

**BILL INTRODUCED IN THE LEGISLATIVE ASSEMBLY OF THE
STATE OF TAMIL NADU.**

Under Rule 130 of the Tamil Nadu Legislative Assembly Rules, the following Bill which was introduced in the Legislative Assembly of the State of Tamil Nadu on 20th February, 2016 is published together with Statement of Objects and Reasons for general information:—

L.A. Bill No. 3 of 2016

A Bill further to amend the Tamil Nadu Value Added Tax Act, 2006.

BE it enacted by the Legislative Assembly of the State of Tamil Nadu in the Sixty-seventh Year of the Republic of India as follows:—

1. (1) This Act may be called the Tamil Nadu Value Added Tax (Amendment) Act, 2016.

Short title and commencement.

(2) It shall be deemed to have come into force on the 1st day of January 2007.

2. In section 19 of the Tamil Nadu Value Added Tax Act, 2006, after sub-section (20), the following sub-section shall be added, namely:—

Amendment of Section 19.

“(21) Notwithstanding anything contained in sub-section (2), in the case of purchase of goods made within the State from a registered dealer who has availed fiscal incentive in the form of refund of gross or net output tax as Industrial Investment Promotion subsidy or soft loan sanctioned by the Government, input tax credit shall be allowed only to the extent of aggregate of output tax paid on the re-sale of such goods and the sale of goods manufactured out of such goods, within the State or in the course of inter-State trade or commerce.”.

STATEMENT OF OBJECTS AND REASONS.

As per the Tamil Nadu Industrial Policies, new as well as expanding industries are eligible for a structured package of assistance of Value Added Tax and Central Sales Tax related fiscal incentives, based on the quantum of investment, location of industry, and other criteria. The said structured package of assistance is in the form of refund of net or gross output Value Added Tax and Central Sales Tax as investment promotion subsidy or soft loan, depending upon the category of investment. The Ultra Mega projects specified in the Tamil Nadu Industrial Policies are eligible for refund of input Value Added Tax also.

2. The dealers buying goods from such industries availing such incentives are allowed to avail the input tax credit of Value Added Tax paid on the purchase, notwithstanding the fact that the tax so paid is refunded to the industries in certain cases as incentive. If such dealers effect substantial inter-State sales or export sales of the goods bought from such industries, there would be an excess input tax credit in their account, since the rate of Central Sales Tax at 2% on inter-State sales with Form C is less than the rate of Value Added Tax which is either 5% or 14.5%, and the export sale is zero-rated.

3. Taking advantage of this situation, certain industries availing such incentives have started establishing their own marketing companies in this State, and making local sale of their entire output to such marketing companies, and claiming refund of excess input tax credit through the marketing companies, which in fact, is also being refunded to such industries as Industrial Investment Promotion subsidy.

4. To avoid this situation of double refund of the same tax paid by such industries, and to safeguard the interest of the dealers who effect purchase of goods from such industries, the Government have decided to amend the Tamil Nadu Value Added Tax Act, 2006 (Tamil Nadu Act 32 of 2006) with retrospective effect from 1.1.2007, so as to allow such dealers to avail input tax credit to the extent of aggregate of output tax paid on the re-sale of such goods and the sale of goods manufactured out of such goods within the State or in the course of inter-State trade or commerce.

5. The Bill seeks to give effect to the above decision.

M.C. SAMPATH,

Minister for Commercial Taxes and Registration

A.M.P. JAMALUDEEN,

Secretary.