

# SUPREME COURT OF INDIA

Commissioner of Central Excise

Vs.

T.V.S. Suzuki Limited, Hosur

(S.R. Babu, B.N. Srikrishna and G.P. Mathur JJ.)

06.08.2003

## JUDGMENT

### **B.N. Srikrishna, J.**

1. On 5.7.1996 the appellant filed an application for refund claim of Rs. 1,48,58,630.94 after the final assessment was completed. The Assistant Commissioner of Central Excise issued a show cause notice dated 9.7.1996 as to why the claim should not be rejected for non-compliance with Section 11B of the *Central Excise Act, 1944*. After considering the reply filed by the appellant, the Assistant Commissioner of Central Excise by his order dated 17th July, 1996 rejected the refund claim of the appellant on the ground that the refund claim had been made beyond the period of limitation and that appellant was unable to show that the amount of excise duty for which the refund was claimed, had not been passed on to any other person. On appeal, the Commissioner of Central Excise, in his order dated 19th June, 1998 observed that on the date on which the Assistant Commissioner of Central Excise made the above order (i.e. 17.7.1996), the assessment was only provisional and that the assessment was finalised only on 25.7.1996. In the circumstances, the Commissioner was of the view that the refund claim was not time barred. Following the law laid down by this Court in *Mafatlal Industries Ltd. and Ors. v. Union of India and Ors.*, he held that the concept of unjust enrichment would not be attracted on finalisation of provisional assessments. He consequently allowed the refund claim. On appeal the Customs, Excise and Gold (Control) Appellate Tribunal (hereinafter referred to as CEGAT) agreed with the view of the Commissioner and dismissed the appeal. Hence, the department is in appeal before us.

2. In *Mafatlal Industries Ltd.* (supra) a Bench of nine learned Judges of this Court held that refund claims consequent upon the adjustment under Sub-rule (5) of Rule 9 B would not be governed by the restrictions of Section 11A or Section 11B, as the case may be. This Court observed (vide paragraph 104) as under:

"Rule 9-B provides for provisional assessment in situations specified in Clauses (a), (b) and (c) of Sub-rule (1). The goods provisionally assessed under Sub-rule (1) may be cleared for home consumption or export in the same manner as the goods which are finally assessed. Sub-rule (5) provides that "when the duty leviable on the goods is assessed finally in accordance with the provisions of these Rules, the duty

provisionally assessed shall be adjusted against the duty finally assessed, and if the duty provisionally assessed falls short of or is in excess of the duty finally assessed, the assessee shall pay the deficiency or be entitled to a refund, as the case may be". Any recoveries or refunds consequent upon the adjustment under Sub-rule (5) of Rule 9-B will not be governed by Section 11A or Section 11B, as the case may be."

3. In order to get over the situation arising under Mafatlal Industries Ltd. (supra) vide Notification No. 45/99-CE (NT) dated 25.6.1999, an amendment was made in Sub-rule (5) of Rule 9B by adding a proviso thereto. The effect of the proviso is that, even after finalisation of the provisional assessment under Rule 9B (5), if it is found that as assessee is entitled to refund, such refund shall not be made to him except in accordance with the procedure established under Sub-section (2) of Section 11B of the Act.

4. There is no dispute that the refund claim in this case was made much prior to the addition of the proviso in Sub-rule (5) of Rule 9B. On the date on which the refund claim was made, the law applicable was the law as declared by this Court in Mafatlal Industries Ltd. (supra) which we have reproduced above. However, it is contended by the learned counsel Shri Verma for the department, that the claim of refund would be governed by the proviso introduced in Sub-rule (5) of Rule 9B, and that as a consequence, the restrictions in Section 11A and Section 11B with regard to the procedure for refund would apply to the case of the appellant. The same question came up for consideration of this Court in Sinkhai Synthetics & Chemicals Pvt. Ltd. v. CCE, Aurangabad. This Court took the view that the case would be governed by the rule laid down in Mafatlal Industries Ltd. (supra). This view has been reiterated in a subsequent judgment of this Court in C.A. No. 2533 of 2001 (CCE, Meerut v. Star Paper Mills Limited) upholding the view of the tribunal that the refund claim of the appellant before the court was justified.

5. Shri Verma fairly concedes that the proviso introduced in Sub-rule (5) of Rule 9B cannot be said to be retrospective in operation/He, however, contends that on the date on which the proviso was brought into force, i.e. 25.6.1999, the refund claim was still pending with the departmental authorities and, therefore, it had to be adjudicated in accordance with the law as it became enforceable from 25.6.1999. In our view, this contention cannot be accepted. Merely because the departmental authorities took a long time to process the application for refund, the right of the appellant does not get defeated by the subsequent amendment made in Sub-rule (5) of Rule 9B. The Commissioner of Central Excise and the CEGAT were, therefore, justified in holding that the claim for refund made by the appellant had to be decided according to the law laid down by this Court in Mafatlal Industries Ltd. (supra) and would not be governed by the proviso to Sub-rule (5) of Rule 9B.

6. In the result, we find no merit in appeal. The appeal is accordingly dismissed. However, there shall be no order as to costs. C.A. Nos. 2891/2001, 8380/2001 and 610-611/2002.

7. In all these appeals the question which arises for our consideration is identical. The refund claims were made pursuant to the finalisation of provisional assessment orders and prior to 25.6.1999, i.e. the date on which the proviso to Sub-rule (5) of Rule 9B came into force. In

our view, therefore, all these cases would be governed by the rule in Mafatlal Industries Limited (supra) namely that the restrictions in Section 11A and Section 11B would not apply to refund claims consequent upon finalisation of provisional assessment orders.

Hence, these appeals are dismissed. No costs.