AIAI POINTS FOR CENTRAL EXCISE REGIONAL ADVISORY COMMITTEE

The Indian Government is set to approve Goods and Services Tax (GST) Bill - a path-breaking reform in the indirect tax system. GST would be imposed on all goods and services in the economy with some exceptions. However, Alcohol for human consumption, crude oil, petrol, diesel, natural gas, aviation turbine fuel and electricity are exempt under GST and the existing taxation system (VAT & Central Excise) will continue in respect of the above commodities. Tobacco and tobacco products would be subject to GST with higher cess.

Issues related to the existing Excise Duty Structure:

1. **Reduce Excise Duty on Manmade Fibres:** Man-made filaments and man-made staple fibres account for around 11% of India's total textile exports (including raw cotton and silk). The Government must promote export of these two goods by reducing excise duty on man-made fibres. Presently, man-made fibres attract an excise duty of around 12.5%, while yarn produced from cotton attracts zero excise duty. In order to provide level playing field for the cotton yarn and man-made fibre industry, the government must reduce the excise duty on the latter to zero. Such a move would not only boost exports of man-made fibre, but also increase supply of the raw material for domestic consumption. Demand for man-made fibre is set to increase in India owing to strong growth in the garment sector and rising disposable income among consumers. Therefore, reduction in excise duty on man-made fibre would boost its production and thereby support the domestic textile sector.

2. **Promote export of low grade iron ore:** India's export of iron ore rose substantially in the ongoing financial year after the central government eliminated excise duty on iron ore fines with Fe content below 58% in the budget 2016-17

3. Despite the growth in iron ore exports, there is still huge stock pile of low grade iron ore, especially in key mineral producing states such as Jharkhand and Odisha. The increase in stock pile is on account of slowdown in the steel sector, which is a major consumer of iron ore. In order to boost export of low grade iron ore and thereby reduce the stockpile, the government must eliminate the export duty on iron ore with Fe content upto 62%, from the existing threshold of 58% Fe content.

4. **Remove double Taxation:** At present, tax authorities levy excise duty again on a product in case the company changes the label on the product. This is because the Central Excise Act 1944 defines 'manufacture' as 'any activity of packing or repacking, labelling or relabelin'.

   There are many instances when a company changes the label of the product without adding any further value to the product. For instance, there may be reduction in price for which companies are required to change the product prices. Excise authorities levy excise duty again on such reduction in price also, which result in double taxation. Therefore, the manufacturing industry has following demands from the excise authority.

The activity of change in label on the product without altering its MRP giving only additional information on the product should not be considered as amounting to manufacturing activity liable to Excise duty.

In case of reduction in prices, as duty is already deposited on MRP value, there should not be any additional duty liability. Hence, the same should not be considered as manufacturing.

5. Industrial Waste: Many times in an industrial unit, waste is generated with respect to its manufacturing activities. These are taxed based on international standards. This is not in favour of manufacturers.

Additionally, interpretation of taxes lead to anomalies. To the best interest of assesses such interpretations should lead to clear interpretation that will help in understanding the tax in simple and easy manner.