

**GENERAL EXEMPTION NO. 20**

**Exemption to all the goods (except as per Annexure I) manufactured by units located in Kutch district of Gujarat equal to duty of excise and additional duty of excise paid in cash.**

[Notfn. No. 39/01-CE., dt. 31.7.2001 as ammended by Notfn. Nos. 42/01, 45/02, 60/02, 05/03, 16/03, 65/03, 9/04, 55/04, 16/08, 33/08, 51/08].

In exercise of the powers conferred by sub-section (1) of section 5A of the Central Excise Act, 1944 (1 of 1944), read with sub-section (3) of section 3 of the Additional Duties of Excise (Goods of Special Importance) Act, 1957 (58 of 1957) and sub-section (3) of section 3 of the Additional Duties of Excise (Textiles and Textile Articles) Act, 1978 (40 of 1978), the Central Government being satisfied that it is necessary in the public interest so to do, hereby **exempts the goods specified in the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) other than goods specified in the Annexure appended to this notification and cleared from a unit located in Kutch district of Gujarat from so much of the duty of excise or the additional duty of excise, as the case may be, leviable thereon under any of the said Acts as is equivalent to the duty payable on value addition undertaken in the manufacture of the said goods by the said unit.**

Provided that in the case of a unit having an original **value of investment in plant and machinery** installed in the factory **below rupees twenty crore** on the date of commencement of commercial production in that unit, the **exemption** contained herein **shall apply only for the first clearances upto an aggregate value no exceeding twice the value of such investment from the date of commencement of commercial production, in each year.**

2 The duty payable on value addition shall be equivalent to the amount calculated as a percentage of the total duty payable on the said excisable goods of the description specified in column (3) of the Table below (hereinafter referred to as the said Table) and falling within the Chapter of the said First Schedule as are given in the corresponding entry in column (2) of the said Table when manufactured starting from inputs specified in the corresponding entry in column (5) of the said Table in the same factory, at the rates specified in the corresponding entry in column (4) of the said Table:

**TABLE**

S.No.	Chapter of the First Schedule	Description of goods	Rate	Description of inputs for manufacture of goods in column (3)
(1)	(2)	(3)	(4)	(5)
1.	29	All goods	29	Any goods
2.	30	All goods	56	Any goods
3.	33	All goods	56	Any goods
4.	34	All goods	38	Any goods
5.	38	All goods	34	Any goods
6.	39	All goods	26	Any goods
7.	40	Tyres, tubes and flaps	41	Any goods
8.	72 or 73	All goods	39	Any goods, other than iron ore
9.	74	All goods	15	Any goods
10.	76	All goods	36	Any goods
11.	85	Electric motors and generators, electric generating sets and parts thereof	31	Any goods

(1)	(2)	(3)	(4)	(5)
12	25	Cement	75	Lime stone and gypsum
12A	25	Cement clinker	75	Lime stone
13.	17 or 35	Modified starch or glucose	75	Maize, maize starch or tapioca starch
14.	18	Cocoa butter or powder	75	Cocoa beans
15.	72 or 73	Iron and steel products	75	Iron ore
15A	29 or 38	Fatty acids or Glycerine coconut, mustard or rapeseed oil	75	Crude palm kernel,
15B	72	Ferro alloys, namely, ferro chrome, ferro manganese or silico manganese	75	Chrome ore or manganese ore
16.	Any chapter	Goods other than those mentioned above in S.Nos.1 to 15	36	Any goods

Provided that where the duty payable on value addition exceeds the duty paid by the manufacturer on the said excisable goods, other than the amount paid by utilization of CENVAT credit during the month, the duty payable on value addition, shall be deemed to be equal to the duty so paid other than by CENVAT credit.

2A In cases where all the goods produced by a manufacturer are eligible for exemption under this notification, the exemption contained in this notification shall be subject to the condition that the manufacturer first utilizes whole of the CENVAT credit available to him on the last day of the month under consideration for payment of duty on goods cleared during such month and pays only the balance amount in cash.

2B The exemption contained in this notification shall be given effect to in the following manner, namely:-

(a) the manufacturer shall submit a statement of the total duty paid and that paid by utilization of CENVAT credit, on each category of goods specified in the said Table and cleared under this notification, to the Assistant Commissioner of Central Excise or Deputy Commissioner of Central Excise, as the case may be, by the 7th of the next month in which the duty has been paid;

(b) the Assistant Commissioner of Central Excise or the Deputy Commissioner of Central Excise, as the case may be, after such verification as may be deemed necessary, shall refund the duty payable on value addition, computed in the manner as specified in paragraph 2 to the manufacturer by the 15th of the month following the one in which the statement as at clause (a) above has been submitted.

2C Notwithstanding anything contained in sub-paragraph 2B above,-

(a) the manufacturer at his own option, may take credit of the amount calculated in the manner specified in paragraph 2 in his account current, maintained in terms of the Excise Manual of Supplementary Instructions issued by the Central Board of Excise and Customs. Such amount credited in the account current may be utilized by the manufacturer for payment of duty, in the manner specified under rule 8 of the Central Excise Rules, 2004, in subsequent months, and such payment shall be deemed to be payment in cash;

(b) the credit of the refund amount may be taken by the manufacturer in his account current, by the 7th of the month following the month under consideration;

(c) a manufacturer who intends to avail the option under clause (a) shall exercise his option in writing for availing such option before effecting the first clearance in any financial year and such option shall be effective from the date of exercise of the option and shall not be withdrawn during the remaining part of the financial year;

(d) the manufacturer shall submit a statement of the total duty payable as well as the duty paid by utilization of CENVAT credit or otherwise and the credit taken as per clause (a), on each category of goods manufactured and cleared under the notification and specified in the said Table, to the Assistant Commissioner of Central Excise or Deputy Commissioner of Central Excise, as the case may be, by the 15th of the month in which the credit has been so taken;

(e) the Assistant Commissioner of Central Excise or the Deputy Commissioner of Central Excise, as the case may be, after such verification, as may be deemed necessary, shall determine the amount correctly refundable to the manufacturer and intimate to the manufacturer by the 15th day of the next month to the month in which the statement under clause (d) has been submitted. In case the credit taken by the manufacturer is in excess of the amount determined, the manufacturer shall, within five days from the receipt of the intimation, reverse the said excess credit from the account current maintained by him. In case, the credit taken by the manufacturer is less than the amount of refund determined, the manufacturer shall be eligible to take credit of the balance amount;

(f) in case the manufacturer fails to comply with the provisions of clauses (a) to (e), he shall forfeit the option, to take credit of the amount calculated in the manner specified in sub-paragraph 2A in his account current on his own, as provided for in clauses (a) to (c);

(g) the amount of the credit availed irregularly or availed of in excess of the amount determined correctly refundable under clause (e) and not reversed by the manufacturer within the period specified therein, shall be recoverable as if it is a recovery of duty of excise erroneously refunded. In case such irregular or excess credit is utilised for payment of excise duty on clearances of excisable goods, the said goods shall be considered to have been cleared without payment of duty to the extent of utilisation of such irregular or excess credit.

Explanation.-For the purposes of this paragraph, duty paid by utilisation of the amount credited in the account current, shall be taken as payment of duty by way other than utilisation of CENVAT credit under the CENVAT Credit Rules, 2004.

2.1 (1) Notwithstanding anything contained in paragraph 2A, the manufacturer shall have the option not to avail the rates specified in the said Table and apply to the Commissioner of Central Excise or the Commissioner of Customs and Central Excise, as the case may be, having jurisdiction over the manufacturing unit of the manufacturer for fixation of a special rate representing the actual value addition in respect of any goods manufactured and cleared under this notification, if the manufacturer finds that the actual value addition in the production or manufacture of the said goods is at least 115 per cent of the rate specified in the said Table and for the said purpose, the manufacturer may make an application in writing to the Commissioner of Central Excise or the Commissioner of Customs and Central Excise, as the case may be, not later than the 30th day of September in a financial year for determination of such special rate, stating all relevant facts including the proportion in which the material or components are used in the production or manufacture of goods:

Provided that the Commissioner of Central Excise or the Commissioner of Customs and Central Excise, as the case may be, may, if he is satisfied that the manufacturer was prevented by sufficient cause from making the application within the aforesaid time, allow such manufacturer to make the application within a further period of thirty days:

Provided further that the manufacturer supports his claim for a special rate with a certificate from his statutory Auditor containing a calculation of value addition in the case of goods for which a claim is made, based on the audited balance sheet of the unit for the preceding financial year:

Provided also that a manufacturer that commences commercial production on or after the 1st day of April, 2008 may file an application in writing to the Commissioner of Central Excise or the Commissioner of Customs and Central Excise, as the case may be, for the fixation of a special rate not later than the 30th day of September of the financial year subsequent to the year in which it commences production.

(1A) Nothing contained in sub-paragraph (1) shall apply to a unit manufacturing goods falling under Serial Nos. 12, 13, 14 or 15 of the Table.

(2) On receipt of the application referred to in sub-paragraph (1), the Commissioner of Central Excise or Commissioner of Customs and Central Excise, as the case may be, after making or causing to be made such inquiry as he deems fit, shall fix the special rate within a period of three months of such application;

(3) Where the manufacturer desires that he may be granted refund provisionally till the time the special rate is fixed, he may, while making the application, apply to the Commissioner of Central Excise or the Commissioner of Customs and Central Excise, as the case may be, in writing for grant of provisional refund at the rate specified in column (4) of the said Table for the goods of description specified in column (3) of the said Table and falling in Chapter of the First Schedule of the Central Excise Tariff Act, 1985 (5 of 1986) as in corresponding entry in column (2) of the said Table, and on finalization of the special rate, necessary adjustments be made in the subsequent refunds admissible to the manufacturer in the month following the fixation of such special rate.

(4) Where the Central Government considers it necessary so to do, it may-

(a) revoke the special rate or amount of refund as determined under sub-paragraph (2) by the Commissioner of Central Excise or the Commissioner of Customs and Central Excise, as the case may be, or

(b) direct the Commissioner of Central Excise or the Commissioner of Customs and Central Excise, as the case may be, to withdraw the rate so fixed.

*Explanation:* For the purpose of this paragraph, the actual value addition in respect of said goods shall be calculated on the basis of the financial records of the preceding financial year, taking into account the following:

- (i) Sale value of the said goods excluding excise duty, Value Added Tax and other indirect taxes, if any, paid on the goods;
- (ii) Less: Cost of raw materials and packing material consumed in the said goods;
- (iii) Less: Cost of fuel consumed if eligible for input credit under CENVAT Credit Rules, 2004;
- (iv) Plus: Value of said goods available as inventory in the unit but not cleared, at the end of the financial year;
- (v) Less: Value of said goods available as inventory in the unit but not cleared, at the end of the financial year preceding that under consideration.

Special rate would be the ratio of actual value addition in the production or manufacture of the said goods to the sale value of the said goods excluding excise duty, Value Added Tax and other indirect taxes, if any, paid on the goods.

(5) The manufacturer shall be entitled to refund at the special rate fixed under sub-paragraph (2) in respect of all clearances of excisable goods manufactured and cleared under this notification with effect from the 1st day of April of the year in which the application referred to at sub-paragraph (1) was filed with the Commissioner of Central Excise or Commissioner of Central Excise and Customs, as the case may be:

Provided that in cases where the application referred to in sub-paragraph (1) had already been filed prior to the 10th day of June, 2008, the manufacturer shall be entitled to refund at the special rate fixed under sub-paragraph (2) in respect of all clearances of excisable goods manufactured and cleared under this notification with effect from the 1st day of April, 2008.

(5A) A manufacturer who commences commercial production on or after the 1st day of April, 2008, shall be entitled to refund at the special rate fixed under sub-paragraph (2) against his first application in respect of all clearances of excisable goods manufactured and cleared under this notification with effect from the date of commencement of such commercial production and the difference between the refund payable at such special rate and the actual refund paid to him from the date of commencement of commercial production till the date of fixation of special rate, shall be refunded to him.

(6) Where a special rate is fixed under sub-paragraph (2), the refund payable in a month shall be equivalent to the amount calculated as a percentage of the total duty payable on such excisable goods, at the rate so fixed:

Provided that the refund shall not exceed the amount of duty paid on such goods, other than by utilization of CENVAT credit.

2.2 (1) In case the total amount of refund paid or payable to a manufacturer in respect of goods cleared from a unit during a financial year is less than the total duty paid by him on the said goods, other than the amount paid by utilization of CENVAT credit, for the year, the differential amount, if any, shall be refunded to him subject to the condition that the total refund made to him during the year, including the aforesaid differential amount, does not exceed the total duty payable on value addition whether at the rate specified in the Table or at the special rate fixed under paragraph 2.1.

(2) The Assistant Commissioner of Central Excise or the Deputy Commissioner of Central Excise, as the case may be, shall refund the differential amount, if any, to the manufacturer not later than the 15th day of May in the subsequent financial year.

3. The exemption contained in this notification shall be subject to the following conditions, namely:—

- (i) It shall apply only to **new industrial units**, that is to say, units which are set up on or after the date of publication of this notification in the Official Gazette but not later than the 31st day of December, 2005;
- (ii) In order to avail of this exemption, the manufacturer shall produce a certificate from a Committee consisting of the Chief Commissioner of Central Excise, Ahmedabad and the Principal Secretary to the Government of Gujarat, Department of Industry, to the jurisdictional Assistant Commissioner or the Deputy Commissioner of Central Excise, as the case may be, that the unit in respect of which exemption is claimed is a new unit and has been set up during the time period specified in condition (i) above.
- (iii) Before effecting clearances under this notification, the manufacturer shall also furnish a declaration regarding the original value of investment in plant and machinery installed in the factory as on the date of commencement of commercial production, to the Assistant Commissioner or the Deputy Commissioner of Central Excise, as the case may be.
- (iv) The manufacturer shall also produce a certificate from the said Committee confirming the original value of investment and such a certificate shall be produced within a period of one month from the date of commencement of commercial production, or such extended period as the said Assistant Commissioner or Deputy Commissioner may allow.
- (v) In case on the basis of such certification, or otherwise, the original value of investment in plant and machinery,
  - (a) is found to be less than rupees twenty crore but was declared to be rupees twenty crore or more, the manufacturer shall be liable to pay back the entire amount of duty exemption availed under the notification alongwith interest at the rate of twenty four per cent per annum as if no exemption were available; or
  - (b) is found to be less than the declared value and was declared to be below rupees twenty crore, the manufacturer shall be liable to pay duty on the goods cleared, if any, in excess of twice the actual value of original investment in each of the years during which exemption has been claimed under this notification alongwith interest at the rate of twenty four per cent per annum, as if no exemption were available to those clearances under this notification.
- (vi) The exemption shall apply for a period not exceeding five years from the date of commencement of commercial production by the unit.

4. **Nothing contained in this notification shall apply to a manufacturer or a factory availing of exemption under any of the following notifications, namely:–**

- (a) Notification No. 8/2003-CE dated the 1st March, 2003;
- (b) Notification No. 9/2003-CE dated the 1st March, 2003;

*Explanation I :* For the purpose of this notification,-

- (i) a change in the name or in the nature of ownership or a change in location of an existing unit would not entitle anyone for treatment as a “new” industrial unit.
- (ii) the expression “set up on or after the date of publication of this notification in the Official Gazette but not later than the 31st day of December, 2005” shall mean that,-
  - (a) any civil construction work on its factory premises and any installation of plant and machinery therein commences only on or after the date of publication of this notification in the Official Gazette; and
  - (b) the said civil construction work on its factory premises and installation of plant and machinery therein is completed, and the unit starts commercial production, not later than the 31st day of December, 2005.
- (iii) the expression “aggregate value of clearances” shall mean the total value of clearances of excisable goods, whatsoever, from the unit in each year but shall not include goods cleared for use in the manufacture of other excisable goods in the same unit.

*Explanation II :* For the removal of doubt, it is hereby clarified that “original value of investment in plant and machinery installed in the factory”, shall be the original value as determined in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India on Accounting for Fixed Assets.

**Annexure**

- 1. Goods falling under Chapter 24 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986);
- 2. The following goods, falling under the said First Schedule to the Central Excise Tariff Act, 1985, namely:–
  - (a) Candles;
  - (b) Footwear of a retail sale price not exceeding Rs. 125 per pair;
  - (c) Tableware and kitchenware of glass;
  - (d) Imitation jewellery;
  - (e) Monochrome television receivers;
  - (f) Vacuum and gas-filled bulbs of retail sale price not exceeding Rs. 20 per bulb;
  - (g) Sunglasses for correcting vision;
  - (h) Watches and clocks of retail sale price not exceeding Rs. 500 per piece;
  - (i) Rubberised coir mattresses;
  - (j) Toothbrushes;
  - (k) Kerosene, that is to say, any hydrocarbon oil (excluding mineral colza oil and white spirit) which has a smoke content of 18mm or more [determined in the apparatus known as smoke point lamp in the manner included in the Bureau of Indian Standards Specification ISI : 1448 (P.31) – 1968 as in force for the time being] and is ordinarily used as an illuminant in oil burning lamps;
  - (l) Liquefied petroleum gases and other gaseous hydrocarbons other than natural gas, ethylene, propylene, butylenes and butadiene;
  - (m) Compressed Natural Gas (CNG);
  - (n) Cotton sewing thread, not containing synthetic staple fibres;
  - (o) Cotton yarn, not containing synthetic staple fibres;

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- (p) Diesel engines upto 10 HP; and
  - (q) Goods specified in the Table annexed to notification no. 11/2001-Central Excise dated the 1st of March, 2001.
3. Goods specified in the Second Schedule to the Central Excise Tariff Act, 1985 (5 of 1986).