Circular No. 116/95
dated 16/11/95

F.No. 528/85/95 CUS (TU)

Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs, New Delhi

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

The undersigned is directed to refer to the provisions of the Finance Bill, 1995, later enacted as the Finance Act, 1995, Section 69(b) of which proposes certain amendments to the First Schedule to the CTA '75, as detailed in the Third Schedule to the said Act. It has also been provided that the said amendments shall take effect from a date to be notified by the Government later.

2. As you are aware, India is a party to the Harmonised System Convention and as part of the obligations under the same, the Indian Customs Tariff is aligned with the Harmonised System of Nomenclature. The said Nomenclature is updated periodically and concurrently the customs tariffs of the contracting parties also have to the updated suitably, by incorporating the HSN amendments into the customs tariffs, to take effect on a common date. The Third Schedule to the Finance Bill/ Act, 1995, contains only these amendments, to align our Import Tariff with the updated version of HSN.

3. **Date of Effect:** The present amendments to the HSN are the first set of major amendments and the designated date for implementing the same is the 1st of January, 1996. Accordingly, orders of the Government had already been obtained to bring the said amendments to the First Schedule to the CTA '75 as contained in the said Third Schedule, into force on 1.1.1996. Notification to this effect is expected to be issued shortly.

4. **Nature of Amendments :** As already stated, this is the first set of major amendments to the HSN. There are 393 sets of amendments divided as follows:-

(i) Agricultural Sector - 55;

(ii) Chemical Sector - 70;

(iii) Textiles - 56;

(iv) Base Metals - 36;

(v) Machinery - 75; and

(vi) Other Sectors - 101.

These amendments are being made to keep the HS update, to reflect technological progress, trade patterns and practices, to provide clarification of texts to avoid non-uniform application of the HS and provide a legal basis for the classification decisions taken by the Harmonised System committee. In addition, certain amendments also reflect social and environmental concerns, like those relating to separate identification of narcotic drugs and hazardous wastes.

5. **Action Plan for a Smooth Transition:**

(1) Reading Materials:

(a) To enable the assessing officers to switch over to the amended version of the tariff without much difficulty, it is necessary that they are provided with sufficient reading material that will help them to understand the effect of these changes. In this regard, a copy of a publication titled "Amendments to the Harmonised System Nomenclature", received from the World customs Organisation is enclosed[1] as Annexure I. The said publication is in the nature of an Explanatory Memorandum, furnishing short notes on almost all the amendments in each chapter of the Nomenclature. It also contains some very useful Annexures, listing out the Sub-headings deleted chapter- wise, sub-headings renumbered without any change of scope and sub-hendings whose code number is unchanged though their scope has been modified. Another such document received from the WCO is the Correlation Table, which correlated the 1996 version of the HS with its 1992 version and *vice versa.* A copy of the said Table is enclosed* as Annexure II.

(b) In addition, the Board has divided these amendments into three major groups, from the point of view of assessment of goods, as,-

(i) Changes which have led to the transfer of products from one Chapter to another Chapter;

(ii) Changes which have resulted in transfer of products from one Heading to another Heading within the same Chapter; and

(iii) Other changes which have only led to the regrouping of the products within the same Heading, by transfer from one sub-heading to another (either newly created or existing).

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The Board has prepared a list of those products and headings which involve changes of the types as mentioned in (i) and (ii) above and a copy of the same is enclosed as Annexure III [2] & IV.

It is requested that adequate copies of these four Annexures are made at the Customs Houses and circulated among all the officers connected with the assessment/ audit work **immediately.** A reading of the Third Schedule to the Finance Bill / Act, 1995 alongwith these three documents will enable the officers to understand and appreciate these amendments fully.

(2) **Training Programme :**

The Board will be deputing its officers who are conversant with these changes, to conduct Familiarisation Porgrammes. They will address a select group of officers, comprising ideally minimum two appraisers from each Group of officers, comprising ideally minimum two appraisers from each Group, 4 or 5 ACs and 2 or 3 DCs connected with assessment work. Once this is completed, these officers from the Customs House/ Commissionerates should be able to conduct in-situ training Porgrammes for familiarising all the officers of their respective formations. These courses by the Board's office could by conducted only by grouping two or three Customs Houses or Central Excise Commissionerates in one central place. The Custom Houses / CXE Commissionerates should be ready to depute their officers to these courses, likely to be held between the third week of November and second week of December, 1995, at even short notices. Exact details of these courses will be intimated shortly.

6. Consequential Changes in Rates of Duties:

As already indicated, the purpose of these amendments is only to align the Indian Customs Tariff with the updated version of the HSN and there is no intention to revise the Tariff and or Effective rates of duties of any product. However, the shifting of products from one heading or sub-heading to another might involve certain changes in rates of duties, either upward or downward, and consequently notification have to be issued to keep the effective rates of duties on such products at the same level as it existed prior to this amendment. While the Board's office is doing its own review of the tariff for this purpose, the importance of feedback from the field formations in this regard cannot be undermined. Accordingly it is requested that all the Commissioners of Customs should undertake a review of the changes that involve a change in rates of duties and intimate the Board the details of such products, their existing and revised classification, details of existing notification affected by these changes and the nature of remedial action to be taken..

The above said information may kindly be sent in the form of a D.O. letter addressed to Shri K. Viswanathan, Member (Customs), to reach him positively on or before the 8th of December, 1995.

Kindly acknowledge receipt of this letter, confirm distribution of the Reading material mentioned above and ensure furnishing the information on the changes in rates of duties well before the due date. The Board may also be intimated about any doubts on the amendments involved or the programmes indicated as above.

Sd/-
(V.K. Singh)
Senior Technical Officer