



**BUDGET SNAPSHOT – 2013
INDIRECT TAXES**

CORPORATE LEXPORT®
Advocates & Legal Consultants

**BUDGET 2013–2014
Indirect Tax Changes**

Budget Proposals on Indirect Taxation

- Excise Duty and Service Tax maintained at 12 per cent
- Customs Duty maintained at 10 per cent

CUSTOMS

Customs Duty and Education Cess maintained at 10 and 3 per cent respectively for non-agricultural products.

HIGHLIGHTS

- Exemptions

Goods	BCD	CVD	SAD
Trophies for International tournaments in India, imported by recognized National Sports Federation	√	√	√
Lithium ion automotive battery, meant for lithium ion battery packs for further manufacture of hybrid and electric vehicles	√		
Parts and testing equipments for maintenance, repair and overhaul of aircrafts and parts thereof	√		

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

⇒ Exemption limit on import of Jewellery by baggage for Indians residing for more than one year abroad or transferring residence to India increased:

- From Rs 10,000 to Rs 50,000 for men
- From Rs 20,000 to Rs 1,00,000 for women

⇒ Duty free allowances for crew member of a vessel/aircraft increased from Rs 600 to Rs 1,500

⇒ The limit increased to 1 year for: -

- Consumption of imported goods by ship repair units
- Consumption/installation of parts and testing equipment imported for maintenance, repair and overhaul (MRO) for aircrafts

- ⇒ The period for exemption of the specified parts of electric and hybrid vehicles has been extended upto 31st March 2015
- ⇒ Exemption withdrawn from education cess and secondary & higher education cess on aircrafts and aircrafts parts, soyabean oil, olive oil etc.,
- ⇒ Full exemption from export duty on galvanized steel sheets retrospectively w.e.f. 1st March 2011

▪ Amendments

- ⇒ Protection of design and geographical indication rights have been included alongside patents and trademarks for Prohibition on importation or exportation of goods [Section 11(2) (n)]
- ⇒ Demand and refund proceedings shall not be entertained in miniscule cases involving amounts less than Rs 100 [Section 27]
- ⇒ Customs Department can provisionally attach property of a person to whom a Show Cause Notice has been served for matters involving collusion, willful mis-statement or suppression of facts [Section 28BA]
- ⇒ For the purpose of Advance Rulings, definition of “Activity” has been amended to include any new business of import or export proposed to be undertaken, by the existing importer or exporter [Section 28E(a)]
- ⇒ The Board has been empowered to permit landing of vessels and aircrafts at any place other than customs port or airport [Section 29]
- ⇒ Electronic filing of Import and Export manifest has been permitted [Section 30 & Section 41]
- ⇒ Interest free period for payment of import duty reduced from 5 to 2 days [Section 47(2)]
- ⇒ Period of storage of imported goods has been restricted to 30 days in a public or private warehouse except where Commissioner extends by further period of 30 days each [Section 49]
- ⇒ Now warehoused goods can be exported without payment of import duty even on the basis of label or declaration accompanying the goods, which shall contain the description, quantity and value thereof [Section 69 read with Section 82]
- ⇒ Only the below offences shall be non-bailable:

- Evasion or attempted evasion of duty exceeding Rs. 50 lakhs
 - Mis-declaration of goods having market price exceeding Rs. 1 crore
 - Goods which are liable for confiscation
 - Availment of drawback or refund of any duty exceeding Rs 50 lakhs
 - Prohibited goods specified for prosecution under Section 135
- ⇒ Person having convicted of an offence under Finance Act, 1994 (Service Tax law) is now debarred from acting as an Authorized Representative in customs matters [Section 146A]
- ⇒ Single bench of tribunal can now dispose of appeals involving an amount upto Rs 50 lakhs [Section 129C]
- ⇒ Custom House Agents will henceforth be referred to as Custom Brokers in line with international practice [Section 146]
- ⇒ Central Government can recover money due to it from any person (other than the defaulter), eg. Bank, Insurance Company etc., by serving a written notice [Section 142]
- ⇒ The period of stay can be extended by 185 days provided:
- Delay in disposing of the appeal is not attributable to the appellant,
 - Appeal must be disposed of within a total period of 365 days to avoid automatic vacation of such stay.
- Change in Customs Duty rates of certain industries

INDUSTRY	RATE (%)		
	From	↑↓	To
AGRICULTURE/AGRO PROCESSING/PLANTATION			
➤ Dehulled Oat Grain	30	↓	15
➤ Hazel Nuts	30	↓	10
AUTOMOBILES			
➤ New Passenger Cars and other motor vehicles (high end cars) (value exceeding USD 40,000 and/or engine capacity exceeding 3000cc for petrol and 2500cc for diesel)	75	↑	100

➤ Motor Cycle (engine capacity 800cc or more)	60	↑	75
➤ Yachts and other vessels for pleasure or sports, rowing boats and canoes	10	↑	25

METALS

➤ Stainless Steel Wire Cloth Stripe	10	↓	5
➤ Wash Coat (Used in manufacture of catalytic convertors and their parts)	7.5	↓	5

PRECIOUS METALS

➤ Pre forms of precious and semi-precious stones	10	↓	2
--------------------------------------------------	----	---	---

CAPITAL GOODS/ INFRASTRUCTURE

➤ Steam coal- BCD	0	↑	2
CVD	1	↑	2
➤ Bituminous coal – BCD	5	↓	2
CVD	6	↓	2
➤ 20 Specified Machinery used in leather and footwear industry	7.5	↓	5

AIRCRAFTS/SHIPS

➤ Yachts and Motorboats	10	↑	25
-------------------------	----	---	----

TEXTILES

➤ Raw silk (not thrown)	5	↑	15
➤ Textile Machinery and parts	7.5	↓	5

ELECTRONICS/HARDWARE

➤ Set Top Boxes for TV	5	↑	10
------------------------	---	---	----

- Change in Export Duty rates of certain industries

INDUSTRY	RATE (%)		
	From	↑↓	To
AGRICULTURE/AGRO PROCESSING/PLANTATION			
➤ De-oiled Rice Bran Oil Cake	10	↓	0
➤ Raw, white or refined sugar (only tariff rate changed, not to be levied presently)	0	↑	20
METALS			
➤ Unprocessed illemnite	0	↑	10
➤ Upgraded illemnite	0	↑	5
➤ Bauxite (natural), calcined	0	↑	10

CENTRAL EXCISE

Excise Duty and Education Cess thereon maintained at 12 percent and 3 percent respectively

- Exemptions
 - ⇒ Tapioca sago (sabudana)
 - ⇒ Tapioca starch manufactured and consumed captively in the manufacture of Tapioca sago
 - ⇒ Heena powder or paste, not mixed with any other ingredients
 - ⇒ Ships and other vessels. Consequently, in case of import no CVD would be levied on these ships and vessels
 - ⇒ Handmade carpets
 - ⇒ Textile floor covering of coir or jute, whether or not handmade
 - ⇒ Branded readymade garments and made ups
 - ⇒ Cotton at fibre stage
 - ⇒ Intermediate goods manufactured and consumed captively by exempted units under Area Based Exemption Scheme in Himachal Pradesh and Uttarakhand
- Amendments
 - ⇒ Monetary limit for prosecution for Central Excise evasion increased to Rs 50. lakhs from Rs 30. lakhs [Section 9]
 - ⇒ Offences of evasion of duty and wrong utilization of input credit exceeding Rs. 50 lakhs will be cognizable and non-bailable [Section 9A]
 - ⇒ Central Government can recover money due to it from any person (other than the defaulter), eg. Bank, Insurance Company etc., by serving a written notice [Section 11]
 - ⇒ Service of a statement for the subsequent period by department for duty unpaid, short levied or erroneously refunded will be deemed to be a Show Cause Notice [Section 11A (7A)]

- ⇒ Excise Department can provisionally attach property of a person to whom a Show Cause Notice has been served for matters involving collusion, willful mis-statement or suppression of facts
- ⇒ Arrested person can be released on bail or personal bond only if the offence is non-cognizable [Section 21]
- ⇒ The term “Activity” defined to include any new business of production or manufacture proposed to be undertaken by the existing producer or manufacturer. [Section 23A (a)]
- ⇒ Scope of admissibility of application for advance ruling has been extended to credit of service tax paid or deemed to be paid on input service. [Section 23C(2)]
- ⇒ The period of stay can be extended by 185 days provided:
 - Delay in disposing of the appeal is not attributable to the appellant,
 - Appeal must be disposed of within a total period of 365 days to avoid automatic vacation of such stay. [Section 35C (2A)]
- ⇒ Single bench of tribunal can now dispose of appeals involving an amount upto Rs 50 lakhs [Section 35D]
- ⇒ Additional modes of delivery of specified documents like orders, summons etc., by speed post with proof of delivery or through CBEC approved courier [Section 37C]
- ⇒ Branded and Generic Ayurvedic, medicaments of Unani, Siddha, Homeopathic or bio-chemical system to be under MRP based assessment with abatement of 35 percent on MRP
- ⇒ Compounded levy on stainless steel ‘Patta Patti’ increased from Rs 30,000 to Rs 40,000 per month
- ⇒ “Trimmed or untrimmed sheets or circles of copper intended for use in manufacture of handicrafts or utensils” leviable to excise duty at Rs 3500 per metric tonne will now include copper, copper alloys & brass.

▪ Change in Excise Duty rates of certain industries

INDUSTRY	RATE (%)		
	From	↑↓	To
AUTOMOBILE			

➤ SUVs other than registered as taxis	27	↑	30
➤ Truck chassis	14	↓	13

PRECIOUS METALS

➤ Silver manufactured from zinc/lead smelting	--	↑	4
-----------------------------------------------	----	---	---

ELECTRONICS/HARDWARE

➤ Mobile phones exceeding MRP of Rs.2,000	1	↑	6
-------------------------------------------	---	---	---

MISCELLANEOUS

➤ All cigarettes exceeding the length of 65mm	10% +Different rates per thousand	↑	(10% +Differen t rates per thousand) + 18%
➤ Marble tiles and slabs	Rs 30 per sq mtr	↑	Rs 60 per sq mtr

SERVICE TAX

Service Tax and Education Cess thereon maintained at 12 per cent and 3 percent respectively

Scheme introduced providing amnesty from interest, penalty and prosecution for non-registration, non filing of returns, non payment of service tax and incorrect disclosure of liability for the period from October 2007 to December 2012 subject to conditions.

▪ Exemptions/ Concessions

⇒ Designated courses offered by institutions affiliated to State Council of Vocational Training are to be covered under the Negative List [Section 65B]

⇒ Testing activities directly related to agricultural produce such as soil testing, animal feeding testing etc., are to be provided under the Negative List [Section 65B]

⇒ Following are the exempt services provided by a goods transport agency, by way of transport in a goods carriage of:

- agricultural product;
- goods, where gross amount charged for the transportation of goods on a consignment transported in a single carriage does not exceed one thousand five hundred rupees;
- goods, where gross amount charged for transportation of all such goods for a single consignee does not exceed rupees seven hundred fifty;
- foodstuff including flours, tea, coffee, jaggery, sugar, milk products, salt and edible oil, excluding alcoholic beverages;
- chemical fertilizer and oilcakes;
- newspaper or magazines registered with the Registrar of Newspapers;
- relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; or
- defence or military equipment;

⇒ Exemption is now restricted only for the restaurants which provide services in relation to serving of foods or beverages, as a restaurant, eating joint or a mess, and are not having the facility of air-conditioning or central air-heating in any part of the establishment, at any time during the year

⇒ Retrospective exemption granted in respect of

- Services provided by Indian railways prior to July 1, 2012

▪ Amendments

⇒ Penalty capped at Rs 10,000 for failure to obtain registration [section 77(1)(a)]

- ⇒ Penalty may be imposed upto a maximum of Rs 1 (One) Lakh on director, manager, secretary or other officer of Company for specified intentional contraventions subject to conditions [Section 78A]
- ⇒ Appellate Tribunal empowered to admit appeals by the assessee after expiry of relevant period. In other words, the Appellate Tribunal shall have the discretion for admitting an appeal/permitting the filling of memorandum of cross objection after expiry of relevant period.
- ⇒ If a Show Cause Notice issued under the proviso to sub section (1) of Section 73 is not found sustainable by an appellate authority or Tribunal or court, the same will be deemed to be a notice issued for a period of 18 (eighteen months)
- ⇒ Evading payment of Service Tax, wrong utilization of input credit when services are not availed and maintenance of false books of accounts which do not provide the information required under the Act will invite imprisonment of a minimum of 6 months with a maximum of 3 years
- ⇒ Non-deposit of tax collected will also invite minimum of 6 months and maximum of 7 years imprisonment.
- ⇒ Imprisonment increased from maximum of 3 to 7 years for failure to pay the service tax collected within six months of due date for amounts exceeding Rs 50 lakhs. Such offence also made cognizable [Section 89(1)(d)]
- ⇒ Taxable amount limited to 25 per cent (with abatement of 75%) for constructions covering a carpet area upto 2000 square feet or amount charged is less than Rs. 1 crore for a residential dwelling unit. In other cases taxable amount is pegged at 30 per cent.
- ⇒ Exemption limit for charitable institutions reduced from Rs 25 to 10 lakhs, effective 1.4.2013
- ⇒ Exemption withdrawn in respect of:
 - air conditioned or centrally heated restaurants not serving liquor
 - vehicle parking by general public
 - repairs or aircraft maintenance to Government, local or governmental authority
 - copyright relating to cinematographic films not exhibited in cinema hall or theatre
 - providing immovable property on rent by educational institutions

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.

CONTACT US

CORPORATE LEXPORT[®]

Advocates & Legal Consultants

R1, Second Floor
Park View Apartments.
Hauz Khas Enclave
New Delhi – 110 016
India

Phone: 91-11-2651 0505

Telefax: 91-11-2651 1505

Mail: mail@lexport.in

Weblink: wwwlexport.in

