

Budget changes in Indirect Taxes

Summary

1st February 2021

**Detailed analysis to follow*





GOODS AND SERVICES TAX

Changes in Central Goods and Services Tax, 2017

1. **Input Tax Credit (Section 16)** – Section 16 (2)(aa) inserted to clearly provide the input tax credit on invoice or debit note, can only be availed by the recipient, when the details of such invoice or debit note have been furnished by the supplier in the statement of outward supplies (i.e. GSTR-1 etc) and such details have been communicated to the recipient of such invoice or debit note (i.e. in their GSTR-2B)
2. **Mandatory GST Statutory Audit removed (Section 35)** – Mandatory requirement of getting annual accounts audited and reconciliation statement submitted by specified professional such as CA/CMA in Form GSTR- 9C has now been dispensed with by omitting the enabling provision under Section 35(5).
3. **Annual Return (Section 44)** –
 - The last date to file Annual return for a financial year under the Act i.e. 31st December, following the end of financial year has been removed from the Act. Now the last date will be as may be prescribed by the Rules or Notification in this regard.
 - Now the self-certified reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year, with the audited annual financial statement may be furnished along with Annual Return.
 - Commissioner has been empowered to exempt any class of registered persons from filing of Annual Return.
4. **Interest (Section 50)** – Proviso relating to payment of self-assessed interest calculated on the Net cash liability has been made retrospectively effective from 1st July, 2017.
5. **Detention, seizure and release of goods and conveyance in transit (section 129)** –
 - Section 129 delinked with any other provision related to penalty in case of detention and seizure by providing its own summary proceedings.



- Under the new provision, once the order of detention or seizure is issued on the person transporting the goods, the same would be released only on payment of penalty equal to 200% of the tax payable on such goods. No tax will be deposited at this stage. Provision relating to exempted goods has been kept same where owner of the goods comes forward for payment of penalty.
 - Where owner of goods does not come for payment of penalty, the goods and conveyance detained or seized shall be released on payment of penalty equal to 50% of the value of goods or 200% of the tax payable, whichever is higher. Provision relating to exempted goods has been kept same.
 - However, under a proviso penalty on transporter for release of the conveyance is prescribed to be either the penalty imposed under this section or one lakh rupees, whichever is lower.
 - The new provision also empowers the authorities to sell the goods or conveyance, detained/ seized in case of non-payment of penalty to recover the penalty.
6. **Confiscation of goods or conveyance (Section 130)** –
- Overriding effect of Section 130 has been neutralised.
 - The provision has been delinked with section 129.

Changes in Integrated Goods and Services Tax Act, 2017

7. **Zero rating of supplies to SEZ** – The supply of goods or services to SEZ shall be considered as zero rated only where the same is supplied for its **authorised operations**.
8. **Zero rated supply under LUT** – In case of non-realisation of the sale proceeds in case of zero rated supply of goods under LUT, the refund received as per section 54, CGST Act, to be deposited back along with interest payable under section 50 within 30 days after the expiry of time limit prescribed under the FEMA, 1999 for receipt of Foreign exchange remittance.



9. **Zero rated supply on payment of IGST** – To claim refund the zero-rated supply on payment of integrated tax shall only to be made by a notified class of taxpayers or notified class of goods or services.

CUSTOMS

Changes in Customs Act, 1962

1. **Time-limit for expiry of conditional exemption notifications** – Unless extended, all existing conditional exemption notifications will expire on 31st March, 2023. All future conditional exemption notifications will expire on 31st March falling immediately two years after the date of such exemption notification (or any subsequent variation), unless extended.
2. **Time-limit for completion of customs investigation** – A two-year time-period provided for completion of all investigation / inquiry initiated for issuance of show cause notice. This time-period is further extendable upto a maximum period of one year. This change will not apply on existing pending investigations / inquiries.
3. **Time-limit for filing of Bill of Entry revised** – Now, to avoid late presentation charges, bill of entry is required to be filed before the end of the next day (including holiday) of arrival of goods.
4. **Common Customs Electronic Portal** – CBIC has been empowered to notify Common Customs Electronic portal for electronic registration, filing of bills of entry, shipping bills, other documents and forms prescribed under the Customs Law, payment of customs duty and for other notified purposes.
5. **Amendment in Bill of Entry and Shipping Bill electronically** – Provision introduced to allow amendment in the bill of entry and shipping bill through the customs automated system on the basis of risk evaluation through appropriate selection criteria. Further, certain notified amendments allowed to be done by the importer / exporter on the customs portal.



6. **New mode of service of order, summons, notice, etc** – Now, order, summons, notice, etc can be served by making it available on the Common Customs Electronic Portal.
7. **New penalty provision introduced** – Penalty prescribed in cases where a person discharges tax on export of goods, under the claim of refund of such tax, using input tax credit availed on any invoice obtained by fraud, collusion, willful misstatement or suppression of facts.
8. **Export goods to be confiscated in case of wrongful duty refund claim** – Provision introduced allowing customs officer to confiscate goods entered for export under the claim of remission or refund of any duty / taxes, where such claim is in contravention of provisions of the Customs law or any other law for the time being in force.

Changes in the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017

9. **Job Work** – Job work activity allowed on the goods imported under Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017.
10. **Manufacturer/Output Service** – Definition of ‘Manufacture/ output service’ incorporated;
11. **Capital Goods** – Imported Capital goods can be cleared in DTA on payment of customs duty along with interest at depreciated rates;
12. **Quarterly Return** – The importer is required to submit a quarterly return by the 10th day of the following quarter, to the Deputy Commissioner of Customs/ Assistant Commissioner of Customs having jurisdiction over the premises where the imported goods shall be put to use for manufacture of goods or for rendering output service.

Amendments in Section 9 and 9A of the Customs Tariff

13. **Retrospective levy** – Retrospective levy of countervailing duty/Anti-Dumping duty to counter circumvention;
14. **Temporarily Revocation of countervailing and anti-dumping** – If countervailing duty/Anti-Dumping is revoked temporarily, the period of such revocation shall not be more than one year at a time.



15. **Anti-absorption** provisions introduced.

Agriculture Infrastructure and Development Cess

16. **Applicable on Goods falling under First Schedule** – Levy and collection of Agriculture Infrastructure and Development Cess as duty of customs, on specified goods.
17. **Transaction value** – It shall be levied on transaction value. The value of such goods shall be calculated in the same manner as the value of goods is calculated for the purpose of customs duty under section 14 of the Customs Act, 1962.
18. **AIDC in addition** – The Agriculture Infrastructure and Development Cess on imported goods shall be in addition to any other duties of customs chargeable on such goods, under the Customs Act, 1962 or any other law for the time being in force.

Rate Changes in Customs

The budget has proposed various rate changes. Some of the key rate changes have been given below:



Increase in Rates

Sr. No.	HSN	Commodity	From	To
1	28030010	Carbon Black	5%	7.50%
2	7104	Gems and Jewellery	10%	15%
3	85049090	Printed Circuit Board Assembly	10%	15%
4		Parts of Automobiles of specified HSNs	10%	15%
5		Agricultural Products and By Products		
	22072000	Denatured Ethyl Alcohol	2.50%	5%
6		Fuels Chemicals and Plastics		
	2710	Naphtha	4%	2.5%
	39074000	Polycarbonate	5%	7.50%
7		Leather		
	41	Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including splits and sides	Nil	10%
8		Textiles		
	5002	Raw Silk	10%	15%



	5004, 5005, 5006	Silk Yarn, yarn spun from silk waste	10%	15%
	5201	Raw cotton	Nil	5%+5% AIDC
9		Metals		
	7318	Screw, nuts, bolts etc of iron and steel	10%	15%
10		Capital Goods		
	8430	Tunnel Broing machines	Nil	7.50%
	8431	Parts and components of above with actual user condition	Nil	2.50%
11		IT, Electronics and Renewable		
	8544	Specified insulated wires and cables	7.50%	10%
	Any chapter	inputs or parts for manufacture of Printed Circuit Board Assembly of cellular mobile phone	Nil	2.50%

 **Decrease in Rates**

Sr. No.	HSN	Commodity	From	To
1.		Fuels, Chemicals and Plastics		
	2710	Naphtha	4%	2.5%
	3908	Nylon chips	7.5%	5%
2.		Textiles		
	5402, 5403, 5404, 5405 00 00, 5406, 5501 to 5510	Nylon Fibre and Yarn	7.5%	5%
3.		Gems and Jewellery Sector		
	7106	Silver	12.5.%	7.5% + 2.5% AIDC*
	7106	Silver Dore	11%	6.1% + 2.5% AIDC*
	7108	Gold	12.5.%	7.5% + 2.5% AIDC*



				6.9% + 2.5% AIDC*
	7108	Gold Dore	11.85%	
	7110	Other precious metals like Platinum, Palladium, etc.	12.5%	10%
	7112	Waste and scrap of precious metals or metals clad with precious metals	12.5%	10%
	7118	Coin	12.5%	10%
4.		Metals		
	7204	Iron and steel scrap, including stainless steel scrap [up to 31.03.2022]	2.5%	NIL
	7206 and 7207	Primary/Semi-finished products of non-alloy steel	10%	7.5%
	7208, 7209, 7210, 7211, 7212, 7225 (except 7225 11 00) and 7226 (except 7226 11 00)	Flat products of non-alloy and alloy steel	10%/12.5%	7.5%
	7404	Copper Scrap	5%	2.5%
5.		Aviation Sector		
	Any Chapter	Components or parts, including engines, for manufacture of aircrafts or parts of such aircrafts, by Public Sector Units under Ministry of Defence subject to condition specified.	2.5%	0%
6.		Medical devices		
	9018-9022	Medical Devices imported by International Organization and Diplomatic Missions	Health Cess @5%	Health Cess @ Nil

CHANGES IN EXCISE LAW

Amendment in Fourth Schedule

- **Prospective Change**



- **Change w.e.f. 01.04.2021 –**

Tariff items 2709 10 00, 2709 20 00, and the entries are being substituted relating thereto as under: [to be made effective from 01.04.2021]			
Tariff Item	Description of goods	Unit	Rate of duty
2709	Petroleum oils and oils obtained from bituminous minerals, crude		
2709 00 10	Petroleum crude	Kg	NIL
2709 00 20	Other	Kg

- **Change w.e.f 01.01.2022** - The Fourth Schedule to the Central Excise Act, 1944, is being amended with effect from 01.01.2022 to prescribe 81% rate of duty for tariff items 2404 11 00 and 2404 19 00.
- **Retrospective Change** – It is proposed that tariff rate of 14%+ Rs. 15.00 per litre against tariff item 2710 20 10 and 2710 20 20 may be prescribed and made effective from 01.01.2020, retrospectively.



About the Firm

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Key Persons



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