

INDIRECT TAX

Budget 2023

Update on relevant changes in rates of duty for Fertilizer Sector

UPDATE NO. 9 OF 2023



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exceeding expectations
SINCE 1985



I. Substitution of Tariff Item 3102 10 00 of the First Schedule to the Customs Tariff Act, 1975 pertaining to urea (Applicable w.e.f. 1 May 2023)

- Tariff Item 3102 10 00 which covers "Urea, whether or not in aqueous solution" has been substituted with Sub-heading 3102 10 covering "Urea, whether or not in aqueous solution".
- The said Sub-heading has been further bifurcated into the following two Tariff Items:

Tariff Item	Description	BCD rate
3102 10 10	• Fertilizer grade, conforming to Standard IS 5406	10%
3102 10 90	• Other	10%

- Further, a Supplementary Note has been inserted in Chapter 31 to state that reference to any standard of the Bureau of Indian Standards refers to the last published version of that standard.



LKS COMMENTS

- Classification of urea at 8-digit level will undergo a change w.e.f. 1.5.2023.
 - Further, *Notification No. 50/2017, dated 30 June 2017* (which provides Nil BCD rate for urea) and *Notification No. 11/2021-Customs, dated 1 February 2021* (which levies AIDC @ 5% on urea) have not yet been amended. The said notification may get amended subsequently before 1 May 2023.
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II. Changes in General Exemption Notification w.e.f. 2 February 2023 (*Notification No. 50/2017- Customs, dated 30 June 2017*)

a. Naphtha

- Serial No. 141C of the General Exemption Notification provides concessional BCD rate of 1% on import of Naphtha. Vide *Notification No. 2/2023-Customs, dated 1 February 2023 ("Notification No. 2/23")* Serial No. 141C has been omitted.
- Thus, Naphtha will attract BCD rate of 2.5%.

b. Coal

- Serial No. 141 of the General Exemption Notification provides concessional BCD rate of 1% on import of goods *inter alia* falling under Chapter Heading 2701 which covers coal. Now, vide Notification No. 2/23, Serial No. 141 has been amended to provide concessional BCD rate of 2.5% on import of coal.
- Simultaneously, vide *Notification No. 3/2023-Customs, dated 1 February 2023*, Nil AIDC will be levied on import of coal w.e.f. 2 February 2023.

c. Goods falling under Chapter Heading 2710 or Sub-heading 2714 90 for manufacturing fertilizers

- Serial No. 150 of the General Exemption Notification provides Nil BCD rate on import of all goods falling under Chapter Heading 2710 or Sub-heading 2714 90 for the manufacture of fertilizers. However, the said exemption was available only till 31 March 2023.
- Now, vide Notification No. 2/23, the aforesaid exemption has been extended till 31 March 2024.

III. Exemption to specified goods imported for R & D projects

- Notification No. 50/96-Customs, dated 23 July 1996 exempts equipment, instruments, raw materials, components, pilot plant and computer software when imported into India for any Research and Development Project funded by the Government of India in a Ministry or Department or *inter alia* Indian Council of Agriculture Research.
- The aforesaid exemption is available upto 31 March 2023. Now, vide Notification No. 12/2023, dated 1 February 2023, the exemption has been extended till 31 March 2024.

IV. Blended Compressed Natural Gas exempted from excise duty w.e.f. 2 February 2023

- Compressed Natural Gas ("**CNG**"), falling under Tariff Item 2711 21 00 of the Fourth Schedule to the Excise Act, when blended with Biogas or Compressed Biogas ("**CBG**") [*Notification No. 5/2023- Central Excise dated 1 February 2023*] has been exempted from excise duty to the extent of amount of CGST, SGST, UTGST or IGST paid on biogas or CBG contained in such blended CNG.
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