



# WIRC BULLETIN

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## *From the Desk of Chairman*

Hon. Finance Minister have presented the BUDGET for the year 2015-16. "Make in India", ease of doing business "E-Biz Project", were the main focus of the Budget. Economic Survey have definitely revealed positive trend and stated to be GDP at the 8% in the year 2015-16. Though there may not be relief in the personal taxation to the individuals but there are certain road maps which has been laid down in this budget.

The Budget has definite path towards commitment to GST, Make In India, Swachh Bharat and Maximum Governance & Minimum Government. Number of provisions have been incorporated.

1. GST - Though GST will be implemented with effect from 1st April 2016, one of the major step is passing of 122nd Constitutional Amendment Bill which has been tabled last year. However, the aligning of rates has been attempted & service tax rate has been increased to 14% and central excise duty is pegged at 12.5%. Education cess and Higher Education Cess has been abolished without giving the action plan of accumulated balance of these cess. Some of the exemptions have been withdrawn.
2. Direct Tax Code: It has been announced that there will not be Direct Tax Code and Income Tax will be continued with necessary modifications.
3. Implementation of GAAR has been postponed till 31st March 2017.
4. Some of the good provisions has been introduced in the Income Tax which includes abolishment of Wealth Tax and stricter provisions for black money.
5. Custom duty rates have been reduced on specified raw material and Special Additional Duty has been withdrawn subject to actual user conditions.
6. Penalty provisions has been rationalized so as to reduce the litigations.
7. Number of measures have been taken and therefore there are number of changes in Customs, Central Excise, Service tax and Income tax.

Some of the Highlights are given below :

### **DIRECT TAX :**

- No change in slab rates of Income Tax
- Wealth Tax act abolished and 2% Surcharge imposed on Super Rich having Income above Rs. 1 Crore
- Corporate tax rate to be reduced to 25% from existing 30% for next 4 years
- Income tax on royalty and fees for technical services to be reduced to 10% from 25%

- Transport allowance deductible for tax purpose to be increased to Rs. 1600 pm from existing Rs. 800 pm
- Deduction for Contribution to Pension Fund of LIC / IRDA approved insurer - Limit increased to Rs.1.50 lakh (80 CCC ) from existing Rs.1 lakh
- Additional deduction of Rs.50000 for contribution towards National Pension Scheme ,NPS ( 80 CCD (1B))
- Health insurance premium deduction limit is increased to Rs. 25,000 from existing Rs. 15,000 (80D)..for senior citizens it is increased to Rs. 30000 from Rs.20000
- Senior citizens above the age of 80 years, who are not covered by health insurance, to be allowed deduction of Rs.30000 towards medical expenditures.
- Deduction towards maintenance(80 DD), including medical treatment of a dependant who is a person with disability, is increased from Rs. 50,000 to Rs.75,000
- Deduction u/s 80U for person with disability, is increased from Rs. 50000 to 75000
- Payments to the beneficiaries including interest payment on deposit in Sukanya Samriddhi scheme to be fully exempt ( 80C to be modified)
- 100% deduction for contributions, other than by way of CSR contribution, to Swachh Bharat Kosh and Clean Ganga Fund ( 80G)
- Employee's contribution to EPF below an income threshold will be optional without reducing employer's contribution.
- Beneficiaries of foreign assets mandatorily required to file returns irrespective of the income
- Non Filing of Income Tax Return of foreign assets is proposed to be made Punishable with Imprisonment of upto 7 years
- Imprisonment of upto 10 yrs for concealment of income and assets and evasion of tax in relation to foreign assets - it will be non compoundable offence with 300% of tax as penalty.
- FEMA proposed to be amended to effect that if any contravention found then foreign asset may get seized or eventual confiscation of assets of equivalent value situated in India would be made.
- For curbing domestic black money, a new and more comprehensive Benami Transactions (Prohibition) Bill will be introduced
- PAN mandatory for any transaction for Rs. 1 lakh or more

- Mere presence of project fund manager in India shall not be construed as Permanent Establishment of offshore funds
- Specified Domestic Transaction under Transfer pricing Limit proposed to increase to Rs. 20 Crore from Rs. 5 Crore
- defer the applicability of GAAR by two years. Further, it has also been decided that when implemented, GAAR would apply prospectively to investments made on or after 01.04.2017
- Service tax and Central excise registration certificates to be issued in 2 working days
- GST to be put in place by April 1, 2016

However Hon. Finance Minister have announced that there is no need to replace Direct Tax Code and therefore Income Tax Act 1961 will prevail and hence there is a need to change the definition of "Accountant" in the Income Tax Act 1961.

#### **RAILWAY BUDGET**

There is no increase or decrease in any fares including that of passenger but focus has been given for safety, service and clean environment.

#### **CEP PROGRAMS**

WIRC has continued to have CEP programs on each Saturday and all the programs are well appreciated.

#### **NATIONAL PRACTITIONERS CONVENTION**

National Practitioners Convention has been scheduled on 16th March 2015 at Mumbai Cricket Association, Recreation Centre, Bandra Kurla Complex, Bandra (e), Mumbai - 400051 and following topics will be deliberated:

1. Cost Audit - Peer Review
2. Making Cost Audit Framework exciting to BOD
3. Internal Audit
4. Get Ready for GST
5. CMA - Opportunities in Banks, SME Sector
6. Forensic Audit

WIRC appeals all the practitioners to participate.

#### **INDIRECT TAX :**

- Service tax rate increased to 14% from existing 12.36%
- Full reverse charge mechanism as against existing partial reverse charge for Manpower supply and security services when provided by individual, HUF, partnership firm to a body corporate
- Service receiver can take credit of service tax paid under partial reverse charge without making payment of service to the service provider
- Uniform abatement of 70% for Rail , Road and vessel transportation meaning now service tax payable on 30% of the value of service
- Abatement on executive (business/first class) air travel reduced from 60% to 40% , thereby meaning service tax now payable on 60% of the value of service ( against 40% of service value earlier)
- Central Excise duty rounded off to 12.5% from existing 12.36% ( incl cess)

### **Glimpses of CEP on Union Budget Organised by WIRC on 5th March 2014 at WIRC**



CMA V.V. Deodhar felicitating CMA Amit Sarkar



CMA Kirit Mehta felicitating CA Nilesh Bhagat



View of audience



# NATIONAL CMA PRACTITIONERS' CONVENTION-2015

“CMA PROFESSION - ENHANCING PERFORMANCE”

Monday, the 16th March 2015, Mumbai

*Venue:*

Mumbai Cricket Association, Recreation Centre,  
Bandra Kurla Complex, Bandra (E), Mumbai 400 051

*Jointly organized by*

**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**

*(Statutory Body under an Act of Parliament)*

**&**

**WESTERN INDIA REGIONAL COUNCIL**

The convention will have following concurrent sessions after the inaugural session.

Technical Session (TS)	Group- 1	Technical Session (TS)	Group- 2
TS-1 (11.30 AM - 1.00 PM)	Cost Audit -Peer Review	TS-2 (11.30 AM - 1.00 PM)	Get Ready for GST
TS-3 (2.00 PM - 3.15 PM)	Making Cost Audit Framework exciting to BOD	TS-4 (2.00 PM - 3.15 PM)	CMA - Opportunities in Banks, SME Sector
TS-5 (3.30 PM - 4.45 PM)	Internal Audit	TS-6 (3.30 PM - 4.45 PM)	Forensic Audit

Speakers include experts in the respective subjects.

All the delegates after attending the Inaugural Session will have option to attend concurrent session as per their preference. Participants are requested to kindly tick the Concurrent Session they would like to attend both in the Morning as well as in the Post Lunch Session.

If more number of delegates opt for a particular session, the Registration will be done on a "First-Come-First Serve Basis" and beyond the maximum permissible limit based on the seating capacity of the hall, they will be allotted sessions according to their second or third preference.

If no 'Preference' is given, the delegates will be allotted Sessions, keeping in view the number of delegates that can be allotted to each session.

## **Programme Schedule 16th March 2015**

09.00 am to 10.00 am	....	Registration
10.00 am to 11.00 am	....	Inaugural Session
11.00 am to 11.30 am	....	Tea Break
11.30 am to 01.00 pm	....	Technical Session 1 & 2 (Concurrent)
01.00 pm to 02.00 pm	....	Lunch
02.00 pm to 03.15 pm	....	Technical Session 3 & 4 (Concurrent)
03.15 pm to 03.30 pm	....	Tea Break
03.30 pm to 04.45 pm	....	Technical Session 5 & 6 (Concurrent)
04.45 pm to 05.15 pm	....	Valedictory Session

**Delegate Fee : Rs. 2,500/- per Member**

**CEP Credit : 4 Hours**

**For Clarification:**

**The Institute of Cost Accountants of India, Western India Regional Council**

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# Union Budget-2015 – Service Tax

Compiled by CMA Dr. Sanjay R. Bhargave



The Finance Minister has introduced the Finance Bill, 2015 in Lok Sabha on 28.02.2015. The highlights of changes in the service tax are given below for quick understanding.

## A. Service Tax Rate:

The rate of Service Tax is proposed to increase from 12% to 14%. 'Education Cess' and 'Secondary and Higher Education Cess' will be subsumed in the revised rate of service tax. Thus the effective rate of service tax shall be revised to 14% from the existing rate of 12.36%. The new service tax rate will come into effect from a date to be notified by the Central Government after the enactment of The Finance Bill, 2015.

## B. Swachh Bharat Cess:

A provision is being incorporated in the Finance Bill to empower Central Government to impose Swachh Bharat Cess at the rate of 2% on Value of Taxable Services. The cess shall be levied from such date as may be notified by the Central Government after the enactment of The Finance Bill, 2015.

## C. Amendments in Negative List of Services

Following changes are proposed in the Negative List in Sec 66D of the Act.

- a) Service tax is payable on any services provided by Government to business entity.  
Presently, services provided by Government or a local authority, excluding certain services specified under clause (a) of section 66D namely-
  - (i) Services by Department of Post by way of speed post express parcel post, life insurance and agency services provided to a person other than Government;
  - (ii) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport;
  - (iii) transport of goods or passengers; or
  - (iv) Support Services, other than services covered under clauses (i) to (iii) above, provided to business entities; are covered by the Negative List. Thereby, Service Tax is applicable only on the "support service" provided by the Government or local authority to a business entity.

It is being proposed to levy service tax on any services provided by Government or Local Authority to business entities. In other words, all services provided by the Government or local authority to a business entity, except the services that are specifically exempted, or covered by any another entry in the Negative List, shall be liable to service tax. It is pertinent to note that service tax on any services provided by Government is payable by the business entity under reverse charge mechanism under Notification No. 30/2012-ST dated 20.06.2012 as amended.

"Government" has been defined in clause (26A) of Sec 65B of the Finance Act. "Government" means the Departments of the Central Government, a State Government and a Union Territory and its Departments but shall not include any entity whether created by a statute or otherwise, the accounts of which are not

required to be kept in accordance with article 150 of the Constitution or the rules made thereunder".

- b) Service Tax is payable on Contract Manufacturing or job work charges for production of potable liquor for a consideration -

Presently as per clause (f) of Sec. 66D of finance Act, 1994, any process amounting to manufacture or production of goods is covered under negative list of services and not liable for service tax.

The said clause is being proposed to substitute as (f) services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption;

Consequential amendment has been made in Sl. No.30 of the Notification No.25/2012-ST to exclude intermediate production of alcoholic liquor for human consumption from its ambit.

Thus, Service Tax shall be levied on contract manufacturing / job work for production of potable liquor for a consideration.

- c) Money changing services, Lottery Distributors Services and Services of foreman chit fund for consideration are specifically excluded from scope of betting, gambling or lottery covered under negative list of services.

Following Explanation is being inserted to effect that "betting, gambling or lottery shall not include the activity specified in Explanation 2 to clause (44) of section 65B;

'Explanation 2. - For the purposes of this clause, the expression "transaction in money or actionable claim" shall not include--

- (i) any activity relating to use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged;
- (ii) any activity carried out, for a consideration, in relation to, or for facilitation of, a transaction in money or actionable claim, including the activity carried out--
  - (a) by a lottery distributor or selling agent in relation to promotion, marketing, organising, selling of lottery or facilitating in organising lottery of any kind, in any other manner;
  - (b) by a foreman of chit fund for conducting or organising a chit in any manner;'

In other words, money changing services, lottery distributor's Services and services of foreman of Chit Fund for consideration are liable for service tax.

- d) Admission to entertainment events or access to amusement facilities

Clause (j) of Sec.66D covering admission to entertainment events or access to amusement facility is being omitted. Consequentially, Service Tax shall be levied on the service provided by way of access to amusement facility providing



fun or recreation by means of rides, gaming devices or bowling alleys in amusement parks, amusement arcades, water parks and theme parks.

Service tax to be levied on service by way of admission to entertainment event of concerts, pageants, musical performances concerts, award functions and sporting events other than the recognized sporting event, if the amount charged is more than Rs. 500/- for right to admission to such an event.

Service by way of admission to entertainment event, namely, exhibition of cinematographic film, circus, recognized sporting event, dance, theatrical performance including drama and ballet are being exempted vide Notification No. 6/2015-ST dated 01.03.2015 amending notification No. 25/12-ST.

e) Coverage of Bundled Services explained by way of Illustration

Section 66F (1) prescribes that unless otherwise specified, reference to a service shall not include reference to any input service used for providing such services.

Illustration has been inserted to clarify the scope of bundled services. As per the illustration services provided to RBI by other banks will be leviable to service tax.

## D. Legislative Changes

### a) Section 67- Valuation of Services

Clause (a) to Explanation of Section 67 is being substituted as per following : "Consideration" includes

- (i) any amount that is payable for the taxable services provided or to be provided;
- (ii) any reimbursable expenditure or cost incurred by the service provider and charged, in the course of providing or agreeing to provide a taxable service, except in such circumstances, and subject to such conditions, as may be prescribed;
- (iii) any amount retained by the lottery distributor or selling agent from gross sale amount of lottery ticket in addition to the fee or commission, if any, or, as the case may be, the discount received, that is to say, the difference in the face value of lottery ticket and the price at which the distributor or selling agent gets such ticket.'

Consequently, consideration for a taxable service shall include:

- (a) all reimbursable expenditure or cost incurred and charged by the service provider.
  - (b) amount retained by the distributor or selling agent of lottery from gross sale amount of lottery ticket, or, as the case may be, the discount received, that is the difference in the face value of lottery ticket and the price at which the distributor or selling agent gets such tickets.
- b) Section 73- Recovery of service tax not levied/not paid/short levied/short paid
- New Sub-Section (1B) is being inserted to provide that :-  
 "(1B) Notwithstanding anything contained in sub-section (1), in a case where the amount of service tax payable has been self-assessed in the return furnished under sub-section (1) of section 70, but not paid either in full or in part, the same shall be recovered along with interest thereon in any of the modes specified in section 87, without service of notice under sub-section (1).";

Consequently, recovery of the Service Tax amount self-assessed and declared in the return but not paid shall be made under section 87, without issuance of show cause notice.

c) Section 73 (4A)- Provisions of reduced penalty

Sub-section (4A) that providing for reduced penalty if true and complete details of transaction were available on specified records, is being omitted.

Thereby, benefit of reduced penalty equal to 1% p.m. upto maximum of 25% of tax amount, if true and complete details of transaction were available on specified records, is being withdrawn.

d) Section 76 - Penalty for failure to pay service tax

Section 76 is being amended to rationalize the provisions relating to penalties, in cases not involving fraud or collusion or wilful mis-statement or suppression of facts or contravention of any provision of the Act or rules with the intent to evade payment of Service Tax, in the following manner,-

- (a) Penalty not to exceed 10% of Service Tax amount involved in such cases;
  - (b) No penalty is to be paid if Service Tax and interest is paid within 30 days of issuance of Show Cause Notice under section 73 (1);
  - (c) Reduction in penalty equal to 25% of the penalty imposed by the Central Excise officer by way of an order is to be paid if the Service Tax, interest and reduced penalty is paid within 30 days of such order;
  - (d) If the Service Tax amount gets reduced in any appellate proceeding, then the penalty amount shall also stand modified accordingly, and benefit of reduced penalty ( 25% of penalty imposed) shall be admissible if service tax, interest and reduced penalty is paid within 30 days of such appellate order.
- e) Section 78- Penalty for suppression of facts etc. of value of taxable services

Section 78 is being amended to rationalize penalty, in cases involving fraud or collusion or wilful mis-statement of suppression of facts or contravention of any provision of the Act or rules with the intent to evade payment of Service Tax, in the following manner,-

- (a) 100% penalty of Service Tax amount involved in such cases;
  - (b) Reduction in penalty equal to 15% of the Service Tax amount- if Service Tax, interest and reduced penalty is paid within 30 days of from issuance of Show Cause Notice.
  - (c) Reduction in penalty equal to 25% of the Service Tax amount confirmed by the Central Excise officer by an order- if the Service Tax, interest and reduced penalty is paid within 30 days of such order;
  - (d) If Service Tax amount gets reduced in any appellate proceeding, then the penalty amount shall also stand modified accordingly, and benefit of reduced penalty (25%) shall be admissible if Service Tax, interest and reduced penalty is paid within 30 days of such appellate order.
- f) A new section 78 B is being inserted to prescribe, by way of a transition provision, that,-
- (a) Amended provisions of sections 76 and 78 shall apply to cases where either no notice is served, or notice is served under sub-section (1) of section 73 or proviso thereto but no order has been issued under sub-section (2) of section 73, before the date of enactment of the Finance Bill, 2015; and

(b) in respect of cases covered by sub-section (4A) of section 73, if no notice is served, or notice is served under sub-section (1) of section 73 or proviso thereto but no order has been issued under sub-section (2) of section 73, before the date of enactment of the Finance Bill, 2015, penalty shall not exceed 50% of the Service Tax amount.

g) Section 80 - Immunity from penalty,

Section 80 which is provided for waiver of penalty in certain circumstances is being omitted. Consequentially, powers of adjudicating authority to reduce/waive penalty are being withdrawn.

h) Section 86 - Appeals to Appellate Tribunal

Section 86 is being amended to prescribe that remedy against the order passed by Commissioner (Appeal), in a matter involving rebate of Service Tax, shall lie in terms of section 35EE of the Central Excise Act. It is also being provided that all appeals filed in Tribunal after the date the Finance Act, 2012 came into effect and pending on the date when the Finance Bill, 2015 receives assent of the President shall be transferred and dealt in accordance with section 35EE of the Central Excise Act.

i) Section 83

Certain changes have been made in the provisions relating to Settlement Commission. These provisions, contained in the Central Excise Act, 1944, are made applicable to Service Tax, through section 83 of the Finance Act, 1994.

## E. Exemptions

Mega Exemption Notification No. 25/2012-ST dated 20.06.2012 is amended vide Notification No. 6/2015-ST dated 28.02.2015. Changes are Effective from 1st April, 2015.

a) Health Care Related Services:

Presently, as per Sr. No. 2 of the Notification No. 25/2012-ST dated 20.06.2012, Health care Services provided by a clinical establishment, an authorized medical practitioner or paramedics are exempt. The scope of this exemption is being widened to include all ambulance services.

b) Construction services provided to Government or local authority:

Till 01.04.2015, as per Sr. No. 12 services provided to Government or Local Authority by way construction, erection, commissioning, installation, completion, fitting out, repair, civil structures 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 historical monument, archaeological site or remains of national importance, archaeological excavation, or antiquity specified under the Ancient Monuments and Archaeological Sites and Remains Act, 1958 (24 of 1958);
- c) a structure meant predominantly for use as (i) an educational, (ii) a clinical, or (iii) an art or cultural establishment;
- d) canal, dam or other irrigation works;
- e) pipeline, conduit or plant for (i) water supply (ii) water treatment, or (iii) sewerage treatment or disposal; or
- f) 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;

With effect from 01.04.2015, exemptions as per item (a), (c) and (f) are being withdrawn. Therefore, exemption to specified services of construction, repair, maintenance, renovation or alteration service provided to the Government, a local authority, or a governmental authority shall be limited only to,-

- a historical monument, archaeological site or remains of national importance, archeological excavation or antiquity;
- canal, dam or other irrigation work; and
- pipeline, conduit or plant for (i) water supply (ii) water treatment, or (iii) sewerage treatment or disposal.

c) Services provided to air port and port

Exemption provided to Services by way of construction, erection, commissioning, or installation of original works pertaining to airport and port is being withdrawn.

d) Services provided by artist

Presently as per Sr. 16 Services by a performing artist in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre, excluding services provided by such artist as a brand ambassador are exempted.

Sr. 16 is being substituted to provide that Services by an artist by way of a performance in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre, if the consideration charged for such performance is not more than one lakh rupees. It is further provided that the exemption shall not apply to service provided by such artist as a brand ambassador.";

e) Transportation Services in relation to food stuff

As per amendment to Sr. No. 20 (i) of Notification No. 25/2012-ST dated 20.06.2012, the scope of transportation services provided by rail or a vessel in respect of foodstuff including flours, tea, coffee, jaggery, sugar, milk products, salt and edible oil, excluding alcoholic beverages by rail or a vessel from one place in India to another is now restricted only to milk, salt and food grain including flours, pulses and rice;"

Transportation of agricultural produce is separately exempt, and this exemption would continue

f) GTA Services related to transportation of food Stuff

As per amendment to Sr. 21 (d) of Notification No. 25/2012-ST dated 20.06.2012, GTA Services in a goods carriage of foodstuff including flours, tea, coffee, jaggery, sugar, milk products, salt and edible oil, excluding alcoholic beverages is now restricted to GTA services in a goods carriage of milk, salt and food grain including flours, pulses and rice only.

g) Services of Life Insurance:-

Clause (d) is inserted in Sr. No. 26A to grant exemption to services of life insurance provided under "Varishtha Pension Bima Yojana"

h) Services provided by mutual fund or asset management company agents, mutual fund agent, selling agent of lottery tickets.

Exemption provided to services provided by following persons as per Sr. 29 of Notification No. 25/2012-ST dated 20.06.2012 is being withdrawn -

- mutual fund agent to a mutual fund or asset management company;
- distributor to a mutual fund or asset management company;

- selling or marketing agent of lottery tickets to a distributor or a selling agent;
- i) Services of Job Worker in relation to alcoholic liquors for human consumption

As per Sr. No. 30 (c), services provided by job worker carrying out an intermediate production process in relation to alcoholic liquors for human consumption are leviable to service tax

j) Telephone Services-

Exemption provided vide Sr. 32 of Notification No. 25/2012-ST dated 20.06.2012 to following Services by way of making telephone calls is being withdrawn -

- a) departmentally run public telephone;
- b) guaranteed public telephone operating only for local calls; or
- c) free telephone at airport and hospital where no bills are being issued;
- k) Exemption is being provided to following services w.e.f. 01.04.2015-

**Sr. No. Description**

- 43 Services by operator of Common Effluent Treatment Plant by way of treatment of effluent;
- 44 Services by way of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labelling of fruits and vegetables which do not change or alter the essential characteristics of the said fruits or vegetables;
- 45 Services by way of admission to a museum, national park, wildlife sanctuary, tiger reserve or zoo;
- 46 Service provided by way of exhibition of movie by an exhibitor to the distributor or an association of persons consisting of the exhibitor as one of its members;";

**D) Exemption to entertainment services-**

Vide Sr. No. 47 exemption is being provided to Services by

way of right to admission to,

- (i) exhibition of cinematographic film, circus, dance, or theatrical performance including drama or ballet;
- (ii) recognized sporting event;
- (iii) award function, concert, pageant, musical performance or any sporting event other than a recognized sporting event, where the consideration for admission is not more than Rs 500 /-per person."

These changes shall be made effective from the date the amendments being made in the Negative List concerning the service by way of admission to entertainment events come into effect.

**F. Other Exemptions :**

a) GTA Services in relation to export of goods

Goods transport agency service provided for transport of export goods by road from the place of removal to an inland container depot, a container freight station, a port or airport is exempt from Service Tax vide notification No. 31/12-ST dated 20.6.2012. Scope of this exemption is being widened to exempt such services when provided for transport of export goods by road from the place of removal to a land customs station (LCS).

b) Commission Agents Services

Existing exemption, vide notification No. 42/12-ST dated 29.6.2012, to the service provided by a commission agent located outside India to an exporter located in India is being rescinded with immediate effect. This exemption has become redundant in view of the amendments made in law in the previous budget, in the definition of "intermediary" in the Place of Provision of Services Rules, making the place of provision of a service provided by such agents as outside the taxable territory.

**G. Abatements**

Notification No. 26/2012-ST is being amended vide Notification No. 08/2015-ST dated 01.03.2015 as per the following.

Sr.No.	Description of Service	Taxable portion till 01.04.2015	Taxable Portion w.e.f 01.04.2015	Condition
2	Transport of goods by rail	30%	30%	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. <i>(till 01.04.2015, no condition was applicable)</i>
3	Transport of passengers, with or without accompanied belongings by rail	30%	30%	Same as above (till 01.04.2015, no condition was applicable)
5	Transport of passengers by air, with or without accompanied belongings in (i) economy class (ii) other than economy class (Words in italic are inserted w.e.f. 01.04.2015)	40%	40% 60%	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.
7	Services of goods transport agency in relation to transportation of goods.	25%	30%	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.
8	Services provided in relation to Chit	70%	Nil	–
10	Transport of goods in a vessel	40%	30%	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.

## H. Reverse Charge Mechanism

Vide Notification No. 7/2015 ST dated 1.3.2015 following amendment has been made in Notification No. 30/2012-ST dated 20.06.2012.

Sr.No. of Notif. No. 30/2012 dt. 20.06.12	Description of Service	Percentage of service tax payable by the person providing service	Percentage of service tax payable by any person liable for paying service tax other than the service provider (Earlier-Percentage of service tax payable by the person receiving the service)	Changes Effective from
1B.	Services provided or agreed to be provided by a mutual fund agent or distributor, to a mutual fund or asset management company";	Nil	100% by the assets management company or as the case may be, by the mutual fund receiving such services.	1st April, 2015
1C.	Services provided or agreed to be provided by a selling or marketing agent of lottery tickets to a lottery distributor or selling agent;"	Nil	100% by the distributor of lottery	1st April, 2015
6	Services provided or agreed to be provided by Government or local authority (the word by way of support services omitted) excluding - (1) renting of immovable property, and (2) services specified in sub clauses (i), (ii) and (iii) of clause (a) of section 66D of the Finance Act,1994	Nil	100% by Business Entity	1st April, 2015
8	Services provided or agreed to be provided by way of supply of manpower for any purpose	Nil	100% by a body corporate	1st April, 2015
Sr	Service provided or agreed to be provided by a person involving an aggregator in any manner	Nil	100% "aggregator" (Refer definition below as per Rule2(1) (d) (i) (AAA))	1st March, 2015

## I. New Definitions inserted :

Vide Notification No.5/2015 ST dated 1.3.2015 following definitions have been inserted in Rule 2 of the Service Tax Rules, 1994 w.e.f. 1st March 2015.

### a) Rule 2(1)(aa) - 'aggregator'

"aggregator" means a person, who owns and manages a web based software application, and by means of the application and a communication device, enables a potential customer to connect with persons providing service of a particular kind under the brand name or trade name of the aggregator;'

### b) Rule 2(1)(bca) - "brand name or trade name"

"brand name or trade name" means, a brand name or a trade name, whether registered or not, that is to say, a name or a mark, such as an invented word or writing, or a symbol, monogram, logo, label, signature, which is used for the purpose of indicating, or so as to indicate a connection, in the course of trade, between a service and some person using the name or mark with or without any indication of the identity of that person;'

### c) Rule 2(1)(d)(i)(AAA) - "person liable for paying service tax"

In relation to service provided or agreed to be provided by a person involving an aggregator in any manner, the aggregator of the service:

Provided that if the aggregator does not have a physical presence in the taxable territory, any person representing the aggregator for any purpose in the taxable territory shall be liable for paying service tax;

Provided further that if the aggregator does not have a physical presence or does not have a representative for any purpose in the taxable territory, the aggregator shall appoint a person in the taxable territory for the purpose of paying service tax and such person shall be liable for paying service tax.;

## J. Service Tax Rules- Changes effective from 01.03.2015

Amendments in rules 4, 4A and 5 of the Service Tax Rules, 1994

Vide CBEC Order No.1/2015-ST dated 28.02.2015 registration procedure is being simplified. Rule 4 is being amended to provide that the CBEC shall, by way of an order, specify the conditions, safeguards and procedure for registration in service tax. In this regard Order No. 1/15-ST, dated 28.2.2015, effective from 1.3.2015 has been issued, prescribing documentation, time limits and procedure for registration. It has also been prescribed that henceforth registration for single premises shall be granted within two days of filing the application.

A provision for issuing digitally signed invoices is being added along with the option of maintaining of records in electronic form and their authentication by means of digital signatures. The conditions and procedure in this regard shall be specified by the CBEC (rule 4, 4A and 5).

## K. Extending the scope of advance rulings to resident firms

The facility of Advance Ruling is being extended to all resident firms by specifying such firms under section 96A (b)(iii) of the Finance Act, 1994. (Notification No. 9/2015-ST, dated 1.3.2015 refers)



# Union Budget-2015 – Central Excise

Compiled by CMA Dr. Sanjay R. Bhargave



The Finance Minister has introduced the Finance Bill, 2015 in Lok Sabha today, i.e., 28th February, 2015. Important changes in respect of Central Excise duty and legislative changes are summarized below.

## A. Excise Duty Rate.

- The First Schedule of the Central Excise Tariff Act, 1985, is being amended by Clause 104 of the Finance Bill, 2015. In view of the same the standard ad-valorem rate of duty of excise is being increased from 12% to 12.5%. The revised rate will come into force with effect from midnight of 28th February, 2015. (These changes will come into force with immediate effect owing to a declaration under Provisional Collection of Taxes Act, 1931).
- Vide Notification No. 12/2015-CE dated 1st March, 2015, notification No. 12/2012-CE dated 17th March, 2012 has been amended to provide changes in the exemptions from duty granted to various goods. These changes will also come into force with effect from midnight of the 28th Feb., 2015.
- Vide Notification No. 14/2015-CE dated 1st March, 2015; Education cess levied on all excisable goods is being fully exempted.
- Vide Notification No. 15/2015-CE dated 1st March, 2015; Secondary & Higher Education cess levied on all excisable goods is being fully exempted.
- Effectively from 1st March, 2015 (from midnight of 28th Feb., 2015), Excise duty @ 12.50% ADV instead of 12% ADV is chargeable on clearance of Excisable Goods. No Education Cess & Secondary & Higher Education Cess is chargeable.
- Vide Clause 104 of the Finance Bill, 2015, Specific rates of Basic Excise Duty on petrol, diesel, cement, cigarettes & other tobacco products (other than biris) are also being suitably changed.
- Vide Notification No. 12/2015-CE Dt. 1st March 2015, excise duty rates for S.Nos. 42, 43, 45, 50, 51(ii), 52, 53, 90, 107, 205A, 244, 273, 278, 279, 281, 285, 286, 287, 288 and 289 of notification No. 12/2012-Central Excise, dated 17th March, 2012 are being revised to 12.5% adv.
- Other Basic Excise Duty rates (ad valorem as well as specific) with a few exceptions are not being changed.
- Since Education Cess and Secondary & Higher Education Cess are being exempted on excisable goods in general, vide Notifications No. 17/2015-CE dt. 1st March, 2015, Notifications No. 28/2010-CE and No. 29/2010-CE, both dated 22nd June, 2010 exempting the levy of Education Cess and Secondary & Higher Education Cess on the clean energy cess leviable on coal have been rescinded. Effectively there will be no education cess and higher and secondary education cess on clean energy cess.
- Vide notification No. 1/2015-M&TP dated 1st March, 2015, The rate of excise duty applicable to goods covered by the Medicinal and Toilet Preparations Act, 1955 is being increased from 12% to 12.5% ad valorem.

- There is no change in Education Cess leviable on imported goods under section 91 read with section 94 of the Finance Act, 2004 as a duty of customs and Secondary & Higher Education Cess leviable on imported goods under section 136 read with 139 of the Finance Act, 2007 as a duty of customs. These Cesses shall continue to be levied on imported goods.
- Chapter-wise changes relating to Central Excise and enclosed herewith as Annexure -I.

## B. Amendments in the First Schedule to Central Excise Tariff Act, 1985.

- Duty of excise 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 12% to 18%.
- Duty of excise on cigarettes is being increased by 25% for cigarettes of length not exceeding 65 mm and by 15% for cigarettes of other lengths. Increase in are also proposed on cigars, cheroots and cigarillos.
- Excise duty on cut tobacco is being increased from Rs.60 per kg to Rs.70 per kg.
- Tariff rate of excise duty on goods falling under Chapter sub-heading 2523 29 is being increased from Rs.900 per tonne to Rs.1000 per tonne.
- Tariff rate of excise duty on high speed diesel (HSD) falling under tariff item 2710 19 30 is being increased from 14% + Rs.5 per liter to 14% + Rs.15 per liter. However, there is no change in the aggregate of various duties of excise on high speed diesel (HSD).
- Tariff rate of excise duty on all goods falling under tariff item 3923 21 00 and Chapter sub-heading 3923 29 is being increased from 12% to 18%. [Clause 104 of the Finance Bill, 2015 ]
- The above changes will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

## C. Amendments in Central Excise Rules, 2002

- Notification No. 8/2015-CE (NT) dated 1st March, 2015 is being issued to amend Central Excise Rules, 2002 with effect from 1st March, 2015.
- Sub Rule 4 of Rule 8 has been amended to provide that the provisions of section 11 of the Act, (Recovery of sums due to Government) shall be applicable for the recovery of the duty assessed under Rule 6 and mentioned under return filed under Central Excise Rules, interest under sub rule 3 and penalty under sub rule 3 (A) of the rules in the same manner as there are applicable for recovery of any duty or other sums payable to the Central Government.
- Rule 10 has been amended to provide preservation of Daily Stock Account (DSA) in the electronic form. It has been provided that every page of the record to preserve shall be authenticated by means of digital signature. The Board may, by notification, specify the conditions, safeguards and

procedure to be followed by an assessee preserving digitally signed records.

- Rule 11 related to goods to be removed on invoice is being amended to provide the following
  - a) if goods are directly sent to a job worker on the direction of a manufacturer or the provider of output service, the invoice shall also contain the details of the manufacturer or the provider of output service, as the case may be, as buyer and contain the details of job worker as the consignee:
  - b) if the goods are directly sent to any person on the direction of the registered dealer, the invoice shall also contain details of the registered dealer as the buyer and the person as the consignee, and that person shall take CENVAT credit on the basis of the registered dealer's invoice:
  - c) if the goods imported under the cover of a bill of entry are sent directly to buyer's premises, the invoice issued by the importer shall mention that goods are sent directly from the place or port of import to the buyer's premises.;
  - d) Invoice may be authenticated by means of a digital signature. However where the duplicate copy of the invoice meant for transporter is digitally signed, a hard copy of the duplicate copy of the invoice meant for transporter and self attested by the manufacturer shall be used for transport of goods. The Board may, by notification, specify the conditions, safeguards and procedure to be followed by an assessee using digitally signed invoice.
- Rule 12 is being amended to provide that Where any return or Annual Financial Information Statement or Annual Installed Capacity Statement referred to in this rule is submitted by the assessee after due date as specified for every return or statements, the assessee shall pay to the credit of the Central Government, an amount calculated at the rate of one hundred rupees per day subject to a maximum of twenty thousand rupees for the period of delay in submission of each such return or statement."
- Rule 17 is being amended to provide penalty on 100% Export Oriented Undertaking, where monthly return is submitted by the assessee after the due date, the assessee is liable to pay an amount calculated @ Rs. 100/- per day subject to maximum of Rs. 20,000/- for the period of delay in submission of each return.
- An explanation is being added to rule 18 explaining meaning of export for the purpose of rebate of duty. As per the explanation, "export" with its grammatical variations and cognate expressions, means taking goods out of India to a place outside India and includes shipment of goods as provision or stores for use on board a ship proceeding to a foreign port or supplied to a foreign going aircraft."
- Minimum penalty under rule 25 is being enhanced to Rs. 5000/- from Rs. 2,000/-
- The provisions of these rules are made applicable to an importer also who issues an invoice on which Cenvat credit can be taken.

#### **D. Cenvat Credit Rules, 2004**

Notification No. 6/2015-CE(NT) dated 1.3.2015 has been issued to amend Cenvat Credit Rules, 2004 with effect from 1st March, 2015.

- Rule 4 related to Conditions for allowing CENVAT credit is being amended to provide following:

- a. Presently Cenvat credit in respect of inputs can be taken immediately on receipt of the inputs in the factory of the manufacturer or in the premises of the provider of output service. A Clause has been inserted to provide that Cenvat credit in respect of inputs can also be taken immediately on receipt of inputs in the premises of the job worker, in case goods are sent directly to the job worker on the direction of the manufacturer or the provider of output service, as the case may be.
- b. The Third proviso to Rule 4 sub-rule (1) is being substituted to provide a time limit of one year from the date of issue of any of the documents specified in sub-rule (1) of rule 9 for availing Cenvat credit.
- c. Sub-rule 2 clause (a) is being amended to provide for availing of Cenvat credit in respect of Capital goods received in the premises of Job worker in case capital goods are sent directly to the job worker on the direction of the manufacturer or the provider of output service, as the case may be.
- d. Rule 4 (5)(a) is being substituted to provide the following:
  - (i) The CENVAT credit on inputs shall be allowed even if any inputs as such or after being partially processed are sent to a job worker and from there subsequently sent to another job worker and likewise, for further processing, testing, repairing, re-conditioning or for the manufacture of intermediate goods necessary for the manufacture of final products or any other purpose, and it is established from the records, challans or memos or any other document produced by the manufacturer or the provider of output service taking the CENVAT credit that the inputs or the products produced there from are received back by the manufacturer or the provider of output service, as the case may be, within one hundred and eighty days of their being sent from the factory or premises of the provider of output service, as the case may be:  
Provided that credit shall also be allowed even if any inputs are directly sent to a job worker without their being first brought to the premises of the manufacturer or the provider of output service, as the case may be, and in such a case, the period of one hundred and eighty days shall be counted from the date of receipt of the inputs by the job worker;
  - (ii) the CENVAT credit on capital goods shall be allowed even if any capital goods as such are sent to a job worker for further processing, testing, repair, re-conditioning or for the manufacture of intermediate goods necessary for the manufacture of final products or any other purpose, and it is established from the records, challans or memos or any other document produced by the manufacturer or the provider of output service taking the CENVAT credit that the capital goods are received back by the manufacturer or the provider of output service, as the case may be, within two years of their being so sent:  
Provided that credit shall be allowed even if any capital goods are directly sent to a job worker without their being first brought to the premises of the manufacturer or the provider of output service, as the case may be, and in such a case, the period of two years shall be counted from the date of receipt of the capital goods by the job worker;
  - (iii) if the inputs or capital goods, as the case may be, are

not received back within 180 days or within the period of two years by the manufacturer or the provider of output service, the manufacturer or the provider of output service shall pay an amount equivalent to the CENVAT credit attributable to the inputs or capital goods, as the case may be, by debiting the CENVAT credit or otherwise, but the manufacturer or the provider of output service may take the CENVAT credit again when the inputs or capital goods, as the case may be, are received back in the factory or in the premises of the provider of output service.";

- e. The first, second and third provisos of Sub rule (7) are being substituted from 1st April, 2015 to provide that in respect of input service where whole or part of the service tax is liable to be paid by the recipient of service, credit of service tax payable by the service recipient shall be allowed after such service tax is paid.

It is further provided that in case the payment of the value of input service and the service tax paid or payable as indicated in the invoice, bill or, as the case may be, challan referred to in rule 9 is not made within three months of the date of the invoice, bill or, as the case may be, challan, the manufacturer or the service provider who has taken credit on such input service, shall pay an amount equal to the CENVAT credit availed on such input service, except an amount equal to the CENVAT credit of the tax that is paid by the manufacturer or the service provider as recipient of service, and in case the said payment is made, the manufacturer or output service provider, as the case may be, shall be entitled to take the credit of the amount equivalent to the CENVAT credit paid earlier subject to the other provisions of these rules

- f. Sixth proviso is being amended to provide the time limit of one year from the date of issue of any of the documents specified in sub-rule (1) of rule 9 for availing Cenvat credit on input services.

- In Rule 5 (Refund of Cenvat credit) an explanation (1A) has been inserted to explain that "export goods" means any goods which are to be taken out of India to a place outside India.
- Following explanations are being inserted in sub-rule (1) rule 6 of the Cenvat Credit Rules, 2004 [Obligation of a manufacturer or producer of final products and a [provider of output service]
  - a) Exempted goods or final product or shall include non excisable goods cleared for a consideration from the factory
  - b) 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 thereunder
- Proviso to Rule 9 is being inserted to provide that provisions of this sub-rule shall apply mutatis mutandis to an importer who issues an invoice on which CENVAT credit can be taken.
- To prevent misuse of Cenvat credit, Rule 12AAA provides power to impose restrictions in certain types of cases. Presently the powers are granted to provide for certain measures including restrictions on manufacturer, first stage and second stage dealer or an exporter. Powers have been granted provide for certain measures including restrictions

on registered importer.

- Rule 14 pertaining to Recovery of CENVAT credit wrongly taken or erroneously refunded is being substituted to provide for the following:

(1) (i) Where the CENVAT credit has been taken wrongly but not utilised, the same shall be recovered from the manufacturer or the provider of output service, as the case may be, and the provisions of section 11A of the Excise Act or section 73 of the Finance Act, 1994 (32 of 1994), as the case may be, shall apply mutatis mutandis for effecting such recoveries;

(ii) Where the CENVAT credit has been taken and utilised wrongly or has been erroneously refunded, the same shall be recovered along with interest from the manufacturer or the provider of output service, as the case may be, and the provisions of sections 11A and 11AA of the Excise Act or sections 73 and 75 of the Finance Act, 1994, as the case may be, shall apply mutatis mutandis for effecting such recoveries.

Sub-rule (2) has been inserted to provide the method to determine utilization of Cenvat credit wrongly taken and utilized in the following way:

(2) For the purposes of sub-rule (1), all credits taken during a month shall be deemed to have been taken on the last day of the month and the utilisation thereof shall be deemed to have occurred in the following manner, namely: -

- i. the opening balance of the month has been utilised first;
- ii. credit admissible in terms of these rules taken during the month has been utilised next;
- iii. credit inadmissible in terms of these rules taken during the month has been utilised thereafter."

- Rule 15 providing for Confiscation and penalty is being amended to impose penalties in terms of Section 11AC of the Central Excise Act or Section 76 / 78 of the Finance Act instead of a fixed penalty of not exceeding the duty or service tax on such goods or services, as the case may be, or two thousand rupees whichever is greater.

Rule 15 will be made applicable with effect from the date on which the Finance Bill, 2015 receives the assent of the President.

#### **E. Amendments in the Central Excise Act, 1944:**

- Sub section (3) of Section 3A, which empowers the Central Government to charge excise duty on the basis of capacity of production in respect of notified goods, is being amended so as to insert an Explanation to provide that factor relevant to production includes factors relevant to production, so as to enable the Central Government to specify more than one factor relevant to the production of such goods. This amendment will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931. [Clause 90 of the Finance Bill, 2015 ]
- Section 11A is being amended so as to:
  - (i) Remove from the statute provisions relating to the category of cases where fraud, collusion, willful mis-statement, etc. is involved but the transaction is recorded in the specified record so as to bring uniformity in treatment of all such cases irrespective of whether the transaction is so recorded or not;
  - (ii) Amend the provision relating to relevant date to provide definition of relevant date in respect of cases



where a return is not filed on the due date and cases where only interest is required to be recovered.

(iii) Provide that the provisions of section 11A shall not apply to cases where the non-payment or short payment of duty is reflected in the periodic returns filed and that in such cases recovery of duty shall be made in such manner as may be prescribed in the rules. [Clause 91 of the Finance Bill, 2015 ]

• Section 11AC is being substituted so as to rationalize the penalty as follows:

(i) in cases not involving fraud or collusion or wilful mis-statement or suppression of facts or contravention of any provision of the Act or rules with the intent to evade payment of excise duty, in the following manner,-

a) in addition to the duty as determined under sub-section (10) of section 11A, a penalty not exceeding 10% of the duty so determined or Rs.5000 whichever is higher shall be payable;

b) if duty and interest payable thereon under section 11AA is paid either before issue of show cause notice or within 30 days of issue of show cause notice, no penalty shall be payable and all proceedings in respect of said duty and interest shall be deemed to be concluded;

c) if duty as determined under sub-section (10) of section 11A and interest payable thereon under section 11AA is paid within 30 days of the date of communication of order of the Central Excise Officer who has determined such duty, the amount of penalty shall be equal to 25% of the penalty so imposed, provided that such reduced penalty is also paid within 30 days of the date of communication of such order.

(ii) in cases involving fraud or collusion or wilful mis-statement or suppression of facts or contravention of any provision of the Act or rules with the intent to evade payment of excise duty, in the following manner,-

a) in addition to the duty as determined under sub-section (10) of section 11A, a penalty equal to the duty so determined shall be payable. In respect of cases where the details relating to such transactions are recorded in the specified record for the period beginning with 8th April, 2011 and upto the date of assent to the Finance Bill, 2015, the penalty payable shall be 50% of the duty so determined.

b) if duty and interest payable thereon under section 11AA is paid within 30 days of communication of show cause notice, the amount of penalty payable shall be 15% of the duty demanded, provided that such reduced penalty is also paid within 30 days of communication of show cause notice and all proceedings in respect of said duty, interest and penalty shall be deemed to be concluded;

c) if duty as determined under sub-section (10) of section 11A and interest payable thereon under section 11AA is paid within 30 days of the date of communication of order of the Central Excise Officer who has determined such duty, the amount of penalty shall be equal to 25% of the duty so determined, provided that such reduced penalty is also paid within 30 days of the date of communication of such order; and

(iii) (a) If the duty amount gets modified in any appellate proceeding, then the penalty amount mentioned in (ii) (a) above and interest shall also stand modified accordingly. Where the duty amount is increased in the appellate proceedings, the benefit of reduced penalty as specified shall be admissible if duty, interest and

reduced penalty in relation to such increased amount is paid within 30 days of such appellate order.

(b) Cases where no show cause notice has been issued prior to the date on which the Finance Bill, 2015 receives the assent of the President, shall be governed by provisions of section 11AC as amended.

(c) Proceedings in the pending show cause notices can be closed - (i) on payment of duty, interest and penalty @ 15% of the duty in cases involving fraud, collusion, willful mis-statement, etc. and (ii) on payment of duty and interest in cases not involving fraud, collusion, willful mis-statement, etc., within 30 days of the Finance Bill, 2015 receiving the assent of the President. In all cases where show cause notices are adjudicated after the Finance Bill, 2015 receives the assent of the President, reduced penalty @ 25% of the duty in cases involving fraud, collusion, willful mis-statement, etc. and 25% of the penalty imposed in cases not involving fraud, collusion, willful mis-statement, etc. can be paid within 30 days of communication of the adjudication order if the duty, interest and penalty is paid within such time. [Clause 92 of the Finance Bill, 2015 ]

• The proviso to sub-section (c) of section 31 relating to the provisions of Settlement Commission is being amended to delete the reference to "in appeal or revision, as the case may be" so as to provide that when any proceeding is referred back, whether in appeal or revision or otherwise, by any court, Appellate Tribunal Authority or any other authority to the adjudicating authority for a fresh adjudication or decision, then such case shall not be entitled for settlement. [Clause 93 of the Finance Bill, 2015 ]

• The proviso to sub-section (3) of section 32 provides that where a Member of the Central Board of Excise & Customs is appointed as the Chairman, Vice Chairman or Member of the Settlement Commission, he shall cease to be a member of the Board. As per the amended Customs and Central Excise Settlement Commission (Recruitment and Conditions of Service of Chairman, Vice Chairman and Members) Rules, 2000, Members of the Board are not eligible to be Member of the Settlement Commission. Hence, the proviso is redundant and is being omitted. [Clause 94 of the Finance Bill, 2015 ]

• Section 32B is being amended so as to enable Vice Chairman or Member of the Settlement Commission to officiate as Chairman in the absence of the Chairman of the Settlement Commission. [Clause 95 of the Finance Bill, 2015 ]

• Sub-section (1A) to section 32E provides that in case of applications made prior to 1st day of June 2007, and where no order under section 32F (1) has been made before said date or applicant has not paid the amount so ordered by the Settlement Commission shall within thirty days from 1st day of June 2007 pay the accepted duty liability failing which his application shall be liable to be rejected. Since the actual operation of the said section provides for the payments to be made within thirty days from 1st day of June 2007, the said sub-section has become redundant and is being omitted. [Clause 96 of the Finance Bill, 2015 ]

• Sub-section (6) of section 32F provides that in respect of the applications filed before 31st day of May, 2007, Settlement Commission shall pass the final order of settlement under sub-section (5) of section 32F latest by 29th February 2008 and in cases filed after 31st day of May, 2007, within nine months. Since all the applications filed before 31st day of May, 2007 shall have been



necessarily disposed of by 29th day of 2008, the reference to the said dates have become redundant. Therefore, the said sub-section has been amended so as to omit the phrase "in respect of an application filed on or before the 31st day of May, 2007, later than the 29th day of February, 2008 and in respect of application made on or after the 1st day of June, 2007"[Clause 97 of the Finance Bill, 2015]

- Section 32H provides that Settlement Commission can reopen the completed proceedings in certain conditions. As per the first proviso to the said section no proceedings can be reopened after five years from the date of application, and as per second proviso to the said section Settlement Commission cannot reopen any proceedings in respect of an application made after 1st day of June 2007. Thus, Settlement Commission has no powers to reopen any completed proceedings after expiry of five years from 1st day of June 2007, thus making this section redundant. Therefore, this section is being omitted. [Clause 98 of the Finance Bill, 2015]
- Explanation to sub-section (1) of section 32K provides that in respect of the applications filed on or before 31st day of May 2007, Settlement Commission shall decide the applications as if the amendments made in the said section were not in force. Since all the applications filed by 31st day of May, 2007 have necessarily been disposed of by 29th day of February 2008, the said Explanation has become redundant and hence, is being omitted. [Clause 99 of the Finance Bill, 2015 ]
- Section 32O provides the situations in which the person in whose case the order has been passed by the Settlement Commission cannot again approach the Settlement Commission. When the said section was amended in 2007, the said section made distinction in respect of the orders passed prior the commencement of section 122 of the Finance Act, 2007 and after that. In respect of the cases decided after the said commencement, the applicant was barred from making subsequent applications, whereas in the cases decided prior to that he could have made the application if his case was not covered by any of the clauses mentioned in sub-section (1). However vide the amendments made by the Finance Act, 2010, even in cases decided after commencement of section 122 of the Finance Act, 2007 the applicant was allowed to approach Settlement Commission if not hit by any of the clauses to sub-section (1). Thus, clauses (i) and (ii) of sub-section (1) of section 32O are being amended so as to omit the phrase "passed under sub-section (7) of the section 32F, as it stood immediately before the commencement of section 122 of the Finance Act, 2007 (22 of 2007) or sub-section (5) of the section 32F" as the same have become redundant. [Clause 100 of the Finance Bill, 2015 ]
- Sub-sections (4) and (5) of section 37 are being amended so as to increase the penalty from Rs.2000 to Rs.5000.[Clause 101 of the Finance Bill, 2015 ]
- S.No.205A of notification No.12/2012-Central Excise dated 17-3-2012 exempts railway or tramway track construction material of iron and steel from payment of excise duty on the value of rails, subject to condition that such rails have suffered excise duty and no credit of duty paid on them is taken under the Cenvat Credit Rules, 2004. This exemption is being made applicable retrospectively for the period from 17.03.2012 to 02.02.2014. [Clause 102 of the Finance Bill, 2015 ]
- The Third Schedule to the Central Excise Act, 1944 is being amended so as to include therein all goods falling under

Chapter sub-heading 2101 20, all goods falling under Chapter sub-heading 2202, and to amend the entry related to S.No.94. These amendments will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931. [Clause 103 of the Finance Bill, 2015]

## F. Other Changes

- Circular No.996/3/2015-Central Excise dated 28th February, 2015 is being issued regarding Garnishee provisions and recovery of arrears in installments and the procedure to be followed in this regard.
- Registration process in Central excise is being simplified to ensure that registration is granted within two working days of the receipt of a duly completed application form. Verification of documents and premises, as the case may be, shall be carried out after the grant of the registration. Notification No.7/2015-Central Excise (N.T.) dated 1st March, 2015 and Circular No.997/4/2015-Central Excise dated 28th February, 2015 issued in this regard may be referred for details of the simplified process.
- Circular No.998/5/2015-Central Excise dated 28th February, 2015 is being issued directing that application for withdrawal of prosecution be filed in accordance with law where the quasi-judicial proceedings on identical set of facts have not been upheld and same has attained finality.
- Circular No.999/6/2015-Central Excise dated 28th February, 2015 is being issued to clarify the scope of the term "place of removal" in case of export of goods by Manufacturers exporters as well as Merchants Exporters.
- Vide Notification No.11/2015-Central Excise (N.T.) and No.27/2015-Customs (N.T.) both dated 1st March, 2015 The scheme of Advance Ruling is being extended to Resident firm in Central Excise and Customs.

## Annexure I

Chapter 1 to 3: No change.

### Chapter 4:

- Excise duty of 2% without CENVAT credit or 6% with CENVAT credit is being levied on condensed milk [0402 91 10 and 0402 99 20] put up in unit containers. Notification No.1/2011-Central Excise, dated 1st March, 2011 as amended by notification No.7/2015-Central Excise dated 1st March, 2015 [new S.No.1A] and notification No.2/2011-Central Excise, dated 1st March, 2011 as amended by notification No.8/2015-Central Excise dated 1st March, 2015 [new S.No.1A] refer. Condensed milk [0402 91 10 and 0402 99 20] is also being notified under section 4A of the Central Excise Act for the purpose of valuation with reference to the Retail Sale Price, with an abatement of 30%. Notification No.49/2008- Central Excise (N.T.), dated 21.12.2008 as amended by notification No.3/2015-Central Excise (N.T.) dated 1st March, 2015 [new S.No.1A] refers. Condensed milk, other than put up in unit containers will continue to be exempt from excise duty. S.No.1 of notification No.12/2012-Central Excise, dated 17th March, 2012, as amended by notification No.12/2015-Central Excise dated 1st March, 2015 refers.

**Chapter 5 to 19: No change.**

### Chapter 20:

- Excise duty of 2% without CENVAT credit or 6% with CENVAT credit is being levied on peanut butter [2008 11

00]. S.No.14 of notification No.1/2011-Central Excise, dated 1st March, 2011 and S.No.13A of notification No.12/2012-Central Excise, dated 17th March, 2012 as omitted by notification No.12/2015-Central Excise dated 1st March, 2015 refer.

#### Chapter 21:

- All goods falling under Chapter sub-heading 2101 20, including iced tea, 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 30%. Notification No.49/2008-Central Excise (N.T.), dated 21.12.2008 as amended by notification No.3/2015-Central Excise (N.T.) dated 1st March, 2015 [new S.No.16A] refers. The Third Schedule to the Central Excise Act, 1944 is also being amended so as to include therein all goods falling under Chapter sub-heading 2101 20, including iced tea. Clause 103 of the Finance Bill, 2015 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these changes will come into force with immediate effect.

#### Chapter 22:

- All goods falling under heading 2202 [other than mineral waters and aerated waters which attract abatement of 45% and 40% respectively] 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 35%. Notification No.49/2008-Central Excise (N.T.), dated 21.12.2008 as amended by notification No.3/2015-Central Excise (N.T.) dated 1st March, 2015 [newly inserted S.No.25A and omitted S.No.121, 122, 123 and 124] refer. The Third Schedule to the Central Excise Act, 1944 is also being amended so as to include therein all goods falling under Chapter heading 2202. Clause 103 of the Finance Bill, 2015 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these changes will come into force with immediate effect.
- 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 12% to 18%. Clause 104 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. Simultaneously, the entry in the Seventh Schedule to the Finance Act, 2005 relating to levy of additional duty of excise @ 5% on these goods is being omitted. Clause 184 of the Finance Bill, 2015 refers. Notification No.6/2005-Central Excise, dated 1st March, 2005 as amended by notification No.9/2015-Central Excise dated 1st March, 2015 [new S.No.1A] prescribes Nil rate of additional duty of excise on such goods till the enactment of the Finance Bill, 2015.

#### Chapter 24:

- Basic Excise Duty rate on cigarettes and other products of tariff heading 2402 is being increased. Clause 104 of the Finance Bill, 2015 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 NCCD leviable under Seventh Schedule to the Finance Act, 2001 and Additional Duty (health cess) under Seventh Schedule to the Finance Act, 2005. The changes in basic excise duty rates on cigarettes are summarized below.

Tariff Item	Description (length in mm)	BED Rs. per 1000 Sticks (Existing Rate)	BED Rs. per 1000 Sticks (New Rate)
24022010	Non filter not exceeding 65	990	1280
24022020	Non-filter exceeding 65 but not exceeding 70	1995	2335
24022030	Filter not exceeding 65	990	1280
24022040	Filter exceeding 65 but not exceeding 70	1490	1740
24022050	Filter exceeding 70 but not exceeding 75	1995	2335
24022090	Other	2875	3375

- Excise duty on cut tobacco is being increased from Rs.60 per kg to Rs.70 per kg. Clause 104 of the Finance Bill, 2015 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, the increase will come into force with immediate effect.
- Maximum speed of packing machine for packages of notified goods of various retail sale prices is being specified as a factor relevant to production for determining excise duty payable under the Compounded Levy Scheme presently applicable to pan masala, gutkha and chewing tobacco. In this regard, section 3A of the Central Excise Act, 1944 is being amended to insert an Explanation so as enable the Central Government to specify more than one factor relevant to production. Clause 90 of the Finance Bill, 2015 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, this amendment will come into force with immediate effect. Accordingly, deemed production and duty payable per machine per month are being notified with reference to the speed range in which the maximum speed of a packing machine for packages of various retail sale prices falls. Consequential amendments are being carried in the Pan Masala Packing machines (Capacity Determination and Collection of Duty) Rules, 2008 and Chewing Tobacco and Unmanufactured Tobacco Packing Machines (Capacity Determination and Collection of Duty) Rules, 2010. Rule 6(vii) of the said Rules provide that the manufacturer in the prescribed Form 1 shall declare the maximum packing speed at which the packing machine can be operated for packing of pouches of notified goods of various retail sale prices. A proviso is being inserted in sub-rule (3) of rule 6 of the said Rules so as to enable the AC / DC, as the case may be, to re-determine the annual capacity of production within 3 working days of the coming into force of the Packing machines (Capacity Determination and Collection of Duty) Amendment Rules, 2015 and Chewing Tobacco and Unmanufactured Tobacco Packing Machines (Capacity Determination and Collection of Duty) Amendment Rules, 2015. In this regard, notification No.42/2008-Central Excise dated 1st July 2008 as amended by notification No.6/2015-Central Excise dated 1st March, 2015 and notification No.30/2008-Central Excise (N.T.) dated 1st July, 2008 as amended by notification No.5/2015-Central Excise (N.T.) dated 1st March, 2015 in respect of Pan Masala and Gutkha refer. Notification No.16/2010-Central Excise dated 27th February, 2010 as amended by notification No.5/2015-Central Excise dated 1st March, 2015 and notification No.11/2010-Central Excise (N.T.) dated 27th February, 2010 as amended by notification No.4/2015-Central Excise (N.T.) dated 1st March, 2015 in respect of Chewing tobacco, unmanufactured tobacco, jarda scented tobacco and filter khaini refer.

**Chapter 25:**

- Tariff rate of excise duty on goods falling under Chapter sub-heading 2523 29 is being increased from Rs.900 per tonne to Rs.1000 per tonne. Clause 104 of the Finance Bill, 2015 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, the increase will come into force with immediate effect. The effective rates of goods falling under Chapter sub-heading 2523 29 are specified vide S.Nos.51 and 52 of notification No.12/2012-Central Excise dated 17th March, 2012, as amended by notification No.12/2015-Central Excise dated 1st March, 2015.

**Chapter 26: No change.****Chapter 27:**

- Tariff rate of excise duty on high speed diesel (HSD) falling under tariff item 2710 19 30 is being increased from 14% + Rs.5 per litre to 14% + Rs.15 per litre. However, there is no change in the aggregate of various duties of excise on high speed diesel (HSD). Clause 104 of the Finance Bill, 2015 refers.
- The Second Schedule to the Finance (No.2) Act, 1998 is being amended so as to increase the Schedule rate of Additional Duty of Excise and Additional Duty of Customs (commonly known as Road Cess) on Motor Spirit commonly known as Petrol from Rs.2 per litre to Rs.8 per litre. Clause 163 of the Finance Bill, 2015 refers. The Second Schedule to the Finance Act, 1999 is being amended so as to increase

the Schedule rate of Additional Duty of Excise and Additional Duty of Customs (commonly known as Road Cess) on High Speed Diesel oil from Rs.2 per litre to Rs.8 per litre. Clause 164 of the Finance Bill, 2015 refers. Increase in Schedule rate of Additional Duty will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931. However, the effective rates of the Additional Duty of Excise (commonly known as Road Cess) levied on Petrol and High Speed Diesel Oil are being increased from Rs.2 per litre to Rs.6 per litre only. Notification No.6/2015-Customs and No.7/2015-Customs, both dated 1st March, 2015 and notification No.10/2015-Central Excise and No.11/2015-Central Excise, both dated 1st March, 2015 refer. Simultaneously, the Basic Excise Duty rates on petrol (both branded and unbranded) and diesel (both branded and unbranded) are being reduced by Rs.4 per litre. Further, Education Cess and Secondary and Higher Education Cess, presently applicable to petroleum products, including petrol and High Speed Diesel, are being exempted. On this count, rates of duty of excise (CENVAT) on Petrol and High Speed Diesel Oil (both branded and unbranded) are also being revised. In this regard, S.Nos.70 and 71 of notification No.12/2012-Central Excise dated 17th March, 2012 as amended by notification No.12/2015-Central Excise dated 1st March, 2015 refer. Table below summarizes the changes in various duties applicable to petrol and diesel:

Duty rates applicable prior upto 28.02.2015					Duty rates applicable with effect from 01.03.2015				
CENVAT Rs. / Liter	SAED Rs. / Liter	AED Rs. / Liter	Ed Cesses (as % of duties of excise)	Total Rs. / Liter	CENVAT	SAED	AED	Ed Cesses	Total
Unbranded petrol									
8.95	6	2	3%	17.46	5.46	6	6	NIL	17.46
Branded petrol									
10.10	6	2	3%	18.64	6.64	6	6	NIL	18.64
Unbranded Diesel									
7.96	NIL	2	3%	10.26	4.26	NIL	6	NIL	10.26
Branded Diesel									
14% +Rs. 5 /litre or									
Rs. 10.25 /litre, whichever lower	NIL	2	3%	12.62	6.62	NIL	6	NIL	12.62

Thus, the total incidence of various duties of excise on petrol and diesel remains unchanged

- The Schedule Rate of Clean Energy Cess, levied on coal, lignite and peat, is being increased from Rs.100 per tonne to Rs.300 per tonne. Clause 188 of the Finance Bill, 2015 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. However, the effective rate of Clean Energy Cess is being increased from Rs.100 per tonne to Rs.200 per tonne. Notification No.1/2015-Clean Energy Cess, dated 1st March, 2015 refers.

**Chapter 28 to 32: No change****Chapter 33:**

- Full exemption from excise duty is being provided to all goods which are consumed within the factory of their production in the manufacture of Agarbatti [3307 41 00]. Notification No.10/96-Central Excise dated 23rd July, 1996 as amended by notification No.13/2015- Central Excise dated 1st March, 2015 [new S.No.8A] refers.

**Chapter 34 to 38: No change.****Chapter 39:**

- Tariff rate of excise duty on all goods falling under tariff item 3923 21 00 and Chapter sub-heading 3923 29 is being increased from 12% to 18%. However, the effective rate of excise duty on sacks and bags of polymers of ethylene [3923 21 00] other than for industrial use is being increased from 12% to 15%. Other sacks and bags falling under sub-heading 3923 29 shall remain at 12.5%. Notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No.12/2015- Central Excise dated 1st March, 2015 [New S. Nos.148B, 148C and 148D] refers.

**Chapter 40 to 63: No change.****Chapter 64:**

- Basic Excise Duty on leather footwear of Retail Sale Price exceeding Rs.1000 per pair falling under Central Excise



Tariff heading 6403 and 6405 is being reduced from 12% to 6%. For the purposes of this exemption, leather footwear means footwear, classified under CETH 6403 or 6405, having uppers of leather, where leather refers to goods of heading 4107 or 4112 to 4114. This concessional rate of 6% would however not apply to footwear with leather sole and textile uppers falling under CETH 6404. Footwear, including leather footwear, of Retail Sale Price upto Rs. 500 per pair and those with RSP exceeding Rs. 500 per pair but not exceeding Rs. 1000 per pair will continue to attract NIL and 6% excise duty respectively. Notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No.12/2015- Central Excise dated 1st March, 2015 [New S. No. 180A] refers.

- The abatement as a percentage of Retail Sale Price is being reduced from 35% to 25% for all footwear. Notification No.49/2008-Central Excise (N.T.), dated 24th December, 2012 as amended by notification No.3/2015-Central Excise (N.T.) dated 1st March, 2015 [S. No. 56] refers.

### **Chapter 65 to 71: No change.**

#### **Chapter 72:**

- Excise duty is being reduced from 12% to Nil on Pig iron SG grade (7201 1000) and ferro-silicon-magnesium (7202 2900) for manufacture of cast components of wind operated electricity generators subject to certification by Ministry of New Renewable Energy [MNRE]. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise dated 1st March, 2015 [new S.No. 201A, 201B & Condition No. 53] refers.

#### **Chapter 73:**

- S.No.205A of notification No.12/2012-Central Excise dated 17.03.2012 exempts railway or tramway track construction material of iron and steel from payment of excise duty on the value of rails, subject to condition that such rails have suffered excise duty and no credit of duty paid on them is taken under the CENVAT Credit Rules, 2004. This exemption is being made applicable retrospectively for the period from 17.03.2012 to 02.02.2014. Clause 102 of the Finance Bill, 2015 may be referred to for details.

#### **Chapter 74:**

- Full exemption from excise duty is being extended to round copper wire and tine alloys for use in the manufacture of PV ribbon (tinned copper interconnect) for manufacture of solar PV cells and modules, subject to certification by Department of Electronics and Information Technology (DeitY). Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise dated 1st March, 2015 [Sl. Nos. 215A and 215B] refers.

### **Chapter 75 to 83: No change.**

#### **Chapter 84:**

- Excise duty exemption is being withdrawn on solar water heater and system. Item-5 of List-8 of notification No.12/2012-Central Excise, dated 17th March, 2012 as omitted vide notification No.12/2015-Central Excise dated 1st March, 2015. Further, optional excise duty of Nil without CENVAT credit / 12.5% with CENVAT credit is being extended to solar water heater and system. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise dated 1st March, 2015 [new S. No. 238A] and Clause 104 of the Finance Bill, 2015 refer.
- Excise duty exemption on parts for use in manufacture of

solar water heater and system is being continued, subject to actual user condition. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended vide notification No.12/2015-Central Excise dated 1st March, 2015 [new S. No. 238B] refers.

- Excise duty of 2% without CENVAT credit / 12.5% with CENVAT credit is being provided to tablet computer. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise dated 1st March, 2015 [new S.No.254A] and relevant entry in Clause 104 of the Finance Bill, 2015 refer.
- Further, excise duty is being exempted on parts, components and accessories for use in manufacture of tablet computer. Excise duty is also being exempted on sub-parts for use in manufacture of parts, components and accessories of tablet computers. These exemptions are subject to actual user condition. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended vide notification No.12/2015-Central Excise dated 1st March, 2015 [new S. No. 254B] refers.

#### **Chapter 85:**

- Excise duty on mobile handsets including cellular phone is being changed from 1% without CENVAT credit or 6% with CENVAT credit to 1% without CENVAT credit or 12.5% with CENVAT credit. S.No.263A of notification No.12/2012-Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise dated 1st March, 2015 and Clause 104 of the Finance Bill, 2015 refer. NCCD of 1% on mobile handsets including cellular phone, remains unchanged.
- Excise duty is being reduced from 12% to 6% on wafers for use in the manufacture of IC modules for smart cards, subject to actual user condition. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended vide notification No.12/2015-Central Excise dated 1st March, 2015 [new S. No. 145A] refers.
- Excise duty is being reduced from 12% to 6% on all inputs for use in manufacture of LED driver and MCPCB for LED lights and Fixtures & LED Lamps, subject to actual user condition. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended vide notification No.12/2015-Central Excise dated 1st March, 2015 [new S. No. 321B] refers.
- RSP based assessment is being prescribed expressly for LED lights or fixtures including LED lamps (Chapter 85 or 94) with an abatement of 35%. S.No.101 of notification No.49/2008-Central Excise (N.T.), dated 24th December, 2008 as amended vide notification No.3/2015-Central Excise (N.T.), dated 1st March, 2015 and Clause 103 of the Finance Bill, 2015 refer.

#### **Chapter 86: No change.**

#### **Chapter 87:**

- Excise duty on chassis for ambulance is being reduced from 24% to 12.5%, subject to actual user condition. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended vide notification No.12/2015-Central Excise dated 1st March, 2015 [new S. No. 288A] refers.
- The validity period of concessional excise duty of 6% granted to specified goods used in the manufacture of electrically operated vehicles and hybrid vehicles is being extended by one more year up to 31st March, 2016. First proviso to notification No.12/2012-Central Excise, as amended by notification No. 12/2015-Central Excise, dated the 1st March 2015 refers.



**Chapter 88 and 89: No change.****Chapter 90:**

- Excise duty is being exempted on specified raw materials for use in manufacture of pacemakers, subject to actual user condition. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended vide notification No.12/2015-Central Excise dated 1st March, 2015 [new S. No. 318A] refers.

**Chapter 91 to 96: No change.****G. MISCELLANEOUS:**

- Goods manufactured domestically and supplied against International Competitive Bidding are eligible for full excise duty exemption provided that such goods when imported attract Nil Basic Customs Duty and Nil CVD [S.No.336 of notification No.12/2012-Central Excise dated 17.03.2012 read with Condition No.41]. The condition is being amended so as to provide that if imported goods are eligible for Nil Basic Customs Duty and Nil CVD subject to certain conditions, then the said conditions shall also apply mutatis mutandis to such goods when manufactured domestically and supplied against International Competitive Bidding for the purposes of availing of the said excise duty exemption. Condition No.41 of notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise, dated 1st March, 2015 refers.

- S. No. 337 of Notification No. 12/2012-Central Excise dated 17-3-2012 provided Nil excise duty on goods for setting up of Ultra Mega Power Project specified in List No. 10 of the said Notification. In case of goods for a Project for which certificate regarding Ultra Mega Power Project status is provisional, the exemption is subject inter alia to condition that the Chief Executive Officer of the Project furnishes a bank guarantee or fixed deposit receipt for a term of 36 months or more. This condition is being amended to prescribe furnishing of bank guarantee or fixed deposit receipts for a period of 42 months. Condition No. 42(b) of Notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise, dated 1st March, 2015 refers.
- S. No. 338 of Notification No. 12/2012-Central Excise dated 17-3-2012 provided Nil excise duty on goods for setting up of Mega Power Project specified in List No. 11 of the said Notification. In case of goods for a Project for which certificate regarding Mega Power Project status is provisional, the exemption is subject inter alia to condition that the Chief Executive Officer of the Project furnishes a bank guarantee or fixed deposit receipt for a term of 36 months or more. This condition is being amended to prescribe furnishing of bank guarantee or fixed deposit receipts for a period of 66 months. Condition No. 43(b) of Notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise, dated 1st March, 2015 refers.

**The Institute of Cost Accountants of India***(Statutory body under an Act of Parliament)*

12, Sudder Street, Kolkata - 700 016.

**NOTIFICATION**

Kolkata, the 12th February, 2015

**Sub: CEP requirements for Members in Practice/Industry**

**No. CMA(2)/2015:** As advised by the Quality Review Board, recommended by the Members' Facilities & Services Committee and approved by the Council at its 291st Meeting held on 30th January 2015, the Institute is pleased to announce revised CEP requirements for members in practice & industry as follows:

For members in practice, the existing duration of minimum CEP hours of 35 hours is revised to 50 hours in a block of three years, which is mandatory and for members in industry, the minimum CEP hours, which is recommendatory, is revised from 20 hours to 25 hours in a block of three years.

The above CEP hours requirement shall come into force from 1st April 2015.

At least 50% of the CEP hours of the members should be in respect of the subjects pertaining to the topics of professional relevance for the member such as:

- (i) Role of CMAs in Risk Management
- (ii) Forensic Accounting
- (iii) Direct Tax Code
- (iv) Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2001
- (v) VAT
- (vi) Role of CMAs Audit in Health sector
- (vii) Role of CMAs in Education sector
- (viii) Role of CMAs in Internal Audit
- (ix) Role of CMAs in Banking sector
- (x) Role of CMAs in Insurance sector
- (xi) Role of CMAs in Capital Markets
- (xii) Role of Independent Directors, Board members
- (xiii) Valuation of assets -Role of CMAs

The above list is illustrative only and not an exhaustive one.

(Kaushik Banerjee)  
Secretary (Acting)



## Application of Cost Accounting Principles to Ascertain Cost of Electricity Generated by Diesel Generating Set

CMA Rajesh Kapadia

Any company usually has its own Diesel Generating Set to meet electricity requirement for its manufacturing operations.

It is imperative for the CMA Department to ascertain the cost of electricity generated by Diesel Generating Set to charge electricity cost to Products as well as to monitor, control & reduce cost of electricity generated by Diesel Generating Set.

This cost can be ascertained by preparing Cost Sheet as exhibited in Annexure-I

Following Cost Accounting Principles should be followed at the time of Preparation of Cost Sheet.

### 1) Cost of Diesel

Qty of Diesel consumed will be available from Monthly Report of Diesel Generating Set which is usually submitted to CMA Department by Utility Department. Value of Diesel will be as per Priced Stores Ledger maintained for Diesel.

Only Diesel used for DG Set should get reflected in the Cost Sheet.

Diesel issued or used by any other Cost Centres should not become part of Cost Sheet for DG Set.

### 2) Electricity Duty

There will be separate accounts code for Electricity Duty.

Value against this accounts code will appear in Cost Sheet.

### 3) Cost of Cooling Water

Its Qty & Value will be available in Cooling Water Cost Sheet

### 4) Cost of Employees

There will be some operators who only look after DG Set. Their salary will be directly allocated.

Salary of Supervisory Staff, Executives who look after

DG Set as well as some other Utilities also will be apportioned to DG Set on the basis of Technical Estimates of Time Spent.

Similarly, salary of Maintenance Staff who look after DG Set as well as other Utilities will be apportioned between DG Set & other Utilities on the basis of Technical Estimates.

### 5) Consumable Stores

The CMA Department will allot separate Cost Centre for DG Set.

All Consumable Stores issued to this Cost Center will appear in Cost Sheet as Consumable Stores.

### 6) Repairs & Maintenance

Any Repairs & Maintenance carried out for DG Set during the month will be booked against Cost Centre of DG Set and will appear in Cost Sheet of DG Set as Repairs & Maintenance.

### 7) Insurance

It will be available from Insurance Section. They have the records of Sum Insured for all Cost Centres & Premium Payable / Paid for all Cost Centres.

### 8) Depreciation

It will be available from Central Accounting Section as that section maintains Fixed Asset Register.

For expenditure mentioned in (1) & (4) to (6) above, CMA Department should ensure that there is no incorrect booking of expenses against Cost Centre of DG Set i.e. expenses pertaining to other Cost Centres should not be booked against Cost Centre of DG Set. When the above mentioned Cost Accounting Principles are followed for preparation of Cost Sheet of DG Set, it will result in ascertainment of cost of electricity generated by DG Set with reliability & exactness.

### Annexure-I – Cost Sheet of Diesel Generating Set for the Month of...

	Unit	Qty.	Variable Cost		Fixed Cost		Total Cost		
			Rate	Total Rs.	Rate	Total Rs. Lacs	Rate	Total Rs. Lacs	%
Units Generated (Kwh)	Kwh								
Cost Particulars :									
I) HSD	Klt								
II) Electricity Duty									0%
III) Cooling Water	Klt								0%
IV) Salaries & Wages									0%
V) Cons. Stores									0%
VI) Repairs & Maint.									0%
VII) Depreciation									0%
VIII) Insurance									0%
Total Cost									100
Cost / Unit									

## CHAPTER NEWS

### NAVI MUMBAI

#### Full day Annual Seminar

Forensic Audit and ICFR (Internal Control for Financial Reporting) on Saturday, 14th March 2015 at 09.00 a.m. to 05.00 p.m. at Navi Mumbai Sports Association, Sec 1A, Vashi, Navi Mumbai 400 703

Speakers	Topics
Jayant Kumar Dash - General Manager, Reserve Bank of India Department of Banking Supervision Mumbai	Regulation of Forensic Audit
Mr Yogen Vaidya - Partner Ernst & Young (EY) India, associated with Fraud Investigation & Dispute Services of	Applicability of Forensic Audit
CMA Solaiappan Kovilpillai - leading SAP GRC implementation of Reliance Industries Ltd.	ICFR (Internal Control for Financial Reporting)

**4 (Four) CEP hours will be provided.**

#### For details contact:

Navi Mumbai Chapter of ICAI,  
K.B. Patil College Premises,  
Sec.15A, Vashi, Navi Mumbai - 400 703.  
Tel. 022-2766 3013  
E-mail: navimumbai@icmai.in

### PUNE

#### Report on Live Telecast of Budget Session

Pune Chapter of Cost Accountants organized a Seminar under CEP. covering Live Tele Cast Show of Presentation of Central Budget -2015 by Mr. Arun Jaitley the Finance Minister-Govt. of India , on 28th Feb. 2015 at Chapter's Laxminagar Premises to watch, listen, understand and discuss the Central Budget -2015.

The Live Show Cum Seminar during Budget Presentation by the FM was really a unique programme organized by Pune Chapter for the members of the Institute. At one side of the Pandit Hall of the Chapter, two screens were kept. On one, you could watch the Fin. Minister presenting the various proposals. On the other screen, instant movements in the Mumbai Share Market could be seen.

In the beginning, the Sensex was around 29250. As the proposals started being presented, it went up by 50 points and after 15 minutes when Service tax proposals were presented , both Nifty and Sensex , started melting down and were negative after half an hour. Again when the Corporate Tax concessions were announced, both the indices started showing smart recovery and were in plus and closed near to 29360. All this experience was enjoyed by the participants. In between the various members were raising few queries on the proposals and some of the members were sharing their opinions on the same. The idea of this live telecast of the Budget speech was very much appreciated & applauded by all the members present.

The participants included the practicing members, members from the Corporate world, few final year students and some of the office bearers of Pune Chapter.

Many members congratulated CMA. Chaitanya Moharir, Chairman Professional Dev. Committee for conducting such live 'telecast cum seminar' for the benefit of members.

## CEP REPORT - WIRC

S.No.	Date	Topic	Speakers
1	07-02-2015	Enterprise Risk Management relate to Insurance, Borivali SMFC	Mr. S.V. Sunder Krishnan, Chief Risk Officer, Reliance Life Insurance Company Ltd
2	12-02-2015	Costing System and awareness of Port Operations - Role of CMA. WIRC	CMA Dr. Lakshmi Deosthalee, Dy. Chief - Accounts Officer, Mumbai Port Trust
3	21-02-2015	Tax Implication on E-Commerce Transaction, Thane SMFC	CMA Pratyush Chattopadhyay - Head Indirect Tax, ACC Limited
4	05-03-2015	Union Budget - WIRC	CMA Amit Sarkar - Director, Deloitte - Indirect Tax
			CA Nilesh Bhagat - Sr.Manager, Deloitte - Direct Tax





Students convention organized by Ahmedabad Chapter - 7-2-2015



Students convention organized by Ahmedabad Chapter - 7-2-2015



CMA P.V. Wandrekar felicitating Mr. S.V. Sunder Krishnan during CEP organized by WIRC on 7th February 2015 at Borivali SMFC.



View of audience during CEP organized by WIRC on 7th February 2015 at Borivali SMFC.



CMA V.V. Deodhar felicitating CMA Dr. Lakshmi Deosthalee, during CEP organized by WIRC on 12th February 2015 at WIRC.



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To