

Hon'ble Speaker Sir,

I Present the part II of the Budget before this august house.

**Review of Tax Collection.** 1. This year started on a hopeful note on the economic front. However, due to various reasons, the growth rate of the economy did not reach the expected level .

On this backdrop, I am happy to state that tax collection by Sales Tax Department has achieved a growth of 20 per cent over the previous year and is expected to exceed the target of Rs. 47,975 crore by approximately Rs. 4000 crore. The growth in stamp duty collection has not been as was expected. However, I am sure that we will achieve the total target set for revenue collection.

**Computerisation of the Sales Tax Department.** 2. Computerisation of the Sales Tax Department has resulted in better services being provided to the trade. At the same time, results are now also visible in the form of increased growth in tax collection. Taking the process of computerisation further, a pilot project with the Central Government compiling information of economic activity available with various departments is being implemented in the State. 'Business Intelligence Tools' and 'Data Warehouse' techniques are being used for analysis of data. Sales Tax Department has also recently established an Economic Intelligence Unit for this purpose.

A new system is being developed in which a dealer purchasing goods will be able to verify online tax paid by the selling dealer. This will bring transparency in the tax system and also curb tax evasion.

Soon the facility of refund payment through 'ECS' will be made available to the dealers. Declarations under Central Sales Tax Act, such as 'C' forms, etc. will also be issued in electronic form.

**Computer Network for Goods and Services Tax.** 3. In the recent budget the Central Government has announced 1<sup>st</sup> August 2012 to be the operational date for Goods and Services Tax Network. Maharashtra has actively participated in its development.

**Fees for filing late returns and Penalty for late registration.** 4. Collection of Sales Tax is primarily through filing of returns. For effective collection of taxes, a late fee of Rs. 5,000 in place of penalty of Rupees 5000 for late filing of return is proposed. A dealer will not be able to upload his return without payment of this late fee. Penalty is also proposed for failure to apply for registration within the prescribed time.

**Regulation for disposal of pending appeals.** 5. Significant amount of sales tax revenue is locked in appeals. In order to expedite disposal of appeals and curb the tendency to prolong appeals, some measures are proposed. If the appellant fails to attend or seeks adjournment on an three occasions, he shall have to pay a minimum amount of 15 per cent of the disputed amount or Rupees 15 crore whichever is less, for the stay to continue. Also in order to reduce the number of appeals filed by Government to High Court, provision similar to section 268-A of the Income Tax Act is proposed.

**Amendment to MVAT Act, 2002, in view of re-organisation of Sales Tax department and other technical amendments.** 6. Sales Tax Department has been re-organized from January, 2012. In view of the reorganization, section 10 of MVAT Act, 2002 is being suitably amended. Similar amendments are also proposed in the provisions of other Acts implemented by the Sales Tax Department.

Technical amendments like limitation of three years for application for prospective effect of DDQ, increasing the time limit for preservation of books of accounts under section 86 from 3 years to 8 years with retrospective effect to bring it in

consonance with the limitation for assessment under the MVAT Act, defining motor spirit and petroleum products retrospectively, incorporating co-developer and some change in definition of developer are proposed.

**Profession Tax.** 7. The tax liability of a person applying for new enrollment under Profession Tax Act, for unenrolled periods will be restricted to eight years prior to the year of initiation of proceedings or application for enrollment. Provision for revised return and a provision for late fee of Rupees 1000 instead of penalty of Rs. 300 for late filing of return is proposed. Technical amendment to section 19 is also proposed.

**Sugarcane Purchase Tax** 8. The State Government has declared a scheme for exemption from Sugarcane Purchase Tax to sugar factories establishing co-generation units. To give effect to this scheme, an amendment is proposed to section 12B of the Sugarcane Purchase Tax Act.

**Tax proposals.** **Hon'ble Speaker Sir, I now present some tax proposals before this august house.**

**Tax on furnishing cloth and tax exemption to textile processing industry.** 9. In the last year's budget of the Central Government, Textiles are removed from Schedule of Additional Excise duty. Following this, some of the States have levied VAT on textiles. However in Maharashtra it was exempted. This year I propose to levy tax at 5 per cent on sales of furnishing cloth at the last point of sales .

Maharashtra has a fairly large textile processing industry. Last year, due to changes in Additional Duties of Excise it became taxable. However, I propose to exempt textile processing from tax.

**Beedi.** 10. Tobacco and its products are taxed at 20 per cent in the State. Beedi and un-manufactured tobacco are excluded from levy of tax. Beedi is also equally injurious to health. It is taxed in many States. I propose to levy tax at 12.5 per cent on sales of Beedi.

Un-manufactured tobacco sold under brand name in smaller packs is not covered by the entry of un-manufactured tobacco. However, many tobacco manufacturers sell this as un-manufactured tobacco and avoid tax. It is, therefore, proposed to clarify this entry.

**Household Liquefied Petroleum Gas.** **11.** Liquefied Petroleum Gas for domestic use was exempted in the year 2008. This concession was continued last year also. It is taxable in many States. Kerosene used for domestic purpose is already being taxed in the State. Therefore, I propose a levy of tax of 5 per cent on sale of LPG for domestic use.

**Plaster of Paris.** **12.** Plaster of Paris is used in interior decorations. Rate of tax on this is proposed to be enhanced from 5 per cent to 12.5 per cent.

**Rationalization of tax on dry fruits.** **13.** Raisins and currants are exempted from tax upto 31<sup>st</sup> May 2012. The rate of tax on cashew nuts is 12.5 per cent, while other dry fruits are taxed at 5 per cent. Different tax rates on dry fruits are inconvenient to trade. Therefore, I propose a single rate of 5 per cent for all dry fruits from 1<sup>st</sup> April, 2012.

The Scheme for industrial promotion subsidy to cashew nuts produced in the State will be continued and will also be extended to raisins and currants produced in the State.

**Tax on ATF.** **14.** General rate of tax on ATF is 25 per cent. However, to promote air traffic in hinterland, the rate of tax was reduced to 4 per cent in places other than Mumbai and Pune. Normal floor rate of tax has been enhanced from 4 per cent to 5 per cent. Hence, I propose to tax ATF in places other than Mumbai and Pune at 5 per cent from 1st April, 2012.

**Reduction in set-off on Branch Transfers outside the State.** **15.** Reduction in rate of Central Sales Tax by Central Government from 4 per cent to 2 per cent has adversely affected State revenue. Therefore, as a revenue protection measure, I propose to reduce set off in case of branch transfers outside the State by 4 per cent instead of 2 per cent from 1st April, 2012.

**Tax collection at source on sand and some other goods.** **16.** Sale of sand is prone to tax evasion. It is therefore, proposed to introduce tax collection at source, at the time of auction of sale of sand . This will enable better tax recovery and also keep track of auction purchasers. Similar provision is also proposed for some other notified goods enabling notified agencies to collect some amount towards tax at the time of delivery of goods.

**Purchase Tax on Cotton and Oil seeds.** **17.** Sales of Cotton and oil seeds are liable to 5 per cent tax. However, there is no provision for levy of purchase tax under MVAT Act. This results in disparity in incidence of tax on goods purchased from registered dealers as against from unregistered dealers, if the goods are sent outside the State. This is particularly observed in case of cotton and oil seeds. To remove this disparity, purchase tax is proposed on purchases of cotton and oil seeds from unregistered persons. The rate of purchase tax will be same as that on sales and set-off will be available as prescribed in the rules. Amendments consequential to the levy of purchase tax are proposed in the MVAT Act, 2002.

**Entry Tax on Natural Gas.** **18.** Natural Gas is now being largely sourced from outside the State. I propose to levy entry tax of 12.5 per cent on Natural Gas. Full set-off on Natural Gas will be available under MVAT Act, if it is resold. In any other case, set-off will be available in excess of 3 per cent.

Provision for e-payment, e-returns and some technical amendments with retrospective effect are proposed in the Entry Tax on Goods Act and Tax on Entry of Motor Vehicles Act.

**TDS on Works Contract by unregistered dealers.** **19.** There is a provision to deduct 4 per cent TDS on Works Contract executed by unregistered dealers. General rate of composition on construction work is 5 per cent. Hence, TDS rate in this case is proposed at 5 per cent.

**To Simplify and amend the stamp duty rate structure for conveyance deed of immovable properties.** **20.** In order to simplify the Stamp Duty structure, the present slabs for charging of Stamp Duty on conveyance deeds of immovable properties is proposed to be replaced by a simpler rate of 3 per cent for areas falling under Grampanchayats, 4 per cent for areas under Municipal Councils and Influential Areas and 5 per cent for other urban areas including Municipal Corporations.

**Increase in motor vehicle tax on cars and jeeps.** **21.** Motor Vehicle Tax is levied on cars and jeeps as per their price. Presently it is 7 per cent for vehicles costing up to Rs. 7 lakh, 8 per cent for vehicles costing between Rs. 10 to 20 lakh and 9 per cent for vehicles costing above Rs. 20 lakh. I propose to increase the tax rate by 2 per cent on petrol cars and jeeps. Similarly, I propose to increase the tax rate on diesel cars and jeeps by 4 per cent.

**Tax Concessions.** **Hon'ble Speaker Sir, I now place some proposals for tax concessions.**

**Essential Commodities.** **22.** Some essential goods such as rice, wheat, pulses and their flour, turmeric, chillies, tamarind, gur, coconut, coriander seeds, fenugreek, parsley (suva), papad, wet dates, solapuri chaddars and towels are exempted from tax upto 31<sup>st</sup> March 2012. Empowered Committee of State Finance Ministers has recommended 5 per cent tax on these. However, these being essential goods of daily use, I propose to continue exemption on these upto 31<sup>st</sup> March 2013.

Lower rate of 5 per cent tax on tea will also continue upto 31<sup>st</sup> March 2013.

**Reduction in tax rate on cotton yarn.** **23.** Due to significant difference between local tax rate on yarn and the tax in case of inter-State purchases, cotton yarn is purchased from other States. This has adverse effect on State revenue. Therefore rate of tax on cotton yarn is proposed to be reduced from 5 per cent to 2 per cent.

- Educational materials and envelopes.** **24.** Tax rate on writing boards and pads, examination pads, black, white or green boards, drawing boards, drawing charcoal, erasers, foot rulers, stapler, glitter pen, sketch pen, pencil leads, oil pastels and envelopes is reduced from 12.5 per cent to 5 per cent.
- Machineries for poultry industry.** **25.** Machineries and equipments used in poultry industry are liable to tax at 12.5 per cent. To promote poultry industry in the State, the tax rate on these machineries and equipments is proposed to be reduced to 5 per cent.
- Tel Ghani.** **26.** Tel Ghani is a traditional industry in rural areas. I propose to exempt oil and oilcake manufactured and sold by Tel Ghani certified by Khadi and Village Industries Board, upto a turnover of rupees 20 lakhs in a year.
- Poshak Ahar to Anganwadis.** **27.** I propose full exemptions to 'Purak Poshak Ahar' supplied to Anganwadis under the integrated child development scheme.
- Semi processed and ready to cook food in sealed containers.** **28.** Semi processed meat and fruits sold in sealed containers or in frozen state are liable to 5 per cent tax. But similar vegetarian foods are liable to 12.5 per cent tax. Hence, I propose reduction in tax on these to 5 per cent.
- Reduction in rate of tax on some goods.** **29.** I propose reduction in tax rate from 12.5 per cent to 5 per cent on adult diapers, sanitary napkins, raincoats, safety helmets, ribbons, bow and kajal, articles made from bamboo and rock salt.
- Concession in Motor Vehicle Tax to CNG vehicles.** **30.** I propose to reduce the tax rate by 2 per cent for each of the slabs, on purchase of a new motor vehicle fitted with CNG kit by the manufacturer. The new tax rate will be 5 per cent for vehicles costing upto Rs.10 lakh, 6 per cent for vehicles costing between Rs. 10 to 20 lakh and 7 per cent for vehicles costing above Rs. 20 lakh.

**Concession to battery operated vehicles.** **31.** It is proposed to fully exempt battery operated vehicles from Motor Vehicle tax.

**Amnesty Scheme for outstanding electricity duty.** **32.** Substantial old dues of electricity duty are outstanding. Majority of the dues are disputed in courts of law. In order to settle these disputes and recover outstanding dues quickly, I propose an Amnesty Scheme. In this scheme, if the outstanding electricity duty as on 31st December, 2011, is paid in one installment, it is proposed to waive 50 per cent of interest accrued thereon, subject to withdrawal of pending court cases. This scheme will be in operation from 1 st April, 2012 to 30 th June, 2012.

Honourable speaker Sir, while presenting these tax proposal, I have tried to strike a fair balance between development needs of the State and additional tax burden. These tax proposals are expected to yield approximately rupees 600 crore. I sincerely hope that honourable members of this august house will support the proposals.

**JAI HIND ! JAI MAHARASHTRA !!**