

(hereinafter referred to as, learned JCST/assessing authority) u/s.43 of the Orissa Value Added Tax Act, 2004 (in short, the OVAT Act) raising demand of ₹7,28,529.00 for the tax period 01.04.2015 to 31.03.2016.

2. The case at hand is that, the dealer-appellant in the instant case carries on business in manufacturing and sale of sponge iron and MS ingot. On scrutiny of the record, the learned assessing found some irregularities such as less reversal of ITC, less disclosure of sale turnover and non-disclosure of sale turnover of mild steel under trading activity. Hence, notice in form VAT-307 was issued to the dealer-appellant and accordingly reassessment proceeding was initiated u/s.43 of the OVAT Act and the demand as mentioned above was raised against the dealer-appellant.

3. Against such tax demand, the dealer preferred first appeal before the learned first appellate authority who allowed the appeal in part and reduced the demand to ₹4,69,002.00.

4. Further being dissatisfied with the order of the learned first appellate authority, the dealer has preferred the present second appeal as per the grounds stated in the grounds of appeal.

5. Cross objection in this case is filed by the State-respondent.

6. During course of argument, learned Counsel for the dealer-appellant vehemently contended stating that the appellant was not assessed u/s.39, 40, 42 or 44 of the OVAT Act for the period in question for which the impugned reassessment made is illegal and not sustainable in the eye of law in view of the verdict laid down by the Hon'ble High Court

of Orissa in the case **M/s. Keshab Automobiles v. State of Odisha (STREV No.64 of 2016 decided on 01.12.2021)** which is also subsequently confirmed by the Hon'ble Apex Court. On the other hand, learned Addl. Standing Counsel for the Revenue argued stating that pursuant to tax evasion report submitted by the STO, Intelligence Wing, Rourkela reassessment proceeding was initiated and the grounds raised in the appeal petition being erroneous, unreasonable, unfair and misconceived are liable to be dismissed in toto. Further contention raised on behalf of the Revenue is that Keshab Automobiles case is not applicable in this case.

7. Heard the contentions and submissions of both the parties in this regard. Perused the materials available on record vis-à-vis the grounds of appeal, cross objection and the orders of the fora below. 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.

8. 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).

9. 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. In view of the above analysis, to my view, the orders of the fora below need interference to the extent as indicated above. So in view of the above analysis and placing reliance to the verdicts of the Hon'ble Courts, I am of the view that the claim of the appellant deserves a merited acceptance.

10. At this juncture, it should be made clear that I do not sit in any appeal of the dealer on the issue of self assessment and payment made against admitted tax. So, I do not express any opinion on its merit. To my considered view, I observe that the dealer is bound by the law settled by the Hon'ble High Court of Orissa i.e. in case of **M/s. Shree Bharat Motors Ltd. and others vrs. Sales Tax Officer, Bhubaneswar I Circle, Bhubaneswar and others (W.P.(C) No.13736 of 2017 and batch)** decided on 15.03.2023 followed by the verdicts of the Hon'ble Apex Court in case of **Jindal Stainless Ltd. vrs. Reliance Industries.**

11. In the result, the appeal preferred by the dealer is partly allowed. As a corollary, the assessment for the period from 01.04.2015 to 30.09.2015 is hereby quashed and the order of assessment for the period from 01.10.2015 to 31.03.2016 is hereby set aside. The case is remanded back to the learned assessing authority for reassessment for the period from 01.10.2015 to 31.03.2016 within a period of three months of receipt of this order giving the dealer an opportunity of being heard. The payment of admitted tax, if any, shall be

guided by the dictum of the Hon'ble Court rendered in the case of M/s. Shree Bharat Motors Ltd. (supra). Cross objection is disposed of accordingly.

Dictated & corrected by me,

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

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