Circular No. 55/95-Cus.
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F.No. 528/42/95 -CUS (TU)

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

Subject : Assessment of goods imported in CKD/ SKD condition.

The Board has had the occassion to examine the question of assessment of goods imported in unassembled form, particularly in the context of certain recent imports of cars in SKD kits form with the omission of a few parts like the batteries and tyres.

The question is not a new one, having been examined earlier at various levels, including the Supreme Court in the case of Sharp Business Machines v. Collector of Customs. The said Judgement was also taken not of by the Tariff Conference of 1991. A reading of rule 2 (a) of the Interpretative Rules to the First Schedule to the Customs Tariff Act, 1975, along with the Explanatory Not to this rule and the illustrations cited in the HSN Explanatory. Notes makes it amply clear that even incomplete, unassembled articles should be assessed as complete articles, provided that when assembled the incomplete article has the essential character of a complete article. In the context of automobiles, the HSN Notes at page 1423 cites the cases of cars without batteries and tyres, or even the engines, as examples of such articles having the essential character of complete articles.

In his background, the Board once again desires the field formations to take due note of the provisions or rule 2(a) of the above said Interpretative Rules, while dealing with such cases.

Regarding import licence, the EXIM Policy restricts the imports of not only complete consumer articles but also these articles in SKD/ CKD condition or ready to assemble sets. Accordingly such imports require a specific import licence. However, in some cases it has been noticed that the various bodies of the Government like the Secretariat of Industrial Approvals, FIPB etc., have approved the projects for the manufacture of such articles, with permission to import SKD kits in the initial period. Though the import licence is a must in these cases also, still if by mistake the importers have not obtained the licence prior to the imports, they may be advised to obtain the same and the cases need not be adjudicated without giving this opportunity. In genuine cases, like in the cases of reputed manufacturers with a proper infrastructure for manufacturing activities in respect of the goods being imported and having industrial approvals for SKD imports, clearance of goods under ITC bonds may also be considered pending production of licences.

Sd/-
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