

CIRCULAR No.29 / 2014

Sub:- Interstate sale of crushed metal– Non-payment of CST
under cover of compounding option – clarified-Instructions issued – reg.

The field officers of the Department has brought to notice that some dealers in crushed granite metals having interstate transaction are transporting goods to outside State without payment of CST citing the reason that they have opted for compounding under Section 8 of KVAT Act, presumably adverting to section 9 of the CST Act. The matter has been examined, and the following clarification is issued, for strict compliance.

Payment of tax under Section 8 of KVAT Act is in lieu of payment of tax under Section 6 of the KVAT Act. Section 6 is the charging section which mentions payment of tax on the taxable turnover. Computation of taxable turnover under Rule 10 of the Kerala Value Added Tax Rules, 2005 specifically excludes turnover of interstate sales and therefore turnover of sale within the State only comes within the purview of compounding provision.

Liability for CST is governed by Section 6 of CST Act and the rate of tax under CST Act is governed by Section 8 of the CST Act. Unless there is an exemption notification under Section 8(5) of CST Act, to the effect that dealers paying compounded tax under Section 8 of KVAT Act are exempted from tax on their interstate sales, dealers will have to pay CST at the applicable rates under Section 8 of CST Act, on their interstate sales.

The application of Section 9(2) of the CST Act cannot be extended to the tax rates to be adopted for inter-state sale under the CST Act, which is governed by sec. 8 of that Act.

All authorities shall ensure that requirements under the statutes are strictly enforced.

Sd/-
COMMISSIONER