



**COMMERCIAL TAXES AND
REGISTRATION DEPARTMENT**

**DEMAND NO.10
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**MINISTER FOR COMMERCIAL
TAXES AND REGISTRATION**

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**GOVERNMENT OF TAMIL NADU
2015**

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INTRODUCTION

Commercial Taxes Department is the cornerstone of revenue infrastructure for Government of Tamil Nadu contributing 75% of the State's Own Tax Revenue. The Department has collected a revenue of Rs.60,314.61 crore during the financial year 2014-2015 achieving an excess of Rs.3,462.76 crore over and above Rs.56,851.85 crore made in the previous year. This represents a growth rate of 6.09% over the last year, despite general slow down in the economy and reduction in prices of petroleum products.

Commercial Taxes Department, as one of the important revenue mobilization agencies for the State, fully appreciates the critical responsibility devolved on it for raising resources for development schemes of the State. This department performs not only the functions of regulating traders and collecting taxes but also looks after the welfare of the traders and is in the process of transformation into a business friendly department.

Tax revenue yield is influenced by both tax policy and tax administration, besides a whole host of external factors including

global events. While tax policy design ensures responsiveness of potential revenue to overall economic growth, tax base and tax rates, tax administration seeks to secure potential tax revenues effectively and efficiently. It is because the two are inextricably linked that reform in tax administration is as important as that in tax policy.

This Government is committed to various welfare measures for improving living standards of the common man by finding ways and means to improve the tax collection.

2. ORGANISATIONAL SET UP

Taxation and Collection are two sides of a coin and they co-exist. Efficient and responsive tax administration alone will ensure robust tax collections. This is made possible by well-connected network of subordinate offices, functioning all over the State for which the Commissioner of Commercial Taxes is the Head of the Department, having headquarters at Chennai. He is assisted by five Additional Commissioners and one Joint Commissioner (Administration) for the effective administration on taxation and collection of taxes. The department has been organized

on functional lines and its various responsibilities are carried out by four different wings as described below:-

2.1 Assessment Wing

The 319 assessment circles located across the State are the backbone of commercial tax collection for the State. These assessment circles with multi-faceted functions ranging from issue of registration certificates to collection of tax and recovery of arrears are headed by the Assistant Commissioners / Commercial Tax Officers, based on the size and complexity of the assessment circle. The 40 Territorial Deputy Commissioners at District /Zonal level and the 10 Joint Commissioners at the Divisional level exercise direct control and supervision over the functioning of assessment circles.

A Large Tax Payers Unit (LTU) at Chennai deals with top 100 tax payers in Chennai region, who account for almost 60% of the taxes collected by the department. The Large Tax Payers Unit is headed by a Joint Commissioner and assisted by four Deputy Commissioners with assessment and other statutory powers.

The task of monthly return scrutiny is a key function of the Assessing Authority. Further, orders have been issued in March 2014 to all assessment circles to commence detailed scrutiny of accounts of 5% of dealers selected based on a scientific risk assessment process for each of the years 2008-2009, 2009-2010, 2010-2011 and 2011-2012. This work has commenced from April 1st 2014 and it is expected to bring better compliance and lead to improved tax collection. In 2014-2015, by way of assessment orders a sum of Rs.415.09 crore has been collected. This has been made possible through better training and putting in place an effective monitoring system.

Clear emphasis and directives have been given on mandatory adherence to principles of natural justice in the assessment process and respect the taxpayer's rights to privacy and dignity. It is proposed to intensify training to all newly posted officers in 2015-2016 towards improving handling of taxpayers and quality of notices and orders. Extensive training for officers in use of computer tools in expediting data analysis is also proposed.

2.2 AUDIT WING

2.2.1. Internal Audit

Audit is an inherent part of any tax administration and it is meant to check the correct inflow of taxes, point out errors in assessments, verify the records related to outflow of the Government funds by way of refunds and point out any irregularities or malpractices therein, among other things.

Efficiency of audit depends on intelligent observation, sound technical knowledge, good judgment and positive approach. Efforts are made to inculcate these skills in the internal audit parties functioning in the department. Each Commercial Tax District has one internal audit party headed by one Assistant Commissioner and assisted by one Commercial Tax Officer. These internal audit parties take up regular audit of the assessment circles / check posts based on the programme charted by the Joint Commissioners. All Joint Commissioners have been directed to issue quarterly advance programme of audit. A detailed circular outlining the broad principles to be followed by Audit Officers has been issued towards improving effectiveness of audit.

This is expected to lead to better compliance of Taxation law and procedures in assessment circles.

In 2014-2015, 9,476 internal audit paras were raised by audit teams with a revenue potential of Rs.80.60 crore. Interactive quarterly review of Audit officers in the current year has enabled improvement of quality and effectiveness of audit.

2.2.2. Accountant General's Audit

Annual audit in the assessment circles is a periodic exercise by the Accountant General. Important audit observations pointed out by the Accountant General are discussed in the joint meetings of the Departmental Audit Committee which are regularly conducted by the Principal Secretary to Government, Commercial Taxes and Registration Department and attended by the Principal Secretary /Commissioner of Commercial Taxes and the senior officials from the office of the Accountant General.

A special drive has been initiated in April 2014 to effect final disposal of audit reports of the Accountant General and Internal Audit leading to collection of tax dues. In 2014-2015, the Accountant

General's audit paras were implemented and revision orders were passed leading to a collection of Rs.23.09 crore as against Rs.12.53 crore in the corresponding previous year.

The Accountant General has conducted a thematic study on enforcement wing of this department in 2014-2015. Several useful system improvements suggested by the Accountant General have been incorporated, among others, in the design of the Total Solution Project currently under final stages of implementation. The Accountant General has also commenced a study on the System of Assessment under the Tamil Nadu Value Added Tax Act, 2006.

2.3 APPELLATE WING

2.3.1. First Appeal

First appeal against the orders passed by any assessing officer lies with Appellate Deputy Commissioner or Appellate Joint Commissioner having jurisdiction. Twenty Appellate Deputy Commissioners and two Appellate Joint Commissioners are functioning in the appellate wing under the control of the Sales Tax Appellate Tribunal (STAT). In case of appeals filed before the

appellate authorities, the department is represented in each appellate forum by a Departmental Representative in the cadre of Assistant Commissioner.

2.3.2. Tamil Nadu Sales Tax Appellate Tribunal

Appeals against orders of the First Appellate Authority i.e., Appellate Deputy Commissioner or Appellate Joint Commissioners lie before the Tamil Nadu Sales Tax Appellate Tribunal (STAT) Main Bench located in Chennai. Additional Benches are located in Chennai, Madurai and Coimbatore. Main Bench of the Appellate Tribunal is headed by the Chairman, in the rank of a District Judge. An officer belonging to Indian Audit and Accounts Service or Income Tax department or Central Excise department or Customs department or Railway Accounts department or Defence Accounts department or a member of the Institute of Chartered Accountants of India or the Institute of Cost and Works Accountants of India is the second member of the Tribunal. A Departmental member in the cadre of an Additional Commissioner is also appointed as a member of the Main Bench.

Additional Benches of the Sales Tax Appellate Tribunal have been constituted by a Judicial Member in the rank of a Subordinate Judge and an Additional Departmental Member in the cadre of a Joint Commissioner in Chennai, Madurai and Coimbatore. A State Representative in the cadre of a Joint Commissioner and an Additional State Representative in the cadre of a Deputy Commissioner represent cases of the department before the Main Bench and the Additional Benches, respectively.

2.3.2.1 Amenities to Tamil Nadu Sales Tax Appellate Tribunal

For effective functioning of Tamil Nadu Sales Tax Appellate Tribunal at Chennai, Madurai and Coimbatore, computer system with printers, UPS, Photocopier machines and fax machines have been provided under Part-II Schemes 2014-2015 at a total cost of Rs.5.73 lakhs.

2.3.3 Tax cases in High Court and Supreme Court

A Special Government Pleader (Taxes) appears on behalf of Government in tax cases in the High Court of Madras, while the Advocate-on-Record assists the department in the Supreme Court of India.

It has been proposed to appoint a Special Government Pleader (Taxes) specifically for Madurai Bench of Madras High Court to speed up the pending cases so as to augment revenue to the State's exchequer.

A Legal wing headed by Additional Commissioner (Taxation) and Joint Commissioner (Legal) coordinates between various offices in defending Government interest in various tax cases in Sales Tax Appellate Tribunal, High Court and Supreme Court. Similarly, Joint Commissioners of Territorial and Enforcement divisions are responsible for coordinating filing of appeals or cross appeals in the first appellate forum and appeals or cross-objection petitions before Sales Tax Appellate Tribunal Benches.

2.4 Enforcement Wing

2.4.1. Field Enforcement Divisions

This wing consists of eight Enforcement divisions spread across the State and one Inter-State Investigation Cell located in Chennai. All Enforcement divisions and the Inter-State Investigation Cell are headed by Joint Commissioners. Primary function of Enforcement Wing is to identify and control tax evasion through monitoring the movement of goods, checking the transport vehicles and conducting surprise

inspections or VAT audit in the places of business.

Inter-state movement of goods is monitored through 28 check posts situated at the State borders between Tamil Nadu and Andhra Pradesh, Karnataka, Kerala and Puducherry, 13 checkpoints at key locations inside the State.

In 2014-2015, 33,28,366 vehicles have been checked, 14,293 offences booked and compounding fees of Rs.12.45 crore levied and collected as against 26,93,977 vehicles checked, 14,342 offences booked and compounding fees of Rs.10.09 crore levied and collected in 2013-2014. Coordinated action on evasion-prone commodities like edible oil and tiles has resulted in substantial increase in compliance.

Each of 61 roving squads has been provided with a jeep and has responsibility of checking validity of documentation of goods in transit. Each Roving squad comprises a Commercial Tax Officer and a Deputy Commercial Tax Officer. In 2014-2015, 7,47,478 vehicles have been checked, 37,950 offences booked and compounding fees of Rs.50.35 crore collected as against 6,68,794 vehicles checked, 35,136 offences booked and compounding fees of Rs.32.46 crore collected in 2013-2014.

In addition to that, Enforcement groups numbering 144 have been deployed in various field Enforcement divisions to carry out VAT audits or surprise inspections, in places of business to detect evasion of tax. Each group consists of a Commercial Tax Officer and a Deputy Commercial Tax Officer. As a measure of ensuring focused VAT audit, risk based selection of dealers has been put in place. In 2014-2015, 1,243 VAT audits have been carried out resulting in detection of potential revenue of Rs.1,285 crore and collection of Rs.45.45 crore by Enforcement divisions. Similarly, 1,610 surprise inspections have been carried out resulting in detection of potential revenue of Rs.3,375.49 crore and collection of Rs.63.40 crore by enforcement divisions.

2.4.2. Inter - State Investigation Cell (ISIC)

Inter-State Investigation Cell (ISIC) is headed by a Joint Commissioner who liaises with officials in other States to detect cases of evasion of tax in respect of inter-State transactions and exchanges data with them for processing further. This cell focuses especially on the movement of evasion-prone commodities moving in and out of the State.

In 2014-2015, 80 investigation files have been opened with a potential revenue demand of Rs.258.77 crore and sent to Enforcement divisions, inspections and implementation of which resulted in raising demand of Rs.31.56 crore and revenue collection of Rs.1.125 crore.

2.4.3. Business Intelligence Unit

A Business Intelligence Unit has been established in the office of the Commissioner of Commercial Taxes under the direct supervision and control of the Principal Secretary/ Commissioner of Commercial Taxes. This Unit is headed by a Joint Commissioner and consists of one Deputy Commissioner, four Assistant Commissioners, one Assistant Programmer and one Statistical Inspector.

2.4.3.1 State Business Intelligence Unit

The State Business Intelligence Unit (SBIU) makes extensive use of Information Technology in analyzing the data received from various sources like returns of the dealers, documents collected at the check posts of the Department, information gathered from the agencies of Central Government such as Central Board of Excise

and Customs(CBEC), Central Board of Direct Taxes(CBDT), etc., returns and check post data of various other State Governments, etc. Business Intelligence Unit(BIU) investigates evasion-prone commodities, unusual Input Tax Credit (ITC) carry forward and refund claims, abnormal stock or branch transfer claims, etc. In the year 2014-2015, Rs.2.41 crore has been collected by opening of investigation files and tax demand raised.

2.4.3.2 Divisional Business Intelligence Units (DBIUs)

Divisional Business Intelligence Units (DBIUs) have also been constituted in each Enforcement division under the direct charge of the Joint Commissioner. Quarterly conferences, training in computer skills and orientation have helped in improving the investigation processes.

3. STATISTICS AND RESEARCH CELL

Statistics and Research Cell at the headquarters is headed by a Joint Director of Statistics and reports to the Additional Commissioner (Audit). The team comprises one Joint Director (Statistics), two Statistical Officers, one Statistical Inspector and two Assistant Statistical Inspectors.

Each Commercial Taxes Division has a Junior Research Officer assisting the Joint Commissioner and each Zone/Commercial Taxes District has a Statistical Inspector assisting Deputy Commissioners.

Statistics and Research Cell regularly brings out the following reports/publications:-

1. Booklet on "Commercial Taxes Department at a Glance" – Annually
2. Selected Indicators on Commercial Taxes Department (Folder) – Annually
3. Time series report on "Statistical Compendium on Commercial Taxes Department" – Annually
4. Revenue Analysis of Top 100 dealers for all Divisions and for the State – Monthly
5. Revenue Analysis of maximum revenue yielding commodities for all the Commercial Taxes Divisions and for the State – Monthly
6. Report on Act-wise and Division-wise revenue - Monthly and
7. Report on Monthly Performance of the Divisions – Monthly.

4. COMMERCIAL TAXES STAFF TRAINING INSTITUTE (CTSTI)

Commercial Taxes Staff Training Institute is functioning from 1982 onwards and is located in Chennai. It is headed by a Director in the cadre of Joint Commissioner (Commercial Taxes). The objective of the training Institute is to impart "In Service Training" and "Refresher Course Training" to all the officials. Training is also imparted at the Regional Training Centres at Vellore, Salem, Coimbatore, Trichy, Madurai and Tirunelveli. All the staff and officers of the department are taught basic computing skills as well.

In 2014-2015, Government have allocated a sum of Rs.17.56 lakhs for training. 1150 officers and staff of the Department have been imparted refresher or induction training by Commercial Taxes Staff Training Institute (CTSTI), Chennai and Divisional Centres across the State.

Apart from the above, Commercial Taxes Staff Training Institute, Chennai has nominated Senior Officials viz. Joint Commissioners, Deputy Commissioner and Assistant Commissioners of Commercial Taxes Department to get trained in the

specialized areas of Fraud Risk Management, Case Method Teaching, Team Building Activities, Success Through Excellence and Cyber Forensics conducted by various leading institutions in the field so as to acquire efficiency in specialized subjects for improving quality in handling key issues associated with Department functions.

Commercial Taxes Staff Training Institute (CTSTI) library has been equipped with books worth Rs.1.45 lakhs during the year 2014-2015. Regional Training Centre, Salem, has started functioning in the new office complex inaugurated on 11.06.2014. Further, new buildings for regional training centres are under construction at Vellore, Coimbatore and Tirunelveli at a cost of Rs.715.00 lakhs. These are expected to be put into use in 2015-2016.

4.1 Amenities to Commercial Taxes Staff Training Institute

Taking note of the need to sharpen competence of officers at various levels, the Government have announced in the last year, a grant of Rs.25.50 lakhs to provide additional infrastructure for the regional training centre at Tiruchirapalli and a sum of Rs.143.27 lakhs for training to the officers and staff at all levels at

Commercial Taxes Staff Training Institute at Chennai and other Regional Centres and further action is being taken. It will result in enhancing effectiveness of tax administrators.

5. ACTS ADMINISTERED BY THE DEPARTMENT

Commercial Taxes Department is administering the following Acts:-

1. Tamil Nadu Value Added Tax Act, 2006 (with effect from 1.1.2007)
2. Central Sales Tax Act, 1956
3. Tamil Nadu General Sales Tax Act, 1959 (upto 31.12.2006)
4. Tamil Nadu Additional Sales Tax Act, 1970 (upto 31.12.2006)
5. Tamil Nadu Entertainments Tax Act, 1939
6. Tamil Nadu Betting Tax Act, 1935
7. Tamil Nadu Tax on Luxuries Act, 1981
8. Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990

9. Tamil Nadu Tax on Entry of Goods into Local Areas Act, 2001
(This Act was struck down by the Madras High Court by its order dated 23.3.2007. An appeal against the order is pending before the Supreme Court of India)
10. Tamil Nadu Advertisements Tax Act, 1983.

6. TREND IN REVENUE COLLECTION

Despite a general economic slowdown, the Commercial Taxes Department has been able to maintain a significant growth in collection of revenue through better monitoring and strict enforcement against tax evasion. Revenue collection by the department under all the Acts after the introduction of VAT is as below:

Year	Revenue Collection (Rs. in crore)
2010-2011	31,117.00
2011-2012	39,545.00
2012-2013	47,885.00
2013-2014	56,851.87
2014 -2015	60,314.61

7. ACT-WISE REVENUE OVER THE PAST FIVE YEARS

Act-wise revenue contributions during the last five years are as below:

(Rs. in crore)

	Act	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
1.	Tamil Nadu Value Added Tax	26,558	33,997	42,038	51,245	53,930.47
2.	Central Sales Tax	2,263	2,819	2,904	3,116	3,811.17
3.	Tamil Nadu General Sales Tax	350	259	261	218	195.21
4.	Entertainment Tax	16	59	70	68	82.97
5.	Betting Tax	6	7	6	5	5.60
6.	Luxury Tax	216	256	290	299	319.26
7.	Entry Tax on Vehicles	1,708	2,148	2,316	1,900	1969.93
	Total	31,117	39,545	47,885	56,851	60,314.61

8. TAX ADMINISTRATION

Cost efficiency of Tax administration by Commercial Taxes Department has improved over the years. Administrative cost of Commercial Tax collection has never crossed even 1% of the total tax receipts in a year. During the year 2014-2015, the administrative cost as a percentage of collection has come down further to 0.43% to the total receipts of commercial taxes.

Further, the total staff productivity in terms of revenue collected per staff member has also significantly gone up from Rs.3.44 crore to Rs.8.89 crore. Staff revenue productivity grew at 22.6% during the years as against revenue growth of 18.73% in the previous period. Introduction of computer-based tools and better tax administration have resulted in this better performance.

9. INCREASE OF REWARD AMOUNT TO INFORMANTS ON TAX EVASION

In order to arrest tax evasion and increase the Government revenue, the reward to informants on tax evasion has been introduced from the year 1991. By this scheme, based on the information, a reward to the informant is given at 10% of the full tax amount collected or a maximum limit of Rs.25,000/-. Accordingly action is being taken to increase the same to Rs.1.00 lakh.

In special cases, the officials and individuals who are involved in identifying large tax evasion and collecting huge revenue, action is being taken to grant suitable reward to them.

10. TAX TO GROSS STATE DOMESTIC PRODUCT RATIO

Tamil Nadu is the fourth largest State in India in terms of Gross State Domestic Product(GSDP). Revenue collection of taxes is viewed against Gross State Domestic Product as it serves as an indicator of its depth (tax rates) and breadth (avoidance of tax evasion).

The Net Commercial Taxes to GSDP ratio has steadily moved up from 5.21% in 2010-2011 to 6.52 % in 2013-2014. This indicates steady improvement in efficiency in mopping up of taxes. The State Tax to GSDP ratio stood at 10.07% in 2013-2014.

Further, the Efficiency ratio (collection efficiency measured as the ratio of Tax revenue to GSDP further divided by the Standard rate of tax), a measure of tax compliance and efficiency of VAT as a source of revenue, has improved steadily since 2010 and currently is at 45%. It is expected

that better enforcement and implementation of Total Solution Project (TSP) would lead to better compliance and further improvement in the efficiency ratio.

11. TAX REFORMS

11.1 Provision for Deemed Assessment

Requirement of mandatory passing of assessment orders at the end of each financial year for every dealer has been dispensed with. If the dealer had filed returns in the prescribed format with requisite documents/declarations and proof for payment of tax existed, then the dealer is deemed to be assessed on 31st October of the succeeding year. This system has become operative from 19.06.2012.

11.2 Authority for Clarification and Advance Ruling

A State Level Authority for Clarification and Advance Ruling has been constituted to issue clarifications on any point concerning the rate of tax. This Authority consists of the Commissioner of Commercial Taxes, Additional Commissioner (Public Relations) and Additional Commissioner (Revision Petition) and is functioning from 31.10.2011. As on 31.03.2015, clarifications have been issued in 379 cases.

11.3 Input Tax Credit (ITC) to Registered Small Dealers

Facility of input tax credit is being provided with effect from 01.04.2012 to registered small dealers who do not, in any given assessment year, cross the prescribed threshold limit of turnover but have collected tax in anticipation of doing so.

11.4 Changes in Compounding Scheme Provision

If the turnover relating to taxable goods of dealers opting to pay tax under the compounding scheme in a year crosses Rs.50 lakhs at any time during the year, such dealers were earlier liable to pay tax at the scheduled rates for the entire taxable turnover of that assessment year. However, with effect from 01.04.2012, provisions have been made for such dealers to pay tax at the scheduled rates only on the taxable turnover over and above Rs.50 lakhs.

11.5 Input Tax Credit(ITC) on inter-State sale of goods without "C" Forms

In order to eliminate additional burden on the dealers effecting inter-State sale of goods without "C" form, clause (c) under

Section 19(5) of Tamil Nadu Value Added Tax Act, 2006 has been withdrawn with effect from 01.04.2015 to enable the dealers to claim input tax credit on the inter-State sale of goods without "C" form.

12. TAX EXEMPTIONS/ REDUCTIONS / WAIVER UNDER TAMIL NADU VALUE ADDED TAX ACT, 2006

12.1 Exemption/ Reduction

- (a) VAT on CFL bulbs and tubes, e-bikes, sanitary napkins and diapers, splints and veneers used by safety matches industry has been reduced from 14.5% to 5% with effect from 01.04.2012.
- (b) Wheat, oats, insulin, handmade locks, feeding bottles and nipples and helmets have been totally exempt from VAT with effect from 01.04.2012.
- (c) VAT on cardamom has been reduced from 5% to 2% with effect from 01.04.2015.
- (d) VAT on LED lamps of all kinds, air compressors, pump sets upto 10 hp and their parts thereof and cellular telephones (mobile phones) has been reduced from 14.5% to 5% with effect from 01.04.2015.

- (e) Fishing accessories like fishing ropes, fishing floats, fishnet twine, fishing lamps, fishing swivels and mosquito nets have been exempted from VAT with effect from 01.04.2015.
- (f) Works contract relating to sizing of yarn has been exempted from VAT with effect from 01.04.2015.
- (g) VAT leviable at the rate of 4% on LPG for domestic use has been totally removed with effect from 01.07.2011.
- (h) In order to supplement power production, the rate of tax on Gensets has been reduced on par with Generators from 14.5% to 5% with effect from 07.12.2012.
- (i) VAT is leviable at the rate of 14.5% on Battery Operated Motorised Retrofitted Scooters. In order to improve the mobility of the differently abled persons, sale of Battery Operated Motorised Retrofitted Scooters for their use has been exempted from VAT with effect from 14.12.2012.

12.2 Waiver

During the last four years, the waiver of tax has been granted under Tamil Nadu Value Added Tax Act, 2006 on the following:-

12.2.1 Welfare of Weavers

For the welfare of weavers, waiver orders have been issued for a sum of Rs.20 lakhs being the additional tax and penalty payable by Tamil Nadu Co-operative Silk Producers Federation Limited (TANSILK) under Tamil Nadu General Sales Tax Act, 1959.

12.2.2 Public Health

For the welfare of public health, waiver orders have been issued to the tune of Rs.59 lakhs being tax arrears payable by the Government Medical Stores Department under Tamil Nadu General Sales Tax Act, 1959 and Central Sales Tax Act, 1956.

12.2.3 Industries

Waiver orders have been issued for a sum of Rs.40 lakhs being interest and penal interest payable under Tamil Nadu General Sales Tax Act, 1959 and Central Sales Tax Act, 1956 by the sick industries taking into account the recommendation of the Board for Industrial Finance and Reconstruction (BIFR).

13. TAX EXEMPTION UNDER TAMIL NADU TAX ON LUXURIES ACT, 1981.

For the benefit of the poor and middle class people, the threshold limit for payment of tax under the Tamil Nadu Tax on Luxuries Act, 1981 has been enhanced from Rs.199/- to Rs.499/- with effect from 04.07.2013.

14. PRE-BUDGET MEETINGS

Every year, the Government organise pre-budget meetings at the State level in which the Representatives of trade and industry associations across the State participate. Since 2011, these meetings have been conducted on 1.8.2011, 22.3.2012, 18.3.2013 and 11.2.2014 chaired by the Minister for Finance with the participation of Minister for Commercial Taxes and Registration, Principal Secretary (Finance), Principal Secretary (Commercial Taxes and Registration), Principal Secretary/ Commissioner of Commercial Taxes and other senior officials of Commercial Taxes Department. For the year 2015, the meeting was held on 19.3.2015. Suggestions received during the meeting are examined in detail and appropriate action taken. Apart from reduction or exemption of tax

based on the representations received and deliberations during these meetings, major amendments in the Tamil Nadu Value Added Tax Act, 2006 are also carried out whenever necessary.

15. GOODS AND SERVICES TAX (GST)

After introduction of Value Added Tax (VAT) by all the States, the Government of India embarked on the next phase of reform of indirect taxation to introduce destination based Goods and Services Tax (GST) in the Country in consultation with the Empowered Committee of State Finance Ministers.

GST was initially proposed to be rolled out from April 2010. However, the Government of India have not been able to generate a national consensus on a host of issues on GST.

GST will be a dual tax, with both Central and State GST components levied on the same tax base. All goods and services, excluding the agreed upon exemptions, are proposed to be brought into this base. No distinction between goods and services will be made, with a common legislation applying to both. Though a number of issues remain to be resolved, the Government of India has passed the Constitution (One Hundred and

Twenty Second Amendment) Bill, 2014 in the Lok Sabha and it is presently being considered by the Rajya Sabha.

15.1 Stand of Government of Tamil Nadu

Tamil Nadu has a number of objections to the proposed design of GST under the Constitution (One Hundred and Twenty Second Amendment) Bill, 2014. The State is primarily concerned about the impact of the proposals on the fiscal autonomy of the States and the huge permanent revenue loss likely to be caused by GST to a manufacturing and net exporting State like Tamil Nadu. It is the stand of the State that Government of India should try and evolve a broad consensus on critical issues of GST before the enactment of the Constitutional Amendment Bill on GST is taken up.

16. TRADERS WELFARE

16.1 Traders Welfare Board

16.1.1 Activities

Tamil Nadu Traders Welfare Board was constituted for the welfare of the Traders by implementing several welfare schemes. The welfare schemes are

implemented through the interest received from the corpus fund, which is recently increased from Rs.2 crore to Rs.5 crore by the Government to the Board and the matching grant given by the Government equal to the one time membership fee received from the members.

16.1.2 Renewal of membership fee

The Government have done away with the requirement of annual renewal of membership by paying Rs.100/- every year and have extended the membership to small dealers, who are doing business by obtaining necessary license from the concerned local bodies, even if they are not registered under the Tamil Nadu Value Added Tax Act, 2006 or are not paying professional tax.

16.1.3 Welfare Schemes

Various welfare schemes viz., family assistance, medical assistance, educational assistance, etc., are being provided by the Traders Welfare Board to their members and their families.

16.2 Traders' Grievance Redressal Day

District level Sales Tax Advisory Committees under the Chairmanship of District Collectors have been set up. These committees are useful in identifying major issues that need to be resolved and finding a solution.

In order to improve interaction between the officers of the department and traders, an announcement was made in the demand for grants in 2014-2015 to conduct Traders' Grievance Redressal Day on every Monday in the offices of the Deputy Commissioners and Joint Commissioners. Accordingly, every Monday, Traders' Grievance Redressal Day is being conducted by Deputy Commissioners (CT) and Joint Commissioners (CT) in their respective offices.

An online grievance registration and monitoring system is also in place. In 2014-2015, 1,980 grievances have been registered through online and necessary steps have been taken to send replies promptly to the applicants in all the cases.

17. VAT AND CST COMPENSATION

17.1 Value Added Tax (VAT) Compensation

A sum of Rs.650.44 crore is still outstanding from the Government of India towards VAT loss compensation to the State. The Government of India is being urged upon for early release of the pending amount payable to the State.

17.2. Central Sales Tax (CST) Compensation

As part of the roadmap for the implementation of GST, the Central Sales Tax (CST) rate was reduced from 4% to 3% with effect from 01.04.2007 and further brought down to 2% with effect from 01.06.2008. The Government of India agreed to implement various non-revenue measures and direct release of fund to compensate the States for the revenue losses.

An amount of Rs.13,227.46 crore has been claimed as CST loss compensation for the years from 2007-2008 to 2012-2013 out of which, the Government of India are yet to release an amount of Rs.7471.38 crore. The Government of India are being urged upon for early release of the balance amount payable to the State.

18. COMPUTERISATION

18.1 Computerisation of the Department

Computerisation of the Commercial Taxes Department was commenced initially with the help of Government Data Centre. Later, the Department established its own Data Centre in which the Monthly Returns of the entire State were entered and processed and MIS Reports were generated.

Further, to augment revenue collection, the Department started the Computerisation of field level offices. In 2003 Departmental offices were provided with computers and connectivity for data export to Central Server at Chennai.

Presently, all offices of Commercial Taxes Department have been provided with Computer Systems along with required printers including Multi Function Devices. All the locations of the Department are connected through 2 Mbps Leased Lines to the nearest Point of Preference (POP) of Tamil Nadu State Wide Area Network (TNSWAN) establishing the Wide Area Network for the Department.

Commercial Taxes Department has its own website namely www.tnvat.gov.in for the mercantile public through which various e-services can be accessed. In addition to that, Department has an Intranet website www.tnct.gov.in through which all the departmental officials are able to access the various Application modules, perform the departmental functions and view various MIS reports.

18.2 Electronic Services

18.2.1 Electronic Services provided to Dealers

Presently, the following e-services are available to the dealers for interfacing with the department.

18.2.1.1 Registration of Dealers

A dealer can submit his / her application for new registration online. After processing in the concerned Assessment Circle, Tax Payers Identification (TIN) certificate will be generated and sent to the dealer by Registered Post.

18.2.1.2 e-Filing of Returns

On-line facility to file returns under Tamil Nadu Value Added Tax Act, 2006 and Central Sales Tax Act, 1956 has been mandated to all assesseees. In March 2015, there are 3,52,761 dealers who filed online returns constituting 77% of returns to be filed, which is substantially higher when compared to 3,31,045 dealers who filed online returns constituting 72% of returns to be filed in March 2014.

18.2.1.3 e-Payment of Tax

On-line payment / remittance facility of Commercial Taxes through internet is presently carried out through net banking (online payments). Out of twenty five Banks approved by the Government, twenty two Banks have already been enabled with the e-Payment facility of the Commercial Taxes. Necessary measures are being taken to enable the online payment through the remaining three Banks.

As per a revised notification issued in February 2014, all dealers with annual taxable turnover of over Rs.2 crore have been mandated to make online e-payment. In March 2015, 1,02,629 number of dealers made e-payment (both online and offline)

amounting to Rs.5,343.70 crore constituting 79% of the total tax payment of Rs.6,775.06 crore.

The Government have approved 19 Public Sector Banks, for introduction of the method of online linked offline collection of taxes, for the benefit of dealers, through the bank counters. This facility has been provided to the dealers through three banks, viz. Indian Bank, Indian Overseas Bank and Vijaya Bank from August 2014. Dealers who have opted for offline payment can generate an e-challan for the tax due and pay them at the Bank counters of the above three banks in the State. In March 2015, Rs.58.94 crore has been collected through the offline payment mechanism.

It is targeted to reach an e-payment goal of 100% by the end of 2015.

18.2.1.4 Refunds to Exporters

The filing of Form W application has been prescribed for the exporters who claim the refund of Input Tax credit on their zero-rated sales. Introduction of e-filing of Form W has made the process of refund to the exporters faster, when compared to the manual system. The status of the refund claim is updated in the website and

therefore, the interface between the department and dealer is kept at the minimum.

In order to validate the export sales, a Memorandum of Understanding (MoU) has been signed with Directorate General of Foreign Trade (DGFT) on 23.01.2014 for verifying electronic Bank Realization Certificates (e-BRC) against which refunds are claimed by exporters.

18.2.1.5 e-Filing of Annual Returns

e-Filing facility has been provided to dealers for filing Annual Returns. In 2014-2015, 43,977 dealers have filed their annual returns for 2013-2014 through online out of the 1,86,133 annual returns.

18.2.1.6 Data Retrieval Lab

For establishing the Data Retrieval Lab, the Government have sanctioned a sum of Rs.21.37 lakhs. The Data Retrieval Lab enables the Department to detect IT enabled tax evasion and other trade malpractices by processing the data in computers of the dealers. Data from the storage media like Hard Disks, seized from the premises of the dealers are retrieved and processed in the Lab. Training on the data retrieval has also been given to the Department officials.

18.3 Other Online Services

The following facilities / services are also available in the website www.tnvat.gov.in for the mercantile public:

- Viewing and downloading of the Acts & Rules, Forms, Circulars, Clarifications, Government Orders and Notifications issued.
- The facility to view dealer payment history and profile (Dealer's Ledger).
- On-line search facility to know the rate of tax and schedule of commodities.
- On-line search facility of the details of dealers by entering their TIN or Name.
- During 2014-15, a new online facility to verify C and F forms issued online has been launched for the use of other State dealers and other State CT departments.

18.4 Intranet site of the Department

The intranet site of the department www.tnct.gov.in enables the departmental officials to perform their day-to-day functions by accessing the various Application Modules relating to Assessment Circles, Check posts, Enforcement Wing, Appellate Wing and all taxes administered by this Department.

The Intranet online application for the departmental officials also provides the following facilities:

- Live report on revenue collection under various Acts with drill down facility from State level to Circle level.
- Statistical Reports on the performance of the Officers of the Department
- Government Notifications, Government Orders, Circulars, Clarifications, Acts and Rules.
- MIS reports like return filed status, return audit, input versus output and return scrutiny.

- Online cross verification of ITC availed by the dealers.
- Online notice generation for wrong claims of ITC.
- Integration of Territorial and Checkpost modules which enables the Assessing Officers to cross verify the data furnished by the dealers in the Monthly Returns along with the movement of goods through Checkposts.
- e-mail facility.

The above facilities enable the departmental officials to identify dealers who evade tax payments and pursue necessary action to arrest tax evasion.

19. TOTAL SOLUTION PROJECT

19.1 Objective

During the year 2012, the Government sanctioned Rs.230.95 crore for implementing end to end Total Computerization Project for five years and finalized the bid value to Rs.179.98 crore. All infrastructure like servers, computers, printers and network

have been installed. Subsequently, a sum of Rs.6.73 crore has been sanctioned towards system and non-system related requirements.

The prime objectives of this Project are:

- To improve service delivery for the dealers through
 - a) Providing anytime anywhere access to Services
 - b) Reduction in service turnaround time and minimal physical interaction with the Department
 - c) Increased channels for service delivery
 - d) Transparency in service delivery
- To support the Department in achieving its goal of enhanced revenue collection through
 - a) System aided decision making in core Tax processes
 - b) Greater Government to Government (G2G) collaboration

- c) Simplification and streamlining of the procedures of the department and reduction of cumbersome, time-consuming and non-value adding activities of the Department so that the staff can spend their time on core activities

- d) Enhanced analytics and reporting capabilities and business intelligence for system aided decision making.

19.2 Project Implementation

The Project is to be implemented in two Phases. In the first phase, major modules like Registration, Return and Statutory Forms will be implemented and in the second phase remaining modules will be implemented. Development and testing of application software for Phase-I have been completed and the Department is in a state of readiness to go live very soon and Phase-II will be rolled out subsequently.

19.3 Infrastructure Facilities

To augment power supply to the newly installed computers and accessories and also to preserve them, it is proposed to provide 250 KVA & 500 KVA transformers and other electrical works for effective implementation of the Total Solution Project at a cost of Rs.2.10 crore.

20. AWARDS

20.1.1 Skoch Smart Governance Award 2013

The Commercial Taxes Department was qualified amongst India's Best Projects under e-services in 2013. The Skoch Order of Merit Medal was conferred for the project.

20.1.2 Web Ratna Award 2014

Web Ratna Awards have been instituted under the ambit of National Portal of India to honor the exemplary e-governance initiatives using the medium of World Wide Web (www). The Commercial Taxes Department, Tamil Nadu is one of the awardees for the Web Ratna Awards 2014.

21. INFRASTRUCTURE AND AMENITIES

21.1 Construction of own buildings for Commercial Tax Assessment Circles other than Chennai

When the Government offices function in private buildings which normally do not possess adequate facilities to the officers and staff, they put large inconvenience to the visiting traders also. Considering the necessity to have own buildings for providing better facilities to the staff and visiting traders and to provide good working environment, sanction was accorded for construction of 16 buildings for housing 39 offices of the Department at a cost of Rs.23 crore during the year 2011-2012. Work has been completed in respect of Commercial Taxes Staff Training Institute at Trichy, Integrated Commercial Taxes Buildings at Salem, Thiruvannamalai, Villupuram and Mayiladuthurai, Commercial Taxes offices at Panruti, Nannilam, Lalgudi and Kovilpatti, Commercial Taxes Office Annex Building at Erode and checkpost building at Puzhal in Tiruvallur District and inaugurated by Hon'ble Chief Minister on 11.06.2014 by video conferencing.

During the year 2012-2013, the Government sanctioned construction of own buildings in 10 places for housing 16 offices, namely Ranipet, Virudhachalam, Ariyalur, Kallakurichi, Ginjee, Harur, Ambasamudiram, Nanguneri, Tiruchendur and Tirupur at a cost of Rs.11.18 crore, out of which, construction works have been completed in respect of Tiruppur, Ranipet, Virudhachalam, Gingee, Harur, Ambasamudram, Nanguneri and Tiruchendur and inaugurated by Hon'ble Chief Minister through video conferencing on 27.07.2015. Rest of the buildings are under various stages of construction.

The buildings now sanctioned have been designed to possess facilities like ramps and handrails, visitor's area, adequate toilet facilities including facilities for differently abled persons, RO system for drinking water, fire-fighting equipments, etc., keeping in mind the needs of the visiting traders and the staff of the Commercial Taxes Department.

During the year 2013-2014, an announcement was made by the Hon'ble Chief Minister under Rule 110 on the floor of the Assembly on 13.05.2013 that Commercial Taxes buildings would be constructed in 7 places for 9 offices with

roof top solar energy panels as per the Tamil Nadu Solar Energy Policy, 2012. Pursuant to that, the Government have accorded sanction for construction of Commercial Taxes Office buildings at Valvachagostham, Devakottai, Chidambaram, Arcot and construction of Commercial Taxes Staff Training Institute at Coimbatore, Tirunelveli and Vellore at a cost of Rs.10.93 crore. At present, construction works have commenced in Arcot, Devakottai and Tirunelveli. Steps are being taken to complete the construction of the remaining buildings.

21.2 Construction of own buildings for Commercial Tax Assessment Circles in Chennai

On 07.08.2014 an announcement was made by the Hon'ble Chief Minister under Rule 110 on the floor of the Assembly that two Commercial Tax Complexes one in South and another in North Chennai for housing 70 Assessment Circles and LTU in Chennai will be constructed at a cost of Rs.60 crore. As a first step, land transfer processes have been completed to construct an integrated complex in South Chennai at Venkatapuram Village, Guindy for accommodating 52 Commercial Taxes Offices and 4 Registration Department Offices at a cost of

Rs.51.98 crore. Moreover, action is being initiated to construct an integrated complex in North Chennai, at cost of Rs.25.25 crore to house rest of the assesment circles.

21.3 Modernisation of the Office of the Commissioner of Commercial Taxes, Ezhilagam, Chepauk, Chennai

At present, the office of the Commissioner of Commercial Taxes is functioning in 740 sq.mtrs. at 4th Floor, Ezhilagam Building, Chepauk, Chennai-5. To improve the working environment and infrastructure facilities to the officials for better functioning and also to fulfill the requirements for implementation of end-to-end computerisation, viz., Total Solution Project, orders have been issued to modernize the Office of the Commissioner of Commercial Taxes at an estimated cost of Rs.1.38 crore in order to implement the announcement made by the Hon'ble Chief Minister under Rule 110 on the floor of the Assembly on 07.08.2014.

22. RE-ORGANISATION OF ASSESSMENT CIRCLES

22.1 Re-organisation of the Assessment Circles other than Chennai Divisions

During the year 2014, Government issued orders for re-organisation of the Assessment Circles in Chennai Division. Accordingly, 89 Assessment Circles functioning in 4 Divisions of Chennai were re-organized as 100 Assessment Circles, i.e., 25 Assessment Circles in each Division, which are functioning with effect from 01.08.2014.

In the same manner, it has been decided to re-organise the jurisdiction of the other divisions of the Commercial Taxes Department other than Chennai. In this connection, a sub-committee under the chairmanship of Additional Commissioner (Suo-motu Revision) with Joint Commissioner (Enfrcement-1) Chennai, Joint Commissioner (Administration), Joint Commissioner (Enforcement), Coimbatore, Additional Commissioner (Review Petition), Joint Commissioner(North), Chennai and Joint Commissioner (Computer Systems) as members, has been constituted by the Commissioner of Commercial Taxes.

22.2 Amenities for Re-organised Assessment Circles

For effective functioning of newly formed/bifurcated assessment circles in Chennai Division, orders have been issued for purchase of furniture at a cost of Rs.29.09 lakhs and 13 sim cards for the use of heads of office.

23. CHECKPOST

23.1. Fast Track Clearance System at the Check posts

This facility enables the dealers to enter details of the goods carried through the transport vehicles in our website. Acknowledgement generated through Fast Track Clearance System (FTCS) at the Commercial Taxes website can be carried along with the goods vehicle and on production of the same in the check post, it will be cross-verified, entries updated and the vehicles will be cleared fast. This facility saves the time of the dealers who transport the goods and the traffic congestion in the check posts will be minimized.

23.2 Checkpost Buildings

28 checkposts and 8 checkpoints were facing operational difficulties due to issues like inadequate manpower, interruptions in network connectivity and power supply, improper location, inadequate space etc. In order to rectify these deficiencies and strengthen the check posts and checkpoints, the Government sanctioned an amount of Rs.33.36 crore during 2012. This amount is being utilized for acquisition of land wherever needed, construction and renovation of buildings, purchase of vehicles, purchase of Gensets etc.

So far, the works in respect of 8 buildings costing Rs.2.29 crore have been completed, while 2 buildings viz., Meenakshipuram, Coimbatore District, Bannari, Erode District costing Rs.58.40 lakhs are in final stages of construction. In respect of 2 buildings, land has been acquired and construction is expected to commence shortly.

Lands have been identified and land value has been fixed in respect of construction of building at the check posts of Katpadi and Pattanur in Vellore Enforcement, Lower camp and Bodimetu in Madurai Enforcement Division and

Tharangambadi in Trichy Enforcement Division. Also, check post buildings at Melavanchoor in Nagapattinam District, Kottakuppam in Ariyalur District and K.G.Chavadi(out) at Coimbatore District have been opened by Hon'ble Chief Minister through Video Conferencing on 27.07.2015.

23.3 Modernization of Checkpost

An Integrated Check Post (ICP) is being constructed at a cost of Rs.120 crore by the Transport Department at Pethikuppam, Gummidipoondi Taluk, Tiruvallur District. This check post is likely to be commissioned by the end of 2015. The Puzhal IN and OUT check posts will commence functioning as and when Pethikuppam integrated check post is commissioned.

An announcement was made by the Hon'ble Chief Minister under Rule 110 on the floor of the Assembly on 07.08.2014 for construction of another Integrated Check Post at Hosur at a cost of Rs.120 crore. Land acquisition and transfer processes have been initiated along with estimation.

23.4. Installation of Portable Cabins.

In order to check the movement of goods by land/train/air/sea and also for implementation of the Total Solution Project, it has been proposed to install portable cabin in the check- posts / check points at Tiruttani, K.G.Chavadi(in), Hosur(in), Thoppur(in), Pattanur, Egmore Goods yard in Chennai, Tuticorin Port, Uthukottai and Sical Railway Container Yard at Arakkonam at a cost of Rs.61.96 lakhs and auxiliary items of work at a cost of Rs.12.90 lakhs.

24. VEHICLES & GPS TRACKING

24.1 Purchase of Vehicles

There are 234 vehicles sanctioned for the Department, out of which 202 are in roadworthy condition. Condemnation certificates will be shortly obtained in respect of 32 vehicles and they would be replaced.

During 2012-2013, 16 vehicles have been purchased at a cost of Rs.86.38 lakhs. For the year 2014-2015, purchase of 22 vehicles has been announced during the demand, out of which sanction has been accorded for purchase of 9 vehicles for Rs.49.92 lakhs. For the remaining 13 vehicles steps are being taken for purchase of the same.

24.2. Installation of GPS Tracking System in Enforcement Vehicles

In order to ensure proper tracking of enforcement vehicles for Roving squads, the Government have sanctioned a sum of Rs.21.88 lakhs for installation of GPS facility with an online tracking mechanism under the Part-II scheme during 2014-2015.

25. RIGHT TO INFORMATION ACT, 2005

Right to Information Act, 2005 was enacted to bring transparency in the working of Government Organisations. The Commercial Taxes Department with fairly large amount of direct interaction with the mercantile public, ensures that the activities of the Department are conducted in a clear, simple and transparent manner. Towards this objective, the Department gives special importance to all the petitions received under the Right to Information Act, 2005 and replies are sent promptly to the applicants in all the cases.

M.C. SAMPATH

Minister for Commercial Taxes and
Registration