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## The Euro is Good for Germany



It may be worth keeping the single currency even as some voters balk at the cost of rescuing Greece and demand a return to the deutsche mark. As exporters benefit from the lower labor costs and currency stability fostered by the euro's 1999 introduction, unemployment has dropped close to an 18-year low and the DAX Index is the 16-nation bloc's best performing major benchmark this year.

That's reinforcing Germany's status as a pillar of euro stability rather than a weak link as European policy makers scramble to stop the region lurching back into recession. While academics including Martin Feldstein say the Greek crisis could splinter the euro and investor George Soros urges Germany to do more to ease economic tensions in the region, the currency is rebounding. The euro has gained 7 percent against the dollar since hitting a four-year low on June 7.

Germany is reaping the rewards of the discipline imposed on its economy over the past decade after reunification in 1990 dragged down growth and saw the country being labeled the "sick man" of Europe. With the euro preventing governments from devaluing their way to growth, Germany squeezed labor costs just as economies from Spain to Greece chose to run up record budget deficits and allowed employment costs to rise.

### Trading Edge

The result has sharpened Germany's trading edge over the euro-region economy's southern periphery. Europe's largest economy became 13 percent more competitive against its neighbors in the 11 years through 2009, mirroring similar declines in Spain and Greece, according to a wages-based indicator designed by the European Central Bank.

The pay-off is evident in the performance of Siemens, Europe's largest engineering company. Since 2001 it has recorded 23.1 billion euros (\$29 billion) in restructuring costs, according to estimates by Morgan Stanley. That efficiency-drive helped boost the European share of Siemens' sales to 41 percent in 2009 from 32 percent in 2004 and pushed its operating margin above those of General Electric Co., Alstom SA and ABB Ltd.

### DAX Increase

Exporters have pushed the DAX 3.9 percent higher this year, with Siemens shares increasing 19 percent and BMW, which raised its earnings forecast, climbing 32 percent. The Spanish and Greek benchmarks have lost 14 percent and 29 percent, respectively, and the U.S.

Dow Jones Industrial Average has declined 2 percent.

German voters are yet to be convinced about the benefits of the euro as they foot the biggest share of the bailouts agreed by leaders earlier this year to rescue the currency. Fifty-one percent of respondents in a poll published on June 30 by the mass-selling Bild tabloid called for a return to the deutsche mark. That's up from a third who wanted the euro scrapped in March 2008.

### Exit Benefits

There may even be some benefits to Germany from quitting the bloc, said Christopher Smallwood, an associate of London-based investment consultancy Capital Economics Ltd. A new deutsche mark could appreciate enough to cut the country's trade surplus, depressing prices and forcing the government to stoke demand at home, he said in a July 11 report.

Germany's focus on exports and budget discipline has drawn criticism from billionaire investor Soros, who says the country should buy more goods from other countries and labels Germany "the main protagonist" for Europe's crisis. "Germany is endangering the European Union," Soros said in Berlin on June 23.

### Shelter

Euro membership has nevertheless sheltered Germany, which relies on exports for 41 percent of gross domestic product, from the ravages of the global financial crisis, said Juergen Pfister, chief economist at Munich-based lender Bayerische Landesbank. Prior to the euro, the mark was a haven in times of turmoil and prone to volatility, surging about 50 percent against the Italian lira in the first half of the 1990s.

Instead, German companies are cashing in on the euro's 16 percent decline since November as it makes BMW and Volkswagen AG's Audi cars cheaper abroad and swells their value when the revenue is repatriated. Shares of TUI AG, Europe's largest travel company, have risen 39 percent this year and the company on July 6 raised its forecast for global container shipping, citing a "notable" recovery.

### Export Filter

Exporters' success is filtering into the broader German economy. Unemployment declined for a 12th month in June and the Organization for Economic Cooperation and Development's standardized measures shows a jobless rate of 7 percent in May, 2.7 percentage points lower than the U.S.'s. Business confidence reached a two-year high in June, according to the Ifo institute.

## China Exports Surge 4.4% to \$137 bn

China's trade surplus widened to the highest this year and exports climbed more than estimated to a record in June, adding pressure on the government to let the currency gain after the U.S. said the yuan "remains undervalued."

The gap increased 140 percent to \$20.02 billion from a year earlier, the customs bureau said on its website on 8 July. That compares with the \$15.6 billion median estimate of 24 economists surveyed by Bloomberg News. Exports surged 43.9 percent and import growth moderated for the third month, rising 34.1 percent.

U.S. Treasury Secretary Timothy F. Geithner said July 8 he will "closely and regularly" monitor the pace of the yuan's appreciation after China scrapped a two-year peg to the dollar and allowed a 0.8 percent gain in the past three weeks. Policy makers in the world's biggest exporting nation may be reluctant to move too quickly as Europe's sovereign-debt crisis threatens external demand just as the domestic economy is slowing.

### Record Exports

The value of outbound shipments rose to a record \$137.4 billion last month, the customs bureau said. The previous high was \$136.68 billion in July 2008, before the global financial crisis deepened.

Imports climbed to \$117.4 billion, the third highest this year.

Signs that global trade remains buoyant include a report by container-shiping line AP Moller-Maersk A/S of shortages of cargo boxes. The International Monetary Fund this week raised its 2010 global growth forecast to 4.6 percent, 0.4 percentage point higher than its April estimate.

### Rebates Scrapped

On top of a strengthening currency, some export manufacturers face higher labor costs as 20 provinces and cities raise minimum wages this year and companies including Toyota Motor Corp. and Honda Motor Co. increased salaries after strikes. The government last month said it would scrap export rebates on some steel and metal products to help reduce energy consumption and pollution.

Surging demand in China for commodities including iron ore and oil drove a 60 percent decline in the trade surplus to \$35.4 billion in the first five months. In the first half of the year, the surplus declined 43 percent from the same period last year to \$55.3 billion, the customs bureau said on 8 July.

## China Protests EU on Twin Action of Anti-dumping and Safeguard on WAN Modems

The EU began the anti-dumping investigation and safeguard measures on imports of wireless wide area networking modems from China, worth of US\$4.1 billion, on June 30. Head of the Department of Fair Trade Bureau of MOFCOM stated that this was the first time for the EU to launch anti-dumping investigation and safeguard measures simultaneously with such huge value. The Chinese public and business are strongly dissatisfied with it. And China expressed grave concern about it.

According to the head, Chinese wireless wide-area networking modems promoted technological progress, create new markets and also benefited consumers. And the EU's probes runs contrary to the consensus of opposing trade protectionism and reducing trade barriers, reached by the G20 leaders during the Summit recently. The EU's move is typical trade protectionism and an abuse of trade remedies. It will not only hamper the EU's economic recovery, but also impair China's interests and technological progress.

## SMEs Growth Must for Trade Growth

United States Trade Representative Ron Kirk said that the new report from the U.S. International Trade Commission (ITC) identifies top export barriers reported by U.S. small- and medium-sized enterprises (SMEs), and highlights the benefits of U.S. trade agreements to American small businesses. The report found that U.S. SMEs account for a smaller share of U.S. manufactured goods exports than SMEs in the European Union (EU), reflecting the relatively larger economic role of SMEs in the EU. Kirk requested this study from the ITC in 2009 to help guide our trade policy activities to boost American SME exports.

"America's small businesses are engines for our economic growth. Small- and medium-sized businesses that export grow faster, add jobs faster, and pay higher wages than non-exporting firms," said Ambassador Kirk. "This second ITC report provides us with a deeper understanding of the leading challenges that our U.S. SMEs face as they seek new global customers, and highlights the types of barriers that SMEs

identified themselves as their biggest hurdles to exporting."

This is the second of three reports that the USTR commissioned to inform and focus SME-related trade policy initiatives. It draws upon information gathered from three public hearings held in St. Louis, Portland, and Washington, DC, and testimony and comments from over 250 companies and organizations. The report compares the exporting activities of SME exporters in the U.S. and EU, describes the major barriers our SMEs face, SME strategies to overcome these barriers to trade, and identifies the benefits American SMEs reported from enhanced export opportunities stemming from U.S. participation in trade agreements.

The third ITC report will examine U.S. SMEs engaged in providing services, and will identify how data gaps might be overcome to enhance our understanding of the role of SMEs in service sector exports. USTR expects to receive it by October 6, 2010.

## Chamber of Commerce Urges Obama to Cut Taxes, Regulation

The U.S. Chamber of Commerce is urging President Barack Obama to curb regulations and embrace tax cuts to avert a double-dip recession.

The Chamber, the biggest lobbying group for U.S. business, plans to release a letter to Obama on 14 July calling for him to sell government-owned minerals to raise revenue without raising taxes, said Stan Anderson, managing director at the group's Campaign for Free Enterprise. The letter will be discussed at a "jobs summit" the Chamber will hold in Washington.

### Tax Holiday

Anderson said the Chamber will detail proposals to raise revenue without increasing individual taxes, such as reinstating a tax holiday on corporations' overseas income. A 2004 tax holiday let companies that stockpiled dollars overseas bring the money into the U.S. at a rate of 5.25 percent instead of the 35 percent they otherwise would owe.

The Chamber also will urge sales of minerals and timber on government land.

The Chamber wants Obama to support continuing the tax cuts enacted under President George W. Bush in 2001 and 2003.

### Dollar-Rupee rate at NSE Futures

Trade Date	Open Price	High Price	Low Price	Close Price	Daily Settlement Price	Open Interest	No. of Contracts	Value (Rs. lakhs)	RBI Reference rate
16-Jul-10	46.7425	46.9100	46.7025	46.8250	46.8250	601143	1353140	633682.79	46.8000
15-Jul-10	46.7975	46.8550	46.6625	46.6900	46.6900	589986	1287392	602141.68	46.7400
14-Jul-10	46.7350	46.8175	46.6400	46.7975	46.7975	618364	1248625	583683.57	46.6300
13-Jul-10	46.9325	47.0600	46.8725	46.9000	46.9000	590602	1240782	582840.27	46.9300

[Source: NSE and RBI Website]

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## Egypt Removes Arabian Labelling Requirements on Importer Name on Textile Products

Following joint efforts by the European Commission and EU industry, Egypt has amended its labelling requirements for textile products.

Until now, the Egyptian legislation provided that all imported textile products (ready-made clothes, linen, furnishing, carpets, moquette and rugs) should have a permanent stitched label containing several pieces of information in Arabic (country of origin, type of fabric used, name of importer).

This requirement resulted in increased costs and delivery delays for EU exporters due to the specific business model of this highly globalised sector. The ready-made garment industry relies on suppliers located all over the world and the final destination of each single garment is often not known at production stage. Therefore, it is impossible for the producing company to stitch on a label with the name of the importer in the final destination country. Due to Egypt's specific labelling requirements, this operation had to be performed at a much later stage in the logistics chain, implying costly manual unpacking, stitching and re-packing of the goods, just before

exportation to the final destination.

A letter from the EU Delegation in Cairo was sent to the Egyptian authorities to convey the concerns of exporters and request less trade distorting labelling requirements. Several meetings took place between the EU Delegation and the Ministry of Trade and Industry and the issue was also discussed during the Egypt-EU Subcommittee on Industry, Trade and Investment in Cairo on 27 January 2010.

The combined action by the European Commission, Member States and industry helped convince the Egyptian Ministry of Trade and Industry to review these labelling requirements. At the end of April 2010, the Ministry of Trade and Industry amended the regulation by allowing the required data, whether in English, Arabic, or French to be fixed either on the garment or on an adhesive label.

Exports of EU apparel, clothing accessories, carpets, linen and other finished textile articles to Egypt totaled € 67 million in 2008 and € 60 million in 2009.

## Argentine Import Ban on EU Food Products Ups Trade Tensions

Allegations of an Argentine import ban against EU food products are continuing to generate tension between the European Union and Mercosur, South America's largest trade bloc. The two parties met last week in Buenos Aires to discuss a potential EU-Mercosur trade pact, despite the opposition of some EU member states.

Argentina is currently under fire for allegedly imposing an informal ban on food imports - a subject that raised similar tensions between the South American country and its largest trading partner, Brazil, last month.

Argentine officials, however, deny that a ban is in effect. "I reaffirm that there does not exist any ban of any type of EU imports," said, Minister of Industry Débora Giorgi, according to a report in the Argentine newspaper Clarín.

She also insisted that all trade measures being taken by the Argentine government fall within WTO rules and regulations. The Argentine government has warned, however, that it will block imports that constitute "disloyal competition."

Argentine Industry Secretary Eduardo Bianchi took an even stronger tone. "If there is anyone who is protectionist, that would be the European Union," he said, according to Clarín. He accused the European Union of using "so-

phisticated mechanisms" to hide its agricultural subsidies, and criticised the EU's own high tariffs on imports.

### EU calling for WTO involvement

Deputy Director General for Trade at the European Commission, João Aguiar Machado threatened last week that he would complain about the ban to the WTO's Council for Trade in Goods. That promise was fulfilled at the council's meeting on 5 July, when the EU expressed its unease over an internal Argentine government note that mentioned the restriction of food imports from the EU and other importers.

Australia, Canada, Colombia, Japan, Switzerland, and the US all cited similar concerns regarding the consistency of these measures with WTO regulations, according to the WTO. Argentina defended itself at the meeting, claiming that the note was purely for surveillance purposes and noting that food imports from the EU to Argentina increased from January through May of this year.

Argentine Commerce Secretary Guillermo Moreno released a letter on 23 April stating that he would be reviewing foreign purchases in an effort to assess the competitiveness of the Argentine market. New import controls were first announced - in verbal form only - in May.

## Innovate to Succeed says OECD

Innovation and coherence in policy interventions can spur economic recovery and address global challenges such as climate change, according to the recently released "OECD Innovation Strategy" report. The main findings of the report were presented in Geneva on Tuesday by

Andrew Wyckoff, the Organisation for Economic Co-operation and Development's Director of Science, in a panel discussion.

Wyckoff emphasised that the report aims to disclose the complexities of innovation and pro-

## Francis Heads Rules Group at WTO

Dennis Francis, WTO Ambassador from Trinidad and Tobago, is the new chair of the Doha Round's Negotiating Group on Rules. He follows Uruguayan Ambassador Guillermo Valles Galmés, who left the position earlier this year.

Francis was elected during informal committee meeting in Geneva on 13 July. Speaking to the group, Francis expressed his commitment to doing everything to move work forward, while recognising that the issues still not agreed will probably be difficult to resolve.

The rules group focuses on negotiating disciplines on several topics, including anti-dumping, subsidies and countervailing measures, fisheries subsidies, and WTO provisions applying to regional trade agreements (RTAs).

A draft text released in December 2008 by then-chair Valles Galmés highlighted some of the areas of discord among group members, such as zeroing. Despite these disagreements, members have made some progress recently in resolving the fisheries subsidies issue, using the roadmap suggested by Valles Galmés in his text.

US Ambassador Michael Punke, in his statement congratulating Francis on his new position, urged the Rules Group to "remain engaged at a technical level to better understand each others' rules and positions," in order to soon reach a compromise on the issues still outstanding.

vide policy makers with strategic priorities and policy advice to better encourage innovation and promote economic growth. One of the report's key messages is that innovation policies should encompass a wide range of activities in addition to the standard research and development (R&D). Other critical areas include design, marketing and organisational changes. Consequently, innovation should be addressed and encouraged in an increasingly horizontal approach, through a wide spectre of policies, the report concluded.

The report urges governments to make long-term investments in education, research and knowledge infrastructure. At the same, it notes that governments should fuel demand-side policies such as smart regulations, consumer education and public procurement. To encourage green technology for example, governments should not only fund research, but also use public procurement rules that favour environmentally friendly products and technology.

According to the report, just 700 firms account for close to half of the world's total R&D expenditure. The OECD stressed that improved mechanisms for technology transfer, including the removal of trade barriers that limit technology transfer, and the development of knowledge

markets (e.g. voluntary patent pools) is called for to address this imbalance and encourage innovation in developing countries. The report noted that new global players such as China, Brazil, and India are being increasingly active on the innovation front.

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## Af-Pak Deal on Transit Trade may Open Sea Route

Despite reaching a deadlock during their seventh round of talks last week, Afghanistan and Pakistan are still pushing ahead on a transit trade deal. The pact would give landlocked Afghanistan sea access and provide Pakistan with a direct link to other Central Asian economies.

Another beneficiary of this treaty would likely be India, which would have access through Pakistan to the Afghan market. India and Afghanistan are already major trade partners, yet their lack of a common border limits that relationship. Afghanistan wants access to the sea for exports to India, along with land access through the Wagah land route through Pakistan.

However, the prospect of India benefiting from the agreement is currently stalling the negotiations, as Pakistan does not believe that India should fall under the pact's scope. Afghanistan has refused to sign the agreement without a land access provision, but Pakistan is only willing to concede air-to-air access.

Alongside its concern that India would benefit from the pact, Pakistan has also alleged that Afghanistan has refused to a series of measures that would target illegal smuggling.

India and Pakistan have long been seen as competing for influence in war-torn Afghanistan. The Council on Foreign Relations – a think tank based in both New York and Washington – noted in an article recently that India's increasing clout in Afghanistan is perceived by Pakistan as a threat to its own regional interests.

The estimated worth of official bilateral trade between Afghanistan and Pakistan is over US\$1 billion; the World Bank credits most of this to

The report also found that weak protection of intellectual property rights (IPRs) undermines incentives to invest in innovation, while excessively strong IPRs can hamper access to technology and discourage research.

Pakistani imports. Black-market trade is estimated to be several times greater. Should the pact pass, however, negotiators hope that the deal would help rein in some of that illegal trade, given that traders would have more legal options.

Afghanistan's lack of sea access has made it dependent on transit countries for foreign trade. In theory, this treaty could turn Afghanistan into a regional trade hub, while allowing Pakistan to serve as a gateway through which Central Asia could transfer some of its excess energy to India, which lacks energy resources. However, freer trade with India could also put Central Asian products at a disadvantage relative to more competitive Indian products.

Negotiations on this treaty – known as the Afghanistan-Pakistan Transit Trade Agreement, or APTTA – have been underway for the past two years; the original Memorandum of Understanding regarding this pact was signed in May 2009, with the goal of finalising the agreement by the end of that year.

Despite the slow rate of negotiations since the MOU's signing and the current disagreements on the treaty's provisions, Afghanistan remains optimistic. Afghanistan Chamber of Commerce director Abdul Qadir, speaking to Reuters, referred to recent discussions that gave him "strong hopes" that differences have been overcome.

The eighth round of talks will be held in advance of an international conference in Kabul later this month.

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## Russia in Customs Union with Belarus and Kazakh

Belarus has – at least temporarily – put aside its differences with Russia, joining it and Kazakhstan in a new customs union that aims to serve as a framework for a future common market. The trilateral agreement, which came into force on 6 July, follows an earlier bilateral agreement between Russia and Kazakhstan that became active five days prior.

The stated goal of the union is to set up by 2012 a free trade area that would encompass the 170 million people living in the three participating countries. The current union does not fully eliminate all tariffs or duties between members.

Experts hail the new customs union as a means of repairing trade and investment links between the former Soviet countries, others warn that it could harm Russia's long-standing bid to join the WTO. Russia first submitted its application to join the global trade organisation in 1993, but the country's bid has hit a number of

roadblocks – political and otherwise – along the way. The customs union itself currently lacks a common position on WTO membership.

The US recently threw its support behind Russia's WTO membership bid, after Russian President Dmitry Medvedev toured the States late last month.

After meeting with US President Barack Obama, Medvedev released a joint statement with the US president, in which the two leaders called Russia's admittance to the WTO a "trade priority for both nations." Obama also mentioned to Medvedev his hope that Russia can resolve its remaining obstacles to accession as early as September 30.

### Kyrgyzstan, Tajikistan possible contenders for customs union

Now that the customs union is in place, Kyrgyzstan and Tajikistan are among the Central Asian countries reported to be considering

joining the bloc. Kyrgyzstan is already a member of the WTO, and it is unclear whether joining the customs union would be compatible with the country's commitments at the global trade body.

The union is expected to increase Russia's influence over the Kyrgyz and Tajik economies, a development that would not sit well with officials in the smaller former Soviet states. Kyrgyzstan has traditionally served as a stopping point for Chinese goods headed for markets in the former Soviet Union, where traders can then buy the goods at low prices only to sell them at higher prices in Russia and Kazakhstan, among other countries, for profit. The existence of the customs union could force them to change that practice.

These potential new members could be lured in by the possibility of accessing Russia's domestic labour market, given that Russia is the world's second largest importer of labour. Both Tajikistan and Kyrgyzstan rely heavily on migrant labour remittances from Russia, according to *The New York Times*. The possibility of Russia lifting its punitive tariff on refined fuel could provide another incentive for the two economies to join.

The Commonwealth of Independent States, another group of nations of which the three customs union countries are members, could also be adversely impacted by the customs union. However, CIS leaders announced at a 10 July summit that they would consider a free trade zone at the next session of the CIS Council. The zone would encompass all member states, including the customs union countries.

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## EC Switches to +ve on GMO

The European Commission recommended sweeping new changes to the European Union's policy on the cultivation of genetically modified organisms (GMOs) on Tuesday, unveiling a proposal to grant individual member states the right to decide for themselves whether to allow their domestic farmers to grow the altered crops.

The possibility of a policy shift drew sharp criticism from both sides of Europe's contentious GMO debate, with industry representatives complaining that the change would make European regulations even more unwieldy and green groups berating what they saw as a fatal weakening of Europe's stance against "frankenfoods."

The proposed changes would come in the form of an amendment to the EU's 2001 Directive on the Deliberate Release of GMOs to allow member states "to restrict or prohibit cultivation of GMOs on their territories," according to a statement from the Commission. However, the amendment would not give countries the right to ban imports of GM products or to prohibit the marketing of those seeds within their borders.

Before it can become law, the amendment will have to win the approval of both the European Parliament and a qualified majority of EU member states. Regardless of whether the

**Import of Phone Tapping Devices Restricted**

Import of phone tapping devices has been restricted but the wordings of the notification as such indicate that ordinary mobile phones which are usually capable of receiving multi band signals will be covered within the mischief of the notification. The DGFT should clarify that the mobile phones in 8517 12 is not covered in the restriction and that these devices continue to be free. The clarification should say that only devices which “tap phones off-the-air” are covered in the restriction.

There is a discontinuity in the notification, the subject and the texts do not match. The text covers a very large canvas and the subject is limited to phone tapping technology.

Subject: Import policy for “off-the-air GSM monitoring technology.

53-Ntfn(RE) In exercise of powers conferred under section 5 of the Foreign Trade (Development and Regulation) Act, 1992 read with paragraph 2.1 of the Foreign Trade Policy, 2009-14, the Central Government hereby makes the following amendments in the Schedule 1 (Imports) of the ITC (HS) Classifications of Export and Import Items :

1. The following is added in Chapter 1A: **GENERAL NOTES REGARDING IMPORT POLICY:**

22.Import of Multichannel GSM/CDMA receivers, transmitters and transreceivers capable of receiving or transmitting or both in two or more frequencies simultaneously, shall be “restricted”.

2. A Import **Licensing Note No. 4** is added after **Chapter 85** to read as under:

Import of Multichannel GSM/CDMA receivers, transmitters and transreceivers capable of receiving or transmitting or both in two or more frequencies simultaneously shall be “restricted”.

3. This issues in public interest.

**Declaration of Intent Regarding Incentive Scheme Must on Shipping Bills from 1 January 2011**

82-PN(RE) In exercise of powers conferred under paragraph 2.4 of the Foreign Trade Policy, 2009-2014, the Director General of Foreign Trade hereby makes the following amendments, in the Handbook of Procedures (vol.1) 2009-2014:-

1. It has been decided that ‘Declaration of Intent’ for claiming benefits under Chapter 3 of FTP shall be mandatory for all categories of shipping bills, including free shipping bills. In view of this, for exports made w.e.f 1<sup>st</sup> January 2011, the Paragraph 3.11.8 of HBP (vol.1) shall be replaced as under:

“For products/markets listed in Appendix 37A, 37C, 37D that are eligible for benefit under Chapter 3 of FTP, exporters shall declare their intention to claim benefit by stating in all categories of Shipping Bills as under:

I/We, hereby, declare that I/We shall claim the benefits, as admissible, under Chapter 3 of

FTP’.

This declaration shall also be required on export shipments under any of the Schemes of Chapter 4 or Chapter 5 or Chapter 6 of FTP as well as on Bills of Exports filed for Supply to SEZ. No claim under Chapter 3 shall be admissible without this declaration. However, Schemes names are not required to be mentioned in the declaration of intent.

Further, for products / markets notified during the year, the declaration of intent shall be necessary for exports under all categories of Shipping Bills only after a grace period of one month from the date of relevant Public Notice which notifies such product / market. For exports made prior to date of notification (i.e. the date of the relevant Public Notice which notified such product / market), such a declaration will not be required since export shipments have already taken place.”

This issues in public interest.

**Eight Digit HS Code on Shipping Bill Mandatory**

Sub: Declaration of Intent for claiming benefits of various schemes under Chapter 3 of FTP 2009-14 and mentioning of ITC [HS] Codes on Shipping Bills, mandatory requirements thereof.

40-Pol.Cir In order to operationalising EDI Message Exchange of Chapter 3 Reward Schemes of FTP with Customs Database, a meeting was held under the Chairmanship of DGFT on 21.5.2010. In terms of the decision taken therein, it has been decided that:

a) Attention is invited to Public Notice No. 82/2009-14 dated 16.7.2010. For export of goods exported from 1<sup>st</sup> January 2011 onwards, the Declaration of Intent for Claiming the benefits

under Chapter 3 of FTP, in terms of Para 3.11.8 of FTP 2009-14 as amended by Public Notice No. 82/2009-14 dated 16.7.2010, has been made mandatory for all types of shipments seeking to claim the benefits of Chapter 3 reward schemes.

b) It has further been decided that exporter shall mandatorily mention the 8 digit ITC (HS) code on the Shipping Bill. Moreover, where 8 digit ITC (HS) code for the export product / category is not specified in the Chapter 3 scheme

**Tea Fortified with Vitamins is in Chapter 21 but Flavoured Tea not in Chapter 21**

Sub: Classification of TEA fortified with Vitamins.

931-CBEC A reference has been received by the Board (DoR) regarding the classification of ‘Tea fortified with Vitamins’. The product comprises tea along with stabilizers and vitamins.

2. Preparation of tea and preparation with the basis of tea are classifiable under the chapter heading 210120. Preparation of tea as well as preparation with a basis of tea is a product containing tea as one of the major component and has other added ingredients to it. Flavoured tea contains tea along with at least one flavouring agent and is a preparation of tea, though not classifiable under this chapter by virtue of Chapter Note 1(c) to the chapter 21. However all other preparations of tea not specifically excluded by virtue of any Section/Chapter Note will get classified in this chapter only.

3. The issue has been examined, the samples of the product were perused and the commercial understanding of the product and the details of the product mentioned on the packing materials were taken note of. The tea fortified with vitamins as described in para 1 is nothing but a preparation of tea having added ingredients like stabilizers and vitamins in addition to tea. Since no Section/Chapter Note excludes this preparation from the purview of Chapter 21, it is clarified that such preparations of tea namely tea fortified with vitamins will be classified under Chapter 21.

4. Trade and Industry may be informed.  
F. No. 9/1/2008-CX.1 (Pt)

related Appendices, the applicable entry of the intended reward scheme should be mentioned on the Shipping Bill.

c) The EDI Software of Customs (ICEGATE) is being modified from the present system of categorizing shipments as “NO EXPORT INCENTIVE” (in case the export is not under Chapter 4 or 5 of FTP, i.e. DBK, DFIA, AA, DEPB and/or EPCG Schemes) to merely clicking “YES” in the relevant place to enable the exporters to declare their intent in the Shipping Bills. The exporters may, however, declare the intent anywhere in the Shipping Bill till such time the ICEGATE software is modified.

2. EPCs should make special efforts to educate the Trade and Industry in general and exporting community in particular with respect of this change regarding the requirement of ‘declaration of intent’ even for all types of shipments including those under Advance Authorisation, DEPB, Drawback, EPCG, DFIA etc. and the ‘mandatory requirement of mentioning the 8 digit ITC HS Code on the Shipping Bill’.

This issues with the approval of DGFT.

## Recovery of SFIS Benefits to Telecom Sector for Services not Originating from India

Further, services related to export refers only to exports or services related to goods exports.

Recovery proceedings initiated but no mala fide since clarification to pure goods has come five years after the event.

Subject: Telecom Sector and their entitlement under SFIS scheme and other issues of SFIS scheme.

38-Pol.Cir  
15.07.2010  
(DGFT)  
Attention is invited to Minutes of the PIC Meeting No. 04 AM11 held on 5.7.2010. In the PIC meeting, the issues

regarding the entitlement of the Telecom Sector applicants under SFIS scheme were deliberated de-novo.

1. As decided in the PIC meeting No. 04/AM11 held on 5.7.2010:

a. The words 'relating to exports' appearing in Para 9.53(iv) would cover services provided in relation to export of goods (like for the port services on export cargoes). Since the Policy Circular No. 6 (RE-2005)/2004-2009 dated 8.6.2005 is not in consonance with the above interpretation, and consequently Policy Circular No. 6 (RE-2005)/2004-2009 dated 8.6.2005 is hereby rescinded ab-initio.

b. As decided in the PIC meeting No. 04/AM11 held on 5.7.2010, Para 3(i) of Policy Circular 25(RE-2007)/2004-2009 dated 1.1.2008 is not in consonance with the above interpretation, and consequently Para 3(ii) of Policy Circular 25(RE-2007)/2004-2009 dated 1.1.2008 is hereby deleted ab-initio.

2. RAs shall review all the previously sanctioned Telecom Sector SFIS Cases (as well as DFCE for Service Providers cases of EXIM Policy (RE2003)) as per this Policy Circular and the Minutes of the PIC meeting No. 04/AM11 held on 5.7.2010. It may also be noted that in the Telecom Sector, there are 3 types of services, namely ILDO, NLDO and AP (for mobile network). A telecom company/firm could either be AP or NLDO as well as an ILDO. Thus, each applicant shall be directed to clearly indicate whether he is an ILDO or NLDO or AP or a combination of these and segregate the FX earned for each type. Further, against each type, there could be subcategories as detailed in PIC minutes for meeting No. 04/AM11 held on 5.7.2010. Moreover, a telecom company / firm could also earn FX from Data Service or Mainte-

nance Service etc. These are listed in the Minutes at Sr. No. 4(i) to 4(v) and each applicant should clearly indicate FX earned for each such subcategory.

3. RAs are required to take the following action in a time bound manner for SFIS Cases of Telecom Sector (including the DFCE for Service Providers cases of EXIM Policy (RE2003)) and cases relating to PC 6 dated 8.6.2005:

a. Re-open to review all the SFIS cases for re-computing the entitlement in each case in terms of the decision in the PIC meeting No. 04/AM11 held on 5.7.2010 and call information as required, within a time bound manner.

b. Recover or adjudicate (at appropriate level as per financial powers)

i). in case the review finds any excess grant of SFIS benefits; or

ii). in case the applicant is not providing the required information in a time bound manner.

c. Since the interpretation of the SFIS policy has taken place in PIC meeting recently held on 5.7.2010, no mala fide can be ascribed to the applicants in cases where excess grant of SFIS benefit is established and duty credit amount, so granted in excess, be recovered without imposing any penal recovery of interest. This would uphold the principle of natural justice.

d. Report the progress to DGFT headquarters on a monthly basis, for each telecom sector applicant.

The review exercise should be completed within 6 months from the date of this Policy Circular.

4. Further, it is pointed out to RAs that in terms of Para 3.6.1(h) of the HBPv1 2009-14 read with Policy Para 3.12.2, 3.12.3, & 3.12.4 of the FTP 2009-14, Telecom Sector is not entitled for SFIS benefits on foreign exchange earned from the year 2009-10 onwards.

This issues with the approval of DGFT.

a time period covering the re-export time plus six months.

4. LUT/BG should be redeemed by RA as soon as the documentary evidence for re-export of goods is furnished by the importer.

5. This issues with the approval of Competent Authority.

## RA can Endorse Revalidation of Import Authorisation for Restricted Items for Six Months

Subject: Revalidation of Import Authorisation for Restricted Items (except SCOMET items).

36-Pol.Cir  
05.07.2010  
(DGFT)  
Attention is invited to Para 2.13 of Handbook of Procedures (Vol.I) 2009-2014 which provides that RA concerned

may revalidate Import Authorisation on merits for six months from date of expiry of validity. Para 2.13.3 further provides that an application for revalidation (including for restricted items), may be made to Regional Authority (RA) concerned. RA would consider such application as per Government rules/notifications and where DGFT is concerned authority, original application shall be submitted to RA concerned and self-attested copy of same shall be submitted to DGFT.

2. It is clarified that the first revalidation of six months of Import Authorization for restricted items (except SCOMET items) from the date of expiry of initial validity period, will be endorsed by the Regional Authorities at their level without making reference to DGFT(Hqrs). But, the applications for revalidation of import authorizations beyond six months from the date of its expiry shall be forwarded to DGFT (HQ) for consideration.

3. This issues with the approval of Competent Authority.

## Studded Jewellery Wastage Reduced to 7% from 9/10% in IO Norms

79-PN(RE)  
12.07.2010  
(DGFT)  
In exercise of powers conferred under Para 2.4 of the Foreign Trade Policy, 2009-14, the Director General of Foreign

Trade hereby makes the following amendments in the Handbook of Procedures (Vol.1), 2009-14:-

1. Sl. No. (b) of paragraph 4A.2 related to "Wastage Norms" for Gems & Jewellery items, stands replaced by the following:

SNo.	Item of Export	Percentage of Wastage by weight with reference to Gold / Platinum/ Silver content in export item	
		Gold / Platinum	Silver
b)	Studded jewellery and articles thereof	7%	7%

This issues in public interest.

## Execution of LUT/BG against Import Authorization Issued to Restricted Items on Re-export Basis

Subject: Execution of LUT/BG against Import Authorisation issued by import of Restricted Items on Re-export basis.

39-Pol.Cir  
15.07.2010  
(DGFT)  
This refers to the Import Authorisation which are approved for import of restricted items on re-export

basis by the EFC. To ensure that goods are re-exported by the importers as declared by them at the time of application for Import Authorisations, it has been decided that Regional Authority (RA) concerned will take LUT/BG from the importers at the time of issuance of

such authorization as per the following details:-

1. The status holders and manufacturers with a turnover of 5 Cr and above, shall execute only a LUT for the full import value.

2. Other importers, not covered by Sl.No. 1 above, shall execute LUT for the full import value along with a bank guarantee (BG) for a value of Rs. 1 lakh (one lakh Rupees).

3. LUT / BG should have a minimum validity for

## Aseptic Packaging Material SION Amended

Subject: Amendment of SION H-444

80-PN(RE) In exercise of the powers  
13.07.2010 conferred under Paragraph 2.4  
(DGFT) of the Foreign Trade Policy,  
2009-14 and Paragraph 1.1 of  
the Handbook of Procedures (Vol.1), the Direc-  
tor General of Foreign Trade hereby makes the  
following amendments/corrections in the Hand-  
book of Procedures, Vol.II, 2009-2014, as

amended from time to time.

2. In the statement of Standard Input Output Norms (SION) as contained in the Handbook of Procedures (Vol.II), 2009-2014, as amended from time to time, amendments/corrections are made against SION entry at **H-444** as mentioned in ANNEXURE "A" to this Public Notice. This issues in public interest.

### Annexure "A" to Public Notice No. 80/2009-2014 Dated: 13.07.2010

Export Item	Qty	Import Item	Qty
Aseptic Packaging Material	1MT	1. Relevant Duplex Paper Board/Bleached Paper/Bleached Paper Board/Kraft Paper	1.10 MT/MT content in the export product
		2. Aluminium Foil	1.10 MT/MT content in the export product
		3. LDPE Granules	1.10 MT/MT content in the export product
		4. LLDPE/HDPE/MLLDPE Granules/LK Film	1.12 MT/MT content in the export product
		5. Ethylene Acrylic Acid Copolymer/Adhesive Copolymer Granules	1.12 MT/MT content in the export product
		6. LS-Strips/Polypropylene Strips/Modified Polymetalosene Strips	Net to Net
		7. Printing Inks	12 Kg/MT of export product
		8. Photo Polymer Plates	0.5 No/MT of export product

### "Warehouse" does not Cover Tankers which are Moveable Vehicles – Rebate under Rule 18 of Central Excise Rules for Supply of Duty Free Fuel to Foreign Bound Air Craft

[Ref: CBEC Instruct No.267/27/3/2001-CX8 (Pt.I) dated 14 July 2010]

Subject: Warehousing permission to Storage Tanks mounted on a vehicle.

It has come to the notice of the Board that a field formation has granted "on wheel bonding facility", thereby permitting the assessee to receive, store and dispatch bonded duty paid ATF in Mobile Refuelling Tanks. It has been stated that the permission has been granted in terms of Para 6.3 of the Board's Circular No. 804/1/2005-CX dated 04.01.05. The purpose of the assessee seeking such permission appears to avail the facility of non-duty paid supplies to international flights. Reference has also been received from other field formations to clarify the issue.

2. The matter has been examined. Para 6.3 of the said circular empowers the jurisdictional Commissioner to permit the registered person of the warehouse to store duty paid goods along with non duty paid goods in the warehouse subject to the conditions, procedure and manner of payment of duty as prescribed by the Commissioner. The provisions of the circular nowhere allows for storage of goods in mobile

tanks. Further, it is stated that such "on wheel" facility has an inherent danger of pilferage/ theft of non-duty paid goods and resultant revenue loss. It has also been noted that in any case, the registered person of the warehouse can avail the facility of clearance of goods under rebate for supplies to international flights, which are non-dutiable.

3. In view of above, it is clarified that any such facility granted by field formations is improper and not in accordance with the Board's circulars issued in this regard. Necessary action may immediately be taken to withdraw such facility, if any, granted by any field formation under your jurisdiction. It is also requested to advise such assesses to avail the option of rebate under Rule 18 of Central Excise Rules for supply of duty-free fuel to foreign bound aircraft.

4. Field formations may be suitably informed.

### CBEC Clarifies the Expression 'Motion Pictures' Includes Audio Visual Content of All Kinds of Feature Films, Adv Films and Television Content

Subject: Applicability of customs duty exemption on import of television content

17-CBEC Notification No. 27/2010  
06.07.2010 Customs dated 27.2.2010  
(DoR) provides exemption to motion pictures, music, gaming software (for use on gaming consoles), printed or recorded on media falling under headings

3706 or 8523, from so much of basic customs duty, additional duty and special additional duty of customs as in excess of duties that would be leviable of the value of the goods were equal to the aggregate of the cost of the carrier medium and freight and insurance

2. A doubt has been raised by certain importers whether the aforesaid exemption applies to import of content by a television broadcaster on a medium covered under Chapter heading nos. 3706 and 8523 owing to the use of expression "motion pictures".

3. The issue has been examined. The term "motion pictures" is a generic term for making a distinction between moving pictures and still photograph and does not refer to the end use of the content captured on a medium.

As such, the reference to motion pictures in Notification No. 27/2010-Customs dated 27<sup>th</sup> February 2010 is not limited to "movies" or feature films alone and extends to any audio visual content recorded on cinematographic films, Betacam /U-matic tapes, Masters, Stampers, VCDs and DVDs. It is therefore clarified that the term motion pictures referred to in Notification No. 27/2010-Customs dated 27<sup>th</sup> February 2010 includes audio visual content of all kinds like feature films, advertising films, documentaries, television content, news films etc. and is not restricted to feature films or movies alone

5. These instructions may be brought to the notice of the trade / exporters by issuing suitable Trade / Public Notices. Suitable Standing orders/instructions may be issued for the guidance of the assessing officers. Difficulties faced, if any, in implementation of the Circular may please be brought to the notice of the Board at an early date.

F.No. 354/99/2010-TRU

### Do not Carry IC in More than 100 Rupee Denomination to Nepal, Penalties, Prosecution and Seizure of IC Liability on Contravention

Subject: Display at Airports / LCS about prohibition of import / export of Indian currency notes of denomination of above Rs.100 in India and in Nepal.

19-CBEC As you may be aware, the  
13.07.2010 export and import of currency  
(DoR) notes of Government of India  
and Reserve Bank of India

notes (other than notes of denominations of above Rs.100 in either case) is not allowed to and from Nepal and Bhutan in terms of Notification No. FEMA 6 / RB-2000 dated 3.5.2000 issued under Foreign Exchange Management (Export and Import of Currency) Regulations, 2000 by the Reserve Bank of India. Similarly, the Indian currency notes in the denomination of Rs.1000 and Rs.500 are not permissible for exchange for banking transaction in Nepal in terms of guidelines issued by Ministry of Finance, Government of Nepal and Nepal Rashtira Bank. In fact, the current legal provisions in Nepal provide that notes of these denominations are liable for seizure and the persons carrying them are to be fined or imprisoned for upto three years.

2. Instances have come to the notice of the Board that many Indian nationals travelling to Nepal by Air or by land routes and carrying Indian currency notes of Rs.500 and Rs.1000

denomination primarily due to ignorance of the law, are not only violating the RBI regulations issued in this regard but also get entangled in legal proceedings for possession of these notes in Nepal, like criminal prosecution along with confiscation of such currency notes.

3. The matter has been examined in the Board. In order to check such illegal import / export of currency notes of denomination of above Rs.100 and to prevent harassment and avoidable legal issues, it is felt necessary to educate / sensitize the people travelling between Nepal and India through Air or land routes regarding aforementioned legal provisions. Accordingly, since the import and export of Indian currency notes of denomination of above Rs.100/- (in either case) is prohibited as per Indian law and the use of Indian currency notes of denomination of Rs.500

and Rs.1000 is also prohibited in Nepal, Board hereby desires that at prominent places at the Airports and Land Customs Stations in India from where the passengers depart, to put up a display / notice board mentioning that "Import / export of Indian currency notes of the denomination of above Rs.100 from / to Nepal is prohibited and would attract penal provisions. The use of such currency notes of the denomination of Rs.1000 and Rs.500 is also prohibited in Nepal. Therefore, these notes are liable to be seized and the persons carrying them are liable to be fined or imprisoned for upto three years in Nepal."

4. The concerned airlines can also be requested to sensitize the passengers at the time of departure by displaying such advisory at their Check-in Counters.

F.No.520/23/2010-Cus.VI

(c) the material injury has been caused by the dumped imports of subject goods from the subject country;

and had recommended imposition of provisional anti-dumping duty on the imports of subject goods, originating in, or exported from, the subject country;

Now, therefore, in exercise of the powers conferred by sub-section (2) of section 9A of the said Customs Tariff Act read with rules 13 and 20 of the Customs Tariff (Identification, Assessment and Collection of Anti-dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995, the Central Government, on the basis of the aforesaid findings of the designated authority, hereby imposes on the subject goods, the description of which is specified in column (3) of the Table below, falling under heading of the First Schedule to the said Customs Tariff Act as specified in the corresponding entry in column (2), the specification of which is specified in the corresponding entry in column (4), originating in the country specified in the corresponding entry in column (5), and exported from the country specified in the corresponding entry in column (6) and produced by the producer specified in the corresponding entry in column (7) and exported by the exporter specified in the corresponding entry in column (8), and imported into India, an anti-dumping duty equal to the amount arrived at by applying the percentage indicated in the corresponding entry in column (9), of the said Table.

## Provisional Anti-dumping Duty on Glass Fibre from China Imposed

Ntfn 75  
14.07.2010  
(DoR)

Whereas in the matter of imports of Glass Fibre and articles thereof (hereinafter referred to as the subject goods), falling under heading 7019 of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) (hereinafter referred to as the said Customs Tariff Act), originating in, or exported from, People's Republic of China (hereinafter referred to as the subject country or China PR) and imported into India, the designated authority in

its preliminary findings vide notification No.14/28/2009-DGAD, dated the 2<sup>nd</sup> June, 2010, published in the Gazette of India, Extraordinary, Part I, Section 1, dated the 2<sup>nd</sup> June, 2010, had come to the conclusion that-

(a) the product under consideration has been exported to India from the subject country below normal values;

(b) the domestic industry has suffered material injury on account of subject imports from subject country;

Table

SNo.	Heading/ Sub-heading	Description of goods	Specification	Country of Origin	Country of Exports	Producer	Exporter	% of CIF value
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	7019	Glass Fibre	Glass Fibre	China PR	China PR	M/s Shandong Taishan-PDO Glass Fiber Products Co., Ltd.	M/s Shandong Taishan-PDO Glass Fiber Products Co., Ltd.	23.93
2	7019	Glass Fibre	Glass Fibre	China PR	China PR	M/s Shandong Taishan-PDO Glass Fiber Products Co., Ltd.	Taishan Fiberglass Inc.	23.93
3	7019	Glass Fibre	Glass Fibre	China PR	China PR	M/s Taishan Fiberglass Inc. (CTG)	M/s Taishan Fiberglass Inc. (CTG)	23.93
4	7019	Glass Fibre	Glass Fibre	China PR	China PR	M/s Taishan Fiberglass Zoucheng Co., Ltd.	M/s Taishan Fiberglass Inc. (CTG)	23.93
5	7019	Glass Fibre	Glass Fibre	China PR	China PR	M/s PPG Sinoma Jinjing Fiber Glass Company, Ltd	M/s PPG Sinoma Jinjing Fiber Glass Company, Ltd	23.93
6	7019	Glass Fibre	Glass Fibre	China PR	China PR	M/s Changzhou New Changhai Fiberglass Co. Ltd. ("NCH")	M/s Changzhou New Changhai Fiberglass Co. Ltd. ("NCH")	Nil
7	7019	Glass Fibre	Glass Fibre	China PR	China PR	M/s Jushi Group Chengdu Co Ltd	M/s Jushi Group Chengdu Co Ltd	16.34
8	7019	Glass Fibre	Glass Fibre	China PR	China PR	M/s Jushi Group Jiujiang Co. Ltd	M/s Jushi Group Jiujiang Co. Ltd	16.34
9	7019	Glass Fibre	Glass Fibre	China PR	China PR	M/s Jushi Group Co Ltd ('Jushi, Tongxiang')	M/s Jushi Group Co Ltd ('Jushi, Tongxiang')	16.34
10	7019	Glass Fibre	Glass Fibre	China PR	China PR	M/s Chongqing Polycomp International Corporation (CPIC )	M/s Chongqing Polycomp International Corporation (CPIC )	12.74
11	7019	Glass Fibre	Glass Fibre	China PR	China PR	Others	Others	40.86
12	7019	Glass Fibre	Glass Fibre	China PR	Any country other than China PR	Any	Any	40.86
13	7019	Glass Fibre	Glass Fibre	Any country other than China PR	China PR	Any	Any	40.86



**Explanation.-** For the purpose of this table, "Glass fibre" means glass fibre and articles thereof, including glass roving, glass chopped strands, glass chopped strands mats but excluding glass wool, glass yarn, glass woven fabrics and chopped strands of a kind generally treated with polyurethane or acrylic emulsion meant for thermoplastic applications, micro glass fibre used in battery separator, surface mat or surface veil or tissue.

2. The anti-dumping duty imposed under this notification shall be effective up to and inclusive of the 13<sup>th</sup> January, 2011 and shall be payable in Indian currency.

3. The rate of exchange applicable for the purposes of calculation of anti-dumping duty under this notification shall be the rate which is specified in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), issued from time to time, in exercise of the powers conferred by section 14 of the Customs Act, 1962 (52 of 1962), and the relevant date for the determination of the rate of exchange shall be the date of presentation of the bill of entry under section 46 of the said Customs Act.

[F.No.354/95/2010 –TRU]

## SEZ Rules Make Earlier Circulars Superfluous

**[Instruction No. 61 – No. C.2/3/2008-SEZ dated 14<sup>th</sup> July 2010]**

*Sub: Withdrawal of Instructions No. 36, 25, 24 & 16.*

61-SEZ Cir. I am directed to say that  
14.07.2010 pursuant to amendment of  
SEZ Rules, 2006 vide

Notification No. GSR 501(E) dated 14<sup>th</sup> June, 2010, the following instructions have become infructuous and therefore are withdrawn:

- i) Instruction No. 36 dated 03<sup>rd</sup> September, 2009
- ii) Instruction No. 25 dated 16<sup>th</sup> July, 2009
- iii) Instruction No. 24 dated 16<sup>th</sup> July, 2009
- iv) Instruction No. 16 dated 11<sup>th</sup> June 2009

## CBEC INSTRUCTIONS

### New Service Tax Regime from 1 July

#### CBEC Issues Guidelines

**[Ref: D.O.F.No.334/03/2010-TRU dated 1<sup>st</sup> July 2010]**

*Subject: Issuance of notifications after enactment of the Finance Act, 2010:*

The Finance Bill 2010 was enacted on 8<sup>th</sup> May 2010. Section 76 and 77 of the Finance Act, 2010 (14 of 2010) pertain to service tax issues. Certain new taxable services were introduced and certain changes in the scope of the existing taxable services (under section 65, with consequential changes in section 66 of the Finance Act, 1994) were made under section 76 of this Act. The provisions of section 76 (A) & (B) (except retrospective provisions relating to commercial coaching and training and renting of immovable property services) were to come into effect from a date to be notified, which is also known as appointed date. This date has been notified to be the 1<sup>st</sup> day of July 2010 (Refer Notification No.24/2010-Service Tax dated the 22<sup>nd</sup> June 2010).

2. Services provided or payments made prior to the effective date;

2.1 Vide Finance Act, 2010, eight new services were added to the list of taxable services while the scopes of nine existing services were modified. As these changes become effective from 01.07.2010, activities that are covered under taxable service categories due to above additions or modifications, would start attract service tax from this date. It is however, possible that a part or full payment of the consideration for such services provided after the appointed date has already been received prior to that date, i.e. advance payments. The examples are: where a domestic air journey performed after 1<sup>st</sup> July 2010, but the ticket is issued on payment prior to such date or where a construction activity falls within the taxable service only after the said date but the payment (full or in part) has been made before this date. While legally tax is payable on such amounts received, it has been decided to specifically exempt service tax on that partial or full amount which is received by the service provider/ person liable to pay the tax (and not by an agent, who in turn transfers such amount to such person after this date) before 01.07.2010, pertain to a service which has become taxable on account of the provisions of the Finance Act,

2010 and is provided on or after 01.07.2010. Any amount received after 01.07.2010 by the service provider/ person liable to pay the tax would be subjected to tax. (Refer Notification No.36/2010-Service Tax dated the 28<sup>th</sup> June 2010 as corrected vide corrigendum dated 29<sup>th</sup> July, 2010).

### 3. Transport of passenger by Air service

3.1 As stated in the Letter D.O.F.No.334/1/2010-TRU, dated 26<sup>th</sup> February 2010, in Budget 2010, service tax on transport of passengers by air was extended to cover all domestic and international air passengers embarking in India with effective tax rates as given below:

(a) ten percent (current rate of service tax) of the gross value of the ticket or **rupees one hundred per journey**, whichever is less, for passengers travelling in any class, within India;

(b) ten percent (current rate of service tax) of the gross value of the ticket or **rupees five hundred per journey**, whichever is less, for passengers embarking in India for an international journey in economy class:

The aforesaid rates are subject to non-availment of CENVAT credit. (Refer Notification No.26/2010-Service Tax dated 22<sup>nd</sup> June 2010). All charges except statutory levies (levied under a law for time being in force), if any mentioned in a ticket is to be taken as 'gross value of the ticket' for this purposes.

3.2 Exemption from service tax has also been provided on journeys to and from North-Eastern States (i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura) from the service tax (Refer Notification 27/2010 - Service Tax date 22<sup>nd</sup> June 2010). Considering that Bagdogra airport, though located in West Bengal being the gateway airport for Sikkim, has also been accorded this benefit.

3.3 Doubts have been raised that in case a ticket covers more than one domestic journey/ flight/sector (say Mumbai-Delhi-Mumbai),

whether Rs. one hundred would be charged for each journey/flight/sector (i.e. in the aforementioned example one for Delhi-Mumbai flight and one for Mumbai-Delhi flight) or would it be charged once for the entire ticket. In this regard, it is clarified that since the taxable activity relates to 'embarkation in India for domestic journey....', each time such embarkation in India takes place the tax is chargeable. In other words tax would be separately chargeable for each journey/flight/sector. In this regard the clarifications issued vide circular No. 96/7/2007-ST dated 23.07.2007 has no application as the said circular did not cover situations of multiple embarkations in India. Similarly, in round trip tickets involving multiple journeys/flights/sectors with one of the sector involving embarkation or disembarkation at North-Eastern States /Bagdogra, the journey/flight/sector that involves embarkation or disembarkation at North-Eastern States /Bagdogra would alone be covered under aforesaid exemption.

3.4 Since the scope of air transport of passenger service has been modified vide Finance Act, exemption, which were available earlier to crew of the aircraft operator, and international transit passengers by way of definition in the Act have been retained vide Notification (Refer Notification No.25/2010-Service Tax).

3.5 The scheme of tax on passengers embarking in India for an international journey in higher classes (i.e. other than economy class) remains unchanged.

3.6 As per the provisions of Rule 4A of the Service Tax Rules, 1944, invoice/ bill/ challan is required to be issued by the provider of taxable service within 14 days of the provision of the taxable service or the receipt of the consideration. In case of air-travel, the airlines or the agent may not issue a separate invoice to the passenger but may issue the ticket showing the price of such ticket as well. In such a case, the requirement of an invoice would cast an additional compliance burden on the service provider. Hence the said rule is amended to provide that in case of this taxable service, the ticket (in any form, including electronic form whatever

may be the name) showing the name of the passenger, description of the journey (details like place of embarking and disembarking, class of travel, flight number, etc.,) and the amount of service tax collected would be deemed to be the invoice/ bill /challan for the purposes of the rule (Refer Notification No.39 / 2010-Service Tax as corrected vide corrigendum dated 30 th July 2010).

#### **4. Port and Airport Service**

**4.1** In the Finance Bill, 2010, with intent to ease the classification disputes, the definitions of port, other port and airport services were amended to comprehensively cover under their ambit, all services provided within an airport or a port or other port irrespective of whether or not such activities are authorised by the authorities or whether or not they are otherwise classifiable as distinct taxable services. In effect all services that are wholly rendered within the prescribed area of the port or other port or an airport, are to be classified within the ambit of 'port services' or 'airport services'.

**4.2** During the post budget interactions with the stakeholders, apprehensions were expressed that that the change may have certain unintended effects and certain services (including certain essential services) hitherto exempted, may attract service tax unintentionally. Further, it was also pointed that the abatements and exemptions presently available under individually defined taxable services would get denied when provided within airport or port merely as they would now be taxable under newly introduced taxable services.

**4.3** In order to address these genuine concerns, the following measures have been taken,-

(i) Certain basic activities undertaken within airports and ports have been kept out of the tax by exempting them. (Refer Notification No.31/2010 - Service Tax dated the 22<sup>nd</sup> June 2010);

(ii) Service tax paid on certain taxable services that are used in relation to or for export of goods are eligible for refund under Notification No. 17/09-ST. Presently, the list of eligible services under the said notification includes port service but does not include 'airport service'. In order to correct the anomaly, the said notification has been amended to include 'airport service' in the list of eligible services under the said refund scheme (Refer Notification No. 37/2010-Service Tax, dated the 28<sup>th</sup> June 2010).

(iii) Commercial and Industrial construction service in relation to airport is excluded from service tax, in the definition itself. As such services would now be classified as 'airport service' when provided wholly within the airport, exclusion has been now provided by way of an exemption notification (Refer notification No. 42/2010-Service tax, dated the 28 th June, 2010)

(iv) Construction of ports was not excluded under the erstwhile definition from exclusion similar to that was available for airports. To bring parity in this matter, commercial and industrial construction service provided within the port area, in relation to construction, repair, alteration, renovation of wharves, quays, docks,

stages, jetties, piers and railways is exempt from the whole of service tax (Refer Notification No. 38 /2010-Service Tax, dated the 28<sup>th</sup> June 2010).

(v) Currently abatements are available to certain services such as 'Renting of a cab', 'Erection, Commissioning & Installation Service', 'Goods Transport Agency service' and 'construction services'. Similar abatements would be available to such services, when provided wholly within an airport or a port or other port, under the new definition of airport or port or other port services. (Notification No. 40/2010-ST dated 28<sup>th</sup> June, 2010 as corrected by corrigendum dated 30<sup>th</sup> June, 2010 and notification no. 43/2010-ST, dated 28<sup>th</sup> June, 2010 refers)

(vi) Exemptions/exclusions are available to warehousing of agriculture products and cold storage facilities under 'Storage & Warehousing Service, transport of export goods in an aircraft by an aircraft operator and site formation and clearance, excavation and demolition services etc. when provided in the course of construction Port or airport. These benefits would continue to be available when such services are provided wholly within port/airport and are classified under port/ airport service (Refer Notification No. 41/2010-ST, dated 28<sup>th</sup> June, 2010 refers).

**4.4** All other services carried out within a port or other port or an airport would be subjected to service tax under the category of port/other port/ airport services.

#### **5. Sponsorship Service**

As per the provisions of the Finance Act, 2010, the definition of existing taxable service, namely 'the Sponsorship Service' was amended to remove the exclusion available for sponsorship pertaining to sports. The measure was taken to prevent exclusion benefiting certain sponsored sports events, which are organized by private organizations or business entities as commercial ventures. However exemption is provided for sponsorship services with reference to certain sports championships or tournaments, such as national tournament (Refer Notification No. 30/2010 - Service Tax dated 22<sup>nd</sup> June, 2010).

#### **6. Construction services**

**6.1** In the Finance Act, changes have been made in the construction services, both commercial construction and construction of residential complex, using 'completion certificate' issued by 'competent authority'. Before the issuance of completion certificate if agreement is entered into or any payment is made for sale of complex or apartment in residential complex, service tax will be leviable on such transaction since the builder provides the construction service. Completion certificate issued by a Government authority was prescribed as demarcation by introducing an Explanation in the Finance Act. During the post budget discussions, it was pointed that practice regarding issuance of completion certificates varies from state to state. Considering the practical difficulties, the scope of the phrase 'authority competent' to issue completion certificate has been widened by issuing an order for removal of difficulty ( Refer M.F.(D.R) Order No.1/2010 dated 22<sup>nd</sup> June

2010). Completion certificate issued by an architect or chartered engineer or licensed surveyor can be now taken to determine the service tax liability.

**6.2** After the Budget was introduced views were expressed that the tax liability on construction sector has been tightened at a time when the sector was recovering after recession. After considering the issue, abatement available for construction of industrial or commercial complex and also residential complex has been prescribed as seventy five per cent. This means now tax incidence will be the rate of service tax applied on twenty five per cent of gross value of commercial or residential complex or unit, broadly representing the service component in the construction, subject to conditions (Refer Notification 29/2010-Service Tax, dated 22<sup>nd</sup> June 2010). Importantly seventy five percent abatement will be applicable only if the gross value of commercial or residential complex or unit includes cost of land. Otherwise the existing rate of abatement of 67% would continue to apply.

**6.3** Exemption has been provided for construction of residential complex service, when the same is rendered as part of Jawaharlal Nehru national Urban Renewal Mission (JNNURM) and Rajiv Awaas Yojana (Refer Notification No.28/2010- Service Tax, dated 22<sup>nd</sup> June 2010). These are flagship schemes of the Government of India to provide shelter for the poor and the disadvantaged and hence taxable service of construction of complex in the context of these two development schemes have been kept out of the ambit of service tax.

#### **7. Transport of Goods by Rail**

**7.1** Service tax on transport of goods by railways was introduced vide Finance (No.2) Act, 2009, to bring parity between all modes of transportation of goods. The levy is not yet operational and this levy will now take effect from January 2011 (refer Notification No.33/2010-Service Tax, No.34/2010- Service Tax, No. 35/2010- Service Tax all dated 22<sup>nd</sup> June 2010).

#### **8. Transmission of Electricity**

**8.1** Vide Budget notification 11/2010-ST, dated 27<sup>th</sup> February 2010, transmission of electricity was exempted from service tax. Subsequent to post budget discussions, taxable service provided by a distribution licensee or a distribution franchisee authorised to distribute power under the Electricity Act, 2003 for distribution of electricity is also exempt from levy of service tax (Refer Notification No.32/2010-Service Tax dated 22nd June 2010).

**9.** Certain issues arising out of the budgetary changes and the post-enactment legislations (especially taxes pertain to real estate sector) may not have been covered in this communication. While some of the requests/ suggestions are under examination, I look forward to receive your valuable feedback and suggestions on any other unresolved issues. Kindly send them to me, or to Mr. J.M. Kennedy, Director (TRU) or Mr. Samar Nanda, Technical Officer (TRU) within a fortnight so that all such issues can be taken up and clarified wherever needed.

## Cenvat Credit not Admissible on Inputs for Repair and Maintenance of Capital Goods

### No Credit for Inputs for Structures for Capital Goods

[CBEC Instruction No. 267/11/2010-CX8 dated 8<sup>th</sup> July 2010]

Subject: Availability of cenvat credit on inputs used in the manufacture of capital goods.

I am directed to invite your attention to the landmark judgement of the CESTAT Larger Bench in the case of Vandana Global Ltd. V/s CCE, Raipur [2010-TIOL-624-CESTAT-DEL-LB] delivered on 30.04.10, on admissibility of credit on capital goods and inputs and to state that the Tribunal has ruled that 'capital goods' defined in the CENVAT Credit Rules, in the context of providing credit of duty paid, have to be excisable goods. Whether a particular plant or structure embedded to earth can be considered as excisable goods or not has to be determined in the light of settled decisions of Supreme Court on the issue. The Tribunal has further ruled that goods like cement and steel items used for laying 'foundation' and for building 'supporting structures' cannot be treated as either inputs for capital goods or as inputs in relation to the final products and therefore, no credit of duty paid on the same can be allowed under the CENVAT Credit Rules. It has also been stated by Tribunal that amendment to Explanation 2 to Rule 2(k) of CENVAT Credit Rules, 2004 inserted vide Notification No. 16/2009-CE (NT) dated 07.07.09, is clarificatory in nature and has retrospective effect.

2. Attention is also drawn to the Tribunal's judgement in the case of Vikram Cement V/s CCE, Indore [2009(242)ELT545(Tri-Del)], where the Tribunal held that credit on welding electrodes used for repair and maintenance, is not available as input. It may also be noted that in

the case of Vikram Cements V/s CCE, Indore [2005(187)ELT145(SC)], it has been conclusively held by the Apex Court that the definition of capital goods is not inclusive and only the items covered under the definition and used in the factory of the manufacturer can be treated as capital goods.

3. It thus follows from the above judgements that credit on capital goods is available only on items, which are excisable goods covered under the definition of 'capital goods' under CENVAT Credit Rules, 2004 and used in the factory of the manufacturer. As regards 'inputs', they have to be covered under the definition of 'input' under the CENVAT Credit Rules, 2004 and used in or integrally connected with the process of actual manufacture of the final product for admissibility of cenvat credit. The credit on inputs used in the manufacture of capital goods, which are further used in the factory of the manufacturer is also available, except for items like cement, angles, channels, CTD or TMT bars and other items used for construction of factory shed, building or laying of foundation or making of structures for support of capital goods. Further, credit shall also not be admissible on inputs used for repair and maintenance of capital goods.

4. In view of above stated position, necessary action may be taken to safeguard revenue immediately. Pending cases on the issue may also be taken up immediately for finalisation.

## No Automatic 0.5% Loss on Account of Broken of Bottles from Now Onwards

Subject: Tolerance of breakage of bottles due to handling during storage and clearance.

930-CBEC 09.07.2010 (DoR) It has been brought to the notice of the Board that some of the manufacturers of bottled beverages are claiming the

benefit of duty exemption in respect of breakage of PET bottles upto 0.5% citing the Board's Instruction letter No. ID/3/70-CX8, as amended vide letter F.No. 261/ID/1/75-CX8 dated 17.09.1975. As per the letter dated 17.09.75, tolerance of 0.5% is allowed on account of breakage of bottles due to handling in the course of movements from the manufacturing area to bonded store rooms and breakages during storage and clearance there-from. It has also been observed that in some judicial pronouncements, this benefit has been allowed to the parties, on the limited ground that the said instruction has not been rescinded/ modified by the Board and further the cenvat credit taken on bottles as input have been allowed to be retained by the assessee.

2. The matter has been examined. The instructions mentioned above were issued prima-

rily in the context of use of glass bottles. At the relevant time, the scheme of Modvat/CENVAT credit was not available to the assessee and, therefore, there was no issue of reversal of credit taken on bottles, which were subsequently broken/ destroyed. After the introduction of MODVAT and subsequent replacement of the same with CENVAT, any circular, instruction or provision inconsistent with the same has no relevance. As per the provisions of Rule 21 of Central Excise Rules, 2002, remission of duty before removal can be claimed on any goods lost or destroyed by natural causes or unavoidable accident, claimed by manufacturer to be unfit for consumption or marketing. The said remission is granted subject to the condition of reversal of cenvat credit taken on inputs used in the final product, as per the Circular No. 800/33/2004-CX dated 01.10.2004. Rule 3(5C) was also inserted in CENVAT Credit Rules, 2004, w.e.f 07.09.07, to specifically provide for the same. Further, as per Rule 3(5B) of CENVAT Credit Rules, 2004, if the value of any input is

## Minerals Exports – 'State of Origin' Must Included in the Shipping Bill

[F.No. 450/66/2009-Cus.IV dated 8<sup>th</sup> July 2010]

Subject: Efficient Mineral Administration.

I am directed to invite your attention on the above-mentioned subject and state that the issue of illegal mining of minerals came up for discussion during a Committee of Secretaries Meeting dated 20<sup>th</sup> May, 2010, which was held under the Chairmanship of Cabinet Secretary.

2. In the meeting, it was decided that Customs Commissionerates shall share the details of minerals exported through the Ports within their respective jurisdiction with the concerned State Governments on a periodical basis. The details to be shared may include the name of the 'State of origin', name and details of the exporter, name of the minerals, quantity and value thereof etc., so that by cross-verification, any leakage of revenue by way of less payment of royalty could be detected by the State Government. The exact modalities of information/data exchange may, however, be worked out in consultation with the concerned State Government.

3. In this connection, it is stated that the sharing of information, as mentioned in Para 2 above, may not pose any difficulty as in the format for the shipping bill there is a data field for capturing the 'State of Origin'. Accordingly, the Board desires that urgent necessary action may be taken to implement the above CoS decision in consultation with the State Governments concerned.

4. Difficulties, if any, in implementation of the instruction may be brought immediately to the notice of the Board.

written off, the cenvat availed on the same is required to be reversed. Therefore, if the final product (i.e bottled beverage) is broken/ destroyed then remission can be claimed and if the bottle (input) is written off by the assessee as destroyed, the same is required to be dealt with as per the provisions of Rule 3(5B) of CENVAT Credit Rules, 2004.

3. In view of above, the application of the letters/ instructions quoted in para1 above, in the said judicial pronouncements, without recourse to the aforesaid provisions of law, is therefore *per incuriam*. Necessary action may be taken to safeguard revenue. Nevertheless, to avoid such disputes in future, it is stated that the instructions/ letters quoted in para1 above have no relevance in the present CENVAT scheme, and the instructions stand rescinded.

4. Trade & Industry as well as field formations may be suitably informed.

F.No.261/03/2009-CX8

## 24x7 Operations at 12 Major Ports on Trial Basis for 45 Days

[Ref: F.No.450/25/2009-Cus.IV dated 5<sup>th</sup> July 2010]

Sub: Allocation of Staff to Seaports for 24x7 operations.

Reference is invited to Board's letter F.No. A.11013/12/2007-Ad.IV dated 16th August, 2007 regarding strengthening of Customs and Central Excise Department with a view to increasing operational efficiency and allocation of 4647 additional posts. (Copy enclosed)

2. Vide the above letter, it was also conveyed that Union Cabinet has approved creation of 475 posts in various grades for 24\*7 operations of Seaports located across the country Vishakhapatnam, Kolkata. Mundra, Okha, Sikka, Mangalore, JNPT, Mumbai. Paradeep, Gopalpur, Ennore and Chennai. This was done in pursuance to the recommendations given by the Inter Ministerial Group on Customs Procedures and Functioning of Container Freight Stations and Ports.

3. Now, the Task Force of the Department of Commerce to reduce transaction cost involved in exports has recommended that customs operations should be made available on 24x7 basis at identified 14 customs locations, especially on weekends This recommendation has been accepted by the government.

4. Accordingly, it has been decided to introduce 24\*7 operations in the customs stations mentioned at Para 2 above on trial basis in the following phases

(a) Phase 1: Provide services for delivery of export goods (15 days)

(b) Phase 2: Provide delivery for RMS facilitated import goods (15 days)

(c) Phase 3: Provide facility of assessment and examination of import/export goods (15 days)

5. After the total 45 days trial period, the outcome will be reviewed and based upon the success achieved subject to getting additional staff sanction and custodians, CHAs, banks and other related agencies agreeing to provide necessary complementary services, a decision will be taken by the Board to expand the services to the other customs locations.

6. You are, therefore, requested to take necessary steps to ensure that the trial is undertaken in a time-bound manner starting from 15th July, 2010. Further, custodians, CHAs banks and other related agencies may also be impressed upon for their cooperation/participation in the trial, based on requirement.

7. On completion of the trial period, a report on the outcome may be sent to the Board, preferably by 15th September, 2010.

8. Wide Publicity may be given to the trial 24x7 facilities being provide

## 4647 New Posts for Service Tax Created

[Ref: F.No.A.11013/12/2007-Ad.IV dated 16<sup>th</sup> August 2007]

Sub: Strengthening of Customs and Central Excise Department with a view to increasing operational efficiency - allocation of 4647 additional posts in CBEC

In continuation of this Ministry's letter of even number dated 7th August, 2007 conveying sanction of 4647 additional posts created with a view to increasing operational efficiency in the areas i.e. Service Tax Administration, Internal Audit of Service Tax and Central Excise and Customs Administration. I am directed to intimate the Commissionerate-wise allocation of 4647 sanctioned posts, as follows:-

**Annexure-O** Allocation of 60 posts in the Grade of Peon.

2. All concerned are requested to initiate expeditious steps to fill the allocated posts at the earliest. In the case of promotion quota, DPCs can be completed and the promotions ought to

**Appendix** Parameter adopted for allocation of newly-created posts to the various field formations in CBEC.

**Annexure-A** Allocation of 4587 additional posts created for Service Tax Administration, Internal Audit of Central Excise and Service Tax Audit and Customs Administration.

**Annexure-B** List of ICD/CFS for which additional posts have been created and included in the Annexure - 'A' above.

**Annexure-C** List of Sea ports for which 475 posts created in various grades and included in the Annexure - A above.

### Annexure – C of Letter F.No. A 11013/12/2007/Ad.IV dated 16.08.2007

Commrts	Ports	ADC	AC	Supdt.	Inspector	STA	TA	Sepoy
1. Vishakhapatnam	Vishakhapatnam	0	1	5	6	1	1	3
2. Kolkata (Port)	Kolkata	1	2	10	12	3	3	7
3. Jamnagar	Mundra	1	2	10	12	4	4	7
	Okha	0	2	10	12	4	4	7
	Sikka	0	2	10	12	4	4	7
		<b>1</b>	<b>6</b>	<b>30</b>	<b>36</b>	<b>12</b>	<b>12</b>	<b>21</b>
4. Mangalore	Mangalore	0	2	10	12	4	4	7
5. Nhava Sheva	JNPT	1	4	20	24	7	7	9
6. Bhubaneswar	Mumbai Cus. Gen.	1	3	13	15	5	5	9
	Paradeep	0	1	5	6	2	2	7
7. Chennai Customs	Gopalpur	0	0	5	6	2	2	7
		<b>0</b>	<b>1</b>	<b>10</b>	<b>12</b>	<b>4</b>	<b>4</b>	<b>14</b>
7. Chennai Customs	Ennore	0	1	10	12	4	4	7
	Chennai	1	3	15	18	6	6	8
		<b>1</b>	<b>4</b>	<b>25</b>	<b>30</b>	<b>10</b>	<b>10</b>	<b>15</b>
<b>Total</b>		<b>5</b>	<b>23</b>	<b>123</b>	<b>147</b>	<b>46</b>	<b>46</b>	<b>85</b>

be effected by 15th October, 2007. In the case of direct recruitment of Group 'D' posts, the exercise must be completed by 31\*1 December, 2007.

## Appendix

Fifteen 'Heavy workload ICDs/CFSs' have been proposed to be allocated 2 such staffing modules each, while workload-wise top 25 ICDs out of total 31 'Normal Workload' ICDs (As detailed in Annexure 'B') have been proposed to be allocated one staffing module each. Staff strength proposed for these ICDs has been shown clubbed with other allocations for their respective controlling Commissionerates in the Annexure 'A'. Minimum workload ICDs have not been proposed to be allocated additional staff strength.

### (d) Allocation of Staff to International Airports

After the year 2002 following 15 Airports have been notified as International Airports for the purpose of Passenger Baggage and Cargo Clearance.

Lucknow, Vishakhapatnam, Guwahati, Port Blair, Gaya, Dabolim, Srinagar (J&K), Indore, Pune, Nagpur, Bhubaneswar, Jaipur, Coimbatore, Tiruchirapalli, Bangalore.

Union Cabinet has approved total staff strength of 390 posts in various grades for providing staff strength to such Airports. This works out to 15 staffing modules consisting of 1 AC/5 Superintendent, 10 Inspectors & 10 Sepoys. Controlling Commissionerates of each of the 15 Airports listed above have been proposed to be allocated one module each.

### (e) Allocation of Staff to Seaports for 24x7 Operations

Union Cabinet has approved creation of 475 posts in various grades for 24x7 operations of Seaports located across the Country. Following Sea Ports have been allocated staff strength according to their workload (handling of various import/export documents) and revenue realization:

## ITC HS Codes Aligned with Customs HS 2007 Codes

Subject: Alignment of Schedule I of ITC(HS) Classification with Customs Tariff entries.

51-Ntfn(RE) In exercise of powers conferred by Section 5 of the Foreign  
08.07.2010 Trade (Development and Regulation) Act, 1992 read with  
(DGFT) paragraph 2.1 of the Foreign Trade Policy – 2009-2014, the Central Government  
hereby amends Schedule – I (Imports) of the ITC (HS) Classifications of Export  
and Import Items as under:

Exim Code	Item Description	Policy Conditions	Policy
(1)	(2)	(3)	(4)
1.	In Chapter 53,-		
(i)	in heading 5305,-		
	(a) in sub-heading 5305 00, for the items 5305 00 10 and 5305 00 20, and the entries relating thereto, the following item and the entries shall be substituted, namely: -		
5305 00 10	--- Coir bristle fibre, coir mattress fibre, coir short fibre, coir bit fibre, decorticated coir fibre	Free	
	(b) in sub-heading 5305 00, for the item 5305 00 40, and the entries relating thereto, the following item and the entries shall be substituted, namely: -		
5305 00 40	--- Coir pith, processed in value added forms like briquette, coins, neo disc, grow bags, organic manure and in loose form for use in horticulture or agriculture.	Free	
	(c) in heading 5308, in sub-heading 5308 10, after the item 5308 10 10 and the entries relating thereto, the following item and the entries shall be inserted, namely: -		
5308 10 20	--- Spooled hanks	Free	
	(d) in heading 5311, in sub-heading 5311 00, after the item 5311 00 14, and the entries relating thereto, the following item and the entries shall be inserted, namely: -		
5311 00 15	---- Of coir including log form and geotextiles	Free	
2.	In Chapter 56, in heading 5602, for item 5602 90 00, and the entries relating thereto, the following sub-heading, items and the entries shall be substituted, namely: -		
5602 90	- Other		
5602 90 10	--- Of Rubberised coir, needled felt.	Free	
5602 90 90	--- Other	Free	
3.	In Chapter 57,-		
(i)	in heading 5701, in sub-heading 5701 90, after the item 5701 90 10 and the entries relating thereto, the following item and the entries shall be inserted, namely: -		
5701 90 20	--- Of coir including geo textile	Free	
(ii)	in heading 5702, in sub-heading 5702 42, after the item 5702 42 20 and the entries relating thereto, the following item and the entries shall be inserted, namely: -		
5702 42 30	--- Carpets, rugs and mats of Handloom	Free	
(iii)	in heading 5703, in sub-heading 5703 90, after the item 5703 90 10 and the entries relating thereto, the following item and the entries shall be inserted, namely: -		
5703 90 20	--- Carpets and floor coverings of Coir	Free	
(iv)	in heading 5705, in sub-heading 5705 00,		
	(a) after the item 5705 00 23, and the entries relating thereto, the following item and the entries shall be inserted, namely: -		
5705 00 24	---- Cotton Durries of handloom (including Chindi Durries, Cotton Chenille Durries, Rag Rug Durrie, Printed Durries, Druggets)	Free	
	(b) after the item 5705 00 41 and the entries relating thereto, the following item and the entries shall be inserted namely: -		
5705 00 42	---- Mats and matings including Bath Mats, where cotton predominates by weight, of Handloom, Cotton Rugs of Handloom	Free	
4.	In Chapter 94, in heading 9404, in sub-heading 9404 29, after the item 9404 29 10, and the entries relating thereto, the following items and the entries shall be inserted, namely: -		
9404 29 20	--- Of Rubberised coir with or without combination of other materials, whether or not with metallic springs.	Free	
5.	This issues in public interest.		

## Agri Export and Earth Moving Services within Port Exempted

41-ST In exercise of the powers  
28.06.2010 conferred by sub-section (1) of  
(DoR) section 93 of the Finance Act,  
1994 (32 of 1994) (hereinafter referred to as the Finance Act), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby exempts the following services when provided wholly within the port or other port or airport, namely, -

(i) taxable service provided by a cargo handling agency in relation to, agricultural produce or goods intended to be stored in a cold storage;

(ii) taxable service provided by storage or warehouse keeper in relation to storage and warehousing of agricultural produce or any service provided for storage of or any service provided by a cold storage;

(iii) taxable service in relation to transport of export goods in an aircraft by an aircraft operator;

(iv) taxable service of site formation and clearance, excavation and earthmoving and demolition and such other similar activities.

2. This notification shall come into force on 1st day of July, 2010.

[F. No. 334/3/2010 -TRU]

## Renumbering of Entries – I

40-ST In exercise of the powers  
28.06.2010 conferred by sub-section (1)  
(DoR) of section 93 of the Finance  
Act, 1994 (32 of 1994), the  
Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 1/2006-Service Tax, dated the 1 st March, 2006, G.S.R. 115(E), dated the 1 st March, 2006, with effect from the 1st day of July, 2010, namely: -

In the said notification, in the Table,

(i) in S.No.3 for the entry in column (2), for the letters and brackets "(o)", letters and brackets "(o) or (zn) or (zzl) or (zzm)" shall be substituted;

(ii) in S.No.5 for the entry in column (2), for the letters and brackets "(zzd)", letters and brackets "(zzd) or (zn) or (zzl) or (zzm)" shall be substituted;

(iii) in S.No.6 for the entry in column (2), for the letters and brackets "(zzp)", letters and brackets "(zzp) or (zn) or (zzl) or (zzm)" shall be substituted;

(iv) in S.No.7 for the entry in column (2), for the letters and brackets "(zzq)", letters and brackets "(zzq) or (zn) or (zzl) or (zzm)" shall be substituted;

(v) in S.No.7(a) for the entry in column (2), for the letters and brackets "(zzq)", letters and brackets "(zzq) or (zn) or (zzl) or (zzm)" shall be substituted;

(vi) in S.No.10 for the entry in column (2), for the letters and brackets "(zzzh)", letters and brackets "(zzzh) or (zn) or (zzi) or (zzm)" shall be substituted;

(vii) in S.No.10(a) for the entry in column (2), for the letters and brackets "(zzzh)", letters and brackets "(zzzh) or (zn) or (zzi) or (zzm)" shall be substituted;

(viii) in S.No.11 for the entry in column (2), for the letters and brackets "(zzzp)", letters and brackets "(zzzp) or (zn) or (zzi) or (zzm)" shall be substituted.

(F. No. 334/03/2010-TRU)

## Renumbering of Entries – II

43-ST In exercise of the powers conferred by sub-section (1) of 30.06.2010 section 93 of the Finance Act, 1994 (32 of 1994), the (DoR) Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the following amendment in the Notification of the Government of India in the Ministry of Finance (Department of Revenue) No.13/2008-Service Tax dated 1<sup>st</sup> March, 2008 which was published in the Gazette of India, Extraordinary, vide number G.S.R. 157 (E), dated the 1<sup>st</sup> March, 2008, namely:-

In the said notification, the letters and brackets "(zzp)" shall be substituted with the letters and brackets "(zzp) or (zn) or (zzi) or (zzm)".

F. No. 334/03/2010-TRU

## Change of Raipur Dy. DGFT Office Address

Subject: Change of Office address of Regional Authority, Raipur.

81-PN(RE) In exercise of powers conferred under paragraph 2.4 13.07.2010 of the Foreign Trade Policy 2009-2014, the Director (DGFT) General of Foreign Trade hereby makes the following amendment in the List of Regional Authorities given under Appendix 1 of Handbook of Procedure (Vol. I) 2009-2014:

SNo.	Name & address	Telephone No./ Fax No./ E-mail	Territorial Jurisdiction
19(A)	The Deputy Director General of Foreign Trade, CSIDC Bhavan, Pt. Deendayal Upadhyay Nagar, Sector-4, Ring Road No.-1, Raipur, Chhattisgarh - 492010	Tel-0771-2263450 Fax-0771-2262450 e-mail - dgft.raipur@nic.in	State of Chhattisgarh

This issues in public interest.

## Indian Oilseeds and Produce EPC is New Name for Oilseed and Produce Exporters Association EPC

76-PN(RE) In exercise of powers conferred under Paragraph 2.4 of 29.06.2010 the Foreign Trade Policy 2009 2014, the Director (DGFT) General of Foreign Trade hereby makes the following amendments in Appendix 4C (List of Agencies

Authorised to Issue Certificates of Origin - Non Preferential) of the Handbook of Procedures (Vol.I):

The name of agency appearing at S. No. 23 under the State of Maharashtra in Appendix 4C is hereby changed as under:

SNo.	Old name	New name
23	Indian Oilseeds & Produce Exporters Association EPC 78-79, Bajaj Bhavan, Nariman Point, Mumbai-400021. Phone: 022-2202 3225/ 2202 9295 FAX : 022-2202 9236 E-mail: iopea@bom3.vsnl.net.in Website:www.iopea.org	Indian Oilseeds and Produce Export Promotion Council 78-79, Bajaj Bhavan, Nariman Point, Mumbai-400021. Tel (91-22)2202 3225/ 2202 9295 FAX : ( 91-22) 2202 9236 E-mail: info@iopea.org Website:www.iopea.org

This issues in Public interest.

## Tariff Value on Brass Scrap Hiked by US \$33/MT

66-Cus(NT) In exercise of the powers conferred by sub-section (2) of 15.07.2010 section 14 of the Customs Act, 1962 (52 of 1962), the (DoR) Board, being satisfied that it is necessary and expedient so to do, hereby makes the following further amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 36/2001-Cus (N. T.), dated, the 3<sup>rd</sup> August 2001, namely: -

In the said notification, for the Table, the following Table shall be substituted namely:-

Table			
SNo.	Chapter/ heading/ sub-heading/ tariff item	Description of goods	Tariff value US \$ (Per Metric Tonne)
(1)	(2)	(3)	(4)
1.	1511 10 00	Crude Palm Oil	447 (i.e. no change)
2.	1511 90 10	RBD Palm Oil	476 (i.e. no change)
3.	1511 90 90	Others – Palm Oil	462 (i.e. no change)
4.	1511 10 00	Crude Palmolein	481 (i.e. no change)
5.	1511 90 20	RBD Palmolein	484 (i.e. no change)
6.	1511 90 90	Others – Palmolein	483 (i.e. no change)
7.	1507 10 00	Crude Soyabean Oil	580 (i.e. no change)
8.	7404 00 22	Brass Scrap (all grades)	3678
9.	1207 91 00	Poppy seeds	2744

[F. No. 467/4/2010-Cus.V]

## Deora Compliments Delhi Government for Reducing Sales Tax on Diesel

### Petroleum Minister Calls Upon Other States to Follow the Example Set by Sheila Dixit Government

The Minister of Petroleum & Natural Gas, Murli Deora has reiterated his earlier appeal to State Governments to reduce and rationalize the Sales Tax/VAT on sensitive petroleum products – PDS kerosene, diesel and petrol to provide relief to the consumers. In this regard, he had spoken to Chief Minister Delhi also. In a statement on 16 July, he complimented Sheila Dixit's Government for responding positively by reducing the Sales Tax on Diesel from 20% to 12.5%. This, Mr. Deora said, would provide relief to the consumers from the additional sales tax levied as a result of recent price hike due to the advalorem nature of the State taxes and in fact bring down Diesel prices to a level lower than the prices prevailing before the increase effected on 25th June, 2010. He expressed hope that other States would also follow Delhi's example to provide relief to consumers.

Mr. Deora also pointed out that the Central Excise Duty on Petrol & Diesel has been converted into fixed rates while the excise and customs duty on PDS Kerosene and Domestic LPG has been reduced to nil being common man's fuel. He referred to the high rates of sales tax levied in many of the States on Petrol & Diesel, which has further compounded the increase in basic prices in the States. He cited an example of Bihar which levies 12.5% tax on PDS kerosene, whereas even after recent increase Central Government/OMCs would incur under-recovery of more than Rs.16,000 crore on kerosene. It is, therefore, in the interest of the consumers of the respective States that they reduce the sales tax collected on Petrol, Diesel and kerosene

[Source: PIB Press Releases dated 16 July 2010]

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amendment is adopted, the EU-wide system for granting approval for the cultivation of genetically modified seeds in Europe will remain in place, Commissioner Dalli insisted on Tuesday.

The EU-level process considers petitions from biotech companies on a case-by-case basis, evaluating the potential environmental and health effects of each new GM seed for which a petition has been submitted. Only two genetically modified seeds have been approved for cultivation in Europe: a strain of maize produced by agriculture giant Monsanto and a type of starch potato from Amflora, which was approved in March, but only for industrial uses. The amendment proposed on Tuesday, however, would allow individual member states the right to effectively overrule the bloc-level authorisation of GM seeds.

The 27-nation EU has long been schizophrenic in its attitudes toward GMOs. Member states Austria, Bulgaria, Germany, Greece, Hungary, Ireland and Luxembourg have issued blanket bans on the cultivation of GM seeds, citing health and environmental concerns under a safeguard clause contained in the 2001 directive. Other countries, however - including the Czech Republic, the Netherlands and the United Kingdom - appear more open to allowing their farmers to grow the altered crops.

## Farm Subsidies Up in 2009

The world's rich countries boosted government support for agriculture in 2009, according to a report that the Organisation for Economic Co-operation and Development (OECD) released last week. The report, "Agricultural Policies in OECD Countries: At a Glance 2010," is part of the OECD's annual effort to quantify and assess the support that its 31 developed country members provide to their agricultural producers.

The OECD found that the Producer Support Estimate (PSE) rose to US\$252 billion dollars in 2009, which was the equivalent of 22 percent of total farm receipts in that year. In 2008, the share of farm receipts attributable to agricultural support was 21 percent.

The support increase among OECD countries was primarily due to dips in agricultural commodity prices, which had been exceptionally high during the previous two years. Many of these subsidies are tied to prices, and tend to increase when prices drop. The global economic crisis also played a role in the up-tick in state support, as governments sought to shield their producers from the drop in global demand, especially for "higher value-added products," such as meat and dairy.

While rich countries enacted only a few new policy measures in 2009, much of the registered increase in support came under policies that were already in place, especially those policies that most distort agricultural trade and production, which are still prevalent in OECD countries. Such support mechanisms, combined with the dampened world commodity prices, caused the amount of agricultural support to go up relative to total farm receipts - even though many OECD countries have begun to transition away from using the most distorting subsidies.

## Customs Valuation Exchange Rates

July 2010	Imports	Exports	
<b>Schedule I</b>			
1 Australian Dollar	40.70	39.60	Rate of exchange of one unit of foreign currency equipment to Indian Rupees
2 Canadian Dollar	45.25	43.95	
3 Danish Kroner	7.85	7.55	
4 EURO	58.10	56.50	
5 Hong Kong Dollar	6.05	5.90	
6 Norwegian Kroner	7.25	7.05	
7 Pound Sterling	70.40	68.55	
8 Swedish Kroner	6.05	5.90	
9 Swiss Franc	42.75	41.65	
10 Singapore Dollar	33.80	32.95	
11 U.S. Dollar	46.95	46.00	
<b>Schedule II</b>			
1 Japanese Yen	52.65	51.15	Rate of exchange of 100 units of foreign currency equivalent to Indian rupees

(Source: Customs Notification 50(NT)/28.06.2010)

## Commodity Spot Prices in India – 15-17 July 2010

These commodity prices are taken from Multi Commodity Exchange of India (Mumbai) at 6 pm every day. The weekly prices of commodities from different cities of India will be given in the order of Harmonized System classification.

Commodity Spot Prices covers price movements of 55 commodities (agricultural products and metals) provided on Multi Commodity Exchange of India on a daily basis. This Commodity Spot Prices Table focuses on price movements from 15-17 July.

Commodity	Unit	Market	15-Jul	16-Jul	17-Jul
CER (Carbon Trading)	1 MT	Mumbai	711	707	731
Chana	100 KGS	Delhi	2189	2204	2235
Masur	100 KGS	Indore	3595	3603	3600
Potato	100 KGS	Agra	432.7	416.2	410.7
Potato TKR	100 KGS	Tarkeshwar	NA	NA	NA
Arecanut	100 KGS	Mangalore	7735	7645	7642
Cashewkern	1 KGS	Quilon	313	310	310
Cardamom	1 KGS	Vandanmedu	1658.1	1666.2	1668.8
Coffee ROB	100 KGS	Kushalnagar	80.6	82.6	82
Jeera	100 KGS	Unjha	13797	13790	13773
Pepper	100 KGS	Kochi	19380	19477	19509
Red Chili	100 KGS	Guntur	5034	5035	5035
Turmeric	100 KGS	Nzmbad	15367	15384	15384
Guar Gum	100 KGS	Jodhpur	5725	5550	5525
Maize	100 KGS	Nzmbad	1033.5	1043.5	1050
Wheat	100 KGS	Delhi	1259.6	1260.4	1258.3
Mentha Oil	1 KGS	Chandausi	757	752.3	753.5
Cotton Seed	100 KGS	Akola	1351	1322	1334
Castorsd RJK	100 KGS	Rajkot	3677	3679.5	3693
Guar Seed	100 KGS	Jodhpur	2460	2422	2395
Soya Bean	100 KGS	Indore	1918.5	1937.5	1945.5
Mustrdsd JPR	20 KGS	Jaipur	521.75	523.2	528
Sesame Seed	100 KGS	Rajkot	5375	5450	5458
Coconut Oil Cake	100 KGS	Kochi	1196	1196	1196
RCBR Oil Cake	1 MT	Raipur	6280	6310	6310
Kapaskhali	50 KGS	Akola	1106	1092.5	1100
Coconut Oil	100 KGS	Kochi	5512	5538	5538
Refsoy Oil	10 KGS	Indore	453.4	460.45	459.4
CPO	10 KGS	Kandla	374	377.5	375.5
Mustard Oil	10 KGS	Jaipur	499.5	513.8	514.8
Gnutoilexp	10 KGS	Rajkot	810	814.3	814.7
Castor Oil	10 KGS	Kandla	765	770	770
Crude Oil	1 BBL	Mumbai	3592	3581	3557
Furnace Oil	1000 KGS	Mumbai	29319	29320	29320
Sourcrd Oil	1 BBL	Mumbai	3409	3465	3465
Brent Crude	1 BBL	Mumbai	3522	3512	3488
Gur	40 KGS	Muzngr	980	980.8	979.6
Sugars	100 KGS	Kolhapur	2623	NA	2625
Sugarm	100 KGS	Delhi	2856	2850	2850
Natural Gas	1 mmBtu	Hazirabad	200.8	214.3	211.5
Rubber	100 KGS	Kochi	18566	18409	18126
Cotton Long	1 Candy	Kadi	29380	29390	29400
Cotton Med	1 Maund	Abohar	2934.5	2940	2945
Jute	100 KGS	Kolkata	3012	3002	3084
Gold	10 GRMS	Ahmd	18428	18380	18300
Gold Guinea	8 GRMS	Ahmd	14802	14763	14699
Silver	1 KGS	Ahmd	29150	29105	28760
Sponge Iron	1 MT	Raipur	16915	16700	16745
Steel Flat	1000 KGS	Mumbai	32010	32380	32410
Steel Long	1 MT	Bhavnagar	26630	26600	26460
Copper	1 KGS	Mumbai	309.3	310.35	302.25
Nickel	1 KGS	Mumbai	902.7	899.4	899.4
Aluminium	1 KGS	Mumbai	93.05	94	94
Lead	1 KGS	Mumbai	84.15	83.7	83.7
Zinc	1 KGS	Mumbai	85.2	84.2	84.2
Tin	1 KGS	Mumbai	846.25	835.5	835.5

(Source: MCX Spot Prices)

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**Sugar Rises Most in 10 Days in London on Supply Scarcity**

White sugar rose the most in 10 days in London as refiners were squeezed by delayed shipments from Brazil and because of improving demand for the refined variety of the sweetener.

White, or refined, sugar's price premium over raw sweetener today climbed to the highest level since June 18. Rain delayed raw-sugar shipments from the Brazilian port of Santos, Sucden Financial Ltd. said.

White sugar for October delivery jumped \$13.40, or 2.6 percent, to \$533.40 a metric ton on the Liffe exchange. The gain was the biggest since July 8 in intraday terms. The contract is at a premium of about \$38 to December- delivery sweetener, a so-called backwardation that may signal scarcity.

**Palm Oil Gains for Eighth Day as Crude Cuts Loss, Restoring Biofuel Appeal**

Palm oil advanced for an eighth day, erasing an earlier drop, as crude oil pared losses and restored the appeal of the tropical oil as a biodiesel feedstock.

October-delivery futures reversed a decline in the last few minutes of trade, gaining 0.2 percent to 2,454 ringgit (\$760) a metric ton on the Malaysia Derivatives Exchange. The most-active contract lost as much as 0.8 percent earlier.

August-delivery crude was little changed at \$75.95 a barrel after falling as much as 0.7 percent earlier on the New York Mercantile Exchange. Oil dropped for a fourth day after the Thomson Reuters/University of Michigan preliminary consumer sentiment index for July fell to 66.5 from 76 in June, the lowest level since August.

The commodity had its first weekly gain in four last week and reached a six-week high on speculation that demand for the most-consumed vegetable oil will climb as Asian nations approach the festival season. China, India, Pakistan and Indonesia mark their important festivals in the quarter ending September, with communal meals stoking edible oils consumption.

**'Inventory Overhang'**

Still, the gain in palm oil production in Indonesia, the largest producer, may exceed the growth in demand, pressuring prices in the coming months, Khan said. Output in Malaysia, the second-largest, climbed 2.5 percent to 1.42 million tons in June, the nation's Palm Oil Board said last week.

Palm oil could decline as low as 2,200 ringgit, unless it exceeds 2,500 ringgit with a "strong breakout momentum," a RHB Research Institute Sdn. said in a note, citing technical charts.