

**(Issued vide no. 628/ST-1, dated 7.4.2006)**

**ORDER OF CLARIFICATION MADE BY SHRI L.S.M. SALINS,  
FINANCIAL COMMISSIONER & PRINCIPAL SECRETARY,  
GOVERNMENT OF HARYANA, EXCISE AND TAXATION  
DEPARTMENT UNDER SECTION 56(3) OF THE  
HARYANA VALUE ADDED TAX ACT, 2003**

**Querist: Besco Limited, Faridabad**

Two questions raised by the querist are (i) whether furnace oil used as fuel is a raw material and as such tax paid on the same is deductible as input tax from the tax payable on the goods manufactured, and (ii) whether Oxygen is a natural gas to be excluded from the input tax credit.

2. The Haryana Value Added Tax Act, 2003 ('The Act') treats all goods used in manufacture comprising raw materials, processing materials, packing materials, machinery, plant, equipment, cables, dies, tools, stores, spare parts, accessories, fuels or lubricants as inputs of manufacture, vide clause (i) of rule 18, and allows credit of tax paid on them from the tax payable on manufacture goods, vide section 8 subject to exceptions as listed in Schedule E to the Act. Entry at serial No. 1 in Schedule E reads as under ?

Schedule E

[See sub-section (1) of section 8].

Serial No.	Description of goods	Circumstances in which input tax shall be nil
1	2	3
1	Petroleum based fuels and natural gas	Except when resold

It is seen from the above entry that no input tax credit is admissible in respect of tax paid on petroleum based fuel and natural gas except when these are resold. This means when petroleum based fuels or natural gas is used as inputs of manufacture whether as fuels or otherwise, input tax credit will not be allowed in respect of tax paid on

them. Furnace oil is indisputably a petroleum based fuel, therefore no input tax credit in respect of tax paid on it will be admissible.

3. The term 'natural gas' means a mixture of gaseous hydrocarbons, predominantly methane (85%), ethane (10%), and propane (3%), often containing other gases, issuing from the Earth in some localities, more particularly near deposits of mineral oil. Like petroleum, natural gas originated from the decomposition of organic matter; it is used as a fuel and as a source of intermediates for organic syntheses. It is clear from the meaning of 'natural gas' that oxygen is not a natural gas, as this term is understood in trade and industry circles and tax paid on oxygen

- 2 -

will be admissible as input tax credit when it is used as an industrial input for production of goods disposed of in a manner laid down in section 8 read with Schedule E to the Act.

Chandigarh  
Dated: 30.3.2006

(L.S.M.SALINS)  
Financial Commissioner & Principal Secretary  
to Govt. Haryana, Excise & Taxation Department