

Legislative History of the Sales Tax Law in Kerala

The history of Sales tax in India begins from 1938. During the pre-independence days the Provinces in British India were empowered under the **Government of India Act, 1935** to levy taxes on the sale of goods and on the advertisements, as per Entry 48 in list II of the VIIIth Schedule of the Act. At the same time the Princely State had sovereign legislative powers to promulgate their own laws for the levy of tax on the transaction of sale of goods. The first Province in India to levy a tax on sale of goods by exercising powers of the Government of India Act 1935, was Central Provinces and Berar (renamed Madhya Pradesh after Independence), which in 1938 levied a tax on the retail sale of motor spirit and lubricants. This levy however was only a selective Sales tax. The Province of Madras was the pioneer province in India in the matter of introducing a scheme of General Sales tax. Madras introduced a General Sales tax in 1939 on multipoint system. In 1941 Bengal followed a single point system. In the same year Punjab commenced General Sales tax on multi point system. Shortly after this, almost all the Provinces and some of the Princely States introduced Sales tax in one form or other.

2. Though the State of Kerala itself was formed only on 1-11-1956 by the integration of the Malabar District and the Kasaragod Taluk of the South Kanara District of the Madras State with the Travancore Cochin State (excepting the areas transferred to the Madras State), which itself was the result of an earlier integration of the two princely state of Travancore and Cochin on 1-7-1949 Sales tax was introduced in the component parts of the State on much earlier dates. In the erstwhile Cochin State, Sales tax was introduced on the first day of Chingam 1122 corresponding to the 17th day of August 1946 by the **Cochin Sales Tax Act (Act XV of 1121)**. In the erstwhile Travancore State the introduction of Sales tax was on 1-10-1124 M E by the **Travancore General Sales Tax Act 1124 (Act XVIII of 1124)**. So far as the erstwhile Malabar District and the Kasaragod Taluk are concerned, the Madras General Sales tax Act, 1939 (Act IX of 1939) the **Madras Sales of Motor Spirit Taxation Act, 1939 (Act VI of 1939)** and the Madras Tobacco (Taxation of Sales and Registration) Act, 1953 (Act IV of 1953) were in force at the time of the integration on 1-11-1956. Soon after the integration of Travancore and Cochin states, a unified Act for the newly formed United States of Travancore and Cochin as the new state was then called was promulgated in 1950 under the title "The United State of **Travancore and Cochin General Sales Tax Act 1125 (Act XI of 1125)**". This Act received the assent of His Highness the Raj Pramukh on 5th January 1950 corresponding to 21st Dhanu 1125 and as per Government Notification No S R 1-353 A /49/RD dated 29-5-1950 the Act came into force on 30th May 1950. The scheme of taxation was, in general, a multi point one at the rate of three paise for every Indian rupee on the total turnover with additional tax at rates ranging from 3 paise to 9 paise per rupee at specified single points in respect of certain specified classes of goods and exemption in respect of some others. At the same time in respect of a few items of goods, the scheme of taxation was single point one. The assessable limit was fixed as net turnover of Rs. 10,000. The Travancore General Sales tax Act 1124 (Act XVIII of 1124) and the Cochin Sales tax Act 1121 (Act XV of 1121) were repealed by Act XI of 1125. By the end of November 1950, the title of the Act was altered as The Travancore Cochin General Sales tax Act, 1125, by the **Travancore Cochin Adaptation of Laws Act (Act XXIX of 1950)** which was published in the Travancore Cochin Gazette of 28-11-1950 with immediate effect. After the formation of the Kerala State on 1-11-1956, the name of the Travancore Cochin General Sales tax Act, 1125 (Act XI of 1125) was changed as the General Sales tax Act 1125 (Act XI of 1125) and it was extended to the Malabar area with effect from 1-10-1957 by the Travancore Cochin General Sales tax (Amendment) Act 1957 (Act 12 of

1957). Till then, the pre integration Acts mentioned above continued to be in force in the respective areas. In respect of the financial year 1957, special provisions were made in the Amendment Act for taking into account the turnover under the Madras General Sales tax Act 1939 also while completing the assessment for that financial year. In 1963, the General Sales tax Act 1125 was repealed and re-enacted by the Kerala General Sales tax Act, 1963 (Act XV of 1963), which now continues to be in force. The changes brought about from time to time in the Sales tax law from the introduction of Act XI of 1125 are discussed below.

3. The first amendment to the Travancore Cochin General Sales tax Act 1125 was by the Act 28 of 1950, which introduced an additional tax at 4 annas per rupee on the first sale of tobacco. As a result of the Federal Financial Integration the entire Customs, Revenue of the State was vested in the Central Government and hence the State has to face a serious set back in the Collection of Revenue. This amendment was introduced to compensate for the loss in customs duty on tobacco consequent on the Federal Financial Integration.

4. The next amendment of the Travancore Cochin General Sales tax Act, 1125 was by Act 12 of 1951, consequent on the passing of the Constitution on 26th January 1950. This is an important landmark in the history of Sales tax Laws in Kerala. Before passing the Constitution by the parliament, each state or province exercising either its sovereign legislative powers or the powers under the Government of India Act 1935, picked up one or more of the ingredients of sale and acting on the principle of territorial nexus enacted Sales tax Laws for their own States or Provinces. Assam and Bengal made among other things the actual existence of the goods in the Province at the time of the contract of sale as the test of taxability. In Bihar, the production or manufacture of the goods in the province was made an additional ground. A tax net of the widest range was laid in Central Province and Berar where it was sufficient if the goods were actually found in the Province at any time after the contract of sale or purchase was made. As regards Madras the existence of the goods and production after the contract in respect of future goods within the Province was adopted as the test of taxability. Travancore Cochin states followed the lines of Madras. This led to multiple taxation in inter State trade or commerce resulting in cumulation of burden falling ultimately on the consuming public. This situation posed to the Constitution makers, the problem of restricting the taxing power of the States on sales or purchase involving inter State elements and alleviating the tax burden of the consumer. At the same time they were evidently anxious to maintain the State power of imposing non discriminatory taxes on goods imported from other States, while upholding the economic unity of India by providing for the freedom of inter state trade or commerce. In their attempt to harmonise and achieve these goals they enacted the Articles 286, 301 and 304. These articles read as follows.

“286 (1) No law of a State shall impose, or authorise the imposition of a tax on the sale or purchase of goods where such sale or purchase takes place-

(a) Outside the State or

(b) In the course of the import of the goods, into or export of the goods out of the territory of India

Explanation- For the purpose of sub clause (a) a sale or purchase shall be deemed to have taken place in the state in which the goods have Actually been delivered as a direct result of such sale or purchase for the purpose of

consumption in that state notwithstanding the act that under the general law relating to sale of goods the property in the goods has by reason of such sale or purchase passed in another state.

(2) Except in so far as Parliament may by law otherwise provide no law of a State shall impose or authorise the imposition of a tax on the sale or purchase of any goods where such sale or purchase takes place in the course of inter State trade or commerce.

Provided that the President may by order direct that any tax on the sale or purchase of goods which was being lawfully levied by the Government of any State immediately before the commencement of this Constitution shall notwithstanding the imposition of such tax is contrary to the provisions of this clause continue to be levied until the thirty-first day of March 1951.

(3) No law made by the Legislature of a State imposing or authorising the imposition of a tax on the sale or purchase of any such goods as have been declared by parliament by law to be essential for the life of the community shall have effect unless it has been reserved for the consideration of the president and has received his assent.

301. Subject to the provisions of this Part, commerce and intercourse throughout the territory or India shall be free.

304. Notwithstanding anything in Article 301 or Article 303 the Legislature of a State may by law –

(a) Impose on goods imported from other States any tax to which similar goods manufactured or produced in that State are subject, so, however, as not to discriminate between goods so imported and goods so manufactured or produced; and

(b) Impose such reasonable restrictions on the freedom of trade, commerce or intercourse with or within that State as may be required in the public interest.

Provided that no bill or amendment for the purposes of clause (b) shall be introduced or moved in the Legislature of a State without the previous sanction of the President.

5. The Constitution came into force on 26th January 1950. But by the Sales tax Continuance Order 1950” the levy of tax on inter State sales were allowed to continue till 31st March 1951. The Sales tax Continuance Order 1950 read as under;

“In exercise of the powers conferred by the proviso to clause (2) of Articles 286 of the Constitution of India, the President is pleased to make the following order;-

1. (i) This order may be called the Sales Tax continuance Order 1950

(ii) It shall come into force at once
2 Any tax on the sale or purchase of goods which was being lawfully levied by the Government of any State immediately before the commencement of the Constitution of India, shall until the thirty first, day of March 1951, continue to be levied notwithstanding that the imposition of such tax is contrary to the provision of clause (2) of Article 286 of the said Constitution.

6. With the passing of the Constitution, some of the States in India amended the definition of 'sale' in their Acts, to bring it in the line with the provision of Article 286. In Travancore Cochin as in Madras State, a new section viz; section 26, which in effect was only a reproduction of Article 286 was inserted by the Travancore Cochin General Sales tax (Amendment) Ordinance, 1951 which was then replaced by the Act 12 of 1951. The statement of objects and reasons for this section published in the Travancore Cochin Gazette No 33-dated 14-8-1951 is reproduced below.

"Article 286 of the Constitution of India lays down certain restrictions on the imposition of tax on the sale or purchase of goods. Accordingly no tax is leviable on the sale or purchase of goods if the sale or purchase takes place outside the State or in the course of import into or export out of the territory of India. But under the provisions of the Travancore Cochin General Sales Tax Act, 1125 as they stand tax is leviable on the sale or purchase of goods wherever the contract of sale or purchase might have been made if the goods are actually in the State at the time when the contract was concluded. It was therefore necessary to amend the Act in order it make its provisions conform to the provisions of Article 286 of the Constitution. Accordingly, a new section viz; Section 26, which merely states the restrictions laid down in Article 286 was introduced in the Act by the Travancore Cochin General Sales tax (Amendment) Ordinance, 1951. This bill is intended to replace the above Ordinance by an Act of the legislature."

7. The main change in 1952 was the enhancement of the Additional tax on petrol from 9 pies to 1 anna 9 pies per rupee by Act 13 of 1952. This change increased the Sales tax revenue to a great extent.

8. The next important change in the administration of Sales tax Law was the commencement of levy of tax on certain categories of inter State sales commonly known as **Explanation Sales** on the basis of the judicial pronouncement by the Supreme Court of India in the case of *The State of Bombay and Another Vs. The United Motors (India) Ltd; and Others*" (1953 IV S T C 133). In that case the Supreme Court held that the Explanation to Article 286 (1) of the Constitution provided by means of a legal fiction that the State in which the goods sold or purchased are actually delivered for consumption there in is the State in which the sale or purchase is to be considered to have taken place, notwithstanding the fact that the property in such goods passed in other State and that State had the power to tax the sale or purchase. Relying on this interpretation of Article 286 by the Supreme Court, a number of State Governments commenced serving notices on dealers in other States demanding Sales tax requiring appearance with account books etc, in respect of such inter-State transactions. The Government of India received a large number of representations complaining against the hardship caused by these notices. After consultation with the State Governments the Government of India convened the officials committee, which was appointed by the "Conference of Finance Ministers" to consider how the situation should be met. The committee evolved an interim scheme for dealing with the levy of tax etc., on inter State sales by the State Governments. A press note embodying the scheme was issued by the Central Government on 11-2-1954. In pursuance of the said scheme the Government of Travancore Cochin decided to levy tax on inter state sales from 1-4-1953, the date immediately following that on which the Supreme Court delivered its judgment, and to forgo the levy prior to that date. A Press Note explaining the position was issued by the State Government on 5-2-1954. As per the press note, tax was payable by non resident dealers selling goods for delivery and consumption in Travancore Cochin State from 1-4-1953.

9. In 1955 by Act 18 Of 1955 in the light of experience gained till then a number of major modifications were made in the provisions of the Act which came in to effect on 1-10-1955. The most important of them were:-

(1) Making provisions for the appointment of an independent Judicial Tribunal to hear appeals against orders of the Appellate Asst. Commissioners and *suo motu* orders of the Deputy Commissioner for revision before the High Court against orders of the Appellate Tribunal and from appeal before the high court against *suo motu* orders of the Board of Revenue.

(2) Empowering the officers of the Sales Tax Department to seize account books and documents in certain circumstances;

(3) Enlarging the list of items under the single point system of taxation;

(4) Exempting handloom cloth from levy of tax as a measure of encouragement of the handloom industry; and

(5) Introduction of an additional tax on fine and superfine mill made textile to compensate for the loss due to exemption of handloom cloth from tax.

10. Another change brought about in 1955 was that petrol and 'motor spirit other than petrol' were brought under the single point scheme of taxation by Act 25 of 1955 at the rates of two annas and three pies and nine pies respectively.

11. During the year 1955, the State had to face a serious situation regarding levy of tax on inter State sales consequent on the historical decision of the Supreme Court in Bengal Immunity Company Vs. State of Bihar on 6th September 1955. Over ruling its own earlier decision in State of Bombay and Another Vs. The United Motors India (India Ltd.,) and Others', the Supreme Court in the case of Bengal Immunity Company gave its authoritative interpretation on Article 286 of the Constitution and laid down that the States had no power to tax on Inter State sales. This decision created serious confusion and uncertainty regarding the levy of tax during the period 1-4-1951 to 6-9-1955. Several States including the Travancore Cochin states had already collected tax from non-resident dealers and steps for collection were in progress in respect of several others. In this situation the Government of India had to step in to set at rest the confusions and uncertainties. This led to the promulgation of the Sales tax Laws Validation Ordinance, 1956 by the President on 30th January 1956 validating the levy of tax on interstate sales or purchases between 1-4-1951 and 6-9-1955. This was later followed by the Sales Tax Laws Validation Act, 1956 passed by the Parliament and published with the Presidents assent on 21st of March 1956.

12. As regards amendment of the Act in 1956, the only change was that Section 3 was amended making provisions for provisional assessments with retrospective effect from 30-5-1950 by Act 8 of 1956.

13. On 1-11-1956, the Kerala State was formed and by the Kerala Adaptation of Laws Order, 1956, the Travancore Cochin and the Madras Acts were made applicable to the respective parts of the State until unification of the laws.

14. The year 1957 marks an important epoch in the history of sales tax in India in general. As discussed above, following the decision of the Supreme Court in the State of Bombay and Another Vs. The United Motors (India) Ltd.

and Others, the states began levying tax on inter State sales and we had the misfortune of having conflicting decisions of the High Courts regarding the scope of Article 286. In 1953, the Government of India convened a Conference of Finance Ministers to solve the difficulties caused by those decisions and to consider the question of bringing about a measure of uniformity in the sales tax Laws of the various States. On 1st April 1953, the **Government of India also constituted the Taxation Enquiry Commission headed by late Dr. John Mathai**. The report of the Commission was published in 1955. One of the recommendations of the Commission was to amend the Constitution empowering the Central Government to levy tax on inter State sales and purchases of goods other than newspapers. Accordingly, the Constitution was amended by the Constitution (Sixth Amendment) Act, 1956 deleting explanation to clause (1) (a) of Article 286 and substituting the existing clause (2) and (3) by new clauses which enabled the Parliament to make laws to formulate principles for determining when a sale or purchase of goods takes place outside a State and in the course of import of the goods into or export of the goods out of the territory of India. A new entry viz. 92-A was also introduced in the union List empowering the Central Government to levy taxes on the sale or purchase of goods other than news papers, where such sale or purchase takes places in the course of inter state trade or commerce. In pursuance of these changes in the Constitution, the Government of India introduced a Bill in the Parliament on 21st November 1956 which was passed as the Central Sales tax Act 1956 (Act 74 of 1956). This Act, except section 15 came into force on 5th January 1957. The Central sales tax Act enabled the State Governments to impose, on behalf of the Central Government a tax on the sale or purchase of goods in the course of inter state trade or commerce. The levy of tax under the Central Sales tax Act 1956 commenced from 1st July 1957.

15. On 1-4-1957 the rates of tax were changed to the decimal system of coinage by Act 4 of 1957.

16. On 1-9-1957 the Kerala Surcharge on Taxes Act, 1957 (Act 11 of 1957) came into force. Under this Act, a Surcharge on Sales tax came to be introduced at the rate of 2 1/2 percent in case the turnover exceed thirty thousand rupees.

17. The year 1957 is also of great importance in the history of Sales tax Laws in Kerala since the name of the Travancore Cochin General Sales tax Act was changed as General Sales tax Act, 1125 and it was extended to the Malabar area including Kasaragod as stated in para 2 above with effect from 1-10-1957 by Act 12 of 1957. The Madras Acts already in force in those areas were also repealed by Act XII of 1957. The Amendment Act also brought under the single point scheme of taxation a large number of commodities by the insertion for the first time, a schedule of 40 items of goods in the Act. This was a substantial change in the scheme of taxation, which originally was almost a multi point one. Section 26 was also amended by Act 12 of 1957 by deleting the words "except in so far as Parliament may by law other wise provide" from sub section (1) (b) and deleting subsection (2)

18. From 14-12-1957 the Central Government began levying an Additional Excise Duty on mill made textiles (other than pure silk) sugar and tobacco and the State gave up the tax on the sale or purchase of those commodities. This was done by promulgation of Ordinance VIII of 1957 which was later replaced by Act 7 of 1958

19. The exemption of mill made textiles, sugar and tobacco from Sales tax effected by Act 7 of 1958 did not however apply to the stock held by a dealer

immediately before 14-12-1957. Doubts arose as to the manner of assessment of such stocks. The intention was that they should be liable to tax at the same rates and at the same points, as they were liable immediately before 14-12-1957. This position was made clear by the Ordinance I of 1958, which was replaced by Act 21 of 1958.

20. Act 21 of 1958 also made considerable changes in the levy of tax on luxury goods. The rates of Sales tax on luxury goods varied from state to state, which led to diversion of trade and evasion of tax. With a view to overcome these difficulties, the National Development Council agreed to a system of uniform levy of sales tax on luxury goods. The Conference of the Finance Ministers which considered the subject further unanimously agreed that a uniform rate of tax at 7 per cent on single point system be levied on certain items of luxury goods in all States permitting however, those States which were already levying a higher rate to continue the same. Schedule 1 of the Act was therefore amended suitably. It was enlarged to 45 items by bringing in five more items under single point tax.

21. Another important step forward in the development of sales tax law in 1958 was the enactment of Section 16 A by Act 21 of 1958 providing for the establishment of Check Posts with a view to prevent evasion of tax by regulating movement of goods within and across the state borders. Check Posts were established under this new provision with effect from 1-12-1958. The introduction of Check Posts proved to be the most effective method of prevention of evasion of tax.

22. In the year 1958, by Act 22 of 1958, the rate of tax on motor spirit other than petrol was raised to 20 nps from 8 np and timber was brought under single point system of tax at 8 np at the last purchase point. (The rate of tax on timber and 3 np for soft wood with retrospective effect from 1-4-1958). Both these changes were effected from 1-4-1958. By the same Amendment Act, the items "Cocoanut" and "Copra" and "Cashew and its Kernel" in Schedule 1 of the Principal Act were amended as "Cocoanut including copra", and "Cashew-nut including its kernel". Unfortunately these changes subsequently gave rise to serious difficulties as discussed in paragraph 31 below.

23. In the course of six months, timber had to be again brought under multi point levy as the single point levy proved unsuccessful and this was done with effect from 1-10-1958 by Ordinance 8 of 1958 which was replaced by Act 40 of 1958.

24. In 1959 the only change in law was that "Toddy" was made taxable with effect from 1-4-1959 by Act 14 of 1959

25. The changes in Sales tax Act in 1960 were the amendments of section 5 (vii) with effect from 1-10-1957 by Ordinance 1 of 1960, which was replaced by Act 3 of 1960 and of Schedule 1 by Act 11 of 1960. The amendment of Section 5 (vii) was necessitated by the judgment of the Kerala High Court in O P No 12 of 1959, that the notification specifying the "last purchase in the state by a dealer who is not exempt from taxation under section 3" as the point liable to tax in respect of some of the goods specified in the Schedule was beyond the power conferred by section 5 (vii). Section 5 (vii) was therefore suitably amended with effect from 1-10-1957 and all taxes levied, assessed and collected and all proceedings taken, orders passed and acts done in pursuance of the notifications under section 5 (vii) were validated. Act 11 of 1960 brought under the single point scheme of taxation, a few more items like bicycles paints and colours scents

and perfumes, lubricating oils and greases etc from 1-8-1960 by inserting items 46 to 49

26. In the same year the rate of surcharge on sales tax was raised to 5% from 2 1/2 % with effect from 1-4-1960

27. In 1961, some major changes were made in the provisions of the Act by Act 11 of 1961 and Act 40 of 1961. By Act 11 of 1961 food grains which were exempt from tax under license were made taxable under the single point scheme, the point of levy being the first sale in the state allowing however exemption on rice sold through fair price Shops. Provision for payment of tax at the compounded rates in respect of dealers with turnover of not more than twenty five thousand rupees was made for the first time as a measure of relief to small dealers by Act 11 of 1961. The rate of tax on foreign liquor was also enhanced to 40 percent from 25 percent by the same Amendment Act. These changes were brought into effect from 1-4-1961. Act 40 of 1961 which replaced Ordinance 7 of 1961 was enacted to overcome the difficulties caused by the judgment in O P No 987of 1960 of the Kerala High Court.

28. In 1962, Section 26 of the Principal Act regarding inter state sales was amended by Act 9 of 1962 with retrospective effect from 1-4-1951. Section 26 of the Principal Act prohibited the levy of tax on inter State sales which took place after 31-3-1951, whereas the sales tax Laws validation Act, 1956 validated the levy of tax by states up to 6-9-1955. In certain tax revision cases, the High Court of Kerala held that the levy of tax from 1-4-1951 to 6-9-1955 was illegal as section 26 as amended in 1957 prohibited the levy after 31-3-1951. By Act 9 of 1962 the words "31st day of March 1951" were replaced by "6th day of September 1955" with retrospective effect from 1-4-1951 with a view to validate the imposition and collection of tax from 1-4-1951 to 6-9-1955. This Amendment was also struck down as ultravires by the High Court in Deputy commissioner, Eranakulam Vs. The Cochin Coal Co., Ltd., - XIV, S T C 845

29. Another important change in 1962 was the substitution of Schedule 1 with effect from 1-4-1962 by a new Schedule consisting of as many as 80 items by Act 13 of 1962, on the recommendations of the High Level Sales tax Committee. The single point scheme of taxation was thereby widened to a very large extent.

30. The Madras General Sales tax Act, 1939 ,the Madras Sales of Motor Spirit Taxation Act, 1939 and the Madras Tobacco (Taxation of Sales and Registration) Act, 1953 as in force in the erstwhile Malabar district and Kasaragod Taluk were repealed by Act 12 of 1957. The validity of acts done etc., by the Officers and authorities appointed under the General Sales tax Act 1125 in respect of matters under the repealed Acts was questioned on the ground that such Officers were not Officers appointed under the Repealed Acts. Therefore, a new proviso was added to Section 27(2) conferring upon such Officers, powers under the said Repealed Acts, with retrospective effect from 1-10-1957 by Act 16 of 1962.

31. The only amendment in 1963 was of section 1 by Act 10 of 1963 making specific provision with effect from 1-11-1957 for the realization and recovery of all amounts collected purporting to be sales tax by any person. This was the last amendment of Act XI of 1125, before its repeal by Act XV of 1963. But there was one subsequent amendment after the repeal and that was by Act 8 of 1964. The High Court of Kerala by their decision in K A Karim vs. The Sales tax Appellate Tribunal and others -XIV S T C 36 and Poulouse Bros vs. The State of Kerala -XIV S T C 40 held that the entries "Coconut including Copra" and Cashew nut including its kernel in the schedule 1 did not permit levy of tax on copra and

cashew kernel at the point of purchase and assessments made imposing tax on copra and cashew kernel at the purchase point were illegal. In order to overcome this difficulty, Ordinance I of 1964 was promulgated amending the said items in the Schedule and validating all proceedings made and orders passed. The Ordinance was replaced by Act 8 of 1964. However in K C Antony vs. Sales tax Officer, Eranakulam – 1964 XV S T C 620 the High Court of Kerala struck down both Ordinance I of 1964 and Act 8 of 1964 as ultra vires.

32. As discussed above there had been several amendments to Act XI of 1125 and some of them especially those relating to establishment of Check Posts checking of goods in transits, inspection of business places etc., which were targets of attack by the business community and the public. There was also persistent demand for simplifying the sales tax system and the law from the members of the Sales Tax Advisory Committee, trade interests and Members of the Legislature. At the same time the Sales tax Department was also pressing the Government for series of amendments to the sales tax Act for plugging loopholes of evasion or in the alternative for the enactment of a new sales tax Law immediately. The Government therefore constituted a High Level Sales Tax Committee **in November 1960 with Sri. P S Nataraja Pillai Ex-Finance Minister as the Chairman.** The committee took evidence from the representatives of the Trade, Plantations and Local Bodies, Members of the Legislature, Officers etc and submitted its report on 29th March 1961. In addition to submitting the report, the Committee was asked to draft a simplified Bill. The committee after making a comparative study of the sales tax Laws in the neighboring States, drafted a Bill and forwarded it to Government on 10th March 1961. After a careful study of the report and the Bill, the Government introduced the Bill in the Assembly and after being passed, received the assent of the Governor on 5-3-1963. The new Act, “The Kerala General Sales tax Act, 1963 (Act 15 of 1963)” was published in the Gazette dated 6-3-1963 and brought into force with effect from 1-4-1963.

33. The First Amendment of the new Act was in March 1963 by Act 21 of 1963. This Amendment Act raised the General rate of Sales tax from 2 per cent to 3 percent by amending clause (ii) of sub section (1) of Section 5 and sub section (4) of Section 5, and the rate of tax of items 12 to 21 in Schedule I from 7 percent to 10 percent by amending the First Schedule. An additional item “50 A aviation turbine fuel” taxable at the point of first sale in the state at 6 percent was also introduced by Act 21 of 1963. As this Amendment Act was given effect from 1-4-1963, actually, the Act XV of 1963 came into force in the amended form.