

## **Introduction**

### **WHAT IS VALUE ADDED TAX (VAT) ?**

VAT (Value Added Tax) is a multistage tax system for collection of sales tax. The system envisages levy of tax on the sale at each stage and contemplates allowing of set off of tax paid on purchases. Thus, tax is getting paid on the value addition in the hands of each intermediary vendor. Through the whole chain, State collects tax on actual consumer price. The process covers whole chain of distribution i.e. from manufacturers till retailers.

Prior to 1-4-2005, the system for levy of tax in Maharashtra was, in general, single point tax system. As a consequence to national consensus for introduction of VAT, the earlier Bombay Sales Tax Act, 1959 is replaced by Maharashtra Value Added Tax Act, 2002. The Act has come into force with effect from 01/04/2005. Thus, from 1-4-2005, sales tax is being collected under VAT system in Maharashtra. Salient features of this Act are mentioned hereunder:

## **I. Definitions**

Section 2 gives definitions of various terms. The definitions are almost at par with earlier law i.e. Bombay Sales Tax Act, 1959.

Some of the important definitions:

- **Section 2 (4) – “Business”** – The definition of **Business** includes in its scope any service, trade, commerce, manufacture or any adventure or concern in the nature of such service, trade, commerce or manufacture, whether carried on with or without profit motive and whether actual profit is earned or not. Further, it also includes any transaction which is incidental or ancillary to such trade, commerce, manufacture, adventure, concern or service and also includes any transaction which is incidental or ancillary to commencement or closure of such trade, commerce, manufacture, service etc. The purchase of any goods, the price of which is debited to business is also be deemed to be the purchase effected in the course of business. Similarly sale of any goods, the proceeds of which are credited to the business is also deemed to be the sale effected in the course of business.  
Though service is also included in the definition of business, as per Section 2(27) only notified services are to be included in the scope of the definition. As on today no such services are notified and as such at present no service gets covered under the definition of business.
- **Section 2(12) – “Goods”** means every kind of movable property. The definition specifically includes live stocks, growing crop, grass and tree, plants including produce thereof under given circumstances. However, it excludes newspapers, money, stocks, shares, securities, lottery tickets and actionable claims.
- **Section 2(30) – “Tax free goods”**
  - Tax free goods means the goods against which rate of sales is shown to be Nil in the Schedule and Taxable goods means goods other than tax free goods.
  - This means all goods at present covered by schedule A are tax free.

- **Section 2(8) - “Dealer”** - Definition of **Dealer** includes **any person** who buys or sells goods in the state for commission, remuneration or otherwise. It also includes, among others, by an Explanation, public charitable trust, government departments, societies, State Government, Central Government, shipping companies, airlines, advertising agencies etc.
- **Section 2 (13) - “Importer”** means a dealer who brings any goods into the State or to whom any goods are dispatched from outside the state, which will include import out of India also.
- **Section 2 (24) – “Sale” - Sale** means a sale of goods made within the State for cash or deferred payment or other valuable consideration but does not include a mortgage, hypothecation, charge or pledge. Ordinarily sale means transfer of property to buyer in goods for cash or deferred payment or other valuable consideration. A sale within the State includes a sale determined to be inside the State in accordance with the principles formulated in Section 4 of the Central Sales Tax Act, 1956. Following types of transactions are also included in definition of sale.

(i) the transfer of property in any goods, otherwise than in pursuance of a contract, for cash, deferred payment or other valuable consideration;

(ii) the transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract including an agreement for carrying out for cash, deferred payment or other valuable consideration, the building, construction, manufacture, processing, fabrication, erection, installation, fitting out, improvement, modification, repair or commissioning of any movable or immovable property; (known as works contract transactions)

(iii) a delivery of goods on hire-purchase or any system of payment by instalments;

(iv) the transfer of the right to use any goods or any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration; (known as lease transactions)

(v) the supply of goods by any association or body of persons incorporated or not, to a member thereof for valuable consideration;

(vi) the supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (whether or not intoxicating), where such supply or service is made or given for cash, deferred payment or other valuable consideration:

- **Section 2(25) – “Sale Price”** - Sale price is defined to mean an amount received/ receivable for any sale including any sum charged by seller in respect of the goods at the time of or before delivery thereof. The amount of duties levied or leviable on goods under the Central Excise Act, 1944 or the Customs Act, 1962 or the Bombay Prohibition Act, 1949, shall be deemed to be part of the sale price of such goods, whether such duties are paid or payable by or on behalf of, the seller or the purchaser or any other person.

However, the definition excludes the cost of insurance for transit or of installation, when such cost is separately charged. Sales tax, if any, charged separately shall not form part of sale price.

Generally, freight and octroi will be part of sale price if the sale is door delivery contract. If the same is ex seller’s place and the above expenses are received as reimbursement or as per the separate contract for rendering services, then it will not form part of sale price.

The issue for discussion is whether amount of service tax charged separately in sales invoice in case of works contract transaction will form part of “Sale Price” or not. The Maharashtra Sales Tax Tribunal in case of M/s. Nikhil Comfort (S. A. No. 3 of 2010 dated 31/03/2012 held that service tax amount forms a part of sales price. The assessee filed an appeal before the Bombay High Court against the judgement of Tribunal.

**Discount** - The discount will be deductible as per the legal position interpreted so far i.e. if discount agreed before sale, the same is allowable, otherwise not.

## II. Registration

Section 3 of the Act provides for turnover limits for liability to pay tax as well as for registration. The registration number, which used to be referred to as Registration Certification No. (R.C. No.) has been changed to TIN (Tax Payers' Identification Number) and hence the R.C. No. is now referred to as VAT TIN. This change is effective from 1.4.2006. The limits for registration are as under:

### Threshold Turnover Limits:

| Sr. No. | Category of Dealer  | Total turnover of sales to exceed   | Turnover of sale or purchases of taxable goods |
|---------|---|---|--|
| 1       | Importer:   | ` 1,00,000/-  | Not less than ` 10,000/-                       |
| 2       | Others (Including manufacturer, reseller, liquor dealer, works contractors, lessors etc.) | ` 10,00,000/-<br>(With effect from 01/07/2014 and Rs. 5,00,000 upto 30/06/2014) | Not less than ` 10,000/-                       |
| 3       | Voluntary Registration  | - NA-   | -NA-   |

### **Notes:**

- (i) Reference to turnover of ` 1,00,000 or ` 10,00,000 is with respect to **sales only**. Sales will include sales of both, tax-free goods as well as taxable goods.
- (ii) No turnover limit for **import** is specified for importer. Even an import of Re. 1 is sufficient to treat the dealer as an importer.
- (iii) The dealer who is liable to pay tax is required to apply for registration under the Act **within 30 days** from the date on which prescribed limit of turnover exceeds. In case of **change in ownership or constitution**, an application for new registration certificate (TIN certificate) is to be made within 30 days from the date of such change. In case of **death** of a dealer, an application for new registration for transfer or succession of business can be made within **60 days** from the date of death of dealer. If application for TIN is made within the time as mentioned above, then registration certificate will be granted from the date of liability, otherwise from the date of application. One TIN number will be issued for the whole state of Maharashtra, which will cover all the places of business of the dealer in Maharashtra. The

VAT TIN may be given retrospective effect by the concerned Joint Commissioner of Sales Tax on making separate application for Administrative Relief. (Refer Circular No. 33T of 2007 dated 18<sup>th</sup> April, 2007 and 36T of 2009 dated 24<sup>th</sup> December, 2009 issued by Commissioner of Sales Tax).

- (iv) The dealer can also apply for **voluntary registration** by paying registration fees of ` 5,000/-. Registration certificate in such case will be granted with effect from the date of application. Apart from registration fee of ` 5000/- , a dealer is also required to deposit ` . 25,000/-. With effect from 1<sup>st</sup> May, 2011, it has been provided in Section 16(2A) that this deposit is in the nature of security deposit and cannot be adjusted against the tax liability. However, this security deposit will be refundable. As per Rule 60A, a person or dealer will have to make an application to registering authority for refund of security deposit after 36 months but before 48 months from the end of the month containing date of effect of registration certificate. In case of cancellation of registration certificate within 36 months, an application for refund of deposit will have to be filed within 6 months from the date of service of cancellation order. If application is not filed within the prescribed time limit, then deposit will be forfeited. Subject to above, if all the returns are filed and all taxes are paid then the registration officer will refund the deposit within 90 days from the date of application.
- (v) The application for registration (VAT TIN) is to be made in Form No.101 and in Form A for C.S.T TIN.

### **III. Administrative relief for unregistered dealers**

The Government of Maharashtra in Finance Department, vide Government Resolution No. VAT-1506/CR-152/Taxation-1 dated 5th February, 2007, has delegated the powers to the Commissioner of Sales Tax to regulate the cases of delay in obtaining the certificate of registration subject to the condition that the delay should not be the result of attempt to evade or to delay the payment of legitimate tax.

The delay in obtaining certificate of registration beyond five years shall be treated as an attempt to evade or to delay the payment of legitimate tax. The dealers who have remained un-registered for a period exceeding five years shall not be entitled to get any Administrative Relief.

To become eligible for Administrative Relief, the conditions mentioned below are required to be fulfilled,

- i. The dealer should apply for Administrative Relief to the appropriate authority in the prescribed form.
- ii. The dealer should file all the returns and make payment of tax along with interest for the period starting with the registration before filing the application for Administrative Relief.
- iii. The dealer should also calculate the tax for the unregistered period (as if he is registered) and make payment of tax along with interest and file the return electronically for the said unregistered period before filing application for Administrative Relief.

The application for ADM Relief is to be made to Joint Commissioner (Adm) VAT in Mofussil area and Joint Commissioner (Registration) in Mumbai.

The order passed by the authority is non appealable.

#### **IV. Levy of tax**

Under MVAT Act, 2002, sales tax is payable on all sale of goods effected from the state, whether such goods are manufactured or resold or imported from out of the State of Maharashtra or purchased from registered or unregistered dealers in Maharashtra. Unlike Bombay Sales Tax Act, there is no concept of 'resale' or 'second sale' under the MVAT Act, 2002.

The tax is payable on sale/\*purchase of goods effected by any dealer in the state of Maharashtra on exceeding the threshold limit.

There is no scheme for levy of purchase tax except on purchase of Cotton (Sec.6A) & Oil Seeds (Sec. 6B). Therefore purchase of goods from a person who is not a dealer or unregistered dealer will not attract purchase tax except stated above.+

With effect from 1<sup>st</sup> September, 2012, furnishing cloth attracts tax at the last point of sale.

#### **V. Charging Provisions**

Section 4, 5, 6 and 7 are charging Sections.

**As per Section 5**, no tax is to be levied on sale of goods covered by **Schedule A**.

**Section 6** provides for levy of tax on turnover of goods covered by **Schedule B, C, D and E**.

**Section 7** specifies the rate of tax on **packing material**. Where any goods are sold and such goods are packed in any material, then the tax on such sale of packing material shall be at the same rate of tax, if any, at which tax is payable on the goods so packed, whether the packing material is charged separately or not.

#### **VI. Schedules and Rate of Tax**

- All the goods are classified under Schedule A to E.
- Schedule A covers goods, which are generally necessities of life. Goods covered by Schedule A are free from tax. Some of the items covered by Schedule A are agricultural implements, cattle feed, books, bread, fresh vegetables, milk, sugar, fabrics, plain water etc.
- Schedule B covers jewellery, diamonds, precious stones and imitation jewellery. Goods covered by Schedule B are subject to tax at 1%. (1.10% for the year 2013-14)
- Goods covered by Schedule C are subject to tax 5%. With effect from 1<sup>st</sup> May, 2011 declared goods are also subject to tax @ 5%. Schedule C covers items of daily use or raw material items like drugs, readymade garments, edible oil, utensils, iron and steel, non ferrous metal, IT products, oil seeds, paper, ink, chemicals, sweetmeats, farsan, industrial inputs, packing materials etc.
- Schedule D covers different types of liquors. Wine is subject to tax @ 20%. With effect from 1<sup>st</sup> May, 2011, other liquors are subject to tax @ 50%. It also covers various types of motor spirits that are subject to tax from 4% to 34%.

- All items which are not covered in any of the above Schedules are automatically covered in residuary Schedule E. Goods covered by Schedule E are subject to tax at 12.5%

## **VII. Exemptions**

Following sales transactions are exempt from payment of tax under MVAT Act:

- Interstate sale is exempt from payment of sales tax and it may be liable to tax under C.S.T Act. [Section 8(1)]
- Sales taking place outside the state as determined under Section 4 of the C.S.T Act. [Section 8(1)]
- Sales in the course of import or export. [Section 8(1)]
- Sales of fuels and lubricants to foreign aircrafts. [Section 8 (2)]
- Inter-se sales between Special Economic Zones, developers of SEZ, 100% EOU, Software Technology Parks and Electronic Hardware Technology Park Units subject to certain conditions. [Section 8 (3)]
- Sales to any class of dealers specified in the Import and Export Policy notified by the Government of India [8(3A)]. This is subject to issue of notification by State Government under this Section. However, no such notification is issued till today.
- As per Section 8(3B), the State Government may, by general or special order, exempt fully or partially sales to the Canteen Stores Department or the Indian Naval Canteen Services.
- Under power granted u/s. 8(3C), the State Government, by general order, has exempted fully the tax on works contract of processing of textiles covered in column 3 of the first schedule to the Additional Duties of Excise (Goods of Special Importance) Act, 1957. By amendment in Additional Duties of Excise (Goods of Special Importance) Act, 1957 the textiles are removed from above Act with effect from 8<sup>th</sup> April, 2011. However, corresponding change is not made in the above notification under the MVAT Act. Therefore, operation of the above exemption Notification after 8<sup>th</sup> April, 2011 is subject to renewal of this Notification as per above amended position.
- Sales effected by manufacturing units covered by Package Scheme of Incentives and under exemption mode are exempt from payment of tax u/s. 8(4).
- As per Section 8(5), the State Government may, by general or special order, exempt fully or partially sales to specific category of dealers mentioned in this sub Section. By Notification dated 19.4.2007 concessional rate of tax @ 5% (4% upto 30<sup>th</sup> April, 2011) is provided for sale to specified Electric Power Generating and Distribution Companies, MTNL, BSNL, other specified telephone service providers and telecom infrastructure providers.
- One more notification dated 29<sup>th</sup> June, 2009 is issued by the State Government u/s. 8(5) by which sale of certain specific goods for satellite launch system to the Department of Space, Government of India is exempted from payment of tax with effect from 1<sup>st</sup> July, 2009.
- The State Government may issue the notification to grant refund of any tax levied on and collected from any class or classes of dealers or persons or as the case may be, charged on the purchases or sales made by such class or classes of dealers or persons (Section 41). At present this notification is issued for grant of refund in case of Consulate and Diplomat authorities.
- As per Section 41(4)(b) read with Notification dated 30.11.2008 issued under the said section, the sale of motor spirit at retail outlets is exempted from tax, if the retail outlet purchases the same from registered dealer.
- Section 41(5) is introduced with effect from 1<sup>st</sup> May, 2011. As per this Section, the State Government is empowered to provide exemption from the payment of full or part of the taxes payable on any class or classes of sales of liquors by any class or classes of dealers. Using the

powers granted u/s. 41(5), the State Government has issued a notification, which is discussed subsequently.

**IX. Levy of Tax on Works Contract transactions**

Works Contract transaction consists of supply of material and labour. However, tax under MVAT Act is leviable on sales value of materials only. Therefore, a dealer has to identify the sale value of the material transferred under works contract. Rule 58 prescribes the deductions available which can be deducted from the value of contract to arrive at the sale price of the goods transferred in the execution of the works contract.

The eight items, which are eligible for deduction from total contract value for arriving at value of goods, are as under.

- (a) Labour and service charges for the execution of the works;
- (b) Amounts paid by way of price for sub-contract, if any, to sub-contractors;
- (c) Charges for planning, designing and architect’s fees;
- (d) Charges for obtaining on hire or otherwise, machinery and tools for the execution of the works contract;
- (e) Cost of consumables such as water, electricity, fuel used in the execution of works contract, the property in which is not transferred in the course of execution of the works contract;
- (f) Cost of establishment of the contractor to the extent to which it is relatable to supply of the said labour and services;
- (g) Other similar expenses relatable to the said supply of labour and services, where the labour and services are subsequent to the said transfer of property;
- (h) profit earned by the contractor to the extent it is relatable to the supply of said labour and services:

Alternatively, proviso to the Rule 58 has prescribed the specific percentages for different types of works contracts. A dealer may deduct the prescribed percentage from the total value of contract.

**The Table for Standard deduction towards labour charges:**

| <b>Serial No.</b> | <b>Type of Works contract</b>                    | <b>Amount to be deducted from the contract price (expressed as a percentage of the contract price)</b> |
|-------------------|--|--|
| (1)               | (2)  | (3)  |
| 1                 | Installation of plant and machinery              | Fifteen per cent.  |
| 2                 | Installation of air conditioners and air coolers | Ten per cent.  |
| 3                 | Installation of elevators (lifts) and escalators | Fifteen per cent.  |

|    |  |                       |
|----|--|-----------------------|
| 4  | Fixing of marble slabs, polished granite stones and tiles (other than mosaic tiles)          | Twenty five per cent. |
| 5  | Civil works like construction of buildings, bridges, roads, etc.                             | Thirty per cent.      |
| 6  | Construction of railway coaches on under carriages supplied by Railways                      | Thirty per cent.      |
| 7  | Ship and boat building including construction of barges, ferries, tugs, trawlers and dragger | Twenty per cent.      |
| 8  | Fixing of sanitary fittings for plumbing, drainage and the like                              | Fifteen per cent.     |
| 9  | Painting and polishing   | Twenty per cent.      |
| 10 | Construction of bodies of motor vehicles and construction of trucks                          | Twenty per cent.      |
| 11 | Laying of pipes  | Twenty per cent.      |
| 12 | Tyre re-treading   | Forty per cent.       |
| 13 | Dyeing and printing of textiles  | Forty per cent.       |
| 14 | Annual maintenance contracts   | Forty per cent        |
| 15 | Any other works contract   | Twenty five per cent  |

Note: (1) The percentage is to be applied after first deducting from the total contract price, the quantum of price on which tax is paid by the sub contractor, if any, and the quantum of tax separately charged by the contractor if the contract provides for separate charging of tax. The balance value arrived at by deduction of labour charges by any of above methods will be taxable value of goods. On such value, tax will be required to be paid at 0%, 4% or 12.5% depending upon the goods transferred in the contract. Contractors can issue 'tax invoice' while charging above tax.

(2) In case of a construction contract, where alongwith the immovable property, the land or, as the case may be, interest in the land, underlying the immovable property is to be conveyed, and the property in the goods (whether as goods or in some other form) involved in the execution of the construction contract is also transferred to the purchaser then such transfer is liable to tax under rule 58(1A). The value of the said goods at the time of the transfer shall be calculated after making the deductions as aforesaid under Rule 58(1) and the cost of the land as per Rule 58(1A) from the total agreement value.

The cost of the land shall be determined in accordance with the guidelines appended to the Annual Statement of Rates prepared under the provisions of the Bombay Stamp (Determination of True Market Value of Property) Rules, 1995, as applicable on the 1st January of the year in which the agreement to sell the property is registered. It is, however, provided that deduction towards cost of land shall not exceed 70% of the agreement value.



## **Composition Scheme for works contract**

Alternatively, composition schemes are prescribed u/s. 42(3). A contractor may pay tax @ 8% on the total contract value without claiming the deduction for labour. However, deduction for payment to sub contractor is available subject to conditions. Such composition tax @ 8% can be collected separately by issuing 'tax invoice'.

From 20<sup>th</sup> June 2006 a composition scheme for payment of tax @ 5% is also available for notified construction contracts.

The notified construction contracts as per Notification No. VAT.1506/CR-134/Taxation-1 dated 30.11.2006 are as under.

(A) Contracts for construction of, -

- (1) Buildings,
- (2) Roads,
- (3) Runways,
- (4) Bridges, Railway overbridges,
- (5) Dams,
- (6) Tunnels,
- (7) Canals,
- (8) Barrages,
- (9) Diversions,
- (10) Rail Tracks,
- (11) Causeways, Subways, Spillways,
- (12) Water supply schemes,
- (13) Sewerage works,
- (14) Drainage,
- (15) Swimming pools,
- (16) Water Purification plants and
- (17) Jetty.

(B) Any works contract incidental or ancillary to the contracts mentioned in paragraph (A) above, if such work contracts are awarded and executed before the completion of the said contracts.

## **Composition scheme for builders/developers**

With effect from 1.4.2010 a composition scheme is provided for builder/contractors. The scheme is applicable to registered dealers who undertake the construction of flats, dwellings or buildings or premises and transfer them in pursuance of an agreement alongwith the land or interest underlying the land. The composition is payable at 1% on agreement value or value specified for the purpose of stamp duty under Bombay Stamp Act, 1958 whichever is higher. The scheme is subject to various conditions and reference be made to notification no. VAT. 1510/CR-65/Taxation-1 dated 9.7.2010 for further details.

## **Contractor/ Sub-contractor:**

If the contractor allots the works contract to the sub-contractor, then the contractor and sub contractor are treated as Principal and agent. The responsibility for payment of tax will be joint and several. However the contractor can make the payment of tax on contract and subcontractor can take deduction by obtaining declaration and certificate in Form 406 and 409 from the contractor. Similarly if the sub contractor has made payment of tax on contract allotted to him, then contractor can take deduction to that extent by obtaining declaration and certificate in Form 407 and 408 from sub contractor.

## **XI. Levy of Tax on Lease transactions**

There is no specific schedule of lease tax. In case of transaction of lease of any movable goods, tax is payable on the amount received or receivable at the same rate as applicable to the normal sale of such goods.

### **Composition scheme for mandap decorators:**

Where a dealer is liable to pay tax on sales effected by way of the transfer of the right to use mandap, tarpaulins, shamiana or pandal (including the transfer of the right to use furniture, fixtures, lights and light fittings, floor coverings, utensils and other articles ordinarily used alongwith a mandap, pandal or shamiana), then he may pay a tax @ 1.5 % of the turnover of sales effected by him instead of payment as per provisions of Act.

## **CENTRAL SALES TAX ACT, 1956**

### **I Purpose / Scope**

- (i) This Act is applicable to sales/ purchases taking place in course of inter-state trade and commerce.
- (ii) The inter-state nature of transaction is to be determined as defined in Section 3(a) / (b). If sale /purchase occasions movement of goods from one State to another State, it is an interstate sale. A sale, effected by transfer of documents of title to goods when goods are in inter-state movement, is also an inter-state sale.
- (iii) Section 4 of the CST Act determines situs of sale: i.e. State in which the sale takes place. Accordingly the situs is to be decided on the location of the goods at the time of sale.
- (iv) Section 5 defines the sale/ purchase taking place in course of import/export and such transactions are immune from levy of any tax by State Government or Central Government. [(Section 5(1), 5(2) and 5(3)].

The sale of goods to any exporter for the purpose of complying with the pre-existing order and covered by Section 5(3) is also exempt as deemed export. These sales are to be supported by Form H alongwith export order details and copy of bill of lading etc. as evidence of actual export.

### **II Exemptions**

- (i) Section 6 is charging Section. As per Section 6(2) subsequent inter-state sale transaction taking place by transfer of documents of title to goods, when the goods are in course of movement, are exempt. For this purpose the claimant dealer has to obtain Form E-1 from his vendor (if such vendor is first seller otherwise, E-II) and Form 'C' from the buyer.
- (ii) Sale to notified foreign diplomat authorities is also exempt u/s. 6(3) against Form 'J'.
- (iii) The inter-state sale to units situated in Special Economic Zone (SEZ) or developers of SEZ against Form 'I' are exempt as per Sections 8(6) read with Section 8(8).

### III Branch/Consignment Transfer

Under Section 6A, branch/ consignment transfer is allowed only if Form 'F' is produced, else it will be deemed to be a sale. Form 'F' is required to be obtained from transferee branch/agent. One Form 'F' can cover transfers effected in one calendar month.

### IV Rates of tax

As per Section 8 of CST Act, the rates of taxes are to be decided as per rates under Local Act. The rates can be as under:

**(Prior to 1-4-2007):**

| Local Rate of Tax                                 | Rate of Tax under C.S.T Act  |                             |
|---|------------------------------|-----------------------------|
|   | Supported by Form 'C' or 'D' | Without 'C' or 'D' Form     |
| Declared goods                                    | Local rate of tax            | Twice the local rate of tax |
| If the goods are generally exempt under Local Act | Exempt                       | Exempt                      |
| Less than 4%                                      | Local rate of tax            | 10%                         |
| 4% or more, up to 10%                             | 4%                           | 10%                         |
| More than 10%                                     | 4%                           | Local rate of tax           |

**(From 1-4-2007 to 31-5-2008):**

| Local rate of tax                                 | Rate of Tax under C.S.T Act                 |                  |
|---|---|------------------|
|   | Supported by Form 'C' (Form D is abolished) | Without 'C' Form |
| Declared goods                                    | 3%  | 4%               |
| If the goods are generally exempt under Local Act | Exempt                                      | Exempt           |
| 1%  | 1% (Form C not required)                    | 1%               |
| 4%  | 3%  | 4%               |
| 12.5%   | 3%  | 12.5%            |

**(From 1-6-2008 onwards):**

| Local rate of tax                       | Rate of Tax under C.S.T Act                 |                  |
|---|---|------------------|
|   | Supported by Form 'C' (Form D is abolished) | Without 'C' Form |
| If the goods are generally exempt under | Exempt                                      | Exempt           |

|           |    |                          |
|-----------|----|--------------------------|
| Local Act |    |                          |
| 1%        | 1% | 1% (Form C not required) |
| 4%        | 2% | 4%                       |
| 5%        | 2% | 5%                       |
| 12.5%     | 2% | 12.5%                    |

## **V. Registration, Form 'C' purchases and other provisions**

1) There is no threshold limit for registration under CST Act and hence even on the basis of single transaction a dealer will be liable for registration under Section 7(1). The dealer can also obtain registration voluntarily along with registration under VAT Act as per Section 7(2) of CST Act. Application for registration should be in Form A. Registration certificate will be in Form B.

2) As per Section 9(2), the interest/penalty/return/assessment provisions applicable under Local Act are also applicable to CST Act. In addition there are provisions for levy of penalty u/s.10 like contravention of the conditions of declaration forms, wrong issue of form etc.

3) Purchases to be effected against Form 'C' are subject to conditions. The compliance is to be checked before using Form 'C'. In nutshell, it can be mentioned that Form 'C' can be used for effecting purchases which are meant for:

- a) Resale by him
- b) Use in manufacturing/ processing of goods for sale
- c) Use in mining
- d) Use in generation /distribution of power
- e) Use in packing of goods for sale/resale
- f) Use in telecommunication network.

4) One 'C' form can be issued for one quarter of a financial year. Similarly EI / EII can also be issued on quarterly basis.

The Central Government has substituted second and third proviso to Rule 12(1) vide Notification No. 588(E) dated 16<sup>th</sup> September, 2005. According to these provisos, with effect from 1<sup>st</sup> October, 2005, Form C will have to be collected separately for each quarter of the year. Form D was required to be obtained transaction wise. However, Form D has been abolished with effect from 1<sup>st</sup> April, 2007.

Central Government has also substituted sub rule (7) to rule 12 with effect from 1<sup>st</sup> October, 2005. Form C or certificate in Form E-I or E-II will have to be submitted to sales tax department within three months from the end of the quarter in which sale is effected. In case of Form F, it is to be obtained on monthly basis and it is to be submitted to the sales tax department within three months from the end of the month in which goods are transferred to the interstate branch or agent. In Maharashtra State, the Commissioner of Sales Tax has exempted the dealer from submission of Form C, D, F, H, E-I or E-II. Instead of that, dealers are required to submit the list of missing forms on quarterly basis as per the format specified in Trade Circular No.28T of 2005 dated 24.10.2005.

5) From 11-5-2002 the six deemed transactions of sale, including works contracts and leases are taxable under the CST Act if they are effected in the course of inter-state trade.

6) Chapter VI-A provides for filing of appeals before Central Sales Tax Appellate Authority in case of disputes involving more than one state.

7) In addition, there are other provisions for declared goods, liability in case of companies, offences and prosecution etc.

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## **PROFESSION TAX ACT, 1975**

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### **I Purpose and Scope**

The Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 (Profession Tax Act) has come into operation from 1-4-1975. The purpose is to collect revenue for the purpose of implementing Employment Guarantee Scheme. Various definitions are given in Section 2.

### **II Levy of Tax-Enrolled Persons**

The Act proposes to levy tax on 'person' covered by schedule I appended to the Profession Tax Act, 1975 (given separately). There are 21 entries in the schedule to cover the different category of persons. The rates of taxes are also given in same schedule. The person liable to Profession Tax has to obtain Enrollment Certificate within 30 days from date of liability. Normally the tax is required to be paid by 30<sup>th</sup> June of respective financial year. The payment is to be made in challan No. VIII. Facility of payment by electronic mode is not yet started.

### **III Composition Scheme**

There is scheme of composition for enrolment holders u/s. 8(3) by which any person holding a certificate of enrolment and liable to pay tax at the rate of ` 2,500/- per annum, may discharge his liability for payment of tax under this Act for a total continuous period of five years by making payment in advance of a lump sum amount equal to four times of such rate of tax, on or before the 30<sup>th</sup> June of the year. Any variation in rates during above years will not affect the person covered by composition. If composition money is paid late (i.e. after June in the financial year) interest at ` 200 p.m. is payable for delayed months. For example, if an enrolled person wants to opt for composition for 2014-2015 to 2018-2019 and he is in the slab of ` 2500/- he has pay tax for 4 years @ ` 2,500 p.a. i.e. ` 10,000. If this amount is paid before June, 2014 no interest is payable. If it is paid after June, 2014 say in July, 2014, then interest at ` 200 for the month of July, 2014 will be payable; i.e., total ` 10,200.

### **IV Tax on employees- Registration**

Salaried persons are also liable to profession tax but their tax is to be deducted and paid by employer. The slab rates applicable to them are as per entry 1 in the given Schedule.

The duty is cast upon the employer to deduct tax at above rates and deposit with Government. However even if not deducted, employer is liable to pay tax. For this purpose the Employer should obtain the Registration Certificate from Department within 30 days from date of his liability. There are also provisions for non deduction of tax etc. subject to production of required form by the employee. The employer should also file the returns and pay taxes as per monthly/quarterly/annual return applicable to him, determined as per tax liability.

## **V Exemptions**

Section 27A provides for exemptions from payment of profession tax. Some important exemptions are as under;

- (i) Person suffering from permanent physical disability.
- (ii) Mentally retarded person.
- (iii) Parents of a child suffering from a physical disability.
- (iv) Persons who have completed the age of 65 years.

## **VI Penalties and Interest**

### **Penalty for "late application" for enrolment / registration [Sec. 5(5)]**

The prescribed authority may impose penalty of ` 5 for each day of delay in case of an employer for registration and of ` 2 for each day of delay in case of any person for enrolment, after giving a reasonable opportunity of hearing.

### **Penalty for giving "false information in any application" for enrolment / registration [Sec. 5(6)]**

The authority may impose penalty equal to 3 times the tax payable under the Act, after giving hearing opportunity. (Upto 30.4.2002, penalty was restricted to `1,000/-).

### **Penalty for "late filling of returns" by Employer [Sec. 6(3)]**

The authority may impose penalty of `300 per return.

### **Penalty for "Non-payment or late payment of tax." by Enrollee/Employer (Sec. 10)**

The authority may impose a penalty equal to 10% of the tax due.

### **Interest on late payment of tax. (Sec. 9)**

The interest for late payment of tax or any additional demand of tax raised in assessment is 1.25% p.m. with effect from 1-7-2004 (2% p.m. upto 30-6-2004.)

### **Interest on refund of excess Payment of tax (Sec. 19A)**

If any refund is due from any order in respect of period 1.4.2004 and onwards then interest on refund @ 6% p.a. is receivable by such person entitled to refund, for maximum 18 months.

## **VII Time Limits for Assessment**

Previously there was no time barring limit for completion of assessment. However from 1.4.2004, time limit has been introduced by inserting Section 7.

Assessments of employer for periods starting on or after 1<sup>st</sup> April 2004 will now be time barred in three years, if the returns are filed within one month of the end of the year to which the return relate.

## VIII RETURNS

### Liability to file return and payment of tax for employer (Upto 31-03-2011).

| <b>Tax Liability</b>  | <b>Periodicity</b>   | <b>Months of salary to be covered</b>                                     | <b>Due Date</b>  |
|---|--|---|--|
| Less than `5,000/- in previous year   | Annual   | March of the previous year and April to February of the current year      | 31 <sup>st</sup> March   |
| `5,000/- or more but less than `20,000/- in previous year or in case of first year of business. | Quarterly<br>April to June,<br>July to September,<br>Oct. to December.<br>January to March | March to May,<br>June to August,<br>Sept. to November<br>Dec. to February | 30 <sup>th</sup> June<br>30 <sup>th</sup> September<br>31 <sup>st</sup> December<br>31 <sup>st</sup> March |
| `20,000/- or more in previous year.   | Monthly eg. For April  | Salary of previous month eg. March  | End of the month For eg. 30 <sup>th</sup> April.   |

### Liability to file return and payment of tax for employer (From 01-04-2011 onwards)

| <b>Tax Liability</b>                          | <b>Periodicity</b> | <b>Months of salary to be covered</b>                                | <b>Due Date</b>                              |
|---|--------------------|--|--|
| Less than `50,000/- in previous year          | Annual             | March of the previous year and April to February of the current year | 31 <sup>st</sup> March                       |
| ` 50,000/- or more in previous year.          | Monthly            | Salary of previous month   | End of the month for which return is filed . |
| <b>In case of first year of registration.</b> | <b>Monthly</b>     | Salary of previous month   | End of the month for which return is filed   |

**Note: Payment of tax and uploading of return in electronic mode is mandatory for all registration certificate holders. However, for profession tax enrolment holders, payment of tax in electronic mode is optional.**

### “SCHEDULE I”

(See Section 3)

Schedule of rates of tax on professions, trades, callings and employments

(From 1<sup>st</sup> July, 2009 onwards)

| <b>Sr. No.</b> | <b>Class of Persons</b>   | <b>Rate of Tax `</b>  |
|----------------|---|---|
| <b>1.</b>      | <b>2.</b>   | <b>3.</b>   |
|                | <b>PART I</b>   |   |
| <b>1.</b>      | Salary and wage earners. Such persons whose monthly salaries or wages,<br>(a) do not exceed ` 5,000<br>(b) exceed ` 5,000 but do not exceed ` 10,000;<br>(c) exceed ` 10,000. | Nil<br>175 per month<br><br>2500 per annum, to be paid in the following manner:<br>-<br>a) ` 200/- per month except for |



| Sr. No. | Class of Persons   | Rate of Tax `   |
|---------|--|---|
| 1.      | 2.   | 3.  |
| 2.      | <p>(a) Legal Practitioners including Solicitor and Notaries;</p> <p>(b) Medical Practitioners, including Medical Consultants and Dentists;</p> <p>(c) Technical and Professional Consultants, including Architects, Engineers, R.C.C. Consultants, Tax Consultants, Chartered Accountants, Actuaries and Management Consultants;</p> <p>(d) Chief Agents, Principal Agents, Insurance Agents and Surveyors or Loss Assessors registered or licensed under the Insurance Act, 1938, U.T.I. Agents under U.T.I. Scheme, N.S.S. agents under postal Scheme;</p> <p>(e) Commission Agents, Dalals and Brokers (other than estate brokers covered by any other entry elsewhere in this Schedule);</p> <p>(f) All types of Contractors (other than building contractors covered by any other entry elsewhere in this Schedule); and</p> <p>(g) Diamond dressers and diamond polishers; having not less than one year's standing in the profession.</p> | <p>the month February;</p> <p>b) ` 300/- for the month February</p> <p>2500 per annum</p> |
| 3.      | <p>(a) Members of Association recognised under the Forward Contracts (Regulations) Act, 1952.</p>  | 2,500 per annum   |
| 3.      | <p>(b) (i) Member of Stock Exchanges recognised under the Security Contracts (Regulation) Act, 1956;</p> <p>(ii) Remisiers recognised by the Stock Exchange.</p>   | 2500 per annum  |
| 4.      | <p>(a) Building Contractors;</p>   | 2500 per annum  |
| 4.      | <p>(b) Estate Agents, Brokers or Plumbers, having not less than one year's standing in the profession.</p>   | 2500 per annum  |
| 5.      | <p>Directors (other than those nominated by Government) of Companies registered under the Companies Act, 1956, and Banking Companies as defined in the Banking Regulation Act, 1949,</p> <p><b>Explanation:</b> The term 'Directors' for the purpose of this entry will not include the persons who are Directors of the companies whose registered offices are situated outside the State of Maharashtra and who are not residing in the State</p>  | 2500 per annum  |

| Sr. No. | Class of Persons   | Rate of Tax `  |
|---------|--|----------------|
| 1.      | 2.   | 3.             |
|         | of Maharashtra.  |                |
| 6.      | (a) Bookmakers and Trainers licensed by the Royal Western India Turf Club Limited;   | 2500 per annum |
|         | (b) Jockeys licensed by the said Club.   | 2500 per annum |
| 7.      | Self-employed persons in the Motion Picture Industry, Theatre, Orchestra, Television, Modeling or Advertising Industries, as follows:  |                |
|         | (a) Writers, Lyricists, Directors, Actors and Actresses (excluding Junior Artists), Musicians, Play-back Singers, Cameramen, Recordists, Editors and Still-Photographers,  | 2500 per annum |
|         | (b) Junior Artists, Production Managers, Assistant Directors, Assistant Recordists, Assistant Editors and Dancers.   | 1000 per annum |
| 8.      | Dealers registered under the Maharashtra Value Added Tax Act, 2002, or Dealers registered only under the Central Sales Tax Act, 1956, whose annual turnover of sales or purchases, -   |                |
|         | (i) is ` 25 lakh or less   | 2000 per annum |
|         | (ii) exceeds ` 25 lakh   | 2500 per annum |
| 9.      | Occupiers of Factories as defined in the Factories Act, 1948, who are not covered by entry 8 above.  | 2500 per annum |
| 10.     | (1)(A) Employers of Establishments as defined in the Bombay Shops and Establishment Act, 1948, where their establishments are situated within an area to which the aforesaid Act applies, and who are not covered by entry 8 –   |                |
|         | Such employers of establishments,-   |                |
|         | (a) where no employee is employed  | 1000 per annum |
|         | (b) where not exceeding two employees are employed;  | 2000 per annum |
|         | (c) where more than two employees are employed.  | 2500 per annum |
|         | (B) Employers of establishments as defined in the Bombay Shops and Establishments Act, 1948, where their establishments are not situated within an area to which the aforesaid Act applies, and who are not covered by entry 8 – |                |
|         | Such employers of establishment,-  |                |
|         | (a) where no employee is employed  | 500 per annum  |
|         | (b) where not exceeding two employees are employed;  | 1000 per annum |
|         | (c) where more than two employees are employed.  | 2500 per annum |
|         | (2) Persons owning / running STD / ISD booths or Cyber Cafes, other than those owned or run by Government or by  | 1000 per annum |

| Sr. No. | Class of Persons   | Rate of Tax `  |
|---------|--|--|
| 1.      | 2.   | 3.   |
|         | physically handicapped persons;  |  |
|         | (3) Conductors of Video or Audio Parlours, Video or Audio Cassette Libraries, Video Game Parlours;   | 2500 per annum   |
|         | (4) Cable Operators, Film Distributors;  | 2500 per annum   |
|         | (5) Persons owning / running marriage halls, conference halls, beauty parlours, health centers, pool parlours;   | 2500 per annum   |
|         | (6) Persons running / conducting coaching classes of all types.  | 2500 per annum   |
| 11.     | Owners or Lessees of Petrol / Diesel / Oil Pumps and Service Stations / Garages and Workshops of Automobiles.  | 2500 per annum   |
| 12.     | Licensed Foreign Liquor Vendors and employers of Residential Hotels and Theatres as defined in the Bombay Shops and Establishments Act, 1948.  | 2500 per annum   |
| 13.     | <p> Holders of permits for Transport Vehicles granted under the Motor Vehicles Act, 1988, which are used or adopted to be used for hire or reward, where any such person holds permit or permits for,-</p> <p>(a) three wheeler goods vehicles, for each such vehicle;</p> <p>(b) any taxi, passenger car, for each such vehicle;</p> <p>(c) (i) goods vehicles other than those covered by (a);</p> <p style="padding-left: 40px;">(ii) trucks or buses, for each such vehicle :</p> <p> Provided that the total tax payable by a holder under this entry shall not exceed ` 2,500 per annum.</p> | <p>750 per annum</p> <p>1000 per annum</p> <p>1500 per annum</p> <p>1500 per annum</p>                       |
| 14.     | Money lenders licensed under the Bombay Money-lender Act, 1946.  | 2500 per annum   |
| 15.     | Individuals or Institutions conducting Chit-Funds.   | 2500 per annum   |
| 16.     | <p>Co-operative Societies registered or deemed to be registered under the Maharashtra Co-operative Societies Act, 1960 and engaged in any profession, trade or calling -</p> <p>-</p> <p>(i) State level Societies</p> <p>(ii) Co-operative sugar factories and spinning Mills;</p> <p>(iii) District level Societies;</p> <p>(iv) Handloom weavers co-operative societies;</p> <p>(v) All other co-operative societies not covered by clauses (i), (ii), (iii) and (iv) above.</p>  | <p>2,500 per annum</p> <p>2,500 per annum</p> <p>750 per annum</p> <p>500 per annum</p> <p>750 per annum</p> |
| 17.     | Banking Companies, as defined in the Banking Regulation Act, 1949.   | 2500 per annum   |
| 18.     | Companies registered under the Companies Act, 1956 and engaged in any profession, trade or calling.  | 2500 per annum   |
| 19.     | Each Partner of a firm (whether registered or not under the Indian Partnership Act, 1932) engaged in any profession,   | 2500 per annum   |

| <b>Sr. No.</b> | <b>Class of Persons</b>  | <b>Rate of Tax `</b> |
|----------------|--|----------------------|
| <b>1.</b>      | <b>2.</b>  | <b>3.</b>            |
| <b>20.</b>     | trade, or calling.<br>Each Co-parcener (not being a minor) of a Hindu Undivided Family, which is engaged in any profession, trade or calling.  | 2500 per annum       |
| <b>21.</b>     | Persons other than those mentioned in any of the preceding entries who are engaged in any profession, trade, calling or employment and in respect of whom a notification is issued under the second proviso to sub-Section (2) of Section 3. | 2500 per annum       |

Note: 1. Notwithstanding anything contained in this Schedule, where a person is covered by more than one entry of this Schedule, the highest rate of tax specified under any of those entries shall be applicable in his case. This provision shall not be applicable to entry 16(iv) of the Schedule.

Note: 2. For the purposes of Entry 8 of the Schedule, the Profession Tax shall be calculated on the basis of the "turnover of sales or purchases" of the previous year. If there is no previous year for such dealer, the rate of Profession Tax shall be ` 2000. The expressions "turnover of sales" or "turnover of purchases" shall have the same meaning as assigned to them, respectively, under the Maharashtra Value Added Tax Act, 2002. ”

|                               |
|-------------------------------|
| <b>LUXURIES TAX ACT, 1987</b> |
|-------------------------------|

**I. INTRODUCTION:**

Luxury Tax is levied under “The Maharashtra Tax on Luxuries and By Way of Cess on Other Facilities, Services, Enjoyments, Utilities, Consumption, etc. Act, 1987” (Luxuries Act, 1987). Though previously it covered more categories of assessee, at present it covers only the hotels as a taxable assessee. The tax is levied on hotels, lodging house, clubs and Inn etc. for providing residential accommodation. Luxury Tax is levied at different rates. The applicable rates with effect from 1-5-2010 are as under:

| <b>Charges for luxury provide in a hotel per residential accommodation per day</b> | <b>Rate of Tax</b> |
|--|--------------------|
| Upto `1000/-   | Nil                |
| Exceeding `1000/- upto `1500/-   | 4%                 |
| Exceeding `1500/-  | 10%                |

\* Where the charges are levied otherwise than on daily basis then charges shall be computed proportionately for a day per residential accommodation, based on total charges and total period.

- Tax under this Act shall not be levied on the turnover of receipts for supply of food and drinks, on which hotelier has to pay sales tax under MVAT Act, 2002.

- Tax collected separately by the hotelier under this Act shall not be considered to be part of the turnover of receipts by the hotelier.
- A hotelier having even one room with charges more than ` 750/- per day per accommodation would be liable to pay tax and hence liable for registration u/s.8 of the Act. The hoteliers shall apply for registration within 30 days from the date on which he is first liable to pay tax.
- Rule 3: Maintenance of Accounts. Every person shall maintain:
  - a. Information of residential accommodation and tariff thereof in Form 1.
  - b. Daily accounts of occupation of residential accommodation in the hotel and collection of tax thereof in Form 2 and
  - c. Monthly abstract of collection and remittance of tax in Form 3. The register in Forms 1, 2 and 3 shall be certified by an officer duly authorized by the Commissioner.
- The Commissioner of Luxury Tax, vide Circular No. 4/1988 dated 24-2-1988, had clarified that hotelier may maintain one register only (instead of three separate registers). At the time of Registration, the register/s shall be signed and sealed by registering authorities. Thereafter new register shall be signed and sealed by assessing authorities.
- The Act has been amended w.e.f.1-5-1992. By the said amendment, Luxury Tax @ 12% will be levied on the food and drinks etc. supplied in a club. But the Act also provides that where ‘Sales Tax’ under BST/MVAT Act is levied on any such supply, then Luxury Tax will not be levied in respect of the same supply.
- Exemptions from Luxury Tax: Various Notifications are issued u/s. 22 for granting exemptions to certain specified persons or class of persons from Luxury tax in hotels. For details please refer the Notifications issued u/s. 22(1). The last such Notification is LTA-2008/CR-55/Taxation-2 dated 29.10.2009.
- Vide Notification No. LTA-1090/CR-47/Taxation-2 dated 18<sup>th</sup> November, 2008, the Government of Maharashtra has exempted the Luxury Tax in excess of 6% on the luxuries provided in hotels during the period 1<sup>st</sup> May, 2004 to 30<sup>th</sup> April, 2005. The exemption is subject to certain restrictions and conditions provided in the Notification.

## **II. TAX ON TOBACCONIST AND TEXTILES TRADER:**

State Government levied Luxury Tax on these categories of dealers also. However, in the case of Godfrey Philips India Ltd. V/s. State of U.P. and others 139 STC 537(SC) dated 20-1-2005, the Supreme Court struck down the levy of Luxury Tax on supply of tobacco. It held that Luxury Tax can apply where there is providing of service by way of luxury and not on supply of any goods. To give effect to the judgment of Supreme Court, the Maharashtra Government, by an Ordinance No. VI of 2006 dated 20<sup>th</sup> June, 2006, deleted the levy of tax on tobacconists and textile traders. The Act now remains applicable to hoteliers only. However, with effect from 1-4-2007, State Government amended the VAT schedule and levied sales tax on tobacco @ 12.5% (enhanced to 20% from 1.7.2009) by removing this item from entry 45 of Schedule A.

## **III. RETURNS:**

(Form No. 8)

| Category of dealer | Periodicity | Time limit |
|--------------------|-------------|------------|
|--------------------|-------------|------------|

|  |  |   |
|--|--|---|
| i. Annual Tax liability less than ` 5000/- in previous year                              | Yearly   | By end of the month immediately succeeding the end of year.   |
| ii. Annual Tax liability exceeding ` 5000/- but less than ` 20000/- in the previous year | Quarterly except for the months January and February.                  | By end of the month immediately succeeding the quarter. For the months January and February, dealer should file monthly returns for the said months on or before the last day of the respective immediately succeeding month. |
| iii. Annual Tax liability exceeding ` 20000/- in previous year                           | Monthly  | By end of immediately succeeding month.   |
| iv. Annual Tax liability exceeds ` 5000/-, in current year                               | 1 <sup>st</sup> April to end of quarter in which it so exceeds         | By end of month immediately succeeding the quarter and thereafter-quarterly returns.  |
| v. Annual Tax liability exceeds ` 20000/- in current year                                | Quarterly return till it exceeds ` 20000/- thereafter-monthly returns. | Due date as per (iii) above.  |

#### **IV. APPEAL:**

First appeal under the Luxuries Act lies to Assistant Commissioner/Deputy Commissioner as the case may be. Second Appeal lies only to Commissioner of Luxury Tax and not to Tribunal. The appeal should be filed within 60 days of communication of order. Rule 47 of the Luxuries Rules prescribes court fee stamps for filing appeal. For first appeal against Sales Tax Officer's Order, court fee stamp is ` 5. Against the Assistant Commissioner's order Court fees stamp is `10 and for second Appeal before CST the court fees stamp is 5% of the amount in dispute, subject to minimum ` 50 and maximum ` 500.

|   |
|---|
| <b>MAHARASHTRA TAX ON THE ENTRY OF GOODS<br/>INTO LOCAL AREAS ACT, 2002</b> |
|---|

This is an Act, providing for levy of Entry Tax on goods brought within the Maharashtra State from outside the State. The tax is only on the goods which are mentioned in schedule, which at present covers mainly various petroleum products. With effect from 1<sup>st</sup> April, 2008, Tiles and Air Conditioners are also covered in the net of entry tax. There are different rates for different products. As per the Act, the rate of tax cannot be higher than the rate prescribed under the MVAT Act. The rate of tax effective from 1.4.2008 and various goods covered by the Act are as per the Schedule given here below.

#### **SCHEDULE**

[See Section 2 (I) (k) and 3(I)]

| Sr. No. | Description of goods   | Rate of tax                     |
|---------|--|---------------------------------|
| (1)     | (2)  | (3)                             |
| 1       | 1 High Speed Diesel Oil,— (a) imported into local area of the Municipal Corporations of the <i>Brihan Mumbai</i> , Thane and <i>Navi Mumbai</i> ; and  | 34% + one rupee per liter.      |
|         | (b) imported into local area other than mentioned in clause (a) above.   | 31% + one rupee per liter.      |
| 2       | Aviation Turbine Fuel (Duty paid) (other than that covered by entry 3).  | 25%                             |
| 3       | Aviation Turbine Fuel (Bonded)   | 30%                             |
| 4       | Aviation Gasoline (Duty Paid)  | 10%                             |
| 5       | Aviation Gasoline (Bonded)   | 24%                             |
| 6       | Any other kind of motor spirit,—<br>(a) Imported into local area of the Municipal Corporations of the. <i>Brihan Mumbai</i> , Thane and <i>Navi Mumbai</i> ; and   | 30% + one rupee per liter       |
|         | (b) imported into local area other mentioned in clause (a) above.  | 29% + one rupee per than liter. |
| 7       | Bitumen  | 12.5%                           |
| 8       | Light diesel oil   | -- do --                        |
| 9       | Naphtha  | -- do --                        |
| 10      | Low Sulpher Heavy stock  | -- do --                        |
| 11      | Kerosene non-PDS   | -- do --                        |
| 12      | Furnace Oil including heavy furnace oil and residual furnace oil.  | -- do --                        |
| 13      | Air Conditioning machines, comprising motor driven fan and elements for changing the temperature. (W.E.F 01-04-2008)   | -- do --                        |
| 14      | All types of tiles whether vitrified or not, including those made from cements, ceramic, natural or artificial stones, marble, travertine, alabaster or granite but excluding asphaltic roofing tiles and earthen roofing tiles. (W.E.F. 01-04-2008) | -- do --                        |

The machinery provisions are separately stated under the Act itself.

### **Threshold limit for registration**

Every importer who imports the specified goods mentioned above worth ` 10,000 or more is required to apply for registration in Form No. 1 within 30 days from the date of exceeding the turnover limit.

### **Payment of Tax and Filing of Returns:**

| <b>Type of Importer</b> | <b>Time Limit for payment of taxes</b>                         | <b>Return-cum-challan</b> |
|-------------------------|--|---------------------------|
| Unregistered Importer   | Within 30 days from the date of entry of goods into local area | Form 4                    |
| Registered Importer     | Monthly, within 25 days of the next month                      | Form 4                    |

### **Levy and collection of tax, penalties and interest**

The Authorities appointed under the VAT Act will perform all the duties under the Entry Tax provisions relating to assessment, review, collection of taxes, interest and penalty and they will have the same powers as under the VAT Act.

All the provisions of the VAT Act relating to returns, imposition of the tax liability, recovery of tax from the third parties, appeals, rectification, review, refunds, penalties, seizure of documents, compounding of offences etc. will apply to the Entry Tax provisions.

|   |
|---|
| <b>MAHARASHTRA TAX ON ENTRY OF MOTOR VEHICLE<br/>INTO LOCAL AREAS ACT, 1987</b> |
|---|

The above Act is operative from 30-9-1987. The purpose of this Act is to levy entry tax on motor vehicles, which are purchased from a place situated out of Maharashtra State, but are used in Maharashtra. The Act applies to those vehicles, which are liable for registration in Maharashtra under Motor Vehicles Act. However if the vehicle is registered outside the State for more than 30 months, before bringing in Maharashtra State, then the Act is not applicable. Similarly if the vehicle is imported from outside India then also the Act is not applicable. The rate of entry tax at present is 4% on Tractors specifically designed for agricultural use and 12.5% on other Motor Vehicles. The tax is payable on purchase price of vehicle including the amount of excise and countervailing duty. The local tax paid in respective purchasing State or C.S.T is allowed as set off from the liability to entry tax.

The return is to be filed and the tax is to be paid within 15 days from the date of entry of the motor vehicle in the local area or before the application for registration under Motor Vehicles Act is made, whichever is earlier.