



UNION BUDGET-2016

CENTRAL EXCISE

-- CMA R.K.DEODHAR



A] CHANGES IN CENTRAL EXCISE ACT,
1944

**[TO BE EFFECTIVE AFTER THE ENACTMENT OF THE
FINANCE ACT, 2016]**

1] Section 5A:- Effective date of Notification:-

Earlier the provision was that Notification used to come into effect after it used to get published in the official gazette & offered for sale to the public.

Now it has been provided that the Notification will come into effect immediately after it is published in the official gazette.

2] Section 11 A :- Period of issuing show cause notice:-

In case of normal situations, the period for issuing Show Cause Notice has been increased from one year to two years.

3] Section 37 B :- C.B.E. & C. Order :-

The power of C.B.E. & C. to issue Order under this Section has been increased to cover implementation of any provision of the Act.

B] CHANGES IN CENTRAL EXCISE RULES,
2002

[NOTIFICATION NO. 8/2016- C.E. (N.T) DT 01.03.2016]

1] Rule 7 :- Provisional Assessment :- [To be Effective from 01.03.2016]

Sub-rule (4) has been amended so as to clarify that interest will have to be paid by the assessee on the differential duty (if any) payable after the final Assessment Order passed, from the due date of payment till the date of actual payment of such differential duty.

2] Rule 8 :- Manner of Payment :- [To be Effective from 01.03.2016]

This Rule has been amended to provided that the manufactures of articles of Jewellery, other than Silver Jewellery but inclusive of articles of silver jewellery studded with diamonds, ruby, emerald or sapphire, may pay the duty quarterly provided their preceding year's turnover does not cross Rs. 12.00 Crores.

3] Rule 11 :- Invoice:- [To be Effective from 01.03.2016]

In case of a digitally signed Invoice, condition of Self-attestation by the manufacture has been done away with.

4] Rule 12 :- Return:- [To be Effective from 01.04.2016]

i) Annual Financial Statement (ER-4 to be submitted every year on or before 30th November) now will be referred to as 'Annual Return'.

ii) These provisions shall also be applicable to 100% E.O.U.

iii) Submission of Annual Installed Capacity Statement (to be submitted on or before 30th April every year) i.e. (ER-7) is done away with.

iv) Penalty clause for delayed filling of ER-4 & ER-7 also has been omitted.

v) A new sub-rule 8(a) has been inserted which will enable the assessee to submit a 'Revised Return' (ER-1 or ER-3) before end of the month in which the Original return is filed.

'Annual Return' also can be revised within one month from the date of submission of this Return.

For the purpose of issuing Show Cause Notice under Sec. 11A of the Act; the date of filling of such revised return will be considered as the 'Relevant Date.' [This provision will come into effect after it will be notified by the Govt.]

5] Rule 17 :-Removal by 100 % EOU:-

The facility of filing revised return has also has been extended to 100 % EOU. [To be effective from the date which will be notified by Govt.]

6] Rule 26 :-Penalty for Certain Offences :-

[To be Effective from 01.03.2016]

It has been provided that once the proceedings under Sec. 11AC of the Act regarding duty, interest & penalty have been concluded, then all proceedings in respect of penalty against other person, if any, shall also be deemed to be concluded.

C] OTHER N.T. NOTIFICATIONS

1] Not. No: 5/2016- C.E. (N.T.) dt. 1.03.2016 :-
Centralized Registration

This Notification permits the manufactures of Articles of Jewellery excluding Silver Jewellery but including Silver Jewellery studded with diamond, ruby, emerald or sapphire falling under C.H. No: 7113 of C.E.T.A., 1985 to obtain Centralized Registration at a place where Centralized billing or accounting is done.

2] Not. No: 6/2016- C.E. (N.T.) dt. 1.03.2016:-

Physical verification at the time of granting Registration has been exempted for the manufacture of Articles of Jewellery.

3] Not. No: 7/2016- C.E. (N.T.) dt. 1.03.2016:-

Earlier Notification No: 9/2012- C.E. (N.T.) dt. 17.03.2012 has been rescinded which prescribed Tariff Value as 30 % of the Transaction value declared on the Invoice for the Transaction value declared on the Invoice for the manufacture of Articles on the Jewellery.

4] Not. No: 9/2016- C.E. (N.T.) & 10/2016- C.E. (N.T.) dt. 1.03.2016:-

These Notifications are related to Pan Masala Packing Machines (capacity Determination & Collection of Duty) Rules, 2008 & Chewing Tobacco & Unmanufactured Tobacco Packing Machines (Capacity Determination & Collection of Duty) Rules, 2010 respectively.

5] Not. No: 11/2016- C.E. (N.T.) dt. 1.03.2016:-

Tariff value for articles of apparel & clothing accessories not knitted or crocheted has been increased from 30% to 60 % of the Transaction value declared on the Invoice.

6]Not. No: 12/2016- C.E. (N.T.) dt. 1.03.2016:-

Following goods have been covered under MRP Valuation (Sec.4A) & abatement percentages also have been prescribed.-

Sr.No.	Description of Goods	Abatement
a]	All type of Soaps & Organic Surface active agents falling under C.H. No: 3401 & 3402.	30 %
b]	Aluminium Foils Falling under C.H. No: 7607	25 %
c]	Wrist Wearable devices (Smart Watches) falling under 851762	35 %
d]	The word "Accessories" has been added to the words parts, components & assemblies in Sr.No.108 & 109 of the Not.No.49/2008-C.E. (N.T.) dt.24-12-2008	30%

7] Not. No: 14/2016- C.E. (N.T.) dt. 1.03.2016:-

This Notification amends Not. No: 27/2012 -C.E. (N.T.) dt. 18.06.2012 so as to prescribe the time limit of one year for filing application for refund of CENVAT Credit under Rule 5 of Cenvat Credit Rules 2004, in case of export of services.

8] Not. No: 15/2016- C.E. (N.T.) dt. 1.03.2016:-

[To be Effective from 01.04.2016]

Interest Rate for delayed payment of duty has been reduced from 18 % to 15 %.

9] Not. No: 16/2016- C.E. (N.T.) dt. 1.03.2016:-

This notification has amended Not. No: 42/2011- C.E. (N.T.) dt. 26.06.2001 (Export without payment of duty) whereby the wording 'Sec. 11AB' have been substituted by the word 'Sec. 11AA' in Para 2.

10] Not. No: 17/2016- C.E. (N.T.) dt.1.03.2016:-

This notification has amended Not. No: 31/2007- C.E. (N.T.) dt. 2.8.2007 (Procurements of goods from 100 % EOU) whereby the wordings "Section 11AB" have been substituted) by the wordings "Section 11AA"

11] Not. No: 18/2016- C.E. (N.T.) dt.1.03.2016:-

This notification has amended Not. No: 19/2004- C.E. (N.T.) dt. 6.09.2004 (Rebate of duty for export)

12] Not. No: 19/2016- C.E. (N.T.) dt1.03.2016:-

This notification has amended Not. No: 36/2001- C.E. (N.T.) dt. 26.06.2001 (Exemption from operation of Rule 9 to the manufacture of goods chargeable to NIL rate) by permitting a single registration for all the premises which are located within a close area.)

13] Not. No: 20/2016- C.E. (N.T.) dt. 1.03.2016:-

[To be Effective from 01.04.2016]

This notification notified new Central Excise (Removal of Goods at Concessional Rate of duty for manufacture of Excisable & other Goods) Rules, 2016.

14] Not. No: 21/2016- C.E. (N.T.) dt. 1.03.2016:-

This notification has amended Not. No: 21/2004- C.E. (N.T.) dt. 6.09.2004. (Rebate of duty on excisable goods used in the manufacture of export goods).

D] CHANGES IN CENVAT CREDIT RULES, 2004

[NOTIFICATION NO.13/2016-C.E.(N.T.) DT.1-3-2016]

**[TO BE EFFECTIVE FROM 1-4-2016 EXCEPT CERTAIN
CHANGES]**

1] Rule 2:- Definitions:-

i) In the definition of 'Capital Goods' following changes have been made-

a) Wagons falling under C.H. No: 860692 have been added.

b) The wordings "but does not include any equipment or appliance used in an office" have been omitted.

c) Capital goods used outside the factory for pumping of water for captive use within the factory will be eligible for Cenvat credit.

ii) From the definition of 'Exempted Service' following Services have been excluded - (w.e.f. 01.03.2016)

a) Service which is exported in terms of Rule 6 A of Service Tax Rules, 1994 &

b) Service by way of transportation of goods by a Vessel from Custom station of clearance in India to a place outside India.

iii) In the definition of 'Input' following changes have been made-

a) All goods used for pumping of water used for captive Consumption are added.

b) All Capital goods which have a value up to Rs.10, 000/- per piece will now be considered as 'Input'.

iv) Input Service Distributor' definition has been amended so as to provide that the credit has to be distributed to 'an outsourced manufacturing unit'.

2] Rule 3:- Cenvat Credit :- (w.e.f. 01.03.2016)

Cenvat credit shall not be utilized for the payment of Infrastructure Cess.

3] Rule 4:- Condition for allowing Cenvat Credit:-

- a)Manufactures of Articles of Jewellery shall be permitted to take 100 % Cenvat Credit on Capital Goods in the First year only if their turnover does not exceed Rs. 12.00 Crores in the preceding financial year.
- b)Now Jigs, Fixtures, moulds & dies can be directly sent to another manufacture for the production of goods or to job worker without bringing these to factory.
- c)The time limit for the permission to be granted by A.C. or D.C. for clearing the finished product directly from job worker's premises has been extended from one year to two years.
- d)A provision has been made to regularize the credit of service Tax paid on the charges paid for the Service provided by assignment, by Govt. or any other person, of the right to use any natural resources.

4] Rule 6:- Common Inputs/Input Services:-

a)'Exempted Service' shall include any activity which is not a service as defined in Section 65B (44) of the Finance Act. 1994.

b)The option of maintaining separate account & records has been done away with,

c)The manufacturer who exclusively manufactures exempted goods or a Service provider who exclusively provides exempted services shall pay the whole amount of credit of input or input services & shall not be eligible for any credit.

d)A manufacturer who manufactures i) Non-exempted goods & ii) exempted goods or a service provider who provides i) non-exempted services & ii) exempted services shall have two options as under-

i) To pay an amount of 6 % on value of exempted goods or 7 % of the value of exempted services subject to a maximum of the total credit available in the account of the assessee at the end of the period to which the payment relates or

ii) To pay an amount as determined under Sub-rule (3A)

e) Sub-rule (3A) provided as under-

i) Manufacturer or service provider shall intimate in writing to the Superintendent of Central Excise giving the following particulars -

a) Name, Address & Registration No.

b) Date from which the option has to be exercised.

c) Description of Input or Input Services used exclusively in or in relation to manufacture of exempted goods or for provision of exempted service & description of exempted goods &

exempted services

d) Description of Input or Input Services used exclusively in or in relation to manufacture of non-exempted goods or for provision of non-exempted services & the description of non-exempted goods & non-exempted services.

e) Cenvat credit of Input & input services lying in the balance as on the date of exercising this option.

ii) Calculation of amount to be paid & the amount of credit to be allowed should be calculated as under-

Terminology Used:-

T = Total Credit Taken.

A = Credit attributable to Input or input Services used exclusively for exempted goods / exempted services.

B = Credit attributable to Input or input Services used exclusively for non-exempted goods / non-exempted services.

C (common Credit) = $T - (A + B)$.

D (Ineligible Common Credit) to be paid = $C \times E / F$

Where,

E = Sum total of value of exempted goods & exempted services during the proceeding financial year.

F = Sum total of value of exempted goods, non-exempted goods, exempted services & non-exempted services during the proceeding financial year.

G (Eligible common Credit) = $C - D$.

iii) The amount of ineligible common credit (D) should be paid provisionally every month.

iv) In case where no final product was manufactured or no output service was provided in the preceeding financial year, the ineligible common Cenvat credit shall be deemed to be 50 % of the common credit (C).

v) In case of delayed monthly payment, an interest of 15 % p.a. shall be charged.

vi) Final working should be done after the end of the financial year & the difference, if any, should be paid on or before 30th June of the succeeding Financial Year.

vii) In case of delayed payment, on interest at the rate of 15 % p.a. shall be charged.

viii) Similarly, assessee can take credit of excess amount debited provisionally than the actual amount payable.

ix) The assessee should intimate the Superintendent within a period of 15 days from the date of payment or taking credit the following particulars-

a) Details of credit attributed towards eligible credit, ineligible credit, eligible common credit & ineligible common credit monthwise for the whole Financial Year.

b) Cenvat credit annually attributed to eligible credit, ineligible credit, eligible common credit & ineligible common credit for the whole Financial Year.

c) Amount determined & paid (differential) & the date of payment.

d) Interest payable & paid, if any.

e) Credit determined & taken (differential) & the date of taking the credit.

f) Sub-rule (3AA):-

A provision has been made by which Central Excise Officer can permit any assessee who has earlier not exercised the option under Rule (3A) to follow the procedure & pay the amount afterwards with interest at the rate of 15 % p.a.

g) Sub-rule (4) :-

It provides that Cenvat Credit shall be allowed even in case of Capital Goods which are exclusively used in the manufacture of exempted goods or in providing exempted services. But such credit shall be allowed after 2 years

from the date of commencement of commercial production or provision of services which are dutiable or taxable.

In case the Capital Goods are received after the date of commencement of commercial production or provision of services, the period of 2 years shall be computed from the date of installation of such Capital Goods.

5] Rule 7:- Input Service Distributor:-

a) While distributing the credit, the credit shall be distributed to 'outsourced manufacturing unit'.

b)'Outsourced manufacturing unit' is defined as a job worker who is liable to pay duty on value determined under Rule 10A of Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000.

c)Credit should not be distributed to such unit to which credit is not attributable.

d)Credit should be distributed prorata based on the turnover of such units during the relevant period.(i.e. normally preceding financial year)

e)'Outsourced manufacturing unit' shall maintain separate account for input service credit received from each of the unit & such credit shall be utilized for the payment of duty on goods manufactured for the Input Service Distribution concerned.

f)Credit balance as on 31.03.2016 shall not be transferred to Outsourced manufacturing unit.

g) Provisions of Rule 6 shall not apply to Input Service Distributor.

6] Rule 7A:-

A manufacturer shall be allowed to take Cenvat credit on the basis of an invoice issued by his warehouse where he has received the inputs under a cover of an invoice. Such warehouse will have to take registration just like Dealer's registration.

7] Rule 9A:- Annual Return:-

A manufacturer or a Service provider will have to submit an annual return for each financial year on or before 30th November of the succeeding year, in the form as specified by the board. Provisions of Rule 12 of the Central Excise Rules, 2002, in so far as they relate to annual return, shall apply to this annual return also.

8] Rule 14:- Recovery of credit wrongly taken:-

Earlier deeming provision of taking credit & utilization of the same has been omitted.

THANK YOU