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Tax Alert - Key announcements of
Union Budget 2024



Union Budget 2024-25

Driving growth for the Automotive sector | Boost to manufacturing



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Hon'ble Finance Minister, while presenting the Union Budget 2024, underscored the importance of indigenous manufacturing and promoting green ecosystem, coupled with infrastructural support, employment generation and driven by the vision of 'Viksit Bharat'. The recent customs announcements affect several sectors, particularly focusing on industries like automotive. For instance, the 'Make-in-India' initiative prioritizes the Automotive sector, allocating INR6921 crore for Central Sector Schemes allocation. This funding aims to empower both original equipment manufacturers (OEMs) and component manufacturers, enabling them to enhance their manufacturing capabilities and seize growth opportunities within the country.

The key announcements include setting of the sunset clause for import of batteries for two and three-wheeler EVs, providing relief by way of exemption from BCD on import of certain critical minerals and extension of several exemption on parts and components for use in manufacture of lithium-ion battery pack and cells, oxygen free copper for manufacture of resistors and certain parts for manufacture of connectors.

In line with the government's vision of 'Make in India', the Union Budget 2024 has made significant strides to bolster domestic manufacturing in the Automotive sector. These measures are expected to enhance India's self-reliance and global competitiveness in the Automotive industry.

How does the budget impact the Automotive sector?

- ▶ **Proposal to extend exemption from BCD the following goods up to 31 March 2026 :**
 - ▶ Specified parts, components for use in manufacture of lithium-ion cells, and lithium-ion battery and battery pack
 - ▶ Specified goods for the manufacture of Brushless Direct Current (BLDC) motors
 - ▶ Inputs, parts or sub-parts for use in the manufacturing of Printed Circuit Board Assembly
- ▶ **Proposal to exempt critical minerals from Custom Duties, such as:**
 - ▶ Antimony, beryllium, bismuth, cobalt, copper, gallium, germanium, hafnium, indium, lithium, molybdenum, niobium, nickel, potash, REE, rhenium, strontium, tantalum, tellurium, tin, tungsten, vanadium, zirconium, selenium, cadmium, silicon other than quartz and silicon dioxide
- ▶ **To promote the manufacture of batteries in India and encourage the PLI scheme for Advanced Chemistry Cell:**
 - ▶ BCD exemption has been withdrawn for batteries of electrically operated vehicles, including two- and three-wheeled electric motor vehicles and such goods would now be subject to BCD at the rate of 20%
 - ▶ Exemption from Customs Duty (BCD and SWS) on critical minerals and further reduction of BCD on few minerals essential for manufacture for battery in India
- ▶ **Modification in certain tariff entries under First Schedule to the Customs Tariff Act, 1975, effective from 1 October 2024. Few relevant changes are:**
 - ▶ New entry has been inserted for lorries (trucks) fitted with bridging systems in CTH 8705 (special purpose motor vehicles, other than those principally designed for the transport of persons or goods) with a tariff rate of 10%
 - ▶ New entry for e-bicycle or battery-operated pedal assisted vehicle in CTH 8711 60 80 with tariff rate of 100%
- ▶ **For claiming preferential duty benefit, the importer can also submit a declaration for the purpose of proof of origin**
- ▶ **Government can notify class of goods which shall not be permitted for manufacturing processes and other operations in a warehouse**
- ▶ **To reduce blockage of working capital, the scope of obtaining lower deduction/collection certificates widened to cover tax deduction/ collection at source on purchase/sale of goods**

Highlights



INR6921cr

Total budget outlay for Central Sector Schemes



Rationalization of tax structure and provision



Value addition in auto sector promoted

Key Amendments in Customs

- Basic Custom Duty exemption for the goods covered under following serial numbers of the notification has been extended up to 31 March 2026

S No.	Corresponding S No. in Notification No. 50/2017-Customs	Heading, sub-heading tariff item	Description	Current BCD Rate
1	253	3824 99 00, 8505 11 90	The following goods for use in the manufacture of Brushless Direct Current (BLDC) motors, namely: (i) Magnet Resin (Strontium Ferrite compound/before formed, before magnetization) (ii) Neodymium Magnet (before Magnetization)	2.5%
2	512	85 or any other Chapter	(a) Parts, components and accessories except lithium-ion cell and Printed Circuit Board Assembly (PCBA), for use in manufacture of lithium-ion battery and battery pack (b) Sub-parts for use in the manufacture of items mentioned at (a) above	2.5%
3	512A	Any Chapter	Inputs, parts or sub-parts for use in the manufacturing of Printed Circuit Board Assembly (PCBA) (falling under tariff item 8507 90 90) of Lithium-ion battery and battery pack	2.5%
4	523A	Any Chapter	Parts, sub-parts, inputs or raw material for use in manufacture of Lithium- ion cells falling under tariff item 8507 60 00	Nil
5	527	8507 60 00	Lithium-ion cell for use in manufacture of battery or battery pack, other than those mentioned against S. Nos. 527A and 527B	5%
6	527B	8507 60 00	Lithium-ion cell for use in the manufacture of battery or battery pack of electrically operated vehicle or hybrid motor vehicle	5%

- Custom Duty exemption for below tabulated goods shall lapse w.e.f. 30 September March 2024

S No.	Heading, sub-heading tariff item	Description	Current BCD Rate
1	8507	Batteries for electrically operated vehicles, including two and three wheeled electric motor vehicles Explanation: For the purposes of this entry, "electrically operated vehicles" means vehicles which are run solely on electrical energy derived from an external source or from one or more electrical batteries fitted to such road vehicles and shall include electric motor assisted cycle rickshaw driven by rechargeable solar batteries, also known as 'soleckshaw'	5%

Key amendments in GST

- ▶ Waiver of interest and penalty will be granted in non-fraud cases for FY 2017-18 to 2019-20, if entire tax demand as per notice or order, as the case may be, is paid up to the date to be notified. The following scenarios will be covered:
 - ▶ notice issued, but order has not been passed, or
 - ▶ order passed by proper officer, but Appellate Authority or Revisional Authority has not passed the order, or
 - ▶ order passed by Appellate Authority or Revisional Authority, but Tribunal has not passed the orderWaiver will not be available in case of erroneous refunds
- ▶ Time limit to file an appeal before GST Appellate Tribunal (GSTAT) will be three months from the date to be notified or the date of order, whichever is later
- ▶ Three-month condonation period will be granted where the Department fails to file an appeal before GSTAT within timelines
- ▶ The amount of pre-deposit will be reduced in the following manner:
 - ▶ Before the Appellate Authority, the maximum amount of pre-deposit is reduced from INR25 crore to INR20 crore (CGST and SGST each)
 - ▶ Before the GSTAT, the pre-deposit amount is reduced from 25% to 10% of the tax in dispute, with the maximum amount reduced from INR50 crore to INR20 crore (CGST and SGST each)
- ▶ Time of supply in respect of services received from unregistered person and attracting reverse charge will be earlier of:
 - ▶ Date of payment
 - ▶ Date of issuance of self-invoice
- ▶ Government to prescribe time-limit to issue self-invoice in case of reverse charge supplies received from unregistered persons. Further, self-invoice will also be required where the supplier is registered solely for the purpose of deducting tax at source
- ▶ From FY 2024-25 onwards, a common time limit will apply for issuance of demand notices (42 months from the due date of filing relevant annual return) and demand orders (12 months from the date of notice), irrespective of cases involving fraud or willful misstatement or not.
- ▶ Time limit to avail ITC for FY 2017-18 to 2020-21 will be extended till 30 November 2021 where the relevant GSTR-3B is filed up to such date
- ▶ Refund of integrated tax as well as of unutilized ITC on export of goods shall not be available where the subject goods attract export duty. Similar restriction will be placed on refund when taxpayer supplies such goods to Special Economic Zone (SEZ) developer or unit
- ▶ Authorized representatives are now allowed to appear for summons before proper officer

Impact analysis

The Automotive sector is a pivotal contributor to India's economic growth and contributes 49% to India's manufacturing GDP. In FY24, the country produced approximately 49 lakh passenger vehicles, 9.9 lakh three-wheelers, 214.7 lakh two-wheelers, and 10.7 lakh commercial vehicles.

The present budget aims to elevate India's position from its current status as the world's third-largest Automotive market to its zenith. The budget places a strong emphasis on the 'Aatmanirbhar Bharat' mission, advocating for the continuation of the Phased Manufacturing Programme as a catalyst for indigenous manufacturing and global market penetration.

While the allocation of funds for the FAME and EMPS schemes is commendable, the industry eagerly awaits further clarification on specific utilization of these funds, whether to expand scheme eligibility or address existing budgetary constraints.

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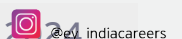
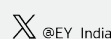
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