

Govind Ram and ors. Vs. the State of Rajasthan and ors.

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Court : Rajasthan

Decided On : Jan-11-1982

Reported in : AIR1982Raj265; 1982()WLN1

Judge : Dwarka Prasad, Actg. C.J. and; M.B. Sharma, J.

Acts : Rajasthan Sales Tax Act, 1954 - Sections 2

Appeal No. : Civil Writ Petn. Nos. 229, 575, 577, 1755, 1756 and 1763 of 1981

Appellant : Govind Ram and ors.

Respondent : The State of Rajasthan and ors.

Advocate for Def. : S.C. Bhandari, Adv.

Advocate for Pet/Ap. : H.M. Parekh and; S.S. Purohit, Adv.

Disposition : Petitions dismissed

Judgement :

Dwarka Prasad, Actg. C.J.

1. These six writ petitions have been filed by owners of hotels and restaurants who have been served with notices for assessment to sales tax.

2. The case of the petitioners is that they have been serving eatables, and drinks to their customers and the same does not constitute sale and as such they are not liable to assessment or payment of sales tax. On the other hand, it has been contended by Mr. Sumer Chand Bhandari, learned counsel appearing for the Department, that it would be a question of fact in each case as to whether the transactions entered into by the petitioners would amount to 'sale' within the meaning of Section 2 (o) of the Rajasthan Sales Tax Act, hereinafter referred to as 'the Act'. It has been stated by the learned counsel appearing for the Department that the petitioners are making sales across the counter and are supplying eatables and drinks outside the hotels or restaurants also at the same rate and an enquiry by the assessing authority is necessary in the matter.

3. The question as to whether a transaction of supply of meals by hoteliers to resident guests in the hotels amounted to sale was considered by their Lordships of the Supreme Court in *State of H.P. v. Associated Hotels of India* AIR 1972 SC 1131 and it was held that there was essentially a contract of service between the parties and the supply of foodstuffs was part of the amenities incidental to service and as such, the transaction did not amount to sale. Their Lordships emphasised that the dominant consideration was that there should be an intention to sell and purchase and that where there is a transaction of service, the supply of foodstuffs is part of or incidental to the service by the hotelier and the transaction could not be split up into two parts.

4. Later, in the case of *Northern India Caterers v. Lt. Governor of Delhi* AIR 1978 SC 1591, the question arose as to whether service of eatables to casual visitors in restaurants located in a hotel, in which lodging and meals were provided, was taxable as a sale. Their Lordships of the Supreme Court held that the principle enunciated in *Associated Hotels'* case (supra) was also equally applicable to the service of food to customers in eating houses and restaurants, as the owner of the restaurant or the eating house provides many amenities in addition to the supply of food, like furniture and furnishings, linen, crockery and cutlery, and in the eating places of today he may add music and may specially provide area for floor dancing and in some cases a floor show. It was again emphasised in the *Northern India Caterers'* case (supra) that if the essence of the transaction is that of

rendering service to the customers, which may include supply of food stuffs then the transaction may not amount to a sale, because the dominant object in such a transaction is not the sale or purchase of food stuffs.

5. In the Northern India Caterers' case (supra) a review petition was filed and their Lordships of the Supreme Court in Northern India Caterers v. Lt Governor, Delhi AIR 1980 SC 674, while rejecting the review petition, clarified their earlier decision in the aforesaid case by making the following observations (at p. 679):--

'Where food is supplied in an eating-house or restaurant, and it is established upon the facts that the substance of the transaction, evidenced by its dominant object, is a sale of food and the rendering of services is merely incidental, the transaction would undoubtedly be eligible to sales tax. In every case it will be for the taxing authority to ascertain the facts when making an assessment under the relevant sales law and to determine upon those facts whether a sale of the food supplied is intended.'

Thus, the position of law even after the decision of the review petition in the Northern India Caterers' case remains almost the same and what is to be adjudged in each case is as to whether the dominant intention in a given transaction was of sale and purchase of eatables or drinks. In cases of sales of foodstuffs or eatables made across the counter, they are obviously transactions of sale, even though some service may be rendered in packing the food-stuffs, yet it may be so insignificant or incidental that the transaction would essentially be one of sale. Similarly, if food stuffs or drinks are supplied to customers outside the hotel or restaurant, then also the transactions may amount to sale. In case where the owner of the hotel or restaurant or the eating house charges separate amount by way of service charge for the service rendered by him besides the cost of the food-stuff supplied to the customer, then it would obviously appear that the transaction of sale of foodstuffs and service rendered by the hotelier or the owner of the restaurant have been separately charged. Moreover, it would also be a question of fact as to whether the customer has a right to take away the foodstuffs and in that case the assessing authority will have to decide as to whether the transaction would amount to sale or not. If the dominant object is the sale of

eatables and drinks and rendering of service is merely incidental then the transaction may, amount to sale. But if, on the other hand, there is a transaction in which service is coupled with supply of foodstuffs and supply of foodstuffs is part of and incidental to the service, then the transaction may not amount to sale.

6. We are, therefore, of the view that it will be for the assessing authority to ascertain the facts in each case and then to determine upon such facts whether a sale of foodstuffs or drinks was intended and decide the matter in the light of the aforesaid decisions of their Lordships of the Supreme Court.

7. AS only a notice to show cause has been served upon the petitioners and an enquiry to ascertain the facts is yet to be made on the basis of which alone the nature of the transactions could be determined, we are unable to entertain the writ petitions at this stage.

8. In the result, all the writ petitions are dismissed subject to the observations made above.

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