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Sub :- Request for a clarificatory Circular to cover consumable, fuels, tools and parts in definition of "Goods for use in Manufacture".

Sir,

Indian Industries Association gathers from the situation prevailing in the field, that different options are exercised by Assessing officers with regards to consenting I.T.C. on VAT.

In definition section 2 part (f) "Capital goods" have been defined. Whereas in Sec 13 (11) (i) "goods for use in Manufacture" have been defined which reads as under – "goods for use in manufacture of any goods includes goods required for use, consumption or utilization in manufacture or processing of such goods or goods required for use in packing of such manufactured or processed goods".

The above definitions clearly speaks that the definition for "Capital goods" is one time cost for Plant & Machinery etc., while establishing, expanding or modernizing the Industry. Whereas "for use in manufacture" means that they are used for consumption (Consumable goods) processing, packing, fuels and used in process after establishing the Industry in small fragments and short intervals. But the Field Officers are making their independent and individual interpretations. The word for use in Manufacture has already been settled by Hon'ble Supreme Court. Thus, any definition than what has already been settled will square up litigation. Therefore, deferring the refund, due to "Commonality" goods in Sec 2 (f) & 13 (11) (i) such as components, spare part, accessories, tools, appliance etc. would not meet ends of Justice and in the light of the interpretations and Judgments they will also come under Sec 13 (11) (i).

Thus considering the provisions of both the Sections a clarificatory circular may be issued to cover consumable, fuels, tools and parts to be included in definition of 13 (11) (i) and with a genuine intention to allow I.T.C. & not defer it.

Thanking you,

Yours faithfully,

D.S.Verma
Executive Director