

## **KEY PROPOSALS INTRODUCED IN THE BUDGET AND FINANCE BILL**

**(2022-2023)**

SBA Group summarizes key proposals relating to customs and trade remedies announced in the Budget Speech of the Hon'ble Finance Minister and further substantiated in the Finance Bill, 2022.

### **Part I - Customs**

#### **A. SEZ Act to be Replaced**

Special Economic Zones Act, 2005 to be replaced with new legislation that will enable the states to become partners in 'Development of Enterprise and Service Hubs'. Customs administration in SEZs is proposed to be fully IT-enabled and function on the Customs National Portal. The focus would be on higher facilitation with only risk based checks to improve ease of doing business in SEZs. The provisions of the new legislation replacing SEZ Act have not been disclosed.

#### **B. Key Legislative Amendments to Customs Act, 1962**

- i. Section 135AA is proposed to be inserted in the Customs Act to make unauthorized publication of import or export data an offence punishable with imprisonment for a term up to six months, or with fine up to fifty thousand rupees, or with both.
- ii. Section 110AA is proposed to be inserted to prescribe jurisdiction in cases involving short levy/ non-payment of duty, interest, drawback or erroneous refund, etc.

#### **C. Tariff Simplification**

In order to simplify tariff structure, unconditional Concessional Rates are proposed to be incorporated within the Custom Tariff Schedule, instead of being specified through various notifications. The changes in the tariff schedule shall commence from 01.05.2022.

#### **D. Review of Exemptions and Concessional Rates of Duties**

- i. The budget has undertaken a comprehensive review of exemptions. More than 350 exemption entries are proposed to be gradually phased out. These include exemption on certain agricultural produce, implements and tools for agriculture, chemicals, fabrics,

medical devices and drugs and medicines for which sufficient domestic capacity exists. **(See Notifications No. 2/2022-Customs, dated 1<sup>st</sup> February, 2022)**

- ii. Customs duty exemption for import of steel scrap is being continued to provide relief to MSME secondary steel producers.
- iii. Gradual phase out of concessional rates in capital goods and project imports have been proposed to promote domestic production of capital goods in line with National Capital Goods Policy, 2016. A moderate tariff of 7.5% has been proposed for such imports. Certain exemptions for advanced machineries that are not manufactured within the country shall continue. A few exemptions are being introduced on inputs, like specialized castings, ball screw and linear motion guide, to encourage domestic manufacturing of capital goods.
- iv. Concessional rate on raw materials used as inputs for manufacturing of intermediate products have been introduced. Exemptions are being provided on items such as embellishment, trimming, fasteners, buttons, zipper, lining material, specified leather, furniture fittings and packaging boxes that may be needed by bonafide exporters of handicrafts, textiles and leather garments, leather footwear and other goods.
- v. In order to enable domestic manufacturing in value addition of high growth electronic items, a graded Basic Custom Duty structure is being notified for operationalizing manufacturing plan for wearables, hearables and smart meters. Duty concessions are also being given to parts of transformer of mobile phone chargers and camera lens of mobile camera module and certain other items. **(See Notifications No. 11/2022-Customs, 12/2022-Customs, 13/2022-Customs, dated 1<sup>st</sup> February, 2022)**
- vi. Customs duty on cut and polished diamonds and gemstones is being reduced to 5 per cent. Simply sawn diamond would attract nil customs duty. The customs duty on imitation jewelry is proposed to be at least Rs. 400 per kg to disincentivize its imports. **(See Notifications No. 2/2022-Customs, dated 1<sup>st</sup> February, 2022)**
- vii. Duty is being reduced on certain inputs required for shrimp aquaculture. **(See Notifications No. 2/2022-Customs, dated 1<sup>st</sup> February, 2022)**
- viii. Customs duty on certain critical chemicals namely methanol, acetic acid and heavy feed stocks for petroleum refining are being reduced, while duty is being raised on sodium cyanide for which adequate domestic capacity exists. **(See Notifications No. 2/2022-Customs, dated 1<sup>st</sup> February, 2022)**

#### **E. Changes in Basic Custom Duty**

- i. Changes to Basic Custom Duties in the First Schedule of the Customs Tariff Act, 1975 as specified in the Second Schedule of the Finance Bill shall have immediate effect from the midnight of 1<sup>st</sup> February, 2022 by virtue of declaration made under the Provisional Collection of Taxes Act, 1931.

**F. Anti-Dumping Duty and Countervailing Duty Rescinded**

Anti-dumping duty and Countervailing Duty on following steel products were rescinded in larger public interest considering prevailing high prices of metals.

<b>S. No.</b>	<b>Products having AD/CVD Rescinded</b>	<b>Relevant Notification</b>
<b>Anti-dumping duty Rescinded</b>		
1.	Straight Length Bars and Rods of Alloy Steel	Notification No. 5/2022-Customs (ADD), dated 01.02.2022 rescinds Notification No. 54/2018-Customs (ADD), dated the 18th October, 2018
2.	High -Speed Steel of Non-Cobalt Grade	Notification No. 6/2022-Customs (ADD) dated 01.02.2022 rescinds Notification No. 38/2019-Customs (ADD), dated the 25th September, 2019
3.	Flat rolled product of steel, plated or coated with alloy of aluminum and zinc	Notification No. 7/2022-Customs (ADD) dated 01.02.2022 rescinds Notification No. 16/2020-Customs (ADD), dated the 23rd June, 2020
<b>Countervailing Duty Rescinded</b>		
4.	Certain Hot Rolled and Cold Rolled Stainless Steel Flat Products	Notification No. 1/2022-Customs (CVD) rescinds Notification No. 01/2017-Customs (CVD), dated the 7th September, 2017