

# The Madhya Pradesh VAT (Amendment) Act, 2016

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The Madhya Pradesh VAT (Amendment) Act, 2016 has been passed and made applicable with effect from **05/04/2016**. Some of the important amendments are explained below. Clients are advised to go through the following article carefully and make necessary updates in their business process.

## **Amendment in Provisions related to ITR on goods sold in interstate trade or commerce:**

**Scenario till 04/04/2016:** ITR on local purchase was allowed in full when such goods were sold in interstate trade or commerce.

**Now:** ITR to be allowed on purchase of goods for interstate sales shall be lower of:

1. CST collected on such sales or
2. VAT on purchase price of goods.

**Persons Affected:** Traders who are purchasing goods from local market in Madhya Pradesh and selling them in the course of interstate trade of commerce.

**Persons who are NOT affected:** Fortunately, manufacturers are not covered under above amendment.

**Goods on which above provision is applicable:** All goods specified in Schedule II except Part-III and III-A.

## **Impact:**

1. Traders supplying goods in the course of interstate trade or commerce will have to increase the prices of the commodities so as to recover loss of ITR.

Particularly, items covered under 14% VAT will see a considerable price change. This will adversely affect demand from other states.

2. Importance of Form – C will be reduced. Traders will prefer to raise bills on full VAT rate so as to claim full ITR on purchase.
3. To sum up 'a' and 'b', benefit of sale against Form-C will be nullified. Hence, there may be a reduction in demand from buyers of other state.
4. As the benefit of ITR will be reduced, traders may start to prefer to procure supplies from outside Madhya Pradesh over local market.
5. Customer base of small traders may get shifted to direct manufacturers on whom this provision is not applicable.

**TDS on purchase made by Limited Cos and various government bodies, recognized educational institutions:**

**Scenario till 04/04/2016:** Only Central Government, State Government and notified PSU were required to TDS on all purchase above Rs.5000/-. TDS is to be done at the time of credit or payment, whichever is earlier. Tax deducted has to be deposited in Challan Form 27/ 27-A on or before 10<sup>th</sup> of next month.

**Now:** Scope of this provision has been widened to include:

1. **Public Limited Cos.**
2. All PSUs
3. Authority constituted under law relating to local authority including gram panchayat, janpad panchayat and zila panchayat
4. Authority constituted under any law for the time-being in force.
5. All dental colleges recognized by dental council of India and hospitals associated to such dental colleges.
6. All medical colleges recognized by MCI and hospitals associated to such medical colleges

7. All recognized universities.

**Persons affected:** Vendors supplying goods to above organizations.

**Additional Efforts now required:**

1. Organizations will have to deposit tax on 10<sup>th</sup> of next month of purchase irrespective of payment condition with the vendor.
2. Tax will have to be deducted irrespective of the fact whether tax has been mentioned separately on the invoice or not. (eg- invoices of petrol pumps, small retailers etc.)
3. Tax will have to be deducted even on invoices of unregistered dealers. However, ITR will not be available on these invoices.
4. Separate challan has to be paid for each vendor.
5. Return (statement of TDS and its payment) in Form 35 will have to be filed by the organizations annually.

**Impact:**

1. Cash-flow of vendors who supply goods only to limited companies will be adversely affected
2. Huge credits of ITR will remain unutilized due to TDS
3. Organizations will have to deposit tax on 10<sup>th</sup> of next month of purchase irrespective of payment condition with the vendor that may be 3 months or so.
4. Tax liability of the vendor/supplier will remain as such until he obtains and furnishes TDS certificate and challan to the department. Hence, vendors/suppliers will be at mercy of the organizations to deposit TDS at time and generate certificate on time.

5. Separate challan has to be paid for each vendor. Hence, huge number of challans will have to be prepared and paid. Organizations will have to employ additional staff for managing and paying TDS challans.
6. Small dealers supplying goods to above organizations who were enjoying basic exemption of Rs.10 lacs will also be caught in this provision. In addition to above, TDS on purchase from URD will indirectly cause double-taxation and consequently will lead to increase in prices.
7. Day-to-day transactions of misc purchase of consumables will be hit and may result in slower working of above organizations.

**Saving Provision:** Section 27 provides an option to vendor for obtaining and furnishing a certificate of lower deduction/NIL TDS. However, application Form 33 required for applying for above certificate needs to be modified suitably so as to include above organizations. Hope, state government soon notifies a new and updated Form 33.

**Faster Disposal of Applications for reopening of ex-parte assessment case:**

A sixty-day deadline from the date of application has been prescribed for disposal applications for reopening of cases for which ex-parte assessments have been done.

**Changes in tax rates:**

**Rate Reduced:**

1. **Bio-insecticides and bio-pesticides** are now chargeable to NIL tax.
2. **Dry ber and ber powder** are now chargeable to NIL tax.
3. **All kind of electric/battery run two wheelers, car and rickshaw** are now chargeable to NIL tax. (earlier rate – 5%)
4. **Milking machine** are now chargeable to NIL tax.
5. **Bags and envelopes made of biodegradable material** are now

chargable to NIL tax.

6. **Parts and accessories of bio fuel based smokeless stove, gas stove and induction cook-top** are now taxable @ 5% (earlier rate – 14%)
7. **Soya Milk** is now taxable @ 5% (earlier rate – 14%)
8. **Heavy goods carriage vehicles, gross weight of which is more than 12000 kgs** are now taxable @ 14% (earlier rate – 15%)
9. **Dialysis machine and Dialysis consumables** are now taxable @ 5%

#### **Rate Increased:**

1. **Bicycles with MRP above Ten Thousand** are now chargable to tax @ 5% (earlier rate – NIL)
2. **Gas Gyser** now taxable @ 14% (earlier rate – 5%)
3. **Cups, glasses, plates, bowls, dona-pattal and spoons of plastic** are now chargable to tax @ 14% (earlier rate – 5%)
4. **Glass Mirrors** are again taxable @ 14% (earlier rate – 5%)
5. **Woven Sacks and bags made of HDPE/LDPE/PP, polythene bags, Plastic bags and sacks** are now taxable @ 14% (earlier rate – 5%)

#### **Other Budget Announcements which are notified:**

1. **Following ET notifications have been extended to 31-03-2017**
  1. **06-2007** (raw mat. for manu. of sarees on handloom exempt)
  2. **09-2007** (various items of specified industries)
  3. **25-2007** (water storage tank and bidi)
  4. **29-2007** (timber)
  5. **47-2010** (iron and steel, timber, metal, leather)
  6. **92-2010** (MPLUN)

7. **16-2011** (tea, crude oil)
8. **35-2014** (Heavy goods carriage vehicle, steel bars, old & 2<sup>nd</sup> hand vehicles)
2. **CST Notification No. 05-2013** extended upto 31-03-2017
3. **Now dealer having turnover upto Rs. Forty Lacs** may opt for filing annual return instead of quarterly returns.
4. **Interest on delayed payment** shall be 1.5% p.m. for first 3 months and 2% p.m. thereafter
5. **Dealers with quarterly liability of more than Rs.6.25 crores** shall now be required to deposit monthly tax on or before 6<sup>th</sup> of second and third month of each quarter.
6. **Exercise books, graph books, drawing books and laboratory books** notified for purpose of 2% reversal or ITR instead of 5% reversal w.e.f. 01-04-2016.
7. **De-oiled Cake including all kinds of soya meal, cotton seed oil cake, mustard oil cake and Makka Khali** made exempt from CST for sale against Form-C w.e.f. 01-04-2016.
8. **Widening scope of notification for exemption of entry tax on natural gas** e.f. 01-04-2016
9. **Amendment in tax on various items of canteen stores.**

Hope you find above article to be useful for your business. Queries and suggestions are welcome.

– CA. Arpit Goyal

PDF File of the Amendment Act → [VAT-AMENDMENT-ACT-2016](#)

Notifications issued along:

- [Noti. No. 23-2016 to 25-2016](#)
  - [Noti. No. 17-2016 to 22-2016](#)
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# **New format of sales list now applicable for returns submitted on or after 27/12/2013**

MP commercial tax department has updated template for e-filing Form-10 (VAT return) w.e.f. 27/12/2013 in view of large number of ITR mismatch cases being observed recently. Important changes are reported below for ease of our clients and professional colleagues:

Now sales list has to be submitted along with **invoice number and invoice date**. Though, presently these additional fields are optional, we request clients to kindly furnish the above additional information in excel format so as to enable us to file returns correctly.

Also, dealers are **now required to report purchases** of which they are **not claiming ITR** also along with other local purchases in the return (including purchases where TDS has been done). In other words, capital good purchases on which no ITR is admissible are also to be reported now.

Option to claim ITR on units basis is also made available for claiming ITR on sand, grit etc.