

## **EXCISE**

### **Chapters 1 to 8**

No change

### **Chapter 9**

Tea and tea waste has been exempted from excise duty of Rs. 1 per Kg. (refer S.No.1 of the notification No. 6/2002–Central Excise, dated 01.03.2002, as amended by the notification No. 6/2003–Central Excise, dated 01.03.2003) and in its place, an additional duty of excise @ Rs. 1 per Kg. by way of surcharge, has been levied. (refer clause 149 of the Finance Bill, 2003). However, green tea, tea manufactured by a co-operative society and bought leaf factory have been exempted from this additional duty of excise. (refer notification No. 13/2003–Central Excise, dated 01.03.2003).

### **Chapter 10**

No change

### **Chapter 11**

11.1 A new chapter note in Chapter 11 has been inserted so as to provide that in relation to products of heading No.11.03, labeling or re-labeling of containers and repacking from bulk packs to retail packs and adoption of any other treatment to render the product marketable to consumer, shall amount to “manufacture”. (refer clause 147 of the Finance Bill, 2003.)

### **Chapter 12**

No change

### **Chapter 13**

13.1 Exemption available to Katha (Catechu), under S. No.6 of notification 76/86-CE has been modified vide S.No. 1 of the Notification No.16/ 2003-CE dated 1<sup>st</sup> March, 2003, so as make it clear that the exemption will not apply to Gambier.

### **Chapter 14**

No change

### **Chapter 15**

15.1 Excise duty at the rate of 8% imposed on refined edible oils, vanaspati, bakery shortening and margarine and other similar edible preparations, bearing a brand name and put up in unit containers for retail sale.

(refer clause 147 of the Finance Bill, 2003 and notification no. 6/2002 dated 01.03.2002, as amended by notification no. 6/2003-CE dated 01/03/2003.)

15.2 A new chapter note in Chapter 15 has been inserted so as to provide that in relation to products of sub-heading Nos. 1502.00, 1503.00, 1504.00 and 1508.90, labeling or re-labeling of containers and repacking from bulk packs to retail packs and adoption of any other treatment to render the product marketable to consumer, shall amount to “manufacture” vide clause 147 of the Finance Bill, 2003.

### **Chapter 16**

No change

### **Chapter 17**

17.1 Excise duty on sugar confectionery (excluding white chocolate and cocoa based confectionery) has been reduced from 16% to 8% (refer to Sl. No.247 of notification No. 6/2002-Central Excise as amended by the notification 6/2003-Central Excise dated 1<sup>st</sup> March, 2003). Abatement from RSP has been consequently reduced from 40% to 35% (refer to Sl. No. 5 of notification No. 13/2002-Central Excise as amended vide notification 11/2003-Central Excise , dated the dated 1<sup>st</sup> March, 2003).

### **Chapter 18**

No change

## **Chapter 19**

19.1 Excise duty on biscuits has been reduced from 16% to 8% (refer to Sl. No. 248 of notification No. 6/2002-Central Excise as amended by the notification 6/2003-Central Excise dated the 1<sup>st</sup> March, 2003). Abatement from RSP has been consequently reduced from 40% to 35% (refer to Sl. No. 12 of notification No. 13/2002-Central Excise (N.T.) as amended vide notification 11/2003-Central Excise (N.T.) , dated the dated 1<sup>st</sup> March, 2003).

## **Chapter 20**

No change

## **Chapter 21**

21.1 Excise duty on scented supari has been reduced from 16% to 8%. (refer Sl. No. 249 of notification no. 6/2002-Central Excise as amended by the notification 6/2003-Central Excise dated the 1<sup>st</sup> March, 2003). Abatement from RSP has been consequently reduced from 35% to 30% (refer to Sl. No. 5 of notification No. 13/2002-Central Excise as amended vide notification 11/2003-Central Excise, dated the dated 1<sup>st</sup> March, 2003).

21.2 Special excise duty on preparations for lemonades or other beverages intended for use in the manufacture of aerated water has been reduced from 16% to 8% vide clause 147 (b) of the Finance Bill, 2003. Now, the total duty will be 24% advalorem (Cenvat + SED).

## **Chapter 22**

22.1 Special excise duty on aerated waters has been reduced from 16% to 8% vide clause 147 of the Finance Bill, 2003. Now, the total duty will be 24% advalorem (Cenvat + SED). Abatement from RSP has been consequently reduced from 35% to 30% (refer to Sl. No. 23 of notification No. 13/2002-Central Excise (N.T.) as amended vide notification 11/2003-Central Excise(N.T.), dated the dated 1<sup>st</sup> March, 2003).

## **Chapters 23 and 24**

No change

## **Chapter 25**

25.1 Excise duty on cement clinkers, falling under sub-heading No.2502.10, has been increased from Rs.200/- to Rs.250/- per metric tonne. (refer Tenth Schedule of the Finance Bill, 2003).

25.2 Excise duty on ordinary Portland cement, falling under sub-heading No. 2502.29, has been increased from Rs.350/- per metric tonne to Rs.400/- per metric tonne. (refer Tenth Schedule of the Finance Bill, 2003).

25.3 Excise duty on ordinary Portland cement, falling under sub-heading No. 2502.29 and manufactured by mini cement plants has been increased from Rs.200 to Rs.250 per metric tonne. (refer S.No.19 of notification No.6/2002–Central Excise, dated 01.03.2002, as amended by notification No. 6/2003-Central Excise, dated 01.03.2003).

25.4 Excise duty on ordinary Portland cement, falling under sub-heading No. 2502.29 and cleared in bulk has been increased from Rs.332 per metric tonne to Rs.382 per metric tonne. (refer notification No. 15/99-Central Excise, as amended by the notification No. 16/2003–Central Excise, dated 01.03.2003).

## **Chapter 26**

Slag, falling under heading No.26.19 and arising in the manufacture of iron and steel has been exempted from excise duty (refer S.No. 250 of the notification No. 6/2002-Central Excise, dated 01.03.2002, as inserted by the notification No.6/2003-Central Excise, dated 01.03.2003).

## **Chapter 27**

27.1 Additional duty of excise on motor spirit and high speed diesel oil has been increased from Rs.1 per litre to Rs.1.50 per litre (refer clauses 159 and 160 of the Finance Bill, 2003).

27.2 National Calamity Contingent duty @Rs.50 per metric tonne has been levied on domestic crude oil. (This levy will be effective upto and inclusive of 29.02.2004) (refer clause 161 of the Finance Bill, 2003). However, crude oil produced either in the discovered fields under the Production Sharing Contracts (PSCs) or in the exploration blocks offered under the New

Exploration Licensing Policy (NELP) are being exempt from this levy. (refer notification No. 12/2003–Central Excise, dated 01.03.2003).

27.3 Excise duty on light diesel oil (LDO) has been increased by Rs.1.50 per litre. (refer Tenth Schedule of the Finance Bill, 2003). No Cenvat credit will be allowed in respect of duty paid on LDO. (refer notification No. 14/2003-Central Excise (N.T.), dated 01.03.2003). The benefit of captive consumption and job-work in respect of LDO has also been withdrawn (refer amendments made in notification Nos. 67/95- Central Excise, dated 16.03.1995 and 214/86–Central Excise, dated 25.03.1986 vide notification No. 16/2003-central Excise, dated 01.03.2003).

27.4.1 At present, 5% ethanol doped petrol is exempt from central excise duty, additional duty of excise and special additional excise duty, provided it is made from duty paid petrol and ethanol. This exemption was valid upto 28.02.2003. This exemption has been continued for another one year i.e. upto and inclusive of 29.02.2004.(refer S.No. 32D of notification No. 6/2002-Central Excise, dated 01.03.2002, as amended vide notification No.6/2003–Central Excise, dated 01.03.2003, notification No.15/2003-Central Excise, dated 01.03.2003, and S.No.1B of notification No.28/2002–Central Excise, dated 13.05.2003, as amended vide notification No. 16/2003-Central Excise, dated 01.03.2003).

27.4.2 Concession of thirty paise per litre from surcharge (i.e. special additional excise duty) on motor spirit, intended for use in the manufacture of 5% ethanol doped petrol, has been continued for one more year, upto and inclusive of 29.2.2004. (refer S.No.1A of notification No.28/2002–Central Excise, dated 13.05.2003, as amended vide notification No. 16/2003-Central Excise, dated 01.03.2003).

27.4.3 At present, Motor spirit, cleared from an oil refinery or a registered warehouse and intended for use in the manufacture of 5% ethanol doped petrol, is exempt from so much of the duty of excise, as is in excess of the duty leviable on motor spirit sold by the manufacturer to an independent buyer. This exemption was valid upto 28.02.2003. This exemption has been continued for another one year i.e. upto and inclusive of 29.02.2004. (refer notification No. 14/2003- Central Excise, dated 01.03.2003).

27.5 Full rebate of excise duty paid on petroleum products exported as stores for consumption on board an aircraft on foreign run has been allowed. (refer notification No. 9/2003-Central Excise (N.T.), dated 01.03.2003).

27.6 Residues of petroleum oils or of oils obtained from bituminous minerals (including heavy petroleum stock, low sulphur heavy stock and other residual fuel oils falling under heading No.27.13) have been exempted from excise duty, when intended for use as fuel for the generation of electrical energy by a generating company, which has been granted consent / permission in writing under section 44 of the Electricity (Supply) Act, 1948. For the purpose of this exemption, the expression “generating company” has the same meaning as assigned under section 2(4A) of the Electricity (Supply) Act, 1948 (54 of 1948). However, those generating companies, which produce electrical energy not for sale but for their own use, shall not be eligible for this exemption. (refer S. No.29 of notification No. 6/2002–Central Excise, dated 01.03.2002, as amended vide notification No. 6/2003-Central Excise, dated 01.03.2003).

27.7 Separate and specific sub-headings for Superior Kerosene (SKO), Aviation Turbine Fuel (ATF), High Speed Diesel (HSD), Light Diesel Oil (LDO), Lubricating Oil have been provided under heading No. 27.10 in the First Schedule to the Central Excise Tariff. (refer Tenth Schedule of the Finance Bill, 2003).

## **Chapters 28-39**

1. The following drugs have been fully exempted from excise duty:
  - Medicines/drugs covered in List 3 and List 4 of notification No.21/2002-Customs dated 1-3-2002
  - Bulk drugs used in the manufacture of (a) above
  - Cyclosporin(S.No. 251 and 252 of not. 6/2002-Central Excise dated 1-3-2002 as amended by 6/2003-Central Excise dated 1-3-2003)

2. All goods of Chapter 28-30, which are used within the factory of production for the manufacture of fully exempted drugs or medicines, are being exempted. (S.No. 253 of not. 6/2002-Central Excise dated 1-3-2002 as amended by 6/2003-Central Excise dated 1-3-2003)
3. Nicotine polacrilex gum is used in nicotine replacement therapy to help quit smoking and tobacco consumption. Duty on Nicotin polacrilex gum has been reduced to 8%. (S.No. 254 of not. 6/2002-Central Excise dated 1-3-2002 as amended by 6/2003-Central Excise dated 1-3-2003)
4. Matches manufactured in non-mechanised sector have been completely exempted from excise duty. Non-mechanised sector means where none of the specified processes is carried on with the aid of power. (Specified processes are: (1) configuring cardboard/veneer into match box (2) frame filling (3) dipping splints in composition of match heads (4) filling boxes with matches (5) pasting labels (6) packaging). Matches manufactured in other sectors will attract concessional rate of 8% without CENVAT credit. The special procedure for payment of duty on matches has been made optional till 31.03.2003 after which the said procedures will be withdrawn. However the assessee having central excise stamps in stock will be allowed to take equivalent amount as credit in their account-current after certification by the Superintendent. Where it is not possible to utilize the said amount, it will be eligible for refund. (S.No. 256 and 257 of not. 6/2002-Central Excise dated 1-3-2002 as amended by 6/2003-Central Excise dated 1-3-2003)
5. All goods falling under sub-heading No. 3004.10 (unbranded wadding gauzes etc. for medical purpose) have been fully exempted from excise duty. (S.No. 9 of not. 10/2002-Central Excise dated 1-3-2003)
6. Clinical trials for new drugs can be conducted only in accordance with a permission granted by the Licensing Authority in prescribed form under the provisions of rule 122DA of the Drugs and Cosmetics Rules, 1945. Drugs and materials have been exempted from excise duty, if the manufacture produces a certificate from Licensing Authority that the specified quantity of such drugs/materials are required for conducting clinical trials for which permission has been granted by the Licensing Authority under the provisions of said rules. (S.No. 255 of not. 6/2002-Central Excise dated 1-3-2002 as amended by 6/2003-Central Excise dated 1-3-2003)
7. Excise duty on chemical reagents for specified end use and on lay flat tubing has been raised from nil to 8%. (S.No. 70 and 76 of not. 6/2002-Central Excise dated 1-3-2002 as amended by 6/2003-Central Excise dated 1-3-2003)

## **Chapters 40 to 49**

1. The central excise duty on replacement tyres, flaps and inner tubes is being reduced from 32% to 24% (refer clause 147 of the Finance Bill, 2003 and notification No. 11/2003-Central Excise, dated 1.3.2003). Articles of wood (other than flush doors), and registers, account books, etc. presently attracting 4% without CENVAT are being fully exempted from central excise duty (refer S.No. 12 of notification No. 10/2003-Central Excise, dated 1.3.2003).
2. The central excise duty exemption for tyres of a kind used on animal drawn vehicles or handcarts and inner tubes for such tyres is being withdrawn (S.No.79 of notification No. 6/2002-CE is being omitted). Such tyres and inner tubes will now attract the tariff rate of 24%.
3. Central excise duty exemption available for wood free plain or pre-laminated particle or fibreboard, made from sugarcane baggasse or other agrowaste is being withdrawn. The full exemption presently available for the first clearances upto 3500 MTs of paper and paperboard or articles made therefrom, manufactured from 75% or more of un-conventional raw materials is also being withdrawn. A central excise duty of 8% with CENVAT credit is being imposed on these goods (refer S.Nos. 83 and 86 of notification No. 6/2002-CE as amended by not. 6/2003-CE).

## **Chapter 50 to 63**

### **Textiles:**

#### **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 rates are 8% for cotton viscose yarn, and 16% for others).

- 3) Excise duty on polyester filament yarn has been reduced from 32% to 24%. It will also attract National Calamity Contingent Duty of excise @ 1% from 1.3.2003 upto 29.2.2004 (refer clause 161 of the Finance Bill, 2003).
- 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 has been withdrawn. Such yarns will attract duty of 24%.\*
- 7) SSI exemption benefit has been withdrawn for shoddy and woollen yarn.\* (Notification No. 8/2003-Central Excise and 9/2003-CE, both dated 1.3.2003 refers)

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

**In respect of S. No. 5, 6 and 7 above, all existing exemptions and procedures in respect of yarns have been retained for the month of March, 2003. Therefore, in respect of S. Nos. 5, 6 and 7 above, existing concessions as well as existing procedure will simultaneously continue along with the above changes during March 2003. Assesseees may opt for any of the exemption (either contained in existing exemption or in the new notification No. 7/2003-CE, dated 1.3.2003). However, from 1.4.2003, only new effective rates and procedures will apply.**

**(Refer , -**

- (i) amending notification Nos. 6/2003-Central Excise dated 1.3.2003, vide which notification No. 6/2002 CE dated 1.3.2002 has been amended;
- (ii) Notification No. 7 /2003-Central Excise, 1.3.2003, which prescribes effective rate on all textile materials;
- (iii) Notification No. 16/2003-CE dated 1.3.2003 vide which other tariff notifications (other than 6/2002-CE, dated 1.3.2002) relating to textile sectors have been amended);
- (iv) Notification No. 8/2003-CE (NT), dated 1.3.2003, vide which notification relating to deemed credit are proposed to be withdrawn with effect from 1.4.2003.

## **2. Fabrics:**

- 1) Excise duty on all woven cotton, manmade and woollen 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 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) has been 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 and it would 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) Processed woolen fabrics (below Rs.150 per square metre) made from shoddy yarn etc. for manufacture of shoddy blankets.
  - (k) SSI exemption to be removed on woven pile and chenille fabrics, terry toweling fabrics, tufted fabrics, tulles and net fabrics.
- 9) Fabrics and garments manufactured by non-profit charitable institutions have been exempted from excise duty.

**(Refer , -**

- (iv) amending notification Nos. 6 /2003-Central Excise dated 1.3.2003, vide which notification No. 6/2002 CE dated 1.3.2002 has been amended;
- (v) Notification No. 7 /2003-Central Excise, 1.3.2003, which prescribes effective rate on all textile materials;
- (vi) Notification No. 16/2003-CE dated 1.3.2003 vide which other tariff notifications (other than 6/2002-CE, dated 1.3.2002) relating to textile sectors have been amended);
- (vii) Notification No. 8/2003-CE (NT), dated 1.3.2003, vide which notification relating to deemed credit are proposed to be withdrawn with effect from 1.4.2003.

**However all existing exemptions and procedures in respect of fabrics have been retained for the month of March, 2003. Therefore, during March 2003, existing concessions as well as existing procedure will simultaneously continue along with the changes made in rates of duty and procedures in the budget. Assessee may opt for any of the exemption (either contained in existing exemption or in the new notification No. 7/2003). However, from 1.4.2003, only new effective rates and procedures will apply.**

### **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 garments is being reduced to 8% while on other knitted garments duty has been reduced to 10%;
- 3) The option to avail of exemption on knitted/crocheted fabrics has been withdrawn;
- 4) The following exemptions have been withdrawn. These changes will come into effect from 1.4.2003:
  - (a) Raincoats, undergarments 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.
- 5) Garments made by tailors, on job work basis, for personal use of customers and not intended for sale, have been exempted from excise duty.
- 6) Job work facility is being 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.
- 7) Cenvat Credit Rules, 2002 have been amended to allow credit of AED (GSI) paid for payment of Cenvat duties and special excise duty.
- 8) Rope, twine and similar items falling under heading 56.07) are being exempted from excise duty by amending S. No. 142 of the notification No. 6/2002-Central Excise dated 1.3.2003.

**(Refer, -**

- (i) amending notification Nos. 6 /2003-Central Excise dated 1.3.2003, vide which notification No. 6/2002 CE dated 1.3.2002 has been amended;
- (ii) Notification No. 7 /2003-Central Excise, 1.3.2003, which prescribes effective rate on all textile materials;
- (iii) Notification No. 16/2003-CE dated 1.3.2003 vide which other notifications relating to textile sectors have been amended).
- (iv) Notification No. 8/2003-CE (NT), dated 1.3.2003, vide which notification relating to deemed credit are proposed to be withdrawn with effect from 1.4.2003.

**However all existing exemptions and procedures in respect of garments and other made-up articles have been retained for the month of March, 2003. Therefore, during**

**March 2003, existing concessions as well as existing procedure will simultaneously continue along with the changes made in rates of duty and procedures in the budget. Assesseees may opt for any of the exemption (either contained in existing exemption or in the new notification No. 7/2003). From 1.4.2003, only new effective rates and procedures will apply.**

#### **Chapter 68**

The concessional central excise duty of 4% without CENVAT on light weight (solid or hollow) concrete building blocks and on parts of pre-fabricated buildings is being rationalized to 8% with CENVAT. The said concession is also being extended to aerated or cellular light weight concrete blocks and slabs (S.Nos.23 & 47 of notification No. 10/2003-CE refer).

#### **Chapter 69**

The SSI exemption is being withdrawn in respect of ceramic tiles with effect from 1.4.2003. From 1.4.2003, the duty paid ceramic tiles subjected to the process of printing outside the factory of manufacture are being exempted. (Refer notfns. 8/2003-CE and 9/2003-CE both dated 1-3-2003)

#### **Chapter 70**

Excise duty on rough ophthalmic blanks, for manufacture of optical lenses, has been reduced from 16% to 8%. (S.No. 258 of not. 6/2002-Central Excise dated 1-3-2002 as amended by 6/2003-Central Excise dated 1-3-2003)

#### **Chapter 71**

Gold arising in the course of manufacture of copper or zinc by smelting is being exempted from central excise duty (S.No. 259 of notification No. 6/2002-CE refers). No CENVAT credit reversal will also be required at the time of their clearance by the manufacturer concerned.

#### **Chapters 72 to 83**

1. Central excise duty is being exempted on the following products presently attracting a concessional duty of 4% without CENVAT, or 16% with CENVAT:

- (i) Table, kitchen or other household articles of iron or steel, or copper or aluminium;
- (ii) Knives, spspons, forks, ladles, etc.;
- (iii) Forgings of iron and steel for parts and accessories of cycles, rickshaws, etc.; and
- (iv) Tyre bead wire rings for cycles and rickshaws,

(Notification No.10/2003-CE refer).

2. The exemption granted to integrated steel manufacturers for payment of excise duty on their factory gate price, even where their goods are sold from their depots is being withdrawn The integrated steel manufacturers will now pay central excise duty on their goods on the normal assessable value. (refer notification No.13/2000-CE rescinded by not. 17/2003-CE dated 1.3.2003)

3. The SSI exemption is being withdrawn with effect from 1.4.2003, in respect of the stainless steel patti/pattas falling under Chapter 72.

4. The process of coating of pipes or tubes falling under headings 73.04 or 73.05, with cement or polyethylene or other plastic materials has been declared as amounting to 'manufacture' (clause 147 of Finance Bill, 2003 refers).

5. The central excise duty on pressure cookers is being reduced from 16% to 8% (S.No. 260 of notification No. 6/2002-CE refers). Consequently, the abatement from RSP on pressure cookers is being reduced from 35% to 30%.

#### **Chapters 84 and 85 (other than IT/Electronics)**

1. The central excise duty on air-conditioning machines is being reduced from 32% to 24% (bill entries and notification No. 11/2003-CE refer). Consequently, the abatement from RSP on air-conditioners is being reduced from 40% to 35%.

2. Bicycle pumps, hand pumps and their parts and accessories, presently attracting 4% duty without CENVAT, are being exempted from central excise duty (S.No.36 of notification No. 10/2003-CE refers). 12 Nos. of textile machinery items, which are presently exempt from CVD, are also being exempted from central excise duty (refer S.No. 193 and List 6 of notification No. 6 /2002-CE, dated 1.3.2002, as amended by notification No. 6/2003-CE, dated 1.3.2003).

3. The concessional central excise duty of 4% without CENVAT on crankshafts for sewing machines and power driven and hand pumps for handling water is being rationalized to 8% with CENVAT (refer S.Nos. 35 & 38 of notification No. 10 /2003-CE, dated 1.3.2003).

#### **Chapters 84 , 85 and 90 (IT/ Electronics sectors)**

1. Excise duty has been exempted on that part of the value of a computer which is on account of software loaded (and accompanying media thereof) on to it at the time of its clearance. Therefore the value of computer for the purposes of excise duty would not include the value of software loaded on it and any accompanying media in respect of software. (Refer to new entry No. 261 inserted in Table to notification No. 6/2002-CE, dated 1.3.2002, vide notification No. 6/2003-CE dated 1.3.2003)
2. Cellular phones, mobile phones, pagers (portable receivers for calling, alerting or paging), radio trunking terminals and parts, components and accessories of mobile handset including cellular phones (falling under sub heading No. 8525.20 and 8527.90 respectively) have been exempted from excise duty. (New entries have been inserted at S. No. 264, 265 and 266 of the Table to notification No. 6/2002-CE, dated 1.3.2003 vide S. No. (xxiv) of amending notification No. 6/2003-CE, dated 1.3.2003).
3. CD-ROMs containing books of an educational nature, journals, periodicals (megazines) or news papers (falling under heading 8524) has been exempted from excise duty. (New entries have been inserted at S. No. 263 of the Table to notification No. 6/2002-CE, dated 1.3.2003 vide notification No. 6/2003-CE, dated 1.3.2003).
4. Recorded audio CDs (falling under sub-heading No. 8524 90) have been exempted from excise duty (New entries have been inserted at S. No. 262 of the Table to notification No. 6/2002-CE, dated 1.3.2003 vide notification No. 6/2003-CE, dated 1.3.2003).
5. Excise duty at the rate of 8% has been imposed on populated printed circuit board (PPCB) for black & white TV (refer amendment made in S. No. 206 of notification No. 6/2002-CE dated 1.3.2002 vide notification No. 6 /2003-Central Excise-2003 dated 1.3.2003).

#### **Chapters 86 to 96 (other than IT and electronics sectors)**

1. Excise duty on multi utility vehicles, motor car (falling under sub-heading No. 8702.10 and 8703.90 respectively), other transport vehicles falling under sub-heading No. 8704.90, and chassis of these vehicles (falling under sub-heading Nos. 8706.21, 8706.39 and 8706.49 ) has been reduced from 32% (16% BED +16% SED) to 24%(16%BED+ 8% SED). (Refer bill entries and S. No 6 of notification No. 11/2003, dated 1.3.2003).
2. Excise duty on electric vehicles has been reduced from 16% to 8% (refer amendment made in S. No. 209 in Table to notification No. 6/2002-Central Excise dated 1.3.2002 vide notification No. 6 /2003, dated 1.3.2003).
3. Excise duty on automobile chassis falling under sub-heading Nos. 8706.29, 8706.41 and 8706.49 has been increased from 16% to 16% +Rs 10,000 per chassis (Refer relevant bill entry in Finance Bill, 2003) .
4. A National Calamity Contingent Duty (NCCD) of excise of 1% *ad valorem* has been imposed on motor cars, multi utility vehicles, other motor vehicles of sub-heading No. 8704.90, two wheeled motor vehicles and chassis of multi utility vehicle and motor cars (falling under sub-heading Nos. 8702.10, 8703.90, 8706.21, 8706.39 8706.49, 8711.10 and 8711.20). This levy will be effective from 1.3.2003 upto 29.2.2004 (Refer clause 161 of the Finance Bill, 2003).
5. Following goods hitherto attracting excise duty of 4% have been exempted from excise duty;
  - (i) bicycles ( 87.12)
  - (ii) kerosene pressure lanterns (9405.10)
  - (iii) toys and dolls (95.01, 95.02 or 95.03)
 (refer S. No. 40, 46, 48, 49, 50 of notification No. 10/2003-Central Excise, dated 1.3.2003)
6. Excise duty on following goods has been rationalized at 8% as against 4% without Cenvat credit or 16% with Cenvat credit.
  - (i) Specified medical equipment
  - (ii) pre-fabricated building (94. 06)
 (refer S. No. 42, 43, 44, 45 and 47 notification No. 10 /2003-Central Excise, dated 1.3.2003)
7. The following medical equipment have been exempted from excise duty-



- (i) medical equipment covered in List 37, List 38, List 39 and List 40 of notification No.21/2002-Customs dated 1-3-2002 and their parts
  - (ii) CAPD fluid system and its parts
  - (iii) Glucometer and test strips
- (S.No. 267 to 271 of not. 6/2002-Central Excise dated 1-3-2002 as amended by 6/2003-Central Excise dated 1-3-2003)
8. Excise duty on dentists' chairs has been reduced from 16% to 8%. (S.No. 272 of not. 6/2002-Central Excise dated 1-3-2002 as amended by 6/2003-Central Excise dated 1-3-2003)

### **Retail Sale Price (RSP) based assessment:**

1. **Following items have been included in the scheme of RSP based assessment**
  - (i) Chewing tobacco and preparation containing chewing tobacco (falling under sub-heading No. 2404.41). Abatement prescribed is 50% of the Retail Sale Price (RSP). (Refer to new entry inserted in notification No. 13/2002-CE (NT), dated 1.3.2003 vide notification No. 11/2003-CE (NT) dated 1.3.2003)
  - (ii) Pesticides and insecticides (falling under sub-heading No. 3808.10). Abatement prescribed is 35% of the Retail Sale Price (RSP). (Refer to amendment made in entry No. 41 in Table to notification No. 13/2002-CE (NT), dated 1.3.2003 vide notification No. 11/2003-CE (NT) dated 1.3.2003)
2. Sanitary ware and fixtures of ceramics (heading No. 69.08) have been excluded from the ambit of RSP based levy. (Relevant entry at S. No. 55 in Table to notification No. 13/2002-CE (NT), dated 1.3.2003 has been omitted vide notification No. 11/2003-CE (NT) dated 1.3.2003)
3. **Changes in rates of abatement, consequent to the reduction in rate of excise duty**
  - (i) Abatement on boiled sweets, sugar confectionery (excluding white chocolate) (sub-heading No. 1704.90) has been reduced from 40% to 35% of the RSP
  - (ii) Abatement on biscuits (sub-heading No. 1905.11) has been reduced from 40% to 35% of the RSP
  - (iii) Abatement on scented supari (heading No. 21.07) has been reduced from 35% to 30%.
  - (iv) Abatement on aerated water (sub-heading Nos. 2201.20 and 2202.30) has been reduced from 50% to 45% of the RSP
  - (v) Abatement on pressure cookers (sub-heading Nos. 7323.10, 7615.20) has been reduced from 35% to 30%
  - (vi) Abatement on air conditioners (heading No. 84.15) has been reduced from 40% to 35% of the RSP

(Refer to amendments made in relevant entries in Table to notification No. 13/2002-CE (NT), dated 1.3.2003 vide amending notification No. 11/2003-CE (NT) dated 1.3.2003))
4. **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 has been modified so as to extend it also to cases where the governing law on such goods permits declaration of retail sale prices exclusive of any tax, local or otherwise. For illustration, Drug Price Control Order (DPCO) prescribes for declaration of retail sale price excluding local taxes in respect of certain medicines falling in its ambit. The proposed amendment will enable the Government to prescribe RSP based assessment to goods on which retail sale price is required to be declared under such Act or rules, requiring declaration of retail sale price exclusive of any tax local, or otherwise .
  - 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 alteration 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 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.

For illustration, on an excisable good covered under RSP based assessment, RSP declared at the time of removal is Rs 100. However, subsequently after removal of goods from factory of manufacture the RSP declared on package is amended to Rs 110 for whatever reason. This activity would amount to manufacture and duty would be leviable on the basis of amended RSP. In a case where the manufacturer does not declare RSP or tampers or obliterated it, the proposed amendment will enable the Government to prescribe manner of ascertaining the RSP. In this regard, manners for ascertaining the RSP in such case (Rules for ascertaining RSP) will be prescribed subsequent to enactment of Finance Bill, 2003.

**(For above changes refer Finance Bill, 2003)**

5. In respect of those commodities for which RSP based levy has been introduced or for which the abatement has been revised it has been decided to collect data about the price behaviour. The information about prices may be sent in the format given below, so as to reach latest by 31st March, 2002.

S. No	Name of the unit	Product	Brand name	Model/size	RSP prior to 1.3.2003	Ass. Value prior to 1.3.2003	RSP after 1.3.2003	Ass. Value after the 1.3.2003	Remarks

### **Small Scale Industries Exemption Scheme:**

1 Value of exempted goods will be included (excluding exports) for calculating the eligibility limit of Rs. 3 crores for eligibility under SSI exemption with effect from 1.4.2003.

2. SSI exemption is being withdrawn on the following items with effect from 1.4.2003:

- (a) Ceramic tiles
- (b) Stainless steel patties/pattas
- (c) Shoddy yarn manufactured from used or new rags falling under heading Nos. 55.09 and 55.10
- (d) Woolen yarn, falling under heading Nos. 51.06 and 51.07
- (e) Uncut grey (unprocessed) woven weft pile fabrics of cotton manufactured from grey unprocessed cotton yarn falling under sub-heading No. 5801.21, unprocessed woven pile fabrics of cotton falling under sub-heading No. 5801.21 and unprocessed woven pile fabrics of man-made fibres falling under sub-heading No. 5801.31, fabrics of cotton or man-made fibres falling under sub-heading No. 5802.51, and unprocessed cotton terry toweling fabrics falling under sub-heading No.5802.21
- (f) articles of apparel (except (a) raincoat, (b) undergarments, and (c) articles of apparel, made out of handloom fabrics) falling under heading Nos. 61.01 and 62.01

3. SSI exemption is being extended, with effect from 01.04.2003, to cotton fabric falling under heading Nos.52.07, 52.08 and 52.09, intended for use in the manufacture of cotton absorbent lint.

For bringing into effect the aforesaid changes in the SSI Exemption Scheme, with effect from 01.04.2003, the notification Nos. 8/2003- Central Excise, dated 01.03.2003 and 9/2003- Central Excise, dated 01.03.2003 have been issued.

### **Rural Area based Khadi & Village Industries Exemption**

The definition of "rural area" in the notification No. 88/88-Central Excise, dated 01.03.1988 has been amended so as to align the same with that provided under clause (ff) of section (2) of the Khadi & Village Industries Commission Act, 1956

### **Miscellaneous**

1. Notification Nos. 32/99-Central Excise and 33/99-Central Excise, both dated 8.7.1999, (North East exemption) have been amended retrospectively, so as to,-
  - (a) exclude cigarettes (falling under Chapter 24) and pan masala containing tobacco (Chapter 21) with effect from 8<sup>th</sup> July, 1999, and
  - (b) all goods falling under Chapter 24 with effect from 1<sup>st</sup> March, 2001, from the purview of these exemptions( refer clause 146 of the Finance Bill, 2003).

- (c) restrict the refund amount under these notifications to the duty paid less the amount of credit availed on the inputs used in or in relation to the manufacture of products on which exemption under the said notifications is availed, with effect from 8<sup>th</sup> July 1999 (refer clause 145 of the Finance Bill, 2003).
2. Notification No. 32/99-Central Excise has also been amended retrospectively with effect from 12<sup>th</sup> February, 2002, so as to exclude goods manufactured and cleared from
- (1) Numaligarh Refineries Limited (NRL) or;
  - (2) Bongaigaon Refineries and Petrochemicals Limited (BRPL) or;
  - (3) Indian Oil Corporation, Guwahati or;
  - (4) Assam Oil Division, Indian Oil Corporation, Digboi.,
- from the purview of this notification. ( refer clause 146 of the Finance Bill, 2003). However, these refineries will continue to get 50% duty exemption under another notification.

### **Changes in the Central Excise Rules**

1. From the next financial year 2003-04, i.e. with effect from 1.4.2003, the present system of fortnightly payment of excise duty is being replaced by monthly payment. Accordingly, the assessee needs to pay the central excise duty on the goods cleared during a month only by the 5th of the subsequent month. However, for the month of March, the payment should be made by the 31st March as is the practice even today. For SSI Units also this restriction in respect of the payment for the month of March will apply from next financial year. As at present, the users will continue to be allowed to take credit of the duty payment shown in the invoices on receipt of the inputs even though the actual duty payment is made later on.
2. In case of payment of excise duty by cheque or other similar instruments, the date of presentation to the nominated Bank should be taken as the date of payment of duty so long as the cheque is honoured, even if a few days later. However, if the cheque is dishonoured, the party will be penalized for non-payment of duty.
3. The provisions relating to the penalties, etc. leviable in case the assessee defaults in payment of excise duty have been made simpler. In case of default, the facility of paying duty in monthly installments will henceforth not be withdrawn nor will be the assessee be denied the use of CENVAT credit for payment of duty. There will only be an interest of 2% per month or Rs. 1,000 per day, whichever is higher, payable for the period of default subject to the amount of such interest payable not exceeding the duty amount which was not paid by due date. The manner of computation of this interest has also been indicated in the form of illustrations in rule 8 of the Central Excise Rules. This interest liability is automatic and no show cause notice or adjudication will be necessary.
4. The duty self-assessed by the assessee under rule 6 and the interest above for the period of default can be recovered as an arrear of revenue under section 11 of the Central Excise Act, if not paid within a reasonable time. It has also been provided that till such time the amount of duty outstanding and the interest payable thereon are not paid, the goods in respect of which the duty and interest are outstanding, shall be deemed to have been cleared without payment of duty and the consequences and the penalties as provided in the Central Excise Rules shall follow.
5. Matches will also be cleared under the normal central excise procedure with effect from 1.4.2003. Accordingly, the special procedure prescribed in rules 13 and 14, for clearance of matches, is being withdrawn. However, for the interim period, both the existing special procedure and the normal procedure will be allowed in respect of matches, at the option of the assessee.
6. Moreover, to enable a smooth transition to the normal clearance procedure, a separate rule 13A has been inserted in the Central Excise Rules providing for utilisation of the amount paid for procurement of Central Excise Stamps towards payment of duty. Accordingly, a registered person having a stock of unused Central Excise Stamps, other than those purchased on credit, as on the 1<sup>st</sup> day of March 2003, may surrender the same to the Superintendent of Central Excise. The registered person may utilize an amount equal to the total price of such unused Central Excise Stamps as may be certified by the Superintendent of Central Excise, for paying duty on matches in the manner as prescribed in rule 8. However, in case such utilization is not possible for any reason, the registered person shall be allowed refund of such amount.

### **Changes in the CENVAT credit rules**

1. Light Diesel Oil (LDO) is also being excluded, in addition to HSD and petrol, from the scope of 'inputs' eligible for CENVAT credit. Accordingly, LDO, HSD and petrol, shall not be treated as inputs for any purpose whatsoever.
2. The credit of the additional duty of excise leviable under the Additional Duties of Excise (Goods of Special Importance) Act, 1957, may now be used even for payment of duty of excise leviable under the First Schedule or the Second Schedule of the Central Excise Tariff Act. However the CENVAT credit of the additional excise duty leviable under the Additional Duties of Excise (Textile and Textile Articles) Act [AED(T&TA)], or the National Calamity Contingent duty can be utilized for payment only of AED(T&TA) and the National Calamity Contingent duty respectively.
3. Consequent to allowing monthly payment of excise duty with effect from 1.4.2003 in place of the presently system of fortnightly payment, consequential change has been made to the Proviso to rule 3(3) so as to provide that while paying duty, the CENVAT credit shall be utilized only to the extent such credit is available on the last day of the month for payment of duty relating to the month.
4. In case of clearance of the inputs and capital goods as such for home consumption, the actual credit taken when they were received in the factory of the manufacturer of the final products, will only need to be reversed.
5. Where a manufacturer of the final products clears both exempted and dutiable products, and no separate account is maintained, the manufacturer reverses 8% of the value at the time of clearances of the exempted product, except in the case of clearances for exports, for supplies to special economic zones, EOUs, etc. when no credit reversal is required, and the amount equivalent to the CENVAT credit attributable to the inputs used in or in relation to the manufacture of specified items such as LSHS, newsprint, etc. needs to be reversed in the case of clearances of such items. It has now been provided that no credit reversal is required if the manufacturer clears gold or silver arising in the course of manufacture of copper or zinc by smelting. Moreover, in the case of raw naphtha and furnace oil used for generation of electricity and the goods cleared for supply to defence personnel, defence projects or to the Ministry of Defence for official purposes under notification Nos. 70/92-CE, dated the 17.6.1992, 62/95-CE, 63/95-CE and 64/95-CE all dated the 16.3.1995, the benefit of CENVAT credit will be admissible so long as the credit attributable to the inputs used in or in relation to the manufacture of such products is reversed.
6. The power for allowing transfer of credit on account of change in site, change in ownership or on account of sale, etc. has now been delegated from the Commissioner of Central Excise to the Assistant/Deputy Commissioner of Central Excise.
7. It has now been provided that the CENVAT credit shall not be denied on technical grounds that the input document does not contain all the particulars required to be indicated therein. However, for allowing credit on such documents, it is necessary that:
  - (i) such documents contain details of payment of duty, description of the goods, assessable value, name and address of the factory or warehouse;
  - (ii) the jurisdictional Assistant/Deputy Commissioner of Central Excise is satisfied that the duty due on the inputs has been paid and such inputs have actually been used or are to be used in the manufacture of final products;
  - (iii) the jurisdictional Assistant/Deputy Commissioner of Central Excise shall record the reasons for not denying the credit in each case.
8. The Assistant/Deputy Commissioner can also permit the inputs in respect of which CENVAT has been taken to be stored outside the factory of the manufacturer concerned. However, such storage of inputs outside factory shall be allowed only in exceptional circumstances having regard to the nature of the goods and shortage of storage space at the premises of such manufacturer, and shall be subject to suitable safeguards against any loss of revenue. Where such inputs are not subsequently brought into the factory for use in the manner prescribed in the CENVAT Credit Rules for any reason whatsoever, it has been stipulated that the manufacturer of the final products shall pay a duty of excise equal to the amount of credit that has been availed in respect of such inputs.

9. It has been provided that a manufacturer taking credit shall maintain proper records for the receipt, disposal, consumption and inventory not only of the inputs and capital goods purchased, but also of the inputs and capital goods procured by him.

### **Changes in the Central Excise Valuation Rules**

1. Presently in cases where excisable goods are sold in the circumstances specified in section 4(1)(a) of the Central Excise Act, except for delivery at a place other than the place of removal, rule 5 of the Central Excise Valuation Rules permits exclusion of the actual cost of transportation from the place of removal upto the place of delivery. However this exclusion is allowed only if the cost of transportation is charged separately and such cost is shown separately in the invoice.

2. The said rule is being amended to omit the specific requirement for showing the transportation cost separately in the invoice. Moreover, the actual transportation cost may also now be excluded on an averaged or equalised basis. For this purpose, the average transportation cost shall be computed in accordance with the generally accepted principles of costing. Where necessary, the assessee may be asked to furnish certification from a Cost Accountant, *inter alia*, showing the computations separately in respect of the exempted, non-excisable and specific rated products and the basis for apportionment for arriving at the average cost of transportation.

3. However, no deduction shall be allowable whether on actual or equalized freight basis, for the cost of transportation from the factory to the point of removal (if other than the factory gate), which is also the present position. Since as per the amended section 4, 'place of removal' shall include a depot, the premises of a consignment agent as well as any other place or premises from which the goods are to be sold after their clearance from the factory, it may be noted that no deduction shall be allowed of the transportation cost from the factory premises to the depots or to any other places of removal.

4. It has also been provided in the Valuation Rules (through an Explanation below rule 6) that no notional interest on the advance payments received by the assessee from the buyer against delivery of excisable goods shall be added to the value unless the Central Excise Officer has evidence to the effect that the advance received has influenced the fixation of the price of the goods by way of charging a lesser price from or by offering a special discount to the buyer who has made the advance deposit. This provision shall be equally applicable for both standardized as well as tailor-made goods. The illustrations below the said Explanation may kindly be referred to for this purpose. In other words the burden of proving that the deposit has influenced the price will be on the Central Excise Officer.