

**KARNATAKA ACT NO 27 OF 2005**

**THE KARNATAKA VALUE ADDED TAX (SECOND AMENDMENT) ACT, 2005**

**Arrangement of Sections**

**Sections:**

1. Short title and commencement
2. Amendment of section 4
3. Amendment of section 11
4. Amendment of section 15
5. Amendment of section 16
6. Amendment of first Schedule
7. Amendment of second Schedule
8. Amendment of third Schedule
9. Repeal and Savings

**STATEMENT OF OBJECTS AND REASONS**

To give effect to the decisions of the Empowered Committee of State Finance Ministers making modifications in the lists of commodities exempt from tax and commodities taxable at four percent and also to provide for optional payment of tax on medicines on maximum retail price basis, the Karnataka Value Added Tax Act, 2003, had to be amended for their implementation. As the Empowered Committee had also resolved that the changes in the tax rates must be given effect to from the first day of May, 2005 and as the Government of India has agreed to compensate any loss of revenue incurred by the States on introduction of VAT, only if the States implement VAT as per the design decided by the Empowered Committee, considering that the State Legislative Council was not in session, the Karnataka Value Added Tax (Amendment) Ordinance, 2005 was promulgated on seventh day of June, 2005 to bring in the above changes in the Karnataka Value Added Tax Act, 2003. Opportunity was also taken to bring in certain clarificatory amendments, to extend composition facility to sweet meat stalls and ice cream parlours on par with hoteliers and to extend input tax rebate to all goods dispatched outside the State on stock transfer.

This Bill seeks to replace the said Ordinance.

Hence the Bill.

[L.A. Bill No. 24 of 2005]

## KARNATAKA ACT NO 27 OF 2005

(First published in the Karnataka Gazette Extra-ordinary on the Twenty Sixth day of August, 2005)

### THE KARNATAKA VALUE ADDED TAX (SECOND AMENDMENT) ACT, 2005

(Received the assent of the Governor on the Twenty Third day of August, 2005)

An Act further to amend the Karnataka Value Added Tax Act, 2003.

Whereas it is expedient to amend the Karnataka Value Added Tax Act, 2003 (Karnataka Act 32 of 2004), for the purposes hereinafter appearing;

Be it enacted by the Karnataka State Legislature in the fifty-sixth year of the Republic of India, as follows.-

**1. Short title and commencement.-** (1) This Act may be called the Karnataka Value Added Tax (Second Amendment) Act, 2005.

(2) It shall be deemed to have come into force on the seventh day of June 2005.

**2. Amendment of section 4.-** In section 4 of the Karnataka Value Added Tax Act, 2003 (Karnataka Act 32 of 2004), (hereinafter referred to as the principal Act), after sub-section (3), the following shall be and shall be deemed to have been inserted with effect from the first day of April, 2005, namely:-

“(4) Notwithstanding anything contained in sub-section (1), subject to such conditions as may be prescribed, a registered dealer, if he so elects, may pay tax on the sale of goods specified in serial number 60 of the Third Schedule, on the maximum retail price indicated on the label of the container or pack thereof.”

**3. Amendment of section 11.-** In section 11 of the principal Act, in sub-section (a), in clause (2), after the words "or commerce", the words "except as provided in section 14" shall be inserted.

**4. Amendment of section 15.-** In section 15 of the principal Act, in sub-section (1), in clause (c), after the word "caterer", the words "or dealer running a sweetmeat stall or an ice cream parlour" shall be inserted.

**5. Amendment of section 16.-** In section 16 of the principal Act, after the words "rate of tax", the words "or is unable to issue a tax invoice as specified in section 29 for each individual sale" shall be inserted.

**6. Amendment of first Schedule.-** (1) In the first Schedule to the principal Act, in the entries relating to serial number 46, in column (2), the words "namely, cotton, woollen or artificial silk including rayon or nylon whether manufactured in mills, power looms or in handlooms and hosiery cloth in lengths" shall be and shall be deemed to have been omitted with effect from the first day of April, 2005.

(2) For the first Schedule of the principal Act so as amended, the following shall be substituted, namely.-

**“FIRST SCHEDULE**  
**(Goods exempted from tax under sub-section (1) of section 5)**

Serial Number	Description of Goods
(1)	(2)
	<ol style="list-style-type: none"><li>1. Agricultural implements manually operated or animal driven.</li><li>2. Aids and implements used by handicapped persons.</li><li>3. All seeds for sowing other than oil seeds.</li><li>4. All varieties of textiles and fabrics (produced or manufactured in India) including declared goods but other than those specified elsewhere in Third Schedule.</li><li>5. Animal feed and feed supplements, namely, processed commodity sold as poultry feed, cattle feed, pig feed, fish feed, fish meal, prawn feed, shrimp feed and feed supplements and mineral mixture concentrates, intended for use as feed supplements including de-oiled cake and wheat bran.</li><li>6. Animal shoe nails.</li><li>7. Aviation turbine fuel.</li><li>8. Awalakki (Beaten rice) and Mandakki (Parched rice or puffed rice).</li><li>9. Bangles of all materials excluding precious metals.</li><li>10. Betel leaves.</li><li>11. Books, Periodicals and journals including maps, charts and globe.</li><li>12. Bread and bun.</li><li>13. Cart driven by animals.</li><li>14. Charakha, Ambar Charaka, handloom fabrics and Gandhi Topi.</li><li>15. Charcoal and firewood except Casurina and Eucalyptus timber.</li><li>16. Coarse grains and their flour excluding paddy, rice and wheat and their flour.</li><li>17. Condoms and contraceptives.</li><li>18. Cotton and silk yarn in hank.</li><li>19. Curd and butter milk.</li><li>20. Diesel.</li><li>21. Earthen Pots.</li><li>22. Electrical energy.</li><li>23. Fish seeds, Prawn seeds, Shrimp seeds, fishing nets and twine and fishing requisites including purse-seiners and gill netters, but excluding boats, trawlers and other mechanized boats.</li><li>24. Fresh milk and pasteurised milk.</li><li>25. Fresh plants, saplings, fresh flowers, plantain leaves, patravali (dinner leaves) and their products.</li><li>26. Fresh Vegetables &amp; fresh fruits.</li><li>27. Garlic, ginger, green chillies, onions, potatoes, sweet potatoes, tapioca and their seeds.</li><li>28. Hay (green or dry).</li><li>29. Human blood and blood plasma.</li><li>30. Jaggery.</li></ol>

Serial Number	Description of Goods
(1)	(2)
31.	Khadi garments including made-up articles; other goods sold by Khadi and Village Industries as may be notified.
32.	Kumkum, bindi and sindhur.
33.	Leaf plates and cups whether pressed or stiched.
34.	Liquor including Beer, Fenny, Liqueur and Wine.
35.	Lottery tickets.
36.	Meat including flesh of poultry, fish, prawns, shrimps and lobsters, except when sold in sealed containers; eggs, livestock including poultry, but excluding horses; raw wool.
37.	National flag.
38.	Non-judicial stamp paper sold by the Government Treasuries and authorized vendors; postal items like envelopes, post card including greeting cards and stamps sold by the Government; rupee note when sold to the Reserve Bank of India; cheques, loose or in book form.
39.	Organic manure, Compost manure, fish manure and poultry manure.
40.	Pappad.
41.	Petrol including special boiling spirit.
42.	Rectified spirit.
43.	Salt.
44.	Semen including frozen semen.
45.	Silkworm eggs, silkworm pupae, silkworm cocoons and raw silk including raw silk yarn, but excluding raw silk imported from outside the country.
46.	Slates, slate pencils and chalk crayons.
47.	Sugar (produced or manufactured in India) as described from time to time in Column 2 of the First Schedule to the Additional Duties of Excise (Goods of Special Importance) Act 1957 (Central Act 58 of 1957).
48.	Sugar cane.
49.	Tender coconuts.
50.	Tobacco and all its products (produced or manufactured in India) as described from time to time in Column 2 of the First Schedule to the Additional Duties of Excise (Goods of Special Importance) Act 1957 (Central Act 58 of 1957)
51.	Toddy, Neera and Arrack.
52.	Unbranded broom sticks.
53.	Vibhuthi.
54.	Water other than.- <ul style="list-style-type: none"> <li>(i) aerated, mineral, distilled , medicinal , ionic , battery and de-mineralised water; and</li> <li>(ii) water sold in sealed container. ”</li> </ul>

**7. Amendment of second Schedule.-** In the second Schedule to the principal Act, after the entries relating to serial number 2, the following shall be inserted, namely.-

“ 3. Precious and semi-precious stones.”

**8. Amendment of third Schedule.-** (1) In the third Schedule to the principal Act, for the entries relating to serial number 25, the following shall be deemed to have been substituted with effect from the first day of April, 2005, namely,-

“25. Flour (atta), maida and soji of wheat; flour and soji of rice; soji of maize; flour of pulses.”

(2) For the third Schedule to the principal Act so as amended, the following shall be substituted, namely.-

**“THIRD SCHEDULE  
GOODS TAXABLE AT FOUR PER CENT**

[section 4(1)(a)(ii)]

Serial Number	Description of goods
(1)	(2)
1.	Agricultural implements not operated manually or not driven by animal
2.	All kinds of bricks including fly ash bricks; refractory bricks and the like; asphaltic roofing sheets; earthen tiles.
3.	All processed fruit and vegetables including fruit jams, jelly, pickle, fruit squash, paste, fruit drink and fruit juice (whether in sealed container or otherwise)
4.	All types of yarn other than cotton and silk yarn in hank; sewing thread
5.	All utensils including pressure cookers and pans other than utensils made up of precious metals
6.	Animal hair
7.	Areca nut and powder
8.	Bamboo and cane including bamboo splints and sticks
9.	Bearings, namely.-
	(1) Ball bearings
	(2) Tapered roller bearings including cone and tapered roller assemblies
	(3) Spherical roller bearings
	(4) Needle roller bearings
	(5) Other cylindrical roller bearings
	(6) Other, including combined ball or roller bearings
	(7) Plummer blocks, bearing housing, locate rings and covers, adapter withdrawal sleeves, locknut, lock-washer clamps and rolling elements
10.	Beedi leaves
11.	Beehive
12.	Beltings, namely, Transmission, conveyor or elevator belts or belting of vulcanized rubber whether combined with any textile material or otherwise.
13.	Bicycles, tandem cycles, cycle combinations, cycle-rickshaws, children's tricycles and similar articles and parts and accessories thereof including their tyres, tubes and flaps.
14.	Biomass briquettes
15.	Bitumen
16.	Bone meal
17.	Buckets made of iron and steel, aluminium, plastic or other materials except precious metals
18.	Bulk Drugs
19.	Candles
20.	Capital goods as may be notified
21.	Centrifugal and monoblock and submersible pumpsets and parts
22.	Chalk stick

Serial Number (1)	Description of Goods (2)
23.	Chemical fertilizers, chemical fertilizer mixtures, bio fertilizers, micro nutrients, gypsum, plant growth promoters and regulators; Insecticides, pesticides, rodenticides, fungicides, weedicides, herbicides.
24.	Coffee beans and seeds (whether raw or roasted); cocoa pods and beans; green tea leaf and chicory.
25.	Coir and coir products excluding rubberised coir products
26.	Combs
27.	Cotton waste and cotton yarn waste.
28.	Crucibles
29.	Cups and plates of paper and plastics
30.	Declared goods as specified in Section 14 of the Central Sales Tax Act, 1956 (Central Act 74 of 1956).
31.	Edible oils (Non-refined and refined), but excluding coconut oil sold in sachets, bottles or tins of 200 grams or 200 millilitre each or less, including when such consumer containers are sold in bulk in a common container; oil cake.
32.	Embroidery or zari articles, that is to say,-imi,zari,kasab,saima dabka,chumki,gota sitara, naqsi,kora,glass bead,badia, gizal
33.	Exercise books, student note books, graph books and laboratory note books.
34.	Exim scrips, REP licenses, special import licenses (SIL), value based advance licenses (VABAL), Export quotas, DEPB licenses, copyrights, patents and the like.
35.	Feeding bottle and nipple
36.	Fibres of all kinds and Fibre Waste
37.	Fireclay, clay, coal ash, coal boiler ash, fly ash, coal cinder ash, coal powder and clinker.
38.	Flour (Atta), Maida and Soji of wheat; flour and soji of rice; soji of maize; flour of pulses
39.	Fried gram
40.	Hand pumps , parts and fittings
41.	Handicrafts excluding furniture
42.	Honey
43.	Hose pipes and fittings thereof
44.	Hosiery goods
45.	Husk and bran of cereals and pulses.
46.	Ice
47.	Idol made of clay and clay lamps
48.	Imitation Jewellery, Synthetic gems and hairpins
49.	Incence sticks commonly known as agarbathi, dhupkathi or dhupbathi including sambrani and lobana
50.	Indian musical instruments namely, Veena, violin, tambura, mridanga, ghatam, khanjira, harmonium, flute, star, sarod, santoor, dilruba, nadaswara, dolu, tabla, shehnai, pakwaz, vichitra veena, gotu vadyam, morsing, chande, triangle, rudraveena and sarangi and parts and accessories thereof.
51.	Industrial inputs and packing materials as may be notified
52.	Industrial cables namely high voltage cables, XLPE Cables, jelly filled cables.
53.	IT Products including telecommunication equipments as may be notified.
54.	Kerosene lamps and lanterns, petromax, glass chimney
55.	Kerosene oil sold through Public Distribution System ( PDS)
56.	Khova

Serial Number	Description of Goods
(1)	(2)
57. Kites	
58. Lignite	
59. Lime, limestone, products of lime, dolomite and other white washing materials.	
60. Medical and pharmaceutical preparations; Medicated ointments manufactured or imported under license granted under the Drugs and Cosmetics Act 1940; Light liquid paraffin of IP grade; Wadding gauze, bandages and similar articles for medical, surgical, dental or veterinary purposes; Syringes; Diagnostic or laboratory reagents including prepared diagnostic or laboratory reagents	
61. Medical equipments, devices and implants	
62. Medicinal plants, roots, herbs and barks used in the preparation of Ayurvedic medicines.	
63. Mixed PVC stabilizer	
64. Moulded Plastic footwear ,Hawai chappals and their straps	
65. Napa Slabs (Rough flooring stones) and Shahabad stones	
66. Non-ferrous castings	
67. Non-ferrous metals and alloys; Ingots, slabs, blocks, billets, sheets, circles, hoops, strips, bars, rods, rounds, squares, flats and other extrusions of Aluminium, brass, bronze, copper, cadmium, lead and zinc, metal powders, metal pastes of all types and grades, metal scraps and waste.	
68. Oil Seeds other than those specified in serial number 30	
69. Paper of all kinds including ammonia paper, blotting paper, carbon paper, cellophane, PVC coated paper, stencil paper, tissue paper, water proof paper, art boards, card boards, corrugated boards, duplex boards, pulp boards, straw boards, triplex boards and the like, but excluding photographic paper; waste paper, paper waste and newsprint.	
70. Pipes, tubes and fittings of all kinds excluding electrical conduit pipes and its fittings.	
71. Printed materials other than books meant for reading; stationary articles namely, Account books, paper envelopes, diaries, calendars, race cards, catalogues, greeting cards, invitation cards, humour post cards, picture post cards, cards for special occasions, photo and stamp albums, computer stationery.	
72. Printing ink excluding toner and cartridges.	
73. Processed meat, poultry and fish.	
74. Pulp of bamboo, wood and paper.	
75. Pulses other than those specified in serial number 30.	
76. Rail coaches, engines, wagons and parts thereof.	
77. Rakhi	
78. Readymade garments, clothing accessories and other made up textile articles:-	
(1) Clothing accessories including socks, stockings, gloves, shawls, scarves, mufflers, mantillas, veils, ties, bow-ties, knitted or crocheted	
(2) Clothing accessories, not knitted or crocheted, including handkerchiefs, shawls, scarves, mufflers, mantillas, veils, ties, bow-ties, cravats, gloves – headbands	
(3) Blankets and travelling rugs	
(4) Bed linen, table linen, toilet linen and kitchen linen and other made ups	
(5) Curtains (including drapes) and interior blinds; curtain and bed valances	
(6) Other furnishing articles	
79. Religious pictures not for use as calendar	
80. Renewable energy devices and parts thereof	
81. Sacred thread (janivara)	
82. Safety matches	
83. Sand and grits	

Serial Number	Description of Goods
(1)	(2)
84.	Sewing machines and parts and accessories thereof
85.	Ship and other water vessels including non-mechanised country boats
86.	Skimmed milk powder ,UHT milk and cottage cheese
87.	Solvent oil other than organic solvent oil
88.	Spectacles, lenses and frames including attachments, parts and accessories thereof ; contact lens and lens cleaner
89.	Spices in all forms including jeera (cumin seeds), methi, poppy seeds (kaskas), Corriander (dhaniya), shajeera, somph, katha, azwan, kabab chini, bhojur phool, tejpatha, japatri, nutmeg (marathamoggu), kalhoovu, aniseed, turmeric, cardamom, pepper, cinnamon, dal chinny,cloves, tamarind and dry chillies; wet dates; Hing (Asafoetida)
90.	Sports goods (indoor and out door) including body building equipments, but excluding wearing apparels and footwear.
91.	Starch including sago; tamarind seed and tamarind powder
92.	Tea
93.	Tools, namely.-
	(1) Hand saws; blades for saw of all kinds
	(2) Pliers including cutting pliers
	(3) Hand operated spanners and wrenches (including torque meter wrenches but not including tap wrenches); interchangeable spanner sockets, with or without handle
	(4) Drilling, threading or tapping tools
	(5) Planes, chisels, gouges and similar cutting tools for working wood
	(6) Screwdrivers
	(7) Interchangeable tools for hand tools, whether or not power-operated, or for machine-tools including dies for drawing or extruding metal, and rock drilling or earth boring tools.
	(8) Tools for working in the hand, pneumatic, hydraulic or with self-contained electric or non-electric motor.
94.	Toys excluding electronic toys
95.	Tractors and Power tillers, their parts and accessories including trailers, but excluding batteries, tyres, tubes and flaps.
96.	Transmission towers (electrical) and wires, and conductors such as Aluminium conductor steel reinforced.
97.	Umbrella except garden umbrella
98.	Vegetable oil including gingili oil, bran oil and castor oil excluding vegetable oil use as toilet article and edible oil.
99.	Welding Electrodes of all kinds, graphite electrodes including anodes, welding rods, soldering rods and soldering wires
100.	Writing instruments and writing ink, namely.-
	(1) Ball point pens
	(2) Felt tipped and other porous-tipped pens and markers
	(3) Indian ink drawing pens
	(4) Fountain pens
	(5) Propelling or sliding pencils
	(6) Refills for ball point pens, comprising the ball point and the ink reservoir
	(7) Pen nibs and nib points
	(8) Pencils and crayons with leads encased in a rigid sheath

Serial Number	Description of Goods
(1)	(2)
(9)	Pencil leads, black or coloured
(10)	Pastels and drawing charcoals other than chalks
(11)	Geometry boxes, colour boxes, pencil sharpeners
(12)	Writing ink

**9. Repeal and Savings.-** (1) The Karnataka Value Added Tax (Amendment) Ordinance, 2005 (Karnataka Ordinance 1 of 2005) is hereby repealed.

(2) Notwithstanding such repeal anything done or any action taken under the Principal Act as amended by the said Ordinance shall be deemed to have been done or taken under Principal Act as amended by this Act.

The above translation of ಕರ್ನಾಟಕ ಮೌಲ್ಯವರ್ಧಿತ (ಎರಡನೇ ತಿದ್ದುಪಡಿ) ಅಧಿನಿಯಮ, 2005 (2005 ರ ಕರ್ನಾಟಕ ಅಧಿನಿಯಮ ಸಂಖ್ಯೆ 27) be published in the Official Gazette under clause (3) of Article 348 of the Constitution of India.

**T.N. Chaturvedi**  
Governor of Karnataka

By Order and in the name of the Governor of Karnataka

**G.K. BOREGOWDA**  
Secretary to Government  
Department of Parliamentary Affairs and Legislation