CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL
BANGALORE

REGIONAL BENCH - COURT NO. 2

Excise Appeal No. 20267 of 2014

(Arising out of Order-in-Appeal No. 687 & 688/2013 dated 21.11.2013 passed by the Commissioner of Central Excise (Appeals-II), Bangalore)

Smart Technology Systems
No. 31, Manjunatha Bhavan, 5th C Cross,
Shardamba Nagar, Jalahalli,
Bangalore,
Karnataka – 560013 **......Appellant**

VERSUS

Commissioner of Central Excise, Bangalore
P B No. 5400, Queens Road,
C. R. Building, Bangalore, Karnataka – 575003 **........Respondent**

Appearance:

Shri. B. Venugopal, Advocate for the Appellant
Shri M. A. Jithendra, Authorised Representative (AR) for the Revenue

Coram:

Hon'ble Mr. P.A. Augustian, Member (Judicial)
Hon'ble Mr. Pullela Nageswara Rao, Member (Technical)

Final Order No. 20163 /2026

Date of Hearing: 25.09.2025
Date of Decision: 23.01.2026

Per: Pullela Nageswara Rao

This appeal is filed against Order-in-Appeal No. 687 & 688/2013 dated 21.11.2013 passed by the Commissioner of Central Excise (Appeals-II), Bangalore. The disputed period is 2008-09 to 2009-10 (up to January 2010), show cause notice was issued on 01.11.2020, and on adjudication Central Excise duty demand of Rs. 15,27,062 /- was confirmed along with interest.

2. The brief facts are M/s. Smart Technology Systems, the Appellant is engaged in manufacture of electronic auto / taxi fare meters and classified them under Central Excise Tariff Heading (CETH) 90291010 and were availing the benefit of Small Scale Industry Exemption (SSI) vide Notification No. 08/2003-CE dated 01.03.2003. The appellant after crossing the turnover of Rs.1.50 crore obtained Central Excise registration.

3. The Department alleging that the electronic auto / taxi fare meters manufactured by the Appellant which are exclusively meant for use in autos and taxies are to be considered as parts and components of automobile, and as per Sl. no 97 of Notification No. 11/2006-CE(NT) dated 29.05.2006 as amended, Appellant is liable to pay excise duty on the maximum retail price (MRP) valuation by availing an abatement of 33.3% which was subsequently reduced to 30%. Accordingly, for the purpose of computing the turnover to avail SSI exemption, value as per Section 4A of Central Excise Act, 1944 has to be adopted and based on that it was held that Appellant had crossed the limit of Rs. 1.50 crore even before obtaining central excise registration.

4. Accordingly, a show cause notice was issued and Adjudication authority as per order dated 29.04.2011 confirmed the demand along with interest and also imposed penalty. Aggrieved by the said order, an appeal was filed before the Commissioner (Appeals) and Commissioner (Appeals) as per the impugned Order-in-Appeal dated 21.11.2013 partially allowed the appeal by dropping the personal penalty. However, upheld the demand along with interest. Aggrieved by said order, present appeal was filed.

5. Learned Counsel for the Appellant during the hearing submits that the main issue involved in the present Appeal is whether the electronic auto / taxi fare meter is liable to be assessed under Section 4A of the Central Excise Act, 1944 in terms of Notification No. 11/2006-CE (NT)

dated 29.05.2006, as amend or under Section 4 of the Central Excise Act, 1944. Notification No. 11/2006-CE (NT) dated 29.05.2006 as amended from time to time reads as follows:

(1)	(2)	(3)	(4)
97	Any heading	Parts, components and assemblies of automobiles	33:5%
98	3808 30 40	Plant-growth regulator	30%
99	9603 21 00	Toothbrush	28.5%

6. Learned Counsel further submits that; the case of the Revenue in the SCN/OIO/OIA is that the electronic auto / taxi fare meter is a 'part of automobiles' and in terms of Sl. No. 97 of Notification No. 11/2006-CE (NT) dated 29.05.2006 which covers 'Parts, components and assemblies of automobiles', the same are liable for assessment under Section 4A of the Central Excise Act, 1994; both the lower authorities erred in holding that the 'electronic auto / taxi fare meter is a 'part of automobiles' and thus falls within the expression - 'Parts, components and assemblies of automobiles' referred to in Sl. No. 97 of Notification No. 11/2006-CE (NT), without appreciating that the expression, 'Parts', 'Components' and 'Assemblies' have definite meaning and covers only those which are essential for functioning of the automobile. Thus, the finding of the Commissioner (A) In the impugned order that the auto / taxi fare meter is inevitable for the functioning of the automobile to which it is fitted is completely erroneous, inasmuch as it is a common knowledge that an automobile can function without auto / taxi fare meter. The fitting of auto / taxi fare meter is a statutory requirement for call taxis / auto rickshaws and not for functional requirement of an automobile. If the auto/taxi fare meter is taken out of an automobile, it does not render such automobile non-functional or unfit for driving. It is, therefore, abundantly clear that auto/taxi fare meter is not at all essential for the functioning of an automobile. Therefore, the impugned

goods viz., 'auto / taxi fare meters' by no stretch of imagination can be called as 'Parts, components and assemblies of automobiles'. A 'fare meter' cannot be a part of automobile since it is not essential for functioning of automobile. In order to qualify as a 'part' it has to be an essential component of the whole without which the whole cannot function as held by the Hon'ble Apex Court in the case of **Commissioner of C. Ex., Delhi Vs. Insulation Electrical (P) Ltd. [2008 (224) ELT 512 (SC)]** wherein it is held that:-

> *"18. After considering in detail, the difference between the 'accessories and 'parts', this Court in the case of Pragati Silicons (supra) came to the conclusion that 'accessory' is something supplementary or subordinate in nature and need not be essential for the actual functioning of the product.*
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> *19. Chapter 9401 covers all types of seats and not only the seats of a car and a seat is complete even without the rail assembly from seat, adjuster/assembly slider seat and rear back lock assembly. They are not essential parts of the seat. Chapter heading 9401 covers only the parts of seats and not accessories to the seats.* ***A 'part' is an essential component of the whole without which the whole cannot function****."*

(emphasis supplied)

7. Learned Counsel further submits that; taxi fare meters are not at all required to be fitted to the automobiles unless they are intended for use as call taxis. Even all the cars which are registered, as commercial tourist vehicles will not be fitted with the fare meters. The fare meters are used or fitted only to those vehicles which are used as call taxis or for auto rickshaws, as a statutorily requirement. Further, the parts / components / assemblies for automobiles are procured by a manufacturer of the automobiles to be fitted as original equipment.

8. Learned Counsel further submits that; the part is an individual or separable item manufactured to be used in construction or repair of an automobile; parts are the basic building blocks of automobile system,

each serving a specific function but not forming a complete functional unit on its own, for example, bolts, gaskets, power plug etc. As regards component, it is an item which may consist of one or more parts to perform a specific function but generally cannot operate independently; components are intermediate level items such as fuel injector or an electronic control module, etc. As regards assembly it is the collection of components or parts joined together to form a complete functional unit within an automobile system; assemblies operate as integral modules fulfilling essential operational roles; for example, an engine assembly, transmission assembly, instrument cluster assembly, etc.

9. The Learned Counsel further submits that the issue is no *more res integra* and considered by the Tribunal in the matter of **RC Edwards & Company Pvt., Ltd., Bombay Vs. Collector of Central Excise, Bombay- [1984 (17) ELT 435 (Tribunal)],** wherein it is held that;

> *"13. ....*
>
> *As to the decision relating to meaning of consumption, it is sufficient to say whether or not there has been consumption of fare meters at the time auto-rickshaws were exported by M/s. Bajaj and API would depend on the question whether fare meters are component parts or accessories of auto-rickshaws. There can be no doubt that fare meters are not component parts of auto-rickshaws. They cannot also be called accessories. We do not find on record copies of the order placed by overseas buyers on Bajaj and API to know whether the overseas buyers wanted auto-rickshaws taxis or auto-rickshaws simplicitor. These documents would not be in the possession of the appellants. The Department had by issue of Show Cause Notice set aside the order in appellants favour passed by the A.C., Central Excise. One would expect the Department to place a copy of this order before the Bench. That has not been done."*

10. As regards the demand confirmed by invoking the extended period of limitation and imposition of penalty, Learned Counsel submits

that; the entire issue in this proceeding relates to genuine and bona fide interpretation of statutory provisions, which are not free from doubt. It is well settled that when the issue relates to interpretation of statutory provisions there cannot be any question of mala fide on the part of the assessee and does not call for imposition of penalties. Hence, penalties imposed in the impugned order under various sections cannot be sustained in law. In this regard, attention is invited to the decision of the Honorable Supreme Court in UOI Vs. Rajasthan Spinning & Weaving Mills, [2009 (238) ELT 3 (SC)] wherein in Para 19 of the decision it was held that penalty under section 11AC is punishment for an act of deliberate deception by the assessee with the intent to evade duty by adopting any of the means mentioned in the section. Hence, the ingredients envisaged in section 11AC have to be proved by the Revenue before the mandatory penalty can be fastened on the Appellant.

11. As regards, time bar learned counsel for the appellant submits that the demand of duty for the extended period and allegation of suppressions of facts is unsustainable. As explained above, the entire issue in the instant case hinges on interpretation as to whether the impugned goods i.e., fare meter, is part of an automobile. This is an admitted position in the Order-in-Original dated 29.03.2011 at para 26 wherein the adjudicating authority admits that the issue is interpretative in nature. It is well settled that the extended period of limitation cannot be applicable when the dispute relates to interpretation of provisions of law or words contained in legal provisions. Further, the only ground in the show cause notice for invoking extended period of limitation is that impugned goods were wrongly cleared under Section 4 assessment with an intention to evade duty when the same are liable for assessment on the basis of Maximum Retail Price (MRP) under Section 4A. Both the Order-in-Original dated 29.03.2011 and Order-in-Appeal dated 21.11.2013 have upheld the proposal in the notice without bringing on record any material to show that any suppression exist in the case. The Hon'ble Apex Court in the case of **CCE Vs. Chemphar Drugs & Liniments, - [1989 (40) 276**

(S.C.)] and Pushpam Pharmaceuticals Company Vs. CCE, Mumbai, [1995 (78) 401 (S.C.)] has held that something positive, rather than mere inaction or failure on the part of an assessee has to be proved before invoking extended period of limitation under proviso to Section 11A(1) of the Central Excise Act, 1944 and that since the expression 'suppression of facts' has been used in the company of strong words such as fraud, collusion in willful default, it cannot be interpreted or mere omission-the act constituting 'suppression' must be deliberate. In this case neither the circumstances indicate 'suppression of facts', misstatement, fraud etc., nor any evidence in this regard has been produced either in Show Cause Notice or Order-in-Original or Order-in-Appeal.

12. Learned Authorised Representative (AR) reiterated the finding in the impugned order and reiterates the findings in the Order-in-Original dated 29.03.2011 wherein it is held at that; "Further it has also been revealed that the said electronic auto the taxi fare meters are tested in their factory and then wrapped in bubble sheet and about 25 such meters are packed in a carton box and dispatched to the dealers. At the time of dispatch, empty carton boxes are sent for each meter to the dealer because the meters will have to be tested and certified by the Legal Metrology Department of the respective states. After such testing by the dealers, the unit carton boxes are used to pack the meters. MRP of the product is mentioned on the unit carton boxes sent. At the time of sale by the dealer, the meter will be installed in the vehicle and sold. Since the meter is on retail sale, the unit carton box is used. The above facts are not in dispute. Further, Notification No. 11/2006-CE dated 29.05.2006, Notification 14/2008 CENT dated 01.03.2008 and Notification 49/2008 CENT dated 24.12.2008 in force at the relevant point of time issued under Section 4A of the Central Excise Act, 1944 clearly specify "parts, components and assemblies of automobiles" are chargeable to MRP based assessments with eligible abatements as specified therein. Further, the said electronic auto / taxi fare meter are basically revolution counters and can be used for any revolution counting of vehicles / motors. Since the public transport autos and taxis

need to calculate the fare based on the revolution of the vehicle, these meters are fixed to such public transport and autos and taxis of public transport and meter has to be connected parallel to the Speedo meter of the vehicle in order to function. Therefore, the electronic auto / taxi fare meter manufactured by the assessee and falling under Chapter Heading 90291010 of THE CENTRAL EXCISE TARIFF ACT, 1985 is to be regarded as a part or component of the motor vehicles which is used for a specific function. Further the Notification No. 11/2006- CENT dated 29.05.2006 as well as other Notifications issued under Section 4A and as stated above are specific with regard to the assessment under Section 4A on MRP basis on the said goods falling under any Chapter of the schedule to THE CENTRAL EXCISE TARIFF ACT, 1985. This is also supported by the clarification issued by the Board's Circular dated 16.12.2008 wherein it is clarified that the said entry under Notification no. 11/2006 provides that 'parts, components and assemblies' falling in any heading in the Tariff are covered. Therefore, it is logical that all 'parts, components and assemblies,' irrespective of their classification shall be covered. It is also important to note that there is no specific entry for 'components' or assemblies' of automobiles in the Tariff, therefore, this also supports the view that all goods which are commonly known and sold in the trade as 'parts, components and assemblies,' are covered by said entry, irrespective of their clarification in the Tariff. Further, it is on record that M/s. Smart Technology Systems have suppressed the fact that the taxi meters manufactured by them are assessable to duty on the basis of MRP with an intention to evade payment of duty in as much as they have cleared the goods without payment of duty by wrongly adopting the Section 4 value for computing the assessable value. Thereby they have violated Rules 4, 6, 9, 11 & 12 of Central Excise Rules, 2002 and duty of Rs. 15,27,062/- is liable to be recovered from them under the proviso to Sub-section (1) of Section 11A of Central Excise Act, 1944 along with interest under Section 11AB of Central Excise Act, 1944 and penalty under Section 11AC of the Central Excise Act, 1944."

13. In rejoinder, Learned Counsel for the Appellant submits that as per the impugned order, Adjudication authority itself admits that issue being interpretive in nature and there being no seizure and confiscation of goods, I take a lenient view for imposition of penalty under Rule 26 on the Proprietor of M/s Smart Technology System as per the ratio of the case laws cited as relevant to the issue. And thus, in the absence of any appeal filed by the Department challenging the said finding, no allegation can be made that the Appellant had suppressed the facts for evasion of excise duty and thus the demand confirmed by invoking the extended period of limitation is unsustainable. As regards penalty on the appellant under Section 11AC of the Central Excise Act, 1944, Learned Counsel submits that it is unsustainable.

14. Heard both sides and perused the records.

15. The issues in the present appeal are;

i) whether the electronic auto / taxi fare meters manufactured by the Appellant falling under Central Excise Tariff Heading (CETH) 90291010 can be considered as 'parts or components or assemblies' of automobiles; and

ii) whether the valuation of the electronic auto / taxi fare fall under the provisions of section 4 or section 4A of the Central Excise Act, 1944 read with Notification No.11/2006-CE(NT) dated 29.05.2006 as amended.

16. We find that the impugned goods viz, electronic auto / taxi fare meters are not necessary for the functioning of the automobiles, and they are functional without the electronic auto / taxi fare meters hence they cannot be considered as parts or components or assemblies for automobiles. Therefore, the fare meters being not parts / components / assemblies for automobiles are not covered under Sl.no 97 of Notification No. 11/2006-CE(NT) dated 29.05.2006 as amended, hence the value is not required to be determined under Maximum Retail Price (MRP) as per Section 4A of the Central Excise Act, 1994. Further, the impugned electronic auto / taxi fare meters are required for the vehicles

which operate as call taxis/auto rickshaws where the fare is collected on the basis of distance covered and the fare meter is calibrated to show the fare to be paid as per the distance covered. Further the fare meters are inspected, approved and sealed by the Legal Meteorology Department, to ensure that they are made tamper proof and the fare is charged as per the rates approved by the concerned Governmental Department.

17. In view of the above discussion and as per the evidence available on record, the goods manufactured by the Appellant cannot be considered as Parts or components or assemblies of automobiles and following the ratio of the decision of the Hon'ble Apex Court in **Insulation Electrical (P) Ltd.,** and the Tribunal in the matter of **RC Edwards & Company Pvt., Ltd.,** supra the demand of differential duty by considering the electronic auto / taxi fare meters, the impugned goods as parts / components / assemblies for automobiles leviable to duty under section 4A Central Excise Act, 1944 is unsustainable and the impugned order is liable to be set aside. Accordingly, the impugned order is set aside and the appeal is allowed with consequential relief, if any, as per law.

18. The appeal is disposed.

(Order was pronounced in open court on 23.01.2026)

(P.A.Augustian)
Member (Judicial)

(Pullela Nageswara Rao)
Member (Technical)

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