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Dear All

The indirect tax proposals in the budget seem to be now talking tough and are far from being populist. This is understandable given that the general elections are little farther and this is the only way the finance minister can mop up additional revenue for his various investment proposals. The general rates of service tax, customs and central excise have however not been tinkered. One heartening development is the discontinuance of retrospective amendments / taxation which was retrograde to say the least.



Lot of effort has gone in from the budget team of the finance minister who have gone into a number of nuances for putting together these proposals while providing their sympathetic ear to needy sections of the society. They definitely deserve to be congratulated for putting together the indirect tax proposals.

It is quite heartening to note that the domestic warehousing and logistics industry has got a new look based on the emerging realities around the world. Warehousing and logistics is the life-line of any industrial or commercial activity. Successful international trade needs a robust logistics infrastructure. The finance minister in this budget has attempted to overhaul and reform the legal framework for warehousing under the customs law and has tried to liberalize the operations of these warehouses.

The limitation periods for recovery of customs, excise duties and service tax have been increased. The industry definitely will not be happy with this.

The finance minister is empowering the Board to regulate transit of certain goods and conveyances without payment of customs duty and to implement the Central Excise Act in addition to its present job of issuing orders, instructions and directions.

Defence as a sector for the very first time did not get the finance ministers ear. All exemptions from customs duties on specified defence equipment have been withdrawn.

It seems the government has now identified the mobile phone and telecom industries for milking duties, after nurturing them for years.

Airline companies, which are mostly in the red have however got a respite, as now they can import / domestically procure duty free, tools, tool kits for aircraft repair, maintenance and overhauling. Even the procedures have been simplified for them. Similar exemptions have been introduced for ship repair industry. All efforts are to make India an aircraft / ship repair hub.

Farmers of our country who as a class of citizens have always been at the receiving end, due to increasing industrialization and urbanization, and un-sympathetic attitude of their urban counter-parts,

BUDGET SNAPSHOT

INDIRECT TAXES

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have a small reason to smile. Excise duty on specified fertilizers has been reduced. Not only this Krishi Kalyan Cess @ 0.5% is being levied on all taxable services to finance and promote government initiatives to improve agriculture.

Aam aadmi has a reason to feel somewhat happy as construction services of certain specified small housing projects are being exempt from service tax.

Power to arrest in service tax matters is being liberalized. Now one can be arrested only for non-payment of service tax already collected (but not deposited with the department) upto a threshold of Rs.2 crores.

All in all this is an interesting Budget which shows that the Government means business.

Thanks & Regards
Srinivas Kotni

EXCISE

- ⇒ Infrastructure Cess is being levied on motor cars and other motor vehicles principally designed for transportation of persons (except exempted vehicles) with immediate effect:
 - a) 1% Infrastructure cess for Petrol/LPG/CNG driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1200cc.
 - b) 2.5 % Infrastructure cess for diesel motor vehicles of length not exceeding 4m and engine capacity not exceeding 1500cc.
 - c) 4 % Infrastructure cess on higher engine capacity motor vehicles and SUV and bigger sedans.
- ⇒ Credit of Infrastructure cess paid is not allowed and credit of any other duty cannot be utilised for the payment of this cess.
- ⇒ Reduction in the number of returns to be filed to 13 (one annual return and 12 monthly returns) for central excise assessee above the threshold limit

CENVAT

- ⇒ Railway wagons included in the definition of Capital goods;
- ⇒ All Capital goods used in the office of an assessee eligible to Cenvat Credit;
- ⇒ Capital goods used outside the factory for pumping of water eligible for Cenvat Credit;
- ⇒ Services of transportation of goods by a vessel from customs station in India to a place outside India shall not be considered as exempt services.

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- ⇒ All inputs used for pumping of water for captive use are eligible for Cenvat Credit.
- ⇒ All capital goods not exceeding the value of Rs. 10, 000/- are classified as inputs
- ⇒ Input service distributor can distribute Cenvat Credit to an outsourced manufacturing unit also
- ⇒ Cenvat Credit of duty paid on jigs, fixtures, moulds and dies or tools of chapter 82 shall also be available to a manufacturer of final product, if these capital goods are directly sent to the premises of Job worker or another manufacturer without bringing these to own premises;
- ⇒ Provisions of Rule 6 have been rationalized and options have been provided to manufacturers/provider of output service who are engaged in non-exempted and exempted goods or non-exempted services and exempted services respectively

CENTRAL EXCISE RULES

- ⇒ Central Excise Returns can now be revised within the prescribed time limit;
- ⇒ Digitally signed transporter's invoice is not required to be manually attested by a manufacturer;
- ⇒ In case of finalization of provisional assessment, interest will be chargeable from the original date of payment of duty;

EXEMPTIONS

- ⇒ Education Clean energy cess is completely exempted on coal, lignite or peat produced or extracted as per traditional and customary rights enjoyed by local tribals, without any license or lease in the state of Nagaland;

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- ⇒ 100% exemption on tools and tool kits when procured by MROs for maintenance, repair, and overhauling [MRO] of aircraft subject to a certification by the DGCA.

AMENDMENTS

- ⇒ Abatement on retail sale price for the purpose of excise duty assessment for all categories of footwear is increased from 25 to 30 per cent;
- ⇒ Following goods are now covered under the ambit of deemed manufacture and also notified for MRP based assessment for Excise Duty with specified abatements:-

Sr. No	Goods	Rate of Abatement
1.	All goods falling under heading 3401 and 3402 (all kinds of Soaps)	30%
2.	Aluminum foils of a thickness not exceeding 0.2 mm	25%
3.	Smart watches	35%
4.	Accessories of motor vehicles and certain other specified goods	30%

- ⇒ Alternate condition has been prescribed for availing concessional customs/excise duty benefits in case of power generation projects based on municipal and urban waste.
- a) Existing Condition: production of valid power purchase agreement between the importer/producer of power and the purchaser, for the sale and purchase of electricity generated using non-conventional materials;

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b) Alternate Condition as prescribed: valid agreement between importer / producer of power with urban local body for processing of municipal solid waste for not less than ten years from the date of commissioning of project

- ⇒ Restriction of 1 year for utilization of duty free parts for maintenance, repair and overhaul of an aircraft has been removed for claiming excise exemption;
- ⇒ Tariff rate on biris has been increased from Rs. 30 to Rs. 80 per thousand. However the effective excise duty rate remains same at Rs. 21 per thousand;
- ⇒ Procedure for availment of exemption from excise duty on parts, testing equipment, tools and tool-kits for MRO of aircraft, has been simplified based on maintenance of records;
- ⇒ Concessional rate of excise duty of 6 per cent on specified parts of electric vehicles and hybrid vehicles will continue even after March 31,2016;
- ⇒ Improved cook stoves including smokeless chulhas for burning wood, agrowaste, cowdung, briquettes and coal exempted unconditionally;
- ⇒ Rate of Oil Industries Development Cess, on domestically produced crude oil is reduced from Rs. 4500 PMT to 20 per cent ad valorem;
- ⇒ Limitation period for the Department to issue a Show Cause Notice is increased from one year to two years in all cases not involving fraud, suppression of facts, willful mis-statement etc.;
- ⇒ The existing Central Excise (Removal of goods at Concessional Rate of Duty for Manufacture of Excisable Goods and other Goods) Rules, 2001 have been substituted with Central Excise (Removal of goods at Concessional Rate of Duty for Manufacture of Excisable Goods and other Goods) Rules, 2016;

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- ⇒ Duty exemptions to importer/manufacturer would be available based on self-declaration instead of obtaining permissions from the Central Excise Authorities under Central Excise (Removal of goods at Concessional Rate of Duty for Manufacture of Excisable Goods and other Goods) Rules, 2016;
- ⇒ Interest rate on delayed payment of duty has been reduced to 15 per cent from 18 per cent;
- ⇒ Timelines for claiming refund claim of Cenvat Credit for Manufacturers and Service providers have been separately provided. Consequently, the expiry of one year provided under Central Excise & Service Tax is different;
- ⇒ Claim for rebate under Rule 18 of Central Excise Law shall be presented within a period of 1 year as prescribed under Section 11B of the Central Excise Act, 1944;
- ⇒ It has been clarified that in case two or more premises of the same factory are located within a close area in the jurisdiction of a range superintendent, the manufacturing process undertaken therein are interlinked, then a single registration for the factory may be obtained.
- ⇒ Change in Excise Duty rates of certain industries;

INDUSTRY	RATE (%)		
	From	↑↓	To
TOBACCO PRODUCTS			
➤ Gutkha, chewing tobacco	70	↑	81
➤ Unmanufactured tobacco	55	↑	64

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INDIRECT TAXES

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➤ Cigar, cheroots, cigarillos, cigarillos and others of tobacco	12.5 per cent or Rs. 3375 per thousand whichever is higher	↑	12.5 per cent or Rs. 3755 per thousand whichever is higher
➤ Cigarettes of tobacco substitutes	Rs. 3375 per thousand	↑	Rs. 3755 per thousand
AUTOMOBILES			
➤ Engine for xEV (Hybrid electric vehicle)	12.5	↓	6
ELECTRONICS/HARDWARE			
➤ Charger/adapter, battery and wired headsets/ speakers for supply to mobile phone manufacturers as original equipment manufacturer	0	↑	2 (without CENVAT) or 12.5 (with CENVAT)
➤ Inputs, parts and components, subparts for manufacture of charger/adapter, battery and wired headsets/speakers of mobile phone	12.5/NIL	↓	0
➤ Routers, broadband modems, set-top boxes, digital video recorder, CCTV camera/IP camera, lithium ion battery	12.5	↓	4 (without CENVAT) or 12.5 (with CENVAT)
➤ Parts and components, subparts for manufacture of Routers, broadband modems, set-top boxes, digital/network video recorder, CCTV camera/IP camera, lithium ion battery	12.5	↓	0

BUDGET SNAPSHOT

INDIRECT TAXES

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➤ Electric motor, shafts, sleeve, chamber, impeller, washer required for the manufacture of centrifugal pump	12.5	↓	6
CONSUMER GOODS			
➤ Refrigerated containers	12.5	↓	6
➤ Micronutrients by registered manufacturer	12.5	↓	6
➤ Physical mixture of fertilizers manufactured by co-operative societies intended for supply to its members	1 (without CENVAT) or 6 (with CENVAT)	↓	0
TEXTILES			
➤ Readymade garments and made up articles of textiles	30 of retail sale price	↑	60 of retail sale price
➤ Branded readymade garments and made up articles of textiles of retail sale price of Rs. 1000 or more	0 (without CENVAT) Or 6/12 (with CENVAT)	↑	2 (without CENVAT) or 12.5 (with CENVAT)
➤ PSF/PFY, manufactured from plastic scrap or plastic waste including waste PET bottles	2 (without CENVAT) Or 6 (with	↑	2 (without CENVAT) or 12.5 (with

BUDGET SNAPSHOT

INDIRECT TAXES

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	CENVAT)		CENVAT)
RENEWABLE ENERGY SECTOR			
➤ Unsaturated Polyester Resin (polyester based infusion resin and hand layup resin), Hardeners/Hardener for adhesive resin, Vinyl Ester Adhesive (VEA) and Epoxy Resin	0	↑	6
➤ Carbon pultrusion	12.5	↓	6
➤ Solar lamp	12.5	↓	0
FOOTWEAR			
➤ Rubber sheets & resin rubber sheets for soles and heels	12.5	↓	6
METALS			
➤ Disposable containers made of aluminum foils	2 (without CENVAT) or 6 (with CENVAT)	↑	2 (without CENVAT) or 12.5 (with CENVAT)
➤ Refined gold bars	9	↑	9.5
➤ Refined silver	8	↑	8.5
➤ Articles of Jewellery [excluding silver jewellery, other than studded with diamonds or other precious stones namely, ruby, emerald and sapphire]	0	↑	1 (without CENVAT) or 12.5 (with

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			CENVAT)
MISCELLANEOUS			
➤ Sacks and bags of all plastics	12.5/15	↑	15
➤ Disposable sterilized dialyzer and micro barrier of artificial kidney	12.5	↓	0
➤ Ready mix concrete manufactured at the site of construction for use in construction work at such site	2 (without CENVAT) or 6 (with CENVAT)	↓	0
➤ Parts of railway or tramway locomotives or rolling stock and railway or tramway track fixtures and fittings, railways safety or traffic control equipment	12.5	↓	6
➤ Aviation Turbine Fuel [ATF] other than for supply to Scheduled Commuter Airlines (SCA) from the Regional Connectivity Scheme airports	8	↑	14
➤ Waters, including mineral water and aerated waters	18	↑	21
➤ Remnant kerosene	14	↓	0

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⇒ Excise duty rates on cigarettes are increased as below:

CIGARETTES	Duty Rs. Per thousand		
	From	↑↓	To
TOBACCO PRODUCTS			
➤ Non filter not exceeding 65 mm	70	↑	215
➤ Non filter exceeding 65 mm but not exceeding 70 mm	110	↑	370
➤ Filter not exceeding 65 mm	70	↑	215
➤ Filter exceeding 65 mm but not exceeding 70 mm	70	↑	260
➤ Filter exceeding 70 mm but not exceeding 75 mm	110	↑	370
➤ Other	180	↑	560

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CUSTOMS

Exemptions

Goods	BCD	CVD	SAD
Goods required for exploration & production of hydrocarbon activities undertaken under Petroleum Exploration Licenses (PEL) or Mining Leases (ML) issued or renewed before 1st April 1999	√	√	√
Wood in chips or particles for manufacture of paper, paperboard and news print.	√		
Specified fabrics [for manufacture of textile garments for export] of value equivalent to 1% of FOB value of exports in the preceding financial year subject to the specified conditions. The entitlement for the month of March 2016 shall be one twelfth of one per cent of the FOB value of exports in the financial year 2014-15.	√		
Magnetron of capacity of 1 KW to 1.5 KW for use in manufacture of domestic microwave ovens subject to actual user condition.	√		
Machinery, electrical equipment and instruments and parts thereof (except populated PCBs) for semiconductor wafer fabrication / LCD fabrication units	√		√

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INDIRECT TAXES

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Machinery, electrical equipment and other instruments and parts thereof (except populated PCB's) imported for Assembly, test, marking and packaging of semi-conductor chips (ATMP)	√		√
Inputs, parts and components, subparts for manufacture of charger / adapter battery and wired headsets / speakers of mobile phones, subject to actual user condition	√	√	√
Parts and components, subparts for manufacture of Routers, broadband Modems Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera / IP camera lithium ion battery [other than those for mobile handsets]	√	√	√
Specified capital goods and inputs for use in manufacture of Micro fuses Sub-miniature fuses, Resettable fuses, and Thermal fuses	√		
Engine for xEV (hybrid electric vehicle)	√		
Tools and tool kits when imported by MROs for maintenance, repair, and overhauling [MRO] of aircraft subject to a certification by the Directorate General of Civil	√	√	√

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INDIRECT TAXES

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Aviation			
Disposable sterilized dialyzer and micro barrier of artificial kidney	√	√	√
Specified goods required for exploration & production of hydrocarbon activities undertaken under Petroleum Exploration Licenses (PEL) or Mining Leases (ML) issued or renewed before 1st April 1999	√	√	√
Foreign Satellite data on storage media when imported by National Remote Sensing Centre (NRSC), Hyderabad	√	√	√
Braille paper	√		

* BCD – Basic Customs Duty; CVD – Countervailing Duty; SAD – Special Additional Duty

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AMENDMENTS

- ⇒ Warehouses to include special warehouses for storage of specific goods under physical control of department
- ⇒ Definition of 'warehousing station' omitted
- ⇒ Powers of the Board to declare places to be warehousing station at which alone public warehouses may be appointed and private warehouses may be licensed, omitted
- ⇒ Requirement of publishing and offering for sale any notification issued by CBEC is omitted.
- ⇒ Period of limitation to issue show cause notice increased from 1 year to 2 year in cases not involving fraud, suppression of facts, wilful-misstatement etc.
- ⇒ Facility for deferred payment of customs duty provided for certain specified classes of importers or exporters
- ⇒ Time period of 2 days (excluding holidays) is also allowed for deferred payment of customs duty, without interest for certain specified classes of importers, from such date as may be specified for such payment
- ⇒ Provisions substituted enabling the Board to allow transit of certain goods and conveyance without payment of duty subject to conditions as prescribed in this behalf.
- ⇒ Principal Commissioner of Customs or Commissioner of Customs to give licence to public warehouses wherein dutiable goods may be deposited subject to conditions as may be prescribed in this behalf
- ⇒ Principal Commissioner of Customs or Commissioner of Customs to license a special warehouse requiring continued physical control by the Department wherein dutiable goods may be deposited and cannot be removed without the permission of the Officer
- ⇒ Regulatory provisions relating to process of cancellation of license of warehouses inserted

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- ⇒ Importer availing duty deferred warehousing to furnish bond for three times the amount of duty involved in addition to the prescribed security
- ⇒ Period of warehousing of capital goods intended to be used by 100 per cent Export Oriented Undertakings increased from 5 years to the date till they are cleared from such warehouse. Such extension is also provided to the capital goods intended to be used by Electronic Hardware Technology Parks or Software Technology Parks
- ⇒ Period of warehousing of goods other than capital goods intended to be used by 100 per cent Export Oriented Undertakings increased from 3 years till their consumption or clearance from such warehouse. Such extension is also provided to the goods intended to be used by Electronic Hardware Technology Parks or Software Technology Parks.
- ⇒ Powers given to Principal Commissioner of customs or Commissioner of customs to extend the period of warehousing up to one year at a time
- ⇒ Provisions relating to physical control over warehoused goods omitted in view of separate provisions relating to licensing of special warehouses
- ⇒ Provisions relating to payment of rent and warehouse charges omitted by virtue of privatization of services and free market determination of rates, including those by facilities in public sector
- ⇒ Provisions relating to owner's rights to deal with warehoused goods being substituted so as to rationalize the facilities and rights
- ⇒ Requirements of payment of fee to the department for carrying out any manufacturing process in relation to warehoused goods omitted, and now with the permission of the Principal Commissioner or Commissioner of Customs and subject to such conditions as may be prescribed, such manufacturing process can be carried out in the warehouse
- ⇒ Provisions relating to cancellation of bond provided in case where the ownership of the warehoused goods is transferred
- ⇒ Provisions relating to custody of warehoused goods and responsibilities including liabilities of warehouse keepers also provided

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- ⇒ Provisions relating to permission of proper officer for deposit of goods in a warehouse have been substituted with a new provision in order to define the date of removal of such goods from a customs station and deposit thereof in the warehouse
- ⇒ Provisions relating to relinquishment of title to the goods or exportation of goods upon payment of rent interest and other charges and penalties have been amended so as to omit the word rent and other charges on account of omission of provision for payment of rent and warehouse charges
- ⇒ Provision relating to removal of warehoused goods either for the purpose of clearance for home consumption or for re-exportation has been amended to replace the word export in place of re-exportation
- ⇒ Time limit for concessional CVD of 6 per cent on specified parts of electric vehicles and hybrid vehicles has been removed
- ⇒ Procedure for availment of exemption from customs duties on parts, testing equipment, tools and tool -kits for maintenance, repairs and overhaul of aircraft, has been simplified based on maintenance of records and actual user condition
- ⇒ Limitation of 1 year for utilization of duty free parts for maintenance, repair and overhaul of an aircraft has been removed for claiming exemption
- ⇒ Conditions for stay of foreign aircraft for maintenance, repair or overhauling has been amended to provide stay period of 6 months for the aircraft and further extension of such period by DGCA as deemed fit
- ⇒ Capital goods and spares, raw materials, parts, material handling equipment and consumable for repairs of ocean-going vessels by a ship repair unit exempted subject to actual user condition
- ⇒ Procedure for availment of exemption from customs duties by ship repair units, has been simplified based on maintenance of records and actual user condition
- ⇒ Actual user condition for the imports of Phosphoric Acid and Anhydrous Ammonia at concessional BCD/CVD for manufacture of Fertilizers has been prescribed

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- ⇒ Actual user condition for imports of LCD/LED/OLED Panels imported at NIL BCD for manufacture of LCD/LED/OLED TVs has been prescribed
- ⇒ New Baggage Rules and Regulations notified

CHANGE IN BASIC CUSTOMS DUTY RATES PERTAINING TO THE FOLLOWING INDUSTRIES:

INDUSTRY	RATE (%)		
	From	↑↓	To
FOOD PROCESSING			
➤ Cashew nuts in shell	0	↑	5
➤ Cold chain including pre-cooling unit, packhouses, sorting and grading lines and ripening chambers	10	↓	5
➤ Refrigerated containers	10	↓	5
MINERAL FUELS AND MINERAL OILS			
➤ Coal; briquettes, ovoids and similar solid fuels manufactured from coal	2.5/10	↓	2.5
➤ Lignite, whether or not agglomerated, excluding jet	10	↓	2.5
➤ Peat (including peat litter), whether or not agglomerated	10	↓	2.5

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➤ Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated retort carbon	5/10	↓	5
➤ Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons	10	↓	5
➤ Tar distilled from coal, from lignite or from peat and other mineral tars, whether or not dehydrated or partially distilled, including reconstituted tars	10	↓	5
➤ Oils and other products of the distillation of high temperature coal tar similar products in which the weight of the aromatic constituents exceeds that of the non-aromatic constituents	2.5/5/10	↓	2.5
➤ Pitch and pitch coke, obtained from coal tar or from other mineral tars	5/10	↓	5

CHEMICAL AND PETROCHEMICALS

➤ All acyclic hydrocarbons and all cyclic hydrocarbons [other than para-xylene which attracts Nil BCD and styrene which attracts 2% BCD]	5/2.5	↓	2.5
➤ Denatured ethyl alcohol (Ethanol) subject to actual user condition	5	↓	2.5
➤ Electrolysers, membranes and their parts required by caustic soda /	2.5	↓	0

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potash unit using membrane cell technology

PAPER, PAPERBOARD AND NEWSPRINT

➤ Plans, drawings and designs 0 ↑ 10

TEXTILES

➤ Specified fibres and yarns 5 ↓ 2.5

ORES AND METALS

➤ Primary aluminium 5 ↑ 7.5

➤ Zinc alloys 5 ↑ 7.5

ELECTRONICS AND HARDWARE

➤ Polypropylene granules / resins for the manufacture of capacitor grade plastic films 7.5 ↓ 0

➤ E-Readers 0 ↑ 7.5

➤ Parts of E-readers 7.5 ↓ 5

➤ Specified telecommunication equipment 0 ↑ 10

➤ Preform of silica for manufacture of telecom grade optical fibre /cables 0 ↑ 10

ARTICLES OF RUBBER

➤ Natural latex rubber made balloons falling under specified headings 10 ↑ 20

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JEWELLERY

- | | | | |
|-----------------------|----|---|----|
| ➤ Imitation Jewellery | 10 | ↑ | 15 |
|-----------------------|----|---|----|

RENEWABLE ENERGY

- | | | | |
|---------------------------------|-----|---|----|
| ➤ Industrial solar water heater | 7.5 | ↑ | 10 |
|---------------------------------|-----|---|----|

MISCELLANEOUS

- | | | | |
|---|-----|---|-----|
| ➤ Solar tempered glass / solar tempered (anti-reflective coated) glass, subject to actual user condition | 0 | ↑ | 5 |
| ➤ Medical Use Fission Molybdenum-99-imported by Board of Radiation and Isotope Technology (BRIT) for manufacture of radio pharmaceuticals | 7.5 | ↓ | 0 |
| ➤ Pulp of wood for manufacture of sanitary pads, napkins & tampons | 5 | ↓ | 2.5 |
| ➤ Super Absorbent Polymer when used for the manufacture of sanitary pads napkins & tampons | 7.5 | ↓ | 5 |

METALS, GLASS AND CEREMICS

- | | | | |
|----------------------------|-----|---|-----|
| ➤ Silica sand | 5 | ↓ | 2.5 |
| ➤ Brass scrap | 5 | ↓ | 2.5 |
| ➤ Other aluminium products | 7.5 | ↑ | 10 |

AUTOMOBILES

- | | | | |
|-------------|----|---|----|
| ➤ Golf cars | 10 | ↑ | 60 |
|-------------|----|---|----|

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- | | | | |
|--|-----|---|---|
| ➤ Aluminum Oxide for use in the manufacture of Wash Coat, which is used in the manufacture of catalytic converters, subject to actual user condition | 7.5 | ↓ | 5 |
|--|-----|---|---|

† **Subject to actual user condition**

▪ **Change in SAD rates of certain industries**

INDUSTRY	RATE (%)		
	From	↑↓	To

CHEMICAL AND PETROCHEMICALS

- | | | | |
|--|---|---|---|
| ➤ Orthoxylene for the manufacture of phthalic anhydride subject to actual user condition | 4 | ↓ | 2 |
|--|---|---|---|

ELECTRONICS AND HARDWARE

- | | | | |
|--|---|---|---|
| ➤ Charger / adapter, battery and wired headsets / speakers for manufacture of mobile phone | 0 | ↑ | 4 |
| ➤ Populated PCBs for manufacture of personal computers (laptop or desktop) | 0 | ↑ | 4 |
| ➤ Populated PCBs for manufacture of mobile phone/tablet computer | 0 | ↑ | 2 |

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▪ **Change in CVD rates of certain industries.**

INDUSTRY	RATE (%)		
	From	↑↓	To
JEWELLERY			
➤ Gold dore bars	8	↑	8.75
➤ Silver dore	7	↑	7.75
CAPITAL GOODS			
➤ Specified machinery required for construction of roads	0	↑	12.5

CHANGE IN RATES OF EXPORT DUTY

INDUSTRY	RATE (%)		
	From	↑↓	To
ORES AND CONCENTRATES			
➤ Iron ore fines with Fe content below 58 per cent	10	↓	0
➤ Iron ore lumps with Fe content below 58 per cent	30	↓	0

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➤ Chromium ores and concentrates, all sorts	30	↓	0
➤ Bauxite (natural), not calcined or calcined	20	↓	15

SERVICE TAX

- The rate of Service Tax is maintained @ 14 per cent plus Swachh Bharat Cess @ 0.5 per cent on taxable value.
- An enabling provision with regard to levy of Krishi Kalyan Cess @ 0.5% on the value of all services has been proposed (to be effective from June 01, 2016) for the purpose of financing and promoting initiatives to improve agriculture or any other purpose relating thereto;

NEW EXEMPTIONS/CONCESSIONS

[Notification No. 25/2012 has been amended vide Notification No. 09/2016-Service Tax dated March 01, 2016]

With immediate effect (i.e. March 01, 2016)

- ⇒ Services by the Indian Institutes of Management by way of specified educational programmes except executive development programme;
- ⇒ The earlier withdrawn exemption with respect to services provided to government, a local authority or a governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation or alteration has been re-introduced with consequential refunds

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- a civil structure or any other original works meant predominantly for use other than for commerce, industry, or any other business or profession;
 - a structure meant predominantly for use as an educational, a clinical, or an art or cultural establishment;
 - a residential complex predominantly meant for self-use or the use of their employees or other persons¹
- ⇒ The scope of exemption in respect of services by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation or alteration has been widened;
- ⇒ Services by way of construction, erection, commissioning, or installation of original works pertaining to an airport or port have been re-introduced subject to the condition that a contract which had been entered into prior to March 01, 2015 and on which appropriate stamp duty, where applicable, had been paid prior to such date with consequential refunds;
- ⇒ Services by way of construction erection, commissioning or installation of original work pertaining to low cost houses upto a carpet area of 60 metres per house in a housing project approved by the competent authority-
- the “Affordable Housing in Partnership” component of the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana;
 - any housing scheme of a State Government

With effect from April 01, 2016

- ⇒ Service by assessing bodies empanelled centrally by Directorate General of Training, Ministry of Skill Development and Entrepreneurship by way of assessments under Skill Development Initiative (SDI) scheme;
- ⇒ Services by way of offering skill or vocational training courses certified by National Council For Vocational Training by training providers (Project

¹ specified in the Explanation 1 to clause (44) of section 65 B of the said Act

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implementation agencies) under Deen Dayal Upadhyaya Grameen Kaushalya Yojana under the Ministry of Rural Development;

- ⇒ The threshold exemption with regard to services provided by a performing artist in folk or classical art forms of music, dance or theatre has been enhanced to 1.5 lakhs (earlier 1 lakh);
- ⇒ Services of general insurance business under 'Niramaya' Health Insurance Scheme implemented by Trust constituted under the provisions of the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999;
- ⇒ Services of life insurance business by way of annuity under the National Pension System regulated by Pension Fund Regulatory and Development Authority of India (PFRDA) under the Pension Fund Regulatory And Development Authority Act, 2013;
- ⇒ Services provided by Employees' Provident Fund Organization (EPFO) to persons governed under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- ⇒ Services provided by Insurance Regulatory and Development Authority of India (IRDA) to insurers under the Insurance Regulatory and Development Authority of India Act, 1999;
- ⇒ Services provided by Securities and Exchange Board of India (SEBI) set up under the Securities and Exchange Board of India Act, 1992 (15 of 1992) by way of protecting the interests of investors in securities and to promote the development of, and to regulate, the securities market;
- ⇒ Services provided by National Centre for Cold Chain Development under Ministry of Agriculture, Cooperation and Farmers Welfare by way of cold chain knowledge dissemination;

With effect from June 01, 2016

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- ⇒ Services by way of transport of passengers with or without accompanied belongings by stage carriage other than air-conditioned stage carriage (*Such services by stage carriage whether air-conditioned or not were earlier covered under Negative List u/s 66D*);
- ⇒ Services by way of transportation of goods by an aircraft from a place outside India upto the customs station of clearance in India (*Such services whether through aircraft or vessel were earlier covered under Negative List u/s 66D*);

EXEMPTIONS-WITHDRAWN

[Notification No. 25/2012 has been amended vide Notification No. 09/2016-Service Tax dated March 01, 2016]

With immediate effect (i.e. March 01, 2016)

- ⇒ Services in relation to construction, erection, commissioning or installation of original work pertaining to monorail and metro except where contracts were entered into before March 01, 2016 on which appropriate stamp duty was paid;

With effect from April 01, 2016

- ⇒ Services provided by,-
 - (i) a senior advocate to an advocate or partnership firm of advocates providing legal service or a business entity with turnover upto Rs. 10 lakh (beyond this limit was taxable earlier also) or any other person ordinarily carrying out any activity relating to industry, commerce or any other business or profession;
 - (ii) a person represented on an arbitral tribunal to an arbitral tribunal;
- ⇒ Services by way of transport of passengers, with or without accompanied belongings by ropeway, cable car or aerial tramway;

ABATEMENTS

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[Notification No. 26/2012 has been amended vide Notification No. 08/2016-Service Tax dated March 01, 2016]

Changes/Rationalization in/of Abatement rate (w.e.f. April 01, 2016)

Sl. No.	Particulars	Existing	Proposed
1.	Transport of goods by rail (other than service specified at Sl. No. 2A below)	70% - without CENVAT Credit	70% - with CENVAT Credit on input services
2.	Transport of goods in containers by rail by any person other than Indian Railways	70% - without CENVAT Credit	60% - with CENVAT Credit on input services
3.	Transport of passengers, with or without accompanied belongings by rail	70% - without CENVAT Credit	70% - with CENVAT Credit on input services
4.	Services of goods transport agency in relation to transportation of used household goods.	70% - without CENVAT Credit	60% - without CENVAT Credit
5.	Services provided by a foreman of chit fund in relation to chit	Nil	70% - without CENVAT Credit
6.	Transport of goods in a vessel	70% - without CENVAT Credit	70% - with CENVAT Credit on input services

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7.	Services by a tour operator in relation to,- (i) a tour, only for the purpose of arranging or booking accommodation for (ii) tours other than (i) above	No change 75% or 65% - Without CENVAT Credit	No Change 70% - Without CENVAT Credit
8.	Construction of a complex, building, civil structure or a part thereof, intended for a sale to a buyer, wholly or partly except where entire consideration is received after issuance of completion certificate by the competent authority	75% or 70% - Without CENVAT Credit on inputs	70% - Without CENVAT Credit on inputs

Changes in Abatement rate (w.e.f. June 01, 2016)

Sl. No.	Particulars	Existing	Proposed
1.	Transport of passengers, with or without accompanied belongings, by a stage carriage.	Non-Taxable	60% - without CENVAT Credit

AMENDMENTS

W.e.f March 01, 2016

- ⇒ Explanation under Rule 5 of the Point of Taxation Rules, 2011 has been inserted clarifying that the said Rule shall apply *mutatis mutandis* in case of new levy on services and new levy or tax shall be payable in all the cases except those provided in the said Rule;
- ⇒ **Exemption** is provided from payment of Service Tax on services in relation to Information Technology Software recorded on a media on which RSP is

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declared under the Legal Metrology Act, 2009 subject to the fulfillment of specified conditions;

W.e.f April 01, 2016

- ⇒ The benefit of payment of Service Tax on receipt & quarterly basis has been extended to One Person Company (OPC) providing services upto Rs. 50 lakhs;
- ⇒ The facility of payment of Service Tax on quarterly basis has been extended to HUF;
- ⇒ The benefit of earlier Notification No. 32/2012- Service Tax dated June 20, 2012 providing exemption from whole of the Service Tax has been extended to services provided by bio-incubators recognized by the Biotechnology Industry Research Assistance Council (BIRAC), under Department of Biotechnology, Government of India;
- ⇒ Services provided by a mutual fund agent/distributor to Mutual Fund/Asset Management Company are now covered under forward charge;
- ⇒ Services provided by a senior advocate are covered under forward charge;
- ⇒ Service Tax Rules have been amended providing that a senior advocate is a person liable for paying Service Tax;
- ⇒ Service Tax on single premium annuity policies has been reduced from 3.5 per cent to 1.4 per cent of the premium in cases where the amount allocated for investment or savings on behalf of policy holder is not intimated to policy holder at the time of providing of service;
- ⇒ Introduction of Annual Return which shall be filed by November 30 every year for the preceding financial year. The Central Government may notify

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such assessee or class of assesses who may not be required to submit the annual return;

- ⇒ Annual returns can be revised within one month from the date of submission;
- ⇒ Delay in filing of annual return shall attract penalty of Rs 100/- per day subject to a maximum penalty of Rs 20,000/-;

From the date on which the Finance Bill receives the assent of the President

- ⇒ Interest rate on delayed payment of Service Tax has been rationalized and made uniform @ 15 per cent except in case of Service Tax collected but not deposited with the Government which shall be chargeable @ 24 per cent;
- ⇒ In case the value of taxable services in the previous year is less than Rs.60 lakhs, the rate of interest for delayed payment of Service Tax will be @ 12%;
- ⇒ Assignment by the government of the right to use the radio frequency spectrum and subsequent transfer thereof shall constitute a declared service;
- ⇒ Limitation period in cases other than fraud, collusion, wilful mis-statement etc. has been extended from 18 to 30 months;
- ⇒ An explanation has been provided under Section 78A clarifying that in case proceedings are closed under Section 76 or 78 on account of payment of duty/tax due, interest and specified penalty, then the proceedings pending against any person under Section 78A (i.e. co-noticee) shall also be deemed to have been closed;
- ⇒ Power to arrest is being restricted only to situations where the tax payer has collected Service Tax but not deposited and that also above the threshold of Rs.2 crores;

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- ⇒ Power to arrest provided under Section 91 for the following cases have been withdrawn:
- evading payment of Service Tax;
 - wrong utilization of input credit; and
 - maintenance of false books of accounts, and consequently related provisions have been omitted:
- ⇒ Indirect Tax Dispute Resolution Scheme, 2016 with regard to cases pending before the Commissioner (Appeals) has been introduced providing immunity from prosecution upon payment of duty, interest and penalty equivalent to 25 per cent of duty.

MISCELLANEOUS

- ⇒ Concept of equalization levy has been introduced which shall be charged @ 6 per cent for any specified services from the date of commencement to be notified by the Central Government in order to tap tax on income accruing to foreign e-commerce companies from India;
- ⇒ The equalization levy shall be applicable on non-residents who get consideration (exceeding in aggregate Rs 1 Lakh) from-
- a person resident in India and carrying on business or profession, or
 - a non-resident having a permanent establishment in India

DISCLAIMER

The current document is a private document for the benefit of our clients. Please note that this is only a summary of the budget changes in respect of Indirect Taxes. It is advisable to seek specific legal opinion on any particular provision or changes from experts.

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