

The key Indirect Tax changes pertaining to the Automotive Sector

▶ Amendment in the Customs Act, 1962

- Scope of prosecution under Customs enlarged empowering the officer to arrest a person committing offence outside India or Indian customs waters
- General penalty for any contravention of customs provisions increased from INR 1 lakh to INR 4 lakh
- Following offences under Customs have been made cognizable / non-bailable:
 - Fraudulently availing drawback or any exemption from duty for amount exceeding INR 50 lakhs
 - Fraudulently obtaining and utilising FTP benefits like scrips and authorizations where amount exceeds INR 50 lakhs
 - Penalty imposed in such cases up to the face value of instrument

▶ Amendment in the Customs Tariff Act, 1975

- The following rate changes have been made in the First Schedule to the Customs Tariff Act, 1975. The same are effective from 6 July 2019:

S. No.	Chapter Heading	Description	BCD (Current Rate)	BCD (Proposed Rate)
1.	6813	Friction Material and articles thereof (for example, sheets, rolls, strips, segments, discs, washers, pads) not mounted, for brakes, for clutches or the like with a basis of asbestos, of other mineral substances or of cellulose, whether or not combined with textile or other materials	10%	15%
2.	7009	Glass mirrors, whether or not framed	10%	15%
3.	83012000	Locks of a kind used in Motor vehicles	10%	15%
4.	84212300	Oil or petrol filters for internal combustion engines	7.5%	10%
5.	84213100	Intake air-filters for internal combustion engines	7.5%	10%
6.	84213920, 84213990	Catalytic convertors	5%	10%

7.	85121000, 85122010, 85122020	Lighting or visual signalling equipment of a kind used in bicycles or motor vehicles	10%	15%
8.	85122090, 85123090	Other visual or sound signalling equipment for bicycles or motor vehicles	7.5%	15%
9.	85123010	Horns for vehicles	10%	15%
10.	85129000	Parts of visual or sound signalling equipment for bicycles or motor vehicles	7.5%	10%
11.	85124000, 85391000, 85392120, 85392940	Windscreen wipers, defrosters and demisters, sealed beam lamp units and other lamps for automobiles	10%	15%
12.	8706	Chassis fitted with engines, for the motor vehicles of heading 8701 to 8705	10%	15%
13.	8707	Bodies (including cabs), for the motor vehicles of heading 8701 to 8705	10%	15%

S. No.	Chapter Heading	Description	Entry No. of Notification No. 25/2019	BCD (Current Rate)	BCD (New Effective Rate)
1.	7218	Stainless steel in ingots or other primary forms, semi-finished products of stainless steel	Entry No. 366	5%	7.5%
2	7224	Other alloy steel in ingots or other primary forms, semi-finished products or alloy steel	Entry No. 366	5%	7.5%
3.	72251990	Magnesium Oxide (MgO) coated cold rolled steel coils for use in manufacture of cold rolled grain oriented steel (CRGO) falling under 7225 11 00	Entry No. 374	5%	2.5%

4.	7225	The following goods, namely :- (i) hot rolled coils; (ii) cold-rolled Magnesium Oxide (MgO) coated and annealed steel; (iii) hot rolled annealed and pickled coils; (iv) cold rolled full hard, for the manufacture of cold rolled grain oriented steel (CRGO) steel falling under tariff item 7225 11 00	Entry No. 375	5%	2.5%
5.	722639900	Amorphous alloy ribbon	Entry No. 376B	15%	5%
6.	7229	All goods other than INVAR	Entry No. 376C	5%	7.5%
7.	84, 85 or 90	All goods falling specified in List 20 of Notification 50/2017- Customs	Entry 427	0%	Applicable Rate
8.	84213920, 84213990	Catalytic Convertor (All goods under these tariff items other than catalytic convertors will continue at 7.5%)	Entry No. 452A	7.5%	7.5%
9.	8702 or 8704	Completely built units (CBU) of vehicles falling under heading 8702, 8704	Entry No. 524	25%	30%
10.	Any Chapter	Following part of electric operated vehicles: - (i) E-Drive assembly; (ii) On board charger; (iii) E-compressor; (iv) Charging gun	Entry No. 528	Applicable rate	Nil

- Goods used in the manufacture of hybrid motor vehicles, specified under Serial No. 529 of Notification No. 50/2017 – Customs dated 30 June 2017, shall be eligible to NIL rate of duty on import, subject to the importer following the

procedure set out in the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017. The said amendment is effective from 6 July 2019.

▶ **Amendments in CGST and IGST Act**

- The definition of “**adjudicating authority**” excludes “the National Appellate Authority for Advance Ruling”
- **Aadhaar authentication** has been mandatory for specified class of new taxpayers for obtaining registration
- A specified class of registered person supplying taxable goods or services issuing invoice shall have to mandatorily give the option of **prescribed modes of electronic payment** to the recipient and to make payment accordingly
- New Proviso in Section 50(1) of CGST Act, 2017 has been inserted which provides that the **interest on tax payable** in respect of supplies made during a tax period and declared in the return for the said period furnished after the due date *except where such return is furnished after commencement of any proceedings under section 73 or section 74 in respect of the said period*, shall be levied on that portion of the tax that is paid **by debiting the electronic cash ledger** (i.e. on net liability discharged)
- A new section is being inserted in the CGST/IGST Act so as to allow for the facility to transfer an amount of tax, interest, penalty or fee or any other amount, between CGST Act, SGST Act, UT GST Act, or IGST Act i.e. **transfer of amount from one head to another head in the electronic cash ledger** of the registered person. The rules in relation to the operation of such mechanism shall be prescribed.
- Amendment has been made to empower the National Anti-profiteering Authority to impose **penalty equivalent to 10%** of the profiteered amount if it is not deposited within 30 days of the date of passing of the order
- E-Invoice system to be introduced from January 2020; No separate e-way bill necessary from 2020 after launch of E-Invoicing system

▶ **Introduction of Dispute Resolution cum Amnesty Scheme – “Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019”**

- Where SCN or appeal arising out of notice issued in relation to tax dues or linked to any enquiry, investigations or amount quantified upto 30 June 2019 -
 - In case of tax dues upto INR 50 lakhs then 70% of tax dues would be available as relief,
 - In case of tax dues exceeding INR 50 lakhs then 50% of tax dues would be available as relief
- Where SCN is for late fee or penalty only - then entire amount of penalty or late fees would be waived
- Where tax dues are relatable to an amount in arrears and -

- Duty upto INR 50 lakhs, then 60% of tax dues would be available as relief;
 - Duty more than INR 50 lakhs, then 40% of tax dues would be available as relief
- Amount of pre-deposit shall be adjusted accordingly
 - Eligible persons – **All persons eligible except** the following:
 - who have filed an appeal before the appellate forum and such appeal has been heard finally on or before the 30 June 2019;
 - who have been convicted for any offence punishable under any provision of the indirect tax enactment for the matter for which he intends to file a declaration;
 - who have been issued a show cause notice, under indirect tax enactment and the final hearing has taken place on or before 30 June 2019;
 - who have been issued a show cause notice under indirect tax enactment for an erroneous refund or refund;
 - who have been subjected to an enquiry or investigation or audit and the amount of duty involved in the said enquiry or investigation or audit has not been quantified on or before 30 June 2019;
 - a person making a voluntary disclosure,—
 - after being subjected to any enquiry or investigation or audit; or
 - having filed a return under the indirect tax enactment, wherein he has indicated an amount of duty as payable, but has not paid it;
 - who have filed an application in the Settlement Commission for settlement of a case
 - persons seeking to make declarations with respect to excisable goods set forth in the Fourth Schedule to the Central Excise Act, 1944
