

EXPLANATORY NOTES (CUSTOMS)

Major proposals about the customs duties are as following:

I. Additional Duty of Customs under section 3 (5) of Customs Tariff Act, 1975: This has been elaborated in the D.O. letter. (Notification No.19 and 20/2006-Customs refers).

II. Peak rate of ad valorem customs duty reduced:

1. Peak rate of customs duty on non-agricultural products has been reduced from 15% to 12.5% with a few exceptions. (Notification No.13/2006-Customs refers).
2. Ad valorem component of customs duty on textiles fabrics and garments has been reduced from 15% to 12.5%. There is, however, no change in specific component of customs duty.
3. In general, tariff rate for non-agricultural goods is being reduced to 12.5%. (First Schedule to the Customs Tariff Act, 1975, as amended by the Third Schedule of the Finance Bill, 2006)

Chapter 1 and 2

No change

Chapter 3

3.1 Customs duty on Atlantic salmon is being reduced from 30% to 10% (S.No 511 of notification No.21/2002-Customs as inserted by notification No.11/2006-Customs refers).

Chapter 4

4.1 Customs duty on Natural Honey is being increased from 30% to 60% (Relevant bill entry in the Third Schedule to the Finance Bill, 2006 refers).

Chapter 7 to 14

No change

Chapter 15

15.1 Customs duty on non edible grade oils (other than crude palm oil), falling under 1507 to 1515, having 20% FFA when imported for manufacture of soaps, industrial fatty acids and fatty alcohols by a manufacture having a plant for splitting up of such oils into fatty acids and glycerols, is being reduced from 20% to 12.5% (S.No. 30 of notification No. 21/2002-Customs as amended by notification No.11/2006-Customs refers).

15.2 Vegetable oils and their fractions, partly or wholly hydrogenated, inter-esterified, elaidinised (whether or not refined but not further prepared) (including vanaspati, bakery shortening, etc.) falling under 1516 20 is being increased from 30% to 80%. (S.No. 513 of Notification No.21/2002-Customs as inserted by notification No 11/2006-Customs). The tariff rate has been fixed at 100% under notification No.10/2006-Customs which notifies 1st March, 2006 as the date on which provisions contained in section 133 of the Finance Act, 2003 shall come into force.

15.3 Duty on margarine and other similar edible preparations, falling under 1517 or 1518, is being increased from 30% to 80%. (S.No. 515 of Notification no.11/2006-Customs amending principal notification no 21/2002-Customs).

15.4 Customs duty on crude glycerine, falling under 1520 00 00, is being reduced from 30% to 12.5% %. (S.No.516 of Notification no.11/2006-Customs amending principal notification no 21/2002-Customs).

Chapter 16 to 24

No change

Chapter 25:

25.1 Customs duty on mineral products falling under Chapter 25 (except marble (2515), granite (2516), cement (2523), and asbestos (2524)] is being reduced from 15% to 5% %. (S.No. 517 of Notification No.21/2002-Customs as inserted by notification No. 11/2006-Customs).

25.2. Duty on marble (2515), granite (2516), cement (2523), and asbestos (2524) has been reduced from 15% to 12.5%, along with peak rate reduction. (S.No. 1 of Notification No.13/2006-Customs refers).

Chapter 26:

26.1 Customs duty on ores and concentrates falling under heading 2601 to 2617 is being reduced from 5% to 2% (Notification No. 21/2002-Customs, as amended by S. No 518 of notification No.11 /2006-Customs refers).

26.2 Ash & residues of zinc and copper falling under tariff items 2620 11 00, and 2620 19 00, and sub-heading 2620 30 is being reduced from 10% to 7.5% (S. No. 65 and 66 of notification No. 21/2002-Customs as amended vide notification No.11/2006-Customs refers).

26.3 Duty on other goods of this chapter is being reduced from 15% to 12.5%, along with peak rate reduction. (Notification no. 13/2005- Customs refers)

26.4 CV duty exemption on gold concentrate, imported by a gold refinery for refining into gold, has been withdrawn (S. No.64 of notification No.21/2002-Customs has been omitted vide notification No.11/2006-Customs refers). This exemption has now been extended by way of excise duty exemption. (S. No.5 of notification No. 4/2006-Central Excise refers).

Chapter 27:

27.1 Tariff rate of customs duty on petroleum crude falling under tariff item 2709 00 is being reduced from 10% to 5%. Effective rate continues at 5%. (S.No 4 of notification no. 13/2006-Customs refers).

27.2 Tariff rate of customs duty on petroleum products falling under heading 2710, 2712, 2713 and 2715 is being reduced from 15% to 10%. Effective duty has been kept at 10%. (S.No 5 of notification no. 13/2006- Customs refers)

27.3 Customs duty on naphtha falling under heading 2710 is being reduced from 10% to 5 %. (S. No. 74 of notification No. 21/2002-Customs as amended vide notification No. 11/2006-Customs refers).

27.4 Customs duty on naphtha for manufacture of specified polymers is being reduced from 5% to 'Nil' (S. No. 464 of notification No.21/2002-Customs as amended vide notification No. 11/2006-Customs refers).

27.5 Customs duty on natural gas, propane and butanes falling under heading 2711 is being reduced from 10% to 5% (S. No. 519 of notification No.21/2002-Customs as amended by notification No.11/2006-Customs refers).

27.6 Customs duty on petroleum coke falling under heading 2713 is being reduced from 10% to 5% (S.No.520 of notification No.21/2002-Customs as inserted vide notification No.11/2006-Customs refers).

Chapter 28 to 39

28.1 Tariff rate of customs duty on chemical elements falling under heading 2801 to 2805 is being reduced from 15% to 10%. (SI No 7 of notification 13/2006-Customs and Relevant bill entry in the Third Schedule to the Finance Bill, 2006 refers).

28.2 Customs duty on calcined alumina of heading 2818 has been reduced from 10% to 7.5% (S.No. 489 of notification No.21/2002-Customs as amended by notification No. 11/2006 customs refers).

28.3 Customs duty on Metallurgical grade Silicon is being reduced from 15% to 10%. (S.No. 521of notification 21/2002-Customs as inserted by notification No.11/2006-Customs refers.)

28.4 Customs duty on specified raw materials of refractories of chapters 28 or 38 has been reduced from 10% to 7.5% (S.No. 448 of notification No.21/2002-Customs as amended by notification no.11 /2006 customs refers).

28.5 Customs duty on acyclic/cyclic hydrocarbons and their derivatives falling under heading 2901 to 2904 (except tri-chloroethylene falling under tariff item 2903 22 00 and chloromethanes falling under 290311, 2903 41 00 or 2903 43 00) is being reduced from 10% to 5% (S.No.490 notification No.21/2002-Customs as amended vide notification No.11/2006-Customs refers).

28.6 Trichloroethylene and chloromethanes will remain at 10%. (S. No. 523 and 524 of notification 21/2002-Customs as inserted by notification No.11 /2006-Customs refers.)

28.7 Customs duty on Borax and Boric Acid is being reduced from 15% to 10%. (S. No.522 of notification no.21 /2002-Customs as inserted by notification No.11/2006-Customs refers.)

28.8 Customs duty on p-xylene is being reduced from 5% to 2%. (S. No. 419 of notification no 21/2002-Customs as amended by notification No.11/2006-Customs refers.)

28.9 Customs duty on Methanol, is being reduced from 15% to 10%. (S. No.525 of notification 21/2002-Customs as inserted by notification No.11/2006-Customs refers.)

28.10 Customs duty on Mono Ethylene Glycol (MEG), Pure Terephthalic Acid (PTA) and Dimethyl Terephthalate (DMT) is being reduced from 15% to 10%. (S. No. 526, 528 and 529 respectively of notification 21/2002-Customs as inserted by notification No.11/2006-Customs refers.)

28.11 Customs duty on Vinyl Acetate is being reduced from 15% to 10%. (S. No. 527 of notification No. 21/2002-Customs as inserted by notification No.11/2006-Customs refers)

28.12 Customs duty on 2-Vinyl Pyridine is being reduced from 15% to 10%. (S. No. 530 of notification No. 21/2002-Customs as inserted by notification No.11/2006-Customs refers.)

28.13 Customs duty on Caprolactum is being reduced from 15% to 10%. (S. No. 531 of notification No. 21/2002-Customs as inserted by notification No. 11/2006-Customs refers.)

28.14 Customs duty on styrene, ethylene dichloride and vinyl chloride monomer is being reduced from 5% to 2%. (S.No. 472, 474 and 475 respectively of notification No.21/2002-Customs as amended by notification no.11/2006 customs refers).

28.15 Customs duty on bis-phenol A and epichlorohydrine for manufacture of epoxy resins is being reduced from 10% to 5%. (S. No. 2 and 3 respectively of notification no 27/2004 -Customs as amended by notification No.12/2006-Customs refers.)

28.16 Customs duty on Phenol and Acetone for manufacture of bis-phenol A is being reduced from 15% to 5%. (S. No. 33 and 34 respectively of notification no 27/2004 -Customs as inserted by notification No.12/2006-Customs refers.)

28.17 Customs duty on 10 specified anti-AIDS; 14 specified anti-Cancer; 4 specified life saving drugs and formulations, 3 specified diagnostic kits/equipment, is being reduced to 5% with Nil C.V duty by way of excise duty exemption. (S. No.80 of notification 21/2002-Customs as amended by notification No.11/2006-Customs refers.)

28.18 Customs duty on Potassium chloride is being reduced from 15% to 10%. (S. No. 532 of notification 21/2002-Customs as inserted by notification No.11/2006-Customs refers.)

28.19 Concessional rate of customs duty of 10%, presently available to glass frit, is being extended to other glass, in the form of powder granules or flakes, of tariff item 3207 40 00. (S. No.443 of notification 21/2002-Customs as amended by notification No.11/2006-Customs refers.)

28.20 Customs duty exemption on Saddle tree is being withdrawn. (S. No. 143 of notification 21/2002-Customs omitted vide notification No.11/2006-Customs refers.)

28.21 Customs duty exemption on Subbed polyester base, for the manufacture of medical or industrial Xray films and graphic art films, is being withdrawn. (S.No.147 of notification 21/2002-Customs omitted vide notification No.11/2006-Customs refers.)

Chapter 40

40.1 Customs duty on butyl rubber of heading 4002 is being reduced from 15% to 10% (S.No. 533 of notification no. 21/2002-Customs inserted vide notification No.11/2006-Customs refers.)

Chapters 41 to 49

No change

Chapter 50 to 63

50.1 Customs duty on man-made filament yarns of heading 5401 to 5406 has been reduced from 15% to 10%. (S. No. 534 of notification 21/2002-Customs as inserted by notification No.11/2006-Customs refers).

50.2 Ad-valorem rate of customs duty or *ad-valorem* component of customs duty on man made staple fibers and their spun yarns of heading 5501 to 5511 has been reduced from 15% to 10%. (S. No. 535 of notification 21/2002-Customs as inserted by notification No.11/2006-Customs refers). No change has been made in specific components of customs duty wherever applicable.

50.3 Exemption from education cess on certain textile items is being withdrawn. (Notification No. 69/2004-Customs as amended by notification No.16/2006-Customs refers)

Chapters 64 to 71

64.1 Customs duty on refractories of headings 6902 and 6903 is being reduced from 10% to 7.5% (S.No. 456 of notification No.21/2002-Customs as amended vide notification no. 11/2006-customs).

64.2 Customs duty on cullet falling under tariff item 7001 00 10 is being reduced from 15% to 5%. (S.No.536 of the Notification No.21/2002-Customs as inserted by notification no.11 /2006-Customs refers).

Chapters 72 to 83

72.1 Customs duty on ferro-alloys, stainless steel and other alloy steel has been reduced to 7.5% from the earlier 10% (S.No. 207 of notification No.21/2002-Customs as amended vide notification no. 11/2006-customs).

72.2 Customs duty @ 5% has been imposed on iron or steel melting scrap (S.No. 200 of notification No.21/2002-Customs omitted vide notification no. 11/2006-customs).

72.3 Customs duty on primary and secondary forms of ferro-alloys, stainless steel and other alloy steel of headings 7218 to 7229 has been reduced from 10% to 7.5% (S.No. 207 of notification No.21/2002-Customs as amended vide notification no.11/2006-customs).

72.4 Customs duty on primary and secondary forms of non-ferrous metals namely aluminium, copper, zinc and tin & other base metals has been reduced to 7.5% from the earlier 10%(S.Nos. 457, 459, 460, 461, 495 and 497 of notification No.21/2002-Customs as amended vide notification no. 11/2006-customs).

72.5 Concessional rate of 5% customs duty on nickel and articles thereof has been restricted to such goods falling under Chapter 75 only. Articles of nickel falling in Chapters 85 or 90 will attract duty at peak rate (S.No. 438 of notification No.21/2002-Customs as amended vide notification no. 11/2006-customs).

Chapters 84 and 85

84.1 Concessional customs duty of 5% on specified plantation machinery, which is valid upto 30.04.2006, is being extended by one more year i.e. upto 30.04.2007. (Clause (b) in the Proviso in the preamble of the notification No.21/2002-Customs as amended by notification No.11/2006-Customs refers.)

84.2 Concessional customs duty of 5% on machinery and equipment for currency/bank note press at Nasik, Mysore, Dewas and Salbony has been withdrawn. (S.No.220, 250 (3), 251 (3), 252 (2) and 426(B) of notification No.21/2002-Customs omitted by notification No.11/2006-Customs refers.)

84.3 Customs duty on specified textile machinery and their parts is being reduced from 15% to 10%. (S.No. 499 of notification No.21/2002-Customs as amended vide notification no.11/2006-customs).

84.4 Customs duty on all packaging machinery and their parts is being reduced from 15% to 5%. (S.No. 537 of notification No. 21/2002-Customs as inserted vide notification No.11/2006-customs).

84.5 Consequent to imposition of 12% excise duty on computers, additional duty of customs of 6% or 7% on computers levied under sub-section (3) of section 3 of the Customs Tariff Act, 1975 is being withdrawn. (Notification No. 9/2006-Customs, and S.No.16 of notification No.6/2006-Central Excise refers.)

84.6 Customs duty on set-top boxes (other than those under Information Technology Agreement) is being reduced from 15% to Nil. (S.No. 538 of notification No.21/2002-Customs as inserted by notification No.11/2006-Customs refers.)

84.7 Concessional customs duty on specified parts of out board motors is being withdrawn. (S.No. 255 of notification No.21/2002-Customs as amended by notification No.11/2006-Customs refers.)

84.8 Customs duty on MP3 and MPEG4 players has been reduced from 15% to 5%. (S.No. 539 of the Notification No.21/2002-Customs as inserted by notification No.11 /2006-Customs refers).

Chapters 86 to 89

No change.

Chapters 90 to 96

90.1 Customs duty on parts of hearing aids for manufacture of hearing aids and deaf aids (including primary cells and primary batteries), falling under any Chapter, is being reduced from 5% to Nil. (S.No. 360 of notification No.21/2002-Customs as amended vide notification no. 11/2006-customs).

90.2 Customs duty on parts of writing instruments of heading 9608 is being reduced from 15% to 5% (S.No. 540 of notification No.21/2002-Customs as inserted by notification no.11/2006-Customs refers).

Chapter 98

98.1 Pipeline projects for transportation of crude petroleum oil, natural gas and petroleum products are being notified under heading 9801. These projects can now be assessed to customs duty as 'Project Imports'. (Notification No. 17 & 18/2006-Customs refers).

98.2. Exemption to specified goods for making capital goods for setting up a unit with an investment of Rs 5 crore or more has been withdrawn. (S.No.442 of notification No.21/2002-Customs as omitted).
