

# DA TAX UPDATE INDIRECT TAX

An E-Tax update from  
**Darda Advisors LLP**

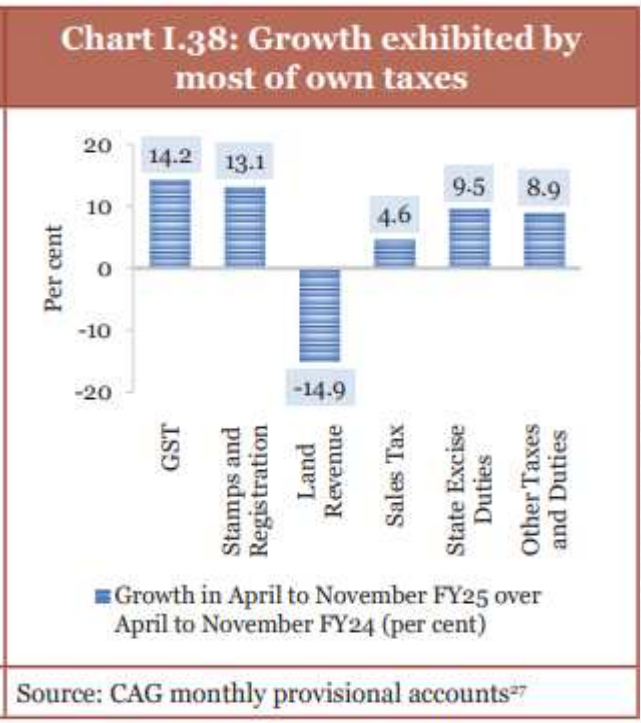
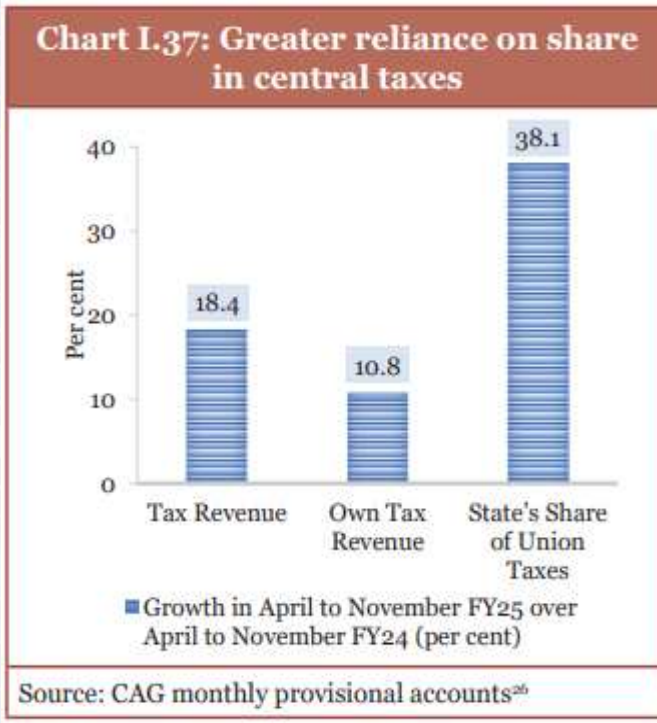
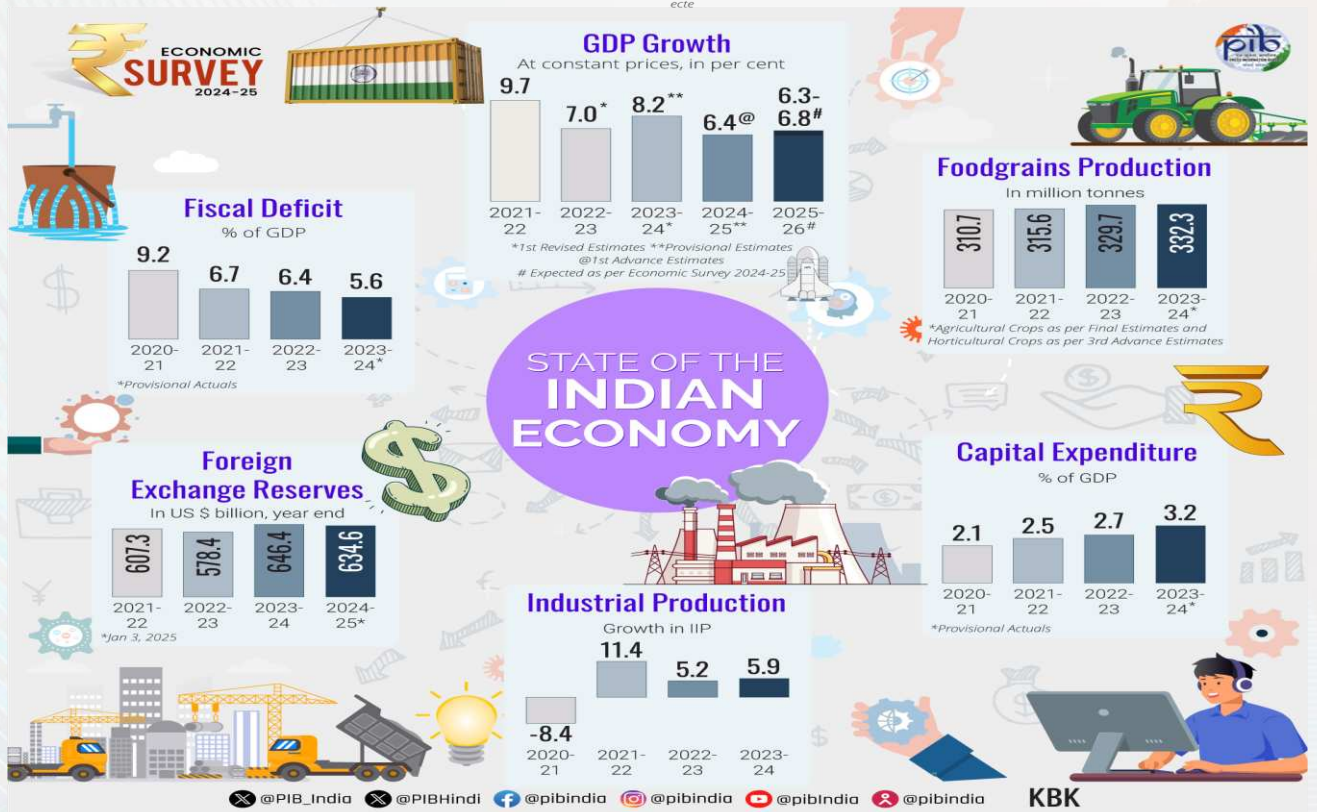
Union Budget 2025 -26 – Key Indirect  
Tax Proposals

Issue - 72

**Goods and Service Tax**

**Customs and Others**

# Snapshot of Indian Economy



# Support MSME & Furthering Make in India

## Development measures focusing on *Garib, Youth, Annadata and Nari*

### Supporting MSMEs & Furthering Make in India



**Credit Cards for Micro Enterprises:** Customised Credit Cards with a ₹ 5 lakh limit for micro enterprises registered on Udyam portal. In the first year, 10 lakh such cards will be issued.

**Scheme for first time Entrepreneurs:** For 5 lakh first-time entrepreneurs, including women, Scheduled Castes and Scheduled Tribes, a new scheme, to be launched, to provide term loans up to ₹ 2 crore during the next 5 years.



#### Manufacturing mission with the mandate to focus on

- Ease and cost of doing business;
- Future ready workforce for in-demand jobs;
- A vibrant and dynamic MSME sector;
- Availability of technology;
- Quality products;
- Clean tech manufacturing for climate-friendly development.

#### Measures for Labour Intensive Sectors

- **Focus Product Scheme for Footwear & Leather Sectors:** scheme is expected to facilitate employment for 22 lakh persons, generate turnover of ₹ 4 lakh crore and exports of over ₹ 1.1 lakh crore.
- **Measures for the Toy Sector:** To focus on development of clusters, skills, and a manufacturing ecosystem that will create high-quality, unique, innovative, and sustainable toys to represent the 'Made in India' brand.
- **Support for Food Processing:** Establishment of a National Institute of Food Technology in Bihar, enhanced income for the farmers and skilling, entrepreneurship and employment opportunities for the youth.

#### Significant enhancement of credit availability with guarantee cover

₹ in Crore	Credit guarantee cover	
	Current	Revised
MSEs	5	10
Startups	10	20
Exporter MSMEs	For Term Loans Up To ' 20 Crore	

#### Revision in classification criteria for MSMEs

₹ in Crore	Investment		Turnover	
	Current	Revised	Current	Revised
Micro Enterprises	1	2.5	5	10
Small Enterprises	10	25	50	100
Medium Enterprises	50	125	250	500



# Snapshot of GST Proposal

- 1) Section 17(5)(d):** Retrospective Amendment of ITC provision for “Plant and Machinery”
- 2) Section 107(6) & Section 112(8):** Pre-Deposit Mandate for Penalty order for filing appeals:
- 3) Section 20(1), 20(2) & 2(61):** ITC Distribution by Input Service Distributor (ISD) for Inter-State Reverse Charge Transactions.
- 4) Schedule III, Paragraph 8 of the CGST Act, 2017:** Retrospective exemption on supply from SEZ/FTWZ before clearance for exports/DTA.
- 5) Section 12(4) & 13(4):** Omitted Sections 12 & 13 – Time of Supply for Vouchers Now Follows General GST Rules
- 6) Section 34(2):** New Compliance Requirement for ITC Reversal Before Issuing Credit Notes
- 7) Section 39(1):** Conditions & Restrictions for GST Return Filing
- 8) Section 148A & 2(116A):** Mandatory Track & Trace Mechanism for Identified goods
- 9) Section 2(69):** Expanded definition of local authority
- 10) Section 38(1)&(2):** Changes to Input Tax Credit (ITC) Statement Format & Compliance

## Key Indirect Tax Proposals – GST

### Retrospective Amendment of ITC provision for “Plant and Machinery”:

- **Relevant Provision:** Section 17(5)(d) of the CGST Act, 2017 and insertion of explanation
- **Existing Provision:** The section used the term "plant or machinery", which was led to litigation over whether both or either term was eligible for ITC.
- **Key changes/Amendment/Impact:**
  - The phrase "plant or machinery" has been replaced with "plant and machinery," eliminating the ambiguity surrounding ITC eligibility for plant and machinery components.
  - The retrospective effect from July 1, 2017, nullifies any prior interpretations that allowed ITC on immovable property.
  - This change nullifies the Supreme Court's Safari Retreats judgment, which allowed ITC for goods and services used in constructing properties intended for leasing or renting, based on the “functionality test”.
  - The amended is done based on the 55th GST Council meeting
- **New Explanation 2 inserted:**
  - Overrides all court rulings that interpreted "plant or machinery" differently.
  - Ensures ITC restrictions apply strictly to "plant and machinery", excluding immovable property.
- **DA Insights:**
  - The government should consider canceling all pending cases related to this issue and remove the retrospective amendment, as it could cause complications for other tax payers.
  - Tax payers that have claimed ITC based on the previous provisions may now face litigation due to the retrospective nature of this change. In our view, the retrospective amendment would be challenged.

## Key Indirect Tax Proposals – GST

### **Pre-Deposit Mandate for Penalty order for filing appeals:**

- **Relevant Provision:** Section 107(6) & Section 112(8) of the CGST Act, 2017
- **Key changes/Amendment/Impact:**
  - a) Mandatory 10% pre-deposit of the penalty amount for appeals before the Appellate Authority (Section 107(6)) if there is no tax demand involved.
  - b) Mandatory 10% pre-deposit of penalty for appeals before the Appellate Tribunal (Section 112(8)) in penalty-only cases, in addition to the amount already deposited under Section 107(6).
  - c) Impact on Businesses & Litigation:
    - Increased financial burden on appellants, as they must deposit 10% of the penalty before filing an appeal.
    - Reduces frivolous appeals, ensuring that only genuine cases proceed to appellate forums.
- **DA Insights:**
  - Streamlines the appeal process, ensuring only serious disputes reach higher appellate forums.
  - Financial impact on businesses: Companies facing large penalty demands will need to deposit significant amounts upfront, affecting cash flow.
  - Pre-litigation assessment is now crucial—taxpayers must carefully evaluate their appeal chances before committing to a pre-deposit.

## Key Indirect Tax Proposals – GST

### **ITC Distribution by Input Service Distributor (ISD) for Inter-State Reverse Charge Transactions:**

- **Relevant Provision:** Section 20(1) & 20(2) of the CGST Act, 2017 and Amendment in Section 2(61)
- **Amendment in Definition:** Clause (61) is being amended to explicitly provide for distribution of input tax credit by the Input Service Distributor in respect of inter-state supplies on which tax has to be paid on reverse charge basis, by inserting reference to sub-section (3) and subsection (4) of Section 5 of Integrated Goods and Services Tax Act. This amendment will be effective from 1st April, 2025.
- **Key changes/Amendment/Impact:**
  - New references to Section 5(3) & 5(4) of the IGST Act, 2017, inserted in Section 20(1) and 20(2).
  - This amendment explicitly allows ISDs to distribute ITC related to inter-state supplies where tax is paid on a reverse charge basis (RCM).
- **Effective Date: April 1, 2025.**
- **DA Insights:** This amendment is a welcome move for businesses operating across multiple states. It enables proper distribution of ITC for inter-state RCM-based procurements, which had previously been a grey area and the explicit inclusion of RCM in the ISD distribution framework will ensure more efficient and accurate ITC allocation for inter-state transactions.

## Key Indirect Tax Proposals – GST

### **Omitted Sections 12 & 13 – Time of Supply for Vouchers Now Follows General GST Rules:**

- **Relevant Provision:** Section 12(4) & Section 13(4) of the CGST Act, 2017
- **Key changes/Amendment/Impact:**
  - The specific provision determining the time of supply for vouchers has been removed.
  - Previously, taxability depended on whether the underlying goods/services were identifiable at the time of issuance.
  - Now, vouchers will follow the general time of supply rules, aligning them with regular transactions.
  - This change may impact retailers, e-commerce companies, and loyalty programs that issue gift cards and discount vouchers, leading to potential shifts in GST liability timing.
- **DA Insights:**
  - Retail and e-commerce businesses should review their voucher issuance policies to ensure compliance with the new time of supply rules.
  - Ambiguity remains on how multi-use vouchers (those redeemable for various goods/services) will be treated, requiring further clarification from authorities.



## Key Indirect Tax Proposals – GST

### **New Compliance Requirement for ITC Reversal Before Issuing Credit Notes:**

- **Relevant Provision:** Section 34(2) of the CGST Act, 2017
- **Key changes/Amendment/Impact:**
  - Suppliers cannot reduce output tax liability via credit notes unless:
    1. The recipient has reversed the ITC related to the credit note.
    2. The tax incidence has not been passed on.
  - This change prevents double tax benefits, ensuring that if a supplier claims a reduction in tax liability, the corresponding ITC is reversed by the recipient.
- **DA Insights:**
  - Businesses issuing credit notes should implement ITC reconciliation processes to verify that recipients reverse ITC before tax adjustments are made.
  - Could delay cash flow benefits for suppliers, as they need to ensure recipient compliance before issuing credit notes.

## Key Indirect Tax Proposals – GST

### Conditions & Restrictions for GST Return Filing:

- **Relevant Provision:** Section 39(1) of the CGST Act, 2017
- **Key changes/Amendment/Impact:**

The phrase “and within such time” has been replaced with “within such time, and subject to such conditions and restrictions”.

This change empowers the government to impose additional conditions and restrictions for return filing, such as:

- Linking return filing to ITC claim eligibility.
  - Restricting return submission in case of non-payment of taxes for prior periods.
  - Imposing specific filing conditions for businesses based on turnover, sector, or compliance history.
- **DA Insights:**
    - Businesses must track compliance more closely—any non-compliance could lead to delays in return filing and disruptions in tax credit claims.
    - Clarity needed: Future notifications will determine the exact nature of conditions and restrictions applicable.

### Expanded definition of local authority :

- **Relevant Provision:** Section 2 – Definitions (69) of the CGST Act, 2017
- **Key changes/Amendment/Impact:**

Clause (69):

- Defines "Local Fund" and "Municipal Fund" to provide clarity in taxation of local authorities.
  - This ensures that government grants or collections meant for civic functions are not misinterpreted as taxable revenue, reducing tax disputes for municipal bodies.
- **DA Insights:**
    - Clarification on municipal funds eliminates legal ambiguities, benefiting municipal bodies and organizations dealing with them.

## Key Indirect Tax Proposals – GST

### **Mandatory Track & Trace Mechanism for Identified goods:**

- **Relevant Provision:** Newly inserted Section 148A of the CGST Act, 2017 & in Section 2(116A)
- **Insertion in definition:**
  - Introduces "Unique Identification Marking", a digital security measure to facilitate Track and Trace Mechanism for goods.
  - This ensures secure and tamper-proof tracking, reducing tax evasion and improving supply chain transparency.
- **Key changes/Amendment/Impact:**
  - Government empowered to enforce tracking for specified goods using Unique Identification Marking.
  - Businesses must affix digital tracking marks and maintain records related to production and movement of goods.
  - Non-compliance attracts penalties under the newly inserted Section 122B.
  - If a person fails to comply with digital tracking requirements, they will be liable to pay:
    - ₹1,00,000 or 10% of the tax payable on such goods, whichever is higher.
- **DA Insights:**
  - IT and operational costs will rise as companies must update software, barcode systems, and audit processes to comply with tracking requirements.
  - Heavy penalties may be imposed for non-compliance, making this a critical compliance area.

## Key Indirect Tax Proposals – GST

### **Changes to Input Tax Credit (ITC) Statement Format & Compliance:**

- **Relevant Provision:** Section 38(1) & Section 38(2) of the CGST Act, 2017

- **Key changes/Amendment/Impact:**

#### **Section 38(1):**

- The phrase “auto-generated statement” has been replaced with “a statement”.
- This removes the assumption that the ITC statement is fully system-generated and allows for possible manual interventions or modifications.

#### **Section 38(2):**

- Replaces “auto-generated statement” with “statement referred in” to align with the new terminology.
- Clause (b) amendment: The phrase “by the recipient” now includes “including”, making the clause more inclusive of additional details.
- New Clause (c) added: Allows the government to prescribe additional details in the ITC statement as required.

- **DA Insights:**

- Companies should implement robust ITC reconciliation mechanisms to ensure accurate reporting of eligible credits and avoid discrepancies.
- Businesses must track future GST notifications to understand what additional details will be required in ITC statements under the new clause (c).

## Key Indirect Tax Proposals – Customs

### **Amendments to IGCR Rules: Extension of End-Use Fulfillment Timeline & Quarterly Statement Filing:**

- **Relevant Provision:** Rule 6 and 7 of Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022
- **Key changes/Amendment/Impact:**
  - The permissible period for fulfilling the specified end-use has been extended from six months to one year.
  - Instead of a monthly statement, importers are now required to file a quarterly statement detailing the utilization of imported goods.
- **DA Insights:**
  - The amendment is a business-friendly move that enhances operational flexibility while ensuring compliance, further reducing compliance cost.
  - Industries with longer production cycles will benefit from the extended end-use fulfillment period.

## Key Indirect Tax Proposals – Customs

### **Amendment in Provisional assessment of custom duty:**

- **Relevant Provision:** Section 18 of the Customs Act, 1962
- **Key changes/Amendment/Impact:**

#### **Time limit for finalizing provisional assessments:**

- A new sub-section (1B) is inserted to provide a definite time limit of two years for finalization of provisional assessments.
- The Commissioner of Customs may extend this period by one additional year on sufficient cause being shown.
- For ongoing or pending cases, the two-year limit will start from the date of Presidential assent to the Finance Bill 2025.

#### **Suspension of time limit in certain cases:**

- A new sub-section (1C) is inserted, listing specific grounds where the two-year time limit will remain suspended. These include:
  - Information being sought from an authority outside India.
  - Pending appeals in similar matters before Appellate Tribunal, High Court, or Supreme Court.
  - Stay orders issued by judicial authorities.
  - Directions from the CBIC to keep the matter pending.
  - Pending applications before the Settlement Commission or Interim Board.

### **DA Insights:**

- **Increased Certainty & Efficiency:** A fixed two-year deadline for finalizing provisional assessments reduces litigation and improves business ease.
- **Flexibility in Assessments:** A one-year extension by the Commissioner accommodates genuine delays, ensuring fairness.
- **Safeguards for Complex Cases:** Suspended timelines for pending appeals, international cooperation, or CBIC directions address practical challenges in assessment finalization.

## Key Indirect Tax Proposals – Customs

### **Voluntary revision of entry post clearance under Customs Act, 1962:**

- **Relevant Provision:** Section 18A, 27 and 28 of Customs Act 1962
- **Key changes/Amendment/Impact:**

#### **A) Introduction of Section 18A – Voluntary Post-Clearance Revision of Entry**

- This Section overrides Section-149 which pertains to amendment of documents.
- Allows importers/exporters to voluntarily revise an entry (related to their goods) even after clearance within a prescribed time and conditions.

#### **Upon revision:**

- If duty is short-paid or not paid, the importer/exporter can voluntarily pay the amount along with interest under Section 28AA.
- If duty was overpaid, the revised entry is treated as a refund claim under Section 27.
- **Verification & Reassessment by Authorities:** Customs officers may verify and reassess the revised entries based on risk-based selection.

#### **Cases where revision is NOT allowed:**

- If an audit, search, seizure, or summons has been initiated.
- If a refund is sought but the duty has already been reassessed under Sections 17, 18, or 84.

B) Amendment to Section 27 – Clarification on refund limitation period, that the one-year limitation period for claiming a refund in cases of Revised entries under Section 18A.

## Key Indirect Tax Proposals – Customs

C) Amendment to Section 28 – Defining the “Relevant Date” for Recovery Cases if duty is voluntarily paid under Section 18A

### DA Insights

- **Business-Friendly Move:** Section 18A provides a **flexible mechanism** for businesses to voluntarily correct errors, reducing compliance costs and litigation risks.
- **Encouraging Self-Compliance:** Allows importers/exporters to **proactively disclose and rectify errors**, minimizing penalties and disputes.



## Key Indirect Tax Proposals – Customs

### **Establishment of Interim board in place of Settlement Commission:**

- **Relevant Provision:** Settlement Commission under Chapter XIV-A of the Customs Act- Section- 127A to 127D and 127F to 127H
- **Key changes/Amendment/Impact:**
  - A. Introduction of "Interim Board" in Place of Settlement Commission**
    - **Definition of "Interim Board" introduced** under **Section 127A** to replace the Settlement Commission.
    - **"Pending Applications" defined** to include those filed before April 1, 2025 and not been disposed of by an order before March 31, 2025.
    - **Impact:** This transition ensures pending cases are handled by the new Interim Board instead of being left unresolved.
  - B. End Date for Filing Settlement Applications (Section 127B Amendment)**
    - **New Proviso inserted:** No fresh applications for settlement shall be accepted **on or after April 1, 2025**.
    - **Pending applications** before the cut-off date will be transferred to the **Interim Board** for further processing.
    - **Impact:** This effectively **discontinues the Settlement Commission** for new cases, signaling a shift in dispute resolution policies.
  - C. Transfer of Powers to the Interim Board (Section 127C, 127D, 127F, 127G, and 127H)**

From April 1, 2025, the Interim Board will replace the Settlement Commission for pending applications and case resolutions. It will assume all powers and functions, with the authority to extend time limits for pending cases by up to 12 months.

## Key Indirect Tax Proposals – Customs

### DA Insights

#### **A. Shifting the power of Settlement Commission:**

The power exercised by Settlement commission will be transferred to Interim board for resolution or settlement of cases.

## Key Indirect Tax Proposals – Excise Duty

### Key Amendments in Excise Duty :

- **Relevant Provision:** Notification No. 11/2017-Central Excise and Chapter V of the Central Excise Act, 1944.

- **Key changes/Amendment/Impact:**

#### **Deferral of Additional Excise Duty:**

- The ₹2 per litre excise duty on unblended diesel is deferred until March 31, 2026, providing relief to the fuel industry.

#### **Abolition of Settlement Commission & Introduction of Interim Board:**

- CCESC to cease operations from April 1, 2025.
- Pending cases will be transferred to newly established Interim Boards for Settlement.
- Several sections of the Central Excise Act, 1944 (Sections 32A to 32P) are amended to reflect this transition.
- Applicable Date- 02 Feb 2025
- **DA Insights:**
  - Excise duty deferral on unblended diesel will provide temporary relief to fuel retailers but does not remove the future tax burden.

## Key Indirect Tax Proposals – Service Tax

### **Key Amendments in Service Tax:**

- **Relevant Provision:** Section 66 and 66B of Chapter-V of Finance Act 1994.
- **Key changes/Amendment/Impact:**

### **Retrospective Exemption for Reinsurance Services:**

- Reinsurance services under WBCIS and MNAIS are exempted from service tax for the period April 1, 2011, to June 30, 2017.
  - Refund shall be made of all such service tax which has been collected, but which would not have been so collected, had this provision would be in force.
  - Claim of refund to be made within a period of six months from the date on which the Finance Bill, 2025 receives the assent of the President.
- **DA Insights:**
    - Retrospective service tax exemption benefits insurance companies, preventing litigation and financial strain related to past tax dues.

## Key Indirect Tax Proposals – GST (Summary)

Section	Existing Provision	Key Changes in Budget
<p><b>Section 2 – Definitions (Clauses 61, 69, 116A)</b></p> <p><b>Amended/Inserted</b></p>	<p>Clause (61): Defined ISD but did not explicitly allow ITC distribution for inter-state supplies under RCM.</p> <p>Clause (69): Defined "local authority" but did not specify "Local Fund" and "Municipal Fund."</p>	<p>Amended:</p> <p>Clause (61): Now allows ISDs to distribute ITC for inter-state RCM supplies, referencing Section 5(3) &amp; 5(4) of IGST Act.</p> <p>Clause (69): Adds definitions of "Local Fund" and "Municipal Fund."</p> <p>Inserted:</p> <p>Clause (116A): Introduces Unique Identification Marking for Track and Trace Mechanism.</p>
<p><b>Section 12 &amp; 13 – Time of Supply for Vouchers</b></p> <p><b>Omitted</b></p>	<p>Section 12(4): Time of supply of vouchers based on supply identification at issuance.</p> <p>Section 13(4): Similar rules for vouchers in services.</p>	<p>Omission of sub-section (4) from both sections, meaning vouchers now follow regular time of supply rules.</p>
<p><b>Section 17 – ITC on Plant and Machinery</b></p> <p><b>Amended</b></p>	<p>"Plant or machinery" was causing legal ambiguities.</p>	<p>"Plant or machinery" replaced with "plant and machinery" for clearer ITC eligibility. Retroactive from July 1, 2017.</p>
<p><b>Section 20 – ITC Distribution for Reverse Charge Transactions</b></p> <p><b>Amended</b></p>	<p>No explicit provision for ISDs to distribute ITC for inter-state supplies under RCM.</p>	<p>Explicitly allows ISDs to distribute ITC for inter-state RCM supplies, effective April 1, 2025.</p>
<p><b>Section 34 – Credit Notes &amp; ITC Reversal Mandate</b></p> <p><b>Amended</b></p>	<p>Allowed reduction in output tax liability without explicit ITC reversal requirements for the recipient.</p>	<p>Supplier can only reduce tax liability if the recipient reverses ITC related to the credit note and the tax incidence is not passed on.</p>

## Key Indirect Tax Proposals – GST (Summary)

Section	Existing Provision	Key Changes in Budget
<b>New Section 148A – Track and Trace Mechanism for Specified Goods</b>  <b>Inserted</b>	No prior provision for mandatory tracking of goods under GST laws.	Government empowered to enforce a Track and Trace Mechanism using Unique Identification Marking.
<b>Schedule III – SEZ &amp; FTWZ Transactions Exempted from Supply Definition</b>  <b>Amended</b>	GST applied to certain intra-SEZ/FTWZ transactions before clearance.	Supplies within SEZs or FTWZs before clearance are neither a supply of goods nor services, effective from July 1, 2017.
<b>Section 39 – Conditions &amp; Restrictions for GST Return Filing</b>  <b>Amended</b>	Section 39(1) required returns to be filed within a prescribed time but did not specify additional conditions.	Now includes "conditions and restrictions" for filing returns, potentially linking it to ITC claims and non-payment of taxes.
<b>Section 107 &amp; 112 – Pre-Deposit Mandate for Penalty Appeals</b>  <b>Amended</b>	Section 107(6): No pre-deposit for appeals without tax demand. Section 112(8): No pre-deposit for penalty-only appeal cases before Appellate Tribunal.	10% pre-deposit of the penalty amount for appeals before the Appellate Authority (Section 107(6)) and Appellate Tribunal (Section 112(8)).
<b>Section 122B – Penalty for Non-Compliance with Track &amp; Trace Mechanism</b>  <b>Inserted</b>	No dedicated penalty provision for failure to comply with Track and Trace Mechanism.	Introduces a penalty for non-compliance with the Track and Trace Mechanism under Section 148A: ₹1,00,000 or 10% of the tax payable, whichever is higher.
<b>Section 148A – Implementation of Track &amp; Trace Mechanism</b>  <b>Inserted</b>	No prior provision mandating Track & Trace Mechanism for goods.	Mandates the Track and Trace Mechanism, including Unique Identification Marking, electronic records, and detailed reporting.

## Key Indirect Tax Proposals – GST (Summary)

<b>Section</b>	<b>Existing Provision</b>	<b>Key Changes in Budget</b>
<b>Section 20 – ITC Distribution by ISD for Inter-State Reverse Charge Transactions</b>  <b>Amended</b>	No provision for ISDs to distribute ITC for inter-state supplies under RCM.	Now explicitly allows ISDs to distribute ITC for inter-state RCM supplies, effective from April 1, 2025.
<b>Section 38 – Changes to ITC Statement Format &amp; Compliance</b>  <b>Amended</b>	Section 38(1): Refers to "auto-generated" ITC statements based on supplier uploads.  Section 38(2): Prescribed details for ITC statement.	Removes the term "auto-generated," allowing for manual interventions. Adds a new clause allowing the government to prescribe additional details.

## Key Indirect Tax Proposals – Customs (Summary)

<b>Section</b>	<b>Existing Provision</b>	<b>Proposed Amendment</b>
<p><b>Rule 6 &amp; 7 of Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022</b></p>	<p>Importers availing concessional duty benefits were required to:</p> <ul style="list-style-type: none"> <li>• Fulfill the prescribed end-use within six months from the date of import.</li> <li>• Submit a monthly statement to the jurisdictional customs officer regarding the utilization of imported goods.</li> </ul>	<ul style="list-style-type: none"> <li>• The permissible period for fulfilling the specified end-use has been extended from six months to one year.</li> <li>• Instead of a monthly statement, importers are now required to file a quarterly statement detailing the utilization of imported goods.</li> </ul>
<p><b>Section 18 of the Customs Act, 1962</b></p>	<p>No time limit for finalising provisional assessment.</p>	<ul style="list-style-type: none"> <li>• A new sub-section (1B) is inserted to provide a definite time limit of two years for finalization of provisional assessments.</li> <li>• Which may be extended for 1 more year.</li> <li>• A new sub-section (1C) is inserted, listing specific grounds where the two-year time limit will remain suspended.</li> </ul>



## Key Indirect Tax Proposals – Customs (Summary)

Section	Existing Provision	Proposed Amendment
<p><b>Section-18A, 27 and 28 of the Customs Act, 1962</b></p>	<p>No section for Voluntary revision of entry post clearance.</p>	<ul style="list-style-type: none"> <li>• Allows importers/exporters to voluntarily revise an entry (related to their goods) even after clearance within a prescribed time and conditions.</li> <li>• Section 27 amended for insertion of explanation for limitation of 1 year to be computed from payment of such duty or interest.</li> <li>• Section 28 amended with explaining “relevant date” for duty voluntarily paid as date of payment of duty.</li> </ul>
<p><b>Section- 127A-127D and 127F-127H</b></p>	<p>Settlement of cases are done through Settlement Commission</p>	<p>Establishment of Interim board for discharging duties in place of Settlement Commission.</p>

## Sector wise Customs rates changes announced by Finance Minister in Budget Speech

Sector	Proposal
Electronic Goods	<ul style="list-style-type: none"> <li>Increased BCD on Interactive Flat Panel Display from <b>10% to 20%</b>; reduced BCD on Open Cell components to 5%; exempted BCD on parts for LCD/LED Open Cells.</li> </ul>
Telecommunication	<ul style="list-style-type: none"> <li>Reduced BCD on Carrier Grade ethernet switches from <b>20% to 10%</b>.</li> </ul>
Textiles	<ul style="list-style-type: none"> <li>Exempted two more types of shuttle-less looms; revised BCD on knitted fabrics to "<b>20% or ₹115 per kg, whichever is higher</b>".</li> </ul>
Leather Sector	<ul style="list-style-type: none"> <li><b>Fully exempted BCD</b> on Wet Blue leather; exempted crust leather from 20% export duty.</li> </ul>
Marine Products	<ul style="list-style-type: none"> <li>Reduced BCD on Frozen Fish Paste (Surimi) from <b>30% to 5%</b>; reduced BCD on fish hydrolysate from <b>15% to 5%</b>.</li> </ul>
Lithium-Ion Battery	<ul style="list-style-type: none"> <li>Added <b>35</b> capital goods for EV battery manufacturing and <b>28</b> for mobile phone battery manufacturing to exempted list.</li> </ul>
Industrial Goods	<ul style="list-style-type: none"> <li>Removed seven tariff rates, leaving only eight including 'zero' rate; introduced appropriate cess and exempted Social Welfare Surcharge on <b>82</b> tariff lines.</li> </ul>
Drugs/Medicines	<ul style="list-style-type: none"> <li>Added 36 lifesaving drugs to full exemption list; added 6 to concessional 5% duty list; expanded Patient Assistance Programmes with 37 medicines and 13 new programmes.</li> </ul>
Critical Minerals	<ul style="list-style-type: none"> <li>Fully exempted BCD on cobalt powder, waste, scrap of lithium-ion batteries, Lead, Zinc, and 12 more critical minerals.</li> </ul>
Shipping Sector	<ul style="list-style-type: none"> <li>Continued BCD exemption on materials for shipbuilding and ship breaking for <b>ten years</b>.</li> </ul>
Handicraft Goods	<ul style="list-style-type: none"> <li>Extended export period from <b>six months to one year</b>, extendable by three months; added nine duty-free inputs.</li> </ul>

## Sector wise Customs rates changes announced by Finance Minister in Budget Speech

Sector	Proposal
Railway Goods (MROs)	<ul style="list-style-type: none"> <li>Extended export time limit for foreign-origin railway goods from <b>six months to one year</b>, extendable by another year.</li> </ul>
Trade Facilitation	<ul style="list-style-type: none"> <li>Introduced a <b>two-year</b> time limit (extendable by a year) for finalizing provisional assessments; introduced voluntary compliance provision without penalty.</li> </ul>
End Use for Imports	<ul style="list-style-type: none"> <li>Extended time limit for end-use of imported inputs from <b>six months to one year</b>; reduced filing frequency from monthly to quarterly statements.</li> </ul>

# Darda

Driven by Quality, Powered by Ideation

Darda Advisors LLP offers a wide range of services in the tax and regulatory space to clients in India with professionals having extensive consulting experience. Our approach is to provide customized and client-specific services. We provide well-thought-out strategies and solutions to complex problems in tax and regulatory matters. Our service offerings are:

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- Incentives, Subsidies and Grant Service
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- RBI Services



[www.dardaadvisors.com](http://www.dardaadvisors.com)



[da@dardaadvisors.com](mailto:da@dardaadvisors.com)

## Our Locations

### Hyderabad

6-3-1086, 5th Floor, Vista Grand Towers, Raj Bhavan Road, Somajiguda, Hyderabad - 500082, TS

### Chennai

13, T.K. Mudali Street, Choolai, Chennai - 600112, Tamil Nadu

### Delhi-NCR

N 93, Ground floor, Mayfield garden, Sector 51, Gurgaon, Haryana - 122018

### Bhilwara

Moti Chambers, 62&63, Sancheti Colony, Pur Road. Bhilwara - 311001, Rajasthan

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