

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE**

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D.O.F.No.334/3/2006-TRU
New Delhi, dated the 28th February, 2006

Dear Chief Commissioner/Commissioner,

The Finance Minister has introduced the Finance Bill, 2006 in the Lok Sabha on 28th February, 2006. Changes in excise and customs duties have been made through the Finance Bill and through Notification Nos.9/2006-Customs to 20/2006-Customs, 3/2006-CE to 22/2006-CE, and 2/2006-CE (NT) to 3/2006-CE (NT), all dated 1st March, 2006. Details of the changes are available in the Explanatory Notes. For full details, relevant provisions of the Finance Bill, 2006 and the notifications may be referred to. Salient features of some of these proposals in respect of excise and customs duties are indicated below. This is not an exhaustive summary of all the changes made, and is intended to give a bird's eye view of the proposals. For full details, relevant provisions of the Finance Bill and the notifications should be referred to.

(I) CUSTOMS

2. Additional duty of Customs

2.1 The 4% special CV duty, under section 3(5) of the Customs Tariff Act, 1975 which was imposed last year only on ITA goods and their parts/components, has been extended in general to all imports. It will apply to both agricultural and industrial products. This additional duty will not be included in the assessable value for levy of education cess on imported goods. Manufacturers will be able to take credit of this additional duty for payment of excise duty on their finished products. Articles of jewellery will, however, attract a lower rate of special CVD at 1%.

2.2 Some categories of imports, however, have been exempted from this special CVD. These are:

- (a) Goods exempt from VAT;
- (b) Goods exempted both from basic and CV duty (including CV duty exemption by way of excise duty exemption);
- (c) Petroleum crude, kerosene for PDS, LPG for domestic supply, petrol, diesel, coal, coke and petroleum gases and fuels of Chapter 27;
- (d) Passenger baggage;
- (e) Fertilizers and inputs for fertilizers;
- (f) DTA clearances of EOUs/EHTP/STP/SEZ units, provided such goods are not exempted from VAT/sales tax;
- (g) Gold concentrate;
- (h) Gold silver, rough and cut diamonds, precious metals, precious and semi-precious stones; and other goods of Chapter 71 excluding articles of jewellery;

- (i) Ships for breaking up ;
- (j) Non-mega power projects; transmission and distribution projects; and high voltage transmission equipments.

3. Peak rate of Duty

3.1 Peak rate of customs duty on non-agricultural goods has been reduced from 15% to 12.5% with a few exceptions. As regards textiles, only the ad valorem component has been reduced to 12.5%, the specific component, wherever applicable, remains unchanged. The tariff rates in general are being amended accordingly. Since the reduction in tariff rates will come into effect only on enactment of the Finance Bill, 2006, the effective rates are being prescribed through notifications.

4. Metals and their inputs

4.1 Customs duty has been reduced from 10% to 7.5% on primary and semi-finished forms of metals, namely, Ferro-alloys and other alloy steel (excluding seconds and defectives), Aluminium, Copper, Zinc, Tin, base metals of Chapter 81 and Calcined Alumina.

4.2 Customs duty has been reduced from 10% to 7.5% on ashes and residues of copper and zinc.

4.3 Customs duty has been reduced from 5% to 2% on mineral ores and concentrates.

4.4 Customs duty of 5% has been imposed on iron and steel melting scrap.

4.5 Concessional rate of 5% customs duty on nickel and articles of nickel has been restricted to goods falling under Chapter 75.

5. Refractories and their inputs

5.1 Customs duty has been reduced from 10% to 7.5% on refractories.

5.2 Customs duty has also been reduced from 10% to 7.5% on 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.

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

7. Agriculture:

7.1 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.

7.2 Customs duty has been increased from 30% to 60% on honey.

7.3 Customs duty has been increased from 30% to 80% 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.

7.4 Customs duty has been reduced on Atlantic salmon from 30% to 10%.

8. Information Technology:

8.1 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.

8.2 CVD under Section 3(3) of the Customs Tariff Act on computers has been withdrawn consequent to imposition of excise duty at 12% on computers.

8.3 Customs duty on MP3 Players and MPEG4 Players has been reduced from 15% to 5%.

9. Petroleum Products:

9.1 Customs duty has been reduced from 10% to 5% on naphtha and Petroleum Coke.

9.2 Customs duty on propane, butanes and natural gas, in any form, has been unified at 5%.

10. Chemicals and Petrochemicals:

10.1 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%.

10.2 Customs duty on organic chemicals falling under headings 2901 to 2904, except chloromethanes and trichloroethylene, has been reduced from 10% to 5%.

10.3 Customs duty on methanol has been reduced from 15% to 10%.

10.4 Customs duty on Styrene, Ethylene Dichloride and Vinyl Chloride Monomer has been reduced from 5% to 2%.

10.5 Customs duty has been reduced from 10% to 7.5% on catalysts of heading 3815.

10.6 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.

10.7 Customs duty on Ethyl Vinyl Acetate has been reduced from 10% to 5%.

10.8 Customs duty on naphtha for manufacture of specified polymers has been reduced from 5% to Nil.

11. Health:

11.1 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.

11.2 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.

11.3 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.

11.4 Customs duty on parts of hearing aids has been reduced from 5% to Nil.

12. Textiles

12.1 Customs duty on man-made fibres, filaments yarns and spun yarns has been reduced from 15% to 10%.

12.2 Customs duty on DMT, PTA, MEG and Caprolactum has been reduced from 15% to 10%.

12.3 Customs duty on Paraxylene has been reduced from 5% to 2%.

12.4 Customs duty on specified textile machinery, and parts for manufacture of such machinery, has been reduced from 15% to 10%.

13. 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) Videocassettes 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 on gold concentrate.
- 10) Specified goods for manufacture of capital goods for setting up of a unit with an investment of Rs 5 crore or more.

14. Miscellaneous:

- 1) Customs duty has been reduced on:

- (a) Non-edible grade industrial oils having Free Fatty Acid content of 20% or above, used for manufacture of soaps, industrial fatty acids and fatty alcohols, from 20% 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) Potassium chloride from 15% to 10%.
 - (k) Bisphenol A and Epichlorohydrin, for the manufacture of Epoxy Resin, from 10% to 5%.
 - (l) Phenol/acetone, for manufacture of bisphenol, from 15% to 5%.
 - (m) 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.

(II) CENTRAL EXCISE

15. Relief Measures:

- 15.1 Excise duty has been reduced from 24% to 16% on aerated waters.
- 15.2 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.
- 15.3 Excise duty has been reduced from 16% to 12% on specified printing, writing and packing paper and paperboard.
- 15.4 Excise duty on all man made fibres and filament yarns has been reduced from 16% to 8%.
- 15.5 Excise duty has been reduced from 16% to Nil on Condensed milk; Ice cream; Pectic substances, pectinates and pectates, pectin esterase; Yeast; Pasta, whether or not cooked or stuffed or otherwise prepared.
- 15.6 Excise duty has been reduced from 16% to 8% on Ready to eat packaged food; 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.
- 15.7 Excise duty has been reduced from 8% to Nil on processed meat, fish and poultry products.

15.8 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.

15.9 Excise duty has been reduced from 16% to 8% on:

- (a) Heat resistant latex rubber thread.
- (b) LPG gas stoves (without any grill or oven) 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. For this concessional rate, the RSP has to be indelibly marked or embossed on the footwear.

15.10 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.

16. Imposition and increase in Duty:

16.1 **Excise duty of 8% with CENVAT credit has been imposed on:**

- 1) Goggles;
- 2) Articles of wood;
- 3) Registers, accounts books, order books, receipt books, letter pads, memorandum pads, dairies, binders, folders, file covers, etc. (excluding note books and exercise books);
- 4) Paper labels;
- 5) Paper pulp moulded trays;
- 6) Articles of mica;
- 7) Goods containing at least 25% by weight of fly ash/phospho gypsum;
- 8) Roofing tiles;
- 9) Raw, tanned or dressed fur skins;
- 10) Portable receivers for calling, alerting or paging;
- 11) Henna powder, not mixed with any other ingredient;
- 12) 100% wood free plain or pre-laminated particle or fiberboard, made from sugarcane bagasse or other agro-waste;
- 13) Parts of walking-sticks, seat-sticks, whips, riding-crops and the like;
- 14) Parts of drawing and mathematical instruments;
- 15) Frames and mountings for spectacles, goggles or the like, of value below Rs. 500 per piece.

16.2 **Excise duty of 16% has been imposed on:**

- 1) Umbrellas and sun umbrellas, and their parts;

- 2) Food preparations intended for free distribution subject to end use certification (Food products, in general, are exempted unconditionally from excise duty);
- 3) Soap manufactured under a scheme for sale of Janata soap;
- 4) Strips and tapes of polypropylene used in the factory of its production in the manufacture of polypropylene ropes;
- 5) Parts and components of motor vehicles transferred to a sister unit for manufacture of goods falling under chapter 87;
- 6) Goods (other than electrical stampings and laminations, bearings, and winding wires) supplied for manufacture of PD pumps for handling water;
- 7) Specified goods meant for display in any fair or exhibition in India;
- 8) Parts of table ware, kitchenware and other household articles of iron and steel, copper, aluminium;
- 9) Railways track machines;
- 10) Mixture of graphite and clay for manufacture of pencils or pencil leads;
- 11) Aluminium ferrules for manufacture of pencils;
- 12) Tobacco used for smoking through 'hookah' or 'chilam', commonly known as 'hookah' tobacco or 'gudaku';
- 13) Sulphur (2503 00 10), but sulphur falling under this tariff item for fertilizers will be exempt.

[Note: In all above cases (16.1 & 16.2), exemption upto Rs.1 crore would be available under the general SSI exemption scheme]

16.3 Excise duty has been raised from 8% to 16% on:

- 1) Mosaic tiles,
- 2) Glassware,
- 3) lay flat tubing; and
- 4) Cigarette filter rods.

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

17. **Small Scale Industry**: SSI exemption available to power driven pumps designed for handling water has been restricted only to those pumps, which conform to prescribed BIS Standards. This will be effective from 1.4.2006. The annexure to SSI exemption scheme under notification No.8/2003-CE has been redrafted without changing the coverage of the items.

18. **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.

19. **Retail Sale Price (RSP) based assessment**:

19.1 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%.

19.2 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%.

19.3 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%.

19.4 Abatement from RSP for levy of excise duty for ready to eat packaged food, texturised vegetable protein (soya bari) and instant mixes has been reduced from 40% to 37% consequent to reduction in excise duty from 16% to 8%.

19.5 Existing rate of abatement of 50% will apply to all varieties of pan masala, which are subject to RSP based assessment.

20. **Tobacco product including Pan Masala:**

20.1 Pan masala (containing tobacco), pan masala (not containing tobacco) and pan masala (containing not more than 15% betel nut by weight) attract aggregate excise duty at 66%, 60.5% and 21.5% respectively. Excise duty rates have been unified at 66% for all types of pan masala.

20.2 Tariff values have been fixed for all types of 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 (b) More than 2 grams but less than 4 grams (c) More than 4 grams but less than 10 grams	1.50 3.00 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

20.3 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

21. **Information Technology:**

21.1 Excise duty of 12% has been imposed on computers.

- 21.2 Excise duty of 8% has been imposed on packaged software on electronic media.
- 21.3 Excise duty of 16% has been imposed on set top boxes not covered under the Information Technology Agreement.
- 21.4 Excise duty on storage devices, namely, DVD-Drives, Flash Drives and Combo Drives has been reduced from 16% to Nil.
- 21.5 Excise duty on MP3 Players and MPEG4 Players has been reduced from 16% to 8%.

22. 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. This is illustrated below:

If,

Assessable value = Rs.100

Basic customs duty = 15%; excise duty = 16%

Basic customs duty component on clearance from EOU = 25% of 15 = 3.75

Value for levy of CV duty = 103.75

CV duty component = 16.6%

Total duty payable = 16.60 + 3.75 = 20.35

23. **Withdrawal of exemption on goods manufactured without the aid of power:**
Exemptions to following 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

24. **Withdrawal of exemption from excise duty on unbranded goods**: 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 vegetable or fats and oils (other than margarine and linoxyn).

25. **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 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. Most of the products of these industries are exempt unconditionally. Unconditional exemption is being extended to all coir products, including rubberized coir products, of heading 9404 and cashew shell oil.
- 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.

26. **Pre-budget stocks**:

26.1 A number of goods will be charged to excise duty with effect from 1.3.2006 because of withdrawal of exemptions. All the budgetary changes, unless otherwise stated, will come into effect from midnight of 28.2.2006/1.3.2006 and clearances effected after this period will attract the new rates of duty. As regards the dutiability of the stocks

manufactured prior to 28.2.2006/1.3.2006, pre-budget stocks will be leviable to excise duty at the rates prevailing on the date of their removal. In other words, the goods cleared after 28.2.2006 would be liable to pay duty at the new rates even if they were exempted on or prior to 28.2.2006. In this connection, your attention is invited to the decision of the Supreme Court in the case of CCE Hyderabad vs. Vazir Sultan Tobacco Ltd 1996(83)ELT3(SC) which has laid down the law regarding duty liability of pre-budget stock.

27. **Removal of Second Schedule and AED(GSI):**

27.1 Excise duty on all goods falling under the Second Schedule to the Central Excise Tariff Act and those covered under the Additional Excise Duty (Goods of Special Importance) Act, 1957 has been exempted, and the duty incidence has been kept unchanged by suitably adjusting the basic excise duty rates, unless there is a separate proposal in the Budget to change the overall incidence of duty on these goods.

28. **Revenue foregone statements:**

28.1 I would like to invite your attention to the document titled 'Receipt Budget' which is part of the Budget documents. If you go to the end of this document, there is a chapter on tax expenditure of Central Taxes. This is a statement on revenue foregone. So far as revenue foregone from customs and excise duties are concerned, these have been prepared with the help of data made available by Directorate of Systems. But the data quality leaves much to be desired particularly in respect of excise duties. The Board desires that Commissioners should ensure that data on excise duties being furnished to Directorate of Systems are sent in time, and are correct, comprehensive and complete in all respects. I would request you to kindly ensure this as we propose to make the revenue-foregone statement more comprehensive and meaningful in the coming years.

29. **Manufacture**

29.1 Amendments have been made in the Central Excise Tariff Act to provide that certain processes carried out in respect of certain goods will amount to manufacture. These changes are indicated below. It may be noted that these changes come into force immediately.

- 1) 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 or any other process of converting stone blocks into slabs or tiles, shall amount to 'manufacture'.
- 2) 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'."
- 3) 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 metallization shall amount to 'manufacture'.

- 4) 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'.
- 5) 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.

30. **8 Digit Code**

In 2005, the excise tariff was revised so as to align it with the 8 digit Customs Tariff. But the notifications continued to have the earlier tariff heads, sub-heading No. and the then existing rates were protected by virtue of certain deeming notifications. This year, we have attempted to incorporate the tariff lines as per the 8 digit tariff. I would be grateful if you would go through the notifications and bring to our notice any anomalies or errors that might have crept in while replacing the old tariff lines.

31. **Other Amendments in Customs and Central Excise Act and Rules:**

- 1) Section 12C of the Central Excise Act is being amended so as to enable credit of any excess amount collected as service tax by any person 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) 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 notional value of corresponding new capital goods.
- 4) 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 date 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).
- 5) 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.

- 6) 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.
- 7) A new sub-section (7A) in section 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.
- 8) In Section 9 A (1) of the Customs Tariff Act, 1975, the words 'meant for consumption' are being substituted by 'destined for consumption'.
- 9) 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.
- 10) 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.

32. **General**

32.1 You may kindly study these changes carefully and indicate your views, comments and suggestions on implementation of the proposed changes. A survey may be undertaken to identify the potential taxpayers and the revenue potential. Reports to this effect may be sent by 31.3.2006. It is necessary to ensure that the implementation of the proposed changes is smooth and causes no inconvenience to the taxpayers. Special efforts should be made to guide the taxpayers to understand and adopt these changes. The Departmental Officers should also be appropriately briefed on these changes.

32.2 In a number of cases, excise duty rates have been altered. It has been decided to collect data on the price behaviour and revenue implications. The information about the prices may kindly be supplied in the proforma at Annexure-I to this letter. You may kindly ensure that the information furnished is accurate since reliance will be placed on this data at the time of discussion of the Finance Bill in Parliament. The first report in this regard may be sent by 15th March, 2006 and subsequently at an interval of 15 days.

32.3 Apart from the price behaviour data mentioned in para 32.2, we also need details of clearances and of duty paid in respect of certain commodities. The list of such commodities is given below:

- (a) Filament yarn (Polyester, Viscose and Nylon separately) (in metric tonne).
- (b) Fibre (Polyester, Viscose, Acrylic separately) (in metric tonne).
- (c) Petrol driven cars of engine capacity not exceeding 1200 mm and length not exceeding 4 metre (in number).

- (d) Diesel driven cars of engine capacity not exceeding 1500 mm and length not exceeding 4 metre (in number).
- (e) Aerated water (in number of cases).
- (f) Printing/Writing/Kraft paper (in metric tonne).
- (g) Compact Fluorescent Lamps (in numbers).

The information in respect of the above commodities is to be given as per Annexure II and III. Annexure II is a one-time report and needs to be sent so as to reach us by 31st March 2006. Thereafter reports are needed as per Annexure III so that report for a particular month from March 2006 onwards reaches us by 25th of the succeeding month.

32.4 The reports may kindly be arranged to be sent on time after careful scrutiny. **These reports would be required to be sent by the Chief Commissioners after consolidating the reports from all the commissionerates under their charge.**

32.5 All rate changes in customs and excise duties are explained in the Explanatory Notes. You would appreciate that number of changes have been carried out through amendments in notifications, rules and Acts. Though every care has been taken to reflect the intention of the Government clearly in all these documents, the chances of human error cannot be ruled out. I would, therefore, request you to kindly go through the explanatory notes, notifications and Finance Bill carefully and bring to our notice at the earliest any omission/error that might have crept in. If there is any doubt or difficulty on any point, you are requested to bring it immediately to my notice or to the notice of Shri Alok Shukla, Director, TRU (Tel No.23092753) or Shri Ravinder Saroop, Director, TRU (Tel No. 23092236). Copies of the FM's speech, notifications, Finance Bill etc, are forwarded herewith. These will also be available on the department's website soon after the conclusion of FM's speech.

With regards,

Yours sincerely,

(Gautam Ray)

To

All Chief Commissioners/Director Generals/
Commissioners of Customs, Central Excise and Service Tax

Annexure-I (Refer Para 32.2)

PRICE DATA

Report for the period

Commodity

Chapter No.

Date	Description of Goods	Heading / sub-heading No.	Ex-factory Price (Rs.)	Excise Duty paid (Rs.)	Wholesale price inclusive of all taxes (Rs.)	Retail price (Rs.)	Remarks
28.2.2006							
15.3.2006							
31.3.2006							
15.4.2006							
30.4.2006							

Notes:

1. Description should be specific and should indicate the brand name and unit of sale, e.g. 'X' brand refined oil – weight 'Y' grams. Subsequent report should refer to this brand name only. New brands, if any, can be added in any subsequent report by mentioning similar details.
2. Information should be confined to goods manufactured in the jurisdiction of the Commissionerate. Retail price should be obtained from market survey along with printed retail price list, if any.
3. In remarks column, kindly indicate in broad terms the average percentage of input duty which would be available as credit.
4. First report should give the position as on 28.2.2005 and should be sent so as to reach latest by 8.3.2005. Subsequent report should give the position as on 15.3.2005, 31.3.2005, 15.4.2005 & 30.4.2005 and should reach within 5 days after the expiry of the specified date.
5. While submitting the reports for the period subsequent to 15.3.2005, the detail submitted in the earlier reports may kindly be repeated. To illustrate, while submitting the reports for the period ending on, say, 31.3.2005, the details given in the report for 15.3.2005 should also be repeated.
6. Copy of the reports meant for TRU should be sent by name to Shri D.K.Pandey, Under Secretary, Tax Research Unit, R.No.146, North Block, and New Delhi-110001.
7. Reports should be in respect of items specified below:-
 - (i) Cars
 - (ii) Aerated waters
 - (iii) Printing, writing and packing paper of heading No.4802, 4804, 4805, 4807, 4808 and 4810.
 - (iv) Footwear of retail price between Rs.250 and Rs.750 per pair
 - (v) Man made fibres and filament yarns
 - (vi) Condensed milk
 - (vii) Vanaspati
 - (viii) Ice cream
 - (ix) Pasta
 - (x) Processed meat, fish and poultry products
 - (xi) Compact fluorescent lamp

Annexure II
(Refer Para 32.3)

Month wise production, clearance and excise duty paid report for commodities

S. No.	Month	Production		Clearance		Duty paid	
		Quantity	Value (Rs. in crore)	Quantity	Value (Rs. in crore)	Quantity	Value (Rs. in crore)
1	April 05						
2	May, 05						
3	June, 05						
4	July, 05						
5	August, 05						
6	September, 05						
7	October, 05						
8	November, 05						
9	December, 05						
10	January, 06						
11	February, 06						

Note:

- Annexure II is one time report giving month wise details for April 05 to February 2006.**
- This report should reach us by 31st March, 2006.

Annexure III
(Refer Para 32.3)

Monthly production, clearance and excise duty paid report on (Name of the commodity)

For the Month of _____ 2006

Month	Production		Clearance		Duty paid	
	Quantity	Value (Rs. in crore)	Quantity	Value (Rs. in crore)	Quantity	Value (Rs. in crore)
For the month						
Upto the month						

Note:

- This report is needed for March 2006 onwards and would have to be sent on monthly basis.**
- Report for a particular month should reach by 25th of the following month.
- The report needs to be consolidated at the office of the Chief Commissioner, and Chief Commissioner would be sending a consolidated report in respect of all the Commissionerates under his charge.
