

Supreme Court of India

State Of Bihar And Ors.Etc vs Ashok Industries & Anr. Etc on 10 February, 1987

Equivalent citations: 1987 AIR 838, 1987 SCR (2) 210

Author: O C Reddy

Bench: Reddy, O. Chinnappa (J)

PETITIONER:

STATE OF BIHAR AND ORS.ETC.

Vs.

RESPONDENT:

ASHOK INDUSTRIES & ANR. ETC.

DATE OF JUDGMENT10/02/1987

BENCH:

REDDY, O. CHINNAPPA (J)

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KHALID, V. (J)

CITATION:

1987 AIR 838 1987 SCR (2) 210

1987 SCC (1) 691 JT 1987 (1) 394

1987 SCALE (1)295

ACT:

Bihar Agricultural Produce Markets Act, 1960, S.2(P)(i) Explanation and s.27 Explanation--'Sale'--What is--Presumption that notified agricultural produce have been bought or sold in market area--two Explanations, Whether can Co-Exist--Preference to charging section over definition section to be given--Provision to be construed harmoniously.

Statutory Interpretation--Fiscal Laws--Due importance to be given to phraseology used in charging section.

HEADNOTE:

Section 2(P)(i) of the Bihar Agricultural Produce Markets Act, 1960 defines 'sale' to mean any transfer of property in goods for cash or deferred payment or other valuable consideration. The Explanation to section 2(P)(i) inserted by the Bihar Agricultural Produce (Markets) amendment Act, 1982 provides that notwithstanding anything contained in any law for the time being in force, 'sale' shall be deemed to have taken place for the purpose of this Act within a market area when the goods are transferred from the Principal to his selling agent or to the Arhatia within the market area or outside. The amending Act also added an Explanation to the charging section, section 27 providing

that all notified agricultural produce leaving a market area shall, unless the contrary is proved, be presumed to have been bought or sold in such area.

The respondents challenged before the High Court the vires of the Explanation to section 2(P)(i) on the ground that it encroached upon Entry 42 of List I Seventh Schedule to the Constitution. The High Court refrained from declaring the Explanation bad but read it down and held that it should be read in harmony with the Explanation to Section 27 and directed the marketing committee concerned to make assessment of fees after giving the petitioners an opportunity as provided in the Explanation to Section 27.

Dismissing the Appeal, this Court,

HELD: 1. In construing the two Explanations preference has to

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be given to the Explanation to the charging section over the Explanation to the definition section consistent with the rules of interpretations of such provisions. [214G-H]

2.1 In fiscal laws due importance has to be given to the phraseology used in the charging section. Section 27 gives to the market committee the power to levy and collect market fees on the agricultural produce bought or sold in the market area at the rate given therein. The Explanation raises a presumption that all notified agricultural produce leaving a market area shall be presumed to have been bought or sold in such an area. But this presumption is rebuttable because the Explanation gives the affected party an opportunity to satisfy the assessing authorities that there was neither buying nor selling in a given case. [213F-H]

2.2 In all transactions, the parties get an opportunity to satisfy the assessing authorities whether such transactions are sales or not. But the Explanation to Section 2(P)(i) introduces complications. This Explanation states by a deeming fiction that when goods are transferred from the principal to his selling agent or Arhatia within a market area or outside the market area, a sale takes place. This Explanation encompasses within its sweep, sales of all kinds within the market area or outside or within the State or outside. [214A-C]

2.3 The Explanation to Section 2(P)(i) has not been well worded nor properly placed. The Explanation is in excess of the powers of the State Legislature since the dispute can be resolved better by allowing the two Explanations to co-exist by reading them harmoniously. In doing so, it is necessary to read down the Explanation to Section 2(P)(i) and give full effect to the Explanation to the charging section. The Explanation to Section 27 gives an opportunity to the affected persons to satisfy the assessing authorities that the transaction in question is not a sale. This Explanation should be deemed to take in all sales including those mentioned in the Explanation in Section 4(P)(i). In other words, even transactions coming within the ambit of Explana-

tion to Section 2(P)(i) have to be governed by the Explanations to Section 27. [214E-G]

3. If the Government wants a stricter control over the transactions in the market area it is for them to suitably amend the Explanation in question by excluding its operation from the Explanation to Section 27. [215B]

JUDGMENT:

CIVIL APPELLATE JURISDICTION: Civil Appeal No. 2245 to 2249 of 1985.

From the Judgment and Order dated 8.11. 1984 of the Patna High Court in C.W.J. Case No. 2812 of 1982. V.M. Tarkunde and M.P. Jha for the Appellants. S.N. Kacker and L.R. Singh for the Respondents. Vijay Hansaria for Respondent in C.A. No. 2248/85. The Judgment of the Court was delivered by KHALID, J. In these appeals, by special leave, the short question that falls for decision is as to how Explanation to Section 2(P)(i) inserted by the Bihar Agricultural Produce Markets (Amendment) Act, 1982, should be read with the Explanation to Section 27 also inserted by the same Act. Before the High Court, the vires of Explanation to Section 2(P)(i) was challenged on the ground that it encroached upon Entry 42 of list I of the Seventh Schedule. The Division Bench of the High Court after considering the various authorities dealing with the concept of sale, refrained from declaring the Explanation bad but read it down and held that it should be read in harmony with the Explanation to Section 27 and directed the marketing committee concerned to make assessment of fees after giving the petitioners an opportunity as provided in the Explanation to Section 27. In this Judgment, we do not propose to go into the question whether sale as explained in the Explanation to Section 2(P)(i) would include interstate trade etc. and on that reasoning strike down the Explanation. We propose to consider the scope of the two Explanations to see whether they can co-exist.

The Original Act was called the Bihar Agricultural Produce Markets Act, 1960, (for short the Act). This Act was enacted to regulate the buying and selling of crops by providing suitable and regulated markets, to eliminate middlemen and to help the cultivators and the buyers in the disposal of the commodities. The Act enabled the marketing committee to levy a fee for transactions taking place in the market area. To get at persons who manage to escape the levy of market fee by ingenious transactions, the Act was amended by inserting a new definition Section 2(P)(i) along with an Explanation and also adding an Explanation to Section 27. What we have to decide in this case is as to how these two Explanations have to be construed. In other words whether one Explanation excludes the other or whether one is the complement of the other.

It is necessary first to quote the two provisions under consideration. Section 2(P)(i) along with the Explanation reads as follows:

"2(P)(i)--'Sale' means any transfer of property in goods for cash or deferred payment or other valuable consideration and shall include transfer or acquisition of goods on hire purchase or under any other system in which payment of valuable

consideration is made by installment notwithstanding the fact that the seller retains title in goods as valuable security of payment of consideration or for any other person.

Explanation--Notwithstanding any- thing contained in any law for the time being in force sale shall be deemed to have taken place for the purpose of this Act within a market area when the goods are transferred from the Principal to his selling agent or to the Arhatia within the market area or outside the market area."

Section 27 is the charging section. It reads as follows along with the Explanation:

"Section 27--Power to levy fees--(1) The market committee shall levy and collect market fees on the agricultural produce brought or sold in the market area, at the rate of rupee one per Rs. 100 worth of agricultural produce. Explanation: All notified agricultural produce leaving a market area, shall unless the contrary is proved be presumed to have been bought or sold in such area."

In fiscal laws due importance has to be given to the phraseology used in the charging section. Section 27 gives to the market committee the power to levy and collect market fees on the agricultural produce bought or sold in the market area at the rate given therein. The Explanation raises a presumption and that is that all notified agricultural produce leaving a market area shall be presumed to have been bought or sold in such an area. But this presumption is rebuttable because the Explanation gives the affected party an opportunity to satisfy the assessing authorities that there was neither buying nor selling in a given case. This Section with its Explanation thus creates no difficulty. It is when we come to the definition section, extracted above, that the difficulty arises. 'Sale' is defined in Section 2(P)(i). If the definition had stopped there, there would have been no difficulty in construing Section 27 and its Explanation. In all transactions the parties get an opportunity to satisfy the assessing authorities whether such transactions are sales or not. But the Explanation to Section 2(P)(i) introduces complications. This Explanation states by a deeming fiction, that when goods are transferred from the principal to his selling agent or Arhatia within a market area or outside the market area a sale takes place. This Explanation encompasses within its sweep, sales of all kinds within the market area or outside or within the State or outside. That is the reason why its validity was challenged by the respondents before the High Court. The learned counsel for the appellants contended that the Explanation to Section 2(P)(i) could stand independent of the Explanation to Section 27 since they have different fields of operation. According to him, if this Explanation is made subject to the Explanation to Section 27, this Explanation would be rendered redundant and futile. The learned counsel for the respondents, on the other hand pleaded that since both the Explanations were brought on the Statute Book by the same amendment, they must be read harmoniously and the Explanation to the definition section should be read subject to the Explanation to the charging section. We have considered the rival contentions carefully. We feel that the Explanation to Section 2(P)(i) has not been well worded nor properly placed. We are steering clear of the contention that the Explanation is in excess of the powers of the State Legislature since we feel that the dispute can be resolved better by allowing the two Explanations to co-exist by reading them harmoniously. In doing so, it is necessary to read down the

Explanation to Section 2(P)(i) and give full effect to the Explanation to the charging section. The Explanation to Section 27 gives an opportunity to the affected persons to satisfy the assessing authorities that the transaction in question is not a sale. This Explanation should be deemed to take in all sales including those mentioned in the Explanation to Section 2(P)(i). In other words, even transactions coming within the ambit of Explanation to Section 2(P)(i) have to be governed by the Explanation to Section 27. In construing the two Explanations we have give preference to the Explanation to the charging section over the Explanations to the definition section consistent with the rules of interpretation of such provisions. If that be so, the Judgment of the High Court has to be upheld and these appeals have to be dismissed. We do so. As directed by the High Court the marketing committee concerned can make as- sessment of fees only after giving the respondents an oppor- tunity to show cause as laid down in the Explanation to Section 27. If the Government wants a stricter control over the transactions in the market area it is for them to suit- ably amend the Explanation in question by excluding its operation from the Explanation to Section 27. In the circumstances of the case, there will be no order as to costs.

M.L.A.
missed.

Appeal dis-