

FENNER (INDIA) LTD. A
v.
COLLECTOR OF CENTRAL EXCISE, MADURAI

MARCH 28, 1995

[A.M. AHMADI, C.J., S.P. BHARUCHA AND B
K.S. PARIPOORNAN, JJ.]

Central Excise Tariff Act, 1985—Tariff Schedule—Interpretation—Chapter Notes—Explanatory Note of identical Heading in Harmonised Coding System—Relevance of. C

Central Excise Tariff Act, 1985—Tariff Schedule—Headings 39.20 and 39.26—classification of conveyor belting.

The appellants manufactured PVC impregnated cotton conveyor belting and PVC impregnated flame resistant colliery conveyor belting. The length of the belting manufactured by the appellants varied from 100 metres to 400 metres, the width varied from 600 millimetres to 1200 millimetres and the thickness from 7 millimetres to 9.5 millimetres. D

From 28.2.1986 to 9.2.1987 "other plates, sheets, film, foil and strip....." were classified under tariff Heading 39.20. "Other articles of plastics and articles of materials of heading Nos. 39.01 to 39.14" were classified under Heading No. 39.22. Note 11(K) in Chapter 39 stated that heading No. 39.22 applied to "transmission, conveyor or elevator belts.....". E

After 10.2.1987, Tariff Heading 39.22 became Tariff Heading 39.26 F and Note 11(k) was omitted. However, Explanatory Note to Heading 39.26 in the Harmonised Coding System covered "articles, not elsewhere specified or included, of plastic..... or of other materials of headings 39.01 to 39.14" and included "transmission, conveyor or elevator belts.....".

The excise authorities contended that the products of the appellants were classifiable under Heading 39.20 whereas the appellants contended that the products were classifiable, prior to 10.2.1987, under Heading 39.22, and under Heading 39.26 on and after 10.2.1987. The Customs, Excise and Gold (Control) Appellate Tribunal held that the products were "strip" and therefore, classifiable under Heading 39.20 relying upon the H

A meaning of "strip" as given in concise Oxford Dictionary.

Hence, the present appeal.

Allowing the appeal, this Court

B HELD : 1. In the instant case the Tariff Schedule contains rules for its interpretation which require that "for legal purposes classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes....". The Notes relative to Chapter 39 state that Heading 39.22 for the period 28.2.1986 to 9.2.1987 applies to conveyor belts. For this period Tariff Heading 39.22 must, therefore, be read as applicable to the appellant's conveyor belts. For the period starting from 10.2.1987, C the Explanatory Note to Tariff Heading 39.26 in the Harmonised Coding System, which is identical to Tariff Heading 39.26 of the Tariff Schedule, must be taken to be a guide, for the Tariff Schedule is based upon the Harmonised Coding System. [7-F-G]

D *Geep Flashlight Industries Ltd. v. Union of India and Ors.*, (1985-22E) L.T. 3, distinguished.

Dictionary of Mechanical Engineering, 3rd Ed., referred to.

E 2. An article which is over 100 metres but only upto 1200 millimetres in width cannot be described as a "strip". Tariff Entries 39.20.11 and 39.20.12 cannot, therefore, be made applicable to the belting made by the appellants. [7-H]

F CIVIL APPELLATE JURISDICTION : Civil Appeal No. 4600 of 1989.

With

(C.A. No. 4421 of 1989)

G From the Judgment and Order dated 14.9.89 of the Customs, Excise and Gold (Control) Appellate Tribunal, New Delhi in Order No. 526 of 1989-C).

H Lakshmi Kumaran, V. Balachandran, R. N. Banerjee, R.N. Karanjawala, P.K. Mullick and Bhaskar Pradhan for Mrs. M. Karanjawala for the Appellants.

M. Gouri Shankar Murthy, P. Narsimhan and V. K. Verma for the Respondents. A

The Judgment of the Court was delivered by

BHARUCHA, J. These appeals impugn the order dated 14th September, 1989, passed by the Customs, Excise and Gold (Control) Appellate Tribunal dismissing the appeals filed before it by the two appellants. Each of the two appellants manufactures PVC impregnated cotton conveyor belting and PVC impregnated flame resistant colliery conveyor belting. The appellants contended before the tribunal that their products were classifiable under Tariff Entry 3922.90, whereas it was the case of the Excise authorities that they were classifiable under Tariff Entries 3920.11 or 3920.12, depending upon whether they were rigid or flexible strips. The Tribunal upheld the contentions of the Excise authorities basing itself, in the main, upon the dictionary meaning of "strip" and upon the judgment of this Court in *Geep Flashlight Industries Ltd. v. Union of India and Ors.*, 1985-22 E.L.T. 3. B C D

We are concerned in these appeals for the period December 1986 to June 1987.

With effect from 28th February 1986 and upto 9th February 1987, Tariff Heading 39.20 (so far as is relevant) read thus : E

39.20 Other plates, sheets, film, foil and strip, of plastics, non-cellular, whether lacquered or metallised or laminated, supported or similarly combined with other materials or not

- Of Polymer of vinyl chloride :

3920.11 - Rigid plates, sheets, film, foil and strip 60% F

3920.12 - Flexible plates, sheets, film, foil and strip 60%

Tariff Heading 39.22 read thus :

39.22 Other articles of plastics and articles of materials of heading Nos. 39.01 to 39.14 G

3922.10 - Articles of polyurethane foam 75%

3922.90 - Other 30% H

A It is relevant to mention that the Central Excise Tariff Act, 1985, itself contains rules for the interpretation of the tariff schedule. Rule 1 states, "The titles of Sections and Chapters are provided for ease of reference only : for legal purposes, classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes and, provided such headings or Notes do not otherwise require, according to the provisions hereinafter contained". Rule 2(a) states that any reference in a heading to goods shall be taken to include a reference to those goods incomplete or unfinished, provided that the incomplete or unfinished goods have the essential character of the complete or finished goods. Rule 3 states that when goods are *prima facie* classifiable under two or more headings, classification will be effected thus : the heading which provides the most specific description shall be preferred to headings providing a more general description. Also when goods cannot be classified by reference to sub-rules (a) or (b) of Rule 3, they shall be classified under the heading which occurs last in the numerical order among those which equally merit consideration. Rule 4 states that goods which cannot be classified in accordance with Rules 1 to 3 shall be classified under the heading appropriate to the goods to which they are most akin. Chapter 39 is entitled "Plastics and articles thereof" and Note 11 therein states that Heading No. 39.22 applies, *inter alia*, to "(k) Transmission, conveyor or elevator belts, endless, or cut-to-length and joined end to end, or fitted with fasteners."

Subsequent to 10th February 1987 Tariff Heading 39.22 became Tariff Heading 39.26; it read :

| | | |
|---|---|---------------------------------|
| F | 39.26 Other articles of plastics and articles of other materials of heading Nos. 39.01 to 39.14 | |
| | 3926.10 - Of Polyurethane foam | 60% plus Rs. 40 per Kilogram |
| G | 3926.90 - Other | 30% |

Note 11(K) was omitted, Reference was made by Mrs. V. Laxmi Kumaran, learned counsel for the appellants, to the Customs Cooperation Council publication of the Explanatory Notes to the Harmonized Commodity Description and Coding System which is adopted in the Tariff Schedule. The Explanatory Note with reference to Tariff Heading 39.26 of

H

the Harmonised Coding System states that it covered "articles, not elsewhere specified or included, of plastics or of other materials of headings 39.01 to 39.14" and included "(7) Transmission, conveyor or elevator belts, endless, or cut to length and joined end to end, or fitted with fasteners."

The Tribunal observed from copies of the customers' orders placed before it by the appellants that the length of the belting in rolls varied from 100 metres to 400 metres, the width varied from 600 millimetres to 1200 millimetres and the thickness varied between 7mm and 9.5mm. Considering the length, width and thickness of the belting, the Tribunal concluded that it fell within the term "strip", as meaning a long narrow piece according to the Concise Oxford Dictionary. The name given to the product by the appellants was "belt/belting". Customers placed orders under this name. But, according to the Tribunal, the belt/belting was covered by the general dictionary meaning of "strip". The Tribunal found that the belting was not exclusively an article of plastic and it noted that in the case of *Geep Flashlight Industries Ltd.* (*ibid*) this Court had observed that articles of plastic did not mean articles made from plastic and other materials.

The Dictionary of Mechanical Engineering, Third Edition, published by Butterworths defines belt, thus :

"belt (belting: driving band) An endless band of leather or other flexible material for transmitting power from one shaft to another by running over flat, convex or grooved rim pulleys. Belts may be flat, vee-shaped or ribbed to fit on to appropriately shaped pulleys. But velocities may be as high as 800 m/s (15000 ft. min). See also anti static belting; link belting; open belt, etc."

Mr. V. Laxmi Kumaran laid stress on the Rules for the interpretation of the Tariff Schedule hereinabove referred to and urged that, by reason thereof, classification had to be determined "according to the terms of the headings and any relative Section or Chapter Notes". Emphasis was laid upon Chapter Note 11 which specifically stated that Tariff Heading 39.22 applied to conveyor belts. In regard to the Tariff as it obtained after 10th February, 1987, Mr. V. Laxmi Kumaran relied upon the Explanatory Note to Tariff Heading 39.26, in identical terms in the Harmonised Coding System which was the basis of the present Tariff Schedule. It expressly

A stated that Tariff Heading 39.26 included conveyor belts. Mr. Laxmi Kumaran submitted that, in these circumstances, the conveyor belts manufactured by the appellants could only be classified under Tariff Entry 39.22.90 and 39.26.90 for the respective periods.

B Mr. V. Gauri Shankar Murthy, learned counsel for the Excise authorities, submitted that the belting manufactured by the appellants was properly classifiable under Tariff Heading 59.08, which relates to impregnated, coated, covered or laminated textile fabrics and textile articles of a kind suitable for industrial use. In this behalf he sought to draw our attention to the description of the manufacturing process given by the
C appellants in the first appeal in their memorandum of appeal. He submitted that it was permissible for the Excise authorities to take this stand because in the show cause notice issued to the appellants in the first appeal it had been stated that it was issued without prejudice to the stay order granted by the Madras High Court in the writ petition filed by the appellant
D in the first appeal.

It appears that a show cause notice dated 2nd September 1986 had been issued by the Excise authorities to the appellant in the first appeal proposing to classify its belting under Tariff Heading 59.08. The show cause
E notice was impugned in the writ petition filed in the Madras High Court. The Madras High Court granted stay of further proceedings in pursuance of the notice. Thereupon the show cause notice dated 11/12th June 1987 was issued, without prejudice to the stay order aforementioned, seeking to classify the belting under Tariff Entries 39.20.11 or 39.20.12. When the writ
F petition reached hearing, however, learned counsel for the Excise authorities stated on instructions that they would classify the belting under Tariff entries 39.20.11 or 39.20.12, a revised show cause notice in that behalf would be issued and further action on the show cause notice dated 2nd September, 1986, which was impugned in the writ petition, had become
G unnecessary. The High Court recorded the statement and dismissed the writ petition as unnecessary. Having regard to the statement made on behalf of the Excise authorities before the Madras High Court that they would seek to classify the belting of the appellant in the first appeal under Tariff Entries 39.20.11 or 39.20.12 and not under 59.08, on which statement the High Court acted and dismissed the writ petition as unnecessary, it is
H not open to the Excise authorities to urge that the belting is classifiable

under Tariff Heading 59.08.

As regards the appellant in the second appeal, the Excise authorities at all times sought to assess its belting under Tariff Entries 39.20.11 or 39.20.12 and never under Tariff Heading 59.08. It is impermissible for the Excise authorities to urge for the first time before this Court that the belting of the appellant in the second appeal must be classified under Tariff Heading 59.08.

We have, therefore, declined to permit learned counsel for the Excise authorities to advance any argument relative to Tariff Heading 59.08.

Learned counsel for the Excise authorities then submitted that he had nothing to add to what had been stated by the Tribunal in the order under appeal.

The Tribunal's reliance upon the judgment of this Court in the case of *Geep Flashlight Industries Ltd.* was, in our opinion, misplaced. The court was there concerned with the interpretation of a tariff item read by itself. It had not to be read in the light of terms of headings or relative Section or Chapter Notes. This Court held that plastic torches were not articles made of plastic. Articles made of plastic meant articles made wholly of the commodity commercially known as plastic and not articles made from plastic and other materials. In the instant case the Tariff Schedule contains rules for its interpretation which require that "for legal purposes classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes.....". The Notes relative to Chapter 39 state that Heading 39.22 for the earlier period applies to conveyor belts. For the earlier period Tariff Heading 39.26 must, therefore, be read as applicable to the appellants' conveyor belts. For the later period, the explanatory note to Tariff Heading 39.26 in the Harmonised Coding System, which is identical to Tariff Heading 39.26 of the Tariff Schedule, must be taken to be a guide, for the Tariff Schedule is based upon the Harmonised Coding System. That apart, we are unable to uphold the Tribunal's finding that the belting made by the appellants is a "Strip". An article which is over 100 metres but only upto 1200 millimetres in width cannot be described as a "strip". Tariff Entries 39.20.11 and 39.20.12 cannot, therefore, be made applicable to the belting made by the appel-

A lants. For the later period, Tariff Heading 39.26 must be read as applicable to it.

B The appeals, therefore, succeed. The judgment and order under appeal is set aside. The respondents are directed to classify the appellants conveyor belts under Tariff Heading 39.22.90 for the period December 1986 to 9th February 1987 and under Tariff Heading 39.26.90 for the period 10th February 1987 to June 1987.

The respondents shall pay to the appellants the costs of the appeals.

B.K.M.

Appeals allowed.