

BUDGET 2018
ANALYSIS OF
INDIRECT TAX PROPOSALS

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THE NUMBERS

	2017-2018 (Budget Estimates (Rs. in Crores)	2017-2018 (Revised Budget Estimates (Rs. in Crores)	2018-2019 (Budget Estimates (Rs. in Crores)
Corporation Tax	538744.73	563744.73	621000.00
Taxes on income	441255.27	441255.27	529000.00
Customs	245000.00	135242.00	112500.00
Excise	406900.00	276995.00	259600.00
Service Tax	275000.00	79507.00	-

SOCIAL WELFARE SURCHARGE

- Chapter VI of the Finance Bill, 2018
- Section 108, Levy of SWS as a duty of customs
- Levy to fulfil commitment of Government to provide and finance education, health and social security.
- On goods specified in the First Schedule being the goods imported into India
- **Effective from 02.02.2018 on account of declaration under Provisional Collection of Taxes Act, 1931**
- SWS at 10% on the aggregate of duties, taxes and cesses levied and collected by the Central Government under Section 12 of the Customs Act and any sum chargeable on the goods under any other law as a duty of customs
- Excludes
 - Safeguard duty
 - Countervailing duty under Section 9
 - Anti-dumping duty
 - Social Welfare Surcharge

SOCIAL WELFARE SURCHARGE

- Notification No. 11/2018 – Customs exempts specified goods from the levy of whole of SWS
- Notification No. 12/2018 – Customs, SWS at the rate of 3% in respect of listed goods
 - Petrol
 - HSD
 - Silver
 - Gold
- Notification No. 13/2018 – Customs provides for exemption from the levy of SWS on IGST and GST Compensation Cess leviable under Section 3(7) and Section 3(9) of the Customs Tariff Act.

SOCIAL WELFARE SURCHARGE

- Levied as a customs duty
- Identified as a surcharge
- Collections by Central Government
- Cascading effect
- GST introduced subsuming all levies and surcharges but within few months, surcharge has been introduced
- **As per budget estimates, SWS is to generate Rs. 8,000 crores**

ROAD AND INFRASTRUCTURE CESS

- Chapter VII of the Finance Bill, 2018
- Section 109, Levy of RIC as an additional duty of customs
- On goods specified in the Sixth Schedule being the goods imported into India at the rates specified in the said Schedule
- **Effective from 02.02.2018 on account of declaration under Provisional Collection of Taxes Act, 1931**
- This shall be in addition to any other duties of customs under the Customs Act or under any other law
- Section 110 of the Finance Bill, 2018 – levy of RIC as an additional duty of Excise on the goods specified in Schedule VI being the goods manufactured or produced
- Petrol at Rs. 8 per liter
- HSD at Rs. 8 per liter
- This shall be in addition to any other duties of excise under the Central Excise Act or under any other law
- Road and infrastructure cess as a duty of excise – budget estimate **Rs.113000 crores.**

IGST

- Notification No. 65/2017 – Customs amended Notification No. 50/2017 – Customs providing for an IGST exemption in respect of aircrafts, aircraft engines and other aircraft parts imported into India under a transaction covered by item 1(b) or 5(f) of Schedule II of the Central Goods and Services Tax Act, 2017
- The amending notification was dated 08.07.2017
- Clause 99 of the Finance Bill, 2018 seeks to give retrospective effect to this Notification from 01.07.2017.
- Refund of IGST in case it has been paid

IN BOND TRANSFER

- Section 3(8A) of the Customs Tariff Act
- Goods deposited in a warehouse and sold before clearance for home consumption or export
- Value in case the whole of the goods are sold, the value under Section 3(8) or transaction value of goods, *whichever is higher*
- Value in case part of the goods are sold, proportionate value of goods under Section 3(8) or transaction value, *whichever is higher*
- If before clearance for home consumption or export, there is more than 1 sale, transaction value of the last such transaction shall be the transaction value
- Section 3(10A) in the context of calculating GST cess under 3(9) – similar provisions

IN BOND TRANSFER

- In-bond transfer
- High Sea Sale
- Transfer of title before the goods cross the customs frontier
- *Primary issue still open in the context of power to levy IGST under the Customs Tariff Act*

CHANGES IN BCD

Commodity	Old Rate	New Rate
Specified parts or sub parts or accessories of mobile phones	10%	15%
Cellular mobile phones	15%	20%
SIM socket of cellular mobile phones	10%	15%
Charger of cell phones	10%	15%
Adapter of cell phones	10%	15%
Cell phone battery	10%	15%
Lithium Ion battery	10%	20%
PCBA for manufacture of charger / adopter	0%	10%
Smart watches	10%	20%

CHANGES IN BCD

Commodity	Old Rate	New Rate
Perfumes	10%	20%
Beauty or make-up preparations	10%	20%
Preparations for use on hair	10%	20%
Preparations for oral and dental hygiene	10%	20%
Pre-shave, shave and aftershave preparations	10%	20%
Scent and Toilet Sprays	10%	20%

CHANGES IN BCD

Commodity	Old Rate	New Rate
LCD / LED / OLED Panels of television	7.5%	15%
Parts of LCD / LED / OLED TV	10%	15%
Specified parts of LCD and LED TV panels	Nil	10%

CHANGES IN BCD

Commodity	Old Rate	New Rate
CKD Motor vehicles – 8702, 8704	10%	15%
CKD Motor vehicles – 8703	10%	15%
Completely built unit motor vehicles – 8702, 8704	20%	25%
Parts and accessories falling under 8708 of MV falling under 8702, 8703 and 8704	10%	15%
Spark ignition engines of certain motor vehicles	7.5%	15%
Compression ignition engines of certain motor vehicles	7.5%	15%
CKD Imports of motor cycles falling under 8711	10%	15%
Parts and accessories falling under 8714 10 of motor cycles falling under 8711	10%	15%
Seats other than aircraft seats	10%	20%
Truck and bus radial tyres	10%	15%

CHANGES IN BCD

Commodity	Old Rate	New Rate
Footwear	10%	20%
Sunglasses	10%	20%
Watches and clocks	10%	20%
Imitation Jewellery	15%	20%
Toy scooters, video games, toy cars, gym equipments, outdoor game equipment, fishing rods, roundabouts etc.	10%	20%
Mattresses	10%	20%
Cigarette Lighters	10%	20%
Kites	10%	20%

CHANGES IN BCD

COMMODITY	Old Rate	New Rate
Refined edible vegetable oil	20%	35%
Food preparations excluding certain items	30%	50%
Raw cashew	5%	2.5%
Crude edible vegetable oil	12.5%	30%
Orange fruit juice	30%	35%
Grape fruit juice	30%	50%
Mixtures of Juices	30%	50%
Cranberry Juice	10%	50%

CHANGES IN BCD

Parts of Footwear	10%	15%
Bricks, blocks and tiles and other ceramic goods	10%	7.5%
Refractory Bricks and Ceramic Goods	5%	7.5%
Solar tempered glass for manufacture of panels etc	5%	NIL
Cut and polished coloured gemstones	2.5%	5%
Diamonds including lab grown, semi processed, half cut, broken	2.5%	5%
Non industrial diamonds	2.5%	5%
Specific medical devices	7.5%	10%
Woven fabrics of silk	10%	20%

CUSTOMS ACT

- Section 1(2) amended in order to make the Customs Act applicable to any offence or contravention thereunder committed **outside India** by any person
- Definition of 'assessment' expanded
- CBEC renamed as Central Board of Indirect Taxes and Customs
- Section 2(28) - Indian Customs Water means water extending into the sea upto the limit of exclusive economic zone under Section 7 of the Territorial Waters, Continental Shelf, Exclusive Economic Zone and Other Maritime Zones Act
- Section 30AA, Notification published in the official gazette and the expression notified with its cognate meaning and grammatical variation shall be construed accordingly

ASSESSMENT AND ADJUDICATION

- Section 17 amended to expand the scope of verification beyond self-assessment to all entries made under Section 46 or Section 50
- Risk based selection given a legal backing through a proviso
- Scope of re-assessment widened to make it general
- Provisional assessment extended to exports
- Time limit for finalisation of provisional assessment to be specified by Board
- Pre-notice consultation before issue of SCN – amendment to Section 28(1) in cases not involving collusion, wilful misstatement etc.
- Supplementary SCN under such circumstances and such manner as may be prescribed – Section 28(7A)
- Time frame for adjudication and consequences of failure
- Board to fix monetary limit for adjudication of cases by officers below rank of Joint Commissioner.
- Notice under Section 28(4) deemed to be issued under Section 28(1) where it is held that the charges of collusion etc. has not been established

NEW EXEMPTIONS

- New 25A to empower grant of exemption to goods imported for repair, further processing or manufacture
- New 25B to empower grant of exemption to goods re-imported after export for repair, further processing or manufacture

ADVANCE RULING

- Changes in advance ruling provisions
- Customs authority for advance rulings – Principal Commissioner or Commissioner for Customs
- Appeal against advance ruling to appellate authority under Section 245O of the Income Tax Act

PROCEDURE

- Import manifest and export manifest to be considered as arrival manifest and departure manifest
- Section 30 made applicable to export goods
- Section 41 being amended to include imported goods; provide penalty provisions for late filing and prescribe manner of delivery through regulations
- Section 45 being amended to provide for clearance of goods by other ways as may be prescribed in addition to existing system of clearance by proper officer
- Section 46 being amended to insert reference for customs automated system
- Section 47 being amended for clearance by customs automated system in addition to existing clearance
- New Section 51A for payment through electronic cash ledger including advance deposit for enabling payment

MISCELLANEOUS

- New Chapter XIIA dealing with audit – Section 99A
- Audit of assessment of imported goods or export goods either in his office or at the premises of the auditee in such manner as may be prescribed
- New Section 109A to allow proper officer to undertake controlled delivery of any consignment
- Supplementary SCN before confiscation of goods under Section 124 in addition to SCN
- Section 128A being amended to permit Commissioner (Appeals) to remand back matters to adjudicating authority in specified categories

MISCELLANEOUS

- New Section 143AA to empower board to prescribe trade facilitation measures
- New Section 151B for exchange of information with other countries on reciprocal arrangements.

SERVICE TAX

- Exemption from service tax in respect of life insurance service provided by Naval Group Insurance Fund to personnel of Coast Guard for the period 10.09.2004 to 30.06.2017 – Retrospective effect – Clause 103
- Exemption from service tax in respect of services provided by GSTIN to Central Government or State Government or Union Territory for the period 28.03.2013 to 30.06.2017 – Retrospective effect – Clause 104
- Retrospective exemption for Government's share of profit petroleum for the period 01.04.2016 to 30.06.2017 – Clause 105

GST

Tax	Revised 2017-18 (Rs. crores)	Budget 2018-19 (Rs. crores)
CGST	221400	603900
IGST	161900	50000
GST Compensation Cess	61331	90000

- IGST Revenue is subject to apportionment and fund settlement between Centre and States as a result of cross-utilisation of credits

THANK YOU

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