



NITYA'S INSIGHT

Budget 2017 | Key Indirect Tax Proposals

February 2, 2017

Dear Reader,

Union Budget, 2017, as expected, saw limited changes being made in indirect taxes. With GST transition in mind, the Finance Minister played safe by maintaining a status-quo. To ensure economic growth (specifically post demonetization), the Finance Minister focussed on the government's key programs such as 'Make in India' and 'Digital Economy'.

We have herein listed-out the key amendments made in the indirect tax laws:

SERVICE TAX

- R&D Cess is presently levied at the rate of 5% on import of technology. The Cess will be discontinued from April 1, 2017. The discontinuation will bring significant savings for taxpayers specifically Indian manufacturing arms of multi-national companies
- Rule 2A of Service Tax (Determination of Value) Rules, 2006 ('ST Valuation Rules') has been retrospectively amended (*effective July 1, 2010*) for works contract involving transfer of land to overcome Delhi High Court judgment in the case of **Suresh Kumar Bansal vs. Union of India**. Following changes have been proposed to clarify the valuation machinery:
 - Actual value method: For determining service portion in execution of works contract, the value of goods and value of land shall be excluded from the gross amount charged for works contract for payment of service tax
 - Composition method: In cases where the value is not determined under actual value method, service tax shall be payable at the rate of 25 percent of gross amount charged for works contract including value of land

EXCISE DUTY

- It is clarified that EOUs can claim customs and excise duty exemptions on procurement of inputs under Notifications other than Notification No.52/2003-Cus and 22/2003-CE related to duty free procurements by EOU. EOU needs to fulfil conditions of such Notifications
- Time limit of 3 months prescribed for grant of excise duty remission under Rule 21 of Central Excise Rules, 2002. This time limit can be extended by another 6 months by a superior officer

CUSTOMS DUTY

- Concept of 'beneficial owner' brought under the definition of 'exporter' and 'importer' under the Customs law. 'Beneficial owner' means a person on whose behalf the goods are imported or exported or who exercises effective control over the goods being imported or exported
- Following period prescribed for payment of customs duty:
 - Self-assessment: Date of presentation of bill of entry
 - Assessment, re-assessment or provisional assessment: Within one day (excluding holidays) from the date on which bill of entry is returned by proper officer for payment of duty

(All amendments effective from enactment of Finance Bill)

CENVAT CREDIT

- Rule 10 of Cenvat Credit Rules, 2004 deals with transfer of Cenvat credit in case of change in ownership of business because of sale, merger etc. or shifting of factory. Rule 10 amended to mandate approval by Assistant / Deputy Commissioner of Central Excise. The approval needs to be given within 3 months which can be extendable by further 6 months by a superior officer

COMMON PROVISIONS

- Authority for Advance Ruling
 - Authority for Advance Ruling constituted under Income Tax Act, 1962 will be Advance Ruling Authority for Customs, Excise Duty and Service Tax
 - Period of pronouncement of advance ruling enhanced from 90 days to 6 months
- Settlement Commission
 - A person other than taxpayer permitted to approach Settlement Commission
 - Settlement Commission empowered to amend its order to rectify an apparent error. Such rectification can be done within 3 months from the date of order

Trust you will find the update useful. Please feel free to contact in case you need any further clarifications in this regard.

Regards,

Team NITYA



Contact Us



CALL US

+91 11 4109 1200
+91 11 4109 1201



MAIL US

info@nityatax.com
www.nityatax.com



REACH US

NITYA TAX ASSOCIATES,
B-3/58, 3rd Floor,
Safdarjung Enclave,
New Delhi, 110029

