

EXPLANATORY NOTES (CUSTOMS)

1.0 Education Cess

1.1 An education cess of customs has been levied on items imported into India. It is chargeable @ 2% on the aggregate of duties of customs (except safeguard duty, countervailing duty and anti-dumping duty) leviable on such goods. Certain items bound under international commitments have been exempted from this cess (notification No. 69/2004-Customs refers). No credit of this cess will be available.

2.0 CVD exemptions

2.1 CVD exemptions are being withdrawn in certain cases (relevant entries in notification Nos. 66 & 67/2004-Customs refer). However, where there is a corresponding excise duty exemption for such goods, the goods will continue to get CVD exemption on account of such excise duty exemption. Certain existing CVD exemptions are being continued through excise duty exemptions.

2.2 The following CVD exemptions are being withdrawn:

A. Notification No. 21/2002-Customs

1. Frozen semen and insemination equipments (S.No. 7)
2. Planting materials, flowers and ornamental plants, tubers and bulbs of flowers etc. (S.No. 8)
3. Cashew nuts in shell (S.No. 12)
4. Angostura bitters (S.No. 51)
5. Certain petroleum products for the purpose of power generation (S.No. 78)
6. Specified drugs or medicines (like life saving drugs), their salts and bulk drugs, specified diagnostic test kits (80(B) & 83(B))
7. Specified goods for the manufacture of laser and laser based instrumentation (S.No. 85)
8. Zirconium oxide or Yttrium oxide, for the manufacture of raw cubic zirconia (S.No. 90)
9. Iodine for manufacture of Potassium Iodate (S.No. 91)
10. Electric parts for fitting on electric lamp etc. hinges, metal locks and back of photo frames, fittings for photo frame, chemicals, lacquer and similar items for manufacture of handicrafts (S.No. 114)
11. Silver powder suspension, silicone resin and silicone rubber for manufacture of solar cells/modules (S.No. 116)
12. Isolated soya protein (S.No. 122)
13. Films, film strips and film slides for educational purposes (S.No. 124)
14. Colour positive unexposed cinematographic film in jumbo rolls and colour negative unexposed cinematographic film in rolls of 400 feet and 1000 feet (S.No. 129)
15. Recorded magnetic films used for producing TV serials (S.No. 132)
16. Pharmaceutical Reference Standard approved by WHO or International Organisation for Standards (S.No. 138)
17. Waste and scrap of paper or paperboard for manufacture of paper or paperboard (other than those used for manufacture of newsprint) (S.No. 152 has been amended to restrict the CVD exemption only in case of imports for manufacture of newsprint)
18. Light weight coated paper for printing of magazines (S.No. 156)
19. Printed Indian Bank note imported by RBI (S.No. 163)
20. Lining and interlining materials for manufacture for textile garments or leather garments (S.No. 168)
21. Raw materials for manufacture of blades for rotors of wind operated electricity generators (S.No. 224)
22. Goods required for the substitution of ozone depleting substances (ODS) or setting up of new capacity with non-ODS technology (S.No. 225)
23. Specified goods imported by pharmaceutical and bio-technology units having registered R&D wing (S.No. 248)
24. Specified goods imported by an agro-chemical sector units having a registered R&D wing (S.No. 248A)

25. Specified equipments and machinery (and parts/spares thereof) for textile industry and silk textile industry (S.Nos. 251 and 252)
26. Specified goods designed for use in leather industry (S.No. 257)
27. High speed cold-set web offset rotary printing machines (S.No. 267A)
28. Video cassettes and video tapes, of educational character (S.No. 292)
29. Audio cassettes, if recorded with material from books, newspaper or magazines, for the blind (S.No. 293)
30. Raw materials or parts for manufacture of aeroplanes, gliders, helicopters or simulators of aircraft (S.No. 347 & 348)
31. Barges, imported along with ships (S.No. 350)
32. Ships, trawlers, fishing vessels, tugs, etc. (352, 352A, 353 & 354)
33. Parts, for repair of dredgers (S.No. 357)
34. Parts for the manufacture of hearing aids (S.No. 360)
35. Goods required for setting up of barge mounted power plants, imported as project imports (S.No. 399)
36. Specified jute equipment/machinery and spares thereof (S.No. 415)
37. Graphite Felt or graphite pack for growing silicon ingots and thin steel wire used in wire saw for slicing of silicon wafers (S.No. 423).

B. Other notifications:

1. Exemption to material for use in goods supplied to fertilizer plants (notification No. 128/94-Customs has been amended)
2. Cut & polished diamonds when re-imported (notification No. 55/2001-Customs)
3. Animals and birds imported by zoo (notification No. 22/2003-Customs)
4. Common salt including rock salt, sea salt and table salt (notification No. 22/2003-Customs)
5. Unused postage stamps (notification No. 22/2003-Customs)
6. Commercial catalogues in book form (notification No. 22/2003-Customs)
7. Blood group sera (notification No. 22/2003-Customs).

2.3 The existing CVD exemptions are being continued through excise duty exemptions in the following cases:

1. Gibberellic acid (S.No. 96 of notification No. 21/2002-Customs)
2. Watermarked bank note paper (S.No. 155 of notification No. 21/2002-Customs)
3. Liquefied natural gas (S.No. 77 of notification No. 21/2002-Customs)
4. Plantation machinery (S.No. 252A of notification No. 21/2002-Customs)
5. All types of contraceptives (notification No. 22/2003-Customs)
6. Artificial kidney (notification No. 22/2003-Customs)

3.0 **Chapter 11**

3.1 Tariff rate for starches (1108) other than wheat starch and potato starch has been increased from 30% to 50% (bill entry refers). However, effective rates would remain unchanged (S.No. 446 of notification No. 21/2002-Customs, as inserted *vide* the notification No. 66/2004-Customs refers).

4.0 **Chapter 15**

4.1 Customs duty on non-edible grade industrial oils having Free Fatty Acid content of above 20% has been reduced to 20%, for the manufacture of industrial fatty acids and fatty alcohol. (S.No.30 of notification No. 21/2002-Customs, as amended *vide* notification No. 66/2004-Customs refers).

4.2 Customs duty on palm oils other than crude palm oil, has been raised from 70% to 75% (S.No.434 of notification No. 21/2002-Customs as amended *vide* notification No. 66/2004-Customs refers).

5.0 **Chapter 19**

5.1 Tariff rate for tapioca and substitutes therefor (1903 00 00) has been increased from 30% to 50% (bill entry refers). However, effective rate would remain unchanged (S.No. 447 of notification No. 21/2002-Customs, as inserted *vide* notification No. 66/2004-Customs refers).

6.0 **Chapter 25**

6.1 Customs duty has been reduced to 15% on all goods except on goods falling under tariff item/heading 250100 10, 25.15, 25.16 and 25.23. Preferential rate of duty has also been accordingly reduced to 5% on goods falling under heading 25.04 (S.Nos. 5, 5A & 6 of notification No. 5/2004-Customs as amended *vide* notification No. 68/2004-Customs refer). In view of reduction in customs duty to 15% on the goods specified against S. No. 58 and 61 of notification No. 21/2002-Customs, these entries has been omitted (*vide* notification No. 66/2004-Customs).

7.0 **Chapter 26**

7.1 Customs duty has been reduced to 15% on zinc spelter and (2620 11 00), zinc dross (2620 19 10) and copper mill scale (2620 30) (S.Nos. 65 & 66 of notification No. 21/2002-Customs as amended *vide* notification No. 66/2004-Customs refers).

8.0 **Chapter 27:**

8.1 Sunset clauses have been provided in case of exemption from CVD on naphtha used by specified power plants, so as to provide that exemption in case of power plants in Lists 2 & List 2A will be available only upto 1.7.2005 and 31.3.2005 respectively (S.Nos. 75 & 75A of notification No. 21/2002-Customs read with provisos as amended/inserted *vide* notification No. 66/2004-Customs refer).). In case of 20 MW Power Plant of M/s. Nagarujna Electric Generating Company at Patancheru, Medak District, Andhra Pradesh, the CVD exemption has been withdrawn with immediate effect

9.0 **Chapter 29**

9.1 In tariff item 2922 42 20 the description of goods has been changed from “Monosodium glutamate (aginamato)” to “Monosodium glutamate” (bill entry refers).

10.0 **Chapter 35**

10.1 Tariff rate of customs duty has been increased from 30% to 50% on dextrans and other modified starches (3505 10). However the effective rate of duty of 20% has been retained (S.No. 23 of notification No. 5/2004-Customs refers).

11.0 **Chapter 38**

11.1 Customs duty has been reduced to 15% on catalysts (3815). Preferential rate of duty has also been accordingly reduced to 5% on goods falling under sub heading 3815 11 00 and 3815 12 (S.Nos. 26, 27, 27A & 27B of notification No. 5/2004-Customs as amended *vide* notification No. 68/2004-Customs refer).

12.0 **Chapter 41**

12.1 Patent leather (4114 20 10) has been fully exempted from basic customs duty (S.No. 455 of notification No. 21/2002-Customs as inserted *vide* notification No. 66/2004-Customs refers).

13.0 **Chapters 64 to 71**

13.1 Customs duty on refractories (6902 and 6903), and specified raw materials for refractories namely, natural graphite powder, aluminous cement, calcined alumina, boron carbide, reactive alumina,

silicon metal (99% purity), micro/fumed silica, brown fused alumina, fused zirconia, silicon carbide, sodium hexameta phosphate, phenolic resin, sintered/tabular alumina and fused silica, has been reduced from 20% to 15% (S.No. 448 & 456 of notification No. 21/2002-Customs as amended *vide* notification No. 66/2004-Customs refer).

13.2 The basic customs duty on platinum has been reduced from Rs. 550 to Rs. 200 per 10 grams (S. No. 189 of notification No. 21/2002-Customs as amended *vide* notification No. 66/2004-Customs refers).

13.3 All rough coloured gemstones (including rubies, emeralds and sapphires, unset and imported uncut), have been exempted from customs duty (S.Nos. 180 & 180B of notification No. 21/2002-Customs, as amended *vide* notification No. 66/2004-Customs refer).

14.0 **Chapters 72 to 83**

14.1 Customs duty on all primary, semi-finished and finished forms of steel like ingots and billets, sponge iron, HR/CR bars/rods/coils of non-alloy steel, etc. of heading Nos. 7201, 7203 to 7217, except seconds and defectives, is being reduced from 15% to 10% (S.Nos. 190A & 190B of notification No. 21/2002-Customs as amended *vide* notification No. 66/2004-Customs refer). Customs duty on Ferro-alloys (of heading 7202) and Stainless steel and other alloy steel (of headings 7218 to 7229), excluding seconds and defectives, is being reduced from 20% to 15% (S.No. 207 of notification No. 21/2002-Customs as amended *vide* notification No. 66/2004-Customs refers).

14.2 Customs duty on non-ferrous metals namely, copper (7401 to 7410), lead (7801 to 7804), zinc including zinc dross (7901 to 7905), tungsten (8101 excluding 8101 99), magnesium (8104 excluding 8104 90 90), Cobalt (8105 excluding 8105 90), Cadmium (8107 excluding 8107 90 90), titanium (8108 excluding 8108 90 90) and other base metals (excluding articles) of Chapter 81 has been reduced from 20% to 15% (S.Nos. 212B, 457 to 461 of notification No. 21/2002-Customs as amended *vide* notification No. 66/2004-Customs refer).

15.0 **Chapters 84, 85 and 90 (other than electronics/IT and medical equipment)**

15.1 Customs duty on specified textile machinery and specified garment making machinery is being reduced to 5%. The manufacturers of textile machines would be able to import parts, irrespective of chapter of classification, at the rates applicable for the machinery (Lists 45 & 46 and S.Nos. 250, 251, 425, 426 & 426B of notification No. 21/2002-Customs as amended *vide* notification No. 66/2004-Customs refer).

15.2 Customs duty on specified silk textile machinery (S.No. 252 of notification No. 21/2002-Customs as amended *vide* notification No. 66/2004-Customs refers) has been reduced from 10% to 5%. However, CVD will now be payable as applicable.

15.3 The concessional import duty of 5% with Nil CVD for specified machinery for plantation sector (List 32A and S.No. 252A of notification No. 21/2002-Customs as amended *vide* notification No. 66/2004-Customs) has been extended to 5 more machinery, namely, coffee packaging machine, coffee bagging machine, rotary shifter, lateral cyclon winnower and dividing bypass. CVD has now been exempted by way of excise duty exemption. These exemptions would be available upto 30.4.2005.

15.4 The concessional customs duty of 5% available on specified capital goods designed for use in the leather sector (List 34 and S.No. 257 of notification No. 21/2002-Customs as amended *vide* notification No. 66/2004-Customs) is being extended to non-leather footwear industry also. The CVD exemption for such capital goods is being withdrawn.

16.0 **Chapters 84, 85 and 90 (electronics/IT and medical equipment)**

16.1 Specified raw materials for manufacture of parts of cathode rays tubes are being exempted from customs duty. Certain technical changes and end-use extensions have also been made in notification No.

25/99-Customs covering specified inputs for the electronics industry (notification No. 70/2004-Customs refers),

16.2 Certain technical changes and end-use extensions have been made in notification No. 25/98-Customs covering specified capital goods for the electronics industry. Specified capital goods for manufacture of mobile hand sets, cathode rays tubes and parts thereof and plasma display panels has also been exempted (notification No. 71/2004-Customs refers).

16.3 Customs duty exemption for specified inputs (List 5 of notification No. 21/2002-Customs) for manufacture of telecom grade optical fibres and cables has been extended to some more inputs. Certain technical changes have also been made to the entries in Lists 5 & 6 of notification No. 21/2002-Customs (*vide* notification No. 66/2004-Customs).

16.4 The customs duty exemption presently available to mobile switching centres imported by cellular mobile telephone service providers has been extended to imports by universal access service providers also (Note in List 22 of notification No. 21/2002-Customs, as amended *vide* notification No. 66/2004-Customs refers).

16.5 The present exemption for specified rehabilitation aids and assistive devices for the disabled has been extended to more rehabilitation aids such as talking books, braille computer terminals, assistive listening devices, cochlear implants, stair lifts, etc., without any end-use condition (S.No. 370 and List 41 of notification No. 21/2002-Customs as amended *vide* notification No. 66/2004-Customs refer). The devices/aids in List 41 are also being exempted from CVD through an exemption from excise duty.

16.6 Customs duty has been exempted on instruments and implants for severely physically handicapped patients, joint replacement, spinal instruments and implants including bone cements, crutches, wheel chairs, walking frames, tricycles, Braillers, artificial limbs and parts thereof (S.Nos. 370 & 432 of notification No. 21/2002-Customs as amended *vide* notification No. 66/2004-Customs refer).

16.7 The conditions prescribed for availing the import duty exemption on tangible appliances for blind, hearing aids etc. when imported by an institution for the blind and deaf that the goods should have either been gifted or purchased out of donations, have been omitted. Phonographs and cassette players for playing the talking books, magnetic tapes and cassettes for production of talking books, electronic reading machines, television enlargers and optical aids have been fully exempted from customs duty and CVD, if imported by an institution for the blind and deaf (S.Nos. 1 & 1A of notification No. 152/94-Customs as amended *vide* notification No. 67/2004-Customs refer).

17.0 **Chapters 91 to 98**

17.1 Customs duty on roundabouts, swings, shooting galleries and other fairground amusement of heading 95.08 has been reduced from 20% to 10% (S.No. 462 of notification No. 21/2002-Customs as amended *vide* notification No. 66/2004-Customs refers).