

# Bimal Jain

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Dear Professional Colleague,

## **Union Budget 2016: Important changes in Excise & Customs effective from April 1, 2016**

Affirming that the economy is right on track, the Hon'ble Finance Minister Shri. Arun Jaitley presented the Union Budget for 2016-17 on February 29, 2016. Although, Shri. Arun Jaitley in his 'Make in India' Budget speech laid more emphasis on agriculture, farmers welfare, infrastructure, social sector etc., but there are slew of changes in Indirect Taxes also, requiring attention of the Trade & Industry.

Under Excise & Customs, all changes in rates of duty take effect from the midnight of 29<sup>th</sup> February / 1<sup>st</sup> March, 2016. Some of the important changes are:

- Excise duty @ 1% without Cenvat credit on Inputs and Capital Goods (Cenvat credit available on Input Services)/ 12.5% with Cenvat credit on article of jewellery;
- Excise duty of 2% (without Cenvat credit) or 12.5% (with Cenvat credit) 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;
- The tariff value for readymade garments and made up articles of textile is also increased from 30% to 60% which shall apply to all goods mentioned in the Notification No.20/2001-CentralExcise (N.T.) dated April 30, 2001;
- Excise duty exemption presently available to concrete mix manufactured at site for use in construction work at such site extended to Ready mix concrete;
- Clean Energy Cess (renamed as Clean Environment Cess) increased from Rs. 200/- per tonne to Rs. 400/- per tonne,
- Infrastructure Cess levied on motor vehicles under heading 8703 subject to certain exceptions

The remaining legislative changes would come into effect only upon the enactment of the Finance Bill, 2016.

Further, there are other important changes in the Central Excise and the Customs that are effective from April 1, 2016, summarized below for easy digest:

### **A: Important changes in the Central Excise**

- **The Central Excise Rules, 2002 ("the Excise Rules") is being amended vide Notification No. 8/2016-CE(NT) dated March 1, 2016, broadly, to provide as under:**

Rule 12:

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- a) Reduction in number of returns to be filed by a Central Excise assessee above a certain threshold, from 27 to 13, that is, 1 annual and 12 monthly returns. Monthly returns are already being e-filed. CBEC will provide the detailed procedure for e-filing of annual return also;
- b) The facility for revision of return, hitherto available to a Service tax assesses only, is being extended to manufacturers also. Accordingly, manufacturers can revise their returns by the end of the calendar month in which the original return is filed;
- c) Where an assessee submit a revised return, the relevant date for recovery of Central Excise duty, if any, under Section 11A of the Central Excise Act, 1944 ("**the Excise Act**"), shall be the date of submission of such revised return;

## Rule 17:

- d) The above discussed facility (point b and c) for revision of return is also being extended to 100% Export Oriented Undertaking;

## Rule 11:

- e) In cases where invoices are digitally signed, the manual attestation of copy of invoice, meant for transporter, is done away with.

## Rule 26:

- f) In cases where the proceedings in respect of duty, interest and penalty have been concluded against the person liable to pay duty under clause (a) or clause (d) of Section 11AC(1) of the Excise Act, then penalty proceedings initiated against other persons will also deemed to be concluded.

- **Rationalisation of rate of interest on delayed payment of Excise duty – Section 11AA of the Excise Act read with Notification No. 15/2016-CE(NT) dated March 1, 2016**

The rate of interest is rationalised to 15% per annum as against present rate of 18% in case of delayed payment of Excise duty.

- **New Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2016 made effective from March 16, 2016**

Vide **Notification No. 20/2016-CE(NT) dated March 1, 2016**, the existing Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2001 were scheduled to be substituted, w.e.f April 1, 2016, with the Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2016 ("**new RGCR Rules**"), so as to simplify the rules,

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including allowing duty exemptions to importer/manufacturer based on self-declaration instead of obtaining permissions from the Central Excise authorities.

However, vide **Notification No. 22/2016-CE(NT) dated March 15, 2016**, applicability of the new RGCR Rules has been preponed to March 16, 2016.

The new RGCR Rules have been further amended to specify that the bond to be executed by the manufacturer shall be supported by a surety. The words, "or security" are omitted from Rule 4(5) thereof.

## **B: Important changes in the Customs**

- **New Baggage Rules vide Notification No. 30/2016-Customs (NT) dated March 1, 2016**

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.

In this regard, following notifications have been issued as regards the Baggage Rules, 2016:

<b>Notification No.</b>	<b>Particulars</b>
<b>26/2016-Customs dated March 31, 2016</b>	<b><u>Effective rate on duty on Baggage</u></b> Superseded <b>Notification No. 136/1990-Customs dated March 20, 1990</b> , according to which article exceeding specified limit shall be taxable @ 35% ad valorem. This rate of duty is not applicable to certain goods like alcohol in excess of two litres.
<b>27/2016-Customs dated March 31, 2016</b>	Superseded <b>Notification No. 137/1990-Customs dated March 20, 1990</b> , according to which specified persons after residing outside India for a particular period can import specified items upto specified limit (Rs.2,00,000/-or Rs.5,00,000/-) without payment of import duty, subject to conditions given in the notification, and beyond that limit shall be taxable @ 15% ad valorem for items given in Table –II
<b>43/2016-Customs (NT) dated March 31, 2016</b>	Rules 3, 4, 6 and 7 of the Baggage Rules, 2016 has been amended.

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- **Amendment in Customs Baggage Declaration Regulations vide Notification No. 31/2016-Customs (NT) dated March 1, 2016**

The Customs Baggage Declaration Regulations, 2013 is being amended so as to prescribefiling of Customs declaration only for those passengers who carry dutiable or prohibitedgoods.

- **Rationalisation of rate of interest on delayed payment of Customs duty – Section 28AA of the Customs Act, 1962 read with Notification No. 33/2016-Customs (NT) dated March 1, 2016**

The rate of interest is rationalised to 15% per annum as against present rate of 18% in case of delayed payment of Customs duty.

- **Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2016 made effective from March 16, 2016**

Vide **Notification No. 32/2016-Customs (NT) dated March 1, 2016**, the existing Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996 were scheduled to be substituted, w.e.f April 1, 2016, with the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2016 ("**new IGCR Rules**"), so as 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.

However, vide **Notification No. 39/2016-Customs (NT) dated March 15, 2016**, applicability of the new IGCR Rules has been preponed to March 16, 2016.

The new IGCR Rules have been further amended to specify that the bond to be executed by the manufacturer shall be supported by a surety. The words, "or security" are omitted from Rule 5(2) thereof.

In order to view important changes in Service Tax and Cenvat Credit Rules, 2004, effective from April 1, 2016, please click on the link below:

<http://www.a2ztaxcorp.com/union-budget-2016-important-changes-in-service-tax-and-credit-rules-effective-from-april-1-2016/>

*Hope the information will assist you in your Professional endeavours. In case of any query/ information, please do not hesitate to write back to us.*

Thanks & Best Regards,

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