

## CUSTOMS

**Note :** *Customs Duty means the customs duty levied under the Customs Act 1962.*

**Major Proposals about customs duties are the following :**

### I GENERAL RATE STRUCTURE :-

**A 10% Surcharge would abolished from 1<sup>st</sup> March, 2001.**

**B Customs duty on Tea and coffee, copra, coconut and coconut dessicated has been raised from 35% to 70%**

**C Rates of customs duty on crude and refined edible oil revised as follows :-**

	<u>From</u>	<u>To</u>
<b>(i) Crude Oil</b>		
(a) Palm Oil ( for vanaspati - end use basis)	25%	55% #
(b) Palm Oil ( general )	55%	75%
(c) Soyabean Oil	35%	45%
(d) Sunflower / Safflower Oil	35%	75%
(e) Coconut oil	45%	75%
(f) Rapeseed oil	35%	75%
(g) Groundnut oil	35%	75%
(h) Colza / mustard oil	35%	75%
(i) All other oil	35%	75%
<b>(ii) Refined Oil</b>		
(a) Palm Oil ( general )	65%	85%
(b) Soyabean Oil	45%	No change
(c) Sunflower / Safflower Oil	45%	85%
(d) Coconut oil	45%	85%
(e) Rapeseed oil	45%	75%
(f) Groundnut oil	45%	85%
(g) Colza / mustard oil	45%	75%
(h) All other oil	45%	85%

# This concession will be confined to sick vanaspati units only.

### D IT and Telecom Sector :-

- **No change in the existing rate of 15% customs duty on Specified components of IT and telecom products.**
- **Customs duty on Specified IT and telecom products reduced to 15%. Major products are indicated below :**
  - (a) Line Telephone sets with cordless handsets.
  - (b) Fax Machines
  - (c) Teleprinters and telephonic or telegraphic switching equipment and set top boxes.
  - (d) Word processing machines.
  - (e) Calculating machines.
  - (f) Accounting machines.
  - (g) Automatic teller machines (ATM) and their specified parts.
  - (h) Static converters for automatic data processing machines
  - (i) Inductors for power supplies for automatic data processing machines and telecommunication apparatus including their specified parts.
  - (j) Certain type of capacitors
  - (k) Unrecorded magnetic tapes
  - (l) Digital still image video cameras
  - (m) Electronic and electromechanical switches.
  - (n) Specified photo – copying apparatus.

**E Concessional rate of 5% customs duty applicable admissible to specified equipment and parts thereof for basic telephone, cellular, radio paging, V-SAT, PMRTS and internet services extended upto 31.3.2002.**

**F Customs duty on 159 specified textiles machines reduced from 15% to 5%.**

### G Reduction in customs duty on :

- DMT, PTA, MEG and Caprolactum, from 25% to 20%.
- Polyester and nylon chips from 35% to 25%.
- Silk waste, from 35% to 15%.
- Cotton waste, from 25% to 15%.
- Flax fibre, from 25% to 15%.

- Parts of pens, from 35% to 15%.
- Sub-assemblies for ATM, from 35% to 15%.
- Glass capillary tubes for the thermometers, from 35% to 25%.
- Dead Burnt Magnesite (high purity); fused magnesia & sea water magnesia, from 25% to 15%.
- Cement and clinkers, from 35% to 25%.
- Soda ash, from 35% to 20%.
- Specified cinematographic cameras and equipment from 25% to 15%.
- Lamps and lighting fittings for use in sports / games stadia if imported by recognised sports federations or associations, from 35% to 15%.
- Cut and polished coloured gem stones, from 35% to 15%.
- Duty on equipment imported by specified training institutes, sponsored by Gem and Jewellery Export Promotion Council, reduced from 25% to 15%.

**H Duty on Gold reduced, from Rs 400 per ten gms. to Rs 250 per ten gms.**

**I Customs duty of 3% imposed on aeroplanes, simulators of aeroplanes, helicopters and gliders.**

**J Customs duty of 15% imposed on Enaxoparin. Exemption from CVD also withdrawn.**

**K Duty at 5% imposed on the following items :**

<b>S.NO</b>	<b>Item</b>
1.	Dried leguminous vegetables (pulses)
2.	Kerosene for PDS
3.	Grape guard paper for packing of grapes
4.	Raw wool for handloom sector
5.	Raw pearls(other than cultured), raw cultured pearls(including admixtures), rubies, emeralds and sapphires(unset and uncut), rough diamonds, rough semi-precious stones
6.	Specified parts of outboard motors
7.	Cruise/cargo ships and similar vessels for transport of goods/persons, when imported for purposes other than breaking up
8.	Fishing and other vessels for processing/preserving fishery products, when imported for purposes other than breaking up; subject to certain conditions.
9.	Dredgers, tugs and pushercrafts when imported for purposes other than breaking up; subject to certain conditions
10.	Hospital equipment(equipment, apparatus and appliances, including spare parts and accessories thereof, but excluding consumables items) for use in specified hospitals
11.	Linear accelerator with beam energy 15 Mev or more

**The above items have been exempted from Special Additional Duty (SAD)**

**L Duty on old ( pre-owned) cars, multi utility vehicles and two wheelers has been raised to 105%**

**M Liquified Natural Gas (LNG) and Wattle extract has been exempted from the Additional duty of customs ( CVD )**

**N Duty on seconds and defective HR Coils raised from 25% to 35%. Duty on prime HR Coils to continue at 25%.**

**O To extend the scope of concessional customs duty for melting scrap to include all steel melting based on any technology.**

**P Concessional rate of customs duty of 5% has now been extended to specified parts of wind operated electricity generator (WOEG) for maintenance also.**

**Q Concessional rate of 5% extended to LPG conversion kits and their parts.**

**R Duty rate on baggage rationalised to 60% by exempting it from SAD. Baggage under Transfer of Residence Rules will now attract a duty of 35% without SAD.**

**II Accredited press cameramen and accredited press journalists have been allowed duty free concessions once in two years as against existing stipulation of once in five years. The concession would also cover digital cameras for accredited press cameraman.**

**III LEGAL PROVISIONS FOR CHARGING CVD :**

**Legal provisions have been made for charging additional duty of customs (CVD) on consumer goods on MRP basis wherever similar domestically produced goods are charged to excise duty on such basis.**

**IV AMENDMENT IN SECTION 8-B & 9-A OF CUSTOMS TARIFF ACT :-**

- Provision has been made to exempt anti-dumping duty or safeguard duty on goods imported by 100% export-oriented units, and units in Free Trade Zones or in the Special Economic Zones.
- Provision has been made for exemption from safeguard duty on Tariff Rate Quota (TRQ) basis.

## EXCISE

Note :- SED means Special Excise Duty.

AED means Additional Excise Duty in lieu of Sales Tax

Major Proposals about Central Excise duties are the following :

### I. CHANGES IN AD-VALOREM DUTY RATE STRUCTURE

#### A General *ad-valorem* rate structure

- Excise duty structure has been rationalised to a single rate 16% CENVAT ( with only four exceptions).
- The Special Excise Duty (SED) rates of 8%,16% and 24% have now been reduced to a single rate of 16% SED.

<u>Existing Rate</u> (ad-valorem)			<u>Proposed Rate</u> (ad-valorem)		
Cenvat	+	SED	Cenvat	+	SED
16%	+	-	16%	+	-
16%	+	8%	16%	+	NIL or 16%
16%	+	16%	16%	+	16%
16%	+	24%	16%	+	16%

**B Processed food products based on fruits and vegetables (Jams, jellies, sauces, ketchup, soups, etc.) have been exempted from excise duty.**

**C An extra levy called NATIONAL CALAMITY CONTINGENT DUTY (NC Duty) has been imposed on cigarettes, pan masala, biris and other tobacco products.**

**D Changes in the existing structure of 16% CENVAT ( with partial exemption):-**

- **Partial exemption on following items has been withdrawn. They will now be charged at 16% CENVAT :-**

- (a) Laundry soap
- (b) Woollen yarn
- (c) Shoddy yarn
- (d) Wool tops
- (e) Viscose yarn if supplied to handlooms
- (f) Flax or ramie yarn
- (g) Biscuits of MRP not exceeding Rs.5/- and weight not exceeding 100 grams

- **Following items will continue at the effective rate of 8% duty :-**

- (a) LPG
- (b) Kerosene
- (c) Cotton yarn including sewing thread
- (d) Diesel engines, upto 10 HP

**E Changes in the existing structure of 16% CENVAT + 8% SED :-**

- **Following items will now be charged at 16% CENVAT with no SED:-**

- (a) Glazed tiles and vitrified tiles.
- (b) Scooters and motor cycles.
- (c) Taxis.
- (d) Mattresses and articles of bedding.
- (e) Carpets and textile floor coverings.
- (f) Painted canvas, studio back-cloths or the like.
- (g) Linoleum, textiles wall coverings etc.

- **Following items will now be charged at 16% CENVAT + 16% SED**

- (a) White cement and other special cements.
- (b) Yachts and pleasure boats
- (c) Arms and ammunition ( for private use )
- (d) Manufacturers of furskin and artificial fur.

**F Changes in the existing structure of 16% CENVAT + 24% SED :-**

- **Following items will now be charged at 16% CENVAT + 16% SED:-**

- (a) Aerated soft drinks
- (b) Soft drink concentrate, if supplied to vending machines
- (c) Motor cars

- Pan masala containing tobacco (*Gutkha*) shifted from Chapter 21 to Chapter 24.

- Pan masala NOT containing tobacco will attract a total duty of 55% ( 16% CENVAT + 16% SED + 23% NC duty).

- Pan masala containing tobacco (*Gutkha*) will attract a total duty of 60% ( 16% CENVAT + 16% SED + 18% AED + 10% NC duty )

- Chewing tobacco, snuff of tobacco and similar tobacco products will now attract total duty of 60% ( 16% CENVAT + 16% SED + 18% AED + 10% NC duty )
- Pan masala containing tobacco and other tobacco products like chewing tobacco will now be excluded from the scheme of excise duty exemption applicable to North Eastern States.

**G Duty on Petrol , Diesel and Compressed Natural Gas (CNG) :-**

- Duty on Motor Spirit has been raised from 16% to 32% (16% CENVAT + 16% SED)
- Duty on High Speed Diesel Oil has been raised from 12% to 16% CENVAT.
- Excise duty imposed on CNG at the rate of 8%.

**H Duty on woollen fabrics has been revised from existing 21% {16% CENVAT + 5% AED} to 16% { 8% CENVAT + 8% AED}.**

**I Exemptions withdrawn on carton, boxes, containers and cases of corrugated paper or paperboard. They will now attract normal CENVAT of 16%.**

**J Garments and clothing accessories sold under registered brand / trade name will now attract 16% excise duty with effect from 1.3.2001.**

**II. CHANGES IN SPECIFIC DUTY RATE STRUCTURE:-**

**A National Calamity Contingent Duty (NC Duty) has been imposed on Cigarettes and Biris as follows :-**

	Existing duty ( Rs. per 1000) <u>Basic + AED</u>	Proposed duty ( Rs. per 1000) <u>Basic + AED</u>	NC duty	Proposed Total duty (Rs. per 1000)
<b>● Non-Filter Cigarettes :</b>				
▪ Not exceeding 60 mm in length	115	115	+ 20	135
▪ Exceeding 60 mm but not exceeding 70 mm in length	390	390	+ 60	450
<b>● Filter Cigarettes :</b>				
▪ Not exceeding 70 mm in length	580	580	+ 90	670
▪ Exceeding 70 mm but not exceeding 75 mm in length	945	945	+ 145	1090
▪ Exceeding 75 mm but not exceeding 85 mm in length	1260	1260	+ 190	1450
▪ Exceeding 85 mm in length	1545	1545	+ 235	1780
<b>● Biris</b>	6	6	+ 1	7

<b>B Match Sector</b>	<u>Existing Duty</u> ( Rs per 100 boxes of 50 sticks each)	<u>Proposed Duty</u>
▪ Hand made sector (Cottage Sector)	25 paisa	50 paisa
▪ Middle Sector	85 paisa	Re 1
▪ Semi-mechanised sector	Rs. 1.25	Rs. 2
▪ Mechanised sector	Rs. 2.40	Rs. 3

**III. INDUSTRY SPECIFIC CHANGES:-**

**Independent Textile processors :-**

- Independent Textile processors will now be subjected to *ad-valorem* duty of 16% CENVAT, in place of existing system of chamber based compounded duty, with deemed CENVAT credit on inputs.
- This will be effective from 1<sup>st</sup> March 2001.

**IV CHANGES IN SSI SCHEME :-**

**A Following items will be excluded from the SSI exemption scheme :-**

- Ball or roller bearings
- Cotton yarn
- Arms and ammunition ( for private use)

**B SSI exemption scheme has now been extended to the following items :-**

- Woven pile fabrics
- Chenille yarn

**V EXPANSION OF MRP BASED ASSESSMENT OF EXCISE:-****A Three new items have been included in the scheme of MRP based assessment**

- Stainers
- Fillers and putties
- Thinners

**B Extent of abatement modified in respect of T.V. sets, electric fans, glazed / vitrified tiles and aerated water.****VI A Excise duty at 4% (without CENVAT credit) imposed on :-**

- (a) Tooth brush
- (b) Imitation jewellery
- (c) Powered goggles
- (d) Table and kitchenware of glass
- (e) Rubberised coir mattresses
- (f) Black and white T.V. sets
- (g) Watches and clocks upto Rs. 500 per piece
- (h) Electric bulbs upto Rs. 20 per piece
- (i) Footwear upto Rs. 125 per pair
- (j) Candles

**B Option allowed to pay 16% duty with CENVAT credit benefits.****VII. SERVICE TAX :-****(a) Service Tax @ 5% imposed on following services, effective from 1st July, 2001 :-**

<u>S.No.</u>	<u>Description of service</u>
1	Scientific and technical consulting services
2	Photography services
3	Convention services
4	Telex services
5	Telegraph services
6	Facsimile(Fax) services
7	On-line information and database access and / or retrieval services
8	Video tape production services
9	Sound recording services
10	Broadcasting services (Radio and television)
11	Services auxiliary to insurance (including broking and agency services)
12	Banking and other financial services (excluding insurance), namely:-
	(a) Financial leasing including equipment leasing and hire purchase by a body corporate
	(b) Credit card services
	(c) Merchant banking services
	(d) Securities and foreign exchange (forex) broking
	(e) Asset management including portfolio management, all forms of fund management, pension fund management, custodial depository and trust services but not including cash management
	(f) Advisory and other auxiliary financial services including investment and portfolio research and advice, advice on mergers and acquisitions and advice on corporate restructuring and strategy; and
	(g) Provision and transfer of financial information and data processing
13	Port services
14	Authorised service stations for service or repair of vehicles, including two-wheelers

**(b) Service provided to lease line holders will also be covered in the tax net, effective from 1st July, 2001.****VII AMENDMENT IN CENVAT RULES :-**

- (a) Storage tanks are included in capital goods for Cenvat Credit.
- (b) Jigs and fixtures extended facilities similar to moulds and dies in the Cenvat Credit Scheme

**MISCELLANEOUS****A CUSTOMS AND CENTRAL EXCISE**

- (a) Central Excise Rules, 1944 are being simplified and drastic reduction in the number of rules being made. New rules to be operational from 1<sup>st</sup> July 2001.
- (b) Normal time limit for filing of appeals to Commissioner (Appeals) or to the Tribunal has been reduced from 3 months to 60 days.

- (c) Power of Commissioner (Appeals) to remand cases for fresh adjudication has been withdrawn.
- (d) A time limit of 6 months has been laid down for deciding appeals, and 30 days for passing orders on stay applications, as far as possible.
- (e) Adjudication orders by Central Excise and Customs Officers to be passed within 6 months in normal cases and within one year in cases involving fraud, etc. as far as possible.
- (f) Interest on warehoused goods to be paid after expiry of thirty days. This change will come into effect on a notified date after Finance Bill is passed.
- (g) Interest on warehoused goods fixed at a flat rate of 24% in respect of removals on or after 15.3.2001.
- (h) Interest on delayed payment of duty will be charged from the first day of the month succeeding that in which duty ought to have been paid in all cases.
- (i) Provisions made to dispense with the show cause notices and adjudication proceedings if short levy is paid voluntarily with interest.
- (j) No interest would be payable if an assessee pays the duty within forty five days of an order, instruction or direction issued by the Central Board of Excise & Customs under section 37B of the Central Excise Act or section 151A of the Customs Act.
- (k) New manuals of upto-date instructions and procedures to be made available by 1st September, 2001. Emphasis will be on simplicity, brevity and transparency.
- (l) Penalties imposable under section 112 / 113 of the Customs Act rationalized.

**B SERVICE TAX**

- (a) To provide for self assessment in service tax.
- (b) To provide for a penalty not exceeding Rs.1000/- for non filing of return.
- (c) To provide for a penalty of Rs.500/- for non-registration.
- (d) To increase the rate of interest for delayed payment of tax from 18% to 24%.
- (e) To provide for original orders to be passed by Assistant Commissioner/ Deputy Commissioner.