenue	2,576	3,012	3,397	4,164	5,023	5,137

4. The total number of assessees as on 31.3.96 is 144284. This includes 37455 under Central Sales Tax. The total number of registered dealers is 331844 including 182040 dealers under Central Sales Tax.

Major Policy Changes

5. Hon'ble Chief Minister had announced a long term taxation policy in the last year's Budget to foster a stable, clear and friendly taxation environment for stimulating industrial growth and commerce. Accordingly many reforms were undertaken in the Sales Tax structure. Taxes were reduced in respect of several categories. Trade and Industry have welcomed these measures.

The main objectives of this long term taxation policy are:-

- * Rationalisation of the structure of tax rate and slabs to provide greater transparency of tax rates and simplicity in assessment and collection;
- * Introduction of more modern systems and procedures of taxation;
- * Provision of incentives for industrial development in the State and encouragement for local purchase and local manufacture;
- * Relief to a large number of small traders by way of exemptions, compounding, and self assessment procedures;
- * Reduction of tax burden on households.

6. A Sales Tax Reforms Committee was constituted with Thiru C. Thangaraj, I A S., (Retd) as Chairman and the following as members to examine the further changes in Sales Tax structure and procedures required to implement the long term tax policy of Government effectively.

1. Thiru R. Chokkar, M.L.A.,
Sivakasi Constituency.
2. Thiru N.S.R. Mandradiar, M.L.A.,
Kangayam Constituency.
3. Thiru S. Rathinavelu, B.Com., B.L.,
President,
Tamil Nadu Chamber of Commerce,
Madurai.
4. Thiru L. Gnanarajan,
President,
Tiruchi Chamber of Commerce,
Tiruchi.
5. Thiru A. Jayaseelan, B.Sc.,
Salem City Chamber of Commerce,
Leigh Bazaar,
Salem.

6 Thiru C. Natarajan,
Advocate.
Senior Practitioner in Sales Tax.

7. Thiru Ram Thiagarajan
Chairman-cum-Managing Director,
Aarooran Sugar Mills.

The terms of reference for the Committee were:-

- 1) To study the present tax structure system and procedures under the Tamil Nadu General Sales Tax Act for easy administration and to reduce hardship to the trading community.
- 2) To study the rate of tax considering the tax rates of adjoining States to minimise evasion and maximise revenue to the State.
- 3) To review the existing notifications on tax exemptions granted to specified institutions.
- 4) To study the working of checkpoints on the movement of vehicles within the State.
- 5) To examine the various enactments on Sales Tax and other taxes and to make recommendations for improving the administration of the Acts.

6) To examine the provisions on penalties under the Act and to make recommendations.

7) To streamline the appeal and revision procedure to avoid hardship.

8) To review the existing forms and recommend for simplification of forms and computerisation of assessment circles and checkpoints and to interlink them.

9) to make suggestions to rectify the anomalies if any in taxation measures in the last budget.

The Committee had issued a questionnaire to the various Chamber of Commerce, Traders' Associations, individual dealers, tax practitioners and department officers, serving and retired. The Committee had visited various important cities in Tamil Nadu and visited Mumbai, Pondicherry, Hyderabad and Bangalore and had discussions with various groups. The main areas of the Committee's concern have been rationalisation of the tax structure, improvement to procedures, removal of genuine hardships faced by the trading community and prevention of evasion of tax. The aim of the Sales Tax Reforms Committee is to bring in additional revenue. The Committee has submitted its report mainly on the following issues:-

Improvement to procedures in Registration of dealers with a view to put down bogus registration and consequential evasion of tax.

Rationalisation of rate structure to remove ambiguities and reduce evasion of tax.

Streamlining of procedures in appeals and revisions.

Removal of Departmental Suo Motu Powers of revision of appellate orders instead of appeals against such orders to the Tribunal.

Improvement to administration of check-posts.

Removal of disparity in the levy of additional Sales Tax for agents of non-resident principals and companies having Head offices outside the State.

Taxation Rationalisation Committee

7. A Taxation Rationalisation Committee is constituted every year. This Committee was formed for the year 1997-98 with Secretary to Government, Commercial Taxes and Religious Endowments Department as Chairman and Special Commissioner and Commissioner of Commercial Taxes, Secretary to Government, Finance Department as members and Joint Commissioner (Suo Motu Revision) as Member-Secretary. This Committee studies the possibilities of rationalisation of rates of tax and other related issues in connection with the Budget. This Committee considered the recommendations of the Sales Tax Reforms Committee and made its recommendations to Government. Before finalising the Budget, the recommendations of the Taxation Rationalisation Committee are taken into consideration.

Major changes in structure of General Sales Tax

8. In keeping with the objectives of the long term taxation policy enunciated above, a major restructuring of the tax rates and systems under Tamil Nadu General Sales Tax had been announced by the Hon'ble Chief Minister in the Budget for the year 1996-97 and taxes were reduced in respect of several categories to provide relief to the house hold, trade and industry. As per the recommendation of the Sales Tax Reforms Committee, the following further tax relief have been announced by the Hon'ble Chief Minister in the Budget for 1997-98 to promote Agriculture, Trade and Industry in the State.

Items for which exemption was granted

From 11%

Fish feed.

Coconut shell and Chips.

Groundnut shell.

Shikakai Powder.

Curd.

Panjamirtham.

Educational Charts Maps.

Tourist guides and Maps.

Sledge Hammer.

Old silver metty, Kolusu and araignan.

From 8%

Thatti, Muram and Baskets made of Bamboo.

39 items of Country drugs and Life saving drugs for the treatment of Cancer, Leprosy and Tuberculosis.

Solar Cells.

Footwear costing below Rs.50.

From 4%

Cattle feed.

Thonnai.

Gum Benzoin (Sambirani).

Cycle Carriage for invalid persons.

Clay for making bricks and tiles.

Senna leaves, pods and leaves of Nilavagai plant.

Tapioca kappi and thippi

From 2%

Gold sold to exporters of Gold jewellery by MMTC

Reduction in the Tax rate have been effected for the following:

Item	Tax rate	Reduced to
1. Tamil Typewriters	20%	4%
2. Spectacles Lens	20%	8%
3. Typewriters	20%	8%
4. Glass Beads and Glass Marbles (Goli gundu)	16%	4%
5. Mosquito repellents destroyers and Mats	16%	4%
6. Electronic Parts and accessories	11%	2%
7. Helmets	11%	4%
8. Biomass Briquettes	11%	4%
9. Blue Metal	11%	4%
10. Toys	11%	4%
11. Stationery items used by students for painting	11%	4%
12. Fried Groundnut kernel	11%	4%
13. Sprinkler drip irrigation equipments	11%	4%

Items	Tax rate	Reduced to
14. Paper bags	11%	8%
15. Umbrellas	11%	8%
16. Handicraft articles	11%	8%
17. 30 Adisarakku items	11%	8%
18. Tarpaulin	11%	8%
19. Suit cases	11%	10%
20. Parts of oil Engine	11%	10%
21. Furniture such as Tables and Chairs	11%	10%
22. Butter and Ghee with brand name	11%	10%
23. Zari	8%	2%
24. Man made Yarn and Fibre	8%	2%
25. Flavoured Milk	8%	4%
26. Waste Paper	8%	4%
27. Scientific equipments sold to educational institutions	8%	4%
28. Sewing and embroidery machine parts and needles thereof	8%	4%

Item	Tax rate	Reduced to
29. Unbranded Footwear	8%	4%
30. Domestic Vessels made of Brass Copper and Stainless Steel	8%	4%
31. Hosiery goods	4%	1%
32. Urea	4%	2%
33. Coconut and Copra	4%	2%
34. Cotton	4%	2%

The following restructuring of the taxes was also done by taking into consideration of the recommendations of the Sales Tax Reforms Committee.

Purchase tax on cotton was reduced from 4% to 2%. Sales tax on Zari has been reduced from 8% to 2%. Sales Tax on man made yarn and fibre has been reduced from 8% to 2% on the condition that there shall not be any sale by way of branch transfer to agents in other States or consignment transfer.

Sales Tax on Gold and Silver Jewellery will be levied on slab basis with the following monthly rates:-

In respect of annual sales turnover exceeding Rs.3 lakhs and below	
Rs.5 lakhs	Rs. 500.00

Annual gross sales turnover exceeding Rs.5 lakhs and below Rs.10 lakhs.	Rs.1000.00
Annual gross sales turnover exceeding Rs.10 lakhs and below 20 lakhs	Rs.2000.00
Annual gross sales turnover exceeding Rs.20 lakhs and below Rs.30 lakhs.	Rs.4000.00
Annual gross sales turnover exceeding Rs.30 lakhs and below Rs.40 lakhs	Rs.6000.00
Annual gross sales turnover exceeding Rs.40 lakhs and below Rs.50 lakhs	Rs.7000.00
Annual gross sales turnover exceeding Rs.50 lakhs	Present rate at 4% will continue.

A review of these changes will be made in six months.

Check-posts

9. The Government constituted a check-post committee to study the functioning of Commercial Tax Checkposts. The Sales Tax Reforms Committee has endorsed the recommendation of the Checkpost Committee which recommended the abolition of unnecessary check-posts within the State except those at the State borders and setting up of Roving Squads in their place. This

recommendation has been accepted by the Government and will be implemented in a phased manner.

Organisation of the department

10. The Commercial Taxes Department functions in four wings:-

- * Assessment Wing
- * Appellate Wing
- * Enforcement Wing and
- * Audit Wing

Assessment wing

The State has been divided into 9 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 40 Commercial Taxes Districts/Zones. Each Commercial Taxes District/Zone is headed by an Assistant Commissioner.

The Commercial Taxes District/Zone consists of several assessment circles. There are 320 assessment circles in the State. Out of these, 6 assessment circles (4 in Chennai and 2 in Coimbatore), which are called Central Assessment Circles are headed by Assistant Commissioners of Commercial taxes,

233 circles are headed by Commercial Tax Officers and the remaining 81 circles are headed by Deputy Commercial Tax Officers.

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 an administrative point of view.

Appellate Deputy Commissioners hear and dispose of the appeals arising out of the assessment orders of Assistant Commissioners of Central Assessment Circles at Chennai and Coimbatore. Appellate Assistant Commissioners hear and dispose of appeals arising out of the assessment orders of Commercial Tax Officers, Deputy Commercial Tax Officers and Assistant Commercial Tax Officers.

Appellate Tribunal

Sales Tax Appellate Tribunals have been constituted in the State to hear and dispose of the appeals arising out of the orders of the Appellate Assistant Commissioners (Commercial Taxes). The Sales Tax Appellate Tribunals are functioning at the following places:-

Chennai (Main Bench)

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Chennai (Additional Bench)

Coimbatore (Additional Bench)

Madurai (Additional Bench)

The Main Bench at Chennai is headed by the Chairman in the cadre of District Judge. The Additional Benches are headed by the Additional Judicial Member in the cadre of Sub-Judge.

There are Departmental Members in the cadre of Joint Commissioners in the Main Bench and in the cadre of Deputy Commissioners in the Addl. Benches.

Enforcement wing

There are 7 Enforcement Divisions in the State. All the 7 Enforcement Divisions are headed by Deputy Commissioners. The checkposts are also under the control of 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 checkposts.

At present, there are 61 Commercial Taxes Checkposts functioning in the State; of which 31 checkposts are situated on inter-state borders.

With a view to avoid congestion of traffic and quicken the checking of goods vehicles at the checkposts, two-way checkposts are being created in a phased manner in checkposts where the vehicles passing through the checkposts exceed thousand per day. Out of 61 checkposts, 23 are major checkposts. Of them, Poonamallee, Hosur, K.G. Chavadi, Ranipet, Puzhal, Thoppur and Kaniyur are two-way checkposts.

17
Main - 10
Ranipet - 5

The question of further improvement to the check-posts, and creating modern integrated checkposts subject to availability of land, is under active consideration of Government.

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 42 internal audit parties functioning in the State at present. The internal audit programmes are drawn up by the Deputy Commissioner concerned. At 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 Special Commissioner and 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 is 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.

Constitution of Tamil Nadu Taxation Special Tribunal

11. 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 constituted a Taxation Special Tribunal. It has started functioning from 1.1.1996. The Special Tribunal deals with cases that were hitherto dealt with by the High Court. To start with, the Special Tribunal deals with cases falling under the Tamil Nadu General Sales Tax Act, 1959, Tamil Nadu Additional Sales Tax Act, 1970 and Tamil Nadu Sales Tax (Surcharge) Act 1971.

Buildings

12. It is the policy of the Government to eventually 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, Chennai, 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 Appellant Assistant Commissioners and one office of the Appellate Deputy Commissioner are functioning in private buildings at Chennai. Out of the 370 other offices, 136 are located in Government buildings and 234 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 61 checkposts, 14 are housed in permanent Government buildings. The other checkposts are functioning either in private buildings or in thatched sheds.

Commercial Taxes Staff Training Institute, Chennai

13. In order to improve managerial efficiency and upgrade the quality of personnel, the Commercial Taxes Staff Training Institute, which started functioning at Chennai 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 1996-97 (upto January '97), 39 officers in the cadre of Commercial Tax Officers, 83 officers in the cadre of Deputy Commercial Tax Officers and 60 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 manner, 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.

COMPUTER CENTRE

14. The Commercial Taxes Department has established a Computer Centre at Chennai 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 1996-97.

The compilation of commoditywise turnover and revenue information based on monthly A.1 returns filed by assesseees under the Tamil Nadu General Sales Tax Act, 1959 was completed and outputs processed for the year 1995-96. Subsequent to the above, outputs have also been processed upto December, 1996. These outputs were very useful in evolving taxation measures.

Besides the above, checkpost data for 'select commodities' collected from the Commercial Taxes Checkposts have been processed for the quarters ending December 1995, March 1996, June 1996, September 1996 and December 1996. Such output was utilised by the Enforcement Wing for checking tax evasion. Updating of the Dealers Directory as on 1.4.96 was also done.

As the Computer data entry machines in the Commercial Taxes Department installed in the year 1987 had become outmoded, certain upgradation and replacement of equipments has been undertaken. Computer Systems have been installed at the office of the Secretary to Government, Commercial Taxes and Religious

Endowments Department and Additional Government Pleader (Taxes). Computer systems have also been installed at Commercial Tax Computer Centre, Greams Road, Chennai-6 for use by Deputy Commissioners of Chennai (North) Division, Chennai (South) Division and Chennai (Central) Division.

It is proposed to computerise the entire Commercial Taxes Department in a phased manner. Following a bottom up approach it is proposed to concentrate on computerisation of the Assessment circles and important Checkposts. The question of upgrading Trichy and Madurai Computer centres is also under consideration of Government. A sum of Rs.3 Crores has been provided in the Budget for this purpose.

Traders Welfare Board

15. The Tamil Nadu Traders Welfare Board was constituted by the Government in G.O. Ms. No.332, Commercial Taxes and Religious Endowments Department, dated 11.5.1989 to extend assistance to traders. The Board is chaired by the Chief Minister. The Minister (Commercial Taxes) is the Co-Chairman. The Board consists of official and non-official Members. Upto 1996-97, the Board has enrolled 23237 life members. The Board is now rendering the following types of assistance to the traders:

- a) A sum of Rs.25,000 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.50,000.
- c) To complete the education of children of economically weaker member, a sum of Rs.2,000 per annum till the completion of Polytechnic, College or other equivalent education, and 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 member of his family who is handicapped.
- e) Cash prizes for students scoring high marks in 10th standard and 12th standard as follows:

i) Students scoring first mark	Rs.5,000
ii) Students scoring second mark	Rs.3,000
iii) Students scoring third mark	Rs.2,000
- f) children of members participating in sports competition are awarded cash prizes as follows.

i) For winning at International level competitions.	Rs.25,000
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ii) For winning at National level competitions. Rs 10,000

iii) For winning at State level competitions. Rs. 5,000

Family Assistance

A sum of Rs.4,60,000 is to be disbursed to 17 traders.

Medical Assistance

A sum of Rs.25,000 is to be disbursed to a trader in Aruppukottai, who had undergone kidney operation.

Educational Assistance

A sum of Rs.20,000 is to be disbursed to the children of 10 traders.

The total amount of assistance works out to Rs.5,05,000.

Grievances Cell

16. A Grievances Cell was constituted in the year 1984 at the office of the Special Commissioner and Commissioner of

Commercial Taxes 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 (Commercial Taxes II) as members.

① Sales Tax Advisory Committee

17. With a view to provide a forum for exchange of views and to get feed back from traders on sales tax administration, Sales Tax Advisory Committees have been constituted by the Government at the District level. The District Advisory Committees are headed by the respective District Collectors and non-official members representing Chamber of Commerce Trade Associations, Co-operative and Agricultural Institutions in addition to official members. The Committee discussed various problems pertaining to the administration of Sales Tax Act and Rules. The deliberations of the Committees and suggestions made by them are taken note of for improving administration and in dealing with problems faced by the trading community.

Grants to Civic Bodies

18. In order to augment the resources of the local bodies, 90% of the Entertainment Tax Receipts is now proposed to be assigned to local bodies.

Sales Tax incentives to Industries-Deferral of Sales Tax

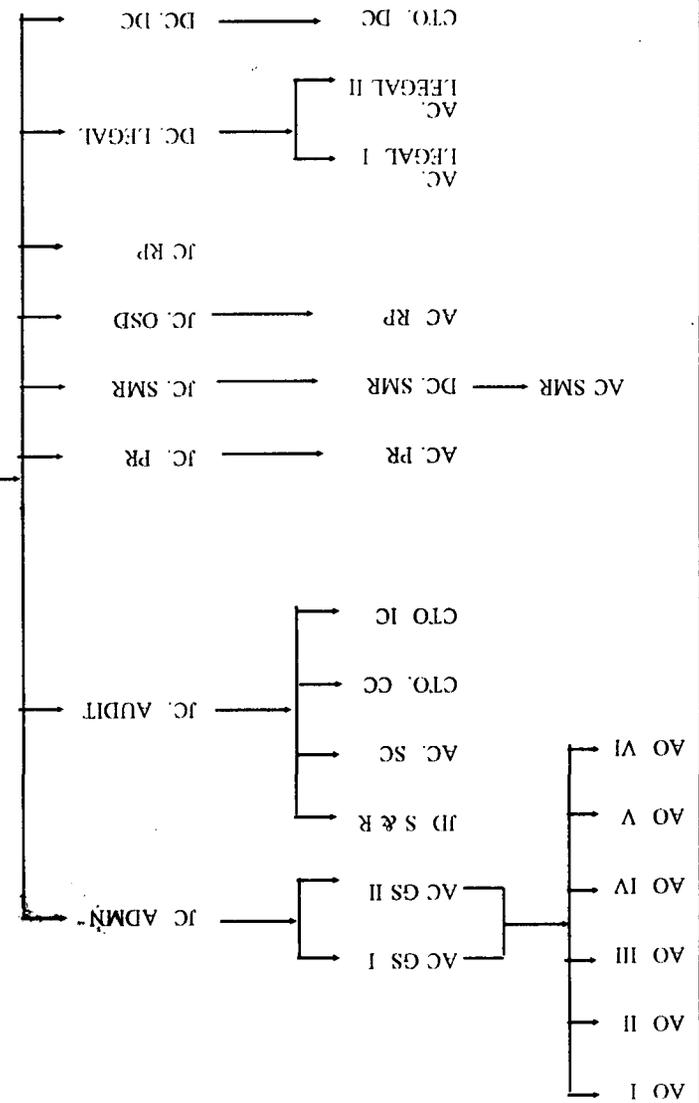
19. As a measure of encouraging the growth of Industries in the State, Government have been granting waiver of Sales Tax payable by new Industries located in the most backward taluks, an interest-free deferral of Sales Tax to new Industries/expansion of Industries/Sick Units/Sick Textile Mills in the State. The amount of Sales Tax deferred in 1996-97 upto 30.6.96 is Rs.4011.94 lakhs.

V. THANGAPANDIAN,
MINISTER FOR COMMERCIAL TAXES.

ANNEXURE

HIERARCHY AT STATE HEADQUARTERS

S.C. & C.C.T



TERRITORIAL DIVISIONS OF COMMERCIAL TAXES DEPARTMENT

