

Union Budget 2015



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A LOOK
at the
BUDGET

Direct Tax

Personal taxation

- Slab rate of income-tax in the case of individual (other than senior citizen) or HUF or AOP or BOI, whether incorporated or not, or every artificial juridical person remain unchanged

Amount	Rate
Upto INR 250,000	NIL
Above INR 250,000 to INR 500,000	10%
above INR 500,000 to INR 1,000,000	20%
Above INR 1,000,000	30%

- The education cess to continue @ 3%
- Additional surcharge @ 2% to be levied on individuals having income exceeding INR 1 crore in lieu of wealth tax
- Health insurance premium deduction increased from INR 15,000 to INR 25,000 and to INR 30,000 for senior citizens
- Investment of INR 50,000 p.a. allowed for deposit under new pension scheme u/s 80CCD
- Transport allowance increased from INR 800 to INR 1,600



Direct Tax

Corporate tax

- No change in the rate of tax. However, the rate of corporate tax to be reduced from 30% to 25% over the next 4 years, starting from 2016-17
- Surcharge on domestic companies increased from 5% to 7% if total income is more than INR 1 crore but less than INR 10 crore
- Surcharge @ 12% instead of existing 10% to be levied if the total income of the domestic company exceeds INR 10 crore
- Implementation of General Anti Avoidance Rules (GAAR) deferred by 2 years, to be made applicable to the income of the financial year 2017-18 onwards
- Rate of tax u/s 115A on payments made to non-residents for royalty and fee for technical service reduced to 10% from the existing 25%
- Provisions of domestic transfer pricing to be attracted if the aggregate of specified transactions exceed INR 20 crores instead of current limit of INR 5 crores
- Donations made to the Swachh Bharat Kosh and Clean Ganga Fund eligible for 100% deduction u/s 80G



Indirect Tax

Common legislative amendments under Customs, Excise and Service Tax laws

- Registration process in central excise/ service tax is being simplified to ensure that registration is granted within two working days of the receipt of a duly completed application form. Verification of documents and premises, as the case may be, to be carried out after the grant of the registration
- Central excise/ service tax assesses to be allowed to use digitally signed invoices and maintain records electronically
- No case shall be entitled for settlement under Customs and Excise laws, if it has been referred back to the adjudicating authority for a fresh adjudication or decision



Indirect Tax

Specific exemptions

- Specified raw materials for use in manufacture of pacemakers exempted from customs duty (CVD and SAD) and excise duty (*subject to actual user condition*)
- Specified goods for use in manufacture of hybrid and electrically operated vehicles exempted from customs duty and excise duty (*exemption extended till 31 March 2016*)
- Parts, components and accessories for use in manufacture of tablet computers are exempted from customs duty (BCD, CVD and SAD) and excise duty. Also, sub - parts for use in manufacture of parts, components and accessories of tablet computers are exempted from customs duty and excise duty



Customs

Exemption from Basic Customs Duty ('BCD')

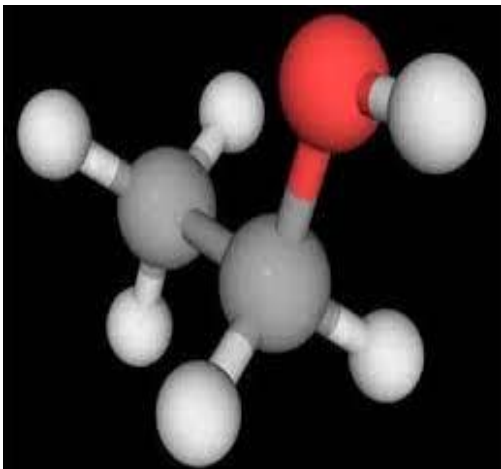
- Parts and components of cash dispenser and automatic bank note dispensers
- Evacuated tubes with three layers of solar selective coating for use in manufacture of solar water heater and system (*subject to actual user conditions*)
- High Density Polyethylene for manufacture of telecommunication grade optical fibres or optical fibre cables
- Digital still image video cameras capable of recording video with minimum resolution of 800 X 600 pixels and also for parts and components for use in manufacture of digital cameras
- Organic LED TV panels
- Black Light Unit module for manufacture of LCD/LED TV panels subject to actual user condition
- Magnetron (upto 1KW) used for manufacture of domestic microwave oven
- Artificial hearts (left ventricular assist device)
- Life saving drugs and medicines imported by an individual for personal use (*subject to a certificate issued by prescribed authorities*)
- Goods imported for setting up a Mega Power Project
- Ulexite ore



Customs

Other Tariff related exemptions

- Concessional rate of 5% BCD extended to AEC for manufacture of Renewable power system invertors subject to certification by Ministry of New and Renewable Energy
- SAD on styrene, ethylene dichloride and Vinyl Chloride monomer for use in manufacture of excisable goods reduced from 4% to 2%
- SAD on melting scrap of iron or steel, stainless steel scrap for the purpose of melting, copper scrap, brass scrap and aluminium scrap reduced from 4% to 2%
- SAD exempted on all goods for use in manufacture of ITA bound goods
- SAD exempted on all inputs for use in manufacture of LED driver and MCPCB for LED lights and fixtures & LED lamps (*subject to actual user condition*)
- BCD on bituminous coal reduced from 55% to 10%
- BCD on iron and steel and articles of iron and steel increased from 10% to 15%
- BCD on motor vehicles for the transport of 10 or more persons, including the driver and motor vehicles for the transport of goods increased from 10% to 40%. However, BCD on commercial vehicles in CKD kit and electrically operated vehicles including those in CKD condition to be 10%
- Exemption of BCD withdrawn from goods imported for use by Security Printing and Minting Corporation of India Limited



Customs

Reduction in BCD

Description of product	Previous	Current
Sulphuric Acid	7.5%	5%
Isoprene	5%	2.5%
Styrene and Ethylene Dichloride, Vinyl Chloride Monomer	2.5%	2%
Anthraquinone	7.5%	2.5%
Butyl Acrylate	7.5%	5%
Antimony metal, antimony waste and scrap	5%	2.5%
C Block compressor, overload protector, positive thermal coefficient for use in manufacture of refrigerator compressors	7.5%	5%
Specified components of CNC Lathe machines and machinery centres <i>(subject to actual user conditions)</i>	7.5%	2.5%
Zirconia compounds, cerium compounds & zeolite used in manufacture of wash coat <i>(subject to actual user conditions)</i>	7.5%	5%
Water Blocking tape, ethylene – propylene non conjugated diene rubber, mica glass tape for manufacture of insulated wires and cables <i>(subject to actual user conditions)</i>	10%	7.5%



Customs

Reduction in BCD

Description of product	Previous	Current
Metal parts for use in manufacture of electrical insulators (<i>subject to actual user condition</i>)	10%	7.5%
Specified inputs for use in manufacture of flexible medical video endoscope	5%	2.5%

Increase in BCD

Description of product	Previous	Proposed
Metallurgical Coal	2.5%	5%
Commercial vehicles	10%	20%

Reduction in Export Duty

Description of product	Previous	Proposed
Ilmenite, upgraded (beneficiated ilmenite including ilmenite ground)	5%	2.5%



Customs

Legislative amendments under Customs laws

- No penalty to be imposed in cases not involving fraud, collusion etc. if duty and interest has been paid within 30 days from the date of receipt of SCN. In such cases, proceedings against the assessee to be also concluded.
- Rate of penalty reduced to 15% in cases involving fraud, collusion etc. with intent to evade payment of duty
- For improper importation/ exportation of goods penalty not exceeding 10% of duty sought to be evaded or INR 5000, whichever is greater to be levied
- In case of short levy/non – levy/ short payment/ non payment/ erroneous refund, penalty reduced to 25%, if duty and interest has been paid within 30 days from the date of communication of order



Excise and Service Tax

Amendments in the CENVAT Credit Rules, 2004

- Cenvat Credit of service tax paid under partial reverse charge by the service receiver delinked from the payment to the service provider *[effective from 1 April 2015]*
- CENVAT credit on inputs/ input services has to be taken within 1 year from the date of invoice/ challan. Earlier, there period was limited to 6 months *[effective from 1 March 2015]*
- Cenvat goods can be availed on capital goods directly sent to job worker without being first brought into the premises of the manufacturer *[effective from 1 March 2015]*
- Increase the time limit for return of capital Goods from a job worker from the present 6 months to 2 years *[effective from 1 March 2015]*
- Reversal for CENVAT Credit in rule 6, presently applicable to exempt goods and services, made applicable to non-excisable goods also *[effective from 1 March 2015]*
- CENVAT credit procedure/ restrictions to apply to registered importers as well *[effective from 1 March 2015]*



Excise

Exemptions

- EC and SHEC on all excisable goods
- Condensed milk other than put up in unit containers
- Goods consumed within the factory of production in manufacture of Agarbatti
- Round copper wire and tinned alloys (for use in manufacture of PV ribbon) for manufacture of solar PV cells and modules (subject to certification by Department of Electronics and Information Technology)

Retrospective exemptions

- Railway or tramway track construction material of iron and steel, on the value of rails, for the period from 17 March 2012 to 2 February 2014. The exemption is subject to condition that no cenvat credit of excise duty charged on the rails, has been taken

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TAX
Benefit

A graphic showing a pair of purple scissors cutting through the word "TAX" in purple. Below "TAX" is the word "Benefit" in green.

Excise

Reduction in excise duty

Description of product	Previous	Proposed
Leather footwear of RSP exceeding INR 1000 per pair)	12%	6%
Pig Iron SG grade and Ferro silicon magnesium for manufacture of cast components of wind operated electricity generators (subject to certificate issued by Ministry of Non Renewable Energy)	12%	nil
Wafers for use in manufacture of IC modules for smart cards (subject to actual user condition)	12%	6%
All inputs for use in manufacture of LED driver and MCPCB for LED lights and fixtures & LED lamps (subject to actual user condition)	12%	6%
Chassis for ambulance	24%	12.5%



Excise

Increase in excise duty

Description of product	Previous	Proposed
Waters including mineral waters and aerated containing added sugar or sweetening matter or flavoured	12%	18%
Cut tobacco	Rs.60 per kg	Rs. 70 per kg
Mineral products falling under chapter sub heading 2523 29	Rs. 900 per tonne	Rs. 1000 per tonne
High Speed Diesel Oil	14% + INR 5 per litre	14% + INR 15 per litre
Goods of polymers of ethylene (<i>except sacks and bags of polymers of ethylene</i>)	12%	18%
Goods of other plastics	12%	18%
Goods covered by Medicinal and Toilet Preparations Act	12%	12.5%
Non filter cigarettes not exceeding 65	Rs. 990 per 1000 sticks	Rs. 1280 per 1000 sticks
Non – filter cigarettes exceeding 65 bot not exceeding 70	Rs. 1995 per 1000 sticks	Rs. 2335 per 1000 sticks
Filter cigarettes not exceeding 65	Rs. 990 per 1000 sticks	Rs. 1280 per 1000 sticks



Excise

Increase in excise duty

Description of product	Previous	Proposed
Filter cigarettes exceeding 65 but not exceeding 70	Rs. 1490 per 1000 sticks	Rs. 1740 per sticks
Filter cigarettes exceeding 70 but not exceeding 75	Rs. 1995 per 1000 sticks	Rs. 2335 per sticks
Other cigarettes	Rs. 2875 per 1000 sticks	Rs. 3375 per 1000 sticks
Sacks and bags of polymers of ethylene (<i>for industrial use</i>)	12%	12.5%
Sacks and bags of polymers of ethylene	12%	15%
Mobile handsets including cell phones	6% with CENVAT credit	12.5% with CENVAT credit



Excise

Abatements

- Abatement of 30% allowed on “Extracts, essences and concentrates of tea/ mate and preparations with these extracts, essences or concentrates or with a basis of tea or mate” under tariff heading 2101 20
- Abatement of 35% allowed on “All goods except mineral waters and aerated waters” under tariff heading 2202
- LED lights or fixtures including LED lamps to be assessed on RSP with 35% abatement
- Abatement reduced from 35% to 25% on all footwear

Clean energy cess

- Schedule rate of clean energy cess levied on coal, lignite and peat increased from INR 100 per tonne to INR 300 per tonne. However, the effective rate has been increased to INR 200 per tonne



Excise

Changes in additional duty

- Additional duty of excise at 5% omitted on “waters including mineral waters and aerated waters containing added sugar or other sweetening matter or flavoured (*exemption to be applicable till enactment of the Finance Bill, 2015*)



Excise

Legislative changes

- Effective standard rate of duty of excise increased from 12.36% to 12.50% by subsuming Education Cess and Secondary and Higher Education Cess (*effective from 01 March, 2015*)
- Registration process in central excise being simplified to ensure that registration is granted within two working days of the receipt of a duly completed application form. Verification of documents and premises, as the case may be, to be carried out after the grant of the registration
- Section 11A not applicable to cases where non payment/ short payment of duty is reflected in periodic return filed by the assessee. Recovery of duty in such cases to be done in accordance to the rules
- Penalty in cases not involving fraud, collusion etc
 - not exceeding 10% of duty or Rs. 5000, whichever is greater, to be levied
 - if duty and interest has been paid before issuance of SCN or within 30 days of SCN, no penalty to be levied. Also, all proceedings against the assessee to be concluded
 - if duty and interest is paid within 30 days from the date of communication of order, penalty to be reduced to 25% of the total penalty. Provided that the reduced penalty is to be paid within 30 days of the date of communication of order



Excise

Legislative changes

- Penalty in cases involving fraud, collusion etc
 - penalty equal to the duty amount to be levied. However, in cases, where details have been recorded for period between 8 April 2011 to the date when Finance Bill receives assent, penalty of 50% of duty to be levied
 - if duty and interest has been paid within 30 days of communication of SCN, penalty equal to 15% of duty to be levied. Provided that the reduced penalty is to be paid within 30 days of the date of communication of SCN. Also, all proceedings against the assessee to be concluded
 - if duty and interest is paid within 30 days of the date of communication of order, penalty to be reduced to 25% of the total duty provided that the reduced penalty is to be paid within 30 days of the date of communication of order



Service Tax

Rate of tax

- The rate of service tax increased from existing rate of 12.36% (all inclusive) to 14%
- Education Cess @ 2% and Secondary and Higher Education Cess @ 1% to be subsumed in the revised rate of service Tax
- Swachh Bharat Cess @ 2% to be levied on the value of all taxable services
- The revised rates to come into effect from the date to be notified



Service Tax
SERVICE TAX

Service Tax

New exemptions w.e.f. 1 April 2015

- Services by way of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labelling of fruits and vegetables
- Service provided by a Common Effluent Treatment Plant operator for treatment of effluent
- Life insurance service provided by way of Varishtha Pension Bima Yojna
- Service provided by way of exhibition of movie by the exhibitor (theatre owner) to the distributor or association of persons consisting of such exhibitor as one of its members
- Any service provided by way of transportation of a patient to and from a clinical establishment by a clinical establishment is exempt from service tax. The scope of this exemption is being widened to include all ambulance services
- Service provided by way of admission to a museum, zoo, national park, wild life sanctuary and a tiger reserve
- Services provided for transport of export goods by road from the place of removal to a land customs station (LCS)



Service Tax

New exemptions from date to be notified

- Service by way of right to admission to:
 - exhibition of cinematographic film, circus, dance, or theatrical performances including drama or ballet.
 - recognized sporting events
 - concerts, pageants, award functions, musical or sporting event not covered by the above exemption,
where the consideration for such admission is upto INR 500 per person



Service Tax

Broadening of tax base w.e.f. 1 April 2015

- Exemption to transportation of food stuff by rail, or vessels or road to be limited to food grains including rice and pulses, flour, milk and salt. Transportation of agricultural produce is separately exempt, and this exemption would continue
- Exemption presently available on specified services of construction, erection, commissioning, etc. provided to the Government, a local authority or a governmental authority now limited only to:
 - a historical monument, archaeological site or remains of national importance, archaeological excavation or antiquity;
 - canal, dam or other irrigation work; and
 - pipeline, conduit or plant for water supply, water treatment, sewerage treatment or disposal
- Construction, erection, commissioning or installation of original works pertaining to an airport or port now taxable
- Services provided by a performing artist in folk or classical art form of music, dance or theatre, exempt only to such cases where amount charged is upto INR 100,000 for a performance



Service Tax

Broadening of tax base w.e.f. 1 April 2015

- Exemptions on the following services withdrawn:
 - services provided by a mutual fund agent to a mutual fund or assets management company,
 - distributor to a mutual fund or AMC,
 - selling or marketing agent of lottery ticket to a distributorService tax on these services shall be levied on reverse charge basis
- Exemption also withdrawn on the following services:
 - departmentally run public telephone
 - guaranteed public telephone operating only local calls; and
 - service by way of making telephone calls from free telephone at airport and hospital where no bill is issued



Service Tax

Broadening of tax base from date to be notified

- Access to amusement or recreation facility by means of rides, gaming devices or bowling alleys in amusement parks, amusement arcades, water parks, theme parks or such other places
- Admission to entertainment event of concerts, non-recognized sporting events, pageants, music concerts, award functions, if the amount charged for right to admission to such an event is more than INR 500
- Contract manufacturing /job work for production of potable liquor now taxable
- All services provided by the Government or local authority to a business entity, except the services that are specifically exempted, or covered by any other entry in the Negative List to be taxable. Presently, service tax applies only on the specified “support service” provided by the Government or local authority to a business entity



Service Tax

Rationalisation of abatements w.e.f. 1 April 2015

- Service tax @ 30% on the value of rail transport for goods and passengers, goods transport by road provided by a goods transport agency (25% earlier) and for goods transport by vessels (40% earlier), subject to non - availment of Cenvat Credit on inputs, capital goods and input services
- The abatement for classes other than economy is being reduced and service tax would be payable on 60% of the value of such higher classes
- Abatement is being withdrawn from chit fund service, and CENVAT credit of service tax paid on fee, commission or any such amount can be taken by the chit fund foremen

Reverse charge mechanism w.e.f. 1 April 2015

- Manpower supply and security services when provided by an individual, HUF, or partnership firm to a body corporate to be brought to full reverse charge from partial reverse charge earlier
- Service tax on following services to be levied on reverse charge basis
 - services provided by a mutual fund agent to a mutual fund or assets management company,
 - distributor to a mutual fund or AMC,
 - selling or marketing agent of lottery ticket to a distributor



Service Tax

Other legislative amendments to be effective from the date of Presidential assent

- Definition of “service” being amended via explanation to levy service tax on activities undertaken by chit fund foremen in relation to chit, and distributors or selling agents of lottery in relation to lotteries
- Value of taxable service to include:
 - all reimbursable expenditure or cost incurred and charged by the service provider
 - amount retained by the distributor or selling agent of lottery from gross sale amount of lottery ticket, or, the discount received, that is the difference in the face value of lottery ticket and the price at which the distributor or selling agent gets such tickets
- Penalty in cases not involving fraud, collusion, etc:
 - penalty not to exceed 10% of service tax amount
 - no penalty payable if service tax and interest is paid within 30 days of issuance of show cause notice
 - if the service tax, interest and reduced penalty is paid within 30 days of the order by the officer, then reduced penalty equal to 25% of the penalty imposed in the order is payable
 - penalty shall also be reduced accordingly if the service tax amount gets reduced in any appellate proceeding, 25% of penalty imposed shall be payable if service tax, interest and reduced penalty is paid within 30 days of such appellate order



Service Tax

Other legislative amendments to be effective from the date of Presidential assent

- Penalty in cases involving fraud, collusion, etc:
 - penalty equal to 100% of service tax amount
 - penalty equal to 15% of the service tax amount to be paid if service tax, interest and reduced penalty is paid within 30 days of issue of notice
 - if the service tax, interest and reduced penalty is paid within 30 days of the order issued by the officer, then reduced penalty equal to 25% of the service tax amount determined is payable.
 - penalty shall also be reduced accordingly if the service tax amount gets reduced in any appellate proceeding, 25% of penalty imposed shall be payable if service tax, interest and reduced penalty is paid within 30 days of such appellate order
- Section 80 providing for waiver of penalty in specified situations omitted



Goods and Service Tax

- Goods and Service Tax (GST) timeline of 1 April 2016 reaffirmed
- There was a constant emphasis on timely implementation of GST by the Finance Minister in his budget speech. However the detailed road map for its implementation was not contained in the budget speech



THANK YOU

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