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# BUDGET ANALYSIS

- ✧ Excise Rates increased from 10% to 12%, 5% to 6% and 1% to 2% with effect from 17/3/2012.
- ✧ 1% levy continues for Coal, Jewellery, Mobiles and Non-fertilizers under Chap 31.
- ✧ Cement, Cigarettes and Footwear brought under Section 4A of CE Act. (Ref: Notification 7/2012 CE NT)
- ✧ Cigarettes notified under Third Schedule to CE Act. (Ref : The Sixth Schedule)

**CENTRAL EXCISE**

- ✧ Abatement on Readymade Garments increased from 55% to 70%. (Ref: Notification 17/2012 CE NT)
- ✧ Procedural changes on return of Readymade Garments (Ref: Notification 8/2012 CE)
- ✧ Parts of Mobiles for OE purpose – Fully exempted (Ref: Sl.No.272 of Notification 12/2012 CE)
- ✧ Spares to attract 2% (Ref: Notification 16/2012 CE).
- ✧ Cars to cost dearer (Ref: Notification 12/2012 CE)

**CENTRAL EXCISE**

- ✧ Unbranded Articles of Jewellery to attract 1% levy
- ✧ Tariff Value at 30% of transaction value notified (Ref: 9/2013 CE NT)
- ✧ Silver Jewellery exempted. (Ref: SI.No.199 of Notification 12/2012 CE)
- ✧ Branded Coins of Gold and Silver exempted subject to purity (Ref: SI.No.200 of Notification 12/2012 CE)
- ✧ Option of Job worker to register dispensed – Rule 12AA (Ref: Notification 8/2012 CE NT)

**CENTRAL EXCISE**

- ✧ “Inter-connected Undertaking” under Section 4 of Central Excise Act redefined – No More reference to MRTP Act. (Ref: Clause 129 of the Finance Bill 2012)
- ✧ Limit to prosecute under Section 9 increased from 1 lac to 30 Lac. (Ref: Clause 130 of Finance Bill 2012)
- ✧ Offences under amended Section 9/Section 9A reclassified as cognisable/noncognisable – offshoot of Supreme Court verdict (Ref: Clause 131 of the Finance Bill 2012)

**CENTRAL EXCISE**

- ✧ Increase in Baggage Allowance – 25K to 35K for Pax of Indian Origin & 12K to 15K to Children up to 10 years
- ✧ Excise Education Cess on CVD exempted. (Ref: Notification 13/2012 Cus – E Cess & 14/2012 Cus – SHE Cess)
- ✧ Importer of specified goods to declare the State of first sale of such goods and VAT Registration number - w.e.f. 1/5/2012 ( Ref: Notification 21/2012 – Cus)

**CUSTOMS**

- ✧ Analogous provisions brought in Customs Act in respect of Arrest and Prosecution (Ref: Clause 120 & 121 of Finance Bill 2012 )
- ✧ Section 104 substituted and Section 104A introduced
- ✧ Section 28AAA introduced to facilitate demand on import using export promotion instruments. (Ref: Clause 116 of the Finance Bill 2012)

**CUSTOMS**

- ✧ Major Changes in CENVAT Credit Rules - effective from 1/4/2012 (Ref: Notification 18/2012 CE NT)
- ✧ Optional 5% payment on exempted goods and services under Rule 6 of CCR – increased to 6%
- ✧ Removal of capital goods redefined – Refer Rule 3(5) & 3(5A) - the credit to be reversed either as per the depreciation route or as per transaction value, whichever is higher
- ✧ No distinction between used capital goods and scrap – to be effective from 17/3/2012

**CENVAT CREDIT**



- ✧ CENVAT Credit allowed on Capital goods and inputs to service providers based on documentary evidence for delivery at the location – No need to bring it to the registered premises. (Ref: Rule 4(1) & 4(2) of CCR)
- ✧ Rule 5 refund simplified; New Formula  $[(\text{Export turnover of goods} + \text{Export turnover of Services}) * \text{Net CENVAT Credit}] / \text{Total turnover}$  – one year transition period permitted
- ✧ Limited availability of CENVAT credit on Motor vehicles to manufacturers as Capital Goods.

**CENVAT CREDIT**

- ✧ ISD Restricted – Credit attributable to a specific unit should be distributed only to that unit – Common credit to be distributed proportionately based on turnover (Ref: Rule 7 of CCR)
- ✧ Rule 10 A introduced to facilitate transfer of unutilised SAD credit at the end of a quarter to other units of the same manufacturer
- ✧ P-AND-OR-A box closed – Interest only on CENVAT Credit wrongly taken and utilised – Penalty remains for even wrong taking. (Refer Rule 14 of CCR)

**CENVAT CREDIT**

- ✧ Positive list to give way to negative list – a paradigm shift
- ✧ Rate raised to 12 % with effect from 01.04.2012 - Notification 8/2009, prescribing 10 % - rescinded. (Ref: Notification 2/2012)
- ✧ Composition rate for Works Contract service raised from 4% to 4.8 % w.e.f. 01.04.2012 (Ref: Notification No. 10/2012)
- ✧ Optional 5 % payment on exempted services under Rule 6 of CCR, raised to 6 %
- ✧ Exemption to transport of goods by rails by railways extended up to July 2012 (Notifications 7-9/2012)

**SERVICE TAX**

## Amendments in ST Rules, 1994 (Notification 3/2012)

- ✧ Time limit for raising invoices raised to 30 days (Rule 4A amended)
- ✧ No blanket immunity to professionals from POT
- ✧ All Service providers being individuals / partnership firms, having turnover of less than Rs. 50 lakhs can pay service tax on realization basis
- ✧ Self adjustment of excess paid ST relaxed. Limit of Rs. 2 lakhs removed. Rule 6(4B) substituted.

**SERVICE TAX**

## Amendments in POT Rules.

- ✧ Minor excess amounts received upto Rs.1000 – ST not payable on such excess payments on receipt
- ✧ For reverse charge, POT continues to be date of payment
- ✧ Best judgement for difficult cases where date of invoice / date of payment not available
- ✧ SSI Exemption aligned with POT (Ref: Notification 5/2012)

**SERVICE TAX**

## Legislative Amendments...

- ✧ Normal demand period raised from one year to 18 months (Section 73 amended vide Clause 143 K of the Finance Bill)
- ✧ Periodical notices made simple
- ✧ For renting of immovable property service – penalty waiver if ST paid within 6 months of passage of Finance Bill (Refer clause 143L of the Finance Bill)

**SERVICE TAX**

## ... Legislative Amendments

- ✧ Settlement Commission and Revisionary Authority for ST too. (Ref: Clause 143 M of the Finance Bill)
- ✧ Time limit for filing appeal before Commissioner Appeals reduced to 2 months, with delay condonation for one month. (Ref: Clause 143 N of the Finance Bill)
- ✧ Time limit for filing appeal before Tribunal, for department enhanced from 3 to 4 months (Ref: clause 143O of the Finance Bill)
- ✧ *Mens rea* required for prosecution (Ref: Clause 143 Q of the Finance Bill).

**SERVICE TAX**

# Retrospective Amendments

- ✧ ST exemption for effluent treatment by associations of dyeing units – given retrospective effect from 16.06.2005 (Ref: Clause 145 of the Finance Bill)
- ✧ Protection under Rule 6 for services provided to SEZ units / developers, given retrospective effect from 10.02.2006 (Ref: Clause 144 of the Finance Bill)
- ✧ Maintenance / repair of roads, retrospectively exempted from 16.06.2005 (Ref: Clause 143 W of the Finance Bill)
- ✧ Maintenance / repair of non commercial buildings retrospectively exempted from 16.06.2005.

**SERVICE TAX**



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