

No. E1. 24340/08/CT

Office of the Commissioner of  
Commercial Taxes,  
Thiruvananthapuram  
Dated: 11.07.2008

**CIRCULAR. No. 31/2008**

Sub:- CT Dept. – Assessment and collection of Luxury tax – Lack of adequate systems and procedure for proper assessment and collection – leakage of Revenue – Internal Control System – strengthening – Instructions issued.

The Commercial Tax Dept. is implementing the enactment of Kerala Tax on Luxuries Act, 1976. Now a days the scope of revenue potentiality from Luxuries is on higher side. During the financial years 2005-06, 2006-07 and 2007-08 the collection from Luxury Tax is as under:

<b>Year</b>	<b>Collection in crores</b>	<b>% of Growth</b>
2005-06	38.41	70
2006-07	59.11	54
2007-08	79.90	35

An instance has come to the notice of the Commissionerate of Commercial Taxes where the A.G.'s audit indicated that the entire potentiality is being not tapped from this field.

For the financial years 2002-03 to 2006-07 it has come to the notice that the following short falls of revenue collection were pointed out by the A.G.

- (i) Shortfall due to non realization of Registration Fee, renewal fee, Penalty to the tune of Rs. 1.75 crores.
- (ii) Short fall due to non-inclusion of taxable amenities from assessment to the tune of Rs. 5.60 crores.
- (iii) Short fall due to the evasion in the guise of medical tourism to the tune of Rs. 7.41 crores.

To ensure full proof realization of Luxury Tax the following further instructions are issued to the field officers for strict compliance.

**1.** As a first step it is to be made sure that all the entities which are liable to Luxury Tax, viz; Hotels, House Boats, Halls, Clubs, Auditoriums, Kalyanamandapams, Ayurvedic Health Resorts, Health Centres, Health Clubs Convention Centre and places of like nature within the ambit of luxury tax should be enlisted and get registered. For this purpose all District Deputy Commissioners are directed to

constitute a team of officers in each district for survey with at least four officers in a team, headed by CTO (WC&LT) and he will act upon it to tap the entire income from that district in time bound basis. The Squad should work in consultation with the Dept. of Tourism and the details available with the tour operations and LSGD's for collecting statistics.

**2.** All the District Deputy Commissioners should review the progress of work and collection under the Luxury Tax Act and on the basis of the potentiality, target of collection under this head should be refixed and ensure achievement. He should inturn report the details of work turned out in his district under this head with statistics on monthly basis

**3.** The concerned Deputy Commissioner (Int.) has to ensure that inspections are conducted to seal the loss of revenue in this area.

**4.** The assessing authority should also ensure the following:

- a) That the provisional returns are filed along with tax due on or before 10<sup>th</sup> of every month; and completion of assessments in time
- b) That each business place of the dealer is assessed separately.
- c) That interest for default of payment of tax or any other amount should be collected.

**5.** In variably the assessing authority should levy penalty in all non-compliance cases.

All officers are directed that the above instructions are strictly complied with.

Commissioner.