

# Key Budget Proposals and Amendments

## Customs Duties



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## 1. Tariff amendments

### 1.1 Basic Customs Duty (BCD) Enhanced

Sr. No.	Particulars	Existing Rate	New Rate
1	Metallurgical coke	2.5%	5%
2	Iron & steel and articles of iron or steel, falling under Chapters 72 and 73 of the Customs Tariff	10%	15%
3	Tariff rate of Commercial Vehicles except electrically operated vehicles, falling under 8702 or 8704: <ul style="list-style-type: none"> <li>• Eg:-Dumpers</li> <li>• Lorries and trucks</li> <li>• Vehicles for transport etc.</li> </ul>	10%	40%

### 1.2 Basic Customs Duty (BCD) Reduced:

Sr. No.	Particulars	Existing Rate	New Rate
1	Ethylene dichloride (EDC), vinyl chloride monomer (VCM) and styrene monomer (SM)	2.5%	2%
2	Isoprene and Liquefied butanes	5%	2.5%
3	Butyl acrylate	7.5%	5%
4	Antimony metal, antimony waste and Scrap	5%	2.5%

5	Ball screws, Linear Motion Guides and CNC Systems used in the manufacture of specified CNC lathe machines and machining centers	7.5%	2.5%
6	Ultrasound Transducer, Camera sensors , optical fiber bundle for use in the manufacture of flexible medical video endoscopes	5%	2.5%
7	Tariff rate of Bituminous coal (effective rate is 2.5%)	55%	10%
8	Sulphuric acid for manufacture of fertilizers	7.5%	5%
9	Anthraquinone	7.5%	2.5%
10	C-Block compressor and Crankshafts for use in the manufacture of refrigerator compressor falling under tariff item 8414 30 00	7.5%	5%
11	Over Load Protector (OLP) and positive thermal coefficient for use in the manufacture of refrigerator compressor falling under tariff item 8414 30 00	7.5%	5%
12	Zirconia compounds, cerium compounds and Zeolite used in manufacture of Washcoat	7.5%	5%
13	Water blocking tape, EPDM and Mica glass tap for use in the manufacture of insulated wires and cables	10%	7.5%
14	Metal parts for use in the manufacture of electrical insulators	10%	7.5%

**1.3 Export Duty Reduced:**

Sr. No.	Particulars	Existing Rate	New Rate
1	Ilmenite	5%	2.5%

**1.4 Special Additional Duty (SAD) Reduced:**

Sr. No.	Particulars	Existing Rate	New Rate
1	Naphtha, ethylene dichloride (EDC), vinyl chloride monomer(VCM) and styrene monomer (SM) for manufacture of excisable Goods	4%	2%
2	Melting scrap of iron & steel, Stainless steel scrap for the purpose of melting copper, brass and Aluminum scrap	4%	2%

**1.5 Goods fully exempted from BCD/ CVD/SAD:**

Sr. No.	Particulars
1	CVD & SAD on Battery, titanium, palladium wire, eutectic wire, silicone resins and rubbers, solder paste, reed switch, diodes, transistors, capacitors, controllers, coils (steel), tubing (silicone)] for use in the manufacture of pacemakers
2	BCD, CVD and SAD parts, components and accessories (falling under any Chapter) for use in the manufacture of tablet computers. Also, BCD and CVD

	are being exempted on sub-parts for use in manufacture of parts, components and accessories of tablet computers. Since both BCD and CVD being exempt, the SAD on these goods will also be exempt. These exemptions will be subject to actual user condition.
3	BCD 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
4	BCD is being exempted on High Density Polyethylene (HDPE) for manufacture of telecommunication grade optical fibers or optical fiber cables.
5	BCD is being exempted on Black Light Unit Module and also for manufacture of LCD/LED TV panels, subject to actual user condition
6	Customs Duty exemption granted for Battery pack, Battery Charger, Ac/DC motor/motor controller, Engine for HV, PCU, Control ECU for HV, Generator, Transaxle for HV, Brake System for recovery, Energy Motor and Electric Compressor for use in the manufacture of hybrid and electrically operated vehicles is being extended by one more year up to 31st March, 2016.
7	BCD and CVD is being fully exempted on artificial hearts (left ventricular assist device)
8	Full exemption from BCD and CVD is been provided on life saving drugs and medicines imported by an individual for personal use subject to the Condition that importer produces a certificate in notified format
9	Ulexite ore
10	Organic LED (OLED) TV panels
11	Digital Still Image Video Cameras capable of recording video
12	Parts and components for use in the manufacture of such Digital Cameras
13	Magnetron (upto 1 KW) used for the manufacture of domestic microwave oven.

14	All goods except populated PCBs, falling under any Chapter of the Customs Tariff, for use in manufacture of ITA bound goods
15	Inputs for use in the manufacture of LED drivers and MCPCB for LED lights, fixtures and LED lamps

## 2. Other amendments

- 2.1 In case of units having provisional Mega Power Project status, earlier the units were required to furnish the bank guarantee or fixed deposit receipt for a term of 36 months or more. Now this term has been extended to 66 months.
- 2.2 Bulk drugs used in the manufacture of the specified drugs are either exempt from BCD or attract concessional rate of 5% of BCD, provided procedure 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 manufacture are also exempt from excise duty provided procedure laid down in Central Excise (Removal of Goods at Concessional Rate of Duty for manufacture of Excisable Goods) Rules.
- 2.3 Concessional BCD rate of 5% is being extended to active energy controller which is used for manufacture of renewal power system subject to certification by the Ministry of New and Renewable Energy.
- 2.4 An exemption notification was issued for exempting BCD on cash dispenser and automatic bank note dispensers and parts and components thereof. In the said Notification, though chapter heading of cash dispenser and automatic bank note dispensers have been mentioned, no chapter heading for parts and components were mentioned. Now, the said notification is being amended to provide for the chapter heading for parts and components of these items.



- 2.5 CVD and SAD exemption on notified printing and packaging machinery imported for use by Security Printing and Minting Corporation of India Limited (SPMCIL) are being withdrawn.
- 2.6 Schedule rate of additional duty of customs on import of motor spirit (petrol) and high speed diesel has been increased from Rs. 2 per litre to Rs. 8 per litre. However the effective rate of the additional duty of Customs on import of these products are kept at Rs. 6 per litre.

### **3. Legislative changes**

#### **3.1 No penalty where interest is paid in 30 days from receipt of notice:**

- 3.1.1 Section 28 (2) of the Customs Act 1962 provides for non-issuance of notice for recovery of duty, interest and penalty in case of receipt of intimation of payment of duty along with interest.
- 3.1.2 Now, a proviso to Sec. 28(2) has been introduced which prescribes for non-imposition of penalty where duty along with interest has been deposited within 30 days from receipt of the notice issued u/s 28(1)(a).
- 3.1.3 Thus, where notices under section 28(1) (a) has been issued and if duty along with interest is deposited by the assessee within 30 days from the date of receipt of notice, then no penalty will be imposed.

#### **3.2 Reduction in Penalty even for reasons involving collusion, wilful mis-statement, suppression of facts:**

- 3.2.1 Section 28(5) provides for recovery of duty, interest and penalty. It provides that where notice u/s 28(4) has been issued for imposition of duty, interest and penalty for reasons of collusion or wilful mis-statement or suppression of facts etc then an option is given for payment of duty with interest and payment of 25%





of penalty imposed, provided that the assessee pays the same within 30 days from the date of receipt of notice and informs the Officer so that penalty proceedings gets concluded.

3.2.2 Now, the rate is proposed to be reduced from 25% to 15 % of the duty involved. This change will be applicable from the date of enactment of Finance Bill 2015.

3.3 Relaxation for payment of 25% penalty where notice was issued but order was not passed:

3.3.1 Sec. 28 of the Act provides for recovery of duty along with interest and imposition of penalty in case of duties not levied/short levied. In order to claim benefit of reduced penalty of 25%, assessee has to deposit tax, interest and 25% penalty within 30 days from the date of receipt of Notice.

3.3.2 An explanation has been proposed to be inserted which provides that in cases where notices u/s 28 has been issued but no order is passed before receipt of the assent to the Finance Bill 2015, then if duty, interest and 25% penalty is paid within 30 days from the date of receipt of assent of President to Finance Bill 2015, proceedings in these cases shall be deemed to be completed.

3.3.3 Normally, benefit of 25% penalty is available only when duty, interest and penalty is paid within 30 days from the date of receipt of notice. However, due to above amendment, even if 30 days period has been expired but no order is passed till the date of President's assent, the benefit of reduced penalty will be available.

3.4 Reduction in penalty for activities relating to goods liable for confiscation:

3.4.1 Section 112 of the Act provides for the penalty in case of improper importation of goods such as handling, depositing, harbouring, keeping, selling or purchasing with any goods which a person knows or has reasons to believe are liable to confiscation. Section 112 (b)(ii) seeks to impose penalty of not exceeding the duty sought to be evaded on such goods or five

thousand rupees, whichever is higher in case of goods which are not prohibited.

- 3.4.2 Sub-clause (ii) sec.112 (b) has been substituted which provides for imposition of penalty not exceeding 10% of duty sought to be evaded or five thousand whichever higher. It is also proposed that if the tax, interest on such improper import has been deposited within 30 days from the date of the communication of order, then penalty shall be reduced to 25%. The above amendment shall be effective from the date of enactment of Finance Bill 2015.

3.5 Reduction in penalty for attempting to export goods improperly:

- 3.5.1 Section 114 of the Act provides that if any person in relation to any goods does or omits to do any act where such act or omission would render such goods liable to confiscation then penalty under this section will be imposed.

Sub clause (ii) to Section 114 seeks to impose penalty not exceeding the duty sought to be evaded on such goods or five thousand rupees, whichever is the higher in case of improper import of dutiable goods.

- 3.5.2 Sub-clause (ii) has been substituted which provides for imposition of penalty not exceeding 10% of duty sought to be evaded or five thousand whichever higher. It was also proposed that if the tax, interest on such improper export has been deposited within 30 days from the date of the communication of order, then penalty shall be reduced to 25% of the penalty (i.e 2.5% of duty)

3.6 Resident firm-eligible to apply for Advance Ruling:

- 3.6.1 Section 28E (c) provides for the meaning of an applicant for the purpose of filling advance ruling application. The term "applicant" means a non-resident or resident, Indian or foreign company setting up joint venture in India.

- 3.6.2 Now the addition to the term applicant has been made and now a sole proprietorship firm or an individual carrying on business, partnership firm etc. are also included in the said term.

#### **4. Disclaimer**

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