

EXPLANATORY NOTES (CUSTOMS)

General:

A. Peak rate for non-agricultural goods:

- Peak rate of customs duty on non-agricultural goods has been reduced from 12.5% to 10%, subject to the following exceptions:
 - (a) Customs duty on new and second hand motor cars/two wheelers will continue at 60% and 100% respectively.
 - (b) Customs duty on natural rubber, fish and crustaceans, and mixtures of odoriferous substances for making alcoholic beverages will continue at the existing rates.
 - (c) The *ad valorem* component on textile fabrics and garments has been reduced to 10%. There is no change in the specific duty component.

B. Secondary and Higher Education Cess on imported goods:

B.1 A Secondary and Higher Education Cess on imported goods @ 1% of the aggregate of duties of customs has been imposed on imported 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 129 of the Finance Bill, 2007 refers).

B.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.

C. Export Duty:

C.1 Export duty has been imposed on:

- a) Iron ores and concentrates, all sorts @ Rs.300 per tonne.
- b) Chromium ores and concentrates, all sorts @ Rs.2000 per tonne.

For this purpose, the Second Schedule to the Customs Tariff Act, 1975 has been suitably amended.

C.2 By virtue of the declaration under the Provisional Collection of Taxes Act, 1931 this levy will come into force with immediate effect (Clause 105 (ii) read with Third Schedule of the Finance Bill, 2007 refers).

Chapter 5.

5.1 Customs duty on unworked or simply prepared corals (0508 00 10) has been reduced from 30% to 10%. (S.No. 547 of the notification No. 21/2002-Customs as inserted vide notification No 20/2007-Customs refers).

Chapter 13

13.1 Customs duty on dammar batu (1301 90 22) has been reduced from 30% to 20%. (S.No. 548 of the notification No. 21/2002-Customs as inserted vide notification No 20/2007-Customs refers).

Chapter 15.

15.1 Customs duty on Glycerol waters and glycerol lyes (1520 00 00) has been reduced from 30% to 20%. (S.No. 549 of notification No. 21/2002-Customs as inserted vide notification No 20/2007-Customs refers).

15.2 Customs duty on crude sunflower oil has been reduced from 65% to 50% and on refined sunflower oil from 75% to 60%. (vide S.No. 36A and 36B of notification No.21/2002-Customs as amended vide notification No. 20/2007-customs).

15.3 'Edible grade vegetable oils and their edible grade fractions' have been exempted from the 4% additional duty of customs under section 3(5)._(S.No. 63 of notification No. 20/2006-Customs as inserted vide notification No 23/2007-Customs refers).

Chapter 17.

17.1 Customs duty on dextrose monohydrate (1702) has been reduced from 30% to 20%. (S.No. 550 of notification No. 21/2002-Customs as inserted vide notification No. 20/2007-Customs refers).

Chapter 22.

22.1 Customs duty on all goods falling under 2207 20 00 (including denatured ethyl alcohol) has been reduced from 10% to 7.5%. (S.No. 50 of notification No. 21/2002-Customs as amended vide notification No. 20/2007-Customs refers).

Chapter 23.

23.1 Customs duty on dog or cat food put up for retail sale (2309 10 00) has been reduced from 30% to 20%. (S.No. 551 of notification No. 21/2002-Customs as inserted vide notification No. 20 /2007-Customs refers).

Chapter 25

25.1 Customs duty on boron ores (2528) has been reduced from 5% to 2%. (S.No. 486 of notification No. 21/2002-Customs as amended vide notification No. 20 /2007-Customs refers).

Chapter 26

26.1 Export duty on “iron ores and concentrates, all sorts”, and “chromium ores and concentrates, all sorts” has been imposed at the rate of Rs.300 per tonne and Rs. 2000 per tonne, respectively (Second Schedule to the Customs Tariff Act, 1975 and notification No. 25/2007-Customs, amending notification No.100/89-Customs refers).

26.2 Additional duty of customs of 4% on Molybdenum ore and concentrate has been exempted (notification No 23/2007-Customs, amends notification No.20/2006-Customs).

Chapter 27

27.1 Customs duty on coking coal of ash content 12% or more has been reduced from 5% to Nil. (S.No. 68A of notification No. 21/2002-Customs as amended vide notification No. 20 /2007-Customs refers).

Chapter 28

28.1 Tariff rate of duty for items falling under headings 2801 to 2805 is being reduced from 10% to 5% which is also the effective rate. (Relevant bill entry refers).

28.2 Customs duty on all other goods falling under this Chapter (except titanium dioxide) has been reduced to 7.5%. (S.No. 552 of notification No. 21/2002-Customs as inserted vide notification No. 20/2007-Customs refers).

28.3 Duty on titanium dioxide will be at 10%. (S.No. 6 of the notification No. 21/2007-Customs refers)

28.4 There is no change in duty on items attracting duty at rates lower than 7.5%.

28.5 Customs duty on borax or boric acid (2810) has been reduced from 10% to 5%. (S.No. 522 of the notification No. 21/2002-Customs as amended vide notification No. 20/2007-Customs refers).

28.6 Customs duty exemption on chemicals falling under Chapter 28 or 29, for use in the manufacture of Centchroman has been withdrawn and they will now attract duty @ 10% or 7.5% as the case may be (S.No. 79 of notification No. 21/2002-Customs omitted vide notification No. 20/2007-Customs refers).

Chapter 29.

29.1 Customs duty on all goods (except mannitol, sorbitol and caprolactam) has been reduced to 7.5%. (S.No. 553 of notification No. 21/2002-Customs as inserted vide notification No. 20/2007-Customs refers)

29.2 There is no change in duty on items attracting duty at rates lower than 7.5%.

29.3 Duty on caprolactam will continue to be at 10%. (S.No.4 of the notification No. 22/2007-Customs refers)

29.4 Duty on mannitol and sorbitol will continue to be at 20%. (S.No. 491 of notification No. 21/2002-Customs refers).

29.5 Customs duty exemption on Codeine Phosphate or Narcotine, imported by Government Opium and Alkaloid Factories has been withdrawn and they will now attract duty @ 7.5% (S.No. 100 of notification No. 21/2002-Customs omitted vide notification No. 20/2007-Customs refers).

Chapter 30.

No change except peak rate reduction.

Chapter 31.

31.1 Customs duty on all goods has been reduced to 7.5%. (S.No. 554 of notification No. 21/2002-Customs as inserted vide notification No. 20/2007-Customs refers.)

31.2 There is no change in duty on items attracting duty at rates lower than 7.5%.

31.3 Unconditional 5% rate of customs duty has been prescribed for urea. So far, 5% rate applied to urea, for use as manure. (S.No. 111 of notification No. 21/2002-Customs as amended vide notification No. 20/2007-Customs refers).

Chapter 32.

32.1 Customs duty on all goods falling under headings 3201 to 3206 (except pigments and preparations based on titanium dioxide) and 3207 has been reduced to 7.5%. (S.No. 555 of notification No. 21/2002-Customs as inserted vide notification No 20/2007-Customs refers).

32.2 Pigments and preparations based on titanium dioxide will attract duty @ 10% (S.No. 11 of notification No. 21/2007-Customs refers).

32.3 Duty on ceramic colours (3207 10 40) has been reduced to 5%. (S.No. 556 of notification No. 21/2002-Customs as inserted vide notification No. 20/2007-Customs refers).

32.4 Customs duty on goods (including glass frits) falling under tariff item 3207 40 00 has been reduced to 5%. (S.No. 443 of notification No. 21/2002-Customs as amended vide notification No. 20/2007-Customs refers).

Chapter 33.

33. No change except peak rate reduction.

Chapter 34.

34.1 Customs duty on all goods falling under heading 3403 has been reduced to 7.5%. (S.No. 557 of notification No. 21/2002-Customs as inserted vide notification No 20/2007-Customs refers).

Chapters 35 to 37.

35. No change except peak rate reduction.

Chapter 38.

38.1 Customs duty on all goods falling under headings or tariff items 3801, 3802, 3803 00 00, 3804, 3805, 3806, 3807, 3809 (except 3809 10 00), 3810, 3812, 3816 00 00, 3817, 3821 00 00 and 3824 (except 3824 60) has been reduced to 7.5%. (S.No. 558 of notification No. 21/2002-Customs as inserted vide notification No. 20/2007-Customs refers).

38.2 Duty on items falling under tariff item 3809 10 00 and sub-heading 3824 60 will continue to be at 20%. (S.No. 491 of the notification No. 21/2002-Customs refers).

Chapter 39.

39.1 Customs duty on polymers and copolymers in primary forms falling under headings 3901 to 3907 and 3909 to 3914 and waste parings and scrap of plastics falling under heading 3915 has been reduced to 7.5%. (S.No. 559 of the notification No. 21/2002-Customs as inserted vide notification No. 20/2007-Customs refers).

39.2 The general rate of duty on polyamides in primary forms falling under heading 3908 and all goods falling under headings 3916 to 3926 will be at 10%. (S.No. 18 of notification No. 21/2007-Customs refers).

39.3 Description of goods eligible for concessional rate of 5% customs duty under S.No. 494 of notification No. 21/2002-Customs has been changed to Ethylene vinyl acetate (EVA). (S.No. 494 of notification No. 21/2002-Customs as amended vide notification No. 20/2007-Customs refers).

Chapter 40

40.1 Customs duty on butyl rubber of heading 4002 has been reduced from 10% to 5% (notification No.20/2007.-Customs, amends S.No.533 of notification No.21/2002-Customs).

Chapter 43

Countervailing duty on raw, tanned or dressed furskins of heading 4301 or 4302 has been reduced from 8% to Nil (S.No. 149A of notification No. 21/2002-Customs as inserted vide notification No. 20/2007-Customs).

Chapters 50 to 53.

50.1 No change except peak rate reduction.

50.2 There is no change in specific component of duty wherever applicable.

Chapter 54.

54.1 Customs duty on polyester filament yarns has been reduced from 10% to 7.5%. (S.No. 534 of the notification No. 21/2002-Customs as substituted vide notification No 20/2007-Customs refers).

54.2 There is no change in specific component of duty wherever applicable.

54.3 Duty on other filament yarns will continue to be at 10% (S.No. 78 of notification No. 21/2007-Customs refers).

54.4 Full exemption from basic customs duty and CV duty, presently available to aramid threads and aramid fabrics for manufacture of bulletproof jackets for armed forces, has been extended to aramid yarns as well. (S.No. 16 of notification No. 39/96-Customs as amended vide notification No. 34/2007-Customs refers).

Chapter 55.

55.1 Customs duty on polyester staple fibres and tow has been reduced from 10% to 7.5%. (S.No. 535A of notification No. 21/2002-Customs as inserted vide notification No. 20/2007-Customs refers).

55.2 Duty on other man made staple fibres will continue to be at 10% (S.No. 535 of notification No. 21/2002-Customs as inserted by notification No. 20/2007-Customs and S.No. 111 of 21/2007-Customs refer.)

55.3 There is no change in specific component of duty wherever applicable.

Chapters 56 to 63.

56.1 No change except peak rate reduction.

56.2 There is no change in specific component of duty wherever applicable.

Chapters 64 to 65

No change except peak rate reduction.

Chapter 66

66.1 Customs duty on parts of umbrella (including umbrella panels) has been reduced from 12.5% to 5% (S.No. 560 of the notification No. 21/2002-Customs as inserted vide notification No. 20/2007-Customs refers).

Chapters 67 to 70

No change except peak rate reduction.

Chapter 71

71.1 Customs duty on cut and polished diamonds falling under heading 7102 has been reduced from 5% to 3%. (S.No. 187 of notification No. 21/2002-Customs as amended vide notification No. 20/2007-Customs refers).

71.2 Customs duty on rough synthetic gemstones falling under heading 7104 has been reduced from 12.5% to 5%. (S.No. 561 of notification No. 21/2002-Customs as inserted vide notification No. 20/2007-Customs refers).

Chapter 72

72.1 Customs duty on seconds and defectives of iron and steel has been reduced from 20% to 10% (S.No. 330 of notification No 21/2007-Customs refers).

Chapters 84 and 85

84.1 Concessional customs duty of 5% on specified plantation machinery, which is valid upto 30.04.07 is being extended by two years i.e. upto 30.04.09. [Clause (b) in the Proviso to the preamble of notification No.21/2002-Customs as amended by notification No. 20/2007-Customs refers.]

84.2 Customs duty on Sprinklers and drip irrigation systems for agricultural & horticultural purposes is being reduced from 7.5% to 5%.(S.No. 562 of notification No.21/2002-Customs as inserted vide notification No. 20/2007-Customs).

84.3 Customs duty on Food Processing machinery and their parts is being reduced from 7.5% to 5%.(S.No. 563 of notification No.21/2002-Customs as inserted vide notification No. 20/2007-customs).

84.4 Customs duty on presses and other machinery for manufacturing particle board and fibre board, or for treating wood or cork, falling under tariff item 8479 30 00 is being reduced to 5%.(S.No. 564 of notification No.21/2002-Customs as inserted vide notification No. 20/2007-customs).

84.5 Nil additional duty of customs on parts, components and accessories of mobile handsets including cell phone, which is valid upto 30.04.07, is being extended upto 30.06.09. (notification No. 39/2005-Customs as amended by notification No. 29/2007-customs refers).

84.6 Exemption from Customs duty has been withdrawn on recorded magnetic films used for producing TV serials. These items will now attract peak rate of customs duty. (S.No. 132 of notification No.21/2002-Customs as amended vide notification No. 20/2007-Customs).

84.7 Concessional rate of Customs duty has been withdrawn on specified goods used in the flyash, phosphogypsum based building materials industry or for making clay-flyash bricks or production of pre-fabricated parts. (S.No. 219 of notification No.21/2002-Customs as omitted vide notification No. 20/2007-Customs refers).

84.8 Concessional rate of Customs duty has been withdrawn on specified list of item like professional television cameras, audio recording equipment, video editing machines (S.No. 245 of notification No.21/2002-Customs as omitted vide notification No. 20 /2007-Customs refers).

84.9 Exemption from CVD has been withdrawn on specified parts of Set top boxes. (S.No 316B of notification No. 21/2002-Customs as amended by notification No. 20/2007-Customs refers).

Chapters 86 to 89

86.1 Exemption from Customs duty has been withdrawn on Aircraft, and parts thereof imported for private use or by non-scheduled operators (S.No.346 & S.No.347 of notification No.21/2002-Customs as amended by notification No. 20/2007-customs

refers). However, exemption is available under notification No. 39/96-Customs to Aircraft imported by Government of India, State Governments, Public Sector Undertakings of the Central Government or the State Governments.

86.2 Customs duty on dredgers is being reduced from 5% to Nil. (S.No. 353A of notification No.21/2002-Customs as inserted vide notification No. 20/2007-Customs).

86.3 Such dredgers will be exempted from additional customs duty of 4% by virtue of S.No 1 of notification No.20/2006-Customs.

Chapters 90 to 91

90.1 Customs duty on all goods of headings 9018, 9019, tariff item 9020 00 00, headings 9021 and 9022 has been reduced from 12.5% to 7.5% (S.No.410 of notification No 21/2007-Customs refer.)

90.2 Customs duty on watch dials and watch movements of headings 9108, 9110 and tariff item 9114 30 10 has been reduced from 12.5% to 5% (notification No. 20/2007-Customs inserts S.No. 565 in notification No.21/2002-Customs refer.)

Chapter 98

98.1 Digital Cinema development projects are being notified under heading 9801. These projects can now be assessed to customs duty as 'Project Imports'. (Notification No. 30 /2007-Customs & 31/2007-customs refer).

MISCELLANEOUS

M1. Customs duty at concessional rate of 5% has been extended to 15 additional equipment, for use in R&D in pharma and bio-technology sectors (notification No 20/2007-Customs amends List 27A of notification No.21/2002-Customs refer.)

M2. Customs duty at concessional rate of 5%, with full exemption from additional duty has been extended to import of specified equipment, apparatus, accessories, parts, consumables, prototypes etc. by all research institutions registered with Department of Scientific & Industrial Research, subject to specified conditions (notification No.24/2007-Customs amends S.No.2 of notification No.51/96-Customs refer.)