



Union Budget 2015-16

HIGHLIGHTS

- Objective of stable taxation policy and a non-adversarial tax administration.
- Fight against the scourge of black money to be taken forward.
- Efforts on various fronts to implement GST from next year.
- Ports in public sector will be encouraged, to corporatize, and become companies under the Companies Act to attract investment and leverage the huge land resources.
- A project development company to facilitate setting up manufacturing hubs in CMLV countries, namely, Cambodia, Myanmar, Laos and Vietnam.
- Proposal to reduce corporate tax from 30% to 25% over the next four years, starting from next financial year.
- Rationalisation and removal of various tax exemptions and incentives to reduce tax disputes and improve administration.
- Exemption to individual tax payers to continue to facilitate savings.

TAX PROPOSALS FOR CHEMICAL INDUSTRY

Indirect Taxes

It is aimed to create Jobs through revival of growth and investment and promotion of domestic manufacturing and 'Make in India'. Hence, to boost domestic manufacture as also to address the issue of inverted duties, it is proposed to reduce the basic customs duty (BCD) on:

CUSTOMS

Reduction in duty on certain inputs to address the problem of duty inversion:

- Anthraquinone for manufacture of hydrogen peroxide.
- Sulphuric acid for use in the manufacture of fertilizers.

- Zeolite, ceria zirconia compounds and cerium compounds for use in the manufacture of wash coats, which are further used in manufacture of catalytic converters.

Reduction in Basic Customs Duty to reduce the cost of raw materials:

- Ethylene dichloride (EDC), vinyl chloride monomer (VCM) and styrene monomer (SM) from 2.5% to 2%.
- Isoprene and Liquefied butanes from 5% to 2.5%.
- Butyl acrylate from 7.5% to 5%.

Reduction in SAD to address the problem of CENVAT credit accumulation:

- Naphtha, ethylene dichloride (EDC), vinyl chloride monomer (VCM) and styrene monomer (SM) for manufacture of excisable goods from 4% to 2%.

EFFORTS TO MAXIMISE GOVERNANCE AND IMPROVE THE EASE OF DESIGN BUSINESS

Reduction in number of levies:

- Education Cess and Secondary & Higher Education Cess leviable on excisable goods have been subsumed in Basic Excise duty. Consequently, Education Cess and Secondary & Higher Education Cess leviable on excisable goods are being fully exempted. The standard ad valorem rate of Basic Excise Duty is being increased from 12% to 12.5%.
- Other Basic Excise Duty rates (ad valorem as well as specific) with a few exceptions are not being changed. Customs Education Cesses will continue to be levied on imported goods.

Compliance Facilitation:

- Online Central Excise/Service Tax Registration within two working days.
- Time limit for taking CENVAT Credit on inputs and input services is being increased from six months to one year.
- Facility of direct dispatch of goods by registered, dealer from seller to customer's premises is being provided. Similar facility is also being allowed in respect of job-workers. Registered importer can also send goods directly to customer from the port of importation.
- Penalty provisions in Customs, Central Excise & Service Tax are being rationalized to encourage compliance and early dispute resolution.
- Central Excise/Service Tax assesseees are being allowed to issue digitally signed invoices and maintain other records electronically.

SERVICE TAX

The Central Government to impose a Swachh Bharat Cess on all or certain taxable services at a rate of 2% on the value of such taxable services.

- **Change in Service Tax rates:**

The **service tax rate** is being increased from 12% plus Education Cesses to 14%. The 'Education Cess' and 'Secondary and Higher Education Cess' shall be subsumed in the new service tax rate. The revised rate shall come into effect from a date to be notified.

- **General Exemptions**

Existing exemption notification for service provided by a commission agent located outside India to an exporter located in India is being rescinded, as this notification has become redundant in view of the amendments made in law in the previous budget, whereby services provided by such agents have been excluded from the tax net.

- **Relief Measures:**

Transport of goods for export by road from the factory to a land customs station (LCS) is being exempted.

- **The Cenvat Credit Rules, 2004**

Cenvat Credit Rules are being amended to allow credit of service tax paid under partial reverse charge by the service receiver without linking it to the payments of value of service to service provider as a trade facilitation measure.

INFRASTRUCTURE PUSH FOR EXPORTS

- Ports can be an attractive investment possibility for the private sector. Ports in the public sector need to both attract such investment as well as leverage the huge land resources lying unused with them. Ports in public sector will be encouraged, to corporatize, and become companies under the Companies
- The 'Act East' policy of the Government of India endeavours to cultivate extensive economic and strategic relations in South-East Asia. In order to catalyze investments from the Indian private sector in this region, a Project Development Company will, through separate Special Purpose Vehicles (SPVs), set up manufacturing hubs in CMLV countries, namely, Cambodia, Myanmar, Laos and Vietnam.