

## **EXPLANATORY NOTES (CUSTOMS)**

### **Chapters 1 to 2.**

No change.

### **Chapter 3.**

3.1 Basic customs duty on bait fish used for fishing of tuna (0303 79) is being reduced from 30% to Nil. (S.No. 571 of notification No. 21/2002-Customs inserted vide notification No. 21/2008-Customs refers).

### **Chapters 4.**

No change.

### **Chapter 5.**

5.1 Basic customs duty on unworked corals (0508 00 10) is being reduced from 10% to 5%. (S.No. 547 of notification No. 21/2002-Customs as amended vide notification No. 21/2008-Customs refers).

### **Chapters 6 to 22.**

No change.

### **Chapter 23.**

23.1 Basic customs duty on feed additives or premixes (2309 90) is being reduced from 30% to 20%. (S.No. 572 of notification No. 21/2002-Customs inserted vide notification No.21/2008-Customs refers).

### **Chapter 24.**

24.1 Basic customs duty on cigars, cheroots (2402 10 10) and cigarillos (2402 10 20) is being enhanced from 30% to 60%. By virtue of the Provisional Collection of Taxes Act, 1931, the increase will come into force with immediate effect (clause 72 (i) read with the Second Schedule of the Finance Bill, 2008 refers).

**Chapter 25**

25.1 Basic customs duty on crude or unrefined sulphur (2503 00) is being reduced from 5% to 2%. (S.No. 60 of notification No. 21/2002-Customs as amended vide notification No. 21/2008-Customs refers).

**Chapter 26**

26.1 Export duty on “chromium ores and concentrates, all sorts” has been increased from the earlier rate of Rs. 2000 per tonne to Rs.3000 per tonne. By virtue of the Provisional Collection of Taxes Act, 1931, the increase will come into force with immediate effect (clause 72 (ii) read with the Third Schedule of the Finance Bill, 2008 refers).

**Chapter 27**

27.1 Full exemption from basic customs duty on naphtha for manufacture of specified polymers is being withdrawn. (S.No. 464 of notification No. 21/2002-Customs omitted vide notification No.21/2008-Customs refers).

27.2 Basic customs duty (tariff rate) @ Rs. 2000 per 1000 kWh for electrical energy (2716 00 00) has been prescribed. However it is being exempted from basic customs duty so as to maintain nil effective rate for electrical energy. (First Schedule to the Customs Tariff Act, 1975 has been amended vide Second Schedule to the Finance Bill, 2008 and S.No. 573 of notification No. 21/2002-Customs as inserted vide notification No.21/2008-Customs refers).

**Chapter 28 to 39**

28.1 Basic customs duty on phosphoric acid (2809 20 10) is being reduced from 7.5% to 5%. (S.No. 574 of notification No. 21/2002-Customs as inserted vide notification No. 21/2008-Customs refers)

28.2 Basic customs duty on four specified items used in manufacture of ELISA Kits is being reduced to 5%. (S.No. 95 of notification No. 21/2002-Customs as amended vide notification No. 21/2008-Customs refers)

28.3 Basic customs duty on five specified life saving drugs and their bulk drugs and one specified anti-cancer diagnostic kit, is being reduced to 5% with Nil CV duty by way of excise duty exemption (Amendment to List 3 of the notification No. 21/2002-Customs, vide notification No. 21/2008-Customs refers).

#### **Chapters 40**

40.1 Customs duty on chlorobuty1 rubber and bromobuty1 rubber of heading 4002 has been reduced from 10% to 5% (S.No. 575 of notification No.21/2002-Customs, inserted vide notification No. 21/2008-Customs refers).

#### **Chapters 41 to 49**

No change.

#### **Chapter 50 to 53**

No change.

#### **Chapter 54.**

54.1 Polyester filament yarns have been fully exempted from National Calamity Contingent Duty (Seventh Schedule to the Finance Act, 2001 as amended vide the Eighth Schedule to the Finance Bill, 2008 and Notification No. 22/2008-C.E refers)

#### **Chapter 55 to 58**

No change.

#### **Chapter 59**

59.1 Customs duty on polyester tyre cord fabric of sub-heading 5902 20 has been reduced from 10% to 5% (S.No. 576 of notification No. 21/2002-Customs inserted vide notification No. 21/2008-Customs refers).

#### **Chapters 60 to 70**

No change.

**Chapter 71.**

71.1 Basic customs duty on Rough Cubic Zirconia (heading 7104) is being reduced from 5% to Nil. Basic customs duty on Polished Cubic Zirconia (heading 7104) is being reduced from 10% to 5%. (S. Nos. 577 and 578 of notification No. 21/2002-Customs inserted vide notification No. 21/2008-Customs refer).

**Chapters 72 to 83**

72.1 Customs duty on melting scrap of iron and steel of heading 7204 has been reduced from 5% to nil. (S.No. 200 of notification No. 21/2002-Customs, as amended vide notification No.21/2008-Customs, refers)

72.2 Customs duty on aluminium scrap of heading 7602 has been reduced from 5% to nil. (S.No. 579 of notification No. 21/2002-Customs, inserted vide notification No.21/2008-Customs, refers)

**Chapters 84 to 89**

84.1 Customs duty on specified machinery (falling under chapter 84) for manufacture and subsequent export of sports goods, has been reduced from 7.5% to 5% (S.No. 580 of notification No.21/2002-Customs, inserted vide notification No.21/2008-Customs refers).

84.2. Specified parts of set-top boxes, namely SMPS power board and IR module, for use in manufacture of set-top box, have been exempted from customs duty. (S.No. 316B of notification No.21/2002-Customs, as amended vide notification No.21/2008-Customs refers)

84.3 Concessional rate of 5% customs duty was earlier provided on MP3 player or MPEG 4 players. Now all MP3/ MP4 or MPEG 4 players, with or without radio/video reception facility will attract 5% customs duty. (S.No. 539 of notification No.21/2002-Customs, as amended vide notification No.21/2008-Customs refers)

84.4. Customs duty on bactofuges has been exempted. (S.No. 581 of notification No. 21/2002-Customs inserted vide notification No. 21/2008-Customs refers)

84.5. Specified inputs and raw materials for manufacture of specified electronics/ IT Hardware items have been exempted subject to specified condition. (S.No 225 to 234 of notification No. 25/99-Customs inserted vide notification No. 25/2008-Customs refers).

84.6. Concessional Customs duty of 5% on polymer long rod insulators has been restricted to such goods of rating 765KV [List 44 of notification no. 21/2002-Customs, as amended vide notification no. 21/2008-Customs refers]

84.7. Basic Customs duty on Simulators of Helicopters (Chapter 88) has been reduced from 10% to Nil. (S.No. 346 of notification No. 21/2002-Customs as amended vide notification No. 21/2008-Customs, refers).

### **Chapters 90 to 96**

90.1. Customs duty and CV duty have been exempted on air guns of 0.177 calibre (air rifles and air pistols) of Chapter 93. Consequently, these goods are also exempted from 4% special additional duty of customs (S.No. 582 of notification No. 21/2002-Customs, inserted vide notification No.21/2008-Customs, refers).

### **CHAPTER 98**

98.1 General Project import rate has been reduced from 7.5% to 5%. (S.Nos. 399 and 441 of notification No. 21/2002-Customs, as amended vide notification No.21/2008-Customs, refers).

### **Miscellaneous changes**

M.1 Customs duty on specified raw materials for manufacture and subsequent export of sports goods, upto 3% of the FoB value of export of sports goods in the preceding year, has been reduced from 10% to 'nil', subject to certain conditions. [S.No. 583 of notification no. 21/2002-Customs inserted vide notification No. 21/2008-Customs refers]

M.2 Time limit for temporary import of specified goods on lease has been increased from the existing 12 months to 18 months, prescribing customs duty at specified percentages of the aggregate of duties of customs otherwise payable, depending on the period of retention of the goods in India, while providing that goods imported under this

concession will not be eligible for drawback under Section 74(2) of the Customs Act, 1962. (Notification no. 27/2002-Customs amended vide notification No. 27/2008-Customs refers)

M.3 Time-limit for 're-export with drawback benefit' under Section 74(2) of the Customs Act, 1962, has been reduced from the existing 36 months to 18 months, providing drawback of specified percentages of duty paid, depending on the period of retention of the goods in India. (Notification No.23/2008-Customs refers)

M.4 National Calamity Contingent duty at the rate of 1% has been imposed on mobile phones. By virtue of the Provisional Collection of Taxes Act, 1931, this levy will come into force with immediate effect (clause 117 read with Eighth Schedule of the Finance Bill, 2008 refers).

On imported mobile phones, this duty shall be levied as additional duty of Customs under section 3(1) of the Customs Tariff Act, 1975. For this, mobile phones have been excluded from the exemption provided on all imported goods from additional duty leviable under section 3(1) of the Customs tariff Act, 1975, as is equivalent to the National Calamity Contingent duty leviable under section 136 of the Finance Act, 2001. (Notification No. 29/2008-Customs refers).

However, National Calamity Contingent duty of customs leviable under section 134 of the Finance Act, 2003 has been exempted on mobile phones (notification no.26/2008-customs refers).

M.5 Exemption from 4% additional duty of customs has been withdrawn on power generation projects [other than mega power projects], transmission, sub-transmission and distribution projects, and specified goods for High Voltage transmission projects. (S.Nos. 11 and 12 of notification No. 20/2006-Customs omitted vide notification No. 20/2008-Customs refers)

M.6 Countervailing duty on wireless data modem cards with PCMCIA/USB/PCI express ports has been exempted by way of excise duty exemption. These goods are already exempt from customs duty. However, 4% additional duty of Customs will be attracted.

(para 2 of notification No. 20/2006-Customs substituted vide notification no. 20/2008-Customs refers).

M.7 In Chapters 38, 59 and 92, certain tariff items have been aligned with the Harmonized System of Nomenclature (HSN). (Notification No. 11/2008-Customs (N.T.) refers)

M.8 For the removal of doubts in the case of goods supplied to projects financed by the United Nations or an International Organization, an 'Explanation' is being inserted in the relevant notification to clarify that the exemption is available if the imported goods brought into a project are not withdrawn by the contractor or supplier. (Notification No. 84/97-Customs as amended vide notification No. 24/2008-Customs refers)

