

VOLTE-FACE

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The love affair between "textile" and "excise" is age old. Every year (Budget) there would be a prediction of their marriage but will not happen. At last, it was decided to unite them in a marriage and the wedlock was solemnized in Budget 2003. Ever since, the marriage was marked by protests, appeasements, lack of understanding between the spouses, hue and cry, efforts to ensure peace between the spouses, discussions between the in-laws and what not. It is always fascinating to watch the married life of "textiles" and "excise".

In our continuous effort of counseling, for the peaceful life of the newly married couple, we would like to highlight another area of friction between the two for immediate rectification before it creates a serious crevasse in the marriage.

The CBEC has issued a path breaking Circular, bearing No.759/75/2003 CX Dated 30.10.2003, clarifying various doubts on the subject. The said circular, inter alia clarified the following.

- a) Under Central Excise law, as interpreted by the Courts, a job worker is treated as manufacturer. There is thus no reason why a different view should be taken in case of the ready made garments and unprocessed fabrics manufactured on job work basis.
- b) When three traders, A, B and C gets grey fabrics manufactured from job worker A, for a value of Rs.20 lakhs each (raw material cost plus job charges), as the total value of clearance of the job worker is Rs. 60 lakhs, he is not entitled for the benefit of exemption contained in Notification 35/2003.
- c) X, is an independent weaver, whose value of clearance was Rs.15 lakhs. Thereafter he undertakes job work for A, B and C, in sequential manner for Rs.5 lakhs, Rs. 7 lakhs and Rs. 7 lakhs, respectively. For the clearances of X, in his capacity as independent weaver and for a further value of Rs.10 lakhs, he can claim exemption. As his total value of clearances has exceeded Rs.35 lakhs, he has to pay duty for the entire value of clearances.
- d) A, a trader gets grey fabrics manufactured by three job workers and the value of clearances of each of these job workers is below Rs.25 lakhs. Each job worker is entitled to the exemption.

Lofty ideals! Logical reasoning! Lucid and clear!

But alas!!! The honeymoon of our beloved couple has lasted only for two days! The CBEC has once again issued another letter F.No.207/23/2003 CX 6 Dated 01.11.2003, and the contents of the same are reproduced below:

It has been brought to the notice of the board that the large textile manufacturers evade excise duty by taking advantage of the excise duty exemptions given to small independent powerloom weavers.

It is stated that large manufacturers supply yarn to small powerloom units and getting the fabrics manufactured on job work basis. Consequent on the excise duty exemption given to small independent powerloom weavers, the large

manufacturers take advantage of the exemption provided to such small independent powerloom weavers and mis-declared the transaction of job work as independent sale of yarn and purchase of fabric. In reality, it is stated that, it is only a case of job work for wages and not the sale of yarn and purchase of fabrics. The claim is reported to be bogus and made with the intention to evade duty.

The excise duty exemption to fabrics manufactured by small independent powerloom weavers upto a clearance value of Rs. 25 lakhs in a year is given mainly on the ground that they are too small and illiterate.

The field offices may be advised to take note of possible misuse of excise duty exemption given to small independent powerloom weavers and take appropriate action as deemed fit.

By the above said circular, the Cupid bow got a severe hammering and once again, our sweet couples' daily life has been strained.

We leave it to the readers to appreciate the *volte face* done by the CBEC, within two days of issue of a circular.

Now it is the turn of the "in laws" to iron out these frictions.