



India Budget 2016 - 2017

A Synopsis

Introduction

- ▶ Budget 2016 – 17 was presented by the Hon'ble Finance Minister on February 29, 2016
- ▶ Major tax rate changes made in this Budget
 - ▶ Corporate tax unchanged – Startups tax rate is 25%
 - ▶ Surcharge increased by 5% on super rich
 - ▶ Dividend Tax at 10% on individuals earning dividend of 10 Lakhs p.a
 - ▶ Service Tax proposed to increase to 15% from 14.5%
 - ▶ No change in peak excise and customs duty rate
- ▶ No concrete announcement on introduction of GST

tax proposals – indirect tax



dispute resolution scheme, 2016

- ▶ Disposal of matters pending before Commissioner (Appeals)
 - ▶ Covers Customs, Excise and Service Tax
 - ▶ Declaration for resolving matter to be filed before December 31, 2016
 - ▶ Declarant to pay tax + interest + 25% of penalty imposed
 - ▶ Scheme not applicable in certain cases like search and seizure, prosecution etc



Before Dec 31, 2016

File Declaration for disposal of matter and obtain acknowledgement



Within 15 days

Pay tax with interest and 25% of the penalty imposed



Within 7 days

Intimate the authorities the details of payment made



Within 15 days

Authorities to pass an order of discharge of dues

- ▶ Beneficial for assessee who does not want to litigate the matter further. Currently the penalty payable is 25% of duty demanded apart from tax and interest

time limit and interest payment

▶ Time limit for issuing notice

Statute	Current	Proposed
Customs and Excise	1 Year	2 Years
Service Tax	18 months	30 Months

▶ Rationalization of interest rate

Statute	Current	Proposed
Customs and Excise	18%	15%
Service Tax	First 6 months – 18% Next 6 months – 24% Beyond 1 year – 30%	15%** 24% in case of collection and non remittance of tax

** 12% in case the taxable turnover in the preceding period does not exceed Rs 60 Lakhs

Service Tax

service tax

- ▶ Service tax proposed to be increased from the current level of 14.5% to 15%
 - ▶ Krishi Kalyan Cess of 0.5% added
 - ▶ Credit of the same can be availed and utilized towards such cess
 - ▶ Cess will be applicable on the value of services
 - ▶ Should be similar to the manner of computing SB Cess
 - ▶ Specific provisions are missing in the proposed law
 - ▶ Point of Taxation Rules amended to provide that Rule 5 will apply to new levy of tax. New Cess not applicable where
 - ▶ Invoice raised and payment received before June 1, 2016
 - ▶ Payment received before June 1, 2016 and Invoice raised by June 15, 2016
- In all other scenario's the new cess will be applicable

changes in negative list

Negative List

- ▶ Education Services removed from negative list and included in the mega exemption notification
 - ▶ Exemption can be withdrawn any time
- ▶ Service of transportation of passengers removed excluded from the negative list (effective June 1, 2016)

Declared Services

- ▶ Assignment of Right to use radio frequency spectrum by Government and its transfer liable to service tax

changes in mega exemption notification

- ▶ Exemption reintroduced on certain construction services rendered to government authorities
- ▶ Construction services rendered to airport / port reintroduced
- ▶ Exemption limit on services rendered by performing artist in folk or classical art in form of music and drama increased to Rs 150,000

reverse charge related amendments

- ▶ **Due date for filing refund application in Rule 5**
 - ▶ Manufacturers – Section 11B ie 1 year from date when the goods leave India
 - ▶ Services –
 - ▶ Amounts received in Advance – 1 year from the date of raising invoice
 - ▶ Services already provided – 1 year from the date of receipt of money

Cenvat Credit Rules

amendments in cenvat credit rules

- ▶ CENVAT Credit now available on office equipment
- ▶ Capital goods upto Rs 10,000 to be considered as input
 - ▶ Full credit can be availed in the first year of purchase
- ▶ No CENVAT Credit on cap goods used for exempt purposes for 2 years from date of commercial operation or provision of service
- ▶ Requirement of filing an Annual return to be filed by November 30 of each year under CENVAT Rules

amendments in cenvat credit rules

- ▶ **Amendments in Rule 6 – Exempt and Taxable Activity**
 - ▶ Option 1 – Reverse 6% on exempt goods and 7% on exempt services
 - ▶ Option 2 - Provisional availment of credit basis last year turnover
 - ▶ Avail Full Credit on input and input services for taxable purposes
 - ▶ Do not avail credit on input and input services used for non taxable purposes
 - ▶ Balance common credits to be availed on pro-rata basis of turnover
 - ▶ True up within 3 months from end of the FY based on actual turnover
 - ▶ Option to be exercised in writing – Option once exercised, applicable for the entire year and all turnovers
 - ▶ Exempt service to include activities not considered as service under Section 65B(44)

Excise duty

excise duty

Duty Rates*

- ▶ **Articles of Jewellery**
 - ▶ Excise duty 1% - without CENVAT or Excise duty of 12.5% with CENVAT
 - ▶ Threshold Limit 6 Crores provided previous year turnover less than Rs 12 Crores. March 2015 exemption limit Rs 50 Lakhs

- ▶ **Branded Readymade Garments with RSP > Rs 999**
 - ▶ 2% without input tax credit or 12.5% with input tax credit
 - ▶ Tariff Value increased to 60% of RSP from the current 30%
 - ▶ Excise duty to be paid by the manufacturer and not job worker
 - ▶ If job worker purchases the material then duty to be paid by him
 - ▶ Current year threshold exemption only Rs 12.5 Lakhs

excise duty

- ▶ **Duty rates altered for various electronic goods**
 - ▶ 4% without CENVAT or 12.5% on CENVAT on routers, modems, set top boxes, reception apparatus
 - ▶ 2% without CENVAT or 12.5% on CENVAT on chargers, batteries and headphones for manufacture of mobile handsets

- ▶ **Infrastructure Cess as duty of excise on motor vehicles**
 - ▶ Exemption to Electrically operated cars, hybrid cars etc
 - ▶ 1% on Petrol, LPG or CNG cars below 1200cc
 - ▶ 2% on diesel cars below 1500 cc
 - ▶ 4% on others – unless exempt

excise duty

- ▶ Optional Centralized Registration to manufacturers of jewellery
- ▶ Facility to revise the excise returns
 - ▶ Time limit – within the end of the month in which the original return is filed
- ▶ Requirement of filing various returns under excise laws done away with.
 - ▶ Monthly returns and a annual return to be filed

Customs Duty

customs

- ▶ Option for Deferred payment of customs duty / charges to certain class of importers / exporters
 - ▶ Rules to be issued to notify such class of importers / exporters

- ▶ Licensing of Special Warehouse for storing specified class of dutiable goods.
 - ▶ Three kinds of warehouses – Public, Private and Special
 - ▶ Bond increased from 2x to 3x the duty amount assessed on goods
 - ▶ Security (in the form of Bank Guarantee) to be furnished
 - ▶ Increase in time limit to store goods in warehouses
 - ▶ STPI, EoU etc – Cap Goods till removal, Others till consumption
 - ▶ Other units – 1 year (can be extended by another year)



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