

CUSTOMS ACT, 1969

Recent Budget 2007/08, regarding Customs Act 1969, focuses on tariff rationalization, provision incentives to the growth, development of industrial activities, and encouragement of competitiveness and creation of investment oriented environment.

Moreover, structural measures comprising of additions/ deletions and amendments (through harmonization of commodity description and coding system 2007 version) to the customs act, including **introduction of 0% duty slab in tariff**, squeezing (reducing) the SRO regime.

Following are the main components of policy objectives of amendments announced through budget FY 2007/08 in Customs Act 1969.

Policy Objectives:

- Consistency and transparency in tariff policy.
- Minimizing the cost of doing business.
- Continuity in Tariff reforms.
- Cascading principle (the principle of refining and making more easy to apply) in tariff rates maintained as guiding principle:
 - Primary raw materials @ 0%-5%,
 - Secondary/components @ 5-10% and
 - Finished goods @ 20-25%.
- Incentives for the growth and expansion of Industries.
- Alignment of Tariff classification scheme (with HS 2007 version).
- Alignment of Amendments in Statutory Regulatory Orders (SROs) to the above (with HS 2007 version).
- Amendments in Customs Act, Rules and Procedures for further simplification.

In the light of the above policy objective, the following incentives are proposed for the uniform growth of all sectors of the economy;

Protection of local industries:

In order to safeguard the local industry from an onslaught of foreign goods:

- Duty rates have been increased on import of poultry meat, welded stainless steel pipes etc.
- Duty rates on vehicles have been increased around the effective rate of CVT which has been merged in customs duty.

Note: For upto 800cc cars there was no CVT, therefore rate of duty against these vehicles has not been changed.

Relief measures:

As it was expected from the current Government, following relief has been given to the business community:

- ☐ Amnesty scheme for condonation of delays in submission of installation / Consumption certificates etc.
- ☐ Amnesty from payment of fine/penalties and surcharges on payment of Principal amount.

Sectoral industrial incentives:

A) In order to enhance local industrialization, capacity building, production competitiveness, efficiency and product presentability, duty rates on raw materials, parts and components for manufacturing of the following items/products have either been **reduced** or **eliminated**:

- CNG compressors.
- Paper and paperboard.
- Items/equipments which have dedicated use in non-conventional/ alternate renewable energy resources like solar, wind and bio tech.
- Gum base.
- Transformers, submersible motors, electricity meters, switchgears and electric bulbs and tube lights.
- Light engineering products.
- Polystyrenes and their raw materials.
- Energy saving lamps and its raw materials/ parts.
- Petroleum bitumen/ asphalt.
- Footwear.
- Football bladder.
- Aviation equipments.

B) New sectors/ sub-sectors have been added under the incentive regime for local manufacturing.

Furthermore, existing exemption regime available to different industrial segments has been deepened.

C) Reduction/elimination of duty for introduction of Second Generation Tariff Policy Reforms for:

- Gems & Jewelry
- Furniture
- Marble & Granite
- Horticulture
- Surgical equipment/medical devices.

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- D) Poultry feed items, poultry vitamins, evaporation air coolers, insulated sandwich panels and silos for storage of poultry have been exempted from duty.

Revenue measures:

- Levy of 1% Special surcharge on imports **excluding**;
- Vegetables/pulses,
- Edible oil/ghee,
- Crude petroleum,
- Furnace oil,
- HSD,
- Medicines,
- Fertilizers,
- Imports under chapter 99,
- Temporary imports etc.
- Merger of Capital Value Tax (CVT) in Customs duty.
- Levy of regulatory duty on export of specified metals and articles thereof.

Other measures:

- Downward revision of 5 yrs. capping to 3 yrs. for import of old/used cars/jeeps.
- 5 yrs. tariff plan for auto sector.
- Reduction/elimination of duty rates on specified diesel generating sets.
- Inputs used by the newspaper industry are being provided at concessionary rate.
- Duty rates on equipments for broadcasting sector have been reduced to 5%.
- Extension of incentives for expansion and up-gradation of existing hospitals.
- Inclusion of PSF in DTRE scheme, payment of duty drawback and R&D support.

Legal changes:

- Legislative changes have been suggested for simplification of law/ procedures.
- Section 25 and 25A of the Customs Act have been amended to address the phenomenon of under invoicing.