

Manufacturing activity includes conversion of paddy into rice and is eligible for sec. 80-IA/80-IB deduction

Summary – The High Court of Madras in a recent case of Muthuramalingam Modern Rice Mill., (the Assessee) held that manufacturing activity includes conversion of paddy into rice and is eligible for sec. 80-IA/80-IB deduction

Facts

- The assessee was engaged in activity of conversion of paddy into rice and claimed deduction under section 80-IA/80-IB in its return of income.
- The Assessing Officer rejected the claim stating that activity of conversion of paddy into rice did not amount to 'manufacture'.
- The Tribunal, however, allowed assessee's claim.
- On revenue's appeal:

Held

- The HC while examining the term manufacture stated that the words 'manufacture' or 'production' used in sections 80-IA/80-IB do not permit the court take a narrow or pedantic approach in the matter. 'Manufacture or production' covers any activity by which, a different commercial article, having a different commercial value, is brought into existence. Accordingly, when Paddy in the husk is converted into Rice by the process of dehusking there is transformation of the article and value addition happens in this process.
- The revenue has admitted that Rice and Paddy are two different things, however, the contention raised by the revenue is that the process of dehusking is not covered by the definition of 'Manufacture'.
- The HC held that the definition of the word 'Manufacture' embodies the concept of transformation of object or article into different commercial article. Therefore, the process of dehusking of Paddy into Rice is an industry activity undertaken by the assessee.
- Thus, the HC found no merit in the appeals filed by the revenue and the same was accordingly dismissed.