

CUSTOMS

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

Major Proposals about customs duties are the following :

I TARIFF RATE :-

- Tariff rate of basic duty fixed on :
 - (a) Wheat at 100%.
 - (b) Rice at 60% - 80%.
 - (c) Sugar at 100%
 - (d) Edible oils at 45% - 100%.
- No change in effective rate on these items.

II GENERAL RATE STRUCTURE :-

A Peak rate of ad-valorem customs duty reduced :

- Peak rate of customs duty has been reduced from 40% to 35%.

B Changes in customs duty rate structure :

- 5 major ad-valorem rates of basic customs duty, namely 5%, 15%, 25%, 35% and 45% have now been reduced to 4 major ad-valorem rates of basic customs duty, namely, 5%, 15%, 25% and 35% .

C Duty increase on agricultural, horticultural items.

- Basic customs duty raised to 35% on following :
 - ⌘ Agricultural goods (other than cereals)
 - ⌘ Horticultural and floricultural products
 - ⌘ Dairy products
 - ⌘ Processed foods
 - ⌘ Marine products

D Reduction in duty on crude and petroleum product:

- Basic customs duty on Crude oil has been reduced from 20% to 15%.
- Basic customs duty on petroleum product has been reduced from 30% to 25%.
- Basic customs duty on kerosene on parallel marketing has been increased to 35%, from 30%.

E Continuation of surcharge on imports:

- Surcharge at the rate of 10% of basic duty will continue across the board including peak rate of basic customs duty of 35%. However, following are the exceptions :
 - ⌘ Gold and Silver.
 - ⌘ Crude petroleum and petroleum products.
 - ⌘ Certain WTO bound items

F Continuation of special additional duty (SAD) of customs :

- The special additional duty (SAD) of customs will continue @ 4%.
- SAD will now be applicable to imports by traders also.
- Crude and petroleum product will, continue to be exempted from SAD.
- All the existing exemptions from SAD will continue.

G Reduction in basic duty on:

- Platinum and diamond, from 40% to 15%.
- Fogging machines, from 25% to 5%.
- Pseudoionome (material for manufacture of vitamin A), from 35% to 25%.
- Salinomycin (veterinary drug), from 35% to 15%.
- Dietary soya fibre, from 40% to 15%.
- Ferro nickel (not alloyed and charged nickel and nickel oxide), from 15% to 5%.
- Platinum, wash-coated substrats (ceramics), wash-coated substrats (metallic) and noble metal compounds for use in catalytic convertors (end-use), from varying rates to 5%.
- Propane conversion kits and their parts, from 25% to 5%.

H Increase in basic duty on:

- Natural rubber, from 25% to 35%
- Dexorubicin HC1 and Cyclosporine and Azathioprine (bulk drugs as also formulations), from 0% to 15%. CVD exemption also abolished.
- Gamma ferric oxide, from 5% to 15%.

I Duty on ball bearings fixed at 35% ad-valorem in place of existing composite (specific + ad-valorem) rate

J Increase in Additional Duty of Customs (CVD)

- CVD on glass fibre thread and glass filter cloth for manufacture of goods for pollution control purposes from 5% to 16%.
- CVD on capital goods for crude petroleum refineries from 10% to 16%.

- CVD on goods required for setting up / expansion / renovation / modernization of fertilizer projects from 10% to 16%.

III INDUSTRY SPECIFIC CHANGES :

A Information technology sector :

- Basic customs duty on following inputs for Information Technology sector has been reduced as follows :-

DESCRIPTION OF ITEMS	FROM	TO
⌘ Automatic data processing machines (Computers)	20%	15%
⌘ PPCBs (mother boards)	20%	15%
⌘ Micro-processors for Computers	5%	0%
⌘ HDD/FDD/CD ROM drive and other storage devices	5%	0%
⌘ Integrated Circuits and Micro Assemblies	5%	0%
⌘ Data Graphic Display Tubes for Colour Monitors	5%	0%
⌘ Deflection components for use in Colour Monitors for computers	5%	0%
⌘ CDROMs	5%	0%
⌘ Floppy Diskettes	20%	15%
⌘ Parts of Floppy Diskettes	25%	5%
⌘ Stepper Motors for use in Computers	25%	5%
⌘ Ink Cartridges, ribbon assembly, ribbon drive assembly, ribbon gear carriage, etc.	40%	25%
⌘ Specified capital goods for manufacture of semi-conductors, ICs, etc.	15%	5%

B Telecom sector:

- Basic customs duty on following items of telecommunication sector has been reduced as follows :-
 - ⌘ Specified raw materials for manufacture of optical fibre, from 15% to 5%.
 - ⌘ Cellular phones, from 25% to 5%
 - ⌘ Parts on Cellular phones, from 20% to 5%.
 - ⌘ Battery packs for cellular phones, from 40% to 15%.
 - ⌘ Preform of silica for manufacture of optical fibre or cables, from 25% to 15%.
 - ⌘ Fibre reinforced plastic rods or cables, from 25% to 15%.
 - ⌘ Concessional rate of 5% for specified equipment for basic telephone service, cellular service, pager service, PMRTS and satellite communication extended upto 31.3.2001. Similar concession also extended to specified equipment to internet service providers.

C Entertainment and film industry

- Basic customs duty reduced on cinematographic cameras, and other related equipment, from 40% to 25%.
- Basic customs duty reduced on colour positive films in jumbo rolls and colour negative films in rolls of certain sizes, from 15% to 5%. CVD also exempted on these items.

IV IMPLEMENTATION OF INDO-US AND INDO-EU AGREEMENT ON TEXTILE

- Composite rate of tariff has been fixed in place ad-valorem rates charged at present to give effect to Indo-US and Indo-EU agreements on Textile.
- This will be effective from 1st March 2000.

V REFUND OF ANTI DUMPING DUTY

- Customs Tariff Act has been amended to provide for refund of anti dumping duty and also to apply the Customs Act in respect of levy, short levy, refunds and appeals to antidumping duties.

VI SETTLEMENT COMMISSION

- Assesseees have now been given an option for transfer of appeals from CEGAT to Settlement commission.
- The option applies to cases lying with CEGAT as on 29.2.2000. Option will not apply to those cases in which Department has also filed appeal to CEGAT, and which are pending as on the date on which the Finance Bill, 2000 receives the assent of President.

VII CHANGES REGARDING ADJUDICATION & PENALTIES:

- Mandatory penalty would be reduced to 25% of the amount of duty if duty, along with interest (24%) and 25% penalty are all paid within 30 days of the date of communication of the order.
- If payment is not made within 30 days, the existing penalty of 100% of duty evaded will continue.
- Interest for delayed payment of duties revised to 24% per annum
- All show cause notices involving an amount of more than one crore rupee will be issued only with the approval of the Chief Commissioner of Customs.
- All show cause notices involving an amount of upto one crore rupee will be issued either by the Commissioner or with his prior approval by any other officer.
- These changes will come into force on the date the Finance Bill receives the assent of the President

EXCISE

Note :- SED means Special excise duty.

Major Proposals about Central Excise duties are the following :

I. CHANGES IN AD VALOREM DUTY RATE STRUCTURE**A General ad-valorem rate structure**

- Existing excise duty rates of 8%, 16% and 24% have now been converged into single rate of 16%. The excise duty specified in the First Schedule to the Central Excise Tariff Act will now be called Central Value Added Tax (CENVAT) .
- Special excise duty on specified products continues, with a few exceptions. The new Special excise rates will be 8%, 16% and 24%. In general term, the new ad-valorem rate structure will be as follows :

<u>Existing Rate</u> (ad-valorem)			<u>Proposed Rate</u> (ad-valorem)		
Excise	+	SED	CENVAT	+	SED
8%	+	-	-	+	-
16%	+	-	16%	+	-
24%	+	-	16%	+	8%
24%	+	6%	16%	+	16%
24%	+	8%	16%	+	16%
24%	+	16%	16%	+	24%

B Changes in the existing structure of 8% excise duty :-

- Following items have been exempted from excise duty :-
 - ⌘ Medicinal grade oxygen
 - ⌘ Medicinal grade hydrogen peroxide
 - ⌘ Anaesthetics
 - ⌘ Potassium iodate
 - ⌘ Medical and surgical gloves
 - ⌘ Cutlery and knives
 - ⌘ House hold glassware; glass & glassware produced by mouth blown process
 - ⌘ Electric bulbs of MRP up to Rs.20
 - ⌘ Clocks and watches of MRP upto Rs. 500 per piece
 - ⌘ Tooth powder
 - ⌘ Sanitary towels, baby napkins, etc
 - ⌘ Soap for distribution through PDS
 - ⌘ Roasted chicory
 - ⌘ Specified cold chain equipment
- All other items of existing 8% excise duty will now be charged at 16% CENVAT, with partial exemption on a few items like
 - ⌘ Kerosene
 - ⌘ LPG
 - ⌘ Laundry soap
 - ⌘ Cotton yarn
 - ⌘ Diesel engines upto 10 H.P

C No change in the existing structure of 16% excise duty :-

- All items will now be covered under 16% CENVAT.

D Changes in existing structure of 24% excise duty :-

- Following items will now be charged at 16% CENVAT :-
 - ⌘ Plastic materials
 - ⌘ Films, sheets, articles of plastics
 - ⌘ Tread rubber, cellular rubber and articles of rubber
 - ⌘ Nylon Filament Yarn
 - ⌘ Sterile contact lens solution
 - ⌘ Transmission and conveyor belts or beltings of textiles
 - ⌘ Sacks and bags of synthetic textile materials

- ⌘ Plastic laminated products like “Sunmica”
- ⌘ Cars for physically handicapped persons

- All the remaining items will now be charged at 16% CENVAT + 8% SED

E Changes in existing structure of 24% excise + 6% SED :-

- Following items will now be charged at 16% CENVAT :-
 - ⌘ Bus, truck and car tyres for Original Equipment supplies (end-use based)
 - ⌘ Parts of air-conditioners and refrigerators
 - ⌘ Shikakai powder not mixed with any other ingredient.
- All the remaining items will now be charged at 16% CENVAT + 16% SED. The items are:-
 - ⌘ Cosmetics and Toilet Preparations
 - ⌘ Air conditioners, air conditioning machinery and appliances
 - ⌘ Multi-utility vehicles
 - ⌘ Tyres for buses, trucks and cars (for replacement)
 - ⌘ POY and PFY

F Duty on Petrol :-

- Petrol which is currently at 24% excise + 8% SED will now be charged at 16% CENVAT + 16% SED.

G Changes in existing structure of 24% excise + 16% SED

- Soft drink concentrate supplied to bottlers will now be charged to CENVAT at 16% (end-use based).
- Following items will now be charged at 16% CENVAT + 24% SED
 - ⌘ Motor cars
 - ⌘ Aerated soft drinks
 - ⌘ Pan Masala
 - ⌘ Chewing tobacco and similar tobacco products
 - ⌘ Soft drink concentrate(for supply to vending machines)

II CHANGES IN SPECIFIC DUTY RATE STRUCTURE :

A Green tea exempted.

B Excise duty increased on cigarettes :

	<u>FROM</u> (Rs per 1000)	<u>TO</u> (Rs per 1000)
■ Non Filter Cigarettes :		
⌘ Not exceeding 60 mm in length	110	115
⌘ Exceeding 60 mm in length but not exceeding 70 mm	370	390
■ Filter Cigarettes :		
⌘ Not exceeding 70 mm in length	550	580
⌘ Exceeding 70 mm in length but not exceeding 75 mm	900	945
⌘ Exceeding 75 mm in length but not exceeding 85mm	1200	1260
⌘ Exceeding 85 mm in length	1470	1545

C. Marble

- Existing rate of Rs 40 per square metre abolished.

III CHANGES IN MODVAT SCHEME

- All inputs [excepting high speed diesel oil and motor spirit (petrol)] and all capital goods have now been included in the eligible list of modvat scheme
- All finished goods will also be eligible to the benefit of modvat , except matches.
- Modvat scheme has been fully extended to cigarettes.
- Restriction of 75% on availment of CVD credit for project import abolished.
- Availment of modvat on capital goods will be spread over two years with effect from 1.4.2000.
- MODVAT scheme will now be called CENVAT Scheme.
- A new set of simplified and user friendly CENVAT rules to replace modvat rules from 1.4.2000

IV INDUSTRY SPECIFIC CHANGES :-**A Independent Textile processors:**

- Scheme of levy under section 3A modified.
 - ✳ Existing rate of Rs 1.5 lakhs per chamber per month has now been increased to Rs 2 lakhs per chamber per month.
 - ✳ The existing rate of Rs 2 lakhs per chamber per month has now been increased to Rs 2.5 lakhs per chamber per month.
 - ✳ Interest rates on delayed payment has now been fixed at 24%.
 - ✳ Provision has been made for deemed modvat at Re 1 per sq. mtr each in respect of BED and AED(ST) to the user.
 - ✳ Existing basic duty rates of 5% / 12% on DTA clearances of grey cotton fabrics not containing any other textile material and other woven fabric have now been rationalised to single rate.
 - ✳ Specific rates of excise duty (without modvat benefit) has been fixed for independent texturising unit manufacturing taxturised yarn of polyester.
 - ✳ Deemed modvat credit has been allowed to users of texturised polyester yarn.

B Steel industry:

- **Restoration of ad-valorem duty for induction furnaces and re-rollers :**
 - ✳ Induction furnaces and re-rollers will now be covered under ad-valorem CENVAT at 16% (with modvat benefit) in place of existing compounded levy under section 3A of Central Excise Act.
 - ✳ This will come into force from 1.4.2000
- **Integrated steel plants will now be allowed to pay duty at the ex-factory price on steel sold from their stock yards.**

V EXEMPTION FOR SMALL SCALE UNITS :

- Commodity – specific exemption for small scale units viz. articles of plastic, cosmetics & toilet preparations, tread rubber, air conditioning & refrigeration machinery and parts would be merged with the general SSI scheme with effect from 1.4.2000.

VI EXPANSION OF MRP BASED ASSESSMENT OF EXCISE :

- Twenty four new items have been included in the scheme of MRP based assessment. More items will be added after the Budget. The items are :
 - 1) Concentrated (condensed) milk, put up in unit containers
 - 2) Gums, including chewing gums, bubblegums and the like
 - 3) Cocoa powder
 - 4) Other food preparations containing cocoa
 - 5) Spaghetti, macaroni, noodles, lasagne, gnocchi, put up in unit container
 - 6) Waffles and wafers, coated with chocolates or containing chocolate
 - 7) Yeasts, prepared baking powder, put up in unit containers
 - 8) Betel nut powder known as "Supari"
 - 9) Branded edible preparations
 - 10) Fruit pulp or fruit juice based drinks
 - 11) Vinegar and substitutes for vinegar obtained from acetic acid
 - 12) Synthetic organic products of a kind used as fluorescent brightening agents or as a luminophores
 - 13) Lubricating preparations
 - 14) Photographic films and instant print films in rolls, sensitized, unexposed
 - 15) Disinfectants and similar products
 - 16) Insulated ware
 - 17) Room air-conditioners
 - 18) Refrigerators
 - 19) Dish washing machines
 - 20) Typewriters
 - 21) Calculating machines and pocket size data recording, reproducing and displaying machines with calculating functions
 - 22) Telephone sets including telephone with cordless handsets; video phones; fasimile machines
 - 23) Pagers, cellular or mobile phones
 - 24) Typewriter or similar ribbons, ink pad

VII REPLACEMENT OF SECTION 4 OF CENTRAL EXCISE ACT :-

- Section 4 replaced by a new section.
- Transaction value will now be the basis of assessment in excise in place of existing practice of "normal price".
- This will come into force from 1st July 2000.

VIII CHANGE IN THE PATTERN OF PAYMENT OF EXCISE DUTY

- Excise assessees will now be allowed to pay the excise duty in fortnightly instalments in place of existing day-to-day basis.
- This will come into force from 1st July 2000.

- SSI units will, however, continue to pay the excise duty on monthly basis.

IX KEEPING OF EXCISE RECORDS

- Statutory excise records will be dispensed with for all assesses from 1st July 2000.
- Excise department would now rely upon the records maintained by manufacturers.

X SETTLEMENT COMMISSION

- Assesseees have now been given an option for transfer of appeals from CEGAT to Settlement commission.
- The option applies to cases lying with CEGAT as on 29.2.2000. Option will not apply to those cases in which Department has also filed appeal to CEGAT, and which are pending as on the date on which the Finance Bill, 2000 receives the assent of President.

XI CHANGES REGARDING ADJUDICATION & PENALTIES:

- Mandatory penalty would be reduced to 25% of the amount of duty if duty, along with interest (24%) and 25% penalty are all paid within 30 days of the date of communication of the order.
- If payment is not made within 30 days, the existing penalty of 100% of duty evaded will continue.
- Penalty for offences not involving revenue loss revised to maximum of rupees 5000 from the existing range of Rs 1000 to Rs 2000.
- Time limit for raising demands or for claiming refunds, extended from 6 months to one year.
- Interest for delayed payment of duties revised to 24% per annum.
- All show cause notices involving an amount of more than one crore rupees will be issued only with the approval of the Chief Commissioner of Central Excise.
- All show cause notices involving an amount of upto one crore rupees will be issued either by the Commissioner or with his prior approval by any other officer.

XII MISCELLANEOUS LEGISLATIVE AMENDMENTS:

- Section 11 D amended to provide to make machinery provision for recovery of duties collected from buyers of excisable goods.
- Provisions regarding payment of fees and charges to Cost Accountants appointed for conducting audit under sections 14A and 14 AA amended. Such payment will now not be required to be made by assesses.
- These changes will come into force on the date the Finance Bill receives the assent of the President
- Collection of Service tax from users of services in respect of services relating to transportation of goods by road and clearing and forwarding agents validated by making retrospective amendment in the Finance Bill.
- Issue of show cause notices under section 11 A of the Central Excise Act made valid retrospectively.
- MODVAT credit on High Speed Diesel Oil was not intended to be allowed at any stage. Suitable retrospective provision made to give effect to confirm this.