Circular No. 134/95-Cus.
dated 29/12/95

F.No. 528/97/95-CUS (TU)
Government of India
Ministry of Finance
Department of Revenue, New Delhi

Subject: HSN 1996- Amendment to the First Schedule to the Customs Tariff Act, 1975- Implementation

The undersigned is directed to refer to the Board's instructions contained in its earlier Circular No. 116/95-Customs, dated 16.11.95. As already stated therein, the First Schedule to the Customs Tariff Act undergoes various changes effected through the proposals contained in the Third Schedule (Parts I & II) to the Finance Act, 1995. The changes come into effect from 1.1.96, as already notified by notification No. 68/95-(NT) Customs, dated 20.11.95. Consequent to these changes the classification of certain items undergoes changes, Involving transfer of these items from one chapter to another, from one heading to another within the same chapter or from one sub-heading to another within a heading. In this connection, vide para 6 of the Board's Circular 116/95-Customs, it was indicated that consequential notifications would have to be issued to keep the effective rates of duties on items affected by the 1.1.96 changes in the First Schedule to the CTA '75, at the same level as that which existed prior to these changes.

2. Accordingly, orders of the Government have been obtained to make these consequential changes through amendments to various existing exemption notifications, or where necessary by issue of fresh notifications also. Three notifications, No 173/ 95-Cus., No. 174/95-Cus., and No. 175/95-Cus.. have been issued in this regard, all dated 29.12.95., copies of which are enclosed[1] herewith. The amendments may kindly be scrutinised carefully and implemented with effect from 1.1.1996.

3. These Notification make technical changes to enable effective duty rates on the relevant items covered by these, to remain unchanged even after the 1.1.96 version of the Customs Tariff comes into force. Accordingly, it may kindly be ensured that in actual assessment the rate of duty on any item is not changed on the ground of its classification having been changed due to the implementation of the 1996 version of the Customs Tariff. However, in respect of only three items there is a reduction in duty rate structure, which are described below:-

- (a) In respect of Dairy Spreads, these are now classifiable under 2106.90 with a rate of duty of 50% With effect from 1.1.96, these goods will fall under Hg. 0405.20 attracting a rate of duty of 40%;
- (b) In respect of frozen roots and tubers, these are now classifiable under Hg. 2007.99, wherein there is no Preferential Rate of Duty in column 5 of the First Schedule to the Customs Tariff Act, 1975. But with effect from 1.1.96, these will fall under Hg. 07.14 which carries a Preferential Rate of 10%, duty, when imported from Mauritius, Seychelles, and Tonga, the Preferential areas notified under section 4 of the Customs Tariff Act (Notification No. 101/82-Cus. refers); and
- (c) Similarly, Oaknut Extract and Chestnut Extract now fall under Hg. 3201.30, which sub-heading is being deleted. Presently this sub- heading does not carry any preferential rate in column (5). However, from 1.1.96 these extracts will be classified under sub-heading 3201.90, which has a Preferential rate of 40% in column (5), when imported from Mauritius, Seychelles and Tonga.

4. Barring these three cases of changes in duties of tariff rates as described in para 3 above, all other items affected by the 1996 changes to the Tariff, are covered by the three notification mentioned in para 2 above in order to maintain the existing level of effective rate of Basic customs duties. In any case, there is no increase in rate of duty on any of the affected items. In the event of any item being found to have undergone a change in the effective duty structure consequent to the switch over to the 1.1.96 version of the Tariff and which is not covered by the notifications mentioned in para 2 above (excluding the three items mentioned in para 3 above), the same may be **immediately** brought to the notice of the Board, in the from of Telex/ Fax and followed by a detailed D.O. letter addressed to the Member (Customs) for taking appropriate action.

Sd/-
(S.C. Choudhury)
Director (Customs)