

**CIRCULAR No. 47/2006**

Sub: Commercial Taxes Department – Compulsory Purchase in case of Under-valuation-Instructions-Issued

As per section 45 of the Kerala Value Added Tax Act, 2003 the assessing authority or any other officer empowered in this behalf by the Government, may in cases where a dealer shows in his accounts, sale or purchase of any goods at prices lower than the prevailing market price of such goods to evade tax, purchase such goods at a price of ten per cent above the purchase value or the value disclosed by any principal or agent in the case of goods received on consignment basis plus transporting charges, and entrust such goods for sale to the Kerala State Civil Supplies Corporation Ltd (Supplyco), or Kerala State Marketing Federation Limited, or to any such public distribution system or sell such goods in public auction.

It is brought to notice that this statutory provision has not been invoked properly so far even though there are instances of tax evasion through under-billing.

Hence the following instructions are issued:

1. Field officers shall undertake investigation and identify dealers practicing tax evasion by under-valuation.
2. Section 45 shall be invoked in cases where clear under-valuation is detected. In the case of grocery items any item whose value is shown in the invoice at lower than 70% of the bulk sales price notified by Supplyco for the month will be considered as under-valued. Supplyco notifies such prices from time to time. At the present time the prices are as under:

<u>Item</u>	<u>Bulk Sale Price (per kg) of Supplyco for December 2006</u>	<u>Minimum Price Per Quintal computed at 70% of Supplyco Bulk Price</u>
(1)	(2)	(3)
Green Gram	39.50	2765.00
Urad Dhal Washed (Whole)	51.00	3570.00
Urad Dhal Washed (Split)	48.00	3360.00
Bengal Gram Bold	38.00	2660.00
Lobia	30.50	2135.00
Toordhal	29.00	2030.00
Peasdhal	19.50	1365.00
Chillies	68.00	4760.00
Coriander	36.00	2520.00
Cuminseed	97.00	6790.00
Mustard	23.00	1610.00
Methi	31.00	2170.00
Ball Jaggery	16.00	1120.00
Achuvallam	20.00	1400.00

3. In such cases officers shall purchase such goods at a price of 10% above the purchase value or the value disclosed by any principal or agent in the case of goods received on consignment basis plus transporting charges and entrust such goods for sale to the nearest depot of Supplyco.
4. In these cases the Officer shall collect the value of the goods as computed in pre-para together with tax due thereon as advance tax from Supplyco and pay over the value to the owner of the goods or person in charge of the goods on proper acknowledgement. In these cases there is no need to collect the difference between the price at which the goods are handed over to Supplyco and the price at which the item is actually sold by Supplyco. This is because Supplyco and the other organizations named in section 45 are part of the Public Distribution System that is supposed to be supplying items to the people at lower than market prices.
5. Goods which are not handled by Supplyco where under-valuation is suspected shall be purchased at 10% above the value disclosed in the invoice plus freight charges and disposed off in public auction and the receipts remitted to Government.
6. The details of goods entrusted with Supplyco for sale shall be communicated to the Managing Director by the concerned Deputy Commissioners under intimation to the Commissionerate.
7. While invoking the said section the procedure laid down in Rule 65 of KVAT Rules, 2005 shall invariably be followed.

To

All Officers.