

CASE NO.:
Appeal (civil) 1912 of 2004

PETITIONER:
M/s. Tata Iron & Steel Co. Ltd.

RESPONDENT:
State of Jharkhand & Ors.

DATE OF JUDGMENT: 30/03/2005

BENCH:
B.P. Singh & S.B. Sinha

JUDGMENT:
J U D G M E N T

CIVIL APPEAL NO. 2269 OF 2005
(@ SLP (C) No. 15419 OF 2004)

S.B. SINHA, J:

Leave granted in S.L.P. (C) No. 15419 of 2004.

Interpretation and application of the notifications bearing Nos. 65, 66 & 67 dated 12th January, 2002 issued by the State of Jharkhand pursuant to the Jharkhand Industrial Policy, 2001 falls for our consideration in these appeals which arise out of judgments and orders dated 12.8.2003 and 16.3.2004 passed by a Division Bench of the Jharkhand High Court whereby and whereunder the writ petition filed by the Appellants herein was disposed of with certain directions.

BACKGROUND FACTS :

The fact of the matter is being noticed from Civil Appeal No. 1912 of 2004.

The Appellant, an existing company within the meaning of Companies Act, 1956, is a producer of saleable steel and other alloy products having a production capacity of 17.4 lakh tons. It at all material times was and still is producing steel through its Hot Rolled Mill (HRM). It is registered as a dealer both under the Central Sales Tax Act, 1956 and the Bihar Finance Act, 1981 (1981 Act). It was granted an industrial licence for expansion of its existing industrial unit located at Jamshedpur for production of steel to the extent of 21 lakh tons per annum.

EXEMPTION CLAIMED FOR NEW INDUSTRIAL UNIT :

The Government of Bihar issued an Industrial Policy in the year 1995. With a view to give effect thereto it issued two notifications bearing Nos. 478 and 479 dated 22.12.1995 granting exemption to dealers in terms of Section 7(3)(b) of the 1981 Act in respect of tax on purchase or sale of certain goods manufactured by new/ expanded/ diversified/ modernized units. Pursuant to or in furtherance of the said Industrial Policy as also the notifications issued pursuant thereto, the Appellant herein undertook diversification of its product \026 saleable steel by establishing a cold rolling mill. On or about 10.1.1998, the Government of Bihar acknowledged that the Appellant was 'going to diversify its plant'. In terms of the Bihar Reorganisation Act, 2000, the State of Jharkhand was created with effect from 15.11.2000, as a result whereof, inter alia, the 1981 Act was extended to the State of Jharkhand.

The Appellant claimed benefits of the aforementioned notification

Nos. 478 and 479 dated 22.12.1995 whereupon by an order dated 16.12.2000 the benefit of exemption in respect of its Cold Rolled Product (CRP) was granted treating the 'diversified capacity' as a new unit. Such grant of exemption, however, was withdrawn by the Commissioner of Commercial tax in exercise of its suo motu power of revision holding that as both Cold Rolled Product and Hot Rolled Product find mention in the same entry issued in terms of Section 14 of the Central Sales Tax Act, 1957, they are not entitled to the benefits claimed.

Aggrieved, the Appellant filed a writ petition before the Jharkhand High Court which was marked as CWJC 1426 of 2001. The Division Bench of the High Court disposed of the said writ petition upon setting aside the order of the Commissioner of Commercial Tax dated 3.4.2001 and remitting the matter back to the Commissioner of Commercial Taxes for reconsideration of the question as to whether the cold rolled product is a new and distinct product vis-à-vis hot rolled product.

An application for grant of Special Leave from the said order was filed before this Court by the Appellant herein and leave having been granted in the appeal, the matter was marked as C.A. No. 2188 of 2002. This Court by judgment and order dated 25th August, 2004 [since reported in (2004) 7 SCC 242] held that the product manufactured by the Appellant in its new unit is a cold rolled mill (CRM) product and not hot rolled mill product. It was opined:

"21\005Based on a promise made in the industrial policy of the State of Bihar, at every stage the appellants tried to verify and confirm whether they are entitled to the benefit of exemption or not and they were assured of that exemption. It is based on these assurances that the appellant invested a huge sum of money which according to the appellant is to the tune of Rs. 2000 crores but the State says it may be to the tune of Rs. 1400 crores. Whatever may be the figure, the fact still remains that the appellants have invested huge sums of money in installing its new industrial unit. At every stage of the construction, progress and installation of the machineries, the Government/ authorities concerned were informed and at no point of time it was suspected that the new unit was going to manufacture HRM. The process of manufacturing HRM and CRM as could be seen from the experts' opinion is totally different and the material on record also shows that the plant design for a new unit is for the purpose of manufacturing CRM. These factors coupled with the fact that at no stage of the proceedings which culminated in the judgment of the High Court, the respondent State had questioned this fact except for the technical ground taken by the Commissioner which is found to be erroneous, we find the ends of justice would not be served by remanding the matter for further inquiry."

EXEMPTION CLAIMED FOR EXISTING INDUSTRIAL UNIT :

In the meanwhile the State of Jharkhand declared its Industrial Policy on or about 25.8.2001 for the period 15th November, 2000 to 31st March, 2005; para 28.1 whereof inter alia provided for set off / adjustment to dealers in respect of new industrial units as well as the existing units. Para 28.2 provided for a uniform rate of tax @ 2% in view of the provision of set off.

Three notifications bearing Nos. 65, 66 and 67 dated 12th January, 2002 were issued thereafter in terms of Sections 22, 23 and 13(1)(b) respectively. S.O. 65 refers to facility of set off and adjustment on intra-State sales. S.O. 66 refers to inter-state sales whereas S.O. 67 provides for concessional rate of sales tax on purchase of raw material and other items at

the rate of 2%. Such facility is to be allowed to those industrial units who come under the purview of set off of tax.

The Appellant as regards its existing unit, viz., HRM applied for eligibility certificate before the Deputy Commissioner of Commercial Tax stating that it had been 'engaged in manufacture and sale activities of various iron & steel products and other materials'. The said application of the Appellant was rejected by the Deputy Commissioner of Commercial Tax by an order dated 13.3.2002 opining that it being a dealer with one registration under Sales Tax Laws, was not entitled thereto. The said order came to be affirmed by the Commissioner of Commercial Tax by an order dated 25.3.2003.

A writ petition thereagainst was filed which was marked as WP(T) No. 2003 of 2003. By reason of the impugned judgment, while setting aside the aforementioned orders dated 13.3.2002 and 25.3.2003 passed by the Deputy Commissioner of Commercial Taxes and the Commissioner of Commercial Taxes respectively, the High Court held (although not finally) that the Appellant as a whole, including its diversification into CRP, is one existing unit, but as the litigation in relation to CRP was pending before this Court, the matter was remitted granting leave to the Appellant to make a fresh claim under the Industrial Policy, 2001 on the premise that if it is found not entitled to the benefit of 1995 Policy in respect of CRP, it would be able to claim the benefit under the 2001 Policy of the State of Jharkhand.

CONTENTIONS :

Mr. Dushyant A. Dave and Mr. Gaurav Banerjee, learned senior counsel appearing on behalf of the Appellant took us through the Industrial Policy of the State of Jharkhand as also the aforementioned notification Nos. 65, 66 and 67 dated 12th January, 2002 and would submit:

- (i) The Industrial Policy covers both new unit as well as existing units and CRM having been treated to be a new unit, the High Court committed an error in not directing grant of benefits to its HRM as an existing unit.
- (ii) Such Industrial Policy as also the notifications having not referred to 'company', 'assessee' or 'dealer', each unit of the Appellant was entitled to the benefit of the notifications irrespective of the fact as to whether they are new or existing units.
- (iii) The notifications should be given a liberal construction having regard to the object of the policy, viz. to optimally utilize the available resources of the State in a planned manner and to accelerate the industrial development of the State. CRM having a separate industrial licence having been set up for manufacturing separate goods by going into commercial production which may not be multiple ones, the High Court should not have laid too much emphasis on Clause (6) of the notification as it was a machinery provision and, thus, not a part of the policy.

Mr. Punit Dutt Tyagi, learned counsel appearing on behalf of the Appellant in S.L.P. (C) No. 15419 of 2004, would contend that the Appellant supplied gas to TISCO wherefor sales tax at the rate of 2% was charged on the premise that it had already filed application for grant of set off and/ or adjustment although the rate of tax was 3%. A writ petition was filed as the State of Jharkhand stopped issuance of the concession forms on the premise that it did not deposit the tax at the rate of 3%. It is accepted that the fate of this appeal would depend upon the result of the first matter.

Mr. Sunil Gupta, learned senior counsel appearing on behalf of the Respondents, would submit that :

- (a) All the aforementioned three notifications dated 12th January, 2002 having been issued under Sections 22, 23 and 13(1)(b) of the 1981 Act; are required to be construed in terms thereof.
- (b) As the provisions of the 1981 Act envisage the company as an assessee, exemptions can be claimed only by it as a whole and not in relation to each of its units.
- (c) Industrial Policy being a multi-faceted policy, although a diversified

activity of the Appellant in terms thereof will be treated as a new unit, but having regard to the statutory scheme and on proper reading of the notifications, it has rightly been held by the High Court that the benefits of adjustment and set off were available only to a dealer/ assessee as the State exercised its jurisdiction only in terms of Sections 22 and 23 of the Act in respect of entirety of its activities and the units belonging to it.

(d) Effective date in terms of the notification and Industrial Policy being same in respect of both existing as well as new unit, the Appellant having obtained the benefit in respect of its cold rolled mill was not entitled to any further benefit by way of adjustment or set off in respect of its hot rolled mill which was an existing unit.

(e) Eligibility clause contained in the Industrial Policy must receive strict construction.

STATUTORY PROVISIONS

1981 Act

Section 2(e) defines 'dealer' to mean any person who carries on the business of buying, selling, supplying or distributing goods, directly or indirectly, for cash, or for deferred payment, or for commission, remuneration or valuable consideration which inter alia includes a company which carries on such business.

Section 3 provides for charge of tax in terms whereof sales or the purchase tax, as the case may be, is required to be paid by every dealer. Such tax is payable to a dealer to whom clause (a) of sub-section (1) applies on sales and purchases made inside Bihar on and from the date of commencement of the 1981 Act and by a dealer to whom clause (b) of the said sub-section applies on such sales or purchases made on or from the date immediately following the day mentioned in the said clause (b). Sub-section (9) of Section 3 provides that the provisions of the Central Sales Tax Act, 1956 shall apply for determination when a sale shall be deemed to have taken place inside Bihar.

Section 7 provides for exemption. Section 7(3)(b) empowers the State Government to exempt any dealer from payment of sales tax or purchase tax by issuing an appropriate notification and subject to such conditions or restrictions, as the case may be, inter alia sales of any goods or class or description of goods to or by any class of dealers.

Section 12 provides for rate of tax whereas Section 13 provides for special rate of tax on certain sales or purchases. Section 13(1)(b) of the 1981 Act reads as under:

"13. SPECIAL RATE OF TAX ON CERTAIN SALES OR PURCHASES.

(1) Notwithstanding anything contained in this part but subject to such conditions and restrictions as may be prescribed -

(b) sales to or purchases by a registered dealer of goods required by him directly for use in the manufacture or processing of any goods for sale;"

Section 14 provides for registration of dealers. Section 16 mandates filing of return by a dealer. Section 22 empowers the State Government to permit any dealer, or class or description of dealers who are running manufacturing units in the State of Bihar to adjust the amount of tax paid on the purchases of raw materials which has been used for manufacture of goods for inter-State sale against the tax payable on sale of finished product within the State in such manner as may be laid down in the order allowing permission, if it is satisfied that it is necessary to do so in the interest of industrial growth.

Section 23 similarly empowers the State Government to permit adjustment or set off of tax in respect of inter-State sales.

Bihar Industrial Policy, 1995

The Industrial Policy of 1995 was issued by the State of Bihar with a view to create an environment conducive to growth of industries in the State.

Clause 16.2 deals with sales tax on sale of finished goods for new units, in terms whereof new units, in addition to the benefit of exemption / set off of Sales Tax on purchases, will also have the option to choose deferment or exemption of Sales Tax [both Bihar Sales Tax and Central Sales Tax] on sale of finished goods for a period of 10 years for category 'A' and 8 years for category 'B' Districts from the date of production of the unit with a ceiling of 100% of the fixed investment made by it.

Clause 16.3 of the said Policy reads as under:

"16.3 Units Undertaking Expansion / Diversification \026 Such units should be given identical treatment as new units for their expanded/ diversified capacity and incremental both in purchase of raw materials and for sales tax on finished goods. All such incentives will be admissible to such units which are covered by the definition of expansion/ diversification as given in the Annexure. Incremental production means:

"The incremental production shall mean the excess of actual production over 2/3 of the originally installed capacity or the highest production in 3 years immediately preceding the year in which such expansion / diversification commenced whichever of the two is higher".

The said policy was to remain in force for a period of 5 years with effect from September 1, 1995.

The following definitions mentioned in Annexure appended to the said Policy and which are relevant for our purpose read as under:

"1. Effective Date: Effective date means the date of which the provision of this Policy come into force i.e. September 1, 1995. This policy will remain in force for 5 years from September 1, 1995.

2. Industrial Units/ Industrial Concern: Industrial Units/ concern means any unit/ concern or to be engaged in manufacturing/ processing/ servicing industry belonging to the following categories:

(a) Industries listed under the First Schedule of the Industries (Development and Regulation) Act, 1951 and amended from time to time.

(b) Thrust industries listed in para 15 of the Policy Statement.

(c) Industries falling within the purview of the following Boards/ Agencies:

(i) Small Scale Industries Board

(ii) Coir Board

(iii) Silk Board

(iv) All India Handloom and Handicrafts Board

(v) Khadi and Village Industries Commission

(vi) Any other agency constituted by the GOI or GOB for industrial development\005.

3. Existing Industrial Unit: Existing Industrial Unit means an industrial unit which has gone into production

before the effective date.

4. New Industrial Unit: New Industrial Unit means an industrial units which has come into production between 1st September, 1995 and 31st August, 2000.

7. Expansion/ Modernization / Diversification: Expansion/ Modernization/ Diversification of an existing industrial unit would mean additional fixed capital investment in plant and machinery of 50% or more of the undepreciated value of fixed capital investment in the existing unit leading to incremental production capacity which would not be less than 50% of the initial installed capacity. In order to qualify for the sales tax incentives a unit undertaking expansion/ modernization/ diversification should send intimation to the General Manager, District Industries Centres or the Managing Director, Industrial Area Development Authorities & Deputy Commissioner Commercial Taxes as the case may be in respect of Small Scale Industry or the Director of Industries/ Director, Technical Development and Commissioner Commercial Taxes in case of medium and large industries before undertaking expansion/ modernization programme. Such intimation should be accompanied by detailed expansion / modernization / diversification proposal giving the specific period of proposed investment."

S.O. 479 dated 2nd December, 1995 was issued by the State of Bihar in exercise of its power under Clause (b) of Sub-section (3) of Section 7 of the 1981 Act whereby and whereunder exemption was granted to those new industrial units which started production from 1st September, 1995 to 31st August, 2000 on the sales of finished goods produced by them under the terms and conditions specified therein, clause (c) whereof reads thus:

"(c) For exemption from sales tax, industrial unit means such unit which manufactures goods for sale and for the purpose of it the meaning of "manufacture" shall be the same as defined in part 1 of the Bihar Finance act, 1981 (Bihar Act No. 5 of 1981)"

Jharkhand Industrial Policy, 2001

We may, at this juncture notice certain provisions of Jharkhand Industrial Policy.

"28.1 New Industrial Units as well as existing units which are not availing any facility of Tax-deferment or Tax free purchases of Tax free sales under any notification announced earlier, shall be allowed to opt for set off, of Jharkhand Sales Tax paid on the purchases of raw materials within the State of Jharkhand only against Sales Tax payable either JST or CST on the sale, excluding stock transfer or consignment sale out side the state, of finished products made out from such raw materials subject to a limitation of six months or the same financial year from the date of purchase of such raw materials.

28.2 Clause 13(i)(b) of the Adopted Bihar Finance Act, 1981 provides for two (2) rates of concessional sales tax on purchases of raw materials and other inputs. These are 2% and 3% against Form IX. Both these rates will be reduced to 2% in view of the provision for set off as aforesaid."

Definitions

Effective Date: Effective date means 15th November 2000 from which date the new State of Jharkhand has been created, the date on which the provision of this Policy come into force, i.e. November 15, 2000. This Policy will remain in force till 31st March, 2005.

"Unit" means any industrial project in large and medium scale having approval in the form of letter of intent, industrial license or registration certificate, as the case may be, under the Industries (Development and Regulation) Act, 1951 (65 of 1951) or an acknowledgement in the form of Secretariat for Industrial Assistance reference number from Central Government excluding those mentioned in the negative list of industries at Annexure \026 III."

Explanations:

(i) For the purpose of concessions/ benefits relating to sales tax, only such units shall be deemed to be industrial units which carry on the business of manufacturing goods for sale.

(ii) If any doubt arises as to whether a unit/ concern is an industrial unit / industrial concern or not for the purposes of this policy, the same shall be referred to a committee headed by the Finance Commissioner with Industrial Development Commissioner/ Secretary Industry and Commercial Taxes Commissioner as its members and the decision of the Committee shall be final.

Existing Industrial Unit: Existing industrial Unit means an industrial unit which has gone into commercial production before the effective date.

New Industrial Unit: New Industrial Unit means an industrial unit which has come into commercial production between 15th November, 2000 and 31st March, 2005."

Notifications:

We have noticed hereinbefore that the notifications No. S.Os. 65 and 66 dated 12th January, 2002 were issued respectively under Sections 22 and 23 of the Bihar Finance Act. As they are identically worded, we shall refer only to S.O. 65, the relevant clauses whereof are as under:

"In exercise of powers conferred under section 22 of Bihar Finance Act, 1981 (Bihar Act 5, 1981) (Adopted), State Governments provides facility of set off to new industrial units and existing units subject to the following conditions and restrictions:

1. For permission of this:-

Industrial unit means such unit which \026
"Unit" means any industrial project of large and medium scale having approval in the form of letter of intent, industrial license or registration certificate, as the case may be, under the Industries (Development and Regulation) Act, 1951 (65 of 1951) or an acknowledgement in the form of Secretariat for Industrial Assistance reference number from Central Government excluding those mentioned in the negative list of industries at Annexure \026 III."

Explanations:

(i) For the purposes of concessions/ benefits relating to sales tax, only such units shall be deemed to be industrial units which carry on the business of manufacturing goods for sale.

(ii) If any doubt arises as to whether a unit/ concern is an industrial unit/ industrial concern or not for the purposes of this policy, the same shall be referred to a committee headed by the Finance Commissioner with Industrial Development Commissioner/ Secretary Industry and Commercial Taxes Commissioner as its members and the decision of the Committee shall be final.

2 Existing Industrial Unit \026 Existing Industrial Unit means an industrial unit which has gone into commercial production before the effective date.

3. New Industrial Unit \026 New Industrial Unit means an industrial unit which has come into commercial production between 15th November, 2000 and 31st March, 2005.

4. Meaning of Date of Production shall be:- The date of start of production of an industrial unit shall mean the date on which the unit actually starts commercial production of the item for which the unit has been registered. As regards the date of production of a SSI unit, the certificate issued by the General Manager, District Industries Centre or Managing Director, Industrial Area Development Authority will be accepted. In case of any dispute in the date of production the decision of the Director or Industries in this regard shall be final.

5. Meaning of Effective Date shall be \026 Effective date means 15th November 2000 from which date the new State of Jharkhand has been created. From this date provision of this Policy shall be made effective. This Policy shall remain in force till 31st March, 2005.

2. The facility of set off to the existing units shall be available only to those units which are not availing any facility like deferment of tax or tax free purchases or tax free sales under any notifications announced earlier before the effective date.

3. The Benefit of this facility shall be available only on Jharkhand Sales Tax paid on Raw Material (for direct use in Manufacturing Activities) purchased within the State of Jharkhand under Section 13(1) (b) of Bihar Finance Act, 1981 (adopted) against the Jharkhand Sales Tax payable on sale excluding stock transfer or consignment sale out side the state.

4. This set off shall be available on the finished products manufactured from such Raw Material subject to purchases within six month or the same financial year from the date of purchaser of such Raw Material.

5. The benefit of set off under this notification shall be available to only those Industrial Units which have been issued eligibility certificate by the circle in charge (commercial taxes) of that area.

6(a) The verification of Monthly/ Quarterly return filed by each of the Industrial Units shall be done by the concerned Commercial Tax Officer. Every unit shall enclose the photocopy of the purchase invoices along with the return. After verification of returns and purchase invoices, Commercial Tax Officers shall inform the Industrial Unit as to how much amount of set off they will adjust against the next returns.

(b) The competent Commercial Tax Officer after verification of file shall inform the industrial unit in writing within 15 days as to how much less or more amount of set off has been done by them and how much amount of set off they will adjust in the next return.

(c) Each of the Industrial Units along with its monthly/ Quarterly returns, they will file the following statements in duplicate along with a declaration certifying there in that the items shown in the purchase invoices have been purchased by them and the same have been directly used for production of products for sale."

ADMITTED FACT:

The Appellant started its cold rolled mill in terms of a fresh industrial licence. It was granted a new industrial licence by the Ministry of Industry of the Central Government on or about 9.11.1998 for manufacture of cold rolled/ galvanized/ coated/ corrugated/ painted/ varnished steel sheets/ strips/ coils in the integrated steel plant for a proposed capacity of 1200000.00 ton. It, in view of the judgment of this Court, as referred to hereinbefore, became entitled to the benefit of set off and/ or adjustment from the tax paid on purchase of raw materials in terms of Bihar Industrial Policy which was in force for 5 years from September 1, 1995.

The Government of Jharkhand has declared its Industrial Policy on or about 25.8.2001, the effective date therefor being 15th November, 2000. The said Policy was put in force from 15th November, 2000. The Appellant's cold rolled mill as also hot rolled mill, thus, are existing units within the meaning of the Jharkhand State Policy, in terms whereof if a benefit is granted under one policy, no other benefit would be available.

INDUSTRIAL POLICY \026 RESTRICTED NEW UNITS ALONE :

The Industrial Policy of State of Jharkhand is a multi-faceted one. As many as 20 strategies have been laid down therein. Emphasis therein has been laid on the infrastructure inter alia having regard to the United Nations Development Programme Co-operation Framework for India Report. The mining and mineral base industries are in the forefront of the identification of thrust areas. With that in view, under the heading "Commercial Tax Reforms", clause 28.1 seeks to grant tax benefits both to new industrial units as also existing units. Even under its notifications dated 12th January, 2002 issued under the provisions of the Bihar Finance Act, facilities of set off both in relation to inter-State and intra-State sale are to be given to new industrial units as also existing units. Thus, despite the fact that the Appellant, as a juristic person is an assessee or a dealer within the meaning of the 1981 Act; and, thus, was required not only to get itself registered as such but also file one single return in respect whereof there may be one order of assessment; but the same, in our opinion, does not prevent an assessee from claiming separate tax exemptions and/ or other tax benefits both in respect of its new industrial units as also its existing units. The Industrial Policy permits the same.

HIGH COURT JUDGMENT :

The High Court in its impugned judgment held that the cold rolling mill is an independent unit established by the company. The company

sought the benefit of Industrial Policy, 2001 in respect of its units other than cold rolling mill although all are existing units having gone into production before 15th November, 2000.

Referring to the dictionary meaning of "Project" and "unit", it was opined:

"So any industrial enterprise that is carefully planned and designed to achieve a particular aim will be an industrial project. Clause 6 of the Notification, SO 65 relates to the verification of the returns filed by an industrial unit. Sub-clause (c) thereof seems to suggest that an industrial unit contemplated therein is a unit which files monthly/quarterly returns, for, it provides that each of the industrial units along with its monthly/quarterly returns, will file certain documents in duplicate regarding purchases made and that they have been directly used for production of the products for sale. It can be said that clause 6 of the policy tends to support the submission of the learned counsel for the Department that the industrial unit referred to in the notification is the assessee or in this case the company as a whole and not each of its individual lines or components."

"No doubt, under the Industrial Policy, 1995, even a diversification was treated as a new industry for the purpose of benefit under that Policy. But here, there is no such fiction. Here, what is contemplated is a new industry that has come into existence or an existing industry which has not claimed benefit under any of the earlier notifications granting benefit pursuant to the Industrial Policy. Merely because a unit is defined as meaning any industrial project, it is not possible without anything more, to accept the argument that the Cold Rolling Mill of the Company should be treated as a separate industrial project and the rest of the production units of the company should be treated as different individual industrial projects within the meaning of the Notification, SO No. 65."

It was further held:

"Different lines of production or manufacture can in a given circumstance be an industrial project, but if the different lines are for achieving creation of the ultimate marketable product of the Company, (the different products may themselves be used as raw materials for the ultimate product), then, can it be said that each branch or line of production is an independent industrial unit?"

DETERMINATION :

The provisions of the statute must be assigned a meaning having regard to the text and context thereof. In a given situation, it is possible to hold that the cold rolling mill of the Appellant as well as its hot rolling mill should be treated as separate industrial projects. It may also be possible for an assessee to claim different exemptions under different heads if such a situation exists or different fiscal benefits are granted to different units under the same or different notifications. Only because the Appellant is a dealer, that by itself cannot be a ground for denying to it fiscal benefits if it is otherwise entitled thereto.

We do not agree with the High Court that the expression "industrial unit" or "existing unit" should be used in a generic sense to indicate the industry in its entirety and not each of its component.

Despite the fact that Sections 22, 23 as also 13(1)(b) of the 1981 Act refer to a dealer and Section 14 thereof refers to registration of dealers mandating filing of return in respect of its activities, the same would not mean that the State cannot grant the same or different benefits to different units producing different products of the same assessee. The State has the power not only to grant exemptions, but also direct such grant relating to a class or description of goods. If the State has the power to issue a notification, it has the power to amend, vary or rescind the same and exercise such power from time to time as and when occasion arises therefor.

The notifications in question, however, are not exemption notifications. They provide for set off or adjustment of tax. A dealer in terms of the 1981 Act must be taxed but it may be granted exemption therefrom in respect of certain items or adjustment or set off thereof in relation to its particular products manufactured in a new or existing industry. A notification may be issued under Sections 22 or 23 in respect of one or more products or in respect of one or more units. However, whether a dealer would be entitled to the benefit of set off unit-wise or not will depend upon the language employed keeping in view the object the notifications seek to achieve. It will not be proper for a court of law to prescribe limitations or restrictions when there is none or vice versa.

The notification contemplates units which manufacture products for sale. The Explanation appended to Clause 1 expressly provides "For the purposes of concessions/ benefits relating to sales tax, only such units shall be deemed to be industrial units which carry on the business of manufacturing goods for sale". Clause 2 of the Notification defines 'existing industrial unit' to mean "an industrial unit which has gone into commercial production before the effective date" whereas 'new industrial unit' in terms of Clause 3 means "an industrial unit which has come into commercial production between 15th November, 2000 and 31st March, 2005. Meaning of "date of production" as contained in Clause 4 refers to actual commencement of commercial production of the item and for which the same has been registered. Clause 5 imposes a restriction while defining the existing date to say that the facility of set off to the existing units shall be available only to those units which are not availing any facility like deferment of tax or tax free purchases or tax free sales under any notifications announced earlier before the effective date.

The notification dated 12th January, 2002, although extends the tax benefits both to the new units as also the existing units, but thereby it does not contemplate that grant of benefit should be extended to separate existing units although they may be producing same but technically different products. The manufactured item is saleable steel. Quality of manufactured steel from CRM and HRM may have difference but as on the date of coming into force of the Jharkhand Industrial Policy as also the notifications issued under the 1981 Act both CRM and HRM were existing units, each one of them cannot get the benefit thereof.

Mr. Gupta in support of its contention that all units of assessee must be treated in their entirety referred to a recent decision of this Court in Commissioner, Trade Tax, U.P. Vs. DSM Group of Industries [(2005) 1 SCC 657]. In that case the assessee had different units. It expanded only some units by making a fixed capital investment of 50 crores or more in terms of the Industrial Policy as also the exemptions notifications issued under the U.P. Trade Tax Act. The State, however, raised a contention that such sum of Rs. 50 crores must be spent on each unit of the company and not on its industrial undertaking as a whole. The provisions of the notification dated 21.2.1997 as also Section 4-A(6) of the Uttar Pradesh Trade Tax Act, 1948, it was held, did not justify the contention that for the purpose of grant of exemption, each unit is to be considered to be a separate unit stating:

"14. It is an undisputed fact that the principal place of business of the Company is Dhampur, District Bijnore. The exemption claimed by the respondent, under the notification dated 21-2-1997, was for expansion, modernisation or diversification. What is a "unit" for purposes of expansion, diversification or modernization has been defined in Section 4-A(6) Explanation (5), which has been set out hereinabove. Under this, "Unit" means an "industrial undertaking" of a dealer who is not a defaulter and who meets the requirements as set out in clause (b) thereof. The dealer, indisputably, is the respondent Company. The industrial undertaking of the respondent is the Company. It is the Company which will be paying the tax and which will get the benefit of exemption, if entitled to it."

This court therein was dealing with a reverse situation. It accepted the principle of law that the notifications have to be interpreted keeping in view the object, and the object being to encourage investments and production, it was held that a liberal interpretation which advances the object of the notification should be ascribed. The Court took recourse to the doctrine of 'purposive interpretation' saying:

"25\005As we have already seen, Section 4-A defined the term "unit" to mean an industrial undertaking, which has undertaken expansion, modernization and diversification. Even under the General Clauses Act, where the context so requires the singular can include the plural. A plain reading of the notification shows that for "expansion, modernization and diversification" it is the industrial undertaking which is considered to be the "unit". This is also clear from the fact that in the notification wherever the words "expansion, modernization or diversification" are used, there are no qualifying words to the effect "in any one unit". In none of the clauses is there any requirement of the investment being in one unit of the industrial undertaking. Words to the effect "in a particular unit" or "in one unit" are missing. To accept Mr. Sunil Gupta's submission would require adding words to a notification which the Government purposely omitted to add."

It was further observed:

"26 Even otherwise, the purpose of notification being to encourage increased production and to give benefit to industries which have invested rupees fifty crores or more in the State and whose production has thus increased, an interpretation must be given which would extend benefit to such industries. There would be no purpose in denying an industry which has invested rupees fifty crores or more and whose production in the State has as a result increased, the benefit of the exemption granted by this notification merely because the whole of the investment is not in any particular unit. Thus even where the investment is made by the Company in more than one unit, so long as the total investment is rupees fifty crores or more, the benefit of the notification would be available. Such benefit would then be distributed in the manner set out in the schedule depending on where a unit in which expansion, diversification or modernization has taken place, is situated\005"

The said decision, therefore, was rendered in a different fact situation.

Eligibility clause, it is well settled, in relation to exemption notification must be given a strict meaning.

In Collector of Customs, Bangalore & Anr. Vs. M/s. Maestro Motors Ltd. & Anr. [2004 (10) SCALE 253], this Court held:

"It is settled law that to avail the benefit of a notification a party must comply with all the conditions of the Notification. Further, a Notification has to be interpreted in terms of its language."

The principle that in the event a provision of fiscal statute is obscure such construction which favours the assessee may be adopted, but it would have no application to construction of an exemption notification, as in such a case it is for the assessee to show that he comes within the purview of exemption. [See Novopan India Ltd., Hyderabad Vs. Collector of Central Excise and Customs, Hyderabad, 1994 Supp (3) SCC 606]

In State Level Committee and Another Vs. Morgardshammar India Ltd. [(1996) 1 SCC 108], referring to a large number of decisions, this Court held:

"10\005It must be remembered that no unit has a right to claim exemption from tax as a matter of right. His right is only insofar as it is provided by Section 4-A. While providing for exemption, the Legislature has hedged it with certain conditions. It is not open to the Court to ignore those conditions and extend the exemption."

Mr. Banerjee has relied upon a large number of decisions for the proposition that such notifications must receive a liberal construction.

We may now notice them.

In Textile Machinery Corporation Limited, Calcutta Vs. The Commissioner of Income Tax, West Bengal, Calcutta [(1977) 2 SCC 368], this Court while construing Section 15C of the Income Tax Act held:

"20. Section 15C partially exempts from tax a new industrial unit which is separate physically from the old one, the capital of which and the profits thereon are ascertainable. There is no difficulty to hold that Section 15C is applicable to an absolutely new undertaking for the first time started by an assessee. The cases which gave rise to controversy are those where the old business is being carried on by the assessee and a new activity is launched by him by establishing new plants and machinery by investing substantial funds. The new activity may produce the same commodities of the old business or it may produce some other distinct marketable products, even commodities which may feed the old business. These products may be consumed by the assessee in his old business or may be sold in the open market. One thing is certain that the new undertaking must be an integrated unit by itself wherein articles are produced and at least a minimum of ten persons with the aid of power and a minimum of twenty persons without the aid of power have been employed. Such a new industrially recognisable unit of an assessee cannot be said to be reconstruction of his old business since there is no transfer on any assets of the old business to the new undertaking which takes place when there is reconstruction of the old business. For the purpose of Section 15C the industrial units set up must be new in the

sense that new plants and machinery are erected for producing either the same commodities or some distinct commodities. In order to deny the benefit of Section 15C the new undertaking must be formed by reconstruction of the old business. Now in the instant case there is no formation of any industrial undertaking out of the existing business since that can take place only when the assets of the old business are transferred substantially to the new undertaking. There is no such transfer of assets in the two cases with which we are concerned."

The said decision was, therefore, rendered on interpretation of Section 15C of the Income Tax Act, 1961 and on the factual matrix obtaining therein.

Section 15C of the Income Tax Act is not in pari materia with the provision of Section 13(2)(b) of the 1981 Act.

In *Municipal Commissioner, Chinchwad New Township Municipal Council Vs. Century Enka Ltd.* [(1995) 6 SCC 152], a finding of fact was arrived at by this Court that Unit No. 2 had been set up to effect substantial expansion of the existing business.

In *Commissioner of Income Tax, Amritsar Vs. Straw Board Manufacturing Co. Ltd.* [(1989 Supp (2) SCC 523)], it was held that the expression 'paper and pulp' includes paperboard and strawboard having regard to the provisions of the Industrial (Development and Regulation) Act, 1951. The said decision has been followed in *Bajaj Tempo Ltd., Bombay Vs. Commissioner of Income Tax, Bombay City* \026 III, Bombay [(1992) 3 SCC 78] and *Commissioner of Sales Tax Vs. Industrial Coal Enterprises* [(1999) 2 SCC 607].

These decisions again were rendered in the fact situation obtaining therein and have no application herein.

In *Pappu Sweets and Biscuits and Another Vs. Commissioner of Trade Tax, U.P., Lucknow* [(1998) 7 SCC 228], the Court noticed that although the State declared exemptions from payment of sales tax with a view to increase industrial activity within the State by encouraging setting up of new industrial units or expansion/ diversification or modernization by the existing industrial units, it did not desire to extend that benefit to all such industries. This decision, therefore, runs counter to the submission of Mr. Banerjee.

In *Commissioner of Central Excise Vs. M.P.V. & Engg. Industries* [(2003) 5 SCC 333], a Division Bench of this Court of which one of us (B.P. Singh, J.) is a member, has clearly held:

"11\005In dealing with the submission the Tribunal noticed the decision of this Court in *CCE v. Parle Exports (P) Ltd.* wherein this Court held that exemption should be strictly construed although the exemption clause in the notification may be construed liberally. In other words, eligibility criteria should be construed strictly but a liberal approach may be adopted in construing other conditions\005"

We are concerned in this case with the eligibility criteria.

This is also not a case where the Appellant altered its position pursuant to or in furtherance of a promise made to it by the State. The doctrine of promissory estoppel, therefore, is not applicable. It is not even a case where the doctrine of legitimate expectation could be invoked. [See *Hira Tikoo Vs. Union Territory, Chandigarh and Others*, (2004) 6 SCC

765]

We, however, are not oblivious that the doctrine of promissory estoppel would be applicable where a representation has been made by the State in exercise of its power to exempt or abolish a commodity as taxable commodity. Such promise, however, must be made by the persons who have the power to implement the representation.

The Appellant furthermore had also understood the legal position in the same manner as would appear from its letter dated 11th February, 2002 wherein it was contended that it is an existing industry prior to 15th November, 2000 and further stated:

"Tisco is, thus, eligible to avail benefits of set off of sales tax paid on purchases of raw materials within the state of Jharkhand from the admitted sales tax payable on sales of products within the state of Jharkhand as well as on sales in course of inter state sales Ex State of Jharkhand in terms of Notification Nos. S.O. 65 & 66 both dated 12.01.2002\005.

We would, therefore, request you to kindly issue to us the Eligibility Certificates w.e.f. 15.11.2000 as required under these Notifications to enable us to avail the benefit of 'set off' of sales tax which we are entitled to."

We, therefore, conclude that as both Hot Rolled Mill and the Cold Rolled Mill are existing units, and one of them having received the benefits under a different policy, the Appellants are not entitled to any further relief in terms of the notifications dated 12th January, 2002.

For the reasons aforementioned, these Appeals are dismissed. No costs.