

F.No. 6/10/ 2009-CX.1  
Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Excise and Custom

New Delhi, the 20<sup>th</sup> October 2009

To,

All the Chief Commissioner of Central Excise including LTU,

All Commissioners of Central Excise including LTU,

All Director Generals

Sir,

**Subject: Assessable value in respect of goods manufactured on Job-work- Scope of Rule 10A of the Central Excise Valuation (Determination of price of Excisable goods) Rules, 2000 -reg**

It has been brought to the notice of the Board that some manufacturers of Motor Vehicles are getting complete Motor Vehicles manufactured by sending the Chassis of the Motor Vehicles to independent body builders for building the body as per the design/specification of the manufacturer. The practice followed is that the Chassis is transferred to the Body builder on payment of appropriate Central Excise duty on stock transfer basis **and is not sold to them**. The body builder avails the Cenvat Credit of the duty paid on the chassis and clears the same on payment of duty to the Depot/Sales Office/Distributor of the Motor Vehicle manufacturer. The duty is discharged by the body builder on the assessable value comprising the value of Chassis and the job charges. The Depot/Sales office of the MV manufacturer sells the vehicles at a higher price than the price on which duty has been paid. Similar practice may be prevailing in respect of other commodities also.

2. The matter has been examined. Rule 10A (ii) of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 stipulates that where the excisable goods are produced or manufactured by a job-worker, on behalf of a principal manufacturer, then in a case where the goods are not sold by the principal manufacturer at the time of removal of goods from the factory of the job-worker, but are transferred to some other place from where the said goods are to be sold after their clearance from the factory of job-worker, and where the principal manufacturer and buyer of the goods are not related, and the price is the sole consideration for the sale, the value of the excisable goods shall be the normal transaction value of such goods sold from such other place at or about the same time.

3. A plain reading of the aforesaid provision of law makes it clear that the assessable value for the purpose of charging Central Excise duty, in the cases where the Job-worker transfer the excisable goods to the Depot/Sale office/Distributor and/or any other sale point of the principal manufacturer, shall be the transaction value on which goods are sold by the principal manufacturer from such a place. Accordingly, after the insertion of Rule 10 A, the practice of discharging the duty on cost construction method by the body builder is not legally correct. It is, therefore, clarified that wherever goods are manufactured by a person on job work basis on behalf of a principal, then value for the purpose of payment of excise duty may be determined in terms of the provisions of Rule 10 A of the Central Excise Valuation (Determination of price of Excisable goods) Rules, 2000 subject to fulfilment of the requirements of the said rule. It is requested that the practice followed in your zone may be verified for body builders of motor vehicles and/or other commodities, which are manufactured on job work basis to ensure that duty is paid correctly as per Rule 10A wherever required.

4. Trade and Industry may be informed.

5. Receipt of this circular may be acknowledged.

6. Hindi version would follow.

Yours faithfully,

(Madan Mohan)

Under Secretary to the Govt. of India