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State Budget Tracker

Value Added Tax 2016



Foreword

State budgets are becoming increasingly critical for businesses. In view of the complexity involved and thin business margin in majority business, there is growing need to understand the complexities of state taxes to optimise credit mechanism and also circumvent surprises arising out of assessments by tax authorities.

Key points of few recent state budget announcements are as under:

- Growing number of states have announced introduction of amnesty schemes to recover tax, close past assessments and reduce pending litigation
- Efforts are underway for development of IT infrastructure, training of officers in various states etc. for proposed implementation of GST
- With emphasis on 'ease of doing business", and 'Make in India' initiatives, various State Governments are aligning with Central Government's vision.

We have made an attempt to highlight key budget announcements that could be relevant to the industry.

We hope this will be of interest and we intend to expand the efforts with more detailed coverage from next time.

We welcome your comments and suggestions.



Chhattisgarh

A. Levy, valuation and rate change

Rate change

Increase in residuary rate of tax from 14% to 14.5%

B. Input tax credit/ set-off and refund

- Input tax rebate not available for goods purchased in Chhattisgarh and stock transferred out of the state

C. Returns & Payment

- Additional interest at the rate of 1% in cases where tax due was not paid prior to the due date of the return of the first quarter for next year has been removed.

D. Assessment and Audit

- The minimum penalty is increased from 100% of the tax to 150% of the tax in case of assessment / re-assessment on account of under assessment
- Pre-deposit for appeal to Additional Commissioner or Appellate Deputy Commissioner increased from 10% to 15%.
- Provision to apply for revision of assessment by dealer has been withdrawn, including its time line and condition to deposit amount for such revision by dealer.
Power for suo-moto revision of order by the Commissioner has been continued for any order passed by the lower authorities.
- The penalty in certain circumstances such as tax evasion imposed by specific authorities and Tribunal has been reduced as follows:
 - Minimum penalty reduced from 300% to 150%.
 - Maximum penalty reduced from 500% to 200%.



A. Input tax credit/ set-off and refund

A 100% provisional refund claims upto INR 1 lakh per annum will be granted within 30 days for small dealers

B. Amnesty

An Amnesty Scheme is introduced for tax dues up to 31 December 2015 under the Sales Tax Act, Value Added Tax Act and the Central Sales Tax Act.

On withdrawal of an appeal pending adjudication of tax, the following benefits will be offered:

(i) Tax evasion cases

Waiver of 75% penalty is offered on payment of tax, interest and 25% of the penalty amount

(ii) Other case

Complete waiver of interest and penalty on payment of tax

C. Entry tax

All goods brought into Gujarat from another state as a result of an e-commerce transaction will attract the levy of Entry tax



Haryana

A. Amnesty

An amnesty scheme will be introduced for granting relief in respect of tax, interest, penalty and other dues to the affected registered dealers whose goods have been lost or destroyed during the reservation agitation in February 2016

B. Miscellaneous

- Surcharge on VAT for Panchayat Raj Institution has been proposed
- ‘Submit bill, get prize scheme’ is proposed to introduced, to encourage customers to obtain tax invoices for purchase of goods and ensure compliance in the state



Karnataka

A. Levy, valuation and rate change

- Exemption on essential products like paddy, rice, wheat, pulses to continue till March 2017
- Exemption to be introduced for Aluminium utensils other than pressure cooker and cutlery, Ragi and Jowar roti

B. Input tax credit/ set-off and refund

- Effective from 01 April 2015, Dealers can claim input tax credit of goods procured in previous 5 years, if not claimed in respective year
- Failure to upload dealerwise sale and purchase details with returns will result in denial of input tax to the dealer

C. Works contract

- Works Contract of iron trusses, purlins etc. taxable at 5.5% will be restricted to works contract for 'Structural Works' only

D. Returns and payment

- Failure to file VAT Audit report will attract penalty @ INR 50 per day defaulted
- If filing of revised return results in tax liability in excess of 5%; penalty will be imposed

E. Assessment and audit

- Dealers filing incorrect and incomplete returns will now be considered for department assessment

F. Entry tax

- Mandatory deposit to obtain a Stay order reduced from 50% to 30%
- Proposed to facilitate online filing of Appeals being incorporated

G. Goods and service tax

- Efforts are being made to create IT Infrastructure for smooth implementation of GST

H. Miscellaneous

(i) Efforts for digitalisation proposed as below:

- Development of a dedicated module for reporting of transportation of goods
- Development of mobile application for the benefit of small dealers
- Issuance of refunds online
- Enabling the use of digital signatures for statutory proceedings online

(ii) CST applicable at 1% on specified goods is withdrawn

(iii) Entertainment tax collected from multi system operators and direct to home service providers increased from 6% to 10%



A. Levy, valuation and rate change

(i) Levy and valuation

- Introduction of fix amount of tax payable based on weight and measurement of certain goods like Diesel, petrol, pan masala, cigarettes, telephone and cellular handset etc.
- Tax deduction at source from payment towards contract executed with the State Government or notified public sector undertaking has been broadened to cover other like Public Limited Company, PSU and specific universities / medical colleges

(ii) Rate related changes

- Rate of tax deduction at source has been increased from 2% to 3% from payment to be made to unregistered contractor under composition scheme

B. Input tax credit/ set-off and refund

Retention of 5% of purchase price has been introduced in case of goods procured locally and sold interstate.

C. Miscellaneous

- Rate of interest is increased from 1.5% to 2% per month for delay beyond 3 months
- All ex-parte assessment orders can now be set aside within 60 days from the date of application for setting the assessment order aside
- Entry tax @ 6% will be levied on goods brought into the state as a result of E-commerce transactions



A. Levy, valuation and rate change

(i) Levy and valuation

- Introduction of the concept of “Fair Market Price” to curb evasion by disclosing undervalued sale price
- Turnover limit for composition scheme for retailers increased from INR 50 lacs to INR 1 crore
- In case of Bakeries, the turnover of tax free goods (example bread) would be excluded to compute the tax liability

(ii) Rate related changes

- Increase in lower rate of tax from 5% to 5.5% (excluding declared goods)
- Rate of tax on hair oil, processed sweet corn increased; terry towel now taxable

B. Input tax credit ('ITC') / set-off and refund

- ITC of Entry tax paid on Petrol and Diesel is proposed to be denied
- ITC of mobile handsets purchased locally and sold interstate would be restricted to the tax paid under the CST Act
- ITC is now proposed to be restricted on passenger motor vehicles given on lease to the extent of output tax paid on lease of such vehicles

C. Works contract

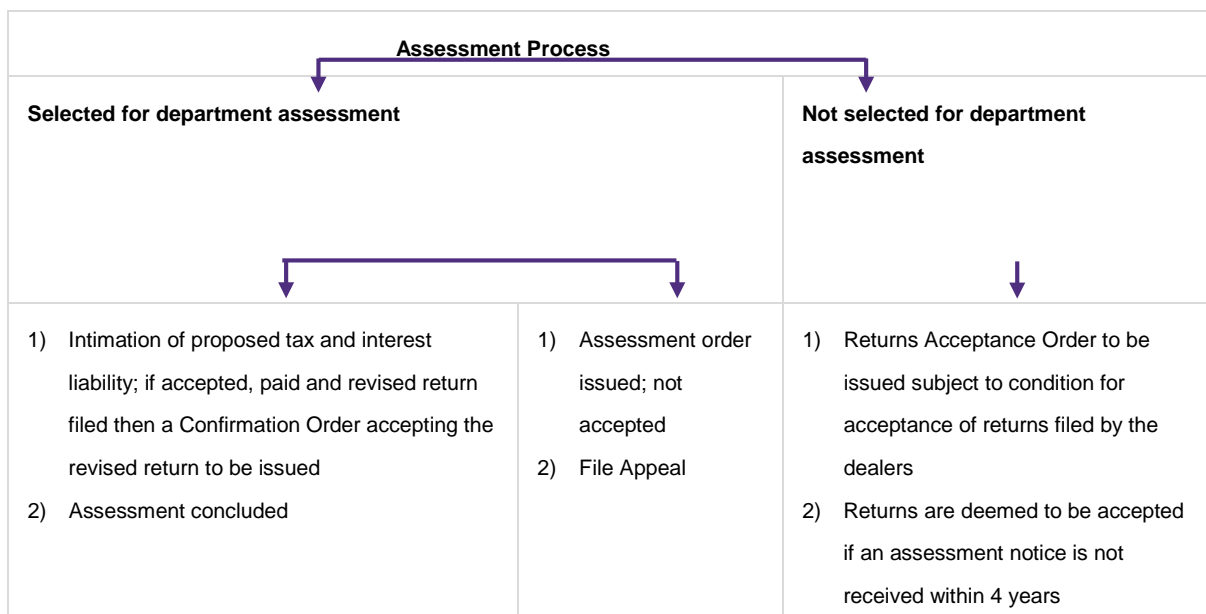
- The person awarding a works contract ('employer') should obtain registration for TDS and also file TDS returns, failure to undertake compliance will attract penalty
- The credit of such tax withheld can be claimed by the contractor while making payment of his own tax dues
- No TDS is required to be deducted by contractor in payment to be made to sub-contractor.
- It has been proposed that the principal contractor can pass on the credit of WCT TDS deducted by the employer to the sub-contractor

D. Returns and payment

Multiple filing of revised VAT returns up to the due date of filing the VAT Audit report is permitted

E. Assessment and audit

- "Return Acceptance Order" will be issued in cases which are not taken for assessment
- During assessment, the Assessing Officer may give intimation of proposed tax and interest liability; if accepted by dealer by paying such tax and filing revised return, then assessment proceeding will be concluded by issuing "Confirmation Order"



F. Amnesty

- Amnesty scheme is introduced with an objective to unlock revenue in Appeals pending before courts
- The scheme would be available only if the dealer currently filed an Appeal and obtained a stay order.
- The dealer should withdraw the appeal to avail the benefit under this scheme
- The scheme may be availed from 01 April 2016 to 30 September 2016
- Amnesty not available for tax dues but only against interest and penalty as explained below

Dues outstanding up to	Condition to be fulfilled	Waiver
31 March 2005	100% tax payment	Interest and penalty
01 April 2005 to 31 March 2012	100% tax payment and 25% interest	75% interest and penalty

G. Entry tax

Entry tax proposed to be levied on marble and granite slabs brought from outside Maharashtra

H. Goods and service tax ('GST')

The Central Government is preparing to implement GST and proposes to compensate the State Governments for loss of revenue based on revenue collections in the year preceding implementation of GST. Therefore, the rate of tax has been increased to 5.5% with an objective to increase collections

I. Miscellaneous

- Introduction of online VAT registration and submission of documents. Discrepancies in the documents will result in rejection of application followed by grant of a limited period to remove discrepancies
- Maharashtra Sales Tax Department to adopt SAP based system from next year
- Input tax ledger will be made available online to the dealers
- Advance Ruling system to replace Determination of Disputed Questions ('DDQ') provisions; Application can be made before or after entering into the transaction
- Hotels, restaurants, etc. opting for composition scheme are taxed at 5%. It is proposed that, if the turnover of food and non-alcoholic drinks in previous year has exceeded INR 3 crore then composition rate will be 8%. Thus, tax rate in current year will depend on previous year's turnover
- Details of sale and purchase may be obtained from e-commerce companies from time to time; non-compliance will be penalised
- Sale invoice of goods manufactured by Mega t/ Ultra Mega / Very Large Projects holding Entitlement Certificate shall contain declaration that the goods have been manufactured in the said projects

- Digital Billing proposed for the registered dealers selling at last stage
- Exemption from Central Sales Tax ("CST") on goods packed or re-packed in the logistics hub located at Nagpur in Maharashtra
- A special amnesty scheme is re-introduced for closed and un-revivable units under the Maharashtra Industrial Policy for the financial year 2016-17



Rajasthan

A. Input tax credit/ set-off and refund

- Definition of 'Capital Goods' has been amended to include generators and allow credit on same
- Specified officer are empowered to grant refund of excess or incorrect payment of tax made by dealers

B. Works contract

- TDS certificate would be automatically generated on filing of online statement of works contract and TDS by contractee
- The statement of works contract and TDS filed online by the awarder may be revised within 3 months from the end of the financial year
- Rate of TDS for contractors reduced from 6% to 3%

C. Amnesty

- Amnesty scheme in cases of Entry tax proposed to be launched to give relief to the dealers
- Time period of Amnesty scheme under VAT is extended up to 31.03.2016.

D. Entry tax

- Entry tax to be levied on all goods taxable under the Rajasthan Value Added Tax Act brought into the State through e-commerce
- Levy and collection of Entry Tax at 5.5% on goods purchased through electronic media
- Registration of persons who make transactions through electronic media
- Time limit for filing appeal has been increased from 30 days to 60 days from the date of communication of order

E. Goods and service tax

- A helpline to be established for GST so that problems faced by dealers can be addressed
- State of the Art 'Capacity Building and IT' training Centre' to be established at Commercial Taxes Department headquarter for imparting training to all stakeholders

F. Miscellaneous

- Concessional CST rate of 0.25% on interstate sale by the enterprises established in Japanese Zone and Korean Zone, is extended up to 31.03.2017 or implementation of GST whichever is earlier
- The time limit for granting permission to change principal place of business to dealer by the jurisdictional officer has been reduced from 60 days to 30 days. If the permission is not granted within 30 days, such permission shall be deemed to have been granted.
- State government empowered to waive late fee on non-filing and delay in filing returns in addition to interest and penalty
- Information about 'Dealer Search', payment, PAN, Forms & Certificates and status of all types of applications to be available to dealers on anytime and anywhere basis.
- Online suggestions and grievance redressed facility to be provided on departmental portal and on mobile app to address tax related problem of dealers and common man.
- Online appeal and refund facility with unified form for Entry Tax, Luxury Tax and Entertainment Tax
- Centralised litigation tracking system to be introduced for effective monitoring of cases under litigation.



A. Levy, valuation and rate change

(i) Levy and valuation

- A surcharge of 5% is proposed to be levied and used in initiatives to irradiate use of plastic like re-cycling of plastic products, no plastic initiatives etc.

(ii) Rate related changes

- VAT of plastic bags increased to 20%

B. Input tax credit/ set-off and refund

It is proposed that Input tax credit of differential tax paid by the first seller on account of classification dispute will be available to the subsequent buyer

C. Goods and service tax

Efforts to prepare for implementation of GST are underway for early disposal of department VAT assessments and Appeals. Further, the commercial tax department is proposed to be restructured.

D. Miscellaneous

- Clarification with respect to SEZ related exemption on building material no more valid
- A committee will be constituted to look into issues faced by trade for ease of business



Himachal Pradesh

A. Levy, valuation and rate change

(i) Levy and valuation

- Area based VAT concession will continue for Start-ups and new enterprise
- Electric vehicles will enjoy limited period VAT exemption for five years.
- Solar cooker and solar lanterns proposed to be exempted from VAT.

B. Amnesty

Interest and penalty is proposed to be waived off to settle assessment cases pending prior to 2011 related to want of statutory forms, if the dealer accepts and pays the tax due in lieu of statutory forms.

C. Entry tax

Rate of Entry Tax for 'Existing Industry' reduced from 2% to 1% and for 'New Industry' from 1% to 0.5%

D. Miscellaneous

- A simplified online system is proposed to be introduced for addition of raw materials or finished materials in the registration certificate with an objective to avoid delay in issuance of statutory forms
- The turnover limit for small traders eligible to discharge their tax liability at 1% under the lump-sum payment scheme has been increased from INR 25 lakhs to INR 30 lakhs
- The turnover limit for dealers eligible under the deemed assessment scheme has been increased from INR 1 crore to INR 1.5 crore



Jharkhand

A. Input tax credit / set-off and refund

- Input tax credit on purchases towards interstate sales shall be restricted to the extent of Central Sales Tax payable.
- Retention has been increased to 5% (earlier 4%) on input tax credit in respect of raw materials used in manufacturing or processing of goods for interstate sale or stock transfer (post 13 May 2015).

B. Assessment and Audit

Audit limit increased from INR 40 lakh to INR 60 lakh effective for financial year 01 April 2015 to 31 March 2016.



Other States

I. Tamil Nadu

Input tax credit allowed only to the extent of total output tax paid on re-sale of those goods or sale of goods manufacture from those goods which are purchased by the dealers who have availed incentives in the form of refund of gross or net output tax as Industrial Investment promotion subsidy or soft loan

II. Bihar

- Surcharge on sale of Schedule IV goods such as liquor, natural gas, diesel oil etc. increased from 20% to 30%.
- Residuary rate of 13.5% increased to 14.5%
- Time period for payment of interest on refund reduced from 90 days to 60 days.
- ‘Amnesty Scheme 2016’ to be announced to reduce pending litigation cases

State	Commodity	Rate Change	
		Current	Proposed
Bihar	Sari above INR 2000	0%	5%
	Fabric above INR 500 per meter	0%	5%
	Dry fruits	5%	13.5%
	Battery and auto parts	5%	13.5%
	Industrial cables/inputs, transformers	5%	13.5%
	Perfumes	5%	13.5%
	Cosmetics	5%	13.5%
	Chhattisgarh	Cycle and cycle parts	5%
Dairy products manufactured within the state		5%	Exempted
Mobile phones		14%	5%
Delhi	Battery operated transport means i.e. e-rickshaws, battery operated vehicles and	12.50%	5%
	Hybrid Automobiles (i.e. Battery driven with other fuel option)	12.50%	5%
	Sweets and nankeens	12.50%	5%
	Readymade garments above INR 5,000	12.50%	5%
	Marble	12.50%	5%
	Watches above INR 5,000	20%	12.5%
	Plastic waste	Exempted	5%
	UPS units (specified in Schedule III)	5%	12.5%
	Footwear	Exempted or 12.5%	5%
Haryana	Electric vehicles	12.5%	5%
Himachal	LED Lights	13%	5%
Karnataka	Television set-up box	14.5%	5.5%
	Helmets	14.5%	5.5%
	LED bulbs	14.5%	5.5%
	Multi-media speaker	14.5%	5.5%
	Aerated and carbonated non- alcoholic beverages as specified	14.5%	20%
Madhya Pradesh	Soya milk	14%	5%
	Bio-insecticides and bio-pesticides.	5%	Exempted
Meghalaya	Cigarettes		Increased
	High Speed Diesel (HSD) and other internal combustion oil but excluding petrol		Increased
Punjab	Liquor (Schedule V)	20%	30%
	Cotton and other types of yarn excluding 100% polyester filament	6.05%	3.63%
Goa	Light motor vehicle costing INR 15 lakh or above		15%
	Two wheeler i.e. motor cycle or scooter, costing INR 2 lakh or above.		15%
Gujarat	Sanitary napkins and adult diapers	5%	Exempted
	Ceramic product	15%	5%
	Luxury cars, luxury SUVs and Luxury two wheelers	15%	20%

Annexure

Web links to the budget speech of the states are as follows:

<http://www.apfinance.gov.in/uploads/budget-2016-17-books/Budget-Speech-English.pdf>

<http://finance.bih.nic.in/Budget.htm>

http://cgfinance.nic.in/budget_doc/2016-2017/Budget-Speech/Budget-Speech.pdf

<http://financedepartment.gujarat.gov.in/Budget.html>

<http://web1.hry.nic.in/budget/>

<http://admis.hp.nic.in/budget/Aspx/Anonymous/budWeb.aspx>

<http://www.finance.kar.nic.in/bud2016/English%20Speech-2016-17.pdf>

http://www.finance.kerala.gov.in/index.php?option=com_content&view=article&id=537:kerala-budget-2016-17&catid=18:state-budget

<http://www.finance.mp.gov.in/index.htm>

<https://www.maharashtra.gov.in/>

<http://www.empcom.gov.in/WriteReadData/UserFiles/file/meghalaya%2016-17.pdf>

[http://mizofin.nic.in/file/B%202016-17/Finance%20Minister%20Budget%20Speech%20\(English\)%202016-17.pdf](http://mizofin.nic.in/file/B%202016-17/Finance%20Minister%20Budget%20Speech%20(English)%202016-17.pdf)

<http://www.odisha.gov.in/finance/Budget.asp?GL=Budget&PL=1&TL=1>

[http://www.empcom.gov.in/WriteReadData/UserFiles/file/punjab%20English%20\(2016-17\).pdf](http://www.empcom.gov.in/WriteReadData/UserFiles/file/punjab%20English%20(2016-17).pdf)

http://finance.rajasthan.gov.in/docs/budget/statebudget/2016_17/budgetspeech201617.pdf

<http://www.empcom.gov.in/WriteReadData/UserFiles/file/TN2016-17.pdf>

<http://www.telangana.gov.in/budget-finance>

<http://budget.up.nic.in/>

http://www.wbfin.nic.in/writereaddata/Budget_Speech/2016_English.pdf

http://delhi.gov.in/wps/wcm/connect/DoIT_Planning/planning/budget+of+delhi/budget+2016-17

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