Agenda

• Central Excise - Overview

• Area Based Exemption

• Budget-2011 Changes

• How CS can help the company
Central Excise - Overview
Central Excise - Overview

1. Statutes

- Central Excise Act – 1944 (CEA)
- Central Excise Tariff Act – 1985 (CETA)
- Central Excise Rules

2. Taxable Event and Liability for Excise duty

- Taxable Event – Manufacture or Production of goods in India
- Liability to Pay – Arise on removal of excisable goods from factory
- Four basic conditions for levy of Excise Duty
  - Duty is on goods i.e. must be movable and marketable
  - Goods must be excisable i.e. be mentioned in CETA
  - Goods must be manufactured or produced
  - Manufacture/ Production should be in India
Central Excise - Overview

3. Manufacture

- Manufacture term is defined by various decisions of Court as
  - A new and identifiable product must emerge as a result of manufacturing activity
  - Having a distinctive name, character or use

- Manufacture also includes deemed manufacturing activities – as specified in either Chapter Notes to CETA or in sec- 2(f)(iii) read with Third Schedule to CEAof CEA or Central Excise Act – 1944 (CEA)

4. Types of Excise Duty

- Basic Excise Duty (BED) – First Schedule to CETA
- Education Cess (EC) and Secondary & Higher Education Cess (SHEC)
- National Calamity Contingent Duty (NCCD)
- Duties under other Acts
Central Excise - Overview

5. Exemptions

- Various Conditional and Unconditional Exemptions
- SSI Exemptions
- Exemption for intermediate product used for captive consumption
- Job-worker Exemption
- Area-Based Exemptions

6. Classification

- Needed for determination of applicable rate of duty as well as to determine eligibility for exemption
- Involves determining the Heading and Sub-Heading of CETA for the subject goods
- CETA is based on classification under HSN, using the eight-digit extended HS level
- CETA covers 20 sections, 96 chapters at 8-digit level
- CETA provides Section/Chapter Notes and Chapter Sub Notes giving detailed explanation as to the scope and ambit of the respective chapter
- Interpretive rules have also been provided to serve as statutory guideline for interpreting the Tariff Schedule
Central Excise - Overview

7. Valuation

- Required for determining amount of duty payable
- Depending upon applicable legal provisions Excise Duty is payable either on the following basis:

  (A) Duty based on value of the product manufactured:
      - Duty based on Transaction Price fixed under Section 4 read with Valuation Rules
      - Duty based on Maximum Retail Price - section 4A of CEA

  (B) Specific duty - Duty applicable at specific rate irrespective of value of product

  (C) Duty based on production capacity of the factory also known as Compounded Levy Scheme
Central Excise - Overview

8. Export Benefits

- General Policy of the Government – Export the goods not the taxes
- The export goods are either exempted from payment of CENVAT or the duty paid on export goods or inputs used in such goods are refunded back to exporter through various Schemes
- Various option available are:
  - Export of final product without payment of excise duty
  - Payment of excise duty on such goods and claiming rebate of duty paid after export
  - Procurement of inputs without payment of CENVAT for use in export goods
  - Claiming rebate or refund of duty paid on inputs used in export goods
  - Utilization of duty paid on inputs used in export goods against payment of CENVAT payable on other excisable goods cleared for domestic clearance for home consumption

March, 2011
Area Based Exemptions
**Area Based Exemption**

**Background**

- Area based excise exemption is currently available in the states of J&K and north east states including Sikkim
- The exemption in the states of Uttaranchal and Himachal Pradesh is available to the units which has commenced commercial production or undertaken substantial expansion before 31-3-2010 for a period of 10 years
- Hill area development programme – Special category states
  - tough geographical features
  - economically backward
  - locational disadvantages
- The benefit in the form of excise exemption extended for
  - equitable development of the country
  - correction of regional imbalances
  - securing industrialization of backward areas
  - generation of employment
  - Augmentation of industrial growth
# Area Based Exemption

Area-based Excise Exemption – North East & Sikkim

<table>
<thead>
<tr>
<th>Notification No.</th>
<th>Exemption</th>
<th>Procedure for claiming exemption</th>
<th>Period of exemption</th>
<th>Start of commercial production/sunset date</th>
<th>Conditions for availing exemption</th>
</tr>
</thead>
</table>
| 20/2007 – CE dated 25-4-2007 | • excise duty  
• goods specified in 1st schedule and 2nd schedule other than the goods specified in negative list  
• cleared from the units located in north east & Sikkim | Refund of duty paid through PLA | 10 years | after 1-4-2007 but before 31-3-2017 | • new industrial unit which has commenced commercial production on or after 1-4-2007 but before 31-3-2017  
• industrial units existing before 1-4-2007 and have undertaken substantial expansion of not less than 25% of the installed capacity after 1-4-2007 but before 31-3-2017  
• The process carried out by the manufacturer must be more than the mere packing or re-labeling etc. |
### Area Based Exemption

**Area-based Excise Exemption – Jammu & Kashmir**

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</tr>
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<tr>
<td>1/2010 CE dated 6-2-2010</td>
<td>• excise duty • goods specified in 1st schedule and 2nd schedule other than the goods specified in negative list • cleared from the new units located in the state of J&amp;K</td>
<td>Refund of duty paid through PLA</td>
<td>10 years</td>
<td>• new industrial unit which has commenced commercial production on or after 6-2-2010 • industrial units existing before 6-2-2010 and have undertaken substantial expansion of not less than 25% of the installed capacity after 6-2-2010 • Made new investment on or after 6-2-2010 and such new investment is directly attributable to generation of additional regular employment of not less than 25% of base employment limit and such employment should not be reduced below 125% of the base employment over the period of exemption • The process carried out by the manufacturer must be more than the mere packing or re-labeling etc.</td>
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<tr>
<td>56/2002 CE dated 14-11-2002</td>
<td>• excise duty • goods specified in 1st and 2nd schedule other than the goods specified in negative list • cleared from the units located in specified areas in the state of J&amp;K</td>
<td>Refund of duty paid through PLA</td>
<td>10 years</td>
<td>• new industrial unit which has commenced commercial production on or after 14-6-2002 • industrial units existing before 14-6-2002 and have undertaken substantial expansion of not less than 25% of the installed capacity after 14-6-2002 • Made new investment on or after 16-6-2002 and such new investment is directly attributable to generation of additional regular employment of not less than 25% of base employment limit and such employment should not be reduced below 125% of the base employment over the period of exemption</td>
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**Area Based Exemption**

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| 57/2002 CE dated 14-11-2002 | - excise duty  
- specified goods other than the goods specified in negative list  
- cleared from the units located in J&K | Refund of duty paid through PLA | 10 years | - new industrial unit which has commenced commercial production on or after 14-6-2002  
- industrial units existing before 14-6-2002 and have undertaken substantial expansion of not less than 25% of the installed capacity after 14-6-2002  
- Made new investment on or after 16-6-2002 and such new investment is directly attributable to generation of additional regular employment of not less than 25% of base employment limit and such employment should not be reduced below 125% of the base employment over the period of exemption |
Budget – 2011 Changes
**Budget – 2011 Changes**

**Central Excise – Budget-2011 Highlights**

- Peak rate of Excise Duty has been retained at existing level of 10%
- 4% excise duty on certain products has been increased to 5%
- Duty @5% is levied on specified product which were exempted earlier subject to an option of duty@ 1% with condition of no CENVAT Credit on specified 130 items
- Sec-4A amended to substitute reference to Standard of Weights & Measurement Act,1976 with Legal Metrology Act,2009
- Provisions of sec-11A, 11AA, 11AB and 11AC are being redrafted so as to make them more lucid and coherent.
- A new category of cases is being carved out in respect of which limitation period would be five years but which would attract general penalty @ 50% of the duty.
- Retrospective amendment in Rule-3 of Credit Rules from 18-04-06 to provide credit of service tax paid under reverse charge on import of services
- **Credit Rules** - Revised definitions of Inputs, Input Services and Capital Goods
- Rule -6 of Credit Rules amended to give an option to maintain separate accounts for inputs alone, to consider payment under this rule equivalent to credit not availed for the purpose of an applicable exemption and to delete clause 5 which provides 15 golden services on which full credit of service tax is currently available

March, 2011
How CS can help the company
CS can help the company

CS can help the company in following areas-

• Obtaining excise registration

• Maintaining excise records & periodic returns

• Credits & Export benefits

• Handling Departmental Investigations

• Managing Litigation

• GST planning and implementation
Thank You

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