



UNION BUDGET 2017 – 18

INDIRECT TAX PROPOSALS



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AUTHOR'S NOTE

Budget 2017 was unique in quite a number of ways. Firstly, it was presented in the beginning of February instead of its end. Secondly, the rail budget was merged with that of the General Budget. Thirdly, the classification between the planned and unplanned expenditure was eradicated. Also, the Budget was presented amidst an uncertain global outlook. Even domestically, the economy was facing the after effects of demonetisation and scepticism over the mid year GST roll out.

In spite of all the above uncertainties, it is really hard to find a blot in the proposals presented by the Government. Even though, there was a slight decline in the GDP growth after demonetisation, a positive outlook of the World Bank and IMF on the GDP growth over the coming years presents a glimmering hope to the citizens of our country.

On the front of Indirect taxes, only a few critical areas have been amended. This is against the backdrop of planned implementation of GST from 1st July, 2017. The most encouraging aspect was the Government's commitment to reach out to trade and commerce from 1st April, 2017 for making them aware of the new regime. A reassurance was also provided that the preparation of IT system for implementation of GST is on schedule.

Talking about the amendments, a few have been made in the Mega Exemption Notification no. 25/2012-ST dated 20th June, 2012 in Service Tax. In Service tax, the major amendment was aligning the tax liability of works contract service involving transfer of land with construction of immovable property service. Some provisions relating to Advance Ruling and Settlement Commission have also been amended. The majority of the Indirect tax amendments have been carried out in the Customs Act, 1962. Apart from these, tariff structure in Central Excise and Customs have undergone a few changes too. However, on a holistic basis, there have been only a few changes in the overall Indirect taxes structure.

We have made an endeavour to collate all the budget proposals relating to Indirect taxes together. On one hand, we have provided the highlights of the Indirect tax proposals and on the other, we have referenced the detailed analysis of each of these proposals.

We sincerely hope to provide you with the most reader friendly approach of these amendments. However, if there are any suggestions, questions or comments relating to this material, feel free to get in touch with us.

Thanks & Regards,

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GST UPDATES IN THE BUDGET SPEECH

- Several teams of officers both from the States and Central Board of Excise and Customs have been working tirelessly to give finishing touch to the Model GST law and rules and other details.
- Government on its part has promptly given effect to various provisions of the Constitutional Amendment Act, including constitution of the GST Council.
- GST Council held 9 meetings to discuss various issues relating to GST including
 - Broad contours of the GST rate structure,
 - Threshold exemption and parameters for composition scheme,
 - Details for compensation to States due to implementation of GST
 - Examination of draft model GST law, draft IGST law and the Compensation Law and administrative mechanism for GST.
- GST Council has finalised its recommendations on almost all the issues based on consensus and after spirited debate and discussions.
- The preparation of IT system for GST is also on schedule.
- The extensive reach-out efforts to trade and industry for GST will start from 1st April, 2017 to make them aware of the new taxation system.
- Centre through the Central Board of Excise & Customs, shall continue to strive to achieve the goal of implementation of GST as per schedule without compromising the spirit of co-operative federalism.
- Implementation of GST is likely to bring more taxes both to Central and State Governments because of widening of tax net.

INDIRECT TAXES – BUDGET HIGHLIGHTS AT A GLANCE

SL NO.	PARTICULARS	Reference Page No
SERVICE TAX		
1	Two-year full time non-residential Post Graduation programmes provided by IIMs to be exempt	5
2	Services provided to the Government by way of air transport of passengers, embarking from or terminating at a Regional Connectivity Scheme Airport to be exempt	6
3	Services of life insurance provided by Army, Naval, Air Force Group Insurance Fund to the members of army, naval, air force under the group insurance scheme of the Central Government to be exempt	7
4	Services involved in carrying out a process amounting to manufacture or production of goods removed from the negative list and transferred to the Mega Exemption Notification.	8
5	No service tax leviable on one time upfront amount on long term lease of 30 years or more of industrial plots by State Government Industrial Development Corporation to Industrial units.	11
6	Service Tax liability aligned for Works contract involving transfer of land with construction of immovable property service	12
CENVAT CREDIT		
1	Inclusion of interest or discount on loans or advances for banks/FIs/NBFCs in the value for Rule 6(3) and 6(3A) of Cenvat Credit Rules, 2004	14
2	Time limit of 3 months prescribed for transfer of Cenvat Credit by manufacturer / service provider	15
CUSTOMS		
1	Definition of exporter to include beneficial owner	17
2	Definition of importer to include beneficial owner	18
3	Customs station to include Foreign Post Office and International Courier Terminal	19
4	Mere label or declaration accompanying goods not to be treated as entry for import / export by post	20

5	Delivery of passenger and crew arrival manifest and passenger name record information of arriving passengers to Proper Officer	21
6	Delivery of passenger and crew arrival manifest and passenger name record information of departing passengers to Proper Officer	22
7	Simplification of production of documents / information for verification of self assessment	24
8	Exclusion of certain category of refunds from the scope of unjust enrichment	25
9	Bill of entry to be presented before the end of next day following the day on which aircraft or vessel or vehicle carrying the goods arrives at a customs station for clearance	25
10	Revision of time period for payment of import duty in case of self assessment, assessment, reassessment or provisional assessment	27
11	Extension of storage facility to imported dutiable goods entered for warehousing before their removal	28
12	Changes in the provisions of Settlement Commission	29
CENTRAL EXCISE		
1	Time period prescribed within which the authority should decide remission of duty	33
2	Changes in the provisions of Settlement Commission	33
PROVISIONS COMMON TO SERVICE TAX, CUSTOMS AND CENTRAL EXCISE		
1	Transfer of authority for Advance Rulings (Central Excise, Customs and Service Tax) to Advance Ruling under Income Tax and other Advance ruling amendments	37
CHANGES IN THE TARIFF STRUCTURE		
1	Amendments to tariff structure in Customs Tariff Act, 1975	38-42
2	Amendments to tariff structure in Central Excise Tariff Act, 1985	43-48

SERVICE TAX

1. Two-year full time non-residential Post Graduation programmes provided by IIMs to be exempt

Source

Notification no. 7/2017-ST dated 2nd February, 2017

Affected provision

Entry 9B of Mega Exemption Notification no. 25/2012-ST dated 20th June, 2012

Effective Date

02/02/2017

Amendment

The word 'residential' has been removed from the Entry 9B (a) of the Mega Exemption Notification no. 25/2012-ST dated 20th June, 2012 as given in red below:

9B. Services provided by the Indian Institutes of Management, as per the guidelines of the Central Government, to their students, by way of the following educational programmes, except Executive Development Programme –

- (a) Two year full time ~~residential~~ Post Graduate Programmes in Management for the Post Graduate Diploma in Management, to which admissions are made on the basis of Common Admission Test (CAT), conducted by Indian Institute of Management;

Effect of the Amendment

Along the residential programmes, two year full time non-residential post graduation programmes in management (PGDM/MBA) provided by IIMs are also sought to be exempted. So, non-residential courses like PGP in management provided by IIM Indore Mumbai Campus are being brought within the umbrella of exemption. These were earlier not exempted as these courses are non-residential.

2. Services provided to the Government by way of air transport of passengers, embarking from or terminating at a Regional Connectivity Scheme Airport to be exempt.

Source

Notification no. 7/2017-ST dated 2nd February, 2017

Affected provision

Entry no. 23A of Mega Exemption Notification no. 25/2012-ST dated 20th June, 2012

Effective Date

02/02/2017

Amendment

Insertion of entry no. 23A after entry no. 23 in the Mega Exemption Notification no. 25/2012 –ST dated 20th June, 2012. The Provision is as follows;

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.”;

Effect of the Amendment

Under the Regional Connectivity Scheme (RCS) the airline operator provides airline services to/from specified RCS airports. Since operating flights to/from such airports may not be profitable for the airlines operator, the government provides them compensation in the form of Viability Gap Funding (VGF).

Therefore, in a way these airlines operators are providing a service to the Government.

The main motive of this provision is to exempt the amount of VGF payable to the selected airline operators from service tax by the Government, for the services of transport of passengers, by air, which embark from, or terminate in a RCS airport.

However, such exemption will only last for 1 year from the commencement of such RCS airport.

3. Services of life insurance provided by Army, Naval, Air Force Group Insurance Fund to the members of army, naval, air force under the group insurance scheme of the Central Government to be exempt

(A) From 02/02/2017

Source

Notification no. 7/2017-ST dated 2nd February, 2017

Affected provision

Entry no. 26D of Mega Exemption Notification no. 25/2012-ST dated 20th June, 2012

Effective Date

02/02/2017

Amendment

Insertion of entry no. 26D in the Mega Exemption Notification no. 25/2012-ST dated 20th June, 2012:

The provision is as follows;

“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;”

Effect of the Amendment

If under the Group Insurance Schemes of the Central Government any life insurance services are provided by the Army, Naval and Air Force group insurance funds to its members then such services will be exempt. It is to be noted that this provision is applicable for services provided only on or after 02/02/2017.

(B) For earlier period

Source

Clause 127 of the Finance Bill 2017

Affected provision

Section 105 of the Finance Act 1994

Effective Date

10/09/2004

Amendment

Insertion of Section 105 in the Finance Act 1994 after Section 104 (Section 104 has also been inserted through the Finance Act 2017)

The provision is as follows;

105. (1) Notwithstanding anything contained in section 66, as it stood prior to the 1st day of July, 2012, or in section 66B, no service tax shall be levied or collected in respect of 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, respectively, under the Group Insurance Schemes of the Central Government, during the period commencing from the 10th day of September, 2004 and ending with the 1st day of February, 2016 (both days inclusive).

(2) Refund shall be made of all such service tax which has been collected, but which would not have been so collected, had sub-section (1) been in force at all material times.

(3) Notwithstanding anything contained in this Chapter, an application for the claim of refund of service tax shall be made within a period of six months from the date on which the Finance Bill, 2017 receives the assent of the President.”.

Effect of the Amendment

1. If under the Group Insurance Schemes of the Central Government any life insurance services had been provided by the Army, Naval and Air Force Group Insurance Funds to its members between 10/09/2004 to 01/02/2016 (both days inclusive), then such services will be exempt.
2. All the service taxes which had been collected in this period from the members who qualify for the above exemption will be refunded to them.
3. In order to claim a refund an application has to be made by such members within 6 months from the date Finance Bill 2017 receives the Presidential assent.

4. Services involved in carrying out a process amounting to manufacture or production of goods removed from the negative list and transferred to the Mega Exemption Notification.

(A) Removal of the entry from Negative List**Source**

Clause 121 of the Finance Bill 2017

Affected Provision

Section 66D(f) of Finance Act 1994 relating to the negative list.

Effective Date

The date on which Finance Bill 2017 receives the presidential assent.

Provision before amendment

66D(f). Services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption

Amendment

This clause has been omitted

Effect of the Amendment

Services of carrying out any process amounting to manufacture or production of goods (excluding alcoholic liquor for human consumption) no longer appears in the Negative List

(B) Inclusion of the entry in the Mega Exemption Notification**Source**

Clause 1(iv) of Notification No. 7/2017-Service Tax dated 2nd February 2017.

Affected Provision

Entry no. 30 of Mega Exemption Notification no. 25/2012-ST dated 20th June, 2012

Effective Date

The date on which Finance Bill 2017 receives the presidential assent.

Provision before amendment

‘30. Carrying out an intermediate production process as job work in relation to -

(a) agriculture, printing or textile processing;

(b) cut and polished diamonds and gemstones; or plain and studded jewellery of gold and other precious metals, falling under Chapter 71 of the Central Excise Tariff Act ,1985 (5 of 1986);

(c) any goods excluding alcoholic liquors for human consumption, on which appropriate duty is payable by the principal manufacturer; or

(d) processes of electroplating, zinc plating, anodizing, heat treatment, powder coating, painting including spray painting or auto black, during the course of manufacture of parts of cycles or sewing machines upto an aggregate value of taxable service of the specified processes of one hundred and fifty lakh rupees in a financial year subject to the condition that such aggregate value had not exceeded one hundred and fifty lakh rupees during the preceding financial year;'

Amendment

The part in red has been substituted and the following has been included;

'30. Services by way of carrying out,-

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

(ii) any intermediate production process as job work not amounting to manufacture or production in relation to –

Effect of the Amendment

Even after the amendment an intermediate production process as job work in relation to the above four items remains non-taxable. Only services by way of carrying out any process amounting to manufacture or production of goods (excluding alcoholic liquor for human consumption) has been transferred from the Negative List to the Exemption Notification.

The word 'not amounting to manufacture' in the new clause is being used because any intermediate production process as Job work amounting to manufacture has already been included in Clause I of the new provision.

(C)Removal of the definition from Negative List and its inclusion in Mega Exemption Notification

Source

Clause 120 of the Finance Bill 2017

Clause 2 of Notification No. 7/2017-Service Tax dated 2nd February 2017

Affected Provision

Section 65B(40) of the Finance Act 1994.

Clause 'ya' In paragraph 2 of Mega Exemption Notification no. 25/2012-ST dated 20th June, 2012

Effective Date

The date on which Finance Bill 2017 receives the presidential assent.

Amendment

This definition has been omitted from Section 65B(40) and included as clause 'ya' in paragraph 2 of Mega Exemption Notification no. 25/2012-ST dated 20th June, 2012. The definition reads as follows;

“(ya) “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;”.

Effect of the Amendment

Since the services by way of carrying out any process amounting to manufacture or production of goods (excluding alcoholic liquor for human consumption) has been transferred from the Negative List to the Mega Exemption Notification, the definition has also been transferred from the Finance Act 1994 to the Mega Exemption Notification.

5. No service tax leviable on one time upfront amount on long term lease of 30 years or more of industrial plots by State Government Industrial Development Corporation to Industrial units.

Source

Clause 127 of the Finance Bill 2017

Affected Provision

Section 104 of the Finance Act 1994

Effective Date

01/06/2007 – 21/09/2016

Amendment

Insertion of Section 104 in the Finance Act 1994 as follows:

“104. (1) Notwithstanding anything contained in section 66, as it stood prior to the 1st day of July, 2012, or in section 66B, no service tax, leviable on one time upfront amount (premium, salami, cost, price, development charge or by whatever name called) in respect of taxable service provided or agreed to be provided by a State Government industrial development corporation or undertaking to industrial units by way of grant of long term lease of thirty years or more of industrial plots, shall be levied or collected during the period commencing from the 1st day of June, 2007 and ending with the 21st day of September, 2016 (both days inclusive).

(2) Refund shall be made of all such service tax which has been collected, but which would not have been so collected, had sub-section (1) been in force at all material times.

(3) Notwithstanding anything contained in this Chapter, an application for claim of refund of service tax shall be made within a period of six months from the date on which the Finance Bill, 2017 receives the assent of the President.

Effect of the Amendment

State Government industrial development corporation in order to facilitate industries provide them with industrial plots on long term leases (30 years or more) against which the industries are expected to pay a one time upfront payment by whatever name called (lease, salami, cost). These have been made exempt from 01/06/2007. It is to be noted that this provision is applicable only from 01/06/2007 till 21/09/2016. For the period 22/09/2016 onwards, the same services have been made exempt vide Notification No.41/2016-Service Tax dated 22/09/2016. Moreover a refund can be claimed of the service tax paid on such services within the period 01/06/2007-21/09/2016 by making an application within 6 months from the date on which the Finance Bill 2017 receives Presidential assent.

6. Service Tax liability aligned for Works contract with transfer of land with construction of immovable property service

Source

Clause 128 of the Finance Bill, 2017

Affected provision

Rule 2A of the Service Tax (Determination of Value) Rules, 2006 i.e Valuation in case of works contract

Effective date

01/07/2010

Amendment

- 1) The service portion of a works contract will also exclude the value of land along with value of transfer of property in goods from the gross amount charged for a works contract.
- 2) A proviso has been inserted in the Valuation Rules in respect of Works contract. It deals with the rate of tax in respect of works contract wherein both transfer of goods and land are involved. This rate of tax has been brought in alignment with the construction of immovable property wherein transfer of land is involved.
- 3) It will override all judgements and orders passed by any authority and it will be deemed that the amended provisions were always part of the Act.
- 4) It will be deemed that Central Government had the power to make rules retrospectively at all times. In fact, this amendment has been brought with retrospective effect from 01/07/2010.

Effect of the Amendment

It stands clarified now that the service portion of works contract will not include the value of land. There have been widespread disputes between the differentiation and classification of contracts between works contract and construction of immovable property service. To avoid disputes and due to certain adverse assessments, many developers had been paying taxes under the works contract category. Since, the works contract did not specifically exclude land, taxes were being paid on the component of land also. The final tax liabilities in both these heads are different thereby causing misuse of the same by the Department officials while making assessments.

This anomaly has been addressed by aligning the tax liability provisions of works contract involving transfer of land with construction of immovable property service. Since this amendment has been made retrospective, it will put to rest age old disputes of this nature. This is because the tax liability will remain the same irrespective of its classification between works contract or construction of immovable property service when the transfer of land is involved.

Based on the amendment, even the past judgements which did not consider the amendment made vide Finance Bill, 2017 can be challenged. This was primarily made to negate the judgement of Delhi High Court in the case of Suresh Kumar Bansal vs Union of India on 3rd June, 2016.

CENVAT CREDIT

1. Inclusion of interest or discount on loans or advances for banks/FIs/NBFCs in the value for Rule 6(3) and 6(3A) of Cenvat Credit Rules, 2004

Source

Notification no. 4/2017-CE(NT) dated 2nd February, 2017

Affected Provision

Rule 6(3), (3A) and (3D) of the Cenvat Credit Rules, 2004 i.e. Reversal of Cenvat Credit

Effective date

02/02/2017

Provision before Amendment

Explanation I (e) to Rule 6(3D) of the Cenvat Credit Rules, 2004 read as under:

‘Value for the purpose of sub-rules (3) and (3A) –

shall not include the value of services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount’

Provision after amendment

Explanation I (e) to Rule 6(3D) of the Cenvat Credit Rules, 2004 read as under:

‘Value for the purpose of sub-rules (3) and (3A) –

shall not include the value of services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount

Provided that this clause shall not apply to a banking company and a financial institution including a non-banking financial company, engaged in providing services by way of extending deposits, loans or advances’

Amendment

A proviso has been inserted to state that Explanation I (e) to Rule 3(D) of the Cenvat Credit Rules, 2004 does not apply to banking company, financial institution and non-banking financial company.

Effect of the Amendment

Cenvat Credit attributable to exempted goods and services are required to be reversed when both exempted and taxable goods/services are being provided. Through Explanation I(e) to Rule 6(3D) of the Cenvat Credit Rules, 2004, it was prescribed that the value used for calculating this reversal will not include interest or discount on deposits, loans or advances.

It has been clarified that this exclusion will not apply for banks/financial institutions/NBFCs. So, for these institutions, the value will include interest or discount on providing deposits, loans or advances. This can be considered as rationalization of the provisions because the main business purpose of these institutions is earning interest from loans and advances. Ideally, it should be part of the value and has been correctly amended.

2. Time limit of 3 months prescribed for transfer of Cenvat Credit by manufacturer / service provider

Source

Notification no. 4/2017-CE(NT) dated 2nd February, 2017

Affected Provision

Rule 10 of Cenvat Credit Rules, 2004

Effective date

02/02/2017

Amendment

In Rule 10 of the Cenvat Credit Rules, 2004, the following sub rule (4) has been inserted:

“(4) Subject to the provisions contained in sub-rule (3), the transfer of the CENVAT Credit shall be allowed within a period of three months from the date of receipt of application by the Deputy Commissioner of Central Excise or Assistant Commissioner of Central Excise, as the case may be:

Provided that the period specified in this sub-rule may, on sufficient cause being shown and reasons to be recorded in writing, 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 six months.”.

Effect of the Amendment

On shifting of factory to another site or change of ownership on account of sale, merger, amalgamation, lease or transfer to joint venture, the Cenvat Credit lying unutilized in accounts is also required to be transferred to the transferee entity. For this, an application is required to be given to Assistant Commissioner / Deputy Commissioner of Central Excise satisfying him of the transfer of inputs or capital goods to the transferee entity. There was no time limit which was prescribed earlier for transfer of this Cenvat Credit.

Through this amendment, a time limit of three months from the date of receipt of application by the Assistant Commissioner / Deputy Commissioner has been prescribed for transfer of Cenvat Credit. On showing reasonable cause, this period can be extended by a period not exceeding six months.

CUSTOMS

1. Definition of exporter to include beneficial owner

Source

Clause 88 of the Finance Bill, 2016

Affected Provision

Section 2 (3A) and 2(20) of the Customs Act, 1962

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Provision before amendment

2(20). "Exporter", in relation to any goods at any time between their entry for export and the time when they are exported, includes any owner or any person holding himself out to be the exporter.

Provision after amendment

2(20). "Exporter", in relation to any goods at any time between their entry for export and the time when they are exported, includes any owner, beneficial owner or any person holding himself out to be the exporter.

2(3A). "Beneficial owner" means any person on whose behalf the goods are being imported or exported or who exercises effective control over the goods being imported or exported;'

Amendment

- 1) The definition of exporter now includes beneficial owner.
- 2) Beneficial owner has been defined under the Act as well

Effect of Amendment

Exporter will now include a person on whose behalf the goods are exported and also persons who exercise effective control over the export goods. This will give wider coverage to the term 'exporter'.

2. Definition of importer to include beneficial owner

Source

Clause 88 of the Finance Bill, 2016

Affected Provision

Section 2 (3A) and 2(26) of the Customs Act, 1962

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Provision before amendment

2(26). "Importer", in relation to any goods at any time between their importation and the time when they are cleared for home consumption, includes any owner or any person holding himself out to be the importer;

Provision after amendment

2(26). "Importer", in relation to any goods at any time between their importation and the time when they are cleared for home consumption, includes any owner, **beneficial owner** or any person holding himself out to be the importer;

2(3A). "Beneficial owner" means any person on whose behalf the goods are being imported or exported or who exercises effective control over the goods being imported or exported;'

Amendment

- 1) The definition of importer now includes beneficial owner.
- 2) Beneficial owner has been defined under the Act as well

Effect of Amendment

Importer will now include a person on whose behalf the goods are imported and also persons who exercise effective control over the imported goods. This will give wider coverage to the term 'importer'.

3. Customs station to include Foreign Post Office and International Courier Terminal

Source

Clause 88 and 89 of the Finance Bill, 2017

Affected Provision

2(13), 2(20A), 2(28A) and 7 of the Customs Act, 1962

Effective date

Date of Presidential Assent to the Finance Bill, 2017

Provision before amendment

2(13). "customs station" means any customs port, customs airport or land customs station;

Provision after amendment

2(13). "customs station" means any customs port, customs airport, international courier terminal, foreign post office or land customs station.

2(20A). "Foreign post office" means any post office appointed under clause (e) of subsection (1) of section 7 to be a foreign post office;'

2(28A) "International courier terminal" means any place appointed under clause (f) of subsection (1) of section 7 to be an international courier terminal'

7(1). The Board may by notification in the Official Gazette appoint –

“(e) the post offices which alone shall be foreign post offices for the clearance of imported goods or export goods or any class of such goods;

(f) the places which alone shall be international courier terminals for the clearance of imported goods or export goods or any class of such goods.”.

Amendment

- 1) Customs station will now include foreign post office and international courier terminal
- 2) These two terms have been defined in the law.
- 3) The Board can notify certain places to be foreign post offices and international courier terminals for clearance of imported/export goods.

Effect of amendment

Number of customs stations have been expanded. The Board themselves have the power to decide which of the foreign post offices and international courier terminals can be treated as customs stations.

4. Mere label or declaration accompanying goods not to be treated as entry for import / export by post

Source

Clause 88, 102, 103 and 104 of the Finance Bill, 2017

Affected Provision

Section 69, 82, 84 and 2(16) of the Customs Act, 1962

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Amendment

The part with strikethrough below has been removed by Finance Bill, 2017:

2(16). "entry" in relation to goods means an entry made in a bill of entry, shipping bill or bill of export and includes ~~in the case of goods imported or to be exported by post, the entry referred to in section 82~~ or the entry made under the regulations made under section 84.

~~82. Label or declaration accompanying goods to be treated as entry. – In the case of goods imported or exported by post, any label or declaration accompanying the goods, which contains the description, quantity and value thereof, shall be deemed to be an entry for import or export, as the case may be, for the purposes of this Act~~

84. The Board may make regulations providing for –

a) the form and manner in which an entry may be made in respect of ~~any specified class of~~ goods imported or to be exported by post ~~other than goods which are accompanied by a label or declaration containing the description, quantity and value thereof~~

The part in green below has been added by Finance Bill, 2017:

69. (1) Any warehoused goods may be exported to a place outside India without payment of import duty if –

(a) a shipping bill or a bill of export or the form as prescribed under section 84 has been presented in respect of such goods in the prescribed form;

Effect of Amendment

- 1) Before the Finance Bill, 2017, label or declaration accompanying the goods which contained the description, quantity and value was deemed to be an entry in case of goods imported or exported by post. This provision has been removed. In effect, entry has excluded deemed entry by way of label or declaration accompanying goods in case of import or export of goods by post.
- 2) The Board has been empowered 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. Any warehoused goods may be exported without payment of import duty if this form has been presented in the prescribed manner.

5. Delivery of passenger and crew arrival manifest and passenger name record information of arriving passengers to Proper Officer

Source

Clause 88, 97 and 107 of the Finance Bill, 2017

Affected Provision

Section 2(30B), 30A and 157 of the Customs Act, 1962

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Amendment

2(30B) “passenger name record information” means the records prepared by an operator of any aircraft or vessel or vehicle or his authorised agent for each journey booked by or on behalf of any passenger;

30A. (1) 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, shall deliver to the proper officer—

- (i) 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
- (ii) the passenger name record information of arriving passengers, in such form, containing such particulars, in such manner and within such time, as may be prescribed.

(2) Where the passenger and crew arrival manifest or the passenger name record information or any part thereof is not delivered to the proper officer within the prescribed time and if the proper officer is satisfied that there was no sufficient cause for such delay, the person-in-charge or the other person referred to in sub-section (1) shall be liable to such penalty, not exceeding fifty thousand rupees, as may be prescribed.

157(2). In particular and without prejudice to the generality of the foregoing power, such regulations may provide for all or any of the following matters, namely :-
“(ab) the form, the particulars, the manner and the time of delivering the passenger and crew manifest for arrival and departure and passenger name record information and the penalty for delay in delivering such information under sections 30A and 41A;”.

Effect of Amendment

- 1) Passenger and crew arrival manifest is required to be submitted to the Proper Officer in case of conveyances before arrival of aircraft / vessel and upon arrival of vehicle.
- 2) A record prepared in a specified format also needs to be submitted by a conveyance operator for each journey of a passenger. This is considered as the passenger name record information.
- 3) If these are not submitted within the time and manner required by law, then a penalty of upto Rs. 50,000 can be imposed.
- 4) The Board may make regulations for prescribing the form, manner and time of delivering these documents

6. Delivery of passenger and crew arrival manifest and passenger name record information of departing passengers to Proper Officer

Source

Clause 88, 98 and 107 of the Finance Bill, 2017

Affected Provision

Section 2(30B), 41A and 157 of the Customs Act, 1962

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Amendment

2(30B) “passenger name record information” means the records prepared by an operator of any aircraft or vessel or vehicle or his authorised agent for each journey booked by or on behalf of any passenger;

41A. (1) 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 Gazette, shall deliver to the proper officer—

- (i) the passenger and crew departure manifest; and
- (ii) the passenger name record information of departing passengers, in such form, containing such particulars, in such manner and within such time, as may be prescribed.

(2) Where the passenger and crew departure manifest or the passenger name record information or any part thereof is not delivered to the proper officer within the prescribed time and if the proper officer is satisfied that there was no sufficient cause for such delay, the person-in-charge or the other person referred to in sub-section (1) shall be liable to such penalty, not exceeding fifty thousand rupees, as may be prescribed.

157(2). In particular and without prejudice to the generality of the foregoing power, such regulations may provide for all or any of the following matters, namely :-

“(ab) the form, the particulars, the manner and the time of delivering the passenger and crew manifest for arrival and departure and passenger name record information and the penalty for delay in delivering such information under sections 30A and 41A;”.

Effect of Amendment

- 1) Passenger and crew departure manifest is required to be submitted to the Proper Officer in case of departure of conveyances before the departure of conveyance.
- 2) A record prepared in a specified format also needs to be submitted by a conveyance operator for each journey of a passenger. This is considered as the passenger name record information.
- 3) If these are not submitted within the time and manner required by law, then a penalty of upto Rs. 50,000 can be imposed.
- 4) The Board may make regulations for prescribing the form, manner and time of delivering these documents.

7. Simplification of production of documents / information for verification of self assessment

Source

Clause 90 of the Finance Bill 2017

Affected Provision

Section 17(3) of the Customs Act, 1962

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Provision before amendment

17(3). For verification of self-assessment under sub-section (2), the proper officer may require the importer, exporter or any other person to produce **any contract, broker's note, insurance policy, catalogue or other document**, whereby the duty leviable on the imported goods or export goods, as the case may be, can be ascertained, **and to furnish any information required for such ascertainment which is in his power to produce or furnish**, and thereupon, the importer, exporter or such other person shall produce such document or furnish such information

Provision after amendment

17(3). For verification of self-assessment under sub-section (2), the proper officer may require the importer, exporter or any other person to produce **any document or information**, whereby the duty leviable on the imported goods or export goods, as the case may be, can be ascertained and thereupon, the importer, exporter or such other person shall produce such document or furnish such information.”.

Amendment

Any document has been substituted as against specific documents viz. contract, broker's note, insurance policy, catalogue required under the earlier law.

Effect of amendment

This has resulted in rationalization the requirement of documents for verification of self assessment. It will simplify the production of document or information by the importer or exporter or any other person for verification of self-assessment.

8. Exclusion of certain category of refunds from the scope of unjust enrichment**Source**

Clause 91 of the Finance Bill, 2017

Affected Provision

Section 27(2)(g) of the Customs Act, 1962

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Amendment

The amendment has been marked in green below:

Provided that the amount of duty and interest, if any, paid on such duty as determined by the Assistant Commissioner of Customs or Deputy Commissioner of Customs under the foregoing provisions of this sub-section shall, instead of being credited to the Fund, be paid to the applicant, if such amount is relatable to –

(g) the duty paid in excess by the importer before an order permitting clearance of goods for home consumption is made where—

- (i) such excess payment of duty 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.

Effect of Amendment

The doctrine of unjust enrichment will not apply in specified situations. This means that the refund will be paid to the applicant rather than the Consumer Welfare Fund in these specified situations. When duty is paid in excess by the importer before obtaining permission for clearance of goods for home consumption, the doctrine of unjust enrichment will not apply if:

- a) Under self assessed bill of entry, such excess payment is evident
- b) Under reassessed bill of entry, the duty actually payable is being reflected

9. Bill of entry to be presented before the end of next day following the day on which aircraft or vessel or vehicle carrying the goods arrives at a customs station for clearance**Source**

Clause 99 of the Finance Bill 2017

Affected Provision

Section 46(3) of the Customs Act, 1962

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Provision before amendment

46(3) A bill of entry under sub-section (1) may be presented at any time after the delivery of the import manifest or import report as the case maybe :

Provided that the Commissioner of Customs may in any special circumstances permit a bill of entry to be presented before the delivery of such report :

Provided further that a bill of entry may be presented even before the delivery of such manifest if the vessel or the aircraft by which the goods have been shipped for importation into India is expected to arrive within thirty days from the date of such presentation.

Provision after amendment

46(3). The importer shall present the bill of entry under sub-section (1) before the end of the next day following the day (excluding holidays) on which the aircraft or vessel or vehicle carrying the goods arrives at a customs station at which such goods are to be cleared for home consumption or warehousing:

Provided that a bill of entry may be presented within thirty days of the expected arrival of the aircraft or vessel or vehicle by which the goods have been shipped for importation into India:

Provided further that where the bill of entry is not presented within the time so specified and the proper officer is satisfied that there was no sufficient cause for such delay, the importer shall pay such charges for late presentation of the bill of entry as may be prescribed.

Amendment

Section 46(3) has been substituted to change the time period for filing of bill of entry and imposition of charges for late presentation of bill of entry.

Effect of Amendment

Irrespective of the date of import manifest or import report, the bill of entry needs to be presented based on the arrival of goods at the customs station. Within 1 day of the arrival of conveyance at customs station at which goods are to be cleared, bill of entry needs to be presented by an importer.

- 1) There is no change in the provision that bill of entry can be presented even within 30 days of the expected arrival of the conveyance through which the goods have been shipped.
- 2) When bill of entry is not presented within the specified time period, the importer has to pay prescribed charges for the delay.

10. Revision of time period for payment of import duty in case of self assessment, assessment, reassessment or provisional assessment

Source

Clause 100 of the Finance Bill 2017

Affected Provision

Section 47(2) of the Customs Act, 1962

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Provision before amendment

47(2) Where the importer fails to pay the import duty under sub-section (1) within five days excluding holidays from the date on which the bill of entry is returned to him for payment of duty, he shall pay interest at such rate, not below ten percent and not exceeding thirty six percent per annum, as is for the time being fixed by the Central Government, by notification in the Official Gazette, on such duty till the date of payment of the said duty :

Provision after amendment

47(2). The importer shall pay the import duty—

- (a) on the date of presentation of the bill of entry in the case of self-assessment; or
- (b) within one day (excluding holidays) from the date on which the bill of entry is returned to him by the proper officer for payment of duty in the case of assessment, reassessment or provisional assessment; or
- (c) in the case of deferred payment under the proviso to sub-section (1), from such due date as may be specified by rules made in this behalf,

and if he fails to pay the duty within the time so specified, he shall pay interest on the duty not paid or short-paid till the date of its payment, at such rate, not less than ten per cent. but not exceeding thirty-six percent. per annum, as may be fixed by the Central Government, by notification in the Official Gazette on such duty till the date of payment of the said duty.

Amendment

Section 47(2) has been substituted to change the time period for payment of import duty in each of the cases of self-assessment, assessment, re-assessment or provisional assessment.

Effect of the amendment

Earlier the time period for payment of import duty was 5 days from the date on which the bill of entry is returned to him. This time period has been revised as below:

- a) For Self assessment – On the date of presentation of bill of entry
- b) For assessment, reassessment or provisional assessment – within 1 day of return of bill of entry for payment
- c) For deferred payment - Due date as specified by the rules

The rate of interest in case of delay has been kept the same.

11. Extension of storage facility to imported dutiable goods entered for warehousing before their removal

Source

Clause 101 of the Finance Bill 2017

Affected Provision

Section 49 of the Customs Act, 1962

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Provision before amendment

49. Where in the case of any imported goods, whether dutiable or not, entered for home consumption, the Assistant Commissioner of Customs or Deputy Commissioner of Customs is satisfied on the application of the importer that the goods cannot be cleared within a reasonable time, the goods may, pending clearance, be permitted to be stored in a public warehouse, or in a private warehouse if facilities for deposit in a public warehouse are not available; but such goods shall not be deemed to be warehoused goods for the purposes of this Act, and accordingly the provisions of Chapter IX shall not apply to such goods.

Provision after amendment

49. Where —

(a) in the case of any imported goods, whether dutiable or not, entered for home consumption, the Assistant Commissioner of Customs or Deputy Commissioner of

Customs is satisfied on the application of the importer that the goods cannot be cleared within a reasonable time;

(b) in the case of any imported dutiable goods, entered for warehousing, the Assistant Commissioner of Customs or Deputy Commissioner of Customs is satisfied on the application of the importer that the goods cannot be removed for deposit in a warehouse within a reasonable time,

the goods may pending clearance or removal, as the case may be, be permitted to be stored in a public warehouse for a period not exceeding thirty days:

Provided that the provisions of Chapter IX shall not apply to goods permitted to be stored in a public warehouse under this section:

Provided further that the Principal Commissioner of Customs or Commissioner of Customs may extend the period of storage for a further period not exceeding thirty days at a time.

Amendment

Section 49 has been completely substituted to extend the storage facility to imported dutiable goods entered for warehousing before their removal.

Effect of the amendment

- 1) Imported dutiable goods entered for warehousing can be stored in a public warehouse if the importer satisfies the officer that the goods cannot be removed for deposit in a warehouse within a reasonable time.
- 2) Pending clearance, the goods can only be stored upto a period not exceeding 30 days
- 3) This period can be extended for a further period upto 30 days at a time.
- 4) The warehousing provisions will not apply to these goods.

12. Changes in the provisions of Settlement Commission

A. Category of applicants extended to ones whose notice is pending before an adjudicating authority in cases settled or pending before the Settlement Commission

Source

Clause 105 of the Finance Bill 2017

Affected provision

Section 127B of the Customs Act, 1962

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Amendment

127B (5). Any person, other than an applicant referred to in sub-section (1), may also make an application to the Settlement Commission in respect of a show cause notice issued to him in a case relating to the applicant which has been settled or is pending before the Settlement Commission and such notice is pending before an adjudicating authority, in such manner and subject to such conditions, as may be specified by rules.

Effect of the Amendment

The list of persons who can make application in front of Settlement Commission has been extended. It will include the following person now:

- 1) Person whose showcause notice is pending before an adjudicating authority in a case
- 2) This case relating to the applicant has been settled or pending before the Settlement Commission

B. Calling of Report by Settlement Commission from Commissioner of Customs or Principal Additional Director General of Revenue Intelligence or Additional Director General of Revenue Intelligence

Source;

Clause 106(i) of the Finance Bill, 2017

Affected provision;

Section 127C(3) of the Customs Act, 1962

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Amendment;

The following portion marked in green has been inserted:

127C(3). Where an application is allowed or deemed to have been allowed to be proceeded with under sub-section (1), the Settlement Commission shall, within seven days from the date of order under sub-section (1), call for a report along with the relevant records from the Commissioner of Customs or Principal Additional Director

General of Revenue Intelligence or Additional Director General of Revenue Intelligence having jurisdiction and such Commissioner or Additional Director General shall furnish the report within a period of thirty days of the receipt of communication from the Settlement Commission.

Effect of the Amendment

Settlement Commissioner earlier had the power to call for report from Commissioner of Customs only. Now, he can call for report from Principal Additional Director General of Revenue Intelligence or Additional Director General of Revenue Intelligence.

C. Power to rectify any error apparent on the face of record extended to Settlement Commission

Source

Clause 106(ii) of the Finance Bill, 2017

Affected provision

Section 127C(5) of the Customs Act, 1962

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Amendment

Insertion of the following provision:

127C(5A). The Settlement Commission may, at any time within three months from the date of passing of the order under sub-section (5), may amend such order to rectify any error apparent on the face of record, either suo motu or when such error is brought to its notice by the jurisdictional Principal Commissioner of Customs or Commissioner of Customs or Principal Additional Director General of Revenue Intelligence or Additional Director General of Revenue Intelligence or the applicant:

Provided that no amendment which has the effect of enhancing the liability of the applicant shall be made under this sub-section, unless the Settlement Commission has given notice of such intention to the applicant and the jurisdictional Principal Commissioner of Customs or Commissioner of Customs or Principal Additional Director General of Revenue Intelligence or Additional Director General of Revenue

Intelligence, as the case may be, and has given them a reasonable opportunity of being heard.”.

Effect of the Amendment

- 1) The Settlement Commission now has power to rectify mistake apparent on the face of record within 3 months from the date of passing the order.
- 2) The rectification may be made suo moto or being brought to notice by specified officers.
- 3) For enhancement of liability, the notice of the intention is to be given to both the applicant and the specified officers. This will ensure reasonable opportunity of being heard.

CENTRAL EXCISE

1. Time period prescribed within which the authority should decide remission of duty

Source

Notification no. 5/2017-CE(NT) dated 2nd February, 2017

Affected provision

Rule 21 of the Central Excise Rules, 2002

Effective Date

02/02/2017

Amendment

Insertion of the portion in green below:

21(2). The authority referred to in sub-rule (1) shall, within a period of three months from the date of receipt of an application, decide the remission of duty:

Provided that the period specified in this sub-rule may, on sufficient cause being shown and reasons to be recorded in writing, be extended by an authority next higher than the authority before whom the application for remission of duty is pending, for a further period not exceeding six months.

Effect of the Amendment

- 1) Earlier there was no time period for remission of duty. Now, 3 months from the date of receipt of application to the Commissioner has been prescribed for taking the decision of remission of duty.
- 2) On sufficient cause being shown and reasons recorded in writing, this period can be extended by a period not exceeding 6 months

2. Changes in the provisions of Settlement Commission

A. Category of applicants extended to ones whose notice is pending before an adjudicating authority in cases settled or pending before the Settlement Commission

Source

Clause 116 of the Finance Bill 2017

Affected provision

Section 32E of the Central Excise Act, 1944

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Amendment

32E (4). Any person, other than an applicant referred to in sub-section (1), may also make an application to the Settlement Commission in respect of a show cause notice issued to him in a case relating to the applicant which has been settled or is pending before the Settlement Commission and such notice is pending before an adjudicating authority, in such manner and subject to such conditions, as may be prescribed.

Effect of the Amendment

The list of persons who can make application in front of Settlement Commission has been extended. It will include the following person now:

- 1) Person whose showcause notice is pending before an adjudicating authority in a case
- 2) This case relating to the applicant has been settled or pending before the Settlement Commission

B. Calling of Report by Settlement Commission from Commissioner of Central Excise or Principal Additional Director General of Central Excise Intelligence or Additional Director General of Central Excise Intelligence

Source;

Clause 117(i) of the Finance Bill, 2017

Affected provision;

Section 32F(3) of the Central Excise Act, 1944

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Amendment;

The following portion marked in green has been inserted:

32F(3). Where an application is allowed or deemed to have been allowed to be proceeded with under sub-section (1), the Settlement Commission shall, within seven days from the date of order under sub-section (1), call for a report along with the relevant records from the Commissioner of Central Excise or Principal Additional Director General of Central Excise Intelligence or Additional Director General of Revenue Intelligence having jurisdiction and such Commissioner or Additional Director General shall furnish the report within a period of thirty days of the receipt of communication from the Settlement Commission.

Effect of the Amendment

Settlement Commissioner earlier had the power to call for report from Commissioner of Central Excise only. Now, he can call for report from Principal Additional Director General of Central Excise Intelligence or Additional Director General of Central Excise Intelligence.

C. Power to rectify any error apparent on the face of record extended to Settlement Commission

Source

Clause 117(ii) of the Finance Bill, 2017

Affected provision;

Section 32F(5A) of the Central Excise Act, 1944

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Amendment;

Insertion of the following provision:

32F (5A). The Settlement Commission may, at any time within three months from the date of passing of the order under sub-section (5), may amend such order to rectify any error apparent on the face of record, either suo motu or when such error is brought to its notice by the jurisdictional Principal Commissioner of Central Excise or Commissioner of Central Excise or Principal Additional Director General of Central Excise Intelligence or Additional Director General of Central Excise Intelligence or the applicant:

Provided that no amendment which has the effect of enhancing the liability of the applicant shall be made under this sub-section, unless the Settlement Commission has given notice of such intention to the applicant and the jurisdictional Principal

Commissioner of Central Excise or Commissioner of Central Excise or Principal Additional Director General of Central Excise Intelligence or Additional Director General of Central Excise Intelligence, as the case may be, and has given them a reasonable opportunity of being heard.”.

Effect of the Amendment

- 1) The Settlement Commission now has power to rectify mistake apparent on the face of record within 3 months from the date of passing the order.
- 2) The rectification may be made suo moto or being brought to notice by specified officers.
- 3) For enhancement of liability, the notice of the intention is to be given to both the applicant and the specified officers. This will ensure reasonable opportunity of being heard.

PROVISIONS COMMON TO SERVICE TAX, CUSTOMS AND CENTRAL EXCISE

1. Transfer of authority for Advance Rulings (Central Excise, Customs and Service Tax) to Advance Ruling under Income Tax and other Advance Ruling amendments

Source

Clause 92, 93, 94, 95, 96, 111, 112, 113, 114, 115, 123, 124, 125 and 126 of Finance Bill 2017

Affected provision

Service Tax – Section 96A, 96B, 96C, 96D and 96HA of Finance Act, 1994

Customs -28E, 28F, 28G, 28H and 28I of the Customs Act, 1962

Central Excise – 23A, 23B, 23C, 23D, 23H and 23I of the Central Excise Act, 1944

Effective Date

Date of Presidential Assent to the Finance Bill, 2017

Effect of the Amendment

- 1) Advance Ruling authority under all the three indirect laws will now be the same as the Advance Ruling authority of Income Tax
- 2) The jurisdiction, power and authority of the Advance Ruling authority will now reside with the Advance Ruling authority for Income Tax
- 3) The member from the Indian Revenue Service (Customs and Central Excise) who is qualified to be a member will be the revenue member of the authority.
- 4) On the date of Presidential assent to the Finance Bill, 2017, every application and proceeding pending before the Advance ruling authority for the three Indirect tax laws will be transferred at that stage itself to the Advance Ruling authority for Income Tax.
- 5) Any vacancy or defect in the constitution of the authority will invalidate the proceedings.
- 6) The fees for application has been increased to Rs. 10,000
- 7) The time period allowable for pronouncement of Advance Ruling has been increased to six months.

AMENDMENTS TO TARIFF STRUCTURE IN CUSTOMS TARIFF ACT, 1975

i. AMENDMENT IN THE FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975

S. No.	Amendment	Clause of the Finance Bill, 2017	
A.	Amendments not affecting rates of duty		
1.	(i) To 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 Customs Tariff in accordance with WCO classification decision. (iii) Substitute tariff items 3823 11 11 to 3823 11 90 and entries (iv) relating thereto with tariff item 3823 11 00. 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.	[109(b)]	
2.	To amend Chapter Note (4) of Chapter 98 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.	[109(b)]	
B.	Amendments affecting rates of BCD [Clause 109(a) of the Finance Bill, 2017]	Rate of Duty	
	Commodity	From	To
1.	Cashew nut, roasted, salted or roasted and salted	30%	45%
2.	RO membrane element for household type filters	7.5%	10%

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.

II.AMENDMENT IN THE SECOND SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975
[Clause 110 of the Finance Bill, 2017]

S. No.	Amendment	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 involving increase in the duty rate will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

I. OTHER PROPOSALS INVOLVING CHANGES IN BCD, CVD, SAD AND EXPORT DUTY RATES

S. No.	Commodity	BCD/Excise/CV duty/SAD/Export Duty	
		From	To
A.	Ores and Concentrates		
1.	Other aluminium ores, including laterite	Export Duty - Nil	Export Duty – 15%
B.	Mineral fuels and Mineral oils		
2.	Liquefied Natural Gas	BCD – 5%	BCD – 2.5%
C.	Chemicals & Petrochemicals		
3.	o-Xylene	BCD – 2.5%	BCD – Nil
4.	Medium Quality Terephthalic Acid (MTA) & Qualified Terephthalic Acid (QTA)	BCD – 7.5%	BCD – 5%
5.	2-Ethyl Anthraquinone [29146990] for use in manufacture of hydrogen peroxide, subject to actual user condition	BCD – 7.5%	BCD – 2.5%
6.	Clay 2 Powder (Alumax) for use in ceramic substrate for catalytic convertors, subject to actual user condition	BCD – 7.5%	BCD – 5%
7.	Vinyl Polyethylene Glycol (VPEG) for use in manufacture of Poly Carboxylate Ether, subject to actual user condition	BCD – 10%	BCD – 7.5%

D.	Textiles		
8.	Nylon mono filament yarn for use in monofilament long line system for Tuna fishing, subject to certain specified conditions	BCD – 7.5%	BCD – 5%
E.	Finished Leather, Footwear and Other Leather Products		
9.	Vegetable tanning extracts, namely Wattle extract and Myrobalan fruit extract	BCD – 7.5%	BCD – 2.5%
10.	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 said goods for export	3% of FOB value of said goods exported during the preceding financial year	5% of FOB value of said goods exported during the preceding financial year
F.	Metals		
11.	Co-polymer coated MS tapes / stainless steel tapes for manufacture of telecommunication grade optical fibres or optical fibre cables, subject to actual user condition	BCD – Nil	BCD – 10%
12.	Nickel	BCD – 2.5%	BCD – Nil
13.	MgO coated cold rolled steel coils [7225 19 90] for use in manufacture of CRGO steel, subject to actual user condition	BCD – 10%	BCD – 5%
14.	Hot Rolled Coils [7208], when imported for use in manufacture of welded tubes and pipes falling under heading 7305 or 7306, subject to actual user condition	BCD – 12.5%	BCD – 10%
G.	Capital Goods		
15.	Ball screws, linear motion guides and CNC systems for use in manufacture of all CNC machine tools, subject to actual user condition	Ball screws and liner motion guides BCD – 7.5% CNC systems BCD – 10%	BCD – 2.5%
H.	Electronics / Hardware		

16.	Populated Printed Circuit Boards (PCBs) for the manufacture of mobile phones, subject to actual user condition	SAD – Nil	SAD – 2%
I.	Renewable Energy		
17.	Solar tempered glass for use in the manufacture of solar cells/panels/modules subject to actual user condition	BCD – 5%	BCD – Nil
18.	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	CVD – 12.5%	CVD – 6%
19.	Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOG], subject to actual user condition	BCD – 7.5% CVD – 12.5% SAD – 4%	BCD – 5% CVD – Nil SAD – Nil
20.	All items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes, subject to certain specified conditions	BCD – 10% / 7.5% CVD – 12.5%	BCD – 5% CVD – 6%
21.	All items of machinery required for balance of systems operating on biogas/ bio-methane/ by-product hydrogen, subject to certain specified conditions	BCD – 10% / 7.5% CVD – 12.5%	BCD – 5% CVD – 6%
J.	Miscellaneous		
22.	Membrane Sheet and Tricot / Spacer for use in manufacture of RO membrane element for household type filters, subject to actual user condition	CVD – 12.5%	CVD – 6%
23.	All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition	Applicable BCD, CVD	BCD – 5% CVD – 6%
24.	All inputs for use in the manufacture of LED Driver and MCPCB for LED lights or fixtures, including LED lamps, subject to actual user condition	Applicable BCD	5%
25.	De-minimis customs duties exemption limit for goods imported through parcels, packets and letters	Duty payable not exceeding Rs.100 per consignment	CIF value not exceeding Rs.1000 per consignment

26.	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 BCD, CVD SAD	BCD – Nil CVD – Nil SAD – Nil
27.	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 BCD, CVD SAD	BCD – Nil CVD – Nil SAD – Nil
28	Silver medallion, silver coins having silver content not below 99.9%, semi-manufactured form of silver and articles of silver	CVD - Nil	CVD – 12.5%
29	Goods imported for petroleum and coal bed methane operations by availing of the benefit of notification No.12/2012Customs, dated 17.03.2012 [S. No.357A] no longer required for the said purpose are being allowed to be disposed of on payment of applicable customs duties or excise duty, on the depreciated value calculated as per straight line method (subject to depreciated value not being less than 30% of the original value) of such goods.		

IV. Reduction of BCD

Goods	Rate of duty	
	From	To
All items of machinery, including instruments, apparatus and appliances, transmission equipment and auxiliary equipment (including those required for testing and quality control) and components, required for (a) initial setting up of fuel cell based system for generation of power or for demonstration purposes; or (b) balance of systems operating on bio-gas or bio-methane or by-product hydrogen	Varied Rates	5

AMENDMENTS TO TARIFF STRUCTURE IN CENTRAL EXCISE TARIFF ACT, 1985

I. AMENDMENTS IN THE FIRST SCHEDULE TO THE CENTRAL EXCISE TARIFF ACT, 1985 [Clause 118 of the Finance Bill, 2017]

S. No.	Amendment		
	Amendments involving change in the rate of Basic Excise duty	Rate of Duty	
	Commodity	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

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

II. OTHER PROPOSALS INVOLVING CHANGES IN EXCISE DUTY RATES:

S. No.	Commodity	From	To
	Amendments involving change in the rate of Additional Excise duty under Finance Act, 2005		
B.	Pan Masala		
6.	Pan Masala	6%	9%
C.	Tobacco and Tobacco Products		
7.	Unmanufactured tobacco	4.2%	8.3%
	Amendments involving change in the rate of Basic Excise duty		
8.	Paper rolled biris – handmade	Rs.21 per thousand	Rs.28 per thousand
9.	Paper rolled biris – machine made	Rs.21 per thousand	Rs.78 per thousand
D.	Renewable Energy		
10.	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%
11.	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%
12.	Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOEG], subject to actual user condition	12.5%	Nil
13.	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%

14.	All items of machinery required for balance of systems operating on biogas/ bio-methane/ by-product hydrogen	12.5%	6%
E.	Miscellaneous		
15	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%
17.	All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition	Applicable duty	6%
18.	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
19.	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
20.	<ul style="list-style-type: none"> 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 than those studded with diamond, ruby, emerald or sapphire d. 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 	Nil	Nil, subject to the condition that no credit of duty paid on inputs or input services or capital goods has been availed by manufacturer of such goods

III. RETROSPECTIVE AMENDMENT

S. No.	Amendment	Clause of the Finance Bill, 2016
1.	To retrospectively [that is 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.	[119]

IV. AMENDMENTS IN THE SEVENTH SCHEDULE TO THE FINANCE ACT, 2005**[Clause 146 of the Finance Bill, 2017]**

S. No.	Amendment		
	Amendments involving change in the rate of Additional Excise duty	Rate of duty	
	Commodity	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
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%

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

Break-up of duty payment under Pan Masala Packing Machines (Capacity Determination And Collection of Duty) Rules, 2008 for apportionment between various duties is as per details below:-

Sl. No.	Duty	Duty ratio for pan masala	Duty paid (in rupees)	Duty ratio for pan masala containing tobacco	Duty paid (in rupees)
(1)	(2)	(3)	(4)	(5)	(6)
1	The duty leviable under the Central Excise Act, 1944 (1 of 1944)	0.3725		0.7864	
2	The additional duty of excise leviable under section 85 of the Finance Act, 2005 (18 of 2005)	0.1765		0.1165	
3	National Calamity Contingent Duty leviable under section 136 of the Finance Act, 2001 (14 of 2001)	0.4510		0.0971	
4	Education Cess leviable under section 91 of the Finance Act, 2004 (23 of 2004)	0.0		0.0	
5	Secondary and Higher Education Cess leviable under section 136 of the Finance Act, 2007 (22 of 2007)	0.0		0.0".	

In the Chewing Tobacco and Unmanufactured Tobacco Packing Machines (Capacity Determination and Collection of Duty) Rules, 2010, -

(i) in FORM – 2, in serial number 4, in item (iv), after the Table and *Illustration*, for the Table, the following shall be substituted, namely:-

S. No.	Duty	Break-up of total duty (as per duty ratios already prescribed)	CENVAT Credit available	CENVAT Credit utilised for payment of duty	Cash payment of duty
(1)	(2)	(3)	(4)	(5)	(6)
1	The duty leviable under the Central Excise Act, 1944 (1 of 1944)	786408	10000	10000	776408
2	The additional duty of excise leviable under section 85 of the Finance Act, 2005 (18 of 2005)	116505	1000	1000	115505

3	National Calamity Contingent Duty leviable under section 5 of the Finance Act, 2001 (4 of 2001)	97087	1500	1500	95587
4	Education Cess leviable under section 91 of the Finance Act, 2004 (23 of 2004)	0.0	0.0	0.0	0.0
5	Secondary and Higher Education Cess leviable under section 136 of the Finance Act, 2007 (22 of 2007)	0.0	0.0	0.0	0.0
	Total Duty	1000000	12500	12500	987500

(This publication contains information for general guidance only. It is not intended to address the circumstances of any particular individual or entity. Although the best of endeavour has been made to provide the provisions in a simpler and accurate form, there is no substitute to detailed research with regard to the specific situation of a particular individual or entity. S. Khaitan & Associates or any of its officials do not accept any responsibility for loss incurred by any person for acting or refraining to act as a result of any matter in this publication)

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