



BUDGET UPDATES

CUSTOMS

- ✚ Limitation period for issuance of Show Cause Notice for cases **NOT** involving fraud, suppression of facts, wilful mis-statement etc. proposed to be extended from **1 year to 2 year**;
- ✚ Permission to certain class of importers to make **deferred payment of Custom duty or any charges**; Central Govt. may be notify the procedure.
- ✚ **Special Warehouse category** to be introduced to definition of Warehouse.
- ✚ Rate of interest for delay in payment of custom duty **reduced from 18% to 15% per annum w.e.f. 1st April, 2016**; Notfn. No. 33/2016-Cus. dated 1-03-2016
- ✚ Concept of **declaring warehousing station** by Central Govt. has been **done away with**;
- ✚ **EOU's, EHTP's, STP or any warehouse permitted under Section 65** may keep the warehoused goods in the warehouse in case of capital goods till their clearance and in case of other goods till their consumption or clearance, **without payment of any interest**. For others, the goods may be deposited in a warehouse upto one year unless further extended by the commissioner. Interest on duty in others category would be payable @15% PA beyond the period of 90 from the date of warehousing till the date of clearance from the warehouse.
- ✚ **Control of the proper officers over the warehouse is done away with**; now the custody of the warehoused goods will remain with the licensee.
- ✚ Section 8C of the Customs Tariff Act, 1975, has been proposed to be removed. This will leave the Safeguard Measures under Section 8B as the only Tariff related Safeguard Measure under the Customs Tariff Act, 1975. **Materials that are imported under Advance license/ Duty Exemption Entitlement Certificate/ Duty Free Import Authorisation etc. will be free from Safeguard duty retrospectively**.
- ✚ Exemption limit for Import of Gift through courier enhanced from Rs 10,000/- to Rs. 20,000/-
- ✚ In respect of software imported on media on which the RSP is not required as per Legal Metrology Act, CVD to be exempted on so much of the value on which service tax is leviable. CVD to apply only on the value of medium (CDs, Discs, etc.) along with freight and insurance.
- ✚ For Make in India initiative the BCD on various category of goods has been increased from 5% to 7.5% or from 7.5% to 10% or from 10% to 20% for promoting domestic markets under Third Schedule of Finance Bill, 2016 with immediate effect i.e. from 1st March, 2016.
- ✚ To align with the world HSN the first Schedule of the Custom tariff shall also be amended as per **Fourth Schedule of Finance Bill, 2016, w.e.f. 1st January, 2017**.
- ✚ Rules governing **Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods Rules, 1996 replaced with new rules** in line with ease of doing business under Make In India campaign;
- ✚ Existing **Baggage Rules completely revamped with new Baggage Rules, 2016** along with corresponding changes in the Customs Baggage Declaration Regulation, 2013 to ease the whole process. There has been a slight increase in certain exemption limits as well.
- ✚ The value of warehousing bond has been increased to **three times the amount of duty, from two times**.
- ✚ Rent and warehousing charges have been de-regularised.
- ✚ Import of capital goods, spares, raw materials, parts, material handling equipment and consumables for repairs of ocean going vessels by a ship repair unit will now be chargeable to custom duty.
- ✚ Customs duty exemptions on import of specified goods (by Government/ contractors/ PSU's) for defence purposes proposed to be withdrawn from 1st April 2016.
- ✚ Additional Duty of Customs imposed on PCBs of mobile phone and tablet computers, Personal computers, charger, adapter, battery, wired headset/speaker of mobile handsets, some chemicals, machinery and electronic equipment etc. In some cases it is exempted wholly or by 2%, if the procedure set out in Customs (Import of goods at concessional rate of duty for manufacture of excisable goods) Rules, 1996 is followed.
- ✚ Custom Duty exemption done away with on import of charger or adapter, battery, wired headsets and speakers of mobile handsets including cellular phones and solar tempered glass or solar tempered (anti-reflective coated) glass, even if procedure of concessional rate of duty is followed.
- ✚ CVD on goods under chapter 87 increased due to levy of Infrastructure Cess w.e.f. 1st March, 2016.



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CENTRAL EXCISE

- ✚ **Limitation period for issuance of Show Cause Notice for cases NOT involving fraud, suppression of facts, wilful mis-statement etc. proposed to be extended from 1 year to 2 year;**
 - ✚ **Branded readymade garments of RSP of Rs. 1,000 and above to attract excise duty of 2% (without Cenvat Credit) or 12.5% (with Cenvat Credit) along with other changes; Instructions issued for transition;**
 - ✚ **Articles of jewellery (excluding silver jewellery) to attract excise duty of 1% (without Cenvat Credit) or 6% (with Cenvat Credit) with a higher threshold limit; Instructions issued for transition;**
 - ✚ **Excise duty on refrigerated containers and specified fertilizers reduced from 12.5% to 6%;**
 - ✚ **Excise duty on footwear reduced by way of reduction in advalorem excise duty as well as increase in abatement where the duty levied on RSP based valuation;**
 - ✚ **Excise duty decreased on solar lamps.**
 - ✚ **reduce the number of returns to be filed by a central excise assessee above a certain threshold from 27 to 13, that is, one annual and 12 monthly returns. Monthly returns are already being e-filed. CBEC will provide for e-filing of annual return also.**
 - ✚ **extend the facility for **revision of return**, hitherto available to a service tax assessee only, to manufacturers also.**
 - ✚ **provide that in cases where invoices are digitally signed, the manual attestation of copy of invoice, meant for transporter, is done away with.**
 - ✚ **provide that in case of finalization of provisional assessment, the interest will be chargeable from the original date of payment of duty.**
 - ✚ **The new Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2016 substituted the existing Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2001, so as to simplify the rules, including allowing duty exemptions to importer/manufacture **based on self-declaration instead of obtaining permissions from the Central Excise authorities etc.****
- The Central Excise Rules, 2002 are being amended so as to:

SERVICE TAX

- ✚ **The definition of 'service' is proposed to be amended to provide that Service Tax is payable on activities in relation to promotion, marketing, organizing, selling of lottery, facilitating in organising lottery of any kind, in any other manner, in accordance with the provisions of the Lotteries (Regulation) Act, 1998, carried out by a lottery distributor or selling agent on behalf of the State Government.**
- ✚ **Interest rate on delayed payment of duty/tax has been made uniform across Indirect taxes at **15% per annum**. (Earlier, 18% 24% 30%). **Only in case of service tax collected but not deposited to the government, Interest Rate @ 24%** to apply (Earlier 30%).**
- ✚ **Krishi Kalyan Cess is proposed to be levied w.e.f. June 01, 2016 on all taxable services at the rate of 0.5% on the value of such taxable services, Credit of Krishi Kalyan Cess paid on input services shall be allowed to be used for payment of the proposed Cess on the service provided by a service provider.**
- ✚ **Monetary limit for prosecution is being increased from 1 crores to 2 crores;**
- ✚ **It is proposed to be clarified by way of Explanation that **where proceedings against a Company under Section 73 of the Act have been concluded** on payment of Service Tax and interest within a period of 30 days of the receipt of Show Cause Notice (in terms of Section 76 or Section 78 of the Act), the **proceedings in relation to personal penalty on the co-noticees will also be deemed to be concluded.****
- ✚ **Allowance of Refund of Service tax on Services used beyond the factory or any other place or premises of production or manufacture of the said goods for the export. (Retrospective effect, i.e., 1st July, 2012)**
- ✚ **Pursuant to the above changes, some services have been now excluded from the Negative List under Section 66D and included in mega exemption notification no. 25/2012-ST:**
 - Educational Services
 - Transportation of goods by way of aircraft from a place outside India up to custom station of clearance in India



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- Services provided by non air-conditioned stage carriage
- ✚ **It is proposed to increase the monetary limit of INR 50 lakhs to INR 2 crores for filing of complaints under Section 89** for offences relating to evasion of Service Tax, availment and utilization of CENVAT Credit without actual receipt of taxable service or excisable goods, failure to deposit Service Tax with the Central Government after collecting the same etc.
- ✚ Services provided for transportation of passengers by air-conditioned stage carriage will attract service tax w.e.f. 1st June, 2016 at the abatement of 60% without credit of inputs, input services and capital goods
- ✚ Service provided by way of transportation of goods by vessel from outside India to custom station in India will attract service tax w.e.f. 1st June, 2016;
- ✚ Service tax will be levied w.e.f. 1st April, 2016 in respect of following services:
 - Services provided by a Senior advocate to an advocate or partnership of advocates, and
 - A person represented on an arbitral tribunal to an arbitral tribunal;
- ✚ **The benefit of quarterly payment of Service Tax extended to 'One Person Company' (OPC) and HUF** with effect from 1st April, 2016;
- ✚ The facility of payment of Service Tax on receipt basis extended to 'One Person Company' (OPC) with effect from 1st April, 2016;
- ✚ Services of transport of passengers, with or without accompanied belongings, by ropeway, cable car or aerial tramway will attract Service tax w.e.f. 1st April, 2016;
- ✚ Services by way of construction, erection, commissioning or installation of original works pertaining to monorail or metro in respect of contract entered in to on or after 1st March, 2016 will attract Service tax w.e.f. 1st March, 2016
- ✚ **The rate of Service Tax on single premium annuity (insurance) policies is being reduced from 3.5% to 1.4% of the premium w.e.f. 1st April, 2016**, subject to other conditions;
- ✚ Some exemptions curtailed in the previous budget stand restored and some other specific exemptions have been provided by way of inclusion in mega exemption list.
- ✚ Service Tax exempted on Information Technology Software on media on which the RSP is required to be indicated as per Legal Metrology Act
- ✚ **Limitation period for issuance of Show Cause Notice** for cases not involving fraud, suppression of facts, wilful mis-statement etc. **extended from 18 months to 30 months;**
- ✚ Power to arrest restricted to cases where tax payer has collected the tax but not deposited the same.
- ✚ Reverse Charge Mechanism abolished for Services provided by Mutual fund agent to Mutual fund and Asset Management Company.

CENVAT CREDIT RULES, 2004

- ✚ "Capital goods" - Rule 2(a)
 - ✚ Wagons falling under Sub-heading 860692 have been explicitly mentioned as capital goods.
 - ✚ Restriction with regard to **'the equipment and appliances used in an office'** has been done away with.
- ✚ "exempted service" - Rule 2(e)
 - ✚ In the definition of the term 'exempted service' under Rule 2(e), 'services by way of **transportation of goods** by a vessel from customs station of clearance in India to a place outside India', **has been excluded**.
- ✚ "inputs" - Rule 2(k)
 - ✚ The definition of the term 'inputs' has been amended to **include within its scope 'capital goods' which have a value upto ten thousand rupees per piece.**
 - ✚ The amendment clarifies that goods used for the **'pumping of water'** would be construed as inputs.
- ✚ "input services distributor" - Rule 2(m)
 - ✚ The scope of definition of 'input services distributor' in Rule 2(m) of the CCR has been **extended to an office of an 'outsourced manufacturing unit'.**
- ✚ The facility of hundred per cent CENVAT Credit of capital goods as available to small scale industrial manufacturer having clearance within the threshold limit of INR 4 Crore is also extended to the Gems and Jewellery Sector. However, the **threshold limit for the Gems and Jewellery Sector has been increased to Rs. 12 Crore.**
- ✚ CENVAT Credit on jigs, fixtures moulds and dies or tools sent to a job worker or another manufacturer would also be allowed where such goods are sent without bringing the same to the premises of the Assessee.
- ✚ Rule 4(7) provides that CENVAT Credit of Service Tax in respect of services provided by way of assignment of "right to use" any natural resources shall be spread over the period for which the "right to use" has been assigned under Straight Line Method.
- ✚ Order issued under Rule 4(6) allowing the final products to be cleared from the premises of the job worker would be valid upto 3 years as against existing 1 year.
- ✚ Mechanism for **reversal of CENVAT Credit towards exempted goods and exempted services is to be calculated in terms of provisions of Rule 6(2) or, Rule**



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6 (3). On manufacturing of exempted goods or providing of exempted services no credit of any inputs and input services will be allowed [sub-rule 6(2)]; On manufacturing of both exempted and non-exempted or providing of both exempted and non-exempted services, any one of the options provided for reversal of ineligible CENVAT Credit may be adopted [sub-rule 6(3)]

- ✚ Cenvat credit on the assignment of right to use natural resources by the government to be spread over the period for which right has been granted. Cenvat Credit on any annual/monthly user charges to be available in the same financial year.

- ✚ **Time limit** for filing claims for refund of service tax in respect of export of services under Rule 5 specified to **be 1 year from the date of receipt of payment in convertible foreign exchange** or date of issuance of invoice (if the payment has been received in advance).

- ✚ Rule 7 of the Cenvat Credit Rules for **Input Service Distributor overhauled**. Credit now allowed to be distributed to outsourced manufacturing unit also subject to the conditions that Credit attributable to a particular unit shall be attributed to that unit only; Credit attributable to more than one unit but not all shall be to attributed to those

units only and not to all units; Credit attributable to all units shall be attributed to all the units; Credit shall be distributed pro rata on the basis of turnover as is done in the present rules; Outsourced manufacturing unit shall maintain separate account for input service credit received from each of the input service distributors and shall use it only for payment of duty on goods manufactured for the input service distributor concerned.

- ✚ Rule 7B inserted to enable manufacturers with multiple manufacturing units to maintain a common warehouse for inputs and distribute inputs with credits to the individual manufacturing units. The Procedure applicable to a first stage dealer or a second stage dealer would apply, mutatis mutandis, to such a warehouse of the manufacturer.

- ✚ Annual return required to be now submitted by a provider of output services by the 30th day of November of the succeeding financial year.

- ✚ Rule 9(1)(a)(i) has been amended, whereby credit can now be availed on the basis of invoice issued by a 'Service Provider' for clearance of inputs or capital goods as such. Earlier, only the invoice issued by a 'manufacturer' for removal of inputs or capital goods as such was prescribed as valid document for availment of credit.

Infrastructure Cess

- ✚ An Infrastructure cess is being imposed on motor vehicles falling under heading 8703 as a duty of Excise. The said cess would be applicable from 1 March 2016. The applicable rate of Infrastructure cess on different type of motor vehicles is as below:

Petrol/LPG/CNG driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1200cc	1%
Diesel driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1500cc;	2.5%
All other categories of motor vehicles	4%

- ✚ Infrastructure Cess can neither be availed as CENVAT credit nor can be discharged through utilization of CENVAT credit.

Clean Environment Cess

- ✚ The Clean Energy Cess has been renamed as Clean Environment Cess. The effective rate of Clean Environment Cess is increased to Rs. 400 per tonne (Earlier Rs.200 per tonne)