

CUSTOMS

Note : (a) "Customs Duty" means the customs duty levied under the Customs Act, 1962.
(b) "CVD" means the Additional Duty of Customs levied under Section 3 of the Customs Tariff Act, 1975.
(c) "SAD" means Special Additional Duty of Customs levied under Section 3A of the Customs Tariff Act, 1975.

Major proposals about Customs Duties are the following :

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

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

B. Non-Ferrous Metals:

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

C. Information Technology:

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

D. SAD:

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

E. Petroleum:

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

F. Health:

- 1) Customs duty on specified life saving drugs and life saving equipments has been reduced to 5%. CVD on these items has been reduced to Nil by exempting them from excise duty.
- 2) CVD on 88 specified life saving drugs and specified life saving medical equipments, presently attracting 5% customs duty, has been reduced to Nil by exempting them from excise duty.
- 3) Customs duty on glucometers and glucometer test strips has been reduced from 10% to 5%.
- 4) Customs duty on rough ophthalmic blanks has been reduced from 25% to 5%.
- 5) Customs duty on specified veterinary drugs has been reduced from 15% to 10%.
- 6) Customs duty on imports of reference standards by the pharmaceutical industry has been reduced to 5%.
- 7) Customs duty on parts of CAPD fluid system has been reduced to 5%.
- 8) Drugs and materials for clinical trial have been exempted from customs duty.
- 9) Import of specified goods by Regional Cancer Research Centers registered with Department of Scientific and Industrial Research (DSIR) has been allowed at a concessional rate of customs duty of 5%.
- 10) Customs duty on hearing aids and their parts has been reduced from 15% to 5%. These have been exempted from SAD also.
- 11) Customs duty on crutches, wheel chairs, walking frames and tricycles (whether or not motorised) for disabled has been reduced to 5%. These have been exempted from SAD and CVD also.
- 12) Customs duty on parts of wheel chairs has been reduced to 5%. These have been exempted from SAD and CVD also.
- 13) Customs duty on Brailers and artificial limbs has been reduced to 5%. These have been exempted from SAD.

G. Textiles:

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

H. International Commitments:

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

I. Alcoholic beverages:

- CVD on alcoholic beverages has been modified as under:

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

J. Bio-technology:

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

K. Baggage:

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

L. Power:

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

M. Tea :

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

N. Export Promotion Measures:

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

O. Transport:

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

P. National Calamity Contingent Duty:

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

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

- 1) Concessional customs duty of 5% on four specified parts of wind operated electricity generators has been withdrawn.
- 2) Customs duty on conch shells has been reduced from 30% to 5%.
- 3) Customs duty on seed lac has been reduced from 30% to 5%.
- 4) Customs duty on oleo pine resin has been reduced from 15% to 10%.
- 5) Customs duty on shrimp larvae feed and fish feed in pellet has been reduced from 30% to 5%.
- 6) Customs duty on artemia cyst, including wet artemia, has been reduced from 15% to 5%.
- 7) Customs duty on high transmittivity glass plates for use in solar collectors/heaters, steel wires of specified grade for slicing of silicon wafers and high purity graphite felt/graphite pack for growing silicon ingots has been reduced to 5%.
- 8) Customs duty on bio-pesticides based on saccharopolyspora spinosa has been reduced from 30% to 5%.
- 9) Customs duty on metcoke has been rationalized at 10%, as against 5% for use in making steel/ferro-alloys and 15% for others.
- 10) Customs duty on cash dispenser has been reduced from 30% to 15%.

- 11) Customs duty on carbon black feed stock has been reduced from 25% to 20%.
- 12) Value limit for exemption from customs duty on bonafide commercial samples and gifts has been raised from Rs.5,000/- to Rs.10,000/-.
- 13) Customs duty on mono or bi-polar membrane electrolyzers, parts thereof and membrane cells used in caustic soda industry has been reduced from 15% to 5%.
- 14) Books, manuals imported in the form of transparencies have been exempted from customs duty.
- 15) Cinematographic films (developed) are proposed to be assessed to customs duty on the cost of the print, freight and insurance charges incurred in respect of the print.
- 16) Aerial passenger rope way projects have been notified under the Project Import Scheme, with a total customs duty of 5%.

Changes through the Finance Bill:

- 1) Section 7 of the Customs Act, 1962 is being amended, so as to delegate the powers of the Central Government for appointment of customs ports/airports/ICDs etc., to the Board.
- 2) Section 15(1)(b) of the Customs Act is being amended so as to provide that the relevant date for determination of rate of duty on home clearance of warehoused goods would be the date of presentation of the ex-bond bill of entry for home consumption.
- 3) Section 25(2) of the Customs Act is being amended so as to restore the powers to the Central Government to issue ad hoc exemption orders in circumstances of an exceptional nature.
- 4) Section 25 of the Customs Act, 1962 is being amended to provide that no duty will be collected if the total amount of duty leviable is Rs.100 or less.
- 5) Section 27(2) of the Customs Act is being amended to enable an exporter to claim refund of duty and interest subject to the provisions of unjust enrichment.
- 6) Section 28 of the Customs Act is being amended so as to omit the requirement of prior approval of show cause notice by the Commissioner or the Chief Commissioner.
- 7) Section 28E and 28H of the Customs Act are being amended so as to provide that advance ruling may also be sought in respect of all notifications under the Customs Tariff Act and any other duty chargeable as customs duty. It is also proposed to allow wholly-owned subsidiary Indian company of a foreign company to avail the benefit of advance ruling.
- 8) Section 30 of the Customs Act is being amended to provide for delivery of import manifest before the arrival of vessel or aircraft and within 12 hours of arrival of a vehicle, and for levy of penalty not exceeding Rs.50,000/- if there is no sufficient cause for the delay.
- 9) Section 61(1) of the Customs Act is being amended to provide that the period of warehousing in respect of goods (other than capital goods) intended for use in 100% EOUs will be increased from 1 year to 3 years.
- 10) Section 61(2) of the Customs Act is being amended so as to increase the interest free period for warehoused goods from 30 days to 90 days.
- 11) Section 68 of the Customs Act is being amended so as to enable the owner of any warehoused goods to relinquish his title to the goods on payment of rent etc at any time before an order for clearance of these goods for home consumption has been made. On his relinquishing title, the importer will not be liable to pay duty on such goods.
- 12) At present, interest is payable to exporters only if the duty drawback admissible is not paid within a period of two months from the date of filing of the drawback claim. Section 75A(1) of Customs Act, 1962 is being amended so as to reduce this period from two months to one month.
- 13) Section 113 of the Customs Act is being amended so as to widen the existing provision for confiscation of export goods on account of misdeclaration in drawback and baggage cases, to other cases also. It also seeks to provide for confiscation of export goods in respect of which there is any misdeclaration with reference to value, and other material particulars.
- 14) Section 114 is being amended for imposing penalty for export offences involving both prohibited and non prohibited goods.
- 15) Section 122 of the Customs Act, 1962 is being amended so as to raise the powers of adjudication of the Assistant/Deputy Commissioners of Customs from the existing limit of Rs. 50,000/- to Rs. 2 lakhs. Likewise, the powers of adjudication of a Gazetted Officer of customs lower in rank than an Assistant Commissioner of Customs is proposed to be increased from Rs. 2,500/- to Rs. 10,000/-.
- 16) The Customs Act is being amended to provide that in respect of appeals filed against the order of CEGAT passed on or after 1st July, 2003, the High Court will formulate the question of law instead of referring the matter to the Tribunal.
- 17) Section 135 of the Customs Act is being amended so as to provide for prosecution in cases of misdeclaration of value and of fraudulent exports.
- 18) Section 136 of the Customs Act is being amended so as to provide for prosecution of officers of Customs who connive at any act or thing whereby any fraudulent export is effected.
- 19) The time period for fulfilling the export obligation in terms of specified EPCG licenses, where the licence holders were affected by the earthquake in Gujarat, is being extended upto 31.3.2004.
- 20) The rate of interest in respect of specified notifications relating to export promotion schemes is being reduced to 15% with retrospective effect.
- 21) Section 3 of the Customs Tariff Act is being amended with effect from 1.3.2002 to clarify that for computation of additional duty of customs, the value of the imported goods including the landing charges and the customs duty chargeable on the said goods shall be taken into account. Other duties such as anti-dumping duty, safeguard duty, etc. shall not be taken into account.
- 22) Section 3A of the Customs Tariff Act is being amended with effect from 1.3.2002 to clarify that for computation of special additional duty of customs, the value of the imported goods including the landing charges, the customs duty chargeable on the said goods, and the additional duty of customs chargeable under section 3 of the said Act shall be taken into account. Other duties such as anti-dumping duty, safeguard duty, etc. shall not be taken into account.