

GPSV & Co
Chartered Accountants

No. 80/1, 1st Floor, " Sri Ranga Nilaya", West Park Road, 18th Cross,
Above Kotak Mahindra Bank, Malleswaram, Bangalore 560 055,
(T) :- 080 – 2356 1778

2016

KARNATAKA BUDGET UPDATES



Karnataka VAT Act, 2003

❖ Changes proposed in rates of tax:

- Tax exemption on paddy, rice, wheat, pulses and products of rice and wheat continues for one more year
- Tax exemption is proposed on ragi rice (processed ragi) for one more year
- Tax exemption is proposed on jowar roti and ragi roti, aluminium house hold utensils other than pressure cookers and cutlery
- Tax exemption on sale of crude oil
- Reduction of tax rate from 5% to 2% on cotton falling under section 14(ii) of CST Act, 1956
- As an eco friendly measure exemption is proposed with respect to handmade paper and hand-made paper boards including handmade paper products manufactured and sold by a dealer recognized by the Karnataka Khadi and Village Industries Board
- Reduction of rate of tax from 14.5% to 5.5% on
 - Chatnipudi
 - office files made of paper and paper boards
 - Adult Diapers
 - articles of nickel, titanium falling under heading of HSN 7505, 7506 and 8108 to encourage Aerospace industry
 - Hand operated Rubber sheet making machine
 - set top boxes for viewing Television content
 - surgical gowns, masks, caps and drapes of single use made of non-woven fabrics
 - Multi-Media Speakers without monetary limit
 - Helmets
 - LED Bulbs as electricity saving measure

- ➔ VAT rate on aerated and carbonated non-alcoholic beverages whether or not containing sugar or sweetening matter or flavor or any other additives including soft drinks and soft drinks concentrates is proposed to increase from 14.5% to 20%

❖ **Other Amendments proposed:**

- ➔ **Section 10 (3)** is amended in the last finance bill to provide that the input tax credit has to be claimed within six months periods from the invoice date. However, there is no clarity as to whether this amendment has prospective or retrospective impact. To bring in clarity to above anomaly it is further proposed to amend section 10 (3) to provide that the above amendment of six months is applicable from 01st April 2015.
- ➔ Further amendment is proposed to section 10 to provide for disallowance of input tax credit in case of dealers failing to upload the purchase and sales statements
- ➔ **Section 38** is proposed to amend to include cases relating to the dealers who file incorrect and incomplete returns under assessments
- ➔ **Section 72** of the KVAT Act, 2003 provides for levy of penalty in cases of dealers who understates his tax liability or overstates claim for input tax credit by more than 5%.
It is proposed to amend the above section to provide for levy penalty under the circumstances of filing revised returns resulting in tax liability of more than 5%

- ➔ Amendment to **entry 4 of VI schedule** of the Karnataka Value Added Tax Act, 2003, suitably to include only structural works contract of iron trusses, purlines and the like

Other Acts

❖ Central Sales Tax

- ➔ Restriction on availment of input tax credit charged in excess of 2% on purchase of cigarrates relating to interstate sale of cigarettes against 'C' form

❖ Agricultural Income Tax

- ➔ It is proposed to abolish agricultural income tax on long standing demand of growers of coffee, tea, rubber and other plantation crops with effective from 01st April 2016

❖ Karnataka Sales Tax

- ➔ It is proposed to increase the rate of tax on petrol from 26% to 30% and diesel from 16.65% to 19%.

❖ Profession Tax

- ➔ Proposed to form a committee headed by an additional commissioner of Commercial Taxes to study and submit a report on law and procedures relating to professional tax
- ➔ Section 5 of the Act is proposed to be amended to provide for issue of registration certificate within 3 days

❖ **Luxury Tax**

- Section 3-E is proposed to be amended to provide relief to class of facilities in hospitals
- Section 7-A is proposed to empower authorities to re-assess escaped tax by including types of luxuries chargeable to tax but not specified in that section

❖ **Entertainment Tax**

- Section 4-G is proposed to be amended to raise the rate of levy on Multi System Operators (MSOs) and Direct to Home service providers (DTHs) from 6% to 10%.

❖ **Entry Tax**

- It is proposed to amend the KTEG Act, 1979 to provide for mandatory payment of disputed tax and other amounts to 30% to get stay from first appellant Authority and Karnataka Appellant Tribunal
- It is proposed to provide for online filling of appeal to the first appellant authority *electronically*.

❖ **Excise**

(Changes effective from 01st April 2016)

- Increase in rate of excise duty from Rs. 45 to Rs. 50 on IML
- Increase in rate of excise duty from Rs. 5 to Rs. 10 on Beer
- Additional excise duty on IML is proposed to increase from 4 per cent to 12 per cent
- Additional excise duty on beer is proposed to increase from 135 per cent to 150 per cent

- It is proposed to levy an administrative fee of Rs.2 per liter on export and Re.1 per liter on import of Spirit (excluding Ethanol)

❖ Betting Tax

- It is proposed to facilitate electronically filing of returns and payment of taxes

For clarifications contact us at:

- CA Sanjay Kumar V +91 9980815962
sanjay@gpsv.co.in
- CA Venkatesha Bhat +91 9972548971
bhat@gpsv.co.in
- CA Keerthana V +91 9449795602
keerthana@gpsv.co.in
- CA Rakshith +91 9845049429
rakshith@gpsv.co.in

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