

THE AUTHORITY FOR ADVANCE RULINGS
(Central Excise, Customs & Service Tax)
NEW DELHI

18th Day of September, 2015

Ruling No. AAR/CE/11/2015 in

Application No. AAR/44/CE/10/2014

PRESENT

Justice V.S. Sirpurkar (Chairman)

Shri S.S. Rana (Member)

.....

Name & address of the applicant :	M/s. International Institute of Diamond Grading and Research India Pvt. Ltd., Mumbai.
Commissioner Concerned :	Commissioner of Central Excise, Surat-1, New Central Excise Bldg., Opp. Gandhi Baag, Chowk Bazar, SURAT- 395001.
Present for the applicant :	Shri S. Thirumalai, Advocate
Present for the Department :	Shri Amresh Jain, Departmental Representative

RULING

(by Sirpurkar J.)

Though the present application is today fixed for admission, seeing that there is no opposition to the admission of the matter, we straight away proceed to declare the ruling, since, there is no serious dispute raised about the questions asked vide this application. By far the only question in which the applicant is interested is “whether or not the proposed activity to be undertaken that is grading and inscription of diamonds by IIDGR India Private Limited would amount to manufacture under Central Excise legislation.”

2. The applicant company namely International Institute of Diamond Grading and Research India Private Limited hereinafter IIDGR for short has approached this Authority

with the question which we have already quoted above. In their application, the IIDGR describes their activity as getting the diamonds from overseas. They have given a chart at page 9 describing their various activities undertaken. The activities which are undertaken by IIDGR include the activity of grading. In this activity, IIDGR grades the diamonds which have been imported or received by them in respect of their colour, clarity, cut and their weight in carats. The second activity undertaken is that of inscription. The applicant has given a detailed account of the activity of inscription in paragraph 5 which is as under:-

“The applicant submits that the word "inscription of diamonds" service means applying the "Forevermark"; a unique identification/inscription number on the diamonds that is not even visible to the naked eye to ensure the product is securely traceable. It is pertinent to note that a customer is able to confirm this is a genuine product with the help of this unique number. It is relevant to note that, the activity of inscription does not affect the internal quality of a diamond in any way. The activity of inscription is proposed to be carried out through equipment procured from De Beers UK Limited, a related party under the same ultimate ownership as IIDGR India and a third party company (Girdle Inscription). The two main types of inscription are girdle inscription and table inscription.”

3. It has also come in the initial part of Annexure at page 8 that they also do the task of certifying the grade of the diamonds.
4. On this basis, the aforementioned question is asked for determination.
5. We have seen the stand of the Department in their communication dated 1.8.2014 received on 21.8.2014. Though, it is a guarded stand suggesting that the verification of the three activities should be done, the Department does not seem to have seriously contended that the activities amount to manufacture of diamonds.
6. Indeed, the applicant does not manufacture the diamonds in the sense that it does not chemically bring out the diamonds and it is only the natural diamonds with which the applicant deals. Therefore, even by way of common sense this cannot amount to a ‘manufacturing activity’. All that the applicant does is, besides it undertakes the activity of grading the diamonds, it also does some activity of inscription because of which the

essential character of the diamonds does not change and it still remains the diamond. Thereafter, the third activity is proposed invoicing which appears at page 10 of the application is as under:-

“It is envisaged that IIDGR India shall be providing the grading and inscription “ services to both FM UK and IIDGR UK. IIDGR India shall provide the service of grading and inscription of the 'Forevermark' to FM UK and the facility of generic grading and inscription to IIDGR UK. It is proposed that for the provision of the said services, IIDGR India shall raise monthly invoices on FM UK and IIDGR UK.”

7. It is clear to us that none of these activities could amount to the manufacture of diamonds so as to invite the provisions of Central Excise Act. A contention was raised by Shri Jain that the activity of certification may invite some duty as it amounts to service. However, we clarify that we are not deciding that issue, since, we are not asked the question as to whether the certification of diamonds amounts to service or not in this application.

8. We, therefore, answer the question in negative and in favour of the applicant holding that the activity undertaken by the applicant does not amount to manufacture and, hence, will not attract the provisions of Central Excise. We, at this stage, itself dispose of the application.

Sd/-
(S.S. Rana)
Member

Sd/-
(V.S. Sirpurkar)
Chairman