

**CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
CHENNAI**

REGIONAL BENCH – COURT No. III

Customs Appeal No. 40879 of 2015

(Arising out of Order-in-Appeal C.Cus.II No. 143/2015 dated 30.01.2015 passed by Commissioner of Customs (Appeals-II), No. 60, Custom House, Rajaji Salai, Chennai – 600 001)

M/s. VST Tillers Tractors Ltd.

Post Box No. 4801, Whitefield Road,
Mahadevapura Post,
Bangalore – 560 048.

...Appellant

Versus

Commissioner of Customs

Chennai II Commissionerate,
No. 60, Custom House,
Rajaji Salai,
Chennai – 600 001.

...Respondent

APPEARANCE:

For the Appellant : Mr. Vikram Katariya, Consultant

For the Respondent : Ms. Anandalakshmi Ganeshram, Authorised Representative

CORAM:

HON'BLE MR. P. DINESHA, MEMBER (JUDICIAL)

HON'BLE MR. VASA SESHAGIRI RAO, MEMBER (TECHNICAL)

FINAL ORDER No. 40393 / 2026

DATE OF HEARING : 06.01.2026

DATE OF DECISION : 18.03.2026

Per Mr. VASA SESHAGIRI RAO

The present appeal arises out of the import of agricultural machinery described as "Paddy Reaper Model VS-4 PR" imported by the appellant under Bill of Entry No. 6608948 dated 01.09.2014, claiming concessional duty under Notification No. 12/2012-Cus dated 17.03.2012 (Sl. No. 399A). The appellant classified the imported goods under

CTH 84335900 and claimed concessional Basic Customs Duty of 2.5% applicable to "Reaper-cum-Binder" agricultural machinery. The Bill of Entry was filed under the self-assessment system in terms of Section 17 of the Customs Act, 1962. The consignment was subsequently subjected to verification through the Risk Management System (RMS). During such verification it was noticed by the department that the imported equipment consisted only of Paddy Reapers without the binder attachment, and therefore it was viewed that the goods did not satisfy the description "Reaper-cum-Binder" contained in the exemption notification.

1.2 The adjudicating authority thereafter passed Order-in-Original No. 29970/2014 dated 08.10.2014 denying the benefit of the said notification and reassessing the goods to the applicable tariff rate of duty (merit rate). The adjudicating authority further ordered confiscation of the goods under Section 111(m) of the Customs Act, 1962, while permitting redemption on payment of fine of Rs 1,00,000/-, and imposed penalty of Rs 50,000/-under Section 112(a). Aggrieved by the said order, the appellant filed an appeal before the Commissioner (Appeals), who upheld the adjudication order and rejected the appeal.

2. Aggrieved by the said order, the appellant has filed the present appeal before this Tribunal.

3. The Ld. Chartered Accountant/Consultant Mr. Vikram Katariya appeared on behalf of the Appellant and advanced detailed submissions in support of the Appeal and the Ld. Authorized Representative Ms. Anandalakshmi Ganeshram appeared for the Revenue and defended the Impugned Order.

4. The Ld. Chartered Accountant Mr. Vikram Katariya made the following submissions which are summarised as below: -

4.1 The appellant submitted that the imported machine performs the essential function of reaping paddy crops and therefore qualifies as agricultural harvesting equipment. It was contended that the binder mechanism is merely an optional attachment which does not alter the fundamental function of the machine, and since the principal function of the equipment is reaping, the machine should be treated as falling within the scope of the exemption notification.

4.2 The appellant further relied upon CBEC Circular No.45/98-Cus dated 30.06.1998, which clarifies that where a

machine performs multiple functions, classification and exemption should be determined based on the principal function of the machine.

4.3 The appellant also relied upon the following judicial precedents:

- i. State of Karnataka vs Taghar Vasudeva Ambrish (2023)*
 - ii. Government of Kerala vs Mother Superior Adoration Convent (2021)*
 - iii. Swadeshi Polytex Ltd. vs Collector of Central Excise*
 - iv. Karim Handicrafts Pvt Ltd vs Commissioner of Customs*
 - v. Kinetic Engineering Ltd vs Commissioner of Central Excise*
- to contend that exemption notifications must be interpreted

in a purposive manner so as to advance the legislative intent.

4.4 The appellant further contended that there was no mis-declaration of goods and therefore confiscation and penalty imposed under Sections 111(m) and 112(a) are unsustainable.

5. The Ld. Authorized Representative Ms. Anandalakshmi Ganeshram for the Revenue reiterated the findings recorded in the Order-in-Original and further submitted that the exemption notification specifically refers to "Reaper-cum-Binder", which is a composite machine performing both reaping and binding functions. It was contended that the imported goods admittedly do not contain the binder attachment and therefore cannot be considered as

Reaper-cum-Binder machinery. It is further contended that exemption notifications must be interpreted strictly and that unless the goods satisfy the exact description contained in the notification, the benefit cannot be granted. On this basis, the Ld. AR contended that the denial of exemption as well as the confiscation of the goods under Section 111(m) of the Customs Act, 1962 was justified.

6. Upon hearing both sides and perusing the records, the following questions arise for determination: -

- i. Whether the imported goods described as Paddy Reaper without binder are eligible for exemption under Notification No.12/2012-Cus (Sl.No.399A) applicable to Reaper-cum-Binder machines?
- ii. Whether confiscation under Section 111(m) and imposition of redemption fine and penalty under Section 112(a) of the Customs Act are sustainable in the facts of the case?

7. We now proceed to examine the issues in seriatim.

ISSUE NO. 1 Whether the imported goods, namely Paddy Reapers without binder attachment, are eligible for the benefit of Notification No. 12/2012-Cus., Sl. No. 399A, which grants concessional duty to "Reaper-cum-Binder.

8.1 The main issue for determination in the present appeal concerns with the interpretation of the exemption entry contained in Notification No. 12/2012-Cus dated 17.03.2012, specifically Sl. No. 399A, which grants concessional duty to agricultural machinery described as "Reaper-cum-Binder." Appeal records indicate that the appellant imported Paddy Reapers of Model VS-4PR under Bill of Entry No. 6608948 dated 01.09.2014, claiming classification under CTH 84335900 along with the benefit of the said notification. In the impugned order, the Adjudicating Authority, after examining the technical catalogue / product literature of the imported equipment, concluded that the goods were paddy reapers without binder mechanism and therefore not covered by the exemption entry which specifically mentions "Reaper-cum-Binder."

8.2 It is noted that the Commissioner (Appeals), while interpreting the notification entry, examined the meaning of the expression "cum" appearing in the description "Reaper-cum-Binder." Referring to the Concise Oxford English Dictionary, the appellate authority observed that the term "cum" means "combined with" or "together with." On that basis the Commissioner (Appeals) concluded that the exemption entry envisages a single integrated machine performing both the functions of reaping and

binding. The appellate authority further reasoned that if the intention of the notification had been to extend the benefit to reapers simpliciter, the entry would have been worded as "reaper / reaper-cum-binder." However, the notification specifically employs the expression "reaper-cum-binder," thereby clearly restricting the exemption only to equipment incorporating both mechanisms.

8.3 We find that the appellant has argued that the predominant function of the imported machine is reaping and that binding is merely an optional attachment, and therefore the absence of the binder attachment should not disqualify the equipment from the benefit of the exemption. In support of this contention, the appellant relied upon CBEC Circular No.45/98-Cus dated 30.06.1998, contending that where machines perform multiple functions, classification and exemption should be determined on the basis of the principal function of the machine. It is seen, however, that the Commissioner (Appeals) examined the said circular and held that the circular relates to cases involving combinations of machines covered under different entries of the same notification or different notifications, whereas in the present case the imported equipment represents only one component of the composite machine contemplated under the exemption entry.

8.4 The Ld. Consultant for the appellant further relied upon several judicial precedents to contend that exemption notifications should be interpreted purposively so as to advance the object of the exemption. In the case of *State of Karnataka vs Taghar Vasudeva Ambrish (Civil Appeal No 7846 of 2023)*, the Hon'ble Supreme Court observed that statutory interpretation must adopt a construction that advances the purpose of the statute. Similarly, in *Government of Kerala vs Mother Superior Adoration Convent 2021 (376) ELT 242(S.C.)*, the Hon'ble Supreme Court observed that exemption provisions must sometimes be interpreted liberally where the object of the statute is to promote beneficial activity, and the Court held that "*the beneficial object of a provision should not be defeated by adopting a narrow and pedantic interpretation.*"

8.5 The appellant also relied upon the decision of the Hon'ble Supreme Court in *Swadeshi Polytex Ltd. vs Collector of Central Excise - 1989 (44) ELT 794 (SC)*. In the said decision the Hon'ble Supreme Court observed that: -

"An exemption notification has to be construed strictly and the person claiming the benefit must establish clearly that he is covered by the exemption."

The appellant also relied upon the decision of the Tribunal in *Karim Handicrafts Pvt Ltd vs Commissioner of Customs 2013 (292) ELT 440 (Tri.-Del.)* wherein the Tribunal observed that

exemption provision should be interpreted in a manner consistent with the functional character of the goods and the legislative objective underlying the exemption.

8.6 We have carefully considered the above judgments relied upon by the appellant. While the principle of purposive interpretation emphasised in *Taghar Vasudeva Ambrish Civil Appeal No 7846 of 2023* and *Mother Superior Adoration Convent* cannot be disputed, we note that these decisions do not dilute the settled principle that where the wording of an exemption notification is clear and unambiguous, the benefit cannot be extended beyond the express language of the notification.

8.7 In fact, the decision of the Hon'ble Supreme Court in *Swadeshi Polytex Ltd. (supra)*, relied upon by the appellant itself, reiterates that the burden of proving eligibility to exemption lies upon the claimant and that exemption notifications must be construed strictly. Therefore, the said judgment does not advance the case of the appellant.

8.8 We further note that the Tribunal in *Commissioner of Customs (Port), Kolkata vs Chirag Corporation – 2020 (2) TMI 1432 (Tri.-Kolkata) [2020 (374)*

E.L.T. 444 (Tri.-Kolkata)], while interpreting the very same Notification No. 12/2012-Cus., Sl. No. 399(A), examined whether the exemption available to "Rotary Tiller/Weeder" could be extended to Power Tillers. The Tribunal, after analysing the scheme of the notification and the distinction between the two types of agricultural machinery, held that the eligibility for exemption must be determined strictly on the basis of the description contained in the notification. In Para 14 of the said decision, the Tribunal held that: -

"A bare perusal of the exemption notification shows that it is available, inter alia, to rotary tiller/weeder. It does not suggest directly or indirectly that it is available to power tillers also. Therefore, in our considered view, the benefit of exemption notification is not available to the power tillers imported by the appellant."

The Tribunal further observed that even though both machines are used in agricultural operations, the exemption cannot be extended to a different category of machinery which is not specifically mentioned in the notification. The ratio laid down in the above decision squarely applies to the present case. In the instant matter also, the exemption under Sl. No. 399(A)(iii) of the same notification is specifically available only to "Reaper-cum-Binder", which is a composite agricultural machine performing both reaping and binding functions. Since the imported equipment admittedly consists only of paddy reapers without binder attachment, the benefit of the exemption cannot be extended merely because the equipment performs a similar or related

agricultural function. The eligibility to exemption must be determined strictly with reference to the description in the notification.

8.9 Applying the above principles to the facts of the present case, we find that the exemption entry specifically refers to "Reaper-cum-Binder," which clearly denotes an agricultural machine that performs both reaping and binding functions as an integrated unit. We further note that the appellant has not disputed that the imported equipment consists only of paddy reapers without binder attachment. In such circumstances the imported equipment cannot be considered as Reaper-cum-Binder within the meaning of the exemption entry.

8.10 Accepting the appellant's argument would effectively render the words 'cum-binder' otiose, which would be contrary to the established rule of statutory interpretation that every word used in a statutory instrument must be given meaning and effect.

8.11 Accordingly, we hold that the imported paddy reapers without binder attachment do not satisfy the description "Reaper-cum-Binder," and therefore the benefit

of Notification No. 12/2012-Cus., Sl. No. 399A is not available to the appellant.

ISSUE NO. 2 Whether confiscation under Section 111(m) and imposition of redemption fine and penalty are sustainable

9.1 We observe that the adjudicating authority, after denying the benefit of Notification No. 12/2012-Cus., proceeded to order confiscation of the imported goods under Section 111(m) of the Customs Act, 1962, along with imposition of redemption fine and penalty.

9.2 Section 111(m) of the Customs Act, 1962 provides that goods shall be liable to confiscation if they do not correspond "in respect of value or in any other particular with the entry made under this Act." Thus, the provision becomes applicable only where the goods imported do not correspond with the description declared in the Bill of Entry. We note from the Order-in-Appeal that the Commissioner (Appeals) took the view that the appellant had wrongly claimed the benefit of the exemption notification despite the fact that the imported equipment lacked the binder mechanism. The appellant, however, contended that the goods were correctly declared as paddy reapers in the import documents and that the dispute in the present case pertains

only to the interpretation of the exemption notification and not to any misdeclaration of the goods.

9.3 The Hon'ble Supreme Court in *Northern Plastics Ltd. vs Collector of Customs - 1998 (101) ELT 549 (SC)* held: -

"Confiscation of goods cannot be justified merely because the importer claimed the benefit of an exemption which was subsequently found to be not applicable."

The Hon'ble Supreme Court further observed that where the goods are correctly declared and there is no deliberate suppression or misdescription, confiscation would not be warranted.

9.4 Similarly, in *Collector of Customs vs Malwa Industries Ltd. - 2009 (235) ELT 214 (SC)* the Hon'ble Supreme Court held that: -

"Penalty under the Customs Act cannot be imposed unless there is evidence of deliberate misdeclaration or intent to evade duty."

9.5 We further note that the Tribunal in *Commissioner of Customs (Port), Kolkata vs Chirag Corporation - 2020 (2) TMI 1432 (Tri.-Kolkata) [2020 (374) E.L.T. 444 (Tri.-Kolkata)]*, while dealing with the interpretation of the very same Notification No. 12/2012-Cus., Sl. No. 399(A), although denied the exemption benefit to the imported goods, declined to sustain the confiscation and penalty. The Tribunal observed in Paras 15 and 16 of the

said decision that where the importer could have entertained a bona fide but mistaken belief regarding eligibility to the exemption notification, the mere making of an ineligible claim under the self-assessment system would not by itself justify confiscation or imposition of penalty. The Tribunal therefore held that in such circumstances there were no sufficient grounds to uphold confiscation under Section 111(m) or the imposition of redemption fine and penalty.

9.6 We find that the ratio of the above decision squarely applies to the facts of the present case. In the instant matter also, the goods imported by the appellant were declared as paddy reapers, which is factually correct and has not been disputed by the department. The dispute has arisen only because the appellant claimed the benefit of the exemption notification applicable to "Reaper-cum-Binder" machines. Thus, the issue involved is essentially one relating to the interpretation and scope of the exemption notification, and not one involving misdescription or misdeclaration of the goods. In such circumstances, and following the ratio laid down by the Tribunal in Chirag Corporation (*supra*), we find that the essential ingredient for invoking Section 111(m), namely misdeclaration of goods in the Bill of Entry, is absent in the present case.

9.7 Accordingly, although we have held while deciding Issue No.1 that the imported goods are not eligible for the exemption under Notification No. 12/2012-Cus., Sl. No. 399(A), we are of the considered view that the circumstances of the case do not warrant confiscation of the goods or the imposition of redemption fine and penalty. The confiscation ordered under Section 111(m) and the consequential redemption fine and penalty imposed under Section 112(a) therefore cannot be sustained.

9.8 We further note that the appellant had relied upon CBEC Circular No.45/98-Cus dated 30.06.1998, which indicates that the claim of exemption was made under a bona fide interpretation of the notification. In the present case, the goods were declared as paddy reapers, which is factually correct, and the dispute arises only with respect to the eligibility of exemption under Notification No. 12/2012-Cus. Consequently, the essential requirement for invoking Section 111(m) of the Customs Act, 1962, namely misdeclaration of goods, is absent, since the said provision becomes applicable only where the description of goods declared in the Bill of Entry does not correspond with the goods actually imported. In the present case, there is no discrepancy between the goods declared in the Bill of Entry and the goods found on examination. We therefore hold that

although the appellant is not entitled to the exemption benefit claimed under Notification No. 12/2012-Cus., the facts and circumstances of the case do not justify confiscation of the goods or imposition of penalty. Accordingly, the confiscation ordered under Section 111(m) of the Customs Act, 1962 and the consequential redemption fine and penalty imposed under Section 112(a) are not sustainable.

10. In view of the foregoing discussion and findings recorded above, we hold that the imported paddy reapers without binder attachment are not eligible for the benefit of exemption under Notification No. 12/2012-Cus., Sl. No. 399A. Consequently, the imported goods are liable to assessment at the applicable tariff rate of duty and the consequential differential duty demand arising from the denial of the exemption benefit is upheld. However, since the dispute in the present case arises out of an interpretational issue relating to the scope of the exemption notification and there is no misdeclaration of goods, the confiscation ordered under Section 111(m) of the Customs Act, 1962 and the consequential redemption fine and penalty imposed under Section 112(a) cannot be sustained and are therefore set aside.

11. Thus, the appeal is partly allowed in the above terms.

(Order pronounced in open court on 18.03.2026)

Sd/-
(VASA SESHAGIRI RAO)
MEMBER (TECHNICAL)

MK

Sd/-
(P. DINESHA)
MEMBER (JUDICIAL)