

Speaker Sir,

I now present Part II of the Budget before the House.

“Make in India” Programme organized in Mumbai has emphatically demonstrated the industrial potential of Maharashtra to the investors of India and abroad. This mission will enable setting up of new industries in State with employment opportunities to the youth of the State. I am sure that this will also result in augmenting State revenue. State also proposes to make necessary changes to the tax laws and administration to enable “ease of doing business” and to overcome the constraints for growth of business. The fall in the international prices of crude has adversely affected the tax collection. Due to the fall in the prices of petrol and diesel, the revenue collection in the current year has fallen by almost one thousand eight hundred crores rupees. Despite this, I believe that the target for revenue collection shall be achieved.

**Computeri-
zation in
Sales Tax
Department**

2. Computerization is now an essential ingredient for providing better and efficient services to the trade and industry. It also helps in efficient and timely tax collection as well as reduces the compliance cost. To this end, Sales Tax Department has prepared itself to adopt SAP based system from the next year. Tax payers are also being informed from time to time about the new system. This will enable tax payers to get updated status of the input tax ledger and information on all the interactions with Department shall also be accessible on the website. Maharashtra Tax administration will be among the select few tax administrations in the world providing such information to the tax payers. I believe this will definitely benefit the tax payers.

Amendments
to the Value
Added Tax
Act

3. Speaker Sir, I propose certain technical changes and some other changes in the VAT Act, so as to be compatible with the automation system and to protect the revenue.

- Instances of evasion of tax by showing sale price well below market price have been noticed. Therefore, 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.

- Tax payers need not visit the sales tax office to obtain registration. He shall upload all documents relating to online registration. If any discrepancy is noticed in the uploaded documents, the application shall be rejected without hearing. But, an opportunity to comply within the stipulated period is being proposed. If compliance is made within the said period, then the registration shall be granted from the date of the original application. However, if compliance is not made within the stipulated period, then the application shall be rejected. Provision is also being made to cancel the registration if false documents are furnished.

- It is proposed that if a dealer finds any mistake in the returns filed by him, then the revised returns can be filed up to the due date for filing audit report under the VAT Act and dealer may also file such revised returns multiple times.

- The Sales Tax Department does not assess all the dealers but assessment cases are selected on the basis of certain parameters. In order to give certainty to the dealers whose cases have not been selected for assessment but who have filed returns within the stipulated period, it is proposed that a returns acceptance order subject to certain conditions be issued to him. Similarly, the returns of a dealer who has filed returns within the prescribed date shall be deemed to have been accepted after the expiry of a period of four years if assessment notice has not been issued till then.

- During the course of assessment, the assessing officer may send an intimation regarding proposed tax and interest liability and if the observations are accepted and tax is paid by filing revised returns as per intimation then confirmation order accepting the revised return shall be issued to him and it is proposed to close such assessment proceedings.

- An employer is required to deduct TDS on account of tax from the payment made to a contractor. It is proposed that if a principal contractor awards contract to a sub-contractor, then the credit of the TDS can be transferred by the contractor to the sub-contractor. It is also proposed that the employer awarding contract shall be liable to obtain registration for TDS under the Act and return containing TDS details shall be filed by the Employer. Penalty is also proposed for not obtaining such registration and for non-filing of return.

- Under the Act, there is provision to obtain orders from the Commissioner on disputed questions. A provision for Advance Ruling on stipulated questions is being made to make application before or after entering a transaction. The Commissioner can transfer these questions to the Advance Ruling Authority. Certain changes to the Act, incidental to this provision are being proposed. Section 56 relating to Determination of Disputed Questions is being deleted and the applications pending under the said section can be transferred to the Advance Ruling Authority also.

- In the era of Digital India, e-commerce transactions are increasing. It is proposed to periodically obtain information from e-commerce companies regarding sales-purchase transactions made on the portal. Penalty shall be imposed upon a portal for not furnishing the information.

- In case of sales of goods manufactured by a Mega Project, it is necessary to declare on the invoice that the goods have been manufactured in the said project. Now, it is proposed that the sales invoice of the goods manufactured by the Ultra Mega Project holding

identification certificate and Very Large Projects holding entitlement certificate for deferment under the 1993 Package Scheme of Incentives would also contain such a declaration.

Tax related proposals 4. Speaker Sir, now I present Tax proposals before the House.

- **Entry Tax :-**

Entry tax is levied on certain goods brought from outside the State to safeguard the legitimate revenue of the State. Presently entry tax is levied on many kinds of tiles. However, slabs from which marble and granite tiles are made are not covered. I propose to levy entry tax on marble and granite slabs to remove this anomaly. I also propose to make necessary changes to the Entry Tax Act to be compatible with computerization and “ease of doing business”.

- **Profession Tax :-**

- Liability of an un-enrolled person under the Profession Tax Act may extend up-to eight preceding years from the date of application. This deters many un-enrolled persons from applying for enrollment. To encourage such un-enrolled person to get enrolled, I propose a scheme under which persons applying for enrollment from 1st April 2016 to 30th September 2016 will not have to pay profession tax and corresponding penalty exceeding previous three years prior to application. This will also apply to the enrollment applications pending on 1st April 2016. After this amnesty scheme, stringent action is proposed. A campaign will be launched against un-enrolled persons who may be liable for previous eight years with consequent penalty and may also face prosecution.

- Members of Armed forces are exempted from profession tax. But the Armed members of Central Reserve Police Force (CRPF) and Border Security Force (BSF) are liable to pay this tax. These armed personnel of CRPF and BSF are in the State for certain period only and are not subjected to Profession Tax in many

States. I, therefore, propose exemption from Profession Tax to armed members of CRPF and BSF.

➤ Aided educational institutions have paid their Profession Tax through Government machinery. However, some of these institutions have not filed the mandatory e-returns for which late fee has been levied. I propose to exempt the late fee attracted due to technical default by such institutions.

- **Sugarcane Purchase Tax :-**

Due to recession, Sugar Industry is facing difficulties. Therefore, I propose to exempt Sugar Cane Purchase Tax for the year 2015-16. This exemption will be, however, available to only those sugar factories who meet the export obligations as per Government Policy.

- **Motor Vehicle Tax :-**

Two wheeler and three wheeler motor vehicles for personal use are liable to tax at the rate of 7%, while vehicles other than for personal use such as by company, undertakings etc. are liable to 21% tax rate. I now propose to levy tax on these vehicles based on engine capacity. For vehicles up-to 99 c.c. the rate of tax will be 8%, for 100 c.c. to 299 c.c. the rate will be 9% and for 300 c.c. and above the rate will be 10%. However, the tax on vehicles in the name of companies, undertakings etc. as well as on imported vehicles shall be levied at twice the respective rates.

- **Lottery Tax :-**

A lottery tax is levied on the draw held in State on online and paper lottery. I propose to enhance tax from rupees sixty thousand to rupees seventy thousand on the weekly draw lottery. The rate of tax applicable to fortnightly draws or draws held between week and fortnight is proposed to be enhanced from rupees one lac twenty five thousand to rupees one lac fifty thousand. The rate of tax applicable to monthly draws or draws held between fortnightly and a monthly is proposed to be enhanced from existing rupees two lacs fifty thousand

to rupees three lacs fifty thousand. It is also proposed to enhance rate of tax from existing rupees twelve lacs to rupees fourteen lacs on Bumper Lottery Scheme.

- **Value Added Tax :-**

- Continuation of tax on Petrol and Diesel etc. :-

In order to compensate the cost incurred on account of crop compensation, crop insurance, integrated watershed management, the rate of tax on petrol and diesel, IMFL, country liquor, cigarettes, cold drinks, gold, diamonds and its jewellery and imitation jewellery was increased to some extent from 1st October 2015. I have reconsidered the increase in tax rate and decided to continue the same for one more year as provision will be required in future also to meet the distress faced by the farmers.

- Increase of rate of tax from 5 to 5.5% :-

Speaker Sir, there is likelihood that the State may suffer revenue loss due to implementation of Goods and Services Tax. The Centre has shown readiness to compensate the loss. The compensation will depend upon the revenue collection of State in the years prior to implementation of Goods and Services Tax. The State will receive due compensation after implementation of Goods and Services Tax, if the revenue collection for the year 2016-17 is more. It is, therefore, appropriate to increase the rate of tax under VAT Act. Accordingly, I am proposing a small enhancement in lower general rate of tax. The rate of tax on goods, except declared goods, is proposed to be enhanced from 5% to 5.5%.

- Rate of tax on Hair Oil :-

Coconut oil is not used as an edible oil but mainly used as a hair oil in the State. The oil sold in small packaging is not normally used for cooking purposes. Hence, I propose to enhance the rate of tax on the coconut oil sold in packaging up-to five hundred milliliters from 5% to 12.5%. I am also proposing to amend the entry of drugs, so as to exclude hair oil from the same.

➤ Extension of Tax Exemption on Essential Commodities :-

The State has exempted tax on some of the essential commodities such as rice, wheat, pulses and their flour, turmeric, chillies, tamarind, jaggery, coconut, coriander seeds, fenugreek, parsley (Suva), Papad, wet dates, Solapuri chaddars up-to 31st March, 2016. I propose to continue exemption on these items up-to 31st March 2017. Towels are exempted up-to 31st March 2016. Now I am proposing tax of 5.5% on terry-towels. These towels are mainly used in hotels. I propose to continue the exemption on towels used by ordinary people up-to 31st March 2017. The tax exemption on currants and raisins will also continue up-to 31st March, 2017. The rate of five per cent tax on tea will now be 5.5% up-to 31st March, 2017.

➤ Exemption to Warping and Sizing Units :-

Warping and Sizing on yarn is the first step in textile production. Liability under Value Added Tax is incurred on the small units doing this work. An exemption under Value Added Tax is proposed to this industry which provides pervasive employment but a miniscule value addition.

➤ Tax on Sweet Corn :-

There is a confusion in the industry regarding rate of tax on sale of processed sweet corn. The dispute in the rate of tax is pending before the court. To remove uncertainty about the rate of tax, I propose tax rate of 5.5% on sweet corn.

➤ Tax on barbed wire, wire mesh and chain links :-

A tax at 12.5% is leviable on the barbed wire which is generally used by the farmer to protect his field. Similarly tax of 12.5% is leviable on wire mesh and chain links also mainly used by farmers. As a small goodwill gesture to the farmers, I propose to reduce tax to 5.5% on these goods.

➤ Tax on Cotton Seed :-

A tax of 5% is leviable on cotton seed and cotton seed oil; however, cotton seed oil cake is tax free. This tax structure results in refund to the cotton seed oil manufacturers. To set right the inverted tax structure, I propose tax at the rate of 2% on cotton seed.

➤ Tax on Battery operated and Hybrid Buses :-

Tax at the rate of 5% is leviable on the vehicles operated on battery and solar energy. Promotion of public transport is necessary to reduce traffic congestion. In order to promote public transport, I propose to exempt from tax the buses operated on battery or hybrid fuel, used for public transport and which are purchased by public transport undertakings.

➤ Tax on Pyrolysis Oil :-

Plastic waste is a big obstacle in the ‘Swacch Bharat’ mission. The industry which processes plastic waste needs to be promoted. I propose to reduce the tax from 12.5% to 5.5% on Pyrolysis Oil produced by processing plastic waste and other organic waste.

➤ Tax on LED Tubes :-

Energy saved is energy generated. In the last year Budget, I reduced tax from 12.5% to 5% on the LED bulbs. On the similar analogy I propose rate of tax at 5.5% on LED tubes also.

➤ Tax on goods used by Students :-

Students are the future of this country. A tax of 5% is levied on writing instruments, pens, mathematical boxes, writing pads, colour boxes etc. used by the students. Last year, I exempted Graph book, Drawing book and Laboratory book from tax, thereby reducing the burden of tax on goods used by students. I propose to reduce tax of 12.5% to 5% on Pencil Box, all types of gum, glues and sticks, stapler pin, tape dispenser, duster and all types of files.

➤ Tax on Retrofit Kit for vehicles of differently abled persons :-

Tax is not levied on certain vehicles meant for differently abled persons. However, tax of 12.5% is levied on retrofit kit which makes the vehicle operational for the differently abled. I propose to exempt retrofit kits also from tax.

➤ Tax on used vehicles :-

A tax of 1.88% is levied on sale of used vehicles by the dealers dealing in the same. However, the confiscated used vehicles of loan defaulters are sold off by the banks and such sale attracts 12.5% tax. To give some solace to such people, I propose to reduce the rate of tax to 5.5% on sale of used vehicle by the banks and financial institutions. However, this concession will be available to such vehicles on which sales tax or entry tax has been paid at the earlier stage.

➤ Tax on Sterile Water and Mammography Machine :-

I have exempted some of the medicines for cancer from tax while presenting the last budget. During discussion on Budget some of the respectable members of this house requested to exempt medicines and instruments for dialysis. I have granted tax exemption for the same. A tax of 12.5% is leviable on sterile water for injection. To make the rate of tax harmonious with the tax rate of medicine, I propose to reduce tax on sterile water for injection from 12.5% to 5.5%. I also propose to exempt from tax, the Mammography machines used for detection of breast cancer.

➤ Tax on Handicraft Products of Bamboo :-

There is a need to promote bamboo handicraft products. I propose to exempt the present 5% tax on the bamboo handicraft products, except bamboo furniture.

Composition Scheme

5. Small entrepreneurs are an important component of Indian economy. It is necessary to encourage these entrepreneurs as they provide numerous employment opportunities. Sales tax provides various composition schemes to such small entrepreneurs for easy computation of tax liability and reduced compliance cost. I propose some changes in these composition schemes.

➤ The yearly turnover limit for composition scheme for retailers is proposed to be enhanced from rupees fifty lacs to rupees one crore.

➤ Bakery products are part of daily consumption. It is necessary to encourage this industry as it provides opportunities for self-employment. Presently the composition scheme is available to Bakeries with turnover up-to rupees fifty lacs with a composition rate of 4%. However, this turnover also includes tax-free commodities such as bread etc. It is now proposed to exclude tax-free goods for computing the tax liability under the composition scheme for bakeries.

➤ Hotels, Restaurants etc. are eligible for composition without any turnover limit. All such registered dealers can opt for composition scheme with 5% tax. Considering that the composition scheme is meant for small dealers, I propose to enhance the rate of composition to 8% if the turnover of food and non-alcoholic drinks in the previous year has exceeded rupees three crore.

Changes to set off rules

6. Set-off on purchase of goods is an important aspect of Sales Tax Law. I propose certain changes to set-off rules to safeguard revenue.

➤ No set-off is available on sales tax paid on purchase of Petrol and Diesel. I propose to deny set-off of entry tax paid on these items.

➤ 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 motor vehicles are not eligible for set-off even if leased. I now propose that set-off on passenger motor vehicles will be available to the extent of output tax on lease of such vehicles.

Digital Billing 7. Growth in tax revenue depends on an efficient tax administration. To accurately capture the information regarding sales at the last stage, the use of automation becomes inevitable. I propose a Pilot Project of digital billing for the registered dealers selling at the last stage.

Logistic Hub 8. In the last Winter Session, to encourage the logistics business, I had proposed setting up a logistic hub in Nagpur region providing for an exemption from Central Sales Tax on the resale of goods brought from outside the State and packed or repacked inside the hub. A notification to this effect under the Central Sales Tax Act will be issued.

Amnesty Scheme 9. (a) Amnesty Scheme for dues under the Acts administered by the Sales Tax Department -

On the backdrop of forthcoming Goods and Services Tax, some States like Bihar, Himachal Pradesh, Gujarat and Madhya Pradesh have announced amnesty schemes for pending dues. The tax liabilities on the transactions in many cases is a matter of dispute. Such matters are pending in appeal before various courts. Even if matter is finally decided in favour of dealer, he is faced with uncertainty during pendency, while if the matter is decided in favour of Government, there is interest liability on the dealer which may make the business unviable. To address this problem and to unlock the revenue in appeal pending before the courts, I propose an amnesty scheme for such dues under the tax laws implemented by the Sales Tax Department. The amount so realized can be utilized for welfare measures.

Amnesty shall not be available for tax dues. A dealer who has filed an appeal and the recovery of disputed dues is stayed by the appellate authority can avail amnesty scheme. The amnesty will be available if the dealer withdraws the appeal. For periods before 1st

April 2005, if the dealer pays the disputed tax in full, then the corresponding interest and penalty shall be waived. For periods from 1st April 2005 to 31st March 2012, if a dealer pays the disputed tax amount and 25% of disputed interest, the corresponding balance interest and penalty shall be waived. Amnesty can be availed even for some of the issues pending in appeal. The amnesty shall be available from 1st April 2016 to 30th September 2016. The procedural details of the scheme will be announced separately.

(b) Amnesty Scheme under the Maharashtra Industrial Policy for closed units :-

To bring the fixed assets including land of closed and un-revivable units, a Special Amnesty Scheme providing exit option was announced under the Maharashtra Industrial Policy, 2013. This scheme was in operation from 2nd May 2013 to 31st March 2014 and from 14th August 2014 to 31st March 2015. The scheme provided for takeover of such closed and un-revivable units if the principal tax dues were paid at one go. The interest and penalty for such units was waived. I propose to implement this scheme afresh from 1st April 2016 till 31st March 2017.

Speaker Sir, I expect net additional revenue of rupees three hundred sixty three crore from the above tax proposals. This revenue increase has been considered in the Budgetary Estimates for 2016-17. I am sure that the Hon'ble Members shall support the proposals.

!!Jai Hind ! Jai Maharashtra!!