Executive summary

After having presented the Interim Budget on 25 February 2014, the Finance Minister of the State of Maharashtra has announced the additional budget for the FY 2014-15, on 5 June 2014.

This Tax Alert gives an update on the key budget announcements made in the additional budget for the FY 2014-15, with respect to the Maharashtra Value Added Tax (MVAT) Act, as well as other State levies like luxury tax, Profession tax and Stamp duty.

In the Budget speech, it has been proposed to increase the threshold limit for registration under the MVAT Act, from INR 5 lacs to INR 10 lacs.

Sale / lease of copyrights of cinematographic films for theatrical exhibition, which was exempt from May 2011, is now proposed to be exempted for the earlier period also, from 1 April 2005 to 30 April 2011.

Exemption is also proposed to be provided for spares of aeroplanes, in order to promote the industry.

It has also been proposed to increase the turnover limit for compulsory audit under MVAT Act, from INR 60 lacs to INR 1 crore.

Other proposed amendments include provisions related to penalty, late fees, additional interest, recovery proceedings etc.
Key proposals

Some key amendments proposed to be made in the MVAT Act, have been highlighted as follows:

Registration
► Turnover limit for registration under the MVAT Act to be increased from INR 5 lacs to INR 10 lacs. Application for cancellation of registration certificate for dealers, whose turnover in the previous year was below INR 10 lacs, can be done upto 30 September 2014.

VAT Audit report
► The turnover limit for compulsory audit under the MVAT Act, from the year 2013-14, to be increased from INR 60 lacs to INR 1 crore.
► The turnover of sales shall however include value of goods transferred to other States otherwise than by way of sales.
► The period of 1 month allowed for filing of audit report beyond the due date, due to circumstances beyond the control of the dealer, to be deleted.

Late fee
► Late fee for delay in filing VAT return to be reduced from INR 5000 to INR 2000, for a delay upto one month from the due date.

Additional interest
► Additional interest, which is payable if a revised return is filed after the initiation of audit or investigation proceedings, shall not be payable when:
  ► additional tax liability is less than 10% of the tax paid with returns, or
  ► additional tax liability is on account of non-production of declarations.

Penalty
► Maximum penalty, in case of concealment, shall not exceed the tax amount and minimum penalty shall not be less than 25% of the tax amount.

Stay related proposals
► If appeal is filed beyond 2 years from the end of the assessment year, then no stay to be granted without full payment of tax due.
► If the appeal is filed before the end of 2 years and the declarations / certificates are not filed before the end of 2 years from the end of assessment year, then the stay granted shall be vacated.
► It will apply to the appeals filed after 1 July 2014.

VAT rate amendments proposed are as follows:
► Exemption to be provided for spares of aeroplanes in order to promote the industry
► Sale / lease of copyrights of cinematographic films for theatrical exhibition, which was exempted from May 2011, is to be exempted for the earlier period also, from 1 April 2005 to 30 April 2011.
► Tax rate on cotton to be reduced from 5% to 2%
► Sales of notified capital goods to department of Central or State Government liable to tax at 5%
► Certain goods such as tool, alloy and special steel shall be treated as ‘declared goods’, subject to VAT rate of 5% This amendment is proposed in view of the Supreme Court judgment, holding that the said goods will attract full rate of 12.5% which was having an adverse impact on the industry. The proposed amendment shall come into effect retrospectively from 1 April 2005.

Key proposals in respect of other State levies:

Luxury tax
► Exemption limit for luxury tax for tariff to be raised from INR 750 to INR 1000. Tariff above INR 1000 but upto INR 1500 to be taxed at 4% and tariff exceeding INR 1500 to be taxed at 10%
► Luxury tax exemption for eligible hotels in B and C zones of Tourism Policy, 2006 has been proposed. In case of expansion, the exemption will be available only if there is increase in capacity due to additional investment.
Profession tax
► Minimum salary limit for Profession tax to be increased from INR 5000 to INR 7500.

Stamp duty
► Cap of INR 10 lacs on stamp duty for instruments executed relating to deposit of title deeds, pawn, pledge and hypothecation.

Comments
The above proposals are based on the budget speech. The notifications / Amendment bill is yet to be issued and is awaited.
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