**"Handicraft" – general meaning**

The term ''handicraft'' has not been defined anywhere in the Central Excise Act, 1994 or the rules framed there under. Earlier, the assesses used to rely upon the general meaning of ''handicraft''. In common parlance ''Handicrafts'' are defined as items made by hand, often with the use of simple tools, and are generally artistic and traditional in nature. They are either objects of utility or an object of decoration. Since the definition is not provided in the law and the general meaning is very wide, the issue reached the Supreme Court and the landmark decision was delivered in the case of M/s Louis Shoppe.

**Supreme Court judgement**

The Hon'ble Supreme Court in Louis Shoppe Judgement (Civil Appeal Nos 9217-18 of 1995 decided on 12 March 1995) had inter alia directed that an item can be classified as a handicraft if the following tests are satisfied:-

***[1] "it must be predominantly made by hand. It does not matter if some machinery is also used in the process.***

***[2] it must be graced with visual appeal in the nature of ornamentation or in-lay work or some similar work lending it an element of artistic improvement. Such ornamentation must be of a substantial nature and not a mere pretence.''***

Thus, in view of above decision of hon'ble Supreme Court judgement, it is quite clear that to be characterised as ''handicrafts'', the item must be predominantly made by hand. It does not matter if some machinery is also used in the process. Further, the product must be graced with visual appeal in the nature of ornamentation or in-lay work or some similar work lending it an element of artistic improvement. Also, such ornamentation must be of a substantial nature and not a mere pretence.

**CBEC Circular dated 31.5.2004**

After the above judgment of hon'ble Supreme Court, the Board of Central Excise and Customs had issued a circular No. 789/22/2004-CX dated 31.5.2004 in context of readymade garments claimed as handicrafts. In this circular, by referring to the above said Supreme Court judgement, it was clarified that whether or not an item is a ''handicraft'' is a question of fact and no specific test can be laid down for the same. It was also clarified that while keeping in view the Supreme Court decision, determination of factors such as intricacies of designs, extent and originality of ornamentation, the quantum of individual artistic skill as well as the extent of value addition on account ''ornamentation by hand'' could help in determining the fact whether an article is ''handicraft'' or not.

**''Handicrafts'' – Position under Foreign Trade Policy**

The word ''handicraft'' has also not been defined even in the Foreign Trade Policy. However, there is an old circular issued by Chief Controller of Imports and Exports which has given the said definition. In our view the definition given holds good now also. The public notice dated 26th December 1990.

**Circular No. 128/39/95-CX dated 25.5.1995**

Earlier, there was set rule that if an item was certified as ''handicraft'' by the Development Commissioner [Handicraft], it was treated as handicraft for the purpose of Customs and Central Excise also. This was clarified by Board vide circular No. 128/39/95-CX dated 25.5.1995. In this circular, it was clarified that since the office of Development Commissioner [ Handicraft] has treated imitation or real zari as handicrafts the same may be treated as handicrafts by the Customs and Central Excise authorities.

**Circular No. 280/114/96-CX dated 19.12.1996 & Circular No. 32/99-Cus dated 4.6.1999**

Board vide circular No. 280/114/96-CX datd 19.12.1996 modified the guidelines issued vide above referred circular dated 25.5.1995. The modification was done in view of criteria laid down by the Supreme Court in the case of Louis Shoppe as already discussed in the forgoing paras of this article. These guidelines were reiterated vide circular No. 32/99-Cus dated 4.6.1999.

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