

Finance Bill 2017 Changes

A. Service Tax

1. Changes in Negative List:

i. Services resulting in manufacture omitted from Negative List

[effective from the date of enactment of Finance Bill, 2016]

Clause (f) of Section 66D which read “services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption” has been omitted along with corresponding definition in Section 65B(40). The service has been included verbatim in Mega exemption Notification No. 25/2012-ST dated 20.06.2012. The impact of such omission seems limited to the purpose that government can change or restrict this exemption to certain class of job workers who are either paying Excise duty or are availing benefit of exemption under Notification No. 214/86 so that all job workers are covered under either of the indirect tax.

2. Changes in respect of Authority for Advance Ruling

[effective from date of enactment of Finance Bill, 2016]

Authority for Advance Ruling was till now was constituted separately under the Customs Act for the three Indirect taxes, viz., Customs, Excise and Service Tax. Finance Bill 2017 proposes to subsume the Authority for Advance ruling for Indirect taxes in the Authority for Advance Ruling under Income tax. Though the Authority has been subsumed, the law governing the operation of advance ruling still remains in respective Acts. In line, the other changes as brought out in the provisions of Authority for Advance Ruling from Service tax perspective are as under:

- A proceeding before or ruling of the Authority shall be invalid in case where there is a vacancy or defect in the Constitution of the Authority.
- Fees for application before the Authority has been enhanced to INR 10,000 from current INR 2,500
- Period available to the Authority for pronouncing a ruling has been increased from 90 days to six months
- All pending cases before the erstwhile Authority (under Indirect Tax) on the date of enactment of Finance Act 2017 shall stand transferred to the Authority.

3. Retrospective exemption to Service Tax on upfront payment for long term lease of industrial plots

[effective from date of enactment of Finance Bill, 2016]

Vide Notification no. 41/2012-ST dated 22.9.2016, Government had already given exemption to the taxable service provided by State Government Industrial Development Corporations/ Undertakings to industrial units by way of granting long term (thirty years, or more) lease of industrial plots from so much of service tax leviable thereon under section 66B of the said Act, as is leviable on the one time upfront amount (called as premium, salami, cost, price, development charges or by any other name) payable for such lease.

However, the above exemption was not available for the past period from 01.06.2007 to 21.09.2016. Accordingly, a new Section has been inserted in Finance Act 1994, Section 104 which provides for the above exemption for the said period.

Apropos to this entry, mention of decision in the case of Greater Noida Industrial Development Authority v CCES&ST, Noida is inevitable. In the said decision, hon'ble Tribunal held that one time charges in form of "premium" or salami" etc. cannot be called rent as this amount is not for continued enjoyment of property leased. The said charges were paid for obtaining lease of the immovable property. However, post 01.7.2016, the levy was not limited to rent and thus, such amount got exigible to Service Tax.

In case tax has been paid under such category in past periods, provision for refund of such amounts has been introduced. However, the time limit for filing the refund claim has been prescribed as six months from the date of enactment of Finance Bill, 2017.

4. Retrospective exemption to services of Armed forces life insurance funds

[effective from date of enactment of Finance Bill, 2016]

Section 105 is proposed to be introduced in the Finance Act to provide for exemption to services provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force, respectively, under the Group Insurance Schemes of the Central Government. The exemption is provided retrospectively from 10.09.2004 and ending with the 1.2.2016. Post 1.2.2017, this service has been exempted vide Notification No. 7/2017-dated 2.2.2017. The gap between the two dates seems to be inadvertent and the date which should have been mentioned in the Bill should have been 1.2.2017.

In case tax has been paid under such category in past periods, provision for refund of such amounts has been introduced. However, the time limit for filing the refund claim has been prescribed as six months from the date of enactment of Finance Bill, 2017.

5. Valuation in case of sale of under-construction flats for composite price

[effective from date of enactment of Finance Bill, 2016]

Before understanding the amendment in this regard, it is important to refer to the decision laid by Hon'ble High Court of Delhi on June 3, 2016 in Suresh Kumar Bansal v. Union of India wherein it was held that in case of sale of under-construction flats for a composite price (including the value of land), abatement granted by a notification cannot substitute lack of statutory machinery provision to ascertain value of services involved. It stated that Rule 2A of Service Tax (Determination of Value) Rules, 2006 does not cater to determination of value of services in such cases. Thus, in absence of measure of tax in such cases, the levy was held as not effective in such cases.

In order to overcome the shortcoming of the statutory provisions, Rule 2A of the Service Tax (Determination of Value), Rules, 2006 has been amended. The changes have been summarized in the table below. It may be noted that the changes are applicable retrospectively for period as mentioned in column 1 of the table.

Applicability	Before change	After change	Provision
01.07.2010 to 30.06.2012	Notification No. 1/2006 – ST dated 01.03.2006	Rule 2A of Service Tax (Determination of Value) Rules, 2006	25% value taxable <u>Conditions:</u> - No CENVAT taken on inputs, capital goods or input services - Not availed benefit of Notification No. 12/2003-ST dated 20.06.2003

01.07.2012 to 28.02.2013	Notification No. 26/2012 – ST dated 20.06.2012	Rule 2A of Service Tax (Determination of Value) Rules, 2006	25% value taxable <u>Condition:</u> No credit taken on inputs
01.03.2013 to 07.05.2013	Notification No. 26/2012 – ST dated 20.06.2012	Rule 2A of Service Tax (Determination of Value) Rules, 2006	30% value taxable <u>Condition:</u> No credit taken on inputs In case of residential units (carpet area upto 2000 sq ft <u>or</u> amount charged per residential unit is less than Rs. 1 crore): 30% taxable <u>Condition:</u> No credit taken on inputs
08.05.2013 to 31.03.2016	Notification No. 26/2012 – ST dated 20.06.2012	Rule 2A of Service Tax (Determination of Value) Rules, 2006	30% value taxable <u>Condition:</u> No credit taken on inputs In case of residential units (carpet area upto 2000 sq ft <u>and</u> amount charged per residential unit is less than Rs. 1 crore): 30% value taxable <u>Condition:</u> No credit taken on inputs
01.04.2016 onwards	Notification No. 26/2012 – ST dated 20.06.2012	Rule 2A of Service Tax (Determination of Value) Rules, 2006	30% value taxable <u>Condition:</u> No credit taken on inputs

6. Changes in Exemption

i. Two year programs of IIMs exempted

[effective from February 2, 2017]

Earlier, entry 9B of Notification No. 25/2012 – ST dated 20.06.2012 exempted services provided by IIMs to their students by way of two year full time residential Post Graduate Programmes in Management for the Post Graduate Diploma in Management, to which admissions are made on the basis of Common Admission Test (CAT), conducted by Indian Institute of Management. Now, the word ‘residential’ has been dropped from the same.

ii. Exemption in case of Regional Connectivity Scheme airport

[effective from February 2, 2017]

A new entry 23A has been inserted in the said notification for grant of exemption in respect of the amount of viability gap funding (VGF) payable to selected airline operator for services of transport of passengers, with or without belongings, by air, embarking from or terminating in a RCS (Regional Connectivity Scheme) airport. Such exemption shall be available for a period of one year from the date of commencement of operations of the RCS Airport.

iii. Other Exemption

[effective from enactment of Finance Bill, 2017]

Exemption to manufacture has already been discussed in negative list and thus, not repeated here for sake of brevity.

7. Changes in Cenvat Credit Rules

[Effective from February 2, 2017]

i. Requirement of proportionate reversal of Cenvat credit tightened for Banks and NBFCs

Explanation I to rule 6 of Cenvat Credit Rules, 2004 applicable to sub-rule (3) and (3A) of the said rules, provides that 'value' for the purpose of reversal of common input tax credit on inputs and input services used in providing taxable services and exempted services shall not include value of services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

Accordingly, henceforth, Cenvat Credit needs to be reversed on the value of loans, value of services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount by Banks and NBFCs.

ii. Time limit prescribed for providing permission for transfer of Cenvat credit in case of shift of factory or premises

Rule 10 of the said Rules lays down the provisions for transfer of CENVAT Credit in cases of shifting/transfer of factory or shifting/transfer of business by a service provider. For the purpose, it has to be to the satisfaction of the Deputy/Assistant Commissioner of Central Excise that the stock of inputs as such or in process, or the capital goods is also transferred along with the factory or business premises to the new site or ownership and the inputs, or capital goods, on which credit has been availed of are duly accounted for. Now, the Deputy/Assistant Commissioner of Central Excise shall allow the transfer of such credit within a period of three months from the date of receipt of application. Such period may be extended by the Principal Commissioner of Central Excise or Commissioner of Central Excise for a further period not exceeding six months, on sufficient cause being shown and reasons recorded in writing.

8. Changes in Abatement to Tour operators

Vide notification No. 4/2017-ST, dated 12.1.2017, Government has amended the abatement as available to the Tour operators. At the outset, it is pertinent to mention that Tour Operator has been defined to mean any person engaged in the business of planning, scheduling, organizing, arranging tours (which may include arrangements for accommodation, sightseeing or other similar services) by any mode of transport, and includes any person engaged in the business of operating tours. Thus, such a person can do both, design or conceptualise a tour and also execute a tour. It is interesting to note that the said category while it does not include travel agents engaged in booking tickets for transportation of passengers, it still include booking of Hotel for stay.

The entry as amended is as follows:

Before Amendment

"11	Services by a tour operator in relation to,— (i) a tour, only for the purpose of arranging or booking accommodation for any person	10	(i) CENVAT credit on inputs, capital goods and input services other than input services of a tour operator, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004. (ii) The invoice, bill or challan issued indicates that it is towards the charges for such accommodation.
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			(iii) This exemption shall not apply in such cases where the invoice, bill or challan issued by the tour operator, in relation to a tour, includes only the service charges for arranging or booking accommodation for any person but does not include the cost of such accommodation.
	(ii) tours other than (i) above	30	(i) CENVAT credit on inputs, capital goods and input services other than input services of a tour operator, used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004. (ii) The bill issued for this purpose indicates that it is inclusive of charges for such a tour and the amount charged in the bill is the gross amount charged for such a tour.";

After Amendment

Services by a tour operator	60	(i) 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. (ii) The bill issued for this purpose indicates that it is inclusive of charges of accommodation and transportation required for such a tour and the amount charged in the bill is the gross amount charged for such a tour including the charges of accommodation and transportation required for such a tour.
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Thus, the earlier two categories of services of Tour operator has been now merged into one and further, he is now allowed to avail the Cenvat Credit of Input services on all services (earlier this was restricted to Cenvat Credit of Tour operators only). Henceforth the following shall be the output liability and available Cenvat Credit for a Tour operator.

Case 1: Booking of a Hotel in India

Particulars	Prior to Amendment		Post Amendment
Hotel room Charges	10,000		10,000
Add: Service Tax	900		900
Sub total	10,900		10,900
Less: Cenvat Credit of Services Available	-		900
Cost to Tour Operator	10,900		10,000
Add: Tour operator's Margin	1,000		1,000
Add: Service Tax	179		990
Cost to Customer	12,079		11,990

Case 2: Booking of Hotel outside India

Particulars	Prior to Amendment		Post Amendment
Hotel room Charges	10,000		10,000
Add: Service Tax	-		-
Sub total	10,000		10,000
Less: Cenvat Credit of Services Available	-		-
Cost to Tour Operator	10,000		10,000
Add: Tour operator's Margin	1,000		1,000
Add: Service Tax	165		990
Cost to Customer	11,165		11,990

Case 3: Tour operated in India

Particulars	Prior to Amendment	-	Post Amendment
Air ticket Charges	7,500		7,500
Add: Service Tax	338		338
Hotel room Charges	10,000		10,000
Add: Service Tax	900		900
Rent a Cab charges	5,000		5,000
Add: Service Tax	300		300
Sub total	24,038		24,038
Less: Cenvat Credit of Services Available	-		1,538
Cost to Tour Operator	24,038		22,500
Add: Tour operator's Margin	5,000		5,000
Add: Service Tax	1,307		2,475
Cost to Customer	30,344		29,975

Case 4: Tour operated outside India

Particulars	Prior to Amendment		Post Amendment
Air ticket Charges	7,500		7,500
Add: Service Tax	-		-
Hotel room Charges	10,000		10,000
Add: Service Tax	-		-
Rent a Cab charges	5,000		5,000
Add: Service Tax	-		-
Sub total	22,500		22,500

Less: Cenvat Credit of Services Available	-		-
Cost to Tour Operator	22,500		22,500
Add: Tour operator's Margin	5,000		5,000
Add: Service Tax	1,238		2,475
Cost to Customer	28,738		29,975

Thus,. While the tour costs of inbound and domestic tours shall go down, the pricing for outbound tours in the sector are going to increase.

As a matter of relief for persons engaged in providing electronic platform for booking of hotels where they are not booking such Hotels themselves but are only allowing a showcasing of other Hotel / Tour operators, such have been excluded from the purview of being aggregator for the purpose of Service Tax. It has been provided vide Notification No. 2/2017-St dated 12.1.2017 that aggregator shall not include such person who enables a potential customer to connect with persons providing services by way of renting of hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes subject to following conditions, namely:-

- (a) the person providing services by way of renting of hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes has a service tax registration under provision of these rules; and
- (b) whole of the consideration for services provided by such service provider is received directly by such service provider and no amount, which forms part of the consideration of services of such service provider, is received by the aggregator directly from either recipient of the service or his representative.

9. Changes in Person liable to pay Service Tax in case of Ocean Freight on import of goods

Ocean freight for inward transportation of goods from a location outside India to India was made taxable last year and thus, any person who makes a payment to a shipping line for such transportation was supposed to discharge the liability on such freight. The domestic shipping lines had started charging Service tax on such inbound transportation of goods being under forward charge.

However, last year, the amendment failed to cover the freights where the foreign shipping line was billing such freight to the foreign seller and such amounts were included in the CIF value of products. Accordingly, there was no requirement of payment of Service Tax on such freight as no payment was made directly by the Indian entity to the foreign service provider. This had caused disparity in the same categories of imports when the freight is paid by the Indian importer and when the same is paid by the foreign seller and charged as price of goods from the Indian importer. Also, a lot of importers had resorted to the latter as part of tax planning.

Accordingly, just before the Budget 2017, another amendment in this arena was made by the government vide No. 1/2017-Service Tax dated 12.1.2017, as made effective from 22.01.2017. The notification removed the exemption available to the services by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India.

Further, by way of Notification No. 1/2017-Service Tax dated 12.1.2017, provides that in such cases, the liability has been affixed on the recipient of goods. An Explanation has been added in the Reverse Charge Notification

(Notification No. 30/2012-ST dated 20.6.2012), to provide that person liable for paying service tax other than the service provider in these cases shall be the person in India who complies with sections 29, 30 or 38 read with section 148 of the Customs Act, 1962 (52 of 1962) with respect to such goods. Accordingly, the person who is the importer and is responsible to file bill of entry shall be hence forth liable to pay Service tax on services of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India when provided by a foreign Shipping line and when payment is made by another non resident to such shipping line.

The person liable to pay Service Tax on import freight post present amendment can be summarised as under:

Particular	Payment by Resident	Payment by Non resident
Domestic Shipping Line	Domestic Shipping Line	Domestic Shipping Line
Foreign Shipping Line	Resident	Importer

10. Changes in case of online services / e commerce services

Viewing the vast expansion in online space, government has observed that there are a lot of online services which are not taxed in India since the service provider does not have a location in India. Being online services, such services can be extended to the customer directly and through internet. The matter was highlighted in the landmark ruling in the case of M/s GoDaddy India Web Services Pvt. Ltd. wherein Authority for Advance Ruling had held such services as being provided from outside India and held services of their support centre as export. Accordingly, government has modified the levy of e commerce services.

At first, the scope of online data base access and retrieval services has been expanded as under:

“online information and database access or retrieval services” means services whose delivery is mediated by information technology over the internet or an electronic network and the nature of which renders their supply essentially automated and involving minimal human intervention, and impossible to ensure in the absence of information technology and includes electronic services such as,-

- (i) advertising on the internet;
- (ii) providing cloud services;
- (iii) provision of e-books, movie, music, software and other intangibles via telecommunication networks or internet;
- (iv) providing data or information, retrievable or otherwise, to any person, in electronic form through a computer network;
- (v) online supplies of digital content (movies, television shows, music, etc.);
- (vi) digital data storage; and
- (vii) online gaming;

The above changes have been made vide notification No. 48/2016-ST dated 9.11.2016.

Further, the exemption to such services when provided to an individual has been removed. While the person liable to pay Service Tax in case of business shall still remain the business entities. However, in other cases (termed as non-assesse online recipient), the liability has been affixed on the provider, either directly or through his authorised representative in India. The term “non-assesse online recipient” has been defined to mean Government, a local

authority, a governmental authority or an individual receiving online information and database access or retrieval services in relation to any purpose other than commerce, industry or any other business or profession, located in taxable territory. Thus, the scope of all such services has been expanded to a large extent.

When a recipient is said to be located in taxable territory

It has also been provided further that in case of online information and database access or retrieval services provided or agreed to be provided by any person located in a non-taxable territory and received by any person located in the taxable territory, person receiving such services shall be deemed to be located in the taxable territory if any two of the following noncontradictory conditions are satisfied, namely:-

- (a) the location of address presented by the service recipient via internet is in taxable territory;
- (b) the credit card or debit card or store value card or charge card or smart card or any other card by which the service recipient settles payment has been issued in the taxable territory;
- (c) the service recipient's billing address is in the taxable territory;
- (d) the internet protocol address of the device used by the service recipient is in the taxable territory;
- (e) the service recipient's bank in which the account used for payment is maintained is in the taxable territory;
- (f) the country code of the subscriber identity module (SIM) card used by the service recipient is of taxable territory;
- (g) the location of the service recipient's fixed land line through which the service is received by the person, is in taxable territory:

Intermediary also made responsible

Further, in case of online information and database access or retrieval services provided or agreed to be provided by any person located in a non-taxable territory and received by non-assesse online recipient, an intermediary located in the nontaxable territory including an electronic platform, a broker, an agent or any other person, by whatever name called, who arranges or facilitates provision of such service but does not provides the main service on his account shall be deemed to be receiving such services from the service provider in non-taxable territory and providing such services to the non-assesse online recipient except when such intermediary satisfies all the following conditions, namely :-

- (a) the invoice or customer's bill or receipt issued or made available by such intermediary taking part in the supply clearly identifies the service in question, its supplier in non-taxable territory and the service tax registration number of the supplier in taxable territory;
- (b) the intermediary involved in the supply does not authorise the charge to the customer or take part in its charge i.e. intermediary neither collects or processes payment in any manner nor is responsible for the payment between the non-assesse online recipient and the supplier of such services;
- (c) the intermediary involved in the supply does not authorise delivery;
- (d) the general terms and conditions of the supply are not set by the intermediary involved in the supply but by the service provider

Thus, the scope of such services and liability on foreign provides when providing services to non business customers has been expanded by the government.

11. No Change in Rate of Service Tax

The rate of Service Tax has been sustained at 15% and the effective rate chart on various providers is as under:

S. n o.	Particular	Effecti ve Service Tax Rate	Effecti ve SBC Rate	Effecti ve KKC rate	
A.	Generic Rate	- Applicable on all taxable services	14%	0.50%	0.50%
B.	Non Taxable Services	0%	0%	0%	
	- Services provided in Non taxable Territory				
	- Services listed in Negative List				
	- Services provided without consideration				
C.	Wholly Exempted Services	0%	0%	0%	
	- Notification No. 25/2012-Service Tax dated 20.06.2012 (Mega Exemption),				
	- Notification No 33/2012-Service Tax (SSI Exemption),				
	- Notification No. 14/ 2012 – Service tax (Import of Technology),				
	- Notification No 32/2012-Service Tax (Services by TBI / STEP),				
	- Notification No. 12/2013 (Services to SEZ),				
	- Notification No. 29/2012- Service Tax (Property tax in renting),				
	- Notification No. 6/2013-Service Tax (Exemption against Focus Market Scheme Scrips),				
	- Notification No. 7/2013-Service Tax (Exemption against Focus Product Scheme Scrips),				
	- Notification No. 8/2013-Service Tax (Exemption against Vishesh Krishi and Gram Udyog Yojana),				
	- Notification No. 11/2015-Service Tax (Exemption against Service Exports from India Scheme),				
	- Notification No. 10/2015-Service Tax (Exemption against Merchandise Exports from India Scheme)				

Rate of Service Tax post 01.06.2016 in case of Abated services

S.No.	Income Heads	Rates Effective From 01.06.2016				
		Taxable Value	Effective ST Rate	Effective SBC Rate	Effective KKC Rate	Total Effective Tax Rate
1	Services in relation to financial leasing including hire purchase	10%	1.40%	0.05%	0.05%	1.50%
2	Transport of Goods in containers by rail by any person other than Indian Railways	40%	5.60%	0.20%	0.20%	6.00%
2A	Transport of Goods by Rail other than as specified above	30%	4.20%	0.15%	0.15%	4.50%
3	Transport of Passengers with or without accompanied belongings by Rail	30%	4.20%	0.15%	0.15%	4.50%
4	Bundled service by way of supply of food or any other article of human consumption or any drink, together with renting of such premises	70%	9.80%	0.35%	0.35%	10.50%
5	Transport of passengers by air with or without accompanied belongings in economy class	40%	5.60%	0.20%	0.20%	6.00%
5A	Transport of passengers by air in higher class	60%	8.40%	0.30%	0.30%	9.00%

6	Renting of inns, hotels, Guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes	60%	8.40%	0.30%	0.30%	9.00%
7	Services of goods transport agency in relation to transportation of goods other than household goods	30%	4.20%	0.15%	0.15%	4.50%
7A	Services of goods transport agency in relation to transportation of household goods	40%	5.60%	0.20%	0.20%	6.00%
8	Services provided by a foreman of chit fund in relation to chit	30%	4.20%	0.15%	0.15%	4.50%
9	Renting of motor cab designed to carry passengers	40%	5.60%	0.20%	0.20%	6.00%
9A	Transport of passengers, by a contract carriage other than motorcab or a radio taxi or a stage carriage	40%	5.60%	0.20%	0.20%	6.00%
10	Transport of goods in a vessel	30%	4.20%	0.15%	0.15%	4.50%
11	Services by a tour operator	60%	8.4%	0.3%	0.3%	9.00%
12	Construction of a complex, building, civil structure or a part thereof, intended for a sale to a buyer, before the issuance of completion certificate by the competent authority	30%	4.20%	0.15%	0.15%	4.50%

Effective Rate of Service Tax in case of services where Valuation is done

Particular	Taxable Value	Effective Service Tax Rate	Effective SBC	Effective KKC	Total Effective Tax Rate
Works Contract - Original Works	40%	5.60%	0.20%	0.20%	6.00%
Works Contract - Others	70%	9.80%	0.35%	0.35%	10.50%
Works Contract – along with value of Land	30%	4.20%	0.15%	0.15%	4.50%
Restaurant	40%	5.60%	0.20%	0.20%	6.00%
Outdoor Catering	60%	8.40%	0.30%	0.30%	9.00%

Rate of services where alternate rate is provided

Service Provider	Services	Effective Service Tax Rate	Effective SBC	Effective KKC	Effective Total Rate
Money Changer	Services in relation to purchase or sale of foreign currency for an amount upto rupees 100,000	0.14%	0.005%	0.005%	0.15%
	Services in relation to purchase or sale of foreign currency for an amount exceeding Rs. 100,000 but upto rupees 1000,000	Rs. 140 + 0.07%	Rs. 5 + 0.0025%	Rs. 5 + 0.0025%	Rs. 150 + 0.075%
	Services in relation to purchase or sale of foreign currency for an amount exceeding Rs. 1000,000	Rs. 770 + 0.014%	Rs. 5 + 0.0005%	Rs. 5 + 0.0005%	Rs. 780 + 0.015%
Lottery	Guarantee payout more than 80% (includes part of Lakhs)	Rs 8200 on every Rs 10 Lakh	Rs 293 on every Rs 10 Lakh	Rs 293 on every Rs 10 Lakh	Rs 8,786 on every Rs 10 Lakh
	Guarantee payout less than 80% (includes part of Lakhs)	Rs 12,800 on every RS 10 Lakh	Rs 457 on every Rs 10 Lakh	Rs 457 on every Rs 10 Lakh	Rs 13,714 on every RS 10 Lakh
Insurance	First year of Policy	3.50%	0.125%	0.125%	3.75%
	Subsequent years	1.75%	0.063%	0.063%	1.88%
Air Travel Agent	Domestic Travel	0.70%	0.025%	0.025%	0.75%
	Foreign Travel	1.40%	0.050%	0.050%	1.50%

Effective Rate of services in case of reverse charge

S.No.	Service	Effective Rates				
		Taxable Value	Effective Service Tax Rate	Effective Swach Bharat Cess Rate	Effective Krishi Kalyan Cess	Total effective Tax
1	Rent A Cab - with abatement	40%	5.60%	0.20%	0.20%	6.00%
2	Rent A Cab - without abatement	50%	7.00%	0.25%	0.25%	7.50%
3	Manpower Supply	100%	14.00%	0.50%	0.50%	15.00%
4	Security Services	100%	14.00%	0.50%	0.50%	15.00%
5	Payment to Advocates and Lawyers	100%	14.00%	0.50%	0.50%	15.00%
6	Payment for Spnsorship	100%	14.00%	0.50%	0.50%	15.00%
7	Transportation of Goods By Road	30%	4.20%	0.15%	0.15%	4.50%
8	Payment to Independent Director	100%	14.00%	0.50%	0.50%	15.00%
9	Works Contract- For Original Works	20%	2.80%	0.10%	0.10%	3.00%
9	Works Contract- For Other Works	35%	4.90%	0.18%	0.18%	5.25%
10	Payment to Arbitral tribunal	100%	14.00%	0.50%	0.50%	15.00%

B. Customs

1. Beneficial Owner defined

Beneficial owner defined in Custom Act which means any person on whose behalf the goods are being imported or exported or who exercises effective control over the goods being imported or exported. Definition of Importer and Exporter also has been amended to include beneficial owner of goods.

2. Definition of 'foreign post office' and 'International Courier Terminal' inserted

Section 2(20A) and 2(28A) have been inserted in the Customs Act, 1962 to define "foreign post office" and "International Courier Terminal" respectively. Corresponding amendment has been made by way of insertion of sub-clause (e) and sub-clause (f) in section 7 of the Customs Act, 1962. Thus, the Board has been empowered to notify foreign post offices and International Courier Terminals. This has been done mainly to curb the practice of import of restricted items by way of couriers or from foreign post offices (FPOs).

3. Provision of Passenger name record information

A record is to be prepared by an operator of any aircraft or vessel or vehicle or his authorized agent for each journey booked by or on behalf of any passenger. Person in charge of conveyance shall deliver to proper officer the details of passengers and crew before arrival of aircraft or vessel. Format for the above information is to be prescribed. Details of passenger and crew are to be furnished for departure of aircraft or vessel to proper officer before departure in from to be prescribed by board.

4. Document for determination of import

For self assessment any document can be provided by importer which he believes reflects true and fair picture of goods imported. Earlier, the contract, broker's note, insurance policy, catalogue or other document could be produced.

5. Refund of duty

Refund of Custom Duty can also be claimed by the applicant if any duty is paid in excess by the importer before an order permitting clearance of goods for home consumption if in case of self assessed bill such excess payment is evident from bill of entry and in where duty actually payable is reflected in the reassessed bill of entry in case of reassessment.

6. Authority for Advance Ruling

Authority for advance ruling under Customs has been merged with the Authority for Advance Ruling constituted under section 245O of Income Tax Act, 1961. The other amendments in this regard are as under:

- Member from Indian revenue Service (Custom & Central excise) is qualified to be member of board shall be the Revenue member of Authority.
- All pending application before Advance Ruling (Central excise, Custom & Service Tax) shall be transfer to Advance Ruling Authority of Income Tax, and the earlier one shall be dissolved.
- Validity of pronouncement of advance ruling by, the Authority can be questioned or invalidate on the ground of the existence of any vacancy or defect in the constitution of the Authority.
- Fees for Filling Advance Rulling increased from existing Rs 2,500/- to Rs 10,000/- per application.
- Time period for pronouncement of ruling by Advance Ruling Authority increased from existing 90 Days to 6 Months.

7. Time limit for presentation of bill of entry

An amendment is proposed to section 46(3) of the Customs Act, 1962.

- Now the importer has to present the Bill of Entry before the next day following the day (excluding holidays) on which the aircraft/vessel/vehicle carrying the goods arise at a Custom station at which such goods are to be cleared for home consumption or warehousing.
- In case the importer fails to present the bill of entry within the specified time, and is not able to explain to the satisfaction of the Proper Officer a sufficient cause for such delay, then the importer shall be liable to pay charges for the late presentation of the Bill of Entry, which shall be prescribed.

8. Time Limit for payment of Duty

Import duty to be paid :

- Self Assesment – On the date of presentation of bill of entry
- Others – Within one day excluding holidays from the date of receipt back of bill of entry from proper officer.
- Deffered Payment – Such date as may be prescribed.

Interest should be paid between minimum 10% to maximum 36% during the period of delay. Current applicable interest rate is 15%.

9. Storage of imported goods in warehouse pending clearance

Where Assistant commissioner or Deputy Commissioner of Custom is satisfied that goods cannot be cleared for home consumption or warehousing within reasonable time may allowed goods to be stored in public warehouse. However, The goods can be stored maximum for One Month. The storage period may be extended to additional one month on approval of Principal Commissioner of Customs or Commissioner of Customs.

10. Settlement of cases before Settlement Commission

- A new sub-section (5) has been inserted in Section 127B and any person, other than an applicant before the Settlement Commission can also make an application to the Settlement Commission in respect of a Show Cause Notice issued to him in a case relating to the applicant which has been settled or is pending before the Settlement Commission. This provision has been inserted to avoid ancillary and incidental litigation.
- A new sub-section (5A) has been inserted in Section 127C to empower the Settlement Commission to amend any order or to rectify any error apparent on the face of record. Such amendments/rectification can be done either suo moto or when such error is brought to the notice either by the Department or by the Applicant
- If the effect of the amendment to the order is enhancement of the liability of the Applicant, then the principal of natural justice has to be followed and no amendment shall be made unless a reasonable opportunity of being heard is given to both the applicant as well as the department.

11. Changes in Customs Rate

S No.	HSN	Product	Upto 01.02.2017	w.e.f. 02.02.2017
1	20081910	Cashew Nuts roasted salted	30%	45%
2	27111100	Liquified Natural Gas	10%	2.5%
3		Clay 2 Powder	10%	5%*
4	2902 41 00	O-Xylene	10%	Nil
5	2914 61 00, 2914 69 90	Ethyl Anthraquinone	10%	2.5%
6	3201 20 00	Wattle Extract	10%	2.5%
7	3201 90 20	Myrobalan Fruit Extract	10%	2.5%
8	3404 20 00	Vinyl Polythelene Glycol	10%	7.5%
9	3815 90 00	Catalyst used for manufacture of wind operated electricity generator	10%	5%
10	3909 40 90	Resin for use in the manufacture of cast components of Wind Operated Electricity Generator	10%	5%
11	5404 19 90	Nylon Monofilament	10%	5%
12	70	Solar tempered Glass	10%	Nil

13	7106	Silver medallions and coins with silver content not below 99.9%(substitution of entry)	10%	10%
14	7208	Hot Rolled Coils	15%	10%
15	7225 19 90	Magnesium Oxide	15%	5%
16	7212 40 00	Co-Polymer coated MS Tape/Stainless Steel Tape for manufacture of optical fibre	15%	10%
17	75	Nickel	5%	Nil
18	2818 20 90	Clay 2 Powder (Alumax) for use in ceramic substrate for catalytic convertors (insertion of entry)	10%	5%
19	8421 99 00	All goods other than Reverse Osmosis (insertion of entry)	7.5%	7.5%
20	8421 99 00	Reverse Osmosis (RO) membrane element for household type filters	7.5%	10%
21	8458 11 00, 8458 91 00	Ball Screw, Linera Motion Guide, CNC System	10%	2.5%
22	851770	PCB for Mobile	10%	2%
23	84 or 85	Micro ATM, Fingerprint Reader, Scanner, Iris Scanner	7.5%/10%	Nil
24	Any Chapter	Goods imported through postal parcel, packets and letters CIF less than Rs 1000	Any rate	Nil
25	84 or any chapter	All machinery for initial setting up of fuel cell based system for generation of electricity	Any rate	5%
26	Any chapter	All machinery for balance of systems operating on biogas or bio methane	Any rate	5%
27	Any Chapter	All parts for use in the manufacture of LED lights or fixtures including LED Lamps	Any rate	5%
28	Any Chapter	All inputs for use in the manufacture of LED (Light Emitting Diode) driver or MCPCB (Metal Core Printed Circuit Board) for LED lights and fixtures or LED Lamps	Any rate	5%
29	2917 36 00	Purified Terephthalic Acid (PTA), Medium Quality Terephthalic Acid (MTA) and Qualified Terephthalic Acid (QTA)	10%	5%

C. Excise

1. Changes in Excise rates on Specified Products [Effective February 2,2017]

Chapter No.	Item	Existing	Proposed
24021010	Cigar and cheroots	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher
24021020	Cigarillos	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher
24029010	Cigarettes of tobacco substitutes	Rs.3755 per thousand	Rs.4006 per thousand
24029020	Cigarillos of tobacco substitutes	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher
24029090	Others of tobacco substitutes	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher
2402020	Cigrates	Note 1	Note 1
24031929	Paper rolled biris – handmade	Rs.21 per thousand	Rs.28 per thousand
24031929	Paper rolled biris – machine made	Rs.21 per thousand	Rs.78 per thousand
70	Solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications	Nil	6%
70	Parts/raw materials for manufacture of solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications.	12.5%	6%
38159000	Catalyst for manufacture of cast components for WOEg	12.5%	Nil
39094090	Resin for manufacture of cast components for WOEg	12.5%	Nil
Misc.	All items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes (Valid till 30 th June,2017)	12.5%	6%

Misc.	All items of machinery required for balance of systems operating on biogas/ bio-methane/ by-product hydrogen <i>(Valid till 30th June,2017)</i>	12.5%	6%
39211900	Membrane Sheet and Tricot / Spacer for use in manufacture of RO membrane element for household type filters, subject to actual user condition	12.5%	6%
All Chapters	All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition <i>(Valid till 30th June,2017)</i>	6%/12.5%	6%
84	Miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader / Scanner or Iris Scanner	12.5%	Nil
84	Parts and components for manufacture of miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader / Scanner or Iris Scanner, subject to actual user condition	12.5%	Nil
71	Waste and scrap of precious metals or metals clad with precious metals arising in course of manufacture of goods	Nil	Nil, subject to the condition that no credit of duty paid on inputs or input services or capital goods has been availed by manufacturer of such goods
71	Strips, wires, sheets, plates and foils of silver	Nil	Nil, subject to the condition that no credit of duty paid on inputs or input services or capital goods has been availed by manufacturer of such goods
71	Articles of silver jewellery, other than those studded with diamond, ruby, emerald or sapphire	Nil	Nil, subject to the condition that no credit of duty paid on inputs or input services or capital goods has been availed by manufacturer of such goods
71	Silver coin of purity 99.9% and above, bearing a brand name when manufactured from silver on which appropriate duty of customs or excise has been paid	Nil	Nil, subject to the condition that no credit of duty paid on inputs or input services or capital goods has been availed by manufacturer of such goods

Note 1:

TARIFF ITEM	DESCRIPTION (length in mm)	Rs. per 1000 sticks (Existing Rate)	Rs. per 1000 sticks (New Rate)
24022010	Non filter not exceeding 65	215	311
24022020	Non-filter exceeding 65 but not exceeding 70	370	541
24022030	Filter not exceeding 65	215	311
24022040	Filter exceeding 65 but not exceeding 70	260	386
24022050	Filter exceeding 70 but not exceeding 75	370	541
24022090	Other	560	811

9.1.4. Clean Energy Cess

Chapter No.	Item	Existing	Proposed
21	Pan Masala	6%	9%
24	Unmanufactured tobacco	4.2%	8.3%
24	Chewing tobacco (including filter khaini)	10%	12%
24	Jarda scented tobacco	10%	12%
24	Pan Masala containing Tobacco (Gutkha)	10%	12%

2. Advance Ruling { effective from the date of enactment of Finance Bill, 2017}

- Authority for advance ruling should be same as Authority for Advance Ruling constituted under section 245O of Income Tax Act, 1961.
- Member from Indian revenue Service (Custom & Central excise) is qualified to be member of board shall be the Revenue member of Authority.
- All pending application before Advance Ruling (Central excise, Custom & Service Tax) shall be transfer to Advance Ruling Authority of Income Tax, and the earlier one shall be dissolved.
- Validity of pronouncement of advance ruling by, the Authority can be questioned or invalidate on the ground of the existence of any vacancy or defect in the constitution of the Authority.
- Fees for Filling Advance Rulling increased from existing Rs 2,500/- to Rs 10,000/- per application.
- Time period for pronouncement of ruling by Advance Ruling Authority increased from existing 90 Days to 6 Months.

3. Changes in respect of provisions relating to Settlement Commission

- Any person other than manufacturer can make application to the Settlement Commission in respect of a show cause notice issued to him in case relating to the applicant who has been settled or is pending before the Settlement Commission and such notice is pending before adjudicating authority.
- Settlement commission can revise its own order within 3 Months from the date of passing the order to rectify any error apparent from face of the record.

- However, any amendment in order enhancing the liability of applicant shall be made after giving notice of such intention to applicant and Jurisdictional Principal Commissioner of Central Excise or Additional Director General of Revenue Intelligence and giving reasonable opportunity of being heard.

4. Decrease in Excise Duty on Motor vehicle from Retrospective Effect {effective from January 1, 2017}

A Retrospective amendment in excise duty rate has been made in Finance Bill, 2017. Excise Duty from 27% to 12.5% for motor vehicles transporting more than 13 passengers has been made. The amendment is applicable w.e.f 01-01-2017

5. Remission of Excise Duty {effective from February 2, 2017}

Time period for remission of duty has been fixed. Remission to be granted within three months from the date of application, however time period may further extend to further 6 months more, on sufficient cause being shown and reasons to be recorded in writing, be extended by an authority next higher than the authority before whom the application for remission is made by applicant.

6. Cenvat Credit {effective from February 2, 2017}

Transfer of cenvat permission to be granted within three months from the date of application in case of shifting, sale, merger etc from the date of application, however time period may further extend to 6 months more where sufficient cause being shown and reasons to be recorded in writing, be extended by the Principal Commissioner of Central Excise or Commissioner of Central Excise.

7. Changes in Pan Masala Packing Machines (Capacity Determination And Collection of Duty) Rules, 2008

Sl. No.	Duty	Duty ratio for masala	Duty paid (in pan rupees)	Duty ratio for pan masala containing tobacco	Duty paid (in rupees)
1	The duty leviable under the Central Excise Act, 1944 (1 of 1944)	0.3725		0.7864	
2	The additional duty of excise leviable under section 85 of the Finance Act, 2005 (18 of 2005)	0.1765		0.1165	
3	National Calamity Contingent Duty leviable under section 136 of the Finance Act, 2001 (14 of 2001)	0.4510		0.0971	
4	Education Cess leviable under section 91 of the Finance Act, 2004 (23 of 2004)	0.0		0.0	
5	Secondary and Higher Education Cess leviable under section 136 of the Finance Act, 2007 (22 of 2007)	0.0		0.0".	

8. Changes in Chewing Tobacco and Unmanufactured Tobacco Packing Machines (Capacity Determination and Collection of Duty) Rules, 2010

Duty	Break-up of total duty (as per duty ratios already prescribed)	CENVAT Credit available	CENVAT Credit utilised for payment of duty	Cash payment of duty
(2)	(3)	(4)	(5)	(6)
The duty leviable under the Central Excise Act, 1944 (1 of 1944)	786408	10000	10000	776408
The additional duty of excise leviable under section 85 of the Finance Act, 2005 (18 of 2005)	116505	1000	1000	115505
National Calamity Contingent Duty leviable under section 5 of the Finance Act, 2001 (4 of 2001)	97087	1500	1500	95587
Total Duty	1000000	12500	12500	987500