
Newsletter for the month of August 2012

Important updates in MVAT and CST

1. Noti No VAT 1512/ CR 43 dated Mar 31, 2012: **Wef Apr 1, 2012**, retention u/r 53(3) increased **from CST rate (2%) to 4%**. So, if goods are dispatched out of Maharashtra against F Form, then retention on corresponding purchases (except capital goods, fuel and natural gas) is now double.
2. Not. No. VAT 1512/ CR 40 dated Mar 31, 2012, VAT rate amended **from April 1, 2012**:
 - i. Exemption on Paddy, Rice, Wheat, Pulses, Atta, Besan etc (as specified in Sch entry no A-9A) extended upto Mar 31, 2013.
 - ii. Exemption on Chilly, Solapuri Chaddar, Towel, Wet dates, Gur, Papad etc (as specified in Sch entry no A-51) extended upto Mar 31, 2013.
 - iii. **VAT on Cotton yarn (Sch entry C-4(a)) reduced to 2%. It does not include cotton yarn waste.**
 - iv. **VAT on LPG cylinder levied at 3% - Sch entry no C-58(b). Till now, it was exempt under Sch entry no A-21A.**
 - v. Sale of oil and cake manufactured by Tel Ghani satisfying conditions specified in Sch entry no A-60 shall be exempt.
 - vi. Supply of Purak Ahar to Anganwadis exempt as per Sch entry no A-61.
 - vii. Bamboo products (along with Bamboo as earlier) shall now be taxable at 5% - entry no C-10.
 - viii. Plaster of paris included in entry C-41. So, taxable at 5%. It is generally used in construction and preparation of statues etc.
 - ix. Notified poultry machinery and equipments shall be taxable at 5% - entry no C-75A.
 - x. Following goods shall be taxable at 5%: Ribbon, bow and Kajal (entry C-82A), Rock salt (entry C-83A), Safety helmets (entry C-85A), Umbrella and Raincoat (entry C-99(a), Adult diapers and Sanitary napkins (entry C-116).
 - xi. Writing boards or writing pads, drawing boards, black boards, green boards, white boards, examination pads, foot rulers, erasers, glitter pens, sketch pens, staplers, pencil leads, oil pastels, drawing charcoals and envelopes. All these shall be taxable at 5% - entry C-104(c).
 - xii. Raw, semi cooked, semi processed, readymix and ready to cook Food preparations, sold in sealed containers excluding ready to eat food shall be taxable at 5% - entry C-107(11)(f).
 - xiii. Dry fruits except raising and currants shall be taxable at 5% - entry C-108A. Earlier cashew kernels and cashew nuts were taxable at 12.5%.

- xiv. 5% VAT on Tea in leaf or powder form including instant tea (as specified in Sch entry no C-108(1)(b)) extended upto Mar 31, 2013.
- xv. Aviation Turbine Fuel (Duty Paid) shall be taxable at 5% - entry D-11. Earlier it was taxable at 4%. Sunset date of taxability (Mar 31, 2012) has been deleted.
- xvi. Summary of tax position of Beedi and unmanufactured tobacco sold in packets under a brand name is as follows:

Particulars	Period	Sch entry No	Rate
Beedi	April 1, 2007 to March 31, 2012	A-45(b)	Nil
	April 1, 2012 to April 30, 2012	E-1	12.5%
	May 1, 2012 onwards	C-12(b)	5%
unmanufactured tobacco sold in packets under a brand name	April 1, 2007 to June 30, 2009	E-1	12.5%
	July 1, 2009 to April 30, 2012	D-12	20%
	May 1, 2012 onwards	E-1	12.5%
Beedi leaves	April 1, 2005 to March 31, 2010	C-12	4%
	April 1, 2010 onwards	C-12	5%

3. Circular no 6T of 2012 dt Apr 21, 2012: Refund upto Rs 1 lac may carried forward from FY 11-12 to FY 12-13.
4. Mah Act No VIII of 2012 published on Apr 25, 2012 after receipt of Governor's assent. Except as mentioned, all following provisions are **effective May 1, 2012**.
- i. Purchase tax (at a rate equal to applicable for sale) introduced (Sec 6A) on URD purchase of cotton if:
- cotton so purchased is dispatched outside state other than by sale, or
 - used in the manufacture of taxfree goods, or
 - used in manufacture of taxable goods but such goods are dispatched outside state other than by sale.
- HOWEVER**, date of implementation is not yet notified.
- ii. **Purchase tax (at a rate equal to applicable for sale) introduced (Sec 6B) on URD purchase of oil seeds if:**
- oil seed so purchased is dispatched outside state other than by sale, or
 - it is used in the manufacture of taxfree goods, or
 - it is used in manufacture of taxable goods but such goods are dispatched outside state other than by sale.
- This is implemented wef **May 1, 2012**.
- iii. **For the purpose of incidence of tax u/s 3(2), turnover of purchase or sale (instead of turnover of sale) for items specified in Sec 6A and 6B above.**
- iv. **Section 20(6) introduced wef May 1, 2012 to levy late fee of Rs 5000 in respect of late filing of returns.** This shall have to be paid in addition to regular tax liability before filing of return. This is **effective from Aug 1, 2012** (vide Noti No VAT 1512/ CR 65 dt July 4, 2012). It seems this provision is applicable to returns to be filed after Aug 1, 2012 pertaining to earlier periods also.

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- v. Proviso added to Sec 26(6): In case of appeal, if three adjournments taken by appellant or he does not attend on three occasions whether consecutive or otherwise, then at least 15% of disputed dues or Rs 15 crore whichever is less shall have to be paid.
 - vi. **Till now, there was no penalty for non registration under VAT, only thing the set off for URD was not allowed. But now, Sec 29(2A) introduced penalty for non registration of an amount equal to tax payable for URD period.**
 - vii. Section 29(8) levying penalty of Rs 5000/ 10000 for non/ late filing of return deleted as concept of late fees introduced u/s 20(6). This is effective from Aug 1, 2012 (vide Noti No VAT 1512/ CR 65 dt July 4, 2012).
 - viii. Sec 31A added to introduce collection and payment of tax on certain goods – excavation of sand and certain goods which are in temporary possession/ control of selling person as may be notified. The rate of collection shall be separately notified and such tax collected shall be available as credit for purchasing dealer.
 - ix. Sec 86(1) & 86(3) amended – copy of tax invoice or bill or cash memorandum to be retained for eight years (from three years earlier). This is effective retrospectively from April 1, 2005.
 - x. Amdmt in Sec 6 of Profession tax Act to introduce late fee of Rs 1000/- for PTRC returns. This is effective from Aug 1, 2012 (vide Noti No VAT 1512/ CR 65 dt July 4, 2012).
5. Noti No JC(HQ) 1/ VAT/ 2005/ 97 dt Apr 4, 2012 – Rate of TDS u/s 31 increased from 4% to 5% for unregistered dealer.
 6. Noti No VAT 1512/ CR 48 dt Apr 20, 2012 – Option to receive refund electronically. Dealer shall have to submit mandate in Annexure A given in notification.
 7. Noti No VAT 1512/ CR 49 dt Apr 20, 2012 – Certain poultry machineries taxable at 5% under entry C-75A wef May 1, 2012.
 8. Noti No VAT 1512/ CR 62 dt May 30, 2012 – Exemption on Raisins & Currants under Sch entry A-59 extended upto May 31, 2013 (from earlier May 31, 2012).
 9. Noti No VAT 1512/ CR 61 dt June 1, 2012 – Unless otherwise mentioned, following provisions shall be effective **May 1, 2012**:
 - i. Rule 8(11)(b) deleted – Current account in bank required for voluntary registration. Instead, amendment done in Rule 8(12) to include requirement of current account in bank.
 - ii. **Amdmt in Rule 8(11)(c) – In case of voluntary registration, introduction of existing dealer who has been dealer for continuous period of three years (from earlier five years) is required. Facility of introduction by STP, Cost Accountant, Advocate or C.A. is withdrawn.**
 - iii. **Amdmt in Rule 17(4)(d) – Annexures C, D, H, I, J1, J2 required to filed in case of non audit dealers along with their last return for the year.**

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- iv. **Important amndmt in Rule 18(1) – In case of new registration, two categories made – not applied for registration within time and other applied within time specified in Rule 8. If applied late, then first return shall be for the period from the date of event which makes him liable to pay tax to the end of quarter in which such date occurs. Thereafter, quarterly returns till the quarter immediately before the quarter containing the date of registration. Last return for URD period shall be 1st day of qtr containing date of registration to the day before the date of registration. First return for RD period shall be from date of regn to end of quarter. Thereafter quarterly till end of year containing date of effect of regn.**

If applied for regn within time, then first return shall be for the period from April 1, 2005 (appointed day), 1st April of the year or from the date of event which makes him liable to pay tax to the end of qtr containing date of regn. Thereafter quarterly till end of year containing date of effect of regn.

- v. Amdmt in Rule 18(2) – Minor correction regarding last return of dealer.
- vi. Amdmt in Rule 33: Regular stay order shall continue to be in Form 312. Stay order u/s 26(6) shall be in Form 319.
- vii. Rule 40A added: Mechanism of payment of TCS, issuance of TCS certificate, maintenance of records and filing of applicable return provided.
- viii. **Clause (d) added to Rule 52(1): Set off of purchase tax paid is granted.**
- ix. Sub rule (1A) added to Rule 53: Retention of 3% on natural gas under certain conditions. There is corresponding amendment in sub rules 2(a), 3(a), 7B, 9 of Rule 53.
- x. **Very important amendment in Rule 53(2)(a):** There is retention equal to CST rate in case of manufacture of taxfree goods. **However, such retention shall not be applicable to manufacture of Sarki Pend (ie Cotton Seed Cake) and De-oiled Cakes.** This is effective from May 1, 2012.

Also, retention u/r 53(3) shall not be applicable if goods covered in Sch A are exported out of India. This is effective from May 1, 2012.

- xi. Amdmt in Rule 66: Audit report to be submitted upto Nov 30 (instead of earlier Jan 31).
- xii. Amdmt in Rule 68: Books of accounts to be preserved upto eight years (instead of earlier six years).
- xiii. There are some amendments in Rule 79 and 81 relating dealers holding Entitlement Certificates and Eligibility Certificates.
- xiv. Form 319 and other forms as per Rule 40A are appended to this notification.
10. Noti No PFT 1012/ CR 29 dt June 14, 2012: For dealers holding PTRC, e-payment is compulsory wef July 1, 2012.

Service tax update:

1. Noti No 30/2012 dt June 20, 2012: Reverse charge mechanism for discharge of service tax liability introduced wef July 1, 2012.
2. Noti No 47/2012 dated Sept 28, 2012: Service tax return for the period April to Sept 2012 shall include figures for the period April to June 2012 only. This does not mean periodicity is changed to quarterly. This may be due to introduction of reverse charge mechanism wef July 1, 2012.

Disclaimer:

All efforts have been made to ensure completeness of data. However, readers are advised to confirm from their own sources also. Further, interpretations given above are our personal opinions at M/s Umesh Agrawal and Associates. We are not responsible for any loss arising due to the above information.