

# Union Budget 2014-15 : Indirect Tax Highlights

July 10, 2014



## Key Takeaways

### Service Tax

#### ◆ **Exemptions with effect from July 11, 2014**

- Service tax exemption to Life micro-insurance schemes for the poor for sum not exceeding Rs 50, 000
- Service Tax exemption to transport of organic manure by vessel, rail or road (by GTA).
- Service Tax exemption on Loading / unloading / packing / storage / warehousing / transport (GTA) of cotton (ginned or baled)
- Service tax exemption to services provided by common bio-medical waste treatment facility operators to clinical establishments
- Service tax exemption on specialized financial services received by RBI from global financial institutions in course of management of foreign exchange reserves. Eg. external asset management, custodial services, securities lending services, etc.
- Service tax exemption on services provided by Indian tour operators to foreign tourists in relation to a tour wholly conducted outside India
- Exempts services provided by Employees' State Insurance Corporation (ESIC) for the period prior to July 1, 2012

#### ◆ **Imposition of tax on new services**

- Service Tax levy extended on online and mobile advertising
- Service Tax levy imposed on services provided by radio taxis / radio cab (whether or not air-conditioned). Abatement available to rent-a-cab service also available to radio taxis

#### ◆ **Withdrawal of exemptions**

- Exemption withdrawn on services w.r.t. clinical research on human participants
- Exemption withdrawn on air-conditioned contract carriages like buses
- Exemption on services provided to Government limited to services by way of water supply, public health, sanitation conservancy, solid waste management or slum improvement and upgradation.

◆ **Interest rate on delay payment of service tax**

Extent of Delay	Rate of interest per annum
Upto 6 months	18%
6 months - 1 year	24%
More than 1 year	30%

◆ **CENVAT Credit**

- Credit available to Rent-a-cab operator and tour operator on service tax paid by sub-contractor in the same line of business to avoid double taxation, subject to certain conditions w.e.f. October 1, 2014
- GTA Service receiver can avail abatement without having to obtain non-availment of Credit certificate from service provider
- CENVAT Credit on input / input services must be taken within 6 months from the invoice / challan date [w.e.f. September 1, 2014]
- Allows re-credit of CENVAT credit reversed (on account of non-receipt of export proceeds), if such export proceeds are received within one year from the receipt of payment (on basis of documentary evidence)

◆ **Other Amendments**

- Taxable portion w.r.t. goods transport by vessel reduced from 50% to 40%. Effective service tax will decrease from the present 6.18% to 4.944% w.e.f. October 1, 2014
- Prescribes service tax portion for works contract under Service Tax Valuation Rules
- Mandatory service tax e-payment for all assesseees w.e.f. October 1, 2014
- Point of taxation to be payment date or first day after 3 months from invoice date (whichever is earlier) w.e.f. October 1, 2014
- Service Tax portion of service provider and service receiver to be 50% each in motor vehicle w.e.f. October 1, 2014
- Service to be treated exclusively used for SEZ operations only if service recipient is SEZ unit / developer and invoice is in name of such unit/developer and the service is used exclusively for furtherance of authorized operations in SEZ

## Central Excise

- CENVAT Credit on input / input services must be taken within 6 months from the invoice / challan date [w.e.f. September 1, 2014]
- Restriction on transfer of credit by a LTU from one unit to other
- Amends definition of 'place of removal' so as to include warehouse / depot in addition to factory.
- Exemption to supply against International Competitive Bidding (ICB) extended to sub-contractors
- Assessee liable to pay penalty @ 1% for each month, if assessee fails to pay duty (as declared in the return) within period of one month from due date
- Value of goods sold below manufacturing cost and profit to be 'transaction value', provided no flow of direct or indirect additional consideration to such assessee
- Increases discretionary powers of CESTAT to refuse admission of appeal from the existing Rs.50,000 to Rs.2 lakh
- Mandatory pre-deposit of 7.5% of duty and penalty at the first stage appeal to Commissioner (Appeals) or Tribunal  
Mandatory pre-deposit of 10% of duty and penalty at the second stage appeal to Commissioner (Appeals) or Tribunal
- Excise Duty on cigarettes increased by 72% for cigarettes of length not exceeding 65mm and by 11%-21% for cigarettes of other lengths.
- Basic Excise Duty (BED) increased on Pan masala from 12% to 16%, on unmanufactured tobacco from 50% to 55% and on scented tobacco / gutkha / chewing tobacco from 60% to 70%
- Retrospective amendment of Rule 8 of Pan Masala Packing Machines Rules, 2008 w.e.f. April 13, 2010
- Excise duty @ 2% (without CENVAT) or 6% (with CENVAT) imposed on Polyester Staple Fiber and Polyester Filament Yarn manufactured from 'plastic waste or scrap or plastic waste including waste polyethylene terephthalate (PET) bottles' w.e.f. July 11, 2014
- Excise duty exemption on HIV/AIDS drugs and diagnostic kits imported under National AIDS Control Programme
- Excise duty on 'recorded smart cards' increased from 2% (without CENVAT) and 6% (with CENVAT) to uniform rate @12%
- Excise Duty exemption on reverse osmosis (RO) membrane element used in water filtration or purification equipment (other than household type filter). Excise duty on RO membrane element used in household type filters reduced from 12%/10% to 6%
- Full excise duty exemption on machinery, equipments, etc. required for setting up solar energy production projects
- Full excise duty exemption on flat copper wire used in manufacture of PV ribbons (tinned copper interconnect) for use in the manufacture of solar cells / modules
- Full excise duty exemption on machinery, equipments, etc. required for setting up compressed bio gas plant (BIO-CNG)

- Excise duty @ 2% (without Excise duty on Branded Petrol reduced from Rs.7.50/litre to Rs. 2.35/litre.
- Full Excise Duty exemption on goods supplied to National Technical Research Organisation
- Full Excise Duty exemption on security threads and security fibre supplied to Security Paper Mill Corporation of India Limited and Bank Note Paper Mill India Private Limited
- Optional excise duty of 2% (without CENVAT) / 6% (with CENVAT) on 'writing / printing paper for printing educational textbooks withdrawn. Uniform duty of 6% with CENVAT imposed
- Full excise duty exemption on plastic materials (reprocessed out of the scrap / waste) and cleared into DTA by EOU.
- Education cess / secondary & higher education cess exemption on goods cleared by EOU into DTA.
- Excise duty on 'footwear' of retail price more than Rs 500 / pair but less than Rs 1000 / pair reduced from 12% to 6%. Footwear of retail price upto Rs.500 to be remain exempted.
- Concessional excise duty of 2% (without CENVAT credit) and 6% (with CENVAT credit) extended to sports gloves
- Imposed additional duty of excise @ 5% ad valorem on 'aerated waters' containing added sugar

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## Customs

- Baggage Rules
  - ⇒ *Free baggage allowance increased from Rs 35000 to Rs 45000.*
  - ⇒ *Duty Free allowance of cigarettes reduced from 200 to 100, of cigars from 50 to 25 and of tobacco from 250 gms to 125gms*
- Advance ruling facility extended to private limited companies
- Powers of Settlement Commission expanded to specified exports through post or courier
- Mandatory pre-deposit of 7.5% of duty and penalty at the first stage appeal to Commissioner (Appeals) or Tribunal
- BCD exemption on specified parts of LCD / LED TC panels
- SAD exemption on input / components used in manufacture of laptops, desktops and tablets
- SAD exemption on PVC sheet and ribbon used in smart cards manufacturing
- CVD exemption withdrawn on portable X-ray machine / system
- Full Customs duty exemption on HIV/AIDS drugs and diagnostic kits imported under National AIDS Control Programme
- Consistent duty rate on various types of 'coal'
  - ⇒ *BCD on Coking coal, steam coal, bituminous coal and anthracite coal fixed @ 2.5%*
  - ⇒ *CVD on anthracite coal, coking coal and other coal fixed @ 2%*

- Basic Customs Duty (BCD) reduced on various chemical and petrochemicals

Product Name	BCD Rate (Earlier)	BCD Rate (Now)
Reformate	10%	2.5%
Propane, ethane, ethylene, propylene, butadiene	5%	2.5%
Ortho-Xylene	5%	2.5%
Denatured ethyl alcohol and methyl alcohol	7.5%	5%
Crude naphthalene	10%	5%
Fatty acids, crude palm stearin, RBD and other palm stearin and specified industrial grade crude oils	7.5%	Nil (for soaps / oleo chemicals manufacture subject to actual user condition)
Crude glycerine	12.5%	7.5% (general) Nil ( for soap manufacture subject to actual user condition)

- Duty free entitlement for import of trimmings & embellishments used by the readymade textile garment sector for manufacture of garments for export increased from 3% to 5%
- Wire rolls included in list specified goods required by handicraft manufacturer-exporters so as to provide Customs Duty exemption
- BCD on stainless steel flat products increased from 5% to 7.5%

- Duty changes on various Electronic goods:

Product Name	BCD Rate (Earlier)	BCD Rate (Now)
LCD / LED Panels below 19 inches	10%	Nil
Colour Picture Tubes for cathode ray TV manufacture	10%	Nil
Telecommunication Products ( Not covered under Information Technology)	Nil	10%
E-book readers	7.5%	Nil

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