

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.

Changes come into effect immediately unless otherwise specified.

Major proposals about the customs duties are the following:

A. ADDITIONAL DUTY OF CUSTOMS:

In the 2005 budget, power was taken to levy a special additional duty of customs @ 4% under section 3(5) of Customs Tariff Act, 1975 on all goods imported into India. This levy is to partly compensate for the internal taxes like VAT, sales tax, central sales tax, which apply to sale, purchase or transportation of goods in India. This 4% levy was imposed on ITA (Information Technology Agreement) bound items and on specified inputs/raw materials used for manufacture of electronics/ information technology items.

This additional duty of customs of 4% has now been extended to cover all imported goods (with some exceptions). This will apply to all agricultural as well as non-agricultural imports.

Jewellery will, however, attract a lower rate of additional duty of customs at 1%.

The following imports have been exempted from this special additional duty of customs (this is not an exhaustive list):

- 1) Goods which are fully exempt from VAT;
- 2) Goods which are exempted both from basic and CV duty;
- 3) Petroleum crude, kerosene for PDS, LPG for domestic supply, petrol, diesel, coal, coke and petroleum gases and fuel of Chapter 27;
- 4) Goods for Export promotion schemes under which imports are allowed at zero duty.
- 5) Passenger baggage.
- 6) Fertilizers and inputs for fertilizers;
- 7) Newsprint, glazed newsprint, wood pulp for newsprint;
- 8) DTA clearances of EOUs/EHTP/STP/SEZ units, provided such goods are not exempted from sales tax/VAT;
- 9) Gold concentrate;
- 10) Gold, silver, rough and cut diamonds, precious metals, precious and semi-precious stones (Chapter 71);
- 11) Imports by EOUs and units in the EHTPs/STPs or SEZs;
- 12) Ships for breaking up;
- 13) Non-mega power projects, transmission and distribution projects, and high voltage transmission equipments.

B. PEAK RATE OF AD VALOREM CUSTOMS DUTY REDUCED:

- 1) Peak rate of customs duty on non-agricultural products has been reduced from 15% to 12.5% with a few exceptions.
- 2) Ad valorem component of customs duty on textiles fabrics and garments has been reduced from 15% to 12.5%. There is, however, no change in specific component of customs duty.

C. METALS AND THEIR INPUTS:

- (I) Customs duty has been reduced from 10% to 7.5% on primary and semi-finished forms of following metals:-
 - (a) Alloy steel,
 - (b) Aluminium,
 - (c) Copper,
 - (d) Zinc,
 - (e) Ashes and residues of copper and zinc,
 - (f) Tin,
 - (g) Base metals of Chapter 81 (such as, Tungsten, Magnesium, Cobalt, Titanium, etc.)
 - (h) Calcined alumina

- (II) Customs duty has been reduced from 5% to 2% on mineral ores and concentrates.
- (III) Customs duty has been reduced from 10% to 7.5% on ferro alloys.
- (IV) Customs duty of 5% has been imposed on iron and steel melting scrap.
- (V) Concessional rate of 5% customs duty on nickel and articles of nickel has been restricted to goods falling under Chapter 75.

D. MINERALS:

Customs duty has been reduced from 15% to 5% on mineral products of Chapter 25, except for cement, marble, granite and asbestos.

E. REFRACTORIES AND INPUTS FOR REFRACTORIES:

Customs duty has been reduced on:

- (a) Refractories from 10% to 7.5%; and
- (b) Raw materials for refractories namely, natural graphite powder, aluminous cement, boron carbide, reactive alumina, silicon metal (99% purity), micro/fumed silica, brown fused alumina, fused zirconia, silicon carbide, sodium hexameta phosphate, sintered/tabular alumina and fused silica from 10% to 7.5%.

F. CHEMICALS AND PETROCHEMICALS:

- 1) Customs duty on basic inorganic chemicals such as halogens, sulphur, carbon, hydrogen, falling under headings 2801 to 2805, has been reduced from 15% to 10%;
- 2) Customs duty on organic chemicals falling under headings 2901 to 2904, with the exception of Chloromethanes and Trichloroethylene, has been reduced from 10% to 5%;
- 3) Customs duty on methanol has been reduced from 15% to 10%;
- 4) Customs duty on Styrene, Ethylene Dichloride and Vinyl Chloride Monomer has been reduced from 5% to 2%;
- 5) Customs duty has been reduced from 10% to 7.5% on catalysts of heading 3815;
- 6) Customs duty has been reduced on Ethyl Vinyl Acetate from 10% to 5%;
- 7) Customs duty has been reduced from 10% to 5% on Polymers of Ethylene (LDPE, LLDPE, HDPE, LHDPE, LMDPE), Polymers and copolymers of Propylene, Polymers and copolymers of Styrene and Polymers of Vinyl Chloride;
- 8) Customs duty on naphtha for manufacture of specified polymers has been reduced from 5% to Nil.

G. AGRICULTURE

- 1) Customs duty has been increased from 30% to 60% on honey.
- 2) Customs duty has been increased on vanaspati, bakery shortening, inter-esterified, re-esterified, elaidinised fats, margarine and similar boiled, oxidized, dehydrated, sulphurised, blown, polymerized or modified preparations of edible grade, falling under headings 1516, 1517 or 1518, from 30% to 80%.
- 3) Concessional rate of 5% customs duty + Nil CVD, presently available to specified plantation machinery upto 30.4.2006, has been extended by one more year.
- 4) Customs duty has been reduced on Atlantic salmon from 30% to 10%.

H. TEXTILES:

- 1) Customs duty on man made fibres, filaments yarns and spun yarns has been reduced from 15% to 10%;
- 2) Customs duty on DMT, PTA, MEG and Caprolactum has been reduced from 15% to 10%;
- 3) Customs duty on Paraxylene has been reduced from 5% to 2%;
- 4) Customs duty on specified textile machinery, and parts for manufacture of such machinery, has been reduced from 15% to 10%.

I. INFORMATION TECHNOLOGY:

- 1) Customs duty on Set Top Boxes, whether or not covered under ITA (Information Technology Agreement), has been unified at Nil customs duty plus 16% CV duty plus 4% special additional duty of customs;
- 2) CVD under Section 3(3) of the Customs Tariff Act has been withdrawn on computers consequent to imposition of excise duty at 12% on computers.
- 3) Customs duty on MP3 Players and MPEG4 Players has been reduced from 15% to 5%.

J. PETROLEUM:

- 1) Customs duty on naphtha has been reduced from 10% to 5%;
- 2) Customs duty on Petroleum Coke has been reduced from 10% to 5%;
- 3) Customs duty on natural gas including propane and butanes, has been unified at 5%.

K. HEALTH

- 1) Customs duty on 14 specified anti-cancer and 10 specified Anti-AIDS drugs, and bulk drugs for their manufacture, has been reduced to 5% with Nil CVD by way of excise duty exemption.
- 2) Customs duty has been reduced to 5% on 4 specified drugs and bulk drugs for their manufacture. These drugs will be exempt from CV duty also by way of excise duty exemption.
- 3) Customs duty has been reduced to 5% on 2 specified diagnostic kits and 1 equipment. These kits/equipment will be exempt from CV duty also by way of excise duty exemption.

L. PROJECT IMPORTS

Pipeline projects for transportation of crude oil, petroleum products and natural gas have been notified as project imports under Heading 9801.

M. MISCELLANEOUS:

- 1) Customs duty has been reduced on:
 - (a) Non-edible grade oils having Free Fatty Acid content of 20% or above, used for manufacture of soaps, industrial fatty acids and fatty alcohols, from 15% to 12.5%;
 - (b) Vinyl acetate monomer from 15% to 10%.
 - (c) Butyl rubber from 15% to 10%.
 - (d) Crude glycerine from 30% to 12.5%.
 - (e) 2-Vinyl pyridine from 15% to 10%.
 - (f) Metallurgical grade silicon from 15% to 10%.
 - (g) Borax/boric acid from 15% to 10%.
 - (h) Cullet (broken glass) from 15% to 5%.
 - (i) Parts of pens under heading 9608 from 15% to 5 %.
 - (j) Parts of hearing aids from 5% to Nil.
 - (k) Potassium chloride from 15% to 10%.
 - (l) Bisphenol-A and Epichlorohydrin, for the manufacture of Epoxy Resin, from 10% to 5%.
 - (m) Phenol/acetone, for manufacture of bisphenol-A, from 15% to 5%.
 - (n) Packaging machinery, falling under 8422 30 00 and 8422 40 00, from 15% to 5%.
- 2) A unified rate of 10% customs duty has been prescribed for glass frit and all other glass under tariff item 3207 40 00.

N. WITHDRAWAL OF EXEMPTIONS

Customs duty exemptions/concessions have been withdrawn on following items:

- 1) Subbed polyester base, for the manufacture of medical or industrial X-ray films and graphic art films.
- 2) Saddle tree.
- 3) Parts of outboard motors imported by specified agencies.
- 4) Spare parts for maintenance of textile machinery.
- 5) Video cassettes and video tapes imported by Television Centre of All India Radio, or by M/s Electronic Trade and Technology Development Corporation Ltd or by others.
- 6) Food preparations containing flour, meal, starch, etc. in a specified proportion meant for infant use and put up for retail sale.
- 7) Food products (excluding alcoholic preparations) imported by hotels/tourism industry in terms of licenses issued under 1997-2002 Exim Policy.
- 8) Plant, machinery, equipment imported for setting up of Currency Note/Bank Note Press at Salbony, Mysore, Nasik and Dewas.
- 9) Exemption from CVD on gold concentrate. This exemption will continue by way of excise duty exemption.
- 10) Specified goods for manufacture of capital goods for setting up of a unit with an investment of Rs 5 crore or more.

CENTRAL EXCISE

Note: (a) *SED* means *Special Excise Duty*.
 (b) *AED (GSI)* means *Additional Excise Duty (Goods of Special Importance) Act*.

Changes come into effect immediately unless otherwise specified.

Major proposals about central excise duty are the following:

A. RELIEF MEASURES:

- 1) Excise duty has been reduced from 24% to 16% on aerated waters.
- 2) Excise duty has been reduced from 24% to 16% on:
 - (a) Petrol cars with length not exceeding 4 metres and engine capacity not exceeding 1200 cc; and
 - (b) Diesel cars with length not exceeding 4 metres and engine capacity not exceeding 1500 cc.
- 3) Excise duty has been reduced from 16% to 8% on:
 - (a) Heat resistant latex rubber thread
 - (b) LPG gas stoves of value exceeding Rs.2000 per unit
 - (c) Compact Fluorescent Lamps
 - (d) Footwear of retail sale price between Rs.250 and Rs.750 per pair
- 4) Excise duty has been fully exempted on:
 - (a) Paddy de-husking rice rubber rolls
 - (b) Nuclear grade sodium produced by Heavy Water Board for supply to Kalpakkam Nuclear Power Plant
 - (c) Drawing inks
 - (d) Quebracho and Chestnut extract
 - (e) Gold concentrate for refining
- 5) Excise duty has been reduced from 16% to 12% on specified printing, writing and packing paper.

B. IMPOSITION AND INCREASE IN DUTY:

- (I) Imposition
 - 1) Excise duty of 8% with CENVAT credit has been imposed on:
 - (a) Goggles
 - (b) Articles of wood
 - (c) Registers, accounts books, order books, receipt books, letter pads, memorandum pads, dairies, binders, folders, file covers, etc. (excluding note books and exercise books)
 - (d) Paper labels
 - (e) Paper pulp moulded trays
 - (f) Articles of mica
 - (g) Goods containing at least 25% by weight of fly ash/phospho gypsum
 - (h) Roofing tiles
 - (i) Raw, tanned or dressed fur skins
 - (j) Portable receivers for calling, alerting or paging
 - (k) Henna powder, not mixed with any other ingredient
 - (l) 100% wood free plain or pre-laminated particle or fiberboard, made from sugarcane bagasse or other agro-waste
 - (m) Parts of walking-sticks, seat-sticks, whips, riding-crops and the like
 - (n) Parts of drawing and mathematical instruments
 - (o) Frames and mountings for spectacles, goggles or the like, of value below Rs. 500 per piece

[Note: In all these cases, exemption upto Rs.1 crore would be available under the general Small Scale Industries (SSI) exemption scheme]

2) Excise duty of 16% has been imposed on:

- (a) Umbrellas and sun umbrellas, and their parts.
- (b) Food preparations intended for free distribution subject to end use certification (Food products, in general, are exempted unconditionally from excise duty).
- (c) Soap manufactured under a scheme for sale of Janata soap.
- (d) Strips and tapes of polypropylene used in the factory of its production in the manufacture of polypropylene ropes
- (e) Parts and components of motor vehicles transferred to a sister unit for manufacture of goods falling under chapter 87.
- (f) Goods (other than Electrical stampings and laminations; Bearings; and Winding wires) supplied for manufacture of PD pumps for handling water.
- (g) Specified Goods meant for display in any fair or exhibition in India
- (h) Parts of table ware, kitchenware and other household articles of - iron and steel, copper, aluminium
- (i) Railway track machines
- (j) Sulphur (2503 00 10). Sulphur falling under this tariff item for fertilizers will be exempt.
- (k) Mixture of graphite and clay for manufacture of pencils or pencil leads.
- (l) Aluminium ferrules for manufacture of pencils.
- (m) Tobacco used for smoking through 'hookah' or 'chilam', commonly known as 'hookah' tobacco or 'gudaku'

[Note: In all these cases, exemption upto Rs.1 crore would be available under the general Small Scale Industries (SSI) exemption scheme]

(III) Excise duty has been raised from 8% to 16% on:

- (a) Mosaic tiles
- (b) Glassware
- (c) Lay flat tubing
- (d) Cigarette filter rods

(IV) The rate of compounded levy on stainless steel patti/pattas has been increased from Rs. 15000/- per machine to Rs. 30000/- per machine.

C. FOOD PROCESSING

Excise duty has been reduced on:

- (a) Condensed milk from 16% to Nil.
- (b) Ice cream from 16% to Nil.
- (c) Pectic substances, pectinates and pectates, pectin esterase from 16% to Nil.
- (d) Yeast from 16% to Nil.
- (e) Processed meat, fish and poultry products from 8% to Nil.
- (f) Pasta, whether or not cooked or stuffed or otherwise prepared, from 16% to Nil.
- (g) Ready to eat packaged food from 16% to 8%.
- (h) Texturised vegetable protein (Soya bari) and instant food mixes, namely, pongal mix, vadai mix, pakora mix, payasam mix, gulab jamun mix, rava dosa mix, idli mix, dosai mix, murruku mix and kesari mix, from 16% to 8%.
- (i) Concessional rate of 8% of excise duty applicable on scented supari with retail sale price (RSP) of 50 paise or less per pouch has been extended to scented supari with RSP of Re.1 or less per pouch.

D. PETROLEUM

Cess leviable on domestic petroleum crude oil under the Oil Industry (Development) Act, 1974 has been increased from Rs.1800 per tonne to Rs.2500 per tonne.

E. TOBACCO PRODUCTS:

- 1) Excise duty rates have been unified at 66% for all types of pan masala.
- 2) Tariff values have been fixed for pan masala as under:

S. No.	Contents	Proposed tariff value (Rs.)
1.	If MRP is not printed on packs containing,-	
	(a) Not more than 2 grams per pack	1.50
	(b) More than 2 grams but less than 4 grams	3.00
	(c) More than 4 grams but less than 10 grams	Rs.3 + Rs.1.25 per gram or part thereof beyond 4 grams
2.	If MRP is printed on the pack containing less than 10 grams	50% of MRP

- 3) Specific rates of excise duty on cigarettes have been revised as under:

S. No.	Description	Present rate	Proposed rate
	Non-Filter Cigarettes	(Rs. per 1000)	
1	Not exceeding 60 mm in length	150	160
2	Exceeding 60 mm but not exceeding 70 mm	495	520
	Filter Cigarettes		
3	Not exceeding 70 mm in length	740	780
4	Exceeding 70 mm but not exceeding 75 mm	1200	1260
5	Exceeding 75 mm but not exceeding 85 mm	1595	1675
6	Other cigarettes	1960	2060

F. TEXTILES:

- 1) Excise duty on all man made (like polyester, nylon, viscose and acrylic) fibres and filament yarns has been reduced from 16% to 8%.

G. SMALL SCALE INDUSTRIES:

SSI exemption available to power driven pumps has been restricted only to those pumps, which conform to prescribed BIS Standards. This will be effective from 1.4.2006.

H. INFORMATION TECHNOLOGY:

- 1) Excise duty of 12% has been imposed on computers.
- 2) Excise duty of 8% has been imposed on packaged software on electronic media.
- 3) Excise duty of 16% has been imposed on set top boxes not covered under the Information Technology Agreement.
- 4) Excise duty on storage devices, namely, DVD-Drives, Flash Drives and Combo Drives has been reduced from 16% to Nil.
- 5) Excise duty on MP3 Players and MPEG4 Players has been reduced from 16% to 8%.

I. EXPORT ORIENTED UNITS:

Duty on clearances of goods to Domestic Tariff Area from Export Oriented Units, Software Technology Parks, Electronic Hardware Technology Parks etc. has been changed from 50% of aggregate of customs duties to 25% of the basic customs duty plus excise duty payable on like goods.

J. RETAIL SALE PRICE (RSP) BASED ASSESSMENT:

- 1) RSP based assessment is being extended from a date to be notified to:
 - (a) Parts, components and assemblies for automobiles
 - (b) Plant growth regulators
 - (c) Tooth brushes
- 2) Abatement from RSP for levy of excise duty on aerated waters has been reduced from 45% to 42.5% consequent to reduction in excise duty from 24% to 16%.
- 3) Abatement from RSP for levy of excise duty on Compact Fluorescent Lamp has been reduced from 40% to 37% consequent to reduction in excise duty from 16% to 8%.

- 4) Abatement from RSP for levy of excise duty on footwear of RSP exceeding Rs.250 and upto Rs.750 per pair has been reduced from 40% to 37% consequent to reduction in excise duty from 16% to 8%.
- 5) Abatement from RSP for levy of excise duty on ready to eat packaged food, instant food mixes has been reduced from 40% to 37% consequent to reduction of excise duty from 16% to 8%.
- 6) Existing rate of abatement of 50% will apply to all varieties of pan masala, which are subject to RSP based assessment and also in other cases where the RSP is printed despite there being no legal requirement to do so.

K. WITHDRAWAL OF EXEMPTION ON GOODS MANUFACTURED WITHOUT THE AID OF POWER:

A number of excisable goods have been given exemption from excise duty if no power is used in the process of manufacture. However, it is difficult to implement such exemptions. There are disputes as to what constitutes use of power, and also whether use of power in a particular process can be considered as use of power in manufacture. Such units are likely to be small and will, therefore, be eligible for SSI exemption scheme. Having regard to this, following exemptions to goods manufactured without the aid of power have been removed

- 1) Essential oils, solutions of essential oils, other than sandalwood
- 2) Perfumes and toilet waters
- 3) Bricks, blocks, ceramic tiles and other ceramic goods
- 4) Ceramic building bricks, roofing tiles, chimney pots, chimney liners, Ceramic pipes and conduits etc.
- 5) Unglazed ceramic flags and paving, vitrified tiles
- 6) Padlocks, locks of base metal, clasps
- 7) Signaling flares, rain rockets, fog signals and other pyrotechnic articles (excluding fireworks)
- 8) Precious metals and metals clad with precious metals excluding silver of Chapter 71
- 9) Other items of Chapter 71
- 10) Metal containers of iron, steel and aluminium
- 11) Lacs, gums resins, other vegetable saps and extracts
- 12) Soap
- 13) Turpentine oil, rosin oil
- 14) Veneer sheets, and sheets for plywood and other wood sawn lengthwise, sliced or peeled, of a thickness not exceeding 6 mm
- 15) Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped along any of its edges or faces
- 16) Biscuits
- 17) Marble slabs and tiles
- 18) Sugar

L. WITHDRAWAL OF EXEMPTION FROM EXCISE DUTY ON UNBRANDED GOODS:

Certain goods have been exempted from central excise duty if they are sold without a brand name. Since unbranded products are mainly made by smaller units, they will generally be eligible for the exemption under the general SSI exemption scheme. Larger units will pay excise duty but will be able to take input tax credit. Having regard to this, the exemption from excise duty has been withdrawn in the case of following unbranded goods:

- 1) Wadding, gauges.
- 2) Protein concentrates and textures protein substances.
- 3) Churan for paan.
- 4) Custard powder.
- 5) Food items of tariff line 2106 90 99.
- 6) Food flavouring matter.
- 7) Sugar syrups containing added flavouring or colouring matter (excluding preparations for lemonades or other beverages intended for use in aerated waters).
- 8) Mineral water.
- 9) Waters other than aerated and mineral waters, ice and snow, not containing sugar or other sweetening matter or flavour (2201 90 90).
- 10) Waters other than aerated and mineral waters, ice and snow containing sugar or other sweetening matter or flavour other than aerated waters or lemonade (2202 10 90).
- 11) Beverages containing milk (2202 90 30).

- 12) Other waters (2202 90 90).
- 13) Edible mixtures or preparations of animal or vegetable fats and oils (other than margarine and linoxyn).
- 14) Preparations of vegetables and fruits of chapter 20.

M. MISCELLANEOUS

- 1) Provision has been made to charge excise duty only on value addition in respect of Glued insulating rail joints, if no input tax credit is taken.
- 2) Excise duty exemption available on raw materials for manufacture of rotor blades of wind operated energy generators, has been extended to all glass fibre items (7019) and resin binders (3824 90).
- 3) Generic exemption to products of coir industry, cashew industry, tanning industry, oil mill and solvent extraction industry, and rice milling industry has been withdrawn. This should not result in any additional duty as specified products of these industries are separately exempted from excise duty.
- 4) Exemption has been withdrawn in cases where cost of durable packing used for specified goods was not included in the value for assessment. This exemption has become redundant after the introduction of transaction value under Section 4 of Central Excise Act.

N. AMENDMENTS IN CUSTOMS AND CENTRAL EXCISE ACT AND RULES:

- 1) Section 12C of the Central Excise Act is being amended to provide that the surplus amount referred to in sub-section (6) of section 73A of Finance Act, 1994 shall be credited to the Consumer Welfare Fund.
- 2) Section 23C of the Central Excise Act is being amended to explicitly confer the powers to decide the excisability of any product on the Advance Ruling Authority.
- 3) A Note has been inserted in Chapter 25 to provide that in relation to products of heading 2515 and 2516, the processes of cutting or sawing or sizing or polishing of blocks into slabs or tiles, shall amount to 'manufacture'.
- 4) Note 7 to Chapter 32 in the First Schedule to the Central Excise Tariff Act, 1985 has been amended so as to provide that in relation to products of heading 3206 and products of tariff items 3204 19 81 to 3204 19 90, labelling or relabelling of containers and repacking from bulk packs to retail packs or the adoption of any other treatment to render the product marketable to the consumer, shall amount to 'manufacture'."
- 5) A Note has been inserted in Chapter 39 so as to provide that in respect of goods falling under heading 3920 and 3921, the process of metallizing shall amount to 'manufacture'.
- 6) A Note has been inserted in Chapter 72 so as to provide that in relation to the products of this Chapter, the process of drawing or redrawing a bar, rod, wire rod, round bar or any other similar article, into bright bar, shall amount to 'manufacture'.
- 7) Note 5 in Chapter 73 provides that the process of coating with cement or polyethylene or other plastic materials of pipes and tubes of heading 7304 and 7305 amounts to 'manufacture'. This provision is being extended to goods of heading 7306.
- 8) Capital goods imported under EPCG Scheme are assessed to duty on the basis of transaction value as per the Customs Valuation Law. However, in respect of certain licences, while fixing the export obligation, which is a multiple of CIF value of imports, instead of taking into account the actual Customs assessed value, the corresponding value of new capital goods was taken. Notification No.160/92-Customs dated 20.4.1992 is being amended retrospectively to provide that in respect of these licenses, the export obligation would be refixed based on actual CIF value assessed by Customs instead of the corresponding value of new capital good.
- 9) Notification No.96/2004-Customs dated 17.9.2004 issued under DEPB Scheme expired on 30.9.2005 and subsequently, a new notification (No.89/2005-Customs dated 4.10.2005) was issued to allow imports under DEPB Scheme without payment of customs duty upto 31.12.2005. There was a gap of three days between the expiry of the earlier notification and issue of the new one. Notification No.96/2004-Customs, issued under DEPB Scheme, is being amended so as to retrospectively permit benefit of DEPB Scheme to goods imported during the period 1.10.2005 to 3.10.2005 (both days inclusive).
- 10) First Schedule to the Customs Tariff Act, 1975, is being amended so as to incorporate the amendments approved by the Customs Cooperation Council (World Customs Organization) in the legal text of the International Convention on the Harmonized Commodity Description and Coding System (Harmonized System). These changes would align the First Schedule of the Customs Tariff Act with the Harmonized System. This amendment will come into force with effect from 1.1.2007.
- 11) Section 9 of the Customs Tariff Act, 1975 deals with levy of countervailing duty on import of goods in respect of which any subsidy has been paid. In terms of Section 9(1), the subsidy is deemed to exist if there is financial contribution by a Government or any public body within the territory of the exporting or producing country. Section 9(1) is being amended so as to substitute the words 'territory of the exporting or producing country' by 'exporting or producing country or territory'. This will clarify that this section will cover cases where subsidy is bestowed by a country or by a Customs Union of more than one country.
- 12) A new sub-section 9(9) is being inserted in the Customs Tariff Act, 1975. This is an enabling provision for application of certain provisions of the Customs Act, 1962, in respect of date of determination of the rate of duty, non levy, short levy, refunds, interest, appeals, offences and penalties to the duty chargeable under Section 9.
- 13) In Section 9 A (1) of the Customs Tariff Act, 1975, the words 'meant for consumption' are being substituted by 'destined for consumption'.

- 14) Section 23 and 68 of the Customs Act, 1962 are being amended to ensure that the provisions relating to relinquishment of title to imported goods is not available to the importer in case such goods are involved in any offence.
- 15) First Schedule to the Central Excise Tariff Act, 1985 is being amended so as to align it with the Customs Tariff Act, 1975 (CTA), in line with the amendments proposed in CTA with effect from 1.1.2007.

O. AMENDMENTS IN OTHER ACTS:

- 1) The Indian Stamp Act, 1899 is being amended so as to:
 - (a) delegate the powers for composition or consolidation of stamp duties in respect of the instruments specified in the Union List of the Seventh Schedule to the Constitution, to State Governments, with a view to simplify and streamline the existing procedure. Presently, the powers are being exercised by the Central Government.
 - (b) place all the instruments on equal footing in the matter of validation of instruments not duly stamped, on payment of the due stamp duty along with penalty thereon. Presently, the benefit of such validation is not available in case of Bills of Exchange and Promissory Notes not duly stamped, which creates difficulties in enforcement of financial obligations between the debtors and creditors.
- 2) The Promissory Notes (Stamp) Act, 1926 is being repealed, since this legislation has served its purpose, as the same was applicable for a limited period with effect from the 30th day of September, 1923 to the 5th day of January, 1925.
- 3) Section 14 of the Central Sales Tax Act, 1956 is being amended to include 'liquefied petroleum gas for domestic use' in the list of goods of special importance in Inter-State trade or commerce (Declared Goods), with a view to ensure that the state sales tax/VAT on this essential commodity is kept within reasonable limits.