



Taxation Laws (Amendment) Bill, 2017 abolishes cesses levied under the current regime and provides for IGST on import of goods

Background

Amongst the significant efforts made by the government for roll out of Goods and Services Tax (GST), the Taxation Laws (Amendment) Bill, 2017 passed by the Lok Sabha in the Parliament on 6 April 2017 would rank close to the top. The purpose of this Bill is to introduce suitable amendments in the provisions of current legislations or, in some cases repealing such provisions, to ensure smoother GST roll out.

We have discussed below some of the key features of the said Bill.

Amendments to the Customs Act, 1962 and the Customs Tariff Act, 1975

- Definition of customs area to be widened to include both, public and private bonded warehouses. Earlier it covered *inter alia* ports, airports and land customs station.
- Enabling provisions to be inserted in the Customs Act, 1962, to require 17 categories of persons, like income tax authority, a bank officer, Post Master General, etc. to mandatorily provide information to the customs officer in a prescribed format failing which penalty could be imposed on such person. Similar provisions were made in the Central Excise Act, 1944 in the year 2014.

- Provisions made:
 - to charge on imports of goods, the Integrated GST (IGST) as would be levied under Section 5 of the Integrated Goods and Services Tax Act, 2017, on like goods supplied in India
 - to charge compensation cess on goods imported, wherever applicable
 - to prescribe manner of calculating above mentioned taxes.
- Provisions pertaining to drawbacks, refunds and exemptions under the customs legislation, to be also applicable in respect of the IGST and compensation cess.

Amendments to the Central Excise Act, 1944 and the Central Excise Tariff Act, 1985

- Definition of excisable goods to be amended to mean goods specified in the fourth schedule to the Central Excise Tariff Act, 1985 and subjected to a duty of excise. The fourth schedule includes specified tobacco and tobacco products and specified petroleum products. As an effect, from the notified date, duty of excise would be levied only on specified tobacco and petroleum products as rest of the products would be covered under GST.

- The concept of 'deemed manufacture' under Section 2(f)(iii) of the Central Excise Act, 1944 to be restricted only to the specified products *inter alia* cigarette, chewing tobacco and preparations containing chewing tobacco, 'pan masala' containing tobacco.
- National Calamity Contingent Duty (NCCD) restricted to the specified goods *inter alia* cigarettes, tobacco and petroleum crude.

Amendments to the Central Sales Tax Act, 1956 (CST Act)

- Definition of declared goods (goods declared to be of special importance in interstate trade of commerce under Section 14 of the CST Act) to be deleted. Consequently, Sections 14 and 15 of the CST Act, specifying the goods and prescribing restriction on their taxation are proposed to be deleted.
- Definition of goods would now cover only the following goods:
 - petroleum crude
 - high speed diesel
 - motor spirit (commonly known as petrol)
 - natural gas
 - aviation turbine fuel; and
 - alcoholic liquor for human consumption.

This would facilitate continuation of CST with respect to petroleum products and alcohol, even after GST is introduced.

Miscellaneous

- Many cesses which are currently collected along with duty of excise, would no longer continue under GST. Levy of the following cesses to be repealed:
 - rubber cess
 - cess on goods manufactured and produced in the specified scheduled industry (*inter alia* automobile cess)
 - tea cess
 - coal cess;
 - beedi workers welfare cess
 - water cess
 - sugar cess
 - cess on jute manufacturers
 - education cess and secondary and higher education cess on excisable goods (which was earlier exempt)

- clean energy cess
- swachh bharat cess
- krishi kalyan cess; and
- infrastructure cess.

Our comments

Taxation Laws (Amendment) Bill, 2017 aims to take the Indian GST closer to what it is proposed to be i.e. subsuming many of the cesses and central and state indirect taxes. However, duty of excise and CST on a very few goods as specified; tobacco and petroleum products, would continue.

The said Bill also clarifies the manner of levy of IGST on imported goods. Education cess and secondary and higher education cess on customs duty is likely to continue. Overall, it is one more important step by the government to ensure smooth transformation of current indirect taxes into GST.



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