



COMMERCIAL TAXES AND REGISTRATION DEPARTMENT

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MINISTER FOR COMMERCIAL TAXES
AND REGISTRATION**

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**GOVERNMENT OF TAMIL NADU
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INTRODUCTION

Tamil Nadu, a progressive State, has always been a pioneer in implementation of various welfare measures and development programmes. Many of these programmes have been adopted by several other States and Government of India. Commercial Taxes Department, as one of the important revenue mobilisers for the State, fully appreciates the critical responsibility that devolves on it for raising resources in the development schemes of the State. This department performs not only the functions of regulating trades and collecting taxes but also looks after the welfare of the traders and has transformed into a trader friendly department.

Despite a general slowdown in the Indian economy and a lean agricultural season in the State, this Department has mobilized a gross revenue of Rs.56,852 crore during the financial year 2013-2014, registering a growth of 18.73% over the previous year. This growth has been achieved by ensuring better tax management strategies. The Commercial Taxes Department plays a predominant role in mobilizing the revenue for the State exchequer and contributes almost two-thirds

of the State's Own Tax Revenue. In the budget for the year 2014-15, it has been estimated that the collection of Commercial Taxes will be around Rs.68,724 crore. This department is confident of achieving the revenue target for the current year by improving its functional efficiency and curtailing tax evasion.

Tax administration in Tamil Nadu has been traditionally more efficient amongst the States of the Indian Union, which is reflected by the higher tax collections as a proportion of its Gross State Domestic Product (GSDP). Gross Commercial Taxes collection in Tamil Nadu which stood at 6.93% of its GSDP during 2012-13 has further improved to 7.02% of GSDP during 2013-14.

2. ORGANISATIONAL SET UP

Taxation and Collection are two sides of a coin and they co-exist. An efficient and responsive governance is essential for robust tax collections. This is made possible by well-connected network of subordinate offices, functioning all over the State for which the Commissioner of Commercial Taxes is the Head of the Department, having headquarters at Chennai. He is assisted by five Additional Commissioners and one Joint

Commissioner (Administration). To simplify the interaction with the mercantile public and to achieve efficiency in administration, the department has been organized on functional lines and its various responsibilities are carried out by four different wings as described below:

2.1 ASSESSMENT WING

The 319 assessment circles located across the State are the backbone of commercial tax collection for the State. These assessment circles with multi-faceted functions ranging from issue of registration certificate to collection of tax and recovery of arrears are headed by the Deputy Commissioners/ Assistant Commissioners/ Commercial Tax Officers, based on the size and complexity of the assessment circle. The 40 Territorial Deputy Commissioners at District /Zonal level and the 10 Joint Commissioners at the Divisional level exercise direct control and supervision over the functioning of the assessment circles.

A Large Tax Payers Unit at Chennai deals with top 100 tax payers in Chennai region, who account for almost 60% of the taxes collected by the department. The Large Tax Payers Unit(LTU) is headed by a Joint Commissioner and assisted by four Deputy

Commissioners with assessment and other statutory powers.

The task of monthly return scrutiny is a key function of the Assessing Authority. Further, orders have been issued in March 2014 to all assessment circles to commence detailed scrutiny of accounts of 5% of dealers selected based on a scientific risk assessment process for each of the years 2008-09, 2009-10, 2010-11 and 2011-12. It is expected that this work, which commenced on 1.4.2014, will span the next 12 months and bring about better compliance and lead to improved tax collection.

2.2 AUDIT WING

Audit is an inherent part of any tax administration and it is meant to check the correct inflow of taxes, point out errors in assessments, verify the records related to outflow of the Government funds by way of refunds and point out any irregularities or malpractices therein, among other things. Efficiency of audit depends on intelligent observation, sound technical knowledge, good judgment and positive approach. Efforts are made to inculcate these skills in the internal audit parties functioning in the department. Each Commercial Tax District

has one internal audit party headed by one Assistant Commissioner and assisted by one Commercial Tax Officer. These internal audit parties take up regular audit of the assessment circles / check posts based on the programme chartered by the Joint Commissioners. All Joint Commissioners have been directed to issue quarterly advance program of audit. It is expected that improving effectiveness of audit will lead to better compliance of Taxation law and procedures in assessment circles.

This apart, annual audit by the Accountant General in the assessment circles also takes place. Important audit observations made by the Accountant General are discussed in the joint meetings of the Departmental Audit Committee which are regularly conducted by the Principal Secretary, Commercial Taxes and Registration Department and attended by the Principal Secretary/Commissioner of Commercial Taxes and the senior officials from the office of the Accountant General.

A special drive has been initiated in April 2014 to effect final disposal of audit reports of the Accountant General and Internal Audit leading to collection of such tax dues.

2.3 APPELLATE WING

First appeal against the orders passed by the assessing officers lies before the Appellate Deputy Commissioner/ Joint Commissioner having jurisdiction. Twenty(20) Appellate Deputy Commissioners and Two (2) Appellate Joint Commissioners are functioning in the appellate wing under the control of the Sales Tax Appellate Tribunal(STAT). In case of appeals filed before the appellate authorities, the department is represented by Departmental Representative in the cadre of Assistant Commissioner. Appeals against the orders of the First Appellate Authority i.e. Appellate Deputy Commissioner / Joint Commissioner lies before the Sales Tax Appellate Tribunal.

The Main Bench of the Tribunal is located in Chennai and Additional Benches are located in Chennai, Madurai and Coimbatore. The Main Bench of the Appellate Tribunal is headed by the Chairman in the rank of District Judge. An officer belonging to Indian Audit and Accounts Service / Income Tax department/Central Excise department/ Customs department or Railway Accounts department or Defence Accounts department or a member of the Institute of Chartered Accountants of India or the Institute of Cost

and Works Accountants of India is the second member of the Tribunal and a Departmental member in the cadre of Additional Commissioner is appointed to the Main Bench.

Additional Benches of STAT are constituted by a Judicial Member in the rank of Subordinate Judge and an Additional Departmental Member in the cadre of Joint Commissioner. A State Representative in the cadre of Joint Commissioner and Additional State Representative in the cadre of Deputy Commissioner represent cases of the department before the Main Bench and the Additional Benches, respectively.

A Special Government Pleader (Taxes) appears on behalf of Government in tax cases in the High Court of Madras while the Advocate-on-Record assists the department in the Supreme Court of India.

2.4 ENFORCEMENT WING

This wing consists of eight Enforcement divisions spread across the State and one Inter-State Investigation Cell located in Chennai. These Enforcement divisions and the Inter-State Investigation Cell are headed by Joint Commissioners. The primary function of the Enforcement Wing is to identify and control tax evasion through

checking of the transport vehicles and inspections / audits in the places of business. Inter-state movement of goods is monitored through 28 check-posts situated at the State borders between Tamil Nadu and Andhra Pradesh, Karnataka, Kerala and Puducherry, 13 checkpoints at key locations inside the State and 61 roving squads. While the checkposts and checkpoints are static, roving squads are mobile.

In addition to that, Enforcement groups numbering 144 have been deployed in the Enforcement Wing to carry out VAT Audits / surprise inspections, in the places of business to detect evasion of tax. Each group consists of a Commercial Tax Officer and a Deputy Commercial Tax Officer.

Inter-State Investigation Cell (ISIC) is headed by a Joint Commissioner who co-ordinates with the officials in other States to detect cases of evasion of tax in respect of inter-state transactions and also exchanges data with them for further processing. This cell focuses especially on the movement of evasion-prone commodities in and out of the State.

3. STATISTICS AND RESEARCH CELL

Statistics and Research Cell at the headquarters is headed by a Joint Director of Statistics and reports to the Additional Commissioner (Audit). The team comprises of Joint Director (Statistics), two Statistical Officers and one Statistical Inspector, two Assistant Statistical Inspectors.

Each Commercial Taxes Division has a Junior Research Officer assisting the Joint Commissioner and each Zone/Commercial Taxes District has a Statistical Inspector assisting Deputy Commissioners.

The Statistics and Research Cell regularly brings out the following reports/publications: -

1. Booklet on "Commercial Taxes Department at a Glance" – Annually
2. "Selected Indicators on Commercial Taxes Department (Folder)" – Annually
3. Time series report on "Statistical Compendium on Commercial Taxes Department" - Annually
4. Revenue Analysis of Top 100 dealers for all Divisions and for the State - Monthly

5. Revenue Analysis of maximum revenue yielding commodities for all the Commercial Taxes Divisions and for the State - Monthly
6. Report on Act-wise and Division-wise revenue - Monthly and
7. Report on Monthly Performance of the Divisions – Monthly.

4. COMMERCIAL TAXES STAFF TRAINING INSTITUTE

The Commercial Taxes Staff Training Institute is functioning from 1982 onwards and is located in Chennai. It is headed by a Director in the cadre of Joint Commissioner(CT). The objective of the training Institute is to impart "In Service Training" and "Refresher Course Training" to all the officials. Training is also imparted at the Divisional headquarters at Vellore, Salem, Coimbatore, Trichy, Madurai and Tirunelveli. All the staff and officers of the Department are taught about basic computing as well.

5. ACTS ADMINISTERED BY THE DEPARTMENT

Commercial Taxes Department is administering the following Acts: -

1. Tamil Nadu General Sales Tax Act, 1959 (upto 31.12.2006)
2. Tamil Nadu Additional Sales Tax Act, 1970 (upto 31.12.2006)
3. Tamil Nadu Value Added Tax Act, 2006 (with effect from 1.1.2007)
4. Central Sales Tax Act, 1956
5. Tamil Nadu Entertainments Tax Act, 1939
6. Tamil Nadu Betting Tax Act, 1935
7. Tamil Nadu Tax on Luxuries Act, 1981
8. Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990
9. Tamil Nadu Tax on Entry of Goods into Local Areas Act, 2001 (This Act was struck down by the Madras High Court by its order dated 23.3.2007. An appeal against the order is pending before the Supreme Court of India)
10. Tamil Nadu Advertisements Tax Act, 1983

6. TREND IN TAX REVENUE COLLECTION

Despite a general economic slowdown, the Commercial Taxes department has been able to maintain a robust growth in collection of tax revenue through better monitoring and strict enforcement against tax evasion. Revenue collection by the department under all the Acts after the introduction of VAT had the following growth rates:

Year (1)	Revenue collection (Rs. in crore) (2)	Growth rate (3)
2009-2010	24,819	09.96%
2010-2011	31,117	25.37%
2011-2012	39,545	27.09%
2012-2013	47,885	21.09%
2013- 2014	56,852	18.73%

7. ACT-WISE REVENUE OVER THE PAST FIVE YEARS

The Act-wise revenue contribution during the above period were as below:

(Rs. in crore)

	ACT	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
1.	Tamil Nadu Value Added Tax	21,477	26,558	33,997	42,038	51,245
2.	Central Sales Tax	1,773	2,263	2,819	2,904	3,116
3.	Tamil Nadu General Sales Tax	218	350	259	261	218
4.	Entertainment Tax	13	16	59	70	68
5.	Betting Tax	7	6	7	6	6
6.	Luxury Tax	169	216	256	290	299
7.	Entry Tax on Vehicles	1,162	1,708	2,148	2,316	1,900
	Total	24,819	31,117	39,545	47,885	56,852

8. COST OF TAX ADMINISTRATION

The tax administration by the Commercial Tax Department is highly cost effective. The administrative cost of Commercial Tax collection has never crossed even 1% of the total tax receipts in a year. During the year 2013-14 the administrative cost is comparatively less and has stood at only 0.30% to the total receipts of commercial taxes in that year. The cost-effectiveness as per the details of revenue receipts and the expenditures incurred by the Commercial Taxes Department over the period was as below:

(Rs. in crore)

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
1.Receipts	24,819	31,117	39,545	47,885	56,852
2.Expenditure	205.10	196.45	224.05	214.73	173.89
3. Percentage of Expenditure to receipts	0.83%	0.63%	0.57%	0.45%	0.30%

9. Tax / Gross State Domestic Product Ratio

Tamil Nadu is the fourth largest State in India in terms of Gross State Domestic Product. Revenue collection of taxes is viewed against Gross State Domestic Product as it serves as an indicator of its depth (tax rates) and breadth (avoidance of tax evasion). The details of State's Gross Domestic Product, compared to gross tax collections by the department, over the VAT period, are as under:

(Rs. in crores)

Year	Gross collection by Commercial Taxes	GSDP	Percentage
(1)	(2)	(3)	(4)
2009-2010	24,819	4,73,519	5.24%
2010-2011	31,117	5,18,576	6.00%
2011-2012	39,545	5,81,635	6.79%
2012-2013	47,885	6,90,542	6.93%
2013-2014	56,852	8,08,766	7.02%

10. PRE-BUDGET MEETING

Every year, Government organises pre-budget meetings at the State level in which the Representatives of trade and industry associations across the State participate. Since 2011, these meetings have been conducted on 1.8.2011, 22.3.2012,

18.3.2013 and 11.02.2014. These pre-budget meetings are chaired by the Minister for Finance with the participation of Minister for Commercial Taxes and Registration, Principal Secretary (Finance), Principal Secretary(Commercial Taxes and Registration), Principal Secretary/Commissioner of Commercial Taxes and other senior officials of Commercial Taxes Department. Suggestions received during the meeting are examined in detail and appropriate action is taken. Apart from reduction or exemption of tax based on representations received and deliberations during these meetings, major amendments in the Tamil Nadu Value Added Tax Act, 2006 are also carried out whenever necessary.

11. TRADERS AWARENESS CAMP

While moving the Demand for grant for the year 2013-2014, an announcement was made to bring awareness among the traders about the amendments made, new procedures introduced in the tax system etc., In order to implement the above announcement, a sum of Rs.20 lakh was sanctioned in G.O.(Ms.)No.123, Commercial Taxes and Registration (D2) Department, dated 25.9.2013. Accordingly, the Joint Commissioners are presently conducting

monthly meetings with dealers to sort out their grievances. Apart from this, District Level Sales Tax Advisory Committee meet every quarter of the year under the Chairmanship of the District Collectors which interact regularly with the representatives of the trade and industry to sort out local issues, if any.

12. TAX REFORMS

12.1 Provision for Deemed Assessment

The requirement of mandatory passing of assessment orders at the end of each financial year for every dealer has been dispensed with. If the dealer had filed returns in the prescribed format with requisite documents/declarations and proper proof for payment of tax existed, then the dealer is automatically deemed to be assessed on 31st October of the succeeding year. This system has become operative from 19.6.2012.

12.2 Constitution of Clarification and Advance Ruling Authority

The Government have constituted a State Level Authority for Clarification and Advance Ruling on any point concerning the rate of tax. This Authority consists of the

Commissioner of Commercial Taxes, Additional Commissioner (Public Relations) and Additional Commissioner (Revision Petition) had started functioning from 31.10.2011. As on 31.3.2014, clarifications have been issued in 238 cases.

12.3 Provision for Input Tax Credit (ITC) to small dealers

Facility of input tax credit is now being provided to registered small dealers who do not, in any given assessment year, cross the threshold limit of turnover prescribed in the Act, but have collected tax in anticipation of doing so. Earlier, the tax collected by such small dealers was forfeited without allowing the benefit of input tax credit. This system is in force from 1.4.2012.

12.4 Removal of anomaly in Compounding Provision

The Government have amended the Tamil Nadu Value Added Tax Act, 2006 to the effect that if the turnover relating to taxable goods of dealers paying tax under the compounding scheme in a year reaches Rs.50 lakh at any time during the year, such dealer is required to pay tax at the rates prescribed in the schedules only upon the taxable turnover over and above Rs.50 lakh. Earlier, such dealers were liable to pay tax at

the scheduled rates for the entire taxable turnover of the assessment year. This new facility was brought into effect from 1.4.2012.

12.5 Modification in the powers of assessment by the Deputy Commercial Tax Officers:

Assessment powers of Deputy Commercial Tax Officers have been enhanced to total turnover (including exempted items and turnover under the CST Act) not exceeding Rs.75 lakh per annum with no limit as to the quantum of tax assessed, in relation thereto.

13. TAX EXEMPTIONS/ REDUCTIONS

13.1 Removal of VAT on domestic LPG

VAT levied at the rate of 4% on domestic LPG has been totally removed with effect from 1.7.2011, thereby reducing the price of a cylinder by Rs.14.73. This measure has benefited more than 1.68 crore households in the State.

13.2 Reduction in rate of tax for Gensets

While the rate of tax was reduced on Generators with effect from 1.4.2008 (4% till 11.7.2011 and 5% since then), it continued

to be at the higher rate (12.5% till 11.7.2011 and 14.5% since then) in respect of Generating Sets (Gensets). This not only caused hardship to industrial entrepreneurs but also encouraged misclassification. In order to remove the discrepancy and to augment power production, the Government have reduced the rate of VAT on Gensets also from 14.5% to 5% with effect from 7.12.2012.

13.3 Exemption of tax on Furnace Oil for High Tension(HT) Consumers

Normally, Value Added Tax is charged at the rate of 5% for Furnace Oil. In order to provide relief to High Tension consumers using furnace oil for power generation, exemption was granted from payment of Value Added Tax on the sale of furnace oil for use in Gensets for the period from 1.2.2012 to 30.9.2012. This exemption has been extended for a further period from 1.10.2012 to 31.5.2013. Through this measure, the Government have foregone a revenue of Rs.97 crores for the extended period.

13.4. Exemption of tax on Battery Operated Motorised Retrofitted Scooters for Differently Abled Persons

Earlier, tax was charged at the rate of 14.5% for the Battery Operated Motorised Retrofitted Scooters. In order to improve the mobility of the differently abled persons, the Government have exempted the sale of Battery Operated Motorised Retrofitted Scooters for their use from payment of VAT with effect from 14.12.2012.

13.5 Increase in exemption limit from payment of Luxury Tax

For the benefit of ordinary and middle class people, the exemption limit from payment of Luxury Tax under the Tamil Nadu Tax on Luxuries Act, 1981 has been increased from Rs.199/- to Rs.499/- on 4.7.2013.

14. MEASURES FOR BETTER TAX COMPLIANCE

14.1 Business Intelligence Unit

As per the directions of the Hon'ble Chief Minister, a Business Intelligence Unit had been established in the office of the Commissioner of Commercial Taxes under

the direct supervision and control of the Principal Secretary/Commissioner of Commercial Taxes. This Unit is managed by a Joint Commissioner and consists of one Deputy Commissioner, four Assistant Commissioners, one Deputy Commercial Tax Officer, one Assistant Programmer and one Statistical Inspector.

The State Business Intelligence Unit (SBIU) makes extensive use of Information Technology in analyzing the data received from various sources like returns of the dealers, documents collected at the check posts of the department, information gathered from the agencies of Central Government and various other State Governments etc. The Unit investigates evasion-prone commodities, unusual Input Tax Credit (ITC) carry forward and refund claims, abnormal stock/branch transfer claims etc. District Business Intelligence Units (DBIUs) have also been constituted in each enforcement division under the direct charge of the Joint Commissioner.

14.2 Audit of accounts by Chartered Accountant/ Cost Accountant

In order to simplify the verification of the dealers accounts and to minimise the interaction between the trading public and

the departmental officials, the Government have amended section 22(2) of Tamil Nadu Value Added Tax Act, 2006 and done away with the requirement of compulsorily issuing of assessment orders by the Assessing Officers at the end of each financial year, for every dealer. Now, a dealer is deemed to be automatically assessed on 31st October of the succeeding year provided he has filed his returns properly enclosing all requisite documents and had fully paid the taxes reported in the returns.

Accordingly to ensure the correctness of the returns filed by the dealers falling under the deemed assessment category, the Government have introduced section 63-A in the Tamil Nadu Value Added Tax Act, 2006 providing for audit of a dealer's accounts by a Chartered Accountant or a Cost Accountant in the year 2013. In order to avoid any inconvenience to the small and medium dealers, this requirement has been stipulated only for those dealers whose total turnover including the zero-rated sales and inter-State sales exceeds Rupees one crore in a year. A similar provision is available in the Value Added Tax Acts of several other States, like Andhra Pradesh, Karnataka, Kerala, Maharashtra, Gujarat etc.,

Taking into account the representations received from the Chamber of Commerce and Industry and various dealers, the time limit for filing of the audit report has since been increased from "seven months" to "nine months" from the end of the respective financial year.

15. INCREASE IN CORPUS FUND OF TAMILNADU TRADERS WELFARE BOARD

Tamil Nadu Traders Welfare Board was constituted for the welfare of the Traders by implementing several Welfare Schemes like family assistance, medical assistance, educational assistance etc., for the traders.

These schemes are implemented through the interest received from the corpus fund sanctioned by the Government to the Board and the matching grant given by the Government equal to the one time membership fee received from members. The Government vide their order in G.O(Ms.)No.69, Commercial Taxes and Registration (D2) Department, dated 29.6.2011 have done away with the requirement of annual renewal of membership by paying Rs.100/- every year

and have extended the membership to small dealers, who are doing business by obtaining necessary licence from the concerned local bodies, even if they are not registered under the Tamil Nadu Value Added Tax Act, 2006 or are not paying professional tax. To implement the scheme successfully and in accordance with the orders of the Hon'ble Chief Minister, the Government have enhanced the above corpus fund vide its G.O(Ms)No.129, Commercial Taxes and Registration (D2) Department, dated 4.10.2012.

16. PREVENTING FOREIGN DIRECT INVESTMENT(FDI) IN MULTI-BRAND RETAIL TRADE

During 2012, the then Government of India permitted 51% Foreign Direct Investment(FDI) in multi-brand retail sector in cities with a population of more than 10 lakh as per 2011 census. This is likely to adversely affect the small and medium traders who will not be able to compete with multinationals, the Government of Tamil Nadu registered its strong opposition to the decision of the then Central Government. Hon'ble Chief Minister requested the then Government of India to withdraw this decision and also stood firm that the

Government of Tamil Nadu will not allow Foreign Direct Investment in multi-brand retail trade in the State.

Due to the strong protest by the Government of Tamil Nadu, the then Government of India was forced to modify its stand and declared that Foreign Direct Investment in multi-brand retail will not be permitted in a State, if the concerned State Government did not agree for the same. The Government of Tamil Nadu did not permit Foreign Direct Investment in multi-brand retail in the State, thereby protecting the interests of small and medium traders.

17. PROMOTION OF SOLAR ENERGY IN DEPARTMENT BUILDINGS

Hon'ble Chief Minister has envisaged that Tamil Nadu should come up as a world leader in Solar Energy generation by producing 3000 MW by 2015 and towards this goal the Government had unveiled the "Tamil Nadu Solar Energy Policy 2012". This policy outlines steps to be taken for promotion of Solar Rooftop Systems in Government office buildings and in line with the policy all new buildings constructed for the Commercial Taxes Department will be provided with Solar Rooftops. 41 existing

buildings of the department will also be provided with Solar Rooftop Systems in a phased manner, by charting out a time-bound programme. This will help in bringing down the electricity charges of the Commercial Taxes Department.

18. GOODS AND SERVICES TAX (GST)

The proposal to introduce a National level Goods and Services Tax (GST) is still under deliberation in the Empowered Committee of State Finance / Taxation Ministers. The State is concerned about the impact of the proposed GST on the fiscal autonomy of the States and the huge permanent revenue loss likely to be caused to a manufacturing and net exporting State like Tamil Nadu. The serious concerns of the State with regard to the proposed Goods and Services Tax are being regularly placed before the Government of India and the Empowered Committee.

19. COMPENSATION TO BE RECEIVED FROM THE GOVERNMENT OF INDIA

19.1 Value Added Tax (VAT) Compensation

A sum of Rs. 650.44 crores is yet to be reimbursed from Government of India

towards VAT loss compensation to the State. Necessary documents and explanations have been submitted to the Government of India in order to facilitate the release of the said balance amount.

19.2 Central Sales Tax Compensation

As part of the road map for the implementation of GST, the Central Sales Tax(CST) rate was reduced from 4% to 3% with effect from 1.4.2007 and further brought down to 2% with effect from 1.6.2008. The Government of India agreed to implement various non revenue measures and direct release of fund to compensate the States for the revenue losses. The Government of Tamil Nadu has been submitting its compensation claims regularly but has not received the promised compensation in full. As against the State Government's claim of Rs.9735.38 crores for the period from 1.4.2007 to 31.3.2012, a sum of Rs.2636.50 crores alone has been released by Government of India. A sum of Rs.7098.88 crores has to be reimbursed from Government of India for pending compensation for the period upto 31.3.2012. The claims for 2012-2013 are being worked out based on the Accountant General certified figures.

20. INFORMATION TECHNOLOGY

Computerisation of the Commercial Taxes Department commenced in 1973 with the help of Government Data Centre. Later in 1988, the Department established its own Data Centre in which the Monthly Returns of the entire State were entered, processed and Management Information System(MIS) Reports were generated.

Further, to ensure smooth administration and to augment revenue collection, the Department started computerisation at the field offices level in a big way in the year 2003 pursuant to which all Departmental offices were provided with computers and connectivity for data export to Central Server in Chennai.

Presently, all the offices of the Commercial Taxes Department have been provided with Computer Systems along with required printers including Multi Function Devices. All the 215 locations of the Department are connected through 2 Mbps Leased Lines to the nearest PoP (Point of presence) of Tamil Nadu State Wide Area Network(TNSWAN) establishing the Wide Area Network for the Department.

The Department has its own website, namely www.tnvat.gov.in, through which various e-services can be accessed by the mercantile public. In addition, the Department has an Intranet website <http://www.tnct.gov.in> through which all the Departmental officials can have access to the various Application modules, perform the Departmental functions and view the MIS reports.

21. ELECTRONIC SERVICES PROVIDED TO DEALERS

Presently, the following electronic services are available to the dealers for interfacing with the Department.

21.1 Registration of Dealers

A dealer can submit his / her application for new registration online. After processing in the concerned Assessment Circle, TIN certificate is generated and sent to the dealer by Registered Post.

21.2 e-Filing of Returns

On-line filing of returns under the Tamil Nadu Value Added Tax Act, 2006 and the Central Sales Tax Act, 1956 has been

mandated for all assesseees. As many as 3,30,000 dealers (80% of the total assesseees) are at present filing their monthly returns electronically. The Department strives to facilitate ensuring 100% e-filing of monthly returns.

21.3 e-Payment through net banking

In G.O. (Ms.) No.39, Commercial Taxes and Registration (F1) Department, dated 09.04.2013, Government have approved 19 Public/ Private Sector Banks for collection of taxes through e-payment and this facility will enable instant realization of payment to the Government exchequer. During 2013-2014 Rs.34,018 crores was collected through e-payment facility, through public/private sector banks constituting 60% of the total payments. For the current year Rs.9,210 crores was collected upto June 2014 which constitutes 68% of the total payments.

21.4 e-Payment through e-chalan

On the lines of e-payment facility through public/private sector banks, measures have been taken to introduce collection of taxes through e-chalan for the benefit of dealers.

21.5 Online issue of 'C' & 'F' forms

The facility for generating 'C' & 'F' forms online has been provided to the dealers, based on the monthly returns filed by them, from November 2012 onwards. Through this facility, the hardship of the dealers to go to the Assessment Circles and time required for obtaining the 'C' and 'F' Forms have been minimized. So far, around 20 lakh online forms have been generated by the dealers.

A provision has been made from 13.2.2014 onwards to generate backlog 'C' and 'F' Forms for the period prior to 31.10.2012. Traders may avail this backlog form generation facility until 15.08.2014.

21.6 Fast Track Clearance System at the Checkposts

This facility enables the dealers to enter the details of the goods carried through the transport vehicles in the Departmental website and generate an acknowledgement. This acknowledgement will be carried along with the goods vehicle and on its production at the Checkposts, it will be cross-verified, entries updated and the vehicle will be cleared instantly. This

facility saves time and traffic congestion at the check posts and serves as a fool proof system in clearance.

21.7 Online issue of Transit Pass

The facility of generating e-Transit pass has been introduced from November 2011 for certain evasion prone commodities as specified in the Sixth Schedule of the Tamil Nadu Value Added Tax Act, 2006. This facility enables the dealers to generate transit pass online which is required for inter-state movement of goods specified in the Sixth Schedule. This transit pass can be generated by the dealer on all days without visiting the Assessment Circles. The details in the transit passes produced by the dealers will be cross-verified at the check-posts with reference to the database entries and thereafter the vehicles will be allowed to pass.

The e-Transit pass system has been extended to two more commodities, namely, vegetable oil and Iron & Steel from 08.11.2013 onwards. More than 2,50,000 e-Transit Passes have been generated so far.

21.8 Refunds to Exporters

The filing of Form 'W' return has been prescribed for the exporters who claim refund of Input Tax Credits arising with reference to their zero rated sales. Introduction of e-filing of Form W has made the process of refund to the exporters faster, compared to the manual system. The status of the refund claim is updated in the Department's website and therefore, the interface between the Department and dealer is kept to the minimum. In order to validate the export sales, a Memorandum of Understanding (MOU) has been signed by the Joint Commissioner(MOU) on behalf of the Government with the Director General of Foreign Trade (DGFT).

21.9 e-filing of Annual Returns

e-filing facility has been provided to dealers for filing Annual Returns. So far, around 12,600 dealers have filed Returns online and around 2.25 Lakhs dealers are expected to utilize this facility during the current year (2014-15).

21.10 Data Retrieval Lab

The Data Retrieval Lab enables the Department to arrest the IT enabled

evasions and to identify different kinds of sophisticated trade malpractices if any resorted to by the dealers.

Data from the storage media like Hard Disks, seized from dealer's premises are being processed in the Lab. Training on the data retrieval is also offered at the lab to the Departmental officials.

21.11 Other Online Services

The following facilities / services are available in the website www.tnvat.gov.in, for the mercantile public: -

- Viewing and downloading of the Acts & Rules, Forms, Circulars, Clarifications, Government Orders and Notifications issued.
- Viewing dealer's tax payments history and profile (Dealer's Ledger).
- On-line search facility to know the schedule under which a commodity falls and the rate of tax.
- On-line search facility for the details of dealers, by entering their TIN or Name.

The Intranet online application for the Departmental officials also provides the following facilities:

- Live report on revenue collection under various Acts with drill down facility from State level to Circle level.
- Statistical Reports on the performance of the Officers of the Department.
- Government Notifications, Government Orders, Circulars and Clarifications.
- MIS reports like return filed status, return audit, input versus output and return scrutiny.
- Online cross verification of Input Tax Credit availed by the dealers.
- Online notice generation for wrong claims of ITC.
- Integration of Territorial and Checkpost modules which enables the Assessing Officers to cross verify the data furnished by the dealers in the Monthly Returns along with the movement of goods through Checkposts.
- E-mail facility.

The above facilities enable the Departmental officials to identify the dealers who evade tax payments and pursue necessary action.

21.12 Tax Information Exchange System (TINXSYS)

TINXSYS is a Centralised Solution, implemented by the Empowered Committee of State Finance Ministers (EC), to facilitate information exchange between various State Commercial Taxes Departments. This provides effective monitoring of Inter-state Trade transactions. The mercantile public as well as the Commercial Tax officials can make use of this system to verify the status of the sellers of the goods in the other States as also the position regarding the statutory forms generated under the Central Sales Tax Act.

21.13 Total Solution Project

To move towards a more holistic approach towards e-Governance focusing on process engineering, citizen centricity and control of tax evasion with the help of modern technology, the Department has embarked a new phase of e-Governance which involves Total Computerisation of the

Department. To achieve the above objective, Tvl. Accenture, a Technical Consultant firm, have been appointed by the Department to study the entire flow process of the Department, suggest an end-to-end Integrated Solution and formulate the road-map for implementation.

The consultant team of Tvl. Accenture working with the Department since April 2011, to understand the gaps and challenges in the current system, identify the good practices adopted by tax administrations across the world and design a system that will enable the Department achieve its core objectives.

The Government have sanctioned Rs.230.96 Crore for five years, for providing end-to-end solution to the Department. The tender process for identification and selection of the System Integrator (SI) for implementation of Total Solution in the Commercial Taxes Department was completed and M/s Tata Consultancy Services has been selected to carry out this task and to that effect agreement has also been signed on 9th December 2013. The preparation of Functional Requirement Specification (FRS) is under progress. The implementation of the pilot roll out is

expected during September 2014 and State wide Rollout will be completed by October 2014 in two phases. A team of officials has been formed to co-ordinate with the Tata Consultancy Services and suggest the requirement of the Department for development of software to resolve the possible hurdles and make this system holistic and perfect.

As part of this project, Commercial Taxes Department will be installing new computers and other accessories in all the offices of the Department and integrated software will be developed for the use of the Department, providing end-to-end solution, through which all the Departmental functions will be automated and the dealers' personal interface with the Department will get minimized. This will help the Department to provide quality multi-channel online services to the mercantile public and also have a transparent tax administrative system, which will primarily focus on arresting evasion, besides making processes simpler for the dealers and officials of the department.

22. IMPROVEMENT OF INFRASTRUCTURE

22.1 Construction of own buildings

When the Government offices function in private buildings which normally do not possess adequate facilities to the officers and staff, they put large inconvenience to the visiting traders also. Considering the necessity to have own buildings for providing better facilities to the staff and visiting traders and to provide good working environment, sanction was accorded for construction of 16 buildings for housing 39 offices of the department at a cost of Rs.23 crores during the year 2011-2012. Work has been completed in respect of Commercial Taxes Staff Training Institute at Trichy, Integrated Commercial Taxes Buildings at Salem, Thiruvannamalai, Villupuram and Mayiladuthurai, Commercial Taxes offices at Panruti, Nannilam, Lalgudi and Kovilpatti, Commercial Taxes Office Annex Building at Erode and checkpost building at Puzhal in Tiruvellore District and inaugurated by the Hon'ble Chief Minister on 11.6.2014 by video conferencing. Rest of the buildings are under various stages of construction. During the year 2012-13, the Government have sanctioned construction of

own buildings in 10 places for housing 16 offices, namely Ranipet, Virudhachalam, Ariyalur, Kallakurichi, Ginjee, Harur, Ambasamudiram, Nanguneri, Tiruchendur and Tirupur at a cost of Rs.11.18 crore vide G.O.(Ms.) No.4, Commercial Taxes and Registration (D2) Department, dated 22.1.2013. Construction works have been started in all the places and most of the buildings will be completed soon.

The buildings now sanctioned have been designed to possess facilities like ramps and handrails, visitor's area, adequate toilet facilities including facilities for differently abled persons, RO system for drinking water, fire-fighting equipments etc., keeping in mind the needs of the visiting traders and the staff of the Commercial Taxes Department.

The Hon'ble Chief Minister announced on the floor of the Assembly on 13.5.2013 (under Rule 110 of the Tamil Nadu Legislative Assembly Rules) that Commercial Taxes buildings would be constructed in 7 places for 9 offices at a cost of Rs.10.93 crores and solar energy panels would be installed in all of them, as per the Tamil Nadu Solar Energy Policy, 2012. Pursuant to that, the Government have accorded

administrative sanction vide G.O.(Ms.) No.24, Commercial Taxes and Registration (D2) Department, dated 26.02.2014, works have been entrusted to Public Works Department and steps have been taken to call for tenders. These works are expected to be commenced soon.

22.2 Modernisation of Checkposts and Check Points

28 checkposts and 8 checkpoints were facing operational difficulties due to issues like inadequate manpower, interruptions in network connectivity and power supply, improper location, inadequate space etc., In order to rectify these deficiencies and modernize the checkposts and checkpoints, the Government have sanctioned an amount of Rs.33.36 crore (non-recurring-Rs.28.95 crore, recurring – Rs.4.41 crore) vide G.O.(Ms) No.94, Commercial Taxes and Registration (A1) Department, dated 9.7.2012. This amount will be utilized for acquisition of land wherever needed, construction and renovation of buildings, purchase of vehicles, purchase of Gensets, etc.,

22.3 Reorganisation of Chennai Commercial Taxes Divisions

While moving the Demand for the year 2013-2014, an announcement was made to re-organise the four Commercial Taxes Divisions in Chennai to streamline their services. In order to implement the above announcement, a committee was formed to study and submit a report. Based on the report of the Committee so constituted, orders were issued in G.O.(Ms.)No.23, Commercial Taxes and Registration (A2) Department, dated 27.3.2014, to re-organise the existing four Chennai (CT) Divisions based on the geographical continuity, equitable distribution of workload and assesseees in each assessment circles and also considering the potential for growth of business and the number of registered dealers in future.

As per the re-organised structure, the four Commercial Tax divisions of Chennai will have about 25 circles each with approximately 29,000 assesseees for each division.

23. RIGHT TO INFORMATION ACT, 2005

Right to Information Act, 2005 was enacted to bring transparency in the working of Government Organisations. Commercial Taxes Department with fairly large amount of direct interaction with the mercantile public, ensures that the activities of the department are conducted in a clear, simple and transparent manner. Towards this objective, the department gives special importance to all the petitions received under the Right to Information Act, 2005 and replies are sent promptly to the applicants in all the cases.

24. PART-II SCHEMES FOR THE YEAR 2014-2015

Sl. No.	Name of the Scheme	Amount (Rs. in lakhs)
<u>Commercial Taxes</u>		
1.	Purchase of 3 computers	1.35
2.	Construction of car shed for parking vehicles in the office of Coimbatore Enforcement Division	19.00

3.	Provision for implementation of online vehicles monitoring systems based on GPS technology in the Roving Squads	29.50
<u>Tamil Nadu Sales Tax Appellate Tribunal</u>		
4.	Purchase of 5 systems, Laser printers, UPS and other Accessories for the Tribunal	2.60
5.	Purchase of 3 xerox machines for the use of the Tribunals at Chennai, Madurai and Coimbatore	2.73
6.	Purchase of 3 fax machines for the use of the Tribunals at Chennai, Madurai and Coimbatore	0.40

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