Maharashtra State Budget for F.Y. 2015-16

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Dear All

The Finance Minister of Maharashtra presented the State budget for 2015-16 on 18th March 2015 in the State Assembly. We have summarized below key indirect tax proposals/changes:-

**BUDGET HIGHLIGHTS**

- Local Body Tax to be abolished from 1st August 2015. Compensation of Revenue by enhancing VAT tax rate.
- Women drawing salary upto to Rs.10000 per month exempted from Profession Tax.
- Tax rate on ladies hand bags and purses reduced from 12.5 per cent to 5 per cent.
- Work Book, Graph Book, Drawing Book and Laboratory Book for student’s tax free.
- Tax rate on LED Bulb reduced from 12.5 per cent to 5 per cent.
- Tax rate on guide wire used in medical treatment reduced from 12.5 per cent to 5 per cent.
- Some medicines for treatment of cancer tax free.
- Reduction of late fee for VAT Return from Rs. 2000 to Rs.1000.
- Tax concession on essential commodities continued for one more year.
- No VAT on Service Tax.
- Rate of Excise Duty on Country liquor to be at 200 per cent of manufacturing cost or Rs. 120 per proof litre, whichever is higher.
- Mobilization of Revenue by enhanced premium on additional FSI.
- Entry Tax on import of Long Steel in State.
- Tax rate on Plain & Pre-laminated Particle Board enhanced from 5 per cent to 12.5 per cent.
Yojanas & Reformery steps:

- Main Thrust Areas:
  - Emphasis on dry land farming, accelerated development of infrastructure, removal of disparity, development of urban areas and generation of employment opportunities for youth.
  - Stringent measures to enhance revenue collection and ensuring effective capital expenditure.
  - Two digit economic growth with focus on agriculture, trade and industry, infrastructure development and financial discipline.
  - Government resolves to take agriculture growth rate to 6%.

- Debt Relief from Money Lenders:
  - Debt relief of Rs. 171 crore benefitting over 2 lakh farmers in Marathwada and Vidarbha regions.

- Agriculture:
  - Jalyukta Shivar Abhiyan- Rs. 1000 crore, cement Nala Bunds- Rs.500 crore and Repairs of ex-Malgujari tanks in Vidarbha- Rs.100 crore.
  - Ambitious programme of micro irrigation with outlay of Rs.330 crore.
  - New scheme of ‘Motiramji Lahane Krishi Samruddhi Yojana’ in suicide prone Yavatmal district with emphasis on mechanisation of agriculture and convergence of various agricultural schemes.
  - State Employment Guarantee Scheme- Rs.700 crore and Mahatma Gandhi National Employment Guarantee Scheme - Rs.1948 crore.
  - Rashtriya Krishi Yojana- Rs. 336 crore and National Food Security Mission and Agricultural Extension and Technology Mission-Rs. 257 crore.

- Irrigation:
  - Outlay for irrigation sector- Rs. 7272 crore
  - Strict implementation of technical and financial management of irrigation projects.
• **Road Development :**
  
  o ‘Mukhyamantri Gramin Marg Yojana’ announced for rural roads with outlay of Rs. 300 crore. The outlay to be enhanced to Rs.1000 crore every year.

  o Pradhanmantri Gram Sadak Yojana- Rs. 790 crore. An outlay of Rs. 71 crore for those works which do not fit into the norms of the scheme.

  o Outlay of Rs. 3213 crore for road works of 5000 kilometres.

  o New scheme ‘Aamdar Adarsh Gaon Yojana’ announced.

• **Power :**
  
  o Power generation projects- Rs. 535.34 crore.

  o Infrastructure Development for power distribution – Rs. 538 crore.

  o Hydral projects - Rs. 900 crore.

• **Housing for BPL families:**
  
  o New scheme named ‘Pandit Dindayal Upadhyay Gharkul Jaga Khaderi Arthsahayya Yojana’ announced. Financial assistance up to Rs. 50,000 under the scheme to buy land to BPL families for dwelling house.

  o Target of 1,00,000 dwelling houses under housing schemes with outlay of Rs. 884 crore.

• **Swachchha Bharat Abhiyan :**

  o Swachchha Bharat Abhiya launched in the state with outlay of Rs. 810 crore.

• **Infrastructure**
  
  o Mumbai Metro Line-3 Project - Rs.109.60 crore, Nagpur Metro Rail Project - Rs.197.65 crore and Pune Metro Project – Rs.174.99 crore.

  o Smart Cities – Rs. 268 crore.

  o Purchase of S. T. buses and repairs of bus depots - Rs. 141 crore.

  o Railway projects under construction - Rs. 68.60 crore.

  o Airport Development – Rs. 91 crore.

  o Land acquisition and rehabilitation of Mihan Project – Rs. 200 crore.
Industry and Tourism:
- Cluster Incentive Scheme - Rs. 315 crore.
- Subsidy on electricity to power looms - Rs. 1232.53 crore.
- Preservation and protection of notified forts - Rs. 50 crore.
- Establishment of Maharashtra State Eco-tourism Development Board to develop tourism in the forest and protection of bio-diversity.
- Development of road side facilities for tourist - Rs. 50 crore.
- Development of Tadoba-Andhari Tiger Project, Gorewada and Sanjay Gandhi National Park - Rs. 100 crore.
- ‘Uttamrao Patil Forest Park’ at every district.

Forest:
- Maharashtra State Bamboo Development Board to be constituted
- New scheme of ‘Shyamaprasad Mukherjee Jana Van Vikas Yojana’ to increase forest cover and forest management through public participation.

Skill Development:
- New scheme ‘Pramod Mahajan Kaushalya Vikas Yojana’ announced for skill development.
- Research and training institute at Sevagram at Vardha to promote rural artisans and handicrafts.

Education, Health and Women Development:
- Construction of girl’s hostel - Rs. 112.50 crore.
- All girl’s hostels in the state will have protection wall in the next three years.
- Sarva Shiksha Abhiyan - Rs.1690.56 crore.
- Rajiv Gandhi Jeevandayi Arogya Yojana – Rs. 300 crore.
- New scheme of ‘Punyashlok Ahilyabai Holkar Bajarpeth Yojana’ announced to develop market for products of women self-help groups.
• **Minorities, Special Assistance and Tribal Development:**
  - Share capital contribution to Maulana Azad Alpasankhyank Vikas Mahamandal - Rs.150 crore.
  - Special assistance to BPL families - Rs.1451.50 crore.
  - Special Component Plan for scheduled castes population – Rs. 6490 crore.
  - Tribal Sub Plan - Rs. 5170 crore.

• **Police and Courts:**
  - CCTV cameras to be installed in Amravati, Nashik, Aurangabad and Nagpur cities.
  - Cyber Crime Lab at every district.
  - Court building and residential buildings for Judges - Rs. 413.60 crore.

• **Strengthening of Administration:**
  - Independent Evidence Based Photography Monitoring Cell at Mantralaya level.
  - Scheme to reward officers and staff in Government who come out with innovative ideas on saving expenditure or increasing Government revenue.
DEPTH ANALYSIS ON BUDGET HIGHLIGHTS

1. Automation in Sales Tax

Automation of tax system is the need of the hour. The State has recently started the new automation project which will help both the business and the department in migration of existing data into GST System.

2. Increase in FSI Premium

a) It is proposed to adopt the policy of grant of additional FSI, for industrial and educational purposes, based on road width by charging premium, in the agriculture or no development zones in the approved regional plans, at the level of district Collector within the limits of Municipal corporation & Municipal Council.

b) The Government has also proposed to enhance FSI limit from 0.33 to 0.60 and increase the rate of premium in the Brihan Mumbai Municipal Corporation limit.

c) It is also under consideration of the Government to enhance the rate of premium on grant of all kinds of additional FSI.

d) This will intend to grant timely permission, simplify procedures and charge legitimate premium on additional benefits.

3. Change in rate of Excise duty on Country liquor

Rate of Excise duty on country liquor would be now 200 per cent of the manufacturing cost or Rs.120 per Proof litre whichever is higher.
4. Amendments in MVAT Act, 2002

a) NO VAT on Service Tax

It is proposed that there won’t vat on services tax however the situation for pending assessment would be cleared only when a corresponding notification would be issued.

b) Revision of Returns as per findings in audit or investigation proceedings.

Earlier dealer could 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.

c) Late fee in case of a delayed return.

Late fee of rupees one thousand is proposed instead of rupees two thousand for delay in filing of return within one month from the due date specified under Section 20 of MVAT Act.

d) Initiation of Assessment

It is now proposed that assessment during any issue base or desk audit can be initiated only if there is a reason to believe that tax liability is not properly discharge or there is an attempt to evasion of tax.

It is proposed to time bared the issue base and desk audit matters.

e) Computation Interest

In earlier law there is no provision of computing interest if dealer has filed revised return for complete year. Now it is proposed to compute interest with effect from 01st Oct of the every year for which return relates. Besides there would be anticipated change in calculation of interest for returns revised within a year.

For Example: An annual revised return was filed for F.Y. 2015-16 on 30th Sept 2016 the interest applicable would be from 01st Oct 2015 irrespective to which month the liability pertains.
f) Appeal under Various Acts.

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 need certain technical changes. I propose to make the same.

For Example: The amount paid under Entry Tax was adjusted against VAT liability for F.Y. 2013-14, the Appeal for VAT was filed for the said financial year against an order which disallowed the set off of Entry Tax. The Appe llant Authority had no power to pass an order or decide a matter under Entry Tax since appeal under Entry Tax was not filed. It is proposed to overcome this shortcoming.

g) Cancellation in case of merger/demerger.

High Court approves merger or demerger of the companies, thereafter company is required to apply to the Registrar of Companies. I propose 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.

The Procedure for intimation of merger is as follows:

1) Approval of Merger by Hon’ble High Court.
2) Intimation of the Merger to Register of Companies.
3) Notification of approval shall be received by Register of Companies.
4) Within thirty days of receipt of such notification cancellation of Tin shall be filed.

h) Extension of tax exemption essential commodities.

Exemption of further one year is provided on rice, wheat, pulses and their flour, turmeric, chilies, tamarind, jaggery, coconut, coriander seeds, fenugreek, parsley (Suva), papad, wet dates, solapuri chaddars towels, currants and raisins.
i) 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>All types of wood free plain and pre laminated</td>
<td>5%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Particle boards. (Incl. ‘ECO MARK’ board)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guide wire required for medical treatment</td>
<td>12.5%</td>
<td>5%</td>
</tr>
<tr>
<td>LED bulb</td>
<td>12.5%</td>
<td>5%</td>
</tr>
<tr>
<td>Cashew shell.</td>
<td>12.5%</td>
<td>5%</td>
</tr>
<tr>
<td>Ladies purse and handbag</td>
<td>12.5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

j) Exemption to medicines for treatment of cancer.

It is propose to exempt certain medicines required for treatment of cancer. A list of such medicines will be notified in due course.

k) Certainty in Taxation.

a) Exemption from tax to Workbook, Drawing Book, Laboratory Book, Graph Book

Currently, books are exempted from tax, and exercise books, graph books, laboratory note books and drawing books are taxed at five per cent however there was dispute whether workbooks should be considered as books or exercise book. Hence its has been clarified that Workbooks will be tax free from 1st April, 2015. For earlier periods, outcome of judicial forum will be honored. It’s is also been declared that drawing book, laboratory note book and graph book to be tax free from 1st April, 2015

b) Rate of tax on White Butter

It has been clarified that White Butter will be taxed at four per cent from 1st September, 2005 and five per cent from 1st April 2010
c) **Rate of tax on Paper**

There is a dispute as to what all items falls under the definition of paper. Hence there would be clarification from the department through notification as to what items will fall within the definition of paper.

d) **Rate of Tax on spices**

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. Thus the rate of tax applicable would be 5%.

e) **Tax on embroidery thread**

A retrospective clarification will be provided that tax rate on embroidery thread will be same as that of sewing thread @ 5%.

5) **Entry Tax**

It is proposed to levy a Five per cent Entry Tax on *Long Steel* for goods imported in state of Maharashtra. Set-off will be allowed as per provision.

6) **Concession in Professional Tax to women.**

The salary limit for levy of profession tax has been enhanced to Rs.10,000/- instead of Rs.7,500/- for women. From date of notification, PT shall be deducted as follows:

**Salary Male**

7500 – 10000- 175  
Above 10000 - 200 (300 in the month of Feb)  

**Salary Female**

Above 10000 - 200 (300 in the month of Feb)
7) **Local Body Tax**

The Local Body Tax will be abolished from 1st August, 2015. This loss of revenue of Corporation 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. However during the speech, the State Finance minister didn’t consider the abolition of octroi from various Corporations including Mumbai apart from abolition of octroi on crude oil. Hence it can been seen that there would be increase in price of goods due to increase in rate of VAT and levy of octroi on goods in some Corporations.
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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