



## NITYA'S INSIGHT

*Judgment update | Cutting and slitting of self-adhesive film and paper does not amount to manufacture*

July 14, 2015

Dear Reader,

This is to update you on a recent ruling of Mumbai Tribunal in the case of CCE, Belapur vs UPM Kymmene India Pvt. Ltd. In this judgment, Tribunal held the process of cutting and slitting of self-adhesive film and self-adhesive paper from jumbo rolls to smaller rolls does not amount to manufacture. It has also been held that the assessee is not required to pay Cenvat credit utilized for discharge of output excise duty liability (on corresponding final products), however, if any excess credit is availed by the assessee, the same needs to be reversed / paid back.

The assessee was engaged in the cutting and slitting of imported self-adhesive film and self-adhesive paper. These goods were imported in jumbo rolls and were slit into smaller rolls as per the requirements of the customer. The assessee was paying excise duty on the slitted output and was also availing Cenvat credit on inputs and capital goods. The Revenue disputed that the process of cutting and slitting does not amount to manufacture and the assessee was not entitled to claim Cenvat credit.

The Tribunal held that the process (of cutting and slitting) adopted by the assessee on the jumbo rolls does not amount to manufacture due to the following reasons:

- No new product emerged on winding, cutting/ slitting and packaging, and the character and end use of jumbo rolls did not undergo of a change owing to these activities
- The process of cutting and slitting of self-adhesive film/ paper is not recognized as manufacture in the relevant section or chapter notes of the Central Excise Tariff Act, 1985
- Mere mention of inputs and output in different tariff heading does not imply manufacture
- Having value addition without any change in name, character or end use of input and output is not a criterion to decide 'manufacture'.

Basis the above grounds, Tribunal held that the process adopted by the assessee does not amount to manufacture. The credit availed on inputs and capital goods, to the extent it was over and above the credit utilized for payment of output excise duty liability, needs to be reversed.

We hope that you will find this update useful. For any clarification, please feel free to revert.

Regards,

Team NITYA



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