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EXCISE

- ⇒ Education Cess and Secondary Higher Education Cess leviable on excisable goods are being subsumed in Basic Excise Duty. Standard ad valorem rate of basic excise duty is being increased from 12 per cent to 12.5 per cent.
- ⇒ The effective rate of Additional Duty of Excise and Additional Duty of Customs (known as Road cess) on petrol and high speed diesel is increased from Rs. 2 per litre to Rs. 6 per litre. The duties applicable on petrol and high speed diesel are changed as follows:

Duty rates applicable prior upto 28.02.2015					Duty rates applicable with effect from 01.03.2015				
CENVAT Rs. / Litre	SAED Rs. / Litre	AED Rs. / Litre	Education Cesses (as % of aggregate of duties of excise)	Total Rs. / Litre	CENVAT	SAED	AED	Education Cesses	Total
Unbranded petrol									
8.95	6	2	3%	17.46	5.46	6	6	NIL	17.46
Branded petrol									
10.10	6	2	3%	18.64	6.64	6	6	NIL	18.64
Unbranded Diesel									
7.96	NIL	2	3%	10.26	4.26	NIL	6	NIL	10.26
Branded Diesel									
14% +Rs. 5									
/litre or Rs.									
10.25 / litre,	NIL	2	3%	12.62	6.62	NIL	6	NIL	12.62
whichever is									
lower									

- ⇒ Proceedings referred back to adjudicating authority shall not be entitled for settlement by Settlement Commission.

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- ⇒ The provisions of Section 11A of Central Excise Act shall not apply where the duty not paid or short paid is self-assessed and such duty shall be recovered along with interest.
- ⇒ Penalty provisions in Central Excise rationalized to encourage compliance and early dispute resolution as follows;

Particular	Cases not involving fraud or collusion or willful mis-statement or suppression of fact or contravention of any provision	Cases involving fraud or collusion or willful mis-statement or suppression of fact or contravention of any provision
Rate of penalty	10 per cent of duty or Rs. 5000 whichever is higher	100 per cent of duty amount.
Rebate in penalty	No penalty, if duty and interest is paid before issue of show cause notice or within 30 days of communication of show cause notice	Penalty equal to 15 per cent if paid within 30 days of communication of notice if the reduced penalty is also paid within said 30 days.
Penalty paid by way of an order of excise officer	Reduced penalty equal to 25 per cent of the penalty imposed if paid within 30 days of communication of order	Reduced penalty equal to 25 per cent of the penalty imposed if paid within 30 days of communication of order
Penalty after appellate order	If the duty amount gets reduced in appellate proceeding, then benefit of reduced penalty shall be admissible if paid within 30 days of such order.	If the duty amount gets reduced in appellate proceeding, then benefit of reduced penalty shall be admissible if paid within 30 days of such order.

■ **CENVAT**

- ⇒ Time limit for taking of CENVAT Credit by manufacturer and output service provider is increased from 6 months to one year from the date of Cenvatable Invoice.
- ⇒ Cenvat Credit in respect of inputs may be taken immediately in case goods are sent directly to the job worker on the direction of the manufacturer or the provider of output services;

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- ⇒ Cenvat Credit in respect of capital goods received in the premises of the job worker, in case capital goods are sent directly to the job worker on the direction of the manufacturer or the provider of output service;
- ⇒ The CENVAT credit on inputs shall be allowed even if any inputs as such or after being partially processed are sent to a job worker and from there subsequently sent to another job worker for further processing, testing, repairing, re-conditioning. Inputs shall be received back within one hundred and eighty days of their being so sent.
- ⇒ The CENVAT credit on capital goods shall be allowed even if any capital goods as such are sent to a job worker for further processing, testing, repair, re-conditioning. Capital good shall be received back within two years of their being so sent.
- ⇒ No interest shall be charged in case CENVAT credit has been taken wrongly but not utilised.

■ *Central Excise Rules*

- ⇒ All excise records can be maintained and preserved in electronic form and the records so preserved shall be authenticated by means of a digital signature.
- ⇒ Invoices issued by a manufacturer may be authenticated by means of a digital signature. Further, a hard copy of the duplicate copy of the invoice meant for transporter and self attested by the manufacturer shall be used for transport of goods.
- ⇒ Penalty of one hundred rupees per day subject to a maximum of twenty thousand rupees for delay in submission of any return or Annual Financial Information Statement or Annual Installed Capacity Statement.

■ *Exemptions*

- ⇒ Education cess and secondary higher education cess on all goods falling within the First Schedule of the Central Excise Tariff Act;
- ⇒ Specified raw materials used in manufacturing of pacemakers, subject to actual user condition;

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- ⇒ Pig iron SG grade and Ferro-silicon-magnesium for manufacture of cast component of wind operated electricity generator, subject to certification by MNRE;
- ⇒ Round copper wire and Tin alloys for manufacture of solar PV ribbon for manufacture of solar PV cells subject to certification by DEity;
- ⇒ Captive consumption of intermediate compound coming into existence during the manufacture of Agarbattis fully exempt;
- ⇒ Additional Duty of Excise of 5% ad valorem levied on waters, including mineral waters and aerated waters containing added sugar eliminated;
- ⇒ Parts, components, accessories used in manufacture of tablet computers and their sub-parts to be used in manufacture of parts, subject to the actual user condition.

■ *Amendments*

- ⇒ Tariff rate of clean energy cess increased from Rs. 100 per tonne to Rs. 300 per tonne, however, the effective rate is 200 per tonne;
- ⇒ The term for furnishing the bank guarantee in relation to the Power Projects has been enhanced as under:
 - (a) For Ultra Mega Power Project- 42 months (earlier 36 months);
 - (b) For Mega Power Project- 66 months (earlier 36 months)
- ⇒ Benefit of concessional excise duty of 6 per cent on specified goods for use in manufacture of electrically operated vehicles and hybrid vehicles has been extended till 31.03.2016.
- ⇒ The following goods have been notified for the purposes of assessment of Central Excise Duty under Section 4A of Central Excise Act (MRP based valuation):
 - (a) All goods under Chapter sub-heading 2101 20, including iced tea with an abatement of 30 per cent.
 - (b) Goods such as lemonade and other beverages with an abatement of 35 per cent.
 - (c) Condensed milk with an abatement of 30 per cent.
 - (d) LED lights or fixtures including LED lamps with an abatement of 35 per cent.

BUDGET SNAPSHOT

INDIRECT TAXES

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⇒ Change in Excise Duty rates of certain industries.

INDUSTRY	RATE (%)		
	From	↑↓	To
TOBACCO PRODUCTS			
➤ Cigarettes of length not exceeding 65mm	990 per thousand	↑	1237.50 per thousand
➤ Cigarettes of other length Cigars, Cheroots, Cigarillos	Rs.1995 to Rs.2875 per thousand depending on length and variety	↑	Rs.2294 to Rs.3306 per thousand depending on length and variety
➤ Cut Tobacco	Rs.60 per KG	↑	Rs.70 per KG
CEMENT			
➤ Portland Cement, aluminous Cement	Rs. 900 per tonne	↑	Rs. 1000 per tonne
AUTOMOBILES			
➤ Chassis for ambulances	24	↓	12.5
ELECTRONICS/HARDWARE			
➤ Wafers for manufacture of integrated circuits modules for smart card	12	↓	06
➤ Inputs for manufacture of LED drivers and MCPCB for LED light, fixtures and lamps	12	↓	06

BUDGET SNAPSHOT

INDIRECT TAXES

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➤ Mobile Phone	1 (without CENVAT)	↑	1 (without CENVAT)
	6 (with CENVAT)		12.5 (with CENVAT)
➤ Tablet Computers	12	↑	12.5 per cent (with Cenvat)
			2 per cent (without Cenvat)

CONSUMER GOODS

➤ Leather footwear of retail price > Rs. 1,000 per pair	12	↓	6
➤ Waters including mineral/ aerated water	12	↑	18
➤ Sacks and bags (including cones) of plastic	12	↑	18
➤ Sacks and bags of polymers of ethylene, other than industrial use	12	↑	15

RENEWABLE ENERGY SECTOR

➤ Solar water heater and system and parts used in the manufacture thereof	12	↑	0 (without CENVAT)
			12.5 (with CENVAT)

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CUSTOMS

The peak customs duty and education cess maintained at 10 and 3 per cent respectively

HIGHLIGHTS

- Exemptions**

Goods	BCD	CVD	SAD
All Goods except populated printed circuit board for use in manufacture of ITA Bound Items (subject to actual user condition).			√
Parts, components and accessories for use in the manufacture of Tablet Computers and their sub-parts for use in manufacture of parts, components and accessories (subject to actual user condition).	√	√	√
Specified Raw Materials like battery, titanium, palladium wire, eutectic wire, silicone resins and rubbers, solder paste, reed switch, diodes, transistors, capacitors, controllers, coils (steel), tubing (silicone) for use in manufacture of pacemakers (subject to actual user condition).		√	√
Inputs for use in the manufacture of LED drivers and MCPCB for LED lights, fixtures and lamps (subject to actual user condition).			√
Artificial Heart (left ventricular assist device)	√	√	
Evacuated Tubes with three layers of solar selective coating for use in manufacture of solar water heater and system (subject to actual user condition).	√		

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

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■ *Amendments*

- ⇒ Concessional Customs Duties of Nil BCD, 6 per cent Excise/CVD and Nil SAD on specified goods for use in the manufacture of electrically operated vehicle and hybrid motor vehicles extended upto March 31, 2016.
- ⇒ CVD and SAD exemption on specified goods imported for used by Security Printing and Minting Corporation of India Limited (SPMCIL) are being withdrawn.
- ⇒ BCD has been reduced to Nil rate (earlier 7.5 per cent) on Digital Still Image Video Camera with Minimum resolution of 800 x 600 pixels at minimum 23 frames per second.
- ⇒ Export duty on upgraded ilmenite is being reduced from 5 per cent to 2.5 per cent.
- ⇒ The Additional Duty of Customs levied on imported Motor Spirit and High Speed Diesel Oil (commonly known as Road Cess) is increased from Rs. 2 per litre to Rs. 6 per litre (effective rate) and from Rs. 2 per litre to Rs. 8 per litre (Schedule rate).
- ⇒ Penalty for improper import/ export of dutiable goods, shall be 25 per cent, if the duty along with interest is paid within 30 days from the date of communication of order.
- ⇒ Cases not involving fraud or collusion or wilful mis-statement or suppression of facts or contravention of any provision of the Act or rules with the intent to evade payment of duty, no penalty shall be imposed if the amount of duty along with interest leviable under section 28AA or the amount of interest as the case may be, as specified in the notice, is paid in full within 30 days from the date of receipt of the notice and the proceedings in respect of such person or other persons to whom the notice is served shall be deemed to be concluded [Section 28(1)].
- ⇒ Cases involving fraud or collusion or wilful mis-statement or suppression of facts or contravention of any provision of the Act or rules with the intent to evade payment of duty, the amount of penalty has been reduced to 15 per cent from 25 per cent.
- ⇒ Proceedings referred back to adjudicating authority shall not be entitled for settlement by Settlement Commission.

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■ *Change in Basic Customs Duty rates pertaining to the following industries:*

INDUSTRY	RATE (%)		
	From	↑↓	To
<i>CHEMICAL, PETROCHEMICALS AND FERTILISERS</i>			
➤ Ulexite Ore	2.5	↓	0
➤ Isoprene and Liquefied Butane	5	↓	2.5
➤ Ethylene Dichloride, Vinyl Chloride Monomer and Styrene Monomer	2.5	↓	2
➤ Butyl Acrylate	7.5	↓	5
➤ Anthraquinone	7.5	↓	2.5
➤ Antimony metal and Waste and Scrap	5	↓	2.5
➤ Sulphuric Acid for manufacture of Fertilizers	7.5	↓	5
<i>ENERGY SECTOR</i>			
➤ Bituminous Coal	55	↓	10
➤ Active Energy Controller for use in manufacture of Renewable Power system Inverters subject to certification by MNRE	7.5	↓	5
<i>ORES AND METALS</i>			
➤ Iron and Steel and articles of Iron and Steel falling under Chapter 72 and 73 (tariff rate of BCD).	10	↑	15

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INDIRECT TAXES

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➤ Iron and Steel and articles of Iron and Steel falling under Chapter 72 and 73 (effective rate of BCD - no change)	10	=	10
➤ Metallurgical Coke	2.5	↑	5
➤ Metal parts for use in manufacture of electrical insulators*	10	↓	7.5
➤ Ethylene-Propylene-non-conjugated-Diene Rubber (EPDM), water blocking and mica glass tape used in the manufacture of insulated wires and cables*	10	↓	7.5
➤ Magnetron of upto 1KW used in the manufacture of domestic microwave ovens*	5	↓	0
➤ Zeolite, Ceria zirconia compounds and cerium compounds for use in the manufacture of washcoats which is used in the manufacture of catalytic converters*	7.5	↓	5
➤ Specified components for use in the manufacture of specified CNC lathe machines and machining centres*	7.5	↓	2.5
➤ C-block for compressor , over load Protector (OLP) and positive thermal co-efficient and Crank Shaft for compressor used in the manufacture of Refrigerator compressors	7.5	↓	5
➤ Specified inputs for use in the manufacture of flexible medical video endoscope	5	↓	2.5

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INDIRECT TAXES

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➤ HDPE used in manufacture of Telecommunication grade optical fibre cables*	7.5	↓	0
➤ Black light unit module used in manufacture of LCD / LED TV panels*	10	↓	0
➤ Organic LED (OLED)TV panels	10	↓	0

AUTOMOBILES

➤ Commercial Vehicles (effective rate of BCD)	10	↑	20
➤ Commercial Vehicles (tariff rate of BCD)	10	↑	40
➤ Commercial Vehicles in CKD condition and electrically operated vehicles (no change)	10	=	10

* Subject to actual user condition

Change in SAD rates of certain industries

INDUSTRY	RATE (%)		
	From	↑↓	To

CHEMICAL AND PETROCHEMICALS

➤ Naptha, Ethylene dichloride, vinyl chloride monomer and styrene monomer for manufacture of excisable goods	4	□	2
➤ Melting scrap of iron and steel including stailless steel scrap for melting, copper scrap, brass scrap and aluminium scrap	4	□	2

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Change in CVD rates of certain industries.

INDUSTRY	RATE (%)		
	From	↑↓	To
<i>ELECTRONIC AND HARDWARE</i>			
➤ Mobile handsets including cellular phone with Cenvat Credit	6	↑	12.5

SERVICE TAX

Service Tax rate has been increased to 14 per cent (earlier 12.36 per cent inclusive of Education cess and Secondary & Higher Education Cess) w.e.f. the date to be notified by Government after the enactment of the Finance Bill, 2015;

Education Cess at 3 per cent will not be levied once the revised rate (14 per cent) comes into effect;

The Central Government has been empowered to levy Swachh Bharat Cess at the rate of 2 per cent of the value of specified taxable services.

▪ *Exemptions/ Concessions*

W.e.f 1st April, 2015

- ⇒ Services by way of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labeling of fruits and vegetables;
- ⇒ Services by operator of Common Effluent Treatment Plant by way of treatment of effluent;
- ⇒ Insurance service provided by way of Varishtha Pension Bima Yojna;
- ⇒ Service provided by way of exhibition of movie by an exhibitor to the distributor or an association of persons consisting of the exhibitor as one of its members;
- ⇒ Services provided by way of transportation of a patient in an ambulance;
- ⇒ Services by way of admission to a museum, national park, wildlife sanctuary, tiger reserve or zoo;
- ⇒ Goods Transport Agency service provided for transport of export goods to a Land Customs Station (LCS) from;
 - ⇒ container freight station or
 - ⇒ inland container depot
 - ⇒ place of removal

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▪ ***Exemption withdrawn in respect of:***

W.e.f. 1st April, 2015

- ⇒ Services provided to the Government, a local authority or a governmental authority by way of construction, erection, commissioning installation, completion, fitting out, repair, maintenance, renovation, or alteration of -:
 - 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 persons specified in the Explanation 1 to clause 44 of section 65B of the said Act
- ⇒ Services in relation to construction, erection, commissioning or installation of original works pertaining to an airport or port;
- ⇒ Services by an artist by way of a performance in folk or classical art forms of music, or dance, or theatre, if the consideration charged for such performance is more than one lakh rupees;
- ⇒ Services provided by a mutual fund agent or distributor to a mutual fund or asset management company;
- ⇒ Services provided by selling or marketing agent of lottery tickets to a distributor or a selling agent;
- ⇒ Departmentally run public telephone;
- ⇒ Guaranteed public telephone operating only local calls;
- ⇒ Services by way of making telephone calls from free telephone at airport and hospital where no bill is issued;
- ⇒ Exemption to transport of 'food stuff' by rail, or vessels or road will be limited to transportation of food grains including rice and pulses, flours, milk and salt only ;

W.e.f. the date to be notified by Government

- ⇒ Services by job worker by way of carrying out any intermediate production/manufacturing process in relation to alcoholic liquor for human consumption;

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- ⇒ All services (earlier only support services) provided to business entities by government or a local authority would be taxable;
- ⇒ Services by way right of admission to
 - ⇒ award function, concert, pageant, musical performance or any sporting event other than a recognised sporting event, where the consideration for admission is more than Rs 500 per person.
 - ⇒ amusement facilities for instance rides, gaming devices or bowling alleys in amusement parks amusement arcades, water parks, theme parks etc;
 - ⇒ entertainment events other than exhibition of cinematographic film, circus, dance, or theatrical performance including drama or ballet; or recognized sporting event.

▪ ***Amendments (effective from the date enactment of Finance Bill, 2015)***

- ⇒ The word 'Government' has been defined now for resolving the interpretational issues in terms of Negative List and exemptions;
- ⇒ Definition of 'Service' defined under Section 65B(44) has been amended with the intention to levy Service Tax on activities undertaken by
 - chit fund foremen in relation to chit;
 - distributors or selling agents of lottery in relation to lotteries
- ⇒ An illustration has been provided under Section 66F to exemplify the scope of this provision (e.g. Services by agent bank to RBI are taxable though the services of Reserve Bank are covered under the Negative List)
- ⇒ The scope of term 'consideration' provided under Explanation to Section 67 has been widened to include:
 - Reimbursable expenditure or cost incurred and charged by the service provider subject to specified conditions;
 - Amount retained by the distributor or selling agent of lottery from gross sale amount of lottery ticket
- ⇒ Service Tax shall be recovered along with interest in any of the mode specified in Section 87 without serving of notice where such service tax has been self-assessed in the return submitted with the Department;
- ⇒ Invoices can be issued digitally. The procedure and conditions shall be prescribed by CBEC;

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- ⇒ The CENVAT Credit can be taken after payment of Service Tax to the Department even in case of partial reverse charge (earlier allowed in case of full reverse charge). The condition pertaining to the payment to the service provider value before taking credit is no more relevant
- ⇒ Penalty provisions have been rationalized

<i>Section 76 (cases not involving where fraud or collusion or wilful mis-statement or suppression of facts or contravention of the provisions with the intent to evade payment of service tax)</i>	<i>Section 78 (cases involving where fraud or collusion or wilful mis-statement or suppression of facts or contravention of the provisions with the intent to evade payment of service tax)</i>
Not exceeding 10 per cent, however no penalty is to be paid if service tax and interest is paid within 30 days from the date of service of notice under Section 73(1)	Penalty shall be 100 per cent of the service tax demand, however penalty shall be reduced to 15 per cent, if service tax and interest is paid within 30 days from the date of service of notice under Section 73(1) Note: Reduced penalty shall also be paid within 30 days
Reduced penalty equal to 25 per cent of penalty imposed by order, if the service tax, interest and reduced penalty is paid within 30 days from the date of receipt of order (same provisions will be applicable on modified penalty where the service tax demand gets reduced by the Appellate Authority);	Reduced penalty equal to 25 per cent of penalty imposed by order, if the service tax, interest and reduced penalty is paid within 30 days from the date of receipt of order (same provisions will be applicable on modified penalty where the service tax demand gets reduced by the Appellate Authority)

▪ **Abatements (w.e.f. 1st April, 2015)**

Description of Services	Percentage (%) of Taxable portion		
	From	↑↓	To
➤ Transport of goods in a vessel	40	↓	30
➤ Service of goods transport agency in relation to transportation of goods	25	↑	30

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➤ Transport of passengers by air, with or without accompanied belongings (other than economy class)	40	↑	60
➤ Services provided in relation to chit	70	↑	100

■ **Alternative Rate of Service Tax (w.e.f. the date to be notified by Government)**

Description of Services	Rate (%)		
	From	↑↓	To
➤ Rule 6(7) Services of booking of tickets for travel by air provided by an air travel agent	0.6% of base fare in case of domestic booking 1.2% of base fare in case of international bookings	↑	0.7% of base fare in case of domestic booking 1.4% of base fare in case of international bookings
➤ Rule 6 (7A) An insurer carrying on life insurance business	3% of the premium charged in the first year 1.5% in the subsequent years	↑	3.5% of the premium charged in the first year 1.75% in the subsequent years
➤ Rule 6(7B) Person liable to pay service tax in relation to purchase or sale of foreign currency including money changing	0.12% of the gross amount of currency exchanged for an amount upto 1 Lakh, subject to minimum of Rupees 30; Rs 120 and 0.06% of the gross amount of currency exchanged for an amount exceeding 1 Lakh upto Rs 10 Lakh,	↑	0.14% of the gross amount of currency exchanged for an amount upto 1 Lakh, subject to minimum of Rupees 35; Rs 140 and 0.07% of the gross amount of currency exchanged for an amount exceeding 1 Lakh upto Rs 10 Lakh,

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	Rs 660 and 0.012% of the gross amount of currency exchanged for an amount of rupees exceeding 10 Lakh, subject to maximum amount of Rupees 6000		Rs 770 and 0.014% of the gross amount of currency exchanged for an amount of rupees exceeding 10 Lakh, subject to maximum amount of Rupees 7000
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▪ ***Reverse Charge Mechanism (w.e.f. 1st April, 2015)***

- ⇒ Service Tax on the following services shall be levied on reverse charge basis (full reverse charge):
- Services provided by a mutual fund agent to a mutual fund or assets management company;
 - Services provided by a distributor to a mutual fund or AMC;
 - Services provided by selling or marketing agent of lottery ticket to a distributor
- ⇒ Services provided under an aggregate model shall be levied on reverse charge basis (full reverse charge);
- ⇒ Manpower supply and security services provided by an individual, HUF, or partnership firm to body corporate will be covered under full reverse charge (earlier partial reverse charge)

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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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