



**AN ANALYSIS OF CUSTOMS &
CENTRAL EXCISE 2015-16**
ANNOUNCED ON 28/02/2015

**Presented By
TEAM VOICE OF CA**

CENTRAL EXCISE TARIFF

GENERAL – WITH IMMEDIATE EFFECT

- Education Cess and Secondary & Higher Education Cess leviable on excisable goods are being fully exempted. Simultaneously, the standard ad valorem rate of duty of excise (i.e. CENVAT) is being increased from 12% to 12.5%.
- Duty of excise on “waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured” falling under Chapter sub-heading 2202 10 is being increased from 12% to 18%.
- Duty of excise on cigarettes is being increased by 25% for cigarettes of length not exceeding 65 mm and by 15% for cigarettes of other lengths. Increase in duty rates is also proposed on cigars, cheroots and cigarillos.
- Excise duty on cut tobacco is being increased from Rs. 60 per kg to Rs.70 per kg.
- Tariff rate of excise duty on goods falling under Chapter sub-heading 2523 29 (Cement) is being increased from Rs. 900 per tonne to Rs. 1000 per tonne.
- Tariff rate of excise duty on sacks and bags (including cones) of plastics falling under tariff items 3923 21 00, 3923 29 10 and 3923 29 90 is being increased from 12% to 18%.



CENTRAL EXCISE - TARIFF




CENTRAL EXCISE TARIFF

PETROLEUM – WITH IMMEDIATE EFFECT

- The Schedule Rates of the Additional Duty of Excise (commonly known as Road Cess) levied on Petrol and High Speed Diesel Oil is being increased from Rs. 2 per litre to Rs. 8 per litre. The effective rates of the Additional Duty of Excise (commonly known as Road Cess) levied on Petrol and High Speed Diesel Oil is being increased from Rs. 2 per litre to Rs. 6 per litre only.
- Education Cess and Secondary and Higher Education Cess, presently applicable to petroleum products, including petrol and High Speed Diesel, are being exempted.
- Rates of duty of excise (CENVAT) on Petrol and High Speed Diesel Oil (both branded and unbranded) are also being revised.

Thus, the total incidence of various duties of excise on petrol and diesel remains unchanged.



CENTRAL EXCISE TARIFF

FOOD PROCESSING SECTOR – WITH IMMEDIATE EFFECT

- All goods falling under Chapter sub-heading 2101 20, including iced tea, are being notified under section 4A of the Central Excise Act for the purpose of assessment of Central Excise duty with reference to the Retail Sale Price with an abatement of 30%. (*current rate 12% ad-vorum*)
- Goods, such as lemonade and other beverages, are being notified under section 4A of the Central Excise Act for the purpose of assessment of Central Excise duty with reference to the Retail Sale Price with an abatement of 35%.
- Excise duty of 2% without CENVAT credit or 6% with CENVAT credit is being levied on condensed milk put up in unit containers. Condensed milk is also being notified under section 4A of the Central Excise Act for the purpose of valuation with reference to the Retail Sale Price with an abatement of 30%.
- Excise duty of 2% without CENVAT credit or 6% with CENVAT credit is being levied on peanut butter.



CENTRAL EXCISE TARIFF

AUTOMOBILES – WITH IMMEDIATE EFFECT

- Excise duty on chassis for ambulances is being reduced from 24% to 12.5% subject to actual user condition.
- Concessional excise duty of 6% on specified goods for use in the manufacture of electrically operated vehicles and hybrid vehicles, presently available upto 31.03.2015, is being extended upto 31.03.2016.



CENTRAL EXCISE TARIFF

HEALTH – WITH IMMEDIATE EFFECT

- Excise duty on cigarettes is being increased by 25% for cigarettes of length not exceeding 65 mm and by 15% for cigarettes of other lengths. Excise duty on cigars, cheroots & cigarillos and cigarettes & cigarillos of tobacco substitutes is also being increased.
- Maximum speed of packing machine for packing of notified goods of various retail sale prices is being specified as a factor relevant to production for determining excise duty payable under the Compounded Levy Scheme presently applicable to pan masala, gutkha and chewing tobacco. Accordingly, deemed production and duty payable per machine per month are being notified with reference to the speed range in which the maximum speed of a packing machine falls.

CENTRAL EXCISE TARIFF

ELECTRONICS/HARDWARE – WITH IMMEDIATE EFFECT

- Excise duty on wafers for manufacture of integrated circuit (IC) modules for smart cards is being reduced from 12% to 6% subject to actual user condition.
- Excise duty on inputs for use in the manufacture of LED drivers and MCPCB for LED lights, fixtures and lamps, is being reduced from 12% to 6%, subject to actual user condition.
- Excise duty structure for mobiles phones is being changed from 1% without CENVAT credit or 6% with credit to 1% without credit or 12.5% with credit. NCCD of 1% on mobile phones remains unchanged.
- Excise duty structure of 2% without CENVAT credit or 12.5% with credit is being extended to tablet computers. Parts, components and accessories (falling under any Chapter) for use in manufacture of tablet computers and their sub-parts for use in manufacture of parts, components and accessories are being fully exempted from excise duty, subject to actual user condition.
- Excise duty on specified raw materials [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 is being fully exempted, subject to actual user condition.
- Suitable amendment is being carried out to expressly provide that LED lights or fixtures including LED lamps are liable to assessment of excise duty with reference to retail sale price. Similar changes are being made in the Third Schedule to the Central Excise Act, 1944.



CENTRAL EXCISE TARIFF


RENEWABLE ENERGY – WITH IMMEDIATE EFFECT

- Excise duty on pig iron SG grade and Ferro-silicon-magnesium for manufacture of Cast components of wind operated electricity generators is being fully exempted, subject to certification by MNRE in this regard.
- Excise duty structure of NIL without CENVAT credit or 12.5% with credit is being prescribed for solar water heater and system.
- Excise duty on round copper wire and tin alloys for manufacture of Solar PV ribbon for manufacture of solar PV cells is being fully exempted subject to certification by Department of Electronics and Information Technology (DeitY).



CENTRAL EXCISE TARIFF

CONSUMER GOODS – WITH IMMEDIATE EFFECT

- Excise duty on leather footwear (footwear with uppers made of leather of heading 4107 or 4112 to 4114), of Retail Sale Price of more than Rs. 1000 per pair is being reduced from 12% to 6%.
 - The entry “waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured” in the Seventh Schedule to the Finance Act, 2005 related to levy of additional duty of excise @ 5% is being omitted. Till the enactment of the Finance Bill, 2015, the said additional duty of excise of 5% leviable on such goods is being exempted. Simultaneously, the Basic Excise Duty rate on these goods is being increased from 12% to 18%.
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CENTRAL EXCISE TARIFF

SWACHH BHARAT & ENERGY SECTOR – WITH IMMEDIATE EFFECT

- The Schedule Rate of Clean Energy Cess, levied on coal, lignite and peat, is being increased from Rs. 100 per tonne to Rs. 30 per tonne. The effective rate of Clean Energy Cess is being increased from Rs. 100 per tonne to Rs. 200 per tonne. The increase in rate of Clean Energy Cess will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.
- Excise duty on sacks and bags of polymers of ethylene, other than for industrial use, is being increased to 15%.



CENTRAL EXCISE TARIFF

SWACHH BHARAT & ENERGY SECTOR – WITH IMMEDIATE EFFECT

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CENTRAL EXCISE TARIFF

MIS CELLANEOUS – WITH IMMEDIATE EFFECT

- Full exemption from excise duty is being extended to captively consumed intermediate compound coming into existence during the manufacture of Agarbattis. Agarbattis attract NIL excise duty.
- S. No. 337 of Notification No. 12/2012-CE dated 17-3-2012 provided Nil excise duty on goods for setting up Ultra Mega Power Project specified in List No. 10 of the said Notification. In case of goods for a Project for which certificate regarding Ultra Mega Power Project status is provisional, the exemption is subject inter alia to condition that the Chief Executive Officer of the Project furnishes a bank guarantee or fixed deposit receipt for a term of 36 months or more. This condition is being amended to prescribe furnishing of bank guarantee or fixed deposit receipts for a period of 42 months.
- S. No. 338 of Notification No. 12/2012-CE dated 17-3-2012 provided Nil excise duty on goods for setting up Mega Power Project specified in List No. 11 of the said Notification. In case of goods for a Project for which certificate regarding Mega Power Project status is provisional, the exemption is subject inter alia to condition that the Chief Executive Officer of the Project furnishes a bank guarantee or fixed deposit receipt for a term of 36 months or more. This condition is being amended to prescribe furnishing of bank guarantee or fixed deposit receipts for a period of 66 months.
- Goods manufactured domestically and supplied against International Competitive Bidding are eligible for full excise duty exemption provided that such goods when imported attract Nil Basic Customs Duty and Nil CVD [S.No.336 of notification No.12/2012-CE dated 17.03.2012 read with Condition No.41]. The condition is being amended so as to provide that if imported goods are eligible for Nil Basic Customs Duty and Nil CVD subject to certain conditions, then the said conditions shall also apply mutatis mutandis to such goods when manufactured domestically and supplied against International Competitive Bidding for the purposes of availing of the said excise duty exemption.



CENTRAL EXCISE - NON TARIFF



CENTRAL EXCISE - NON TARIFF AMENDMENT – PRODUCTION BASED DUTY

Clause 90 of Finance Bill – Amendment to Section 3A of Central Excise

With Immediate Effect

Power of Central Government be enlarged to charge production based excise duty, considering more than one factor/parameter.

Amendment:

In the Central Excise Act, 1944 (hereinafter referred to as the Central Excise Act), in section 3A, after Explanation 2, the following Explanation shall be inserted, namely:-

“Explanation 3.— For the purposes of sub-sections (2) and (3), the word “factor” includes “factors”

Impact:

Now the Central Government may consider more than one factor for charges of excise duty based of production capacity. For example, now the size of machinery alongwith its production capacity as basis for excise duty.



CENTRAL EXCISE - NON TARIFF AMENDMENT – PENALTY RATIONALIZED

- **Clause 91 of Finance Bill – Amendment to Section 11A of Central Excise**

With Immediate Effect

Removal of category of cases where extended period has been applied based of audit, inspection or verification, due to fraud, collusion etc, and transactions has been duly specified records.

Amendment:

In the Central Excise Act , in section 11A,—

(i) sub-sections (5), (6) and (7) shall be omitted;

(v) for Explanation 2, the following Explanation shall be substituted, namely :—

“Explanation 2.— For the removal of doubts, it is hereby declared that any non-levy, shortlevy, non-payment, short-payment or erroneous refund where no show cause notice has been issued before the date on which the Finance Bill, 2015 receives the assent of the President, shall be governed by the provisions of section 11A as amended by the Finance Act, 2015.”;

Impact:

- **Removal of categories of cases where during audit, inspection or verification, any duty has not been paid or charged, and transactions has been specified in records (previously charged to tax +interest+ penalty as 50% of duty/penalty of 25% before show cause notice).**
- **Provide that the provisions of section 11A shall not apply to cases where the non-payment or short payment of duty is reflected in the periodic returns filed and that in such cases recovery of duty shall be made in such manner as may be prescribed in the rules.**
- **In case only interest is to be recovered, the due date would be the date of payment of excise duty to which such interest relates.**
- **As consequence, the concessional penalty of 50% after notice and 25% before show cause notice, has been withdrawn.**

CENTRAL EXCISE - NON TARIFF AMENDMENT – PENALTY RATIONALIZED

Clause 92 of Finance Bill – Amendment to Section 11AC of Central Excise (With Immediate Effect)

Rationalizing the penalty provisions

Amendment:

“11AC. (1) The amount of penalty for non-levy or short-levy or non-payment or short-payment or erroneous refund shall be as follows:–.....(Please refer details as per finance Bill, 2015)

Impact:

In 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 excise duty, in the following manner,-

- A penalty not exceeding 10% of the duty so determined or Rs. 5000 whichever is higher shall be payable.
- if duty and interest payable thereon under section 11AA is paid either before issue of **show cause notice** or within 30 days of issue of show cause notice, no penalty shall be payable and all proceedings in respect of said duty and interest shall be deemed to be concluded;
- if duty as determined under sub-section (10) of section 11A and interest payable thereon under section 11AA is paid within 30 days of the date of **communication of order** of the Central Excise Officer who has determined such duty, the amount of penalty shall be equal to 25% of the penalty so imposed shall be payable, provided that such reduced penalty is also paid within 30 days of the date of communication of such order; and

CENTRAL EXCISE - NON TARIFF AMENDMENT – PENALTY RATIONALIZED

Clause 92 of Finance Bill – Amendment to Section 11AC of Central Excise (With Immediate Effect)

Rationalizing the penalty provisions

Impact Continue

- **In 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 excise duty, in the following manner,-**
- in addition to the duty as determined under sub-section (10) of section 11A, a penalty equal to the duty so determined shall be payable. In respect of cases where the details relating to such transactions are recorded in the specified record for the period beginning with 8th April, 2011 and upto the date of assent to the Finance Bill, 2015, the penalty payable shall be 50% of the duty so determined.
- if duty and interest payable thereon under section 11AA is paid within 30 days of **communication of show cause notice**, the amount of penalty payable shall be 15% of the duty demanded, provided that such reduced penalty is also paid 30 days of communication of show cause notice and all proceedings in respect of said duty and interest shall be deemed to be concluded;
- if duty as determined under sub-section (10) of section 11A and interest payable thereon under section 11AA is paid within 30 days of the **date of communication of order** of the Central Excise Officer who has determined such duty, the amount of penalty shall be equal to 25% of the duty so determined, provided that such reduced penalty is also paid within 30 days of the date of communication of such order; and
- if the duty amount gets reduced in any appellate proceeding, then penalty amount shall also stand modified accordingly, and benefit of reduced penalty (25% of penalty imposed) shall be admissible if duty, interest and reduced penalty is paid within 30 days of such appellate order.

CENTRAL EXCISE - NON TARIFF AMENDMENT – SETTLEMENT COMMISSION

- **Clause 93 of Finance Bill – Amendment to Section 31 of Central Excise**

With Immediate Effect

No Settlement commission of cases referred back by any court.

Amendment:

In the Central Excise Act, in section 31, in clause (c), in the proviso, the words “in any appeal or revision, as the case may be,” shall be omitted.

Impact:

Delete the reference to “in appeal or revision, as the case may be” so as to provide that when any proceeding is referred back, whether in appeal or revision or **otherwise**, by any court, Appellate Tribunal Authority or any other authority to the adjudicating authority for a fresh adjudication or decision, then such case shall not be entitled for settlement. If any case, is picked referred back due to any reason, it would be entitled to settlement commission.

CENTRAL EXCISE - NON TARIFF AMENDMENT – PENALTY

Clause 101 of Finance Bill – Amendment to Section 320 of Central Excise

With Immediate Effect

Increase in Penalty for offences related to ancillary offences

Amendment:

In the Central Excise Act, in section 37, in sub-sections (4) and (5), for the words “two thousand rupees”, the words “five thousand rupees” shall be substituted.

Impact:

Sub-sections (4) and (5) of section 37 are being amended so as to increase the penalty from Rs. 2000 to Rs. 5000.



CUSTOMS



CUSTOMS - TARIFF


GENERAL

1. The tariff rate of basic customs duty on bituminous coal is being reduced from 55% to 10%.
2. The tariff rate of basic customs duty on goods falling under all the tariff items of Chapters 72 and 73 that is iron and steel and articles of iron or steel, is being increased from 10% to 15%. However, there is no change in the existing effective rates of basic customs duty on these goods.
3. The tariff rate of basic customs duty on goods falling under all the tariff items of heading 8702 that is motor vehicles for the transport of ten or more persons, including the driver and 8704 that is motor vehicles for the transport of goods, is being increased from 10 to 40%. The effective Basic Customs duty on such Vehicles is being increased from 10% to 20%.
4. Basic Customs Duty on sulphuric acid for the manufacture of fertilizers is being reduced from 7.5% to 5%. (fertilizer)



CUSTOMS - TARIFF

CHEMICAL

- Basic Customs Duty on ulexite ore is being reduced from 2.5% to Nil.
 - Basic Customs duty on isoprene and liquefied butane is being reduced from 5% to 2.5%.
 - Basic Customs Duty on ethylene dichloride (EDC), vinyl chloride monomer (VCM) and styrene monomer (SM) is being reduced from 2.5% to 2%.
 - Basic Customs Duty on butyl acrylate is being reduced from 7.5% to 5%.
 - Basic Customs Duty on anthraquinone is being reduced from 7.5% to 2.5%.
 - Basic Customs Duty on antimony metal and antimony waste and scrap is being reduced from 5% to 2.5%.
 - SAD on naphtha, ethylene dichloride (EDC), vinyl chloride monomer (VCM) and styrene monomer (SM) for manufacture of Excisable goods is being reduced from 4% to 2%.
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CUSTOMS - TARIFF ORES AND METALS

- Export duty on upgraded ilmenite is being reduced from 5% to 2.5%.
- Basic Customs Duty on metallurgical coke is being increased from 2.5% to 5%.
- **SAD on melting scrap of iron & steel including stainless steel scrap for melting, copper scrap, brass scrap and aluminium scrap is being reduced from 4% to 2%.**
- The tariff rate of basic customs duty on goods falling under all the tariff items of Chapters 72 and 73 that is iron and steel and articles of iron or steel, is being increased from 10% to 15%. However, there is no change in the existing effective rates of basic customs duty on these goods.



CUSTOMS - TARIFF

ELECTRONICS/HARDWARE

- Excise duty structure for mobile handsets including cellular phones is being changed from 1% without CENVAT credit or 6% with CENVAT credit to 1% without CENVAT credit or 12.5% with CENVAT credit. NCCD of 1% on mobile handsets including cellular phone, remains unchanged.
- Excise duty structure of 2% without CENVAT credit or 12.5% with credit is being prescribed for tablet computers. Parts, components and accessories (falling under any Chapter) for use in the manufacture of tablet computers and their sub-parts for use in the manufacture of parts, components and accessories are being fully exempted from BCD, CVD and SAD, subject to actual user condition.
- Basic Customs Duty on 'metal parts' for use in the manufacture of electrical insulators is being reduced from 10% to 7.5%, subject to actual user condition.
- Basic Customs Duty on magnetron of upto 1 KW for use in the manufacture of domestic microwave ovens is being reduced from 5% to Nil, subject to actual user condition.
- Basic Customs Duty on zeolite, ceria zirconia compounds and cerium compounds for use in the manufacture of washcoats, which are used in manufacture of catalytic converters, is being reduced from 7.5% to 5%, subject to actual user condition.
- Basic Customs Duty on specified components for use in the manufacture of specified CNC lathe machines and machining centres is being reduced from 7.5% to 2.5%, subject to actual user condition.
- Basic Customs Duty on specified inputs for use in the manufacture of flexible medical video endoscope is being reduced from 5% to 2.5%.
- Basic Customs Duty on HDPE for use in the manufacture of telecommunication grade optical fibre cables is being reduced from 7.5% to Nil, subject to actual user condition.



CUSTOMS - TARIFF

ELECTRONICS/HARDWARE

- Basic Customs Duty on Black Light Unit Module for use in the manufacture of LCD/LED TV panels is being reduced from 10% to Nil, subject to actual user condition.
- Basic Customs Duty on Organic LED (OLED) TV panels is being reduced from 10% to Nil.
- CVD and SAD are being fully exempted on specified raw materials [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 the manufacture of pacemakers, subject to actual user condition.
- SAD on inputs for use in the manufacture of LED drivers and MCPCB for LED lights, fixtures and lamps is being fully exempted, subject to actual user condition.
- Basic Customs Duty on Digital Still Image Video Camera capable of recording video with minimum resolution of 800x600 pixels, at minimum 23 frames per second, for at least 30 minutes in a single sequence, using the maximum storage (including the expanded) capacity and parts and components for use in the manufacture of such cameras is being reduced to Nil.



CUSTOMS

AMENDMENT IN CUSTOM ACT

Clause 80 of Finance Bill – Amendment to Section 28 (Effective from 1st day of March, 2015

Rationalization of Penalties

Amendment: *In the Customs Act, 1962 (hereinafter referred to as the Customs Act), in section.....*

Impact:

In 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;

In 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 payable shall be 15% instead of the present 25%;
- Insert Explanation 3 to provide that where a notice under clause (a) of sub-section (1) or sub-section (4) of section 28, as the case may be, has been served but an order determining duty under sub-section (8) has not been passed before the date on which the Finance Bill, 2015 receives the assent of the President, then, without prejudice to the provisions of sections 135, 135A and 140, as may be applicable, the proceedings in respect of such person or other persons to whom the notice is served shall be deemed to be concluded if the payment of duty, interest and penalty under the proviso to sub-section (2) or under sub-section (5), as the case may be, is made in full within 30 days from the date on which such assent is received.

Thank You

