Circular No. 70/2001 - Customs.
27th November, 2001.

F.NO.528/59/2000-CUS (TU)
Government of India
Ministry of Finance
Department of Revenue
(Tariff Unit)

Subject: Furnace Oil used in the manufacture of fertilisers - eligibility for benefit of exemption under notification No.16/2000-Cus. (Sl.No.61), presently notification No. 17/2001-Cus. (Sl. No. 70) - Reg.

I am directed to invite your attention to the subject mentioned above and to say that a doubt has been raised whether the benefit of above exemption can be allowed to Furnace Oil even when the said oil is not directly used in the manufacture of fertilisers.

2. The matter has been examined by the Board. Notification No. 17/2001-Cus. (Sl. No. 70 of the Table) exempts goods falling under heading 27.10 and sub-heading 2714.90 from customs duty when they are used for the manufacture of fertilisers subject to the condition that the importer follows the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996. It is seen that furnace oil, which falls under heading 27.10 is used as fuel for heating in the boiler for production of steam which, in turn, is used for cracking naphtha by which ammonia is produced. Ammonia is an intermediate product used in the manufacture of fertilisers, such as Urea and DAP. Keeping the above aspect in view and after ascertaining the field practice, it has been decided that the benefit of exemption under notification No. 17/2001-Cus., may be allowed to furnace oil even though the oil is not directly used in the manufacture of final product, namely, fertilisers. This is, of course, subject to the importer fulfilling the conditions stipulated, i.e., he follows the customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996.

3. Difficulties, if any, in implementing the above instructions may be brought to the notice of the Board. Please acknowledge receipt of this circular.

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