INDIAN CHEMICAL COUNCIL - PRE-BUDGET MEMORANDUM 2016-17

SR. NO	ISSUES	JUSTIFICATION	SUGGESTION
A.	**RESTRUCTURING BASIC CUSTOMS DUTY**		
1.	Reduction in customs duty on feedstock ethyl alcohol / ethanol (22072000)	• Presently, India is a huge net importer of ethanol with estimated production of around 245 crore liters against consumption of 325 crore liters (in 2014-15). Even this does not convey the true extent of demand deficit, as some end users have stopped their consumption on economic grounds. Launch of 5% Ethanol Blending Programme with the requirement of 105 crore liters of ethanol has raised the demand. This has further increased price of ethanol available to chemical industries. Due to the inadequate supplies of ethanol in the domestic market, Indian Chemical industry is forced to import ethanol. In the past five years, ethanol has been continuously imported and in the existing scenario, the chemical industry would be dependent on ethanol imports for its major requirement. • Recently, many policies have been introduced in support of ethanol supplies going for blending like: a) Fixing of ethanol delivered price at depots of Rs 48.50-49.50/lit b) Removal of excise duty on ethanol supplies for blending in gasoline. • On the back of such policies, huge ethanol supplies are already being made to OMCs. As a consequence, ethanol availability has been very limited for the domestic ethanol based chemical industry. The chemical industry has ended up importing significant volumes of ethanol with huge forex outflow. This is disappointing to see that even with record high sugar production and ethanol in the country, domestic ethanol based chemical industry remains devoid of its key	Requesting to reduce Import duty for Industrial Ethanol to 0% in line with duty on other competing feed stock to make ethanol based chemical industry compete with alternate petro route..

		feedstock and is dependent on external market. It should be noted that local ethanol based chemical industry contributes to state revenues as well as in employment generation. • Also Products manufactured by Ethanol based chemical industry competes with products made from petro route where feedstock is derived from crude oil. Currently, import duty on industrial ethanol is 5% whereas it is nil for crude oil and 2.5% for ethylene. Hence, to make this industry competitive, a level playing field in terms of duty structure must be created.	
2.	Reduction in customs duty on feedstock methyl alcohol (29051100)	• Methanol consumption in country is estimated at 1.8 - 2.0 million tonnes and is expected to reach 2.5 million tonnes by the end of the 12th five-year plan. The current production capacity in the country is only 0.385 million tonnes/annum, thereby creating a significant gap which is met through imports, primarily from Middle East and China. • On application side, the downstream products of methanol are Acetic Acid, Formaldehyde, Di Methyl Ether, Methyl Tertiary Butyl Ether, Gasoline etc. which are major basic building blocks for majority of chemicals in India. The removal of duty on methanol will surely boost the downstream industry in creating additional capacities. There exists strong reason for investment in methanol capacity in the country, but these are limited by feedstock (naphtha and natural gas) availability. In such a scenario, the government can incentivize the development of downstream industry by removing custom duty on methanol until such time adequate capacities are created in India.	Basic customs duty on Methyl Alcohol should be reduced to 0 %
3.	Reduction of custom duty	• Acetic acid is an important organic chemical and critical	On this regard in order to benefit the domestic

	on acetic acid (HS 29152100) from current 5.56% to NIL	building block/raw material for various downstream industrial chemicals like ethyl acetate, acetic anhydride, poly vinyl acetate etc. India is net exporter of these downstream products. • Further, India is net importer of acetic acid as current domestic capacity is not sufficient to meet the demand. Current domestic demand of acetic acid is around 8.0 lakh ton p.a. while the production is only 1.5 lakh ton p.a. also out of this 1.5 lakh ton production, 50,000 ton is used for captive consumption thereby leaving only 1.0 lakh ton available for domestic market. This creates a gap of 6.5 lakh to 7.0 lakh ton p.a. which is met through imports. • There is only one producer of acetic acid and no new capacity planned in near future, thus compelling the downstream producers to depend on imports and same is expected to continue in near future.	manufacturer and keep them competitive in global market in downstream products, it is recommended to reduce the custom duty on acetic acid from current 5.56% to NIL.
4.	Raising customs duty on poly vinyl chloride (390410,390421,390422)	• Indian import duty on PVC, at 7.5%, is still far lower than that prevailing in comparable economies (kindly refer to the Table for details). This is resulting in very poor margins for domestic manufacturers, leading to a complete disinterest in capacity additions. For instance, the last Greenfield PVC plant was set up in 2009 and in the last 6 years, there has been no other significant investment in creating capacities. • Thus, India is even today excessively reliant on imports to meet its PVC demand, with demand expected to exceed 2.7 mnmt in the current financial year, while capacity is virtually stagnant at 1.4 mnmt. The gap is likely to widen more and more in future years as demand is growing at a CAGR of 10% while no capacity additions are on the anvil (Kindly refer to the Grapgh below for details). At this rate, domestic	To redress this situation, it is requested that duty on PVC be raised to 10% from the present level of 7.5%.

		downstream processors will find it difficult to secure PVC resin supplies even from international sources in about another 5 years. It is thus imperative for India to add to domestic PVC manufacturing capacity to nurture growth in the downstream sector. • Articles of plastics also attract only 10% as Basic Customs Duty – but it may be pointed out here that several countries do not have any differential between the basic polymer and articles made out of these – for the later have an inherent protection in terms of logistical issues in imports. This move will result in a positive revenue impact of around Rs. 190 crores.	
5.	Reduction of customs duty on key intermediates ethylene dichloride (EDC) (HS 29031500) & vinyl chloride monomer (VCM) (HS 29032100)	• There is no local manufacture of these products for merchant sale in the Indian market; hence no Indian manufacturer will be affected by bringing down customs duty to nil. • Facilities to manufacture these intermediates are usually set up only for captive use. This proposal will therefore not impact setting up of such facilities • In countries with developed petrochemical infrastructure, these are sourced off pipeline; in India, VCM is shipped under highly specialized conditions involving huge logistics cost, making domestic manufacturers uncompetitive compared to their international counterparts. • For a few years until the petrochemical infrastructure is set up, and made available, it is requested that the duty be waived for these products. • The revenue impact is reasonably small at around Rs. 90	Import duty on EDC & VCM currently at 2% , needs to be brought down to 0%

		crores, which is more than made up by the increased revenue that can accrue from an increase in Basic Customs Duty (BCD) on PVC resin.	
6.	Reduction of customs duty on Ortho-Xylene (29024100)	• Ortho-xylene is key feedstock used in the manufacture of Phthalic Anhydride. By this duty reduction, the Indian PA industry will consume more Ortho Xylene which is produced in India and is exported at lower realizations than what it fetches domestically in India. • The sole supplier of OX (raw material of PA), exports over 220,000 tonnes/annum to the Far East, and a good portion of this is re-imported from the Far East as finished product PA.Thus, current duty structure creates Value Addition, Employment and Investment in the Far East, and not in India. • This gross anomaly, which supports foreign manufacturers at the expense of the domestic industry for the Indian market, needs immediate correction. • The duty correction will reduce the “price-burden" faced by producers, as domestic pricing is severely dependant on prices of Imports.	Import duty on Ortho Xylene currently at 2.5%, needs to be brought down to 0%
7.	Raising customs duty on Phthalic Anhydride (29173500)	• Over the last 5 years, due to inverted duties and very low Basic import duties, there has been a strong incentive to flood the Indian market with products from overseas. • This has led to serious damage to the vibrant and critical domestic Industry. • Imports of Phthalic Anhydride into India have grown by more than 400%. • Indian Import duty on Phthalic Anhydride is far lower than those in other countries. In addition, due to the Trade agreements with Korea, Japan and ASEAN countries, there is	Import duty on Phthalic Anhydride needs to be raised to 10% from the present level of 7.5%

		an effective ZERO differential duty on raw material Ortho-xylene (OX) and final product, Phthalic Anhydride (PA), and negative value addition from OX to PA , while other countries like the EU, Korea, US have a healthy 20-30% value addition • India has world class manufacturing plants, with capacity of 300,000 MT per annum, which had been exporting over 80,000 tonnes/year to Europe, Middle East and the Far East over 4 years ago. Currently, most of this capacity is lying idle. As Petrochemical plants need to operate at over 90% capacity to be viable, international producers, in view of lack of demand in their own countries, sell excessively in India at a distress price. • Even the requested duty correction will give the Indian industry a value addition of only 12.5% as against 20-30% value addition in all other countries.	
8.	Custom duty on LNG / Natural Gas (HS 27111100) / (HS 27112100)	Natural gas is vital input for chemical industry as energy source as well as feedstock for petrochemicals (higher fractions). All feedstock and energy products are at 0% level in most countries.	Indian duty hence needs to be aligned with global duty structure and brought down to 0%.
9.	CVD on UF Membrane Modules (HS 842121)	Present CVD applicable is 10%. However ultra-filtration technology using Polyacrylonitrile membranes or Polysulphone membranes is Nil. The UF module /purification equipment of using PVDF material is more rugged in terms of strength (elongation & tensile) and also has better resistance to chemicals like chlorine and is ideal for applications like **waste water treatment, water recovery, recycle& zero discharge**. This would help encourage the adoption of an efficient, robust UF of PVDF technology without limiting operational efficiency.	Need for Waiver of CVD for UF membrane modules of PVDF material for treatment of water and waste water for recycle and reuse.

		The technology facilitates excellent removal of colloids, particles, and bacteria. The present technologies that have been granted nil CVD are appropriate only for limited applications, especially waste water /recycle/zero discharge. Thus, use of PVDF UF applications is very important from sustainability perspective. With the focus of the Prime Minister's "Ganga purification" project & "Smart Cities" project (as well as other major water bodies of the country) encouraging efficient technology for Waste water treatment adoption becomes imperative.	
10.	Niacinamide covered under HS 29362920 to be removed from restricted list on imports from SEZ	• Niacinamide was put into the restricted list of imports from SEZ mainly to protect some small scale industries who were only the producers of this product many years ago. However, since then the requirement of Vitamin B3 globally has been consistently growing at a growth rate of 5-7% and the total market has reached in excess of 50,000 MT per year globally. • However, it is pity that this world class quality product from SEZ which is physically located within India is not able to cater to the requirement of Indian customers because the product is listed in the restricted list and hence Indian customers still have to buy material from other manufacturers only.	Indian customers are suffering due to non-availability of quality world class product, though it is being physically produced in India. Hence it should be removed from negative list of Imports from SEZ within India and can be retained in overall negative list of imports into India.
11.	Higher duty rate applicable on Imports made by US from India resulting in less Exports Agreement such as TPP would discourage 'Make In India' after several commitments by US	Recently concluded Trans-Pacific Partnership(TPP) Agreement between US and Pacific Rim countries has reduced preferential duty rates substantially which dis-incentivize Exports from India Impact of aforesaid agreements on FTAs like APTA, etc. signed by India with other countries	Re-negotiate preferential rates of Customs duty with US and other developed countries for outflow of Exports from India and also inflow of technology and R&D activities into India Such preferential duty rates rate would encourage 'Make in India' campaign as trade facilities are conducive to manufacturing

	companies for manufacturing in India		Lower Excise duty rates would make manufacturing competitive in India as well as in Exports
12.	Issue a clarification that Agrochemical Technical and Intermediaries (classifiable under Chap 29 of CTA) which are being used in manufacturing of formulated Insecticides/ Pesticides (Classifiable in Chap 38 of CTA)	Recent destruction of Cotton crop in Punjab and other locations in India due to untimely rains, counterfeit insecticides and agrochemicals, old agrochemicals being used for agriculture, etc.	Inflow of new agrochemicals at cheaper rates would not only help Indian farmers in reducing cost of agriculture but also retains agricultural productivity i.e. less damage due to standing crops by insects/ pests/ weeds
13. a.	• Re-instating import duty from ASEAN countries to 10% for the following Chapter 40 sub-headings under which Synthetic Rubber and Synthetic Rubber Latex products are imported: 4002.11.00, 4002.19.20, 4002.91.00, 4002.51.00	• Import Duty of Synthetic Rubber Latexes and Synthetic Rubber from ASEAN countries which have Free Trade Agreements with India, has been gradually reducing from 10% since 2010 and now it has reduced to 0% w.e.f. January 1, 2014. • The concern is that imports of Synthetic Rubber Latex from Indonesia and other FTA countries are at 0% import duty against raw materials import duty of 2.5% (Styrene Monomer and Butadiene). These raw materials are not available from ASEAN countries so we are not able to take advantage of the FTA provisions.	• It is requested to re-instate import duty from ASEAN countries to 10% for the following Chapter 40 sub-headings under which Synthetic Rubber and Synthetic Rubber Latex products are imported: o 4002.11.00 o 4002.19.20 o 4002.91.00 o 4002.51.00
13. b.	• Restructuring import duty on Styrene Monomer (HS 29025000)	• Since Styrene Monomer and Butadiene make up 90% of the Raw Material cost this has affected Indian manufacturers adversely. Traditionally imports of Synthetic Rubber Latex have been coming only from Europe where 10% import duty was fairly levied so we had not been affected in the past but over the last 3-4 years large amounts of imports have started coming mainly from Indonesia adversely affecting our company's business.	• Therefore requesting to reduce import duty on Styrene Monomer to 0%.

		▪ Styrene Monomer which is a critical raw material for the Synthetic Rubber industry has no manufacturer in India. The entire Styrene Monomer requirement is imported from countries like Saudi, Kuwait, etc. where 2.5% import duty is levied.	
13. c.	• Restructuring import duty on Butadiene	▪ Butadiene is another critical raw material for the Synthetic Rubber industry where 2.5% import duty is currently being levied. There is effectively only 1 supplier of Butadiene in India (IOCL) and since pricing is being done on the basis of imported Butadiene including freight (which is very high), the cost of Butadiene is highly uncompetitive in India compared to most other countries. There are two other manufacturers of Butadiene in India (Reliance Industries Ltd. and Haldia Petrochemicals Ltd.) but they do not supply anymore to the Indian Butadiene consumers.	▪ Also, to improve the competitiveness of the industry it is requested to reduce import duty on Butadiene to 0% as well.
14.	• Restructuring import duty on Acrylamide and Polyacrylamides	▪ Kurkumbh plant of dry granular Polyacrylamides belonging to Dai-Ichi Karkaria Ltd was the only plant in India which produced International quality products in continuous process. Polyacrylamides are required by all industries for waste water treatment. The expansion plan of the company never worked because of the large scale imports of Polyacrylamide to India. ▪ In fact this situation has worsened due to availability of Polyacrylamide in India at cheaper prices than manufactured in India. India consumes around 5000 MT/yr of the product except the petroleum industry. about 8000 MT/Yr of Polyacrylamide is imported every year. A large scale of acrylamide and polyacrylamide are being dumped into India from China. ▪ Acrylamide and acrylic acid which are the raw materials for	▪ Requesting to reduce the import duty on acrylamide from 7.5% to nil Duty (Acrylic acid, another raw material is available at 0% Duty as per FTA). ▪ Requesting to raise the Import Duty of Polyacrylamides from 7.5% to 15% or to impose Anti Dumping Duty. ▪ Requesting to put an end to the dumping of Polyacrylamides to India and allow the Indian manufacturers to sustain and serve the Indian manufacturing Industry in the best possible way.

		the manufacture of Polyacrylamide are at present imported items. Both acrylamide as well as Polyacrylamide attract the same duty % which is 7.5% ▪ India has got a few powder grade polyacrylamide manufacturers. But the total installed capacity is not more than 2000 MT/Yr. All the Indian Polyacrylamide manufacturers are in a serious problem/ threat from imported polyacrylamides.	
15.	• Restructuring Duty on PTA (HS 29173600) and MEG (HS code: 29053100)	▪ Polyester is the key pillar of India's robust synthetic fibre industry. Indian manufacturers have made substantial investments in creating domestic capacities of fibre intermediates like PTA and MEG. ▪ However massive Chinese surplus capacity of PTA and MEG pose a serious threat to these investments today.	▪ It is proposed that duty on PTA (HS 29173600) and MEG (HS 29053100) may be raised from existing level of 5% to 7.5%. ▪ This will not only help rationalize the tariff structure for the polyester sector but will also improve the duty spread between these products and their feed stocks Naphtha thereby, supporting domestic manufacturing.
16	• Restructuring Import duty on nitric acid	▪ Nitration products are not competitive with respect to China due to high prices of nitric acid	▪ Reduce import duty for nitric acid from 10% to 2.5%
17	Clay 2 Powder (Alumax) - HS Code 2818 2090 is imported by us for coating the ceramic substrate in the manufacture of catalytic converter is not eligible for concessional duty.	Presently for the manufacture of Catalytic converter, Precious metal and substrates imported are getting duty exemption under notification no.12/2012 - Customs dt 17.03.2012 at a concessional rate of 5% flat.	Clay 2 Powder (Alumax) is also a vital ingredient in the manufacture of Catalytic converter and concessional duty may be extended for this item and a notification may be issued.
18	Physical verification Free Trade Agreement	• It is being made compulsory that physical verification of a product which is being exported for the first time under an FTA (for example to Korea, Japan etc.) is compulsory.	• It is suggested to create uniformity in the required documents / information for all FTA agreements.

		• There is no uniformity in requirement of documents/information from the government agency. • Waiting time at the counter of government agency need to be reduced. • The process of physical verification of goods is very time consuming. It takes more than 7 calendar days to schedule date & time of physical verification of goods after submitting application for the same which causes delay in shipment, missing the planned vessel, etc.	• It is suggested that getting Preferential certificate for exports should not be stopped even though a new product to countries like Korea, Japan, is being exported. Let the physical verification takes place and simultaneously a certificate should also be issued which would avoid delayed shipment and cancellation of export orders.
19	Free Trade Agreement certification	Getting preferential certificate of origin from Export Inspection Agency is a tedious process.	As per the recommendation already given when policy is framed under Director General of Foreign Trade, it is suggested that the certification be allowed by the exporter itself having star export certificates. This would reduce the transaction cost for exports and speedy documentation (as is already being done for GSP certification for exports to USA)
20	Genuine mistakes in Export shipping bills and Import Bills of Entries	It is a very big issue that when there are typographical errors or human errors happen in the above documentation, there is no rule written in the Customs Law how easily it can be rectified without paying penalties or punishing the genuine importers or exporters.	It is strongly recommended that there has to be a provision in Customs law for genuine mistakes and errors and atleast for exporters having star export house certificates must be given chance for easy correction at the lowest customs authority level itself for genuine mistakes done in the above documentation.
21	Applicability of Rate of interest for the goods imported when export obligation is not completed	As per customs notification no. 18/2015, for the goods against advance license, one of the condition (no. 4) specifies that the interest will be payable at the rate of 15% for the excess import with reference to export. However, at the port of clearance, when we approach for payment of interest, they insist to pay interest at the rate of 18% per annum as per section 28 AB of customs act 1962.	We recommend this anomaly and customs should charge only 15% as per the condition specified in the notification no. 18/2015.

22	Condition of utilization of imported raw material against advance licence	• Paragraph 4.16 of of Director General of Foreign Trade Policy indicates that Advance authorization or materials imported against advance authorization shall be subject to actual user condition. The same shall not be transferable even after the export obligation is completed. This is not an issue at all. • However, Authorization holder will have the option to dispose of the product manufactured out of the duty free input once export obligation is completed. This one line is an issue for chemical industry wherein multi products are manufactured (with reaction based multi-step products) having same raw materials and these products which are manufactured are sold indigenously as well as exported. • When a product is imported, since majority of the product manufactured are exported or sold indigenously, at the moment of manufacture of material, it is not possible to say from where the company will get an order for the finished goods. It could be indigenous order or an order for Export product. If there is no export order, but company has stock of the product, although it is manufactured out of the duty free product, does the above paragraph mean to say that we should not sell the finished goods locally at all unless export obligation is not completed? This is an impossible task. • Further in this industry, there are continuously raw materials are being imported, with some are duty paid and some are under advance license, and with a multi-level step products having one	The advance license has already has a very strict condition that the imported material should not be sold or transferred as it is. It also has a specific condition that export obligation needs to be fulfilled within the time permitted. Hence, the recommendation is that the clause reading "However, Authorization holder will have the option to dispose of the product manufactured out of the duty free input once export obligation is completed" from the Import policy of DGFT must be removed.
23	Special valuation branch order (SVB order) from customs	• Currently whenever SVB order is expired, before 3 months of expiry, the importer should approach customs authorities giving various standard details required in order to prove that the price of the imported products are not influenced by the	• However, when one or two times renewals are given to a company after every 3 years, it is obviously customs should have a notification

		relationship with the supplier. If it is done for the first time, it takes more than 1 or two years to get the SVB order due to various questions are being asked to prove the above. It is absolutely fine.	clearly indicating that the renewal must be sanctioned, especially for star export houses, within 4 months of application. It should be a very simple process. • Else this creates a huge outflow of transaction cost viz. 1% Revenue Deposit needs to be paid to customs and if it takes 3 years to get renewal, crores of rupees are being paid to customs as revenue deposit and getting the same back from Customs takes another more than one year's time.
24	Custom duty rates at the level of WTO allowance of Pyridine & its derivatives, Ethyl acetate (HS code 29153100) and acetic anhydride (HS code 29152400)- All Under Chapter 29	• India is amongst the largest producer and net exporter of pyridine & its derivatives, ethyl acetate and acetic anhydride. It has quality product and sufficient capacity to meet the exports and domestic demand. These products also generate considerable forex earnings to the exchequer. The increase in custom duty rates at the level of WTO allowance will help the domestic industry to protect their interest and encourage more investment if required to meet up the additional demand. • Also these intermediates are key building blocks/intermediates for pharma, agro & specialty chemical applications and discouraging the imports of these products will further strengthen India's position in global value chain (GVC) by firming up the domestic value add component. It will also encourage the Indian manufacturer to have control on entire value chain of the product. • It will also be worthwhile to note that GoI has already	• Request to increase Custom duty rates at the level of WTO allowance of Pyridine & its derivatives, Ethyl acetate (HS code 29153100) and acetic anhydride (HS code 29152400)- All Under Chapter 29

		identified China as major threat to Pharma and Agro industries. Indian Pharma and Agro industry (mainly Active producers in India) are now highly dependent on Chinese intermediate suppliers. These Chinese suppliers constantly putting pressure on domestic manufacturer in terms of lower price supplies and if we do not put deterrence with necessary higher duties, the Indian manufacturer will be adversely impacted both in terms of capacity utilization and profitability.	
B	**RESTRUCTURING INVERTED DUTY**		
1.	Restructure customs duty on Poly Ethylene Terephthalate (PET) (39076090) by raising from 5% to 10%)	• While most of the major plastic raw materials attract the duty of 7.5%, duty on Poly Ethylene Terephthalate (PET) continues to be 5%. Example, Purified Terephthalic Acid (PTA) (HS 29173600) is a major raw material for PET. If the import duty on PTA, a major raw material of PET is hiked to 7.5%, then the import duty on PET which is currently at 5% is not sustainable and it should be attuned to 10%. This duty anomaly should be corrected and import duty of PET should be raised to 10%. •Sharp increase in imports of PET Resin (Polyester chips) was seen in FY-2014-15, at 157,943 MT as compared to 98,669 MT in FY 2013-14. Also, in the first quarter of FY 2015-16, imports were seen at 63,123 MT, reflecting an increase of 60 % over the same period of FY 2014-15 and a 155 % increase over FY 2013-14. (Source DGCIS). •PET industry operates at a very low margin and the sudden influx of low cost imports at unreasonable prices over the last few years has been a serious threat. •PET domestic capacity is around 1.8 million MTA, whereas consumption is around 0.80 million MTA. The surplus 1.0	It is requested to kindly raise the duty on Poly Ethylene Terephthalate (PET) from 5% to 10 %.

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<tr><td></td><td></td><td>million MTA is exported to more than 50 countries depending on the operational capacity of the producers.

• PET manufacturers have made significant investments towards creating large production capacity and ensuring adequate availability of the material in the country. This has played a vital role in fuelling the growth of the retail sector in our country and would continue to do so in the coming years.

• Import duty on key commodity plastics like Polyethylene, Polypropylene, Poly Vinyl Chloride and Polystyrene was increased in May 2014 from 5 % to 7.5 %. It is unfair that PET continues to remain at 5%.

• PET industry in India is facing significant import competition in view of low customs duty protection granted to this industry.</td><td></td></tr>
<tr><td>2.a.</td><td>Duty inversion caused due to FTAs on Hydrogen Peroxide (HS 28470000)</td><td>• There are several products where Duty inversion is caused due to FTAs. For example, Hydrogen Peroxide (used for bleaching) when imported from ASEAN countries attract duty at 2.5%, per the recent Notification No.46/2011 Sr. No. 2 Item 30 (1).

• Through the SAARC arrangement, imports from Bangladesh attract 0% duty and imports from Pakistan attract 5.5% duty at BCD Levels. Imports from Korea attract a duty of 6.5%. While imports from other sources of origin the duty is 7.5%. The Customs Duty for the imported Raw Materials and Key ingredients is 7.5% as given below:

<table><tr><th>Chap. No.</th><th>Import Product</th><th>BCD %</th><th>Import</th></tr></table></td><td>The duty on the raw materials should be brought down to 0%.</td></tr>
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<tr><td>2914.69</td><td>2 Ethyl Anthra-quinone (2EAQ)</td><td>7.5</td><td>China</td></tr>
<tr><td>38151900</td><td>Fresh Catalyst (2%Palladium Content)</td><td>7.5</td><td>Germany</td></tr>
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With raw material available at such high tariff (7.5%) and the finished product available at 0%, it not only harms the domestic producers, but also results in large imports and dollar outflow. The duty on the raw materials should be brought down to 0%.
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<td>2.b.</td>
<td>Clarification of Custom Duty of 2-Ethyl Anthraquinone (HS 29146100)</td>
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2-Ethyl Anthraquinone is the prime raw material for manufacturing of Hydrogen Peroxide.
ICC, in its Pre-Budget Memorandum had recommended correction for Inverted Duty with respect to manufacture of Hydrogen Peroxide.
Accordingly, in the last budget, the Government has reduced the basic custom duty on Anthraquinone from 7.5% to 2.5%. Notification No. 12/2012-Customs, dated 17th March, 2012 as amended by notification No. 10/2015-Customs, dated the 1st March, 2015 [new S.Nos. 181A] refers.
In the past, both 2-Ethyl Anthraquinone and Anthraquinone were cleared by the customs under HS code 29146100 with the Basic Custom Duty of 7.5%. However, when a recent consignment of 2-Ethyl Anthraquinone was being cleared, the custom authority have mentioned that 2-Ethyl Anthraquinone falls under category “Others” under Quinones with HS Code

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It is therefore necessary to advice the customs authority to give clarification that the customs duty on Anthraquinone (29146100) and other derivatives i.e., 29146910 (1, 4-Dihydroxy Anthraquinone), 29146920 (Methyl Anthraquinone) and 29146990 (other) will stand reduced to 2.5%.
Alternatively, the basic customs duty specifically on HS Code 29146990 under which 2-Ethyl Anthraquinone falls which is used for manufacturing Hydrogen Peroxide should be clarified as 2.5%.

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		of 29146990 and the new Basic Custom Duty of 2.5% for Anthraquinone is not applicable for 2-Ethyl Anthraquinone.	
3.	Inverted Duty Structure	• An inverted duty structure refers to a situation where manufacturers have to pay a higher duty on raw material while the resultant finished product attracts lower duty. In the absence of a duty refund mechanism, this coupled with service tax credit, which a manufacturer is entitled to as a service receiver, results in accumulation of credits over a sustained period of time. • This is more acute where the manufacturer sources most of his raw materials from abroad and value addition on finished product is not very high. • For example, on import of intermediate raw materials, a Company claims 17.74% credit on Customs Duty while the corresponding finished product is charged to 12.36% duty. This means that to fully utilize the credit, Company has to have a value addition of at least 45%. After taking into account the service tax credit, the accumulation gets even higher with no corresponding liability to set-off. This results in significant blockage of working capital funds and therefore entails higher interest cost to carry on business in India.	A legal provision to refund such unutilized credit at the end of every financial year will bring relief to all such manufacturers and will act as a catalyst for encouraging Investments in setting up manufacturing facilities in India in line with the announcement made by the Hon'ble Prime Minister of 'Make in India'
4.	Inverted duty structure in Soya based Product both under Chap 2106 and 3504	• Explanatory Notes to Chapter 3504 of HSN (issued by WCO) provide 'Isolated Soya Protein' to be classified so where Protein content is generally not less than 90% which is directory not mandatory. • No such notes provided either in Chap 2106 or in Chap 3504 of Customs Tariff Act, 1975 (CTA)	Rectify Customs Duty structure all types of protein covering same from differential classifications from Chap 2104 and 3504 to single chapter i.e. Chap 3504 of CTA providing lower rate of duty to proteins

5.	Duty inversion between Phthalic Anhydride (29173500) - Orthoxylene (29024100)	• Orthoxylene (29024100) is a key feedstock, and the only Raw Material used in the manufacture of Phthalic Anhydride, which serves a wide range of chemicals which find application in infrastructure, polyester resins, agricultural pipes, paints and dyes. • The high duty on Orthoxylene has made the domestic manufacturing of Phthalic Anhydride uncompetitive in India, leading to surge in imports and declining exports of this product. • There is a severe case of duty inversion here where the duty on Phthalic Anhydride (Finished Product) from major producers Korea, SEA countries is 2% -- and will further reduce to 0% by 2016 due to the ASEAN, other FTAs. • This is resulting in a negative duty spread between Raw Material and Finished product of minus (-) 2.5%, which was originally +2.5% till a few years ago. Orthoxylene is the only Raw Material used for the manufacture of Phthalic Anhydride.	Requesting the duty on Orthoxylene is to be made 0 %
6.	Accumulation of credits over a sustained period of time and refund of such unutilized credit. In Union Budget 2015, the Govt. partially addressed this issue by reducing basic customs duty on inputs, intermediates and reduction in SAD to incentivize the	• Base Polyol (HS Code 3907 20 10, 3907 20 90) • % value of total material cost – 90% • Tariff Structure : Cenvat credit - CVD: 13.44% SAD: 4.86% • Cenvat liability - Excise duty: 12.50% • An inverted duty structure refers to a situation where manufacturers have to pay a higher duty on raw material while the resultant finished product attracts lower duty. In the absence of a duty refund mechanism, this coupled with	A legal provision to refund such unutilized credit at the end of every financial year will bring relief to all such manufacturers and will act as a catalyst for encouraging Investments in setting up manufacturing facilities in India in line with the announcement made by the Hon'ble Prime Minister of 'Make in India'.

	manufacturers. However, this was mostly confined to the IT industry.	service tax credit, which a manufacturer is entitled to as a service receiver, results in accumulation of credits over a sustained period of time. • This is more acute where the manufacturer sources most of his raw materials from abroad and value addition on finished product is not very high. • For example, on import of intermediate raw materials, a company claims 18.30% credit on Customs Duty while the corresponding finished product is charged to 12.50% duty. This means that to fully utilize the credit, Company has to have a value addition of 50%. After taking into account the service tax credit, the accumulation gets even higher with no corresponding liability to set-off. • This results in significant blockage of working capital funds and therefore entails higher interest cost to carry on business in India. Additionally, if accumulation of credit keeps on increasing with no visibility of its decline, Auditors may ask the company to write-off the credit treating it as a paper asset. This will be direct hit to the bottom-line of the company.	
7.	The duty on synthetic rubber	• The duty on synthetic rubber varies from Nil to 10% right now. (While for Natural Rubber is >25%) • Some Synthetic Rubber sources have nil/concessional duty like ASEAN Korea, Thailand & Japan (due to FTA) but the imports from EU & US are 5% to 10 % (higher than Tyres)	Since there is not adequate availability from local sources, the government should try to provide a level playing field for imports from all sources From the perspective of Inverted duty structure, we can argue that sources from Europe & US which currently have a high import duty can be looked at for some concession/reduction in duty to rectify the anomaly and provide more

			competitive options to the domestic consumer. Harmonized System Codes (HS Codes) where duty reductions requested are : SBR : 40021910 : 40021990 PBR : 40022000 Regular Butyl (IIR): 40023100 Halo Butyl(HIIR and CIIR): 40023900 NBR : 40025900 CR : 40024900 HNBR : 40025900 EVM : 39052900 EPDM : 40027000
C.	**CENTRAL SALES TAX**		
1.	CST Act does not contain any provision for neutralization of tax levied on materials resulting in export of taxes.	• While CST paid by an EOU is reimbursed and an SEZ is able to purchase the product tax free, CST is a cost to the domestic tariff area manufacturer exporter. • Since State VAT enactments already contain a provision for refund of VAT which is used in export goods, States may not have an objection for such an exemption in the CST Act or even refund of CST paid on inputs. • Amendment required in - CST Act – Section 8.	CST on raw materials/inputs needs to be exempted or refunded to such domestic exporters
2.	While under the SEZ Act, such sales are treated as an import transaction for	• If such sales are treated as “Sale in the course of import under Section 5(2) of the Central Sales tax Act, 1956, they will	In order to encourage more domestic sales and also to ensure that the cost of the finished products is reduced, it is requested that such

	the purpose of levy of Customs duties, when it comes to the sales, such transactions are not treated as sale in the course of import.	be exempt from levy of CST. In that event, Special additional duty (SAD) of 4% is leviable on such transactions. Presently, when such goods are cleared into domestic tariff area, there is an exemption from SAD but CST is payable. As your goodself is aware, CST is a cost to the buyers and no credit is available. However, SAD is cenvatable and hence the buyers who are manufacturers or dealers in excise, get the credit back. • The SEZ Act allows units in the zones to sell as much as they want to in DTA provided their overall foreign exchange earnings is more than the foreign exchange spent by them. • However, payment of CST on domestic inter-state sales makes the products costly and thereby uncompetitive in the markets.	sales from SEZ units to DTA units should be treated as sale in the course of import and exempt from levy of CST. An exemption at this point in time will help SEZ units in keeping the CST element out of their pricing consideration. Since supplies to SEZ from DTA areas is treated as Exports and or exempt from CST against Form I, sales from SEZ to DTA should be treated as sale in the course of import only.
3.	Collecting and providing C-forms for central tax is a major issue Central Sales Tax	• The department does not provide adequate quantity of the C forms and therefore a continuous follow-up is required at both ends.	Requesting it could be made electronic or scrapped all together that will be of a great help to the industry.
4	Sale from Bonded Warehouse under CST Act	• The issue is that in some states a sale effected by transfer of documents of title of goods when the goods are in bonded warehouse are not considered as sale in course of import and thereby there is VAT or CST liable even though the goods are not cleared from the custom bonded warehouse • Some states allow these sale from bonded warehouse and considers as High Sea Sale as per Sec 5 (2) of the CST Act saying the sale is effected by transfer of documents of title of goods before the goods have crossed the custom frontiers of India whereas in fact the goods are actually lying in the bonded warehouse	• There has to be clarity and transparency in the law wherein a sale from bonded warehouse can said to have taken place before the goods have crossed the custom frontiers of India so as to term as Sale in the course of Import (HSS) and consequently not liable to VAT under local Sales Tax Acts and as per Sec 5(2) of CST Act. • There has to be no conflicting decisions on the issue by the assessing officers. • Transparency whether any sale subsequent to clearance of goods for warehousing would be a

		• Wherein some states do not allow the said transaction as High Sea Sale and the matters are still lying with the High Courts and Supreme Court of India.	local sale liable to Sales Tax under Local Sales Tax Act. • Sec 5(2) of the CST Act is the relevant provision for "High Sea Sale" which should not contradict or have ambiguity with Sec 2(ab) which defines "Crossing the customs frontier of India" and specify the impact of sale from custom bonded warehouse.
D	**PROCEDURAL ISSUES AND CENVAT**		
1.	Automatic payment of interest on delayed drawback	• There is a legal mandate to pay interest on drawback. Interest payment is automatic. Hence, software should be amended in a way that interest is credited to the account of the exporter beyond 30 days of delay from the date of let export order.	Interest needs to be paid on delayed sanction of drawback
2.	Refund of customs duties to SEZ Section 27 of the Customs Act	• Presently there is no procedure for refund of excess customs duty paid by an SEZ on its domestic sales. While customs department is of the view that this should be refunded by SEZ authorities (Read Ministry of Commerce) as there is no provision in the Customs Act 1962, SEZ authorities are of the view that there is no provision to refund customs duties in SEZ Act/Rules.	Since duty is paid under the Customs code, in our view refund should also be sanctioned by customs authorities. Gujarat High court has also taken view that customs duty refund should be sanctioned by Jurisdictional Commissioner of Customs. Hence, until a procedure in provided in the SEZ Act/Rules, Customs should sanction such refund claims.
3.	Proper mechanism to get the import duty back.	• Godavari Biorefineries have 100% EOU unit in Maharashtra and they import the MEK on their own without paying the basic import duty of 7.5%. However sometimes they have to purchase imported MEK locally from the traders. • **In such cases the basic price includes the import duty and there is no mechanism to get this duty component back.**	There need be a proper mechanism to get this duty back.

		• MEK being Narcotics-controlled item, they cannot buy on either 'Bond Transfer' or 'High Seas Sale' basis.	
4.	Dispensing off requirement of original Redemption/ EODC and DGFT attested "export statement" for Bond/ BG cancellation by Customs	• On receipt of Redemption/ EODC against Advance License/ DFIA/ EPCG License from the Regional office of DGFT, exporters have to apply for cancellation of Bond/ BG with the concerned office of Customs. • Though original Redemption/ EODC marked to Customs directly by DGFT, even though customs officer asked to submit all documents on the basis of which redemption/EODC is issued and then they verify again the documents. • This is an absolutely duplicity of work	It is wished to emphasize this is an absolutely duplicity of work as Bond/ BG should be cancelled on the basis of Redemption/ EODC received by Customs directly from DGFT. There should be no requirement from exporter to submit the same document again and requirement of DGFT attested export statement should also be dispensed off. This will not only simplify the procedure of Bond/ BG cancellation but also reduce transaction cost.
5.	Mandatory pre-deposit of 7.5% or 10% at the time of filing appeal	• Central Excise/Customs/Service Tax laws were amended from August, 2014 to introduce mandatory pre-deposit of 7.5%/10% at the time of filing appeal. • This had replaced the earlier system of filing stay petition and considering the prima facie merits of the case before deciding whether the assessee needs to make any pre-deposit. • As a result, assessees are now mandatorily required to deposit 7.5% or 10% of the demand amount irrespective of whether there is any merit in the demand or not. Considering the fact that in most of the cases appeal petition is heard after several years from the date of filing the appeal, this mandatory pre-deposit is turning out to be a major drain in the working capital of the assessees.	The position prior to 6.8.2014 should be restored. Else, a maximum time frame of 6 months should be provided within which appeal should be decided by the appellate authority
6. a.	Transfer of CVD credit to another unit	• Rule 10A of the Cenvat Credit Rules, 2004 allows transfer of Cenvat credit of additional duty leviable under Section 3(5) of the Customs Tariff Act to another excise registered premises	Provision should be made in the Cenvat Credit Rules allowing transfer of CVD to another excise registered premises in the same line with

		of the same manufacturer having common PAN. • However there is no such provision for transfer Cenvat credit of CVD which is levied under Section 3(3) of the Customs Tariff Act.	additional duty of Customs. This will help working capital management of the assessee to a great extent.
6. b.	Transfer of BED credit to another unit	• Similar to point 6.a. of draft there is no provision under Rule 10 A of Cenvat Credit Rules, 2004 for transfer of Cenvat credit of BED which is levied under Central Excise Tariff. • CVD levied under Section 3(3) of Customs Tariff Act is similar to BED charged under Central Excise Tariff on domestic procured input.	Provision should also be made in the Cenvat Credit Rules allowing transfer of BED to another excise registered premises in the same line with additional duty of customs. This will help working capital management of the assesse to a great extent.
7.	Contradiction between customs and TP	• Customs and Transfer Pricing are based on arm's length principle, whose objective is to ensure that taxable values of imports are correct and taxes are paid appropriately on arm's length value. However, intention under both the regulations drives in opposite directions i.e. the Customs Cell would prefer to increase the import value of goods to increase tax while the tax department would prefer to reduce purchase price of goods to increase taxable profits. The diverse end-results create ambiguity and uncertainty in pricing.	There is a need for harmonization between these two conflicting regulations. Guidance may be provided for acceptability of transfer prices by one arm of the government, in case the other arm had accepted the price at arm's length.
8.	Unutilized balance of education cess and Secondary and Higher education cess	• In the budget for the 2015-16, Education cess and SHE cess has been abolished with effect from 1 3 2015. Since service tax cess has been abolished with effect from 1 6 2015. • There is no clarification or circular on how to utilize the unused balance of cenvat Credit of such cesses. • Similarly there is no clarity on utilization of the unutilized Education cess and SHE cess on account of input services as on 31 5 2015.	CBEC should amend the rules for providing for utilization or refund of the outstanding unutilized balance in the cess account immediately.

9.	Cenvat credit on Molasses	• Presently rectified spirit (95% Ethyl alcohol) is being treated as non excisable and thereby denying Cenvat credit on molasses. Chemical industry manufactures a lot of final dutiable products using Rectified spirit falls under Central excise chapter 22072000 and is an intermediate product arising in the factory. Cenvat credit cannot be denied on inputs even if intermediate products are exempt from excise duty. • Central Excise tariff entry 22072000 is as under "Ethyl Alcohol and other Spirits, denatured, of any strength"	The above entry includes rectified spirit as well. Vide office memorandum F No 17/01/2012-Cx.I a stand has been taken that Rectified spirit is non excisable which is incorrect. This should be withdrawn and suitable clarification issued to hold that cenvatcredit is admissible on molasses which is used in manufacture of rectified spirit (Industrial alcohol) which in turn is used for manufacture of excisable finished products (chemicals).
10.	Place of Effective Management (POEM)	• The provisions of section 6(3) of the Income-tax Act, 1961 ('the Act') have been amended to provide that a company shall be said to be 'Resident in India' in any year, if it is an Indian company or its 'place of effective management', in that year, is in India.	To ensure that there is no arbitrary exercise of power by tax authorities and there is transparency on what constitutes POEM
11.	When foreign company should not be treated as Tax Resident in India		• If majority of the Board Meetings of foreign company are held outside India; • If foreign company has manufacturing facilities based outside India only; • If foreign company employs >90% of its employees outside India; • If foreign company owns > 90% of its assets outside India; • Mere presence of Director in India or participation in Board Meeting by Indian Director

			through VC/call would not make the foreign company resident in India; • Stewardship activity or holding company's decisions like strategy/ co-ordination/advice should not make the foreign subsidiaries of Indian Holding Company as Tax Resident in India as it is imperative for a shareholder to exercise control over its investments; • If the Chief Executive Officer & other senior executives usually are based outside India &carry on their activities outside India; • If foreign company derives its business operating income (other than from Rent, Royalties, Interest, Trading income, Dividend) from resources employed outside India.
12.	Reporting for items "not chargeable to tax" under Form 15CA / CB	• The provisions of section 195 of the IT Act have been amended to provide that the information relating to payments made to non-residents are required to be furnished in Form 15CA / CB even where paymentsare not chargeable to tax under the provisions of the Act. • The current provision has significantly increased the administrative and compliance burden of corporates to report transactions in Form 15CA / CB even in cases where the	It is recommended to restore the earlier provisions of the Act where reporting of such payments not subject to taxes not required

		payments are not chargeable to tax (such as import of goods / raw material and other exempted payments such as interest, FTS not satisfying 'make available' clause etc.).	
13.	Tax Neutrality should be provided even in case with Foreign Transferee company	• The provisions of the Act are framed to provide tax neutrality only in cases where the amalgamated company is an Indian company. Section 47(vii) of the Act provides that a transfer of shares by the shareholder of an amalgamating company would not be liable to capital gains tax subject to the conditions that the transfer is made in consideration of the allotment to him of any share or shares in the amalgamated company, and the amalgamated company is an Indian company. • If an Indian company merges into a foreign company, as envisaged in the Companies Act 2013, the amalgamating company and its shareholders would be subject to capital gains tax in India. • In the emerging global scenario it is important that the merger of Indian companies into foreign companies should be legally recognised and made pari-passu with the merger of foreign companies into Indian companies, particularly for taxation purpose. The Companies Act, 2013 vide section 234 has allowed the merger of an Indian company with a Foreign Company, stipulating inter-alia the payment of consideration to the shareholders of the merging company in cash, or in Depository Receipts, or partly in cash and partly in Depository Receipts, as the case may be, as per the scheme of merger to be drawn up for the purpose.	it is recommended that the requirement of Transferee Company to be an Indian Company be removed from Section 47(vi) and (vii) of the Act.
14.	Income Tax exemption (Section 10 B) has not been reintroduced for	• EOU facility of Companies like Godavari Biorefineries started from November 2011.	Income Tax exemption (Section 10 B) needs to be reintroduced for EOU units. Till April 2012, this

	EOU units.		exemption was available for 10 years.
15.	Exclusion from MAT for SEZ units and SEZ developers		To attract more industrial and infrastructural investments and in order to revive the SEZs which seem to be the intent of the government, MAT on SEZ units and SEZ developers should be abolished.
16.	Deduction for Investment allowance from computation of book profits	• If the investment allowance @ 15% eligible for deduction under section 32AC of the Act is not reduced while computing book profits of the company under the provisions of section 115JB of the Act, a taxpayer may have to pay MAT on the same though being eligible for the deduction under normal provisions of the Act. Such reduction of book profits by the deduction amount will give taxpayer the investment benefit in real terms and thereby attract more industrial and infrastructural investments.	The investment allowance @ 15% eligible for deduction under section 32AC of the Act should be reduced while computing book profits of the company under the provisions of section 115JB of the Act
17.	Cascading effect of DDT on dividend received from foreign companies. (Section 115-O & section 115BBD of income tax Act)	• As per section 115-O of the Act, dividend taxed as per section 115BBD of the Act received by the Indian company from its foreign subsidiary (i.e. where equity shareholding of the Indian company is more than 50%), then any dividend distribution by such Indian Holding Company to its shareholders in the same financial year to the extent of such foreign dividends will not be not liable to DDT. • In this regard, as per Section 115BBD of the Act, dividend received from a specified foreign company i.e. a foreign company in which the holding of the Indian company is 26% or more in the nominal value of equity share capital, is subject to tax at a lower rate of 15%. However, as per provisions of Section 115-O of the Act, where dividend is received from a foreign subsidiary (i.e. more than 50% equity shareholding) which is subject to tax @ 15% under Section 115BBD of the Act, then such dividend will be reduced from the DDT base on any further dividend distributed by the	the requirement relating to shareholding of more than 50% in the foreign subsidiary for the purpose of section 115-O of the Act should be reduced to 26% or more in the specified company. This would help in aligning with the 26% or more equity shareholding provided in Section 115BBD and in removing the cascading effect of DDT in cases where the Indian company holds 26% to 50% equity shares in the foreign company.

		Indian company. • In other words, where the Indian company holds 26% to 50% in nominal value of the equity share capital of the foreign company, then such dividend would not be excluded for computing DDT base of the Indian parent.	
18.	Transfer of credits by Large Tax Payer Units	• Till 10 July 2014, Large Taxpayer Unit (LTU) were allowed to transfer eligible CENVAT credit from its one unit to another registered manufacturing premises or premises providing taxable service by issuing a transfer challan. • With effect from 11 July 2014, sub-rule (4) of rule 12A has been amended and accordingly Cenvat credits availed after 10 July 2014 cannot be transferred between registered premises of an LTU. • This restriction could give rise to accumulation of Cenvat credit in one unit and takes away one of the important benefits of the LTU dispensation.	Henceforth, no Cenvat credit can be transferred from one unit to another unit. Position prior to 11 July 2014 may please be restored.
19.	Cenvat of input services when goods manufactured by job-worker	• Where goods manufactured by job worker are removed after payment of duty by job worker; such turnover is considered as exempted turnover by tax authorities when goods are sold by principal manufacturer. Therefore Cenvat credit in respect of input services is not eligible. • The tax authorities are rejecting Cenvat credit on the ground that duty on final goods have been paid by job worker	For the purpose of Availment of Cenvat Credit; clarification may be issued that manufacturer would also include the person who has manufactured final goods through job worker
20.	Distribution of credits by ISD	• With effect from 1 July 2012, restriction has been put for distribution of Cenvat credit availed by Input Service Distributor (ISD). Accordingly Cenvat credit on services attributed to any one unit / more than one unit can be	Position prior to 1 July 2012 may please be restored to ensure unrestricted transfer of Cenvat credit to any unit manufacturing taxable goods or

		distributed to only such units who have availed / used the input service • This restriction impacts the cash flow of the company	providing taxable service.
21.	Intra-group services	• Intra-group services (also referred to as management services) are collection of services provided by any company of a MNC group to other affiliates (on a centralized basis) for a service fee, in its endeavor to improve synergies and leverage experience, knowledge and in-depth understanding of the company in relation to the industry best practices, market perception, vendor expectation, etc. However, the Indian transfer pricing regulations do not provide any explicit guidance on the transfer pricing treatment of intra-group services. • It is increasingly becoming a matter of concern as to how these services are audited for transfer pricing purposes. Most cases suffer with the extreme views taken by the tax office holding that such services have not resulted in any benefit to the taxpayer, and therefore, the arm's length price is determined to be nil.	To simplify and bring sanity in the process of auditing intra-group services, the following can be considered by the Indian Government: (a) Provide examples of services that should be considered as deemed to be shareholder services and therefore, should not be charged for by the group; (b) Provide a definition of cost base that may be allocated for common group services; (c) Provide guidance as well as detailed list of acceptable allocation keys for common group services; (d) Prescribe a format of third party certification that should be acceptable by the tax office to establish the appropriateness of the cost base and appropriateness of allocation for

			common group services; (e) Provide an acceptable range of mark-ups on costs vis-à-vis support services availed from group companies (f) Provide an exhaustive list of documents acceptable to substantiate receipt of services by the Indian affiliate; Provide guidance towards documents to be maintained for substantiation/ quantification of benefits received in India from the intra-Group services, as most of these services are in the nature of support services.
22.	Payment of Royalty	The exchange control regulations have liberalized the payment of royalty on a perpetual basis. However, during the course of transfer pricing audits, typically the Indian tax authorities have been contemplating that the technology (for which royalty is being paid) should be absorbed within 7 to 10 years and accordingly any payment made beyond that period is disallowed. The Indian tax authorities are disregarding the commercial benefits accrued each year from payment of royalty and only considering the new technology received each year.	A clarity on the approach to be adopted while auditing the transaction on payment of royalty by an Indian affiliate would be a welcome step in addressing this highly litigative issue.
23.	Comparison of tested transactions with	In many instances, the tax authorities have taken an approach of determining the arm's length price by comparing the tested	There needs to be guidance not to do a

	controlled transactions	transaction with another controlled transaction (i.e. transaction undertaken between 2 entities of the same MNC). This is clearly against the basic principles of determining the arm's length price. The Indian judicial precedents also do not give a clear view on the issue.	comparison with controlled transaction which will avoid needless litigation on this issue and would also be in line with the Indian transfer pricing legislation as well as the OECD principles
24.	Weighted deduction of research and development ('R&D') expenditure	• The weighted deduction of 200% under Section 35(2AB) of the Income Tax Act, 1961 is available for expenditure on in-house R&D facility approved by the Department of Scientific and Industrial Research ('DSIR') only to such companies who incur R&D expenditure and utilise the final result/ outcome of the said R&D in the manufacturing operations of the Indian company incurring such R&D expenditure. • However, R&D involves a significant investment and risk and also the same being very time consuming, it may be commercially feasible to share the R&D costs among various group companies which in accordance can be used for the business of the entire group. This would encourage and motivate companies to invest in setting up large in-house R&D units in India which would utilise talent in the form of scientists / engineers in India and also help in creation of India as a global R&D hub. • Indian companies incur substantial costs in defending their patent rights and applications in and outside India and even these sums are not eligible for deduction. If such expenditure is allowed for weighted deduction, it will attract more investment in R&D activities and increase Indian participation in global clinical trials. Such expenditure is a vital part of the R&D activity. • Further, weighted deduction under this section is only available against the taxable business profits computed under	An amendment should be brought in to the effect that entire expenditure incurred for the purpose of an approved R&D facility is eligible for weighted deductions. The amount of weighted deduction under Section 35(2AB) of the Act should be allowed while computing book profit under MAT Provisions.

		normal provisions of the Act. • A specific provision should be introduced for weighted deduction of R&D expenditure even where a part / whole of R&D activity / costs is shared within group companies.	
25.	Certain R&D expenditure not eligible for Weighted deduction	• Presently, only expenditures, which are directly identifiable with approved R&D facility, shall be eligible for the weighted tax deduction. However, several types of expenditure such as the following are not allowable for weighted deduction: ○ Expenditure purely related to market research, sales promotion, quality control, testing, commercial production, style changes, routine data collection etc; ○ Capitalised expenditure of intangible nature; ○ Foreign patent filing expenditure, foreign consultancy expenditure, REACH compliance expenditure; ○ Consultancy expenditure, retainership, contract manpower/ labour; ○ Expenditure in the nature of cost of any land or building; etc	An amendment should be brought into the effect that entire expenditure incurred in connection with R&D should be eligible for a weighted deduction to reduce complexity and make it a more attractive commercial proposition to invest in setting up R&D facilities in India.
26.	Administration of tax deduction at source by Traces	• There are several issues in administering and processing of tax deduction at source by TRACES resulting in frivolous, inaccurate and frequent default notices issued upon the deductor. • These result in continuous and multiple follow ups with the TDS officers to get the default notices as well as inaccurate demands deleted	Complete overhaul of the TRACES system is necessary to consider and configure the provisions of the Income-tax Act relating to TDS in TRACES to minimise frivolous and inaccurate default notices issued upon the deductor
27.	Reporting requirements as per amended section 195(6)	• The Finance Act, 2015 has amended section 195(6) and mandates that all the payments (whether chargeable to tax or not) have to be reported by the payer in such and manner as may be prescribed	An amendment should be brought into effect to roll back the cumbersome compliance requirement demanding filing of Form 15CA and

		• Accordingly, as per this provision, every remittance with respect to payments which are not taxable in India such as export sales, reimbursements, etc also require reporting Form 15CA and 15CB thus making it a cumbersome process for taxpayers	15CB while making every remittance even though such remittance may not be taxable in India.
28.	CSR expense deduction	• As per FA 2014, CSR expenditure incurred as per the Companies Act, 2013 is not an expenditure incurred wholly and exclusively for the purposes of business or profession and hence, not deductible under section 37(1) • CSR disallowance will drive corporates to selective CSR activities where tax benefit is available. Corporates are most likely to opt for section 35AC notified projects. This will increase the administrative burden for both corporate sector and the Government. • Tax deduction will result in Government subsidising 1/3 of CSR spend is not correct. If the Government was to spend on the same activity out of tax revenue, it could have spent only 30% of 2% of the average net profit of corporates. The corporate sector spends the whole of 2% of average net profits. A small sacrifice on the part of the Government will encourage a sense of Private-Government partnership • The corporate sector spend is effectively assisting the Government in undertaking social projects for the country. Therefore, making an express provision for not allowing a deduction is unfair. Even if deduction is allowed, it means that 66% of the cost is anyway being borne by the contributing corporate entity.	Deduction for CSR expenses should be allowed
29.	Taxes to be deducted at	• Income earned by universities and research institutions is	An amendment should be brought into effect to

	source on payments to Universities and research institutions exempt under section 10(21) and 10 (23C)	exempt under section 10(21) and section 10(23C) of the Act. • However, while making payments to such research institutions and universities, taxpayers are required to deduct taxes even though such income is exempt in the hands of universities and research institutions. The research institutions and universities are required to claim the taxes deducted as refund while filing their income-tax returns. • This leads to the creation of a time-consuming process in the form of additional compliances to claim the refund and deferment of cash inflow for such research institutions and universities.	introduce a proviso/ clause in respective sections which exempts the requirement to deduct taxes while making payments to research institutions and universities.
30.	Surrender of PAN for discontinued/ closed companies	• Currently, there is no formal process for surrender of PAN upon discontinuance of business/ profession or cease to exist as assessee.	A procedure for surrendering PAN should be established to facilitate smooth closure.
31.	Deduction under section 80C	• Currently, deduction under section 80C is restricted to Rs 150,000. Further, contribution to provident fund has been included in the deduction under section 80C limit.	Limit of deduction under section 80C may be increase from Rs 150,000. A new section should be inserted under Chapter VI-A which provides for deduction of contribution to provident fund from the gross total income in addition to deduction under section 80C. This would encourage investments in other schemes provided in section 80C and increase the liquidity and investments in the country.
32.	Calculation of unabsorbed depreciation and business loss to be allowed as	• As per the provisions of section 115JB of the Act, The amount of brought forward loss or unabsorbed depreciation whichever is less as per the books of accounts shall be	An amendment should be brought into effect which specifies the mode of computing business loss or unabsorbed depreciation to be allowed as

	deduction for MAT computation	reduced from the net profit. • Unabsorbed depreciation and business loss before depreciation are to be compared to determine the quantum of deduction under this clause. • The Act has however, not specified the method of computing the unabsorbed depreciation or business loss for set off against the book profits. • In the absence of prescribed methodology for the computation of unabsorbed depreciation and business loss, there exists high uncertainty of interpretation and consequential litigation.	a deduction for MAT computation.
33.	Fiscal consolidation	• Tax laws of various countries have introduced the concept of fiscal unity (tax consolidation). • As per this concept, a domestic parent company which holds at least 90 percent of a domestic subsidiary shall be treated as a fiscal unity. If the fiscal unity is applied, the parent company must file a consolidated tax return.	Introducing the concept of fiscal consolidation in India will result into reduced compliances for the taxpayer since the parent company and its domestic subsidiary shall be assessed to tax as one single entity.
34.	Modification in Para No.-2 (iii) (e) of instruction No.-9 dated 18.02.09 and instruction no.77 dt.06.08.2013 issued by SEZ division, Ministry of Commerce, Udyog Bhawan, New Delhi	Duty drawbacks are on the lower rate, wherein the CENVAT on inputs has been availed. Hence the applicability of disclaimer certificate from the supplier should not there. In this case; whether SEZ unit take disclaimer from DTA supplier or not but our entitlement will be lower rate only.	In view of above, it is requested to make an amendment in the instruction no.77 dt.06.08.2013 and Para 2 (iii) (e) of instruction no.9 dt.18.02.2009 which reads as under: **"No Disclaimer is required, where it is declared that CENVAT credit on Inputs have been availed and DBK is applied on lower rate."** The above amendment will bring clarity and move

			off ambiguity to get the claims processed without disclaimer certificate where duty drawback already claimed on lower rate. It will be a simplification process to reduce the documentation cost.
35.	Relaxation in Rule 30(8) for SEZ units for availment of export incentives	To give a brief, during the course of operations of our SEZ project SEZ units procure various materials from DTA, SEZ intend claiming export benefits such as Duty Drawback (DBK) and Duty Entitlement Passbook Scheme (DEPB), as per SEZ Rule 30(8) and Foreign Trade Policy. Being at the initial stage of setting up/ production of SEZ Units may not be in a position to generate foreign exchange in the unit accounts. Hence SEZ unit make payments to the DTA suppliers against supply of goods either from their Corporate Foreign Exchange (EEFC) Account or in Indian Rupees. While doing so if SEZ unit have maintained separate books of accounts of SEZ units and the transactions being identifiable.	They should be allowed to claim incentive in the form of Duty Draw Back and DEPB under Rule 30 (8) even if the payments of the supply of goods have been made from the Corporate EEFC Account / in Indian Rupees/ otherwise.
36.	Permission for Destruction of Goods - Destruction of process waste, rejects, Remnants within SEZ unit and outside SEZ. (Rule No. 39 SEZ Rule 2010)	Destruction of goods — (1) After advance intimation of not less than seven days to the Specified Officer, a Unit may destroy, without payment of duty, goods including capital goods, procured from Domestic Tariff Area or goods imported or goods manufactured or produced by the Unit including rejects or waste or scrap or remnants within the Special Economic Zone: Any destruction outside the SEZ would require permission from the Specified officer and in the presence of Authorized officer. The concept of permission for destruction outside the SEZ should be waived off and replaced to Intimation alike destruction within SEZ. Since some of the process waste which could not be treated within SEZ needs to be taken outside. Due to pre-occupation or non availability of the concerned officials	It is therefore suggested that on the basis of the input output norms the entire process waste generated should be allowed to be taken out to a Common Effluent/waste treatment facility duly approved by the State Government against intimation on annualized basis which may be given in advance.

		the entire process gets delayed and also creates environmental hazard at large and further it requires lot of follow up with the departmental officers who results in waste of time and manpower.	
37.	Time limit for utilization of goods- Duration of Goods and Services in SEZ (Rule 37 SEZ Rules 2010)	As of today the time limit for utilization of goods by developer is 1 year or as extended by the Specified officer failing which duty has to be paid.	The condition of time limit shall be deleted and should be in accordance with the validity of the LOA.
38.	Permission for Sub contracting (Rule 41 SEZ Rules 2010)	At present the annual permission is required from the Specified officer for sub contracting.	The condition of prior permission should be replaced from prior intimation for faster execution of the operations at SEZ.
39.	Request for increase in MEIS benefit for EOU		MEIS benefit for EOU under chapter 29 (Chemicals) - Godavari Biorefineries has requested the benefit to be increased from 2% at present to 5% to be more competitive in the International Market.
40.			Deemed Export Benefit- Domestically procured raw material/ packing materials duty paid/duty free, duty drawback to be re-introduced.
41.			Direct Job Work to be allowed- Raw materials either imported or locally procured, should be allowed to be delivered directly at the place of Job Work. At present we have to first bring it to EOU unit and then transfer it to Job Work site incurring double transportation cost and time.
42.	Frivolous litigation by Deptt. by arbitrary denial	Denial of CENVAT credit on services which are mandatory required to be availed by manufacturer due to other laws.	Rationalization of CENVAT Credit Rules, 2004 (CCR)by re-introducing words “all services

	of CENVAT credit on services utilized by business either for manufacturing or provision of Output service	Example: •Availment of Gardening Service by manufacturing in compliance with Pollution Control laws •Canteen facility provided by factory under Factory Act	received in relation to business activities" to facilitate correct credit regime as desired to be provided in GST regime Amendment of Rule 2(L)(i) of CCR to facilitate credit of services used either directly or indirectly for providing an output service
43.	Non-enforcement of Constitutional amendment coupled by non-finalization of draft GST Act and Rules shows lack of commitment of Govt. to enforce GST in India Having seen retrospective amendments in Direct tax laws and Fiat excise matter, Foreign Investors are worried of retrospective amendment in Indirect tax laws to gravely hurt business decisions No clarity on GST implications on end-consumers	Much is being discussed by all levels i.e. Business, Revenue, Govt. at all forums regarding introduction of GST in 2016/ 2017 but no draft rules have been framed by legislators/ drafting committee till date GST is being introduced to facilitate seamless credit in tax regime. Seeing recent budgets and GST developments, GST regime hints at restricted availability of credit to business/ consumers Higher rate on Services at around 20% (anything above this is deadly) from current rate of 14% would make services dearer for business/ consumers despite availability of credit	Fast-track joint session of Parliament for passing GST Constitutional Amendment Bill followed by State ratification and enforcement Introduction of draft GST Act and Rules in public domain for study, discuss and enforce better and effective indirect tax regime Categorize all services as essential and non-essential and charge different rates of Service Tax @ 8% and 20% respectively Cap higher rate of tax @ 20% cumulatively at both Centre and State level
44.	Time limit for disposal of matters by the Authority for Advance Ruling	Vacancy of Chairman office of AAR bench for months together Recent news item on AAR wherein Chairman has rapped income-tax Department for not appearing before AAR for	Respective Chairman for AAR for Direct tax and Indirect tax since respective taxes require specialization like special tax benches created in

		dispute resolution Applications filed in 2012 are still pending for adjudication delaying critical business decision where tax implications are not clear on certain transactions Such pendency would render AAR similar status of Regular Courts to Special Forum like AAR	Supreme Court and in High Courts across India Follow time period of disposing Advance Ruling application within 90 days to create investor confidence and ascertaining tax position to take critical business decisions
45.	Renewal of deduction available to companies engaged in R&D under section 80 IB(8A)	Existing provisions of Section 80IB provides deduction only to Companies carrying out scientific R&D activities if they got DISR approval before 01.04.2007. Consequently, it does not provide equal playing field for companies engaged in such sector but did not get DISR approval before 01.04.2007. In-house R&D centers of major Indian institutes indicates that there is a need for forging, strong linkages between the in-house R&D centers and the national laboratories and technical institutes in order to attain technological competence in the industrial sector	Retrospective amendment to provide benefits to companies who engaged in R&D and have got DISR approvals after 2013 to encourage 'Research In India' Setting-up of new R&D labs would also help Govt. Labs to upgrade their instrumentation and research
46.	New guidelines required pertaining: oAllowability of adjustments to international transactions oMethod of selecting comparable based on related Party Filter, Business Sector, Turnover Filter, etc.	Benchmarking practices usually advocate the use of the profit method to evaluate the arm's length nature of returns earned by these low risk captive entities and contract manufacturers. ITA does provide for the need to make profitability adjustments on account of differences in risk profiles of the comparable and the tested party. However, proper guidance as to what kind of adjustments need to be allowed and the manner of computing the same is absent.	Selection of loss making / high profit making companies / comparability with respect to scale of operations needs to be resolved by adoption of median approach, determining interquartile range and eliminate companies which are below the lower limit and above the upper limit TP provisions under ITA should be more aligned with the OECD guidelines as it provides certainty, uniformity in the operations of to MNCs having operations globally

	oMethod of computing TP for an international transaction		
47.	Introduction of an Explanation to Section 201(1A) in line with judgments shall surely help reducing huge Litigation inventory on TDS matters	Section 201(1A) of ITA uses the expression every month or part thereof but the expression month has not been specifically defined resulting in huge litigation. There are cases where as a result of delay of 1 day, 2 months is being paid. This can't be the intent of law. Recently judgments on this aspect wherein it has been opined that the expression month should be used to mean British Calendar Month	Introduction of an Explanation to Section 201(1A) in line with judgments shall surely help reducing huge Litigation inventory on TDS matters
48.	Salaried person enjoy better tax benefits in case of HRA exemption No equating monetary benefits given to salaried person who chooses to own a house Higher Income-tax rates for personal taxation	No attractive incentive on buying new house by salaried persons Huge unsold inventory in Housing Society and rising NPAs for Banks and other FIs Huge amount of working capital of Developers locked in unsold houses. Buyer also faces double whammy by paying interest for pre-possession period &no Income-tax deduction on such interest paid Post-possession, staggered deduction of Income-tax is not compensating to buyer	Liberalize deduction limit on 'Interest' paid to Banks for house equating to limit prescribed for HRA claims Allow deduction of 'Interest' from taxable income for pre-possession period as well Reduce Income-tax rates (10- 15%) for person having taxable income less than Rs. 25 Lacs
49	Non updating of notification in system	As per Sl.No.187 of Custom Notification 12/2012 duty against HS code 382460 is 20%. Whereas sl. No.187 is not updated in custom system and hence if anybody would like to import under chapter 382460 they will have to pay 30% duty.	Requesting for updating the notifications in the system

		(SPAK ORGOCHEM Special Case: *This matter has been taken a number of times with custom since 11th July 2014 but till date no action.*)	
50	Data Leakage from Customs Server	• Nowadays private agencies are doing business by leaking data from custom's website. • To our surprise they are giving the information of FOB value, Country of destination, quantity and product name immediately we file the shipping bill in the custom. These agencies are publishing the information before we receive the shipping bills from our custom house agents. • Now the situation is that before leaving the material from the port the competitors can take advantage and may lead cancellation of the order especially on DA/DP delivery terms. Please do not take this matter as an individual case as all Indian exporters' data are leaking our competitor countries will take advantage of the situation. *(SPAK ORGOCHEM special case:* *Representation of this matter to Commissioner of Customs has been sent but without any response received)*	Requesting to seriously consider this very important issue of Data Leakage from Customs Server
51	Allow Direct Port in of self sealed factory stuffed container	• Presently self sealed factory stuffed containers have to enter into CFS for custom examination and direct port in is not allowed which is added one additional day and extra cost.	Requesting to grant this facility for at least Status Holders/manufacturer exporters
52.	CENVAT credit availment Rule 4 of othe Cenvat Credit Rules 2004 CCR	• Timeline of one year prescribed for availment of CENVAT credit on inputs and input services from date of invoice/challan /specified documents. During the course of the business, the possibility that assessee could miss out on claiming CENVAT credit within the proposed period of 1 year	Suitable amendment should be made under CCR to allow the assessee to avail credit as and when they wish to and hence, the proposed time for availing credit should be removed.

		cannot be prima facie ruled out. • This would lead to unwarranted litigation as Department would issue notices to deny credit in all such cases where CENVAT credit has not been availed within 1 year of issuance of invoices. CENVAT credit is a benefit accruing to an assessee on payment of duties and taxes on inputs/ input services / capital goods hence; it is the fundamental right of an assessee to avail CENVAT credit.	
53.	CENVAT Credit of Input Service - Activites relating to Business The definition of the input service under Rule 2(l) of the Credit Rules has been amended to remove the words in relation to business and specifically provides for the services to be included in the definition. It excludes certain services like catering services, Etc which are used for personal use of the employees. Further, the definition of input services has not been amended to further widen the same in light of the recently	• The basic principle of CENVAT Credit scheme is to avoid cascading effect of taxes and specific clarification would support the guiding principle of CENVAT credit Scheme. • The intention of the eligibility of CENVAT Credit on all the activities relating to business should be clarified and suitable amendments be made to the definition of input service to avoid litigation and narrow interpretation of the definition.	It is suggested that service tax paid on any type of business expenditure should be available as eligible credit towards the output service tax / excise duty liability of the service provider / manufacturer a s the case may be to avoid the cascading effect of taxes. The amendment under the Credit Rules should be in line with the verdict of the Bombay High Court in the case of Coca Cola that any service in relation to business should be an input service

	introduced negative list based service tax The Tax authorities are taking different views on granting of credit benefit resulting in litigation on this issue.		
54.	Levy of Swatch Bharat Cess - no clarity on availability of CENVAT credit of the said Cess to be paid	• The Finance Bill 2015-16 levied Swatch Bharat Cess at the rate of @ 0.5% on the taxable value on all the services except the once in the negative list w.e.f.15th November 2015 • However, there is no clarity whether this Cess will be available as CENVAT credit to the service recipient.	Necessary amendments should be made under the provisions of CCR for availment of CENVAT credit of Swachh Bharat Cess and its utilization against payment of excise duty/service tax liability.
55	Duplicate taxation on software	Both service tax and VAT are applied on software purchases resulting in duplicate taxation.	Request to Rationalize tax treatment for software purchases
56	List of items exempt from excise/service tax	A specific list of items on which excise / service tax is not eligible should be provided so that there are less interpretation issues	Request to Create and circulate such a list to increase ease of doing business
57	Education cess on employee salary	This can help reduce the overall tax burden on employees and increase disposable income	Suggest removal on education cess on employee salary
58	Differential tax slabs on income from salary	Salaried employees are not on par with other tax payers like small business owners who enjoy deduction for a multitude of expenses.	Request for increase standard deductions on income from salary

59	Interest on fixed deposits	Interest on fixed deposits by individuals should be given an exemption limit (like savings interest)	Provide exemption on fixed deposit interest for individuals upto a certain limit
60	ADD for sodium nitrite and 4,4-diaminostilbene-2,2-disulphonic acid	India continues to face strong price pressure from China in these products	Request to extend ADD for sodium nitrite and 4,4-diaminostilbene-2,2-disulphonic acid
61	TDS on transportation	Increases administrative burden and increases hassle especially where multi-mode transportation is involved	Request to remove TDS on transportation
62	Waybills and road permits for goods movement	Reduction in administrative burden and cost of doing business	Request for removing requirement of waybills and road permits for goods movement
63	TDS returns and certificates	Reduction in administrative burden and cost of doing business	To be filed on annual basis instead of quarterly basis
64	C,F,H forms	Till GST is not implemented, all forms like C,F,H should be filed on annual basis to reduce administrative burden and cost of doing business	To be filed on annual basis
65	Automatic payment of interest on delayed drawback	There is a legal mandate to pay interest on drawback. Interest payment is automatic. Hence, software should be amended in a way that interest is credited to the account of the exporter beyond 30 days of delay from the date of let export order.	Interest needs to be paid on delayed sanction of drawback
66	As per Gazette No. 1363 dt 27.06.2015 Import permit from Plant Quarantine department is required for the Import of Diatomaceous Earth - HS Code 25120030. A s per	Manufacturers may be exempted from obtaining the Import permit from Plant Quarantine department as diatomaceous earth is imported for the manufacture of Catalyst and not for agricultural purpose.	A notification / communication may be issued to the concerned.

	the permit we need Phyto Sanitary Certificate from the country of Import (USA). As our import is for the manufacture of catalyst Phyto sanitary certificate is not issued by USA. According to them it is required only for agricultural purpose This leads to the payment of demurrage and detention and at times it leads to production stoppage.		
67	We are importing Alumina Hydrate – Pural SCF 55 - HS Code 2818 2090 for the manufacture of Catalyst. It requires NOC from Deputy Drugs Controller of India for the release as alumina hydrate is dual use Juchemical which finds application in the manufacture of medicine	Manufacturers may be exempted from obtaining the NOC from Drugs controller. We import it for consumption in the Catalyst manufacturing and not for any medicinal application or for resale.	A notification / communication may be issued to the concerned.

	as per CDSCO Communication No.44/SZ/2013-14/4869 dt 30.04.2013 & Trade Facility Notice No.18/2013 issued by the Commissioner of Customs, Cochin. This leads to the payment of demurrage and detention and at times it leads to production stoppage.		
68	Minimum Alternate Tax ("MAT") u/s 115JB:	The present Corporate tax rate is 30% and rate of MAT of 18.5%. In case of companies having tax losses under normal provisions, MAT of 18.5% has resulted in significant impact on the cash flow. Keeping in mind, Government's proposal to gradually reduce the Corporate tax rate to 25% over the years, the present rate of MAT 18.5% is high. Further, the difference between Corporate Tax Rate and MAT has reduced over the years. This has effectively resulted in negating the impact of tax incentives availed by companies under the provisions of Act. The MAT credit is allowed to be carried forward for 10 years for set-off. However, the period of 10 years is generally not always sufficient for all the businesses.	• The basic rate of MAT should not exceed 25% of the basic corporate tax rate (i.e. 7.5%). • The MAT credit should be allowed to be carried forward and set-off without any time limit.
69	Compliance with Form	The Finance Act 2015 has amended the provisions relating to	Payment to non-resident towards import

	15CA / 15CB in case of import payments	furnishing of information towards payment to non-resident payees. As per the amendment to Section 195(6) effective from 1st June, 2015, any payment to a non-resident, whether or not chargeable to tax under the provisions of Income Tax Act, requires furnishing information in prescribed Form 15CA & 15CB **which means now it covers all types of foreign remittances including import payments.** The said amendment has resulted in voluminous documentation and increase in compliance cost due to CA certification. Further, the said transaction is tax neutral since the said remittances are not chargeable to tax in India.	payments should be excluded from the requirement of furnishing information in Form 15CA & 15CB resulting in reduction of compliance cost. Alternatively, an annual return can be introduced to capture the details of import payments which is not chargeable to tax and incurred by the assessees during the relevant financial year.
70	Valuation under Customs and Transfer Pricing	Any transaction between related parties needs to be justified based on arm's length principles under the Transfer Pricing Regulations as well as Customs Act. This is to ensure that taxable values (whether it is import value under Customs or tax profits under income tax) are the computed on correct values and appropriate tax is recovered. This results in following issue: - The Customs Authorities would increase the import value of goods to increase the Custom Duty - the Transfer Pricing Authorities would reduce purchase price of goods to increase the tax profits There are contradictory judicial pronouncements on the said valuation for justification of arms' length principles under the respective acts.	The guidelines should be provided to assesses which will enable justification of arm's length price that is equally acceptable under the Customs Law as well as under the Transfer Pricing Regulations.
71	Uniform Rate of Interest on Tax Refunds (Sec.	Under Section 244A, the taxpayer is eligible for interest @ 6% per annum on tax refunds receivable from the Government.	A uniform rate of interest of either 6% or 12% per annum should be applicable to refunds as well as

	244A) and Tax Demands (Sec. 220)	However, in cases of interest payable by the taxpayer to the Government for outstanding demands, the rate of interest is 12% per annum.	tax dues.
	EXCISE DUTY		
1.	Interest on delayed sanctioning of rebate/Rule 5 claims	Presently interest is not automatically paid to the assessees where there is a delay beyond 3 months under Section 11BB. Ends of justice is met only if the interest is sanctioned automatically wherever there is a delay in sanctioning the refunds beyond 90 days from the date of passing the refund order whether by way of cash refunds or adjustments.	Section 11BB to be amended to provide that interest should be automatically computed in the refund sanctioning order and wherever the order does not sanction refund, reasons to be specified.
2.	Appropriation under Section 11	Presently department officers sanction refund orders and adjust the same unilaterally against demands which are not confirmed through Adjudication orders. This is incorrect and such adjustment can be made only if the demands are confirmed and after the expiry of the period for filing appeal/stay application.	Even though this issue has been clearly clarified by CBEC in Chapter 18 of the Manual, it is felt that the Section 11 should be amended to clearly state that only confirmed demands can be appropriated against the sanctioned refunds.
3.	Importer Excise Registration	Till April 2014, importers were entitled to avail Cenvat credit and pass on the same to customers under dealer excise registration. From April 2014, Central Excise Law was amended which requires importer to take excise registration as an “importer”. For an importer who is already registered as “dealer”, this means manifold increase in compliance resulting into multiple registrations, multiple Records & Returns, multiple Audits, separate invoice series, physical demarcation of warehouse with separate entry & exit points for storing imported and local goods, change in existing computer set up, additional manpower cost, etc.	Suitable amendment should be made in Central Excise Laws to the effect that importers already registered as “Dealer” as on 1st April, 2014 need not obtain registration as an “importer”.

		While the entire exercise is revenue neutral for the Govt., importers already registered as "dealer" are facing unwarranted hardship.	
4.	Specific rate of Duty on Molasses	Presently applicable Central Excise Duty on Molasses an input for chemical industry is Rs. 75.00 per quintal, whereas Excise duty on final product of Chemical Industries is @ 12.5%. This results in un-necessary accumulation of Cenvat Credit and adversely affects the fund flow.	Rate of Central Excise duty on Molasses should be made at par with other inputs i.e. @ 12.5% adv.
5.	Interest on delayed sanctioning of rebate/Rule 5 claims	Presently interest is not automatically paid to the assessees where there is a delay beyond 3 months under Section 11BB. Ends of justice is met only if the interest is sanctioned automatically wherever there is a delay in sanctioning the refunds beyond 90 days from the date of passing the refund order whether by way of cash refunds or adjustments.	Section 11BB to be amended to provide that interest should be automatically computed in the refund sanctioning order and wherever the order does not sanction refund, reasons to be specified.
F.	**SERVICE TAX**		
1.	SERVICE TAX ON REGULATORY/STATUTORY FEES PAID TO FOREIGN GOVERNMENTS/GOVT AGENCY/DEPARTMENTS Amendment required in Definition of "Government" under Section 65B(26A) Notification No 25/2012-ST	In the budget presented for the year 2015-16, the definition of the term "Government" has been defined to departments of central Government or State Government or Department of such Government, Union territory and its departments. Chemical/Pharma companies may be required to pay statutory fees to the Foreign Governments/agencies for registration of their products etc. A change in the definition has resulted in such payments being taxable in the hands of the Indian companies on reverse charge basis. This will result in huge service tax outflow, blocking of working capital.	Exemption from service tax should be provided on such payments made to any Foreign Government and agencies as they are statutory in nature.
2.	Service tax on Intermediary Services	Till 30 September 2014, services provided by Indian Agents to its overseas customers in relation to promotion of goods were	Amendment in Service Tax laws introduced from 1 October 2014 should be withdrawn as the services

		qualifying as export of service and accordingly were not liable for service tax. Effective October 2014, Service Tax Laws were amended to exclude the above services as export of services and subject the same to service tax of 12.36%. No credit can also be claimed on payment of the service tax paid by the Indian company resulting in a additional cost of doing indenting services business in India. These services are critical and required as many of these products are manufactured overseas and not available in India.	in essence are in the nature of export of services – the service provider and service recipient being located in two different countries. This will also be consistent with the position not to export duties and taxes. This will also assist in the 'Make in India' campaign announced by the Hon'ble Prime Minister of India
3.	At present, EOU unit are not exempted from the Payment of CST and Service Tax		EOU unit should be exempted from the Payment of CST and Service Tax just like SEZ units. At present the same concession is available in the form of refund.
4.	Service tax being made applicable on indenting commission	Till 30 September 2014, services provided by Indian Agents to its overseas customers in relation to promotion of goods were qualifying as export of service and accordingly were not liable for service tax. The definition of Intermediary has been amended w.e.f. 1 October, 2014 to include services provided by broker or agent who arranges or facilitates a provision of service or supply of goods. Agents in India are promoting goods of its customers which are located outside India. Further Agents are also receiving commission from overseas entity in form of foreign exchange and are complying the conditions prescribed for export of service.	Amendment in the definition of intermediary services introduced from 1 October 2014 may please be withdrawn as the services in essence are in the nature of export of services, more particularly they also bring foreign exchange that is vital for the Indian Economy and will be consistent with the position not to export duties and taxes.

		Due to the aforementioned amendment, the Intermediary services by Indian Agents to overseas customers in relation to supply of goods are getting covered under Rule 9 of Place of provision of services Rule, 2012 (POPS) and therefore are subjected to service tax.	
5.	Chemical Companies while setting up a plant, has to spend on basic engineering and other services, on which service tax @14% is payable.	This amount is not modvatable. Prior to 2011, it was modvatable. We need to suggest that service tax paid while setting up the chemical plant, should be allowed to be taken credit in the Modvat Account.	Service tax paid while setting up the chemical plant, should be allowed to be taken credit in the Modvat Account.
6.	Superficial definition of term 'Agricultural Extension'	Superficial definition of term 'Agricultural Extension' to mean application of scientific research and knowledge to agricultural practices through farmer education or training No exemption being granted by Deptt. due to lack of clarity	Clarification in definition of 'Agricultural Extension' Service
7.	Deptt. has started rejecting claims pertaining to Export of Service by Indian Service Providers to overseas companies	Inclusion of a person arranging or facilitates supply of goods between two or more persons as provider of 'Intermediary Service' under Rule 2(f) Place of Provision of Service Rules, 2012 (POPS Rules) Rule 9 of POPS Rules provides place of provision shall be location of Service Provider Said amendment has failed to account that benefit of such service is accrues by Service Recipient located abroad	Withdrawal of October 2014 amendment in definition of 'Intermediary service' which includes supply of goods Such 2014 Amendment is contrary to general rule provided in Rule 3 of POPS Rules 2014 Amendment is also contrary to rationale adopted in services sought to be covered under Rule 9 of POPS Rules
8.	Such salary recharges are classified as Manpower Supply and taxed in India as Import of Service	Companies from developed countries are frequently sending their employees on short-term/ long-term assignments to India for setting-up, up-gradation, management of business in India	Introduce amendment to include Secondment arrangements between group companies in India as employer-employee relationship

	Such arrangement between group companies in India also causing levy of Service tax	Such expatriates and their family enjoy various Social Security measures which are not available in India or not available when not employed in home country. Hence, Expatriates prefer to retain home country employment in India to retain continuing benefits in home country In such arrangements, salary is paid by home country entity recharged by Indian Company Similar arrangement occur between Indian companies of same group to cross leverage under-utilized employee for group companies	
9	Newly imposed duty on Service Tax Swachh Bharat Cess (SBC)	Presently SBC has been charged @ 0.5% on taxable value w.e.f. 15/11/2015 on all taxable service. This Service Tax is non-cenvatable. It will increase the cost of service.	Appropriate Notification should be issued for inclusion of this SBC under cenvatable category. Or necessary amendment should be made in Cenvat Credit Rules so that trade may avail Cenvat of this SBC.
10	Cenvat Credit of Service Tax on out ward freight of goods.	Buyer's place is not considered as place of removal and is a issue of dispute between trade and department. Trade supply goods at buyer's premises on FOR basis. Pay Service Tax on out ward freight.Cenvat credit of Service Tax paid on out ward freight is not available at present. This increase cost of goods.	Definition of Input service should be amended accordingly to incorporate out ward freight under illegible cenvatable input service.
11	Cenvat Credit on Works Contract and Construction Service	Following services are excluded from the definition of Input Service under Cenvat Credit Rules and trades are not eligible to avail cenvat credit on these services which constitutes big amount under non cenvatable. (a) Construction or execution of work contract of a building or a civil structure	Definition of input service should be amended to incorporate the said service under cenvatableinput service.

		(b) Laying of foundation or making of structures for support of capital goods.	
12	Service Tax Refund Issue: Service Tax refund is available on services used beyond place of removal only.	• Notification No. 41/2012 -Service Tax dated 29 June 2012 specifies that service tax refund shall be granted on specified services. As per said notification refund shall be granted for taxable services that have been used beyond the place of removal, for the export of said goods. • It does not provide refund of service tax for services which are not linked with place of removal such as Audit fee, consultancy fee etc.	Clarification is required that all services used by exporters should be eligible for refund of service tax. Further, the administrative process of providing refund claim should be simplified and made fast track.
13	Interest on Delayed payment of Service Tax [Section 75 of the Finance Act]	• Variable interest rate for delayed payment of service tax has been introduced (effective from 1st October, 2014). In case of delayed payment of Service tax beyond a year, the interest rate applicable is 30 percent. • For a tax litigation in India to reach finality, it would generally take around 5 to 7 years time span. A high interest rate of 30% is not in the interest of the Industry which is struggling with various interpretative issues relating to applicability of service tax / credit related to services etc.	The prescribed interest rate of 30% is too high. Government should reduce the interest rate and bring it to par with 18% interest rate, irrespective of the period of delay.
14	Service Tax Return form	• Service tax return form is very complicated resulting in increased administrative burden.	Request to Simplify service tax return form in line with income tax Saral form.

15	Service tax on notice period deduction	This need not be there as all other employer / employee services are exempt	Provide exemption from service tax on notice period deduction
16	Reverse charge related service tax	There are various conditions like if the service provider is Company then it is not applicable. Also there are various % bifurcating the liability between the service provider and service receiver there should only be one rate and should be applicable to all type of service provider so as to avoid confusion	Reverse charge related service tax should be simplified
17	• Non-clarity on CENVAT of education cess • Expectation on clarity on settled topic of CENVAT on Garden maintenance at factory • Excise & Service tax Range & Division Offices are far off from each other.		• When any levy of Tax is abolished viz. 2% Ed. Cess& 1% S&HE cess on Central Excise & Service tax, the CENVAT credit balance of such tax should be immediately subsumed with the Basic Excise duty & Service tax, as applicable. • Garden Maintenance is an essential activity for every Chemical Manufacturer, in case of failing to undertake this activity, consent to operate / Factory license is not granted , Thus at least in case of Chemical manufacturers, The service of Garden maintenance should be considered as an Input service . • The proximity of Excise & Service tax Range &Divn. Office should be at one place , which should be near to the factory area / business area to avoid delays in communications.