

No.C1-17283/15/CT

Office of the Commissioner of
Commercial Taxes
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Dtd.25-05-2015

CIRCULAR No.14/2015

Sub:- KVAT Act, 2003 – Maximum compounding fee collectable under
Sec.74 – Instructions issued – reg.

As per Kerala Finance Act 2008, the following proviso was added to
sub-section (1) of Section 74:

*"Provided that the maximum compounding fee
collectable against a single offence spread over
several return period in a financial year shall be two
lakh rupees".*

Subsequently, by Kerala Finance Act 2009, the monetary limit of the
maximum compounding fee collectable under sub-section (1) of Section 74
was enhanced to Rupees Four Lakh. Later by Kerala Finance Act 2011, this
was further increased to Rupees Eight Lakh.

Now, doubts have been raised as to whether the amendment made by
Kerala Finance Act 2009 and 2011 revising the limit of the maximum
compounding fee collectable will be applicable to the proviso inserted to the
sub-section (1) of Section 74.

The changes proposed as per the Kerala Finance Act 2009 and 2011 in
Section 74 (1) covers the whole of sub-section (1) of Section 74. It is hence
squarely applicable to the proviso attached to the sub-section also. This
position is brought to notice of all concerned for strict observance.


COMMISSIONER