

## 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Excise duty exemption on a number of items has been withdrawn and duty has been imposed .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 1<sup>st</sup> 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 1<sup>st</sup> 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 10<sup>th</sup> of the succeeding month instead of the 5<sup>th</sup>. (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 1<sup>st</sup> April,2002.(refer 1<sup>st</sup> 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 1/3<sup>rd</sup> % of the duty payable in the case of processed cotton fabrics and at 66 2/3<sup>rd</sup> % 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 jewelery. (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 **31<sup>st</sup> 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 **15<sup>th</sup> 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 **31<sup>st</sup> 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.