

**GOVERNMENT OF TAMIL NADU
COMMERCIAL TAXES DEPARTMENT**

**PROCEEDINGS OF THE
AUTHORITY FOR CLARIFICATION AND ADVANCE RULING
(Under Section 48-A (4) 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. B. Gnanasekar, M.A.,
Additional Commissioner (RP)**

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D.Dis.Acts Cell II/30668/2012

Dated 26.10.2012

- Ref: 1. Review application filed by Tvl Madras Security Printers Private Limited, Chennai – 600 081, dated 04-09-2012.
2. Proceedings of the Authority for Clarification and Advance Ruling in A.C.A.A.R.22/2011-12, Dated 25.07.2012.
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REVIEW ORDER

The Authority for Clarification and Advance Ruling in its order in A.C.A.A.R 22/ 2011-12 Dated 25.07.2012 had clarified that "Smart Card" is not classifiable as an IT Product as the said item has not been enumerated in the IT products listed under Entry 68 of Part B of the First Schedule to the TNVAT Act, 2006. Accordingly, "Smart Card" was clarified as an unclassified item taxable at 14.5% under Entry 69 of Part C of the First Schedule to the Act.

2. The Authority had considered the issue earlier and clarification was given as under:

"Government have notified 30 products as Information Technology products in Notification No.II (1)/CTR/ (a-6)/2007, dated 01-01-2007. The exhaustive list of IT products under the said Entry, however, does not contain "Smart Card". In other words, Government have not notified "Smart Card" as an IT product. It was therefore clarified that "Smart Cards" are unclassified goods taxable at 14.5% under Entry 69 of Part C to the First Schedule".

3. Aggrieved against the said clarification, the dealer had filed an application before the Authority to review its clarification given earlier on "Smart Card" emphasizing that "Smart Card" is an IT product taxable at 5% under Entry 68 of Part B of the First Schedule to the Act.

4. Thiru. P.Rajah Sundar Singh, Managing Director appeared in person on 15.10.2012 and put forth his contentions. The issue has been examined in detail with reference to the details furnished by the dealer and the provisions of the Act and Rules.

5. The details furnished by the dealer reveal that "Smart Card" manufactured by them contains built in micro processor for electronic process and micro controller memory and communication interface, which is commonly and in the Commercial Circle understood as "Electronic Integrated Circuit and Micro Assembly. The "Smart Card" is a card with built in microprocessor for electronic process such as personal identification or financial transaction like Bank Card (Debit card or Credit card). It is similar to a credit card, but contains a micro controller, memory and communication interface. When it is used with a card reader it receives power and transfer data to and fro. It incorporates most or all of the functions of a Central Processing Unit (CPU) on a single integrated circuit. Further, it can receive input which is processed by way of the Integrated Circuit Card application and deliver an output. The "Smart Card" operates and functions on the basis of the input stored in the microprocessor which is embedded in a plastic card. The plastic card is used as ID card to subscribe the name and details of the person entitled to use it and it is also used as a holder of the Electronic Integrated Circuit. A microprocessor embedded in a plastic card remains a microprocessor, and the plastic card does not alter the characteristics of the processor which is an electronic product with embedded software. The functioning and usage would prove that the "Smart Card" is nothing but an Electronic Integrated Circuit or micro assembly falling under Entry 68 (17) of Part B of the First Schedule to the Act.

6. The Authority, reviewed the issue in depth. "Smart Card" containing in-built microprocessor for electronic process and micro controller which is used and understood as electronic integrated circuit or micro assembly has to be differentiated from plastic cards merely containing magnetic strips. The plastic cards

containing magnetic strips are taxable at 14.5% while the "Smart Card", containing Electronic Integrated Circuit and Micro Assembly manufactured and sold by the dealer is taxable at 5% under Entry 68 (17) of Part B of the First Schedule to the Act.

7. The Authority after reviewing the clarification already issued decides under Section 48-A (4) that "Smart Card" manufactured and sold by the dealer is taxable at 5% under Entry 68 (17) of Part B of the First Schedule to the TNVAT Act and the clarification issued to the dealers in A.C.A.A.R.22 / 2011-12 dated 25.07.2012 is rescinded.

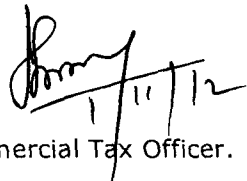
Sd/- R. Chandramohan Sd/- B. Gnanasekaran Sd/- Dr.K. Manivasan
Additional Commissioner (PR) Additional Commissioner (RP) Commissioner of Commercial Taxes

To
Tvl Madras Security Printers Private Limited,
72 (Old No.781,
Thiruvottiyur High Road,
Chennai – 600 081

Copy to:

The Assistant Commissioner (CT)
Tondiarpet Assessment Circle.
The Joint Commissioner (CT)
Chennai (East) 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 //


Commercial Tax Officer.