



Central Board of Indirect Taxes & Customs

Department of Revenue, Ministry of Finance, Government of India

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30-11-2000

F. No. 383/33/99-JC

Government of India

Ministry of Finance (Department of Revenue)

Central Board of Excise & Customs, New Delhi

Subject :- CA No. 5832 of 1999 - in the matter of CCE, Meerut v. M/s. Surya Roshni Ltd. - inclusion or otherwise of transit risk insurance for the purpose of determination of assessable value of bulbs and tubes - question regarding.

M/s. Surya Roshni Ltd. situated in jurisdiction of C.C.E., Meerut-II is engaged in the manufacture of electric bulbs and tubes. The bulbs and tubes are sold FOR Destination. The price charged includes 2% towards transit risk insurance. For the purpose of the determination of the assessable value of bulbs and tubes, the assessee claimed a deduction on account of equalised freight based on the aggregate of transportation charges, insurance charges, octroi and taxes.

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On examination, it came to the notice of the department that the deduction on account of the insurance charges was actually on account of "transit losses/breakages replenished to customers". The deduction on this account claimed by the assessee was disallowed by the assessing authority. However, the Tribunal held that transit insurance was eligible for deduction while determining assessable value and allowed the party's appeal.

The Apex Court while allowing the C.A. filed by the department vide their order dated 13-9-2000 in the above mentioned matter reported in 2000 (122) E.L.T. 3 (S.C.) held that the payment made by the assessee to its customers for breakages and losses cannot tantamount to insurance. Nor can, by any means, such compensation be treated as part of the cost of transportation; it is a clear case of making up to the customer by means of a credit note, the moneys that it has lost on account of breakages or losses in transit.

You are requested to clarify the matter to the lower field formations and ensure that all officers keep the aforesaid judgment in mind, when deciding other disputes of similar nature.

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