Dear All

The Finance Minister of Maharashtra presented the State budget for 2016-17 on 18\textsuperscript{th} March 2016 in the State Assembly. We have summarized below key indirect tax proposals/changes:-

**BUDGET HIGHLIGHTS**

- Exemption from Levy of Sugarcane Purchase Tax for the year 2015-16 to the Sugar Factories which export sugar as per Government policy.
- Amnesty scheme for Profession Tax enrollment holder. Tax liability and penalty will be restricted to previous three years.
- Amnesty for tax administered by Sales Tax. For dues upto 31st March, 2005 subject to full tax payment, the interest and penalty shall be waived and for disputed dues from 1st April, 2005 to 31st March, 2012 subject to full tax payment, and 25% interest payment under VAT Act, balance dues will be waived.
- Exemption of VAT on Warping and Sizing of Yarn for promoting the Textile Industry.
- Turnover limit for composition to retailers under the MVAT Act increased from Rs.50 Lakh to Rs. 1 Crore.
- VAT on the Mammography machines used for detection of breast cancers exempted.
- VAT on sterile water for injections reduced from 12.5% to 5.5%.
- Bakery Industry, the turnover of tax free goods is excluded for computing the turnover for composition.
- VAT on Retrofit kit fitted to vehicles for physically handicapped exempted.
- VAT on LED Tubes reduced from 12.5% to 5.5%.
- VAT on Pyrolysis Oil reduced from 12.5% to 5.5%.
- Profession Tax exemption to the armed personnel of CRPF and BSF.
- Exemption from late fee to the Government aided educational institution for e-filing of Professional Tax returns.
- VAT on Steel Wire Mesh, Barbed Wire and Chain links reduced from 12.5% to 5.5%.
- VAT on Pencil Box, Stapler pins, Dusters, Gum and Gum-sticks used by student reduced from 12.5% to 5.5%.
- VAT exempted on the Bamboo Products excluding Bamboo furniture.
- Amnesty scheme under Industrial Policy 2013 for closed and un-revivable units to be implemented a fresh.
- Logistic Hubs will be established to promote the Logistic Industry and Levy of CST will be exempted on the interstate sales effected from the Logistic Hubs.
- VAT rate increased from 5% to 5.5%, excluding declared goods.
- Motor Vehicle Tax enhanced on two wheelers and three wheelers owned by individual. Tax to be based on engine capacity – up to 99cc - 8%, 100cc to 299cc – 9%, 300cc and above – 10%. Institutional and Imported Vehicles to be subjected to double the rate of tax.
- The VAT composition tax rate 8% to hotels and restaurants having turnover of sales Rs. 3 Crore and more.
- Levy of Entry Tax on Marble and Granite slabs.
- Increase in Lottery Tax on the draws of Lotteries.
- VAT tax on Coconut hair oil sold in pack up to 500 ml enhanced to 12.5%.
- Establishment of Advance Ruling Authority for speedy disposal of disputed questions under Sales Tax Laws.
- Implementations of SAP based Computer system in Sales Tax Department. Input Tax Ledger to be made available to the tax payer.
- Pilot Project will be started by Sales Tax Department for implementation of Digital Billing system.

Drought Relief:

- Emphasis on dry land farming accelerated development of infrastructure, removal of disparity, development of urban areas and generation of employment opportunities for youth.
- In 2016-17, a substantial provision of Rs. 1 thousand 855 crore for Crop Insurance Scheme.
- A substantially higher provision of Rs. 2000 crore for farm ponds, wells and electric pump installation, form this fund 1, 00,000 farm ponds 37,500 wells and 90,000 electric pumps will be made available.
- Planning for renovation of 6862 ex-Malgujari tanks in the Naxal affected districts of northern Vidarbha.
• New scheme named as “Palak Mantri Pandhan Rasta Yojana” & “Palak Mantri Earth Moving Machine Kharadi Yojana” launched. Repair works of Pandhan Rasta will be allotted to rural youth.

Agriculture:

• An outlay of Rs 110 crore to make available crop loan with concessional rate of interest to farmers.
• To boost the production of oil seeds and pulses crop, under National Agriculture Development Scheme an outlay of Rs. 80 crore.
• New scheme launched to provides subsidy up to 25% or max 50 lakhs to set up agriculture processing units.
• An outlay of Rs. 60 crore for the new scheme called “Pandit Dindayal Upadhyay Krishi Margdarshan Yojana.” For promoting agriculture and research new government agriculture at Buldhana & Ahmednagar, new government horticulture college at Jalgaon.
• An outlay of Rs. 10 crore for two new veterinary colleges at Jalgaon and Akola.
• Decision to implement new scheme called “Krishi Gurukul Yojana” for advanced agriculture training of farmers through role model farmers.
• An agriculture festival to be organised every district to create awareness among farmers.
• For promotion of organic farming, Organic Farming Research & Training Centres in 4 agriculture universities proposed.
• Automated weather centres at 2065 revenue blocks proposed for accurate weather forecasting.

Animal Husbandry:

• Setting up dairy development projects under Integrated Agriculture Development Programme, Rs. 100 crore projects involving manufacturing company of farmers to be set up in Vidarbha & Marathwada.
• Provision of Rs. 51.13 crore to set up Intensive Poultry Development Unit in 14 districts.
• For raring of cattle, modernisation of “Valu Mata Sangopan Kendra”.
• New scheme called “Govardhan Gowansh Raksha Kendra” launched to implement the programme of raring non lactating and unproductive cattle breed in 34 rural districts with NGO participation.
• An outlay of Rs. 30 crore for Jetty’s construction at various places in 5 costal districts, an outlay of 15 crore for renovation of Sasoon dock.

Irrigation:
• Provision of Rs. 7850 crore for irrigation projects.
• Substantial outlay of Rs. 2078 crore for various 7 Irrigation projects included in “Pradhan Mantri Krishi Sinchai Yojana”.
• Water literacy and water awareness creation in society, permanent water centre at Yashada Pune & sub centre at Aurangabad Amravati, Chandrapur.

Rural Development:
• An outlay of Rs. 500 crore for up gradation of roads and new road connectivity under “Chief Minister Rural Road Scheme”.
• To promote sustainable development of our villages “Smart Village Scheme” proposed to provide incentive for development.
• For displaying digital board in all Gram Panchayat create awareness about Government policies.
• An outlay of Rs. 500 crore proposed, the Government will undertake ambitious Chief Minister Rural Drinking Water Supply in Rural and Remote Places.
• New scheme called “Balasaheb Thakare Smruti Matoshree Gram Panchayat & Mahila Sakshamikarna Mission” for accelerating rural development.
• New scheme – “Sumati tai Sukhalikar Udyogini Mahila Sakshamikarna” to provide loan at nil interest to women SHG. An outlay of Rs. 10 crore.

Energy Generation & Energy Rate.:
• An outlay of Rs. 784 crore for electricity generation projects.
• New 240 subunits to upgrade electricity distribution system.
• An outlay of Rs. 456 crore for addition in capacity of nonconventional energy sources.
• To promote new industries in Vidarbha & Marathwada through subsidising energy rate.

Industries & Entrepreneurship Development:
• Employment generation of 11 lakh 23 thousand under new industry policy.
• Under Megaproject policy, direct investment Rs. 53 thousand 330 crore 25 lakh & employment generation of 85 thousand 84.
• Constitution of Maharashtra Entrepreneurship to promote industries.
• Integrated management system for unorganised workers, outlay of Rs. 18.92 crore.
• To cover maximum youth under “Mudra Bank Yojana”, constitution of district level committee.

Textile & Marketing:
• An outlay of Rs. 265 crore to promote textile industry.

Infrastructure & Road Development:
• An outlay of Rs. 4050 crore for road construction.
• Phase wise modernisation of 21000 km. length during next 8 years Rs. 50 crore outlay for construction ladies washroom on state highways.
• An outlay of 216.33 core for land acquisition and project displaced rehabilitation in MIHAN.
• An outlay of 68.60 crore towards state equity in rail projects.

Shelter :
• An outlay of 700 crore for centrally sponsored scheme “Shelter for all- 2022”.
• Rs. 100 crore outlays for fast tracking development of new Chandrapur.
• Financial assistance to homeless freedom fighters or their spouses at their native places.

Urbanisation :
• Rs. 1000 crore outlay for infrastructure development in Municipal council, Nagar Panchayat.
• An outlay of Rs. 180 crore to accelerate Nagpur and Pune metro project.
• An outlay of Rs. 90.47 crore for Mumbai Metro phase-3.
• State Government to develop 8 smart cities.
• An outlay of 30 crore for Maharashtra fire safety mission.
• Tejaswini Buses only for ladies in Mumbai, Navi-Mumbai, Thane, Pune, Nagpur, Kallyan, Dombivali.
Health:
- An outlay of Rs. 970.37 crore towards centre and state share combined under National Health Mission.
- An outlay of 233.80 crore for health services in rural and urban areas
- An outlay of Rs. 300 crore for “Rajiv Gandhi Jivandai Arogya Yojana”.

Education & Sports:
- An outlay of Rs. 740 crore to “Sarv Siksha Abhiyan” & Rs. 180 crore to computer training.
- An outlay of Rs. 137.44 crore provides quality education to secondary school goers.
- An outlay of Rs. 50 crore for girl’s hostel.
- Digitization of 43 public libraries at the expenditure of 17.20 crore (Rs. 40 lakh per library)
- An outlay of Rs. 3 crore for the sports person participating in Olympics 2020.
- Financial assistance of Rs. 1 crore to Shri Hanuman Vyayam Prasarak Mandal at Amravati.

Safety & Transport:
- An outlay of Rs. 320 crore for Police housing.
- An provision of Rs. 350 crore for CCTV Surveillance.
- Renovation of 13 bus stations – Panvel, Mumbai etc.
- Reconstruction of 3500 ST stands
- Rs. 30.51 crore for Ro-Ro services at Mandva and Rs 36 crore for anti-sea erosion wall.

Infrastructure of Judiciary:
- An outlay of Rs 491.10 crore for old buildings and residential quarters.
- Public Distribution System
- An outlay of Rs 62.14 crore for Decentralized food grain procurements scheme at MSP prices.

Forest and Environment:
- Phase wise rehabilitation of 65 villages alongside 6 Tiger Projects, an outlay of Rs 60 crore.
- An outlay of Rs. 47.25 crore for Nature Tourism.
- Expansion of Chandrapur Forest Administrative Management and Development Academy, an outlay of Rs. 5 crore.
• Mangrove Conservation Institution for protection and conservation of mangrove.
• An outlay of Rs. 20 crore for Namami Chandrabhaga to make holy river Chandrabhaga pollution free upto 2022.

Tourism and Culture:
• An outlay of Rs. 285 crore for strengthening of tourist places.
• Special focus on tourism development at Mhaismal, Verul, Khultabad, Sulibhanjan in Aurangabad.
• Security upgraded at sea beaches.

Women and Child Welfare:
• An outlay of Rs.25 crore for Majhi Kanya Bhagyashree Yojana to be launched from April 1, 2016 and specially for girl child.
• An outlay of 100 crore to convert 10000 Anganwadis to Adarsh Anganwadi.

Tribal Development and Social Justice and Minority development:
• An outlay of Rs.290 crore for reputed school, Rs. 300 crore for road and Rs. 370 crore for Ashramshala under TSP.
• An outlay of Rs. 25 crore for Eklavya Sport Enterpreaunership academy.
• Rs 60 crore for preservation and conservation for Varli Art.
• Hike in assistance provided under Sanjay Gandhi Niradhar Yojana which will cost government further Rs. 332 crore.
• An outlay of Rs. 405 crore provided for different scheme for minority upliftments.
• An outlay of Rs. 320 crore for houses to SC families.
• A new scheme named as Dr. Babasaheb Ambedkar Krushi Swawlamban to make SC farmers economically self-sufficient by providing assistance for well and electricity connection for pump set. Solar pump where electricity connection cannot be sanctioned.
• An outlay of Rs.170 crore for various program undertaken samata and samajik nyay varsh on the occasion of 125th anniversary of Dr.Babasaheb Ambedkar’s birth year.
• An outlay of Rs. 220 crore for construction of government hostel for backward class.

Good Governance:
- 156 online services under Maharashtra Public Services Ordinance - 2015.
- Rs. 10 crore outlay for improvement to Maharashtra state wide area network.
- Increase in deposit from Rs.5 crore to Rs.10 crore of Shankarrao Chavan Suvarn Mahotsavi Patrakar Fund.

Monuments:
- An outlay of Rs.5 crore for monuments of Chhatrapati Shivaji Maharaj outside the state.
- Rs.5 crore for various activitis to propagate the work of Shri.Lokmanya Tilak.
- Bhaskaracharya Ganit Nagari in memory of renowned mathematician Bhaskaracharya.
- Rs.5 crore aid for auditorium to be constructed in Sangli district in memory of R.R.Patil.
- Press auditorium in memory of Balshastri Jambhekar at Sindhudurg Nagari, Oros.
DEPTH ANALYSIS ON BUDGET HIGHLIGHTS

1. Computerization in Sales Tax Department

   SAP Based system from next year shall be implemented in sales tax department. This will benefit taxpayers for regular Updation on details.

2. Amendments to the Value Added Tax

   • A Concept of “Fair market price” is being introduced; it is proposed to give powers to assess a dealer on the basis of fair market price if goods are sold below market price with intention to evade Tax.
   • Online VAT Registration is rejected without giving intimation to dealers. It is proposed to give an opportunity of being heard to dealer to comply with the discrepancy, if discrepancy is not compiled within stipulated period the application shall be rejected. If it is compiled registration date shall be date of original application.
   • Due date of filing revised return by dealer is changed from 10 months to due date for filing vat audit report. Revision of return field by dealer could be done only once, now such limitation is removed.
   • If the return of dealer is filed within prescribed date and no assessment notice is issued till four years then the return filed by dealer is deemed to be accepted.
   • During assessment if the officer proposes tax & interest liability & if the observations are accepted & tax is paid with revised return as per intimation then confirmation order accepting revised return shall be issued to him & assessment stands closed.
   • In cases where an employer deducts & issue WCT TDS certificate of contractors then the credit of such TDS can be passed by principle contractor to sub-contractor. It is also proposed to oblige all the employers to take TDS registration under the Act & file return of WCT TDS accordingly. Penalty for non-registration and non-filing of return is proposed.
   • Provisions of DDQ (Determined Disputed Questions) are cancelled & advance ruling before or after entering transaction is introduced. Application pending under DDQ is transfer to advance ruling authority.
   • E-Commerce companies shall provide information about sales & purchases transaction made on portal, on non-furnishing of information penalty is proposed.
• It is proposed that goods manufactured by Ultra Mega Projects holding identification certificate and Very Large Projects under PSI 1993 shall hold a declaration on sales invoice that goods have been manufactured in the said project.

3. **Entry Tax**

   Entry Tax on Marble & granite slabs shall be levied.

4. **Professional Tax**

   • If a person is not enrolled in Professional Tax Act, the liability may extend up-to 8 years. An amnesty scheme is proposed wherein un-enrolled person shall be liable to pay PT & penalty for previous three years. For this un-enrolled person need to apply between 1st April to 30th Sep, 2016. Failure may attract stringent action from department.
   
   • Armed member of CRPF & BSF are not subject to professional Tax.

5. **Sugarcane Purchase Tax**

   Sugarcane purchase tax is proposed to be exempt to only those sure factories who meet export obligations as per Government Policy.

6. **Motor Vehicle Tax**

   Motor Vehicle which are personal use are liable to tax @ 7% while vehicle other than for personal use such as company are liable to tax @ 21%. It is now propose to levy tax on Motor vehicles based on engine capacity. The proposed rates are mentioned below:

<table>
<thead>
<tr>
<th>Before</th>
<th>Proposed (Vehicles purchase by persons other than Companies &amp; imported Vehicles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-3 Wheeler Vehicles for Personal Use – 7%</td>
<td>Up to 99CC – 8%</td>
</tr>
<tr>
<td>Other Than personal Use – 21%</td>
<td>From 100CC to 299CC– 9%</td>
</tr>
<tr>
<td></td>
<td>300CC &amp; above– 10%</td>
</tr>
</tbody>
</table>

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</tr>
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<tbody>
<tr>
<td>2-3 Wheeler Vehicles for Personal Use – 7%</td>
<td>Up to 99CC – 16%</td>
</tr>
<tr>
<td>Other Than personal Use – 21%</td>
<td>From 100CC to 299CC– 18%</td>
</tr>
<tr>
<td></td>
<td>300CC &amp; above– 20%</td>
</tr>
</tbody>
</table>
7. Lottery Tax

It is proposed to extend tax on lottery draw as per below mentioned table.

<table>
<thead>
<tr>
<th>Name</th>
<th>Existing</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly draw</td>
<td>60,000/-</td>
<td>70,000/-</td>
</tr>
<tr>
<td>Fortnightly draw</td>
<td>1,25,000/-</td>
<td>1,50,000/-</td>
</tr>
<tr>
<td>Monthly draw</td>
<td>2,50,000/-</td>
<td>3,00,000/-</td>
</tr>
<tr>
<td>Bumber Lottery</td>
<td>12,00,000/-</td>
<td>14,00,000/-</td>
</tr>
</tbody>
</table>

8. Change in Rate of Tax

<table>
<thead>
<tr>
<th>Name of goods</th>
<th>Current Rate</th>
<th>Proposed Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terry Towel used in hotel</td>
<td>NIL</td>
<td>5.5%</td>
</tr>
<tr>
<td>Tea</td>
<td>5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Rice, Wheat, Pulses &amp; their Flour, Turmeric, Chilies, tamarind, Jaggery,</td>
<td>Exempt</td>
<td>Exempt (for FY 2016-17)</td>
</tr>
<tr>
<td>Coconut, Coriander seeds Fenugreek, parsley (Suva), Papad, Wet Dates,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solapuri Chaddars</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warping &amp; Sizing on yarns</td>
<td>2%</td>
<td>Exempt</td>
</tr>
<tr>
<td>Sweet Corn</td>
<td>NIL</td>
<td>5.5%</td>
</tr>
<tr>
<td>Barbed Wire, Wire Mesh &amp; Chain Links</td>
<td>12.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Cotton Seeds</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>Battery Operated and Hybrid buses</td>
<td>5%</td>
<td>Exempt</td>
</tr>
<tr>
<td>Pyrolysis Oil</td>
<td>12.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>LED Tubes</td>
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<td>Retrofit Kit used in Differently abled persons</td>
<td>12.5%</td>
<td>Exempt</td>
</tr>
<tr>
<td>Used vehicles by banks and financial institution</td>
<td>12.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Mammography Machine</td>
<td>12.5%</td>
<td>Exempt</td>
</tr>
<tr>
<td>Sterile Water</td>
<td>12.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Bamboo Handicraft Products</td>
<td>5%</td>
<td>Exempt</td>
</tr>
</tbody>
</table>
9. Composition Scheme

- Turnover Limit for Composition retailers is enhanced from 50 lacs to 1 Crore
- Turnover calculation for bakers to exclude tax-free commodities.
- Hotels whose turnover food & non-alcoholic drinks in previous year is more than 3 crore is liable to composition rate 8%.

10. Changes to Set off rules

- No Setoff on Entry Tax paid on petrol & diesel
- Mobile handsets purchased locally and sold in the course of inter-state trade will now be eligible for set-off only to the extent of the liability under Central Sales Tax Act on their sales.
- Passenger vehicle if leased will be available for set-off to extent of output tax on lease.

11. Digital Billing

A Pilot Project of digital billing for the registered dealers selling at the last stage is proposed

12. Logistic Hug

Logistic Hub in Nagpur shall be provided with exemption from CST on resale of goods notification shall be issued in due course of time.

13. Amnesty Scheme

A Dealer who has filed an appeal & recovery of disputed dues is stayed by the appellate authority can avail amnesty scheme. The condition for the same as follows:

1. It will be available if the dealer withdrawal the appeal.
2. It shall be available from 01st April 2016 to 30th September 2016.

Implications:

- Period prior to 01st April 2005, if disputed tax is paid in full then corresponding interest & penalty shall be waived.
- Period from 01st April 2005 to 31st March 2012, if 25% of disputed interest and entire disputed tax amount is paid, the balance interest & penalty shall be waived.

The Procedural Details of the scheme will be announced separately.
This document has been prepared as a service to the clients. We recommend you seek professional advice before taking advice on specific issues. The State Budget as introduced in the Legislative Assembly may undergo changes before its enactment.

Allow us to tell you more!

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