

LOCAL
BODY
TAX



BY
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BRIEF OVERVIEW

LBT stands for Local Body Tax. LBT was first proposed in 1987 by a committee headed by the then Chief Secretary Shri P D Kasbekar. As the name implies, LBT is a tax or cess Collected / to be collected by the local bodies, called Municipal Corporations. LBT is replacement for Octroi. Presently, Urban Development Department (UDD) of the state government is monitoring LBT in Maharashtra. Although LBT is a state levy, but it will be operated through local municipal corporations. There are 54 rules, 20 forms and 2 schedules under such rules. The above rules are part of The Maharashtra Municipal Corporations Act, 1949.

DEFINITIONS

- The basic definitions for the purpose of LBT have been given in The Maharashtra Municipal Corporations Act (LIX of 1949).

Business : - Section 2(5A) - The definition is inclusive one and states that

- a) Any Trade, Commerce, Profession, Consumption or Manufacture or any adventure or concern in the nature of trade, Commerce, Profession, Consumption or Manufacture whether such activity is carried on with an intent to make profit or not:
- b) Any transaction which is in connection with or incidental or ancillary to above activity:
- c) Any occasional transaction in the nature of above activities:
- d) any transaction in connection with or incidental or ancillary to the commencement or closure of above said activities.

DEFINITIONS

- **Dealer – Section 2(16A)**

Dealer means any person who whether for commission, remuneration or otherwise imports, buys or sells any goods in the City for the Purpose of his business or in connection with or incidental to his business. It Includes:

- a) Factor, Broker, Commission Agent, Del Credere Agent or any other Mercantile Agent by whatever name called.
- b) Auctioneer
- c) Central or State Government which buys, sells or supplies, distributes or imports goods directly or otherwise, for Commission , remuneration or otherwise.
- d) Society, Club or other AOP's

DEFINITIONS

- **Local Body Tax - Section 2(31A)**

Local Body Tax means a tax on the entry of goods into the limits of the City, For Consumption, Use or Sale therein, levied in accordance with the provisions of Chapter XIB of the Act, but does not include cess as defined in clause (6A) or Octroi as defined in clause 42.

- **Value of the Article – Section 2(70c)**

Value of the Article, in relation to the goods imported into the City, where Octroi or Cess is charged, on such goods on ad valorem basis shall mean the value of the Articles as mentioned in the original invoice, and shall include the Shipping dues, Insurance, Custom duties, Excise duties, Counter Vailing Duties, Sales Tax, Value Added Tax, Transport Charges, Vendor Freight Charges, Carrier Charges and all other incidental charges.



TAXABLE EVENT

- **Taxable Event for LBT may be defined as:**

Entry of any goods for consumption, use or sale there in viz. by purchase, stock transfer, sale return, job work in the municipal limits of city/corporation.

The term 'City' has been defined in the Act and would ordinarily conform to the Municipal Corporation Limits.

TAXABLE VALUE

- The LBT Rules does not explicitly provides for value on which LBT is to be paid.
- Rule 24 provides for determination of tariff value by the Commissioner in case of certain goods.
- Rule 25 states empowers the Commissioner to determine the Fair Market Price of Goods if there are reasons to believe that Sale / Purchase is less than Fair Market Price in specific case.
- On the basis of above, we can conclude that LBT is required to be paid on the invoice value of a particular transaction. However, as there is no specific provisions in this regard, clarification is required from the Authorities.



REGISTRATION – Rule 3

The Limits of Turnover for Registration
Are:

- In case of Importer Dealer, if the Value of all the Goods Imported are not less than Rs. 1,00,00/-
- In any other case, If the Turnover of all his sales or purchases during a year is not less than Rs. 5,00,000/-

DOCUMENTS REQUIREMENT

- 1) 2 Pass Port Size Photos;
- 2) Place of Business Proof – Electricity Bill or Corporation Tax Receipt;
- 3) Rent Agreement (Leave & License Agreement), if required;
- 4) MVAT & CST Registration Certificates;
- 5) PAN;
- 6) Place of Residence Proof – any 2 of following –
 - i. Ration Card;
 - ii. Passport;
 - iii. Telephone Bill.
- 7) Shop Establishment License (Gumasta License);
- 8) Bank Statement of current month;
- 9) MOA/AOA – in case of company;
- 10) Board Resolution – in case of company;
- 11) Partnership Deed;
- 12) Monthly purchase statement;
- 13) Balance Sheet for F.Y. 2011-12;
- 14) Introduction form in case of VAT dealers, otherwise stamp duty of Rs. 100/-.

PARTNERSHIP FIRMS

- **LIABILITY – Rule 6**

The firm and all the partners of the firm shall be jointly & severally liable for payment of LBT.

- **REGISTRATION – Rule 9(6)**

Every partner is required to furnish a declaration as provided in Form A.

- **RETIREMENT – Rule 6**

- The retiring partner is required, within 60 days of the retirement, to intimate to the Commissioner, in writing, about the retirement.

WHERE TO FILE APPLICATIONS?

1	Laxmi Nagar Near Water Tank, Laxmi Nagar, Nagpur Call Centre:0712-2245589	Shri Ganesh Rathaur Asst.Commissioner / Ward Officer	9823128275
2	Dharampeth Near Gokulpeth Market, Dharampeth, Nagpur Call Centre:07122565589	Shri. Rajesh karade Asst.Commissioner / Ward Officer	9823330936
3	Hanuman Nagar Near Nehru Nagar School, Manewada Road, Hanuman Nagar, Nagpur Call Centre:07122755589	Shri Vijay Humane Asst.Commissioner / Ward Officer	9673009102
4	Dhantoli Near Bengali High School, Humpayard Road, Dhantoli, Nagpur Call Centre:07122565599	Shri .Mahesh Morone Asst.Commissioner / Ward Officer	9823330932

WHERE TO FILE APPLICATIONS?

5	Nehru Nagar Near Nehru Nagar Garden, Infront of Janki Devi School, Nandanwan Road, Nagpur Call Centre:07122705589	Shri. Dilip Patil Asst.Commissioner / Ward Officer	9823022718
6	Gandhi Bagh Near Town Hall, Mahal, Nagpur Call Centre:07122735599	Shri. Raju Bhivgade Asst.Commissioner / Ward Officer	9823059357
7	Sataranjipura Marwadi Sq., Itwari Railway Station Road, Nagpur Call Centre:071227687339	Shri Milind Meshram Asst.Commissioner / Ward Officer	9823330934
8	Lakadganj Behind Petrol Pump, Near Telephone Exchange Square, Lakadganj, Nagpur Call Centre:07122737599	Shri. Subhashchandra Jaidev Asst.Commissioner / Ward Officer	9823128268
9	Ashi Nagar Near Anand Buddha Vihar, Ashi Nagar, Nagpur	Shri. Ashok Patil Asst.Commissioner / Ward Officer	9823159363
10	Mangalwari Koradi road, Near NMC School, Mangalwari, Nagpur Call Centre:07122593599	Shri Prakash Warade Asst.Commissioner / Ward Officer	9823330931

RATES OF LBT

- Rates of LBT are mentioned in Schedules forming part of The Bombay Provincial Municipal Corporations (Local Body Tax) Rules, 2010. There are 2 Schedules –
 - ❖ Schedule A deals with rates of LBT on taxable goods (ranging from 0% to 5%) and
 - ❖ Schedule B deals with exempted goods under LBT laws.
- There are 4 Groups & 99 chapter headings under Schedule A and each chapter has various sub-chapters. There are 59 entries in Schedule B.



EXEMPTION FROM LBT

- Goods imported belongs to the Government and is not for the purpose of earning profit & is to be used for public purpose.
- Goods imported by a dealer or a person on behalf of either the Central or the State government.
- Sales Return within 6 months from the date of sale.
- All goods which are exported out of India.



JOB WORK

- If a dealer moves goods out of the City limits for processing then the value of the goods moved out will be deducted from the total value of processed goods re-imported and LBT will be levied only the processing charge.
- If a dealer in the City receives goods from outside city limit for processing, such goods shall not be liable for payment of Local Body Tax. The dealer has to satisfy the following conditions before a claim for exemption from LBT can be made. The conditions are as follows:-
 - ❖ Goods are returned back within a period of 6 months from the date of importation,
 - ❖ The goods are exported back to the same person without change of ownership and the form of the goods
 - ❖ The Dealer shows the value of such goods in his returns for the relevant period,
 - ❖ The Dealer deposits a security deposit as guarantee as determined by the Commissioner.



COMPLIANCES – Rule 21 & 22

- INVOICE

- I. Should contain full name and style of Selling Dealer's business
- II. Address of his *place* of business
- III. Registration Number of LBT
- IV. Particulars of the goods sold
- V. Sale price

- If the sale price is more than Rs. 500, the Selling dealer shall also state

- I. The full name and style of business of the buyer (if any)
- II. Address
- III. Registration Number of LBT

Various Forms under LBT

A	Application for Registration	B	Certificate of Registration
C	Application for Cancellation of Registration Certificate	D	Purchase / Goods Receipt Register
E-II	Annual Return	F	Authorization for Manager
G	Notice calling for Submission of Rerun	H	Hearing Notice
I	Assessment Order	J	Notice of Demand
K	Notice for Re-assessment	L	Notice for LBT Payment
M	Refund Order	N	Notice for Production of Books
O	Forfeiture, Penalty Notice	P	Rectification of Mistakes
Q	Authority Letter	R	Declaration for Permission to Pay Lump-sum LBT
S	Appeal		



IMPORTANT NOTICATIONS

- LBT – 0209/ CR-65/09/ UD-34 DATED 25/03/2010
- LBT – 0209/ CR-65-2009/ UD-34 DATED 29/06/2012
- LBT – 2013/ CR-22/ UD(1-5) DATED 25/02/20103
- LBT – 2013/ CR-16/ UD – 32(5) DATED 28/03/2013



SOME TEASERS?

- Difficult Proposition for small traders?
- Purchase for personal use taxable?
- What is the cut off date for levy of LBT?
- LBT number allotted, still form required to be filled?
- Warehouse outside city limits – what is the implication?
- If the Seller – Dealer does not pay LBT, will the purchaser be liable?



THANK YOU