

# Central Sales Tax (CST)

## Introduction

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Central Sales Tax is a tax on Sale levied by Central Government under the provisions of Central Sales Tax Act, 1957. As an Indirect Tax, the burden falls on the consumer. It is levied by Central Govt on taxable turnover of Inter-state sale of goods made by a registered dealer in the ordinary course of business.

## Applicability

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As per the provisions of this Act, any movement of goods

- from one State to another on account of sale/purchase or
- transfer of document of Title to goods between two separate parties

is considered as Interstate sale/purchase. All such transactions are liable to CST. Any movement of goods other than as sale, sent outside the state, is exempted from levy of CST.

Thus, CST is applicable only when the following conditions are satisfied:

- There should be a Dealer
- He should be a Registered Dealer under CST
- He must carry on any business
- Sale should take place in the course of inter-state trade or commerce
- Sale must be of goods defined under CST Act

## Registration of a Dealer

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All dealers who effect inter-state sale and want to avail special benefits like charging lower or NIL rate of CST on submission of Statutory Forms, need to register themselves under the provisions of Central Sales Tax. All items of purchase and sale must be included in CST Registration Certificate. Otherwise, these are not eligible for purchase at concessional rate.

In case of unregistered dealers, all the interstate purchases or sales made by them will attract the local sales tax rates of the selling state. No concessions or exemptions can be given for sales in the course of interstate trade made to any category of persons or organizations.

## Exempted Sales

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- Subsequent sale by transfer of document, this can be done only if declaration under form E- I/ E-II is given.
- If local Sale is exempt, then CST is also exempt.
- Exemption by issuing a notification, however the requirements of forms will still continue in such a case.
- Sale in the course of export.
- Sale in the course of imports.

## Forms in CST

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All the Types of Statutory Forms and their usage is explained below:

### Form C:

This is the Basic Form used by the Registered Dealers in the course of Interstate trade or commerce. All registered dealers will issue 'Form C' at the time of purchasing goods or service from another Registered dealer. The issue of 'Form C' by the selling dealer will ensure that the goods being purchased are covered under his registration certificate and the CST can be charged at lower rates. The selling dealer, on the basis of this 'Form C', charges CST @ 2% or lower rate as applicable and submits the same to his assessing authorities as a proof or cause for lower collection of CST. One declaration in C form can cover all transactions in one quarter, irrespective of total amount/value of transactions during the quarter (Quarter means period of three months). If a transaction covers more than one quarter, a separate C form has to be issued for each quarter. If Form C is lost, an indemnity bond in form G has to be given and then a duplicate C form can be issued.

### Form E1

Form E1 is used for making subsequent sales in the course of interstate sale/purchase by the first or original purchaser of goods. This Form should always be accompanied with 'Form C'. The Form E1 is used for first subsequent sales by transfer of document of title to goods. Form E1 is issued by the selling dealer to the dealer who is making subsequent sales for claiming the exemption from payment of CST to the subsequent buyer. The first subsequent seller of goods receives 'Form E1' and submits it to the department to claim exemption from CST for any sale made to another interstate registered dealer.

### Form E2:

Form E2 is used for claiming the exemption from payment of CST. Where the registered dealer purchases goods from one registered inter-state dealer and sells the same while in transit, to another registered inter-state dealer, the sales will be exempted from CST on submission of 'Form E2' to the department. The 'Form E2' is used to claim exemption from payment of CST to the seller who is a subsequent or last inter-state dealer of goods.

### Form F:

Form F is used for claiming exemptions on the interstate movement of goods as Stock/Branch Transfers. The 'Form F' is issued by the Branch or Agent who is receiving goods from another state to the Transferor of goods. The transferor of goods can claim exemption from CST on submitting the Form to the department.

This 'Form F' is compulsory for claiming the transfer as Stock/Branch Transfer and no CST will be paid. In the absence of 'Form F', all such transfers will be treated as normal interstate sales and CST will be levied. The Dealer has the option to submit one 'Form F' for all the interstate Stock/Branch Transfer for a month with supporting annexure if required.

Where goods were sold through branch, but buyer was known and identified before goods were dispatched from factory. this was held as inter-state sales and not a stock transfer in the Electric Construction and Equipment Co. Ltd. V State of Haryana- (1990) 77 STC 424 (P&H HC DB) case.

### Form H:

Form H is used by the seller for claiming the exemption on making penultimate sales (immediately preceding sale to exports). Sales made during the course of export are exempt from CST. The penultimate sale is also deemed to be in course of export and is exempt from CST. The dealer exporting goods will have supporting documents like customs documents, bank certificate, airway bill/bill of lading, shipping bill etc. However, the penultimate seller will not have any direct evidence to prove that the sale made is exempt from tax. In such cases, the actual exporter has to issue a certificate to the penultimate seller in form H.

### Form I:

Form I is used for claiming the exemption from CST on the sales made to any Special Economic Zone (SEZ). The buying dealer issues 'Form I' to the selling dealer. The selling dealer needs to submit the same (Form I) to the department to claim all the export benefits available to the original exporter.

### Form J:

Form J is used for claiming the exemption of CST in case of Interstate sales made to any United Nations, Diplomatic Missions etc. The Form is issued by the purchasing dealer to the selling dealer. The selling dealer submits this Form to the department to claim the exemption.

Form C, E-I/E-II, F, G, H, I and J have been prescribed to avail concessional rate of CST. Form C and E-I/E-II and F are required to be collected and submitted on quarterly basis. In case of forms H, I and J, no time limit has been prescribed. F form is to be obtained on a monthly basis.

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