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THE TELANGANA GAZETTE
PART IV-A EXTRAORDINARY
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TELANGANA BILLS
TELANGANA LEGISLATIVE ASSEMBLY

The following Bill was introduced in the Telangana Legislative Assembly on 6th October, 2015.

L.A. BILL No. 10 OF 2015.

**A BILL FURTHER TO AMEND THE TELANGANA
VALUE ADDED TAX ACT, 2005.**

Be it enacted by the Legislature of the State of Telangana in the Sixty-sixth Year of the Republic of India as follows:-

1. (1) This Act may be called the Telangana Value Added Tax (Fourth Amendment) Act, 2015.

(2) (i) Section 2, shall be deemed to have come into force with effect from 1-5-2015;

Short
title and
Commence-
ment.

B. 215-1

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(ii) Section 3, shall be deemed to have come into force on 08-05-2015;

(iii) Section 4, shall be deemed to have come into force on 03-08-2015.

Amend-
ment of
Section
22.
(Act 5 of
2005)

2. In the Telangana Value Added Tax Act, 2005 (herein after referred to as the principal Act), in section 22,-

(1) for sub-section (3-C), the following shall be substituted, namely,-

"(3-C) The Food Corporation of India and the Civil Supplies Corporation, Telangana Unit, shall deduct tax at source on the sale of rice effected by the rice millers to them at the rates prescribed under the relevant Schedule under the Act and remit the tax so collected to the State Government within twenty (20) days from the date of deduction in the manner as may be prescribed".

Amend-
ment of
Schedule -
IV.

3. In the principal Act, in schedule IV,-

(1) against entries at Sl.No. 100, after sub-entry at Sl.No. 235, the following sub-entry shall be added, namely,-

"236. Auto Components sold to Automobile Manufacturing Units located in the State".

Amend-
ment of
Schedule -
VI.

4. In the principal Act, in Schedule VI, for the Explanation - I and Explanation - II, thereunder, the following shall be substituted, namely:-

"Explanation - I: For the purpose of items 1A to 1F, when any distillery or brewery or any dealer sells liquor to the Government of Telangana with the Telangana State Beverages Corporation Limited acting as its agent, or Canteen Stores Department, the sale by the Government of Telangana with the Telangana State Beverages Corporation Limited, acting as its agent or Canteen Stores Department shall be deemed to be the first sale.

Explanation - II: For the purpose of items 1A to 1F, sale of liquor by any distillery or brewery or any dealer to the Government of Telangana with the Telangana State Beverages Corporation Limited acting as its agent or Canteen Stores Department shall be exempt from tax under the Act."

STATEMENT OF OBJECTS AND REASONS

The Food Corporation of India and Civil Supplies Corporation pays VAT on levy of rice at the rate of 5% to the Rice Millers and Rice Millers in turn are not properly remitting the VAT to the Government. The Rice Millers Association also have come forward voluntarily for deduction of tax at source by the Food Corporation of India and Civil Supplies Corporation of Telangana Unit. Therefore, in Section 22 of Telangana Value Added Tax Act, 2005, sub-section (3-C) was inserted by Act No. 4 of 2015, to enable the Food Corporation of India and the Civil Supplies Corporation, Telangana Unit, to collect tax at source on the sale of rice effected by the Rice Millers to them at the rate prescribed under the relevant schedule under the Act and remit the tax so collected to the State Government on the immediate next working day from the date of collection in the manner as may be prescribed. This provision came into force w.e.f. 01-05-2015.

Whereas, the Food Corporation of India represented that they have no authority to collect the tax, but they can only deduct the tax at source on the sale consideration payable to the Rice Millers. Further, they have also represented that the time limit of one day prescribed for remitting the tax deducted at source is not possible due to administrative grounds i.e. lack of staff and in view of volumes transaction effected by the Rice Millers.

The State of Telangana intended to attract the auto sector units as well as vehicles manufacturing units, it has been decided to reduce the rate of tax only to the extent of auto components used in the manufacturing of vehicles in the State to 5% as many industrial inputs are being taxed at 5%. This would result in more employment opportunities, economic growth and region development and new automobile manufacturing industries come to the State.

Shortage of supply of Indian Made Foreign Liquor & Foreign Liquor leads to anti social elements taking advantage of the situation and bringing spurious liquor, illicit liquor etc., and thus there is likely to result in substantial loss of revenue, apart from endangering lives and permanent incapacitations of the consumers. Thus in order to facilitate timely and hassle free supplies of Indian Made Foreign Liquor & Foreign Liquor to the licensee and to the

public and in interest of public the wholesale trade of Indian Made Foreign Liquor & Foreign Liquor, the Government in the capacity of the "Principal" in exercise of the sole right vested in it, wherever necessary Telangana State Beverages Corporation Limited (TSBCL) has to act as an agent and in case Telangana State Beverages Corporation Limited procure and sells the goods to the licensees, they have to collect Value Added Tax/ Sales Tax and remit the same to the Commercial Taxes/Government Account. In case if the Government takes over the sales of the Indian Made Foreign Liquor & Foreign Liquor etc., till now the Telangana State Beverages Corporation Limited has done, there won't be any financial constrain, because the licensees will remit the sales tax to the Government directly as was being done till date.

In view of the above, to overcome to administrative problem expressed by the Food Corporation of India, it has therefore, been decided to make suitable amendment to sub-section (3-C) of Section 22 to enable the Food corporation of India and the Civil Supplies Corporation, Telangana Unit to deduct tax at source and to remit the tax deducted at source to the Government within twenty (20) days. An amendment to Explanation - I & II of Schedule - VI of Telangana Value Added Tax Act, 2005, is proposed as Government is vested with the right to carry on wholesle trade and distribution of Indian Made Foreign Liquor & Foreign Liquor, Wine and Beer under Section 4 of the AP (Regulation of Trade in Indian Made Foreign Liquor & Foreign Liquor) Act, 1993. The Telangana State Beverages Corporation Limited a Corporation wholly owned by the Government has been conducting wholesale trade of Indian Made Foreign Liquor & Foreign Liquor on behalf of the Government as an "Agent" under Rule 22 of the AP (Regulation of Trade in IML & FL) Rules 1993.

The Bill seeks to give effect to the above decision.

TALASANI SRINIVAS YADAV,
Minister for Commercial Taxes &
Cinematography.

FINANCIAL MEMORANDUM

This Bill Seeks to amend sub-section (3-C) of Section 22 of TVAT Act, 2005. On account of this Amendments, better compliance levels will be increased in respect of Value Added Tax at Source.

This bill seeks to amend Entry 100 of Schedule - IV of TVAT Act, 2005, by inserting Entry 236 to include auto components used in manufacturing of vehicles in the State as industrial inputs, thereby the auto components only that are used in the manufacturing of vehicles in the State are liable to tax at 5% as earlier they are liable to tax at the rate of 14.5%. On account of this reduction of rate of tax, though there will be a loss of revenue temporarily but the same will be compensated on two counts. It is likely that there will be increase in sales and thereby more output tax will be paid to the State. Secondly there will be reduction in claim of input tax credit by the manufacturers as in stock transfer cases to other States, the input credit claimed will be reduced from 9.5% to 0%. Thus this measure may give boost to auto manufacturing units in the State and generate more employment.

This bill further seeks to amend Explanation - I & II of Schedule - VI of Telangana Value Added Tax Act, 2005, is proposed as Government is vested with the right to carry on wholesale trade and distribution of Indian Made Foreign Liquor & Foreign Liquor, Wine and Beer under Section 4 of the AP (Regulation of Trade in Indian Made Foreign Liquor & Foreign Liquor) Act, 1993. The Telangana State Beverages Corporation Limited a corporation wholly owned by the Government has been conducting wholesale trade of Indian Made Foreign Liquor & Foreign Liquor on behalf of the Government as an "Agent" under Rule 22 of the AP (Regulation of Trade in Indian Made Foreign Liquor & Foreign Liquor) Rules 1993. The Government in the capacity of the "Principal" in exercise of the sole right vested in it, wherever necessary Telangana State Beverages Corporation Limited has to act as an agent and in case Telangana State Beverages Corporation Limited procure and sells the goods to the licensees, they have to collect VAT/Sales Tax and remit the same to the Commercial Taxes/Government Account. In case if the Government takes over the sales of the Indian Made Foreign Liquor & Foreign

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Liquor etc., till now the Telangana State Beverages Corporation Limited has done, there won't be any financial constrain, because the licensees will remit the sale tax to the Government directly as was being done till date. Thus there will not be any financial constrains or implications in it.

TALASANI SRINIVAS YADAV,
Minister for Commercial Taxes &
Cinematography.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 2 (1) of the Bill authorises the Government to issue notification or to make rules in respect of matters specified therein and generally to carry out the purposes of the Act and such rules so made or notifications issued which are intended to cover matters mostly of procedural in nature are to be laid on the Table of the Legislative Assembly of the State and will be subject to any modifications made by the Legislative Assembly.

The above provisions of the Bill regarding delegated legislation are thus of normal type and are mainly intended to cover matters of procedure.

TALASANI SRINIVAS YADAV,
Minister for Commercial Taxes &
Cinematography.

**MEMORANDUM UNDER RULE 95 OF THE RULES OF
PROCEDURE AND CONDUCT OF BUSINESS IN THE
LEGISLATIVE ASSEMBLY**

The Telangana Value Added Tax (Fourth Amendment) Bill, 2015, after it is passed by the both the Houses of the Legislature of the State may be submitted to the Governor for his assent under article 200 of the Constitution of India.

TALASANI SRINIVAS YADAV,
Minister for Commercial Taxes &
Cinematography.

S. RAJA SADARAM,
Secretary to State Legislature.