

Union Budget -Indirect Taxes (2016-17)

(Including Central Excise (N.T), Customs (N.T) and Service Tax Notifications)

INDIRECT TAXES COMMITTEE

of

The institute of Chartered Accountants of India

INDEX		
S. No.	Heading	Page No.
1.	Budget Highlights	01
2.	Budget Speech	11
3.	Extracts of Finance Bill - Indirect Taxes	91
4.	Extracts of Memorandum - Indirect Taxes	121
5.	TRU I	145
6.	Customs Notifications	191
7.	Central Excise Notifications	209
8.	TRU II	261
9.	Service Tax Notifications	301
10.	ICAI Pre Budget Suggestions Accepted in Union Budget 2016-17	331

Budget Highlights: Indirect Taxes

INDIRECT TAXES

CENTRAL EXCISE

Amendments made effective immediately

- The Clean Energy cess is to be renamed as Clean Environment cess. The effective rate of Clean Energy cess proposed to be increased from Rs.200 per tonne to Rs.400 per tonne .
- Infrastructure cess is to be levied on motor vehicles under heading 8703 subject to certain exceptions. Further, this cess is not CENVATable and CENVAT credit cannot be utilized for its payment.

Amendments to be effective from the date on which Finance Bill receives the assent of the President

Amendments in the Central Excise Act, 1944

- Requirement of publishing and offering for sale any notification issued, by the Directorate of Publicity and Public Relations of CBEC under section 5A proposed to be done away with.
- The time-limit for issuance of show cause notice under section 11A for recovery of service tax not levied/paid/short levied/short paid/erroneously refunded, for non-fraud cases is proposed to be enhanced by 1 year, i.e. from 1 year to 2 years.
- It is proposed to empower the Board under section 37B to issue orders, instructions and directions for the implementation of any other provision of the Central Excise Act, 1944.

Amendments effective from 01.04.2016

Amendments in the CENVAT Credit Rules, 2004

The CENVAT Credit Rules, 2004 have been simplified and rationalized with an endeavor to improve CENVAT credit flow, reduce the compliance burden and associated litigations, predominantly those relating to apportionment of credit between exempted and non-exempted final products/services. Primary amendments include:

- Banks and other financial institutions are to be allowed to reverse credit in respect of exempted services, on actual basis also, in addition to the option of 50% reversal.
- Inputs and input services used in an activity which is not a 'service' under the Finance Act, 1994 also to attract reversal provisions under rule 6.
- CENVAT credit of service tax paid on amount charged for assignment by Government or any other person of a natural resource available, over such period of time as the period for which the rights have been assigned.

Amendments in the Central Excise Rules, 2002

The Central Excise Rules, 2002 are proposed to be amended as follows:

- (a) Reduction of the number of returns to be filed by a central excise assessee above a specified threshold to 13, that is, 1 annual return and 12 monthly returns.

The said annual return is also required to be filed by the service tax assessee above a specified threshold. Thus, now three service tax returns need to be filed instead of two.

- (b) Like under service tax, the facility of revision of return to be available under central excise also.
- (c) Manual attestation of copy of invoice, meant for transporter, is not required in cases where invoices are digitally signed.
- (d) In case of finalization of provisional assessment, the interest will be chargeable from the original date of payment of duty.

SERVICE TAX

Amendments effective from 01.03.2016

Exemption withdrawn

- Exemption with respect to construction, erection, commissioning or installation of original works pertaining to monorail or metro in respect of contracts entered into on/after 01.03.2016, has been withdrawn.

New Exemptions

Following services have been exempted:

- Services by way of construction, erection, commissioning, etc. in respect of-
 - a) housing projects under Housing For All (HFA) (Urban) Mission/Pradhan Mantri Awas Yojana (PMAY)
 - b) low cost houses up to a carpet area of 60 m² in a housing project under "Affordable housing in Partnership" component of PMAY
 - c) low cost houses up to a carpet area of 60 m² in a housing project under any housing scheme of the State Government.
- Services provided by the Indian Institutes of Management (IIM) to their students, by way of the specified educational programmes.

Other Amendments

- CENVAT credit is being allowed to service providers providing services by way of transportation of goods by a vessel from India to abroad
- Rule 5 of the Point of Taxation Rules, 2011 has been amended so as to clarify that this rule shall apply mutatis mutandis in case of new levy on services and new levy or tax shall be payable on all the cases other than specified in said rule.
- Information Technology Software (IT Software) on media bearing RSP is exempted from service tax provided central excise duty is paid on RSP in accordance with section 4A of the Central Excise Act.

Further, IT Software recorded on media which is "NOT FOR RETAIL SALE" is exempted from so much of the Central Excise duty/CVD as is equivalent to the duty payable on the portion of the value of such IT Software recorded on the said media, which is leviable to service tax. In such cases, manufacturer/importer would therefore be required to pay Central Excise duty/CVD only on that portion of value representing the value of the medium on which it is recorded along with freight and insurance.

Thus, levy of excise duty and service tax is mutually exclusive.

Amendments effective from 01.04.2016

Exemptions withdrawn

With a view to broaden the tax base, following exemptions are to be withdrawn:

- services provided by-
 - (i) a senior advocate to an advocate or partnership firm of advocates providing legal service; and
 - (ii) a person represented on an arbitral tribunal to an arbitral tribunal.Service tax would be payable under forward charge on such services.
- transport of passengers, with or without accompanied belongings, by ropeway, cable car or aerial tramway

New Exemptions

Exemption has been provided with respect to the following services:

- Services of life insurance business provided by way of annuity under the National Pension System.
- Services provided by SEBI by way of protecting the interests of investors in securities and to promote the development of, and to regulate, the securities market.
- Services provided by Employee Provident Fund Organisation (EPFO) to employees.
- Services provided by Biotechnology incubators approved by Biotechnology Industry Research Assistance Council (BIRAC) approved biotechnology incubators to the incubatees.
- Services provided by National Centre for Cold Chain Development by way of knowledge dissemination.
- Services provided by Insurance Regulatory and Development Authority (IRDA) of India.
- Services of general insurance business provided under Niramaya Health Insurance scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability in collaboration with private/public insurance companies.
- Services provided by way of skill/vocational training by Deen Dayal Upadhyay Grameen Kaushalya Yojana training partners.
- Services of assessing bodies empanelled centrally by Directorate General of Training, Ministry of Skill Development & Entrepreneurship.

Amendments in existing exemptions

- Hitherto, service tax payable on a performance in folk or classical art forms of music/ dance/ theatre is exempt provided the consideration therefor exceeds Rs. 1,00,000. This limit has been increased to Rs. 1,50,000.

Rationalisation of abatements alongwith the conditions for availing such abatements

- Abatement at the existing rate of 70% will continue to be available on transport of passengers and goods by rail and on transport of goods by vessel, with the CENVAT credit of input services now to be allowed [presently, the credit of input services is not allowed with the abatement being claimed].
- A lower rate of abatement of 60% for transport of goods in containers by rail by any person other than Indian railway, with the CENVAT credit of input services being allowed.
- Uniform rate of abatement of 70% on services by way of construction of residential complex, building, civil structure, or a part thereof, irrespective of the carpet area of the units and amount charged for such units.
- Abatement on services by a tour operator in respect of a tour only for the purpose of arranging or booking accommodation for any person, retained at the existing rate of 90%. However, abatement in respect of any other tour is rationalised from 75% and 60% to 70%.
- A lower rate of abatement of 60% on shifting of used household goods by a Goods Transport Agency (GTA) without CENVAT credit on inputs, input services and capital goods.
- Abatement of 70% on services of a foreman to a chit fund restored, without CENVAT credit on inputs, input services and capital goods.

Amendments in Service Tax Rules, 1994

- Rule 6 of the Service Tax Rules, 1994 to be amended to extend the benefit of quarterly payment of service tax to One Person Company (OPC) whose aggregate value of services provided is up to Rs. 50 lakh in the previous financial year and an HUF. Further, payment of service tax on receipt basis is also extended to such OPC.
- With respect to services provided by mutual fund agents/distributor to a mutual fund or asset management company, service tax to be payable under forward charge provisions, i.e. service provider to be liable to pay service tax.
- Rule 6(7A) of the Service Tax Rules, 1994 to be amended to provide that an insurer carrying on life insurance business to have an option to pay tax at 1.4% of the total premium charged on single premium annuity (insurance) policies, in cases where the amount allocated for investment/savings on behalf of policy holder is not intimated to such policy holder at the time of providing of service.
- With effect from 01.04.2016, any service (and not only support services) provided by Government or local authorities to business entities are leviable to service tax. Consequently, service tax would be payable on any (and not only support services) service by the service recipient on reverse charge basis from said date.

Amendments to be effective from the date on which Finance Bill, 2015 receives the assent of the President

- Finance Act, 2015 had inserted Explanation 2 to the definition of “service” under section 65B(44) of the Finance Act, 1994 to specifically state that service tax is leviable on activities undertaken by lottery distributors and selling agents, in relation to lotteries.

The said explanation is proposed to be amended to clarify that it is the activity in relation to promotion, marketing, organizing, selling of lottery or facilitating in organizing lottery of any kind, in any other manner, of the State Government as per the provisions of the Lotteries (Regulation) Act, 1998, carried out by a lottery distributor/selling agent, which is leviable to service tax.

- The Negative List entry under section 66D(I) covering ‘educational services is proposed to be omitted. The said benefit would continue by way of exemption under mega exemption *Notification No. 25/2012 ST* dated 20.06.2012.
- Assignment by the Government of the right to use the radio-frequency spectrum and subsequent transfers thereof is proposed to be declared as a service.
- Section 67A is proposed to be amended to obtain specific rule making powers in respect of Point of Taxation Rules, 2011.
- The time-limit for issuance of show cause notice under section 73, for recovery of service tax not levied/paid/short-levied/short paid/erroneously refunded, for non-fraud cases is proposed to be enhanced by 1 year, i.e. from 18 months to 30 months.
- Interest rates on delayed payment of duty/tax across all indirect taxes are proposed to be made uniform at 15% p.a. However, under service tax, in case where any amount is collected as service tax but amount so collected is not paid to the credit of the Central Government on/before the date on which such payment becomes due, proposed interest rate is 24% p.a.
- Power to arrest under section 91 proposed to be restricted only in case where the tax payer has collected the tax of more than Rs 2 crore, but not deposited it to Government. The monetary limit for launching prosecution under section 89 proposed to be increased to Rs. 2 crore of the amount of service tax collected but not deposited to the credit of the Central Government beyond a period of 6 months from the date on which such payment becomes due.
- Section 93A of the Finance Act, 1994 proposed to be amended so as to allow rebate by way of notification as well as rules.

Amendments to be effective from 01.06.2016

Krishi Kalyan Cess

- It is proposed to levy a Krishi Kalyan Cess on **ANY OR ALL** the taxable services at the **rate of 0.5%** of the value of taxable services. It is important to note here that unlike Swachh Bharat Cess, service provider shall be allowed to utilize the CENVAT credit of Krishi Kalyan Cess paid on input services for payment of such cess on the output service provided by it.

- Service tax proposed to be levied on transportation of passengers, with or without accompanied belongings, by a stage carriage by amending Negative List of services. However, transportation of passengers by non-air conditioned stage carriage are being exempted vide mega exemption notification.
- Service tax proposed to be levied on transportation of goods by an aircraft or a vessel from a place outside India up to the customs station of clearance by omitting the negative list entry to said effect. However, said services are being exempted vide mega exemption notification.

CUSTOMS

- Section 2(43) has been amended so as to include Special Warehouse licensed under Section 58A for enabling storage of specific goods under physical control of the department, as control over the other types of warehouses would be only record based.
- Section 25 is being amended so as to omit the requirement of publishing and offering for sale any notification issued, by the Directorate of Publicity and Public Relations of CBEC. For this purpose, it has been proposed to provide that every notification issued shall unless otherwise provided come into force on the date of its issue by the Central Government for publication in the official Gazette.
- The period of limitation has been increased from one year to two years in case of bonafide error assessment.
- Amendments have been proposed in section 28, 47, 51 and 156 of the Customs Act to provide for deferred payment of customs duties for importers and exporters with proven track record. It will reduce the cargo release time and transaction cost of EXIM trade. The details changes in this regard would be prescribed by Rules.
- The Principal Commissioner or Commissioner are proposed to be empowered to license a public and private warehouses in place of Deputy/Assistant Commissioner, subject to such conditions as may be prescribed. Further, they would also be empowered for licensing of special warehouse wherein dutiable goods may be deposited and be locked by the proper officer and no person would enter the warehouse or remove any goods therefrom without his permission.
- The bond amount for the warehousing bonds submitted by importers availing duty deferred warehousing has been increased to thrice the duty amount as against earlier requirement of twice the duty amount. In addition to furnishing of bond, security may also be required. In case of ownership of such goods being transferred to another person, the transferee would need to execute bond and security
- The provisions of Section 61 relating to period of warehousing has been extended to all goods used by Export Oriented Undertakings, Units under Electronic Hardware Technology Parks, Software Technology Parks, Ship Building Yards and other units manufacturing under bond. Additionally Principal Commissioners and

Commissioners have been empowered to extend the warehousing period upto one year at a time.

- Provisions relating to control over warehousing goods and payment of rent and warehousing charges are proposed to be done away with. Further, free samples from the warehouse can no longer be taken away.
- The payment of fees to Customs for supervision of manufacturing facilities under Bond is no longer required. Principal Commissioner or Commissioner of Customs empowered to license such activities.
- As a step towards Make in India, the rates of customs and excise duty have been changed on certain inputs to reduce costs and improve competitiveness of domestic industry in sectors like Information technology hardware, capital goods, defence production, textiles, mineral fuels & mineral oils, chemicals & petrochemicals, paper, paperboard & newsprint, Maintenance repair and overhauling [MRO] of aircrafts and ship repair.
- Customs Single Window Project to be implemented at major ports and airports starting from beginning of next financial year.
- Increase in free baggage allowance for international passengers. New Simplified Baggage Rules, 2016 has been notified which would be effective from 1st April, 2016. Further Customs Baggage declaration regulation 2013 is also being amended so as to provide for custom declaration only for those passengers who carry dutiable and/or prohibited goods.
- The rate of interest on delayed payment of duty has been revised to 15% from earlier rate of 18%.

Budget Speech

Union Budget 2016-17

CONTENTS

PART - A

	Page No.
Introduction	1
Agriculture and Farmers' Welfare	4
Rural Sector	7
Social Sector including Health Care	9
Education, Skills and Job Creation	11
Infrastructure and Investment	13
Financial Sector Reforms	17
Governance and Ease of Doing Business	19
Fiscal Discipline	20

PART - B

TAX REFORMS

Relief to small tax payers	23
Measures to boost growth and employment generation	24
Incentivising domestic value addition to help Make in India	26
Measures for moving towards a pensioned society	26
Measures for promoting affordable housing	27
Additional resource mobilization for agriculture, rural economy and clean environment	27
Reducing litigation and providing certainty in taxation	29
Simplification and rationalization of taxation	31
Use of Technology for creating accountability	32
Conclusion	33
Annexes	

(ii)

Annexes to Part –A

Annex-I :	Proposed Changes/Reforms in FDI and Related Policies	34
Annex-II :	Measures for Deepening of Corporate Bond Market	35
Annex-III-A :	Allocations of Important Ministries, Sectors and Vulnerable Sections	36
Annex-III-B :	Allocations of Important Schemes	37
Annex-III-C :	Resources Transferred to State and U.T. Governments	39

Annexes to Part – B

Direct Tax	40
Indirect Tax	49
Other Legislative Amendments	71

Budget 2016-2017

Speech of
Arun Jaitley
Minister of Finance

February 29, 2016

Madam Speaker,

I rise to present the Budget for the year 2016-17.

2. I am presenting this Budget when the global economy is in serious crisis. Global growth has slowed down from 3.4% in 2014 to 3.1% in 2015. Financial markets have been battered and global trade has contracted. Amidst all these global headwinds, the Indian economy has held its ground firmly. Thanks to our inherent strengths and the policies of this Government, a lot of confidence and hope continues to be built around India.

3. The International Monetary Fund has hailed India as a 'bright spot' amidst a slowing global economy. The World Economic Forum has said that India's growth is 'extraordinarily high'. We accomplished this despite very unfavourable conditions and despite the fact that we inherited an economy of low growth, high inflation and zero investor confidence in Government's capability to govern. We converted these difficulties and challenges into opportunities.

कश्ती चलाने वालों ने जब हार के दी पतवार हमें
लहर-लहर तूफ़ान मिले और मौज-मौज मँझदार हमें
फिर भी दिखाया है हमने और फिर ये दिखा देंगे सबको
इन हालात में आता है दरिया करना पार हमें

4. Let us look at our achievements compared to the last three years of the previous Government when growth had decelerated to 6.3%. The growth of GDP has now accelerated to 7.6%. This was possible notwithstanding the contraction of global exports by 4.4% compared to 7.7% growth in world exports during the last three years of the previous Government. CPI inflation was at 9.4% during the last three years of the previous Government. Under our Government, CPI inflation has come down to 5.4%, providing big relief to the public. This was accomplished despite two consecutive years of monsoon shortfall of 13%, compared to normal rainfall in the last three years of the previous Government.

5. Our external situation is robust. The Current Account deficit has declined from 18.4 billion US dollars in the first half of last year to 14.4 billion this year. It is projected to be 1.4% of GDP at the end of this year. Our foreign exchange reserves are at the highest ever level of about 350 billion US dollars.

6. Our initiatives in the last 21 months have not only placed the economy on a faster growth trajectory but have bridged the trust deficit, created by the previous Government. We had to work in an unsupportive global environment, adverse weather conditions and an obstructive political atmosphere.

मैडम, हमें आसमानी और सुलतानी दोनों परिवर्तनों ने परेशान किया है।

7. We believe in the principle that money with the Government belongs to the people and we have the sacred responsibility to spend it prudently and wisely for the welfare of our people, especially the poor and the downtrodden. We have increased our Plan expenditure at the RE stage in 2015-16 in contrast to the usual practice of reducing it. We achieved this despite adopting the Fourteenth Finance Commission recommendations which increased devolution to the States by 55%.

8. We must now look ahead. The risks of further global slowdown and turbulence are mounting. This complicates the task of economic management for India. It has three serious implications for us. First, we must strengthen our firewalls against these risks by ensuring macro-economic stability and prudent fiscal management. Second, since foreign markets are weak, we must rely on domestic demand and Indian markets to ensure that India's growth does not slow down. And third, we must continue with the pace of economic reforms and policy initiatives to change the lives of our people for the better.

9. We see these challenges as opportunities. The financial years 2015-16 and 2016-17 have been and will be extremely challenging for Government expenditure. The 14th Finance Commission has reduced the Central share of taxes to 58% from the 68%. In the financial year 2015-16, we managed to improve upon the budgeted expenditure due to revenue buoyancy, notwithstanding the steep reduction in the Central share of taxes. The next financial year 2016-17 will cast an additional burden on account of the recommendations of the 7th Central Pay Commission and the implementation of Defence OROP. The Government, therefore, has to prioritise its expenditure. We wish to enhance expenditure in the farm and rural sector, the social sector, the infrastructure sector and provide for

recapitalisation of the banks. This will address those sectors which need immediate attention. Once the Government discharges these priority obligations, it shall then focus on other areas which are also of utmost priority to the Government.

10. While increasing the outlay of various social sector programmes, the Government will undertake three major schemes to help the weaker sections of the society. The Pradhan Mantri Fasal Bima Yojana has already been announced to protect the farmer from the adverse consequences of nature. The farmer will pay a nominal amount of insurance premium and get the highest ever compensation in the event of any loss suffered. **A health insurance scheme which protects one-third of India's population against hospitalisation expenditure is also being announced. The Government is also launching a new initiative to ensure that the BPL families are provided with a cooking gas connection, supported by a Government subsidy.** This will significantly improve the health of women and those BPL families who suffer adversely from the ill-effects of Chulha cooking.

11. The Annual Budget is also an opportunity for the Government to outline its priorities for the year to come. The priority of our Government is clearly to provide additional resources for vulnerable sections, rural areas and social and physical infrastructure creation. The Government shall also endeavour to continue with the ongoing reform programme and ensure the passage of the Constitutional amendments to enable the implementation of the Goods and Service Tax, the passage of Insolvency and Bankruptcy law and other important reform measures which are pending before the Parliament.

12. Additionally, as I will elaborate later, we will undertake significant reforms, such as the enactment of a law to ensure that all Government benefits are conferred upon persons who deserve it, by giving a statutory backing to the AADHAR platform; bringing significant changes in the legislative framework relating to the transport sector so as to free it from constraints and restrictions; incentivising gas discovery and exploration by providing calibrated marketing freedom; enactment of a comprehensive law to deal with resolution of financial firms; providing legal framework for dispute resolution in PPP projects and public utility contracts; undertaking important banking sector reforms and public listing of general insurance companies; and undertaking significant changes in FDI policy.

13. Our agenda for the next year is, therefore, to 'Transform India' in this direction. My Budget proposals are, therefore, built on this transformative agenda with nine distinct pillars. These include:

- (i) Agriculture and Farmers' Welfare: with focus on doubling farmers' income in five years;
- (ii) Rural Sector: with emphasis on rural employment and infrastructure;
- (iii) Social Sector including Healthcare: to cover all under welfare and health services;
- (iv) Education, Skills and Job Creation: to make India a knowledge based and productive society;
- (v) Infrastructure and Investment: to enhance efficiency and quality of life;
- (vi) Financial Sector Reforms: to bring transparency and stability;
- (vii) Governance and Ease of Doing Business: to enable the people to realise their full potential;
- (viii) Fiscal Discipline: prudent management of Government finances and delivery of benefits to the needy; and
- (ix) Tax Reforms: to reduce compliance burden with faith in the citizenry.

In each of these themes, I shall outline specific policy measures and initiatives which would have a transformative impact on our economy and the lives of our people.

I. Agriculture and Farmers' Welfare

14. Let me first take up Agriculture and Farmers' Welfare. We are grateful to our farmers for being the backbone of the country's food security. We need to think beyond 'food security' and give back to our farmers a sense of 'income security'. Government will, therefore, reorient its interventions in the farm and non-farm sectors to double the income of the farmers by 2022. Our total allocation for Agriculture and Farmers' welfare is ₹ 35,984 crore.

15. We need to address issues of optimal utilisation of our water resources; create new infrastructure for irrigation; conserve soil fertility with balanced use of fertilizer; and provide value addition and connectivity from farm to markets.

16. Irrigation is a critical input for increasing agriculture production and productivity. Out of 141 million hectares of net cultivated area in the country, only 46% is covered with irrigation.

17. The ‘*Pradhan Mantri Krishi Sinchai Yojana*’ has been strengthened and will be implemented in mission mode. 28.5 lakh hectares will be brought under irrigation under this Scheme.

18. Implementation of 89 irrigation projects under AIBP, which have been languishing, will be fast tracked. This will help to irrigate 80.6 lakh hectares. These projects require ₹17,000 crore next year and ₹86,500 crore in the next five years. We will ensure that 23 of these projects are completed before 31st March, 2017.

19. A dedicated Long Term Irrigation Fund will be created in NABARD with an initial corpus of about ₹20,000 crore. To achieve all these, a total provision of ₹12,517 crore has been made through budgetary support and market borrowings in 2016-17.

20. Simultaneously a major programme for sustainable management of ground water resources has been prepared with an estimated cost of ₹6,000 crore and proposed for multilateral funding.

21. At least 5 lakh farm ponds and dug wells in rain fed areas and 10 lakh compost pits for production of organic manure will be taken up by making productive use of the allocations under MGNREGA.

22. The Soil Health Card Scheme is now being implemented with greater vigour. Through this, farmers get information about nutrient level of the soil and can make judicious use of fertilizers. The target is to cover all 14 crore farm holdings by March 2017. ₹368 crore has been provided for National Project on Soil Health and Fertility. Besides, 2,000 model retail outlets of Fertilizer companies will be provided with soil and seed testing facilities during the next three years. Fertilizer companies will also co-market city compost which increases the efficacy of chemical fertilizer. A policy for conversion of city waste into compost has also been approved by the Government under the *Swachh Bharat Abhiyan*.

23. To increase crop yields in rain fed areas, which account for nearly 55% of the country’s arable land, organic farming is being promoted. Towards this end, the Government has launched two important schemes. First, the ‘*Parmparagat Krishi Vikas Yojana*’ which will bring 5 lakh acres under organic farming over a three year period. Second, the Government has launched a value chain based organic farming scheme called “Organic Value Chain Development in North East Region”. The emphasis is on value addition so that organic produce grown in these parts find domestic and export markets. A total provision of ₹412 crore has been made for these schemes.

24. Incentives are being given for enhancement of pulses production. ₹500 crores under National Food Security Mission has been assigned to pulses. The number of districts covered has been increased to 622.

25. **A national level competition will be held among 674 *Krishi Vigyan Kendras* with a total prize money of ₹50 lakh to improve the efficiency and performance of these *Kendras*.**

26. Access to markets is critical for the income of farmers. The Government is implementing the Unified Agriculture Marketing Scheme which envisages a common e-market platform that will be deployed in selected 585 regulated wholesale markets. Amendments to the APMC Acts of the States are a pre-requisite to join this e-platform. I am happy to inform that 12 States have already amended their APMC Acts and are ready to come on board. More States are expected to join this platform in the coming year. **The Unified Agricultural Marketing E Platform will be dedicated to the Nation on the birthday of Dr. Baba Saheb Ambedkar on 14th April this year.**

27. 97 lakh MT of storage capacity was added to the Central pool stock during the current year.

28. We are implementing the *Pradhan Mantri Gram Sadak Yojana* (PMGSY) as never before. This Scheme had suffered in the past because of underfunding. The allocations in 2012-13 and 2013-14 were only ₹8,885 crore and ₹9,805 crore respectively. We have substantially increased the allocation in the last two years and have now allocated ₹19,000 crore in 2016-17. Together with States' share, totally about ₹27,000 crore will be spent on this Yojana in 2016-17. Our goal is to advance the completion target of the programme from 2021 to 2019 and connect the remaining 65,000 eligible habitations by constructing 2.23 lakh kms of roads. Accordingly, the pace of construction which is currently 100 kms per day, as compared to the average of 73.5 kms during 2011-14, will be substantially stepped up.

29. To support farmers in the aftermath of natural calamities, Government has revised the norms of assistance under the National Disaster Response Fund in April 2015.

30. Special focus has been given to ensure adequate and timely flow of credit to the farmers. Against the target of ₹8.5 lakh crore in 2015-16, the target for agricultural credit in 2016-17 will be an all-time high of ₹9 lakh crore. To reduce the burden of loan repayment on farmers, a provision of ₹15,000 crore has been made in the BE 2016-17 towards interest subvention.

31. Government has approved the path breaking Crop Insurance Scheme, namely, Prime Minister *Fasal Bima Yojana*. For effective implementation of this Scheme, I have provided a sum of ₹5,500 crore in the Budget 2016-17.

32. We have to ensure that the benefit of MSP reaches farmers in all parts of the country. **Three specific initiatives will be taken up in 2016-17 for this. First, the remaining States will be encouraged to take up decentralized procurement. Second, an online Procurement System will be undertaken through the Food Corporation of India. This will usher in transparency and convenience to the farmers through prior registration and monitoring of actual procurement. Third, effective arrangements have been made for pulses procurement.**

33. Farmers also take up other allied activities to supplement their family income. To make dairying more remunerative to the farmers, four new projects will be taken up: first, the **‘Pashudhan Sanjivani’**, an animal wellness programme and provision of Animal Health Cards (**‘Nakul Swasthya Patra’**); second, an Advanced breeding technology; third, Creation of **‘E-Pashudhan Haat’**, an e market portal for connecting breeders and farmers; and fourth, a National Genomic Centre for indigenous breeds. These projects will be implemented at a cost of ₹850 crores over the next few years.

34. There has been a visible rise in the yield of honey, from an average of 18 to 20 kg per box per annum in the year 2013-14 to 25 kg per box per annum by 2015-16. The total production of honey in the country has increased from 76,150 metric tonnes in 2014-15 to 86,500 metric tonnes. 90% of the domestic honey is now exported.

II. Rural Sector

35. After agriculture, I now turn to the other segments of the rural economy.

36. A sum of ₹2.87 lakh crore will be given as Grant in Aid to Gram Panchayats and Municipalities as per the recommendations of the 14th Finance Commission. This is a quantum jump of 228% compared to the previous five year period. The funds now allocated, translate to an average assistance of over ₹80 lakh per Gram Panchayat and over ₹21 crore per Urban Local Body. These enhanced allocations are capable of transforming villages and small towns. Ministry of Panchayati Raj will work with the States and evolve guidelines to actualise this.

37. There is an urgent need to focus on areas of drought and rural distress. Every block in these distress areas will be taken up as an intensive Block under the *Deen Dayal Antyodaya* Mission. Formation of Self Help Groups (SHGs) will be speeded up to promote multiple livelihoods. Cluster Facilitation Teams (CFT) will be set up under MGNREGS to ensure water conservation and natural resource management. These districts would also be taken up on priority under Pradhan Mantri Krishi Sinchayi Yojna.

38. A sum of ₹38,500 crore has been allocated for MGNREGS in 2016-17.

39. 300 Rurban Clusters will be developed under the Shyama Prasad Mukherjee Rurban Mission launched by the Honourable Prime Minister recently. These Clusters will incubate growth centres in rural areas by providing infrastructure amenities and market access for the farmers. They will also expand employment opportunities for the youth.

40. As on 1st April, 2015, a total of 18,542 villages were not electrified. The Honourable Prime Minister, in his address to the Nation on 15th August, 2015 announced that the remaining villages will be electrified within the next 1000 days.

41. As on 23rd February, 2016, 5542 villages have been electrified. This is more than the total combined achievement of previous three years. The Government is committed to achieve 100% village electrification by 1st May, 2018. ₹ 8,500 crore has been provided for Deendayal Upadhyaya Gram Jyoti Yojna and Integrated Power Development Schemes.

42. *Swachh Bharat* Mission is India's biggest drive to improve sanitation and cleanliness, especially in rural India. This subject was very close to the heart of the Father of the Nation. For the first time since independence, the Parliament held a comprehensive debate on sanitation. This has become a topic of discussion in almost every home. We have introduced ranking of urban areas in sanitation which has resulted in constructive competition among towns and cities. ₹ 9,000 crore has been provided for Swachh Bharat Abhiyan.

43. In order to continue this momentum, priority allocation from Centrally Sponsored Schemes will be made to reward villages that have become free from open defecation.

44. We need to derive greater benefit from our demographic advantage. We need to spread digital literacy in rural India. Of the 16.8 crore rural households as many as 12 crore households do not have computers and are

unlikely to have digitally literate persons. We have already approved two Schemes to promote digital literacy: National Digital Literacy Mission; and Digital Saksharta Abhiyan (DISHA). **We now plan to launch a new Digital Literacy Mission Scheme for rural India to cover around 6 crore additional households within the next 3 years. Details of this scheme will be spelt out separately.**

45. Modernisation of land records is critical for dispute free titles. The National Land Record Modernisation Programme has been revamped under the Digital India Initiative and will be implemented as a Central sector scheme with effect from 1st April, 2016. The revamped Programme will build an integrated land information management system. ₹150 crore has been provided for this purpose.

46. *Panchayat Raj* Institutions need to develop governance capabilities to deliver on the Sustainable Development Goals. **It is, therefore, proposed to launch a new restructured scheme, namely, *Rashtriya Gram Swaraj Abhiyan*, for which ₹655 crore is being set apart in 2016-17.**

47. For rural development as a whole, I have allocated ₹ 87,765 crore in the Budget for 2016-17.

III. Social Sector including Health Care

48. When asked what he intends doing for regeneration of India, Swami Vivekananda had said “no amount of politics would be of any avail until the masses in India are well educated, well fed and well cared for”. I now proceed to present the key elements of my proposals in the Social Sector.

49. In our country, cooking gas cylinders were considered an upper middle class luxury. Gradually it spread to the middle class. But the poor do not have access to cooking gas. Women of India have faced the curse of smoke during the process of cooking. According to experts having an open fire in the kitchen is like burning 400 cigarettes an hour. The time has come to remedy this situation.

50. **We have decided to embark upon on a massive mission to provide LPG connection in the name of women members of poor households. I have set aside a sum of ₹2,000 crore in this year’s Budget to meet the initial cost of providing these LPG connections.** This will benefit about 1 crore 50 lakh households below the poverty line in 2016-17. The Scheme will be continued for at least two more years to cover a total of 5 crore BPL households. This will ensure universal coverage of cooking gas

in the country. This measure will empower women and protect their health. It will reduce drudgery and the time spent on cooking. It will also provide employment for rural youth in the supply chain of cooking gas.

51. I want to take this opportunity to express our gratitude and appreciation for the 75 lakh middle class and lower middle class households who have voluntarily given up their cooking gas subsidy, in response to the call given by the Hon'ble Prime Minister. Their gesture is a matter of pride for the country.

52. Catastrophic health events are the single most important cause of unforeseen out-of-pocket expenditure which pushes lakhs of households below the poverty line every year. Serious illness of family members cause severe stress on the financial circumstances of poor and economically weak families, shaking the foundation of their economic security. **In order to help such families, the Government will launch a new health protection scheme which will provide health cover up to Rs.One lakh per family. For senior citizens of age 60 years and above belonging to this category, an additional top-up package up to ₹30,000 will be provided.**

53. Making quality medicines available at affordable prices has been a key challenge. We will reinvigorate the supply of generic drugs. 3,000 Stores under Prime Minister's *Jan Aushadhi* Yojana will be opened during 2016-17.

54. About 2.2 lakh new patients of End Stage Renal Disease get added in India every year resulting in additional demand for 3.4 crore dialysis sessions. With approximately 4,950 dialysis centres in India, largely in the private sector and concentrated in the major towns, the demand is only half met. Every dialysis session costs about ₹2,000 – an annual expenditure of more than ₹3 lakh. Besides, most families have to undertake frequent trips, often over long distances, to access dialysis services, incurring heavy travel costs and loss of wages.

55. **To address this situation, I propose to start a 'National Dialysis Services Programme'. Funds will be made available through PPP mode under the National Health Mission, to provide dialysis services in all district hospitals. To reduce the cost, I propose to exempt certain parts of dialysis equipment from basic customs duty, excise/CVD and SAD.**

56. Scheduled Caste and Scheduled Tribe entrepreneurs are beginning to show great promise in starting and running successful business enterprises. The Prime Minister had given a call for promoting entrepreneurship among

SC/ST to become job providers rather than job seekers. I am happy to inform you that the Union Cabinet has approved the “Stand Up India Scheme” to promote entrepreneurship among SC/ST and women. ₹ 500 crore has been provided for this purpose. The Scheme will facilitate at least two such projects per bank branch, one for each category of entrepreneur. This will benefit at least 2.5 lakh entrepreneurs.

57. We are celebrating the 125th Birth Anniversary of Dr. B.R. Ambedkar. This must become the Year of Economic Empowerment for SC/ST entrepreneurs. We have extensively interacted with the Dalit India Chamber of Commerce and Industry on building an entrepreneurship ecosystem. It is proposed to constitute a National Scheduled Caste and Scheduled Tribe Hub in the MSME Ministry in partnership with industry associations. This Hub will provide professional support to Scheduled Caste and Scheduled Tribe entrepreneurs to fulfil the obligations under the Central Government procurement policy 2012, adopt global best practices and leverage the Stand Up India initiative.

58. The schemes for welfare and skill development for Minorities such as Multi-sectoral Development Programme and USTAAD shall be implemented effectively.

IV. Education, Skills and Job Creation

59. I would now like to highlight the steps proposed to be taken under education, skill development and job creation which is the fourth pillar of my Budget proposals.

Education

60. After universalisation of primary education throughout the country, we want to take the next big step forward by focusing on the quality of education. An increasing share of allocation under *Sarva Shiksha Abhiyan* will be allocated for this. **Further, 62 new Navodaya Vidyalayas will be opened in the remaining uncovered districts over the next two years.**

61. It is our commitment to empower Higher Educational Institutions to help them become world class teaching and research institutions. **An enabling regulatory architecture will be provided to ten public and ten private institutions to emerge as world-class Teaching and Research Institutions.** This will enhance affordable access to high quality education for ordinary Indians. A detailed scheme will be formulated.

62. **We have decided to set up a Higher Education Financing Agency (HEFA) with an initial capital base of ₹1,000 crores. The HEFA will be a**

not-for-profit organisation that will leverage funds from the market and supplement them with donations and CSR funds. These funds will be used to finance improvement in infrastructure in our top institutions and will be serviced through internal accruals.

63. To help Students, Higher Education Institutions and Employers to access degree certificates of candidates, **it is proposed to establish a Digital Depository for School Leaving Certificates, College Degrees, Academic Awards and Mark sheets, on the pattern of a Securities Depository.** This will help validate their authenticity, safe storage and easy retrieval.

Skill Development

64. “Skill India” mission seeks to capitalise our demographic advantage. Since its launch, the National Skill Development Mission has created an elaborate skilling eco-system and imparted training to 76 lakh youth. We want to bring entrepreneurship to the doorsteps of youth through *Pradhan Mantri Kaushal Vikas Yojana* (PMKVY). We have decided to set up 1500 Multi Skill Training Institutes across the country. I am setting aside an amount of ₹1,700 crore for these initiatives.

65. We have decided to set up a National Board for Skill Development Certification in partnership with the industry and academia. We propose to further scale up Pradhan Mantri Kaushal Vikas Yojna to skill one crore youth over the next three years.

66. **Entrepreneurship Education and Training will be provided in 2200 colleges, 300 schools, 500 Government ITIs and 50 Vocational Training Centres through Massive Open Online Courses.** Aspiring entrepreneurs, particularly those from remote parts of the country, will be connected to mentors and credit markets.

Job Creation

67. **In order to incentivize creation of new jobs in the formal sector, Government of India will pay the Employee Pension Scheme contribution of 8.33% for all new employees enrolling in EPFO for the first three years of their employment.** This will incentivize the employers to recruit unemployed persons and also to bring into the books the informal employees. In order to channelize this intervention towards the target group of semi-skilled and unskilled workers, the scheme will be applicable to those with salary up to ₹15,000 per month. I have made a budget provision of ₹1,000 crore for this scheme.

68. Further, the Finance Bill, 2016 proposes to broaden and liberalize the scope of the employment generation incentive available under Section 80JJAA of the Income Tax Act. The deduction will be available not only to assesseees deriving income from manufacture of goods in a factory but to all assesseees who are subject to statutory audit under the Act. Thus, a deduction of 30% of the emoluments paid to such employees can be claimed for three years. The minimum number of days for which they should be employed during the year is proposed to be reduced from 300 to 240 days. No deduction will, however, be admissible in respect of employees whose monthly emoluments exceed ₹25,000. Also, no deduction will be admissible in respect of employees for whom the Government is paying the entire EPS contribution.

69. A National Career Service was launched in July, 2015. Already 35 million jobs seekers have registered on this platform. We propose to make 100 Model Career Centres operational by the end of 2016-17. We also propose to inter-link State Employment Exchanges with the National Career Service platform.

70. Retail Trade is the largest service sector employer in the country. Many more jobs can be created in this sector, provided the regulations are simplified. **If Shopping Malls are kept open all seven days of the week, why not the small and medium shops? These shops should be given the choice to remain open on all seven days of the week on voluntary basis.** The interest of the workers in terms of mandatory weekly holiday, number of working hours per day, etc., of course, have to be protected. We propose to circulate a Model Shops and Establishments Bill which can be adopted by the State Governments on voluntary basis.

V. Infrastructure and Investment

71. The fifth support pillar of the Budget theme ‘Transform India’ is infrastructure and investment.

72. In the road sector, there were more than 70 projects that were languishing at the beginning of the year, due to legacy factors. Aggregate length of these projects was about 8,300 kms involving more than ₹1 lakh crore investment. With exemplary and proactive interventions, nearly 85% of these projects have been put back on track.

73. India’s highest ever kilometres of new highways were awarded in 2015. At the same time, India’s highest ever production of motor vehicles was achieved in 2015. This is a sign of growth in the economy; but it

presents a challenge also. Therefore, we have speeded up the process of road construction. I have proposed an allocation of ₹55,000 crore in the Budget for Roads and Highways. This will be further topped up by additional ₹15,000 crore to be raised by NHAI through bonds. Thus the total investment in the road sector, including PMGSY allocation, would be ₹97,000 crore during 2016-17.

74. Together with the capital expenditure of the Railways, the total outlay on roads and railways will be ₹2,18,000 crore in 2016-17.

75. We further expect to approve nearly 10,000 kms of National Highways in 2016-17. This will be much higher than in the two previous years. The pace of completion of road projects will also rise to nearly 10,000 kms in 2016-17. In addition, nearly 50,000 kms of State highways will also be taken up for up-gradation as National Highways.

76. The total outlay for infrastructure in BE 2016-17 stands at ₹2,21,246 crore.

77. Passenger traffic on our roads has to be made more efficient for the benefit of the common man and the middle class. This is a totally unreformed sector which suffers from several impediments. Abolition of permit-raj will be our medium term goal. **Government will enact necessary amendments in the Motor Vehicles Act and open up the road transport sector in the passenger segment. An enabling eco-system will be provided for the States which will have the choice of adopting the new legal framework.** Entrepreneurs will be able to operate buses on various routes, subject to certain efficiency and safety norms. The major benefits of this game changing initiative will be provision of more efficient public transport facilities, greater public convenience, new investment in this moribund sector, creation of new jobs for our youth, growth of start-up entrepreneurs and other multiplier effects. These measures will take us faster down the road to development.

78. In 2015, India's major ports have handled the highest ever quality of cargo. We have also added the highest ever capacity in major ports. We have started a series of measures for modernizing the ports and increasing their efficiency. The Sagarmala project has already been rolled out. We are planning to develop new greenfield ports both in the eastern and western coasts of the country. The work on the National Waterways is also being expedited. ₹800 crore has been provided for these initiatives.

79. In the civil aviation sector, the Government is drawing up an action plan for revival of unserved and underserved airports. There are about 160

airports and air strips with State Governments which can be revived at an indicative cost of ₹50 crore to ₹100 crore each. We will partner with the State Governments to develop some of these airports for regional connectivity. Similarly, 10 of the 25 non-functional air strips with the Airport Authority of India will also be developed.

80. India is blessed with rich natural resources including oil and gas. However, their discovery and exploitation has been below our potential. Imports of hydrocarbons occupy a large share of India's total imports. There is a situation of rising demand, near stagnation in production and consequent rapid increase in imports. As part of our drive towards self-sufficiency, the Government is considering to incentivise gas production from deep-water, ultra deep-water and high pressure-high temperature areas, which are presently not exploited on account of higher cost and higher risks. **A proposal is under consideration for new discoveries and areas which are yet to commence production, first, to provide calibrated marketing freedom; and second, to do so at a pre-determined ceiling price to be discovered on the principle of landed price of alternative fuels.**

81. In the other segments of the infrastructure sector, our Government has achieved the highest coal production growth in over two decades, highest ever capacity addition in generation, highest ever increase in transmission lines and in distribution of LED bulbs.

82. In the power sector, we need to diversify the sources of power generation for long term stability. Government is drawing up a comprehensive plan, spanning next 15 to 20 years, to augment the investment in nuclear power generation. Budgetary allocation up to ₹3,000 crore per annum, together with public sector investments, will be leveraged to facilitate the required investment for this purpose.

83. To augment infrastructure spending further, Government will permit mobilisation of additional finances to the extent of ₹31,300 crore by NHAI, PFC, REC, IREDA, NABARD and Inland Water Authority through raising of Bonds during 2016-17.

84. Our private sector plays an important role in the development of infrastructure, many of which are implemented in the Public Private Partnership (PPP) mode. I would like to announce three new initiatives to reinvigorate this sector.

- (i) A Public Utility (Resolution of Disputes) Bill will be introduced during 2016-17 to streamline institutional**

arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts;

- (ii) Guidelines for renegotiation of PPP Concession Agreements will be issued, keeping in view the long term nature of such contracts and potential uncertainties of the real economy, without compromising transparency;**
- (iii) A new credit rating system for infrastructure projects which gives emphasis to various in-built credit enhancement structures will be developed, instead of relying upon a standard perception of risk which often result in mispriced loans.**

85. I would like to announce further reforms in our FDI policy. The changes proposed are in the areas of insurance and pension, Asset Reconstruction Companies, Stock Exchanges, etc. Details of the changes are given in Annex I of the Budget Speech.

86. The duty drawback scheme has been widened and deepened to include more products and countries. The Government will continue to take measures to support the export sector.

87. Our FDI policy has to address the requirements of farmers and food processing industry. A lot of fruits and vegetables grown by our farmers either do not fetch the right prices or fail to reach the markets. Food processing industry and trade should be more efficient. 100% FDI will be allowed through FIPB route in marketing of food products produced and manufactured in India. This will benefit farmers, give impetus to food processing industry and create vast employment opportunities.

88. A new policy for management of Government investment in Public Sector Enterprises, including disinvestment and strategic sale, has been approved. We have to leverage the assets of CPSEs for generation of resources for investment in new projects. We will encourage CPSEs to **divest individual assets like land, manufacturing units, etc. to release their asset value for making investment in new projects.** The NITI Aayog will identify the CPSEs for strategic sale.

89. We will adopt a comprehensive approach for efficient management of Government investment in CPSEs by addressing issues such as capital restructuring, dividend, bonus shares, etc. **The Department of Disinvestment is being re-named as the “Department of Investment and Public Asset Management (DIPAM)”.**

VI. Financial Sector Reforms

90. A vibrant financial sector is of critical importance to the growth of every economy. In my last two Budgets, I had announced several measures in this regard. I would now like to announce the following initiatives:

- (i) A systemic vacuum exists with regard to bankruptcy situations in financial firms. A comprehensive **Code on Resolution of Financial Firms** will be introduced as a Bill in the Parliament during 2016-17. This Code will provide a specialised resolution mechanism to deal with bankruptcy situations in banks, insurance companies and financial sector entities. This Code, together with the Insolvency and Bankruptcy Code 2015, when enacted, will provide a comprehensive resolution mechanism for our economy.
- (ii) The RBI Act 1934, is being amended to provide statutory basis for a **Monetary Policy Framework and a Monetary Policy Committee** through the Finance Bill 2016. A committee-based approach will add lot of value and transparency to monetary policy decisions.
- (iii) A **Financial Data Management Centre** under the aegis of the Financial Stability Development Council (FSDC) will be set up to facilitate integrated data aggregation and analysis in the financial sector.
- (iv) To improve greater **retail participation in Government securities**, RBI will facilitate their participation in the primary and secondary markets through stock exchanges and access to NDS-OM trading platform.
- (v) New derivative products will be developed by SEBI in the Commodity Derivatives market.
- (vi) To facilitate **deepening of corporate bond market**, a number of measures will be undertaken, details of which are given in Annex II of the Budget Speech. The enactment of Insolvency and Bankruptcy Code would provide a major boost to the development of the corporate bond market.
- (vii) To tackle the problem of stressed assets in the banking sector, Asset Reconstruction Companies (ARCs) have a very important role. I therefore, propose to make necessary **amendments in the SARFAESI Act 2002** to enable the sponsor of an ARC to hold up to 100% stake in the ARC and permit non-institutional investors to invest in Securitization Receipts.

- (viii) In the recent past, there have been rising instances of people in various parts of the country being defrauded by **illicit deposit taking schemes**. The worst victims of these schemes are the poor and the financially illiterate. The operation of such schemes are often spread over many States. I, therefore, propose to bring in **comprehensive Central legislation** in 2016-17 to deal with the menace of such schemes.
- (ix) I also propose to **amend the SEBI Act 1992** in the coming year to provide for more members and benches of the Securities Appellate Tribunal.

91. As the Honourable Members are well aware, the strength of the financial sector is dependent upon a strong and well-functioning Banking system. We already have a comprehensive 'Plan For Revamping of Public Sector Banks', *INDRADHANUSH*, which is under implementation. We are now confronted with the problem of stressed assets in Public Sector Banks, which is a legacy from the past. Several steps have already been taken in this regard. We are not interfering in lending and personnel matters of the Banks. Structural issues have been addressed in various sectors like Power, Coal, Highways, Sugar and Steel. The Banks are putting in special efforts to effect recoveries, with a focus on reviving stalled projects.

92. To support the Banks in these efforts as well as to support credit growth, I have proposed an allocation of ₹25,000 crore in BE 2016-17 towards recapitalisation of Public Sector Banks. If additional capital is required by these Banks, we will find the resources for doing so. We stand solidly behind these Banks.

93. Our Public Sector Banks will have to be strong and competitive. The Bank Board Bureau will be operationalized during 2016-17 and a roadmap for consolidation of Public Sector Banks will be spelt out. The process of transformation of IDBI Bank has already started. Government will take it forward and also consider the option of reducing its stake to below 50%.

94. For speedier resolution of stressed assets, the Debt Recovery Tribunals will be strengthened with focus on improving the existing infrastructure, including computerised processing of court cases, to support reduction in the number of hearings and faster disposal of cases.

95. The *Pradhan Mantri Mudra Yojana* (PMMY) was launched for the benefit of bottom of the pyramid entrepreneurs. Banks and NBFC-MFIs

have reported that the amount sanctioned under PMMY had reached about Rs. One lakh crore to over 2.5 crore borrowers by early February this year. I propose to increase the target next year to ₹1,80,000 crore.

96. To provide better access to financial services, especially in rural areas, we will undertake a massive nationwide rollout of ATMs and Micro ATMs in Post Offices over the next three years.

97. Public shareholding in Government-owned companies is a means of ensuring higher levels of transparency and accountability. To promote this objective, the general insurance companies owned by the Government will be listed in the stock exchanges.

VII. Governance and Ease of Doing Business

98. Our Government is giving unparalleled emphasis to good governance with special focus on process reforms, IT-enabled Government processes, etc. The whole idea is to remove the irritants for the public in their interface with Government agencies.

99. A Task Force has been constituted for rationalisation of human resources in various Ministries. A comprehensive review and rationalisation of autonomous bodies is also underway.

100. A critical component of minimum Government and maximum governance is to ensure targeted disbursement of Government subsidies and financial assistance to the actual beneficiaries. Public money should reach the poor and the deserving without any leakage. Three specific initiatives are proposed to achieve this objective.

- First, we will introduce a bill for Targeted Delivery of Financial and Other Subsidies, Benefits and Services by using the *Aadhar* framework. The bill will be introduced in the current Budget Session of the Parliament. The *Aadhar* number or authentication shall not, however, confer any right of citizenship or domicile. A social security platform will be developed using *Aadhar* to accurately target beneficiaries. This will be a transformative piece of legislation which will benefit the poor and the vulnerable.
- Second, we have already introduced Direct Benefit Transfer in LPG. Based on this successful experience, we propose to introduce DBT on pilot basis for fertilizer in a few districts across the country, with a view to improving the quality of service delivery to farmers.
- Third, of the 5.35 lakh Fair Price Shops in the country, automation facilities will be provided in 3 lakh Fair Price Shops by March 2017.

101. We have to bring more transparency and efficiency in Government procurement of goods and services. The Director General of Supplies and Disposal (DGS&D) will establish a technology driven platform to facilitate procurement of goods and services by various Ministries and agencies of the Government.

102. To remove the difficulties and impediments to ease of doing business, we will introduce a bill to amend the Companies Act, 2013 in the current Budget Session of the Parliament. The Bill would also improve the enabling environment for start-ups. The registration of companies will also be done in one day.

103. Monitoring of prices of essential commodities is a key element of good governance. A number of measures have been taken to deal with the problem of abrupt increase in prices of pulses. Government has approved creation of buffer stock of pulses through procurement at Minimum Support Price and at market price through Price Stabilisation Fund. This Fund has been provided with a corpus of ₹900 crore to support market interventions.

104. Madam Speaker, for good governance, we have to capitalise on the country's unity in diversity. To strengthen understanding of each other, it is proposed to create a closer engagement between different States and Districts in a structured manner. ***“Ek Bharat Shreshtha Bharat” programme will be launched to link States and Districts in an annual programme that connects people through exchanges in areas of language, trade, culture, travel and tourism.*** We will do this through mutual agreement with participating States and Districts.

105. In 2017, the country will celebrate 70th Anniversary of our Independence. We will chalk out milestones for nation's journey beyond the 70th Anniversary of Independence. Dr. Toynbee, the historian, had observed that “a chapter which had a Western beginning will have to have an Indian ending.....”. My belief is that the year 2017 will unfold the great historian's dream. Our scheme of *“Ek Bharat Shreshtha Bharat”* is part of this vision.

VIII. Fiscal Discipline

106. Let me now elaborate on the fiscal situation in the context of the Budget for the year 2016-17.

107. While preparing this Budget, I have received conflicting suggestions about the FRBM roadmap. Different schools of thought have argued either in favour of fiscal consolidation and stability or for a less aggressive

consolidation and for boosting growth. I have weighed the policy options and decided that prudence lies in adhering to the fiscal targets. Consequently, the fiscal deficit in RE 2015-16 and BE 2016-17 have been retained at 3.9% and 3.5% of GDP respectively. While doing so, I have ensured that the development agenda has not been compromised.

108. The total expenditure in the Budget for 2016-17 has been projected at ₹19.78 lakh crore, consisting of ₹5.50 lakh crore under Plan and ₹14.28 lakh crore under Non-Plan. The increase in Plan expenditure is in the order of 15.3% over current year BE. Plan Allocations have given special emphasis to sectors like agriculture, irrigation, social sector including health, women and child development, welfare of Scheduled Castes and Scheduled Tribes, minorities, infrastructure, etc. Continuing with the policy of higher empowering States, the total resources being transferred to States are ₹99,681 crore more over RE 2015-16 and ₹2,46,024 crore more over Actuals of 2014-15. Details of allocations in certain vital sectors and schemes and transfers to States are given in **Annex III** to the Speech.

109. This is the last year of the 12th Plan. Successive committees have questioned the merit in having Plan and Non-Plan classification of Government expenditure. A broad understanding over the years has been that Plan expenditures are good and Non-Plan expenditures are bad. This results in skewed allocations in the Budget. We need to correct this and give greater focus to Revenue and Capital classification of Government expenditure. We have, therefore, decided that the Plan-Non-Plan classification will be done away with from fiscal 2017-18. The Finance Ministry will closely work with the State Finance Departments to align Central and State Budgets in this matter.

110. To improve the quality of Government expenditure, every new scheme being sanctioned by Government will have a sunset date and outcome review. A redeeming feature of this year's Budget is that we have improved upon the Revenue Deficit target from 2.8% to 2.5% of GDP in RE 2015-16.

111. The FRBM Act has been under implementation for more than a decade. Both Central and State Governments have made significant gains from the implementation of this Act. There is now a school of thought which believes that instead of fixed numbers as fiscal deficit targets, it may be better to have a fiscal deficit range as the target, which would give necessary policy space to the Government to deal with dynamic situations. There is also a suggestion that fiscal expansion or contraction should be aligned with credit contraction or expansion respectively, in the economy.

While remaining committed to fiscal prudence and consolidation, a time has come to review the working of the FRBM Act, especially in the context of the uncertainty and volatility which have become the new norms of global economy. I, therefore, propose to constitute a Committee to review the implementation of the FRBM Act and give its recommendations on the way forward.

112. As the Honourable Members are aware, the Seventh Central Pay Commission has submitted its Report. Following the past practice, a Committee has been constituted to examine the Report and give its recommendations. In the meantime, I have made necessary interim provisions in the Budget.

113. We have rationalised and restructured more than 1500 Central Plan Schemes into about 300 Central Sector and 30 Centrally Sponsored Schemes. This will avoid overlapping of expenditure. I reiterate that I remain committed to the financial requirements arising from economic packages that have been announced by our Government and also commitments emanating from reorganisation of States.

114. I have also allocated initial sums of ₹100 crore each for celebrating the Birth Centenary of Pandit Deen Dayal Upadhyay and the 350th Birth Anniversary of Guru Gobind Singh.

IX. Tax Reforms

115. I now turn to Tax Reforms which is elaborated in Part B of my Budget Speech.

PART B

Madam Speaker,

116. I shall now present my tax proposals

117. The Government acknowledges the role of taxpayers in nation building. Each rupee of tax contributes towards the Government's efforts to provide better infrastructure, rural revival and social well-being. Taxation is a major tool available to Government for removing poverty and inequality from the society. The posterity will not forgive us if we do not use this opportunity in this perspective.

The thrust of my tax proposals this year falls in nine categories:-

- (1) Relief to small tax payers.
- (2) Measures to boost growth and employment generation.
- (3) Incentivizing domestic value addition to help Make in India.
- (4) Measures for moving towards a pensioned society.
- (5) Measures for promoting affordable housing.
- (6) Additional resource mobilization for agriculture, rural economy and clean environment.
- (7) Reducing litigation and providing certainty in taxation.
- (8) Simplification and rationalization of taxation.
- (9) Use of Technology for creating accountability.

Relief to small tax payers

118. In order to lessen tax burden on individuals with income not exceeding ₹5 lakhs, I propose to raise the ceiling of tax rebate under section 87A from ₹2,000 to ₹5,000. There are 2 crore tax payers in this category who will get a relief of ₹3,000 in their tax liability.

119. The people who do not have any house of their own and also do not get any house rent allowance from any employer today get a deduction of ₹24,000 per annum from their income to compensate them for the rent they pay. I propose to increase the limit of deduction in respect of rent paid under section 80GG from ₹24,000 per annum to ₹60,000 per annum, which should provide relief to those who live in rented houses.

120. Presumptive taxation scheme under section 44AD of the Income Tax Act is available for small and medium enterprises i.e non corporate businesses with turnover or gross receipts not exceeding one crore rupees.

At present about 33 lakh small business people avail of this benefit, which frees them from the burden of maintaining detailed books of account and getting audit done. I propose to increase the turnover limit under this scheme to Rupees two crores which will bring big relief to a large number of assesses in the MSME category.

121. I also propose to extend the presumptive taxation scheme to professionals with gross receipts up to ₹50 lakh with the presumption of profit being 50% of the gross receipts.

Measures to boost growth and employment generation

122. I had, in my last budget speech mooted the proposal to reduce the rate of Corporate Tax from 30% to 25% over a period, accompanied by rationalization and removal of various tax exemptions and incentives. In any case the effective rate of tax paid by companies comes to an average of 24.67 % because of various exemptions which they are availing of. A phasing out plan of removing these exemptions and tax incentives was placed in public domain and we have received a large number of constructive suggestions. The final plan of phasing out exemptions is given in Annexure. The highlights are as follows:-

- (a) The accelerated depreciation provided under IT Act will be limited to maximum 40% from 1.4.2017.
- (b) The benefit of deductions for Research would be limited to 150% from 1.4.2017 and 100% from 1.4.2020.
- (c) The benefit of section 10AA to new SEZ units will be available to those units which commence activity before 31.3.2020.
- (d) The weighted deduction under section 35CCD for skill development will continue up to 1.4.2020.

123. The reduction in corporate tax rate has to be calibrated with additional revenue expected from the incentives being phased out. The benefits from phasing out of exemptions are available to Government only gradually. In the first phase, therefore, I propose the following two changes in corporate income-tax rates:-

- (a) The new manufacturing companies which are incorporated on or after 1.3.2016 are proposed to be given an option to be taxed at 25% + surcharge and cess provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation.
- (b) I also propose to lower the corporate income tax rate for the next financial year of relatively small enterprises i.e companies with turnover not exceeding ₹5 crore (in the financial year ending March 2015), to 29% plus surcharge and cess.

124. Startups generate employment, bring innovation and are expected to be key partners in Make in India programme. I propose to assist their propagation through 100% deduction of profits for 3 out of 5 years for startups set up during April 2016 to March 2019. MAT will apply in such cases. Capital gains will not be taxed if invested in regulated/notified Fund of Funds and by individuals in notified startups, in which they hold majority shares.

125. Research is the driver of innovation and innovation provides a thrust to economic growth. I propose a special patent regime with 10% rate of tax on income from worldwide exploitation of patents developed and registered in India.

126. In order to get more investment in Asset Reconstruction Companies (ARCs) which play a very important role in resolution of bad debts, I propose to provide complete pass through of income-tax to securitization trusts including trusts of ARCs. The income will be taxed in the hands of the investors instead of the trust. However, the trust will be liable to deduct tax at source.

127. The period for getting benefit of long term capital gain regime in case of unlisted companies is proposed to be reduced from three to two years.

128. Non-banking financial companies shall be eligible for deduction to the extent of 5% of its income in respect of provision for bad and doubtful debts.

129. The determination of residency of foreign company on the basis of Place of Effective Management (POEM) is proposed to be deferred by one year.

130. I would like to reiterate our commitment to implement General Anti Avoidance Rules (GAAR) from 1.4.2017.

131. In order to meet with our commitment to BEPS initiative of OECD and G-20, the Finance Bill, 2016 includes provision for requirement of country by country reporting for companies with a consolidated revenue of more than Euro 750 million.

132. I propose to exempt service tax on services provided under Deen Dayal Upadhyay Grameen Kaushalya Yojana and services provided by Assessing Bodies empanelled by Ministry of Skill Development & Entrepreneurship.

133. I propose to exempt service tax on general insurance services provided under 'Niramaya' Health Insurance Scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability.

134. To promote use of refrigerated containers, I propose to reduce the basic custom and excise duty on them to 5% and 6% respectively.

135. A number of assistive devices, rehabilitation aids and other goods for differently abled (Divyang) persons attract Nil basic customs duty. I propose to extend this exemption to Braille paper.

Incentivising domestic value addition to help Make in India.

136. Customs and excise duty structure plays an important role in incentivizing domestic value addition towards Make in India campaign of our Government. In line with that, I propose to make suitable changes in customs and excise duty rates on certain inputs, raw materials, intermediaries and components and certain other goods and simplify procedures, so as to reduce costs and improve competitiveness of domestic industry in sectors like Information technology hardware, capital goods, defence production, textiles, mineral fuels & mineral oils, chemicals & petrochemicals, paper, paperboard & newsprint, Maintenance repair and overhauling [MRO] of aircrafts and ship repair etc. Details of such changes are given in the Annexure to Budget Speech.

Measures for moving towards a pensioned society

137. Pension schemes offer financial protection to senior citizens. I believe that the tax treatment should be uniform for defined benefit and defined contribution pension plans. I propose to make withdrawal up to 40% of the corpus at the time of retirement tax exempt in the case of National Pension Scheme.

138. In case of superannuation funds and recognized provident funds, including EPF, the same norm of 40% of corpus to be tax free will apply in respect of corpus created out of contributions made after 1.4.2016.

139. Further, the annuity fund which goes to the legal heir after the death of pensioner will not be taxable in all three cases. Also, we are proposing a monetary limit for contribution of employer in recognized Provident and Superannuation Fund of ₹1.5 lakh per annum for taking tax benefit.

140. I propose to exempt from service tax the Annuity services provided by the National Pension System (NPS) and Services provided by EPFO to employees.

141. I also propose to reduce service tax on Single premium Annuity (Insurance) Policies from 3.5% to 1.4% of the premium paid in certain cases.

Measures for promoting affordable housing

142. Pradhan Mantri Awas Yojna embodies the assurance of the Government to address the housing needs of all and more specifically the poor, in a time bound manner. Construction of houses creates considerable employment opportunities as well. In order to fuel activity in the housing sector, I propose to give 100% deduction for profits to an undertaking from a housing project for flats upto 30 sq. metres in four metro cities and 60 sq. metres in other cities, approved during June 2016 to March 2019, and is completed within three years of the approval. Minimum Alternate Tax will, however, apply to these undertakings.

143. For the ‘first – home buyers’, I propose to give deduction for additional interest of ₹50,000 per annum for loans up to ₹35 lakh sanctioned during the next financial year, provided the value of the house does not exceed ₹50 lakh.

144. Another proposal to stimulate housing activity is to facilitate investments in Real Estate Investment Trusts. I propose that any distribution made out of income of SPV to the REITs and INVITs having specified shareholding will not be subjected to Dividend Distribution Tax.

145. It is proposed to exempt service tax on construction of affordable houses up to 60 square metres under any scheme of the Central or State Government including PPP Schemes.

146. I also propose to extend excise duty exemption, presently available to Concrete Mix manufactured at site for use in construction work at such site to Ready Mix Concrete.

Additional resource mobilization for agriculture, rural economy and clean environment

147. Dividend Distribution Tax (DDT) uniformly applies to all investors irrespective of their income slabs. This is perceived to distort the fairness and progressive nature of taxes. Persons with relatively higher income can bear a higher tax cost. I, therefore, propose that in addition to DDT paid by the companies, tax at the rate of 10% of gross amount of dividend will be payable by the recipients, that is, individuals, HUFs and firms receiving dividend in excess of ₹10 lakh per annum.

148. I also propose to raise the surcharge from 12% to 15% on persons, other than companies, firms and cooperative societies having income above ₹1 crore.

149. I also propose to collect tax at source at the rate of 1% on purchase of luxury cars exceeding value of Rs.ten lakh and purchase of goods and services in cash exceeding Rs.two lakh. For compliant tax payers with resources, this levy not only advances collection of tax when the expenditure is incurred, but it provides data to the tax authorities to identify the persons who incur such expenditure, but may be missing from the tax base. Farmers and notified class of persons will have an option of giving a form by which TCS will not be charged.

150. Rate of Securities Transaction tax in case of 'Options' is proposed to be increased from .017% to .05%.

151. In order to tap tax on income accruing to foreign e-commerce companies from India, it is proposed that a person making payment to a non-resident, who does not have a permanent establishment, exceeding in aggregate ₹1 lakh in a year, as consideration for online advertisement, will withhold tax at 6% of gross amount paid, as Equalization levy. The levy will only apply to B2B transactions.

152. I propose to impose a Cess, called the Krishi Kalyan Cess, @ 0.5% on all taxable services, proceeds of which would be exclusively used for financing initiatives relating to improvement of agriculture and welfare of farmers. The Cess will come into force with effect from 1st June 2016. Input Tax credit of this cess will be available for payment of this cess.

153. The pollution and traffic situation in Indian cities is a matter of concern. I propose to levy an infrastructure cess, of 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs.

154. I also propose to impose an excise duty of '1% without input tax credit or 12.5% with input tax credit' on articles of jewellery [excluding silver jewellery, other than studded with diamonds and some other precious stones], with a higher exemption and eligibility limits of ₹ 6 crores and ₹ 12 crores respectively. Necessary steps will also be taken to enable the new taxpayers to comply with this levy without any difficulty.

155. I propose to change the excise duty on branded readymade garments and made up articles of textiles with a retail sale price of ₹1,000 and above from 'Nil without input tax credit or 6%/12.5% with input tax credit' to '2% without input tax credit or 12.5% with input tax credit'.

156. I propose to rename the 'Clean Energy Cess' levied on coal, lignite and peat as 'Clean Environment Cess' and simultaneously increase its rate from ₹200 per tonne to ₹400 per tonne.

157. To discourage consumption of tobacco and tobacco products, I propose to increase the excise duties on various tobacco products other than beedi by about 10 to 15%.

158. I propose to amend the Finance Act, 1994 so as to declare assignment by the Government of the right to use the radio-frequency spectrum and its subsequent transfers a service, to make it clear that assignment of right to use the spectrum is a service leviable to service tax and not sale of intangible goods.

Reducing litigation and providing certainty in taxation

159. We are moving towards a lower tax regime with non-litigious approach. Thus, while compliant taxpayers can expect a supportive interface with the department, tax evasion will be countered strongly. Capability of the tax department to detect tax evasion has improved because of enhanced access to information and availability of technology driven analytical tools to process such information. I want to give an opportunity to the earlier non-compliant to move to the category of compliant.

160. I propose a limited period Compliance Window for domestic taxpayers to declare undisclosed income or income represented in the form of any asset and clear up their past tax transgressions by paying tax at 30%, and surcharge at 7.5% and penalty at 7.5%, which is a total of 45% of the undisclosed income. There will be no scrutiny or enquiry regarding income declared in these declarations under the Income Tax Act or the Wealth Tax Act and the declarants will have immunity from prosecution. Immunity from Benami Transaction (Prohibition) Act, 1988 is also proposed subject to certain conditions. The surcharge levied at 7.5% of undisclosed income will be called Krishi Kalyan surcharge to be used for agriculture and rural economy. We plan to open the window under this Income Disclosure Scheme from 1st June to 30th September, 2016 with an option to pay amount due within two months of declaration.

161. Our Government is fully committed to remove black money from the economy. Having given one opportunity for evaded income to be declared once, we would then like to focus all our resources for bringing people with black money to books.

162. Litigation is a scourge for a tax friendly regime and creates an environment of distrust in addition to increasing the compliance cost of the tax payers and administrative cost for the Government. There are about 3 lakh tax cases pending with the 1st Appellate Authority with disputed amount

being 5.5 lakh crores. In order to reduce this number, I propose a new Dispute Resolution Scheme (DRS).

163. A taxpayer who has an appeal pending as of today before the Commissioner (Appeals) can settle his case by paying the disputed tax and interest up to the date of assessment. No penalty in respect of Income-tax cases with disputed tax up to ₹ 10 lakh will be levied. Cases with disputed tax exceeding ₹ 10 lakh will be subjected to only 25% of the minimum of the imposable penalty for both direct and indirect taxes. Any pending appeal against a penalty order can also be settled by paying 25% of the minimum of the imposable penalty. Certain categories of persons including those who are charged with criminal offences under specific Acts are proposed to be barred from availing this scheme.

164. I had in my Budget speech of July, 2014 assured that this Government would not retrospectively create a fresh tax liability. I had also hoped then that the cases pending in various courts and other legal fora relating to certain retrospective amendments undertaken to the Income-tax Act, 1961, through the Finance Act, 2012 will soon reach their logical conclusion. I would like to reiterate that we are committed to provide a stable and predictable taxation regime. We will not resort to such amendments in future. I had also announced constitution of a High Level Committee which would oversee any fresh case where the assessing officer proposes to assess or reassess the income in respect of indirect transfers by applying the retrospective amendment. In order to allay any fears of tax adventurism, this Committee will now be chaired by the Revenue Secretary and consist of Chairman, CBDT and an expert from outside. This Committee will effectively oversee the implementation of the assurances.

165. In order to give an opportunity to the past cases which are ongoing under the retrospective amendment, I propose a one-time scheme of Dispute Resolution for them, in which, subject to their agreeing to withdraw any pending case lying in any Court or Tribunal or any proceeding for arbitration, mediation etc. under BIPA, they can settle the case by paying only the tax arrears in which case liability of the interest and penalty shall be waived.

166. Levy of heavy penalty for concealment of income has over the years resulted in large number of disputes despite a number of decisions of the Apex court on interpretation of statutory provisions and principles guiding imposition of penalty. At present the Income-tax Officer has discretion to levy penalty at the rate of 100% to 300% of tax sought to be evaded. I propose to modify the entire scheme of penalty by providing different categories of misdemeanor with graded penalty and thereby substantially reducing the discretionary power of the tax officers. The penalty rates will now be 50% of tax in case of underreporting of income and 200% of tax

where there is misreporting of facts. Remission of penalty is also proposed in certain circumstances where taxes are paid and appeal is not filed.

167. Another issue which has led to considerable number of disputes is quantification of disallowance of expenditure relatable to exempt income in terms of Section 14A of the Income Tax Act. I propose to rationalize the formula in Rule 8D governing such quantification. The said Rule is being amended to provide that disallowance will be limited to 1% of the average monthly value of investments yielding exempt income, but not exceeding the actual expenditure claimed.

168. As another tax payer friendly measure, I propose to provide a time limit of one year for disposing petitions of the tax payers seeking waiver of interest and penalty.

169. The Income-tax Department is also issuing instruction making it mandatory for the assessing officer to grant stay of demand once the assessee pays 15% of the disputed demand, while the appeal is pending before Commissioner of Income-tax (Appeals). In case of deviation, assessing officer has to get orders of his superiors. The tax payer also has an option to go to superior officer in case he does not agree with conditions of stay order passed by the subordinate officer.

170. In order to remove backlog of cases we are creating 11 new benches of Customs, Excise and Service Tax Appellate Tribunal (CESTAT).

171. The monetary limit for deciding an appeal by a single member Bench of ITAT is proposed to be enhanced from ₹15 lakhs to ₹50 lakhs.

172. I also propose to amend the CENVAT Credit Rules, 2004, so as to improve credit flow, reduce the compliance burden and associated litigation, particularly those relating to apportionment of credit between exempted and non exempted final products/services. The amendments in these rules will also enable manufacturers with multiple manufacturing units to maintain a common warehouse for inputs and distribute inputs with credits to the individual manufacturing units.

Simplification and rationalization of taxation

173. The Government has already accepted many recommendations of Tax Administration Reform Committee and I propose to accept a number of recommendations of Justice Easwar Committee in this Budget.

174. To reduce multiplicity of taxes, associated cascading and to reduce cost of collection, I propose to abolish 13 cesses, levied by various Ministries in which revenue collection is less than ₹50 crore in a year.

175. To improve the cash flow position of small tax payers who get their funds blocked due to current TDS provision, I propose to rationalize TDS provisions for Income Tax as per Annexure.

176. Non-residents without PAN are currently subjected to a higher rate of TDS. It is proposed to amend the relevant provision to provide that on furnishing of alternative documents, the higher rate will not apply.

177. The facility for revision of return, hitherto available to a service tax assessee only, is being extended to Central Excise assessee also.

178. I propose to provide additional options to banking companies and financial institutions, including non-banking financial companies, for reversal of input tax credits with respect to non-taxable services provided by them by way of extending deposits, loans and advances.

179. Our Government has taken a number of steps to reduce the cargo release time and the transaction costs of EXIM trade. I propose to amend the Customs Act to provide for deferred payment of customs duties for importers and exporters with proven track record.

180. In 2014-15 Budget, I had announced the intent to implement Indian Customs Single Window Project. We have made significant progress in this and it would be implemented at major ports and airports starting from beginning of next financial year.

181. The customs Baggage Rules for international passengers are being simplified so as to increase the free baggage allowance. The filing of baggage declaration will be required only for those passengers who carry dutiable goods.

Use of Technology for creating accountability

182. Technology is a boon for mankind. We plan to use technology in taxation Department in a big way to make life simpler for a law abiding citizen, and also for data mining to track tax evaders.

183. A pilot was run in 2015-16 for e-assessment to obviate the requirement for tax payers to visit the Income-tax offices. I propose to expand the scope of e-assessments to all assesseees in 7 mega cities in the coming years. The cases selected for scrutiny will be scrutinized in e-environment whereby unless the assessee himself wants to be heard, or for special reasons to be recorded, the assessing officer wants to hear the party, there will be no face to face contact of IT Department with assessee.

184. Income-tax Department (ITD) will fully expand the pilot initiative of 'e-Sahyog' with a view to reduce compliance cost, especially for small

taxpayers. The objective of the 'e-Sahyog' pilot project is to provide an online mechanism to resolve mismatches in Income-tax returns without requiring taxpayers to attend the Income-tax office.

185. I propose that in matters pertaining to Income-tax Act, Government will pay interest at the rate of 9% p.a against normal rate of 6% p.a in case there is delay in giving effect to Appellate order beyond ninety days. The officers who delay it, will be accountable for this loss to Government.

186. I also propose to change the procedure to provide for a shift from physical control to record based control for customs bonded warehouses, supported by sophisticated IT systems.

187. Madam Speaker, my direct tax proposals would result in revenue loss of ₹ 1,060 crore and my indirect proposals are expected to yield ₹20,670 crores. Thus the net impact of all tax proposals would be revenue gain of ₹19,610 crores.

CONCLUSION

Madam Speaker,

188. This Budget is being presented amidst global and domestic headwinds. There are several challenges. We see them as opportunities. I have outlined the agenda of our Government to 'Transform India' for the benefit of the farmers, the poor and the vulnerable.

189. Madam Speaker, it is said that "Champions are made from something they have deep inside of them - a desire, a dream, a vision". We have a desire to provide socio-economic security to every Indian, especially the farmers, the poor and the vulnerable; we have a dream to see a more prosperous India; and a vision to 'Transform India'.

190. With these words, Madam Speaker, I commend the Budget to the House.

**PROPOSED CHANGES/REFORMS IN FDI AND
RELATED POLICIES**

- (i) Foreign investment will be allowed in the insurance and pension sectors in the automatic route up to 49% subject to the extant guidelines on Indian management and control to be verified by the Regulators.
- (ii) 100% FDI in Asset Reconstruction Companies (ARCs) will be permitted through automatic route. Foreign Portfolio Investors (FPIs) will be allowed up to 100% of each tranche in securities receipts issued by ARCs subject to sectoral caps.
- (iii) Investment limit for foreign entities in Indian stock exchanges will be enhanced from 5 to 15% on par with domestic institutions. This will enhance global competitiveness of Indian stock exchanges and accelerate adoption of best-in-class technology and global market practices.
- (iv) The existing 24% limit for investment by FPIs in Central Public Sector Enterprises, other than Banks, listed in stock exchanges, will be increased to 49% to obviate the need for prior approval of Government for increasing the FPI investment.
- (v) The basket of eligible FDI instruments will be expanded to include hybrid instruments subject to certain conditions.
- (vi) FDI will be allowed beyond the 18 specified NBFC activities in the automatic route in other activities which are regulated by financial sector regulators.
- (vii) With a view to promote Make in India and following the practices in advanced countries, foreign investors will be accorded Residency Status subject to certain conditions. Currently, these investors are granted business visa only up to 5 years at a time.
- (viii) In order to ensure effective implementation of Bilateral Investment Treaties signed by India with other countries, I propose to introduce a Centre State Investment Agreement. This will ensure fulfilment of the obligations of the State Governments under these Treaties. States which opt to sign these Agreements will be seen as more attractive destinations by foreign investors.

All these decisions will facilitate ease of doing business for foreign investors and their domestic recipients.

MEASURES FOR DEEPENING OF CORPORATE BOND MARKET

- (a) LIC of India will set up a dedicated fund to provide credit enhancement to infrastructure projects. The fund will help in raising the credit rating of bonds floated by infrastructure companies and facilitate investment from long term investors.
- (b) RBI will issue guidelines to encourage large borrowers to access a certain portion of their financing needs through market mechanism instead of the banks. (c) Investment basket of foreign portfolio investors will be expanded to include unlisted debt securities and pass through securities issued by securitisation SPVs.
- (d) For developing an enabling eco system for the private placement market in corporate bonds, an electronic auction platform will be introduced by SEBI for primary debt offer.
- (e) A complete information repository for corporate bonds, covering both primary and secondary market segments will be developed jointly by RBI and SEBI.
- (f) A framework for an electronic platform for repo market in corporate bonds will be developed by RBI.

Annex No. III-A to Part A**ALLOCATIONS OF IMPORTANT MINISTRIES, SECTORS and
VULNERABLE SECTIONS***Rs in crore*

MINISTRY/DEPARTMENT	Actual 14-15	RE 15-16	BE 16-17
Ministry Of Agriculture And Farmers Welfare	25917	22958	44485
Ministry Of Drinking Water And Sanitation	12091	10907	14010
Ministry Of Health And Family Welfare	32154	34957	39533
Ministry Of Housing And Urban Poverty Alleviation	2728	1961	5411
Ministry Of Human Resource Development	68875	67586	72394
Ministry Of Micro Small And Medium Enterprises	2767	3021	3465
Ministry Of Minority Affairs	3089	3736	3827
Ministry Of New And Renewable Energy	515	262	5036
Ministry Of Road Transport And Highways	33048	47107	57976
Ministry Of Rural Development	69817	79279	87765
Ministry Of Skill Development And Entrepreneurship	0	1038	1804
Ministry Of Social Justice And Empowerment	5784	6580	7350
Ministry Of Urban Development	13254	18340	24523
Ministry Of Water Resources, River Development And Ganga Rejuvenation	5480	7032	6201
Ministry Of Women And Child Development	18539	17352	17408

SECTOR TOTALS	Actual 2014-15	RE 2015-16	BE 2016-17	IEBR	Total for 2016-17
Agriculture and Irrigation	31497	25988	47912	6300	54212.33
Social Sectors including Education and Health	136431	139619	151581	...	...
Rural Development and Drinking Water	81908	90185	101775	...	...
Infrastructure & Energy	185139	180610	221246	25000	246246.39

ALLOCATION FOR WELFARE OF VULNERABLE SECTIONS ACROSS ALL MINISTRIES			
	Actual 14-15	RE 2015-16	BE 2016-17
Schemes for welfare of Women	...	81249	90625
Allocation for welfare of Children	...	64635	65758
SC sub Plan	19921	20963	24005
ST SubPlan	30035	34675	38833

Annex No. III-B to Part A**ALLOCATIONS OF IMPORTANT SCHEMES**

		<i>Rs. In crore</i>
		BE 2016-17
1	Mahatma Gandhi National Rural Employment Guarantee Scheme	38500
2	National Social Assistance Programme	9500
3	Schemes under Tribal Sub-Plan- across all Ministries	24005
4	Schemes under Scheduled Castes Sub-Plan- across all Ministries	38833
5	Allocation for North Eastern Region-across all Ministries	33097
6	Umbrella Scheme for Development of Minorities.	1245
<i>a</i>	<i>Multi-Sectoral Development Programme for Minorities</i>	<i>1125</i>
<i>b</i>	<i>Education Scheme for Madrasas and Minorities</i>	<i>120</i>
7	Green Revolution	12980
<i>a</i>	<i>Krishonnati Yojna</i>	<i>7580</i>
<i>b</i>	<i>Rashtriya Krishi Vikas Yojna</i>	<i>5400</i>
8	White Revolution	1273
9	Blue Revolution	575
10	Pradhan Mantri Krishi Sinchai Yojna (PMKSY)	5717
<i>a</i>	<i>Har Khet ko Pani</i>	<i>500</i>
<i>b</i>	<i>Accelerated Irrigation Benefit Programme and other schemes under PMKSY in Water Resources Ministry</i>	<i>1377</i>
<i>c</i>	<i>Per Drop More Crop</i>	<i>2340</i>
<i>d</i>	<i>Integrated Watershed Management Programme</i>	<i>1500</i>
11	Pradhan Mantri Gram Sadak Yojna	19000
12	National Rural Drinking Water Programme	5000
13	Swachh Bharat Abhiyan (SBA)	11300
14	National Health Mission (NHM)	20037
15	Rashtriya Swastha Suraksha Yojna (RSSY)	1500
16	National Education Mission (NEM)	28010
<i>of which</i>	<i>NEM : Sarva Shiksha Abhiyan</i>	<i>22500</i>

17	National Programme of Mid-day Meals in Schools	9700
18	Integrated Child Development Scheme (Umbrella ICDS)	16120
19	Pradhan Mantri Awas Yojna (PMAY)	20075
20	Urban Rejuvenation Mission (AMRUT and Mission for Development of 100 Smart Cities)	7296
21	Make in India: Scheme for Investment Promotion and Amended Technology Upgradation Fund Scheme	1804
22	National Industrial Corridors	1448
23	Digital India Programme and E-learning, E-panchayat, Land Records Modernisation	2059
24	Central Pool of Resources for North Eastern Region and Sikkim	900
25	Schemes of North Eastern Council	795
26	National Investment and Infrastructure Fund	4000
27	Equity Capital to Mudra and Credit Guarantee Fund under Pradhan Mantri Mudra Yojana	2400
28	Start up and stand up	1100
29	Schemes for employment generation	1155
30	Scheme for LPG connection to poor households	2000
31	Deendayal Upadhyaya Gram Jyoti Yojana and Integrated Power Development Scheme(IPDS)	8500
32	Sagarmala	450
33	Pradhan Mantri Kaushal Vikas Yojana	1771
34	Metro Projects	10000
35	Namame Gange- National Ganga Plan	2250
36	Rashtriya Yuva Sashakthikaran Karyakram	397
37	Khelo India	216
38	Recapitalization of Public Sector Banks	25000

This Annex provides total allocations (Plan and Non-Plan) under 38 important Schemes. Rationalization of Schemes was undertaken to avoid too thin spread of resources. The allocation for BE 2016-17 only is provided as it is not immediately feasible to draw a one-to-one correspondence between the newly rationalised schemes with the earlier subsumed component schemes.

Source : Expenditure Budget 2016-17 Volume1 & 2

Annex No. III-C to Part A**Resources Transferred to State and U.T. Governments***(In crore of Rupees)*

S.No.		Actual 2014-15	RE 2015-16	BE 2016-17
1	Devolution of State's share in taxes	337808	506193	570337
2	Non-Plan Grants and Loans	77198	108312	118437
	Grants	77125	108233	118356
	Loans	73	79	81
	<i>State Governments</i>	<i>76286</i>	<i>105353</i>	<i>115655</i>
	<i>UT</i>	<i>912</i>	<i>2959</i>	<i>2782</i>
3	Central Assistance to State Plan/UT Plan	270829	216108	241900
	Grants	258890	203608	229400
	Loans	11939	12500	12500
	<i>State Governments</i>	<i>264725</i>	<i>208587</i>	<i>234366</i>
	<i>UT</i>	<i>6104</i>	<i>7521</i>	<i>7534</i>
4	Total (Grant & Loans)	348027	324420	360337
	Grants	336015	311841	347756
	Loans	12012	12579	12581
4	Total Assistance	685835	830613	930674
	<i>State Governments</i>	<i>678819</i>	<i>820133</i>	<i>920358</i>
	<i>UT</i>	<i>7016</i>	<i>10480</i>	<i>10316</i>
5	Less - Recovery of Loans & Advances	10658	9093	9473
	<i>State Governments</i>	<i>10582</i>	<i>8649</i>	<i>9028</i>
	<i>UT</i>	<i>76</i>	<i>444</i>	<i>445</i>
6	Net Resources transferred to State & UT Governments (1+4-5)	675177	821520	921201
	<i>State Governments</i>	<i>668237</i>	<i>811484</i>	<i>911330</i>
	<i>UT</i>	<i>6940</i>	<i>10036</i>	<i>9871</i>
	Increase in RE 15-16 over Actual 14-15	...	146343	...
	Increase in BE16-17 over RE 15-16	...	...	99681
	Increase in BE 16-17 over Actual 14-15	...	...	246024

ANNEXURE TO PART-B OF THE BUDGET SPEECHDIRECT TAX**1. Measures to boost the Financial Sector**

- 1.1 It is proposed to provide that redemption by an individual of Sovereign Gold Bond issued by Reserve Bank of India under Sovereign Gold Bond Scheme, 2015 shall not be charged to capital gains tax. It is also proposed to provide that long terms capital gains arising to any person on transfer of Sovereign Gold Bond shall be eligible for indexation benefits.
- 1.2 It is proposed to provide that any gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of rupee denominated bond of an Indian company subscribed by a non-resident shall be exempt from capital gains tax.
- 1.3 It is proposed to provide that any transfer of units in merger or consolidation of plans of a mutual fund scheme shall be exempt from capital gains tax.
- 1.4 It is proposed to provide that interest earned on Deposit Certificates issued under Gold Monetisation Scheme, 2015 and capital gains arising from them shall be exempt from tax.
- 1.5 It is proposed to modify the conditions of special taxation regime for off shore funds under section 9A of the Income-tax Act so as to provide that a fund registered or set up in a country notified by the Central Government will also be eligible for the said regime. It is also proposed to provide that the condition of not having control and management of any business or not carrying on any business by the fund will be applicable only to activities in India and not from India.
- 1.6 The determination of residency of foreign company on the basis of Place of Effective Management is proposed to be deferred by one year. It shall now apply with effect from 1.04.2017. It is also proposed to make necessary provision for adaptation, modification and exception in the provisions of the Act for determination of income and applicability of other provisions in case a foreign company becomes resident in India for the first time.
- 1.7 Taking into account the recommendations of A.P. Shah Committee and the decision of the Hon'ble Supreme Court in the case of Castleton, it is proposed to amend the provisions of section 115JB of the Income-tax Act so as to provide that Minimum Alternate Tax (MAT) shall not be applicable to a foreign company, w.e.f. 01.04.2001 if the foreign company does not have as a permanent establishment under relevant Double Taxation Avoidance Agreement (DTAA) or a place of business in India.

1.8 With a view to facilitate setting up of international financial centre in India, it is proposed to provide for the following tax benefits:-

- ❖ The companies located in international financial services centre shall not be liable to dividend distribution tax.
- ❖ Minimum Alternate Tax shall be charged at the rate of nine per cent from units located in international financial services centre.
- ❖ The transaction in foreign currency of sale of equity share or units of equity oriented funds or units of a business trust taking place on a recognised stock exchange established in international financial services centre shall not be liable to securities transaction tax. It is also proposed that the gains arising from transfer of such long term capital asset shall be exempt from tax.
- ❖ The transaction in foreign currency of sale of commodity derivatives taking place on a recognised association established in international financial services centre shall not be liable to commodity transaction tax.

1.9 It is proposed to provide that the subsidy granted by the Central Government and credited directly to the corpus of fund established for specific purposes laid down by Government shall not be treated as income of such fund.

1.10 Consequent upon the judgement of various Courts in the context of the definition of 'securities' under Securities Contracts Regulation Act, 1956, it is proposed to clarify that the capital gain arising from transfer of a long term asset being share of a private limited company shall be chargeable to tax at the rate of ten per cent.

1.11 It is proposed to provide that acquisition of shares by an individual or HUF as a consequence of demerger or amalgamation of a company shall not attract tax liability under section 56(2)(vii) of the Income-tax Act.

2. Measures to rationalize the Pension Sector

2.1 It is proposed to provide a uniform tax treatment to the recognised provident fund, national pension system and superannuation fund. Accordingly, the following are proposed:-

- ❖ Exemption limit is proposed to be increased from ₹1 lakh to ₹1.5 lakh for annual contribution by an employer to a superannuation fund.

- ❖ A monetary limit of ₹1.5 lakh is proposed to be provided for annual contribution by an employer to a recognised provident fund.
- ❖ Any amount received by the nominee, on the death of the employee at the time of closure of account under National Pension System referred to in section 80CCD of the Income-tax Act is proposed to be exempt.
- ❖ Exemption is proposed to be provided for one-time portability from a recognised provident fund or superannuation fund to National Pension System.
- ❖ It is proposed that 40% of the pension wealth received by an employee from the National Pension System Trust shall be exempt.
- ❖ It is also proposed that the exemption under the recognised provident fund and superannuation fund will be limited to 40% of the accumulated amount arising out of contributions made in such funds on or after 01.04.2016. However, this restriction shall not be applicable to an employee participating in a recognised provident fund and whose monthly salary does not exceed ₹15,000/-.

3. Measures to promote the Housing and Real Estate Sector

- 3.1 It is proposed to provide that deduction of interest payable on capital borrowed for acquisition or construction of a self-occupied house property shall be allowed if such acquisition or construction is completed within five years.
- 3.2 It is proposed to provide that standard deduction of 30% shall be allowed against the amount received on account of unrealised rent while computing the house property income.
- 3.3 It is proposed to provide that the date of agreement fixing the amount of consideration for the transfer of immovable property and not the date of registration shall be taken for the purposes of computing capital gains in case of transfer of immovable property if any payment in consequence of such agreement has been made by the purchaser of the property through any mode other than cash.

4. Measures to Phase Out Deductions

- 4.1 It proposed to phase out the following deductions available in the Income-tax Act:-

(i) **Section 10AA of the Income-tax Act : Deduction for units established in SEZ**

It is proposed to amend section 10AA of the Income-tax Act to provide for a sunset date of 31.03.2020 for commencement of activity of manufacture or production of any article or thing or providing services by a unit located in a Special Economic Zone for availing the deduction under said section.

(ii) **Depreciation.**

It is proposed to amend Rule 5 of Income-tax Rules, 1962 to restrict the highest rate of depreciation under the Income-tax Act to 40% for all the assets (whether old or new) falling in the relevant block of assets with effect from 01.4.2017

(iii) **Section 35 of the Income-tax Act : Deduction for Expenditure on Scientific Research.**

It is proposed to amend section 35 of the Income-tax Act so as to reduce the weighted deduction under section 35(1)(ii), 35 (2AA) and 35 (2AB) to 150% from the financial year 2017-18 to financial year 2019-20 and from the financial year 2020-21 onwards the deduction shall be restricted to 100%. It is also proposed that deduction under section 35(1) (iia) and (iii) of the Income-tax Act shall be reduced from 125% to 100% with effect from 01.04.2017.

(iv) **Section 35AD of the Income-tax Act : Investment linked deduction for specified business.**

It is proposed to amend section 35AD of the Income-tax Act so as to reduce the deduction from 150% to 100% in the case of a cold chain facility, warehousing facility for storage of agricultural produce, an affordable housing project, production of fertilizer and building and operating hospitals with effect from 01.04.2017.

(v) **Section 35AC of the Income-tax Act : Deduction for Expenditure on social projects.**

It is proposed to amend section 35AC of the Income-tax Act so as to provide that no deduction under the said section shall be available from financial year 2017-18 (Assessment Year 2018-19).

(vi) **Section 35CCC of the Income-tax Act : Deduction for expenditure on agricultural extensions project.**

It is proposed to amend section 35CCC of the Income-tax Act to restrict the deduction to 100% from financial year 2017-18 (Assessment Year 2018-19).

(vii) **Section 35 CCD of the Income-tax Act : Deduction for expenditure on skill development project.**

It is proposed to amend section 35CCD of the Income-tax Act so as to provide that the weighted deduction of 150% shall be available upto financial year 2019-20 (assessment year 2020-21). However, the deduction under the said section shall be restricted to 100% from financial year 2020-21 (Assessment Year 2021-22).

(viii) **Section 80-IA of the Income-tax Act : Deduction for development of infrastructure facility.**

It is proposed to amend section 80IA of the Income-tax Act so as to provide that no deduction shall be available to enterprise which starts development, operation and maintenance of any infrastructure facility on or after 1st April, 2017. It is further proposed to provide that the development, operation and maintenance of an infrastructure facility beginning on or after 1st April, 2017 shall be eligible for investment linked deduction under section 35AD of the Income-tax Act.

(ix) **Section 80-IAB of the Income-tax Act : Deduction for development of Special Economic Zone.**

It is proposed to amend section 80IAB of the Income-tax Act so as to provide that no deduction shall be available under this section where the development of Special Economic Zone begins on or after 1st April, 2017.

(x) **Section 80-IB of the Income-tax Act : Deduction for production of mineral oil and natural gas.**

It is proposed to amend section 80-IB(9)(ii), (iv) & (v) of the Income-tax Act so as to provide that no deduction shall be available to an undertaking engaged in production of mineral oil or natural gas if the production commences on or after 1st April, 2017.

5. Measures for TDS / TCS Rationalisation

Present Section	Heads	Existing Threshold Limit (₹)	Proposed Threshold Limit (₹)
192A	Payment of accumulated balance due to an employee in EPF	30,000	50,000
194BB	Winnings from Horse Race	5,000	10,000
194C	Payments to Contractors	Aggregate annual limit of 75,000	Aggregate annual limit of 1,00,000

194LA	Payment of Compensation on acquisition of certain Immovable Property	2,00,000	2,50,000
194D	Insurance commission	20,000	15,000
194G	Commission on sale of lottery tickets	1,000	15,000
194H	Commission or brokerage	5,000	15,000

Present Section	Heads	Existing Rate of TDS (%)	Proposed Rate of TDS (%)
194DA	Payment in respect of Life Insurance Policy	2%	1%
194EE	Payments in respect of NSS Deposits	20%	10%
194D	Insurance commission	10%	5%
194G	Commission on sale of lottery tickets	10%	5%
194H	Commission or brokerage	10%	5%
194K	Income in respect of Units	To be omitted w.e.f 01.06.2016	
194L	Payment of Compensation on acquisition of Capital Asset	To be omitted w.e.f 01.06.2016	

- 5.2 It is proposed to amend section 206AA of the Income-tax Act so as to provide that TDS shall not be deducted at a higher rate in case of non-residents not having PAN, subject to prescribed condition.
- 5.3 It is proposed to extend DTAA benefits by allowing for rate in force being applicable for withholding tax purposes in respect of distribution by Category-I and II Alternate Investment Funds to the non-resident investors. It is also proposed to provide that the investors may seek certificate of lower deduction or nil deduction of tax.
- 5.4 The regime for taxation of Securitisation Trusts and their investors is proposed to be modified. It is proposed to provide complete pass through to securitisation trust and the income is to be taxed in the hands of investor in same manner and to the same extent as it would have been taxed, if the investor had made underlying investments directly and not through trust. It is also proposed to provide that the income of securitisation trust shall be exempt and that the securitisation trust shall effect tax deduction at source.

- 5.5 It is also proposed to provide that upon self-certification, no tax will be deducted on rental payments if the income of the payee does not exceed the maximum amount not chargeable to tax.

6. Measures for promoting Economic Growth

- 6.1 It is proposed to provide that in case of foreign company, mere storage of crude oil in India would not constitute Business Connection and the income arising or accruing on storage and sale of the crude oil, subject to fulfilment of certain conditions, shall not be liable to tax in India.
- 6.2 It is proposed to provide that in case of a foreign company engaged in business of mining of diamonds, no income shall be deemed to accrue or arise in India to it through or from the activities which are confined to display of uncut and unsorted diamonds in a notified Special Zone.
- 6.3 It is proposed to provide that the plant & machinery acquired and installed for transmission activity would also be eligible for additional depreciation under section 32(1)(iia) of the Income-tax Act.
- 6.4 It is proposed to amend sub-section (1A) of section 32AC of the Income-tax Act to provide that the acquisition of the plant & machinery of the specified value has to be made in the previous year. However, installation may be made by 31.03.2017 in order to avail the benefit of additional depreciation of 15%.
- 6.5 It is proposed to expand the scope of section 43B of the Income-tax Act so as to provide that certain specified payments payable to Railways shall be allowed as deduction as business income only if the same has been paid on or before the due date of filing of return for the relevant year.
- 6.6 It is proposed to provide that the non-compete fee received/receivable in relation to not carrying out any profession will be chargeable to tax as an income from business or profession.
- 6.7 It is proposed to amend the provisions of the Income-tax Act so as to provide that the fees paid for obtaining right to use the spectrum is to be amortized over the period for which the right to use the spectrum has been granted.

7. Measures for prevention of abuse of Law

- 7.1 It is proposed to provide that where a trust or institution registered u/s 12AA of the Income-tax Act ceases to be charitable organisation, the amount of net asset as on date of such conversion which represents the income accreted to the trust over a period of time shall

be charged to additional income-tax at the maximum marginal rate. Similarly, if on dissolution a charitable trust or institution does not transfer all its assets within one year of dissolution to another charitable organization, the amount of accreted income to the extent not transferred shall be subject to this levy of additional income-tax.

- 7.2 For implementing the country by country (CbC) reporting and master file submission in relation to OECD report on BEPS action plan Action 13, which is the minimum standard to be followed by every member/partner country, it is proposed to provide for furnishing of documents by the specified person. It is also proposed to provide for penal consequence in case of non-compliance by such person.
- 7.3 It is proposed to provide that no set off of losses shall be allowed against deemed undisclosed income u/s 68 to 69D of the Income-tax Act.
- 7.4 It is proposed to provide a tax neutral treatment to conversion of a company into Limited Liability Partnership (LLP), if, among the other existing conditions, the total value of the assets in the books of account of the company in any of the three preceding years from the year in which conversion takes place does not exceed five crore rupees.
- 7.5 It is proposed to provide that the buyback of shares by a company shall mean purchase of its own shares in accordance with relevant provisions of the Companies Act and that the distributed income shall mean, the consideration paid on buyback of shares as reduced by the amount received by the company for issue of such shares to be determined in the prescribed manner.

8. Measures for Simplification of Procedures

- 8.1 It is proposed to amend the provision of section 44AB of the Income-tax Act to enhance the threshold limit for audit of accounts from ₹ 25 lakh to ₹ 50 lakh for persons having income from profession.
- 8.2 It is proposed to amend the provisions of section 44AD of the Income-tax Act so as to increase the threshold limit of presumptive taxation from ₹ 1 crore to Rs 2 crore. It is also proposed to provide that if the taxpayer opts for the presumptive taxation scheme, he has to remain in that scheme for 5 years. Further, if he does not offer the income as per the said scheme in any of the five years, he shall not be eligible to claim the benefit under the scheme for next 5 years.
- 8.3 It is proposed to amend section 139 of the Income-tax Act so as to provide that,-
 - ❖ a person shall be required to furnish his return of income if this total income during the previous year without claiming exemption under section 10(38) exceeds the maximum amount which is not chargeable to tax.

- ❖ a person, who has not furnished a return for any previous year by the due date, may furnish the same before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier. He may also revise such return before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.
- ❖ a return furnished in response to a notice issued under section 142 (1) of the Income-tax Act cannot be revised.
- ❖ a return which is otherwise valid would not be treated defective merely because self-assessment tax and interest payable in accordance with the provisions of section 140A, has not been paid on or before the date of furnishing of the return.

- 8.4 It is proposed to amend the provisions of section 211 of the Income-tax Act to provide that the number of instalments and due dates for payment of advance tax in the case of individuals, HUFs, firms, etc. shall be the same as is applicable to companies. It is also proposed that the taxpayer eligible for presumptive taxation scheme under section 44AD of the Income-tax Act shall pay whole amount of advance tax in one instalment on or before the 15th March of the financial year.
- 8.5 It is proposed to amend section 253 of the Income-tax Act to provide that no appeal shall be filed by the Income-tax Department against the direction of the Dispute Resolution Panel.
- 8.6 It is proposed to amend section 254 of the Income-tax Act to reduce the time limit for rectifying an order passed by Appellate Tribunal from 4 years to 6 months.
- 8.7 It is proposed to amend section 281B of the Income-tax Act to provide for revocation of attachment of property in cases where assessee furnishes a Bank Guarantee from a scheduled bank of an amount not less than the fair market value of such property or of an amount sufficient to protect the interest of revenue.
- 8.8 As a step forward in digitisation of processes of the Income-tax Department, it is proposed to provide that notices and documents may be issued by the income tax authorities in electronic form also.
- 8.9 It is proposed to amend section 147 of the Income-tax Act to provide that a case may be reopened by the Assessing Officer on the basis of information culled out from the data base by the Directorate of Systems indicating that income has escaped assessment.

- 8.10 With a view to reduce litigation and to collect taxes at the earliest point of time it is proposed to expand the scope of adjustment that can be done at the time of processing of return under sub-section 143(1) of the Income-tax Act. It is also proposed that before making an assessment u/s 143(3) of the Act, a return shall be processed u/s 143(1) of the Act.

INDIRECT TAX

The Table below summarises the changes in Customs, Central Excise and Service Tax rate structures and law and procedure.

Sl.No.	Changes	Existing	Proposed
I	Promoting Agriculture and food processing		
1.	Krishi Kalyan Cess proposed to be levied on all taxable services to finance and promote initiatives to improve agriculture, with effect from 01.06.2016.	-	0.5%
2.	Services provided by National Centre for Cold Chain Development under Department of Agriculture, Cooperation and Farmer's welfare, Government of India, by way of knowledge dissemination, being exempted from service tax, with effect from 01.04.2016.	14%	Nil
3.	Excise duty on electric motor, shafts, sleeve, chamber, impeller, washer required for the manufacture of centrifugal pump being reduced. More than 50% of such pumps are used in agriculture.	12.5%	6%
4.	Concessional 5% Basic Customs Duty as presently available under project imports for cold storage, cold room (including for farm level pre-cooling) being extended for 'cold chain including pre-cooling unit, pack houses, sorting and grading lines and ripening chambers' also.	10%	5%
5.	BCD on refrigerated containers being reduced	10%	5%
6.	Excise duty on refrigerated containers being reduced	12.5%	6%

7.	Excise duty on micronutrients [covered under S. No. 1(f) of Schedule 1 Part (A) of the Fertilizer Control Order, 1985 and manufactured by the manufacturers which are registered under the FCO, 1985] being reduced.	12.5%	6%
8.	Excise duty on physical mixture of fertilizers, made out of chemical fertilizers on which duty of excise has been paid, by Co-operative Societies, holding certificate of manufacture for mixture of fertilizers under the Fertilizer Control Order 1985, for supply to the members of such Co-operative Societies, being exempted.	1% (without ITC or 6% (with ITC)	Nil
II	Broadening of Tax base	Existing	Proposed
1.	Exemption on services provided by,- (i) a senior advocate to an advocate or partnership firm of advocates providing legal service; and (ii) a person represented on an arbitral tribunal to an arbitral tribunal, being withdrawn and service tax being levied under forward charge, with effect from 01.04.2016.	Nil	14%
2.	Exemption to construction, erection, commissioning or installation of original works pertaining to monorail or metro, in respect of contracts entered into on or after 1st March 2016 being withdrawn, with effect from 01.03.2016.	Nil	5.6%
3.	Exemption to the services of transport of passengers, by ropeway, cable car or aerial tramway being withdrawn, with effect from 01.04.2016.	Nil	14%
4.	Negative List entry that covers 'service of transportation of passengers, with or without accompanied belongings, by a stage carriage' being omitted and tax	Nil	5.6%

	proposed to be levied on service of transportation of passengers by air conditioned stage carriage, at the abatement of 60% without input tax credit, with effect from 01.06.2016.		
5.	Abatement on shifting of used household goods by a Goods Transport Agency is being rationalized at the rate of 60%, without input tax credit, with effect from 01.04.2016.	4.2%	5.6%
III	Measures to boost construction sector and promote affordable housing		
		Existing	Proposed
1.	Service Tax on services in respect of- (i) construction services under Housing For All (HFA) (Urban) Mission/ Pradhan Mantri Awas Yojana (PMAY); (ii) construction projects under “Affordable housing in partnership” component of PMAY, subject to carpet area of dwelling units of such projects not exceeding 60 square metres; (iii) low cost houses up to a carpet area of 60 square metres per house in a housing project under any housing scheme of the State Government. being exempted, with effect from 01.03.2016.	5.6%	Nil
2.	Excise duty exemption, presently available to Concrete Mix manufactured at site for use in construction work at such site being extended to Ready Mix Concrete manufactured at the site of construction for use in construction work at such site.	12.5%	Nil
IV	Promoting social security and moving towards a pensioned society		
1.	Service Tax on service of life insurance business provided by way of annuity under the National Pension System regulated by Pension Fund Regulatory and	3.5%	Nil

	Development Authority (PFRDA) being exempted, with effect from 01.04.2016.		
2.	Service tax on services provided by Employees' Provident Fund Organization (EPFO) to employees, being exempted, with effect from 01.04.2016.	14%	Nil
3.	Composition rate of service tax on single premium annuity (insurance) policies being reduced from 3.5% to 1.4% of the premium charged, with effect from 01.04.2016.	3.5%	1.4%
4.	Service Tax on the services of general insurance business provided under 'Niramaya' Health Insurance scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability being exempted, with effect from 01.04.2016.	14%	Nil
V	Financial, Banking & Insurance Sector		
		Existing	Proposed
1.	The services provided by mutual fund agent/distributor to a mutual fund or asset management company being taxed under forward charge, with effect from 01.04.2016.	14%	14%
2.	Service tax on the regulatory services provided by Securities and Exchange Board of India and Insurance Regulatory Development Authority being exempted, with effect from 01.04.2016.	14%	NIL
3.	Additional options being provided for reversal of actual input tax credits with respect to non-taxable services provided by them by way of extending deposits, loans, and advances to banking companies and financial institutions, including non banking financial companies. This will come into effect from 01.04.2016.		
4.	Service tax on services provided by Insurance Regulatory and Development Authority of India (IRDA), being exempted, with effect from 01.04.2016.	14%	Nil

VI Incentivizing domestic value addition, 'Make in India'			
		Existing	Proposed
1.	Balloons		
	BCD on Natural latex rubber made balloons being increased.	10%	20%
2.	Jewellery		
	BCD on Imitation jewellery being increased.	10%	15%
3.	Metals		
	BCD being increased on		
	a) Primary aluminium	5%	7.5%
	b) Other aluminium products	7.5%	10%
	c) Zinc alloys	5%	7.5%
4.	Renewable Energy		
(i)	BCD on Industrial solar water heater being increased.	7.5%	10%
(ii)	BCD exemption on solar tempered glass / solar tempered (anti-reflective coated) glass being withdrawn and 5% concessional BCD being imposed, subject to actual user conditions.	Nil	5%
(iii)	Solar lamp being exempt from excise duty	12.5%	Nil
5.	Capital Goods		
	Tariff rate of BCD being increased on goods falling under 211 specified tariff lines in Chapter 84, 85 and 90. Out of which:	7.5%	10%
	(i) The effective rate of BCD on goods falling under 115 specified tariff lines in being maintained at 7.5%.	7.5%	7.5%
	(ii) The effective rate of BCD on goods falling under remaining 96 tariff lines is being increased to 10%.	7.5%	10%
6.	Mineral fuels and Mineral oils		
(i)	Rate of Oil Industries Development Cess, on domestically produced crude oil [OIDB Cess under the Oil Industry (Development) Act, 1974], being reduced.	₹ 4500 PMT	20% ad valorem

(ii)	BCD being rationalized on:		
	a) Coal; briquettes, ovoids and similar solid fuels manufactured from coal	2.5% / 10%	2.5%
	b) Lignite, whether or not agglomerated, excluding jet	10%	2.5%
	c) Peat (including peat litter), whether or not agglomerated	10%	2.5%
	d) Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon	5% / 10%	5%
	e) Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons	10%	5%
	f) Tar distilled from coal, from lignite or from peat and other mineral tars, whether or not dehydrated or partially distilled, including reconstituted tars	10%	5%
	g) Oils and other products of the distillation of high temperature coal tar similar products in which the weight of the aromatic constituents exceeds that of the non-aromatic constituents	2.5% / 5% / 10%	2.5%
	h) Pitch and pitch coke, obtained from coal tar or from other mineral tars	5% / 10%	5%
7.	Chemicals & Petrochemicals		
(i)	BCD on all acyclic hydrocarbons and all cyclic hydrocarbons [other than paraxylene which attracts Nil BCD and styrene which attracts 2% BCD] being rationalized.	5% / 2.5%	2.5%
(ii)	BCD on denatured ethyl alcohol (Ethanol) being reduced, subject to actual user condition.	5%	2.5%
(iii)	SAD on Orthoxylene, being reduced, for the manufacture of phthalic anhydride subject to actual user condition.	4%	2%

(iv)	BCD on electrolyzers, membranes and their parts required by caustic soda/potash unit using membrane cell technology being exempted.	2.5%	Nil
8.	Paper, Paperboard and newsprint		
(i)	Basic customs duty on wood in chips or particles for manufacture of paper, paperboard and news print being reduced.	5%	Nil
(ii)	BCD on Plans, drawings and designs being increased.	Nil	10%
9.	Textiles		
(i)	Basic Customs Duty on specified fibres and yarns being reduced.	5%	2.5%
(ii)	Basic customs duty on import of specified fabrics [for manufacture of textile garments for export] of value equivalent to 1% of FOB value of exports in the preceding financial year being exempted subject to the specified conditions.	Applicable rate	Nil
10.	Electronics / Hardware		
(i)	BCD on polypropylene granules / resins for the manufacture of capacitor grade plastic films being reduced.	7.5%	Nil
(ii)	BCD on E-Readers being increased.	Nil	7.5%
(iii)	BCD on parts of E-readers being reduced.	Applicable rate	5%
(iv)	Nil Basic Customs Duty being extended on magnetron of capacity of 1 KW to 1.5 KW for use in manufacture of domestic microwave ovens, subject to actual user condition.	10%	Nil
(v)	Machinery, electrical equipment, instrument and parts thereof (except populated PCBs) for semiconductor wafer fabrication/LCD fabrication units being exempted.	Applicable BCD SAD – 4%	Nil BCD Nil SAD
(vi)	Machinery, electrical equipment, instrument and parts thereof (except populated PCBs) imported for Assembly, Test, Marking and Packaging of semiconductor chips (ATMP) being exempted.	Applicable BCD SAD – 4%	Nil BCD Nil SAD

(vii)	The exemption from basic customs duty, CV duty, SAD on charger/adaptor, battery and wired headsets/speakers for manufacture of mobile phone being withdrawn.	BCD – Nil CVD – Nil SAD - Nil	Applicable BCD CVD – 12.5% SAD – 4%
(viii)	Inputs, parts and components, subparts for manufacture of charger / adapter, battery and wired headsets /speakers, of mobile phone, subject to actual user condition being exempted.	Applicable BCD, CVD SAD	Nil BCD Nil CVD Nil SAD
(ix)	Parts and components, subparts for manufacture of Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR)/network video recorder (NVR), CCTV camera/IP camera, lithium ion battery [other than those for mobile handsets] being exempted.	Applicable BCD, CVD SAD	Nil BCD Nil CVD Nil SAD
(x)	Basic Customs Duty exemption on Magnetic - Heads (all types), Ceramic/Magnetic cartridges and stylus, Antennas, EHT cables, Level meters/level indicators/ tuning indicators/ peak level meters/ battery meter/VC meters/Tape counters, Tone arms, Electron guns being withdrawn.	Nil	Applicable BCD
(xi)	Specified telecommunication equipment [Soft switches and Voice over Internet Protocol (VoIP) equipment namely VoIP phones, media gateways, gateway Product/Switch (POTP/POTS), Optical controllers and session border controllers, Optical Transport equipment; combination of one / more of Packet Optical Transport Network(OTN) products, and IP Radios, Carrier Ethernet Switch, Packet Transport Node (PTN) products, Multiprotocol Label Switching-Transport Profile (MPLS-TP) products, Multiple Input / Multiple Output (MIMO) and Long Term Evolution (LTE) Products on which 10% BCD was imposed in 2014-15 Budget] being excluded from the purview of the other exemption also.	Nil	10%

(xii)	Basic Customs Duty exemption on preform of silica for manufacture of telecom grade optical fibre /cables being withdrawn.	Nil	10%
(xiii)	Basic Customs Duty on specified capital goods and inputs for use in manufacture of Micro fuses, Sub-miniature fuses, Resettable fuses and Thermal fuses being exempted.	Applicable rate	Nil
(xiv)	Concessional Basic Customs Duty on Neodymium Magnet (before Magnetization) and Magnet Resin (Strontium Ferrite compound/before formed, before magnetization) for manufacture of BLDC motors, being prescribed subject to actual user condition.	Applicable rate	2.5%
(xv)	Exemption from SAD on populated PCBs for manufacture of personal computers (laptop or desktop) being withdrawn.	Nil	4%
(xvi)	Exemption from SAD on populated PCBs of mobile phone/tablet computer being withdrawn. Concessional SAD on populated PCBs for manufacture of mobile phone/tablet computer imposed.	Nil	2%
(xvii)	Excise duty structure on domestically manufactured charger/adaptor, battery and wired headsets/speakers for supply to mobile phone manufacturers as original equipment manufacturer being changed.	Nil	2% [without ITC] or 12.5% [with ITC]
(xviii)	Excise duty on inputs, parts and components, subparts for manufacture of charger/adaptor, battery and wired headsets/speakers of mobile phone, subject to actual user condition being exempted.	12.5% / Nil	Nil
(xix)	Excise duty structure on Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera / IP camera, lithium ion battery [other than those for mobile handsets] being changed.	12.5%	4% [without ITC] or 12.5% [with ITC]

(xx)	Excise duty on parts and components, subparts for manufacture of Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera / IP camera, lithium ion battery [other than those for mobile handsets] being exempted.	12.5%	Nil
11.	Metals, glass and ceramics		
(i)	BCD on Silica sand being reduced.	5%	2.5%
(ii)	Basic Customs Duty on brass scrap being reduced.	5%	2.5%
(iii)	Excise duty structure on disposable containers made of aluminium foils being changed.	2% [without ITC] or 6% [with ITC]	2% [without ITC] or 12.5% [with ITC]
12.	Automobiles		
(i)	BCD on Golf cars being increased.	10%	60%
(ii)	Nil BCD and 6% excise/CVD being extended on parts of electric vehicles and hybrid vehicles, presently.	Available upto 31.03.2016	Without any time limit
(iii)	BCD on aluminium Oxide for manufacture of Wash Coats, which are used in the manufacture of catalytic converters, being reduced subject to actual user condition	7.5%	5%
(iv)	Description of “Engine for HV (Atkinson cycle)” to “Engine for xEV (hybrid electric vehicle)” for the purposes of Nil Basic Customs Duty and 6% CVD being changed.	Applicable BCD and CVD	Nil BCD 6% CVD
(v)	Description of “Engine for HV (Atkinson cycle)” to “Engine for xEV(hybrid electric vehicle)” being changed for the purposes of concessional 6% excise duty	12.5%	6%
13.	Capital Goods		
(i)	CVD exemption on specified machinery required for construction of roads being withdrawn.	Nil	12.5%

14.	Defence Production		
(i)	Customs duties exemption on direct imports of specified goods for defence purposes by Government of India or State Governments being withdrawn, with effect from 01.04.2016.	BCD- Nil CVD – Nil SAD – Nil	BCD – 5% to 10% CVD – 12.5% SAD – 4%
(ii)	BCD exemption on specified goods imported by contractors of Government of India PSUs or sub-contractors of such PSUs for defence purposes being withdrawn, with effect from 01.04.2016.	Nil	7.5% to 10%
15.	Maintenance, repair and overhaul [MRO] of aircrafts		
(i)	Tools and tool kits being exempted from Basic Customs duty, CVD and SAD when imported by MROs for maintenance, repair, and overhauling [MRO] of aircraft subject to certification by the Directorate General of Civil Aviation.	Applicable BCD, CVD and SAD	Nil BCD Nil CVD Nil SAD
(ii)	Exemption from excise duty being extended to tools and tool kits when procured by MROs for maintenance, repair, and overhauling [MRO] of aircraft subject to a certification by the Directorate General of Civil Aviation	Applicable excise duty	Nil
(iii)	Procedure for availment of exemption from customs duties on parts, testing equipment, tools and tool-kits for maintenance, repair and overhaul of aircraft being simplified based on records and subject to actual user condition.		
(iv)	The restriction of one year for utilization of duty free parts for maintenance, repair and overhaul of aircraft being removed.		
(v)	The existing conditions of stay [60 days] being further relaxed, so as to provide for stay up to 6 months of the foreign aircraft for maintenance, repair or overhauling, with further extension of such period by DGCAs as deemed fit.		
(vi)	The procedure for availment of exemption from excise duty on parts, testing equipment, tools and tool-kits for maintenance, repair and overhaul of aircraft being simplified based on records.		

16.	Ship Repair /Units		
(i)	Excise duty on capital goods and spares thereof, raw materials, parts, material handling equipment and consumable for repairs of ocean-going vessels by a ship repair unit subject to actual user condition being exempted.	Applicable excise duty	Nil
(ii)	The procedure for availment of exemption from Basic Customs Duty, CVD and SAD by ship repair units being simplified based on records and subject to actual user condition.		
17.	Miscellaneous		
(i)	Basic customs duty on import of Medical Use Fission Molybdenum-99 by Board of Radiation and Isotope Technology (BRIT) for manufacture of radio pharmaceuticals being exempted.	7.5%	Nil
(ii)	Concessional BCD on Pulp of wood for manufacture of sanitary pads, napkins & tampons being provided.	5%	2.5%
(iii)	Concessional BCD on Super Absorbent Polymer when used for manufacture of sanitary pads, napkins & tampons being extended.	7.5%	5%
(iv)	Excise duty on parts of railway or tramway locomotives or rolling stock and railway or tramway track fixtures and fittings, railway safety or traffic control equipment, etc. being reduced.	12.5%	6%
(v)	“Foreign Satellite data” on storage media when imported by National Remote Sensing Centre (NRSC), Hyderabad being exempted.	Applicable BCD, CVD, SAD	Nil BCD Nil CVD Nil SAD
(vi)	Clean Energy Cess / Clean Environment Cess on coal, lignite or peat, produced or extracted as per traditional and customary rights enjoyed by local tribals without any license or lease in the State of Nagaland being exempted.	₹200 per tonne	Nil
(vii)	Excise duty on improved cookstoves including smokeless chulhas for burning wood, agrowaste, cowdung, briquettes, and coal being exempted unconditionally.	12.5%	Nil

18.	Ores, concentrates		
	Export duty reduced on:		
	a) Iron ore fines with Fe content below 58%	10%	Nil
	b) Iron ore lumps with Fe content below 58%	30%	Nil
	c) Chromium ores and concentrates, all sorts	30%	Nil
	d) Bauxite	20%	15%
19.	Textiles		
(i)	Excise duty on branded readymade garments and made up articles of textiles of retail sale price of ₹1000 or more being changed.	Nil (without ITC) or 6%/12.5% (with ITC)	2% (without ITC) or 12.5% (with ITC)
(ii)	The Tariff value for excise /CVD purposes on readymade garments and made up articles of textiles being changed.	30% of retail sale price	60% of retail sale price
(iii)	Excise duty on PSF / PFY, manufactured from plastic scrap or plastic waste including waste PET bottles, being changed.	2% (without ITC) or 6% (with ITC)	2% (without ITC) or 12.5% (with ITC)
20.	Renewable Energy		
(i)	Excise duty on carbon pultrusions used for manufacture of rotor blades, and intermediates, parts and sub-parts of rotor blades for wind operated electricity generators being reduced.	12.5%	6%
(ii)	Excise duty on Unsaturated Polyester Resin (polyester based infusion resin and hand layup resin), Hardeners/Hardener for adhesive resin, Vinyl Ester Adhesive (VEA) and Epoxy Resin used for manufacture of rotor blades, and intermediates, parts and sub-parts of rotor blades for wind operated electricity generators being increased.	Nil	6%

(iii)	“Valid agreement between importer / producer of power with urban local body for processing of municipal solid waste for not less than ten years from the date of commissioning of project” being provided as an alternative condition for availing concessional customs/excise duty benefits in case of power generation project based on municipal and urban waste.		
21.	Jewellery		
	Excise duty exemption on Articles of Jewellery [excluding silver jewellery, other than studded with diamonds or other precious stones namely, ruby, emerald and sapphire] being withdrawn with a higher threshold exemption upto ₹6 crore in a year and eligibility limit of ₹12 crore, along with simplified compliance procedure.	Nil	1% (without ITC) or 12.5% (ITC)
22.	Footwear		
(i)	Excise duty on rubber sheets & resin rubber sheets for soles and heels being reduced.	12.5%	6%
(ii)	The abatement rate from retail sale price (RSP) for the purposes of RSP based assessment of excise duty, for all categories of footwear being revised.	25%	30%
23.	Service tax		
(i)	a) Services provided by Indian Shipping lines by way of transportation of goods by a vessel to outside India being zero rated with effect from 1st March, 2016; and b) Service tax on services provided by them by way of transportation of goods by a vessel from outside India up to the customs station in India being imposed, with effect from 1st June, 2016.	No credit Nil	Input tax credit allowed 14%
(ii)	Service tax on services provided by Biotechnology Industry Research Assistance Council (BIRAC) approved biotechnology incubators to incubatees being exempted, with effect from 01.04.2016.	14%	Nil

(iii)	Service tax on the services provided by way of skill/vocational training by training partners under Deen Dayal Upadhyay Grameen Kaushalya Yojana being exempted, with effect from 01.04.2016.	14%	NIL
(iv)	Service tax on services of assessing bodies empanelled centrally by Directorate General of Training, Ministry of Skill Development & Entrepreneurship being exempted, with effect from 01.04.2016.	14%	NIL
(v)	Notification No. 41/2012-ST, was amended by notification No.1/2016-ST so as to, <i>inter alia</i> , allow refund of service tax on services used beyond the factory etc. for the export. This amendment is being made effective from 1 st July 2012. This will come into effect from the date of enforcement of Finance Bill 2016.		
(vi)	Quarterly payment of service tax being extended to 'One Person Company' (OPC) and HUF also, with effect from 01.04.2016.		
(vii)	Facility of payment of service tax being extended on receipt basis to 'One Person Company' (OPC) also, with effect from 01.04.2016.		
VI	Ease of doing business		
1.	13 cesses levied by other Ministries/Departments and administered by the Department of Revenue, where the revenue collection from each of them is less than ₹50 crore in a year being abolished.		
2.	Interest rates on delayed payment of duty/tax across all indirect taxes being rationalized at 15%, except in case of service tax collected but not deposited to the exchequer, in which case the rate of interest will be 24% from the date on which the service tax payment became due. For assesses with taxable value during preceding year/years covered by the notice is less than ₹ 60 Lakh, the rate of interest on delayed payment of service tax will be 12%. This will come into effect from date of enforcement of Finance Bill, 2016.	Customs 18% Excise 18% Service tax 18% 24% 30%	Customs Excise Service tax 15%. 24% in case of tax collected but not deposited

3.	The exemptions from customs duties on specified goods imported for petroleum exploration under various types of licenses or mining leases, pre-NELP contracts, NELP contracts, Marginal Fields Policy and the Coal Bed Methane Policy being merged into a single exemption with a unified list of specified goods and conditions
4.	Nil Basic Customs Duty and Nil CVD on imports of goods required for exploration & production of hydrocarbon activities being extended to such operations undertaken under Petroleum Exploration Licenses (PEL) or Mining Leases (ML) issued or renewed before 1st April 1999.
5.	CENVAT Credit Rules, 2004 being amended, to improve credit flow, reduce the compliance cost and litigation, particularly those relating to apportionment of credit between exempted and non-exempted final products / services. Changes are also being made in the provisions relating to input service distributor, including extension of this facility to transfer input services credit to outsourced manufacturers, under certain circumstances. Amendments will also enable manufacturers with multiple manufacturing units to maintain a common warehouse for inputs and distribute inputs with credits to the individual manufacturing units. This will come into effect from 01.04.2016.
6.	Amendments being made to Central Excise and Service Tax laws so as to provide for closure of proceedings against co-noticees, once the proceedings against the main noticee have been closed, with effect from date of enforcement of Finance Bill, 2016.
7.	Rules prescribing procedure for import or domestic procurement of goods at concessional rates of customs and excise duties for certain specified purposes being simplified.
8.	Number of returns for central excise assessee, above a certain threshold, is being reduced, from 27 to 13, one annual and 12 monthly returns. The annual return will also have to be filed by service tax assessees, above a certain threshold, taking total number of returns to three in a year for them. This will come into effect from 01.04.2016.
9.	The facility for revision of return, hitherto available to a service tax assessee only, being extended to manufacturers also.
10.	The monetary limit for launching prosecution being increased to ₹ 2 crore of service tax evasion and the power to arrest being restricted only to situations where the tax payer has collected the tax but not deposited it to the exchequer above a certain threshold of ₹ 2 crore. This will come into effect from date of enforcement of Finance Bill, 2016.

11.	The Customs Act being amended to provide for deferred payment of customs duties for certain class of importers and exporters. In consultations with Ministry of Shipping, the facility of direct port delivery is being extended to more importers.		
12.	In 2014-15 Budget, the intent to implement Indian Customs Single Window Project was announced. Significant progress has been made in that direction to implement this facility at major ports and airports starting from next financial year.		
13.	The duty free import allowance for bona fide gifts imported by post or air or by courier service being increased.	₹10,000	₹20,000
14.	Chief Commissioners of Central Excise are being instructed to file application for withdrawing prosecution in cases involving duty less than rupees five lakh and pending for more than fifteen years.		
VII	Clean Environment Initiatives	Existing	Proposed
1.	The name of 'Clean Energy Cess' levied on coal, lignite and peat being changed to 'Clean Environment Cess' and its rate being increased.	₹ 200 PMT	₹ 400 PMT
2.	Credit of input services on transport of passengers by rail at the existing rate of abatement of 70% being allowed, with effect from 01.04.2016.	4.2% Without credit	4.2% With input service credit
3.	Credit of input services on transport of goods in containers by rail at a reduced abatement rate of 60% being allowed, with effect from 01.04.2016.	4.2% Without credit	5.6% With input service credit
4.	Credit of input services on transport of goods, other than in containers by rail at the existing rate of abatement of 70% being allowed, with effect from 01.04.2016.	4.2% Without credit	4.2% With input service credit
5.	Credit of input services on transport of goods by vessel at the existing rate of abatement of 70% being allowed, with effect from 01.04.2016.	4.2% Without credit	4.2% With input service credit

6.	The customs and excise duty concessions on specified parts of electric vehicles / hybrid vehicles being extended.	Upto 31.03.2016	Without time limit
7.	Excise duty on sacks and bags of any plastic being rationalized.	12.5% or 15%	15%
VIII	Reduce litigation and providing certainty in taxation		
1.	An Indirect tax Dispute Resolution Scheme, 2016, being introduced wherein in respect of cases pending before Commissioner (Appeals), the assessee, after paying the duty, interest and penalty equivalent to 25% of penalty imposed, can file a declaration. The proceedings against the assessee will be closed and he will also get immunity from prosecution. However, this scheme will not apply in certain cases.		
2.	Retail Sale Price [RSP] based assessment of excise duty being extended to all goods falling under heading 3401 and 3402 with the abatement rate of 30%.		
3.	Retail Sale Price [RSP] based assessment of excise duty being extended to: a) aluminium foils of a thickness not exceeding 0.2 mm [with abatement of 25%]; b) wrist wearable devices (commonly known as 'smart watches') [with abatement of 35%]; and c) accessories of motor vehicle and certain other specified goods [with abatement of 30%].		
4.	Exemptions being restored , with effect from 01.04.2015, in relation to contracts which had been entered into prior to 01.03.2015 for services of: a) construction provided to the Government, a local authority or a governmental authority, in respect of construction of govt. schools, hospitals etc. b) construction of ports, airports.	5.6% of total amount	Nil
5.	Exemption from service tax being extended to services provided by way of construction, maintenance etc. of canal, dam or other irrigation works provided to bodies set up by Government, during the period from the 1st July, 2012 to 29th January, 2014.	5.6% of total amount	Nil

6.	Section 67A being amended to obtain rule making powers in respect of the Point of Taxation Rules, 2011. Point of Taxation Rules, 2011 being amended accordingly, with effect from date of enforcement of Finance Bill, 2016.		
7.	Section 93A of the Finance Act, 1994 being amended so as to allow rebate by way of notification also, with effect from date of enforcement of Finance Bill, 2016.		
8.	Explanation 2 in section 65B(44) of the Finance Act, 1994 being amended so as to clarify that any activity carried out by a lottery distributor or selling agent are liable to service tax, with effect from date of enforcement of Finance Bill, 2016.		
9.	Being clarified that service provided by the Indian Railways to Container Train Operators (CTOs) of haulage of their container train is a service of 'Transport of Goods by Rail'.	14%	4.2%
10.	Services provided by the Indian Institutes of Management (IIM) by way of 2 year full time Post Graduate Programme in Management (PGPM), Integrated Programme in Management and Fellowship Programme in Management (FPM) being exempted, with effect from 01.03.2016.	14%	Nil
11.	Cenvat Credit Rules, 2004 being amended so as to provide for reversal of Cenvat Credit of inputs/input services which have been commonly used in providing taxable output service and an activity which is not a 'service', with effect from 01.04.2016.		
12.	Notification No. 27/2012 – C.E. (N.T.) being amended so as to provide that time limit for filing application for refund of Cenvat Credit, in case of export of services, is 1 year from the specified date, with effect from 01.03.2016.		
13.	Assignment by the Government of the right to use the radio-frequency spectrum and its subsequent transfers being declared as a service so as to make it clear that assignment of right to use the spectrum is a service leviable to service tax and not sale of intangible goods, with effect from date of enforcement of Finance Bill, 2016.	14%	14%
14.	A condition mandating inclusion of cost of fuel in the consideration for the services of renting of motor-cab services for availing abatement from service tax, being introduced with effect from 01.04.2016.		

15.	Service tax on the services of Information Technology software on media bearing RSP, being exempted, provided appropriate Central Excise duty is paid, with effect from 01.03.2016.	Nil	Nil
16.	Mutual exclusiveness of levy of excise duty and service tax on information technology software [in respect of Software recorded on media “NOT FOR RETAIL SALE”] being ensured by exempting from excise duty only that portion of the transaction value on which service tax is paid, with effect from 01.03.2016.	14%	14%
IX	Rationalization/anti avoidance	Existing	Proposed
1.	The abatement rate at 70% in respect of services by way of construction of residential complex etc. being rationalized, with effect from 01.04.2016.	3.5%/ 4.2%	4.2%
2.	Concessional CVD on Gold dore bar being increased and concessional excise duty on refined gold bars manufactured from such gold dore or gold ore/concentrate, silver dore bar and copper ore or concentrate being increased. Excise duty exemption under the existing area based exemptions on refined gold being prospectively withdrawn. Concessional CVD on silver dore bar and excise duty on refined silver being increased.	CVD 8% Excise duty 9% CVD 7% Excise duty 8%	CVD 8.75% Excise duty 9.5% CVD 7.75% Excise duty 8.5%
3.	Actual user condition for the imports of Phosphoric Acid and Anhydrous Ammonia at concessional BCD/CVD for manufacture of Fertilizers being prescribed.		
4.	Actual user condition on imports of LCD/LED/OLED Panels at Nil BCD for manufacture of LCD/LED/OLED TVs being prescribed.		
5.	Excise duty payable per machine per month on chewing tobacco without lime tube / lime pouches and jarda scented tobacco being aligned by providing the same speed slabs for both the products.		

6.	Abatement rate being rationalized at 70% in respect of services by a tour operator subject to certain conditions, with effect from 01.04.2016.	3.5%/ 5.6% of amount charged	4.2% of amount charged
7.	The rate of service tax on the services of a foreman to a chit fund being rationalized with an abatement of 30%, without input tax credit, with effect from 01.04.2016.	14% of amount	9.8% of amount
8.	Cenvat credit rules being amended so as to allow credit of service tax paid on upfront charges for assignment of natural resources by Government to a business entity, over such period of time as the period for which the rights have been assigned. This comes into effect from 01.04.2016.		
9.	Exemption limit on services provided by a performing artist in certain folk or classical art forms of music, dance or theatre, being enhanced to Rs.1.5 lakh per event, with effect from 01.04.2016.	14%	Nil
X	Additional Resource Mobilization	Existing	Proposed
1.	BCD on Cashew nuts in shell being increased.	Nil	5%
2.	Excise duty on waters including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored being increased.	18%	21%
3.	Excise duty on Aviation Turbine Fuel [ATF], other than for supply to Scheduled Commuter Airlines (SCA) from the Regional Connectivity Scheme Airports, being increased. ATF for supply to aircraft under the Regional Connectivity Scheme will continue to attract 8% excise duty.	8%	14%
4.	Infrastructure Cess being levied on motor vehicles, of heading 8703, as under: a) Petrol/LPG/CNG driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1200cc; b) Diesel driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1500cc;	- -	1% 2.5%

	<p>c) Other higher engine capacity and SUVs and bigger sedans.</p> <p>Three wheeled vehicles, Electrically operated vehicles, Hybrid vehicles, Hydrogen vehicles based on fuel cell technology, Motor vehicles which after clearance have been registered for use solely as taxi, Cars for physically handicapped persons and Motor vehicles cleared as ambulances or registered for use solely as ambulance will be exempt from this Cess.</p> <p>No credit of this cess will be allowed, and credit of no other duty can be allowed to pay this Cess.</p>	-	4%
XI	Miscellaneous	Existing	Proposed
	Tobacco and Tobacco Products		
1.	Excise duty on Cigar and cheroots being increased	12.5% or ₹3375 per thousand, whichever is higher	12.5% or ₹3755 per thousand, whichever is higher
2.	Excise duty on Cigarillos being increased	12.5% or ₹3375 per thousand, whichever is higher	12.5% or ₹3755 per thousand, whichever is higher
3.	Excise duty on Cigarettes of tobacco substitutes being increased	₹3375 per thousand	₹3755 per thousand
4.	Excise duty on Cigarillos of tobacco substitutes being increased	12.5% or ₹3375 per thousand, whichever is higher	12.5% or ₹3755 per thousand, whichever is higher
5.	Excise duty on other forms of tobacco substitutes being increased	12.5% or ₹3375 per thousand, whichever is higher	12.5% or ₹3755 per thousand, whichever is higher

6.	Excise duty on Gutkha, chewing tobacco (including filter khaini) and jarda scented tobacco being increased	70%	81%
7.	Excise duty on Unmanufactured tobacco being increased	55%	64%
8.	Tariff rate of excise duty on paper rolled biris [whether handmade or machine made] and other biris [other than handmade biris] being increased. The effective rates, will, however, remain unchanged.	Tariff rate ₹30 per thousand. Effective rate ₹21 per thousand	Tariff rate ₹80 per thousand. Effective rate ₹21 per thousand
9.	Additional Duty of Excise on cigarettes being increased	₹ Per thousand	₹ Per thousand
(i)	Non filter not exceeding 65 mm.	70	215
(ii)	Non-filter exceeding 65 mm but not exceeding 70 mm.	110	370
(iii)	Filter not exceeding 65 mm.	70	215
(iv)	Filter exceeding 65 mm but not exceeding 70 mm.	70	260
(v)	Filter exceeding 70 mm but not exceeding 75 mm.	110	370
(vi)	Other	180	560
10.	Other products		
(i)	A number of assistive devices, rehabilitation aids and other goods for disabled persons attract Nil BCD. This exemption being extended to Braille paper.	BCD - 10%	BCD - Nil
(ii)	Disposable sterilized dialyzer and micro barrier of artificial kidney being exempted from Basic Customs Duty, excise duty / CVD and SAD	Applicable BCD, excise / CVD, SAD	Nil BCD Nil excise/ CVD Nil SAD
XII	OTHER LEGISLATIVE AMENDMENTS		
	THE CUSTOMS ACT, 1962		
	Warehousing provisions are being simplified so as to move from physical control to record based control in most of cases. Several other consequential changes are also being made.		

	Section 25 of the Customs Act, 1962 being amended 80 also omit the requirement of publishing and offering for sale on the date of its issue, by the Directorate of Publicity and Public Relations of CBEC, of notification issued for publication in the official gazette.
	Sections 28, 47, 51 and 156 of the Customs Act, 1962 being amended so as provide for deferred payment of customs duties to certain class of importers and exporters and to increase the limitation period from one year to two year in cases not involving fraud, suppression of facts, wilful mis-statement, etc.
	New section 58A being inserted to provide for a new class of warehouses which require continued physical control and will be licensed for storing revenue sensitive goods. New section 58B being inserted so as to regulate the process of cancellation of licences which is a necessary concomitant of licencing.
	Section 65 being amended to delete the payment of fees to Customs for supervision of manufacturing facilities under Bond; and empower Principal Commissioner or Commissioner of Customs to licence such facilities.
	THE CUSTOMS TARIFF ACT, 1975
	The First Schedule to the Customs Tariff Act, 1975 being amended so as to include editorial changes in the Harmonized System of Nomenclature (HSN) in certain chapters to be effective from 01.01.2017.
	The First Schedule to the Customs Tariff Act, 1975 being amended so as to: a) prescribe separate tariff lines for laboratory created or laboratory grown or manmade or cultured or synthetic diamonds; b) substitute Tariff line 5801 39 10 with description “Warp pile fabrics, uncut” in place of tariff line 5801 37 11 [with description Warp pile fabrics ‘epingle’ uncut velvet] and 5801 37 19 [with description Warp pile fabrics ‘epingle’ uncut other]; c) delete Tariff line 8525 50 50, relating to Wireless microphone; d) to amend supplementary notes (e) and (f) of Chapter 27 so as to change the reference: from IS:1460:2000 to IS:1460:2005 for high speed diesel (HSD) and from IS:1460 to IS: 15770:2008 for light diesel oil (LDO)

	THE CENTRAL EXCISE ACT, 1944
	Section 5A being amended, so as to omit the requirement of publishing and offering for sale on the date of issue, by the Directorate of Publicity and Public Relations of CBEC, of notifications issued for publication in the Official Gazette.
	Section 11A of the Central Excise Act, 1944 being amended so as to increase the limitation period from one to two years in cases not involving fraud, suppression, etc.
	Section 37B of the Central Excise Act, 1944 being amended so as to empower the Board for implementation of any other provision of the said Act in addition to the power to issue orders, instructions and directions.
	<p>The Third Schedule to the Central Excise Act, 1944 being amended so as to include therein:</p> <ol style="list-style-type: none"> 1) All goods falling under heading 3401 and 3402; 2) Aluminium foils of a thickness not exceeding 0.2 mm; 3) Wrist wearable devices (commonly known as ‘smart watches’); and 4) Accessories of motor vehicle and certain other specified goods.
	THE CENTRAL EXCISE TARIFF ACT, 1985
	The First and Second Schedules to the Central Excise Tariff Act, 1985 being amended so as to include editorial changes in the Harmonized System of Nomenclature (HSN) in certain chapters to be effective from 01.01.2017.
	<p>the First Schedule to the Central Excise Tariff Act, 1985 being amended so as:</p> <ol style="list-style-type: none"> a) to prescribe separate tariff lines for laboratory created or laboratory grown or manmade or cultured or synthetic diamonds; b) to substitute Tariff line 5801 39 10 with description “Warp pile fabrics, uncut” in place of tariff line 5801 37 11 [with description Warp pile fabrics ‘epingle’ uncut velvet] and 5801 37 19 [with description Warp pile fabrics ‘epingle’ uncut other]; c) to delete Tariff line 8525 50 50, relating to Wireless microphone; d) to amend supplementary notes (e) and (f) of Chapter 27 so as to change the reference from IS:1460:2000 to IS:1460:2005 for high speed diesel (HSD) and from IS:1460 to IS: 15770:2008 for light diesel oil (LDO).

	THE FINANCE ACT, 1994 [SERVICE TAX]
	Section 73, being amended so as to increase the limitation period from 18 months to 30 months for short levy/non levy/short payment/non-payment/erroneous refund of service tax, with effect from date of enforcement of Finance Bill, 2016.
	THE CENTRAL SALES ACT, 1956
	Section 3 of the Central Sales Tax Act, 1956 being amended so as to insert an explanation: <i>Explanation.-</i> Where the gas sold or purchased and transported through a common carrier pipeline or any other common transport distribution systems becomes co-mingled and fungible with other gas in the pipeline or system and such gas is introduced into the pipeline or system in one State and is taken out from the pipeline in another State, such sale or purchase of gas shall be deemed to be a movement of goods from one state to another.
	THE CENTRAL ROAD FUND ACT, 2000
	Section 10 of the Central Road Fund Act, 2000, being amended so as to substitute clause (viii) of subsection (1) to provide a formula for redistribution of the cess for different purposes.
	THE PREVENTION OF MONEY LAUNDERING ACT, 2002, THE SMUGGLERS AND FOREIGN EXCHANGE MANIPULATORS (FORFEITURE OF PROPERTY ACT, 1976 and NARCOTICS DRUGS AND PSYCHOTROPIC SUBSTANCES ACT, 1985
	The three Tribunals established under these Acts being merged and being provided that Appellate Tribunal established under the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 shall be the appellate Tribunal for hearing the appeals against the orders made under all these three Acts.
	THE FOREIGN EXCHANGE MANAGEMENT ACT, 1999
	Section 14A in the Foreign Exchange Management Act [FEMA], 1999 being inserted to incorporate provisions contained under the Second Schedule appended to the Income-tax Act, 1961, so as to empower an officer not below the rank of Assistant Director to recover arrears of penalty under the FEMA 1999 by exercising the powers conferred under the Income-tax Act, 1961.
	MISCELLANEOUS
	Various notifications pertaining to Advance Licence and Duty Free Import Authorization Schemes being amended to retrospectively correct the reference to “section 8” of the Customs Tariff Act, 1975 in such notifications to “section 8B” so as to

	clearly provide that exemption from safeguard duty under section 8B is available under these notifications on imports under Advance Licence and Duty Free Import Authorization Schemes.
	RULES & NOTIFICATIONS UNDER THE CUSTOMS ACT, 1962
	Existing Baggage Rules, 1998 being substituted with Baggage Rules, 2016 so as to simplify and rationalize multiple slabs of duty free allowance available to various categories of passengers.
	Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996 being simplified.
	REGULATIONS MADE UNDER THE CUSTOMS ACT, 1962
	The Customs Baggage Declaration Regulations, 2013 being amended to provide that baggage declaration will have to be filed only by passengers who carry dutiable or prohibited goods.

Finance Bill

(Extracts related to Indirect Taxes)

THE FINANCE BILL, 2016

(AS INTRODUCED IN LOK SABHA)

(iii)

CLAUSES

88. Amendment of section 220.
89. Amendment of section 234C.
90. Amendment of section 244A.
91. Amendment of section 249.
92. Amendment of section 252.
93. Amendment of section 253.
94. Amendment of section 254.
95. Amendment of section 255.
96. Insertion of new section 270A.
97. Insertion of new section 270AA.
98. Amendment of section 271.
99. Amendment of section 271A.
100. Amendment of section 271AA.
101. Amendment of section 271AAB.
102. Insertion of new section 271GB.
103. Amendment of section 272A.
104. Amendment of section 273A.
105. Amendment of section 273AA.
106. Amendment of section 273B.
107. Amendment of section 279.
108. Amendment of section 281B.
109. Amendment of section 282A.
110. Insertion of new section 286.
111. Amendment of section 288.
112. Amendment of Fourth Schedule.

CHAPTER IV

INDIRECT TAXES

Customs

113. Amendment of section 2.
114. Amendment of chapter heading of Chapter III.
115. Omission of section 9.
116. Amendment of section 25.
117. Amendment of section 28.
118. Amendment of section 47.
119. Amendment of section 51.
120. Substitution of new section for section 53.
121. Substitution of new section for section 57.
122. Substitution of new sections 58, 58A and 58B for section 58.
123. Substitution of new section for section 59.
124. Substitution of new section for section 60.
125. Substitution of new section for section 61.
126. Omission of sections 62 and 63.
127. Substitution of new section for section 64.
128. Amendment of section 65.
129. Amendment of section 68.
130. Amendment of section 69.
131. Amendment of section 71.
132. Amendment of section 72.
133. Amendment of section 73.
134. Insertion of new section 73A.
135. Amendment of section 156.
136. Amendment of notifications issued under section 25 of Act 52 of 1962.

(iv)

CLAUSES

Customs Tariff

- 137. Omission of section 8C.
- 138. Amendment of First Schedule.

Excise

- 139. Amendment of section 5A.
- 140. Amendment of section 11A.
- 141. Amendment of section 37B.
- 142. Amendment of Third Schedule.

Excise Tariff

- 143. Amendment of First Schedule.
- 144. Amendment of Second Schedule.

CHAPTER V

SERVICE TAX

- 145. Amendment of section 65B.
- 146. Amendment of section 66D.
- 147. Amendment of section 66E.
- 148. Amendment of section 67A.
- 149. Amendment of section 73.
- 150. Amendment of section 75.
- 151. Amendment of section 78A.
- 152. Amendment of section 89.
- 153. Amendment of section 90.
- 154. Amendment of section 91.
- 155. Amendment of section 93A.
- 156. Insertion of new sections 101, 102 and 103.
- 157. Amendment of notification issued under section 93A of Finance Act, 1994.

CHAPTER VI

Krishi Kalyan Cess

- 158. Krishi Kalyan Cess.

CHAPTER VII

INFRASTRUCTURE CESS

- 159. Infrastructure Cess.

CHAPTER VIII

EQUALISATION LEVY

- 160. Extent, commencement and application.
- 161. Definitions.
- 162. Charge of equalisation levy.
- 163. Collection and recovery of equalisation levy.
- 164. Furnishing of statement.
- 165. Processing of statement.
- 166. Rectification of mistake.
- 167. Interest on delayed payment of equalisation levy.
- 168. Penalty for failure to deduct or pay equalisation levy.
- 169. Penalty for failure to furnish statement.

CLAUSES

- 170. Penalty not to be imposed in certain cases.
- 171. Appeal to Commissioner of Income-tax (Appeals).
- 172. Appeal to Appellate Tribunal.
- 173. Punishment for false statement.
- 174. Institution of prosecution.
- 175. Application of certain provisions of Income-tax Act.
- 176. Power to make rules.
- 177. Power to remove difficulties.

CHAPTER IX
THE INCOME DECLARATION SCHEME, 2016

- 178. Short title and commencement.
- 179. Definitions.
- 180. Declaration of undisclosed income.
- 181. Charge of tax and surcharge.
- 182. Penalty.
- 183. Manner of declaration.
- 184. Time for payment of tax.
- 185. Undisclosed income declared not to be included in total income.
- 186. Undisclosed income declared not to affect for finality of completed assessments.
- 187. Undisclosed income declared not to be treated as *benami* transaction in certain cases.
- 188. Tax in respect of voluntarily disclosed income not refundable.
- 189. Declaration not admissible in evidence against declarant.
- 190. Declaration by misrepresentation of facts to be void.
- 191. Exemption from Wealth-tax in respect of assets specified in declaration.
- 192. Applicability of certain provisions of Income-tax Act and of Chapter V of Wealth-tax Act.
- 193. Scheme not to apply to certain persons.
- 194. Removal of doubts.
- 195. Power to remove difficulties.
- 196. Power to make rules.

CHAPTER X
The DIRECT TAX DISPUTE RESOLUTION SCHEME, 2016

- 197. Short title and commencement.
- 198. Definitions.
- 199. Declaration of tax payable.
- 200. Particulars to be furnished.
- 201. Time and manner of payment.
- 202. Immunity from initiation of proceeding in respect of offence and imposition of penalty in certain cases.
- 203. No refund of amount paid under Scheme.
- 204. No other benefit, concession or immunity to declarant.
- 205. Scheme not to apply in certain cases.
- 206. Power of Central Government to issue directions, etc.
- 207. Power to remove difficulties.
- 208. Power to make rules.

CHAPTER XI
The INDIRECT TAX DISPUTE RESOLUTION SCHEME, 2016

- 209. Short title, application and commencement.
- 210. Definitions.

(vi)

CLAUSES

- 211. Procedure for making declaration.
- 212. Scheme not to apply in certain cases.
- 213. Immunity from other proceedings under Act.
- 214. Consequences of order made under Scheme.
- 215. Power to make rules.

CHAPTER XII MISCELLANEOUS

PART I

AMENDMENTS TO THE RESERVE BANK OF INDIA ACT, 1934

- 216. Commencement and amendment of Act 2 of 1934.
- 217. Amendment of Preamble.
- 218. Amendment of section 2.
- 219. Insertion of new Chapter III F.
- 220. Amendment of section 58.

PART II

AMENDMENT TO THE CENTRAL SALES TAX ACT, 1956

- 221. Amendment of Act 74 of 1956.

PART III

AMENDMENT TO THE OIL INDUSTRY (DEVELOPMENT) ACT, 1974

- 222. Amendment of Schedule to Act 47 of 1974.

PART IV

AMENDMENT TO THE SUMGGLERS AND FOREIGN EXCHANGE MAINPULATORS (FOREFEITURE OF PROPERTY) ACT, 1976

- 223. Amendment of Act 13 of 1976.

PART V

AMENDMENT TO THE NARCOTIC DRUGS AND PSYCHOTROPIC SUBSTANCES ACT, 1985

- 224. Amendment of Act 61 of 1985.

PART VI

AMENDMENT TO THE FOREIGN EXCHANGE MANAGEMENT ACT, 1999

- 225. Commencement of this Part.
- 226. Amendment of Act 42 of 1999.

PART VII

AMENDMENT TO THE CENTRAL ROAD FUND ACT, 2000

- 227. Amendment of Act 54 of 2000.

PART VIII

AMENDMENT TO THE FINANCE ACT, 2001

- 228. Amendment of Act 14 of 2001.

(vii)

CLAUSES

PART IX

AMENDMENT TO THE PREVENTION OF MONEY-LAUNDERING ACT, 2002

229. Amendment of Act 15 of 2003.

PART X

AMENDMENT TO THE FINANCE (No.2) ACT, 2004

230. Amendment of Act 23 of 2004.

PART XI

AMENDMENT TO THE FINANCE ACT, 2005

231. Amendment of Act 18 of 2005.

PART XII

AMENDMENT TO THE FINANCE ACT, 2010

232. Amendment of Act 14 of 2010.

PART XIII

AMENDMENT TO THE FOREIGN CONTRIBUTION (REGULATION) ACT, 2010

233. Amendment of section 2 of Act 42 of 2010.

PART XIV

AMENDMENT TO THE FINANCE ACT, 2013

234. Amendment of Act 17 of 2013.

PART XV

AMENDMENT TO THE FINANCE ACT, 2015

235. Amendment of Act 20 of 2015.

PART XVI

REPEAL AND AMENDMENT OF CERTAIN ENACTMENTS

236. Repeal and amendment of certain enactments.

237. Savings.

238. Collection and payment of arrears of duties.

THE FIRST SCHEDULE.

THE SECOND SCHEDULE.

THE THIRD SCHEDULE.

THE FOURTH SCHEDULE.

THE FIFTH SCHEDULE.

THE SIXTH SCHEDULE.

THE SEVENTH SCHEDULE.

THE EIGHTH SCHEDULE.

THE NINTH SCHEDULE.

THE TENTH SCHEDULE.

THE ELEVENTH SCHEDULE.

THE TWELFTH SCHEDULE.

THE THIRTEENTH SCHEDULE.

THE FOURTEENTH SCHEDULE.

THE FIFTEENTH SCHEDULE.

CHAPTER IV

INDIRECT TAXES

Customs

Amendment of section 2.	113. In the Customs Act, 1962 (hereinafter referred to as the Customs Act), in section 2,—	52 of 1962.
	(i) for clause (43), the following clause shall be substituted, namely:—	5
	‘(43) “warehouse” means a public warehouse licensed under section 57 or a private warehouse licensed under section 58 or a special warehouse licensed under section 58A;’;	
	(ii) clause (45) shall be omitted.	
Amendment of chapter heading of Chapter III.	114. In the Customs Act, in Chapter III, for the chapter heading, the following chapter heading shall be substituted, namely:—	10
	“APPOINTMENT OF CUSTOMS PORTS, AIRPORTS, ETC.”.	
Omission of section 9.	115. In the Customs Act, section 9 shall be omitted.	
Amendment of section 25.	116. In the Customs Act, in section 25,—	
	(i) for sub-section (4), the following sub-section shall be substituted, namely:—	
	“(4) Every notification issued under sub-section (1) or sub-section (2A) shall, unless otherwise provided, come into force on the date of its issue by the Central Government for publication in the Official Gazette.”;	15
	(ii) sub-section (5) shall be omitted.	
Amendment of section 28.	117. In the Customs Act, in section 28,—	
	(a) in the marginal heading, for the words “duties not levied or short-levied”, the words “duties not levied or not paid or short-levied or short-paid” shall be substituted;	20
	(b) in sub-section (1),—	
	(i) in the opening paragraph, for the words “duty has not been levied or has been short-levied”, the words “duty has not been levied or not paid or has been short-levied or short-paid” shall be substituted;	
	(ii) in clause (a),—	25
	(A) for the words “one year”, the words “two years” shall be substituted;	
	(B) after the words “so levied”, the words “or paid” shall be inserted;	
	(c) in sub-section (3), for the words “one year”, the words “two years” shall be substituted;	
	(d) in sub-section (4),—	
	(i) in the opening paragraph, for the words “levied or has been short-levied”, the words “levied or not paid or has been short-levied or short-paid” shall be substituted;	30
	(ii) in the long line, for the words “so levied”, the words “so levied or not paid” shall be substituted;	
	(e) in sub-section (5), for the words “duty has not been levied or has been short-levied”, the words “duty has not been levied or not paid or has been short-levied or short-paid” shall be substituted;	
	(f) in sub-section (6), in item (ii), for the words “one year”, the words “two years” shall be substituted;	35
	(g) in sub-section (7), for the words “one year”, the words “two years” shall be substituted;	
	(h) in <i>Explanation 1</i> , in clause (a), for the words “not levied”, the words “not levied or not paid or short-levied or short-paid” shall be substituted.	
Amendment of section 47.	118. In the Customs Act, in section 47,—	
	(a) in sub-section (1), the following proviso shall be inserted, namely:—	40
	“Provided that the Central Government may, by notification in the Official Gazette, permit certain class of importers to make deferred payment of said duty or any charges in such manner as may be provided by rules.”;	
	(b) in sub-section (2), for the portion beginning with the words “Where the importer” and ending	

with the words "payment of the said duty", the following shall be substituted, namely:—

"Where the importer fails to pay the import duty, either in full or in part, within two days (excluding holidays)—

(a) from the date on which the bill of entry is returned to him for payment of duty; or

5 (b) in the case of deferred payment under the proviso to sub-section (1), from such due date as may be specified by rules made in this behalf,

he shall pay interest on the duty not paid or short-paid till the date of its payment, at such rate, not below ten per cent. and not exceeding thirty-six per cent. per annum, as may be fixed by the Central Government, by notification in the Official Gazette."

10 **119.** In the Customs Act, section 51 shall be renumbered as sub-section (1) thereof, and—

Amendment of section 51.

(a) in sub-section (1) as so renumbered, the following proviso shall be inserted, namely:—

"Provided that the Central Government may, by notification in the Official Gazette, permit certain class of exporters to make deferred payment of said duty or any charges in such manner as may be provided by rules.;"

15 (b) after sub-section (1) as so renumbered, the following sub-section shall be inserted, namely:—

"(2) Where the exporter fails to pay the export duty, either in full or in part, under the proviso to sub-section (1) by such due date as may be specified by rules, he shall pay interest on said duty not paid or short-paid till the date of its payment at such rate, not below five per cent. and not exceeding thirty-six per cent. per annum, as may be fixed by the Central Government, by notification in the Official Gazette."

20

120. In the Customs Act, for section 53, the following section shall be substituted, namely:—

Substitution of new section for section 53.

"53. Subject to the provisions of section 11, where any goods imported in a conveyance and mentioned in the import manifest or the import report, as the case may be, as for transit in the same conveyance to any place outside India or to any customs station, the proper officer may allow the goods and the conveyance to transit without payment of duty, subject to such conditions, as may be prescribed."

25

Transit of certain goods without payment of duty.

121. In the Customs Act, for section 57, the following section shall be substituted, namely:—

Substitution of new section for section 57.

"57. The Principal Commissioner of Customs or Commissioner of Customs may, subject to such conditions as may be prescribed, license a public warehouse wherein dutiable goods may be deposited."

Licensing of public warehouses.

30 **122.** In the Customs Act, for section 58, the following sections shall be substituted, namely:—

Substitution of new sections 58, 58A and 58B for section 58.

"58. The Principal Commissioner of Customs or Commissioner of Customs may, subject to such conditions as may be prescribed, license a private warehouse wherein dutiable goods imported by or on behalf of the licensee may be deposited.

Licensing of private warehouses.

35 58A. (1) The Principal Commissioner of Customs or Commissioner of Customs may, subject to such conditions as may be prescribed, license a special warehouse wherein dutiable goods may be deposited and such warehouse shall be caused to be locked by the proper officer and no person shall enter the warehouse or remove any goods therefrom without the permission of the proper officer.

Licensing of special warehouses.

40 (2) The Board may, by notification in the Official Gazette, specify the class of goods which shall be deposited in the special warehouse licensed under sub-section (1).

58B. (1) Where a licensee contravenes any of the provisions of this Act or the rules or regulations made thereunder or breaches any of the conditions of the licence, the Principal Commissioner of Customs or Commissioner of Customs may cancel the licence granted under section 57 or section 58 or section 58A:

Cancellation of Licence.

45 Provided that before any licence is cancelled, the licensee shall be given a reasonable opportunity of being heard.

(2) The Principal Commissioner of Customs or Commissioner of Customs may, without prejudice to any other action that may be taken against the licensee and the goods under this Act or any other law for the time being in force, suspend operation of the warehouse during the pendency of an

enquiry under sub-section (1).

(3) Where the operation of a warehouse is suspended under sub-section (2), no goods shall be deposited in such warehouse during the period of suspension:

Provided that the provisions of this Chapter shall continue to apply to the goods already deposited in the warehouse.

(4) Where the licence issued under section 57 or section 58 or section 58A is cancelled, the goods warehoused shall, within seven days from the date on which order of such cancellation is served on the licensee or within such extended period as the proper officer may allow, be removed from such warehouse to another warehouse or be cleared for home consumption or export:

Provided that the provisions of this Chapter shall continue to apply to the goods already deposited in the warehouse till they are removed to another warehouse or cleared for home consumption or for export, during such period."

Substitution
of new
section for
section 59.
Warehousing
bond.

123. In the Customs Act, for section 59, the following section shall be substituted, namely:—

"59. (1) The importer of any goods in respect of which a bill of entry for warehousing has been presented under section 46 and assessed to duty under section 17 or section 18 shall execute a bond in a sum equal to thrice the amount of the duty assessed on such goods, binding himself—

(a) to comply with all the provisions of the Act and the rules and regulations made thereunder in respect of such goods;

(b) to pay, on or before the date specified in the notice of demand, all duties and interest payable under sub-section (2) of section 61; and

(c) to pay all penalties and fines incurred for the contravention of the provisions of this Act or the rules or regulations, in respect of such goods.

(2) For the purposes of sub-section (1), the Assistant Commissioner of Customs or Deputy Commissioner of Customs may permit an importer to execute a general bond in such amount as the Assistant Commissioner of Customs or Deputy Commissioner of Customs may approve in respect of the warehousing of goods to be imported by him within a specified period.

(3) The importer shall, in addition to the execution of a bond under sub-section (1) or sub-section (2), furnish such security as may be prescribed.

(4) Any bond executed under this section by an importer in respect of any goods shall continue to be in force notwithstanding the transfer of the goods to another warehouse.

(5) Where the whole of the goods or any part thereof are transferred to another person, the transferee shall execute a bond in the manner specified in sub-section (1) or sub-section (2) and furnish security as specified under sub-section (3)."

Substitution
of new
section for
section 60.

124. In the Customs Act, for section 60, the following section shall be substituted, namely:—

Permission
for removal of
goods for
deposit in
warehouse.

"60. (1) When the provisions of section 59 have been complied with in respect of any goods, the proper officer may make an order permitting removal of the goods from a customs station for the purpose of deposit in a warehouse.

(2) Where an order is made under sub-section (1), the goods shall be deposited in a warehouse in such manner as may be prescribed."

Substitution
of new
section for
section 61.

125. In the Customs Act, for section 61, the following section shall be substituted, namely:—

Period for
which goods
may remain
warehoused.

'61.(1) Any warehoused goods may remain in the warehouse in which they are deposited or in any warehouse to which they may be removed,—

(a) in the case of capital goods intended for use in any hundred per cent. export oriented undertaking or electronic hardware technology park unit or software technology park unit or any warehouse wherein manufacture or other operations have been permitted under section 65, till their clearance from the warehouse;

(b) in the case of goods other than capital goods intended for use in any hundred per cent. export oriented undertaking or electronic hardware technology park unit or software technology park unit or any warehouse wherein manufacture or other operations have been permitted under

section 65, till their consumption or clearance from the warehouse; and

(c) in the case of any other goods, till the expiry of one year from the date on which the proper officer has made an order under sub-section (1) of section 60:

5 Provided that in the case of any goods referred to in this clause, the Principal Commissioner of Customs or Commissioner of Customs may, on sufficient cause being shown, extend the period for which the goods may remain in the warehouse, by not more than one year at a time:

Provided further that where such goods are likely to deteriorate, the period referred to in the first proviso may be reduced by the Principal Commissioner of Customs or Commissioner of Customs to such shorter period as he may deem fit.

10 (2) Where any warehoused goods specified in clause (c) of sub-section (1) remain in a warehouse beyond a period of ninety days from the date on which the proper officer has made an order under sub-section (1) of section 60, interest shall be payable at such rate as may be fixed by the Central Government under section 47, on the amount of duty payable at the time of clearance of the goods, for the period from the expiry of the said ninety days till the date of payment of duty on the warehoused goods:

15 Provided that if the Board considers it necessary so to do, in the public interest, it may,—

(a) by order, and under the circumstances of an exceptional nature, to be specified in such order, waive the whole or any part of the interest payable under this section in respect of any warehoused goods;

20 (b) by notification in the Official Gazette, specify the class of goods in respect of which no interest shall be charged under this section;

(c) by notification in the Official Gazette, specify the class of goods in respect of which the interest shall be chargeable from the date on which the proper officer has made an order under sub-section (1) of section 60.

25 *Explanation.*— For the purposes of this section,—

(i) "electronic hardware technology park unit" means a unit established under the Electronic Hardware Technology Park Scheme notified by the Government of India;

1 of 1944.

(ii) "hundred per cent. export oriented undertaking" has the same meaning as in clause (ii) of *Explanation 2* to sub-section (1) of section 3 of the Central Excise Act, 1944; and

30 (iii) "software technology park unit" means a unit established under the Software Technology Park Scheme notified by the Government of India.'.

126. In the Customs Act, sections 62 and 63 shall be omitted.

Omission of sections 62 and 63.

127. In the Customs Act, for section 64, the following section shall be substituted, namely:—

Substitution of new section for section 64.

"64. The owner of any warehoused goods may, after warehousing the same,—

Owner's right to deal with warehoused goods.

35 (a) inspect the goods;

(b) deal with their containers in such manner as may be necessary to prevent loss or deterioration or damage to the goods;

(c) sort the goods; or

(d) show the goods for sale."

40 **128.** In the Customs Act, in section 65, in sub-section (1), for the words "With the sanction of the Assistant Commissioner of Customs or Deputy Commissioner of Customs and subject to such conditions and on payment of such fees", the words "With the permission of the Principal Commissioner of Customs or Commissioner of Customs and subject to such conditions" shall be substituted.

Amendment of section 65.

129. In the Customs Act, in section 68,—

Amendment of section 68.

45 (i) in the opening paragraph, for the words "The importer of any warehoused goods may clear them", the words "Any warehoused goods may be cleared from the warehouse" shall be substituted;

(ii) for clause (b), the following clause shall be substituted, namely:—

"(b) the import duty, interest, fine and penalties payable in respect of such goods have been paid; and";

(iii) in the first proviso, the words "rent, interest, other charges and" shall be omitted.

Amendment
of section 69.

130. In the Customs Act, in section 69,—

(i) in the marginal heading, for the word "exportation", the word "export" shall be substituted; 5

(ii) in sub-section (1),—

(A) for clause (b), the following clause shall be substituted, namely:—

"(b) the export duty, fine and penalties payable in respect of such goods have been paid; and";

(B) in clause (c), for the word "exportation", the word "export" shall be substituted. 10

Amendment
of section 71.

131. In the Customs Act, in section 71, for the word "re-exportation", the word "export" shall be substituted.

Amendment
of section 72.

132. In the Customs Act, in section 72,—

(a) in sub-section (1),—

(i) clause (c) shall be omitted; 15

(ii) in clause (d), for the word "exportation", the words "export or" shall be substituted;

(iii) in the long line, for the words "all penalties, rent, interest and other charges", the words "interest, fine and penalties" shall be substituted;

(b) in sub-section (2), for the word "select", the words "deem fit" shall be substituted.

Amendment
of section 73.

133. In the Customs Act, in section 73, after the words "exported or", the words "transferred or" shall be inserted. 20

Insertion of
new section
73A.

134. In the Customs Act, after section 73, the following section shall be inserted, namely:—

Custody and
removal of
warehoused
goods.

"73A. (1) All warehoused goods shall remain in the custody of the person who has been granted a licence under section 57 or section 58 or section 58A until they are cleared for home consumption or are transferred to another warehouse or are exported or removed as otherwise provided under this Act. 25

(2) The responsibilities of the person referred to in sub-section (1) who has custody of the warehoused goods shall be such as may be prescribed.

(3) Where any warehoused goods are removed in contravention of section 71, the licensee shall be liable to pay duty, interest, fine and penalties without prejudice to any other action that may be taken against him under this Act or any other law for the time being in force." 30

Amendment
of section
156.

135. In the Customs Act, in section 156, in sub-section (2), after clause (b), the following clause shall be inserted, namely:—

"(c) the due date and the manner of making deferred payment of duties, taxes, cesses or any other charges under sections 47 and 51."

Amendment
of
notifications
issued under
section 25 of
Act 52 of
1962.

136. (1) The notifications of the Government of India in the Ministry of Finance (Department of Revenue) number G.S.R. 367 (E), dated the 27th April, 2000, G.S.R. 292(E), dated the 19th April, 2002, G.S.R. 281(E), dated the 1st April, 2003, G.S.R. 604 (E), dated the 10th September, 2004, G.S.R. 606(E), dated the 10th September, 2004 and G.S.R. 260(E), dated the 1st May, 2006 issued under sub-section (1) of section 25 of the Customs Act, 1962 by the Central Government shall stand amended and shall be deemed to have been amended in the manner as specified against each of them in column (3) of the Second Schedule, on and from the corresponding date mentioned in column (4) of that Schedule, retrospectively, and accordingly, notwithstanding anything contained in any judgment, decree or order of any court, tribunal or other authority, any action taken or anything done or purported to have been taken or done under the said notifications, shall be deemed to be, and always to have been, for all purposes, as validly and effectively taken or done as if the notifications as amended 40
by this sub-section had been in force at all material times. 45

(2) For the purposes of sub-section (1), the Central Government shall have and shall be deemed to have the power to amend the notifications referred to in the said sub-section with retrospective effect as if the Central Government had the power to amend the said notifications under sub-section (1) of section 25 of the Customs Act, 1962 retrospectively, at all material times. 50

(3) The refund shall be made of all such safeguard duty which has been collected, but would not have been so collected, had the amendments made in sub-section (1) been in force at all material times and such refund shall be subject to the provisions of section 27 of the Customs Act, 1962.

- (4) Notwithstanding anything contained in section 27 of the Customs Act, 1962, an application for the claim of refund of safeguard duty under sub-section (3) shall be made within a period of one year from the date on which the Finance Bill, 2016 receives the assent of the President.

Customs Tariff

- 51 of 1975. **137.** In the Customs Tariff Act, 1975 (hereinafter referred to as the Customs Tariff Act), section 8C shall be omitted. Omission of section 8C.
- 10 **138.** In the Customs Tariff Act, the First Schedule shall,—
 (i) be amended in the manner specified in the Third Schedule;
 (ii) be also amended in the manner specified in the Fourth Schedule with effect from the 1st day of January, 2017. Amendment of First Schedule.

Excise

- 1 of 1944. 15 **139.** In the Central Excise Act, 1944 (hereinafter referred to as the Central Excise Act), in section 5A,—
 (i) for sub-section (5), the following sub-section shall be substituted, namely:—
 "(5) Every notification issued under sub-section (1) or sub-section (2A) shall, unless otherwise provided, come into force on the date of its issue by the Central Government for publication in the Official Gazette."; Amendment of section 5A.
 (ii) sub-section (6) shall be omitted.
- 20 **140.** In the Central Excise Act, in section 11A, for the words "one year", wherever they occur, the words "two years" shall be substituted. Amendment of section 11A.
- 141.** In the Central Excise Act, in section 37B, for the words "such goods", the words "such goods or for the implementation of any other provision of this Act" shall be substituted. Amendment of section 37B.
- 142.** In the Central Excise Act, the Third Schedule shall be amended—
 25 (i) in the manner specified in the Fifth Schedule; Amendment of Third Schedule.
 (ii) in the manner specified in the Sixth Schedule, with effect from the 1st day of January, 2017.

Excise Tariff

- 5 of 1986. **143.** In the Central Excise Tariff Act, 1985 (hereinafter referred to as the Central Excise Tariff Act), the First Schedule shall be amended—
 30 (i) in the manner specified in the Seventh Schedule;
 (ii) in the manner specified in the Eighth Schedule, with effect from the 1st day of January, 2017. Amendment of First Schedule.
- 144.** In the Central Excise Tariff Act, the Second Schedule shall be amended in the manner specified in the Ninth Schedule, with effect from the 1st day of January, 2017. Amendment of Second Schedule.

CHAPTER V

SERVICE TAX

- 32 of 1994. 35 **145.** In the Finance Act, 1994 (hereinafter referred to as the 1994 Act), in section 65B,—
 (a) clause (11) shall be omitted; Amendment of section 65B.
 (b) in clause (44), in *Explanation 2*, in sub-clause (ii), for item (a), the following item shall be substituted, namely:—
 40 "(a) by a lottery distributor or selling agent on behalf of the State Government, in relation to promotion, marketing, organising, selling of lottery or facilitating in organising lottery of any kind, in any other manner, in accordance with the provisions of the Lotteries (Regulation) Act, 1998;".
- 17 of 1998. **146.** In the 1994 Act, in section 66D,—
 (a) clause (i) shall be omitted; Amendment of section 66D.
 45 (b) with effect from the 1st day of June, 2016—
 (i) in clause (o), sub-clause (i) shall be omitted;

(ii) in clause (p), sub-clause (ii) shall be omitted.

Amendment of section 66E.	147. In the 1994 Act, in section 66E, after clause (i), the following clause shall be inserted, namely:— “(j) assignment by the Government of the right to use the radio-frequency spectrum and subsequent transfers thereof.”.	
Amendment of section 67A.	148. In the 1994 Act, in section 67A, the existing section shall be renumbered as sub-section (1) thereof, and after sub-section (1) as so renumbered, the following sub-section shall be inserted, namely:— “(2) The time or the point in time with respect to the rate of service tax shall be such as may be prescribed.”.	5
Amendment of section 73.	149. In the 1994 Act, in section 73,— (i) in sub-sections (1), (1A), (2A) and (3), for the words “eighteen months”, wherever they occur, the words “thirty months” shall be substituted; (ii) in sub-section (4B), in clause (a), for the words “whose limitation is specified as eighteen months in”, the words “falling under” shall be substituted.	10
Amendment of section 75.	150. In the 1994 Act, in section 75, for the words “Provided that”, the following shall be substituted, namely:— “Provided that in the case of a person who collects any amount as service tax but fails to pay the amount so collected to the credit of the Central Government, on or before the date on which such payment is due, the Central Government may, by notification in the Official Gazette, specify such other rate of interest, as it may deem necessary: Provided further that”.	15
Amendment of section 78A.	151. In the 1994 Act, in section 78A, the following <i>Explanation</i> shall be inserted, namely:— “Explanation.— For the removal of doubts, it is hereby clarified that where any service tax has not been levied or paid or has been short-levied or short-paid or erroneously refunded, and the proceedings with respect to a notice issued under sub-section (1) of section 73 or the proviso to sub-section (1) of section 73 is concluded in accordance with the provisions of clause (i) of the first proviso to section 76 or clause (i) of the second proviso to section 78, as the case may be, the proceedings pending against any person under this section shall also be deemed to have been concluded.”.	20
Amendment of section 89.	152. In the 1994 Act, in section 89, in sub-section (1), for the words “fifty lakh rupees”, at both the places where they occur, the words “two hundred lakh rupees” shall be substituted.	25
Amendment of section 90.	153. In the 1994 Act, in section 90, sub-section (2) shall be omitted.	30
Amendment of section 91.	154. In the 1994 Act, in section 91,— (a) in sub-section (1), the words, brackets and letter “clause (i) or” shall be omitted; (b) sub-section (3) shall be omitted.	
Amendment of section 93A.	155. In the 1994 Act, in section 93A, for the word “prescribed”, the words “prescribed or specified by notification in the Official Gazette” shall be substituted.	35
Insertion of new sections 101, 102 and 103.	156. In the 1994 Act, after section 100, the following sections shall be inserted, namely:— “101. (1) Notwithstanding anything contained in section 66B, no service tax shall be levied or collected during the period commencing from the 1st day of July, 2012 and ending with the 29th day of January, 2014 (both days inclusive) in respect of taxable services provided to an authority or a board or any other body— (i) set up by an Act of Parliament or a State Legislature; or (ii) established by the Government, with ninety per cent. or more participation by way of equity or control, to carry out any function entrusted to a municipality under article 243W of the Constitution, by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation or alteration of canal, dam or other irrigation works. (2) Refund shall be made of all such service tax which has been collected but which would not have been so collected had sub-section (1) been in force at all material times. (3) Notwithstanding anything contained in this Chapter, an application for the claim of refund of service tax shall be made within a period of six months from the date on which the Finance Bill, 2016 receives the assent of the President.	40

102. (1) Notwithstanding anything contained in section 66B, no service tax shall be levied or collected during the period commencing from the 1st day of April, 2015 and ending with the 29th day of February, 2016 (both days inclusive), in respect of taxable services provided to the Government, a local authority or a Governmental authority, by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation or alteration of—

Special provision for exemption in certain cases relating to construction of Government buildings.

(a) a civil structure or any other original works meant predominantly for use other than for commerce, industry or any other business or profession;

(b) a structure meant predominantly for use as—

(i) an educational establishment;

(ii) a clinical establishment; or

(iii) an art or cultural establishment;

(c) a residential complex predominantly meant for self-use or for the use of their employees or other persons specified in *Explanation 1* to clause (44) of section 65B of the said Act,

under a contract entered into before the 1st day of March, 2015 and on which appropriate stamp duty, where applicable, had been paid before that date.

(2) Refund shall be made of all such service tax which has been collected but which would not have been so collected had sub-section (1) been in force at all the material times.

(3) Notwithstanding anything contained in this Chapter, an application for the claim of refund of service tax shall be made within a period of six months from the date on which the Finance Bill, 2016 receives the assent of the President.

103. (1) Notwithstanding anything contained in section 66B, no service tax shall be levied or collected during the period commencing from the 1st day of April, 2015 and ending with the 29th day of February, 2016 (both days inclusive), in respect of services provided by way of construction, erection, commissioning or installation of original works pertaining to an airport or port, under a contract which had been entered into before the 1st day of March, 2015 and on which appropriate stamp duty, where applicable, had been paid before that date, subject to the condition that Ministry of Civil Aviation or, as the case may be, the Ministry of Shipping in the Government of India certifies that the contract had been entered into before the 1st day of March, 2015.

Special provision for exemption in certain cases relating to construction of airport or port.

(2) Refund shall be made of all such service tax which has been collected but which would not have been so collected had sub-section (1) been in force at all material times.

(3) Notwithstanding anything contained in this Chapter, an application for the claim of refund of service tax shall be made within a period of six months from the date on which the Finance Bill, 2016 receives the assent of the President."

157. (1) The notification of the Government of India in the Ministry of Finance (Department of Revenue) number G.S.R. 519(E), dated the 29th June, 2012 issued under section 93A of the Finance Act, 1994 granting rebate of service tax paid on the taxable services which are received by an exporter of goods and used for export of goods, shall stand amended and shall be deemed to have been amended retrospectively, in the manner specified in column (2) of the Tenth Schedule, on and from and up to the corresponding dates specified in column (3) of the Schedule, and accordingly, any action taken or anything done or purported to have taken or done under the said notification as so amended, shall be deemed to be, and always to have been, for all purposes, as validly and effectively taken or done as if the said notification as amended by this sub-section had been in force at all material times.

Amendment of notification issued under section 93A of Finance Act, 1994.

(2) Rebate of all such service tax shall be granted which has been denied, but which would not have been so denied had the amendment made by sub-section (1) been in force at all material times.

(3) Notwithstanding anything contained in the Finance Act, 1994, an application for the claim of rebate of service tax under sub-section (2) shall be made within the period of one month from the date of commencement of the Finance Act, 2016.

CHAPTER VI

KRISHI KALYAN CESS

158. (1) This Chapter shall come into force on the 1st day of June, 2016.

Krishi Kalyan Cess.

(2) There shall be levied and collected in accordance with the provisions of this Chapter, a cess to be called the Krishi Kalyan Cess, as service tax on all or any of the taxable services at the rate of 0.5 per cent. on the value of such services for the purposes of financing and promoting initiatives to

improve agriculture or for any other purpose relating thereto.

(3) The Krishi Kalyan Cess leviable under sub-section (2) shall be in addition to any cess or service tax leviable on such taxable services under Chapter V of the Finance Act, 1994, or under any other law for the time being in force. 32 of 1944.

(4) The proceeds of the Krishi Kalyan Cess levied under sub-section (2) shall first be credited to the Consolidated Fund of India and the Central Government may, after due appropriation made by Parliament by law in this behalf, utilise such sums of money of the Krishi Kalyan Cess for such purposes specified in sub-section (2), as it may consider necessary. 5

(5) The provisions of Chapter V of the Finance Act, 1994 and the rules made thereunder, including those relating to refunds and exemptions from tax, interest and imposition of penalty shall, as far as may be, apply in relation to the levy and collection of the Krishi Kalyan Cess on taxable services, as they apply in relation to the levy and collection of tax on such taxable services under the said Chapter or the rules made thereunder, as the case may be. 10 32 of 1944.

CHAPTER VII

INFRASTRUCTURE CESS

15

159. (1) In the case of goods specified in the Eleventh Schedule, being goods manufactured or produced, there shall be levied and collected for the purposes of the Union, a duty of excise, to be called the Infrastructure Cess, at the rates specified in the said Schedule for the purposes of financing infrastructure projects.

(2) The cess leviable under sub-section (1), chargeable on the goods specified in the Eleventh Schedule shall be in addition to any other duties of excise chargeable on such goods under the Central Excise Act, 1944 or any other law for the time being in force. 20 1 of 1944.

(3) The provisions of the Central Excise Act, 1944 and the rules made thereunder, including those relating to assessment, non-levy, short-levy, refunds, interest, appeals, offences and penalties, shall, as far as may be, apply in relation to the levy and collection of the cess leviable under sub-section (1) in respect of the goods specified in the Eleventh Schedule as they apply in relation to the levy and collection of the duties of excise on such goods under the said Act or the rules, as the case may be. 25 1 of 1944.

(4) The cess leviable under sub-section (1) shall be for the purposes of the Union and the proceeds thereof shall not be distributed among the States.

CHAPTER VIII

30

EQUALISATION LEVY

160. (1) This Chapter extends to the whole of India except the State of Jammu and Kashmir.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

(3) It shall apply to consideration received or receivable for specified services provided on or after the commencement of this Chapter. 35

161. In this Chapter, unless the context otherwise requires,—

(a) "Appellate Tribunal" means the Appellate Tribunal constituted under section 252 of the Income-tax Act;

(b) "Assessing Officer" means the Income-tax Officer or Assistant Commissioner of Income-tax or Deputy Commissioner of Income-tax or Joint Commissioner of Income-tax or Additional Commissioner of Income-tax who is authorised by the Board to exercise or perform all or any of the powers and functions conferred on, or assigned to, an Assessing Officer under this Chapter; 40

(c) "Board" means the Central Board of Direct Taxes constituted under the Central Boards of Revenue Act, 1963; 45 54 of 1963.

(d) "equalisation levy" means the tax leviable on consideration received or receivable for any specified service under the provisions of this Chapter;

(e) "Income-tax Act" means the Income-tax Act, 1961 43 of 1961.

(f) "online" means a facility or service or right or benefit or access that is obtained through the internet or any other form of digital or telecommunication network; 50

(g) "permanent establishment" includes a fixed place of business through which the business of the enterprise is wholly or partly carried on;

Power to
make rules.

208. (1) The Central Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Scheme.

(2) Without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(a) the form in which a declaration may be made and the manner in which such declaration may be verified under sub-section (1) of section 200 ; 5

(b) the form of certificate which may be granted under sub-section (1) of section 201;

(c) the manner in which orders may be published under sub-section (2) of section 206;

(d) any other matter which by this scheme is to be, or may be, prescribed, or in respect of which provision is to be made, by rules. 10

(3) Every rule made by the Central Government under this Scheme shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days, which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule. 15

CHAPTER XI

THE INDIRECT TAX DISPUTE RESOLUTION SCHEME, 2016

20

Short title,
application
and
commence-
ment.

209. (1) This Scheme may be called the Indirect Tax Dispute Resolution Scheme, 2016.

(2) It shall be applicable to the declarations made up to the 31st day of December, 2016.

(3) It shall come into force on the 1st day of June, 2016.

Definitions.

210. (1) In this Scheme, unless the context otherwise requires,—

(a) "Act" means the Customs Act, 1962 or the Central Excise Act, 1944 or Chapter V of the Finance Act, 1994, as the case may be; 25 52 of 1962.
1 of 1944.
32 of 1994.

(b) "Assistant Commissioner" means the Assistant Commissioner of Customs or the Assistant Commissioner of Central Excise or the Assistant Commissioner of Service Tax, as the case may be;

(c) "Commissioner" means the Commissioner of Customs or the Commissioner of Central Excise or the Commissioner of Service Tax, as the case may be; 30

(d) "declarant" means any person who makes a declaration under sub-section (1) of section 211;

(e) "designated authority" means an officer not below the rank of Assistant Commissioner who is authorised to act as Assistant Commissioner by the Commissioner for the purposes of this Scheme;

(f) "impugned order" means any order which is under challenge before the Commissioner (Appeals);

(g) "indirect tax dispute" means a dispute in respect of any of the provisions of the Act which is pending before the Commissioner (Appeals) as an appeal against the impugned order as on the 1st day of March, 2016; 35

(h) "prescribed" means prescribed by rules made under this Scheme;

(i) "tax" includes duty or tax levied under the Act.

(2) Words and expressions used herein and not defined but defined in the Act or the rules made thereunder shall have the meanings respectively assigned to them in the Act or the rules made thereunder. 40

Procedure for
making
declaration.

211. (1) Subject to the provisions of this Scheme, a person may make a declaration to the designated authority on or before the 31st day of December, 2016 in such form and manner as may be prescribed. 45

(2) The designated authority shall acknowledge the declaration in such form and manner as may be prescribed.

(3) The declarant shall pay tax due alongwith the interest thereon at the rate as provided in the Act and penalty equivalent to twenty-five per cent. of the penalty imposed in the impugned order, within fifteen days of the receipt of acknowledgement under sub-section (2) and intimate the designated 50

authority within seven days of making such payment giving the details of payment made along with the proof thereof.

- (4) On receipt of the proof of payment of tax, interest and penalty under sub-section (3), the designated authority shall, within fifteen days of the receipt of such proof, pass an order of discharge of dues referred to in sub-section (3) in such form as may be prescribed.

212. The provisions of this Scheme shall not apply, if—

Scheme not to apply in certain cases.

(a) the impugned order is in respect of search and seizure proceeding; or

(b) prosecution for any offence punishable under the Act has been instituted before the 1st day of June, 2016; or

(c) the impugned order is in respect of narcotic drugs or other prohibited goods; or

45 of 1860.
61 of 1985.
49 of 1988.

(d) impugned order is in respect of any offence punishable under the Indian Penal Code, the Narcotic Drugs and Psychotropic Substances Act, 1985 or the Prevention of Corruption Act, 1988; or

52 of 1974.

(e) any detention order has been passed under the Conservation of Foreign Exchange and Prevention of Smuggling Act, 1974.

213. (1) Notwithstanding anything contained in any provision of the Act, upon the passing of an order under sub-section (4) of section 211, the appeal pending before the Commissioner (Appeals) shall stand disposed of and the declarant shall get immunity from all proceedings under the Act, in respect of the indirect tax dispute for which the declaration has been made under this Scheme.

Immunity from other proceedings under Act.

(2) A declaration made under sub-section (1) of section 211 shall become conclusive upon the issuance of an order under sub-section (4) of section 211 and no matter relating to the impugned order shall be reopened thereafter in any proceedings under the Act before any authority or court.

214. (1) Any amount paid in pursuance of a declaration made under sub-section (1) of section 211 shall not be refunded.

Consequences of order made under Scheme.

(2) Any order passed under sub-section (4) of section 211 shall not be deemed to be an order on merits and has no binding effect.

Explanation.— For the removal of doubts, it is hereby declared that nothing contained in this Scheme shall be construed as conferring any benefit, concession or immunity on the declarant other than the benefit, concession or immunity granted under section 213.

215. (1) The Central Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Scheme.

Power to make rules.

(2) Without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(a) the form and the manner in which a declaration may be made under sub-section (1) of section 211;

(b) the form and the manner of acknowledging the declaration under sub-section (2) of section 211;

(c) the form and the manner of issuing an order of discharge under sub-section (4) of section 211;

(d) any other matter which is to be, or may be, prescribed, or in respect of which provision is to be made, by rules.

(3) Every rule made under this Scheme shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

Amendment
of section 58.

220. In section 58 of the principal Act, in sub-section (2), after clause (q), the following clauses shall be inserted, namely:—

"(qa) the remuneration and other allowances payable to Members of the Monetary Policy Committee under sub-section (2) of section 45ZD;

(qb) the functions of the Secretary under sub-section (2) of section 45ZG; 5

(qc) the procedure, manner of conducting of meetings and related matters of the Monetary Policy Committee under sub-section (12) of section 45ZI;

(qd) the particulars and the frequency of publication of document under sub-section (2) of section 45ZJ;

(qe) the form and contents of the Monetary Policy Report to be published under sub-section (2) of section 45ZM;". 10

PART II

AMENDMENT TO THE CENTRAL SALES TAX ACT, 1956

Amendment
of Act 74 of
1956.

221. In the Central Sales Tax Act, 1956, in section 3, after *Explanation 2*, the following *Explanation* shall be inserted, namely:— 15

"*Explanation 3.*— Where the gas sold or purchased and transported through a common carrier pipeline or any other common transport or distribution system becomes co-mingled and fungible with other gas in the pipeline or system and such gas is introduced into the pipeline or system in one State and is taken out from the pipeline in another State, such sale or purchase of gas shall be deemed to be a movement of goods from one State to another." 20

PART III

AMENDMENT TO THE OIL INDUSTRY (DEVELOPMENT) ACT, 1974

Amendment
of Schedule
to Act 47 of
1974.

222. In the Oil Industry (Development) Act, 1974, in the Schedule, against Sl.No.1 relating to crude oil, for the entry in column 3, the entry "twenty per cent. *ad valorem*" shall be substituted.

PART IV 25

AMENDMENT TO THE SMUGGLERS AND FOREIGN EXCHANGE MANIPULATORS

(FORFEITURE OF PROPERTY) ACT, 1976

Amendment
of Act 13 of
1976.

223. In the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 with effect from the 1st day of June, 2016,—

(a) section 2A shall be omitted; 30

(b) in section 3, in sub-section (1), in clause (a), the words "for Forfeited Property" shall be omitted;

(c) in section 12,—

(i) in sub-section (1),—

(A) the words "to be called the Appellate Tribunal for Forfeited Property" shall be omitted; 35

(B) for the words "hearing appeals against the orders made under section 7, sub-section (1) of section 9 or section 10", the following shall be substituted, namely:—

"hearing appeals against the orders made—

(a) under section 7, sub-section (1) of section 9 or section 10;

(b) under section 68F, section 68-I, sub-section (1) of section 68K or section 68L of the Narcotic Drugs and Psychotropic Substances Act, 1985; 40 61 of 1985.

(c) by the Adjudicating Authority or any other authority under the Prevention of Money-laundering Act, 2002."; 15 of 2003.

(ii) in sub-section (2), the words "or is qualified to be" shall be omitted;

(iii) in sub-section (6A), for the words "Bench of two members", the words "Bench with one or two members" shall be substituted; 45

Sub-section (7) of the proposed new section provides that the reporting requirement under this section shall not apply to an accounting year, if the total consolidated group revenue for the accounting year preceding it, does not exceed the prescribed threshold.

Sub-section (8) of the proposed new section provides for application of the section in accordance with such guidelines and subject to such conditions as may be prescribed.

Sub-section (9) of the proposed new section, *inter alia*, defines various terms for the purposes of the new section.

This amendment will take effect from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-2018 and subsequent years.

Clause 111 of the Bill seeks to amend section 288 of the Income-tax Act relating to appearance by authorised representative.

Clause (b) of sub-section (4) of the aforesaid section bars an authorised representative to represent an assessee before any income-tax authority or the Appellate Tribunal if he has been convicted of an offence connected with any income-tax proceedings or if a penalty has been imposed on him under the Income-tax Act other than a penalty imposed under clause (ii) of sub-section (1) of section 271.

It is proposed to amend clause (b) of sub-section (4) of section 288 so as to provide that a person on whom a penalty has been imposed under clause (d) of sub-section (1) of section 272A of the Income-tax Act shall also not be barred to represent an assessee before any income-tax authority or the Appellate Tribunal.

The proposed amendment is consequential to the insertion of a new clause (d) in sub-section (1) of section 272A in the Income-tax Act relating to penalty for failure to comply with the notices and directions specified therein.

This amendment will take effect from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-2018 and subsequent years.

Clause 112 of the Bill seeks to amend Part A of Fourth Schedule to the Income-tax Act relating to recognised provident fund.

Rule 6 of the aforesaid Schedule, *inter alia*, provides that contributions made by employer to the credit of an employee participating in a recognised provident fund, which are in excess of twelve per cent. of the salary of the employee, are liable to tax in the hands of the employee.

It is proposed to amend the said rule so as to provide an upper ceiling of one lakh and fifty thousand rupees to such contribution by the employer.

This amendment will take effect from 1st April, 2017 and will, accordingly, apply in relation to assessment year 2017-2018 and subsequent years.

Customs

Clause 113 of the Bill seeks to amend section 2 of the Customs Act so as to—

(i) substitute clause (43) thereof to redefine the expression "warehouse";

(ii) omit clause (45).

Clause 114 of the Bill seeks to amend the Chapter heading of Chapter-III of the Customs Act.

Clause 115 of the Bill seeks to omit section 9 of the Customs Act.

Clause 116 of the Bill seeks to amend section 25 of the Customs Act, so as to substitute sub-section (4) thereof to provide that every notification issued under sub-section (1) or sub-section (2A) shall, unless otherwise provided, come into force on the date of its issue by the Central Government for publication in the Official Gazette.

It is further proposed to omit sub-section (5) thereof.

Clause 117 of the Bill seeks to amend section 28 of the Customs Act so as to provide for recovery of duty in situations where the duty has been levied but not paid or has been short-paid also.

This clause further seeks to extend the limitation period for investigation of cases not involving any collusion, wilful mis-statement or suppression of facts from one year to two years.

Clause 118 of the Bill seeks to insert a proviso in sub-section (1) of section 47 of the Customs Act so as to empower the Central Government to permit certain class of importers specified by notification to make deferred payment of duty or other charges in the manner provided by the rules.

It also seeks to amend sub-section (2) of the said section to empower the Central Government to fix the rate of interest not below ten per cent. and not exceeding thirty-six per cent. per annum where importer fails to pay import duty either in full or in part within two days from the date specified therein.

Clause 119 of the Bill seeks to renumber section 51 of the Customs Act as sub-section (1) thereof and to insert a proviso in sub-section (1) so as to empower the Board to permit certain class of exporters specified by notification to make deferred payment of duty or any charges in the manner provided by rules.

It also seeks to insert a new section therein to empower the Central Government to fix the rate of interest not below five per cent. and not exceeding thirty-six per cent. per annum where the exporter fails to pay export duty either in full or in part within the date specified by rules.

Clause 120 of the Bill seeks to substitute section 53 of the Customs Act so as to enable the proper officer to allow transit of certain goods and conveyance without payment of duty, subject to the conditions specified by the Board by regulations.

Clause 121 of the Bill seeks to substitute a new section for section 57 of the Customs Act so as to vest with the Principal Commissioner of Customs or Commissioner of Customs the power to license a public warehouse.

Clause 122 of the Bill seeks to substitute new sections 58, 58A and 58B for section 58 of the Customs Act.

The proposed section 58 seeks to vest with the Principal Commissioner of Customs or Commissioner of Customs, the power to license a private warehouse.

The proposed section 58A seeks to vest with the Principal Commissioner of Customs or Commissioner of Customs the power to license a special warehouse wherein dutiable goods may be deposited and such warehouse shall be caused to be locked by the proper officer and no person shall enter the warehouse or remove any goods therefrom without the permission of proper officer.

The proposed section 58B seeks to vest with the Principal Commissioner of Customs or Commissioner of Customs the power to cancel a licence granted under section 57 or section 58 or section 58A, if the licensee has contravened any provision of the Act or the rules or regulations made thereunder or breached any of the conditions of the licence.

Clause 123 of the Bill seeks to substitute a new section for section 59 of the Customs Act, so as to provide that the importer of goods shall execute a bond and also furnish security in the manner specified therein.

Clause 124 of the Bill seeks to substitute new section for section 60 of the Customs Act.

The proposed sub-section (1) of section 60 seeks to provide for permission for removal of goods from a customs station for the purpose of deposit in a warehouse.

The proposed sub-section (2) of said section seeks to provide for the deposit of goods in a warehouse pursuant to an order made under sub-section (1).

Clause 125 of the Bill seeks to substitute a new section for section 61 of the Customs Act so as to specify the period for which goods may remain warehoused.

Clause 126 of the Bill seeks to omit sections 62 and 63 of the Customs Act.

Clause 127 of the Bill seeks to substitute a new section for section 64 of the Customs Act so as to make provisions for owner's right to deal with warehoused goods.

Clause 128 of the Bill seeks to amend section 65 of the Customs Act so as to substitute certain words therein.

Clause 129 of the Bill seeks to amend section 68 of the Customs Act so as to –

(i) substitute certain words therein;

(ii) substitute a new clause for clause (b) to provide that any warehoused goods may be cleared from the warehouse for home consumption if the import duty, interest, fine and penalties payable in respect of such goods have been paid;

(iii) omit the words "rent, interest, other charges and" occurring in the first proviso to that section.

Clause 130 of the Bill seeks to amend section 69 of the Customs Act so as to,—

(i) substitute the word "exportation" with the word "export";

(ii) substitute a new clause for clause (b) of sub-section (1) to provide that warehoused goods may be exported to a place outside India without payment of import duty if the export duty, fine and penalties payable in respect of such goods have been paid.

Clause 131 of the Bill seeks to amend section 71 of the Customs Act so as to substitute the word "re-exportation" with the word "export".

Clause 132 of the Bill seeks to amend sub-section (1) of section 72 of the Customs Act so as to –

(i) omit clause (c);

(ii) substitute the word "exportation" with the word "export";

(iii) substitute certain words in the long line.

It also seeks to amend sub-section (2) thereof to substitute the word "select" with the words "deem fit".

Clause 133 of the Bill seeks to amend section 73 of the Customs Act so as to insert the word "transferred or" after the words "exported or".

Clause 134 of the Bill seeks to insert a new section 73A of the Customs Act so as to provide for the custody and removal of warehoused goods.

Clause 135 of the Bill seeks to insert sub-clause (c) in sub-section (2) of section 156 of the Customs Act so as to empower the Central Government to make rules to provide for the due date and the manner of making deferred payment of customs duties, taxes, cess or any other charges.

Clause 136 of the Bill seeks to amend the notifications issued under sub-section (1) of section 25 of the Customs Act vide numbers G.S.R. 367 (E), dated the 27th April, 2000; 292(E), dated the 19th April, 2002; 281 (E), dated the 1st April, 2003; 604 (E), dated the 10th September, 2004; 606(E), dated the 10th September, 2004; 260 (E), dated the 1st May, 2006 in the manner specified in the Second Schedule retrospectively from the date respectively specified against them in column (4) of that Schedule, so as to correct the reference to "section 8" in those notifications as "section 8B".

Customs Tariff

Clause 137 of the Bill seeks to omit section 8C of the Customs Tariff Act as the provision which was inserted for a period of ten years has lapsed.

Clause 138 seeks to amend the First Schedule to the Customs Tariff Act,—

(i) in the manner specified in the Third Schedule with a view to insert and amend certain entries and to enhance the rate of duty on certain items;

(ii) in the manner specified in the Fourth Schedule with a view to harmonise the same with Harmonised System of Nomenclature with effect from the 1st day of January, 2017.

Excise

Clause 139 of the Bill seeks to amend section 5A of the Central Excise Act so as to substitute sub-section (5) to provide that every notification issued under sub-section (1) or sub-section (2A) shall, unless otherwise provided, come into force on the date of its issue by the Central Government for publication in the Official Gazette.

It is further proposed to omit sub-section (6) thereof.

Clause 140 seeks to amend section 11A of the Central Excise Act, to substitute the words "two years" for the words "one year" wherever they occur so as to increase the period of limitation in cases not involving fraud, suppression, etc.

Clause 141 seeks to amend section 37B of the Central Excise Act, to insert the words "or for the implementation of any other provision of this Act" in section 37B so as to empower the Board to issue orders, instructions and directions for the implementation of any other provision of the said Act.

Clause 142 of the Bill seeks to amend the Third Schedule to the Central Excise Act.

Sub-clause (i) thereof seeks to amend the Third Schedule in the manner specified in the Fifth Schedule so as to insert and amend certain entries therein and to revise the rate of duty on certain items.

Sub-clause (ii) thereof seeks to amend the Third Schedule in the manner specified in the Sixth Schedule so as to harmonise the

entries therein, with the Harmonised System of Nomenclature with effect from the 1st day of January, 2017.

Excise Tariff

Clause 143 seeks to amend the First Schedule to the Central Excise Tariff Act.

Sub-clause (i) thereof seeks to amend the First Schedule in the manner specified in the Seventh Schedule so as to insert and amend certain entries therein.

Sub-clause (ii) thereof seeks to amend the First Schedule in the manner specified in the Eighth Schedule so as to harmonise the First Schedule to the Central Excise Tariff Act with Harmonised System of Nomenclature with effect from the 1st day of January, 2017.

Clause 144 of the Bill seeks to amend the Second Schedule to the Central Excise Tariff Act in the manner specified in the Ninth Schedule so as to harmonise it with the proposed amendments in the First Schedule to the Central Excise Tariff Act with effect from the 1st day of January, 2017.

Service Tax

Clause 145 of the Bill seeks to amend section 65B of the Finance Act, 1994 (hereinafter referred to as the 1994 Act) so as to—

(a) omit clause (11);

(b) amend clause (44) to clarify the scope of services of lottery distributor and selling agent.

Clause 146 of the Bill seeks to amend section 66D of the 1994 Act so as to—

(a) omit clause (1);

(b) omit sub-clause (i) of clause (o) and sub-clause (ii) of clause (p) with effect from the 1st day of June, 2016.

Clause 147 of the Bill seeks to amend section 66E of the 1994 Act so as to insert clause (j) therein to include assignment by the Government of the right of use the radio-frequency spectrum and its subsequent transfers as a declared service.

Clause 148 of the Bill seeks to amend section 67A of the 1994 Act so as to insert a new sub-section (2) therein to empower the Central Government to prescribe the time or the point in time with respect to the rate of service tax.

Clause 149 seeks to amend section 73 of the 1994 Act to substitute the words "thirty months" for the words "eighteen months" wherever they occur, so as to increase the period of limitation in cases not involving fraud, suppression, etc.

Clause 150 of the Bill seeks to amend section 75 of the 1994 Act to insert a proviso therein, so as to empower the Central Government to specify, by notification, separate rate of interest in the case of person who collects service tax but fails to pay such amount so collected to the credit of the Central Government on or before the due date of payment.

Clause 151 of the Bill seeks to insert an *Explanation* in section 78A of the 1994 Act so as to provide for deemed conclusion of proceedings against any person liable under that section subject to the conclusion of proceedings as provided therein.

Clause 152 of the Bill seeks to amend sub-section (1) of section 89 of the 1994 Act so as to increase the monetary limit of rupees fifty lakh to rupees two hundred lakh.

Clause 153 of the Bill seeks to omit sub-section (2) of section 90 of the 1994 Act as the power of arrest in respect of offences under clauses (a), (b) and (c) of sub-section (1) of section 89 is proposed to be withdrawn.

Clause 154 of the Bill seeks to amend sub-section (1) and omit sub-section (3) of section 91 of the 1994 Act as the power of arrest in respect of offences under clauses (a), (b) and (c) of sub-section (1) of section 89 is proposed to be withdrawn.

Clause 155 of the Bill seeks to amend section 93A of the 1994 Act so as to empower the Central Government to grant rebate by way of notification as well.

Clause 156 of the Bill seeks to insert new sections 101, 102 and 103 in the 1994 Act with a view to extend service tax exemption retrospectively for the services specified in the respective sections.

Clause 157 of the Bill seeks to amend the notification specified in column (1) of the Tenth Schedule in the manner specified in column (2) of that Schedule, retrospectively, for the period specified in column (3) thereof.

Krishi Kalyan Cess

Clause 158 of the Bill seeks to insert new Chapter-VI so as to levy a cess to be called the Krishi Kalyan Cess, as service tax on all or any of the taxable services for the purposes of the Union for financing and promoting initiatives to improve agriculture or for any other purpose relating thereto.

Infrastructure Cess

Clause 159 of the Bill seeks to insert new Chapter VII so as to levy Infrastructure Cess at the rate of 4% as duty of excise on all goods specified in the Eleventh Schedule.

Equalisation Levy

Chapter VIII of the Bill seeks to insert a new Chapter in the Finance Bill, 2016 which deals with equalisation levy, collection and recovery of such levy.

Clause 160 of the Bill provides that the said chapter shall come into force on such date as Central Government may, by notification in the Official Gazette, appoint.

Clause 161 of the Bill seeks to define certain terms and expressions used in this Chapter.

Sub-clause (1) of clause 161 of the Bill seeks to make a provision for the charging of equalisation levy at the rate of six per cent. of the amount of consideration for specified services received or receivable by a non-resident from a person resident in India and carrying on business or profession or from a non-resident having a permanent establishment in India.

Sub-clause (2) provides that no such levy shall be made, if the non-resident service provider has a permanent establishment in India and income from such specified services are effectively connected to this permanent establishment. It is further provided to exclude the consideration for specified services out of the scope of equalisation levy if such consideration is not for the purpose of carrying out business or profession. It is also provided that no such levy shall be made if the aggregate amount of consideration for specified services received or receivable by a non-resident from a person resident in India or from a non-resident having a permanent establishment in India does not exceed one lakh rupees in any previous year.

Clause 162 of Bill provides for charge of equalisation levy at the rate of six per cent. of the amount of consideration for any

specified service received or receivable by a person, being a non-resident from the persons referred therein.

Clause 163 of the Bill provides for collection and recovery of equalisation levy by a person, being a resident and carrying on business or profession or a non-resident having a permanent establishment in India (assessee) by way of deduction from the amount paid or payable to the non-resident in respect of specified services. The amount of equalisation levy so deducted by the payer has to be paid to the credit of the Government by 7th day of the month following the month in which the equalisation levy is collected.

Clause 164 of the Bill provides for furnishing of statement by the assessee responsible for deduction of equalisation levy, of a statement in the prescribed form and prescribed manner and setting-forth such particulars as maybe prescribed in respect of all specified services entered into during a financial year.

Clause 165 of the Bill contains provisions relating to processing of the value of specified services and equalisation levy payable or refundable on the basis of such processing. It further provides for computation mechanism. It also provides that no intimation shall be made after the expiry of one year from the end of the relevant financial year.

Clause 166 of the Bill provides for rectification of mistakes apparent from the record of any order passed by the Assessing Officer within one year from the end of the financial year in which the order sought to be amended was passed. The Assessing Officer may rectify mistakes either *suo motu* or at the instance of the assessee. Further, any amendment which has the effect of enhancing the liability or reducing a refund of the assessee shall be made only after giving the assessee a reasonable opportunity of being heard.

Clause 167 of the Bill provides for payment of simple interest at the rate of one per cent. for every month or part of a month where the equalisation levy collected is not credited to the account of the Central Government within the period specified in the said clause.

Clause 168 of the Bill provides for imposition of penalty on the assessee responsible to deduct equalisation levy. The penalty would be a sum equal to the amount of equalisation levy not deducted in a case where the assessee fails to deduct the whole or any part of equalisation levy. In other cases, such penalty imposed will be one thousand rupees for every such failure. However, the penalty imposable under this clause shall not exceed the amount of equalisation levy that was to be paid.

Clause 169 of the Bill provides for penalty for failure to furnish statement under section 164. The penalty in such cases will be one hundred rupees for every day during which the failure continues.

Clause 170 of the Bill provides that no penalty will be imposable under clause or clause, if the assessee proves that there was reasonable cause for the failure to comply with the provisions of the said clause.

Clause 171 of the Bill provides for an appeal to the Commissioner of Income-tax (Appeals) when the assessee denies has liability to be assessed under this Chapter or against any order passed under clause or clause by an Assessing Officer. This clause also contains provisions relating to time for filing appeal, etc., and provides that provisions of section 249 to 251 of the Income-tax Act, shall as far as maybe, apply to such appeals.

Clause 172 of the Bill provides for appeal to the Appellate Tribunal against order passed by Commissioner of Income-tax (Appeals) under clause. This clause contains provisions relating to time and procedure for filing appeal before the Appellate Tribunal. This clause also provides that where an appeal has been filed under this clause, the provisions of sections 252 to 255 of the Income-tax Act shall, as far as may be, apply to such appeals.

Clause 173 of the Bill provides for punishment, by way of imprisonment up to a period of three years and with fine, for making any statement in any verification, account or statement which is false. This clause also provides that an offence punishable under this clause shall be deemed to be non-cognisable within the meaning of the Code of Criminal Procedure, 1973.

Clause 174 of the Bill provides that no prosecution shall be instituted for any offence under clause 173 except with the prior sanction of the Chief Commissioner of Income-tax.

Clause 175 of the Bill provides that sections 120, 131, 133A, 138, 156, Chapter XV and sections 220 to 227, 229, 232, 260A, 261, 262, 265 to 269, 278B, 280A, 280B, 280C, 280D, 282 to 293 of the Income-tax Act which, *inter alia*, relate to issue of notice of demand, recovery and collection of tax, appeals to High Courts and the Supreme Court, appearance of authorised representatives, etc., will so far as maybe, apply in relation to equalisation levy.

Clause 176 of the Bill confers power on the Central Government to make rules for the purposes of carrying out the provisions of this Chapter. This clause also provides that every rule made under this clause shall be laid before each House of Parliament.

Clause 177 of the Bill confers power on the Central Government to issue orders for removal of any difficulty arising in giving effect to the provisions of this Chapter. This power is available to the Central Government for a period of two years from the date on which the provisions of this Chapter come into force. Every order made under this clause shall be laid before each House of Parliament.

These amendments will take effect from the date appointed in the notification to be issued by the Central Government.

Income Declaration Scheme

Clauses 178 to 196 of the Bill seeks to insert a new Chapter IX relating to Income Declaration Scheme, 2016. The said Scheme, *inter alia*, provides for declaration of undisclosed income by any person. The scheme shall be in operation from the 1st day of June, 2016 till a date to be notified by the Central Government in the Official Gazette. The proposed Chapter, *inter alia*, provides for levying a tax of thirty per cent. on the undisclosed income declared in the scheme, a surcharge at the rate of twenty-five per cent. of such tax as *Krishi Kalyan Cess*; and penalty at the rate of twenty-five per cent. of tax; procedure and manner of filing the declaration under the said Scheme; undisclosed income declared under the said Scheme not be included in the total income or affect finality of completed assessments; income declared under the said Scheme shall not be refundable; exemption from wealth-tax in respect of assets specified in declaration; power to remove difficulty by the Central Government; and power of Central Board of Direct Taxes with the approval of the Central Government to make rules for the purposes of the said Scheme.

Direct Tax Dispute Resolution Scheme

Clauses 197 to 208 of the Bill seeks to insert a new Chapter X in the Finance Bill, 2016 which deals with the Direct Tax Dispute Resolution Scheme, 2016.

The Scheme is proposed to come in force from 1st June, 2016 and be open for declaration made up to a date to be notified by the Central Government in the Official Gazette.

The new Chapter, *inter alia*, provides—

(a) the definition of certain expressions relating to "declarant", "designated authority", "disputed income", "disputed tax", "disputed wealth", "specified tax" and "tax arrear";

(b) the proviso relating to the declaration of tax payable under this Scheme by the declarant;

(c) the provisions relating to the particulars to be furnished in the form of declaration;

(d) the provisions relating to the time and manner of payment;

(e) the provisions relating to granting of immunity from initiation of proceedings in respect of an offence and imposition of penalty in certain cases;

(f) the provisions relating to no refund of amount paid under the Scheme;

(g) the provisions relating to other benefit, concession or immunity not to apply in other proceedings;

(h) the provisions relating to non-applicability of the Tax Dispute Resolution Scheme, 2016 in certain cases;

(i) the provisions relating to the power of the Central Government to issue directions; and

(j) the provisions relating to the power to remove difficulties in giving effect to the provisions of the Direct Tax Dispute Resolution Scheme, 2016.

Indirect Tax Dispute Resolution Scheme, 2016.

Clauses 209 to 215 of the Bill seeks to insert new Chapter XI to provide for the Indirect Tax Dispute Resolution Scheme, 2016.

The said Scheme provides for settlement of the disputes pending before the Commissioner (Appeal) as on the 1st March, 2016, on payment of tax dues along with interest and twenty-five per cent. of the penalty imposed by the impugned order. The said scheme is applicable to the declarations made upto the 31st day of December, 2016.

Clauses 216 to 220 of the Bill seeks to amend certain provisions of the Reserve Bank of India Act, 1934. It is proposed to amend section 2 of the Act so as to insert therein certain definitions to the expressions "Consumer Price Index", "inflation", "Monetary Policy Committee". It is further proposed to insert a new Chapter IIIF in the Act consisting of sections 45Z to 45-O relating to monetary policy to meet the challenge of an increasingly complex economy and to maintain price stability.

The proposed new Chapter *inter alia* provides that,—

(i) the Central Government shall, in consultation with the Bank (Reserve Bank of India), determine the inflation target in terms of the Consumer Price Index, once in every five years;

(ii) the Central Government may constitute a Committee to be called the Monetary Policy Committee of the Bank which shall consist of the Governor of the Reserve Bank of India as a Chairperson, Deputy Governor of the Bank, one officer of the Bank to be nominated by the Central Board and three persons be appointed by the Central Government as Members to the Committee;

(iii) section 45ZC to 45ZG deals with the terms and conditions of Members of the Monetary Policy Committee;

(iv) the Bank shall provide all information to the Members of the Monetary Policy Committee that may be relevant to achieve the inflation target;

(v) the Bank shall publish a document explaining the steps to be taken by it to implement the decisions of the Monetary Policy Committee, including any changes thereto;

(vi) the Bank shall, once in every six months, publish a document to be called the Monetary Policy Report, explaining the sources of inflation; and the forecasts of inflation for the period between six to eighteen months from the date of publication of the document.

It is also proposed to make certain amendments to the said Act which are consequential in nature.

Miscellaneous

Clause 221 of the Bill seeks to amend section 3 of the Central Sales Tax Act, 1956 so as to insert an *Explanation 3* therein to provide that where the gas sold or purchased and transported through a common carrier pipeline or any other common transport or distribution system becomes co-mingled and fungible with other gas in the pipeline or system and such gas is introduced into the pipeline or system in one State and is taken out from the pipeline in another State, such sale or purchase of gas shall be deemed to be a movement of goods from one State to another.

Clause 222 seeks to amend the Schedule to the Oil Industry (Development) Act, 1974 so as to levy cess at the rate of twenty per cent. ad valorem instead of the present rate of Rs.4500 per tonne, on domestically produced crude oil.

Clause 223 of the Bill seeks to amend sections 2A, 3 and 12 of the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976.

The aforesaid sections, *inter alia*, provides for establishment of Appellate Tribunal for hearing appeals against the orders made under the aforesaid Act.

Clause 224 of the Bill seeks to amend sections 68B, 68N and section 76 of the Narcotic Drugs and Psychotropic Substances Act, 1985.

The aforesaid sections, *inter alia*, provides for establishment of Appellate Tribunal for hearing appeals against the orders made under the aforesaid Act.

It is proposed to amend the aforesaid sections so as to provide that the Appellate Tribunal established under the Smugglers and Foreign Exchanged Manipulators (Forfeiture of Property) Act, 1976 shall be the Appellate Tribunal for hearing the appeals against the orders made under the Narcotic Drugs and Psychotropic Substances Act, 1985.

Clauses 225 and 226 of the Bill seeks to amend the Foreign Exchange Management Act, 1999 so as to insert a new section 14A relating to power to recover arrears of penalty.

Clause 227 of the Bill seeks to amend section 10 of the Central Road Fund Act relating to functions of the Central Government.

The aforesaid section, *inter alia*, provides for distribution of cess collected under the said Act, among various projects.

It is proposed to substitute clause (viii) of sub-section (1) of the aforesaid section so as to provide for redistribution of the cess for different purposes.

It is further proposed to provide that no repair, maintenance or renovation work shall be carried out from the allocation of cess under sub-clause (c) of the said clause.

It is also proposed to omit sub-section (2) of the aforesaid section. This amendment will take effect from 1st June, 2016.

Clause 228 of the Bill seeks to amend the Seventh Schedule to the Finance Act, 2001, so as to amend the said Schedule,—

(a) in the manner specified in the Twelfth Schedule to align the same with the entries relating to levy of National Calamity

Contingency Duty with that in the First Schedule to the Central Excise Tariff Act, 1985;

(b) in the manner specified in the Thirteenth Schedule to harmonise it with the proposed amendments in the First Schedule to the Central Excise Tariff Act, 1985. The amendment shall come into force on the 1st day of January, 2017.

Clause 229 seeks to amend the prevention of Money-Laundering Act, 2002. It is proposed to amend the aforesaid Act so as to confer powers upon the Appellate Tribunal established under the said Act to hear appeals against orders made under the Narcotic Drugs and Psychotropic Substances Act, 1985 and the Prevention of Money-laundering Act, 2002 and certain consequential amendments.

Clause 230 of the Bill seeks to amend section 98 of the Finance (No.2) Act, 2004 relating to charge of securities transaction tax.

The aforesaid section provides that the securities transaction tax on sale of an option in securities where option is not exercised is 0.017 per cent. of the option premium.

It is proposed to increase the said rate of securities transaction tax from 0.017 per cent. to 0.05 per cent.

It is also proposed to amend the section 113A so as to provide that the provisions of Chapter VII shall also not apply to taxable securities transactions entered into by any person for on a recognised stock exchange located in an International Financial Services Centre referred to in clause (q) of section 2 of the Special Economic Zones Act, 2005.

This amendment will take effect from 1st June, 2016.

Clause 231 of the Bill seeks to amend the Seventh Schedule to the Finance Act, 2005 to revise the rate of excise duty on certain tariff items in the manner specified in the Fourteenth Schedule.

Clause 232 of the Bill seeks to substitute the words "Clean Energy Cess" with "Clean Environment Cess" occurring in Chapter VII of the Finance Act, 2010 or in any other law.

It further seeks to amend the Tenth Schedule to the Finance Act, 2010, so as to increase the rate of Clean Energy Cess on coal, lignite and peat from Rs.300 per tonne to Rs.400 per tonne.

Clause 233 of the Bill seek to amend the Foreign Contribution (Regulation) Act, 2010 so as to insert a proviso in sub-clause (vi) of clause (j) of sub-section (1) of section 2 of the said Act providing therein that notwithstanding the nominal value of share capital of a company exceeding one-half per cent. at the time of making

contributions such company shall not be deemed to be a foreign source, if the foreign investment is within the limit specified under the Foreign Exchange Management Act, 1999 or the rules or regulations made thereunder.

Clause 234 of the Bill seeks to amend the Finance Act, 2013 relating to commodities transaction tax.

The provisions of the said Chapter, *inter alia*, provides for chargeability of tax on taxable commodities transactions.

It is proposed to amend the said Chapter so as to provide that the provisions of chapter VIII shall not apply to taxable commodities transactions entered into by any person on a recognised association in an International Financial Services referred to in clause (q) of section 2 of the Special Economic Zones Act, 2005.

This amendment will take effect from 1st June, 2016.

Clause 235 of the Bill *inter alia*, provides for establishment, utilisation and notifying the eligible rate of interest money lying in the Senior Citizens' Welfare Fund.

This clause further seeks to omit clause (ii) of section 4 of the Finance Act, 2015 with effect from 1st April, 2016.

This clause also seeks to amend section 122 relating to establishment of Fund, section 124 relating to payment of claims and section 128 relating to power of the Central Government to make rules.

It is also proposed to amend sub-section (2) of the said section so as to provide overriding effect for the provisions of Chapter VII of the said Act over other laws for the time being in force in respect of Senior Citizens' Welfare Fund. Further, section 124, *inter alia*, provides for payment of claims to any person claiming to be entitled to the unclaimed amount transferred to the Senior Citizens' Welfare Fund. It is proposed to omit sub-section (5) of the said section. Also, section 128, *inter alia*, provides for rule making provisions in respect of various provisions of Chapter VII of the said Act relating to Senior Citizens' Welfare Fund. It is proposed to omit clause (c) of sub-section (2) of the said section. These amendments will take effect from 1st June, 2016.

Clause 236 to 238 of the Bill seek to repeal certain enactments specified in the Fifteenth Schedule and amend certain enactments specified in the Fifteenth Schedule. It is proposed to repeal the provisions relating to imposition of cess in the Acts specified in the Fifteenth Schedule to the extent mentioned in column (4) which are yielding minimal cess and amend the enactments specified in the Fifteenth Schedule to the extent mentioned in column (4).

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 43 of the Bill seeks to insert a new section 80-IBA in the Income-tax Act relating to deductions in respect of profits and gains from housing projects.

Sub-section (2) of the proposed section provides that for the purposes of sub-section (1) of the said section, a housing project shall fulfil the conditions specified therein. Clause (a) of sub-section (2) of the said section provides that a housing project shall be that project which is approved by the competent authority after the 1st day of June, 2016, but on or before the 31st day of March, 2019, in accordance with such guidelines as may be prescribed;

Clause 47 of the Bill seeks to amend section 92D of the Income-tax Act relating to maintenance and keeping of information and document by persons entering into an international transaction or specified domestic transaction.

The proposed amendment seeks to provide that any person, being a constituent entity of an international group, shall also keep and maintain such information and document in respect of an international group as may be prescribed.

Clause 49 of the Bill seeks to insert a new section 115BA in the Income-tax Act relating to tax as income of certain domestic companies. Sub-section (2) of the proposed section provides that for the purposes of sub-section (1), while computing the total income of the company, the depreciation under section 32 is determined in the manner as may be prescribed. Sub-section (4) of the proposed section further seeks to provide that the option by the person referred to in sub-section (1) shall be exercised in the prescribed manner on or before the due date specified under sub-section (1) of section 139 for furnishing the return of income for the relevant previous year.

Clause 56 of the Bill seeks to amend section 115QA of the Income-tax Act relating to tax on distributed income to shareholders.

The proposed amendment seeks to provide that the expression "distributed income" means the consideration paid by the company on buy-back shares as reduced by the amount, which was received by the company for issue of such shares shall be determined in the manner as may be prescribed.

Clause 85 of the Bill seeks to amend section 206AA of the Income-tax Act relating to requirement to furnish Permanent Account Number.

The proposed amendment seeks to provide that the provisions of sub-section (7) shall not apply to a non-resident, not being a company, or to a foreign company, in respect of payment of interest on long-term bonds as referred to in section 194LC and any other payment subject to such conditions as may be prescribed.

Clause 86 of the Bill seeks to amend section 206C of the Income-tax Act relating to profits and gains from the business of trading in alcoholic liquor, forest produce, scrap, etc.

The proposed amendment seeks to insert a proviso in sub-section (1D) of said section so as to provide that nothing contained in the said sub-section, in relation to sale of any goods (other than bullion and jewellery) or providing services, shall apply to a class of buyers who fulfils such conditions as may be prescribed.

Clause 97 of the Bill seeks to insert a new section 270AA in the Income-tax Act relating to immunity from imposition of penalty.

The proposed amendment seeks to provide that to claim immunity from imposition of penalty under section 270A of the Income-tax Act and immunity from initiation of proceedings under section 276C of said Act, the assessee has to make an application to the Assessing Officer within one month from the end of the month in which the order referred to in clause (a) of sub-section (1) has been received and shall be made in such form and verified in such manner as may be prescribed.

Clause 110 of the Bill seeks to insert a new section 286 in the Income-tax Act relating to furnishing of reports in respect of international group.

Sub-section (1) of the proposed section seeks to provide that every constituent entity resident in India, shall, if it is constituent of an international group, the parent entity of which is not resident in India, notify the prescribed income-tax authority in the form and manner, as may be prescribed, whether it is the alternate reporting entity of the international group or the details of the parent entity or the alternate reporting entity, if any, of the international group, and the country or territory of which the said entities are resident, on or before the due date as may be prescribed.

Sub-section (2) of the proposed section further seeks to provide that every parent entity or the alternate reporting entity, resident in India, shall, for every reporting accounting year, in respect of the international group of which it is a constituent, furnish a report, to the prescribed authority on or before the due date specified under sub-section (1) of section 139, for furnishing the return of income for the relevant accounting year, in the form and manner as may be prescribed.

Sub-section (8) of the proposed section also seeks to provide that the provisions of the said section shall not apply in respect of an international group for an accounting year, if the total consolidated group revenue, as reflected in the consolidated financial statement for the accounting year preceding such accounting year does not exceed the amount, as may be prescribed.

Sub-section (9) of the proposed section also seeks to provide that the provisions of the said section shall be applied in accordance with such conditions, as may be prescribed.

Indirect-tax

Clause 118 of the Bill seeks to insert a proviso in sub-section (1) of section 47 of the Customs Act so as to empower the Central Government to permit certain class of importers, specified by notification in the Official Gazette, to make deferred payment of duty or any charges, in the manner provided by rules. The said Clause also seeks to amend sub-section (2) of said section. Clause (b) thereof, empowers the Central Government to specify by rules the due date for making deferred payment of duty.

Clause 119 of the Bill seeks to renumber section 51 of the Customs Act as sub-section (1) thereof and to insert a proviso in sub-section (1) so as to empower the Central Government to permit certain class of exporters, specified by notification in the Official Gazette, to make deferred payment of duty or any charges in the manner provided by rules.

The said clause also seeks to insert sub-section (2) therein to empower the Central Government to specify, by rules, the due date for making deferred payment of export duty. It also empowers the Central Government to fix, by notification in the Official Gazette, the rate of interest not below five per cent. and not exceeding thirty-six per cent. per annum.

Clause 120 of the Bill seeks to substitute a new section for section 53 of the Customs Act. The proposed new section 53 seeks to empower the Board

to make regulations to provide for conditions subject to which the proper officer may allow the goods and the conveyance to transit without payment of duty.

Clause 121 of the Bill seeks to substitute a new section for section 57 of the Customs Act. The proposed new section seeks to empower the Board to make regulations to provide for conditions subject to which the Principal Commissioner of Customs or Commissioner of Customs may licence a public warehouse wherein dutiable goods may be deposited.

Clause 122 of the Bill seeks to substitute new sections 58, 58A and 58B for section 58 of the Customs Act.

The proposed section 58 seeks to empower the Board to make regulations to provide for conditions subject to which the Principal Commissioner of Customs or Commissioner of Customs may licence a private warehouse in which dutiable goods imported by or on behalf of the licensee may be deposited.

The proposed section 58A seeks to empower the Board to make regulations to provide for conditions subject to which the Principal Commissioner of Customs or Commissioner of Customs may licence a special warehouse wherein dutiable goods may be deposited.

Clause 123 of the Bill seeks to substitute a new section for section 59 of the Customs Act. Sub-section (3) of the proposed section 59 seeks to empower the Board to make regulations to provide for furnishing of security by the importer.

Clause 124 of the Bill seeks to substitute a new section for section 60 of the Customs Act. Sub-section (2) of the proposed section 60 seeks to empower the Board to make regulations to provide for the manner in which goods may be deposited in a warehouse pursuant to an order made by the proper officer permitting removal of goods from customs station for the purpose of deposit in a warehouse.

Clause 134 of the Bill seeks to insert a new section 73A in the Customs Act. Sub-section (2) of the proposed section 73A seeks to empower the Board to make regulations to provide for the responsibilities of the person who has been granted licence under section 57 or section 58 or section 58A, who has the custody of the warehoused goods.

Clause 148 of the Bill seeks to renumber the existing provision of section 67A of the Finance Act, 1994 as sub-section (1) thereof and to insert a new sub-section (2) therein. The proposed sub-section (2)

seeks to empower the Board to make regulations to provide for the time or the point in time with respect to the rate of service tax.

Clause 171 of the Bill seeks to provide that in respect of matters relating to equalisation levy, the appeal to be filed by the assessee before the Commissioner of Income-tax shall be in such form and verified in such manner as may be prescribed and shall be accompanied by a fee of one thousand rupees.

Clause 209 of the Bill seeks to insert a new Chapter XI to provide for the Indirect Tax Dispute Resolution Scheme, 2016.

Sub-section (1) of section 211 of the Scheme seeks to empower the Central Government to make rules to provide for the form and the manner in which a person may make declaration to the designated authority on or before the 31st day of December, 2016.

Sub-section (2) of said section seeks to empower the Central Government to make rules to provide for

the form and the manner in which the designated authority shall acknowledge the declaration.

Sub-section (4) of said section seeks to empower the Central Government to make rules to provide for the form in which the designated authority shall pass an order of discharge of dues.

Clause 215 of the Bill provides for rule making power of the Central Government under the Indirect Tax Dispute Resolution Scheme, 2016. Clause (d) of sub-section (2) of section 215 provides for residuary power to make rules to the Central Government under the said Scheme.

2. The matters in respect of which rules or regulations may be made or notifications may be issued in accordance with the provisions of the Bill are matters of procedure and detail and it is not practicable to provide for them in the Bill.

3. The delegation of legislative power is, therefore, of a normal character.

LOK SABHA

A

BILL

to give effect to the financial proposals of the Central Government
for the financial year 2016-2017.

*(Shri Arun Jaitley,
Minister of Finance.)*

Memorandum

(Extracts related to Indirect Taxes)

CUSTOMS

- Note:**
- (a) "Basic Customs Duty" means the customs duty levied under the Customs Act, 1962.
 - (b) "CVD" means the Additional Duty of Customs levied under sub-section (1) of section 3 of the Customs Tariff Act, 1975.
 - (c) "SAD" means the Special Additional Duty of Customs levied under sub-section (5) of section 3 of the Customs Tariff Act, 1975.
 - (d) "Export duty" means duty of Customs leviable on goods specified in the Second Schedule to the Customs Tariff Act, 1975.
 - (e) Clause nos. in square brackets [] indicate the relevant clause of the Finance Bill, 2016.

Amendments carried out through the Finance Bill, 2016 come into effect on the date of its enactment unless otherwise specified.

AMENDMENTS IN THE CUSTOMS ACT, 1962:

S. No.	Amendment	Clause of the Finance Bill, 2016
1.	Subsection (43) of Section 2 is being amended so as to add a new class of warehouses for enabling storage of specific goods under physical control of the department, as control over the other types of warehouses would be only record based.	[113]
2.	Subsection (45) of Section 2 which defines "warehousing station" is being omitted.	[113]
3.	Chapter heading of Chapter III is being amended to omit the word "warehousing station".	[114]
4.	Section 9 is being omitted.	[115]
5.	Section 25 is being amended so as to omit the requirement of publishing and offering for sale any notification issued, by the Directorate of Publicity and Public Relations of CBEC.	[116]
6.	Sections 28, 47, 51 and 156 are being amended so as to: <ul style="list-style-type: none"> a) increase the period of limitation from one year to two years in cases not involving fraud, suppression of facts, willful mis-statement, etc. b) provide for deferred payment of customs duties for importers and exporters to certain class of importers and exporters. 	[117], [118], [119], [135]
7.	Section 53 is being amended so as to enable the Board to frame regulations for allowing transit of certain goods and conveyance without payment of duty.	[120]
8.	Sections 57 and 58 are being substituted to provide for licensing by the Principal Commissioner or Commissioner, in place of Deputy/Assistant Commissioner, subject to such conditions as may be prescribed.	[121], [122]
9.	New section 58A is being inserted to provide for a new class of warehouses which require continued physical control and will be licensed for storing goods, as may be specified.	[122]
10.	New section 58B is being inserted so as to regulate the process of cancellation of licences which is a necessary concomitant of licencing.	[122]
11.	The existing section 59 governing warehousing bonds submitted by importers availing duty deferred warehousing is being substituted so as to fix the bond amount at thrice the duty involved and to furnish security as prescribed.	[123]

12.	The existing section 60 is being substituted to define the date of removal of goods from a customs station and deposit thereof in a warehouse.	[124]
13.	The existing section 61 is being substituted to extend the period of warehousing to all goods used by Export Oriented Undertakings, Units under Electronic Hardware Technology Parks, Software Technology Parks, Ship Building Yards and other units manufacturing under bond; empower Principal Commissioners and Commissioners to extend the warehousing period upto one year at a time.	[125]
14.	Section 62 relating to physical control over warehoused goods is being omitted since the conditions for licensing different categories of warehouses and exercising control over the same are being provided under sections 57, 58 and 58A.	[126]
15.	Section 63 relating to payment of rent and warehouse charges is being omitted in view of the privatization of services, and free market determination of rates, including those by facilities in the public sector.	[126]
16.	The existing section 64 relating to owner's rights to deal with warehoused goods is being substituted so as to rationalize the facilities and rights extended under the section.	[127]
17.	Section 65 is being amended to delete the payment of fees to Customs for supervision of manufacturing facilities under Bond; and empower Principal Commissioner or Commissioner of Customs to licence such facilities.	[128]
18.	Section 68 is being amended to omit rent and other charges on account of omission of section 63.	[129]
19.	Section 69 is being amended to omit rent and other charges on account of omission of section 63.	[130]
20.	Section 71 is being amended so as to substitute the word "exportation" with the word "export" to align with definition contained in sub section (18) of section 2.	[131]
21.	Section 72 is being amended to delete clause (c) regarding improper removal of samples	[132]
22.	Section 73 is being amended to provide for cancellation bond in case of transfer of ownership of the goods, and is thus aligned with sub-section (5) of section 59.	[133]
23.	New section 73A is being inserted so as to provide for custody of warehoused goods and responsibilities including the liabilities of warehouse keepers.	[134]

AMENDMENT IN THE CUSTOMS TARIFF ACT, 1975

S. No.	Amendment	Clause of the Finance Bill, 2016
1.	To omit Section 8C [Power of Central Government to impose transitional product specific safeguard duty on imports from People's Republic of China]	[137]

AMENDMENT IN THE FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975

S. No.	Amendment	Clause of the Finance Bill, 2016
	Amendments not affecting rates of duty	
1.	Editorial changes in the Harmonized System of Nomenclature (HSN) in certain chapters are being incorporated in the First Schedules, to be effective from 01.01.2017.	[138(ii)]

2.	<p>To:</p> <ol style="list-style-type: none"> 1) Amend supplementary notes (e) and (f) Chapter 27 so as to change the reference: <ol style="list-style-type: none"> a) from IS:1460:2000 to IS:1460:2005 for high speed diesel (HSD) and b) from IS:1460 to IS: 15770:2008 for light diesel oil (LDO); 2) Substitute Tariff line 5801 39 10 with description “Warp pile fabrics, uncut” in place of tariff line 5801 37 11 [with description Warp pile fabrics ‘epingle’ uncut velvet] and 5801 37 19 [with description Warp pile fabrics ‘epingle’ uncut other]; 3) Prescribe separate tariff lines for laboratory created or laboratory grown or manmade or cultured or synthetic diamonds; 4) Delete Tariff line 8525 50 50, relating to Wireless microphone. 	[138 (i)]	
	Amendments affecting rates of duty		
		From	To
	Articles of rubber		
3	Natural latex rubber made balloons falling under specified headings	10%	20%
	Metals		
4	Primary aluminium	5%	7.5%
5	Zinc alloys	5%	7.5%
	Jewellery		
6	Imitation jewellery	10%	15%
	Renewable Energy		
7	Industrial solar water heater	7.5%	10%
	Capital goods and parts thereof		
8	Increase the tariff rate of BCD for 211 specified tariff lines in Chapters 84, 85 and 90	7.5%	10%
	a) The effective rates for 96 specified tariff lines will increase	7.5%	10%
	b) The effective rate for 115 tariff lines will be maintained	7.5%	7.5%

The amendments involving increase in the duty rates will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

OTHER PROPOSALS INVOLVING CHANGES IN BCD, CVD, SAD AND EXPORT DUTY RATES

S.No.		BCD/CVD/SAD/Export Duty	
		From	To
	Export duty		
	Ores and concentrates		
1	Iron ore fines with Fe content below 58%	10%	Nil
2	Iron ore lumps with Fe content below 58%	30%	Nil
3	Chromium ores and concentrates, all sorts	30%	Nil

S.No.		BCD/CVD/SAD/Export Duty	
		From	To
4	Bauxite (natural), not calcined or calcined	20%	15%
	Basic Customs Duty		
	Food Processing		
1	Cashew nuts in shell	Nil	5%
2	Cold chain including pre-cooling unit, packhouses, sorting and grading lines and ripening chambers	10%	5%
3	Refrigerated containers	10%	5%
	Mineral fuels and Mineral oils		
4	Coal; briquettes, ovoids and similar solid fuels manufactured from coal	2.5% / 10%	2.5%
5	Lignite, whether or not agglomerated, excluding jet	10%	2.5%
6	Peat (including peat litter), whether or not agglomerated	10%	2.5%
7	Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon	5% / 10%	5%
8	Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons	10%	5%
9	Tar distilled from coal, from lignite or from peat and other mineral tars, whether or not dehydrated or partially distilled, including reconstituted tars	10%	5%
10	Oils and other products of the distillation of high temperature coal tar similar products in which the weight of the aromatic constituents exceeds that of the non-aromatic constituents	2.5% / 5% / 10%	2.5%
11	Pitch and pitch coke, obtained from coal tar or from other mineral tars	5% / 10%	5%
	Petroleum exploration and production		
12	Goods required for exploration & production of hydrocarbon activities undertaken under Petroleum Exploration Licenses (PEL) or Mining Leases (ML) issued or renewed before 1 st April 1999	Applicable BCD and CVD	BCD - Nil CVD – Nil
	Chemicals & Petrochemicals		
13	All acyclic hydrocarbons and all cyclic hydrocarbons [other than para-xylene which attracts Nil BCD and styrene which attracts 2% BCD]	5% / 2.5%	2.5%
14	Denatured ethyl alcohol (Ethanol) subject to actual user condition	5%	2.5%
15	Orthoxylene for the manufacture of phthalic anhydride subject to actual user condition	SAD – 4%	SAD – 2%
16	Electrolysers, membranes and their parts required by caustic soda / potash unit using membrane cell technology	2.5%	Nil
	Paper, Paperboard and newsprint		
17	Wood in chips or particles for manufacture of paper, paperboard and news print	5%	Nil
18	Plans, drawings and designs	Nil	10%
	Textiles		
19	Specified fibres and yarns	5%	2.5%

S.No.		BCD/CVD/SAD/Export Duty	
		From	To
20	Specified fabrics [for manufacture of textile garments for export] of value equivalent to 1% of FOB value of exports in the preceding financial year subject to the specified conditions. The entitlement for the month of March 2016 shall be one twelfth of one per cent. of the FOB value of exports in the financial year 2014-15.	Applicable BCD	Nil
	Electronics / Hardware		
21	Polypropylene granules / resins for the manufacture of capacitor grade plastic films	7.5%	Nil
22	E-Readers	Nil	7.5%
23	Parts of E-readers	Applicable BCD	5%
24	Magnetron of capacity of 1 KW to 1.5 KW for use in manufacture of domestic microwave ovens subject to actual user condition.	10%	Nil
25	Machinery, electrical equipment and instrument and parts thereof (except populated PCBs) for semiconductor wafer fabrication / LCD fabrication units	Applicable BCD SAD	Nil BCD Nil SAD
26	Machinery, electrical equipment and instrument and parts thereof (except populated PCBs) imported for Assembly, Test, Marking and Packaging of semiconductor chips (ATMP)	Applicable BCD SAD	Nil BCD Nil SAD
27	The exemption from basic customs duty, CV duty, SAD on charger / adapter, battery and wired headsets / speakers for manufacture of mobile phone being withdrawn	BCD- Nil CVD - Nil SAD - Nil	Applicable BCD CVD – 12.5% SAD – 4%
28	Inputs, parts and components, subparts for manufacture of charger / adapter, battery and wired headsets / speakers of mobile phones, subject to actual user condition	Applicable BCD, CVD SAD	Nil BCD Nil CVD Nil SAD
29	Parts and components, subparts for manufacture of Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera / IP camera, lithium ion battery [other than those for mobile handsets]	Applicable BCD, CVD SAD	Nil BCD Nil CVD Nil SAD
30	Magnetic - Heads (all types), Ceramic / Magnetic cartridges and stylus, Antennas, EHT cables, Level meters/level indicators/ tuning indicators/ peak level meters/ battery meter/VC meters / Tape counters, Tone arms, Electron guns	Nil BCD	Applicable BCD
31	To exclude specified telecommunication equipment [Soft switches and Voice over Internet Protocol (VoIP) equipment namely VoIP phones, media gateways, gateway controllers and session border controllers, Optical Transport equipment; combination of one / more of Packet Optical Transport Product/Switch (POTP/POTS), Optical Transport Network(OTN) products, and IP Radios, Carrier Ethernet Switch, Packet Transport Node (PTN) products, Multiprotocol Label Switching-Transport Profile (MPLS-TP) products, Multiple Input / Multiple Output (MIMO) and Long Term Evolution (LTE) Products on which 10% BCD was imposed in 2014-15 Budget being non-ITA I bound] from the purview of the other exemption.	Nil BCD	10%
32	Preform of silica for manufacture of telecom grade optical fibre /cables	Nil	10%

S.No.		BCD/CVD/SAD/Export Duty	
		From	To
33	Specified capital goods and inputs for use in manufacture of Micro fuses, Sub-miniature fuses, Resettable fuses, and Thermal fuses	Applicable BCD	Nil
34	Neodymium Magnet (before Magnetization) and Magnet Resin (Strontium Ferrite compound/before formed, before magnetization) for manufacture of BLDC motors, subject to actual user condition	Applicable BCD	2.5%
35	Populated PCBs for manufacture of personal computers (laptop or desktop)	Nil SAD	4% SAD
36	Populated PCBs for manufacture of mobile phone/tablet computer	Nil SAD	2% SAD
	Metals, glass and ceramics		
37	Silica sand	5%	2.5%
38	Brass scrap	5%	2.5%
39	Other aluminium products	7.5%	10%
	Jewellery		
40	Gold dore bars.	8% CVD	8.75% CVD
41	Silver dore.	7% CVD	7.75% CVD
	Automobiles		
42	Golf cars	10%	60%
43	Specified parts of electric and hybrid vehicles	BCD-Nil CVD – 6% Upto 31.03.2016	BCD-Nil CVD – 6% Without time limit
44	Aluminium Oxide for use in the manufacture of Wash Coat, which is used in the manufacture of catalytic converters, subject to actual user condition	7.5%	5%
45	Engine for xEV (hybrid electric vehicle)	Applicable BCD and CVD	Nil BCD 6% CVD
	Capital Goods		
46	Specified machinery required for construction of roads	CVD – Nil	CVD – 12.5%
	Defence Production		
47	Direct imports of specified goods by Government of India or State Governments, with effect from 01.4.2016	BCD Nil CVD – Nil SAD – Nil	Applicable BCD, CVD and SAD
48	Imports of specified goods for defence purposes by contractors of the Government of India, PSUs or sub-contractors of PSUs, with effect from 01.4.2016	BCD Nil Applicable CVD and SAD	Applicable BCD, CVD and SAD
	Maintenance, repair and overhaul [MRO] of aircrafts		
49	Tools and tool kits when imported by MROs for maintenance, repair, and overhauling [MRO] of aircraft subject to a certification by the Directorate General of Civil Aviation	Applicable BCD, CVD and SAD	Nil BCD Nil CVD Nil SAD

S.No.		BCD/CVD/SAD/Export Duty	
		From	To
50	Simplify the procedure for availment of exemption from customs duties on parts, testing equipment, tools and tool-kits for maintenance, repair and overhaul of aircraft based on records and subject to actual user condition	-	-
51	Remove the restriction of one year for utilization of duty free parts for maintenance, repair and overhaul of aircraft	-	-
52	Further relax the existing conditions of stay [upto 60 days], so as to provide for stay up to 6 months of the foreign aircraft for maintenance, repair or overhauling, and provide for further extension of such period by DGCA as deemed fit	-	-
	Ship Repair Units		
53	Capital goods and spare thereof, raw materials, parts, material handling equipment and consumable for repairs of ocean-going vessels by a ship repair unit subject to actual user condition.	Applicable excise duty	Nil
54	Simplify the procedure for availment of exemption from Basic Customs Duty, CVD and SAD by ship repair units based on records and subject to actual user condition	-	-
	Miscellaneous		
55	Braille paper	10%	Nil
56	Disposable sterilized dialyzer and micro barrier of artificial kidney	Applicable BCD, CVD, SAD	Nil BCD Nil CVD Nil SAD
57	Solar tempered glass / solar tempered (anti-reflective coated) glass, subject to actual user condition	Nil	5%
58	Medical Use Fission Molybdenum-99 imported by Board of Radiation and Isotope Technology (BRIT) for manufacture of radio pharmaceuticals	7.5%	Nil
59	Pulp of wood for manufacture of sanitary pads, napkins & tampons	5%	2.5%
60	Super Absorbent Polymer when used for the manufacture of sanitary pads, napkins & tampons	7.5%	5%
61	Merge the exemptions from customs duties on specified goods imported for petroleum exploration under various types of licenses or mining leases, pre-NELP contracts, NELP contracts, Marginal Fields Policy and the Coal Bed Methane Policy into a single exemption with a unified list of specified goods and conditions	Nil BCD Nil CVD Nil SAD	Nil BCD Nil CVD Nil SAD
62	Specified goods required for exploration & production of hydrocarbon activities undertaken under Petroleum Exploration Licenses (PEL) or Mining Leases (ML) issued or renewed before 1 st April 1999	Applicable BCD, CVD, SAD	Nil BCD Nil CVD Nil SAD
63	Prescribe actual user condition for the imports of Phosphoric Acid and Anhydrous Ammonia at concessional BCD/CVD for manufacture of Fertilizers	-	-
64	Prescribe actual user condition for imports of LCD/LED/OLED Panels imported at Nil BCD for manufacture of LCD/LED/OLED TVs	-	-

S.No.		BCD/CVD/SAD/Export Duty	
		From	To
65	"Foreign Satellite data" on storage media when imported by National Remote Sensing Centre (NRSC), Hyderabad	Applicable BCD, CVD, SAD	Nil BCD Nil CVD Nil SAD

RETROSPECTIVE AMENDMENT

S. No.	Amendment	Clause of the Finance Bill, 2016
1.	To amend various notifications pertaining to Advance Licence and Duty Free Import Authorization Schemes retrospectively, to correct the reference to "section 8" in such notifications to "section 8B" so as to clearly provide that exemption from safeguard duty under section 8B of the Customs Tariff Act, 1975 was/is available under these notifications on imports under Advance Licence and Duty Free Import Authorization Schemes.	[136]

EXCISE

Note: “Basic Excise Duty” means the excise duty set forth in the First Schedule to the Central Excise Tariff Act, 1985.

AMENDMENTS IN THE CENTRAL EXCISE ACT, 1944:

S. No.	Amendment	Clause of the Finance Bill, 2016
1.	Section 5A is being amended so as to omit the requirement of publishing and offering for sale any notification issued, by the Directorate of Publicity and Public Relations of CBEC.	[139]
2.	Section 11A is being amended so as to increase the period of limitation from one year to two years in cases not involving fraud, suppression of facts, willful mis-statement, etc.	[140]
3.	Section 37B is being amended so as to empower the Board for implementation of any other provision of the said Act in addition to the power to issue orders, instructions and directions.	[141]
4.	The Third Schedule is being amended so as to: <ul style="list-style-type: none"> a) make some editorial changes, consequent to 2017 Harmonized System of Nomenclature. b) include therein: <ul style="list-style-type: none"> 1) All goods falling under heading 3401 and 3402; 2) Aluminium foils of a thickness not exceeding 0.2 mm; 3) Wrist wearable devices (commonly known as ‘smart watches’); and 4) Accessories of motor vehicle and certain other specified goods. <p>Changes at (b) above will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.</p>	[142(ii)] [142(i)]

AMENDMENTS IN THE FIRST SCHEDULE TO THE CENTRAL EXCISE TARIFF ACT, 1985

S. No.	Amendment	Clause of the Finance Bill, 2016
	Amendments not affecting rates of duty	
1.	Editorial changes in the Harmonized System of Nomenclature (HSN) in certain chapters are being incorporated in the First and Second Schedules, to be effective from 01.01.2017.	[143 (ii)]
2.	To: <ul style="list-style-type: none"> a) Amend supplementary notes (e) and (f) Chapter 27 so as to change the reference: <ul style="list-style-type: none"> i. from IS:1460:2000 to IS:1460:2005 for high speed diesel (HSD) and ii. from IS:1460 to IS: 15770:2008 for light diesel oil (LDO) b) Substitute Tariff line 5801 39 10 with description “Warp pile fabrics, uncut” in place of tariff line 5801 37 11 [with description Warp pile fabrics ‘epingle’ uncut velvet] and 5801 37 19 [with description Warp pile fabrics ‘epingle’ uncut other]; 	[143(i)]

S. No.	Amendment	Clause of the Finance Bill, 2016
	c) Prescribe separate tariff lines for laboratory created or laboratory grown or manmade or cultured or synthetic diamonds; d) Delete Tariff line 8525 50 50, relating to Wireless microphone.	

		From	To
	Amendments involving change in the rate of duty		
	Aerated Beverages		
1	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured	18%	21%
	Tobacco and Tobacco Products		
2	Cigar and cheroots	12.5% or Rs.3375 per thousand, whichever is higher	12.5% or Rs.3755 per thousand, whichever is higher
3	Cigarillos	12.5% or Rs.3375 per thousand, whichever is higher	12.5% or Rs.3755 per thousand, whichever is higher
4	Cigarettes of tobacco substitutes	Rs.3375 per thousand	Rs.3755 per thousand
5	Cigarillos of tobacco substitutes	12.5% or Rs.3375 per thousand, whichever is higher	12.5% or Rs.3755 per thousand, whichever is higher
6	Others of tobacco substitutes	12.5% or Rs.3375 per thousand, whichever is higher	12.5% or Rs.3755 per thousand, whichever is higher
7	Gutkha, chewing tobacco (including filter khaini) and jarda scented tobacco	70%	81%
8	Unmanufactured tobacco	55%	64%
9	Paper rolled biris [whether handmade or machine made] and other biris [other than handmade biris] However, the effective rate of basic excise duty of Rs.21 per thousand shall remain unchanged.	Rs.30 per thousand	Rs.80 per thousand

The amendments involving increase in the duty rates will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

OTHER PROPOSALS INVOLVING CHANGES IN DUTY RATES:

		From	To
	Food processing		
1	Refrigerated containers	12.5%	6%
	Fertilizers		
2	Micronutrients which are covered under Sr. No. 1(f) of Schedule 1 Part (A) of the Fertilizer Control Order, 1985 and are manufactured by the manufacturers which are registered under FCO, 1985	12.5%	6%
3	Physical mixture of fertilizers manufactured by Co-operative Societies, holding certificate of manufacture for mixture of fertilizers under the Fertiliser Control Order 1985, made out of chemical fertilizers on which duty of excise has been paid and no credit of duty paid on such chemical fertilizers has been taken under rule 3 of the CENVAT Credit Rules, 2004 and which are intended for supply to the members of such Co-operative Societies	1% [without CENVAT credit] or 6% [with CENVAT credit]	Nil
	Textiles		
4	To increase Tariff Value of readymade garments and made up articles of textiles	30% of retail sale price	60% of retail sale price
5	Branded readymade garments and made up articles of textiles of retail sale price of Rs.1000 or more	Nil [without CENVAT credit] or 6%/12.5% [with CENVAT credit]	2% [without CENVAT credit] or 12.5% [with CENVAT credit]
6	PSF / PFY, manufactured from plastic scrap or plastic waste including waste PET bottles	2% [without CENVAT credit] or 6% [with CENVAT credit]	2% [without CENVAT credit] or 12.5% [with CENVAT credit]
	Footwear		
7	Rubber sheets & resin rubber sheets for soles and heels	12.5%	6%
8	Increase the abatement from retail sale price (RSP) for the purposes of excise duty assessment for all categories of footwear	25%	30%
	Metals		
9	To change excise duty structure on disposable containers made of aluminium foils.	2% [without CENVAT credit] or 6% [with CENVAT credit]	2% [without CENVAT credit] or 12.5% [with CENVAT credit]

		From	To
	Precious metals & Jewellery		
10	Refined gold bars manufactured from gold dore bar, silver dore bar, gold ore or concentrate, silver ore or concentrate, copper ore or concentrate. Prospectively, the excise duty exemption under the existing area based exemptions on refined gold is being withdrawn.	9%	9.5%
11	Refined silver manufactured from silver ore or concentrate, silver dore bar, or gold dore bar. Prospectively, the excise duty exemption under the existing area based exemptions on refined silver is being withdrawn.	8%	8.5%
12	Articles of Jewellery [excluding silver jewellery, other than studded with diamonds or other precious stones namely, ruby, emerald and sapphire] with a higher threshold exemption upto Rs. 6 crore in a year and eligibility limit of Rs.12 crore, along with simplified compliance procedure.	Nil	1% [without CENVAT credit] or 12.5% [with CENVAT credit]
	Renewable Energy		
13	Unsaturated Polyester Resin (polyester based infusion resin and hand layup resin), Hardeners/Hardener for adhesive resin, Vinyl Ester Adhesive (VEA) and Epoxy Resin used for manufacture of rotor blades and intermediates, parts and sub parts of rotor blades for wind operated electricity generators	Nil	6%
14	Carbon pultrusion used for manufacture of rotor blades and intermediates, parts and sub-parts of rotor blades for wind operated electricity generators	12.5%	6%
15	Solar lamp	12.5%	Nil
16	To prescribe "valid agreement between importer / producer of power with urban local body for processing of municipal solid waste for not less than ten years from the date of commissioning of project" as an alternative to the condition of "production of valid power purchase agreement between the importer/producer of power and the purchaser, for the sale and purchase of electricity generated using non-conventional materials" for availing concessional customs/excise duty benefits in case of power generation project based on municipal and urban waste	-	-
	Civil Aviation		
17	Aviation Turbine Fuel [ATF] other than for supply to Scheduled Commuter Airlines (SCA) from the Regional Connectivity Scheme airports	8%	14%
	Maintenance, repair and overhaul [MRO] of aircrafts		
18	Tools and tool kits when procured by MROs for maintenance, repair, and overhauling [MRO] of aircraft subject to a certification by the Directorate General of Civil Aviation	Applicable excise duty	Nil
19	To simplify the procedure for availment of exemption from excise duty on parts, testing equipment, tools and tool-kits for maintenance, repair and overhaul of aircraft based on records	-	-
20	To remove the restriction of one year for utilization of duty free parts for maintenance, repair and overhaul of aircraft	-	-

		From	To
	Electronics & IT hardware		
21	Charger / adapter, battery and wired headsets / speakers for supply to mobile phone manufacturers as original equipment manufacturer	Nil	2% [without CENVAT credit] or 12.5% [with CENVAT credit]
22	Inputs, parts and components, subparts for manufacture of charger / adapter, battery and wired headsets / speakers of mobile phone, subject to actual user condition.	12.5% / Nil	Nil
23	Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera / IP camera, lithium ion battery [other than those for mobile handsets]	12.5%	4% [without CENVAT credit] or 12.5% [with CENVAT credit]
24	Parts and components, subparts for manufacture of Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera / IP camera, lithium ion battery [other than those for mobile handsets]	12.5%	Nil
	Machinery		
25	Electric motor, shafts, sleeve, chamber, impeller, washer required for the manufacture of centrifugal pump	12.5%	6%
	Automobiles		
26	Specified parts of Electric Vehicles and Hybrid Vehicles	6% Upto 31.03.2016	6% Without time limit
27	Engine for xEV (hybrid electric vehicle)	12.5%	6%
	Miscellaneous		
28	Excise duty on sacks and bags of all plastics is being rationalized at 15%.	12.5%/15%	15%
29	Unconditionally exempt improved cook stoves including smokeless chulhas for burning wood, agrowaste, cowdung, briquettes, and coal	Nil	Nil
30	Disposable sterilized dialyzer and micro barrier of artificial kidney	12.5%	Nil
31	Ready Mix Concrete manufactured at the site of construction for use in construction work at such site	2% [without input tax credit] / 6% [with input tax credit]	Nil
32	Parts of railway or tramway locomotives or rolling stock and railway or tramway track fixtures and fittings, railway safety or traffic control equipment, etc.	12.5%	6%

		From	To
33	Remnant kerosene, presently available for manufacture of Linear alkyl Benzene [LAB] and heavy alkylate [HA] to N-paraffin. At present, exemption is restricted to manufacturers of LAB and HA.	14%	Nil
34	Clean Energy Cess / Clean Environment Cess on coal, lignite or peat produced or extracted as per traditional and customary rights enjoyed by local tribals without any license or lease in the State of Nagaland	Rs.200 per tonne	Nil
35	To extend Retail Sale Price [RSP] based assessment of excise duty to: <ul style="list-style-type: none"> a) all goods falling under heading 3401 and 3402 [with abatement rate of 30%], b) aluminium foils of a thickness not exceeding 0.2 mm [with abatement rate of 25%], c) wrist wearable devices (commonly known as 'smart watches') [with abatement rate of 35%], and d) accessories of motor vehicle and certain other specified goods [with abatement rate of 30%]. 		

MISCELLANEOUS

- 1) The Oil Industry (Development) Act, 1974 is being amended so as to reduce the rate of Oil Industries Development Cess, on domestically produced crude oil, from Rs. 4500 PMT to 20% ad valorem OI DB Cess. The amendment in the Act will be effective from the date of assent to the Finance Bill, 2016.

[Clause 222]

- 2) The Seventh Schedule to the Finance Act, 2005 is being amended so as to increase the excise duty across all lengths of non-filter and filter cigarettes as under:

[Clause 231]

	Cigarettes	From Rs. Per thousand	To Rs. Per thousand
	Non filter not exceeding 65 mm	70	215
	Non-filter exceeding 65 mm but not exceeding 70 mm	110	370
	Filter not exceeding 65 mm	70	215
	Filter exceeding 65 mm but not exceeding 70 mm	70	260
	Filter exceeding 70 mm but not exceeding 75 mm	110	370
	Other	180	560

- 3) The Clean Energy Cess is being renamed as Clean Environment Cess. Also, the Tenth Schedule to the Finance Act, 2010 dealing with Clean Energy Cess is being amended so as to increase the Scheduled rate of Clean Energy Cess from Rs.300 per tonne to Rs.400 per tonne. The effective rate of Clean Energy Cess is being increased from Rs.200 per tonne to Rs.400 per tonne

[Clause 232]

- 4) Infrastructure Cess is being levied on motor vehicles, of heading 8703, as under:
 - b) Petrol/LPG/CNG driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1200cc – 1%
 - c) Diesel driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1500cc – 2.5%
 - d) Other higher engine capacity motor vehicles and SUVs and bigger sedans – 4%.

Three wheeled vehicles, Electrically operated vehicles, Hybrid vehicles, Hydrogen vehicles based on fuel cell technology, Motor vehicles which after clearance have been registered for use solely as taxi, Cars for physically handicapped persons and Motor vehicles cleared as ambulances or registered for use solely as ambulance will be exempt from this Cess. No credit of this Cess will be available, and credit of no other duty can be utilized for payment of this Infrastructure Cess.

[Clause 159]

The changes at 2), 3) and 4) above will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

RULES AND REGULATIONS UNDER THE CUSTOMS ACT, 1962

- 1) The existing Baggage Rules, 1998 are being substituted with the Baggage Rules, 2016, so as to simplify and rationalize multiple slabs of duty free allowance for various categories of passengers. The new Rules are effective from 01.04.2016.
- 2) The existing Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996 are being substituted with the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2016 with a view to simplify the rules, including allowing duty exemptions to importer/manufacture based on self-declaration instead of obtaining permissions from the Central Excise authorities. Need for additional registration is also being done away with. The new Rules will be effective from 01.04.2016.
- 3) The Customs Baggage Declaration Regulations, 2013 is being amended so as to prescribe filing of Customs declaration only for those passengers who carry dutiable or prohibited goods.

AMENDMENTS IN THE CENTRAL EXCISE RULES, 2002 AND THE CENVAT CREDIT RULES, 2004

- 1) The Central Excise Rules, 2002 are being amended so as to:
 - (a) reduce the number of returns to be filed by a central excise assessee above a certain threshold from 27 to 13, that is, one annual and 12 monthly returns. Monthly returns are already being e-filed. CBEC will provide for e-filing of annual return also. This annual return will have to be filed by service tax assessees also, above a certain threshold, taking total number of returns to three in a year for them,
 - (b) extend the facility for revision of return, hitherto available to a service tax assessees only, to manufacturers also.
 - (c) provide that in cases where invoices are digitally signed, the manual attestation of copy of invoice, meant for transporter, is done away with.
 - (d) provide that in case of finalization of provisional assessment, the interest will be chargeable from the original date of payment of duty.
- 2) The CENVAT Credit Rules, 2004 are being amended, so as to improve credit flow, reduce the compliance burden and associated litigations, particularly those relating to apportionment of credit between exempted and non-exempted final products / services. Changes are also being made in the provisions relating to input service distributor, including extension of this facility to transfer input services credit to outsourced manufacturers, under certain circumstances. The amendments in these Rules will also enable manufacturers with multiple manufacturing units to maintain a common warehouse for inputs and distribute inputs with credits to the individual manufacturing units.
- 3) Instructions are being issued to Chief Commissioners of Central Excise to file application to Courts to withdraw prosecution in cases involving duty of less than rupees five lakh and pending for more than fifteen years.
- 4) The existing Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2001 are being substituted with the Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2016, so as to simplify the rules, including allowing duty exemptions to importer/manufacture based on self-declaration instead of obtaining permissions from the Central Excise authorities.

AMENDMENTS TO OTHER ACTS

S. No.	Amendment	Clause of the Finance Bill, 2016
1.	THE FINANCE ACT, 2001	
(i)	To amend the Seventh Schedule which provides for levy on NCCD of excise on specified goods so as to align the tariff lines with the First Schedule to the Central Excise Tariff Act, 1985.	[228(i)]
(ii)	To amend the Seventh Schedule which provides for levy on NCCD of excise on specified goods so as to include 2017 Harmonized System of Nomenclature (HSN) editorial changes. These changes will be effective from 01.01.2017.	[228 (ii)]
2.	THE CENTRAL SALES ACT, 1956	
	Section 3 of the Central Sales Tax Act, 1956 is being amended so as to insert an explanation: <i>Explanation.-</i> Where the gas sold or purchased and transported through a common carrier pipeline or any other common transport distribution systems becomes co-mingled and fungible with other gas in the pipeline or system and such gas is introduced into the pipeline or system in one State and is taken out from the pipeline in another State, such sale or purchase of gas shall be deemed to be a movement of goods from one state to another.	[221]
3.	THE CENTRAL ROAD FUND ACT, 2000	
	Section 10 of the Central Road Fund Act, 2000 is being amended so as to substitute clause (viii) of sub-section (1) therein to provide a formula for redistribution of the cess for different purposes	[227]
4.	THE PREVENTION OF MONEY LAUNDERING ACT, 2002, THE SMUGGLERS AND FOREIGN EXCHANGE MANIPULATORS (FORFEITURE OF PROPERTY ACT, 1976 and NARCOTICS DRUGS AND PSYCHOTROPIC SUBSTANCES ACT, 1985	
	To merge the three Tribunals established under these Acts and to provide that Appellate Tribunal established under the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 shall be the appellate Tribunal for hearing the appeals against the orders made under all these three Acts.	[229, 223 & 224]
5.	THE FOREIGN EXCHANGE MANAGEMENT ACT, 1999	
	To insert section 14A in the Foreign Exchange Management Act [FEMA], 1999 to incorporate provisions contained under the Second Schedule appended to the Income-tax Act, 1961, so as to empower an officer not below the rank of Assistant Director to recover arrears of penalty under the FEMA 1999 by exercising the powers conferred under the Income-tax Act, 1961.	[225 & 226]

SERVICE TAX

I	Krishi Kalyan Cess	Existing	Proposed
1.	An enabling provision is being made to levy Krishi Kalyan Cess on all taxable services with effect from 1 st June, 2016, to finance and promote initiatives to improve agriculture.	-	0.5%

II	Broadening of Tax base	Existing	Proposed
1.	Exemption on services provided by, - <div style="margin-left: 40px;">(i) a senior advocate to an advocate or partnership firm of advocates providing legal service; and</div> <div style="margin-left: 40px;">(ii) a person represented on an arbitral tribunal to an arbitral tribunal,</div> is being withdrawn with effect from 1 st April, 2016 and Service Tax is being levied under forward charge.	Nil	14%
2.	Exemption on construction, erection, commissioning or installation of original works pertaining to monorail or metro, in respect of contracts entered into on or after 1 st March 2016, is being withdrawn with effect from 1 st March, 2016.	Nil	5.6%
3.	Exemption on the services of transport of passengers, with or without accompanied belongings, by ropeway, cable car or aerial tramway is being withdrawn with effect from 1 st April, 2016.	Nil	14%
4.	The Negative List entry that covers 'service of transportation of passengers, with or without accompanied belongings, by a stage carriage' is being omitted with effect from 1 st June, 2016. Service Tax is being levied on transportation of passengers by air conditioned stage carriage with effect from 1 st June, 2016, at the same level of abatement as applicable to the transportation of passengers by a contract carriage, that is, 60% without credit of inputs, input services and capital goods.	Nil	5.6%

III	New Exemptions		
1.	Services by way of construction etc. in respect of- <div style="margin-left: 40px;">(i) housing projects under Housing For All (HFA) (Urban) Mission/Pradhan Mantri Awas Yojana (PMAY);</div> <div style="margin-left: 40px;">(ii) low cost houses up to a carpet area of 60 square metres in a housing project under "Affordable housing in Partnership" component of PMAY,</div> <div style="margin-left: 40px;">(iii) low cost houses up to a carpet area of 60 square metres in a housing project under any housing scheme of the State Government,</div> are being exempted from Service Tax with effect from 1 st March, 2016.	5.6%	Nil
2.	The service of life insurance business provided by way of annuity under the National Pension System regulated by Pension Fund Regulatory and Development Authority (PFRDA) of India is being exempted from Service Tax with effect from 1 st April, 2016.	3.5%	Nil

Page 140 of Page 340

2	Notification No. 41/2012- ST, dated the 29th June, 2012 was amended by notification No.1/2016-ST dated 3rd February, 2016 so as to, <i>inter alia</i> , allow refund of Service Tax on services used beyond the factory or any other place or premises of production or manufacture of the said goods for the export of the said goods. This amendment is being made effective from the date of application of the parent notification (i.e. 1 st July 2012).		
3	The benefit of quarterly payment of Service Tax is being extended to 'One Person Company' (OPC) and HUF with effect from 1 st April, 2016.		
4	The facility of payment of Service Tax on receipt basis is being extended to 'One Person Company' (OPC) with effect from 1 st April, 2016.		
5	Exemptions on services of: a) construction provided to the Government, a local authority or a governmental authority, in respect of construction of govt. schools, hospitals etc. b) construction of ports, airports, [which were withdrawn with effect from 01.04.2015], are being restored in respect of services provided under contracts which had been entered into prior to 01.03.2015 on payment of applicable stamp duty, with retrospective effect from 01.04.2015.	5.6% of total amount	Nil
6	Services provided by way of construction, maintenance etc. of canal, dam or other irrigation works provided to bodies set up by Government but not necessarily by an Act of Parliament or a State Legislature, during the period from the 1 st July, 2012 to 29th January, 2014, are being exempted from Service Tax with consequential refunds, subject to the principle of unjust enrichment.	5.6% of total amount	Nil
7	Services provided by the Indian Institutes of Management (IIM) by way of 2 year full time Post Graduate Programme in Management (PGPM) (other than executive development programme), Integrated Programme in Management and Fellowship Programme in Management (FPM) are being exempted from Service Tax with effect from 1 st March, 2016.	14%	NIL
8	The services provided by mutual fund agent/distributor to a mutual fund or asset management company, are being made taxable under forward charge with effect from 1 st April, 2016, so as to enable the small sub-agents down the distribution chain to avail small scale exemption having threshold turnover of Rs 10 lakh per year, subject to fulfillment of other conditions prescribed.	14%	14%

V	Interest Rate		
1.	Interest rates on delayed payment of duty/tax across all indirect taxes are being rationalized and made uniform at 15%, except in case of Service Tax collected but not deposited to the exchequer, in which case the rate of interest will be 24% from the date on which the Service Tax payment became due. In case of assessee, whose value of taxable services in the preceding year/years covered by the notice is less than Rs. 60 Lakh, the rate of interest on delayed payment of Service Tax will be 12%. [The above changes will come into effect on the day the Finance Bill receives the assent of the President.]	Customs 18% Excise 18% Service Tax 18% 24% 30%	Customs, Excise & Service Tax 15%; 24% in case of Service Tax collected but not deposited to the exchequer

VI	Rationalization of Abatements	Existing	Proposed
1	Credit of input services is being allowed on transport of passengers by rail at the existing rate of abatement of 70%.	4.2% Without credit	4.2% With input service credit
2	Credit of input services is being allowed on transport of goods, other than in containers, by rail at the existing rate of abatement of 70%.	4.2% Without credit	4.2% With input service credit
3	Credit of input services is being allowed on transport of goods in containers by rail at a reduced abatement rate of 60%.	4.2% Without credit	5.6% With input service credit
4	Credit of input services is being allowed on transport of goods by vessel at the existing rate of abatement of 70%.	4.2% Without credit	4.2% With input service credit
5	The abatement rate in respect of services by way of construction of residential complex, building, civil structure, or a part thereof, is being rationalized at 70% by merging the two existing rates (70% for high end flats and 75% for low end flats).	3.5%/ 4.2%	4.2%
6	The abatement rate in respect of services by a tour operator in relation to packaged tour (defined where tour operator provides to the service recipient transportation, accommodation, food etc) and other than packaged tour is being rationalized at 70%.	3.5%/ 5.6% of amount charged	4.2% of amount charged
7	The abatement on shifting of used household goods by a Goods Transport Agency (GTA) is being rationalized at the rate of 60%, without CENVAT credit on inputs, input services and capital goods. (The existing rate of abatement of 70% allowed on transport of other goods by GTA continues unchanged).	4.2%	5.6%
8	The abatement rate on services of a foreman to a chit fund is being rationalised at the rate of 30%, without CENVAT credit on inputs, input services and capital goods.	14%	9.8%
	[The above changes will come into effect from 1 st April, 2016.]		

VII	Reduce litigation and providing certainty in taxation
1	Indirect tax Dispute Resolution Scheme, 2016, wherein a scheme in respect of cases pending before Commissioner (Appeals), the assessee, after paying the duty, interest and penalty equivalent to 25% of duty, can file a declaration, is being introduced. In such cases the proceedings against the assessee will be closed and he will also get immunity from prosecution. However, this scheme will not apply in cases: <ul style="list-style-type: none"> a) where prosecution has already been launched b) involving narcotics & psychotropic substances c) involving detention under COFEPOSA.
2	Section 67A is being amended to obtain rule making powers in respect of the Point of Taxation Rules, 2011, so as to provide that the point in time when service has been provided or agreed to be provided shall be determined by rules made in this regard. Point of Taxation Rules, 2011 is being amended accordingly.

3	Section 93A of the Finance Act, 1994 is being amended so as to allow rebate by way of notification as well as rules.		
4	Explanation 2 in section 65B (44) of the Finance Act, 1994 is being amended so as to clarify that any activity carried out by a lottery distributor or selling agent in relation to promotion, marketing, organizing, selling of lottery or facilitating in organizing lottery of any kind, in any other manner, of the State Government as per the provisions of the Lotteries (Regulation) Act, 1998 (17 of 1998), is leviable to Service Tax.		
5	<p>Notification No. 27/2012 – C.E. (N.T.) dated 18.06.2012 is being amended with effect from 1st March, 2016 so as to provide that time limit for filing application for refund of CENVAT Credit under Rule 5 of the CENVAT Credit Rules, 2004, in case of export of services, is 1 year from the date of :</p> <p>(a) receipt of payment in convertible foreign exchange, where provision of service has been completed prior to receipt of such payment; or</p> <p>(b) issue of invoice, where payment, for the service has been received in advance prior to the date of issue of the invoice.</p>		
6	Assignment by the Government of the right to use the radio-frequency spectrum and subsequent transfers thereof is being declared as a service under section 66E of the Finance Act, 1994 so as to make it clear that assignment of right to use the spectrum is a service leviable to Service Tax and not sale of intangible goods.	14%	14%
7	A condition mandating inclusion of cost of fuel in the consideration for availing abatement on the services by way of renting of motor-cab is being prescribed with effect from 1 st April, 2016.		
8	Service tax on the services of Information Technology Software on media bearing RSP is being exempted from Service Tax with effect from 1 st March, 2016 provided Central Excise duty is paid on RSP in accordance with Section 4A of the Central Excise Act.	Nil	Nil
9	Mutual exclusiveness of levy of excise duty and Service Tax on Information Technology Software in respect of software recorded on media "NOT FOR RETAIL SALE" is being ensured by exempting from excise duty only that portion of the transaction value on which Service Tax is paid.	14%	14%

VIII	Service Tax Rules
1	To reduce compliance cost, the number of returns to be filed by a central excise assessee, above a certain threshold, is being drastically reduced, from 27 to 13, one annual and 12 monthly returns. Monthly returns are already being e-filed. CBEC will provide for e-filing of annual return also. The annual return will also have to be filed by Service Tax assessee, above a certain threshold, taking total number of returns to three in a year for them. This change shall come into effect from 1 st April, 2016.

IX	CENVAT Credit Rules
1	The rules are being amended so as to allow banks and other financial institutions to reverse credit in respect of exempted services on actual basis in addition to the option of 50% reversal.
2	The rules are being amended to improve credit flow, reduce the compliance burden and associated litigation, particularly those relating to apportionment of credit between exempted and non-exempted final products / services. Changes are also being made in the provisions relating to input service distributor, including extension of this facility to transfer input services credit to outsourced manufacturers, under certain circumstances. The amendments in these rules will also enable manufacturers with multiple manufacturing units to maintain a common warehouse for inputs and distribute inputs with credits to the individual manufacturing units.

3	The rules are being amended to provide for reversal of CENVAT Credit of inputs/input services which have been commonly used in providing taxable output service and an activity which is not a 'service' under the Finance Act, 1994.
4	The CENVAT credit rules are being amended so as to allow CENVAT credit of Service Tax paid on amount charged for assignment by Government or any other person of a natural resource, over such period of time as the period for which the rights have been assigned.
	[The above amendment shall come into effect from 1 st April, 2016.]

X	Miscellaneous
	Period for issuing demand notices
1	Section 73 of the Finance Act, 1994 is being amended so as to increase the limitation period from 18 months to 30 months for short levy/non levy/short payment/non-payment/erroneous refund of Service Tax.
	Other changes in the Finance Act, 1994
2	The Negative List entry covering 'educational services by way of (a) pre-school education and education up to higher and secondary school or equivalent, (b) education as a part of a curriculum for obtaining a qualification recognized by any law for the time being in force and (c) education as a part of an approved vocational education course [Section 66D (I)] and the definition of 'approved vocational education course' [section 65B (11)] are being omitted. However, the exemption shall continue by way of exemption notification No. 25/2012 – ST.
3	In the last Budget, the Customs, Central Excise and Service Tax laws were amended to provide for closure of proceedings where the assessee pays duty/tax due, interest and specified penalty. Further amendments are being made to Service Tax law so as to provide for closure of proceedings against co-noticees, once the proceedings against the main noticee have been closed.
4	The power to arrest in Service Tax is being restricted only to situations where the tax payer has collected the tax but not deposited it to the exchequer, and that too above a threshold of Rs 2 crore. The monetary limit for launching prosecution is being increased from Rs. 1 crore to Rs. 2 crore of Service Tax evasion.

TRU I

**Government of India
Ministry of Finance
Department of Revenue
Tax Research Unit**

Alok Shukla
Joint Secretary (TRU-I)
Tel: 23092687
Fax: 23092031
Email: alok.shukla@nic.in

D.O.F.No.334/8/2016-TRU
New Delhi, the 29th February, 2016.

Dear Principal Chief Commissioner / Chief Commissioner / Principal Commissioner,

The Finance Minister has introduced the Finance Bill, 2016 in Lok Sabha today, i.e., 29th February, 2016. Changes in Customs and Central Excise law and rates of duty have been proposed through the Finance Bill, 2016. In order to prescribe effective rates of duty and to carry out changes in the Rules made under the respective Acts, the following notifications are being issued:

CUSTOMS	Notification Nos.	Date
Tariff	No.11/2016-Customs to No.23/2016-Customs	1 st March, 2016
Non-Tariff	No.30/2016-Customs (N.T.) to No.33/2016-Customs (N.T.)	1 st March, 2016
CENTRAL EXCISE		
Tariff	No.5/2016-Central Excise to No.18/2016-Central Excise	1 st March, 2016
Non-Tariff	No.5/2016-Central Excise (N.T.) to No.21/2016-Central Excise (N.T.)	1 st March, 2016
MISCELLANEOUS		
Clean Energy Cess		
	No.1 and No.2/2016-Clean Energy Cess	1 st March, 2016
Infrastructure Cess		
	No.1/2016-Infrastructure Cess	1 st March, 2016

Unless otherwise stated, all changes in rates of duty take effect from the midnight of 29th February / 1st March, 2016. A declaration has been made under the Provisional Collection of Taxes Act, 1931 in respect of clauses 138 (i), 142 (i), 143 (i), 159, 231 and 232 of the Finance Bill, 2016 so that changes proposed therein take effect from the midnight of 29th February / 1st

March, 2016. The remaining legislative changes would come into effect only upon the enactment of the Finance Bill, 2016. These dates may be carefully noted.

2. Important changes in respect of Customs and Central Excise duty and legislative changes are contained in the four Annexes appended to this letter:

- 1) Annex I contains Chapter wise changes relating to Customs;
- 2) Annex II contains Chapter wise changes relating to Central Excise;
- 3) Annex III contains the clarifications being issued on certain matters relating to Customs and Central Excise.
- 4) Annex IV provides a bird's eye view of legislative changes proposed in the Finance Bill, 2016.

2.1 The Annexes provide a summary of the changes made and should not be used in any quasi-judicial or judicial proceedings, where only the relevant legal texts need to be referred to.

2.2 I would also like to bring to your notice that it is quite likely that a commodity may be covered under more than one notification attracting different rates of duties. In such cases, as per various judicial pronouncements on the subject, the benefit of lower rate of duty cannot be denied to the assessee provided he fulfils the conditions prescribed, if any, for such lower rate.

3. There are two important changes in the Central Excise side, which I would like to bring to your special attention:

3.1.1 Excise duty of 2% (without CENVAT credit) or 12.5% (with CENVAT credit) is being levied on readymade garments and made up articles of textiles falling under Chapters 61, 62 and 63 (heading Nos. 6301 to 6308) of the Central Excise Tariff except those falling under 6309 and 6310 of retail sale price (RSP) of Rs.1000 and above when they bear or are sold under a brand name. This optional levy would apply to such readymade garments and made up articles of textiles regardless of the composition of the garment / article. However, in respect of readymade garments and made up articles of textiles other than those mentioned above, the optional levy of 'Nil (without CENVAT credit) or 6% (with CENVAT credit)' in case of garments / articles of cotton, not containing any other textile material and 'Nil (without CENVAT credit) or 12.5% (with CENVAT credit)' in case of garments / articles of other composition, as the case may be, shall continue. The tariff value for readymade garments and made up articles of textile is also being increased from 30% to 60% which shall apply to all goods mentioned in the notification No.20/2001-CentralExcise (N.T.) dated 30.04.2001. It may be noted that the new levy is similar to the levy of mandatory excise duty of 10% on readymade garments and made up articles of textiles [goods falling under Chapters 61, 62 and 63 (heading Nos. 63.01 to 63.08)] when they bear or are sold under a brand name, which was introduced in the Budget 2011-12, except that:

- a. The present levy is an optional levy, that is domestic manufacturers will have the option to pay excise duty of '2% (without CENVAT credit) or 12.5% (with CENVAT credit)',
- b. The levy is restricted to such articles which have RSP of Rs.1000 and above, and
- c. The tariff value is being revised from 30% of RSP to 60% of the RSP.

3.1.2 In this regard, I would like to reiterate the instructions issued vide Budget letter F.No.334/3/2011-TRU dated 28.02.2011, Instruction D.O. F.No.334/3/2011-TRU, dated 04.03.2011 and Instruction D.O. F.No. B-1/3/2011-TRU, dated 25.03.2011. The said instructions shall apply mutatis mutandis to the new levy. Salient features of these instructions [suitably modified for the proposed optional levy, as underlined] are as under:

- (i) The levy shall not apply to retail tailoring establishments that stitch garments in a customized manner to the size and style specifications of individual customers, whether out of fabric purchased by the customer from the same establishment or fabric supplied by the customer.
- (ii) The brand name owner, who gets the goods manufactured on his own account on job work, shall pay the duty leviable on such goods as if the goods were manufactured by him. The brand name owner (and not the job-worker) shall be required to register and comply with all the provisions of Central Excise law. Rule 4 (1A) of the Central Excise Rules, 2001 and Para 1, clause (vi) of notification No.36/2001-C.E. (N.T.), dated 26.06.2001 refers.
- (iii) However, the brand name owner will be given the option to authorise his job-worker to pay the duty leviable on the goods. If such an authorisation is given, then the job-worker would have to obtain registration. Proviso to rule 4 (1A) of the Central Excise Rules, 2001 and proviso to Para 1, clause (vi) of notification No.36/2001-C.E. (N.T.), dated 26.06.2001 refers.
- (iv) A unit which manufactures goods bearing the brand name of another person out of inputs or raw materials which have been purchased independently and not supplied by the brand owner, does not satisfy the definition of "job-worker" and would, therefore, have to obtain registration and discharge the duty liability.
- (v) In cases where the brand name owner gets goods bearing its brand manufactured from other manufacturers (normally small units) without providing the raw materials or inputs, and if the RSP is not affixed or marked on such goods when they are cleared in the course of sale from the factory of a manufacturer to the brand owner, then no excise duty would be payable by such a manufacturers since the RSP of such goods is not disclosed to them by the brand owner. However, since the process of labeling or re-labelling constitutes a process of "manufacture", duty on the tariff value (based on the RSP) would be payable as and when the brand owner labels the goods with the RSP of Rs.1000 or above and clears them for further sale.

- (vi) The value for computing the eligibility as well as the exemption limit for purposes of SSI exemption would be the tariff value of the goods. Explanation (C) to notification No.8/2003-C.E., dated 1st March, 2003 refers.
- (vii) The SSI exemption for the month of March, 2016 will be Rs.12.5 lakh, subject to fulfilment of other conditions of the notification No.8/2003-C.E., dated 01.03.2003. For this purpose, notification No.8/2003-C.E., dated 1st March, 2003 is being amended suitably.
- (viii) The eligibility for availing of the SSI exemption in 2015-16 for the month of March 2016 is that the value of clearances for home consumption from one or more manufacturer from one or more unit should not have exceeded Rs. 4 crore in the financial year 2014-15. The computation for this purpose shall be done in accordance with the provisions of Para 3A of notification No. 8/2003-C.E. For this purpose, a certificate from a Chartered Accountant based on the books of accounts for 2014-15 shall suffice.
- (ix) Excisable goods which were produced on or before 29.02.2016 but lying in stock as on 29.02.2016 shall attract excise duty upon clearance. Manufacturers shall keep a stock declaration of finished goods, goods-in-process and inputs as on 29.02.2016 in their records duly certified by a Chartered Accountant so as to enable the manufacturers to claim CENVAT credit on inputs or inputs contained in goods lying in stock as already provided for in Rule 3(2) of the CENVAT Credit, Rules, 2004, if he so desires. No stock declaration, will, however, be required to be made to the jurisdictional central excise authorities.
- (x) Full exemption from Central Excise duty will be available to duty-paid goods returned to the manufacturer during a financial year up to an aggregate ceiling not exceeding 10% of the value of clearances for home consumption made in the preceding financial year. The manufacturer would be required to observe the following procedure for this purpose:
 - (a) To submit an intimation within 48 hours of the receipt of the returned goods about the value of returned goods received in his factory/registered premises;
 - (b) To maintain proper accounts/record of the receipt, finishing operations, and dispatch of returned stock indicating the monthly and cumulative value of the returned stock received during the financial year and to produce the same as and when required.

Notification No. 31/2011-C.E., dated 24th March, 2011 refers. This facility has been provided since it is a common practice in this industry that the duty-paid stock cleared to the wholesale dealer/retailer on consignment basis that remains unsold is returned to the manufacturer either at the end of the season or from time to time. Such returned goods are cleared either as such or after 're-finishing' operations to another wholesaler or retailer for sale (often at reduced prices). The

re-finishing operations could involve cleaning, ironing, re-folding, repacking or relabeling, some of which constitute “manufacture” in terms of the relevant Chapter Notes. This facility obviates the need to pay excise duty twice on the same goods.

3.2.1 Excise duty of 1% (without CENVAT credit) or 12.5% (with CENVAT credit) is being levied on articles of jewellery [excluding silver jewellery, other than studded with diamonds/other precious stones] with a higher threshold exemption upto Rs. 6 crore in a year and eligibility limit of 12 crore. Thus, a jewellery manufacturer will be eligible for exemption from excise duty on first clearances upto Rs. 6 Crore during a financial year, if his aggregate domestic clearances during preceding financial year were less than Rs. 12 crore. In other words, jewellery manufacturer having aggregate value of clearances in a financial year exceeding Rs. 12 crore, will not be eligible for this threshold exemption in the subsequent financial year. Necessary amendments have been made in notification No.8/2003-Central Excise, dated 01.03.2003 in this regard.

3.2.2 The SSI exemption for the month of March, 2016 for jewellery manufacturers will be Rs.50 lakh, subject to the condition that value of clearances for home consumption from one or more manufacturer from one or more factory or premises of production or manufacture during the financial year 2014-15 should not be more than Rs. 12 crore. Computation for this purpose shall be done in accordance with the provisions of Para 3A of notification No. 8/2003- CE. For this purpose, a certificate from a Chartered Accountant, based on the books of accounts for 2014-15, shall suffice.

3.2.3 Similarly, for determining the eligibility for availing of the SSI exemption from 2016-17 onwards, a certificate from a Chartered Accountant, based on the books of accounts for 2015-16, shall suffice.

3.2.4 Excisable goods which were produced on or before 29.02.2016 but lying in stock as on 29.02.2016 shall attract excise duty upon clearance. Jewellery manufacturer shall keep a stock declaration of finished goods, goods-in-process and inputs as on 29.02.2016 in their records duly certified by a Chartered Accountant so as to enable the manufacturers to claim CENVAT credit on inputs or inputs contained in goods lying in stock as already provided for in Rule 3(2) of the CENVAT Credit, Rules, 2004, if he so desires. **No stock declaration, will, however, be required to be made to the jurisdictional central excise authorities.**

3.2.5 **Further, the following simplified procedure and guidelines are being issued for strict compliance:**

- i. Registration once applied for shall be granted within two working days, along with simplified registration procedure as prescribed under Notification No. 35/2001-CE.

- ii. Further, **the requirement of post registration physical verification of the premises has been also done away with in this case.** Necessary amendments have been made to Notification No. 35/2001-CE for this purpose.
- iii. Moreover, documents being maintained by the jewellery manufacturers **for State VAT or Bureau of Indian Standards (in the case of hallmarked jewellery) shall suffice for Excise purposes also.**
- iv. The private records of the jewellery manufacturers, giving details of daily stock for his own purposes, shall be accepted for the purposes of Rule 10 of the Central Excise Rules 2002.
- v. **A notification, providing for an optional centralized central excise registration for jewellery manufacturers with centralized billing or accounting system** is being issued under Rule 9 (2) of the Central Excise Rules, 2002.
- vi. **Also, jewellery manufacturers will be eligible for a simplified return applicable for optional excise duty of 1%/2% without CENVAT credit under notification No.1/2011-CE, under Rule 12 of the Central Excise Rules, 2002.**
- vii. Rule 12AA of the Central Excise Rules, 2002 provides that in case of goods falling under chapter heading 7113, every person (not being an EOU or SEZ unit) who gets jewellery made from any other person, and supplies the raw materials such as gold/silver/gemstones to the job-worker for such manufacture, the duty liability would be on such person who gets articles of jewellery made from the job worker. In such cases, the principal manufacturer (and not job worker) will be required to get Central Excise registered, pay duty and follow other compliance requirements. **This will ensure that small artisans/goldsmiths are not required to take any excise registration.**
- viii. **The levy is based on self-assessment and therefore, no physical visits shall be made to registered units in the normal course.**

4. I would like to emphasise that the Board desires that all necessary steps shall be taken to enable the new taxpayers to comply with these new levies without any difficulty. **The thrust of these new levies shall be voluntary compliance. Therefore, visits to such units should not be made in the normal course.** These instructions may be disseminated to the field formations for strict compliance.

5. Difficulties faced, if any, in implementation of these new levies which are not covered by the instructions issued in this regard may be communicated to the Board without delay.

6. In order to achieve a sharper focus, I have alluded only to the key highlights of the budgetary changes in this communication. **The details are contained in the Finance Bill and notifications which alone have legal force.** My team and I have made every possible effort to avoid the occurrence of errors or mistakes in the Budget documents. However, given the scale of changes, inadvertent errors cannot be ruled out. I shall be grateful if the provisions of the

Finance Bill and notifications are studied carefully and feedback on issues that may need clarification is provided urgently.

7. It may kindly be ensured that the changes are implemented in a smooth manner without causing any inconvenience to the taxpayers and other stakeholders. All possible efforts may be made to guide the taxpayers by holding interactive sessions/ seminars for their benefit. In case of any doubt or difficulty, I would request you to kindly bring it to my notice immediately or to the notice of Sh. G.G. Pai, Director (TRU) (Tel No. 011-23092753), e-mail: giridhar.pai@nic.in, Sh. Reyaz Ahmad, Director (TRU) (Tel. No. 011-23092236), email: reyaz.ahmad@nic.in or Sh. Himanshu Raina, Budget Officer (TRU) (Tel No. 011-23095547), e-mail: himanshu.raina@nic.in. We can also be reached at budget-cbec@nic.in.

8. Copies of Finance Bill, 2016, Finance Minister's Budget Speech, Explanatory Memorandum to the Bill, relevant notifications can be downloaded directly from www.indiabudget.nic.in as well as www.cbec.gov.in.

9. To conclude, my team and I would like to express my gratitude to you for the valuable suggestions, feedback and support and would look forward to your comments/ suggestions.

With warm regards,

Yours sincerely,

(Alok Shukla)
Joint Secretary (TRU-I)

To,

All Principal Chief Commissioners / Principal Directors General
All Chief Commissioners / Directors General
All Principal Commissioners,
All Commissioners
Director DPPR/ Logistics/Legal Affairs/ Data Management.

CUSTOMS

Chapter 1 to 7: No change

Chapter 8:

- 1) Basic Customs Duty on cashew nuts in shell [0801 31 00] is being increased from Nil to 5%. S. No.22 of notification No.12/2012-Customs, dated 17th March, 2012, as amended by notification No.12/2016-Customs, dated 1st March, 2016 refers.

Chapter 9 to 21: No change

Chapter 22:

- 1) Basic Customs duty on denatured ethyl alcohol (ethanol) [2207 20 00] is being reduced from 5% to 2.5% for manufacture of excisable goods, subject to actual user condition. Notification No.12/2012-Customs, dated 17th March, 2012, as amended by notification No.12/2016-Customs, dated the 1st March, 2016 [New S.No.96A] refers.

Chapter 23 to 24: No change

Chapter 25:

- 1) Basic Customs duty on Silica Sand [2505 10 11, 2505 10 12 and 2505 10 19] is being reduced from 5% to 2.5%. Notification No.12/2012-Customs, dated 17th March, 2012, as amended by notification No.12/2016-Customs, dated the 1st March, 2016 [New S.No.109A] refers.

Chapter 26:

- 1) Export duty on Iron ore lumps (below 58% Fe content) [2601 11 21 and 2601 11 22] is being reduced from 30% to Nil and Iron ore fines (below 58% Fe content) [2601 11 41 and 2601 11 42] is being reduced from 10% to Nil. S.No.20A of notification No. 27/2011-Customs, dated 01.03.2011 as amended by notification No. 15/2016-Customs, dated 01.03.2016 refers.
- 2) Export duty on chromium ores and concentrates, all sorts [2610] is being reduced from 30% to Nil. Notification No. 27/2011-Customs, dated 01.03.2011 as amended by notification No. 15/2016-Customs, dated 01.03.2016 [new S. No.24BA refers]
- 3) Export duty on bauxite (natural), not calcined [2606 00 10] and bauxite (natural) calcined [2606 00 20] is being reduced from 20% to 15%. S.No.24A, 24B of notification No.27/2011-Customs, dated 01.03.2011 as amended by notification No.15/2016-Customs, dated 01.03.2016 refers.

Chapter 27:

- 1) Basic Customs Duty on all goods falling under 2701, 2702 and 2703 is being rationalized at 2.5% BCD. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated 1st March, 2016 [New S.Nos.121B, 121C] refer.
- 2) Basic Customs Duty on all goods falling under 2704, 2705 and 2706 is being rationalized at 5% BCD. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated the 1st March, 2016 [New S.No.121D] refers.
- 3) Basic Customs Duty on all goods falling under 2707 is being rationalized at 2.5% BCD. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated the 1st March, 2016 [New S.No.121E] refers.
- 4) Basic Customs Duty on all goods falling under 2708 is being rationalized at 5% BCD. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated the 1st March, 2016 [New S.No.121F] refers
Consequently, S. No. 122, 122A, 123, 124, 124A, 125, 126, 126A, 126B and 126C are being omitted.

Chapter 28:

- 1) Actual user condition is being prescribed on concessional imports of phosphoric acid for the manufacture of fertilizers. S.No.151 of notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated the 1st March, 2016 refers.
- 2) Actual user condition is being prescribed on concessional imports of anhydrous ammonia for the manufacture of goods falling under Chapter 31 for use as fertilizers. S.No.152 of notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated the 1st March, 2016 refers.
- 3) Basic Customs duty on aluminium oxide [2818 20 90] for use in the manufacture of Wash Coat (3824 90 90), for catalytic converters is being reduced from 7.5% to 5% subject to actual user condition. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated the 1st March, 2016 [New S.No.371D] refers.
- 4) Basic customs duty on import of Medical Use Fission Molybdenum-99 by Board of Radiation and Isotope Technology (BRIT) for manufacture of radio pharmaceuticals is being reduced from 7.5% to Nil. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No 12/2016-Customs, dated the 1st March, 2016 [New S.No. 163A] refers.

Chapter 29:

- 1) Basic Customs duty on all acyclic hydrocarbons and all cyclic hydrocarbons falling under 2901 and 2902 [except para-xylene (2902 43 00) which attracts Nil BCD (S.No.174) and styrene (2902 50 00) which attracts 2% BCD (S.No.175)] is being rationalized at 2.5%. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated the 1st March, 2016 [S.No.172A] refers. Consequently,

S.No.173 is being amended and S.Nos.173A, 173B, 173C, 173D, 173E and 176 are being omitted.

- 2) Special Additional Duty (SAD) on orthoxylene [2902 41 00] for use in manufacture of phthalic anhydride is being reduced from 4% to 2%, subject to actual user condition. Notification No.21/2012-Customs, dated 17th March, 2012 as amended by notification No.16/2016-Customs, dated the 1st March, 2016 [new S.Nos.45AA] refers.

Chapter 30 to 38: No change

Chapter 39:

- 1) Basic Customs duty on Polypropylene granules / resins [3902] for the manufacture of capacitor grade plastic films is being reduced from 7.5% to Nil, subject to actual user condition. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated the 1st March, 2016 [new S.No. 238A] refers.
- 2) Basic Customs duty on Super Absorbent Polymer (SAP) [3906 90 90] for manufacture of goods falling under heading 9619 [sanitary towels, tampons, napkins, diapers etc.] is being reduced from 7.5% to 5%, subject to actual user condition. S.No 242 of Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated the 1st March, 2016 [S.No. 242] refers.

Chapter 40:

- 1) Basic Customs duty on Natural latex rubber made balloons [4016 95 90, 4016 99 90] is being increased from 10% to 20%. Clause 138 (i) of the Finance Bill 2016 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these changes will come into force with immediate effect. Further, Basic Customs duty of 10% is being retained for all goods other than natural rubber latex made balloons falling under tariff lines 4016 95 90, 4016 99 90.

Chapter 41 to 43: No change

Chapter 44:

- 1) Basic Customs duty on wood in chips or particles for manufacture of paper, paperboard and news print is being reduced from 5% to Nil subject to actual user condition. Since, there is no excise/CV duty on wood in chips or particles, this will also result in exemption from SAD on such wood chips/particles. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated the 1st March, 2016 [new S.No.259A] refers.

Chapter 47:

- 1) Basic Customs duty on Pulp of wood [4701-4706] for manufacture of goods falling under heading 9619 [sanitary towels, tampons, napkins, diapers etc.] is being reduced from 5% to 2.5% subject to actual user condition. S.No 260 of Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated the 1st March, 2016 refers.

Chapter 48:

- 1) Basic Customs duty on Braille paper [4823 90 11] is being reduced from 10% to Nil. List 32 of Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated the 1st March, 2016 refers.

Chapter 49:

- 1) Exemption from Basic Customs duty on plans, drawings and designs is being withdrawn. Such goods will now attract 10% BCD. S. No. 275 of notification No.12/2012-Customs, dated 17th March, 2012 is being omitted by notification No. 12/2016-Customs, dated the 1st March, 2016.

Chapter 50, 52, 54, 55 or any other chapter:

- 1) Basic Customs Duty is being exempted on import of specified fabrics, of value equivalent to 1% of FOB value of exports in the preceding financial year, for manufacture of textile garments for exports, subject to the specified conditions. The entitlement for the month of March 2016 shall be one twelfth of one per cent. of the FOB value of exports in the financial year 2014-15. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated the 1st March, 2016 [new S.No.284A] refers.

Chapter 51 and 53: No change**Chapter 54 and 55:**

- 1) Basic Customs Duty on specified fibres, filaments/yarns is being reduced from 5% to 2.5%. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated the 1st March, 2016 [new S.No. 290A] of refers.

Chapter 56 to 69: No change**Chapter 70:**

- 1) Exemption from Basic Customs Duty is being withdrawn on solar tempered glass/solar tempered (anti-reflective coated) glass for use in manufacture solar cells/modules/panels. Such solar tempered glass/solar tempered (anti-reflective coated) glass for use in manufacture solar cells/modules/panels will now attract 5% BCD, subject to actual user

condition. S. No. 39 of Notification No.24/2005-Customs, dated 1st March, 2005 as amended by notification No. 19/2016-Customs, dated the 1st March, 2016 and Notification No.12/2012-Customs, dated 17th March, 2012 as amended vide notification No. 12/2016-Customs, dated 1st March, 2016 [new S.No. 305A and Condition No. 5] refer.

- 2) Basic customs duty exemption is being withdrawn on preform of silica [Chapter 70] for use in manufacture of telecommunication grade optical fibre/cables. It will now attract 10% BCD. S.No. 306 of Notification No.12/2012-Customs, dated 17th March, 2012 is omitted by notification No.12/2016- Customs dated 1st March, 2016 refers.

Chapter 71:

- 1) Basic Customs duty on imitation jewellery [7113] is being increased from 10% to 15%. Clause 138 (i) of the Finance Bill 2016 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, this increase will come into force with immediate effect.
- 2) Concessional CVD on Gold dore bar is being increased from 8% to 8.75%. S. No 318 of Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No. 12/2016-Customs, dated the 1st March, 2016 refers.
- 3) Concessional CVD on Silver dore bar is being increased from 7% to 7.75%. S .No 320 of Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12 /2016-Customs, dated the 1st March, 2016 refers.

Chapters 72 to 73: No Change.

Chapter 74:

- 1) Basic Customs Duty on brass scrap [7402 00 22] is being reduced from 5% to 2.5%. notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12 /2016-Customs, dated the 1st March, 2016 [new S.No.335C] refers.

Chapter 75: No change.

Chapter 76:

- 1) Basic Customs duty on primary aluminium products [7601, 7603, 7604, 7605, 7606 and 7607] is being increased from 5% to 7.5%. Clause 138 (i) of the Finance Bill 2016 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these changes will come into force with immediate effect.
- 2) Basic Customs duty on other aluminium products [7608 and 7609 00 00] is being increased from 7.5% to 10%. S. No. 339 of notification No. 12/2012-Customs as omitted by notification No. 12/2016-Customs, dated 1st March, 2016 refers.

Chapters 77 to 78: No change.

Chapter 79:

- 1) Basic Customs duty on zinc alloys [7901 20] is being increased from 5% to 7.5%. Clause 138 (i) of the Finance Bill 2016 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these changes will come into force with immediate effect.

Chapter 80 to 83: No change.**Chapter 84 and 85:**

- 1) Tariff rate of BCD is being increased from 7.5% to 10% on 206 specified tariff lines falling in Chapters 84 and 85. Clause 138 (i) of the Finance Bill 2016 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these changes will come into force with immediate effect. The effective rates for 96 specified tariff lines will be 10%.
- 2) However, the effective rate for the remaining 110 tariff lines will continue to be 7.5%. S. No 422A to 422H of notification 12/2012- Customs as inserted by notification No. 12/2016 refers
- 3) CVD exemption on specified machinery required for construction of roads is being withdrawn. S.No.368 of notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated the 1st March 2016 refers.
- 2) Basic Customs duty on industrial solar water heater [8419 19 20] is being increased from 7.5% to 10%. Clause 138 (i) of the Finance Bill 2016 refers. Further, Basic Customs duty of 7.5% is being retained on other water heaters [with other than solar heating source] falling under 8419 19 20.
- 4) Basic customs duty is being exempted on specified raw materials for use in manufacture of Micro fuses, Sub-miniature fuses, Resettable fuses, and Thermal fuses. S .No. 93 & 190 of Notification No.25/99-Customs, dated 28th February, 1999 as amended by notification No. 17/2016- Customs dated 1st March, 2016 refers.
- 5) Further, Basic customs duty is also being exempted on specified capital goods for use in manufacture of Micro fuses, Sub-miniature fuses, Resettable fuses, and Thermal fuses. S.No. 64 of Notification No.25/2002-Customs, dated 1st March, 2002 as amended by notification No. 18/2016- Customs dated 1st March, 2016 refers.
- 6) Exemption from Special Additional Duty (SAD) is being withdrawn on populated printed circuit boards [PCBs] for manufacture of personal computers (laptop or desktop) including tablet computer. Such populated PCBs will now attract 4% SAD. S.No. 14A of Notification No.21/2012-Customs, dated 17th March, 2012 is being omitted by notification No. 16/2016- Customs dated 1st March, 2016 refers. All other goods for manufacture of personal computers (laptop or desktop) including tablet computer will continue to be exempt from SAD under S.No. 14D of Notification No.21/2012-Customs, dated 17th March, 2012.
- 7) Populated PCBs of mobile phone or tablet computer are being excluded from the purview of Nil SAD under S. No 1 of notification No 21/2012-Customs [which exempts SAD on item,

which are exempt from BCD and CVD]. S. No. 1 of Notification No. 21/2012-Customs dated 17th March, 2012 as amended by notification No. 16/2016- Customs dated 1st March, 2016 refers. Simultaneously, 2% concessional SAD of is being prescribed on populated PCBs for use in manufacture of mobile phone or tablet computer, subject to actual user condition. Notification No. 21/2012-Customs dated 17th March, 2012 as amended by notification No.16/2016- Customs dated 1st March, 2016[new S.No. 85A] refers.

- 8) Basic Customs Duty and Special Additional Duty (SAD) are being exempted on machinery, electrical equipments, other instruments and their parts [except populated Printed Circuit Boards] falling under chapter 84, 85, 90 for fabrication of semiconductor wafer and Liquid Crystal Display (LCD), subject to actual user condition. Notification No. 12/2012-Customs dated 17th March, 2012 as amended by notification No.12/2016- Customs dated 1st March, 2016[new S.No. 372A] refers. Notification No. 21/2012-Customs dated 17th March, 2012 as amended by notification No. 16/2016- Customs dated 1st March, 2016 [new S.No. 82A] refers.
- 9) Basic Customs Duty and Special Additional Duty (SAD) are being exempted on machinery, electrical equipments, other instruments and their parts [except populated PCBs] falling under chapter 84, 85, 90 for assembly, testing, marking and packaging of semiconductor chips (ATMP), subject to actual user condition. Notification No. 12/2012-Customs dated 17th March, 2012 as amended by notification No. 12/2016- Customs dated 1st March, 2016 [new S.No.372B] refers. Notification No. 21/2012-Customs dated 17th March, 2012 as amended by notification No. 16/2016- Customs dated 1st March, 2016 [new S.No. 82B] refers.
- 10) Basic Customs Duty and CVD exemptions are being withdrawn on charger/Adapter, Battery and Wired Headsets/Speakers for use in manufacture of mobile handsets including cellular phone. S.No. 431 of Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No. 12/2016-Customs dated 1st March, 2016 refers and S.No. 39 of Notification No.24/2005-Customs, dated 1st March, 2005 as amended by notification No. 19/2016-Customs dated 1st March, 2016 refers.
- 11) Further, SAD exemption on charger/Adapter, Battery and Wired Headsets/Speakers for use in manufacture of mobile handsets including cellular phone is being withdrawn. S.No. 14D of Notification No.21/2012-Customs, dated 17th March, 2012 as amended by notification No. 16/2016-Customs dated 1st March, 2016 refers.
- 12) Further, Basic Customs Duty and Excise Duty [and thus CVD] are being exempted on inputs and parts for manufacture of charger/adapter, battery and wired headsets/speakers of mobile handsets including cellular phone and inputs and sub-parts for use in manufacture of parts of charger/adapter, battery and wired headsets/speaker. Consequently, these goods will also be exempt from SAD, under S. No. 1 of Notification No. 21/2012-Customs. All these exemptions will be subject to actual user condition. Notification No.12/2012-Customs, dated 17th March, 2012 as amended vide notification No. 12/2016-Customs dated 1st March, 2016 [new S. Nos. 431A to 431D] refers.

- 13) Basic Customs Duty and Excise Duty [and thus CVD] are being exempted on parts, components and accessories for use in the manufacture of Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera / IP camera, lithium ion battery [other than those for mobile handsets]. Further, Basic Customs Duty and Excise Duty [and thus CVD] are also being exempted on sub-parts for use in manufacture of parts, components and accessories of these Consumer Premise Equipments. Consequently, these goods will also be exempt from SAD, under S. No. 1 of Notification No. 21/2012-Customs. All these exemptions will be subject to actual user condition. Notification No.12/2012-Customs, dated 17th March, 2012 as amended vide notification No. 12/2016-Customs; dated 1st March, 2016 [new S.Nos. 431E to 431K] refers.
- 14) Exemption from BCD under S. No. 372 of Notification No. 12/2012-Customs on specified telecommunication equipment [Soft switches and Voice over Internet Protocol (VoIP) equipment namely VoIP phones, media gateways, gateway controllers and session border controllers, Optical Transport equipment; combination of one / more of Packet Optical Transport Product/Switch (POTP/POTS), Optical Transport Network(OTN) products, and IP Radios, Carrier Ethernet Switch, Packet Transport Node (PTN) products, Multiprotocol Label Switching-Transport Profile (MPLS-TP) products, Multiple Input / Multiple Output (MIMO) and Long Term Evolution (LTE) Products] is being withdrawn. S.No 372 of Notification No.12/2012-Customs, dated 17th March, 2012 as amended vide notification No.12/2016-Customs; dated 1st March, 2016 refers.
- 15) Basic Custom Duty is being withdrawn on Magnetic - Heads (all types), Ceramic / Magnetic cartridges and stylus, Antennas, EHT cables, Level meters/level indicators/ tuning indicators/ peak level meters/ battery meter/VC meters / Tape counters, Tone arms and Electron guns. Items (4), (5), (7), (9), (10), (11) and (17) of List 21 of Notification No.12/2012-Customs, dated 17th March, 2012 as omitted vide notification No. 12/2016-Customs, dated 1st March, 2016 refers
- 16) Basic Customs Duty exemption on LCD (Liquid Crystal Display), LED (Light Emitting Diode) or OLED (Organic LED) panels is being restricted to imports for manufacture of TVs, subjected to actual user condition. S.No. 432 of Notification No.12/2012-Customs, dated 17th March, 2012 as amended vide notification No. 12/2016-Customs, dated 1st March, 2016 refers.
- 17) Basic Customs Duty is being exempted on Neodymium Magnet (before Magnetization) [8505 11 90] and Magnet Resin (Strontium Ferrite compound/before formed, before magnetization) [3824 90 32] for use in manufacture of BLDC motors, subject to actual user condition. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No. 12/2016- Customs dated 1st March, 2016 [new S.No. 230B] refers.
- 18) Basic Customs Duty exemption on E-Readers [8543] is being withdrawn. They will now attract BCD of 7.5%. S.No.433A of notification No.12/2012-Customs, dated 17th March, 2012 as omitted by notification No. 12/2016-Customs, dated the 1st March 2016 refers. Also,

Basic Customs duty on parts and raw material for manufacture of E-readers is being reduced to 5% subject to actual user condition. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs, dated the 1st March 2016 [new S.No. 433C] refers.

- 19) Nil Basic Custom Duty is being extended to magnetron of capacity above 1KW but not exceeding 1.5 KW used for the manufacture of domestic microwave ovens. S. No. 433 of notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No. 12/2016-Customs, dated 1st March, 2016 refers.
- 20) Basic Customs Duty, CVD and Special Additional Duty (SAD) are being exempted on Foreign Satellite data on storage media [Heading 8523] imported by National Remote Sensing Centre (NRSC), Hyderabad. Notification No. 12/2012-Customs, dated 17th March, 2012 as amended vide notification No. 12/2016- Customs, dated 1st March, 2016 [new S. No. 428B] refers.
- 21) Basic Custom Duty is being reduced from 2.5% to Nil on electrolyzers, membranes and their parts required by caustic soda / potash unit based on membrane cell technology. S.No.417 of notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No. 12/2016-Customs, dated 1st March, 2016 refers.

Chapter 86:

- 1) Basic Customs duty on refrigerated containers [8609 00 00] is being reduced from 10% to 5%. Notification No. 12/2012-Customs as amended by notification No. 12/2016-Customs, dated 1st March, 2016 [new S.No. 435A] refers.

Chapter 87:

- 1) Basic Customs duty on golf cars [8703] is being increased from 10% to 60%. S. No. 441 of notification No.12/2012-Customs as omitted by notification No. 12/2016-Customs, dated 1st March, 2016 refers.
- 2) The validity period of exemption granted to specified goods for the use in the manufacture of electrically operated vehicles and hybrid vehicles is being extended without time limit. Clauses (g) and (h) of proviso to notification No. 12/2012-Customs, as omitted by notification No. 12/2016-Customs, dated 1st March, 2016 refers.
- 3) The description “Engine for HV(Atkinson cycle)” appearing in S. No. 440 of notification No. 12/2012-Customs is being changed to “Engine for xEV(hybrid electric vehicle)”. Notification No. 12/2012-Customs as amended by notification No. 12/2016-Customs, dated 1st March, 2016 refers.
- 4) The entry of 6% appearing in column 5 of Sl. No. 439 and 440 of notification No. 12/2012-Customs is being omitted. Notification No. 12/2012-Customs as amended by notification No. 12/2016-Customs, dated 1st March, 2016 refers. 6% Concessional CVD on imports will, however, continue by virtue of 6% concessional excise duty under S. No. 296 and 297 of the Notification No. 12/2012-Central Excise dated 17.03.2012.

Chapter 88:

- 1) Basic Customs duty on tools and tool kits for maintenance, repair, and overhauling of aircraft are being exempted. Further, the procedure for availment of the customs duties exemption under S.No.448 of notification No.12/2012-Customs, dated 17.03.2012 is being simplified. Moreover, the restriction of one year for utilization of duty free parts [as also the testing equipment, tools and tool kits] for maintenance, repair and overhaul of aircraft is being done away with. S.No.448 and Condition No.73 of notification No.12/2012-Customs, dated 17.03.2012 as amended by notification No. 12/2016-Customs, dated 1st March, 2016 refers.
- 2) S.No.448 of notification No.12/2012-Customs, dated 17.03.2012 prescribes Nil CVD. There is a corresponding excise duty exemption under S.No. 305 of notification No.12/2012-Central Excise, dated 17.03.2012. S.No.448 of notification No.12/2012-Customs is amended so as to remove CVD exemption prescribed therein. CVD exemption, however, will flow from the excise duty exemption under S.No. 305 of notification No.12/2012-Central Excise, dated 17.03.2012. S.No.448 of notification No.12/2012-Customs, dated 17.03.2012 as amended by notification No. 12/2016-Customs, dated 1st March, 2016 refers.
- 3) The existing condition of stay of foreign aircraft, for maintenance repair and overhaul, upto 60 days is being relaxed, so as to provide for stay up to 6 months of the foreign aircraft for maintenance, repair or overhaul, which can be further extended by DGCA's as deemed fit. Such aircrafts are also being allowed to carry passengers in the flights at the beginning and end of the stay period in India, but not during the stay period for maintenance, repair or overhaul, servicing. New S.No.448A and Condition No.73A of notification No.12/2012-Customs, dated 17.03.2012 as inserted by notification No. 12/2016-Customs, dated 1st March, 2016 refers.
- 4) Notification No. 72/94-Customs dated 01.03.1994 provides for import of repaired or overhauled parts of aircraft under exchange / advance exchange as per Standard Exchange Scheme. This notification is being superseded by notification No. 23/2016 – Customs dated 1st March, 2016 so as to provide also for import of air craft parts for repair or overhaul and for export of repaired or overhauled parts of aircraft under said scheme.

Chapter 89: No change.

- 1) The procedure for availment of exemption from Basic Customs Duty, CVD and SAD by ship repair units is being simplified, by omitting the Condition No.79 under S.No.459A of notification No.12/2012-Customs, dated 17.03.2012. Such imports will now be subject to actual used condition. S.No.459A of notification No.12/2012-Customs, dated 17.03.2012 as amended notification No. 12/2016-Customs, dated 1st March, 2016 refers.
- 2) CVD is exempted under S.No.459A of notification No.12/2012-Customs, dated 17.03.2012. This CVD exemption is being withdrawn. It will now be available by way of an excise duty exemption, under new S. No. 305A, as inserted in notification No.12/2012-Central Excise,

dated 17.03.2012, vide amending notification No. 12/2016-Central Excise, dated 01.03.2016.

Chapter 90

- 1) Tariff rate of BCD is being increased from 7.5% to 10% on 5 specified tariff lines falling in Chapter 90. Clause 138 (i) of the Finance Bill refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these changes will come into force with immediate effect. However, the effective rates for 5 tariff lines are being maintained at 7.5%. Notification No.12/2012- Customs as amended by notification No. 12/2016 [new S. No. 422I] refers.

Chapter 91 to 94: No change

Chapter 95:

- 1) Basic Customs duty on natural latex rubber made balloons [9503 00 90, 9505 10 00 & 9505 90 90] is being increased from 10% to 20%. Clause 138 (i) of the Finance Bill 2016 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these changes will come into force with immediate effect. Further, Basic Customs duty of 10% is being retained for all goods other than natural rubber latex made balloons falling under tariff lines 9503 00 90, 9505 10 00 & 9505 90 90.

Chapter 96 to 97: No change

Chapter 98:

- 1) Concessional 5% BCD is being extended to 'cold chain including pre-cooling unit, packhouses, sorting and grading lines and ripening chambers' also. S.No. 41 of Notification No. 42/96-Customs, dated 23.07.1996 as amended vide notification No. 21/2016- Customs, dated 1st March, 2016 refers. Consequently, the Project Import Regulations, 1986 is also being amended suitably. Notification No.20/2016-Customs, dated 1st March, 2016 refers.
- 2) Duty free allowance for bonafide gifts is being increased from Rs. 10,000 to Rs. 20,000. Notification No.171/1993-Customs, dated 16th September, 1993 as amended by notification No. 13/2016-Customs, dated the 1st March, 2016 refers.

Miscellaneous:

- 1) Disposable sterilized dialyzer and micro barrier [Chapter 84 or 90] of artificial kidney is being exempted from BCD, excise / CVD, and SAD. CVD exemption will flow from excise exemption. Notification No.12/2012- Customs as amended by notification No. 12/2016 [new S. No. 418A] refers.
- 2) S.No.9, 9A, 10, 10A, of the notification No.39/96-Customs, dated 23.07.1996 are being omitted with effect from 01.04.2016. Consequently, with effect from 01.04.2016, direct

imports by Government of India or State Governments [under S. Nos. 9 and 10] will attract customs duties at applicable rates. Similarly, with effect from 01.04.2016, imports [under S.Nos. 9A and 10A] will also attract BCD. Notification No. 39/96-Customs, dated 23.07.1996 as amended by notification No. 14/2016-Customs, dated the 1st March, 2016 refers.

- 3) S.Nos.356, 358, 359, 359A and 360 of notification No.12/2012-Customs, dated 17.03.2012 which exempt BCD and CVD on specified goods imported for petroleum exploration under various types of licenses or mining leases, pre-NELP contracts, NELP contracts, Marginal Fields Policy and the Coal Bed Methane Policy are being merged into a single new S.No.357A. Also, the list of specified goods is being unified into a single List 34 and the conditions are also being unified into a single Condition No. 40A. Further, the said exemption is being extended on imports of goods required for exploration & production of hydrocarbon activities undertaken under Petroleum Exploration Licenses (PEL) or Mining Leases (ML) issued or renewed before 1st April 1999 also. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.12/2016-Customs dated 1st March, 2016 [new S.No.357A] refers.

Consequently, S.Nos.356, 358, 359, 359A and 360; Condition Nos.41, 43 and 44; and List 13 and 14 are being omitted.

- 4) In case of power generation project based on municipal and urban waste, valid agreement between producer of power with urban local body for processing of municipal solid waste for not less than ten years from the date of commissioning of project is being prescribed for availing customs and excise duty concessions as an alternative to the existing condition of “production of valid power purchase agreement between the importer/producer of power and the purchaser, for the sale and purchase of electricity generated using non-conventional materials”. Notification No.81/2005-Customs, dated 8th September, 2005 as amended by notification No. 22/2016-Customs, dated 1st March, 2016 refers.

EXCISE

Chapter 1 to 20: No change.

Chapter 21:

- 1) Basic Excise Duty is being increased on pan masala [2106 90 20] from 16% to 19%. S.No.35 of notification No.12/2012-Central Excise dated 17th March, 2012 as amended by notification No.12/2016-Central Excise dated 01.03.2016 refers. Accordingly, the duty leviable under the compounded levy scheme has also been modified. Notification No. 30/2008 – Central Excise (N.T.) dated 01.07.2008 as amended by notification No. 9/2016-Central Excise (N.T.) dated 01.03.2016 and notification No.42/2008-Central Excise dated 01.07.2008 as amended by notification No.17/2016-Central Excise dated 01.03.2016 refer.

Chapter 22:

- 1) Excise duty on “waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured” falling under Chapter sub-heading 2202 10 is being increased from 18% to 21%. Clause 143 (i) of the Finance Bill refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, this increase will come into force with immediate effect.

Chapter 23: No change.

Chapter 24:

- 1) The additional duty of excise levied under the Seventh Schedule to the Finance Act, 2005 on non-filter and filter cigarettes of sub-heading 2402 20 is being increased. Clause 231 of the Finance Bill, 2016 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these changes will come into force with immediate effect. There is no change in the Basic Excise Duty leviable under the First Schedule to the Central Excise Tariff Act, 1985 and the NCCD leviable under Seventh Schedule to the Finance Act, 2001. The changes in additional duty of excise rates on cigarettes are summarized below.

Tariff Item	Description (length in mm)	Additional Duty of Excise (Rs. per 1000 sticks)	
		Existing Rate	New Rate
2402 20 10	Non filter not exceeding 65	70	215
2402 20 20	Non-filter exceeding 65 but not exceeding 70	110	370
2402 20 30	Filter not exceeding 65	70	215
2402 20 40	Filter exceeding 65 but not exceeding 70	70	260
2402 20 50	Filter exceeding 70 but not exceeding 75	110	370

Tariff Item	Description (length in mm)	Additional Duty of Excise (Rs. per 1000 sticks)	
2402 20 90	Other	180	560

- 2) Basic Excise Duty on other tobacco products falling under heading 2402 is being increased as under:

Tariff Item	Description	Basic Excise Duty rate	
		From	To
2402 10 10	Cigar and cheroots	12.5% or Rs.3375 per thousand, whichever is higher	12.5% or Rs.3755 per thousand, whichever is higher
2402 10 20	Cigarillos	12.5% or Rs.3375 per thousand, whichever is higher	12.5% or Rs.3755 per thousand, whichever is higher
2402 90 10	Cigarettes of tobacco substitutes	Rs.3375 per thousand	Rs. 3755 per thousand
2402 90 20	Cigarillos of tobacco substitutes	12.5% or Rs.3375 per thousand, whichever is higher	12.5% or Rs. 3755 per thousand, whichever is higher
2402 90 90	Others of tobacco substitutes	12.5% or Rs.3375 per thousand, whichever is higher	12.5% or Rs. 3755 per thousand, whichever is higher

- 3) The tariff rate of Basic Excise Duty on Paper rolled biris [whether handmade or machine made] and other biris [other than handmade biris] [2403 19 29] is being increased from Rs.30 per thousand to Rs.80 per thousand. However, there is no change in effective basic excise duty rate on these goods which is presently Rs.21 per thousand.
- 4) Basic Excise Duty is being increased on unmanufactured tobacco, and jarda scented tobacco, gutkha and chewing tobacco. Clause 143 (i) of the Finance Bill, 2016 refers. These changes will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931. There is no change in NCCD and Health Cess rates. The changes in basic excise duty rates are summarized below. Accordingly, the duty leviable under the compounded levy scheme has also been modified. Further, the speed slabs and the deemed production and duty payable per month on chewing tobacco without lime tube / lime pouches and jarda scented tobacco are being aligned. Notification No. 11/2010 – Central Excise (N.T.) date 27.02.2010 as amended by notification No.10/2016-Central Excise (N.T.) dated 01.03.2016 and notification No. 16/2010-Central Excise dated 27.02.2010 as amended by notification No.16/2016-Central Excise dated 01.03.2016 refer.

Commodity	Current rate of BED (%)	Proposed rate of BED (%)
Gutkha	70	81
Unmanufactured Tobacco	55	64
Chewing Tobacco (including filter khaini)	70	81
Zarda Scented Tobacco	70	81

- 5) The Seventh Schedule to the Finance Act, 2001 which provides for levy on NCCD of excise on specified goods is being amended so as to align the tariff lines under Chapter 24 with the First Schedule to the Central Excise Tariff Act, 1985. Relevant Clause of Finance Bill, 2016 refers. Also, notification No. 6/2005-Central Excise dated 01.03.2005 is being amended so as to align the tariff lines under Chapter 24 with the First Schedule to the Central Excise Tariff Act, 1985. Notification No. 6/2005-Central Excise dated 01.03.2005 as amended by notification No.18/2016-Central Excise, dated 01.03.2016 refers.

Chapter 25 to 26: No change

Chapter 27:

- 1) Oil Industries Development Cess levied on domestically produced crude oil under the Oil Industry (Development) Act, 1974 is being reduced from Rs.4500 PMT to 20% ad valorem. This change will come into force with effect from the date of assent to the Finance Bill, 2016. Till the enactment of the Finance Bill, 2016, Notification prescribing 20% effective rate of OID Cess will be issued by Ministry of Petroleum & Natural Gas.
- 2) The Basic Excise Duty rate on aviation turbine fuel [ATF] [2710 19 20] is being increased from 8% to 14%. However, ATF for supply to Scheduled Commuter Airlines [SCA] from the Regional Connectivity Scheme [RCS] airports shall attract 8%. The rate of 14% will operate through the tariff and the rate of 8% will operate through S. No. 77 of notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No.12/2016- Central Excise dated 1st March, 2016.
- 3) The Schedule Rate of Clean Energy Cess, levied on coal, lignite and peat, is being increased from Rs.300 per tonne to Rs.400 per tonne. Clause 232 of the Finance Bill, 2016 refers. The increase in rate of Clean Energy Cess will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931. Accordingly, notification No.1/2015-Clean Energy Cess, dated 1st March, 2015 is being rescinded, vide notification No. 1/2016-Clean Energy Cess, dated 1st March, 2016 and the rate of Rs. 400 per tonne will operate through the Schedule. Further, the Clean Energy Cess is being renamed as Clean

Environment Cess. This change will come into force with effect from the date of enactment of the Finance Bill, 2016.

- 4) Clean Energy Cess on all goods produced or extracted as per traditional and customary rights enjoyed by local tribals without any license or lease in the State of Nagaland is being fully exempted. Notification No. 5/2010-Clean energy Cess, dated 22.06.2010 as amended by notification No. 2/2016-Clean Energy Cess dated 1st March, 2016 refers.

Chapter 28, 29 or 38:

- 1) Basic Excise Duty on micronutrients falling under Chapter 28, 29 or 38, which are covered under Sr. No. 1(f) of Schedule 1 Part (A) of the Fertilizer Control Order, 1985 and are manufactured by the manufacturers which are registered under FCO, 1985, is being reduced from 12.5% to 6%. Notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No. 12/2016- Central Excise dated 1st March, 2016 [New S. No. 109A] refers.

Chapter 30: No change

Chapter 31:

- 1) Basic Excise Duty on mixture of fertilizers, made by physical mixing of chemical fertilizers on which appropriate duty of excise has been paid, by Co-operative Societies, holding certificate of manufacture for mixture of fertilizers under the Fertilizer Control Order 1985, for supply to the members of such Co-operative Societies, is being fully exempted. Notification No. 12/2012- Central Excise, dated 17th March, 2012 as amended by notification No. 12/2016- Central Excise dated 1st March, 2016 [New S. No. 128A] refers.

Chapter 32 to 33: No change

Chapter 34:

- 1) S. Nos. 39 and 40 of No. 49/2008-Central Excise (N.T.), dated 21.12.2008 are being amended so as to prescribe Retail Sale Price based assessment of excise duty on all goods falling under heading 3401 and 3402 with an abatement of 30%. S. Nos. 39 and 40 of notification No.49/2008-Central Excise (N.T.), dated 21.12.2008 as amended by notification No. 12/2016-Central Excise (N.T.) dated 1st March, 2016 refers.
The Third Schedule to the Central Excise Act, 1944 is also being amended so as to include therein all goods falling under heading 3401 and 3402. Clause 142(i) of the Finance Bill, 2016 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these changes will come into force with immediate effect.

Chapter 35 to 37: No change

Chapter 38:

- 1) Ready Mix Concrete [3824 50 10] manufactured at the site of construction for use in construction work at such site is being fully exempted from excise duty. Also, the expression 'site' is being defined in the exemption notification. S. No. 144 of notification No. 12/2012-Central Excise, dated 17th March, 2012 as amended by notification No. 12/2016-Central Excise dated 1st March, 2016 refers.

Chapter 39:

- 1) Basic Excise Duty on sacks and bags of polymers of any plastics is being rationalized at 15%. Notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No. 12/2016- Central Excise dated 1st March, 2016 [new S.No.148AA] refers. Consequently, S. Nos. 148B, 148C and 148D are being omitted.

Chapter 40:

- 1) Basic Excise Duty on rubber sheets & resin rubber sheets for soles and heels [4008 29 10] is being reduced from 12.5% to 6%. Notification No. 12/2012-Central Excise, dated 17th March, 2012 as amended by notification No. 12/2016-Central Excise, dated the 1st March, 2016 [new S. No 152A] refers.

Chapter 41 to 53: No change.**Chapter 54 and 55:**

- 1) Basic excise duty on PSF / PFY manufactured from plastic scrap or plastic waste including waste PET bottles is being changed from '2% without CENVAT credit or 6% with CENVAT credit' to '2% without CENVAT credit or 12.5% with CENVAT credit'. S. No. 172A of notification No.12/2012- Central Excise, dated 17th March, 2012 as omitted by notification No. 12/2016-Central Excise dated 1st March, 2016 refers. The rate of 12.5% will now operate through tariff.

Chapter 56 to 60: No change**Chapter 61 to 63:**

- 1) Basic Excise Duty of '2% (without CENVAT credit) or 12.5% (with CENVAT credit)' is being imposed on readymade garments and made up articles of textiles falling under Chapters 61, 62 and 63 (heading Nos. 6301 to 6308) of the Central Excise Tariff, except those falling under 6309 00 00 and 6310, **of retail sale price (RSP) of Rs. 1000 and above when they bear or are sold under a brand name.** This optional levy would apply to such readymade garments and made up articles of textiles regardless of the composition of the garment / made up article. However, in respect of readymade garments and made up articles of textiles other than those mentioned above, the optional levy of Nil (without CENVAT

credit) or 6% (with CENVAT credit) in case of garments / articles of cotton, not containing any other textile material and Nil (without CENVAT credit) or 12.5% (with CENVAT credit) in case of garments / made up articles of other composition, as the case may be, shall continue. S. No. 16 of Notification No. 30/2004-CE dated the 9th July, 2004 as amended by notification No. 15/2016-Central Excise dated the 1st March, 2016 and S. No. 7 of Notification No. 7/2012-Central Excise dated 17th March, 2012, as amended by notification No. 7/2016-Central Excise dated the 1st March, 2016 refer.

The tariff value for readymade garments and made up articles of textiles is also being increased from 30% to 60% which shall apply to all goods mentioned in the notification No. 20/2001-Central Excise (N.T.) dated 30.04.2001. Notification No. 20/2001-Central Excise (N.T.) dated 30.04.2001 as amended by Notification No. 11/2016-Central Excise (N.T) refers. Further, the SSI exemption is being restricted for the month of March, 2016 to Rs.12.5 lakh, subject to the condition that the turnover during financial year 2014-15 has not exceeded Rs. 4 crore. Notification No.8/2003-CE dated 01.03.2003 as amended by Notification No. 8/2016-Central Excise dated 01.03.2016 refers.

Chapter 64:

- 1) Abatement rate from RSP, for all categories of footwear is being increased from 25% to 30%. S. No. 56 of Notification No. 49/2008-Central Excise (N.T.), dated 24th December, 2008 as amended by Notification No. 12/2016-Central Excise (N.T.), dated the 1st March, 2016 refers.

Chapter 65 to 70: No change

Chapter 71:

- 1) Basic Excise Duty of 1% (without Cenvat Credit) and 12.5% (with Cenvat Credit) is being imposed on Articles of Jewellery [excluding articles of silver jewellery, other than those studded with diamonds, ruby, emerald or sapphire]. S. No. 199 of Notification No. 12/2012-Central Excise, dated 17th March, 2012 as amended by notification No. 12/2016-Central Excise dated 1st March, 2016 refers.
- 2) SSI threshold exemption for Articles of Jewellery [excluding articles of silver jewellery, other than those studded with diamonds, ruby, emerald or sapphire] is being increased to Rs. 6 crore in a year, with an eligibility limit of Rs. 12 crore in the preceding financial year. For the month of March, 2016, the SSI exemption for such articles of jewellery is being restricted to Rs. 50 lakh. Notification No. 8/2003-Central Excise, dated 1st March, 2003 as amended by notification No. 8/2016-Central Excise dated 1st March, 2016 refers.
- 3) Optional centralized registration is being extended to manufacturers of Articles of Jewellery [excluding articles of silver jewellery, other than studded with diamonds, ruby, emerald or sapphire]. Notification No. 5/2016- Central Excise (N.T.) dated 1st March, 2016 refers.

- 4) Requirement of post registration physical verification for manufacturers of Articles of Jewellery [excluding articles of silver jewellery, other than studded with diamonds, ruby, emerald or sapphire] is being done away with. Notification No. 35/2001-Central Excise (N.T.), dated 26th June, 2001 is being amended suitably by notification No. 6/2016- Central Excise (N.T.) dated 1st March, 2016 refers.
- 5) Basic Excise duty on Gold Bars manufactured from gold ore or concentrate; gold dore bar and silver dore bar is being increased from 9% to 9.5%. S. No. 189 of Notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No. 12/2016- Central Excise dated 1st March, 2016 refers.
- 6) Basic Excise duty on Gold bars and gold coins of purity not below 99.5%, produced during the process of copper smelting is being increased from 9% to 9.5%. S. No. 191 (i) of Notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No. 12/2016- Central Excise dated 1st March, 2016 refers.
- 7) Basic Excise duty on silver manufactured from silver ore or concentrate; silver dore bar and gold dore bar is being increased from 8% to 8.5%. S. No. 190 of Notification No. 12/2012- Central Excise, dated 17th March, 2012 as amended by notification No. 12/2016-Central Excise dated 1st March, 2016 refers.
- 8) Basic Excise duty on silver in any form, except silver coins of purity below 99.9%, produced during the process of copper smelting is being increased from 8% to 8.5%. S. No. 191 (ii) of Notification No. 12/2012- Central Excise, dated 17th March, 2012 as amended by Notification No. 12/2016- Central Excise dated 1st March, 2016 refers.
- 9) Basic Excise duty on silver produced during the process of zinc or lead smelting is being increased from 8% to 8.5%. S. No. 191A of Notification No. 12/2012- Central Excise, dated 17th March, 2012 as amended by notification No. 12/2016-Central Excise dated 1st March, 2016 refers.

Chapters 72 to 75: No Change.

Chapters 76:

- 1) Aluminium foils of a thickness not exceeding 0.2 mm [7607] are being notified under section 4A of the Central Excise act for the purpose of assessment of Central Excise duty with reference to the Retail Sale Price with an abatement of 25%. Notification No. 49/2008- Central Excise (N.T.) dated 21.12.2008 as amended by notification No. 12/2016-Central Excise (N.T.) dated 1st March, 2016 [new S. No. 64A] refers.
The Third Schedule to the Central Excise Act, 1944 is also being amended so as to include therein all goods falling under Chapter heading 7607. Clause 142 (i) of the Finance Bill, 2016 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these changes will come into force with immediate effect.
- 2) The excise duty structure on ‘disposable aluminium foil containers’ is being changed from ‘2% without CENVAT credit and 6% with CENVAT credit’ to ‘2% without CENVAT credit

and 12.5% with CENVAT credit'. S. No. 53 of notification No. 2/2011-Central Excise dated 01.03.2011 as amended by notification No. 10/2016-Central Excise, dated 1st March, 2016 refers.

Chapter 77 to 83: No change.

Chapter 84 and 85:

- 1) Basic Excise Duty on 5 specified parts required for the manufacture of centrifugal pump is being reduced from 12.5% to 6%, subject to actual user condition. Notification No. 12/2012-Central Excise, dated 17th March, 2012 as amended by Notification No. 12/2016-Central Excise dated 1st March, 2016 [New S. No. 235A] refers.
- 2) Accessories of goods falling under tariff item 8426 41 00, heading 8427, 8429 and sub-heading 8430 10 are being included for the purposes of RSP based assessment of excise duty. S. No. 109 of Notification No.49/2008-Central Excise (N.T.), dated 24th December, 2008 as amended *vide* notification No. 12/2016-Central Excise (N.T.), dated 1st March, 2016 and Clause 142 (i) of the Finance Bill, 2016 refer.

The Third Schedule to the Central Excise Act, 1944 is also being amended so as to include therein these accessories. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, this change will come into force with immediate effect.

- 3) Wrist wearable devices (commonly known as 'smart watches') [8517 62] are being notified for the purposes of RSP based assessment of excise duty with an abatement of 35%. Notification No. 49/2008-Central Excise (N.T.), dated 21.12.2008, as amended by notification No. 12/2016-Central Excise (N.T.) dated 1st March, 2016 [new S. No. 87A] refers.

The Third Schedule to the Central Excise Act, 1944 is also being amended so as to include therein such wrist wearable devices (commonly known as 'smart watches'). Clause 142 (i) of the Finance Bill, 2016 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, this change will come into force with immediate effect.

- 4) Excise duty exemption is being withdrawn on charger/adaptor, battery and wired headsets/speakers for use in manufacture of mobile handsets including cellular phones. S. No. 272 of Notification No. 12/2012-Central Excise, dated 17th March, 2012 as amended by notification No. 12/2016-Central Excise dated 1st March, 2016 refers.
- 5) Excise duty of '2% without CENVAT credit / 12.5% with CENVAT credit' is being prescribed for charger/adaptor, battery and wired headsets/speakers, for manufacture of mobile handsets including cellular phone, subject to actual user condition. Notification No. 12/2012-Central Excise, dated 17th March, 2012 as amended by notification No.12/2016-Central Excise dated 1st March, 2016 [new S.Nos.263B, 263D, 263F, 263H] refers.
- 6) Further, excise duty is being exempted on inputs and parts for use in manufacture of charger/adaptor, battery and wired headsets/speakers of mobile handsets including cellular phone. Excise duty is also being exempted on inputs and sub-parts for use in manufacture of

parts of charger/adapter, battery and wired headsets/speaker of mobile handsets including cellular phone. These exemptions are subject to actual user condition. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended vide notification No.12/2016-Central Excise dated 1st March, 2016 [new S. Nos.263C, 263E, 263G, 263I] refers.

- 7) Excise duty of '4% without CENVAT credit / 12.5% with CENVAT credit' is being prescribed for the following Consumer Premise Equipments (CPEs).
- (i) Routers [tariff item 8517 69 30]
 - (ii) Broadband Modems [tariff item 8517 62 30]
 - (iii) Set-top boxes for gaining access to internet [tariff item 8517 69 60]
 - (iv) Reception apparatus for television but not designed to incorporate a video display[tariff item 8528 71 00]
 - (v) Digital Video Recorder (DVR)/Network Video Recorder (NVR) [tariff item 8521 90 90]
 - (vi) CCTV Camera/IP Camera [tariff item 8525 80 20]
 - (vii) Lithium-ion batteries, other than those for mobile handsets including cellular phones [tariff item 8507 60 00]

Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended by notification No.12/2016-Central Excise dated 1st March, 2016 [new S.Nos.262A, 263J, 263L, 263N, 263P, 263R, 263T] refer.

- 8) Further, excise duty is being exempted on parts, components and accessories for use in manufacture of Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera / IP camera, lithium ion battery [other than those for mobile handsets]. Further, Excise Duty is also being exempted on sub-parts for use in manufacture of parts, components and accessories of the aforesaid Consumer Premise Equipments. These exemptions are subject to actual user condition. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended vide notification No.12/2016-Central Excise dated 1st March, 2016 [new S. Nos.262B, 263K, 263M, 263O, 263Q, 263S, 263U] refer.

Chapter 86:

- 1) Basic Excise duty on all goods falling under 8607 (parts of railway or tramway locomotives or rolling stock) and 8608 (railway or tramway track fixtures and fitting, etc.) is being reduced to 6%. Notification No. 12/2012-Central Excise as amended by notification No. 12/2016-Central Excise, dated 1st March, 2016 [new S. No.272A, 272B] refers.
- 2) Basic Excise duty on refrigerated containers [8609 00 00] is being reduced from 12.5% to 6%. Notification No. 12/2012-Central Excise as amended by notification No.12/2016-Central Excise, dated 1st March, 2016 [new S. No. 272C] refers.

Chapter 87:

- 1) The validity period of concessional excise duty of 6% granted to specified goods for the use in the manufacture of electrically operated vehicles and hybrid vehicles is being extended without time limit. First proviso to notification No. 12/2012-Central Excise, as omitted by notification No. 12/2016 dated 1st March, 2016 refers.
- 2) The description “Engine for HV (Atkinson cycle)” appearing in S. No. 297 of notification No. 12/2012-Central Excise is being changed to “Engine for xEV (hybrid electric vehicle)”. Notification No. 12/2012-Central Excise as amended by notification No. 12/2016-Central Excise, dated 1st March, 2016 refers.
- 3) An Infrastructure Cess, as a duty of excise, is being imposed on motor vehicles falling under heading 8703. Clause 159 read with the Eleventh Schedule of the Finance Bill, 2016 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, this Cess will come into force with immediate effect. The effective rates of the Infrastructure Cess are being prescribed vide notification No. 1/2016-Infrastructure Cess dated 1st March, 2016, as under:
 - a) **Nil** on :
 - i. Three wheeled vehicles,
 - ii. Electrically operated vehicles,
 - iii. Hybrid vehicles,
 - iv. Hydrogen vehicles based on fuel cell technology,
 - v. Motor vehicles which after clearance have been registered for use solely as taxi (subject to prescribed conditions),
 - vi. Cars for physically handicapped persons(subject to prescribed conditions), and
 - vii. Motor vehicles cleared as ambulances or registered for use solely as ambulance(subject to prescribed conditions);
 - b) **1%** on Petrol/LPG/CNG driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1200cc;
 - c) **2.5%** on Diesel driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1500cc;
 - d) **4%** on all categories of motor vehicles other than those listed at (a), (b) and (c) above;

Further, the Cenvat Credit Rules are being amended to provide that CENVAT credit cannot be utilised for payment of this Infrastructure Cess. Further, no credit of this Cess would be available under the Cenvat Credit Rules, 2004. Notification No.13/2016-Central Excise (N.T.) dated 01.03.2016 refers.

- 4) Accessories of certain vehicles falling under Chapter 87 are being included for RSP based assessment. S. No. 108 of Notification No.49/2008-Central Excise (N.T.), dated 24th December, 2008 as amended *vide* notification No.16/2016-Central Excise (N.T.), dated 1st March, 2016 refers. Third Schedule to the Central Excise Act, 1944 is also being amended so as to include therein such accessories. Clause 142(i) of the Finance Bill, 2016 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, this change will come into force with immediate effect.

Chapter 88:

- 1) Excise duty on tools and tool kits for maintenance, repair, and overhauling of aircraft is being exempted. Further, the exemption under S.No.305 of notification No.12/2012-Central Excise, dated 17.03.2012, is being made subject to actual user condition, along with simplified procedure.

Chapter 89:

- 1) Excise duty on Capital goods and spare thereof, raw materials, parts, material handling equipment and consumable for repairs of ocean-going vessels by a ship repair unit is being exempted subject to actual user condition. New S.No.305A of notification No.12/2012-Central Excise, dated 17.03.2012 as inserted by notification No.12/2016-Central Excise, dated 1st March, 2016 refers.

Chapter 90 to 93: No change**Chapter 94:** No change

- 1) Solar lamp [tariff item 9405 50 40] is being exempted from excise duty. List-8 of Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended vide notification No.12/2016-Central Excise dated 1st March, 2016 refers.

Chapter 95 to 96: No change.**Miscellaneous:**

- 1) Disposable sterilized dialyzer and micro barrier [Chapter 84 or 90] of artificial kidney is being exempted from excise. Notification No.12/2012- Central Excise, dated 17.03.2012 as amended by notification No. 12/2016-Central Excise, dated 1st March, 2016 [new S. No. 315A] refers.
- 2) Excise duty exemption on remnant kerosene, presently available for manufacture of Linear alkyl Benzene [LAB] and heavy alkylate [HA] is being extended to N-paraffin arising in the course of manufacture of LAB and HA also. S.No.68 of notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No.12/2016-Central Excise, dated 1st March, 2016 refers.
- 3) Excise duty exemption on 5 specified items for manufacture of rotor blades and intermediates, parts and sub-parts of rotor blades for wind operated electricity generators is being withdrawn. They will now attract a concessional excise duty of 6%, for manufacture of rotor blades and intermediates, parts and sub-parts of rotor blades for wind operated electricity generators, subject to actual user condition. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended by notification No.12/2016-Central Excise dated 1st March, 2016 [New S. No.327A, List 9A] refers.
- 4) Basic Excise Duty on Carbon pultrusions, for manufacture of rotor blades and intermediates, parts and sub-parts of rotor blades for wind operated electricity generators, is being reduced from 12.5% to 6%, subject to actual user condition. Notification No.12/2012-Central Excise,

dated 17th March, 2012 as amended vide notification No.12/2016-Central Excise dated 1st March, 2016 [New S. No. 327A, List 9A] refers.

- 5) Excise duty on improved cook stoves including smokeless chulhas for burning wood, agrowaste, cowdung, briquettes, and coal in being exempted unconditionally. List-8 of Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended vide notification No.12/2016-Central Excise dated 1st March, 2016 [new item 22, List-8] refers. As a result, parts of such cook stoves will also be exempt from excise duty subject to actual user condition. Consequently, notification No 62/91-CE dated 25.07.1991 is rescinded by notification No 13/2016-CE dated 01.03.2016.
- 6) The excise duty exemption under the existing area based exemptions for production of gold and silver from gold dore, silver dore or any other raw material is being prospectively withdrawn. Thus, a new industrial unit engaged in production of refined gold from gold dore, silver dore or any other raw material, which commences commercial production on or after 1st day of March, 2016, shall not be eligible for the said excise duty exemption. Also, an existing industrial unit as on 1st of March, 2016, which undertakes substantial expansion of existing capacity or installs fresh plant, machinery or capital goods for production of gold or silver from gold dore, silver dore or any other raw material, by using such expanded capacity or such fresh plant, machinery or capital goods, and commences commercial production from such expanded capacity or such fresh plant, machinery or capital goods, on or after 1st March, 2016, shall not be eligible for the said excise duty exemption. [Amending Notifications No.5/2016 –CE dated 1.03.2016 and No.6/2016 –CE dated 1.03.2016 refers]
- 7) In case of power generation project based on municipal and urban waste, valid agreement between importer with urban local body for processing of municipal solid waste for not less than ten years from the date of commissioning of project is being prescribed for availing customs and excise duty concessions as an alternative to the existing condition of “production of valid power purchase agreement between the importer/producer of power and the purchaser, for the sale and purchase of electricity generated using non-conventional materials”. Notification No.33/2005- Central Excise, dated 8th September, 2005 as amended vide notification No.14/2016-Central Excise dated 1st March, 2016 refers.
- 8) Consequent upon abolition of the Duty Refund Procedure for exports to Nepal, notification No.8/2003-Central Excise dated 01.03.2003 is being amended so as to exclude value of clearances made for export to Nepal from the definition of ‘clearances for home consumption’ under the said notification. Notification No. 8/2003-Central Excise, dated 1st March, 2003 as amended by notification No. 8/2016-Central Excise dated 1st March, 2016 refers.

CLARIFICATION**CUSTOMS**

- 1) Notification No.51/96-Customs dated 23.07.1996, inter alia, exempts specified goods from the whole of the additional duty leviable thereon under section 3 of the Customs Tariff Act. Section 3 includes levy of additional duty of customs under Section 3(1) [commonly known as CVD] and additional duty of customs levied under Section 3(5) [commonly known as SAD]. Therefore, such goods are exempt from CVD as well as SAD. Representations have been received to make a provision in notification No.102/2007-Customs dated 14.09.2007, which provides for refund of SAD in cases where VAT is paid on the subsequent sales of imported goods. In this context, it is clarified that since the imports under notification No.51/96-Customs, dated 23.07.1996 is ab initio exempt from SAD, there is no requirement to make a provision for refund of SAD in notification No.102/2007-Customs dated 14.09.2007.
- 2) Doubts have been raised as to whether any Power Project listed for exemption from BCD and CVD [under list 32A of S.No. 507 of notification No.12/2012-Customs] and awarded under International Competitive Bidding (ICB) will be eligible for excise duty exemption under S.No. 336 of notification No. 12/2012-Central Excise [which is for goods supplied against ICB procedure] even if such Power Project is separately listed in List 10 [S.No. 337] or List 11 [S.No. 338] of notification No. 12/2012-Central Excise. In this regard, it is hereby clarified that a project which is listed in List 32A of S. No. 507 of Notification No. 12/2012-Customs, [which exempts goods for such project from BCD and CVD], as a corollary, will also be exempted from excise duty under S. No. 336 of Notification No. 12/2012-CE subject to following conditions:
 - i. if said project has been awarded based on International Competitive Bidding [ICB]; and
 - ii. the conditions mentioned in S. No. 507 of Notification No 12/2012-Customs are fulfilled,
 even if such power project is included in List 10 [S. No 337] or List 11 [S. No 338] of notification No 12/2012-CE.
- 3) S.No.138A of notification No.12/2012-Customs, dated 17.03.2012 exempts Liquefied Natural Gas (LNG) imported for consumption in the C2-C3 Plant of M/s Oil and Natural Gas Corporation Limited located in the Dahej SEZ [hereinafter referred to as the SEZ unit] for the purposes of authorized operations in the SEZ unit subject to the condition [No.8A] that the importer produces a certificate from the jurisdictional Specified Officer of the SEZ unit certifying that the quantity of LNG for which exemption is being claimed has actually been consumed in terms of equivalent quantity by the SEZ unit for the purposes of authorized operations during the preceding month. In this context, references

have been received regarding the scope of the phrase 'preceding month'. In this regard, it is clarified that S.No.138A of notification No.12/2012-Customs dated 17.03.2012 seeks to exempt LNG with reference to the consumption of an equivalent quantity for authorized operations in the SEZ unit during any one of the preceding months against which no duty free import has been claimed by the SEZ under the said S.No.138A and that the expression 'preceding month' shall be construed accordingly.

- 4) S.No. 399B of notification No. 12/2012-Customs prescribes 5% concessional BCD was prescribed on Over Load Protector (OLP) and positive thermal coefficient relays for use in the manufacture of refrigerator compressor. Classification mentioned in this entry is 8536 20 90. As Positive Thermal Coefficient (relays) are classified under 8536 49 00, trade has represented that concessional BCD was being denied on them. In this context, it is clarified that since Positive Thermal Coefficient (relays) were specifically covered by description in the said S. No. 399B of notification no. 12/2012-customs dated 17.03.2012, and therefore be eligible for the exemption for the past period. Prospectively, tariff item 8536 49 00 is being included in aforesaid S. No. 399B. [S.No. 399B of notification No. 12/2012-Customs as amended by Notification No. 12/2016-Customs refers]
- 5) Representations have been received regarding the eligibility of aircraft engines and parts thereof, for customs duty exemption under S.No. 448 and 456 of notification No.12/2012-Customs, dated 17th March, 2012. It is, hereby, clarified that aircraft engines and parts thereof are eligible for customs duty exemption under the aforementioned S.Nos. of notification No. 12/2012-Customs dated 17.03.2012, subject to fulfillment of conditions mentioned therein.

EXCISE

- 1) Notification No.10/97-CE dated 01.03.1997 grants exemption from excise duty to scientific and technical instruments, apparatus, equipment (including computers) and accessories, parts and consumables, supplied to specified institutions, subject to certification by the Head of the Research Institution that the said goods are essential for research purposes and will be used for the stated purpose only, and will not be transferred or sold by the institution for a period of 5 years from the date of installation, and such institutions are registered with Department of Scientific and Industrial Research (DSIR). Representations have been received seeking clarification as to whether engineering goods such as switchboards, switchgears, electrical motors, automation products etc. are covered within the scope of the said notification. It is clarified that the scope of the exemption under notification No.10/97-Central Excise covers engineering goods also, subject to fulfillment of other conditions prescribed in the said notification.
- 2) NCCD is presently leviable under section 136 of the Finance Act, 2001 on pan masala, tobacco products, crude petroleum, mobile phones and motor vehicles. Rule 3(1) of the CENVAT Credit Rules provides the duties [which includes BED and NCCD] in respect of which a manufacturer or a service provider is allowed to take input credit. Further,

Rule 3(4) of the said Rules provides that the CENVAT credit may be utilized, inter alia, for payment, of any duty of excise. There is, however, one restriction in respect of NCCD. The **5th proviso** to rule 3(4) provides that CENVAT credit of any duty except NCCD cannot be utilized for payment of NCCD on goods falling under tariff items 8517 12 10 and 8517 12 90 [mobile phones]. Thus, at present there is no restriction on utilization of credit of basic excise duty for payment of NCCD levied on other goods, namely, pan masala, tobacco products, crude petroleum, and motor vehicles. In this context, for the past period it is clarified that credit of basic excise duty can be utilized for payment of NCCD on all goods, other than those falling under tariff items 8517 12 10 and 8517 12 90 [mobile phones].

However, with effect from 01.03.2016, the **5th proviso to rule 3(4)** of the CENVAT Credit Rules, 2004 is being amended so as to provide that CENVAT credit of any duty specified in sub-rule (1) except NCCD cannot be utilized for payment of NCCD leviable under section 136 of the Finance Act, 2001 on any product. Notification No.13/2016-Central Excise (N.T.) dated 01.03.2016 refers.

- 3) A doubt has been raised with reference to the area based excise duty exemption for the North Eastern Region including Sikkim vide notification No.20/2007-CE dated 25.04.2007, as to whether an industrial unit which is presently availing of the said excise duty exemption, again undertakes substantial expansion by not less than 25% before 31.03.2017 and satisfies the conditions as stipulated under Para 5 and Para 6 of the said notification, will again be eligible for excise duty exemption from such expanded capacity with effect from the date commencement of commercial production for a further period of 10 years. It is clarified that in absence of a provision to the contrary, the area based excise duty exemption presently available to the North Eastern States including Sikkim vide notification No.20/2007-CE dated 25.04.2007 [for which the sunset clause is 31.03.2017] will be available to an existing unit on second substantial expansion as well, provided that the concerned unit commences commercial production from such expanded capacity not later than 31.03.2017.
- 4) Notification No.108/95-CE, dated 28th August, 1995 provides full exemption from excise duty to goods supplied to the projects financed by the UN or an international organization and approved by the Government of India subject to certification by the authorities concerned that the said goods are required for the execution of the said project. A doubt has been raised as to whether the benefit of excise duty exemption is intended to be restricted to direct supplies by the contractor to the project. In this regard, it is clarified that the exemption from excise duty, under notification No.108/95-CE dated 28.08.1995 is also available to sub-contractors for manufacture and supply of goods for or on behalf of the main contractor (who has won the contract for the supply of goods to the projects financed by the UN or an international organization and approved by the Government of India) for execution of the said project, subject to compliance of other specified conditions, if any.

- 5) S.No. 232 of notification No. 12/2012-Central Excise, dated 17.03.2012 exempts excise duty on specified goods intended to be used for the installation of a cold storage, cold room or refrigerated vehicle, for the preservation, storage, transport or processing of agricultural, apiary, horticultural, dairy, poultry, aquatic & marine products and meat, subject to observance of the procedure under the Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2001. Circular No.672/63/2002-CX dated 23.10.2002, issued with regard to similar exemption under notification No. 6/2006-CE dated 23.10.2012, clarified that so long as the procedural requirements of the afore mentioned rules are complied with, the benefit of such exemption should not be denied solely on the ground that the person receiving the specified goods is not a manufacturer of excisable goods. It is hereby, reiterated, that the clarification issued vide the Circular No.672/63/2002-CX dated 23.10.2002, applies *mutatis mutandis* to Condition No. 2 for exemption under S.No. 232 of notification No. 12/2012-Central Excise dated 17.03.2012 also.

LEGISLATIVE CHANGES**AMENDMENTS IN THE CUSTOMS ACT, 1962:**

S. No.	Amendment
1.	Subsection (43) of Section 2 is being amended so as to add a new class of warehouses for enabling storage of specific goods under physical control of the department, as control over the other types of warehouses would be only record based.
2.	Subsection (45) of Section 2 which defines “warehousing station” is being omitted.
3.	Chapter heading of Chapter III is being amended to omit the word “warehousing station”.
4.	Section 9 is being omitted.
5.	Section 25 is being amended so as to omit the requirement of publishing and offering for sale any notification issued, by the Directorate of Publicity and Public Relations of CBEC.
6.	Sections 28, 47, 51 and 156 are being amended so as to: <ul style="list-style-type: none"> a) increase the period of limitation from one year to two years in cases not involving fraud, suppression of facts, willful mis-statement, etc. b) provide for deferred payment of customs duties for importers and exporters to certain class of importers and exporters.
7.	Section 53 is being amended so as to enable the Board to frame regulations for allowing transit of certain goods and conveyance without payment of duty.
8.	Sections 57 and 58 are being substituted to provide for licensing by the Principal Commissioner or Commissioner, in place of Deputy/Assistant Commissioner, subject to such conditions as may be prescribed.
9.	New section 58A is being inserted to provide for a new class of warehouses which require continued physical control and will be licensed for storing goods, as may be specified.
10.	New section 58B is being inserted so as to regulate the process of cancellation of licences which is a necessary concomitant of licensing.
11.	The existing section 59 governing warehousing bonds submitted by importers availing duty deferred warehousing is being substituted so as to fix the bond amount at thrice the duty involved and to furnish security as prescribed.
12.	The existing section 60 is being substituted to define the date of removal of goods from a customs station and deposit thereof in a warehouse.
13.	The existing section 61 is being substituted to extend the period of warehousing to all goods used by Export Oriented Undertakings, Units under Electronic Hardware Technology Parks, Software Technology Parks, Ship Building Yards and other units manufacturing under bond; empower Principal Commissioners and Commissioners to extend the warehousing period upto one year at a time.

14.	Section 62 relating to physical control over warehoused goods is being omitted since the conditions for licensing different categories of warehouses and exercising control over the same are being provided under sections 57, 58 and 58A.
15.	Section 63 relating to payment of rent and warehouse charges is being omitted in view of the privatization of services, and free market determination of rates, including those by facilities in the public sector.
16.	The existing section 64 relating to owner's rights to deal with warehoused goods is being substituted so as to rationalize the facilities and rights extended under the section.
17.	Section 65 is being amended to delete the payment of fees to Customs for supervision of manufacturing facilities under Bond; and empower Principal Commissioner or Commissioner of Customs to licence such facilities.
18.	Section 68 is being amended to omit rent and other charges on account of omission of section 63.
19.	Section 69 is being amended to omit rent and other charges on account of omission of section 63.
20.	Section 71 is being amended so as to substitute the word "exportation" with the word "export" to align with definition contained in sub section (18) of section 2.
21.	Section 72 is being amended to delete clause (c) regarding improper removal of samples
22.	Section 73 is being amended to provide for cancellation bond in case of transfer of ownership of the goods, and is thus aligned with sub-section (5) of section 59.
23.	New section 73A is being inserted so as to provide for custody of warehoused goods and responsibilities including the liabilities of warehouse keepers.

RETROSPECTIVE AMENDMENT

S. No.	Amendment
1.	Various notifications pertaining to Advance Licence and Duty Free Import Authorization Schemes are being amended retrospectively, to correct the reference to "section 8" in such notifications to "section 8B" so as to clearly provide that exemption from safeguard duty under section 8B of the Customs Tariff Act, 1975 was/is available under these notifications on imports under Advance Licence and Duty Free Import Authorization Schemes.

AMENDMENT IN THE CUSTOMS TARIFF ACT, 1975

S. No.	Amendment
1.	Section 8C [Power of Central Government to impose transitional product specific safeguard duty on imports from People's Republic of China] is being omitted.

AMENDMENT IN THE FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975

S. No.	Amendment		
A.	Amendments not affecting rates of duty		
1.	Editorial changes in the Harmonized System of Nomenclature (HSN) in certain chapters are being incorporated in the First Schedules, to be effective from 01.01.2017.		
2.	To: <ol style="list-style-type: none"> 1) Amend supplementary notes (e) and (f) Chapter 27 so as to change the reference: <ol style="list-style-type: none"> a) from IS:1460:2000 to IS:1460:2005 for high speed diesel (HSD) and b) from IS:1460 to IS: 15770:2008 for light diesel oil (LDO); 2) Substitute Tariff line 5901 39 10 with description “Warp pile fabrics, uncut” in place of tariff line 5801 37 11 [with description Warp pile fabrics ‘epingle’ uncut velvet] and 5801 37 19 [with description Warp pile fabrics ‘epingle’ uncut other]; 3) Prescribe separate tariff lines for laboratory created or laboratory grown or manmade or cultured or synthetic diamonds; 4) Delete Tariff line 8525 50 50, relating to Wireless microphone. 		
B	Amendments affecting rates of duty		
		From	To
	Articles of rubber		
3	Natural latex rubber made balloons falling under specified headings	10%	20%
	Metals		
4	Primary aluminium	5%	7.5%
5	Zinc alloys	5%	7.5%
	Jewellery		
6	Imitation jewellery	10%	15%
	Renewable Energy		
7	Industrial solar water heater	7.5%	10%
	Capital goods and parts thereof		
8	Increase in the tariff rate of BCD for 211 specified tariff lines in Chapters 84, 85 and 90. Out of which:	7.5%	10%
	a) On 96 specified tariff lines, the effective rate is being increased from 7.5% to 10%.	7.5%	10%
	b) On remaining 115 tariff lines the effective rate will remain unchanged at 7.5%.	7.5%	7.5%

The amendments involving increase in the duty rates will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

AMENDMENTS IN THE CENTRAL EXCISE ACT, 1944:

S. No.	Amendment
1.	Section 5A is being amended so as to omit the requirement of publishing and offering for sale any notification issued, by the Directorate of Publicity and Public Relations of CBEC.
2.	Section 11A is being amended so as to increase the period of limitation from one year to two years in cases not involving fraud, suppression of facts, willful mis-statement, etc.
3.	Section 37B is being amended so as to empower the Board for implementation of any other provision of the said Act in addition to the power to issue orders, instructions and directions.
4.	<p>The Third Schedule is being amended so as to:</p> <ul style="list-style-type: none"> a) make some editorial changes, consequent to 2017 Harmonized System of Nomenclature. b) include therein: <ul style="list-style-type: none"> 1) All goods falling under heading 3401 and 3402; 2) Aluminium foils of a thickness not exceeding 0.2 mm; 3) Wrist wearable devices (commonly known as ‘smart watches’); and 4) Accessories of motor vehicle. <p>The amendment at b) will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.</p>

AMENDMENTS IN THE FIRST SCHEDULE TO THE CENTRAL EXCISE TARIFF ACT, 1985

S. No.	Amendment
A.	Amendments not affecting rates of duty
1.	Editorial changes in the Harmonized System of Nomenclature (HSN) in certain chapters are being incorporated in the First and Second Schedules, to be effective from 01.01.2017.
2.	<p>To:</p> <ul style="list-style-type: none"> a) Amend supplementary notes (e) and (f) Chapter 27 so as to change the reference: <ul style="list-style-type: none"> i. from IS:1460:2000 to IS:1460:2005 for high speed diesel (HSD) and ii. from IS:1460 to IS: 15770:2008 for light diesel oil (LDO) b) Substitute Tariff line 5901 39 10 with description “Warp pile fabrics, uncut” in place of tariff line 5801 37 11 [with description Warp pile fabrics ‘epingle’ uncut velvet]

	and 5801 37 19 [with description Warp pile fabrics ‘epingle’ uncut other]; c) Prescribe separate tariff lines for laboratory created or laboratory grown or manmade or cultured or synthetic diamonds; d) Delete Tariff line 8525 50 50, relating to Wireless microphone.		
B.	Amendments involving change in the rate of duty		
		From	To
	Aerated Beverages		
1	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured	18%	21%
	Tobacco and Tobacco Products		
2	Cigar and cheroots	12.5% or Rs.3375 per thousand, whichever is higher	12.5% or Rs.3755 per thousand, whichever is higher
3	Cigarillos	12.5% or Rs.3375 per thousand, whichever is higher	12.5% or Rs.3755 per thousand, whichever is higher
4	Cigarettes of tobacco substitutes	Rs.3375 per thousand	Rs.3755 per thousand
5	Cigarillos of tobacco substitutes	12.5% or Rs.3375 per thousand, whichever is higher	12.5% or Rs.3755 per thousand, whichever is higher
6	Others of tobacco substitutes	12.5% or Rs.3375 per thousand, whichever is higher	12.5% or Rs.3755 per thousand, whichever is higher
7	Gutkha, chewing tobacco (including filter khaini) and jarda scented tobacco	70%	81%
8	Unmanufactured tobacco	55%	64%
9	Paper rolled biris [whether handmade or machine made] and other biris [other than handmade biris] However, the effective rate of basic excise duty of Rs.21 per thousand shall remain unchanged.	Rs.30 per thousand	Rs.80 per thousand

The amendments involving increase in the duty rates will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

MISCELLANEOUS

- 1) The Oil Industry (Development) Act, 1974 is being amended so as to reduce the rate of Oil Industries Development Cess, on domestically produced crude oil, from Rs. 4500 PMT to 20% ad valorem. The amendment in the Act will be effective from the date of assent to the Finance Bill, 2016. Till the enactment of the Finance Bill, 2016, Notification prescribing 20% effective rate of OID Cess will be issued by Ministry of Petroleum & Natural Gas.
- 2) The Seventh Schedule to the Finance Act, 2005 is being amended so as to increase the excise duty across all lengths of non-filter and filter cigarettes as under:

Cigarettes	From Rs. Per thousand	To Rs. Per thousand
Non filter not exceeding 65	70	215
Non-filter exceeding 65 but not exceeding 70	110	370
Filter not exceeding 65	70	215
Filter exceeding 65 but not exceeding 70	70	260
Filter exceeding 70 but not exceeding 75	110	370
Other	180	560

[Clause 231]

- 3) The Clean Energy Cess is being renamed as Clean Environment Cess. Also, the Tenth Schedule to the Finance Act, 2010 dealing with Clean Energy Cess is being amended so as to increase the Scheduled rate of Clean Energy Cess from Rs.300 per tonne to Rs.400 per tonne. The effective rate of Clean Energy Cess is being increased from Rs.200 per tonne to Rs.400 per tonne

[Clause 232]

- 4) **Infrastructure Cess** is being levied on motor vehicles, of heading 8703, as under:
 - b) Petrol/LPG/CNG driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1200cc – 1%
 - c) Diesel driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1500cc – 2.5%
 - d) Other higher engine capacity motor vehicles and SUVs and bigger sedans – 4%.

Three wheeled vehicles, Electrically operated vehicles, Hybrid vehicles, Hydrogen vehicles based on fuel cell technology, Motor vehicles which after clearance have been registered for use solely as taxi, Cars for physically handicapped persons and Motor vehicles cleared as ambulances or registered for use solely as ambulance will be exempt from this Cess.

No credit of this Cess will be available, and credit of no other duty can be utilized for payment of this Infrastructure Cess.

[Clause 159]

The increase in duty rates under 2), 3) and imposition of Cess at 4) above will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

RULES AND REGULATIONS UNDER THE CUSTOMS ACT, 1962

- 1) The existing Baggage Rules, 1998 are being substituted with the Baggage Rules, 2016, so as to simplify and rationalize multiple slabs of duty free allowance for various categories of passengers. The new Rules are effective from 01.04.2016.
- 2) The existing Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996 are being substituted with the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2016 with a view to simplify the rules, including allowing duty exemptions to importer/manufacturer based on self-declaration instead of obtaining permissions from the Central Excise authorities. Need for additional registration is also being done away with. The new Rules will be effective from 01.04.2016.
- 3) Interest rates on delayed payment of Customs duty under section 28AA are being rationalized at 15%.
- 4) The Customs Baggage Declaration Regulations, 2013 is being amended so as to prescribe filing of Customs declaration only for those passengers who carry dutiable or prohibited goods.

AMENDMENTS IN THE CENTRAL EXCISE RULES, 2002 AND THE CENVAT CREDIT RULES, 2004

- 1) The Central Excise Rules, 2002 are being amended so as to:
 - (a) reduce the number of returns to be filed by a central excise assessee above a certain threshold from 27 to 13, that is, one annual and 12 monthly returns. Monthly returns are already being e-filed. CBEC will provide for e-filing of annual return also. This annual return will have to be filed by service tax assessees also, above a certain threshold, taking total number of returns to three in a year for them,
 - (b) extend the facility for revision of return, hitherto available to a service tax assessees only, to manufacturers also.
 - (c) provide that in cases where invoices are digitally signed, the manual attestation of copy of invoice, meant for transporter, is done away with.
 - (d) provide that in case of finalization of provisional assessment, the interest will be chargeable from the original date of payment of duty.

- 2) The CENVAT Credit Rules, 2004 are being amended, so as to improve credit flow, reduce the compliance burden and associated litigations, particularly those relating to apportionment of credit between exempted and non-exempted final products / services. Changes are also being made in the provisions relating to input service distributor, including extension of this facility to transfer input services credit to outsourced manufacturers, under certain circumstances. The amendments in these Rules will also enable manufacturers with multiple manufacturing units to maintain a common warehouse for inputs and distribute inputs with credits to the individual manufacturing units.
- 3) Instructions are being issued to Chief Commissioners of Central Excise to file application to Courts to withdraw prosecution in cases involving duty of less than rupees five lakh and pending for more than fifteen years.
- 4) The existing Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2001 are being substituted with the Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2016, so as to simplify the rules, including allowing duty exemptions to importer/manufacture based on self-declaration instead of obtaining permissions from the Central Excise authorities.

AMENDMENTS TO OTHER ACTS

S. No.	Amendment
1.	THE FINANCE ACT, 2001
(i)	The Seventh Schedule which provides for levy on NCCD of excise on specified goods is being amended so as to align the tariff lines with the First Schedule to the Central Excise Tariff Act, 1985.
(ii)	The Seventh Schedule which provides for levy on NCCD of excise on specified goods is being amended so as to include 2017 Harmonized System of Nomenclature (HSN) editorial changes. These changes will be effective from 01.01.2017.

Customs Notifications (Non-Tariff)

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART-II, SECTION-3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No.30/2016 - Customs (N. T.)

New Delhi, the 1st March, 2016

G.S.R. (E).- In exercise of the powers conferred by section 79 of the Customs Act, 1962 (52 of 1962), and in supersession of the Baggage Rules, 1998, except as respects things done or omitted to be done before such supersession, the Central Government hereby makes the following rules, namely:-

1. Short title and commencement. - (1) These rules may be called the Baggage Rules, 2016.

(2) They shall come into force on the 1st day of April, 2016.

2. Definitions. – (1) In these rules, unless the context otherwise requires, -

- (i) “Annexure” means Annexure appended to these rules;
- (ii) “family” includes all persons who are residing in the same house and form part of the same domestic establishment;
- (iii) “infant” means a child not more than two years of age;
- (iv) “resident” means a person holding a valid passport issued under the Passports Act, 1967 (15 of 1967) and normally residing in India;
- (v) “tourist” means a person not normally resident in India, who enters India for a stay of not more than six months in the course of any twelve months period for legitimate non-immigrant purposes;
- (vi) “personal effects” means things required for satisfying daily necessities but does not include jewellery.

(2) Words and expression used and not defined in these rules but defined in the Customs Act, 1962 (52 of 1962) shall have the same meaning respectively assigned to them in the said Act.

3. Passengers arriving from countries other than Nepal, Bhutan or Myanmar.- An Indian resident or a foreigner residing in India or a tourist of Indian origin, not being an infant, arriving from any country other than Nepal, Bhutan or Myanmar, shall be allowed clearance free of duty articles in his *bona fide* baggage, that is to say, used personal effects, travel souvenirs and articles other than those mentioned in Annexure I, upto the value of fifty thousand rupees if these are carried on the person or in the accompanied baggage of the passenger:

Provided that a tourist of foreign origin, not being an infant, shall be allowed clearance free of duty articles in his *bona fide* baggage, that is to say, used personal effects, travel souvenirs and articles other than those mentioned in Annexure I, upto the value of fifteen thousand rupees if these are carried on the person or in the accompanied baggage of the passenger:

Provided further that where the passenger is an infant, only used personal effects shall be allowed duty free.

Explanation. - The free allowance of a passenger under this rule shall not be allowed to be pooled with the free allowance of any other passenger.

4. Passengers arriving from Nepal, Bhutan or Myanmar. - An Indian resident or a foreigner residing in India or a tourist, not being an infant, arriving from Nepal, Bhutan or Myanmar, shall be allowed clearance free of duty articles in his *bona fide* baggage, that is to say, used personal effects, travel souvenirs and articles other than those mentioned in Annexure I upto the value of fifteen thousand rupees if these are carried on the person or in the accompanied baggage of the passenger:

Provided that where the passenger is an infant, only used personal effects shall be allowed duty free:

Provided further that where the passenger, is arriving by land, only used personal effects shall be allowed duty free.

Explanation. - The free allowance of a passenger under this rule shall not be allowed to be pooled with the free allowance of any other passenger.

5. Jewellery.- A passenger residing abroad for more than one year, on return to India, shall be allowed clearance free of duty in his *bona fide* baggage of jewellery upto a weight, of twenty grams with a value cap of fifty thousand rupees if brought by a gentleman passenger, or forty grams with a value cap of one lakh rupees if brought by a lady passenger.

6. Transfer of residence.- (1) A person, who is engaged in a profession abroad, or is transferring his residence to India, shall, on return, be allowed clearance free of duty in addition to what he is allowed under rule 3 or, as the case may be, under rule 4, articles in his *bonafide* baggage to the extent mentioned in column (2) of the Appendix below, subject to the conditions, if any, mentioned in the corresponding entry in column (3) of the said Appendix.

(2) The conditions mentioned in column (3) of the said Appendix may be relaxed to the extent mentioned in column (4) of the said Appendix.

APPENDIX

Duration of stay abroad	Articles allowed free of duty	Conditions	Relaxation
(1)	(2)	(3)	(4)
From three months upto six months	Used personal and household articles, other than those mentioned in Annexure I or Annexure II but including articles mentioned in Annexure III upto an aggregate value of sixty thousand rupees.	Indian passenger	-
From six months upto one year	Used personal and household articles, other than those mentioned in Annexure I or Annexure II but including articles mentioned in Annexure III, upto an aggregate value of one lakh rupees.	Indian passenger	-
Minimum stay of one year during the preceding two years.	Used personal and household articles, other than those mentioned in Annexure I but including articles mentioned in Annexure II or Annexure III, upto an aggregate value of two lakh rupees.	The Indian passenger should not have availed this concession in the preceding three years.	-
Minimum stay of two years or more.	Used personal and household articles, other than those mentioned in at Annexure I but including those mentioned in Annexure II or Annexure III, upto a value limit of five lakh rupees.	(i) Minimum stay of two years abroad, immediately preceding the date of his arrival on transfer of residence; (ii) Total stay in India on	(a) For condition (i), shortfall of upto two months in stay abroad can be condoned by Deputy Commissioner of Customs or Assistant Commissioner of Customs if the early return is on account of - (i) terminal leave or vacation being availed of by the passenger; or (ii) any other special circumstances for reasons to be recorded in writing.

		<p>short visit during the two preceding years should not exceed six months; and</p> <p>(iii) Passenger has not availed this concession in the preceding three years.</p>	<p>(b) For condition (ii), the Principal Commissioner or Commissioner of Customs may condone short visits in excess of six months in special circumstances for reasons to be recorded in writing.</p> <p>No relaxation.</p>
--	--	--	---

7. Currency. - The import and export of currency under these rules shall be governed in accordance with the provisions of the Foreign Exchange Management (Export and Import of Currency) Regulations, 2000, and the notifications issued thereunder.

8. Provisions regarding unaccompanied baggage. - (1) These rules shall apply to unaccompanied baggage except where they have been specifically excluded:

Provided that the said unaccompanied baggage had been in the possession, abroad, of the passenger and is dispatched within one month of his arrival in India or within such further period as the Deputy Commissioner of Customs or Assistant Commissioner of Customs may allow:

Provided further that the said unaccompanied baggage may land in India upto two months before the arrival of the passenger or within such period, not exceeding one year, as the Deputy Commissioner of Customs or Assistant Commissioner of Customs may allow, for reasons to be recorded, if he is satisfied that the passenger was prevented from arriving in India within the period of two months due to circumstances beyond his control, such as sudden illness of the passenger or a member of his family, or natural calamities or disturbed conditions or disruption of the transport or travel arrangements in the country or countries concerned or any other reasons, which necessitated a change in the travel schedule of the passenger.

9. Application of these rules to members of the crew. - (1) These rules shall also apply to the members of the crew engaged in a foreign going conveyance for importation of their baggage at the time of final pay off on termination of their engagement.

(2) Notwithstanding anything contained in sub-rule (1), a member of crew of a vessel or an aircraft other than those referred to in sub-rule(1), shall be allowed to bring articles like chocolates, cheese, cosmetics and other petty gift items for their personal or family use which shall not exceed the value of one thousand and five hundred rupees.

ANNEXURE-I
(See rule 3, 4 and 6)

1. Fire arms.
2. Cartridges of fire arms exceeding 50.
3. Cigarettes exceeding 100 sticks or cigars exceeding 25 or tobacco exceeding 125 gms.
4. Alcoholic liquor or wines in excess of two litres.
5. Gold or silver in any form other than ornaments.
6. Flat Panel (Liquid Crystal Display/Light-Emitting Diode/ Plasma) television.

ANNEXURE II
(See rule 6)

1. Colour Television.
2. Video Home Theatre System.
3. Dish Washer.
4. Domestic Refrigerators of capacity up to 300 litres or its equivalent.
5. Deep Freezer.
6. Video camera or the combination of any such Video camera with one or more of the following goods, namely:-
 - (a) television receiver;
 - (b) sound recording or reproducing apparatus;
 - (c) video reproducing apparatus.
7. Cinematographic films of 35mm and above.
8. Gold or Silver, in any form, other than ornaments.

ANNEXURE III
(See rule 6)

1. Video Cassette Recorder or Video Cassette Player or Video Television Receiver or Video Cassette Disk Player.
2. Digital Video Disc player.
3. Music System.
4. Air-Conditioner.
5. Microwave Oven.
6. Word Processing Machine.
7. Fax Machine.
8. Portable Photocopying Machine.

9. Washing Machine.
10. Electrical or Liquefied Petroleum Gas Cooking Range
11. Personal Computer (Desktop Computer)
12. Laptop Computer (Note book Computer)
13. Domestic Refrigerators of capacity up to 300 litres or its equivalent.

[F. No.334/8/2016 -TRU]

(Mohit Tewari)
Under Secretary to the Government of India

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART-II, SECTION-3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No.31/2016 - Customs (N. T.)

New Delhi, the 1st March 2016

G.S.R. (E).-In exercise of powers conferred by clause (a) of section 81 of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs hereby makes the following regulations further to amend the Customs Baggage Declaration Regulations, 2013, namely:-

1. (1) These regulations may be called the Customs Baggage Declaration (Amendment) Regulations, 2016.

(2) They shall come into force on the 1st day of April, 2016.

2. In the Customs Baggage Declaration Regulations, 2013 (hereinafter referred to as the said regulations), in regulation 3, for the words “All passengers who come to India”, the words “All passengers who come to India and have anything to declare or are carrying dutiable or prohibited goods”, shall be substituted.

3. In the said regulations, in Form 1,-

(a) in serial number 10, after item (ix) and the entries relating thereto, the following item and entries shall be inserted, namely:-

“(x) Drones Yes/No”;

(b) for the Table, the following Table shall be substituted, namely:-

“Customs Duty Free Allowance

TABLE

<i>Eligible passenger</i>	<i>Origin country</i>	<i>Duty free allowance</i>
(1)	(2)	(3)
<i>Passengers of Indian origin and foreigners residing in India, excluding infants</i>	<i>Other than Nepal, Bhutan, Myanmar</i>	<i>Rs 50, 000/-</i>
<i>Tourists of foreign origin,</i>		<i>Rs 15,000/-</i>

<i>excluding infants</i>		
<i>Passengers of Indian origin and foreigners residing in India, excluding infants</i> <i>Tourists of foreign origin, excluding infants</i>	<i>Nepal, Bhutan, Myanmar</i>	<i>By air Rs. 15,000/- By land - Nil</i>
<i>Indian passenger who has been residing abroad for over one year</i>	<i>Anywhere</i>	<i>Gold jewellery: Gentleman – 20 gms with a value cap of Rs. 50,000/- Lady – 40 gms with a value cap of Rs. 1,00,000/-</i>
<i>All passengers</i>	<i>Anywhere</i>	<i>Alcohol liquor or wine: 2 litres</i>
<i>All passengers</i>	<i>Anywhere</i>	<i>Cigarettes: 200 numbers or Cigars upto 50 or Tobacco 250 grams</i>
<i>Passenger of 18 years and above</i>	<i>Anywhere</i>	<i>One laptop computer (note book computer) ”.</i>

[F. No.334/8/2016 -TRU]

(Mohit Tewari)
Under Secretary to the Government of India

Note: The principal regulations were published, vide, notification no. 90/2013- Customs (N.T.), dated the 29th August, 2013 in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide, number G.S.R. 584(E), dated the 29th August, 2013 and last amended, vide, notification no. 10/2014- Customs (N.T.), dated the 10th February, 2014, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide, number G.S.R. 82(E), dated the 10th February, 2014.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART-II,
SECTION-3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No. 32/2016 - Customs (N. T.)

New Delhi, the 1st March, 2016

G.S.R. (E).- In exercise of the powers conferred by section 156 of the Customs Act, 1962 (52 of 1962) and in supersession of the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996, except as respects things done or omitted to be done before such supersession, the Central Government hereby makes the following rules, namely:-

1. Short title and commencement. - (1) These rules may be called the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2016.

(2) They shall come into force on the first day of April, 2016.

2. Application. - (1) These rules shall apply to an importer, being a manufacturer, who intends to avail the benefit of an exemption notification issued under sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962) and where the benefit of such exemption is dependent upon the use of imported goods covered by that notification for the manufacture of any excisable commodity.,

(2) These rules shall apply only in respect of such exemption notification which provides for the observance of these rules.

(3) These rules shall also apply even if the excisable goods in or in relation to the manufacture of which the imported goods are used, are not chargeable to excise duty or are exempted from whole of excise duty.

3. Definition. - In these rules, unless the context otherwise requires,-

(a) “Act” means the Customs Act, 1962 (52 of 1962);

(b) “exemption notification” means a notification issued under sub-section (1) of section 25 of the Act;

- (c) “information” means the information provided by the manufacturer who intends to avail the benefit of an exemption notification.

4. Information about intent to avail benefit of exemption notification.- A manufacturer who intends to avail the benefit of an exemption notification shall provide the information to the Deputy Commissioner of Central Excise or, as the case may be, Assistant Commissioner of Central Excise having jurisdiction over his factory, the particulars, namely,

- (1) the name and address of the manufacturer,
- (2) the excisable goods produced in his factory,
- (3) the nature and description of imported goods used in the manufacture of such goods.

Provided that if the manufacturer who intends to avail the benefit of exemption notification is not registered, such manufacturer shall obtain registration under rule 9 of the Central Excise Rules, 2002 and provide the said particulars to Deputy Commissioner of Central Excise or, as the case may be, Assistant Commissioner of Central Excise.

5. Procedure to be followed. - (1) The manufacturer who intends to avail the benefit of an exemption notification shall provide information –

- (a) in duplicate, to the Deputy Commissioner of Central Excise or, as the case may be, Assistant Commissioner of Central Excise having jurisdiction over his factory in respect of the estimated quantity and value of the goods to be imported, particulars of the exemption notification applicable on such import and the port of import in respect of a particular consignment or for a period not exceeding one year; and

- (b) one set, to the Deputy Commissioner of Customs or, as the case may be, Assistant Commissioner of Customs at the port of importation.

- (2) The manufacturer who intends to avail the benefit of an exemption notification shall submit a continuity bond with such surety or security as deemed appropriate by the Deputy Commissioner of Central Excise or Assistant Commissioner of Central Excise undertaking to pay the amount equal to the difference between the duty leviable on such inputs but for the exemption and that already paid, if any, at the time of importation, along with interest, at the rate fixed by notification issued under section 28AA of the Act, for the period starting from the date of importation of the goods on which the exemption was availed and ending with the date of actual payment of the entire amount of the difference of duty that he is liable to pay.

- (3) The Deputy Commissioner of Central Excise or, as the case may be, Assistant Commissioner of Central Excise shall forward one copy of information received from the manufacturer to the Deputy Commissioner of Customs or as the case may be, Assistant Commissioner of Customs at the port of importation.

- (4) On receipt of the copy of the information under clause (b) of sub-rule (1), the Deputy Commissioner of Customs or, as the case may be, Assistant Commissioner of Customs at the port of importation shall allow the benefit of the exemption notification to the manufacturer who intends to avail the benefit of exemption notification and the said manufacturer, while filing bill of entry under section 46 of the Act, shall, inter-alia, provide the details of his registration number of the factory where the inputs are meant to be used.

6. Manufacturer who intends to avail the benefit of an exemption notification to give information regarding receipt of imported goods and maintain records. – (1) The manufacturer who intends to avail the benefit of an exemption notification shall provide the information of the receipt of the imported goods in his factory within two days (excluding holidays, if any) of such receipt to the Superintendent of Central Excise having jurisdiction over his factory.

- (2) The manufacturer who has availed the benefit of an exemption notification shall maintain an account in such manner so as to clearly indicate the quantity and value of goods imported, the quantity of imported goods consumed in accordance with provisions of the exemption notification, the quantity of goods re-exported, if any, under rule 7 and the quantity remaining in stock, bill of entry wise and shall produce the said account as and when required by the Deputy Commissioner of Central Excise or, as the case may be, Assistant Commissioner of Central Excise.
- (3) The manufacturer who has availed the benefit of an exemption notification shall submit a quarterly return, in the Form appended to these rules, to the Deputy Commissioner of Central Excise or, as the case may be, Assistant Commissioner of Central Excise by the tenth day of the following quarter.

7. Re-export or clearance of unutilised or defective goods.– (1) The manufacturer who has availed benefit of an exemption notification, obtaining the benefit under these rules may re-export the unutilised or defective imported goods, with the permission of the jurisdictional Deputy Commissioner of Central Excise or, as the case may be, Assistant Commissioner of Central Excise within three months from the date of import:

Provided that the value of such goods for re-export shall not be less than the value of the said goods at the time of import.

- (2) The manufacturer who has availed benefit of an exemption notification, obtaining the benefit under these rules may also clear the unutilised or defective imported goods, with the permission of the jurisdictional Deputy Commissioner of Central Excise or, as the case may be, Assistant Commissioner of Central Excise within a period of three months from the date of import on payment of import duty equal to the difference between the duty

leviable on such goods but for the exemption availed and that already paid, if any, at the time of importation, along with interest, at the rate fixed by notification issued under section 28AA of the Act, for the period starting from the date of importation of the goods on which the exemption was availed and ending with the date of actual payment of the entire amount of the difference of duty that he is liable to pay.

- 8. Recovery of duty in certain case.** - The manufacturer who has availed the benefit of an exemption notification shall use the goods imported in accordance with the conditions mentioned in the concerned exemption notification or take action under rule 7 and in the event of any failure, the Deputy Commissioner of Central Excise or, as the case may be, Assistant Commissioner of Central Excise shall take action by invoking the Bond to initiate the recovery proceedings of the amount equal to the difference between the duty leviable on such goods but for the exemption and that already paid, if any, at the time of importation, along with interest, at the rate fixed by notification issued under section 28AA of the Act, for the period starting from the date of importation of the goods on which the exemption was availed and ending with the date of actual payment of the entire amount of the difference of duty that he is liable to pay.

[F. No.334/8/2016 -TRU]

(Mohit Tewari)
Under Secretary to the Government of India

Form
[See rule 6(3)]

QUARTERLY RETURN

Return for the quarter ending_____

Sl. No.	Bill of Entry No. and date	Description of goods imported at concessional rate	Opening balance on the 1st day of the quarter	Details of goods imported during the quarter							Specified purpose for procuring the goods at concessional rate of duty.	Goods manufactured during the quarter		Whether the goods used for specified purpose or not in case of export, specify the quantity exported with details of ARE-1/ARE-2.
				Value of goods received during the quarter	Quantity of goods received during the quarter	Total of column (4) and (6)	Quantity consumed for the intended purpose, during the quarter	Quantity exported during the quarter	Quantity received in the domestic market during the quarter	Closing balance on the last day of the quarter		Description	Quantity	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)

(Note: Separate entries should be made for each variety or class of imported goods used and goods manufactured.)

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART-II,
SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No.33/2016 - Customs (N. T.)

New Delhi, the 1st March, 2016.

G.S.R. (E).- In exercise of the powers conferred by section 28AA of the Customs Act, 1962 (52 of 1962) and in supersession of the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 17/2011- Customs (N.T.), dated the 1st March, 2011, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide, number G.S.R. 156(E), dated the 1st March, 2011, except as respects things done or omitted to be done before such supersession, the Central Government hereby fixes the rate of interest at fifteen per cent. per annum for the purpose of the said section.

2. This notification shall come into force from the 1st day of April, 2016.

[F. No.334/8/2016 -TRU]

(Mohit Tewari)
Under Secretary to the Government of India

Customs TARIFF NOTIFICATIONS		
NOTI NO	DATED	SUBJECT
<u>23</u>	01-03-2016	
<u>22</u>	01-03-2016	Amends Notification No. 81/2005-Customs, dated the 08.09.2005 so as to carry out
<u>21</u>	01-03-2016	Amends Notification No. 42/96-Customs, dated the 23.07.1996 so as to make suitable amendments to the list of specified projects under heading 9801 of the first schedule to the
<u>20</u>	01-03-2016	Amends Notification No. 230/86-Customs, dated the 03.04.1986 so as to make suitable
<u>19</u>	01-03-2016	Amends Notification No. 24/2005-Customs, dated the 01.03.2005 so as to carry out
<u>18</u>	01-03-2016	Amends Notification No. 25/2002-Customs, dated the 01.03.2002 so as to carry out
<u>17</u>	01-03-2016	Amends Notification No. 25/1999-Customs, dated 28.02.1999 so as to carry out Budgetary
<u>16</u>	01-03-2016	Amends Notification No. 21/2012-Customs, dated the 17.03.2012 so as to specify the rate of additional duty of customs leviable under sub-section 3 (5) of Customs Tariff Act, 1975
<u>15</u>	01-03-2016	Amends Notification No. 27/2011-Customs, dated the 01.03.2011 so as to exempt duty of customs leviable under the Second Schedule, to the Customs Tariff Act, 1975 (51 of 1975)
<u>14</u>	01-03-2016	Amends Notification No. 39/96-Customs, dated the 23.07.1996 so as to withdraw
<u>13</u>	01-03-2016	Amends Notification No. 171/93-Customs, dated the 16.09.1993 so as to increase the value limit for bonafide gifts imported by post or as air freight from Rs. Ten thousand to Rs.
<u>12</u>	01-03-2016	Amends Notification No. 12/2012-Customs, dated the 17.03.2012 so as to carry out

<u>11</u>	01-03-2016	Exempts CVD on imported media with recorded Information Technology Software on so much value as is equivalent to the value of the Information Technology Software recorded on the said media which is leviable to Service tax under Finance Act, 1994
-----------	------------	---

Central Excise Notifications (Non-Tariff)

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No. 5/2016 – Central Excise (N.T.)

New Delhi, the 1st of March, 2016

G.S.R. (E). – In exercise of the powers conferred by sub-rule (2) of rule 9 of the Central Excise Rules, 2002, the Central Board of Excise and Customs hereby exempts from the operation of said rule, every manufacturing factory or premises engaged in the manufacture or production of articles of jewellery other than articles of silver jewellery but inclusive of articles of silver jewellery studded with diamond, ruby, emerald or sapphire, falling under chapter heading 7113 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) (herein after referred to as the specified goods), where the manufacturer of such goods has a centralised billing or accounting system in respect of such specified goods manufactured or produced by different factories or premises and opts for registering only the factory or premises or office, from where such centralised billing or accounting is done and where the accounts/records showing receipts of raw materials and finished excisable goods manufactured or received back from job workers are kept.

2. For availing the exemption contained herein, the manufacturer taking the centralised registration shall give details of all premises (other than those of job worker's), from where such specified goods are removed for domestic clearance.

3. Notwithstanding anything contained in this notification, a manufacturer of specified goods may also take separate registrations for all factories or premises where the accounts/records showing receipts of raw materials and finished excisable goods manufactured or received back from job workers are kept.

[F. No. 334/8/2016 –TRU]

(Mohit Tewari)
Under Secretary to the Government of India

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No. 6/2016 – Central Excise (N.T.)

New Delhi, the 1st of March, 2016

G.S.R. (E). – In exercise of the powers conferred by rule 9 of the Central Excise Rules, 2002, the Central Board of Excise and Customs hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 35/2001-Central Excise (N.T.), published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) *vide* number G.S.R. 464 (E), dated the 26th June, 2001, namely :-

In the said notification, in clause (8), after sub-clause (ii), the following sub-clause shall be inserted, namely,-

“(iii) Every manufacturing factory or premises engaged in the manufacture or production of articles of jewellery other than articles of silver jewellery but inclusive of articles of silver jewellery studded with diamond, ruby, emerald or sapphire, falling under chapter heading 7113 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986), shall be exempted from sub-clauses (i) and (ii) above.”.

[F. No. 334/8/2016 –TRU]

(Mohit Tewari)
Under Secretary to the Government of India

Note: - The principal notification no. 35/2001-Customs, dated the 26th June, 2001, was published in the Gazette of India, Extraordinary, *vide* G.S.R. 464 (E), dated the 16th September, 1993 and was last amended by notification no. 7/2015 – C.E. (N.T.), dated the 1st March, 2015, which was published *vide* number G.S.R. 152 (E), dated the 1st March, 2015.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No. 7/2016 – Central Excise (N.T.)

New Delhi, the 1st of March, 2016

G.S.R. (E). – In exercise of the powers conferred by sub-section (2) of section 3 of the Central Excise Act, 1944 (1 of 1944), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby rescinds the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 9/2012-Central Excise (N.T.), dated the 17th March, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide* number G.S.R. 173 (E), dated the 17th March, 2012, except as respects things done or omitted to be done before such rescission.

[F. No. 334/8/2016 –TRU]

(Mohit Tewari)
Under Secretary to the Government of India

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No. 8/2016- Central Excise (N.T)

New Delhi, dated the 1st March, 2016

G.S.R. (E). – In exercise of the powers conferred by section 37 of the Central Excise Act, 1944 (1 of 1944), the Central Government hereby makes the following rules further to amend the Central Excise Rules, 2002, namely:–

1. (1) These rules may be called the Central Excise (Amendment) Rules, 2016.
(2) They shall come into force from the 1st April, 2016 except the provisions of rule 2, rule 3, rule 4 and rule 7, which shall come into force from the 1st of March, 2016 and the provisions of clause (v) of rule 5 and rule 6, which shall come into force from such date as the Central Government may, by notification, specify.
2. In the Central Excise Rules, 2002 (hereinafter referred to as the said rules), in rule 7, for sub-rule (4), the following sub-rule shall be substituted, namely:–

“(4) The assessee shall be liable to pay interest on any amount paid or payable on the goods under provisional assessment, but not paid on the due date specified under sub-rule (1) of rule 8 and the first proviso thereto, as the case may be, at the rate specified by the Central Government, vide, notification under section 11AA of the Act, for the period starting with the first day after the due date till the date of actual payment, whether such amount is paid before or after the issue of order for final assessment.

Explanation. - For the removal of doubt, it is hereby declared that goods under provisional assessment, cleared in the month of January, 2015, say a provisional duty of Rs 5000 is paid on the 6th February, 2015 [due date under sub-rule (1) of rule 8], a further duty of Rs 9000 is paid on the 15th April, 2015, and on the same day the documents for final assessment are submitted by the assessee. Final assessment order is issued on the 18th June, 2015, assessing the duty payable on goods as Rs 15000, and consequently the assessee pays a duty of Rs 1000 on the 30th June, 2015, then no interest shall be payable on Rs 5000, interest shall be payable on Rs 9000 from the 7th February, 2015, till the 15th April, 2015, and interest shall be payable on

Rs 1000 from the 7th February, 2015, till the 30th June, 2015 as due date for payment of duty of Rs 15000 is the 6th February, 2015.”.

3. In the said rules, in rule 8, in the second proviso, for Explanation -1, the following shall be substituted, namely:-

“*Explanation-1.* – For the removal of doubts, it is hereby clarified that,-

(a) an assessee, engaged in the manufacture or production of articles of jewellery, other than articles of silver jewellery but inclusive of articles of silver jewellery studded with diamond, ruby, emerald or sapphire, falling under chapter heading 7113 of the First Schedule of the Tariff Act shall be eligible, if his aggregate value of clearances of all excisable goods for home consumption in the preceding financial year, computed in the manner specified in the said notification, did not exceed rupees twelve crore;

(b) an assessee, other than (a) above, shall be eligible, if his aggregate value of clearances of all excisable goods for home consumption in the preceding financial year, computed in the manner specified in the said notification, did not exceed rupees four hundred lakhs.”.

4. In the said rules, in rule 11, in sub-rule (8), in the proviso, the words, “and self attested by the manufacturer” shall be omitted.

5. In the said rules, in rule 12,

(i) in sub-rule (2), in clauses (a) and (b), for the words "Annual Financial Information Statement", the words "Annual Return" shall respectively be substituted and in sub-clause (a), for the words “statement relates”, the words “ return relates ” shall be substituted;

(ii) in sub-rule (2), after clause (b), the following clause shall be inserted, namely:-

“(c) The provision of this sub-rule and clause (b) of sub-rule (8) shall *mutatis mutandis* apply to a hundred per cent. Export- Oriented Unit.”;

(iii) sub-rule (2A) shall be omitted;

(iv) in sub-rule (6), the words “or Annual Financial Information Statement or Annual Installed Capacity Statement” shall be omitted;

(v) after sub-rule (7), the following sub-rule shall be inserted, namely:-

“(8)(a) An assessee, who has filed a return in the form referred to in sub-rule(1) within the date specified under that sub-rule or the second proviso thereto, may submit a revised return by the end of the calendar month in which the original return is filed.

Explanation.- Where an assessee submits a revised return under clause (a), the “relevant date” for the purpose of recovery of Central Excise duty, if any, under section 11A of the Act shall be the date of submission of such revised return.

(b) An assessee who has filed Annual Return referred to in clause (a) of sub-rule (2) by the due date mentioned in clause (a) of that sub-rule, may submit a revised return within a period of one month from the date of submission of the said Annual Return.

6. In the said rules, in rule 17, after sub-rule (6), the following sub-rule shall be inserted, namely:-

“(7) An assessee, who has filed a return in the form referred to in sub-rule (3) within the date specified under that sub-rule, may submit a revised return by the end of the calendar month in which the original return is filed.

Explanation.- Where an assessee submits a revised return under this sub-rule, the “relevant date” for the purpose of recovery of Central Excise duty, if any, under section 11A of the Act shall be the date of submission of such revised return”;

7. In the said rules, in rule 26, after sub-rule (1), the following proviso shall be inserted, namely:-

“Provided that where any proceeding for the person liable to pay duty have been concluded under clause (a) or clause (d) of sub-section (1) of section 11AC of the Act in respect of duty, interest and penalty, all proceedings in respect of penalty against other persons, if any, in the said proceedings shall also be deemed to be concluded.

[F. No. 334/8/2016 –TRU]

(Mohit Tewari)

Under Secretary to the Government of India

Note.- The principal rules were published in the Gazette of India vide notification number 04/2002- Central Excise (N.T.), dated the 1st March, 2002 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 143(E), dated the 1st March, 2002 and last amended by notification number 26/2015-Central Excise (N.T.), dated the 18th December, 2015 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 986(E) , dated the 18th December, 2015.

TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No. 9/2016-Central Excise (N.T.)

New Delhi, the 1st March, 2016

G.S.R. (E). – In exercise of the powers conferred by sub-sections (2) and (3) of section 3A of the Central Excise Act, 1944 (1 of 1944), the Central Government hereby makes the following rules further to amend the Pan Masala Packing Machines (Capacity Determination And Collection of Duty) Rules, 2008, namely :-

- (1) These rules may be called the Pan Masala Packing Machines (Capacity Determination And Collection of Duty) Amendment Rules, 2016.
(2) They shall come into force on the date of their publication in the Official Gazette.
- In the Pan Masala Packing Machines (Capacity Determination And Collection of Duty) Rules, 2008, in FORM - 2, in serial number 4, for item (iv), the following shall be substituted, namely:-

“(iv) Break-up of duty payment for apportionment between various duties is as per details below:-

Sl. No.	Duty	Duty ratio for pan masala	Duty paid (in rupees)	Duty ratio for pan masala containing tobacco	Duty paid (in rupees)
(1)	(2)	(3)	(4)	(5)	(6)
1	The duty leviable under the Central Excise Act, 1944 (1 of 1944)	0.3958		0.8350	
2	The additional duty of excise leviable under section 85 of the Finance Act, 2005 (18 of 2005)	0.1250		0.0619	
3	National Calamity Contingent Duty leviable under section 136 of the Finance Act, 2001 (14 of 2001)	0.4792		0.1031	
4	Education Cess leviable under section 91	0.0		0.0	

	of the Finance Act, 2004 (23 of 2004)				
5	Secondary and Higher Education Cess leviable under section 136 of the Finance Act, 2007 (22 of 2007)	0.0		0.0.”.	

[F No.334/ 8 /2016-TRU]

(Mohit Tewari)
Under Secretary to the Government of India

Note.- The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), dated the 1st July, 2008 by notification No.30/2008-Central Excise (N.T.), dated the 1st July, 2008, *vide* number G.S.R. 491 (E), dated the 1st July, 2008 and last amended by notification No. 5/2015-Central Excise (N.T.), dated the 1st March, 2015, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-Section (i), *vide* number G.S.R. 150 (E), dated the 1st March, 2015.

TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No. 10/2016-Central Excise (N.T.)

New Delhi, the 1st March, 2016

G.S.R. (E). – In exercise of the powers conferred by sub-sections (2) and (3) of section 3A of the Central Excise Act, 1944 (1 of 1944), the Central Government hereby makes the following rules further to amend the Chewing Tobacco and Unmanufactured Tobacco Packing Machines (Capacity Determination and Collection of Duty) Rules, 2010, namely:-

1. (1) These rules may be called the Chewing Tobacco and Unmanufactured Tobacco Packing Machines (Capacity Determination and Collection of Duty) Amendment Rules, 2016.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Chewing Tobacco and Unmanufactured Tobacco Packing Machines (Capacity Determination and Collection of Duty) Rules, 2010, -

(i) for rule 5, the following shall be substituted, namely:-

“ 5. Quantity deemed to be produced.- The quantity of notified goods, having retail sale prices as specified in column (2) of Table-1 or Table-2 below, deemed to be produced by use of one operating packing machine, having maximum packing speed at which it can be operated for packing of notified goods as specified in column (3) or column (4) or column (5) or column (6) of Table-1, or column (3) or column (4) or column (5) or column (6) of Table-2, as the case may be, per month shall be as is equal to the corresponding entry specified in column (3a) or column (3b) or column (4a) or column (4b) or column (5a) or column (5b) or column (6) of Table-1, or column (3) or column (4) or column (5) or column (6a) or column (6b) of Table-2, as the case may be.

Table-1

S. No.	Retail sale price (per pouch)	Capacity of production per packing machine per month for Chewing tobacco including Filter Khaini (number of pouches)					
		Chewing tobacco (other than Filter Khaini)				Filter Khaini	
		Up to 300 pouches per minute	301 to 450 pouches per minute	451 pouches per minute and above	Any speed		
(1)	(2)	(3)	(4)	(5)	(6)		
		Without lime	With lime	Without lime	With lime	Without lime	With lime

		tube/lime pouches	tube/lime pouches	tube/lime pouches	tube/lime pouches	tube/lime pouches	tube/lime pouches	
		(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	
1	Up to Re. 1.00	6988800	6639360	9984000	9484800	21216000	20155200	4243200
2	Exceeding Re. 1.00 but not exceeding Rs. 1.50	6988800	6639360	9984000	9484800	21216000	20155200	4243200
3	Exceeding Rs. 1.50 but not exceeding Rs. 2.00	6289920	5940480	8985600	8486400	19094400	18033600	4031040
4	Exceeding Rs. 2.00 but not exceeding Rs. 3.00	6289920	5940480	8985600	8486400	19094400	18033600	3829488
5	Exceeding Rs. 3.00 but not exceeding Rs. 4.00	5870592	5521152	8386560	7887360	17821440	16760640	3638014
6	Exceeding Rs. 4.00 but not exceeding Rs. 5.00	5870592	5521152	8386560	7887360	17821440	16760640	3456113
7	Exceeding Rs. 5.00 but not exceeding Rs. 6.00	5870592	5521152	8386560	7887360	17821440	16760640	3283307
8	Exceeding Rs. 6.00 but not exceeding Rs. 7.00	5591040	5241600	7987200	7488000	16972800	15912000	3119142
9	Exceeding Rs. 7.00 but not exceeding Rs. 8.00	5591040	5241600	7987200	7488000	16972800	15912000	2963185
10	Exceeding Rs. 8.00 but not exceeding Rs. 9.00	5591040	5241600	7987200	7488000	16972800	15912000	2815026
11	Exceeding Rs. 9.00 but not exceeding Rs. 10.00	5591040	5241600	7987200	7488000	16972800	15912000	2674274
12	Exceeding Rs.10.00 but not exceeding Rs.15.00	5255578	4992799	7507968	7132570	15954432	15156710	2674274
13	Exceeding Rs.15.00 but not exceeding Rs.20.00	4940243	4693231	7057490	6704615	14997166	14247308	
14	Exceeding Rs.20.00 but not exceeding Rs.25.00	4643828	4411637	6634041	6302338	14097336	13392469	
15	Exceeding Rs. 25.00 but not exceeding Rs.30.00	4365199	4146939	6235998	5924198	13251496	12588921	
16	Exceeding Rs. 30.00 but not	4103287	3898122	5861838	5568746	12456406	11833586	

	exceeding Rs.35.00							
17	Exceeding Rs. 35.00 but not exceeding Rs.40.00	3857090	3664235	5510128	5234622	11709022	11123571	
18	Exceeding Rs. 40.00 but not exceeding Rs.45.00	3625664	3444381	5179520	4920544	11006481	10456156	
19	Exceeding Rs. 45.00 but not exceeding Rs.50.00	3408124	3237718	4868749	4625312	10346092	9828787	
20	Above Rs. 50.00	3408124	3237718	4868749	4625312	10346092	9828787	

Note :- In respect of Filter Khaini, the entry in column (2) against serial number 12 shall be read as Rs. 10.01 and above.

Table-2

S. No.	Retail sale price (per pouch)	Capacity of production per packing machine per month for Jarda Scented Tobacco and Unmanufactured Tobacco (number of pouches)				
		Jarda Scented Tobacco			Unmanufactured Tobacco	
		Up to 300 pouches per minute	301 to 450 pouches per minute	451 pouches per minute and above	Any speed	
(1)	(2)	(3)	(4)	(5)	(6)	
					Without lime tube/lime pouches	With lime tube/lime pouches
					(6a)	(6b)
1	Up to Re. 1.00	6988800	9984000	21216000	4992000	4742400
2	Exceeding Re. 1.00 but not exceeding Rs. 1.50	6988800	9984000	21216000	4992000	4742400
3	Exceeding Rs. 1.50 but not exceeding Rs.2.00	6289920	8985600	19094400	4492800	4243200
4	Exceeding Rs. 2.00 but not exceeding Rs. 3.00	6289920	8985600	19094400	4492800	4243200
5	Exceeding Rs. 3.00 but not exceeding Rs. 4.00	5870592	8386560	17821440	4193280	3943680
6	Exceeding Rs. 4.00 but not exceeding Rs. 5.00	5870592	8386560	17821440	4193280	3943680
7	Exceeding Rs.5.00 but not exceeding Rs.6.00	5870592	8386560	17821440	4193280	3943680
8	Exceeding Rs. 6.00 but not exceeding Rs. 7.00	5591040	7987200	16972800	3993600	3744000
9	Exceeding Rs. 7.00 but not exceeding Rs. 8.00	5591040	7987200	16972800	3993600	3744000
10	Exceeding Rs. 8.00 but	5591040	7987200	16972800	3993600	3744000

	not exceeding Rs. 9.00					
11	Exceeding Rs. 9.00 but not exceeding Rs. 10.00	5591040	7987200	16972800	3993600	3744000
12	Exceeding Rs. 10.00 but not exceeding Rs. 15.00	5255578	7507968	15954432	3753984	3566285
13	Exceeding Rs. 15.00 but not exceeding Rs. 20.00	4940243	7057490	14997166	3528745	3352308
14	Exceeding Rs. 20.00 but not exceeding Rs. 25.00	4643828	6634041	14097336	3317020	3151169
15	Exceeding Rs. 25.00 but not exceeding Rs. 30.00	4365199	6235998	13251496	3117999	2962099
16	Exceeding Rs. 30.00 but not exceeding Rs. 35.00	4103287	5861838	12456406	2930919	2784373
17	Exceeding Rs. 35.00 but not exceeding Rs. 40.00	3857090	5510128	11709022	2755064	2617311
18	Exceeding Rs. 40.00 but not exceeding Rs. 45.00	3625664	5179520	11006481	2589760	2460272
19	Exceeding Rs. 45.00 but not exceeding Rs. 50.00	3408124	4868749	10346092	2434375	2312656
20	Above Rs. 50.00	3408124	4868749	10346092	2434375	2312656”.

Explanation.- For the purposes of this rule, if there are multiple track or multiple line packing machines, one such track or line shall be deemed to be one individual packing machine for the purposes of calculation of the number of pouches per operating packing machine per month.”;

(ii) in rule 6, in sub-rule (3), after the fifth proviso, the following proviso shall be inserted, namely:-

“Provided also that the annual capacity of production for the period from the 1st day of March, 2016 shall be re-determined by the Deputy Commissioner of Central Excise or the Assistant Commissioner of Central Excise, as the case may be, within three working days of the coming into force of the Chewing Tobacco and Unmanufactured Tobacco Packing Machines (Capacity Determination and Collection of Duty) Amendment Rules, 2016.”;

(iii) in rule 9, after the second proviso, the following proviso shall be inserted, namely:-

“Provided also that monthly duty payable for the month of March, 2016 shall be paid on or before the 15th day of March, 2016.”;

(iv) in FORM – 2, in serial number 4, in item (iv), after the Table and *Illustration*, for the Table, the following shall be substituted, namely:-

“TABLE

S. No.	Duty	Break-up of total duty (as per duty ratios already prescribed)	CENVAT Credit Available	CENVAT Credit utilised for payment of duty	Cash payment of duty
(1)	(2)	(3)	(4)	(5)	(6)
1	The duty leviable under the Central Excise Act, 1944 (1 of 1944)	83500	10000	10000	73500
2	The additional duty of excise leviable under section 85 of the Finance Act, 2005 (18 of 2005)	6190	1000	1000	5190
3	National Calamity Contingent Duty leviable under section 5 of the Finance Act, 2001 (4 of 2001)	10310	1500	1500	8810
4	Education Cess leviable under section 91 of the Finance Act, 2004 (23 of 2004)	0.0	0.0	0.0	0.0
5	Secondary and Higher Education Cess leviable under section 136 of the Finance Act, 2007 (22 of 2007)	0.0	0.0	0.0	0.0
	Total Duty	100000	12500	12500	87500.”.

[F No.334/8/2016-TRU]

(Mohit Tewari)

Under Secretary to the Government of India

Note.- The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), dated the 27th February, 2010 *vide* notification No.11/2010-Central Excise (N.T.), dated the 27th February, 2010, vide number G.S.R.127 (E), dated the 27th February, 2010 and were last amended *vide* notification No.13/2015-Central Excise (N.T.), dated the 30th April, 2015, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-Section (i), vide number G.S.R. 347 (E), dated the 30th April, 2015.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No. 11/2016 - Central Excise (N.T.)

New Delhi, the 1st March, 2016

G.S.R. (E).- In exercise of the powers conferred by sub-section (2) of section 3 of the Central Excise Act, 1944 (1 of 1944), the Central Government, hereby makes the following further amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No 20/2001-Central Excise (N.T.), dated the 30th April, 2001, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide*, number G.S.R. 318 (E), dated the 30th April, 2001, namely :-

In the said notification, in the opening paragraph, for the figures “30%”, the figures “60%” shall be substituted.

[F.No. 334/8/2016-TRU]

(Mohit Tewari)
Under Secretary to the Government of India

Note.- The principal notification No.20/2001-Central Excise (N.T.), dated the 30th April, 2001, was published in the Gazette of India, Extraordinary, *vide*, number G.S.R. 318 (E), dated the 30th April, 2001 and was last amended by notification No 17/2012-Central Excise (N.T.), dated 17th March, 2012, published in the Gazette of India, Extraordinary, *vide*, number G.S.R. 181(E), dated the 17th March,2012.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No. 12/2016-Central Excise (N.T)

New Delhi, the 1st March, 2016

G.S.R. (E).- In exercise of the powers conferred by sub-sections (1) and (2) of section 4A of the Central Excise Act, 1944 (1 of 1944), the Central Government hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 49/2008-Central Excise (N.T.), dated the 24th December, 2008, published in the Gazette of India, Extraordinary, Part II, Section 3, Subsection (i), *vide* number G.S.R. 882(E), dated the 24th December, 2008, namely :-

In the said notification, in the table,-

(i) for serial numbers 39 and 40 and the entries relating thereto, the following serial numbers and entries shall be substituted, namely :-

(1)	(2)	(3)	(4)
“39.	3401	All goods	30
40.	3402	All goods	30”;

(ii) against serial number 56, for the entry in column (4), the entry “30” shall be substituted;

(iii) after serial number 64 and the entries relating thereto, the following serial number and entries shall be inserted, namely :-

(1)	(2)	(3)	(4)
“64A.	7607	All goods	25”;

(iii) after serial number 87 and the entries relating thereto, the following serial number and entries shall be inserted, namely :-

(1)	(2)	(3)	(4)
“87A.	8517 62	Wrist wearable devices (commonly known as smart watches)	35”;

(iv) against serial numbers 108 and 109, in column (3), for the words “Parts, components and assemblies”, the words “Parts, components, accessories and assemblies” shall be substituted;

[F.No.334/8/2016-TRU]

(Mohit Tewari)

Under Secretary to the Government of India

Note: The principal notification No. 49/2008-Central Excise (N.T.), dated the 24th December, 2008 was published in the Gazette of India, Extraordinary, Part II, Section-3, Sub-section (i), *vide* number G.S.R. 882(E), dated the 24th December, 2008 and last amended by notification No. 3/2015-Central Excise (N.T.) dated the 1st March, 2015 *vide* number G.S.R. 148(E), dated the 1st March, 2015.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No. 13/2016- Central Excise (N.T.)

New Delhi, the 1st March, 2016.

G.S.R. (E).- In exercise of the powers conferred by section 37 of the Central Excise Act, 1944 (1 of 1944) and section 94 of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following rules further to amend the CENVAT Credit Rules, 2004, namely:-

1. (1) These rules may be called the CENVAT Credit (Third Amendment) Rules, 2016.
(2) Save as otherwise provided, they shall come into force on the 1st day of April, 2016.
2. In the CENVAT Credit Rules, 2004 (hereinafter referred to as the said rules), in rule 2,-
 - (a) in clause (a), in sub-clause (A), -
 - (i) in item (i), for the word and figures “heading 6804”, the words and figures “heading 6804 and wagons of sub-heading 860692” shall be substituted;
 - (ii) in condition (1), the words, “but does not include any equipment or appliance used in an office” shall be omitted;
 - (iii) in condition (1A), after the words “generation of electricity”, the words “or for pumping of water” shall be inserted;
 - (b) in clause (e), after entry (3), for the long line, the following shall be substituted with effect from 1st March, 2016, namely:-

“but shall not include a service –

 - (a) which is exported in terms of rule 6A of the Service Tax Rules, 1994; or
 - (b) by way of transportation of goods by a vessel from customs station of clearance in India to a place outside India;”;
 - (c) in clause (k),-
 - (i) in sub-clause (iii), after the words “or steam”, the words “or pumping of water” shall be inserted;
 - (ii) in sub-clause (iv), for the words “output service”, the words “output service; or” shall be substituted;

- (iii) after sub-clause (iv) as so amended, the following sub-clause shall be inserted, namely:-
 - “(v) all capital goods which have a value upto ten thousand rupees per piece.”;
 - (iv) for item (C), the following item shall be substituted, namely:-
 - “(C) capital goods, except when,-
 - (i) used as parts or components in the manufacture of a final product; or
 - (ii) the value of such capital goods is upto ten thousand rupees per piece;”;
 - (d) in clause (m), after the words “ producer or provider”, the words “or an outsourced manufacturing unit” shall be inserted.
3. In rule 3 of the said rules, in sub-rule (4),-
- (i) in the fifth proviso, for the words and figures “said National Calamity Contingent duty on goods falling under tariff items 8517 12 10 and 8517 12 90 respectively of the First Schedule of the Central Excise Tariff”, the words, figures and brackets, “National Calamity Contingent duty leviable under section 136 of the Finance Act, 2001 (14 of 2001)” shall be substituted with effect from the 1st March, 2016.
 - (ii) after the eighth proviso, the following shall be inserted with effect from the 1st March, 2016, namely,-
 - “Provided also that CENVAT credit shall not be utilised for payment of Infrastructure Cess leviable under sub-clause (1) of clause 159 of the Finance Bill, 2016:”.
4. In rule 4 of the said rules,-
- (a) in sub-rule (2), in clause (a), for the Explanation, the following shall be substituted with effect from 1st day of March, 2016, namely:-
 - “*Explanation.* – For the removal of doubts, it is hereby clarified that-
 - (i) an assessee engaged in the manufacture of articles of jewellery, other than articles of silver jewellery but inclusive of articles of silver jewellery studded with diamond, ruby, emerald or sapphire, falling under chapter heading 7113 of the First Schedule of the Excise Tariff Act, shall be eligible, if his aggregate value of clearances of all excisable goods for home consumption in the preceding financial year, computed in the manner specified in the said notification, did not exceed rupees twelve crore;
 - (ii) an assessee, other than (a) above, shall be eligible, if his aggregate value of clearances of all excisable goods for home consumption in the preceding financial year, computed in the manner specified in the said notification, did not exceed rupees four hundred lakhs.”.

- (b) in sub-rule (5), for clause (b), the following clause shall be substituted, namely:-

“(b) The CENVAT credit shall also be allowed to a manufacturer of final products in respect of jigs, fixtures, moulds and dies or tools falling under Chapter 82 of the First Schedule to the Excise Tariff Act, sent by such manufacturer to, -

- (i) another manufacturer for the production of goods; or
- (ii) a job worker for the production of goods on his behalf, according to his specifications:

Provided that such credit shall also be allowed where jigs, fixtures, moulds and dies or tools falling under Chapter 82 of the First Schedule to the Excise Tariff Act, are sent by the manufacturer of final products to the premises of another manufacturer or job worker without bringing these to his own premises.”;

- (c) in sub-rule (6), for the words “valid for a financial year” , the words “ valid for three financial years” shall be substituted.

- (d) in sub-rule (7), after the fifth proviso, the following provisos shall be inserted namely,-

“Provided also that CENVAT Credit of Service Tax paid on the charges paid or payable for the service provided by way of assignment, by the Government or any other person, of the right to use any natural resource, shall be spread over such period of time as the period for which the right to use has been assigned. CENVAT Credit in the financial year in which the right to use is acquired and in the subsequent years during which such right is retained by the manufacturer of goods or provider of output service as the case may be, shall be taken of an amount determined as per the following formula:

Amount of CENVAT Credit that shall be taken in a financial year = Service Tax paid on the charges payable for the assignment of the right to use / No. of Years for which the rights have been assigned

Provided also that where the manufacturer of goods or provider of output service, as the case may be, further assigns such right to use assigned to him by the Government or any other person, in any financial year, to another person against a consideration, such amount of balance CENVAT credit as does not exceed the service tax payable on the consideration charged by him for such further assignment, shall be allowed in the same financial year:

Provided also that CENVAT credit of annual or monthly user charges payable in respect of any service by way of assignment of right to use natural resources shall be allowed in the same financial year in which they are paid.”;

5. In rule 6 of the said rules,-

- (a) for sub-rule (1), the following shall be substituted, namely:-

- “(1) The CENVAT credit shall not be allowed on such quantity of input as is used in or in relation to the manufacture of exempted goods or for provision of exempted services or input service as is used in or in relation to the manufacture of exempted goods and their clearance upto the place of removal or for provision of exempted services and the credit not allowed shall be calculated and paid by the manufacturer or the provider of output service, in terms of the provisions of sub-rule (2) or sub-rule (3), as the case may be :

Provided that the CENVAT credit on inputs shall not be denied to job worker referred to in rule 12AA of the Central Excise Rules, 2002, on the ground that the said inputs are used in the manufacture of goods cleared without payment of duty under the provisions of that rule.

Explanation 1.- For the purposes of this rule, exempted goods or final products as defined in clauses (d) and (h) of rule 2 shall include non-excisable goods cleared for a consideration from the factory.

Explanation 2.- Value of non-excisable goods for the purposes of this rule, shall be the invoice value and where such invoice value is not available, such value shall be determined by using reasonable means consistent with the principles of valuation contained in the Excise Act and the rules made there under.

Explanation 3. – For the purposes of this rule, exempted services as defined in clause (e) of rule 2 shall include an activity, which is not a ‘service’ as defined in section 65B(44) of the Finance Act, 1994.

Explanation 4. – Value of such an activity as specified above in Explanation 3, shall be the invoice/agreement/contract value and where such value is not available, such value shall be determined by using reasonable means consistent with the principles of valuation contained in the Finance Act, 1994 and the rules made thereunder.”;

- (b) for sub-rule (2), the following sub-rule shall be substituted, namely:-

- “(2) A manufacturer who exclusively manufactures exempted goods for their clearance upto the place of removal or a service provider who exclusively provides exempted services shall pay the whole amount of credit of input and input services and shall, in effect, not be eligible for credit of any inputs and input services.”;

- (c) for sub-rule (3), the following sub-rule shall be substituted, namely:-

- “(3) (a) A manufacturer who manufactures two classes of goods, namely :-
(i) non-exempted goods removed;
(ii) exempted goods removed;
or

- (b) a provider of output service who provides two classes of services, namely:-
 - (i) non-exempted services;
 - (ii) exempted services,

shall follow any one of the following options applicable to him, namely :-

- (i) pay an amount equal to six *per cent.* of value of the exempted goods and seven per cent. of value of the exempted services subject to a maximum of the total credit available in the account of the assessee at the end of the period to which the payment relates; or
- (ii) pay an amount as determined under sub-rule (3A):

Provided that if any duty of excise is paid on the exempted goods, the same shall be reduced from the amount payable under clause (i) :

Provided further that if any part of the value of a taxable service has been exempted on the condition that no CENVAT credit of inputs and input services, used for providing such taxable service, shall be taken then the amount specified in clause (i) shall be seven *per cent.* of the value so exempted :

Provided also that in case of transportation of goods or passengers by rail, the amount required to be paid under clause (i) shall be an amount equal to two *per cent.* of value of the exempted services.

Explanation 1.- If the manufacturer of goods or the provider of output service, avails any of the option under this sub-rule, he shall exercise such option for all exempted goods manufactured by him or, as the case may be, all exempted services provided by him, and such option shall not be withdrawn during the remaining part of the financial year.

Explanation 2.- No CENVAT credit shall be taken on the duty or tax paid on any goods and services that are not inputs or input services.

Explanation 3.- For the purposes of this sub-rule and sub-rule(3A),-

- (a) “non-exempted goods removed” means the final products excluding exempted goods manufactured and cleared upto the place of removal;
- (b) “exempted goods removed” means the exempted goods manufactured and cleared upto the place of removal;
- (c) “non-exempted services” means the output services excluding exempted services.”;

(d) for sub-rule (3A), the following sub-rule shall be substituted, namely :-

“(3A) For determination of amount required to be paid under clause (ii) of sub-rule (3), the manufacturer of goods or the provider of output service shall follow the following procedure and conditions, namely :-

(a) the manufacturer of goods or the provider of output service shall intimate in writing to the Superintendent of Central Excise giving the following particulars, namely :-

- (i) name, address and registration number of the manufacturer of goods or provider of output service;
- (ii) date from which the option under this clause is exercised or proposed to be exercised;
- (iii) description of inputs and input services used exclusively in or in relation to the manufacture of exempted goods removed or for provision of exempted services and description of such exempted goods removed and such exempted services provided;
- (iv) description of inputs and input services used exclusively in or in relation to the manufacture of non-exempted goods removed or for the provision of non-exempted services and description of such non-exempted goods removed and non-exempted services provided ;
- (v) CENVAT credit of inputs and input services lying in balance as on the date of exercising the option under this condition;

(b) the manufacturer of final products or the provider of output service shall determine the credit required to be paid, out of this total credit of inputs and input services taken during the month, denoted as T, in the following sequential steps and provisionally pay every month, the amounts determined under sub-clauses (i) and (iv), namely:-

- (i) the amount of CENVAT credit attributable to inputs and input services used exclusively in or in relation to the manufacture of exempted goods removed or for provision of exempted services shall be called ineligible credit, denoted as A, and shall be paid;
- (ii) the amount of CENVAT credit attributable to inputs and input services used exclusively in or in relation to the manufacture of non-exempted goods removed or for the provision of non-exempted services shall be called

eligible credit, denoted as B, and shall not be required to be paid;

- (iii) credit left after attribution of credit under sub-clauses (i) and (ii) shall be called common credit, denoted as C and calculated as,-

$$C = T - (A + B);$$

Explanation.- Where the entire credit has been attributed under sub-clauses (i) and (ii), namely ineligible credit or eligible credit, there shall be left no common credit for further attribution.

- (iv) the amount of common credit attributable towards exempted goods removed or for provision of exempted services shall be called ineligible common credit, denoted as D and calculated as follows and shall be paid, -

$$D = (E/F) \times C;$$

where E is the sum total of –

- (a) value of exempted services provided; and
 - (b) value of exempted goods removed,
- during the preceding financial year;

where F is the sum total of-

- (a) value of non-exempted services provided,
 - (b) value of exempted services provided,
 - (c) value of non-exempted goods removed, and
 - (d) value of exempted goods removed,
- during the preceding financial year:

Provided that where no final products were manufactured or no output service was provided in the preceding financial year, the CENVAT credit attributable to ineligible common credit shall be deemed to be fifty *per cent.* of the common credit;

- (v) remainder of the common credit shall be called eligible common credit and denoted as G, where,-

$$G = C - D;$$

Explanation.- For the removal of doubts, it is hereby declared that out of the total credit T, which is sum total of A, B, D, and G, the manufacturer or the provider of the output service shall be able to attribute provisionally and retain credit of B and G, namely, eligible credit and eligible common credit and shall

provisionally pay the amount of credit of A and D, namely, ineligible credit and ineligible common credit.

(vi) where manufacturer or the provider of the output service fails to pay the amount determined under sub-clause (i) or sub-clause (iv), he shall be liable to pay the interest from the due date of payment till the date of payment of such amount, at the rate of fifteen *per cent.* per annum;

(c) the manufacturer or the provider of output service shall determine the amount of CENVAT credit attributable to exempted goods removed and provision of exempted services for the whole of financial year, out of the total credit denoted as T (Annual) taken during the whole of financial year in the following manner, namely :-

(i) the CENVAT credit attributable to inputs and input services used exclusively in or in relation to the manufacture of exempted goods removed or for provision of exempted services on the basis of inputs and input services actually so used during the financial year, shall be called Annual ineligible credit and denoted as A(Annual);

(ii) the CENVAT credit attributable to inputs and input services used exclusively in or in relation to the manufacture of non-exempted goods removed or for the provision of non-exempted services on the basis of inputs and input services actually so used shall be called Annual eligible credit and denoted as B(Annual);

(iii) common credit left for further attribution shall be denoted as C(Annual) and calculated as, -

$$C(\text{Annual}) = T(\text{Annual}) - [A(\text{Annual}) + B(\text{Annual})];$$

(iv) common credit attributable towards exempted goods removed or for provision of exempted services shall be called Annual ineligible common credit, denoted by D(Annual) and shall be calculated as, -

$$D(\text{Annual}) = (H/I) \times C(\text{Annual});$$

where H is sum total of-

- (a) value of exempted services provided; and
 - (b) value of exempted goods removed;
- during the financial year ;

where I is sum total of -

- (a) value of non-exempted services provided,
 - (b) value of exempted services provided,
 - (c) value of non-exempted goods removed; and
 - (d) value of exempted goods removed;

during the financial year;
- (d) the manufacturer or the provider of output service shall pay on or before the 30th June of the succeeding financial year, an amount equal to difference between the total of the amount of Annual ineligible credit and Annual ineligible common credit and the aggregate amount of ineligible credit and ineligible common credit for the period of whole year, namely, $[\{A(\text{Annual}) + D(\text{Annual})\} - \{(A+D) \text{ aggregated for the whole year}\}]$, where the former of the two amounts is greater than the later;
- (e) where the amount under clause (d) is not paid by the 30th June of the succeeding financial year, the manufacturer of goods or the provider of output service, shall, in addition to the amount of credit so paid under clause (d), be liable to pay on such amount an interest at the rate of fifteen *per cent.* per annum, from the 30th June of the succeeding financial year till the date of payment of such amount;
- (f) the manufacturer or the provider of output service, shall at the end of the financial year, take credit of amount equal to difference between the total of the amount of the aggregate of ineligible credit and ineligible common credit paid during the whole year and the total of the amount of annual ineligible credit and annual ineligible common credit, namely, $[\{(A+D) \text{ aggregated for the whole year}\} - \{A(\text{Annual}) + D(\text{Annual})\}]$, where the former of the two amounts is greater than the later;
- (g) the manufacturer of the goods or the provider of output service shall intimate to the jurisdictional Superintendent of Central Excise, within a period of fifteen days from the date of payment or adjustment, as per the provisions of clauses (d), (e) and (f), the following particulars, namely :-
 - (i) details of credit attributed towards eligible credit, ineligible credit, eligible common credit and ineligible common credit, month-wise, for the whole financial year, determined as per the provisions of clause (b);
 - (ii) CENVAT credit annually attributed to eligible credit, ineligible credit, eligible common credit and ineligible common credit for the whole of financial year, determined as per the provisions of clause (c);

- (iii) amount determined and paid as per the provisions of clause (d), if any, with the date of payment of the amount;
 - (iv) interest payable and paid, if any, determined as per the provisions of clause (e); and
 - (v) credit determined and taken as per the provisions of clause (f), if any, with the date of taking the credit.”
- (e) after sub-rule (3A), the following sub-rules shall be inserted, namely:-
 - “(3AA) Where a manufacturer or a provider of output service has failed to exercise the option under sub-rule (3) and follow the procedure provided under sub-rule (3A), the Central Excise Officer competent to adjudicate a case based on amount of CENVAT credit involved, may allow such manufacturer or provider of output service to follow the procedure and pay the amount referred to in clause (ii) of sub-rule (3), calculated for each of the months, *mutatis-mutandis* in terms of clause (c) of sub-rule (3A), with interest calculated at the rate of fifteen *per cent.* per annum from the due date for payment of amount for each of the month, till the date of payment thereof.
 - (3AB) Assessee who has opted to pay an amount under clause (ii) or clause (iii) of sub-rule (3) in the financial year 2015-16, shall pay the amount along with interest or take credit for the said financial year in terms of clauses (c), (d), (e), (f), (g), (h) or (i) of sub-rule (3A), as they prevail on the day of publication of this notification and for this purpose these provisions shall be deemed to be in existence till the 30th June, 2016.” ;
- (f) for sub-rule (3B), the following sub-rule shall be substituted, namely:-
 - “(3B) A banking company and a financial institution including a non-banking financial company, engaged in providing services by way of extending deposits, loans or advances, in addition to options given in sub-rules (1), (2) and (3), shall have the option to pay for every month an amount equal to fifty per cent. of the CENVAT credit availed on inputs and input services in that month.”;
- (g) for sub-rule (4), the following sub-rule shall be substituted, namely:-
 - “(4) No CENVAT credit shall be allowed on capital goods used exclusively in the manufacture of exempted goods or in providing exempted services for a period of two years from the date of commencement of the commercial production or provision of services, as the case may be, other than the final products or output services which are exempt from the whole of the duty of excise

leviable thereon under any notification where exemption is granted based upon the value or quantity of clearances made or services provided in a financial year:

Provided that where capital goods are received after the date of commencement of commercial production or provision of services, as the case may be, the period of two years shall be computed from the date of installation of such capital goods.”.

- (h) in sub-rule (7), after the words “when a service is exported”, the words “or when a service is provided or agreed to be provided by way of transportation of goods by a vessel from customs station of clearance in India to a place outside India” shall be inserted with effect from 1st March, 2016.

6. For rule 7 of the said rules, the following rule shall be substituted, namely:-

“7. Manner of distribution of credit by input service distributor.-The input service distributor shall distribute the CENVAT credit in respect of the service tax paid on the input service to its manufacturing units or unit providing output service or an outsourced manufacturing units, as defined in Explanation 4, subject to the following conditions, namely :—

- (a) the credit distributed against a document referred to in rule 9 does not exceed the amount of service tax paid thereon;
- (b) the credit of service tax attributable as input service to a particular unit shall be distributed only to that unit;
- (c) the credit of service tax attributable as input service to more than one unit but not to all the units shall be distributed only amongst such units to which the input service is attributable and such distribution shall be *pro rata* on the basis of the turnover of such units, during the relevant period, to the total turnover of all such units to which such input service is attributable and which are operational in the current year, during the said relevant period;
- (d) the credit of service tax attributable as input service to all the units shall be distributed to all the units *pro rata* on the basis of the turnover of such units during the relevant period to the total turnover of all the units, which are operational in the current year, during the said relevant period;
- (e) outsourced manufacturing unit shall maintain separate account for input service credit received from each of the input service distributors and shall use it only for payment of duty on goods manufactured for the input service distributor concerned;
- (f) credit of service tax paid on input services, available with the input service distributor, as on the 31st of March, 2016, shall not be transferred to any outsourced manufacturing unit and such credit shall

be distributed amongst the units excluding the outsourced manufacturing units.

Explanation.—The provision of this clause shall, *mutatis-mutandis*, apply to any outsourced manufacturer commencing production of goods on or after the 1st of April, 2016;

- (g) provisions of rule 6 shall apply to the units manufacturing goods or provider of output service and shall not apply to the input service distributor.

Explanation 1.— For the purposes of this rule, “unit” includes the premises of a provider of output service or the premises of a manufacturer including the factory, whether registered or otherwise or the premises of an outsourced manufacturing unit.

Explanation 2.—For the purposes of this rule, the total turnover shall be determined in the same manner as determined under rule 5:

Provided that the turnover of an outsourced manufacturing unit shall be the turnover of goods manufactured by such outsourced manufacturing unit for the input service distributor.

Explanation 3.— For the purposes of this rule, the ‘relevant period’ shall be, -

- (a) if the assessee has turnover in the ‘financial year’ preceding to the year during which credit is to be distributed for month or quarter, as the case maybe, the said financial year; or;
- (b) if the assessee does not have turn over for some or all the units in the preceding financial year, the last quarter for which details of turnover of all the units are available, previous to the month or quarter for which credit is to be distributed.

Explanation 4.— For the purposes of this rule, “outsourced manufacturing unit” means a job-worker who is liable to pay duty on the value determined under rule 10A of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 on the goods manufactured for the input service distributor or a manufacturer who manufactures goods, for the input service distributor under a contract, bearing the brand name of such input service distributor and is liable to pay duty on the value determined under section 4A of the Excise Act. ” .

7. After rule 7A of the said rules, the following rule shall be inserted, namely:-

“7B. Distribution of credit on inputs by warehouse of manufacturer. - (1) A manufacturer having one or more factories, shall be allowed to take credit on

inputs received under the cover of an invoice issued by a warehouse of the said manufacturer, who receives inputs under cover of invoices, issued in terms of the provisions of the Central Excise Rules, 2002, towards the purchase of such inputs.

- (2) The provisions of these rules or any other rules made under the Excise Act as applicable to a first stage dealer or a second stage dealer, shall, *mutatis mutandis*, apply to such warehouse of the manufacturer. ” .
8. In rule 9 of the said rules, in sub-rule (1), in clause (a), in sub-clause (i), for the words “a manufacturer for clearance of” the words “a manufacturer or a service provider for clearance of”, shall be substituted.
9. For rule 9A of the said rules, the following sub-rule shall be substituted, namely:-
- “9A. Annual return.- (1) A manufacturer of final products or provider of output services, shall submit to the Superintendent of Central Excise an annual return for each financial year, by the 30th day of November of the succeeding year, in the form as specified by a notification by the Board.
- (2) The provisions of rule 12 of the Central Excise Rules, 2002, in so far as they relate to annual return shall, *mutatis-mutandis*, apply to the annual return required to be filed under this rule.”.
10. In rule 14 of the said rules, sub-rule (2) shall be omitted.

[F.No.334/8/2016-TRU]

(Mohit Tewari)
Under Secretary to the Government of India

Note.- The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide, notification No. 23/2004 - Central Excise (N.T.), dated the 10th September, 2004 vide, number G.S.R. 600(E), dated the 10th September, 2004 and last amended, vide, notification No. 02/2016- Central Excise (N.T.), dated the 3rd February, 2016 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide, number G.S.R. 142(E) , dated the 3rd February, 2016.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No. 14/2016 - Central Excise (N.T)

New Delhi, the 1st March, 2016

G.S.R. (E).- In exercise of the powers conferred by rule 5 of the CENVAT Credit Rules, 2004, the Central Board of Excise and Customs hereby makes the following amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 27/2012 – C.E. (N.T.) dated 18th June, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) *vide* number G.S.R. 461(E), dated the 18th June, 2012, namely:-

In the said notification, in Paragraph 3, for clause (b), the following shall be substituted, namely:-

“(b) The application in the Form A along with the documents specified therein and enclosures relating to the quarter for which refund is being claimed shall be filed as under:

- (i) in case of manufacturer, before the expiry of the period specified in section 11B of the Central Excise Act, 1944 (1 of 1944);
- (ii) in case of service provider, before the expiry of one year from the date of –
 - (a) receipt of payment in convertible foreign exchange, where provision of service had been completed prior to receipt of such payment; or
 - (b) issue of invoice, where payment for the service had been received in advance prior to the date of issue of the invoice.”.

[F. No. 334/8/2016/TRU]

(Mohit Tewari)
Under Secretary to the Government of India

Note - The principal notification No. 27/2012 Central Excise (N.T) dated the 18th June, 2012 was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide* number G.S.R 461(E) dated the 18th June, 2012.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification

No. 15/2016 - Central Excise (N.T)

New Delhi, the 1st March, 2016

G.S.R. (E).— In exercise of the powers conferred by section 11AA of the Central Excise Act, 1944 (1 of 1944) and in supersession of the notification of the Government of India in the Ministry of Finance (Department of Revenue) No.5/2011 - Central Excise (N.T.), dated the 1st March, 2011 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide*, number GSR 136 (E), dated the 1st March, 2011, except as respects things done or omitted to be done before such supersession, the Central Government hereby fixes the rate of interest at fifteen *per cent.* per annum for the purposes of the said section.

2. This notification shall come into force from the 1st day of April, 2016.

[F. No.334/8/2016 -TRU]

(Mohit Tewari)
Under Secretary to the Government of India

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

New Delhi, the 1st March, 2016

Notification
No. 16/2016 - Central Excise (N.T)

G.S.R. (E).- In exercise of the powers conferred by sub-rule (3) of rule 19 of the Central Excise Rules, 2002, the Central Board of Excise and Customs hereby makes the following further amendments in the notification No. 42/2001- CE (NT), dated the 26th June 2001, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 471(E), dated the 26th June, 2001, namely: -

In the said notification, in paragraph 2, in clause (v), in sub-clause (b), for the word, figures and letters, “section 11AB”, the word, figures and letters, “section 11AA” shall be substituted.

[F. No.334/8/2016 -TRU]

(Mohit Tewari)
Under Secretary to the Government of India

Note:- The principal notification No.42/2001-Central Excise (N.T.), dated the 26th June, 2001, was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) ,*vide*, number G.S.R. 471(E), dated the 26th June, 2001 and last amended ,*vide*, notification No.16/2012 - Central Excise (N.T.), dated the 17th March, 2012, published ,*vide*, number G.S.R. 180 (E), dated the 17th March, 2012.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No. 17/2016 - Central Excise (N.T)

New Delhi, the 1st March, 2016

G.S.R. (E).- In exercise of the powers conferred by sub-rule (3) read with sub-rule (2) of rule 19 of the Central Excise Rules, 2002, the Central Board of Excise and Customs hereby makes the following further amendments in the notification No.31/2007-Central Excise (N.T.), dated the 2nd August, 2007, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) , *vide*, number G.S.R. 528(E), dated the 2nd August, 2007, namely:-

2. In the said notification, in paragraph 6, in clause (ii), for the word, figures and letters, “section 11AB ”, the word, figures and letters, “section 11AA” shall be substituted.

[F. No.334/8/2016 -TRU]

(Mohit Tewari)
Under Secretary to the Government of India

Note:- The principal notification No. 31/2007-Central Excise (N.T.), dated 2nd August, 2007 was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) , *vide* ,number G.S.R. 528 (E), dated the 2nd August,2007 and last amended vide notification No.15/2012 - Central Excise (N.T.), dated the 17th March, 2012, published , *vide* , number G.S.R. 179 (E), dated the 17th March, 2012.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

New Delhi, dated the 1st March, 2016

Notification
No. 18 /2016- Central Excise (N.T)

G.S.R. (E).- In exercise of the powers conferred by rule 18 of the Central Excise Rules, 2002, the Central Government hereby makes the following further amendments in the notification number 19/2004-Central Excise (N.T.), dated the 6th September, 2004, in the Ministry of Finance, Department of Revenue, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 570(E) , dated the 6th September, 2004, namely: -

In the said notification:-

(1) under heading “ (2) Conditions and limitations”, in paragraph (e), for the words “the market price”, the words “the Indian market price” shall be substituted;

(2) under heading “(3) Procedures”, in paragraph (b), in sub-paragraph (i), after the words “shall be lodged”, the words, figures, letter and brackets “before the expiry of the period specified in section 11B of Central Excise Act, 1944(1 of 1944)” shall be inserted.

[F. No.334/8/2016 -TRU]

(Mohit Tewari)
Under Secretary to the Government of India

Note: The principal notification was published in the Gazette of India, vide, notification number 19/2004-Central Excise (N.T.), dated the 6th September, 2004 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide, number G.S.R. 570(E) , dated the 6th September, 2004 and last amended by notification number 24/2011-Central Excise(N.T.), dated the 5th December, 2011, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i)vide number G.S.R.860(E), dated the 5th December, 2011.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

New Delhi, dated the 1st March, 2016

Notification
No. 18 /2016- Central Excise (N.T)

G.S.R. (E).- In exercise of the powers conferred by rule 18 of the Central Excise Rules, 2002, the Central Government hereby makes the following further amendments in the notification number 19/2004-Central Excise (N.T.), dated the 6th September, 2004, in the Ministry of Finance, Department of Revenue, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 570(E) , dated the 6th September, 2004, namely: -

In the said notification:-

(1) under heading “ (2) Conditions and limitations”, in paragraph (e), for the words “the market price”, the words “the Indian market price” shall be substituted;

(2) under heading “(3) Procedures”, in paragraph (b), in sub-paragraph (i), after the words “shall be lodged”, the words, figures, letter and brackets “before the expiry of the period specified in section 11B of Central Excise Act, 1944(1 of 1944)” shall be inserted.

[F. No.334/8/2016 -TRU]

(Mohit Tewari)
Under Secretary to the Government of India

Note: The principal notification was published in the Gazette of India, vide, notification number 19/2004-Central Excise (N.T.), dated the 6th September, 2004 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide, number G.S.R. 570(E) , dated the 6th September, 2004 and last amended by notification number 24/2011-Central Excise(N.T.), dated the 5th December, 2011, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i)vide number G.S.R.860(E), dated the 5th December, 2011.

[TO BE PUBLISHED IN GAZETTE OF INDIA, EXTRAORDINARY, PART - II,
SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

Notification
No. 19/2016 Central Excise (N.T.)

New Delhi, the 1st March, 2016

G.S.R (E)- In exercise of the powers conferred by sub-rule (2) of rule 9 of the Central Excise Rules, 2002, the Central Board of Excise and Customs, being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments in the notification number 36/2001-Central Excise (N.T.), dated the 26th June, 2001, in the Ministry of Finance, Department of Revenue, 2001, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide*, number GSR 465 (E), dated the 26th June, 2001, namely,-

In the said notification, for condition (3), the following condition shall be substituted, namely:-

“(3) hereby declares that if two or more premises of the same factory are located within a close area in the jurisdiction of a Range Superintendent, the manufacturing process undertaken therein are interlinked, and the units are not operating under any of the area based exemption notifications, the Commissioner of Central Excise, may, subject to proper accountal of the movement of goods from one premise to other and such other conditions and limitations as he may impose, allow single registration.”.

[F. No.334/8/2016 -TRU]

(Mohit Tewari)
Under Secretary to the Government of India

Note: The principal notification no.36/2001 - Central Excise (N.T.), dated the 26th June, 2001 was published in the Gazette of India, vide, number G.S.R. 465 (E), dated 26th June, 2001 and was last amended, vide, notification no.09/2013-Central Excise (N.T.), dated the 23rd May, 2013 published in the Gazette of India, vide, number G.S.R. 337(E), dated the 23rd May, 2013.

[TO BE PUBLISHED IN GAZETTE OF INDIA, EXTRAORDINARY, PART –II,
SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

New Delhi, the 1st March, 2016

Notification
No. 20/2016 - Central Excise (N.T.)

G.S.R.--- (E) .– In exercise of the powers conferred by section 37 of the Central Excise Act, 1944 (1 of 1944) and in supersession of the Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2001, except as respects things done or omitted to be done before such supersession, the Central Government hereby makes the following rules, namely:–

1. Short title, extent and commencement. — (1) These rules may be called the Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2016.

(2) They extend to the whole of India.

(3) They shall come into force on and from the 1st day of April, 2016.

2. Application. — These rules shall apply to a manufacturer who intends to avail of the benefit of a notification issued under sub-section (1) of section 5A of the Central Excise Act, 1944 (1 of 1944) granting exemption of duty to excisable goods when used for the purpose specified in that notification:

Provided that an un-registered manufacturer including manufacturers of exempted goods or non-excisable goods shall be eligible to avail the benefits of the provisions of these rules after taking registration under rule 9 of the Central Excise Rules, 2002.

3. Definitions.- In these rules, unless the context otherwise required, -

(a) “Act” means Central Excise Act, 1944 (1 of 1944);

(b) “applicant manufacturer” means a manufacturer who intends to receive goods for specified use at concessional rate of duty;

(c) “Form” means Form appended to these rules;

(d) “information” means the information provided in Form I by the applicant manufacturer;

(e) “subject goods” means the excisable goods which applicant manufacturer intends to procure at concessional rate of duty;

(f) “supplier manufacturer” means a manufacturer who supplies excisable goods at concessional rate of duty to applicant manufacturer;

(g) words and expressions used in these rules and not defined but defined in the Act and the rules made there under shall have the same meanings respectively assigned to them.

4. Information by applicant manufacturer to obtain benefit. — (1) An applicant manufacturer shall provide an information in duplicate in the Form I to the jurisdictional Assistant Commissioner of Central Excise or the Deputy Commissioner of Central Excise, as the case may be (hereinafter referred to as the Assistant Commissioner or Deputy Commissioner) and the Assistant Commissioner or Deputy Commissioner shall forward one copy of the information to the jurisdictional range Superintendent of the supplier manufacturer .

(2) The applicant manufacturer shall number the information filed under sub-rule (1) in each financial year.

(3) The applicant manufacturer may either provide separate information in respect of each of the supplier manufacturer of subject goods or provide combined information for multiple supplier manufacturers with details of each of them in Form I.

(4) The applicant manufacturer shall provide the information from time to time to receive subject goods in quantities commensurate with expected consumption in the manufacturing process for a period of one year or less.

(5) The applicant manufacturer shall execute a general bond with surety or security:

Provided that it shall be sufficient to provide a letter of undertaking by an applicant manufacturer against whom no show cause notice has been issued under sub-section (4) or sub-section (5) of section 11A of the Act or where no action is proposed under any notification issued in pursuance of rule 12CCC of the Central Excise Rules, 2002 or rule 12AAA of the CENVAT Credit Rules, 2004.

(6) The applicant manufacturer shall forward a copy of information duly signed by his authorised signatory, to the supplier manufacturer for procuring subject goods.

5. Procedure to be followed by supplier manufacturer of subject goods. — (1) The supplier manufacturer shall avail the benefit of this notification on the basis of information received by him under sub-rule (6) or rule 5.

(2) The supplier manufacturer shall maintain record of information received under sub-rule (1) on the basis of which goods have been removed, the removal details, such as number and

date of invoice, description, quantity and value of subject goods and amount of excise duty paid at concessional rate and retain the same in his records.

6. Applicant manufacturer to submit quarterly returns. - The applicant manufacturer shall, receiving the subject goods, maintain an account indicating the quantity and value of subject goods, the quantity of subject goods consumed for the intended purpose, and the quantity remaining in stock, invoice wise and shall submit a quarterly return on the basis of such records in Form II to the Assistant Commissioner or Deputy Commissioner by the tenth day of the month following each quarter of the financial year.

7. Recovery of duty in certain cases. — Where the goods cleared by the supplier manufacturer on the basis of information provided by an applicant manufacturer, are not used for the intended purpose, the applicant manufacturer shall be liable to pay the amount equal to the difference between the duty leviable on such goods but for the exemption and that already paid, if any, at the time of removal from the factory of the supplier manufacturer of the subject goods, along with interest and the provisions of section 11A, except the time limit mentioned in the said section for demanding duty and section 11AA of the Act shall apply *mutatis mutandis*, for effecting such recoveries:

Provided that where the applicant manufacturer is found to be non-existent, the supplier manufacturer shall be liable to pay the amount equal to the difference between the duty leviable on such goods but for the exemption and that already paid, if any, at the time of removal from the factory of the supplier manufacturer of the subject goods, along with interest and the provisions of section 11A except the time limit mentioned in the said section and section 11AA of the Act shall apply *mutatis mutandis*, for effecting such recoveries.

Provided further that if the subject goods on receipt are found to be defective or damaged or unsuitable or surplus to the needs of the applicant manufacturer, he may return the subject goods to the supplier manufacturer and every such returned goods shall be added to the non-duty paid stock of the supplier manufacturer.

Explanation. - For the removal of doubts, it is hereby clarified that subject goods shall be deemed not to have been used for the intended purpose even if any of the quantity of the subject goods is lost or destroyed by natural causes or by unavoidable accidents during transport from the place of procurement to the applicant manufacturer's premises or from the supplier manufacturer's premises to the place of procurement or during handling or storage in the applicant manufacturer's premises.

Form I

[see rule 4(1) and (3)]

Information under Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2016

To,

The Assistant Commissioner or Deputy Commissioner of Central Excise,

Division ,

Sir,

We intend to avail benefit of exemption of duty for the purpose of manufacture of goods in our factory. The details of the goods proposed to be procured, quantity, duty foregone, S.No of the notification under which exemption is intended to be availed, approximate quantity needed, details of the supplier manufacturer from whom the goods are proposed to be procured and finished goods proposed to be manufactured are enclosed herewith. We undertake to follow the Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2016, as required and use the subject goods in terms of the conditions specified in the said rules.

(2) We undertake to pay on demand, in the event of failure to comply with conditions, an amount equal to the difference between the duty leviable on such quantity of the subject goods but for the exemption under the aforesaid rules and that already paid at the time of removal, with interest and penalty as demanded. We have executed the necessary letter of undertaking or bond with surety.

Date :	Signature and stamp of authorised signatory, with name and address of the premise ,
Place :	

(Registration Number)

(Suitably amend for multiple supplier manufacturer)

Form II

[See rule 6]

Sl. No.	Description of subject goods	Details				Closing balance	Goods manufactured	
		Opening balance	Received	Total of columns (3) and (4)	Quantity consumed for the intended purpose		Nature	Quantity
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

Note: – (1) Separate entries should be made for each variety or class of goods used and manufactured.

(2) Summary table of the information issued and copy thereof should be enclosed.

I/We declare that I/we have compared the above particulars with the records (and) /books of my/our factory and that they are, insofar as I/We can ascertain true and complete.

Date :

Place :

Signature
Name in capital letters
Authorised signatory/manufacturer

[F. No.334/8/2016 -TRU]

(Mohit Tewari)
Under Secretary to the Government of India

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

Notification
No. 21/2016- Central Excise (N.T)

New Delhi, the 1st March, 2016

G.S.R. (E). In exercise of the powers conferred by rule 18 of the Central Excise Rules, 2002, the Central Government hereby makes the following further amendments in the notification number 21/2004-Central Excise (N.T.), dated the 6th September, 2004, in the Ministry of Finance, Department of Revenue, namely: -

In the said notification,-

- (a) the paragraph (1), shall be numbered as (1A) thereof, and after the paragraph (1A) as so renumbered the following paragraph shall be inserted, namely:-

“(1B) The declaration filed under paragraph (1A) shall be accompanied by a Chartered Engineer’s certificate in respect of correctness of the ratio of input and output where a copy of the Standard Input Output Norms notified by Director General of Foreign Trade, Ministry of Commerce, if fixed, is made available to the Chartered Engineer before obtaining the certificate, in respect of goods manufactured or processed.” ;

- (b) for paragraph (2), the following paragraph shall be substituted, namely:-

“(2) Approval of declaration.- The Assistant Commissioner of Central Excise or the Deputy Commissioner of Central Excise may grant permission to the applicant for manufacture or processing and export of finished goods before commencement of export of such goods on the basis of certificate issued by the Chartered Engineer and the declaration filed under paragraph(1A);

Explanation: In case of doubt in respect of the correctness of such declaration, the Assistant Commissioner of Central Excise or the Deputy Commissioner of Central Excise, may visit the factory and verify correctness of such declaration filed.” ;

- (c) in paragraph (3),-

- (i) in the proviso , for the words, letters and figures “the CENVAT Credit Rules, 2002”, the words, letters and figures “the CENVAT Credit Rules, 2004” shall be substituted ;

- (ii) after the proviso, the following proviso shall be inserted, namely :-

“Provided further that no CENVAT credit shall be availed by the manufacturer or the processor.” ;

- (d) in paragraph (6), for the words “ shall be lodged ” the following words, figures and letter shall be substituted, namely;

“ shall be lodged, before the expiry of the period specified under section 11B of the Central Excise Act, 1944(1 of 1944),” ;

- (e) in Form ARE-2, for the words, letters and figures “the CENVAT Credit Rules, 2002” wherever they occur, the words, letters and figures “the CENVAT Credit Rules, 2004” shall be substituted.

2. This notification shall come into force on the 1st March, 2016.

[F. No.334/8/2016 -TRU]

(Mohit Tewari)
Under Secretary to the Government of India

Note: The principal notification number 21/2004 - Central Excise (N.T.), dated the 6th September 2004 was published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (i) vide number G.S.R. 572 (E), dated the 6th September 2004, and was last amended vide notification No. 02/2012 Central Excise (N.T.), dated 22nd February 2012, published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (i), vide number G.S.R 100(E), dated the 22nd February, 2012.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No.1/2016 - Clean Energy Cess

New Delhi, the 1st March, 2016

G.S.R. (E). - In exercise of the powers conferred by sub-section (7) of section 83 of the Finance Act, 2010 (14 of 2010) read with section 5A of the Central Excise Act, 1944 (1 of 1944), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby rescinds the notification of the Government of India in the Ministry of Finance (Department of Revenue), No.1/2015-Clean Energy Cess, dated the 1st March, 2015, published in the Gazette of India, Extraordinary, *vide* number G.S.R. 164 (E), dated the 1st March, 2015, except as respects things done or omitted to be done before such rescission.

[F. No.334/8/2016 -TRU]

(Mohit Tewari)
Under Secretary to the Government of India

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No.2/2016-Clean Energy Cess

New Delhi, the 1st March, 2016

G.S.R. (E). - In exercise of the powers conferred by section 83 of the Finance Act, 2010 (14 of 2010), read with sub-section (1) of section 5A of the Central Excise Act, 1944 (1 of 1944), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby makes the following amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No.05/2010-Clean Energy Cess, dated the 22nd June, 2010, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) *vide* number G.S.R. 547(E), dated the 22nd June, 2010, namely: -

In the said notification, after the words “State of Meghalaya”, the words “and the State of Nagaland” shall be inserted.

[F. No.334/8/2016 -TRU]

(Mohit Tewari)
Under Secretary to the Government of India

Note.- The principal notification No.05/2010-Clean Energy Cess, dated the 22nd June, 2010 was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) *vide* number G.S.R. 547 (E), dated the 22nd June, 2010.

[TO BE PUBLISHED IN PART II, SECTION 3, SUB-SECTION (i) OF THE GAZETTE OF INDIA, EXTRAORDINARY]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Notification
No. 1/2016 – Infrastructure Cess

New Delhi, the 1st March, 2016

G.S.R. (E).- In exercise of the powers conferred by sub-section (1) of section 5A of the Central Excise Act, 1944 (1 of 1944) read with sub-clause (3) of clause 159 of the Finance Bill, 2016, which clause has, by virtue of the declaration made in the said Finance Bill under the Provisional Collection of Taxes Act, 1931 (16 of 1931), the force of law, the Central Government, being satisfied that it is necessary in the public interest so to do, hereby exempts excisable goods of the description specified in column (3) of the table below and falling under heading of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) specified in the corresponding entry in column (2) of the said table from so much of the Infrastructure Cess leviable thereon under sub-clause (1) of clause 159 of the said Finance Bill, as is in excess of the amount calculated at the rate specified in the corresponding entry in column (4) of the said table and subject to the relevant conditions annexed to this notification, if any, specified in the corresponding entry in column (5) of the table aforesaid:

Table

Sl. No.	Heading	Description of excisable goods	Rate	Condition No.
(1)	(2)	(3)	(4)	(5)
1	8703	Motor vehicles cleared as ambulances duly fitted with all the fitments, furniture and accessories necessary for an ambulance from the factory manufacturing such motor vehicles	Nil	-
2	8703	Motor vehicles (other than three wheeled motor vehicles for transport of upto seven persons), which after clearance has been registered for use solely as ambulance	Nil	1
3	8703	Motor vehicles (other than three wheeled motor vehicles), which after clearance has been registered for use solely as taxi	Nil	1
4	8703	Electrically operated vehicles, including three wheeled electric motor vehicles <i>Explanation.-</i> For the purpose of this entry, “electrically operated vehicles”	Nil	-

		mean vehicles which are run solely on electrical energy derived from an external source or from one or more electrical batteries fitted to such road vehicles and shall include electric motor-assisted cycle rickshaws driven by rechargeable solar batteries, also known as “soleckshaw”		
5	8703	Hybrid motor vehicles Explanation.- For the purpose of this entry, “hybrid motor vehicle” means a motor vehicle, which uses a combination of battery powered electric motor and an internal combustion engine to power the vehicle to drive trains, but does not include such micro-hybrid motor vehicle with start and stop technology, using battery powered electric motor only while in static condition	Nil	-
6	8703	Three wheeled vehicles	Nil	-
7	8703	Cars for physically handicapped persons	Nil	2
8	8703	Hydrogen vehicles based on fuel cell technology Explanation.- For the purpose of this entry, “Hydrogen vehicle” means a motor vehicle that converts the chemical energy of hydrogen to mechanical energy by reacting hydrogen with oxygen in a fuel cell to run electric motor to power the vehicle drive trains	Nil	-
9	8703	Motor vehicles of length not exceeding 4000 mm, namely petrol, liquefied petroleum gases (LPG) or compressed natural gas (CNG) driven vehicles of engine capacity not exceeding 1200 cc Explanation.- For the purpose of this entry, the specification of the motor vehicle shall be determined as per the Motor Vehicles Act, 1988 (59 of 1988) and the rules made there under	1%	-
10	8703	Motor vehicles of length not exceeding 4000 mm, namely diesel driven vehicles of engine capacity not	2.5%	-

		exceeding 1500 cc		
		Explanation.- For the purpose of this entry, the specification of the motor vehicle shall be determined as per the Motor Vehicles Act, 1988 (59 of 1988) and the rules made there under		

ANNEXURE

Condition No.	Conditions
1.	<p>(a) The manufacturer pays the Infrastructure Cess at the rate specified under the Eleventh Schedule of the Finance Bill, 2016 read with exemption contained in any notification of the Government of India in the Ministry of Finance (Department of Revenue), at the time of clearance of the vehicle;</p> <p>(b) the manufacturer takes credit of the amount equal to the amount of Infrastructure Cess paid in excess of that specified under this exemption, in the Account Current, maintained in terms of Part V of the Excise Manual of Supplementary Instructions issued by the Central Board of Excise and Customs and thereafter files a claim for refund of the said amount of Infrastructure Cess before the expiry of six months from the date of payment of duty on the said motor vehicle, with the Deputy Commissioner of Central Excise or Assistant Commissioner of Central Excise, as the case may be, having jurisdiction, along with the following documents, namely:-</p> <ol style="list-style-type: none"> (1) an intimation that the amount of refund of Infrastructure Cess claimed has been credited by the manufacturer in his Account Current, also stating the amount of credit so taken; (2) a certificate from an officer authorised by the concerned State Transport Authority, to the effect that the said motor vehicle has been registered for sole use as ambulance or taxi, as the case may be, within three months or such extended period not exceeding a further period of three months as the said Deputy Commissioner of Central Excise or Assistant Commissioner of Central Excise, as the case may be, may allow, from the date of clearance of the said motor vehicle from the factory of the manufacturer; (3) a copy of the document evidencing the payment of Infrastructure Cess, as payable in paragraph (a) above; (4) where the manufacturer has collected an amount, as representing the Infrastructure Cess, in excess of the Infrastructure Cess payable under this exemption from the buyer, an evidence to the effect that the said amount has been duly returned to the buyer; and (5) where the manufacturer has not collected an amount, as representing the Infrastructure Cess, in excess of the Infrastructure Cess payable under this exemption from the buyer, a declaration by the manufacturer to that effect; <p>(c) the Deputy Commissioner of Central Excise or the Assistant Commissioner of Central Excise, as the case may be, within seven days of the receipt of</p>

	<p>the said claim for refund, after such verification as may be necessary, shall determine the amount refundable to the manufacturer and shall intimate the same to the manufacturer. In case the credit taken by the manufacturer is in excess of the amount so determined, the manufacturer shall, within five days from the receipt of the said intimation, reverse the said excess credit from the said Account Current maintained by him. In case the credit availed is lesser than the amount of refund determined, the manufacturer shall be eligible to take credit of the balance amount; and</p> <p>(d) the recovery of the credit availed irregularly or availed in excess of the amount of credit so determined, and not reversed by the manufacturer within the period specified under paragraph (c), shall be recovered as if it is a recovery of duty of excise erroneously refunded. In case, such irregular or excess credit is utilised for payment of duty of excise on clearance of excisable goods, the said goods shall be considered to have been cleared without payment of duty to the extent of utilisation of such irregular or excess credit.</p>
2	<p>If,-</p> <p>(i) an officer not below the rank of Deputy Secretary to the Government of India in the Department of Heavy Industries certifies that the said goods are capable of being used by the physically handicapped persons; and</p> <p>(ii) the buyer of the car gives an affidavit that he shall not dispose of the car for a period of five years after its purchase.</p>

[F.No. 334/8/2016-TRU]

(Mohit Tewari)
Under Secretary to the Government of India

EXCISE TARIFF NOTIFICATIONS		
NOTIFN NO	DATED	SUBJECT
<u>18</u>	01-03-2016	Amends Notification No. 6/2005-Central Excise dated 01.07.2008 so as to carry out Budgetary
<u>17</u>	01-03-2016	Amends Notification No. 6/2005-Central Excise dated 01.07.2008 so as to carry out Budgetary
<u>16</u>	01-03-2016	Amends Notification No. 16/2010-Central Excise dated 27.02.2010 so as to carry out Budgetary
<u>15</u>	01-03-2016	Amends Notification No. 30/2004-Central Excise dated 09.07.2004 so as to carry out Budgetary
<u>14</u>	01-03-2016	Amends Notification No. 33/2005-Central Excise dated 08.09.2005 so as to carry out Budgetary
<u>13</u>	01-03-2016	Rescinds Notification No. 62/91-Central Excise dated 25.07.1991 so as to carry out Budgetary
<u>12</u>	01-03-2016	Amends Notification No. 12/2012-Central Excise dated 17.03.2012 so as to carry out Budgetary
<u>11</u>	01-03-2016	Exempts central excise duty on media with recorded Information Technology Software on so much value as is equivalent to the value of the Information Technology Software recorded on
<u>10</u>	01-03-2016	Amends Notification No. 2/2011-Central Excise dated 01.03.2011 so as to carry out Budgetary
<u>9</u>	01-03-2016	Amends Notification No. 1/2011-Central Excise dated 01.03.2011 so as to carry out Budgetary
<u>8</u>	01-03-2016	Amends Notification No. 8/2003-Central Excise dated 17.03.2012 so as to carry out Budgetary
<u>7</u>	01-03-2016	Amends Notification No. 7/2012-Central Excise dated 17.03.2012 so as to carry out Budgetary
<u>6</u>	01-03-2016	Amends specified notifications relating to area based exemptions, so as to carry out Budgetary
<u>5</u>	01-03-2016	Amend specified notifications relating to area based exemptions, so as to carry out Budgetary

TRU II

**F. No. 334/8/2016-TRU
Government of India
Ministry of Finance
Department of Revenue
(Tax Research Unit)**

Amitabh Kumar
Joint Secretary (Tax Research Unit)
Tel: 011-23093027; Fax: 011-23093037
E-mail: amitabh.kumar@nic.in

**D.O.F. No.334/8/2016-TRU
New Delhi, dated February 29th, 2016**

Dear Madam/Sir,

Subject: Union Budget 2016 - Changes relating to Service Tax - reg.

The Finance Minister has, while presenting the Union Budget 2016-17, introduced the Finance Bill, 2016 in the Lok Sabha on the 29th of February, 2016. Clauses 145 to 157 of the Bill cover the amendments made to Chapter V of the Finance Act, 1994. Chapter VI of the Bill (clause 158) proposes to levy Krishi Kalyan Cess, on any or all the taxable services at the rate of 0.5% of the value of taxable services with effect from 1st June, 2016.

2.0 Changes are also proposed in,-

- the Service Tax Rules, 1994 (STR);
- the Point of Taxation rules, 2011;
- the CENVAT Credit Rules, 2004 (Cenvat Rules);

These and other changes are being given effect to by inserting new entries, and amending/omitting existing entries in notification Nos. 25/2012-ST, 26/2012-ST, 30/2012-ST, 32/2012-ST, all dated 20-6-2012, 23/2004-CE(NT) dated 10.09.2004 and 27/2012-C.E. (N.T.) dated 18.06.2012 and by issuing new notifications.

2.1 It may be noted that changes being made in the Budget are coming into effect on various dates, as indicated below:

- (i) Changes coming into effect immediately w.e.f. the 1st day of March, 2016;
- (ii) Changes coming into effect from the 1st day of April, 2016;
- (iii) The amendments which will get incorporated in the Finance Act, 1994 on enactment of the Finance Bill, 2016;
- (iv) The amendments made in the Finance Act, 1994, which will come into effect from 1st day of June, 2016 after the enactment of the Finance Bill, 2016; and
- (v) Chapter VI of the Finance Bill, 2016, regarding levy of Krishi Kalyan Cess on all taxable services will come into effect from 1st June 2016.

For ease of reference, the Table at Annexure-I lists the changes being made and indicates the dates on which these changes would come into effect.

The salient features of the changes being made are discussed below.

3.0 Enabling provision for levy of “Krishi Kalyan Cess”:

3.1 Krishi Kalyan Cess is proposed to be levied with effect from 1st June, 2016 on any or all the taxable services at the rate of 0.5% on the value of such taxable services. Credit of Krishi Kalyan Cess paid on input services shall be allowed to be used for payment of the proposed Cess on the service provided by a service provider.

(Chapter VI/Clause 158 of the Bill refers)

4.0 Other Legislative changes:

4.1 **Negative List** -The changes proposed in the Negative List in Section 66 D are as follows:

- (A) Presently, clause (1) of section 66D of the Act [Negative List] covers specified educational services. These services are proposed to be omitted from the Negative List but the service tax exemption on them is being continued by incorporating them in the general exemption notification (*Notification No. 25/2012-ST as amended by notification No. 09/2016-ST, dated 1st March, 2016 refers*). Consequently, the

definition of ‘approved vocational education course’ [clause (11) of section 65B] is also proposed to be omitted from the Finance Act and is being incorporated in the general exemption notification (*Notification No. 25/2012-ST as amended by notification No 09/2016-ST, dated 1st March, 2016 refers*). This amendment in the notification shall come into effect from the date of enactment of Finance Bill, 2016.

- (B) The Negative List entry that covers “service of transportation of passengers, with or without accompanied belongings, by a stage carriage” is proposed to be omitted [section 66D (o)(i)] with effect from 1.06.2016. Clause 146 of Finance Bill 2016 may please be seen. As a consequence, the above services become taxable with effect from 1.06.2016. However, such services by a non-air-conditioned contract carriage will continue to be exempted by way of exemption notification [*Notification No. 25/2012-ST, as amended by notification No. 09/2016-ST, dated 1st March, 2016 refers*]. The service of transportation of passengers by air-conditioned stage carriage is being taxed at the same level of abatement (60%) as applicable to the transportation of passengers by a contract carriage, with same conditions of non-availment of Cenvat credit. [*notification No. 08/2016-St dated 29th February, 2016 refers*]
- (C) The entry in the Negative List that covers services by way of transportation of goods by an aircraft or a vessel from a place outside India up to the customs station of clearance [section 66D (p)(ii)] is proposed to be omitted with effect from 1.06.2016. Clause 146 of Finance Bill 2016 may please be seen in this regard. However such services by an aircraft will continue to be exempted by way of exemption notification [*Not. No. 25/2012-ST, as amended by notification No. 09/2016-ST dated 1st March, 2016 refers*]. The domestic shipping lines registered in India will pay service tax under forward charge while the services availed from foreign shipping line by a business entity located in India will get taxed under reverse

charge at the hands of the business entity. The service tax so paid will be available as credit with the Indian manufacturer or service provider availing such services (subject to fulfillment of the other existing conditions). It is clarified that service tax levied on such services shall not be part of value for custom duty purposes.

In addition, Cenvat credit of eligible inputs, capital goods and input services is being allowed for providing the service by way of transportation of goods by a vessel from the customs station of clearance in India to a place outside India. Consequential amendments are being made in Cenvat Credit Rules, 2004 [Not. No. 23/2004-CE (N.T.), as amended by Sl. Nos. 2(b) and 5(h) of notification No. 13/2016-C.E. (N.T.) dated refers.]

(Clause 146 of the Bill refers)

4.2 Further amendments in Chapter V of the Finance Act, 1994:

A. Lottery:

Section 4(c) of the Lotteries (Regulation) Act, 1998 provides that the State Government shall sell the tickets either itself or through distributors or selling agents. Thus, as per the provisions of the Lotteries (Regulation) Act, 1998, the transaction between the State Government and the distributors or selling agents is on principal to agent basis. Any contract contrary to the aforesaid legal provisions is *ultra vires* the provisions of Indian Contracts Act, 1872 and thus not legally enforceable. *Explanation 2* in section 65B(44) is proposed to be amended to clarify that activity carried out by a lottery distributor or selling agents of the State Government under the provisions of the Lotteries (Regulation) Act, 1998 (17 of 1998), is leviable to service tax.'

(Clauses 145 of the Bill refers)

B. Declared Services (Section 66E):

Assignment by the Government of the right to use the radio-frequency spectrum and subsequent transfers thereof is proposed to be declared as a service under section 66E of the Finance Act, 1994 so as to make it clear that assignment by Government of the right to use the spectrum as well as

subsequent transfers of assignment of such right to use is a service leviable to service tax and not sale of intangible goods.

(Clauses 147 of the Bill refers)

C. Section 67A of Finance Act, 1994.

Section 67A is proposed to be amended to obtain specific rule making powers in respect of Point of Taxation Rules, 2011. Point of Taxation Rules, 2011 is being amended accordingly. The amendment in the rules would come into force with effect from the date of enactment of the Finance Bill, 2016.

(Clause 148 of Finance Bill, 2016 and Sl. No. 2(1) of notification No. 10/2016-ST refers)

D. Amendment in section 73 of the Finance Act:

The limitation period for recovery of service tax not levied or paid or short-levied or short paid or erroneously refunded, for cases not involving fraud, collusion, suppression etc. is proposed to be enhanced by one year, that is, from eighteen months to thirty months by making suitable changes to section 73 of the Finance Act, 1994.

(Clauses 149 of the Finance Bill, 2016 refers)

E. Amendment to section 75 of Finance Act

Section 75 of the Finance Act is proposed to be amended so that a higher rate of interest would apply to a person who has collected the amount of service tax from the service recipient but not deposited the same with the Central Government.

(Clause 150 of Finance Bill 2016 refers)

F. Amendment in section 78A of the Finance Act, 1994

It is proposed to provide that penalty proceedings under section 78A shall be deemed to be closed in cases where the main demand and penalty proceedings have been closed under section 76 or section 78, by making suitable changes to section 78A by addition of an explanation.

(Clause 151 of Finance Bill 2016 refers)

G. Section 89 of the Finance Act, 1994

The monetary limit for filing complaints for punishable offences is proposed to be enhanced to Rs. 2 crore.

(Clause 152 of Finance Bill 2016 refers)

H. Sections 90 and 91 of the Finance Act, 1994

The power to arrest in service tax law is proposed to be restricted only to situations where the tax payer has collected the tax but not deposited it with the exchequer, and amount of such tax collected but not paid is above the threshold of Rs 2 crore. Sections 90 and 91 of the Finance Act, 1994 are being amended accordingly.

(Clauses 153 and 154 of Finance Bill 2016 refers)

I. Section 93A: Power to grant rebate.

Section 93A of the Finance Act, 1994 is being amended so as to enable allowing of rebate by way of notification as well as rules.

(Clause 155 of the Bill refers)

J. Retrospective effect to notification No. 01/2016- ST

Notification No. 41/2012- ST, dated the 29th June, 2012 was amended vide notification No.1/2016-ST dated 3rd February, 2016 so as to, *inter alia*, allow refund of service tax on services used beyond the factory or any other place or premises of production or manufacture of the said goods, for export of the said goods. The said amendment is being given retrospective effect from the date of application of the parent notification, i.e., from 01.07.2012. Time period of one month is proposed to be allowed to the exporters whose claims of refund were earlier rejected in absence of amendment carried out vide notification No.1/2016-ST dated 3rd February, 2016.

(Clauses 157 of the Bill refers)

K. Service Tax exemption to canal, dam or other irrigation works with retrospective effect:

- (a) Definition of Governmental authority was amended with effect from 30.01.2014 so as to exempt services provided by way of construction, erection, maintenance, or alteration etc. of canal, dam or other irrigation works provided to entities set up by Government but not necessarily by an Act of Parliament or a State Legislature. However, services provided prior to 30.01.2014 to such bodies remained taxable. The benefit of exemption is proposed to be extended to the said services provided during the period from the 1st July, 2012 to 29.01.2014.
- (b) Refund of Service Tax paid on the said services during the period from the 1st July, 2012 to 29.01.2014 shall also be allowed in accordance with the law including the law of unjust enrichment. Application for refund may be allowed to be filed within a period of six months from the date on which the Finance Bill, 2016 receives the assent of the President.

*[New section 101 is being inserted in the Finance Act, 1994]
(Clauses 156 of the Finance Bill, 2016 refers)*

L. Restoration of certain exemptions withdrawn last year for projects, contracts in respect of which were entered into before withdrawal of the exemption.

- (a) Exemption from Service Tax on services provided to the Government, a local authority or a governmental authority by way of construction, erection, etc. of -
 - (i) a civil structure or any other original works meant predominantly for use other than for commerce, industry, or any other business or profession;
 - (ii) a structure meant predominantly for use as (i) an educational, (ii) a clinical, or (iii) an art or cultural establishment;
 - (iii) a residential complex predominantly meant for self-use or the use of their employees or other persons specified in the Explanation 1 to clause 44 of section 65B of the said Act;

was withdrawn with effect from 1.4.2015. The same is being restored for the services provided under a contract which had been entered into

prior to 01.03.2015 and on which appropriate stamp duty, where applicable, had been paid prior to that date. The exemption is being restored till 31.03.2020. *[Notification No. 25/2012-ST as amended by notification No. 09/2016-ST dated 1st March, 2016 refers]* The services provided during the period from 01.04.2015 to 29.02.2016 under such contracts are also proposed to be exempted from service tax.

*[New section 102 is being inserted in the Finance Act, 1994]
(Clauses 156 of the Bill refers)*

- (b) Exemption from Service Tax on services by way of construction, erection, etc. of original works pertaining to an airport, port was withdrawn with effect from 1.4.2015. The same is being restored for the services provided under a contract which had been entered into prior to 01.03.2015 and on which appropriate stamp duty, where applicable, had been paid prior to that date subject to production of certificate from the Ministry of Civil Aviation or Ministry of Shipping, as the case may be, that the contract had been entered into prior to 01.03.2015. The exemption is being restored till 31.03.2020. *[Notification No. 25/2012-ST as amended by notification No. 09/2016-ST dated 1st March, 2016 refers]*. The services provided during the period from 01.04.2015 to 29.02.2016 under such contracts are also proposed to be exempted from service tax.

*[New section 103 is being inserted in the Finance Act, 1994]
(Clauses 156 of the Bill refers)*

The above changes in the Finance Act, 1994 shall come into force on the day the Finance Bill, 2016 is enacted.

5.0 Information Technology Software:

- 5.1 With effect from 21.12.2010, media falling under Chapter 85 with recorded Information Technology Software has been notified under section 4A of the Central Excise Act. Accordingly, Central Excise duty/CVD is to be paid on the value of such media with recorded Information Technology Software and the assessable value of such media is required to be determined on the basis of the retail sale price (RSP) affixed on the package of such media

under the Legal Metrology Act, 2009 (1 of 2010) or the rules made thereunder. In respect of transactions involving supply of such media bearing RSP, not amounting to sale/deemed sale, service tax is being exempted. Thus, only Central Excise duty is levied on such transactions. (*Notification No. 11/2016-CE dated 1st March 2016 refers*)

5.2 In certain situations like delivering customised software on media, such media with recorded Information Technology Software, is not required to bear the RSP when supplied domestically or imported. Difficulties are being experienced in the assessment of such media to Central Excise duty/CVD besides giving rise to the issue of double taxation – levy of Central Excise duty/CVD as well as service tax. In order to resolve the issue, media with recorded Information Technology Software which is not required to bear RSP, is being exempted from so much of the Central Excise duty/CVD as is equivalent to the duty payable on the portion of the value of such Information Technology Software recorded on the said media, which is leviable to service tax. In such cases, manufacturer/importer would therefore be required to pay Central Excise duty/CVD only on that portion of value representing the value of the medium on which it is recorded along with freight and insurance. The exemption is subject to the fulfillment of certain conditions. Thus, the levy of Central Excise duty/CVD and service tax will be mutually exclusive. (*Notification No. 11/2016-CE and 11/2016-Customs, both dated 1st March 2016 refers*)

6.0 Review of Exemptions:

6.1 Exemption in respect of the following services is being withdrawn,-

- Services provided by a senior advocate to an advocate or partnership firm of advocates, and
- A person represented on an arbitral tribunal to an arbitral tribunal;

Service tax in the above instances would be levied under forward charge. However, the existing dispensation regarding legal services provided by a firm of advocates or an advocate other than senior advocate is being continued.

(Sl. No. (i) of Notification No. 9/2016-ST, dated 1st March, 2016 refers).

- 6.2 Exemption under Sl. No. 23 (c) of the notification No.25/2012-ST on transport of passengers, with or without accompanied belongings, by ropeway, cable car or aerial tramway is being withdrawn.

(Sl. No (ix) B of notification No. 9/2016-ST, dated 1st March, 2016 refers).

- 6.3 Exemption to construction, erection, commissioning or installation of original works pertaining to monorail or metro (under S. No 14 of the notification No. 25/12-ST) is being withdrawn, in respect of contracts entered into on or after 1st March 2016. The other exemptions under S. No. 14 of notification No. 25/12-ST shall continue unchanged.

(Sl. No(vi)A of notification No. 9/2016-ST, dated 1st March, 2016 refers).

The above changes in notification No. 25/12-ST, except the change mentioned in para 6.3, shall come into effect from the 1st day of April 2016. The change mentioned in para 6.3 will come into effect from 1st March, 2016.

7. New Exemptions:

- 7.1 The services of life insurance business provided by way of annuity under the National Pension System (NPS) regulated by Pension Fund Regulatory and Development Authority (PFRDA) of India is being exempted from service tax.

(New entry at S. No. 26C of notification No. 25/2012-ST refers)

- 7.2 Services provided by Securities and Exchange Board of India (SEBI) set up under SEBI Act, 1992, by way of protecting the interests of investors in securities and to promote the development of, and to regulate, the securities market are being exempted from service tax.

(New entry at S. No. 51 of notification No. 25/2012-ST refers)

- 7.3 Services provided by Employees' Provident Fund Organisation (EPFO) to employees are being exempted from service tax.

(New entry at S. No. 49 of notification No. 25/2012-ST refers)

- 7.4 Services provided by Biotechnology Industry Research Assistance Council (BIRAC) approved biotechnology incubators to the incubatees are being exempted from service tax.
(Amendment in notification No. 32/2012-ST refers)
- 7.5 Services provided by National Centre for Cold Chain Development under Department of Agriculture, Cooperation and Farmer's Welfare, Government of India, by way of knowledge dissemination are being exempted from service tax.
(New entry at S. No. 52 of notification No. 25/2012-ST refers)
- 7.6 Services provided by Insurance Regulatory and Development Authority (IRDA) of India are being exempted from service tax.
(New entry at S. No. 50 of notification No. 25/2012-ST refers)
- 7.7 Services of general insurance business provided under 'Niramaya' Health Insurance scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability in collaboration with private/public insurance companies are being exempted from service tax.
(New entry at S. No. 26(q) of notification No. 25/2012-ST refers)
- 7.8 The threshold exemption limit of consideration charged for services provided by a performing artist in folk or classical art forms of music, dance or theatre, is being increased from Rs 1 lakh to Rs 1.5 lakh per performance.
(Notification No.09/2016-ST, dated 1st March 2016 refers)
- 7.9 Services provided by way of skill/vocational training by Deen Dayal Upadhyay Grameen Kaushalya Yojana training partners are being exempted from service tax.
(New entry at S. No. 9D of notification No. 25/2012-ST refers)
- 7.10 Services of assessing bodies empanelled centrally by Directorate General of Training, Ministry of Skill Development & Entrepreneurship are being exempted from service tax.

(New entry at S. No. 9C of notification No. 25/2012-ST refers)

- 7.11 Services by way of construction, erection etc. of a civil structure or any other original works pertaining to the “In-situ Rehabilitation of existing slum dwellers using land as a resource through private participation” component of Housing for All (HFA) (Urban) Mission / Pradhan Mantri Awas Yojana (PMAY), except in respect of such dwelling units of the projects which are not constructed for existing slum dwellers, is being exempted from service tax.

(New entry at S. No. 13 (ba) of notification No. 25/2012-ST refers)

- 7.12 Services by way of construction, erection etc., of a civil structure or any other original works pertaining to the “Beneficiary-led individual house construction / enhancement” component of Housing for All (HFA) (Urban) Mission/ Pradhan Mantri Awas Yojana (PMAY) is being exempted from service tax.

(New entry at S. No. 13 (bb) of notification No. 25/2012-ST refers)

- 7.13 Services by way of construction, erection, etc., of original works pertaining to low cost houses up to a carpet area of 60 sq.m per house in a housing project approved by the competent authority under the “Affordable housing in partnership” component of PMAY or any housing scheme of a State Government are being exempted from service tax.

(new entry at S. No. 14 (ca) of notification No. 25/2012-ST refers)

- 7.14 Services provided by the Indian Institutes of Management (IIM) by way of 2 year full time Post Graduate Programme in Management(PGPM) (other than executive development programme), admissions to which are made through Common Admission Test conducted by IIMs, 5 year Integrated Programme in Management and Fellowship Programme in Management are being exempted from service tax.

- 7.15 It has been informed by Secretary, Ministry of Human Resource Development (MHRD) vide letter D. O. No.2-14/2009-TS.V dated 8th July, 2014 and 5th February, 2014 that MHRD is vested with the power to

recognise educational courses [DoPT O.M. dated 08.01.1975], for the purpose of recruitment to posts under Government of India. It has been further stated by MHRD in their above mentioned letters that IIMs have been conducting Post Graduate Programmes in Management and Fellowship Programmes which are equivalent to MBA and Ph.D degrees. It has been reiterated by Secretary, MHRD vide letter D.O. 3/5/2013-TS.V dated 15.1.2016 that the IIMs have been conducting Post Graduate Programmes in Management and Fellowship Programmes which are equivalent to MBA and Ph.D degrees, respectively, (as also clarified by associations like Association of Indian Universities, Inter –University Board of India etc.). In view of this, the exemption being given to the above programmes of IIMs is clarificatory in nature and in view of the same, liability to pay service tax in respect of the said programmes for the past period will also become infructuous.

(New entry at S. No. 9B of notification No. 25/2012-ST *refers*)

The above changes in notification No. 25/12-ST, except the change mentioned in para 7.11, 7.12, 7.13 and 7.14 (which will come into effect from 1st March, 2016), shall come into effect from the 1st day of April 2016.

8. New entries being incorporated in notification No. 25/2012-ST, to continue exemption to certain activities that are presently covered by the Negative List entries which are being omitted:

- 8.1 Services by way of transportation of goods by an aircraft from a place outside India up to the customs station of clearance in India were in negative list of services [clause (p)(ii) of section 66D]. As this entry is proposed to be omitted through the Finance Bill 2016[para 4.1(C) above refers], the said service is being exempted by amending notification No.25/2012-ST.

(*New entry at S. No 53 of notification No. 25/2012-ST refers*)

- 8.2 Services by a stage carriage were in the negative list of services [clause (o) (i) of section 66D]. As this entry is proposed to be omitted through the Finance Bill 2016 [para 4.2 above refers], a new entry is being inserted in

notification No.25/2012-ST so as to exempt services by a stage carriage other than air conditioned stage carriage

(New entry at S. No. 23(bb) of notification No. 25/2012-ST refers)

These changes shall be made effective from 1st of June, 2016.

9. Abatements:

- 9.1 In cases where the tour operator is providing services solely of arranging or booking accommodation for any person in relation to a tour, abatement of 90% is available with specified conditions. However, this abatement of 90% cannot be claimed in such cases where the invoice, bill or challan issued by the tour operator, in relation to a tour, only includes the service charges for arranging or booking accommodation for any person and does not include the cost of such accommodation. There is no change in the rate of abatement or the conditions required to be fulfilled for claiming the said abatement.

(Entry at S. No. 11(i) of notification No. 26/2012-ST as amended vide notification No. 8/2016-ST dated 1.03.2016 refers)

- 9.2 Abatement rates in respect of services by a tour operator in relation to a tour other than in para 9.1 above, is being rationalised from 75% and 60% to 70%. Consequently, the definition of “package tour” as provided in the relevant notification is being omitted.

(Amendment in entry at S. No. 11 of notification No. 26/2012-ST refers)

- 9.3 Services provided by foreman to a chit fund under the Chit Funds Act, 1982 are proposed to be taxed at an abated value of 70% [i.e., with abatement of 30%], subject to the condition that Cenvat credit of inputs, input services and capital goods has not been availed.

(Amendment in entry at S. No. 8 of notification No. 26/2012-ST refers)

- 9.4 At present, there is abatement of 60% on the gross value of renting of motor-cab services, provided no cenvat credit has been taken. It is being made clear by way of inserting an explanation in the notification No. 26/2012-ST that cost of fuel should be included in the consideration charged for providing renting of motor-cab services for availing the abatement.

(Insertion of Explanation ‘BA’ in notification No. 26/2012-ST refers)

9.5 At present, two rates of abatement have been prescribed for services of construction of complex, building, civil structure, or a part thereof,- (a) 75% of the amount charged in case of a residential unit having carpet area of less than 2000 square feet and costing less than Rs 1 crore, and (b) 70% of the amount charged in case of other than (a) above, both subject to fulfilment of certain conditions prescribed therein. A uniform abatement at the rate of 70% is now being prescribed for services of construction of complex, building, civil structure, or a part thereof, subject to fulfilment of the existing conditions.

(Amendment in entry at S. No. 12 of notification No. 26/2012-ST refers)

9.6 At present, service tax is leviable on 30% of the amount charged for the service of transport of passengers by rail, without cenvat credit of inputs, input services and capital goods. Thus, abatement of 70% is presently available in respect of the said services. It is proposed to continue with the same level of abatement with cenvat credit of input services for the said service.

(Amendment in entry at S. No. 3 of notification No. 26/2012-ST refers)

9.7 At present, service tax is payable on 30% of the value of service of transport of goods by rail without cenvat credit on inputs, input services and capital goods. Thus, abatement of 70% is presently available in respect of the said service. It is now proposed to continue with the same level of abatement with cenvat credit of input services for transport of goods by rail (other than “transport of goods in containers by rail by any person other than Indian Railway”). A reduced abatement rate of 60% with credit of input services is being prescribed for transport of goods in containers by rail by any person other than Indian Railway.

(Existing entry at S.No. 2 and new entry at S. No. 2A of notification No. 26/2012-ST refers)

9.8 At present, service tax is leviable on 30% of the value of service of transport of goods by vessel without Cenvat credit on inputs, input services and capital goods. Thus, abatement of 70% is presently available in respect of

the said service. It is now proposed to continue with the same level of abatement with cenvat credit of input services for the said service.

(Amendment in entry at S. No. 10 of notification No. 26/2012-ST refers)

- 9.9 Abatement on transport of used household goods by a Goods Transport Agency (GTA) is being rationalised at the rate of 60% without availment of cenvat credit on inputs, input services and capital goods by the service provider (as against abatement of 70% allowed on transport of other goods by GTA).

(New entry at S. No. 7A in notification No. 26/2012-ST refers)

The proposed rationalization in abatements shall come into effect from the 1st day of April, 2016.

10. Reverse Charge Mechanism

- 10.1 In Union Budget, 2015, as a policy decision to prune exemptions, the exemption to services provided by mutual fund agents/distributors to an asset management company was withdrawn. However these services were put under reverse charge liability, i.e., the Asset Management Company was made liable to pay service tax for the services received from such agents/distributors. Services provided by mutual fund agents/distributor to a mutual fund or asset management company are being put under forward charge, i.e. the service provider is being made liable to pay service tax. The small sub-agents down the distribution chain will still be eligible for small service provider exemption [threshold turnover of Rs 10 lakh/year] and a very small number will be liable to pay service tax. Accordingly, Rule 2(1)(d)(EEA) of Service Tax Rules, 1994 making service recipient, that is, mutual fund or Asset Management Company as the person liable for paying service tax is being deleted along with consequential changes in notification No. 30/2012-ST.

- 10.2 The liability to pay service tax on any service provided by Government or a local authority to business entities shall be on the service recipient.

Consequently, notification No. 30/2012-ST is being amended so as to delete the words '*by way of support services*' appearing at Sl. No. 6 of the Table in the said notification with effect from 1st April, 2016. Further, 1st April, 2016 is being notified as the date from which the words '*by way of support services*' shall stand deleted from paragraph 1, clause A (iv), item (C) of notification No. 30/2012-ST.

The above changes shall come into effect from the 1st day of April 2016.

11. Service Tax Rules

11.1 The concept of One Person Company (OPC) in India was introduced through the Companies Act, 2013 to support entrepreneurs who on their own are capable of starting a venture by allowing them to create a single person economic entity with limited liability. One person Company has been defined in Section 2(62) of the Companies Act, 2013. The benefits of (a) quarterly payment of service tax and (b) payment of service tax on receipt basis, which are available to individual and partnership firms, are being extended to One Person Company (OPC) whose aggregate value of services provided is up to Rs. 50 lakh in the previous financial year. Further, the benefit of quarterly payment of service tax is also being extended to HUF. Rule 6 of the Service tax Rules, 1994, which deals with the payment of service tax and prescribes relaxation for individual or proprietary firm or partnership firm, is being amended accordingly.

11.2 Rule 2(1)(d)(i) (D)(II) is being modified so that legal services provided by a senior advocate shall be on forward charge.

(Notification No. 19/2016-ST dated 1.03.2016 refers)

11.3 The service tax liability on single premium annuity (insurance) policies is being rationalised and the effective alternate service tax rate (composition rate) is being prescribed at 1.4% of the total premium charged, in cases where the amount allocated for investment or savings on behalf of policy holder is not intimated to the policy holder at the time of providing of

service. Amendments are being made in rule 7A of Service Tax Rules, 1994 accordingly.

11.4 At present, support services provided by Government or local authorities to business entities are taxable under reverse charge mechanism that is the liability to pay service tax on such services is on the service recipient. With effect from 1st April, 2016, any service (and not only support services) provided by Government or local authorities to business entities shall be taxable. Consequently, 1st April, 2016 is being notified as the date from which the word “support” shall stand deleted from rule 2(1)(d)(i) (E) of Service Tax Rules, 1994 so as to provide that the liability to pay service tax on any service provided by Government or local authorities to business entities shall also be on the service recipient on reverse charge basis.

11.5 Recipient of services availed from foreign shipping line by a business entity located in India will get taxed under reverse charge at the hands of the business entity. (No fresh provision is being made in this regard, as it is already covered by Place of Provision of Service Rules.)

11.6 Technical amendment to rule 6 (4)

Rule 6(4) is being amended so as to substitute the reference to the Central Excise (No. 2) Rules, 2001, with a reference to the Central Excise Rules, 2002.

The above changes, except the changes mentioned in para 11.5 (which will come into effect from 1st June, 2016), shall come into effect from the 1st day of April 2016.

12. The Point of Taxation Rules (POTR).

The Point of Taxation Rules, 2011 have been framed under provisions of clause (a) and (hhh) of sub-section (1) of section 94, now specific powers is also being obtained under section 67A to make rules regarding point in time of rate of service tax. Thus, any doubt about the applicability of service tax

rate or apparent contradiction between section 67A and POTR would be taken care of. Therefore, consequent modifications have been done in POTR.

- (a) Rule 5 of POTR applies when a new service comes into the service tax net. Although in the case of new levy, provisions of Chapter V of the Finance Act, 1994, and rules made thereunder, are invariably made applicable in relation to the levy and collection of the new levy. However, doubts have been raised regarding its applicability in case of new levy. Therefore, an *Explanation* is being inserted in Rule 5 stating that the same is applicable in case of new levy on services.
- (b) Further, in rule 5 of POTR, it is provided that in two specified situations the new levy would not apply. Another *Explanation* is being inserted therein stating that in situations other than those specified where new levy or tax is not payable, the new levy or tax shall be payable.

The above changes shall come into effect from 1st March, 2016.

13. Cenvat Credit Rules, 2004

With a view to simplify and rationalize the Cenvat Credit Rules, 2004, a number of amendments are being carried out in them. The important changes have been discussed in brief in Annexure-II.

14. Rationalisation

Interest rates on delayed payment of duty/tax across all indirect taxes is proposed to be made uniform at 15%, except in case of service tax collected but not deposited with the Central Government, in which case the rate of interest will be 24% from the date on which the service tax payment became due. Notifications under section 73B and section 75 of the Finance Act, 1994 are being issued accordingly.

(Notification Nos. 13 and 14/2016-ST dated 1st March, 2016 refer)

In case of assessee, whose value of taxable services in the preceding year/years covered by the notice is less than Rs. 60 Lakh, the rate of interest on delayed payment of service tax will be 12%.

(Notification Nos. 13 and 14/2016-ST dated 1st March, 2016 refer)

15. Certain issues clarified:

15.1 Incentives received by air travel agents from computer reservation system companies (CCRS)

15.1.1 High Level Committee (HLC) in their Second Half Yearly Report in December 2015 have stated that Air Travel Agents (ATA) reportedly have been representing to CBEC since 2012 for a clarification about levy of service tax on the incentives received by them from the Companies providing Computer Reservation System (CCRS) like Galileo, Amadeus, etc. The CCRS do not charge any amount for providing access to their internet system for booking of air tickets by the ATAs. Rather, the CCRS are providing certain incentives either for achieving the targeted booking of air tickets or for loyalty for booking of air tickets using their software system.

15.1.2 It is clarified that incentives received by the Air Travel Agents (ATAs) from the Companies providing Computer Reservation System (CCRS) are for using the software and platform provided by the CCRS like Galileo, Amadeus, etc. The CCRS are providing these incentives either for achieving the targeted booking of air tickets or for loyalty for booking of air tickets using their software system. Thus, the service provided by CCRS is to the Airlines and Air Travel Agent is promoting the service provided by CCRS to Airlines. Thus, the service provided by the ATAs to CCRS is neither covered in the negative list (Section 66D of the Finance Act, 1994) nor exempt by a notification. Therefore, service tax is leviable on the same.

15.2 Services provided by government or local authorities to business entities;

Finance Act, 1994 was amended vide Finance Act, 2015 so as to make any service (and not only support services) provided by Government or local

authorities to business entities taxable from a date to be notified later. 1st April, 2016 has already been notified as the date from which any service provided by Government or local authorities to business entities shall be taxable. Consequently, 1st April, 2016 is also being notified as the date from which the definition of support services shall stand deleted from the Finance Act, 1994

[notification No. 15/2016-ST dated refers].

15.3 Services provided by Container Train Operators (CTOs)

As discussed above, notification No. 26/2012-ST is being amended to provide that transport of goods by rail (other than transport of goods in containers by any person other than Indian Railway) shall be eligible for abatement at the rate of 70% with credit of input services. Transport of goods in containers by any person other than Indian Railway shall be eligible for abatement at the rate of 60% with credit of input services.

It is hereby also clarified that service provided by the Indian Railways to Container Train Operators (CTOs) of haulage of their container train (rake of wagons with containers) is a service of 'Transport of Goods by Rail' and is, therefore, eligible for abatement and tax treatment accordingly, that is, for abatement at the rate of 70% with credit of input services.

15.4 Refund of CENVAT Credit

Notification No. 27/2012 – C.E. (N.T.) is being amended so as to provide that time limit for filing application for refund of Cenvat Credit under Rule 5 of the Cenvat Credit Rules, 2004, in case of export of services, shall be 1 year from the date of –

- (a) receipt of payment in convertible foreign exchange, where provision of service has been completed prior to receipt of such payment; or
- (b) the date of issue of invoice, where payment for the service has been received in advance prior to the date of issue of the invoice.

[Notification No. 14/2016-CE(NT) dated 01.03.2016 refers].

15.5 Indirect tax Dispute Resolution Scheme, 2016

Indirect tax Dispute Resolution Scheme, 2016, wherein a scheme in respect of cases pending before Commissioner (Appeals), the assessee, after paying the duty, interest and penalty equivalent to 25% of duty, can file a declaration, is being introduced. In such cases the proceedings against the assessee will be closed and he will also get immunity from prosecution. However, this scheme will not apply in certain specified type of cases.

15.6 Returns.

Service tax assessee above a certain threshold will also be required to file an annual return. This change shall come into effect from 1st April, 2016.

15.7 Services provided by institutes of language management (ILMs)

15.7.1 High Level Committee (HLC) on Tax Laws in its IInd Half Yearly Report has observed that Institutes of Language Management (ILMs) are engaged by various schools/institutions to develop knowledge and language skills of students. Since the ILMs are providing coaching/teaching to the students in a school or college, as a part of a curriculum for obtaining a qualification recognized by any law for the time being in force it should be clarified that the services provided by ILMs are not liable to service tax.

15.7.2 The matter has been examined. The services provided by the ILMs are not covered by Section 66D (1) of the Finance Act, 1994 or Entry 9 of Notification No. 25/2012 - ST as they are not providing pre-school education or education up to higher secondary school (or equivalent) or education for obtaining a qualification recognized by law. It is the schools/colleges/institutions (in which the students take admissions) which provide such education. The ILMs provide services to such educational institutions, which helps such educational institutions in providing services specified in the negative list. Thus, it is clarified that services provided by

the Institutes of Language Management (ILMs) are not eligible for exemption under Section 66D (l) of the Finance Act, 1994 or under Sl. No. 9 of Notification No. 25/2012-ST.

16. General

- 16.1 Changes explained above are not intended to be exhaustive and are meant only to draw attention to major changes. The text of the statutory provisions and the wordings of the notifications should be read carefully for interpreting the law.
- 16.2 Field formations are requested to go through the changes made in the Budget carefully. Any issues or doubts which may arise or any omission/error observed may kindly be brought to the notice of the undersigned or Shri Ram Tirath, Member(Budget), Phone No. 011-23094788, Dr. Somesh Chander, Director at somesh.chander@nic.in, Ph. 011-23095522, or Shri Pramod Kumar, OSD (TRU) at pramodkumar.dor@nic.in, Ph. 011-23092274, as soon as possible.
- 16.3 Despite best efforts it is but human to make some errors and omissions in the drafting of various provisions. I shall be extremely thankful if you could either inform me or my colleagues of such inadvertent errors as soon as possible. You may also inform about any operational, administrative or any other difficulty faced or anticipated in the implementation of the new proposals either by the trade or by the field formations.
- 16.4 I would like to express my gratitude for the pre-budget suggestions and inputs which have been received from field formations. I would like to say a special thank you to the Director and Officer on Special Duty who have very diligently carried through the budgetary process. I would be found wanting if I do not thank the three Technical Officers, Dr Abhishek

Chandra Gupta, Dr. Ravinder Kumar and Shri Abhishek Verma, who put in their best.

With regards,

Yours sincerely,

(Amitabh Kumar)

To:

All Chief Commissioners / Director Generals

All Principal Commissioners/Commissioners of Service Tax

All Principal Commissioners/Commissioners of Central Excise

ANNEXURE-I

LIST OF CHANGES BEING MADE AND THE DATES ON WHICH THEY WOULD COME INTO EFFECT.

SUBJECT	Para
A. With immediate effect (from 01.03.2016)	
(i) Restoration of exemption on services provided to the Government, a local authority or a governmental authority.	4.2L(a)
(ii) Restoration of exemption on services to an airport, port.	4.2L(b)
(iii) Withdrawal of exemption on services to monorail or metro, in respect of contracts entered into on or before 01.03.2016	6.3
(iv) Exemption to services by way of construction etc. in respect of-	7.11 to 7.13
(a) housing projects under Housing For All (HFA) (Urban) Mission/Pradhan Mantri Awas Yojana (PMAY);	
(b) low cost houses up to a carpet area of 60 square metres in a housing project under “Affordable housing in Partnership” component of PMAY,	
(c) low cost houses up to a carpet area of 60 square metres in a housing project under any housing scheme of the State Government,	
(v) Exemption to specified services provided by the Indian Institutes of Management (IIM).	7.14
(vi) Notification to ensure that Information Technology Software is subjected to either central excise duty or service tax. To deal with assessment of media with recorded Information Technology Software, where RSP is affixed or assessment when RSP is not required.	5.0
(vii) Insertion of <i>Explanations</i> in Rule 5 of Point of Taxation Rules, 2011	12
(viii) Cenvat credit is being allowed to service providers providing services by way of transportation of goods by a vessel from India to abroad.	13(d)& 13(i)(iii)
(ix) Notification No. 27/2012 – C.E. (N.T.) is amended to specify relevant date.	15.4
(x) Service provided by Container Train Operators	15.3
B. With effect from 1st day of April, 2016	
• Exemption on services by senior advocate to other advocate or to a law firm is being withdrawn. Levy under forward charge.	6.1

<ul style="list-style-type: none"> • A person represented on an arbitral tribunal to an arbitral tribunal; 	6.1
<ul style="list-style-type: none"> • Exemption being withdrawn from the services of transport of passengers, by ropeway, cable car or aerial tramway. 	6.2
<ul style="list-style-type: none"> • Date from which the definition of support services shall stand deleted from the Finance Act, 1994. 	15.2
<ul style="list-style-type: none"> • New exemptions for services by,- <ul style="list-style-type: none"> • Annuity under the National Pension System • Securities and Exchange Board of India (SEBI) • Employees' Provident Fund Organisation (EPFO) • Biotechnology incubators approved by Biotechnology Industry Research Assistance Council (BIRAC). • National Centre for Cold Chain Development • Insurance Regulatory and Development Authority (IRDA) of India. • 'Niramaya' Health Insurance scheme implemented by National Trust • Threshold exemption to services provided by a performing artist in folk or classical art form is being increased from Rs 1 lakh charged per event to Rs 1.5 lakh charged per event. • Deen Dayal Upadhyay Grameen Kaushalya Yojana training partners • Assessing bodies empanelled centrally by Directorate General of Training, Ministry of Skill Development & Entrepreneurship. 	7.1 to 7.10
<ul style="list-style-type: none"> • Rationalisation of abatement rates and conditions thereof in respect of services by,- <ul style="list-style-type: none"> (i) Tour operator services (ii) transport of passengers by rail. (iii) transport of goods by rail. (iv) shifting of used household goods by a GTA (v) foreman to a chit fund. (vi) renting of motor-cab services. (vii) transport of goods by vessel. 	9.1 to 9.9

(viii) Construction of complex, building, civil structure, etc.	
• Service tax Rules,-	11.1
(i) The benefit of (a) quarterly payment of service tax being extended to OPC and HUF and	
(b) payment on receipt basis being extended to OPC.	11.2
(ii) Rule 2(1)(d)(i) (D)(II) modified as an individual advocate other than senior advocate.	11.4
(iii) The word “support” shall stand deleted from rule 2(1)(d)(i) (E)	10.1
(iv) Rule 2(1)(d)(EEA) making mutual fund agents/distributor as person liable for paying service tax will be deleted	11.3
(v) The service tax composition scheme for single premium annuity policies	
• Reverse charge mechanism	10.1
(i) mutual fund agents/distributors to an asset management company under forward charge.	10.2
(ii) service provided by Government or local authorities to business entities shall be on the service recipient.	13
• Cenvat Credit Rules, 2004 (Annexure –II)	
(i) Invoice issued by Service provider for removal of inputs and capital goods shall be a valid document	
(ii) To give option to banking company, a financial institution including non-banking financial company for Cenvat Credit reversal under sub-rule (1), (2) and (3) of the Rule 6 along with rule 6(3B) of the Cenvat Credit Rules, 2004.	
(iii) Cenvat credit of service tax paid on upfront charges for assignment of spectrum/ mining rights etc.	
(iv) Reversal of Cenvat Credit of inputs/input services which have been commonly used in a taxable output service as well as an activity which is not a ‘service’.	
(v) Sub-rule (2) of rule 14 being omitted.	
Changes in the Finance Act, 1994 that get incorporated on enactment of the Finance Bill, 2016	

(1)	Explanation 2 in section 65B(44) is to be modified.	4.2 A
(2)	Clause (I) of section 66D would be omitted and clause (11) of section 65B is to be omitted. [educational services]	4.1 (A)
(3)	Insertion of right to use the radio-frequency spectrum and subsequent transfers in section 66E as a <u>Declared Service</u> .	4.2B
(4)	Section 67A is being amended to obtain rule making powers	4.2C
(5)	Section 73 proposed to be amended to increase time limit from 18 months to thirty months.	4.2D
(6)	Insertion of proviso to section 75.	4.2E
(7)	Insertion of Explanation in section 78A	4.2 F
(8)	Amendments in sections 89, 90 and 91.	4.2G, 4.2H
(9)	In section 93A of the 1994 Act, the words “ <i>prescribed or by notification in the Official Gazette</i> ” shall be substituted.	4.2I
(10)	Retrospective effect to notification No. 41/2012- ST, dated the 29th June, 2012 as amended by notification No. 01/2016- ST.	4.2J
(11)	Retrospective exemption is to be extended to the construction, repair, maintenance etc of canal, dam or other irrigation works provided to entities set up by Govt. provided during the period from the 1 st July, 2012 to 29.01.2014.	4.2K
(12)	‘Approved vocational education course’ is to be incorporated in the general exemption notification and exemption to specified educational services (Notification No. 25/2012-ST).	4.1(A)
(13)	Exemption from Service Tax on services provided to the Government, a local authority or a governmental authority.	4.2L (a)
(14)	Exemption from Service Tax on services by way of construction, erection, etc. of original works pertaining to an airport, port.	4.2(L(b)
(15)	Rationalisation of rate of interest in case where service tax is collected	14

and not credited in Govt. account and others	
(16) Dispute resolution scheme, 2016	15.5
(17) Returns	15.6
With effect from 1st day of June, 2016 after enactment of the Finance Bill, 2016 in respect of each provision	
(1) Krishi Kalyan Cess	3.0& 3.1
(2) Negative List entry that covers “service of transportation of passengers, with or without accompanied belongings, by a stage carriage” is to be omitted [section 66D (o)(i)]	4.1(B)
(3) Negative List that covers services by way of transportation of goods by an aircraft or a vessel from a place outside India up to the customs station of clearance is to be omitted [section 66D (p)(ii)]	4.1(C)
(4) Exemption to transportation of passengers by a stage carriage other than air conditioned stage carriage is to be exempted	8.2
(5) Services by an aircraft will continue to be outside service tax net by way of exemption through notification	8.1

Important changes in Cenvat Credit Rules, 2004 effective from 01.04.2016 [Para 13 of the JS(DO) letter dated 1.03.2016]

With a view to simplify and rationalize the Cenvat Credit Rules, 2004, a number of amendments are being carried out in them. Following are the important changes:

- (a) Wagons of sub heading 8606 92 of the Central excise Tariff and equipment and appliance used in an office located within a factory are being included in the definition of capital goods so as to allow cenvat credit on the same. *[Amendment in rule 2, clause (a) sub-clause (A) item (i) and condition No. (1) of the Rules refers].*
- (b) CENVAT credit on inputs and capital goods used for pumping of water, for captive use in the factory, is being allowed even where such capital goods are installed outside the factory. *[Amendment in rule 2 clause (a), sub-clause (A) condition (1A) and clause (k) sub-clause (ii) of the Rules refers].*
- (c) All capital goods having value up to Rs. ten thousand per piece are being included in the definition of inputs. This would allow an assessee to take whole credit on such capital goods in the same year in which they are received. *[Amendment in rule 2 clause (k) refers]*
- (d) Service by way of transportation of goods by a vessel from customs station of clearance in India to a place outside India is being excluded from the definition of ‘exempted service’. This would allow shipping lines to take credit on inputs and

input services used in providing the said service. *[Amendment in rule 2, clause (e) refers]*

(e) Manufacturer of final products is being allowed to take CENVAT credit on tools of Chapter 82 of the Central Excise Tariff in addition to credit on jigs, fixtures, moulds & dies, when intended to be used in the premises of job-worker or another manufacturer who manufactures the goods as per specification of manufacturer of final products. It is also being provided that a manufacturer can send these goods directly to such other manufacturer or job-worker without bringing the same to his premises. *[Amendment in Rule 4(5) (b) refers]*

(f) Presently, the permission given by an Assistant Commissioner or Deputy Commissioner to a manufacturer of the final products for sending inputs or partially processed inputs outside his factory to a job-worker and clearance there from on payment of duty is valid for a financial year. It is being provided that the same would be valid for three financial years. *[Amendment in rule 4(6) refers]*.

(g) It is being provided that CENVAT credit of Service Tax paid on amount charged for assignment by Government or any other person of a natural resource such as radio-frequency spectrum, mines etc. shall be spread over the period of time for which the rights have been assigned. It is also being provided that where the manufacturer of goods or provider of output service further assigns such right to use assigned to him by the Government or any other person, in any financial year, to another person against a consideration, balance CENVAT credit not exceeding the service tax payable on the consideration charged by him for such further assignment, shall be allowed in the same financial year. It is also being provided that CENVAT credit of annual or monthly user charges payable in

respect of such assignment shall be allowed in the same financial year.
[Amendment in rule 4, sub-rule (7) refers]

(h) Rule 6 of Cenvat Credit Rules, which provides for reversal of credit in respect of inputs and input services used in manufacture of exempted goods or for provision of exempted services, is being redrafted with the objective of simplifying and rationalizing the same without altering the established principles of reversal of such credit.

(i) sub rule (1) of rule 6 is being amended to first state the existing principle that CENVAT credit shall not be allowed on such quantity of input and input services as is used in or in relation to manufacture of exempted goods and exempted service. The rule then directs that the procedure for calculation of credit not allowed is provided in sub-rules (2) and (3), for two different situations.

(ii) sub-rule (2) of rule 6 is being amended to provide that a manufacturer who exclusively manufactures exempted goods for their clearance up to the place of removal or a service provider who exclusively provides exempted services shall pay (i.e. reverse) the entire credit and effectively not be eligible for credit of any inputs and input services used.

(iii) sub-rule (3) of rule 6 is being amended to provide that when a manufacturer manufactures two classes of goods for clearance upto the place of removal, namely, exempted goods and final products excluding exempted goods or when a provider of output services provides two classes of services, namely exempted services and output services excluding exempted services,

then the manufacturer or the provider of the output service shall exercise one of the two options, namely, (a) pay an amount equal to six per cent of value of the exempted goods and seven per cent of value of the exempted services, subject to a maximum of the total credit taken or (b) pay an amount as determined under sub-rule (3A).

(iv) The maximum limit prescribed in the first option would ensure that the amount to be paid does not exceed the total credit taken. The purpose of the rule is to deny credit of such part of the total credit taken, as is attributable to the exempted goods or exempted services and under no circumstances this part can be greater than the whole credit.

(v) Sub-rule (3A) is being amended to provide the procedure and conditions for calculation of credit allowed and credit not allowed and directs that such credit not allowed shall be paid, provisionally for each month. The four key steps for calculating the credit required to be paid are :-

- (a) No credit of inputs or input services used exclusively in manufacture of exempted goods or for provision of exempted services shall be available ;
- (b) Full credit of input or input services used exclusively in final products excluding exempted goods or output services excluding exempted services shall be available;
- (c) Credit left thereafter is common credit and shall be attributed towards exempted goods and exempted services by multiplying the common credit with the ratio of value of exempted goods manufactured or exempted services provided to the total turnover of exempted and non-

exempted goods and exempted and non-exempted services in the previous financial year;

(d) Final reconciliation and adjustments are provided for after close of financial year by 30th June of the succeeding financial year, as provided in the existing rule.

(vi) A new sub-rule (3AA) is being inserted to provide that a manufacturer or a provider of output service who has failed to follow the procedure of giving prior intimation, may be allowed by a Central Excise officer, competent to adjudicate such case, to follow the procedure and pay the amount prescribed subject to payment of interest calculated at the rate of fifteen *per cent.* per annum

(vii) A new sub-rule (3AB) is being inserted as transitional provision to provide that the existing rule 6 of CCR would continue to be in operation upto 30.06.2016, for the units who are required to discharge the obligation in respect of financial year 2015-16.

(viii) Sub-rule (3B) of rule 6 is being amended so as to allow banks and other financial institutions to reverse credit in respect of exempted services on actual basis in addition to the option of 50% reversal.

(i) Following are the other changes being made in rule 6 of the Cenvat Credit Rules:

(i) Explanations 3 and 4 are being inserted in rule 6, sub-rule (1) so as provide for reversal of CENVAT Credit on inputs/input services which

have been commonly used in providing taxable output service and an activity which is not a 'service' under the Finance Act, 1994.

(ii) Sub-rule (4) is being amended to provide that where the capital goods are used for the manufacture of exempted goods or provision of exempted service for two years from the date of commencement of commercial production or provision of service, no CENVAT credit shall be allowed on such capital goods. Similar provision is being made for capital goods installed after the date of commencement of commercial production or provision of service.

(iii) Sub-rule (7) is being amended so as to provide that credit taken on inputs and input services used in providing a service by way of "transportation of goods by a vessel from customs station of clearance in India to a place outside India" shall not be required to be reversed by the shipping lines. It may be mentioned here that this service presently qualifies as an "exempted service" on account of Rule 10 of Place of Provision of Supply Rules. Service by way of transportation of goods by a vessel from customs station of clearance in India to a place outside India is being excluded from the definition of 'exempted service' by amending rule 2(e) of the rules as discussed above. Amendment in sub-rule (7) coupled with the corresponding amendment in the definition of Exempted Service is aimed at allowing credit of eligible inputs, input services and capital goods for providing the said service and providing Indian shipping lines a level playing field vis a vis the foreign shipping lines. The credit available may be used by Indian shipping lines to pay service tax on the services of transportation of goods by a vessel from outside India to the customs

station of clearance in India, which would become taxable w.e.f 1st June 2016 after enactment of Finance Bill 2016.

(j) Rule 7 of the Rules dealing with distribution of credit on input services by an Input Service Distributor is being completely rewritten to allow an Input Service Distributor to distribute the input service credit to an outsourced manufacturing unit also in addition to its own manufacturing units. Outsourced manufacturing unit is being defined to mean either a job-worker who is required to pay duty on the value determined under the provisions of rule 10A of the Central Excise Valuation (Determination of Price Of Excisable Goods) Rules, 2000, on the goods manufactured for the Input Service Distributor or a manufacturer who manufactures goods, for the Input Service Distributor under a contract, bearing the brand name of the Input Service Distributor and is required to pay duty on value determined under the provisions of section 4A of the Central Excise Act, 1944. (Amendment in rule 2 (m) and rule 7 refers)

(k) Presently, rule 7 provides that credit of service tax attributable to service used by more than one unit shall be distributed pro rata, based on turnover, to all the units. It is now being provided that an Input Service Distributor shall distribute CENVAT credit in respect of service tax paid on the input services to its manufacturing units or units providing output service or to outsourced manufacturing units subject to, *inter alia*, the following conditions, ,:

- credit attributable to a particular unit shall be attributed to that unit only.
- credit attributable to more than one unit but not all shall be to attributed to those units only and not to all units.
- credit attributable to all units shall be attributed to all the units.

Credit shall be distributed pro rata on the basis of turnover as is done in the present rules.

(l) It is also being provided that an outsourced manufacturing unit shall maintain separate account of credit received from each of the input service distributors and shall use it for payment of duty on goods manufactured for Input Service Distributor concerned. The credit of service tax paid on input services, available with the Input Service Distributor as on 31st of March, 2016 shall not be distributed to an outsourced manufacturing unit. Further, provisions of rule 6 of Cenvat Credit Rules, 2004 relating to reversal of credit in respect of inputs and input services used in manufacture of exempted goods or for provision of exempted services, shall apply to the units availing the CENVAT credit distributed by Input Service Distributor and not to the Input Service Distributor.

(m) Rule 7B is being inserted in Cenvat Credit Rules, 2004 so as to enable manufacturers with multiple manufacturing units to maintain a common warehouse for inputs and distribute inputs with credits to the individual manufacturing units. It is also being provided that a manufacturer having one or more factories shall be allowed to take credit on inputs received under the cover of an invoice issued by a warehouse of the said manufacturer, which receives inputs under cover of an invoice towards the purchase of such inputs. Procedure applicable to a first stage dealer or a second stage dealer would apply, *mutatis mutandis*, to such a warehouse of the manufacturer.

(n) Presently, an invoice issued by a manufacturer for clearance of inputs or capitals goods is a valid document for availing CENVAT credit. It is being provided that an invoice issued by a service provider for clearance of inputs or

capitals goods shall also be a valid document for availing CENVAT credit.
[Amendment in Rule 9 (a) (i) refers.]

(o) Rule 9A of the Rules is being amended to provide for filing of an annual return by a manufacturer of final products or provider of output services for each financial year, by the 30th day of November of the succeeding year in the form as specified by a notification by the Board.

(p) The existing sub- rule (2) of rule 14 prescribes a procedure based on FIFO method for determining whether a particular credit has been utilized. The said sub-rule is being omitted. Now, whether a particular credit has been utilised or not shall be ascertained by examining whether during the period under consideration, the minimum balance of credit in the account of the assessee was equal to or more than the disputed amount of credit.

Service Tax Notifications

**[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]**

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
NOTIFICATION
No. 8/2016-Service Tax**

New Delhi, the 1st March, 2016

G.S.R. ---(E).-In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No.26/2012-Service Tax, dated the 20th June, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide* number G.S.R. 468 (E), dated the 20th June, 2012, namely:-

1. In the said notification,

(a) in the first paragraph, in the TABLE, -

(i) for Sl. No. 2 and the entries relating thereto, the following shall be substituted, namely :-

(1)	(2)	(3)	(4)
"2	Transport of goods by rail (other than service specified at Sl. No. 2A below)	30	CENVAT credit on inputs and capital goods, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.";

- (ii) after Sl. No. 2 and the entries relating thereto, the following serial number and entries relating thereto shall be inserted, namely :-

(1)	(2)	(3)	(4)
“2A	Transport of goods in containers by rail by any person other than Indian Railways	40	CENVAT credit on inputs and capital goods, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.”;

- (iii) against Sl.No. 3, in column (4), for the entry, the following shall be substituted, namely:-

“CENVAT credit on inputs and capital goods, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.”;

- (iv) against Sl. No. 7, in column (2), for the entry, the following shall be substituted, namely :-

“Services of goods transport agency in relation to transportation of goods other than used household goods.”;

- (v) after Sl. No. 7 and the entries relating thereto, the following serial numbers and entries relating thereto shall be inserted, namely :-

(1)	(2)	(3)	(4)
“7A	Services of goods transport agency in relation to transportation of used household goods.	40	CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken by the

			service provider under the provisions of the CENVAT Credit Rules, 2004.
8	Services provided by a foreman of chit fund in relation to chit	70	CENVAT credit on inputs, capital goods and input services, used for providing the taxable service has not been taken under the provisions of the CENVAT Credit Rules, 2004.”;

- (vi) against Sl. No. 9A, in column (2), after item (b) and the entry relating thereto, the following item and entry relating thereto shall be inserted with effect from 1st June, 2016, namely :-

“(c) a stage carriage”;

- (vii) against Sl. No. 10, in column (4), for the entry, the following shall be substituted, namely :-

“CENVAT credit on inputs and capital goods, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.”.

- (viii) for Sl. No. 11 and the entries relating thereto, the following shall be substituted, namely:-

(1)	(2)	(3)	(4)
“11	Services by a tour operator in relation to,- (i) a tour, only for the purpose of arranging or booking accommodation for	10	(i) CENVAT credit on inputs, capital goods and input services other than

	any person		<p>input services of a tour operator, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004.</p> <p>(ii) The invoice, bill or challan issued indicates that it is towards the charges for such accommodation.</p> <p>(iii) This exemption shall not apply in such cases where the invoice, bill or challan issued by the tour operator, in relation to a tour, includes only the service charges for arranging or booking accommodation for any person but does not include the cost of such accommodation.</p>
	(ii) tours other than (i) above	30	<p>(i) CENVAT credit on inputs, capital goods and input services other than input services of a tour operator, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit</p>

			<p>Rules, 2004.</p> <p>(ii) The bill issued for this purpose indicates that it is inclusive of charges for such a tour and the amount charged in the bill is the gross amount charged for such a tour.”;</p>
--	--	--	--

- (ix) for Sl. No. 12 and the entries relating thereto, the following shall be substituted, namely:-

(1)	(2)	(3)	(4)
“12	Construction of a complex, building, civil structure or a part thereof, intended for a sale to a buyer, wholly or partly except where entire consideration is received after issuance of completion certificate by the competent authority	30	<p>(i) CENVAT credit on inputs used for providing the taxable service has not been taken under the provisions of the CENVAT Credit Rules, 2004.</p> <p>(ii) The value of land is included in the amount charged from the service receiver.”;</p>

- (b) in the Explanation, after paragraph B, the following paragraph shall be inserted, namely:-

“BA. For the purposes of exemption at Serial number 9, the amount charged shall be the sum total of the amount charged for the service including the fair market value of all goods (including fuel) and services supplied by the recipient(s) in or in relation to the service, whether or not supplied under the same contract or any other contract:

Provided that the fair market value of goods and services so supplied may be determined in accordance with the generally accepted accounting principles.”.

(c) in the paragraph 2, the clause ‘b’ shall be omitted.

2. Save as otherwise provided, this notification shall come into force on the 1st April, 2016.

[F.No. 334/8/2016 - TRU]

(K. Kalimuthu)

Under Secretary to the Government of India

Note:-The principal notification No. 26/2012 - Service Tax, dated 20th June, 2012, was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-Section (i) *vide* number G.S.R. 468 (E), dated the 20th June, 2012 and was last amended by notification No.13/2015- Service Tax, dated the 19th May, 2015, *vide* G.S.R. 397(E), dated the 19th May, 2015.

**[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]**

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
NOTIFICATION
No.9/2016-Service Tax,**

New Delhi, the 1st March, 2016

G.S.R.....(E).-In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994), the Central Government being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No.25/2012-Service Tax, dated the 20th June, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) *vide* number G.S.R. 467 (E), dated the 20th June, 2012, namely:-

1. In the said notification,-

(a) in the first paragraph,-

(i) in entry 6, for clause (b) and clause (c), the following clauses shall be substituted, namely,-

“(b) a partnership firm of advocates or an individual as an advocate other than a senior advocate, by way of legal services to-

(i) an advocate or partnership firm of advocates providing legal services;

(ii) any person other than a business entity; or

(iii) a business entity with a turnover up to rupees ten lakh in the preceding financial year; or

(c) a senior advocate by way of legal services to a person other than a person ordinarily carrying out any activity relating to industry, commerce or any other business or profession;”;

(ii) after entry 9A, the following entry shall be inserted with effect from 1st March, 2016, namely,-

“9B. Services provided by the Indian Institutes of Management, as per the guidelines of the Central Government, to their students, by way of the following educational programmes, except Executive Development Programme, -

- (a) two year full time residential Post Graduate Programmes in Management for the Post Graduate Diploma in Management, to which admissions are made on the basis of Common Admission Test (CAT), conducted by Indian Institute of Management;
- (b) fellow programme in Management;
- (c) five year integrated programme in Management.”;

(iii) after entry 9B as so inserted, the following entries shall be inserted, namely:-

“9C. services of assessing bodies empanelled centrally by Directorate General of Training, Ministry of Skill Development and Entrepreneurship by way of assessments under Skill Development Initiative (SDI) Scheme;

9D. services provided by training providers (Project implementation agencies) under Deen Dayal Upadhyaya Grameen Kaushalya Yojana under the Ministry of Rural Development by way of offering skill or vocational training courses certified by National Council For Vocational Training.”;

(iv) after entry 12, with effect from the 1st March, 2016, the following entry shall be inserted, namely-

“12A. Services provided to the Government, a local authority or a governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of -

- (a) a civil structure or any other original works meant predominantly for use other than for commerce, industry, or any other business or profession;
- (b) a structure meant predominantly for use as (i) an educational, (ii) a clinical, or (iii) an art or cultural establishment; or
- (c) a residential complex predominantly meant for self-use or the use of their employees or other persons specified in the Explanation 1 to clause (44) of section 65 B of the said Act;

under a contract which had been entered into prior to the 1st March, 2015 and on which appropriate stamp duty, where applicable, had been paid prior to such date:

provided that nothing contained in this entry shall apply on or after the 1st April, 2020;”;

(v) in entry 13, after item (b), the following items shall be inserted with effect from 1st March, 2016, namely –

“(ba) a civil structure or any other original works pertaining to the ‘In-situ rehabilitation of existing slum dwellers using land as a resource through

private participation' under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana, only for existing slum dwellers.

- (bb) a civil structure or any other original works pertaining to the 'Beneficiary-led individual house construction / enhancement under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana;";

(vi) in entry 14, with effect from 1st March, 2016,

A. for item (a), the following shall be substituted, namely:-

- “(a) railways, excluding monorail and metro;

Explanation.-The services by way of construction, erection, commissioning or installation of original works pertaining to monorail or metro, where contracts were entered into before 1st March, 2016, on which appropriate stamp duty, was paid, shall remain exempt.”.

B. after item (c), the following item shall be inserted, namely –

“(ca) low cost houses up to a carpet area of 60 square metres per house in a housing project approved by the competent authority under:

- (i) the “Affordable Housing in Partnership” component of the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana;
- (ii) any housing scheme of a State Government.”.

(vii) after entry 14, with effect from the 1st March, 2016, the following entry shall be inserted, namely-

“14A. Services by way of construction, erection, commissioning, or installation of original works pertaining to an airport or port provided under a contract which had been entered into prior to 1st March, 2015 and on which appropriate stamp duty, where applicable, had been paid prior to such date:

provided that Ministry of Civil Aviation or the Ministry of Shipping in the Government of India, as the case may be, certifies that the contract had been entered into before the 1st March, 2015:

provided further that nothing contained in this entry shall apply on or after the 1st April, 2020;”;

(viii) in entry 16, for the words “one lakh rupees”, the words “one lakh and fifty thousand rupees” shall be substituted;

(ix) in entry 23,-

(A) after clause (b), the following clause shall be inserted with effect from 1st June 2016, namely,-

“(bb) stage carriage other than air-conditioned stage carriage;”;

(B) clause (c) shall be omitted;

(x) in entry 26, after clause (p), the following clause shall be inserted, namely,-

“(q) Niramaya’ Health Insurance Scheme implemented by Trust constituted under the provisions of the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999).”;

(xi) after entry 26B, the following entry shall be inserted, namely,-

“26C. Services of life insurance business provided by way of annuity under the National Pension System regulated by Pension Fund Regulatory and Development Authority of India (PFRDA) under the Pension Fund Regulatory And Development Authority Act, 2013 (23 of 2013);”;

(xii) after entry 48, the following entries shall be inserted, namely,-

“49. Services provided by Employees’ Provident Fund Organisation (EPFO) to persons governed under the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952);

50. Services provided by Insurance Regulatory and Development Authority of India (IRDA) to insurers under the Insurance Regulatory and Development Authority of India Act, 1999 (41 of 1999);

51. Services provided by Securities and Exchange Board of India (SEBI) set up under the Securities and Exchange Board of India Act, 1992 (15 of 1992) by way of protecting the interests of investors in securities and to promote the development of, and to regulate, the securities market;

52. Services provided by National Centre for Cold Chain Development under Ministry of Agriculture, Cooperation and Farmer’s Welfare by way of cold chain knowledge dissemination;”;

(xiii) after entry 52 as so inserted, the following entries shall be inserted with effect from 1st June 2016, namely:-

“53. Services by way of transportation of goods by an aircraft from a place outside India upto the customs station of clearance in India.”;

(b) in paragraph 2, -

(i) after clause (b), the following clause shall be inserted with effect from such date on which the Finance Bill, 2016 receives assent of the President of India, namely: -

‘(ba) “approved vocational education course” means, -

(i) a course run by an industrial training institute or an industrial training centre affiliated to the National Council for Vocational Training or State Council for Vocational Training offering courses in designated trades notified under the Apprentices Act, 1961 (52 of 1961); or

(ii) a Modular Employable Skill Course, approved by the National Council of Vocational Training, run by a person registered with the Directorate General of Training, Ministry of Skill Development and Entrepreneurship;’;

(ii) for clause (oa), the following shall be substituted with effect from such date on which the Finance Bill, 2016, receives assent of the President of India, namely : -

‘(oa) “educational institution” means an institution providing services by way of:

(i) pre-school education and education up to higher secondary school or equivalent;

(ii) education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force;

(iii) education as a part of an approved vocational education course;’;

(iii) after clause (zd), the following clause shall be inserted, namely:-

‘(zdd) “senior advocate” has the meaning assigned to it in section 16 of the Advocates Act, 1961 (25 of 1961);’

2. Save as otherwise provided in this notification, this notification shall come into force on the 1st of April, 2016.

[F. No.334/8/2016 -TRU]

(K. Kalimuthu)
Under Secretary to the Government of India

Note:-The principal notification was published in the Gazette of India, Extraordinary, *vide* notification No. 25/2012 - Service Tax, dated the 20th June, 2012, *vide* number G.S.R. 467 (E), dated the 20th June, 2012 and last amended *vide* notification number 07/2016 - Service Tax, dated the 18th February, 2016 *vide* number G.S.R. 184(E), dated the 18th February, 2016.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
NOTIFICATION
No. 10/2016-Service Tax,**

New Delhi, the 1st March, 2016

G.S.R.---(E).- In exercise of the powers conferred by clause (a) and clause (hhh) of sub-section (2) of section 94 of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following rules further to amend the Point of Taxation Rules, 2011, namely :—

1. (1) These rules may be called the Point of Taxation (Amendment) Rules, 2016.
(2) Save as otherwise provided in these rules, they shall come into force on the 1st day of March, 2016.
2. In the Point of Taxation Rules, 2011,—
 - (1) in the opening paragraph, after the words “powers conferred under”, the word, letters and signs “sub-section (2) of section 67A and” shall be inserted with effect from the date of enforcement of the Finance Act, 2016.
 - (2) in rule 5, after clause (b), the following explanations shall be inserted, namely,—

*“Explanation 1.- This rule shall apply *mutatis mutandis* in case of new levy on services.*

Explanation 2.- New levy or tax shall be payable on all the cases other than specified above.”.

[F. No. 334/8/2016-TRU]

**(K. Kalimuthu)
Under Secretary to the Government of India**

Note.- The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide* notification No. 18/2011 – Service Tax, dated the 1st of March, 2011 *vide* number G.S.R. 175(E) dated the 1st of March, 2011 and last amended *vide* notification No. 13/2014 - Service Tax dated 11th July, 2014 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), by number G.S.R. 482(E), dated the 11th July, 2014.

**[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY,
PART II, SECTION 3, SUB-SECTION (i)]**

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
NOTIFICATION
No. 11/2016- Service Tax**

New Delhi, the 1st March, 2016

G.S.R.---(E).- In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994) (hereinafter referred to as the said Act), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby exempts service in relation to Information Technology Software (hereinafter referred to as such services) leviable to service tax under section 66B read with section 66E of the said Act when such Information Technology Software is recorded on a media (hereinafter referred to as such media) under Chapter 85 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986), on which it is required, under the provisions of the Legal Metrology Act, 2009 (1 of 2010) or the rules made thereunder or under any other law for the time being in force, to declare on package of such media thereof, the retail sale price, from whole of the service tax subject to the condition that-

- (i) the value of the package of such media domestically produced or imported, for the purposes of levy of the duty of central excise or the additional duty of customs leviable under sub-section (1) of section 3 of the Customs Tariff Act, 1975 (51 of 1975), if imported, as the case may be, has been determined under section 4A of the Central Excise Act, 1944 (1 of 1944) (hereinafter referred to as such value); and
- (ii) (a) the appropriate duties of excise on such value have been paid by the manufacturer, duplicator or the person holding the copyright to such software, as the case may be, in respect of such media manufactured in India; or
- (b) the appropriate duties of customs including the additional duty of customs on such value, have been paid by the importer in respect of such media which has been imported into India;

(iii) a declaration made by the service provider on the invoice relating to such service that no amount in excess of the retail sale price declared on such media has been recovered from the customer.

Explanations. - For the purpose of this notification, the expression,-

(i) “appropriate duties of excise” shall mean the duties of excise leviable under section 3 of the Central Excise Act, 1944 (1 of 1944) and a notification, for the time being in force, issued in accordance with the provision of sub-section (1) of section 5A of the said Central Excise Act; and

(ii) “appropriate duties of customs” shall mean the duties of customs leviable under section 12 of the Customs Act, 1962 (52 of 1962) and any of the provisions of the Customs Tariff Act, 1975 (51 of 1975) and a notification, for the time being in force, issued in accordance with the provision of sub-section (1) of section 25 of the said Customs Act.

[F. No. 334/8/2016-TRU]

(K. Kalimuthu)
Under Secretary to the Government of India

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
NOTIFICATION
No. 12/2016-Service Tax**

New Delhi, the 1st March, 2016

G.S.R.---(E).- In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the following amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No.32/2012-Service Tax, dated the 20th June, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) *vide* number G.S.R. 474(E), dated the 20th June, 2012, namely:-

1. In the said notification,-

(1) in the opening paragraph,-

(a) after the words “Department of Science and Technology, Government of India”, the following words shall be inserted, namely:-

“or bio-incubators recognized by the Biotechnology Industry Research Assistance Council, under Department of Biotechnology, Government of India,”;

(b) in conditions 1 and 2, after the words and letters “or the TBI”, the words “or the bio-incubator” shall be inserted;

(2) in Format-I,-

(a) in the heading, after the word and letters “the STEP”, the words “or the Bio-Incubator” shall be added;

(b) in item (a), after the word “Park”, the words and signs “/bio-incubator” shall be inserted;

(3) in Format-II,-

(a) in the heading, after the letters “STEP”, the signs and words “/the Bio-Incubator” shall be inserted;

(b) in serial number 4, after the letters, brackets and word “STEP (incubator)”, the signs and words “/the bio-incubator” shall be inserted.

2. This notification shall come into force on the 1st of April, 2016.

[F. No. 334/8/2016-TRU]

(K. Kalimuthu)

Under Secretary to the Government of India

Note.- The principal notification was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), by notification No. 32/2012 – Service Tax dated the 20th June, 2012 *vide* number G.S.R. 474(E) dated the 20th June, 2012.

**[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]**

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
NOTIFICATION
No. 13/2016-Service Tax**

New Delhi, the 1st March, 2016

G.S.R.____ (E).- In exercise of the powers conferred by section 75 of the Finance Act, 1994 (32 of 1994) and in supersession of the notification No. 12/2014-Service Tax, dated the 11th July, 2014, published in the Gazette of India, Extraordinary, *vide* number G.S.R. 482 (E), dated the 11th July, 2014, except as respects things done or omitted to be done before such supersession, the Central Government hereby, for delayed payment of any amount as service tax in the situation mentioned in column (2) of the Table below, fixes the rate of simple interest per annum mentioned in the corresponding entry in the column (3) of the said Table:-

Serial Number	Situation	Rate of simple interest
(1)	(2)	(3)
1.	Collection of any amount as service tax but failing to pay the amount so collected to the credit of the Central Government on or before the date on which such payment becomes due.	24 per cent.
2.	Other than in situations covered under serial number 1 above.	15 per cent.

2. This notification shall come into force on the day the Finance Bill, 2016 receives the assent of the President.

[F. No. 334/8/2016-TRU]

(K. Kalimuthu)
Under Secretary to the Government of India

**[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]**

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
NOTIFICATION
No. 14/2016-Service Tax**

New Delhi, the 1st March, 2016

G.S.R.____ (E).- In exercise of the powers conferred by section 73B of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No.8/2006-Service Tax, dated the 19th April, 2006, published in the Gazette of India, Extraordinary, *vide* number G.S.R. 224 (E), dated the 19th April, 2006, namely:-

In the said notification, for the words “eighteen per cent.”, the words “fifteen per cent.” shall be substituted.

2. This notification shall come into force on the day the Finance Bill, 2016 receives the assent of the President.

[F. No. 334/8/2016-TRU]

**(K. Kalimuthu)
Under Secretary to the Government of India**

Note:- The principal notification No. 8/2006-Service Tax, dated the 19th April, 2006 was published in the Gazette of India, Extraordinary, *vide* number G.S.R. 224 (E), dated the 19th April, 2006 and last amended by notification No. 15/2011-Service Tax, dated the 1st March, 2011, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) *vide* number G.S.R. 172 (E), dated the 1st March, 2011.

**[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]**

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
NOTIFICATION
No.15/2016-Service Tax**

New Delhi, the 1st March, 2016

G.S.R. ____ (E)- In exercise of the powers conferred by clause (h) of section 107 of the Finance Act, 2015 (20 of 2015), the Central Government hereby appoints 1st day of April, 2016, as the date on which the provision of said clause shall come into force.

[F. No. 334/08/2016 - TRU]

**(K. Kalimuthu)
Under Secretary to the Government of India**

**[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II
SECTION 3, SUB-SECTION (i)]**

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)**

Notification

No.16/2016-Service Tax

New Delhi, the 1st March, 2016

G.S.R.____(E).In exercise of the powers conferred by sub-section (2) of section 68 of the Finance Act, 1994 (32 of 1994), the Central Government, hereby appoints 1st day of April, 2016 as the date from which the provisions of clause (b) of sub-paragraph (i) of paragraph 1 of the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 07/2015 – Service Tax, dated the 1st March, 2015, published in the Gazette of India, Extraordinary, *vide* number G.S.R. 161(E), dated the 1st March, 2015, shall come into force.

[F. No.334/08/2016-TRU]

(K. Kalimuthu)

Under Secretary to the Government of India

**[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II
SECTION 3, SUB-SECTION (i)]**

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
NOTIFICATION
No.17/2016-Service Tax**

New Delhi, the 1st March, 2016

G.S.R.__(E).In exercise of the powers conferred by sub-section (1) read with sub-section (2) of section 94 of the Finance Act, 1994 (32 of 1994), the Central Government hereby appoints 1st day of April, 2016 as the date from which the provisions of sub-clause (II) of clause (iii) of sub-paragraph (a) of paragraph 2 of the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 05/2015 – Service Tax, dated the 1st March, 2015, published in the Gazette of India, Extraordinary, *vide* number G.S.R. 159(E), dated the 1st March, 2015, shall come into force.

[F. No.334/08/2016-TRU]

**(K. Kalimuthu)
Under Secretary to the Government of India**

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
NOTIFICATION
No.18/2016-Service Tax**

New Delhi, the 1st March, 2016

G.S.R.____(E).-In exercise of the powers conferred by sub-section (2) of section 68 of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 30/2012-Service Tax, dated the 20th June, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) *vide* number G.S.R. 472 (E), dated the 20th June, 2012, namely:-

1. In the said notification,-

(a) in paragraph I, in clause (A),-

(i) sub-clause (ib) shall be omitted;

(ii) for sub-clause (ic), the following shall be substituted, namely:-

“(ic) provided or agreed to be provided by a selling or marketing agent of lottery tickets in relation to a lottery in any manner to a lottery distributor or selling agent of the State Government under the provisions of the Lottery (Regulations) Act, 1998 (17 of 1998);”;

(iii) in sub-clause (iv), for item (B), the following shall be substituted, namely:-

“(B) a firm of advocates or an individual advocate other than senior advocate, by way of legal services, or”;

(b) in paragraph (II), in the TABLE,-

(i) Sl. No. 1B and the entries relating thereto shall be omitted;

(ii) against Sl. No. 1C, for the entry under column (2), the following shall be substituted, namely:-

“in respect of services provided or agreed to be provided by a selling or marketing agent of lottery tickets in relation to lottery in any manner to a lottery distributor or selling agent of the State Government under the provisions of the Lottery (Regulations) Act, 1998 (17 of 1998)”;

(iii) against Sl. No. 5, for the entry under column (2), the following shall be substituted, namely:-

“in respect of services provided or agreed to be provided by a firm of advocates or an individual advocate other than a senior advocate by way of legal services”;

(iv) against Sl. No. 6, in column (2), the words “by way of support services” shall be omitted.

2. This notification shall come into force on the 1st day of April, 2016.

[F.No. 334 /08/ 2016-TRU]

(K. Kalimuthu)
Under Secretary to the Government of India

Note:-The principal notification was published in the Gazette of India, Extraordinary, vide notification No. 30/2012 - Service Tax, dated the 20th June, 2012, *vide* number G.S.R. 472 (E), dated the 20th June, 2012 and last amended *vide* notification No. 7/2015-Service Tax, dated the 1st March, 2015 *vide* number G.S.R. 161(E), dated the 1st March, 2015.

**[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]**

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
NOTIFICATION
No.19/2016-Service Tax**

New Delhi, the 1st March, 2016

G.S.R.____(E).-In exercise of the powers conferred by sub-section (1) read with sub-section (2) of section 94 of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following rules further to amend the Service Tax Rules, 1994, namely:-

1. (1) These rules may be called the Service Tax (Amendment) Rules, 2016.

(2) These rules shall come into force on the 1st day of April, 2016.

2. In the Service Tax Rules, 1994,-

(1) in rule 2, in sub-rule (1), in clause (d), in sub-clause(i),-

(a) in item (D), for sub-item(II),the following shall be substituted, namely:-

“(II) a firm of advocates or an individual advocate other than a senior advocate by way of legal services”;

(b) item (EEA) shall be omitted;

(2) in rule 6,-

(i) in sub-rule (1),-

(a) in the first proviso, for the words “assessee is an individual or proprietary firm or partnership firm”, the following shall be substituted,-

“assessee is a one person company whose aggregate value of taxable services provided from one or more premises is fifty lakh rupees or less in the previous financial year, or is an individual or proprietary firm or partnership firm or Hindu Undivided Family”;

(b) in the third proviso, for the words “in case of individuals and partnership firms whose”, the following words shall be substituted,-

“in case of such individuals, partnership firms and one person companies whose”;

(ii)in sub-rule (4), for the words, brackets and figures “Central Excise (No. 2) Rules, 2001”, the words and figures “Central Excise Rules, 2002” shall be substituted;

(iii) in sub-rule (7A), after clause (i), the following clause shall be inserted, namely:-

“(ia) in case of single premium annuity policies other than (i) above, 1.4 per cent. of the single premium charged from the policy holder;”;

(3) in rule 7,-

(i) after sub-rule (3), the following sub-rules shall be inserted, namely:-

“(3A) Notwithstanding anything contained in sub-rule (1), every assessee shall submit an annual return for the financial year to which the return relates, in such form and manner as may be specified in the notification in the Official Gazette by the Central Board of Excise and Customs, by the 30th day of November of the succeeding financial year;

(3B) The Central Government may, subject to such conditions or limitations, specify by notification an assessee or class of assessee who may not be required to submit the annual return referred to in sub-rule(3A).”;

(ii) in sub-rule (4), for the words, brackets and figure “sub-rule (2)”, the words, brackets , figures and letter “sub-rules (2) and (3A)” shall be substituted;

(4) rule 7B shall be renumbered as sub-rule (1) thereof, and after sub-rule (1) as so renumbered, the following sub-rule shall be inserted, namely:-

“(2) An assessee who has filed the annual return referred to in sub-rule (3A) of rule 7 by the due date may submit a revised return within a period of one month from the date of submission of the said annual return.”;

(5) rule 7C shall be renumbered as sub-rule (1) thereof, and after sub-rule (1) as so renumbered, the following sub-rule shall be inserted, namely:-

“(2) Where the annual return referred to in sub-rule (3A) of rule 7 is filed by the assessee after the due date, the assessee shall pay to the credit of the Central Government, an amount calculated at the rate of one hundred rupees per day for the period of delay in filing of such return, subject to a maximum of twenty thousand rupees.”.

[F.No. 334/08/2016- TRU]

(K. Kalimuthu)

Under Secretary to the Government of India

Note:-The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) by notification No. 2/94-Service Tax, dated the 28th June, 1994 *vide* number

G.S.R. 546 (E), dated the 28th June, 1994 and last amended *vide* notification No. 27/2015-Service Tax, dated the 18th December, 2015 *vide* number G.S.R. 987(E)., dated the 18th December, 2015.

ICAI Pre Budget Suggestions Accepted in Union Budget 2016-17

A. SERVICE TAX

S. No.	Topic(s)	Suggestion(s) as per ICAI Pre-Budget	Suggestion as per Union Budget 2016-17
1.	Exemption to Education Services.	<ul style="list-style-type: none"> ➤ Keeping in view the Prime Ministers idea of Skilled India it is suggested that all the Education Services directly relating to the delivery of education or training to students be kept outside the purview of Service Tax. 	<p>(Partial Accepted)</p> <ul style="list-style-type: none"> ➤ Services provided by way of skill/vocational training by Deen Dayal Upadhyay Grameen Kaushalya Yojana training partners are being exempted from service tax. ➤ Services of assessing bodies empanelled centrally by Directorate General of Training, Ministry of Skill Development & Entrepreneurship are being exempted from service tax. ➤ Services provided by the Indian Institutes of Management (IIM) by way of 2 year full time Post Graduate Programme in Management (PGPM) (other than executive development programme), admissions to which are made through Common Admission Test conducted by IIMs, 5 year Integrated Programme in Management and Fellowship Programme in Management are being exempted from service tax.
2.	Payment of Service Tax on provisional Basis: Anomaly in	<ul style="list-style-type: none"> ➤ It is suggested that the Central Excise (No.2) Rules, 2001 be replaced with Central 	<p>(Accepted)</p> <ul style="list-style-type: none"> ➤ Rule 6(4) is being amended so as to substitute the

S. No.	Topic(s)	Suggestion(s) as per ICAI Pre-Budget	Suggestion as per Union Budget 2016-17
	Rule-6 of Service Tax Rules, 1994 be rectified.	Excise Rules, 2002 as the same has been redundant.	reference to the Central Excise (No. 2) Rules, 2001, with a reference to the Central Excise Rules, 2002. ➤ The above changes, except the changes mentioned in para 11.5 (which will come into effect from 1st June, 2016), shall come into effect from the 1st day of April 2016.
3.	Introduction of Annual Return in Service Tax	➤ It is suggested to introduce filing of Annual Return of Service Tax along with reconciliation statement certified by Chartered Accountant.	(Partial Accepted) ➤ To reduce compliance cost, the number of returns to be filed by a central excise assessee, above a certain threshold, is being drastically reduced, from 27 to 13, one annual and 12 monthly returns. Monthly returns are already being e-filed. CBEC will provide for e-filing of annual return also. The annual return will also have to be filed by Service Tax assessees, above a certain threshold, taking total number of returns to three in a year for them. This change shall come into effect from 1st April, 2016. ➤ Rule 9A of the Central Credit Rules, 2004 is being amended to provide for filing of an annual return by a manufacturer of final products or provider of output services for each

S. No.	Topic(s)	Suggestion(s) as per ICAI Pre-Budget	Suggestion as per Union Budget 2016-17
			<p>financial year, by the 30th day of November of the succeeding year in the form as specified by a notification by the Board.</p> <p>➤ The provisions of rule 12 of the Central Excise Rules, 2002, in so far as they relate to annual return shall, mutatis-mutandis, apply to the annual return required to be filed under this rule.</p>
4.	Interest on delayed payment of service tax	<p>➤ It is suggested that this amendment be made applicable for those assesses who have collected the tax but not remitted to the government. The assessee making delay in payment of tax due to other reasons be not penalized in parity with the evaders.</p> <p>➤ It is suggested that the rates of interest be restored to the original rate at 18% irrespective of the period of delay as from the aforesaid calculation effective rate of interest comes to 36% per annum or 3% per month which is very huge. It may be noted that under the Income-tax Act, delay in payment of tax only attract interest that too at the much lower rate of 12% per annum (after return date 18% P.A) and there is no penalty provisions for delay in payment of income tax.</p>	<p>(Accepted)</p> <p>➤ Section 75 of the Finance Act is proposed to be amended so that a higher rate of interest would apply to a person who has collected the amount of service tax from the service recipient but not deposited the same with the Central Government.</p> <p>➤ Interest rates on delayed payment of duty/tax across all indirect taxes is proposed to be made uniform at 15%, except in case of service tax collected but not deposited with the Central Government, in which case the rate of interest will be 24% from the date on which the service tax payment became due. Notifications under section 73B and section 75 of the Finance Act, 1994 are being issued accordingly.</p>

S. No.	Topic(s)	Suggestion(s) as per ICAI Pre-Budget	Suggestion as per Union Budget 2016-17
			➤ In case of assessee, whose value of taxable services in the preceding year/years covered by the notice is less than Rs. 60 Lakh, the rate of interest on delayed payment of service tax will be 12%.
5.	Prosecution - Need to incorporate mens rea	➤ Prosecution provisions ought to apply only in exceptional cases and must include mens rea. Further, in the cases of interpretational issues such provisions should not be applied.	(Accepted) <ul style="list-style-type: none"> ➤ Section 89 of the Finance Act, 1994. The monetary limit for filing complaints for punishable offences is proposed to be enhanced to Rs. 2 crore. ➤ Sections 90 and 91 of the Finance Act, 1994. The power to arrest in service tax law is proposed to be restricted only to situations where the tax payer has collected the tax but not deposited it with the exchequer, and amount of such tax collected but not paid is above the threshold of Rs 2 crore. Sections 90 and 91 of the Finance Act, 1994 are being amended accordingly.
6.	Conflict between section 67A and Rule 4 & 5 of Point of Taxation Rules.	<ul style="list-style-type: none"> ➤ It is suggested that Rule 4 & 5 of Point of Taxation Rule be suitably amended to bring them in line with the provisions of section 67A and this conflict be removed. ➤ It is suggested that Rule 5 be suitably amended to provide that it applies only from the date of coming into force of 	(Partial Accepted) <ul style="list-style-type: none"> ➤ Section 67A is being amended to obtain rule making powers in respect of the Point of Taxation Rules, 2011, so as to provide that the point in time when service has been provided or agreed to be provided shall be determined

S. No.	Topic(s)	Suggestion(s) as per ICAI Pre-Budget	Suggestion as per Union Budget 2016-17
		tax on a new service	by rules made in this regard. ➤ Point of Taxation Rules, 2011 is being amended accordingly.

B. CENVAT CREDIT RULES, 2004

S. No.	Topic(s)	Suggestion(s) as per ICAI Pre-Budget	Suggestion as per Union Budget 2016-1017
7.	Recovery of CENVAT credit wrongly taken or erroneously refunded	➤ It is suggested that the changes brought in Rule 14 be rolled back to make it beneficial for the assessees.	(Accepted) ➤ The existing sub- rule (2) of rule 14 prescribes a procedure based on FIFO method for determining whether a particular credit has been utilized. The said sub-rule is being omitted. Now, whether a particular credit has been utilized or not shall be ascertained by examining whether during the period under consideration, the minimum balance of credit in the account of the assessee was equal to or more than the disputed amount of credit. ➤ Sub-rule (2) of rule 14 being omitted.
8.	Refund of CENVAT Credit – Rule 5 of CENVAT Credit Rules	It is suggested that: ➤ The application of refund be made on-line with certificate	(Partial Accepted) Notification No. 27/2012 – C.E. (N.T.) is being amended so as to

S. No.	Topic(s)	Suggestion(s) as per ICAI Pre-Budget	Suggestion as per Union Budget 2016-1017
		<p>from chartered accountant regarding validity of the refund claimed. <u>The refund application can only be filed after receipt of money in convertible foreign exchange. Export Incentive schemes in line with goods to be put in place.</u></p>	<p>provide that time limit for filing application for refund of Cenvat Credit under Rule 5 of the Cenvat Credit Rules, 2004, in case of export of services, shall be 1 year from the date of –</p> <p>(a) receipt of payment in convertible foreign exchange, where provision of service has been completed prior to receipt of such payment; or</p> <p>(b) the date of issue of invoice, where payment for the service has been received in advance prior to the date of issue of the invoice.</p>
9.	Amendment to Rule 4(5)- CCR- inclusion of tools sent for Jobwork	<p>➤ It is suggested that Rule 4(5)(b) of CENVAT Credit Rules be amended to allow CENVAT Credit on “tools” falling under chapter heading 820700.00 sent by a manufacturer of final product for job work / further processing of goods.</p>	<p>(Accepted)</p> <p>➤ Manufacturer of final products is being allowed to take CENVAT credit on tools of Chapter 82 of the Central Excise Tariff in addition to credit on jigs, fixtures, moulds & dies, when intended to be used in the premises of job-worker or another manufacturer who manufactures the goods as per specification of manufacturer of final products. It is also being provided that a manufacturer can send these goods directly to such other manufacturer or job-worker without bringing the same to his premises.</p>

C. CENTRAL EXCISE DUTY

S. No.	Topic(s)	Suggestion(s) as per ICAI Pre-Budget	Suggestion as per Union Budget 2016-1017
10.	Return under Excise Duty.	<ul style="list-style-type: none"> ➤ It is suggested that the system of filing monthly excise returns be made quarterly/ half-yearly i.e. at par with filing of VAT returns/ Service Tax returns. ➤ It is suggested that provision of revision of return, in line with service tax, be also introduced in Central Excise. This will help the assessee to revise anyuncorrected data or information submitted, if any. 	<p>(Accepted)</p> <ul style="list-style-type: none"> ➤ The Central Excise Rules, 2002 are being amended so as to: <ul style="list-style-type: none"> (a) reduce the number of returns to be filed by a central excise assessee above a certain threshold from 27 to 13, that is, one annual and 12 monthly returns. Monthly returns are already being e-filed. CBEC will provide for e-filing of annual return also. This annual return will have to be filed by service tax assessees also, above a certain threshold, taking total number of returns to three in a year for them, (b) extend the facility for revision of return, hitherto available to a service tax assessees only, to manufacturers also.
11.	SSI exemption for clearance of goods to Nepal or Bhutan.	<ul style="list-style-type: none"> ➤ It is suggested that Explanation no. G of Notification No. 8/2003 - CX dated 01 March, 2003 be amended to exclude exports to Nepal from the said explanation retrospectively from 01 March 2012. 	<p>(Accepted)</p> <ul style="list-style-type: none"> ➤ Consequent upon abolition of the Duty Refund Procedure for exports to Nepal, notification No.8/2003-Central Excise dated 01.03.2003 is being amended so as to exclude value of clearances made for

S. No.	Topic(s)	Suggestion(s) as per ICAI Pre-Budget	Suggestion as per Union Budget 2016-1017
			export to Nepal from the definition of „clearances for home consumption“ under the said notification. Notification No. 8/2003-Central Excise, dated 1st March, 2003 as amended by notification No. 8/2016-Central Excise dated 1st March, 2016 refers.

D. OTHERS

S. No.	Topic(s)	Suggestion(s) as per ICAI Pre-Budget	Suggestion as per Union Budget 2016-1017
12.	Number of benches at CESTAT level	➤ It is suggested that the process of Constitution more Benches of the CESTAT be made speedy.	(Accepted) ➤ 11 new benches of Customs, Excise and Service Tax Appellate Tribunal (CESTAT).