

Mihir Textiles Ltd.

Vs

Collector of Customs, Bombay

Ahmedabad Advance Mills Ltd.

Vs

Collector of Customs, Bombay

Civil Appeals No. 756 of 1987 with No. 1003 of 1988

(S. C. Sen, K. T. Thomas JJ)

29.04.1997

JUDGMENT

THOMAS, J. –

1. In both these appeals the question involved is regarding the relief entitlement of the claimants to customs duty payable at the time of clearance of the imported commodities. Under Entry No. 84.66 of the Customs Tariff all items of machinery, including industrial plant, can get clearance on payment of a concessional rate of 40%, if the goods are imported under certain conditions against specific contract registered with the Customs House. The grievance of the appellants herein is that such relief was not granted to them.

2. The appellant in one of these appeals had imported 12 Air Jet Looms along with their accessories and the goods arrived at the Bombay Port on 18-3-1983. The appellant got them cleared from the port on 31-3-1983 on payment of full duty which was a little above 52 lakhs of rupees. On 13-4-1983 he applied to the Collector of Customs for granting registration of his contract with the buyer as envisaged in Entry No. 84.66 of the Customs Tariff and he got the registration on 22-4-1983. Then he filed a refund application on the premise that he is liable to pay customs duty only at the concessional rate shown in the aforesaid entry. But the claim for refund was rejected by the Assistant Collector and then he filed an appeal before the Collector of Customs (Appeal) and got the order of the Assistant Collector set aside holding that the appellant is entitled to refund. However, the Department filed a further appeal before the Customs, Excise and Gold (Control) Appellate Tribunal (CEGAT) and as per the order impugned before us CEGAT restored the Assistant Collector's order.

3. The main contention in the aforesaid appeal is that application for registration could not be made to the Collector of Customs before he got clearance of the goods from the port since he could get the recommendation from the Textile Commissioner only by 7-4-1983. Thus, for no fault on his part he could not avail himself of the concessional duty at the time of clearance.

4. The position in the other appeal is slightly different and the facts are, in brief, these : The appellant therein got import licence on 22-10-1980 for importing "Sandzimar Planatory Mill". On

the strength of the said import licence he contracted with a foreign seller at Sweden to despatch the aforesaid mill. On 20-3-1981 he addressed a letter to the Government requesting that the licence might be endorsed for "Project Import". When the imported goods arrived at Bombay Port in April 1981 he got them cleared by payment of full duty (which is a little less than 20.5 lakhs rupees). The appellant got the required endorsement on 14-8-1981 and then he made an application for refund of the duty paid by him. The application was made on the premise that he was liable to pay customs duty only at the concessional rate prescribed under Entry No. 84.66 of the Customs Tariff. The Assistant Collector of Customs rejected his refund claim on the main ground that he had not obtained registration of the import contract as "a Project Import". The appellant filed an appeal before the Collector of Customs (Appeal) and when that was rejected he went before CEGAT in further appeal and that too was dismissed by the impugned order.

5. The contention adopted by both the appellants is identical, that as they had done their part in obtaining the registration of the import contract as a project import it was quite improper to have denied the benefit of the concessional relief prescribed in Entry No. 84.66 to the importers.

6. For appreciating the said contention it is necessary to extract the aforesaid Entry 84.66 herein (only material portion).

"84.66 (1) All items of :

(a) Machinery, including prime movers,

(b) Instruments, apparatus and appliances,

(c) Control gear and transmission equipment,

(d) Auxiliary equipment, as well as all components (whether finished or not) or raw materials for the manufacture of the aforesaid items and their components, required for the initial setting up of a unit, or the substantial expansion of an existing unit, of a specified :

(1) industrial plant,

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Provided these are imported (whether in one or in more than one consignment) against one or more specific contracts, which have been registered with the appropriate Customs House in the manner prescribed by Regulations which the Central Board of Excise and Customs may make under Section 157 of the Customs Act, 1962 (52 of 1962) and such contract or contracts has or have been so registered before any order is made by the proper officer of customs permitting the clearance for home consumption, or deposit in a warehouse of items, components or raw materials;"

7. The proviso prescribes, principally, three conditions to be satisfied for entitlement to the concessional rate shown in the aforesaid entry. They are - (1) Goods should have been imported against a specified contract registered with the appropriate Customs House; (2) Such registration should have been made in the manner prescribed by the regulations; (3) Registration of the contract should have been obtained before the order (granting permission for clearance of the goods) was

passed. Unless all the three conditions are satisfied, no importer can claim, as a matter of right, the concessional relief provided in the entry. In these cases the contracts were not registered at all before the order of clearance was passed. That fact is not disputed before us and as the appellants were aware of the position they chose to pay full customs duty for making the clearance.

8. The learned counsel contended that the importer is not to be blamed for non-compliance with the conditions prescribed in the entry because all what should have been done on their part had been done by them and what remained to be done was only that part which the authorities had to do in the matter. Obviously the aforesaid contention has no legs to stand on, at least in one case wherein no application was made at all for registration of the contract before the goods were cleared.

9. In the other appeal it was submitted on behalf of the appellant that as a matter of fact the appellant had made the application before the goods arrived at the port. The counsel for the appellant invited our attention to a letter which the appellant had addressed to "Ministry of Industry, Udyog Bhawan, Maulana Azad Road, New Delhi" as proof of such application. The learned Additional Solicitor General contended that the said letter could not be treated as the application contemplated in the proviso to Entry 84.66, as the Ministry of Industry is not the prescribed authority for granting registration.

10. Even assuming that the said letter should have been treated as the application contemplated in the proviso can the appellant legally claim the relief of concessional duty ? Two circumstances have been highlighted against his claim. First is that though the appellant got the import licence on 22-10-1980 he did not make any application for registration for almost six months thereafter. Second is that even the letter which he claims to be the prescribed application was sent only a month before clearance of the goods from the port and during the remaining period he could not expect the Central Government to rush through all the formalities necessary for granting registration. If any hasty steps were adopted on the application the resultant order would have been vulnerable to be assailed as an act done with undue haste. In this context the learned Additional Solicitor General referred us to the following observations made by Jeevan Reddy, J. in *S. B. International Ltd. v. Asstt. Director General of Foreign Trade* [(1996) 2 SCC 439] : (SCC p. 445, para 9)

"... On receipt of the application, the authorities have to satisfy themselves about the correctness of the contents of the application. They also have to satisfy themselves that the application satisfies all the requirements of the scheme and the other applicable provisions of law, if any. In a country like ours, where abuse of such facilities is rampant, reasonable time has to be afforded to the authorities to process the application. (What is a reasonable time, of course, depends on the facts of each case. No hard and fast limit can be prescribed.)"

11. The learned counsel for the appellant raised an alternative contention that the deficiency in the contract for obtaining the concessions should not have been taken so seriously and the Customs authorities should have granted the reliefs as the appellants had performed their part in complying with the conditions. Non-compliance of the conditions, according to the counsel, was only due to the lapses on the part of the authorities concerned. This contention was expatiated to the extent that the conditions prescribed in the proviso to Entry No. 84.66 are merely directory and not mandatory. According to the counsel, the conditions prescribed, if interpreted strictly, would result in the denial of concessional reliefs which the statute has conferred on the citizen.

12. In support of that contention, the counsel invited our attention to the decision of a Constitution

Bench of this Court in *State of U. P v. Manbodhan Lal Srivastava* [1958 SCR 533 : AIR 1957 SC 912 : (1958) 2 LLJ 273], wherein their Lordships were considering the implication of non-compliance with the conditions provided in Article 320(3) of the Constitution on an order imposing punishment on a government servant without reference to the Public Service Commission. While considering that question, the learned Judges made a reference to the Privy Council decision in *Montreal Street Rly. Co. v. Normandin* [AIR 1917 PC 142] and the Federal Court decision in *Biswanath Khemka v. Empero* [AIR 1945 FC 67 : 1945 FCR 99]. The Constitution Bench held that the provisions of Article 320(3) are not mandatory and non-compliance of those provisions does not afford any cause of action in a court of law. The Privy Council in the above-quoted decision has observed that the question whether provisions in a statute are directory or imperative depends upon the object of the statute and no general rule can be laid down. "When the provisions of the statute relate to the performance of a public duty and the case is such that to hold null and void acts done in neglect of this duty would work serious general inconvenience or injustice to persons who have no control over those entrusted with the duty and at the same time would not promote the main object of the legislature, it has been the practice to hold such provisions to be directory. " This is not a case where a certain provision is mandatory or directory. Here the question is whether concessional relief of duty which is made dependent on the satisfaction of certain conditions can be granted without compliance of such conditions. No matter even if the conditions are only directory.

13. In *Formica India Division v. CCE* [1995 Supp (3) SCC 552 : (1995) 77 ELT 511] non-compliance with Rule 56-A of the Central Excise Rules, 1944 was held to be insufficient to deny the benefit of a notification to the assessee. But the said benefit was afforded on the special circumstances of a case as could be seen from the following words : (SCC p. 554, para 2)

"... The circumstances in which the appellants did not pay the duty on the intermediary product before putting the same to captive consumption for producing that stage, the appellants contested the correctness of the classification and had, therefore, not paid the duty on the intermediary product. When it was found that they were liable to pay duty on the intermediary product and had not paid the same, but had paid the duty on the end product, they could not ordinarily have complied with the requirements of Rule 56-A."

Nor can we find support from the ratio in *B. O. I Finance Ltd. v. Custodian* [(1997) 10 SCC 488 : JT (1997) 4 SC 15] that "infringements of the instructions issued by the Reserve Bank of India under the Banking Regulations Act prohibiting the banks from entering into buy-back arrangements do not invalidate such contracts entered into between the banks and its customers", as it involved a question of invalidation of the contract. Here neither the contract nor the import is invalid or illegal and the question is only whether the importer is entitled to the concessional duty.

14. There is no legal foundation for both the appellants to secure the reliefs prescribed in Entry No. 84.66 of the Customs Tariff. Accordingly, we dismiss these appeals.