

**KARNATAKA ACT NO. 3 OF 2003**  
**THE KARNATAKA TAX ON ENTRY OF**  
**GOODS(AMENDMENT) ACT, 2000**

**Arrangement of Sections**

**Sections:**

1. Short title and commencement
2. Substitution of section 4B
3. Amendment of section 4C
4. Validation of assessments, etc

**STATEMENT OF OBJECTS AND REASONS**

Section 4B of the Karnataka Tax on Entry of Goods Act, 1979 provides for levy of tax on causing entry by an importer, of any motor vehicle in to a local area for use or sale therein from outside the State. Constitutional validity of this section was questioned in the Karnataka High Court in writ petition No. 25590/97-98 and other connected matters on the ground that the section is violative of Article 301 and 304(a) of the Constitution.

The High Court in its judgement dated 26th July 1999 has held that while a person who causes entry of motor vehicle into a local area from any place outside the State for use or sale therein is liable to tax under section 4B, a motor vehicle manufactured within the State and moved from one local area to another within the State is not liable to entry tax and as such it is hit by Articles 301 and 304(a) of the Constitution. The State Government preferred a writ appeal against the aforesaid judgement and the writ appeal has been dismissed by the High Court on 24th November, 1999. A special leave petition is filed before the Supreme Court and it is pending.

The High Court in its judgement dated 26th July 1999 has observed that there could be a provision by which no

discrimination between imported goods and locally manufactured goods is made and the amount of entry tax is given adjustment in the total liability of sale tax or the amount of the sale tax could be given adjustment under the provision of Entry Tax Act. In the meantime the provision prevailing in the Maharashtra Tax on Entry of Motor Vehicles in the local areas Act, 1987 have been examined. The relevant provisions of the said Act, have been upheld by the Supreme Court and it is considered appropriate to modify the relevant provisions of the Karnataka Tax on Entry of Goods Act, 1979 on the lines of the provisions of the Maharashtra Act.

On account of the judgement of the High Court, the State Government is unable to levy tax on entry of motor vehicles into the state from outside the State. It is not certain whether Government will be able to obtain an early decision in the Apex Court. Therefore, it is considered necessary to amend the Karnataka Tax on Entry of Goods Act, 1979 to cure the anomalies pointed out by the High Court.

Hence the Bill.

(LA Bill No. 21 of 2000)

[Entry 52 of List-II of the Seventh Schedule to the Constitution of India]

**KARNATAKA ACT NO. 3 OF 2003**

*(First published in the Karnataka Gazette Extra-ordinary on the  
Seventeenth day of March, 2003)*

**THE KARNATAKA TAX ON ENTRY OF GOODS  
(AMENDMENT) ACT, 2000**

*(Received the assent of the President on the Seventh day of  
March, 2003)*

An Act further to amend the Karnataka Tax on Entry of Goods Act, 1979.

Whereas it is expedient further to amend the Karnataka Tax on Entry of Goods Act, 1979 (Karnataka Act 27 of 1979) for the purposes hereinafter appearing:

Be it enacted by the Karnataka State Legislature in the fifty first year of the Republic of India as follows:

**1. Short title and commencement.-** (1) This Act may be called the Karnataka Tax on Entry of Goods (Amendment) Act, 2000

(2) Clauses 2 and 3 shall be deemed to have come into force with effect from the first day of April, 1995 and clause 4 shall come into force at once.

**2. Substitution of section 4B.-** For section 4B of the Karnataka Tax on Entry of Goods Act, 1979 (Karnataka Act 27 of 1979) (hereinafter referred to as the principal Act), the following shall be substituted, namely:-

**"4B. Levy of tax.-** (1) Notwithstanding anything contained in section 3, there shall be levied and collected a tax on the purchase value of a motor vehicle an entry of which is effected into a local area for use or sale therein and which is liable for registration or assignment of a new registration mark in the State under the Motor Vehicles Act, 1988, at such rate as may

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(Published in the Karnataka Gazette Part IV-A Extra Ordinary No. 275 dated 17-3-2003 in Notification No. ÉâªÀâXµÖÉ 26 µÖÉâ}â 2000)

be fixed by the State Government by notification but not exceeding the rates specified in respect of motor vehicles under the Karnataka Sales Tax Act, 1957:

Provided that, no tax shall be levied and collected in respect of a motor vehicle which is registered in any Union Territory or any other state under the Motor Vehicles Act, 1988 fifteen months prior to the date on which a new registration mark is assigned in the State under the said Act.

(2) The tax levied under this section shall be paid by the importer in such manner and within such time as may be prescribed.

**4BB. Reduction of tax liability.-** (1) Where a person liable to pay tax under this Act becomes liable to pay tax under the Karnataka Sales Tax Act, 1957 on the sale or purchase of such motor vehicles, then his liability under the Karnataka Sales Tax Act, 1957 shall be reduced to the extent of tax paid under this Act on such motor vehicle.

(2) Where the liability to pay tax under this Act is in respect of motor vehicle subjected to tax under the Karnataka Sales Tax Act, 1957, then, the tax payable under this Act shall be reduced by an amount of tax already paid under the Karnataka Sales Tax Act, 1957 on such motor vehicle subject to production of proof.

(3) The amount of tax leviable under this Act shall, subject to such conditions as may be prescribed, be reduced to the extent of the amount of tax paid if any, under the law relating to General Sales Tax as may be in force in any other State or Union Territory by an importer who, not being a dealer in motor vehicles had purchased the motor vehicle for his own use in that State."

**3. Amendment of section 4C.-** In section 4C of the principal Act, after the proviso, the following proviso shall be inserted, namely:-

"Provided further that in the case of a dealer in motor vehicles, he shall pay tax under this Act at the time when the tax under the Karnataka Sales Tax Act, 1957 is payable on the sale of such motor vehicle."

**4. Validation of assessments, etc.-** (1) Notwithstanding anything contained in any judgement, decree or order of any Court, tribunal or other authority to the contrary, anything done or any action taken or purporting to have been done or taken (including any notices or orders issued and all proceedings held for the levy assessment, re-assessment, revision of assessments and collection of tax, penalty or amount purported to have been collected by way of tax) in relation to such levy assessment, re-assessment or collection under the provisions of the principal Act before the publication of the Karnataka Tax on Entry of Goods (Amendment) Act, 2000 (hereinafter referred to as the said Act) shall be and shall deemed to be valid and effective as if such levy assessment, re-assessment, collection or action or thing had been made, taken or done under the principal Act as amended by the said Act and accordingly:-

(a) all acts proceedings or things done by the Government or any authority in connection with the levy, assessment, re-assessment, or collection of such tax or penalty or other amount for all purposes, be deemed to be, and to have always been made, done or taken in accordance with law;

(b) no suit or other proceeding shall be maintained or continued in any court or tribunal or before any authority for the refund of any such tax, penalty or other amount, and;

(c) no court shall enforce any decree or order directing the refund of any such tax penalty or other amount.

(2) For the removal of doubts, it is hereby declared that nothing in sub-section (1) shall be construed as preventing any person,-

(a) from questioning in accordance with the provisions of the principal Act, as amended by the said Act, any levy assessment, re-assessment or collection of tax, penalty or other amount referred to in sub-section (1); or

(b) from claiming refund of any tax, penalty or other amount paid by him in excess of amount due from him by way of tax penalty or other amount under the principal Act as amended by the said Act.

By Order and in the name of the  
Governor of Karnataka,

**M.R.HEGDE**  
Secretary to Government,  
Department of Parliamentary Affairs  
and Legislation.