

FREQUENTLY ASKED QUESTIONS (FAQs)

SECTION I- INTRODUCTORY

Q.1 What is basic Customs duty (BCD)?

Answer:

Basic Customs Duty (BCD) is customs duty levied under the Customs Act, 1962 on imported goods at the tariff rates specified in First Schedule to the Customs Tariff Act, 1975 read with effective BCD rates prescribed under customs tariff notifications.

Q.2 What is Tariff rate?

Answer:

Tariff rate is the Basic Customs Duty (BCD) rates specified in the First Schedule of the Customs Tariff Act, 1975.

Q.3 What is Effective Rate?

Answer:

Effective Rate (MFN) is the BCD rate that is applicable to goods at the time of import. The effective BCD rate may be the rate as specified in the First Schedule to the Customs Tariff Act, 1975 or lower rate prescribed through notifications.

Q.4 What is Agriculture Infrastructure & Development Cess (AIDC)?

Answer:

Agriculture Infrastructure and Development Cess (AIDC) is levied as a duty of customs under Section 124 of the Finance Act, 2021. AIDC can be imposed at a rate not exceeding the tariff rate.

Q.5 What is Health Cess?

Answer:

Health Cess is levied as a duty of customs under Section 141 of the Finance Act, 2020. Health Cess is currently levied on certain medical devices at 5%.

Q.6 What is Social Welfare Surcharge (SWS) ?

Answer:

Social Welfare Surcharge (SWS) is levied as a duty of customs under Section 110 of the Finance Act, 2018. It is levied at 10% on aggregate of Customs duties.

Q.7 What is import duty?

Answer:

Import Duty is the aggregate of the customs duties applicable on the goods i.e Basic Customs Duty (BCD) and Cess and /or surcharge such as Agriculture Infrastructure & Development Cess (AIDC), Health Cess and Social Welfare Surcharge (SWS).

SECTION II -RATIONALIZATION OF CUSTOMS TARIFF STRUCTURE

Q.1 What are the objectives of the rationalization of customs tariff structure?

Answer:

- The Broad objectives are:
 - (i) Simplification of customs tariff structure
 - (ii) Ensure economic competitiveness of Indian Industry

Q.2 What has been done in the Budget as part of rationalization of customs tariff structure

Answer:

- Seven rates are being removed to bring down the rate slabs to eight (including 0%) .
- The rates being removed are 25%, 30%, 35%, 40%, 100%, 125% and 150%.
- In Budget 2023-24, the number of rates were reduced by seven.

Q.3 Are all tariff lines part of rationalization of customs tariff structure in the Union Budget 2025-2026?

Answer:

- No. Rationalization of customs tariff structure has been proposed only for industrial goods and does not include agriculture goods or textiles.

Q.4 Can you explain how the rationalization of Custom Tariff rate structure is being done?

Answer:

- The tariff rates of 25%, 30%, 35% and 40% are being reduced to 20%.
- The rates of 100%, 125% and 150% are being reduced to 70%.
- Thereafter, AIDC is being imposed on items affected by removal of these rates,-
 - (i) at a rate equivalent to the existing import duty incidence on most of the items

- (ii) At a rate marginally lower than the existing import duty incidence on few items

Q.5 What are the other measures undertaken as part of rationalization of customs tariff structure?

Answer:

- Towards simplification of customs tariff structure, the principle being adopted is not to apply more than one cess or surcharge on imports of any industrial good. In line with this principle, goods attracting more than one cess or surcharge is being exempted from Surcharge.
- Endeavor has been to build the effective rates in the Customs Tariff Schedule for ease of reference. Therefore some effective rates prescribed through notifications are being prescribed in the Customs Schedule

SECTION III - CUSTOMS DUTY RATE CHANGES

Q.1 Have certain drugs been exempted from BCD?

Answer:

- Currently, specified lifesaving drugs and medicines are fully exempt from BCD. 36 lifesaving drugs and medicines used in treatment of cancer, rare diseases, severe chronic diseases are now being added in the list of medicines. This will widen the access to such drugs and medicines and provide relief to patients.
- In addition 6 drugs and medicines are also being added in the list of drugs attracting concessional BCD of 5%.
- Further, 37 more drugs/medicines along with 13 new patient assistance programmes are being added to the list of duty free imports by Pharmaceutical companies when supplied free of cost to patients.

Q.2 What relief has been provided to the shipping industry ?

Answer:

- BCD exemption on raw materials, components, consumables or parts for manufacture of ships is being extended for another ten years.
- Similarly BCD exemption on ships/vessels imported for breaking up is also being extended for another ten years.

Q.3 Are there any measures for promoting handicraft exports?

Answer:

- 9 additional groups of items are being added in the duty-free list of inputs for Bonafide exporters of handicraft items. In addition, the time period for export is also being extended from six months to one year, further extendable by another three months.

Q.4. Are there any measures for textiles sector?

Answer:

- BCD exemption is being extended to two more types of shuttle less looms for manufacture of technical textiles
- BCD has been revised on 9 tariff lines of knitted fabrics (classified under tariff items 6004 10 00, 6004 90 00, 6006 22 00, 6006 31 00, 6006 32 00, 6006 33 00, 6006 34 00, 6006 4200 and 6006 90 00) from 10%/20% to “20% or Rs115/kg whichever is higher”. This is aimed at supporting domestic manufacturers of knitted fabrics.

Q.5 Why has the import duty on articles of jewellery falling under CTH 7113 and 7114 been reduced from 25% to 20%?

Answer:

- The import duty on gold and silver was reduced from 15% to 6% in Union Budget 2024-25. Similarly, the import duty on platinum was reduced from 15.4% to 6.4%.
- As a consequential change to the duty reduction, BCD on articles of jewellery is being reduced to 20%.

Q.6 Why has import duty on platinum findings been reduced to 6.4%?

Answer:

- Currently, Gold/silver findings attract the same rate as gold/silver bars i.e. 6%. (5%BCD+1% AIDC)
- In July 2024 Budget, the import duty on gold and silver was reduced from 15% to 6% and on platinum from 15.4% to 6.4% (5% BCD+ 1.4% AIDC) w.e.f 24.07.2024. At that time, the rate on gold/silver findings was also calibrated with the rate on gold and silver bars.
- Therefore, import duty on platinum findings is being rationalized at par with platinum metal, which attracts 6.4% import duty.

Q.7 What is the rationale behind expanding the list of Capital Goods for use in manufacturing of Lithium ion batteries for manufacturing the batteries for EVs and Mobile phones?

Answer:

- Exemption from Basic Customs duty is already in place for 22 capital goods used in the manufacture of Li-ion cells for use in the manufacture of battery for both Electric Vehicles (EVs) and mobile phones.

- To further promote domestic production of lithium ion cells, an additional 35 capital goods for manufacture of Li-ion cells for further use in the manufacture of battery for EVs and 28 capital goods for manufacture of Li-ion cells for further use in the manufacture of battery of Mobile phones have now been included in the exemption list.

Q.8 What is the rationale behind reducing BCD on Ethernet Switches (Carrier Grade) to 10%?

Answer:

- Prior to budget 2025, basic customs duty on ethernet switches (Non-Carrier Grade) was 10% while BCD on ethernet switches (Carrier Grade) was 20%.
- Since the distinction between carrier-grade and non-carrier-grade Ethernet switches are more functional rather than technical, it was leading to implementation challenges often leading to classification disputes.
- Therefore to prevent disputes, the rate of both are being harmonised at 10%.

Q.9 Why has BCD on inputs or parts of components of cellular mobile phones been reduced from 2.5% to Nil?

Answer:

- Currently, Cellular mobile phones, its PCBA and Charger attract 15% BCD.
- Other parts attract 10%/15% while inputs and sub-parts attract Nil/2.5% BCD.
- To enhance the competitiveness for manufacturing of the mobile phones and promoting ease of trade, BCD has been reduced from 2.5% to Nil on inputs or parts/sub-parts for use in manufacture of Printed Circuit Board Assembly (PCBA), Camera Module, connectors, Wired Headset, Microphone and Receiver, USB Cable and Fingerprint reader/Scanner for Cellular Mobile Phone.

Q.10 Why has the basic customs duty been increased on Interactive Flat Panel Display?

Answer:

- Prior to 2024-25 Budget, Interactive Flat Panel Display (IFPD), in Completely Built Unit (CBU) form, attracted basic customs duty of 10% duty, while its key sub-assemblies, such

as Flat Panel Display Module, and crucial components of these sub-assemblies, like open cells attracted 15% duty.

- Therefore the BCD has been increased from 10% to 20% to correct inversion.
- While doing so the BCD has also been reduced to 5% on open cell for Flat Panel Display with or without touch, Touch Glass sheet and Touch Sensor PCB for use in the manufacture of the IFPD Module to incentivize domestic manufacture of IFPD.
- Currently all IFPDs are imported

Q.11 Why has the export duty been reduced on Crust leather?

Answer:

- Currently, there is no export duty on finished and EI (East India) Tanned leathers
- Crust leather is also processed leather but one step before finished leather.
- The duty reduction from 20% to Nil is aimed at facilitating exports by small tanners

Q.12. What is the rationale behind reducing import duty on wet blue leather?

Answer:

- Reduction of import duty from 10% to Nil on wet blue leather is aimed at supporting the growth of Indian leather industry
- Wet blue leather is an essential raw material and providing duty exemption is expected to promote value addition in the country and achieve export growth in value added leather products.

Q.13 Why has the import duty been eliminated on waste and scrap of critical minerals?

Answer:

- Yes, as part of budget 2025 exercise, import duty has been eliminated on waste and scrap of the following 12 critical minerals
 - (i) Antimony (81102000)
 - (ii) Beryllium (81121300)
 - (iii) Bismuth (81069010)
 - (iv) Cadmium (81126100)
 - (v) Cobalt (81053000)
 - (vi) Molybdenum (810297)

- (vii) Rhenium (81124120)
- (viii) Tantalum (810330)
- (ix) Tin (8002)
- (x) Tungsten (81019700)
- (xi) Zirconium (81093100 and 81093900)
- (xii) Copper Scrap (74040012, 74040019 and 74040022)

- This is to support the National Critical Minerals Mission which is designed to advance India's journey towards self-reliance in the raw materials essential for the nation's economic growth.
- India is import dependent on these critical minerals.
- In July Budget 2024-25, BCD was reduced to Nil/2.5% on ores & concentrates, oxides and unwrought powders of 27 critical minerals, to provide fillip to the processing and refining of such minerals and help secure their availability for these strategic and important sectors.

Q.14 What is the advantage India will have by eliminating the import duties on critical minerals scrap?

Answer:

- The critical minerals are required for the transition to a clean energy system - electric vehicles (EV), EV batteries, solar power and wind turbines for which lithium, cobalt, nickel, graphite, copper, rare earth elements, gallium, germanium, molybdenum, silicon and platinum group elements have become critical.
- There is no domestic production for most critical minerals making the country dependent on imports from few mining jurisdictions.
- In the critical minerals value chain, it is necessary that the global supplies of such minerals remain stable and assured for our country's refiners and downstream producers
- A more expedient way to ensure supply chain sustainability is through the recycling of their secondary sources ("urban mining"). In other words, all the material that has been imported (and/ or produced domestically) and is available in the system is retained in the country and utilized.

Q.15. Has import duty been eliminated on Lithium-ion-batteries (LIB) scrap? Has the environmental aspect been factored?

Answer:

- Yes, import duty has been eliminated in Lithium-ion-batteries (LIB) scrap.
- Production of Lithium-ion-batteries (LIB) is dependent upon availability of critical minerals such as lithium, cobalt, nickel, in which India is entirely import dependent.
- Huge amounts of critical minerals are embedded in battery waste and e-waste and thus there is immense potential to extract critical minerals through recycling of scrap and ensuring sustainability of the supply chain.
- Import and export of lithium ion battery and scrap are regulated under the Hazardous and Other Waste (Management and Transboundary Movement) Rules, 2016 and require import permission from MoEFCC.

Q.16 Has import duty been eliminated on lead scrap and Why?

Answer:

- Lead is one of the highest recycled metals worldwide and is largely used in the manufacture of lead-acid storage batteries.
- India is import dependent in lead scrap, due to poor domestic availability.
- India has lead reserves of only 2.5% of the world, with a total availability of only 2.2 Million tonnes. The demand for lead acid battery sector is expected to significantly rise with increase in vehicle production, e-bikes, inverters, etc.
- India is one of the largest markets for lead-acid batteries, used in sectors like automotive, telecommunications, and renewable energy storage. To meet this demand, lead scrap recycling sector needs to be boosted with the availability of cheaper imported scrap.
- The import of lead scrap in India is permitted only to the registered recyclers and that too only up to an extent of 1/3 of the recycling capacity of the particular unit.
- The guidelines and SOP for registering lead recycling units have been issued by Central Pollution Control Board (CPCB) and inspection is done by the Ministry

Q.17 Has import duty been eliminated on zinc scrap and why ?

Answer:

- Zinc is widely used in steel industry , production of batteries etc.
- However, India is import dependent on zinc scrap, due to poor domestic availability.
- Removal of import duties on zinc scrap is aimed at providing access to more affordable and sustainable source of zinc for domestic industries which in turn is likely to drive investment, technology transfer, and job creation in the sector.

SECTION IV- CUSTOMS ACT,1962 & CUSTOM TARIFF ACT

Customs Act,1962

Q.1 What are the key changes being brought in the Budget with respect to Customs Act ?

Answer:

- It has been the endeavour of the department to bring certainty and ease of compliance under the provisions of the Customs Act. A time-limit of two years for finalisation of provisional assessment has been introduced in the Bill which was not available earlier.
- Further, a separate and simplified provision for revision of declaration after clearance of cargo by the importer /exporter has been introduced.

Q.2 What is the timeline for pending provisional assessments?

Answer:

- With the new provisions being introduced, the time limit will apply to even pending cases of provisional assessments in Customs. Two years' time period will start from the date of assent of the Bill.

Q.3 What is the need for introducing timeline for provisional assessment?

Answer:

- To bring certainty to the importers/exporters that their duty liability due to pending assessment comes to finality in a fixed time. The security (bond/ bank guarantee) which was executed with Customs can accordingly be liquidated within timeframe.

Q.4 Why are some exclusions in the time period provided for provisional assessment?

Answer:

- While most cases will get finalised in the time period, there are certain situations where finalisation is dependent on extraneous factors beyond the control of Customs officers such as pending appeal in the similar matter, information required from Overseas, etc. These provisions already exist for completion of investigations and adjudication proceedings in the Act.

Q.5 Is there any requirement for officer interface while filing revised declaration (Revised self-assessment) after post clearance under section 18A?

- The revised entry where additional payment is to be filed voluntarily based on self-assessment will be made without any requirement for the officer interface.
- The payment of additional duty in such cases can be made electronically. Only on risk basis, the revised entry will be taken up for verification.
- In cases requiring refund, this revised declaration will be treated as claim for refund, and the same will be scrutinised for correctness and applicability of refund. There is no requirement for filing appeal in case of self-assessment cases. This will reduce time and cost for importers for taking refund.

Q.6 Why exclusions are there is revised self-assessment?

- Revised self-assessment post clearance is a voluntary compliance mechanism for dealing with situations where an error has been detected internally by importers, and importer comes forward to rectify by making declaration. Hence, following are excluded:
 - (a) When Audit or investigation has commenced - In such cases recovery provision already provides for voluntary payment and closure of proceedings.
 - (b) In cases of refund, where an assessment order has already been passed- In such cases, appeal mechanism for importer/exporter is already available.

Q.7 Has the Settlement Commission been abolished? What will happen to the pending cases?

Answer:

- Yes, the Settlement Commission is being abolished since there are provisions for compounding of offences as well as graded penalty in the Customs Act.
- For handling pending cases, Interim Boards will be set up at Delhi, Mumbai, Chennai and Kolkata.

Customs Tariff Act,1975

Q.1 What are the changes to the Tariff lines being proposed in this Budget?

Answer:

- Based on the requests from Ministries new tariff lines are being created such as :
 - for 'Makhana' (Gorgon nut or Foxnut) along with a supplementary note, for specific identification of the product with its growing market and focus on promoting exports.
 - For gold, silver and platinum to create distinction based on their content for better data monitoring for policy interventions regarding these sensitive commodities. The content specified is based on the BIS standards existing for these precious metals.
 - for Rice recognised under Geographical Indications (GI) along with a supplementary note, for specific identification of these distinguished high value types of the rice with focus on safeguarding these rare varieties by promoting their exports.
- Tariff lines under certain chapters are also being created to align with World Customs organisation recommendations
- In all, 178 new tariff lines are being created.

SECTION V- CHANGES IN CENTRAL EXCISE ACT, 1944, CENTRAL EXCISE
DUTY & SERVICE TAX

**Q.1 What are the changes proposed through the amendments to Central Excise ,
1944 ?**

Answer:

- The Central Excise Act has been amended to abolish the Settlement Commission and constitute Interim Boards to handle pending cases.

Q.2 What is the special provision relating to service tax?

Answer:

- Special provisions has been incorporated in the Finance Bill 2025 to provide exemption from service tax in respect of taxable services provided or agreed to be provided by insurance companies by way of reinsurance services provided under the Weather Based Crop Insurance Scheme (WBCIS) and the Modified National Agricultural Insurance Scheme (MNAIS) retrospectively for the period from **01.04.2011 to 30.06.2017** (*Pre GST Period*).
