

TAX SCAN - Simplifying Tax Laws

Circular No. 1031/19/2016-CX

F. No. 332/5/2016-TRU
Government of India
Ministry of Finance
(Department of Revenue)
Tax Research Unit

New Delhi, 14th of June, 2016

To,

Principal Chief Commissioners/Chief Commissioners/Principal Commissioners of
Central Excise (All);
Principal Chief Commissioners/Chief Commissioners/Principal Commissioners of
Customs & Central Excise (All),

Subject: Levy of excise duty on readymade garments and made articles of textiles bearing a
brand name or sold under a brand name and having a retail sale price of Rs. 1000 or more
– reg.

Sir / Madam,

Representations have been received from the trade regarding the scope of the levy of excise duty on readymade garments and made articles of textiles bearing a brand name or sold under a brand name and having a retail sale price of Rs. 1000 or more in this year's Budget.

2. The issue raised is whether excise duty would be chargeable on readymade garments or made up articles of textiles which are sold by a retail store which merely affixes the retail sale price on the readymade garments or made up articles of textiles which are purchased by such retail store from the open market.

3. The issue has been examined in the Ministry. The present levy is not on all readymade garments and made ups, and is restricted only to readymade garments and made up articles of textiles bearing a brand name or sold under a brand name and having retail sale price (RSP) of Rs. 1000 or above. Further, to avoid disputes and minimize duty evasion, it has also been provided that affixing a brand name on the product, labeling or relabeling of its containers or repacking from bulk packs to retail packs or the adoption of any other treatment to render the product marketable to the consumer, shall amount to manufacture.

3.1 For this purpose, "Brand name" means a brand name, whether registered or not, that is to say, a name or a mark, such as a symbol monogram, label, signature or invented

words or any writing which is used in relation to a product, for the purpose of indicating, or so as to indicate, a connection in the course of trade between the product and some person using such name or mark with or without any indication of the identity of that person.

4. However, such retailer shall not be liable to pay excise duty if:
 - a) the retail sale price of such readymade garments or made up articles of textiles is less than Rs. 1000, or
 - b) the aggregate value of clearances for home consumption by such person is less than Rs. 1.5 crore in a year [provided aggregate value of clearances during previous financial year was less than Rs. 4 crore].
5. Further, merely because the outlets [shop] of a retailer, from where readymade garments or made ups are sold, has a name, say, M/s XYZ and Sons, the readymade garments or made ups sold from such outlet [shop] cannot be held as branded readymade garments or made ups and become liable to excise duty. Needless to say, deemed manufacture and liability to excise duty will arise only if such retailer affixes a brand name on the readymade garments and affixes a label bearing the RSP on the packages containing the readymade garments of Rs. 1000 or above.
6. Further, it is hereby directed that field formations shall not visit individual retail outlets or retail chains, except based on specific inputs regarding duty evasion and with the approval of the jurisdictional Commissioner or Additional Director General or above.
7. The above position may be brought to the notice of formations under your charge for strict compliance. Difficulties, if any, faced in the implementation of the instructions may be brought to the notice of the Ministry at an early date.

Yours faithfully,

(Devi Prasad Misra)
Technical Officer (TRU)