

REVISION OF EXCISE AND CUSTOMS DUTY RATES AND SERVICE TAX REFUND TO EXPORTERS

18:29 IST

To provide a fiscal stimulus to the economy through stimulation of demand and relief to the manufacturing sector, Government has carried out certain changes in Excise and Customs duty rates. Some changes have also been made in respect of Service tax refund scheme for exporters. The details of these changes are as under:-

I. Central Excise

The three major ad valorem rates of Central Excise duty viz. 14%, 12% and 8% applicable to non-petroleum products have been reduced by 4 percentage points each. The revised rates will be 10%, 8% and 4% respectively.

Cars, other than small cars, attract composite rates – that are a combination of specific and ad valorem rates. The rates applicable hitherto were ‘24% + Rs.15,000/-` per unit for cars of engine capacity 1500 cc to 1999 cc and ‘24% + Rs.20,000/-` per unit for cars of engine capacity of 2000 cc or more. The ad valorem component of these rates has been reduced from 24% to 20%.

In the case of cement, which attracts either the ad valorem rate of 12% or specific rates (Rs./metric tonne) depending upon the retail sale price, the specific rates have also been reduced in the same proportion as the ad valorem rate. Further, the concessional rates for cement produced by mini-cement plants have also been reduced proportionately. Bulk cement would now be chargeable to either 10% ad valorem or Rs.280/- per tonne, whichever is higher.

The rate of duty on cotton textiles and textile articles has been reduced from 4% to Nil. No change has been made in the excise duty rates on petroleum products, **specific rated items** and tobacco products.

Notification No.58/2008-Central Excise and Notification No.59/2008-Central Excise, both dated 07.12.2008 have been issued in this regard.

II. Customs duty

To provide relief to the power sector, naphtha imported for generation of electric energy has been fully exempted from basic customs duty. This exemption will be available upto 31.03.2009. Notification No.128/2008-Customs dated 07.12.2008 has been issued in this regard

III. Export duty on iron ores

The export duty of 8% on iron ore fines has been withdrawn while the rate of export duty on iron ore lumps has been reduced from 15% to 5% ad valorem.

Notification No.129/2008-Customs, and Notification No.130/2008-Customs both dated

07.12.2008 were issued in this regard here today.

IV. Service Tax

Notification No.41/2007-Service Tax provides for refund of service tax paid by exporters on 18 taxable services attributable to export of goods. The benefit of such refund has now been extended to services provided by a clearing and forwarding agent to exporters also. In addition, the threshold limit of refund of service tax paid by exporters on foreign commission agent services has been enhanced from 2% of FOB value to 10% of FOB value of export goods. Further, drawback benefit can now be availed of simultaneously with refund of service tax paid in respect of exports. Notification No.33/2008-Service Tax, dated 07.12.2008, amending the aforesaid notification No.41/2007-Service Tax was issued in this regard here today.

V. All the aforesaid changes are effective from today.

BSC/SCC/RK