

Supreme Court of India

Union Of India (Uoi) And Anr. vs V.M. Salgaoncar And Bros. (P) Ltd. ... on 18 March, 1998

Equivalent citations: AIR 1998 SC 1367, 1998 (60) ECC 487, 1998 (99) ELT 3 SC, JT 1998 (2) SC 490, 1998 (2) SCALE 355, 1998 2 SCR 293

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Bench: M Punchhi, S Ahmed, K Thomas

JUDGMENT K.T. Thomas, J.

1. Whether vessels which are used as transhippers can also be treated as "ocean-going vessels" is the short but hotly-mooted issue involved in these appeals. It was once decided by a Bench of two Judges of this Court in *Chowgule & Co. (P) Ltd. v. Union of India*, that such vessels cannot be termed as "ocean-going vessels". Another Bench has now expressed the opinion that the ratio in the above decision requires reconsideration by a larger Bench. Thus, these matters have come up before us.

2. Some facts necessary for these appeals can be stated thus: Section 46 of the Customs Act, 1962 requires the importer of any goods, other than goods intended for transit or transshipment, to present a Bill of Entry for home consumption of such goods in the prescribed form. By a notification issued by the Ministry of Finance (Department of Revenue), Government of India on 11-10-1958, "ocean-going vessels" have been exempted from payment of customs duty. The said notification reads thus: "Under Government of India Ministry of Finance (Department of Revenue), Notification No. 262-Customs dated 11-10-1958, ocean-going vessels other than vessels imported to be broken up, are exempt from the payment of customs duty leviable thereon. Provided that any such vessel if subsequently broken up shall be chargeable with the duty which would be payable on her if she were imported to be broken up."

3. Some persons who imported transhippers (vessels fitted with equipment for transshipping and topping operations) claimed the benefit of the said notification on the premise that those transhippers are also ocean going vessels. But the Customs authorities insisted on them to file Bills of Entry under Section 46 of the Act in respect of such vessels. The Assistant Collector of Customs ordered, in confirmation of the aforesaid stand of the Customs officials, that the importers should file Bills of Entry for payment of customs duty. Then those importers challenged the orders of the Assistant Collector. Some of them went straight to the High Court under Article 226 of the Constitution while others approached the statutory authorities up to the Customs, Excise & Gold (Control) Appellate Tribunal. The orders impugned before us thus relate to the question whether such transhippers are oceangoing vessels. Importers have filed the appeal challenging the decision which negated their contention and the Union of India has filed the appeals challenging those decisions which upheld the contention of the importers.

4. The common features in all cases are the following: Transhippers are vessels used for carrying cargo loaded from the harbour and they proceed to outer sea for unloading it into large vessels afloat in high seas. Such transhippers have been specially fitted with adequate equipment to carry out the said task. (That operation is called topping-up work.) Some of the vessels were fitted with added holds on both sides, cranes, conveyors and other ship-loading equipment designed for transfer

operations.

5. In *Chowgule & Co. (P) Ltd.* learned Judges have noted that the transhippers involved in that decision were capable of being used as oceangoing vessels and were, in fact, so used during off-seasons when it was not practicable to do topping-up operations. Those vessels are not only capable of being used but were actually used as cargo ships during off-seasons. They were structurally and technically competent to go on the high seas and they were certified to be so competent by appropriate maritime authorities. Even in the course of topping-up operations during off-seasons, those transhippers have to go into the open sea to reach the bulk carriers.

6. Despite all the aforesaid features learned Judges did not agree with the contention of the importers that those vessels were ocean-going vessels. The following observation is the ratio of the decision: "But, in our view, these operations do not make these vessels ocean-going vessels when their primary purpose and the purpose for which they were permitted to be purchased and brought to Indian waters, ... is to conduct topping-up operations in Indian territorial waters and not to serve as ocean-going vessels."

7. Learned counsel for the importers, in the course of their arguments raised an incidental contention that transhippers were not imported for "home consumption", as the commodity remains intact, without any alteration, even after it is put to use. It was suggested that consumption would involve complete using up of the article to such an extent that identity of the consumed article becomes non-existent.

8. The word "consumption" may involve in the narrow sense using the article to such an extent as to reach the stage of its non-existence. But the word "consumption" in fiscal law need not be confined to such a narrow meaning. It has a wider meaning in which any sort of utilization of the commodity would as well amount to consumption of the article, albeit that article retaining (sic retains) its identity even after its use.

9. A Constitution Bench of this Court has considered the ambit of the word "consumption" in Article 286 of the Constitution in *Anwarkhan Mahboob Co. v. State of Bombay* (now Maharashtra), . Their Lordships observed thus: "Consumption consists in the act of taking such advantage of the commodities and services produced as constitutes the 'utilization' thereof. For each commodity, there is ordinarily what is generally considered to be the final act of consumption. For some commodities, there may be even more than one kind of final consumption. ... In the absence of any words to limit the connotation of the word 'consumption' to the final act of consumption, it will be proper to think that the Constitution makers used the word to connote any kind of user which is ordinarily spoken of as consumption of the particular commodity."

10. In another decision a two-Judge Bench of this Court considered the scope of the words "consumption" vis-a-vis "use" (*vide Kathiawar Industries Ltd. v. Jaffrabad Municipality*, . There it was held that the precise meaning to be given to those words would depend upon the context in which they are used. It is in a primary sense that the word "consumption" is understood as using the article in such a manner as to destroy its identity. It has a wider meaning which does not involve the

complete using up of the commodity.

11. In the context in which the expression "home consumption" is used in Section 46 of the Customs Act it does not warrant a construction that the commodity should have been completely used up. Even putting the commodity to any type of utility within the territory of India will tantamount to "home consumption".

12. We would now turn to the question whether transhippers are oceangoing vessels.

13. In the order of reference Bharucha and Sen, JJ., have expressed that: "there is, prima facie, merit in the submissions on behalf of the owners that an ocean-going vessel is a vessel equipped, crewed and licensed to go out into the ocean, regardless of whether or not it actually does, and that the transhippers as shown by the record, are such vessels; also, they do, in fact go out into the ocean on their day-to-day business to load ore and, in the monsoon, to carry cargo to or seek refuge in other Indian or foreign ports."

14. It may be contextually useful to mention that soon after the decision was rendered by a two-Judge Bench of this Court in Chowgule & Co. (P) Ltd. a notification was issued on 19-3-1997 by the Government of India in supersession of the earlier notification (which has been extracted above) exempting all the vessels (other than floating structures) from the whole of the duty of customs leviable thereon except those which are imported for the purposes of breaking up.

15. The contention was raised on behalf of the owners of the vessels that the close proximity of the time at which the Government issued the subsequent notification is a telling circumstance that Government of India did not intend to exclude transhippers from the category of ocean-going vessels. However, Shri Gowri Sankaramurthy, learned counsel for the Revenue, forcefully contended that the transhippers cannot get the benefit of the first notification at least until the Government of India issued the second notification dated 19-3-1997.

16. The expression "ocean-going vessels", unfortunately, has not been defined in the notification dated 11-10-1958 and that vacuum created room for this dispute. However, Customs Act contained definition for the term "foreign-going vessel" in Section 2(21), as a vessel engaged in carriage of goods or passengers between any port in India and any port outside India and includes "any vessel engaged in fishing or any other operations outside the territorial waters of India".

17. The limit of territorial waters is fixed under Section 3(2) of the Territorial Waters Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976 (Act No. 80 of 1976) thus: "The limit of territorial waters is the line every point of which is at a distance of twelve nautical miles from the nearest point of the appropriate baseline."

18. We find much force in the contention of the learned counsel for the owners that, if a vessel which is engaged in fishing or any other operations outside the territorial waters of India, though not crossing into the territorial waters of any other foreign country, could legitimately be included in the category of foreign-going vessel, how a transhipper which often goes into the open sea for

transshipping operations cannot be regarded as an oceangoing vessel.

19. Shri Murty, learned counsel for the Revenue, contended that the use of transshippers is not for going beyond the limit of territorial waters and the ambit of the expression "ocean-going" could be judged on the test of its dominant use notwithstanding that it may jut into the open sea infrequently. In support of the above proposition, learned counsel relied on the decision of this Court in *Goodyear India Ltd. v. Union of India*, . Learned Senior Counsel, who argued for the owners of transshippers on the other hand contended that while interpreting the meaning of words in fiscal connotations, meanings attached to such expressions by people conversant with the subject should normally be adopted.

20. A three-Judge Bench of this Court in *Dunlop India Ltd. v. Union of India*, has observed thus:

"It is well established that in interpreting the meaning of words in a taxing statute, the acceptation of a particular word by the trade and its popular meaning should commend itself to the authority.

It is clear that meaning given to articles in a fiscal statute must be as people in trade and commerce, conversant with the subject, generally treat and understand them in the usual course. But once an article is classified and put under a distinct entry, the basis of the classification is not open to question. Technical and scientific tests offer guidance only within limits. Once the articles are in circulation and come to be described and known in common parlance, we then see no difficulty for statutory classification under a particular entry."

21. We do not think that, in the present case, the question whether a transshipping vessel is an ocean-going vessel, can solely rest on the test of its dominant use to which their owners put them at times. Use may vary from season to season, port to port and also managers to managers. So in this area of understanding use of the article stands downstaged, and the Court must look at to know what actually the commodity is.

22. In the *Merchants Shipping Act, 1958*, the expression "sea-going vessels" is used and defined in Section 3(41), like this: "3. (41) 'sea-going', in relation to a vessel, means a vessel proceeding to sea beyond inland waters or beyond waters declared to be smooth or partially smooth waters by the Central Government by notification in the Official Gazette."

23. Though an endeavour was made before the Tribunal to show that there is a shade of difference between the two words "sea" and "ocean", we are not disposed to attach much emphasis on the nuances in semantics now. For all practical purposes the words "sea" and "ocean" are two expressions of the same geographical feature concerning the vast body of salt water one side of which appears as horizon from the other. Hence we have no doubt that what is meant by the expression "ocean-going vessels" is not qualitatively different from "sea-going vessels", indeed the latter may include the former.

24. How an ocean-going vessel is understood in maritime enterprises can now be looked into. In the *Shorter Oxford Dictionary*, it is shown as "a ship capable of crossing oceans". In the *Random House*

Dictionary, it is shown as "a ship designed and equipped to travel on the open sea". In the Collins Dictionary of English Language, it is defined as "a ship suited for travel on the open sea".

25. There is no dispute for the department that by design and equipment, transhippers are intended to be used mostly to carry the cargo from harbours to the high seas and vice versa. That such transhippers often move into the open sea is also not disputed by the department. Thus considering the question from all the different angles, it is reasonable to take the view that merely because transhippers are used for carrying cargo for loading into the bulk carriers (those being unable to touch the port) they cannot be excluded from the category of ocean-going vessels. At any rate it has been demonstrated by the Government that it was not very much interested in segregating transhippers from the category of ocean-going vessels as the Government brought out a new notification enveloping all vessels including transhippers within the ambit of ocean-going vessels, almost immediately after pronouncement of the decision in Chowgule & Co. (P) Ltd. That subsequent development on account of its close proximity to time cannot be overlooked as of no impact.

26. In the result we accept the contention of the owners of the transhippers that such vessels are entitled to the benefit of the notification dated 11-10-1958. The appeals are disposed of in the above terms.