

2017 - 18

Dear All

The indirect tax proposals in this budget are minimalistic in view of the fact that GST is on its way. It is generally expected that GST would be introduced by September / October of this year.



The finance minister has not tinkered with the general rates of Service Tax, Customs and Central Excise. The trend of retrospective liabilities on the taxpayers seems to be of yore and finally given a good bye.

Now on there will be a single Advance Ruling Authority for both direct as well as indirect taxes. We will have to wait how the constitution of the merged body would look like. All the pending Customs, Central Excise and Service Tax applications are proposed to be transferred to the Income Tax Advance Ruling Authority. Hopefully different subject matter experts would be involved within the Authority. As a consequence of this merger, the procedural aspects, timelines and fees involved have also been aligned.

The most welcome step is to allow non-assesseees also to approach the settlement commission, in cases where the assessee itself is before the commission. Enabling provisions have also been brought in for rectification of its orders by the settlement commission.

Indirect tax sops have been given to capital goods for renewable energy products (including cell based power generators, bio-mass plants etc.) and LED lights. To give a fillip to the digital payment industry, Miniaturized POS card readers for m-POS, micro ATM, Finger print readers or scanners and their parts and components have been fully exempt. This is a positive step towards the Prime Minister's dream of cashless economy.

As usual the basic as well as additional Excise Duty rates on tobacco products have been increased to impose greater burden on the smokers and consumers of the sin products.

The concept of beneficial owner has been brought in for foreign trade (person who exercises effective control over such goods). This will contribute towards the ease of doing business, by providing clarity on the actual owner, as it will cover situations where the importer is not the owner and imports for further supplies in

2017 - 18

India. There is also extensive rationalization in documents and procedures relating to import and export assessment. Hopefully the objective of ease of doing business is met and the harassment faced by the importers and exporters is reduced atleast marginally.

Domestic cashew nut industry has a reason to rejoice as the import duty on this product has been increased to 45% from 30%, which is quite substantive. Import duty on LNG is being reduced. Import duty on vegetable tanning extracts for leather industry also is reduced. Similarly import duties on CNC systems for various industries have been substantively reduced.

There will be no Service Tax on insurance for armed forces. Non-residential students of certain specified IIM IIT courses also will enjoy exemption along side the hostlers.

We will have to wait and watch, to see how the Government transitions to the eagerly awaited GST regime. The proposed GST regime will force all of us to unlearn many of the existing concepts and taxable events and learn new concepts, most importantly to understand the etymology of “supply”. Lets brace for the transition into the future of indirect taxation in India.

Thanks & Regards

Srinivas Kotni

## **EXCISE**

### **CENVAT**

- ⇒ On shifting of factory to another site or transfer to a new owner upon sale, merger, amalgamation, etc., transfer of Cenvat Credit on Inputs, WIP or Capital Goods to be allowed within 3 months from the date of application which may be extended upto another 6 months.

### **AMENDMENTS**

- ⇒ The rates of Additional Excise Duty on tobacco and tobacco products have been increased across the board;
- ⇒ The Advance Ruling Authority for Central Excise, Customs and Service Tax being merged into the Income Tax Advance Ruling Authority
- ⇒ Application fee for seeking Advance Ruling is being increased from Rs. 2,500 to Rs.10,000 on the lines of Income Tax Act;
- ⇒ The time limit for the Advance Ruling Authority to pronounce its rulings has been extended from 90 days to 6 months;
- ⇒ Any non-assessee can also now make an application to the Settlement Commission in respect of a show cause notice issued to him, in a case relating to an assessee, which is also before the settlement commission;
- ⇒ All the pending applications before the existing Advance Ruling authority to be automatically transferred (to the same stage) to the Income Tax Advance Ruling Authority in view of the Government's decision to merge different Authorities and Tribunals.

2017 - 18

- ⇒ Settlement Commission either suo-moto or on an application, can now amend its order within 3 months of its passing, to rectify any error apparent on the face of record.
- ⇒ Applications for Remission of duty on destroyed or lost goods shall be decided within a period of 3 months, extendable to a further period of 6 months on showing sufficient cause.

### ***Change in Basic Excise Duty rates of certain industries;***

INDUSTRY	RATE (%)		
	From	↑↓	To
<b>TOBACCO AND TOBACCO PRODUCTS</b>			
➤ Cigar and cheroots	12.5% or Rs.3755 per thousand, whichever is higher	↑	12.5% or Rs.4006 per thousand, whichever is higher
➤ Cigarillos	12.5% or Rs.3755 per thousand, whichever is higher	↑	12.5% or Rs.4006 per thousand, whichever is higher
➤ Cigarettes of tobacco substitutes	Rs.3755 per thousand	↑	Rs.4006 per thousand
➤ Cigarillos of tobacco substitutes	12.5% or Rs.3755 per thousand, whichever is higher	↑	12.5% or Rs.4006 per thousand, whichever is higher

2017 - 18

➤ Paper rolled biris – handmade	Rs. 21 per thousand	↑	Rs. 28 per thousand
➤ Paper rolled biris – machine made	Rs. 21 per thousand	↑	Rs. 78 per thousand
<b>RENEWABLE ENERGY</b>			
➤ Solar tempered glass	0	↑	6
➤ Parts/raw material of Solar tempered glass	12.5	↓	6
➤ Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators (WOG)	12.5	↓	0
➤ Items of machinery for fuel cell based power generating systems	12.5	↓	6
➤ Items of machinery for system operating on bio gas/ bio methane/ by-product hydrogen	12.5	↓	6
<b>MISCELLANEOUS</b>			
➤ Membrane sheet and Tricot/Spacer RO membrane element for household type filters	12.5	↓	6
➤ Parts for LED lights or fixtures	12.5	↓	6
➤ Miniaturized POS card reader for m-POS, micro ATM, Finger print reader or scanner and their parts and components	12.5	↓	0



2017 - 18

➤ Motor Vehicle for transport of more than 13 persons (retrospective amendment w.e.f. 01.01.2017)	27	↓	12.5
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### ***Change in Additional Excise Duty rates of certain products***

PRODUCTS	RATE (%)		
	From	↑↓	To
<b>TOBACCO PRODUCTS</b>			
➤ Pan Masala	6	↑	9
➤ Unmanufactured Tobacco	4.2	↑	8.3

### ***Additional Excise duty rates on cigarettes increased as below***

CIGARETTES	Duty Rs. Per thousand		
	From	↑↓	To
➤ Non-filter Cigarettes of length not exceeding 65mm	Rs. 215 per thousand	↑	Rs. 311 per thousand
➤ Non-filter Cigarettes of length not exceeding 70mm	Rs. 370 per thousand	↑	Rs. 541 per thousand
➤ Filter cigarettes of length not exceeding 65mm	Rs. 215 per thousand	↑	Rs. 311 per thousand

2017 - 18

➤ Filter Cigarettes of length not exceeding 70mm	Rs. 260 per thousand	↑	Rs. 386 per thousand
➤ Filter Cigarettes of length exceeding 70mm but not exceeding 75mm	Rs. 370 per thousand	↑	Rs. 541 per thousand
➤ Other cigarettes	Rs. 560 per thousand	↑	Rs. 811 per thousand
	<b>Duty in percentage (%)</b>		
<b>TOBACCO PRODUCTS</b>	<b>From</b>	↑↓	<b>To</b>
➤ Chewing tobacco (including filter khaini)	10	↑	12
➤ Jarda scented tobacco	10	↑	12
➤ Pan Masala containing tobacco (gutkha)	10	↑	12

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## CUSTOMS

The Basic Customs Duty ('BCD') and cess maintained at 10 and 3 per cent respectively.

### AMENDMENTS

- ⇒ 'Beneficial Owner' defined as any person on whose behalf the goods are being imported or exported or who exercises effective control over them;
- ⇒ Notified Foreign Post Office and International Courier Terminal to be considered as Customs Station. The Board is empowered to notify Foreign Post Offices and International Courier Terminals;
- ⇒ Rationalisation of documents required for verification of self assessment;
- ⇒ The Advance Ruling Authority for Central Excise, Customs and Service Tax being merged into the Income Tax Advance Ruling Authority;
- ⇒ Application fee for seeking Advance Ruling is being increased from Rs. 2,500 to Rs. 10,000 on the lines of Income Tax Act;
- ⇒ The time limit for the Advance Ruling Authority to pronounce its rulings has been increased from 90 days to 6 months;
- ⇒ Bill of Entry (B/E) to be filed within a day of arrival of vessel or aircraft or vehicle carrying goods at the Customs Station;
- ⇒ BCD, CVD and SAD rates revised for certain industries (mentioned in the subsequent section);
- ⇒ Unjust enrichment will not be attracted in case of refund of Customs Duty paid in excess by the importer before an order permitting clearance of goods for home consumption is made, where:-
  - (i) such excess payment is evident from the B/E in case of self assessed B/E; or
  - (ii) the duty actually payable is reflected in the reassessed B/E in case of reassessment.



2017 - 18

- ⇒ Manner of payment of duty and interest thereon prescribed in case of self-assessed B/Es, or, as the case may be, assessed, reassessed or provisionally assessed B/Es;
- ⇒ Facility of storage has been extended to imported goods entered for warehousing before their removal;
- ⇒ Any non-assessee can also now make an application to the settlement commission, in respect of a show cause notice issued to him in a case relating to an assessee, which is also before the settlement commission;
- ⇒ All the pending applications before the existing Advance Ruling authority to be automatically transferred (to the same stage) to the Income Tax Advance Ruling Authority in view of the Government's decision to merge different Authorities and Tribunals;
- ⇒ Settlement Commission either suo-moto or on an application, can now amend its order within 3 months of its passing, to rectify any error apparent on the face of record;
- ⇒ The person-in-charge of a conveyance that enters India from any place outside India or departs from India to a place outside India is mandated to deliver to the proper officer, the passenger and crew arrival / departure manifest and passenger name record information of arriving / departing passenger before arrival / departure of the conveyance;
- ⇒ Limit of duty free import of eligible items for manufacture of leather footwear or synthetic footwear or other leather products for use in the manufacture of such goods for export has been increased from 3 per cent to 5 per cent of FOB Value of said goods exported during the preceding financial year;
- ⇒ The Customs Duty exemption limit for goods imported through parcels, packets and letters has been changed from duty based (Rs 100 per consignment) to CIF value based (not exceeding Rs1000 per consignment)

2017 - 18

### Exemptions

Goods	BCD	CVD	SAD
⇒ Miniaturized POS card reader for m-POS, micro ATM, finger print reader/scanner, iris scanner and their parts and components	√	√	√
⇒ Resin and catalyst for cast components for Wind Operated Energy Generators		√	√

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

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

INDUSTRY	RATE (%)		
	From	↑↓	To
<b>FOOD PROCESSING<sup>1</sup></b>			
➤ Cashew nuts, roasted, salted or roasted and salted	30	↑	45
➤ RO membrane element for household type filters	7.5	↑	10
<b>MINERAL FUELS AND MINERAL OILS</b>			
➤ Liquefied Natural Gas	5	↓	2.5
<b>CHEMICALS &amp; PETROCHEMICALS</b>			

<sup>1</sup> With immediate effect

2017 - 18

➤ o-Xylene	2.5	↓	0
➤ Medium Quality Terephthalic Acid (MTA) & Qualified Terephthalic Acid (QTA)	7.5	↓	5
➤ 2-Ethyl Anthraquinone [29146990] for use in manufacture of hydrogen peroxide*	7.5	↓	2.5
➤ Clay 2 Powder (Alumax) for use in ceramic substrate for catalytic convertors*	7.5	↓	5
➤ Vinyl Polyethylene Glycol (VPEG) for use in manufacture of Poly Carboxylate Ether*	10	↓	7.5
<b>TEXTILES</b>			
➤ Nylon mono filament yarn for use in monofilament long line system for Tuna fishing*	7.5	↓	5
<b>FINISHED LEATHER, FOOTWEAR AND OTHER LEATHER PRODUCTS</b>			
➤ Vegetable tanning extracts, namely Wattle extract and Myrobalan fruit extract	7.5	↓	2.5
<b>METALS</b>			
➤ Co-polymer coated MS tapes / stainless steel tapes for manufacture of telecommunication grade optical fibres or optical fibre cables*	0	↑	10

2017 - 18

➤ Nickel	2.5	↓	0
➤ MgO coated cold rolled steel coils [7225 19 90] for use in manufacture of CRGO steel*	10	↓	5
➤ Hot Rolled Coils [7208], when imported for use in manufacture of welded tubes and pipes falling under heading 7305 or 7306*	12.5	↓	10
<b>CAPITAL GOODS</b>			
➤ Ball screws, linear motion guides and CNC systems for use in manufacture of all CNC machine tools*			
• Ball screws, linear motion guides	7.5	↓	2.5
• CNC systems	10	↓	2.5
<b>RENEWABLE ENERGY</b>			
➤ Solar tempered glass for use in the manufacture of mobile phones*	5	↓	0
➤ Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOEG]*	7.5	↓	5
➤ All items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes*	10/7.5	↓	5

2017 - 18

➤ All items of machinery required for balance of systems operating on biogas/bio-methane/ by-product hydrogen*	10/7.5	↓	5
<b>MISCELLANEOUS</b>			
➤ All parts for manufacture of LED lights or fixture, including LED lamps*	10/7.5	↓	5
➤ All inputs for use in manufacture of LED drivers and MCPCB for LED lights or fixtures, including LED lamps*	10/7.5	↓	5
➤ Miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader/Scanner or Iris Scanner	10/7.5	↓	0
➤ Parts and components for manufacture of miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader/Scanner or Iris Scanner*	10/7.5	↓	0
* Subject to actual user condition			

2017 - 18

<b>Change in SAD rates of certain industries</b>			
<b>INDUSTRY</b>	<b>RATE (%)</b>		
	<b>From</b>	<b>↑↓</b>	<b>To</b>
<b>RENEWABLE ENERGY</b>			
➤ Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOG]*	4	↓	0
<b>ELECTRONICS AND HARDWARE</b>			
➤ Populated PCBs for manufacture of mobile phones*	0	↑	2
<b>MISCELLANEOUS</b>			
➤ Miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader/Scanner or Iris Scanner	4	↓	0
➤ Parts and components for manufacture of miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader/Scanner or Iris Scanner*	4	↓	0
* Subject to actual user condition			



2017 - 18

<b>Change in CVD rates of certain industries</b>			
<b>INDUSTRY</b>	<b>RATE (%)</b>		
	<b>From</b>	<b>↑↓</b>	<b>To</b>
<b>RENEWABLE ENERGY</b>			
➤ Parts/raw materials for manufacture of solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications*	12.5	↓	6
➤ Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOEG]*	12.5	↓	0
➤ All items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes*	12.5	↓	6
➤ All items of machinery required for balance of systems operating on biogas/bio-methane/ by-product hydrogen*	12.5	↓	6
<b>MISCELLANEOUS</b>			
➤ Membrane Sheet and Tricot / Spacer for use in manufacture of RO	12.5	↓	6

2017 - 18

membrane element for household type filters*			
➤ All parts for manufacture of LED lights or fixture, including LED lamps*	12.5	↓	6
➤ Miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader/Scanner or Iris Scanner	12.5	↓	0
➤ Parts and components for manufacture of miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader/Scanner or Iris Scanner*	12.5	↓	0
➤ Silver medallion, silver coins having silver content not below 99.9%, semi-manufactured form of silver and articles of silver	0	↑	12.5

\* **Subject to actual user condition**

### CHANGE IN RATES OF EXPORT DUTY

INDUSTRY	RATE (%)		
	From	↑↓	To

#### ORES AND CONCENTRATES

➤ Other aluminium ores and concentrate	0	↑	30 (effective rate is 15 per cent)
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## SERVICE TAX

- The rate of Service Tax is maintained @ 14 per cent.
- Swachh Bharat Cess and Krishi Kalyan Cess are maintained at 0.5 per cent each.

### **NEW EXEMPTIONS / CONCESSIONS**

#### ***Effective from February 02, 2017***

- ⇒ Indian Institutes of Management for specified non-residential courses as well apart from residential courses;
- ⇒ Viability gap funding ('VGF') payments by Government to selected airline operators for transportation of passengers originating or terminating in a Regional Connectivity Scheme ('RCS') airport for a period of 1 year from commencement of operations in such airport

#### ***Retrospective Exemptions***

- ⇒ Life insurance services provided by Army, Naval and Air Force group insurance funds to defence personnel. Refund application to be filed within the prescribed period – Effective from September 10, 2004;
- ⇒ Long-term lease of industrial plots for 30 years or more to industrial units by the State Government corporations / undertakings. Refund application to be filed within the prescribed period – effective from June 1, 2007;

#### ***Other Amendments***

- ⇒ Valuation of service portion in works contract involving transfer of land amended retrospectively to exclude the value of land or alternatively to value service portion at 25 or 30 per cent of gross value of works contract based on period involved and nature of works contract;

2017 - 18

- ⇒ For the purposes of determination of “value” under Rule 6 (applicable to assesses providing taxable as well as exempt services), the interest and discount earned by Banks and NBFC’s will be included and they cannot take benefit of exclusion under Explanation I(e), which benefit is applicable only to entities other than Banks and NBFC’s in respect of their interest and discount income from extension of deposits, loans or advances.;
- ⇒ Advance ruling provisions amended:
- The Advance Ruling Authority for Central Excise, Customs and Services Tax being merged into the Income Tax Advance Ruling Authority;
  - Any non-assessee can also now make an application to the settlement commission in respect of a show cause notice issued to him in a case relating to an assessee, which is also before the settlement commission;
  - All the pending applications before the existing Advance Ruling authority to be automatically transferred (to the same stage) to the Income Tax Advance Ruling Authority in view of the Government’s decision to merge different Authorities and Tribunals;
  - Application fee for seeking advance ruling increased from Rs. 2500 to Rs 10000;
  - Time limit for pronouncing advance ruling extended from 90 days to 6 months.

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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.

**CONTACT US**



**Advocates & Legal Consultants**

New Delhi: R-1, Second Floor, Park View Apartments,  
Hauz Khas Enclave; New Delhi - 110 016 India

Bangalore: 516, 10<sup>th</sup> A Cross, 29<sup>th</sup> Main,  
Sector 1, HSR Layout, Bangalore- 560 034 India

Phone: 91-11-2651 0505  
Telefax: 91-11-2651 1505  
Mail: [mail@lexport.in](mailto:mail@lexport.in)  
Weblink: [www.lexport.in](http://www.lexport.in)