

DEMAND NO.4

POLICY NOTE ON TAX ADMINISTRATION TAMILNADU GENERAL SALES TAX AND OTHER TAXES AND DUTIES ADMINISTRATION

2001-2002

1. INTRODUCTION

1.1. Commercial Taxes Department is the largest revenue earning department of the Government of Tamil Nadu. The taxation policy of the Government aims at not only to mobilise higher revenues to meet the growing requirement of welfare and development schemes, but also to sustain and improve the over-all tempo of economic development.

Although by their very nature, Commercial Taxes are wide-ranging and complex, yet the effort of the Government is to make these taxes and their implementation both simple and transparent.

1.2. **The Commercial Taxes Department administers the following Acts:-**

- (i) The Tamil Nadu General Sales Tax Act, 1959
- (ii) The Tamil Nadu Additional Sales Tax Act, 1970
- (iii) The Central Sales Tax Act, 1956
- (iv) The Tamil Nadu Entertainment Tax Act, 1939
- (v) The Tamil Nadu Betting Tax Act, 1935
- (vi) The Tamil Nadu Tax on Luxuries Act, 1981
- (vii) The Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990.

(viii) The Tamil Nadu Advertisements Tax Act, 1983

(ix) The Tamil Nadu Local Authorities Finance Act, 1961

2. **ORGANISATION AND FUNCTIONS OF THE DEPARTMENT:**

At the field level, the Commissioner of Commercial Taxes is the Head of the Commercial Taxes Department. He is assisted in the Head Quarters by a team of Joint Commissioners, Deputy Commissioners, Assistant Commissioners in charge of different aspects of the department. The department has 10 Territorial Divisions and 7 Enforcement Divisions.

I. ASSESSMENT WING :

The wing deals with assessment, levy and collection of taxes payable under the various Acts administered by the Department. There are 10 Commercial Taxes Divisions in the State with each Division being headed by a Deputy Commissioner. These Divisions have been further divided into 40 Commercial Taxes Districts, and in Chennai and Coimbatore the Commercial Tax Districts are designated as Zones. There are 323 Assessment Circles, including 6 Fast Track Assessment Circles (4 in Chennai and 2 in Coimbatore headed by Assistant Commissioners). 236 assessment circles are headed by Commercial Tax Officers and 81 by Deputy Commercial Tax Officers.

II AUDIT WING:

This Wing deals with internal audit in the department and has 40 Internal Audit Parties. All the assessment records are audited by this wing. Follow up on the audit reports of Internal Audit and Accountant General Audit are attended to by a separate Cell under the supervision of Joint Commissioner(Audit) in the office of the Commissioner of Commercial Taxes. The work done by the Audit Wing during the year 2000-2001 and 2001-2002 (up to July 2001) is as follows:-

	2000-2001			2001-2002 upto July 01		
	Old	New	Total	Old	New	Total
No. of defects pointed out by the internal audit	39,809	32,824	72,633	29,829	13,947	43,776

No. of defects rectified in internal audit	27,038	15,766	42,804	7,241	3,109	10,350
No. of A.G. audit paras pending settlement	12,911	3,515	16,426	13,336	1542	14,878
No. of A.G. audit paras settled	2,638	452	3,090	856	71	927

III ENFORCEMENT WING :

There are 7 Deputy Commissioners, 10 Assistant Commissioners and 15 Commercial Tax Officers in seven Enforcement Divisions. Twenty nine Commercial Tax check posts and 48 Roving Squads function under the control of the Enforcement setup. This wing is responsible for inspection of shops and

cinema theatres, checking of vehicles, tracking of evasion of tax, etc.

IV APPELLATE WING:

The Appellate Wing is under the administrative control of the Chairman, Sales Tax Appellate Tribunal. There are twenty Appellate Assistant Commissioners and two Deputy Commissioners (Appeals) - one in Chennai and the other in Coimbatore. The number of appeals disposed during 2000-2001 is 13,304 and during 2001-2002 (upto July) is 3509.

V. SALES TAX APPELLATE TRIBUNAL :

The Sales Tax Appellate Tribunal hears and disposes of the appeals arising out of the orders of

the Appellate Assistant Commissioners and Deputy Commissioners (Appeals). There are 4 Benches of the Sales Tax Appellate Tribunal. The main Bench is at Chennai and the three Additional Benches are at Chennai, Coimbatore and Madurai.

The Main Bench at Chennai is headed by a Chairman, in the cadre of a District Judge. The Departmental Member is in the cadre of Joint Commissioner. The second member in the cadre of Deputy Commissioner is from the Indian Audit and Accounts Department. The Additional Benches are headed by the Additional Judicial Members in the cadre of Sub-Judge. In each Additional Bench there is an Additional Departmental Member in the cadre of Deputy Commissioner.

The number of cases disposed during the year 2000-2001 is 3355 and in 2001-2002 (upto July) is 1029.

VI. TAMIL NADU TAXATION SPECIAL TRIBUNAL

The Tamil Nadu Taxation Special Tribunal functions at Chennai. The Tribunal consists of Chairman, Vice-Chairman, Judicial Member and Administrative Member. The details of cases filed and disposed during the year 2000-2001 and 2001-2002 (upto July) are as follows :-

Year	Cases filed	Disposed
2000-2001	2356	1473
2001-2002 (upto July)	331	268

VII. COMMERCIAL TAXES STAFF TRAINING INSTITUTE, CHENNAI:

The Commercial Taxes Staff Training Institute, which started functioning at Chennai from 1982 trains officials of the Commercial Taxes Department. The Institute has a teaching faculty headed by a Deputy Commissioner of Commercial Taxes, assisted by two Assistant Commissioners of Commercial Taxes and one Commercial Tax Officer. The Institute conducts refresher and special lectures in areas of tax administration and also conducts training in computers. The computer training has a teaching faculty headed by an Assistant Director of Statistics.

The performance of the Institution is given below:-

Name of Training course	No. of Courses conducted	Category of Officials covered	No. of officers trained in 2000-2001	No of officers trained in 2001-2002 upto July 2001
(1)	(2)	(3)	(4)	(5)
Inservice training	5	Commercial Tax Officer	91	25
		Deputy Commercial Tax Officer	18	17
		Asst. Commercial Tax Officer	61	--
Computer Training	42	Commercial Tax Officer	..	83
		Deputy Commercial Tax Officer	..	82
		Assistant Commercial Tax Officer	..	36
		Assistants and Junior Assistants	700	--

3. TRENDS IN REVENUE COLLECTIONS:

During the financial year 2000-2001, the total collections were Rs.8663.72 crores. In 2001-2002 up

to the end of July 2001, the collections have been Rs.2872 crores.

3.1. Realisation of revenue by Commercial Tax Department

Details of revenue realised under different Acts administered by this Department, yearwise from 1990-91 to 2001-2002 (up to July 2001) are as follows:-

I. TAMIL NADU GENERAL SALES TAX ACT, 1959 (Rs. in crores)

1990-91	1779	1996-97	4717
1991-92	2130	1997-98	4963
1992-93	2505	1998-99	5455
1993-94	2818	1999-2000	6185
1994-95	3453	2000-2001	7354
1995-96	4119	2001-2002 upto July 2001	2432

II. CENTRAL SALES TAX ACT, 1956 (Rs. in crores)

1990-91	276	1996-97	672
1991-92	330	1997-98	707
1992-93	362	1998-99	779
1993-94	393	1999-2000	813
1994-95	477	2000-2001	862
1995-96	591	2001-2002 upto July 2001	302

III. TAMIL NADU ENTERTAINMENT TAX ACT, 1939 (Rs. in crores)

1990-91	70	1996-97	108
1991-92	69	1997-98	109
1992-93	76	1998-99	91
1993-94	82	1999-2000	86
1994-95	88	2000-2001	74
1995-96	98	2001-2002 upto July 2001	24

IV. TAMIL NADU BETTING TAX ACT, 1935 (Rs. in crores)

1990-91	5	1996-97	6
1991-92	5	1997-98	7
1992-93	5	1998-99	5
1993-94	6	1999-2000	5
1994-95	5	2000-2001	6
1995-96	7	2001-2002 upto July 2001	1

V. TAMIL NADU TAX ON LUXURIES ACT, 1981
(Rs. in crores)

1990-91	17	1996-97	61
1991-92	17	1997-98	65
1992-93	22	1998-99	69
1993-94	28	1999-2000	71
1994-95	36	2000-2001	92
1995-96	50	2001-2002 upto July 2001	31

**VI. TAMIL NADU TAX ON ENTRY OF MOTOR VEHICLES
INTO LOCAL AREAS ACT, 1990**

(Rs. in crores)

1990-91	20	1996-97	186
1991-92	25	1997-98	213
1992-93	42	1998-99	183
1993-94	70	1999-2000	221
1994-95	105	2000-2001	276
1995-96	158	2001-2002 upto July 2001	82

**3.2 Revenue and Expenditure of the Commercial
Taxes Department for the past 10 years are as
follows :-**

(Rs. in crores)

Year	Revenue	Expenditure
1990-91	2167	28.69
1991-92	2576	33.01
1992-93	3012	35.75
1993-94	3397	43.12
1994-95	4164	45.88
1995-96	5023	52.52
1996-97	5751	59.93
1997-98	6063	68.65
1998-99	6583	92.42
1999-2000	7381	99.76
2000-2001	8664	98.57
2001-2002 (upto July/2001)	2872	37.43

4. UNIFORM FLOOR RATES OF TAXATION

As a measure of tax reform, it was agreed at a Conference of State Chief Ministers at Delhi in November 1999 to conform to a discipline of Uniform Floor Rates of Sales Taxes. . This principle aims to neutralise tax anomalies across States, and to

eventually pave the way for optimising manufacturing and trading costs. Upto the end of 2000-2001, the Government of Tamil Nadu increased the sales tax rates on 40 items to conform with the agreed uniform floor rates. The Budget for 2001-2002 has now moved further towards minimising the deviations from the agreed floor rates. Tamil Nadu has now substantively complied with the principles of uniform floor rates of taxation. It has been informed by the Empowered Committee of State Finance Ministers and the Union Finance Minister that Central Plan Assistance will be withheld for such of the States which do not comply with the uniform floor rates.

5.TAXATION CHANGES IN THE BUDGET

5.1 A Pre-Budget meeting was held on 27.7.2001 with various associations representing Trade, Industry

and Commerce. Totally 60 representatives of the Associations were invited to make representations. The views expressed by the Associations in the meeting were considered during the Budget preparation.

5.2 The changes made in tax rates for the implementation of the Uniform Floor Rates and for rationalisation of tax rates are shown below. The list of goods given below broadly indicate the classification in the relevant schedules.

A. Goods brought under 0% category:

Sl.No.	Commodity
1.	Hand pumps
2.	12 more adisarakku items
3.	Parts and accessories of kerosene stove and lamp

B. Goods brought under 1% category:

Sl.No.	Commodity
1	Synthetic gems

C. Goods brought under 4% category:

Sl.No.	Commodity
1	Maize products
2	Cumin seeds
3	Copra
4	Cycle seat covers
5	Man-made staple fibre, fibre yarn, filament yarn and waste of any of them
6	Jari of all kinds including metallic jari yarn, metallic plastic yarn, polyester film yarn and radiant yarn
7	Cotton
8	Dressed hides and skins
9	Poultry feed supplements and concentrates *
10	Parched gram or fried Gram *
11	Flour of pulses and gram
12	Cycle locks

13	Silk cotton seeds
14	Parts and accessories of electronic voltage stabilizers

* The rate of tax has been reduced by issue of notification dated 25.8.2001 from 4% to 2% pursuant to the announcement made by the Honourable Minister (Finance and Law) on 25.8.2001 on the floor of the Legislative Assembly.

D. Goods brought under 8% category:

Sl.No.	Commodity
1	Butter unbranded
2	i) Compact Fluorescent lamp ii) Cellular telephones
3	i) Tractor tyres and tubes, ii) Photographic films plates etc., iii) Printing and writing paper etc., iv) Parts and accessories of sewing machine v) Ghee unbranded vi) Butter and Ghee branded but not registered vii) Toffees, confectionery and chocolates unbranded viii) Footwear unbranded (value of which above is Rs.100/-) ix) Bakery products unbranded
4	i) Paper cups ii) Unspecified dyes

5	Butter and ghee branded and registered
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E. Goods brought under 12% category:

Sl.No.	Commodity
1	i) Biscuits branded but not registered ii) Handmade soaps
2	i) Two/three wheelers and paver finishers etc., excluding earthmoving machinery ii) Articles of stainless steel other than domestic utensils iii) Electrical goods iv) Plastic products
3	i) Parts and accessories of oil engines ii) Steel almirah and furniture of all kinds iii) Suitcases, brief cases etc.,
4	i) Asphalt ii) Barbed wire, wire mesh, chickenmesh etc., iii) Toffees, confectionery and chocolates branded iv) Biscuits sold under registered trade mark v) Bolts, nuts and rivets etc., vi) Brake fluid vii) Branded, processed and

	packed fresh meat etc., viii) Carbide tips, tools and hand tools ix) Carbon black, acetylene black x) Chemicals xi) Cuddappah stone slabs xii) Empire cloth and empire sleeves xiii) Ethyl alcohol, absolute alcohol etc. xiv) Furnaces and boilers xv) Granite blocks and slabs xvi) Ice-creams xvii) Locks except cycle locks xviii) Machinery xix) Mercury xx) Nitric, hydrochloric and sulphuric acids xxi) Oil engines xxii) Playing cards xxiii) Capacitors xxiv) Pre-recorded video cassette xxv) Rail Coaches xxvi) Rubber latex compound xxvii) Rubber of synthetic origin xxviii) Ships, steamers etc., xxix) Squashes and essences xxx) Sulphur xxxi) Tyres and tubes (except those specified in the First
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	Schedule) xxxii)Water meters etc., xxxiii)Welding electrodes etc., xxxiv)Wet grain grinders xxxv)Readymix concrete xxxvi)Unspecified chemicals
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6. IMPORTANT CHANGES ANNOUNCED FOR THE YEAR 2001-2002

6.1 Steps have been taken to simplify and reduce the number of taxation rates presently in existence in the Tamil Nadu General Sales Tax Act, 1959. Additional sales tax (AST) was originally introduced with effect from 1.4.1970 at the rate of 5% of the tax due on dealers. Subsequently, the tax-base for the levy of the Additional Sales Tax was changed from the 'tax due' to the 'taxable turnover'. Over the years, this source of revenue has undergone

many changes and the threshold taxable turnover has been Rs. 10 lakhs, Rs.100 crores and Rs.25 crores at various points of time. In the Budget for 2001-2002, the threshold taxable turnover has been reduced from Rs.25 crores to Rs.10 crores. The rate of Additional Sales Tax will be 1% for taxable turnover exceeding Rs.10 crores but not exceeding Rs.25 crores per annum. The tax slabs and rates above the taxable turnover of Rs.25 crores per annum will remain unaltered.

6.2. With a view to protecting and augmenting the State revenue, the Government has decided to levy Entry Tax on certain commodities and goods.

6.3 Steps are being taken to levy Entertainment Tax on recreation parlours which provide for games like Bowling, Billiards, Snookers, etc., to augment the State Revenue.

7. VALUE ADDED TAX (VAT)

An issue, which has attracted considerable coverage in the media and generated debate in trade and industry circles, relates to VAT. Government of India have endorsed the recommendation of the Empowered Committee of State Finance Ministers that other than special category States, all States should move to a VAT system by 1.4.2002. This Government is examining the various issues relating to VAT and has communicated to the Chairman of the Empowered Committee of Finance Ministers certain views on the categorisation and rates of commodities.

The Government has also initiated the necessary preparatory steps. An Empowered Committee has been constituted in G.O.Ms.No.78, Commercial Taxes Department, dated 6.9.2001 comprising of the Honourable Minister (Finance and Law) as Chairman, Honourable Minister (Commercial Tax) as Co-Chairman, and Secretary (Finance), Secretary (Commercial Tax), Commissioner of Commercial Taxes and Joint Commissioner (Public Relations) in the office of the CCT as members. Orders for the constitution of the VAT Cell have been issued on 17.7.2001. Four Committees have been set up in the Commercial Taxes Department to look into various legal, procedural and preparatory aspects. Steps are also being taken for increasing the extent of computerisation and recasting the data management

system. As announced in the Budget, the Government will hold detailed consultations with Trade and Industry as well as consumer bodies on various aspects of VAT. It is the intention of this Government to proceed towards the Value Added Tax system with adequate preparation, caution and the cooperation of the participants.

8. COMPUTERISATION IN COMMERCIAL TAXES DEPARTMENT

As of now 140 out of 323 assessment circles, 18 Zonal Offices of Assistant Commissioners, 5 Offices of Deputy Commissioners, 6 border check posts, Office of Secretary to Government, Commissionerate of Commercial Taxes have been computerised at a cost of Rs.3.57 crores. General information regarding the Commercial Taxes

Department, registration procedures, tax payment and the current tax rates of commodities are available in the Website at www.tnsalestax.com. The software team from the National Informatics Centre has designed software modules. The Demand, Collection and Balance package is nearing completion. It is programmed to move towards full computerisation of all assessment circles and necessary technical studies are in progress.

9. OTHER HIGHLIGHTS

9.1 New Schemes:

The following new schemes have been included in the Budget 2001-2002 :-

I COMMERCIAL TAXES DEPARTMENT

VAT Training to Officers and Traders

Budget Estimate
for 2001-2002

Rs.58.50 lakhs

II TAMIL NADU SALES TAX APPELLATE TRIBUNAL

(i) Staff car for the use of Members	Rs.3.43 lakhs
(ii) Purchase of Furniture for the Office of the Deputy Commissioner (C.T.) Appeals, Chennai and Coimbatore	Rs.0.50 lakhs

III TAMIL NADU TAXATION SPECIAL TRIBUNAL

Rs.1.50 lakhs

Computerisation –Purchase of 2 computers

9.2. SALES TAX ADVISORY COMMITTEES AT STATE AND DISTRICT LEVELS

The term of the State Sales Tax Advisory Committee has lapsed and its reconstitution is under consideration of the Government. The reconstitution of the District Level Advisory committees is also under consideration of the Government.

9.3. ASSISTANCE TO LOCAL BODIES :-

In order to improve the finances of the local bodies, 60% to 70% of the total collection of

Entertainment tax was assigned and paid to all local bodies such as Corporations, Municipalities and Panchayats till 31.3.97. The above different rates of assignment was uniformly increased to 90% to all local bodies from 1.4.97. During the year 2000-2001, the amount apportioned to local bodies were Rs.67.38 crores.

9.4. GRIEVANCE CELL :-

The Grievance Cell was constituted in the year 1999 at the Office of the 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 (SMR), Joint Commissioner (Public Relations) as members.

9.5. CLARIFICATIONS UNDER SEC 28(A) :-

Provision exists in the TNGST Act, 1959 for Trade and Industry to seek clarifications in respect of rates of tax applicable for commodities. In the year 2000-2001, 413 clarifications were issued. During 2001-2002 upto July 2001, 75 clarifications have been issued. Now that the Budget for 2001-2002 has been presented, more number of clarifications are under issue.

10. TAMIL NADU TRADERS WELFARE BOARD :-

The Tamil Nadu Traders' Welfare Board was constituted by the Government in 1989 to look after the welfare of the traders and provide various forms of assistance. The Board has as of now 38,971 (August 2001) members. At present the membership fee (onetime) is Rs.250/-. The total collection of fees

by way of subscription has been Rs.65.81 lakhs. The Board gives assistance to its members in the form of assistance towards Family benefit, education, medical treatment, accident relief etc. The Government contribution to the Board over the years has been Rs 2 crores at the time of initial formation of the Board. Further a sum of Rs 35.49 lakhs has so far been sanctioned as matching grant. It is planned to increase and widen the membership base and to improve the services and the assistance given by the Board in need-based manner.

**C.Ve.SHANMUGAM,
MINISTER (COMMERCIAL TAXES).**