



Government of Karnataka
COMMERCIAL TAXES DEPARTMENT

**MAJOR CHANGES AND MODIFICATIONS IN
COMMERCIAL TAXES WITH EFFECT FROM 1ST APRIL, 2010**

I. VALUE ADDED TAX:

1. The following commodities have been exempted from tax from 1.4.2010 to 31.3.2011:
 - (1) Paddy, Rice and Wheat.
 - (2) Pulses.
 - (3) Flour and Soji of Rice and Wheat and Maida of wheat.
2. The rate of tax on the following commodities has been reduced to 5%:
 - (1) All kinds of masala powders whether mixtures of spices or mixtures of spices and other materials.
 - (2) Macaroni.
 - (3) Sports trophies, shields and medals.
 - (4) All kinds of scrap and waste materials.
 - (5) Electric Generating sets of below 15 KVA (including portable generator sets).
 - (6) Railway concrete sleepers.
 - (7) School bags costing upto two hundred rupees each.
3. Increase in tax rates:
 - (1) VAT rate of 4% increased to 5% in respect of all goods including goods notified as capital goods, industrial inputs, packing materials and IT products including telecommunication equipments but excluding declared goods specified under Third Schedule to the Karnataka Value Added Tax Act, 2003
 - (2) VAT rate of 4% as reduced by notifications in respect of the following goods also increased to 5%.
 - (1) Agricultural Dusters, sprayers, sprinkler and drip irrigation equipments and their parts and accessories.
 - (2) (i) Ball bearings;
 - (ii) Tapered roller bearings including cone and tapered roller assemblies;
 - (iii) Spherical roller bearings;
 - (iv) Needle roller bearings;
 - (v) Cylindrical roller bearings;
 - (vi) Combined ball or roller bearings; and
 - (vii) Plummer blocks, bearing housing, locate rings and covers, adpoter withdrawal sleeves, locknut, lock-washer clamps and rolling elements.
 - (3) Batteries sold to Indian Railways.
 - (4) Biological control agents, namely parasitoids, predators, pathogens and pheromones.
 - (5) Biomass smokeless stoves.
 - (6) Cashew Kernels.
 - (7) Coffee Powder including French Coffee.

- (8) Crumb Rubber Modified Bitumen (CRMB).
- (9) Denatured anhydrous alcohol.
- (10) Denatured spirit.
- (11) Handmade soaps.
- (12) Motor vehicles run on batteries.
- (13) Organic Waste Converters.
- (14) Plastic Tarpaulins.
- (15) Rubber tyres and tubes of tractors.
- (16) Sanitary napkins.
- (17) Sweetmeats including savouries but excluding confectionery.
- (18) Used motor vehicles subject to certain conditions.
- (19) Vermicelli.
- (20) Specified goods sold through Canteen Stores Department.
- (3) VAT rate of 12.5% on tobacco products increased to 15%.
- (4) VAT rate of 12.5% on all other goods including those transferred in the execution of works contract increased to 13.5%.
4. Other reliefs:
 - (1) The minimum limit of annual taxable turnover for compulsory registration under the Karnataka VAT Act increased from Rs.2 lakhs to Rs.5 lakhs.
 - (2) The maximum limit of annual total turnover for opting for composition tax payment scheme under the Karnataka VAT Act increased from Rs.15 lakhs to Rs.25 lakhs.
 - (3) The minimum limit of annual total turnover for compulsory audit of account increased under the Karnataka VAT Act from Rs.40 lakhs to Rs.60 lakhs.
 - (4) Optional facility for payment of VAT on MRP basis currently available for pharmaceutical and medicinal preparations extended to other goods.
 - (5) The current rates of composition amounts payable continued without any change.
 - (6) Reduced tax rate of 1% on liquefied petroleum gas for domestic use continued.
 - (7) Reduced tax rate of 2% on tamarind, seegekai (soapnut), coconut, copra, desiccated coconut powder and arecanut continued.
 - (8) Exemption of tax granted earlier by notifications on certain goods continued.
 - (9) Rate of tax on sale of medicinal and pharmaceutical preparations by wholesalers and retailers out of stock which has already suffered tax at 4%, continued at 4% for a period of 3 months from 1.4.2010 to 30.6.2010.
5. Other important changes made in the Karnataka Value Added Tax Act, 2003:
 - (1) Provision made for payment of VAT on MRP basis on sale of tobacco products subject to certain conditions.
 - (2) Provision made for constitution of Authority for Clarification and Advance Rulings to clarify the rate of tax in respect of any goods or the exigibility to tax of any transaction or eligibility of deduction of input tax or liability of deduction of tax at source.

- (3) Provision made for furnishing of details of purchases and sales for preparation of return, filing of returns and payment of tax and other amounts electronically through internet by class of dealers notified by the Commissioner of Commercial Taxes.
- (4) Provision made for furnishing of details of goods under transport electronically through internet by the consignor or consignee in respect of such goods, transactions and dealers as notified by the Commissioner of Commercial Taxes for speedy clearance of goods vehicles at the check-posts.

II. SALES TAX:

1. Sales Tax exemption on sale of diesel to fishermen (limited to 85,000 Kilo litres).
2. Provision made for filing of returns and payment of tax and other amounts electronically through internet by class of dealers notified by the Commissioner of Commercial Taxes.

III. ENTRY TAX:

1. Entry tax on tobacco products reduced from 4% to 2%.
2. Provision made for payment of entry tax on sugar by dealers to sugar factories at the time of purchase.
3. Provision made for filing of returns and payment of tax and other amounts electronically through internet by class of dealers notified by the Commissioner of Commercial Taxes.

IV. LUXURY TAX:

1. Luxury tax levied on hotels increased as follows:
 - (i) From 6% to 8% on room rents above Rs.1000 and upto Rs.2000.
 - (ii) From 10% to 12% on room rents above Rs.2000.
2. Provision made for filing of returns and payment of tax and other amounts electronically through internet by class of proprietors notified by the Commissioner of Commercial Taxes.

V. ENTERTAINMENTS TAX:

Provision made for filing of returns and payment of tax and other amounts electronically through internet by class of proprietors of entertainments notified by the Commissioner of Commercial Taxes.

VI. PROFESSIONS TAX:

Provision made for filing of returns and payment of tax and other amounts electronically through internet by class of enrolled persons and employers notified by the Commissioner of Commercial Taxes.

Please visit our website at <http://ctax.kar.nic.in> for more details of the amendments and notifications.

(PRADEEP SINGH KHAROLA)
Commissioner of Commercial Taxes
(Karnataka)

Consumers please insist on bills for your purchases.
This is in your interest and in the interest of Government Revenue