

Summary of key tariff changes carried out in the Union Budget 2020-21 for electronics hardware sector

The Union Budget 2020-21 has been presented by the Hon'ble Finance Minister to the Parliament on 01.02.2020. The key tariff changes carried out in the Union Budget 2020-21 to promote domestic manufacturing of electronic goods, *inter-alia*, include:

- BCD on Printed Circuit Board Assembly (PCBA) of cellular mobile phones (HS 85177010) is being increased from 10% to 20% with effect from 01.04.2020 by increasing the tariff rate (Clause 115 (a) of the Finance Bill, 2020 refers). The existing BCD rate of 10% on PCBA of cellular mobile phones shall continue upto 31.03.2020. Notification No.2/2020-Customs dated 02.02.2020, inserting new S.No.21 in Notification No.57/2017-Customs dated 30.06.2017 refers.
- BCD@10% shall be levied on the Vibrator Motor/ Ringer for use in the manufacture of cellular mobile phones w.e.f. 01.04.2020. Inputs or parts and their sub-parts for use in manufacture of Vibrator Motor/ Ringer shall also be exempted from BCD w.e.f. 01.04.2020. Notification No.2/2020-Customs dated 02.02.2020, inserting new S.No.5C in Notification No.57/2017-Customs dated 30.06.2017 refers.
- BCD@10% shall be levied on the Display Assembly for use in the manufacture of cellular mobile phones w.e.f. 01.10.2020. Inputs or parts and their sub-parts for use in manufacture of Display Assembly shall also be exempted from BCD w.e.f. 01.10.2020. Notification No.2/2020-Customs dated 02.02.2020, inserting new S.No.5D in Notification No.57/2017-Customs dated 30.06.2017 refers.
- BCD@10% shall be levied on the Touch Panel/ Cover Glass Assembly for use in the manufacture of cellular mobile phones w.e.f. 01.10.2020. Inputs or parts and their sub-parts for use in manufacture of Touch Panel/ Cover Glass Assembly shall also be exempted from BCD w.e.f. 01.10.2020. Notification No.2/2020-Customs dated 02.02.2020, inserting new S.No.5E in Notification No.57/2017-Customs dated 30.06.2017 refers.

- BCD has been exempted on specified parts of Microphones (covered under HS 85181000) viz. (i) Microphone Cartridge; (ii) Microphone Holder; (iii) Microphone Grill; and (iv) Microphone Body, subject to actual user condition. Notification No.1/2020-Customs dated 02.02.2020, inserting new S.No.489B in Notification No.50/2017-Customs dated 30.06.2017 refers.
- BCD has been exempted on Micro Fuse Base, Sub-Miniature Fuse Base, Micro Fuse Cover and Sub-Miniature Fuse Cover (covered under HS 8538) for use in the manufacturing of Micro Fuse and Sub-Miniature Fuse, subject to actual user condition. S.No.190 of the Notification No.25/1999-Customs dated 28.02.1999, as amended vide Notification No.5/2020-Customs dated 02.02.2020 refers.
- BCD has been exempted on Liquid Crystal Polymer (LCP) (HS 39079990) for use in the manufacture of Connectors, subject to actual user condition. S.No.225 of Notification No.25/1999-Customs dated 28.02.1999, as amended vide Notification No.5/2020-Customs dated 02.02.2020 refers.
- BCD on charger or power adapter (except those covered in Information Technology Agreement-1) covered under HS 850440 has been increased from Nil/10%/15% to 20% by increasing the tariff rate on the items covered under HS 850440 from 10%/15% to 20% (Clause 115 (a) of the Finance Bill, 2020 refers). All goods other than charger or power adapter, covered under HS 850440 will continue to attract 10% BCD. S.No.13 of Notification No.57/2017-Customs dated 30.06.2017, as amended by Notification No.2/2020-Customs dated 02.02.2020 refers.
- BCD exemption has been withdrawn on the Fingerprint readers/ scanner (covered under HS 85177090) for use in the manufacture of cellular mobile phones vide Notification No.1/2020-Customs dated 02.02.2020, amending S.No.468 of Notification No.50/2017-Customs dated 30.06.2017. Consequently, the aforesaid goods will attract BCD@15%. However, BCD has been exempted on inputs or raw material for the manufacture of such Fingerprint readers/ scanners vide S.No.7 of Notification No.57/2017-Customs dated 30.06.2017, as amended vide Notification No.2/2020-Customs dated 02.02.2020.

- Health Cess has been imposed at the rate of 5% on import of medical devices falling under headings 9018 to 9022 w.e.f. 02.02.2020 (Clause 139 and Fourth Schedule of the Finance Bill, 2020 refers). However, Health Cess has been exempted on medical devices which are exempt from BCD including under FTA notifications. Further, inputs/ parts used in the manufacture of medical devices are also exempted from Health Cess. Notification No.8/2020-Customs dated the 02.02.2020 refers. Health Cess has been imposed for financing the health infrastructure and services. Export Promotion scrips shall not be used for payment of Health Cess.
- BCD on all headphones and earphones (covered under HS 85183000) has been increased from applicable rate to 15%. Earlier, only headsets of cellular mobile phone (covered under HS 85183000) were attracting 15% BCD. S.No.18 of Notification No.57/2017-Customs dated 30.06.2017, as amended vide Notification No.2/2020-Customs dated 02.02.2020 refers.
- BCD has been decreased from 10% to 5% on Calendared Plastics Sheet (HS 39201099) for use in the manufacture of Smart Cards (HS 8523), subject to actual user condition. New S.No.277A inserted in Notification No.50/2017-Customs dated 30.06.2017 vide Notification No.1/2020-Customs dated 02.02.2020 refers.
- BCD has been increased from 7.5% to 10% on all goods (including Motors of an output not exceeding 37.5 Watt) covered under HS 8501 (except tariff items 85016470 and 85016480) by omitting entry at S.No.486 of Notification No.50/2017-Customs dated 30.06.2017 vide Notification No.1/2020-Customs dated 02.02.2020.
