

# CHEMEXCIL

Basic Chemicals, Cosmetics & Dyes Export Promotion Council

(Set-up by Ministry of Commerce and Industry, Govt of India)

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EPC/LIC/BUDGET/2020

1<sup>st</sup> Feb 2020

ALL THE MEMBERS OF THE COUNCIL

## UNION BUDGET 2020-21

### Key Highlights & provisions for Exports/ Chemicals sector

Dear Members,

As you are aware, Union Budget 2020-21 has been presented on 1<sup>st</sup> Feb 2020 by Hon'ble Minister of Finance - Smt. Nirmala Sitharaman.

This year's Union Budget centers around three ideas — **Aspirational India, Economic development, A Caring Society.** Hon'ble Minister of Finance has proposed a 16-point action plan to boost agriculture and farmers welfare, referring to it as a part of the “aspirational India” segment of the government's three-pronged strategy for development.

### Key Highlights/ Indicators of Union Budget 2020-21

- India is the **5<sup>th</sup> largest Economy** in the World and is VIBRANT AND DYNAMIC.
- Concessional **corporate tax rate of 15 %** to new domestic companies in manufacturing and power sector.
- Tax benefits to Start-ups by way of deduction of **100 %** of their profits are enhanced by **increasing turnover limit and period of eligibility.** In order to encourage entrepreneurship – **“Investment Clearance Cell”** to be set up for the STARTUP COMPANIES.

- Each District to be developed as an **Export Hub** for single product.
- **Refund to Exporters** on duties levied including electricity and VAT which have not been refunded, will be launched this year itself. **Digital refund** of duties and taxes of Centre, State and Local Bodies to Exporter.
- **NIRVIK SCHEME:** New Scheme “NIRVIK” will be offered to Exporters which will lower premiums and make claims settlement faster. It will help in achieving higher export credit disbursement.
- **National Logistic Policy** may take care of higher logistics expenses for Exporters which will make exports competitive. Investment in Logistics may reduce in transportation cost for Exporters.
- **Handholding Support for MSMs** for technology up-gradation.
- Effort to amend laws, wherein decriminalization of civil offences will be done which will boost morale of Industrialist and Businessmen thereby supporting growth and development.
- **Simplified GST Return to be effective from 1<sup>st</sup> April, 2020.**
- To provide single platform for procurement of goods, services and works. To create a single window E-LOGISTICS MARKET.

## **DETAILS OF PROPOSALS RELATED TO MSME/ EXPORTS/ CHEMICALS**

### **MSME**

- Necessary amendments to the Factor Regulation Act 2011. This will enable NBFCs to extend invoice financing to the MSMEs through TReDS, thereby enhancing their economic and financial sustainability.
- To introduce a scheme to provide subordinate debt for entrepreneurs of MSMEs. This subordinate debt to be provided by banks would count as quasi-equity and would be fully guaranteed through the Credit Guarantee Trust for Medium and Small Entrepreneurs (CGTMSE). The corpus of the CGTMSE would accordingly be augmented by the government.
- An app-based invoice financing loans product will be launched. This will obviate the problem of delayed payments and consequential cash flows mismatches for the MSMEs.

- To extend handholding support – for technology up-gradations, R&D, business strategy etc. A scheme of Rs. 1000 crore will be anchored by EXIM Bank together with SIDBI.
- The Government's 'E-Market Place' has a lot of opportunities for SMEs. A total allocation of Rs.27,300 crores for development and promotion of Industry and Commerce in FY 2020-21 proposed.

## EXPORT FINANCE/ REFUNDS OF EMBEDDED TAXES

- To achieve higher export credit disbursement, a new scheme, **NIRVIK** is being launched, which provides for higher insurance coverage, reduction in premium for small exporters and simplified procedure for claim settlements.
- It is proposed to digitally refund to exporters, duties and taxes levied at the **Central, State and local levels, such as electricity duties and VAT** on fuel used for transportation, which are not getting exempted or refunded under any other existing mechanism. This Scheme for Reversion of duties and taxes on exported products will be launched this year.

## INDIRECT TAXATION/ CUSTOMS

It has been observed that imports under Free Trade Agreements (FTAs) are on the rise. Undue claims of FTA benefits have posed threat to domestic industry. Such imports require stringent checks. In this context, suitable provisions are being incorporated in the Customs Act. In the coming months government shall review Rules of Origin requirements, particularly for certain sensitive items, so as ensure that FTAs are aligned to the conscious direction of our policy.

### Chapter 15

- Crude Palm Oil ( 15111000) duty increased from 37.5 % to 44%.

## Chapter 28

- Vide S. No. 169 of notification No. *SO/2017-Customs* dated 30<sup>th</sup> June 2017, concessional BCD of 7.5% is prescribed on goods falling under chapter 28 with certain exceptions. However, all goods falling under headings 2801, 2802, 2803, 2804, 2805 and 2814 presently attract BCD rate at the tariff rate of 5%. **On review, entry at S. No. 169 is being suitably amended to remove the inconsistency it has with the tariff rate in respect of said headings .**
  
- Vide S. No 170 of notification No. 50/2017-Customs dated 30<sup>th</sup> June 2017, **Phosphoric acid** falling under tariff item 2809 20 10 attracts 5% BCD (a conditional exemption). Also S, No, 177 of notification No, 50/2017 -Customs dated 30.06.2017 prescribes 5% concessional BCD on all goods falling under tariff item 28092010. **On review, S. No. 170 of notification No. 50/2017-Customs dated 30<sup>th</sup> June 2017 is being omitted, being redundant.** Simultaneously, description under entry at S. No. 177 of notification No. *SO/2017-Customs* dated 30.06.2017 is being amended to 'Phosphoric acid'.
  
- BCD on all goods including Noble Metal Compounds and Noble Metal Solutions falling under heading **2843** is being increased from 7.5% to 10% by amending S. No, 169 of notification No. *50/2017-Customs*, dated 30<sup>th</sup> June, 2017. Further, concessional rate of 7.5% is being prescribed on Platinum and Palladium for use in manufacture of these goods subject to actual used condition [details at entry No, 10 under Chapter 71].

## Chapter 29

- BCD on **Butyl acrylate** falling under tariff item 29161210 is being increased from 5% to 7.5% by omitting S. No. 205 of notification No. 5012017-Customs dated 30<sup>th</sup> June, 2017. It will attract BCD rate of 7.5% *vide* entry at S. No, 185 of notification No. 50/2017-Customs dated 30<sup>th</sup> June, 2017.

## Chapter 38

- Catalysts with precious metals or containing precious metal as active substance falls under sub-heading 381512 and there is no change in BCD on them. **However, BCD on Platinum and Palladium used in manufacture of all goods falling under sub-heading 381512, is being reduced from 12.5% to 7.5% subject to actual user condition.**

## Other Trade Facilitation Measures

- GST Refund process has been simplified and has been made fully automated with no human interface
- Electronic invoice is another innovation wherein critical information shall be captured electronically in a centralized system. It will be implemented in a phased manner starting from this month itself on optional basis. It will facilitate compliance and return filing.
- To propose '**Vivad Se Vishwas**' scheme, a taxpayer would be required to pay only the amount of the disputed taxes and will get complete waiver of interest and penalty provided he pays by 31<sup>st</sup> March, 2020. Those who avail this scheme after 31<sup>st</sup> March, 2020 will have to pay some additional amount. The scheme will remain open till 30<sup>th</sup> June, 2020. Taxpayers in whose cases appeals are pending at any level can benefit from this scheme.

You are requested to take note of the above provisions. The original budget documents/ notifications are available for download using below links-

<https://www.indiabudget.gov.in/index.php>

<https://www.indiabudget.gov.in/budgetspeech.php>

<https://www.indiabudget.gov.in/doc/cen/dojstru1.pdf>

We also look forward to your feed-back on the provisions of the Union Budget 2020-21. The same can be mailed to us on [ed@chemexcil.gov.in](mailto:ed@chemexcil.gov.in), [deepak.gupta@chemexcil.gov.in](mailto:deepak.gupta@chemexcil.gov.in) & [rodelhi@chemexcil.gov.in](mailto:rodelhi@chemexcil.gov.in)

Thanking You,

Yours faithfully,

**S.G Bharadi**  
**Executive Director**