

COMMERCIAL TAXES DEPARTMENT

DEMAND No.10

POLICY NOTE FOR 2004-2005

COMMERCIAL TAXES

Recognising that sustainable economic growth hinges on fiscal consolidation, the Government of Tamil Nadu have initiated elaborate fiscal reforms framework. Deterioration in the finances of the State Government has been arrested through prudent tax reform measures, rationalization of tax structure and improvement of tax collections. Nearly, 70% of the State revenue comes through commercial taxes.

Due to failure of monsoon and drought condition during 2003-2004, there was negative growth in various sectors. However, without any major taxation, the department was able to register an impressive growth rate of 15.27% over the previous year. The performance of the Department is commendable when compared to the all India average growth rate of 8.4%.

The total tax receipts of the Commercial Taxes Department in 2001-02 was Rs.8,905 Crores. During 2002-03, total tax collection stood at Rs. 10,200 crores registering a growth rate of 14.55%. The total revenue collection during the year 2003-04 was Rs.11,757 crores.

2. ORGANISATION OF THE DEPARTMENT

The administration of Commercial Taxes Department is vested with Commissioner of Commercial Taxes. The Commissioner is assisted at the Head Quarters by Joint Commissioners, Deputy

Commissioners and other officers. The various wings of the department are as follows:

2.1 ASSESSMENT WING

The Assessment Wing consists of Assessing Officers in the cadre of Commercial Tax Officer, Deputy Commercial Tax Officer and Assistant Commercial Tax Officer. There are 323 Assessments circles in the State. Out of which, 236 circles are headed by Commercial Tax Officers and 81 by Deputy Commercial Tax Officers and six Fast Track Assessment Circles (four in Chennai and two in Coimbatore) headed by Assistant Commissioners. The Assessing Officers are under the control and supervision of the Territorial Assistant Commissioners. The work of the Territorial Assistant Commissioners and the Assessing Officers under them is supervised by the Deputy Commissioners.

2.2 AUDIT WING

Each Commercial Tax District has got one internal audit party consisting of one Commercial Tax officer and a Deputy Commercial Tax Officer under the control of respective Territorial Assistant Commissioner. Audit party brings out quarterly audit report for each quarter pointing out defects in assessments, receipts and refunds on the basis of audit programmes organised by the Territorial Deputy Commissioners. Submission of rectification reports is being watched by the respective Territorial Assistant Commissioners and Deputy Commissioners. Besides, the Accountant General's audit team audits the assessment files and refunds. This important work is being supervised and monitored at the state level in the office of the Commissioner of Commercial Taxes, Chennai.

2.3 APPELLATE WING

The Appellate Assistant Commissioner is the first Appellate Authority. There are 20 Appellate Assistant Commissioners and two Appellate Deputy Commissioners in the State. The Departmental Representative in the cadre of Commercial Tax Officer has been appointed to represent the cases of the Department before the Appellate Assistant Commissioners and Deputy Commissioners (Appeal). Second Appeal lies with the Sales Tax Appellate Tribunal. The Main Bench is at Chennai with additional benches at Chennai, Madurai and Coimbatore.

2.4 ENFORCEMENT WING

A. The Enforcement Wing is under the overall control of seven Deputy Commissioners besides one Deputy Commissioner, heading the Inter State Investigation Cell (ISIC).

There are ten Assistant Commissioners in Enforcement wing, with 15 Commercial Tax Officers. Under each Assistant Commissioner and Commercial Tax Officer, there are Groups consisting of Deputy Commercial Tax Officers and Assistant Commercial Tax Officers, besides Roving Squad and officers at Rail Heads and Goods yards.

B. The Enforcement Wing conducts raids and inspections in the Business Premises besides house searches on warrant to detect evasion of taxes. The Roving Squads and officers at Rail Heads prevent evasion of tax directly and indirectly. The officers of the Interstate Investigation Cell get extracts from other

States and cause verification in our State through which they detect evasion of tax.

During the year 2003-2004, a total number of 6466 shops were inspected out of which evasion of tax was noticed in 5094 cases. A sum of Rs. 35.18 crores has been collected towards compounding fee and tax.

2.5 CHECK POSTS

Twenty six border Checkposts and 3 Internal Checkposts are functioning in the State. The Commercial Tax Officer is the Head of office in respect of major checkposts. The Assistant Commercial Tax Officers are manning other Checkposts as Checkpost officers, with complimentary staff. A sum of Rs.70 crores was collected towards composition fee and advance tax, during the course of check of vehicles in 2003-04.

2.6 STATISTICS AND RESEARCH CELL

The Statistics and Research Cell is headed by a Joint Director of Statistics. Each Division has a Junior Research Officer and each zone/CT District has a Statistical Inspector.

The Statistics and Research Cell brings out two annual publications viz '**Commercial Taxes Department - At a Glance**' and '**Commercial Taxes Department-Selected Indicators (Folder)**', besides several Special Reports periodically.

It also undertakes the job of analysing the reasons for fall in revenue in respect of top hundred dealers every month.

3. ACTS ADMINISTERED BY THE DEPARTMENT

The Commercial Taxes Department is administering the following Acts and enforcing collection of taxes under the respective heads :

1. Tamil Nadu General Sales Tax Act, 1959.
2. Tamil Nadu Additional Sales Tax Act, 1970.
3. Central Sales Tax Act, 1956.
4. Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990.
5. Tamil Nadu Tax on Entry of Goods into Local Areas Act, 2001.
6. Tamil Nadu Entertainment Tax Act, 1939.
7. Tamil Nadu Tax on Luxuries Act, 1981.
8. Tamil Nadu Betting Tax Act, 1935.
9. Tamil Nadu Advertisement Tax Act, 1983.

4. REVENUE COLLECTIONS

The revenue collection under all Acts for the past 3 years is as indicated below :

Year	Revenue collection (Rs. in crores)	Growth rate %
2001-2002	8905	2.78 %
2002-2003	10200	14.55 %
2003-2004	11757	15.27 %

5. ACTWISE REVENUE FOR THE PAST 3 YEARS

The Act wise revenue collection for the past 3 years is shown below: -

(Rs. in crores)

Acts	2001-2002	2002-2003	2003-2004
1. Tamil Nadu General Sales Tax	7541	8507	9790
2. Central Sales Tax	904	982	1186
3. Entertainment Tax	68	71	75
4. Betting Tax	6	5	5
5. Luxury Tax	89	82	63
6. Entry Tax on Vehicles & Goods	297	553	638
Total	8905	10200	11757

6. RECEIPTS AND EXPENDITURE OF COMMERCIAL TAXES DEPARTMENT

The details of revenue receipts and expenditure for the Commercial Taxes Department are as indicated below :

(Rs. in crores)

Head	2001-2002	2002-2003	2003-2004
1. Receipts	8905.00	10200.00	11757.00
2. Expenditure	94.23	93.27	93.70
3. Percentage of expenditure to receipts	1.06 %	0.91 %	0.80 %

7. IMPORTANT ANNOUNCEMENTS MADE IN THE BUDGET FOR 2004-2005.

During the year 2004-05, the following relief measures were granted :

- (i) Rate of tax on wet dates was reduced from 12% to 4% .
- (ii) To reduce the cost of medicines for renal failure patients and AIDS cases, the CAPD (Continuous Ambulatory Peritoneal Dialysis) liquid and ten specified life saving drugs used for HIV patients, were exempted from payment of tax.
- (iii) To reduce environmental pollution and to encourage usage of pollution control equipments, the tax rate on additional 25 items of pollution control equipments which were hitherto taxed at 12% was brought down to 4%.
- (iv) To encourage the artisans, the tax rate on handicrafts was reduced from 4% to 2% .
- (v) As a gesture to artists, tax on Indian musical instruments was totally abolished.
- (vi) Tax rate on limestone used in the manufacture of poultry feed was reduced from 12% to 4% to encourage poultry industry.

- (vii) Exemption was granted from the resale tax at 1% on the sale of consumer goods by consumer Co-operative stores functioning under the control of the Registrar of Cooperative Societies, Tamil Nadu.
- (viii) Rate of tax on the sale of natural gas by M/s.ONGC to TNEB through M/s.GAIL, was reduced from 8% to 4% and the resale of natural gas by M/s. GAIL to TNEB was exempt from the resale tax at 1%.
- (ix) To mitigate the problems faced by hosiery manufacturing industry, a new scheme has been announced in which tax on the inter-state sale of hosiery goods to unregistered dealers is payable at 10% and 9% out of 10% on such payments will be refunded as a special incentive to the dealers concerned. This concession is extended to those dealers who have no branch or consignment transfer of hosiery goods.
- (x) To establish Tamil Nadu as a computer hardware base, tax rate on inter-state sale of computer peripherals and spares was reduced from 4% to 2%.
- (xi) At present, interest on belatedly paid tax amount is 2% per month and 24% per year. In order to reduce the interest rates on par with the market and to increase the revenue collections, the rate of interest was reduced to 1.5% per month for the first 90 days of delay and 2% per month thereafter.

8. COMMERCIAL TAXES STAFF TRAINING INSTITUTE.

The Commercial Taxes Staff Training Institute was started during the year 1982, with an objective to impart training to the personnel of the Department, so as to equip themselves with current and upto date information in respect of the matters of taxation. Since the introduction of computers in the Department, this Institute has taken steps to impart training in application software and departmental packages to the departmental staff in all the cadres. Apart from the above, this Institute has also organized the Training in Value Added Tax.

This Institute is also hosting the "Condensed Foundation Training" and "Condensed Training in Computer Application Software", for 35 working days to the Assistants and Junior Assistants of Commercial Taxes Department, conducted by the Government Servants Training Institute, Bhavanisagar.

Under the guidance of the Director of the Institute who is in the cadre of Deputy Commissioner, two senior Lecturers in the cadre of Assistant Commissioner, one lecturer in the cadre of Commercial Tax Officer and one Assistant Director on deputation from the Department of Statistics are looking after the various items of training including computer training.

During the year 2003-2004, officers and staff of this department were given training as detailed below :

	Foundation Training	Inservice training	Computer Training	VAT Training
CTOs	14	168	584	1277
DCTOs	-	288		
ACTOs	245	-		
Ministerial staff	-	-	1215	

9. COMPUTER CENTRE

Initially, the Commercial Taxes Department was using the computer facility available at Government Data Centre, Chennai for processing annual assessment data. The Department established its own Computer Centre in the year 1988 in Greams Road, Chennai.

Three sub-centres at Trichy, Madurai and Coimbatore were established in the year 1994. These computer centres, which have been catering to the MIS needs of the Department to a fair extent, receive monthly returns filed by nearly one lakh assesseees from 323 Assessment circles scattered throughout the State. Data available in these returns are fed into the Computers and reports regarding Commodity-wise turnover, commodity-wise tax revenue, contribution by top 1000 dealers of the State etc., are generated.

In all the 323 Assessment circles in the State, the basic work of Dealer Master Creation has been completed.

In the third phase of Computerisation, it has been proposed to provide VSAT connectivity for all 29 checkpoints with infrastructure so that the checkpoints can be connected to the Central Server online. Further, in order to strengthen the Central Computer Centre to cater to the needs of the checkpoints, 2 Mbps leased line connectivity is proposed in Central Computer Centre, Chennai. In order to establish peer-to-peer connectivity, it is proposed to provide thin clients for all Assessment Circles, Enforcement and Appellate Offices since the existing computer is not sufficient for their needs on network. To strengthen the Assessment circles of Vellore and Trichy Divisions where there are no additional computers and printers for their office needs and also for the Administrative offices and Computer Training Centre at Chennai, Coimbatore and Madurai, 150 additional computers and printers will be provided.

In total, the cost under the third phase of computerisation has been estimated to be Rs. 5 crores. On completion of the third phase, checkpoints will be able to send data on-line without depending upon the dial-up telephones.

To facilitate the public to get information on sales tax, a separate website, "www. tnsalestax. com" has been created.

10. TRADERS WELFARE BOARD

A major source of revenue to the Commercial taxes Department is from the public through the trading community. Keeping this in mind, the Government has formulated schemes for the welfare of the trading community.

Accordingly, the Tamil Nadu Traders Welfare Board was constituted by the Government to extend assistance to the Traders. The Traders Welfare Board was lastly re-constituted in G.O.Ms.No. 74, Commercial Taxes Department, dated. 27.6.2003 with the Honourable Chief Minister of Tamil Nadu as Chair person and the Minister of Commercial Taxes as Vice - Chairman. Besides the official members, 16 non official members have been nominated to the Board. The Government have last sanctioned Rs.24.27 lakhs as matching grant for the Board in June 2003.

Traders can enroll themselves as members of the Board on payment of enrollment fee of Rs. 250/-. The total No. of members is 40,312 and the total enrollment fee collected amounts to Rs.72,39,300/-.

The Traders Welfare Board has extended the following assistance to the members upto 31st March 2004 .

Welfare Assistance to Members

(Upto 31.3.04)

Sl. No.	Assistance	Numbers	Amount (Rupees in Lakhs)
1.	<u>Family Assistance</u> Family Assistance at Rs.20,000/- to legal heirs of the deceased members	252	65.15
2.	<u>Medical Assistance</u> Medical Assistance upto Rs.25,000/- to members only	29	6.46

3.	<u>Educational Assistance</u> Educational Assistance @ Rs.3,000/- to the children of the members	73	1.86
4.	<u>Sports Assistance</u> Sports Assistance @ Rs.3000 to Rs.25000/- to the children of the members	2	0.15
5.	<u>Fire Accident Assistance</u> Fire accident Assistance @ Rs.5000/- to members shop/Godown	29	1.45
6.	<u>Handicapped Assistance</u> Handicapped Assistance upto Rs.20,000/- to the members	2	0.15
7.	<u>Higher Marks Assistance</u> Higher Marks Assistance upto Rs. 5,000/- to the children of the members	6	0.20
Total		393	75.42

11. DISTRICT LEVEL SALES TAX ADVISORY COMMITTEE.

In each district, a District Level Sales Tax Advisory Committee headed by the District Collector with the Assistant Commissioner (CT) as the Secretary

of the Committee has been constituted. The members are selected by the District Collector from various trades and the Committee meets every quarter to discuss issues relating to the traders. Issues relating to policy matters are referred to the Government for appropriate decision.

11.1 STATE LEVEL ADVISORY COMMITTEE

A State Level Advisory Committee headed by Hon'ble Chief Minister and Co-chaired by Minister for Commercial Taxes has been constituted. The Secretary to Government, Commercial Taxes Department is the Secretary of the Committee and Commissioner of Commercial Taxes is the Convenor of the Committee meetings. The representatives of the Traders, Chambers of Commerce & Members of Legislative Assembly are appointed by the Government as Committee Members. Hon'ble Ministers and Secretaries of allied departments are also co-opted as members.

12. ASSISTANCE TO LOCAL BODIES

To augment finances of the local bodies, depending upon local area, 60% to 70% of the total collection of Entertainment Tax was paid to all local bodies such as Corporations, Municipalities and Panchayats till 31.3.1997. Subsequently, the allocation to all local bodies was uniformly increased to 90% from 1.4.97. During the year 2003-04, the amount apportioned to local bodies was Rs.50.85 crores (as on 31.12.2003).

13. GRIEVANCE CELL

A grievance cell is functioning from the year 1999 in the Office of the Commissioner of Commercial Taxes to provide a forum for traders to represent their grievances. The cell is headed by Joint Commissioner(Admn.) as Chairman and Joint Commissioner(SMR) & Joint Commissioner(PR) as members.

14. HIGHLIGHTS - SPECIAL STEPS TAKEN FOR EFFICIENT FUNCTIONING OF COMMERCIAL TAXES DEPARTMENT

14.1 INTEGRATED CHECKPOST

To arrest evasion of tax and to monitor movement of goods and also to facilitate inspection by other related Government departments, it has been proposed to put up integrated checkposts on an experimental basis in the State and the work towards establishing them is in progress. In pursuance of the orders issued in G.O.Ms.No. 60, C.T.Dept., dt.17.6.2002, the process of establishing the checkpost has been set in motion.

14.2 SUPPLY OF MOBILE PHONES

For better functioning of the Enforcement Wing, a proposal for sanctioning funds towards purchase of 68 mobile phones is under consideration.

14.3 INTERACTIVE VOICE RECORDING SYSTEM.

To receive suggestions, grievances and complaints for better administration of the Department and to receive details of tax evasion, an Interactive Voice Recording System, at a cost of Rs.2 lakhs, has been installed in the chamber of Commissioner of Commercial Taxes and the system was inaugurated by the Honourable Chief Minister of Tamil Nadu on 20th February 2004. A separate Direct Telephone Line with number 044-28520535 has been provided for this purpose.

14.4 CASH AWARD

To encourage and improve efficiency of the officers of the department, the Government has sanctioned in November 2003, a scheme of cash awards to six officers of the department, three in Assessment wing and three in Enforcement Wing. A cash Award of Rs.25,000/- each along with a certificate of merit has been announced for officials who turn out outstanding work in their field. For the year 2003-2004, the awards were given to four officers by the Hon'ble Chief Minister.

14.5 SUPPLY OF MOTOR VEHICLES

In G.O. 2(D) No.79 Commercial Taxes Department, dt. 29.9.2003, the Government has sanctioned a sum of Rs.115.98 lakhs towards purchase of 36 new vehicles for replacing the condemned vehicles. Accordingly, 36 vehicles were purchased and handed over to the officials of the department by the Hon'ble Chief Minister on 20.2.2004.

15. VALUE ADDED TAX

The State Government has constituted an Empowered Committee for monitoring implementation of Value Added Tax in Tamil Nadu with Hon'ble Minister for Finance as Chairman and Minister for Commercial Taxes as Co-Chairman. Value Added Tax is the sales tax payable by every dealer on his sale with facility to deduct tax paid on purchases from tax payable. Now, tax is paid only at the point of first sale in the State and Value Added Tax will involve collection of taxes from second and subsequent sales with set off facility at every stage.

15.1 TRAINING

As Value Added Tax is a new system of taxation, the senior officers of the department have imparted training to both the officers and Traders all over Tamil Nadu. Senior officers of the department are being deputed to participate in the Workshops/Seminars arranged by the Chambers of Commerce and Trade Associations to enlighten the members of those Associations on the salient features of Value Added Tax.

Se. Ma. VELUSAMY,
MINISTER FOR COMMERCIAL TAXES
AND CO-OPERATION.