



Important Notice

Central Sales Tax (CST) reduced to 2% from 1st June, 2008

On the basis of the discussions between the Empowered Committee (EC) of State Finance Ministers and the Union Finance Minister regarding the compensation package, the Government of India, Ministry of Finance, Department of Revenue has issued a Notification on 30th May, 2008 to bring into effect from 1st June, 2008 the new reduced rate of CST of 2 per cent on inter-State sales of goods. The Notification of new CST rate of 2 per cent in place of earlier 3 per cent is in accordance with the announcement made by the Union Finance Minister in his budget speech in Parliament in February 2008 that the rate of Central Sales Tax would be reduced.

The rate of CST on inter-State sale of goods to registered dealers (against Form-C) shall now be the lower of 2 per cent and the rate of VAT or State Sales Tax applicable. This reduction forms a part of the roadmap for phasing out CST completely by 31st March, 2010 in preparation of introducing Goods & Services Tax (GST), the roadmap for which is being worked out by the EC of State Finance Ministers together with the Union Finance Ministry.

The Central Government and the Empowered Committee of State Finance Ministers have further agreed that the compensation for revenue loss to the States in any year arising from the lowering of CST will be limited to the proportionate loss based on the actual collection of CST in the relevant year.

BSC/vk/134/08

8th floor, Vikrikar Bhavan
Mazgaon, Mumbai-400010

Trade Circular

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Trade Circular No. 20 T of 2008

Sub : Reduction in the Rate of Central Sales Tax Act, 1956 with effect from 1st June, 2008.

Ref. : Finance Department, Government of India Notification No. 1/2008-CST-F.No. 28/11/2007-ST dated May 30, 2008.

Gentlemen/Sir/Madam,

In his Budget Speech on the Budget Estimates for the year 2008-09, the Hon'ble Union Finance Minister had declared that the rate of Central Sales Tax will be reduced to 2%. The Notification in this respect is issued by the Union Government on May 30, 2008 wherein rate of tax as specified in Sub-Section (1) of Section 8 of the Central Sales Tax Act, 1956 has been reduced from three per cent to two per cent, with effect from 1st June, 2008. It is hereby made clear that dealers should collect tax @ 2% on their inter-State sales from 1st June, 2008.

2. This Circular cannot be made use of for legal interpretation of provisions of law as it is clarificatory in nature. If any member of the trade has any doubt, he may refer the matter to this office for further clarification.

3. You are requested to bring the contents of this Circular to the notice of the members of your association.

Yours faithfully,
Sd/-

(SANJAY BHATIA)

Commissioner of Sales Tax
Maharashtra State, Mumbai

No.VAT-1007/1/Adm-3(Adm-6)