

EXPLANATORY NOTES (CUSTOMS)

Note: All changes come into effect immediately unless otherwise specified.

GENERAL

Peak Rate:- There is no change in the peak rate of Customs Duty. Chapter wise changes in customs duty rates, are given below:

Chapter 1 to 8

No change

Chapter 9

9.1 Customs duty on Long pepper (Piper longum) is being reduced from 70% to 30%. (S. No. 17A of notification No.21/2002-customs as amended *vide* notification no. 21/2010-Customs dated 27.2.2010 refers)

Chapter 10 to 12

No change

Chapter 13

13.1 Customs duty on Asafoetida is being reduced from 30% to 20%. (S. No. 26A of notification No.21/2002-customs as amended *vide* notification no. 21/2010-Customs dated 27.2.2010 refers)

Chapter 14 to 23

No change

Chapter 24

The existing slab of filter cigarettes of length not exceeding 70 mm is being broken up into two slabs: filter cigarettes of length not exceeding 60 mm; and filter cigarettes of length exceeding 60 mm but not exceeding 70 mm. The existing rate of 30% is being prescribed for the new tariff item also. (Clause 62 of Finance Bill, 2010 read with Third Schedule refers)

Chapter 25

No change

Chapter 26

26.1. Customs duty on gold ores and concentrates for use in manufacture of gold is being fully exempted. These goods will, however, be levied concessional CVD at the rate of Rs.140 per 10 gms of gold content. Gold ore is also being fully exempted from additional duty of customs (special CVD). All the above concessions are subject to end use condition. (S. No.518A of notification No. 21/2002- Customs, dated 01.03.2002 as inserted *vide* S. No. (xxv) of notification No. 21/2010-Customs dated 27.2.2010; S. No.8A of notification No. 20/2006- Customs, dated 01.03.2006 as inserted *vide* S. No. (i) of notification No. 24/2010-Customs, dated 27.02.2010 refers).

Chapter 27

27.1 Outright exemption from 4% Additional Duty of Customs (Special CVD) is being provided to Carbon Black Feed Stock (S. No. 68 of notification No.20/2006-customs as amended *vide* notification no. 24/2010-Customs dated 27.2.2010 refers)

27.2 Basic customs duty on crude is being increased from Nil to 5% (S. No. 487 of notification No.21/2002-customs as amended *vide* notification no. 21/2010-Customs dated 27.2.2010 refers)

27.3 Basic customs duty on Motor Spirit (Petrol) and HSD (Diesel) is being increased from 2.5% to 7.5% (S. No. 488A & 488B of notification No.21/2002-customs as amended *vide* notification no. 21/2010-Customs refers)

27.4 Basic customs duty on other petroleum products is being increased from 5% to 10% However, Naphtha, LPG, LNG, Petroleum Gases and Pet coke continue to attract 5% basic customs duty (S. No. 592 to 596 of notification No.21/2002-customs as amended *vide* notification no. 21/2010-Customs dated 27.2.2010 refers)

27.5 Sub-heading 2712 20, tariff items 2712 20 10 and 2712 20 90 are being substituted with tariff item 2712 20 00 covering 'Paraffin wax containing by weight less than 0.75% of oil' and after the tariff item 2712 90 30, tariff item 2712 90 40 is being inserted for 'Paraffin wax containing by weight 0.75% of oil or more' (Clause 62 of Finance Bill, 2010 read with Third Schedule refers)

27.6 Electrical energy removed from a Special Economic Zone to the Domestic Tariff Area and non-processing areas of SEZ would now attract duty of 16% ad valorem + Nil Special CVD. This change is being made retrospectively w.e.f. 26th June, 2009. Exemption on supplies or imports of electrical energy, other than the above, would continue to be exempt. Import of electrical energy is also being fully exempted from 4% Special CVD. While the increase in duty comes into effect immediately under the provisions of Provisional Collection of Taxes Act, the exemptions will come into force only on the date of enactment of the Finance Bill, 2010. Consequently, exemption from basic customs duty and from 4% Special CVD mentioned above are being provided for the intervening period through notifications. (Notification Nos. 25/2010- customs & 26/2010-Customs both dated 27.2.2010 and Clause 60 read with the Second Schedule of the Finance Bill, 2010 refers.)

Chapter 28 to 38

No change

Chapter 39

39.1 Full exemption from basic customs duty is being provided to compostable polymers/bio-plastic used for manufacture of bio-degradable agro mulching films, nursery plantation and flower pots. (S.No. 142B of the notification No. 21/2002-Customs, dated 01.03.2002 as inserted *vide* Notification No. 21/2010- Customs dated 27.02.2010 refers).

39.2 Full exemption from basic customs duty and additional duty of customs equivalent to excise duty (CVD) is being provided to imports of security fibre, security threads, M-feature for use in the manufacture of Security paper by Security Paper Mill Hoshangabad. (S.No. of the notification No. 21/2002-Customs, dated 01.03.2002 as inserted *vide* Notification No. 24/2010- Customs dated 27.02.2010 refers).

Chapter 40 to 46

No change

Chapter 47

47.1 Outright exemption from 4% Additional Duty of Customs (Special CVD) is being provided to wastepaper and paper scrap (S.No. 69 of the notification No. 20/2006-Customs, dated 01.03.2006 as inserted *vide* Notification No. 24/2010- Customs dated 27.02.2010 refers).

Chapter 48 to 70

No change

Chapter 71

71.1. Basic customs duty rate on gold, silver and platinum are being revised as under:-

S. No.	Item	From	To
1.	Gold bars, other than tola bars, bearing Manufa or refiner's engraved serial number and expressed in metric units, and gold coins	Rs. 200 per 10 gm	Rs. 300 per 10 gm
2.	Gold in any form (other than those specified, ag No. 1)	Rs. 500 per 10 gm	Rs. 750 per 10 gm
3.	Silver in any form	Rs. 1000 per Kg	Rs. 1500 per Kg

The above rates would also apply to import of gold and silver including ornaments (excluding ornaments studded with stones or pearls) are imported as personal baggage by passengers coming to India. (Notifications No.172/1994-Customs, dated the 30th September, 1994, No.31/2003-Customs, dated the 1st March, 2003 and No.62/2004-Customs, dated the 12th May, 2004 as amended *vide* Notification No. 17/2010-Customs, dated 27.02.10 refers)

71.2. Customs duty on platinum is being increased from "Rs.200 per 10 grams" to "Rs.300 per 10 grams" (S. No.189 of notification No. 21/2002- Customs, dated 01.03.2002 as substituted *vide* S. No. (v) of notification No. 21/2010-Customs, dated 27.02.2010 refers).

71.3 Basic customs duty on rhodium is being reduced from 10% to 2% (S. No.189A of notification No. 21/2002- Customs, dated 01.03.2002 as inserted *vide* S. No. (vi) of notification No. 21/2010-Customs, dated 27.02.2010 refers).

Chapter 72 to 83

No change

Chapter 84 & 85

84.1 Concessional customs duty of 5% on specified plantation machinery, which was available up to 6th July, 2010, is being extended up to 31st March, 2011. (Clause (b) in the proviso to the preamble of notification No. 21/2002-Customs as amended *vide* notification No. 21/2010-Customs dated 27.2.2010 refers).

84.2 Full exemption from basic customs duty is being provided to Geothermal ground source heat pumps with Nil special CVD. (S. No. 597 of notification No. 21/2002-Customs inserted *vide* notification No. 21/2010-Customs dated 27.2.2010 and S. No. 70 of notification No. 20/2006-Customs inserted *vide* notification No. 24/2010-Customs dated 27.2.2010 refers).

84.3 Full exemption from basic customs duty and CVD is being provided to tunnel boring machines used for hydro-electric projects (S. No. 598 of notification No. 21/2002-Customs inserted *vide* notification No. 21/2010-Customs dated 27.2.2010 refers).

84.4 Basic customs duty on specified agricultural machinery is being reduced from 7.5% to 5%. (S. No. 599 of notification No. 21/2002-Customs inserted *vide* notification No. 21/2010-Customs dated 27.2.2010 refers).

84.5 Full exemption from basic customs duty is being provided to truck refrigeration unit (S. No. 600 of notification No. 21/2002-Customs inserted *vide* notification No. 21/2010-Customs dated 27.2.2010 refers).

84.6 Customs duty on all items of machinery, including prime movers, instruments, apparatus and appliances, control gear and transmission equipment and auxiliary equipment (including those required for testing and quality control) and components, required for initial setting up of a solar power generation project or facility is being reduced to 5%. (Notification No. 30/2010-Customs dated 27.2.2010 refers).

84.7 Specified road construction machinery items are presently fully exempt from customs duty subject to specified conditions which restrict sale or disposal of such equipment for 5 years from the date of import. However, use of such equipment for similar road projects for which the importer would be otherwise eligible for duty free imports under the same notification is currently permissible. Amendments are being made to permit sale or disposal of such machinery items at depreciated value on payment of customs duties on depreciated value at the rates applicable at the time of import subject to specified conditions. (Condition 40 in the Annexure to the notification No. 21/2002-Customs amended *vide* as amended *vide* notification No. 21/2010-Customs dated 27.2.2010 refers).

85.1 Full exemption from basic customs duty and CVD presently available on parts, components and accessories for manufacture of mobile handsets including cellular phones and their parts, is being extended to parts, components for manufacture of battery chargers and hands-free headphones of mobile handsets including cellular phones. (Notification No. 23/2010-Customs dated 27.2.2010 refers).

85.2 Full exemption from basic customs duty and CVD presently available on parts, components and accessories for manufacture of mobile handsets including cellular phones and their parts, valid up to 6th July, 2010 is now being extended to parts and components of battery chargers and hands-free headphones of mobile handsets including cellular phones. This exemption is valid up to 31st March, 2011. (Notification No. 28/2010-Customs dated 27.2.2010 refers).

85.3 Exemption is being provided to motion pictures, music, gaming software for use on gaming consoles, recorded on media falling under heading 8523, from so much of the basic customs duty, additional duty of customs leviable thereon under sub-sections (1) and (5) of section 3 of the Customs Tariff Act, 1975 as is in excess of the duties which would be leviable if the value of the said goods, for the purposes of sub-section (1) of section 14 of the said Customs Act, were equal to the aggregate of cost of the carrier medium and the freight and insurance charges incurred in respect of the carrier medium. (Notification No. 27/2010-Customs dated 27.2.2010 refers). However, the motion pictures, music, gaming software for use on gaming consoles imported in pre-packaged form intended for retail sale will attract customs duty on the value determined in terms of the provisions of the Customs Act, 1962.

85.4 Promotional material (like Trailers, Making of Film etc.) imported in the form of Electronic Promotion Kits (EPK)/ Beta Cams are being exempted from basic customs duty and CVD. (S. No. 603 of notification No. 21/2002-Customs inserted *vide* notification No. 21/2010-Customs dated 27.2.2010 refers).

85.5 Packaged software or canned software, is at present exempted from so much of the CVD, as is equivalent to the duty payable on the portion of the value of the packaged software determined under section 14 of the Customs Act, or the rules made thereunder, read with sub-section (2) of section 3 of the Customs Tariff Act, which represents the consideration paid or payable for transfer of the right to use such goods provided that the said transfer of the right to use shall be for commercial exploitation. The condition of commercial exploitation is being removed. Consequently, the exemption would be available on imported packaged software in all cases. (Notification 31/2010-Customs dated 27.2.2010 refers).

85.6 Basic customs duty on magnetrons of up to 1000KW used for manufacture of domestic microwave ovens is being reduced from 10% to 5%. (S. No. 601 of notification No. 21/2002-Customs inserted *vide* notification No. 21/2010-Customs dated 27.2.2010 refers).

Chapter 87

87.1. Certain specified goods for use in manufacture of electrically operated vehicles are also being fully exempted from basic customs duty and special additional duty of customs. Such goods will, however, be subject to CVD at the rate of 4% at the time of import. The same is subject to end use condition and is applicable till 31st March, 2013. (S. No.345A of notification No. 21/2002- Customs, dated 01.03.2002 as inserted *vide* S. No. (xii) of notification No. 21/2010-Customs dated 27.2.2010; S. No.9A of notification No. 20/2006- Customs, dated 01.03.2006 as inserted *vide* S. No. (ii) of notification No. 24/2010-Customs, dated 27.02.2010 refers)

Chapter 90

90.1 Customs duty on all medical, surgical, dental and veterinary equipments etc is being reduced from 7.5% to 5%. These goods are also being exempted from special CVD (S. No. 357A of notification No. 21/2002-Customs inserted *vide* notification No. 21/2010-Customs dated 27.02.2010 and S. No. 71 of notification No. 20/2006-Customs inserted *vide* notification No. 24/2010-Customs dated 27.02.2010 refers).

90.2 Customs duty on all parts and accessories of medical, surgical, dental and veterinary equipments etc is being reduced from 7.5% to 5%. These goods are also being exempted from special CVD (S. no. 357B of notification No. 21/2002-Customs inserted *vide* notification No. 21/2010-Customs dated 27.02.2010 and S. No. 72 of notification No. 20/2006-Customs inserted *vide* notification no. 24/2010-Customs dated 27.02.2010 refers).

90.3 Exemption from CVD on imports of hospital equipment for use in specified hospitals and life saving equipment is being withdrawn. These imports will now attract a CVD of 4%. However, (S. No's 362 & 365 of notification No. 21/2002-Customs, amended *vide* notification No. 21/2010-Customs dated 27.2.2010 refers).

90.4 Specified lists of medical equipment and other goods, their parts, spares and accessories attracting concessional customs duty are being omitted. (S. Nos. 363, 367 to 369 of notification No. 21/2002-Customs *omitted vide* notification No. 21/2010-Customs dated 27.2.2010 refers).

Chapter 91 to 97

No change

Chapter 98

98.1 Monorail projects for urban public transport are being notified under project imports. These projects will attract a customs duty of 5%. (S. No 38 of notification No. 42/96-Customs, inserted *vide* notification No. 19/2010-Customs dated 27.2.2010 refers).

98.2 Setting up of digital headend is being notified under project imports. These projects will attract a customs duty of 5% and nil special CVD. (S. No 39 of notification No. 42/96-Customs inserted *vide* notification No. 19/2010-Customs dated 27.2.2010 and S. No 73 of notification No. 20/2006-Customs, inserted *vide* notification No. 24/2010-Customs dated 27.2.2010 refers).

98.3 Installation of mechanized food grain handling systems and pallet racking systems in mandis and warehouses for food grains and sugar is being notified under project imports. These projects will attract a basic customs duty of 5% + Nil CVD + Nil special CVD. (S. No 40 of notification No. 42/96-Customs inserted *vide* notification No. 19/2010-Customs dated 27.2.2010 and S. No 602 of notification No. 21/2002-Customs inserted *vide* notification No. 21/2010-Customs dated 27.2.2010 and S. No 74 of notification No. 20/2006-Customs, inserted *vide* notification No. 24/2010-Customs dated 27.2.2010 refers).

98.4 Cold storage/cold room (including for farm level pre-cooling) or industrial projects for preservation, storage or processing of agricultural, apiary, horticultural, dairy, poultry, aquatic & marine produce and meat is being notified under project imports. These projects will attract a customs duty of 5%. (S. No 41 of notification No. 42/96-Customs, inserted *vide* notification No. 19/2010-Customs dated 27.2.2010 refers).

Additional Duty of Customs (Special CVD) of 4%:

Goods imported in pre-packaged form and intended for retail sale and certain specified goods namely, ready-made garments, mobile phones and watches are being provided an outright exemption from additional duty of customs of 4%. (Notification No. 29/2010-Customs dated 27.2.2010 refers). The existing exemption by way of refund would continue on other items.

Legislative & Miscellaneous Changes:

M.1 Section 127 of the Customs Act, 1962, dealing with Settlement Commission, is being amended so as to restore certain provisions as they obtained prior to the enactment of the Finance Bill, 2007. Accordingly, the prohibition on filing of applications for the settlement of cases where an assessee admits short-levy in respect of goods for which no entry is being made under the provisions of the Act (i.e. cases of mis-declaration, suppression etc.) is being removed. Similarly, the restriction that an assessee may seek only one-time settlement is also being relaxed. The Commission is being empowered to extend the time limit of nine months for disposal of applications by another three months, for reasons to be recorded in writing.

M.2 Section 3 of the Customs Tariff Act is being amended to provide that the value of the imported goods for the purpose of charging CVD in respect of goods chargeable to excise duty on the basis of Maximum Retail Sale Price under Medicinal and Toilet Preparations (Excise Duties) Act, 1955 shall be the retail sale price declared on such imported goods less the amount of abatement, if any. This change will come into effect on enactment of the Finance Bill.

M.3 Rule 2 (b) of the Customs Tariff (Identification, Assessment and Collection of Anti-Dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995 is amended to align the same in line with the provisions of article 4.1(i) of the WTO's Anti-Dumping Agreement (Notification No. 18/2010- Customs (N.T.) dated 27.02.2010 refers).

M.4 The import duty exemption provided for specified raw materials for use in electronics/IT industry is being extended to some more items (S. No's 79, 225, 234 & 235 of notification No. 25/99-Customs as amended / inserted vide notification No. 20/2010-Customs dated 27.2.2010 refers). However, the exemption will be subject to the existing specified conditions.

M.5 The import duty exemption provided for specified capital goods for use in electronics/IT industry is being extended to some more items (S. No's 2, 7, 11 & 41 of notification No. 25/2002-Customs as amended vide notification No. 22/2010-Customs dated 27.2.2010 refers). However, the exemption will be subject to the existing specified conditions.

M.6 Customs duty on six more specified items for use in manufacture of sports goods is being reduced to nil. (S. No. 583 of notification No. 21/2002-Customs amended vide notification No. 21/2010-Customs dated 27.2.2010 refers). However, the exemption will be subject to the existing overall value limit of 3% and other specified conditions.

M.7. Basic Customs duty is being fully exempted on Special Grade Stainless Steel, Titanium Alloys, Cobalt-Chrome Alloys and High-Density Polyethylene, used for the manufacture of Orthopedic implants (S.No. 142C of the notification No. 21/2002-Customs, dated 01.03.2002 as inserted vide Notification No. 21/2010- Customs dated 27.02.2010 refers).

M.8. The current limit of Rs. 1 lakh per annum for duty free import of samples under Notification No.154/1994-Customs, is being enhanced to Rs. 3 lakh per annum (Notification No.154/1994-Customs, dated 13.7.1994 as amended vide Notification No. 16/2010-Customs, dated 27.02.2010 refers)
