

(1954) 03 MAD CK 0032

In the Madras High Court

Case No : Tax Revision Case No's. 25 and 26 of 1954

In Re: Chandramouleswara Oil Co., Kurnool and Another

Date of Decision : 25-03-1954

Acts Referred:

Citation : AIR 1954 Mad 983 : (1954) 67 LW 480 : (1954) 2 MLJ 187

Hon'ble Judges : Satyanarayana Rao, J;Rajagopalan, J

Bench : Division Bench

Advocate : V.S. Rangaswami Aiyangar, for the Appellant;

Final Decision : Dismissed

Judgement

Satyanarayana Rao, J.—These two applications are for revising the orders of the Appellate Tribunal, and they have come up for admission.

2. The assessees are registered manufacturers of groundnut oil. They purchased groundnuts and extracted oil from them but sold the oil outside the State, i.e., in Bombay. They were taxed on the turnover of the purchase price. They now claim that, as the oil was sold outside the State, and as that sale is exempted from taxation under Article 286 of the Constitution, they are entitled to claim a rebate of the tax they paid on the purchase turnover in respect of the groundnuts from which they extracted the oil, under Rule 18 (2) of the Madras General Sales Tax Turnover and Assessment rules. This contention was not accepted by the Tribunal. We think that the conclusion reaches by the Tribunal is correct, and there is no ground for admitting these revision petitions.

Under the Madras General Sales-tax Act, the groundnuts are taxable on the purchase turnover, and Rule 5 (1) (k) of the Turnover and Assessment) rules provides that all amounts, which a registered manufacturer of groundnut oil, (other than refined groundnut oil) and cake may be entitled to deduct from his gross turnover under Rule 18 subject) to the conditions specified in that rule, shall be deducted for ascertaining the net turnover on which the assessment is levied. That is clear from the opening words of Rule 5. The object, therefore, of Rule 5 is to arrive at the taxable net turnover. To determine the net turnover,

certain deductions are allowed under that rule, and Sub-rule (k) of Rule 5 (1) relates to the groundnuts and groundnut oil. Rule 18 (2) provides:

"Every such manufacturer shall be entitled to a deduction under Clause (k) of Sub-rule (1) of Rule 5 equal to the value of the groundnut and/or kernel purchased and converted by him into oil and cake provided that the amount for which the oil is sold is included in his turnover."

The object of Rule 5 being to determine the taxable net turnover, the turnover of the sale of the oil, which is contemplated by Rule 18(2), is the taxable turnover from which the purchase turnover of the groundnuts from which the oil was extracted should be deducted. The exemption is based upon the principle, that on the same commodity the dealer should not be called upon to pay the tax twice over. If he had already paid tax on the purchase turnover, and if he converted those groundnuts into oil and sold the oil, on the sale turnover of the oil which includes the purchase price of the groundnuts, he should not again be called upon to pay the tax. For that purpose and in order to avoid double taxation on the same commodity this deduction is allowed. All this, of course, is on the assumption that otherwise the entire turnover of the sale of the oil would be liable to tax. If the assessee were exempted from paying tax on the sale turnover of the oil as the sale was outside the State, they cannot claim the benefit of the deduction under Rule 18 (2) of the Turnover and Assessment rules. This was the conclusion reached by the appellate Tribunal and we think that is sound. The petitions are dismissed.