

F. No. 354/34/2008-TRU  
Government of India  
Ministry of Finance  
Department of Revenue  
Tax Research Unit

New Delhi, dated the 16<sup>th</sup> May, 2011

To

The Director General (All)

The Chief Commissioners of Central Excise (All)

The Chief Commissioners of Central Excise and Customs (All)

Sir/Madam,

**Subject: Benefit of Central Excise duty exemption on pipes against S. No. 7 in column (3) of the Notification No. 6/2006 (CE) dated 1-03/06 as further amended vide No. 6/2007 dated 1-3-07 & 26/2009 dated 4/12/09.**

Kind attention is invited to the Sr. No.7 of the notification No. 6/2006 -C.E dated 1.3.2006; as amended time to time, providing full exemption from excise duty which is currently available to

(1) all items of machinery, including instruments, apparatus and appliances, auxiliary equipment and their components/parts required for setting up of water treatment plants;

(2) Pipes and pipe fittings needed for delivery of water from its source to the plant (including the clear treated water reservoir, if any, thereof), and from there to the first storage point;

(3) Pipes and pipe fittings of outer diameter exceeding 10 cm when such pipes are integral part of water supply projects.

2 The scope of this exemption, as provided in the entries (1) and (2) of this notification was delineated in the CBEC circular 659/50/2002-CX dated 06-Sep-2002. It clearly indicated that the exemption is limited to pipes needed for delivery of water from its source to the water treatment plant and from there to the first storage point and that the duty concession was not available for pipes required to supply the treated water from its storage place to the place of consumption. This was the correct reflection of the scope as it existed at the relevant time. However, the scope of this notification was widened by inserting entry (3) to this notification thereby extending the benefit of excise duty exemption also to the pipes of outer diameter exceeding 20 cm when such pipes are integral part of water supply projects by amendment vide Notification No. 6/2007 dated 1-3-07 and subsequently vide Notification No. 26/2009 dated 4-12-09, the outer diameter exceeding 10 cm was prescribed for exemption.

3. Doubts have been raised as to whether the exemption pertaining to pipes of outer diameter exceeding 10 cm applies only to pipes required for the delivery of water from its source to the plant and from there to the first storage point or whether it includes pipes required for the distribution network also.

4. The matter has been examined. The amendments made to the notification w. e. f 01.03.2007 were in view of the policy objective of providing potable water for domestic use. The purpose of the insertion of sub-entry (3) w. e. f. 1.3.2007 was to obviate disputes about the scope of the term "first storage point" which shifts depending on the layout and the nature of the project and to replace it with the more objective criterion of pipe diameter. Subsequently the diameter specification was reduced from 20cm to 10cm. The only qualification prescribed in sub-entry (3) is that the pipes should form an integral part of the water supply project. As such, post 1.3.2007, the benefit of this exemption is available to pipes of outer diameter 20cm (10cm w. e. f 4.12.2009) even if they are used in the distribution network beyond the first storage point. However, the benefit is confined to the pipes that form a part of the project. Thus, pipes which are used at the last mile to provide the consumer connection whose cost is either paid by the consumer or recovered from him do not form part of the project and will not be eligible for the exemption.

5. Trade & industry as well as field formations may please be informed suitably.

6. Receipt of this circular may please be acknowledged.

Yours Faithfully

(Yogendra Garg)

Director

Tax Research Unit

