

**KARNATAKA ACT NO 6 OF 2007**

**(First Published in the Karnataka Gazette Extra-ordinary on the thirtieth day of  
March, 2007)**

**THE KARNATAKA VALUE ADDED TAX (AMENDMENT) ACT, 2007**

**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 17
6. Insertion of new section 18-A
7. Amendment of section 19
8. Amendment of section 20
9. Amendment of section 21
10. Amendment of section 25
11. Amendment of section 27
12. Amendment of section 29
13. Amendment of section 31
14. Amendment of section 38
15. Amendment of section 39
16. Amendment of section 40
17. Amendment of section 45
18. Amendment of section 52
19. Amendment of section 53
20. Amendment of section 58
21. Omission of section 60
22. Amendment of section 62
23. Amendment of section 63
24. Amendment of section 72
25. Amendment of section 73
26. Amendment of section 74
27. Amendment of First Schedule
28. Amendment of Third Schedule
29. Amendment of Fourth Schedule
30. Power to amend notification

**STATEMENT OF OBJECTS AND REASONS**

**Amending Act 6 of 2007.-** It is considered necessary to amend the Karnataka Value Added Tax Act, 2003 to give effect to the proposals made in the Budget and matters connected therewith.

Certain consequential and incidental amendments are also made.

Hence the Bill.

[ L.A. Bill No. 21 of 2007 ]

(Entry 54 of List II of the Seventh Schedule to the Constitution of India)

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(Received the assent of the Governor on the thirtieth day of March, 2007)

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

Whereas it is expedient further 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-eighth year of the Republic of India, as follows.-

**1. Short title and commencement.-** (1) This Act may be called the Karnataka Value Added Tax ( Amendment) Act, 2007.

(2) It shall come into force from the first day of April, 2007.

**2. Amendment of section 4.-** In the Karnataka Value Added Tax Act, 2003 (Karnataka Act 32 of 2004) (hereinafter referred to as the principal Act), in section 4, in sub-section (4), after the words "pack thereof", the words "or on such maximum retail price reduced by an amount equal to the tax payable" shall be inserted.

**3. Amendment of section 11.-** In section 11 of the principal Act, in sub-section (a), in clause (6), the words and punctuation mark "light diesel oil," shall be and shall always be deemed to have been omitted.

**4. Amendment of section 15.-** In section 15 of the principal Act,-

(1) in sub-section (1), in clause (a), for the words "in a period of four consecutive quarters", the words "in a year" shall be substituted;

(2) for sub-section (2), the following shall be substituted, namely:-

"(2) Notwithstanding anything contained in sub-section (1), a dealer whose nature of business is of a type falling under more than one clause of sub-section (1), shall be eligible to opt for composition under the said sub-section in respect of tax payable on his turnover relating to any or all of such types of business subject to the condition that,

(a) such dealer maintains separate account of each type of his business;

(b) the total turnover in a year in respect of all types of business of such dealer falling under clause (a) of sub-section (1) does not exceed the amount as may be notified under the said clause;

(c) the amount payable by way of composition by such dealer on his total turnover or the total consideration in respect of each type of such business shall be as may be notified for such type under sub-section (1);

(d) the total turnover of such dealer from all his types of business shall be reduced to the extent of the total turnover or total consideration in respect of each such type, for calculating the amount payable by way of composition for such type of business under sub-section (1); and

(e) in respect of such type of business for which, he has not exercised his option or is not eligible, for composition under sub-section (1), then on the taxable turnover as determined from the balance total turnover after reduction as specified in clause (d), he shall be liable to tax as specified under section 4 ."

(3) in sub-section (5),-

(a) in clause (b), for the words "amounts paid", the words "amounts payable or paid" shall be substituted;

(b) in clause (c), before the words "effects sale", the word "who" shall be and shall always be deemed to have been inserted;

(c) in clause (d), for the words and punctuation mark “the Act.”, the words and punctuation mark “the Act;” shall be and shall always be deemed to have been substituted;

(d) after clause (d) so amended, the following clause shall be deemed to have been inserted from the first day of April, 2006, namely:-

“(e) a dealer executing works contracts and opting for composition of tax under sub-section (1), shall be liable to pay tax, if any, under sub-section (2) of section 3, in addition to tax by way of composition on the total consideration for the works contracts executed;”

**5. Amendment of section 17.-** In section 17 of the principal Act,-

(1) in clause (2), after the words “addition to”, the words “sales of taxable goods or” shall be and shall always be deemed to have been inserted;

(2) in clause (3), after the words and comma “his business”, the word and comma “or,” shall be and shall always be deemed to have been substituted;

(3) after clause (3), the following clause shall be and shall always be deemed to have been inserted, namely:-

“(4) falls under any of the above clauses and also purchases any petroleum product for use as fuel in production of any goods or captive power,”.

**6. Insertion of new section 18-A.-** After section 18 of the principal Act, the following shall be inserted, namely:-

**“18-A. Deduction of tax at source in the case of certain goods.-**

(1) Notwithstanding anything contained in this Act, every registered dealer purchasing oil seeds or non-refined oil or oil cake or scrap of iron and steel or any other goods as may be notified by the Commissioner, for use in manufacture or processing or any other purpose as may be notified by the Commissioner, shall deduct out of the amounts payable by him to the registered dealer selling such goods to him, an amount equivalent to the tax payable on the sale of such goods under section 4.

(2) No such deduction shall be made under sub-section (1), if the amounts payable by them are in respect of sales of any goods, in the course of inter-State trade or commerce or, in the course of export out of the territory of India or, import into the territory of India or, outside the State.

(3) The deduction under sub-section (1) shall be made by the dealer on the basis of tax invoice issued by the selling dealer.

(4) The dealer making deduction under sub-section (1), shall send every month to the prescribed authority a statement in the prescribed form containing particulars of tax deducted during the preceding month and pay the amount of tax so deducted by him, within twenty days after the close of the preceding month in which such deductions were made and the amount so payable shall for the purposes of Section 42 be deemed to be an amount due under this Act.

(5) Where default is made in complying with the provisions of this sub-section, the prescribed authority may, after such enquiry as it deems fit and after giving opportunity to the concerned dealer of being heard, determine to the best of its judgment, the amount payable under this sub-section by such dealer and the amount so determined shall be deemed to be an amount due under the Act for the purposes of Section 42.

(6) If default is committed in the payment of tax deducted beyond the period specified under sub-section (4), the dealer making deductions under sub-section (1) shall pay, by way of interest, a sum equal to the interest specified under sub-section (1) of Section 37 during the period in which such default is continued.

(7) The dealer making deduction under sub-section (1) shall furnish to the dealer from whom such deduction is made, a certificate obtained from the prescribed authority containing such particulars as may be prescribed.

(8) Payment by way of deduction in accordance with sub-section (4), shall be without prejudice to any other mode of recovery of tax due under this Act from the selling dealer.

(9) Where tax in respect of his sales of goods specified in sub-section (1) is remitted under sub-section (4), the tax payable by such selling dealer for any period, in respect of such sales shall be reduced by the amount of tax already remitted under the said sub-section.

(10) The burden of proving that the tax on such sales has already been remitted and of establishing the exact quantum of tax so remitted shall be on the dealer claiming the reduction.”

**7. Amendment of section 19.-** In section 19 of the principal Act, in sub-section (2), for the words “tax shall be calculated”, the words “input tax repayable shall be calculated” shall be and shall always be deemed to have been substituted.

**8. Amendment of section 20.-** In section 20 of the principal Act,

(1) in the title after the words “inter-State sales”, the words “and to special economic zone units and developers” shall be inserted;

(2) for sub-section (2), the following shall be substituted, namely:-

“(2) Tax paid under this Act on purchase of inputs by a registered dealer who is a developer of any special economic zone or an unit located in any special economic zone established under authorisation by the authorities specified by the Central Government in this behalf, shall be refunded or deducted from the output tax payable by such dealer, subject to such conditions and in the manner as may be prescribed.”

**9. Amendment of section 21.-** In section 21 of the principal Act, after the words “other country”, the words and punctuation mark “but excluding consulates or embassies of such countries as may be notified,” shall be inserted.

**10. Amendment of section 25.-** In section 25 of the principal Act, in sub-section (2), for the words “first day of the month following the month in which such application is made or from such earlier date as may be mutually agreed”, the words “the date of such application or from date of commencement of business by such dealer, whichever is later” shall be substituted.

**11. Amendment of section 27.-** In section 27 of the principal Act, in sub-section (3), for the words “pay tax on any taxable goods held by him at”, the words “repay such input tax on any taxable goods held by him calculated on” shall be substituted.

**12. Amendment of section 29.-** In section 29 of the principal Act,-

(1) in sub-section (1), for the words and commas “a taxable sale, or sale of exempt goods along with any taxable goods,”, the words and commas “a sale of taxable goods or exempt goods along with any taxable goods, in excess of the prescribed value,” shall be substituted;

(2) after sub-section (3), the following sub-section shall be inserted , namely:-

“(4) Notwithstanding anything contained in sub-section (1) or (3) or sub-section (1) of section 7, a registered dealer executing civil works contracts shall issue a tax invoice or bill of sale at such time and containing such particulars as may be prescribed.”

**13. Amendment of section 31.-** In section 31 of the principal Act,

(1) in sub-section (4), for the words “twenty five lakh rupees shall have his accounts audited by a Chartered Accountant”, the words “forty lakh rupees shall have his accounts audited by a Chartered Accountant or a Cost Accountant” shall be substituted;

(2) after sub-section (5), the following sub-section shall be inserted, namely:-

“(6) Every registered dealer and every dealer including owner of a land, liable to get registered under this Act, entering into a written agreement during any tax period for executing, partly or wholly, a works contract of construction of a building or other civil work either by himself or through another, shall submit a copy of such agreement within the end of the subsequent tax period to the prescribed authority to whom he is required to submit a return.”

**14. Amendment of section 38.-** In section 38 of the principal Act,-

(1) (a) sub-section (5) shall be renumbered as clause (a) thereof and in clause (a) as so renumbered, for the words “may issue”, the words “may with the previous permission of his Joint Commissioner or Additional Commissioner” shall be substituted;

(b) after clause (a) as so renumbered, the following clause shall be inserted, namely:-

“(b) On any application made within thirty days from the date of receipt of such protective assessment by the dealer or on his own motion within thirty days from the date of issue of such protective assessment, if the Joint Commissioner or Additional Commissioner considers that any protective assessment issued is erroneous, he may after giving the dealer concerned an opportunity of being heard and after making such enquiry as he deems necessary, pass such order thereon as the circumstances of the case may justify.”

(2) after sub-section (6), the following shall be inserted, namely:-

“(7) The authority authorized by the Commissioner in this behalf shall assess, a dealer who fails, within the time specified, to get registered though liable to do so, to the best of its judgement for the tax period or periods that would apply to such dealer if he were to be registered, after giving the dealer an opportunity of showing cause against such assessment in writing and the tax assessed and any interest payable shall be paid within ten days from the date of service of such assessment on the dealer.”

**15. Amendment of section 39.-** In section 39 of the principal Act, in sub-section (1),-

(1) for the words “is incorrect or that”, the word “or” shall be substituted;

(2) in clause (a), after the words, brackets and figure “under sub-section (2)”, the words, brackets and figure “or sub-section (6)” shall be inserted ;

(3) in clause (b), the word “registered” shall be omitted.

**16. Amendment of section 40.-** In section 40 of the principal Act, for sub-section(2) the following shall be substituted, namely:-

“(2) If any tax is, not paid by a dealer who has failed to get registered though liable to do so or fraudulently evaded attracting punishment under-Section 79, an assessment or re-

assessment may be made as if in sub-section (1) reference to five years was a reference to ten years.”

**17. Amendment of section 45.-** In section 45 of the principal Act, in sub-section (6), for the words “an arrear of land revenue”, the words “an arrear of tax payable under this Act” shall be and shall always be deemed to have been substituted.

**18. Amendment of section 52.-** In section 52 of the principal Act, in sub-section (1),

(1) after clause (a), the following clause shall be inserted, namely:-

“(a-1) to cause purchase of any goods by any person authorized by him from the business premises of any dealer, to check issue of tax invoices or bills of sale by such dealer and on return of goods so purchased by such officer, such dealer or any person in charge of the business premises shall refund the amount paid towards the goods after cancelling any tax invoice or bill of sale issued;”

(2) in clause (i), for the words “the Commissioner”, the words “such officer” shall be substituted.

**19. Amendment of section 53.-** In section 53 of the principal Act, in sub-section (2), in clause (b), for the words “documents such as tax invoice, bill of sale or delivery note or such other document as may be prescribed”, the words “such documents as may be prescribed” shall be and shall always be deemed to have been substituted.

**20. Amendment of section 58.-** In section 58 of the principal Act, in sub-section (2), after the words “Chartered Accountant”, the words “or a Cost Accountant” shall be inserted.

**21. Omission of section 60.-** Section 60 of the principal Act shall be omitted.

**22. Amendment of section 62.-** In section 62 of the principal Act,

(1) in sub-section (2), for the words “any other order ”, the words “any other order or proceedings” shall be substituted;

(2) in sub-section (4), in clause (b), after the word “order ”, the words “or proceedings” shall be inserted;

(3) in sub-section (6), in clause (b), after the words “other order”, the words “or proceedings” shall be inserted.

**23. Amendment of section 63.-** In section 63 of the principal Act, in sub-sections (1) and (4), for the words “empowered by the Government”, the words “empowered by the State Government or the Commissioner” shall respectively be substituted with effect from the first day of April, 2006.

**24. Amendment of section 72.-** In section 72 of the principal Act,-

(1) in the heading, after the word “returns ”, the words “and assessment” shall be inserted;

(2) for sub-section (1), the following shall be substituted, namely:-

“(1) A dealer who fails to furnish a return or who fails to pay the tax due on any return furnished as required under the Act shall be liable to pay together with any tax or interest due,

(a) a penalty of fifty rupees for each day of default and where such default is for more than five days, such penalty shall not exceed an amount of two hundred and fifty rupees or equal to the amount of tax due whichever is higher, and

(b) a further penalty equal to ten percent of the amount of tax due.”;

(3) in sub-section (3), after the word “particular”, the words “as informed in a notice issued to him” shall be inserted;

(4) sub-section (5) shall be renumbered as sub-section (6);

(5) before sub-section (6) as so renumbered, the following shall be inserted, namely:-

“(5) A dealer who fails, within the time specified, to get registered though liable to do so, after being given an opportunity of showing cause in writing against the imposition of a penalty, shall be liable to pay penalty of thirty percent of the amount of tax payable by him as assessed under section 38 or re-assessed under section 39.”

**25. Amendment of section 73.-** In section 73 of the principal Act, in sub-section (1), for the words “not exceeding”, the words “equal to” shall be substituted.

**26. Amendment of section 74.-** In section 74 of the principal Act, in sub-section (1),

(1) after the words “proper records”, the words “or submit a copy of the agreement entered into for execution of civil works contract” shall be inserted;

(2) for the words “five thousand rupees”, the words “two thousand rupees if such failure is the first during any year or five thousand rupees if such failure is the second or subsequent during that year” shall be substituted.

**27. Amendment of First Schedule.-** In the First Schedule to the principal Act,-

(1) the entries relating to serial number 42 shall be omitted;

(2) the entries relating to serial number 50 shall be omitted.

**28. Amendment of Third Schedule.-** In the Third Schedule to the principal Act,-

(1) in the entries relating to serial number 34, after the words “the like”, the words “including software licences by whatever name called” shall be inserted;

(2) for the entries relating to serial number 52, the following entries shall be substituted, namely:-

“52. Industrial cables other than copper and aluminium single core PVC cable upto six square milimetre for use upto 1100 Volts.”

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

“3. Denatured anhydrous alcohol.

4. Denatured spirit.

5. Ethyl alcohol.

6. Rectified spirit.”

**30. Power to amend notification.-** The Government may, by notification, not later than fifth day of April, 2007, amend or vary retrospectively any notification issued under sub-section (3) of section 4 of the principal Act.

The above translation of ಕರ್ನಾಟಕ ಮೌಲ್ಯವರ್ಧಿತ ತೆರಿಗೆ (ತಿದ್ದುಪಡಿ) ಅಧಿನಿಯಮ, 2007 (2007ರ ಕರ್ನಾಟಕ ಅಧಿನಿಯಮ ಸಂಖ್ಯೆ: 6) 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