

# UNION BUDGET (Interim) 2014-15

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## **PRESENTATION OF UNION BUDGET 2014 (Vote on Account)** **ON 17th FEBRUARY 2014 – GUIDELINES**

As you are aware the Union Budget for 2014 [Vote on Account] is slated to be presented by the Hon'ble Finance Minister on 17<sup>th</sup> February, 2014. In this regard you may like to note the following points:

### A. **CENTRAL EXCISE**

- There is no restriction on clearance of goods from the factory on Budget day. You can affect the clearance as if it is a normal working day.
- There is no need to file any declaration regarding stocks held on that day.
- Serial number of Excise invoices will continue uninterrupted for the current financial year up to 31<sup>st</sup> March, 2014.
- Changes in the Excise duty rates if any will be effective from the mid-night of 17<sup>th</sup> February, 2014. Therefore, if there is any change in the Excise duty rates it will normally be effective from 18<sup>th</sup> February 2014 unless otherwise stated in any notification or as part of the provisions of Finance (No.2) Bill 2014.
- Where there is an increase in the excise duty, say with effect from 18<sup>th</sup> February 2014 it will apply to all clearances of even existing stock held on 17<sup>th</sup> February 2014, in RG-1 Register in the factory, made on or after 17<sup>th</sup> February 2014. Similar will be the effect in case there is a reduction in the rates of excise duty. But where goods have been cleared on or before 17<sup>th</sup> February, 2014 to Depots, the increase in rates will not affect stocks at Depot.
- As part of the Finance Bill 2014 both Tariff and Non-Tariff notifications are issued by the Government. Tariff notifications prescribe the effective rate of duty payable on various excisable commodities consistent with the announcement in the budget of either increase or reduction in the rates of excise duty. Non Tariff notifications are in relation to amendment to various Rules framed under the Central Excise Act such as Central Excise Rules 2002, Cenvat Credit Rules 2004 etc. The date of the effect of non tariff notifications will be as stated in the relevant notifications or if not so stated, it will be effective from the date of the notification.
- There may be many inputs which might have been purchased by your company which are in the pipe line or in transit but for which the supplier might have already raised excise invoice at the rate prevailing on or before 17<sup>th</sup> February, 2014 in all such cases cenvat credit will be taken only on the rate/amount indicated in the central excise invoices issued by the supplier of raw material/input/capital goods. In other words once goods have been cleared indicating the duty amount that duty alone can be taken as credit on the inputs/capital goods purchased.
- In respect of inputs/capital goods where credit has already taken on or prior to Budget date and these inputs or capital goods are required to be removed as such on or after that the credit to be reversed will be relatable to the amount of credit which was taken earlier when the input/capital goods were actually received.
- Where goods have already been cleared to the customer/dealer prior to 17<sup>th</sup> February, 2014 at the rate prevailing then, and the customer is returning the same goods, say after 17<sup>th</sup> February, 2014, cenvat credit can be taken of the same duty which has been paid by the company at the time of its initial clearance as per original excise invoice issued by the company to the Customer/Dealer.

- Amendments to the Central Excise Act that may be proposed in the Finance Bill 2014 will have effect as under:
  - a) Where the relevant provision in the Finance Bill 2014 has not specified any date it will be effective from the date when the Finance Bill 2014 gets the assent of the President of India after being passed by both the Houses of Parliament.
  - b) Where the relevant provision in the Finance Bill 2014 specifies any effective date from which the amendment will be effective say for example, 1<sup>st</sup> April 2014, as the case may be, then that provision shall be effective from such specified date.
  - c) Where the relevant provision in the Finance Bill states that the provision will come into effect from a date to be notified then that provision will come into force with effect from the date so notified by the Government after passage of the Finance Bill, 2014.

## B. **SERVICE TAX**

- Amendment to the provisions of the service tax contained in the Finance Bill will come into force as under:-
  - a) Where no particular date is specified in the relevant provision, it will come into force on the date when the Finance Bill 2014 gets the assent of the President of India after being passed by both the Houses of Parliament.
  - b) Where a provision in the Finance Bill 2014 recites that it will be effective from a particular date, then it will become operative from that date.
  - c) Where a provision in the Finance Bill 2014 recites that it will be effective from a date to be notified, then it will become operative from the date which is notified for this purpose by the Government.
- Any change in the service tax rate will come into operation depending upon the recital in the Finance Bill 2014. Such increase or decrease in rates becomes operative with effect from the mid-night of 17<sup>th</sup> February 2014 i.e. effective from 18<sup>th</sup> February 2014 unless otherwise specified in the Finance Bill.
- Service tax notifications may provide for exemption or may withdraw existing exemption or modify the existing exemptions in the Negative List or otherwise. These notifications will be effective from a date specified in the notification. If no date is specified it will be effect from 18th February 2014.

As in previous years, detailed post budget First Reaction/Circulars on Indirect Taxes, specific to our industry, etc. would be available on our website.

It is hoped that the above information will be useful and relevant for you.