



OVERVIEW OF CST ACT

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ADDITIONAL COMMISSIONER (ST)**

INTRODUCTION

- Overview of CST Act
- History
- Objects of CST Act
- Definitions
- Provisions of the CST Act
- Interstate Sales
- Conclusion

OVERVIEW OF THE CST ACT

- CST is levied by the Central Government on taxable turnover of interstate sales of goods but collected and retained by State Government from where movement of goods commences.

TYPES OF TAXES ON SALES

Sales within state
Intra state sales VAT
Entry No.54
List II Schedule VII of
the Constitution of
India

Sale outside the State
Inter State Sales CST
Entry 92A List-I
Sale in the course of
import
Sale in the course of
export

(I) INTRA-STATE SALES

Goods transferred within a State

A (Seller)



B (Buyer)

Hyderabad
Telangana

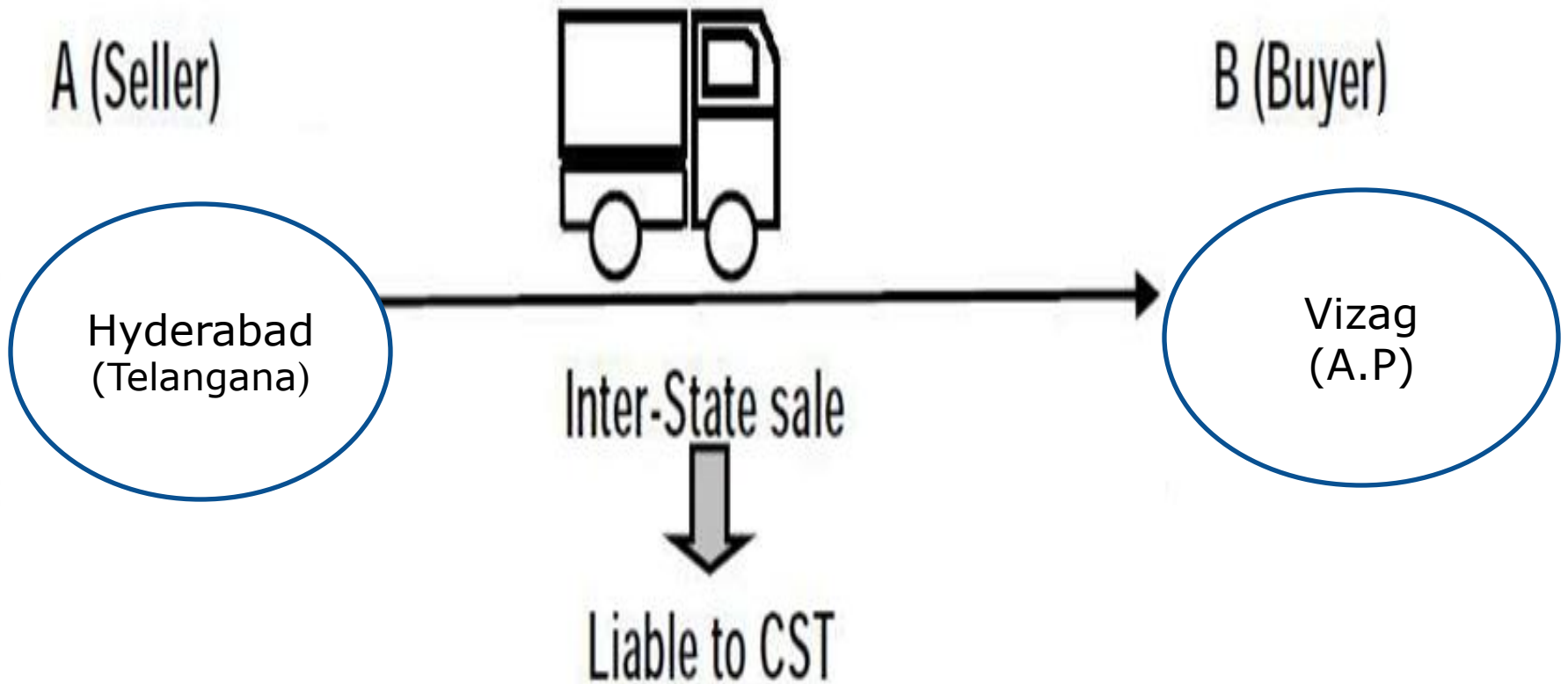
Intra-State sale

Warangal
Telangana

Liabile to sales tax within the State

(II) INTER-STATE SALES

Goods transferred from one State to another



HISTORY

- 1950 to 1956
 - Nexus Theory 4 STC 188 Papallal shah Vs State of Madras (1953)
- Difficulty arose
 - State of Bombay Vs United Motors 4 STC 133 (STC) said State on which goods are delivered is alone competent to levy tax.
 - More States tried to tax the same transaction
 - Sale or purchase was deemed to have taken place in which goods have actually been delivered for consumption in that state.

HISTORY

- Land mark judgement of Bengal Immunity Company Limited State of Bihar 6 STC 446 (SC) 1955
- Taxation Enquiry Commission 1954
- Constitution 6th Amendment 1956
- Amending Article 269, 286
- Entry 92A Union List
- Entry 54 Date list w.e.f. 11.09-1956
- CST Act passed w.e.f. 01-07-1957 (except section 15)
- Section 15 w.e.f. 01-10-1958
- CST Tax Rates

HISTORY

CST TAX RATES:

- 1% on the beginning
- 2% w.e.f. 01-04-1963
- 3% w.e.f. 01-07-1966
- 4% w.e.f. 01-07-1975
- Reduced to 3% w.e.f. 01-04-2007
- Reduced to 2% w.e.f. 01-06-2008

OBJECTS

- Provide for the levy, collection, and distribution of taxes on the sale of goods in the course of inter-State trade.”
- Specification of conditions and restrictions on state laws imposing taxes on declared goods.
- To provide for the collection of tax in the event of liquidation of a company

PROVISIONS OF THE ACT

CHAPTER	SECTIONS	DESCRIPTION
I	1 to 2	Preliminary
II	3 to 5	Principles
III	6 to 13	Interstate Sales Tax
IV	14 to 15	Declared Goods
V	16 to 18	Liability in special cases
VA	18A	Appeals
VI	19 to 26	Authority to settle disputes

DEFINITIONS

Dealer – Section 2(b)

- Any person who carries on business of
- Buying,
- Selling ,
- Supplying or Distributing goods,
- Directly or indirectly for cash, deferred payment or For commission,
- Remuneration or other Valuable consideration and
- Includes Local Authority, Company, Society, Club, Firm, HUF Other Association person

DEFINITIONS

Sale - Section 2 (g)

- “Sale” with its grammatical variations and cognate expressions, means any transfer of property in goods by one person to another for
- Cash
- Deferred payment
- Any other valuable consideration, and includes deemed sales

DEFINITIONS

Goods – Section 2(d)

- Includes
- All materials, Articles or commodities and
- All kinds of moveable property
- Does not include Newspapers
- Actionable claims
- Stocks and Shares

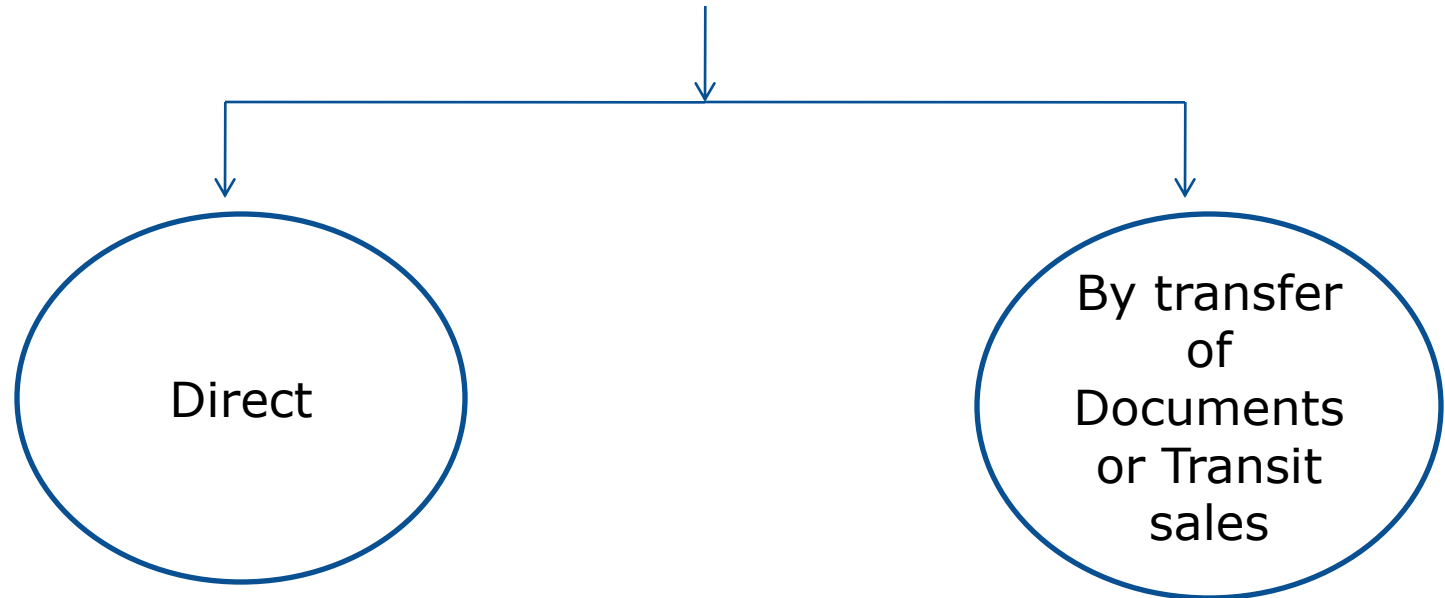
INTERSTATE SALES

Section 3

- Defines inter state sales or purchase
- It should occasion movement of goods or
- Is effected by a transfer of documents of title to the goods during their movement from one state to another

INTERSTATE SALES

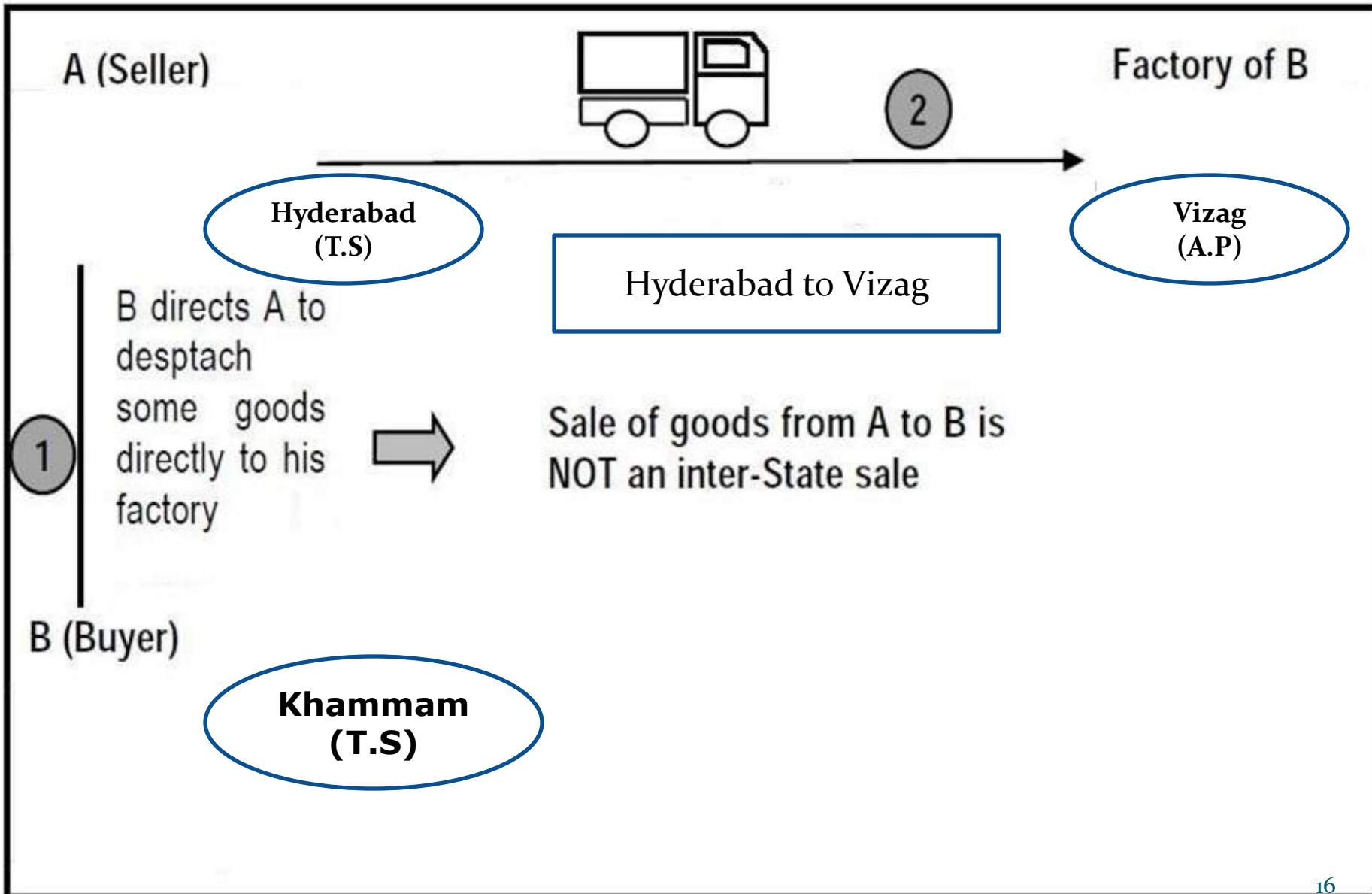
Interstate Sales



70 STC 45 (SC) (Commissioner of Sales Tax Vs. Suresh Chand Jain [1988]) held that in the course of interstate there should be

- Sale of goods
- A transport of those goods from one State to another State

Example : Even if the buyer is located outside the State, sale is not an inter-State sale if the goods do not move outside the State



INTERSTATE SALES

Section 4

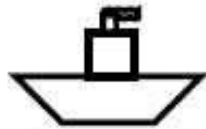
- When is a sale or purchase of goods said to take place outside a State
- For this purpose, goods have been divided into two groups
 - Ascertained goods – At time of contract sale
- Unascertained goods or future – At the time of the appropriation-

EXPORT SALES

- In the course of export section 5(a)
- Outside Territory of India Territorial's jurisdictions 12 Nautical Miles – Territory of India
- 2 Types
 - Direct Exports
 - Transfer of documents after crossed the customs frontiers (High Sea Sales) of India. Section (4) Rule 2(10) last sale or purchase of any exports goods preceding (Form H)

Example:

A
Mumbai



B
London

A enters into a contract of sale with B and moves the goods out of the territory of India



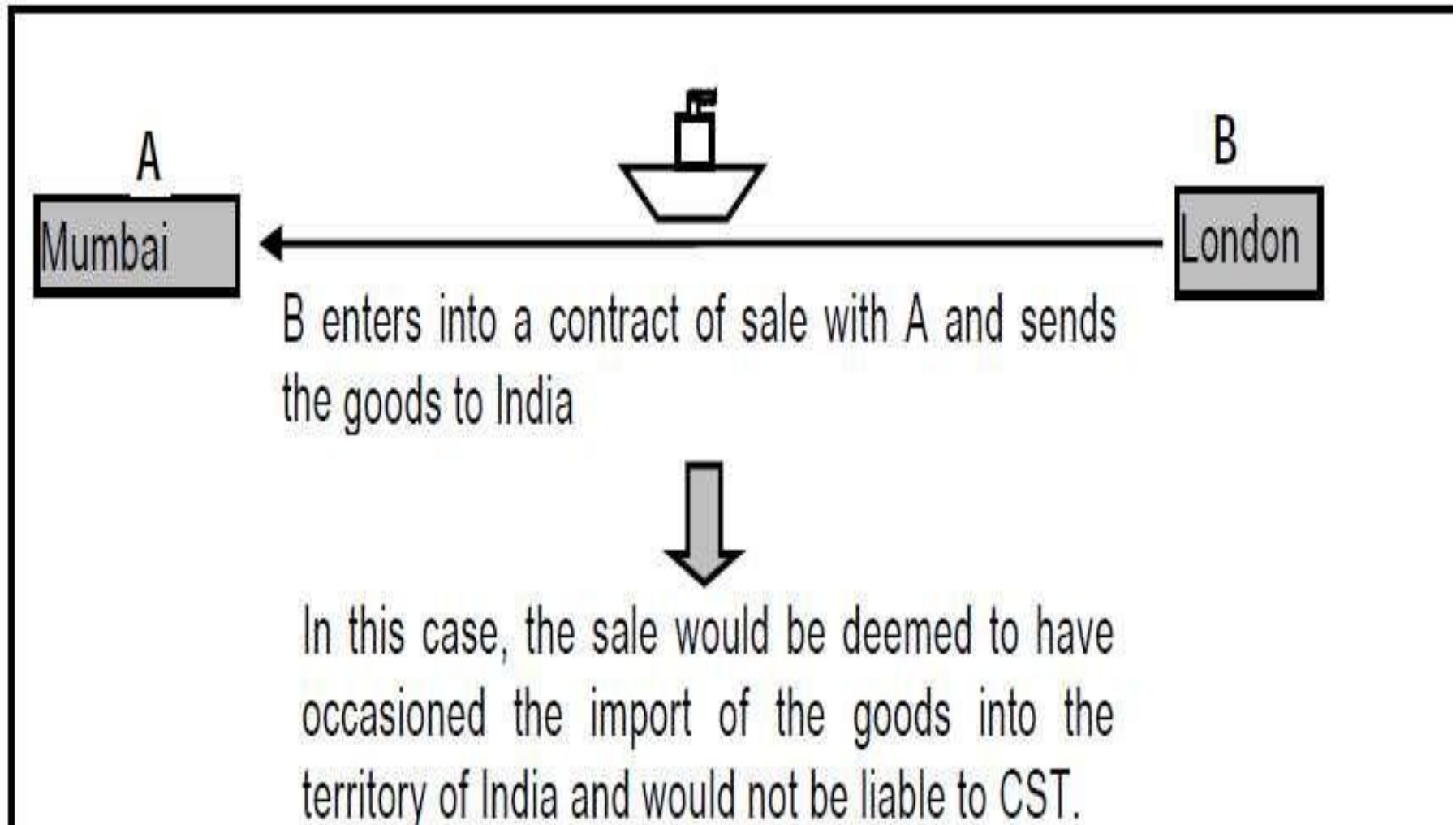
In this case, the sale would be deemed to have occasioned the export of the goods out of the territory of India and would not be liable to CST.

Example: ABC Ltd. received export order for edible prawns. It purchased prawns from a local dealer and cleaned them. A small inedible portion was removed and the edible portion was exported. In the given case, purchase of prawns is a penultimate sale for exports.

IMPORTS

- In the course of import section 5(2)
- Direct import
- Transfer of documents of title before the goods have crossed the Customs Frontiers of India
- 110 STC 3 (4) MMTC Vs State of AP 1998
- Section 5(3) w.e.f. 1.4.1976

(a) Sale occasioning the import: Below mentioned example elucidates the concept of sale occasioning the import:



DOCUMENTS OF TITLE

- **Meaning:** A “document of title” to goods means an internal evidence of ownership of goods by holders of document.
- **Definition:** The Phrase “document of title to goods” **is not defined** in the CST Act.

DOCUMENTS OF TITLE

- As per Section 2(4) of Sale of Goods Act, it includes
 - Bill of lading
 - Dock warrant
 - Warehouse keepers certificate
 - Wharfingers certificate
 - Railway receipt
 - Multi modal transport document
 - Warrant or order for the delivery of goods

- Lorry receipt

- Railway receipt

Transport
by road

Transport
by rail

Transport
by sea

Transport
by air

- Bill of Lading

- Airway bill

Stock Transfers/Branch Transfers

- If a manufacturer sends goods to his branch in other state, it is not a 'sale' as one cannot sell to oneself.
- Similarly, if a dealer sends goods to his agent in other state who stocks goods on behalf of the dealer, it is not a sale.
- Since no sale is involved, there is no 'inter state sale' and consequently there is no CST liability.

Stock Transfers/Branch Transfers

Points which merit consideration

Stock transfer/consignment transfer is not liable to CST only if such transfer is of standard goods which can be sold off the shelf.

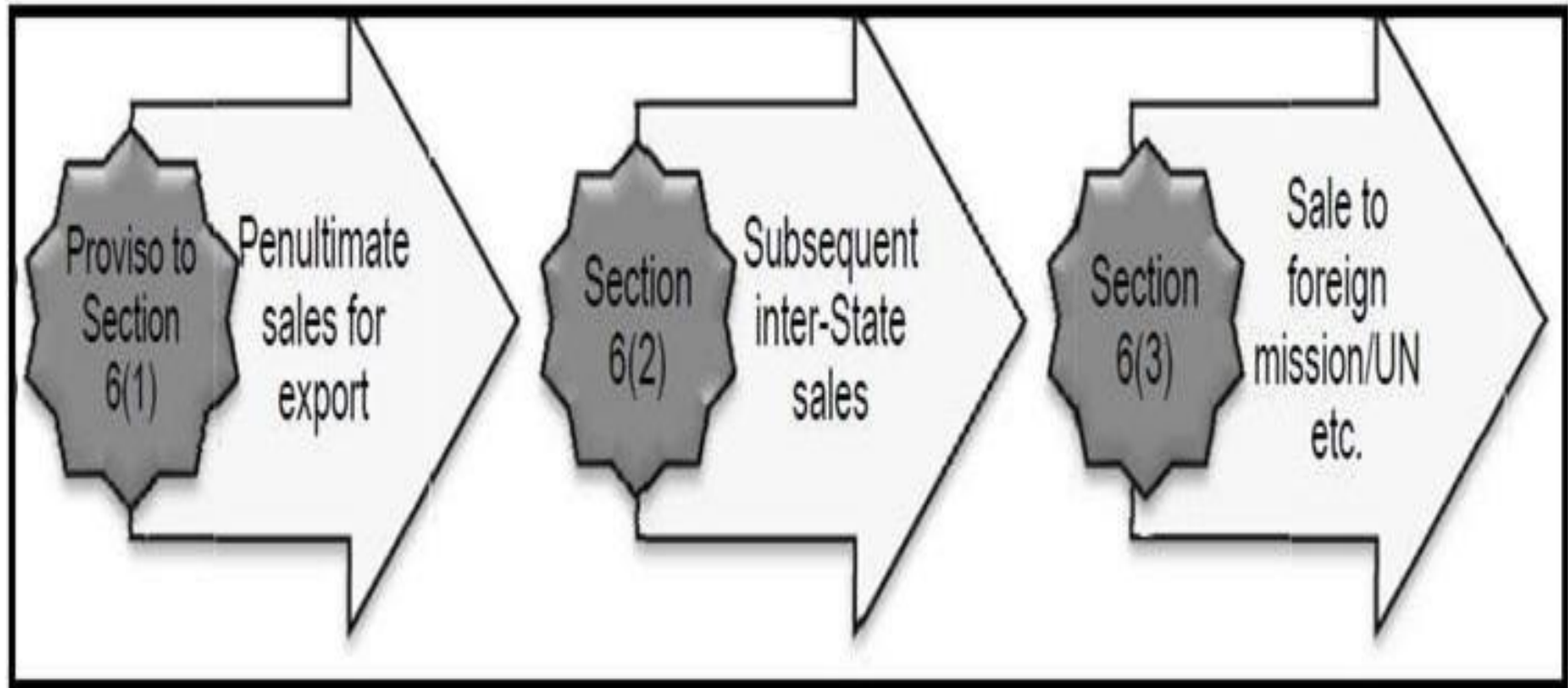
The burden to prove that the inter-State transfer of goods is stock transfer lies on the Dealer and not on Department. For the purpose, he has to submit a declaration obtained from branch/agent in Form F.

Form F has to be collected covering one month transactions from the Branch Manager or Consignment agent.

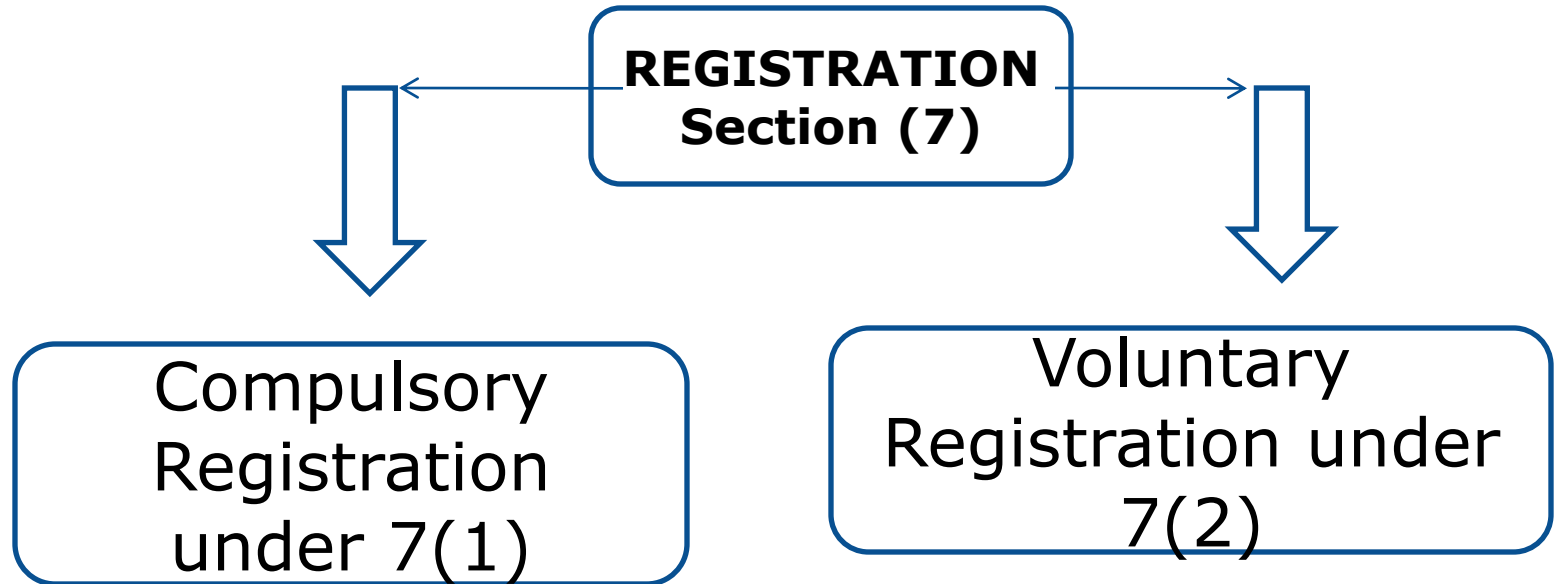
If at the time of inter-State stock transfer, the dealer has an order for such purchase in hand, such transfer shall be deemed to be inter-State sale.

Sales to SEZ /Diplomatic Missions, Consulates, Transit sales

Exceptions to levy of central sales tax (CST)



REGISTRATION



REGISTRATION

- Advantages
 - Can issue 'C' form
 - Purchase goods at concessional rate
- Form 'A' CST (R&T Rules) – Application
- Form 'B' – Certificate of Registration
- Only items / commodities entered in RC are eligible for concessional tax

RATE OF TAXES

S.No.	Goods	CST Rate	Without C Form	@ Tax
1	Declared goods	2%	2 times rate applicable	4%
2	Other than Declared goods	2%	10% or State tax applicable	Whichever is higher
3	Exempted goods	Nil	Nil	Nil
4	For Schedule III goods	1% (CST rate or State rate whichever is lower)	10%	10%

Various Forms Under CST

Form – A	Application for Registration under Section 7(1)/7(2) of Central Sales Tax Act, 1956.
Form – B	Certificate of Registration
Form – C	Form of Declaration
Form – D	Form of Certificate for making Government Purchases(omitted)
Form – E1	Certificate under sub-section *(2) of Section 6.
Form – E2	Certificate under sub-section (2) of Section 6. 62[See rule 12(4)]
Form – F	Form of declaration to be issued by the transferee
Form – G	Form of Indemnity Bond
Form – H	Certificate of Export

Some Provisions of State Laws applicable to CST

- Section 9(2) of CST Act Provides that all provisions of General Sales Tax of each State (Except those provided in CST Act and Rules itself) shall apply to all persons liable under CST Act
 - Periodic returns
 - Assessments, Re-assessments
 - Payments
 - Recovery of tax from 3rd party
 - Appeals, Review, Revisions
 - Refunds
 - Penalties and Interests
 - Compounding of offences

SOURCES OF CST LAW

- CST Act 1956
- CST (R&T) Rules
- CST (Telangana) Rules
- Annual Union Finance Acts
- Notifications
- Circulars /Instructions
- Trade Notices/ Clarifications
- Case Laws

CONCLUSION

- Basic features of CST Act and Rules
- Familiar with definitions
- Knowing the concepts of
- Interstate Sales,
- Exports and
- Imports

Thank You

