

**Government of India
Ministry of Finance
Department of Revenue
Tax Research Unit

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D.O.F.No.334/ 3/2013-TRU
New Delhi, dated the 28th February, 2013.

Dear Chief Commissioner/ Commissioner,

The Finance Minister has introduced the Finance Bill, 2013 in Lok Sabha today, i.e., 28th February, 2013. Changes in Customs and Central Excise law and rates of duty have been proposed through the Finance Bill, 2013 (clauses 54 to 77 for Customs and clauses 78 to 92 for Central Excise). In order to prescribe effective rates of duty and to carry out changes in the Rules made under the respective Acts, the following notifications are being issued:

| CUSTOMS: | Notification Nos. | Date |
|-----------------------|--|-----------------------------|
| Tariff | No. 9 /2013-Customs to No.15 /2013-Customs | 1 st March, 2013 |
| Non-Tariff | No. 25 /2013-Customs(NT) | 1 st March, 2013 |
| CENTRAL EXCISE | | |
| Tariff | No. 5 /2013-CE to No. 12 /2013-CE | 1 st March, 2013 |
| Non-Tariff | No. 1 /2013-CE (NT) to No. 4 /2013-CE (NT) | 1 st March, 2013 |

Unless otherwise stated, all changes in rates of duty take effect from the midnight of 28th February/1st March, 2013. A declaration has been made under the Provisional Collection of Taxes Act, 1931 in respect of clauses 76, 77(b), 91 and 92 of the Finance Bill, 2013 so that changes proposed therein also take effect from the midnight of 28th February/1st March, 2013. The remaining legislative changes would come into effect only upon the enactment of the Finance Bill, 2013. Retrospective amendments in the provisions of law or notification issued under the respective Acts shall have the force of law only upon the enactment of the Finance Bill, 2013 but with effect from the date indicated in the relevant clause or Schedule. These dates may be carefully noted.

2. Important changes in respect of Customs and Central Excise duty and legislative changes are contained in the three Annexes appended to this letter. Annex I contains Chapter wise changes relating to Customs; Annex II contains Chapter wise changes relating to Central Excise. These

Annexes also contain a few clarifications. Annex III provides a bird's eye view of legislative changes proposed in the Finance Bill, 2013.

2.1 The Annexes provide a summary of the changes made and should not be used in any quasi-judicial or judicial proceedings, where only the relevant legal texts need to be referred to.

3. In order to achieve a sharper focus, I have alluded only to the key highlights of the budgetary changes in this communication. The details are contained in the Finance Bill and notifications which alone have legal force. My team and I have made every possible effort to avoid the occurrence of errors or mistakes in the Budget documents. However, given the scale of changes, inadvertent errors cannot be ruled out. I shall be grateful if the provisions of the Finance Bill are studied carefully and feedback on issues that may need clarification is provided urgently.

4. It may kindly be ensured that the changes are implemented in a smooth manner without causing any inconvenience to the taxpayers and other stakeholders. All possible efforts may be made to guide the taxpayers by holding interactive sessions/ seminars for their benefit. In case of any doubt or difficulty, I would request you to kindly bring it to my notice immediately or to the notice of Shri Amitabh Kumar, Director (TRU) (Tel No.011-23092236; e-mail: amitabh.kumar@nic.in, Sh. G. G. Pai, Director (TRU) (Tel No. 011-23092753; e-mail: giridhar.pai@nic.in or Sh. Prashant Kumar Jha, Budget Officer (TRU) (Tel No. 011-23094819; e-mail: prashantk.jha@nic.in). We can also be reached at budget-cbec@nic.in.

5. Copies of Finance Bill, 2013, Finance Minister's Budget Speech, Explanatory Memorandum to the Bill, relevant notifications can be downloaded directly from www.indiabudget.nic.in as well as www.cbec.gov.in.

6. To conclude, my team and I would like to express my gratitude to you for the valuable suggestions, feedback and support and would look forward to your comments/ suggestions.

With warm regards,

Yours sincerely,



(P. K. Mohanty)

To

All Chief Commissioners/ Directors General
 All Commissioners of Customs
 All Commissioners of Central Excise
 All Commissioners of Customs and Central Excise
 All Commissioners of Service Tax
 Director DPPR/ Logistics/Legal Affairs/ Data Management

CUSTOMS

Chapter 1 to 7: No change

Chapter 8

8.1 The basic customs duty (BCD) on hazel nuts is being reduced from 30% to 10%. Notification No.12/2012-Customs, dated 1st March, 2012 as amended by notification No. 12/2013-Customs, dated 1st March, 2013 refers. S. No. 23A contains the changes.

8.2 In notification No 12/2012-Customs, at S. No. 24 of the Table, sub-heading 0802 50 00 (Pistachios) is being replaced by sub-headings 0802 51 00 and 0802 52 00. This is a technical rectification.

Chapter 9 to 10: No change

Chapter 11

11.1 The BCD on de-hulled oat grain is being reduced from 30% to 15%. Notification No.12/2012-Customs, dated 1st March, 2012 as amended by notification No. 12/2013-Customs, dated 1st March, 2013 refers. S. No. 38A contains the changes.

Chapter 12 and 14: No change.

Chapter 15

15.1 Peanut butter is presently classified under sub-heading 1517 90 20 of the Customs Tariff whereas, under the Harmonised System, peanut butter is classified under sub-heading 2008 11. To align our Tariff Schedule with HSN, an amendment has been proposed in the Finance Bill, 2013 (Clause 76 read with Third Schedule) to delete the current sub-heading 1517 90 20 and entries relating thereto from the Tariff. By virtue of this amendment, hereafter, the peanut butter will fall under sub-heading 2008 11, which is the correct classification as per the HSN.

15.2 Presently, peanut butter attracts a concessional BCD of 7.5% under notification No. 12/2012-Customs (S. No 71 of the Table). In view of the amendment referred to above, sub-heading 1517 90 20 is being deleted from S. No. 71. However, the concessional duty is being continued under notification No. 12/2012-Customs at new S. No. 88A. In the connection, notification No. 12/2013-Customs refers.

Chapter 16: No change

Chapter 17

17.1 Raw sugar, white or refined sugar (1701) has been included in the Second Schedule to the Customs Tariff Act, 1975 (Export Schedule) vide Clause 77 read with Fourth Schedule of the Finance Bill, 2013 with a tariff rate of 20%. Exemption is however provided under notification No 27/2011-Customs dated 1.3.2011, as amended by notification No 15/2013-Customs, dated the 1st March 2013. Thus, raw sugar, white or refined sugar will not attract any export duty.

Chapter 18-22: No change

Chapter 23

23.1 De-oiled rice bran oil cake is being exempted from export duty. S. No. 12 of notification No. 27/2011-Customs, dated 1st March 2011, as amended by notification No.15/2013-Customs, dated 1st March 2013 refers.

Chapter 24 and 25: No change

Chapter 26

26.1 Bauxite and ilmenite are being incorporated in the Second Schedule to the Customs Tariff Act, 1975 (Export Schedule) with a tariff rate of 30%. (Clause 77 read with the Fourth Schedule to the Finance Bill, 2013). However, the effective duty is being prescribed at 10% on bauxite (2606 0010 and 2606 0020) and unprocessed ilmenite (2614 0010) and at 5% on upgraded ilmenite (2614 00 20). In this connection, notification No. 27/2011-Customs dated the 1st March as amended by notification No.15/2013-Customs, dated 1st March 2013 refers. New S. Nos. 24A, 24B, 24C and 24D contain the changes. By virtue of the Provisional Collection of Taxes Act, 1931, the levies will come into force with immediate effect.

Chapter 27

27.1 The BCD on bituminous coal is being reduced from 5 % to 2 % and CVD from 6 % to 2 %. The BCD on steam coal is being raised from Nil to 2% and CVD from 1% to 2%. Hereafter, both steam coal and bituminous coal will attract a uniform rate of 2% BCD and 2% CVD. Notification No.12/2012-Cus, as amended by notification No. 12/2013-Customs refers. Changes are contained in S. Nos 122 A, 123 and 124 of the Table.

Chapter 28-49: No change.

Chapter 50

50.1 The BCD on raw silk is being increased from 5% to 15%. S. No.276 of notification No.12/2012-Customs, as amended by notification No.12 /2013-Customs, dated the 1st March 2013 refers.

Chapter 51 and 52: No change

Chapter 53

53.1 Presently, coir yarn (53.08) is mentioned at S. No. 43 of notification No. 27/2011-Customs. In column (4), which is presently blank, the entry Nil is being inserted. This is a technical rectification. In this connection, notification No.15 /2013-Customs, dated the 1st March 2013 refers.

Chapter 54 - 70: No change

Chapter 71

71.1 Basic customs duty is being reduced on pre-forms of precious and semi-precious stones from 10% to 2%. Notification No.12/2012-Customs, dated 1st March, 2012 as amended by notification No.12/2013-Customs, dated 1st March, 2013 refers. S. No.312A contains the changes.

71.2. Under the Foreign Trade Policy (paragraph 4A.2.2), an exporter with annual export turnover of Rs 5 crore for each of the last three years is allowed to export cut & polished diamonds (each of 0.25 carat or more) abroad to any of the designated laboratories/agencies with re-import facility at zero duty within 3 months from the date of export. In this regard, a variance not exceeding +_1mm in height and circumference and not exceeding +_1 cent in weight is allowed between exported and re-imported cut and polished diamonds. In this connection, Explanation 1 of notification No. 9/2012-Customs, dated the 9th March, 2012 refers. This limit is being revised in respect of height and circumference from +_1 mm to +_0.01 mm. The variation in respect of weight shall remain unchanged. Notification No. 9/2012-Customs, dated the 9th March, 2012 as amended by notification No. 11/2013-Customs, dated the 1st March, 2013 may be referred to for details.

Chapter 72

72.1 Flat rolled products of iron or non-alloy steel, plated or coated with zinc (sub-headings 7210 30 10, 7210 30 90, 7210 41 00, 7210 49 00, 7212 20 10, 7212 20 90, 7212 30 10 and 7212

30 90) are being exempted from export duty retrospectively from 1st March 2011. In this connection, clauses 75 and 77 of the Finance Bill, 2013 may be referred to for details. The changes will come into force upon enactment of the Finance Bill. In the meanwhile, export duty may not be collected on the afore-cited product. Prior to 1st March 2011, this product was exempt from export duty under notification No. 77/2008-Customs, dated 13th June 2008.

Chapter 73

73.1. Under notification No 12/2012-Customs (S No. 371), specified goods for manufacture of catalytic convertors and their parts attract a concessional BCD of 5%. Stainless Steel Wire Cloth Stripe (sub-heading 7314 14 10) and Wash Coat (sub-heading 3824 90 90) are being added to the list for availing of concessional duty of 5%.

Chapter 74-83: No change.

Chapter 84

84.1 The BCD on 20 specified machinery for use in the leather industry or footwear industry is being reduced from 7.5% to 5%. Descriptions of certain leather and footwear machinery items are being modified. S No 390 (List 29) of notification No. 12/2012-Cus, as amended by notification No. 12/2013-Customs, dated the 1st March 2013 refers.

84.2 The BCD on all textile machinery and parts thereof falling under headings 8444 to 8449 is being reduced from 7.5% to 5%. Notification No.12/2012-Customs, dated 1st March, 2012 as amended by notification No. 12/2013-Customs, dated 1st March, 2013 refers. S. No. 406A contains the changes.

Chapter 85

85.1 The BCD on Integrated Decoder Receiver, also known as Set Top Box, is being increased from 5% to 10%. S. No.411 of notification No.12/2012-Customs, as amended by notification No. 12 /2013-Customs, dated the 1st March 2013 refers.

85.2 LCD and LED TV Panels of 19” and above are presently exempt from BCD under notification No 12/2012-Customs (S. No. 432). In this connection, a doubt has been raised whether this exemption is available for LCD and LED TV Modules or otherwise. It is clarified that LCD and LED TV Panels and LCD and LED TV Modules are one and the same thing for the purpose of exemption under this notification.

85.3 Presently, all goods required for the manufacture of the goods falling under heading 8541 are exempt from BCD subject to actual user condition. Solar cells and solar modules are classified under heading 85.41. It has been brought to the notice of the Ministry that this exemption has been denied at certain places although the imported goods are required for the manufacture of solar cells and solar modules. It is clarified that the BCD exemption under S No 39 of notification No. 24/2005-Customs, dated 1st March, 2005 is available to all goods including chemicals and electronic parts required for the manufacture of solar cells whether or not assembled in modules or panels.

Chapter 86: No change

Chapter 87

87.1 The validity period of exemption granted to identified parts of hybrid and electric vehicles is being extended by two more years up to 31st March, 2015. Clauses (g) and (h) of Proviso to notification No.12/2012-Customs, as amended by notification No. 12/2013-Customs, dated the 1st March 2013 refers.

87.2 BCD is being exempted on lithium ion automotive battery for manufacture of lithium ion battery packs for supply to the manufacturers of hybrid and electric vehicles. Notification No.12/2012-Customs (S. No 438), as amended by notification No. 12/2013-Customs, dated the 1st March 2013 refers.

87.3 At present, cars and other motor vehicles, new with FOB value more than US \$ 40,000 and with engine capacity more than 3000 cc for petrol-run vehicles and more than 2500 cc for diesel-run vehicles attract a BCD of 75%. In this connection, notification No 12/2012- Customs (S No 437, (2) (a) of the Table) refers. The entry is being amended to read: "...with CIF value more than US \$ 40,000 or with engine capacity more than 3000 cc for petrol-run vehicles and more than 2500 cc for diesel-run vehicles or with both". Further, the BCD on these cars/motor vehicles is being increased from 75% to 100%. Thus, hereafter, these cars/ motor vehicles with CIF value more than US \$ 40,000 would attract 100% BCD regardless of engine capacity. Similarly, regardless of value, cars/motor vehicles with engine capacity more than 3000 cc for petrol-run vehicles and more than 2500 cc for diesel-run vehicles would attract BCD at 100%. S. No 437 of notification No.12/2012-Cus, as amended by notification No. 12/2013-Cus, dated the 1st March 2013 refers.

87.4 The BCD on import of old cars is being increased from 100% to 125%. Clause 76 of the Finance Bill 2013 refers. By virtue of the Provisional Collection of Taxes Act, 1931, the levy will come into force with immediate effect.

87.5 The BCD on new motorcycles with engine capacity of 800cc or more is being increased from 60% to 75%. Notification No.12/2012-Customs (S No 443), as amended by notification No. 12 /2013-Customs, dated the 1st March 2013 may be referred to for details.

Chapter 88

88.1 Exemption from education cess and secondary & higher education cess is being withdrawn on aeroplanes, helicopters and their parts. For this purpose, S Nos 51 and 52 and entries relating thereto are being deleted from notification No 69/2004-Customs, dated 9th July 2004. The relevant entry at S. No 1 is also being deleted. In this connection, notification No. 9/2013- Customs, dated 1st March 2013 refers.

88.2 The time period for consumption/installation of parts and testing equipment imported for maintenance, repair and overhaul (MRO) of aircraft by units engaged in such activities is being increased from 3 months to 1 year. S. No.448 of notification No.12/2012-Customs (Condition 73), as amended by notification No. 12/2013-Customs, dated the 1st March 2013 refers.

88.3 The customs duty exemption on parts and testing equipment for maintenance, repair and overhauling of aircraft is being extended to parts and testing equipment for maintenance repair & overhauling of aircraft and aircraft parts. S. No.448 of notification No.12/2012-Customs, as amended by notification No. 12/2013-Customs, dated the 1st March 2013 refers.

88.4 Private category aircrafts are being included in the list of eligible categories of aircrafts for the purpose of availing of the exemption under notification No 12/2012- Customs. S. No.448 of notification No.12/2012-Customs, as amended by notification No. 12/2013-Customs, dated the 1st March 2013 refers.

88.5 The terms “scheduled air transport service” and “scheduled air cargo service” are explained in condition No. 75 of notification No. 12/2012-Cus dated 17.3.2012. In this connection, a doubt has been raised whether exemption granted to parts and testing equipment imported for servicing, repair or maintenance of scheduled airlines includes foreign airlines or otherwise. Under S. Nos. 448 and 454 of the notification No. 12/2012-Customs read with condition Nos. 73 and 21 respectively, exemption has been provided for servicing, repair or maintenance of aircraft used for operating “scheduled air transport service” and “scheduled air cargo service”. The term “scheduled air transport service”/ “scheduled air cargo service”, as defined under condition No 75 of the afore-said notification, does not exclude foreign airlines. It is as such clarified that the aforesaid exemption available for “scheduled air transport service” and “scheduled air cargo service” includes foreign airlines that meet the definition of scheduled air transport and air cargo service.

88.6 Under S. No. 450 of the notification No. 12/2012-Customs read with condition 75 (ii), a foreign registered aircraft, that is brought into India for the purpose of “a flight to or across India” and which is intended to be removed within the time period specified for the purpose, is exempt from customs duty. In this connection, doubts have been raised whether the term “a flight to India” means “one landing and one take off” or it entitles the aircraft to fly to different destinations within India during the stipulated period of stay in India. The matter has been examined and it is clarified that the term “a flight to India” by a foreign registered non-scheduled aircraft shall mean a flight which after completion of its itinerary (which may include multiple destinations in India) leaves India within the stipulated period of 15 days, or as extended by the competent authority in the Ministry of Civil Aviation, not exceeding 60 days from the date of entry.

Chapter 89

89.1 By virtue of excise duty exemption on ships and vessels (89.01, 89.04, 89.05 and 89.06 90 00), there will no CVD leviable on these ships and vessels. Notification Nos. 19/2012-Customs and 20-2012-Customs, both dated 17th March 2012 and S. No 462 of notification No. 12/2012-Customs, which have become redundant due to excise duty exemption, are being rescinded.

89.2 Basic customs duty on yachts and other vessels (89.03) is being increased from 10% to 25%. Clause 76 of the finance Bill, 2013 refers. By virtue of the Provisional Collection of Taxes Act, 1931, the levy will come into force with immediate effect.

89.3 The time limit for consumption of imported goods for the purpose of repair of ocean going vessels by ship repair units is being increased from 3 months to 1 year. S. Nos.459 and 460 of notification No.12/2012-Customs (Conditions 79 and 80), as amended by notification No. 12/2013-Customs, dated the 1st March 2013 refers.

Chapter 90-98: No change.

Miscellaneous:

(i) Full exemption is being provided to trophy when imported into India by National Sports Federation recognized by the Central Government or any Sports Body registered under any law for the time being in force in connection with international tournament to be held in India. Notification No. 146/1994-Customs, dated the 13th July, 1994 as amended by notification No. 14/2013-Customs, dated the 1st March 2013 refers.

(ii) Notification No 75/2005-Customs, dated 22nd July 2005 (India- Singapore FTA) is being amended to replace the sub-heading 2920 90 90 with the sub-heading 2920 90 99. This is a technical rectification.

(iii) Exemption from education cess and secondary & higher education cess is being withdrawn on soya bean oil, olive oil and a few other items. Accordingly, S. Nos. 5, 6, 7, 8, 13, 51& 52 and entries relating thereto are being deleted from notification No 69/2004-Customs, dated 9th July 2004. In the said notification, at various places, references have been made to exemptions contained in erstwhile notification No. 21/2002-Customs, dated 1st March, 2002. The entries showing notification No. 21/2002-Customs (S. Nos. 9, 10, 12, 55) are being replaced by the relevant S. Nos. of notification No.12/2012 –Customs. This is a technical rectification. Notification No.69/2004-Customs as amended by notification No. 9/2013 –Customs, dated 1st March, 2013 may be referred to for details.

Baggage Rules

Presently, under Rule 6 of the Baggage Rules, 1998, an Indian passenger, who has been residing abroad for over one year, is permitted to bring jewellery without payment of duty up to an aggregate value of Rs 10,000/- in case of a gentleman passenger and Rs 20,000/- in case of a lady passenger. Under Rule 8 of the Baggage Rules,1998, a person who is transferring his residence (Transfer of Residence) to India is also allowed to bring jewellery without payment of duty up to an aggregate value of Rs 10,000/- in case of a gentleman passenger and Rs 20,000/- in case of a lady passenger. The duty free limits are being raised to Rs 50,000/- in case of a gentleman passenger and Rs 100,000/- in case of a lady passenger.

Presently, under Rule 10 of the Baggage Rules, 1998, a crew member of the vessel/aircraft is allowed to bring duty free items like chocolates, cheese, cosmetics etc. for their personal or family use up to a value of Rs 600. The duty free allowance is being increased from Rs 600 to Rs 1500.

Notification No 25/2013-Customs (NT), dated 1st March, 2013 which contains these changes may be referred to for details.

CENTRAL EXCISE

Chapter 1 to 10: No change

Chapter 11

11.1 Tapioca starch manufactured and consumed captively in the manufacture of tapioca sago (*sabudana*) is being exempted from excise duty. Notification No.12/2012-CE, dated 17th March, 2012 as amended by notification No. 12/2013-CE, dated the 1st March 2013 refers. S. No 8A contains the changes.

Chapter 12-14: No change

Chapter 15

15.1 Sub-heading 1517 90 20 (peanut butter) is being deleted from the First Schedule to the Central Excise Tariff Act, 1985. An amendment has been proposed in the Finance Bill, 2013 (Clause 92 read with the Sixth Schedule) to delete the current sub-heading 1517 90 20 and entries relating thereto from the Tariff. Hereafter, peanut butter will be classified under sub-heading 2008 11 00. At present, sub-heading 1517 90 20 as well as sub-heading 2008 11 00 of the Central Excise Tariff carries a tariff rate of 6%. However, the applied rate is Nil for sub-heading 1517 90 20. The exemption is being continued. In this connection, notification No. 12/2012-CE, as amended by notification No.12/2013-CE, dated 1st March, 2013 refers. S. No 13A contains the changes.

Chapter 16-18: No change

Chapter 19

19.1 Tapioca sago (*Sabudana*) is being exempted from excise duty. Notification No.12/2012-CE, as amended by notification No. 12/2013-CE, dated the 1st March 2013 refers. S. No 24A contains the changes.

Chapter 20 -23: No change

Chapter 24

24.1 Basic excise duty on cigarettes and other products of tariff heading 2402 is being increased. Clause 92 of the Finance Bill, 2013 read with the Sixth Schedule may be referred to for details. By virtue of the Provisional Collection of Taxes Act, 1931, the levies will come into

force with immediate effect. There is no change in NCCD and Health Cess rates. The changes in basic excise duty rates are summarized below.

Cigarettes

| TARIFF ITEM | DESCRIPTION (length in mm) | BED Rs. per 1000 sticks (Existing Rate) | BED Rs. per 1000 sticks (New Rate) |
|--------------------|--|--|---|
| 24022010 | Non filter not exceeding 65 | 509 | No change |
| 24022020 | Non-filter exceeding 65 but not exceeding 70 | 1463 | 1772 |
| 24022030 | Filter not exceeding 65 | 509 | No change |
| 24022040 | Filter exceeding 65 but not exceeding 70 | 1034 | 1249 |
| 24022050 | Filter exceeding 70 but not exceeding 75 | 1463 | 1772 |
| 24022060 | Filter exceeding 75 but not exceeding 85 | 1974 | 2390 |
| 24022090 | Other | 2373 | 2875 |

Cigar, Cheroots and Cigarillos:

| TARIFF ITEM | DESCRIPTION | BED (Existing Rate) | BED (New Rate) |
|--------------------|-----------------------------------|------------------------------------|------------------------------------|
| 2402 10 10 | Cigar and cheroots | 12% or Rs.1370 whichever is higher | 12% or Rs.1781 whichever is higher |
| 2402 10 20 | Cigarillos | 12% or Rs.1370 whichever is higher | 12% or Rs.1781 whichever is higher |
| 2402 90 10 | Cigarettes of Tobacco Substitutes | Rs.1258 per thousand | Rs.1511 per thousand |
| 2402 90 20 | Cigarillos of Tobacco Substitutes | 10% or Rs.1473 whichever is higher | 12% or Rs.1738 whichever is higher |
| 2402 90 90 | Other | 10% or Rs.1473 whichever is higher | 12% or Rs.1738 whichever is higher |

Chapter 25

25.1. Basic excise duty is being increased on marble slabs and tiles from ` 30 per square meter to ` 60 per square meter. S.No.54 of notification No.12/2012-CE, as amended by notification No. 12/2013-CE, dated the 1st March 2013 refers.

25.2 Under notification No.12/2012-CE (S.No.55), sulphur recovered as by product in refining of crude oil (sub-heading 2503 00 10) used for the manufacture of fertilisers is exempt from excise duty. "Fertilizers" include bentonite sulphur and hence, sulphur under sub-heading 2503 00 10 used for manufacture of bentonite sulphur is exempt from excise duty. An Explanation has been inserted below the entry against S. No.55 to place the matter beyond doubt. Notification No. 12/2013-CE dated 1st March, 2013 may be referred to for details.

Chapter 26-29: No change

Chapter 30

30.1 Branded Ayurvedic medicaments and medicaments of Unani, Siddha, Homeopathy or Bio-chemic system are being brought under MRP based assessment with an abatement of 35% from the MRP. Ayurvedic medicaments as well as medicaments of Unani, Siddha, Homeopathy or Bio-chemic System (generic as well as branded) have been included in the Third Schedule to the Central Excise Tariff Act, 1944. In this connection, clause 91 of the Finance Bill 2013 read with the Fifth Schedule and notification No. 1/2013-C.E. (NT) dated 1st March, 2013 refer. By virtue of the Provisional Collection of Taxes Act, 1931, the changes will come into force with immediate effect.

Chapter 31 and 32: No change

Chapter 33

33.1 *Henna* powder or paste, not mixed with any other ingredient is being exempted from excise duty. S No 134 of notification No 12/2012-CE, as amended by notification No 12/2013-CE, dated 1st March 2013 refers.

Chapter 34 -38: No change.

Chapter 39

39.1 S. No. 146 and the entries relating thereto are being deleted from notification No. 12/2012-CE, as a general exemption is being issued. Notification No. 7/2013-CE dated 1st March 2013 may be referred to for details.

Chapter 40-56: No change.

Chapter 57

57.1 All handmade carpets and carpets & other textile floor coverings of coir and jute, whether or not handmade, falling under Chapter 57, are being fully exempted from excise duty. In this connection, notification No. 12/2012-CE as amended by notification No. 12/2013-C.E. dated 1st March, 2013 refers. S. No 173A contains the changes. Consequently, the entries against S. No. 72 of notification No. 1/2011-CE, dated 1st March, 2011 and S. No. 37 of notification No. 2/2011-CE, dated 1st March, 2011 are being omitted. Notification No. 9/2013-CE and 10/2013-CE, both dated 1st March, 2013 may be referred to.

Chapter 58-60: No change.

Chapter 61-63

61.1 Zero excise duty route, as existed prior to Budget 2011-12, is being restored on readymade garments and made ups. The zero excise duty route will now be available in addition to the CENVAT route under which manufacturers can pay excise duty on the final product and avail of credit of duty paid on inputs. S.No.16 of notification No. 30/2004-CE dated the 9th July, 2004 as amended by notification No.11/2013-CE dated the 1st March, 2013 and S. No.7 of notification No. 7/2012-CE dated 17th March,2012, as amended by notification No. 8/2013- CE dated the 1st March, 2013 may be referred to for details.

Chapter 64 to 67: No change

Chapter 68

68.1 Excise duty on marble slabs and tiles is being increased from ` 30 per square meter to ` 60 per square meter. S. No. 54 of the notification No. 12/2012-CE, as amended by notification No.12/2013-CE dated 1st March, 2013 refers.

Chapter 69 to 70: No change

Chapter 71

71.1 Excise duty of 4% is being imposed on silver produced or manufactured during the process of zinc or lead smelting starting from the stage of zinc or lead ore or concentrate. Notification No.12/2012-CE, as amended by notification No.12/2013-CE, dated the 1st March 2013 refers. S. No 191A contains the changes.

Chapter 72

72.1. The compounded duty rate on stainless steel “patta- patti” is being increased from Rs 30,000 per machine per month to Rs 40,000 per machine per month. Notification No. 17/2007-CE, dated 1st March, 2007 as amended by notification No. 5/2013-CE, dated 1st March 2013 refers.

Chapter 73: No change

Chapter 74

74.1 Under notification 12/2012-CE (S. No. 217), trimmed or untrimmed sheets or circles of copper, intended for use in the manufacture of handicrafts or utensils attract excise duty of Rs 3,500 per metric tonne. For the purposes of this entry, by way of an explanation, it is clarified that copper means copper and copper alloys including brass. Notification No. 12/2012-CE, as amended by notification No. 12/2013-CE dated 1st March, 2013 refers.

Chapter 75: No change.

Chapter 76

76.1. Sub-heading 7615 19 10 (pressure cookers) is being replaced by sub-heading 7615 10 11 in the Third Schedule to the Central Excise Act, 1944. An amendment has been proposed in the Finance Bill, 2013 (Clause 91 read with the Fifth Schedule). This is basically a technical rectification. In this connection, notification No. 12/2012-CE, as amended by notification No.12/2013-CE, dated 1st March, 2013 refers. S. No 212 contains the changes. Relevant changes are also being made in notification No.49/2008(NT) dated 24th December, 2008 as amended by notification No. 1/2013-CE(NT) dated 1st March,2013.

Chapter 77-84: No change.

Chapter 85

85.1 Excise duty on mobile handsets including cellular phones having retail sale price more than Rs. 2000/- is being increased from 1% to 6%. The duty on mobile phones priced up to and inclusive of Rs. 2000 (retail sale price) would remain unchanged. Notification No. 12/2013-CE, dated 1st March, 2013 (S. No. 263A) provides the details. Consequently notification No. 20/2011-CE, dated 24th March, 2011 is being rescinded. Notification No. 6/2013-CE, dated 1st March 2013 refers.

Chapter 86: No change

Chapter 87

87.1 The validity period of concessional excise duty of 6% granted to specified parts of hybrid and electric vehicles is being extended by two more years up to 31st March, 2015. Proviso to notification No.12/2012-C.E, as amended by notification No. 12/2013-CE, dated the 1st March 2013 refers.

87.2 The excise duty on chassis of diesel motor vehicles for the transport of goods (8706 00 42) is being reduced from 14% to 13%. In this connection, notification No.12/2012-C.E, as amended by notification No. 12/2013-CE, dated the 1st March 2013 refers. S. No.s 292A and 292B contain the changes.

87.3 Excise duty on SUVs (including utility vehicles falling under CTH 8703) and engine capacity >1500 cc is being increased from 27% to 30 %.(Clause 92 of the Finance Bill, 2013 read with the Sixth Schedule). The SUV has been defined in the notification No. 12/2013-CE dated 1st March, 2013. S. No. 284A contains the changes. By virtue of the Provisional Collection of Taxes Act, 1931, the levy will come into force with immediate effect.

87.4 The taxi refund in respect of SUVs is being adjusted with a view to ensuring that the duty increase does not affect SUVs used as taxis. Now, in respect of SUVs the refund of 28% of the excise duty paid at the time of clearance would be applicable. Notification No.12/2012-CE, as amended by notification No. 12/2013-CE dated 1st March, 2013 may be referred to for details. S.No.s 284 and 284A contains the changes.

Chapter 88: No change.

Chapter 89

89.1 Excise duty on ships, tugs and pusher craft, dredgers and other vessels falling under CETH 8901, 8904, 8905, 8906 90 00 is being exempted. Notification No.12/2012-CE, as amended by notification No. 12/2013-CE dated 1st March, 2013 may be referred to for details.

Chapter 90-96: No change.

Miscellaneous:

Goods manufactured and captively consumed within the factory of production in the manufacture of final products in respect of which exemption is claimed under the Area Based Exemption Scheme under notification Nos. 49/2003-CE and 50/2003-CE, both dated 10th June 2003 (available for Uttarakhand and Himachal Pradesh) is being exempted from excise duty. Notification No. 7/2013-CE dated the 1st March 2013 may be referred to for details.

LEGISLATIVE CHANGES

Advance Ruling

Section 28E of the Customs Act, 1962 defines “advance ruling”. “Advance ruling” means “the determination, by the Advance Ruling Authority, of a question of law or fact specified in the application regarding the liability to pay in relation to an activity which is proposed to be undertaken by the applicant”. “Activity” is defined to mean “import or export”. The definition of “activity” is being expanded to include any new business of import or export so as to enable such importer or exporter to seek advance ruling when he starts a new line of business. Similar amendment has been proposed in section 23A of the Central Excise Act, 1944. “Activity” now includes any new business of production or manufacture by the existing producers or manufacturers. This will enable such producers or manufacturers to seek advance ruling when starting a new line of business.

Under 23 (C) (e) of the Central Excise Act, 1944, an advance ruling can be sought, inter- alia, on the issue of admissibility of credit of excise duty paid or deemed to have been paid on the goods used in/ in relation to the manufacturer of excisable goods. This section is being amended so as to extend the advance ruling provisions also to the admissibility of the credit of service tax paid on or deemed to have been paid on input services used in the manufacture of excisable goods.

Under section 28E of the Customs Act, 1962, only a select category of persons are eligible for advance ruling. This includes joint ventures and resident public limited companies. Presently, the latter category is not eligible for advance ruling under the Central Excise law. Notifications are being issued to make “resident public limited companies” eligible for seeking advance ruling on central excise and service tax matters as is available on the Customs side

Arrests and Prosecutions

Section 104 of the Customs Act, 1962 contains provisions relating to arrest. This section is being amended to make certain offences punishable under section 135 as non-bailable. The offences are:

- (a) Evasion or attempted evasion of duty exceeding Rs. fifty lakh;
- (b) Prohibited goods notified under section 11 which are also notified under sub-clause (C) of clause (i) of sub-section (1) of section 135;
- (c) Import or export of any goods which have not been declared in accordance with the provisions of this Act and the market price of which exceeds Rs. one crore;

(d) Fraudulently availing of or attempt to avail of drawback or any exemption from duty provided under this Act, if the amount of drawback or exemption from duty exceeds Rs. fifty lakh.

Barring the offences mentioned above, all other offences under the Customs Act are bailable. Similar changes have been proposed in the Central Excise Act, 1944 and Finance Act, 1994 (relating to Service tax).

Stay Order by Appellate Tribunal and Other Matters

Section 35C (2A) of the Central Excise Act, 1944 and the corresponding provisions under section 129B (2A) of the Customs Act, 1962 are being amended to provide for a maximum ceiling of 365 days up to which the Tribunal can grant stay of recoveries. By inserting a proviso in the abovementioned sections, it is being stipulated that after 365 days from the stay order, this stay shall stand vacated even if the disposal of the case is pending for no fault of the assessee. By virtue of stipulation under section 86(7) of the Finance Act, 1994, the provisions of the Central Excise Act would be applicable for dispute in Service Tax matters.

Section 129C is being amended to enhance the monetary limit of the Single Bench of the Tribunal to hear and dispose of appeals from Rs.10 lakh to Rs.50 lakh. Corresponding changes have been made in Section 35D of the Central Excise Act, 1944.

Other Amendments in the Customs Act, 1962

(i) Section 11: “Designs and geographical indications” have been included along with patents, trade mark and copy rights to enable the Central government to prohibit either absolutely or conditionally the import or export of goods to protect these legal rights;

(ii) Section 27: Where the amount of refund claimed is less than Rs 100/-, the same shall not be refunded;

(iii) Section 28: Show Cause Notice shall not be served where the amount involved is less than Rs 100/-;

(iv) Section 28BA: This section is being amended to provide for provisional attachment of property belonging to any person to whom notice under sub-section (4) of section 28 has been served.

(v) Section 29: This section is being amended to empower Board to allow landing of vessels or aircrafts at any place other than customs ports or customs airports.

(vi) Section 30 and Section 41: These sections are being amended to provide for electronic filing of Import General Manifest/Export General Manifest. It is also being provided that where this is not feasible, the Commissioner may allow the delivery of such manifest in any other manner.

(vii) Section 47: This section is being amended reduce the interest free period for payment of import duty from 5 days to 2 days;

(viii) Section 49: This section deals with storage of imported goods in a warehouse pending clearance. This section is amended to provide a time limit of 30 days for storage of goods in the interest of accountability and early finalization of assessments. The Commissioner may extend the period of storage for a further period not exceeding 30 days at a time.

(ix) Section 69: This section deals with export of warehoused goods. The document listed under the section is Shipping Bill or Bill of Export. This section is being amended to allow export of warehoused goods under postal export document;

(x) Section 135: In sub-clauses (B) and (D) of clause (i) of section 135(1), the threshold limit for punishment in an offence relating to evasion or attempted evasion of duty or fraudulently availing of or attempting to avail of drawback or any exemption from duty in connection with export of goods, has been increased from Rs.30 lakh to Rs.50 lakh.

(xi) Section 142: A new clause (d) is being inserted in section 142 to provide (i) for recovery of money due to the Central Government from any other person other than the defaulter after giving such other person a notice in writing, (ii) that the person to whom such notice has been issued shall be bound to comply, and (iii) that if the person to whom the notice is issued fails to comply, he shall be deemed to be a defaulter in respect of the amount specified in the notice.

(xii) Section 143A is being omitted.

(xiii) Section 144: Sub-section (3) of section 144 is being amended to remove the duty liability on any sample of goods which is consumed or destroyed during the course of testing or examination.

(xiv) Section 146 is being substituted to change the nomenclature of “customs house agents” to “customs brokers” considering the global practice and internationally accepted nomenclature.

(xv) Section 146A is being amended so as to:- (a) substitute the phrase “customs house agent” with the phrase “customs broker”; (b) include any offence committed under the Finance Act, 1994 as a disqualification for person to act as an authorized representative in customs matters.

(xvi) Section 147: Sub-section (3) of section 147 is being amended to expand the scope of the liability of agents of the owner, importer or exporter of any goods. It now casts equal responsibility on agents for making correct self-assessment.

Other Amendments in the Central Excise Act

(i) Section 9 provides that an offence case involving evasion in which the duty leviable exceeds thirty lakh rupees shall be punishable with a term of imprisonment extending to seven years with fine. This section is being amended so as to substitute the amount of thirty lakh rupees with fifty lakh rupees.

(ii) Section 9A is being amended to make an offence cognizable and non-bailable where the duty liability exceeds Rs.50 lakh and punishable under clause (b) or clause (bbbb) of sub-section (1) of section 9.

(iii) Section 11 is being amended so as to provide for (i) recovery of money due to the Government from any person other than from whom money is due after giving a proper notice, if that other person holds money for or on account of the first person; (ii) the other person to whom such notice has been issued is bound to comply and (iii) if the other person to whom the notice is served fails to comply, he shall face all the consequences under this Act.

(iv) Section 11A is being amended to insert sub-section (7A) providing that service of a statement containing details of duty not paid, short levied or erroneously refunded shall be deemed to be a service of notice under sub-section (1) or (3) or (4) or (5) of this section. Reference to sub-section (1) in section 11DDA is being omitted.

(v) Section 20 is being amended so as to make the provisions applicable only to offence which is non-cognizable.

(vi) Section 21 is being amended so as to make the provisions regarding release of arrested person on bail or personal bond applicable only to offence which is non-cognizable.

(vii) Section 37C is being amended to specify additional modes of delivery of specified documents i.e. by speed post with proof of delivery or through courier approved by the Central Board of Excise & Customs.

These are the broad changes made through the various clauses of the Finance Bill, 2013. The relevant clauses may kindly be perused to find out the precise changes made.
