

**Finances of Government of India : 2003-04 Annexure
Changes In Indirect Taxes**

A. CUSTOMS

Note: (a) "Customs Duty" means the customs duty levied under the Customs Act, 1962.

(b) "CVD" means the Additional Duty of Customs levied under Section 3 of the Customs Tariff Act, 1975.

(c) "SAD" means Special Additional Duty of Customs levied under Section 3A of the Customs Tariff Act, 1975.

Major proposals about Customs Duties are the following:

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

- Peak rate of customs duty has been reduced from 30% to 25%. No reduction is, however, effected on agricultural and dairy products.

B. Non-Ferrous Metals:

- 1) Customs duty on nickel has been unified at 10% from 5% and 15%, irrespective of the class of importer.
- 2) Customs duty on lead has been reduced from 25% to 20%.

C. Information Technology:

- 1) Customs duty on 12 specified electronic components has been reduced as per commitments under Information Technology Agreement.
- 2) Customs duty on specified telecom capital equipments has been reduced from 25% to 15%.
- 3) Customs duty on optical fibre cables has been reduced from 25% to 20%.
- 4) Concessional customs duty of 5% on specified telecom equipments for basic telephony, cellular mobile telephony etc. has been continued upto 31.3.2004.
- 5) Customs duty on specified raw materials for manufacture of E-glass roving has been reduced from 30% to 15%.
- 6) Customs duty on routers, modems and fixed wireless terminals has been reduced from 15% to 10%.

D. SAD

- Rock phosphate as also crude or unrefined sulphur have been exempted from SAD.

E. Petroleum:

- 1) Customs duty on LNG regassification plants has been reduced from 25% to 5%.
- 2) Additional duty of customs on motor spirit and high speed diesel oil has been increased from Re.1 per litre to Rs.1.50 per litre.

F. Health:

- 1) Customs duty on specified life saving drugs and life saving equipments has been reduced to 5%. CVD on these items has been reduced to Nil by exempting them from excise duty.
- 2) CVD on 88 specified life saving drugs and specified life saving medical equipments,

presently attracting 5% customs duty, has been reduced to Nil by exempting them from excise duty.

- 3) Customs duty on glucometers and glucometer test strips has been reduced from 10% to 5%.
- 4) Customs duty on rough ophthalmic blanks has been reduced from 25% to 10%.
- 5) Customs duty on specified veterinary drugs has been reduced from 15% to 10%.
- 6) Customs duty on imports of reference standards by the pharmaceutical industry has been reduced to 5%.
- 7) Customs duty on parts of CAPD fluid system has been reduced to 5%.
- 8) Drugs and materials for clinical trial have been exempted from customs duty.
- 9) Import of specified goods by Regional Cancer Research Centers registered with Department of Scientific and Industrial Research (DSIR) has been allowed at a concessional rate of customs duty of 5%.
- 10) Customs duty on hearing aids and their parts has been reduced from 15% to 5%. These have been exempted from SAD also.
- 11) Customs duty on crutches, wheel chairs, walking frames and tricycle (whether or not motorised) for disabled has been reduced to 5%. These have been exempted from SAD and CVD also.
- 12) Customs duty on parts of wheel chairs has been reduced to 5%. These have been exempted from SAD and CVD also.
- 13) Customs duty on Braille and artificial limbs has been reduced to 5%. These have been exempted from SAD.

G. Textiles:

- 1) Customs duty on apparel grade raw wool has been reduced from 15% to 5%.
- 2) Customs duty on specified textile machinery and their parts has been reduced from 25% to 5%.
- 3) Customs duty on paraxylene has been reduced from 10% to 5%.

H. International Commitments:

- 1) Customs duty on liquors has been reduced from 182% to the WTO bound rate of 166%.
- 2) Customs duty on dried grapes and preparations based on odoriferous substances, used in the manufacture of alcoholic beverages have been reduced to the nearest multiple of 5 per cent below the WTO bound rate.
- 3) Preferential rates of customs duty, under the Bangkok Agreement and under Preferential Area Agreement, have been reduced in respect of those goods where the MFN rate of duty has been reduced.

I. Alcoholic beverages:

- CVD on alcoholic beverages has been modified as under:

Liquor

Wine and Beer

CIF price per case (9 litres)	Rate of CVD	CIF price per case (9 litres)	Rate of CVD
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1. Not exceeding \$ 10	150%	1	Not exceeding \$ 25	75 %
2. Exceeding \$ 10 but not exceeding \$ 20	100% (min. \$40)	2	Exceeding \$ 25 but not Exceeding \$ 40	50% (min. \$37)
3. Exceeding \$ 20 but not exceeding \$ 40	50% (min. \$ 53.2)	3	Above \$40	20% (min. \$40)
4. Above \$40	25% (min. \$53.2)			

J. Bio-Technology:

- 1) Specified pharmaceutical and bio-technology equipment for R&D have been exempted from customs duty subject only to their being registered with Department of Scientific and Industrial Research. The condition of minimum export turnover of Rs.20 crores, and restriction on availability of exemption only upto 1% of export value has been removed.
- 2) Customs duty has been exempted on specified pharmaceutical and bio-technology equipment imported by a manufacturer having a registered R&D laboratory upto 25% of his export turnover.

K. Baggage:

- Customs duty on baggage has been reduced from 60% to 50%.

L. Power:

- 1) Customs duty exemption on specified mega power projects has been extended to all mega power projects.
- 2) Customs duty on specified equipments for high voltage power transmission has been reduced from 25% to 5%.

M. Tea:

An additional duty on customs on tea and tea waste @ Re.1 per Kg. has been levied for the purposes of the Union.

N. Export Promotion Measures:

- 1) Customs duty on gold bars, serially numbered and weight expressed in metric unit and gold coins has been reduced from Rs.250 to Rs.100 per 10 grammes. The reduced rate on Rs.100 will not apply to tola bars.
- 2) Customs duty on cut and polished diamonds/gemstones has been reduced from 15% to 5%.
- 3) Rough coloured gemstones and semi-processed, half cut or broken diamonds have been exempted from customs duty.
- 4) Customs duty on refrigerated trucks has been reduced from 25% to 20%.

O. Transport:

- 1) Except in CKD form, cars in all other forms, including completely built unit will attract customs duty at 60%. The second hand cars would continue to attract customs duty at 105%.
- 2) Customs duty on loco simulators has been reduced from 25% to 5% .
- 3) Customs duty on spares for diesel locomotives, parts for conversion of DC locos to AC locos has been reduced from 25% to 15%.

P. National Calamity Contingent Duty:

- For generating additional funds, a duty of Rs.50 per metric tonne has been imposed on imported crude oil. A duty of 1% also has been imposed on polyester filament yarn, two-wheelers, motor cars and multiutility vehicles. This duty will be valid for one year (upto 29.2.2004).

Q. Miscellaneous:**Changes through Notifications/Rules**

- 1) Concessional customs duty of 5% on four specified parts of wind operated electricity generators has been withdrawn.
- 2) Customs duty on conch shells has been reduced from 30% to 5%.
- 3) Customs duty on seed lac has been reduced from 30% to 5%.
- 4) Customs duty on oleo pine resin has been reduced from 15% to 10%.
- 5) Customs duty on shrimp larvae feed and fish feed in pellet has been reduced from 30% to 5%.
- 6) Customs duty on artemia cyst, including wet artemia, has been reduced from 15% to 5%.
- 7) Customs duty on high transmittivity glass plates for use in solar collectors/ heaters, steel wires of specified grade for slicing of silicon wafers and high purity graphite felt/graphite pack for growing silicon ingots has been reduced to 5%.
- 8) Customs duty on bio-pesticides based on saccharopolyspora spinosa has been reduced from 30% to 5%.
- 9) Customs duty on metcoke has been rationalised at 10%, as against 5% for use in making steel/ferro-alloys and 15% for others.
- 10) Customs duty on cash dispenser has been reduced from 30% to 15%.
- 11) Customs duty on carbon black feed stock has been reduced from 25% to 20%.
- 12) Value limit for exemption from customs duty on bonafide commercial samples and gifts has been raised from Rs.5,000/- to Rs.10,000/-.
- 13) Customs duty on mono or bi-polar membrane electrolyzers, parts thereof and membrane cells used in caustic soda industry has been reduced from 15% to 5%.
- 14) Books, manuals imported in the form of transparencies have been exempted from customs duty.
- 15) Cinematographic films (developed) are proposed to be assessed to customs duty on the cost of the print, freight and insurance charges incurred in respect of the print.
- 16) Aerial passenger rope way projects have been notified under the Project Import Scheme, with a total customs duty of 5%.

Changes through the Finance Bill:

- 1) Section 7 of the Customs Act, 1962 is being amended, so as to delegate the powers of the

Central Government for appointment of customs ports/ airports/ICDs etc., to the Board.

- 2) Section 15(1)(b) of the Customs Act is being amended so as to provide that the relevant date for determination of rate of duty on home clearance of warehoused goods would be the date of presentation of the ex-bond bill of entry for home consumption.
- 3) Section 25(2) of the Customs Act is being amended so as to restore the powers to the Central Government to issue ad hoc exemption orders in circumstances of an exceptional nature.
- 4) Section 25 of the Customs Act, 1962 is being amended to provide that no duty will be collected if the total amount of duty leviable is Rs.100 or less.
- 5) Section 27(2) of the Customs Act is being amended to enable an exporter to claim refund of duty and interest subject to the provision of unjust enrichment.
- 6) Section 28 of the Customs Act is being amended so as to omit the requirement of prior approval of show cause notice by the Commissioner or the Chief Commissioner.
- 7) Section 28E and 28H of the Customs Act are being amended so as to provide that advance ruling may also be sought in respect of all notifications under the Customs Tariff Act and any other duty chargeable as customs duty. It is also proposed to allow wholly-owned subsidiary Indian company of a foreign company to avail the benefit of advance ruling.
- 8) Section 30 of the Customs Act is being amended to provide for delivery of import manifest before the arrival of vessel or aircraft and within 12 hours of arrival of a vehicle, and for levy of penalty not exceeding Rs.50,000/- if there is no sufficient cause for the delay.
- 9) Section 61(1) of the Customs Act is being amended to provide that the period of warehousing in respect of goods (other than capital goods) intended for use in 100% EOUs will be increased from 1 year to 3 years.
- 10) Section 61(2) of the Customs Act is being amended so as to increase the interest free period for warehoused goods from 30 days to 90 days.
- 11) Section 68 of the Customs Act is being amended so as to enable the owner of any warehoused goods to relinquish his title to the goods on payment of rent etc, at any time before an order for clearance of these goods for home consumption has been made. On his relinquishing title, the importer will not be liable to pay duty on such goods.
- 12) At present, interest is payable to exporters only if the duty drawback admissible is not paid with a period of two months from the date of filling of the drawback claim. Section 75(A)(1) of Customs Act, 1962 is being amended so as to reduce this period from two months to one month.
- 13) Section 113 of the Customs Act is being amended so as to widen the existing provision for confiscation of export goods on account of misdeclaration of drawback and baggage cases, to other cases also. It also seeks to provide for confiscation of export goods in respect of which there is any misdeclaration with reference to value, and other material particulars.
- 14) Section 114 is being amended for imposing penalty for export offences involving both prohibited and non prohibited goods.
- 15) Section 122 of the Customs Act, 1962 is being amended so as to raise the powers of adjudication of the Assistant/Deputy Commissioners of Customs from the existing limit of Rs.50,000/- to Rs.2 lakhs. Likewise, the powers of adjudication of a Gazetted Officer of customs lower in rank than an Assistant Commissioner of Customs is proposed to be

increased from Rs.2,500/- to Rs.10,000/-.

- 16) The Customs Act is being amended to provide that in respect of appeals filed against the order of CEGAT passed on or after 1st July 2003, the High Court will formulate the question of law instead of referring the matter to the Tribunal.
- 17) Section 135 of the Customs Act is being amended so as to provide for prosecution in cases of misdeclaration of value and of fraudulent exports.
- 18) Section 136 of the Customs Act is being amended so as to provide for prosecution of officers of Customs who connive at any act or thing whereby any fraudulent export is effected.
- 19) The time period for fulfilling the export obligation in terms of specified EPCG licenses, where the licence holders were affected by the earthquake in Gujarat, is being extended upto 31.3.2004.
- 20) The rate of interest in respect of specified notifications relating to export promotion schemes is being reduced to 15% with retrospective effect.
- 21) Section 3 of the Customs Tariff Act is being amended with effect from 1.3.2002 to clarify that for computation of additional duty of customs, the value of the imported goods including the landing charges and the customs duty chargeable on the said goods shall be taken into account. Other duties such as anti-dumping duty, safeguard duty, etc. shall not be taken into account.
- 22) Section 3A of the Customs Tariff Act is being amended with effect from 1.3.2002 to clarify that for computation of special additional duty of customs, the value of the imported goods including the landing charges, the customs duty chargeable on the said goods, and the additional duty of customs chargeable under section 3 of the said Act shall be taken into account. Other duties such as anti-dumping duty, safeguard duty, etc. shall not be taken into account.

EXCISE

Note: SED means levy of Special Excise Duty.

AED (GSI) means Additional Duty of Excise levied under Additional Duties of Excise (Goods of Special Importance) Act.

Major Proposals about Central Excise duties are the following:

A. AD-VALOREM DUTY RATE STRUCTURE

- (i) Three-tier duty structure of 8%, 16% and 24% (except for petroleum products, tobacco products, pan masala, textiles and specific-rated products).
- (ii) SED has been reduced from 16% to 8% on following items:
 - 1) Tyres
 - 2) Aerated soft drinks and their concentrates
 - 3) Polyester Filament Yarns
 - 4) Air Conditioners and components
 - 5) Motor Cars

B. RELIEF MEASURES;

(I) Following items have been exempted from excise duty:

- 1) Bicycle and parts
- 2) Toys
- 3) Mosaic tiles
- 4) Utensils and kitchen articles of metals
- 5) Knives, spoons and similar items of kitchenware/tableware
- 6) Unbranded surgical bandages
- 7) Recorded audio CDs
- 8) Articles of wood
- 9) Imitation zari
- 10) Adhesive tape
- 11) Tubular knitted gas mantle fabric for use in incandescent gas mantles
- 12) Umbrellas
- 13) Walking sticks, riding-crops and like
- 14) Articles of mica
- 15) Kerosene pressure lanterns
- 16) Glass for corrective spectacle lenses, flint buttons
- 17) Registers, accounts books etc.
- 18) Slag arising in the manufacture of iron and steel
- 19) Gold arising in the course of copper/zinc smelting

(II) Excise duty on following items has been reduced from 16% to 8% with full CENVAT credit:

- 1) Pressure cookers
- 2) Biscuits
- 3) Boiled sweets, sugar confectionery (excluding white chocolate)
- 4) Rough ophthalmic blanks
- 5) Dental chairs
- 6) Electric vehicles
- 7) Scented supari
- 8) Nicotin Polacrilex gum

(III) Present duty of 4% without Cenvat credit or 16% with Cenvat credit has been rationalised at 8% with Cenvat credit on the following items:

- 1) Light weight concrete building blocks. The 8% rate is being extended to aerated and cellular light weight concrete blocks and slabs
- 2) Laboratory glassware
- 3) Crankshafts for sewing machines
- 4) Power driven pumps for handling water
- 5) Medical equipments
- 6) Pre fabricated buildings

C. IMPOSITION OF DUTY:

Excise duty of 8% with CENVAT credit has been imposed on the following items:

- 1) Refined edible oils (branded and packed for retail sale)*
 - 2) Vanaspati, margarine and other similar edible preparations (branded and packed for retail sale)*
 - 3) Lay flat tubing
 - 4) Chemical reagents for specified end use.
 - 5) Wood free particles or fibre board made from agrowaste.
 - 6) Paper and paper board manufactured from atleast 75% non-conventional raw materials.
 - 7) Populated printed circuit boards for black and white televisions.
- * **In respect of these products, labelling or relabelling of containers and repacking or adoption of any treatment to render the goods marketable will amount to manufacture.**

D NATIONAL CALAMITY CONTINGENT DUTY (NCCD):

For replenishment of the National Calamity Contingent Fund, duty on following items has been imposed.

- 1) 1% on polyester filament yarn, motor cars, multiutility vehicles, and two-wheelers;
- 2) Rs.50 per metric tonne on domestic crude oil. However, crude oil produced either in the discovered fields under the Production Sharing Contract or in the exploration blocks offered under the New Exploration Licensing Policy (NELP) will be exempt from such levy. This levy will be valid for one year (upto 29.2.2004)

E AED (Goods of Special Importance) Act, 1957:

To enable the States to levy sales tax on sugar, textiles and tobacco products at a rate not exceeding 4% without being denied the 1.5 % of total tax revenue, suitable amendments have been made in the above Act. This will come into effect from a date to be notified later.

F. PETROLEUM PRODUCTS:

- 1) Additional duty of Excise on motor spirit and high speed diesel oil has been increased from Re.1 per litre to Rs.1.50 per litre.
- 2) Excise duty on light diesel oil (LDO) has been increased by Rs.1.50 per litre.
- 3) Concession of thirty paise per litre from surcharge on motor spirit, intended for use in the manufacture of ethanol doped petrol, has been continued for one more year, upto 29.2.2004.
- 4) No Cenvat credit will be allowed in respect of duty paid on LDO.

G. TEA

Tea has been exempted from excise duty of Re. 1 per Kg. And in its place, an additional duty of excise of Re.1 per Kg. by way of surcharge, for development of tea plantation sector, has been introduced.

H. HEALTH:

- 1) Following items have been exempted from excise duty:
 - (a) Specified life saving drugs and life saving equipments.

- (b) Glucometers and glucometer test strips
 - (c) Cyclosporin
 - (d) CAPD fluid system, its accessories and parts
 - (e) Drugs and materials for clinical trial
 - (f) Parts of wheel chairs
- 2) Drug intermediates used captively in the factory of production has been exempted from excise duty.

I. SMALL SCALE INDUSTRIES EXEMPTION SCHEME:

- 1) Value of exempted goods will be included (excluding exports) for calculating the eligibility limit of Rs.3 crores under SSI exemption with effect from 1.4.2003.
- 2) SSI exemption has been withdrawn on the following items with effect from 1.4.2003.
 - (a) Ceramic tiles. Printed ceramic tiles made from duty paid tiles outside the factory will be exempted from excise duty.
 - (b) Stainless steel patties/pattas.

J. CEMENT

- 1) Excise duty on cement has been increased from Rs.350/- per metric tonne to Rs.400/- per metric tonne.
- 2) Excise duty on cement clinkers has been increased from Rs.200/- to Rs.250/- per metric tonne.
- 3) Excise duty on cement made by mini cement plants has been increased from Rs.200 to Rs.250 per metric tonne.
- 4) Excise duty on cement cleared in bulk has been increased from Rs.332 per metric tonne to Rs.382 per metric tonne.

K. MEDICINAL & TOILET PREPARATIONS:

- 1) 1st March, 2003 has been notified as the date on which the amendment to M&TP Act, 1955 carried out vide Finance Act, 2000 shall come into effect.
- 2) Duty on toilet preparations containing alcohol or narcotic substances has been reduced from 50% to 16%.
- 3) Duty on medicines containing alcohol or narcotic substances has been reduced from 20% or specific rates to 16%.
- 4) Full exemption on Ayurvedic/Unani/ Indigenous medicines, containing self-generated alcohol and not capable of being consumed as alcoholic beverage, has been retained.
- 5) Toilet preparations containing alcohol or narcotic substances, will be assessed on retail sale price (RSP) basis, with an abatement of 40% on the RSP.

L. MATCHES

- 1) Specific duty rates on matches, manufactured in the mechanised and semi-mechanised sector, have been replaced by a uniform excise duty of 8% without CENVAT credit.
- 2) Matches made by non-mechanized sector have been exempted from excise duty.
- 3) Special procedure for payment of duty on matches through excise stamps is being abolished consequent to introduction of advalorem levy.

M. RETAIL SALE PRICE (RSP) BASED ASSESSMENT:

I Following items have been included in the scheme of RSP based assessment

- 1) Pesticides and insecticides with an abatement of 35% of the Retail Sale Price (RSP) for arriving at the assessable value.
- 2) Chewing tobacco and preparation containing chewing tobacco with an abatement of 50% of the RSP for arriving at the assessable value.

II. Sanitary ware and fixtures of ceramics have been excluded from the ambit of RSP based levy.

III. Changes in rates of abatement, consequent to the reduction in rates of excise duty.

- 1) Abatement on aerated water has been reduced from 50% to 45% of the RSP
- 2) Abatement on air conditioners has been reduced from 40% to 35% of the RSP
- 3) Abatement on biscuits has been reduced from 40% to 35% of the RSP.
- 4) Abatement on boiled sweets, sugar confectionery (excluding white chocolate) has been reduced from 40% to 35% of the RSP.
- 5) Abatement on scented supari (betel nut powder known as supari) has been reduced from 35% to 30%.
- 6) Abatement on pressure cookers has been reduced from 35% to 30%.

IV. Changes in definition of RSP

- 1) The definition of retail sale price (RSP), as mentioned in Explanation I to section 4A of the Central Excise Act is being modified so as to extend it also to cases where the governing law on such goods permits declaration of retail sale prices exclusive of taxes.
- 2) Section 2(f) of Central Excise Act is being amended so as to provide that for goods presently covered under the provisions of Section 4A, any process of packing, re-packing, labeling or re-labeling of goods, putting them into unit containers or any subsequent declaration of RSP on goods or alternation thereof, shall amount to manufacture.
- 3) Provisions of section 4A of the Central Excise Act are being amended so as to-(a) provide that in case of affixing higher RSP subsequent to clearance of goods on payment of duty on a lower RSP, the excise duty would be leviable on the basis of such higher RSP affixed later on. (b) Assume powers to enable the government to ascertain the RSP of goods having no RSP declared or the declared RSP being tampered with, obliterated or altered; and (c) Assume powers to make rules for such ascertainment.

N. SERVICE TAX:

- 1) Rate of service tax is being raised from 5% to 8%.
- 2) Service tax @ 8% is being imposed on the following services (to be effective from a date to be notified)
 - a) Commercial vocational institutes, coaching centers and private tutorials.
 - b) Technical testing and analysis (excluding health and diagnostic testing), technical inspection and certification.

- c) Maintenance and repair services namely, Annual Maintenance Contracts (AMC) and authorised maintenance and repair services.
 - d) Commissioning and installation services.
 - e) Business promotion and support services including customer care services. These services include launching of products, customer education programmes, conduct of seminars, help desk services, managing front offices, enquiry bureaus, etc. However, computer enabled services, namely data processing, networking, back office processing, computer facility management shall not be subjected to Service Tax.
 - f) Internet café.
 - g) Franchise services.
- 3) Extension of service tax on port services to minor ports.
 - 4) Extension from service tax on authorised automobile services to multi-utility vehicles.
 - 5) Extension of service tax on banking and other financial services to all FOREX brokers. Presently the services provided by banks and body corporates in relation to foreign exchange are covered under Service Tax. The proposal is to extend the same to proprietorship, partnership and other individual concerns providing such services.
 - 6) The present exemption from service tax on hotels has been extended beyond 31.3.2003.
 - 7) Exemption from service tax when payments are received in convertible foreign exchange has been withdrawn.
 - 8) Credit of service tax paid on input services for payment of service tax on output services, is being extended across all services (only after enactment of the Finance Bill).
 - 9) Provision is being made for appeal against rejection of refund claim in respect of service tax.
 - 10) Provision is being made for transfer of service tax credit in the case of sale, merger, amalgamation etc.
 - 11) Provision is being made for allowing credit of service tax only when the payment has been made by the service user in respect of services provided.
 - 12) Retrospective amendment is being made in section 68, section 71 and a new section 71A has been inserted in the Finance Act, 1994 so as to validate the service tax collected from service receiver of Goods and Transport Operators services and C&F services for the period prior to 16.10.1998.
 - 13) Retrospective amendment to notification No.43/97-ST dated 5.11.1997 is being made so as to exempt service tax on services provided by Goods and Transport Operators to small scale units, traders and private limited trading companies for the period 16.11.1997 to 1.6.1998.

O. TEXTILE:

1. Yarns:

- 1) 8% excise duty is being retained only for cotton yarn not containing any other textile material.
- 2) Uniform rate of 12% excise duty has been prescribed on polyester cotton, cotton viscose and all other spun yarns (present rate are 8% for some cotton viscose yarn, and 16% for others).
- 3) Excise duty on polyester filament yarn has been reduced from 32% to 24%.
- 4) Excise duty on all other filament yarns (such as viscose filament yarn, nylon filament yarn) has been reduced from 16% to 12%.

- 5) Specific duty rates on bleaching, dyeing and other processes done on spun and filament yarn has been withdrawn. Such yarns will attract duty at rates applicable to the corresponding yarns.*
- 6) Specific duty rates on texturizing or twisting of polyester filament yarn carried on by independent texturisers is being withdrawn. Such yarns will attract duty of 24%.*
- 7) SSI exemption benefit is being withdrawn for shoddy and woolen yarn*.

* **The above changes will come into effect from 1.4.2003.**

2. Fabrics:

- 1) Excise duty on all woven cotton, manmade and woolen fabrics has been reduced from 12% to 10%;
- 2) Duty on knitted/crocheted fabrics of cotton has been reduced from 12% to 8%;
- 3) Duty on non-cotton knitted/ crocheted fabrics has been reduced from 12% to 10%;
- 4) All industrial fabrics including knitted or crocheted rubberized textile fabrics presently attracting duty rates of Nil, 21%, 16% and 16% plus specific rates will be charged to duty at 16%;
- 5) Optional exemption on woven, crocheted or knitted fabrics is being withdrawn with effect from 1.4.2003;
- 6) Deemed credit scheme under which credit can be taken without production of duty paying documents is being withdrawn with effect from 1.4.2003;
- 7) The system of compounded levy on embroidered fabrics (at present charged at Rs.45 per meter length of machine per shift) is being replaced by an ad valorem duty of 10%. This change would come into effect from 1.4.2003;
- 8) Following exemptions are being removed with effect from 1.4.2003:
 - (a) Exemption to hand processors, if power or steam is used in any process;
 - (b) Cotton fabrics used in the manufacture of cotton absorbent lint (will be covered under SSI exemption);
 - (c) Rubberized textile fabrics;
 - (d) Woven, unprocessed cotton belting;
 - (e) Narrow woven fabrics;
 - (f) Pleated, embossed fabrics made from duty paid processed fabrics;
 - (g) Fabric subjected to dew-drop process;
 - (h) Printing frames captively consumed;
 - (i) Processing of embroidery fabrics;
 - (j) SSI exemption to be removed on woven pile and chenille fabrics, terry toweling fabrics, tufted fabrics, tulles and net fabrics.
 - (k) Processed woolen fabrics (below Rs.150 per square metre) made from shoddy yarn etc. for manufacture of shoddy blankets.
- 9) Fabrics and garments manufactured by non-profit charitable institutions have been exempted from excise duty.

3. Garments and other made up articles:

- 1) Excise duty on all woven (including cotton) garments and made ups has been reduced from 12% to 10%;
- 2) Duty on cotton knitted or crocheted garments is being reduced from 12% to 8% while on other knitted or crocheted garments duty has been reduced from 12% to 10%;
- 3) Optional exemption on woven, knitted and crocheted garments/ accessories is being

withdrawn with effect from 1.4.2003.

- 4) The duty on woven, knitted and crocheted clothing accessories has been reduced from 16% to 10%;
- 5) The following exemptions are being withdrawn with effect from 1.4.2003:
 - (a) Raincoats and clothing accessories like handkerchief, ties and gloves. These goods will be covered under SSI exemption.
 - (b) Textile articles made from handloom fabrics (SSI exemption would be available).
 - (c) SSI exemption on ready made garments.
 - (d) Blanket of wool and shoddy yarn below certain price.
- 6) Garments made by tailors, on job work basis, for personal use of customers and not intended for sale, have been exempted from excise duty.
- 7) Job work facility will be extended across the entire textile sector. The job worker will have the option of not being under excise registration if the supplier of the fibre, yarn, fabrics, undertakes to pay the duty. This would come into effect from 1.4.2003.
- 8) Cenvat Credit Rules, 2002 have been amended to allow credit of AED (GSI) paid for payment of Cenvat duties and special excise duty.

4. Textile Machinery

Twelve textile machinery items, which are presently exempt from additional duty of customs, are being exempted from excise duty.

P. Miscellaneous

- 1) For the purpose of charging excise duty on computers, the value of preloaded software will be excluded.
- 2) Excise duty on CD-ROMs of educational nature etc. and on cell phone and their parts, has been exempted.
- 3) Goods supplied for construction of ships for coast guard have been exempted from excise duty.
- 4) Rope, twine and similar items are being exempted from excise duty.
- 5) Excise duty on chassis of motor vehicles has been increased from 16% to 16% plus Rs.10,000 per chassis.
- 6) Excise duty exemption on animal driven vehicle tyres has been withdrawn. Such tyres will attract duty at 24%.
- 7) Coating of pipes and tubes of headings 73.04 or 73.05, with cement or polyethylene or other plastic materials has been declared as amounting to manufacture.
- 8) The facility given to integrated steel manufacturers to pay excise duty on the factory gate price, even when their goods are sold from their depots is being withdrawn. The integrated steel manufacturers will pay excise duty on the normal transaction value at depots.
- 9) For starches falling under heading 11.03, labeling, re-labeling of containers and packing from bulk to retail packs or adoption of any other treatment to render the product marketable to the consumer has been declared as amounting to manufacture.

Q. Amendments in Act and Rules

- 1) It has been provided that a manufacturer will be required to reverse only that portion of credit which was availed of by him at the time of receipt of inputs/capital goods in his factory, when such inputs or capital goods are cleared as such from the factory.

- 2) To include goods supplied to Defence projects, raw naphtha and furnace oil used for generation of electricity in the ambit of rule 6 of CENVAT Credit Rules, 2002, for availing the CENVAT credit so long as credit taken in respect of their inputs is reversed.
- 3) Cenvat credit would be admissible even if gold or silver, which are exempted, arise in the course of smelting of copper or zinc.
- 4) The powers of Commissioner have been delegated to Deputy Commissioner/ Assistant Commissioner for allowing transfer of credit under rule 8(2) of the CENVAT Credit Rules, 2002.
- 5) Section 2(f)(iii) of the Central Excise Act which enables the Central Government to declare a process as “manufacture” is being rescinded.
- 6) Section 4(3)(c) of the Central Excise Act is being amended so as to provide that place of removal would also include a depot, premises of a consignment agent or any other place from where the excisable goods are sold after clearance from the factory. The definition of “time of removal” has also been accordingly modified.
- 7) Section 4 of the Central Excise Act is being amended so as to provide that the total amount received by an assessee would be deemed to comprise the value for assessment plus duty payable on such value, and that additional consideration received in addition to the cum-duty value will be deemed as consisting of value plus duty.
- 8) Powers of Central Government to issue ad hoc exemption order under Section 5A(2) of the Central Excise Act in circumstances of an exceptional nature is being restored.
- 9) The nomenclature of the “Customs, Excise and Gold (Control) Appellate Tribunal” is being changed to “Customs, Excise and Service Tax Appellate Tribunal”
- 10) Section 11A(1) of the Central Excise Act is being amended so as to do away with the requirement for the prior approval of the Show Cause Notices for demand of duty by the Commissioner of the Chief Commissioner, as the case may be.
- 11) The provision to dispense with show cause notices and adjudication proceedings if short levy is paid with interest under Section 11A(2B) of the Central Excise Act being extended to cases where the department detects the short levy.
- 12) A new section 11DD is being inserted enabling recovery of interest on the amount recoverable under Section 11D of the Central Excise Act.
- 13) Section 13 of Central Excise Act is being amended to provide that power of arrest can be exercised by a Central Excise Officer, not below the rank of Inspector, only with prior approval of the Commissioner.
- 14) The scope of rulings given by the Advance Rulings Authority is being widened to cover all notifications under the Finance Act, CENVAT credit and matters of Service Tax and to allow wholly owned subsidiary Indian company of foreign company also to avail of the benefit of Advance Ruling.
- 15) Deputy Commissioners / Assistant Commissioners have been authorised to condone technical lapses or procedural infringements on the part of assessee for availment of CENVAT credit so long as duty paying nature of the inputs/capitals goods and their use is beyond doubt.
- 16) The jurisdictional Deputy Commissioners/ Assistant Commissioners have been permitted to allow manufacturer to store inputs, in respect of which credit of duty has been taken, outside the factory, subject to suitable safeguards.
- 17) Full rebate of excise duty paid on petroleum products exported as stores for consumption on board an aircraft on foreign run has been allowed.

- 18) The present scheme of payment of excise duty on fortnightly basis is being replaced by payment on monthly basis. Now the assessee would be required to pay duty for a particular month by the 5th of the next month. However, duty for the month of March will have to be paid by the 31st March. This provision will come into effect from 1.4.2003.
- 19) The date of deposit of cheque or other similar instruments in the bank would be treated as the date of payment of excise duty subject to realisation of the cheque.
- 20) It has been provided that in the case of default in making the payment of duty assessed, the facility of paying duty in monthly instalments will not be withdrawn nor will be assesses be debarred from utilisation of the CENVAT credit. However, in addition to payment of duty assessed, an interest of 2% per month or Rs.1,000 per day, whichever is higher, starting from the date on which the duty was required to be paid till the date of payment (subject to the interest not exceeding the duty amount) will have to be paid. This provision will come into effect from 1.4.2003.
- 21) Provisions are being made in Central Excise Act to provide that in respect of all appeals against the orders of CEGAT passed on or after 1st July 2003, the High Court will formulate the question of law instead of referring the matter to the Tribunal.
- 22) Averaged freight, determined in accordance with generally accepted principles of costing, would be admissible for deduction in respect of transportation beyond the place of removal, where price at the place of removal is not known.
- 23) Notional interest on advance deposit will not be included in the case of goods made to specification of the buyer unless there is specific evidence that such deposit has the effect of lowering the price.
- 24) Finance Act, 1989 is being amended to provide for punishment of specified persons if the carrier fails to pay the Inland Air Travel Tax collected from the passengers to the credit of the Central Government.

R. Retrospective Amendments:

- 1) The Central Excise Rules are being retrospectively amended with effect from 23.7.1996 so as to omit the reference in rule 57R, to the manufacturer claiming deduction of the credit of duty paid on capital goods as revenue expenditure under the Income Tax Act. Accordingly, the credit of duty paid on capital goods will not be allowed only on that part of the duty paid on the capital goods on which the manufacturer claims depreciation under Section 32 of the Income tax Act.
- 2) The Cenvat Credit Rules (and for the prior period, the Central Excise Rules) are being retrospectively amended to provide that the credit of duties paid on inputs used in the manufacture of final products cleared under notification No.32/99-CE and 33/99-CE both dated 8.7.1999 shall be utilised only for payment of duty on final products cleared after availing of the exemption under the said notifications.
- 3) Notification No.32/99-CE and 33/99-CE both dated 8.7.1999 are being amended retrospectively with effect from 8.7.1999 so as to restrict the refunds under these notifications to the amount of duty paid, less the amount of credit on inputs utilised in the manufacture of exempted products.
- 4) The benefit of exemption from excise duty in respect of cigarettes, pan masala containing tobacco and other goods falling under Chapter 24 under notification No. 32/99-CE and 33/99-CE dated 8.7.1999 is being withdrawn retrospectively.
- 5) The benefit of exemption from excise duty in respect of goods manufactured and cleared

by (I) Numaligarh Refineries Limited (ii) Boganigaon Refineries and Petrochemicals Limited (iii) Indian Oil Corporation, Guwahati and (iv) Assam Oil Division, Indian Oil Corporation, Digboi, under notification No.32/99-CE dated 8.7.1999 is being withdrawn retrospectively with effect from 12.2.2002. Such units will continue to get 50% duty exemption under another notification.