



OFFICE OF THE PRINCIPAL SECRETARY & COMMISSIONER,
STATE GOODS AND SERVICES TAX DEPARTMENT
GOVERNMENT OF KERALA, THIRUVANANTHAPURAM

No.CT/22087/2017-C1

Dated 18/09/2018

Circular No. 22/ 2018

- Sub: Purchase of Diesel against 'C' Form- certain instructions issued -reg.
Ref: 1. Letter No. RSA HQ/GEN/AO/Misc/233 dtd 31/01/2018 of the Deputy Accountant General
2. B1-209/2017 dtd 15/03/2018 of the Deputy Commissioner of State Tax, Thiruvananthapuram.
3. Letter no M7-4912/2017 dtd 29/12/2017 of the Deputy Commissioner of State Tax, Mattancherry.
4. Letter No. P13-6624/2017 dtd 21/12/2017 the Deputy Commissioner of State Tax, Palakkad

Though Goods and Services Tax was launched with effect from the 1st day of July, 2017, petroleum products like high speed diesel (HSD) and motor spirit (commonly known as petrol) have been kept out of the Goods and Services Tax Act and they are still being taxed as erstwhile under the Kerala General Sales Tax Act, 1963 (KGST Act, 1963). Though most of the taxation Acts have been subsumed in Goods and Services Tax, since petrol and diesel do not attract Goods and Services Tax, Central Sales Tax Act (CST Act) is applicable to those commodities and as such certain classes of dealers having valid registration can effect interstate purchase of diesel provided the goods so purchased are intended for resale or for use in the manufacturing or processing of goods for resale.

The relevant portion of clause (b) of sub-section (3) of section 8 of the Central Sales Tax Act, 1956 is as follows:

"A registered dealer can effect interstate purchase, against 'C' Form, of goods or classes of goods specified in his certificate of registration intended for re-sale or for use in the manufacturing or for processing of goods for re-sale, or in telecommunication network, or in mining or in the generation or distribution of electricity or any other form of power".

The definition of 'goods' under Clause (d) of Section 2 of the Central Sales Tax Act has been amended, vide Taxation Laws (Amendment) Act, 2017 dated 04/05/2017 of the Government of India as detailed below.

(d) "goods" means-

- (i) petroleum crude;
- (ii) high speed diesel;
- (iii) motor spirit (commonly known as petrol);
- (iv) natural gas;
- (v) aviation turbine fuel; and
- (vi) alcoholic liquor for human consumption;'

As such high speed diesel (HSD) comes under the definition of goods. As per the existing provision, a registered dealer can issue 'C' form for the purchase of HSD for telecommunication network, or in mining or in the generation or distribution of electricity or any other form of power. But instances have been brought to the notice that certain dealers, especially metal crusher units, are purchasing high speed diesel (HSD) claiming for use in the aforesaid purpose but the same is used for purposes other than those prescribed under section 8 (3) (b) of the CST Act such as fuel for delivery vehicles. There is genuine apprehension that this facility will be misused by unscrupulous dealers.

Hence the following instructions are issued to arrest all possible misuse of the provisions of the Act.

The Deputy Commissioner of State Tax and assessing authorities shall

- identify all the dealers using 'C' form for the purchase of high speed diesel (HSD).
- the assessing authority shall identify the quantity of diesel required for the purpose mentioned in the act and ascertain whether there is any misuse of 'C' forms in a quarterly basis.
- Wherever there is a spike, such cases are to be looked into in detail and if any misuse of 'C' form is found, punitive steps should be taken against such dealer as per rules.


RAJAN N KHOBRADE IAS

PRINCIPAL SECRETARY & COMMISSIONER