2026 INSC 1158

REPORTABLE

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO. 785 OF 2016

THE ASSESSING OFFICER,
TEXTILES COMMITTEE ...APPELLANT

VERSUS

M/S. PREMIUM SUITING PVT. LTD.
& ANOTHER ...RESPONDENTS

J U D G M E N T

N.V. ANJARIA, J.

The present appeal preferred by the Assessing Officer, Textile Committee, is directed against order dated 06.03.2013 passed by the High Court of Judicature at Allahabad[1] in Writ Tax No. 354 of 2006, whereby the High Court allowed the writ petition of the respondent No.1 herein.

2. The writ petition was filed challenging order dated 20.10.2005 passed by the Textiles Committee Cess Appellate Tribunal[2] in T.C.A. No. 223 of 2002. The Appellate

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Reason:

[1] **Hereinafter "High Court"**
[2] **Hereinafter "Appellate Tribunal"**

Tribunal dismissed the appeal of the respondent No.1 herein and upheld the order of the assessing authority demanding textile cess to the tune of Rs. 2,68,293/-. The High Court quashed the textile cess demand.

3. The facts may be outlined. The appellant-Textiles Committee is a statutory body under Section 3 of the Textiles Committee Act, 1963[3] functioning under the Ministry of Textiles, Government of India with an object to ensure the quality of textiles and textile machinery, whereas respondent No.1 is a company engaged in the manufacturing of textiles. The respondent No.1 is engaged in bleaching, dyeing and processing of 100% man-made fabrics, supplied by powerloom and handloom units.

3.1 It appears that a letter dated 28.06.2001 came to be written from the office of Comptroller General of India to the Ministry of Textiles stating inter alia that in the course of the audit, it was found that out of 30 independent textiles processors, only one processor had been paying the cess during 2000–2001 in 5 Commissionerates of Central Excise

[3] **Hereinafter 'Act'**

of Uttar Pradesh and that the remaining 29 processors did not pay the cess which according to the office of Comptroller General of India was of the value of Rs.39.64 lacs during 1997 to 2000.

3.2 In pursuance of the aforementioned communication, respondent No.1 herein was served with show cause notice dated 20.08.2001 by the appellant-assessing officer, raising demand of Rs.2,68,293/- towards textile cess. The show cause notice was replied to on 28.08.2001. Respondent No.1's claim for exemption from payment of cess was not accepted by the authorities. Respondent No.1 had submitted in the reply that its unit was an independent textile processor for the textiles manufactured received from the powerloom industries and it was on job work basis. It was stated that the textile (fabric) was made by small weavers in the small household industries which had powerlooms below 50 in numbers in all cases and that they did not have any spinning plants. It was contended that the Act provided and exempted all the products from the purview of applicability of the cess and the cess was not payable.

3.3 As the explanation of the appellant was not accepted, the assessment order dated 21.11.2001 came to be passed by the competent authority fixing the liability on respondent No.1 to pay textile cess to the tune of Rs.2,68,293/-. The inspecting officer by his letter dated 16.10.2001 clarified that the powerloom/handloom fabrics were exempted from cess only at the loom stage and not afterwards when they are further processed. Respondent No.1-company, aggrieved by the demand notice and the assessment orders, approached the Appellate Tribunal by filing Appeal No. 223 of 2002.

3.4 The Appellate Tribunal relied on its own decision in **Chandok Textile Exporters Pvt. Ltd. vs. Assessing Officer, Textites Committee in T.C.A. No. 222 of 2002 on 30.04.2004** holding that the processing activity amounted to manufacturing under the Act and the job workers and the merchant dealers were jointly and severally liable to pay cess under the Act. The view taken in that case was that the processing fabrics out of powerloom and handloom industries for further manufacturing was not exempted under the Proviso to Section 5A of the Act. With

such reasoning, entirely based on its own decision in **Chandok Textile Exporters Pvt. Ltd.** (supra), the Appellate Tribunal dismissed the appeal of respondent No.1 on 09.12.2005.

3.5 Respondent No.1 was required to deposit the adjudicated amount of Rs.2,68,293/-. Another notice dated 06.01.2006 was also issued to respondent No.1 which was a separate cause of action, wherein demand for payment of Rs.1,43,176/- towards textile cess was raised in respect of the period from April 2001 to December 2003. Against the order of dismissal of the appeal by the Appellate Tribunal, the respondent-company preferred writ before the High Court. While allowing the writ petition of respondent No.1 herein, the High Court held that the activity of bleaching and dyeing and other processing of power unit or handloom textiles by job workers would not mean obliteration of the status of textile as products of the powerloom industry and since such powerloom textiles are exempted from payment of textiles tax under Section 5A of the Act, the tax would not be payable.

3.5.1 It was further reasoned that the job workers perform an extended activity for the manufacturers, observing,

> 'The hand-loom and power-loom textile manufacturers instead of getting work of bleaching etc. done by themselves, have engaged the petitioner on job work basis. The petitioner received the textile and after doing the needful return the textile to such manufacturers. Section 5A imposes cess for the purposes of the Act, 1963, a duty of excise on all textiles and on all textile machinery manufactured in India. The word 'manufacture' is not defined in the Act, 1963.'

3.5.2 The High Court further stated,

> 'Since the textile manufactured out from hand-loom and power-loom industry has been exempted under section 5A, obviously no inspection in respect of textile manufactured by such industry is required and therefore, it is reasonable to conclude that the activity undertaken by an extended hand of these manufacturers will also be not liable to pay the impost of cess under the Act.'

4. Heard learned counsel Mr. Chirag M. Shroff for the appellant and learned counsel Mr. Tanmaya Agarwal for respondent No.1.

5. The Textile authority seeks to derive its power to levy cess under Section 5A of the Act, inserted by Act 51 of 1973,

with effect from 01.01.1975, Section 5A is extracted hereunder,

> **5A. Imposition of cess on textiles and textile machinery manufactured in India.**—(1) There shall be levied and collected as a cess for the purposes of this Act a duty of excise on all textiles and on all textile machinery manufactured in India at such rate, not exceeding one per cent. ad valorem as the Central Government may, by notification in the Official Gazette, fix:
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> Provided that no such cess shall be levied on textiles manufactured from out of handloom or powerloom industry.
>
> (2) The duty of excise levied under sub-section (1) shall be in addition to any cess or duty leviable on textiles or textile machinery under any other law for the time being in force.
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> (3) The duty of excise levied under sub-section (1) shall be collected by the Committee, in accordance with the rules made in this behalf, from every manufacturer of textiles or textile machinery (hereinafter in this section and in sections 5C and 5D referred to as the manufacturer).
>
> (4) The manufacturer shall pay to the Committee the amount of the duty of excise levied under sub-section (1) within one month from the date on which he receives a notice of demand therefore from the Committee.
>
> (5) For the purpose of enabling the Committee to assess the amount of the duty of excise levied under sub-section (1),—
>
> > (a) the Committee shall, by notification in the Gazette of India, fix the period in respect of which assessments shall be made; and
> >
> > (b) every manufacturer shall furnish to the Committee a return, not later than fifteen days after the expiry of the period to which the return

> relates, specifying the total quantity of textiles or textile machinery manufactured by him during the said period and such other particulars as may be prescribed.
>
> (6) If asssny manufacturer fails to furnish the return referred to in sub-section (5) within the time specified therein, or furnishes a return which the Committee has reason to believe is incorrect or defective, the Committee may assess the amount of the duty of excise in such manner as may be prescribed.
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> (7) Any manufacturer aggrieved by an assessment made under this section may appeal to the Tribunal, constituted under section 5B for cancellation or modification of the assessment.

5.1 Section 5A contemplates levy and collection of cess on all textiles and all textile machinery manufactured in India. A manufacturer of textiles becomes liable to pay the cess by virtue of Section 5A. The provision is applied in case of respondent No.1 herein. The text of Section 5A has at its several places the phrase 'textile manufactured', however, the word 'manufacture' is not defined in the Act.

5.2 The word 'textile' is defined in the Act in Section 2(g). The said definition is as under,

> **2. Definitions.—**In this Act, unless there is anything repugnant in the subject or context,—
>
> (g) 'textiles' means any fabric or cloth or yarn or garment or any other article made wholly or in part of—

(i) cotton; or
(ii) wool; or
(iii) silk; or
(iv) artificial silk or other fiber,
and includes fiber;

5.3 The word 'powerloom' is defined in Section 2(da) to mean a loom which is worked by power as defined in clause (g) of Section 2 of the Factories Act and which is used or capable of being used for weaving cloth wholly or partly out of the cotton yarn or wollen yarn, or fibre, or any kind of mixed yarn. The definition of powerloom industry is defined in Section 2(db) to mean an industry in which a manufacturer of textiles has during the period not more than 50 powerlooms in the factory.

5.4 Now, the High Court in the impugned order dealt with the argument advanced on behalf of appellant-Textiles Committee that although the word 'manufacture' has not been defined in Act, the definition of the word 'manufacture' found in Section 2(f) of the Central Excise Act, 1944[4] should be adopted and applied which inter alia contemplates that the concept of 'manufacture' includes any process incidental

[4] **Hereinafter 'Central Excise Act'**

or ancillary to the completion of a manufactured product. On the basis of such argument, it was sought to be suggested that the bleaching and dyeing was the process incidental to the completion of manufactured product, therefore, the same would have to be construed as 'manufacture' to apply Section 5A of the Act, consequently, the levy of textile cess was legal and justified.

5.5 This Court endorses to the view taken by the High Court in the above count namely that unless the particular word of section is included to be read by virtue of reference or incorporation from the other statute, such word cannot be readily taken as applicable in the statute where it is not defined. The High Court was correct in relying on the decision of this Court in **Union of India and Others vs. R.C. Jain and Others**[5], in which it is held that if a particular expression is not defined in an Act, its definition in another Act cannot be imported into the former Act.

5.6 It is a settled principle of statutory interpretation that a particular word or a phrase or a section in any enactment

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[5] **(1981) 2 SCS 308**

has to be construed, interpreted and applied having regard to the context of the scheme, purpose and operational ambit of such statute. Every statute has in its subject matter as a distinguished context. Therefore, the same word occurring in the other statute cannot be bodily lifted and read as defined in the other statute for the purpose of applying the same, unless such word or definition or provision is provided to be read by the legislature by applying doctrine of reference or doctrine of incorporation.

5.7 The following observations by this Court in **Jagatram Ahuja vs. Commissioner of Gift Tax, Hyderabad**[6], are on the same lines,

> '…the words and expressions defined in one statute as judicially interpreted do not afford a guide to construction of the same words or expressions in another statute unless both the statutes are pari materia legislations or it is specifically so provided in one statute to give the same meaning to the words as defined in the other statute. The aim and object of the two legislations, namely, the Gift Tax Act and the Estate Duty Act are not similar.'
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> (Para 23)

[6] **(2000) 8 SCC 249**

5.8 In **Maheshwari Fish Seed Farm vs. T.N. Electricity Board and Another**[7], the argument before this Court on behalf of the appellant was that the word 'agriculture' as defined in the blank Act, should follow the same meaning as defined in other Act such as Tamil Nadu Agricultural Produce Marketing (Regulation) Act, 1987, Tamil Nadu Agriculture University Act, 1971 or Agriculture and Rural Debt Relief Scheme, 1990 in which the term 'agriculture' included 'pisciculture'.

5.8.1 The Court said that it was not permissible to assign similar meaning of the definition of a particular word in one statute, to the definition of the very word in the other statute,

> '...Suffice it to observe that the common-parlance meaning of the term 'agriculture', in the context in which it has been used and is arising for determination before us, cannot be determined by reference to definitions given in other statutes. This we say for more reasons than one. Firstly, none of the statutes referred to by Shri Iyer, the learned Senior Counsel, can be called statutes in pari materia. Secondly, it is common knowledge that the definition coined by the legislature for the purpose of a particular enactment is often an extended or artificial meaning so assigned as to fulfil the object of that enactment. Such definitions given in other enactments cannot be freely used for finding out

[7] **(2004) 4 SCC 705**

> meaning to be assigned to a term of common parlance used in an altogether different setting.'
>
> (Para 16)

5.8.2 The Court quoted with approval from 'Principles of Statutory Interpretation' by Justice G.P. Singh [9th Edition, 2004, Page 163] that 'it is hazardous to interpret a statute in accordance with a definition in another statute and more so when such statute is not dealing with any cognate subject or the statutes are not in pari materia.'

6. The whole stand on the part of the textile authorities in subjecting that the activity of the respondent-company was liable to be treated as 'manufacture', is that when the fabrics come from the powerloom or handloom industry to the unit of respondent No.1, a process is undertaken in the nature of bleaching, dyeing, etc. It is the case that when the process is undergone on the fabric, in view of the definition of manufacture in the other Acts, especially under the Excise Act such as the Central Excise Act, process of bleaching etc. would fall within the purview of 'manufacture'.

6.1 As already stated above, the word 'manufacture' is not defined in the Act, and it is neither safe nor permissible in law to advert to and adopt the connotation 'manufacture' as defined in another statute, and on the basis of such alien definition, treat the activity undertaken by respondent No.1 to be the manufacturing activity. Therefore, while interpreting the word 'manufactured' which occurs in Section 5A of the Act in the present case, it has to be understood in its common parlance and not in any special sense by borrowing a special ingredient of the concept from other statute.

6.2 The Act provides for imposition of cess on textiles and textile machinery 'manufactured'. The question is whether the dyeing, bleaching, and such processing on the fabric becomes 'textile manufactured' to attract the liability of cess. The entire process that takes place in the instant case is that the processor units of the respondent-company are independent units for the processing of textile. The textile is received from the handloom and powerloom textile manufacturers which manufacture the textile.

6.3 These manufacturers of textiles do undertake work of bleaching, dyeing etc. by themselves. They engage the respondent-company for applying such kind of work on the fabrics. Respondent No.1 is engaged by the powerloom and handloom industries on job work basis. Job work is done by respondent No.1 on behalf of the textile manufacturers. The respondent-company gets the textile and, after applying dyeing, bleaching and doing such processing as may be needed, returns the textile to the powerloom manufacturers. No 'manufacturing' takes place at the end of or by respondent No.1. The product that comes out from the assistant but independent unit of respondent No.1, is not and the same could be termed or treated as 'textile manufactured'.

6.4 Section 5A of the Act imposes textile cess, however, the Proviso says that no such cess shall be levied on textiles manufactured out of handloom or powerloom industry. In another words, the textiles manufactured by the handloom or powerloom industrial units cannot be subjected to levy of textile cess. An express exemption is granted under Section 5A of the Act.

6.5 Respondent No.1 in its processing units does not manufacture. It only processes the fabric or textile received from the powerloom or handloom industry and, after dyeing and bleaching, returns the same to the powerloom industry. The activity undertaken by respondent No.1 is an extended activity which refines the textile by applying dyeing and bleaching. It could be viewed as an activity supplementary and ancillary to the manufacturing of textiles which is performed by the powerloom industry, which again is exempted from textile tax under Section 5A of the Act.

6.6 Respondent No.1 through operation of its independent processing units, operates only to the benefit of the textile manufacturers in the powerloom industry. Its activity does not fall within the concept of manufacture. Respondent No.1 only works as an extended arm for the manufacturers of the textile of the powerloom industry. The fabric or textile which becomes material bleached and dyed is not 'textile manufactured'.

6.7 At the best, it is the textile upgraded, not to become 'manufacture' in its sense as could be applied in the context

of Section 5A in particular and for the purpose of context of the Act in general. It has to be held that respondent No.1 cannot be subjected to and cannot be made liable to pay the textile cess, as there is no 'textile manufactured' in its units.

7. For the reasons stated above, the challenge to the impugned order of the High Court has to necessarily fail. The appeal is meritless. The same is dismissed.

Any interlocutory application, if pending, shall cease to survive in view of the disposal of the appeal.

.....J.
[S.V.N. BHATTI]

.....J.
[N.V. ANJARIA]

NEW DELHI;
OCTOBER 26, 2026.