

Hon'ble Speaker Sir,

I present the part II of the Budget before the house.

**A Review of
Sales Tax
Collection.**

1. This financial year started with signs of receding recession. Based on this, the net Sales Tax collection target for this year was fixed at Rs.35,986 crore. However, taking into account the good trend in tax collection, the estimate has been revised to Rs.40,415 crore.

**E-services
for dealers.**

2. Sales tax department of the State is the leader in the country in providing e-services. In the year 2011-12, it is further proposed to issue declarations 'C' and 'F' under the Central Sales Tax Act electronically and use TINXSYS for the cross checking of the same. Business intelligence tools and data warehouse are proposed to be adopted for quicker analysis of data. All these measures will definitely have a positive impact on the revenue collection.

**Amend-
ments.**

3. Some amendments including amendments regarding procedures are proposed in the MVAT Act. These include amendments in respect of revised returns, providing for deposit instead of advance payment for voluntary registration, changes to the periods for grant of refunds, changes to the provision for refund applications to be filed by dealers making interstate sales, defining 'exporter' for the purpose of section 51 and providing for penalty for knowingly failing to file complete audit report. In addition some technical amendments are also proposed.

**Stern
action
against
Hawala
dealers.**

4. Some dealers, with a view to evade tax, issue or procure false invoices without actual sales or purchases. It is, therefore, proposed to enhance the present term of punishment of imprisonment to minimum of one year which may extend to maximum of two years on conviction, for offence of making false claims by issuing or producing false invoices.

**Change in
Recovery
Procedure
for
Sugarcane
Purchase
Tax.**

5. Sugarcane Purchase Tax is payable by a sugar factory during the crushing season. The same is, many a times paid out of loans raised as working capital. It is, therefore, proposed that instead of recovering the entire tax in the crushing season, the Sugarcane purchase tax shall be recovered every month out of sale proceeds from sugar at such rate per Kilogram of sugar as may be prescribed. Balance amount, if any, shall be payable as per last return for September. Excess, if any, shall be refunded to the factory. Amendments to Sugarcane Purchase Tax Act to this effect are proposed.

I hope that this will make recovery of Sugarcane Purchase tax easier.

**Sick Sugar
Factories.**

6. A number of sugar factories in the State are today sick or closed. It becomes difficult to recover the taxes from these sick industries. Also, many a times, large tax arrears of these units with interest and penalty pose difficulties in formulating revival packages for these units. To overcome these difficulties, I am proposing a scheme before the august house.

This scheme will cover sugar factories with negative net worth and which have not crushed cane in previous three crushing seasons. As a part of the revival package, if the entire amount of Sales Tax and sugarcane purchase tax outstanding

from the unit is paid upfront, it is proposed to waive interest and penalty on the same. This will also result in recovery of tax dues from these sick units. This scheme shall be operative for a period of one year starting from 1st April 2011.

Hon'ble Speaker Sir, I now present some tax proposals before the august house : —

No overall increase in standard rate of tax of 12.5 percent.

7. Last year many States enhanced the standard rate of tax from 12.5 percent to 13.5 percent or even to 15 percent. Maharashtra did not raise this Standard rate of 12.5 percent. Even without this enhancement, the sales tax revenue collection has shown a record increase. Hon'ble Speaker Sir, I am happy to announce that this year too, there is no proposal to increase the standard rate of 12.5 percent.

Extension of time limit to exemption of essential commodities.

8. Wheat, rice, pulses and their flours, turmeric, chillies, tamrind, Gur, Coconut, Cumin seeds, Fenugreek and Parsely (Suva), Papad, wet dates, Solapuri chaddars and towels are exempted from tax upto 31st March 2011. The Empowered Committee of State Finance Ministers has recommended a 5 percent rate of tax on these. However, considering that these are necessities for the common man, I propose to continue the exemption upto 31.3.2012. Also, domestic LPG gas will continue to be tax free this year.

Due to changes in the Additional duties of Excise Act in the recent Budget of Central Government, Fabrics and Sugar which are in the list of taxfree goods will become taxable. However I have taken a concious decision to keep thses goods as taxfree.

Similarly tea had been kept at the concessional rate of 5% upto 31st March 2011. This concessional rate for tea is proposed to be continued upto 31st March 2012.

Time limit
for ATF
concessional
rate
extended.

9. To promote air traffic in hinterland of Maharashtra, the rate of tax on Aviation turbine fuel sold from places in Maharashtra other than Mumbai and Pune districts has been kept at the concessional rate of 4% up to 31.3.2011. This concession is now extended upto 31.3.2012.

Exemption
to
Prefabricated
domestic
biogas
unit.

10. In order to promote the non conventional sources of energy, the rate of tax on these is kept at zero or lower rate of 5 percent. Biogas is an important non-conventional energy source widely used in rural areas. It is also environment friendly. To give further impetus to its use, I propose that prefabricated domestic biogas unit shall be tax free.

Exemption
from tax
to
copyrights
of films.

11. Hon'ble Speaker Sir, Mumbai is the home of the Indian Film Industry and is a major attraction for the people from all walks of life. The Film Industry is also a major source of employment to a large number of people including skilled, unskilled and technically qualified persons. It is from Mumbai that our film industry has got recognition and is now known as " Bollywood " in the whole world.

VAT is leviable on transfer of copyrights of films. Many States having film Industry do not levy this tax. To encourage this industry to grow further in Mumbai itself and because of its major employment potential, I propose to exempt tax on transfer of copyrights of films relating to their exhibition in theatres.

Tax on
Vada Pav
reduced
from 12.5
% to 5%.

12. Vada -Pav sold in restaurant attracts 12.5% tax. Vada -Pav is a popular snack for people in Maharashtra. I propose to reduce the rate of tax on Vada- Pav sold in restaurants from 12.5% to 5%.

- Exemption from tax to 'Ral'.** **13.** Dhoop, Loban and agarbatti are exempted from tax. 'Ral' is also used like Dhoop and Loban. 'Ral', is also proposed to be exempted from tax.
- Concession in tax on Dry fruits.** **14.** Currants and raisins were exempted from tax in the previous budget. Other dry fruits were taxed at 12.5%. However, a scheme for subsidy to cashew manufactured and processed in State was later announced. Hon'ble Speaker Sir, dry fruits trade gives employment to large numbers in the State. Some neighbouring States have lower rate of 5% tax on dry fruits. Considering the possibility of this trade migrating to other States and the resulting effect on local employment, I propose to reduce the tax rate on dry fruits (except raisins, currants and cashew) to 5%.
- Turnover limit of composition for Bakery raised.** **15.** Presently, small bakeries with turnover upto Rs. 30 lakh can avail composition scheme. Considering the increase in general price levels, this turnover limit is proposed to be raised from Rs. 30 lakhs to Rs. 50 lakh. This will provide relief to small bakeries.
- Relief to Retailers in composition scheme.** **16.** Retailers under composition scheme were required to have 50% of turnover of commodities liable to tax @ 4% in order to avail concessional composition rate. With general increase in base rate tax from 4% to 5%, the rate 4% mentioned in composition scheme is now being made 5%. This will enable retailers to avail the concessional rate of 5% under the composition scheme.
- Waiver of Interest and Penalty to Soap Industry certified by Khadi & Village Industry Board.** **17.** In the previous budget, handmade soap manufactured by units certified by Khadi and Village Industry Board were exempted from tax from 1.4.2010. This is a small industry creating direct employment in rural areas. Considering the difficulties faced by the soap units certified by Khadi and Village Board, I propose to waive the interest and penalty on

tax leviable on turnover upto Rs. 20 lakh every year, for period from 1.4.2005 to 31.3.2010. The industry will however have to deposit the entire tax amount by 30th September 2011 to avail this benefit.

State needs to generate resources to implement its various schemes. Sales Tax, Excise on liquor and Stamp duty are important sources of Government revenue. I propose to raise the required resources for State's financial needs, to some extent, through these taxes.

Increase
in rate of
tax from
4% to 5%
on
declared
goods.

18. In the recent budget of Central Government, the limit for taxing of declared goods covered under Central Sales Tax Act by the States has been raised from 4% to 5%. Due to this, the tax rate on declared goods in the State is also proposed to be raised from 4% to 5%. This rate of tax will be effective from the date to be notified.

Tax on
liquor
other
than
wine.

19. Presently VAT is levied on liquor at 25%. This is levied at each stage with deduction for set-off. To make tax collection more effective without increasing the actual tax burden, it is proposed to levy tax at first point (on manufacturer or importer) at 50 % of actual sale price but which shall not exceed 25% of MRP. Set-off will be available to the manufacturers. Tax rate at 20 % shall be charged on actual sales in hotels of 4 star and above. In other cases of bars & restaurants and clubs, the rate of tax shall be 5%. Set-off on liquor purchases will not be available to these bars, clubs, hotels and restaurants.

Carbona-
ted soft
drinks.

20. In some States, the rate of tax on soft drinks is 20%. On the same lines, it is proposed to increase the rate of tax on carbonated soft drinks from 12.5% to 20%.

Tax on sale of Telecasting rights. **21.** The turnover of sale of telecasting rights of various events is significant and is an important area from the revenue perspective. The telecasting rights of various entertainment and sports events are intangible goods. I propose to include this in the list of goods of intangible nature. These will attract a tax rate of 5%.

Goggles. **22.** Goggles are not used as normal corrective spectacles. Therefore, the rate of tax on goggles is proposed to be raised to 12.5%.

Concessional rate of tax raised from 4% to 5% on sales to Electricity Generating, transmission, distribution units, Telecom, industry, defence, Railway etc. **23.** VAT is levied at concessional rate of 4% on sales made under section 8(5) to electricity generating, transmission, distribution units, telecom industry and to defence and Railways. The general tax rate has been enhanced to 5%. Therefore the concessional rate under this provision is also proposed at 5%.

Changes in formulae for excise duty & M.R.P's. excluding VAT as well as increase in minimum rate of excise duty on Country liquor I.M.F.L. & Beer. **24.** It has been decided to change the formulae regarding excise duty, maximum retail price excluding VAT and minimum excise duty of Country Liquor, Indian Made Foreign Liquor and Beer so as to increase the revenue from state excise duty. Mainly, the minimum rate of excise duty will be increased to Rs.95/- per proof litre for country liquor, Rs.240/- per proof litre for foreign liquor, Rs.33/- per bulk litre for mild beer and Rs.42/- per bulk Litre for fermented beer. A notification to this effect is being issued shortly. This will result in substantial increase in the revenue of the state and this is incorporated in the budget estimates for the year 2011-12.

Amendments to Stamp Act. 25. I now propose some amendments to the Bombay Stamp Act, 1958 before this august house.

Amendments to stamp duty on stocks and capital market. 26. Various types of transactions take place in stock and commodity Exchanges. These include transactions of securities, futures, delivery and non-delivery based transactions for clients as well as on own account. Presently different transactions are being charged at different rates of stamp duty. This makes the collection of duty complicated. It is now proposed to charge a uniform stamp duty of 0.005% on all these transactions. This will simplify the levy of duty.

Stamp duty on Marked Value of Transfer of Tenancy rights. 27. Transactions of transfer of long held Tenancy rights of house properties at prime locations in Mumbai take place on a large scale. These are transacted at market value but the same is not reflected in the accompanying documents. It is proposed that these transactions will now be liable for stamp duty at their market value.

Hon'ble Speaker Sir, while presenting these tax proposals, I have made a sincere attempt to consider the revenue needs of the State within the constraints of the scope for enhancement in tax rate without imposing additional tax burden on the common man and tried to strike a fair balance. These tax proposals are estimated to result in additional revenue of Rs. 1000 crore. I am sure that these proposals will be supported by the Hon'ble members of the house.

Jai Hind ! Jai Maharashtra !