

# Bimal Jain

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Dear Professional Colleague,

## Delhi Budget 2016 Highlights: Focus on education, infrastructure; watches, shoes become cheaper

*"We had promised lowest VAT rates in the country, that process has been started today,"*

**Chief Minister Arvind Kejriwal**

The Delhi Government presented on March 28, 2016, Monday a "tax-free" budget and rationalised the VAT structure which may reduce the cost of products such as readymade garments, shoes, watches and electric and hybrid vehicles.

Shri. Manish Sisodia, the Hon'ble Finance Minister of Delhi Government, presented a Rs. 46,600-crore annual budget for 2016-17, pegging the plan outlay at Rs. 20,600 crore. He highlighted the importance of VAT by saying, VAT constitutes the major part of our receipts, with nearly 65% of total collections and most of developmental activities depend mainly on the buoyancy and elasticity of tax revenue from VAT.

*"The government is committed to reducing tax arbitrage and will attempt to keep a uniform rate with neighbouring states. In several items such as sweets – namkeen, watches, readymade garments, lower tax rate in neighbouring states was causing erosion in the same,"* he said.

Delhi has registered a growth of 17% in 2015-16, he said, stressing that the Government believed in the idea of ease of doing business.

### Key Highlights of the Delhi Budget 2016

#### Rationalisation of VAT rates

The VAT rates has been rationalised to make the VAT structure more simple and for promoting ease of doing business.

S.No.	Goods/Items	New Rates	Existing rates
1.	e-rickshaws, battery operated vehicles and Hybrid Automobiles (i.e. Battery driven with other fuel options)	5%	12.5%
2.	Sweets and Namkeens	5%	12.5%
3.	Readymade Garments	5%	➤ Upto Rs. 5000/- @5%

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			➤ Above Rs. 5000/- @12.5%
4.	Marbel	5%	12.5%
5.	Watches	12.5%	➤ Upto Rs. 5000/- @12.5% ➤ Above Rs. 5000/- @20%
6.	All category of Textile and Febrics (including Sarees) except Khadi and Handloom Fabrics	5%	Some are exempt, while some are taxable – 0/5/12.5%
7.	Plastic waste	5%	Exempt
8.	Footwear	5%	MRP above Rs. 500/- @12.5%
9.	School bags	5%	➤ Upto Rs. 300/- @5% ➤ Above Rs. 300/- @12.5%

## Proposed Modification in the Entry of the Schedule

S.No.	Entry No.- Schedule	Proposed Entry	Existing Entry
1.	28-III	Ferrous and Non Ferrous metals and alloys thereof including their sheets, foils and extrusions and Non-Ferrous metals includes Aluminium, Copper, Zinc etc.	Ferrous and Non Ferrous metals and alloys; non- metals such as Aluminium, Copper, Zinc and extrusions of those.
2.	9-IV	Un-manufactured Tobacco, Tobacco and Tobacco products in all forms such as Cigarettes (Irrespective of form and length), Chewing Tobacco, Gutkha, Cigars, Hookah Tobacco, khaini, Zarda,	Tobacco and Gutkha, unmanufactured Tobacco, Bidis and Tobacco used in manufacture of Bidis

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		Surti, Bidis etc.	and Hooka Tobacco.
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## Miscellaneous:

### ➤ **Luxury Tax**

- The revenue collection from Luxury Tax has seen an increase of 36.7%. The threshold limit of Luxury Tax is proposed to be increased from existing Rs. 750 to Rs. 1500, which will help in reducing the tax burden on citizens and tourists and make it easy for small hotels to do business.
- As on today assessment of all hotels is compulsory. Self-declaration is proposed to be introduced for Luxury tax. Assessment will be done on random basis.

### ➤ **Excise**

- There has been 31% increase in Excise Revenue Collections, from Rs. 3187 crore in 2014-15 to approximately Rs. 4200 crore this year.

### ➤ **Entertainment Tax**

- The revenue collection from Entertainment Tax has seen an increase of 60%.

### ➤ **Stamp duty**

- There is no increase in the rate of Stamp duty;
- A separate Stamp duty Act will be enacted shortly to:
  - ✓ Simplify provisions, reduce arbitrary power and at the same time increase revenue;
  - ✓ On-line payment of stamp duty for companies issuing shares and debentures;
  - ✓ Bring more transactions into the net of registration and stamp duty;
  - ✓ Propose amendment in Section 17 of Registration Act so as to make compulsory registration of several new instruments.

### ➤ **Online search facility**

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- The online search facility is proposed to be started for registered documents shortly. All legacy data since 1985 shall be scanned, digitized and readily made available to public for search.

## **VAT deduction at source by all the Government Departments in respect of Works Contract:**

As per Section 36A of the Delhi Value Added Tax Act, 2004 (“**DVAT Act**”) it is the responsibility of the Contractee to deduct the TDS @ 4% if the Contractor is registered and @ 6% when the Contractor is unregistered. And the same amount will be deposited within 15days following the month the deduction is made.

The Delhi Government vide **Circular No. F.3(654)/Policy/VAT/2016/1800-1802 dated March 28, 2016** has advised all the Government Departments to deduct the TDS while making payment to the Contractor in accordance with Section 36A of the DVAT Act and deposit the same with the Trade & Taxes Department, which is otherwise their duty to do so, and the failure would tantamount to attracting the penal provisions under the DVAT Act.

## **Recent Schemes introduced by the Delhi Government**

Bill Banwao Inaam Pao: People participation is enhanced for improving the Tax system by introducing the Scheme “**Bill Banwao Inaam Pao**” in January 2016. Under this scheme, consumers in Delhi, while making any purchases can send the snapshot of Retail bill / Invoice to the department through a mobile application. This innovative scheme has promoted a unique partnership between the public and the VAT Department in the context of verification of sale/ purchase transactions and compliance, which was based primarily on the visit of tax inspectors in the field only, till now. Under the scheme 1% of the entries are shortlisted for award and prize money, thereby incentivizing the participation of consumers. The increasing success of the scheme can be measured from the fact that 8000 entries have been received in the month of February 2016 as against 4000 entries in the month of January 2016 when the scheme was launched.

Reward Scheme for Trade Associations: It is unique Reward scheme to acknowledge and further encourage market and trade associations contributing revenue over and above the targets set for the year. Such associations will get 10% of the revenue generated over and above the target set for the year. Besides this, top 10 performing market association will get cash reward of Rs. 5 lakh each. The award money is to be utilized for the overall improvement of the market and maintenance of public conveniences, beautification, repairs etc.

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*Hope the information will assist you in your Professional endeavours. In case of any query/ information, please do not hesitate to write back to us.*

Thanks & Best Regards,

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