

Notification

No. 11/2003-Central Excise (N.T.)

New Delhi, dated the 1<sup>st</sup> March, 2003  
10 Phalgun, 1924 (Saka)

G.S.R. (E).- In exercise of the powers conferred by section 37 of the Central Excise Act, 1944 (1 of 1944), the Central Government hereby makes the following rules to amend the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000, namely,-

1. (1) These rules may be called the Central Excise Valuation (Determination of Price of Excisable Goods) Amendment Rules, 2003.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 (herein after referred to as the said rules), for rule 5, the following shall be substituted, namely:-

'5. Where any excisable goods are sold in the circumstances specified in clause (a) of sub-section (1) of section 4 of the Act except the circumstances in which the excisable goods are sold for delivery at a place other than the place of removal, then the value of such excisable goods shall be deemed to be the transaction value, excluding the cost of transportation from the place of removal upto the place of delivery of such excisable goods.

*Explanation 1.*- "Cost of transportation" includes -

- (i) the actual cost of transportation; and
- (ii) in case where freight is averaged, the cost of transportation calculated in accordance with generally accepted principles of costing.

*Explanation 2.* - For removal of doubts, it is clarified that the cost of transportation from the factory to the place of removal, where the factory is not the place of removal, shall not be excluded for the purposes of determining the value of the excisable goods.'

3. In the said rules, in rule 6, the *Explanation* shall be renumbered as *Explanation 1*, and after the *Explanation* so renumbered, the following shall be inserted, namely:-

*"Explanation. 2-* Where an assessee receives any advance payment from the buyer against delivery of any excisable goods, no notional interest on such advance shall be added to the value unless the Central Excise Officer has evidence to the effect that the advance received has influenced the fixation of the price of the goods by way of charging a lesser price from or by offering a special discount to the buyer who has made the advance deposit.

*Illustration 1.-* X, an assessee, sells his goods to Y against full advance payment at Rs. 100 per piece. However, X also sells such goods to Z without any advance payment at the same price of Rs. 100 per piece. No notional interest on the advance received by X is includible in the transaction value.

*Illustration 2.-* A, an assessee, manufactures and supplies certain goods as per design and specification furnished by B at a price of Rs. 10 lakhs. A takes 50% of the price as advance against these goods and there is no sale of such goods to any other buyer. There is no evidence available with the Central Excise Officer that the notional interest on such advance has resulted in lowering of the prices. Thus, no notional interest on the advance received shall be added to the transaction value."

[F.No. 334/1/2003-TRU]

(Alok Shukla)

Deputy Secretary to the Government of India

Footnote.- The principal rules were published in the Gazette of India *vide* notification No. 45/2000-Central Excise (N.T.), dated the 30<sup>th</sup> June, 2000, GSR 575 (E), dated the 30<sup>th</sup> June, 2000.