

CENTRAL BOARD OF EXCISE & CUSTOMS (CBEC)

Ease of Doing Business and Single Window

Reform Update

I. Customs

1. Launch of Customs SWIFT clearances (Single Window Interface for Facilitating Trade):

The Customs SWIFT enables importers/exporters to file a common electronic Integrated Declaration on the ICEGATE portal. The Integrated Declaration takes care of the requirements of Customs, FSSAI, Plant Quarantine, Animal Quarantine, Drug Controller, Wild Life Control Bureau and Textile Committee and it replaces nine separate forms required by the said 6 different agencies including Customs. With the roll-out of the Single Window, CBEC also introduced an Integrated Risk Management facility for Partner Govt. Agencies (PGAs), which will greatly expedite clearances from all concerned, channelize scarce resources and will further improve ease of doing business. The Integrated Risk Management System will ensure that consignments are not selected by agencies routinely for examination and testing but based on the principle of risk management. It will also help participating agencies handle their respective risk areas (related to human and animal health, biosafety and environmental safety) more effectively. With this development today, Indian Customs is amongst a few select countries that have functional Single Window clearances, inclusive of multiple PGAs and integrated risk based selection.

2. Filing of declarations by importers, exporters, Customs brokers and manifests by shipping and airlines through digital signatures with effect from 01-01-2016.

Wherever the customs documents are digitally signed, the Customs does not require the user to physically sign the said documents. Around 97% of import and export declarations and manifests are being filed electronically with digital signatures. The balance 3% is being filed through Service Centre.

3. Deferred duty payment for select categories of importers and exporters has been introduced in the recent Budget. This provision will enable release of cargo without payment of duty, which shall enable speedier clearance and improved liquidity in hands of the businesses.

4. Documents required for Import/Export - The number of documents required for export/ import have been reduced to three, namely, electronic declaration, Invoice cum packing list & Bill of Lading

5. Electronic Delivery Orders - Introduction of an electronic messaging system between Shipping lines and Custodians for electronic Delivery Order, instead of a paper based Delivery Order, has been introduced.

6. 24X 7 customs clearance facilities extended to 19 sea ports and 17 Air Cargo complexes
7. WTO Trade Facilitation Agreement approved by Cabinet and ratification underway. Categorization of Articles under the Agreement has been notified to WTO.
8. Customs Clearance Facilitation Committee (CCFC) set up at every major Customs seaport and airport. At Central level, a 'Central Customs Clearance Facilitation Committee' under the chairmanship of Revenue Secretary has been set up to address the issue relating to Customs Clearance and infrastructure impacting clearance of goods.
9. Warehousing: Major changes have been introduced with regard to the provisions related to Warehousing in the recent Budget. The system of physical control and locking of public and private warehouses by Customs is being dispensed and replaced with record based controls. The period of warehousing to be extended till de-bonding or consumption of goods in respect of EoUs/EHTPs/STPIs/Manufacturing Units under Customs Bond, such as ship building yards which shall reduce transaction costs and burden of documentation. Power for extending warehousing periods in respect of other classes of importers to be delegated to Principal Commissioner/Commissioner.
10. Special Valuation Branches: The procedure for handling related party transactions and those involving special relationships completely revamped. Extra Duty Deposits waived and the provisions for renewal of SVB orders have also been dispensed.
11. The guidelines relating to valuation of second hand machinery revised. In order to achieve nationwide standardization, formats for certification by chartered engineers (Indian & Overseas) devised.
12. Temporary Imports for exhibitions: Exemption notification issued for enabling temporary importation of goods for display/exhibition/demonstration. The requirement of ITPO certification dispensed. The revised process is simplified, predictable and reduces transaction costs.

II. Export Promotion (Drawback)

1. 100% disbursement of Drawback electronically.
2. Provisional payment of drawback to exporters pending fixation of brand rate.
3. Full transferability of duty credit scrips to pay dues under all three indirect taxes.
4. Exemption to payment of excise duty in the case of locally procured excisable goods against advance authorization, which shall improve cash flow of exporters.
5. Owing to the difficulties faced by the trade in sealing of bulk cargo for exports under Bond, rules amended to grant exemption from self-sealing of bulk cargo for export.
6. Electronic monitoring of export proceeds realization, which shall obviate need for submitting documentary evidence by exporters. As a measure of facilitation verification of export obligation discharge certificates limited to 5% cases.
7. Installation certificates from private chartered engineers allowed.

III. Central Excise

1. Online registration of new Central Excise assessee in 2 days.
2. Records can be maintained electronically and digitally signed invoices accepted.
3. Facility of direct dispatch of goods by registered dealer from seller to customer's premises provided. Similar facility allowed in respect of job-workers.
4. More than 50 technical issues on which there was sustained litigation resolved in the Chief Commissioner's Tariff Conference. For details refer CBEC website [Instructions dated 7th December, 2015 containing Annexure B of the Minutes of Tariff Conference held on 28th and 29th October, 2015].
5. Time limit for taking CENVAT Credit of duty/tax paid on inputs and input services increased from six months to one year.
6. E-payment of refunds and rebates through RTEGS/NEFT introduced.
7. The provision restricting CENVAT credit to 85% under proviso to Rule 3(i)(vii) of Cenvat Credit Rule, 2004 deleted. Consequently ship-breaking units entitled to avail 100% credit of the CVD paid with effect from 01.03.2015 subject to provisions of Cenvat Credit Rule, 2004.
8. Registration for factories operating through multiple premises falling within a range allowed.
9. Requirement of self attestation of the transporter's copy by a manufacturer using digitally signed invoice discontinued
10. Number of returns to be filed by a large manufacturer reduced from 27 to 13. ER-4, ER-5, ER-6 and ER-7 discontinued. One annual return prescribed for large manufacturers besides monthly return, which would continue.
11. Revision of return allowed in Central Excise.
12. Rules for Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods simplified. The requirement of approval of application by central Excise officer discontinued.
13. Procedure for fixation of input-output ratio for payment of rebate simplified. Now, the ratio can be fixed on the basis of a certificate from Chartered engineer without any need for verification by the Central Excise officer.
14. Cenvat Credit rules amended to improve credit flows and reduce litigation. Key highlights are-
 - o Rule relating to apportionment of credit between exempted and non-exempted goods and services simplified.
 - o Input services credit flow from Input Services distributor to outsourced manufacturer allowed.
 - o Maintenance of common warehouse for distribution of inputs and credit allowed.
 - o Small capital goods below a minimum value to be treated as inputs.
 - o Credit of inputs such as tools, capital goods such as water pumping station, wagons allowed.
15. Interest rate on late payment of duty reduced to 15% from the present rate of 18% per annum.

IV. Service Tax

1. Online registration of new Service Tax assessee in 2 days
2. Permission to maintain electronic records and acceptance of digital signatures.
3. Granting provisional payment of 80% of the refund amount with 5 days in respect of service exporters, subject to fulfillment of certain conditions
4. Interest applicable on outstanding taxes has been reduced to 15%. Only in cases where service tax has been collected by the assessee and not deposited shall interest, at a higher rate of 24%, be applicable.

V. Dispute Resolution

1. Penalty provisions in Customs, Central Excise and Service Tax rationalized to encourage compliance and early dispute resolution
2. Instructions issued to withdraw all cases in High Court and CESTAT where there is precedent Supreme Court decision, against which no review is contemplated.
3. Pre show cause notice consultation mandatory at the level of Principal Commissioner / Commissioner in all the cases where duty involved is above Rs 50 lakhs.
4. The requirement of mandatory audit of units with prescribed periodicity based on duty payment done away with. Now the selection of units done based on scientific risk parameters which also takes into account past track record of the unit. Further, concept of integrated audit implemented in all the three taxes- as against three separate audits being conducted
5. Instructions issued specifying the threshold for filing of Appeals by the department as Rs. 25 lacs, Rs. 15 lacs and Rs. 10 lacs before Supreme Court, High Court and CESTAT respectively. This is expected to reduce appeals and help in de-clogging of indirect tax matters in courts and CESTAT.
6. Proceedings against the co-noticees to close where the proceedings against the main noticee has been closed.
7. Prosecution proceedings in cases older than fifteen years involving duty of less than Rs 5 lacs to be withdrawn.

8. For early settlement of disputes pending in appeal before the Commissioner (Appeals) as on 1st March, 2016, payment of tax dues along with interest and 25% of the penalty imposed by the adjudicating authority has been prescribed subject to certain conditions.

VI. Tax rates

1. 13 cesses levied by other Ministries / Departments and administered by the Department of Revenue, where the revenue collection from each of them is less than Rs.50 crore in a year has been abolished

2. Major concessions given to ship repair units and aircraft maintenance and overhaul operations

3. Duty rationalization done in many commodities to avoid classification disputes and consequent litigation.

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