

F.NO.154/3/98-CX.4
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs

New Delhi, the 10th February 2000

Subject: Goods falling under H.No. 86.01 to 86.06- Notification No.5/99-CE [SL.No.266]-clarification on

Some doubts have been expressed whether parts falling under Chapters other than 86 of goods falling under heading 86.01 to 86.06 when within the factory in the manufacture of goods falling under heading 86.01 to 86.01 will be eligible for the exemption under Notification No.5/99-CE dated 28.2.99 (SL.No.266)

2. As far as classification of the goods falling under Chapter 86 is concerned , it will be governed by notes (2) & (3) of Section XVII and for the classification purposes the goods excluded by these notes will not be classifiable as parts under Chapter 86. However, the notification No. 8/96 dated 23.7.96 and subsequent notification No. 4/97-CE and the present notification No. 5/99-CE exempts parts falling under any Chapter of goods falling under heading No. 86.01 to 86.01 used within the factory of production in the manufacture of goods falling under heading No. 86.01 to 86.06. In view of this specific provision, the goods falling under Chapters other than 86, but being parts of goods falling under heading No. 86.01 to 86.06 will also be covered by these notifications subject to fulfilment of other conditions prescribed in the said notifications. For example, IC Engines and DG Sets Power Packs may be classifiable under Chapter 84 & 85 respectively, but when these are used as parts of diesel locomotive falling under heading No.02, these will be covered by notification No. 5/99-CE dated (SL.No.266) subject to fulfilment of other conditions.

3. This clarification is effective from 23.7.96 since when the exemption available only to parts falling under Chapter 86 was expanded to cover parts falling under any Chapter of goods falling under heading 86.01 to 86.06.

4. The Trade and Field formations may be informed accordingly.