

**Issued vide memo No. 1178-1180/ST-I, dated 20.6.2007.**

**ORDER OF CLARIFICATION MADE BY SHRI L.S.M. SALINS,  
FINANCIAL COMMISSIONER & PRINCIPAL SECRETARY,  
GOVERNMENT OF HARYANA, EXCISE AND TAXATION  
DEPARTMENT UNDER SECTION 56(3) OF THE  
HARYANA VALUE ADDED TAX ACT, 2003**

**Querist: M/s Shree Industries, Faridabad**

The querist M/s Shree Industries, Plot No. 102, Sector-6, Faridabad through their C.E.O. Mr. Suvrat Tapuria, has moved an application in form VAT M-4 to seek Government clarification u/s 56 (3) on the following issues.

1. Does the supply of blades by the Applicant to the ceiling fan manufacturer lead to completion of the process of manufacturing?
2. Does the receipt of fan blades from the Applicant by the principle manufacturer of ceiling fans and their use, lead to emergence of different commercial commodity, which is a prerequisite of every manufacture?
3. Do the fan blades, which are identifiable and indispensable parts/ components of a ceiling fan, participate in the process of manufacture undertaken by the principal manufacturer?
4. Is the Applicant entitled under the law read with Rule (17) of the VAT Rules to receive form VAT-D1 in order to be Assessed under the Act at concessional rate of tax?

The applicant is engaged in the manufacturing of fan blades, using Aluminum and iron sheets and paints as industrial inputs (raw materials). The fan blades so produced are to be supplied to principal manufacturer of fans. The applicant contends that the fan blades supplied to the principal manufacturer will complete the process of manufacture at the end of the principal manufactures. The commercial commodity, known as ceiling-fan, comes into existence only after the receipt and use of fan blades as inputs by the principal manufacturer. In other words, the contention of the applicant is that its sale of fan blades to a manufacturer of ceiling-fan is

essentially for the process of manufacture and that he is entitled to receive form VAT-D1 to avail itself of the concessional rate of tax @ 4%. In support, the applicant has referred to a number of judicial pronouncements rendered by High Court and The Apex Court of the country.

The issues raised in the application have been examined in detail. Legal opinion has also come forth which appears to endorse the submission and contention of the applicant in column 7 of the applicant in form VAT-M4. Sub-section (x) of Section 2 of the Haryana Value Added Tax Act, 2003 defines the meaning of the word “manufacture”:

“manufacture” means processing of goods resulting into production of different commercial goods including bye products and waste products.

The Hon'ble Supreme Court of India while determining as to what would amount to a manufacturing activity held in Deputy Commissioner of Sales Tax Vs. Pio food Packers (1980) 46 – STC 63 (SC) that the test for determination whether manufacturing can be said to have taken place is whether the commodity which is subjected to the process of manufacture can no longer be regarded as the original commodity but is recognized in the trade as a new and distinct commodity.

Reversing the decision of the High Court in the case of M/s Tata Engineering & Locomotive Company Ltd. Vs. State of Bihar & another, reported in (1994) 4 PHT 697 (SC) = (1995) 96 STC – 211 (SC) = (1994) 6 STC 379: the Hon'ble Supreme Court of India has held that the word “Raw material” has no fixed meaning. They varied with the use to which the materials were put. An item may be raw material for manufacturing one item of goods and the goods so produced may themselves be raw materials for another type of goods. Raw material would be entitled to concessional rate of tax provided they were usable in the manufacturing or processing of goods.

Provision of Section 7(4) of the VAT Act read with rule 17 (1) authorizes a manufacturer to purchase goods required for use in manufacture at concessional rate after furnishing a declaration in form VAT-D1.

It would be clear from the above provision that a manufacturer will be entitled to purchase the goods specified in his registration for use in manufacture of goods for sale after paying to seller VAT @ 4% on furnishing declaration in form VAT-D1 to a seller if the tax other wise leviable is higher than 4%.

In view of above discussion, it is clarified:-

1. that the supply of fan blades to the ceiling fan manufacturer will complete the process of manufacturing at the end of the principal manufacturer.
2. the receipt of fan blades from the applicant by the principle manufacturer of ceiling fans and their use leads to emergence of different commercial commodity i.e. ceiling fan. Precisely, the commercial commodity, known as ceiling fan comes into existence only after the receipt and use of fan blades as inputs by the principal manufacturer.
3. There can be no matter of doubt that the ceiling fan blades are integral components of ceiling fan as the latter cannot come into existence without ceiling fan blades. The fan blades would be held to be used in the manufacture of ceiling fans as no ceiling fan is complete and marketable without blades.
4. The applicant which supplies/ proposes to supply fan blades to principal ceiling fan manufacturer, is entitled to sell fan blades at concessional rate of tax @4% against Form VAT-D1.

Chandigarh  
Dated 18.6.2007

(L.S.M.SALINS)  
Financial Commissioner & Principal Secretary  
to Govt. Haryana, Excise & Taxation Department.