
(1995) 08 SC CK 0066

In the Supreme Court Of India

Case No : Civil Appeal No's. 7316-7317 of 1995

M/s. Kumar Distributors (P) Ltd.

APPELLANT

Vs

State of Bihar and others

RESPONDENT

Date of Decision : 17-08-1995

Acts Referred:

Bihar Finance Act, 1981 — Section 11, 12(13), 21, 6, 7(3)
Constitution of India, 1950 — Article 226, 227

Citation : AIR 1995 SC 2475 : (1995) 2 PLJR 92 : (1995) 4 SCALE 780 : (1995) 5 SCC 593 : (1995) 2 SCR 788 Supp : (1995) 99 STC 441

Hon'ble Judges : K. Venkataswami, J;J. S. Verma, J

Bench : Division Bench

Advocate : Ranjit Kumar, for the Appellant; S.B. Sanyal and B.B. Singh, for the Respondent

Final Decision : dismissed

Judgement

K. Venkataswami, J.—Leave granted.

2. A common question of law arises for consideration in these two appeals. That question of law can be set out in the following words :

Whether an exemption notification published u/s 7(3) of Bihar Finance Act, 1981 (hereinafter referred for short as the 'Act') will also cover exemption from charge of additional tax levied u/s 6 of the Act.

3. Brief facts are the following :

The appellant in the first case was a dealer in television sets, watches and mixers. The appellant in the second case is a manufacturer of television sets in the State of Bihar. The State Government with a view to encourage industries in the State from time to time announced various schemes granting incentives in the form of exemption from sales tax or purchase tax as the case may be. One such notification bearing No. S.O. 92 dated 18.1.88 was issued under the express provision of Section 7(3) of the act exempting from the levy of sales tax

as well as purchase tax on the sales of electronic raw materials to the owner of electronic units approved and registered by the Department of Industries, Government of Bihar or the competent authority of Government of India for a period of 5 years w.e.f. 1.9.1986 subject to the conditions imposed therein; and another notification bearing No. S.O. 94 dated 18.1.1988 under the express provision of Section 7(3) of the Act granting exemption from the levy of sales tax on sales of electronic goods manufactured by electronic industrial unit approved and registered by the Department of Industries, Government of Bihar or the competent authority of Government of India for a period of 5 years w.e.f. 1.9.1986 subject to the condition mentioned there in was issued.

4. For the assessment year in question, namely, 1989-90, the appellants claimed exemption from the levy of additional tax payable u/s 6 of the Act. The assessing authority (Commercial Taxes Officer) refused to exempt 'additional tax' as claimed by the appellants. Aggrieved by that, the appellants moved the High Court of Patna under Articles 226/227 of the Constitution of India for grant of necessary relief/appropriate relief. A Division Bench of the Patna High Court after considering the scope and extent of the notifications referred to above with reference to the substantive provisions viz. Sections 6 and 7 of the Act held that the appellants are liable to pay additional tax and they are not entitled to claim exemption from payment of Additional tax on the basis of exemption notifications issued u/s 7(3) of the Act. Still aggrieved the present appeals are filed in this Court.

5. learned Counsel appearing for the appellants submitted that a look at the definition of 'tax' in Section 2(x) and taxable turnover in Section 21 will go to show that the exemption notifications issued u/s 7(3) will come to the aid of the appellants to claim exemption from payment of additional tax. learned Counsel placed reliance on two judgments of this Court reported in Deputy Commissioner of Sales Tax Vs. Aysha Hosiery Factory (P) Ltd. and Others, and State of Karnataka Vs. Sunagar Brothers, to support his contention that sales tax will include additional tax. We can at once of this contention by stating that there is no dispute that 'tax' includes additional tax in as much as Section 2 (x) of the Act is clear and unambiguous on this issue.

6. But the question is whether the exemption notifications issued specifically u/s 7(3) of the Act would extend to exemption from payment of additional tax charged u/s 6 of the Act when the provision for exemption from payment of additional tax is made in Section 6(2).

7. For considering the issue on hand, it is necessary to set out certain provisions in the Act. We till now set out Section 2(x), Section 6, Section 7(3) and Section 21:

Section 2 (x) : "Tax" includes the sales or purchase tax levied u/s 3 as also additional tax levied u/s 6 of this part.

Section 6 : Charge of additional tax - Notwithstanding anything contained in Sub-

section (3) of Section 7 or Sections 11, 12, (13) and 21 or in any notification issued thereunder every dealer having a gross turnover exceeding the specified quantum as laid down in Section 3 shall, with effect from a date to be specified by the State Government by a notification published in Official Gazette, pay an additional tax at such rate, not exceeding two percentum of his gross turnover (excluding the sales the sales or purchase of goods which have taken place either in the course of interstate trade or commerce, or outside the State, or in the course of import of goods into, or export of goods out of the territory of India) as the State Government may, from time to time by notification in the Official Gazette, fix :

Provided that State Government may fix different rates within the ceiling rate of 2 percentum on the gross turnover of different goods :

Provided further that in the case of declared goods, as defined in the Central Sales Act, 1956 (Act LXXIV of 1956) -

(i) where the tax payable u/s 3 or Section 4 equals the maximum amount of tax permissible u/s 15 of the Act, no additional tax shall be payable under this section :

(ii) where the additional tax under this section together with the tax payable u/s 3 or Section 4 would exceed the maximum amount of tax permissible u/s 15 of that Act, the Additional tax shall stand reduced to such amount as, together with the tax payable as aforesaid, equals the said maximum amount.

(2) The State Government may by notification and subject to such conditions and restrictions, as it may impose exempt from the levy of additional tax gross turnover in respect of any goods or class or description of goods.

Section 7 (1) xxx

(a) xxx

(b) xxx

(c) xxx

(2) xxx

(3) The State Government may, by notification and subject to such conditions of restrictions as it may impose, exempt from the sales tax or purchase tax -

(a) Sales of any goods or class or description of goods;

(b) Sales of any goods or class description of goods to or by any class of dealers;

(c) any sale or category or description of sales; and

(d) purchase of any goods by any class of dealers or any purchase or category or description of purchase of such goods.

(4) XXX

Section 21 Taxable turnover - (1) For the purpose of this part the taxable turnover of the dealer shall be that part of his gross turnover which remains after deduction therefrom-

(a) (i) in case of the work contract the amount of labour and any other charges in the manner and to the extents prescribed;

(a) (ii) Sale price on account of sales exempted u/s 7:

(b) amount of Sales tax actually collected as such, if any along with the sale prices received or receivable in respect of sales of goods;

(c) Sale prices on account of sales to a registered dealer other than a dealer liable to pay tax under Sub-section (8) of Section 3 of goods mentioned in Sub-section (4) of Section 11 specified in his registration certificate as being required for re-sale by him inside Bihar or in course of inter-State trade or commerce;

Provided that in the case of such sale a declaration in the prescribed form duly filled up and signed by the registered dealer to whom the goods are sold or by his manager declared u/s 15 is furnished in the prescribed manner by the selling dealer;

(d) sale prices at the subsequent stages of sales such goods as are specified by a notification issued under Sub-section (1) of Section 11 as being subject to tax at the first point of sale in Bihar, if necessary evidence as required by Sub-section (2) of Section 11 are produced in the prescribed manner before the prescribed authority.

(1A) Where any dealer claims that he is not liable to pay tax on any part of his gross turnover in respect of any goods by reason of transfer of such goods by him to any other dealer or to his agent or principal, as the case may, for sale, the burden of proving this claim shall be on the dealer and for this purpose along with other evidences he shall furnish before the prescribed authority a declaration in the forms and in the manner prescribed.

(2) Where any goods or sales exempted from the levy of tax by a notification issued by the State Government in this behalf under Sub-section (3) of Section 7 are purchased by a dealer after furnishing a declaration as mentioned in or provided by the notification or where any goods specified in the certificate of registration of a dealer are purchased by him after furnishing a declaration as provided in Clause (c) of Sub-section (1) but are utilised by him for any purpose other than those specified in such a notification or specified in Clause (c) of Sub-section (1), as the case may be, the sale price of the goods so purchased shall, without prejudice to any action which is or may be taken u/s 49, be deducted from the gross turnover of the selling dealer but shall be included in the taxable turnover of the purchasing dealer.

8. From a careful reading of Section 6, it would be crystal clear that so far as

charge of additional tax is concerned, this section is self-contained not only for charging additional tax but also for its exemption. Therefore, the exemption notifications specifically issued u/s 7(3) will not cover charge of additional tax to enable the appellants to claim exemption from payment of additional tax. Even though the position is so clear, the learned Counsel for the appellants argued that in the light of Section 21, the turnover will be nil and therefore, there is no scope for charging additional tax. This argument is based on a misconstruction of Section 6 of the Act. We have pointed out that Section 6 is self-contained and there is an inbuilt provision for exemption from levy of 'additional tax' therein, in addition to Section 7(3) which provides for exemption from levy of 'sales tax' and 'purchase tax'. The non obstante clause in Section 6 also overrides Section 7(3) and Section 21 expressly. The position is, therefore, clear in this Act.

9. For the foregoing reasons, we find no substance in these appeals and High Court was right in dismissing the writ petitions. Accordingly these appeals are dismissed with costs.