



W.P.No.14092 of 2022

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IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED : 18.12.2024

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THE HONOURABLE MR.JUSTICE C.SARAVANAN

W.P.No.14092 of 2022

and

W.M.P.Nos.13322 and 13323 of 2022

Natesan

... Petitioner

Vs.

The State Tax Officer,
Attur (Town) Circle,
No.127, Gandhi Nagar,
Attur – 636 102.

... Respondent

Prayer: Writ Petition filed under Article 226 of the Constitution of India, for issuance of a Writ of Certiorari, to call for the records on the files of the respondent in CST No.949508/2013-2014 dated 22.04.2022 and quash the same as being without jurisdiction and authority of law and contrary to the Notification No.II(1)/CTR/30(a-2) 2007 (GO MS No.79 CTR (B2) dated: 23.03.2007.

For Petitioner : Mr.G.Mohammed Aseef

For Respondent : Mr.C.Harsharaj
Additional Government Pleader



W.P.No.14092 of 2022

ORDER

The above Writ Petition was dismissed on 28.11.2024 after hearing the learned counsel for the petitioner and the learned Additional Government Pleader for the respondent. Thereafter the detailed order was dictated in the Chamber. However, while drafting the detailed order, it was noticed that the conclusion arrived on 28.11.2024 was incorrect and therefore order has to be re-called.

2. Hence, the order is being re-called for passing fresh orders.

3. In this Writ Petition, the petitioner has challenged the Impugned Revision Order dated 22.04.2022 in CST No.949508/2013-2014 dated 22.04.2022.

4. By the Impugned Revision Order, the respondent has confirmed the proposal in notice dated 22.02.2019.

5. The Impugned Revision Order is reproduced below:-

“Tvl.K.Natesan Proprietor, Tvl.Vadivelan Phyto Products, 84/10, N7D, Narayanasamy Street, Attur – 636 102, have reported a total and taxable turnover of Rs.2,34,00,635.00/- and



W.P.No.14092 of 2022

Rs.2,23,00,635.00/- respectively for the year 2013-2014 under the Central Sales Tax Act, 1956 in this office proceedings in the reference cited.

The turnover reported under CST Acts as follows:-

Total Turnover determined : Rs.2,23,00,635.00/-

Taxable Turnover determined : Rs.2,23,00,635.00/-

On the verification of the monthly returns revealed in their Form-1 return filed under the CST Act, 1956, the dealer have reported inter-state sales amounting to Rs.2,23,00,635.00/- as taxable @ 2% concessional rate, and the tax payable has been paid. But no 'C' forms have been filed in support of their claim of concessional rate of tax. In the absence of 'C' forms your claim of concessional rate of tax are proposed to be treated as sales effected under Section 8(2) of the CST Act, 1956, liable to tax at the rate applicable to the sale inside the state @ 14.5%.

For the above reasons, it is proposed to levy tax @ 14.5% on all their interstate sales treating the same as falling under Section 8(2) of the CST Act, 1956, as detailed below subject to consideration of objections if any to be filed in this regard.

By the dealer after receiving the proceeding and filed his reply with C-Form in the reference 2nd based. Then, examined the Form-C, the revised below mentioned fresh proceeding is passed.

C-Form Submitted Details (Some C-Form has involved by the debit note):

S. No.	Name of the Purchasing Dealer	State	C-Form Serial No.	Issued Date	Goods Value	Tax 2%	Total Value
1	Lepro Herbal (P) Ltd.	Haryana	HR/013C/0516710	26/08/16	7130235	142605	7272840
2	Biomax Life Sci.Ltd.	Andhra	AP/271411083869338	011114	530400	10400	533400
3	Indovedic Nutrients Pvt.Ltd.,	Karnataka	KA-C2-6880241	17/12/15	594000	11880	605880
4	Indovedic Nutrients Pvt. Ltd.,	Karnataka	KA-C2-6880248	17/12/15	2131800	42636	2174436
				Total	10386435	207521	10586556

I therefore confirm my proposals as stated in the dealer's filed



W.P.No.14092 of 2022

C FORMS based finally determine their total and taxable turnover as detailed below for the year 2016-17 under CST Act, 1956.

Interstate Sales covered by 'C' Forms	Rs.1,03,86,435.00/-	0.02
Interstate Sales Not covered by 'C' Forms	Rs.1,19,14,200.00/-	0.15
Interstate Sales covered and not covered by 'C' Forms – Total	Rs.2,23,00,635.00/-	

After consideration of dealer submitted C Forms, finally proposed the below tax and penalty finalised.

Determined Taxable Turnover	Rs.1,19,14,200.00/-	@14.5%
Tax Due 14.5%		Rs. 17,27,559.00/-
Tax Paid		Rs. 2,07,729.00/-
Balance		Rs. 15,19,830.00/-

A Notice in Form-3 is issued.”

6. The challenge to the Impugned Revision Order is primarily on the ground that the petitioner is engaged in sale of Gloriosa Superba (செங்காந்தள் மலர்) and that the item in question was exempted under Notification No.II(1)/CTR/30(a-2)/2007 (TNGG Extraordinary/March 23, 2007 [G.O.Ms.No.79, Commercial Taxes and Registration (B2) Department] dated 23.03.2007 and therefore the Impugned Demand confirmed by the respondent was unjustified and is therefore liable to be interfered with.

7. The petitioner has placed reliance on the decision of this Court in



W.P.No.14092 of 2022

M/s.Appasamy Associates, Represented by its Partner Vs. The

Commissioner of Commercial Taxes, Chennai and others vide Order dated

15.07.2021 in W.P.Nos.4355 of 2008 etc batch.

8. It is submitted that the product in question is exempted in terms of Sl.No.21 and Sl.No.26 to the above Notification and therefore, there is no merits in the Impugned Revision Order.

9. On the other hand, the learned Additional Government Pleader for the respondent would submit that as per Sub-Section 5 to Section 8 of the CST Act, the State Government has to issue a specific notification to exempt a dealer from payment of tax. It is submitted that the above condition is not fulfilled as no notification has been issued under Section 8(5) of the CST Act. That apart, all the requirements laid down in Sub-Section 4 to Section 8 of the CST Act have also not been fulfilled.

10. It is submitted that in absence of specific notification issued under Section 8(5) of the CST Act, the petitioner cannot claim benefit of exemption under the above notification issued under the Tamil Nadu Value Added Tax



W.P.No.14092 of 2022

(TNVAT) Act, 2006 for local clearance.

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11. It is further submitted that the above Notification No.II(1)/CTR/30(a-2)/2007 (TNGG Extraordinary/March 23, 2007) [G.O.Ms.No.79, Commercial Taxes and Registration (B2) Department dated 23.03.2007] is only intended to exempt the petitioner from payment of Local Tax viz., Value Added Tax under the provisions of the TNVAT Act and therefore would not apply to exemption from payment of the CST under Section 8 of the CST Act.

12. I have considered the arguments advanced by the learned counsel for the petitioner and the learned Additional Government Pleader for the respondent and also perused the decision of this Court rendered in W.P.No.4355 of 2008 etc batch rendered on 15.07.2021 and the decisions cited by the learned counsel for the petitioner rendered in the context of the Central Excise and Salt Act, 1944, as it stood then for the purpose of duty liability under Section 37 of the Finance Act, 1978.

13. The decision of the Hon'ble Supreme Court in the case of **Collector**



W.P.No.14092 of 2022

of Central Excise, Hyderabad Vs. Vazir Sultan Tobacco Co. Ltd., reported in 1996 (83) E.L.T.3(S.C) is not relevant. In the above case, the Hon'ble Supreme Court has merely held that adoption of provision of one fiscal statute does not mean that tax is payable under the adopting Act wherever it is payable under the adopted legislation. The case dealt with levy of excise duty under Section 3 of the Central Excise and Salt Act, 1944 as it stood then and the rules made thereunder. The Court merely held nil rate of duty is also a rate of duty following its ratio in **Wallace Flour Mills Company Limited Vs. Collector or Central Excise**, 1989 (4) SCC 592.

14. The Hon'ble Supreme Court in **Vazir Sultan Tobacco Company Limited's case** (cited *supra*) further held that once the levy is not there at the time when the goods are manufactured or produced in India, it cannot be levied at the state of removal of the said goods. The idea of collection at the stage of removal is devised for the sake of convenience.

15. The Court dealt with Special Excise Duty. It held that the idea of collection at the stage of removal is devised for the sake of convenience. It is not as if the levy is at the stage of removal. It is only the collection that is done



W.P.No.14092 of 2022

at the stage of removal. Admittedly, the special excise duty is an independent duty of excise separate and distinct from the duties of excise levied by the Central Excises and Salt Act, 1944. This levy came into effect only on and from March 1, 1978 which means that the goods produced prior to that date were not subject to such levy. If that is so, the levy cannot attach nor can it be realised because such goods are removed on or after March 1, 1978.

16. Therefore, Special Excise duty was levied only for a brief period between 01.03.1978 and 28.02.1979. Paragraph 5 from the decision of the Hon'ble Supreme Court in **Collector of Central Excise, Hyderabad Vs. Vazir Sultan Tobacco Co. Ltd.**, 1996 (83) E.L.T.3(S.C) is reproduced below:-

“5. We are inclined to agree with Sri Sobarjee. Entry 84 of List-I of the Seventh Schedule to the Constitution empowers the Parliament to make a law providing for levy of duties of excise on tobacco and other goods manufactured or produced in India [except, of course, certain goods mentioned therein]. Indisputably, the special excise duty is an excise duty and is relatable to Entry 84. If so, the levy must be on the manufacture or production of goods. That is how the words “goods manufactured or produced in India” in Entry 84 have been understood by this Court throughout. Once the levy is not there at the time when the goods are manufactured or produced in India, it cannot be levied at the stage of removal of the said goods. The idea of collection at the stage of removal is devised for the sake of convenience. It is not as if the levy is at the stage of removal. It is only the collection that is done at the stage of removal. Admittedly, the special excise duty is an independent



W.P.No.14092 of 2022

duty of excise separate and distinct from the duties of excise levied by the Central Excises and Salt Act, 1944. This levy came into effect only on and from March 1, 1978 which means that the goods produced prior to that date were not subject to such levy. If that is so, the levy cannot attach nor can it be realised because such goods are removed on or after March 1, 1978. The provisions of the Central Excise Act and the Rules, in our opinion, do not say otherwise."

17. The Hon'ble Supreme Court further observed that Section 3 of the Central Excise and Salt Act, 1944, cannot be read to shift the levy from the stage of manufacture or production of goods to the stage of removal. The levy is and remains upon the manufacture or production alone. Only the collection part of it is shifted to the stage of removal. Once this so, the fact that the provisions of the Central Excise Act are applied in the matter of levy and collection of special excise duty cannot and does not mean that wherever the Central Excise duty is payable, the Special Excise duty is also payable automatically.

18. Thus, the said decisions is of no relevance to the facts of the present case. Similarly, the decisions of the Hon'ble Supreme Court in **Collector of Central Excise, Bombay VS. Polyset Corporation** reported in 2000 (115) E.L.T. (S.C) is also not relevant to the facts of the case.

19. As far as the present case, the product traded and sold by the



W.P.No.14092 of 2022

petitioner was exempt in terms of 26th Item in Sl.No.121 to the Schedule to the Tamil Nadu Value Added Tax (TNVAT) Act, 2006 and under Sections 8(2) and 9(2) of the CST Act, 1956.

20. Under Section 9(2) of the CST Act, subject to the other provisions of the Act and the Rules made thereunder, the authorities who are empowered to assess, reassess, collect and enforce payment of any tax under the General Sales Tax law of the appropriate State shall, on behalf of the Government of India, assess, re-assess, collect and enforce payment of tax, including any [interest or penalty], payable by a dealer under the Act as if the tax or [interest or penalty] payable by such a dealer under the Act is a tax or [Interest or penalty] payable under the General Sales Tax law of the State, and for this purpose they may exercise all or any of the powers they have under the General Sales Tax law of the State, and the provisions of such law, including provisions relating to returns, provisional assessment, advance payment of tax, registration of the transferee of any business, imposition of the tax liability of a person carrying on business on the transferee of, or successor to, such business, transfer of liability of any firm or Hindu undivided family to pay tax in the event of the dissolution of such firm or partition of such family, recovery of tax from third parties,



W.P.No.14092 of 2022

appeals, reviews, revisions, references, [refunds, rebates, penalties] [charging or payment or interest,] compounding of offences and treatment of documents furnished by a dealer as confidential, shall apply accordingly.

21. As per Sub-Section (1) to Section 8 of the CST Act, every dealer, who in the course of interstate trade or commerce, sells to a registered dealer goods of the description referred to in Sub-Section (3), shall be liable to pay tax under the Act, which shall be 3% of his turnover or at the rate applicable to the sale or purchase of such goods inside the appropriate State under the sales tax law of that State, whichever is lower.

22. The goods that are referred to in Sub-Section (3) to Section 8 of the CST Act are as under:-

“(3) The goods referred to in Sub-Section (1),

(a) *

(b) are goods of the class or classes specified in the certificate of registration of the registered dealer purchasing the goods as being intended for resale by him or subject to any rules made by the Central Government in this behalf, for use by him in the manufacture or processing for sale of goods specified under clause (d) of Section 2.

(c) are containers or other materials specified in the certificate of registration of the registered dealer purchasing the goods, being containers or materials



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W.P.No.14092 of 2022

intended for being used for the packing of goods for sale.

(d) are containers or other materials used for the packing of any goods or classes of goods specified in the certificate or registration referred to in clause (b) or for the packing of any containers or other materials specified in the certificate of registration referred to in clause (c).

Note: * omitted by Act 8 of 1963, with effect from 01.04.1963.”

23. In this case, we are not concerned with either of the situation contemplated in Sub-Section (1), Sub-Section (3) or Sub-Section (8) to Section 8 of the CST Act.

24. Thus, the applicable provision would be Sub-Section (2) to Section 8 of the CST Act. Sub-Section 1 and Sub-Section 2 to Section 8 of the CST Act are reproduced below for the sake of clarity:-

Sub-Section (1)	Sub-Section (2)
Every dealer, who in the course of interstate trade or commerce, sells to a registered dealer goods of the description referred to in Sub-Section (3), shall be liable to pay tax under the Act, which shall be 3% of his turnover or at the rate applicable to the sale or purchase of such goods inside the appropriate State under the sales tax law of that State, whichever	(2) The tax payable by any dealer on his turnover in so far as the turnover or any part thereof relates to the sale of goods in the course of interstate trade or commerce not falling within Sub-Section (1), shall be at the rate applicable to the sale or purchase of such goods inside the appropriate State under the sales tax law of that State.



W.P.No.14092 of 2022

Sub-Section (1)	Sub-Section (2)
is lower: Provided that the Central Government may, by notification in the Official Gazette, reduce the rate of tax under this Sub-Section.	Explanation.- For the purposes of this Sub-Section, a dealer shall be deemed to be a dealer liable to pay tax under the sales tax law of the appropriate State, notwithstanding that he, in fact, may not be so liable under that law.

25. As per Sub-Section (2) to Section 8 of the CST Act, the tax payable by any dealer on his turnover in so far as the turnover or any part thereof relates to the sale of goods in the course of interstate trade or commerce not falling within Sub-Section (1), shall be at the rate applicable to the sale or purchase of such goods inside the appropriate State under the sales tax law of that State.

26. Explanation to Sub-Section (2) to Section 8 of the CST Act also makes it clear that a dealer shall be deemed to be a dealer liable to pay tax under the sales tax law of the appropriate State, notwithstanding that he, in fact, may not be so liable under that law.

27. Thus, the rate applicable to sale of purchase of goods inside the appropriate state under the sales tax law of the State is applicable insofar as the turnover or in part thereof which relates to the sale of goods in the course of



W.P.No.14092 of 2022

interstate trade or commerce which does not fall within the purview of Sub-Section (1) to Section 8 of the CST Act.

28. However, there is an exception provided in Sub-Section (5) to Section 8 of the CST Act. It stipulates that notwithstanding anything contained in this Section, the State Government may (on the fulfillment of the requirements laid down in Sub-Section (4) by the dealer), if it is satisfied that it is necessary so to do in the public interest, by notification in the Official Gazette and subject to such conditions as may be specified therein direct,

- (a) that no tax under the Act shall be payable by any dealer having his place of business in the State in respect of the sales by him, in the course of interstate trade or commerce, to a registered dealer from any such place of business of any such goods or classes of goods as may be specified in the notification, or that the tax on such sales shall be calculated at such lower rates than those specified in Sub-Section (1) as may be mentioned in the notification.
- (b) that in respect of all sales of goods or sales of such classes of goods as may be specified in the notification, which are made, in the course of interstate trade or commerce, to a registered dealer by any dealer having his place of business in the State or by any class of such dealers as may be specified in the notification to any person or to such class of persons as may be specified in the notification, no



W.P.No.14092 of 2022

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tax under the Act shall be payable or the tax on such sales shall be calculated at such lower rates than those specified in Sub-Section (1) as may be mentioned in the notification.

29. Similarly, the proviso to Sub-Section (8) to Section 8 of the CST Act, will also not apply to any sale of goods made in the course of interstate trade or commerce unless the dealer selling such goods furnishes to the prescribed authority referred to in Sub-Section (4), a declaration in the prescribed manner on the prescribed form obtained from the authority specified by the Central Government under Sub-Section (6), duly filled in and signed by the registered dealer to whom such goods are sold.

30. Thus, as per Sub-Section (5) to Section 8 of the CST Act, the State Government has to issue a notification which should specify the conditions.

31. In this case, no notification has been issued under Sub-Section (5) to Section 8 of the CST Act which has been brought to the attention of the Court.

32. Unless a specific notification has been issued under Sub-Section (5) to Section 8 of the CST Act, only General Notification issued under the Tamil



W.P.No.14092 of 2022

Nadu Value Added Tax (TNVAT) Act, 2006 will apply to the interstate transactions by applying Sub-Section (2) to Section 8 of the CST Act.

33. Since there is no notification issued under Section 8(5) of the CST Act, the conditions of Section 8(5) of the CST Act will not apply to the facts of the case.

34. Therefore, the demand proposed and confirmed in the Impugned Revision Order 22.04.2022 is liable to be interfered with.

35. Therefore, there is no legal basis on which, the Impugned Demand can be sustained.

36. As such, the Impugned Revision Order dated 22.04.2022 is liable to be set aside and is accordingly set aside.

37. Consequently, the petitioner is entitled to the benefit of exemption under Notification No.II(1)/CTR/30(a-2)/2007 (TNGG Extraordinary/March



W.P.No.14092 of 2022

23, 2007 [G.O.Ms.No.79, Commercial Taxes and Registration (B2)

Department] dated 23.03.2007 with consequential relief.

38. Therefore, this Writ Petition is allowed. No costs. Connected Writ Miscellaneous Petitions are closed.

18.12.2024

Index: Yes/No

Internet: Yes/No

Speaking Order/Non-Speaking Order

Neutral Citation : Yes/No

jas/arb

To

The State Tax Officer,
Attur (Town) Circle,
No.127, Gandhi Nagar,
Attur – 636 102.

C.SARAVANAN, J.

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W.P.No.14092 of 2022

W.P.No.14092 of 2022
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W.M.P.Nos.13322 and 13323 of 2022

18.12.2024