

EXPLANATORY NOTES- CUSTOMS

General:

The surcharge of customs on imported goods levied under section 90 of the Finance Act, 2000 has been abolished with effect from 1st March, 2001 and notification No. 26/2001-Customs has been issued exempting all imported goods from the levy of surcharge. Consequently, there will be no surcharge of customs on any imported goods with effect from 1st March, 2001.

Chapter 1 to 6

There are no changes proposed in these chapters.

Chapter 7

7.1 Basic Customs Duty on pulses has been increased to 5%. However, exemption shall be available from levy of SAD (refer S.No.10 of notification No. 17 /2001-Customs, and S.No.3 of notification No. 19 /2001-Customs, both dated 1st March, 2001).

Chapter 8

8.1 The tariff rate on coconuts and dessicated coconuts falling under sub-heading Nos. 0801.11 and 0801.19 has been increased to 70%. This will also be the effective rate from 1.3.2001. The preferential rate for each of these sub-headings shall be 60%. (refer Bill entries).

Chapter 9

9.1 The tariff rate on coffee falling under heading No. 09.01 has been increased to 70%. This will also be the effective rate from 1.3.2001. The preferential rate shall be 70% less 13 paise per kg. (refer Bill entries).

9.2 The tariff rate on tea falling under heading No. 09.02 has been increased to 70%. This will also be the effective rate from 1.3.2001. The preferential rate shall be 70% less 26 paise per kg. (refer Bill entries).

Chapter 10 and 11

There are no changes proposed in these Chapters.

Chapter 12

12.1 The tariff rate on copra falling under heading No. 12.03 has been increased to 70%. This will also be the effective rate from 1.3.2001. The preferential rate shall be 60%. (refer Bill entries).

Chapter 13 and 14

13.1 There are no changes proposed in these Chapters.

Chapter 15

15.1 The basic customs duty on edible grade crude edible oils imported for the manufacture of vanaspati or for refining has been increased from 35% to 75%. Crude soyabean oil, however, will attract basic duty at 45% now, as against 35% prior to 1.3.2001, .by Tariff. These oils will continue to be exempt from SAD. (refer S.No.31 of notification No. 17/2001-Customs, and S.No.4 of notification No. 19/2001-Customs, both dated 1st March, 2001).

15.2 The basic customs duty on edible grade refined edible oils, in loose or bulk form, has been increased from 45% to 85%. However, duty on refined soyabean oil continues at 45%. Refined rapeseed, colza or mustard oil would now be chargeable to basic duty of 75%. All refined edible oils would continue to attract SAD of 4%. (refer S.No.30 of notification No.17/2001-Customs, dated 1st March, 2001).

15.3 Crude palm oil & fractions thereof imported for the manufacture of vanaspati shall now be levied to a customs duty of 55% instead of 25%. Further, this concession shall be restricted only to sick vanaspati units. The concession I subject to certification by the Department of Sugar and Edible Oils. (refer S.No. 32 of notification No. 17/2001-Customs, and S.No. 4 of notification No.19/2001-Customs, both dated 1st March, 2001).

15.4 Crude palm oil for other than manufacture of vanaspati shall be levied a basic customs duty of 75% instead of 55%. SAD exemption would be retained. (refer S.No.34 of notification No. 17/2001-Customs, and S.No.5 of notification No.19/2001-Customs, both dated 1st March, 2001).

15.5 Refined palm oil (including RBD Palmolein) will attract a basic customs of 85%. SAD would be levied over and above this duty. (refer S.No.30 of notification No. 17/2001-Customs, dated 1st March, 2001).

Chapter 16 to 24

No change

Chapter 25

25.1 The basic customs duty on clinker and cement has been reduced to 25%(S.No.57 & 58 of notification No.17/2001-Customs, refers.)

25.2 The basic customs duty on DBM, fused magnesia and sea water magnesia , when imported by a manufacturer of refractory products has been reduced to 15%.(S.No.56 of notification No.17/2001 refers).

Chapter 27

27.1 The basic customs duty on SKO imported for the PDS has been increased to 5%.(S.No.67 of notification No.17/2001-Customs,refers).

27.2 LNG has been exempted from CVD(S.No.71 of notification No.17/2001 refers).

Chapter 28

28.1 The basic customs duty on di-sodium carbonate(Soda ash) is being reduced from 35% to 20%.(S.No.84 of notification No.17/2001 refers).

Chapter 29

29.1 The basic customs duty on DMT,PTA,MEG and Caprolactum is being reduced from 25% to 20%. (S.No.85 of notification No.17/2001 refers).

Chapter 30

30.1 Full exemption from all duties of customs on Enoxaparin, (both bulk drugs and formulation) is being withdrawn and a concessional rate of 15% BCD + 16% CVD + 4% SAD is being imposed.(List 2 and S. Nos.79 to 81 of notification No.17/2001 refer).

Chapter 32

32.1 Wattle extract is being exempt from CVD (S.No.107 of notification No.17/2001 refers).

Chapter 39

39.1 (1) The basic customs duty on Polyester chips for manufacture of yarns of polyester and PSF is being reduced from 35% to 25%, subject to end-use condition.

(2) The basic customs duty on Nylon chips for manufacture of Nylon filament yarn is being reduced from 35% to 25%, subject to end-use condition.

Chapters 40 to 47

No change

Chapter 48

48.1 Effective basic duty on grape guard paper used for packing grapes is raised to 5%. This will, however, be exempt from special additional duty. S. No. 140 of notification No. 17/2001-Cus dated 1.3.2001 and S. No. 23 of notification No. 19/2001-Cus dated 1.3.2001 refers.)

Chapter 49

49.1 The basic customs duty in respect of plans, drawings and other goods of sub-heading No. 4906.00 is increased to 25 per cent., effective basic customs duty however continues at nil. (bill entry and S. No. 148 of notification No. 17/2001-Cus dated 1.3.2001 refers.)

Chapters 50 to 63

50.1 Effective rate of basic customs duty on silk waste is being reduced from 35% to 15%. Effective rate of duty on cotton waste (heading No. 52.02) is being reduced from 25% to 15% (relevant bill entry refers). Effective rate of duty on flax fibre (heading No. 53.01) is being reduced from 25% to 15% (S.No. 153 of notification No.17/2001-Customs, refers).

50.2 Tariff rate in respect of several categories of woven fabrics, falling under various sub-headings of Chapters 51, 52, 54 and 58, and articles of apparel and clothing accessories, falling under Chapters 61 and 62, and blankets (other than electric blankets), is being changed so as to incorporate the effective rates of basic customs duty as notified under notification No. 130/2000-Customs, dated 16-

10-2000. However, there is no change in the effective rates of basic customs duty in respect of the above goods (notification No. 18/2001-Customs refers). Upholstery fabrics and fabrics other than upholstery fabrics continue to attract different rates of basic customs duty as before (notification No. 23/2001-Customs has been issued in supersession of notification No. 130/2000-Customs, dated 16-10-2000).

50.3 Basic customs duty on raw wool imported by Apex/ State Handloom Cooperative Society, Khadi and Village Industries Commission and by State Khadi and Village Industries Board is being raised from Nil to 5% (S. No. 151 of notification No. 17/2001-Customs refers). However, they continue to be exempted from the special additional duty of customs (SAD). (notification No. 19/2001-Customs refers).

Chapters 64 to 69

No change

Chapter 70

70.1 Tariff and effective rate of customs duty in respect of slivers, yarns etc. of glass fibres (sub-heading No. 7019.11) is being reduced from 35% to 20% (relevant bill entry and notification No. 18/2001-Customs, dated 1-3-2001 refers). Tariff and effective rate of customs duty in respect of woven fabrics of glass of width not exceeding 30 cm (sub-heading No. 7019.51) is being reduced from 35% to 25% (relevant bill entry and notification No. 18/2001-Customs refers).

70.2 Effective basic customs duty on capillary tubes and rods of glass (sub-heading No. 70.02), for the manufacture of thermometers, is being reduced to 25% *adv.*, subject to the importer following the procedure set out in Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996(S.No. 160 of notification No. 17/2001-Customs refers). No other changes are being made in respect of goods falling in these Chapters.

Chapter 71

71.1 The effective rate of duty for gold including ornaments (but excluding ornaments studded with stones or pearls) imported by eligible passengers is being reduced to Rs. 250/- per ten grams. Effective customs duty on gold imported under Special Import Licence is also being reduced to Rs. 250/- per ten grams. Further, gold imported by MMTC, HHEC, STC etc. will also henceforth attract basic customs duty of Rs. 250/- per ten grams (notification No. 20 /2001-Customs refers).

71.2 Basic customs duty on cut and polished coloured gemstones, falling under Chapter 71, is being reduced from 35% to 15% (S. No. 167 of notification No. 17/2001-Customs refers).

71.3 Basic customs duty on raw pearls including raw cultured pearls; rubies, emeralds and sapphires (unset and uncut); rough diamonds and rough semi-precious stones is being raised from Nil to 5% (S. Nos. 163, 165 and 166 of notification No. 17/2000-Customs, dated 1-3-2001 refer). However, these goods will continue to be exempted from the special additional duty of customs (notification No. 19/2001-Customs refers). There are no other changes in respect of goods falling in this Chapter.

Chapter 72

72.1 Concessional import duty of 5% for melting scrap is extended to all units irrespective of the technology adopted for melting. (S. No. 181 of notification No. 17/2001-Cus dated 1.3.2001 refers).

72.2 Concessional import duty of 25% for hot rolled coils of stainless steel and of iron and non-alloy steel is restricted to other than seconds and defectives only. Seconds and defectives of HR coils will, therefore, attract basic customs duty of 35%. The Commissioners may take special note of this change for effective implementation and appropriate monitoring. (S. Nos. 173 and 186 of notification No. 17/2001-Cus dated 1.3.2001 refer).

Chapter 73

No change

Chapter 74

74.1 Concession in respect of toll smelting of copper reverts and copper anode slime extended to basic customs duty, additional duty of customs and special additional duty. (notifications No. 24 and 25/2001-Cus dated 1.3.2001 refer).

Chapter 75 to 83

No change

Chapters 84 & 85 (other than Electronics / IT)

84.1 The Basic customs duty on goods of Chapter 84 and 85 (other than Electronics / IT), in general, has been retained at the existing levels. Following changes have been made :-

- i) 159 specified textile machinery and parts thereof which hitherto attracted 15% basic duty would now attract duty at 5%. (S. No. 245 and 246 of notification No. 17/2001-Cus. dated 1.3.2001 refers).
- ii) Parts of outboard motors which were hitherto exempt from the basic customs duty would now attract duty at 5%. However, they have been exempted from Special Additional Duty. (S. No. 207 of notification No. 17/2001-Cus. dated 1.3.2001 refers).
- iii) LPG Conversion Kits and parts thereof now attracts duty @5% (basic)+16% (CVD) as applicable to CNG or Propane conversion kits. (S. No. 216 of notification No. 17/2001-Cus. dated 1.3.2001 refers).
- iv) Concessional rate of 5% basic customs duty has been extended to the specified parts of Wind Operated Electricity Generators for maintenance also. (S. No. 209 of notification No. 17/2001-Cus. dated 1.3.2001 refers).
- v) 105 specified machinery and tools imported by three specified Gem and Jewellery training institutes would now attract a concessional rate of basic customs duty of 15%. (S. No. 205 of notification No. 17/2001-Cus. dated 1.3.2001 refers).

84.2 The concessional rate of 5% (BCD) + 16% (CVD) duty applicable to specified equipment and parts thereof for basic telephone, cellular, radio paging, V-SAT, PMRTS and Internet Service will continue upto 31.3.2002. Band restriction has been removed for V-SAT services for availability of the same concessional rate of duty. (S. No. 241 of notification No. 17/2001-Cus. dated 1.3.2001 refers).

Chapters 84 & 85 (IT/ Electronics sectors)

84.1 The basic customs duty on word processing machines (8469.11) and Printed circuit assemblies of word processing machines (8473.10) is being reduced from 20% to 15%. (relevant bill entry and S.No. 230 of notification No.17/2001 refers). The basic customs duty on calculating and other machines of heading

No.84.70 and their parts (8473.21, 8473.29) is being reduced from 20% to 15%. (relevant bill entries refer) The basic customs duty on Automatic teller machines (ATMs) (8472.90) is being reduced from 20% to 15%. The basic customs duty on printed circuit assemblies of ATMs is also being reduced from 20% to 15%. (S. No. 234 of notification No. 17/2001-Customs refers). The concessional rate of 15% adv. has also been extended to Cash Dispensing mechanism and Deposit Modules for ATMs(8473.40)(S.No.234 of notification No.17/2001-Customs refer). There is no change in the duty rates in respect of automatic data processing machines (computers) and other machines falling under heading No.84.71. Parts of machines of heading No. 84.71, (including ink cartridges with print head assembly and spray ink nozzle but excluding PPCBs) (8473.30) continue to attract 5% basic customs duty.((S.No.233 of notification No. 17 /2001 refers). However, the exemption is not available in the case of an assembly (popularly known as barebones) which includes any one or all of the following items, namely:-

- (i) PPCBs
- (ii) motherboards (with or without CPU)
- (iii) Power supply unit

85.1 The basic customs duty on Static converters used in automatic data processing machines and units thereof, and also used in telecommunication apparatus (8504.40), inductors for power supplies for automatic data processing machines (8504.50) and their specified parts(8504.90) is being reduced from 20% to 15%.(S.Nos. 271,272 and 273 of notification No.17/2001-Customs refer).

85.2 The basic customs duty on telephone sets, cordless phones, videophones, fax machines , teleprinters, telephonic or telegraphic switching apparatus, other apparatus for carrier current line systems or for digital line systems and other apparatus(8517.11,8517.19,8517.21,8517.22,8517.30,8517.50 and 8517.80) is being reduced from 25% to 15% (relevant bill entries refer). The basic customs duty on specified loudspeakers for telecommunication use (other than cone type)(8518.29) is being reduced from 20% to 15%. (S. .No. 277 of notification No. 17/2001-Customs refers). The basic customs duty on telephone answering machines (8520.20) is being reduced from 20% to 15%. (relevant bill entry refers.)

85.3 The basic customs duty on specified unrecorded media like magnetic tapes of specific widths and magnetic discs (8523.11, 8523.12, 8523.13 and 8523.20) and other unrecorded media for sound recording or similar recording(8523.90) is being reduced from 20% to 15%.(relevant bill entries refer).

85.4 The basic customs duty on specified discs for laser reading systems, for reproducing phenomena other than sound or image (8524.31), magnetic tapes

(8524.40) and other recorded media (8524.91), for reproducing phenomena other than sound or image is being reduced from 25% to 15%. (relevant bill entries refer).

85.5 The basic customs duty on transmission apparatus (other than apparatus for radio-broadcasting or television)(8525.10) and transmission apparatus incorporating reception apparatus(8525.20) is being reduced from 25% to 15%. The basic customs duty on Digital still image video cameras (8525.40) is being reduced from 20% to 15%. (S.Nos. 286 and 288 of notification No.17/2001 and relevant bill entries refer).

85.6 The basic customs duty on Flat panel displays of a kind used in automatic data processing machines and telecommunication apparatus (8531.80) and parts of indicator panels incorporating Liquid Crystal Devices or Light Emitting Diodes(8531.90) is being reduced from 20% to 15%. (S.Nos.293 and 294 of notification No. 17/2001 -Customs refer).The basic customs duty on Power Capacitors (8532.10) is being reduced from 35% to 15% and the basic customs duty on Aluminium electrolytic fixed capacitors, (8532.22),ceramic dielectric, single layer fixed capacitors(8532.23),Fixed capacitors containing a dielectric of paper or plastics(8532.25),Other types of fixed capacitors(8532.29) and variable or adjustable(pre-set) capacitors(8532.30) is being reduced from 20% to 15%. (relevant bill entries refer).

85.7 The basic customs duty on specified Electronic/Electromechanical Switches (8536.50), Plugs and Sockets for co-axial cables and printed circuits (8536.69), Connection and contact elements for wires and cables (8536.90),specified parts of goods of heading 85.36(8538.90), Proximity cards and tags(8543.81), Electrical machines with translation or dictionary functions(8543.89), specified parts of goods of heading No.85.43 and specified Electric conductors used for telecommunication applications(8544.41 or 8544.49 and 8544.51) is being reduced from 20% to 15%. (S.Nos.297,298, 299,300,302,304,306,307 and 308 of notification No.17/2001-Customs and relevant bill entry refer).

85.8 The concessional rates of duty for specified raw materials for the electronics industry is being continued and there is no change in the duty rate structure (refer notification No.25/99-Customs). However, there are minor technical changes by way of amendments in some of the existing entries in List A of the said notification (S.No.notification No.20/2001-Customs refers).

Chapter 86

86.1 No change has been made in this Chapter.

Chapter 87

87.1 Tariff rate of basic customs duty on all goods covered by heading Nos. 87.03 and 87.11 (motor cars and other motor vehicles; motor cycles and side cars, etc.) is being raised from 35% to 105%. However, the effective rate of basic customs duty on new motor vehicles (including those presented unassembled or disassembled) of heading Nos. 87.03 and 87.11 is being prescribed at 35%. In other words, the tariff rate will apply in respect of second hand (used) vehicles. (relevant bill entries and S. Nos. 314 and 315 of Notification No. 17/2001-Customs refer)

Chapter 88

88.1 Exemption from basic customs duty on aeroplanes, helicopters, simulators of aeroplanes and gliders is being withdrawn and they will now be charged to basic customs duty of 3%. These goods will be exempt from special additional duty of customs (S. No.316 of Notification No.17/2001-Customs and S. No.36 of Notification No.18/2001-Customs respectively, refers)

Chapter 89

89.1 Exemption from basic customs duty on all goods covered under heading Nos. 89.01, 89.02, 89.04, 8905.10 and 8905.90 is being withdrawn and they will now be charged to basic customs duty of 5%. These goods will be exempt from special additional duty of customs (S. No. 322 of Notification No.17/2001-Customs and S. No. 37 of Notification No.18/2001-Customs respectively, refers)

89.2 Exemption from basic customs duty and additional duties of customs for goods of heading No.89.06 continues. (S. No.323 of Notification No.17/2001-Customs)

Chapter 90 (Medical Equipment)

90.1 There is no change in the customs duty rate structure for medical equipments. The basic customs duty exemption in respect of life saving/sight saving medical equipment and other specified medical equipment and their parts/spares accessories is being continued (S.Nos.348,349,351 and 352 of notification No.17/2001-Customs refer). The concessional basic customs duty of 15% on specified medical equipments and their parts/spares and accessories is being continued (S.No.254 of notification No.17/2001-Customs refers). The existing exemption in respect of specified medical equipments is also being extended to

include other goods which are specified in the Lists appended to the notification (S.Nos.254,348,351 and 352 of notification No.17/2001-Customs refer). However, the basic customs duty on Linear accelerator with beam energy 15 MeV and above and Hospital Equipment(equipment, apparatus and appliances, including spare parts and accessories thereof, but excluding consumable items) for use in specified hospitals, is being raised from Nil to 5% ad-valorem; however, these will be exempt from Special Additional duty of Customs. (S. Nos. 346 and 347 of notification No.17/2001 and S. Nos. 38 and 41 of notification No. 19/2001 refer).

90.2 The scope of customs duty exemption available to specified medical equipments (S. Nos. 351 and 352 of notification No.17/2001-Customs refer), is being restricted to their specific use in ophthalmic and ENT applications respectively. It is clarified that if the specified equipments are used in multiple applications in addition to their use in Ophthalmic and ENT applications respectively, the benefit of the exemption to such equipment is not to be denied.

90.3 In addition to this there are certain technical changes in the description of certain medical equipments. (Item no. 46 in List 29 of notification No.17/2001-Customs, Item No.126 in List 21(C) of notification No.17/2001-Customs and Item No. 8 in List 29 of notification No.17/2001-Customs refer).

The corrections are technical in nature. Concessions for the past should not be denied merely because corrections have been made now.

Chapter 90 (Other items)

90.4 Digital cameras have been included in the list of exempted items for import by accredited press cameraman (S. No.336 of Notification No.17/2001-Customs refers).

90.5 The period for availing the exemption and for use/ retention of such goods by an accredited press cameraman or accredited journalist has been reduced from five years to two years. (S. Nos.336 and 337 and condition Nos.73 and 74, respectively refer)

90.6 Effective rate of basic customs duty on cinematographic cameras and projectors, whether or not incorporating sound recording or reproducing apparatus (heading 90.07) apparatus and equipment for photographic (including cinematographic) laboratories and negatoscopes and their parts and accessories (sub-heading Nos. 9010.10, 9010.50 and 9010.90) has also been reduced from 25% to 15%. (S. No. 345 of Notification No.17/2001-Customs refers)

Chapter 91

91.1 Certain changes in the description (dimensional specifications) of horological raw materials used in manufacture of wrist watches have been made. (S. No. 176 and item Nos. 6, 12, 21, 22 and 47 of list 4 of Notification No.17/2001-Customs refer)

Chapter 92 to 93

No change has been made in these Chapters.

Chapter 94

94.1 The effective rate of basic customs duty on lamps and lighting fittings imported for use in sports or games stadia, by the Sports Authority of India or by a National or State level Sports Federation/Association recognised by the Central Government or a State Government or a Union territory has been reduced to 15%. (S. No.358 of Notification No.17/2001-Customs refers)

Chapter 95

No change has been in this Chapter.

Chapter 96

96.1 The effective rate of basic customs duty on parts of pens such as refills for ball point pens, pen nibs and nib points and other parts of pens of all kinds, including pen-holders (sub-heading Nos. 9608.60, 9608.91 and 9608.99) have been reduced to 15% (S. No.364 of Notification No.17/2001-Customs refers)

Chapter 98

98.1 Baggage has been exempted from SAD. The total effective duty on baggage has been fixed at 60% adv. and in the case of specified articles under Transfer of Residence Rules, the same has been kept at 35%. (Notification Nos. 19/2001 -Customs, 20/2001-Customs and 26/2001-Customs refer)

Miscellaneous

1. Courier Imports and Exports (Clearance) Regulations, 1998 has been amended so as to enhance the value limit for commercial samples for export from Rs. 10000/- to Rs. 50000/- . [Notification No. 9/2001-Customs (N.T.) refers].
2. The rate of interest on warehoused goods under section 61 (2) of the Customs Act, 1962 has been prescribed at a flat rate of 24% per annum. This is effective from 16.3.2001. the trade and importers may be suitably apprised of this change as the graded rate of interest stands abolished from 16.3.2001.[Notification No. 10/2001-Customs (N.T.) refers]

AMENDMENTS IN SECTION 3 OF THE CUSTOMS TARIFF ACT:

Section 3 of the Customs Tariff Act is proposed to be amended vide clause 110 of the Finance Bill, 2001. A proviso is being incorporated in the sub-section (1) so that in the case of alcoholic liquor for human consumption, the Central Government would have the powers to specify the rate of additional duty on these goods by notification. This would enable the charging of additional duty on these goods at a uniform rate even though the rates of State excise may be different.

Another important amendment made in section 3 relates to the valuation (for the purposes of additional duty) of packaged commodities imported into India. In the case of such goods the value would be computed on the basis of their maximum retail price in India. The provision is applicable to goods:

- (a) where it is the requirement either of the Standards of Weights and Measures Act or any other law to declare the retail sale price on the package (before clearance for home consumption); and
- (b) like goods manufactured in India are notified under section 4A of the Central Excise Act.

In such cases, the value of the goods would be the maximum retail price (declared on the package) minus the abatement notified for like domestic goods under section 4A.

Both these provisions have been declared under the Provisional Collection of Taxes Act and shall come into force on the 1st of March, 2001.

AMENDMENTS IN SECTIONS 8B AND 9A OF THE CUSTOMS TARIFF ACT:

Clause 112 of the Finance Bill, 2001 amends section 8B of the Customs Tariff Act. The proviso to be added to sub-section (1) would empower the Central Government to exempt (either partially or fully) specified quantity of any goods imported from any country or territory from safeguard duty.

It has also been proposed to amend this section so that any notification imposing safeguard duty, whether provisional or final, would not apply to goods imported by a 100% export-oriented undertaking, a unit in a free trade zone or special economic zone, unless it specifically states so. A similar amendment has been made in section 9A with regard to anti-dumping duty.