

**GOVERNMENT OF TAMIL NADU  
COMMERCIAL TAXES DEPARTMENT**

**PROCEEDINGS OF THE  
AUTHORITY FOR CLARIFICATION AND ADVANCE RULING**  
(Under Section 48-A of TNVAT Act, 2006)

**Present: 1. Dr. K. Manivasan, I.A.S.,  
Commissioner of Commercial Taxes,  
2. Thiru. R. Chandramohan, M.A.,  
Additional Commissioner (PR)  
3. Thiru. E. Rathinasamy, M.Sc., B.L.,  
Additional Commissioner (RP) (FAC)**

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**A.C.A.A.R 22/ 2012-13**

**Dated 14.02.2013**

Ref: Application of Tvl.Rajaguru Spinning Mills  
Private Limited, SF No.297/2, Sulai,  
Manickampalayam Road, Erode - 638 004  
dated 08-05-2012.

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Tvl.Rajaguru Spinning Mills Private Limited, SF No.297/2, Sulai, Manickampalayam Road, Erode - 638 004 (TIN: 33353201384) have filed an application and sought clarification under Section 48-A of the TNVAT Act, 2006 read with Rule 12-A of the TNVAT Rules, 2007.

2. The clarification was sought on the following in column 4 of Form V V:

**“100% Viscose Staple Fibre (VSF) Hank  
Yarn”.**

3. It was stated by the dealers that they are manufacturers of 100% VSF yarn and requested the applicable VAT rate on 100% VSF hank yarn since two contrary clarifications had been issued earlier from the Commissioner of Commercial Taxes with reference to “hank yarn”. In clarification given in VAT Cell-6230/2007(VCC No.221), dated 29.03.2007 it was stated that “Hank yarn” includes hemp yarn manufactured using raw materials other than cotton also and therefore exempted from tax under Entry No.44 of Part B of the Fourth Schedule. In another clarification issued in VAT Cell-43285/2007(VCC No.1265), dated 19.09.2007, it was clarified that polyester yarn, VSF yarn and blended

yarn are not used for handloom. Hence, they are liable to tax at 4% under Entry No.3(a) of Part B of the First Schedule. Therefore, they have sought clarity as to the rate of tax in respect of 100% VSF hank yarn.

4. The issue has been examined in detail with reference to the provisions of the TNVAT Act and Rules and clarification is given as under:

5. Section 48-A of the TNVAT Act, 2006 provides for clarification on any point concerning rate of tax.

6. The dealer has sought clarification on "100% Viscose Staple Fibre (VSF) Hank Yarn".

7. The Tamil Nadu Value Added Tax Act, 2006 contains the following entries related to yarns:

<b>Sl. No</b>	<b>Name of Commodity</b>	<b>Schedule</b>	<b>Entry No.</b>	<b>Rate of Tax</b>
1.	(a) All types of yarn (other than those specified in the Fourth Schedule)  (b) Sewing threads of all kinds whether natural or artificial but excluding surgical sewing thread  (c) Waste of all types of yarn and sewing thread	First	3	5%
2.	Cotton yarn, but not including cotton yarn waste (Declared Goods)	First	41	5%
3.	Hank yarn	Fourth	44	Exempted

8. The cotton yarn is meant for weaving industry which consists of power loom sector and hand loom sector. The cotton yarn manufactured so as to suit in the hand loom sector are known as "cotton hank yarn" of various counts and are used for the manufacture of handloom cloth. The Textiles (Development and Regulation) Order, 1993, an order issued under Section 3 of the Essential Commodities Act, 1955 empowers the Textiles Commissioner appointed by the Central Government, inter alia,

for the protection of the Handloom Industry by way of ensuring that the yarn in hank form is available in adequate quantity at reasonable prices to the handloom industry. The handloom industry which caters to the employment and earning capacity of lakhs of poor handloom weavers and their family members needs to be provided with adequate quantity of yarn in the hank form at reasonable prices and on an assured basis. With this objective in view, statutory notification has been issued by the Textile Commissioner prescribing hank yarn obligation at 40% at present. With this background it has been clarified earlier that, polyester yarn, Viscose Staple Fibre yarn and blended yarn cannot be used in the handloom sector since such yarns are in no way connected with the handloom sector as the intention of the Government is to help the handloom sector by granting exemption on cotton yarn in hank only. Accordingly, clarification was given to the effect that polyester yarn, Viscose Staple Fibre yarn and blended yarn are liable to tax at 4% (the tax rate as it stood then) considering the fact that such yarns are not used for handloom. Exemption given to hank yarn is therefore intended to benefit the handloom sector and the exemption is also intended to cotton hank yarn and not to any other types of yarn. Therefore, 100% Viscose Staple fibre yarn in hank is a taxable commodity.

9. The clarification, therefore, is that "**100% Viscose Staple Fibre (VSF) Hank Yarn**" sold by the dealer is taxable at 5% under Entry 3(a) of Part B of the First Schedule to the TNVAT Act, 2006.

\Sd/- R.Chandramohan  
Additional Commissioner (PR)

Sd/-E. Rathinasamy  
Additional Commissioner(RP)(FAC)

Sd/- K. Manivasan  
Commissioner of Commercial Taxes

To

Tvl.Rajaguru Spinning Mills Private Limited,  
SF No.297/2, Sulai,  
Manickampalayam Road,  
Erode - 638 004

Copy to:

The Assistant Commissioner (CT)  
Thiruchengode Rural Assessment Circle,  
Erode .

The Joint Commissioner (CT),  
Salem Division.

The Joint Commissioner (CS)  
To host in the Department Website

The Secretary to Government, Commercial Taxes & Registration  
Department, Chennai – 9.

All Joint Commissioners (CT) including Enforcement, LTU. MOU and ISIC  
All Deputy Commissioners (CT), Territorial, Assessment and Enforcement  
All Head of Offices (Assessment)  
The State Representative, Sales Tax Appellate Tribunal, Chennai – 104.  
The Addl. State Representative, (AB) Chennai, Madurai and Coimbatore  
The Director, CTSTI, Greams Road, Chennai – 6.  
The Executive Officer, Traders Welfare Board, Chennai – 5.  
The Accountant General (Audit)-II, No.44, Greams Road, Chennai – 6.  
The Additional Commissioners, Deputy Commissioners, Assistant  
Commissioners,  
Commercial Tax Officers in CCT's Office  
Personal Clerk to the CCT.  
Stock File3 / Act Cell II / Spare – 5.

//forwarded by order//

  
26/2/13  
Commercial Tax Officer.