

EXPLANATORY NOTES- CUSTOMS

General:

Peak rate reduced from 35% to 30%. Duty on copper, zinc and lead reduced from 35% to 25%. Duty on aluminium and tin reduced from 25% to 15%. Duty on natural rubber, poppy seeds, pepper, cloves and cardamom raised from 35% to 70%, and on tea and coffee from 70% to 100%.

New levies

Customs duty exemption on a number of nil rated items has been withdrawn and these will now be charged to a basic customs duty of 5% adv. (Details given in the Table below) All these items will however, be exempted from Special Additional duty of Customs(SAD).

S.No.	Chapter/Hdg.No./ Sub-heading No.	Description of goods
1.	5	Animal Pancreas (S.No.5 of notification 21/2002-Cus refers)
2.	5 or any other chapter	Animal Frozen Semen and animal frozen semen equipment.(S.No.6 supra)
3.	0703.10	Onions (S.No.10 supra)
4.	29	Six specified chemical intermediates (DL-2 Aminobutanol, Diethyl Malonate, Triethyl Orthformate, Aceto Butyrolactone, Thymidine and Artemisinin) which are used in the manufacture of certain drugs covered by the National Health Programme.(S.No. 98 supra)
5.	28,29 or 30	88 specified life saving drugs or formulations. Bulk drugs used in the manufacture of life saving drugs/medicines (List 3)(refer S.No.80 supra)
6.	29,30,35,38 or 39	9 specified items used in the manufacture of ELISA(AIDS test kits) (S.No. 95 supra)
7.	38.22	Reference Standard, imported by the Central Drug Laboratory, Kolkata (S.No. 138 supra)
8.		Recorded magnetic tapes, micro films, scientific and technical instruments, computers etc imported by R&D Institutions, IITs, IISc, RECs etc., vide notification No. 51/96-Customs, dated 23.7.96 (refer Notification No.23/2002-Cus)
9.	84 or any other Chapter	Plant, machinery, equipment, tools, surveillance systems etc imported by or on behalf of RBI (S.No. 220 of notification No.21/2002-Cus)
10.	85	Video Cassettes and Video Tapes, of a predominantly educational character (S.No.292 of notification No.21/2002-Cus)
11.	85.24	Recorded magnetic tapes and floppy diskettes imported by the University Grants Commission for use in computers (S.No.310 of notification No.21/2002-Cus)
12.	90 or any other chapter	Specified medical equipments, their accessories/spare parts for manufacture of these equipment/parts of these equipment (List 37).S.No. 363 of notification No.21/2002-Cus refers

13.	90 or any other chapter	Specified Ophthalmic equipment (List 38) (S.No. 367 of notification No.21/2002-Cus refers)
14.	90 or any other Chapter	Specified ENT equipment (list 39) (S.No. 368 of notification No.21/2002-Cus refers)

Items mentioned in S. Nos. 12, 13 and 14, above, will continue to be exempt from CVD, notwithstanding the withdrawal of the excise duty exemption on these medical equipment.. For specific details in respect of the above mentioned items refer to the relevant entries in notification No.21/2002-Customs, 23/2002-Customs and 24/2002-Customs

General Exemptions

Notification No. 51/96-Customs, dated 23rd July, 1996 has been amended so as allow the Head of a public funded research institution issue a certificate for the import of live animals. The facility of duty free import of live animals, as is available to public funded research institutions, has also been extended to 'non-commercial research institutions, other than a hospital'. Moreover, imports under this notification will now be levied to a basic customs duty of 5%. (S.no.11 in Notification No. 24/2002-Cus refers)

International Agreements

The 50% concession presently being extended to specified goods imported under the Indo Sri Lanka Free Trade Agreement (ISLFTA) has been increased to 90%. The scope of the exemption to goods brought under ATA/Carnet for display/demonstration has been extended to events which are not sponsored by Government. (S.No.2 in notification No.24/2002-Cus refers). The list of goods from Myanmar which can be imported at a concessional rate of 5% has been extended to 6 new items while poppy seeds have been excluded. (S.No. 5 in Notification 24/2002-Customs refers)

Chapter 1

- 1.1 Tariff rate and effective rate on all headings have been decreased to 30%. (refer Bill entries)
- 1.2** The concessional rate of 5% to cows, heifers, bulls, goats, sheep, pigs, angora rabbits, ducklings and pureline poultry stock continues but exemption from SAD has been withdrawn. There is no other change. (refer S.No.1 in notification No. 21/2002-Customs refers)

Chapters 2 and 3

- 2.1 Tariff rate and effective rate on all decreased to 30%. (refer Bill entries)

Chapter 4

- 4.1 Tariff rate on all (except sub-headings 0402.10, 0402.21, 0405.10, and 0406.90 decreased to 30%. (refer Bill entries)
- 4.2 Effective rate on sub-headings 0405.10, and 0406.90 reduced to 30%. There is no other change. (S.No.4 in notification No. 21/2002-Customs, refers)

Chapter 5

- 5.1 Tariff rate and effective rate on all decreased to 30%. (refer Bill entries)
- 5.2 Preferential rate on sub-heading 0507.10 increased to 20%. (refer Bill entries).
- 5.3 Artemia cyst falling under sub-heading 0511.90 has been allowed a concessional rate of 15%. (S.No.6 in notification No. 21/2002- Cus refers)

Chapter 6

- 6.1 The concessional rate of 5% on all goods falling under headings 06.01 or 06.02 continues. (S.No.9 in notification No.21/2002-Cus refers)

6.2 Tariff rate and effective rate on headings 06.03 and 06.04 decreased to 30% .(refer Bill entries)

Chapter 7

- 7.1 Tariff rate on all (except sub-heading 0713.10) decreased to 30%.(refer Bill entries)
- 7.2 Preferential rate on all increased to 20% . (refer Bill entries).
- 7.3 Effective rate on pulses has been increased from 5% to 10%. However, exemption from SAD will continue on pulses (S.No. 11 notification No. 21/2002-Cus and S.No.4 in notification No. 23/2002-Cus refer)

Chapter 8

- 8.1 The tariff rate and effective rate on dried grapes has been reduced from 115% to 105%. The preferential rate shall be 95% (refer Bill entries).
- 8.2 The tariff rate on all (except sub-headings 0801.11, 0801.19, 0801.31, 0802.11, 0802.12, 0802.90, 0805.10, 0805.40, 0805.50, 0806.10, 0806.20, 0808.10, 0808.20, 0809.40 and 0813.20) has been decreased to 30% and the preferential rate shall be 20%..
- 8.3 For effective rates and preferential rates on the above mentioned exceptions, relevant entries in the Bill as well as in the notification No. 21/2002-Customs, dated 1st March, 2002 maybe referred.

Chapter 9

- 9.1 The tariff and effective rate on Coffee falling under heading No. 09.01 has been increased from 70% to 100%. The preferential rate shall be 100% less 13 paise per kg. (refer Bill entries).
- 9.2 The tariff and effective rate on tea falling under heading No. 09.02 has been increased from 70% to 100%. The preferential rate shall be 100% less 26 paise per kg. (refer Bill entries).
- 9.3 The Tariff rate on Pepper falling under heading 09.04 has been increased from 35% to 70% The preferential rate on sub-headings 0904.11 and 0904.12 shall be 62.5% (refer Bill entries).
- 9.4 The Tariff rate on Cloves falling under heading 09.07 has been increased from 35% to 70% The preferential rate shall be 62.5% (refer Bill entries).
- 9.5 The Tariff rate on Cardamons falling under heading 0908.30 has been increased from 35% to 70% The preferential rate shall be 62.5% (refer Bill entries)
- 9.6 The tariff and effective rate on headings 09.03 and 09.06 and sub-heading 0908.20 have been reduced to 30%. The preferential rate shall be 30% less 26 paise per kg on heading 09.03, and 22.5% on heading 09.04 and sub-heading 0908.20.
- 9.7 The concessional rate of 5% basic duty of customs on planting materials under Chapters 6,7,8 or 12 has been extended to Chapter 9 also. However, exemption from SAD has been withdrawn. ((S.No.8 in notification No. 21/2002-Cus refers) In all other sub-headings, the tariff and effective rate have been reduced to 30%. (refer Bill entries).

Chapter 10

- 10.1 In the case of sub-heading 1005.90, for imports under TRQ upto an aggregate of four lakh fifty thousand metric tonnes during F.Y. 2002-03, the rate shall be 15%.(S.No. 21 of notification No.21/2002-Cus refers). There is no other change in this Chapter.

Chapter 11

- 11.1 Tariff and effective rate on all (except on unroasted malt) decreased to 30%. Effective rate on unroasted malt has been reduced to 30%.(S.No.23 in notification No. 21/2002-Cus , refers)

Chapter 12

- 12.1 Tariff rate on all (except sub-headings 1203.00, 1207.91, 1209.91 and 1209.99) decreased to 30%.(refer Bill entries).
- 12.2 The tariff rate and effective rate on Poppy seeds falling under heading No. 1207.91 has been increased to 70%. The preferential rate shall be 60% (refer bill entries)
- 12.3 The preferential rates, wherever they occur in the Chapter, (other than on copra and poppy seeds) have been decreased to 20%. There is no other change. (refer Bill entries).

Chapter 13

13.1 Tariff rate on all decreased to 30%.(refer Bill entries)

13.2 Preferential rate on gum Arabic decreased to 20%. There is no other change.(refer Bill entries)

Chapter 14

14.1 Tariff rate and effective rate on all decreased to 30%.(refer Bill entries).

Chapter 15

15.1 Tariff rate on headings 15.01, 15.03, 15.04, 15.05, 15.06, 15.16, 15.17, 15.18, 15.20, 15.21 and 15.22 have been decreased to 30%.(refer Bill entries)

15.2 Preferential rates, wherever they occur, have been revised. (refer Bill entries)

15.3 For availing the concessional rate of 30%, a condition of free fatty acid content of 20% or more has been specified in the case of imports of vegetable oils of non-edible grade. (S.No.30 in Notification No.21/2002-Cus refers)

15.4 Imports of vanaspati from Nepal shall be levied SAD @ 4% (S.No.8 in notification No. 24/2002-Cus refers)

Chapter 16

16.1 Tariff rate and effective rate on all (except sub-headings 1601.00 and 1602.32) decreased to 30%.(refer Bill entries).

Chapter 17

17.1 Tariff rate and effective rate on all (except cane sugar falling under heading 17.01 and chewing gum falling under heading 1704.10) decreased to 30%.(refer Bill entries).

17.2 The effective rate on chewing gum falling under heading 1704.10 has been reduced to 30%. There is no other change. (S.no.41 in Notification No.21/2002-Cus refers)

Chapter 18

18.1 Tariff rate and effective rate on all decreased to 30%.(refer Bill entries).

Chapter 19

19.1 Tariff rate and effective rate on all (except sub-headings 1901.10, 1905.31 and 1905.32) decreased to 30%. (refer Bill entries).

19.2 The effective rate on sub-headings 1901.10, 1905.31 and 1905.32 has been reduced to 30% (S.Nos.43 & 44 in Notification No.21/2002-Cus refer)

Chapter 20

20.1 Tariff rate and effective rate on all (except sub-headings 2004.10, 2009.11, 2009.12 and 2009.19) decreased to 30%. (refer Bill entries).

20.2 The effective rate on sub-headings 2004.10, 2009.11, 2009.12 and 2009.19 is 30% (S. Nos. 45 & 46 in Notification No.21/2002-Cus refer)

Chapter 21

- 21.2 The Tariff rate and effective rate on all goods (excluding compound alcoholic preparations of a kind used for manufacture of beverages falling under sub-heading no. 2106.90) has been reduced to 30%
- 21.3 The tariff and effective rate on sub-heading no. 2106.90 has been reduced from 170% to 160% (refer Bill entries and S.No.47 in Notification No.21/2002-Cus, dated the 1st March, 2002).

Chapter 22

- 22.1 The Tariff and effective rate on headings 22.01 and 22.02 has been reduced to 30%.
- 22.2 The tariff and effective rate on sub-heading 2207.10 and heading 22.08 has been reduced to 182%. (refer Bill entries).
- 22.3 CVD on alcoholic liquors and wines, imported for human consumption (falling under CTHs' 22.03, 22.04, 22.05, 22.06, and 22.08) have been revised as under:
- | <u>CIF price per case (=9 litres)</u> | <u>Rate of duty</u> |
|---------------------------------------|---------------------|
| Upto US\$ 25 | 75% |
| More than US\$ 25 | 50% |
- (S.No.13 in Notification No. 24/2002-Cus refers)

Chapter 23

- 23.1 Tariff rates have been changed to 30% (refer Bill entries).
- 23.2 SAD exemption on prawn feed, flours, meals and pellets, of fish etc. has been withdrawn

Chapter 24

- 24.1 Tariff rates have been changed to 30% (refer Bill entries).

Chapter 25

25.1 The tariff rate has been reduced to 30%.The duty on cement clinkers and Ordinary Portland Cement has been reduced to 20%. The scope of the concessional rate of 15% to raw materials for the manufacture of refractory products has been expanded to cover certain other raw materials as well as refractory products falling under Chapters38 or 68. A concessional rate of 25% has been prescribed for specified raw materials used for the manufacture of refractory products (relevant Bill entries and S.Nos.58, 59, 61, 62 & 63 in notification 21/2002-Customs refer)

Chapter 26

- 26.1 The tariff rate has been reduced to 30%.(refer Bill entries)

Chapter 27

27.1 There is no change in the effective rate of duty on crude and refined petroleum products(other than SKO for the PDS and SKO imported for the Parallel Marketing Scheme). The tariff rate has however been reduced to 10% and 20% respectively. The duty on SKO for the PDS has been increased to 10%. The duty on SKO imported under the Parallel Marketing Scheme(PMS) has been reduced to 20%. Kerosene imported for the manufacture of N-paraffin will now attract Special Additional Duty of Customs(SAD). The concessional rate of 5% duty for metcoke imported by a manufacturer of pig iron or steel has been extended to manufacturers using COREX technology. (relevant bill entries , S.Nos.71 & 73 in notification No. 21/2002-Customs and S.No. 10 in Notification No. 23/2002-Customs refer)

Chapter 28-29

28.1 Peak rate of customs duty on goods falling under the Chapters is being reduced from 35% to 30% and the same is being prescribed in the Tariff. They are being made effective from 1st March, 2002 vide notification No.22/2002-Customs, 2002.

28.2 List of bulk drugs of life saving drugs, falling under Chapter 28 or 29, which attracted nil Basic Customs duty have been pruned and updated. 47 items have been deleted. These will attract the general rate of 30% + Countervailing duty, as applicable + plus SAD. Further, 88 items are being taken out of the list of fully exempted drugs and prescribed a concessional rate of 5% Basic Customs duty plus Countervailing duty, as applicable. (refer list 3 of notification No.21/2002-Customs) These items will be exempt from SAD. (S.No.12 in notification No.23/2002-Customs refers).

28.3 8 new drugs (see list in Chapter 30) have been included in the list of life saving drugs that will be exempt from Basic Customs duty and SAD but will attract Countervailing duty. (refer list 4 of notification No.21/2002-Customs). It is hereby clarified that in the case of S.No. 83 of notification no.21/2002-Customs read with List 4, the exemption to bulk drugs under (B) in relation to the items specified in the said list is restricted to the basic customs duty only. Applicable rates of countervailing duty is leviable.

28.4 The scope of entry “anhydrous ammonia, for the manufacture of fertilizers” has been restricted to “anhydrous ammonia, for manufacture of goods, falling under Chapter 31 for use as fertilizers”. (S.No.89 in notification No.21/2002-Customs refers)

28.5 The rate of duty on Paraxylene (sub-heading 2902.43) is being increased from 5% to 10%. (refer Bill relevant entry)

Chapter 30

30.1 Peak rate of customs duty on all goods falling under the Chapter is being reduced from 35% to 30%, and the preferential rates of duty, wherever they occur, are being reduced accordingly. The same is being prescribed in the tariff and given effect from 1st March, 2002 vide notification No.22/2002-Customs, 2002.

30.2 The list of life saving formulations fully exempted from import duties have been pruned and updated. 47 items have been deleted. These will attract the general rate of 30%+Countervailing duty, as applicable + plus SAD. Further, 88 items are being taken out of the list of fully exempted drugs and prescribed a concessional rate of 5% Basic Customs duty plus Countervailing duty, as applicable. These items will be exempt from SAD.

30.3 8 new drugs, viz. Basiliximab, Beractant Intra-tracheal Suspension, Imatinib Mesilate, Rivastigmine, Rituximab, Tetrofosmin, Trastuzumab and Zoledronic Acid have been included in the list of life saving drugs that are fully exempted from import duties.

30.4 Exemption has been provided for Japanese Encephalitis (JE) vaccine, imported by Andhra Pradesh Government through UNICEF.(S.no. 105 in notification no.21/2002-Cus refers)

30.5 The description of entry, “Solution containing Human Follicle Stimulating and Luteinising Hormones” has been changed to “Freeze Dried Form of Human Follicle Stimulating and Luteinising Hormones” retaining it the list of exempted life saving drugs (S.No. 80, list 4(Item No.103) of notification No.21/2002-Customs)

Chapter 31

31.1 Peak rate of customs duty on all goods falling under the Chapter is being reduced from 35% to 30%. The same is being prescribed in the tariff and given effect from 1st March, 2002 vide notification No.22/2002-Customs, 2002.

Chapter 32

32.1 Peak rate of customs duty on all goods falling under the Chapter is being reduced from 35% to 30%. The same is being prescribed in the tariff and given effect from 1st March, 2002 vide notification No.22/2002-Customs, 2002.

32.2 Wattle extracts, presently exempted from Countervailing duty, is being exempted from Central Excise duty as well.

32.3 SAD exemption for silver powder suspension has been withdrawn.

Chapter 33

33.1 Peak rate of customs duty on all goods (except sub-heading 3302.10) falling under the Chapter is being reduced from 35% to 30%. The rate of duty on sub-heading 3302.10 is being reduced to 160%. The same is being prescribed in the tariff and given effect from 1st March, 2002 vide notification No.22/2002-Customs, 2002.

Chapter 34

34.1 Peak rate of customs duty on all goods falling under the Chapter is being reduced from 35% to 30%, and the preferential rates of duty, wherever they occur, are being reduced accordingly. The same is being prescribed in the tariff and given effect from 1st March, 2002 vide notification No.22/2002-Customs, 2002.

Chapter 35

35.1 Peak rate of customs duty on all goods falling under the Chapter is being reduced from 35% to 30%. The same is being prescribed in the tariff and given effect from 1st March, 2002 vide notification No.22/2002-Customs, 2002.

Chapter 36

36.1 Peak rate of customs duty on all goods falling under the Chapter is being reduced from 35% to 30%. The same is being prescribed in the tariff and given effect from 1st March, 2002 vide notification No.22/2002-Customs, 2002.

Chapter 37

37.1 Peak rate of customs duty on all goods falling under the Chapter is being reduced from 35% to 30%. The same is being prescribed in the tariff and given effect from 1st March, 2002 vide notification No.22/2002-Customs, 2002.

Chapter 38

38.1 Peak rate of customs duty on all goods falling under the Chapter is being reduced from 35% to 30%, and the preferential rates of duty, wherever they occur, are being reduced accordingly. The same is being prescribed in the tariff and given effect from 1st March, 2002 vide notification No.22/2002-Customs, 2002.

38.2 The rate of basic customs duty on Reference Standards is being increased to 5%. The exemption from Countervailing duty and SAD will continue. (S.No.138 in notification No.21/2002-Customs and S.No. 34 in notification No. 23/2002-Customs refer)

Chapter 39

39.1 Peak rate of customs duty on all goods falling under the Chapter is being reduced from 35% to 30%. The same is being prescribed in the tariff and given effect from 1st March, 2002 vide notification No.22/2002-Customs, 2002.

39.2 Concessional rate of 25% Basic Customs duty is being prescribed from nylon 6,12 chips imported for manufacture of nylon monofilament subject to end use condition. (S.No.146 in notification No.21/2002-Customs refers)

39.3 SAD exemption for silicone resin and silicon rubber has been withdrawn.

Chapter 40

40.1 In general, duty on the goods of this chapter has been reduced from 35% to 30%. However, duty on natural rubber has been raised from 35% to 70%.

Chapter 41

No change

Chapter 42 to 46

42.1 Headings and sub-headings of these chapters attracted duty at 35% will now attract duty at 30%. All other duty rates remain unchanged.

Chapter 47

No change.

Chapter 48

48.1 Duty has been reduced from 35% to 30% on all goods of this chapter except newsprint, which will continue to attract tariff rate of 15% and effective duty at 5%.

Chapter 49

49.1 No change.

Chapter 50-63

50.1 The tariff rate of basic customs duty on all goods has been reduced from “35% to 30% “ and from 35% or specific rate whichever is higher to 30% or specific rate whichever is higher”. However, there is no change in the specific rates of duties.

50.2 In the case of processed textile fabrics falling under Chapters 51, 52, 53, 54, 55, 58 and 60, the CVD rate has been prescribed at 16% adv. On grey fabrics also the CVD will apply @ 16%.

50.3 In the case of nylon filament yarn or polypropylene multi-filament yarn of 210 deniers, nylon yarn of denierage 210, 330, 420, 630, 840, 1050, 1260 or 1680, monofilament of high density polyethylene or polypropylene, the excise exemption has been made conditional. These yarns when imported will attract a CVD of 16% adv.

50.4 In the case of garments and made-ups of Chapters 61, 62 and 63 the excise exemption or concessional rate is conditional. The CVD rate will be 16% adv. However, there is no change in the excise duty on raincoats, undergarments and clothing accessories falling under Chapter 61 or 62 and on Jute blankets, sacks and bags of jute used for packing of goods and Indian National Flag falling under Chapter 63. Consequently on the CVD structure. Further, goods falling under heading 63.09 or 63.10 would also continue to be exempt from CVD.

50.5 In the case of fabrics falling under Chapter 59 and sub-headings/headings 5806.31,5806.32,58.07,58.08,58.09 and 58.11, there is no change in the excise duty and consequently on the CVD structure.

50.6 For details regarding CVD on textile products, Sl. Nos. 410 to 414 of notification No. 21/2002-Cus may kindly be referred to.

Chapter 64-71

64.1 The peak tariff rate of basic customs duty on all the goods has been reduced to 30% ad-valorem . For effective rates relevant notifications may be referred.

64.2 The entry relating to “rough diamonds” (S.No.180 of notification No. 21/2002-Cus refers) for the concessional rate of 5% has been modified as “Rough diamonds (industrial or non-industrial)”, to make the intention clear.

64.3 Special additional duty (SAD) on (i) raw pearls, other than cultured pearls; (ii) rubies, emeralds and sapphires , unset and imported uncut; has been raised to 4% from nil.). However, rough diamonds continue to be exempt from SAD (refer S. No. 42 notification 23/2002-Cus).

Chapter 72 and 73

72.1 **Steel:** Duty on several refractory raw materials, low silica limestone and graphite electrodes for use in the manufacture of steel reduced by 10%. (S.No. 58,59,61 & 342 in notification No.21/2002-Cus refer)

72.2 Customs duty on Metcoke imported by corex technology based steel plants has been reduced from 15% to 5%. (S.No.71 in notification No.21/2002-Cus refers)

72.3 Hot Rolled Stainless Steel Coils for manufacture of coin blanks for supply to a mint of the Government of India have been exempted from Customs duty.(S.No.196 in notification No.21/2002-Cus refers)

72.4 Basic duty on HRGO/HRNGO coils has been reduced from 35% to 25%.(S.No.194 in notification no.21/2002-Cus refers)

72.5 Duty on seconds and defectives of steel (ch 72) has been raised to the bound level of 40%.

Chapter 74

74.1 Duty on copper and articles thereof has been reduced from 35% to 25%.

Chapter 75

No change

Chapter 76

76.1 Duty on aluminium and articles thereof has been reduced from 25% to 15%. Aluminium scrap will continue at 15%. All goods (other than pressure cookers of aluminium alloys , non stick utensils of

aluminium and sanitary ware of aluminium or aluminium alloys) falling under 7615.19 and 7615.20 will continue at 25%. Goods falling under sub-heading 7615.11 and pressure cookers of aluminium alloys, non stick utensils of aluminium and sanitary ware of aluminium or aluminium alloys will attract 30% .

Chapter 78 and 79

78.1 Duty on lead and zinc and articles thereof has been reduced from 35% to 25%.

Chapter 80

80.1 Duty on tin and articles thereof has been reduced from 25% to 15%.

Chapter 81 to 83

81.1 Duty has been reduced from 35% to 30%, the new peak rate.

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) **Textile Machinery:** Duty on specified items of reeling, twisting, weaving and processing machinery for silk textile industry reduced from 25% to 10%.(S.No. 252 in notification No.21/2002-Cus refers) These have also been exempted from CENVAT/CVD. CENVAT /CVD exemption has also been extended to 28 specified processing machinery, automatic shuttle looms and specified jute machinery.
- ii) **Agricultural machinery** falling under headings 84.32, 84.33, 84.36 and 84.37(other than lawn and sports ground roller, goods falling under sub-headings 8433.11,8433.19,8437.80 and their parts) which hitherto attracted 25% basic duty, would now attract duty at 15%. (S.No.267 in notification No. 21/2002-Cus refers) In this regard it is hereby clarified that “power tillers” are to be classified under heading 84.32. Circular No 45/2001, dated 7th August, 2001 is accordingly withdrawn.
- iii) Raw materials for manufacture of blades for rotors of Wind Operated Electricity Generators have been exempted from CVD. (S. No.224 of notification No. 21/2002-Cus. refers).
- iv) Basic duty on specified firefighting equipment has been reduced to 20%. They will, however, continue to attract CVD and SAD.(S.No. 221 in notification No.21/2002-Cus refers)
- v) Specified equipment required for construction of national highways and other roads are exempt from duty. The requirement of certification of essentiality in respect of two equipment, namely, and has been amended to allow certificate to be issued also by an officer of the NHAI not below the rank of Chief Engineer. This exemption is available in respect of imports made by the Ministry of Surface Transport or by **a contractor** who has been awarded a contract for road construction by the NHAI/State PWD/State road building corporation or by a **sub-contractor who is named in such a contract. It is hereby clarified that if the contractor/sub-contractor is a joint venture concern, then the concession can be availed only in respect of imports made by the joint venture, and not in respect of in respect of imports made by individual partners/constituents of the joint venture. This has been the intention earlier also.**
- vi) Specified equipment for development of ports and airports will attract basic duty of 10%. These will continue to attract CVD and SAD.(S.no.231 and 232 in notification No.21/2002-Cus refer)

Chapters 84 & 85 (IT/ Electronics sectors)

84.1 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. or their parts and accessories(8473.30). However, the basic customs duty on parts and accessories equally suitable for use with machines of two or more of the headings 84.69 to 84.72 (8473.50) is being reduced from 15% to 10% (Bill entry refers). The basic customs duty on Ink cartridges, Ribbon Assembly, Ribbon gear assembly, ribbon gear carriage, for use in printers for computers is being reduced from 25% . to 5% (S. No.117 of notification No.21/2002-Cus refers). The customs duty exemption presently available to deflection components for use in colour monitors for computers is being extended to cover deflection components for use in PCB assembly of colour monitors for computer.(S.No.294 of notification No./2002-Cus refers). CD-Writers(84.71) have been specifically incorporated in notification No. 21/2002-Cus(refer S.No.270) and these will attract nil rate of basic customs duty. POS(Point of Sale) Terminals(84.71) have also been incorporated in notification No.21/2002-Cus(refer S.No.271) and will attract a basic customs duty of 15%adv. Equipment having multiple functions of printing scanning and photocopying and where the principal function cannot be determined(Chapter 84 or 90) have been specifically incorporated in notification No. 21/2002-Cus(refer S.No. 258) and such equipment will attract a basic customs duty of 25%adv.

85.1 The basic customs duty on Stepper motors (8501.10) for use in the manufacture of goods falling under heading 84.71 is being reduced from 5% to Nil .subject to actual user condition.(S.No.296 of notification No. 21/2002-Customs refers).

85.2 The basic customs duty on specified loudspeakers for telecommunication use (both cone type and non- cone type)(8518.29) is being reduced from 15% to 10%. (S. .Nos. 304 & 305 of notification No.21 /2002-Customs refer).

85.3 The basic customs duty on specified unrecorded media like magnetic tapes of specific widths , magnetic discs, floppy discs (8523.11, 8523.12, 8523.13 , 8523.20), other unrecorded media for recording of sound or similar phenomena (8523.90) is being reduced from 15% to 10%.(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 15% to 10%.(relevant bill entries refer).

85.6 The concessional basic customs duty of 5% adv. for specified telecom equipment for basic telephony, cellular telephony, V-SAT, PMRTS and Internet Services is being continued with the validity period upto 31st March, 2003. However, a common list of equipment for basic, cellular, closed user's group 64KBPS domestic data network via INSAT Satellite System and Internet Services has been introduced and the specified equipment in the common list are eligible for a concessional basic custom duty when imported by these service providers. (S.No. 239 of notification No.21/2002-Cus refers). The CVD (16%) and SAD(0%) rates on these equipment continue unchanged. As regards PMRTS , the list of equipment for concessional duty has been enlarged (List 24 to notification No. 21/2002-Cus refers) There is no change in the duty rate structure for the parts of all the above specified equipment for the said services.(S.No.242 of notification No 21./2002-Cus refers)

85.7 The basic customs duty on Cellular Phones and Radio Trunking terminals (8525.20) and Portable receivers for calling, alerting or paging (8527.90) is being **increased** from 5% to 10%. However these have been exempted from CVD.(S.Nos. 313 and 316 of notification No. 21 /2002-Cus refers). As regards parts, there is no change in the duty structure.

85.8 The basic customs duty on GPS (Global Positioning System) apparatus (8526.91) is being reduced from 35% to 25% (S.No.315 of notification No. 21/2002-Cus refers)

85.9 The basic customs duty on Aerial or antennae of a kind used with apparatus for radio-telephony and radio telegraphy (8529.10) is being reduced from 15% to 10%. (S.No.317 of notification No. 21/2002- Cus refers)

85.10 The basic customs duty on specified goods for manufacture of telecommunication grade FRP is being reduced from 5% to Nil. 4 new specified goods namely, Aramid Yarn, Nylon 11, Glass Rovings and Rip Cord are included in the list of raw materials eligible for concessional duty of 5% for the manufacture of telecom grade optical fibres or optical fibre cables. (S.No.84 of notification No. 21/2002- Cus and List 5 refer)

85.11 The basic customs duty on indicator panels and parts of indicator panels, incorporating Liquid Crystal Devices (8531.20,8531.90) is being reduced from 15% to 10% .(S.No. 323 and 326 of notification No. 21/2002 –Cus refer).

85.12 The concessional rates of duty vide notification No.25/99-Cus on specified raw materials for the electronics industry is being continued with certain modifications. Composite copper clad materials, Glass Epoxy Copper clad laminates or Paper Phenolic Copper clad laminates and Copper foils used for manufacture of PCBs or copper clad laminates or composite type copper clad laminates is being reduced from 15% to 5%. Further, 43 new categories of specified raw materials and inputs for the electronics industry have been included in List A and these will also attract a concessional duty rate There are some minor technical changes by way of amendments in some of the existing entries in List A. (For details, refer notification No.26/2002-Cus).

85.13 The basic customs duty on 24 specified categories of capital equipment for the electronics sector is being reduced from 25% to 15%, subject to actual user condition (Notification No. 25/2002-Cus refers). The basic customs duty on Specified moulds, tools and dies for manufacture of electronic parts is also being reduced from 25% to 15%. (S. No.175 of notification No. 21/2002-Cus refers)

85.14 A new list of studio equipment and equipment for setting up Earth Station for uplinking /downlinking programmes through satellite for the purposes of broadcasting , has been introduced in this year's Budget. These equipment will attract a concessional basic customs duty of 25%. (S.No.249 of notification No.21 /2002-Customs refer)

Chapter 86-97

86.1 Tariff rate of basic customs duty on goods, hitherto attracting 35%, has been reduced to 30% (relevant bill entries refer). For effective rates refer to relevant notifications.

86.2 Aeroplanes, helicopters, simulators of aeroplanes and gliders, parts of aeroplanes, helicopters, simulators of aircraft (excluding rubber tyres and tubes for aeroplane or gliders), and raw materials for manufacture or servicing of aircraft and for manufacture of parts have been exempted from basic customs duty, CVD and SAD. (S. Nos. 346, 347 and 348 of notification No.21/2002-Customs, dated 1.3.2002 refer).

86.3 Tariff rate of basic customs duty on goods (ships for breaking) falling under sub-headings 8908.00 has been increased to 15% (relevant bill entries refer). These will, however, be exempt from CVD and SAD (S. No. 355 of 21/2002 dated 1.3.2002 refers).

86.4 Effective rate of basic customs duty on cinematographic cameras and projectors, whether or not incorporating sound recording or reproducing apparatus (heading 90.07) is 15%. This exemption has been extended to all goods falling under heading 90.07 including parts and accessories. (S. No. 377 of notification No.21/2002-Customs refers).

86.5 The basic customs duty on parts and accessories of instruments and apparatus for measuring or checking pressure, flow, level etc (9026.90) is being reduced from 10% to 5%. (Refer Bill entry). The basic customs duty on Parts and accessories of products of heading 90.27, other than for gas or smoke analysis

apparatus and microtomes, is being reduced from 10% to 5%(S.No.385 of notification No. 21/2002-Cus refers).

86.6 Sulphur Content Analyser (90.22 or 90.31) and Electronic Automatic Regulator (EAR) (90.32) have also been incorporated in notification No. 21/2002-Cus (refer S.Nos. 384 and 386) and will attract a basic customs duty of 25%adv.

86.7 A concessional rate of basic customs duty of 15%, nil CVD and nil SAD has been prescribed for all equipment, parts or accessories required for the initial setting up, repair or maintenance of a planetarium subject to certification by Dept of Science & Technology of the Central Govt. or the State Government. (S. No. 361 to notification 21/2002 and S. No. of notification 23/2002, both dated 1.3.2001 refer)

86.8 The exemptions from customs duty on sports goods, sports equipment, and sports requisites to be used in national or international championship or competition to be held in India or abroad, was hitherto available subject to certification by SAI. These exemptions have now been extended to allow duty free import on the basis of certificate issued by the Sports Authority of the concerned State Governments also (condition 76 to notification No. 21/2002-Customs dated 1.3.2002 and notification No. 146/94-Customs dated 13.7.94. as amended by notification 24/2002, dated 1.3.2002 refers).

86.9 Exemption from basic customs duty and CVD, has been prescribed for specified goods for cricket if imported by a sports person of outstanding eminence for training purpose (notification 146/94- Customs dated 13.7.94 as amended by notification No.24 /2002, dated 1.3.2002 refers).

86.10 Definition of “renowned shot” in notification No. 147/94 dated 13.7.94 has been amended to include persons upto the top 25 ranks as against the top 10 ranks at present. (notification 147/94- Customs dated 13.7.94 as amended by notification /2002, dated 1.3.2002 refers).

86.11. A concessional rate of basic customs duty of 15% has been prescribed for certain raw materials used for manufacture of sports goods (Sl. No. 115 of notification No. 21/2002-Cus dated 1.3.2002 refers)

86.12 A concessional rate of basic customs duty of 15% has been prescribed for certain inputs and raw materials used for manufacture of parts of pens of any kind and pen holder subject to actual user condition (Sl. No. 396 of notification No. 21/2002-Cus dated 1.3.2002 refers).

Chapter 90 (Medical Equipment)

90.1 There is no change in the customs tariff rate structure on medical equipment. However, with the withdrawal of excise duty exemption on medical equipment, they will be chargeable to CVD @ 16%. The concessional basic customs duty of 15% on specified medical equipment and their parts/spares and accessories is being continued (S.No.94 of notification No.21/2002-Customs refers). These will attract both CVD and SAD.

90.2 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, continues to remain at 5% ad-valorem; However, these will now attract Special Additional duty of Customs(SAD) of 4% . (S. Nos383.& 362 and of notification No. 21/2002-Cus refer)

90.3 The basic customs duty on Blood Glucose Monitoring System (Glucometers) and test strips is being reduced from 25% to 10%. These will be exempt from CVD but will attract Special Additional Duty of Customs (SAD) of 4%. (S. No.364 of notification No. 21/2002-Cus refers). Coronary Stents and Coronary Stent Systems have been included in list of equipment eligible for the concessional basic customs duty of 5%. These will be exempt from CVD and SAD. (Item No. 2 in List 37 of notification No. 21/2002-Cus refers)

Chapter 98

98.1 List of items allowed at concessional duty to passenger returning on Transfer of Residence has been expanded to include the following items: -

- (i) VCD Player
- (ii) DVD player
- (iii) Desk top computer
- (iv) Laptop computer/note book computer
- (v) Portable photocopier
- (vi) Electrical/LPG cooking range with four or more burners
- (vii) Video home theater system

(S.No.1 in notification No.24/2002-Customs and notification No.11/2002-Cus(N.T.) refers)

98.2 TR duty reduced from 35% to 30%. Limit for concession under TR raised from Rs 1.50 lakhs to Rs 5 lakhs. Limit under “mini” TR raised from Rs 30000 to Rs 75000. These changes come into effect from midnight of 28 February/1st March, 2002. (S.No.1 in notification No.24/2002-Customs and Notification No.11/2002-Cus (N.T.) refers)

98.3 Barge mounted power plants have been exempted from CVD.(S.No.399 in notification No.21/2002-Cus refers)

MISCELLANEOUS

1. Doubts have been expressed about the method of computing the additional duty of customs (CVD) under section 3 of the Customs Tariff Act, 1975. The doubt raised is that whether anti-dumping duty, safeguard duty and other duties etc. should be taken into account while computing the CVD.

In this regard, it is clarified that for computing the CVD, only the value of the imported article as determined under section 14 of the Customs Act, 1962, including the landing charges, if any and the basic customs duty chargeable at the rates specified in the First Schedule to the said Customs Tariff Act (read with any notification for the time being in force in respect of the basic customs duty) needs to be taken into account. Other duties such as anti-dumping duty, safeguard duty, etc. should not be taken into account.

2. Notification No. 27/2002-Cus has been issued for the purposes of allowing temporary imports of leased machinery ,equipment and tools for execution of a contract and re-export within six months (extendable up to one year) on payment of retainable customs duty, i.e the customs duty minus the amount of drawback. The importer will provide a bank guarantee for the differential amount. For details refer to notification No.27/2002-Cus.

3. The Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996 has been amended to provide for recovery of interest on differential duty collected in cases where the imported goods have not been used for the intended purpose. [Notification No. 12 / 2002-Customs (N.T.) refers]

EXPLANATORY NOTES-CENTRAL EXCISE

I. New Levies

Excise duty exemption on a number of items has been withdrawn and duty has been imposed . While cigars and cheroots and cigarillos (heading Nos. 2402.00, 2403.31 and 2403.32) will attract a duty of 16% adv. The goods specified in the Table below will attract a duty of 4% adv. without cenvat credit facility.

S.No.	Hdg. No.	Description of goods
1.	3004.10	Unbranded wadding, gauze, bandage etc.
2.	4011.10	Tyres for cycles, rickshaws
3.	4013.10	Inner tubes for tyres for cycles, rickshaws
4.	4410.19& 4410.90	Articles of wood (Other than flush doors.)
5.	4820.00	Registers, account books, etc.(Other than note books and exercise books)
6.	4821.00	Paper or paperboard labels
7.	4823.20	Paper pulp moulded trays
8.	5605.00	Metallic yarn (imitation zari)
9.	5906.10	Adhesive tape (rubberised) of a width not exceeding 20 cm.
10.	5908.00	Tubular knitted gas mantle fabric, for use in incandescent gas mantles
11.	6601.00	Umbrellas, Sun umbrellas and parts
12.	6602.00	Walking sticks, seat sticks etc. and parts
13.	6807.90	Mosaic tiles & articles of mica
14.	6807.90	Light weight (solid or hollow) concrete building blocks
15.	6807.20	Parts of pre-fabricated buildings
16.	6903.10	Roofing tiles
17.	7011.10	Glasses for corrective spectacles and flint buttons
18.	7012.10	Laboratory glassware
19.	7323.90	Table, kitchen or other household articles of iron or steel
20.	7326.19	Forging of iron & steel for parts and accessories of cycles, rickshaws etc.
21.	7326.21	Tyre bead wire rings for cycles, rickshaws
22.	7418.10	Table, Kitchen or other household articles of copper
23.	7615.10	Table, kitchen or other household articles of aluminium
24.	8211.00& 8214.00	Knives
25.	8215.00	Spoons, forks, ladles, etc.
26.	84.13	PD pumps for handling water and parts thereof
27.	8413.20 & 8413.91	Hand pumps and parts
28.	8414.10, 8414.20 &8414.91	Bicycle pumps, hand pumps and their parts and accessories
29.	8481.20 &8481.92	Bicycle valves and parts
30.	8483.10	Crankshafts for sewing machines
31.	8524.32	Recorded Audio Cassettes
32.	8412.00	Bicycles and other cycles, not motorised
33.	8714.00	Parts and accessories of Bicycles and other cycles, not motorised.
34.	9018.00	Instruments and appliances used in medical, surgical, dental or veterinary sciences, incl.scientigrphic appaaratus and other electro-medical apparatus and sight testing instruments
35.	9019.00	Mechano-therapy appliances, massage apparatus, psychological aptitude-testing apparatus, ozone therapy, oxygen therapy, aerosol therapy,

		artificial respiration or other therapeutic respiration apparatus
36.	9022.10	Apparatus based on the use of X-rays etc. for medical, surgical, dental or veterinary purposes
37.	90 or other chapters	Medical equipment and other goods specified in list 1 to notification No. 10/2002-CE
38.	9405.10	Kerosene pressure lanterns and parts thereof including gas mantles
39.	9406.00	Prefabricated buildings
40.	9501.00	Wheeled toys; dolls' carriages
41.	9502.00	Dolls representing human beings
42.	9503.00	Other toys; reduced-size models, puzzles

The tariff rate on all these goods is 16% adv. The manufacturer has the option to pay duty at 16% adv. on these goods along with cenvat credit facility. All these goods have been notified under the General SSI exemption schemes vide notification No. 8/2001 –CE and 9/2001-CE and hence would be eligible for the exemption/concession under these notifications. However, for the current financial year, that is, 2001-2002, such exemption /concession will apply subject to a value of clearance limit of Rs. 10 lakhs.

In the case of goods on which excise of 4% adv. was imposed in the last year's budget, the duty rate has been raised to 8% adv. without cenvat facility. The option to pay 16% duty with Cenvat Credit facility continues. For details kindly see notification No. 10/2002-CE.

II. CENTRAL EXCISE RULES (refer notification No.4/2002-C.E.(N.T.))

Central Excise Rules have been re-issued as Central Excise Rules, 2002. These Rules shall come into force on the 1st day of March 2002. Following changes have been made: -

- (i) Provision has been made to allow storage of non-duty paid goods outside the factory, subject to permission by Commissioner, and safeguards as he may lay down. Sub-rule (4) of rule 4 refers.
- (ii) Authentication of invoices by authorized person has been provided for. Sub-rule (5) of rule 11 refers.
- (iii) Procedure for issue of invoice, as laid down in rule 11, has been made applicable to invoices issued by first stage and second stage dealers.
- (iv) Rule 16 has been slightly amended to clarify that goods brought into a factory may even be those that were manufactured in some other factory.

III. CENVAT CREDIT RULES (refer notification No. 5/2002-C.E.(N.T.))

Cenvat Credit Rules have been re-issued as Cenvat Credit Rules, 2002. These Rules shall come into force on the 1st day of March 2002. Following changes have been made: -

- (i) Position regarding admissibility of credit in respect of inputs and capital goods manufactured in an EOU/FTZ/SEZ clarified.
- (ii) Recovery procedure in respect of credit availed of duty paid on inputs used in the manufacture of exempt products has been made clear by insertion of explanation in rule 6.
- (iii) Full credit of duty paid on capital goods allowed in first financial year if the capital goods are removed as such in the first financial year itself. Rule 4 refers.
- (iv) Certificate issued by an appraiser of customs in respect of inputs cleared through Foreign Post Office specified as an eligible document for availing Cenvat credit. Rule 7 refers.
- (v) Rule amended so as to allow that in the case of alcohol (other than for human consumption) falling under heading 22.04, Low Sulphur Heavy Stock (LSHS) used in electricity generation and Naphtha (RN) used in the manufacture of fertilizer the manufacturer who is also manufacturing dutiable final products using the same inputs will be required to pay an amount equal to the cenvat credit attributable to the inputs used in the manufacture of the exempt products. Rule 6(3) refers.
- (vi) It has been clarified that in respect of additional duty paid after clearance of goods through Customs credit against a challan credit can be taken against such challan. Rule7 refers.

(vii) Date of filing monthly return has been extended to the 10th of the succeeding month instead of the 5th. (Sub-rule 5 of Rule 7 refers)

IV. SSI (refer notification Nos. 8/2002-C.E. and 9/2002-C.E.)

There is no change in the basic features of the scheme. However there have been changes in the commodity coverage. Granite has been excluded from the scope of the SSI exemption. Air guns, air rifles and air pistols(which are not under the purview of the Arms Act 1959) and articles of apparel, knitted or crocheted are now eligible for the SSI exemption.

V. General Exemptions

1. Notification No. 33/99-Central Excise, dated 8th July, 1999 has been amended so as to not only omit reference to Numaligarh refinery but also exclude crude petroleum oil from the exemption available to industrial units in the North East. (S.No.10 in notification No. 11/2002-C.E. refers)

2. Notification No. 21/2002, dated 1st March, 2002 has been issued so as to exempt petroleum products produced by refineries in the North Eastern region i.e. from Numaligarh Refinery, Bongaigaon Petrochemicals & Petrochemicals Ltd., IOC Guwahati, or IOC Digboi from fifty *percent.* of basic excise duty, special excise duty, additional duty of excise (of Re. 1 on MS and HSD) and Special Additional Excise duty.

Chapters 1 to 8

There are no changes in these Chapters.

Chapter 9

The basic excise duty on tea falling under sub-heading 0902.00 has been reduced to Re. One per kg. (refer Bill entries)

Chapters 10 to 16

There are no changes in these Chapters.

Chapter 17

Chapter Note 4 has been inserted so as to define the word “manufacture” in relation to products of heading No.17.02(refer Bill entries)

Chapters 18 to 20

There are no changes in these Chapters.

Chapter 21

The percentage of betel nut content in case of mouth freshners falling under sub-heading No. 2106.90 has been increased to 15%. (refer relevant entries in notification Nos. 11/2002-Central Excise, 9/2002-Central Excise (N.T.), 6/2002-Central Excise, and 13/2002-Central Excise (N.T.), all dated 1st March, 2002). There is no other change.

Chapter 22 and 23

There are no changes in these Chapters.

Chapter 24

Cigars, cherrots, cigarillos have been levied to 16% CENVAT. (refer Bill entries)
Unbranded chewing tobacco and preparations containing chewing tobacco manufactured by small scale units have been exempt from the levy of levy of National Calamity Contingency Duty(S.No.11 in notification No. 11/2002-Central Excise, dated 1st March, 2002)

Chapter 25

There is no change in the rates of duty applicable to goods falling under this Chapter. However granite slabs and tiles will not be eligible for the SSI exemption with effect from 1-3-2002.(S.No.12 in Notification No. 11 /2002-Central Excise refers)

Chapter 26

There is no change in the rates of duty applicable to goods falling under this Chapter.

Chapter 27

The cess payable on domestic crude has been increased to Rs 1800 pmt with effect from 1-3-2002. The notification giving effect to this will be issued separately by the Ministry of Petroleum and Natural Gas. (clauses 151 in the Finance Bill refers)The duty on motor spirit (commonly known as petrol) has been reduced to 32% and that on high speed diesel to 16%. The duty on LPG, SKO and auto CNG has been increased to 16%. (notification 12/2002-Central Excise refers)Motor spirit and high speed diesel continue to attract additional duty of excise of one rupee per litre. In addition, motor spirit will attract a special additional duty of excise of Rs 6/litre. (clause 140 in the Finance Bill, read with the Eighth Schedule and notification 19 /2002-Central Excise refers). Notification regarding special additional duty of Rs 5.25 per litre to be applicable to Motor Spirit dopped with ethanol will be issued later.

Chapter 28

Thorium Oxalate is being exempted from central excise duty. (S.No. 45 in notification No. 6/2002-C.E. refers)

Chapter 29

Bulk drugs of nine more anti-AIDS drugs have been exempted from central excise duty. Tetra Urea complex has been included in the list of exempted chemicals when used in the manufacture of exempted bulk drugs, i.e. tetracycline HCl, in the instant case.(S.No. 47 and 48 in notification No. 6/2002-C.E. and Lists 2 and 3 refer)

Chapter 30

Nine more anti-AIDS drugs, viz. Lamivudine, Stavudine, Didanosine, Saquinavir, Ritonavir, Indinavir, Efavirenz, Nelfinavir and Nevirapinehave been exempted from central excise duty. 4% duty has been imposed on all goods falling under sub-heading No.3004.10.(S.No. 54 in notification No.6/2002-C.E and List 4 refers)

Chapter 31

No change

Chapter 32

Wattle extract has been exempted from central excise duty. (S.No. 59 in notification No.6/2002-C.E. refers).The rate of duty on candles has been increased from 4% to 8%. It will continue to be excluded from the Cenvat credit scheme.(Notification No. 10/2002-C.E. refers)

Chapter 33

SED on all items, wherever they were applicable, have been removed.

Chapters 34-35

No change

Chapter 36

Separate sub-heading No.3605.10 has been inserted for Bengal Lights, by splitting the heading 36.05. Tariff rate of 16% ad valorem duty has been prescribed for Bengal Lights and shall become effective from 1st April,2002.(refer 1st proviso and S.Nos.65 ,66 ,67 & 68 in notification No.6/2002-C.E.) It is also proposed to exclude Bengal Lights from the bandroll system with effect from 01.04.2002. It is also proposed to continue the exclusion of Bengal Lights from the Cenvat credit scheme. For the present, no changes in the effective rate of duty on duty payment system has been made.

Chapters 37- 42

No change

Chapter 43

Special Excise duty has been withdrawn from manufactures of furskins and artificial fur. Consequently these will now attract CENVAT at 16%.

Chapter 44 to 49

No change

TEXTILES (CHAPTERS 50 TO 63)

I FIBRES AND YARNS

The general excise duty structure on textile fibres and yarns remain unchanged at 8%(Cotton yarn, not containing any synthetic staples fibres or filament yarns and cotton sewing thread), 16% (Woollen yarn, flax yarn, man-made fibres, man-made filaments except Polyester filament yarn) and 32% (16% Cenvat + 16% SED – Polyester filament yarn). However, in the case of cotton yarn supplied in hank form (plain /straight reel), the duty exemption has been withdrawn and these will be chargeable to duty @ 8% adv. on par with cotton yarn supplied in cone form. Similarly in the case of yarn of artificial staple fibres supplied in hank form (plain/straight reel), the duty exemption has been withdrawn and these will be chargeable to duty @ 16% adv. The above yarns, cleared on or after 1-3-2002 would attract the appropriate excise duty and would be eligible to avail of CENVAT credit on inputs lying in stock or in process or inputs contained in the final products lying in stock on 28-2-2002 [rule 3 (2) of CENVAT Credit Rules, 2002 refers]. All the above yarns and fibres will also be subject to additional excise duty of 15% of the cenvat or cenvat+SED under the Additional Duties of Excise (Textiles and Textile Articles) Act, 1978, except in the case of nylon tyre yarn which has been exempted from the said duty. (Sl no. 5 of notification No. 11/2002-CE refers)

The duty exemption on cotton yarn supplied in cone form (cross reel), yarn of artificial staple fibre in cone form (upto 25 counts), cotton–polyester yarn, polyester-cotton yarn, polyester-cotton-viscose-ramie

yarn and woollen yarn, supplied to specified handloom development agencies, subject to certain conditions remains unchanged.

Excise duty exemption has been extended to cotton-polyester yarn purchased by a factory owned by KVIC or any organisation approved by KVIC (subject to certain conditions) and polyester-cotton slivers manufactured by a KVIC factory for use in the manufacture of Polyvastra. (Sl. Nos. 107 and 137 of notification No. 6/2002-CE refer).

II. TEXTILE FABRICS

Excise duty has been reduced on processed textile fabrics of chapters 51,52, 53, 54, 55, 58 and 60 (except processed knitted fabrics of cotton) from 16% adv. [8% Cenvat + 8% AED(ST)] to 12% adv [8% Cenvat + 4% AED(ST)] and from 16% (cenvat) to 12% (Cenvat) where the fabrics do not attract AED (ST) [Notification Nos. 14/2002-CE & 15/2002-CE, respectively]. Though the duty rates have been indicated as 16% in the Table to notification No. 14/2002-CE, by virtue of the second proviso to the opening paragraph, the rate has been further reduced to 12% for the fabrics specified therein during the period from 1-3-2002 to 28-2-2005.

Independent textile processors who undertake processing of fabrics would be eligible for cenvat credit on inputs either on deemed or actuals basis and on capital goods on actuals basis. However, on the same consignment of inputs, the independent textile processor can not avail cenvat credit both on deemed basis and actuals basis. The deemed credit rates have been prescribed under notification No. 6/2002-CE (N.T.) at 33 1/3rd % of the duty payable in the case of processed cotton fabrics and at 66 2/3rd % of the duty payable in the case of processed fabrics other than of cotton.

As regards composite mills, deemed credit can be availed only in respect of fabrics received from outside for processing and the deemed credit rates are 26% in the case of cotton fabrics and 60% in the case of fabrics other than of cotton. However, they would be eligible to take cenvat credit on actuals basis in respect of dyes, chemicals and packing materials and capital goods.

In the case of grey (unprocessed) fabrics falling under the above Chapters, an optional levy of 12% adv. has been prescribed. That is, if the manufacturer of grey fabrics wants to avail cenvat credit of the duty paid on inputs and capital goods, then he will have to pay duty at 12% [8% Cenvat + 4% AED(ST)]. If he does not want to avail the credit of duty paid on inputs and capital goods, then he is not required to pay duty at the grey stage. It may be noted that in the case of grey fabrics, cenvat credit can be availed only on actuals basis on the strength of duty paying documents on the inputs and capital goods. He is not eligible for cenvat credit on deemed basis.

The captive consumption notification No. 22/96-CE, dated 23-7-96, pertaining to textile fabrics has been suitably amended (S.No. 6 of notification No. 11/2002-CE refers) to take into account the changes in the duty structure. As regards multi-locational composite mill, they have the option to pay duty at the grey stage as in the case of other manufacturers of grey fabrics.

The excise duty in respect of denim fabrics, whether or not processed, and unprocessed woven fabrics of cotton or man-made fibres, falling under sub-heading No. 5801.21, 5801.31, 5802.21 or 5802.31, and unprocessed fabrics falling under 5806.20 or 5806.40, has also been reduced from 16% ad valorem to 12% ad valorem [8% Cenvat + 4% AED(ST)]. However, the excise levy on these unprocessed woven fabrics is not optional. This was also the position prior to the Budget.

In the case of processed knitted fabrics of cotton, which were hitherto exempt from duty, an optional levy of 12% [8% Cenvat + 4% AED(ST)] has been prescribed. That is, if the manufacturer wants to avail cenvat credit of the duty paid on inputs (either on deemed basis or actuals basis) and capital goods (on actuals basis), he will be required to pay duty at 12% adv. [8% cenvat+4% AED(ST)]. If he does not want to avail any credit on inputs and capital goods, he is not required to pay any duty. The rates of deemed credit for processed knitted fabrics of cotton are the same as applicable to processed woven fabrics.

In the case of goods falling under Chapter 59 and heading Nos. 58.07, 58.08, 58.09 and 58.10 of Chapter 58, the duty structure continues unchanged.

Notification Nos. 14/2002 –CE and 15/2002-CE, both dated 1-3-2002 prescribes effective rates of duty of 'nil' or 12% adv. in the case of textile fabrics subject to the condition that the goods should have been made from textile yarns or fabrics on which the appropriate excise duty or CVD has been paid. It may, however, be noted that Explanation II to the notification makes it abundantly clear that all fibres and yarns are deemed to have been duty paid even without production of documents evidencing payment of duty. Therefore, the manufacturer is eligible for the rates prescribed in the notification. The only condition that has to be satisfied is with regard to availment or non-availment of cenvat credit, as the case may be.

It is thus made clear that the benefit of the rate of duty should be allowed without insisting upon any documentary proof for payment of duty. However, if the manufacturer wants to avail cenvat credit of duty paid on inputs or capital goods on actual basis, he will be required to produce duty paying documents as prescribed under the Cenvat credit rules.

The excise duty exemption for the hand processing sector when power is used for 12 specified processes in the case of cotton fabrics and 7 specified processes in the case of man-made fabrics has been modified. Thus in the case of hand-processors, that is, those who do not have facility (including plant and equipment) in their factory for carrying out bleaching, dyeing or printing or any one or more of these processes with the aid of power, the excise duty exemption shall apply only when power is used for 3 specified processes, namely, scouring, hydro-extraction and calendaring. If power or steam is used for any process other than these 3 processes, that is, in bleaching, dyeing, printing, flannelite raising, stentering, damping, back filling, singeing, cropping or butta-cutting, curing or heat-setting, padding, expanding or blowing or any one or more of these processes, they will be required to pay excise duty on par with other textile processors who use power. They would however be eligible for cenvat credit on actuals or deemed basis as applicable to other fabrics. [notification Nos. 14/2002-CE, 15/2002-CE and 6/2002-CE (NT) refers].

The optional compounded levy scheme for independent textile processors vide notification No. 32/2001-CE dated 28-6-2001 has been abolished. These manufacturers would be required to pay duty on advalorem basis (notification No. 16/2002-CE refers). However, they would not be required to pay 12% ad valorem duty on processed fabrics manufactured prior to 1-3-2002 and cleared on or after 1-3-2002.

The excise duty rate on specified textile fabrics produced in an 100%EOUetc.wholly from indigenous raw materials and cleared to the Domestic Tariff Area prescribed under notification No. 20/98-CE has been raised from 8% to 12% adv. For details kindly see notification No. 20/2002-CE.

For other changes in respect of textile fabrics, Notification Nos. 14/2002-CE and 15/2002-CE may kindly be referred to.

III. TEXTILE GARMENTS AND MADE-UPS

The cenvat duty on ready made garments of Chapter 62 and made-up textile articles of Chapter 63 has been reduced from 16% to 12% adv.

In the case of knitted or crocheted garments of Chapter 61, an optional levy of 12% adv. has been imposed. If the manufacturer of such garments wants to avail the cenvat credit of duty paid on inputs or capital goods, then he would be required to pay duty at 12% adv. In case he does not wish to avail the cenvat credit, he is not required to pay any duty. All the exemptions, procedures, tariff valuation, applicable to garments of chapter 62 have been made applicable to garments of chapter 61 also. For details, kindly refer to notification Nos. 15/2002-CE, 7/2002 (N.T.)-CE and 8/2002-CE (N.T.).

It may be noted that the concessional duty of 12% adv. in respect of textile fabrics, garments and made-ups will be available only for a period of 3 years, that is, upto 28-2-2005.

Chapter 64-71

Apart from the new levies mentioned in para I , the only change in respect of goods falling under these chapters relates to platinum jewellery. Platinum jewellery falling under chapter sub-heading 7101.40 has been fully exempted from excise duty in line with the existing exemption to gold and silver jewelley. (S.No.171 in notification no. 6/2002-C.E. refers).

Chapter 72

HR/CR sheets and strips cut on job work have been exempted from duty if the job worker does not avail credit. This concession is not available to a unit manufacturing steel starting from the stage of iron ore.(S.No. 173 in notification No.6/2002-C.E. refers)

Chapter 73

Chapter note has been inserted in chapter 73 to specify galvanization as a process amounting to manufacture in respect of goods of this chapter(refer bill entries). This is coming into force from 1.3.2002.

Chapter 74 to 83

Duty of 4% without Cenvat credit/16% with Cenvat credit has been imposed on some goods of these chapters, as listed separately. There are no other changes in the duties applicable to the goods of these chapters.(refer notification No.10/2002-C.E.)

Chapters 84 and 85 (other than Electronics / IT)

In general there is no change in the duty on the goods of these chapters. Following changes have, however, been made: -

- (i) Excise duty on diesel engines up to 10 HP has been increased from 8% to 16%.
- (ii) Excise duty on electric bulbs up to Rs 20 per piece manufactured by a unit not availing credit has been raised from 4% to 8%.(refer notification No. 10/2002-C.E.)
- (iii) Three more equipment, namely, mobile pre-cooling equipment, stationary pre-cooling equipment and control equipment for control atmosphere/modified atmosphere cold storage, have been included in the list of equipment eligible for duty exemption.(refer S.No. 196 in notification No.6/2002-C.E., List 8 (items 18,19 & 20))

Chapters 84 & 85 (Electronics & IT)

Duty of 4% without Cenvat credit/16% with Cenvat credit has been imposed on some goods of these chapters, as listed separately. There are no other changes in the duties applicable to the goods of these chapters. (refer notification No. 10/2002-C.E.)

Chapter 86- 96

1. Waste and scrap arising in manufacture of exempted goods in a factory belonging to Indian Railways have been exempted unconditionally (notification No. 62/95 dated 16.3.95, as amended by notification No.11/2002-C.E. refers).

2. Special excise duty on all goods falling under sub-heading nos. 8903.00, 8907.00, 9302.00, 9303.00, 9304.00,9305.00 9306.00, 9307.00 and 9605.10 has been abolished . (relevant bill entry refers). Consequently, they will now attract a duty of 16% adv.

3. SSI exemption has been extended to air guns, air rifles and air pistols, which are exempt from the provisions of the Arms Act, 1959 (54 of 59) (falling under sub-heading No.9304.00). (SI no. in annexure to notification No. 8/2002 &9/2002-CE refers).

Chapter 90(Medical Equipment)

Duty of 4% without Cenvat credit/16% with Cenvat credit has been imposed on some goods of these chapters, as listed separately. There are no other changes in the duties applicable to the goods of these chapters. (refer notification No. 10/2002-C.E.)

VI. MRP BASED EXCISE LEVY:

Nine more commodities namely (i) preparation of other sugars (1702.21 & 1702.29), (ii) Sugar confectionery (including white chocolate), not containing cocoa (1704.90), (iii) Colouring matter and preparations based on colouring matter (3206.90), (iv) Dyes and other colouring matter put up in forms or small packings of a kind used for domestic or laboratory purposes (3212.90), (v) Artists', students' or signboard painters' colours, modifying tints, amusement colours and the like, in tablets, tubes, jars, bottles, pans or in similar forms or packings (3213.00), (vi) Resin cements, caulking compounds and other mastics; painters' fillings, non-refractory surfacing preparations for facades, indoor walls, floors, ceilings or the like (3213.00), (vii) Sanitary wares and fixtures (69.08/73.24/7418.90), (viii) Video recording/reproducing apparatus, whether or not incorporating a video tuner (85.21), and (ix) Switches, relays, fuses, surge suppressors, plugs, sockets, lamp holders, junction boxes, etc. for a voltage not exceeding 1000 V (8536.00) have been brought under MRP based excise levy under section 4A with effect from 1-3-2002. For details of abatement on these goods, please see notification No. 13 /2002-C.E.(NT).

In respect of white cement (2502.21) and cosmetics and toilet preparations falling under headings 33.03, 33.04, 33.05 and 33.07 which are presently covered under the MRP scheme, the rate of abatement has been reduced from 40% to 35% and from 50% to 40% respectively consequent to the abolition of SED on these items.(Notification No.13 /2002-C.E. (N.T.) dated 1.3.2002 refers).

In respect of those commodities for which MRP based levy has been introduced or for which the abatement has been revised it has been decided to collect data about the price behaviour. The information about prices may kindly be sent in the format given below, by name to Shri.G. D. Lohani, Under Secretary, TRU, so as to reach latest by 31st March, 2002.

S. No	Name of the unit	Product	Brand name	Model/ size	MRP prior to 1.3.2002	Ass. Value prior to 1.3.2002	MRP after 1.3.2002	Ass. Value after the 1.3.2002	Remarks

VII. LEGISLATIVE CHANGES

Important legislative changes made through the Finance Bill that will come into effect with the assent of the President are as follows:

(i) Provision has been made to enable the Central Government to issue explanation by notification in the Official Gazette to clarify the scope and applicability of any exemption notification within one year of the issue of such exemption notification. Such explanation will take effect from the date of the exemption notification itself. Amendments proposed in section 25 of the Customs Act and section 5A of the Central Excise Act refer.

(ii) Time period for disposal of appeals by the Appellate Tribunal has been laid down as three years from the date of filing of the appeal, where it is possible to do so. It has also been provided that where a stay order has been issued the final order shall be passed within 180 days of the stay order, failing which the stay shall stand vacated.

(iii) Period for review of adjudication orders by the Board or a Commissioner has been reduced, where possible, to six months, and in any case within one year.

- (iv) Section 2(f) of the Central Excise Act amended to allow Central Government to specify any process in relation to any goods as amounting to manufacture by issue of notification.
- (v) Section 14 of the Customs Act amended to empower the Board to fix/revise tariff values, and to fix exchange rate for Customs purposes.
- (vi) Section 47(2) of the Customs Act of the Customs Act amended to increase period for payment of duty from two days (excluding holidays) to five days (excluding holidays).
- (vii) Section 61 of the Customs Act amended to empower Commissioner to extend period of warehousing in respect of EOUs without limit.

For other changes proposed Finance Bill, 2002 may be referred to.

VIII POST- BUDGET REPORTS:

1. In the case of goods on which 4% duty is being imposed from 1-3-2002, report containing the following information, commodity wise may be furnished so as to reach latest by **31st March, 2002** by name to Shri. G.D. Lohani, Under Secretary (TRU)

1. Number of units producing these commodities
2. No. of units who would be eligible for SSI exemption
3. No. of units opting for payment of duty at 16% with cenvat credit facility
4. Estimated revenue potential

2. In the case of textile fabrics, similar report containing the following information may be furnished by name to Shri. Amitabh Kumar, Technical Officer (TRU) so as to reach latest by **15th March, 2002**

1. No. of units opting for payment of duty at grey fabric stage in respect of cotton fabrics, man-made filament fabrics, man-made fibre fabrics, special woven fabrics of Chapter 58, knitted and crocheted fabrics of cotton, grey as well as processed and articles of apparel, not knitted or crocheted falling under Chapter 61
2. No. of hand processors who would come under the tax net on account of modification in the exemption scheme in respect of hand-processed fabrics
3. The processes undertaken by these units with the aid of power or steam
4. Estimated revenue potential

3. Report containing the following information may be furnished by name to Shri. R.S. Dubey, Technical Officer (TRU) so as to reach latest by **31st March, 2002** on account of 'galvanising' being declared as a manufacturing process.

1. No. of units who would come under the tax net
2. Estimated revenue potential

IX. MISCELLANEOUS

Rate of interest in respect of delayed payment of demand has been reduced from 24% to 15%. Rate of interest in respect of delayed refunds has been reduced from 9% to 8%. These will come into effect after the assent of the President to the Finance Bill, 2002, and will apply to Customs as well as Central Excise.

2. Notification No.2/95-C.E., dated 4.1.95 and notification No.13/98-C.E., dated 2.6.98 have been suitably amended so as to clarify the method of computation of duty with suitable illustrations.

EXPLANATORY NOTES-SERVICE TAX

1. It has been proposed in the Finance Bill to extend the levy of service tax to certain new services, namely, life insurance including insurance auxiliary services relating to life insurance , cargo handling (excluding service provided in relation to export cargo and passenger baggage), storage and warehousing (excluding service provided in relation to agricultural produce and cold storage), event management , fashion designing , rail travel agent, cable operator, beauty parlour, Health club and fitness centre and dry cleaning services. For details regarding the scope of the levy, clause 142 of the Finance Bill, 2002 may be referred to.

1.1 The rate of service tax is 5% of the value of taxable services. As in the previous years, the services tax on these new services will come into force from a date to be notified after the enactment of the Finance Bill.

2. Service tax has been extended to areas in the Continental Shelf and the Exclusive Economic Zone of India vide notification No. 1/2002 –ST dated 1.3.2002. This extension takes effect from 1.3.2002.

3. Certain amendments have been made in the definition of “broadcasting” and “taxable service in relation to broadcasting” and “broadcasting agency or organisation” with retrospective effect from 16.7.2002. These amendments have been made to clarify the scope and applicability of service and to remove doubts/difficulties in implementing the levy of service tax on broadcasting service. (Clause 141 of the Finance Bill, 2002 refers)

4. The service tax on specified banking and other financial service is proposed to be extended to cover such services rendered by corporate bodies. At present, the levy is limited to only such services provided by banking company or a financial institution including non banking financial institution. This extension will also come into force from a notified date.

5. The definition of “ banking company” has been amended to assign it the meaning given in the section 45A (a) of the RBI Act, to make it more exhaustive.

6. Exemption from service given to hotels vide Notification No. 12/2001-ST, dated 20.12. 2001 has been extended upto 31st March 2003. (Notification No. 2/2002-ST dated 1.3.2002 refers)

7. Certain changes have been made in service tax legislation (Chapter V of the Finance Act, 1994), which would come into force from a date to be notified later. These are summarized below.

7.1 Section 73 of the Finance Act, 1994 has been amended to provide for the ‘relevant date’ for computing the time limit for issue of notice for recovery of service tax short paid, not paid, under assessed, not assessed or erroneously refunded. Further, the time limit for issue of notice has been raised from six months to one year.

7.2 Section 78 has been amended to empower the Assistant Commissioner/ Deputy Commissioner of Central Excise to adjudicate penalty in cases where the value of taxable service suppressed or concealed does not exceed Rs. 2 lakhs without the prior approval of the Commissioner of Central Excise.

7.3 Rate of interest for delayed payment of service tax is proposed to be reduced from 24% p.a. to 15% p.a.. In the case of delayed refunds, the applicable rate of interest would be 8% p.a.

7.4 Section 11D of the Central Excise Act, 1944 is proposed to be made applicable to the Service Tax.

7.5 Section 94 is proposed to be amended to provide for credit of service tax paid on input services used in the output services where both the input and output services fall within the same category of taxable service.

7.6 Section 95 has been substituted to empower the Government to issue orders for removal of difficulties arising in the implementation of new services within a period of 2 years from the date of imposition of service tax on such services.

8. Commissioners of Central Excise are requested to examine carefully the new provisions, especially those relating to new services. Further, they may also undertake a survey to ascertain the number of new assesseees, revenue potential of the new services, etc. Any problems likely to arise in the implementation of the proposed levy may be brought to the notice of TRU along with their suggestions to resolve the problem. If any legislative changes are required to be made in the definitions of new services, either to clarify the scope or to remove any inconsistency, the same may be communicated in writing by name to Shri. T.R. Rustagi, Joint Secretary (TRU) so as to reach latest by the 31st of March, 2002. The details of the survey conducted may please be sent by name to Shri. G.D. Lohani, Under Secretary (TRU) so as to reach latest by the 15th of April, 2002.