

**PART III - CENTRAL EXCISE
EXECUTIVE SUMMARY**

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1. Changes in Excise Duty rates

There is an amendment in peak rates of Excise Duty. As such under excise duty regime there are 3 key rates as presented hereinafter but one must bear in mind that in case specific commodities the concerned revenue authority has also provided for some notified rates.

The excise duty rate structure will be as stated hereunder as far as ad valorem rates are concerned:

Rates effective from 01.03.2015	Rates upto 28.2.15
2% without Cenvat	2% without Cenvat
6% with Cenvat	6% with Cenvat
12.5% with Cenvat	12% with Cenvat

2.1 Abolition of Education & Higher Education Cess

Vide Finance Act, 2004 & Finance Act, 2007 the Government notified Education & Higher Education Cess ('EC & SHC') that was required to be levied on the excise duty computed. The said EC & SHC have now been subsumed in the peak rate of excise duty itself. So upto 28.2.15, a manufacturer charged ED of 12% + EC & SHC of 3% on 12% that amounted to an effective rate of 12.36%. This rate was rounded off to 12.5%. In the bargain, the manufacturer will no longer be required to levy any EC & SHC on the excise duty element from 01.03.2015 but instead levy the peak rate of 12.5% where the goods cleared attract such peak duty rate. In case of goods that are covered by any concessional rate will now attract a flat levy of ED only & there will be no additional EC & SHC element added thereon.

2.2 Chapter-wise view of Excise Duty Rate Structure

There is no change in the rate structure, except for the change in the peak excise duty rate as stated above in cases where the peak rate of 12% is already applicable, in the case of goods covered by Chapters 1 to 3, Chapters 5 to 19, Chapter 23, Chapter 26, Chapters 28 to 32, Chapters 34 to 38, Chapters 40 to 63, Chapters 65

& 71, Chapters 75 to 83, Chapters 86, Chapters 88 to 89, Chapters 91 to 96.

There have been specific changes in rates of excise duty in case of **some** (*emphasis supplied*) of the goods covered by Chapter 4, Chapter 20 to 22, Chapter 24 to 25, Chapter 27, Chapter 39, Chapter 64, Chapter 72 to 74, Chapter 84 to 85, Chapter 87 & Chapter 90. Except for the specific inclusions & exclusions made in these chapters the rates in relation to all the other goods covered by these chapters will be impacted by the change in the peak excise duty rate as stated above in cases where the peak rate of 12% is already applicable.

Again it will be pertinent to note that the unchanged chapters might relate to goods that have special notified rates. These rates have remained unchanged subject to the details of amendments in ED Rates given in the tables here in below.

The change in the basic rate structure as referred to above is provided hereunder at pts. 2.3 to 2.5.

2.3 ED rate enhanced or newly introduced

All changes stated herein will be effective from 1st March 2015

In the following cases ED rate is being enhanced or newly introduced vide notification numbers 12/2015, 7/2015, 8/2015 dated 01.03.2015:

Chapter Reference	Particulars	ED Rate with Cenvat	ED Rate without Cenvat
Chapter 4	Condensed milk put in unit containers	6%	2%
Chapter 20	Peanut Butter	6%	2%
Chapter 84	Solar water heater & system	12.5%	0%
Chapter 84	Tablet computer	12.5%	2%
Chapter 85	Mobile handsets including cellular phones	12.5%	1%

2.4 ED rate enhanced from peak rate of ED (12%) to new notified rate (18%)

All changes stated herein will be effective from 1st March 2015

In the following cases ED rate of 12% (till 28.2.15) is being increased to 18%:

Chapter Reference	Particulars	Notification passed on 1st March 2015
22	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored	9/2015-CE - refer note 1 below
39	Sacks & bags of polymers of ethylene	12/2015-CE - refer note 2 below

Note 1: Additional Excise Duty of 5% levied on these goods is being abolished.

Note 2: ED on sacks & bags of polymers of ethylene that are not for industrial use is being enhanced to 15% instead of 18%.

2.5 Specific ED rates enhanced for de-merit or economic goods

All changes stated herein will be effective from 1st March 2015

Chapter 24 that covers tobacco & its products, Chapter 25 heading 23 that covers Cement & Chapter 27 that covers petrol & diesel in all its forms have always been treated with a strong hand when it comes to levy & collection of excise duty. Budget 2015 is no exception. Since the rates in these cases have been very specifically provided for as a unit measure & not ad valorem, a part of the increase in the rates is also on

account of change in the peak rate of ED to 12.5% as stated above.

ED on Portland cement has been enhanced from Rs.900 per tone to Rs.1000 per tonne.

ED on cigarettes has been enhanced by nearly Rs.300 per 1000 sticks & on uncut tobacco from Rs.60 per kg to Rs.70 per kg.

ED on branded & unbranded petrol & diesel has been enhanced by approximately Rs.4 per litre.

2.6 Increase in Rate of Clean Energy Cess & duty on goods covered by Medicinal & Toilet Preparations Act (M & TP)

All changes stated herein will be effective from 1st March 2015

Clean energy cess is being levied and collected on several commodities. The said cess is being enhanced from Rs.100 per tonne to Rs.300 per tonne in the case of coal, lignite & peat. The rate for all the other goods covered will stand at Rs.200 per tonne from Rs.100 per tonne.

Goods covered by M & TP will now attract duty rate of 12.5% ad-valorem instead of the existing 12%.

2.7 ED rate Reduction

All changes stated herein will be effective from 1st March 2015

In the following cases reduction of ED has been prescribed by notification 12/2015-CE & 13/2015-CE dated 01.03.2015:

Chapter Reference	Particulars	Old Rate	New Rate
Chapter 33	All goods which are consumed within the factory of their production	<i>Various Rates</i>	0%

Chapter Reference	Particulars	Old Rate	New Rate
	in the manufacture of Agarbatti		
Chapter 64	Leather footwear of Retail Sale Price of more than Rs.1000 with leather uppers	12%	6%
Chapter 84	Parts/sub parts, components & accessories for use in manufacture of tablet computers	12%	0%
Chapter 85	Wafers for use in the manufacture of IC modules for smart cards, subject to actual user condition	12%	6%
Chapter 85	All inputs for use in manufacture of LED driver MCPCB for LED lights and Fixtures & LED Lamps, subject to actual user condition	12%	6%
Chapter 86	Chassis for Ambulance subject actual user condition	24%	12.5%
Chapter 90	Following goods used in the manufacture of Pacemakers being battery, titanium, palladium wire, eutectic wire, silicone resins, silicone rubbers, solder paste, reed switch, diodes, transistors, capacitors, controllers, steel coils & silicone tubing	12%	0%

3. Other Chapter Specific changes

The changes stated herein will come into effect from 1st March 2015.

Some of the other Chapter specific changes are as given hereunder:

3.1 ED on Prescribed Motor Vehicles and parts/accessories thereof (Notification 12/2015 dtd.1st March 2015 - Chapter 87)

Specified goods like battery packs/chargers, brake recovery systems, electric compressors, generators, motors, etc. used in the manufacture of Hybrid and Electrically Operated motor vehicles will continue to enjoy a lower ED of 6% till 31.3.16 instead of 31.3.15 as envisaged earlier.

3.2 MRP based ED Assessment introduced / amended in the following cases

All changes stated herein will be effective from 1st March 2015

In the following cases MRP based abatement rates are either being introduced or are being amended to a limited extent vide notification no.03/2015-CE dated 01.03.2015:

Chapter Reference	Particulars	Abatement Rate
Chapter 4	Condensed milk put in unit containers	30%
Chapter 21	Extracts, essences and concentrates of tea or mate and preparations with a basis of these extracts, essences and concentrates or with a basis of tea or mate	30%
Chapter 22	Water & Other non-alcoholic beverages not being fruit or vegetable juices	35%
Chapter 64	All footwear	25%
Chapter 85 / 94	All LED Lights or fixtures including LED Lamps other than lamps of automobiles	35%

4. Other Legislative Changes

4.1 Amendments to Central Excise Act, 1944

All changes stated herein will be effective from the enactment of the Finance Bill, 2015 (that is after the Bill becomes an Act on receiving assent from the President).

4.1.1 Rationalisation of Penalty Norms

The provisions of Section 11AC the Central Excise Act relating to penalties are being rationalized & incentivized as under so as to speed up the recoveries:

Excise duty payable on account of short levy, short payment or erroneous refund	Maximum Penalty Leviable	If duty, interest, penalty paid within 30 days of service of SCN	If duty, interest, penalty paid within 30 days of service of order	If duty, interest, penalty paid after 30 days of service of order
Where such payment is not arising on account of any willful misrepresentation, fraud or collusion	10% or Rs.5000 whichever is lower. No penalty in case duty is paid along with interest prior to issue of SCN	Nil	25% of the penalty determined	Maximum Penalty as levied in the order
Where such payment is arising on account of any willful misrepresentation, fraud or collusion but transaction recorded in the relevant records from 8.4.11 to the date	50% of duty amount	15% of the duty demanded in show cause	25% of the duty determined in the adjudication order	Maximum Penalty as levied in the order

Excise duty payable on account of short levy, short payment or erroneous refund	Maximum Penalty Leviable	If duty, interest, penalty paid within 30 days of service of SCN	If duty, interest, penalty paid within 30 days of service of order	If duty, interest, penalty paid after 30 days of service of order
on which assent to the Finance Bill, 2015 is accorded				
Where such payment is arising on account of any willful misrepresentation, fraud or collusion	100% of duty amount	15% of the duty demanded in show cause	25% of the duty determined in the adjudication order	Maximum Penalty as levied in the order

4.2 Amendments to Central Excise Rules, 2002

All changes stated herein will be effective from 01.03.2015.

4.2.1 Resident firms permitted for Advance Rulings

Applicants who can now take advantage of the Advance Rulings under Central Excise has been expanded to include Resident Firms. Section 23A(iii) stands expanded to that extent. A resident firm will cover partnership firms covered by the Indian Partnership Act, 1932, Limited Liability Partnerships covered by the LLP Act, 2008, sole proprietorship concerns, One Person company legislated by the Companies Act, 2013. In order to qualify as such, the said entities must be resident for the purpose of the Income Tax Act, 1961.

4.2.2 Benefit of Direct dispatch to customers or job workers

In order to remove unwanted administrative glitches & unwarranted costs the Government has permitted direct dispatches of excisable goods to the premises of the customers of registered dealers & registered importers without the prior requirement of having to bring the goods first to the place of removal for dispatch.

Similar move is being made in case of dispatch of inputs and capital goods directly to the job workers of registered manufacturers & providers of output services.

In order to check the evasion of duty or duty jumping, the said assessees, before or in the course of taking advantage of this permit, will have to fulfill certain conditions as envisaged in Rule 11 of the Central Excise Rules, 2002.

4.2.3 Late fee for delayed submission of return by 100% EOU for clearances to DTA

Where an EOU has cleared goods to the Domestic Tariff Area, it shall be required to file an electronic return in accordance with Rule 17(3) of the Central Excise Rules, 2002. In case such electronic return is not filed within 10 days from the end of the relevant month, the unit shall be liable to a late fee of Rs.100 per day till the default is cleared or Rs.20000 whichever is less.

4.2.4 Excise Registration Process Simplified

Excise registrations are sought to be granted within 2 working days from the date of online application. Document verification process will now be a post facto exercise. Premises verification will also be carried out but post granting the registration.

With this it is important to note that the registration granted to the unit can be cancelled by the concerned officer where the premises is non-existent, where there substantial mis-declaration in the application form, where

the assessee does not respond to the officers call for errors in application within 15 days from premise visit & where the factory is closed with no further outstanding dues.

It is also pertinent to note that there will be no need for a signed Registration Certificate to initiate compliances like E payment by the assessee. A registration certificate that is obtained online is sufficient for the purpose.

5. Conclusion

The FM in his budget speech has announced the enactment of GST (Goods & Services Tax) by 1st April 2016. The chunky allocation to the States is clear indication that ice seems to have finally broken between the Centre and the States. With the view to making India an unified single market, GST will be a move in just the right direction as one tries to promote 'Make in India'.
