

# **SALIENT FEATURES**

## **CUSTOMS BUDGETARY MEASURES 2009-10**

### **Policy Objectives:**

- Industrial incentives for growth and expansion.
- Boosting the export oriented sectors.
- Discouraging import of non-essential and luxury items.
- Minimizing the cost of doing business.
- Amendments in Customs Act, Rules and Procedures for further simplification.

### **1. Relief Measures:**

- a. Concession/exemption on pharmaceutical raw materials, lifesaving drugs and cancer diagnostic.
- b. Exemption from customs duty on colostomy bags (PCT 3926.9050).
- c. Reduction of duty on mobile phones from Rs. 500/set to Rs.250/set and removal of RD @ Rs. 250/set.
- d. Exemption of duty on Betain (PCT 2923.9010) for poultry industry.
- e. Exemption from duty on calf milk replacer (CMR) from existing 20% duty rate.
- f. Exemption from duty on premix of micro nutrients (cattle feed premix) from 20% duty rate for dairy development.
- g. Reduction of duty from 10% to 5% on raw materials for manufacturing pre-fabricated steel buildings.
- h. Continuation of exemption of duty on import of Agricultural tractors.
- i. Reduction of duty on import of Kits for 4-stroke auto-rickshaws from 32.5% to 20%
- j. Extension in scope of exempted relief goods falling under chapter 99 of Customs Tariff.

### **2. Protection to local industry:**

- a. Increase in duty on hydrogen peroxide from 5% to 10% to protect local manufacturer.
- b. Increase in duty on Isobutyl Acetate from 5% to 20% to protect local manufacturer.
- c. Increase in duty on Welded stainless steel pipes from 5% to 15% to protect local manufacturer.
- d. Increase of duty on multi system airconditioners of capacity 5 tones and above from 10% to 35% plus regulatory duty @ 15%.
- e. Reduction in concessionary rate by 5% on import of pharmaceutical packing materials (PVC rigid film and aluminum foil)
- f. Incentive for manufacturing of LPG,CNG dispensers and energy efficient door and windows.
- g. Reduction of duty from 10% to 5% on CRC black plate for manufacture of tin plate.
- h. Reduction of duty on raw materials of transformers and control panels.
- i. Exemption from duty on import of linear alkyl benzene from 5%.
- j. Increase of duty on import of Spark Plugs and Wire Condensers from 5% to 10%.

- k. Increase in duty on plastic sanitary ware from 20% to 25%. Continuation of 5% CD rate on SKD kits for LCD/Plasma TVs manufacturers for further period of one year.
- l. Increase in scope of exemptions on import of solar equipments.
- m. Exemption on steel tubes for manufacturing of CNG cylinders
- n. Increase of duty on tufted carpets from 10% to 15% to avoid misdeclaration with other types of carpets.
- o. Rationalization of duty on silicon sealant
- p. Exemption on inputs for manufacturing parts/components for engineering sector.
- q. Increase in duty on conductors falling under PCT code 8544.6000 from 20% to 25%.
- r. Partial waiver of exemption of RD for manufacturers of sack Kraft paper bags.
- s. Inclusion of condition "Not manufactured locally" in SRO 656(I)/06 for OEMS.
- t. Freezing duty structure on cars/Jeeps and LCVs for a period of one year.

**3. Tariff rationalization:**

- a. Regulatory duty @ 10% on Pigment thickener is merged in Tariff.
- b. Rationalization of duty on unglazed ceramic tiles to bring duty incidence at par with that on glazed tiles.
- c. Rationalization of duty on Spin finish oil to check misdeclaration.
- d. Rationalization of duty on LED panels to check misdeclaration.
- e. Rationalization of duty rate on carbon black of rubber grade and other.
- f. Uniform rate of duty on Cameras of PCT 8525.8000 to avoid misdeclaration.
- g. Rationalization of duty on rolling coating printing ink.
- h. Rationalization of duty on printed aluminum foil to avoid misdeclaration.
- i. Increase in duty on residue oil (PCT Code 2713.9090) from 10% to 15%.
- j. Rationalization of duty rate on import of cinematographic films from 5%ad.val. to 5% ad.val. plus Rs.5 per meter.
- k. Improvement in Tariff Based System for vehicles :
  - i. Customs Duty on CBU motorcycles is proposed to be reduced from 70% to 65%;
  - ii. Customs Duty on non-localized components and sub-assemblies of motorcycles is proposed to be reduced from 20% to 15%;
  - iii. Additional Duty of 32.5% is proposed to be increased on four localized parts of motorcycles to protect local vendor industry;
  - iv. Customs Duty on five non localized components used in the manufacture of 'Trailers' is proposed to be reduced from 15% to 5% to promote local manufacturing of Trailers;
  - v. Tyres have been included in TBS on statutory rate of duty
- l. Change in description of PCT codes 3824.9094 and 7228.3010.
- m. Correction of PCT Codes of Polyamides based paints and CNG buses.
- n. Creation of separate PCT code for cryogenic tanks and secondary quality steel sheets falling under PCT code 7210.5000.

**4. Miscellaneous:**

- a. Continuation of regulatory duty on luxury/non-essential goods.
- b. No change in duty structure on cars/jeeps and LCVs for a period of one year.

**5. Administrative Improvement Measures:**

- Streamlining of Customs Valuation System.

**6. Legal changes:**

Following amendments have been proposed in the Customs Act, 1969.

- a. Definition of “document” is being amended to include certificate of country of origin, Vessel Information Report (VIR), Carrier Declaration Information.
- b. Definition of KIBOR (Karachi Inter Bank Offered Rate) is being added for purpose of the Act and surcharge rates have been prescribed as KIBOR plus three per cent per annum in Sections 21A, 83, 86 and 202A.
- c. Due to increase in prices of gold and other precious items, the limit for taking cognizance under the smuggling related provisions is being enhanced from Rs.50,000 to Rs.200,000.
- d. A proviso is being added to section 15 so that offences relating to goods imported or exported in violation of intellectual property rights shall be adjudicated by appropriate officers of customs.
- e. Section 25A is being amended to empower Director Custom Valuation to determine customs value on his own motion to control under invoicing more effectively.
- f. Section 25D is being amended to prescribe time limit of 30 days for filing of review application against determination of customs value with Director General Customs Valuation.
- g. Section 32 is being amended to curb the tendency of deliberate wrong self-assessment and less payment of revenue through computerized clearance system.
- h. Section 32A is being amended by inserting words “any matter of customs including assessment, classification” to make it more comprehensive in order to curb the tendency of deliberate wrong self-assessment and less payment of revenue.
- i. Section 33 is being amended so that no refund shall be allowed if sanctioning authority is satisfied that incidence of customs duty and other levies has been passed to the buyer or consumer.
  
- j. Section 139 is being amended so that if a passenger avails the facility of green channel for clearance of his baggage, it should be taken as declaration made by him that no dutiable or contraband goods are being cleared through green channel.
- k. Section 155F is being amended to empower Collector to immediately suspend Unique User Identifier on information of misuse of the same. However, the Collector

of Customs shall, after giving opportunity of hearing, pass an order confirming suspension or otherwise the use of Unique User Identifier.

- l. Section 179 is being amended so that Principal Appraiser and Superintendent of Customs are empowered to adjudicate petty cases not exceeding Rs.50,000. Moreover, the time limit for finalization of adjudication shall commence from the date of issuance of show cause notice and period of adjournments by the party etc shall be excluded for computation of time limit.
- m. Section 194B is being amended that Appellate Tribunal shall not pass stay order for suspending recovery of duty and taxes without providing opportunity of hearing to respondents and such stay shall not exceed 180 days.
- n. Section 195 is being amended to enhance the period of reopening of cases from two to three years.
- o. Section 211 is being amended so that the retention of record is to be linked to final decision in any proceedings including proceeding for assessment, appeal, revision, reference, petition and any proceeding before an Alternative Dispute Resolution Committee.