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తెలంగాణ రాజపత్రము
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TELANGANA BILLS
TELANGANA LEGISLATIVE ASSEMBLY

The following Bill was introduced in the Telangana Legislative Assembly on 24th March, 2015.

L.A. BILL No. 5 OF 2015.

**A BILL 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 (Amendment) Act, 2015.

Short title
and
commence-
ment.

(2) It shall come into force on such date as the State Government may by notification, appoint.

B. 389-1

[1]

Amendment
of section
13.
Act 5 of
2005.

2. In the Telangana Value Added Tax Act, 2005, (hereinafter referred to as the principal Act), in section 13 for sub-section (1), the following shall be substituted, namely,--

“(1) Subject to the conditions, prescribed if any, an input tax credit shall be allowed to the TVAT dealer for the tax charged and paid by the seller in respect of all purchases of taxable goods, made by the purchaser vat dealer during the tax period, if such goods are purchased within the State from a registered VAT dealer for the purpose of,--

(i) Resale by him within the State; or use as input in the manufacturing or processing of goods in the State; or

(ii) Use as containers, labels and other materials for packing of goods in the State; or

(iii) Use as capital goods in the manufacture of taxable goods; or

Central Act
74 of
1956.

(iv) Sale in the course of inter-state trade or commerce falling under sub-section (1) of the Central Sales Tax Act, 1956:

Provided that no input tax credit shall be allowed in respect of the tax paid on the purchase of goods specified in Schedule - VI and input tax credit, if already allowed, shall be reversed in the manner, as may be prescribed.

(1-A). Notwithstanding anything contained in this section, where any registered dealer has sold goods at a price lesser than the price of the goods purchased by him, the amount of the input tax credit shall be restricted to the amount of output tax.”.

Amend-
ment of
section 20.

3. In the principal Act, in section 20, in sub-section (1), after the words “submit such return or returns, along with” the words “the annexures as may be prescribed and the” shall be inserted.

STATEMENT OF OBJECTS AND REASONS

The existing provisions under "Section 13 (1) of the Telangana Value Added Tax Act, 2005 is not exhaustive in either allowing or disallowing Input Tax Credit on certain goods and does not provide for reversal of Input Tax Credit in case the sale price of goods is lesser than the purchase price. It has therefore been decided to make suitable provisions for the same in the Telangana Value Added Tax Act, 2005.

As per the existing provisions of the TVAT Act, 2005, it is not feasible to ensure the genuineness of the claims for Input Tax Credits by the VAT dealers for many reasons and one such reason being, the quantum of claims for Input Tax Credits at the time of monthly returns is very huge and in the absence any provision for furnishing the details of purchase and sale details of goods, it is becoming difficult to verify the genuineness of the claims made in the returns. It has therefore been decided to obtain the details of sales and purchases by a VAT dealer, who claims Input Tax Credit, in the forms of Annexure to the Monthly Form VAT Returns.

In the Telangana Value Added Tax Act, 2005 there is no provision of sales of rice by the rice millers to the Food Corporation of India and Civil Supplies Corporation similar to that of Section - 7A of the A.P.R.D. Cess Act, enabling for deduction of Rural Development Cess Component whenever rice is purchased from the dealers by the Food Corporation of India and Civil Supplies Corporation. As a result though the Food Corporation of India and Civil Supplies Corporation pays VAT on Levy rice at the rate of 5% to the rice millers they in turn are not properly remitting the VAT to the Government. It has therefore been decided to provide a suitable provision enabling the Food Corporation of India and Civil Supplies Corporation to deduct VAT at Source on the sale of rice for which the Rice Millers Association also have come forward voluntarily.

The old and empty bottles collected by hawkers are sold to certain dealers initially and in turn to the distilleries and breweries who recycle them many a time which account for 85% of their total

requirements. As bottled liquor falls under Schedule -VI of the Act, the tax paid on the purchases on old and empty bottles by the distilleries and breweries are not eligible for Input Tax Credit and as such the recycled bottles made liable to tax at the rate of 5% at the time of sale by the dealers to distilleries and breweries etc. and also liable to tax at the hands of distilleries and breweries at the same rate of tax applicable to liquor. As the dealers are not reporting the correct sale turn over and for obvious reasons it has become difficult either to raise demand and collect tax or to trace such dealers. Thus, in order to capture the tax amount promptly from the old empty bottles dealers, it has been decided to deduct tax at source by the distilleries and breweries in respect of sales of old empty bottles made to them, and the Old Bottle Suppliers Association has also requested for making tax deduction at source by the distilleries and breweries.

Owing to the above, and to curtail the leakage of revenues to the State's Exchequer and to give effect to the above decisions; it has been decided to make suitable provisions, by way of amendment to Sections 13, 20, 22 of Telangana Value Added Tax Act, 2005, as regards the restrictions of Input Tax Credit, Obtaining Purchase and Sales details, deducting of Value Added Tax (VAT) at Source on the sale of Rice by the Rice Millers to Food Corporation of India and Civil supplies Corporation, Telangana and on the Sale of Empty Bottles by the Dealers to the Distilleries and Breweries.

This Bill seeks to achieve the above objects.

TALASANI SRINIVAS YADAV,
Minister for Commercial Taxes and
Cinematography.

FINANCIAL MEMORANDUM

This Bill seeks to amend certain sections of TVAT Act, 2005. On account of this Amendments better compliance levels will be increased in respect of Value Added Tax at Source.

TALASANI SRINIVAS YADAV,
Minister for Commercial Taxes and
Cinematography.

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

The Telangana Value Added Tax (Amendment) Bill, 2015, after it is passed by the Houses of 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 and
Cinematography.

S. RAJA SADARAM,
Secretary to State Legislature.

4. In the principal Act, in section 22,--

(i) after sub-section (3-B), the following sub-section shall be inserted, namely,--

“(3-C) The Food Corporation of India and the Civil Supplies Corporation, Telangana Unit, shall collect 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 on the immediate next working day from the date of collection in the manner as may be prescribed.

(3-D) The Distilleries and Breweries, shall collect tax at source on the sale of old empty bottles effected by the dealers to them at the rates 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.”;

(ii) in sub-section (4), after the expression “or sub-section (3-B)” the expression “or sub-section (3-C) or sub-section (3-D)” shall be inserted.