

F. No. 354/38/2011-TRU

**Government of India
Ministry of Finance
Department of Revenue
(Tax Research Unit)**

Room No. 146H, North Block
New Delhi 11th March, 2011

**Subject: New definition of CKD introduced in Union Budget 2011-12- clarification
requested-reg.**

Please refer to your letter dated 4th March 2011, regarding your interpretation on the definition of CKD introduced in the Union Budget 2011-12.

2. In this context, it is to clarify that the definition introduced w.e.f. 01.03.2011 has two independent criteria for their dis-qualification as CKD units. Such imported Units will be termed as "Completely Knocked Down" Units attracting BCD @10%, on import, if it is a unit having all the necessary components, parts or sub-assemblies for assembling a complete vehicle. However, if such unit contains,-

(i) An engine, gear box or transmission mechanism in pre-assembled form; or

(ii) A chassis or body assembly on which the engine or gearbox or transmission mechanism is already installed at the time of import

the same will not qualify to be CKD units and will therefore be charged to basic customs duty @ 60%.

3. Accordingly, if any pre-assembled engine, gearbox or transmission mechanism is imported as a part of such unit, or if any of these three components are pre-installed on the chassis or body assembly, the concessional rate of duty will not be available. However, the import of pre-assembled engine or gearbox or transmission mechanism or any other parts or components on standalone basis, i.e. the operations which are not running on CKD kit basis, will continue to attract basic customs duty @ 10% only as applicable prior to budget changes also.

4. In view of the above, it is to inform you that while point nos. 1 and 3 of the interpretation of the new definition, as mentioned in your letter dated 4th March, 2011 are correct, the interpretation at point no. 2 is not correct.

**(Yogendra Garg)
Director (TRU)**