

F.No. 268/36/98-CX.8

Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise and Customs, New Delhi

Subject : Applicability of Notification No. 8/97-CE dated 1.3.97 - clarification regarding

I am directed to refer to Notification No. 8/97-CE dated 1.3.97 which exempts the finished products, rejects and waste or scrap, produced or manufactured in a 100% EOU or FTZ wholly from raw-materials produced or manufactured in India, and allowed to be sold in India, from so much of duty of excise leviable thereon under Section 3 of the Central Excise Act on like goods produced or manufactured in India other than in 100% EOU or a FTZ , if sold in India. Subsequently, Circular No. 389/22/98-CX dated 5/5/98 was issued, restricting the benefit of the said notification to only those units which manufacture goods only from indigenous raw materials. Representations were received from the trade that even though the finished goods sold into the DTA by them was produced from indigenous raw materials only and that for export from imported raw materials, benefit of Notification No. 8/97 was being denied simply because the said circular clarified that the benefit of the notification was available to units which manufacture from indigenous raw materials only. The circular is interpreted by the field officers to mean that to avail benefit under this notification no import should be made by the unit, irrespective of the fact whether the imported goods are to be/being used in the manufacture of a different final product or not.

2. The matter has been examined. It is clarified that benefit of afore-mentioned notification may be allowed to units importing as well as indigenously procuring raw materials, provided, the unit is able to satisfy the jurisdictional Central Excise Authorities beyond doubt that inputs used in the manufacture of goods to be sold in DTA are manufactured out of indigenous raw materials only by way of maintenance of records, physical scrutiny/verification and the manufacturing process etc. The jurisdictional Assistant Commissioner, keeping in mind the nature of goods produced, may get the input-output norm fixed by a Cost Accountant so as to ensure that imported inputs, if common, are not used for manufacture for final products to be cleared in DTA. In case of common inputs or final products, adequate precautions should be taken and unless it is conclusively provided the goods for sale in DTA are manufactured wholly out of indigenous raw materials, benefit of notification should not be allowed.

3. In case where inputs/final products are common, manufacturing lines are not separate or if the inputs/final products are difficult to identify, inspite of the above, benefit of the notification should be denied in such doubtful cases to avoid misuse of the exemption notification.

4. All pending cases may be resolved in the light of the above.

5. Para 3 of the Circular No. 389/22/98 dated 5.5.98 stands modified to that extent.

Sd/-
(S. K. Sinha)
Under Secretary to the Govt. of India
