

COMMERCIAL TAXES DEPARTMENT

DEMAND NO.10

POLICY NOTE 2007 – 2008

COMMERCIAL TAXES

INTRODUCTION

The State Government is implementing large number of schemes for development of infrastructures for economic growth and also implementing several welfare schemes to uplift the standard of living of the people. The Government's efforts to mobilize financial resources is supported by the Commercial Taxes Department by contributing nearly 70% of the State's revenue collections. The Commercial Taxes Department has achieved a revenue collection of **Rs.17601.49 crores** during the year 2006-2007 (upto February, 2007) registering a growth rate of 17.33% over the revenue derived during the previous year.

The Tamil Nadu General Sales Tax Act came to an end on 31.12.2006 and the new Tamil Nadu Value Added Tax Act was introduced on 1st January, 2007.

ACTS ADMINISTERED BY THE DEPARTMENT

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

1. Tamil Nadu Value Added Tax Act, 2006, with effect from 1.1.2007.
2. Central Sales Tax Act, 1956
3. Tamil Nadu General Sales Tax Act, 1959, upto 31.12.2006.
4. Tamil Nadu Additional Sales Tax Act, 1970, upto 31.12.2006.
5. Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990
6. Tamil Nadu Tax on Entry of Goods into Local Areas Act, 2001
7. Tamil Nadu Entertainment Tax Act, 1939
8. Tamil Nadu Betting Tax Act, 1935
9. Tamil Nadu Tax on Luxuries Act, 1981
10. Tamil Nadu Advertisement Tax Act, 1983

REVENUE COLLECTIONS UNDER ALL TAX ACTS

3. The revenue collections under all Acts are tabulated below:

Year	Revenue collections (Rs. in crore)	Growth rate %
2000 – 2001	8664	17.38%
2001 – 2002	8905	2.78%
2002 – 2003	10200	14.55%
2003 – 2004	11757	15.27%
2004 – 2005	13908	18.29%
2005 – 2006	16615	19.47%
2006 – 2007 (Upto Feb, 07))	17601*	17.33%

* Not yet reconciled with Treasury figures.

ACT WISE REVENUE FOR CURRENT YEAR COMPARED WITH PREVIOUS YEARS

4. The Actwise revenue collection is as below:

(Rs. in Crore)

Acts	2000 to 2001	2001 to 2002	2002 to 2003	2003 to 2004	2004 to 2005	2005 to 2006	2006 to 2007 (Upto Feb. 2007)
1. TNGST	7354	7541	8507	9790	11462	13658	14392.21
2. CST	862	904	982	1186	1495	1799	1868.00
3. Entertain ment Tax	74	68	71	75	59	44	23.59
4. Betting Tax	6	6	5	5	6	6	5.53
5. Luxury Tax	92	89	82	63	78	92	114.93
6. Entry Tax on Vehicles & Goods	276	297	553	638	808	1016	1197.23
Total	8664	8905	10200	11757	13908	16615	17601.49 *

* To be reconciled with Treasury figures

RECEIPTS AND EXPENDITURE

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

(Rs. in crore)

	Minor Head	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1.	Receipts	8905	10200	11757	13907	16615	17601.49
2.	Expenditure	94.23	93.27	93.70	102.34	110.44	128.52
3.	Percentage of expenditure to receipts	1.06%	0.91%	0.80%	0.74%	0.66%	0.79%

VALUE ADDED TAX

6. As announced in the Budget speech for the year 2006-2007 on 22.07.2006, Value Added Tax was introduced in the State on 1st January, 2007. The Tamil Nadu Value Added Tax Act, 2006 has been enacted and the Act was brought into force from 1st January, 2007. The transition from Tamil Nadu General Sales Tax to Tamil Nadu Value Added Tax (VAT) has been smooth and welcomed by the trade and industry. VAT has already been introduced in other States excepting Uttar Pradesh and Puducherry. If VAT has not been implemented in Tamil Nadu, the manufacturers, exporters and traders were about to migrate to neighbouring States to avail the benefits under VAT. Similarly the new entrepreneurs and exporters are likely to avoid starting new Industries in Tamil Nadu. Taking these aspects into consideration and without delay VAT has been introduced in Tamil Nadu with effect from 1.1.2007. Under VAT low rates of tax at 1% on bullion and Jewellery; 4% on essential commodities, industrial inputs, capital goods and I.T. products and 12.5% on luxury goods have been fixed. Under VAT both the manufacturers and traders have the facility to get credit for the input tax paid; the small traders who purchase goods in the State and sell it in the State up to a turnover of Rs.10 lakhs are exempted from registration and payment of tax (the limit in other States is only Rs.5 lakhs except Kerala) and such traders whose turnover exceeds Rs.10 lakhs but does not exceed Rs.50 lakhs are given option to pay tax at a compounded rate of 0.5% (in other States the compounding rate is 1% except Kerala). Additional Sales tax, resale tax and surcharge have also been abolished under VAT. Provision for self assessment by dealers and abolition of renewal of registration as dealer under VAT are measures to remove difficulties for the dealers. The VAT Act also provides for continuance of all the tax exemptions granted under TNGST Act, including the exemptions on edible oil, pulses and grams; jaggery etc. The above positive measures are intended to benefit the manufacturers and traders and also to bring down prices of commodities.

7. After introduction of VAT on 1st January, 2007, the Government issued notifications exempting second and subsequent sale of kerosene sold to family card holders under Public Distribution System, LPG and fertilizers from 1st January, 2007. Notifications have also been issued for extending the date upto 15th February, 2007 to apply for Tax Identification Number (TIN) under VAT Act and for extending the date upto 28th February, 2007 for traders and manufacturers to file statements of closing stock as on 31.12.2006 for availing input tax credit.

8. There will be considerable loss of revenue on account of the tax concessions, input tax credit and low tax rates. As the tax burden on commodities is reduced due to input tax credit facility and low tax rates, it is expected that the traders will pass on the benefits to consumers and consequently the prices of commodities will come down. The Government have already instructed the District Collectors and authorities of the Commercial Taxes, Civil Supplies and Consumer Protection Departments to keep a close watch and ensure that unscrupulous persons do not exploit the situation and sell goods at higher prices without passing on the benefits of VAT to the consumers.

9. After introduction of VAT, large number of representations have been received from the trade and industry seeking tax exemptions on certain commodities; reduction of rate from 12.5% to 4% on certain goods for domestic use and goods used as industrial inputs, capital goods and I.T. products; to make provision to discourage manufacturers and consumers from resorting to inter-state purchase of goods for consumption and use in manufacture. The Government also convened a pre budget meet with the representatives of Trade and Industry on 27th February, 2007.

10. There were 3,89,956 dealers registered under TNGST Act, 1959. All of them were permitted to draw their Taxpayer Identification Number (TIN) from the web site from 15.11.2006. After the introduction of VAT Act, these dealers were directed to submit the application for registration under the VAT Act for getting the new registration certificate from 1.1.2007. Dealers were given time upto 15.2.2007 for filing applications for registration under VAT.

11. The dealers closing stock of goods purchased during the year 2006 is eligible for input tax credit when the goods are sold for a period of six months upto June, 2007 under VAT. The dealers were permitted to file statements of closing stock upto 28.2.2007.

12. A new website for VAT "www.tnvat.gov.in" is functioning from December 2006. The application for VAT registration is made downloadable at website. Facility for on line processing of registration is also available in the website. VAT Act, Rules, Circulars, Statistical information, Frequently Asked Questions (FAQs), worked out examples, filing of monthly returns, doubts of the dealers regarding the rate of tax and clarifications on them are made available in the website. The dealers find this very useful. Steps are being taken to make the e-filing of returns. Software for dealer master, software for registration and input tax credit for closing stock on 31.12.2006 have been developed and are made functional in all the assessment circles. The Government

sanctioned 520 posts of System Operators and 10 posts of System Managers for attending the computer work in all offices. The Government have created 11 Special Assessment Circles for refunding the tax paid to the exporters expeditiously.

13. The Government have constituted a "Monitoring Committee on VAT" under the Chairmanship of Minister (Commercial Taxes) with six official members and four Non-official members to examine and suggest to Government solutions to remove difficulties in the implementation of VAT. Representatives of trading community are also members of this Committee. The Government also conducted a pre-budget meet with representatives of trade and industry on 27th February, 2007 and heard their problems and also received their representations seeking clarifications as to the rate of tax leviable on many commodities and goods, for continuance of tax exemptions given under TNGST regime; reduction of rate from 12.5% to 4% on certain goods for domestic use; to include many goods in the list of industrial inputs; capital goods and I.T. products.

TAX CONCESSIONS ANNOUNCED IN THE BUDGET 2007-2008:

14. Having regard to the requests made by the representatives of the trading and manufacturing community in the pre-budget meeting conducted by the Government on 27.02.2007 and keeping in mind the interest of consumers, traders and manufacturers, the following tax concessions are announced. **In consonance with the policy of this Government not to tax goods used regularly by housewives, common people and farmers, it has been decided to remove Value Added Tax levied on the following goods:**

- ❖ Kerosene Pressure Stove
- ❖ Fertilizer mixture manufactured out of chemical fertilizer for which tax has been paid locally.
- ❖ All seeds used for sowing purpose
- ❖ Packed drinking water sold in sealed refill cans and sachets
- ❖ Local sale and inter-State sale of coconut other than copra
- ❖ Peas flour
- ❖ Fried peas
- ❖ Coconut shell powder
- ❖ Panchamirtham, Namakatti, Vibudhi and Prasadam sold by any dealer
- ❖ 38 specified traditional medicine
- ❖ Seashell, sea weed, Agar Agar and Alginate
- ❖ Synthetic gems
- ❖ Thanjavur plates
- ❖ Cloth bag
- ❖ Instruments for drawing and dissection
- ❖ Graph and Exercise note books
- ❖ Mathematical learning instruments
- ❖ Wood covered lead pencils, writing pencils, erasers, ebonite pens, ebonite ball pens, writing ink including ink tablets

- ❖ Pillow covers, bed sheets and towels made from hand looms and power looms cloth other than those made of mill made cloth
- ❖ Camphor in all forms
- ❖ Cashew shell
- ❖ Tax exemption granted to all edible oils in the last budget will be extended to all refined oils
- ❖ The turnover limit for exemption for edible oils including refined oil, oil cake and deoiled cake was fixed as Rs.300 crores in 2000. This turnover limit will be increased as Rs. 500 crores
- ❖ Tax exemption granted to pulses and grams in the last budget will be extended to Mochai, Karamani, Thatta Payaru, Kollu and Avarai
- ❖ The turnover limit of Rs.300 crores for the exemption for pulses and grams fixed during 2000 will be increased to Rs.500 crores per item
- ❖ The rate of tax on wheat will be reduced from 4% to 2%
- ❖ Rate of tax on bottled mineral water purchased after paying tax and sold by non-star hotels and sweet stalls will be reduced from 12.5% to 2%.

Similarly, the rate of tax on the following commodities which are used by common people and now liable to tax at 12.5% will be reduced to 4%.

They are –

- ❖ Chicory and unbranded Coffee powder other than instant coffee
- ❖ Masala Powder with brand name
- ❖ Tapioca chips, flour, tapioca waste
- ❖ Bajji flour
- ❖ Energy (Sathu mavu) flour
- ❖ Unbranded ghee
- ❖ Date syrup
- ❖ Intersterified vegetable oil (vanaspati)
- ❖ Unbranded bakery products including bun, rusk, biscuits and cakes
- ❖ Diagnostic kits, Diagnostic reagents, accessories, blood bags and disposables
- ❖ Wet grinders
- ❖ R.C.C. pipes (without input tax credit on purchase of cement)
- ❖ Jolleys, door and window frames made of R.C.C. (without input tax credit on purchase of cement)
- ❖ Unbranded steel furniture
- ❖ All plastic goods other than doors, windows, frames, profiles, automobile, industrial and sanitary items
- ❖ Kuthuvilakku, Agalvilakku, Pavai vilakku, Yanai vilakku, Karthikai vilakku, Kovilmani, Karpoora thattu, Dhoopakal
- ❖ Moulded idols
- ❖ Audio cassettes including pre recorded cassettes
- ❖ Accounts Books and Diaries
- ❖ School bags and unbranded travel bags

- ❖ Shields
- ❖ Barbed wire, wire rod and wire links
- ❖ Mop made of cotton yarn
- ❖ Used cars / Motor vehicles on value addition without input tax credit
- ❖ Textile machinery and parts
- ❖ Fasteners including nails, bushes, washers and rivets
- ❖ Electroflux

The Government have also decided to levy tax at 4% on certain goods which are consumed or used by industries in manufacturing:-

- ❖ Superior Kerosene Oil (without input tax credit)
- ❖ Molasses purchased and used in manufacture of chemicals by chemical industries which were earlier permitted to procure molasses at 20% tax. They are not eligible for input tax credit.
- ❖ Certain goods like industrial gases, textile machinery etc. are ultimately used or consumed as industrial inputs. It has been decided to list such goods to be taxable at 4% when sold either by the manufacturer or by trader as industrial input.
- ❖ Entry 67 of Part B of First Schedule to the TN VAT Act, 2006 provides for notifying 'industrial inputs'. Already 27 items have been notified under the entry. Instead of issuing notifications periodically and indefinitely, it has been decided to amend the relevant entry to make the definition of 'industrial input' read as follows:-

'any goods falling under Part C of the First Schedule to the TN Vat Act including consumables, packing materials and labels but excluding plant and machinery, ethyl alcohol, absolute alcohol, mythyl alcohol, rectified spirit, neutral spirit and cement for use in manufacture and assembling, packing or labeling in connection with such manufacture inside the State for manufacture of goods other than those falling under Second Schedule'.

- ❖ **traders who have a turnover upto Rs.50 lakhs and opted to pay tax under compounding system at 0.5% are now liable to pay tax even on the turnover relating to sale of those goods which are exempt from tax. With a view to ensuring that they need to pay tax only on the turnover relating to sale of taxable goods, necessary amendment will be made to the VAT Act.**
- ❖ **Accepting representations made by traders, it has been decided to list the commodities taxable at 12.5% as Part C of First Schedule to the VAT Act.**

All the tax proposals announced herein shall be deemed to come into effect from 1.1.2007.

Government orders have been issued in G.O. Ms. No.79, C.T. & R Dept., dated 23.3.2007 notifying the implementation of the above announcements under the Tamil Nadu VAT Act, 2006.

COMPENSATION FOR REVENUE LOSS ON ACCOUNT OF INTRODUCTION OF VALUE ADDED TAX.

15. The Government of India, in January, 2005 have informed to all States that they will provide cash compensation for loss on account of introduction of VAT at the rate of 100%, 75% and 50% respectively for the financial years 2005-2006, 2006-2007 and 2007-2008 respectively. As VAT has been introduced in our State from 1.1.2007 i.e. the second financial year 2006-2007, the State is eligible for cash compensation only at 75% for January to March, 2007 and at 50% for the third year 2007-2008. However, our Chief Minister has written to Hon'ble Prime Minister of India and Union Finance Minister requesting to provide cash compensation at the rate of 100%, 75% and 50% for the calendar years 2007, 2008 and 2009 respectively. The Government of India's response is awaited.

PHASING OUT OF CENTRAL SALES TAX :

16. Tamil Nadu is a major manufacturing State. It is estimated that revenue from the Central Sales Tax may be around Rs.2530 Crores for the year 2007-2008. The Government of India has announced it's intention to phase out CST in a phased manner. They have now notified that the rate of tax under the Central Sales Tax Act, 1956 will be reduced from the present rate of 4% to 3% from 01.04.2007 and that the rate will be reduced by 1% every year and the rate will become 0% on 01.04.2010. The Government of India have announced that to compensate the revenue loss on account of reduction of CST rate, the States will be given power to levy and collect service tax on select 77 services of intra State in nature. They have also taken steps to enable the States to levy VAT on tobacco products.

SERVICE TAX :

17. The Government of India has amended the Constitution to bring the power of taxation relating to Service Tax under the Union List. This Government is of the view that the Union Government should reconsider the constitutional amendment and place the power of taxation for services under the State List. States need substantial resources to meet the social and developmental needs of the people. With the implementation of Value Added Tax system in Tamil Nadu from 1.1.2007 and proposed phasing out of the Central Sales Tax with effect from 1.4.2007, the flexibility in resources mobilization will be very limited for the State. Service sector, which contributes more than 50% of the Gross State Domestic Product (GSDP) of Tamil Nadu, should yield appropriate revenue to state and therefore it is natural that the power of taxation under service sector should

be within the ambit of State Government. Our Hon'ble Chief Minister had mentioned at the National Development Council meeting on 9th December 2006 that service tax should be transferred to the State List, though the proceeds can be shared with the centre. Our Hon'ble Chief Minister has also requested the Hon'ble Prime Minister of India to consider the suggestion that the present share of the service tax to the State should be raised from 30.5% to 70% of which 39.5% shall be distributed to the respective state in proportion to the service tax collected from the concerned State.

REVENUE UNDER VAT :

18. The people of Tamil Nadu are aware that immediately after the new Government assumed office on 13th May, 2006 under the leadership of Dr. Kalignar, steps were taken expeditiously to implement the welfare programmes and development schemes announced by the new Government. The Commercial Taxes Department plays a significant role in mobilizing the financial resources required to implement successfully the programmes and schemes.

19. The total revenue collection upto the month of February, 2007 under all Acts is Rs.17601.49 crores when compared with the revenue collection of Rs.15001.46 crores upto February, 2006 during the previous year. This accounts for a growth rate of 17.33%.

20. Under the Value Added Tax Act there is no Additional Sales Tax, Re-sale Tax and Surcharge. Moreover there are only 3 slabs at the rate of 1%, 4% and 12.5% instead of higher slab rate 8%, 10%, 16% and 20%. This will result in decrease in the revenue. But due to more tax compliance by manufacturers and traders in view of the input tax credit facility and low tax rates the revenue is likely to go up gradually. It is evident from the experience of other States who have introduced Value Added Tax Act already, though there is decline in the initial months, the revenue has gone up considerably in those States.

21. The tax burden on commodities purchased by the people is considerably reduced due to input tax credit facility, low tax rates and tax exemptions on essential commodities. Hence, the price of the commodities purchased by the people is bound to be reduced. The argument that prices of some commodities are increasing due to VAT is not correct. There may be other reasons for increase in price of some commodities and no acceptable reason can be attributed to VAT.

ORGANISATION SET UP OF THE DEPARTMENT

The administration of the Department is vested with the Commissioner of Commercial Taxes. The Commissioner is assisted at the Head Quarters by Joint Commissioners, Deputy Commissioners, Joint Director (Statistics & Research), Assistant Commissioners and Administrative Officers.

The various wings of the Department are as follows:

Assessment Wing :

23. 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 Assessment Circles in the State, out of which, 236 circles are headed by Commercial Tax Officer and 81 by Deputy Commercial Tax Officer. Six Fast Track Assessment Circles (four in Chennai and two in Coimbatore) are headed by Assistant Commissioners. The Assessing Officers are under the control and supervision of the Territorial Assistant Commissioners at district / zonal level and the Deputy Commissioners at the Division level.

Audit Wing :

24. Each Commercial Taxes District has one internal audit party which consists of one Commercial Tax Officer and one Deputy Commercial Tax Officer under the control of Territorial Assistant Commissioner. It takes up audit of assessments, receipts and refunds on quarterly basis as per the programme charted by the Territorial Deputy Commissioner. Rectification of audit para is watched by the respective Territorial Assistant Commissioners and Deputy Commissioners. Test audit of assessments and refunds is also undertaken by the Accountant General every year. Rectification / settlement of the objections is primarily attended to by the Assessing Officers. This important work is being supervised and monitored at the State level by the Joint Commissioner (Audit) in the office of the Commissioner of Commercial Taxes, Chennai.

Appellate Wing :

25. 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 Representatives in the cadre of Commercial Tax Officer are appointed to represent / defend the Department's case. Second Appeal lies with the Sales Tax Appellate Tribunal. The Main Bench is at Chennai, with one additional bench each in Chennai, Madurai and Coimbatore.

Enforcement Wing :

26. There are seven Enforcement Wing divisions in the State each headed by a Deputy Commissioner. There is a separate Inter-state Investigation Cell (ISIC) headed by a Deputy Commissioner. There are ten Assistant Commissioners in the Enforcement Wing with 14 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.

27. The Enforcement Wing conducts raids and inspections in business premises besides house searches on warrant, to detect evasion of taxes. The Roving squads and Rail Head officers prevent evasion of tax by collecting invoices and other transport documents and cross verifying them. Interstate Investigation Cell gets details of business transactions from other States and verify the same with the accounts of dealers of our State to detect evasion of tax, if any.

Check Posts :

28. Twenty six border Checkposts and three Internal Checkposts are functioning in the State. Border checkposts consist of ten major checkposts and sixteen minor checkposts. All the three internal checkposts are major checkposts. The Commercial Tax Officers are the Heads of offices in five major checkposts. Assistant Commercial Tax Officer are manning the Checkposts, with complimentary staff like Upper Division Inspectors, Record Clerks, Office Assistants and Loadmen.

STAFF TRAINING INSTITUTE

29. Commercial Taxes Staff Training Institute was started in the year 1982. The objective is to train the departmental personnel and equip them with current and upto date information in the matters of taxation under all Acts administered by the Department. Since, computerization has been introduced in all important areas, this institute also provides training to departmental staff in all cadres in Computer operational methods, and guest lectures are also arranged. The Institute functions under the control of Director in the cadre of Deputy Commissioner (CT). Two Senior Lecturers in the cadre of Assistant Commissioner and one lecturer in the cadre of Commercial Tax Officer are also assisting in the training programmes.

The following type of Training is currently organized by this Institute:

- (i) Foundational Training on the concept of Taxation
- (ii) In-service Training
- (iii) Computer Training
- (iv) Value Added Tax Training to Ministerial Staff

30. Further Commercial Taxes Staff Training Institute is to impart training to the departmental personnel and to equip them with current and upto date information in the matters of taxation under all Acts administered by Department. Since the new concept on taxation namely the Value Added Tax has been introduced in this State on 1.1.2007, this Institute provides Value Added Tax training to all the Ministerial Staff of Chennai

(Commercial Taxes) Divisions. The training under Value Added Tax Act in other Divisions of this Department was given at the Division Offices with the supervision of the Deputy Commissioners concerned. This Institute also gives Computer training to the Ministerial Staff on departmental packages, intranet, internet and e-mail for equipping them in computer operational methods. In the year 2007-2008, Refreshment course and In-service Training to the Officers and Computer Training to the officers and Ministerial Staffs are proposed to be given as under:-

- (i) Computer Training in Departmental Packages
- (ii) Basic Computer Training
- (iii) VAT Refresher course
- (iv) In-service Training

Statistics and Research Cell

31. The Statistics and Research Cell at the headquarters is headed by 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 regularly viz '**Commercial Taxes Department – At a Glance**' and '**Commercial Taxes Department – Selected Indicators (folder)**'. It also undertakes the job of analyzing reasons for fall in revenue in respect of **top 100 dealers** and **top 50 commodities** every month. In addition, this cell is monitoring the prices of about 260 commodities to assess the impact of VAT on prices.

SAMADHAN SCHEME

32. A trader friendly Samadhan Scheme was implemented for a period of three months from 1.10.2006 for all dealers who were in arrears of sales tax without any restriction. A sum of Rs.6.98 crores was collected from 1036 applicants till 31.12.2006.

PREMATURE PAYMENT OF DEFERRED TAXES

33. The Government have announced a scheme on 28.2.2007 for premature payment of deferred taxes where the payment shall be agreed to the Net Present Value (N.P.V.) of the Deferred taxes calculated at a discount rate of 5% per annum for the benefit of Industrial units who have been allowed the benefit of deferment of tax.

WAIVER COMMITTEE

34. In G.O. (D) No.428, Commercial Taxes and Registration (D2) Department, dated 25.08.2006, the Government have constituted a Waiver Committee consisting of following members

1. The Secretary to Government,
Commercial Taxes and Registration Department
2. The Secretary to Government,
Finance Department.
3. The Commissioner of Commercial Taxes, Chennai-5.

This Committee has been formed to examine the waiver proposals received on the grounds that the dealers have not collected tax from the consumers due to Judicial pronouncements and clarifications from the Department. The first meeting of Waiver Committee was held on 15.11.2006 and considered the waiver proposals in respect of 21 cases pending with the Government. Out of 21 cases, the Committee has recommended 19 cases for waiver which involves an amount of Rs.17.71 crores and 2 cases involving an amount of Rs.0.71 crore were rejected. The Government have issued orders in 17 cases. Further 22 cases involving waiver proposals amounting Rs.30.94 crores are under consideration of the Government.

COMPUTERISATION OF THE DEPARTMENT

e-GOVERNANCE IN THE COMMERCIAL TAXES DEPARTMENT :

35. Computerisation was first introduced in the Commercial Taxes Department in the year 1973 by utilizing the services of the Government Data Centre at Guindy, Chennai. This was solely for processing the returns and preparing a database of the details of assessment in the State. A swing in the computerisation of the Department started with the initiatives taken by the Eleventh Finance Commission for upgrading the infrastructure of Departments involved in revenue administration and revenue collection. During this period, Tvl. Pallavan Transport Consultancy Services was nominated as Consultant. The application software and related hardware were procured in addition to the establishment of connectivity among 464 sites at a cost of Rs.10.51 crores.

36. The Department launched its own website in the internet with the address www.tnsalestax.com which offered useful and upto date information to the traders. The various statutory forms like Registration application, Monthly Returns etc. were available in the website with the facility for downloading those forms by the traders. The rates of tax applicable to all commodities were provided in that site in alphabetical order.

Intranet site for Department

37. The Wide Area Network of the Department is crowned with a departmental web, which throws up information on the Offices of the Department, circulars, notifications, important judgements, Acts and Rules and an e-mail facility. The web presents MIS reports of the data already entered in the offices. In the year 2006-07 with Rs.500 lakhs sanctioned by the Government, the following items are being purchased through Tvl. ELCOT Ltd.,

1. Purchase of Hardware : Computers, Printers, UPS to all Offices, in the Appellate and administrative wings including assessment circles
2. Call Centre at Chennai to answer queries received from public on VAT.
3. Help desks at Divisional Head Quarters and Zonal / District Head Quarters to help the dealers on issues related to registration, returns, claim of input tax credit and e-services etc.
4. Procurement of leased line for connecting Chennai Central Server at Greams Road to National Informatics Centre, Besant Nagar.
5. Procurement of ISDN lines for connecting Central Server at Greams Road to office of the Commissioner of Commercial Taxes.
6. Procurement of High Speed Scanners for scanning ICR sheets.
7. LAN connectivity for each building and with each assessment circle.

VAT Implementation under e-Governance :

38. As a prelude to the introduction of VAT system of taxation, all existing live dealers under TNGST Act were provided with Tax Payer's Identification Number (TIN) for which separate package was developed by the Central Computer Centre. A web site with the domain name www.tnvat.gov.in was registered with the help of NIC and the TIN-generated data was loaded in this Website so that any live dealer can access TIN in the Internet itself instead of going to the Assessment Circle. This facility was highly appreciated and around 2 lakhs dealers utilized this facility. VAT Registration and Return posting modules have been developed in-house and installed in all assessment circles. The activities relating to Registration are fully computerized without any manual interference. For Top Assesses there are two modes of filing of returns in the VAT environment. One is by e-filing and other is by way of ICR forms. The data from the VAT Return is captured by scanners. Tvl. NIC, Chennai are entrusted with the job of providing on-line facility to file returns under VAT through internet website www.tnvat.gov.in.

e-Governance

39. Tvl. WIPRO Info Tech are the consultants for e-Governance in Tamil Nadu and they would assist the Commercial Taxes Department on the following issues:

- Simplified procedures for tax filing, vehicle checking and monitoring of all Checkposts, sales purchases reconciliation, reconciliation with treasuries etc.
- ICR technology
- Connectivity in the post TNSWAN scenario
- Institutional Framework for e-Governance implementation in the Department
- Capacity Building and Training
- Data legacy, etc.

40. WIPRO Infotech the consultants for e-governance in Tamil Nadu, presented a DPR (Draft Project Report) for the implementation of mission mode project in the Commercial Taxes Department. The final project report will be sent to Government of India shortly for its approval. The next step under e-Governance is to quickly get the records processed at the Checkpost and would help facilitating free flow of traffic in Highways. E-governance will be introduced in areas like e-filing of returns and e-remittance of tax. Except statutory matters, all other office-works will go paperless in the phase. Tvl. NIC and ELCOT Chennai have been entrusted with the work of developing application packages for e-filing, e-payment and other Web-enabled services.

TRADERS WELFARE BOARD :

41. Keeping the interest of the trading community in mind, the Tamil Nadu Traders Welfare Board was first constituted by the Government in G.O. Ms. No.725, Commercial Taxes and Religious Endowments Department, dated 25.09.1989 to extend various kinds of assistance to the traders. This Board was lastly re-constituted in G.O. Ms. No.142, Commercial Taxes and Registration Department, dated 13.11.06 with the Hon'ble of Chief Minister of Tamil Nadu as the Chairman and the Honourable Minister for Commercial Taxes as the Vice – Chairman. Besides 5 official members, 20 non official members have been nominated to the Board. All registered dealers can enroll themselves as members of the Board on payment of enrollment fee of Rs.250/-. The total number of members as on 28.02.2007 is 44,442 and the total enrollment fee collected is Rs.1.11 crores. The members of the Traders Welfare Board are being issued with Certificate of Membership and Identity Cards. So far, 3,010 Identity Cards have been issued.

42. The 10th meeting of the Traders Welfare Board was conducted on 13.03.2007. Traders' Welfare Board has extended the following assistance to the members upto 28.02.2007.

Sl.No.	Assistance	Numbers	Amount (Rs. in Lakhs)
1.	Family Assistance at Rs.20,000/- to legal heirs of the deceased members	279	70.55
2.	Medical Assistance upto Rs.25,000/- to the members only	33	7.36
3.	Educational Assistance at Rs.3,000/- to the children of the members	77	1.98
4.	Sports Assistance at Rs.3000 to Rs.25000/-to the children of the members	2	0.15
5.	Marriage assistance (now not in existence)	2	10
6.	Fire Accident Assistance at Rs.5000/- to the member's shop / godown	29	1.45
7.	Handicapped Assistance upto Rs.20,000/- to the members	2	0.15
8.	Assistance to the children of the members who secured high marks at Rs. 5000	6	0.20
	Total	430	81.94

GRIEVANCE REDRESSAL MECHANISM

Grievance Cell

43. 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 (Administration) as Chairman and Joint Commissioner (Suo Motu Revision) & Joint Commissioner (Public Relations) as members.

Interactive Voice Recording System

44. To receive suggestions, grievances and complaints for better administration of the Department and to receive details of tax evasion, an Interactive Voice Recording System was sanctioned in G.O. No.246, Commercial Taxes Department, dt. 17.12.2003 at a cost of Rs.2 lakhs. It has been installed in the chamber of the Commissioner of Commercial Taxes. The system was inaugurated on 20.02.2004. a separate direct telephone line with No.044-28520535 has been provided for this purpose.

STEPS TAKEN FOR EFFICIENT FUNCTIONING OF COMMERCIAL TAXES DEPARTMENT

Cash Award

45. In November 2003, a scheme of cash awards to six best performing officers of the department (Rs.25,000/- each) along with a certificate of merit was announced. Departmental officers received these awards in the year 2003-2004.

Cash Reward :

46. A scheme to reward private citizen coming up with valuable information on tax evasion and tax fraud was evolved with a corpus fund of Rupees One lakh operated by the Commissioner of Commercial Taxes. Under the scheme, valuable information received are mainly processed by the Enforcement Wing for using it in the assessments. The valuable information received under this scheme is kept confidential.

Right to Information Act, 2005

47. Upto 31.12.2006, 63 applications under Right to Information Act, 2005 has been received. Out of this, 46 cases have been complied with.

Part – II Schemes 2007-2008

48. The following new schemes are approved as Part-II Schemes for the year 2007-2008:-

1. Provision of sanitation in Perarignar Anna Platinum Jubilee Memorial Buildings to deploy outsource for cleaning toilets at a cost of Rs.1.65 lakhs.
2. Provision of drinking water purifier in Perarignar Anna Platinum Jubilee Memorial Building 4 floors – both sides at a cost of Rs.2.08 lakhs.
3. Provision of Xerox machine 1 number of Joint Commissioner (CT), Chennai (North) at a cost of Rs.0.60 lakhs.
4. Purchase of furniture at a cost of Rs.4.06 lakhs.
5. Purchase of One LCD Projector, one Rizograph Copier, 4 Split air Conditioners and Furniture for Commercial Taxes Staff Training Institute at a cost of Rs.5.98 lakhs.

6. Conducting of Training programme and Seminars on VAT at District Level at a cost of Rs.19.35 lakhs.
7. Modernisation of the office of the Commissioner of Commercial Taxes – Provision of cubical cabins for 34 sections at a cost of Rs.20.00 lakhs.
8. Conference Hall – VAT Monitoring Committee – Provision of Air-Conditioner, Table etc., at a cost of Rs.1.50 lakhs.

Orders will be issued on the above 8 schemes shortly.

EXPLANATORY NOTE ON VALUE ADDED TAX ACT :

49. An Explanatory note on Value Added Tax Act has been printed and placed separately on the Table of the House.

CITIZENS' CHARTER :

50. It is proposed to place the '**Citizens Charter**' relating to Commercial Taxes Department on the Floor of the House for the year 2007-2008.

S.N.M. UBAYADULLAH
Minister for Commercial Taxes.