

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. ADDITIONAL DUTY OF CUSTOMS:

Enabling power is being taken to levy an additional duty of customs of 4%, on all items imported into India. This levy will be to partly compensate for the internal taxes like sales tax, proposed State VAT, central sales tax, which apply to sale, purchase or transportation of goods in India. To begin with, this additional duty will be charged only on ITA (Information Technology Agreement) bound items and on specified inputs/raw materials for manufacture of electronics/information technology items, which have been exempted from customs duty. This duty will not be charged on information technology software. This additional duty will not be included in the assessable value for levy of education cess on imported goods. Manufacturers will be able to take credit of this additional duty for payment of excise duty on their finished products.

B. PEAK RATE OF AD VALOREM CUSTOMS DUTY REDUCED:

- (a) Peak rate of customs duty on non-agricultural products has been reduced from 20% to 15% with a few exceptions.
- (b) Ad valorem component of customs duty on textile fabrics and garments has been reduced from 20% to 15%. There has, however, been no change in specific component of customs duty.

C. METALS AND THEIR INPUTS:

- (I) Customs duty has been reduced from 15% to 10% on primary and semi-finished forms of following metals:-
 - (a) Stainless steel, other alloy steel and ferro-alloys,
 - (b) Aluminium,
 - (c) Copper,
 - (d) Zinc,
 - (e) Tin,
 - (f) Base metals of Chapter 81 (such as, Tungsten, Magnesium, Cobalt, Titanium, etc.)
- (II) Customs duty on lead has been reduced from 15% to 5%, on articles of lead from 20% to 10% and on battery separators from 20% to 5% .
- (III) Customs duty on calcined alumina has been reduced from 20% to 10%.

D. INPUTS FOR MANUFACTURE OF STEEL:

Customs duty has been reduced from 15% to 10% on:

- (a) Refractories and graphite electrodes.
- (b) Raw materials for refractories namely, natural graphite powder, aluminous cement, boron carbide, reactive alumina, silicon metal (99% purity), micro/fumed silica, brown fused alumina, fused zirconia, silicon carbide, sodium hexameta phosphate, phenolic resin, sintered/tabular alumina and fused silica.

E. ASHES AND RESIDUES:

Customs duty has been reduced from 15% to 10% on ashes and residues of copper and zinc.

F. CATALYSTS:

Customs duty has been reduced from 15% to 10% on catalysts of heading 38.15.

G. AGRICULTURE & FOOD PROCESSING:

- 1) Concessional rate of 5% customs duty + Nil CVD, presently available to specified plantation machinery upto 30.4.2005, has been extended by one more year.
- 2) Customs duty on cut flowers including orchids has been increased from 30% to 60%.
- 3) Customs duty on cloves has been reduced from 70% to 35%.
- 4) Customs duty on oleo pine resin has been reduced from 10% to 5%.
- 5) Customs duty on Alpha pinene has been reduced from 15%/20% to 5%.
- 6) Customs duty on refrigerated goods transport vehicles has been reduced from 20% to 10%.

H. RESEARCH AND DEVELOPMENT:

- 1) Customs duty on 9 specified equipment for biotech and pharmaceutical sectors has been reduced from 20% to 5%.
- 2) Customs duty exemption presently available to capital goods and raw materials to a company for any Research and Development (R&D) project funded by Government or CSIR has been extended to R&D projects funded by CSIR, ICMR, ICAR, UGC, DRDO and AICTE also.

I. INFORMATION TECHNOLOGY:

- 1) Customs duty has been exempted on specified items covered under the Information Technology Agreement (ITA). With this, all 217 ITA bound items are now fully exempt from customs duty.
- 2) All goods imported for the manufacture of ITA bound items have been exempted from customs duty subject to end-use condition.
- 3) Customs duty has been exempted on specified electronic components.
- 4) Customs duty exemption presently available to specified capital goods for Information Technology/Electronics sector has been extended to some more capital goods.
- 5) Customs duty has been reduced from 20% to 10% on optical fibres/bundles and optical fibre cables of heading 9001.
- 6) Customs duty exemption presently available to specified telecom network equipment and parts thereof upto 31.3.2005, when imported by telecom service providers, has been continued without any time limit.

J. PETROLEUM PRODUCTS:

- 1) Customs duty on crude petroleum and petroleum products has been reduced as follows:
 - (a) Crude petroleum from 10% to 5%;
 - (b) Kerosene for public distribution system from 5% to Nil;
 - (c) LPG for domestic use from 5% to Nil;
 - (d) Motor Spirit (Petrol) from 15% to 10%;
 - (e) High Speed Diesel oil from 15% to 10%; and
 - (f) Other petroleum products from 20% to 10%.
- 2) Additional duty of customs on motor spirit and high speed diesel oil has been increased from Re.1.50 per litre to Rs.2 per litre.

K. CHEMICALS AND PETROCHEMICALS:

- 1) Customs duty has been reduced from 15% to 10% on Polymers of Ethylene (LDPE, LLDPE, HDPE, LHDPE, LMDPE), Polypropylene and Propylene copolymers, Polymers and copolymers of Styrene and Polymers of Vinyl Chloride;
- 2) Customs duty has been reduced on Ethylene, Propylene, Butylene, Butadiene, Benzene, Toluene, O-Xylene, Styrene, Ethylbenzene, Ethylene Dichloride, Vinyl Chloride Monomer and Acrylonitrile, from 10% to 5%.
- 3) Customs duty on other organic chemicals falling under headings 2901 to 2904, has been reduced to 10%.
- 4) Customs duty on Ethyl Vinyl Acetate has been reduced from 20% to 10%.
- 5) Customs duty on molasses has been reduced from 15% to 10%.
- 6) Customs duty on industrial (denatured) ethyl alcohol has been reduced from 15% to 10%.

L. CAPITAL GOODS:

- 1) Customs duty of 5% on mono or bi-polar membrane electrolyzers and parts thereof presently available to caustic soda industry, has been extended to caustic potash industry.
- 2) Customs duty on railway locomotives, railway rolling stock and railway equipment and their parts (of chapter 86) has been reduced from 20% to 10%.
- 3) Concessional rate of customs duty of 5% presently available to specified goods designed for use in leather/footwear industry has been extended to 7 more specified machinery.
- 4) Customs duty on specified parts of printing presses has been reduced from 20% to 10%.
- 5) Customs duty on specified textile machinery, and raw materials and parts for manufacture of such machinery, has been reduced from 20% to 10%.
- 6) Customs duty on specified machinery/equipment for use in Inland Container Depot (ICD)/Container Freight Station (CFS) has been reduced from 20% to 10%.
- 7) Customs duty exemption for specified inputs for manufacture of leather goods, travel goods, footwear, etc. for export has been extended to some more items, subject to the existing 3% overall value limit.

M. NATIONAL CALAMITY CONTINGENT DUTY (NCCD):

For replenishment of the National Calamity Contingent Fund, duty of Rs. 50 per metric tonne on imported crude oil, and a duty of 1% on polyester filament yarn, motor cars, multiutility vehicles, and two-wheelers, was imposed in Finance Act, 2003. This levy was valid for one year (upto 29.2.2004) and subsequently extended upto 31.3.2005. It is proposed to extend this levy without any time limit.

N. BAGGAGE:

Customs duty on passenger baggage has been reduced from 40% to 35%.

O. MISCELLANEOUS:

- 1) Customs duty on second hand motor cars/motor cycles has been reduced from 105% to 100%.
- 2) Customs duty on coking coal of high ash content (12% or more) has been reduced from 15% to 5%.
- 3) Customs duty on boron ore has been reduced from 15% to 5%.
- 4) Customs duty on Atmospheric Water Generators has been reduced from 20% to 5%.
- 5) Customs duty on specified parts of battery operated road vehicles has been reduced from 20% to 10%.