

Composition of taxes under Maharashtra VAT

Introduction

Section 42 provides for Composition Schemes for various classes of dealers, as may be notified by the State Government from time to time. The dealers opting for such composition schemes shall pay tax at such rates, with such conditions, as may be prescribed in the scheme.

Classes of Dealers

In accordance with the Section mentioned above, the Government of Maharashtra has notified different types of composition schemes for the following classes of dealers: –

1. Retailers

- A dealer shall be considered to be engaged in the business of selling at retail if 9/10th of his turnover of sales consists of sales made to persons who are not dealers.
- This scheme is not applicable to the dealer
 - who is a manufacturer or an importer
 - who purchases any goods from a registered dealer whose sales of the said goods are not taxable under section 8(1).
 - who sells at retail, liquor including liquor imported from out of India, Indian Made Foreign Liquor or Country Liquor

2. Restaurants, Clubs, Hotels and Caterers

The State Government may, by a notification in the Official Gazette, provide for a scheme of composition, subject to such conditions and restrictions as may be provided therein, of tax payable by dealers –

- Who are running any eating house, restaurant, hotel, refreshment room or boarding establishment,
- Who are caterers and serve food and non-alcoholic drinks,
- Dealers running bakeries,
- Dealers of second hand motor vehicles whose principal business involve buying or selling motor vehicles,
- Vendors selling Indian Made Foreign Liquor or Country Liquor at retail and holding license in Form FL II or in Form CL III or in Form CL/FL/TOD/III.

3. Works Contract

A dealer liable to pay tax on the sales effected by way of transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract, may opt for the composition scheme subject to such restrictions and conditions as may be prescribed, in lieu of the amount of tax payable by him under this Act, whether in respect of the entire turnover of sales effected by way of works contract or in respect of any portion of the turnover corresponding to individual works contract. Rate of tax under composition scheme for works contract is

- Equal to 5% of the total contract value of the works contract in the case of a construction contract, and
- 8% of the total contract value of the works contract in any other case, after deducting from the total contract value of the works contract, the amount payable towards sub-contract involving goods to a registered sub-contractor.

The composition scheme is available even for the dealers who undertake the construction of flats, dwellings or buildings or premises and transfer them in pursuance of an agreement along with the land or interest underlying the land.

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4. Dealers, hire (lease) out mandap, shamiana, tarpaulins, etc.

Where a dealer is liable to pay tax on sales effected by way of the transfer of the right to use mandap or tarpaulin (whether or not for a specified period), then he may, subject to such conditions and restrictions, as may be prescribed, pay in lieu of the amount of tax payable by him, a sum equal to one and half per cent of the turnover of sales effected by him.

For the purposes of this sub-section, the transfer of the right to use mandap includes the transfer of the right to use mandap, pandal, shamiana or the decoration of such mandap, pandal or shamiana and the transfer of the right to use furniture, fixtures, lights and light fittings, floor coverings, utensils and other articles ordinarily used along with a mandap, pandal or shamiana.