

Circular No. 59/2014  
Acts Cell – III/34158/2014.

Office of the Principal Secretary &  
Commissioner of Commercial Taxes,  
Chepauk, Chennai -5.  
Dated: 27.11.2014.

CIRCULAR

Sub: TNVAT Act 2006 – Zero rate sale –  
Export of Fabrics – ITC Refund –  
Eligibility criteria – Instructions  
issued – Regarding.

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1. It has come to the notice of the Principal Secretary and Commissioner of Commercial Taxes that there is lack of clarity with reference to persons or dealers who are eligible to enjoy the benefits of Zero rating.

2. Section 18 of TNVAT Act provides for zero rating and the related procedures for claiming refund or adjustment of ITC in respect of tax paid on the purchase of goods specified in the First Schedule.

3. As per section 18(1) (i) the registered dealer, exporting the goods either as such or manufactured out of the goods purchased, as falling under section 5(1) and 5(3) of the CST Act, 1956, is eligible to get refund of ITC on related purchases of Inputs effected from Registered dealers inside the State. The Principle behind refund of ITC on exports is that only goods must be exported, and not taxes, enabling competitive marketing of Indian goods in the world market.

4. There is no specification under Section 18(1) (i) or (ii) that the goods exported should be one among the taxable goods classified under First Schedule to the Act, 2006. Therefore if a dealer manufacturers fabric out of yarn purchased in Tamil Nadu and exports such fabric to other country. Such export can be treated as zero rated sale as falling under section 18(1) (i) of the Act, though the fabric is an exempted item. Therefore, the exporters of exempted goods manufactured out of taxable inputs are eligible to avail the benefit of refund of ITC on related

purchases of taxable goods to exports as provided under section 18(2), of the Act, 2006.

Sd/- K. Rajaraman,  
for Principal Secretary/  
Commissioner of Commercial Taxes

To

1. All the Joint Commissioners (CT) (Territorial including LTU, Enforcement, ISIC & MOU Cell)
2. All Deputy Commissioners (Territorial, Enforcement & MOU Cell)
3. All the Head of the Assessment Circles.
4. All Check post Officers.

Copy to

1. All the Additional Commissioners in the O/o the Commissioner of Commercial Taxes, Chepauk, Chennai - 5.
2. Joint Commissioner (Admn), O/o the Commissioner of Commercial Taxes, Chepauk, Chennai - 5.
3. All the Joint Commissioners (CT), Deputy Commissioners(CT) & Assistant Commissioners (CT) in the O/o the Commissioner of Commercial Taxes, Chepauk, Chennai - 5.
- ✓ 4. The Joint Commissioner (Computer Systems) Chennai - 6 for uploading in the intranet and internet websites.
5. The Director, Commercial Taxes Staff Training Institute, Chennai - 6.
6. PA to CCT
7. The Superintendent, 'Y' Section
8. Stock file
9. Spare 5 Copies

/Forwarded/ By Order/

*M. M. Ganesan*  
28/11/2014  
Commercial Tax Officer-III