

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

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D.O.F.No.334/7/2017-TRU
New Delhi, the 1st February, 2017.

Dear Principal Chief Commissioner / Chief Commissioner/ Principal Commissioner,

The Finance Minister has introduced the Finance Bill, 2017 in Lok Sabha today, that is, 1st February, 2017. Changes in Customs and Central Excise law and rates of duty have been proposed through the Finance Bill, 2017. To prescribe effective rates of duty and to carry out changes in the Rules made under the respective Acts, following notifications are being issued:

CUSTOMS	Notification Nos.	Date
Tariff	No.3/2017-Customs to No.6/2017-Customs	2 nd February, 2017
CENTRAL EXCISE		
Tariff	No.3/2017-Central Excise to No.7/2017-Central Excise	2 nd February, 2017
Non-Tariff	No.2/2017-Central Excise (N.T.) to No.5/2017-Central Excise (N.T.)	2 nd February, 2017

Unless otherwise stated, all changes in rates of duty take effect from the midnight of 1st February / 2nd February, 2017. A declaration has been made under the Provisional Collection of Taxes Act, 1931 in respect of clauses 109 (a), 110, 118 and 146 of the Finance Bill, 2017 so that changes proposed therein take effect from the midnight of 1st February / 2nd February, 2017. The remaining legislative changes would come into effect only upon the enactment of the Finance Bill, 2017. These dates may be carefully noted.

2. Important changes in respect of Customs and Central Excise duty rates and legislative changes are contained in the four Annexes appended to this letter:

- 1) Annex I contains Chapter wise changes relating to Customs;
- 2) Annex II contains Chapter wise changes relating to Central Excise;
- 3) Annex III contains clarification being issued relating to Central Excise;

4) Annex IV provides a bird's eye view of legislative changes proposed in the Finance Bill, 2017.

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

3. In order to achieve a sharper focus, this letter discusses only the key budgetary changes. 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, 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. G.G. Pai, Director (TRU) (Tel No. 011-23092753), e-mail: giridhar.pai@nic.in, Sh. Reyaz Ahmad, Director (TRU) (Tel. No. 011-23092236), email: ahmad.reyaz@nic.in or Sh. Abhishek Verma, Budget Officer (TRU) (Tel No. 011-23095543), e-mail: abhishek.v85@nic.in. We can also be reached at budget-cbec@nic.in.

6. Copies of Finance Bill, 2017, 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.

7. 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 19: No change

Chapter 20:

- 1) Basic Customs duty rate on Cashew nut, roasted, salted or roasted and salted [20081910] is being increased from 30% to 45% by increasing the tariff rate from 30% to 45%. Clause 109 (a) of the Finance Bill, 2017 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, this increase will come into force with immediate effect.

Chapter 21 to 25: No change

Chapter 26:

- 1) The Second Schedule (Export Tariff) to the Customs Tariff Act, 1975 is being amended so as to prescribe a tariff rate of export duty of 30% for all goods falling under tariff item 2606 00 90, namely, 'Other aluminium ores and concentrates'. Clause 110 of the Finance Bill, 2017 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, this change will come into force with immediate effect.
- 2) Export duty is being imposed at an effective rate of 15% on 'Other aluminium ores, including laterite' falling under tariff item 2606 00 90. However, goods other than the said goods falling under tariff item 2606 00 90 (concentrates) will continue to attract Nil export duty. S.No.24E and S.No.24F of notification No. 27/2011-Customs, dated 1st March, 2011 as amended by notification No.3/2017-Customs, dated the 2nd February, 2017 refers.

Chapter 27:

- 1) Basic Customs Duty on Liquefied Natural Gas (LNG) falling under tariff item 2711 11 00 is being reduced from 5% to 2.5%. S.No.138 of notification No.12/2012-Customs, dated 17th March, 2012, as amended by notification No.6/2017-Customs, dated 2nd February, 2017 refers.

Chapter 28:

- 1) Concessional 5% Basic Custom Duty is being extended to Clay 2 Powder (Alumax) [2818 20 90], for use in ceramic substrate for catalytic convertors, subject to actual user condition. Notification No.12/2012-Customs, dated 17th March, 2012, as amended by notification No.6/2017-Customs, dated the 2nd February, 2017 [New S.No.371E] refers.

Chapter 29:

- 1) Basic Customs Duty on o-Xylene [2902 41 00] is being reduced from 2.5% to Nil. Notification No.12/2012-Customs, dated 17th March, 2012, as amended by notification No.6/2017-Customs, dated the 2nd February, 2017 [New S.No.172B] refers.
- 2) Basic Customs Duty on 2-Ethyl Anthraquinone [2914 69 90] for use in manufacture of Hydrogen Peroxide, is being reduced from 7.5% to 2.5%, subject to actual user condition. Further, the concessional 2.5% BCD on Anthraquinone [2914 61 00] prescribed in Budget 2015-16, is being restricted to Anthraquinone [2914 61 00] for use in manufacture of Hydrogen Peroxide, subject to actual user condition. S.No.181A of notification No.12/2012-Customs, dated 17th March, 2012, as amended by notification No.6/2017-Customs, dated 2nd February, 2017 refers.
- 3) Basic Customs Duty on Purified Terephthalic Acid (PTA), Medium Quality Terephthalic Acid (MTA) and Qualified Terephthalic Acid (QTA), falling under tariff item 2917 36 00, is being rationalized at 5%. S.No.182 of notification No.12/2012-Customs, dated 17th March, 2012, as amended by notification No.6/2017-Customs, dated 2nd February, 2017 refers.

Chapter 30 to 31: No change**Chapter 32:**

- 1) Basic Customs Duty on Wattle extract [3201 20 00] and Myrobalan fruit extract [3201 90 20] is being reduced from 7.5% to 2.5%. Notification No.12/2012-Customs, dated 17th March, 2012, as amended by notification No.6/2017-Customs, dated the 2nd February, 2017 [New S.Nos.208A and 208B] refers.

Chapter 33: No change**Chapter 34:**

- 1) Basic Custom Duty on Vinyl Polyethylene Glycol falling under tariff item 3404 20 00 for use in manufacture of Poly Carboxylate Ether is being reduced from 10% to 7.5%, subject to actual user condition. Notification No.12/2012-Customs, dated 17th March, 2012, as amended by notification No.6/2017-Customs, dated the 2nd February, 2017 [New S.No.214A] refers.

Chapter 35 to 37: No change**Chapter 38 and 39:**

- 1) Basic Custom Duty (BCD) is being reduced from 7.5% to 5% on Catalyst [3815 90 00] and Resin [3909 40 90] for use in the manufacture of cast components of Wind Operated Electricity Generator [WOEG], subject to actual user condition. Notification No. 12/2012-Customs, dated 17th March, 2012 as amended vide Notification No.6/2017- Customs, dated 2nd February, 2017 [new S. Nos. 230C and 230D] refers.
- 2) SAD is being exempted on Catalyst [3815 90 00] and Resin [3909 40 90] for use in the manufacture of cast components of WOEG, subject to actual user condition. Exemption from SAD will be valid till 30th June, 2017. Notification No. 21/2012-Customs, dated 17th March, 2012 as amended vide Notification No.4/2017- Customs, dated 2nd February, 2017 [new S. Nos. 14H and 14I] refer.

Chapter 40 to 53: No change**Chapter 54:**

- 1) Basic Customs Duty on Nylon Monofilament yarn falling under Customs Tariff Item 5404 19 90 for use in Monofilament long line systems for tuna fishing is being reduced from 7.5% to 5%, subject to certain conditions. Notification No. 12/2012-Customs, dated 17th March, 2012 as amended vide notification No.6/2017- Customs, dated 2nd February, 2017 [new S. No. 294A] refers.

Chapter 55 to 69: No change**Chapter 70:**

- 1) Basic Customs Duty (BCD) is being reduced from 5% to Nil on solar tempered glass or solar tempered (anti-reflective coated) glass for manufacture of Solar cells/panels/modules, subject to actual user condition. S. No. 305A of Notification No.12/2012-Customs, dated 17th March, 2012 as amended vide Notification No.6/2017- Customs, dated 2nd February, 2017 refers.

Chapter 71

- 1) CVD exemption [under S.No.324 of notification No.12/2012-Customs, dated 17.03.2012] on silver medallions and coins having silver content not below 99.9%, other semi-manufactured forms of silver or articles of silver is being withdrawn. Simultaneously, articles of silver are being excluded from the scope of CVD exemption under this S. No. Notification No. 12/2012-Customs dated 17.03.2012 as amended by Notification No.6/2017-Customs dated 02.02.2017 [S. No. 324] refers.

Chapter 72:

- 1) Basic Customs duty on Hot Rolled Coils falling under heading 7208 for use in the manufacture of welded tubes and pipes falling under heading 7305 or 7306 is being reduced from 12.5% to 10%, subject to actual user condition. Notification No. 12/2012-Customs dated 17th March, 2012 as amended by Notification No.6/2017-Customs, dated 2nd February, 2017 [new S. No. 333C] refers.
- 2) Basic Customs duty on Magnesium Oxide (MgO) coated cold rolled steel coils falling under tariff item 7225 19 90 for use in the manufacture of cold rolled grain oriented steel (CRGO) falling under 7225 11 00 is being reduced to 5%, subject to actual user condition. Notification No. 12/2012-Customs dated 17th March, 2012 as amended by Notification No.6/2017-Customs, dated 2nd February, 2017 [new S. No. 333E] refers.
- 3) Exemption from Basic Customs duty (BCD) on Co-polymer coated MS tape/ stainless steel tape for manufacture of telecommunication grade optical fibres or optical fibre cables is being withdrawn. Accordingly, item No. 23 of List 5 [against S. No 149] of Notification No.12/2012-Customs, dated 17th March, 2012 is being omitted. List 5 of Notification No. 12/2012-Customs, dated 17th March, 2012 as amended vide Notification No.6/2017-Customs, dated 2nd February, 2017 refers
- 4) Simultaneously, 10% concessional BCD is being prescribed on Co-polymer coated MS tape/stainless steel tape for manufacture of telecommunication grade optical fibres or optical fibre cables, subject to actual user condition. Notification No. 12/2012-Customs, dated 17th March, 2012 as amended vide Notification No.6/2017- Customs, dated 2nd February, 2017 [New S. No. 333D] refers.

Chapter 73 to 74: No change**Chapter 75:**

- 1) Basic Customs duty on Nickel and articles thereof is being reduced from 2.5% to Nil. S. No.337 of Notification No. 12/2012-Customs dated 17th March, 2012 as amended by Notification No.6/2017-Customs, dated 2nd February, 2017 refers.

Chapter 76 to 83: No change**Chapter 84 and 85:**

- 1) Basic Customs duty on Reverse Osmosis (RO) membrane element for household type filters falling under tariff item 8421 99 00 is being increased from 7.5% to 10%. Clause 109 (a) of Finance Bill, 2017 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, this increase will come into force with immediate effect.
- 2) However, all other goods falling under tariff item 8421 99 00 will, continue to attract BCD at 7.5%. Notification No. 12/2012-Customs dated 17th March, 2012 as amended by Notification No.6/2017-Customs, dated 2nd February, 2017 [new S. No. 400A] refers.
- 3) Concessional Basic Customs duty of 2.5% is being extended to Ball Screws [8483 40 00], Linear Motion Guides [8466 93 90] and CNC Systems [8537 10 00] for use in the manufacture of all types of CNC machine tools falling under headings 8456 to 8463, subject to actual user condition. S. No. 406B, 406C and 406D of Notification No. 12/2012-Customs dated 17th March, 2012 as amended by Notification No.6/2017-Customs, dated 2nd February, 2017 refers.
- 4) Populated PCBs of mobile phones are being excluded from the purview of Nil SAD under S. No. 1 of Notification No. 21/2012-Customs [which exempts SAD on items, which are exempt from BCD and CVD]. S. No. 1 of Notification No. 21/2012-Customs dated 17th March, 2012 as amended vide Notification No.4/2017- Customs, dated 2nd February, 2017 refers. Simultaneously, 2% concessional SAD is being prescribed on populated PCBs for use in manufacture of mobile phones, subject to actual user condition. The concessional SAD will be valid till 30th June, 2017. Notification No. 21/2012-Customs dated 17th March, 2012 as amended vide Notification No.4/2017- Customs, dated 2nd February, 2017, [new S. No. 85B] refers.
- 5) Basic Custom Duty (BCD), CVD (by way of excise duty exemption) and consequently SAD are being exempted on Micro ATMs as per standards version 1.5.1, fingerprint reader / scanner, and Iris Scanner. Further, BCD, CVD (by way of excise duty exemption) and consequently SAD are also being exempted on parts and components for manufacture of these devices, subject to actual user condition. Notification No. 12/2012-Customs, dated 17th March, 2012 as amended vide Notification No.6/2017- Customs, dated 2nd February, 2017, [new S. No. 408A] refers.
- 6) Basic Custom Duty (BCD), CVD (by way of excise duty exemption) and consequently SAD are being exempted on miniaturised POS card reader for mPOS (other than Mobile phone or Tablet Computer). Further BCD, CVD (by way of excise duty exemption) and consequently SAD are also being exempted on parts and components for manufacture of miniaturised POS card reader for mPOS [other than Mobile phone or Tablet Computer], subject to actual user

condition. Notification No. 12/2012-Customs, dated 17th March, 2012 as amended vide Notification No.6/2017- Customs, dated 2nd February, 2017, new S. No. 408A refers.

Chapter 86 to 97: No change

Chapter 98

- 1) Goods imported through postal parcels, packets and letters, of CIF value not **more than one thousand rupees per consignment** are being exempted from BCD, CVD and consequently from SAD. S. No. 519 of Notification No. 12/2012-Customs dated 17.03.2012 as amended by Notification No.6/2017-Customs dated 02.02.2017 refers

Miscellaneous:

- 1) Condition No.40A [S.No.357A] of notification No.12/2012-Customs dated 17.03.2012 is being amended so as to allow the goods imported for petroleum or coal bed methane operations by availing of the benefit of the exemption, which are no longer required for the said purpose, to be disposed of on payment of applicable customs duties, on the depreciated value calculated as per straight line method (subject to depreciated value not being less than 30% of the original value) of such goods. Condition No.40A of notification No.12/2012-Customs, dated 17th March, 2012, as amended by notification No.6/2017-Customs, dated 2nd February, 2017 refers. Further, it is also clarified that this relaxation shall, mutatis mutandis, apply for domestically manufactured goods supplied against International Competitive Bidding at Nil excise duty under notification No.12/2012- Central Excise, dated 17.03.2012 [S.No.336, Condition No.41]. It is also clarified that goods allowed to be cleared on payment of duty under this provision include unused, surplus, condemned and obsolete items.
- 2) The exemption limit for duty free imports [exempted from BCD, CVD, and SAD] of Buckles; 'D' rings; eyes; rivets; studs; etc. imported by a manufacturer of leather footwear or synthetic footwear or other leather products for exports by that manufacturer is being increased from 3% of the FOB value of goods exported during the preceding financial year to 5% of the FOB value of goods exported during the preceding financial year. S. No. 283 of Notification No. 12/2012-Customs dated 17.03.2012 as amended by Notification No.6/2017-Customs dated 02.02.2017 refers
- 3) 5% concessional basic custom duty (BCD) is being prescribed on all parts for use in the manufacture of LED lights or fixtures including LED Lamps, subject to actual user condition. Notification No. 12/2012-Customs, dated 17th March, 2012 as amended vide Notification No.6/2017- Customs, dated 2nd February, 2017, [new S. No. 410 A] refers.
- 4) 5% concessional BCD is also being prescribed on imports of inputs for use in the manufacture of LED (Light Emitting Diode) driver or MCPCB (Metal Core Printed Circuit

Board) for LED lights and fixtures or LED Lamps, subject to actual user condition. Notification No. 12/2012-Customs, dated 17th March, 2012 as amended vide Notification No.6/2017- Customs, dated 2nd February, 2017, [new S. No. 410 B] refers.

- 5) Basic Customs Duty (BCD) is being reduced from 10%/7.5% to 5% on all items of machinery, including, instruments, apparatus and appliances, transmission equipment and auxiliary equipment (including those required for testing and quality control) and components, required for initial setting up of fuel cell based system for generation of power or for demonstration purposes subject to certain conditions. Notification No.5/2017 -Customs dated 2nd February, 2017 refers.
- 6) Basic Customs Duty (BCD) is being reduced from 10%/7.5% to 5% on all items of machinery, including, instruments, apparatus and appliances, transmission equipment and auxiliary equipment (including those required for testing and quality control) and components, required for balance of systems operating on biogas or bio-methane or by-product hydrogen subject to certain conditions. Notification No.5/2017 -Customs dated 2nd February, 2017 refers.

EXCISE

Chapter 1 to 20 and 22, 23: No change

Chapter 21 and 24:

- 1) The additional duty of excise levied under the Seventh Schedule to the Finance Act, 2005 [commonly known as health cess] on non-filter and filter cigarettes of sub-heading 2402 20 is being increased. Clause 146 of the Finance Bill, 2017 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these increases will come into force with immediate effect. There is no change in the Basic Excise Duty leviable under the First Schedule to the Central Excise Tariff Act, 1985 and the NCCD leviable under Seventh Schedule to the Finance Act, 2001. The changes in additional duty of excise rates on cigarettes are summarized below.

Tariff Item	Description	Additional Duty of Excise (Rs. per 1000 sticks)	
		Existing Rate	New Rate
2402 20 10	Non filter not exceeding 65mm	215	311
2402 20 20	Non-filter exceeding 65mm but not exceeding 70mm	370	541
2402 20 30	Filter not exceeding 65mm	215	311
2402 20 40	Filter exceeding 65mm but not exceeding 70mm	260	386
2402 20 50	Filter exceeding 70mm but not exceeding 75mm	370	541
2402 20 90	Other	560	811

- 2) Basic Excise Duty on other tobacco products falling under heading 2402 is being increased as under:

Tariff Item	Description	Basic Excise Duty rate	
		From	To
2402 10 10	Cigar and cheroots	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand whichever is higher
2402 10 20	Cigarillos	12.5% or Rs.3755 per	12.5% or Rs.4006 per

Tariff Item	Description	Basic Excise Duty rate	
		From	To
		thousand, whichever is higher	thousand whichever is higher.
2402 90 10	Cigarettes of tobacco substitutes	Rs. 3755 per thousand	Rs. 4006 per thousand
2402 90 20	Cigarillos of tobacco substitutes	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand whichever is higher.
2402 90 90	Others of tobacco substitutes	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand whichever is higher.

Clause 118 of the Finance Bill, 2017 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these increases will come into force with immediate effect.

- 3) The effective basic excise duty rate on Handmade Paper rolled biris and Machine made Paper rolled biris [both falling under tariff item 2403 19 29] is being increased from Rs. 21 per thousand to Rs. 28 per thousand and from Rs. 21 per thousand to Rs. 78 per thousand respectively. However, there is no change in basic excise duty rate on other goods falling under tariff item 2403 19 29, which will continue to be Rs.21 per thousand. Notification No. 12/2012 -Central Excise dated 17.03.2012 as amended by notification No.6/2017-Central Excise dated 02.02.2017 [S.No.48 and new S.Nos.48A and 48B] refers.
- 4) The additional duty of excise levied under the Seventh Schedule to the Finance Act, 2005 [commonly known as health cess] on jarda scented tobacco, gutkha and chewing tobacco is being increased from 6% to 12%. Clause 146 of the Finance Bill, 2017 and notification No. 6/2005-Central Excise, dated the 1st March, 2005 as amended by notification No.3/2017-Central Excise dated 02.02.2017 [S.Nos.13, 15 and 20 are being omitted] refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, these changes will come into force with immediate effect. Further, the effective rate of additional duty of excise levied under the Seventh Schedule to the Finance Act, 2005 on pan masala and unmanufactured tobacco, is being increased from 6% to 9% and 4.2% to 8.3% respectively. Notification No. 6/2005-Central Excise, dated the 1st March, 2005 as amended by notification No.3/2017-Central Excise dated 02.02.2017 [S.Nos.1 and 2] refers. There is no change in the Basic Excise Duty leviable under the First Schedule to the Central Excise Tariff Act, 1985 and the NCCD leviable under Seventh Schedule to the Finance Act, 2001.
- 5) The excise duty payable per machine per month under the Compounded Levy Scheme applicable to these products is being modified accordingly. Notification No. 16/2010-Central Excise, dated the 27th February, 2010 as amended by notification No.7/2017-Central Excise dated 02.02.2017, notification No. 42/2008-Central Excise, dated the 01.07.2008 as amended

by notification No.4/2017-Central Excise dated 02.02.2017, Chewing Tobacco and Unmanufactured Tobacco Packing Machines (Capacity Determination and Collection of Duty) Rules, 2010 published vide notification No.11/2010-Central Excise (N.T.), dated the 27.02.2010 as amended by notification No.3/2017-Central Excise (N.T.), dated 02.02.2017 and Pan Masala Packing Machines (Capacity Determination And Collection of Duty) Rules, 2008 published vide notification No.30/2008-Central Excise (N.T.), dated the 01.07.2008 as amended by notification No.2/2017-Central Excise (N.T.), dated 02.02.2017 refers. The changes in additional duty of excise rates on smokeless tobacco products as mentioned above are summarized below:

Commodity	CETH	Present Health Cess (%)	Proposed Health Cess (%)
Pan Masala	2106 90 20	6	9
Gutkha	2403 99 90	6	12
Unmanufactured Tobacco	2401	4.2	8.3
Chewing Tobacco	2403 99 10	6	12
Zarda Scented Tobacco	2403 99 30	6	12

Chapter 25 to 30: No change

Chapter 31:

- 1) Goods falling under heading 3101 of the Central Excise Tariff attract Nil Central Excise duty by tariff. Notification No.12/2012-Central Excise dated 17.03.2012 [S.No.128, which prescribed a concessional excise duty of 1% subject to certain conditions] is being amended so as to exclude goods falling under heading 3101 from the purview of the said entry. Notification No. 12/2012- Central Excise, dated 17th March, 2012 as amended by notification No.6/2017-Central Excise dated the 2nd February, 2017 [S. No. 128] refers.

Chapter 32 to 37: No change

Chapter 38 and 39:

- 1) Excise duty is being exempted on Catalyst [3815 90 00] and Resin [3909 40 90] for use in the manufacture of cast components of Wind Operated Electricity Generator subject to actual user condition. The exemption from excise duty will be valid till 30th June, 2017. Notification No. 12/2012-Central Excise, dated 17th March, 2012 as amended vide

Notification No.6/2017-Central Excise, dated 2nd February, 2017, [new S. Nos. 145 B and 145C] refers.

- 2) Excise duty on Membrane Sheet and Tricot / Shaper, falling under tariff item 3921 19 00, for use in the manufacture of Reverse Osmosis (RO) membrane for household type filters is being reduced from 12.5% to 6% subject to actual user condition. This concessional excise duty will be valid till 30th June, 2017. Notification No.12/2012-Central Excise dated 17th March, 2012 as amended by Notification No.6/2012-Central Excise, dated 2nd February, 2017 [new S. No. 148AAA] refers

Chapter 40 to 69: No change

Chapter 70:

- 1) Excise duty exemption on solar tempered glass for use in the manufacture of (a) solar photovoltaic cells or modules, (b) solar power generating equipment or systems, (c) flat plate solar collectors, or (d) solar photovoltaic module and panel for water pumping and other applications, [under S. No 187 C and List 8 of S. No. 332 A of Notification No. 12/2012-Central Excise dated 17th March, 2012] is being withdrawn, and 6% concessional excise duty is being imposed on such solar tempered glass, subject to actual user condition. This 6% concessional excise duty will be valid till 30th June, 2017. S. No. 187C and S. No. 332 A of Notification No. 12/2012-Central Excise, dated 17th March, 2012 as amended vide Notification No.6/2017- Central Excise, dated 2nd February, 2017 refers.
- 2) Excise duty is being reduced from 12.5% to 6% on parts/raw material for use in the manufacture of solar tempered glass, for use in (a) solar photovoltaic cells or modules; (b) solar power generating equipment or systems, (c) flat plate solar collectors, or (d) solar photovoltaic module and panel for water pumping and other applications, subject to actual user condition. This 6% concessional excise duty will be valid till 30th June, 2017. Notification No. 12/2012- Central Excise, dated 17th March, 2012 as amended vide Notification No.6/2017- Central Excise, dated 2nd February, 2017 [new S. No. 187D] refers.

Chapter 71

- 1) Nil excise duty, on waste and scrap of precious metals or metals clad with precious metals, arising in course of manufacture of goods, is being made subject to condition that no credit of input or input services or capital goods has been availed by manufacturers of such goods. S. No. 195 of Notification No. 12/2012-Central Excise dated 17.03.2012 as amended by Notification No.6/2017- Central Excise dated 02.02.2017 refers.
- 2) Nil excise duty, on strips, wires, sheets, plates and foils of silver, is being made subject to condition that no credit of input or input services or capital goods has been availed by

manufacturers of such goods. S. No. 196 of Notification No. 12/2012-Central Excise dated 17.03.2012 as amended by Notification No.6/2017- Central Excise dated 02.02.2017 refers

- 3) Nil excise duty, on articles of silver jewellery, other than those studded with diamond, ruby, emerald or sapphire, is being made subject to condition that no credit of input or input services or capital goods has been availed by manufacturers of such goods. S. No. 199 (III) of Notification No. 12/2012-Central Excise dated 17.03.2012 as amended by Notification No.6/2017- Central Excise dated 02.02.2017 refers.
- 4) Nil excise duty, on Silver coins of purity 99.9% above, bearing a brand name, is being made subject to condition that no credit of input or input services or capital goods has been availed by manufacturers of such goods. S. No. 200 (III) of Notification No. 12/2012-Central Excise dated 17.03.2012 as amended by Notification No.6/2017- Central Excise dated 02.02.2017 refers.

Chapter 72 to 83: No change

Chapter 84 and 85:

- 1) Excise duty is being exempted on Micro ATMs as per standards version 1.5.1, fingerprint reader / scanner, and Iris Scanner. Further, excise duty is also being exempted on parts and components for manufacture of these devices, subject to actual user condition. This exemption from excise duty will be valid till 30th June, 2017. Notification No. 12/2012-Central Excise, dated 17th March, 2012 as amended vide Notification No.6/2017- Central Excise, dated 2nd February, 2017, [new S. No. 256C] refers.
- 2) Excise duty is being exempted on miniaturised POS card reader for mPOS (other than Mobile phone or Tablet Computer). Further, excise duty is also being exempted on parts and components of miniaturised POS card reader for use in the manufacture of miniaturised POS card reader for mPOS (other than Mobile phone or Tablet Computer), subject to actual user condition. This exemption from excise duty will be valid till 30th June, 2017. Notification No. 12/2012- Central Excise, dated 17th March, 2012 as amended vide Notification No.6/2017- Central Excise, dated 2nd February, 2017, [new S. No. 256C] refers.
- 3) Point of Sale [POS] devices and all goods for manufacture of POS devices subject to actual user condition were exempted from central excise / CV duty Vide Notification No.35/2016-Central Excise, dated 28th November, 2016. These exemptions which are valid till 31st March 2017 are being extended up to 30.06.2017.

Chapter 86: No change

Chapter 87:

- 1) Excise duty on Motor Vehicles falling under tariff items 8702 90 21, 8702 90 22, 8702 90 28 and 8702 90 29 is being reduced from 27% to 12.5% retrospectively from 1st January, 2017. Clause 119 of Finance Bill, 2017 refers. With effect from 11.01.2017, vide S.No.277A of notification No.12/2012-Central Excise, dated 17.03.2012, these goods already attract excise duty of 12.5%.

Chapter 88 to 96: No change**Miscellaneous:**

- 1) 6% concessional excise duty is being prescribed for all items of machinery, including, instruments, apparatus and appliances, transmission equipment and auxiliary equipment (including those required for testing and quality control) and components/parts, required for initial setting up of fuel cell based system for generation of power or for demonstration purposes subject to certain conditions. The concessional excise duty will be valid till 30th June, 2017. Notification No.5/2017- Central Excise dated 2nd February, 2017 refers.
- 2) 6% concessional excise duty is being prescribed for all items of machinery, including, instruments, apparatus and appliances, transmission equipment and auxiliary equipment (including those required for testing and quality control) and components/parts, required for balance of systems operating on biogas/ bio-methane/ by-product hydrogen, subject to certain conditions. The concessional excise duty will be valid till 30th June, 2017. Notification No.5/2017- Central Excise dated 2nd February, 2017 refers.
- 3) 6% concessional excise duty, currently applicable to LED (Light Emitting Diode) driver and MCPCB (Metal Core Printed Circuit Board) for use in the manufacture of LED lights and fixtures or LED lamps [S. No. 321A of Notification No. 12/2012- Central Excise dated 17th March, 2012 refers], is being extended to all parts for use in the manufacture of LED lights or fixtures including LED Lamps subject to actual user condition. This 6% concessional excise duty will be valid till 30th June, 2017. S.No.321A of Notification No. 12/2012- Central Excise, dated 17th March, 2012 as amended vide Notification No.6/2017- Central Excise, dated 2nd February, 2017 refers.

CLARIFICATION

The Sub-section (1) of Section 3 of the Central Excise Act, 1944, provides for levy of excise duty, on goods produced or manufactured in India at rates specified in the First and Second Schedule to the Central Excise Tariff Act, 1985. However, as per the proviso to the said sub-section, goods produced or manufactured by Export Oriented Units [EOUs] units and cleared to domestic tariff area [DTA] are liable to excise duty equal to the aggregate of duties of customs leviable on like goods when imported into India. For such clearances from EOUs to DTA, Notification No. 22/2003-CE dated 31.03.2003 prescribes effective rates of excise duty on such DTA clearances under different circumstances.

2. In this context, proviso to sub-section (1) of section 5A of the Central Excise Act, 1944 states that unless specifically provided in a notification, no exemption therein shall apply to excisable goods which are produced or manufactured by an EOU and cleared to the DTA.

3. Further, EOUs are eligible for duty free import or domestic procurement of their inputs or raw materials under Notification No. 22/2003-CE dated 31.3.2003 and Notification No. 52/2003-Customs dated 31.03.2003. However, as per a proviso [the second proviso to para 6 in case of Notification No. 22/2003-CE and first proviso to para 3 in case of Notification No. 52/2003-Customs], if the goods produced or manufactured by EOUs and cleared to DTA if imported are either non-excisable or leviable to Nil basic customs duty [BCD] and additional duty of customs [CVD], then EOUs cannot avail the exemptions under these notifications on inputs utilized in manufacture/processing/packaging etc. of such goods [cleared to DTA].

4. In addition, there are a number of customs and excise duty exemption notifications which prescribe concessional [including Nil] duty rates on specified goods [inputs/raw materials etc.] for use in manufacture of specified goods, subject to conditions prescribed. In this context, it has been stated that EOUs are not able to avail benefit of such exemptions on inputs imported or procured domestically by them.

5. The matter has been examined. As mentioned in para 2 above, non-applicability of exemptions under notifications issued under section 5A of the Central Excise Act, 1944 is only in respect of excisable goods produced or manufactured by an EOU and cleared to DTA and not in respect of inputs/raw materials procured by them domestically and utilised for production/manufacture of goods which are cleared by them to DTA.

6. In view of the above, it is hereby clarified that EOUs will also be eligible to import or procure raw materials/inputs at other concessional/Nil rate of BCD, excise duty/CVD or SAD, as

the case may be, provided they fulfill all conditions for being eligible to such concessional or Nil duty. For these purposes, if an EOU is already registered with the jurisdictional Central Excise Authority, it will not be required to take any fresh registration under the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2016 or the Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2016, as the case may be. Further, there will be no need for an EOU to separately comply with the Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2016 for availing the CVD exemption, if the procedure under the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rule, 2016 is followed by it for availing exemption / concession from BCD on imports of inputs/raw materials.

LEGISLATIVE CHANGES**A. CUSTOMS:****I. AMENDMENTS IN THE CUSTOMS ACT, 1962:**

S. No.	Amendment	Clause of the Finance Bill, 2017
1.	Section 2 is being amended to: <ul style="list-style-type: none"> (a) insert clause (3A) to define a beneficial owner as any person on whose behalf the goods are being imported or exported or who exercises effective control over the goods being imported or exported. (b) include Foreign Post Office and International Courier Terminal in the definition of a Customs Station in clause (13); (c) omit certain words in clause (13) to align with the proposed omission of Section 82; (d) provide that the existing definition of exporter in clause (20) includes the beneficial owner; (e) provide that the existing definition of importer in clause (26) includes the beneficial owner; (f) insert clause (30B) so as to define passenger name record information; (g) define Foreign Post Office and International Courier Terminal. 	[88]
2.	Section 7 is being amended to empower the Board to notify Foreign Post Offices and International Courier Terminals.	[89]
3.	Section 17 is being amended to rationalize the requirement of documents for verification of self assessment.	[90]
4.	Sub-section (2) of section 27 is being amended so as to keep outside the ambit of unjust enrichment, the refund of duty paid in excess by the importer before an order permitting clearance of goods for home consumption is made, where- <ul style="list-style-type: none"> (i) such excess payment is evident from the bill of entry in the case of self-assessed bill of entry or (ii) the duty actually payable is reflected in the reassessed bill of entry in the case of reassessment. 	[91]
5.	Clause (e) of section 28E is being amended so as to substitute the definition of "Authority" to mean the Authority for Advance Ruling as constituted under section 245-O of the Income-tax Act, 1961.	[92]
6.	Section 28F is being amended so as to provide that the Authority for Advance Rulings constituted under section 245-O of the Income-tax Act shall be the Authority for giving advance rulings for the purposes of the	[93]

	<p>Customs Act.</p> <p>It further seeks to provide that the Member of the Indian Revenue Service (Customs and Central Excise), who is qualified to be a Member of the Board, shall be the revenue Member of the Authority for the purposes of Customs Act.</p> <p>It also seeks to provide for transferring the pending applications before the Authority for Advance Rulings (Central Excise, Customs and Service Tax) to the Authority constituted under section 245-O of the Income-tax Act from the stage at which such proceedings stood as on the date on which the Finance Bill, 2017 receives the assent of the President.</p>	
7.	Section 28G relating to vacancies not to invalidate proceedings is being omitted.	[94]
8.	Sub-section (3) of section 28H is being amended so as to increase the application fee for seeking advance ruling from rupees two thousand five hundred to rupees ten thousand on the lines of the Income-tax Act.	[95]
9.	Sub-section (6) of section 28I is being amended so as to provide time of limit of six months by which Authority shall pronounce its ruling on the lines of the Income-tax Act.	[96]
10.	A new section 30A is being introduced so as to make it obligatory on the person-in-charge of a conveyance that enters India from any place outside India or any other person as may be specified by the Central Government by notification in the Official Gazette, to deliver to the proper officer the passenger and crew arrival manifest before arrival in the case of an aircraft or a vessel and upon arrival in the case of a vehicle; and passenger name record information of arriving passengers in such form, containing such particulars, in such manner and within such time as may be prescribed. The section also intends to provide for imposition of a penalty not exceeding fifty thousand rupees as may be prescribed, in the case of delay in delivering the information.	[97]
11.	A new section 41A is being introduced so as to make it obligatory on the person-in-charge of a conveyance that departs from India to a place outside India or any other person as may be specified by the Central Government by notification in the Official Gazette, to deliver to the proper officer the passenger and crew departure manifest and passenger name record information of departing passengers before the departure of the conveyance in such form, containing such particulars, in such manner and within such time as may be prescribed. The section also intends to provide for a penalty not exceeding fifty thousand rupees as may be prescribed in the case of delay in delivering the information.	[98]
12.	Sub-section (3) of section 46 is being substituted so as to make it mandatory to file the bill of entry before the end of the next day	[99]

	following the day (excluding holidays) on which the vessel or aircraft or vehicle carrying the goods arrives at a customs station at which such goods are to be cleared for home consumption or warehousing and to provide for imposition of such charges for late presentation of the bill of entry as may be prescribed.	
13.	Sub-section (2) of section 47 is being amended so as to provide the manner of payment of duty and interest thereon in the case of self-assessed bills of entry or, as the case may be, assessed, reassessed or provisionally assessed bills of entry.	[100]
14.	Section 49 is being amended to extend the facility of storage under section 49 to imported goods entered for warehousing before their removal.	[101]
15.	Section 69 relating to clearance of warehoused goods for exportation is being amended to align it with the proposed omission of section 82.	[102]
16.	Section 82 relating to label or declaration accompanying goods to be treated as entry is being omitted.	[103]
17.	Section 84 is being amended to empower the Board to make regulations to provide for the form and manner in which an entry may be made in respect of goods imported or to be exported by post.	[104]
18.	Section 127B is being amended so as to insert a new sub-section (5) therein to enable any person, other than applicant, referred to in sub-section (1) to make an application to the Settlement Commission.	[105]
19.	Sub-section (3) of section 127C is being amended so as to substitute certain words therein. It further seeks to insert a new sub-section (5A) therein to enable the Settlement Commission to amend the order passed by it under sub-section (5), to rectify any error apparent on the face of record.	[106]
20.	Section 157 is being amended so as to empower Board to make regulations for specifying the form, particulars, manner and time of providing the passenger and crew manifest for arrival and departure and passenger name record information and penalty in the case of delay in delivering the information.	[107]

II. AMENDMENT IN THE CUSTOMS TARIFF ACT, 1975

S. No.	Amendment	Clause of the Finance Bill, 2017
1.	Clause (c) of sub-section (3) of section 9 is being substituted so as to withdraw the exemption to three categories of non-actionable subsidies specified therein from the scope of anti-subsidy investigations.	[108]

III. AMENDMENT IN THE FIRST SCHEDULE TO CUSTOMS TARIFF ACT, 1975

S. No.	Amendment	Clause of the Finance Bill, 2017	
A.	Amendments not affecting rates of duty		
1.	To: (i) Delete tariff items 1302 32 10 and 1302 32 20 and entries relating thereto and create new tariff items 1106 10 10 and 1106 10 90, in relation to Guar meal and its products to harmonize the Customs Tariff with HS Nomenclature. (ii) Create new tariff item 1511 90 30 for Refined bleached deodorised palm stearin” to harmonize Customs Tariff in accordance with WCO classification decision. (iii) Substitute tariff items 3823 11 11 to 3823 11 90 and entries relating thereto with tariff item 3823 11 00. (iv) Substitute tariff items 3904 10 10 to 3904 22 90 with tariff items 3904 10 10 to 3904 22 00 in relation to the PVC Resin.	[109(b)]	
2.	To amend Chapter Note (4) of Chapter 98 so as to remove the non-applicability of headings 9803 and 9804 to goods imported through courier service. Also, to amend heading 9804 so as to extend the classification of personal imports by courier, sea, or land under this heading.	[109(b)]	
B.	Amendments affecting rates of BCD	[109(a)]	
		Rate of Duty	
	Commodity	From	To
1.	Cashew nut, roasted, salted or roasted and salted	30%	45%
2.	RO membrane element for household type filters	7.5%	10%

The amendments involving increase in the duty rates will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

IV. AMENDMENT IN THE SECOND SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975 [Clause 110 of the Finance Bill, 2017]

S. No.	Amendment	Rate of Duty	
	Amendments affecting rates of Export duty		
		From	To
	Ores and concentrates		

1.	Other aluminium ores and concentrates	Nil	30%
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The above amendment increasing the export duty rate will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

B. EXCISE

Note: “Basic Excise Duty” means the excise duty set forth in the First Schedule to the Central Excise Tariff Act, 1985.

I. AMENDMENTS IN THE CENTRAL EXCISE ACT, 1944:

S. No.	Amendment	Clause of the Finance Bill, 2017
1.	Clause (e) of section 23A is being amended so as to substitute the definition of “Authority” to mean the Authority for Advance Ruling as constituted under section 245-O of the Income-tax Act, 1961.	[111]
2.	Section 23B relating to vacancies not to invalidate proceedings is being omitted.	[112]
3.	Sub-section (3) of section 23C is being amended so as to increase the application fee for seeking advance ruling from rupees two thousand five hundred to rupees ten thousand on the lines of the Income-tax Act.	[113]
4.	Sub-section (6) of section 23D is being amended so as to provide time of limit of six months by which Authority shall pronounce its ruling on the lines of the Income-tax Act.	[114]
5.	A new section 23-I is being inserted so as to provide for transferring the pending applications before the Authority for Advance Rulings (Central Excise, Customs and Service Tax) to the Authority constituted under section 245-O of the Income-tax Act from the stage at which such proceedings stood as on the date on which the Finance Bill, 2017 receives the assent of the President.	[115]
6.	Section 32E is being amended so as to insert a new sub-section (5) therein to enable any person, other than assessee, referred to in sub-section (1) to make an application to the Settlement Commission.	[116]
7.	Sub-section (3) of section 32F is being amended so as to substitute certain words therein. It further seeks to insert a new sub-section (5A) therein to enable the Settlement Commission to amend the order passed by it under sub-section (5), to rectify any error apparent on the face of record.	[117]

II. AMENDMENTS IN THE FIRST SCHEDULE TO THE CENTRAL EXCISE TARIFF ACT, 1985 [Clause 118 of the Finance Bill, 2017]

S. No.	Amendment	Rate of Duty	
		From	To
	Amendments involving change in the rate of Basic Excise duty		
	Commodity		
A.	Tobacco and Tobacco Products		
1.	Cigar and cheroots	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher
2.	Cigarillos	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher
3.	Cigarettes of tobacco substitutes	Rs.3755 per thousand	Rs.4006 per thousand
4.	Cigarillos of tobacco substitutes	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher
5.	Others of tobacco substitutes	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher

The above amendments involving increase in the duty rates will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

III. RETROSPECTIVE AMENDMENT

S. No.	Amendment	Clause of the Finance Bill, 2017
1.	To retrospectively [that is with effect from 01.01.2017] specify a tariff rate of excise duty of 12.5% [as against present tariff rate of 27%] on motor vehicles for transport of more than 13 persons falling under tariff items 8702 90 21 to 8702 90 29 of the First Schedule to the Central Excise Tariff Act, 1985.	[119]

IV. AMENDMENTS IN THE SEVENTH SCHEDULE TO THE FINANCE ACT, 2005
[Clause 146 of the Finance Bill, 2017]

S. No.	Amendment	Rate of duty	
		From	To
	Amendments involving change in the rate of Additional Excise duty		
	Commodity		
A.	Tobacco and Tobacco Products		
1.	Non-filter Cigarettes of length not exceeding 65mm	Rs.215 per thousand	Rs.311 per thousand
2.	Non-filter Cigarettes of length exceeding 65mm but not exceeding 70mm	Rs.370 per thousand	Rs.541 per thousand
3.	Filter Cigarettes of length not exceeding 65mm	Rs.215 per thousand	Rs.311 per thousand
4.	Filter Cigarettes of length exceeding 65mm but not exceeding 70mm	Rs.260 per thousand	Rs.386 per thousand
5.	Filter Cigarettes of length exceeding 70mm but not exceeding 75mm	Rs.370 per thousand	Rs.541 per thousand
6.	Other Cigarettes	Rs.560 per thousand	Rs.811 per thousand
7.	Chewing tobacco (including filter khaini)	10%	12%
8.	Jarda scented tobacco	10%	12%
9.	Pan Masala containing Tobacco (Gutkha)	10%	12%

The above amendments involving increase in the duty rates will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

V. AMENDMENTS IN THE CENTRAL EXCISE RULES, 2002 AND THE CENVAT CREDIT RULES, 2004

S. No.	Amendment
1.	Sub-rule (2) is being inserted in rule 21 of Central Excise Rules, 2002 so as to provide for a time limit of three months [further extendable by 6 months] for granting remission of duty under the said rule 21 read with section 5 of the Central Excise Act, 1944. Notification No.5/2017-Central Excise (N.T.), dated 02.02.2017 refers.
2.	Sub-rule (4) is being inserted in rule 10 of CENVAT Credit Rules, 2004 so as to provide for a

	time limit of three months [further extendable by 6 months] for approval of requests regarding transfer of CENVAT credit on shifting, sale, merger, etc. of the factory. Notification No.4/2017-Central Excise (N.T.), dated 02.02.2017 refers.
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