
Local Body Tax and its impact

Reshma R. Rode

Research Scholar, B. M. College of Commerce

Introduction

Local Body Tax, popularly known by its abbreviation LBT. The tax imposed by the local civil bodies of India on the entry of goods into a local area for consumption, use or sale. The tax is imposed on 52 of the State List from the Schedule VII of the Constitution of India. which says; "Taxes on the entry of goods into a local area for consumption, use or sale therein." Trader pay taxes to the civic bodies and the rules and regulations of these change from state to state within India .LBT means Taxes on the entry goods into a local area for consumption, use or sale therein .Most of the state governments withdraw octroi about Six years ago when the (VAT) Value Added Tax was introduced. However, barring a same small cities, Octroi is collected in more cities of Maharashtra, such as Mumbai-Pune. The State Government has announced that octroi will be ended from most of the municipal corporations by April 2013 and LBT will be introduced.

Objectives:

- To understand and to study the Local Body Tax (LBT)
- To analyze the requirement of Local Body Tax (LBT)
- To know the effects of Local Body Tax (LBT)

Research Methodology

Secondary data

- News paper articles
- Various websites

Who is Liable for LBT?

Any Transaction incidental or in connection with or ancillary to such Trade, Profession, Commerce, Consumption, Manufacturing, Adventure or Concern. LBT solution is a complete Local Body Tax Solution for Business owners as well as for Tax Consultants. It automates all the purchase activities related to local body tax compliance.

History and implementation

The tax supplants the "octroi" and "Cess" system of taxing. The octroi system originates from the ancient Roman times, levied tax on the goods while they entered the limits of the civic body. The trucks or goods carriers have to pay tax while they enter the city limits at the octroi check posts. As on 2013, the State of Maharashtra and one state in the Northeast African country of Ethiopia are only regions to impose octroi. Since 1965 in Maharashtra this system was in practice. In Maharashtra Legislative Council and Maharashtra Legislative Assembly in a joint session of the Chief Minister of Maharashtra, in March 2013, Prithviraj Chavan announced that the octroi and cess will be cancelled and LBT would be levied in the municipalities of Pune, Mumbai, Nagpur, Thane, and Pimpri-Chinchwad in the year of 2013. At that time, The LBT

was in action in other 20 municipalities. Other municipalities implemented from 1 April 2013 but Mumbai was planned implement it from 1 October 2013. In 2009 the law for the same had been passed and rules for implementation in various regions had to be drafted.

Nature

As per the rules, The registered trader pay the tax within 40 days. every trader whose annual turnover of purchase and sales of the goods included in the taxable schedule is not less than 5,000 and if the annual turnover of purchase and sales of all the goods is not less than 1,00,000 (one lakh) is supposed to be registered with the local civic body i.e. municipality. The payment of the tax is to be done by the trader through an online, by cash, cheque, demand draft to a designated bank account or special counters opened for the same by the civic bodies.

Some concessions are defined. like, when LBT-paid goods are exported outside the city, a 90% of the paid LBT can be refunded based on some conditions. There are also concessions on goods that are imported again after they were sent out for certain processing or outside India. With implementation of LBT, dealers are supposed to maintain their records of business and file half-yearly returns. The registration number assigned by the civic body also has to be included in the bill or invoice. The traders have to maintain the records for 10 years.

In case of delayed or non-payment of LBT, or failure to register, or failure to present bill/invoice/other records, or failure to state correct liability, various penalties are charged.

Where is LBT Applicable

Maharashtra

LBT is being introduced in Maharashtra in the year 2010 in Tier III cities. LBT was introduced in 2013 it was made applicable to tier II and I cities. The table below shows where LBT has been made applicable and from when.

Municipal Corporation	LBT made applicable
Thane	01-04-2013
Bhiwandi	22-05-2013
Pune	01-04-2013
Nagpur	01-04-2013

The traders protested for the fear that such law would increase harassment and corruption from local authorities. This tax was also noted as extraneous while Value Added Tax (VAT) was still under implementation. Proposals were also made to increase VAT instead of adding this extra tax. However the same was quashed by the government as it would mean that the money collected by state government through VAT would have to be transferred to civic bodies in form of grant.

Advantages and disadvantages of local body tax:

- **LBT is new form to maintain corruption**, so that Political leader in the local bodies can earn money. Almost 90% of tax payer money goes into the pocket of bug business and highly corrupted political people. All political, business and rich income have almost

corrupt mindset. They just want to suck people money. Many more to say of just praying something should happen and these thing get washed out...

- **Local Body Tax is a good initiative from Government.** What I feel that Only those are in job/Service are paying taxes on their income. & even with good salary package they can't afford to buy one flat or any property But whenever I am going for buying property like flat or plot. It is always out of budget. When i investigate who can buy plot/Flat/or any other big property those are only Gujarati, Marwadi & sindhi. Sindhi came from pakishtan with some money But how they earn show much money.
- **It is not only for the Maharashtra.** care should be taken while imposing on small trader and whole India should follow the same rules.
- **Advantage or significance of LBT is that LBT will be the main source of income for civic bodies.** It contributes between 50-70 per cent of the actual revenues of the corporation. The Pune Municipal Corporation collected Rs 1314.27 crores by way of octroi for the financial year 2012-2013, while the Pimpri Chinchwad Municipal Corporation collected Rs 1200 crores in the last financial year.
- **It works differently from the octroi system.** Traders have to compile a list of all goods procured within the month, feed the matter into the software provided by the civic body to check their LBT liability. They have to make payment once every 40 days using online portals, cheque, demand draft or cash through a designated bank or counters of the civic bodies.

The Limits of Turnover for Registration:

a) In the case of a dealer, who is an importer and whose turnover of sales or the turnover of purchases of goods specified in 'Schedule A', during a year, is not less than Rs.5000/-, and the value of all the goods imported by him during such year is not less than Rs.5000/-, and the turnover of all his sales or the turnover of all his purchases during such year, is not less than Rs.1,00,00.

b) In any other case including the where a dealer has not become liable to pay local body tax under clause (a), and the turnover of goods specified in schedule A, in a year, is not less than Rs. 5000/- and the turnover of all his sales or the turnover of all his purchase during such year, is not less than 1,50,00.

Observations

- ❖ Because of Lbt many of business units comes into tax net therefore there will be increase in the revenue of the state government.
- ❖ Due to introduction of Lbt state government abolished the octroi duty.
- ❖ With the introduction of there will be proper control in the activities like sale, consumption purchase or use
- ❖ With the introduction of Lbt there is an increase in the level of corruption.

Suggestions

- ❖ I would like to suggest that with the introduction of LBT there must be transparency because the level of corruption also increases.



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- ❖ There should be time to time amendments, & up gradations should take place whenever it is necessary.

Conclusion

LBT means Taxes on the entry goods into a local area for consumption, use or sale therein. State governments withdrew octroi about five years ago when the Value Added Tax was introduced. The tax is to be paid by a registered trader within 40 days. LBT is new form to maintain corruption so that Political leader in the local bodies can earn money. Local Body Tax is a good initiative from Government. With the introduction of LBT there is an increase in the level of corruption.

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