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भारत सरकार / GOVT. OF INDIA
वित्त मंत्रालय, राजस्व विभाग
MINISTRY OF FINANCE, DEPARTMENT OF REVENUE
केन्द्रीय उत्पाद शुल्क के आयुक्त का कार्यालय
OFFICE OF THE COMMISSIONER OF CENTRAL EXCISE, CHENNAI - II COMMISSIONERATE
चेन्नै - II आयुक्तालय / CHENNAI - II COMMISSIONERATE
692, एम.एच.यू. कॉम्प्लेक्स, नन्दनम, चेन्नै-600035
692, M.H.U.COMPLEX, NANDANAM, CHENNAI- 600 035

C.No. IV/16/75/2014-TECH

Dated: 04.09.2015.

To
The Secretary,
Cost Accounting Standard Board,
The Institute of Cost Accountants of India,
Institutional Area,
Lodhi Road,
New Delhi - 110 003.

By speed post

Most URGENT

Sir,

Sub: Clarification sought - Valuation of manufactured excisable Goods (components of lifts) as per Rule 8 of Central Excise (Valuation) Rules, 2000 - Reg.

Our Internal Audit Department has raised an Audit observation relating to Valuation of components of lifts manufactured and cleared based on provisional assessment for which final assessment is done based on Rule 8 of Central Excise (Valuation) Rules, 2000 by adopting CAS-4 valuation.

The contract is a composite contract with lump-sum consideration for design, manufacture, supply, erection, installation and testing of elevator at customer site. The elevator is an immovable property as envisaged in Section 37 B Order No.58/1/2002 dated 15.1.2002 is exempted from duty and hence Excise duty is paid on the components of lift manufactured under Rule 8 of Central Excise (Valuation), Rules 2000 as the components of lifts are not sold and used for own consumption and the basis adopted for valuation is as per CAS-4 Standard issued by the Institute of Cost Accountants of India.

Rule 8 of Central Excise (Valuation) Rules 2000 provides that where the excisable goods are not sold by the assessee but used for consumption by him or

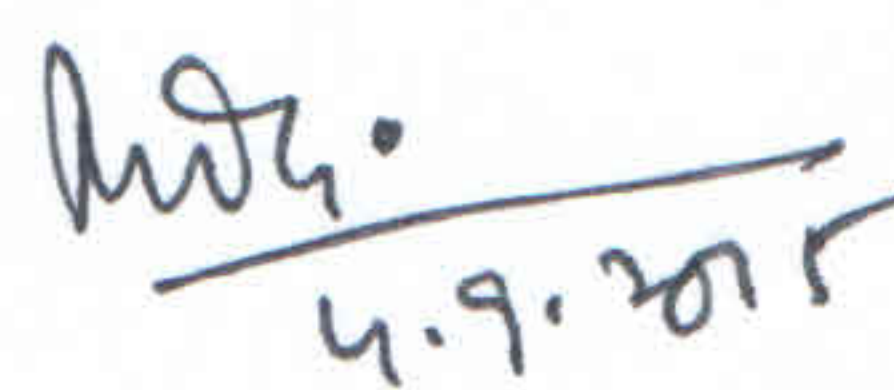
on his behalf in the production or manufacture of other particles, the value shall be 110% of the cost of production or manufacture of such goods.

Section 2h of the Central Excise Act defines sale as "Transfer of possession of goods for price consideration or any other valuable consideration". In the case of composite contracts for lifts/elevators, effectively sale takes place at the customer premises on completion of lifts. Any material supplied will remain the property of the company till completion of installation of elevator and handed over to the customer.

When the excisable components of lifts manufactured is cleared under Rule 11 read with Rule 8 of the Central Excise (Valuation) Rules 2000 and with reference to our Board Circular No.988/12/2014- CX dated 20.10.2014, while computing the value of the components of lift manufactured for the purpose of levying excise duty as per CAS-4 standards , clarification is sought if the cost of production or manufacture of parts of elevator should include all the cost till it reaches the customer site, by treating the customer site as "**Place of removal**" where the elevator is required to be erected as per the contract.

Clarification from the Cost Accounting Standard Board of the Institute of Cost Accountants of India is solicited at the earliest.

Yours faithfully


4.9.2015

(RAJESH SODHI)
COMMISSIONER

Copy to: The Assistant Commissioner of C.Excise
Division V, Chennai – for information