(2024) 06 CESTAT CK 1546

In the Customs, Excise And Service Tax Appellate, New Delhi

Case No : Excise Appeal No. 53963, 53971, 54770, 54771, 55367 of 2023

Sebros Auto Pvt. Ltd. And Ors. APPELLANT

Vs

Directorate General of GST Intelligence(Adjudication Cell) RESPONDENT

Date of Decision : 24-06-2024

Acts Referred:

Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2002 — Rule 6

Citation : (2024) 06 CESTAT CK 1546

Hon'ble Judges : Dilip Gupta, President (J);Hemambika R. Priya, Member (T)

Bench : Division Bench

Advocate : N.K. Sharma, Rakesh Agarwal

Final Decision : Allowed

Judgement

Dilip Gupta, J

1. The issue involved in all the aforesaid appeals that have been filed by vendors of Maruti Suzuki India Limited, Maruti, which is engaged in the manufacture of motor vehicles and procures the desired parts and components from vendors, is whether the notional cost of drawings and designs supplied free of cost by Maruti to the vendors should be included in the assessable value of parts or components manufactured by vendors and cleared to Maruti for the purpose of payment of central excise duty.

2. According to the vendors, parts or components, being an engineering product, are required to be made as per the requirement of Maruti and it is for this reason that Maruti provides the specifications of the parts or components in the form of drawings free of cost to the potential vendors and seeks quotations. The specifications enable the potential vendors to properly understand the requirements and provide the best price quotations for the manufacture and supply of the desired parts or components. Once the vendor is selected and a letter of intent is issued, the vendor prepares detailed drawings and designs for

the products to be supplied, corresponding to the specifications received from Maruti. The final products are then manufactured with the help of detailed drawings and designs prepared by the vendors. According to the vendors, the cost incurred by them towards the manufacturing activity includes the development cost incurred in the preparation of the detailed drawings and designs by them.

3. The department, however, believed that the cost of the specifications supplied by Maruti to the vendors free of cost should be included in the assessable value of the final products manufactured by the vendors in terms of rule 6 of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2002, the 2000 Valuation Rules. Accordingly, show cause notices were issued to the vendors. The adjudicating authority confirmed the duty demand holding that the cost of the specifications provided by Maruti has to be included in the assessable value of the product manufactured by the vendors and cleared to Maruti.

4. It has, therefore, to be determined whether the notional cost of specifications in the form of drawings and designs supplied free of cost by Maruti to the potential vendors should be included in the assessable value of the parts or components manufactured by the vendors and cleared to Maruti for their motor vehicles.

5. This issue was examined at length by this Bench of the Tribunal in Denso India Private Limited versus Additional Director General (Adjudication), Excise Appeal No. 52419 of 2022 decided on 12.03.2024 and it was held that:

"50. The inevitable conclusion, therefore, that follows from the aforesaid discussion is that the notional cost of drawings and designs supplied free of cost by Maruti to the vendors cannot be included in the assessable value of the parts and components manufactured by vendors and cleared to Maruti for the purpose of payment of central excise duty."

6. Thus, for the reasons stated in Denso India Private Limited, these five appeals would have to be allowed.

7. In the result, the orders impugned in these five appeals deserve to be set aside and are set aside. All the five Excise Appeals are, accordingly, allowed.

(Order pronounced in the open court)