

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

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D.O.F.No.334/5/2015-TRU
New Delhi, the 28th February, 2015.

Dear Chief Commissioner / Principal Commissioner,

The Finance Minister has introduced the Finance Bill, 2015 in Lok Sabha today, i.e., 28th February, 2015. Changes in Customs and Central Excise law and rates of duty have been proposed through the Finance Bill, 2015 (clauses 80 to 89, 163, 164 for Customs and clauses 90 to 104, 163, 164, 184 and 188 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.6/2015-Customs to No.11/2015-Customs	1 st March, 2015
Non-Tariff	No.27/2015-Customs (NT)	1 st March, 2015
CENTRAL EXCISE		
Tariff	No.5/2015-CE to No.17/2015-CE	1 st March, 2015
Non-Tariff	No.3/2015-CE (NT) to No.11/2015-CE (NT)	1 st March, 2015
CLEAN ENERGY CESS		
	No.1/2015-Clean Energy Cess	1 st March, 2015
M&TP ACT		
	No.1/2015-M&TP	1 st March, 2015

Unless otherwise stated, all changes in rates of duty take effect from the midnight of 28th February / 1st March, 2015. A declaration has been made under the Provisional Collection of Taxes Act, 1931 in respect of clauses 89, 90, 103, 104, 163, 164 and 188 of the Finance Bill, 2015 so that changes proposed therein take effect from the midnight of 28th February / 1st March, 2015. The remaining legislative changes would come into effect only upon the enactment of the Finance Bill, 2015. Retrospective amendment in the notification issued under the Central Excise Act shall have the force of law only upon the enactment of the Finance Bill, 2015 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 four Annexes appended to this letter:

(i) Annex I contains Chapter wise changes relating to Customs;

(ii) Annex II contains Chapter wise changes relating to Central Excise:

Education Cess and Secondary & Higher Education Cess leviable on all excisable goods are being fully exempted. Simultaneously, the standard ad valorem rate of duty of excise (i.e. CENVAT) is being increased from 12% to 12.5%. Details of the consequential changes are enlisted in the aforesaid Annex.

Also, maximum speed of packing machine for packages of notified goods of various retail sale prices is being specified as a factor relevant to production for determining excise duty payable under the Compounded Levy Scheme presently applicable to pan masala, gutkha and chewing tobacco. The deemed production and duty payable per machine per month are accordingly being notified in respect of these goods with reference to the speed range in which the maximum speed of a packing machine for packages of various retail sale prices falls. Consequential amendments are being carried in the Pan Masala Packing machines (Capacity Determination and Collection of Duty) Rules, 2008 and Chewing Tobacco and Unmanufactured Tobacco Packing Machines (Capacity Determination and Collection of Duty) Rules, 2010 **to enable the AC / DC, as the case may be, to re-determine the annual capacity of production for the period 1st March, 2015 onwards within 3 working days of the coming into force of the Packing machines (Capacity Determination and Collection of Duty) Amendment Rules, 2015 and Chewing Tobacco and Unmanufactured Tobacco Packing Machines (Capacity Determination and Collection of Duty) Amendment Rules, 2015.** Details of changes in this regard enlisted in the aforesaid Annex may be studied carefully.

(iii) Annex III contains the clarifications being issued on certain matters.

(iv) Annex IV provides a bird's eye view of legislative changes proposed in the Finance Bill, 2015.

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.

2.2 I would also like to bring to your notice that it is quite likely that a commodity may be covered under more than one notification attracting different rates of duties. In such cases, as per various judicial pronouncements on the subject, the benefit of lower rate of duty cannot be denied to the assessee provided he fulfils the conditions prescribed, if any, for such lower rate.

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 and notifications 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 Sh. Amitabh Kumar, OSD (TRU) (Tel No.011-23092236); Sh. G.G. Pai, Director (TRU) (Tel No. 011-23092753), e-mail: giridhar.pai@nic.in or Sh. Malay Samir, Budget Officer (TRU) (Tel No. 011-23094819), e-mail: malay.samir@nic.in. We can also be reached at budget-cbec@nic.in.

5. Copies of Finance Bill, 2015, 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,

(Alok Shukla)
Joint Secretary (TRU-I)

To,

All Principal Chief Commissioners / Principal Directors General
All Chief Commissioners / Directors General
All Principal Commissioners,
All Commissioners
Director DPPR/ Logistics/Legal Affairs/ Data Management.

CUSTOMS

Chapter 1 to 24: No change

Chapter 25:

- 1) Basic Customs Duty on ulexite ore is being reduced from 2.5% to Nil. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.10/2015-Customs, dated 1st March, 2015 [new S.No.113A] refers.

Chapter 26:

- 1) Export duty on ilmenite, upgraded (beneficiated ilmenite including ilmenite ground) is being reduced from 5% to 2.5%. S.No.24D of notification No.27/2011-Customs, dated 1st March, 2011 as amended by notification No.8/2015-Customs, dated 1st March, 2015 refers.

Chapter 27:

- 1) The tariff rate of Basic Customs Duty on Bituminous coal [2701 12 00] is being reduced from 55% to 10%. A suitable amendment has been proposed in the Customs Tariff Act, 1975. Clause 89 of the Finance Bill, 2015 refers. However, the effective rate of Basic Customs Duty on Bituminous coal continues to be 2.5%.
- 2) Basic Customs Duty on metallurgical coke [2704 00] is being increased from 2.5% to 5%. S.No.125 of notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.10/2015-Customs, dated 1st March, 2015 refers.
- 3) Special Additional Duty (SAD) on Naphtha [2710] for use in manufacture of excisable goods is being reduced from 4% to 2%. Notification No.21/2012-Customs, dated 17th March, 2012 as amended by notification No.11/2015-Customs, dated the 1st March, 2015 [new S.No.45A] refers.
- 4) Basic Customs Duty on liquefied butanes [2711 13 00] is being reduced from 5% to 2.5%. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.10/2015-Customs, dated the 1st March, 2015 [new S.No.142C] refers.
- 5) Scheduled rate of Additional Duty of Customs levied on imported Motor Spirit [Petrol] and High Speed Diesel Oil [commonly known as Road Cess] is being increased from Rs.2 per litre to Rs.8 per litre. A suitable amendment has been proposed in the Second Schedule to the Finance (No.2) Act, 1998 and Second Schedule to the Finance Act, 1999. Clause 163 and 164 of the Finance Bill, 2015 refer. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these changes will come into force with immediate effect. However, the effective rate of Additional Duty of Customs levied on imported Motor Spirit [Petrol] and High Speed Diesel Oil [commonly known as Road Cess] is being increased from Rs.2 per litre to Rs.6 per litre. Notification No.6/2015-Customs and notification No.7/2015-Customs both dated the 1st March, 2015 refer.

Chapter 28:

- 1) Basic Customs duty on sulphuric acid [2807 00 10] for the manufacture of fertilizers is being reduced from 7.5% to 5%. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.10/2015-Customs, dated the 1st March, 2015 [new S.No.157A] refers.

Chapter 29 and 30:

- 1) Basic Customs duty on isoprene [2901 24 00] is being reduced from 5% to 2.5%. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.10/2015-Customs, dated the 1st March, 2015 [S.No.173D] refers.
- 2) Basic Customs duty on styrene [2902 50 00], ethylene dichloride (EDC) [2903 15 00] and Vinyl Chloride Monomer (VCM) [2903 21 00] is being reduced from 2.5% to 2%. S.Nos.175, 177 and 178 Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.10/2015-Customs, dated the 1st March, 2015 refers.
- 3) Special Additional Duty (SAD) on styrene [2902 50 00], ethylene dichloride (EDC) [2903 15 00] and Vinyl Chloride Monomer (VCM) [2903 21 00] for use in manufacture of excisable goods is being reduced from 4% to 2%. Notification No.21/2012-Customs, dated 17th March, 2012 as amended by notification No.11/2015-Customs, dated the 1st March, 2015 [new S.Nos.45B, 45C and 45D] refers.
- 4) Basic Customs duty on anthraquinone [2914 61 00] is being reduced from 7.5% to 2.5%. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.10/2015-Customs, dated the 1st March, 2015 [new S.Nos.181A] refers.
- 5) Basic Customs duty on butyl acrylate [2916 12 10] is being reduced from 7.5% to 5%. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.10/2015-Customs, dated the 1st March, 2015 [new S.No.181B] refers.

Chapter 31 to 71: No change**Chapters 72 & 73:**

- 1) Tariff rate of Basic Customs Duty on iron and steel (Chapter 72) and articles of iron or steel (Chapter 73) is being increased from 10% to 15%. Clause 89 of the Finance Bill 2015 refers. However the existing effective rate of BCD on these goods are being retained. S.Nos.329A and 334A of notification No.12/2012-Customs, dated 17th March, 2012 as inserted by notification No.10/2015-Customs, dated 1st March, 2015 refer. Further, it is clarified that the existing concessional rates of Basic Customs Duty in respect of goods falling under Chapters 72 & 73 under S.Nos. 330, 331, 332, 333 & 334 and other similar entries of notification No.12/2012-Customs dated 17th March, 2012 will continue.

Chapter 74 & 76:

- 1) Special Additional Duty of Customs (SAD) on melting scrap of iron or steel, stainless steel scrap for the purpose of melting, copper scrap, brass scrap and aluminium scrap is being reduced from 4% to 2%. Notification No.21/2012-Customs, dated 17th March, 2012 as amended by notification No.11/2015-Customs, dated the 1st March 2015 [new S. Nos. 78A, 79A and 79B] refers.

Chapter 75, 77 to 80: No change.

Chapter 81:

- 1) Basic Customs duty on antimony metal [8110 10 00] and antimony waste and scrap [8110 2000] is being reduced from 5% to 2.5%. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.10/2015-Customs, dated the 1st March, 2015 [new S.No.344A] refers.

Chapter 82, 83: No change.

Chapter 84:

- 1) Basic Customs Duty on C- Block Compressor [8414 90 11], Crank Shaft [8414 90 11] and Over Load Protector (OLP) & Positive thermal co-efficient [8536 20 90] for use in the manufacture of Refrigerator compressors is being reduced from 7.5% to 5%. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.10/2015-Customs, dated the 1st March 2015 [new S. Nos. 399A and 399B] refers.
- 2) Basic Customs Duty on specified components [8537 10 00] of CNC Lathe machines and Machining Centres, namely Ball screws [8483 40 00], Linear Motion Guides [8466 93 90] and CNC Systems is being reduced from 7.5% to 2.5%, subject to actual user condition. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.10/2015-Customs, dated the 1st March 2015 [new S. Nos. 406B, 406C and 406D] refers.
- 3) Basic Customs Duty on ceria zirconia compounds [2825 60 20], cerium compounds [2846 10 90] and zeolite [3824 90 90] is being reduced from 7.5% to 5% for use in manufacture of washcoat, which is used in catalytic converters, subject to actual user condition. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.10/2015-Customs, dated the 1st March 2015 [new S. Nos. 371A, 371B and 371C] refers.
- 4) Parts and components of cash dispenser and automatic bank note dispensers [heading 8473 40] are exempt from Basic Customs Duty. However, since the classification of parts was not mentioned in the relevant notification, there were doubts about the scope of the exemption for parts of cash dispenser and automatic bank note dispensers. As the 'parts and components of cash dispensers and automatic bank note dispensers' were specifically included in the

description of goods even though their classification was not, it is clarified that the benefit of exemption from Basic Customs Duty was available to parts and components of cash dispenser and automatic bank note dispensers, in accordance with CBEC circular 9/96-Customs dated 13.2.96 [F.No.528/4/96-Customs (TU)]. Prospectively, the S. No. 408 of the Notification No. 12/2012- Customs dated 17-3-2012 is being amended to include the classification [8473 40] of parts and components of cash dispensers and automatic bank note dispensers. S. No. 408 of Notification No. 12/2012-Cus, as amended vide notification No.10/2015-Customs dated 1st March, 2015 refers.

- 5) Basic Custom Duty is being exempted on evacuated tubes with three layers of solar selective coating for use in the manufacture of solar water heater and system, subject to actual user condition. Notification No.12/2012-Customs, dated 17th March, 2012 as amended vide notification No.10/2015-Customs, dated 1st March, 2015 [new S.No.399C] refers.
- 6) Basic Custom Duty and CVD are being exempted on parts, components and accessories for use in the manufacture of tablet computer. Also, Basic Custom Duty and CVD are being exempted on sub-parts for use in manufacture of parts, components and accessories of tablet computers. Both BCD and CVD being exempt, vide S. No. 1 of notification No 21/2012-Customs, dated 17-3-2012, the SAD on these goods will also be exempt. These exemptions are subject to actual user condition. Notification No.12/2012-Customs, dated 17th March, 2012 as amended vide notification No.10/2015-Customs, dated 1st March, 2015 [new S.No.407A] refers.

Chapter 85

- 1) Basic Custom Duty is being exempted on High Density Polyethylene (HDPE) for manufacture of telecommunication grade optical fibres or optical fibre cables. Item-11 of List-5 of notification No.12/2012-Customs, dated 17th March, 2012 as amended *vide* notification No.10/2015-Customs, dated 1st March, 2015 refers.
- 2) Basic Custom Duty is being reduced from 10% to 7.5% on Water Blocking Tape, Ethylene–propylene–non-conjugated diene rubber (EPDM) and Mica glass tape for use in the manufacture of insulated wires and cables (except sub-heading 8544 11), subject to actual user condition. Notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.10/2015-Customs, dated 1st March, 2015 [new S.Nos.247A-247C] refers.
- 3) Basic Custom Duty is being reduced from 10% to 7.5% on metal parts for use in manufacture of electrical insulators, subject to actual user condition. Notification No.12/2012-Customs, dated 17th March, 2012 as amended *vide* notification No.10/2015-Customs, dated 1st March, 2015 [new S.No.334B] refers.
- 4) Concessional Basic Custom Duty of 5% is being extended to AEC (Active Energy Controller) for manufacture of Renewable Power System (RPS) inverters, subject to certification by Ministry of New and Renewable Energy [MNRE]. Notification No.12/2012-

Customs, dated 17th March, 2012 as amended *vide* notification No.10/2015-Customs, dated 1st March, 2015 [new S.No.424A and Condition No. 46] refers.

- 5) Basic Custom Duty is being reduced from 10% to Nil on Digital Still Image Video Cameras capable of recording video with minimum resolution of 800x600 pixels, at minimum 23 frames per second, for at least 30 minutes in a single sequence, using the maximum storage (including the expanded) capacity. Notification No.12/2012-Customs, dated 17th March, 2012 as amended *vide* notification No.10/2015-Customs, dated 1st March, 2015 [new S.No.428A] refers. Basic Custom Duty is also being also reduced from 5% to Nil on parts and components for use in the manufacture of such Digital Cameras. S.No.429 of notification No.12/2012-Customs, dated 17th March, 2012 as amended *vide* notification No. 10/2015-Customs, dated 1st March, 2015 refers.
- 6) Basic Custom Duty is being reduced on Organic LED (OLED) TV panels from 10% to Nil. S.No.432 of notification No.12/2012-Customs, dated 17th March, 2012 as amended *vide* notification No.10/2015-Customs, dated 1st March, 2015 refers.
- 7) Basic Custom Duty is being exempted on Black Light Unit Module also for manufacture of LCD/LED TV panels, subject to actual user condition. S.No.432B of notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.10/2015-Customs, dated 1st March, 2015 refers.
- 8) Basic Custom Duty is being reduced from 5% to Nil on magnetron (upto 1 KW) used for the manufacture of domestic microwave oven. S. No. 433 of notification No.12/2012-Customs, dated 17th March, 2012 as amended *vide* notification No.10/2015-Customs, dated 1st March, 2015 refers.
- 9) Special Additional Duty (SAD) is being exempted on all goods [except populated PCBs] for use in the manufacture of ITA bound goods covered by Notification Nos. 25/1998-Customs dated 2nd June, 1998, 24/2005-Customs dated 1st March, 2005, 25/2005-Customs dated 1st March, 2005, subject to actual user condition. Notification No.21/2012-Customs, dated 17th March, 2012 as amended *vide* notification No.11/2015-Customs, dated 1st March, 2015 [new S.No. 14D] refers.
- 10) Special Additional Duty (SAD) is being exempted on all inputs for use in the manufacture of LED driver and MCPCB for LED lights and Fixtures & LED Lamps, subject to actual user condition. Notification No.21/2012-Customs, dated 17th March, 2012 as amended *vide* notification No.11/2015-Customs, dated 1st March, 2015 [new S.No.14F] refers.

Chapter 86: No change.

Chapter 87

- 1) Tariff rate of BCD on import of vehicles falling under headings 8702 or 8704 (commercial vehicles) is being increased from 10% to 40%. Clause 89 of the Finance Bill 2015 refers. By

virtue of the Provisional Collection of Taxes Act, 1931, this increase will come into force with immediate effect. An effective BCD rate of 10% is being prescribed on vehicles falling under headings 8702 or 8704 (commercial vehicles) when imported in a Completely Knocked Down (CKD) kit. All such vehicles when imported in any other form will attract BCD of 20%. Notification No.12/2012-Customs, dated 17th March, 2012 as amended vide notification No.10/2015-Customs dated 1st March, 2015 [new S. No 436A] refers. However, electrically operated vehicles including in CKD condition, for transport of persons falling under heading 8702 would continue to attract 10% BCD. Notification No.12/2012-Customs, dated 17th March, 2012 as amended vide notification No.10/2015-Customs dated 1st March, 2015 [new S. No. 436B] refers.

- 2) The validity period of exemption granted to specified goods for use in the manufacture of hybrid and electrically operated vehicles is being extended by one more year up to 31st March, 2016. Clauses (g) and (h) of proviso to notification No. 12/2012-Customs, as amended by notification No. 10/2015-Customs, dated the 1st March 2015 refers.

Chapter 88, 89: No change.

Chapter 90:

- 1) CVD is being exempted on specified raw materials for use in the manufacture of pacemakers, subject to actual user condition. Notification No. 12/2012-Customs, dated 17th March, 2012 as amended *vide* notification No.10/2015- Customs, dated 1st March, 2015 [new S. No. 488A] refers. Further, these good are also being exempted from SAD subject to actual user condition. Notification No. 21/2012-Customs, dated 17th March, 2012 as amended *vide* notification No.11/2015- Customs, dated 1st March, 2015 [new S. No. 14E] refers.
- 2) Basic Customs Duty on specified inputs for use in the manufacture of flexible medical video endoscope is being reduced from 5% to 2.5%. Notification No. 12/2012-Customs, dated 17th March, 2012 as amended *vide* notification No.10/2015- Customs, dated 1st March, 2015 [new S. No. 474A] refers.
- 3) Basic Customs Duty and CVD is being fully exempted on artificial hearts (left ventricular assist device). S.No.480 of notification No. 12/2012-Customs, dated 17th March, 2012 as amended *vide* notification No.10/2015- Customs, dated 1st March, 2015 refers.

Chapter 91 to 98: No change.

Miscellaneous:

- 1) Notification No.12/2012-Customs [S.No.148(C)] fully exempts Basic Customs Duty and CVD leviable on life saving drugs and medicines imported by an individual for personal use subject to the Condition No.10, which stipulates that importer produces a certificate (in

prescribed form) issued by the Director General or Deputy Director General or Assistant Director General, Health Services, New Delhi, Director of Health Services of the State Government or the District Medical Officer/Civil Surgeon of the district, in each individual case, that the goods are life saving drugs or medicines. The prescribed Form is being amended so as to provide that such certificate shall be valid for a period of one year in case of patients who have to import such drugs and medicines on a regular basis. Condition No.10 of notification No.12/2012-Customs, dated 17th March, 2012 as amended by notification No.10/2015-Customs, dated the 1st March, 2015 refers.

- 2) S. No. 507 of Notification No. 12/2012-Customs dated 17-3-2012 prescribes Nil BCD and NIL CVD for goods imported for setting up a Mega Power Project specified in List No. 32A of the said Notification. In case of imports for a project for which the certificate regarding Mega Power Project status is provisional, the exemption is, inter alia, subject to condition that importer furnishes a bank guarantee or fixed deposit receipt for a term of 36 months or more. This condition is being amended to prescribe furnishing of bank guarantee or fixed deposit receipt for a period of 66 months. This condition is also applicable to imports under S. No. 508 of Notification No. 12/2012-Customs, dated 17-3-2012. Condition No.93 of notification No 12/2012-Customs, dated 17th March 2012, as amended by notification No 10/2015-Customs, dated the 1st March 2015 refers.
- 3) CVD and SAD exemption on specified goods imported for use by Security Printing and Minting Corporation of India Limited (SPMCIL) are being withdrawn. S.No.394 of notification No.12/2012-Customs, dated 17th March, 2012 as amended vide notification No.10/2015-Customs dated 1st March, 2015 and S.No.83 of notification No.21/2012-Customs, dated 17th March, 2012 as deleted by notification No. 11/2015-Customs, dated the 1st March, 2015 refers.
- 4) Notifications No.13/2012-Customs and No.14/2012-Customs both dated 17th March, 2012 exempt Education Cess and Secondary & Higher Education Cess leviable as CVD on imported goods. Since Education Cess and Secondary & Higher Education Cess leviable on excisable goods are being exempted in general, there will be no corresponding levy as CVD on imported goods. Hence, these notifications are being rescinded. In this regard, notification No.9/2015-Customs dated 1st March, 2015 refers.

EXCISE**General:****CENVAT rate:**

- 1) Education Cess levied on all excisable goods as a duty of excise under section 91 read with section 93 of the Finance Act, 2004 is being fully exempted. In this regard, notification No.14/2015-Central Excise dated 1st March, 2015 refers. Similarly, Secondary & Higher Education Cess leviable on excisable goods as a duty of excise under section 136 read with 138 of the Finance Act, 2007 is also being fully exempted. In this regard, notification No.15/2015-Central Excise dated 1st March, 2015 refers.
- 2) Simultaneously, the standard ad valorem rate of duty of excise (i.e. CENVAT) is being increased from 12% to 12.5%. Specific rates of Basic Excise Duty on petrol, diesel, cement, cigarettes & other tobacco products (other than biris) are also being suitably changed. In this regard, the First Schedule to the Central Excise Tariff Act, 1985 as amended by Clause 104 of the Finance Bill, 2015 refers. These changes will come into force with immediate effect owing to a declaration under the Provisional Collection of Taxes Act, 1931. Also, see S.Nos.42, 43, 45, 50, 51, 52, 53, 90, 107, 205A, 244, 273, 278, 279, 281, 285, 286, 287, 288 and 289 of notification No.12/2012-Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise dated 1st March, 2015 refers.
- 3) Other Basic Excise Duty rates (ad valorem as well as specific) with a few exceptions are not being changed.
- 4) Notifications No.13/2012-Customs and No.14/2012-Customs both dated 17th March, 2012 exempt Education Cess and Secondary & Higher Education Cess leviable as CVD on imported goods. Since Education Cess and Secondary & Higher Education Cess leviable on excisable goods are being exempted in general, there will be no corresponding levy as CVD on imported goods. Hence, these notifications are being rescinded. In this regard, notification No.9/2015-Customs dated 1st March, 2015 refers.
- 5) S.No.1A and 1B of notification No.23/2003-Central Excise, dated 31.03.2003 exempt the Customs component of Education Cess and Secondary & Higher Education Cess. Since Education Cess and Secondary & Higher Education Cess leviable on excisable goods are being fully exempted, there will be no levy of these Cesses either on CVD while calculating the aggregate of the duties of customs or on excise duty leviable under the proviso to section 3 of the Central Excise Act, 1944. Therefore, the entries S.No.1A and 1B are being omitted.

Also, the entries at S.No.5A, 6 and 7A are being amended so as to substitute the rate of 12% with 12.5%. Notification No.16/2015-Central Excise dated 1st March, 2015 refers.

- 6) Notifications No.28/2010-Central Excise and No.29/2010-Central Excise, both dated 22nd June, 2010 exempt the levy of Education Cess and Secondary & Higher Education Cess on the clean energy cess leviable on coal. Since Education Cess and Secondary & Higher Education Cess are being exempted on excisable goods in general, notifications No.28/2010-Central Excise and No.29/2010-Central Excise, both dated 22nd June, 2010 are being rescinded. Notification No.17/2015-Central Excise dated 1st March, 2015 refers.
- 7) The rate of excise duty applicable to goods covered by the Medicinal and Toilet Preparations Act, 1955 is being increased from 12% to 12.5% ad valorem. In this regard, notification No.1/2015-M&TP dated 1st March, 2015 refers.
- 8) There is no change in Education Cess leviable on imported goods under section 91 read with section 94 of the Finance Act, 2004 as a duty of customs and Secondary & Higher Education Cess leviable on imported goods under section 136 read with 139 of the Finance Act, 2007 as a duty of customs. These Cesses shall continue to be levied on imported goods.

Chapter 1 to 3: No change.

Chapter 4:

- 1) Excise duty of 2% without CENVAT credit or 6% with CENVAT credit is being levied on condensed milk [0402 91 10 and 0402 99 20] put up in unit containers. Notification No.1/2011-Central Excise, dated 1st March, 2011 as amended by notification No.7/2015-Central Excise dated 1st March, 2015 [new S.No.1A] and notification No.2/2011-Central Excise, dated 1st March, 2011 as amended by notification No.8/2015-Central Excise dated 1st March, 2015 [new S.No.1A] refer. Condensed milk [0402 91 10 and 0402 99 20] is also being notified under section 4A of the Central Excise Act for the purpose of valuation with reference to the Retail Sale Price, with an abatement of 30%. Notification No.49/2008-Central Excise (N.T.), dated 21.12.2008 as amended by notification No.3/2015-Central Excise (N.T.) dated 1st March, 2015 [new S.No.1A] refers. Condensed milk, other than put up in unit containers will continue to be exempt from excise duty. S.No.1 of notification No.12/2012-Central Excise, dated 17th March, 2012, as amended by notification No.12/2015-Central Excise dated 1st March, 2015 refers.

Chapter 5 to 19: No change.

Chapter 20:

- 1) Excise duty of 2% without CENVAT credit or 6% with CENVAT credit is being levied on peanut butter [2008 11 00]. S.No.14 of notification No.1/2011-Central Excise, dated 1st March, 2011 and S.No.13A of notification No.12/2012-Central Excise, dated 17th March, 2012 as omitted by notification No.12/2015-Central Excise dated 1st March, 2015 refer.

Chapter 21:

- 1) All goods falling under Chapter sub-heading 2101 20, including iced tea, are being notified under section 4A of the Central Excise Act for the purpose of assessment of Central Excise duty with reference to the Retail Sale Price with an abatement of 30%. Notification No.49/2008-Central Excise (N.T.), dated 21.12.2008 as amended by notification No.3/2015-Central Excise (N.T.) dated 1st March, 2015 [new S.No.16A] refers. The Third Schedule to the Central Excise Act, 1944 is also being amended so as to include therein all goods falling under Chapter sub-heading 2101 20, including iced tea. Clause 103 of the Finance Bill, 2015 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these changes will come into force with immediate effect.

Chapter 22:

- 1) All goods falling under heading 2202 [other than mineral waters and aerated waters which attract abatement of 45% and 40% respectively] are being notified under section 4A of the Central Excise Act for the purpose of assessment of Central Excise duty with reference to the Retail Sale Price with an abatement of 35%. Notification No.49/2008-Central Excise (N.T.), dated 21.12.2008 as amended by notification No.3/2015-Central Excise (N.T.) dated 1st March, 2015 [newly inserted S.No.25A and omitted S.No.121, 122, 123 and 124] refer. The Third Schedule to the Central Excise Act, 1944 is also being amended so as to include therein all goods falling under Chapter heading 2202. Clause 103 of the Finance Bill, 2015 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these changes will come into force with immediate effect.
- 2) Excise duty on “waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured” falling under Chapter sub-heading 2202 10 is being increased from 12% to 18%. Clause 104 of the Finance Bill refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, this increase will come into force with immediate effect. Simultaneously, the entry in the Seventh Schedule to the Finance Act, 2005 relating to levy of additional duty of excise @ 5% on these goods is being omitted. Clause 184 of the Finance Bill, 2015 refers. Notification No.6/2005-Central Excise, dated 1st March, 2005 as amended by notification No.9/2015-Central Excise dated 1st March, 2015 [new

S.No.1A] prescribes Nil rate of additional duty of excise on such goods till the enactment of the Finance Bill, 2015.

Chapter 24:

- 1) Basic Excise Duty rate on cigarettes and other products of tariff heading 2402 is being increased. Clause 104 of the Finance Bill, 2015 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these changes will come into force with immediate effect. There is no change in NCCD leviable under Seventh Schedule to the Finance Act, 2001 and Additional Duty (health cess) under Seventh Schedule to the Finance Act, 2005. The changes in basic excise duty rates on cigarettes are summarized below.

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	990	1280
24022020	Non-filter exceeding 65 but not exceeding 70	1995	2335
24022030	Filter not exceeding 65	990	1280
24022040	Filter exceeding 65 but not exceeding 70	1490	1740
24022050	Filter exceeding 70 but not exceeding 75	1995	2335
24022090	Other	2875	3375

- 2) Excise duty on cut tobacco is being increased from Rs.60 per kg to Rs.70 per kg. Clause 104 of the Finance Bill, 2015 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, the increase will come into force with immediate effect.
- 3) Maximum speed of packing machine for packages of notified goods of various retail sale prices is being specified as a factor relevant to production for determining excise duty payable under the Compounded Levy Scheme presently applicable to pan masala, gutkha and chewing tobacco. In this regard, section 3A of the Central Excise Act, 1944 is being amended to insert an Explanation so as enable the Central Government to specify more than one factor relevant to production. Clause 90 of the Finance Bill, 2015 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, this amendment will come into force with immediate effect. Accordingly, deemed production and duty payable per machine per month are being notified with reference to the speed range in which the maximum speed of a packing machine for packages of various retail sale prices falls. Consequential amendments are being carried in the Pan Masala Packing machines (Capacity Determination and

Collection of Duty) Rules, 2008 and Chewing Tobacco and Unmanufactured Tobacco Packing Machines (Capacity Determination and Collection of Duty) Rules, 2010. Rule 6(vii) of the said Rules provide that the manufacturer in the prescribed Form 1 shall declare the maximum packing speed at which the packing machine can be operated for packing of pouches of notified goods of various retail sale prices. A proviso is being inserted in sub-rule (3) of rule 6 of the said Rules so as to enable the AC / DC, as the case may be, to re-determine the annual capacity of production within 3 working days of the coming into force of the Packing machines (Capacity Determination and Collection of Duty) Amendment Rules, 2015 and Chewing Tobacco and Unmanufactured Tobacco Packing Machines (Capacity Determination and Collection of Duty) Amendment Rules, 2015. In this regard, notification No.42/2008-Central Excise dated 1st July 2008 as amended by notification No.6/2015-Central Excise dated 1st March, 2015 and notification No.30/2008-Central Excise (N.T.) dated 1st July, 2008 as amended by notification No.5/2015-Central Excise (N.T.) dated 1st March, 2015 in respect of Pan Masala and Gutkha refer. Notification No.16/2010-Central Excise dated 27th February, 2010 as amended by notification No.5/2015-Central Excise dated 1st March, 2015 and notification No.11/2010-Central Excise (N.T.) dated 27th February, 2010 as amended by notification No.4/2015-Central Excise (N.T.) dated 1st March, 2015 in respect of Chewing tobacco, unmanufactured tobacco, jarda scented tobacco and filter khaini refer.

Chapter 25:

- 1) Tariff rate of excise duty on goods falling under Chapter sub-heading 2523 29 is being increased from Rs.900 per tonne to Rs.1000 per tonne. Clause 104 of the Finance Bill, 2015 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, the increase will come into force with immediate effect. The effective rates of goods falling under Chapter sub-heading 2523 29 are specified vide S.Nos.51 and 52 of notification No.12/2012-Central Excise dated 17th March, 2012, as amended by notification No.12/2015-Central Excise dated 1st March, 2015.

Chapter 26: No change.

Chapter 27:

- 1) Tariff rate of excise duty on high speed diesel (HSD) falling under tariff item 2710 19 30 is being increased from 14% + Rs.5 per litre to 14% + Rs.15 per litre. **However, there is no change in the aggregate of various duties of excise on high speed diesel (HSD).** Clause 104 of the Finance Bill, 2015 refers.
- 2) The Second Schedule to the Finance (No.2) Act, 1998 is being amended so as to increase the Schedule rate of Additional Duty of Excise and Additional Duty of Customs (commonly

known as Road Cess) on Motor Spirit commonly known as Petrol from Rs.2 per litre to Rs.8 per litre. Clause 163 of the Finance Bill, 2015 refers. The Second Schedule to the Finance Act, 1999 is being amended so as to increase the Schedule rate of Additional Duty of Excise and Additional Duty of Customs (commonly known as Road Cess) on High Speed Diesel oil from Rs.2 per litre to Rs.8 per litre. Clause 164 of the Finance Bill, 2015 refers. Increase in Schedule rate of Additional Duty will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931. However, the effective rates of the Additional Duty of Excise (commonly known as Road Cess) levied on Petrol and High Speed Diesel Oil are being increased from Rs.2 per litre to Rs.6 per litre only. Notification No.6/2015-Customs and No.7/2015-Customs, both dated 1st March, 2015 and notification No.10/2015-Central Excise and No.11/2015-Central Excise, both dated 1st March, 2015 refer. Simultaneously, the Basic Excise Duty rates on petrol (both branded and unbranded) and diesel (both branded and unbranded) are being reduced by Rs.4 per litre. Further, Education Cess and Secondary and Higher Education Cess, presently applicable to petroleum products, including petrol and High Speed Diesel, are being exempted. On this count, rates of duty of excise (CENVAT) on Petrol and High Speed Diesel Oil (both branded and unbranded) are also being revised. In this regard, S.Nos.70 and 71 of notification No.12/2012-Central Excise dated 17th March, 2012 as amended by notification No.12/2015-Central Excise dated 1st March, 2015 refer. Table below summarizes the changes in various duties applicable to petrol and diesel:

Duty rates applicable prior upto 28.02.2015					Duty rates applicable with effect from 01.03.2015				
CENVAT Rs. / Litre	SAED Rs. / Litre	AED Rs. / Litre	Education Cesses (as % of aggregate of duties of excise)	Total Rs. / Litre	CENVAT	SAED	AED	Education Cesses	Total
Unbranded petrol									
8.95	6	2	3%	17.46	5.46	6	6	NIL	17.46
Branded petrol									
10.10	6	2	3%	18.64	6.64	6	6	NIL	18.64
Unbranded Diesel									
7.96	NIL	2	3%	10.26	4.26	NIL	6	NIL	10.26
Branded Diesel									
14% +Rs. 5 /litre or Rs. 10.25 /litre, whichever	NIL	2	3%	12.62	6.62	NIL	6	NIL	12.62

Duty rates applicable prior upto 28.02.2015					Duty rates applicable with effect from 01.03.2015				
CENVAT Rs. / Litre	SAED Rs. / Litre	AED Rs. / Litre	Education Cesses (as % of aggregate of duties of excise)	Total Rs. / Litre	CENVAT	SAED	AED	Education Cesses	Total
is lower									

Thus, the total incidence of various duties of excise on petrol and diesel remains unchanged.

- 3) The Schedule Rate of Clean Energy Cess, levied on coal, lignite and peat, is being increased from Rs.100 per tonne to Rs.300 per tonne. Clause 188 of the Finance Bill, 2015 refers. The increase in rate of Clean Energy Cess will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931. However, the effective rate of Clean Energy Cess is being increased from Rs.100 per tonne to Rs.200 per tonne. Notification No.1/2015-Clean Energy Cess, dated 1st March, 2015 refers.

Chapter 28 to 32: No change

Chapter 33:

- 1) Full exemption from excise duty is being provided to all goods which are consumed within the factory of their production in the manufacture of Agarbatti [3307 41 00]. Notification No.10/96-Central Excise dated 23rd July, 1996 as amended by notification No.13/2015-Central Excise dated 1st March, 2015 [new S.No.8A] refers.

Chapter 34 to 38: No change.

Chapter 39:

- 1) Tariff rate of excise duty on all goods falling under tariff item 3923 21 00 and Chapter sub-heading 3923 29 is being increased from 12% to 18%. However, the effective rate of excise duty on sacks and bags of polymers of ethylene [3923 21 00] other than for industrial use is being increased from 12% to 15%. Other sacks and bags falling under sub-heading 3923 29 shall remain at 12.5%. Notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No.12/2015- Central Excise dated 1st March, 2015 [New S. Nos.148B, 148C and 148D] refers.

Chapter 40 to 63: No change.

Chapter 64:

- 1) Basic Excise Duty on leather footwear of Retail Sale Price exceeding Rs.1000 per pair falling under Central Excise Tariff heading 6403 and 6405 is being reduced from 12% to 6%. For the purposes of this exemption, leather footwear means footwear, classified under CETH 6403 or 6405, having uppers of leather, where leather refers to goods of heading 4107 or 4112 to 4114. This concessional rate of 6% would however not apply to footwear with leather sole and textile uppers falling under CETH 6404. Footwear, including leather footwear, of Retail Sale Price upto Rs. 500 per pair and those with RSP exceeding Rs. 500 per pair but not exceeding Rs. 1000 per pair will continue to attract NIL and 6% excise duty respectively. Notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No.12/2015- Central Excise dated 1st March, 2015 [New S. No. 180A] refers.
- 2) The abatement as a percentage of Retail Sale Price is being reduced from 35% to 25% for all footwear. Notification No.49/2008-Central Excise (N.T.), dated 24th December, 2012 as amended by notification No.3/2015-Central Excise (N.T.) dated 1st March, 2015 [S. No. 56] refers.

Chapter 65 to 71: No change.

Chapter 72:

- 1) Excise duty is being reduced from 12% to Nil on Pig iron SG grade (7201 1000) and ferro-silicon-magnesium (7202 2900) for manufacture of cast components of wind operated electricity generators subject to certification by Ministry of New Renewable Energy [MNRE]. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise dated 1st March, 2015 [new S.No. 201A, 201B & Condition No. 53] refers.

Chapter 73:

- 1) S.No.205A of notification No.12/2012-Central Excise dated 17.03.2012 exempts railway or tramway track construction material of iron and steel from payment of excise duty on the value of rails, subject to condition that such rails have suffered excise duty and no credit of duty paid on them is taken under the CENVAT Credit Rules, 2004. This exemption is being made applicable retrospectively for the period from 17.03.2012 to 02.02.2014. Clause 102 of the Finance Bill, 2015 may be referred to for details.

Chapter 74:

- 1) Full exemption from excise duty is being extended to round copper wire and tine alloys for use in the manufacture of PV ribbon (tinned copper interconnect) for manufacture of solar PV cells and modules, subject to certification by Department of Electronics and Information Technology (DeitY). Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise dated 1st March, 2015 [Sl. Nos. 215A and 215B] refers.

Chapter 75 to 83: No change.

Chapter 84:

- 1) Excise duty exemption is being withdrawn on solar water heater and system. Item-5 of List-8 of notification No.12/2012-Central Excise, dated 17th March, 2012 as omitted *vide* notification No.12/2015-Central Excise dated 1st March, 2015. Further, optional excise duty of Nil without CENVAT credit / 12.5% with CENVAT credit is being extended to solar water heater and system. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise dated 1st March, 2015 [new S. No. 238A] and Clause 104 of the Finance Bill, 2015 refer.
- 2) Excise duty exemption on parts for use in manufacture of solar water heater and system is being continued, subject to actual user condition. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended *vide* notification No.12/2015-Central Excise dated 1st March, 2015 [new S. No. 238B] refers.
- 3) Excise duty of 2% without CENVAT credit / 12.5% with CENVAT credit is being provided to tablet computer. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise dated 1st March, 2015 [new S.No.254A] and relevant entry in Clause 104 of the Finance Bill, 2015 refer.
- 4) Further, excise duty is being exempted on parts, components and accessories for use in manufacture of tablet computer. Excise duty is also being exempted on sub-parts for use in manufacture of parts, components and accessories of tablet computers. These exemptions are subject to actual user condition. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended *vide* notification No.12/2015-Central Excise dated 1st March, 2015 [new S. No. 254B] refers.

Chapter 85:

- 1) Excise duty on mobile handsets including cellular phone is being changed from 1% without CENVAT credit or 6% with CENVAT credit to 1% without CENVAT credit or 12.5% with CENVAT credit. S.No.263A of notification No.12/2012-Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise dated 1st March, 2015 and Clause 104 of the Finance Bill, 2015 refer. NCCD of 1% on mobile handsets including cellular phone, remains unchanged.
- 2) Excise duty is being reduced from 12% to 6% on wafers for use in the manufacture of IC modules for smart cards, subject to actual user condition. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended *vide* notification No.12/2015-Central Excise dated 1st March, 2015 [new S. No. 145A] refers.
- 3) Excise duty is being reduced from 12% to 6% on all inputs for use in manufacture of LED driver and MCPCB for LED lights and Fixtures & LED Lamps, subject to actual user condition. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended *vide* notification No.12/2015-Central Excise dated 1st March, 2015 [new S. No. 321B] refers.
- 4) RSP based assessment is being prescribed expressly for LED lights or fixtures including LED lamps (Chapter 85 or 94) with an abatement of 35%. S.No.101 of notification No.49/2008-Central Excise (N.T.), dated 24th December, 2008 as amended *vide* notification No.3/2015-Central Excise (N.T.), dated 1st March, 2015 and Clause 103 of the Finance Bill, 2015 refer.

Chapter 86: No change.

Chapter 87:

- 1) Excise duty on chassis for ambulance is being reduced from 24% to 12.5%, subject to actual user condition. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended *vide* notification No.12/2015-Central Excise dated 1st March, 2015 [new S. No. 288A] refers.
- 2) The validity period of concessional excise duty of 6% granted to specified goods used in the manufacture of electrically operated vehicles and hybrid vehicles is being extended by one more year up to 31st March, 2016. First proviso to notification No.12/2012-Central Excise, as amended by notification No. 12/2015-Central Excise, dated the 1st March 2015 refers.

Chapter 88, 89: No change.

Chapter 90:

- 1) Excise duty is being exempted on specified raw materials for use in manufacture of pacemakers, subject to actual user condition. Notification No.12/2012-Central Excise, dated 17th March, 2012 as amended *vide* notification No.12/2015-Central Excise dated 1st March, 2015 [new S. No. 318A] refers.

Chapter 91 to 96: No change.

Miscellaneous:

- 1) Goods manufactured domestically and supplied against International Competitive Bidding are eligible for full excise duty exemption provided that such goods when imported attract Nil Basic Customs Duty and Nil CVD [S.No.336 of notification No.12/2012-Central Excise dated 17.03.2012 read with Condition No.41]. The condition is being amended so as to provide that if imported goods are eligible for Nil Basic Customs Duty and Nil CVD subject to certain conditions, then the said conditions shall also apply *mutatis mutandis* to such goods when manufactured domestically and supplied against International Competitive Bidding for the purposes of availing of the said excise duty exemption. Condition No.41 of notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise, dated 1st March, 2015 refers.
- 2) S. No. 337 of Notification No. 12/2012-Central Excise dated 17-3-2012 provided Nil excise duty on goods for setting up of Ultra Mega Power Project specified in List No. 10 of the said Notification. In case of goods for a Project for which certificate regarding Ultra Mega Power Project status is provisional, the exemption is subject *inter alia* to condition that the Chief Executive Officer of the Project furnishes a bank guarantee or fixed deposit receipt for a term of 36 months or more. This condition is being amended to prescribe furnishing of bank guarantee or fixed deposit receipts for a period of 42 months. Condition No. 42(b) of Notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise, dated 1st March, 2015 refers.
- 3) S. No. 338 of Notification No. 12/2012-Central Excise dated 17-3-2012 provided Nil excise duty on goods for setting up of Mega Power Project specified in List No. 11 of the said Notification. In case of goods for a Project for which certificate regarding Mega Power Project status is provisional, the exemption is subject *inter alia* to condition that the Chief Executive Officer of the Project furnishes a bank guarantee or fixed deposit receipt for a term of 36 months or more. This condition is being amended to prescribe furnishing of bank guarantee or fixed deposit receipts for a period of 66 months. Condition No. 43(b) of

Notification No.12/2012- Central Excise, dated 17th March, 2012 as amended by notification No.12/2015-Central Excise, dated 1st March, 2015 refers.

CLARIFICATION

CUSTOMS

- 1) Bulk drugs used in the manufacture of the specified drugs (listed in the table annexed to the exemption notification) are either exempt from BCD or attract concessional rate of 5% BCD, under Sl. No. 148(B) and 147(B) respectively of notification No 12/2012-Customs, if the procedure as laid down in the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996 is followed by the importers. Further, these bulk drugs used in the manufacture of the specified drugs are also exempt from excise duty, under S. No. 108 (B) of the notification 12/2012- CE, provided the procedure laid down in the Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, is followed. In this context, clarification has been sought whether a separate certificate issued under the above mentioned Central Excise Rules is required when a similar certificate under the above mentioned Customs Rules issued from the same jurisdictional Central Excise officer is already produced. It is being clarified that there is no need to separately comply with Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2001 for the purposes of availing of the CVD exemption under notification No.12/2012-Central Excise, if the procedure as laid down in the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rule, 1996 is already followed by the importer for availing exemption / concession from BCD on the said goods.

- 2) Parts and components of cash dispenser and automatic bank note dispensers [heading 8473 40] are exempt from Basic Customs Duty. However, since the classification of parts was not mentioned in the relevant notification, there were doubts about the scope of the exemption for parts of cash dispenser and automatic bank note dispensers. As the 'parts and components of cash dispensers and automatic bank note dispensers' were specifically included in the description of goods even though their classification was not, it is clarified that the benefit of exemption from Basic Customs Duty was available to parts and components of cash dispenser and automatic bank note dispensers, in accordance with CBEC circular 9/96-Customs dated 13.2.96 [F.No.528/4/96-Customs (TU)]. Prospectively, the S. No. 408 of the Notification No. 12/2012- Customs dated 17-3-2012 is being amended to include the classification [8473 40] of parts and components of cash dispensers and automatic bank note dispensers. S. No. 408 of Notification No. 12/2012-Cus, as amended vide notification No.10/2015-Customs dated 1st March, 2015 refers.

LEGISLATIVE CHANGES

AMENDMENTS IN THE CUSTOMS ACT, 1962:

- 1) Section 28 is being amended so as to:
 - (i) Insert a proviso in sub-section (2) thereof to provide that in cases **not involving** fraud or collusion or wilful mis-statement or suppression of facts or contravention of any provision of the Act or rules with the intent to evade payment of duty, no penalty shall be imposed if the amount of duty along with interest leviable under section 28AA or the amount of interest, as the case may be, as specified in the notice, is paid in full within 30 days from the date of receipt of the notice and the proceedings in respect of such person or other persons to whom the notice is served shall be deemed to be concluded;
 - (ii) Provide that in cases **involving** fraud or collusion or wilful mis-statement or suppression of facts or contravention of any provision of the Act or rules with the intent to evade payment of duty, the amount of penalty payable shall be 15% instead of the present 25%;
 - (iii) Insert Explanation 3 to provide that where a notice under clause (a) of sub-section (1) or sub-section (4) of section 28, as the case may be, has been served but an order determining duty under sub-section (8) has not been passed before the date on which the Finance Bill, 2015 receives the assent of the President, then, without prejudice to the provisions of sections 135, 135A and 140, as may be applicable, the proceedings in respect of such person or other persons to whom the notice is served shall be deemed to be concluded if the payment of duty, interest and penalty under the proviso to sub-section (2) or under sub-section (5), as the case may be, is made in full within 30 days from the date on which such assent is received.

[Clause 80 of the Finance Bill, 2015 refers]

- 2) Section 112 provides for penalty for improper importation of goods, etc. Section 112 is being amended so as to substitute sub-clause (ii) of clause (b) to provide that any person who acquires possession of or is in any way concerned with or in any other manner deals with any dutiable goods, other than prohibited goods, which he knows or has reasons to believe are liable to confiscation under section 111, shall, subject to the provisions of section 114A, be liable to a penalty not exceeding 10% of the duty sought to be evaded of Rs.5000, whichever is greater. It is also being provided that in cases of short levy or non-levy or short payment or non-payment and erroneous refund of duty for reasons of

collusion or any willful mis-statement or suppression of facts, if the duty as determined under sub-section (8) of section 28 and the interest payable thereon under section 28AA is paid within 30 days from the date of communication of the order of the proper officer determining such duty, the amount of penalty liable to paid by such person under this section shall be 25% of the penalty so determined.

[Clause 81 of the Finance Bill, 2015 refers]

- 3) Section 114 provides for penalty for attempt to export goods improperly, etc. Section 114 is being amended so as to substitute clause (ii) to provide that any person who, in relation to any dutiable goods, other than prohibited goods, does or omits to do any act which act or omission would render such goods liable to confiscation under section 113, or abets the doing or omission of such an act, shall, subject to the provisions of section 114A, be liable to a penalty not exceeding 10% of the duty sought to be evaded of Rs.5000, whichever is greater. It is also being provided that in cases of short levy or non-levy or short payment or non-payment and erroneous refund of duty for reasons of collusion or any willful mis-statement or suppression of facts, if the duty as determined under sub-section (8) of section 28 and the interest payable thereon under section 28AA is paid within 30 days from the date of communication of the order of the proper officer determining such duty, the amount of penalty liable to paid by such person under this section shall be 25% of the penalty so determined.

[Clause 82 of the Finance Bill, 2015 refers]

- 4) The proviso to clause (b) of section 127A relating to the provisions of Settlement Commission is being amended to delete the reference to “in appeal or revision, as the case may be” so as to provide that when any proceeding is referred back, whether in appeal or revision or otherwise, by any court, Appellate Tribunal Authority or any other authority to the adjudicating authority for a fresh adjudication or decision, then such case shall not be entitled for settlement.

[Clause 83 of the Finance Bill, 2015 refers]

- 5) Sub-section (1A) to Section 127B provides that in case of applications made prior to 1st day of June 2007, and where no order under section 127C (1) has been made before said date, the applicant shall pay the amount so ordered by the Settlement Commission within thirty days from 1st day of June 2007 failing which his application shall be liable to be rejected. The actual operation of the said section provided for the payments to be made within thirty days from 1st day of June 2007. Hence, the said section has become redundant and is being omitted.

[Clause 84 of the Finance Bill, 2015 refers]

- 6) Sub-section (6) of section 127C provides that in respect of the applications filed before 31st day of May, 2007, Settlement Commission shall pass the final order of settlement under sub-section (5) of section 127C latest by 29th February 2008 and in cases filed after 31st day of May, 2007, within nine months. Since all the applications filed before 31st day of May, 2007 shall have been necessarily disposed of by 29th day of 2008, the reference to the said dates have become redundant. Therefore, the said sub-section is being amended so as to omit the phrase “in respect of an application filed on or before the 31st day of May, 2007, later than the 29th day of February, 2008 and in respect of application made on or after the 1st day of June, 2007”.

[Clause 85 of the Finance Bill, 2015 refers]

- 7) Section 127E provides that Settlement Commission can reopen the completed proceedings in certain conditions. As per the first proviso to the said section no proceedings can be reopened after five years from the date of application, and as per second proviso to the said section Settlement Commission cannot reopen any proceedings in respect of an application made after 1st day of June 2007. Thus, Settlement Commission has no powers to reopen any completed proceedings after expiry of five years from 1st day of June 2007, thus making this section redundant. Therefore, this section is being omitted.

[Clause 86 of the Finance Bill, 2015 refers]

- 8) Explanation to sub-section (1) of section 127H provides that in respect of the applications filed on or before 31st day of May 2007, Settlement Commission shall decide the applications as if the amendments made in the said section were not in force. Since all the applications filed by 31st day of May, 2007 have necessary been disposed of by 29th day of February 2008, the said explanation has become redundant. Hence, the said Explanation is being omitted.

[Clause 87 of the Finance Bill, 2015 refers]

- 9) Section 127L provides the situations in which the person in whose case the order has been passed by the Settlement Commission cannot again approach the Settlement Commission. When the said section was amended in 2007, the said section made distinction in respect of the orders passed prior the commencement of section 102 of the Finance Act, 2007 and after that. In respect of the cases decided after the said commencement, the applicant was barred from making subsequent applications, whereas in the cases decided prior to that he could have made the application if his case was not covered by any of the clauses mentioned in sub-section (1). However, vide the amendments made by the Finance Act, 2010, even in cases decided after commencement

of section 102 of the Finance Act, 2007 the applicant was allowed to approach Settlement Commission if not hit by any of the clauses to sub-section (1). Thus, clause (i) and (ii) of sub-section (1) to section 127L are being amended so as to delete the phrase “passed under sub-section (7) of the section 127C, as it stood immediately before the commencement of section 102 of the Finance Act, 2007 (22 of 2007) or sub-section (5) of the section 32F” as the same have become redundant.

[Clause 88 of the Finance Bill, 2015 refers]

AMENDMENT IN THE FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975:

- 1) The tariff rate of basic customs duty on bituminous coal is being reduced from 55% to 10%.
- 2) The tariff rate of basic customs duty on goods falling under all the tariff items of Chapters 72 and 73 that is iron and steel and articles of iron & steel, is being increased from 10 to 15%. However, there is no change in the existing effective rates of basic customs duty on these goods.
- 3) The tariff rate of basic customs duty on goods falling under all the tariff items of heading 8702 that is motor vehicles for the transport of ten or more persons, including the driver and 8704 that is motor vehicles for the transport of goods, is being increased from 10% to 40%. This change will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931. The effective Basic customs duty on Commercial Vehicles is being increased from 10% to 20%. However, customs duty on commercial vehicles in Completely Knocked Down (CKD) kit and electrically operated vehicles including those in CKD condition will continue to be at 10%.

[Clause 89 of the Finance Bill, 2015 refers]

AMENDMENTS IN THE CENTRAL EXCISE ACT, 1944:

- 1) Sub section (3) of Section 3A, which empowers the Central Government to charge excise duty on the basis of capacity of production in respect of notified goods, is being amended so as to insert an Explanation to provide that factor relevant to production includes factors relevant to production, so as to enable the Central Government to specify more than one factor relevant to the production of such goods. This amendment will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

[Clause 90 of the Finance Bill, 2015 refers]

2) Section 11A is being amended so as to:

- (i) Remove from the statute provisions relating to the category of cases where fraud, collusion, willful mis-statement, etc. is involved but the transaction is recorded in the specified record so as to bring uniformity in treatment of all such cases irrespective of whether the transaction is so recorded or not;
- (ii) Amend the provision relating to relevant date to provide definition of relevant date in respect of cases where a return is not filed on the due date and cases where only interest is required to be recovered.
- (iii) Provide that the provisions of section 11A shall not apply to cases where the non-payment or short payment of duty is reflected in the periodic returns filed and that in such cases recovery of duty shall be made in such manner as may be prescribed in the rules.

[Clause 91 of the Finance Bill, 2015 refers]

3) Section 11AC is being substituted so as to rationalize the penalty as follows:

- (i) in cases **not involving** fraud or collusion or wilful mis-statement or suppression of facts or contravention of any provision of the Act or rules with the intent to evade payment of excise duty, in the following manner,-
 - a) in addition to the duty as determined under sub-section (10) of section 11A, a penalty not exceeding 10% of the duty so determined or Rs.5000 whichever is higher shall be payable;
 - b) if duty and interest payable thereon under section 11AA is paid either before issue of show cause notice or within 30 days of issue of show cause notice, no penalty shall be payable and all proceedings in respect of said duty and interest shall be deemed to be concluded;
 - c) if duty as determined under sub-section (10) of section 11A and interest payable thereon under section 11AA is paid within 30 days of the date of communication of order of the Central Excise Officer who has determined such duty, the amount of penalty shall be equal to 25% of the penalty so imposed, provided that such reduced penalty is also paid within 30 days of the date of communication of such order.
- (ii) in cases **involving** fraud or collusion or wilful mis-statement or suppression of facts or contravention of any provision of the Act or rules with the intent to evade payment of excise duty, in the following manner,-
 - a) in addition to the duty as determined under sub-section (10) of section 11A, a penalty equal to the duty so determined shall be payable. In respect of cases where the details relating to such transactions are recorded in the specified record for the period beginning with 8th April,

2011 and upto the date of assent to the Finance Bill, 2015, the penalty payable shall be 50% of the duty so determined.

- b) if duty and interest payable thereon under section 11AA is paid within 30 days of communication of show cause notice, the amount of penalty payable shall be 15% of the duty demanded, provided that such reduced penalty is also paid within 30 days of communication of show cause notice and all proceedings in respect of said duty, interest and penalty shall be deemed to be concluded;
 - c) if duty as determined under sub-section (10) of section 11A and interest payable thereon under section 11AA is paid within 30 days of the date of communication of order of the Central Excise Officer who has determined such duty, the amount of penalty shall be equal to 25% of the duty so determined, provided that such reduced penalty is also paid within 30 days of the date of communication of such order; and
- (iii) (a) If the duty amount gets modified in any appellate proceeding, then the penalty amount mentioned in (ii) (a) above and interest shall also stand modified accordingly. Where the duty amount is increased in the appellate proceedings, the benefit of reduced penalty as specified shall be admissible if duty, interest and reduced penalty in relation to such increased amount is paid within 30 days of such appellate order.
- (b) Cases where no show cause notice has been issued prior to the date on which the Finance Bill, 2015 receives the assent of the President, shall be governed by provisions of section 11AC as amended.
- (c) Proceedings in the pending show cause notices can be closed – (i) on payment of duty, interest and penalty @ 15% of the duty in cases involving fraud, collusion, willful mis-statement, etc. and (ii) on payment of duty and interest in cases not involving fraud, collusion, willful mis-statement, etc., within 30 days of the Finance Bill, 2015 receiving the assent of the President. In all cases where show cause notices are adjudicated after the Finance Bill, 2015 receives the assent of the President, reduced penalty @ 25% of the duty in cases involving fraud, collusion, willful mis-statement, etc. and 25% of the penalty imposed in cases not involving fraud, collusion, willful mis-statement, etc. can be paid within 30 days of communication of the adjudication order if the duty, interest and penalty is paid within such time.

[Clause 92 of the Finance Bill, 2015 refers]

- 4) The proviso to sub-section (c) of section 31 relating to the provisions of Settlement Commission is being amended to delete the reference to “in appeal or revision, as the

case may be” so as to provide that when any proceeding is referred back, whether in appeal or revision or otherwise, by any court, Appellate Tribunal Authority or any other authority to the adjudicating authority for a fresh adjudication or decision, then such case shall not be entitled for settlement.

[Clause 93 of the Finance Bill, 2015 refers]

- 5) The proviso to sub-section (3) of section 32 provides that where a Member of the Central Board of Excise & Customs is appointed as the Chairman, Vice Chairman or Member of the Settlement Commission, he shall cease to be a member of the Board. As per the amended Customs and Central Excise Settlement Commission (Recruitment and Conditions of Service of Chairman, Vice Chairman and Members) Rules, 2000, Members of the Board are not eligible to be Member of the Settlement Commission. Hence, the proviso is redundant and is being omitted.

[Clause 94 of the Finance Bill, 2015 refers]

- 6) Section 32B is being amended so as to enable Vice Chairman or Member of the Settlement Commission to officiate as Chairman in the absence of the Chairman of the Settlement Commission.

[Clause 95 of the Finance Bill, 2015 refers]

- 7) Sub-section (1A) to section 32E provides that in case of applications made prior to 1st day of June 2007, and where no order under section 32F (1) has been made before said date or applicant has not paid the amount so ordered by the Settlement Commission shall within thirty days from 1st day of June 2007 pay the accepted duty liability failing which his application shall be liable to be rejected. Since the actual operation of the said section provides for the payments to be made within thirty days from 1st day of June 2007, the said sub-section has become redundant and is being omitted.

[Clause 96 of the Finance Bill, 2015 refers]

- 8) Sub-section (6) of section 32F provides that in respect of the applications filed before 31st day of May, 2007, Settlement Commission shall pass the final order of settlement under sub-section (5) of section 32F latest by 29th February 2008 and in cases filed after 31st day of May, 2007, within nine months. Since all the applications filed before 31st day of May, 2007 shall have been necessarily disposed of by 29th day of 2008, the reference to the said dates have become redundant. Therefore, the said sub-section has been amended so as to omit the phrase “in respect of an application filed on or before the 31st day of May, 2007, later than the 29th day of February, 2008 and in respect of application made on or after the 1st day of June, 2007”.

[Clause 97 of the Finance Bill, 2015 refers]

9) Section 32H provides that Settlement Commission can reopen the completed proceedings in certain conditions. As per the first proviso to the said section no proceedings can be reopened after five years from the date of application, and as per second proviso to the said section Settlement Commission cannot reopen any proceedings in respect of an application made after 1st day of June 2007. Thus, Settlement Commission has no powers to reopen any completed proceedings after expiry of five years from 1st day of June 2007, thus making this section redundant. Therefore, this section is being omitted.

[Clause 98 of the Finance Bill, 2015 refers]

10) Explanation to sub-section (1) of section 32K provides that in respect of the applications filed on or before 31st day of May 2007, Settlement Commission shall decide the applications as if the amendments made in the said section were not in force. Since all the applications filed by 31st day of May, 2007 have necessarily been disposed of by 29th day of February 2008, the said Explanation has become redundant and hence, is being omitted.

[Clause 99 of the Finance Bill, 2015 refers]

11) Section 32O provides the situations in which the person in whose case the order has been passed by the Settlement Commission cannot again approach the Settlement Commission. When the said section was amended in 2007, the said section made distinction in respect of the orders passed prior the commencement of section 122 of the Finance Act, 2007 and after that. In respect of the cases decided after the said commencement, the applicant was barred from making subsequent applications, whereas in the cases decided prior to that he could have made the application if his case was not covered by any of the clauses mentioned in sub-section (1). However vide the amendments made by the Finance Act, 2010, even in cases decided after commencement of section 122 of the Finance Act, 2007 the applicant was allowed to approach Settlement Commission if not hit by any of the clauses to sub-section (1). Thus, clauses (i) and (ii) of sub-section (1) of section 32O are being amended so as to omit the phrase “passed under sub-section (7) of the section 32F, as it stood immediately before the commencement of section 122 of the Finance Act, 2007 (22 of 2007) or sub-section (5) of the section 32F” as the same have become redundant.

[Clause 100 of the Finance Bill, 2015 refers]

12) Sub-sections (4) and (5) of section 37 are being amended so as to increase the penalty from Rs.2000 to Rs.5000.

[Clause 101 of the Finance Bill, 2015 refers]

13) S.No.205A of notification No.12/2012-Central Excise dated 17-3-2012 exempts railway or tramway track construction material of iron and steel from payment of excise duty on the value of rails, subject to condition that such rails have suffered excise duty and no credit of duty paid on them is taken under the Cenvat Credit Rules, 2004. This exemption is being made applicable retrospectively for the period from 17.03.2012 to 02.02.2014.

[Clause 102 of the Finance Bill, 2015 refers]

14) The Third Schedule to the Central Excise Act, 1944 is being amended so as to include therein all goods falling under Chapter sub-heading 2101 20, all goods falling under Chapter sub-heading 2202, and to amend the entry related to S.No.94. These amendments will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

[Clause 103 of the Finance Bill, 2015 refers]

AMENDMENTS IN THE FIRST SCHEDULE TO THE CENTRAL EXCISE TARIFF ACT, 1985:

- 1) The standard ad valorem rate of duty of excise (i.e. CENVAT) is being increased from 12% to 12.5%.
- 2) Duty of excise on “waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured” falling under Chapter sub-heading 2202 10 is being increased from 12% to 18%.
- 3) Duty of excise on cigarettes is being increased by 25% for cigarettes of length not exceeding 65 mm and by 15% for cigarettes of other lengths. Increase in are also proposed on cigars, cheroots and cigarillos.
- 4) Excise duty on cut tobacco is being increased from Rs.60 per kg to Rs.70 per kg.
- 5) Tariff rate of excise duty on goods falling under Chapter sub-heading 2523 29 is being increased from Rs.900 per tonne to Rs.1000 per tonne.
- 6) Tariff rate of excise duty on high speed diesel (HSD) falling under tariff item 2710 19 30 is being increased from 14% + Rs.5 per litre to 14% + Rs.15 per litre. However, there is no change in the aggregate of various duties of excise on high speed diesel (HSD).
- 7) Tariff rate of excise duty on all goods falling under tariff item 3923 21 00 and Chapter sub-heading 3923 29 is being increased from 12% to 18%.

[Clause 104 of the Finance Bill, 2015 refers]

The above changes will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

AMENDMENTS IN CENTRAL EXCISE RULES, 2002 AND CENVAT CREDIT RULES, 2004

- 1) Amendments in Central Excise Rules (CER), 2002 and CENVAT Credit Rules (CCR), 2004 are being simultaneously being done to provide for-
 - (i) Direct dispatch of goods to registered dealer's/ registered importer's customers without first bringing them to the dealer's / importer's registered premises subject to the conditions specified therein (Rule 11 of CER and Rule 4 of CCR refers),
 - (ii) Direct dispatch of inputs and capital goods to job worker without first bringing them to the manufacturer's /output service provider's premises subject to the conditions specified therein (Rule 11 of CER and Rule 4 of CCR refers),
 - (iii) Definition of "export goods" (rule 5 of CCR refers) and "export" (rule 18 of CER refers),
 - (iv) Application of certain provisions of these rules, presently applicable to the registered dealers, to apply to the registered importers also.

 - 2) Central Excise Rules, 2002 are also being amended to provide for issue of digitally signed invoices and preservation of records in electronic form by a manufacturer (Rule 10 and 11 of CER refers).

 - 3) CENVAT Credit Rules, 2004 are also being amended to –
 - (i) Increase the time limit for taking CENVAT credit on inputs and input services from the present six months to one year (Rule 4 of CCR refers),
 - (ii) Increase the time limit for return of Capital Goods from a job worker from the present six months to two years (Rule 4 of CCR refers),
 - (iii) Make provision relating to reversal for CENVAT Credit in rule 6, presently applicable to exempt goods and services, applicable to non-excisable goods also,
 - (iv) Provide for recovery of CENVAT Credit taken but NOT utilized (rule 14 refers). Further, the manner of determining utilization of Credit is also being provided in the rule itself.
- [Notification No.8/2015-Central Excise (N.T.) and No.6/2015-Central Excise (N.T.) both dated 1st March, 2015 refer]*
- 4) Registration process in Central excise is being simplified to ensure that registration is granted within two working days of the receipt of a duly completed application form. Verification of documents and premises, as the case may be, shall be carried out after the grant of the registration. Notification No.7/2015-Central Excise (N.T.) dated 1st March, 2015 and

Circular No.997/4/2015-Central Excise dated 28th February, 2015 issued in this regard may be referred for details of the simplified process.

- 5) Circular No.996/3//2015-Central Excise dated 28th February, 2015 is being issued regarding Garnishee provisions and recovery of arrears in installments and the procedure to be followed in this regard.
- 6) Circular No.999/6/2015-Central Excise dated 28th February, 2015 is being issued to clarify the scope of the term “place of removal” in case of export of goods by Manufacturers exporters as well as Merchants Exporters.
- 7) Circular No.998/5/2015-Central Excise dated 28th February, 2015 is being issued directing that application for withdrawal of prosecution be filed in accordance with law where the quasi-judicial proceedings on identical set of facts have not been upheld and same has attained finality.

MISCELLANEOUS

- 1) The scheme of Advance Ruling is being extended to Resident firm in Central Excise and Customs. Notification No.11/2015-Central Excise (N.T.) and No.27/2015-Customs (N.T.) both dated 1st March, 2015 refer.
