

2. Both these appeals are preferred by the dealer challenging the order dtd.14.03.2022 passed by the learned Joint Commissioner Sales Tax (Appeal), CT & GST Territorial Range, Bhubaneswar, in First Appeal Case No. 106221822000087 and 108221822000088, thereby confirming the order of assessment dtd.15.09.2017 passed by the learned Sales Tax Officer, Bhubaneswar IV Circle, Bhubaneswar (hereinafter referred to as, STO/assessing authority) u/s.43 of the Orissa Value Added Tax Act, 2004 (in short, the OVAT Act) and u/s.10 of the Orissa Entry Tax Act, 1999 (in short, the OET Act) for the tax period 01.04.2014 to 31.12.2016 raising demand of ₹25,09,540.00 including penalty in VAT case and ₹2,59,608.00 including penalty in ET case.

3. The brief fact of the cases are that, the dealer in the instant case being the proprietorship concern is engaged in trading of timber and plywood by effecting purchases both in course of interstate as well as intrastate trade and commerce along with sale within the State of Odisha. Pursuant to the report of the STO, Enforcement Range, Bhubaneswar, learned assessing authority initiated assessment proceeding u/s.43 of the OVAT Act and u/s.10 of the OET Act and raised the demands as mentioned above.

4. Against such tax demands, the dealer preferred first appeals before the learned first appellate authority who confirmed the demands.

5. Being dissatisfied with the orders of learned first appellate authority, the dealer has preferred the present

second appeals as per the grounds stated in the grounds of appeal.

6. Cross objections are filed in these cases by the State-respondents.

7. The learned counsel appearing for the dealer-appellant contended that the orders passed by the learned forums below are illegal and arbitrary. No assessment u/s.39, 42 or 44 was made before initiation of proceeding u/s.43 of the OVAT Act. Since the concept of deemed assessment of the return has been introduced for the first time since 1st October, 2015, the impugned orders of reassessment are liable to be quashed for the period under challenge. Further contention on behalf of the dealer-assessee in ET case is that the return filed by way of self-assessment under Section 9(1) r/w Section 9(2) of the OET Act has not been accepted by the department by a formal communication which is against the principle of **Ecmas Resin Pvt. Ltd.** case as decided by the Hon'ble High Court of Orissa.

8. Per contra, learned Standing Counsel appearing for the Revenue vehemently contended that the additional grounds raised by the dealer-respondent cannot be accepted at a belated stage as the issues raised by the dealer-respondent in its additional cross objection was neither raised nor adjudicated nor these were the issues while disposing of the appeals under the OVAT Act and OET Act. Further submission raised on behalf of the learned Standing Counsel is that the pure question of law affecting the tax liability of the dealer-respondent can be raised at any stage and not question of fact or mixed question of fact and law which are not related

to the tax liability can be raised. Learned Standing Counsel also cited section 98 of the OVAT Act r/w. Rule 102 of the OVAT Rules and also relied upon the decision decided in the case of **State of Orissa v. Lakhoo Varjang 1960 SCC OnLine Ori 110: (1961) 12 STC 162** in which the following observations were made by the Hon'ble Apex Court:

"... The tribunal may allow additional evidence to be taken, subject to the limitations prescribed in Rule 61 of the Orissa Sales Tax Rules. But this additional evidence must be limited only to the questions that were then pending before the Tribunal ...

... The Assistant Collector's order dealt solely with the question of penalty and did not go into the question of the liability of the assessee to be assessed because that question was never raised before him. The Member, Sales Tax Tribunal should not therefore have allowed additional grounds to be taken or additional evidence to be led in respect of a matter that had been concluded between the parties even at the first appellate stage. If the aggrieved party had kept the question of assessment alive by raising it at the first appellate stage and also in the second appellate stage, the Member, Sales Tax Tribunal would have been justified in admitting additional evidence on the same and in relying on the aforesaid decision of the Supreme Court in Gannon Dunkerley's case, for setting aside the order of assessment. No subsequent change in case law can affect an order of assessment which has become final under the provisions of the Sales Tax Act ..."

So in view of the above judgment and as per section 98 of the OVAT Act r/w. Rule 102 of the OVAT Rules the additional grounds that assessment u/s.43 of the OVAT Act without completing assessment either u/s.39, 40, 42 or 44 of the OVAT Act and u/s.9(1) and 9(2) of the OET Act being bad in the eyes of law are not maintainable.

9. Heard the contentions and submissions of both the parties in this regard. The sole contention of the dealer-assessee is that the assessment orders are not maintainable. It was vehemently urged by the learned Counsel for the dealer-assessee that the initiation of proceeding u/s.43 of the OVAT Act was illegal and bad in law in absence of formation of independent opinion by the assessing authority as required u/s.43(1) of the Act. The escaped turnover assessment could not have been initiated u/s.43 of the OVAT Act when the dealer-assessee was not self-assessed u/s.39 of the Act. Further contention of the dealer-assessee is that the initiation of such proceeding by the assessing authority u/s.43 of the OVAT Act without complying the requirement of law and in contravention to the principles laid down by the Hon'ble High Court of Orissa in case of **M/s. Keshab Automobiles v. State of Odisha (STREV No.64 of 2016 decided on 01.12.2021)** is bad in law. He vehemently urged that there is nothing on record to show that the dealer-assessee was self-assessed u/s.39 of the OVAT Act after filing the return and it was communicated in writing about such self-assessment. So when the initiation of proceeding u/s.43 of the OVAT Act is bad in law, the entire proceeding becomes nullity and is liable to be dropped.

10. After a careful scrutiny of the provisions contained u/s.43 of the OVAT Act, one thing becomes clear that only after assessment of dealer u/s.39, 40, 42 or 44 for any tax period, the assessing authority, on the basis of any information in his possession, is of the opinion that the whole or any part of the turnover of the dealer in respect of such tax

period or tax periods has escaped assessment, or been under assessed, or been assessed at a rate lower than the rate at which it is assessable, then giving the dealer a reasonable opportunity of hearing and after making such enquiry, assess the dealer to the best of his judgment. Similar issue also came up before the Hon'ble High Court in case of **M/s. Keshab Automobiles (supra)** wherein the Hon'ble Court interpreting the provisions contained u/s.43 of the OVAT Act, in paras 13 to 16 of the judgment observed that "the dealer is to be assessed under Sections 39, 40, 42 and 44 for any tax period". The words "where after a dealer is assessed" at the beginning of Section 43(1) prior to 1st October, 2015 pre-supposes that there has to be an initial assessment which should have been formally accepted for the periods in question i.e. before 1st October, 2015 before the Department could form an opinion regarding escaped assessment or under assessment".

So the position prior to 1st October, 2015 is clear. Unless there was an assessment of the dealer u/s.39, 40, 42 or 44 for any tax period, the question of reopening the assessment u/s.43(1) of the OVAT Act did not arise. The Hon'ble Court in para-22 of the judgment has categorically observed that if the self-assessments u/s.39 of the OVAT Act for the tax periods prior to 01.10.2015 are not accepted either by a formal communication or an acknowledgment by the Department, then such assessment cannot be sought to be reopened u/s.43(1) of the OVAT Act. In the instant case, the impugned tax relates to pre-amended provisions of Section 43 of the OVAT Act i.e. prior to 01.10.2015. This apart the returns filed by the dealer-assessee were also not accepted either by a

formal communication or an acknowledgement issued by the Department. The similar matter has also been decided by the Full Bench of OSTT in various cases such as M/s. Swati Marbles v. State of Odisha, S.A. No.209(V) of 2013-14 (Full Bench dtd.06.06.2022), State of Odisha v. M/s. Jaiswal Plastic Tubes Ltd., S.A. No.90(V) of 2010-11 (Full Bench dtd.06.06.2022), M/s. Jalaram Tobacco Industry v. State of Odisha, S.A. No.35(V) of 2015-16 (Full Bench dtd.16.08.2022), M/s. Eastern Foods Pvt. Ltd. v. State of Odisha, S.A. No.396 (VAT) of 2015-16 (Full Bench dtd.23.08.2022) and M/s. Shree Jagannath Lamination and Frames v. State of Odisha, S.A. No.25(VAT) of 2015-16 (Full Bench dtd.15.10.2022).

11. In view of the law expounded by the Hon'ble High Court in case of **M/s. Keshab Automobiles (supra)** and subsequently confirmed by the Hon'ble Apex Court, the proceeding u/s.43 of the OVAT Act has been initiated by the assessing authority without complying with the requirement of law and without giving any finding that the dealer-assessee was formally communicated about the acceptance of self-assessed return, the proceeding itself is not maintainable. Likewise, the present petition concerns the assessment under the OET Act for the same period. The position under the OET Act stands covered by the judgment of the Full Bench of the Hon'ble Court dtd.05.08.2022 in W.P.(C) No.7458 of 2015 (**M/s. ECMAS Resins Pvt. Ltd. v. State of Orissa**) in which it was held by the Hon'ble Court that unless the return filed by way of self-assessment u/s.9(1) r/w. section 9(2) of the OET Act is "accepted" by the department by a formal communication, it cannot trigger a notice of reassessment

u/s.10(1) of the OET Act r/w. Rule 15(b) of the OET Rules. In view of the above analysis, to my view, the orders of the fora below need interference to the extent as indicated above.

12. In the result, the appeals preferred by the dealer are partly allowed in VAT case and fully allowed in ET case. As a corollary the order of assessment passed in VAT case for the period from 01.04.2014 to 30.09.2015 is hereby quashed and the assessment for the period 01.10.2015 to 31.12.2016 is hereby set aside. Likewise, the order of assessment passed in ET case for the period 01.04.2014 to 31.12.2016 is hereby quashed. The case is remitted back to the learned assessing authority for reassessment in VAT case for the period from 01.10.2015 to 31.12.2016 within a period of three months of receipt of this order in the light of the observations made above giving the dealer-appellant an opportunity of being heard. Cross objections are disposed of accordingly.

Dictated & corrected by me,

Sd/-
(S.K. Rout)
2nd Judicial Member

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