Circular No. 02/2006
10th January, 2006

F. No. 528/57/2005-Cus.(TU)
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
(TARIFF UNIT)

Subject: Denaturing of Ethyl Alcohol - reg.

I am directed to refer to the issue regarding denaturation of imported ethyl alcohol in terms of section 24 of the Customs Act, 1962 read with 'Denaturing of Spirit Rules, 1972' issued by Ministry of Finance. Under these provisions, imported consignments of ethyl alcohol meant for industrial use are first denatured by adding specified chemicals and after testing thereof for denaturation, allowed clearance as denatured ethyl alcohol.

2. Un-denatured ethyl alcohol of strength 80% or higher is classifiable under sub-heading 2207.10 whereas denatured ethyl alcohol is classifiable under sub-heading 2207.20. Denatured ethyl alcohol attracts concessional rate of customs duty @10% basic under Notification No. 21/2002-Cus., dated 1.3.2002 (Sl.No.50) as against 150% basic on un-denatured ethyl alcohol. Ethyl alcohol is imported in un-denatured form, whether for use as such (e.g. potable type) or for industrial use. In case of latter use, ethyl alcohol requires to be denatured before clearance. For denaturing, of ethyl alcohol, it is treated with certain chemical agents such as, wood naphtha, methanol, acetone, pyridine, aromatic hydrocarbons (benzene etc.) and coloring matter (HSN notes for heading 2207 refer).

3. The Board has been apprised of divergence in practice regarding choice of denaturants at different ports. At some ports, Public Notices have been issued by Commissioner of Customs stating that the importers must use only the denatrurants specified under BIS Standard (IS 4117-1973) in order to avail of benefit of concessional rate of duty under Notification No. 21/2002-Cus., dated 1.3.2002 (Sl. No. 50). On the other hand, some ports are allowing use of denaturants specified by the respective State Excise Department and many such denaturants do not find mention in the list of denaturants approved by BIS.

4. The contention of many importers who insist on following State Excise standards for denaturation is that it is the State Excise which has final say in the matter relating to alcohol and in case of any mismatch between the procedures prescribed by the Central Govt. and the State Govt., those prescribed by the State Govt. should prevail.

5. The matter has been examined in the Board. In the HSN notes corresponding to heading 22.07, no methodology is described for undertaking denaturation of spirits. It only states that, "**spirits are mixed with substances to render them unfit for drinking but not to prevent their use for industrial purposes**." Further the notes mention some of the denaturants commonly used for this purpose such as, wood naphtha, methanol, acetone, pyridine, aromatic hydrocarbons (benzene etc.) and coloring matter.

6. To bring about uniformity in application of denaturing agents and adoption of appropriate standard for denaturing of ethyl alcohol, BIS standards IS 4117-1973 are being prescribed as denaturants for the purpose of denaturing of ethyl alcohol. BIS standard specifies several different types of denaturants. Therefore importers would have choice in use of denaturants based on end use.

7. I am directed to inform you that the Board has decided that BIS standards IS 4117-1973 may be adhered to for denaturation of imported consignment of ethyl alcohol in order to bring about uniformity in denaturing process at all Customs formations and avoid any misuse. Further, the Commissioner may also allow any other specific denaturant or bitterant, coloring agent in addition to denaturant as specified by the State Government, for the purpose of preventing the scope of renaturation of denatured spirit and its misuse for potable purpose. The Commissioners may allow use of additional denaturants in quantity which is adequate for denaturing the imported spirit for use in a particular industry, in consultation with the Chief Chemist/Deputy Chief Chemist provided:-

(a) the need for such denaturant is satisfied with references to use in a particular industry for a specific purpose

(b) the ingredients suggested as additional denaturants for a particular purpose are adequate enough in the opinion of the Chief Chemist, to render the spirit non-potable.

Also, procedure given in the 'Denaturing of Spirit Rules, 1972' may be followed.

8. The field formations may finalize the pending assessments, on merits of each case and subject to verification from State Excise regarding actual use of denatured Ethyl Alcohol, if required.

9. Please acknowledge receipt of this circular.

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