Circular No. 37/96-Cus.
dated 3/7/96

F.No. 512/22/89-Cus. VI

Government of India
Ministry of Finance
Department of Revenue, New Delhi

Subject: Ships & other floating structures imported for breaking up-Classification- Regarding.

I am directed to say that doubts have been raised in the context of an audit para regarding classification of (i) movable gears such as lifting and handling machinery, anchors, navigational equipment's, machine tools, fire fighting equipment (ii) bankers, such fuel oil, engine oil and (iii) ship stores, such as spare parts, food stuffs, alcoholic and other beverages imported on Board a ship for breaking up. [para No. 1.01 of the report of the C.& A.G. of India for the year ended 31st March, 1991 (4 of 1992)]. While Department was of the view that the articles are classifiable u/h 89.08 of the Customs Tariff covering vessel and other floating structure for breaking up, Audit was of the view that these items are not covered by this beading and needs to be classified separately in their respective headings.

2. The issue was, referred to World Customs Organisation, Brussels, who has opined that :-

(a) movable gears such as lifting and handling machinery, anchors, navigational equipment, machine tools, fire fighting equipment form part of vessel's normal equipment and hence classified u/h 89.08.

(b) Fuel and Oil contained in the vessel's machinery and engines can also be regarded as forming integral part of the vessels and hence be classified u/h 89.08.

(c) Spares parts (such as propellers), whether or not in a new condition and movable articles (furniture, kitchen equipment, table-ware etc.) **showing clear evidence of use** and which have formed part of normal equipment of vessels, are classifiable under heading 89.08.

(d) Remaining fuel and oil (other than that mentioned in subpara (b) above and **other ship stores.** including drinks and foodstuff are classifiable separately in their own appropriate headings.

3. The matter was also discussed in a trinartite meeting comprising the Ministry of law, Justice and Company Affairs, the Office of C & AG of India and the Department of Revenue, where it was decided that opinion expressed by the WCO may be accepted as guidelines for the determining classification of different items imported on board the ship for breaking up. The Board has accepted this decision.

4. Accordingly in respect of articles referred to in para 1 you may apply the advice of the WCO as per para 2 above and finalise the pending cases of assessment.

Sd/-
(V.K. Singh)
Senior Technical Officer (TU)