BOMBAY CHAMBER OF COMMERCE AND INDUSTRY

PRE-BUDGET MEMORANDUM 2024-25 - INDIRECT TAXES
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THE BOMBAY CHAMBER OF COMMERCE & INDUSTRY
PRE-BUDGET MEMORANDUM 2024-25
INDIRECT TAXES

A. Goods and Services Tax

Sl.	Subject	Issues and Rationale	Recommendations
1.	**ITC restriction on CSR spend**	● As per clause (fa) of section 17(5) of CGST Act, input tax credit cannot be claimed on goods or services received by a taxable person, which are used or intended to be used for activities relating to his obligations under corporate social responsibility (CSR) referred to in section 135 of Companies Act, 2013. ● Since CSR activity is a business activity and mandated by Companies Act, Input Tax Credit (ITC) of GST paid on supplies procured in course of the said CSR activities should be allowed. ● Many large business entities have a separate group entity registered under section 12A of Income Tax Act, 1961 and undertaking charitable activities. Goods and services are often supplied to such charitable entities by the group companies with an objective of charity and the amount so spent is debited to CSR expenditure. ● Currently, such supplies by the group companies to charitable entity are treated as taxable supply due to the provisions of entry 2 of Schedule I of CGST Act and GST is charged accordingly. On the other hand, companies claim the benefit of ITC on the procurements made in this regard.	The Chamber recommends that ITC should be allowed on goods and services procured for undertaking CSR activities. Without prejudice to above, the Chamber recommends suitable amendment by way of proviso under section 17(5)(fa) to exclude the cases where goods are given to the charitable entity (related person) and the same is debited as CSR expenditure. Alternatively, such transactions should not be treated as supply under Schedule I and restriction under clause (fa) can apply.

Sl.	Subject	Issues and Rationale	Recommendations
		● Considering clause (fa) under section 17(5), the question may arise about the eligibility of such ITC even if the tax has been discharged on the output side. ● There is a Circular issued by the Government in the past clarifying on ITC eligibility with reference to gifts and free samples.	
2.	**Reverse charge mechanism (RCM) on sponsorship services**	● Sponsorship Services provided by any person to a body corporate or partnership firm is taxable under RCM. However, the supplier cannot claim credit attributable to such sponsorship services provided, even if such services are liable to GST. This results in a loss of legitimately available ITC and leads to cascading of taxes. ● Merely changing the person responsible to deposit the GST should not break the otherwise seamless GST ITC chain. ● At present, the RCM notification contains various cases where the RCM liability has been cast on persons other than body corporate.	The Chamber recommends that the sponsorship services may be taxed under forward charge. This will enable the supplier to claim ITC. Further, if the above is not possible, the same should not be considered as an exempt supply in the hands of the supplier for ITC reversal. Alternatively, applicability of RCM should be restricted to such services provided only by services providers other than corporates.
3.	**Tax levy on secondment arrangements**	● It is a common practice in various sectors to provide/ receive employees under secondment programs. ● These arrangements are treated as employment arrangements under Income tax and other allied laws. Further, courts and tribunals under service tax law have also historically affirmed no tax position. ● However, Supreme Court, in the case of Northern Operating Systems Private Limited, confirmed the levy of service tax	The Chamber recommends that an explanation be inserted in Schedule III of CGST Act that the employer-employee relationship shall be determined basis the provisions of the Income Tax Act. Alternatively, Government could consider the following:

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		treating the secondment arrangements as the supply of manpower service based on a particular set of facts. ● This ruling is likely to have implications under service tax and GST as well as recovery of past period taxes (along with interest and penalty) and could impact various sectors from a tax cost and compliance standpoint. ● There is, therefore, a need for clarifying secondment-related arrangements under service tax and GST standpoint.	● Issue clarification on its position and waive all past-period dues. ● If waiver of tax dues is not possible. In that case, clarification should be issued that any GST paid for any past period shall be eligible as credit for utilization or allowed as a refund. ● Further, no interest and penal proceedings shall be pursued in this matter. ● Also, clarification should be issued that the transaction value for tax payment shall be restricted to the value of actual reimbursements made by the Indian Company to the overseas Company. Further, for demands under the service tax regime, Government could consider issuing a Notification under section 83 of the Finance Act, 1994 read with section 11C of the Central Excise Act, 1944.

4.	**Communication of details of inward supplies and ITC**	● As per section 38, ITC shall be denied to the recipient for various defaults by the supplier. Such defaults include:
		  ● Non-payment of tax by the supplier
		  ● Availment of credit in excess of eligible credit
		  ● Utilization of ITC in excess of the prescribed limit
		  ● Tax payable basis GSTR-1 is more than the tax paid in GSTR-3B
		
		● The recipient is likely to have a nightmare claiming credit if these restrictions are imposed for reasons beyond the recipient's
			The Chamber recommends that since the provisions are too onerous, the recipient should not be denied credit due to the supplier's default. Accordingly, it is recommended that notification prescribing restricted suppliers under this section should not be issued.
			
			Alternatively, the applicability of these provisions should be limited only in case of fraud or collusion.

Sl.	Subject	Issues and Rationale	Recommendations
		control. These provisions are most likely to be challenged before the Courts. ● The restriction on ITC availment for various defaults by the supplier will result in working capital blockage for recipients. It is not very clear whether the prescribed restrictions are temporary, in the sense that at a later time, on corrective actions undertaken by the supplier, the recipient will be eligible for ITC or not. ● The restrictions somehow dilute the objective of facilitating seamless flow of credit through the implementation of GST. ● Similarly, there can be instances where a credit note was issued, but there was no sufficient liability in the said month to offset against the credit note. The full value of the credit note is reported in GSTR-1, but in GSTR-3B, the amount of the credit note only to the extent of liability can be disclosed. Accordingly, in the subsequent month, there could be a scenario where liability in GSTR-1 will be more than the liability shown in GSTR-3B on account of the adjustment of the credit note for the balance amount. ● Disallowing credit in such cases basis the system reports without going into actual reasoning can cause undue hardship for genuine recipient. ● This provision could be prone to litigation on the ground that Government should not straightaway burden the recipient with	

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		credit denial without first taking steps to recover tax from the supplier. ● Instruction No. 1/2022-GST dated 7 January 2022 stated that where the liability reported in GSTR-1 is more than GSTR-3B, taxpayers will have an opportunity to be heard to explain the differences before initiating recovery proceedings. Similar relaxation is currently absent under section 38.	
5.	**ITC eligibility where Place of supply (POS) is in another state**	● Tax collected by the State where the goods or services are consumed is retained by that State only; therefore, an entity registered in another state cannot claim the credit of the same. This applies to all those transactions where the POS is in a different state than the location of the recipient. ● However, in case of an intra-state supply of goods and services, Central Goods and Services Tax (CGST) portion is retained by the Central Government and forms part of the consolidated fund of India. Since Central Government collects taxes, credit of the same could be allowed irrespective of whether the taxpayer is registered in the particular State. Example: The employees of a company travel across India, and it is not possible to obtain GST registration in each State. Thus, the tax paid on hotel accommodation service becomes cost to the Company.	The Chamber recommends that a suitable mechanism be introduced to allow ITC of GST (CGST) in such cases to the businesses.

Sl.	Subject	Issues and Rationale	Recommendations
6.	**Transfer of Integrated Goods and Services Tax (IGST)/ CGST/ cess credit balance between registration having same PAN**	● There are many instances where the taxpayer has enough credit balance in one State but needs to discharge tax liability in cash in other states. This negatively impacts the working capital of the business. ● Further, vide Finance Act 2022, provisions related to transfer of unutilized balance in CGST and IGST cash ledgers have been allowed to transfer between distinct persons w.e.f. 5 July 2022. ● Also, Rule 10A of CENVAT Credit Rules, 2004 allowed the transfer of CENVAT balance of Special Additional Duty (SAD) lying with any of the registered premises to any other premises of the same manufacturer who have a common PAN.	The Chamber recommends that taxpayers be allowed to transfer the credit balance of IGST, CGST, and compensation cess from one registration to another (i.e., between registrations with same PAN) as allowed under pre-GST era. Also, cash balance of the compensation cess should be allowed to be transferred between distinct persons.
7.	**ITC reversal in case of Mergers and Acquisitions**	● Mergers and Acquisitions (M&A) have increased over the years as companies look at synergizing in dynamic economic environment. ● Under GST, since services by way of business transfer of a going concern is exempt, ITC is not available in respect of goods and services procured for such business transfer like consultation and legal service, due diligence services, etc. ● Further, there is an ambiguity as to whether the consideration received for business transfer should form part of exempt turnover for calculating ITC reversals. Such inclusion results in an absurd situation where a huge amount of ITC will become a cost for the Company. The intention of the legislature may be different.	The Chamber recommends that necessary amendments be made for eligibility of ITC and non-reversal of common credit in case of business transfer arrangement.

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8.	**Tax deduction at source (TDS)**	● The GST law requires certain persons, like Government departments, PSU, etc., to deduct tax at source @ 2% (1% CGST and 1% SGST) while paying suppliers. Such a provision was originally inserted to expand the tax base and put a check on tax evasion. However, it led to the blockage of working capital in the hands of the suppliers. ● GST law has evolved, and with data analytics in place. Further, with the introduction of e-invoicing mechanism, proper tracking of transactions is possible. Hence, TDS provision does not serve its intended purpose.	The Chamber recommends that since GST law has enough checks and balances to eliminate tax evasion, the provision of TDS should be omitted. For all such contracts which currently attract TDS, a condition should be inserted that only the registered suppliers can bid for the contract. Once the suppliers are registered, they become tax compliant; hence, the need for tax deduction at source will not arise.
9.	**Tax Collection at Source**	● E-commerce entities must collect tax at source where the suppliers are making taxable supplies through the portal. Such an amount is credited to the cash ledger of the supplier and can be either utilized for payment of output tax liability or claimed as a refund. The current rate of TCS is 1% (IGST) or CGST and SGST (0.5% each). There is a need to ease the working capital of the industry, which is adversely impacted and trying to recover owing to the recent pandemic. ● Registered suppliers exporting through e-Commerce platforms suffer a TCS of 1 percent since GST law does not exclude zero-rated export supply from the TCS levy. This affects their working capital and adversely impacts their competitiveness.	Chamber recommends that the rate of TCS should be reduced to 0.1%. Further, the Government should make necessary amendments to remove the TCS levy on zero-rated supplies.

Sl.	Subject	Issues and Rationale	Recommendations
10.	**Allow refund of GST claimed on capital goods to exporters supplying under Letter of Undertaking (LUT)**	● While exporters can claim refund of accumulated ITC of GST paid on input & input services, GST paid on capital goods is not allowed to be claimed as a refund as per Rule 89(4). ● Further, the exporter who opts for payment of IGST on zero-rated supply can utilize ITC of GST paid on capital goods. This brings disparity between the exporters opting for the LUT scheme and the exporters opting for payment of GST. Service exporters cannot utilize the available ITC on capital goods since most of their output is zero-rated. This impacts the working capital requirements of the exporters. ● Further, GST Council considered the proposal to provide refund of capital goods for exporters with aggregate turnover up to INR30 crores in the 39th Meeting held on 14 March 2020. The item was discussed to improve India's ranking in the 'Paying Taxes' category of World Bank's 'Ease of Doing Business index, where India has been scoring 'NIL' without any provision to allow cash refund of ITC on Capital Goods. Then, it was estimated that the said proposal would result in an additional outflow of INR 15,000 Crores for a jump of 7 ranks. Considering the Government's financial situation at that point in time, the said proposal was not agreed. ● Allowing refund of capital goods for exporters under LUT would also improve the World Bank's ease of doing business rankings.	The Chamber recommends that GST paid on procurement of capital goods should also be allowed as a refund for export of goods or services under LUT.

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11.	**Non-taxability of advances for infrastructure projects**	● As a general practice, to commence/execute work on sites, the contractee pay the contractor an amount of 10%-20% of contract price in the form of mobilisation advance to mobilise the resources.
		
		● This advance is paid upon furnishing of security such as bank guarantee or corporate guarantee by the contractor. The amount is subsequently adjusted in the running bills.
		
		● Further, the time gap between the receipt of advance and adjustment thereof may take a longer period ranging from 2 to 5 years (project period). Thus, the mobilization advance though termed as 'Advance' may not be similar to the normal trade advances.
		
		● Such advance is provided as a loan by the contractee to enhance contractors' working capital and is akin to a financial transaction (transaction in money).
		
		● Mobilization advance has the following characteristics:
		  ● Security Deposits,
		  ● Obligation of repayment,
		  ● Funding Working Capital Requirements; and
		  ● Not in the nature of normal trade advances.
		
		● The contractors are required to pay GST on such advances through cash at the inception stage itself which reduces the funds at the disposal of the contractors. Further, at a later point in time, when the goods are services are procured, ITC accrues but due to lower quantum of tax payable (net of advances), the credit cannot be fully utilized and results in accumulation, thereby affecting the working capital of the company.
			The Chamber recommends that mobilization advance for infrastructure projects should not be taxed at the time of receipt. GST should be levied at the time of actual invoicing.
			
			A proviso can be inserted in section 13(2) of CGST Act to provide that time of supply in respect of works contract shall arise on the date of invoice.

Sl.	Subject	Issues and Rationale	Recommendations
		• Typically, works contract effectively comprises of supply of goods to the tune of almost 70% of total contract value. However, as works contract is deemed as service under GST law, entire advance is being taxed at the time of receipt though nearly 70% of such advances pertains to supply of goods. It may be noted that Notification No. 66/2017–CT dated 15 November 2017, provides exemption from payment of GST on advances received for goods.	
12.	**Allow payment of tax for RCM through ITC**	• As per section 9(3) of CGST Act read with the Notification issued thereunder, recipient of specified services is required to pay GST under RCM. Further, as per section 49(4) of CGST Act read with section 20 of the IGST Act, the amount available in electronic credit ledger is allowed only for payment of output tax, and output tax has been defined u/s. 2(82) specifically to exclude payment under reverse charge. Thus, the service recipient is required to discharge GST liability under reverse charge only through cash. • Service exporters cannot utilize available ITC since most of their output is zero-rated. Moreover, requirement of payment of cash to discharge such tax liability under "reverse charge" basis inflates the pool of unutilized ITC already available with the exporter. Such tax payment in cash impacts the working capital requirements of the exporters, eventually increasing the export cost.	The Chamber recommends section 49(4) of CGST Act, along with relevant rules to allow payment of RCM through ITC.
13.	**Allowing refund of GST on input services in case of inverted tax structure**	• Section 54(3) of the CGST Act, 2017 states that a registered person may claim refund of any unutilized input tax credit (ITC) only in cases of zero-rated supplies made without payment of tax and supplies involving inverted rate structure.	The Chamber suggests that Section 54(3) of CGST Act and Rule 89(5) of CGST Rules be amended to allow seamless refunds in case of inverted duty structure for both inputs and input services.

Sl.	Subject	Issues and Rationale	Recommendations
		● Section 54(3) of CGST Act allows refund in case of inverted duty structure where the rate of tax on inputs is higher than the rate of tax on outward supplies. Rule 89(5) of CGST Rules provides that in case of refund on account of inverted duty structure, Net ITC in respect of which refund can be availed shall be restricted to inputs only. ● Further, the Central Government, in "Medium Term Fiscal Policy Cum Fiscal Policy Strategy Statement" of the 2019 budget presented under the Fiscal Responsibility and Budget Management Act, 2003, has indicated in long-term proposals that refund of input services to be allowed as part of refund of ITC accumulated due to inverted duty structure. ● Recently, GST Council has partly addressed the issue by modifying formula suggested by SC. However, complete relief is likely to be obtained when input service is also considered for refund purpose.	
14.	**GST ITC eligibility on construction/renovation of immovable property which is used for business purposes**	● As per Section 17(5)(c) and (d) of CGST Act, ITC shall not be available on: ● Works contract services in respect of immovable property except where it is an input service for further supply of works contract service; or ● goods or services used for the construction of an immovable property on his account, including when such goods and services are used in the course of furtherance of business.	The Chamber recommends that Section 17(5)(c) and (d) of CGST Act should be omitted with retrospective effect.

Sl.	Subject	Issues and Rationale	Recommendations
		● Further, ITC is restricted in case of works contract services only to the extent expenses are capitalized, as per accounting standard renovation of building such as office interior works are capitalized along with the building, and therefore, such credits are disallowed. ● Denial of ITC when used for construction/renovation works of immovable property on own account, although the same is used in the course or furtherance of business, is against the philosophy of the GST law, which is aimed at reducing the cascading effect of taxes. ● Allowing ITC where building is used in the course or furtherance of business (i.e., generating income liable to GST), such as renting, will keep the tax chain intact and serve the purposes of equity. ● Additionally, it is an indisputable fact that immovable properties such as factory sheds, machine foundation, office premises, residential quarters, etc., are an integral part of business and have a direct nexus with the functioning of the business. ● While credit may not be allowable if the immovable properties are intended for personal or non-business purposes, there appears to be no justification for disallowing credit on the construction/renovation of the immovable property exclusively for business purposes.	

Sl.	Subject	Issues and Rationale	Recommendations
		● Also, there have been advance rulings wherein it has been observed that leasing of land for the construction of an immovable property (such as hotels, commercial establishments, and warehouses) is also regarded as services for construction and restriction under Section 17(5)(c) of CGST Act is made applicable on GST paid on leasing of land. ● Hence, there is a need to omit the provision of Section 17(5)(c) and (d) of CGST Act to allow ITC for construction/renovation of immovable property where such immovable property is intended to be used in the course or furtherance of business.	
15.	**Relaxation in reversal of GST ITC for transactions in securities for life insurance, general insurance, and health insurance companies**	● Life Insurance Companies invest in securities as a statutory obligation to provide life insurance services. In the case of Shriram Life Insurance Company Limited, CESTAT Hyderabad has held that no reversal of CENVAT credit is required for statutory investments mandated under IRDA. ● Explanation to Chapter V of CGST Rules states that for determining the value of exempt supply under section 17(3) of the CGST Act, the value of security shall be taken as 1 percent of the sale value of such security.	The Chamber recommends that the obligation of proportionate reversal of common ITC to the extent they pertain to the transaction in securities in the case of life insurance, general insurance, and health insurance business should be removed.
16.	**Health insurance companies be allowed to avail ITC on the cost of medicine/room**	● Cost of medicines is a major component incurred by health insurance companies towards reimbursement of Mediclaim policies. Further, room rent over INR 5,000 per day is subject to GST from 18 July 2022. However, insurance companies cannot	The Chamber recommends Health Insurance companies be allowed to avail ITC for claims settled towards the cost of medicines and room rent charges for its policyholders by amending the condition laid down under section 16 of CGST Act.

Sl.	Subject	Issues and Rationale	Recommendations
	rent reimbursed to its policyholders.	avail ITC of medicines and room rent charges as hospitals and pharmacists issue the invoices in the insured person's name, i.e., the patient and not the insurance company. ● Claim towards Health Insurance policies can be done either by cashless or reimbursement model. In both cases, invoices are generated by hospitals and pharmacists in the name of the insured person/patient. ● All the condition to avail ITC under Section 16 of CGST Act is fulfilled by the insurance company's policyholder, i.e., invoice is in the name of the insured person, medicine/room is received, and the insured person makes payment. Before finalizing the claim, the insurance company also ensures that invoices are in the policyholder's name and expenditure is incurred based on doctor advisory and treatment. The only exception is pharmacists and hospitals will raise B2C invoices that will not be reflected in GSTR-2B of the insurance company, thereby denying ITC claim to the health insurance company. ● Non-availability of ITC of GST paid to Hospitals and pharmacists is adding to the insurance company's cost. However, the same is incurred for providing output service to the policyholders.	
17.	**Allowing ITC of GST paid on advances for services**	● As per section 13(2) of CGST Act, the liability to pay GST for services is trigged on receipt of advances by the supplier. Further, as per explanation to section 13(2) of CGST Act, supply shall be	The Chamber recommends that section 16(2) of CGST Act be amended to allow service recipients to claim ITC of GST paid on advances.

Sl.	Subject	Issues and Rationale	Recommendations
		deemed to have been made to the extent it is covered by the payment, i.e., advance. ● However, as per section 16(2) of CGST Act, one pre-condition for claiming ITC is that the recipient of services should have received services. ● The said restriction read with time restriction placed on taking credit under section 16(4) of CGST Act would cause operational difficulties to capital-intensive businesses due to projects having a long gestation period comprising advance payments. There doesn't seem to be any revenue leakage if ITC is allowed to be claimed on advances for services in the hands of the recipient.	The above can be achieved through the insertion of an explanation in section 16(2)(b) of CGST Act to provide that services shall be deemed to have been received to the extent it is covered by advance, similar to section 13(2) of CGST Act.
18.	**Onus on supplier to provide certificate in case of ITC mismatch**	● Circular No. 183/15/2022-GST dated 27 December 2022 provided manner to deal with difference in ITC availed in Form GSTR-3B as compared to that detailed in Form GSTR-2A for the period July 2017 till September 2019. ● As per the said Circular, in case, where ITC mis-match in respect of a supplier exceeds INR 5 lakh, the proper officer shall ask the recipient to produce a certificate for the concerned supplier from the Chartered Accountant or the Cost Accountant, certifying that supplies in respect of the said invoices have actually been made by the supplier and the tax on such supplies has been paid by the said supplier in his return in Form GSTR-3B.	The Chamber recommends that certifications for ITC mismatch as provided in the Circular should form part of the GST law. Further, penal provisions should be contemplated if supplier fails to provide the relevant certificate.

Sl.	Subject	Issues and Rationale	Recommendations
		• Further, in cases, where ITC mismatch in respect of a supplier is up to INR 5 lakh, self-certification by the supplier will suffice. • Practically, we understand that some of the suppliers are not providing such certificates due to which ITC is being disallowed to the recipients. • The same is likely to increase the commercial litigation between the supplier and the recipient since credit is denied to the recipient for supplier's fault. • Thus, there is a need to put a mandate on the supplier to provide such certificates in order to enable the recipient to claim credit.	
19.	**Rule 96(10) benefit allowed to importers of capital goods under the Export Promotion Capital Goods (EPCG) scheme should be extended to Export Oriented Unit (EOU)/ Electronic Hardware Technology Park (EHTP)/ Software Technology Park (STPI) scheme**	• Presently, as per Rule 96(10), if EOU/EHTP/STP units domestically procure/import raw materials and capital goods by availing exemption, then the benefit of export with tax payment is not available. • However, taxpayers who import/domestically procure capital goods under the EPCG scheme are allowed the benefit of export with payment of tax. The intention of allowing benefit was that it is impossible to have a one-to-one correlation with the outward supplies in case of imports of Capital Goods. • This has resulted in a disparity between EPCG holders and EOU/STP/EHTP exporters as EOU/STP/EHTP units only	The Chamber recommends that Rule 96(10) be amended retrospectively with effect from 23 October 2017 to restrict the benefit of exports with payment of tax only for inputs procured and not for all goods.

Sl.	Subject	Issues and Rationale	Recommendations
		procuring capital goods by availing exemption are denied the benefit of export with payment of tax. ● Since one-to-one correlation is possible for inputs, the restriction should be applicable only for inputs procured and not for capital goods. This would ensure EOU/EHTP/STP and all other units procuring only capital goods under the restricted notifications in Rule 96(10) are allowed export with payment of tax.	
20.	**Issuance of summons**	● Section 70 of the CGST Act, 2017, and Instruction No. 03/2022-23 (GST-Investigation) has laid down various guidelines for issuance of summons, however there are certain aspects which have not been dealt with in the aforesaid instructions. Some of the important issues faced by the taxpayers with regards to issuance of summons are as below: ● **Time to appear in a summon** It is generally observed that summons is being issued in a haphazard manner. Few of the scenarios are as follows: ● To appear in person within less than 24 hours, ● To appear at non-working hours, ● To appear over the weekends, ● Back dated summons to appear at a time way before the service of actual summons. The above hampers taxpayer's ability to appear for every summon proceedings, thus automatically making the taxpayer non-compliant of the provisions of Sections 172	The Chamber recommends that: ● The timelines must be set out to appear for summons under the GST laws which must be in line with CPC, in order to enable the taxpayer to prepare for the summons proceedings. ● No summon should be issued to appear on a public holidays or Sundays otherwise in an exceptional situation. ● Taxpayer should not be called upon to stay for indefinite period during a summon proceeding. The officers should ensure that summons proceedings begin at the time mentioned in the summons and the proceedings are being conducted during the normal business hours of a working day. ● To be in consonance with the CPC, rules should be incorporated under GST Rules to allow appearance in a summon proceedings through an

Sl.	Subject	Issues and Rationale	Recommendations
		and 174 of Indian Penal Code. Further, it also affects the ability of the taxpayers to be well prepared for the summons proceedings leading to ineffective summons proceedings on a large number of instances. Summon proceedings in GST are as per the provisions of the Code of Civil Procedure, 1908 (CPC). In CPC, as per Rule 1 of Order V, whenever a lawsuit is instituted by a plaintiff, the defendant has to file a written statement within 30 days of issuance of the summons to him. ● **Attendance in a summon** The officers issue summons requiring the person summoned to attend personally on every occasion, thereby not allowing appearance through authorized representative. The officers do not allow attendance or even presence of legal representative in a summon proceedings. As per Rule 1 of Order III of CPC, any appearance, application or act in or to any Court, may, except where otherwise expressly provided by any law for the time being in force, be made or done by the party in person, or by his recognized agent, or by a pleader appearing, applying or acting, as the case may be, on his behalf.	authorised representative i.e., lawyer/ chartered accountant/ any company personnel etc.

Sl.	Subject	Issues and Rationale	Recommendations
21.	**Revocation of a statement made during a summon proceedings**	● In several instances, during the summon proceedings, statements of taxpayer are being recorded by using threat, coercion or force. However, there is no provisions under the GST law to revoke the statements being recorded under undue influence at a later stage.	The Chamber recommends to constitute authority under the GST law where a taxpayer can file an application for revocation of a statement recorded by use of threat, coercion or force. Further, rules and procedures may be set out prescribing the manner in which the taxpayer can revoke their statement recorded during the summons proceedings by use of threat, coercion or force.
22.	**ITC Accumulation due to Inverted Tax on Electric Vehicles (EV)**	Basis the GST provisions stipulated in Section 54 of CGST Act, 2017 and formula prescribed and Rule 89(5) of CGST Rules, 2017: ● Full **refund is not granted of ITC on account of Input Services** which results into ITC accumulation. ● **Blockage of working capital** on account of higher GST rate of inputs. ● **No refund is granted of ITC on account of Capital Goods** which results into ITC accumulation.	The Chamber recommends that: **(i) For Input Services:** Allow full refund of "Input Services" akin to "Inputs" by suitably amending the IDS Refund formula. **(ii) For Inputs:** Reduction of GST rate on EV specific inputs (spare parts / raw materials) from 18% to 5%. **(iii) For Capital Goods:** A) Grant refund of ITC on capital goods in proportion to supply of EVs or; B) Notify supply of capital goods to EV Manufactures as a special scenario u/s 55 of CGST Act, 2017 or; C) Notify concessional rate of GST @ 5% for supply of Capital Goods to EV Manufacturers.

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Sl.	Subject	Issues and Rationale	Recommendations
23.	**Place of Supply for tools, dies, fixtures for inter-state movement**	Basis the provisions stipulated in Section 16(2)(b) of CGST Act and Section 10(1)(a) & 10(1)(c) of IGST Act: ● When the component supplier is also developing the tools, dies, fixtures for OEMs, tools are physically not moved to recipient's location, but retained by the component manufacturer for manufacturing the components. However, if recipient is located in another state, there is a lack of clarity whether transaction should be considered under section 10(1) (b) of IGST Act. Due to lack of clarity, certain vendors are considering place of supply is in the same state where they are located and charging CGST & SGST in their supply invoices instead of IGST considering place of supply is recipient state. ● To overcome this challenge, OEM is constrained to physically move tools /dies /fixtures from supplier location to recipient location and re-issue the same to suppliers on job work basis. This involves additional freight cost for movement besides risking the safety tools /dies /fixtures.	The Chamber recommends issuance of clarification that place of supply for tools /dies/fixtures in such transactions shall be the recipient (OEM) location under Section 10(1)(b) of IGST Act wherein supplier of tool can himself be deemed to be the person to whom tools /dies/fixtures have been delivered.
24.	**ITC on passenger motor vehicles up to 13 seating capacity used for Research & Development activities by manufacturers of motor vehicles**	● As per Section 17(5)(a) of CGST Act, input tax credit is not allowed on motor vehicles for transportation of not more than thirteen persons (including the driver), except when they are used for activities specified in clause (A), (B) & (C) of Section 17(15)(a). ● Automobile Industry is such which calls for continuous R&D to improvise the existing product or to bring out the new product.	The Chamber recommends that credit on motor vehicle should be allowed when the same is used for Research & Development by manufacturer of vehicles in their R&D set-up.

Sl.	Subject	Issues and Rationale	Recommendations
		R&D centre of OEMs are engaged in continuous testing activities to develop, design and manufacture of new/improvised products. Even the R&D activities are also necessitated to keep aligned with various policies of the Govt. viz to promote Electric vehicles etc. ● In the course of R&D activities, OEMs use own manufactured as well as vehicles manufactured by other OEMs in India/abroad, to understand the technicalities and finding ways to improve the existing products or to develop a new product altogether and all these expenses are incurred in the course of furtherance of business. ● In view of specific restriction provided in Section 17(5)(a), ITC of GST paid on passenger transport vehicle is not available to OEMs which is adding to their cost.	
25.	**Time Limit for exporting goods under Letter of Undertaking**	● The taxpayer is required to pay GST along with interest, if export is not manifested within 90 days or within extended period, as allowed by Commissioner. Authorities can withdraw the LUT in case registered person fail to pay tax. ● Under Pre-GST regime, the time limit was 6 months.	The Chamber recommends increasing the said time limit to 6 months in line with pre-GST regime.
26.	**Separate GSTIN level Trial Balance and Financials**	● Entities have centralized compliance system for PAN India GST registrations including preparation of Trial Balance and Financial Statements. ● However, the tax authorities have been asking for separate GSTIN level Trial Balance and Financials. To avoid such gaps, it would be convenient to have one assessment for all GST registration at	The Chamber recommends issuance of suitable notifications/ circulars to avoid such undue hardship for the large corporates to handle separate GSTIN level Trial Balance and Financials. Also, it is recommended to have central GST audit/ assessment at entity level.

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Sl.	Subject	Issues and Rationale	Recommendations
		central tax authorities to avoid any hardship for taxpayers to carry out independent assessment for each location.	
27.	**ITC on Employee's life and health Insurance**	● As per provisions of Section 17(5), ITC credit is not allowed on health and life insurance of employees unless obligatory for an employer to provide the same to its employees under any law for the time being in force. ● Especially after Covid, health and life insurance has become an essential employee benefit. However, the employer gets discouraged, due to restrictions on the ITC credit of insurance coverage of employees though used for furtherance of business. This further adds-up to the huge cost of maintenance of day-to-day business operations.	The Chamber recommends that ITC should be allowed on life and health insurance of employees.
28.	**Invoice wise details for TDS**	● While TDS is deducted by specified person against individual invoice of supplier's invoice, while filing GSTR-7, the specified person file consolidated amount of tax deducted. ● It is difficult to ascertain correctness of such TDS credit in the absence of the supply invoice details are available against which TDS credit flown. ● Thus, invoice wise details of GST TDS should be made available on the GST portal. This will reduce the efforts for reconciliation and will help to match the books with the GST TDS portal.	The Chamber recommends that GSTR-7 format should be modified in order to file the return supplier's invoice wise instead of the present return format with consolidated amount.
29.	**Deduction of tax in case of private and foreign banks**	● The provisions of GST TDS are not applicable if the services are provided by a public sector bank to another public sector bank. ● The exemption from applicability of TDS is available only to public sector banks. The non-availability of exemption from TDS	The Chamber recommends that bank to bank transactions whether public sector banks or foreign banks or private banks should be excluded from the purview of GST TDS provisions.

Sl.	Subject	Issues and Rationale	Recommendations
		provisions to foreign banks and private banks is not justified given the stringent laws and regulations. ● The primary objective of CBIC in introducing the GST TDS provisions was to stop evasion in the unorganised sector and provide for efficient tracking and monitoring of transactions. In India, the banking business is highly regulated and subjected to strict supervision of the RBI. The public sector banks are also subjected to audit by the Comptroller and Auditor General of India. Similarly, the foreign banks and private banks and subject to stringent RBI and FEMA regulations. Accordingly, there exists a strong trail of transactions effected by every bank.	
30.	**Rectification of returns for B2C supplies**	● Currently an error in any month's GST return with regard to B2C supplies is allowed to be rectified only once. If any record for a month is amended, no other record for that month can be amended at any point in time.	The Chamber recommends that the restriction of allowing amendment only once may be removed.
31.	**Parallel proceedings across various offices**	● Similar proceedings are initiated by various departments such as anti- evasion, DGGI, jurisdictional Central/ State GST authorities, audit wing, etc. ● The view taken by one office may not be aligned with the others leading to inconsistency in taxability view within the Government offices.	The Chamber recommends issuance of clear instructions that if an issue is investigated by a particular office, there cannot be an overlap or parallel proceeding by another office. Also, it should be incumbent that the office conducting the investigation should also issue a closure letter.
32.	**Documents to substantiate receipt of foreign currency**	● For the purpose of claiming export benefit in respect of supply of services, receipt of consideration in convertible foreign exchange is a must. The authorities generally rely on FIRC / BRC as a proof for receipt of consideration in foreign exchange.	The Chamber recommends that instead of FIRC/ BRC, SWIFT messages or a self-certification from the banks should be accepted as a valid proof for receipt of consideration in the convertible foreign exchange

Sl.	Subject	Issues and Rationale	Recommendations
		● However, in the case of banks, consideration is received in either their Nostro account or deducted from the foreign currency VOSTRO account that customers maintain with it. Banks cannot issue a FIRC / BRC to themselves for receipt of the said amounts. The receipt of consideration may be proved through SWIFT messages exchanged with the overseas banks. ● Even though the SWIFT messages have been provided to the authorities during the audits / assessments, the Tax authorities are insisting for FIRC / BRC copies.	
33.	**Reversal of Common ITC for Non-Taxable Portion of Insurance Premium**	● Numerous GST Authorities are treating non-taxable portion of insurance premium as a non-taxable supply/ exempt supply warranting common ITC reversal. ● Traditional life policies or endowment plans, where GST is levied on only a portion of the plan. As a result, on the first-year premiums, GST is levied at 4.5%, while for subsequent years, it is levied at 2.25%. ● Traditional policies have **two components** — an insurance component, which attracts GST, and a savings component, which is treated akin to deposits or investment in banks. ● The issue relates to the input tax credit claimed on the portion of premium that is exempted from payment of GST. Since the premium itself is exempt, tax authorities believe that the law does not allow companies to claim input tax credit. The matter is a well settled issue under Service Tax which is being opened up again by the GST Authorities without legal merit.	The Chamber recommends clarification that life insurance is a taxable supply and the balance value determined under Rule 32(4) is not a separate non-taxable supply warranting reversal.

Sl.	Subject	Issues and Rationale	Recommendations
34.	**Riders on Life Insurance Policy**	● The Department is seeking to tax Riders to an Insurance Policy as a separate supply liable to GST at 18% instead of the effective Tax Rate of the Policy.	Clarification to be issued that Riders to an Insurance Policy is a composite supply and thus the effective tax rate as per Rule 32(4) will also be applicable on the rider component.
35.	**Taxability of penal interest**	● Vide Circular No. 102/21/2019-GST dated 28.06.2019, CBIC brought in clarification regarding non applicability of GST on additional/Penal Interest on delayed payment charges in case of late payment of Equated Monthly Instalments (EMI). ● It is clarified that the transaction of levy of additional / penal interest does not fall within the ambit of entry 5(e) of Schedule II of the CGST Act i.e., "agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act", as this levy of additional / penal interest satisfies the definition of "interest" as contained in notification No. 12/2017- Central Tax (Rate) dated 28.06.2017. ● RBI has issued circular i.e., with effect from 1st January 2024, the nomenclature of Penal Interest will have to be changed to Penal Charges ● The RBI has asked the banks not to introduce any additional component to the rate of interest and ensure compliance with these guidelines in both letter and spirit. ● Levying GST on penal charges for customers defaulting on loan EMI will create further hardships for banks, NBFC's and RE. ● Further, there is no change in the nature of transaction. RBI want to change the nomenclature from penal interest to penal charges	The Chamber recommends bringing in the suitable clarification that penal charges in the nature of penal interest is not leviable to GST.

Sl.	Subject	Issues and Rationale	Recommendations
		to stop banks and NBFC from compounding penal interest. or capitalization of interest amount.	
36	Clarification on non-levy of GST payment on Co-insurance premium accepted as follower	● Insurance Policy had been provided to the insured on receipt of the premium and the premium so received is proportionately shared by the **"co-insurer"** and the **"lead insurer"** in accordance with the risk covered by each one of them. ● There is no separate service rendered by the lead insurer to the co-insurer or otherwise relating to insurance business. The arrangement between the insurance company and the re-insurer is only sharing of expenses. ● There is only **one supply** being rendered between the co-insurers and the policy holder and for this service, the insurance premium is received in full by the lead insurer and after payment of GST on the entire amount, the rest is distributed among the co-insurer on the basis of their agreed shares. ● Co-insurers and their shares of risk are decided by the policy holder at the time of entering into the policy agreement itself, who only selects the co-insurer. ● Similar matter came up during service tax regime and accepted by department in the case of **NATIONAL INSURANCE COMPANY LTD Vs, Commissioner of Service tax, Kolkata dt. 09.08.2016.**	The co-insurance agreement is only in the nature of general regulation for sharing the risk and premium involved in an insurance policy and the entire insurance premium has already suffered tax at the time of its receipt in the hands of the lead insurer. Considering the vital role of co-insurance, the Chamber recommends bringing in the suitable clarification on non- levy of GST on sharing of premium between co-insurer and lead insurer.

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B. GST - SUGGESTIONS ON POLICY MEASURES

Sl.	Subject	Issues and Rationale	Recommendations
1.	**Rationalization of GST rates to reduce dispute on classification**	● There are seven (7) rates of GST for goods, viz. 0%, 0.25%, 3%, 5%, 12%, 18%, and 28%; for services, there are five (5) rates viz. 0%, 5%, 12%, 18% and 28%. Besides, there is a Compensation Cess on some select supplies. ● Taxpayers are finding it difficult to pay proper taxes due to the multiple tax rates. If tax is paid at a lesser rate, there will be an upside differential tax along with interest and penalty. On the other hand, if tax is paid at a higher rate, business may become uncompetitive compared to peers, who classify the supply at lower rates. ● Industry is approaching AARs to address the rate ambiguity, which involves cost and, at times, is time-consuming. Also, there are instances where AAR of different states has pronounced different rulings for the same supply. This increases confusion among the trade and industry.	The Chamber recommends shifting to a three-tier rate structure of 8 percent (merit rate) – 15 percent (standard rate) – 30 percent (demerit rate) by merging 12 percent and 18 percent into a 15 percent slab and increasing the demerit rate from the current 28 percent to 30 percent.

C. CENTRAL EXCISE AND SERVICE TAX

Sl.	Subject	Issues and Rationale	Recommendations
1.	**Provisions for availment of credit w.r.t tax paid (under erstwhile Service Tax and Excise Laws) after implementation of GST**	● Currently there is no specific provision for taking credit if any additional liability of Excise Duty / Service Tax occurs due to valuation, rate of tax issue, etc. or any additional CVD/SAD liability comes due to Customs assessment of pre-GST imports.	The Chamber recommends that if in these cases, taxes/customs duties are paid in GST regime, the input tax credit should be allowed to the taxpayer (for CVD / SAD / Service Tax as applicable in pre-GST laws). Alternatively, the explicit provisions for cash refund may be incorporated in GST law in respect of such creditable portion of taxes.
2.	**Mandatory Pre-Deposits for filing Central Excise & Service Tax appeals to be allowed using the balances in GST credit ledger**	● There is a mandatory pre-deposit required for filing appeals before respective appellate authorities in the litigation pertaining to erstwhile excise and service tax laws. ● Payment of hefty pre-deposits in cash causes blockage of funds.	The Chamber recommends that the ITC balance under CGST/ IGST accounts should be allowed to be utilized for payment of pre-deposit for litigation proceeding pertaining to erstwhile excise and service tax laws.

D. CUSTOMS

Sl.	Subject	Issues and Rationale	Recommendations
1.	**Utilization of Remission of Duties and Taxes on Export Products (RoDTEP) and Rebate of State and Central Taxes and Levies (RoSCTL) scrips for payment of GST**	● As per para 4.56 of the FTP 2015-20, scrips can be utilized to pay Basic Customs Duty. ● However, they cannot be utilized for the payment of IGST & GST Compensation Cess on imports and CGST, SGST/UTGST, IGST & GST Compensation Cess on domestic procurement.	Foreign Trade Policy and Customs law be amended to allow utilization of scrips towards the payment of GST on imports and domestic procurements.
2.	**RoDTEP Scheme to be extended to exports made by SEZ, EOU & under Advance Authorization**	● The objective of the RoDTEP scheme is to refund taxes not refunded under GST and other statutes. Exporters operating under SEZ, EOU, and Advance Authorization suffer with the taxes in the same manner as any other exporters who do not operate under the said schemes. However, currently, the above exports fall under the ineligible category of the RoDTEP scheme.	Chamber recommends Government to notify the exports made under SEZ, EOU, and Duty Exemption Schemes (Advance Authorisation) under RoDTEP Schemes as an eligible category.
3.	**One-time amnesty-cum-dispute resolution scheme for disputes and litigations under Customs law**	● Government of India has in the past notified “Sabkha Vishwas (Legacy Dispute Resolution) Scheme 2019," covering litigations under the erstwhile Central Excise and Service Tax law. This was a welcome measure as it gave a major relief to Industry from long pending and protracted litigations. In addition, it facilitated the industry to focus on GST compliance. The Government could also sharply allocate the resources involved in litigation to ensure GST compliance and subsequent audits. ● Similarly, customs litigations pending at various forums for a very long time also require time and effort to be spent by both the taxpayer and Government in resolving them.	Chamber recommends introducing a one-time amnesty-cum-dispute resolution scheme similar to Sabkha Vishwas (Legacy Dispute Resolution) Scheme 2019 to resolve long pending and protracted litigation under the Customs law.

Sl.	Subject	Issues and Rationale	Recommendations
		• Scheme similar to "Sabkha Vishwas (Legacy Dispute Resolution) Scheme 2019" for customs litigation would go a long way in freeing up time for Industry from such protracted litigations and to focus on business.	
4.	**Duty Drawback for Defence Goods**	• Duty Drawback rate for Defence goods is currently NIL. The Government has increased the incentive on various goods by way of higher duty drawbacks to boost exports and ease the liquidity crunch faced by exporters after the rollout of the GST. • The drawback neutralizes customs duty and GST components on the inputs used for products exported. Duty drawback makes India's exports more competitive in the global economy.	To promote the Defence sector, the exporter should be given a duty drawback incentive.
5.	**Validity of conditional exemption**	• Vide Finance Act 2021, Section 25(4A) was inserted to provide that all the conditional exemptions granted under Section 25(1) shall be valid upto 31 March falling immediately after two years from the date of such grant, unless otherwise specified or varied or rescinded. • A proviso is proposed to be added to the above section which restricts its applicability to exemptions issued in relation to: • Multilateral or bilateral trade agreements • Obligations under international agreements, treaties, conventions including with respect to United Nations agencies, diplomats and international organizations • Privileges of constitutional authorities, • Schemes under Foreign Trade Policy,	The Chamber recommends issuing list of notifications which will be covered under the proposed proviso. This will help the taxpayers in determining validity of an exemption notification. Further, it would be beneficial if the list of exemptions which are not expiring as on 31 March 2024 due to variation made in last two years is also issued.

Sl.	Subject	Issues and Rationale	Recommendations
		● Central Government schemes having validity period of more than two years, ● Re-imports, temporary imports, goods imported as gifts or personal baggage, and ● All duty of customs including IGST other than BCD.	
6.	**CAROTAR 2020**	● Degree of onus on the importers regarding the correctness, and genuineness of information received from the exporter, without having any means to verify it, especially when goods are procured through traders, is a big challenge. ● Due to confidentiality, overseas exporters may be reluctant to share information on costing, value addition, profit, etc. ● The procedure introduced through the Notification is a long-drawn process. It will make the importer to intrude into the foreign buyer's domain and ensure that the COO is issued following the existing rules of the origin and the latest Notification. Since the COO issued is following their Government directives on the Trade Agreements, save and except, very few unscrupulous importers may misuse these agreement rules and indulge in non-compliance with the COO requirements. ● Major importers [AEO Status holders] source their imports from very reputed and law-compliant suppliers of high repute from overseas [who are also AEO Status holders]. Hence, due diligence regarding the reputation and genuineness of the importer and the supplier is already established. So, there is no reason to doubt	The Chamber recommends the following: ● To make suitable changes in the said Rules for the onus of proof of COO on the Importers and trust-based approach to AEO status holders ● Clearance of material on the execution of either letter of undertaking or PD Bond [without any security] pending such verification ● To re-look at the stringent rules and simply so that the genuine importers are not placed in a disadvantageous position, and their legitimate duty benefits are not denied. ● The guidelines may be issued to the field formations to use their powers only when they have strong reasons to believe that the shipment in question needs further verification and not on a routine basis. ● Period of 5 years should be relaxed to a period of 12 months at maximum.

Sl.	Subject	Issues and Rationale	Recommendations
		their integrity and question the COO unless some discrepancy is noticed. ● The Government has indicated that the procedures introduced will not override the processes and timelines mentioned in the FTA / Trade Agreements. However, the procedures introduced ignore that such preferential rates and treaty benefits have their genesis in the economic integration between nations and form the backbone of multilateral trade across the globe. Introducing such restrictions in the Customs Law will deter importers from availing of such benefits. ● Hence, in case of any lacuna, left outs, or typographical mistakes, the same may be cleared by accepting either a letter of undertaking or PD Bonds [from AEO Status holders] for faster clearances. There should be a timeframe fixed for the verification process from the cross-border counterparts. ● The verification of COO can be undertaken anytime during a period of 5 years from date of claiming Preferential Rate ('PR'). A prolonged period of 5 years for verification (and suspension) could cause difficulties for genuine importers and could affect the industry adversely. ● Further, CBIC vide Circular No. 02/2022 dated 19 January 2022, it has been clarified that bank guarantee relaxations provided to AEO shall not apply for CAROTAR.	● Issuance of suitable instructions to the field officers to have strict adherence of specified timelines for verification process either under CAROTAR Rules or respective Rules of Origin.

Sl.	Subject	Issues and Rationale	Recommendations
		• Also, while the provision specifies that the entire verification process should be completed within 45 days as per CAROTAR Rules or timelines as per rules of Origin, practically such timelines are not adhered in certain cases.	
7.	**Digital filing of appeals**	• At present, reply to Show Cause Notice (SCN) and appeals are required to be made in physical copies before the customs authorities. • The physical submission requires collation of documents, preparation of sets along with signature of authorized representative. • Manual submission of information completely defeats the purpose of digital transformation of data. Further, it is pertinent to note that online filing of appeals and other submission to the tax authorities have commenced on Income Tax India and GST portal. • Online filing would also help in maintenance of repository and tracking of notices/ orders received from the Government officials and submissions made thereon.	The Chamber recommends that relevant provision should be inserted in the Customs law to file letters, appeals and other correspondence with the authorities digitally. Physical submission of documents should be done away with completely.
8.	**Complete waiver of BCD on import of cocoa beans**	• Currently, import of cocoa beans attract BCD @ 15% and there are no exemptions available in this regard. • Cocoa production in India is not sufficient for cocoa demand. Hence, there is massive gap between cocoa cultivation and demand, leading to huge import dependency with respect to import of cocoa processed goods like cocoa butter and powder. At present, cocoa crop is unique in nature and is grown in limited	The Chamber recommends full waiver of BCD on cocoa beans to incentivize the cocoa processing sector.

Sl.	Subject	Issues and Rationale	Recommendations
		states depending on weather conditions and takes approximately 5 years to be completely cultivated. ● Import of Cocoa beans should be encouraged by waiver of import duties since production is not enough which will ultimately boost domestic manufacturing facilitates of cocoa processing unit being set up in India for converting cocoa beans to cocoa powder/ butter. Further, this should generate additional employment in India.	
9.	**Concessional BCD rate for Lithium Ion Cells for use in the manufacture of battery or battery pack of EV**	● For Lithium-Ion cells which is classified under the tariff entry 85076000, the tariff BCD rate has been prescribed at 20%. ● However, a specific exemption for importing Lithium Ion Cells for use in the manufacture of battery or battery pack of EV was introduced in the mega exemption Notification No. 50/2017 Customs vide Notification No. 2/2021-Customs, whereby, the BCD on these cells was reduced to 5%. ● The concessional rate will be discontinued w.e.f. 1 April 2024. ● Lithium-Ion cells are the major raw materials for manufacturing EVs and all OEMs are reliant on imports to fulfil this demand. None of the domestic suppliers have the required manufacturing capacity or technology and there is not even a single domestic company which is manufacturing Lithium-Ion cells at scale and which will be able to cater to this huge demand. ● Higher BCD rate on Lithium Ion Cells will have a serious impact on the pricing of EVs to end customers.	The Chamber recommends that given the excessive demand and limited supply situation of Lithium Ion Cells in the domestic market, this concessional rate should be further extended by at least 3 years.

Sl.	Subject	Issues and Rationale	Recommendations
10.	**Import of motor vehicles by OEMs for testing, benchmarking, research & development (R&D) purposes**	● Notification No. 02/2023- Customs provides specific exemption for import of specified goods (List 36) by the specified testing agencies (List 37) for the purpose of testing and/or certification. ● Considering a paradigm shift w.r.t technology advancement in the automotive sector, OEMs are required to invest significantly in technology advanced cars for Testing, Benchmarking, R&D purposes and import the same from various countries. ● Since BCD has been raised on import of CBU motor cars in Budget 23-24, this essential activity of R&D becomes more expensive which discourages the industry to undertake such activities.	The Chamber recommends that an exemption from customs duty should be provided for importing technology advanced cars in CBU condition by OEMs for Testing, Benchmarking & R&D purposes, similar to the exemption provided to import of specified goods by the specified testing agencies like ARAI, VRDE etc.