**COUNCIL FOR LEATHER EXPORTS**

**Highlights of Union Budget 2015-16**

**1 Specific Measure for Leather Industry**

* Excise duty on leather footwear (footwear with uppers made of leather of heading 4107 or 4112 to 4114) of Retail Sale Price of more than Rs. 1000/- per pair reduced from 12% to 6% **(*This has been notified vide Serial No. 180- A of Central Excise Notification No. 12/2015- Central Excise dated 1st March 2015)*.**
* For the purposes of the above exemption, leather footwear means footwear, classified under Tariff Heading 6403 or 6405, having uppers of leather, where leather refers to goods of heading 4107 or 4112 to 4114. This concessional rate of 6% would however not apply to footwear with leather sole and textile uppers falling under CETH 6404.
* Footwear, including leather footwear, of Retail Sale Price upto Rs. 500 per pair and those with RSP exceeding Rs. 500 per pair but not exceeding Rs. 1000 per pair will continue to attract NIL and 6% excise duty respectively. Notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No.12/2015- Central Excise dated 1st March, 2015 [New S. No. 180A] refers.
* The abatement for footwear as a percentage of Retail Sale Price is being reduced from 35% to 25% for all footwear. ***Notification No.49/2008-Central Excise (N.T.), dated 24th December, 2012 as amended by notification No.3/2015-Central Excise (N.T.) dated 1st March, 2015 [S. No. 56] refers.***

The existing duty structure and duty structure as per changes proposed in Union Budget 2015-16 are given below.

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| --- | --- | --- | --- |
| **Type of footwear** | **Existing Central Excise Duty** | **Duty as per proposals in Union Budget 2015-16** | **Changes made in Union Budget 2015-16** |
| Footwear of MRP not exceeding Rs.500/- per pair | Nil | Nil | No change |
| Footwear with MRP above Rs.500/- and upto Rs.1000/- | 6% Central Excise duty with 35% abatement\* | 6% Central Excise duty with 25% abatement | No change |
| Footwear with uppers of leather with MRP above Rs.1000/- (under 6403 and 6405) | 12% Central Excise duty with 35% abatement | 6% Central Excise duty with 25% abatement | **Duty reduced from 12% to 6%** |
| All other footwear | 12% Central Excise duty with 35% abatement | 12.5% Central Excise duty with 25% abatement | Peak rate of duty will apply with 25% abatement. |

*Note : \* Excise duty for**Footwear with MRP above Rs.500/- and upto Rs.1000/- was reduced from 12% to 6% in Union Budget 2014-15 and notified vide Serial No. 180 of Central Excise Notification No. 12/21014 dated 11th July 2014 .*

**The revised duty structure will come into effect from March 1, 2015**

**General Measures**

**Customs Duty**

* There is no change in Peak Rate of Basic Customs Duty (BCD), which will remain at 10%

**Central Excise Duty**

* Education Cess and the Secondary and Higher Education Cess will be subsumed in Central Excise duty. ***Central Excise Notification No.14/2015-Central Excise dated 1st March, 2015 and Central notification No.15/2015-Central Excise dated 1st March, 2015 may be referred.***

In effect, the general rate of Central Excise Duty of 12.36% including the cesses is being rounded off to 12.5%.

* To further facilitate the ease of doing business, online central excise and service tax registration will be done in two working days. The assessees under these taxes will be allowed to issue digitally signed invoices and maintain electronic records. These measures will cut down lot of paper work and red tape. ***Central Excise (Non-Tariff) Notification No. 7/2015 and NO. 8/2015 dated 1st arch 2015 may be referred.***
* Time limit for taking CENVAT credit on inputs and input services is being increased from six months to one year as a measure of business facilitation. ***Central Excise (Non-Tariff) Notification No. 6/2015 dated 1st march 2015 may be referred.***

**Service Tax**

* To facilitate a smooth transition to levy of tax on services by both the Centre and the States, the present rate of service tax plus education cesses to be increased from 12.36% to a consolidated rate of 14%. The new Service Tax rate shall come into effect from a date to be notified by the Central Government after the enactment of the Finance Bill, 2015. Till the time the revised rate comes into effect, the ‘Education Cess’ and ‘Secondary and Higher Education Cess’ will continue to be levied in Service Tax.
* Services by Common Effluent Treatment Plants (CETPs) to be exempted from service tax with effect from April 1, 2015. ***This has been notified vide Service Tax Notification No. 6/2015 dated 1st March 2015.***

Service Tax exemption with retrospective effect from 16.6.2005 has been provided to the Common Effluent Treatment Plants (CETPs) set-up with the assistance of Central or State Government aid in the leather industry **in Union Budget 2012-13**. This was notified vide Service Tax Notification No. 1/2012 dated 17th March 2012 by amending Service Tax Notification 42/2011-ST dated 25th July, 2011. The Finance bill 2012 mentioned about the exemption being effective from 16.6.2005.

**Now, the Service Tex exemption is being extended to all CETPs irrespective of being set-up with Government assistance or not. Also, this exemption will be applicable for all CETPs across all product segments.**

* Existing exemption notification for service provided by a commission agent located outside India to an exporter located in India (Service Tax Notification No. 42/2012 dated 29th June 2012) is being rescinded vide Service Tax Notification No.3/2015 dated 1st March 2015, as this notification has become redundant in view of the amendments made in law in the previous budget, **whereby services provided by such agents have been excluded from the tax net.**
* Transport of goods for export by road from the factory to a land customs station (LCS) is being exempted from Service Tax with effect from April 1, 2015. ***Service Tax Notification N0.04/2015 dated 1.3.2015 may be referred.***
* An enabling provision is being incorporated in the Finance Bill, 2014 (Chapter VI/clause 117) to empower the Central Government to impose a Swachh Bharat Cess on all or any of the taxable services at a rate of 2% on the value of such taxable services. This cess shall be levied from such date as may be notified by the Central Government after the enactment of the Finance Bill, 2015. The details of coverage of this Cess would be notified in due course.

**Income Tax**

* The rate of Corporate Tax to be reduced from 30% to 25% over the next 4 years. This will lead to higher level of investment, higher growth and more jobs.
* There will be no change in the rate of personal income tax and the rate of tax for companies in respect of income earned in the financial year 2015-16, assessable in the assessment year 2016-17.
* Quoting of PAN is being made mandatory for any purchase or sale exceeding the value of Rs. 1 lakh
* To facilitate technology inflow to small businesses at low costs, the rate of income tax on royalty and fees for technical services to be reduced from 25% to 10%.

**General**

* Efforts will be made to implement Goods and Service Tax (GST) in the next financial year i.e. 2016-17.

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