
(1987) 04 SC CK 0001

In the Supreme Court Of India

Case No : Civil Appeal No. 1134 (NT) of 1987

Commissioner, Sales Tax, U.P.

APPELLANT

Vs

Agra Belting Works, Agra

RESPONDENT

Date of Decision : 29-04-1987

Acts Referred:

Uttar Pradesh Sales Tax Act, 1948 — Section 3, 3A, 4

Citation : (1987) 12 ECR 1057 : (1987) 32 ELT 251 : (1987) 2 JT 514 : (1987) 1 SCALE 1061 : (1987) 3 SCC 140 : (1987) 3 SCR 93 : (1987) 66 STC 1

Hon'ble Judges : R. S. Pathak, C.J.;Ranganath Misra, J;B. C. Ray, J

Bench : Full Bench

Advocate : Prithvi Raj and Ashok K. Srivastava, for the Appellant; S.T. Desai, K.B. Rohtagi, S. K. Dhingra, Baldev Atreya and Shashank Shekhar, for the Respondent

Final Decision : dismissed

Judgement

1. Special leave granted. Delay of six days is condoned. The short question for consideration in this appeal at the instance of the Revenue is whether the High Court was justified in holding that in the absence of a notification withdrawing the earlier notification dated 25.11.1958 made in exercise of power vested u/s 4 of the U.P. Sales Tax Act, 1948, Sales Tax would not be exigible in terms of the notification dated 1.12.1973 issued u/s 3A of that Act.

2. The notification of 1958 exempted 'cotton fabrics of all varieties' from sales tax. It is not disputed that under it sale of patta, the goods in question on being treated as cotton fabric was exempted from sales tax. The notification of 1973 made u/s 3A of the Act prescribed sales tax of seven percent on the sale of beltings of all kinds. There is no dispute now that patta is a kind of belting material.

3. Section 3 of the Act contains the charging provision and prescribes a uniform rate of tax on sales. Section 3A empowers the State Government to modify the rate of tax by notification. The notification of 1973 in fact prescribes a rate of tax

higher than provided by Section 3. In 1958, under the notification referred to above, patta as an item of cotton fabric stood exempted from tax liability. The High Court has referred to some of its earlier decisions and has concluded thus:

Thus the consistent view of this Court throughout has been that by issuing a separate notification u/s 3A, the earlier exemption granted u/s 4 of the Act cannot be negated. If the State wanted to tax 'beltings of all kinds', it has to amend the general notification issued u/s 4 by deleting cotton fabric belts from the notification issued u/s 4 of the Act.

4. As has been pointed out above, Section 3 is the charging provision; Section 3A authorises variation of the rate of tax and Section 4 provides for exemption from tax. All the three sections are parts of the taxing scheme incorporated in the Act and the power both under Sections 3A as also u/s 4 is exercisable by the State Government only. When after a notification u/s 4 granting exemption from liability, a subsequent notification u/s 3A prescribes the rate of tax, it is beyond doubt that the intention is to withdraw the exemption and make the sale liable to tax at the rate prescribed in the notification. As the power both for the grant of exemption and the variation of the rate of tax vests in the State Government and it is not the requirement of the statute that a notification of recall of exemption is a condition precedent to imposing tax at any prescribed rate by a valid notification u/s 3A, we see no force in the contention of the assessee which has been upheld by the High Court. In fact, the second notification can easily be treated as a combined notification-both for withdrawal of exemption and also for providing higher tax. When power for both the operations vests in the State and the intention to levy the tax is clear we see no justification for not giving effect to the 2nd notification. We would like to point out that the exemption was in regard to a class of goods and while the exemption continues a specific item has now been notified u/s 3 A of the Act.

5. The appeal is allowed. The order of the Tribunal which has been affirmed by the High Court is set aside and the assessment is restored. Parties are directed to bear their respective costs throughout.

B.C. Ray, J.

6. I have had the privilege of going through the judgment rendered by my learned brother but I am unable to concur with the reasonings recorded by my learned brother in his judgment so far as it relates to the scope and effect of the notification dated 1.12.1973 made u/s 3A of the U.P. Sales Tax Act, 1948 by providing for imposition of sales tax on "beltings of all kinds" for the reasons given hereunder:

7. u/s 4 of the U.P. Sales Tax Act, 1948 the Government issued two notifications No. S.T. 4486/x dated 14.12.1957 and No. 4064/x-960(4)/58 dated 25.11.1958 whereby "cotton fabrics of all kinds" were exempted from the imposition of sales tax under the Act. Thereafter on 1st of December 1973 a notification was issued by the Government u/s 3-A of the said Act which introduces in the Schedule in

Item No. 8 "beltings of all kinds" for imposition of sales tax. The sole question arising in this appeal is whether beltings of all kinds are excisable to sales tax by virtue of the notification dated 1.12.1973 even though they fall within "cotton fabrics of all kinds" which are exempted from tax by virtue of the notifications dated 14.12.1957 and 25.11.1958. Similar question arose in the case of *Porritts & Spencer Asia Ltd. v. State of Haryana* [1978] 42 S.T.C. 433 before this Court for consideration. It was held by this Court that the words "all varieties of cotton, woollen or silken textiles". In item 30 of Schedule to the Punjab General Sales Tax Act must be interpreted according to its popular sense, meaning "that sense which people conversant with the subject matter with which the statute is dealing would attribute to it." this Court further observed "whatever be the mode of weaving employed, woven fabric would be "textiles". What is necessary is no more than weaving of yarn and weaving would mean binding or putting together by some process so as to form a fabric. Moreover a textile need not be of any particular size or strength or weight. It may be in small pieces or in big rolls: It may be weak or strong, light or heavy, bleached or dyed, according to the requirement of the purchaser. The use to which it may be put is also immaterial and does not bear in its character as a textile. It may be used for making wearing apparel, or it may be used as a covering or bed-sheet or it may be used as tapestry or upholstery or as duster for clearing or as towel for drying the body. A textile may have diverse uses and it is not the use which determines its character as textile."

8. It was also held that the textile has only one meaning namely a woven fabric and that is the meaning which it bears in ordinary parlance. The Court therefore held that dryer felts are textiles as these were made of yarn and the process employed was that of weaving according to warp and woof pattern. It therefore falls within the meaning of textiles and so exempted from tax.

9. Similar question arose in the case of *State of Tamil Nadu v. Navinchandra & Co.* [1981] (48) S.T.C. 118 (Madras) where exemption was claimed on the basis of a notification u/s 4 of the Tamil Nadu General Sales Tax Act 1959 in respect of hair-belted and cotton-belted as falling within item No. 4 of the Third Schedule of the said Act. This item No. 4 reads as follows:

All varieties of textiles (other than durries, carpets, druggist and pure silk cloth) made wholly or partly of cotton, staple fibre, rayon, artificial silk or wool including handkerchiefs, towels, napkins, dusters, cotton velvets and velvetten, tapes, niwars and laces and hosiery cloth in lengths.

It was held that textiles having a wider meaning than fabrics cotton-belted and hair-belted were included in the expression cotton fabrics and as such they are exempted from taxation falling within Item No. 4 of the Third Schedule as it stood prior to its amendment.

10. It is pertinent to mention in this connection that in the case of *Delhi Cloth and General Mills Co. Ltd. Vs. State of Rajasthan and Others*, the question arose

whether rayon tyre cord fabric manufactured by the appellate company included within item No. 18 inserted in the Schedule by the Rajasthan Taxation Laws (Amendment) Act, 1964 and rayon or artificial silk fabrics extended to exemption u/s 4(1) of the Rajasthan Sales Tax Act which provides for exemption of sales tax of goods specified in the Schedule. It has been held that the product falls within the exempted item rayon or artificial silk fabrics in item No. 18 of the Schedule inserted by Section 4 of the said Act. This judgment was rendered by this Court to which one of us was a party.

11. In the instant case the question arising for consideration is whether patta covered by "cotton fabrics of all varieties" is excisable to sales tax under the notification dated 1.12.1973 namely "beltings of all kinds". In view of the decisions referred to hereinbefore cotton beltings fall within the textiles of all varieties as notified u/s 4 of the said Act being exempt from the imposition of sales tax. The question that falls for consideration is what is the effect of the notification issued u/s 3-A of the said Act on 1.12.1973 mentioned in the Schedule "beltings of all kinds". There is no dispute nor any challenge that these beltings are cotton beltings falling within cotton fabrics of all kinds and as there is a general exemption granted by the notification issued in 1957 and 1958 exempting 'cotton fabrics of all kinds', it is not possible to hold in any view of the matter that it will be excisable to sales tax on the basis of the notification dated 1.12.1973 u/s 3-A of the said Act, by the Government.

12. The next question for consideration is what is the effect of a notification u/s 3-A including an item in the Schedule for imposition of sales tax though there is a general exemption from sales tax u/s 4 of the Sales Tax Act. It has been held in the case of Commissioner of Sales Tax v. M/s. Dayal Singh Kulfi Wala, Lucknow [1980] U.P.T.C. 360 as follows:

A fiscal statute like the one before me has to be interpreted strictly. If there is any ambiguity or doubt it should be resolved in favour of the subject. There is no equity about tax. The taxing liability must be express and absolute. In the present case, the specification of the goods for purpose of Section 3-A is one thing, but whether or not such goods would be exempted from tax is the power conferred upon the State Government u/s 4 of the Act. So long the exemption continues, the dealer can certainly urge and with justification that the mere specification of goods u/s 3-A or declaring the point of sales at such turnover liable to tax would not take away the exemption from payment of tax which the goods enjoyed by virtue of the exercise of power by the State Government u/s 4 of the Act. The operating fields of the two sections namely Sections 3-A by itself cannot override the power u/s 4. On the other hand, if certain goods have been classified for purposes of by the State Government, if such goods had been exempted from sales, the Department cannot contend that the exemption should not be construed in favour of the assessee.

13. In this case the question arose whether the general exemption granted u/s 4 of the Act in respect of milk and milk products is sufficient to exempt kulfi and

lassi in respect of which a separate notification was issued u/s 3-A for imposition of tax.

14. A similar question also arose in the case of Commissioner of Sales Tax v. Rita Ice Cream Co., Gorakhpur [1981] U.P.T.C. 1239 and it was held that so long as the general exemption u/s 4 continues a particular item notified u/s 3-A of the Sales Tax Act cannot be taxed.

15. On a conspectus of all these decisions aforesaid, the only irresistible inference follows that so long as the general exemption granted u/s 4 with regard to cotton fabrics of all kinds continues no sales tax can be imposed on beltings of all kinds which fall within the cotton fabrics of all kinds and the general exemption u/s 4 will prevail over the notification made u/s 3-A of the Sales Tax Act. I am unable to subscribe to the view that since the notification u/s 3-A of the U.P. Sales Tax Act has been made subsequent to the notification issued u/s 4 of the said Act, the subsequent notification u/s 3-A will prevail over the general exemption granted u/s 4 of the said Act. In my considered opinion the reasonings and conclusions arrived at by the High Court are unexceptionable.

16. The appeal is accordingly dismissed and the judgment and order of the High Court of Allahabad is hereby affirmed.