

EXPLANATORY NOTES (CENTRAL EXCISE)

General.

1. Secondary and Higher Education Cess on excisable goods

1.1 A Secondary and Higher Education Cess @ 1% of the aggregate of duties of excise has been imposed on excisable goods. This Cess would be in addition to the existing education Cess of 2% imposed in budget 2004. By virtue of the declaration under the Provisional Collection of Taxes Act 1931, this levy will come into force with immediate effect. (Clause 126 read with clause 128 of the Finance Bill, 2007 refers).

1.2 This Cess will be calculated in the same manner as Education Cess imposed in budget 2004. The existing Cess of 2% and proposed Cess of 1% are to be excluded while calculating both the Cesses. (Clause 128 of the Finance Bill, 2007 and Notification No. 18/2007-Central Excise refer).

1.3 The Cenvat Credit Rules, 2004 have been amended to allow credit of Secondary and Higher Education Cess paid on excisable goods or services. This credit can be utilized only for payment of Education Cess under the Finance Act 2004 or Secondary and Higher Education Cess. [(Notification No. 10/2007-Central Excise (N.T) refers]

2. Small Scale Industries (SSI) Exemption.

2.1 The full exemption limit for Small Scale Industries is being increased from Rs. 1 Crore to Rs. 1.5 Crore. This change will come into effect on 1st April, 2007. (Notification No. 8/2003-CE has been amended vide Notification No. 8/2007-Central Excise refers)

Chapters 1 to 18

No change.

Chapter 19

19.1 Excise duty has been fully exempted on biscuits of per kilogram retail sale price equivalent of Rs.50 per kg or less. (S.No. 18A of the Notification No. 3/2006-Central Excise as inserted vide Notification No. 3/2007- Central Excise refers).

19.2 Nil rate of excise duty for 'preparations for infant use, put up in unit containers', available prior to introduction of 8-digit tariff, has been restored. (S.No. 5A of the

Notification No. 3/2005-Central Excise as inserted vide Notification No. 7/2007-Central Excise refers).

Chapter 20

No change.

Chapter 21

21.1 Total excise duty (Cenvat + NCCD + Health Cess) on pan masala (not containing tobacco) has been reduced from 66% to 45%. (S.No. 29A of the Notification No. 3/2006-Central Excise as inserted vide Notification No. 3/2007-Central Excise and S.No.1 of Notification No. 6/2005 as amended vide Notification No. 9/2007-Central Excise refer).

21.2 Simultaneously, abatement from retail sale price for the purpose MRP based levy has also been reduced from 50% to 44%. (S.No. 20 of the Notification No. 2/2006 Central Excise (NT) as substituted vide Notification No. 14/2007- Central Excise (NT) refers).

21.3 Excise duty on food mixes, including instant food mixes, has been reduced from 16%/8% to Nil. (S.Nos. 28 and 30A of the Notification No. 3/2006- Central Excise as amended/inserted vide Notification No. 3/2007-Central Excise refers).

Chapters 22 to 23

No change.

Chapter 24

24.1 Specific rates of total excise duty (Cenvat + NCCD + Health Cess) on cigarettes has been increased as under:

S.No	Non-filter of length	From	To
		Rs. Per 1000	
1	Not exceeding 60 mm.	160	168
2	Exceeding 60 mm but not exceeding 70 mm	520	546
	Filter cigarettes of length		
3	Not exceeding 70 mm	780	819
4	Exceeding 70 mm but not exceeding 75 mm.	1260	1323
5	Exceeding 75 mm but not exceeding 85 mm.	1675	1759
6	Other cigarettes	2060	2163
7	Cigarettes of tobacco substitutes	1150	1208

(Relevant bill entries refer.)

24.2 Specific rates of total excise duty on biris (Cenvat + NCCD + Beedis Workers' Welfare Cess) has been increased as under:

S.No	Description	From	To
		Rs. Per 1000	
1	Biris (other than paper rolled and manufactured without aid of machines)	12	16
2	Other biris	22	29

(S.Nos. 37 and 38 of Notification No. 3/2006-Central Excise as amended vide Notification No. 3/2007-Central Excise refers).

24.3 Further, biris, which were allowed to be cleared at nil rate, can still avail of this exemption by making after filling declaration in the prescribed format. (Condition 2 to S.No. 36 of Notification No. 3/2006-Central Excise as inserted vide Notification No. 3/2007-Central Excise refers).

24.4 Exemption contained in notification 8/2004-Central Excise for certain tobacco products for specified units located in the North East Region, would not be available in respect of goods cleared on and after the 1st March, 2007. However, in respect of goods cleared by such units on or before 28th of February, 2007 on which the exemption under the said notification has already been availed of, the conditions of the notification shall continue to apply. (Notification No 8/2004-Central Excise as amended by notification No.11/2007-Central Excise refers)

Chapter 25

25.1 Specific rates of excise duty on cement falling under sub-heading 2523 29 have been revised as under:

S.No.		From	To
1	<ul style="list-style-type: none"> ○ <u>Cement manufactured by mini-cement plant cleared in packaged form</u> (a) of retail sale price not exceeding Rs.190 per 50 Kg bag or per metric tonne retail sale price equivalent not exceeding Rs.3800 (b) of retail sale price exceeding Rs.190 per 50 Kg bag or per metric tonne retail sale price equivalent exceeding Rs.3800 	<p>Rs. 250 per tonne</p> <p>Rs. 250 per tonne</p>	<p>Rs. 220 per tonne</p> <p>Rs. 370 per tonne</p>
2	<ul style="list-style-type: none"> <u>Cement, manufactured by other than mini-cement plant, cleared in packaged form</u> a) of retail sale price not exceeding Rs.190 per 50 Kg bag or per metric tonne retail sale price equivalent not exceeding Rs.3800 b) of retail sale price exceeding Rs.190 per 50 Kg bag or per metric tonne retail sale price equivalent exceeding Rs.3800 	<p>Rs. 400 per tonne</p> <p>Rs. 400 per tonne</p>	<p>Rs. 350 per tonne</p> <p>Rs. 600 per tonne</p>

(Relevant bill entries read with amendments to Notification No. 4/2006-Central Excise vide Notification No. 4 /2007-Central Excise refers.)

25.2 Suitable amendments have been made to the Third Schedule of the Central Excise Act, 1944, so as to provide that in respect cement falling under sub-heading 2523 29 packing or repacking in unit container, labelling or relabelling of packages, including the declaration or alteration of RSP on it or adoption of any other treatment to render the product marketable to the consumer, shall amount to 'manufacture'. This amendment comes into immediate effect, by virtue of a declaration made under the Provisional Collection of Taxes Act. (Relevant bill entries refer)

Chapter 26

No change.

Chapter 27

27.1 Ad-valorem component of excise duty on motor spirit commonly known as petrol and high-speed diesel (HSD) has been reduced from 8% to 6%. (S.Nos. 17 and 19 of the

Notification No. 4/2006-Central Excise as amended vide Notification No. 4/2007-Central Excise refer).

Chapter 28

28.1 Excise duty exemption on chemicals, falling under Chapters 28 or 29, used in the manufacture of centchroman has been withdrawn. They will now attract excise duty of 16%. (S.No. 42 of the Notification No. 4/2006-Central Excise omitted vide Notification No. 4/2007-Central Excise refers).

Chapter 29.

29.1 Excise duty on benzene for use in the manufacture of caprolactam has been reduced from 16% to 12%. (S.No. 52 F of the Notification No. 4/2006-Central Excise as inserted vide Notification No. 4/2007-Central Excise refers).

29.2 Excise duty on caprolactam has been reduced from 16% to 12%. (S.No. 52G of the Notification No. 4/2006-Central Excise as inserted vide Notification No. 4/2007-Central Excise refers).

29.3 Excise duty on bio-diesel (alkyl esters of long chain fatty acid from vegetable oils falling under Chapters 29 or 38) has been fully exempted. (S.No. 53A of the Notification No. 4/2006-Central Excise as inserted vide Notification No. 4/2007-Central Excise refers).

Chapter 30.

30.1 Excise duty on wadding, gauze has been reduced from 16% to 8%. (S.No. 62A of the Notification No. 4/2006-Central Excise as inserted vide Notification No. 4/2007-Central Excise refers).

30.2 Excise duty exemption on Nicotine polacrilex gum has been withdrawn. It will now attract excise duty @ 8%. (S.No. 61 of the Notification No. 4/2006- Central Excise as amended vide Notification No. 4 /2007- Central Excise refers).

Chapters 31 to 37.

No change.

Chapter 38.

38.1 Excise duty exemption on Chemical reagents manufactured by Hindustan Antibiotics Ltd. has been withdrawn for use in the manufacture of kits for testing narcotic

drugs and psychotropic substances. They will now attract excise duty @ 16%. (S.No. 75 of the Notification No. 4/2006-Central Excise omitted vide Notification No. 4/2007-Central Excise refers).

Chapter 39.

39.1 Excise duty on nylon chips has been reduced from 16% to 12%. (S.No. 80B of the Notification No. 4/2006-Central Excise as inserted vide Notification No. 4/2007-Central Excise refers).

Chapters 40 to 43

No change.

Chapter 44

44.1 Excise duty on plywood, veneered panels and similar laminated wood of heading 4412 has been reduced from 16% to 8%. (S.No 87B of Notification No. 4/2006-Central Excise as inserted vide Notification No. 4/2007-Central Excise refers).

Chapters 45 to 49.

No change.

Chapters 50 to 53.

No change.

Chapter 54.

54.1 Optional excise duty on nylon filament yarns (including monofilament yarns) of 210 deniers with tolerance of 6 per cent. has been increased from 8% to 12%. Same optional duty rate has been prescribed for nylon filament yarns (including monofilament yarns) of deniers in the multiples of 210, i.e. 420, 630 etc. with tolerance of 6 per cent. (Refer Notification No. 5/2006-Central Excise and Notification No. 30/2004-Central Excise as amended vide Notification Nos. 5/2007-Central Excise and No. 13/2007-Central Excise respectively).

54.2 Optional excise duty on nylon fish net fabrics has been increased from 8% to 12%. (Relevant bill entries read with amendments to Notification No. 29/2004-Central Excise vide Notification No.12/2007-Central Excise refers).

Chapter 55.

No change.

Chapter 56.

56.1 Optional excise duty on nylon fish net twine has been increased from 8% to 12%. (Relevant bill entries read with amendments to Notification No. 29/2004-Central Excise vide Notification No. 12/2007-Central Excise refers).

56.2 Optional excise duty @ 12% has been imposed on made up fishing nets falling under sub-heading 5608 11. (Relevant bill entries read with amendments to Notification No. 30/2004-Central Excise vide Notification No. 13 /2007-Central Excise refers).

Chapters 57 to 63.

No change.

Chapters 64

64.1 Excise duty on parts of footwear falling under heading 6406 has been reduced from 16% to 8%. (S.No. 5A of the Notification No. 5/2006-Central Excise as inserted by Notification No. 5/2007-Central Excise refers).

Chapter 65

No change.

Chapter 66

66.1 Excise duty on umbrellas and sun umbrellas falling under heading 6601 has been reduced from 16% to 8%. (S.No. 5B of the Notification No. 5/2006-Central Excise as inserted by Notification No. 5 /2007-Central Excise refers).

Chapters 67 to 69

No change.

Chapter 70

70.1 Excise duty exemption on optical glass manufactured by the Central Glass and Ceramic Research Institute, Calcutta for use by any Department of Central Government is being withdrawn. They will now attract excise duty @ 16%. (S.No.17 of the Notification No. 5/2006-Central Excise as omitted vide Notification No. 5/2007-Central Excise refers).

Chapter 71

71.1 Excise duty exemption on dust and powder of synthetic precious or semi-precious stones has been withdrawn. They will now attract excise duty @ 8%. (S.Nos. 22 and 22A of Notification No. 5/2006-Central Excise as amended/inserted vide Notification No 5/2007-Central Excise refers).

Chapters 72 to 83

76.1 Optional compounded levy on aluminium circles, produced from sheets manufactured on cold rolling machines has been increased from Rs.7,500 and Rs. 10,000 per machine per month, depending upon the size of the roller of cold rolling machine, to a uniform rate of Rs.12,000 per machine per month. (Notification No. 17/2007-Central Excise, dated the 1st March, 2007 supersedes Notification No.34/2001-Central Excise, dated the 28th June, 2001).

Chapter 84 and 85

84.1 Excise duty exemption on specified plantation machinery, presently valid upto 30.04.07 is being extended by two years i.e. upto 30.04.09. (Proviso in the preamble to the Notification No.6/2006-Central Excise as amended by notification No. 6/2007-Central Excise refers.)

84.2 Excise duty has been reduced from 16% to Nil on water purification equipment based on specified membrane technologies, and also household filters functioning without electricity and pressurized tap water. (S.Nos. 8B and 8C of Notification No. 6/2006-Central Excise as inserted vide Notification No. 6/2007-Central Excise).

84.3 Excise duty exemption on High speed cold-set web offset printing machines with a minimum speed of 70, 000 copies per hour is being withdrawn and 8% excise duty is being imposed. (S.No 12 of Notification No. 6/2006-Central Excise as amended by Notification No. 6/2007-Central Excise refers)

84.4 Excise duty exemption on specified textile machinery items has been withdrawn and 8% excise duty has been imposed. (S.No 3 of Notification No. 6/2006-Central Excise as amended by Notification No. 6/2007-Central Excise refers).

84.5 Excise duty exemption provided on 'USB Flash memory' and 'DVD drives, is being extended to all kinds Flash memory and DVD writers respectively. (S.No.17 of Notification No. 6/2006-Central Excise as amended by Notification No. 6/2007-Central Excise refers).

84.6 Excise duty exemption on recorded video cassettes intended for television broadcasting has been withdrawn and @ 8% excise duty is being imposed. (S.No 23 of Notification No. 6/2006-Central Excise as amended by notification No.6/2007-Central Excise refers).

84.7 Tariff rate of excise duty on all goods falling under heading 8528 of the Central Excise Tariff is being fixed at 16%. (Relevant bill entry in the Fifth Schedule to the Finance Bill, 2007 refers).

Chapter 86 to 89

86.1 Tariff rate of excise duty on aircraft falling under heading 8802 of the Central Excise Tariff is being increased to 16%. However, aircraft acquired by scheduled operators, Government or PSU's will be exempted. (Relevant bill entry in the Fifth Schedule to the Finance Bill, 2007 and S.No. 54A of Notification No. 6/2006-Central Excise as inserted vide Notification No. 6/2007-Central Excise refers).

86.2 Tariff rate of excise duty on parts of goods falling under heading 8801 and 8802 of the Excise Tariff has been increased to 16%. However, parts of goods of heading 8801, parts of spacecraft, and parts of Aircraft procured by scheduled operators, Government or PSU's will continue to be exempted. (Relevant bill entry in the Fifth Schedule to the Finance Bill, 2007, and S.No. 54B and 54C of Notification No. 6/2006-Central Excise as inserted vide Notification No. 6/2007-Central Excise refers).

Chapters 90 to 96

96.1 Excise duty @8% has been imposed on brooms, brushes and other items (except toothbrushes) falling under heading 9603 of the Central Excise Tariff. (Notification No. 6/2007-Central Excise, dated the 1st March, 2007 amends S.No.75 of Notification No.6/2006-Central Excise and S.No.35 of Notification No.10/2006-Central Excise omitted vide Notification No.10/2007- Central Excise refer).

MISCELLANEOUS

M1: Full excise duty exemption has been extended to goods manufactured and cleared by M/s Brahmaputra Cracker and Polymer Limited, Dibrugarh, Assam for a period not exceeding ten years from the date of commencement of commercial production. (Notification No. 14/2007-Central Excise refers).

M2: Notification 64/95-Central Excise has been amended to provide excise duty exemption to components, raw materials, tools, lubricants and propellants, scientific and technical instruments, apparatus for systems and sub-systems of launch vehicles and satellite projects meant for Indian Space Research Organization. (Notification No. 15/2007-Central Excise refers).

M3: Excise duty exemption has been extended to supply of specified equipment, apparatus, accessories, parts, consumables, prototypes etc. to all research institutions registered with Department of Scientific & Industrial Research, subject to specified conditions. (Notification No. 16/2007-Central Excise amends S.No.2 of Notification No.10/97-Central Excise).

M4: Excise duty exemption provided on pipes used in drinking water projects, from the treatment plant to the storage, has been extended to all pipes of outer diameter exceeding 20 cm when such pipes are integral part of the project. Such pipes will be eligible for exemption irrespective of whether they are used for taking water from treatment plant to the first storage point or from one storage point to another storage point. (Notification No. 6/2007-Central Excise amends S.No.7 of Notification No. 6/2006-Central Excise).