



# India Budget 2015 - 2016

A Synopsis

# Introduction

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- ▶ Budget 2015 – 16 was presented by the Hon'ble Finance Minister on February 28, 2015
- ▶ Major tax rate changes made in this Budget
  - ▶ Corporate tax unchanged – Rate of tax proposed to be reduced from 30% to 25% for the next 4 years
  - ▶ Surcharge enhanced by 2% on super rich, Wealth Tax proposed to be abolished
  - ▶ Service Tax proposed to increase to 14% from 12%
  - ▶ Excise Duty increased to 12.5% wef March 1, 2015
  - ▶ Primary and Higher Education Cess withdrawn on excise (from immediate effect) and service tax (from future notified date)
  - ▶ No change in Peak Customs Duty Rate

- ▶ Housing For All – 2 Crore houses in Urban Area and 4 Crores in Rural Area
- ▶ Creation of a functional social security system for all Indians
- ▶ Pradhan Mantri Suraksha Bima Yojna to cover accidental death risk of Rs 2 Lakh
- ▶ Pradhan Mantri Jeevan Jyoti Bima Yojana to cover both natural and accidental death risk of Rs 2 lakh
- ▶ Gold monetisation scheme to allow the depositors of gold to earn interest in their metal accounts and the jewellers to obtain loans in their metal account
- ▶ Commence work on developing an Indian gold coin, which will carry the Ashok Chakra on its face
- ▶ Measures to curb black money
- ▶ Benami Transactions (Prohibition) Bill to curb domestic black money to be introduced in the current session of Parliament

## Major Announcements



# tax proposals – indirect tax

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# Service Tax

# service tax

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- ▶ Service tax proposed to be increased from the current level of 12% to 14%
  - ▶ Education Cess and Higher Education Cess removed
  - ▶ There is no mention about the treatment of unutilized cess balance
- ▶ Proposal to introduce Swachh Bharat Cess on taxable services at the rate of 2% of the value of taxable services
  - ▶ Will increase the rate of service tax to 16%
  - ▶ To be used for financing and promoting Swachh Bharat initiatives or for any other purpose relating thereto
- ▶ Alternative tax rates on specified services like Air Travel Agent, Forex Conversion agency etc increased

# service tax

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## ▶ Changes in Negative List – Taxable Services

- ▶ Any services rendered by Government to Business entities
- ▶ Admission to entertainment events, if amount exceeds Rs 500
  - ▶ Award Functions, Sporting events, pageants, musical performance etc
- ▶ Access to amusement facility
  - ▶ Water Parks, Theme Parks, Amusement Parks

Service tax exemption to continue for exhibition of cinematographic film, circus, recognized sporting event, event, dance, theatrical performance including drama and ballet – vide amendment to Mega Exemption Notification

- ▶ Job work / Process related to production or manufacture of alcoholic liquor

# service tax

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- ▶ Reimbursement of expenses claimed from the service receiver would be liable to service tax
  - ▶ Definition of “Consideration” amended to provide for the same
  - ▶ Amendment has been proposed to negate the Hon’ble Delhi HC decision in the case of *Intercontinental Consultants and Technocrats Private Limited* which provided that reimbursement of expenses not liable to tax
  - ▶ Circumstances where reimbursement would not be liable to service tax to be prescribed – could be in line with pure agent concept
  - ▶ Specific provision empowering the Central Government to frame rules to determine the value of taxable service



# service tax

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- ▶ Provisions relating to reduced penalty rate of 1% pm upto a maximum of 25% in cases involving fraud, collusion etc where the transactions are recorded in specified records have been deleted
  - ▶ Similar amendment proposed under excise laws
- ▶ Regular recovery provisions will not be applicable for short payments / non payment of service tax declared in the return. Amount can be recovered without issuing notice under any of the following mode
  - ▶ Adjusted against any refund due
  - ▶ Garnishee order can be issued to any other person
  - ▶ Seize any movable or immovable property

# service tax

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- ▶ Section 80 which provided for waiver of penalty where assessee provided reasonable cause for failure to pay taxes – Deleted\*
  - ▶ The general rate of penalty has been reduced and thereby waiver of penalty has been deleted
- ▶ Service tax registrations to be approved within 2 days of filing the online application
  - ▶ To be effective from March 1, 2015
  - ▶ Similar provision introduced for registration under excise
- ▶ Digitally signed invoices and preservation of records in electronic form allowed

# changes in mega exemption notification

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## Exemptions withdrawn

- ▶ Certain construction services rendered to government authorities
  
- ▶ Construction services rendered to airport / port
  - ▶ Service tax exemption to railways, including monorail and metro to continue
  
- ▶ Services rendered by performing artist in folk or classical art in form of music and drama
  - ▶ Exemption available if amount is charged upto Rs 100,000

# reverse charge related amendments

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- ▶ The RCM liability on manpower and security services brought under full reverse charge
  - ▶ Earlier the service provider was liable for service tax on 25% of the invoice value and service receiver were liable for service tax on 75% of the invoice value
- ▶ Service tax introduced under reverse charge mechanism on
  - ▶ mutual fund agents, mutual fund distributors
  - ▶ agents of lottery distributor
- ▶ CENVAT Credit of service tax paid under partial reverse charge to be allowed upon payment of service tax without linking to vendor payment

# Cenvat Credit Rules

# amendments in cenvat credit rules

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- ▶ CENVAT Credit will be allowed within one year from date of issuance of invoice (or other CENVAT document)
  - ▶ Currently the credit needs to be availed within 6 months
- ▶ CENVAT Credit can be availed on inputs and capital goods directly sent to job worker
  - ▶ The amendment provides a lot of procedural relief
  - ▶ There is no requirement to receive the goods at the factory and then send to job worker
- ▶ Time limit for return of Capital goods sent to Job Workers increased from 6 months to 2 years

# amendments in cenvat credit rules

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- ▶ **CENVAT Credit wrongly availed**
  - ▶ If not utilized – credit can be recovered but no interest to be paid
  - ▶ If utilized or claimed as refund – credit can be recovered alongwith interest
  
- ▶ **Sequence for utilization of Credit**
  - ▶ Opening Balance of the month
  - ▶ Eligible Credits availed during the month
  - ▶ Ineligible credits availed during the month
    - ▶ This amendment will avoid unnecessary disputes relating to whether the utilized credit is out of the eligible credit or ineligible credit
    - ▶ If CENVAT balance is available atleast to the extent of ineligible credit, no interest payable on recovery of the same

# Excise duty



# excise duty

## Duty Rates\*

- ▶ Rate of excise increased from 12% to 12.5% with immediate effect
  - ▶ Education Cess and Higher Education Cess removed
  - ▶ Duty impact of the same is as under

Particulars	Upto February 28, 2015		From March 1, 2015	
Assessable value		1,000		1,000
Excise Duty	12.00%	120	12.50%	125
Education Cess	2.00%	2.4	NIL	NIL
Higher Education Cess	1.00%	1.2	NIL	NIL
Total Duty Component	12.36%	123.60	12.50%	125

- ▶ There is no mention about treatment of unutilized cess balance

# excise duty

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## Duty Rates\*

- ▶ Increase in Excise duty on
  - ▶ Cement, Cigarettes and other tobacco products
  - ▶ Waters, including mineral waters & aerated waters from 12% to 18%
    - ▶ Additional Excise duty introduced in the last budget has been withdrawn
  
- ▶ Excise duty 2% - without CENVAT & 12.5% with CENVAT on
  - ▶ Tablet Computer
    - ▶ Full excise duty exemption on parts, components and accessories for use in manufacture of Tablet Computer
  - ▶ Mobile Handsets including cellular phone
    - ▶ NCCD of 1% will continue

# excise duty

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## Duty Rates\*

- ▶ Reduction in excise duty on
  - ▶ Footwear with MRP exceeding Rs 1,000 from 12% to 6%
    - ▶ Footwear with MRP b/w Rs 501 and Rs 1,000 will continue to attract excise at 6% Footwear with MRP upto Rs 500 continue to be exempt
    - ▶ Abatement from MRP reduced from 35% to 25%
  - ▶ Few Products used in Non Conventional Energy related projects
  - ▶ Chassis of Ambulance from 24% to 12.5%

# excise duty

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## Other changes\*

- ▶ Goods brought under MRP based valuation
  - ▶ Condensed milk put up in unit containers
  - ▶ Extracts, essences and concentrates of tea or mate including ice tea
  - ▶ Aerated Water, Lemonade, Fruit Pulp or Fruit juice based drinks
  - ▶ LED Lights or Fixtures
  
- ▶ Maximum speed of packing machine specified as factor relevant to production for determining excise duty under compounded levy scheme

# excise

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- ▶ Provisions relating to reduced penalty rate of 25% in cases involving fraud, collusion etc where the transactions are recorded in specified records have been deleted
  - ▶ Similar amendment proposed under service tax law
- ▶ Regular recovery provisions will not be applicable for short payments / non payment of excise duty declared in the return
  - ▶ Similar amendment proposed under service tax law

# excise / service tax

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## ► Changes in the penalty provisions

Particulars	Cases not involving Fraud, Suppression etc	Cases involving Fraud, Suppression etc
Maximum Penalty	Not exceeding 10% of the duty amount or Rs 5,000 which ever is high	Equal to the duty amount
If tax and interest paid within 30 days of SCN	No Penalty	15% of the duty demanded
If tax and interest paid within 30 days of Order	25% of the penalty imposed (not the duty amount)	25% of the duty determined

- Such penalty also needs to be paid within 30 days from the date of such SCN / Order

# Customs Duty

# customs

## Duty Rates\*

- ▶ With the change in the excise rates, the effective customs duty rate would be as under

Particulars	Upto February 28, 2015		From March 1, 2015	
Assessable value		100		100
Basic Customs Duty	10.00%	10.00	10.00%	10.00
Additional Customs Duty (equivalent to Excise)	12.00%	13.20	12.50%	13.75
Customs Cess	3.00%	0.70	3.00%	0.71
Special Additional Duty	4.00%	4.96	4.00%	4.98
Total Duty Component		28.85		29.44



# customs

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- ▶ **Penalty reduced if tax & interest paid within 30 days from SCN**
  - ▶ Cases not involving fraud, suppression etc - No Penalty
  - ▶ Cases involving fraud, suppression etc - Penalty reduced to 15%
  
- ▶ **Advance Ruling has been extended to resident firms**
  - ▶ Similar provisions under excise and service tax laws
  - ▶ Resident Firms to include
    - ▶ Individuals
    - ▶ Partnership Firms
    - ▶ Limited Liability Partnership Firms
    - ▶ One Man Company
  - ▶ Resident – based on the meaning assigned in Income Tax

# the road ahead

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# future policies

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- ▶ **Government committed to introduce GST from April 1, 2016**
  - ▶ No document or white paper issued
  - ▶ Mere mention that GST the Constitutional Amendment Bill for implementation of GST has been introduced
- ▶ **Direct Tax Code not to be implemented**
  - ▶ To continue with the existing Income Tax Act
- ▶ **General Anti Avoidance Rule (GAAR) to be deferred by two years**



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