

Impact of Noti. 17 (2014) on mobile business

Madhya Pradesh Government has vide its [notification no. F-A-3-11-2014-1-V\(17\)](#) dated 26/04/2014 hit dealers dealing in telephones, cellular handsets and phablets in both good and bad ways.

Breif details about the amendment:

A new entry has been inserted in Part III of Schedule II to the MP VAT Act "6. Telephone, Cellular hand set and Phablet 13%" w.e.f. 26/04/2014.

What happens when some goods are listed in Part III of Schedule II?

When any goods which are listed in Part III of Schedule II to the MP-VAT Act are sold by a registered dealer of MP within the state of Madhya Pradesh, they become "tax paid goods". That is, once VAT has been charged on these goods in the state of MP, VAT cannot be levied again on subsequent sale of these goods. Of-course, ITR is not available on such goods.

Now what has to be done by the dealers dealing in these goods?

i. dealers will have to reverse ITR claimed on stock lying with them at the end of 25/04/2014.

ii. they will have to differentiate stock purchased from within M.P. and from outside M.P. as they cannot charge VAT on sale of above goods purchased from regd. dealer of MP, however, on the other hand, VAT is to be charged and deposited for goods purchased from outside MP. The positive aspect of this amendment is that this will be curb the grey market where tax evasion was being done by selling goods without bill.

iii. when these goods are sold interstate, 13% CST is payable

where sale is done without Form-C. This is the worst blow that this notification has given to the dealers. Due to lack of specific exemption provisions in respect of tax paid goods sold without Form -C in the CST Act, a situation of **double taxation** has arisen. The dealer cannot claim ITR as per provisions of VAT Act and has to again charge 13% on the interstate sales as per provisions of the CST Act. Due to this, in our opinion, online retailers based in M.P. will face tough competition from other states and will have to cut down their margins in order to survive. Also, this will create a huge price gap between tablets of same config. with and without sim models.

However, it is to be noted that these goods when sold interstate against C-Form shall be exempt from CST by virtue of notification number [05-2013](#) dated 26/03/2013 which was originally **valid** till 31/03/2014 and now extended **upto 30/06/2014**.

Note: Above article is based on personal opinion of the author. We shall be glad to hear from you if you differ from our opinion or have a solution to problem of double taxation.

Notification 17 26/04/2014

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