

# CUSTOMS

**Note :** (a) "Customs Duty" means the customs duty levied under the Customs Act 1962.  
 (b) CVD means the Additional Duty of Customs under Section 3 of the Customs Tariff Act, 1975.  
 (c) SAD means Special Additional Duty of Customs under Section 3A of the Customs Tariff Act, 1975.

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

## GENERAL RATE STRUCTURE :-

### A. Peak rate of ad-valorem customs duty reduced :

- Peak rate of customs duty reduced from 35% to 30%.

### B. AGRICULTURE :

- Customs duty on tea and coffee increased from 70% to 100%.
- Customs duty on spices (Pepper, Cloves and Cardamom), natural rubber and poppy seeds, increased from 35% to 70%.
- Customs duty on pulses, increased from 5% to 10%; exemption from SAD will continue.
- Customs duty on specified agricultural machinery and implements [falling under headings 84.32, 84.33, 84.36 and 84.37 of the Customs Tariff Act], reduced from 25% to 15%.
- Duty rate of 30% will apply to such non-edible oil that contains 20% or more of free fatty acid.

### C STEEL:

- Customs duty on refractory raw materials, low silica limestone and graphite electrodes has been revised as follows:

Commodity	From	To
• Natural graphite powder	35%	25%
• Andalusite	25%	15%
• Fused mullite	25%	15%
• Aluminous cement	35%	25%
• Silicon metal (99% purity)	35%	25%
• Micro/Fumed Silica	35%	25%
• Calcined alumina	35%	25%
• Brown fused alumina	35%	25%
• Sintered/Tabular alumina	35%	25%
• Fused zirconia	35%	25%
• Sodium hexametaphosphate	35%	25%
• Silicon carbide	35%	25%
• Boron carbide	35%	25%
• Reactive alumina	35%	25%
• Low silica limestone (less than 0.6% silica content)	25%	15%
• Graphite electrodes (above 24 inches)	25%	15%

- HR SS coils for coin blanks exempted from customs duty.
- Customs duty on Metcoke imported by corex technology based steel plants reduced from 15% to 5%.
- Customs duty on HRGO/HRNGO reduced from 35% to 25%.
- Customs duty on ships for breaking has been increased from 5% to 15% along with exemption from CVD and SAD.
- Customs duty on seconds and defectives of steel increased to the bound rate of 40%.

### D NON FERROUS METALS

- Customs duty on copper, zinc, and lead has been reduced from 35% to 25%.
- Customs duty on tin reduced from 25% to 15%.
- Customs duty on aluminum reduced from 25% to 15%.

### E INFORMATION TECHNOLOGY

- Implementation of ZERO duty regime under ITA1 Agreement has been postponed from 2003 to 2005.

- (ii) Customs duty on specified IT products has been reduced to 10%/5% as per bindings for 2002.
- (iii) Customs duty on specified inputs for the IT/Electronics/Telecom sector reduced from 25%/35% to 5% and on specified capital goods from 25% to 15%.
- (iv) Customs duty on cell phones, radio pagers, radio trunking terminals increased from 5% to 10%. However, CVD has been exempted.

## **F PETROLEUM**

- a. Customs duty on SKO for PDS increased from 5% to 10%.
- b. Customs duty on SKO for parallel marketing system reduced from 35% to 20%.

## **G PHARMACEUTICALS:**

- (i) Following drugs for treatment of cancer and some other critical disease included in the list of fully exempted drugs:-
  - a. Basiliximab
  - b. Beractaut Intra-Tracheal Suspension
  - c. Imatinib Mesilate
  - d. Rivastigmine
  - e. Rituximab
  - f. Tetrofosmin
  - g. Trastuzumab
  - h. Zoledronic Acid
- (ii) Customs duty @ 5% has been imposed on specified 88 drugs. 47 drugs have been excluded from the list of exemption.
- (iii) Vaccine for Japanese encephalitis has been fully exempted from customs duty.

## **H PORTS AND AIRPORTS:**

- (i) Customs duty on specified equipment for ports and airports has been reduced from 25% to 10%.
- (ii) Aeroplanes, helicopters, gliders, simulators of aeroplane, parts thereof (excluding rubber tyres and tubes for aeroplanes and gliders) and raw materials, have been exempted from customs duty.

## **I INTERNATIONAL COMMITMENT:**

- (i) Extent of exemption under Indo Sri Lanka Free Trade Agreement has been extended from 50% to 90% for specified goods.
- (ii) Customs duty on liquors has been reduced from 210% to 182%

## **J Duty rate of CVD on liquors modified as under :**

Upto US \$ 25 per case	:	75%
Others	:	50%

## **K SPECIAL ECONOMIC ZONE :**

Developers and manufacturing/processing units in Special Economic Zones shall be entitled to exemption on inputs and all other materials including capital goods.

## **L TEXTILE MACHINERY:**

Customs duty on specified items of reeling, twisting, weaving and processing machinery for silk textile industry reduced from 25% to 10%. These have been exempted from CENVAT also. CENVAT exemption has also been extended to 28 processing machinery, automatic shuttle looms and specified jute machinery. The concessions on the textile machinery would be available upto 28-2-2005

## **M (a) Duty @ 5% is imposed on certain items:**

1. Onions
2. Six specified chemical intermediates
3. Nine items used in the manufacture of ELISA kits (AIDS test kits)
4. 88 specified drugs or medicines and their bulk drugs.
5. Specified medical equipments and accessories/spare parts /parts required for manufacture maintenance of such specified equipments.
6. Specified ENT equipment
7. Specified equipment for eye surgery
8. Reference standards.
9. Plant, machinery, equipment, tools, surveillance systems etc. imported by RBI.

10. Recorded magnetic tapes, micro films, scientific and technical instruments, computers etc. imported by specified R & D institutions.
11. Video cassette/tapes of educational nature
12. Recorded magnetic tape, floppy diskettes etc. imported by UGC for use in computers
13. Animal pancreas.
14. Animal frozen semen and animal frozen semen equipment (animal breeding purposes).

**(b) SAD imposed on the following items.**

1. Cows, heifers, bulls, goats, sheep, pigs, angora rabbits, ducklings and pureline poultry stock
2. Planting materials, namely, oil seed, seeds of vegetables, flowers and ornamental plants, tubers and bulbs of flowers, cuttings or saplings of flower plants, seeds or plants of fruits and seeds of pulses, falling under chapters 6,7, 8 or 12
3. Crude or unrefined sulphur
4. Ground natural calcium phosphate, natural aluminium calcium phosphate and phosphatic chalk
5. Silver powder suspension
6. Silicon resins and silicon rubber
7. Wood chips, wood in the rough and wood roughly squared or half squared, fuel wood, wood charcoal, etc.
8. Raw jute
9. Specified goods for setting up of crude petroleum refinery
10. Flours, meals and pellets, of fish or of crustaceans, molluscs and other aquatic invertebrates, unfit for human consumption;
11. Prawn feed
12. Kerosene for manufacture of N-paraffin/LAB
13. Grape guard paper
14. Raw wool for handloom sector
15. Raw pearls, raw cultured pearls, rubies, emeralds and sapphires, rough semi-precious stones
16. Fishing and other vessels for processing/preserving fishery products
17. Dredgers, tugs, pusher crafts
18. Hospital equipment for use in specified hospitals
19. Linear accelerator with beam energy 15 MeV or more

**N MISCELLANEOUS**

- (i) Customs duty on cement and clinkers has been reduced from 25% to 20%.
- (ii) Customs duty on Glucometers and test strips has been reduced from 25% to 10%.
- (iii) Customs duty on specified fire fighting equipment has been reduced from 25% to 20%.
- (iv) Customs duty on nylon 6,12 chips for making nylon monofilaments for tooth brushes has been reduced from 35% to 25%.
- (v) Customs duty on specified studio equipment and earth station equipment has been reduced from 35% to 25%.
- (vi) Customs duty on raw material for manufacture of parts of writing instruments has been reduced from 35% to 15% .
- (vii) Customs duty on specified raw materials for manufacture of sports goods reduced from 35% to 15%.
- (viii) Customs duty on equipment, parts and spares required for setting up of a planetarium reduced from 35% to 15% with CVD and SAD exempted.
- (ix) Raw materials for manufacturing blades for rotors of wind operated electricity generators have been exempted from CVD.
- (x) SAD imposed on *vanaspati*, acrylic yarn and winding/insulated copper wires imported from Nepal.
- (xi) Customs duty on Paraxylene increased from 5% to 10%.
- (xii) Following items added in the TR Baggage concession :
  - (a) Laptop / notebook computer;
  - (b) Desktop computer ;
  - (c) Portable photocopying machine;
  - (d) DVD (Digital Video Disc) player;
  - (e) VCD (Video Cassette Disc) player;
  - (f) Electrical / LPG cooking range with four or more burners ; and
  - (g) Video home theatre system.
- (xiii) The value limit on baggage under Transfer of Residence Rules (TR) increased from Rs.1.5 lakh to Rs. 5 lakh and the duty thereon reduced from 35% to 30%.
- (xiv) Value limit on baggage under "mini" Transfer of Residence increased from Rs. 30,000 to Rs. 75,000.

## EXCISE

**Note :- SED means Special Excise Duty.**

**Major Proposals about Central Excise duties are the following :**

### **A. AD-VALOREM DUTY RATE STRUCTURE**

- (I) SED abolished on the following items :
  - a. Cosmetics and toilet preparations
  - b. Travel kits for personal use
  - c. White cement and other cements
  - d. Yachts and other vessels and floating structures.
  - e. Arms and ammunitions
  - f. Manufactures of furskin and artificial fur.
- (II) Excise duty increased from 8% to 16% on :
  - a. LPG
  - b. Kerosene
  - c. Auto CNG
  - d. Diesel engines upto 10 HP

### **B. INCREASE FROM 4% to 8% :**

Excise duty increased from 4% to 8% on following items:

- a. Tooth brush
- b. Imitation jewellery
- c. Powered goggles
- d. Table and kitchenware of glass
- e. Black and White TV sets
- f. Watches and clocks upto Rs 500 per piece
- g. Electric bulbs upto Rs 20 per piece
- h. Candles

### **C. IMPOSITION AT 4%:**

Excise duty @ 4% imposed on specified items

### **D. TEA**

Excise duty on tea reduced from Rs 2 per kg to Re 1 per kg.

### **E. TEXTILES:**

- a. Excise exemption on cotton yarn in hank form is withdrawn and excise duty of 8% is imposed.
- b. Excise duty on processed fabrics (of Chapters 51, 52, 53, 54, 55, 58, 60 of Excise Tariff Act) reduced from 16% to 12%. In the case of all unprocessed fabrics excise duty of 12% is made optional.
- c. Excise duty @ 12% imposed on processed knitted fabrics of cotton on optional basis. Exemption on handloom fabrics processed with the aid of power by a factory owned/approved by a handloom development agency would continue.
- d. Excise duty on textile made-ups and woven garments reduced from 16% to 12%.
- e. Excise duty @ 12% is imposed on knitted or crocheted garments on optional basis.
- f. Ready made garments made from Handloom fabrics exempted subject to declaration to this effect by the manufacturer and certification by the Handloom Export Promotion Council
- g. Optional compounded levy schemes for independent textile processors abolished.

### **F. PETROLEUM**

- a) Cess on domestic crude oil increased from Rs 900 p.m.t. to Rs 1800 p.m.t.
- b) *Ad valeorem* duty on Petrol reduced from 90% to 32%.
- c) A surcharge of Rs 6/litre imposed on Petrol. The surcharge on Petrol doped with 5% ethanol would be Rs 5.25/ litre.
- d) Excise duty on HSD reduced from 20% to 16%
- e) All four refineries in the North East namely, NRL, Digboi, Guwahati and BRPL would pay duty at the rate of fifty percent of the normal rate of duty.

**G. SSI**

- a. SSI exemption withdrawn on granite.
- b. SSI exemption has been extended to air guns, air rifles, air pistols, which are exempted from the provision of Arms act.

**H. COLD STORAGE EQUIPMENT :**

Following items have been exempted from excise duty if supplied to cold storages:

- a. Mobile pre-cooling equipment
- b. Stationary pre-cooling equipment
- c. Control equipment for control atmosphere / modified atmosphere cold storage

**I. THORIUM OXALATE AND WATTLE EXTRACT :**

- (i) Thorium Oxalate exempted from excise duty
- (ii) Wattle extract exempted from excise duty

**J. ANTI AIDS DRUGS**

Following Anti AIDS drugs have been exempted from excise duty:

- a. Lamivudine
- b. Stavudine
- c. Didanosine
- d. Saquinavir
- e. Ritonavir
- f. Indinavir
- g. Efavirenz
- h. Nelfinavir
- i. Nevirapine

**K. EXPANSION OF MRP BASED ASSESSMENT OF EXCISE:-**

Following items included in the scheme of MRP based assessment :

- a. Certain preparations of sugars
- b. Sugar confectionery (including white chocolate), not containing cocoa (Hard boiled toffees)
- c. Colouring matter and preparations based on colouring matter
- d. Dyes and other colouring matter put up in forms or small packings of a kind used for domestic or laboratory purposes
- e. Artists', students' or signboard painters' colours, modifying tints, amusement colours and the like, in tablets, tubes, jars, bottles, pans or in similar forms of packing
- f. Resin cements, caulking compounds and other mastics; painters' fillings, non-refractory surfacing preparations for facades, indoor walls, floors, ceilings or the like
- g. Video recording/reproducing apparatus, whether or not incorporating a video tuner
- h. Switches, relays, fuses, surge suppressors, plugs, sockets, lamp holders, junction boxes, etc. for a voltage not exceeding 1000 V
- i. Sanitary wares and fixtures

**L. SERVICE TAX**

(a) Service Tax @ 5% imposed on following services:-

- (i) Life-insurance, including insurance auxiliary service relating to life insurance
- (ii) Cargo handling (only inland cargo)
- (iii) Storage and warehousing services (except for agriculture produce and cold storage)
- (iv) Event Management
- (v) Rail travel agents
- (vi) Health Club & Fitness Centres
- (vii) Beauty parlours
- (viii) Fashion designers
- (ix) Cable operators
- (x) Dry cleaning services

(b) Service Tax on specified banking and financial services applicable to Banks, Financial Institutions including Non Banking Financial Companies, has now been extended to corporate bodies that provide similar services.

(c) Exemption of Service Tax on Hotels has been extended upto 31.3.2003.

Important legislative changes relating to Service Tax –

- (a) To enhance the time limit for issue of notice for recovery of service tax from 6 months to one year and prescribing the 'relevant date' for issue of notices for recovery of service tax in specified situations;
- (b) To allow credit of service tax paid on input services for payment of service tax on output services provided both the input and output services fall in the same category;
- (c) Enhancement of value limit for imposition of penalty by Asst. Commissioner/Dy. Commissioner from RS. 25000 to RS. 2 lakhs without prior approval of the Commissioner of Central Excise;
- (d) Amendments in the definitions relating to Broadcasting service with retrospective effect from 16<sup>th</sup> July, 2001 to clarify the scope of the levy and recovery of duty accordingly;

**M. INLAND AIR TRAVEL TAX :**

IATT exempted on all routes to and from the North Eastern States of Tripura, Assam, Meghalaya, Arunachal Pradesh, Nagaland, Manipur and Mizoram. This is in addition to the existing exemption for routes within these states.

## **MISCELLANEOUS**

**I EXPERT COMMITTEE**

**An Expert Committee will be set up to undertake comprehensive examination of the system of indirect tax administration and make recommendations in this regard**

**II INTEREST ON DEMANDS AND REFUNDS**

- a. Rate of interest for delayed payment of dues reduced from 24% to 15%.
- b. Rate of interest on delayed refunds shall be 8%.

**MEMORANDUM SHOWING THE PROPOSED REVISION OF POSTAL TARIFFS 2002  
(VIDE CLAUSE NO. 147) OF THE FINANCE BILL, 2002.**

The maxima of the tariffs leviable for certain postal articles are prescribed by the First Schedule in the Indian Post Office Act, 1898. Within the maxima so prescribed in respect of such articles in respect of other postal articles not included in the Schedule and other services, the Central Government have the power to fix the rates by notification in the Official Gazette by amending Indian Post Office Rules, 1933 (vide Section 7 of the Indian Post Office Act, 1898).

2. Proposals for revision of tariffs listed in the following table relating to postal articles at serial Nos. 1 to 4 and serial Nos. 5(i) & 6 require an amendment to the First Schedule of the Indian Post Office Act, 1898 and these have been included in the Finance Bill. These changes as also the revision of tariff for other postal services would be made amending Indian Post Office Rules, 1933.

Sl.No.	Name of Service	Existing Rate	Proposed Rate
1.	<b>Letter (Envelope)</b>	Rs. 4.00 for every 20 gms	Rs. 5.00 for every 20 gms.
2.	<b>Letter Card ( Inland Letter Card)</b>	Rs. 2.00	Rs. 2.50
3.	<b>Printed Post Card</b>	Rs. 3.00	Rs. 6.00
4.	<b>Competition Post Card</b>	Rs. 5.00	Rs. 10.00
5.	<b>Book Post</b>		
	<i>(i) Book Pattern &amp; Sample packets</i>	(a) Rs. 3.00 for first 50 gms. (b) Rs. 4.00 for additional 50 gms	(a) Rs. 4.00 for first 50 gms. (b) Rs. 3.00 for additional 50 gms
	<i>(ii) Book Packets containing periodicals</i>	(a) Rs. 2.00 for first 100 gms. (b) Rs. 3.00 for additional 100 gms (Not value related)	(a) Re. 1.00 to Rs. 20.00 No change (b) Rs. 21.00 to Rs. 50.00 (i) Rs. 4.00 for first 100 gms. (ii) Rs. 5.00 for additional 100 gms. (c) Rs. 51.00 and above (i) Rs. 8.00 for first 100 gms. (ii) Rs. 9.00 for additional 100 gms.
	<i>(iii) Book Packets containing Printed books</i>	Re. 1 for every 100 gms (Not value related)	(a) Re. 1 to Rs. 50.00 No change (b) Rs. 51.00 to Rs. 250.00 Rs. 2.00 for every 100 gms. (c) Rs. 251.00 and above Rs. 8.00 for every 100 gms.
6.	<b>Parcels</b>	(a) Rs. 16.00 for first 500 gms (b) Rs. 15.00 for additional 500 gms or part thereof	(a) Rs. 19.00 for first 500 gms. (b) Rs. 16.00 for additional 500 gms or part thereof.