



GST Update – The Taxation Laws (Amendment) Bill, 2017 introduced in Lok Sabha to facilitate implementation of GST

The Union Cabinet chaired by the Prime Minister Shri Narendra Modi approved proposals relating to the amendments of the Customs and Excise Act, relating to abolition of cesses and surcharges on various goods and services to facilitate implementation of Goods & Services Tax (GST) regime. Consequent to the above, the Taxation Laws (Amendment) Bill, 2017 has been introduced in the Lok Sabha on 31 March 2017 to amend the following Acts:

- i. The Customs Act, 1962,
- ii. The Customs Tariff Act, 1975,
- iii. The Central Excise Act, 1944,
- iv. The Finance Act, 2001,
- v. The Finance Act, 2005, and
- vi. To repeal certain enactments.

In this update, we have captured key amendment proposals under these Acts:

Customs Act, 1962 ('Customs Act')

Provisions	Proposed change	Comments
Definition of Customs Area (Amendment in Section 2(11) of the Customs Act)	Amendment has been proposed in the definition of the Customs Area to include warehouse	The proposed amendment to include warehouse has been made to ensure importer would not be required to pay IGST at the time of removal of goods from customs station to the warehouse
Obligation to furnish information (Insertion of Section 108A)	Insertion of Section 108A in the Customs Act seeks to provide obligation on specified persons	The clause has been introduced to enable Customs authorities to seek information



	(such as local authority, income tax authority, banking company, State Electricity Board, Stock exchange, DGFT, RBI etc.) who are responsible for maintaining records under any of the Acts to furnish such information to proper officer in such manner as may be prescribed	from specified persons in respect of import or export of goods
Penalty for failure to furnish information under Section 108A of the Customs Act (Insertion of 108B of the Customs Act)	Where the specified person under Section 108A fails to furnish information within the period specified in the notice, the proper officer may direct such person to pay penalty of Rs. 100 per day till the failure to furnish such information continues.	

Customs Tariff Act, 1975 ('the Customs Tariff')

Provisions	Proposed change	Comments
Levy of IGST and Compensation Cess as additional duty of customs and the value of the purpose of the said levy	<p>Section 3(7) and Section 3(8) of the Customs Tariff has been substituted to provide the following:</p> <p>Section 3(7) – Imposition of IGST levy: any article imported into India, in addition, would be liable to integrated tax, not exceeding 40% as is leviable under Section 5 of the Integrated Goods and Services Tax Act, 2017 on like article on its supply in India on the value as determined under Section 3(8).</p> <p>Section 3(8) – Value for the purpose of IGST levy: value of imported article for the purpose of IGST be the aggregate of value of imported article under Section 14(1) of the Customs Act or the tariff value as the case may be and to include all duties of customs excluding IGST and compensation cess</p>	<p>Rate: The rate for the purpose of IGST and Compensation cess levy would be the rate as applicable to the like goods supplied in India.</p> <p>Value, of the purpose of IGST and compensation cess, shall be governed under Section 14(1) of the Customs Act and would be subject to Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 as applicable for the purpose of Basic Customs Duty.</p>



	<p>Section 3(9) – Levy of Compensation Cess: any article imported into India, in addition, be liable to goods and services compensation cess at such rate, as is leviable under Section 8 of the Goods and Services Tax (Compensation to States) Cess, Act 2017 on like article on its supply in India on the value as determined under Section 3(10).</p> <p>Section 3(10) – Value for the purpose of Compensation Cess: value of imported article for the purpose of Compensation cess be the aggregate of value of imported article under Section 14(1) of the Customs Act or the tariff value as the case may be and to include all duties of customs excluding IGST and compensation cess</p>	
Provisions of Customs Act including those relating to drawback, refunds and exemptions to apply to duty or tax or cess chargeable under Section 3 of the Customs Tariff	The existing Section 3(8) has been renumbered to Section 3(12) which provides for – Provisions of the Customs Act and the rules and regulations made thereunder, including those relating to drawbacks, refunds and exemption from duties to be applicable on the duty or tax or cess chargeable under Section 3 to apply to duties leviable under respective Acts.	The current benefits available to an importer with regard to whole additional duties of customs would be extended to include IGST and Compensation Cess

Central Excise Act, 1944 ('Central Excise Act')

Provisions	Proposed change	Comments
Definition of Excisable goods – Section 2(d)	References to 'the First Schedule' and 'the Second Schedule' has been substituted to goods specified in new Fourth Schedule for the purpose of excise duty levy	Fourth Schedule has been proposed to be inserted on account of repeal of Central Excise Tariff Act, 1944 subsequent to introduction of CGST Act. The Fourth Schedule to provide for classification and duty rates for excisable goods namely,
Definition of Manufacture – Section 2(f)		
Levy of Excise duty - Section 3		
Levy of Excuse duty on the basis of capacity of		



production in respect of notified goods – Section 3A		Petroleum Crude, Motor Spirit (Petrol), High Speed Diesel, Aviation Turbine Fuel
Fourth Schedule	<p>Fourth Schedule has been provided with general rules for interpretation of the Schedule and list of tariff items which would be subject to excise duty:</p> <ol style="list-style-type: none"> 1. Chapter 24 Tobacco and manufactured tobacco substitutes 2. Chapter 27 Mineral Products 	and Natural gas, Tobacco and Tobacco products which are presently covered under Chapter 24 and Chapter 27 of the Central Excise Tariff
Repeal of certain cesses or surcharges	<p>Repeal of cesses or surcharges under following enactments:</p> <ol style="list-style-type: none"> 1. Education Cess on excisable goods - Section 93 of the Finance (No. 2) Act, 2004 2. Secondary and Higher Education Cess on excisable goods - Section 138 of the Finance Act, 2007 3. Clean Energy Cess - Chapter VII of the Finance Act, 2010 4. Swachh Bharat Cess - Chapter VI of the Finance Act 2015 5. Krishi Kalyan Cess and Infrastructure Cess - Chapter VI and VII of the Finance Act, 2016 6. Section 9(1)(b) and Section 12 of the Rubber Act, 1947 7. Section 9 of the Industries (Development and Regulation Act), 1951 8. Section 3(c), Section 25, 26 and Section 27(1)(a) of the Tea Act, 1953 9. Section 6, 7, 8 of the Coal Mines (Conservation and Development) Act, 1974 10. The whole of the Beedi Workers Welfare Cess Act, 1976 11. The whole of the Water (Prevention and Control) Cess Act, 1977 12. The whole of the Sugar Cess Act, 1982 	<p>The amendment seeks to abolish cesses and surcharges levied and collected as duties of central excise and service tax.</p> <p>However, it may be noted that Education cess on imported goods (under Section 94 of the Finance (No. 2) Act, 2004) and the Secondary Higher Education Cess on imported goods (under Section 139(1) of the Finance Act, 2007) has not been proposed to be repealed. This suggests that the aforesaid cesses on imported goods would be imposed on the BCD and IGST portion.</p>



	<p>13. Section 3(2) of the Sugar Development Fund Act, 1982</p> <p>14. The whole of the Jute Manufacturers Cess Act, 1983</p>	
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