



F. No. 156/5/2006-CX-4
Government of India
Ministry of Finance
Department of Revenue
New Delhi

Circular No. 838/15/2006-CX

Dated 16th November, 2006

Representations have been received in the Board that certain field formations are proposing to charge excise duty on agricultural tractors on the ground that besides agricultural work, these tractors are used for haulage of farm products, fertilizers, etc. thereby qualifying as "road tractors for semi-trailers" attracting Central Excise Duty @ 16%. "Road tractors for semi-trailers" attract Central Excise Duty at the rate of 16%, if the engine capacity is more than 1800 cc.

2. Tractors falling under Chapter heading 8701 were exempted from excise duty in Budget 2004-05 with the intention to give exemption to agricultural tractors, in order to encourage farm sector. A tractor primarily designed and meant for agriculture purposes can also be incidentally used to take goods to the nearest market. But that is an incidental use, and such tractors are not primarily designed to haul trailers. Therefore, incidental use of hauling trailers will not put such tractors in dutiable category. Therefore primary use of tractor should be the deciding factor.

Sd/-

(DILIP GOYAL)

Under Secretary to the Govt. of India