

Speaker Sir,

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

1. Tax revenue of the State, as per revised estimates, for the year 2016-17 is expected to be rupees one lakh thirty seven thousand two hundred thirty crore. I am confident that we will be successful in achieving the target of tax revenue. This budget does not propose increase in taxes except Value Added Tax on country liquor, foreign liquor and tax on weekly lottery.

**Goods
and
Services
Tax**

2. Goods and Services Tax system, which will have an important and long lasting impact on the indirect tax system is expected to be implemented from 1st July 2017. GST will create unified market in the country. Commodities produced in the country will become globally competitive and will boost the economic progress of the nation. I am confident that increased trade, enhanced tax base and proper tax compliance in GST will increase the tax revenue of Centre as well as State.

**Implemen-
tation of
Goods and
Services
Tax**

3. The House has discussed the provisions of GST while ratifying the One Hundred and Twenty Second Constitution Amendment Bill, in its Special Session. All the Hon'ble members expressed the necessity of the GST and unanimously approved the ratification of the Constitutional Amendment Bill. Accordingly, the Constitutional One Hundred and First Amendment Act, came into force from 16th September 2016.

**Creation
of GST
Council
& its
decisions**

4. The Goods and Services Tax Council has been constituted to give recommendations to the Union and the States on the matters relating to the implementation of GST. Twelve meetings of the Council have been held under the Chairmanship of Hon'ble Union Finance Minister in which important decisions pertaining to laws and administrative aspects have been taken by consensus.

Speaker Sir, I would like to brief the House about important decisions taken by the GST Council :-

- GST will be implemented from 1st July 2017.
- Every tax payer will interact with one tax administration only i.e. either Central's or State's.
- 90 per cent. of tax payers having turnover less than rupees 1.50 Cr. will be administered by the State Government and rest 10 per cent. tax payers by the Central Government.
- Tax payers having turnover in excess of rupees 1.50 Cr. will be divided equally between State and Centre for administration.
- Compensation Bill draft providing compensation to the States after implementation of GST, has been approved.
- For the purpose of computation of compensation, annual growth rate of fourteen percent on the revenue for the year 2015-16 shall be considered.
- Compensation amount shall also include Octroi in Mumbai and the Local Body Tax.
- Generally, burden of Goods and Services Tax, will be the same as the burden of prevailing taxes.

- GST tax rates shall be zero, five, twelve, eighteen and twenty eight per cent.

- Transactions within twelve nautical miles from the coastline will be deemed to be intra-state supplies.

Formation of additional benches of Maharashtra Sales Tax Tribunal

5. GST is expected to be implemented from 1st July, 2017. In view of the new tax system, early disposal of appeals pending under Maharashtra Value Added Tax Act, is necessary so as to make available this revenue. Taking into account the pendency of appeals before the Tribunal, it is necessary to increase the benches of the Tribunal. Therefore, I propose to establish three more benches of the Maharashtra Sales Tax Tribunal.

Raising of additional resources

6. For sustainable and balanced development of the State, raising of additional resources is a must and, therefore, while implementing GST, non-tax revenue receipt also need to be increased. It is noticed that the fees for services provided, Court Fees and fine under various Acts have been fixed long back. These are being reviewed taking into account the current situation. I am sure that additional non-tax revenue would be generated through this process. A sincere attempt is also being made to maintain fiscal discipline alongwith revenue generation.

Amendments to the Tax Laws

7. Speaker Sir, I am proposing some changes in the Tax Laws with an objective to make the provisions in the law easier for compliance and simpler for tax recovery by the tax administration.

➤ **Maharashtra Value Added Tax Act :-**

- The number of appeals filed by dealers under Value Added Tax Act is significant. For disposal of appeals and to unlock the revenue,-

a. I propose to give powers to the appellate authority to remand back, the ex-parte assessment orders for assessment, to the assessing authority. Therefore, the powers of the assessing authority to cancel ex-parte assessment orders are proposed to be repealed.

b. Appellant is required to make part payment of dues to obtain stay for recovery of dues on grounds other than declarations. Lot of time of the appellate authorities get consumed in fixing the part payment amount and therefore, recovery is delayed. Therefore, on the lines of proposed GST Law, I propose mandatory and fixed part payment of 10 per cent of the disputed tax with the maximum limit of Rs. 15 crores, which the appellant can adjust against his dues subsequently. Other consequential and technical changes are also proposed.

- The time limit to file appeals under Value Added Tax to the High Court against the decision of the Tribunal is one hundred and twenty days. This time limit is proposed to be increased to one hundred and eighty days, so that the Department as well as the dealers get sufficient time to examine the legal aspects of the case.

- Recovery of the dues as per orders is one of the most important functions of a tax administration. I propose to make the process of recovery more effective, in view of the tactics employed by dealers to avoid the payment of dues.

a. Under the Maharashtra Value Added Tax Act, dues have first charge on the property of the dealer, subject to any Central Law. But there is ambiguity as to when this charge can be said to have been created. To remove this ambiguity, I propose that the charge

shall be deemed to have been created on the property of the dealer on the date, mentioned in the demand notice.

b. If a Company does not pay the dues within the prescribed period, such dues can be recovered by auctioning the assets of that company, as per the Value Added Tax Act. It is noticed in many cases that several companies do not have assets. The dues cannot be recovered from the personal assets of the directors responsible for the affairs of the company. I, therefore, propose that for the dues of private company, the company and the directors shall be jointly and severally liable.

- Interest on refund is required to be given to a dealer, if refund is not given to him within ninety days from the date of order. For “Ease of Doing Business”, I propose to reduce this time limit to sixty days for early grant of refund.

- A dealer is liable to pay interest for late payment of tax under Tax Laws. E-payment is mandatory for a dealer. However, due to certain technical problems in the automation system of the Sales Tax Department, dealers are not able to pay tax in time. It is proposed to empower the State Government to waive the interest payable in such situations.

- The pending work under the existing laws needs to be disposed off speedily, in view of the introduction of GST, so that the tax administration is well equipped to implement GST. To reduce the pendency of old cases, I propose to empower the State Government by a provision to make a suitable plan for disposal on the basis of certain parameters.

At the same time, to encourage the unregistered dealers under the Value Added Tax Act to obtain registration so that they become eligible for Goods and Services Tax registration, a provision shall be made to exempt interest to some extent and penalty of such dealers for the unregistered period after payment of due tax.

➤ **Profession Tax Act**

- Tax liability of a person, who applies late for registration or enrolment, can be computed for the periods of maximum eight years prior to obtaining registration/enrolment. Due to this eight year's tax liability, many persons remain unregistered. I propose to reduce this period to four years to encourage more unregistered persons to come forward to register or enroll.

- The responsibility to deduct and pay tax of employees is on the employer or organization. Many organizations appoint agents. However, it is noticed that since the responsibility of Profession Tax of such agents is not on the organization, tax compliance is affected. I, therefore, propose to assign the responsibility of Profession Tax on the organization which appoints the agent.

- Interest is payable at one and a quarter per cent. per month, if a person does not pay Profession Tax in time. To ensure prompt payment of tax, I propose to align the interest rates under Profession Tax with the interest rates under Value Added Tax.

- Dealers registered under Value Added Tax are liable to pay Profession Tax. To widen the scope of Profession Tax, I propose that the service providers registered for Service Tax shall also be liable to enrol.

- Late fee of rupees one thousand is payable if a tax payer under Profession Tax files return late. Assessment of a tax payer is not possible in the absence of returns. To encourage filing of returns, it is proposed to exempt late fee of a tax payer who files pending returns up-to 30th September 2017.

➤ **Entry Tax Act**

To ensure due revenue to the State, Entry Tax is levied on some commodities. I propose that the time limits for assessment of an importer under the Entry Tax Act shall be aligned retrospectively with the provisions under Value Added Tax Act, so that sufficient time becomes available for assessment.

8. Speaker Sir, I am now submitting my tax proposals before the House :

➤ **Sugarcane Purchase Tax**

In the Budget of year 2016-17, it had been proposed to exempt Sugarcane Purchase Tax for year 2015-16 of the sugar factories, which export sugar to the extent of the Mill-wise Indicative Export Quota (MIEQ), as per the Central Government's policy. In view of the withdrawal of the export quota policy for sugar factories, by the Central Government this condition to avail exemption is not suitable. Hence, for year 2015-16, there will not be condition of export. I, therefore, propose to exempt tax for year 2015-16 and year 2016-17 to the sugar factories to pay fair and remunerative price to farmers. If we take into account both the years, then rupees seven hundred crore could become available with sugar factories to pay fair and remunerative price to sugarcane farmers.

➤ **Value Added Tax**

• **Exemption/concession to essential commodities :-**

The State has exempted tax on some of the essential commodities such as rice, wheat, pulses and their flour, turmeric, chillies, tamarind, jaggery, coconut, coriander seeds, fenugreek, parsley (suva), papad, wet dates, solapuri chaddars and towels upto 31st March, 2017. I propose to continue exemption on these items upto the date prior to introduction of GST. In addition to these items, I also propose to exempt amsul. The tax concession on currants and raisins will also continue up-to the date prior to introduction of GST. The concessional rate of six per cent tax on tea will also continue upto the date prior to introduction of GST.

• **Tax Exemption to geo membrane for farm ponds** : Central Government has undertaken a project aimed at doubling the income of every farmer till the year 2022. Water planning shall have highest importance for this project. “मागेल त्याला शेत तळे ” is a promise of our government to farmers. In view thereof, I propose to exempt Value Added Tax of six per cent on geo membrane, necessary for a farm pond.

• **Tax Exemption to soil testing kit**: This government has a positive attitude towards farmers. Increasing fertility of soil is necessary to increase the income from agriculture and to achieve this, the concept of “soil health card” has been implemented. I, therefore, propose to exempt soil testing kit from Value Added Tax of 13.5 per cent.

- **Tax Exemption to milk testing kit** : Several milk adulteration cases have come to light. Consumption of adulterated milk is harmful to health and could be fatal to children. To encourage use of milk testing kit to check milk adulteration, I am proposing to reduce Value Added Tax of 13.5 per cent. to zero per cent. on milk testing kit.
- **Tax Concession to aviation turbine fuel** : Ten small airports at Amravati, Gondia, Nashik, Jalgaon, Nanded, Solapur, Kolhapur, Ratnagiri, Shirdi and Sindhudurg in the State have been included in the Regional Connectivity Scheme to encourage the aviation industry and consequently tourism. I propose to reduce the Value Added Tax on aviation turbine fuel sold to aircrafts, operating under this scheme from five per cent to one per cent for a period of next ten years.
- **Tax Exemption on card swipe machines** : This government is committed to the concept of “Digital India”. It is necessary to encourage cashless transactions. I propose to exempt Value Added Tax of 13.5 per cent. on card swipe machines, necessary for cashless transactions.
- **Tax Exemption on gas and electric incinerators** : I need not comment on the necessity of trees. All of you are aware of it. It is necessary to minimize the use of wood to avoid degeneration of environment. Keeping this in mind, I propose to exempt Value Added Tax of 13.5 per cent. on the gas and electric incinerators.
- **Value Added Tax on liquor** : Manufacturers and importers are eligible to pay Value Added Tax at the notified rate of 23.08 per cent. on the maximum retail price on sale of foreign liquor, Indian made foreign liquor and country liquor. I propose to increase the notified rate of Value Added Tax on foreign liquor, Indian made foreign

liquor and country liquor. Now, I propose that Value Added Tax shall be levied at the notified rate of 25.93 per cent. of the maximum retail price of liquor.

➤ **Lottery tax** : Lottery tax is levied on online and paper lotteries in the State on the basis of draw. I propose to increase tax on weekly lotteries from rupees seventy thousand to rupees one lakh.

Certainty
in levy of
taxes

9. Ambiguity in the levy of Value Added Tax can have an adverse impact on the industry. In case, an industry has not paid the tax for specific reasons and those reasons are prima-facie proper, then it becomes necessary to remove this ambiguity in tax liability.

There is no clarity in the industry about the tax rate on processed sweet-corn for the periods up-to 31st March 2016 and tax liability of the textile industry. It is necessary to clear doubts. I submit following tax proposals relating to processed sweet-corn and textile industry :-

➤ **Processed Sweet-Corn industry**

Processed sweet-corn has a nexus with agro-processing and this industry needs to be encouraged. There being ambiguity regarding tax rate on processed sweet-corn for the periods up-to 31st March 2016, levy of tax would adversely affect this industry. I propose to exempt processed sweet-corn for the periods from 1st April 2005 to 31st March 2016.

➤ **Textile processing industry**

Tax liability arises on the value of goods transferred during the processing of textiles in the textile industry. Since textiles are not taxable, the textile processing industry had been exempted by administrative relief up-to 31st March 2005.

Due to the amendments by the Central Government to the Additional Duties of Excise Act, textile processing industry became liable to tax from 8th April 2011. Textile processing industry was exempted in the budget for the year 2012-13. But, the amendment allowing exemption became effective from 1st May 2012. Therefore, for the period from 8th April 2011 to 30th April 2012, Value Added Tax became payable by the textile processing industry. Barring this period, textile processing has always been exempted for entire period. It has been observed that this industry has not collected tax during the said period from the customers under impression that the exemption is not available only for technical reasons. It becomes, therefore, appropriate to exempt Value Added Tax for the said period. I propose to exempt tax for the period from 8th April 2011 to 30th April 2012 of those textile processor, who have not collected tax from customers or have not paid tax.

➤ **Yarn Warping and Sizing Industry**

The primary process in textile industry is warping and sizing of yarn. Value Added Tax has been exempted from 1st April 2016 on this labour intensive industry having minimal value addition. Normally, yarn is strengthened by using starch, adhesive and mutton tallow and tax liability arises on transfer of property in these goods during processing of yarn given by the employer. Since Value Added Tax is not levied on textile and textile processing, warping and sizing of yarn in composite mill does not attract tax. But if warping and sizing process is done in small scale units then Value Added Tax is attracted. Tax liability of this industry is negligible due to minimal value addition. Taking into account that levy of tax after computation of tax liability may adversely affect this industry, I propose to exempt yarn

warping and sizing industry for the period from 1st April 2005 till 31st March 2016 of the dealers who have not collected tax from customers or have not paid the tax.

Speaker Sir, these tax proposals are estimated to result in additional revenue gain of rupees 396 crore. This gain has been incorporated in the Budget Estimates of 2017-18. I hope that honourable members of this August House will support the proposals.

Jai Hind ! Jai Maharashtra !!