



**KARNATAKA LEGISLATIVE ASSEMBLY  
FOURTEENTH LEGISLATIVE ASSEMBLY  
THIRD SESSION**

**THE KARNATAKA VALUE ADDED TAX (AMENDMENT) BILL, 2014  
(L.A. Bill No. 33 of 2014)**

A Bill further to amend the Karnataka Value Added Tax Act, 2003.

Whereas it is expedient further to amend the Karnataka Value Added Tax Act, 2003 (Karnataka Act 32 of 2004) for the purposes hereinafter appearing;

Be it enacted by the Karnataka State Legislature in the Sixty fifth year of the Republic of India, as follows.-

**1. Short title and commencement.-** (1) This Act may be called the Karnataka Value Added Tax (Amendment) Act, 2014.

(2) It shall come into force with effect from the First day of March, 2014.

**2. Amendment of section 22.-** In the Karnataka Value Added Tax Act, 2003 (Karnataka Act 32 of 2004) (hereinafter referred to as the principal Act), in section 22,

(i) in sub-section (2), for the words “five”, the words “seven and one half” shall be substituted;

(ii) in sub-section (3), for the words “forty thousand”, the words “sixty two thousand five hundred” shall be substituted; and

(iii) sub-section (9-A) shall be omitted.

**3. Amendment of section 27.-** In section 27 of the principal Act, in sub-section (1), in clause (c), for the words “five”, the words “seven and one half” shall be substituted.

**4. Amendment of section 31.-** In section 31 of the principal Act, after sub-section (4), the following sub-section shall be inserted namely.-

“(5) Every registered dealer shall furnish every year to the prescribed authority, a statement relating to his turnovers in such form, containing such particulars and within such period as may be prescribed.”

**5. Amendment of section 63.-** In section 63 of the principal Act, in sub-section (4), the following proviso shall be inserted, namely.-

“Provided that a single appeal may be preferred against orders of assessment or reassessment or any other orders or proceedings, in respect of more than one tax periods of any year.”

**6. Amendment of section 72.-** In section 72 of the principal Act, in sub-section (1), the following proviso shall be inserted, namely.-

“Provided that no penalty shall be payable for failure to furnish a return for any tax period in a year under this sub-section by a dealer who not being liable to get registered under section 22 and is also not liable to pay any tax for such tax period, if he makes an application for cancellation of his certificate of registration.”

**7. Amendment of section 74.-** In section 74 of the principal Act,

(i) in the heading, after the words “statement of accounts”, the words “and turnovers” shall be inserted.

(ii) in sub-section (4), after the words “audited statement of accounts”, in the two places they occur, the words “or statement as required under sub-section (5) of Section 31 of the Act, as the case may be” shall be inserted.

**8. Amendment of First Schedule.-** In the First Schedule to the principal Act, the entries relating to serial number 34 shall be omitted.

**9. Amendment of Third Schedule.-** In the Third Schedule to the principal Act, after the entries relating to serial number 59, the following shall be inserted, namely.-

“59-A. Liquor including beer, fenny, liqueur and wine”

**STATEMENT OF OBJECTS AND REASONS**

It is considered necessary to amend the Karnataka Value Added Tax Act, 2003 to give effect to the proposals made in the Budget particularly to provide for levy of tax on sale of liquor including beer, fenny, liqueur and wine by bar and restaurants operating in urban areas and by clubs, lodging houses and star hotels, and matters connected therewith.

Hence, the Bill.

**FINANCIAL MEMORANDUM**

There is no extra expenditure involved by the proposed measure.

**MEMORANDUM REGARDING DELEGATED LEGISLATION**

**CLAUSE 4 -** Sub-section (5) of section 31 sought to be inserted under clause 7 empowers the State Government to make rules regarding the form and particulars to be furnished in the statement and the period within which such statement has to be furnished by a registered dealer and the Authority before home the said particulars has to be furnished.

The proposed delegation of Legislative power is normal in character.

**SIDDARAMAIAH**  
CHIEF MINISTER

**P. OMPRAKASHA**  
Secretary  
Karnataka Legislative Assembly

**ANNEXURE****EXTRACT FROM THE KARNATAKA VALUE ADDED TAX ACT, 2003****(KARNATAKA ACT 32 OF 2004)****XX****XX****XX****22. Liability to register.- (1) XX XX XX**

(2) Every dealer who at any time has reason to believe that his taxable turnover is likely to exceed five lakh rupees during any year after the year ending Thirty First day of March, 2005 shall be liable to be registered and report such liability forthwith or on such date as may be notified by the Government.

(3) Every dealer whose taxable turnover exceeds forty thousand rupees] in any one month after the date from which the tax shall be levied, in accordance with Section 3, shall register forthwith.

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(9-A) Every dealer engaged in the execution of works contract shall be liable to register and shall report such liability after the end of the month in which execution of any works contract is undertaken.

**XX****XX****XX****27. Cancellation of registration.- (1) In any case where.-**

- (a) any business of a registered dealer has been discontinued, transferred fully or otherwise disposed of; or
- (b) there is any change in the status of the ownership of the business; or
- (c) the taxable turnover of sale of goods of a registered dealer has, during any period of twelve consecutive months, not exceeded five lakh rupees; or
- (d) a dealer issues tax invoices without effecting any taxable sales; or
- (e) a dealer being an individual, registered under this Act dies,

and for any other good and sufficient reason, the prescribed authority may, either on its own motion or on the application of the dealer, or in the case of death, on the application of the legal heirs, made in the prescribed manner, cancel the registration certificate from such date, including any anterior date, as it considers fit having regard to the circumstances of the case:

Provided that in the case of a deceased individual, on application by his legal heirs for transfer of registration and subject to such conditions as may be prescribed, the prescribed authority may instead of cancellation permit transfer of his certificate of registration to the legal heirs.

**31. Accounts.- XX****XX****XX**

(4) Every dealer whose total turnover in a year exceeds one hundred lakh rupees shall have his accounts audited by a Chartered Accountant or a Cost Accountant or a Tax Practitioner subject to such conditions and such limits as may be prescribed and shall submit to the prescribed authority a copy of the audited statement of accounts and prescribed documents in the prescribed manner. **(Refer Rules 33 and 34):**

Provided that every dealer whose total turnover for the year ending Thirty First day of March, 2010 exceeds forty lakh rupees shall have his accounts audited.

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**63. Appeal to the Appellate Tribunal.-** (1) Any officer empowered by the State Government or the Commissioner in this behalf or any other person objecting to an order passed by the appellate authority under Section 62 or the Joint Commissioner under Section 63-A may appeal to the Appellate Tribunal within a period of sixty days from the date on which the order was communicated to him.

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(4) The appeal, or the memorandum of cross-objections, shall be in the prescribed form, shall be verified in the prescribed manner, and, in the case of an appeal preferred by any person other than an officer empowered by the State Government or the Commissioner under sub-section (1) shall be accompanied by proof of payment of thirty percent of the tax or other amount disputed and also a fee equal to two percent of the amount of assessment objected to, provided that the sum payable in no case be less than two hundred rupees or more than one thousand rupees.

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**72. Penalties relating to returns and assessment.-** (1) A dealer who fails to furnish a return or who fails to pay the tax due on any return furnished as required under the Act shall be liable to pay together with any tax or interest due.-

(a) a penalty of fifty rupees for each day of default and where such default is more than five days, such penalty.-

(i) shall not exceed two hundred and fifty rupees if the tax due is less than the said amount;

(ii) shall be calculated at fifty rupees per day not exceeding the amount of tax due, if the tax due is more than two hundred and fifty rupees; and

(b) a further penalty equal to.-

