
Union Budget 2018-19

Indirect Tax Proposals

- A calibrated departure from the underlying policy in the last two decades, wherein the trend largely was to reduce the customs duty.
- As stated by the FM, there is substantial potential for domestic value addition in certain sectors, like food processing, electronics, auto components, footwear and furniture.
- To incentivize the domestic value addition and Make in India in some such sectors, it is proposed to increase customs duty on certain items.
- To increase customs duty on mobile phones from 15% to 20%, on some of their parts and accessories to 15% and on certain parts of TVs to 15%.
- To help the cashew processing industry, it is proposed to reduce customs duty on raw cashew from 5% to 2.5%.
- To abolish the Education Cess and Secondary and Higher Education Cess on imported goods, and in its place impose a Social Welfare Surcharge, at the rate of 10% of the aggregate duties of Customs, on imported goods, to provide for social welfare schemes of the Government.
- Goods which were hitherto exempt from Education Cesses on imported goods will, however, be exempt from this Surcharge.
- In addition, certain specified goods, mentioned in the Annexure mentioned hereunder will attract the proposed Surcharge at the rate of 3% of the aggregate duties of customs only.
- To make certain changes to the Customs Act, 1962, to further improve ease of doing business in cross border trade, and to align certain provisions with the commitments under the Trade Facilitation Agreement.
- To smoothen dispute resolution processes and to reduce litigation, certain amendments are being made, to provide for pre-notice consultation, definite timelines for adjudication and deemed closure of cases if those timelines are not adhered to.
- With the roll out of GST, it is proposed to change the name of Central Board of Excise and Customs [CBEC] to Central Board of Indirect Taxes and Customs (CBIC).

Annexure VI to Part B of Budget Speech

INDIRECT TAXES

1. PROPOSALS INVOLVING CHANGE IN CUSTOMS DUTY RATES:

	Chapter/ heading/ sub-heading/ Tariff item	Commodity	Rate of Duty		
			From	To	
I.	Incentivizing domestic value addition, 'Make in India'				
A.	Reduction in Customs duty on inputs and raw materials to reduce costs				
		Food processing			
1	0801 31 00	Cashew nuts in shell [Raw cashew]	5%	2.5%	
		Capital goods and Electronics			
2	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%	
3	70	Solar tempered glass or solar tempered [anti-reflective coated] glass for manufacture of solar cells /panels/modules	5%	Nil	
B.	Changes in Customs duty to address the problem of duty inversions in certain sectors				
		Medical Devices			
4	Any Chapter	Raw materials, parts or accessories for the manufacture of Cochlear Implants	2.5%	Nil	
C.	Changes in Customs duty to provide adequate protection to domestic industry				

			Food Processing		
	5	2009 11 00 2009 12 00 2009 19 00	Orange fruit juice	30%	35%
	6	2009 21 00 to 2009 90 00	Other fruit juices and vegetable juices	30%	50%
	7	2009 81 00, 2009 90 00	Cranberry juice	10%	50%
	8	2106 90	Miscellaneous Food preparations (other than soya protein)	30%	50%
			Perfumes and toiletry preparations		
	9	3303	Perfumes and toilet waters	10%	20%
	10	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%
	11	3305	Preparations for use on the hair	10%	20%
	12	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%
	13	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%
			Automobile and automobile parts		
	14	8407, 8408, 8409, 8483 10 91, 8483 10 92, 8511, 8708, 8714 10	Specified parts/accessories of motor vehicles, motor cars, motor cycles	7.5% / 10%	15%
	15	8702, 8703, 8704, 8711	CKD imports of motor vehicle, motor cars, motor cycles	10%	15%

16	8702, 8704	CBU imports of motor vehicles	20%	25%
17	4011 20 10	Truck and Bus radial tyres	10%	15%
		Textiles		
18	5007	Silk Fabrics	10%	20%
		Footwear		
19	6401, 6402, 6403, 6404, 6405	Footwear	10%	20%
20	6406	Parts of footwear	10%	15%
		Diamonds, precious stones and jewellery		
21	71	Cut and polished colored gemstones	2.5%	5%
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%
23	7117	Imitation Jewellery	15%	20%
		Electronics / Hardware		
24	8517 12	Cellular mobile phones	15%	20%
25	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 of cellular mobile phones	7.5%/ 10%	15%
26	8504 90 90/ 3926 90 99	PCBA of charger/adapter and moulded plastics of charger/adapter of cellular mobile phones	Nil	10%
27	Any Chapter	Inputs or parts for manufacture of:	Applicable	Nil

			a) PCBA, or b) moulded plastics of charger/adapter of cellular mobile phones	rate	
	28	8517 62 90	Smart watches/wearable devices	10%	20%
	29	8529 10 99 8529 90 90	LCD/LED/OLED panels and other parts of LCD/LED/OLED TVs	7.5%/10%	15%
	30	8529/4016	12 specified parts for manufacture of LCD/LED TV panels	Nil	10%
	31	70	Preform of silica for use in the manufacture of telecommunication grade optical fibers or optical fiber cables	Nil	5%
			Furniture		
	32	9401	Seats and parts of seats [except aircraft seats and parts thereof]	10%	20%
	33	9403	Other furniture and parts	10%	20%
	34	9404	Mattresses supports; articles of bedding and similar furnishing	10%	20%
	35	9405	Lamps and lighting fitting, illuminated signs, illuminated name plates and the like [except solar lanterns or solar lamps]	10%	20%
			Watches and Clocks		
	36	9101, 9102	Wrist watches, pocket watches and other watches, including stop watches	10%	20%
	37	9103	Clocks with watch movements	10%	20%
	38	9105	Other clocks, including alarm clocks	10%	20%
			Toys and Games		
	39	9503	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; puzzles of all kinds	10%	20%
	40	9504	Video game consoles and machines, articles for funfair, table or parlor games and automatic bowling alley equipment	10%	20%
	41	9505	Festive, carnival or other	10%	20%

			entertainment articles		
	42	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%
	43	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%
	44	9508	Roundabouts, swings, shooting galleries and other fairground amusements; travelling circuses, traveling menageries and travelling theatres	10%	20%
			Miscellaneous items		
	45	3406	Candles, tapers and the like	10%	25%
	46	4823 90 90	Kites	10%	20%
	47	9004 10	Sunglasses	10%	20%
	48	9611	Date, sealing or numbering stamps, and the like	10%	20%
	49	9613	Cigarette lighters and other lighters, whether or not mechanical or electrical, and parts thereof other than flints and wicks	10%	20%
	50	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%
II	Rationalization measures				
			Edible oils of vegetable origin		
	1	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%

	2	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 goods of heading 1518	20%	35%
			Refractory Items		
	3	6815 91 00	Other articles of stone containing magnetite, dolomite or chromite	10%	7.5%
	4	6901	Bricks, blocks, tiles and other ceramic goods of siliceous fossil meals or of similar siliceous earths	10%	7.5%
	5	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%
	6	6903	Other refractory ceramic goods	5%	7.5%
III		Social Welfare Surcharge			
	1	Any chapter	Levy of Social Welfare Surcharge on imported goods [other than those mentioned at S. No. 3 to 6 below] to finance education, housing and social security	--	10% of the aggregate duties of customs
	2	Any chapter	Abolition of Education Cess and Secondary and Higher Education Cess on imported goods	3% of the aggregate duties of Customs [2% + 1%]	Nil
	3	2710	Exemption from Social Welfare Surcharge on motor spirit commonly known as petrol and high speed diesel oil	--	3% of the aggregate duties of Customs
	4	7106	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured form, or in powder form	--	3% of the aggregate duties of Customs

	5	7108	Gold (including gold plated with platinum), unwrought or in semi-manufactured form, or in powder form	--	3% of the aggregate duties of Customs
	6	Any Chapter	Specified goods hitherto exempt from Education Cess and Secondary and Higher Education Cess on imported goods	--	Nil
IV		Road and Infrastructure Cess			
	1	2710	Levy of Road and Infrastructure Cess on imported motor spirit commonly known as petrol and high speed diesel oil	--	Rs. 8 per litre
	2	2710	Exemption from additional duty of customs leviable under section 3(1) of the Customs Tariff Act, 1975 in lieu of the proposed Road and Infrastructure cess on domestically produced motor spirit commonly known as petrol and high speed diesel oil	--	Nil
	3	2710	Abolition of Additional Duty of Customs [Road Cess] on imported motor spirit commonly known as petrol and high speed diesel oil	Rs. 6 per litre	Nil
	4		Additional duty of customs under sections 3(1) of the Customs Tariff Act, 1975 in lieu of basic excise duty		
		2710	(i) Motor spirit commonly known as petrol	Rs. 6.48 per litre	Rs. 4.48 per litre
		2710	(ii) High speed diesel oil	Rs. 8.33 per litre	Rs. 6.33 per litre

2. AMENDMENTS TO THE CUSTOMS TARIFF ACT, 1975 WITH NO CHANGES IN EFFECTIVE RATES OF DUTIES

S.	Amendment
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No.	
A	Amendment in the Customs Tariff Act, 1975
1	Amendment to the section 3 so as to insert subsections 8A and 10A to provide for valuation of warehoused goods, which are sold to another person before clearance for home consumption or export, for the purposes of Integrated Tax and Goods and Services Tax Compensation Cess
B	Import duty – First Schedule to the Customs Tariff Act, 1975
1	The tariff rate of customs duty for the specified medical devices is being increased from 7.5% to 10%. The effective rate of import duty on such medical devices will, however, remain unchanged.
2	The tariff rate of customs duty for Lithium-ion batteries is being increased from 10% to 20%. The effective rate of import duty on Lithium-ion batteries [other than Lithium-ion batteries for cellular mobile phones] will, however, remain unchanged at 10%.
C	Export duty – Second Schedule to the Customs Tariff Act, 1975
1	To insert a new Note to specify Nil rate of duty in respect of all other goods which are not covered under column (2) of the schedule.
2	Introduction of 20% Tariff rate of Export Duty on Electrodes of a kind used for furnaces. The effective rate of Export duty on such electrodes will, however, remain Nil.

3. MAJOR AMENDMENTS IN THE CUSTOMS ACT, 1962

S. No	Amendment
A.	For facilitating trade
1	Defining scope of Assessment and introducing “risk based selection” for verifying Self-Assessment [Section 2(2), 17 of Customs Act]
2	Establishing single point of reference for importers, exporters and Officers with regard to Regulatory Controls imposed by various Ministries,

	Departments and Agencies [Section 11 of Customs Act]
3	Facilitating imports and exports meant for Repair, Manufacture and further Processing with full or partial duty exemptions [Section 25A and Section 25B of Customs Act]
4	Appointing a new Customs Advance Ruling Authority with Appellate mechanism [Sections 28E to 28M of Customs Act]
5	Providing legal basis for clearance by Customs Automated System [Sections 45, 47, 51, 60, 68 and 69 of Customs Act]
6	Introducing an electronic Cash ledger on the lines similar to provisions in CGST Act [Section 51A of Customs Act]
7	Introducing a new chapter for conduct of Audit [Section 99A of Customs Act]
8	Inserting a new section to provide for simplified and different procedures as part of Trade Facilitation [Section 143AA of Customs Act]
9	Introducing a new section for exchange of information with competent authorities of other countries [Section 151B of Customs Act]
B.	For reducing litigation
10	Providing for pre-notice consultation, issue of supplementary show cause notices on receipt of additional information but within present limitation period, time bound Adjudication and deemed closure of cases [Section 28 of Customs Act]
11	Providing for closure of cases without imposition of redemption fine in cases of voluntary payment of all dues [Section 125 of Customs Act]
C.	For improving compliance
12	Expanding the scope of the Customs Act to any offence or contravention committed under the said Act outside India [Section 1 of Customs Act]
13	Introducing provisions for controlled delivery for certain goods to be notified [Section 109A of Customs Act]

4. PROPOSALS INVOLVING CHANGE IN EXCISE DUTY RATES:

	Commodity	Rate of Duty	
		From	To
I	Motor spirit commonly known as petrol and high speed diesel oil		
	1. Levy of Road and Infrastructure Cess on motor	--	Rs. 8 per

		spirit commonly known as petrol and high speed diesel oil		litre
	2.	Abolition of Additional Duty of Excise [Road Cess] on motor spirit commonly known as petrol and high speed diesel oil	Rs. 6 per litre	Nil
	3.	Basic excise duty on:		
		(i) Unbranded Petrol	Rs. 6.48 per litre	Rs. 4.48 per litre
		(ii) Branded petrol	Rs. 7.66 per litre	Rs. 5.66 per litre
		(iii) Unbranded diesel	Rs. 8.33 per litre	Rs. 6.33 per litre
		(iv) Branded diesel	Rs. 10.69 per litre	Rs. 8.69 per litre
	4.	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
	5.	Infrastructure Cess on petrol and diesel manufactured in and cleared from 4 specified refineries located in the North-East	--	Rs. 4 per litre

Note: “Basic Excise Duty” means the excise duty set forth in the First Schedule to the Central Excise Tariff Act, 1985.

(Source: <http://www.indiabudget.gov.in/bill.asp>,
<http://www.indiabudget.gov.in/bspeecha.asp>)

<http://www.indiabudget.gov.in/memo.asp>,