

25th July, 2002

F.No. 354/110/2002-TRU

Government of India

Ministry of Finance

Department of Revenue

Tax Research Unit

**Subject: Woven fabrics of cotton subjected to the process of open-air stentering by a textile processor-
Clarification- regarding.**

I am directed to state that representations have been received from the trade and industry seeking clarification on the computation of the exemption limit available to a textile processor undertaking stentering of cotton fabrics with the aid of an open-air stenter and the definition of an open-air stenter. The matter has been examined carefully and the clarification is as given below.

2. Woven fabrics of cotton subjected to open-air stentering by a textile processor, on job-work basis, in a factory, which does not have the facilities for carrying out bleaching, dyeing or printing or any one or more of these processes with the aid of power or steam, is exempted from excise duty, vide notification No. 33/2002-CE, dated 18-6-2002. However, the exemption is available only upto that much quantity of cotton fabrics in respect of which the aggregate amount of job-charges for such stentering does not exceed Rs. 15 lakhs in a financial year. Moreover, if the textile processor does not undertake any job-work and subjects the cotton fabrics to open-air stentering on his own behalf, then also the above exemption is available upto that much quantity of the said fabrics in respect of which the job-charges for such stentering does not exceed the aforesaid limit. Therefore, in the latter situation, the job-charges have been deemed to be the difference between the value of the stentered fabrics and the value (cost) of grey fabrics.

3. If the textile processor subjects the cotton fabrics to open-air stentering on his own behalf and also subjects the said fabrics to other exempted processes (viz, bleaching, dyeing or printing, without the aid of power or steam), then the cost of such other exempted processes would not be required to be taken into account for computing the aforesaid ceiling limit of Rs. 15 lakhs. This is for the reason that the aforesaid ceiling limit is in respect of job-charges for open-air stentering, as laid down in condition No. 6 to the notification No. 14/2002-CE, dated 1-3-2002, as amended by notification No. 33/2002-CE.

4. As regards the issue of the definition of an open-air stenter, it may be mentioned that as per the definition of the same given in notification No. 14/2002-CE, dated 1-3-2002, as amended by notification No. 26/2002-CE, dated 27-4-2002, an open-air stenter means stenters commonly known as such and includes a stenter with a simple outer cover to prevent loss of heat but does not include any stenter which runs on steam or a hot-air stenter. Therefore, whether a particular kind of stenter is an open-air stenter or not is a question of fact to be determined by the Commissioner concerned, taking into account the following factors also:-

(i) an open-air stenter, as opposed to a hot-air stenter, is a simple machine having no chambers; and

(ii) while in a hot-air stenter, heat is applied to the fabric indirectly by circulation of hot thermic oil through the pipelines fitted in the radiators in each chamber, in an open-air stenter, heat is applied directly to the fabric.

5. Trade and field formations may please be informed suitably.

6. Receipt of the same may be acknowledged.

7. Hindi version will follow.

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