

Circular No. 947/8/2011- CX

**F.No.B-1/2/2011-TRU
Government of India
Ministry of Finance
Department of Revenue
Tax Research Unit

New Delhi dated the 21st June, 2011.

To

All Chief Commissioners of Central Excise
All Chief Commissioners of Customs & Central Excise.
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All Commissioners of Customs & Central Excise.
All Directors General

Subject: Clarification on issues pertaining to the levy of excise duty on branded readymade garments and made-up articles of textiles– regarding.

Sir / Madam,

Board has received representations from trade and industry seeking clarification on certain issues pertaining to the levy of excise duty on readymade garments/made-ups that either bear or are sold under a brand name. These issues are:-

- (i) applicability of the mandatory levy of excise duty on school uniforms, uniforms for private security guards, companies, hotels, airlines etc and made-ups such as linens, towels etc bearing the name or logo of a hotel, restaurant or airlines etc; and
- (ii) applicability of mandatory levy of excise duty on made-ups such as blankets bearing the name of the manufacturer and supplied to the Ministry of Defence or its organisations

2. The matter has been examined. On the issue of applicability of excise duty on uniforms or made-up articles like quilt, blankets, towels, linen etc bearing the name or logo of a school, security agency, company, hotel or airline etc., it is clarified that such products would not merit treatment as “branded” products merely because the name of the school, institution or company or their logo is either printed, embroidered or etched on them. This is equally true of made ups such as towels, linen etc bearing the name of a hotel, restaurant or airlines. In all these cases, there is no nexus between such a name or logo & the product at the time of its sale which is essential ingredient in the definition of the term “brand name”. Unless such garments/made- ups also bear a brand name in addition to the name or logo of the school, security agency, hotels, airlines and company, such goods would not attract the excise duty. It is also gathered that in some cases, apart from the name or logo of such organisations, the name of the tailor or manufacturer is affixed on such garments. However, mere affixing of name of the tailor or manufacturer would not constitute a brand name. Another related issue is the applicability of the mandatory excise duty to blankets which are supplied to the defence establishment, armed forces, police forces etc against tenders that stipulate that the name of the manufacturer should be clearly indicated or marked on the product. As pointed out

above, affixing the name of the manufacturer on such goods would not, by itself, bring them within the ambit of branded goods.

3. Another issue raised by the trade concerns the determination of eligibility of a manufacturer or factory to the benefit of small scale exemption contained in notification no. 8/2003-CE dated 1.3.2003. Under the exemption, a manufacturer or a factory whose aggregate value of clearances for home consumption did not exceed Rs.4 crore in the preceding financial year is eligible for full exemption on similar clearances not exceeding Rs. 1.5 crore in this financial year. It has already been clarified that a certificate from a chartered Accountant about the aggregate value of clearances for home consumption in the preceding financial year may be accepted. It has now been decided that self certification by a manufacturer may also be accepted for this purpose. As regards maintenance of records by such manufacturers, Central Excise law does not prescribe any specific record which is to be maintained by an assessee. Hence records of production, clearance & purchases that are maintained for the purpose of VAT purposes can be accepted for purposes of Central Excise.

(5). Suitable trade notice / standing order may be issued to guide the trade and industry.

(6). Difficulty, if any, faced in implementation of these instructions may be brought to the notice of the Board immediately.

Yours faithfully,

(Yogendra Garg)
Director (TRU)