CENTRAL SALES TAX ACT, 1956

I PURPOSE/SCOPE

(i) This Act is applicable to sales/purchases taking place in course of inter state trade and commerce.

(ii) The inter state nature of transaction is to be determined as defined in Section 3(a)/(b). If sale/purchase occasions movement of goods from one State to another State, it is an interstate sale. A sale, effected by transfer of documents of title to goods when goods are in inter-state movement, is also an inter-state sale.

(iii) Section 4 of the CST Act determines situs of sale: i.e. State in which the sale takes place. Accordingly the situs is to be decided on the location of the goods at the time of sale.

(iv) Section 5 defines the sale/purchase taking place in course of import/export and such transactions are immune from levy of any tax by State Government or Central Government. [(Sections 5(1), 5(2) and 5(3)].

The sale of goods to any exporter for the purpose of complying with the pre-existing order and covered by Section 5(3) is also exempt as deemed export. These sales are to be supported by Form H along with export order details and copy of bill of lading etc. as evidence of actual export.

II EXEMPTIONS

(i) Section 6 is charging Section. As per Section 6(2) subsequent inter-state sale transaction taking place by transfer of documents of title to goods, when the goods are in course of movement, are exempt. For this purpose the claimant dealer has to obtain Form E-1 from his vendor (if such vendor is first seller otherwise, E-II) and Form 'C' from the buyer.

(ii) Sale to notified foreign diplomat authorities is also exempt u/s. 6(3) against Form 'J'.

(iii) The inter state sale to units situated in Special Economic Zone (SEZ) or developers of SEZ against Form 'I' are exempt as per Sections 8(6) read with Section 8(8).

III BRANCH/CONSIGNMENT TRANSFER

Under Section 6A, branch/consignment transfer is allowed only if Form 'F' is produced, else it will be deemed to be a sale. Form 'F' is required to be obtained from transferee branch/agent. One Form 'F' can cover transfers effected in one calendar month.

IV RATES OF TAX

As per Section 8 of CST Act, the rates of taxes are to be decided as per rates under Local Act.

The rates can be as under:

(Prior to 1-4-2007)

Local Rate of Tax	Rate of Tax under C.S.T. Act	
	Supported by Form 'C' or 'D'	Without 'C' or 'D' Form
Declared goods	Local rate of tax	Twice the local rate of tax
If the goods are generally exempt under Local Act	Exempt	Exempt
Less than 4%	Local Rate of tax	10%
4% or more, up to 10%	4%	10%
More than 10%	4%	Local rate of tax

(From 1-4-2007 to 31-5-2008)

Local Rate of Tax	Rate of Tax under C.S.T. Act	
	Supported by 'C' Form (Form D is abolished)	Without 'C' Form
Declared goods	3%	4%
If the goods are generally exempt under Local Act	Exempt	Exempt
1%	1% (C form not required)	1%
4%	3%	4%
12.5%	3%	12.5%

(From 1-6-2008 onwards)

Local Rate of Tax	Rate of Tax under C.S.T. Act	
	Supported by 'C' Form (Form D is abolished)	Without 'C' Form
Declared goods	2%	4%
If the goods are generally exempt under Local Act	Exempt	Exempt
1%	1% (C form not required)	1%
4%	2%	4%
5%	2%	5%
12.5%	2%	12.5%

V. REGISTRATION, FORM 'C' PURCHASES AND OTHER PROVISIONS

1. There is no threshold limit for registration under CST Act and hence even on the basis of single transaction a dealer will be liable for registration under Section 7(1). The dealer can also obtain registration voluntarily along with registration under VAT Act as per Section 7(2) of CST Act. Application for registration should be in Form A. Registration certificate will be in Form B.

2. As per Section 9(2), the interest/penalty/return/assessment provisions applicable under Local Act are also applicable to CST Act. In addition there are provisions for levy of penalty u/s. 10 like contravention of the conditions of declaration forms, wrong issue of form etc.

3. Purchases to be effected against Form 'C' are subject to conditions. The compliance is to be checked before using Form 'C'. In nutshell, it can be mentioned that Form 'C' can be used for effecting purchases which are meant for:

- **a) Resale by him**
- **b) Use in manufacturing/processing of goods for sale**
- **c) Use in mining**
- **d) Use in generation/distribution of power**
- **e) Use in packing of goods for sale/resale**
- **f) Use in telecommunication network.**

4. One 'C' form can be issued for one quarter of a financial year. Similarly EI/EII can also be issued on quarterly basis.

The Central Government has substituted second and third proviso to Rule 12(1) *vide* Notification No. 588(E) dated 16th September, 2005. According to these provisos, with effect from 1st October, 2005, Form C will have to be collected separately for each quarter of the year. Form D was required to be obtained transaction wise. However, Form D has been abolished with effect from 1st April, 2007.

Central Government has also substituted sub rule (7) to rule 12 with effect from 1st October, 2005. Form C or certificate in Form E-I or E-II will have to be submitted to sales tax department within three months from the end of the quarter in which sale is effected. In case of Form F, it is to be obtained on monthly basis and it is to be submitted to the sales tax department within three months from the end of the month in which goods are transferred to the interstate branch or agent. In Maharashtra State, the Commissioner of Sales Tax has exempted the dealer from submission of Form C, D, F, H, E-I or E-II. Instead of that, dealers are required to submit the list of missing forms on quarterly basis as per the format specified in Trade Circular No. 28T of 2005 dated 24.10.2005.

5. From 11-5-2002 the six deemed transactions of sale, including works contracts and leases are taxable under the CST Act if they are effected in the course of inter-state trade.

6. Chapter VI-A provides for filing of appeals before Central Sales Tax Appellate Authority in case of disputes involving more than one state.

7. In addition, there are other provisions for declared goods, liability in case of companies, offences and prosecution, etc.