

Central Excise



Key Budget Proposals and Amendments

Union Budget 2017-2018



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1. Tariff Amendments under Central Excise

1.1 Excise Duty reduced:

Sr. No.	Particulars	Existing Rate	New Rate
1	Parts / Raw material for use in the manufacture of Solar tempered glass for use in:- (a) solar photovoltaic cells or modules; (b) solar power generating equipment or systems; (c) flat plate solar collectors; (d) solar photovoltaic module and panel for water pumping and other applications. (Available upto 30 th June, 2017)	12.50%	6%*
2	Solar tempered glass for use in the manufacture of solar photovoltaic module and panel for water pumping and other applications. (Available upto 30 th June, 2017)	12.50%	6%*
3	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 biometric or by-product hydrogen (Available upto 30 th June, 2017)	12.50%	6%*

*Subjected to specified conditions



1.2 Additional Excise Duty Enhanced:

Sr. No.	Particulars	Existing Rate	New Rate
1	Pan Masala	6%	9%
2	Un-manufactured tobacco and tobacco refuse, bearing a brand name	4.2%	8.3%
3	Chewing tobacco	6%	12%
4	Jarda Scented tobacco	6%	12%
5	Pan masala containing tobacco 'gutkha'	6%	12%
6	Non filter not exceeding 65mm	215	311
7	Non-filter exceeding 65mm but not exceeding 70mm	370	541
8	Filter not exceeding 65mm	215	311
9	Filter exceeding 65mm but not exceeding 70mm	260	386
10	Filter exceeding 70mm but not exceeding 75mm	370	541
11	Other	560	811



1.3 Excise Duty Enhanced- Basic Rate:

Tariff Item	Description	Basic Excise Duty rate	
		From	To
2402 90 10	Cigarettes of tobacco substitutes	Rs. 3755 per thousand	Rs. 4006 per thousand
2402 90 20	Cigarillos of tobacco substitutes	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per Thousand,
2402 90 90	Others of tobacco substitutes	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per Thousand,
2403 19 29	Handmade paper rolled biris	Rs.21 per thousand	Rs.28 per thousand
2403 19 29	Machine made paper rolled biris	Rs.21 per thousand	Rs.78 per thousand
	Pan masala and pan masala containing Tobacco	(6% to 7%)	
	Chewing Tobacco (other than filter khaini)	(6% to 7%)	
	Jarda Scented Tobacco	(6% to 7%)	



1.4 Excise Duty Exempted:

Tariff ID	Particulars	Existing Rate	New Rate
3815 90 00	Catalyst for use in the manufacture of cast components of Wind Operated Electricity Generator (Available upto 30 th June, 2017)	12.5%	Nil
3909 40 90	Resin for use in the manufacture of cast components of Wind Operated Electricity Generator (Available upto 30 th June, 2017)	12.5%	Nil
84 or 85	The following goods, namely :- (i) Micro ATMs as per standards version 1.5.1; (ii) Fingerprint reader / scanner; (iii) Iris scanner; (iv) Miniaturised POS card reader for mPOS (other than Mobile phone or Tablet Computer); (v) Parts and components for use in the manufacture of the goods mentioned at (i) to (iv) above. (Available upto 30 th June, 2017)	12.5%	NIL
3101	Animal or vegetables fretilisers, whether or not mixed together or chemically treated; fretilisers produced by the mixing or chemical treatment of animal or vegetable products	1%	NIL



1.5 Excise Duty Reduced:

Sr. No.	Particulars	Existing Rate	New Rate
1	Integrated monocoque, vehicles	27%	12.5%
2	Membrane Sheet and Tricot / spacer for use in the manufacture of Reverse Osmosis (RO) membrane for household type filters (Available upto 30 th June, 2017)	12.5%	6%

1.6 Other Amendments:

Sr. No.	Particulars
1	The exemption from excise duty given to Point of sale (POS) Devices and all goods for manufacture of Point of sale (POS) Devices shall be extended upto 30 th June, 2017.
2	Subject to specified conditions, benefits of reduced rate of excise duty of 6% is extended to all parts used in the manufacture of LED lights or fixtures including LED lamps.
3	Dust and powder of natural precious or semi-precious stones; waste and scrap of precious metals or metals clad with precious metals, arising in course of manufacture of goods falling in Chapter 71 which were unconditionally exempted, will now be exempted subject to the condition that CENVAT credit of excise duty or CVD and SAD on inputs or capital goods or service tax on input services is not availed.
4	Strips, wires, sheets, plates and foils of silver which were unconditionally exempted, will now be exempted subject to the condition that CENVAT credit of excise duty or CVD and SAD on inputs or capital goods or service tax on input services is not availed.
5	Articles of silver jewellery, other than those studded with diamond, ruby, emerald or sapphire which were unconditionally exempted, will now be exempted subject

	to the condition that CENVAT credit of excise duty or CVD and SAD on inputs or capital goods or service tax on input services is not availed.
6	Silver coins 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, were unconditionally exempted, will now be exempted subject to the condition that CENVAT credit of excise duty or CVD and SAD on inputs or capital goods or service tax on input services is not availed.

2. Amendment in Central Excise Act - Authority for advance ruling under Excise and Customs

2.1 At present, authority for advance ruling under Central Excise is the authority as referred as Advance Rulings (Central Excise, Customs & Service Tax) authority formed under the Customs Act.



2.2 Existing provision¹ used to refer to the advance authority constituted under the Customs Act.

2.3 Now, the Custom Act has been amended wherein it has been prescribed that, advance ruling authority constituted² under the Income Tax Act would be deemed to be advance ruling authority for Customs Act. And accordingly, even for Central Excise, the said Income Tax Advance ruling Authority would become advance ruling authority.

2.4 A new Section³ is proposed to be inserted by virtue of which all pending applications before advance ruling authority under Central Excise & Customs authority will get

¹ Section 23A (e) of CEA (Central Excise Act, 1944)

² Section 245O of Income Tax Act

³ Section 23I of CEA

transferred to the Advance rulings authority constituted under the Income Tax Act. In view of this, advance ruling authority under Central Excise and Customs will cease to function.

- 2.5 For filing any application before advance authority, fees that needs to be paid has been prescribed⁴ under CEA. Presently, the same is Rs. 2,500/-. The said filing fees is proposed to be increased to Rs. 10,000/-⁵.
- 2.6 Further, presently it has been provided that, an advance ruling authority shall pronounce its ruling within 90 days from the date of receipt of application. Now, it is proposed that, the period should be increased from 90 days to 6 months.
- 2.7 The above changes are effective from the date of enactment of Finance Bill, 2017.

3. Person eligible for applying for settlement of disputes under Excise Act

- 3.1 New provision⁶ is proposed to be inserted which inter-alia provides that, even any person other than assessee, may also make an application in respect of a show cause notice issued to him in a case relating to an assessee which is settled or pending before settlement commission.
- 3.2 Presently, no provision is there for *suo-motto* rectification of order passed by settlement commission on account of any mistake apparent on the record.
- 3.3 A new provision⁷ is proposed to be inserted which provides that, settlement commission may, within 3 months from the date of passing of the Order, amend the



⁴ Section 23C (3) of CEA

⁵ Section 23C(6) of CEA

⁶ Sub-section (5) to Section 32E of CEA

⁷ Sub-section (5A) of Section 32F of CEA

said order to rectify any error apparent on the face of records, either *suo-motto* or on such error brought to notice by Departmental authorities such as Principal Commissioner/Commissioner etc.

3.4 Further, it has been provided that, in case where such rectification results into enhancement of liability of assessee, then, opportunity of being heard shall be given to applicant first before passing such order.

3.5 The said changes are effective from the date of enactment of Finance Bill, 2017

4. CENVAT credit Rules –Amendment for banking & financial institutions

4.1 Presently, every service provider providing exempted as well as non-exempted services has to reverse the CENVAT Credit on proportionate basis. Accordingly, banking companies and financial institutions including NBFCs⁸, are required to reverse proportionate CENVAT Credit following either of the below mentioned options⁹:

- a) Pay an amount equal to 6% of exempted goods / 7% of exempted services
- b) Determine reversal of Credit on input and input services as per formula prescribed in Rule 6 (3A) of Cenvat Credit Rules.
- c) Pay every month an amount equal to 50% of the total Credit availed



⁸ NBFC – Non Banking Financial Company.

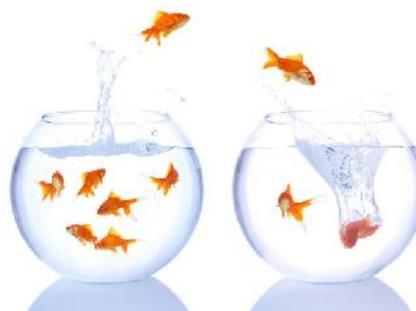
⁹ Rule 6(3) of Cenvat Credit Rules, 2004

Hitherto, interest or discount earned, were not included in the value¹⁰ i.e. in the turnover of exempted and taxable services for determining the ratio for proportionate reversal of CENVAT Credit.

- 4.2 Now, it has been provided that, with effect from 2nd February, 2017, such interest or discount would form part of the turnover of exempted service as well as total turnover for the purpose of reversal of CENVAT Credit of banking companies and financial institutions including NBFCs¹¹.

5. CENVAT credit Rules –Laying of time limits for approval of transfer of CENVAT credit

- 5.1 Presently, in case of shift of factory of manufacturer or premise of output service provider to another place or transfer of business/factory on account of change in ownership or transfer of business/factory by way of sale, merger, amalgamation, lease to a joint venture, the manufacturer or output service provider is allowed to transfer the balance unutilized CENVAT credit subject to fulfillment of specific conditions¹².



- 5.2 The transfer of credit was allowed only if, the inputs and capital goods which are lying in stock or are in processing are also transferred to the satisfaction of officer. However, no time limit was prescribed for the proper officer to approve such transfer.

¹⁰ Value of service by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, is not includible

¹¹ Amendment to Explanation 1 (e) of Rule 6 (3) & (3A) of CENVAT Credit Rules, 2004 vide Notification No. 4/2017- CE(NT) dated 2nd February, 2017

¹² Rule 10 of Cenvat Credit Rules, 2004

- 5.3 Now, it has been provided that, the proper officer will have to approve such transfer of CENVAT credit within a period of 3 months from the date of application¹³.
- 5.4 The time limit of 3 months can be extended by additional period of 6 months by the Principal Commissioner or Commissioner of Central Excise on sufficient cause being shown and reasons to be recorded in writing.

6. Remission of Duty

- 6.1 When goods have been lost or destroyed by natural causes or any other reasons, at any time before removal, Authorities may remit the duty payable on such goods, subject to certain conditions¹⁴. Based on the monetary criteria, different authorities may allow such remission, but no time limit was prescribed for granting such remission.
- 6.2 Now, the remission must be decided by the respective authorities within 3 months (further extendable by 6 months) from the date of receipt of such an application¹⁵.

7. Clarification for EOU

- 7.1 When goods are produced or manufactured by Export Oriented Units (EOU) and cleared to Domestic Tariff Area (DTA) are liable to excise duty which is equal to aggregate of duties of Customs leviable on like goods when imported to India¹⁶.

¹³ Notification No. 4/2017 – CE (NT) Dated 2nd February, 2017

¹⁴ Rule 21 of Central Excise Rules, 2002

¹⁵ Notification No 5/2017 – CE (NT) Dated 2nd February, 2017

¹⁶ Section 3(1) of the Central Excise Act, 1944

- 7.2 Section 5A of the Central Excise Act, 1944, states that unless specifically provided in a notification, no exemption therein shall apply to excisable goods which are procured or manufactured by an EOU and cleared to DTA.
- 7.3 If goods are produced and manufactured by EOU and cleared to DTA, then exemption which is normally available on procurements will not be available to EOUs.
- 7.4 Government has clarified that restriction on exemption notification for EOUs is only with respect to excisable goods produced or manufactured by an EOU and cleared to DTA and not with respect to procurement of inputs and raw materials. EOUs will also be eligible to import or procure raw materials/inputs at other concessional/Nil rate of BCD, excise duty/CVD or SAD, as the case may be, provided they fulfill all conditions for being eligible to such concessional or Nil duty.

Abbreviations:

Name	Particulars
CVD	Countervailing Duty
SAD	Special Additional Duty
CEA	Central Excise Act
NBFC	Non Banking Financial Company
BCD	Basic Customs Duty

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