

## GENERAL EXEMPTION NO. 26

**Exemption to materials required for the manufacture of the final goods when imported against on import licence or release order on the canalising agency:**

[Notfn No.128/94-Cus. dt.10-6-1994 as amended by Notfn Nos.185/94, 101/95, 144/95, 22/96, 33/97 and 67/04, 26/17]

In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby exempts materials required for the manufacture of the final goods when imported into India, from **whole of the duty of Customs** leviable thereon, under the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), and from the **whole of the additional duty** leviable thereon under sub-sections (1), (3) and (5) of section 3 of the said Customs Tariff Act, subject to the following conditions, namely:-

- (1) that the importer has been granted necessary **import licence or release order on the canalising agency** (hereinafter called the said licence ) by the Licensing Authority for the import or release of the said materials for the aforesaid purpose in terms of para 56 of the Export and Import Policy, 1st April, 1992 - 31st March, 1997 and the said licence is produced at the time of clearance for debit by the proper officer of the Customs;
- (2) that the import licence contains the endorsements specifying, inter-alia-
  - (a) the description, quantity and the value of materials allowed to be imported under the said licence;
  - (b) the description and quantity of materials allowed to be imported duty free; and
  - (c) the description and quantity of final goods to be manufactured out of, or with, the imported materials;
- (3) Omitted
- (4) the importer executes a bond with such surety or security and in such form and for such sum as may be specified by the Assistant Commissioner or Deputy Commissioner of Customs binding himself to pay on demand, an amount equal to the duty leviable on the imported materials but for the exemption contained herein, in respect of which the conditions specified in this notification have not been complied with together with interest at the rate of 24% per annum from the date of clearance of materials;
- (5) that the importer produces evidence of having discharged obligation to supply final goods to the satisfaction of the said Assistant Commissioner or Deputy Commissioner of Customs within a period of thirty days from the expiry of period allowed for fulfilment of obligation to supply final goods or from such extended period as the Assistant Commissioner of Customs or Deputy Commissioner of Customs may allow; and
- (6) that the exempt materials are utilised for the manufacture of final goods and no portion of such materials shall be loaned, transferred, sold or disposed of in any other manner;

Provided that where final goods in respect of which the said materials have been imported have already been manufactured and supplied as required under this notification, the importer may use the said materials for the manufacture of any other goods.

- (7) that the imports and exports are undertaken through sea ports at Bombay, Calcutta, Cochin, Kandla, Mangalore, Marmagoa, Madras, Nhava Sheva, Paradeep, Tuticorin and Visakhapatnam, or through any of the airports at the Ahmedabad, Bangalore, Bombay, Calcutta, Coimbatore, Delhi, Hyderabad, Jaipur, Madras, Srinagar, Trivandrum and Varanasi or through any of the Inland Container Depots at Bangalore, Coimbatore, Delhi, Gauhati, Hyderabad, Kanpur, Ludhiana, Moradabad, Pimpri(Pune) and Pitampur (Indore):

Provided that the Commissioner of Customs may by special order and subject to such conditions as may be specified by him, permit import and export through any other sea port, airport or Inland Container Depot or through a land customs station

- (8) that the exemption from the whole of the additional duty leviable under sub-sections (1), (3) and (5) of section 3 of the said Customs Tariff Act shall not apply to materials required for manufacture of capital goods for supply to fertilizer plants under the procedure of international competitive bidding.  
Explanation :- In this notification -

(i) "*Licensing Authority*" means the Director General of Foreign Trade appointed under section 6 of the Foreign Trade (Development and Regulation) Act, 1992 (22 of 1992) or an officer authorised by him to grant a licence under the said Act;

(ii) "*materials*" means -

(a) raw materials, components, intermediates, consumable, computer software and parts required for the manufacture of final goods;

(b) packing material required for the packing of final goods to be supplied;

(iii) "*final goods*" means

(a) Supplies made to United Nations Organisations or under the aid programme of the United Nations or other multilateral agencies and paid for in foreign exchange;

(b) Supplies made to projects financed by multilateral or bilateral agencies/Funds as notified by the Department of Economic Affairs, Ministry of Finance under international competitive bidding or under limited tender system in accordance with the procedures of those agencies/Funds where the legal agreements provide for tender evaluation without including the customs duty;

(c) Supplies made to units in the free trade zones and hundred percent export oriented undertakings (excluding free trade zone units/export oriented undertakings engaged in Diamond, Gem and Jewellery);

- (d) Supply of capital goods for fertiliser plants if the supply is made under the procedure of international competitive bidding; and
  - (e) supplies of goods to any project or purpose in respect of which the Ministry of Finance, by a notification, on or after 20th June, 1994, permits the import of such goods at zero customs duty, coupled with the extension of benefits under Chapter VII of the Export and Import Policy 1st April, 1997- 31st March, 2002 published by the Government of India under Ministry of Commerce Notification No. 1/1997-2002 dated 31st March, 1997 as amended from time to time for domestic supplies.
- (iv) *"free trade zone"* and *"hundred percent export oriented undertaking"* have the same meaning as in Explanation 2 to sub-section (1) of section 3 of the Central Excise and Salt Act, 1944 (1 of 1944)

