

## **EXPLANATORY NOTES (CENTRAL EXCISE)**

### **General:**

#### **A. Mean CENVAT rate:**

- General excise duty rate (CENVAT rate) has been reduced from 16% to 14%,  
(Notification No. 2/2008-CE dated 1st March, 2008 refers).

### **Chapter 1 to 18**

No change except reduction of CENVAT rate from 16% to 14%.

### **Chapter 19**

19.1 Excise duty on prepared foods obtained by swelling or roasting of cereals, other breakfast cereals, e.g. corn flakes, bulgur wheat, muesli etc. (tariff items 1904 10 10, 1904 10 30, 1904 10 90, 1904 30 00 and 1904 90 00) is being reduced from 16% to 8%. (S. No. 17A is being inserted in notification No 3/2006-CE dated the 1st March, 2006 vide notification No. 3 /2008-CE refers).

19.2 Excise duty is being fully exempted on paws, mudi and the like items, (tariff item 1904 10 20). (S. No. 17B is being inserted in notification No 3/2006-CE dated the 1<sup>st</sup> March, 2006 vide notification No. 3/2008-CE refers).

19.3 Rate of abatement on prepared foods obtained by swelling or roasting of cereals, other breakfast cereals, e.g corn flakes, bulgur wheat etc. (tariff items 1904 10 10, 1904 10 30, 1904 10 90, 1904 30 00 and 1904 90 00) is being revised. (S. No. 12 of notification No. 2/2006-CE (N.T) dated 1-3-2006 as amended vide notification No. 14/2008-CE (N.T) refers).

### **Chapter 20**

No change except reduction of CENVAT rate from 16% to 14%.

## **Chapter 21**

21.1 Excise duty is being fully exempted on coffee and tea pre-mixes (chapter 21) (S. No. 26A is being inserted in notification No 3/2006-CE dated the 1<sup>st</sup> March, 2006 vide notification No. 3/2008-CE refers).

21.2 Excise duty on sharbats (tariff items 2106 90 11) is being reduced from 16% to 8%. (S. No. 26B is being inserted in notification No 3/2006-CE dated the 1<sup>st</sup> March, 2006 vide notification No. 3/2008-CE refers).

21.3 Abatement rate on sharbats is being revised. (S. No. 23 of notification No. 2/2006-CE (N.T) dated 1-3-2006 as amended vide notification No.14/2008-CE (N.T) refers).

21.4 Concessional rate of 14% excise duty (Cenvat 8% + Health Cess 6%) is being provided on pan masala (falling under 2106 90 20) containing not more than 15% betel nut. Simultaneously, abatement from retail sale price for the purpose of MRP based levy is being revised. This benefit of concessional rate is subject to the following conditions:

- a. The unit availing the concessional rate shall exclusively manufacture the aforesaid goods and shall not engage in the production, manufacture or trading of any other 'pan masala' (with or without tobacco) in the same premises;
- b. the goods do not bear a brand name which is used for any other goods falling under tariff item 2106 90 20 or 2403 99 90; and
- c. the contents of the product, particularly, the percentage of betel nut is declared on the packing.

(Condition No.3 relating to S. No. 29B is being inserted in notification No 3/2006-CE dated the 1<sup>st</sup> March, 2006 vide notification No.3/2008-CE. For NCCD exemption, S.No.9 of notification No. 21/2005-CE as inserted vide notification No.9/2008-refer)

21.5 Excise duty is being fully exempted on milk containing edible nuts with sugar or other ingredients (2106 90 99). (S. No. 30B is being inserted in notification No 3/2006-CE dated the 1<sup>st</sup> March, 2006 vide notification No.3/2008-CE refers).

**Chapter 22**

22.1 Tender coconut water (tariff item 2202 90 90) is being fully exempted from excise duty. (S. No. 32A is being inserted in notification No 3/2006-CE dated the 1<sup>st</sup> March, 2006 vide notification No. 3/2008-CE refers).

**Chapter 23**

No change except reduction of CENVAT rate from 16% to 14%.

**Chapter 24**

24.1 Specific rates of total excise duty (Cenvat + NCCD + Health Cess) on non-filter cigarettes has been increased as under:

S. No.	Description	From	To
		In Rs. per 1000	
1	Non-filter cigarette of length not exceeding 60mm (2402 20 10)	168	819
2	Non-filter cigarette of length exceeding 60mm but not exceeding 70mm (2402 20 20)	546	1323

By virtue of the declaration under the Provisional Collection of Taxes Act, 1931 this levy will come into immediate effect (clause 84, 117 and 120 read with Seventh, Eight & Ninth Schedule of the Finance Bill, 2008 refers).

**Chapter 25**

25.1 Excise duty rate on cement cleared in bulk (that is cement other than those which are cleared in bags with printed RSP) is being revised from Rs.400 per tonne to 14% or Rs.400 per tonne whichever is higher. (S. No 1C of notification No. 4/2006-C.E dated 1<sup>st</sup> March, 2006 as amended vide notification No. 4/2008-C.E refers.)

25.2 There is no change in rate of duty on bulk cement manufactured and cleared by mini-cement plants, which remains unchanged at Rs.250 PMT.

25.3 Excise duty on cement clinkers is being increased from Rs.350 per tonne to Rs.450 per tonne. By virtue of the declaration under the Provisional Collection of Taxes Act, 1931 this increase will come into force with immediate effect (clause 84 read with Seventh Schedule of the Finance Bill, 2008 refers).

### **Chapter 26**

No change except reduction of CENVAT rate from 16% to 14%.

### **Chapter 27**

27.1 Excise duty on motor spirit commonly known as petrol intended for sale without a brand name is being converted from 6% (ad-valorem) + Rs.13 per litre (specific) to a specific rate of Rs. 14.35 per litre (S. No. 17 of the notification No. 4/2006-C.E dated 1<sup>st</sup> March, 2006 as amended vide notification No. 4/2008-C.E refers).

27.2 Excise duty on high speed diesel (HSD) intended for sale without a brand name is being converted from 6% (ad-valorem) + Rs.3.25 per litre (specific) to a specific rate of Rs. 4.60 per litre. (S. No. 19 of the notification No. 4/2006-C.E dated 1<sup>st</sup> March, 2006 as amended vide notification No. 4/2008-C.E refers).

27.3 However, branded fuels would continue to attract the present ad-valorem cum specific duty rates i.e. as under:

Motor Spirit: 6% + Rs. 13 per litre

HSD: 6% + Rs. 3.25 per litre

### **Chapter 28**

No change except reduction of CENVAT rate from 16% to 14%.

### **Chapter 29**

29.1 Menthol is fully exempted from excise duty (S.No.54A is being inserted in notification No. 4/2006-Central Excise, dated the 1<sup>st</sup> March, 2006 vide notification No. 4/2008-CE refers).

**Chapter 30**

30.1 Menthol crystals is being fully exempted from excise duty (S. No. 54B is being inserted in notification No. 4/2006-Central Excise, dated the 1<sup>st</sup> March, 2006 vide notification No. 4/2008-CE refers).

30.2 Excise duty on all goods falling under heading 3001 is being reduced from 16% to 8%. (S. No. 62A of notification No 4/2006-CE dated the 1<sup>st</sup> March, 2006 as amended vide notification No.4/2008-CE refers)

30.3 Excise duty on all goods (except menthol crystals) falling under heading 3003 is being reduced from 16% to 8%. (S. No. 62B of notification No 4/2006-CE dated the 1<sup>st</sup> March, 2006 as amended vide notification No.4/2008-CE refers)

30.4 Excise duty on all goods falling under heading 3004 is being reduced from 16% to 8%. (S. No. 62C of notification No 4/2006-CE dated the 1<sup>st</sup> March, 2006 as amended vide notification No.4/2008-CE refers)

30.5 Excise duty on all goods falling under heading 3005 is being reduced from 16% to 8%. (S. No. 62D is being inserted in notification No 4/2006-CE dated the 1<sup>st</sup> March, 2006 vide notification No.4/2008-CE refers)

30.6 Excise duty on all goods falling under heading 3006 (except 3006 60 and 3006 92 00) is being reduced from 16% to 8% (S. No. 62E is being inserted in notification No 4/2006-CE dated the 1<sup>st</sup> March, 2006 vide notification No.4/2008-CE refers).

30.7 Atazanavir (anti-AIDS drug) and the bulk drugs for manufacture of Atazanavir are being fully exempted from excise duty (List 3 of S. No. 54 of the Notification No. 4/2006-C.E as amended vide Notification No. 4/2008-C.E refers).

30.8 Rate of abatement on the drugs/medicaments falling under chapter 30 is being revised. (Notification No. 2/2005-CE (N.T) dated 7-1-2005 as amended vide notification No.14/2008-CE (N.T) refers)

### **Chapter 31**

No change except reduction of CENVAT rate from 16% to 14%.

### **Chapter 32**

32.1 Excise duty on ink for writing instruments such as white board markers, high-lighter pens, paint markers, magic pens etc is being reduced from 16% to 8%. (S. No. 68A is being inserted in notification No 4/2006-CE dated the 1<sup>st</sup> March, 2006 vide notification No.4/2008-CE refers).

### **Chapter 33 to 38.**

No change except reduction of CENVAT rate from 16% to 14%.

### **Chapter 39**

39.1 Excise duty on aseptic bags is being reduced from 16% to 8%. (S. No. 80C is being inserted in notification No 4/2006-CE dated the 1<sup>st</sup> March, 2006 vide notification No.4/2008-CE).

### **Chapter 40 to 49**

40.1 Excise duty on heat resistant rubber tension tape (HRRTT) falling under sub-heading 4008 21 is being reduced from 16% to 8% (S.No.82A inserted in notification No. 4/2006-Central Excise, dated the 1<sup>st</sup> March, 2006 vide notification No. 4/2008-CE refers).

40.2 Excise duty on veneers and flush doors falling under heading 4408 and tariff item 4418 20 10 respectively, has been reduced from 16% to 8% (S.No.86B and 87C inserted in notification No. 4/2006-Central Excise, dated the 1<sup>st</sup> March, 2006 vide notification No. 4/2008-CE refer).

40.3 Excise duty on aseptic packaging paper falling under tariff item 4811 90 92, has been reduced from 16% to 8% (S.No.96A inserted in notification No. 4/2006-Central Excise, dated the 1<sup>st</sup> March, 2006 vide notification No. 4/2008-CE refers).



40.4 Excise duty on certain categories of paper and paper products has been reduced and rationalized. Paper and paper products made primarily from non-conventional raw materials have been fully exempted from excise duty, upto first clearance of 3500 MT in a year. Beyond this limit, paper and paper products made from non-conventional raw materials will attract excise duty of 8% (reduced from the earlier rate of 12%), provided that the unit does not have an attached wood/bamboo pulping plant. Excise duty on printing, writing and packing paper has been reduced from 12% to 8%. (S. Nos. 90, 91 and 93 in notification No. 4/2006-Central Excise, dated the 1<sup>st</sup> as March, 2006 as amended vide notification No. 4/2008-CE refer).

### **Chapter 50 to 53**

No change except reduction of CENVAT rate from 16% to 14%.

### **Chapter 54**

54.1 Polyester filament yarn is being fully exempted from National Calamity Contingent Duty. (Relevant bill entries read with notification No. 14/2008-C.E refers).

### **Chapter 55 to 72**

No change except reduction of CENVAT rate from 16% to 14%.

### **Chapter 73**

73.1 Excise duty on OTS (open top sanitary) cans falling under tariff items 7310 21 10 or 7310 29 10, is being reduced from 16% to 8% (S.No.31A inserted in notification No. 5/2006-Central Excise, dated the 1<sup>st</sup> March, 2006 vide notification No. 5/2008 refers).

### **Chapter 74 to 83**

No change except reduction of CENVAT rate from 16% to 14%.

**Chapter 84 to 85**

84.1 Excise duty on all kinds of water filtration and purification equipment is being reduced from 16% to 8%. (S. No 8D of notification No. 6/2006-CE inserted vide notification No. 6/2008-CE refers)

84.2 Excise duty exemption on shuttle less looms is being withdrawn. These will now attract 8% duty. (S. No 14 of notification No. 6/2006-CE amended vide notification No. 6/2008-CE refers)

84.3 Excise duty on composting machines is being exempted. (S. No 17A of notification No. 6/2006-CE inserted vide notification No. 6/2008-CE refers)

84.4 Concessional rate of 8% excise duty/CVD was earlier provided on MP3 player or MPEG 4 player. Now all MP3/MP4 or MPEG 4 players with or without radio/video reception facility will attract 8% excise duty/CVD. (S. No 21 of notification No. 6/2006-CE as substituted vide notification No. 6/2008-CE refers).

84.5 Excise duty on Packaged Software is being increased from 8% to 12%. (S. No 27 of notification No. 6/2006-CE substituted vide notification No. 6/2008-CE and S. No 3 of notification No. 49/2006-CE amended vide notification No. 12/2008-CE refers).

84.6 Wireless data cards with PCMCIA/ USB/ PCI express ports are being fully exempted from excise duty. (S. No 28A of notification No. 6/2006-CE as inserted vide notification No. 6/2008-CE refers).

84.7 Excise duty is being exempted on refrigeration equipment (including compressors, condensing units, evaporators) of capacity 2TR (Tonne Refrigeration) having power rating 50 KW and above, for the installation of a cold storage, cold room or refrigerated vehicle, for the preservation, storage or transport of agriculture produce. (S. No 21 in List 4 of notification No. 6/2006-CE as inserted vide notification No. 6/2008-CE refers).

84.8 Under the area based exemption scheme for Uttarakhand and Himachal Pradesh, specific activities and goods are covered for the purpose of excise duty exemption. Under the relevant entry for 'Information and Communication Technology Industry



Computer hardware Call centres', the classification of goods has been amended so as to provide excise duty exemption on printers falling under sub-heading 8443 32 (except tariff items 8443 32 60 & 8443 32 90), and monitors capable of connecting to an automatic data processing machine or to a network. [Notification No. 49/2003-CE as amended vide notification No. 11/2008-CE refers).

## **Chapter 86**

No change except reduction of CENVAT rate from 16% to 14%.

## **Chapter 87**

87.1 Excise duty on motor vehicles for transport of more than 13 persons (including the driver) is being reduced from 16% to 12% (tariff items 8702 1091, 8702 1092, 8702 1099, 8702 9091, 8702 9092 and 8702 9099). Excise duty on chassis fitted with engines for such vehicles is also being reduced from "16% + Rs.10,000 per chassis" to "12% + Rs.10,000 per chassis" (tariff item 8706 0029). (Sr. No.33A and 33B of notification No.6/2006 inserted vide notification No. 6/2008- C.E refer).

87.2 Excise duty on battery powered cars (electric cars) is being reduced from 8% to Nil. For this purpose, "battery powered car" shall mean a car which is run solely on electrical energy derived from one or more electrical batteries fitted to such car. Specified parts of such cars (for use in manufacture of these cars) are being fully exempted from excise duty provided the procedure laid down in the Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2001, is followed. (Sr. No. 35A and 35B of notification No.6/2006 inserted vide notification No. 6/2008- C.E refers).

87.3 Excise duty on small cars [motor vehicles of length not exceeding 4000 mm and engine capacity not exceeding 1200 cc (Petrol, LPG and CNG) / 1500 cc (Diesel) and falling under heading 8702 or 8703] is being reduced from 16% to 12%. (Sr. No.42 of notification No.6/2006 as substituted vide notification No. 6/2008- C.E refers).

87.4 Excise duty on hybrid motor vehicles is being reduced from 24% to 14%. For this purpose, "hybrid motor vehicles" has been defined to mean a motor vehicle, which uses

a combination of battery powered electric motor and an internal combustion engine to power the vehicle drive trains. (Sr. No.42A of notification No.6/2006 as inserted vide notification No. 6/2008- CE refers).

87.5 Excise duty on three-wheelers (for transport of not more than 7 persons, including the driver) is being reduced from 16% to 12%. (Sr. No.43 of notification No.6/2006 as substituted vide notification No. 6/2008- C.E refers).

87.6 Excise duty on Motorcycles (including mopeds and scooters) is being reduced from 16% to 12% (heading 8711). (Sr. No.52A of notification No.6/2006 inserted vide notification No. 6/2008- C.E refers).

### **Chapter 88 to 96**

No change except reduction of CENVAT rate from 16% to 14%.

### **Miscellaneous changes:**

M.1 Currently excise duty equivalent to 25% of the basic customs duty + CVD (as applicable) is payable on DTA clearance/sale made by an EOU, STP or EHTP. The duty now chargeable would be equivalent to 50% of the basic customs duty + CVD (as applicable). (Notification No. 23/2003-CE as amended vide notification No. 10/2008-CE refers).

M.2 Benefit under SSI exemption scheme is being extended to strips of plastics intended for weaving of fabrics/sacks. (Notification No. 8/2003-CE as amended vide notification No.8/2008-CE refers). This exemption will be effective from 1<sup>st</sup> April, 2008.

M.3 An explanation has been inserted in notification No. 108/95-Central Excise dated 28.8.1995 clarifying that the benefit of the notification, in the case of goods supplied to projects financed by the United Nations or an international organization, is available when the goods brought into the project are not withdrawn by the supplier or contractor and to prescribe that the expression "goods are required for the execution of the project" shall be construed accordingly. This has been done to reflect the intention that the

benefit of the exemption is not available if goods are supplied to a project for temporary use. (Notification No. 108/95-CE as amended vide notification No.13/2008-CE refers).

M.4 Notification No.64/95-CE is being amended to correct a typographical error. (Notification No. 7/2008-CE refers).

M.5 Rates of abatement on all items under MRP based assessment, on which the rate of excise duty has been reduced, are being revised suitably. (Notification No. 2/2006-CE (N.T) dated 1-3-2006 amended vide notification No.14/2008-CE (N.T)

M.6 National Calamity Contingent duty (NCCD) of excise at the rate of 1% has been imposed on all mobile phones. By virtue of the declaration under the Provisional Collection of Taxes Act, 1931 this levy will come with immediate effect (clause 117 read with Eight Schedule of the Finance Bill, 2008 refers).

M.7 Cenvat Credit rules, 2004 have been amended so as to provide that credit of any duty other than NCCD shall not be utilized for payment of NCCD on mobile phones. [Notification No10/2008-CE (N.T.) refers].

M.8 The definition of “manufacture” contained in some of the Chapter Notes is being aligned with the definition provided in Section 2 (f) (iii) of the Central Excise Act, 1944. In the definition in Section 2, the processes “packing or repacking of such goods in a unit container” and “relabeling of containers” are connected by the word “or”, while in some of the Chapter Notes the connecting word used between them is “and”. This anomaly is being rectified by amending the relevant Chapter Notes. (Notification No.11/2008-CE (N.T) refers).

M.9 Tariff lines covering parts and accessories of printers, falling in sub-headings 8443 31, 8443 32 of the excise tariff, have been aligned with the corresponding entries in the customs tariff. [Notification No.11/2008-CE (N.T.) refers].

M.10 In some of the Chapters/sub-headings, tariff items are being aligned with Harmonized System of Nomenclature (HSN) of World Customs Organization. (Notification No. 11/2008-CE (N.T) refers).

M.11 Tariff value for retail packages of pan masala falling under 2106 90 20 & with betel nut content not exceeding 15%, on which MRP is mentioned, has been increased to account for reduction in the abatement on MRP (Notification No. 12/2008-CE (N.T) refers).

M.12 Central Excise (Determination of Retail Sale Price of Excisable Goods) Rules, 2008, have been issued so as to prescribe the manner of determination of the RSP, in cases where a manufacturer removes goods without declaring the RSP or alters, tampers or obliterates the same after removal from the place of manufacture. (Notification No.13/2008 CE (NT) dated 1<sup>st</sup> March 2008).

