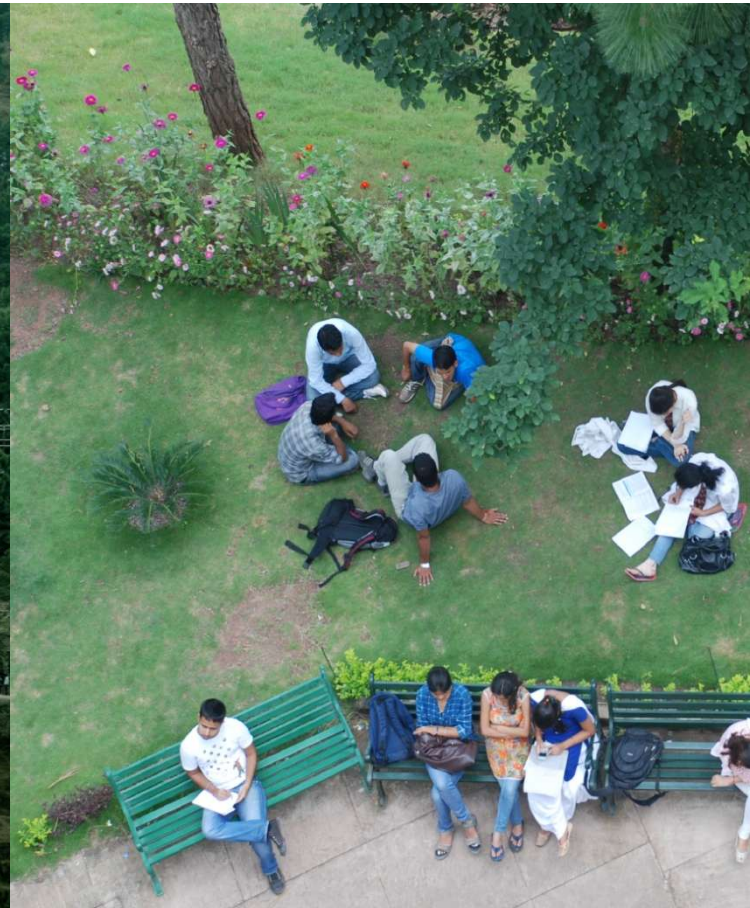


Course Code – COM (H) 226

Lecture 10



Introduction to Central Sales Tax

Central Sales Tax is a tax on Sale levied by Central Government under the provisions of Central Sales Tax Act, 1957. As per the provisions of this Act, any movement of goods from one State to another on account of sale/purchase or transfer of document of Title to goods between two separate parties is considered as Interstate sale/purchase. All such transactions are liable to CST. Any movement of goods otherwise than as sale, sent outside the state or country, is exempted from levy of CST.

Basics

Inter-State Sale

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.

Declared Goods

Declared Goods means goods declared under Section 14 of the CST Act, to be of special importance in inter-state trade or commerce. Some of the important items are cereals, coal including

coke in all forms excluding charcoal, cotton in un-manufactured form, cotton fabrics and cotton yarn, crude oil, hides and skin, iron and steel, jute, oil seeds, pulses, man-made fabrics, sugar, un-manufactured tobacco and woven fabrics of wool.

Basics

Registration under CST Act

Every dealer, liable to pay Central Sales Tax has to register himself with the Sales Tax Authority, that is, dealers who effect inter-state sales are required to register under CST Act. Hence, intermediaries like agents, transporters, who only facilitate sales are not required to be registered, as they do not affect sales. However, a dealer may voluntarily apply for registration under CST Act even if he is not liable to pay Central Sales Tax or if goods sold or purchased by him are exempt under state sales tax law. Registration brings many advantages. For example, the dealer can issue 'C' form and purchase goods at concessional rate.

Rate of Central Sales Tax

Different rates are prescribed depending upon the nature of inter-state sale such as

- a. Sale to registered dealers.
- b. Sale to unregistered dealers.
 - (i) Sale of declared goods to unregistered dealers.
 - (ii) Sale of goods other than declared goods to unregistered dealers.

Declaration Forms for CST Transactions

Form C

This is the Basic Form used by the Registered Dealers in the course of Interstate trade or commerce. All the registered dealers will issue 'Form C' at the time of purchasing goods or service from another Registered dealer. The issue of 'Form C' by the selling dealer will ensure that the goods being purchased are covered under his registration certificate and the CST can be charged at lower rates. The selling dealer, on the basis of this 'Form C', charges CST @ 2% or lower rate as applicable and submits the same to his assessing authorities as a proof or cause for lower collection of CST.

Form E1

Form E1 is used for making subsequent sales in the course of interstate sale/purchase by the first or original purchaser of goods. This Form should always be accompanied with 'Form C'. The Form E1 is used for first subsequent sales by transfer of document of title to goods.

Declaration Forms for CST Transactions

Form E2

Form E2 is used for claiming the exemption from payment of CST. In case where the registered dealer purchases goods from one registered inter-state dealer and sells the same while in transit, to another registered inter-state dealer, the sales will be exempted from CST on submission of 'Form E2' to the department. The 'Form E2' is used to claim exemption from payment of CST to the seller who is a subsequent or last inter-state dealer of goods.

Form F

Form F is used for claiming exemptions on the interstate movement of goods as Stock/Branch Transfers. The 'Form F' is issued by the Branch or Agent who is receiving goods from another state to the Transferor of goods. The transferor of goods can claim exemption from CST on submitting the Form to the department.

Declaration Forms for CST Transactions

Form H

Form H is used by the seller for claiming the exemption on making penultimate sales (immediately preceding sale to exports). Sales made during the course of export are exempt from CST. The penultimate sale is also deemed to be in course of export and is exempt from CST. The dealer exporting goods will have supporting documents like customs documents, bank certificate, airway bill/bill of lading, shipping bill etc. However, the penultimate seller will not have any direct evidence to prove that the sale made is exempt from tax. In such cases, the actual exporter has to issue a certificate to the penultimate seller in form H.

Form I

Form I is used for claiming the exemption from CST on the sales made to any Special Economic Zone (SEZ). The buying dealer issues 'Form I' to the selling dealer. The selling dealer needs to submit the same (Form I) to the department to claim all the export benefits available to original exporter.

Thank You