

EXPLANATORY NOTES (CENTRAL EXCISE)

General:

A. CENVAT rate:

1. General excise duty rate (CENVAT rate) is being enhanced from 10% to 12%. Consequently, the merit rate of 5% is being enhanced to 6% while 1% excise duty applicable on 130 items is also being enhanced to 2% with a few exceptions. The statutory or tariff rate of central excise is being reduced to 12% for non-petroleum goods other than those which are exempt, or at higher duty and for petroleum goods, the statutory ad valorem duty or the ad valorem component on products having composite rate is also being reduced to 14%. The First Schedule to the Central Excise Tariff Act, 1985 is accordingly being amended. Till the Finance Bill, 2012 is enacted, the general excise duty rate of 12% and 6% for some items is being notified [*Clause 141 read with the Seventh schedule and Notification no. 18 /2012-CE dated the 17th March, 2012 and Notification no. 16 /2012-CE dated the 17th March, 2012 refers*]

Chapter 1 to 20

Food preparations containing fruits and vegetables falling under chapter 20, which are prepared and served in a hotel, restaurant or retail outlet whether or not such food is consumed in such hotel, restaurant or retail outlet is being fully exempted from basic excise duty. [*S.No.13 of Notification No. 12 /2012-CE dated the 17th March 2012 refers*]

Chapter 21

21.1 Basic excise duty on processed food products of soya is being reduced from 10% to 6% ad valorem. [*S.No.31 of Notification No. 12/2012-CE dated the 17th March 2012 refers*]

21.2 The rates of excise duty on Pan Masala and Guthka classified under 2106 90 20 and 2403 99 90 respectively and notified under section 3A is being enhanced .[*Notification no. 13/2012-CE dated the 17th March, 2012 refers*]

Chapter 22 to 23

No Change

Chapter 24

24.1 The existing slab of filter and non filter cigarettes of 'length not exceeding 60 mm' is being modified to 'length not exceeding 65 mm'. Consequently, the slab "exceeding 60mm but not exceeding 70mm" is also being revised to "exceeding 65mm but not exceeding 70mm" in both filter and non filter segment . However the existing rate of excise duty applicable to cigarettes of length not exceeding 60mm would apply to cigarettes -both filter and non filter of length not exceeding 65mm. Similarly, the existing rates of NCCD and AED applicable to cigarettes of length not exceeding 60mm would continue to apply to cigarettes -both filter and non filter of length not exceeding 65mm [Clause 141 read with the Seventh schedule and Notification no. 10 /2012- CE, Notification no. 11 /2012 -CE and Notification No. 9 /2012 –CE dated the 17th March, 2012 refers]

24.2 A 10% *ad valorem* duty is being imposed in addition to the existing specific duty on all slabs of cigarettes other than filter and non filter cigarette of length not exceeding 65 mm. [Clause 141 read with the Seventh schedule refers]

24.3 The excise duty on Cigars, Cheroots and Cigarillos is also being enhanced [Clause 141 read with the Seventh schedule refers]

24.4 The rate of excise duty on Biris is being increased by Rs.2 per thousand for both handmade and machine made biris. [S.No.47 & 48 of Notification No.12 /2012-CE dated the 17th March 2012 refers]

24.5 The rates of excise duty on Chewing tobacco classified under tariff item 2403 99 10, unmanufactured tobacco classified under Heading 2401 and Jarda scented tobacco classified under 2403 99 30, notified under section 3A is being enhanced.[Notification No.14/2012-CE dated the 17th March 2012 refers]

Chapter 25

25.1 The graded excise duty structure based on RSP slabs applicable to cement manufactured and cleared in packaged form is being removed for both mini-cement plants and non-mini cement plants. The excise duty rates on such cement as well as cement cleared other than in packaged form is also being revised [*S. No. 51 and 52 of notification No. 12/2012-CE dated 17.03.12 refers*]. The excise duty rate on cement clinkers is also being revised. [*S. No. 53 of notification No. 12/2012-CE dated 17.03.12 refers*].

Chapter 26

The description of tariff items 2601 11 10 to 2601 11 90 is being revised based on Fe content [*clause 141 read with the Seventh schedule refers*]

Chapter 27

27.1 The rate of cess levied on indigenous crude under the Oil Industry (Development) Act, 1974 is being enhanced to Rs. 4500 per tonne [*clause 151 of Finance Bill, 2012 refers*].

Chapter 28

28.1 Basic excise duty on Iodine is being reduced from 10% to 6%. [*S.No. 95 of Notification No. 12/2012-CE dated the 17th March 2012 refers*]

Chapter 29

No Change

Chapter 30

Six specified lives saving drugs/vaccines and bulk drugs for their manufacture are being fully exempted from excise duty [*S.No. 108 of Notification No. 12/2012-CE dated the 17th March 2012 refers*]

Chapter 31 to 35

No Change

Chapter 36

36. Excise duty rate on Matches manufactured by semi-mechanized units - carrying out one or both the processes of frame filling or dipping of splints in the composition for match heads through aid of power is being reduced from 10% to 6%. [S.No. 142 of Notification No.12 /2012-CE dated the 17th March 2012 refers]

Chapter 37 to 39

No Change

Chapters 40

40.1 Excise duty on pneumatic tyres, new or retreaded, used in aircraft is being reduced from 10% to 'nil'

Chapter 41 to 47

No Change

Chapters 48

48. A chapter note in chapter 48 is being inserted to provide that if paper and paper products of headings 4811, 4816 or 4820 are printed with any character, name logo, motif or format, they shall remain classified under chapter 48 as long as such products intended to be used for further printing." [Clause 141 read with the Seventh schedule refers]

Chapter 49

No Change

Chapter 50 to 60

No Change

Chapter 61

61.1. The excise duty is being enhanced to 12% on readymade garments bearing a brand name or sold under a brand name. [S.No. 49, 50, 51 of Notification No. 18/2012-CE dated the 17th March 2012 refers]

61.2 The rate of abatement on such readymade garments is being increased from 55 % to 70%. Hence, the tariff value for purposes of charging duty would be @ 30% of the retail sale price. [S.No. of Notification No.17 /2012-CE (NT) dated the 17th March 2012 refers]

61.3. The scope of exemption on return goods have been has been modified [Notification No. 8/2012-CE dated the 17th March 2012 refers]

Chapter 62 to 63

The rate of abatement on made –ups bearing a brand name or sold under a brand name is being increased from 55 % to 70%. Hence, the tariff value for purposes of charging duty would be @ 30% of the retail sale price. [S.No. of Notification No.17/2012-CE (NT) dated the 17th March 2012 refers]

Chapter 64

64.1 The exemption limit available to non-leather footwear is being increased to MRP Rs. 500. For footwear exceeding Rs. 500, the applicable duty would be 12% . [S. No. 180 of notification No.12/2012-CE dated 17.03.12 refer].

Chapter 65 to 70

No change

Chapter 71

71.1 A chapter note is being inserted in chapter 71 to provide that for the purposes of headings 7113 and 7114, the processes of affixing or embossing trade name or brand

name on articles of jewellery or on articles of goldsmiths' or silversmiths' wares of precious metal or of metal clad with precious metal, shall amount to "manufacture".
[*Clause 141 read with the Seventh schedule refers*]

71.2 Excise duty is being increased on serially numbered gold bars, other than tola bars, starting from the gold ore or concentrate/gold dore bar stage in the same factory from "1.5%" to "3%" [*S. No. 189 of notification No.12/2012-CE dated 17.03.12 refers*].

71.3 Excise duty is being increased on serially numbered gold bars , other than tola bars and gold coin of purity not below 99.5% manufactured during the process of copper smelting from "2%" to "3%" [*S. No. 191 of notification No.12/2012-CE dated 17.03.12 refers*].

71.4 Full exemption from excise duty is being provided for gold coins of purity 99.5% and above and silver coins of purity 99.9% and above [*S. No. 200 of notification No.12/2012-CE dated 17.03.12 refers*].

71.5. An excise duty of 1% without CENVAT credit facility is being imposed on all articles of jewellery other than silver jewellery which is being fully exempted. Such duty is to be paid on tariff value which is being fixed at 30% of the transaction value as declared in the invoice [*S.No. 199of Notification no.12 /2012-CE dated 17.03.2012 and Notification no 09/2012-CE(N.T.) dated 17.03.2012 refers*].

71.6 While the general SSI exemption is being extended to such goods, it is also being provided that for the purposes of availing the exemption under the said notification for the financial year 2012-13, the aggregate value of clearances of Rs. 4.5 crore for 2011-12 shall be calculated on such tariff value. [*Notification No. 8 /2003-Central Excise dated 1.3.2003 as amended by Notification No. 15 /2012-Central Excise dated 17.03.2012 refers*].

71.7 Excise duty rate is being increased on the DTA [Domestic Tariff Area] clearances of plain gold jewellery manufactured by an EOU (Export Oriented Units) from 5% ad-

valorem to 10% ad valorem. [S. No.8 of notification No. 23/2003-CE dated 31.03.03 as amended by notification no 5/2012-CE dated 17.03.2012 refers].

71.8 Full exemption from excise duty is being provided for all articles of precious metals not bearing a brand name [S. No.192 of notification No. 12/2012-CE dated 17.03.12 refers].

Chapter 72 to 73

A chapter note is being inserted to provide that the process of oiling and pickling in respect of goods of heading 7208 shall amount to manufacture [*Clause 141 read with the Seventh schedule refers*]

Chapters 74 to 79

74.1. The description of goods falling in tariff item nos. 7404 00 12, 7404 00 22, 7503 00 10, 7602 00 10 and 7802 00 10 is being aligned with revised ISRI code [*Clause 141 read with the Seventh schedule refers*]

74.2 A chapter note is being inserted in chapter 76 to provide that the process of cutting, slitting and printing of aluminium foils shall amount to manufacture [*Clause 141 read with the Seventh schedule refers*]

Chapter 80 to 84

No Change

Chapters 85

85.1. The concessional excise duty rate 2% without CENVAT Credit is being extended to parts, components and specified accessories viz. battery chargers, PC Connectivity Cables, Memory cards and hands-free headphones of mobile phones [S.No. 131 of Notification No. 1/2011-CE dated the 1st March 2011 as amended by Notification No. 16/2012-CE dated the 17th March 2012 refers]

85.2 A chapter Note is being inserted to provide that the process of matching, batching and charging of Lithium Ion batteries or the making of battery packs shall amount to manufacture [*Clause 141 read with the Seventh schedule refers*]

85.3 Excise duty on Lithium ion batteries packs for supply to electric vehicle/Hybrid vehicle manufacturers is being reduced from 10% to 6% upto 31st March, 2013. [*S.No. 261 of Notification No. 12/2012-CE dated the 17th March 2012 refers*]

Chapter 86

No Change

Chapter 87

87.1. The excise duty applicable to chassis falling under heading 8706 is being revised. [*S.No. 290, 291, 292 of Notification No. 12/2012-CE dated the 17th March 2012 and clause 141 read with the Seventh schedule refers*]

87.2. Excise duty on petrol/LPG or CNG driven cars, with length not exceeding 4000mm and engine capacity not exceeding 1200 cc is being increased from 10% to 12% and on diesel driven vehicles having length not exceeding 4000mm and engine capacity not exceeding 1500 cc from 10% to 12%. [*S.No. 285 of Notification No.12/2012-CE dated the 17th March 2012 refers*]

87.3. Excise duty on petrol driven cars with length exceeding 4000mm and engine capacity under 1200 cc is being increased from 22% to 24% and on petrol driven vehicles having length exceeding 4000mm and engine capacity exceeding 1500 cc from 22% + Rs.15,000 to 27% [*S.No. 284 of Notification No. 12/2012-CE dated the 17th March 2012 and clause 141 read with the Seventh schedule refers*]

87.4. Excise duty on diesel driven cars with length exceeding 4000mm and engine capacity under 1500 cc is being increased from 22% to 24% and on diesel driven

vehicles having length exceeding 4000mm and engine capacity exceeding 1500 cc from 22% + Rs.15,000 to 27 [S.No. 284 of Notification No. 12/2012-CE dated the 17th March 2012 and clause 141 read with the Seventh schedule refers]

87.5. Excise duty on replacement batteries for supply to electric vehicle manufacturers who are registered with IREDA or any State Nodal Agency notified for the purpose by the Ministry of New & Renewable Energy for Central finance assistance (CFA) is being reduced from 10% to 6% till 31st March, 2013. [S.No. 260 of Notification No. 12/2012-CE dated the 17th March 2012 refers]

87.6. Excise duty on specified parts of hybrid vehicle is being reduced from 10% to 6%. [S.No. 297 of Notification No. 12/2012-CE dated the 17th March 2012 refers]

Chapter 88

Excise duty is fully exempted on parts and testing equipment for manufacture, repair and overhauling of aircraft falling under heading 8802. [S.No. 305 of Notification No. 12/2012-CE dated the 17th March 2012 refers]

Chapter 89

89.1. The current excise duty exemption to GTL 406 (foreign Going vessel) is being subject to condition that upon conversion to coastal vessel, excise duty would be payable equivalent to 1/120th of the total excise duty leviable on such vessel for each complete or part of the month spent on "coastal run", if such conversion is not on permanent basis. [S.No. 306 of Notification No.12 /2012-CE dated the 17th March 2012 refers]

Chapters 90

90.1. Excise Duty is being reduced to 6% on specified raw materials viz. Polypropylene, Stainless Steel Strip and Stainless Steel capillary tube for manufacture

of syringe, needle, catheters, and cannulae on actual user basis. [S.No. 342 of Notification No.12 /2012-CE dated the 17th March 2012 refers]

90.2. Excise Duty is being reduced to Nil on specified raw materials viz. stainless steel tube and wire, cobalt chromium tube, Hayness Alloy-25 and polypropylene mesh required for manufacture of Coronary stents/ coronary stent system and artificial heart valve on actual user basis. [S.No. 343 of Notification No.12/2012-CE dated the 17th March 2012 refers]

90.3. Excise Duty is being reduced to 6% on parts of Blood Pressure Monitors and Blood glucose monitoring systems (Gluco-meters) on actual user basis. [S.No.344 of Notification No. 12/2012-CE dated the 17th March 2012 refers]

90.4. The exemption to 'intraocular lens' is being restored.

Chapters 91 to 93

No Change

Chapters 94

94.1. Central Excise duty is being reduced to 6% on LED Lamps. LEDs required for manufacturing of such lamps will also attract excise duty @ 6% [S.Nos. 271 and 321 of Notification No. 12/2012-CE dated the 17th March 2012 refers].

Chapters 95

No Change

Chapters 96

96.1. Refills and inks in bulk packs (not meant for retail sale) used for manufacture of pens of value not exceeding Rs. 200 per piece is being fully exempted from excise duty. [S.No. 325 of Notification No. 12/2012-CE dated the 17th March 2012 refers]
