

State of Orissa and Others

Vs

Vijay Laxmi Oil Industries

State of Orissa and Others

Vs

Sri Krishna Oil Industries

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Shree Jagannath Oil Industries Pvt

Civil Appeals No. 364 of 1994

(S. P. Bharucha, V. N. Khare JJ)

18.09.1998

JUDGMENT

V. N. KHARE, J.

1. Leave granted.

2. This group of civil appeals is directed against the separate judgments and orders passed by the High Court of Orissa whereby the High Court has allowed the writ applications filed by the respondents and further directed the appellants herein to issue necessary sales tax exemption certificate in favour of the respondents under the Industrial Policy Resolution, 1989 (in short IPR 1989), issued by the State of Orissa. Since common questions of facts and law are involved in this group of appeals, we propose to decide these appeals by a common judgment, noticing the facts of leading case Civil Appeal No. 364 of 1994.

3. The State of Orissa, Appellant 1 herein, had been issuing IPRs from time to time and for the purpose of the present case, we are concerned with IPR 1986 and IPR 1989. The basic purpose for issuing IPRs by the State of Orissa was to maintain and enhance the growth of industrialisation in the State by giving incentives/concessions to the industries which were set up within its State. Each one of these Policy Resolutions has a cut-off date called "effective date" and it remained valid till the announcement of the next Policy Resolution, except to the extent the new IPR allowed

continuance of the provisions of the earlier Policy Resolutions. In such Resolutions, certain categories of industries were kept outside the purview of incentives/concessions provided in the IPR. Only those industries were entitled to incentives/concessions in the form of sales tax exemption which were set up within the framework of the provisions of IPR. The industries which did not come under the purview of the aforesaid IPR were not entitled to incentives/concessions in the form of sales tax exemption during operative period of one IPR and thereby could not avail themselves of the benefits under the subsequent IPR.

4. In the present case, the respondent, M/s Vijay Laxmi Oil Industries made the first investment on fixed capital (land, building, plant and machinery) on 17-7-1989 when IPR 1986 was operative. IPR 1989 came into effect on 1-12-1989. The respondent herein commenced commercial production on 9-6-1990 when IPR 1989 was operative. The respondent filed an application for incentives/concessions in the form of sales tax exemption under IPR 1989 but the same was rejected by the General Manager, District Industries Centre, Balasore (Appellant 3) by an order dated 29-9-1992. Under such circumstances, the respondent was informed that its unit was of IPR 1986 and that under the said IPR, its unit was not eligible to get sales tax exemption either on purchase of raw material or on sale of its finished products and hence the respondent was not entitled to sales tax concession under IPR 1989.

5. This led the respondent filing a writ application before the Orissa High Court challenging the order whereby the General Manager, District Industries Centre, Balasore had refused to extend sales tax exemption to it under IPR 1989. The High Court while allowing the writ application filed by the respondent, issued directions to the appellants herein, to issue sales tax exemption certificate in favour of the respondent. Aggrieved, the appellants have come to this Court by filing special leave petition.

6. Learned counsel for the appellants urged that the respondent which is an oil mill, irrespective of input capacity, was ineligible for IPR incentives/concessions in the form of sales tax exemption under IPR 1986 vide Part B Definition (f) of IPR 1986 and as such was not entitled to have any incentives/concessions under IPR 1989. Elaborating his arguments, learned counsel further argued that the continuing small-scale industrial units of 1986 Policy which were otherwise eligible for sales tax exemption on finished product for a period of 5 years, were only allowed to avail of the concessions for an additional 2 years, i.e., in all, 7 years under 1989 Policy vide clause 7.2.2 (sic 7.2.3.) of IPR 1989 and the view taken by the High Court in allowing the writ applications is erroneous.

7. Before we advert to the arguments of learned counsel for the appellant, it is necessary to examine the reasoning given by the High Court in allowing the writ application as the arguments advanced before us were not advanced strictly in this form before the High Court. The High Court has held that the respondent was eligible for sales tax exemption under Part II (clause 7.2) of IPR 1989 in view of the fact that the respondent's unit was a continuing industry as it was covered by clause 2.18 of IPR 1989 and secondly, that the input capacity of the unit being more than 10 mt per day/per 8 hours' shift, the respondent-unit was entitled to sales tax exemption. The finding recorded by the High Court that the respondent-unit is a continuing unit under clause 2.18 of IPR 1989 is factually incorrect. Clause 2.18 of IPR 1989 provides that any industrial unit where fixed capital investment commenced on or after 1-8-1980 and prior to 1-4-1986 could be given the status of "continuing industry of 1980 Policy". In the present case, the respondent made the first investment in fixed capital (land, building, plant or machinery) on 17-7-1989 and as such it would be governed by the provisions of IPR 1986 and would fall within the definition of "continuing industry of 1986 Policy"

as defined in clause 2.17 of IPR 1989 if it fulfilled the eligibility criteria.

8. Coming to the arguments of learned counsel for the appellants, it is necessary to examine the relevant provisions of IPR 1989. IPR 1989 is in two parts. While Part I deals with concessions/incentives in the form of sales tax exemption to the new industries which were set up under 1989 Policy, Part II deals with concessions/incentives to continuing industries of 1986 policy. Clause 7.2.3. falling under Part II of IPR 1989 provides that small-scale continuing units of 1986 Policy will be allowed exemption of sales tax on finished product for an additional period of two years over and above five years allowed under 1986 Policy, i.e., in all, seven years. Clause 7.2.3 of 1989 Policy runs as under :

"7.2.3. Exemption/deferment of sales tax on finished products. - Small-scale continuing units on 1986 Policy will be allowed exemption of sales tax on finished products for an additional period of 2 years over and above 5 years allowed in 1986 Policy, i.e., in all, 7 years. Medium and large-scale continuing units of 1986 Policy shall, in lieu of incentive relating to sales tax on finished products under 1986 Policy, be allowed such incentive as is applicable to corresponding new industrial units under Part I after the effective date."

9. A plain reading of the abovesaid clause shows that only those small-scale continuing units of 1986 Policy which were eligible to get concession/incentive and further have received such concession for five years would be given exemption of sales tax on finished product for additional period of two years. As stated above, although the respondent set up its unit on 17-7-1989, but it was not eligible to get incentives/concessions in the form of sales tax exemption under IPR 1986 as it was in the "ineligible list" for grant of incentives/concessions irrespective of input capacity according to the provision of Part B Definition (f) of IPR 1986. Thus, in view of clause 7.2.3. the respondent's unit was not entitled to the benefit on incentives/concessions in the form of sales tax exemption under IPR 1989 as a continuing unit of 1986 Policy and it is here that the High Court fell in error in treating the respondent's unit as entitled to the benefit of sales tax exemption under IPR 1989.

10. It was argued on behalf of the respondent that since the respondent's unit commenced commercial production on 9-6-1990, it was entitled to sales tax exemption under Part I clause 7.1.1 of IPR 1989. This argument of learned counsel is totally misplaced. Under Part I clause 7.1.1 of IPR 1989, only those new industries which were set up under IPR 1989 were entitled to incentives/concessions. This implies that under Part II, only eligible continuing industries of 1986 Policy were entitled to sales tax exemption for a further period of two years. The respondent-unit being ineligible to receive sales tax exemptions under 1986 Policy was precluded from entitlement of sales tax exemption under IPR 1989.

11. Learned counsel for the respondent then urged that in view of the notification dated 16-8-1990 amending the exemption notification dated 23-4-1976, the respondent's unit was entitled to have exemption from sales tax for a period of seven years from the date of commercial production and further, the respondent-Industry was entitled to sales tax exemptions, as per the proviso of column (iii) of Item 30-FF, oil mills having input capacity of more than 10 mt were also included in the list of industries entitled for sales tax exemption which were not entitled for such exemption before. Learned counsel also referred to Annexure I to IPR 1989 as the respondent's unit having more than 10 mt input capacity, was entitled to sales tax exemption. The notification referred to by learned counsel for the respondent has to be read along with IPR 1989 Policy because the State

Government's notification on sales tax exemption is amended from time to time with reference to change in the industrial policy of the State Government described in the Industrial Policy Resolutions. No doubt, oil mills of more than 10 mt were shown in the list of industries eligible to get exemption of sales tax in the notification dated 16-8-1990, but this amendment related to the industries which have commenced investment after 1-12-1989 which is the effective date of IPR 1989. Admittedly, the respondent-unit was set up prior to 1-12-1989 when IPR 1986 was operative, the respondent-unit therefore cannot be treated as a new unit under IPR 1989 and notification dated 16-8-1990 granting sales tax exemption to oil mills having output of more than 10 mt was not applicable to the respondent-unit which is a unit under IPR of 1986. Since the respondent-unit was not eligible to get concession in the form of sales tax exemption under IPR 1986, it was not a continuing unit of 1986 Policy under Part II of IPR 1989 and further was not a new industry under IPR 1989, and as such was not entitled to sales tax exemption under notification dated 16-8-1990.

12. For the foregoing reasons, we are of the opinion that the judgment and order of the High Court in allowing the writ application of the respondent is not sustainable in law. We, accordingly set aside the impugned judgments and allow the appeals. All the three writ applications filed by the respondents shall stand dismissed. There shall be no order as to costs.