CENTRAL SALES TAX ACT, 1956

Purpose/Scope

- This Act is applicable to sales/purchases of goods taking place in course of interstate Trade and Commerce.
- Section 4 of the CST Act determines location of sale: i.e. State in which the sale takes place. The sale transaction is taxable in the state where the movement of the goods **originates**.
- Section 5 defines the sale/purchase taking place **in course of import/export** and to further such transactions are **immune from levy of any tax** by State Government or Central Government.

Charging Section

- Section 6 is charging Section.
  - ☞ Sec.6(1) of CST Act provides that subject to other provisions of the CST Act,
    - every dealer shall be liable to pay tax under this Act
    - on all sale of goods (other than electrical energy)
    - effected by him
    - in the course of Inter-State trade.
  - ☞ Sec.6 (1) is called 'Charging Section' as it imposes levy on sale of goods on Inter-State sale.

Analysis of charging section:

☞ No tax on sale of newspaper! Reason thereof - Not treated as goods

☞ No tax on sale of Electricity! Reason thereof - Excluded from charging Section 6.

☞ No tax on Export/Import Sale! Reason thereof - Tax for inter-state sale only

☞ No tax on purchases! Reason thereof - Tax on sale only

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

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

REGISTRATION

- 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 the Act.
- The application shall be made within 30 days from the date of liability under CST Act.
- The dealer can also obtain registration voluntarily along with registration under VAT Act.

Prescribed forms under CST

Following are the forms prescribed under CST (Registration and Turnover) Rules, 1957.

Form	Description	Frequency
A	Application for registration	Once
B	Certificate of Registration	Once
C	Declaration by purchasing registered dealer to obtain goods at concessional rate	To be obtained for every quarter and submitted on quarterly basis
D	Form of certificate for making government purchases (D form cannot be issued in case of sale made to Government on or after 1-4-2007)	No question arises after 1-4-2007.
E-I/ E-II	Certificates for sale in transit	To be obtained for every quarter and submitted on quarterly basis
F	Form by branch/consignment agent for goods received on stock transfer	Monthly, but to be submitted to authorities quarterly
G	Indemnity bond when C form lost	When required
H	Certificate of Export	Up to the time of assessment by first assessing authority.
I	Certificate by SEZ unit	Not specified in rules (but should be submitted before assessment).
J	Certificate to be issued by foreign diplomatic mission or consulate in India or the UN Agency	Up to the time of assessment by first assessing authority.

Form C

Purchases to be effected against Form 'C' are subject to conditions.

- ☞ At the time of purchase the dealers shall be registered under CST Act.
- ☞ The Amount of the Transaction for which the form is applied for must be reflected in the VAT return of the period in which transaction is affected.

- ☞ **More clearly**
  - ☞**"C" Form** is issued by buyer who is registered dealer.
  - ☞If the buyer issues "C" form, he can purchase goods at concessional rates in the inter-state sale.
  - ☞C Form can be issued only by a registered dealer to another registered dealer.
  - ☞It can be issued, generally, only in respect of raw materials, packing materials goods covered by the certificate of registration of the issuing dealer.

  - o 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.

- ☞ **Form 'C'** can be used for effecting purchases which are meant for:
  - Resale by him
  - Use in manufacturing/processing of goods for sale
  - Use in mining
  - Use in generation/distribution of power
  - Use in packing of goods for sale/resale
  - Use in telecommunication network.

☞ The application for the forms under the CST has to be made electronically.

☞ There are also six deemed transactions of sale, including works contracts, hire purchases and leases are taxable under the CST Act if they are effected in the course of inter-state trade.

Branch/Consignment Transfer

- The dealer effecting the transfer of goods
  - ☞ to any other place of his business or agent or principal
  - ☞ is required to prove the transaction
  - ☞ as transfer of goods otherwise than by way of sale
  - ☞ by providing the declaration issued
  - ☞ by his branch/agent/principal situated in other State.
- The declaration to be furnished in Form 'F'.
- Branch/consignment transfer is allowed only if **Form 'F'** is produced, else it will be deemed to be an inter-State sale.
  - ☞ **Form 'F'** is required to be obtained by the H.O. from transferee branch/agent when the goods are sent by head office to the branch and
  - ☞ If the goods returned by branch to head office, the H.O. will have to issue F form to branch.
- One **Form 'F'** can cover transfers effected in one calendar month.
- "F" form is evidence to provide that goods are sent in stock transfer basis and not on sale.
- The consignment agent/ branch receiving the goods is required to issue "F" form to the selling dealer.
- The declaration in Form F has to be issued for transactions of one month.

Form H

- ☞ This form is issued by **an exporter** for purchase of goods.
- ☞ The purchase of goods is for an export order or in pursuance of an export order.
- ☞ These goods are then sold in export and the form enables seller of the goods to the exporter to claim deduction on the goods sold for export.

More clearly

- "H" Form is issued when the buyer buys the goods for export. If buyer issue "H" form, the selling dealer is not required to charge or pay any CST on the transaction.

- Form-H is required for doing sales transaction with interstate for availing Central Sales Tax Exemption (CST) because purchaser is doing transaction for supplying the products to overseas client (out of country).

- 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/penultimate sale.

- 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.

Sale in course of Export

- No tax can be levied by State Government on sale in the course of export. Even when exports are arranged with the help of an agent.
- Export sale can be direct or by transfer of documents after goods cross customs boundary of India.
- Sale to any destination outside territorial waters is '**EXPORT**'.
- Penultimate sale i.e. sale prior to actual export is exempt if exporter issues **H form** to supplier.
    - There should be pre-arrangement of sale.
    - Same goods which are purchased should be exported.
    - Some processing can be done, so long as 'same goods' are sold.
- Packing material can be purchased for export by issuing H form.

The inter-State sale to units situated in Special Economic Zone (SEZ) or developers of SEZ are exempt against Form 'I'.

Sale to notified foreign diplomat authorities is also exempt against Form 'J'.