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Government of India  
Ministry of Finance  
Department of Revenue  
(Tariff Unit)

**Sub: HS - 2002 changes effective from 1.1.2002 - implementation thereof. - Reg.**

I am directed to invite your attention to the subject mentioned above. As you are kindly aware, with a view to facilitating trade flows and analysing trade statistics in a uniform and coordinated manner, the Customs Co-operation Council had developed the Harmonized Commodity Description and Coding System (HS) in 1986. India was amongst the first few countries to adopt it for customs tariff purposes w.e.f. 28 February, 1986. The Customs Co-operation Council (since re-named as World Customs Organization) is responsible for the administration and maintenance of the HS Convention and the Harmonised System of Nomenclature (HSN) appended to it.

2. In June, 1999, the Customs Co-operation Council had adopted certain amendments to HSN, which will enter into force on 1<sup>st</sup> January, 2002. As a signatory to the HS Convention, India is under obligation to implement the same by carrying out corresponding amendments in its national Customs Tariff. Therefore, these amendments were incorporated in the Third Schedule (Part I and Part II) of the Finance Act, 2001 and it was provided in Clause 119 of the said Act that w.e.f. the date to be notified by the Central Government, the First Schedule to the Customs Tariff Act, 1975, shall be amended as provided in the Third Schedule. Part I of the Third Schedule to the Finance Act contains changes which do not involve creation of new headings or sub-headings. The Part II contains amendments resulting in creation of new headings and subheadings. Duty rates for each new heading/sub-heading have been provided in the said Schedule.

3. It may be mentioned that this is the third round of amendments to the HS since its inception. The changes this time, like the previous 1996 changes, are quite substantial and extensive. In all, there are 373 sets of amendments encompassing agricultural, chemical, paper, textile, base-metal, machinery and other sectors. About 8% of the HS 6 digit sub-headings have been affected by these amendments and their scope altered. Further, a number of chapter notes, sub-heading notes has undergone change leading to addition/deletion of such notes in many cases. Also, while headings have been split in a number of cases, some sub-headings have been merged into single headings. Descriptions in headings, sub-headings, chapter notes, sub-heading notes have been changed/modified in several cases. 65 sub-headings have been deleted due to low volume of trade. Scope of 177 sub-headings of various chapters has been modified, though their code number has not changed. An important feature of changes this time is that amendments have taken into account the environmental and social concerns besides the other factors such as technological advancements, changes in pattern of international trade, and the needs of the various users, etc. As many as 91 new sub-headings have been created for identification of certain specific categories of wastes, monitoring and control of certain live animals under CITES and narcotic drugs and psychotropic substances. Efforts have also been made to bring about clarity in certain existing texts. Some texts have also been amended to make them more consistent with scientific or customary terminology or with trade practice.

4. The amendments to the Customs Tariff as provided in the Third Schedule to the Finance Act, 2001, are slated to come into force on 01.1.2002. To make the transaction smooth, the WCO has brought out a booklet containing all the amendments to the Harmonised System of Nomenclature. A copy of this booklet is enclosed. It may be seen that this booklet presents all the amendments to the Nomenclature in the form of a table. It presents the relevant headings/subheadings as they presently exist (i.e. 1996 edition) and as they shall be read w.e.f. 01.1.2002. The objective and nature of each amendment has been explained in the "Remarks" column. The booklet also contains two correlation tables. Table I co-relates the 2002 version to the 1996 version of the Harmonised System and Table II co-relates the 1996 version to the 2002 version of the Harmonised System. Further, the booklet contains 3 Annexures. Annexure A gives a list of deletions by virtue of low volume of trade. Annexure B provides a list of new sub-headings for the separate identification of articles of environmental or social concern. Annexure C gives a list of sub-headings whose code number remains unchanged, although their scope has been modified.

5. The booklet may be perused for further details. It may be seen that major changes have been introduced in Chapters 27 (mineral fuels, mineral oils and products of their distillation), 29 (organic chemicals), 38 (miscellaneous chemical products), 41 (raw hides and skins and leather), 44 (wood and articles of wood), 48 (paper and paper board), 60 (knitted and Crocheted Fabrics), 85 (electrical machinery and equipment) and 90 (optical, cinematographic, photographic, measuring, checking and medical equipment). In Chapter 27, heading 27.10, dealing with crude petroleum oils has been split into 4 sub-headings and a separate sub-heading has been created for waste oils. In Chapter 38, a separate heading with 9 sub-headings has been created to cover

residual products of the chemical or allied industries, municipal waste, sewage sludge and other wastes. In Chapter 40, which deals with rubber products, 6 sub-headings have been created to cover new pneumatic tyres of rubber of a kind used on agricultural or forestry vehicles, construction or industrial handling machines etc. In Chapter 41, 3 new headings with 10 sub-headings have been created to deal with leather which has been further prepared after tanning. In Chapter 60, 4 new headings with 35 sub-headings have been created to cover knitted and crocheted fabrics of wool or fine animal hair/cotton/synthetic fibres/artificial fibres. In Chapter 85, a new definitions of software and smart cards have been provided.

6. The tariff lines deleted from the Tariff include 0711.10 (onions), 0812.20 (strawberries), 1104.11 & 1104.21 (rolled or flaked grains of barley), 1212.92 (sugarcane), 1515.60 (jojoba oil), 2001.20 (onions - preserved food), 25.27 (natural cryolite, natural chiolite), 2530.40 (natural micaceous iron oxides) 2620.50 (ash and residues of vanadium) 4301.20, 4301.40 & 4301.50 (raw furskins of rabbit or hare/beaver, musk-rat), 5308.30 (paper yarn), 5607.30 (twine codrage, ropes, cables of abaca fibres), 68.12 (fabricated asbestos yarn and thread, cords and strings etc.) 8430.62 (other machinery, not self-propelled - scrapers) and 85.08 (electro-mechanical tools for working in hand).

7. The enclosed booklet contains valuable information, which a Customs Officer would need to know for discharging his day to day work. Therefore, it is requested that it may be made accessible to all the Customs Officers working under your jurisdiction. The amendments may be implemented with effect from the date to be notified shortly. Any difficulty in implementing the same may kindly be brought to notice of the Board.

Please acknowledge receipt of this Circular.