

**BILLS INTRODUCED IN THE LEGISLATIVE ASSEMBLY OF  
THE STATE OF TAMIL NADU**

Under Rule 130 of the Tamil Nadu Legislative Assembly Rules, the following Bill which was introduced in the Legislative Assembly of the State of Tamil Nadu on 30th October, 2013 is published together with Statement of Objects and Reasons for general information:—

**L.A. Bill No. 28 of 2013**

***A Bill further to amend the Tamil Nadu Value Added Tax Act, 2006.***

BE it enacted by the Legislative Assembly of the State of Tamil Nadu in the Sixty-fourth Year of the Republic of India as follows:—

Short title and  
commence-  
ment.

**1.** (1) This Act may be called the Tamil Nadu Value Added Tax (Fifth Amendment) Act, 2013.

(2) (a) Section 2 shall come into force on such date as the State Government may, by notification, appoint.

(b) Section 3 shall be deemed to have come into force on the 1<sup>st</sup> day of April 2013.

(c) Section 4 shall come into force at once.

Amendment of  
section 19.

**2.** In section 19 of the Tamil Nadu Value Added Tax Act, 2006 (hereinafter referred to as the principal Act),—

Tamil Nadu Act  
32 of 2006.

(1) to sub-section (2), the following proviso shall be added, namely:—

“Provided that input tax credit shall be allowed in excess of three per cent of tax for the purpose specified in clause (v).”;

(2) in sub-section (4), for the expression “three per cent of tax”, the expression “five per cent of tax” shall be substituted.

Amendment of  
Second  
Schedule.

**3.** In the Second Schedule to the principal Act,—

(1) for Serial Number 2 and the entries relating thereto, the following Serial Number and entries shall be substituted, namely:—

“2 (i) Alcoholic liquors of all kinds for human consumption, other than liquors falling against Serial Numbers 1 and 3.	At the point of first sale in the State.	58 per cent.
(ii) Alcoholic liquors of all kinds for human consumption, other than Beer, Wine, Draught Beer and liquors falling against Serial Numbers 1 and 3, where basic price per case is,—	At the second point of sale in the State.	
(a) upto Rs. 421		245 per cent.
(b) from Rs. 422 upto Rs. 435		240 per cent.
(c) from Rs. 436 upto Rs. 455		230 per cent.
(d) from Rs. 456 upto Rs. 469		225 per cent.
(e) from Rs. 470 upto Rs. 499		220 per cent.
(f) from Rs. 500 upto Rs. 514		215 per cent.

(g) from Rs. 515 upto Rs. 527	210 per cent.
(h) from Rs. 528 upto Rs. 717	205 per cent.
(i) from Rs. 718 upto Rs. 760	195 per cent.
(j) from Rs. 761 upto Rs. 4726	190 per cent.
(k) from Rs. 4727 and above	185 per cent.

(iii) Beer	At the second point of sale in the State.	260 per cent.
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(iv) Wine	At the second point of sale in the State.	250 per cent.
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(v) Draught Beer	At the second point of sale in the State.	270 per cent.
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(vi) Alcoholic liquors of all kinds for human consumption, other than liquors falling against Serial Numbers 1 and 3.	At the third point of sale in the State	14.5 per cent.”;
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(2) in Explanation I, after clause (b), the following clauses shall be added, namely:-

“(c) “basic price” means the price paid for alcoholic liquors by the Tamil Nadu State Marketing Corporation Limited, a Corporation wholly owned and controlled by the State Government, to the suppliers, which includes ex-factory price and transport charges;

(d) “per case” means alcoholic liquor of 8.640 litres in the case of 180 ml pack and 9.000 litres in the case of other packs.”.

4. In the Sixth Schedule to the principal Act, after Serial Number 12 and the entries relating thereto, the following Serial Numbers and entries shall, respectively, be added, namely:-

Amendment  
of Sixth  
Schedule.

“13. Vegetable oils including refined vegetable oils.

14. Iron and Steel as specified in clause (iv) of Section 14 of the Central Sales Tax Act, 1956.”.

Central Act 74  
of 1956.

**STATEMENT OF OBJECTS AND REASONS.**

In a manufacturing State like Tamil Nadu, the size and the scale of inter-State transactions are consistently on the rise. Over the years, the increase in input tax credit accumulation on inter-State transactions under the provisions of the Tamil Nadu Value Added Tax Act, 2006 (Tamil Nadu Act 32 of 2006) has resulted in reduced tax collection to the State. The increase in the volume of inter-State transactions adversely and continuously affect revenue collections under the Value Added Tax consequent on the gradual reduction of rate of Central Sales Tax from 4% to 2% and also due to increase in the tax rates under the said Tamil Nadu Act 32 of 2006 from 4% to 5% and from 12.5% to 14.5%. In order to have certain degree of control over the accumulation of input tax credit, the Government have decided to increase the rate of input tax credit reversal from 3% to 5% on inter-State transfer otherwise than by way of sale and also to make a new provision for reversal of input tax credit at 3% on inter-State sale to a registered dealer.

2. Further, even after a lapse of six years from the date of implementation of the said Tamil Nadu Act 32 of 2006, revenue collections are below the expected level. The gradual reduction in rate of Central Sales Tax from 4% to 2% by the Government of India without adequate compensation has drained the revenue collections. The economic slowdown has further adversely affected the manufacturing State like Tamil Nadu on the revenue front. To manage the adverse fiscal trend, sources have to be identified where revenue flow will be more without any negative impact on the public. The Government have, therefore, decided to increase the rate of tax with retrospective effect from 1.4.2013 on certain alcoholic liquors for human consumption, at the second point of sale in the State on value addition.

3. It is also noticed that vegetable oils intended for inter-State sales are being unloaded and sold in this State itself resulting in evasion of tax and consequential loss of revenue to the Government. The commodity Iron and Steel, which is declared in section 14 of the Central Sales Tax Act, 1956 (Central Act 74 of 1956) as goods of special importance in inter-State trade or commerce, is also susceptible to evasion of tax leading to loss of revenue. In order to prevent evasion of tax and to protect the revenue, the Government have decided to include "vegetable oils including refined vegetable oils" and "Iron and Steel as specified in clause (iv) of section 14 of the Central Sales Tax Act, 1956" in the Sixth Schedule to the said Tamil Nadu Act 32 of 2006.

4. The Government have, therefore, decided to amend the Tamil Nadu Value Added Tax Act, 2006 (Tamil Nadu Act 32 of 2006) for the aforesaid purposes.

5. The Bill seeks to achieve the above object.

**B V RAMANAA**  
*Minister for Commercial Taxes  
and Registration.*

A.M.P. JAMALUDEEN,  
*Secretary.*