

Vijayawada Bottling Co. Ltd.

Vs

Collector of Central Excise, Guntur

(S.C. Agarwal, M. Jagannadha Rao JJ)

02.09.1997

JUDGMENT

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S.C.AGRAWAL, J.

1. M/s. Vijayawada Bottling Co. Ltd., the appellant herein, is a manufacture of 'MAAZA MANGO' [Mango drink] falling under Tariff Items 1-B of the erstwhile First Schedule to the Central Excise Act, 1944. The appellant filed for approval a price list No. 17/1984-85 dated August 6, 1984 in respect of the said product wherein the price was shown as Rs.32/- per crate of 24 bottles. In the said price list there was a note to the effect that the appellant was realising Rs.2.50 per rate towards rental and Rs. 3.00 per crate towards service charges and the said amounts were not included in the price. The Assistant Collector of Central Excise, Vijayawada, issued noticed dated August 17, 1984 requiring the appellant to show cause why the said amount of rental and service charges should not be included in the price. The appellant submitted a reply to the said show cause notice. By order dated November 30, 1984, the Assistant Collector of the Central Excise while according approval to the assessable value as shown in the price list included in the said amount of rental and service charge in the price. The Collector of Central Excise (Appeals) by his order April 26, 1986 dismissed the appeal of the appellant and affirmed the order passed by the Assistant Collector. The appeal of the appellant before the Customs Excise and Gold (Control) Appellate Tribunal was first heard by bench of two learned Members of the Tribunal [Shri V.P.Gulati and Miss S.V.Maruthi]. In view of the decision of this Court in Collector of Central Excise Vs. Indian Oxygen Limited 1988 (4) SCC 139, both the learned Members held that rental charges were includable in the assessable value. There was, however, difference of opinion among the learned Members on the question whether service charges are includable in the assessable value. The Judicial Member [Miss S.V.Maruthi], relying upon the order of the Tribunal in Collector of Central Excise Vs. Century Spg, and Mfg. Co. Ltd., 1988 (37) ELT 277 held that the service charges that were claimed related to unloading, sorting out the branded bottles, separating the broken bottle before the bottles are sent to automatic bottle washing plant and that these activities do not relate to the manufacture of aerated waters which are the subject matter of the Excise duty and that in view of Section 4(4) (d) of the Central Excise Act, 1944 (hereinafter referred to as 'The Act'), the entire cost relating to durable and returnable containers should be excluded which include these miscellaneous service charges. The Technical Member [Shri V.P.Gulati] was, however, of the view that service charges have to be included in the price for the purpose of arriving at the assessable value. He held that the preparatory operations to ensure that the bottles are fit for bottling have to be considered a part of manufacturing process and cost of the same has to be reckoned towards the manufacture of the appellant's product. In view of the difference of opinion among the two learned Members, the matter was referred to the third Member of the Tribunal on the following point of difference:

"Whether in the facts and circumstances of the case, the service charges do not relate to the manufacture of aerated water, as claimed by the appellants, and are therefore, to be excluded for arriving at the assessable value as held Member (Judicial) or these relate to the manufacture of aerated water and are therefore, to be included for arriving at the assessable value as hold by Member (Technical)."

2. The third learned Member of the Tribunal [Shri P.C. Jain] agreed with the view of the Technical Member and hold that the service charges collected by the appellant in respect of the activities undertaken by them related to the manufacture of the excisable goods in question. In view of majority opinion the Tribunal has held that the service charges, namely, for sorting out the printed bottles separating the broken bottles before they are sent to automatic bottle washing plant relate to manufacture of aerated water and are includable in the assessable value of aerated water. The appeal of the appellant as regards service charges was therefore, dismissed, but the appeal was allowed in respect of the rental charges and the matter was remitted to the Assistant Collector to verify the actual rented charges and redetermine the assessable value of aerated water for deducting the same from the price of the aerated water. Feeling aggrieved by the decision of the Tribunal, relating to inclusion of service charges in the price, the appellant has filed this appeal.

3. Section 4 of the Act makes provisions for valuation of excisable goods for the purpose of charging of excise duty in case where under the Act duty of excise is chargeable on any excisable goods with reference to value. For the purpose of the Section 4, the expression 'value' is defined in clause (d) of Section 4 (4). The relevant part of the said definition is produced as under:

"(4)(d) "Value" in relation to any excisable goods." [i] Where the goods are delivered at the time of removal in a packed condition, includes the cost of such packing except the cost of the packing which is of a durable nature and is returnable by the buyer to the assessee. Explanation - In this sub-clause "packing" means the wrapper, container, bobbin, prin, spool, reel, or wrap beam or any other thing in which or which the excisable goods are wrapped, contained or wound,"

4. In the case of Collector of Central Excise Vs. Century Spg. and Mfg. Co. Ltd. [supra], the assessee was manufacture of liquid Chlorine which was supplied to the customers in Tonner and Cylinders made of steel, which were accepted as a durable and returnable containers. The assessee claimed deduction of Rs.100/- in the case of Tonners (800 to 1,1000 Kgs. capacity) and Rs.150/- in the case of cylinders (20 to 100 Kgs. capacity) towards costs of packing on account the maintains of Cylinders/Tonners, service charges etc. The Tribunal found that the department accepts that the containers were durable and returnable and that their cost is not including in the assessable value of chlorine as per Section 4(4)(d)(i). The Tribunal, therefore, hold that the cost has to be the full cost of packing which should take in not only the initial purchase price of the container but also the further expenses on its maintenance and repairs. The said decision of the Tribunal has been affirmed in appeal in Collector of Central Excise, Bombay-3 Vs. M/s. Century Spg. and Mfg. Co. Ltd., (Civil Appeal No. 4207 of 1988), decided on July 15,1997.

5. In the present case, as recorded by the Tribunal, the fact that the bottles are returnable and durable are not disputed. Before the Tribunal it was pointed out that the service charges pertain to the following activities:

"After unloading of the empty bottles at a place about 100 yards outside the factory, the bottles are sorted brand wise, (sometimes the bottles get mixed with the bottles of

other manufactures which are to be separated). Thereafter, the bottles are examined for any defects which are also separated. Cleaning of the bottles is done chemically. These are then load of in the trolleys, brought to the factory placed in conveyors to automatic bottle washing plant for where they come out after washing. Bottle are examined again in strong light to avoid contamination."

6. The process referred to above relates to preparing the bottles that were used earlier to be reused for the purpose of bottling of the aerated water produced by the appellant. Since the aerated water has to be supplied in packed bottles only, the activities for which the appellant was claiming service charges related to the process of packing after the manufacture of aerated water. We find it difficult to appreciate how these activities can be treated as a part of the manufacturing process of aerated water. Since there is no dispute that the bottles are durable and returnable containers, the activities referred to above undertaken by the appellant to ensure that the empty bottle which have been received back are available for reuse for bottling of aerated water, have to treated as part of the process of packing and not as part of the manufacturing process of aerated water. The position is not very different from that in the case of Century Spg. & Mfg. Ltd. (supra) where the durable and returnable containers were used again for supply of gas and it was held that charges for maintenance and repairs of such containers were not includable in the assessable value of the gas. We are, therefore, unable to uphold the view of the majority in the Tribunal that the service charges claimed by the appellant have to be included in the assessable value.

7. In the result, the appeals are allowed, the impugned judgment of Tribunal holding that service charges @ Rs. 3.00 per crate claimed by the appellant are to be included in the assessable value is set aside. Since the matters have already been remitted to the Assistant Collector of Excise for the purpose of varying the actual rental charges of the bottle and redetermine the accessible value of the aerated water, it is directed that the Assistant Collector of Excise shall also verify the actual service charges and redetermine the assessable value of the aerated water after such verification. The appellant would furnish the necessary material in order to enable the Assistant Collector to ascertain in actual service charges. No order as to costs.