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THE CENTRAL SALES TAX ACT, 1956

ACT NO. 74 OF 1956[1]

[21*st December*, 1956.]

An Act to formulate principles for determining when a sale or purchase of goods takes place in the course of inter-State trade or commerce or outside a State or in the course of import into or export from India, to provide for the levy, collection and distribution of taxes on sales of goods in the course of inter-State trade or commerce and to declare certain goods to be of special importance in inter-State trade or commerce and specify the restrictions and conditions to which State laws imposing taxes on the sale or purchase of such goods of special importance shall be subject.

BE it enacted by Parliament in the Seventh Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. Short title extent and commencement.—(*1*) This Act may be called the Central Sales Tax Act, 1956.

(*2*) It extends to the whole of India [2]***

(*3*) It shall come into force on such date[3] as the Central Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different provisions of this Act.

2. Definitions.—In this Act, unless the context otherwise requires,—

(*a*) "appropriate State" means—

(*i*) in relation to a dealer who has one or more places of business situate in the same State, that State;

(*ii*) in relation to a dealer who has [4]*** places of business situate in the different States, every such State with respect to the place or places of business situated within its territory;

[5]* * * * *

[6][(*aa*) "business" includes—

(*i*) any trade, commerce or manufacture, or any adventure or concern in the nature of trade, commerce or manufacture, whether or not such trade, commerce,

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1. The Act has been extended to Goa, Daman and Diu (with modifications) by Reg. 12 of 1962, section 3 and Sch., (w.e.f. 21-1-1963) to Kohima and Mokokchung districts of Nagaland (as in force on 5-8-1971) by Act 61 of 1972, section 14 (1) (w.e.f. 30-11-1972). The amendments made to the Act 61 of 1972, came into force in the said districts (w.e.f. 1-4-1973) [*vide* section 14(*2*), *ibid*]:
2. The words "except the State of Jammu and Kashmir" omitted by Act 5 of 1958, s. 2 (w.e.f. 1-10-1958).
3. 5th January, 1957, all sections except section 15, *vide* notification No. S.R.O. 78, dated 4th January, 1957, Gazette of India, Extra. 1957, Pt. II, Section 3, p.57; and section 15 with effect from 1st October, 1958, vide G.S.R. 897, dated 23rd September, 1958, Gazette of India, Extra. 1958, Pt. II, Section 3 (i), p. 476.
4. The words "one or more" omitted by Act 31 of 1958, s. 2 (w.e.f. 1-10-1958).
5. The *Explanation* omitted by s. 2, *ibid*. (w.e.f. 1-10-1958).
6. Ins. by Act 103 of 1976, s. 2 (w.e.f. 7-9-1076).

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manufacture, adventure or concern is carried on with a motive to make gain or profit and whether or not any gain or profit accrues from such trade, commerce, manufacture, adventure or concern; and

(*ii*) any transaction in connection with or incidental or ancillary to, such trade, commerce, manufacture, adventure or concern;

(*ab*) "crossing the customs frontiers of India" means crossing in the limits of the area of a customs station in which imported goods or export goods are ordinarily kept before clearance by customs authorities.

Explanation.—For the purposes of this clause, "customs station" and "customs authorities" shall have the same meanings as in the Customs Act, 1962 (52 of 1962);]

[1][(*b*) "dealer" means any person who carries on (whether regularly or otherwise) the business of buying, selling, supplying or distributing goods, directly or indirectly, for cash or for deferred payment, or for commission remuneration or other valuable consideration, and includes—

(*i*) a local authority, a body corporate, a company, any co-operative society or other society, club, firm, Hindu undivided family or other association of persons which carries on such business;

(*ii*) a factor, broker, commission agent, *del credere* agent, or any other mercantile agent, by whatever name called, and whether of the same description as hereinbefore mentioned or not, who carries on the business of buying, selling, supplying or distributing, goods belonging to any principal whether disclosed or not; and

(*iii*) an auctioneer who carries on the business of selling or auctioning goods belonging to any principal, whether disclosed or not and whether the offer of the intending purchaser is accepted by him or by the principal or a nominee of the principal.

Explanation 1.—Every person who acts as an agent, in any State, of a dealer residing outside that State and buys, sells, supplies, or distributes, goods in the State or acts on behalf of such dealer as—

(*i*) a mercantile agent as defined in the Sale of Goods Act, 1930 (3 of 1930), or

(*ii*) an agent for handling of goods or documents of title relating to goods, or

(*iii*) an agent for the collection or the payment of the sale price of goods or as a guarantor for such collection or payment,

and every local branch or office in a State of a firm registered outside that State or a company or other body corporate, the principal office or headquarters whereof is outside that State, shall be deemed to be a dealer for the purposes of this Act.

Explanation 2.—A Government which, whether or not in the course of business, buy, sells, supplies or distributes, goods, directly or otherwise, for cash or for deferred payment or for commission, remuneration or other valuable consideration, shall except in relation to any sale, supply or distribution or surplus, un-serviceable or old stores or materials or waste products or obsolete or discarded machinery or parts or accessories thereof, be deemed to be a dealer for the purposes of this Act;]

[2]* * * * *

1. Subs. by Act 103 of 1976, s. 2, for cl. (*b*) (w.e.f. 7-9-1976).
2. Clause (*c*) omitted by Act 18 of 2017, s. 13 (w.e.f. 1-7-2017).

[1][(*d*) "goods" means—

(*i*) petroleum crude;

(*ii*) high speed diesel;

(*iii*) motor spirit (commonly known as petrol);

(*iv*) natural gas;

(*v*) aviation turbine fuel; and

(*vi*) alcoholic liquor for human consumption;]

[2][(*dd*) "place of business" includes—

(*i*) in any case where a dealer carries on business through an agent by (whatever name called), the place of business of such agent;

(*ii*) a warehouse, go down or other place where a dealer stores his goods; and

(*iii*) a place where a dealer keeps his books of account;]

(*e*) "prescribed" means prescribed by rules made under this Act;

(*f*) "registered dealer" means a dealer who is registered under section 7;

[3][(*g*) "sale", with its grammatical variations and cognate expressions, means any transfer of property in goods by one person to another for cash or deferred payment or for any other valuable consideration, and includes,—

(*i*) a transfer, otherwise than in pursuance of a contract, of property in any goods for cash, deferred payment or other valuable consideration;

(*ii*) a transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract;

(*iii*) a delivery of goods on hire-purchase or any system of payment by installments;

(*iv*) a transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration;

(*v*) a supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration;

(*vi*) a supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (whether or not intoxicating), where such supply or service, is for cash, deferred payment or other valuable consideration,

but does not include a mortgage or hypothecation of or a charge or pledge on goods;]

(*h*) "sale price" means the amount payable to a dealer as consideration for the sale of any goods, less any sum allowed as cash discount according to the practice normally prevailing in the trade, but inclusive of any sum charged for anything done by the dealer in respect of the goods at the time of or before the delivery thereof other than the cost of freight or delivery or the cost of installation in cases where such cost is separately charged:

1. Subs. by Act 18 of 2017, s. 13, for clause (*d*) (w.e.f. 1-7-2017).
2. Ins. by Act 31 of 1958, s. 2 (w.e.f. 1-10-1958).
3. Subs. by Act 20 of 2002, s. 150, for clause (*g*) (w.e.f. 11-5-2002).

[1][Provided that in the case of a transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract, the sale price of such goods shall be determined in the prescribed manner by making such deduction from the total consideration for the works contract as may be prescribed and such price shall be deemed to be the sale price for the purposes of this clause.]

[2][(*i*) "sales tax law" means any law for the time being in force in any State or part thereof which provides for the levy of taxes on the sale or purchase of goods generally or on any specified goods expressly mentioned in that behalf, and "general sales tax law" means the law for the time being in force in any State or part thereof which provides for the levy of tax on the sale or purchase of goods generally and includes value added tax law;]

(*j*) "turnover" used in relation to any dealer liable to tax under this Act means the aggregate of the sale prices received and receivable by him in respect of sales of any goods in the course of inter-State trade or commerce made during any prescribed period [3][and determined in accordance with the provisions of this Act and the rules made thereunder];

[4][(*ja*) "works contract" means a contract for carrying out any work which included assembling, construction, building, altering, manufacturing, processing, fabrication, erection, installation, fitting out, improvement, repair or commissioning of any movable or immovable property;]

(*k*) "year", in relation to a dealer, means the year applicable in relation to him under the general sales tax law of the appropriate State, and where there is no such year applicable, the financial year**.**

CHAPTER II

FORMULATION OF PRINCIPLES FOR DETERMINING WHEN A SALE OR PURCHASE OF GOODS TAKES PLACE IN THE COURSE OF INTER-STATE TRADE OR COMMERCE OR OUTSIDE A STATE OR IN THE COURSE OF IMPORT OR EXPORT

3. When is a sale or purchase of goods said to take place in the course of inter-State trade or commerce.—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—

(*a*) occasions the movement of goods from one State to another; or

(*b*) is effected by a transfer of documents of title to the goods during their movement from one State to another.

Explanation 1.—Where goods are delivered to a carrier or other bailee for transmission, the movement of the goods shall, for the purposes of clause (*b*), be deemed to commence at the time of such delivery and terminate at the time when delivery is taken from such carrier or bailee.

Explanation 2.—Where the movement of goods commences and terminates in the same State it shall not be deemed to be a movement of goods from one State to another by reason merely of the fact that in the course of such movement the goods pass through the territory of any other State.

[5][*Explanation 3*.—Where the gas sold or purchased and transported through a common carrier pipeline or any other common transport or distribution system becomes co-mingled and

1. The proviso ins. by Act 18 of 2005, s. 89 (w.e.f. 13-5-2005).
2. Subs. by s. 89, *ibid*., for clause (*i*) (w.e.f. 13-5-2005).
3. Subs. by Act 28 of 1969, s. 2, for "and determined in the prescribed manner" (w.e.f. 30-8-1969).
4. Ins. by Act 18 of 2005, s. 89 (w.e.f. 13-5-2005).
5. Ins. by Act 28 of 2016, s. 224 (w.e.f. 14-5-2016).

fungible with other gas in the pipeline or system and such gas is introduced into the pipeline or system in one State and is taken out from the pipeline in another State, such sale or purchase of gas shall be deemed to be a movement of goods from one State to another.]

4. When is a sale or purchase of goods said to take place outside a State.—(*1*) Subject to the provisions contained in section 3, when a sale or purchase of goods is determined in accordance with sub-section (*2*) to take place inside a State, such sale or purchase shall be deemed to have taken place outside all other States.

(*2*) A sale or purchase of goods shall be deemed to take place inside a State, if the goods are within the State—

(*a*) in the case of specific or ascertained goods, at the time the contract of sale is made; and

(*b*) in the case of unascertained 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

Explanation.—Where there is a single contract of sale or purchase of goods situated at more places than one, the provisions of this sub-section shall apply as if there were separate contracts in respect of the goods at each of such places.

5. When is a sale or purchase of goods said to take place in the course of import or export.—(*1*) A sale or purchase of goods shall be deemed to take place in the course of the export of the goods out of the territory of India only if the sale or purchase either occasions such export or is effected by a transfer of documents of title to the goods after the goods have crossed the customs frontiers of India.

(*2*) A sale or purchase of goods shall be deemed to take place in the course of the import of the goods into the territory of India only if the sale or purchase either occasions such import or is effected by a transfer of documents of title to the goods before the goods have crossed the customs frontiers of India.

[1][(*3*) Notwithstanding anything contained in sub-section (*1*), the last sale or purchase of any goods preceding the sale or purchase occasioning the export of those goods out of the territory of India shall also be deemed to be in the course of such export, if such last sale or purchase took place after, and was for the purpose of complying with, the agreement or order for or in relation to such export.]

[2][(*4*) The provisions of sub-section (*3*) shall not apply to any sale or purchase of goods unless the dealer selling the goods furnishes to the prescribed authority in the prescribed manner a declaration duly filled and signed by the exporter to whom the goods are sold in a prescribed form obtained from the prescribed authority.

(*5*) Notwithstanding anything contained in sub-section (*1*), if any designated Indian carrier purchases Aviation Turbine Fuel for the purposes of its international flight, such purchase shall be deemed to take place in the course of the export of goods out of the territory of India.

Explanation.—For the purposes of this sub-section, "designated Indian carrier" means any carrier which the Central Government may, by notification in the Official Gazette, specify in this behalf.]

1. Ins. by Act 103 of 1976, s. 3 (w.e.f. 1-4-1976).
2. Ins. by Act 18 of 2005, s. 90 (w.e.f. 13-5-2005).

CHAPTER III

INTER-STATE SALES TAX

6. Liability to tax on inter-State sales.—[1][(*1*)] Subject to the other provisions contained in this Act, every dealer shall, with effect from such date as the Central Government may, by notification in the Official Gazette, appoint, not being earlier than thirty days from the date of such notification, be liable to pay tax under this Act on all sales [2][of goods other than electrical energy] effected by him in the course of inter- State trade or commerce during any year on and from the date so notified**:**

[3][Provided that a dealer shall not be liable to pay tax under this Act on any sale of goods which, in accordance with the provisions of sub-section (*3*) of section 5 is a sale in the course of export of those goods out of the territory of India.]

[4][(*1A*) A dealer shall be liable to pay tax under this Act on a sale of any goods effected by him in the course of inter-State trade or commerce notwithstanding that no tax would have been leviable (whether on the seller or the purchaser) under the sales tax law of the appropriate State if that sale had taken place inside that State.]

[5][(*2*) Notwithstanding anything contained in sub-section (*1*) or sub-section (*1A*), where a sale of any goods in the course of inter-State trade or commerce has either occasioned the movement of such goods from one State to another or has been effected toy a transfer of documents of title to such goods during their movement from one State to another, any subsequent sale during such movement effected by a transfer of documents of title to such goods to a registered dealer, if the goods are of the description referred to in sub-section (*3*) of section 8, shall be exempt from tax under this Act:

Provided that no such subsequent sale shall be exempt from tax under this sub-section unless the dealer effecting the sale furnishes to the prescribed authority in the prescribed manner and within the prescribed time or within such further time as that authority may, for sufficient cause, permit,—

(*a*) a certificate duly filled and signed by the registered dealer from whom the goods were purchased containing the prescribed particulars in a prescribed form obtained from the prescribed authority; and

(*b*) if the subsequent sale is made to a registered dealer, a declaration referred to in sub-section (*4*) of section 8:

Provided further that it shall not be necessary to furnish the declaration referred to in clause (*b*) of the preceding proviso in respect of a subsequent sale of goods if,—

(*a*) the sale or purchase of such goods is, under the sales tax law of the appropriate State exempt from tax generally or is subject to tax generally at a rate which is lower than three per cent. or such reduced rate as may be notified by the Central Government, by notification in the Official Gazette, under sub-section (*1*) of section 8 (whether called a tax or fee or by any other name); and

1. Section 6 re-numbered as sub-section (*1*) thereof by Act 31 of 1958, s. 3 (w.e.f. 1-10-1958).
2. Ins. by Act 61 of 1972, s. 2 (w.e.f. 1-4-1973).
3. Ins. by Act 103 of 1976, s. 4 (w.e.f. 1-4-1973).
4. Ins. by Act 28 of 1969, s. 3 (w.e.f. 30-8-1969).
5. Subs. by Act 16 of 2007, s. 2, for sub-section (*2*) (w.e.f. 1-4-2007).

(*b*) the dealer effecting such subsequent sale proves to the satisfaction of the authority referred to in the preceding proviso that such sale is of the nature referred to in this sub-section.]

[1][(*3*) Notwithstanding anything contained in this Act, if—

(*a*) any official or personnel of—

(*i*) any foreign diplomatic mission or consulate in India; or

(*ii*) the United Nations or any other similar international body, entitled to privileges under any convention to which India is a party or under any law for the time being in force; or

(*b*) any consular or diplomatic agent of any mission, the United Nations or other body referred to in sub-clause (*i*) or sub-clause (*ii*) of clause (*a*), purchases any goods for himself or for the purposes of such mission, United Nations or other body, then, the Central Government may, by notification in the Official Gazette, exempt, subject to such conditions as may be specified in the notification, the tax payable on the sale of such goods under this Act.]

[2]**[6A. Burden of proof, etc., in case of transfer of goods claimed otherwise than by way of sale.**—(*1*) Where any dealer claims that he is not liable to pay tax under this Act, in respect of any goods, on the ground that the movement of such goods from one State to another was occasioned by reason of transfer of such goods by him to any other place of his business or to his agent or principal, as the case may be, and not by reason of sale, the burden of proving that the movement of those goods was so occasioned shall be on that dealer and for this purpose he may furnish to the assessing authority, within the prescribed time or within such further time as that authority may, for sufficient cause, permit, a declaration, duly filled and signed by the principal officer of the other place of business, or his agent or principal, as the case may be, containing the prescribed particulars in the prescribed form obtained from the prescribed authority, along with the evidence of dispatch of such goods [3][, and if the dealer fails to furnish such declaration, then, the movement of such goods shall be deemed for all purposes of this Act to have been occasioned as a result of sale].

(*2*) If the assessing authority is satisfied after making such inquiry as he may deem necessary that the particulars contained in the declaration furnished by a dealer under sub-section (*1*) [4][are true and that no inter-State sale has been effected, he may, at the time of, or at any time before, the assessment of the tax payable by the dealer under this Act, make an order to that effect and thereupon the movement of goods to which the declaration relates shall, subject to the provisions of sub-section (*3*),] be deemed for the purpose of this Act to have been occasioned otherwise than as a result of sale.

Explanation.—In this section, "assessing authority", in relation to dealer, means the authority for the time being competent to assess the tax payable by the dealer under this Act.]

[5][(*3*) Nothing contained in sub-section (*2*) shall preclude reassessment by the assessing authority on the ground of discovery of new facts or revision by a higher authority on the ground that the findings of the assessing authority are contrary to law, and such reassessment or revision may be done in accordance with the provisions of general sales tax law of the State.]

1. Subs. by Act 16 of 2007, s. 2, for sub-section (*3*) (w.e.f. 1-4-2007).
2. Ins. by Act 61 of 1972, s. 3 (w.e.f. 1-4-1973).
3. Ins. by Act 20 of 2002, s. 151 (w.e.f. 13-05-2002).
4. Subs. by Act 14 of 2010, s. 78, for certain words (w.e.f. 8-5-2010).
5. Ins. by s. 78, *ibid.* (w.e.f. 8-5-2010).

7. Registration of dealers.—(*1*) Every dealer liable to pay tax under this Act shall, within such time as may be prescribed for the purpose, make an application for registration under this Act to such authority in the appropriate State as the Central Government may, by general or special order, specify, and every such application shall contain such particulars as may be prescribed**.**

[1][(*2*) Any dealer who is liable to pay tax under the sales tax law of the appropriate State or where there is no such law in force in the appropriate State or any part thereof, any dealer having a place of business in that State or part, as the case may be, may, notwithstanding that he is not liable to pay tax under this Act, apply for registration under this Act to the authority referred to in sub-section (*1*), and every such application shall contain such particulars as may be prescribed**.**

Explanation.—For the purposes of this sub-section, a dealer shall be deemed to be liable to pay tax under the sales tax law of the appropriate state notwithstanding that under such law a sale or purchase made by him is exempt from tax or a refund or rebate of tax is admissible in respect thereof.]

[2][(*2A*) Where is appears necessary to the authority to whom an application is made under sub-section (*1*) or sub-section (*2*) so to do for the proper realisation of the tax payable under this Act or for the proper custody and use of the forms referred to in clause (*a*) of the first proviso to sub-section (*2*) of section 6 or sub-section (*1*) of section 6A or [3][sub-section (*4*) of section 8], he may, by an order in writing and for reasons to be recorded therein, impose as a condition for the issue of a certificate or registration a requirement that the dealer shall furnish in the prescribed manner and within such time as may be specified in the order such security as may be so specified, for all or any of the aforesaid purposes.]

(*3*) If the authority to whom an application under sub-section (*1*) or sub-section (*2*) is made is satisfied that the application is in conformity with the provisions of this Act and the rules made thereunder [2][and the condition, if any, imposed under sub-section (*2A*), has been complied with] he shall register the applicant and grant to him a certificate of registration in the prescribed form which shall specify the class or classes of goods for the purposes of sub-section (*1*) of section 8**.**

[2][(*3A*) Where it appears necessary to the authority granting a certificate of registration under this section so to do for the proper realisation of tax payable under this Act or for the proper custody and use of the forms referred to in sub-section (*3A*), he may, at any time while such certificate is in force, by an order in writing and for reasons to be recorded therein, require the dealer, to whom the certificate has been granted, to furnish within such time as may be specified in the order and in the prescribed manner such security, or, if the dealer has already furnished any security in pursuance of an order under this sub-section or sub-section (*2A*), such additional security, as may be specified in the order, for all or any of the aforesaid purposes.

[4][(*3B*) No dealer shall be required to furnish any security and sub-section (*2A*) or any security or additional security under sub-section (*3A*), unless he has been given an opportunity of being heard.

(*3BB*) The amount of security which a dealer may be required to furnish under sub-section (*2A*) or sub-section (*3A*) or the aggregate of the amount of such security and the amount of additional security which may be required to furnish under sub-section (*3A*), by the authority referred to therein shall not exceed—

(*a*) in the case of a dealer other than a dealer who has made an application, or who has been registered in pursuance of an application, under sub-section (*2*), a sum equal to the tax payable under

1. Subs. by Act 31 of 1958, s. 4, for sub-section (*2*) (w.e.f. 1-10-1958).
2. Ins. by Act 61 of 1972, s. 4 (w.e.f. 1-4-1973).
3. Subs. by Act 16 of 2007, s. 3, for "clause (*a*) of sub-section (*4*) of section 8" (w.e.f. 1-4-2007).
4. Subs. by Act 103 of 1976, s. 5, for sub-section (*3B*) (w.e.f. 7-9-1976).

this Act, in accordance with the estimate of such authority, on the turnover of such dealer for the year in which such security or, as the case may be, additional security is required to be furnished; and

(*b*) in the case of a dealer who has made an application, or who has been registered in pursuance of an application, under sub-section (*2*), a sum equal to the tax leviable under this Act, in accordance with the estimate of such authority on the sales to such dealer in the course of inter-State trade or commerce in the year in which such security or, as the case may be additional security is required to be furnished, had such dealer been not registered under this Act.]

(*3C*) Where the security furnished by a dealer under sub-section (*2A*) or sub-section (*3A*) is in the form of a surety bond and the surety becomes insolvent or dies, the dealer shall, within thirty days of the occurrence of any of the aforesaid events, inform the authority granting the certificate of registration and shall within ninety days of such occurrence furnish a fresh surety bond or furnish in the prescribed manner other security for the amount of the bond.

(*3D*) The authority granting the certificate of registration may by order and for good and sufficient cause forfeit the whole or any part of the security furnished by a dealer,—

(*a*) for realising any amount of tax or penalty payable by the dealer;

(*b*) if the dealer is found to have misused any of the forms referred to in sub-section (*2A*) to have failed to keep them in proper custody:

Provided that no order shall be passed under this sub-section without giving the dealer an opportunity of being heard.

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(*3E*) Where by reason of an order under sub-section (*3D*), the security furnished by any dealer is rendered insufficient, he shall make up the deficiency is such manner and within such time as may be prescribed.

(*3F*) The authority issuing the forms referred to in sub-section (*2A*) may refuse to issue such forms to a dealer who has failed to comply with an order under that sub-section or sub-section (*3A*), or with the provisions or sub-section (*3C*) or sub-section (*3E*), until the dealer has complied with such order or such provisions, as the case may be.

(*3G*) The authority granting a certificate of registration may, on application by the dealer to whom it has been granted, order the refund of any amount or part thereof deposited by the dealer by way of security under this section, if it is not required for the purpose of this Act.

(*3H*) Any person aggrieved by an order passed under sub-section (*2A*), sub-section (*3A*), sub-section (*3D*) or sub-section (*3G*) may, within thirty days of the service of the order on him, but after furnishing the security, prefer, in such form and manner as may be prescribed, an appeal against such order to such authority (here after in this section referred to as the "appellate authority") as may be prescribed:

Provided that the appellate authority may, for sufficient cause, permit such person to present the appeal,—

(*a*) after the expiry of the said period of thirty days; or

(*b*) without furnishing the whole or any part of such security.

(*3-I*) The procedure to be followed in hearing any appeal under sub-section (*3H*), and the fees payable in respect of such appeals shall be such as may be prescribed.

(*3J*) The order passed by the appellate authority in any appeal under sub-section (*3H*) shall be final.]

[1][(*4*) A certificate of registration granted under this section may—

(*a*) either on the application of the dealer to whom it has been granted or, where no such application has been made, after due notice to the dealer, be amended by the authority granting it if he is satisfied that by reason of the registered dealer having changed the name, place or nature of his business or the class or classes of goods in which he carries on business or for any other reason the certificate of registration granted to him requires to be amended; or

(*b*) be cancelled by the authority granting it, where he is satisfied, after due notice to the dealer to whom it has been granted, that he has ceased to carry on business [2][or has ceased to exist or has failed without sufficient cause, to comply with an order under sub-section (*3A*) or with the provisions of sub-section (*3C*) or sub-section (*3E*) or has failed to pay any tax or penalty payable under this Act], or in the case of a dealer registered under sub-section (*2*) has ceased to be liable to pay tax under the sales tax of the appropriate State or for any other sufficient reason.]

(*5*) A registered dealer may apply in the prescribed manner not later than six months before the end of a year to the authority which granted his certificate of registration for the cancellation of such registration, and the authority shall, unless the dealer is liable to pay tax under this Act, cancel the registration accordingly, and where he does so, the cancellation shall take effect from the end of the year.

8. Rates of tax on sales in the course of inter-State trade or commerce.—[3][[4][(*1*) Every dealer, who in the course of inter-State trade or commence, sells to a registered dealer goods of the description referred to in sub-section (*3*), shall be liable to pay tax under this Act, which shall be three per cent. of his turnover or at the rate applicable to the sale or purchase of such goods inside the appropriate State under the sales tax law of that State, whichever is lower:

Provided that the Central Government may, by notification in the Official Gazette, reduce the rate of tax under this sub-section.

(*2*) The tax payable by any dealer on his turnover in so far as the turnover or any part thereof relates to the sale of goods in the course of inter-State trade or commerce not falling within sub-section (*1*), shall be at the rate applicable to the sale or purchase of such goods inside the appropriate State under the sales tax law of that State.

Explanation.—For the purposes of this sub-section, a dealer shall be deemed to be a dealer liable to pay tax under the sales tax law of the appropriate State, notwithstanding that he, in fact, may not be so liable under that law.]

[5]* * * * *

(*3*) [6][The goods referred to in sub-section (*1*),—]

[7]* * * * *

1. Subs. by Act 31 of 1958, s. 4, for sub-section (*4*) (w.e.f. 1-10-1958).
2. Subs. by Act 61 of 1972, s. 4, for "or has ceased to exist" (w.e.f. 1-4-1973).
3. Subs. by Act 31 of 1958, s. 5, for sub-sections (*1*), (*2*), (*3*) and (*4*) (w.e.f. 1-10-1958).
4. Subs. by Act 16 of 2007, s. 4, for sub-sections (*1*) and (*2*) (w.e.f. 1-4-2007).
5. Sub-section (*2A*) omitted by Act 20 of 2002, s. 150 (w.e.f. 13-5-2002).
6. Subs. by Act 16 of 2007, s. 4, for "The goods referred to in clauses (*b*) of sub-section (*1*)" (w.e.f. 1-4-2007).
7. Cl. (*a*) omitted by Act 8 of 1963, s. 2 (w.e.f. 1-4-1963).

[1][(*b*) are goods of the class or classes specified in the certificate of registration of the registered dealer purchasing the goods as being intended for re-sale by him or subject to any rules made by the Central Government in this behalf, for use by him in the manufacture or processing for sale of goods specified under clause (*d*) of section 2;]

(*c*) are containers or other materials specified in the certificate of registration of the registered dealer purchasing the goods, being containers or materials intended for being used for the packing of goods for sale;

(*d*) are containers or other materials used for the packing of any goods or classes of goods specified in the certificate of registration referred to in [2]*** clause (*b*) or for the packing of any containers or other materials specified in the certificate of registration referred to in clause (*c*).

[3][(*4*) The provisions of sub-section (*1*) shall not apply to any sale in the course of inter-State trade or commerce unless the dealer selling the goods furnishes to the prescribed authority in the prescribed manner a declaration duly filled and signed by the registered dealer to whom the goods are sold containing the prescribed particulars in a prescribed form obtained from the prescribed authority:

Provided that the declaration is furnished within the prescribed time or within such further time as that authority may, for sufficient cause, permit.]]

[4][(*5*) Notwithstanding anything contained in this section, the State Government may, [5][on the fulfillment of the requirements laid down in sub-section (*4*) by the dealer,] if it is satisfied that it is necessary so to do in the public interest, by notification in the Official Gazette and subject to such conditions as may be specified therein direct,—

(*a*) that no tax under this Act shall be payable by any dealer having his place of business in the State in respect of the sales by him, in the course of inter-State trade or commerce [5][to a registered dealer [6]***], from any such place of business of any such goods or classes of goods as may be specified in the notification, or that the tax on such sales shall be calculated at such lower rates than those specified in sub-section (*1*) [6]*** as may be mentioned in the notification;

(*b*) that in respect of all sales of goods or sales of such classes of goods as may by specified in the notification, which are made, in the course of inter-State trade or commerce [6][to a registered dealer [6]***], by any dealer having his place of business in the State or by any class of such dealers as may be specified in the notification to any person or to such class of persons as may be specified in the notification, no tax under this Act shall be payable or the tax on such sales shall be calculated at such lower rates than those specified in sub-section (*1*) or sub-section (*2*) [6]*** as may be mentioned in the notification.]

[7][(*6*) Notwithstanding anything contained in this section, no tax under this Act shall be payable by any dealer in respect of sale of any goods made by such dealer, in the course of inter-State trade or commerce to a registered dealer for the purpose of setting up, operation, maintenance, manufacture, trading, production, processing, assembling, repairing, reconditioning, re-engineering, packaging or for use as packing material or packing accessories in a unit located in any special economic zone or for development, operation and maintenance of special economic zone by the developer of the special

1. Subs. by Act 13 of 2021, s. 150, for clause (*b*) (w.e.f. 28-3-2021).
2. The words, brackets and letter "clause (*a*) or" omitted by Act 8 of 1963, s. 150 (w.e.f. 1-4-1963).
3. Subs. by Act 16 of 2007, s. 4, for sub-section (*4*) (w.e.f. 1-4-2007).
4. Subs. by Act 61 of 1972, s. 5, for sub-section (*5*) (w.e.f. 1-4-1973).
5. Ins. by Act 20 of 2002, s. 152 (w.e.f. 13-5-2002).
6. The words "or the Government" omitted by Act 16 of 2007, s. 4 (w.e.f. 1-4-2007).
7. Subs. by Act 23 of 2004, s. 118, for sub-section (*6*) (w.e.f. 10-09-2004).

economic zone, if such registered dealer has been authorised to establish such unit or to develop, operate and maintain such special economic zone by the authority specified by the Central Government in this behalf.]

(*7*) The goods referred to in sub-section (*6*) shall be the goods of such class or classes of goods as specified in the certificate of registration of the registered dealer referred to in that sub-section.

(*8*) The provisions of sub-sections (*6*) and (*7*) shall not apply to any sale of goods made in the course of inter-State trade or commerce unless the dealer selling such goods furnishes to the [1][prescribed authority referred to in sub-section (*4*) a declaration in the prescribed manner on the prescribed form obtained from the authority specified by the Central Government under sub-section (*6*)] duly filled in and signed by the registered dealer to whom such goods are sold.

Explanation.--For the purposes of sub-section (*6*), the expression "special economic zone" has the meaning assigned to it in clause (*iii*) to *Explanation* 2 to the proviso to section 3 of the Central Excise Act, 1944 (1 of 1944).]

[2]**[8A. Determination of turnover.**—(*1*) In determining the turnover of a dealer for the purposes of this Act, the following deductions shall be made from the aggregate of the sale prices, namely:—

(*a*) the amount arrived at by applying the following formula—

$$\frac{\text{rate of tax x aggregate of sale prices}}{\text{100 plus rate of tax}}$$

Provided that no deduction on the basis of the above formula shall be made if the amount by way of tax collected by a registered dealer, in accordance with the provisions of this Act, has been otherwise deducted from the aggregate of sale prices.

Explanation.—Where the turnover of a dealer is taxable at different rates, the aforesaid formula shall be applied separately in respect of each part of the turnover liable to a different rates of tax;

(*b*) the sale price of all goods returned to the dealer by the purchasers of such goods,—

(*i*) within a period of three months from the date of delivery of the goods, in the case of goods returned before the 14th day of May, 1966;

(*ii*) within a period of six months from the date of delivery of the goods, in the case of goods returned on or after the 14th day of May, 1966:

Provided that satisfactory evidence of such return of goods and of refund or adjustment in accounts of the sale price thereof is produced before the authority competent to assess or, as the case may be, re-assess the tax payable by the dealer under this Act; and

(*c*) such other deductions as the Central Government may, having regard to the prevalent market conditions, facility of trade and interests of consumers, prescribe.

(*2*) Save as otherwise provided in sub-section (*1*), in determining the turn over of a dealer for the purposes of this Act, no deduction shall be made from the aggregate of the sale prices.]

[3][[4]**[9. Levy and collection of tax and penalties.**—(*1*) The tax payable by any dealer under this Act on sales of goods effected by him in the course of inter-State trade or commerce, whether such sales fall within clause (*a*) or clause (*b*) of section 3, shall be levied by the Government of India and the tax so levied shall be collected by that Government in accordance with the provisions of sub-section (*2*), in the State from which the movement of the goods commenced:

1. Subs. by Act 23 of 2004, s. 118, for certain words (w.e.f. 10-9-2004).
2. Ins. by Act 28 of 1969, s. 5 (retrospectively).
3. Subs. by Act 31 of 1958, s. 6, for the original section 9 (w.e.f. 1-10-1958).
4. Subs. by Act 28 of 1969, s. 6, for section 9 (retrospectively).

[1][Provided that, in the case of a sale of goods during their movement from one State of another, being a sale subsequent to the first sale in respect of the same goods and being also a sale which does not fall within sub-section (*2*) of section 6, the tax shall be levied and collected—

(*a*) where such subsequent sale has been effected by a registered dealer, in the State from which the registered dealer obtained or, as the case may be, could have obtained, the form prescribed for the purpose of [2][sub-section (*4*) of section 8] in connection with the purchase of such goods, and

(*b*) where such subsequent sale has been effected by an unregistered dealer in the State from which such subsequent sale has been effected.]

(*2*) Subject to the other provisions of this Act and the rules made thereunder, the authorities for the time being empowered to assess, re-assess, collect and enforce payment of any tax under the general sales tax law of the appropriate State shall, on behalf of the Government of India, assess re-assess, collect and enforce payment of tax, including any [3][interest or penalty,] payable by a dealer under this Act as if the tax or [3][interest or penalty] payable by such a dealer under this Act is a tax or [3][interest or penalty] payable under the general sales tax law of the State; and for this purpose they may exercise all or any of the powers they have under the general sales tax law of the State; and the provisions of such law, including provisions relating to returns, provisional assessment, advance payment of tax, registration of the transferee of any business, imposition of the tax liability of a person carrying on business on the transfer of, or successor to, such business, transfer of liability of any firm of Hindu undivided family to pay tax in the event of the dissolution of such firm or partition of such family, recovery of tax from third parties, appeals, reviews, provisions, references, [4][refunds, rebated, penalties,] [3][interest or penalty]] [5][charging or payment of interest,] compounding of offences and treatment of documents furnished by a dealer as confidential, shall apply accordingly:

Provided that if in any State or part thereof there is no general sales tax law in force, the Central Government may, be rules made in this behalf make necessary provision for all or any of the matter specified in this sub-section.

[5][(*2A*) All the [6][provisions relating to offences, interest and penalties] (including provisions relating to penalties in lieu of prosecution for an offence or in addition to the penalties or punishment for an offence but excluding the provisions relating to matters provided for in section 10 and 10A) of the general sales tax law of each State shall, with necessary modifications, apply in relation to the assessment, re-assessment, collection and the enforcement of payment of any tax required to be collected under this Act in such State or in relation to any process connected with such assessment, re-assessment, collection or enforcement of payment as if the tax under this Act were a tax under such sales tax law.]

[7][(*2B*) If the tax payable by any dealer under this Act is not paid in time, the dealer shall be liable to pay interest for delayed payment of such tax and all the provisions for delayed payment of such tax and all the provisions relating to due date for payment of tax, rate of interest for delayed payment of tax and assessment and collection of interest for delayed payment of tax, of the general sales tax law of each State, shall apply in relation to due date for payment of tax, rate of interest for delayed payment of tax, and assessment and collection of interest for delayed payment of tax under this Act in such States as if the tax and the interest payable under this Act were a tax and an interest under such sales tax law.]

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1. The proviso subs. by Act 103 of 1976, s. 6 (w.e.f. 7-9-1976).
2. Subs. by Act 16 of 2007, s. 5, for "clause (*a*) of sub-section (*4*) of section 8" (w.e.f. 1-4-2007).
3. Subs. by Act 10 of 2000, s. 119, for "penalty" (w.e.f. 12-5-2000).
4. Subs. by Act 61 of 1972, s. 6, for "refunds, penalties" (w.e.f. 1-4-1973).
5. Ins. by Act 103 of 1976, s. 6 (retrospectively).
6. Subs. by Act 10 of 2000, s. 119, for "provisions relating to offences and penalties" (w.e.f. 12-5-2000).
7. Ins. by s. 119, *ibid*. (w.e.f. 12-5-2000).

(*3*) The proceeds in any financial year of any tax, [1][including any interest or penalty] levied and collected under this Act in any State (other than a Union territory) on behalf on the Government of India shall be assigned to the State and shall be retained by it; and the proceeds attributable to Union territories shall form part of the Consolidated Fund of India.]

9A. Collection of tax to be only by registered dealers.—No person who is not a registered dealer shall collect in respect of any sale by him of goods in the course of Inter-State trade or commerce any amount by way of tax under this Act, and no registered dealer shall make may such collection except in accordance with this Act and the rules made thereunder.]

[2][**9B. Rounding off of tax, etc.**—The amount of tax, penalty, fine or any other sum payable, and the amount of refund due, under the provisions of this Act shall be rounded off to the nearest rupees and, for the purpose, where such amount contains a part of a rupee consisting of paise, then, if such part is fifty paise or more, it shall be increased to one rupee and if such part is less than fifty paise, it shall be ignored:

Provided that nothing in this section shall apply for the purpose of collection by a dealer of any amount by way of tax under this Act in respect of any sale by him of goods in the course of inter-State trade or commerce.]

10. Penalties.—If any person—

[3][(*a*) furnishes a [4]*** declaration under sub-section (*2*) of section 6 or sub-section (*1*) of section 6A or sub-section (*4*) [5][sub-section (*8*)] which he knows, or has reason to believe, to be false; or

(*aa*) fails to get himself registered as required by section 7 or fails to comply with an order under sub-section (*3A*) or with the requirements of sub-section (3*C*) or sub-section (*3E*) of that section;]

(*b*) being a registered dealer, falsely represents when purchasing any class of goods that goods of such class are covered by his certificate of registration; or

(*c*) not being a registered dealer, falsely represents when purchasing goods in the course of inter- State trade or commerce that he is a registered dealer; or

(*d*) after purchasing any goods for any of the purposes specified in [6][clause (*b*) or clause (*c*) or clause (*d*)] of sub- section (*3*) [5][or sub-section (*6*)] of section 8 fails, without reasonable excuse, to make use of the goods for any such purpose;

(*e*) has in his possession any form prescribed for the purpose of sub-section (*4*) [5][or sub-section (*8*)] of section 8 which has not been obtained by him or by his principal or by his agent in accordance with the provisions of this Act or any rules made there under;

[7][(*f*) collects any amount by way of tax in contravention of the provisions contained in section 9A,]

he shall be punishable with simple imprisonment which may extend to six months, or with fine or with both, and 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**.**

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1. Subs. by Act 10 of 2000, s. 119, for "including any penalty" (w.e.f. 12-5-2000).
2. Ins. by Act 61 of 1972, s. 7 (w.e.f. 1-4-1973).
3. Subs. by s. 8, *ibid*., for clause (*a*) (w.e.f. 1-4-1973).
4. The words "certificate or" omitted by Act 16 of 2007, s. 6 (w.e.f. 1-04-2007).
5. Ins. by Act 20 of 2002, s. 153 (w.e.f. 13-05-2002).
6. Subs. by Act 61 of 1972, s. 8, for "clause (*b*)" (w.e.f. 1-4-1973).
7. Ins. by Act 31 of 1958, s. 7 (w.e.f. 1-10-1958).

[1]**[10A. Imposition of penalty in lieu of prosecution.**—[2][(*1*)] If any person purchasing goods is guilty of an offence under clause (*b*) or clause (*c*) or clause (*d*) of section 10, the authority who granted to him or, as the case may be, is competent to grant to him a certificate of registration under this Act may, after giving him a reasonable opportunity of being heard, by order in writing impose upon him by way of penalty a sum not exceeding one-and-a-half times [3][the tax which would have been levied under sub-section (*2*) of section 8 in respect of the sale to him of the goods, if the sale had been a sale falling within that sub-section]:

Provided that no prosecution for an offence under section 10 shall be instituted in respect of the same facts on which a penalty has been imposed under this section.

[4][(*2*) The penalty imposed upon any dealer under sub-section (*1*) shall be collected by the Government of India in the manner provided in sub-section (*2*) of section 9—

(*a*) in the case of an offence falling under clause (*b*) or clause (*d*) of section 10, in the State in which the person purchasing the goods obtained the form prescribed for the purposes of [5][sub-section (*4*) of section 8] in connection with the purchase of such goods;

(*b*) in the case of an offence falling under clause (*c*) of section 10, in the State in which the person purchasing the goods should have registered himself if the offence had not been committed.]

11. Cognizance of offences.—(*1*) No court shall take cognizance of any offence punishable under this Act or the rules made thereunder except with the previous sanction of the Government within the local limits of whose jurisdiction the offence has been committed or of such officer of that Government as it may, by general or special order, specify in this behalf; and no court inferior to that of a presidency magistrate or a magistrate of the first class shall try and such offence**.**

(*2*) All offences punishable under this Act shall be cognizable and bailable.

12. Indemnity.—No suit, prosecution or other legal proceeding shall lie against any officer of Government for anything which is in good faith done or intended to be done under this Act or the rules made thereunder.

13. Power to make rules.—(*1*) The Central Government may, by notification in the Official Gazette, make rules providing for—

(*a*) the manner in which applications for registration may be made under this Act, the particulars to be contained therein, the procedure for the grant of such registration, the circumstances in which registration may be refused and the form in which the certificate of registration may be given;

[6][(*aa*) the manner of determination of the sale price and the deduction from the total consideration for a works contract under the proviso to clause (*h*) of section 2;]

[7][(*ab*)] the form and the manner for furnishing declaration under sub-section (*8*) of section 8;]

1. Ins. by Act 31 of 1958, s. 8 (w.e.f. 1-10-1958).
2. Section 10A re-numbered as sub-section (*1*) thereof by Act 28 of 1969, s. 7 (w.r.e.f. 1-10-1958).
3. Subs. by Act 61 of 1972, s. 9, for certain words (w.e.f. 1-4-1973).
4. Ins. by Act 28 of 1969, section 7 (w.r.e.f. 1-10-1958).
5. Subs. by Act 16 of 2007, s. 5, for "clause (*a*) of sub-section (*4*) of section 8" (w.e.f. 1-4-2007).
6. Ins. by Act 18 of 2005, s. 92 (w.e.f. 13-5-2005).
7. Clause (*aa*) lettered as clause (*ab*) thereof by s. 92, *ibid.* (w.e.f. 13-5-2005).

(*b*) the period turnover, the manner in which the turnover in relation to the sale of any goods under this Act shall be determined, and the deductions which may be made [1][under clause (*c*) of sub-section (*1*) of section 8A] in the process of such determination;

(*c*) the cases and circumstances in which, and the conditions subject to which, any registration granted under this Act may be cancelled;

[2][(*d*) the form in which and the particulars to be contained in the declaration or certificate to be given under this Act [1][the State of origin or such form or certificate and the time within which any such certificate or declaration shall be produced or furnished];

(*e*) the enumeration of goods or class of goods used in the manufacture or processing of goods for sale or in mining or in the generation or distribution of electricity or any other form of power;

(*f*) the matters in respect of which provision may be made under the provision to [3][sub-section (*2*)] of section 9;

(*g*) the fees payable in respect of applications under this Act.]

[4][(*h*) the proper functioning of the Authority constituted under section 19;

(*i*) the salaries and allowances payable to, and the terms and conditions of service of, the Chairman and Members under sub-section (*3*) of section 19;

(*j*) any other matter as may be prescribed.]

[5][(*2*) Every rule made by the Central Government under sub-section (*1*) shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.]

(*3*) The State Government may make rules, not inconsistent with the provisions of this Act and the rules made under sub-section (*1*), to carry out the purposes of this Act**.**

(*4*) In particular and without prejudice to the powers conferred by sub-section (*3*), the State Government may make rules for all or any of the following purposes, namely:—

(*a*) the publication of lists of registered dealers, of the amendments made in such lists from time to time, and the particulars to be contained in such lists;

[6][(*aa*) the manner in which security may be furnished under sub-section (*2A*) or sub-section (*3A*) or sub-section (3*C*) of section 7 and the manner in which and the time within which any deficiency may be made up under sub-section (*3E*) of that section;]

(*b*) the form and manner in which accounts relating to sales in the course of inter-State trade or commerce shall be kept by registered dealers;

1. Ins. by Act 61 of 1972, s. 10 (w.e.f. 1-4-1973).
2. Subs. by Act 31 of 1958, s. 9, for clause (*d*) (w.e.f. 1-10-1958).
3. Subs. by Act 28 of 1969, s. 8, for "sub-section (*3*)" (retrospectively).
4. Ins. by Act 41 of 2001, s. 2 (w.e.f. 17-3-2005).
5. Subs. by Act 61 of 1972, s. 10, for sub-section (*2*) (w.e.f. 1-4-1973).
6. Ins. by s. 10, *ibid*. (w.e.f. 1-4-1973).

(*c*) the furnishing of any information relating to the stocks of goods of, purchases, sales and deliveries of books by, any dealer or any other information relating to his business as may be necessary for the purposes of this Act;

(*d*) the inspection of any books, accounts or documents required to be kept under this Act, the entry into any premises at all reasonable times for the purposes of searching for any such books, accounts or documents kept or suspected to be kept in such premises and the seizure of such books, accounts or documents;

[1][(*e*) the authority from whom, the conditions subject to which and fees subject to payment of which any form of certificate prescribed under clause (*a*) of the first proviso to sub-section (*2*) of section 6 or of declaration prescribed under sub-section (*1*) of section 6A or sub-section (*4*) of section 8 may be obtained, the manner in which such forms shall be kept in custody and records relating thereto maintained and the manner in which any such form may be used and any such certificate or declaration may be furnished;

(*ee*) the form and manner in which, and the authority to whom, an appeal may be preferred under sub-section (*3H*) of section 7, the procedure to be followed in hearing such appeals and the fees payable in respect of such appeals;]

(*f*) in the case of an undivided Hindu Family, association, club, society, firm or company or in the case of a person who carries on business as a guardian or trustee or otherwise on behalf of another person, the furnishing of a declaration stating the name of the person who shall be deemed to be the manager in relation to the business of the dealer in the State and the form in which such declaration may be given;

(*g*) the time within which, the manner in which and [2][the authorities to whom] any change in the ownership of any business or in [3][the name, place or nature] of any business carried on by any dealer shall be furnished**.**

(*5*) In making any rule under this section [4][the Central Government or, as the case may be, the State Government] may direct that a breach thereof shall be punishable with fine which may extend to five hundred rupees and 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**.**

CHAPTER IV

GOODS OF SPECIAL IMPORTANCE IN INTER-STATE TRADE OR COMMERCE

14. [*Certain goods to be of special importance in inter-State trade or commerce*.] *Omitted by the Taxation Laws* (*Amendment*) *Act*, 2017 (18 *of* 2017), *s*. 14 (*w.e.f.* 1-7-2017).

15. [*Restrictions and conditions in regard to tax on sales or purchases of declared goods*.] *Omitted by s*. 15, *ibid*. (*w.e.f.* 1-7-2017).

[5][CHAPTER V

LIABILITY IN SPECIAL CASES

16. Definitions.—In this Chapter,—

(*a*) "appropriate authority", in relation to a company, means the authority competent to assess tax on the company;

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1. Subs. by Act 61 of 1972, s.10, for clause (*e*) (w.e.f. 1-4-1973).
2. Subs. by Act 31 of 1958, s. 9, for "the authorities to which" (w.e.f. 1-10-1958).
3. Subs. by Act 31 of 1953, s. 9, for "the nature" (w.e.f. 1-10-1958).
4. Subs. by Act 61 of 1972, s.10, for "the State Government" (w.e.f. 1-4-1973).
5. Ins. by s. 13, *ibid*. (w.e.f 1-4-1973).

(*b*) "company" and "private company" have the meanings respectively assigned to them by clauses (*i*) and (*iii*) of sub-section (*1*) of section 3 of the Companies Act, 1956 (1 of 1956).

17. Company in liquidation.—(*1*) Every person—

(*a*) who is the liquidator of any company which is being wound up, whether under the orders of a court or otherwise; or

(*b*) who has been appointed the receiver of any assets of a company, hereinafter referred to as the liquidator shall, within thirty days after he has become such liquidator, give notice of his appointment as such to the appropriate authority.

(*2*) The appropriate authority shall, after making such inquiry of calling for such information as it may deem fit, notify to the liquidator within three months form the date on which he receives notice of the appointment of the liquidator the amount which, in the opinion of the appropriate authority would be sufficient to provide for any tax which is then, or is likely thereafter to become, payable by the company.

(*3*) The liquidator shall not part with any of the assets of the company or the properties in his hands until he has been notified by the appropriate authority under sub-section (*2*) and no being so notified, shall set aside an amount equal to the amount notified and, until he so sets aside such amount, shall not part with any of the assets of the company or the properties in his hands:

Provided that nothing contained in this sub-section shall debar the liquidator from parting with such assets or properties in compliance with any order of a court or for the purpose of the payment of the tax payable by the company under this Act or for making any payment to secured creditors whose debts are entitled under law to priority of payment over debts due to Government on the date of liquidation or for meeting such costs and expenses of the winding up of the company as are in the opinion of the appropriate authority reasonable.

(*4*) If the liquidator fails to give the notice in accordance with sub-section (*1*) or fails or set aside the amount as required by, or parts with any of the assets of the company or the properties in his hands in contravention of the provisions of sub-section (*3*), he shall be personally liable for the payment of the tax which the company would be liable to pay:

Provided that if the amount of any tax payable by the company is notified under sub-section (*2*), the personal liability of the liquidator under this sub-section shall be to the extent of such amount.

(*5*) Where there are more liquidators than one, the obligations and liabilities attached to the liquidator under this section shall attach to all the liquidators jointly and severally.

(*6*) The provisions of this section shall have effect notwithstanding anything to the contrary contained in any other law for the time being in force.

18. Liability of directors of private company in liquidation.—Notwithstanding anything contained in the Companies Act, 1956 (1 of 1956), when any private company is wound up after the commencement of this Act, and any tax assessed on the company under this Act for any period, whether before or in the course of or after its liquidation, cannot be recovered, then, every person who was a director of the private company at any time during the period for which the tax is due shall be jointly and severally liable for the payment of such tax unless he proves that the non-recovery cannot be attributed to any gross neglect, misfeasance or breach of duty on his part in relation to the affairs of company.]

[1][CHAPTER VA

APPEALS TO THE HIGHEST APPELLATE AUTHORITY OF THE STATE

18A. Appeals to highest appellate authority of State**.**—(*1*) Notwithstanding anything contained in a State Act, any person aggrieved by an order made by the assessing authority under sub-section (*2*) of section 6A, or an order made under the provisions of sub-section (*3*) of that section, may, notwithstanding anything contained in the general sales tax law of the appropriate State, prefer an appeal to the highest appellate authority of the State against such order:

Provided that any incidental issues including the rate of tax, computation of assessable turnover and penalty may be raised in such appeal.

(*2*) An appeal under sub-section (*1*) shall be filed within sixty days from the date[2] on which the order referred to in that sub-section is communicated to the aggrieved person:

Provided that any appeal forwarded by the highest appellate authority of a State to the first appellate authority under the proviso to sub-section (*2*) of section 25 and pending before such authority immediately before the appointed day shall be transferred, on such appointed day, to the highest appellate authority of the State and the same shall be treated as an appeal filed under sub-section (*1*) and dealt with accordingly.

Explanation.—For the purposes of this sub-section, "appointed day" means such date as the Central Government may, by notification in the Official Gazette, appoint.

(*3*) The highest appellate authority of a State may, after giving both the parties an opportunity of being heard, pass appropriate order.

(*4*) The highest appellate authority of the State may, as far as practicable, hear and decide such appeal within a period of six months from the date of filing of the appeal.

(*5*) Notwithstanding anything contained in a State Act, the highest appellate authority of a State may, on the application of the appellant and after considering relevant facts, including the deposit of any amount towards local or central sales tax in other States on the same goods, pass an order of stay subject to such terms and conditions as it thinks fit, and such order may, inter alia, indicate the portion of tax as assessed, to be deposited prior to admission of the appeal.

Explanation.—For the purposes of this section and sections 20, 21, 22 and 25, "highest appellate authority of a State", with its grammatical variations, means any authority or tribunal or court, except the High Court, established or constituted under the general sales tax law of a State, by whatever name called.]

[2][CHAPTER VI

AUTHORITY TO SETTLE DISPUTES IN COURSE OF INTER-STATE TRADE OR COMMERCE

19. Central Sales Tax Appellate Authority.—(*1*) The Central Government constitute, by notification in the Official Gazette, an Authority to settle inter-State disputes falling under [3][section 6A read with section 9] of this Act, to be known as "the Central Sales Tax Appellate Authority (hereinafter referred to as the Authority").

1. Ins. by Act 14 of 2010, s. 79 (w.e.f. 1-6-2010).
2. Ins. by Act 41 of 2001, s. 3 (w.e.f. 17-3-2005)
3. Subs. by Act 23 of 2004, s. 119, for "section 6A or section 9" (w.e.f. 10-9-2004).

(*2*) The Authority shall consist of the following Members appointed by the Central Government, namely:—

(*a*) a Chairman, who is a retired Judge of the Supreme Court, or a retired Chief Justice of a High Court;

(*b*) an officer of the Indian Legal Service who is, or is qualified to be, an Additional Secretary to the Government of India; and

(*c*) an officer of a State Government not below the rank of Secretary or an officer of the Central Government not below the rank of Additional Secretary, who is an expert in sales tax matters.

[1][(*2A*)Notwithstanding anything contained in sub-section (*2*), the Chairman or a Member holding a post as such in the Authority for Advance Rulings appointed under clause (*a*) or clause (*c*), as the case may be, of sub-section (*2*) of section 245-O of the Income-tax Act,1961 (43 of 1961) may, in addition to his being the Chairman or a Member of that Authority, be appointed as the Chairman or a Member, as the case may be, of the Authority under this Act.]

(*3*) The salaries and allowances payable to, and the terms and conditions of service of, the Chairman and Members shall be such as may be prescribed.

(*4*) The Central Government shall provide the Authority with such officers and staff as may be necessary for the efficient exercise of the powers of the Authority under this Act.

[2]**[19A. Vacancies, etc., not to invalidate proceedings.—**No proceeding before the Authority shall be questioned or shall be invalid on the ground merely of the existence of any vacancy or defect in the constitution of the Authority.]

[3][**20. Appeals.—**[4][(*1*) An appeal shall lie to the Authority against any order passed by the highest appellate authority of a State under this Act determining issues relating to stock transfers or consignments of goods, in so far as they involve a dispute of inter-State nature.]

(*2*) Notwithstanding anything contained in the general sales tax law of a State, the Authority shall adjudicate an appeal filed under sub-section (*1*).

(*3*) An appeal under sub-section (*1*) may be filed within ninety days from the date on which the order referred to in that sub-section is served on any aggrieved person:

Provided that the Authority may entertain any appeal after the expiry of the said period of ninety days, but not later than one hundred and fifty days from the date of such service, if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal in time:

Provided further that the Authority may entertain any appeal from an aggrieved person within sixty days from the commencement of the Central Sales Tax (Amendment) Act, 2005 (3 of 2006), where such aggrieved person had the right to file an appeal against the order of the highest appellate authority of the State under sub-section (*1*) as it stood immediately before the commencement of the said Act, but has not availed of the right to file the appeal during the period commencing on and from the 3rd day of December, 2001 and ending with the 16th day of March, 2005.

1. Ins. by Act 3 of 2006, s. 2 (w.e.f. 1-3-2006).
2. Ins. by s. 3, *ibid*. (w.e.f. 1-3-2006).
3. Subs. by s. 4, *ibid*., for section 20 (w.e.f. 1-3-2016).
4. Subs. by Act 14 of 2010, s. 80, for sub-section (*1*) (w.e.f. 8-5-2010).

(*4*) The application shall be made in quadruplicate and be accompanied by a fee of five thousand rupees.]

21. Procedure on receipt of application.—(*1*) On receipt of an appeal, the Authority shall cause a copy thereof to be forwarded to the [1][assessing appellate authority] concerned as well as to each State Government concerned with the appeal and to call upon them to furnish the relevant records:

Provided that such records shall, as soon as possible, be returned to the [2][highest authority] or such State Government concerned, as the case may be].

(*2*) The Authority shall adjudicate and decide upon the appeal filed against an order of the [2][highest authority].

(*3*) The Authority, after examining the appeal and the records called for, by order, either allow or reject the appeal:

[3][Provided that no appeal shall be rejected unless an opportunity has been given to the appellant of being heard in person or through a duly authorised representative, and [4][also to each State Government] concerned with the appeal of being heard.]

Provided further that whether an appeal is rejected or accepted, reasons for such rejection or acceptance shall be given in the order.

(*4*) The Authority shall make an endeavour to pronounce its order in writing within six months of the receipt of the appeal.

(*5*) A copy of every order made under sub-section (*3*) shall be sent to the [5][appellant, assessing authority, respondent and highest appellate authority of the State Government concerned].

22. Poweres of the Authority.—(*1*) The Authority shall have the same powers as are vested in a court under the Code of Civil Procedure, 1908 (5 of 1908), while trying a suit in respect of the following matters, namely:—

(*a*) enforcing the attendance of any person, examining him on oath or affirmation;

(*b*) compelling the production of accounts and documents;

(*c*) issuing commission for the examination of witnesses;

(*d*) the reception of evidence on affidavits;

(*e*) any other matter which may be prescribed.

[6][(*1A*) The Authority may grant stay of the operation of the order of the highest appellate authority against which the appeal is filed before it or order the [7][deposit] of the tax before entertaining the appeal and while granting such stay or making such order for the [7][deposit] of the tax, the Authority shall have regard, if the assessee has made [7][deposit] of the tax under the general sales tax law of the State concerned, to such [7][deposit] or pass such appropriate order as it may deem fit.]

1. Subs. by Act 32 of 2003, s. 164, for certain words (w.e.f. 14-5-2003).
2. Subs. by Act 3 of 2006, s. 5, for "assessing authority" (w.e.f. 1-3-2006).
3. The proviso subs. by Act 32 of 2003, s.164 (w.e.f. 14-5-2003).
4. Subs. by Act 23 of 2004, s. 119, for "also to the State Government" (w.e.f. 10-9-2004).
5. Subs. by Act 3 of 2006, s. 5, for "appellant and to the assessing authority" (w.e.f. 1-3-2006).
6. Subs. by s. 6, *ibid.*, for sub-section (*1A*) (w.e.f. 1-3-2006).
7. Subs. by Act 14 of 2010, s. 81, for "pre-deposit" (w.e.f. 8-5-2010).

[1][(*1B*) The Authority may issue direction for refund of tax collected by a State which has been held by the Authority to be not due to that State, or alternatively, direct that State to transfer the refundable amount to the State to which central sales tax is due on the same transaction:

Provided that the amount of tax directed to be refunded by a State shall not exceed the amount of central sales tax payable by the appellant on the same transaction.]

(*2*) Every proceeding before the Authority shall be deemed to be a judicial proceeding within the meaning of section 193 and 228 of the Indian Penal Code and the Authority shall be deemed to be a civil court for the purposes of section 195 and Chapter XXVI of the Code of Criminal Procedure, 1973 (2 of 1974).

23. Procedure of Authority.—The Authority shall, subject to the provisions of this Chapter, have power to regulate its own procedure [2][in all matters, including stay of recovery of any demand] arising out of the exercise of powers under this Act.

24. Authority for Advance Rulings to function as Authority under this Act.—(*1*) Notwithstanding anything contained in any other law for the time being in force and in section 19 of this Act, the Authority for Advance Rulings constituted under section 245-O of the Income-tax Act, 1961 (43 of 1961) shall be notified by the Central Government in the Official Gazette, with such modifications as many be necessary, to make its composition in conformity with section 19 of this Act, as the Authority under this Act till such time an Authority is constituted under that section.

(*2*) On and from the date of the constitution of the Authority in accordance with the provisions of section 19 of this Act, the proceedings pending with the Authority for Advance Rulings shall stand transferred to the Authority constituted under that section from the stage at which such proceedings stood before the date of constitution of the said Authority.

[3][**25. Transfer of pending proceedings.—**(*1*) On and from the commencement of the Central Sales Tax (Amendment) Act, 2005 (3 of 2006), all appeals (except appeals against orders of the highest appellate authority of the State) pending before the Authority notified under sub-section (*1*) of section 24 shall stand transferred together with the records thereof to the highest appellate authority of the concerned State.

(*2*) Such highest appellate authority of the State to which such appeal has been transferred under sub-section (*1*) on receipt of such records shall proceed to deal with such appeal so far as may be in the same manner as in the case of an appeal filed before such highest appellate authority of the State according to the general sales tax law of the appropriate State, from the stage which was reached before such transfer or from any earlier stage or *de novo* as such highest appellate authority of the State may deem fit:

[4]* * * * *

26. Applicability of order passed.—An order passed by the Authority under this Chapter shall be binding on [5][each State Government concerned, the assessing authorities] and other authorities created by or under any law relating to general sales tax, in force for the time being in any State [6]***.]

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1. Ins. by Act 14 of 2010, s. 81 (w.e.f. 8-5-2010).
2. Subs. by Act 32 of 2003, s. 165, for "in all matters" (w.e.f. 14-5-2003).
3. Subs. by Act 3 of 2006, s. 7, for section 25 (w.e.f. 1-3-2006).
4. Proviso to sub-section (2) omitted by Act 14 of 2010, s. 82 (w.e.f. 8-5-2010).
5. Subs. by Act 23 of 2004, s. 119, for "the assessing authorities" (w.e.f. 10-9-2004).
6. The words "or Union territory" omitted by Act 3 of 2006, s. 8 (w.e.f. 1-3-2006).