

**OFFICE OF THE COMMISSIONER OF CUSTOMS (IMPORTS)
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F. No. S/22-GEN-63/2004 AM

Date 09.07.2004

STANDING ORDER NO 35/2004

Attention of all the officers and staff is invited to the Finance (No.2) Bill, 2004 introduced in the

Lok Sabha on 8th July 2004. A number of changes in excise and customs have been made through notifications Nos. 6/2004-Customs to 71/2004-Customs, 23/2004-CE to 36-CE, 11/2004-CE (NT) to 13/2004-CE (NT) all dated 9th July, 2004. Details of the changes are available in the Explanatory Notes (for full details, the relevant provisions of the Finance No.2) Bill, 2004 and the notifications may be referred to). The salient features of the proposals in respect of excise and customs are indicated below:-

(1) Education Cess

- a. An Education cess at the rate of 2% of the aggregate duties of customs, excise and service tax has been imposed. While the cess will apply in respect of customs and excise duties with effect from 09.07.2004.
- b. In respect of excise, the cess will be 2% of the aggregate duties of excise leviable on the goods. The following illustrations explain how the cess should be calculated.

An item attracts excise duty of 16%. With education cess, the total

incidence of excise duty will be 16.32%. The Cess of 0.32% will be available as credit, but only for payment of education cess leviable on final products as provided for in the CENVAI Credit Rules.

- 2.3 In the case of customs, the cess will be 2% of the aggregate duty of customs (but excluding

safeguard duty under Section 8B and 8C, countervailing duty under Section 9 and Anti Dumping Duty under Section 9A of the Customs Tariff Act). Items attracting customs duty at bound rates, for example, under the IT Agreement or the Indo-US/ Indo-EU Textile Agreement have been exempted from the cess. The following illustration explains how the cess should be calculated and credit will be available.

For calculating the customs cess, let landed value of an item be Rs. 1000. The duty will be worked out as under:

Landed Value (c.i.f)	Rs.1000
Customs Duty @20%	Rs. 200
Landed Cost	Rs. 1200
CVD @16% +- 2% Education Cess thereon	Rs. 195.84 [192 + 3.84]
Total Customs duty	Rs.395.84

Total Education Cess will be Rs.7.92 (i.e. 2% of Rs.395.84).

While credit of total CV duty of Rs. 195.84 will be available. the cess component of Rs.3.84 would be available as credit only for payment o education cess on final product..

(II) CUSTOMS

3. The salient features of the changes on customs duties are:

a. Metals:

3.1.1 Customs duty has been reduced from 20% to 15% on certian metals, namely, Ferro alloys, Stainless Steel and other steel (excluding seconds and defectives). Copper. Lead,

Zinc, Tungsten, Magnesium, Cobalt, Cadmium, Titanium. Other base metals of chapter 81.

Customs duty has also been reduced from 150/0 to 10% on all primary, semi-finished and finished forms of iron and steel like ingots and billets. Sponge iron, hot rolled and cold rolled bars/rods//coils of non-alloy steel (other than seconds and defectives) of heading Nos. 7201 and 7203 to 7217.

b. Minerals:

3.2.1 Customs duty has been reduced from 20% to 15% on certain minerals, namely, Graphite, Asbestos, Mica, Fluorspar and Felspar, Gypsum, Other minerals of Chapter 2.5 excluding a few items like marble, granite.

3.3 Refractories and inputs for refractories:

3.3.1. Custom duty has been reduced from 20% to 15% on refractories and raw materials for refractories namely, natural graphite powder, aluminous cement, calcined alumina, boron carbide, reactive alumina, silicon metal (99% purity). Micro/fumed silica, brown fused alumina, fused zirconia, silicon carbide, sodium hexameta phosphate, phenolic resin., sintered / tubular alumina and fused silica.

3.4 **Ashes and residues :** Customs duty has been reduced from 20% to 15% on zinc spelter // dross and copper mill scale.

a. **Catalysts:** Customs duty has been reduced from 20% to 15% on catalysts of heading 38.15.

b. **CVD exemption :** CVD exemption on specified items has been withdrawn.

c. Agriculture :

i. Customs duty on palm oils (other than crude palm oil) has been increased from 70% to 75%

ii. Concessional rate of 5% customs duty + Nil CVD, presently available to specified plantation

machinery has been extended to additional machinery items namely, coffee packaging machine,

coffee bagging machine, rotary shifter, lateral cyclon winnower and dividing bypass. CVD has now been exempted by way of excise duty exemption. These exemptions would be available upto 30.4.2005.

d. **Health**

- i. Rehabilitations aids such as talking books, talking calculators, talking thermometers, Braille writers, Braille computer terminals have been exempted from customs duty. CVD has been exempted by way of excise duty exemption.
- ii. Phonographs and cassette players for playing the talking books, magnetic tapes and cassettes for production of talking books, electronic reading machines, television enlarges and optical aids have been fully exempted from customs duty and CVD, if imported by an institution for the blind and deaf.
- iii. The conditions prescribed for availing the import duty exemption on tangible appliances for blind, hearing aids etc. when imparted by an institution for the

Blind and deal that the goods should have either been gifted or purchased out of donations, have been omitted.

- iv. Customs has been exempted on instruments and implants for physically handicapped patients, joint replacement, spinal instruments and implants including bone cements, crutches, wheel chairs, walking frames, tricycles, Brailleurs, artificial limbs and parts thereof.

3.9 **Information Technology**

- i. Customs duty exemption to mobile switching centers presently available to cellular mobile telephone service providers has been extended to such imports by universal access service providers.

- ii. Specified raw materials for manufacture of parts of cathode ray tubes and specified capital goods for manufacture of mobile telephone handsets, cathode ray tubes and parts thereof and plasma display panels have been exempted from customs duty.
- iii. Customs duty exemption presently available to specified goods for manufacture of telecom grade optical fibres and cables has been extended to some additional specified items.

b. Export Promotions :

- i. Customs duty on platinum has been reduced from Rs.550 per 10 gram to Rs.200 per 10 gram.
- ii. All rough coloured gem stone (including rubies, emerald and sapphire) have been fully exempted from customs duty.
- iii. Concessional rate of customs duty of 5% presently available to specified items for use in leather industry has been extended to such items designed for use in non-leather footwear industry. These items would be subjected to CVD.
- iv. Customs duty on roundabouts, swings, shooting galleries and other fairground amusement of heading 95.08 has been reduced from 20% to 10%.
- v. Customs duty has been exempted on patent leather.

c. Textile Machinery:

- i. Customs duty on specified textile and garment making machinery has been reduced from 20% to 5%. CVD will be payable in addition. Parts imported for manufacture of such machines would also attract 5% customs duty subject to end-use condition.
- ii. Customs duty on specified machinery for silk textile industry has been reduced from 10% to 5%. These machinery would be subjected to CVD.

d. Miscellaneous

Customs duty on imports of non-edible grade industrial vegetable oils used for manufacture of industrial fatty acids and fatty alcohol has been reduced to 20% on actual user basis.

(III) CENTRAL EXCISE

4. The highlights of the changes in central excise duties are:
- a. Excise duty has been raised on iron and steel of chapter 72 from 8% to 12%.
 - b. Excise duty of 8% with CENVAT credit has been imposed on contract lenses and playing cards.
 - c. Excise duty on following items has been increased from 8% to 16%, namely cakes and pastries, plastic insulated, vacuum flasks, scented supari, prefabricated buildings, Laboratory glassware, Clocks and watches of retail sale price not exceeding Rs. 500 per piece (SSI exemption has been extended). monochrome television receivers, imitation jewellery and candles.
 - d. Excise duty on matches made in semi mechanized and mechanized sectors, has been changed from 8% without CENVAT credit, to 16% with credit.
 - e. Excise duty of 16% has been imposed on specified parts of pre-fabricated buildings such as blocks, slabs, concrete beams and stairs and parts of clocks and watches of retail sale price not exceeding Rs. 500 per piece.
 - f. **Relief Measures:**
 - i. The retail sale price (RSP) limit for excise duty exemption on footwear has been raised from Rs. 125 to Rs.250 per pair. The exemption will now be available only if RSP is indelibly marked or embossed on the footwear itself.

- ii. Excise duty has been reduced from .16% to 8% on gas stoves of retail sale price not exceeding Rs.2000 per unit.
- iii. The value limit for excise duty exemption on pens and ball point pens (including refills for ball point pens) has been raised from Rs. 100 to Rs.200 per piece.
- iv. Parts of pens and parts of refills for **ball** point pens have been exempted from excise duty.
- v. Computers have been exempted from excise duty. Stand alone Central Processing Units (CPUs) will also be eligible for the exemption.
- vi. Excise duty on non-alcoholic beverages, such as chocolates and malted food drinks, falling under chapter 18 or .19, prepared and dispensed through vending machines. has been exempted.
- g. **Agriculture:**
 - i. Tractors (of heading 87.01) have been exempted from excise duty.
 - ii. Milking machines and dairy machinery of heading 84.34 have been exempted from excise duty.
 - iii. Excise duty on branded and packed preparations of meat, fish and poultry has been reduced from 1.6% to 8%.
 - iv. Excise duty on food grade hexane has been reduced from 32% to 16%
 - v. Hand tools of heading No.82.01 have been exempted from excise duty.
- 4.8 **Textiles:**
 - i. The duty structure has been completely revised. There will be mandatory duty only on manmade fibres. The mandatory duty will be as under :
 - (i) 24% on polyester filament yarn (including textured yarn)
 - (ii) 16% on all other filament yarns (including textured yarn)

However, when these duty paid fibres and filament yarns are subjected to any

processing in a unit which has not made the basic filament yarn (including textured yarn) or the fibre, there will be an optional exemption. The existing duty of 16% on polyester filament above 750 deniers will also continue.

- i. The CENVAT scheme for textiles has been made optional. There will be a mandatory duty only on man made fibres (artificial and synthetic staple fibres and filament yarns). Except for these duties, textile goods (yarn, fabrics, garment, articles of chapter 50 to 63) will be fully exempt if no credit of duties is taken under the CENVAT Credit Rules.
 - ii. For those opting to pay duty, and thereby avail of duty credit, the applicable rates of duty for all other goods of chapter 50 to 63 will be:
 - (iv) 4% for pure cotton textile including yarn, fabrics, garments, made ups and articles.
 - (v) 8% for other textiles including yarn, fabrics, garments, made ups and articles.
 - i. It may be noted that no intimation or permission is needed by any unit either for availing of the exemption or for payment of duty at the above rates. The optional route is open for all sectors i.e. handloom, power looms, independent processors, stand alone units as well as composite mills.
 - ii. All textiles and textiles articles falling under chapter 50 to 63 have been fully exempted from duties under Additional Excise Duty (Goods of Special Importance) Act and Additional Excise Duty (Textiles and textiles Articles) Act. wherever applicable.
- b. Health**
- i. Existing concessional rate of excise duty of 16% to ambulances for (Government run hospitals has been extended to all ambulances.
 - ii. Rehabilitation aids such as talking books, talking calculators, talking thermometers.

Braille writers, Braille computer terminals have been exempted from excise duty.

- iii. Excise duty exemption available to diagnostic kits used for detection of Hepatitis B has been extended to diagnostic kits used for detection of all type of Hepatitis.

c. **Retail Sale Price (RSP) based assessment:**

(vi) Consequent to changes in excise duty rates:

a. Abatement on gas stoves of RSP not exceeding .Rs.2000 per unit, has been reduced from 40% to 35%

b. abatement on scented supari, has been raised from 30% to 35%

c. Abatement on plastic insulated ware has been raised from 40% to 45%.

d. Abatement on vacuum flasks has been raised from 35% to 40%

(vii) RSP based assessment has been extended to monochrome (black & white) television sets with an abatement of 35%.

5. **Amendments in Customs and Central Excise Act and Rules:**

- a. Provisions are being made in Central Excise and Customs laws to allow compounding of offences either before or after initiation of proceedings by the Chief Commissioner. On compounding, the person would get immunity from prosecution, but would have to pay duty, interest and compounding fee.
- b. A provision is being made in the Central Excise Act to enable recovery of arrears of revenue including the interest from the person to whom another person liable to pay duty and interest in pursuance of a confirmed demand and adjudication order, has transferred his business property.
- c. Provisions are being made in the Central Excise Act to debar the adjudicating authority. Commissioner (Appeals), and the Appellate

Tribunal, from granting more than three adjournments of personal hearing.

- d. Customs Act, Central Excise Act and Finance Act, 1994 are being amended to provide for specified amount of fee to be paid when making appeal before appellate tribunal.

The officers should go through the notifications, explanatory notes and budgetary changes carefully and submit their report relating to increase/decrease in revenue by 09.07.2004 to the Appraising Main through their Addl./ Joint Commissioner.

(R. SHARMA)
COMMISSIONER OF CUSTOMS (IMPORT)