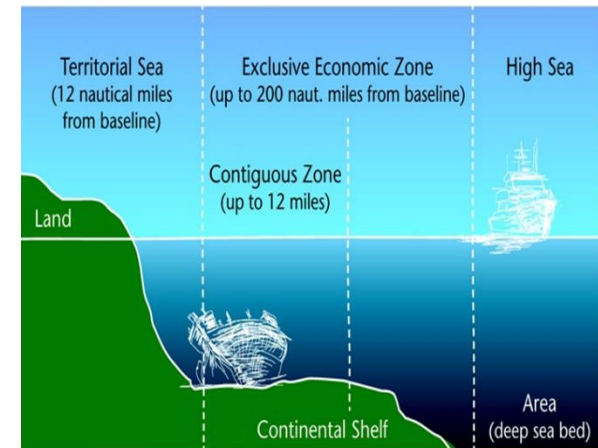


SALIENT CHANGES VIDE THE UNION BUDGET, 2018

SALIENT CHANGES IN THE CUSTOMS LAW

1. Reach / Applicability of the Customs Act enhanced – The following changes have been made in this regard:

- a. Section 1(2) of the Customs Act, 1962 (**Customs Act**) has been amended to the effect that the provisions of the Customs Act will apply to any offence committed outside India by any person; and
- b. Section 2(28) of the Customs Act has been amended to the effect of increasing the 'Indian Customs Waters' from the present Contiguous Zone of India to the Exclusive Economic Zone (EEZ)



2. Exemption in case of import / re-import of goods for undertaking certain processes in India – New Section 25A and 25B have been introduced in the Customs Act. They empower the Central Government to issue exemption notification(s) allowing duty free import / re-import of goods for repair, further processing or manufacture into India; subject to their re-export along with fulfillment of other conditions as may be specified. No notification has been issued under this provision as of now.

3. Changes in the manner of adjudication of demands, by way of issuance of show cause notice (SCN) – The following changes have been made in Section 28 of the Customs Act:

- a. Pre-consultation meeting, before issuance of SCN - In case not involving fraud, suppression and mis-statement, the proper officer of customs is mandated to hold pre-consultation meeting with the concerned noticee, before issuance of the SCN
- b. Mandatory Timelines prescribed for issuance of adjudication order – The following mandatory timelines have been provided for issuance of adjudication order, failing which the proceeding will deemed to be concluded, as if no notice has been issued:

- i. *Cases not involving fraud, suppression and mis-statement* – Six months (further extendable by another 6 months maximum, by an officer senior to the adjudicating authority on justifiable reasons for the delay);
- ii. *Cases involving fraud, suppression and mis-statement* – One year (further extendable by another one year maximum, by an officer senior to the adjudicating authority on justifiable reasons for the delay);
- iii. Extension beyond the above stated 6 months and one-year timeframe not permissible
- iv. In certain specified situations, the above timelines will not be applicable such as on stay by a Higher Court, etc.
- v. The above changes will not apply to SCNs issued prior to the date on which the Finance Bill, 2018 receives assent of the President of India



4. **Comprehensive changes made in the Advance Ruling Mechanism** – The following changes have been made in Chapter VB of the Customs Act, dealing with the Advance Ruling Mechanism:

- a. Eligibility to seek advance ruling - The definition of ‘applicant’ has been revised to allow all persons having a valid IEC or exporting goods to India, to make an application for seeking advance ruling (to the extent it is to the satisfaction of the Advance Ruling Authority);



- b. Customs Authority for Advance Ruling – Henceforth, all applications seeking advance ruling are to be made to an ‘Customs Authority for Advance Ruling’. The Board has been empowered to appoint either a Principal Commissioner or Commissioner of Customs to act as this authority. It will have its office at New Delhi and all other places as may be notified;

- c. Appellate Mechanism – The present advance ruling authority constituted under the Income Tax Act, will act as the appellate authority against the ruling issued by the Customs Authority for Advance Ruling. An appeal against the ruling passed by the

Customs Authority for Advance Ruling can be filed within a period of 60 days from the date of communication of the ruling. The Appellate Authority has been empowered to condone a delay of 30 days maximum, in filing appeal before it;



- d. Timelines for issuance of advance ruling – The Customs Authority for Advance Ruling will have to issue its ruling within a maximum period of three months.
- e. Transitional Arrangement – Till the appointment of the Customs Authority for Advance Ruling, the existing Authority constituted under the Income Tax will continue to issue advance ruling under these provisions of the customs law. Post appointment, all pending cases will get transferred to the new Customs Authority for Advance Ruling.

5. **Electronic Cash Ledger** – New Chapter VIIA and Section 51A has been inserted in the Customs Act. This provision allows advance deposit of money by an assessee in its electronic cash ledger for subsequent utilization in payment of customs duty (BCD and IGST), interest, penalty, fee or any other amount payable *inter alia* under the Customs Act and Customs Tariff Act.
6. **New Audit Mechanism** – New Chapter XIIA and Section 99A has been inserted in the Customs Act. This provision empowers a proper officer of customs to undertake audit of certain specified persons (including importer, exporter, etc), either in his office or in the premises of the concerned person.
7. **Assessable Value for goods sold in a customs bonded warehouse** – New Section 3(8A) has been inserted to provide that the assessable value for calculation of IGST and Compensation Cess, if applicable, in case of sale of goods warehoused in a customs bonded warehouse will be higher of the following:
 - a. Value at which those are sold by the importer to the subsequent buyer; or
 - b. Value at which those are sold by the exporter to the importer (or the initial import price).
8. **Other Miscellaneous Changes** – The following miscellaneous changes have been made:
 - a. Central Board of Excise & Customs (CBEC) has been renamed as ‘Central Board of Indirect Taxes and Customs (CBIC)’.
 - b. Henceforth, the option of redemption fine imposed under Section 125 of the Customs Act, will extinguish / subside if the same is not exercised within a period of 120 days from the date of the said option. This will not apply in cases wherein appeal against the order imposing redemption fine has been filed. Further, for orders passed under this provision, issued prior to the President’s assent to the Finance Bill, 2018 and where no appeal has been filed, the option can be exercised within 120 days of President’s assent to the Finance Bill, 2018.



- c. The Commissioner (Appeals) has been empowered to remand the matter back to the lower adjudicating authority in certain specified situations.

ABOLITION OF EARLIER TAXES / INTRODUCTION OF NEW TAXES

1. **Education Cess (Edu Cess) and Secondary & Higher Education Cess (SHE Cess) abolished** – The Edu Cess and SHE Cess on imported goods has been abolished. Till the time the Finance Bill, 2018 is given assent by the President, the Edu Cess and SHE Cess on imported goods has been exempted.
2. **New Social Welfare Surcharge introduced** - Social Welfare Surcharge (SWS) is being levied on all imported goods; to be calculated on the customs duties payable. This has been introduced with the objective of financing health, education and social security. This levy will come into immediate effect, that is w.e.f. 2nd February, 2018, by virtue of a declaration under the Provisional Collection of Taxes Act, 1931. Some of the noteworthy points of this new levy are stated below:
 - a. This levy will be calculated only on the BCD portion. SWS on IGST and Compensation Cess, payable at the time of import, has been exempted.
 - b. The following three slabs of SWS have been notified in case of imported goods:
 - i. *NIL / Exempt* – Goods hitherto exempt from payment of Edu Cess and SHE Cess have been made exempt from this SWS
 - ii. *3%* - certain specified goods such as Silver, Gold, motor spirit, etc; and
 - iii. *10%* - Remaining goods will suffer this new SWS at the rate 10%.

3. **New Road and Infrastructure Cess introduced and Road Cess abolished**– A new Road and Infrastructure Cess (RIC) has been introduced. This will be levied as an additional duty of customs, on import of motor spirit (petrol and diesel) at the rate of INR 8/- per litre. This levy will come into effect immediately that is w.e.f. 2nd February, 2018, by virtue of a declaration under the Provisional Collection of Taxes Act, 1931. Pursuant to this levy, additional duty of customs (Road Cess) levied on motor spirit has been abolished.

CUSTOMS – RATE OF DUTY CHANGES

Sl. No.	Heading, Sub-Heading, Tariff Item	Commodity	Rate of duty		Relevant notification / Conditions
			From	To	
		Perfumes and toiletry preparations			
1.	3303	Perfumes and toilet waters	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.

2.	3304	Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), including sunscreen or suntan preparations; manicure or pedicure preparations	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
3.	3305	Preparations for use on the hair	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
4.	3306	Preparations for oral or dental hygiene, including denture fixative pastes and powders; yarn used to clean between the teeth (dental floss), in individual retail packages	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
5.	3307	Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery cosmetic or toilet preparations, not elsewhere specified or included, prepared room deodorizers, whether or not perfumed or having disinfectant properties	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.

		Food processing			
6.	0801 31 00	Cashew nuts in shell [Raw cashew]	5%	2.5%	Notification No. 06/2018 dated 02.02.2018
7.	2009 11 00 2009 12 00 2009 19 00	Orange fruit juice	30%	35%	Notification No. 06/2018 dated 02.02.2018
8.	2009 81 00, 2009 90 00	Cranberry Juice	10%	50%	Notification No. 06/2018 dated 02.02.2018
9.	2106 90	Miscellaneous Food preparations (other than soya protein)	30%	50%	Notification No. 06/2018 dated 02.02.2018
		Textiles			
10.	5007	Silk Fabrics	10%	20%	Notification No. 14/2018 dated 02.02.2018
		Capital Goods and Electronics			
11.	8504 90 90/ 3926 90 99	Printed Circuit Board Assembly (PCBA) of charger/adapter and moulded plastics of charger/adapter of cellular mobile phones	Nil	10%	Notification No. 22/2018 dated 02.02.2018

12.	Any Chapter	Inputs or parts for manufacture of: PCBA, or Moulded plastics of charger/adapter of cellular mobile phones of cellular mobile phones	Applicable Rate	Nil	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
13.	8483 40 00, 8466 93 90, 8537 10 00	Ball screws, linear motion guides, CNC systems for manufacture of all types of CNC machine tools falling under headings 8456 to 8463	7.5%	2.5%	Notification No. 06/2018 dated 02.02.2018
14.	70	Solar tempered glass or solar tempered [anti- reflective coated] glass for manufacture of solar cells /panels/modules	5%	Nil	Notification No. 06/2018 dated 02.02.2018
15.	70	Preform of silica for use in the manufacture of telecommunication grade optical fibres or optical fibre cables	Nil	5%	Notification No. 06/2018 dated 02.02.2018
16.	8529/4016	12 specified parts for manufacture of LCD/LED TV panels	Nil	10%	Notification No. 06/2018 dated 02.02.2018
		Automobile parts			

17.	4011 20 10	Truck and Bus radial tyres	10%	15%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
18.	8407, 8408, 8409, 8483 10 91, 8483 10 92, 8511, 8708, 8714 10	Specified parts/accessories of motor vehicles, motor cars, motorcycles	7.5%/10%	15%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
19.	8702, 8703, 8704, 8711	CKD imports of motor vehicles, motor cars, motor cycles	10%	15%	Notification No. 06/2018 dated 02.02.2018
20.	8702, 8704	CBU imports of motor vehicles	20%	25%	Notification No. 06/2018 dated 02.02.2018
		Diamonds and Precious stones			
21.	71	Cut and polished coloured gemstones;	2.5%	5%	Notification No. 06/2018 dated 02.02.2018
22.	71	Diamonds including lab grown diamonds-semi processed, half-cut or broken; non-industrial diamonds including lab-grown diamonds (other than rough diamonds), including cut and polished diamonds	2.5%	5%	Notification No. 06/2018 dated 02.02.2018

		Medical Devices			
23.	Any Chapter	Raw materials, parts or accessories for the manufacture of Cochlear Implants	2.5%	Nil	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
		Edible oils of vegetable origin			
24.	1508, 1509, 1510, 1512, 1513, 1515	Crude edible vegetable oils like Ground nut oil, Olive oil, Cotton seed oil, Safflower seed oil, Saffola oil, Coconut oil, Palm Kernel/Babassu oil, Linseed oil, Maize corn oil, Castor oil, Sesame oil, other fixed vegetable fats and oils	12.5%	30%	Notification No. 06/2018 dated 02.02.2018
25.	1508, 1509, 1510,1512, 1513, 1515, 1516 20, 1517 10 21, 1517 90 10, 1518 00 11, 1518 00 21, 1518 00 31	Refined edible vegetable oils, like Ground nut oil, Olive oil, Cotton seed oil, Safflower seed oil, Saffola oil, Coconut oil, Palm Kernel/Babassu oil, Linseed oil, Maize corn oil, Castor oil, Sesame oil, other fixed vegetable fats and oils, edible margarine of vegetable origin, Sal fat; specified in goods of heading 1518	20%	35%	Notification No. 06/2018 dated 02.02.2018
		Refractory Items			

26.	6815 91 00	Other articles of stone containing magnesite, dolomite or chromite	10%	7.5%	Notification No. 06/2018 dated 02.02.2018
27.	6901	Bricks, blocks, tiles and other ceramic goods of siliceous fossil meals or of similar siliceous earths	10%	7.5%	Notification No. 06/2018 dated 02.02.2018
28.	6902	Refractory bricks, blocks, tiles and similar refractory ceramic constructional goods, other than those of siliceous fossil meals or similar siliceous earths	5%	7.5%	Notification No. 06/2018 dated 02.02.2018
29.	6903	Other refractory ceramic goods	5%	7.5%	Notification No. 06/2018 dated 02.02.2018
		Jewellery			
30.	7117	Imitation Jewellery	15%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
		Electronics/ Hardware			
31.	8517 12	Cellular mobile phones	15%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.

32.	3919 90 90, 3920 99 99, 3926 90 91, 3926 90 99, 4016 99 90, 7318 15 00, 7326 90 99, 8504, 8506, 8507,8517 70 90, 8518, 8538 90 00, 8544 19, 8544 42, 8544 49	Specified parts and accessories including lithium ion battery of cellular mobile phones	7.5%/10%	15%	<i>Certain exemptions may be available under Notification No. 50/2017-Cus dated 30.06.2017</i>
33.	8517 62 90	Smart watches/ wearable devices	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
		Furniture			
34.	9401	Seats and parts of seats [other than aircraft seats and their parts]	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.

35.	9403	Other furniture and parts	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
36.	9404	Mattresses supports; articles of bedding and similar furnishing	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
37.	9405	Lamps and lighting fitting, illuminated signs, illuminated name plates and the like [except solar lanterns or solar lamps]	10%	20%	<i>Solar lanterns and solar lamps continue to be taxed at 5 per cent, and certain other exemptions may be available under Notification No. 50/2017-Cus dated 30.06.2017</i>
		Watches and Clocks			
38.	9101, 9102	Wrist watches, pocket watches and other watches, including stopwatches	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
39.	9103	Clocks with watch movements	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.

40.	9105	Other clocks, including alarm clocks	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
		Toys and Games			
41.	9503	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; puzzles of all kinds	10%	20%	<i>5 per cent rate on parts of electronic toys and certain exemptions may be available under Notification No. 50/2017-Cus dated 30.06.2017</i>
42.	9504	Video game consoles and machines, articles for funfair, table or parlor games and automatic bowling alley equipment	10%	20%	<i>5 per cent rate for parts of video games for the manufacture of video games and certain other exemptions may be available under Notification No. 50/2017-Cus dated 30.06.2017</i>
43.	9505	Festive, carnival or other entertainment articles	10%	20%	<i>10 per cent rate may be available for tariff item 9505</i>

					<i>10 00 under Notification No. 50/2017-Cus dated 30.06.2017</i>
44.	9506 [except 9506 91]	Articles and equipment for sports or outdoor games, swimming pools and paddling pools [other than articles and equipment for general physical exercise, gymnastics or athletics]	10%	20%	<i>Certain exemptions may be available under Notification No. 50/2017-Cus dated 30.06.2017</i>
45.	9507	Fishing rods, fishing-hooks and other line fishing tackle; fish landing nets, butter fly nets and similar nets; decoy birds and similar hunting or shooting requisites	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
46.	9508	Roundabouts, swings, shooting galleries and other fairground amusements; travelling circuses, traveling menageries and travelling theatres	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
		Miscellaneous Items			
47.	3406	Candles, tapers and the like	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.

48.	4823 90 90	Kites	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
	9004 10	Sunglasses	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
49.	9611	Date, sealing or numbering stamps, and the like	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
50.	9613	Cigarette lighters and other lighters, whether or not mechanical or electrical, and parts thereof other than flints and wicks.	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.
51.	9616	Scent sprays and similar toilet sprays, and mounts and heads therefor; powder-puffs and pads for the application of cosmetic or toilet preparations.	10%	20%	Rate changed pursuant to amendment in Schedule I of the Customs Tariff Act.

EXCISE – RATE OF DUTY CHANGES

Sl. No.	Commodity	Rate of Duty		Relevant notification / Conditions
		From	To	
	Motor spirit commonly known as petrol and high-speed diesel oil			
1.	Levy of Road and Infrastructure Cess on motor spirit commonly known as petrol and high-speed diesel oil [clause 110 of Finance Bill, 2018]	-	Rs. 8 per litre	The same is in pursuant to the rates specified in Schedule VI.
2.	Abolition of Additional Duty of Excise	Rs. 6 per litre	Nil	<i>Notification No. 07/2018-CE dated 02.02.2018, and Notification No. 09/2018-CE dated 02.02.2018</i>
3.	Basic excise duty on:			
	(i) Unbranded Petrol	Rs. 6.48 per litre	Rs. 4.48 per litre	<i>Notification No. 09/2018-CE dated 02.02.2018</i>
	(ii) Branded petrol	Rs. 7.66 per litre	Rs. 5.66 per litre	<i>Notification No. 09/2018-CE dated 02.02.2018</i>
	(iii) Unbranded diesel	Rs. 8.33 per litre	Rs. 6.33 per litre	<i>Notification No. 09/2018-CE dated 02.02.2018</i>
	(iv) Branded diesel	Rs. 10.69 per litre	Rs. 8.69 per litre	<i>Notification No. 09/2018-CE dated 02.02.2018</i>

4.	Road and Infrastructure Cess on (i) 5% ethanol blended petrol, (ii) 10% ethanol blended petrol and (iii) bio-diesel, up to 20% by volume, subject to the condition that appropriate excise duties have been paid on petrol or diesel and appropriate GST has been paid on ethanol or bio-diesel used for making such blends	-	Nil	<i>Notification No. 11/2018-CE dated 02.02.2018, Notification No. 12/2018-CE dated 02.02.2018, and Notification No. 13/2018-CE dated 02.02.2018</i>
5.	Road and Infrastructure Cess on petrol and diesel manufactured in and cleared from 4 specified refineries located in the North-East	-	Rs. 4 per litre	<i>Notification No. 06/2018-CE dated 02.02.2018, and Notification No. 10/2018-CE dated 02.02.2018</i>
