

CHANGE IN THE RATES OF INDIRECT TAXES - PIB PRESS RELEASE, DATED 8-1-2004

**Government of India**  
**PIB PRESS RELEASE, DATED 8-1-2004**

Government have decided to make certain changes, which take effect from 9th January, 2004, in the rates of indirect taxes. Salient features of the changes are given below:

**I. Overall duty structure (Customs)**

1. Peak rate of customs duty on non-agricultural goods is being reduced from 25% to 20%.
2. Special additional duty of customs (SAD) of 4% is being abolished.
3. Customs duty on project imports with investment of at least Rs. 5 crores, in plant and machinery, is being reduced from 25% to 10%.
4. Customs duty on coal is being reduced from 25% to 15%.
5. Customs duty on nickel and articles thereof is being reduced from 10% to 5%.

**II. Power sector**

1. Customs duty on power transmission and distribution projects is being reduced from 25% to 10%.
2. Customs duty on electricity meters is being reduced from 25% to 15%.

**III. Information Technology (IT)/electronics.**

1. Customs duty on Information Technology Agreement (ITA) bound items is being reduced as per our commitments.
2. Customs duty on specified raw materials/inputs used for manufacture of electronic components or optical fibres/cables is being reduced from 15%/5% to 5%/Nil.
3. Customs duty on specified capital goods used for manufacture of electronic goods is being reduced from 15%/10% to Nil.
4. Specified infrastructure equipment for basic/cellular/internet, V-SAT, radio paging and public mobile radio trunked services and parts of such equipments are being exempted from basic customs duty.

5. Customs duty on cellphones is being reduced from 10% to 5%.
6. Excise duty on computers is being reduced from 16% to 8%.
7. Recorded video compact discs (VCDs) and digital video discs (DVDs) are being exempted from excise duty.

#### **IV. Health**

1. Customs duty on specified life saving bulk drugs, formulations, medical equipments is being reduced to 5%. These items are also being exempted from countervailing duty (CVD) by way of excise duty exemption.
2. Customs duty on parts of artificial limbs and specified rehabilitation aids is being reduced to 5%. These items are also being exempted from CVD by way of excise duty exemption.
3. Excise duty on medical, surgical, dental and veterinary furniture is being reduced from 16% to 8%.
4. Mosquito nets treated with pesticide are being exempted from excise duty.

#### **V. Civil Aviation**

1. Excise duty on Aviation Turbine Fuel (ATF) is being reduced from 16% to 8%.
2. Inland Air Travel Tax (IATT) of 15% is being abolished.
3. Foreign Travel Tax (FTT) of Rs. 500 per passenger is being abolished.

#### **VI. Water Supply**

1. Exemption from customs and excise duties available to water supply projects for drinking purposes is being extended to water supply projects for industrial as well as agricultural purposes.

#### **VII. Trade Facilitation Measures.**

1. Round the clock electronic filing of customs documents for clearance of goods, presently available in 9 customs formations, is being extended to 23 customs formations.
2. Customs clearances will be based on self assessment and selective examination.
3. Baggage rules are being liberalized:

- 3.1 Duty on 6 items (namely VCD/VCR, washing machines, personal computers, laptop computers, refrigerators of capacity upto 300 L, and cooking range) under Transfer of Residence are being made duty free.
- 3.2 Duty on 17 items under Transfer of Residence is being reduced from 30% to 15%. Import of cinematographic films, exposed but not developed, imported as part of baggage, is being made duty free.
- 3.3 Quantity of alcoholic liquor/wines allowed duty free under baggage is being increased from 1 litre to 2 litres.
- 3.4 Laptops brought as part of baggage are being exempted from customs duty.
4. Manufacturers will now be allowed to remove semi-finished goods and finished goods for further processing or testing, without payment of excise duty.
5. Electronic filing of service tax returns, presently allowed only in respect of 10 services, is being extended to all the 58 taxable services.
6. Service providers providing more than one taxable service will be allowed to take single registration and file a single return.
7. Only a simple verification will now be made for grant of registration for service tax

**Government of India**

Circular D.O. F.No. 349/1/2004-TRU  
New Delhi, dated the 8th January, 2004

**Sub : Changes in customs/excise duties and travel taxes.**

Certain changes are being made in the rates of customs and central excise duties as well as in IATT and FTT. These changes will come into effect from 9th January, 2004.

Notification Nos. 5 to 16/2004-Customs, 5/2004-Customs (NT), 1/2004-IATT

Notification No 1/2004-FTT-Central Excise

Notification Nos. 2 & 3/2004-Central Excise

Notification No.1/2004-Central Excise (NT)

All dated 8th January, 2004

have been issued in this regard. Salient features of these changes, which take effect from 9th January, 2004, are as follows:

2. Changes in customs duties:

General duty structure

The peak rate of basic customs duty on non-agricultural goods is being reduced from 25% to 20%. Preferential rates, wherever applicable, are also being reduced simultaneously. The special additional duty of customs (SAD) is being exempted on all goods (both agricultural and non-agricultural). The preferential rates under the Bangkok Agreement (notification No. 26/95-Customs) are being reduced consequent to the reduction in peak rate of basic customs duty.

The basic customs duty on project imports (heading 9801) is being reduced from 25% to 10% in case of all projects (including ongoing projects) with an investment of at least Rs. 5 crores in plant and machinery (excluding land and buildings).

The basic customs duty on coal is being reduced from 25% to 15%. The basic customs duty on nickel and articles thereof is being reduced from 10% to 5%.

The basic customs duty on specified items such as alcoholic beverages and

preparations based on odoriferous substances is being reduced to 150%.

### **Power Sector**

The basic customs duty on power transmission, sub-transmission or distribution projects is being reduced from 25% to 10%.

The basic customs duty on electricity meters is being reduced from 25% to 15%.

### **Information Technology (IT)/electronics/telecom**

The basic customs duty on IT/electronics/telecom related items such as computers, calculating/accounting machines; cash registers; ATMs; word-processing machines; telephone answering machines; specified telecom equipment, magnetic tapes/discs, floppy discs, specified electronic components and specified parts of electronic equipment is being reduced generally by 5 percentage points.

The basic customs duty on specified raw materials/inputs used for manufacture of electronic components or optical fibres/cables is being reduced from 5% to Nil or from 15% to 5%. List A of notification No. 25/99-Customs has also been expanded.

The basic customs duty on specified capital goods used for manufacture of electronic goods (specified under notification No. 25/2002-Customs) is being reduced from 10% to Nil. The list of such capital goods is also being expanded. The basic customs duty on tools, dies and moulds for manufacture of electronic parts is being reduced from 15% to Nil.

Specified infrastructure equipment for basic/cellular/internet, V-SAT, radio paging and public mobile radio trunked services and parts of such equipments are being exempted from basic customs duty. This exemption will be available upto 31.3.2005.

The basic customs duty on specified telecom equipments, such as scramblers, descramblers, jammers, etc. for call interception and monitoring to be used by authorized security agencies is being reduced to 5%.

The basic customs duty on specified inputs for such as E-glass rovings/yarns etc. for manufacture of telecom grade impregnated glass rovings is being reduced from 15% to 10%.

The basic customs duty on cellphones is being reduced from 10% to 5%.

### **Health**

The basic customs duty on specified bulk drugs, formulations, medical equipments is being reduced to 5%. These items are also being exempted from CVD by way of excise duty exemption.

The basic customs duty on parts of artificial limbs and specified rehabilitation aids is being reduced to 5%. These items are also being exempted from CVD by way of excise duty exemption.

#### Water Supply

The present exemption from customs duties available to water supply projects for drinking purposes is being extended to water supply projects for industrial as well as agricultural purposes.

#### 3. Changes in excise duties:

Excise duty on computers is being reduced from 16% to 8%.

Excise duty on Aviation Turbine Fuel (ATF) is being reduced from 16% to 8%.

Recorded video compact discs (VCDs) and digital video discs (DVDs) are being exempted from central excise duty.

Excise duty on medical, surgical, dental and veterinary furniture (heading 9402.10) is being reduced from 16% to 8%.

Mosquito nets impregnated with pesticides are being exempted from excise duty.

Specified bulk drugs, formulations, medical equipments, parts of artificial limbs and specified rehabilitation aids are also being exempted from central excise duty.

The central excise exemption available to water supply plants for drinking purposes is being extended to water supply plants for industrial as well as agricultural purposes. The pipes needed for delivery of water from its source to such plants and from there to the storage facility are also being exempted from excise duty.

#### 4. Inland Air Travel Tax & Foreign Travel Tax are being fully exempted.

#### 5. Baggage rules are being liberalized as follows:

Duty on 6 items (namely VCD/VCR, washing machines, personal computers, laptop computers, refrigerators of capacity upto 300 L, and cooking range) under Transfer of Residence are being made duty free.

Duty on remaining 17 items under Transfer of Residence is being reduced from 30% to 15%.

Import of cinematographic films, exposed but not developed, imported as part of baggage, is being made duty free.

Quantity of alcoholic liquor/wines allowed duty free under baggage is being increased from 1 litre to 2 litres.

Laptops brought as part of baggage are being exempted from customs duty.

6. Manufacturers will now be allowed to remove semi finished goods and finished goods for further processing or testing, without payment of excise duty.
7. The list is not exhaustive. For details, please go through the relevant notifications. Copies of the notifications have been forwarded through EDECS and have also been made available on the department's website.

Gautam Ray

Following is an index to notifications issued by CBEC on 8th January, 2004 to be effective from 9th January, 2004. Readers can request for the full text of any notification to be sent by e-mail, free of cost:

S. No.

Notification No.

Subject

1.5/2004-Customs, dated 08-01-2004

Reduces peak rate of Customs duty on all goods (other than agricultural commodities) from 25% to 20%

2.6/2004-Customs, dated 08-01-2004

Exempts all goods from the levy of Special Additional Duty (SAD) of 4%

3.7/2004-Customs, dated 08-01-2004

Reduces customs duty, inter alia, on:

- i) Specified drugs, medical equipment, parts of artificial limbs/rehabilitation aids
- ii) Specified it products
- iii) Power transmission and distribution projects
- iv) Coal
- v) Nickel
- vi) Project imports
- vii) Cell phones

4.8/2004-Customs, dated 08-01-2004

Exempts specified capital goods for electronic industry

5.9/2004-Customs, dated 08-01-2004

- i) Reduces customs duty on specified raw materials of electronic industry from 5% to Nil.
- ii) Reduces duty on four specified raw materials of electronic industry from 15% to 5%

6.10/2004-Customs, dated 08-01-2004

Reduces duty on goods covered under Bangkok Agreement and Preferential Areas Agreement in line with reduction in MFN rates



7.11/2004-Customs, dated 08-01-2004

Exempts laptop imported as baggage

8.12/2004-Customs, dated 08-01-2004

Exempts cinematographic films, exposed but not developed, imported as baggage

9.13/2004-Customs, dated 08-01-2004

- A) Exempts 6 items imported under transfer of residence
- B) Reduces import duty from 30% to 15% in respect of 17 items imported under transfer of residence

10.14/2004-Customs, dated 08-01-2004

Exempts water supply projects for agricultural and industrial use

11.15/2004-Customs, dated 08-01-2004

Specifies water supply projects for agricultural and industrial use, under project import regulations

12.16/2004-Customs, dated 08-01-2004

Specifies District Collector/DM/DC as certifying authority for water supply projects for agricultural and industrial use 13.5/2004-Customs (N.T.), dated 08-01-2004

Free baggage allowance doubled from Rs. 300 to Rs.600 per trip for crew members.

14.1/2004-IATT, dated 08-01-2004

Exempts all passengers from Inland Air Travel Tax

15.1/2004-FTT, dated 08-01-2004

Exempts all passengers from Foreign Travel Tax

16.2/2004-Central Excise, dated 08-01-2004

- A) Exempts from central excise duty:
  - i) Pre-recorded VCDs/DVDs
  - ii) Insecticide treated mosquito nets
  - iii) Parts of artificial limbs

B) Reduces central excise duty from 16% to 8% on:

- i) Computers
- ii) Aviation turbine fuel
- iii) Medical furniture

17.3/2004-Central Excise, dated 08-01-2004

Exempts machinery, instruments, equipments and pipes for use in water supply plants for agricultural and industrial use 18.1/2004-Central Excise (N.T), dated 08-01-2004

Enables the manufacturer to send his goods without payment of duty outside the factory for testing or further processes

**F.No.137/9/2003(Pt.)-CX4**  
**Government of India**  
**Ministry of Finance**  
**Department of Revenue**  
**Central Board of Excise and Customs**

Sub: E-filing of Service Tax Returns - Reg. The attention is invited to the Central Board of Excise and Customs

Circular No.52/1/2003 (F.No.137/9/2003-CX4 dated 11.3.2003) introducing e-filing of ST-3 returns of Service Tax from the month of April, 2003 in respect of 10 (ten) select class or group of service tax providers.

2. It has now been decided by the Board to extend this facility to all 58 taxable services with immediate effect.
3. Broadly the following criteria may be applied for selecting assesseees who are being allowed to avail the facility of e-filing.
  - (i) Assessee should have the 15 digit STP code (either PAN based or TEMP No.) which is appearing on the SAPS site used by Central Board of Excise & Customs for giving registration to Service Tax assesseees.
  - (ii) The assessee should have been indicating his 15 digit STP code in the challans used by him for the period for which the returns are being filed. (An assessee who has not done this may also opt for e-filing, but he will have to submit copies of Challans, evidencing payment of service tax to the concerned excise formations after indicating his 15 digit STP code on each challan)
4. The process of E-filing will be facilitated by the following sequential steps:-
  - (a) The assessee who opts for E-filing should file an application to the concerned excise formation at least one month in advance before the due date of filing of the return, in Annexure-I as may be amended from time to time.
  - (b) The local Commissioner designates an e-mail address and a Telephone No. for receiving queries from trade on any related manner and making arrangement for prompt reply to such mails.
  - (c) User 'id' and 'password' for the assessee will be communicated to him within ten days after filing the application along with technical details required for accessing the relevant site and the procedure for making entries and other guidance as may be necessary.
  - (d) After receipt of the said details the individual service provider can

- download form for entering details of ST3 returns and TR6 challans from the central server using internet and enter the necessary details for the concerned return period.
- (e) The computer generates a key number which will depend on the STP code, date of filing, value of services declared and tax paid and generates an acknowledgement giving these details which can be printed by the assessee and kept in his records as evidence of having filed the return.
- (f) The computer will verify the fact of payment from data obtained from Focal Point Bank. Where details as declared by the assessee are not found the assessee will be contacted.
5. Where an assessee who has opted for E-filing faces any technical difficulty and he is not able to file the return electronically and get the acknowledgement as specified above he may send an E-mail at the address specified by the Commissioner explaining the difficulties and if any reply is not received within 2 days he may send a mail to [saps@excise.nic.in](mailto:saps@excise.nic.in)
6. If this facility is being tried out for the first time the Central Board of Excise & Customs assures all assessee's opting for E-filing of returns that the department will not invoke Section 77 of the Finance Act, 1994 prescribing a maximum penalty of Rs.1000/- for non-filing ST-3 return for delay upto one month from the due date prescribed under the rules for filing such return. Where an assessee after having opted for e-filing does not succeed in such filing and getting the computer generated acknowledgement within 25 days from the due date he should file a manual return as was being done hitherto. It is to be clearly understood that this assurance does not extend to non-payment of tax in time or mis-declaration of the value of taxable services rendered.
7. The facility of E-filing is an optional facility and does not bar in any way the manual filing of the return by the Service Provider.
8. The field formations may suitably be informed.
9. Trade Notice may be issued for information of the trade.
10. The receipt of this Circular may kindly be acknowledged.
11. Hindi Version will follow.

Manish Mohan  
Under Secretary to the Govt. of India

Encl: as above

Copy for information to:-

- 1) All Chambers of Commerce & Industry/Trade Associations/Institute of Chartered Accountants as per mailing list.
- 2) Commissioner, Directorate of Publicity & Public Relations, Customs & Central Excise, C.R. Building, I.P. Estate, New Delhi for wide publicity.

Appendix 'A' to TN No.....Dated.....

To  
The Assistant/Deputy Commissioner  
Service Tax.

**SUB: APPLICATION FOR PERMISSION TO FILE ST3 RETURNS ELECTRONICALLY**

- 1) Name of Assessee:
- 2) Category of service(s):
- 3) Service Tax Registration No.
- 4) Email Address:

(Please give a trusted e-mail address to which the Userword and Password for access to the E-filing of the Return can be sent)

- 5) I/We request that I/We may be permitted to file my ST3 Return electronically. I/We declare that I/We satisfy the conditions of Trade Notice No.....Dated.... and shall observe the instructions given therein.

I/We undertake to indicate my/our 15 digit STP code in every challan used by me/us for remitting Service Tax in Banks.

If any difficulty is faced in filing the return electronically and get the acknowledgement from the computer within one month from the due date, I/we shall file manual returns as was done hitherto.

Date:

Place:

Name and signature of the assessee  
Designation with Seal.

**Circular No.72/2/2004-ST**

**2nd January, 2004**

**F.No.137/9/2003(Pt.)-CX4  
Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Excise and Customs**

**Subject :** Facility for single registration and filing single return for Assessee providing more than one services.

During the Open Houses and Seminars conducted all over India, lot of queries have been raised as to whether only single registrations are required for a service provider providing more than one taxable service and also whether a single return is acceptable in respect of more than one taxable service being provided by the service tax provider. Apprehensions have also been raised that whenever the service tax assessee approaches the jurisdictional Superintendent of Central Excise and other Central Excise officers, they are being asked all kinds of questions before their application is accepted for registration. These issues have been agitating the minds of service providers and, therefore, this is being clarified in respect of all the taxable services that only a single registration for all the taxable services provided by the service provider and also a single return where an assessee provides more than one taxable service is sufficient. Similarly, the declaration submitted at the time of registration in the application for registration (ST-1) shall be accepted by the jurisdictional Superintendent of Central Excise and the registration must be given immediately but within seven days in any case.

The following points are, therefore, further clarified:-

1. Whether a service provider providing more than one taxable service is required to take one registration or separate registration?

Clarification: Attention is invited to Rule 4(4) of the Service Tax Rules, which provides "where an assessee is providing more than one taxable service, he may make a single application, mentioning therein all the taxable services provided by him, to the concerned Superintendent of Central Excise". Thus in terms of this rule such service provider would be required to take a single registration. However while making such application for registration he should indicate all the taxable services being provided by him Certificate of Registration in Form of ST-2 should also indicate the details of all the taxable services provided by the service provider.

2. Whether a single return is sufficient when an assessee provides more than one Service or separate return is to be filed for each taxable service?

Clarification: Attention is invited to Q.4.7 of the 'Frequently asked questions on Service Tax' issued by CBEC in October 2003, wherein it has been clarified " a single return would suffice. However the details in each of the columns of the Forms ST-3 has to be furnished separately for each of the taxable service rendered by the assesseees".

3. What action should be taken by the concerned officer receiving the application for registration?

Clarification: The application received for registration in Form ST-1 will have to be processed as per the Rule 4(5) of the Service Tax Rules. This Rule provides that "The Superintendent of Central Excise shall after due verification of the application form, grant a certificate of registration in Form ST-2 within seven days from the date of receipt of the application. If the registration certificate is not granted within the said period, the registration applied for shall be deemed to have been granted"

However while granting registration the rule do not permit the jurisdictional officer to question about the correctness of the declaration made by the service provider.

The jurisdictional Superintendent of Central Excise shall, therefore, accept the declaration given by the new assessee in the application for registration for service tax.

4. The field formations may suitably be informed.
5. Trade Notice may be issued for the information of the trade.
6. The receipt of this Circular may kindly be acknowledged.
7. Hindi version will follow.

Manish Mohan  
Under Secretary to the Govt. of India

**Circular no. 73/ 3/2004 ST**  
**5th January, 2004**  
**F.No.159/3/2003-CX.4**  
**Government of India**  
**Ministry of Finance**  
**Department of Revenue**  
**Central Board of Excise & Custom**

Subject: - Levy of Service Tax under category of Clearing & Forwarding

Agents in respect of Adhatiyas. I am directed to say that under Section 65 of Finance Act, 1944 and as brought out by Board's letter no. F.B.43/7/97-TRU dated 11.7.97 there must exist a relationship of principal and an agent for bringing grain agent in the ambit of C & F agent of the farmer and in CBEC Circular no. 48/10/2002-ST dated 13.9.2002, it has been clarified that Adhatiya's (Food grain agents) activity do not fall under the scope of Clearing and Forwarding Agents services and hence would not be liable for Service Tax under this category. The circular issued is a general circular and is not with reference to any state or class of Adhatiyas. Even though a bunch of representations received from various trade associations in Maharashtra specifically have misinterpreted the circular to apply only to the state of Rajasthan. In fact reference to Rajasthan and section 75 of the Rajasthan Agricultural Marketing Products Act, 1954 is only to explain the situation.

2. Incidentally the activity of grain agent is covered under the 'Commission Agent' falling under the purview of 'Business Auxiliary Services', which has come into force from 1st July, 2003. Commission Agents as per the definition are covered under the Notification No 13/2003- ST dated 20th June 2003 and are exempt from Service Tax.
2. Suitable trade notice may be issued for the benefit of the trade.
3. The receipt of this Circular may kindly be acknowledged.
4. Hindi version will follow separately.

Manish Mohan  
Under Secretary to the Govt. of India