

Maharashtra Budget 2015

Proposed Amendments of MVAT Act

- 1) Central Government levies Service Tax on the supply of services. There are some composite supplies on which Sales Tax as well as Service Tax are levied. To avoid cascading of tax, it is proposed that Sales Tax will not be levied on Service Tax collected separately.

COMMENTS
<i>To avoid cascading effect of tax, VAT is no more chargeable on service tax amount collected separately.</i>

- 2) In Audit or investigation proceedings, the tax payer can file revised return as per findings therein. However, dealer can file revised return only once. It is proposed to relax this condition and to allow multiple revised returns in case of audit findings or investigation proceedings by Sales Tax authorities.

COMMENTS
<i>In case of audit & investigation , revised return is no more limited to one revised return only.</i>

- 3) Late fee is attracted in case of a delayed return. This has drastically reduced the number of defaulters in last few years. However, there can be a delay due to genuine reasons. Considering the same, late fee of rupees one thousand is proposed instead of rupees two thousand for delay in filing of return up to one month.

COMMENTS
<i>Now for uploading the delayed return dealer has to shell out Rs.1000/= per return for the delay of return up to one month from the original due date of filing the return. Savings of Rs.1000/- per return</i>

- 4) Under Value Added Tax, during any proceeding if a tax payer does not fully discharge his tax liability on any transaction, then assessment proceedings can be initiated. Instead of the existing provision, it is now proposed that assessment can be initiated if there is a reason to believe that the tax payer is not correctly discharging tax liability or is attempting to evade tax on any transaction. It is also proposed to introduce time limit for completion of transaction wise assessment and also provide for cancellation of order if the order is done ex-parte.

Maharashtra Budget 2015

COMMENTS

Further clarification is sought on this amendment. It seems that there would be regular assessment carried as such allowing full credit of taxes paid and/or set off allowable. At present there is provision for cancellation of ex parte assessments order passed for non filing of return. It is extended to these assessments also. Earlier the only option was to file appeal against such order.

Hopefully the Vat officer would accept such application for cancellation of assessment orders.

- 5) Under MVAT Act, tax payer can file revised return for a complete year and pay extra tax. In such cases, instead of present method of computing interest, it is proposed to compute interest with effect from 1st October of the year for which revised return relates. Amendment is also proposed for computation of interest in case of a revised return filed for a period lesser than a year.

COMMENTS

While filing annual return with additional liability, interest has to be charged from 01st Oct of the relevant year till the actual date of payment.

- 6) Presently, where an appeal or review is being decided under one Act, which has an effect on tax liability under the other Act, which is not subject matter of appeals or review then the concerned authority cannot decide the matter under the other Act. The present provisions will need certain technical changes.
- 7) High Court approves merger or demerger of the companies, thereafter company is required to apply to the Registrar of Companies. It is proposed to specify a period of thirty days for making application for registration from the date of notification by the Registrar of Companies and amend present provision regarding cancellation of registration in such cases.

COMMENTS

In case of merger demerge of companies it is taking a long time to get the approval of high court for such schemes. Usually it is more of compliance in nature. Date of merger/demerge may be different and the date of passing the order by high court is different. As such now the clarity is sought from which date the period of 30 days is to be calculated. For this purpose is the date of passing the order by high court the period of 30 days for application for registration/cancellation for registration would be counted.

Maharashtra Budget 2015

- 8) **Entry Tax** is levied on some goods in order to protect legitimate tax revenue of the State. Long steel is being sold directly to the consumers from neighbouring States. This has resulted in a loss of legitimate tax revenue of the State. In order to ensure legitimate tax realization on consumption of long steel, It is proposed to levy a five per cent entry tax on long steel. To avoid double taxation on long steel, set-off will be allowed as per provision.

Tax on wood free Plain and Pre-laminated particle board.

- 9) Wood free plain and pre-laminated particle board with 'Eco Mark' is taxed at five per cent. As there is no difference between Eco Mark Board and other plywood, It is proposed to levy twelve and half per cent tax on all types of wood free plain and pre-laminated particle boards.

Extension of Tax exemption essential commodities

- 10) The State has exempted tax on some of the essential commodities such as rice, wheat, pulses and their flour, turmeric, chilies, tamarind, jaggery, coconut, coriander seeds, fenugreek, parsley (suva), papad, wet dates, solapuri chaddars and towels upto 31st March, 2015. It is proposed to continue exemption on these items upto 31st March, 2016. The tax exemption on Currants and Raisins will also continue upto 31st March, 2016. The lower rate of five per cent tax on Tea will also continue upto 31st March, 2016.

COMMENTS
<i>Exemption / reduced rate on essential commodities as mentioned above is extended till 31st March-16</i>

Concession in Tax to women, Profession Tax Act

- 11) Presently, Profession Tax is applicable to all persons drawing salary above rupees seven thousand five hundred per month. The salary limit for levy of Profession Tax up to Rupees Ten Thousand for women is increased. No Profession Tax will be applicable to the women drawing salary up to Rupees Ten Thousand per month. This will benefit nearly One Lac Fifty Thousand employed women in the State.

COMMENTS
<i>For women employees drawing salary up to Rs.10000/= per month there would be no profession tax applicable.</i>

Maharashtra Budget 2015

12) Changes in Tax Rates

Following changes in rate of taxes are proposed in the budget

COMMODITY	Existing Rate	Proposed Rate
<i>Changes in Tax Rates</i>		
<i>Ladies Purse & Handbag</i>	12.5%	5%
<i>Certain Medicines for treating cancer (To be notified)</i>	5% / 12.5%	0%
<i>Guide Wire used in medical treatment</i>	12.5%	5%
<i>LED Bulbs</i>	12.5%	5%
<i>Cashew Oil</i>	12.5%	5%

13) Certainty in Taxation

Ambiguity in tax rate on any commodity is not conducive to economy. Even if the decision of a judicial forum comes in favour of the tax payer, there remains an uncertainty of the applicable tax rate during the intervening period. Considering this, It is proposed to make some amendments, to remove ambiguities :-

1) Presently, books are exempted from tax, and exercise books, graph books, laboratory note books and drawing books are taxed at five per cent. There is dispute regarding rate of tax on Workbook. Considering these aspects, for certainty in future It is declared that Workbooks will be tax free from 1st April, 2015.

2) Rate of tax on White Butter

'Desi Loni' is subjected to four per cent tax from 1st September, 2005 and five per cent from 1st April, 2010. A question has been raised regarding rate of tax on White Butter. There is not much difference between White Butter and Desi Loni. Therefore, to remove ambiguity It is clarified that White Butter will be taxed at four per cent from 1st September, 2005 and five per cent from 1st April 2010.

3) Rate of tax on Paper

Five percent tax is levied on paper. Presently, the entry 70 of Schedule C reads, 70(a) "Paper, newsprint, paper board, waste paper"; 70(b) "All types of paper stationary for computer,

Maharashtra Budget 2015

carbon paper, ammonia paper”. Presently, there is a dispute as to items falling in the description of “Paper” under schedule entry C-70(a). To bring clarity to the entry, items covered under “Paper” will be henceforth notified. Pending proceedings will continue as per directions issued by the Department from time to time.

4) Rate of Tax on spices

Rate of tax on spices is five per cent. The entry of spices is ‘Spices including cumin seed, asafoetida, aniseed, saffron, pepper and poppy seeds’. Generally tax has been paid at five percent on sale of mixed spices also. There is an ambiguity as to whether mixture of spices will also be covered under the entry of spices or not. The mixture of spices are spices only, hence the schedule entry will be retrospectively amended so as to cover the ready mixture of spices under the entry of spices.

5) Tax on embroidery thread

Generally, tax on embroidery thread is paid at the rate of sewing thread. There is an ambiguity as to whether embroidery thread is covered in the entry of sewing thread. A retrospective clarification will be provided that tax rate on embroidery thread will be same as that of sewing thread.

SUMMARY OF CLARIFICATIONS
<i>Embroidery thread is Sewing thread and would attract tax at the rate of sewing thread.</i>
<i>Work book is book and as such exempt from tax.</i>
<i>White butter is nothing but a Desi Loni as such liable to tax @ 5%</i>
<i>What is includable under the entry paper would be notified to avoid the dispute Whether the commodity is paper or not covered by the above entry</i>
<i>Ready mixture of spices would be covered by entry Spices and as such liable to tax @5% .This would avoid ambiguity and litigation about what is includable under the entry Spices</i>

Local Body Tax.

The Government is committed to abolition of Local Body Tax. Due to abolition of Local Body Tax, compensation of rupees six thousand eight hundred seventy five crore will be required to be given to the Municipal Corporations excluding Mumbai. This loss of revenue

Maharashtra Budget 2015

will be compensated by enhancing rate of tax under Value Added Tax Act. The enhanced rate of tax will be applicable to the whole State. A Revenue Neutral Rate has been recommended considering the share of increased tax collection to be given to the areas where Local Body Tax is not levied.

Mumbai Municipal Corporation gets substantial revenue, by levying Octroi on Crude Oil. This Octroi amount is collected by Oil Companies as part of State Specific Duty from all consumers in the State. This aspect is also required to be taken into account.

Extensive deliberations are required on the enhancement in tax rates under Value Added Tax. The Local Body Tax will be abolished from 1st August, 2015.

The revenue received on account of increase in tax rates under MVAT Act will be assigned to the Municipal Corporations and demand will be tabled on account of grants to be given to other areas, as per requirement.

COMMENTS
<i>LBT abolished from 1st Aug 15, the loss of revenue will be recovered through increase in MVAT rates.</i>

V.S. Paranjape & Co

Chartered Accountants

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