BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT

DATED: 15-09-2026

CORAM

THE HONOURABLE MR.JUSTICE SUSHRUT ARVIND DHARMADHIKARI, CHIEF JUSTICE

AND

THE HONOURABLE MR JUSTICE C.V. KARTHIKEYAN

WA(MD) NO. 429 of 2024
and
C.M.P.(MD)No.3584 of 2024
{CNR: HCMD010903322023}

Case QR

The Assistant Commissioner (ST),
Thanjavur II Assesment Circle
II Floor, C.T.Buildings
Sachidananda Moopanar Road
Thanjavur-613 001.

Appellant(s)

Vs

Nalini Cycle Mart,
Represented by its Proprietor
P.Maheswari
No.73B, Pazhamaneri Road
Thirukkattupatti,
Thanjavur-613 104.

Respondent(s)

Prayer: Writ Appeal filed under Clause 15 of Letters Patent, praying to prefer this Memorandum of Grounds of Writ Appeal against the order dated 27.09.2022 passed in W.P.(MD). No. 15567 of 2020.

For Appellant	:	Mr.M.P.Senthil Government Pleader
For Respondent	:	Mr.A.Chandrasekaran

JUDGMENT
(Delivered by the Hon'ble The Chief Justice)

This writ appeal has been preferred by the Revenue against the order dated 27.9.2022 passed by the learned Single Judge in W.P.(MD) No.15567 of 2020. By the impugned order, the learned Single Judge allowed the writ petition filed by the respondent/dealer and set aside the assessment order dated 4.9.2020, to the extent that it denied the benefit of the composition scheme under Section 3(4) of the Tamil Nadu Value Added Tax Act, 2006 (for brevity "*the Act*") and levied tax at the higher rate of 14.5%.

2.1. The background facts leading to the present appeal are summarized as under: The respondent is a registered dealer engaged in retail sales of cycle parts, two-wheeler spare parts, tires, and tubes. For the assessment year 2014–15, the respondent opted to pay tax under the composition scheme governed by Section 3(4) of the Act. Under this provision, small dealers whose taxable turnover does not exceed Rs.50,00,000/- in a financial year are permitted to pay tax at a concessional compounding rate of 0.5%.

2.2. Following a cross-verification using departmental data (Annexure-II sales details of selling dealers), the Revenue observed that the respondent had effected significant local purchases amounting to Rs.52,51,679/- which were allegedly not fully reflected in the initial filings. Based on these purchase figures, the Revenue added gross profit and freight estimates, arriving at an estimated sales suppression of Rs.69,39,430/-.

2.3. On 29.6.2020, the Assessing Officer issued a pre-assessment notice. The fundamental premise of this notice was that since the estimated sales turnover (Rs.69,39,430/-) exceeded the statutory threshold limit of Rs.50,00,000/-, the respondent's eligibility for the compounding scheme under Section 3(4) of the Act stood revoked. Consequently, the Revenue proposed to tax the entire turnover at the standard rate of 14.5% under Section 3(2) of the Act and proposed penal measures under Section 27(3)(c) of the Act.

2.4. In response to the show-cause notice, the respondent submitted detailed written objections accompanied by revised Form-K returns, profit and loss statements, and payments covering the differential tax along with interest. The dealer explained that due to personal family emergencies and medical circumstances, regular online returns could not be updated in time. However, upon reconciliation, the total sales turnover for the entire financial year was calculated and verified to be Rs.37,28,468/-.

2.5. Upon considering the dealer's reply and financial statements, the Assessing Authority accepted the financial figures and officially redetermined the total and taxable turnover for the assessment year 2014–15 at Rs.37,28,468/-. However, despite accepting a turnover figure well below the statutory limit of Rs.50,00,000/-, the Assessing Authority refused to apply the 0.5% compounding rate. Instead, the authority levied tax at the full schedule rate of 14.5%, on the premise that the revised returns were filed belatedly beyond six months, thereby violating Rule 7(9) of the TNVAT Rules, 2007.

2.6. Aggrieved by the assessment order dated 4.9.2020, the respondent filed W.P.(MD) No.15567 of 2020 and the learned Single Judge set aside the assessment order to the extent of the levy of tax at 14.5%.

3.1. Learned Government Pleader appearing for the appellant-Revenue argued that under Rule 7(9) of the TNVAT Rules, 2007, any revision to a monthly return must be filed within six months from the end of the relevant period, provided the omission was not discovered as a result of inspection or departmental inquiry. The respondent filed revised Form-K returns on 3.9.2020, after a delay of several years, only after being issued a notice. Therefore, the revised returns ought not to have been entertained.

3.2. He further submitted that the Assessing Officer committed an inadvertent error in accepting the turnover of Rs.37,28,468/- instead of confirming the proposed suppressed turnover of Rs.69,39,430/-. It was urged that since purchase omissions were detected, the intention to evade tax (*mens rea*) was established, justifying tax at 14.5%.

4. Learned counsel for the respondent reiterated the reasons that weighed with the learned Single Judge in allowing the writ petition and prayed for dismissal of this appeal.

5. We have carefully considered the rival submissions canvassed by both sides.

6. In the case at hand, the Revenue initiated revision proceedings under the belief that the respondent's turnover had exceeded Rs.50,00,000/-, which would disqualify the dealer from the composition scheme under Section 3(4) of the Act. However, when the final assessment order was passed on 4.9.2020, the Assessing Authority explicitly concluded as follows:

"Total turnover redetermined: Rs.37,28,468/-"

"Taxable turnover determined: Rs.37,28,468/-"

Once the assessing authority formally concluded that the dealer's total taxable turnover was Rs.37,28,468/-, the dealer fulfilled the statutory condition set out under Section 3(4) of the Act.

7. The Assessing Officer could not maintain two contradictory positions in the same order, i.e., on one hand, accepting that the dealer's total turnover was Rs.37,28,468/- (below Rs.50 Lakhs), and on the other hand, applying a tax rate of 14.5% meant for non-composition dealers on the ground that the turnover had crossed Rs.50 Lakhs. If the Revenue maintained that the turnover exceeded Rs.50,00,000/-, it was required to establish that figure with cogent evidence. Having chosen to record and fix the taxable turnover at Rs.37,28,468/-, the officer was bound by statutory principles to apply the concessional rate of 0.5% applicable to that turnover category.

8. Regarding the contention that the revised returns were submitted belatedly under Rule 7(9) of the Rules, it is established that procedural delays in uploading or updating returns cannot override substantive statutory benefits when the actual turnover determined by the department itself remains within the eligibility limit. The

respondent paid the required tax along with statutory interest upon submitting the reconciled figures. Denying statutory compounding rights under these facts would be disproportionate and contrary to the framework of Section 3(4) of the Act.

9. The learned Single Judge correctly noted that the main ground for issuing the pre-assessment notice ceased to exist once the final turnover was fixed at Rs.37,28,468/-. The Revenue cannot be permitted to seek a remand merely to reopen an assessment to rectify its own concluded determinations at the appellate stage.

10. In view of the foregoing analysis, we find no error or illegality in the order passed by the learned Single Judge. Accordingly, the writ appeal is dismissed. The order of the learned Single Judge is affirmed. It remains open to the appellant-department to collect any legitimate outstanding balance or statutory interest, if any, strictly in accordance with law under the 0.5% composition rate framework.

There shall be no order as to costs. Consequently, connected miscellaneous petition stands closed.

(SUSHRUT ARVIND DHARMADHIKARI, C.J.) (C.V.KARTHIKEYAN J.)
15-09-2026

Index : Yes/No
NC : Yes/No
sasi

THE HON-BLE CHIEF JUSTICE
and
C.V.KARTHIKEYAN , J.

(sasi)

W.A.(MD) No.429 of 2024

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