

**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.

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