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PRESS RELEASE

REVISION OF SALES TAX RATES

11.7.2011

The Govt of Tamil Nadu has taken steps for implementing several welfare schemes. As the earlier Govt has left a huge debt of over Rs.1 lakh crores, the State Govt has to mobilise additional resources to adhere to the fiscal norms and also to implement the new welfare schemes successfully. Therefore, the State Govt has decided to take various revenue augmentation measures to increase the revenue resources. Revision of Sales Tax has been identified as one of the possible sources and accordingly, the Govt has taken the decision and issued the notification on 11-7-2011 to make certain changes in the Sales Tax rates.

- VAT on the commodities charged at 4% has been increased to 5%. This revised rate of 5% is also applicable to declared goods. States like Karnataka, Maharashtra and Gujarat have increased this rate to 5%. Therefore, the State of Tamil Nadu has also decided to revise this rate to 5%. However, keeping in view the importance of the Agriculture Sector, agricultural implements under Serial No.2, part B of the First Schedule which are taxed at present at 4% will be fully exempted by including this entry under the Fourth Schedule. Similarly, fertilizers, insecticides, etc., under 17-A of the First Schedule and taxed at present at 4% also will be fully exempted by including this item in the Fourth Schedule.

- VAT on the commodities charged at 12.5% has been increased to 14.5% in order to generate additional resources. Andhra Pradesh has already increased this rate to 14.5% and in Karnataka it has been increased to 13.5%. In Gujarat, certain commodities are taxed at 15% and certain commodities at 20%.
- Textile and textile products which were earlier exempted will be brought under 5% tax. This was exempted earlier as the Central Govt was collecting Additional Excise Duty (AED). The Govt of India has already abolished AED and permitted the State to levy Sales Tax. As cone yarn is already taxed at 5% in the present dispensation, taxing textiles will get the benefit of input tax credit as a part of the VAT chain. Andhra Pradesh has also brought textiles and textile products under VAT. However, hank yarn and handloom fabrics will continue to enjoy exemption.
- As there is rampant tax avoidance under edible oil misusing the provisions of turnover based exemption, the State Govt has decided to reduce the exemption of the turn over limit from Rs.500 crores to Rs.5 crores, so that the bigger dealers will be brought under the tax net.
- Tobacco and tobacco products which are construed to be negative goods will be taken out of the VAT tax rate of

12.5% and included in the Schedule II as non-VAT commodities and taxed at 20%. Chewing tobacco, snuff and cheroot which were exempted earlier will also now be brought under 20% tax net. Beedi and beedi tobacco which were earlier exempted will now be brought under VAT and taxed at 14.5%.

- The present tax rate of 4% on LCD panels/LED panels, DVDs/CD, Cellular telephones (mobile phones), I-pod, I-phone and parts thereof, cellular telephones (mobile phones), I-pod, I-phone is increased to 14.5%.

These tax changes are coming into effect from 12.7.2011. All these measures are expected to generate an additional revenue of Rs.3900 crores per annum. The registration fees on agreements relating to deposit of title deeds, lease deeds, instrument of power of attorney to sell immovable properties are also revised upwards, which is expected to generate an additional revenue of Rs.300 crores per annum.

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