

# EY Tax Alert

Maharashtra Government proposes amnesty scheme for PSUs with regard to arrears of erstwhile indirect taxes

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## Executive summary

This Tax Alert summarizes the recent "Maharashtra Settlement of Arrears of Tax, Interest, Penalty or Late Fee (Payable by Public Sector Undertaking Companies) Bill, 2025<sup>1</sup> introduced pursuant to the Maharashtra State Budget 2025-2026.

The Government of Maharashtra has proposed an amnesty scheme for Public Sector Undertakings (PSUs) with regard to arrears of various taxes levied before the introduction of Goods and Services Tax (GST).

The applications under the scheme shall be made at any time after the date enactment of the Bill but not later than 30 days from the last date of payment of requisite amount i.e. 31 December 2025.

The requisite amount payable as per the scheme shall be calculated in the following manner:

Particulars	Matters pertaining to period on or before 31 March 2005		Matters pertaining to period 1 April 2005 to 30 June 2017	
	Amount to be paid	Amount of waiver	Amount to be paid	Amount of waiver
Undisputed tax	100%	Nil	100%	Nil
Disputed tax	30%	70%	50%	50%
Interest	Nil	100%	Nil	100%
Penalty	Nil	100%	Nil	100%
Late fee	-	-	Nil	100%

Any Payments made before the commencement date of the Act or after 31 December 2025 shall not be considered under the scheme.

Similarly, any refunds adjusted or deemed to be adjusted against arrears before the commencement date of the Act or during the period upto 31 December 2025 shall not be considered as payment towards the requisite amount.

<sup>1</sup> L.A. Bill No. XXI of 2025



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# Background

- ▶ Prior to implementation of Goods and Services Tax (GST), various indirect tax laws were operational in the State of Maharashtra. There is a large amount of recovery blocked in litigations under such laws. A sizeable portion of the recovery is contested by the Public Sector Undertaking Companies (PSUs).
- ▶ To release the funds involved in these outstanding dues and to reduce pending litigations, the Government of Maharashtra, in its State Budget 2025-2026, has proposed an amnesty scheme<sup>2</sup> to provide for settlement of certain arrears of tax, interest, penalty or late fee payable by the PSUs<sup>3</sup> (the applicant), levied before introduction of GST.
- ▶ Such amnesty scheme shall be called as "The Maharashtra Settlement of Arrears of Tax, Interest, Penalty or Late Fee (Payable by Public Sector Undertaking Companies) Act, 2025" (the Act).

## Highlights

- ▶ The application under the scheme can be made at any time after the date of commencement of the Act but not later than 30 days from the last date prescribed for payment of the requisite amount i.e. 31 December 2025.

If the applicant could not manage to file application within time, then delay up to further 30 days may be condoned by the designated authority after recording the sufficient reasons.

- ▶ Such application will be required to be filed separately for each financial year with respect to each class of arrears.

If an applicant wishes to settle arrears of return dues in respect of specified period, they must submit a separate application for each return or revised return.

However, if the applicant intends to settle return dues for multiple returns or revised returns pertaining to same financial year, then a single application can be made.

- ▶ Each application shall be accompanied by proof of payment of full requisite amount.
- ▶ The legislations covered under the scheme (Relevant Acts) are;
  - ▶ The Central Sales Tax Act, 1956
  - ▶ The Bombay Sales of Motor Spirit Taxation Act, 1958
  - ▶ The Bombay Sales Tax Act, 1959

- ▶ The Maharashtra Purchase Tax on Sugarcane Act, 1962
- ▶ The Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975
- ▶ The Maharashtra Sales Tax on the Transfer of Right to use any Goods for any Purpose Act, 1985
- ▶ The Maharashtra Tax on Luxuries Act, 1987
- ▶ The Maharashtra Tax on Entry of Motor Vehicles into Local Areas Act, 1987
- ▶ The Maharashtra Sales Tax on the Transfer of Property in Goods involved in the Execution of Works Contract (Re-enacted) Act, 1989
- ▶ The Maharashtra Tax on the Entry of Goods into Local Areas Act, 2002
- ▶ The Maharashtra Value Added Tax Act, 2002

- ▶ The applicant who has availed benefits under previous amnesty schemes<sup>4</sup> are also eligible to make an application under this scheme.

- ▶ Where the Department has filed a reference or an appeal before the Maharashtra Sales Tax Tribunal or the Courts, the demands disputed by the Department including tax, interest, penalties, or late fees can also be considered by the applicant for settlement of arrears under this scheme.

- ▶ Any payment made before commencement of the Act will be first adjusted against the undisputed tax and then disputed tax, thereafter, towards interest and the balance towards penalty and late fee sequentially.

Any amount of refund due to the applicant, which has remained un-adjusted on the date of payment of requisite amount, shall also be adjusted towards arrears of tax, interest, penalty and late fee.

Amnesty benefit will be calculated on the net amount payable (requisite amount) after adjusting the above payments made.

These provisions of adjustments shall mutatis mutandis apply to the return dues or dues of any tax, interest, or late fees identified by an auditor in an audit report.

- ▶ Any demand raised as per the statutory order passed upto 31 December 2025 shall also be considered for settlement under the scheme.
- ▶ Arrears of interest, penalties, or late fees shall be waived, if the tax owed according to any statutory order for a specified period has been paid on or before the commencement of this Act.

<sup>2</sup> L.A. Bill No. XXI of 2025

<sup>3</sup> "Public Sector Undertaking Company" means any company registered as Government Company under the Companies Act, 2013 (18 of 2013.)

<sup>4</sup> The Maharashtra Settlement of Arrears in Disputes Act, 2016, the Maharashtra Settlement of Arrears of Tax, Interest, Penalty or Late Fee Act, 2019, the Maharashtra Settlement of Arrears of Tax, Interest, Penalty or Late Fee Act, 2022, the Maharashtra Settlement of Arrears of Tax, Interest, Penalty or Late Fee Act, 2023.

This waiver also includes post-assessment interest or penalties which is leviable but not levied in case of applicant.

- ▶ The requisite amount payable, post adjustments as determined above, shall be computed in the following manner:

Particulars	Matters pertaining to period on or before 31 March 2005 <sup>5</sup>	
	Amount to be paid	Amount of waiver
Undisputed tax	100%	Nil
Disputed tax	30%	70%
Interest	Nil	100%
Penalty	Nil	100%
Late fee	-	-

Particulars	Matters pertaining to period 1 April 2005 to 30 June 2017 <sup>6</sup>	
	Amount to be paid	Amount of waiver
Undisputed tax	100%	Nil
Disputed tax	50%	50%
Interest	Nil	100%
Penalty	Nil	100%
Late fee	Nil	100%

- ▶ Any Payments made before the date of commencement of the Act or after 31 December 2025 shall not be considered under the scheme.

Similarly, any refunds adjusted or deemed to be adjusted against arrears before the date of commencement of the Act or during the period upto 31 December 2025 shall not be considered as payment towards the requisite amount.

Applicants, under any circumstances, are not entitled for any waivers of undisputed taxes.

- ▶ The requisite amount of entry tax shall be the amount equivalent to the amount of entry tax determined in the statutory order, or the amount reduced or denied by the amount of set-off of entry tax, as provided under Rule 53 or 54, respectively, under the Value Added Tax Rules or, as the case may be, under the Bombay Sales Tax Rules, 1959, whichever is less.
- ▶ If any appeal is pending in respect of any statutory order, the same shall be withdrawn fully and unconditionally by the applicant.
- ▶ The designated authority is required to pass an order within two months from the date of application.
- ▶ Where the application made by the applicant is not in accordance with the provisions of such scheme, the designated authority may reject the application after giving an opportunity of being heard to the applicant.

On rejection of such application, if the applicant had withdrawn the appeal to apply for settlement, then the said original appeal shall be reinstated on

application made in this behalf to the appellate authority.

- ▶ The designated authority on its own motion or on application of the applicant, rectify the amnesty order within six months from the date of receipt of order by the applicant.

Provided the application for such rectification is made within sixty days from the date of receipt of the order by the applicant.

- ▶ An appeal against the amnesty order can be filed before the appellate authority within 60 days from the receipt of order.

There shall be no second appeal against an order passed by the appellate authority.

- ▶ An appeal against the order passed under this scheme can be made to the appropriate higher authority as follows;

#	Order passed by	Appropriate authority for filing appeal
i	Authority subordinate to Deputy Commissioner of State Tax	Deputy Commissioner of State Tax (Administration or Nodal)
ii	Deputy Commissioner of State Tax	Joint Commissioner of State Tax (Administration or Nodal)
iii	Joint Commissioner of State Tax	Additional Commissioner of State Tax

- ▶ Commissioner can review an amnesty order within 12 months from the service of such order.
- ▶ The settlement order issued under this scheme would be final and the issues resolved by such order cannot be reopened in any review, revision, or other proceedings under the Relevant Act except any proceedings on account of specific observations made by the Comptroller and Auditor General of India.
- ▶ However, if it appears to the designated authority that the applicant has obtained the benefit under the scheme by suppressing material facts, providing incorrect or false information, or concealment of any particulars in cases related to search and seizure under the Relevant Acts, then the authority may revoke the settlement order.

This revocation can be made within two years from the end of the financial year in which the settlement order was served, provided the applicant is given an opportunity of being heard and the reasons are recorded in writing.

- ▶ Upon revocation of a settlement order, any assessments, re-assessments, corrections, revisions, reviews, or appeals covered by such order will be immediately reinstated as if no settlement order has ever been made.
- ▶ Where the period of limitation for re-assessment, correction, revision, or review under the Relevant

<sup>5</sup> Annexure B of the proposed Bill

<sup>6</sup> Annexure A of the proposed Bill

Act is set to expire within two years from the revocation date, then these actions must be taken within two years from such date.

Additionally, an original appeal can be reinstated upon request to the Appellate Authority under the Relevant Act.

- ▶ Under no circumstances, the applicant shall be entitled to get refund of any amount paid under the amnesty scheme.

In case the order of settlement is revoked or rejected, the amount paid by the applicant under the scheme shall be treated to have been paid under the Relevant Acts.

## Comments

- a. This scheme for PSUs appears to be more attractive than the scheme which was introduced in 2022 and 2023 for all the taxpayers. PSU entities who may have missed availing benefit earlier may take benefit under this scheme.
- b. An amnesty scheme introduced for the third time by Maharashtra Government signifies its intent to resolve a long-standing indirect tax disputes and unlock the sizeable portion of tax dues in pending litigations.

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