

**Government of Karnataka
(Commercial Taxes Department)**

**MAJOR CHANGES AND MODIFICATIONS IN COMMERCIAL TAXES WITH EFFECT FROM
1ST APRIL, 2012**

I. VALUE ADDED TAX:

1. The following commodities have been exempted from tax from 1.4.2012 to 31.3.2013:

- (1) Paddy, Rice and Wheat.
- (2) Pulses.
- (3) Flour and Soji of Rice and Wheat and Maida of wheat.

2. Braille watches have been exempted from tax.

3. Tax on the following commodities has been reduced to 5%:

- (1) Ready to cook chapathi and parota.
- (2) Surgical footwear.
- (3) Black boards.
- (4) Works contract of manufacture of readymade garments and embroidery work.
- (5) Naphtha.

4. Tax on the following commodities has been reduced to 2%:

- (1) Un-ginned raw cotton.
- (2) Dry chillies including cut chillies, spent chillies and chilly seeds.

5. Tax on the following commodities has been reduced to 1%:

- (1) Onsale of,
 - (i) jewellery and articles of gold, silver and other noble metals whether or not studded with precious or semi-precious stones; and
 - (ii) precious and semi-precious stones.
- (2) On transfer of property in goods involved in the execution of works contract of manufacturing or processing and supplying of jewellery and articles of gold, silver and other noble metals whether or not studded with precious or semi-precious stones.
- (3) Furnace oil sold to foreign going vessels.

6. VAT rate of 15% increased to 17% on cigarettes, cigars, gutkha and other manufactured tobacco.

7. VAT levied at the rate of 5% on HDPE and other plastic woven fabrics.

8. Other reliefs:

- (1) The provision of automatic cancellation of stay order issued by the First Appellate Authority after 240 days of its issue is omitted.
- (2) The First Appellate Authority empowered to stay recovery of 50% of amounts other than tax disputed in appeal.
- (3) Uniform time limit of 5 years from the end of the relevant tax period fixed for assessment/reassessment of tax periods from 1.4.2012 onwards. In respect of dealers failing to get registered or fraudulently evading tax, the time limit for assessment/re-assessment fixed at 10 years.

9. Other important changes made in the Karnataka Value Added Tax Act, 2003:

- (1) Provision made for filing of revised return only when it is filed within the time limit fixed for filing the return for the succeeding tax period. For filing revised return beyond such period but within 6 months from the end of the relevant tax period permission from the prescribed authority has to be obtained.
- (2) The provision relating to issue of credit and debit notes is omitted.
- (3) Provision deeming any mistake apparent from the record as rectified where the application seeking rectification is not disposed of within 60 days is omitted.

- (4) Penalty for non-maintenance of proper books of account increased from Rs.2000 to Rs.5000 if it is a first offence and Rs.5000 to Rs.10000 if it is a subsequent offence.
- (5) Penalty for the offence of non-production of records and non-furnishing of information increased from Rs.5000 to Rs.10000.
- (6) Provision made for prosecution of dealers who fail to file returns continuously for 3 months or 2 quarters.
- (7) Government and the Commissioner empowered to notify goods for which transit pass has to be mandatorily obtained.
- (8) Provision made for entering the details of transit pass in a notified website before the exit of the goods from the State.
- (9) Provision made for prevention of claims of double deduction in respect of consumables used in execution of works contracts.

II. SALES TAX:

Reliefs:

- (1) Sales tax rate of 18% reduced to 16.75% on diesel.
- (2) Sales tax exemption on sale of diesel to fishermen (limited to 1,25,000 Kilo litres).
- (3) Sales tax rate reduced to 1% on High Flash High Speed Diesel sold to foreign going vessels.

III. AGRICULTURAL INCOME TAX:

- (1) Partnership firms exempted from tax.
- (2) Time limit for filing revision petition against orders of Appellate Tribunal increased from 60 days to 180 days.

IV. LUXURY TAX:

- (1) Proprietors providing accommodation in temporary structures and other places for conduct of marriage and related matters and also for organizing official, social or business functions made liable for luxury tax at 10%.
- (2) Proprietors providing accommodation in seminar, convention, banquet, meeting or exhibition hall and other places for conduct of marriage and related matters and also for organizing official, social or business functions made liable for luxury tax at 10%.
- (3) Provision made for self-assessment based on returns filed by proprietors.

V. ENTERTAINMENTS TAX:

- (1) Provision made for self-assessment based on returns filed by proprietors.
- (2) Provision made for issue of registration to proprietors of new cinema theatres and video parlours. Automatic registration for existing proprietors.

VI. PROFESSIONS TAX:

- (1) Provision of quarterly filing of statement withdrawn.
- (2) Time limit for filing revision petition against orders of Appellate Tribunal increased from 60 days to 180 days.

VII. ENTRY TAX:

Time limit for filing revision petition against orders of Appellate Tribunal increased from 120 days to 180 days.

VIII. BETTING TAX:

The minimum tax payable by private bookmakers operating in Bangalore and Mysore increased.

Please visit our website at <http://ctax.kar.nic.in> for more details of the amendments and notifications.

(PRADEEP SINGH KHAROLA)
Commissioner of Commercial Taxes.