

Mahalakshmi Oil Mills Etc. Etc vs State Of Andhra Pradesh & Ors on 14 September, 1988

Equivalent citations: 1989 AIR 335, 1988 SCR SUPL. (2)1088, AIR 1989 SUPREME COURT 335, 1989 (1) SCC 164, 1988 (13) ECC 25, 1988 27 STL 22, 1989 SCC (TAX) 56, 1988 STI 115, (1989) 1 APLJ 26, (1988) 4 JT 161 (SC), (1988) 38 ELT 714, (1989) 13 ECC 25, (1988) 3 SCJ 537, (1988) 71 STC 285

Author: Sabyasachi Mukharji

Bench: Sabyasachi Mukharji

PETITIONER:

MAHALAKSHMI OIL MILLS ETC. ETC.

Vs.

RESPONDENT:

STATE OF ANDHRA PRADESH & ORS.

DATE OF JUDGMENT14/09/1988

BENCH:

RANGNATHAN, S.

BENCH:

RANGNATHAN, S.

MUKHARJI, SABYASACHI (J)

CITATION:

1989 AIR 335

1988 SCR Supl. (2)1088

1989 SCC (1) 164

JT 1988 (4) 161

1988 SCALE (2)838

ACT:

Andhra Pradesh General Sales Tax Act, 1957: Section 8 and Fourth Schedule Entry 7--`Tobacco or any form of tobacco'--Whether includes `tobacco seeds'--Whether exempted from tax.

HEADNOTE:

The appellant-assessee had claimed before the Andhra Pradesh High Court that tobacco seed oil and tobacco seed cake, being forms of tobacco, were entitled to exemption under section 8, read with entry 7 of the Fourth Schedule, of the Andhra Pradesh General Sales Tax Act, 1957, which confers exemption from sales tax in respect of certain goods

including 'tobacco'. The petitioners in the writ petitions have claimed the same relief directly in this Court.

The High Court held that "tobacco seed" was not tobacco and that only leaf, stalks and stems of the tobacco plant could be said to be "tobacco" within the meaning of its definition.

Before this Court it is urged on behalf of the Assessee that: (i) the word 'tobacco', in its ordinary connotation, takes in the tobacco plant and every part of it, including the seed (ii) the definition of 'tobacco' makes it clear that it takes in every form of tobacco, manufactured or unmanufactured; and (iii) tobacco seeds, not only when they are in their raw unmanufactured state but also when, on manufacture, they manifest themselves in the form of tobacco seed oil or tobacco seed cake will fall within the definition. On the other hand, on behalf of the state it is submitted that the definition, which covers both what the expression means as well as what it includes, is exhaustive, and tobacco seed does not come within either the first part or the second part of the definition.

Dismissing the appeals and the petitions, it was,

HELD: (1) The definition consists of two separate parts which specify what the expression means and also what it includes. The joint use of the words "mean and include" makes the definition exhaustive. [1094C]

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Dilworth v. Commissioner of Stamps, [1899] AC 99 referred to.

(2) Tobacco seed does not come within the first part of the definition, for the expression "tobacco cured or uncured, manufactured or unmanufactured" has to be read as a whole and will not take in tobacco seed. It will not come under the second part because it specifically mentions leaves, stalks and stems but leaves out seeds. [1094A-B]

(3) The definition, when it says that tobacco means any form of tobacco, lays emphasis that the item under consideration should be tobacco in form. [1096A]

(4) Tobacco seed, once it is separated from the plant, is an item entirely different from tobacco and does not fall within the expression 'tobacco or any form of tobacco'. [1096C]

(5) Since tobacco seed does not fall within the definition, the oil and cake produced by the crushing of the seeds will not also be covered by the definition or eligible for the consequent exemption. [1094B]

(6) The effect of accepting the assessee's claim for exemption would be to automatically catapult them into the levy of excise and additional excise duties, but the fact that tobacco oil and cake have not been considered to be excisable commodities for the past several years is an indication as to how the legislature and administration understood and applied these provisions all along. [1096H; 1097B]

C.I.T. v. Taj Mahal Hotel, [1971] 82 I.T.R. 44 S.C.
Amara Purushotham Mamidi Obaiah v. State of A.P., [1962] 29
S.T.C. 654; and 1977 40 S.T.C. referred to.

JUDGMENT:

CIVIL APPELLATE JURISDICTION: Civil Appeal Nos. 259 to 261 (NT)/77 etc. From the Judgment and Order dated 21.10.76 and 24.12.76 of the Andhra Pradesh High Court in W.P. Nos. 439 and 287 of 1975 and 4144 of 1976 and W. P. No.8905 of 1987 A.S. Nambiar, B. Parthasarathi and B. Kanta Rao for the Appellants.

P.A. Choudhary, T.V.S.N. Chari, Badridas and Ms. V. Grover for the Respondents.

PG NO 1090 The Judgment of the Court was delivered by RANGANATHAN, J. A common question is involved in all these matters which are, therefore, being disposed of by this common judgment. The question is whether tobacco seed oil and tobacco seed cake are entitled to exemption under the Andhra Pradesh General Sales Tax Act, 1957 (hereinafter referred to as the 'Act'). The question arises in the following circumstances.

2. Section 8 of the Act confers an exemption from sales tax in respect of certain goods. It provides that:

'Subject to such restrictions and conditions as may be prescribed including conditions as to licence fees, a dealer who deals in the goods specified in the fourth schedule shall be exempt from tax under this Act in respect of such goods.' Entry 7 in the Fourth Schedule was 'tobacco and all its products.'

3. The Andhra Pradesh High Court in Amara Purushotham Mamidi Obaiah & Co. v. State of A.P., [1962] 29 STC 654, was called upon to consider whether tobacco seed, tobacco seed oil and tobacco seed cake were exempt from sales-tax under the above provision. The Bench held that tobacco seeds could be said to be tobacco only so long as they remain attached to the plant. They, however, ceased to be tobacco the moment they are removed from the plant. Thereafter, they may be considered to be a product of tobacco. But they constitute a separate and a distinct class of goods with independent properties and potentialities not the same as those of the parent plant. Products manufactured out of tobacco seed could not be said to be products of tobacco. The Court, in this context, referred to the analogy of cotton seeds, which have been considered to be distinct from cotton. The above Bench decision was rendered in spite of the wide words of the exemption, which covered not only tobacco in its comprehensive sense but also all products of tobacco.

4. The Act was amended by Amendment Act 9 of 1970. There was a slight amendment, which is not material for our present purpose, in section 8 which substituted the words "licences and licence fees" in place of words "licence fees"

alone which had been mentioned in the section previously. Tobacco continued to be the item in entry 7 of the Fourth Schedule but this entry now referred only to "tobacco". The words "and all its products", which had been used earlier, were omitted. An explanation was added to the PG NO 1091 Fourth Schedule to the following effect:

"Explanation--Expressions in items 5, 6 and 7 have the same meanings assigned to them in Additional Duties of Excise (Goods of Special Importance) Act of 1957 (Central Act 58 of 1957.)"

5. The new explanation to Schedule IV makes it necessary for us to consider the provisions of Central Act 58 of 1957. This is an Act which provides for the levy and collection of additional duties of excise in respect of certain goods, over and above the duties of excise levied and collected in respect of such goods under the Central Excise and Salt Act, 1944 (hereinafter referred to as the '1944 Act'). The statement of objects and reasons of Act 58 of 1957 has been referred to before us and its short contents may be extracted here:

"The object of the bill is to impose additional duties of excise in replacement of the sales taxes levied by the Union and States on sugar, tobacco and millmade textiles and to distribute the net proceeds of these taxes, except the proceeds attributable to Union Territories, to the States. The distribution of proceeds of the additional duties broadly follows the pattern recommended by the Second Finance Commission. Provision has been made that the States which levy a tax on the sale or purchase of these commodities after the 1st April, 1958 do not participate in the distribution of the net proceeds. Provision is also being made in the Bill for including these three goods in the category of goods declared to be of special importance in inter-State trade or commerce so that, following the imposition of uniform duties of excise on them, the rates of sales tax, if levied by any State are subject from 1st April, 1958 to the restrictions in section 15 of the Central Sales Tax Act, 1956."

In short, the object of the Act was to substitute additional duties of excise in place of sales tax so far as these goods were concerned. Since the State Legislature were at liberty, if they wished, to levy taxes on the sale or purchase of these commodities, the Act provided that the additional excise duties will be distributed only among such States as did not levy a tax on the sale or purchase of these commodities. Also, by including these goods in the category of goods declared to be of special importance in inter-State PG NO 1092 trade or commerce, the legislation ensured that, if any State levied sales tax in respect of these commodities, such levy was subject to the restrictions contained in the Central Sales Tax Act, 1956.

6. Apparently, the intention of the Andhra State Legislature when the Amendment Act of 1970 was introduced was to exempt certain goods from the purview of sales tax because they also came within the purview of the levy of additional duties of excise under Act 58 of 1957. This is the reason why the Explanation to the entries in the Fourth Schedule to the Act incorporated the definition of these goods as contained in Act 58 of 1957.

7. Turning then to Act 58 of 1957, section 2(c) of that Act provided that the words and expressions "sugar", "tobacco", "cotton fabrics" and "woollen fabrics"--to mention only four of the items referred to in the definition section--shall have the same meanings respectively as have been assigned to them in Item Nos. 1, 4, 19 and 21 of the First Schedule to the 1944 Act.

8. The above definition takes us to the 1944 Act. There the definition of the word 'tobacco' is contained in item No. 4 of the First Schedule. The definition reads:

"Tobacco means any form of tobacco, whether cured or uncured and whether manufactured or not and includes the leaf, stalks and stems of the tobacco plant, but does not include any part of a tobacco plant while still attached to the earth."

The Schedule thereafter proceeds to set out two broad categories, namely, unmanufactured tobacco and manufactured tobacco. The former is divided into eight sub-categories in respect of each of which a separate duty of excise is prescribed. Three of the entries mentioned are:

(3) if flue-cured and not otherwise specified. (6) if other than flue-cured and not otherwise specified.

(8) Stalks The second category of manufactured tobacco is classified into various items like cigars and cheroots, cigarettes, PG NO 1093 biris, smoking mixtures for pipes and cigarettes and chewing tobacco of various kinds, snuff and hookah tobacco.

9. The question whether tobacco seed oil and tobacco cake fall within entry 7 of Schedule IV to the Act, as amended, came up for consideration before a Division Bench of the same High Court (1977--40 S.T.C. 572). This Bench agreed with the conclusion of the earlier Division Bench, though not with its line of reasoning. It was of the view that the definition clause, properly interpreted in the light of the decision of the House of Lords in *Dilworth v. Commissioners of Stamps*, [1899] A.C. 99 and *C.I. T. v. Taj Mahal Hotel*, [1971] 82 ITR 44 (S.C.), justified the inference that "tobacco seed" was not "tobacco" and that only leaf, stalks and stems of the tobacco plant could be said to be "tobacco" within the meaning of the definition in item 4 of the Schedule to the 1944 Act. The Bench concluded:

"Under these circumstances, it is obvious that the definition of the word "tobacco" according to item 4 of Schedule I to the Central Excises and Salt Act of 1944 does not bring "tobacco seed" within its purview, and therefore, tobacco seed is not exempted from the levy of sales tax under the A.P. General Sales Tax Act, since tobacco seed does not fall within the meaning of the word "tobacco" as defined in the Fourth Schedule to the A.P. General Sales Tax Act.

It is clear in view of this conclusion of ours that since tobacco seed is not "tobacco" for purposes of exemption under section 8 of the Act, much less can tobacco seed oil or tobacco seed oil-cake or tobacco seed cake can be said to be tobacco for the purposes of this exemption."

The Bench, therefore, denied the exemption to the appellants/petitioners before us and hence these petitions/appeals.

10. Before us, it is urged on behalf of the assesseees that the word "tobacco", in its ordinary connotation, takes in the tobacco plant and every part of it, including the seed. The definition also make it clear that it takes in every form of tobacco, manufactured or unmanufactured. Thus tobacco seeds, not only when they are in their raw unmanufactured state but also when, on manufacture, they manifest themselves in the form of tobacco seed oil or tobacco seed cake will fall within the definition. On the other hand. on behalf of the State it is submitted that the PG NO 1094 definition, which covers both what the expression means as well as what it includes, is exhaustive. Tobacco seed does not come within the first part of the definition, for the expression "tobacco, cured or uncured, manufactured or unmanufactured" has to be read as a whole and will not take in tobacco seed. It will not come under the second part because it specifically mentions leaves, stalks and stems but leaves out seeds. Since tobacco seeds do not fall within the definition, the oil and cake produced by the crushing of the seeds will not also be covered by the definition or eligible for the consequent exemption.

11. We are inclined to accept the contention urged on behalf of the State that the definition under consideration which consists of two separate parts which specify what the expression means and also what it includes is obviously meant to be exhaustive. As Lord Watson observed in *Dilworth v. Commissioner of Stamps*, [1899] AC 99 the joint use of the words "mean and include" can have this effect. He said, in a passage quoted with approval in earlier decisions of this Court:

Sect. 2 is, beyond all question, an interpretation clauses, and must have been intended by the Legislature to be taken into account in construing the expression "charitable device or bequest," as it occurs in s. 3. It is not said in terms that "charitable bequest" shall mean one or other of the things which are enumerated, but that it shall "include" them. The word "include" is very generally used in interpretation clauses in order to enlarge the meaning of words or phrases occurring in the body of the statute; and when it is so used these words or phrases must be construed as comprehending, not only such things as they signify according to their natural import, but also those things which the interpretation clause declares that they shall include. But the word "include" is susceptible of another construction, which may become imperative, if the context of the Act is sufficient to show that it was not merely employed for the purpose of adding to the natural significance of the words or expressions defined. It may be equivalent to "mean and include" and in that case it may afford an exhaustive explanation of the meaning which, for the purposes of the Act, must invariably be attached to these words or expressions."

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13. Looking, therefore, at the terms of the definition more closely, it is quite clear that tobacco seeds do not fall within the second or inclusive part of the definition.

This part of the definition is important. It specifically excludes from the definition any part of the tobacco plant so long as it is still attached to the earth. It makes mention only of parts of the plant after it is severed from the earth. It is common knowledge that when a plant is severed from the earth, its parts will comprise of not only the leaves, stalks and stems but also the seeds. Yet the inclusive part of the definition enumerates only the leaves, stalks and stems and, deliberately one should think, avoids mention of seeds.

14. Can then the words 'tobacco' and 'any form of tobacco' in the first part of the definition be given a wider meaning and read as including the seeds also, particularly as it talks of tobacco in any form, cured or uncured, manufactured or unmanufactured? We do not think they can be for several reasons. In the first place, tobacco seeds hardly answer to the description of either the expression 'manufactured tobacco' or the expression 'unmanufactured tobacco' in their ordinary connotation; and the expression 'cured or uncured' cannot also be associated with tobacco seeds. The expression used in the first part of the definition, though very wide, is, therefore, singularly inappropriate to take within its purview tobacco seeds as well. Secondly, the definition occurs in a statute levying excise duty which is concerned not with the parts of a plant grown on the field but with the use to which those parts are put or can be put after severance. The legislature could not but have been aware that if the leaves, stalk and stem of the tobacco plant are used for manufacturing cured tobacco, biris, cigarettes and so on, the seed is also used to produce oil and cake. It takes care to mention the first three items which are used in the manufacture of some forms of tobacco consumption which are also enumerated but refrains from referring to seeds which it would have done had it been intended to include the oil and cake also for purposes of the levy. The categories of unmanufactured tobacco enumerated in the entry in the Schedule include 'stalks' but not 'seeds'. This also indicates that seeds are not intended to be included. In other words, the omission of the word 'seeds' from the second part of the definition casts its shadow on the first part as well. Indeed it rather looks as if the second part of the definition is intended to restrict rather than expand the scope of the first part. Thirdly, it is to be noticed that the first part of definition is somewhat restrictively worded. It could have said, for instance, that 'tobacco' means any part of the tobacco plant and includes its leaves, and stems after the plant is severed from the earth. What it does say is, PG NO 1096 however, different. The present definition, when it says that tobacco means any form of tobacco lays emphasis that the item under consideration should be tobacco in form. The leaves, stalks and stems, even after drying, curing and other processes and even 'manufacture' retain the form of tobacco, as understood in common parlance. But it is otherwise with the seeds. They are not tobacco in form. They do not have the properties of tobacco. They are not used to exploit the narcotic qualities of tobacco. Apart from their use for seeding purposes, the seeds are only used for the manufacture of oil and cake. We are told that the oil is used as an ingredient in the manufacture of scents and the cake as manure. Having regard to all this, we agree with the High Court that tobacco seed once it is separated from the plant, is an item entirely different from tobacco and does not fall within the expression 'tobacco or any form of tobacco'.

15. We would like to add that, even if by stretching the language somewhat, tobacco seeds can be brought within the first part of the definition, the oil and cake we are concerned with here cannot. This again, we say, for two reasons. In the first place, as discussed earlier, tobacco seed oil or cake can hardly be said to be a form of the tobacco seed. It is true that one can say that it is the contents

of the seed that have manifested themselves, on being crushed, into two forms--the oil and the cake. But this is not enough. The definition requires that the item in question should be a form of the tobacco seeds that is manufactured. While, as already pointed out, the leaves, stalks and stems even after manufacture retain the form of tobacco, the complete metamorphosis of the seed on its manufacture renders it impossible to describe the oil and cake as a form of the tobacco seed. Secondly, in our view, we should take note of the circumstance that earlier the item in Schedule IV covered not only tobacco but all its products. Nevertheless, it was held not to include the oil and cake. The legislature has subsequently amended the provision by deleting the reference to "all products of tobacco". In this context of an abridgement of the definition, it will not be correct, in our view, to construe the item so as to bring tobacco seed oil and cake within the scope of the exemption.

16. Sri Choudhary points out that, if the contention of the assesseees were accepted, they would be only jumping, as it were, from the frying pan into the fire. Since the item of exemption under the Act is worded identically with the item of the levy under the 1944 and 1957 Acts, the effect of accepting the assesseees' claim for exemption would be to automatically catapult them into the levy of excise and additional excise duties as well as into the rigours of the restrictions and regulations prescribed under those PG NO 1097 enactments. True, the consideration that if the oil and cake fall under item 7, such consequences as have been mentioned will follow cannot really guide or deter us in construing the definition. However the fact that the oil and cake have not been considered to be excisable commodities for the past several years is an indication as to how the legislature and the administration have understood and applied these provisions all along.

17. Certain other judicial decisions were cited by both parties but we are not discussing them. They neither directly deal with the point before us nor do they deal with definitions or situations which furnish a useful analogy for comparison.

18. For the reasons discussed above, we affirm the view taken by the High Court and dismiss these appeals and petitions. We, however, make no orders as to costs.

R. S. S.

Appeals dismissed.