

EXCISE

1. Additional duty of excise on pan masala and specified tobacco products

1.1 An additional duty of excise is being imposed on cigarettes at specific rates ranging from Rs. 15 to Rs.180 per thousand cigarettes, and at rate equal to 10% of the aggregate of normal rates of excise duties on pan masala and certain specified tobacco products. Biris have been kept out of the purview this levy (relevant bill entries and notification No.6/2005-CE refers).

2. Small Scale exemption:

2.1 Eligibility limit for general SSI exemption is being increased from Rs. 3 crore to Rs. 4 crore, by amending notification No. 8/2003-CE (Notification No.10/2005-CE refers)

2.2 Notification No.9/2003-CE, providing concessional rate of duty of 60% of the normal rate with Cenvat credit, has been rescinded. (Notification No.11/2005-CE refers)

2.3 SSI units having annual turnover exceeding Rs. 40 lakh will now have to file a simple annual declaration. (Notification No.14/2005-CE refers).

2.4 These changes would come into effect from 1st April, 2005 (notification Nos. 10/2005-CE, 14/2005-CE (N.T.) and 11/2005-CE refer).

3.0 Cottage and Village industry:

3.1 Definition of 'rural area' as provided in clause (ff) of section 2 of the Khadi and Village Industries Commission Act, 1956 (61 of 1956) is being made applicable retrospectively for the period from 21.2.2000 to 1.3.2003 for the purposes of exemption under Notification No. 88/88-CE dated 01.03.1988 (relevant bill entry refers).

Chapter 1 to 8

No Change.

Chapter 9

9.1 Tea and tea waste has been exempted from additional duty of excise of Re. 1 per kg. (Notification No. 7/2005-C.E. refers).

Chapter 10 to14

No Change

Chapter 15

15.1 Excise duty has been exempted on refined edible oils, vanaspati, bakery shortening, inter-esterified fats, or re-esterified or elaidinised fats (S.Nos. 1 and 2 of notification No. 4/2005-CE refer).

15.2 A Chapter note is being inserted, with retrospective effect from 1st of March, 1986, so as to provide that, in respect of refined edible oils, process of refining shall amount to 'manufacture'. A similar chapter note is also being inserted in chapter 15 of the new 8 digit Schedule (relevant bill entries refer).

Chapter 16 to 19

16.1 Excise duty is being reduced on cakes and pastries from 16% to 8% (S.No. 3 of notification No. 4/2005-C.E. refers).

16.2 Excise duty is being increased on molasses from Rs. 500 PMT to Rs. 1000 PMT (relevant bill entry refers).

Chapter 20 to 24

20.1 An additional excise duty is being on pan masala and certain specified tobacco products (notification No.6/2005-CE refers). As regards cigarettes the rates of this additional duty are as follows (relevant bill entries refers):

S.No.	Description	Rate
	Cigarettes	Rs. per '000 sticks
	<u>Non filter of length</u>	
1.	not exceeding 60 mm.	15
2.	exceeding 60 mm but not exceeding 70 mm	45
	<u>Filter cigarettes of length</u>	
3.	not exceeding 70 mm.	70
4.	exceeding 70 mm but not exceeding 75 mm.	110
5.	exceeding 75 mm but not exceeding 85 mm.	145
6.	<u>Other cigarettes</u>	180
7.	Cut tobacco	Rs.5 per Kg.

As regards pan masala and other specified tobacco products rates of this additional duty have been prescribed vide notification No. 6/2005-CE.

Chapter 25

25.1 Excise duty is being increased on clinkers (2523 10 00) from Rs. 250 per metric tonne to Rs. 350 per metric tonne (relevant bill entry refers).

Chapter 26

No Change.

Chapter 27:

27.1 Additional duty of excise on Motor Spirit (petrol) and High Speed Diesel Oil is being increased from Rs. 1.50 per litre to Rs. 2.00 per litre (relevant bill entry refers).

27.2 The tariff rates of excise duty on certain petroleum products are being revised as under (relevant bill entries refer):

Tariff rate changes:

Product	Tariff items	Tariff rate	
		Pre budget	With effect from 1.3.2005
Petrol (motor spirit)	All tariff items of subheading 2710 11	16%	16%+ Rs. 15.00 per litre
High Speed Diesel	2710 19 30	16%	16% + Rs. 5.00 per litre
Light Diesel Oil	2710 19 40	16% + Rs. 1.50 per litre	16% + Rs. 5.00 per litre

27.3 Effective rates of excise duty are being changed on certain petroleum products as under (S.Nos. 8 to 13 of notification No. 4/2005-CE refer):

Product	Pre-budget rates				With effect from 1.3.2005			
	BED	SED	AED Rs. /ltr	SAED Rs. /ltr	BED	SED	AED Rs. /ltr	SAED Rs. /ltr
Petrol (motor spirit)	16%	7%	1.50	6.00	8% + Rs.5.00/ltr	Nil	2.00	6.00
High Speed Diesel	8%	-	1.50	-	8% + Rs. 1.25/ltr	-	2.00	-
Light Diesel Oil	16% + Rs. 1.50/ ltr	-	-	-	16% + Rs. 2.50/ltr	-	-	-
Kerosene (PDS)	12%	-	-	-	Nil	-	-	-
LPG (domestic)	8%	-	-	-	Nil	-	-	-

Chapter 28 to 35

No Change

Chapter 36

36.1 Excise duty is being reduced on matches (except Bengal lights) made by mechanised and semi-mechanised sectors, from 16% to 12% (S. No. 13 of notification No. 4/2005-CE refers).

Chapter 37 to 39

No change.

Chapter 40

40.1 Excise duty is being reduced on tyres, tubes and flaps from 24% to 16% (S.No. 1 of notification No. 13/2005-CE refers).

Chapters 41-49

No change

Chapter 50-63

50.1 Excise duty is being reduced on polyester filament yarn including texturised yarn from 24% to 16% (Notification No. 13/2005-CE refers).

50.2 Optional duty of 8% on processed yarn is being extended to all the yarns falling under 54 produced by independent processors (notification No. 29/2004-CE as amended vide S. No. 3 of the notification No. 10/2005-CE, and notification No. 30/2004-Central Excise as amended vide S. No. 4 of the notification No. 10/2005-CE refers).

Chapter 64-67:

No Change

Chapter 68:

68.1 Excise duty is being imposed @ 8% on mosaic tiles (S.No 22 of notification No. 10/2003-CE as amended vide S.No. 2 of notification No. 10/2005-CE refers).

Chapter 69-70

No Change.

Chapter 71

71.1 Excise duty has been imposed @ 2% on articles of jewellery, of heading 7113, on which a brand name or trade name is indelibly affixed or embossed on the articles of jewellery itself. Unbranded articles of jewellery and other articles of precious metals will continue to be exempt from duty. (refer S.No.14 notification No. 4/2005-CE, and S.No. 171 of notification No. 6/2002-CE as amended by 5/2005-CE refer).

71.2 Chapter notes are being inserted in chapter 71 both to define brand name or trade name and to prescribe that the process of affixing or embossing brand name or trade name on articles of jewellery of heading 7113 shall amount to 'manufacture'. Judicial decisions in this regard may be kept in view for determining whether a mark/symbol, etc. amounts to a brand name or trade name for the purposes of the excise levy or not (relevant bill entries refer).

71.3 In case of articles of jewellery made through job-work, the excise duty can be paid either by the person who supplies the raw materials such as precious metals,

gemstones, etc. to the job-worker for manufacture of the articles of jewellery, or by the job-worker. Rule 12AA of Central Excise Rules, 2002, has been inserted to prescribe a special procedure for this purpose. Under this procedure, the duty liability, accountability and responsibility for complying with the excise procedures would be on the person who gets the articles of jewellery manufactured on job-work. The job-worker, however, at his option, can also undertake to comply with the excise law and pay duty. Consequential changes have also been made in the Cenvat Credit Rules, 2004 for this purpose (notification No. 12/2005-CE(N.T.) and 13/2005-CE(N.T.) refer).

71.4 Excise duty on imitation jewellery (heading 7117) is being reduced from 16% to 8% (S.No. 16 of notification No. 4/2005-CE refers).

Chapter 72

72.1 Excise duty on iron and steel is being raised from 12% to 16% (S.No 172A of notification No. 6/2002-CE as amended vide notification No. 5/2005-CE refers).

Chapter 73-83

No change.

Chapter 84 & 85

84.1 Excise duty on air conditioners is being reduced from 24% to 16%. (notification No. 13/2005-CE refer). Consequently, abatement from retail sale price is also being reduced from 35% to 30% (S.No. 63 of notification No. 13/2002-CE(NT) as amended by notification No. 11/2005-CE(N.T.) refers).

84.2 Excise duty is being exempted on parts used captively in manufacture of power tillers of heading 84.32 (notification No. 4/2005-CE refers).

84.3 Excise duty exemption, for wind operated electricity generators, its components and parts thereof, is being extended to rotor and wind turbine controller (Item 13 of List 9 of notification No. 6/2002-CE as amended by notification No. 5/2005-CE refers).

84.4 Excise duty is being reduced on electronic milk fat and SNF tester from 16% to 8% (S.No. 17 of notification No. 4/2005-CE refers).

84.5 Excise duty exemption on specified machines for use in the plantation sector, available till 1.5.2005, is being extended till 1.5.2006 (notification No. 6/2002-CE as amended by notification No. 5/2005-CE refers).

84.6 Excise duty exemption for specified textile machinery under S.No.193, 195, 199 and 200 of notification No.6/2002-CE is being continued (amended vide notification No.5/2005-to refer).

Chapter 86

No Change.

Chapter 87

87.1 Tractors of heading 8701 are exempt from excise duty. Tractors of engine capacity more than 1800 cc for semi trailers are being excluded from the purview of the said excise duty exemption. Such tractors of engine capacity more than 1800 cc for semi trailers will now attract excise duty @ 16% (S.No. 295 of notification No. 6/2002-CE as amended by notification No. 5/2005-CE refers).

Chapter 88

No change.

Chapter 89

89.1 Excise duty on ships for breaking up is being raised from 12% to 16% (S.No 303 of notification No. 6/2002-CE omitted vide notification No. 5/2005-CE refers).

Chapter 90-96

No Change.

The Cenvat Credit Rules, 2004

1.1 The Cenvat Credit Rules, 2004 have been amended so as to allow domestic manufacturers to take credit of the additional duty of customs levied under sub-section (5) of section 3 of the Customs Tariff Act, as substituted by clause 72 of Finance Bill 2005, for payment of any excise duty on their finished goods. Service providers are not allowed to take credit of this additional duty.

1.2 Credit of this additional duty can be utilised only for payment of excise duty (including special excise duty and additional excise duties) on final products (and not for paying service tax). Credit of this additional duty in respect of capital goods can be taken in one instalment (as against in two instalments in other cases). All provisions relating to Cenvat Credit, including those relating to rebate and refunds are applicable to this additional duty, as are applicable to the excise duty leviable under the Central Excise Act.

1.3 The Cenvat Credit Rules, 2004 have also been amended so as to allow credit of additional excise duty on pan masala and certain tobacco products, levied clause 85 of Finance Bill 2005. Credit of this duty can only be utilised for paying additional excise duty on pan masala and certain tobacco products. Credit of no other duty can be utilised for paying additional excise duty on pan masala and tobacco products.

Recovery of CENVAT credit of A.E.D.(G.S.I.) wrongly availed:

2.1 Section 88 of the Finance (No. 2) Act, 2004 is being amended to provide for recovery of –

- (a) credit of AED (GSI) paid before 1st April 2000, and wrongly availed for payment of CENVAT duty, and
- (b) interest thereon.

The scheme provides for payment of the aforesaid amounts in 36 equated monthly instalments. (For details refer clause 124 (a) of Finance Bill, 2005).

Miscellaneous

3.1 DTA clearances of EOUs/EHTP/STP/SEZ units are being exempted from the excise duty leviable thereon as is equivalent to the additional duty payable thereon in terms of the proviso to section 3 of the Central Excise Act read with sub-section (5) of section 3 of the Customs Tariff Act, 1975, as on their clearances to the DTA, normally, domestic internal taxes would be leviable (notification Nos. 8 & 9/2005-CE refer).