

8<sup>th</sup> floor, Vikrikar Bhavan,  
Mazgaon, Mumbai – 400010.

**TRADE CIRCULAR.**

**Sub: Amendments to the Maharashtra Value Added Tax Act, Sugarcane Purchase Tax Act, Profession Tax Act and Entry Tax Rules.**

**Ref:** 1) Mah. Act No. XXXI of 2017 Dt 15<sup>th</sup> April 2017

*No. VAT./AMD-2017/1A/2/Adm-B*

*Trade Cir. \ T of 2017*

*Mumbai Dt: 20<sup>th</sup> April 2017*

To give effect to the Budget proposals for the year 2017-18, a Bill (L.A. Bill No. XVIII of 2017) to amend the above referred Acts/Rules, has been passed by the Legislature and has received assent of the Governor on 15<sup>th</sup> April 2017. The Act (*Maharashtra Act No. XXXI of 2017*) is published in the Maharashtra Government Gazette dated 15<sup>th</sup> April 2017.

The Acts and Rules, which are amended, are as follows:

1. The Maharashtra Purchase Tax on Sugarcane Act, 1962 (SCPT Act);
2. The Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 (PT Act);
3. The Maharashtra Value Added Tax Act, 2002 (MVAT Act);
4. Maharashtra Tax on the Entry of Goods into Local Area Rules, 2002 (ET Act/Rules).

The date of applicability for each of the amendment has been mentioned, wherever relevant, in the respective para explaining the amendment.

The salient features of the amendments are explained below:-

**A. Amendments to the Maharashtra Purchase Tax on Sugarcane Act, 1962 (SCPT Act):-**

.....

**B. Amendments to the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 (PT Act):**

**1. Liability of un-enrolled persons to pay tax restricted**

*[Amendment to third proviso of sec. 3(2) of the PT Act]:*

*Earlier provisions:* Section 3(2) of the PT Act provides that a person, who is liable to pay tax, has remained un-enrolled, then his liability to pay tax for the periods for which he has remained un-enrolled shall not exceed **eight years**, from the end of the year, immediately preceding the year, in which he has obtained enrolment certificate or the year in which the proceedings have been initiated against him, whichever is earlier.

Amended provision: As per the amended provision, if a person, who is liable to pay tax, has remained un-enrolled, then his liability to pay tax for the periods for which he has remained un-enrolled shall not exceed **four years**, from the end of the year, immediately preceding the year, in which he has obtained enrolment certificate or the year in which the proceedings have been initiated against him, whichever is earlier. This benefit of curtailed tax liability is admissible to those persons, who have obtained enrolment certificate (EC) on or after the 1<sup>st</sup> April 2017.

The persons, who have been granted EC or against whom the proceedings have been initiated prior to the 1<sup>st</sup> April 2017, shall be liable to pay PT for a maximum period of preceding 8 years.

Last year, concession for a limited period was provided to those persons, who applied for E.C. during the period from the 1<sup>st</sup> April 2016 to the 30<sup>th</sup> September 2016 and whose application for E.C. was pending on 1<sup>st</sup> April 2016. These applicants were liable to pay PT for a maximum period of 4 years only.

## **2.Liability to pay tax by an unregistered person restricted:**

*(Insertion of new sec. 4A):*

Earlier provision: An employer, unregistered for past periods, applying for registration was liable to pay tax from the day on which he became actually liable to pay tax. Thus, there was no limitation for the tax liability.

Amended provision: An employer, who has been granted certificate of registration (R.C.) on or after the 1<sup>st</sup> April 2017, shall not be liable to pay tax for a period of more than four years from the end of the year immediately preceding the year in which R.C is granted to him or the year in which the proceeding for registration has been initiated, whichever is earlier. *[New sec. 4A inserted]*

It is needless to add that the benefit of this amended provision shall not be admissible to those employers, who have already obtained registration prior to the 1<sup>st</sup> April 2017.

Illustration 1: An employer applies for registration on 20<sup>th</sup> April 2017 and is granted registration on 21<sup>st</sup> April 2017. This employer was actually liable for registration as an employer since August 2010. In this case, this employer shall be liable to pay tax from 1<sup>st</sup> April 2013 only.

## **3.Liability to deduct tax at source from agent-(Insertion of new sec. 4B):**

Earlier provision: An employer is liable to deduct PT from the salary or wages paid to his employee. Certain organisations appoint agents, who are paid commission on the basis of the business done by them. The relationship between such organisation and the agent may not amount to employer-employee relationship. These agents are paid commission and may not get any salary as an employee gets. Hence, the provisions regarding deduction of tax at source are not applicable for such agents.

Agents, registered under the Insurance Act, 1938 etc. are liable to obtain E.C. and pay tax, under entry 2(d) in Schedule I.

Amended provision: By a newly inserted section 4B, the State Government has been empowered to issue a notification to provide that the organisations, shall deduct tax out of the amount of commission payable to the agents. The notification is being issued by the State Government. The class of persons(organisations), who shall be liable to deduct tax and the agents from whose commission, the tax is to be deducted would be specified in the notification.

A new entry 1A has been inserted in Schedule I to cover the agents, notified under section 4B. Such agents would be liable to pay Rs. 2,500 per annum. The manner in which the deduction is to be made by the organisation giving commission shall be specified in the notification, to be issued u/s 4B.

All the provisions, regarding an employer and an employee shall be deemed to be applicable to such organisation and it's agents.

The organisation, which appoints such agents, shall be liable to deduct and pay tax and hence these agents may apply for the cancellation of the enrolment certificate.

It may be noted that no agent shall be liable to pay tax in excess of Rs. 2,500.

#### **4.Change in rate of interest- [Amendment to sec. 9(2)]**

Earlier provision: Employers and enrolled persons are liable to pay interest at the rate of 1.25% per month, in case of failure to pay the tax within the prescribed period. The rate of interest is specified in the Act itself in sec.9(2).

Amended provision: This provision in sec. 9(2) has been amended to provide that the rate of interest shall now be prescribed in the rules. As announced in the Budget Speech for 2017-18, the rate of interest shall be aligned with the rates of interest under the Maharashtra Value Added Tax Act, 2002. The rates of interest under the MVAT have been provided in rule 88. The rates of interest shall be incorporated in PT rules.

#### **5. New categories of persons liable to PT [Insertion of new entries in Schedule I]**

Schedule I contains entries enlisting a classes of persons, liable to pay PT and the rate at which they are liable to pay P.T.

In this Schedule, the following entries have now been inserted w.e.f. 1<sup>st</sup> April 2017:

**(i) Persons, as notified under section 4B:** As explained above, these persons, would be agents, who receive commission. The details, as regards the agents, and the organisations, liable to deduct tax shall be mentioned in the notification u/s 4B, to be issued soon. The agents, so notified would be liable to pay tax at Rs. 2,500 per annum. *[Entry 1A inserted in Sch. I]*

**(ii) Service provider, registered under the Finance Act, 1994:** The dealers, who are registered under the Maharashtra Value Added Tax Act, 2002 or the Central Sales Tax Act, 1956 are liable to pay PT. Now, from 1<sup>st</sup> April 2017, service providers, who are registered under the Finance Act, 1994 shall also be liable to pay PT. *[Entry 20A inserted in Sch. I]* The service providers, who already hold E.C. under any other entry, would continue with the said certificate.

### **C. Amendments to Maharashtra Tax on the Entry of Goods into Local Area Rules, 2002 (Entry Tax Rules):**

..... can be exempt even for the intervening period starting from the 8<sup>th</sup> April 2011 to the 30<sup>th</sup> April 2012.

**(Rajiv Jalota)**

Commissioner of Sales Tax  
Maharashtra State, Mumbai

No.VAT/AMD-2017/1A/2/Adm-8

Trade Cir. \ T of 2017

Mumbai Dt:20-4-2017

Copy forwarded to the Joint Commissioner of Sales Tax (Mahavikas) with a request to upload this Trade Circular on the Departments web-site.

**(Rajiv Jalota)**  
Joint Commissioner of Sales Tax,  
(HQ)1, Maharashtra State, Mumbai.