

2017

Union Budget 2017

A2Z Taxcorp LLP

An overview of changes brought under Union Budget
2017, presented as on February 1, 2017



Union Budget 2017

UNION BUDGET 2017: KEY CHANGES IN INDIRECT TAXES

The Hon'ble Finance Minister, Shri. Arun Jaitley presented his fourth Union Budget in the Parliament today, as per the schedule, that aimed to boost spending, as he sought to lift growth and ease people's pain from the government's drive to purge the economy of "black money". This Budget differed from the past Budgets in a number of ways, important being that the Budget speech was delivered on February 1 instead of February 28 and there was not separate Railway Budget this year.

Addressing parliament, Mr. Jaitley called his fourth budget one for the poor. Yet, while asserting prudent fiscal management, he also raised his 2017-18 federal deficit target to 3.2% of GDP to cover his spending promises. Mr. Jaitley started his speech by saying, "The Govt is now seen as a trusted custodian of public money, I express gratitude to people for their strong support." He called India "an engine of global growth", but at the same time, highlighted risks to its outlook from likely U.S. interest rate hikes, rising oil prices etc.

Passage of Goods and Service Tax ("GST") Bill and demonetisation were highlighted as the two tectonic policy initiatives of the Government. As GST is on the anvil, not many changes are proposed to be made in Service tax and Excise, though Service charges on e-tickets booked through IRCTC has been withdrawn.

Mr. Jaitley stated that the GST Council has finalised its recommendations on almost all the issues based on consensus on the basis of 9 meetings held. Further, preparation of IT system for GST is also on schedule and the extensive reach-out efforts to trade and industry for GST will start from April 1, 2017 to make them aware of the new taxation system.

We are sharing with you the key highlights of the Union Budget 2017 in the arena of Indirect Taxes along with snapshot of important changes on Economical front and Direct taxes:

IMPORTANT CHANGES ON ECONOMICAL FRONT

On Economic Front:

- Inflation has been brought under control. CPI-based inflation declined from 6% in July 2016 to 3.4% in December, 2016.
- Economy has moved on a high growth path. India's Current Account Deficit declined from about 1% of GDP last year to 0.3% of GDP in the first half of 2016-17.
- As per FM Budget Speech, there is a 36% increase in FDI flow; Forex reserves at USD 361 billion in January enough to cover 12 months' needs.

For Agriculture & Farmers



Union Budget 2017

- To ensure flow of credit to small farmers, Government to support NABARD for computerisation and integration of all 63,000 functional Primary Agriculture Credit Societies with the Core Banking System of District Central Cooperative Banks. This will be done in 3 years at an estimated cost of 1,900 crores.
- Dairy Processing and Infrastructure Development Fund to be set up in NABARD with a total of 2000 crores and is proposed to be increased to 8000 crores over 3 years.
- Allocation under MNREGA increased to 48,000 crore from Rs. 38,500 crore. This is highest ever allocation to MNREGA.
- Coverage under FasalBimaYojana scheme will be increased from 30% of cropped area in 2016-17 to 40% in 2017-18 and 50% in 2018-19 for which a budget provision of Rs. 9000 crore has been made.

For Youth

- SWAYAM platform, leveraging IT, to be launched with at least 350 online courses. This would enable students to virtually attend courses taught by the best faculty.
- Next phase of Skill Strengthening for Industrial Value Enhancement (STRIVE) will also be launched in 2017-18 at a cost of Rs. 2,200 crores.
- Incredible India 2.0 Campaign will be launched across the world to promote tourism and employment.

For the Poor and the under privileged:

- Affordable housing to be given infrastructure status.
- National Housing Bank will refinance individual housing loans of about 20,000 crore in 2017-18.
- Two new All India Institutes of Medical Sciences to be set up in Jharkhand and Gujarat.
- For senior citizens, Aadharbased Smart Cards containing their health details will be introduced.

For Infrastructure:

- For transportation sector as a whole, including rail, roads, shipping, provision of Rs. 2,41,387 crores has been made in 2017-18.
- For 2017-18, the total capital and development expenditure of Railways has been pegged at Rs. 1,31,000 crores. This includes Rs. 55,000 crores provided by the Government.

For Financial Sector:



Union Budget 2017

- In line with the 'Indradhanush' roadmap, Rs. 10,000 crores for recapitalisation of Banks provided in 2017-18.
- Foreign Investment Promotion Board to be abolished in 2017-18 and further liberalisation of FDI policy is under consideration

Digital Economy:

- 125 lakh people have adopted the BHIM app so far. The Government will launch two new schemes to promote the usage of BHIM; these are, Referral Bonus Scheme for individuals and a Cashback Scheme for merchants.
- Aadhar Pay, a merchant version of Aadhar Enabled Payment System, will be launched shortly.
- A proposal to mandate all Government receipts through digital means, beyond a prescribed limit, is under consideration.

IMPORTANT CHANGES IN DIRECT TAXES

Changes in Tax rates & Surcharge:

- Existing Income Tax rates for Individual or Hindu undivided family or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person having income of Rs. 2.5 lakhs to Rs. 5 lakhs is reduced to 5% from the present rate of 10%.

The proposed tax slab rates for said persons are as follows:

Slab	Rate of tax
Upto Rs. 2,50,000	Nil.
Rs. 2,50,001 to Rs. 5,00,000	5%
Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

- It is also proposed by Finance Bill, 2017 to reduce the income tax for smaller companies with annual turnover upto Rs. 50 crore to 25%. As per FM Budget Speech, this proposal will directly benefit 96% of companies.
- Surcharge of 10% of tax payable has been proposed to be levied on categories of individuals whose annual taxable income is between Rs. 50 lakhs and Rs. 1 crore.

Presumptive Income u/s 44AD

Union Budget 2017

- Under scheme of presumptive income for small and medium tax payers whose turnover is upto 2 crores, the present, 8% of their turnover which is counted as presumptive income is reduced to 6% in respect of turnover which is by non-cash means.

Cash Transaction of above Rs 3 Lakh:

The FM in its Budget speech stated that *“The Special Investigation Team (SIT) set up by the Government for black money has suggested that no transaction above Rs. 3 lakh should be permitted in cash. The Government has decided to accept this proposal. Suitable amendment to the Income-tax Act is proposed in the Finance Bill for enforcing this decision.”*

This is another attempt from Government Side to curb Black Money and benami transactions.

Start-ups:

- For the purpose of carry forward of losses in respect of such start-ups, the condition of continuous holding of 51% of voting rights has been relaxed subject to the condition that the holding of the original promoter/promoters continues.
- Also the profit linked deduction available to the start-ups for 3 years out of 5 years is being changed to 3 years out of 7 years.

Minimum Alternate Tax:

- Proposal of trade bodies to abolish MAT has not been accepted.
- But, in order to allow companies to use MAT credit in future years it has been proposed to allow carry forward of MAT upto a period of 15 years instead of 10 years at present.

Changes in Capital Gain Taxation:

- Reduction in time period for land & building to qualify as LTCA: In case of immovable property, being land or building or both, time periods to qualify as long term capital asset is reduced from 36 Months to 24 Months. The Amendment shall be effective from April 1, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.
- Capital gains in case of joint development agreement: For joint development agreement signed for development of property, the liability to pay capital gain tax will arise in the year the project is completed.
- Base Year for calculating Capital Gain Tax: Base year for calculating Capital Gain Taxation has been shifted from 1981 to 2001.

For Banking Sector:

Union Budget 2017

- Allowable provision for Non-Performing Asset has been proposed to be increased from 7.5% to 8.5%.
- It has been proposed to tax interest receivable on actual receipt instead of accrual basis in respect of NPA accounts of all non-scheduled cooperative banks also at par with scheduled banks.

CHANGES UNDER SERVICE TAX

A. Changes In Chapter V of the Finance Act, 1994 [“the Finance Act”] (Will come into force when the Finance Bill, 2017 is enacted unless otherwise stated):-

I. Changes in relation to the Negative List – Section 66D of the Finance Act:-

- **Section 66D(f):Proposed to be deleted**

Presently, services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption, are covered under Section 66D(f) of the Finance Act. These services are proposed to be deleted from the Negative List.

However, the exemption is being continued by amending Entry No.30 of the Mega Exemption Notification No. 25/2012-ST dated June 20, 2012 (“the **Mega Exemption Notification**”). [Read with Notification No. 7/2017-ST dated 02.02.2017 vide which changes have been made in the Mega Exemption Notification].

II. Other Important Changes in the Finance Act:-

A. Omission of definitions

- **Changes in Section 65B of the Finance Act:**

➤ Section 65B(40) of the Finance Act is proposed to be deleted containing the definition of the term “process amounting to manufacture or production of goods”, with the deletion of Section 66D(f) of the Finance Act.

It is being incorporated in the Mega Exemption Notification with insertion of corresponding exemption thereunder.

B. Legislative Changes regarding Authority for Advance Ruling:

- **Changes in Section 96A of the Finance Act:**

Section 96A of the Finance Act contains various definitions for Advance Rulings. Clause (d) of Section 96A has been amended so as to substitute the definition of “Authority” to

Union Budget 2017

mean the Authority for Advance Ruling as constituted under Section 28E of the Customs Act, 1962.

Section 28E of the Customs Act, 1962, has also been amended so as to substitute the definition of “Authority” to mean the Authority for Advance Ruling as constituted under Section 245-O of the Income Tax Act, 1961.

- **Changes in Section 96B of the Finance Act:**

Section 96B of the Finance Act provides that no proceeding before, or pronouncement of advance ruling by, the Authority shall be questioned or shall be invalid on the ground merely of the existence of any vacancy or defect in the constitution of the Authority.

Since Section 245P of the Income Tax Act, 1961 provides the same, Section 96B relating to vacancies not to invalidate proceedings has been omitted.

- **Changes in Section 96C of the Finance Act:**

Section 96C of the Finance Act contains provisions regarding application for Advance Ruling.

Sub-section (3) of Section 96C has been amended so as to increase the application fee for seeking advance ruling from Rs. 2,500/- to Rs. 10,000/- on the lines of the Income Tax Act, 1961.

- **Changes in Section 96D of the Finance Act:**

Section 96D of the Finance Act contains the procedure of Advance Ruling after receipt of application.

Sub-section (6) of Section 96D has been amended so as to extend the existing time limit of 90 days to 6 months by which time the Authority shall pronounce its ruling, on the lines of the Income Tax Act, 1961.

- **Insertion of New Section 96HA after Section 96H of the Finance Act:**

A new Section 96HA, providing transition provisions, has been inserted, after Section 96H, so as to provide for transferring of the pending applications before the Authority for Advance Rulings (Central Excise, Customs and Service Tax) to the Authority constituted under Section 245-O of the Income Tax Act, 1961, from the stage at which such proceedings stood as on the date on which the Finance Bill, 2017 receives the assent of the President.

C. Other Legislative Changes:

- **New Section 104 inserted to prescribe special provision for exemption in certain cases relating to long term lease of industrial plots:**



Union Budget 2017

Notification No. 41/2016-ST dated 22.09.2016, which has exempted from Service tax, one time upfront amount (called as premium, salami, cost, price, development charges or by whatever name) payable for grant of long-term lease of industrial plots (30 years or more) by State Government Industrial Development Corporations/Undertakings to industrial units, has been made effective from 01.06.2007 (i.e. the date when the services of renting of immovable property became taxable).

Further, refund shall be made of all such Service tax which has been collected, but which would not have been so collected, had the stated exemption been in force at all material times. Application for refund shall be made within a period of 6 months from the date on which the Finance Bill, 2017 receives the assent of the President.

- **New Section 105 inserted to prescribe special provision for exemption in certain cases relating to life insurance services provided to members of armed forces of Union:**

Service tax exemption to taxable services provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force under the Group Insurance Schemes of the Central Government, is being made effective from 10.09.2014 i.e. the date when services of life insurance became taxable, to 01.02.2016 (both days inclusive).

[Read with new insertion of Entry No. 26D in the Mega Exemption Notification vide Notification No. 7/2017-ST dated 02.02.2017]

Further, refund shall be made of all such Service tax which has been collected, but which would not have been so collected, had the stated exemption been in force at all material times. Application for refund shall be made within a period of 6 months from the date on which the Finance Bill, 2017 receives the assent of the President.

B. Changes in the Mega Exemption List of Services Vide Notification No. 7/2017-ST dated 02.02.2017 amending Notification No. 25/2012-ST dated 20.06.2012 (Effective From 02.02.2017 unless otherwise stated):

- **Entry No. 9B:** Removal of the word “residential”

The exemption vide Entry No. 9B of the Mega Exemption Notification, exempts services provided by Indian Institutes of Management (IIMs) by way of two year full time residential Post Graduate Programmes (PGP) in Management for the Post Graduate Diploma in Management (PGDM), to which admissions are made on the basis of the Common Admission Test (CAT), conducted by IIM.

Entry No. 9B has been amended so as to omit the word “residential” appearing in the notification. The exemption remains the same in all other respects.

Union Budget 2017

- **Entry No. 30w.e.f. the date on which the Finance Bill, 2017 receives assent of the President:** Divided in two parts so as to include the following exemption under sub-part (i):

Services by way of carrying out-

(i) any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption.

[Read with corresponding deletion of Section 66D(f) of the Finance Act]

- **New Entries inserted to exempt the following:**

a) **Entry 23A:**Services provided to the Government by way of transport of passengers, with or without accompanied belongings, by air, embarking from or terminating at a Regional Connectivity Scheme Airport, against consideration in the form of Viability Gap Funding (VGF).

Provided that nothing contained in this entry shall apply on or after the expiry of a period of one year from the date of commencement of operations of the Regional Connectivity Scheme Airport as notified by the Ministry of Civil Aviation.

b) **Entry 26D:** Services of life insurance business provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds to members of the Army, Navy and Air Force, respectively, under the Group Insurance Schemes of the Central Government.

- New definition provided for certain terms in paragraph 2 relating to definition of –

a) (ya) w.e.f. the date when the Finance Bill, 2017 receives the assent of the President ***“process amounting to manufacture or production of goods”*** means a process on which duties of excise are leviable under section 3 of the Central Excise Act, 1944 (1 of 1944), or the Medicinal and Toilet Preparation (Excise Duties) Act, 1955(16 of 1955) or any process amounting to manufacture of opium, Indian hemp and other narcotic drugs and narcotics on which duties of excise are leviable under any State Act for the time being in force.

As Section 66D(f) of the Finance Act has proposed to be omitted, consequently, the definition of ‘process amounting to manufacture’ has also been deleted from Section 65B(40) of the Finance Act and has been incorporated in the Mega Exemption Notification.

C. Retrospective amendment in Service Tax (Determination of Value) Rules, 2006 Vide Clause 128 of the Finance Bill, 2017 (Will come into force when the Finance Bill, 2017 is enacted)

Union Budget 2017

➤ Under Rule 2A:

Rule 2A of Service Tax (Determination of Value) Rules, 2006, has been amended with effect from 01.07.2010 so as to make it clear that value of service portion in execution of works contract involving transfer of goods and land or undivided share of land, as the case may be, shall not include value of property in such land or undivided share of land.

D. Repeal of Research and Development Cess Act, 1986

- Research and Development Cess Act, 1986 (32 of 1986) is proposed to be repealed vide Clauses 139 to 142 of the Finance Bill, 2017.
- Notification No. 14/2012-ST dated 17.03.2012 exempts the taxable service involving import of technology from so much of the Service tax leviable thereon as is equivalent to the amount of cess payable on the said import of technology under the Research and Development Cess Act, 1986. Consequently, with effect from the enactment of the Finance Bill, 2017, the stated exemption from Service tax would be not available to a taxable service involving import of technology on which Research and Development Cess is not payable. In other words, full Service tax along with cesses (Swachh Bharat Cess and KrishiKalyan Cess) would be applicable to such taxable service.

E. Amendment in the Cenvat Credit Rules, 2004 (“the Credit Rules”) vide Notification No. 4/2017-Central Excise (N.T) dated 02.02.2017 (Applicable from the date of publication in the Official Gazette):

- **Changes in Rule 6(3D) of the Credit Rules: Reversal of credit taken on common inputs and input services**

Explanation I applicable to sub-rule 3 and 3A of Rule 6 of the Credit Rules, provides that the ‘value’ for the purpose of reversal of credit taken on common inputs and input services used in providing taxable and exempted services, shall not include the value of service by way of extending deposits, loans or advances against consideration in the form of interest or discount.

The said clause (e) has been amended so as to exclude banks and financial institutions including NBFCs engaged in providing services by way of extending deposits, loans or advances from its ambit.

- **Changes in Rule 10 of the Credit Rules – Transfer of Cenvat credit:**

A new sub-rule 4 has been inserted in Rule 10 of the Credit Rules, so as to provide that transfer of Cenvat credit by the jurisdictional Deputy/Assistant Commissioner of Central Excise, shall be allowed within 3 months from the date of receipt of application from the manufacturer or service provider in this regard, subject to the fulfilment of the conditions prescribed under Rule 10(3).

Union Budget 2017

Further, the stated period of 3 months may be extended by the Principal Commissioner of Central Excise or Commissioner of Central Excise, as the case may be, for a further period not exceeding 6 months, on sufficient cause being shown and reasons to be recorded in writing.

CHANGES IN CENTRAL EXCISE AND CUSTOMS

UNION BUDGET 2017: CHANGES IN EXCISE AND CUSTOMS:

Changes in Customs and Central Excise law and rates of duty have been proposed through the Finance Bill, 2017. In order to prescribe effective rates of duty and to carry out changes in the Rules made under the respective Acts, the following notifications are being issued:

CUSTOMS	Notification Nos.	Date
Tariff	No.3/2017-Customs to No.6/2017-Customs	02.02.2017
CENTRAL EXCISE		
Tariff	No.3/2017-Central Excise to No.7/2017- Central Excise	02.02.2017
Non-Tariff	No.2/2017-Central Excise (N.T.) to No.5/2017- Central Excise (N.T.)	02.02.2017

Unless otherwise stated, all changes in rates of duty take effect from the midnight of 1st February / 2nd February, 2017. A declaration has been made under the Provisional Collection of Taxes Act, 1931 in respect of clauses 109 (a), 110, 118 and 146 of the Finance Bill, 2017 so that changes proposed therein take effect from the midnight of 1stFebruary / 2ndFebruary, 2017. The remaining legislative changes would come into effect only upon the enactment of the Finance Bill, 2017.

UNDER EXCISE:

➤ Amendments in the Central Excise Act, 1944 ("the Excise Act"):

A. Legislative changes regarding Authority for Advance Ruling:

• Changes in Section 23A of the Excise Act:

Section 23A of the Excise Act contains various definitions for Advance Ruling. Clause (e) of Section 23A has been amended so as to substitute the definition of "Authority" to mean the Authority for Advance Ruling as constituted under Section 28E of the Customs Act, 1962.

Union Budget 2017

Section 28E of the Customs Act, 1962, has also been amended so as to substitute the definition of “Authority” to mean the Authority for Advance Ruling as constituted under Section 245-O of the Income Tax Act, 1961.

- **Changes in Section 23B of the Excise Act:**

Section 23B of the Excise Act provides that no proceeding before, or pronouncement of advance ruling by, the Authority shall be questioned or shall be invalid on the ground merely of the existence of any vacancy or defect in the constitution of the Authority.

Section 23B relating to vacancies not to invalidate proceedings has been omitted.

- **Changes in Section 23C of the Excise Act:**

Section 23C of the Excise Act contains provisions regarding application for Advance Ruling.

Sub-section (3) of Section 23C has been amended so as to increase the application fee for seeking advance ruling from Rs. 2,500/- to Rs. 10,000/- on the lines of the Income Tax Act, 1961.

- **Changes in Section 23D of the Excise Act:**

Section 23D of the Excise Act contains the procedure of Advance Ruling after receipt of application.

Sub-section (6) of Section 23D has been amended so as to extend the existing time limit of 90 days to 6 months by which time the Authority shall pronounce its ruling, on the lines of the Income Tax Act, 1961.

- **Insertion of New Section 23-I after Section 23H of the Excise Act:**

A new Section 23-I, providing transition provisions, has been inserted, after Section 23H, so as to provide for transferring of the pending applications before the Authority for Advance Rulings (Central Excise, Customs and Service Tax) to the Authority constituted under Section 245-O of the Income Tax Act, 1961, from the stage at which such proceedings stood as on the date on which the Finance Bill, 2017 receives the assent of the President.

B. Legislative changes regarding Settlement of Cases:

- **Changes in Section 32E of the Excise Act:**

Section 32E of the Excise Act contains the provisions regarding application for settlement of cases.



Union Budget 2017

Section 32E has been amended so as to insert a new sub-section (5) therein to enable any person, other than assessee, referred to in sub-section (1) to make an application to the Settlement Commission.

- **Changes in Section 32F of the Excise Act:**

Section 32F of the Excise Act contains the provisions regarding procedure on receipt of an application for settlement of cases

Sub-section (3) of Section 32F has been amended so as to substitute certain words therein. It further seeks to insert a new sub-section (5A) therein to enable the Settlement Commission to amend the order passed by it under sub-section (5), to rectify any error apparent on the face of record.

➤ **Amendments in the First Schedule to the Central Excise Tariff Act, 1985:**

A. Amendments involving change in the duty rates which will come into effect immediately:

S. No.	Commodity	Rate of duty	
		From	To
A.	Tobacco and Tobacco Products		
1.	Cigar and cheroots	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher
2.	Cigarillos	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher
3.	Cigarettes of tobacco substitutes	Rs.3755 per thousand	Rs.4006 per thousand
4.	Cigarillos of tobacco substitutes	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher
5.	Others of tobacco substitutes	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher

Union Budget 2017

B. Amendments involving change in the duty rates - Other:

S. No.	Commodity	Rate of duty	
		From	To
A.	Tobacco and Tobacco Products		
1.	Paper rolled biris – Handmade	Rs.21 per thousand	Rs.28 per thousand
2.	Paper rolled biris – Machine made	Rs.21 per thousand	Rs.78 per thousand

C. Retrospective Amendment involving change in the duty rates:

Amendment has been made to retrospectively [i.e. with effect from 01.01.2017] specify a tariff rate of Excise duty of 12.5% [as against present tariff rate of 27%] on motor vehicles for transport of more than 13 persons falling under tariff items 8702 90 21 to 8702 90 29 of the First Schedule to the Central Excise Tariff Act, 1985.

➤ Amendments in the Seventh Schedule to the Finance Act, 2005:

A. Amendments involving change in the duty rates which will come into effect immediately:

S. No.	Commodity	Rate of duty	
		From	To
A.	Tobacco and Tobacco Products		
1.	Non-filter Cigarettes of length not exceeding 65mm	Rs.215 per thousand	Rs.311 per thousand
2.	Non-filter Cigarettes of length exceeding 65mm but not exceeding 70mm	Rs.370 per thousand	Rs.541 per thousand
3.	Filter Cigarettes of length not exceeding 65mm	Rs.215 per thousand	Rs.311 per thousand
4.	Filter Cigarettes of length exceeding 65mm but not exceeding 70mm	Rs.260 per thousand	Rs.386 per thousand
5.	Filter Cigarettes of length exceeding 70mm but not exceeding 75mm	Rs.370 per thousand	Rs.541 per thousand

Union Budget 2017

6.	Other Cigarettes	Rs.560 per thousand	Rs.811 per thousand
7.	Chewing tobacco (including filter khaini)	10%	12%
8.	Jarda scented tobacco	10%	12%
9.	Pan Masala containing Tobacco (Gutkha)	10%	12%

B. Amendments involving change in the duty rates - Other:

S. No.	Commodity	Rate of duty	
		From	To
A.	Pan Masala	6%	9%
B.	Tobacco and Tobacco Products		
1.	Unmanufactured tobacco	4.2%	8.3%

➤ Amendment in the Central Excise Rules, 2002:

- **Rule 21 → Time limit for granting remission of duty has been prescribed:**

Rule 21 of the Central Excise Rules, 2002 contains the provision regarding remission of duty.

Sub-rule (2) has been inserted in Rule 21 of the Central Excise Rules, 2002 so as to provide for a time limit of three (3) months [further extendable by 6 months] for granting remission of duty.

➤ Changes in duty rates regarding commodity falling under 'Renewable Energy':

S. No.	Commodity	Rate of duty	
		From	To
1.	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, subject to actual user condition	Nil	6%

Union Budget 2017

2.	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, subject to actual user condition	12.5%	6%
3.	Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOEG], subject to actual user condition	12.5%	Nil
4.	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%
5.	All items of machinery required for balance of systems operating on biogas/ bio-methane/ by-product hydrogen	12.5%	6%

➤ **Clarification regarding applicability of Section 5A of the Excise Act in respect of inputs imported or exported by EOU**

Section 5A of the Excise Act provides that unless specifically provided in a notification, no exemption therein shall apply to excisable goods which are produced or manufactured by an Export Oriented Units (“EOU”) and cleared to the Domestic Tariff Area (“DTA”).

It has been clarified that non-applicability of exemptions under notifications issued under Section 5A is only in respect of excisable goods produced or manufactured by an EOU and cleared to DTA and not in respect of inputs/raw materials procured by them domestically and utilised for production/manufacture of goods which are cleared by them to DTA.

Thus, EOU will also be eligible to import or procure raw materials/inputs at other concessional/Nil rate of Basic Customs Duty (“BCD”), Excise duty/Additional Duty of Customs (“CVD”) or Special Additional Duty (“SAD”), as the case may be, provided they fulfill all conditions for being eligible to such concessional or Nil duty. For these purposes, if an EOU is already registered with the jurisdictional Central Excise Authority, it will not be required to take any fresh registration under the Customs (Import of Goods

Union Budget 2017

at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2016 or the Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2016, as the case may be. Further, there will be no need for an EOU to separately comply with the Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2016 for availing the CVD exemption, if the procedure under the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rule, 2016 is followed by it for availing exemption / concession from BCD on imports of inputs/raw materials.

Miscellaneous:

S. No.	Commodity	Rate of duty	
		From	To
1.	Membrane Sheet and Tricot / Spacer for use in manufacture of RO membrane element for household type filters, subject to actual user condition	12.5%	6%
2.	All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition	Applicable duty	6%
3.	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	Applicable duty	Nil
4.	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, subject to actual user condition	Applicable duty	Nil
5.	(a) Waste and scrap of precious metals or metals clad with precious metals arising in course of manufacture of goods falling in Chapter 71 (b) Strips, wires, sheets, plates and foils of silver c. Articles of silver jewellery, other	Nil	Nil, subject to the condition that no credit of duty paid on inputs or input services or

Union Budget 2017

	than those studded with diamond, ruby, emerald or sapphire (c) Silver coin of purity 99.9% and above, bearing a brand name when manufactured from silver on which appropriate duty of customs or excise has been paid		capital goods has been availed by manufacturer of such goods
--	--	--	--

UNDER CUSTOMS:

➤ Amendments in the Customs Act, 1962 ("the Customs Act"):

- **Changes in Section 2 of the Customs Act:**

Section 2 of the Customs Act contains various definitions.

Section 2 has been amended to:

- Insert clause (3A) to define a beneficial owner as any person on whose behalf the goods are being imported or exported or who exercises effective control over the goods being imported or exported;
- Include Foreign Post Office and International Courier Terminal is included in the definition of a Customs Station in clause (13);
- Omit certain words are omitted in clause (13) to align with the proposed omission of Section 82;
- Provide that the existing definition of exporter in clause (20) includes the beneficial owner;
- Provide that the existing definition of importer in clause (26) includes the beneficial owner;
- Insert clause (30B) so as to define passenger name record information;
- Define Foreign Post Office and International Courier Terminal.

- **Changes in Section 7 of the Customs Act:**

Section 7 of the Customs Act contains provisions regarding appointment of customs ports, airports etc.

Section 7 has been amended to empower the Board to notify Foreign Post Offices and International Courier Terminals.

Union Budget 2017

- **Changes in Section 17 of the Customs Act:**

Section 17 of the Customs Act contains provisions regarding assessment of duty.

Section 17 has been amended to rationalize the requirement of documents for verification of self assessment.

- **Changes in Section 27 of the Customs Act:**

Section 27 of the Customs Act contains provisions regarding claim for refund of duty.

Sub-section (2) of section 27 has been amended so as to keep outside the ambit of unjust enrichment, the refund of 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 bill of entry in the case of self assessed bill of entry or
- (ii) the duty actually payable is reflected in the reassessed bill of entry in the case of reassessment.

- **Legislative changes regarding Authority for Advance Ruling:**

- **Changes in Section 28E of the Customs Act:**

Section 28E of the Customs Act contains various definitions for Advance Ruling.

Clause (e) of Section 28E has been amended so as to substitute the definition of "Authority" to mean the Authority for Advance Ruling as constituted under Section 245-O of the Income Tax Act, 1961.

- **Changes in Section 28F of the Customs Act:**

Section 28F of the Customs Act contains provisions regarding Authority for Advance Rulings.

Section 28F has been amended so as to provide that the Authority for Advance Rulings constituted under Section 245-O of the Income Tax Act, 1961 shall be the Authority for giving advance rulings for the purposes of the Customs Act.

It is further provided that the Member of the Indian Revenue Service (Customs and Central Excise), who is qualified to be a Member of the Board, shall be the revenue Member of the Authority for the purposes of the Customs Act.

It is also provided for transferring the pending applications before the Authority for Advance Rulings (Central Excise, Customs and Service Tax) to the Authority constituted under Section 245-O of the Income Tax Act, 1962 from the stage at which such

proceedings stood as on the date on which the Finance Bill, 2017 receives the assent of the President.

- **Changes in Section 28G of the Customs Act:**

Section 28G of the Customs Act provides that no proceeding before, or pronouncement of advance ruling by, the Authority shall be questioned or shall be invalid on the ground merely of the existence of any vacancy or defect in the constitution of the Authority.

Section 28G relating to vacancies not to invalidate proceedings has been omitted.

- **Changes in Section 28H of the Customs Act:**

Section 28H of the Customs Act contains provisions regarding application for Advance Ruling.

Sub-section (3) of Section 28H has been amended so as to increase the application fee for seeking advance ruling from Rs. 2,500/- to Rs. 10,000/- on the lines of the Income Tax Act, 1961.

- **Changes in Section 28I of the Customs Act:**

Section 28I of the Customs Act contains the procedure of Advance Ruling after receipt of application.

Sub-section (6) of Section 28I has been amended so as to extend the existing time limit of 90 days to 6 months by which time the Authority shall pronounce its ruling, on the lines of the Income Tax Act, 1961.

- **Insertion of Section 30A in the Customs Act:**

A new Section 30A has been introduced so as to make it obligatory on the person-in-charge of a conveyance that enters India from any place outside India or any other person as may be specified by the Central Government by notification in the Official Gazette, to deliver to the proper officer the passenger and crew arrival manifest before arrival in the case of an aircraft or a vessel and upon arrival in the case of a vehicle; and passenger name record information of arriving passengers in such form, containing such particulars, in such manner and within such time as may be prescribed. The said section also intends to provide for imposition of a penalty not exceeding Rs. 50,000/- as may be prescribed, in the case of delay in delivering the information.

- **Insertion of Section 41A in the Customs Act:**

A new Section 41A has been introduced so as to make it obligatory on the person-in-charge of a conveyance that departs from India to a place outside India or any other person as may be specified by the Central Government by notification in the Official

Union Budget 2017

Gazette, to deliver to the proper officer the passenger and crew departure manifest and passenger name record information of departing passengers before the departure of the conveyance in such form, containing such particulars, in such manner and within such time as may be prescribed. The section also intends to provide for a penalty not exceeding Rs. 50,000/- as may be prescribed in the case of delay in delivering the information.

- **Changes in Section 46 of the Customs Act:**

Section 46 of the Customs Act contains the provisions regarding entry of goods on importation.

Sub-section (3) of Section 46 has been substituted so as to make it mandatory to file the bill of entry before the end of the next day following the day (excluding holidays) on which the vessel or aircraft or vehicle carrying the goods arrives at a customs station at which such goods are to be cleared for home consumption or warehousing and to provide for imposition of such charges for late presentation of the bill of entry as may be prescribed.

- **Changes in Section 47 of the Customs Act:**

Section 47 of the Customs Act contains the provisions regarding clearance of goods for home consumption.

Sub-section (2) of Section 47 has been amended so as to provide the manner of payment of duty and interest thereon in the case of self-assessed bills of entry or, as the case may be, assessed, reassessed or provisionally assessed bills of entry.

- **Changes in Section 49 of the Customs Act:**

Section 49 of the Customs Act contains the provisions regarding storage of imported goods in warehouse pending clearance.

Section 49 has been amended to extend the facility of storage under Section 49 to imported goods entered for warehousing before their removal.

- **Changes in Section 69 of the Customs Act:**

Section 69 of the Customs Act contains the provisions regarding clearance of warehoused goods for exportation.

Section 69 has been amended to align it with the proposed omission of Section 82.

- **Changes in Section 82 of the Customs Act:**

Section 82 of the Customs Act contains the provisions regarding label or declaration accompanying goods to be treated as entry.

Section 82 has been omitted.

- **Changes in Section 84 of the Customs Act:**

Section 84 of the Customs Act contains the provisions of regulations regarding goods imported or to be exported by post.

Section 84 has been amended to empower the Board to make regulations to provide for the form and manner in which an entry may be made in respect of goods imported or to be exported by post.

- **Legislative changes regarding Settlement of Cases:**

- **Changes in Section 127B of the Customs Act:**

Section 127B of the Customs Act contains the provisions regarding application for settlement of cases.

Section 127B has been amended so as to insert a new sub-section (5) therein to enable any person, other than applicant, referred to in sub-section (1) to make an application to the Settlement Commission.

- **Changes in Section 127C of the Customs Act:**

Section 127C of the Customs Act contains the provisions regarding procedure on receipt of an application for settlement of cases

Sub-section (3) of Section 127C has been amended so as to substitute certain words therein. It further seeks to insert a new sub-section (5A) therein to enable the Settlement Commission to amend the order passed by it under sub-section (5), to rectify any error apparent on the face of record.

- **Changes in Section 157 of the Customs Act:**

Section 157 of the Customs Act contains the provisions regarding general power to make regulations.

Section 157 has been amended so as to empower Board to make regulations for specifying the form, particulars, manner and time of providing the passenger and crew manifest for arrival and departure and passenger name record information and penalty in the case of delay in delivering the information.

- **Amendments in the Customs Tariff Act, 1975:**

Union Budget 2017

- **Changes in Section 9 of the Customs Tariff Act**

Section 9 of the Customs Tariff Act contains the provisions regarding Countervailing duty on subsidized articles.

Clause (c) of sub-section (3) of Section 9 has been substituted so as to withdraw the exemption to three categories of non-actionable subsidies specified therein from the scope of anti-subsidy investigations.

➤ **Amendment in the First Schedule to the Customs Tariff Act, 1975 (“the Customs Tariff Act”):**

A. Amendments not affecting rates of duty:

- Amendments have been made to:
 - (i) Delete tariff items 1302 32 10 and 1302 32 20 and entries relating thereto and create new tariff items 1106 10 10 and 1106 10 90, in relation to Guar meal and its products to harmonize the Customs Tariff with HS Nomenclature.
 - (ii) Create new tariff item 1511 90 30 for Refined bleached deodorised palm stearin” to harmonize the Customs Tariff in accordance with WCO classification decision.
 - (iii) Substitute tariff items 3823 11 11 to 3823 11 90 and entries relating thereto with tariff item 3823 11 00.
 - (iv) Substitute tariff items 3904 10 10 to 3904 22 90 with tariff items 3904 10 10 to 3904 22 00 in relation to the PVC Resin
- Chapter Note (4) of Chapter 98 has been amended so as to remove the non-applicability of headings 9803 and 9804 to goods imported through courier service. Also, to amend heading 9804 so as to extend the classification of personal imports by courier, sea, or land under this heading.

B. Amendments affecting rates of BCD:

S. No.	Commodity	Rate of duty	
		From	To
1.	Cashew nut, roasted, salted or roasted and salted	30%	45%
2.	RO membrane element for household	7.5%	10%

Union Budget 2017

	type filters		
--	--------------	--	--

The amendments involving increase in the duty rates will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

➤ **Amendment in the Second Schedule to the Customs Tariff Act:**

S. No.	Commodity	Rate of duty	
		From	To
Amendments affecting rates of Export duty			
	Ores and concentrates		
1.	Other aluminium ores and concentrates	Nil	30%

The above amendment increasing the export duty rate will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.



Union Budget 2017

ABOUT US

A2Z TAXCORP LLP is a boutique Indirect Tax firm having professionals from Multi disciplines which includes Central Excise, Custom, Service Tax, VAT, DGFT, Foreign Trade Policy, SEZ, EOU, Export – Import Laws, Free Trade Policy, with way forward Goods and Services Tax (GST).

Executive Consultant:

Bimal Jain

FCA, FCS, LLB, B. Com (Hons.)

A2Z Taxcorp LLP Editorial Team:

Isha Bansal, ACS

Anjali Sharma, ACA

Ashish Gupta, ACA

Ashish Garg

Apoorva Sharma

CONTACT

A2Z TAXCORP LLP

Tax and Law Practitioners

Delhi:

Flat No. 34B, Ground Floor,
Pocket – 1, Mayur Vihar Phase-1
Delhi – 110091 (India)
Tel: +91 11 22757595/ 42427056
Mobile: +91 9810604563

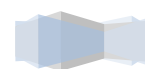
E-mail: info@a2ztaxcorp.com

Web: www.a2ztaxcorp.com

We can also be contacted at below mentioned address:

Bengaluru	Kolkata	Dhanbad	Allahabad	Chandigarh
---------------------------	-------------------------	-------------------------	---------------------------	----------------------------

OUR LATEST RELEASE



ABOUT THE BOOK

This Handbook on Revised Model GST Law discusses the various provisions of the Revised Model GST Law and Draft Rules released by Government of India along with comparison with First Model GST Law in a precise and lucid manner for providing a complete insight to the readers for the preparation and assistance in smooth transition to GST.

This Book is user-friendly, containing the gist of the provisions of the Revised Model GST Law and can be used by professionals, tax payers, tax officers, corporates, regulators, etc. for easy reference.

KEY FEATURES OF THE BOOK

- Highlights of changes in Revised Model GST Law for easy understanding
- Constitutional Amendments and likely date of GST Implementation
- GST – Need & Necessity, Overview and Model for India
- Discussion/analysis on Revised Model GST Law along with its comparison with First Model GST Law
- Analysis of meaning of the terms 'Supply', 'Goods' and 'Services' in GST
- Gist of documents, information, procedure, etc., required for migration of existing registrants in GST
- Discussion on various domains - intra-state supply and inter-state supply of goods and/or services, principles of place of supply & time of supply, valuation of goods and/or services, GST ITC, taxable person, appeals and revision, offences and penalties, demand and recovery, GST rate, e-commerce operator, etc., along with transitional provisions
- Discussion on contentious issues under Revised Model GST Law which requires reconsideration
- Discussion on flow of input tax credit in GST with illustrations and negative list for GST ITC
- Discussion on Draft Rules and procedural aspect of GST- Registration, Payment, Invoice, Returns and Refund
- Impact of GST on business and specifically on manufacturers, traders and service sectors and preparation required for smooth migration
- Transitional issues under GST along with effective tools for planning
- Likely challenges ahead for GST implementation
- Way forward and Procedural changes in GST
- Contains complete Revised Model GST Law, Model IGST Law and Draft GST Compensation Law along with Draft Rules and Formats on Registration, Payment, Invoice, Returns and Refund as released by the Government

Published by
Young Global Publications
B-4, Basement, Vandhana Building,
11 Tolstoy Marg, New Delhi-110 001
Phone : +91-11-41824268, 23324142
E-mail : info@youngglobals.com
Website : www.bookskhoj.com

ISBN 978188274680

9 788188 274680
Price ₹ 650

GUIDE TO REVISED MODEL GST LAW
(With Draft Rules on Registration, Payment, Invoice, Returns and Refund)

BIMAL JAIN
ISHA BANSAL



YOUNG GLOBAL'S

GUIDE TO REVISED MODEL GST LAW

(With Draft Rules on Registration, Payment, Invoice, Returns and Refund)

BIMAL JAIN
ISHA BANSAL

Highlights of the Book

- Summarized highlights of Revised Model GST Law and Draft Rules on Registration, Payment, Invoice, Returns and Refund for easy digest.
- Contains action plan for smooth transition to GST regime along with suggestions for effective planning.
- Discussion on various domains viz. supply of goods and/or services - intra-state and inter-state, principles of place of supply & time of supply, Valuation, GST ITC, taxable person, appeals and revision, demand and recovery, GST rates, e-commerce operator, etc., along with transitional provisions.
- Contains complete Revised Model GST Law, Model IGST Law and Draft GST Compensation Law along with Draft Rules and Formats on Registration, Payment, Invoice, Returns and Refund as released by the Government.

2017



DISCLAIMER

Disclaimer: The contents of this document are solely for informational purpose. It does not constitute professional advice or recommendation of firm. Neither the authors nor firm and its affiliates accepts any liabilities for any loss or damage of any kind arising out of any information in this document nor for any actions taken in reliance thereon.

Readers are advised to consult the professional for understanding applicability of this newsletter in the respective scenarios. While due care has been taken in preparing this document, the existence of mistakes and omissions herein is not ruled out. No part of this document should be distributed or copied (except for personal, non-commercial use) without our written permission.