

## **Bakul Oil Industries & Anr vs State Of Gujarat & Anr on 11 November, 1986**

**Equivalent citations: 1987 AIR 142, 1987 SCR (1) 185, AIR 1987 SUPREME COURT 142, 1987 (1) SCC 31, 1987 TAX. L. R. 2059, 1986 STI 108, 1987 (1) UJ (SC) 38, 1987 UJ(SC) 1 38, 1987 (1) 20 GUJLR 430, 1987 (2) CURCC 187, 1987 20 VKN 227, 1987 20 STL 1, 1987 SCC (TAX) 74, 1987 UPTC 201, (1986) JT 801 (SC), (1987) 1 CURCC 187, (1987) 1 GUJ LR 430, (1987) 27 ELT 572, (1987) 10 ECR 1, (1987) 165 ITR 6, (1986) 4 SUPREME 231, (1987) 64 STC 304**

**Author: M.P. Thakkar**

**Bench: M.P. Thakkar**

PETITIONER:

BAKUL OIL INDUSTRIES & ANR.

Vs.

RESPONDENT:

STATE OF GUJARAT & ANR.

DATE OF JUDGMENT 11/11/1986

BENCH:

NATRAJAN, S. (J)

BENCH:

NATRAJAN, S. (J)

THAKKAR, M.P. (J)

CITATION:

1987 AIR 142                      1987 SCR (1) 185

1987 SCC (1) 31                JT 1986 801

1986 SCALE (2) 750

CITATOR INFO :

F                      1991 SC1456 (13)

ACT:

Gujarat Sales Tax Act, 1969: ss. 15 & 49(2)--Tax exemption for a period of five years from commissioning of industry--Withdrawal Effect and validity of Government notification.

Promissory estoppel--Doctrine of--Grant of exemption from sales tax to new industry-- Withdrawal of--Whether permissible.

HEADNOTE:

By a notification dated April 29, 1970 issued under s. 49(2) of the Gujarat Sales Tax Act, 1969 the State Government exempted wholly or partly from payment of sales tax or purchase tax certain specified classes of sales and purchases described in entries 1 to 52 in the Schedule. This notification was subsequently amended by another dated November 11, 1970 by adding a new entry No. 53 in the Schedule exempting a manufacturer, who established a new industry, from the whole of (a) purchase tax under s. 15 of the Act, (b) sales tax leviable under the Act, for a period of five years from the date of commissioning the industry. By another notification issued on July 17, 1971 the Government amended the explanation contained in the second notification thereby taking out certain industries, including oil mills, out of the purview of the Act.

The appellants' oil mill set up in a conforming area, was commissioned on May 14, 1970. Their application for eligibility certificate for claiming exemption from payment of sales tax as per the second notification having been rejected by the Industries Commissioner, they filed a special civil application under Art. 226 of the Constitution for an order directing the Industries Commissioner to grant them eligibility certificate. It was contended for them that the notification dated July 17, 1971 would have no effect on the eligibility already acquired by them in terms of the second notification.

The High Court took the view that the notification dated July 17, 1971 was only prospective in operation and not retrospective, that it did not affect the exemption enjoyed by the petitioners under the second notification in respect of the purchases and sales effected prior to July 17, 1971 and that the second notification created only existing rights and not vested rights and such existing rights could be taken away by

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the subsequent notification. It, therefore, held that the appellants were entitled to exemption from payment of tax only for the period anterior to July 17, 1971, and for the period thereafter they had no rights to claim exemption.

In this appeal by certificate under Art. 133(1)(c) of the Constitution it was contended for the appellants that by virtue of the first and the second notifications they had acquired a vested right to a tax holiday for a period of five years and the Government acting in exercise of the delegated powers did not have competence to nullify the exemption by giving retrospective effect to its notification dated July 17, 1971, and that in any event they were entitled to the benefit of tax exemption for a period of five years on the ground of promissory estoppel and the Government was obligated to give tax exemption for the full period of the claim.

Dismissing the appeal, the Court,

HELD: 1. The appellants are entitled to the benefit of tax exemption. only for the limited period during which the concession was offered by the Government. [194F]

2. Since the first notification dated April 29. 1970 did not stipulate as to how long the exemption from sales tax would remain in operation the concession granted thereunder was to have operative force only till such time that it was allowed to remain in force before being withdrawn by the subsequent notification. The second notification dated November 11, 1970 which set out that the exemption granted would be operative for a period of five years from the date of commissioning of the industry at any time during the period from April 1, 1970 to March 31, 1975, was prospective in operation. It would, therefore, apply only to those new industries which were commissioned subsequent to issuance thereof. As the appellants' unit was commissioned several months before the second notification the same cannot be invoked by them for claiming benefit of tax exemption for a period of five years from the date of commissioning of their mill. [191E-192A]

3. The State Government was under no obligation in any manner known to law to grant exemption from sales tax. What was granted under the first notification was only by way of concession for encouraging entrepreneurs to start industries in rural and undeveloped areas. Such a concession could be withdrawn or revoked at any time and no time limit could be insisted before doing so. The State Government was,  
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therefore, fully within its powers to revoke the exemption by means of a subsequent notification. [192C, 193A, 192B, 192D]

4. 1 The Government could withdraw an exemption granted by it earlier only if such withdrawal could be made without offending the rule of promissory estoppel and without depriving an industry entitled to claim exemption. If the Government grants exemption to a new industry and if on the basis of the representation made by the Government an industry is established in order to avail the benefit of exemption then the new industry can legitimately raise a grievance that the exemption could not be withdrawn except by means of legislation having regard to the fact that promissory estoppel cannot be claimed against a statute. [193B-D]

4.2 In order to claim the benefit of promissory estoppel it was necessary to establish: (i) that a representation was made to grant the exemption for a particular period to a new industry established in view of the representation held out by the State Government, and (ii) that the new industry was established acting upon the representation made by the State Government. In the instant case, however, the appellants have failed to prove that but for the concession offered in the, first notification they would not have established the industry in question and that the entire venture was at-

tributable only to the inducement offered by the Government. That notification was made on April 29, 1970 while the oil mill constructed by the appellants came to be commissioned on May 17, 1970 itself. The issuance of the notification granting tax exemption only constituted a fortuitous circumstance in appellants' case and it could not be said that the commissioning of their industry was directly the outcome of the Government's notification granting tax exemption. [193FG,H, 194AB,D]

**JUDGMENT:**

**CIVIL APPELLATE JURISDICTION:** Civil Appeal No. 2061 of 1972 From the Judgment and Order dated 8/9.3. 1972 of the Gujarat High Court in Spl. Civil Appl. No. 562 of 1971. S.T. Desai. H.S. Parihar. M.N. Tandan and Vipin Chandra for the Appellants.

G.A. Shah, Mrs. H. Wahi and M.N. Shroff for the Respondents. The Judgment of the Court was delivered by NATARAJAN, J. In this appeal by certificate under Article 133(1)(c) of the Constitution two questions fall for consideration viz;

(1) Whether the appellants had acquired a vested right of exemption from payment of sales tax under the Gujarat Sales Tax Act, 1969 (for short the 'Act') for a period of 5 years from the date of commissioning of their oil mill in respect of purchases and sales relating to the business of their oil mill?

and (2) whether in any event the appellants are entitled to claim tax exemption for a period of 5 years under cover of the doctrine of Promissory Estoppel?

In order to achieve dispersal of industries to rural areas and to provide fillip to accelerate development of industries the Government of Gujarat ('Government' in short) issued a Notification on 29.4.1970 in exercise of its powers under Section 49(2) of the Act exempting wholly or partly from payment of sales tax or purchase tax, as the case may be, certain specified classes of sales and purchases described in the entries at Serial Nos. 1 to 52 in the Schedule. The said Notification was subsequently amended by another Notification dated 11.11.1970 and a new Entry, Entry No. 53, was added in the Schedule below Entry at Serial No.

52. The new entry consisted of two parts, one part giving exemption from purchase tax and the other, from sales tax. The Notification provided that subject to the conditions specified therein a manufacturer who establishes a new industry would be given exemption of "the whole of purchase tax under Section 15 of the Act" in respect of "purchase of raw materials, processing materials, machinery or packing materials from a person who is not a registered dealer". It was similarly provided that subject to the conditions prescribed in the Notification a manufacturer who establishes a new industry would be given exemption of the whole of sales tax leviable under the Act in respect of "sales of raw materials, processing materials by a registered dealer". One of the

conditions imposed was that the new industry should have been commissioned on or after 1.4.1970 in areas beyond 24 kilometers from the Municipal limits of the cities of Ahmedabad and Baroda and 16 kilometers from the Municipal limits of Surat, Bhavnagar, Rajkot and Jamnagar and that the manufacturer should obtain an eligibility certificate from the Industries Commissioner, Gujarat State certifying the fulfilment of these conditions. The Notification provided that a certified manufacturer "shall be entitled to the exemption for a period of five years from the date of commissioning of the industry as certified by the Industries Commissioner in the eligibility certificate". There was an Explanation in the Notification to define what a "new industry." means and it was in the following terms:--

"For the purpose of items (1) and (2) above 'new industry' means and includes an industry which has been commissioned at any time during the period from 1st April, 1970 to 31st March, 1975(both days inclusive); but shall not include such industrial undertaking established by transferring or shifting or dismantling an existing industrial unit".

The appellants had set up a plant for decorticating and crushing cotton and groundnut seeds for manufacture of oil at a place called Kadi beyond 24 kilometers from Ahmedabad and commissioned the plant on May 17, 1970. On the strength of the location of the oil mill at a place more than 24 kilometers from the Municipal limits of Ahmedabad and the commissioning of the plant on May 17, 1970, the appellants applied to the Industries Commissioner for an "eligibility certificate" for claiming exemption from payment of sales tax as per the Notification dated November 11, 1970. The Industries Commissioner rejected the application giving certain reasons therefor. The appellants thereupon filed Special Civil Application No. 562 of 1971 under Article 226 of the Constitution for an order directing the Industries Commissioner to grant them an eligibility certificate in terms of the Notification.

During the pendency of the petition, the State Government issued another Notification dated July 17, 1971 amending the Explanation contained in the Notification dated November 11, 1970. The amendment provided inter alia that "new industry" shall not include "any of the industries, whether so commissioned or not, mentioned in the table appended hereto". The table set out some 14 industries of which the twelfth was "decorticating, expelling, crushing, roasting, parching, frying of oilseeds and coloring, decoloring and scenting of oil". It would appear that the effect of the exemption was reviewed by the Government and on such reconsideration "the Government was satisfied that certain industries and the oil industries in particular were sufficiently dispersed in rural areas, in respect of which the existing capacity of the existing industries was also more than adequate" and "the Government reached the conclusion that certain industries required to be excluded from the purview of the Act". As the oil mill commissioned by the appellants fell within the denotified industries the appellants obtained the leave of the court and amended their peti-

tion suitably in order to contend that the Notification dated July 17, 1971 would have no effect on the eligibility already acquired by them to claim exemption from payment of sales tax in the fight of the provisions contained in the second Notification dated November 11, 1970. The appellants' petition and a connected matter viz. Special Civil Application No. 1307 of 1971 filed by a third party came to

be considered together by a Division Bench of the Gujarat High Court. The High Court, by its judgment dated 8-9/3/72, held that the Notification dated 17.7.71 was only prospective in operation and not retrospective, that it did not affect the exemption enjoyed by the petitioners under the Notification dated 11.11.1970 in respect of purchases and sales effected prior to 17.7.1971, that the Notification dated 11.11.1970 created only existing rights and not vested rights and such existing rights could be taken away by the Notification dated 17.7.1971. The High Court, therefore, ruled that the appellants were entitled to exemption from payment of tax only for the period anterior to 17.7.1971 and for the period thereafter they had no right to claim exemption. Being aggrieved by the non-grant of relief of tax exemption for the full period of 5 years the appellants have preferred this appeal after obtaining a certificate under Article 133(1)(c) of the Constitution. Mr. Desai, learned counsel for the appellants formulated his arguments under three heads to contend before us that the High Court ought to have granted relief to the appellants to the full extent of their claim and it should not have restricted the relief of tax exemption only for the period 17.5.1970 to 17.7.1971. The propositions put forward were in the following terms:--

1. By virtue of the Notifications dated 29.4.70 and 11.11.70 the appellants had acquired a vested right to a tax holiday for a period of 5 years and the Government, acting in exercise of its delegated powers did not have competence to nullify the exemption by giving retrospective effect to its Notification dated 17.7.71.
2. The High Court was not justified in drawing a fine distinction between vested rights and existing rights and holding that the Notifications created only existing rights and such rights are subject to defeasance by means of subsequent Notifications.
3. In any event the appellants are entitled to the benefit of tax exemption for a period of five years on the ground of Promissory Estoppel and the Government is obligated to give tax exemption for the full period of claim.

Elaborating the first two 'contentions Mr. Desai argued that the Government by virtue of the first and second. Notifications had irretrievably committed itself to grant exemption from payment of sales tax and purchase tax to the notified industries commissioned at any time after 1.4.1970 and before 31.3.1975 at places beyond the prescribed distances from the Municipal limits of the cities named in the Notification. Inasmuch as the appellants had established their oil mill at a place more than 24 kilometers away from the Municipal limits of Ahmedabad City and had commissioned the plant on 17.5.1970 Mr. Desai argued that the appellants had acquired a vested right of exemption and it was not, therefore, open to the Government under law to nullify the exemption by issuing the Notification dated 17.7.1971 in exercise of its delegated powers.

The merit of these contentions has to be determined with reference to the date of commissioning of the appellants' oil mill as well as the dates of the Notifications and their contents. Admittedly, the appellants' oil mill was commissioned on 17.5. 1970 and, therefore, it follows that the oil mill was commissioned after the first Notification but long before the second Notification. It is indisputable that the first Notification, though it provided for exemption of tax under the Act, did not provide any

period of exemption. In other words, the Notification did not stipulate as to how long the exemption from sales tax' would remain in operation. The position emerging therefrom is that the exemption granted under the Notification was to have operative force only till such time that the exemption was allowed to remain before being withdrawn by a subsequent Notification. The second Notification no doubt set out that the exemption granted would be for a period of 5 years from the date of the commissioning of the industry at any time during the period from 1st April, 1970 to 31st March, 1975 (both days inclusive). But this provision cannot be invoked by the appellants for claiming the benefit of tax exemption for five years because the second Notification was prospective in operation as has been rightly pointed out by the High Court in its judgment. Since the second Notification was prospective in operation the period of 5 years mentioned therein would apply only to those new industries which were commissioned subsequent to the issuance of that Notification. As admittedly, the appellants' unit was commissioned several months before the second Notification was made, the second Notification cannot afford a basis to the appellants to raise a claim for exemption for a period of 5 years from the date of the commissioning of their plant.

Viewed from another perspective, it may be noticed that the State Government was under no obligation to grant exemption from sales tax. The appellants could not, therefore, have insisted on the State Government granting exemption to them from payment of sales tax. What consequently follows is that the exemption granted by the Government was only by way of concession. Once this position emerges it goes without saying that a concession can be withdrawn at any time and no time limit can be insisted upon before the concession is withdrawn. The Notifications of the Government clearly manifest that the State Government had earlier granted the exemption only by way of concession and subsequently by means of the revised Notification issued on 17.7.1971, the concession had been withdrawn. As the State Government was under no obligation, in any manner known to law, to grant exemption it was fully within its powers to revoke the exemption by means of a subsequent Notification. This is an additional factor militating against the contentions of the appellants.

Much of the arguments of the appellants' counsel proceeded on the assumption that the appellants had acquired a vested right under the Notification issued by the Government on 11.11. 1970 to claim exemption from payment of sales tax for a period of five years and consequently the Government had no right to take away the appellants' vested right. The contentions are untenable because of the fallacy contained in them viz. the wrong assumption that the appellants had acquired a vested right. The High Court has rightly repelled the plea that the appellants had acquired a vested right and were, therefore, entitled to claim exemption from payment of tax for a period of five years notwithstanding the revocation of the exemption under the Notification dated 17.7.1971. The High Court has further taken the view that the earlier Notifications granting exemption of tax only created existing rights and such existing rights can always be withdrawn by means of a revocation Notification and that is exactly what has happened in this case.

For the purposes of this appeal we do not think it necessary to go into the question whether the earlier Notification had created existing rights and whether the impugned Notification had the effect of only taking away the existing rights. We are taking this view because we have already pointed out that the State Government was under no obligation to grant exemption and that the

granting of tax exemption was only by way of a concession. Having regard to this conclusion there is no need for any probe to be made to determine whether the Notification had created vested rights or only existing rights. The exemption granted by the Government, as already stated, was only by way of concession for encouraging entrepreneurs to start industries in rural and undeveloped areas and as such it was always open to the State Government to withdraw or revoke the concession. We must, however, observe that the power of revocation or withdrawal would be subject to one limitation viz. the power cannot be exercised in violation of the rule of Promissory Estoppel. In other words, the Government can withdraw an exemption granted by it earlier if such withdrawal could be done without offending the rule of Promissory Estoppel and depriving an industry entitled to claim exemption from payment of tax under the said rule. If the Government grants exemption to a new industry and if on the basis of the representation made by the Government an industry is established in order to avail the benefit of exemption. it may then follow that the new industry can legitimately raise a grievance that the exemption could not be withdrawn except by means of legislation having regard to the fact that Promissory Estoppel cannot be claimed against a statute. In the present case the appellants had not raised the plea of Promissory Estoppel before the High Court. This is understandable because the principle of Promissory Estoppel had not found crystallised acceptance by courts of law when the Special Civil Application came to be heard by the High Court in the year 1972. Be that as it may, we find that the appellants have not made out any case of Promissory Estoppel either on the basis of the averments made in their petition or with reference to the facts which have emerged from the affidavits filed in the case. In order to claim the benefit of Promissory Estoppel the appellants must establish:--

(i) that a representation was made to grant the exemption for a particular period to a new industry established in view of the representation held out by the State Government; and

(ii) that the appellants had established the new industry acting upon the representation made by the State Government.

The facts in the present case do not go to establish that the appellants had put up the new industry in question subsequent to and in pursuance of the promise held out by Notification dated 29.4.1970 granting exemption. Putting it differently the appellants have not proved that but for the concession offered in the first Notification, they would not have established the industry in question and that the entire venture was attributable only to the inducement offered by the Government. From the facts set out supra it may be seen that the first Notification was made on 29.4.1970 while the oil mill constructed by the appellants came to be commissioned on 17.5. 1970 itself. It is not the appellants' case and indeed it can never be so contended that they launched the project and commenced the construction of the oil mill only after the Notification of 29.4.1970 was made and that the entire construction was completed in about two weeks' time so as to enable the appellants to commission the plant on 17.5. 1970. What is envisaged under the Notification is that the project must have been undertaken and construction work itself should have been started in response to and acting on the Notification. It is not sufficient to rely on the commissioning of an industry after completion of construction work which had been commenced long before the Notification was made



by the Government. In respect of such an industry as .the present one, the issuance of a Notification granting tax exemption would only constitute a fortuitous circumstance and by no stretch of imagination can it ever be said that the commis- sioning of the industry was directly the outcome of the Government's Notification granting tax exemption. The con- cession offered by the Government under the first Notifica- tion dated 29.4.70 did not prescribe any period or time limit, and hence the appellants cannot claim anything more than the benefit of the Notification for such period the exemption was in force. Once the Government decided, in exercise of the powers vested in it, to revoke the original Notification, the benefit of exemption from sales tax en- joyed by the appellants came to an automatic end. The period of five years mentioned in the second Notification will have no reference to the appellants' oil mill commissioned much earlier because the Notification had only prospective ef- fect. We have, therefore, to affirm the view of the High Court that the appellants will be entitled to the benefit of tax exemption only for the limited period during which the concession was offered by the Government.

We find no merit in the appeal and accordingly it stands dismissed. No order as to costs.

P.S.S.  
missed.

Appeal dis-