

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

Circular No. 839/16/2006-CX

Dated 16th November, 2006

Exemption from Central Excise Duty to parts falling under any Chapter, when used within the factory of production for manufacture of goods of heading 8701 – regarding

Some doubts have been expressed as to whether parts falling under Chapters other than 87, when used within the factory of production for manufacture of goods of heading 8701 are eligible for the exemption under Notification No. 6/2002-CE dated 1.3.2002 (Sr. No. 296) and Notification No. 6/2006-CE dated 1.3.2006 (Sr. No. 92).

2. For the purposes of classification, goods excluded by Note 2(e) of Section XVII cannot be classified as parts under Chapter 87. For example, Internal Combustion (IC) Engines are liable to be classified under 8407 or 8408. If IC engines are used as a part for manufacturing tractors falling under 8701, then there was a possibility of classifying such engines under heading 8708, which reads "Parts and accessories of the motor vehicles of heading 8701 to 8705". However, the effect of Note 2(e) of Section XVII is to ensure that such IC engines used in manufacturing tractors do not get classified as "parts/parts & accessories" under heading 87.08. Instead, such IC engines would remain classified under 8407 or 8408.

3. Notification No. 6/2002-CE dated 1.3.2002 (Sr. No. 296) and the Notification No. 6/2006-CE dated 1.3.2006 (Sr. No. 92) exempt parts, falling under any chapter, used within the factory of production for manufacture of goods of heading 8701. In view of this specific provision, goods falling under any Chapter, so long as they are parts of goods of heading 8701, will be covered by the said Notifications subject to fulfillment of other conditions prescribed in the said Notifications. For example, IC Engines, when used within the factory of production for manufacture of tractors falling under heading 8701, will be classifiable under Chapter 84, and will be covered by the said Notifications subject to fulfillment of other conditions.

Sd/-

(DILIP GOYAL)

Under Secretary to the Government of India