

HIGHLIGHTS OF FINANCE ACT, 2008

Budget 2008-09 and Finance Bill, 2008 was presented before Parliament on 29-2-2008. The Finance Act, 2008 got assent of President on 10-5-2008. Highlights of change are as follows –

CENTRAL EXCISE:

- General rate of basic duty reduced from 16% to 14% w.e.f. 1-3-2008.
- Rule 6(3) of Cenvat Credit Rules recast w.e.f. 1-4-2008 to provide for proportionate credit in cases where manufacturer is manufacturing both exempted and taxable goods and service provider is providing both taxable as well as exempt services.
- In case of 'deemed manufacture', simple repacking or labeling or re-labeling will be 'manufacture' w.e.f. 1-3-2008. Till now, labeling, re-labeling and also repacking was required.
- Service tax on GTA to be paid by cash only. Controversy relating to Cenvat credit of outward freight continues.
- Strip of plastic for weaving fabrics eligible for SSI exemption w.e.f. 1-4-2008.
- EOU have to pay duty equal to 50% of customs duty plus excise duty w.e.f. 1-3-2008 (Till 29-2-2008, it was 25% of customs plus excise duty).
- NCCD of 1% imposed on mobile phones but NCCD on PFY and pan masala not containing tobacco has been withdrawn.

SERVICE TAX:

- Six new services will be taxed w.e.f. 16-5-2008. Most important among them are IT services and good hire services.
- Scope of some existing services enhanced w.e.f. 16-5-2008. Most important change is in 'tour operator' service where even service by contract carriage will be taxable. Private buses plying between two places may come under service tax net.
- It is made clear that renting of immovable property on non-exclusive basis will also be taxable.
- Exemption limit to small service providers increased from Rs.8 lakhs to Rs.10 lakhs per annum w.e.f. 1-4-2008.
- PLA type system introduced in service tax. Any amount can be paid in advance. This provision can be used to save interest liability.
- Service tax on GTA service will be payable on 25% amount without any condition regarding non-availability of Cenvat credit by Goods Transport Agency w.e.f. 1-3-2008.
- Service tax on GTA will have to be paid by cash only and not through Cenvat credit w.e.f. 1-3-2008.
- Service tax on works contract under composition scheme increased from 2% to 4% w.e.f. 1-3-2008.
- Provision made for Best Judgment Assessment in service tax w.e.f. 10-5-2008.
- Penalty for non-filing of return can be waived if there was no service tax payable w.e.f. 1-3-2008.
- Provision made in Cenvat Credit Rules for proportionate reversal of Credit if assessee providing both taxable and exempt service w.e.f. 1-4-2008 [Rule 6(3) and 6(3A) of Cenvat Credit Rules].
- Service Tax Dispute Resolution Scheme, 2008 is introduced, similar to amnesty scheme or settlement scheme. The scheme is good but amount of Rs.25,000 is meager.

CUSTOMS:

- Basic customs duty on non-agricultural goods continues to be @ 10%
- Duty on project imports reduced to 5% w.e.f. 1-3-2008.
- EOU have to pay duty equal to 50% of customs duty plus excise duty w.e.f. 1-3-2008.
- NCCD of 1% of PFY withdrawn w.e.f. 1-3-2008.

CENTRAL SALES TAX (CST):

- CST rate was expected to be reduced to 2% w.e.f. 1-4-2008. However, till May 2008, notification reducing the CST rate has not been issued. Till such notification is issued, CST will continue to be levied @ 3%.