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MAHARAJA TOURIST SERVICE ETC. ETC.

v.

STATE OF GUJARAT

APRIL 26, 1991

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[RANGANATH MISRA, CJ AND KULDIP SINGH, J.]

Constitution of India, 1950: Articles 19(1) (g), 301—Levy of additional tax under Motor Vehicle Tax Acts of different States—Validity of.

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Motor Vehicles Act, 1939/1988/Motor Vehicle Tax Acts—Section 63(7)/88(9)—Motor Vehicle Tax Acts, Punjab, Gujarat, Rajasthan and Madhya Pradesh—Additional Tax—Constitutional validity of.

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Punjab Motor Vehicles Taxation Rules 1925 Rule 8(v)—Exemption to vehicles registered outside the State and kept in the State upto 30 days—Expression 'kept for use'—Scope of—Kept for more than 30 days for regular use—Not by way of transit—Exigibility of tax—To be determined in individual cases as and when raised.

Words and phrases: 'kept for use'—Meaning of.

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Under the taxing power contained in the several Motor Vehicles Tax Acts in vogue in the Respondent-States, provision has been made for taxation as also for levy of additional tax. The petitioners who hold All India Tourist Permits challenged the constitutional validity of the additional tax, on the ground that it was neither compensatory nor regulatory, and therefore was violative of Articles 19(1)(g) and 301 of the Constitution. In respect of the States of Punjab and Haryana which have a common Act, an additional contention was raised to the effect that Rule 8(v) of the Punjab Motor Vehicles Taxation Rules 1925, provides total exemption from liability of tax if the vehicle was brought into the State and kept for use within the State for a period not exceeding 30 days in a year, and since the vehicles registered outside Punjab

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and Haryana States are not kept within the State for more than 30 days in a year, the demand of tax in the face of Rule 8(v) is contrary to law.

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and Haryana States are not kept within the State for more than 30 days in a year, the demand of tax in the face of Rule 8(v) is contrary to law.

Disposing of the Writ Petitions, this Court,

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HELD: 1. Law is settled that to uphold levy of tax as in the present case, what is necessary is existence of a nexus between the subject and

the object of the levy and it is not necessary to show that the whole or a substantial part of the tax collected is utilised. Hence the demand of tax is not open to challenge and the plea raised against the levy, whether of tax or additional tax, is not justified. Under the taxing provision a statutory outer limit has been provided and the actual amount is left to be determined by the State Government by notification. Obviously, discretion is left with the State Government to demand at a rate which in a given situation would be justified. Once it is held that the tax is either compensatory or regulatory that forms the guideline for the State Government to keep in view to determine the rate at which within the upper limit fixed by law the demand has to be made. [525E-H]

Automobile Transport (Rajasthan) Ltd. v. The State of Rajasthan and Ors., [1963] 1 SCR 491; *M/s. International Tourist Corporation and Ors. v. State of Haryana and Ors.*, [1981] 2 SCC 318 and *B.A. Jayaram and Ors. v. Union of India and Ors.*, [1984] 1 SCC 168, relied on.

2. The word 'kept' has not been defined in the Punjab Motor Vehicles Taxation Act, 1924. It must, therefore, be interpreted in its ordinary popular sense consistent with the context. The ordinary dictionary meaning of the word 'keep' is 'to retain', 'to maintain' or 'cause to stay or remain in a place' or 'to detain' or 'to stay or continue in a specified condition, position etc.'. It is something different from a mere state of transit or a course of journey through the State. It is something more than a mere stoppage or halt for rest, food or refreshment, etc. in the course of transit through the territory of the State. That being the position, rule 8(v) which uses the term 'kept for use' may not cover a case of bare transit and in terms of the rule exemption is available for vehicles kept upto 30 days in a year. In that view of the matter tourist vehicles registered outside the State of Punjab and Haryana when brought into these two States for regular use and not by way of transit and when used for more than 30 days in a year would attract taxability; otherwise the exemption provision in rule 8(v) would be available. [530C-F]

M/s. International Tourist Corporation and Ors. v. State of Haryana and Ors., [1981] 2 SCC 318 and *State of Mysore and Ors. v. M/s T.V. Sundaram Iyengar & Sons (P) Ltd.*, [1980] 1 SCC 66, referred to.

3. The question of exigibility of tax in the States of Punjab and Haryana with reference to rule 8(v) of the Punjab Motor Vehicles Taxation Rules, 1925 is left to be determined in individual cases as and when raised. [530G]

A ORIGINAL JURISDICTION: Writ Petition No. 505 of 1990 etc. etc.

(Under Article 32 of the Constitution of India)

B R.N. Sachtey, S.K. Bhattacharya, S.C. Patel, Anip Sachthey, Mahabir Singh, R.K. Agnihotri, R.K. Kapur, Ms. Anil Katyar, N.D. Garg, C.M. Nayar (NP), H.S. Munjral, V.B. Joshi, V.K. Verma, S.K. Agnihotri, Sakesh Kumar, N. Ganapathy, M. Veerappa, Mrs. Rani Chhabra, M.N. Shroff, Indra Makwana, Sushil Kumar Jain, S.N. Aggarwal, Ms. Vijay Lakshmi Menon, C.V.S. Rao, Aruneshwar Gupta and Sushil Kumar for the appearing parties.

C The Judgment of the Court was delivered by

RANGANATH MISRA, CJ. These are applications under Article 32 of the Constitution on behalf of petitioners who hold All India Tourist Permits granted under section 63(7) of the Motor Vehicles Act, 1939 corresponding to section 88(9) of the Motor Vehicles Act, 1988. The respondent-States in these writ petitions are Haryana, Punjab, Gujarat, Rajasthan and Madhya Pradesh. There is a common Act—the Punjab Motor Vehicles Taxation Act, 1924—which is applicable to the States Punjab and Haryana. In each of the other States there is a similar separate legislation. Under the taxing power in the several Acts provision has been made for taxation as also for levy of additional tax. It is the contention of the petitioners that the demand of additional tax is neither compensatory nor regulatory and, therefore, the levy is violative of Article 10(1)(g) read with Article 301 of the Constitution. In regard to the States of Punjab and Haryana a special contention has been raised to the effect that rule 8(v) of the Punjab Motor Vehicles Taxation Rules, 1925 provide total exemption from liability of tax if the vehicle is brought into Punjab and kept for use within the State for a period not exceeding 30 days in a year and it is the contention of the petitioners that since the vehicles registered outside the States of Punjab and Haryana are not kept within the State for more than 30 days a year, the demand of tax in the face of rule 8(v) is contrary to law.

In the State of Gujarat, the Bombay Motor Vehicles Tax Act, 1958 has been amended, Section 3A of the Amending Act provides that:

H “3A(1) On and from the first day of April 1982 there shall

be levied and collected, on all omnibuses which are exclusively used or kept for use in the State as contract carriages (hereinafter in this section referred to as the omnibus) a tax (hereinafter referred to as "the additional tax") in addition to the tax levied under section 3, at the rates fixed by the State Government by notification in the official Gazette but not exceeding the maximum rates specified in the table below:

Descriptions of an omnibus	Maximum rate of additional tax.	
A. ordinary Omnibuses	(i) Monthly rate of Rs.240 per passenger permitted to be carried.	C
	(ii) Weekly rate of Rs. 80 per passenger permitted to be carried.	D
	(iii) Daily rate of Rs. 16 per passenger permitted to be carried.	F
B. Luxury or tourist omnibuses	(i) Monthly rate of Rs.360 per passenger permitted to be carried.	E
	(ii) Weekly rate of Rs. 120 per passenger permitted to be carried.	
	(iii) Daily rate of Rs.24 per passenger permitted to be carried"	

The validity of levy of this type came up for consideration before this Court in the case of the *Automobile Transport (Rajasthan) Ltd. v. The State of Rajasthan and Ors.*, [1963] 1 S.C.R. 491. Four learned Judges who constituted the majority held that the provisions of Rajasthan Motor Vehicles Taxation Act, 1951 did not violate the provisions of Article 301 of the Constitution and the taxes imposed under the Act were compensatory or regulatory in nature which did not hinder the freedom of trade, commerce and intercourse assured by that Article, At page 586 of the Report the following test was indicated:

A “It seems to us that a working test for deciding whether a tax is compensatory or not is to inquire whether the trades people are having the use of certain facilities for the better conduct of their business and paying not patently much more than what is required for providing the facilities. It would be impossible to judge the compensatory nature of a tax by a meticulous test, and in the nature of things that cannot be done.

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The same question came up for consideration before a Two-Judge Bench in *M/s. International Tourist Corporation and Ors. v. State of Haryana and Ors.*, [1981] 2 SCC 318. This Court followed the decision referred to above of the larger group and observed:

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“There cannot be the slightest doubt that the State of Haryana incurs considerable expenditure for the maintenance of roads and providing facilities for the transport of goods and passengers within the State of Haryana. The maintenance of highways other than the National Highways is exclusively the responsibility of the State Government. While the maintenance of National Highways is the responsibility of the Union Government, under section 5 of the National Highways Act, that very provision empowers the Central Government to direct that any function in relation to the development and maintenance of a National Highway shall also be exercisable by the concerned State Government. Section 6 further empowers the Central Government to give directions to the State Government as to the carrying out of the provisions of the Act and section 8 authorises the Central Government to enter into an agreement with the State Government in relation to the development and maintenance of the whole or part of a National Highway situated within the State including a provision for the sharing of expenditure. Therefore, the State Government is not altogether devoid of responsibility in the matter of development and maintenance of a National Highway, though the primary responsibility is that of the Union Government. It is under a statutory obligation to obey the directions given by the Central Government with respect to the development and maintenance of National Highways and may enter into an agreement to share the expenditure. That part of the Highway which is within a municipal area is excluded from the definition of a National

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Highway and therefore, the responsibility for the development and maintenance of that part of the Highway is certainly on the State Government and the Municipal Committee concerned. Since the development and maintenance of that part of the Highway which is within a municipal area is equally important for the smooth flow of passengers and goods along the National Highway it has to be said that in developing and maintaining the Highway which is within a municipal area, the State Government is surely facilitating the flow of passengers and goods along the National Highway. Apart from this, other facilities provided by the State Government along all Highways including National Highways, such as lighting, traffic control, amenities for passengers, halting places for buses and trucks are available for use by everyone including those travelling along the National Highways. It cannot, therefore, be said that the State Government confers no benefits and renders no service in connection with traffic moving along National Highways and is, therefore, not entitled to levy a compensatory and regulatory tax on passengers and goods carried on National Highways. We are satisfied that there is sufficient nexus between the tax and passengers and goods carried on National Highways to justify the imposition.”

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This view has been approved in *B.A. Jayaram and Ors. v. Union of India and Ors.*, [1984] 1 S.C.C. 168. That case also relates to permit holders under section 63(7) of the Motor Vehicles Act, 1939, and challenge of the present type was negatived in that case. Law is settled that to uphold levy of a tax of this type, what is necessary is existence of a nexus between the subject and the object of the levy and it is not necessary to show that the whole or a substantial part of the tax collected is utilised. We are, therefore, satisfied that the demand of tax is not open to challenge and the plea raised against the levy, whether of tax or additional tax, is not justified. Under the taxing provision a statutory outer limit has been provided and the actual amount is left to be determined by the State Government by notification. Obviously, discretion is left with the State Government to demand at a rate which in a given situation would be justified. Once it is held that the tax is either compensatory or regulatory that forms the guideline for the State Government to keep in view to determine the rate at which within the upper limit fixed by law the demand has to be made.

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The second contention which has been raised is applicable to the

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- A States of Punjab and Haryana and that depends upon the scope of rule 8(v) of the Punjab Motor Vehicles Taxation Rules, 1925. We note that the provision prescribes that a motor vehicle temporarily brought into Punjab and kept for use therein for a period not exceeding 30 days is entitled to total exemption and that is not in dispute before us. Nor is it in dispute that the rule applies to Haryana. The words 'Kept for use'
- B came up for consideration in the case of International Tourist Corporation (*supra*) where this Court held that once a vehicle is used within the State the taxable event occurred and it must be taken for use. In *State of Mysore and Ors. v. M/s. T.V. Sundaram Iyengar & Sons (P) Ltd.*, [1980] 1 S.C.C. 66 the meaning of 'kept' was examined at length and this Court held that a vehicle in transit through the State of Mysore, or even making a necessary halt for a short interval, during transit, cannot be said to be a vehicle 'kept' for use on roads in the State of Mysore. The word 'kept' has not been defined in the Act. It must, therefore, be interpreted in its ordinary popular sense consistent with the context. The ordinary dictionary meaning of the word 'keep' is
- C 'to retain', 'to maintain' or 'cause to stay or remain in a place' or 'to detain' or 'to stay or continue in a specified condition, position etc.'. It is something different from a mere state of transit or a course of journey through the State. It is something more than a mere stoppage or halt for rest, food or refreshment, etc. in the course of transit through the territory of the State. That being the position rule 8(v) which uses the term 'kept for use' may not cover a case of bare transit and in terms of the rule exemption is available for vehicles kept upto 30 days in a year. In that view of the matter tourist vehicles registered outside the States of Punjab and Haryana when brought into these two States for regular use and not by way of transit and when used for more than 30 days in a year would attract taxability otherwise the exemption provision in rule 8(v) would be available. We have settled the legal position and we leave it to the individual taxing authorities as also the operators of tourist vehicles to work out their respective rights.
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We would, therefore, like to clarify that the first aspect being a challenge against the taxing provision whether by way of tax or additional tax is rejected and the question of exigibility of tax in the States of Punjab and Haryana with reference to rule 8(v) of the Punjab Motor Vehicles Taxation Rules, 1925 is left to be determined in individual cases as and when raised. There would be no order as to costs.

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