

Conversion of 'Gram Dal' into 'Besan' amounts to manufacture for sec. 80-IB relief

Summary – The High Court of Himachal Pradesh in a recent case of Shree Triveni Foods., (the Assessee) held that Conversion of gram Dal into Besan amounts to 'manufacture' and, therefore, industrial undertaking of assessee engaged in said activity would be entitled to deduction under section 80-IB(4)

Facts

- The assessee was engaged in manufacturing of various food products like soya nuggets, besan, vermicelli and instant daliya under certification granted by the department of industries.
- The assesment proceedings under section 147 were initiated and the revenue authorities held that in all five relevant assessments, the claim of deduction under section 80-IB was disallowed on ground that the process of making daliya and besan did not amount to manufacture.
- On appeal, the Tribunal allowed the same relying on *CIT v. Indus Cosmeceuticals* [2015] 229 Taxman 246/53 taxmann.com 489 (HP) by holding that all the necessary conditions for grant of deduction under section 80-IB were satisfied.
- On revenue's appeal:

Held

- In view of order passed by Supreme Court in *Idandas v. Anant Ram Chandra Phadke* AIR 1982 SC 127 it was to be held that wheat was transformed into flour by the manufacturing process which involved both labour and machinery. The commodity before manufacture was wheat which could not be consumed by any human being but would be used only for cattle or medicines or similar other purposes. Thereafter, in order to come to the conclusion that the conversion of wheat into wheat flour amounted to manufacturing process.
- Applying it to the instant case, it can conveniently be held that converting gram Dal into Besan will amount to manufacturing process because:
 - (i) Gram Dal loses its shape and identification as in the case of wheat which is converted into flour;
 - (ii) The end product, *i.e.*, Besan can be said to be different from that of gram Dal. It is through process of labour and machinery that Besan is produced.
 - (iii) Gram Dal and Besan are treated as different commercial products.
- Indisputably, gram Dal also undergoes same process for being converted into Besan which is undergone by the wheat for manufacturing wheat flour. In view of the aforesaid, it can safely be concluded that conversion of gram Dal into Besan amounts to manufacture and consequently the assessee is entitled to the deduction under section 80-IB(4).