



Bangalore Chamber of Industry and Commerce

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March 17, 2011

Mr. Pradeep Singh Kharola, IAS
Commissioner of Commercial Taxes
Vanijya Therige Karyalaya
Gandhinagar
Bangalore – 560 009

Dear Sir,

Reassessment proceedings followed under section 39 of the KVAT Act, 2003
read with Section 9(2) of the CST Act, 1956

With reference to the above subject we wish to inform you that trade and industry has intimated that the Commercial Tax Department in Karnataka has been taking up reassessment proceedings under the CST Act, 1956 for the assessment years 2008-09 and 2009-10 in the months of February 2011 / March 2011. The reassessment proceedings have been initiated on the ground that the trade and industry are required to file the relevant statutory form such as Form C / Form E 1/ Form F / Form H and Form I which have not been filed within the prescribed time. Based on the said reasoning reassessments in many cases has been initiated granting seven days time **to file the relevant statutory / declaration forms.**

It is brought to your kind attention that non filing of the relevant statutory / declaration forms results in higher levies of taxes and consequential demands together with allied levies of penalty and interest. In this regard the trade and industry is faced with great difficulty, which is stated below:

- a. It is extremely difficult for the trade and industry, more specifically large Corporate with huge volumes of trade to obtain the relevant declaration / statutory forms from upcountry customers, since the Commercial Tax Department in those States (viz., Maharashtra, Tamil Nadu, Uttar Pradesh, West Bengal etc.,) fail to issue the said forms within the stipulated time;
- b. The Commercial Tax Department in many of the States do not issue forms / declarations on the ground that the assessment proceedings are pending completion;

- c. Most of the States are yet to usher in the electronic method of issue of the declaration / statutory forms which again becomes very difficult for Corporate to obtain the said forms from the customers / Department;
- d. In many cases, in our own State, the assessments for the years up to 2007-08 where the forms have been received are pending completion.

Completion of reassessments in the State of Karnataka in the above circumstances results in creation of huge tax / penalty and interest demands. You will appreciate the fact, and you are aware that on completion of such reassessment proceedings one need to pre-deposit 50% of taxes, penalties and interest before approaching the higher authorities by way of litigation. This is a huge drain on the liquidity of the trade in the critical month of March. It must also be appreciated that the trade would have already remitted the taxes collected thorough invoices and resultant demands have to be met out of internal accruals / resources which will affect the liquidity of the trade and industry and in some cases cause irreparable damage to the entity. It will also be, not out of place to mention that the Department does not process the refund requests in many cases and demands created as stated above will be an additional burden on trade and industry.

We therefore, request you to kindly intervene in the matter and direct the Officers of the Department to grant adequate time before conclusion of the reassessment orders and not to create huge tax and other demands. Your early action in this regard will be highly appreciated.

Thanking you,

Yours faithfully,



T.S. Sampath Kumar
Secretary General