

**CUSTOMS, EXCISE & SERVICE TAX
APPELLATE TRIBUNAL, CHENNAI**

COURT HALL - I

Excise Appeal No.42253 of 2014

(Arising out of Order-in-Original No. LTUC/227/2014-C dated 14.8.2014
passed by the Commissioner, LTU, Chennai)

M/s. EID Parry India Ltd.

Appellant

(formerly M/s. GMR Industries Ltd. &
M/s. Parrys Sugar Industries Ltd.)
Regidi Amadalavalasa Mandal
Srikakulam District
Sankili, Andhra Pradesh – 532 440.

Vs.

Commissioner of GST & Central Excise Respondent

Chennai Outer Commissionerate
Newry Towers, 12th Main Road
Anna Nagar, Chennai – 600 040.

APPEARANCE:

Shri M.N. Bharathi, Advocate for the Appellant
Shri M. Selvakumar, AC (AR) for the Respondent

CORAM

Hon'ble Shri P. Dinesha, Member (Judicial)

Hon'ble Shri M. Ajit Kumar, Member (Technical)

Final Order No. 40464/2024

Date of Hearing : 23.04.2024

Date of Decision: 25.04.2024

Per P. Dinesha,

1. Facts that emerge from the Order in Original are that the appellant is a manufacturer of ethyl alcohol – Rectified Spirit, Ethanol and Extra Neutral Alcohol, all non-excisable products, which same would be cleared for home consumption. Further, they also manufactured molasses in their sugar plant, which was captively used in their plant in

the manufacture of, among other dutiable products, RS and ENA, in respect of which the appellant was availing the exemption under Notification No. 67/95 – CE dated 16.03.1995, as amended. This Notification had the effect of exempting inputs/capital goods used in the manufacture of final products which were exempted or that attracted 'Nil' rate of duty. With effect from 01.03.2005, Rectified Spirit was omitted from the Heading to 2207 of the Schedule to the Central Excise Tariff Act 1985. It thus appeared to the Revenue that the Rectified Spirit was not an excisable goods and therefore, was not covered by the term 'final product' the exemption claimed in terms of the above Notification 67/95 in respect of molasses used in the production of rectified spirit appeared to be incorrect. That resulted in the issuance of a Show Cause Notice dated 21.10.2013, proposing *inter-alia* the demand of duty.

2. It appears that the appellant filed a detailed reply explaining the reasons for claiming exemption under the Notification 67/95 and also relying on various judicial precedents, but however, the original authority having considered the case of the appellant, vide Order-in-Original No. LTUC/227/2014-C dated 14.8.2014 confirmed the proposals made in the show cause notice, and it is against this order that the present appeal has been filed before this forum.

3. Shri M.N. Bharathi, learned Advocate appearing for the appellant submitted, at the outset, that the issue is no more *res integra* as the same has been considered and settled in their favour in the appellant's own case, for a different period, by this Chennai Bench of the CESTAT. He also referred to various paragraphs of the said order, to butter his contentions.

4. Per contra, Shri M. Selvakumar, learned Assistant Commissioner relied on the findings of the adjudicating authority.

5. We have heard the rival contentions and perused the documents placed on record; we have also perused the order of Chennai Bench (*supra*) relied upon by the Id. advocate for the appellant. The only issue to be considered by us is, "whether the Revenue is justified in denying the benefit of exemption Notification No.67/95 dated 16.3.1995?"

6. We agree with the contention of the Advocate that this Bench has considered almost identical issue, in their own case, to hold that the denial of exemption Notification No.67/95 was incorrect, for the reasons discussed therein, by also relying upon an earlier order of Chennai Bench vide Final Order No. 40789 to 40799/2014 dated 20.11.2014 in the case of Sri Ambika Sugars Ltd. has held as follows:-

"4. Heard both sides. The Tribunal in the case of *Shree Ambika Sugars Ltd.* F.O. No.40789-40799/2014 dt. 20.11.2014 reported in 2016 (343)

ELT 462 (Tri.-Chennai) held that the denial of exemption notification 67/95 on molasses captively consumed to manufacture Rectified Spirit & DNA cannot be justified. In the appellant's own case in recent decision the Tribunal followed the same wherein it was held as under :

"14. The very same issue was considered in the appellant's own case along with the cases of *Rajashree Sugars and Chemicals Ltd.*, *Dharani Sugars & Chemicals Ltd.*, *Shree Ambika Sugars Ltd.* The Tribunal vide Final Order No.40789-40799/2014 dt. 20.11.2014 reported in 2016 (343) ELT 462 (Tri.- Chennai) held that the denial of Exemption Notification No.67/95-CE on molasses captively consumed to manufacture Rectified Spirit and Extra Neutral Alcohol (ENA) cannot be justified. Accordingly, denial of credit on molasses was also set aside. The said decision was upheld by the Apex Court as reported in 2022 (379) ELT 556 (SC). Relevant part of the said final order of the Tribunal is noteworthy and reproduced as under:

"8.3 We find that the present dispute is emerged due to restructuring of the Tariff from 6 digit to 8 digit. CBEC vide Circular No. 808/5/2005-CX, dated 25-2-2005 regarding implementation of Tariff from 6 Digit to 8 Digit, clarified as under :-

"Implementation of the Central Excise Tariff (Amendment) Act, 2004 (8- Digit Classification Code) - Clarification regarding.

I am directed to draw your attention to this Department's Notification No.6/2005-C.E. (N.T.), dated 24-2-2005, issued from F.No.4/3/2002-CX.I (Part-II), which notifies that the Central Excise Tariff (Amendment) Act, 2004 will come into force with effect from 28th February 2005. The said Act is being uploaded on the CBEC website, (www.cbec.gov.in).

2. Accordingly, all the field officers must ensure implementation of the amended Tariff Act (including 8-digit classification code in its new 1st & 2nd Schedules) from 28-2-2005. Trade should also be suitably informed immediately and guided in the matter so that the transition from 6-digit to 8- digit classification code is smooth without any difficulty to the trade in day- to-day clearances.

3. Notification No. 3/2005-C.E., dated 24th February 2005 has been issued to preserve the existing duty rates on specified commodities where effective rates were built into the six-digit tariff, but are now subject to different tariff rates in the 8-digit

code. This is subject to any subsequent changes.”

8.4 In the present case, there is no dispute that prior to 28-2-2005, Rectified Spirit and ENA manufactured by the appellant were covered under sub- heading No. 2204.90, NIL rate of duty. After amendment of Tariff (8 Digit Classification Code), Heading 22.04 would correspond to Heading No.22.07. In the above Board Circular, it has been clarified that Notification No. 3/2005-C.E., dated 24-2-2005 was issued to preserve the existing duty rate. So, it is clearly evident that the Rectified Spirit existing NIL rate of duty under sub-heading No. 2204.90 has been covered under Serial No. 14 of the Table appended to Notification 3/2005-C.E. (supra). In view of the above Board Circular, we find merit in the submission of the learned Advocate that with effect from 28-2-2005, Rectified Spirit and ENA are exempted goods, covered under Notification No. 3/2005-C.E. The Hon’ble Allahabad High Court in the case of *Gularia Chini Mills v. Union of India* - 2014 (34) S.T.R. 175 (All.) while dealing with bagasse, which emerged as a residue of sugarcane used as fuel in factory for manufacture of final product would be treated as exempted goods in the context of restructuring of Tariff of 6 digit to 8 digit, observed as under :-

“30. It is relevant to mention here that a notification, bearing No. 7/2005- Central Excise (N.T.) was published in Part II, Section 3, sub-section (I) of the Gazette of India, Extraordinary, dated 24-2-2005, which reads as under :

“In exercise of the powers conferred by Section 37 of the Central Excise Act, 1944 (1 of 1944), the Central Government hereby makes the following rules to amend all the rules made under the said section and all the notifications issued under the said rules and for the time being in force on the date of commencement of the Central Excise Tariff (Amendment) Act, 2004 (5 of 2005), except as respects things done or omitted to be done before such amendments, namely:-

1.(1) These rules may be called the Central Excise (Removal of Difficulties) Rules, 2005.

(2) They shall come into force on the date of the commencement of the Central Excise Tariff (Amendment) Act, 2004 (5 of 2005).

2. In each of the rules made under Section 37 of the Central Excise Act, 1944 (1 of 1944), and in each of the notifications issued under these rules,

for any reference to the Chapter, heading or sub-heading of the First Schedule or the Second Schedule to the Central Excise Tariff Act, 1985 (5 of 1986), as the case may be, relating to any goods or class of goods, wherever referred to in the said rules or notifications, the corresponding reference to the Chapter, heading or sub-heading or tariff item, of the First Schedule or the Second Schedule to the Central Excise Tariff Act, 1985 (5 of 1986), as amended by the Central Excise Tariff (Amendment) Act, 2004 (5 of 2005) shall be deemed to have been substituted.

No. 4/3/2002-CX.I (Pt.II)

Abhay Kumar Srivastav

Deputy Secretary to the Government of India

Note : This notification intends to take care of the technical changes adopted in the numbering scheme for Central Excise classification through the Central Excise Tariff (Amendment) Act, 2004 (5 of 2005). These amendments do not involve any substantive changes in the existing rules, so the particulars of each rule have not been indicated."

Furthermore, during debate in Lok Sabha on the said Central Excise Tariff (Amendment) Bill, 2004, the then Hon'ble Minister of Finance in regard to the purpose of introduction of eight digit classification has stated that "the purpose of the Bill is very limited. On the custom side, we already have an eight-digit classification. It is, therefore, necessary that on the Excise side also we have the same eight digit classification. What we have found is that eight digit classification helps both trade and revenue department to identify a particular product and heading under which it falls. Immediately, the number of disputes comes down very sharply. "

31. A perusal of the 'Note' appended below the Notification dated 24-2- 2005 as well as the statement made by the Hon'ble Finance Minister in Parliament, as referred to above, clearly establishes that the notification has taken care of the technical changes adopted in the numbering scheme of 6 digits Central Excise classification, which has been aligned with the Customs Tariff of 8 digits with effect from 28-2-2005.

32. The definition of 'excisable goods' given in Section 2(d) means the goods, which are specified in the First or Second Schedule and which are subjected to duty of excise, can only be treated as

excisable goods. A proposition has also been accepted by the Commissioner in its findings. A perusal of Section 2(d) of Central Excise Act shows that the excisable goods are only those goods which are subjected to duty of excise as specified in the First Schedule or Second Schedule of the Central Excise Tariff Act. Since Column of rate of duty is blank, therefore, in view of Section 2 of the Central Excise Tariff Act, 1985, electrical energy is not being subjected to excise duty for the purposes of being excisable goods under Section 2(d) of the Central Excise Act. Furthermore, Rule 6 of the 2004 Rules, which is applicable only to excisable goods, can alone be treated as exempted goods for the purposes of Rule 6(3) of 2004 Rules, does not apply to electrical energy.”

...

8.9 The learned AR for Revenue relied upon the decision of the Hon'ble Bombay High Court in the case of *Niphad Sakhar Karkhana Ltd. v. CCE - 2014* (300) E.L.T. 66 (Bom.). In that case, the assessee filed appeal along with stay application before the Tribunal. By stay order, the Tribunal directed the assessee to pre-deposit a sum of Rs. One crore out of Rs. 1.14 crores in accordance with the provisions of Section 35F of the Central Excise Act, 1944. The Hon'ble High Court directed the Tribunal to decide the stay application afresh considering the decisions to take *prima facie* view whether they are applicable to the facts of the impugned case before directing pre-deposit. The learned AR also relied upon the decision of the Tribunal in the *Ugar Sugar Works Ltd.* (supra), which we have already discussed above. In the case of *Kothari Sugars & Chemicals Ltd. v. CCE - 2010* (262) E.L.T. 545, the Tribunal remanded the matter. In the case of *Venkateshwara Winery & Distillery Ltd. v. CCE - 2013* (295) E.L.T. 306, the Tribunal granted stay. In our considered view, none of the case laws relied upon by the learned AR are applicable in the facts and law of the case.

8.10 The learned AR referred Rule 48 of Tamilnadu Distillery Rules, 1985, Govt. of Tamilnadu, to establish that Rectified spirit is fit for human consumption. We find that the adjudicating authority accepted prior to 1.3.2005 Rectified Spirit covers under sub-heading No. 22.04 which is not fit for consumption and we are unable to accept the submission of the learned AR. It is noted that as regards Entry 84, List I, Seventh Schedule to the Constitution and other entries relating to alcohol it

was only after the decision of the Hon'ble Supreme Court in the case of *Synthetics and Chemicals* [1990 (1) SCC 109] on 25-10-1989 holding that industrial alcohol was outside the legislative competence of State Legislature, the constitutional position relating to excisability for purposes of Central Excise became clear. Tamilnadu Prohibition and Excise Manual, Govt. of Tamil Nadu stated that levy of Excise Duty and Vend Fee on Industrial Alcohol has been withdrawn by the Government by order No. MS No. 167 Home, Prohibition and Excise (III) Department dated 3rd February 1990 effective 25-10-1989, the date of order of Supreme Court in W.P. No. 18, etc., of 1980 holding that the State Government could not invoke Entry 8 - List II, to levy Excise Duty and Vend Fee and the powers of State Government under "Entry 8-List II is limited to regulating and the prevention of conversion of alcoholic liquors for industrial use to one for human consumption and hence presently no levy is in operation. The Government, consequent on the withdrawal on Excise Duty and Vend Fee, have by order, MS. No. 662 Home, Prohibition and Excise III Department dated 4-9-1992 prescribed the collection of an Administrative Service Fee of Rs. 0.50 paise per bulk litre of spirit produced in the distillery before the spirit is issued from the distillery, to cover the service charges including expenditure on staff. The statements as referred by the learned AR are in this context.

8.11 The learned AR submits that the Table of the Notification No. 67/95-C.E. referred the Cenvat Credit Rules, 2001 and not Rules, 2004. In this case, we find that the adjudicating authority accepted that prior to 1-3-2005, the appellants are eligible for the benefit of exemption Notification No. 67/95 and therefore, the submission of the learned AR for the Revenue has no merit. Apart from that, the Hon'ble Supreme Court in the case of *Vikram Cement Ltd.* - 2006 (194) E.L.T. 3 (S.C.) held that the schemes of Modvat and Cenvat credit are not different.

8.12 It is seen from the above, that after restructuring of Central Excise Tariff from 6 Digit to 8 Digit with effect from 1-3-2005, Rectified Spirit and ENA are exempted by Notification No. 3/2005-C.E. (supra) and the appellant discharged the obligations under Rule 6 of the Cenvat Credit Rules, 2004 in respect of clearance of Rectified Spirit and ENA and therefore, denial of exemption Notification No. 67/95-C.E. (supra) on Molasses captively consumed in Rectified Spirit and ENA

cannot be sustained. Accordingly, denial of Cenvat credit on the Molasses purchased from other sugar mill used in the manufacture of Rectified Spirit and ENA are also liable to be set aside. We have also noted that inputs and input service are not exclusively used for generation of electricity and therefore, Cenvat credit cannot be denied.”

5. After appreciating the facts, evidence and following the above decision, we are of the considered opinion that the demand cannot sustain and requires to be set aside which we hereby do.”

7. In view of the above, we set aside the impugned order and allow the appeal with consequential benefits, if any, as per law.

(Order pronounced in open court on 25.04.2024)

(M. AJIT KUMAR)
Member (Technical)

(P. DINESHA)
Member (Judicial)

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