Cst is an indirect tax levied on interstate sale. (Sale from one state to another state)

The CST is central tax, However the state government will collect and retain the CST

The CST will be collected by State Government where the movement of goods start.

Coverage of Central Sales tax

Central Sales tax Act

Central sales tax turnover determination rules

State Sales tax Act
In respect of provisions like return, assessment, appeals etc.,.

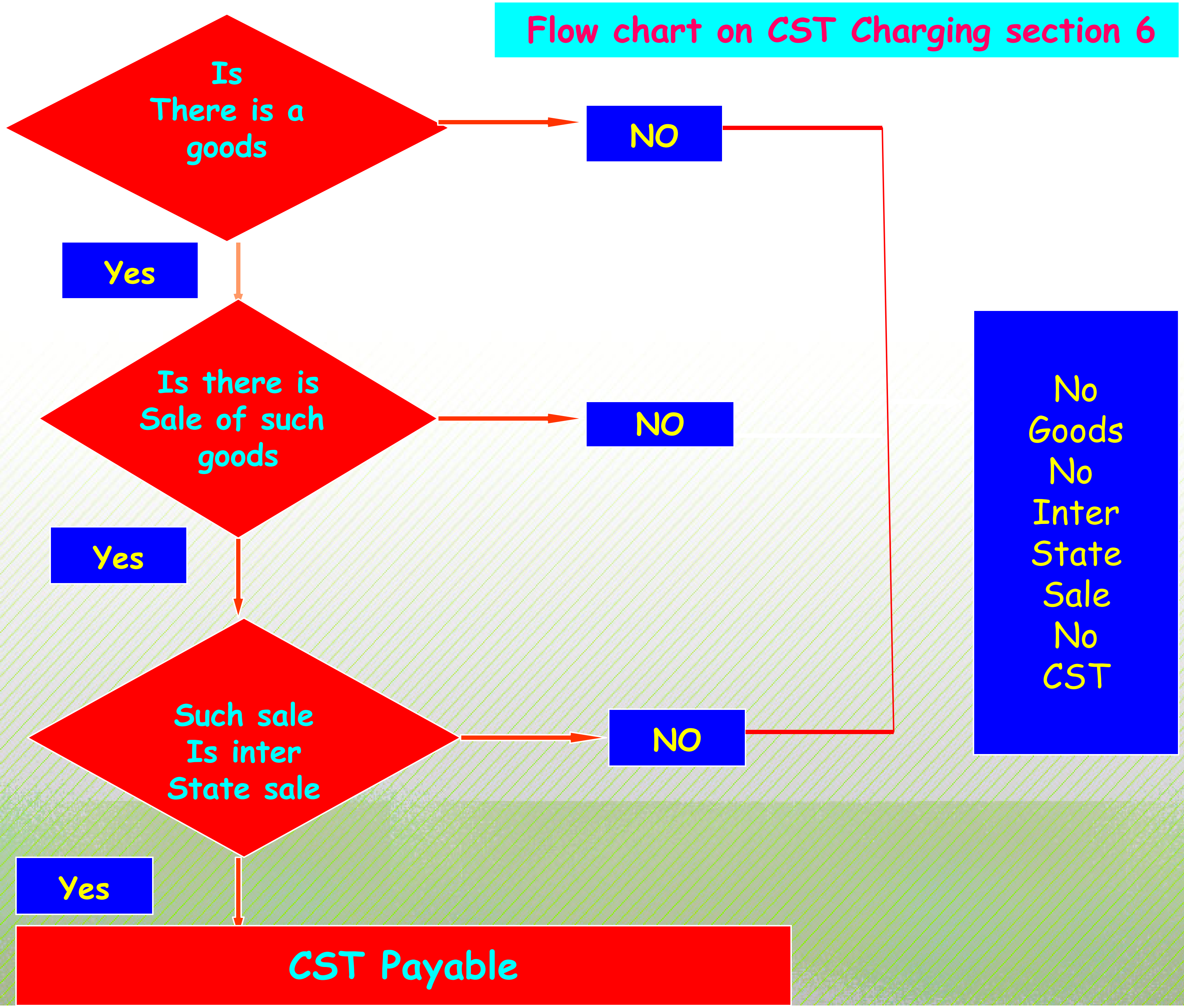
Objects of CST Act

- To determine the principles with regard to When a sale is said to inside state outside state/export sale/import sale
- Levy collect and distribution of taxes on inter state sale
- To declare certain goods as goods of special importance (Declare goods) and restrict the state to levy tax on these goods

Charging section of CST Sec 6

- Levy is on *sale* of goods (i.e. levy is not on purchases)
- No Levy on Electrical Energy (though electrical energy is goods)
- Levy is only on Inter state sales
- The liability is subject to other provision of Act (ie exemptions if any in other sections should be considered

Flow chart on CST Charging section 6



Important definitions

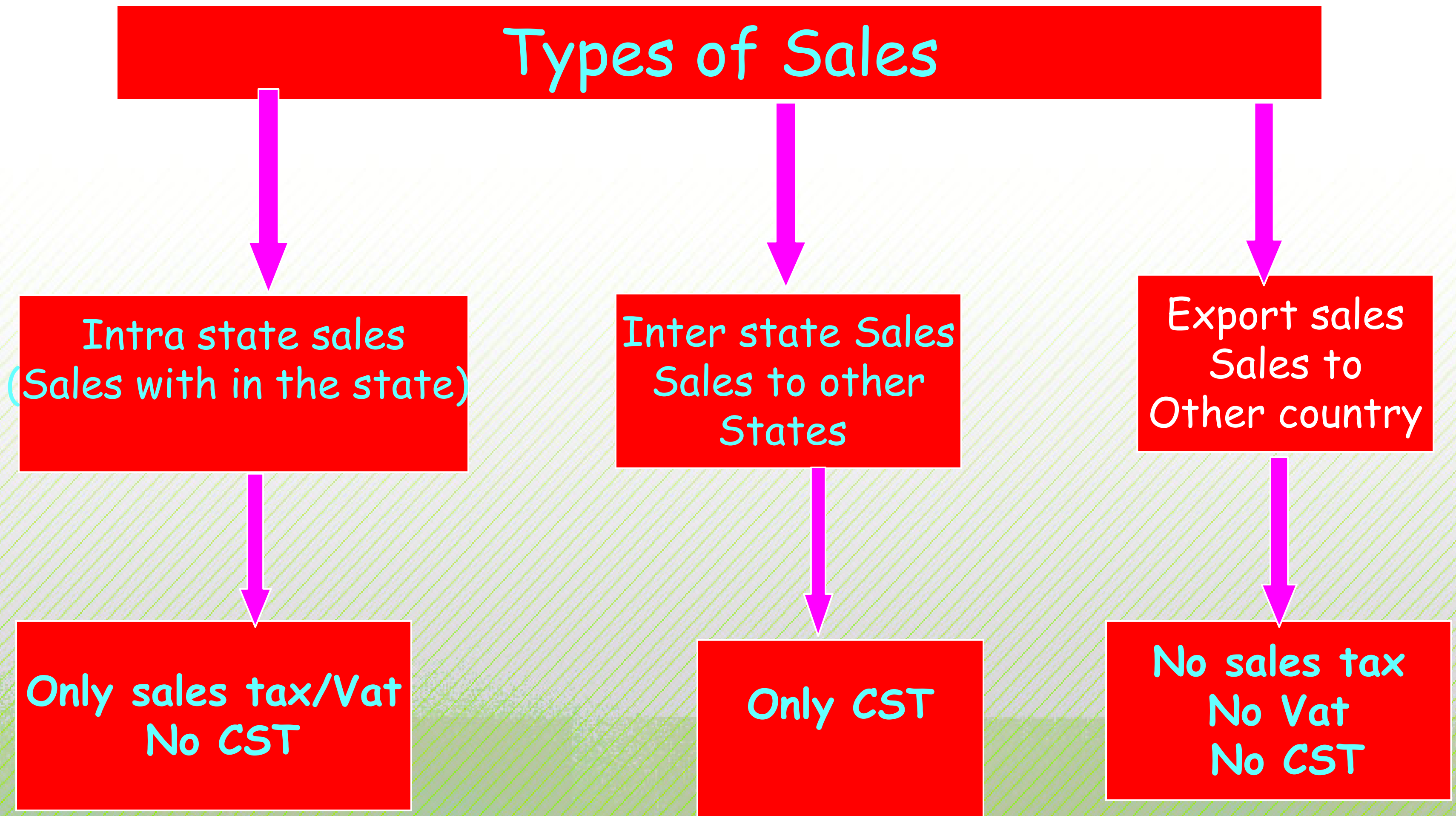
Goods Sec 2(d)	all materials, articles, commodities and all kinds of movable property,
Excluding	newspapers, actionable claims, stocks, shares and securities.
News Papers Include	magazines, weeklies etc
However	News papers sold as scrap/old newspapers sold as news paper (for example research purpose) are goods

Characteristics of goods

- The main character of goods is Movability.
- A person sells the standing trees alone i.e. the buyer is to cut the trees and take them away. Has he sold the goods?: Yes.
- A person sells a piece of land along with standing trees/crop. Has he sold goods?: The property sold is immovable and hence not goods.

Characteristics of goods

- House sold is not movable and hence it is not goods, but house demolished and sold as waste is movable and hence goods.
- Mines are not goods, but minerals extracted from them are goods.
- Air and Water are goods.
- Even illegal goods are also goods.
- Caged animals and birds are goods.
- Dead animals are also goods.
- Copy rights, gas, electricity, steam, lottery tickets are also goods.


Types of Sales
Intra state sales
(Sales with in the state)
Inter state Sales
Sales to other
States
Export sales
Sales to
Other country
Only sales tax/Vat
No CST
Only CST
No sales tax
No Vat
No CST

Sale means

- Transfer of property in goods
- by one person to another
- for cash or for deferred payment or
- for any other valuable consideration,

Sales include

- Transfer of property in goods
- Goods involved in Works contract
- Right to use goods (like leasing)
- Transfer among members of unincorporated association
- Supply of food articles
- Hire purchase

Sales does not include

- barter
- a mortgage
- hypothecation or a charge
- pledge
- Consignment sales
- Branch and head office transfers
- Job work/processing
- Gifts/Samples
- Transfer to C & F Agent

Definitions contd.,

Sale Outside State :

- If the sale is inside state and it will sale outside state for all other state

Sale inside a State

if the goods are within the State

- In the case of specific or ascertained goods, at the time the contract of sale is made *and*
- In the case of un-ascertained or future goods, at the time of their appropriation to the contract of sale by the seller or by the buyer, whether assent of the other party is prior or subsequent to such appropriation.
- ***Sale to ship which is within territorial waters is 'local sale'***

Definitions contd.,

Business

- Trade, Commerce, manufacture, or any adventure
- motive to make gain or profit or may not have motive to gain profit
- any transaction in connection with or incidental or ancillary to, such trade, commerce, manufacture, adventure or concern

Definitions contd.,

APPROPRIATE STATE" - 2(a)

- In relation to a dealer who has one or more places of business situated in the same State - That State.
- In relation to a dealer who has places of business situated in different States - Every such State.
- **state include union territory**

Determination of Appropriate State is necessary

- The persons liable to pay Central Sales Tax must know about the state to which he has to pay the Central Sales Tax.
- To follow provisions relating to filing of Returns etc. in accordance with the provisions of the respective states.

Definitions contd.,

Place of Business –

- Place where dealer carries business
- Place where dealer stores goods (Factory, warehouse, store, depot)
- Place where books of account kept

For example

- Dealer residence is not a place of business

Principal place of business

- More than one place of business, one place is known an principal place of business and other is known as additional place of business
- Different places in one state One registration
- Different places in different states registration in each state separately

Definitions contd.,

Dealer

Every person carries on the business of

- buying, selling, supplying,
- or distribution of goods
- directly or indirectly,
- for cash, or for deferred payment, or
- for valuable consideration

Dealer Include

- a local authority,
- a body corporate,
- a company, any cooperative society
- club, firm,
- Hindu undivided family or
- other association of persons

Dealer Include

- a factor,
- broker, commission agent,
- *delcredere agent*, or
- any other mercantile agent
- auctioneer
- Government/Club is also a dealers

Meaning of 'Inter State Sale' sec 3

A sale or purchase of goods shall be deemed to take place in the course of inter-State trade or commerce if the sale or purchase

- Occasions the movement of goods from one State to another Sec 3 (a)

Meaning of 'Inter State Sale' sec 3

Example

- Ram of Chennai sells goods to Syam of Bangalore
- as per the terms of contract, goods are delivered by Ram in Chennai to a transport company
- and Transport Company delivers goods to Syam at Bangalore
- In this case, the sale of goods have moved from Chennai to Bangalore
- and, therefore, it is inter- State sale chargeable to the central sales tax

Meaning of ‘Inter State Sale’ sec 3

- Is effected by a transfer of documents of title to the goods during their movement from one State to another. Sec 3 (b)

Example

- Varun of of Chennai sells goods to Arun of of Lucknow
- while the goods are in transit, Arun sells the goods by transfer of documents to Kiran of Hyderabad
- In this case there are two interstate sales
- Sale by Varun to Arun is under 3(a) and sale by Arun to Kiran is under 3(b).)

Sale by transfer of documents of title

Documents of title:

- Lorry Receipt - LR in case of transport by Road
- Railway Receipt - RR - in case of transport by rail
- Bill of Lading - BL - in case of transport by sea
- Air Way Bill - AWB - in case of transport by air.
- one who submits the same is entitled to get delivery of goods, if document is in his name or endorsed in his name.

Essential features of Inter-state Sale

- Transaction must be completed sale
- Location of buyer and seller immaterial
- There should be agreement to sale stipulation that there should be movement of goods from one place to another
- There should be physical movement of goods from one state to other

Essential features of Inter-state Sale

- It is immaterial which state the ownership passes
- Mode of transport is immaterial, transportation may be any mode
- Ever Buyer takes deliver from seller, if there is movement one state to another it is interstate sale
- Sale should conclude in different state. It conclude in same state, subsequent movement will be on behalf of Purchaser and it is not interstate sale
- Temporary movement through another State is not Inter State sale -

Collection of CST

- CST will be charged and collected by state government where the movement of goods commences

Goods involved in Works Contract

No CST on works contract

CST can be levied on goods involved in works contract if goods move from one State to another on account of such works.

CST on works contract only in case of movable property and not on immovable property

Definitions contd.,

Taxable turnover sec 2 (j)

- Taxable turnover is amount considered for Payment of CST
- Aggregate of the sale prices
- received and receivable by the dealer
- in respect of sales of any goods in the course of inter-State trade or commerce
- made during any prescribed period (Period in a dealer is liable to submit returns under the local Sales Tax law For example, monthly/quarterly.)

Determination of Turnover

Taxable Turnover is to be determined in accordance with provisions of Central Sales Tax Act and Rules For example certain items to be included/ excluded.

- In determining turnover, *deduction of sales tax should be made from the aggregate of sale price.* Section 8A(1)

The 'aggregate sale price

The aggregate sale price is inclusive of Central Sales Tax and backward calculation is to be made.

- Thus, if aggregate of sale price is 'S' and rate of tax is 'R'; 'turnover' and 'tax payable' will be calculated as follows:
- Turnover= S x 100/100+R
- Tax = S x R/100+R

Round off of CST payable To nearest rupee. (Section 9*B* of CST)

Inclusions in Turnover

- Central Excise
- All expenses before the delivery (loading, wieghment ,coolie)
- Packing material and packing charges
- Freight is not shown separately in invoice
- Freight in case of F O R Contracts
- Design and development charges in respect of goods

Inclusions in Turnover

- Salesman commission
- Central Sales Tax
- Freight from factory to depot in case of sale from depot
- Incentive bonus for additional sales to dealers
- Insurance to cover seller risk in case of F O R Contracts

Exclusions in Turnover

- transit Insurance at the at the request of buyer
- Freight if shown separately in invoice
- Subsidy/charity
- Cost of installation shown separately in invoice
- Goods returned by buyer with in 6 months from the date of sale
- Goods rejected by buyer (No time limit)

Calculation of adjusted turnover

Turnover	xxxxxx
Add: If they are not added/not included	
Central Excise	xxxxxx
Packing (except durable returnable packing)	xxxxxx
Design & Development charges	xxxxxx
Salesman commission	xxxxxx
Loading/handing/coolie before delivery	xxxxxx
Freight if not shown separately in invoice	xxxxxx
Freight in case of F O R Contract	xxxxxx
Freight from factory to depot, if sale is from depot	xxxxxx
Incentive bonus for additional sales to dealers	xxxxxx
	xxxxxx

Turnover	xxxxxx
Deduct: If they are not deducted /included in the turnover	
Cash/trade discounts	xxxxxx
Durable returnable packing)	xxxxxx
Freight if shown separately in invoice	xxxxxx
Charity/Subsidy	xxxxxx
Installation charges if shown separately	xxxxxx
Goods returns (Sales returns) with in 6 months from the date of sale	xxxxxx
Goods rejected (No time limit)	xxxxxx
Adjusted turnover	xxxxxx

Calculation of taxable turnover/CST payable

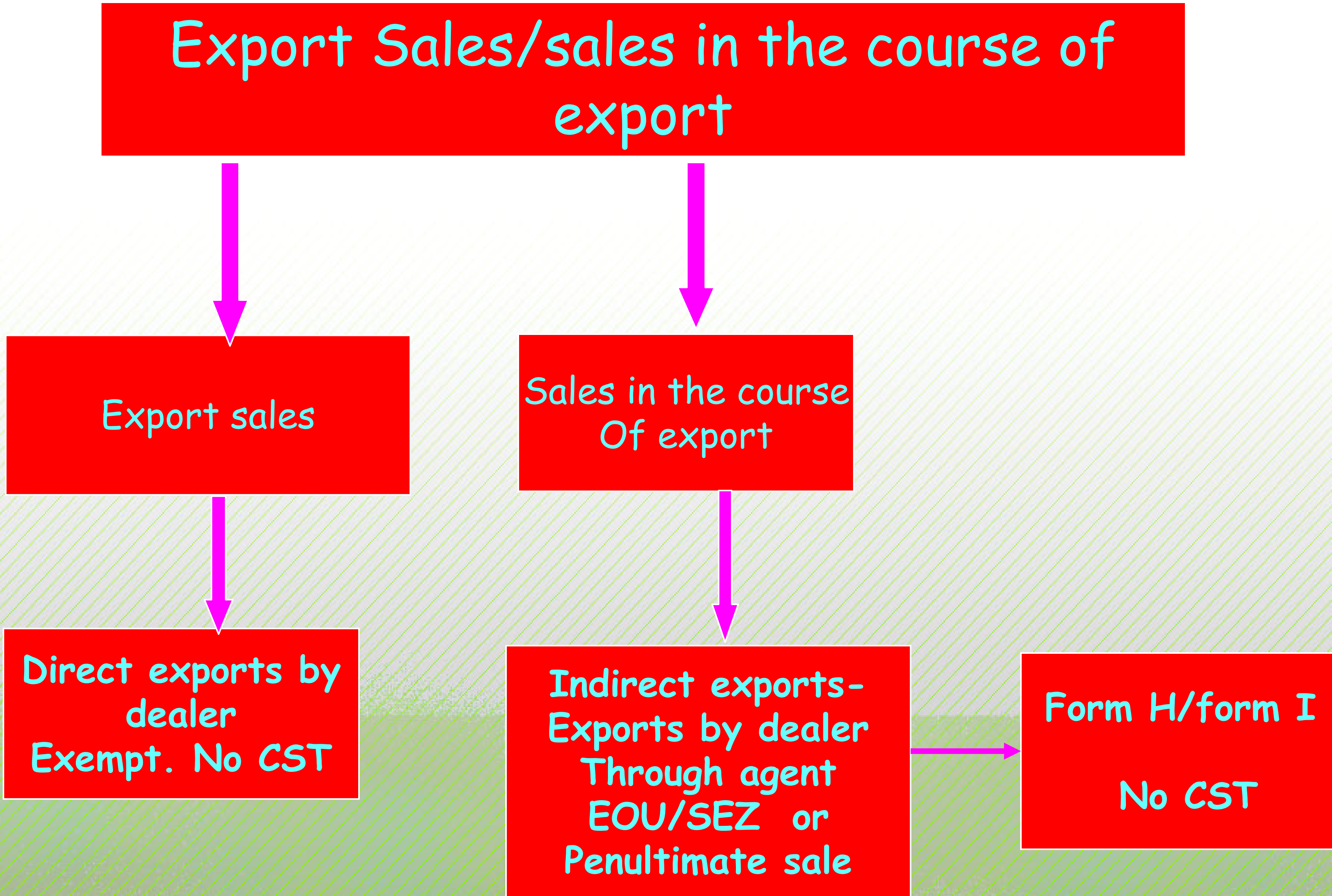
$$\text{Taxable Turnover} = \text{Adjusted Turnover} \times \frac{100}{100 + \text{Cst rate}}$$

$$\text{CST payable} = \text{Adjusted Turnover} \times \frac{\text{CST rate}}{100 + \text{Cst rate}}$$

Adjusted Turnover Means turnover adjusted with inclusions and Exclusions

Exemptions from CST

- Sales during movement of goods Section 6(2)
- Sale to diplomatic missions, UN, international organizations etc Section 6(3)
- When local sales tax rate is nil CST is also nil. Sec 8
- Exemption when sale is penultimate to export as defined u/s 5(3) u/ S 6(1)
- Exempting sale to SEZ unit. Section 8(6)
- Exemption by issue of notification by State Government
- Sale during export/import is not taxable,


Export Sales/sales in the course of export
Export sales
Sales in the course Of export
Direct exports by dealer Exempt. No CST
Indirect exports- Exports by dealer Through agent EOU/SEZ or Penultimate sale
Form H/form I No CST

Penultimate sale means

- Sale to a person who ultimately exports the goods
- For example Mr A of Bangalore sell cloth to Mr B of Chennai and Mr. B exports the same cloth to USA

Exemption of Penultimate sale

Penultimate sale (last but one sale) is exempted from CST when all the following conditions are satisfied

- Exporter should have export order in his hand before taking delivery.
- Sale is made as per as per agreement considering the export order
- The goods shall be exported in the same form same condition (without any process)
- Exporter should issue declaration in form no H/ I to seller

Import sale and sale during the course of Import

- Direct imports – directly importing by person
- Sale in course of imports means imports through agent
- A Sale is said to imported also when sale take place before reaching the customs barriers
- No CST in case of Imports, After importing If goods sold in in local state local sale tax is payable
- When the sale is after crossing territorial waters it is sale with in the state and local sales tax can be levied. Because territorial waters will belong to respective state government

Sale to a ship

Because Territorial Waters Belong to Respective State govt.

Dealer Resides Chennai

Ship is at port Of Cochin/ Visag/Bombay

Inter State Sale CST Payable

Dealer Resides Chennai

Ship is at port Of Chennai

Intra state Sale No CST Only vat

Dealer Resides Chennai

Ship is at Place cross Customs frontier

Sale in the Course of Export No CST No vat

Goods of special importance (Declared Goods) Section 14

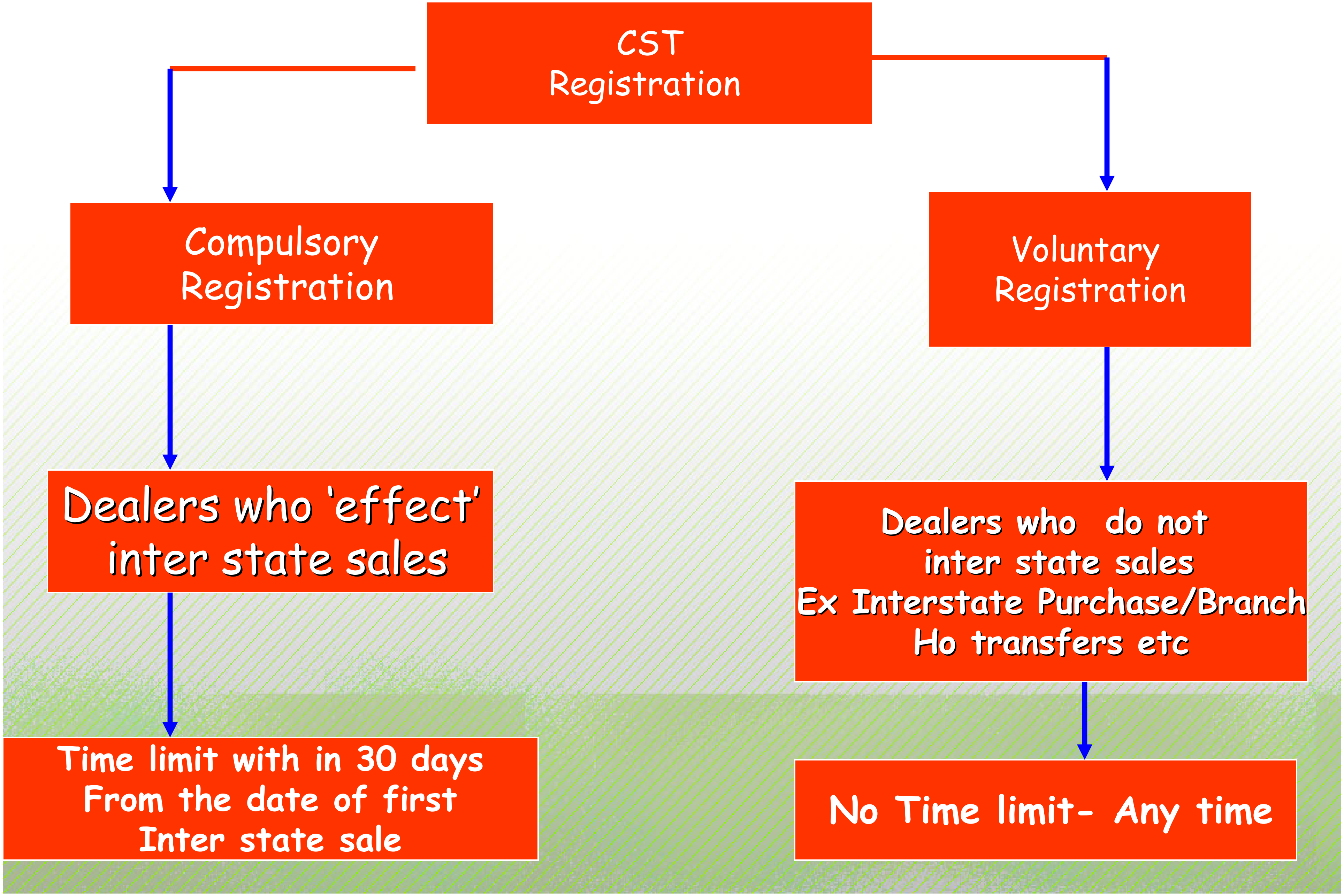
- Cereals (rice paddy wheat)
- Pulses(gram, tur, moong, masur, urad)
- Coal, coke, all form excluding charcoal
- Hides and skins
- Crude oil
- Cotton in un manufactured form excluding cotton waste
- Iron and Steel
- Jute
- Oil seeds
- Manmade fabrics
- Sugar and Khandasari Sugar
- Woven Fabric of wool
- Aviation fuel sold to turbo prop aircraft

Local Sales tax on Declared goods not to exceed 4 % -
If declared goods sold on interstate sale if any local sales tax paid on such goods will be refunded if such goods sold in same form

Procedures under CST

Registration under CST Act

- Dealers who ‘effect’ inter state sales are required to register with in 30 days from the date of first sale.
- Other dealers voluntarily can also register (example inter state purchases no inter state sale, branch transfers etc) No time limit.


CST
Registration
Compulsory
Registration
Voluntary
Registration
Dealers who 'effect'
inter state sales
Dealers who do not
inter state sales
Ex Interstate Purchase/Branch
Ho transfers etc
Time limit with in 30 days
From the date of first
Inter state sale
No Time limit- Any time

Where to register

In the local sales tax office
Where dealer resides

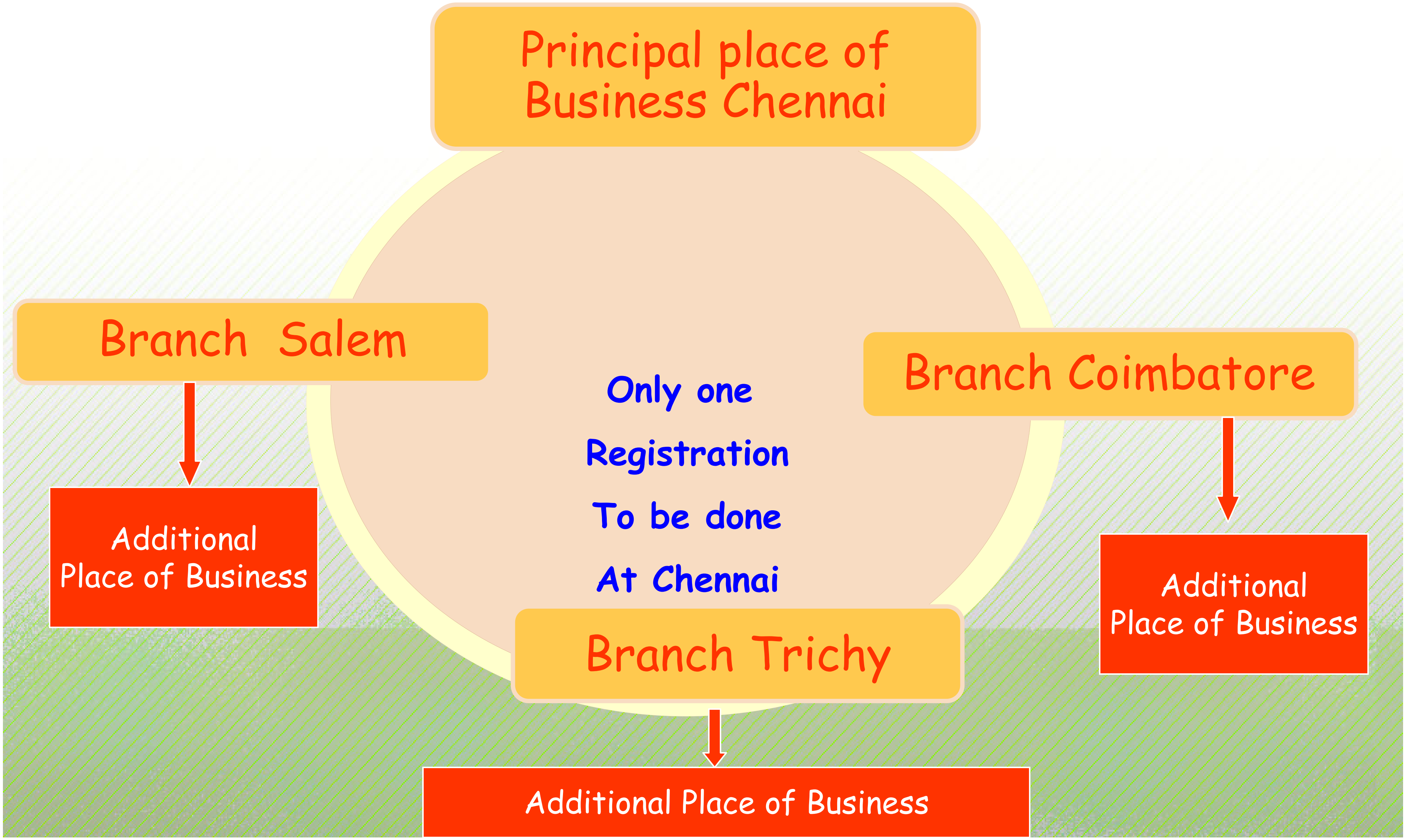
Sales tax office Egmore

Dealer Principal place of Business in Egmore

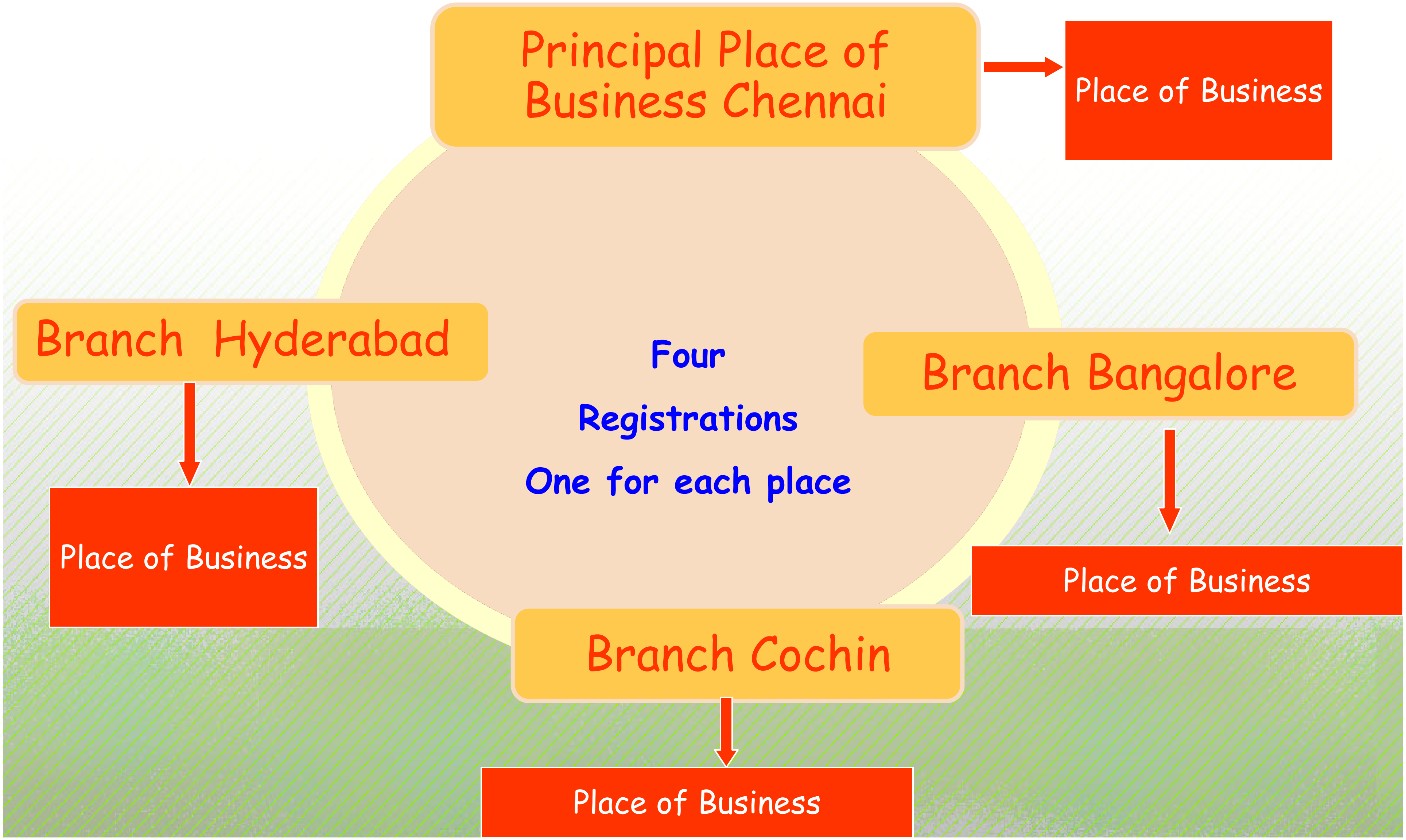
What to register

- Place of Business to be registered
- Different places in same state One registration,
- different places in different places, registration required under each state

CST Registration



CST Registration



Procedure for registration

- Application in form No A affixed with Rs. 25 court fee stamp.
- Application should be signed by dealer

.

Enclosures to Application

- Particulars of Directors/ partners
- Copies of articles of association, memorandum in case of company and partnership deed if applicant is a firm Copies of rent agreements
- Nominations as Manager
- List of places of business, go down
- Details of machinery

Enclosures to Application

- Details of bankers
- Photographs of directors / partners
- List of goods deal for purchase, sale, resale, manufacture, export etc
- Place of business location sketch
- Security deposit
- Introduction by two dealers in from the place of dealer
- Self addressed stamped envelop Rs. 30

Grant of Registration Certification

- Registering authority will ensure that application is in conformity with provisions of CST Act.
- He can make necessary enquiries about the particulars given are correct
- Materials requested for registration are eligible for inclusion and the goods are in fact needed for the business.
- After he is satisfied and after obtaining required security,
- The dealer will be issued a Certificate of Registration in prescribed form ‘B’.

Registration contd.,

- A copy of the same will be issued for every additional place of business in the State.
- This certificate should be kept at principal place of business
- A copy of the certificate should be kept at each additional place of business in the State.

Amendment of Certificate

- change of name,
- change of business,
- change of class of goods
- change/addition of place of business,
- This amendment can be made on application from dealer with in 30 days
- Sales tax authorities themselves after giving notice to dealer.
- The amendment will be effective from date of application

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Cancellation of CST Registration

- Registration can be cancelled either on request of dealer or
- *suo motu* by sales tax authorities.

Closure of business

- Intimate to sales tax authorities
- Pay tax up to date of closure
- Surrender original Registration Certificate
- Surrender unused forms

Rates of Central Sales Tax sec 8

Particulars	Rate	Relevant form
Sale to Registered dealers Specified goods/ Declared goods	**1.4.2008 to 31.5.2008 -3%** **From 1.06.2008 -2% or local state sales tax, whichever is lower**	C to be issued By buyer to seller
Sale to Un Registered dealers/Government All goods Sale to register dealer unspecified goods	Local sales tax rate	No form

A Sale with out the prescribed form is treated as sale to unregistered dealer
When the local sale tax rate is "0%" CST rate is also 0% for sale to all

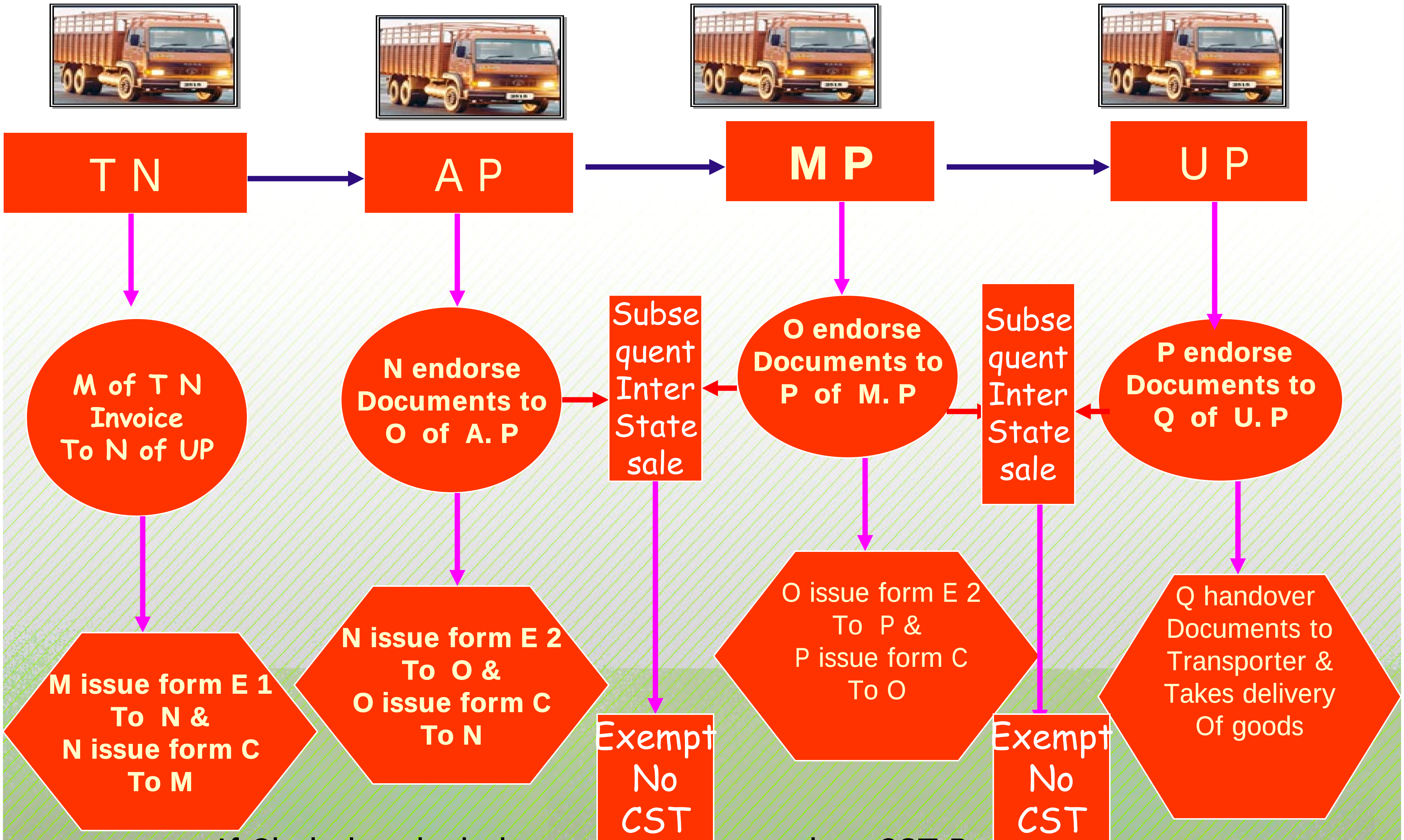
Forms CST

- **C form**
  - Issued by Buyer to Seller To avail Concessional Rate of CST
- **F Form**
  - Issued by Receiver of Goods to Sender of goods To avail Exemption of CST Branch/HO Transfers consignment
- **H form**
  - Issued by Buyer (Exporter) To Seller To avail Exemption CST
- **I form**
  - Issued by Buyer (Exporter SEZ) To Seller To avail Exemption CST
- **E1 & E 2 forms**
  - Issued by Seller To Buyer On movement Of goods To avail Exemption CST
- **Form A Form B**
  - Registration forms

Forms under CST Contd.,

- These forms are prescribed in Central Sales Tax (Registration and Turnover) Rules, 1957.
- A dealer has to issue certain declarations in prescribed forms to buyers/sellers.
- All the Forms are printed and supplied by Sales Tax authorities
- Dealer has make a written request to obtain the forms
- Dealer has to issue declarations in the forms printed and supplied by the Sales Tax authorities only.
- These forms are in triplicate.
- One form can be issued to one person to cover whole year transactions. (Some states Quarterly)

Exemption of CST in case of transfer of documents during the movement of goods



If Chain breaks in between No exemption. CST Payable

Appeals to Appellate Authority

- In case of dispute, concerning the sale of goods effected in inter-state sale he appeal will lie with 'Central Sales Tax Appellate Authority Sec'6A *read with* 9 of CST Act.
- In respect of other matters appeal lies with State sales tax authorities (like Appellate Commissioner or Tribunal etc).

Formation of Appellate Authority –

- A separate 'Central Sales Tax Appellate Authority' will be constituted by Central Government.
- The Authority will consist of Chairman, Officers of Legal Service of Central government Central Government will provide administrative staff to the Authority. [Section 19 of CST Act].
- The authority will regulate its own procedures. [Section 23 of CST Act].

Matters appealable to the authority

- If the dispute relates to sale of goods effected in inter-state sale. Appeal should be filed within 45 days from date on which order is served on him.
- Appellate Authority can grant further extension of 15 days. [Section 20(2)].
- Appeal must be filed in quadruplicate and accompanied by a fee of Rs 5,000/-.

Procedure for hearing

- On receipt of appeal, a copy of appeal will be forwarded to assessing authority as well as State Governments concerned.
- Appellate Authority will call upon assessing authority and State Government/s to furnish relevant records.
- The records will be returned to assessing authority/State Government as soon as possible. [Section 21(1)].
- Authority will hear the matter, examine the matter and either accept or reject the appeal.
- Before rejecting appeal, opportunity of hearing will be given to appellant or his authorised representative and also to State Government concerned. [Section 21(3)].

Procedure for hearing

- Appeal should be normally decided within 6 months.
- Copy of order will be sent to appellant and assessing authority. [Section 21(5)].
- It may happen that sales tax was paid to one State Government while in fact, it was payable to another State Government
- Section 26 provides that order of CST Appellate Authority will be binding on assessing authorities and other authorities under State sales tax laws
- There is no provision for appeal against the order of CST Appellate Authority.

Offences under the Act

- Section 10 of CST Act provides that punishment up to six months of simple imprisonment or with fine or both can be imposed
- when the offence is a continuing offence, with a daily fine which may extend to fifty rupees for every day during which the offence continues.

following are offences under CST Act.

If any person—

- furnishes a certificate or declaration in form C. F. H, I, E 1 & E 2 which he knows, or has reason to believe, to be false; or
- fails to get himself registered when required
- being a registered dealer, falsely represents when purchasing any class of goods that goods of such class are covered by his certificate of registration

- falsely represents as registered dealer. when he is not a registered dealer
- Misusing purchased goods under from H. I and using for other purpose
- Possession any form which is not obtained under provision of the Act
- collects any amount by way of tax by un registered dealer or by registered dealer in contravention of the provisions Act,
-

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Penalty in lieu of Prosecution –

- Section 10A of CST Act authorises imposition of penalty in lieu of punishment in respect of offences regarding
- obtaining goods not included in registration certificate
- purchasing goods representing that he is registered dealer, though he is not
- using goods for purposes different than the purposes for which purchased

The penalty can be up to one and half time the tax which would have been payable.

Sales Tax Authority having jurisdiction over the dealer's place of business can impose the penalty.

Liability of company in liquidation Sec 17

- If a liquidator or receiver is appointed for a Company, he should inform sales tax authorities within 30 days of the appointment.
- The appropriate authority [assessing officer i.e. sales tax officer will inform him within three months the amount of tax due from company, which is in liquidation. .
- Liquidator cannot sell assets of company before setting aside amount of due as informed by sales tax authorities - unless such transfer or sale is by order of Court. . Otherwise, liquidator is personally liable. .

Liability of directors of Private Limited Company in case of liquidation sec 18

- if a private limited company is being wound up, liability of directors of such private limited company is personal if amount cannot be recovered in liquidation i.e. the tax due can be recovered from his personal property.
- Director save the liability only if he proves that non-payment of tax cannot be attributed to any gross neglect, misfeasance or breach of duty on his part in relation to affairs of the company.

- End of Chapter

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