

## THE "LOST" PUFF

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*"Cigarette is a roll of tobacco having flame at one end and a fool at another"*

We always had a serious doubt, as to whether the personal traits of the Finance Minister would influence their tax proposals. This doubt got strengthened when our ex – FM Mr. P.C, did not impose service tax on legal profession, possibly because he and his wife are advocates by themselves. This got further fortified, when our present FM stated the reason for enhancement of Excise duty on all forms of tobacco in the present budget.

This Budget, has raised the rates of basic excise duty on all forms of tobacco and tobacco products (e.g. branded unmanufactured tobacco and tobacco refuse, branded „hookah" or "gudaku" tobacco, chewing tobacco, preparations containing chewing tobacco, jarda scented tobacco, snuff and its preparations, tobacco extracts and essences etc ; smoking tobacco, cut tobacco, smoking mixtures etc.), other than those which are already fully exempt and those of "biris".

The cigarettes falling under chapter heading 240220 of CETA 2005, has been broken up into two slabs, namely filter/non-filter cigarettes of length not exceeding 60mm and filter cigarettes of length exceeding 60mm but not exceeding 70mm. Similarly the NCCD payable as per VII Schedule to Finance Act, 2001 has also been increased to Rs.90 per thousand for cigarettes between 60 mm to 70 mm, Rs.145 per thousand for cigarettes between 70 mm to 75 mm and Rs.190 per thousand for cigarettes between 75 mm to 85 mm (inserted). Similarly the AED payable as per VII Schedule to Finance Act, 2005 has also been increased to Rs.70 per thousand for cigarettes between 60 mm to 70 mm, Rs.110 per thousand for cigarettes between 70 mm to 75 mm and Rs.145 per thousand for cigarettes between 75 mm to 85 mm (inserted).

In respect of cigars, cheroots and cigarillos of tobacco, the basis of levy for both BED and AED is being changed from *ad valorem* to composite rates. The revised rates are: "10% or Rs.1227 per thousand, whichever is higher" (BED) and "1.6% or Rs.246 per thousand, whichever is higher" (AED). On the same basis, cigars, cheroots and cigarillos of tobacco substitutes will now attract BED of "10% or Rs.1473 per 1000, whichever is higher".

Another important change in respect of tobacco is the shift to compounded levy under Section 3A of the Central Excise Act [ ref: Notification No.10/2010-CE(NT) dt.27.2.2010 w.e.f 8/3/2010] on chewing tobacco and branded un-manufactured tobacco packed in pouches with the aid of packing machines. This scheme is analogous to the one already

in operation for "guthka" and "pan masala" but the major difference is that the facility of input credit of the duty paid on bulk packs of chewing tobacco shall be available to the manufacturer of packaged products. In this connection, a detailed set of rules called the "Chewing Tobacco and Unmanufactured Tobacco Packing Machines (Capacity Determination and Collection of Duty) Rule, 2010 has been proposed as per Notification No.11/2010-CE(NT) dt.27.2.2010, to take effect from 8<sup>th</sup> March 2010. Further, the notification no.16/2010-CE dt.27.2.2010 w.e.f 8.3.2010 has been issued prescribing the rates of duty per packing machine per month for the above goods.

Similarly, the existing Pan-Masala Packing Machines (Capacity Determination and Collection of Duty) Rules, 2008 has been amended by Notification No.8/2010-CE(NT) dt.27.2.2010 which takes effect from 27<sup>th</sup> February 2010. As per this amendment, as per proviso to Rule 6(3) of the said Rules, a pro-rata calculation on the basis of the total number of days in that year vis-à-vis the balance number of days in that year from the date of commencement of production, has been allowed.

Similarly, suitable provisos have been substituted in Rule 9 of the said Rules, to enable a new manufacturer to pay pro-rata duty of his monthly duty liability, calculated in the above manner, within 5 days of the date of commencement of production.

Similarly, provisions have been made to allow a manufacturer to remove goods, other than the notified goods, from his factory during the period abatement specified in Rule 10 of the said Rules and also to allow the removal of notified goods, which were already produced before the date of commencement of the period of abatement, but within the first two days of the abatement period.

The FM in his Budget speech stated, "Since I quit smoking many years ago, I would urge others to also follow suit, as smoking is injurious to health". By his tax proposals, our beloved FM has also urged "Smoking is injurious to wealth too".