

Dyes and Moulds used to manufacture plastic switches eligible for 30% depreciation

Summary – The High Court of Gujarat in a recent case of L.K. India (P.) Ltd., (the Assessee) held that Dyes and moulds used for manufacturing plastic switches and sockets, would qualify for higher rate of depreciation under sub-clause (vii) of clause (3) of Entry III in Part-A in New Appendix I

Facts

- The assessee-company was engaged in manufacturing plastic switches and sockets which were used as electrical appliances. The assessee had filed return of income in which depreciation on the dyes and moulds used for manufacturing such switches and sockets was claimed at the rate of 30 per cent.
- The Assessing Officer took a view that part of the switches and sockets would be plastic and part would be laced with electrical circuits made up of copper and aluminium for uses in electrical installations. The benefit of 30 per cent depreciation allowance was extended to only those industries which were manufacturing exclusive plastic products as could be made out from the definition of plastic goods industries specified in the relevant appendix reflecting depreciation rates. Thus, the claim of the assessee for considering depreciation allowance at the rate of 30 per cent on moulds and dies failed because it did not answer the description of a plastic goods industry.
- He thus allowed depreciation at the rate of 15 per cent.
- The Tribunal however, allowed assessee's claim.
- On revenue's appeal:

Held

- Sub-clause (vii) of clause (3) of Entry III in Part-A in the New Appendix I, reads as under:

'(vii) Moulds used in rubber and plastic goods factories'.

- Thus for mould used in rubber and plastic factories, higher rate of depreciation of 30 per cent is prescribed. Rate of depreciation of 15 per cent applies to residual items. Thus if an item falls under said sub-clause (viii) rate of depreciation would be 30 per cent. In the present case, admittedly, moulds were used for manufacturing of plastic goods. These goods were in the nature of electric switches and sockets. Merely because after the manufacture, the consumer may be having plastic wires and circuits installed in such plastic switches and sockets, so as to make them functional, would not take away the basic character of the appliances being plastic goods.
- The assessee was exclusively involved in manufacturing such goods. Factory of the assessee was therefore, plastic goods factory. The moulds used for manufacturing such goods, therefore, qualify

for higher rate of depreciation under sub-clause (vii) of clause (3) of Entry III in Part-A in the New Appendix I.

- Thus, there was no error in view of the Tribunal. Accordingly, revenue's appeal is dismissed.