

Bottling of LPG gas into cylinders tantamounts to manufacture for section 80-IB relief

Summary – The High Court of Karnataka in a recent case of Puttur Petro Products (P.) Ltd., (the Assessee) held that process of bottling of gas into gas cylinders, which requires a very specialized process with an independent plant with machinery, amounts to production of 'gas cylinders' for purpose of claiming deduction under section 80-IB.

Facts

- The assessee was engaged in activity of bottling gas into cylinders. The assessee had claimed deduction under section 80-IB contending that bottling of LPG gas in the cylinders amounted to production/manufacturing activity and, hence, eligible for deduction under section 80-IB.
- All the three authorities negated the claim of the assessee.
- On further appeal :

Held

- It is true, in the present case, that the assessee is neither a manufacturer/producer of gas nor of empty cylinders and the activity in which he is involved is only bottling of gas into gas cylinders. However, it cannot be overlooked that the activity of bottling of LPG gas requires a very specialized process. It requires independent plant and machinery, and what ultimately the assessee produces is 'gas cylinder'. Unless, a gas cylinder is produced, in the form of 'gas cylinder' as is known in common parlance, it cannot be sold to the customers. In other words, neither loose gas nor an empty cylinder can be sold to customers and it is only 'gas cylinder' containing gas that is a marketable product which the assessee produces. When the assessee produces the gas cylinder containing gas, a new product comes into existence. Gas and cylinder are two independent products, which the assessee does not produce or manufacture. The assessee, however, produces/manufactures 'gas cylinder' and once the manufacturing process is complete, neither gas nor cylinder be regarded as original commodity and is recognized in the trade as a new and distinct commodity, namely, 'gas cylinder'. The only inference, therefore, will have to be drawn is that the bottling of gas into gas cylinders would amount to production activity for purpose of section 80-IB.
- Thus process of bottling of gas into gas cylinders, which requires a very specialized process and an independent plant and machinery, amounts to production of 'gas cylinders' containing gas for the purpose of claiming deduction under section 80-IB.