

CUSTOMS

- Note:**
- (a) "Customs Duty" means the customs duty levied under section 3 of the Customs Act, 1962.
 - (b) "CVD" means the Additional duty of Customs levied under section 3 (1) of the Customs Tariff Act, 1975.
 - (c) "Special CVD" means the Additional duty of Customs levied under section 3 (5) of the Customs Tariff Act, 1975.
- Changes come into effect immediately unless otherwise specified.

Major proposals about customs duties are the following:

A. HEALTH CARE

- 1) Customs duty on 10 specified life saving drugs/vaccine and their bulk drugs has been reduced from 10% to 5% with Nil CVD (by way of excise duty exemption).
- 2) Customs duty on specified heart devices, namely artificial heart and PDA/ASD occlusion device, has been reduced from 7.5% to 5% with Nil CVD (by way of excise duty exemption).

B. ELECTRONICS HARDWARE

- 1) Customs duty on LCD Panels for manufacture of LCD televisions has been reduced from 10% to 5%.
- 2) Customs duty exemption on Set Top Box for television broadcasting has been withdrawn and 5% customs duty imposed.
- 3) Full exemption from 4% special CVD on parts for manufacture of mobile phones and accessories has been reintroduced for one year, upto 06.07.2010.

C. RENEWABLE ENERGY SECTOR

- 1) Customs duty on permanent magnets for PM synchronous generator above 500 KW used in wind operated electricity generators has been reduced from 7.5% to 5%.
- 2) Customs duty on bio-diesel has been reduced from 7.5% to 2.5%.

D. CAPITAL GOODS

- 1) Concessional customs duty of 5% on specified machinery for tea, coffee and rubber plantations has been reintroduced for one year, upto 06.07.2010.
- 2) Customs duty on 'mechanical harvester' for coffee plantation has been reduced from 7.5% to 5%. CVD on such harvesters has also been reduced from 8% to nil, by way of excise duty exemption.

E. EXPORT SECTOR

- 1) At present, specified raw materials/inputs imported by manufacturer-exporters of sports goods are fully exempt from customs duty, subject to specified conditions. The list of such items has been expanded by including five additional items.
- 2) Similarly, specified raw materials and equipment imported by manufacturer-exporters of leather goods, textile products and footwear industry are fully exempt from customs duty, subject to specified conditions. The list of such items has been expanded by including additional items.
- 3) Customs duty on unworked corals has been reduced from 5% to Nil.

F. PRECIOUS METALS

- 1) Customs duty on serially numbered gold bars (other than tola bars) and gold coins has been increased from Rs.100 per 10 gram to Rs.200 per 10 gram.
- 2) Customs duty on other forms of gold has been increased from Rs.250 per 10 gram to Rs.500 per 10 gram.
- 3) Customs duty on silver has been increased from Rs.500 per Kg. to Rs.1000 per Kg.

The above increase in rates is also applicable when gold and silver (including ornaments) are imported as personal baggage.

G. TEXTILES

- 1) Customs duty on cotton waste has been reduced from 15% to 10%.
- 2) Customs duty on wool waste has been reduced from 15% to 10%.

H. MISCELLANEOUS

- 1) Customs duty on rock phosphate has been reduced from 5% to 2%.
- 2) CVD exemption on Aerial Passenger Ropeway Projects has been withdrawn. Such projects will now attract applicable CVD.
- 3) Customs duty exemption on concrete batching plants of capacity 50 cum per hour or more has been withdrawn. Such plants will now attract customs duty of 7.5%.
- 4) On packaged or canned software, CVD exemption has been provided on the portion of the value which represents the consideration for transfer of the right to use such software, subject to specified conditions.
- 5) Customs duty on inflatable rafts, snow-skis, water skis, surf-boats, sail-boards and other water sports equipment has been fully exempted.

I. AMENDMENTS IN THE CUSTOMS ACT, 1962.

[These changes to come into effect from the date of enactment of Finance (No. 2) Bill, 2009 unless otherwise specified]

- 1) A new section 26A is being inserted in the Customs Act, 1962 to provide for refund of import duty paid on imported goods if they are found to be defective or not conforming to the specifications agreed upon between the importer and the seller, subject to certain conditions. Consequential amendment is also being made in section 157.
- 2) Section 28F of the Customs Act, 1962 is being amended to provide that the Central Government may by notification authorize the Authority for Advance Rulings constituted under Section 245-O of the Income Tax Act to act as an Authority for the purposes of customs, central excise and service tax subject to some modification regarding the constitution of the Authority. The change will come into effect from a date to be notified.
- 3) Section 130 of the Customs Act, 1962 is being amended retrospectively with effect from 01.07.2003 so as to make an express provision empowering High Courts to condone delay in filing of appeals beyond the prescribed period.
- 4) Section 130A of the Customs Act, 1962 is being amended retrospectively with effect from 01.07.1999 so as to make an express provision empowering High Courts to condone delay in filing of applications or memorandum of cross objections beyond the prescribed period.
- 5) Section 137 of the Customs Act, 1962 is being amended so as to provide for the manner of compounding of offences and to provide that certain offences shall not be compoundable. Consequential amendment is also being made in section 156.

J. AMENDMENTS IN THE CUSTOMS TARIFF ACT, 1975.

[These changes to come into effect from the date of enactment of Finance (No. 2) Bill, 2009]

- 1) Section 3 of the Customs Tariff Act, 1975 is being amended so as to provide that where the Central Government has fixed tariff value for collection of central excise duty on an article produced or manufactured in India, the value of a like imported article shall be such tariff value.
- 2) Section 8B and 8C of the Customs Tariff Act, 1975 are being amended retrospectively so as to extend the machinery provisions of the Customs Act, 1962 to safeguard duties levied under these sections.
- 3) Section 9 of the Customs Tariff Act, 1975 is being amended retrospectively so as to extend the machinery provisions of the Customs Act, 1962 to countervailing duty levied under this section.
- 4) Section 9A of the Customs Tariff Act, 1975 is being amended to,-
 - (a) provide that the margin of dumping in relation to an article exported by an exporter or producer shall be determined on the basis of records maintained by such exporter or producer and on the basis of information available in the case of non-cooperating exporter or producer.
 - (b) extend retrospectively the machinery provisions of the Customs Act, 1962 to anti-dumping duties levied under this section.
- 5) Para (A) in Note 2 of Section XI of the Customs Tariff Act, 1975 is being substituted by a new para so as to align it with the parallel provision in the Central Excise Tariff Act, 1985.
- 6) Notification No. 40/2006-Customs dated 01.05.2006 is being amended retrospectively from its date of issue so as to,
 - (a) allow facility of rebate under rule 18 or rule 19 of Central Excise rules, 2002 in respect of materials which have been locally procured and have been used in the manufacture of goods exported under the Duty Free Import Authorisation Scheme.
 - (b) provide that goods procured under duty free replenishment in respect of which the facility under rule 18 or 19 has been availed shall be used in the manufacture of dutiable goods in the factory of the exporter or in the factory of his supporting manufacturer even after discharge of export obligation.

- (c) provide that the importer shall pay an amount equal to additional duty of customs together with interest @ 15% per annum from the date of clearances of the said materials in case the materials are imported against an authorisation transferred by the regional authority or such materials are transferred with the permission of the regional authority. However, no such amount shall be payable in respect of authorisation issued from 01.05.2006 to 31.03.2007.
 - (d) define dutiable goods for the purpose of the notification.
- 7) Notification No. 27/2009-Customs (NT) dated 17.03.2009 provides for officers of DGCEI to act as officers of customs with all India jurisdiction. This notification has been given retrospective effect from 09.05.2000.

CENTRAL EXCISE

Changes come into effect immediately unless otherwise specified.

Major proposals about central excise duties are the following:

A. RATE STRUCTURE

The excise duty rate on items currently attracting 4% duty has been increased to 8% with the following major exceptions:

- Specified food items including biscuits, sherbats, cakes and pastries
- Drugs and pharmaceutical products falling under Chapter 30
- Medical equipment
- Certain varieties of paper, paperboard and articles thereof
- Paraxylene
- Power driven pumps for handling water
- Footwear of RSP exceeding Rs.250 but not exceeding Rs.750 per pair
- Pressure cookers
- Vacuum and gas filled bulbs of RSP not exceeding Rs.20 per bulb
- Compact Fluorescent Lamps
- Cars for physically handicapped persons

B. AUTOMOBILE SECTOR

- 1) Specific component of excise duty applicable to large cars/utility vehicles of engine capacity 2000cc and above has been reduced from Rs.20,000/- per vehicle to Rs.15,000 per vehicle.
- 2) Excise duty on petrol driven trucks/lorries has been reduced from 20% to 8%. Excise duty on chassis of such trucks/lorries has been reduced from '20% + Rs.10000' to '8% + Rs.10000'.

C. PETROLEUM SECTOR

- 1) Excise duty on Special Boiling Point spirits has been reduced to 14%.
- 2) Excise duty on naphtha has been reduced to 14%.
- 3) Duty paid High Speed Diesel blended with upto 20% bio-diesel has been fully exempted from excise duties.
- 4) The ad valorem component of excise duty of 6% on petrol intended for sale with a brand name has been converted into a specific rate. Consequently, such petrol would now attract total excise duty of Rs.14.50 per litre instead of '6% + Rs.13 per litre'.
- 5) The ad valorem component of excise duty of 6% on diesel intended for sale with a brand name has been converted into a specific rate. Consequently, such diesel would now attract total excise duty of Rs.4.75 per litre instead of '6% + Rs.3.25 per litre'.

D. TEXTILES

- 1) Excise duty on manmade fibre and yarn has been increased from 4% to 8%.
- 2) Excise duty on PTA and DMT has been increased from 4% to 8%.
- 3) Excise duty on polyester chips has been increased from 4% to 8%.
- 4) Excise duty on acrylonitrile has been increased from 4% to 8%.
- 5) The scheme of optional excise duty of 4% for pure cotton has been restored.
- 6) Excise duty for man-made and natural fibres other than pure cotton, beyond the fibre and yarn stage, has been increased from 4% to 8% under the existing optional scheme.
- 7) An optional excise duty exemption has been provided to tops of manmade fibre manufactured from duty paid tow using 'tow-to-top' process at par with tops manufactured from duty paid staple fibre.

- 8) Suitable adjustments have been made in the rates of duty applicable to DTA clearances of textile goods made by Export Oriented Units using indigenous raw materials/inputs for manufacture of such goods.

E. MISCELLANEOUS

- 1) Full exemption from excise duty has been provided on goods of Chapter 68 manufactured at the site of construction for use in construction work at such site.
- 2) Excise duty exemption on 'recorded smart cards' and 'recorded proximity cards and tags' has been made optional. Manufacturers have the option to pay the applicable excise duty and avail the credit of duty paid on inputs.
- 3) EVA compound manufactured on job work for further use in manufacture of footwear has been exempted from excise duty.
- 4) Benefit of SSI exemption scheme has been extended to printed laminated rolls bearing the brand name of another person by excluding this item from the purview of the brand name restriction.
- 5) On packaged or canned software, excise duty exemption has been provided on the portion of the value which represents the consideration for transfer of the right to use such software, subject to specified conditions.
- 6) Excise duty on branded articles of jewellery has been reduced from 2% to Nil.

F. AMENDMENTS IN CENTRAL EXCISE ACT, 1944

[These changes to come into effect on enactment of the Finance (No.2) Bill 2009]

- 1) Section 9A of the Central Excise Act is being amended so as to provide for the manner of compounding of offences and to provide that certain offences and circumstances shall not be compoundable. Consequential amendment is also being made in section 37 of the Central Excise Act.
- 2) Sections 14A and 14AA of the Central Excise Act are being amended so as to empower the Chief Commissioner of Central Excise to nominate a Chartered Accountant for conducting special audit under these provisions.
- 3) Section 23A of the Central Excise Act is being amended so as to substitute the definition of the 'Authority for Advance Rulings' to include therein the authority authorized under section 28F of the Customs Act.
- 4) Section 35G of the Central Excise Act is being amended retrospectively with effect from 01.07.2003 so as to make an express provision to empower High Courts to condone delay in filing of appeals beyond the prescribed period.
- 5) Section 35H of the Central Excise Act is being amended retrospectively with effect from 01.07.1999 so as to make an express provision to empower High Courts to condone delay in filing of applications or memorandum of cross objections beyond the prescribed period.

G. AMENDMENTS IN FIRST SCHEDULE TO THE CENTRAL EXCISE TARIFF ACT, 1985.

[These changes to come into effect immediately]

- 1) Note 1 to Chapter 8 in the First Schedule to the Central Excise Tariff Act, 1985 has been substituted so as to exclude 'betel nut product known as supari' of tariff item 2106 9030 from its purview.
- 2) A Note (No. 6) has been inserted in Chapter 21 so as to provide that in relation to product of tariff item 2106 90 30 the process of adding or mixing cardamom, copra, menthol, spices, sweetening agents or any such ingredients, other than lime, katha (catechu) or tobacco to betel nut in any form shall amount to 'manufacture'.
- 3) In Chapter 58, against tariff item 5801 22 10, in column (3) and (4), the entries 'm²' and '8%' respectively are being inserted.

H. AMENDMENTS IN CENTRAL EXCISE RULES AND CENVAT CREDIT RULES.

[These changes to come into effect immediately unless specified otherwise]

- 1) A new rule is being inserted in Central Excise Rules, 2002 to provide that records seized by the department during an investigation but not relied upon in the Show Cause Notice should be returned to the party within 30 days of issue of Show Cause Notice.
- 2) An explanation is being inserted in Rule 2 of Cenvat Credit rules, 2004 so as to clarify that 'inputs' shall not include cement, angles, channels, CTD or TMT bars and other items used for construction of shed, building or structure for support of capital goods.
- 3) Notification Nos. 33/97-CE (NT) dated 01.08.1997, 44/97-CE (NT) dated 30.08.1997 and 7/98-CE (NT) dated 10.03.1998 are being amended with retrospective effect from the date of issue of respective notifications so as to provide the Central Government with the power to notify rates of excise duty under these notifications by virtue of powers conferred on it by the erstwhile section 3A of the Central Excise Act [These changes to come into effect on enactment of the Finance (No.2) Bill 2009] .
- 4) Rule 6 (3) of the Cenvat Credit Rules, 2004 is being amended to prescribe that a manufacturer of both dutiable and exempted goods, who does not maintain separate accounts of inputs, shall pay an amount equal to 5% of the total price of the exempted goods instead of 10%.