

EXPLANATORY NOTES-CENTRAL EXCISE

New Central Excise Rules have been notified. These Rules shall come into force on the 1st day of July, 2001. rules regarding Cenvat credit, Central Excise Appeals and Settlement of cases wii be notified separately.

CENVAT RULES

- (i) Storage tanks included in the definition of capital goods (Rule 3(a) of Central Excise (Third Amendment) Rules, 2001, dated 1.3.2001 refers).
- (ii) Credit of Special Excise Duty is allowed on all inputs with effect from 1st March, 2001 (Rule 4 (A) of Central Excise (Third Amendment) Rules, 2001, dated 1.3.200 refers).
- (iii) Credit of National Calamity Contingent Duty allowed to be used for payment of National Calamity Contingent Duty on the final products (Rule 4 (A) and (B) of Central Excise (Third Amendment) Rules, 2001, dated 1.3.2001 refers).
- (iv) Scope of rate of duty and value of inputs and capital goods removed as such, clarified(Rule 4 (A) of Central Excise (Third Amendment) Rules, 2001, dated 1.3.2001 refers).
- (v) Facility available to moulds and dies in rule 57AC(5)(b) extended to jigs and fixtures(Rule 5 (A) of Central Excise (Third Amendment) Rules, 2001, dated 1.3.2001 refers).
- (vi) Permission of Commissioner for clearance from the job-workers premises in each individual case is relaxed to general permission valid in respect of clearances in a financial year subject to safeguards and conditions that the Commissioner may prescribe. (Rule 5 (B) of Central Excise (Third Amendment) Rules, 2001, dated 1.3.2001 refers).
- (vii) Credit of differential excise duty paid subsequent to clearance of goods allowed under CENVAT Rules (Rule 6 of Central Excise (Third Amendment) Rules, 2001, dated 1.3.2001 refers).

Chapters 1 to 10

No change

Chapter 11

11.1 Maize Starch has been fully exempted from the levy of excise duty (refer S. No. 2 of notification No.3/2001-Central Excise, 1st March, 2001)

Chapters 12 to 18

No change

Chapter 19

19.1 Concessional rate of CENVAT duty available to biscuits put up in retail packs of 100gms with price below Rs 5/- has been withdrawn and consequently they will be charged to a CENVAT of 16%.

Chapter 20

20.1 Jams, jellies , marmalades, fruit purees, fruit juices, vegetable juices etc. all falling under sub-heading No. 2001.10, have been exempted from levy of CENVAT rate of 16%.(refer S. No. 9 of notification No. 3/2001-Central Excise, 1st March, 2001)

20.2 Non-alcoholic beverages of this chapter dispensed through vending machines have been exempted from CENVAT.(refer S. No. 8 of notification No. 3/2001-Central Excise, 1st March, 2001)

Chapter 21

21.1 Note 3 to this Chapter has been amended so as to redefine the term 'Pan masala'. As a result of this amendment, pan masala containing tobacco is no longer classifiable under heading No. 21.06. This heading will, thus cover only 'pan masala' not containing tobacco. The total duty on goods falling under heading No. 21.06 i.e. pan masala not containing tobacco has been fixed at 55%. It shall comprise 16% CENVAT plus 16% Special Excise Duty plus 23% National Calamity Contingent Duty. (refer relevant bill entries).

However, pan masala cleared by units operating under either notification No. 32/99-CE or No. 33/99-CE both dated 8th July, 1999 has been exempt from the levy of National Calamity Contingent Duty. (refer notification No. 13/2001-Central Excise, dated 1st March, 2001).

Moreover, goods falling under heading No. 21.06 and containing not more than 10% betel nut by weight and not containing tobacco in any proportion (as prescribed in S. No. 12 of notification No. 3/2001- Central Excise, 1st March, 2001) have been exempt from the levy of National Calamity Customs Duty (refer notification No. 5/2001-Central Excise, dated 1st March, 2001).

21.2 Sauces, ketchups and like preparations falling under sub-heading No. 2103.10 have been exempted from the levy of CENVAT rate of 16%. (refer S.No. 10 of notification No. 3/2001-Central Excise, dated 1st March, 2001)

21.3 Soups and broths and like preparations falling under sub-heading No. 2104.10 have been exempted from the levy of CENVAT rate of 16%. (refer S.No. 11 of notification No. 3/2001-Central Excise, dated 1st March, 2001)

21.4 Ice-cream and non-alcoholic beverages of this Chapter, dispensed through vending machines have been exempted from CENVAT.(refer S.No. 8 of notification No. 3/2001-Central Excise, dated 1st March, 2001)

Chapter 22

22.1 Fruit pulp or fruit juice based drinks falling under heading No. 2202.40 have been exempted from the levy of CENVAT rate of 16%. (refer S.No. 16 of notification No. 3/2001-Central Excise, dated 1st March, 2001)

22.2 Non-alcoholic beverages of this chapter dispensed through vending machines have been exempted from CENVAT.(refer S.No. 8 of notification No. 3/2001-Central Excise, dated 1st March, 2001)

Chapter 23

No change

Chapter 24

24.1 Clause 129 of the Finance Bill, 2001 imposes by Surcharge a duty of excise to be called the National Calamity Contingent Duty (NCD) on pan masala, pan masala containing tobacco, biris, cigarettes and other tobacco products. This duty is applicable to goods specified in the Seventh Schedule to the Finance Bill. While the rates of NCD are specific for biris & cigarettes, they are ad-valorem in the case of other products. The provisions of the Central Excise Act will apply to the levy and collection of this duty.

24.2 Note 6 to this Chapter has been inserted so as to include 'Pan Masala containing tobacco' within the scope of Chapter 24. For this purpose, sub-heading Nos. 2404.40 has been replaced by sub-heading Nos. 2404.41 and 2404.49. The latter covers 'pan masala containing tobacco'. Corresponding entries have been created in the Second Schedule of the Central Excise Tariff (for the purpose of SED) as well as the First Schedule to the Additional Duties of Excise (Goods of

Special Importance) Act. [for the purpose of AED (ST)] [refer relevant Bill entries]. Pan Masala containing tobacco has been classified under sub-heading No. 2404.49 and shall attract a total excise duty of 60%. This shall include a BED of 16% plus a SED of 16% plus a freshly imposed AED of 18% and a National Calamity Contingent duty of 10%. (refer relevant Bill entries). Since NCD has been levied under the provisions of Provisional Collection of Taxes Act, 1931 the duty on pan masala containing tobacco shall come into force immediately.

24.3 There is no change in BED as well as AED leviable on cigarettes and biris.

24.4 Cigarettes shall be levied to a NCD as hereunder:

- (a) non filter cigarettes not exceeding 60 mm. in length shall be levied a NCD of Rs. 20/- per thousand;
- (b) non filter cigarettes exceeding 60 mm. but not exceeding 70 mm. in length shall be levied a NCD of Rs. 60/- per thousand;
- (c) filter cigarettes not exceeding 70 mm. in length shall be levied a NCD of Rs. 90/- per thousand;
- (d) filter cigarettes exceeding 70 mm. but not exceeding 75 mm. shall be levied a NCD of Rs. 145/- per thousand;
- (e) filter cigarettes exceeding 75 mm. but not exceeding 85 mm. shall be levied a NCD of Rs. 190/- per thousand;
- (f) other cigarettes shall be levied a NCD of Rs. 235/- per thousand;
- (g) cigarettes of tobacco substitutes shall be levied a NCD of Rs. 150/- per thousand; (refer relevant Bill entries)

24.5 Biris shall be levied to a NCD as hereunder:

- (a) Biris falling under sub-heading No. 2404.31 shall be levied a NCD of Re. 1.00/- per thousand;
- (b) Biris falling under sub-heading No. 2404.39 shall be levied a NCD of Rs. 2.00/- per thousand; (refer relevant Bill entries)

24.6 Chewing tobacco and preparations containing chewing tobacco shall be classified under sub-heading No. 2404.41 and shall attract a total excise duty of 60%. This shall include a BED of 16% plus a SED of 16% plus a revised AED of 18% and a National Calamity Contingent Duty of 10%. (refer relevant Bill entries)

24.7 Snuff of tobacco and such other preparations of tobacco falling under sub-headings 2404.50 and 2404.99 shall attract a total excise duty of 60%. This shall include a BED of 16% plus a SED of 16% plus a revised AED of 18% and a National Calamity Contingent Duty of 10%. (refer relevant Bill entries)

24.8 Hookah tobacco already avails exemption from the levy of excise duty. In addition, hookah tobacco has also been exempt from the levy of NCD (refer notification No. 5/2001-Central Excise dated 1st March, 2001)

Chapter 25

25.1 The duty on white cement has been increased from 24% to 32%.(Bill entry refers)

Chapter 27

27.1 The duty on HSD has been increased from 12% to 16% and that on motor spirit from 16% to 32%.

27.2 CNG will now be charged to duty at the rate of 50% of CENVAT(i.e 8%). Concomitantly Chapter Note 10 has also been inserted so as to stipulate that the process of compression of natural gas (even if it does not involve liquefaction) amounts to manufacture(bill entries and S.No.37 of notification No.3/2001-Central Excise, refers).

Chapters 28 and 29

No change

Chapter 30

30.1 The description of intravenous fluids (IV fluids) has been changed to Intravenous Fluids, for sugar, electrolyte or fluid replenishment. This change is clarificatory in nature. The reference to brand name, E Mal, in the exemption relating to Arteether has been deleted. The description now reads as " Arteether or formulations of artemisinin".

Chapter 31 to 33

No change

Chapter 34

34.1 The basic excise duty on Laundry soap is being increased from 8% to 16%.

Chapter 35

No change

Chapter 36

36.1 The basic excise duty on matches is being increased as detailed in notification No.3/2001-Central Excise. The rates are now prescribed for box sizes containing 50 matches only. (S.Nos.65 to 68 of notification No.3/2001-Central Excise refer).

36.2 It has also been provided that the concessional rates of duty for different box sizes manufactured by different sectors shall be worked out on pro-rata basis. E.g. the rates of duty on boxes containing 100 matches shall be twice the rate prescribed for 50 matches, applicable to the sector. Similarly, the rate of duty for boxes containing 25 matches shall be half of the rate prescribed for 50 matches (S.Nos.65 to 68 of notification No.3/2001-Central Excise refer).

Chapter 40

40.1 Exemption to cut tyres and tubes (S. No. 22 of notification No. 76/86-Central Excise, dated 10th February, 1986) is withdrawn.(S. No. 1 of notification No. 6/2001-Central Excise refers).

Chapter (41 to 47)

No change

Chapter 48

48.1 The basic central excise duty on corrugated boxes etc of sub-heading No. 4819.12 is increased to 16%. The exemption on corrugated paper or paperboard or converted types of paper or paperboard intended for the manufacture of corrugated boxes etc is withdrawn.(bill entry refers).

TEXTILES

1. Capacity based compounded levy on independent textile processors manufacturing processed textile fabrics under section 3A of the Central Excise Act is being withdrawn with immediate effect, i.e., from 1-3-2001 (notification No. 7/2001-Central Excise, dated 1-3-2001 refers).

2. With effect from 1-3-2001, processed textile fabrics, whether manufactured by composite mills or by an independent processor would attract composite/ aggregate duty [CENVAT + AED (ST)] of 16% ad valorem. The duty will be apportioned equally between CENVAT and AED (ST) (notification No. 11/2001-Central Excise, dated 1-3-2001 refers).

3. While in respect of fabrics woven and processed within the factory, the Composite mills will be eligible for cenvat credit on actuals basis under rule 57AB, in respect of fabrics processed from unprocessed fabrics not woven in the same composite mill, they would be eligible to take deemed credit @ 20% of the aggregate duty (16%) of CENVAT and AED (ST), in respect of 100% cotton fabrics and @ 40% of 16% in respect of other processed fabrics(i.e. blended fabrics and fabrics of man-made filament or fibres). Deemed credit is in lieu of duty paid on fibres and yarns and shall be utilized towards payment of CENVAT or AED (ST). CENVAT credit of duty paid on dyes, chemicals, consumables, packaging materials and capital goods will be available to composite mills on actual basis under rule 57AB of the Central Excise Rules, 1944 subject to the provisions of rule 57AC in the case of capital goods. It has been further provided that a composite mill would avail of deemed credit only in respect of unprocessed fabrics not woven in the same composite mill and no CENVAT credit has been taken by the said composite mill in respect of the inputs contained in the unprocessed fabrics under any other rule or notification. Composite mill has been defined to include a multi-locational composite mill also (notification No. 7/2001-Central Excise (N.T.), dated 1-3-2001 refers).

4. Manufacturers other than composite mills, that is, independent processors would be eligible to avail deemed credit in respect of 100% cotton fabrics @ 25% of the aggregate of CENVAT and AED (ST) (i.e. 25% of 16%). In respect of other fabrics, the rate of deemed credit is 45% of the aggregate of CENVAT and AED (ST). The deemed credit for independent processors is in lieu of duty paid on fibres, yarns, dyes, chemicals, consumables and packaging materials and the same shall be utilized towards payment of CENVAT or AED (ST). CENVAT credit of duty paid on capital goods will be available to independent processors on actual basis under rule 57AB of the Central Excise Rules, 1944 subject to the provisions of rule 57AC (notification No. 7/2001-Central Excise (N.T.), dated 1-3-2001 refers).

5. It may also be noted that the deemed credit can be taken by a composite mill or independent processor only at the time of clearance of processed fabrics. If processed fabrics are exported under bond, then the deemed credit in respect of such fabrics can be utilized for payment of duty on other processed fabrics cleared for home consumption.

6. The scheme for independent processors now introduced operates in practically the same lines as was prior to 16-12-1998. As such its implementation should not cause any difficulty. If however, there is doubt on any point, a reference may be made to Joint Secretary (TRU)

Chapters 50 to 63:

Chapter 50

50.1 No changes are being made either in the tariff or effective rates of excise duty in respect of the goods of this Chapter.

Chapter 51

51.1 Effective rate of basic excise duty on carded wool, other than 'lefa' (sub-heading No. 5105.10), wool tops and other combed wool (sub-heading Nos. 5105.21 and 5105.29), yarn of carded wool (sub-heading Nos. 5106.11, 5106.12 and 5106.13) and yarn of combed wool (sub-heading Nos. 5107.11 and 5107.12) is being raised from 8% to 16% *adv.*

51.2 Tariff rate of AED (ST) in respect of woven fabrics of carded or combed wool or fine animal hair (sub-heading Nos. 5110.10, 5110.21, 5110.22, 5110.23, 5110.29, 5111.10, 5111.21, 5111.22, 5111.23 and 5111.29) is being raised from 5% to 8% *adv.* (relevant bill entry refers). However, the effective rate of AED (ST) in respect of the aforesaid woven fabrics, not subjected to any process (sub-heading Nos. 5110.10 and 5111.10) continues to be Nil. Further, processed fabrics of carded/ combed wool and carded/ combed fine animal hair will attract a composite rate [CENVAT + AED (ST)] of only 16% *adv.*, with the duty being apportioned equally between CENVAT and AED (ST) (notification No. 11/2001-Central Excise refers). No other changes are being made in respect of goods of this Chapter.

Chapter 52

52.1 SSI exemption in respect of cotton yarn, not containing synthetic staple fibres (heading No. 52.05 or 52.06) is being withdrawn, w.e.f. 1-3-2001 (notification

No. 6/2001-Central Excise refers). However, they will continue to attract the effective basic excise duty of 8% *adv.* and AED (T & TA) @ 15% of basic excise duty. However, cotton sewing thread, not containing any synthetic staple fibre (heading No. 52.04) will continue to be under the SSI scheme. The effective basic excise duty on such sewing thread continues at 8% *adv.* with AED (T & TA) @15% of basic excise duty (notification No. 8/2001 and 9/2001-Central Excise refers).

52.2 Separate sub-heading Nos., 5207.10 and 5208.10, have been created for denim fabrics in both the First Schedule to the Central Excise Tariff Act and the Schedule to the AED(ST) Act. A new Chapter Note 4 has been incorporated in Chapter 52 defining denim fabrics (relevant bill entry refers). Tariff rate of basic excise duty and AED (ST) in respect of denim fabric would be 16% *adv.* and 8% *adv.* respectively. However, denim fabrics (whether or not processed) would continue to attract a composite rate [CENVAT + AED (ST)] of only 16% *adv.* (notification No. 11/2001-Central Excise refers). The changes in respect of denim fabrics shall come into force from 1-3-2001. Necessary action may therefore be taken accordingly. No other changes are being made in respect of goods of this Chapter.

Chapter 53

53.1 Effective rate of basic excise duty in respect of flax yarn, containing 85% or more by weight of flax and ramie yarn, containing 85% or more by weight of ramie is being raised from 8% *adv.* to 16% *adv.* No other changes are being made in respect of goods of this Chapter.

Chapter 54

54.1 The concessional rate of excise duty on viscose filament yarn (heading No. 54.03) purchased by registered Co-operative Society/ Corporation (Apex/ National/ State) has been withdrawn. These goods will now attract a cenvat duty of 16% *adv.* Air-mingled yarns of this chapter manufactured from duty paid yarns by an independent yarn processor have been exempted from duty as in the case of multiple (folded)/cabled yarns. (S. Nos. 94, 96 and 132 of notification No. 3/2001-Central Excise refer). No other changes are being made in respect of goods of this Chapter.

Chapter 55

55.1 Effective rate of excise duty in respect of yarn of shoddy upto 10 counts, if made out of used or new rags, falling under heading Nos. 55.09 or 55.10, is being raised from 8% *adv.* to 16% *adv.* Air-mingled yarns of this chapter manufactured

from duty paid yarns by an independent yarn processor have been exempted from duty as in the case of multiple (folded)/cabled yarns. (S. Nos. 94, 96 and 132 of notification No. 3/2001-Central Excise refer). No other changes are being made in respect of goods of this Chapter.

Chapter 56

56.1 SSI exemption is being extended in respect of chenille yarn, falling under sub-heading No. 5606.00, w.e.f 1-3-2001 (notification No. 6/2001-Central Excise refers). No other changes are being made in respect of goods of this Chapter.

Chapter 57

57.1 Special Excise duty of 8% on Carpets and other textile floor coverings (sub-heading Nos. 5702.19 and 5703.90 has been abolished , (relevant bill entry and notification No. 4/2001-Central Excise refers). No other changes are being made in respect of goods of this Chapter.

Chapter 58

58.1 SSI exemption is being extended to unprocessed woven pile fabrics of cotton (5801.21) and man-made fibres (5801.31), w.e.f. 1-3-2001 (notification No. 6/2001-C.E. refers). No other changes are being made in respect of goods of this Chapter.

Chapter 59

59.1 Linoleum and other floor coverings (sub-heading Nos. 5904.10, 5904.91 and 5904.92), textile wall coverings (sub-heading No. 5905.00) and painted canvas, studio back-cloths or the like (falling under sub-heading No. 5907.90), which hitherto attracted special excise duty (SED) of 8% *adv.* are no longer chargeable to SED (relevant bill entry and notification No. 4/2001-C.E. refers).

No other changes are being made in respect of goods of this Chapter.

Chapters 60 and 61

No changes are being made in respect of goods falling in these Chapters.

Chapter 62

62.1 The tariff rate in respect of goods falling under sub-heading Nos. 6201.00 and 6202.00 is being raised to 16% *ad valorem* w.e.f. 1-3-2001 (relevant bill entry refers). All goods falling in this Chapter, other than those bearing a registered brand name or sold under a registered brand name, are being exempted from excise duty *vide* an exemption notification (notification No. 12/2001-C.E. refers). In other words, goods falling under sub-heading Nos. 6201.00 and 6202.00 and bearing a registered brand name or sold under a registered brand name, will attract effective excise duty of 16% *adv.* w.e.f. 1-3-2001. New Chapter Notes 3 and 4 have been inserted in this Chapter so as to define brand name and also to specify that certain processes, like affixing a brand name, labeling, re-labelling or repacking in relation to goods of this Chapter, shall amount to manufacture (relevant bill entry refers). Further, tariff value, @ 60% of the retail sale price, is being fixed in respect of these goods (notification No. 8/2001-C.E.(N.T.), dated 1-3-2001 refers).

62.2 Suitable provisions have been made in the CENVAT rules to enable the manufacturer of the aforesaid finished goods to avail CENVAT credit of duty paid in respect of inputs lying in stock or in process or inputs contained in the finished goods lying in stock on the 1st day of March, 2001 [sub-rule (1A) of rule 57AB as amended *vide* notification No. 6/2001-Central Excise (N.T.), dated 1-3-2001]. Also, goods falling under Chapter 62 have been excluded from SSI exemption w.e.f. 1-3-2001 (notification Nos. 6/2001-C.E. dated 1-3-2001).

62.3 The proposed levy on goods falling under this Chapter will apply on the pre-budget stock also and therefore necessary action may be taken to verify the pre-budget stock of these goods which are bearing a registered brand name or sold under a registered brand name. Any difficulty in implementation of the new levy should be brought to the notice of Joint Secretary (TRU).

Chapter 63

No changes are being made in respect of goods falling in this Chapter.

Chapter 64

64.1 The tariff rate in respect of footwear of retail sale price not exceeding Rs. 125/- per pair (sub-heading No. 6401.12) is being raised to 16% *adv.* (relevant bill entry refers). However, these goods would attract an effective excise duty of 4% *adv.* subject to certain conditions (S.No. 262 of notification No. 3/2001, Central Excise refers). For details kindly refer to para 98 of these notes. No other changes are being made in respect of goods falling in these Chapters.

Chapters 65 to 68

No changes are being made in respect of goods falling in these Chapters.

Chapters 69

69.1 Special excise duty (SED) of 8% *adv.* on and vitrified tile and Glazed tiles, (sub-heading Nos. 6905.10 and 6906.10) has been abolished. Consequently, these goods would now attract effective cenvat duty of 16% *adv.* (relevant bill entry and notification No. 4/2001-Central Excise refers). No other changes are being made in respect of goods falling in these Chapters.

Chapter 70

70.1 The exemption hitherto available in respect of table and kitchenware of glass (sub-heading No. 7015.00) is being withdrawn. However, these goods would attract effective excise duty of 4% *adv.* subject to certain conditions (S.No. 262 of notification No. 3/2001, Central Excise refers). For details please see para 98. No other changes are being made in respect of goods falling in these Chapters.

Chapter 71

71.1 Plain gold jewellery manufactured in a 100% EOU or a unit in an export processing zone (EPZ) and cleared to the domestic tariff area (DTA) will now attract effective excise duty of Rs. 250 per 10 grams (notification No. 6/2001-Central Excise refers).

71.2 The tariff rate in respect of imitation jewellery, falling under sub-heading No. 7101.50, is being raised to 16% *adv.* (relevant bill entry refers). However, these goods would attract effective excise duty of 4% *adv.* subject to certain conditions. (S.No. 262 of notification No. 3/2001, Central Excise refers). For details please see para 98. No other changes are being made in respect of goods falling in this Chapter.

Chapter 72

No change

Chapter 73

73.1 Track goods manufactured from duty paid rails, on job-work basis, to attract excise duty only on the value addition by the job-worker and not on the full value of the track materials. (S. No. 193 of notification No. 3/2001-Central Excise, dated 1.3.2001 refers).

Chapter 74 to 83

No change

Chapters 84 and 85 (other than Electronics / IT)

85.1 The tariff rate of excise duty on vacuum and gas filled bulbs of retail price not exceeding Rs. 20 per bulb, falling under sub-heading No. 8539.10, has been increased to 16% ad valorem. However, the effective rate is kept at 4% adv. subject to certain conditions.(S. No. 262 of notification No. 3/2001 refers). For details please see para 98.

Chapters 84 & 85 (Electronics & IT)

85.2 The excise duty exemption on Black & White TV Receiver sets (heading No.85.28) has been withdrawn. However, the effective rate of basic excise duty (BED) for the same will be 4% ad valorem subject to certain conditions..(S. No. 262 of notification No. 3 /2001-Central Excise refers). For details please see para 98.

Chapter 86

No change has been made in this Chapter.

Chapter 87

87.1 Chapter Note 3 has been amended to specify that the activity of body building on chassis falling under heading 87.06 will amount to manufacture of a motor vehicle. (relevant bill entry refers).

87.2 The description of sub-heading 8707.00 has been amended to specify that this sub-heading cover the bodies of motor vehicle of heading Nos. 87.01 to 87.05 only and not chassis of heading 87.06. (relevant bill entry refers).

87.3 Special excise duty on motor cars and other motor vehicles falling under sub-heading Nos. 8703.90 and 8704.90 and their respective chassis (sub-heading Nos. 8706.39 and 8706.49) has been reduced from 24% to 16%. Consequently, the total tariff rate of duty applicable on such vehicles will now be 16% BED + 16% SED, which is also the effective rate (relevant bill entries and notification No. 4/2001-C.E. refer).

87.4 Special excise duty on two wheeled motor vehicles and other motor vehicles (sub-heading Nos. 8711.20 and 8711.90) is abolished. These goods will now attract only cenvat duty of 16% adv. (relevant bill entries and notification No. 4/2001-C.E. refer).

87.5 Concessional rate of duty on vehicles of sub-heading No.8703.90, registered for use solely as taxi, has been reduced from 16% BED +8% SED to 16% BED. Concessional rate of duty at 16% on vehicles of sub-heading Nos. 8702.10 or 8703.90, registered for use as ambulance is being continued. There is no change in the conditions for availing the concessional rate. (S. No.231 and condition No. 40 of notification No. 3/2001-CE refer).

Chapter 88

No change has been made in this Chapter.

Chapter 89

89.1 Special excise duty under the Second Schedule for all goods falling under sub-heading nos. 8903.00 and 8907.00 has been raised from 8% to 16%. (relevant bill entry refers). Consequently, they will now attract a total duty of 32% adv. (16% cenvat+16%SED).

Chapter 90

90.1 Tariff rate of basic excise duty on all goods of sub-heading No.9004.90 is being raised to 16%. However, the effective rate of duty on the goods of sub-heading No.9004.90, other than sunglasses for corrective vision, is being continued at Nil rate. On sunglasses for correcting vision (9004.90, the effective duty has been prescribed at 4% adv. subject to certain conditions. (S. Nos .240 and 262 of notification No. 3/2001-CE refer). For details please refer to para 98.

Chapter 91

91.1 The excise duty exemption on watches and clocks of retail sale price not exceeding RS. 500 per piece has been withdrawn. However, an effective basic excise duty of 4% adv. has been prescribed for these goods subject to certain conditions (S. No. 262 of Notification No. 3/2001-CE refers). For details please see para 98.

Chapter 92

No change has been made in this Chapter.

Chapter 93

93.1 In respect of arms and ammunitions and parts thereof, falling under sub-heading Nos. 9302.00, 9303.00, 9304.00, 9305.00, 9306.00 and 9307.00, special excise duty has been raised from 8% to 16% in the Second Schedule (relevant bill entry refer). Consequently these goods will now attract a total duty of 32% adv. (16% cenvat + 16% SED). The goods falling under this chapter have been excluded from the list of specified goods eligible for SSI exemption. (Notification No. 8&9/2001-CE refers)

Chapter 94

94.1 Mattress supports, articles of bedding and similar furnishing etc., falling under sub-heading 9404.00 have been omitted from Second Schedule. Therefore no special duty of excise is chargeable on these goods. (relevant bill entry and Notification No. 4/2001-CE refer)

94.2 Exemption from basic excise duty on rubberised coir mattresses has been withdrawn and they are now charged to a concessional excise duty of 4%. subject to certain conditions. (S. No. 262 of Notification No. 3/2001-CE refers). For details please see para 98.

Chapter 95

No change has been made in this Chapter.

Chapter 96

96.1 Tariff rate of basic excise duty on all goods of sub-heading No.9603.00 is being raised to 16%. However, the effective rate of duty on the goods of sub-heading No.9603.00, other than toothbrushes, is being continued at Nil rate. On toothbrushes (9603.00), an effective duty of 4% adv. has been prescribed subject to certain conditions. (S. Nos .245 and 262 of notification No. 3/2001-CE refers). For details please see para 98.

MRP BASED EXCISE LEVY

97.1 Three more commodities namely stainers (2502.90), fillers and putties (3214.00) and thinners (3814.00) have been brought under MRP based excise levy under section 4A with effect from 1-3-2001. An abatement of 40% of MRP has been prescribed on these items.

97.2 In respect of five commodities which are presently covered under the MRP scheme, the rates of abatement are being modified as follows: (i) on aerated water from 55% to 50%; (ii) glazed tiles from 50% to 45% (iii) vitrified tiles from 50% to 45% (iv) electric fans from 35% to 40% and (v) Colour TVs from 30% to 35%. In the case of 'room air conditioner', the description has been changed to 'Window room air-conditioners and split air-conditioners of capacity up to 3 tonnes'. (Notification No.5/2001-C.E. (N.T.) dated 1.3.2001 refers).

IMPOSITION OF DUTY ON SPECIFIED GOODS:

98. Excise duty has been imposed on a few specified goods at the concessional rate of 4% ad valorem. These goods were hitherto exempt from excise duty. These are:

- (1) Candles (3406.10)
- (2) Footwear having retail price upto Rs.125 per pair (6401.12)
- (3) Tableware and kitchenware of glass (70.15)
- (4) Imitation jewellery (7101.50)
- (5) Vacuum and gas filled bulbs of retail price not exceeding Rs. 20 per bulb
- (6) Black and White television sets
- (7) Sunglasses for correcting vision (9004.90)
- (8) Watches and clocks of retail price not exceeding Rs. 500 per piece (91)
- (9) Rubberised coir mattresses 94.04)
- (10) Toothbrushes (96.03)

This concession would be available only if no Modvat credit of inputs or capital goods (used exclusively in the manufacture of the specified goods) has been availed. If capital goods are common for these goods and other dutiable goods, then capital goods credit shall not be denied.

Barring watches having a retail sale price less than Rs 500 per piece, all other commodities are eligible for the SSI concession. Therefore, they can avail the exemption under notification 8/2000-CE or 9/2000-CE. **However in the financial year 2000-2001 i.e. in March, 2001, they can avail of full exemption upto an aggregate value of clearances of Rs 10 lakhs only.** After availing of full exemption, manufacturers of specified goods can opt to pay 4% duty (without Cenvat). Even in the next financial year, manufacturers of these commodities (barring watches having a retail sale price less than Rs 500 per piece), are eligible for SSI exemption under notification 8/2001-CE and 9/2001-CE. After availing of full exemption under notification no.8/2001, a manufacturer may opt to pay duty @4%, if he so desires.

In respects of these goods, the levy will apply on pre-budget stock also and therefore, necessary action may be taken for verification of pre-budget stock , wherever required.