

Service Tax Updates For May 2015

Notifications

Tariff

Implementation of Post Export EPCG Duty Credit Scrip Scheme under FTP 2015-2020

Much awaited Foreign Trade Policy (FTP) 2015-2020 was finally announced on 1st April, 2015. Post Export EPCG Duty Credit Scrip Scheme which was introduced on 5th June, 2012 has been continued under the new FTP. Under the said Scrip, the Duty Credit is in the form of the duty remission computed based on the Basic Customs Duty paid on imported Capital Goods subject to fulfilment of specified conditions. Duty remission is granted in proportion to export obligation fulfilled.

Consequentially, amendments have been made under respective Indirect tax Laws.

Accordingly, conditional exemption is granted to goods cleared against a Post Export EPCG Duty Credit Scrip Scheme from whole of Basic Excise Duty, Additional Excise Duty (Goods of Special Importance) and Additional Excise Duty (Textiles and Textile Articles).

(Notification No. 18/2015-CE dated 1/4/2015)

Amendment to notification providing for exemption to capital goods cleared against SHIS Duty Credit Scrip

Conditional exemption was given from whole of Basic Excise Duty, Additional Excise Duty (Goods of Special Importance) and Additional Excise Duty (Textiles and Textile Articles) to capital goods cleared against a Status Holder Incentive Scheme (SHIS) Duty Credit Scrip issued to a Status Holder *vide* Notification No. 33/2012-CE dated 9th July, 2012. One of the conditions is that the scrip should have been issued to a Status Holder against export of goods of specified Sectors. Further, the said scrip shall not have been issued in violation of conditions provided in specified notifications issued under Customs Law.

It may be noted that Zero Duty EPCG Scheme as well as Post Export EPCG Scheme cannot be availed simultaneously with SHIS Scheme in the same Financial Year. Consequent to announcement of Foreign Trade Policy 2015-2020, these EPCG Schemes are notified *vide* Notification No. 16/2015-Cus. dated 1st April, 2015 and 17/2015-Cus. dated 1st April, 2015.

Accordingly, now, the notification granting conditional exemption under Excise is also amended to provide that the said scrip shall not have been issued in violation of conditions provided in Notification No. 16/2015-Cus. dated 1st April, 2015 and 17/2015-Cus. dated 1st April, 2015.

(Notification No. 19/2015-CE dated 1/4/2015)

Implementation of Merchandise Export from India Scheme under FTP 2015-2020

Earlier there were 5 different schemes (Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agri. Infrastructure Incentive Scrip, VKGUY) for rewarding merchandise exports with different kinds of duty scrips with varying conditions (sector specific or actual user only) attached to their use. Now, *vide* FTP 2015-2020, all these schemes have been merged into a single scheme, namely Merchandise Export from India Scheme (MEIS) and there would be no conditionality attached to the scrips issued under the scheme.

Accordingly, conditional exemption is granted to goods cleared against a Duty Credit Scrip under MEIS from whole of Basic Excise Duty, Additional Excise Duty (Goods of Special Importance) and Additional Excise Duty (Textiles and Textile Articles).

(Notification No. 20/2015-CE dated 8/4/2015)

Implementation of Service Exports from India Scheme Duty Credit Scrip under FTP 2015-2020

Under new FTP 2015-2020, Served From India Scheme (SFIS) has been replaced with Service Exports from India Scheme (SEIS). SEIS shall apply to 'Service Providers located in India' instead of 'Indian Service Providers'. Thus, SEIS provides for rewards to all Service providers of notified services, who are providing services from India.

Accordingly, conditional exemption is granted to goods cleared against a SEIS Duty Credit Scrip from whole of Basic Excise Duty, Additional Excise Duty (Goods of Special Importance) and Additional Excise Duty (Textiles and Textile Articles).

(Notification No. 21/2015-CE dated 8/4/2015)

Amendment to the name of the Company falling under eligible Mega Power Projects *vide* Notification No. 12/2012-CE dated 17th March, 2012

Complete exemption from Basic Excise Duty was being provided to goods supplied to specified Mega Power Projects subject to fulfilment of specific conditions *vide* Notification No. 12/2012-CE dated 17th March, 2012. One such specified Mega Power Project was "TPP at Nandgaonpeth, MIDC, Amravati Dist., Maharashtra - 5×270 = 1350 MW (M/s. Indiabulls Power Ltd.)". Consequent upon change in the name of the Company, "Indiabulls Power Ltd." has now been amended to "RattanIndia Power Limited".

(Notification No. 22/2015-CE dated 17/4/2015)

Circular

Clarification on rebate of Excise Duty on goods cleared from DTA to SEZ

“Export goods” has been defined under CENVAT Credit Rules, 2004 and the term “Export” defined under Central Excise Rules, 2002 has been amended *vide* Union Budget 2015-2016. Export is defined to mean goods taken out of India to a place outside India.

Therefore, doubts were raised on rebate with respect to rebate on goods cleared from DTA to SEZ as well as refund of accumulated CENVAT Credit of goods cleared from DTA to SEZ.

Having regard to various provisions under SEZ Act, 2006, rules made thereunder and Circulars No. 29/2006-Cus. dated 27th December, 2006 and No. 6/2010 dated 19th March, 2010, it was clarified that Excise Rebate is admissible for supply of goods from DTA to SEZ.

It is once again clarified that even after amendments made *vide* Union Budget 2015-16, the position remains unchanged. Since SEZ is deemed to be outside the Customs Territory of India, any licit clearances of goods to SEZ from DTA will continue to be Export entitled to Rebate under Rule 18 of Central Excise Rules, 2002 and refund of accumulated CENVAT credit under Rule 5 of CENVAT Credit Rules, 2004.

(Circular No. 1001/8/2015-CX dated 28/4/2015)