

A COMMISSIONER OF CENTRAL EXCISE, INDORE
v.
M/S. VIRDI BROTHERS AND ORS.

DECEMBER 12, 2006

B [DR. ARIJIT PASAYAT AND S.H. KAPADIA, JJ.]

Central Excises Act, 1944:

C *Section 3—Plant and machinery assembled at site—Whether excisable goods—Held: These plants are basically systems comprising of various components and are not machines as a whole—Accordingly such systems as a whole are not excisable goods—Circular No. 58/1/2002-CX dated 15th January, 2002.*

D The question for consideration in these appeals is whether Tribunal was correct in holding that refrigeration plant/cold storage plant/central air-conditioning plant/caustic soda plant assembled at site are not excisable goods.

Dismissing the appeals, the Court

E **HELD:** In view of the Circular No.58/1/2002-CX dated 15th January, 2002, the view of CEGAT was correct that these plants are basically systems comprising of various components and are thus in the nature of systems and are not machines as a whole. Accordingly such systems as a whole cannot be considered to be excisable goods. [834-G; 831-E]

F *Quality Steel Tubes Pvt. Ltd. v. CCE, (1995) 75 E.L.T. 17 (SC); Mittal Engineering Works Pvt. Ltd. v. CCE, Meerut (1996) 88 E.L.T. 622 (SC); Sirpur Paper Mills Ltd. v. CCE, Hyderabad (1998) 97 E.L.T. 3 (SC); Silica Metallurgical Ltd. v. CCE, Cochin (1999) 196 E.L.T. 439 (Tribunal); Duncan Industries Ltd. v. CCE, Mumbai, (2000) 88 ECR 19 (SC); Triveni Engineering & Industries Ltd. v. CCE, (2000) 120 E.L.T. 273 (SC) and CCE, Jaipur v.*
G *Man Structurals Ltd., (2001) 130 E.L.T. 401 (SC), referred to.*

CIVIL APPELLATE JURISDICTION : Civil Appeal Nos. 203-214 of 2002.

From the Common Final Order No. 199-211/2001-A dated 18.5.2001 of the Customs, Excise & Gold (Control) Appellate Tribunal, New Delhi (Bench-A)

in Appeal No. E/410/2001-A, E/444/2001 and E/447-456/2001-A.

A

WITH

C.A. Nos. 1374-1376, 5863 and 8337-8344/2002.

R.G. Padia, Navin Prakash, Ajay Sharma, Vikram Gulati and B. Krishna Prasad for the Appellants. B

S.K. Sanghi, Alok Yadav, M.P. Devanath, Rajesh Kumar, V. Balachandran, Shobha and H.K. Puri for the Respondents.

The Judgment of the Court was delivered by

C

DR. ARIJIT PASAYAT, J. In each of these appeals challenge is to the common final order passed by the Customs, Excise and Gold (Control) Appellate Tribunal, New Delhi (in short 'CEGAT'). The basic question in all these appeals is whether refrigeration plant/cold storage plant/Central air-conditioning plant/caustic soda plant can be subjected to duty under Central Excise Act, 1944 (in short the 'Act'). Stand of the appellant was that the fabrication of such plants out of duty paid bought out amounts to manufacture of a new marketable commodity and therefore, excise duty is payable. D

The CEGAT held that no excise duty is leviable and thus these plants are not subject to excisability. It accepted stand of the respondents that these plants are basically systems comprising of various components and are thus in the nature of systems and are not machines as a whole. Accordingly, such systems as a whole cannot be considered to be excisable goods. E

According to learned counsel for the appellant, the view taken by the CEGAT is untenable. The adjudicating authority was justified in holding that fabrication of the plants in question out of duty paid bought out items amounts to manufacture of a new marketable commodity and therefore dutiable. F

The issue relating to excisability of plants and machinery assembled at site has been determined by this Court in several cases. For example *Quality Steel Tubes Pvt. Ltd. v. CCE*, (1995) 75 E.L.T. 17 SC; *Mittal Engineering Works Pvt. Ltd. v CCE, Meerut* (1996) 88 E.L.T. 622 (SC); *Sirpur Paper Mills Ltd. v. CCE, Hyderabad*, (1998) 97 E.L.T. 3 (SC); *Silica Metallurgical Ltd. v. CCE, Cochin* (1999) 106 E.L.T. 439 (Tribunal); *Duncan Industries Ltd. v. CCE, Mumbai* (2000) 88 ECR 19 (SC); *Triveni Engineering & Industries Ltd. v. CCE*, (2000) 120 E.L.T. 273 (SC) and *CCE, Jaipur v. Man Structural Ltd.*, H

A (2001) 130 E.L.T. 401 (S.C.)

As a matter of fact taking into account these decisions Circular No.58/1/2002-CX dated 15th January, 2002 has been issued by the Government of India, Ministry of Finance (Department of Revenue), Central Board of Excise & Customs, New Delhi. The Circular indicates that it was intended to clarify the question of excisability of plant and machinery assembled at site. The relevant portion of the Circular reads as follows:

“Government of India

C Ministry of Finance (Department of Revenue) Central Board of Excise & Customs, New Delhi

Sub: *Excisability of plant and machinery assembled at site-Regarding*

D In exercise of the power conferred under Section 37B of the Central Excise Act, 1944, the Central Board of Excise and Custom considers it necessary, for the purpose of uniformity in connection with classification of goods erected and installed at site, to issue the following instructions.

E 2. Attention is invited to Section 37B Order No.53/2/98-CX, dated 2.4.98 (F.No.154/4/98-CD.4) (1998 (100) E.L.T.9) regarding the excisability of plant and machinery assembled at site.

3. A number of Apex Court judgments have been delivered on this issue in the recent past. Some of the important ones are mentioned below:

F (i) *Quality Steel Tubes Pvt. Ltd. v. CCE*, (1995) 75 E.L.T. 17 (S.C.);

(ii) *Mittal Engineering Works Pvt. Ltd. v CCE, Meerut* (1996) 88 E.L.T. 622 (S.C.);

G (iii) *Sirpur Paper Mills Ltd. v. CCE, Hyderabad* (1998) 97 E.L.T. 3 (S.C.);

(iv) *Silica Metallurgical Ltd. v. CCE, Cochin* (1999) 106 E.L.T. 439 (Tribunal) as confirmed by the Supreme Court vide their order dated 22.2.99 (1999 (108) E.L.I. A58 (S.C.),

H (v) *Duncan Industries Ltd. v. CCE, Mumbai*, (2000) 88 ECR 19 (S.C.);

(vi) *Triveni Engineering & Industries Ltd. v. CCE*, (2000) 120 E.L.T. 273 (S.C.) A

(vii) *CCE, Jaipur v. Man Structural Ltd.*, (2001) 130 E.L.T. 401 (S.C.)

4. The plethora of such judgments appears to have created some confusion with the assessing officers. The matter has been examined by the Board in consultation with the Solicitor General of India and the matter is clarified as under:- B

(a). For goods manufactured at site to be dutiable they should have a new identity, character and use, distinct from the inputs/components that have gone into its production. Further, such resultant goods should be specified in the Central Excise Tariff as excisable goods besides being marketable i.e. they can be taken to the market and sold (even if they are not actually sold). The goods should not be immovable. C

(b). Where processing of inputs results in a new products with a distinct commercial name, identity and use (prior to such product being assimilated in a structure which would render them as a part of immovable property), excise duty would be chargeable on such goods immediately upon their change of identity and prior to their assimilation in the structure or other immovable property. D

(c). Where change of identity takes place in the course of construction or erection of a structure which is an immovable property, then there would be no manufacture of "goods" involved and no levy of excise duty. E

(d). Integrated plants/machines, as a whole, may or may not be 'goods'. For example, plants for transportation of material (such as handling plants) are actually a system or a net work of machines. The system comes into being upon assembly of its component. In such a situation there is no manufacture of 'goods' as it is only a case of assembly of manufactured goods into a system. This cannot be compared to a fabrication where a group of machines themselves may be combined to constitute a new machine which has its own identity/marketability and is dutiable (e.g. a paper making machine assembled at site and fixed to the earth only for the purpose of ensuring vibration free movement) F

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A (e). If items assembled or erected at site and attached by foundation to earth cannot be dismantled without substantial damage to its components and thus cannot be reassembled, then the items would not be considered as moveable and will, therefore, not be excisable goods.

B xx xx xx xx

5. Keeping the above factors in mind the position is clarified further in respect of specific instances which have been brought to the notice of the Board.

C xx xx xx xx

(iii) Refrigeration/air conditioning plants. These are basically systems comprising of compressors, ducting, pipings, insulators and sometimes cooling towers etc. They are in the nature of systems and are not machines as a whole. They come into existence only by assembly and connection of various components and parts. Though each component is dutiable, the refrigeration/air conditioning system as a whole cannot be considered to be excisable goods. Air conditioning units, however, would continue to remain dutiable as per the Central Excise Tariff.

E 6. Based on the above clarifications pending cases may be disposed of. Past instructions, Circulars and Orders of the Board on this issue may be considered as suitably modified.

F 7. Suitable Trade Notice may be issued for the information and guidance of the trade.

8. Receipt of this order may please be acknowledged.

9. Hindi version will follow.”

G In view of the above said Circular which has been issued in exercise of power conferred under Section 37B of the Act, the view of the CEGAT cannot be faulted.

The appeals are accordingly dismissed with no order as to costs.

H D.G.

Appeals dismissed.