

No.C2.37481/06/CT

Office of the Commissioner
Commercial Taxes
Thiruvananthapuram.
Dated. 9-7-07

CIRCULAR No.27/ 07

Sub:- KVAT Act, 2003- Collection of advance tax on evasion prone commodities- Import of raw materials by industrial units-Further instructions -issued- reg:

- Read: (1) Circular No. 50/06/CT Dated 18.12.06
(2) Circular No. 53/06/CT Dated 22.12.06
(3) Circular No. 02/07/CT Dated 10.01.07
(4) Circular No. 14/07/CT Dated 20.03.07
(5) Circular No. 21/07/CT Dated 05.05.07

As per Circular read as 1st paper above as modified by Circulars read 2 to 5 above, instructions were issued for collection of advance tax in respect of twelve evasion-prone commodities at the entry points into the State. Accordingly industrial units importing raw materials coming under the said categories will also have to remit advance tax as specified.

Now it has come to notice that in the case of industrial units which are importing raw materials from outside the State having rate of tax higher than their output, there is accumulation of unadjusted Advance Tax owing to the interstate sale /stock transfer of most of their manufactured output against 'C /F Form'. It is pointed out that since such units are effecting interstate as well as intrastate sales, it is difficult for them to segregate the raw materials used for the goods covered under interstate sale for claiming refund under section 13 of the said Act and so they have to wait till the end of the year for claiming refund of excess tax remaining unadjusted by filing Form 21CC. This leads to accumulation of unadjusted Advance Tax at the credit of such units. The issue has been examined in detail and the following further instructions are issued.

Industrial units purchasing raw materials exclusively for manufacturing purpose may be permitted to transport such goods without payment of Advance Tax provided the importer furnishes a certificate in original obtained from the assessing authority which *inter alia* contains the details of 'excess advance tax credit' which remains unadjusted as on the date of import, and where the advance tax payable on the goods

under transport is covered by the excess 'advance tax credit' remaining unadjusted. The certificate issued by the assessing authority shall be endorsed by the check post authority recording the extent of adjustment of Advance Tax made for the consignment under transport, and a copy of this certificate duly authenticated by the check post authority shall accompany such consignments in the State.

If the excess advance tax credit which remains unadjusted as per the certificate issued by the assessing authority is not sufficient to cover the advance tax payable on the goods under transport, only the difference of tax shall be realized from the importer and the fact recorded in the transporting documents as well as in the 'cash receipts' issued to the importer.

The above instructions shall be complied by all concerned.

Commissioner.