

CUSTOMS

- Note:** (a) "Customs Duty" means the customs duty levied under the Customs Act, 1962.
(b) "CVD" means the Additional Duty of Customs levied under section 3 of the Customs Tariff Act, 1975.
Changes come into effect immediately unless otherwise specified.

Major proposals about customs duties are the following:

A. PROJECT IMPORTS:

Customs duty on project imports attracting 7.5% has been reduced to 5%.

B. CHEMICALS & PETROCHEMICALS:

- 1) Customs duty on crude and unrefined sulphur has been reduced from 5% to 2%.
- 2) Customs duty on phosphoric acid has been unified at 5% irrespective of its use.
- 3) Customs duty exemption presently available on naphtha for manufacture of specified polymers has been withdrawn.

C. EXPORT PROMOTION

- 1) Customs duty on unworked or simply prepared corals has been reduced from 10% to 5%.
- 2) Customs duty on rough cubic zirconia has been reduced from 5% to Nil.
- 3) Customs duty on cubic zirconia (polished) has been reduced from 10% to 5%.
- 4) Customs duty on tuna bait has been reduced from 30% to Nil.
- 5) Customs duty on specified machinery for manufacture of sports goods has been reduced from 7.5% to 5%.
- 6) Customs duty on specified raw materials for manufacture of sports goods for export has been reduced from 10% to Nil, upto 3% of FOB value of exports in the preceding year.

D. DAIRY/POULTRY

- 1) Customs duty on bactofuges has been reduced from 7.5% to Nil.
- 2) Customs duty on feed additives/pre-mixes has been reduced from 30% to 20%.

E. INFORMATION TECHNOLOGY/ELECTRONIC INDUSTRY

- 1) Customs duty on specified convergence products has been reduced from 10% to 5%.
- 2) Customs duty on specified raw materials and inputs for use in IT/electronic hardware industry has been reduced from 10%/7.5% to Nil, on end-use basis.
- 3) Customs duty on specified parts of set-top boxes has been reduced from 7.5% to Nil on end-use basis.

F. DRUGS AND KITS:

- 1) Customs duty on six specified drugs/kits, and bulk drugs for their manufacture, has been reduced from 10% to 5% with Nil CVD by way of excise duty exemption. These drugs are used in the treatment of cancer/diabetes/asthma/Hepatitis B etc.
- 2) Customs duty on specified raw materials for manufacture of ELISA kits has been reduced from 10%/7.5% to 5%.

G. METALS:

- 1) Customs duty on iron or steel melting scrap has been reduced from 5% to Nil.
- 2) Customs duty on aluminium scrap has been reduced from 5% to Nil.

H. NCCD:

National Calamity Contingent duty of 1% currently leviable on Polyester filament yarn has been withdrawn.

I. Other relief measures:

- 1) Customs duty on specified raw materials for tyre industry has been reduced from 10% to 5%.
- 2) Customs duty on helicopter simulators has been reduced from 10% to Nil.

J. TOBACCO PRODUCTS:

Customs duty on cigars, cheroots and cigarillos has been increased from 30% to 60%.

K. 4% ADDITIONAL DUTY OF CUSTOMS:

Exemption from additional duty of customs of 4% levied under section 3(5) of Customs Tariff Act, 1975 has been withdrawn from power generation projects (other than mega power projects), transmission, sub-transmission and distribution projects, and goods for high voltage transmission projects.

L. EXPORT DUTY:

Export duty rate on chromium ores and concentrates, all sorts, has been increased from Rs.2000 PMT to Rs.3000 PMT.

M. Miscellaneous:

- 1) The period for re-export of leased equipment and machinery, imported for temporary use in contracts, has been increased from 12 months to 18 months. The slab rates of duty applicable on such imports have now been provided on a quarterly basis, as against half-yearly basis provided earlier. The rates have also been aligned with the rates of drawback admissible under section 74(2) of the Customs Act, 1962, depending on the period of retention of the goods in India. No drawback, however, will be admissible when such leased goods are re-exported.
- 2) The rates of drawback, in respect of goods which have been used after importation, have been aligned with the rates prescribed for duty payable on leased equipment and machinery, imported for temporary use in contracts, depending on the period of retention in India. The maximum period of retention of such goods, for admissibility of drawback, has been reduced from 36 months to 18 months.
- 3) Concessional customs duty of 5% provided on polymer long rod insulators has been restricted to polymer long rod insulators of 765 KV rating only.
- 4) Customs duty and CVD on 0.177 calibre airguns have been exempted. Consequently, 4% additional duty of customs shall also be exempted on these airguns.
- 5) Tariff rate of Rs.2000 per 1000 kWh has been prescribed on 'electrical energy'. However, the effective rate will continue to be Nil.

CENTRAL EXCISE

Note: Changes come into effect immediately unless otherwise specified.

Major proposals about central excise duty are the following:

A. GENERAL CENVAT RATE:

General rate of excise duty (CENVAT) has been reduced from 16% to 14%. The other ad valorem rates of 24%, 12% and 8% remain unchanged.

B. SECTOR SPECIFIC RELIEF MEASURES:

I. Drugs and Pharmaceuticals:

- (a) Excise duty has been reduced from 16% to 8% on all drugs (formulations).
- (b) Excise duty has been reduced from 16% to 8% on:
 - (i) instant sterile dressing pads, burn therapy pads, corn removers etc.
 - (ii) sterile surgical catgut, sterile absorbable surgical and sterile tissue adhesive for wounds closure etc.
 - (iii) first aid boxes and kits, blood grouping reagents etc.
- (c) Excise duty has been fully exempted on Anti-AIDS drug ATAZANAVIR, and bulk drugs for its manufacture.

II. Auto Sector:

Excise duty has been reduced on:

- (a) Small cars from 16% to 12%.
- (b) Hybrid cars from 24% to 14%.
- (c) Electric cars from 8% to nil.
- (d) Specified parts of electric cars from 16% to nil on end-use basis.
- (e) Buses and other vehicle for transport of more than 13 persons from 16% to 12%, and on the chassis of such vehicles from '16% +Rs.10,000/-' to '12% +Rs.10,000/-'.
- (f) Two-wheelers and passenger three-wheelers (upto 7 persons) from 16% to 12%.

III. Food Processing Sector:

- (i) Excise duty has been fully exempted on:
 - (a) Packaged tender Coconut water
 - (b) Paws, mudi (puffed rice) and the like
 - (c) Milk containing edible nuts
 - (d) Tea/ coffee pre-mixes
- (ii) Excise duty has been fully exempted on specified refrigeration equipment for the installation of a cold storage, cold room or refrigerated vehicle, on end-use basis.
- (iii) Excise duty has been reduced from 16% to 8% on
 - (a) Muesli, corn flakes & similar breakfast cereals
 - (b) Sharbats
 - (c) Packaging material viz.:
 - Open Top Sanitary (OTS) cans
 - Aseptic packaging paper
 - Aseptic bags

IV. Information Technology & Communication sector

- (a) Excise duty has been fully exempted on Wireless data modem cards. Consequently, CVD shall also be exempted on imported cards. 4% additional duty of customs will, however, be applicable.
- (b) Excise duty has been reduced from 16% to 8% on specified convergence products.
- (c) Excise duty has been increased from 8% to 12% on packaged software.

V. Paper and Paper products

- 1) Excise duty on writing paper, printing paper and packing paper has been reduced from 12% to 8%.
- 2) Excise duty has been fully exempted on paper and paper products, manufactured from non-conventional raw materials, upto clearance of 3500 metric tonne in a year from a unit.

- 3) Excise duty on paper and paper products, manufactured from non-conventional raw materials, beyond clearance of 3500 metric tonne per year from a unit (not having an attached bamboo/wood pulp plant) has been reduced from 12% to 8%.

C. OTHER CONCESSIONS:

(a) Excise duty has been fully exempted on:

- (i) Composting machines
- (ii) Menthol/ Menthol Flakes

(b) Excise duty has been reduced from 16% to 8% on:

- (i) Water filtration and purification devices
- (ii) Veneers & Flush doors
- (iii) Heat resistant rubber tension tape
- (iv) Inks for marker pens, highlighters etc.

(c) Excise duty on pan masala, not containing tobacco, with betel nut content not more than 15%, has been reduced from 16% to 8%. It has also been exempted from National Calamity Contingent Duty.

D. CEMENT:

(a) Excise duty has been revised on Bulk cement from "Rs.400 per tonne" to " 14% or Rs. 400 per tonne, whichever is higher"

(b) Excise duty has been increased on Cement clinkers from Rs.350 per tonne to Rs. 450 per tonne.

E. Cigarettes

At present, cigarettes attract duty at varying rates depending upon whether they are filter or non-filter and their length. Excise duty rates on non-filter cigarettes have been enhanced to bring them at par with filter cigarettes of corresponding length. The revised rates of excise duty (basic + NCCD + health cess) on non-filter cigarettes are as under:

S. No.	Description	From	To
		(Rs per 1000)	
Non-filter cigarettes			
1.	Not exceeding 60 mm in length	168	819
2.	Exceeding 60 mm but not exceeding 70 mm in length	546	1323

F. Petroleum

The duty rates on MS/HSD sold without a brand name have been converted from 'ad valorem + specific rate' to pure 'specific rate' as under:

S. No.	Description	From	To
1.	Motor Spirit	6% + Rs.13 per litre	Rs.14.35 per litre
2.	HSD	6% + Rs.3.25 per litre	Rs. 4.60 per litre

The duty rates on branded fuels would continue to attract the present ad valorem cum specific rates i.e. as under:

- a) Motor Spirit : 6% + Rs.13 per litre
- b) HSD : 6%+ Rs. 3.25 per litre

G. NCCD:

- 1) National Calamity Contingent duty (NCCD) at the rate of 1% has been imposed on mobile phones. On imported mobile phones, this duty shall be levied as additional duty of Customs under section 3(1) of the Customs Tariff Act, 1975.
- 2) National Calamity Contingent duty of 1% currently leviable on Polyester filament yarn has been withdrawn.

H. Miscellaneous:

- 1) General SSI exemption has been extended on HDPE/ PP tapes consumed captively in the manufacture of sacks/ bags. The change will come into effect from 1st April, 2008.
- 2) The rate of duty applicable to clearances of goods to domestic tariff area from export oriented units, software technology parks, electronic hardware technology parks etc. has been revised from '25% of the basic customs duty + excise duty payable on like goods' to '50% of the basic customs duty + excise duty payable on like goods'.
- 3) Excise duty exemption on "shuttle-less looms" has been withdrawn. These goods will now attract 8% excise duty/CVD.
- 4) Consequent upon reduction of excise duty rates on specified goods leviable to excise duty on retail sale price basis, abatement rates for such goods have been revised suitably.

I. AMENDMENTS IN CUSTOMS ACT AND CENTRAL EXCISE ACT:

(To come into effect on enactment of Finance Bill, unless otherwise specified)

- 1) Section 2 of the Central Excise Act, 1944 is being amended to insert an explanation in clause (d) to provide that "goods" include any article, material or substance which is capable of being bought and sold for a consideration and such goods shall be deemed to be marketable.
- 2) Section 3A is being inserted in the Central Excise Act, 1944 empowering the Central Government to charge excise duty on the basis of capacity of production in respect of notified goods, and to notify the procedure for the same.
- 3) Section 11B of the Central Excise Act, 1944 is being amended to provide for the refund of interest paid on any duty of excise.
- 4) Section 11D of the Central Excise Act, 1944 is being amended to enable the Central Government to recover any amount collected by any person as representing duty of excise in excess of the duty assessed or determined and paid on any excisable goods or any amount collected by any person as representing duty of excise on any excisable goods, which are wholly exempt or are chargeable to Nil rate of duty.
- 5) Section 11DD of the Central Excise Act, 1944 is being amended to provide for recovery of interest on amounts collected under section 11D.
- 6) Section 35B of the Central Excise Act, 1944 is being amended to provide for referring the matter to the jurisdictional Chief Commissioner where the Committee of Commissioners of Central Excise differs in its opinion on the legality and propriety of the order passed in an appeal by the Commissioner (Appeals).
- 7) Section 35E of the Central Excise Act, 1944 is being amended to provide for referring the matter to the Board where the Committee of Chief Commissioners of Central Excise differs in its opinion on the order passed by the Commissioner of Central Excise as adjudicating officer. Section 35E is also being amended to provide that order passed under section 35E of the Act shall be made within a period of three months from the date of communication of the decision or order of the adjudicating authority.
- 8) Section 35FF is being inserted in the Central Excise Act, 1944 to provide for payment of interest on pre-deposit made by an appellant who succeeds in appeal, if the amount of pre-deposit is not refunded within three months from the date of communication of the order of the appellate authority to the adjudicating authority.
- 9) Note 16 of Chapter 39 to the Central Excise Tariff Act, 1985 is being amended to specify that the process of lamination or of lacquering shall also amount to manufacture in addition to the process of metallization.
- 10) Notes of certain Chapters in the Central Excise Tariff Act, 1985 are being amended to align the definition of processes amounting to manufacture with the definition of manufacture in section 2 f(iii) of the Central Excise Act, 1944.
- 11) Section 28B of the Customs Tariff Act, 1962 is being amended to insert a new sub-section to enable the Central Government to recover any amount collected by any person as representing duty of customs in excess of the duty assessed or determined or paid on any goods or any amount collected by any person as representing duty of customs on any goods, which are wholly exempt or are chargeable to Nil rate of duty.
- 12) Section 108 of the Customs Act, 1962 is being amended to give all customs officers powers to issue summons.
- 13) Section 117 of the Customs Act, 1962 is being amended to increase the maximum amount of penalty from the existing ten thousand rupees to one lakh rupees.
- 14) Section 129A of the Customs Act, 1962 is being amended to provide for referring the matter to the jurisdictional Chief Commissioner of Customs where the Committee of Commissioners of Customs differs in its opinion on the legality and propriety of an order passed in an appeal by the Commissioner (Appeals).
- 15) Section 129D of the Customs Act, 1962 is being amended to provide for referring the matter to the Board where the Committee of Chief Commissioners of Customs differs in its opinion on the order passed by the Commissioner of Customs as adjudicating officer. Section 129D is also being amended to provide that the order passed under section 129D of the Act shall be made within a period of three months from the date of communication of the decision or order of the adjudicating authority.
- 16) Section 129EE is being inserted in the Customs Act, 1962 to provide for payment of interest on pre-deposit made by an appellant who succeeds in appeal if the amount of pre-deposit is not refunded within three months from the date of communication of the order of the appellate authority to the adjudicating authority.
- 17) Section 141 of the Customs Act, 1962 is being amended to regulate the manner in which the imported or export goods may be received, stored, delivered, dispatched or otherwise handled in a customs area by any person and to specify by regulations the responsibilities of person engaged in the aforesaid activities.
- 18) Section 158 of the Customs Act, 1962 is being amended to increase the maximum amount of penalty from five hundred rupees to fifty thousand rupees for contravention of any of the rules, and from two hundred rupees to fifty thousand rupees for contravention of regulations.

J. AMENDMENT IN RULES:

- 1) Rule 18 of the Central Excise (No.2) Rules, 2001 is being amended to allow with retrospective effect, rebate of duty paid on excisable goods cleared from the factory for exports.
- 2) Rule 12 of the Central Excise Rules, 1944 is being amended to allow with retrospective effect, rebate of duty paid on excisable goods cleared from the factory for exports.
- 3) Rule 18 of the Central Excise Rules, 2002 is being amended to allow with retrospective effect, rebate of duty paid on excisable goods cleared from the factory for exports.

- 4) The CENVAT Credit Rules, 2004 are being amended to bring in the following changes:
- (a) Sub-rule (4) of Rule 3 is being amended to provide that in case of National Calamity Contingent duty (NCCD) payable on mobile phones, credit of any duty of excise other than NCCD will not be utilized for payment of the said NCCD.
This change shall come into effect from 1st March, 2008.
 - (b) Rule 6 is being amended to provide following options to a manufacturer, using common inputs or input services for manufacture of dutiable as well as exempted goods and opting not to maintain separate accounts. Such manufacturers can,-
 - (i) either reverse the credit attributable (to be worked out in a manner prescribed in the rule) to the inputs and input services used in the manufacture of exempted goods; or
 - (ii) pay 10% amount of the value (to be determined in accordance with the provision of section 4/4A of the Central Excise Act, 1944) of the exempted goods.This change shall come into effect from 1st April, 2008.
 - (c) A new rule 15A is being inserted to provide for general penalty upto Rs.5000/- in case of contravention of any of the provisions of the CENVAT Rules, 2004, for which no specific penal provision exists.
This change shall come into effect from 1st March, 2008.
- 5) The Central Excise (Determination of Retail Sale Price of Excisable Goods) Rules, 2008 are being issued under section 4A(4) of the Central Excise Act, 1944 to provide the manner of determination of retail sale price, where the same is not declared on the packages or tampered or altered or obliterated.
This change shall come into effect from 1st March, 2008.