

CIRCULAR No.05/2012

Sub: - Fixation of floor rates of Tiles, Marbles & Granites for the collection of Advance Tax – Instruction issued - Reg.

Ref: - 1. Circular No. 03/2008 dated 29.01.2008.
2. Report No. DC (I) K4 – 2557/10 dated 18.07.11 of Deputy Commissioner (Int), Kozhikode.

As per circular referred 1st above, floor rates were fixed for various types of ceramic tiles for the purpose of various provisions of the KVAT Act, 2003. Market investigation reveals the prices of these commodities have increased since then. Hence, a Committee was constituted to study this trade, and to report as to whether any increase in the rates fixed is mandated. The Committee has filed its report vide reference cited 2nd above. The report reveals that usage of Tiles of varied dimensions is increasing in the construction sector. About 20 to 25 years back Mosaic tiles and Marble slabs were in vogue. Now those types of flooring are replaced with Ceramic tiles and vitrified Tiles.

Ceramic tiles and vitrified tiles are being manufactured and supplied to Kerala from the factories in Gujarat, Rajasthan, Karnataka, Pondicherry etc. Imported tiles, mainly from China are also crowding the Kerala market. It includes organized as well as unorganized manufacturing sectors. Tiles are sold in packets and are governed by the Package Commodities Rules. Number of tiles in each packet depends on the size of the tiles. Hence, it was felt that MRP printed on these packages could be taken as an indicator in fixing the floor rates.

The Committee also found that Rampant under valuation in consignments of tiles, marble and granite have been widely reported from the trade. Market investigation confirms that certain traders while issuing bills in respect of the above commodities concede only about half of the value. This practice of under billing during purchases results in under valuation during sales also and leads to loss of revenue to the State exchequer. Hence there is a need to fix floor values on the purchases of such goods to prevent tax evasion.

An expert Committee was set up to study the issue, the market trend of the above commodities and to suggest whether any price revision is warranted on this account. The Committee had submitted a report vide reference cited as 2nd paper above. The Committee under the Chairmanship of Deputy Commissioner (Int), Kozhikode heard the representatives of All Kerala Tiles & Sanitary Dealers Association and All Kerala Marble & Granite Dealers Association on 06.07.2011 in which the dealers expressed their views on the trade and floor rate. The Committee discussed all aspects and studied the market trend of the above commodity in detail with reference to the market information and the views expressed by the dealers. The committee had recommended the floor value for the above commodities. In view of the above facts and in the interest of revenue, and taking note of the recommendation of the committee in this regard, and in supersession of the Circular referred 1st above, the following instructions are issued.

1. With respect to ceramic tiles, 70% of the MRP shall be reckoned for the purpose of levy of advance tax. No separate freight charges or GP need be estimated.
2. With respect to ceramic tiles, which are not sold in packets and for the reason, MRP is not ascertainable, the floor value shall be reckoned using the formulae "the Purchase value + Freight charges+10% GP".
3. With respect to ceramic tiles imported from outside the country like China, the floor value shall be arrived by calculating the landed cost at port (i.e., invoice value + customs duty + shipping charges) + 10% Gross profit.
4. With regard to Granite and Marble the following valuation and method shall be adopted for calculation for the purpose of advance tax.

Marble Slabs	₹484/- per Sq.Mt (₹ 45/-per Sq.Ft) or The purchase value + Freight Charges+10% GP, whichever is higher
Granite Slabs	₹915/- per Sq.Mt (₹ 85/- per Sq.Ft) or The purchase value + Freight Charges+10% GP, whichever is higher
Marble Tiles	₹377/-per Sq.Mt (₹ 35/- per Sq.Ft) or The purchase value + Freight Charges+10% GP, whichever is higher
Granite Tiles	₹700/- per Sq.Mt (₹ 65/- per Sq.Ft) or The purchase value + Freight Charges+10% GP, whichever is higher

In order to arrive at a uniform method in measurement, it is directed that all dealers shall mention the quantity in meter square (M2) in invoices. If the consignments are brought from outside the State using other units of measurements, the quantity should be declared at the check post / assessing authority in square meters (M2) along with declaration in Form No.8F and Form No.8FA.

While filing the stock statement as well as audit report, the quantity should be specified in square meters (M2).

All officers are directed to ensure that the volume of purchase and sale of all types of these items are given in square meters (M2) and that the values declared is not below the floor rate fixed above.

This order will take with effect from 01.04.2012. This rate fixed, shall be reviewed by the Committee once in every three months.

COMMISSIONER