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## NEWSFLASH: KARNATAKA STATE BUDGET 2016-17

-Key Highlights

## 1.0 Background

On 18 March 2016 Karnataka Finance Minister has presented the State budget for the year 2016-17. The changes effected in various regulations shall be effective from a date to be notified unless otherwise specified.

## 2.0 Amendments in Karnataka Value Added Tax Act, 2003 ('KVAT Act, 2003')

### 2.1 It is proposed to reduce / increase rate of tax on following products

Sr. no.	Type of product	Tax Rate (%)	
		Present	Proposed w. e. f. 1 April 2016
1	Cotton falling under section 14(ii) of the CST Act	5%	2%
2	Chatnipudi prepared from: Groundnut, Nigar seeds, Copra, Bengal gram, Garlic, Flax seeds and fried gram	14.5%	5.5%
3	Office files made of paper and paper boards	14.5%	5.5%
4	Adult Diapers	14.5%	5.5%
5	Articles of nickel, titanium falling under heading of HSN 7505, 7506 and 8108 to encourage Aerospace industry,	14.5%	5.5%
6	Hand operated Rubber sheet making machine	14.5%	5.5%
7	Set top boxes for viewing Television content	14.5%	5.5%
8	Surgical gowns, masks, caps and drapes of single use made of non-woven fabrics	14.5%	5.5%
9	Multi-Media Speakers	14.5%	5.5%
10	Helmets	14.5%	5.5%
11	LED Bulbs as electricity saving measure	14.5%	5.5%
12	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.	14.5%	20%
13	Petrol	26%	30%
14	Diesel	16.65%	19%

### 2.2 It is being proposed to grant exemption to following process: In respect of following goods, it is proposed to extend the existing tax exemption / concession up to 31 March 2017

Sr. No	Types of products	VAT Rate (%)
1	Paddy, rice, wheat, pulses and products of rice and wheat	0%
2	Ragi Rice (Processed Ragi)	0%
3	Jowar Roti	0%
4	Aluminium house hold utensils other than Pressure Cookers and Cutlery	0%
5	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	0%
6	Sale of crude oil to bring crude oil sold from caverns located at Padur in Udupi District and Mangaluru in Dakshina Kannada District on par with crude oil directly imported by Indian Refineries	0%

### 2.3 Other Proposals

- Development of a dedicated module for transportation of goods that will allow transporters to upload the details of goods being transported online for hassle-free movement of goods and
  - Development of mobile application for the benefit of small dealers,
  - Issue of online refunds to the eligible dealers,
  - Online service of statutory proceedings using digital signature certificates.

- It is proposed to restrict input tax claim relating to interstate sale of cigarettes against 'C' form, charged in excess of two percent on such purchase of cigarettes.
- It is proposed to rescind the notifications issued under the CST Act, 1956 which were issued before the introduction of VAT reducing the rates to CST 1%, as input tax rebate is also available for interstate sale of goods.
- Amendment to Sub-section 3 of section 10 of Karnataka Value Added Tax Act, 2003, to bring in clarity that input tax credit should be claimed within the tax period and it included input tax credit relatable to goods purchased immediately 5 preceding tax periods. This amendment will have effect from 1 April 2015.
- Amendment to Section 10 of the Karnataka Value Added Tax Act, 2003, to assess the dealers who are Statutorily required to upload but fail to upload such purchase and sales statement by disallowing input tax.
- The Karnataka Value Added Tax Act, 2003, to provide for submission of Form VAT 240 electronically and to levy penalty for non-compliance.
- Section 38 of the Karnataka Value Added Tax Act, 2003, to include cases relating to the dealers who file incorrect and incomplete returns.
- Section 72 of the Karnataka Value Added Tax Act, 2003, for levy of penalty under the circumstances of filing revised returns resulting in tax liability of more than 5%,
- 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.

### 3.0 Profession Tax

It is proposed to amend section 5 to issue registration certificate within 3 days

### 4.0 Luxury Tax

It is proposed to amend section 3-E to provide relief to class of facilities in hospitals.

It is proposed to amend section 7-A to empower authorities to re-assess escaped tax by including types of luxuries chargeable to tax but not specified in that section.

### 5.0 Entertainment Tax

Entertainment Tax at 6% is being levied and collected from Multi System Operators (MSOs) and Direct to Home service providers (DTHs) from the year 2006, under section 4-G.

It is proposed to amend Section 4-G to increase levy from 6% to 10%.

### 6.0 Entry Tax

It is proposed to amend the KTEG Act, 1979 to reduce mandatory payment of disputed tax and other amounts to 30% to get stay from First Appellate Authority and Karnataka Appellate Tribunal

It is proposed to amend KTEG Act to facilitate dealers to file appeal to the first appellate authority electronically.

### 7.0 Betting Tax

It is proposed to facilitate filing of returns and payment of tax electronically under Betting Tax Act.

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