



# DECLARED GOODS UNDER CST ACT, 1956

# DEFINITION OF DECLARED GOODS:-

- A number of goods including cereals, certain cotton fabrics, crude oil, iron and steel, etc are declared to be of special importance in Inter State trade or commerce by Sec.14 of the Central Sales Tax Act,1956. Collectively these goods are called Declared Goods.
- Section 15 of the CST Act, 1956 imposes certain restrictions on the powers of the states to levy tax on declared goods.



# GOODS OF SPECIAL IMPORTANCE

Article 286(3)(a) of Constitution of India authorizes Parliament to declare some goods as of 'special importance' and to impose restrictions in regard to power of States, in regard to levy rates and other incidence of tax on such goods.

SECTION 14 OF CST ACT, 1956 GIVES LIST OF 'GOODS OF SPECIAL IMPORTANCE' CALLED 'DECLAREED GOODS'.IMPORTANT AMONG THEM ARE AS UNDER:-

- Cereals i.e. paddy, rice, wheat, bajra, jowar, barley etc.
- Coal and coke in all forms excluding charcoal.
- Cotton in un-manufactured form but not cotton waste.
- Cotton fabrics, cotton yarn.
- Crude Oil
- Hides and skins
- Jute

- Iron and steel i.e. pig iron, sponge iron, iron scrap, steel ingots, billets, steel bars, steel structurals, sheets, plates, discs, rings, tool steel, tubes, tin plates, steel wheels, wire rod; defectives of above etc.
- Oil Seeds i.e. groundnut, til, cotton seed, linseed, castor, coconut, sunflower, mahua, kokum, sal, etc.
- Pulses i.e. gram, tur, moong, masur, urad etc.

- Man-made fabrics- fabrics of man-made filament yarn i.e. artificial textile materials, polyester staple fibre, tyre cord fabric, impregnated textile fabrics, etc.
- Sugar and Khandsari sugar.
- Woven fabrics of wool.
- Aviation Turbine Fuel sold to a turbo-prop aircraft.

Un-manufactured tobacco, cigars, cigarettes, biris, chewing tobacco, snuff etc. were 'declared goods' upto 31-03-2007 now they are not 'declared goods'.

# **RESTRICTIONS ON STATE TAXATION ON DECLARED GOODS:-**

## **I) TAX ON DECLARED GOODS NOT TO EXCEED 4%:-**

- As per Section 15(a) of the CST Act, 1956 tax on declared goods within a State cannot exceed 4%.
- As per provision in Section 15(1) upto 11-05-2002, tax on declared goods could be imposed only at one stage. Now, this restriction has been removed w.e.f 11-05-2002, because such restrictions was against principles of VAT.

## II) REIMBURSEMENT OF LOCAL TAX IF DECLARED GOODS SOLD INTER-STATE:-

- As per Section 15(b) if any declared goods, on which Intra-Sales tax (i.e. State Sales tax) is paid; is sold in Inter-State sale; then the tax levied on sale within the State should be reimbursed to the person making such Inter-State sale. However:-
  - (a) The Inter-State sale of goods must be in same form.
  - (b) If Inter-State sale of the goods are exempt from tax, refund of tax paid on Intra-State sales is not available.
  - (c) The word used is 'reimbursement'. Thus, the tax on local sale must have been paid.



### III) GOODS MUST BE SOLD IN SAME FORM TO OBTAIN REIMBURSEMENT:-

- Declared goods purchased must be sold in same form. Identity of goods must not be lost.  
eg. 1. Mung, chana and urad converted into dal is same commodity.  
2. Ice is different commodity than water.  
3. Oil seeds and oil extracted from these seeds are different commodities.

Thus, if goods sold after processing are different commodity, reimbursement of local sales tax is not available.

# SPECIAL PROVISIONS ABOUT PADDY AND PULSES:-

## I) SET OFF OF TAX ON PADDY:-

- As per Section 15(c) of the CST Act, 1956 if paddy is taxed within State and rice (which is produced from paddy) is also taxed, tax paid on paddy should be given set off while levying tax on rice.

Eg:- If tax of Rs.2500 is paid on paddy and tax payable on rice is 4000, then tax of only Rs.1500 will be paid on rice.

## II) NO TAX ON CONVERSION OF PULSES:-

- As per Section 15(d) of the CST Act, 1956 each of the pulses whether whole or separated and whether with or without husk, shall be treated as a single commodity for purpose of levy of tax under State tax law.

Summarizing, if tax is paid on raw pulses, no further tax is payable after it is processed.

### III) PURCHASE OF PADDY AND EXPORT OF RICE:-

- As per Section 15(ca) of the CST Act, 1956 if paddy is purchased on payment of sales tax and rice procured out of such paddy is exported, the paddy and rice will be treated as 'same goods' for purpose of section 5(3) of CST Act.

Thus, paddy can be purchased without payment of sales tax, if rice made from such paddy is exported.

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## CASE REFERENCES:-

### 1. VEERUMAL MONGA V. STATE OF HARYANA (2001) 123 STC 158 (P&H HC DB):--

In the said case Rice Miller purchased paddy and sold rice to the exporter. It was held that in such case, only sale of rice to exporter is penultimate sale and is exempt. However, purchase of paddy by millers will not be exempt.

2. *MONGA RICE MILL V. STATE OF HARYANA 2002(125) STC 304 (P&H HC DB):--*

With reference to the given case, to get benefit of this provision, the exporter should himself procure paddy and then get job work done to convert into rice. He should not purchase rice directly from miller.

## SALES TAX RATES APPLICABLE FOR SALE OF DECLARED GOODS:-

- State Governments cannot charge sales tax for sale within the State at the rate which is more than 4%.
- As per Section 8(2) of the CST Act, 1956, if declared goods are sold to unregistered dealer, the sales tax rate is equal to Vat rate as applicable within the State.

# DECLARED GOODS AS SPECIFIED UNDER SECTION 14 OF CST ACT, 1956

<b>Rate of Tax under DVAT</b>	<b>With “C” Form</b>	<b>Without “C” Form</b>
0%	0%	0%
1%	1%	1%
4%	2%	4%




## CERTAIN CASE REFERENCES:-

- I) Pyare Lal Malhotra v. State of Tamil Nadu  
(1976) 3SCR 168(SC)=(1976) 37 STC 319  
(SC)=1976 UPTC 282=AIR 1976 SC 800-  
reproduced in 1983 (13) ELT 1582(SC),  
Supreme Court held that when separate commercial commodity comes into existence, they become separately taxable goods. Centrl Govt. has clarified through its letter that 'Cast Iron' includes 'Cast Iron Castings' and hence Cast Iron Castings are 'DECLARED GOODS'.

II) Gujarat Steel Tubes Ltd. v. State of Kerala  
(1989) 2 CLA 100(SC)= 1989 74 STC 176  
(SC)=(1989) 2 JT 474 (SC), in the said  
case it was held that GI Pipes are declared  
goods.

Steel tubes are galvanised to make the pipe corrosion resistant. Since galvanising does not change the structure and function, making GI Pipe from steel tubes does not bring a new commodity into existence and hence GI Pipes are declared goods.



III) State of Gujarat v. Shah Veljibhai Motichand (1969) 23 STC 288 (Guj HC)- It was held in the said case that corrugated iron sheets even after corrugation are still 'iron and steel'. Therefore, corrugated iron sheets are declared goods.

IV) In Jindal (India) Ltd. v. Dy CCT  
(2000) 117 STC 426 (WBTT), it was  
held that both HR (Hot rolled) Steel  
strips and CR ( Cold rolled) steel  
strips are one for purposes of  
'declared goods' under CST  
Act, 1956.

V) State of Tamilnadu v. R.V. Krishniah-(1994) 92 STC 262 (Mad HC DB), it was held that 'sewing thread' and 'cotton yarn' are same commodities and hence is liable only to single point tax. Therefore, Sewing thread is declared goods.

**CERTAIN CASE LAWS INDICATING  
WHETHER OR NOT THE FINAL PRODUCT  
IS DIFFERENT FROM THE RAW  
MATERIAL:-**

- I) Devgun Iron and Steel Rolling Mills vs. State of Punjab (1961) 12STC 590(Pun), it was held in the mentioned case that when the scrap iron ingots undergo a vital change in the process of manufacture and are converted into a different commodity, viz, rolled steel sections, the scrap loses its identity and becomes a new marketable commodity.

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II) Baby Ram Jagdish Kumar vs. State of Punjab (1979) 44STC 159(SC).

In this case, it was decided that rice is a different commodity than the paddy.

III) Rajasthan Roller Flour Mills vs. State of Rajasthan (1993) 91STC 408(SC), it was held that flour, maida and suji are different forms of wheat.

IV) Ballabdas Paddar vs. CST (1988) 68STC 331(MP). In the mentioned case the assessee purchased the old railway coaches after payment of tax. It dismantled the coaches and sold the iron scrap. It was held that it is not a different commodity, as the assessee purchased the coaches as scrap.i.e. Intention of the buyer while purchasing the goods is also important.





V) Devi Dass Gopal Krishnan vs. State of Punjab (1967) 20STC 430(SC)

In the said case, it was held that when oil produced out of oil-seeds, the process certainly transforms raw material into different article for use, and therefore, oil-seeds can be said to be used in the manufacture of goods.



● **THANK YOU**

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