

Supreme Court of India

Collector Of Central ... vs Andhra Sugar Ltd on 26 October, 1988

Equivalent citations: 1989 AIR 625, 1988 SCR Supl. (3) 543

Author: S Mukharji

Bench: Mukharji, Sabyasachi (J)

PETITIONER:

COLLECTOR OF CENTRAL EXCISE, GUNTUR

Vs.

RESPONDENT:

ANDHRA SUGAR LTD.

DATE OF JUDGMENT 26/10/1988

BENCH:

MUKHARJI, SABYASACHI (J)

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MUKHARJI, SABYASACHI (J)

RANGNATHAN, S.

CITATION:

1989 AIR 625 1988 SCR Supl. (3) 543

1989 SCC Supl. (1) 144 JT 1988 (4) 410

1988 SCALE (2) 1323

ACT:

Central Excises and Salt Act, 1944 Sections 11 B(2) and 35 L (b) and Notifications No. 55/75 dated March 1, 1975 and No. 62/78 dated March 1, 1978--`Acetic anhydride'--Whether drug intermediate-- Whether exempt from duty.

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Statutory Interpretation--Court to give weight to interpretation upon statute at time of its enactment.

HEADNOTE:

The respondent manufactured `Acetic Anhydride' falling under Tariff Item No. 68 of the Central Excise Tariff. It filed two refund claims in regard to the duty paid on the acetic anhydride during the period 5th February, 1981 to 26th February, 1982, contending that the goods were exempt from payment of excise duty leviable thereon under Notification No. 55/75 CE dated 1st March, 1975 as amended by Notification No. 62/78 CE dated 1st August, 1978, that Acetic -Anhydride is a `drug intermediate' and that as delivery had been made to drug manufacturers i.e. IDPL, no excise duty was payable.

The Assistant Collector of Central Excise by his adjudication allowed the refund of the aforesaid claims of

the respondent under section 11B(2) of the Central Excise and Salt Act, 1944.

The department preferred appeals against the aforesaid orders to the collector of Central Excise (Appeals), who allowed the appeals and annulled the orders of the Assistant Collector granting refund.

The appeals preferred by the respondent having been allowed by the customs, Excise and Gold (Control) Appellate Tribunal, the Revenue appealed to this Court under Section 35 L(b) of the Act.

Dismissing the Appeals.

HELD: 1, 'Acetic Anhydride' is a chemical but when it is supplied as a drug intermediate to a drug manufacturer, it would be entitled to exemption under the relevant Notification.

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2. Keeping in view the language used in the exemption Notification and the purpose of the Notification, the expression 'drug intermediate' is of a wide description and substance and must be so interpreted. [547B]

In the instant case, the Acetic Anhydride manufactured by the appellant had been used by M/s IDPL in the manufacture of drugs. In the light of the purpose for which the goods were used, the Tribunal came to the correct conclusion. [547B-C]

Mysore Acetate & Chemical Co. Ltd. v. Assistant Collector, Central Excise, Mysore, [1984] 17 ELT 319 and Shasum Chemicals (Madras) Pvt. Ltd., [1982] ELT 786, referred to.

3. It is a well-settled principle of interpretation that courts in construing a Statute will give much weight to the interpretation put upon it at the time of its enactment, since those whose duty has been to construe, execute and apply the same enactment. [546H; 547A]

4. The meaning ascribed by the authority issuing the Notification, is a good guide of a contemporaneous exposition of the position of law. [546G]

K.P. Varghese v. The Income Tax Officer, Ernakulam, [1982] 1 SCR 629, referred to.

JUDGMENT:

CIVIL APPELLATE JURISDICTION: Civil Appeal Nos. 1568-69 (NM) of 1988 From the Order dated 26.11.1987 of the Customs Excise & Gold (Control) Appellate Tribunal, New Delhi in Appeal No. ED (SB) 1648/84 C and 1923 of 1984-C.

G. Ramaswamy. Additional Solicitor General (N.P.), Ms. Indu Malhotra and Ms. Sushma Suri for the Respondent. The Judgment of the Court was delivered by SBYASACHI MUKHARJI, J. These are appeals under Section 35L(b) of the Central Excises and Salt Act, 1944 (hereinafter referred to as

`the Act'), arising out of the order of the Tribunal, dated 26th November, 1987. The issue involved in the present case is whether the Acetic Anhydride manufactured by the respondent and sold to drug PG NO 545 manufacturers i.e. M/s IDPL is eligible to benefit of exemption under the notification No. 55/75 CE dated 1st March, 1975 as amended by the notification No. 62/78 CE dated 1.3.1978 as drug intermediate.

The respondent manufactured Acetic Anhydride falling under Tariff Item No 68 of the Central Excise Tariff It had filed refund claims for Rs.1,57,442.08 and Rs 1,14,587.74 being the duty paid on Acetic Anhydride during the period from 5.2.1981 to 28.6.1981 and from 23.7.1982 to 26.2.1982 contending that these goods were exempt from the payment of duty of excise leviable thereon under the notification referred to hereinbefore It was contended that Acetic Anhydride is a drug intermediate and all such clearance for which the refund was claimed, had been made for delivery to the drug manufacturers If drug intermediate is sold or supplied to a drug manufacturer then under the notification duty was not payable The question. therefore. is, was the item manufactured by the petitioner during the relevant period, a drug or an intermediate in terms of the notification.

It appears that the Assistant Collector of Central Excise by his adjudication had allowed the refund of Rs 32,261.74 and Rs 87,932.40 out of the aforesaid claim of the respondent under Section 11B(2) of the Act. The aforesaid orders of the Assistant Collector were challenged by the department by preferring appeals before the Collector of Central Excise (Appeals). Madras The Collector (Appeals) allowed the appeal filed on behalf of the revenue and annulled the order of the Assistant Collector, Bluru, sanctioning sums of Rs.35,261.74 Rs.87,943.40 respectively and directed that those amounts be returned to the department. Being aggrieved thereby, the respondent preferred appeals before the Appellate Tribunal and the same were allowed Hence these appeals.

The question was considered in a decision of the learned Single Judge of the High Court of Karnataka in Mysore Acetate & Chemical Co. Ltd. v. Assistant Collector, Central Excise, Mysore, [1984] 17 ELT 319, wherein it was held that Acetic Anhydride is a chemical but when it is supplied as a drug intermediate to a drug manufacturer, it would be entitled to exemption under the relevant Notification The requirement of end-use, though not built into the exemption notification is not only implied but also becomes imperative in a situation where the product has uses other than as drug intermediate whereas the exemption is limited only to drug intermediate, i.e. only when the product is used as drug intermediate. In this connection reliance was placed on a decision of the Government of India in Hindustan Organic Chemicals Ltd., where reversing the order of the PG NO 546 Excise Authorities of Bombay, the Government by its order dated 14th September, 1981 narrated as follows:

"Government have considered all the written and oral submissions. Government find considerable force in the contention that the view taken by the lower authorities tends to defeat the object of the exemption notification. The interpretation on the scope of the term `Drug Intermediate' put by the lower authorities is not warranted on a plain reading of the notification. Government observe that the notification does not specify the state of use of the item claimed as drug intermediate as the penultimate state i.e., immediately prior to the obtaining of the drug in the process of its manufacture. The petitioners have produced enough evidence to show that the three items are used

in the manufacture of drugs. The petitioners have enclosed copies of the certificates issued by the National Chemical Laboratory, Pune and the Central Drug Research Institute, Lucknow, certifying that Aniline, Para Nitro Chloro Benzene and Acetenilide find vide application as intermediate for drug among other things The National Chemical Laboratory, Pune have certified that the above mentioned chemicals are drug intermediates to the extent they are used in the manufacture of drugs Government accordingly set the order in appeal and hold that the petitioners should get the benefit of the exemption notification for the three items to the extent that they are actually used in the manufacture of drugs In the Government s view. this requirement of end-use though not built into the exemption notification is not only implied but also becomes imperative in a situation where the produce has uses other than as drug intermediate whereas the exemption is limited only to drug intermediate that is only when the product is used as drug intermediate."

It appears that the same principle was reiterated in the case of Shasum Chemicals (Madras) Pvt. Ltd., [1982] ELT 786 It is well settled that the meaning ascribed by the authority issuing the Notification, is a good guide of a contemporaneous exposition of the position of law. Reference may be made to the observations of this Court in K.P. Varghese v. The Income Tax Officer, Ernakulam, [1982] 1 SCR 629. It is a well settled principle of interpretation that courts in construing a Statute will give much weight PG NO 547 to the interpretation put upon it at the time of its enactment and since, by those whose duty has been to construe, execute and apply the same enactment. Keeping in view the language used in the exemption notification and the purpose of the notification, the expression `drug intermediate' is of wide description and substance; and must be so interpreted. Indeed, it was found in the facts of this case that the Acetic Anhydride manufactured by the appellant has been used by M/s. IDPL in the manufacture of drugs.

In the light of the purpose for which the goods in question were used, we are of the opinion that in the context the Tribunal came to a correct conclusion. In the premises, the appeals must fail and are accordingly dismissed. There will, however, be no order as to costs.

N.V.K.

Appeals dismissed.