

No. C1/8982/07/CT

Office of the Commissioner
Department of Commercial Taxes
Thiruvananthapuram.
Dated.28/2/2007

CIRCULAR No.11/2007

Sub:- Metal crushing units producing granite metals- payment of tax under Compounding system under KVAT Act,2003 and KGST Act,1963 – short levy – instructions- issued –reg.

Section 8(b) of KVAT Act,2003 and Section 7(1)(b) of KGST Act,1963 provides for payment of tax at compounded rate by dealers producing granite metals with the aid of mechanized crushing machines at rates prescribed under the said sections. Accordingly the compounded tax has to be fixed based on the number and size of the crushing machines as far as the secondary crushers are concerned. Primary crushers of the crushing unit have also to be reckoned for computing the total compounded tax liability. As far as the primary crushers are concerned, the quantum of compounded tax applicable would be fifty percent of the rates applicable to all the secondary machines installed in the crushing unit.

Even though the tax formulation in this context has been clarified earlier in this office clarification No.C3-44514/04/CT dt 2-4-2005, it is now brought to notice that some assessing authorities are not complying with the statutory position in letter and spirit. Instances of misinterpreting the provision to the effect that compounded tax applicable to the primary crushers would only be fifty percent of the highest rate applicable to a single secondary crushing unit, have come to notice; needless to say such a practice is contrary to the statutory provision.

The statute clearly states that the compounded tax in respect of the primary crusher would be fifty percent of the total compounded tax arrived for the secondary crushers in a crushing unit.

Therefore all assessing authorities shall satisfy themselves that while fixing the compounded tax liability for dealers in granite metals who had opted for payment of tax at compounded rate, the aforesaid tax formulation are complied with. In cases where a lower rate is fixed steps shall be taken to make good the revenue loss by invoking relevant provisions of the statute.

It has also been brought notice that a substantial number of metal crushing units have not opted for compounding. They are paying only a meagre amount by way of tax which is not commensurate with their actual volume of business. Instances of functioning crushing units even without registration have come to notice. This leads to erosion of revenue. No effective steps are seen taken either by the assessing authorities or by the Intelligence Wing to plug these revenue leakages.

Therefore all assessing authorities and the Intelligence Wing, as the case may be, shall take action to book such dealers urgently. Before finalizing the assessment of dealers in such cases sufficient data from concerned local bodies with regard to the licenses issued, Kerala State Electricity Board Offices regarding the details of consumption of power energy, Pollution Control Board and Geology Department shall be gathered and utilized for assessment instead of resorting to blind estimation of turnover. The Commercial Investigation Wing shall also collect and provide such data's to the assessing authorities in a time-bound manner.

The supervisory officers shall satisfy themselves that the above instructions are complied with by the officers under their jurisdiction and that performance on this score shall be reviewed periodically.

COMMISSIONER

To

All Officers