BEFORE DELHI VALUE ADDED TAX, APPELLATE TRIBUNAL DELHI

Sh. Narinder Kumar, Member (Judicial)

Appeal Nos. : 348-352/ATVAT/2014
Date of Judgment: 26/09/2022

M/s. Eicher Goodearth Pvt. Ltd.,
A-3, 3rd Floor, Select City Walk Mall,
District Centre, Saket, Delhi, 110017. .....Appellant

v.

Commissioner of Trade & Taxes, Delhi .....Respondent

Counsel representing the Appellant : Sh. Atul Gupta with
Ms. Neha Choudhary.

Counsel representing the Revenue : Sh. P. Tara.

Appeal Nos.- 1206-1207/11
Date of Judgment: 26/09/2022

M/s. Eicher Goodearth Pvt. Ltd.,
A-3, 3rd Floor, Select City Walk Mall,
District Centre, Saket, Delhi, 110017. .....Appellant

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Counsel representing the Revenue : Sh. M. L. Garg.

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Counsel representing the Appellant : Sh. Atul Gupta with Ms. Neha.
Counsel representing the Revenue : Sh. M.L.Garg.

JUDGMENT

Appeal Nos. : 348-352/ATVAT/2014

1. These five appeals have been filed challenging order dated 18/07/2014 passed by learned Special Commissioner-II whereby objections filed by the dealer-company-assessee u/s. 74(1) of DVAT Act were rejected and default assessments of tax, interest and penalties framed by Assessing Authority-VATO of KCS Ward, pertaining to the tax period – March 2010 and March 2011, u/s. 32 and 33 of DVAT Act were upheld. In addition thereto default assessment of tax and interest in respect of tax period March 2011, framed under Section 9(2) of Central Sales Tax Act, 1956 were also upheld.

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2. The dealer-company was registered as a dealer with Department of Trade & Taxes. Learned Assessing Authority framed above said assessments and raised demands due to the reasons which, as per impugned order read as follows:

> "The demands in question were raised by the VATO of the KCS Ward for the reason that the objector was receiving "royalty" as subscription fee for using his brand name 'Eicher' by M/s Eicher Motor India Ltd., the fee so received was taxable under the DVAT Act. However, the objector did not accept the same as liable to tax under the Act saying that since the objector was paying the "service tax" on it, no VAT thereon was payable him whereas the said assessing authority was of the opinion that since "royalty" and "goodwill" were the commodities like other commodities, the sales thereof were very much amenable to tax.
>
> Mr. Sunil Dutt, the representative of the objector company, who appeared before the said assessing authority, submitted a number of documents such as, Agreement in the name of 'Trade Mark License Agreement' entered into between 'M/s Eicher Goodearth Pvt. Ltd.' and 'M/s Eicher Motor India Ltd.' and Debit notes in respect of subscription fee received in the years 2009-10 & 2010-11 in support of his case and contended that being the same as services, no VAT under the DVAT Act, 2004 was payable on them.
>
> However, the VATO of the KCS Ward found that in term of Clause 2.1 of the "Trade Mark License Agreement", the Licensor i.e. the objector here in this case had granted the license to M/s Eicher Motor India Ltd. to use and exploit the Trade Mark of the objector for all purposes in connection with his business including upon and in relation to all and any goods and services supplied or procured by the Licensee and for this, the Licensee i.e. M/s Eicher Motor India Ltd. was to pay to the licensor i.e. the objector, royalties in the amount equal to the lower of (a) 0.5% of the net sales of the products by the

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Licensee on Product territories in which the products were sold and of (b) 8% of the profit before Tax of the Licensee in each financial year provided that no royalties were payable by the licensee in any financial year in which the business did not generate a profit before tax.

Accordingly, taking into consideration the fact that the subscription fee received by the objector on account of sale of 'goodwill' stood cover under Entry No.3 of the 3rd Schedule of the DVAT Act and section 2(zc)(vi) of the said Act bringing the transfer of right to use any goods for any purpose (whether or not for a specify period) for cash, deferred payment or other valuable consideration within the ambit of definition of "sale", the said assessing authority taxed the amounts of subscription fee received by the objector from the licensee of Rs.10.55 Crores in the year 2009-10 and of Rs.14.31 Crores in the year 2010-11 on the aforesaid account, @ 5% with interest under the Act."

Assessment of Penalty

3. At the same time, learned Assessing Authority-VATO imposed penalty u/s. 86(12) of DVAT Act due to tax deficiency.

Objections are disposed of

4. Feeling dissatisfied with the above assessments, dealer filed objections u/s 74(1) of DVAT Act. Learned OHA, while disposing of the objections inter alia on the following observations :

"6.Further, it is noticed that as emanated from the impugned assessment orders, the 'Trade Mark License Agreement' entered into by the objector with M/s Eicher Motor India Ltd., the former has granted to the latter a

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perpetual, exclusive and worldwide license to use and exploit his trade mark for all purposes in connection with the business including upon and in relation to all and any goods and services supplied or procured by the licensee i.e. M/s Eicher Motor India Ltd. as a part of its trading or corporate name and as a part of domain names. Simultaneously, it is also seen from the said orders that to avoid any kind of doubt in the contract/agreement made by the objector with M/s Eicher Motor India Ltd., certain riders and conditions like that the objector shall not

(i) procure, directly or indirectly, any of the members in the Eicher Group,

(ii) use or exploit itself or grant to any third party the right to use and exploit the trade marks anywhere in the world without the prior written consent of a Volvo Director,

(iii) restrict the licensee in extending any such use or exploitation to any country in the world except to the extent permitted by the Agreement and that

(iv) the licensee i.e. M/s Eicher Motor India Ltd. shall be entitled to use the trade marks in such manner and form of representation as it deems fit and appropriate for the business from time to time, have been imposed on the objector.

Therefore, in view of the above that in term of the 'Trade Mark License Agreement' made by the objector with M/s Eicher Motor India Ltd., the former had granted or say, transferred to the latter a perpetual, exclusive and worldwide right to use his 'brand name/trade marks' and could not use and exploit it himself nor could he transfer the same to the third party except with the prior written consent of a Volvo Director, the transfer of right by the objector to the transferee M/s Eicher Motor India Ltd. to use his 'brand name/trade marks' was absolute and final, the authority below appeared to be within his rights to hold the transactions involved duly covered under the provisions of sections 2(1)(zc)(vi) and 2(1)(zc)(iii) of the DVAT Act, 2004 and accordingly, the subscription fees received by the objector against the same in the years

2009-10 and 2010-11 liable to tax, interest and penalties under sections 32 and 33 read with section 86(12) of the said Act.

7. Moreover, although, in the arguments made by the objector before the undersigned, he has emphasized upon that the license/right granted by him to M/s Eicher Motor India Ltd., the transferee in this case to use his brand name/trademarks etc. is not exclusive, yet, the same stands falsified from the conditions prescribed and riders made in the 'Trade Mark License Agreement' that use and exploitation of brand name/trade mark by the transferee M/s Eicher Motor India Ltd. is perpetual, exclusive and worldwide and that the objector could neither use nor exploit it himself nor could he even transfer the use of the same to any third party except with the prior written consent of the Volvo Director of the transferee company.

9. Likewise, the decision of the Hon. Andhra Pradesh High Court in the case of "Rashtriya Ispat Nigam Ltd. v/s CTO" reported in (1990) 77 STC 182 affirmed by the Hon. Apex Court in the case titled "State of Andhra Pradesh &Anr. v/s Rashtriyalspat Nigam Ltd. &Anr." reported in (2002) 3 SCC 314 relied upon and referred to by the objector in support of his case too, inversely supports and strengthens the case of the Revenue rather than of the objector because as held and decided by the Hon. Apex Court in that case, to make a transaction to be transfer of right to use the goods, the transferee should have both the possession as well as the effective control over the goods and as visualized from the "Trade Mark License Agreement" made by the objector with the transferee M/s Eicher Motor India Ltd., the latter had both the possession as well as the effective control over the brand name/trade mark of the objector for use thereof perpetually and worldwide as per its wish and will with total exclusion of the transferor i.e. the objector here in the present case. Moreover, besides above, there are also a number of clauses in the above said 'Trade Mark License Agreement' which clearly make the case of the objector squarely fall within the purview and precincts of the DVAT Act, 2004.

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11.Besides, it has also been informed by the CA of the objector that appeals filed by the objector against notices/orders of default assessments of tax, interest and penalties issued by the assessing authorities of the Department for the years 2007-08 and 2009-10 under the provisions of the DVAT Act, 2004 are still pending for final hearing and disposal before the Ld. Appellate Tribunal (VAT) and no final orders in them have been passed by the Ld. Appellate Tribunal (VAT) till date.

Also, the objector has not come up nor been able to substantiate his case beyond any doubt that the transactions involved did not amount to transfer of right to use goods i.e.the trade mark etc. to M/s Eicher Motor India Ltd. here in this case, not falling within the ambit of definitions of 'sale' in section 2(1)(zc)(vi) and of 'sale price' in section 2(1)(zd)(iii) of the DVAT Act, 2004 and consequently the subscription fee amounts received by him against the same in these years not amenable to tax etc. under the said Act.

12.Therefore, in the totality of the facts and circumstances of the case, the undersigned is of the considered opinion that having been squarely covered by sections 2(1)(zc)(vi), 2(1)(zd)(iii) and other provisions of the DVAT Act, 2004, the cases of the objector are without any merit and substance. Accordingly, the objections of the objector are rejected and notices/orders of default assessments of tax, interest and penalties issued by the VATO of the KCS Ward for the years 2009-10 and 2010-11 under sections 32 and 33 of the DVAT Act, 2004 and that for the year 2010-11 under section 9(2) of the CST Act, 1956 are hereby upheld and confirmed."

Appeal Nos. 1206-1207/11

5. On 10/03/2010, Learned Assessing Authority framed default assessment of tax and interest u/s 32 of DVAT Act, for the tax period July 2007-08, and thereby raised demand of Rs.

50,34,668/- i.e. Rs. 36,64,315/- towards tax and Rs. 13,70,353/- towards interest, on the following grounds:

1) During the audit period, the firm had made the transfer of goods to other branches outside Delhi against F form. The authorised signatory produced the bill of M/s B.P. Express Service, Courier and Cargo and M/s Gulshan Tempo Service which not prove the transfer of goods made to the other branches outside Delhi. So, the transfer made is treated as local sale which is taxable @ 4% and 12.5%. To arrive at the conclusion the turnover ratio of 4% and 12.5% is calculated and the total transfer amount bifurcated in the same ratio as 43% for 4% taxable item and 57% for the total transfer as taxable item of 12.5%. During the month, the local taxable item of 4% is Rs. 721027/- and the item of 12.5% is Rs. 955779/-.
2) As per the balance sheet for the year 2007-08, it is revealed that the firm had received the income head, sub head other income of Rs. 1094.28 lacs. On observation of the Schedule I (other income) they had shown received the amount of Rs. 879 lac as brand subscription fees. The Co. did not provide the agreement regarding the brand subscription fees but produced the letter dated 26.02.2010 having information as subscription fees to use the business name Eicher and related trademark and Signage for the period 006-07 and received the amount of Rs. 8,79,00,000/- on 01.07.2007. The amount received in goodwill etc. Hence total demand of Rs. 36,64,315/- is assessed along with interest."

6. For the aforesaid reasons, vide separate assessment of penalty framed on 11/03/2010, u/s 33 of DVAT Act read with section 86 of DVAT Act, Learned Assessing Authority levied penalty of Rs. 36,64,315/- and directed the dealer-assessee to deposit/pay the same.

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7. Feeling aggrieved by the above assessments, dealer-assessee filed objections u/s 74 of DVAT Act.

Objections are disposed of

8. Vide common order dated 14/10/2011, learned Special Commissioner-I (OHA) disposed of all the objections.

9. On the point of 'right to use' the business name, mark and signage "Eicher", learned OHA observed that the objector had transferred the 'right to use' the name, mark and signage as its delivery was made by the objector to the subscriber and the subscriber had control over it, the subscriber having paid consideration.

10. As regards stock transfer to Ballabhgarh Branch (Haryana), learned OHA observed that the objector was able to provide some documentary evidence in support of movement of goods but the same required verification and enquiry at VATO level.

As regards stock transfer to Maharashtra/Mumbai Branch, learned OHA was of the view that the dealer-objector had failed to provide supporting documents to prove the movement of goods.

Accordingly, Learned OHA upheld the assessment framed by learned VATO (Audit) with regard to imposition of (tax and interest) excluding on the point of stock transfer to Ballabhgrah Branch (Haryana).

11. These two appeals have been filed against order dated 05/1/2012 passed by Special Commissioner – I, whereby objections filed by the dealer company – objector u/s. 74(1) of DVAT Act, challenging the assessment framed by the Assessing Authority in respect of 4th Quarter of 2008-09, were dismissed.

Learned Assessing Authority framed assessment u/s. 32 of DVAT Act on 14/18/02/2011 due to the following reasons:-

> "The dealer has been audited under section 58 of the DVAT Act, 2004. During the course of audit, it was detected that dealer has been selling some specific items @4% VAT or as exempt items which are otherwise taxable @12.5% in accordance with section 4(1)(e) of the DVAT act, 2004. These items are pots (decorative earthen pots), essential oils, bamboo (various items made of bamboo as the major constituent) and TX-Silk (silk made-ups).
>
> The dealer is selling decorative earthen pots as exempt items in the disguise of pots. The items sold by dealer are not for use by the common man for the basic purpose for which the earthen pots are used viz for storing water, pickles, etc. Earthen pots mentioned at SI. No.12 of the first schedule appended to the Act making it exempt from levy of VAT. The items mentioned in the First Schedule cannot be confused with decorative earthen pots which are the designer earthen pots having been worked up using colours and others decorative materials and which cannot be used for a purpose other than interior decoration of the elite drawing rooms. Cost of these pots sold by the dealer are in the range of Rs. 1,500/- (Congo pot) to Rs. 12,800/- (Indus urn) per unit which without doubt indicates that these are not the earthen pots mentioned in the First Schedule intended to be exempt

from VAT. And also since the dealer has sold these pots not by the name of 'earthen pots' as mentioned in the First Schedule but by various nomenclature viz Tapi pot, Kaveri pot, Lumbini pot, Periyar vase, Taxila urn, Sahara barrel, etc., the sold itmes are taxable @12.5% as per Section 4(1)(e). Sales to the tune of Rs, 3,01,515/- of these items have been made in this tax period.

Essential oils are sold @4% while they too are taxable @12.5% as they do not find any mention in any of the schedule appended to the Act. Essential oils sold by the dealer carry the descriptions like lemon grass E. Oil, Cedarwood E. Oil, Citronella E. Oil, Bitter orange E. Oil Abahna Bath Oil, Peppermint E. Oil, Grave fruit E. oil, etc. their cost ranging from Rs. 187/- to Rs. 337/- per 10ml of the oil. Sales to the tune of Rs. 79,932/- of these items have been made in this tax period.

The dealer has been selling items made of bamboo @4% VAT. Description of the sold items include Mandalay oval tray-lights-tissue box-organiser tray-linen chest-laundry basket-bed side tray-gift basket-paper bin, Swissmar peddle board, Tangerine bowl, Zen Spa tray, Manial bowl, Zen Spa dispenser, Zen spa container, Zen spa soap dish, Cheese board, cheese knives, wine rak, coasters, ladder, etc. Third Schedule of the Act contains three entries related to bamboo which are- 8, bamboo, 55 pulp of bamboo, wood and paper and 140 bamboo mating. A careful perusal of these entries shall clarify, beyond doubt, that the items made of bamboo which are sold by the dealer do not fall under these entries and are thus, taxable @12.5% by virtue of section 4(1)(e). Sales to the tune of Rs. 7,39,814/- of these items have been made in this tax period.

The dealer is selling silk made-ups @4% VAT. The sold items include rasa mat napkin sets, droplet ties, Buddha meditation pillow, Azra poppy Throws, Dove table cloth, Mantra coaster, Leaf table cloth, Qila bed cover and cushions byvarious nomenclature such as Retoraja cushion, Mantra coushion, Jodhpur cushion, Anarkali coushion, Begum Pintuck coushion, etc. These items made of silk are mentioned nowhere in any of the Schedules contended to the Act and therefore, they are taxable @12.5% as mandated by (sic) to the tune of Rs.

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35,82,093/- of these items have been made in this tax period.

Thus, sales of Rs. 47,03,354/- need to be taxed @12.5% along with charging the due interest on balance tax amount.

The balance sheet submitted by the company shows other income of Rs. 1282.34 lacs which includes income of Rs. 856 lacs on account of brand subscription fee and income of Rs. 116.45 lacs on account of 'others'.
The dealer has submitted a schedule of this misc. income (others) of Rs. 1,16,45,075/- which includes an income of Rs. 27,76,180/- on account of receipts against oil lubricant royalty; an income of Rs. 28,803/- on account of duty drawback and 'other misc income' of Rs. 22,99,806/-. Dealer has, however, failed to produce any details or supporting documents related to the 'other misc. income'.
Brand subscription fee denotes the subscription fees to use the company's business name which in this case are 'Eicher' and related marks and signages. All intangible goods like copyright, patent, rep licence, goodwill, etc. are taxable@4% (in the year under audit) by virtue of entry at SI. No. 3 in the Third Schedule appended to the Act. The amount of Rs. 8,84,04,983/- received on account of income from brand subscription fee, oil lubricant royalty duty drawback, therefore, needs to be taxed @4%.
Also in the current circumstances, in absence of any supporting documents to explain the details of unascertainable 'other misc. income' of Rs. 22,99,806/- I do not have any option but to tax this amount @4% considering it as unaccounted sales made by the dealer. Assessed accordingly."

Assessment of Penalty

12. For the aforesaid reasons, Learned Assessing Authority also imposed penalty u/s. 86(12) of DVAT Act.

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13. Feeling dissatisfied with the assessments framed by Learned Assessing Authority, dealer filed objections.

Objections are disposed of

14. Learned OHA, after hearing both the sides, dismissed the objections by observing in the manner as:

> "Apart from above, the objector has neither submitted any document before the Objection Hearing Authority nor before the VATI (Audit), regarding Oil lubricant royalty of Rs. 27,76,180/-, duty drawback of Rs. 28,803/- and other miscellaneous income of Rs. 22,99,806/- and the VATO has rightly held this income as sale and taxed at 4%.
>
> The objector has received income of Rs. 8,84,04,983/- as income of brands subscription fee. In support of it, the objector has submitted an agreement and try to prove that the objector is not liable to be taxed at 4% as there is no right to use but at point No. 'B' of the agreement, it has been mentioned the 'Eicher' brand name, trade mark, signage are to be used to be promote a unified common brands which would match the brand equity of well attached to the names.
>
> There is immense goodwill and brand awareness attached to the name/mark which the Proprietor proposes to further develop, promote and enhance in order to provide the collective strength of the 'Eicher' brand name.
>
> As per point No. 'C' the subscriber i.e. M/s Eicher Motors ltd. wishes to continue to associate itself with the business name, mark and signage.
>
> As per clause 2(1) the Prop. has granted the subscriber to use the business name mark and signage or its business use. As per clause 2.2.1 the subscriber has been forbidden to grant any further subscription to any third party. As per clause 3.1.1 the subscription fee is 0.5% of the annual sales turnover which will be payable upon determination of annual profit before tax payable within 14 days of the adoption of the annual accounts by the share holders of the subscriber at the annual general

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meeting and the maximum subscription shall not exceed 10% of the subscriber's annual profit before tax.
Thus the proprietor who is the objector has been granted the right to use the business name mark and signage which has been defined in clause 1 of the agreement. In lieu of using the business name, mark and signage, the objector has received consideration which attracts tax @4%.
Right to use by the transferor does not mean that he has bequeathed all his rights in the brand name etc. The transferee can use it, can retain the name and at the same and the VATO has rightly assessed the tax.
I have gone through the written submission, arguments and documents placed before me by the objector and the DR and find that the earthen goods sold by the objector are decorative pieces, oils sold by the objectors are not essentials oils but other found any mention in Schedule 3, and same is with the goods made form silk, and are rightly taxed use of business name, marks, signage, brand name of Eicher by the objector at 4%. The terms and conditions of the agreement to prove the same.

The objector has failed to furnish any documentary evidence against levy of taxed by VATO on Oil lubricant royalty of Rs. 27,76,180/-, duty drawback of Rs. 28,803/- and other miscellaneous income of Rs. 22,99,806/-. Due to the above reasons, a tax deficiency has arisen which attracts penalty under section 86(12) of DVAT Act, 2004. The objector has stated that he is not liable to pay interest which holds no merit as per section 42 of DVAT Act. Thus the objector is liable to pay interest on the tax due. In view of above, I uphold the orders of the assessing authority and the objector is liable to pay tax, interest and penalty.
Ordered accordingly"

15. Hence these appeals.

16. Arguments heard. File perused.

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Hearing of these appeals-effects of the order of stay passed by Hon'ble Supreme Court.

17. In the course of the arguments, learned counsel for the Revenue has submitted that some of the judgments passed by Hon'ble High Court on the same point has been challenged by the Revenue before the Hon'ble Apex Court and that Hon'ble Supreme Court has stayed operation of the decision given by the Hon'ble High Court. The contention is that the decisions by the Hon'ble High Court of Delhi under challenge before the Hon'ble Apex Court, so far as the same are against the Revenue, be not taken into consideration.

18. On the other hand, learned counsel for the appellant has submitted that it is settled law that the order of stay in an appeal before the Apex Court does not amount to 'any declaration of law' and also does not destroy the binding effect of the judgement of the High Court as a precedent. In support of this contention, reference has been made to following decisions:

1. **Shree Chamundi Moped Ltd. v. Church of South India Trust Association Madras,** (1992) 3 SCC 1;
2. **Abdul Rahim v. District Collector,** (2009) 3 KLJ 819;
3. **Nestle India Limited v. State of Punjab,** LPA No. 62 of 2004; decided by the Hon'ble High Court of Punjab and Haryana on 24/04/2009;
4. **Government of AP v. N Rami Reddy** AIR 2004 AP 226;

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5. **SC Bhattarcharji v. Merrut Cantonment Board** 2005 (3) AWC 2613 (All. HC);

6. **Niranjan Chatterjee v. State of West Bengal** (2007) 3 CHN 683;

7. **Baljeet Singh v. School Management of Guru Harkishan Public School &Ors.** 2018 SCC Online Del 10795; and

8. **Principal Commissioner of C. Ex. Delhi-I v. Space Telelink Ltd.** 2017 (355) E.L.T 189 (Del.).

19. In the case of **Shree Chamundi Mopeds Ltd's** case (supra), while explaining difference between an order of stay of operation of the impugned order and an order quashing the order itself, Hon'ble Apex Court observed as under:

> "While considering the effect of an interim order staying the operation of the order under challenge, a distinction has to be made between quashing of an order and stay of operation of an order. Quashing of an order results in the restoration of the position as it stood on the date of the passing of the order which has been quashed. The stay of operation of an order does not, however, lead to such a result. It only means that the order which has been stayed would not be operative from the date of the passing of the stay order and it does not mean that the said order has been wiped out from existence. This means that if an order passed by the appellate authority is quashed and the matter is remanded, the result would be that the appeal which had been disposed of by the said order of the appellate authority would be restored and it can be said to be pending before the appellate authority after the quashing of the order of the appellate authority. The same cannot be said with regard to an order staying the operation of the order of the appellate authority because in spite of the said order, the order of the appellate authority continues to exist in law and so long as it exists, it cannot be said that the appeal which has been disposed of by the said order has not been disposed of and is still pending. We are, therefore, of the opinion that the

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passing of the interim order dated February 21, 1991 by the Delhi High Court staying the operation of the order of the appellate authority dated January 7, 1991 does not have the effect of reviving the appeal which had been dismissed by the appellate authority by its order dated January 7, 1991 and it cannot be said that after February 21, 1991, the said appeal stood revived and was pending before the appellate authority."

"Therefore, the effect of the order of stay in a pending appeal before the Apex Court does not amount to 'any declaration of law' but is only binding upon the parties to the said proceedings and at the same time, such interim order does not destroy the binding effect of the judgment of the High Court as a precedent because while granting the interim order, the Apex Court had no occasion to lay down any proposition of law inconsistent with the one declared by the High Court which is impugned."

Having regard to the above said decisions, I proceed to dispose of these old appeals, while discussing the contentions raised on behalf of both the parties.

Appeal Nos. 348-352/14

20. Learned Counsel for the appellant has ~~also~~ clarified that as regards assessment framed under CST Act, appellant has already deposited the amount towards demand raised and that the assessment framed under CST Act is also no more being challenged by the appellant.

21. It may be mentioned at the outset that in this set of appeals, Learned Counsel for the appellant has challenged the impugned order passed by Learned OHA and the impugned assessments framed by Learned Assessing Authority only as regards transfer of right to use trademark/brand name "Eicher"

as per assessment framed under DVAT Act. Learned counsel for the appellant has stated that no other ground raised in the appeal against levy of tax and interest and the impugned order passed by Learned OHA is under challenge in this set of appeals.

22. On the point of Transfer of Right to Use business name, mark and signage, on behalf of the appellant, the contention is that the business name, mark and signage are not "goods" and as such tax @ 12.5% could not be levied on ~~the goods sold by~~ the appellant; that this is not a case of transfer of right to use business- name, mark and signage, as the transfer was made on non exclusive basis; that the said transfer of right to use business name, mark and signage is classifiable u/s. 65(105)(zzzzj) of the Finance Act, 1994 as a taxable service and not as sale of goods for the purpose of sales tax; and that this is a case of transfer of right to use business name, mark and signage, which was not taxable in Delhi at the time of transfer of the said right and that even royalty agreement was executed outside Delhi.

While challenging assessment of tax and interest framed u/s 32 of DVAT Act, on behalf of the dealer it was ~~has been~~ submitted before the Assessing Authority that the royalty being received by the said dealer-appellant by way of subscription fees on account of use of brand name "Eicher", was not taxable under DVAT Act as the dealer was paying service tax on it. In this way,

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Same submission was put forth before the Assessing Authority.

In support of this submission, reference has been made to decisions in **M/s AGS Entertainment Pvt. Ltd. v. UOI**, 2013 (32) STR 129 (Mad.); **Malabar Gold Pvt. Ltd. v. Commercial Tax Officer**, 2013-TIOL-512 HC Kerala-ST and **Imagic Creative Pvt. Ltd. v. Commissioner of Commercial Taxes**, (2008) 2 SCC 614.

Contention on behalf of Revenue.

23. Learned Counsel for the Revenue has contended that transfer of right to use Trade Mark being a case of deemed sale of intangible goods/items, the assessments have been legally and correctly framed. In this regard, Learned Counsel has referred to decisions in **Dukes &Sons Pvt. Ltd. v. Commissioner of Sales Tax,** (1999) 112 STV 370 (Bom) and **Nutrine Confectionery Co. Pvt. Ltd. v. State of Andhra Pradesh,** (2011) 40 VST 327 (AP).

24. As regards claim of appellant qua Service Tax, Learned Counsel for the Revenue has contended that service tax is meant for services rendered, but transfer of right to use a trademark is not a service.

Learned Counsel further contended that dealer has not submitted copy of any challan in proof of payment/deposit of any service tax by the dealer. At the same time, it has been

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contended that even if any service tax was paid by the dealer, it was wrongly paid.

25. On the other hand, Counsel for the appellant has referred to pages 234A (i.e. invoice); 234B onwards (i.e. returns); and 234O and P (copies of challan), in support of his contention that once service tax has been paid, DVAT is not payable.

Appeal Nos. 1206-1207/11

26. As noticed above, by way of present appeals, dealer-assessee has challenged order dated 14/10/2011 passed by Learned OHA whereby the assessment framed by VATO (Audit) imposing tax, interest and penalty, excluding the stock transfer to Ballabhgarh Branch (Haryana) has been upheld.

27. In this set of appeals, Learned Counsel for the appellant has challenged the impugned order passed by Learned OHA and the impugned assessments framed by Learned Assessing Authority as regards transfer of right to use trademark/brand name "Eicher" as per assessment framed under DVAT Act, stock transfer and the imposition of penalty u/s 86(10) of DVAT Act.

The contention raised on behalf of the appellant is that the Appellant having permitted Eicher Motors Ltd. to use its Business Name, mark and Signage on non-exclusive and non-assignable basis and, therefore, it cannot be said to be a case of

transfer of right to use goods in terms of definition of 'sale' under Section 2(1)(zc)(vi) of DVAT Act and as such not assessable to VAT under DVAT Act.

28. As regards stock transfer to Maharashtra/Mumbai Branch, the only contention raised by Learned Counsel for the appellant is that the impugned order passed by Learned OHA deserves to be set aside and the matter needs to be remanded so as to provide reasonable opportunity to the dealer of being heard on this point.

29. In this regard, Counsel has referred to previous decision dated 04/01/2013 passed by this Appellate Tribunal in Appeal Nos. 1067-1088/2010 pertaining to the assessment year 2007-08 filed by the same dealer-appellant.

Observations by Learned OHA

Stock Transfer

30. As regards stock transfer to Ballabhgarh Branch (Haryana), Learned OHA has observed that the objector was able to provide some documentary evidences in support of movement of goods, but the said documents required verification and enquiry at VATO level.

As regards stock transfer to Maharashtra/Mumbai Branch, Learned OHA further observed that the dealer failed to provide

supporting documents to prove movement of goods regarding stock transfer to Maharashtra/Mumbai Branch.

Appeal Nos. 1865-1866/11

31. The matter pertains to tax period- 4th quarter of the year 2008-09. Assessing Authority has framed assessment of tax, interest and penalty. Penalty has been imposed u/s 86 (12) of DVAT Act.

For assessments on the point of Brand subscription fee, following reasons have been given :

> "Brand subscription fee denotes the subscription fees to use the company's business name which in this case are 'Eicher' and related marks and signages. All intangible goods like copyright, patent, rep licence, goodwill, etc. are taxable@4% (in the year under audit) by virtue of entry at SI. No. 3 in the Third Schedule appended to the Act. The amount of Rs. 8,84,04,983/- received on account of income from brand subscription fee, oil lubricant royalty duty drawback, therefore, needs to be taxed @4%."

32. The argument advanced on behalf of the appellant on the point of transfer of right to use business name, mark and signage, is that the appellant permitted Eicher Motor Ltd. to use the same i.e. business name, mark and signage for its business use on non-exclusive and non-assignable basis, in terms of agreement dated 24/02/2003. Further, it was agreed between the parties that in case of infringement or passing off the business name,

mark and signage, Eicher Motor Ltd. shall notify the appellant and Eicher Motor Ltd. shall not institute any action or proceeding pertaining to infringement, and as such it cannot be said to be a case of transfer of right to use goods or sale as provided under DVAT Act, and consequently the transaction was not assessable to VAT.

33. Similar contention has been raised as regards tripartite agreement between the appellant, Eicher Motor Ltd. and Indian Oil Corporation Ltd. as per terms of which the corporation was allowed to use trademark on the labels affixed to containers, containing lubricant oil and meant for sale, while submitting that the corporation use to pay royalty to the appellant for use of the said trademark.

Earthen goods

34. As noticed above, vide impugned order learned OHA has recorded finding that earthen goods sold by the objector were decorative pieces taxable at the rate of 12.5%, as per provisions of Section 4 (1) (e) of DVAT Act.

The contention raised by learned counsel for the appellant is that earthen pots finds mentioned in the list of exempted commodities, as described in entry at serial no. 12 of Schedule I of DVAT Act.

Bamboo items

35. As regards goods made of bamboo, learned OHA has upheld the assessment and the view of the Assessing Authority that same are exigible to VAT at the rate of 12.5%, u/s 4 (1) (e) of DVAT Act.

In this regard, contention raised by learned for the appellant is that as per entry at Serial Nos. 8 and 140 of Schedule III of DVAT Act, bamboo articles could not be held exigible to tax at the rate of 12.5%.

Silk items

36. Vide impugned order, learned OHA also upheld assessment as regards silk items, finding that same are exigible @ 12.5% as per section 4 (1) (e) of DVAT Act.

Contention raised on behalf of the appellant is that as per entry at Serial No. 164, of Schedule III of DVAT Act, silk articles could not be held assessable to tax at the rate of 12.5%.

Essential Oils

37. Vide impugned order, learned OHA has upheld the assessment and the view of the Assessing Authority that essential oils are assessable to tax i.e. VAT at the rate of 12.5% as per section 4 (1) (e) of DVAT Act.

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In the course of the final arguments, learned counsel for the appellant submitted that as regards essential oils, matter has already been remanded by this Appellate Tribunal in another matter, to learned VATO for decision afresh.

Income and Duty Drawback

38. Vide impugned order, learned OHA has upheld assessment framed by the Assessing Authority on these aspects while observing that the objector failed to furnish any documentary evidence against levy of tax in this regard.

The contention raised on behalf of the appellant is that miscellaneous income is not exigible to tax under DVAT Act. Further, it has been submitted that out of total miscellaneous income generated in Delhi, income to the tune of Rs. 8 lakh pertained to services provided to ACESS for arrangement of exhibition at Ashok Hotel and display charges collected from the "Leadings Hotel of the World Limited", and further submitted that the dealer paid service tax on these services, and as such no VAT is leviable.

Discussion

Transfer of right to use intangible goods

39. Entry at Sr.No.3 of Schedule III of DVAT Act/2004 pertains to all intangible goods like copyright, patent, representative licence,

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goodwill etc. This list of goods makes it so obvious that intangible goods fall in the ambit of "goods" exigible to VAT.

In Duke & Sons Pvt. Ltd.'s case, while referring to the decision in Vikas Sales Corporation v. Commissioner of Commercial Taxes, (1996) 102 STC 106, it was held that even incorporeal rights like trade marks, copy rights, patents and rights in Personal capable of transfer or transmission are included in the ambit of 'goods'.

40. Prior to enactment of DVAT Act, Delhi Sales Tax on Right To use Goods Act, 2002 (hereinafter refer to as DSTRUG Act, 2002) was in force.

Word "Goods" has been defined under section 2(f) of DSTRUG Act, 2002 to include all materials, articles, commodities and all other kinds of movable property, but does not include newspapers, actionable claims, stocks, shares, securities or money.

As per section 2(n) of DSTRUG Act, 2002, "sale" has been defined to mean any transfer of the right to use any goods for any purpose (whether or not for a specific period) for cash, deferred payment or any other valuable consideration, and the word "sell" shall be construed accordingly.

As per clause (o) of section 2 of DSTRUG Act, 2002, "sale price" means that amount of valuable consideration received or receivable for the transfer of the right to use any goods for any purpose (whether or not for a specific period).

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Section 3 of DSTRUG Act, 2002, pertains to incidence of tax and Section 4 pertains to levy of tax.

41. On this issue, Learned counsel for the parties have placed reliance on the decision in **BSNL v. Union of India**, (2006) 3 VST 95 (SC) and submitted that following attributes must exist to determine as to whether a transaction is a transaction of Transfer of Right to Use or not:

> "97. To constitute a transaction for the transfer of the right to use the goods, the transaction must have the following attributes:
>
> a. there must be goods available for delivery;
> b. there must be a consensus ad idem as to the identity of the goods;
> c. the transferee should have a legal right to use the goods-consequently all legal consequences of such use including any permissions or licences required therefore should be available to the transferee;
> d. for the period during which the transferee has such legal right, it has to be the exclusion to the transferor-this is the necessary concomitant of the plain language of the statute viz. a "transfer of the right to use" and not merely a licence to use the goods;
> e. having transferred the right to use the goods during the period for which it is to be transferred, the owner cannot again transfer the same rights to others."

Attribute of Effective Control and Possession -in case of a Trade Mark

42. On behalf of the appellant, in the course of arguments, contentions have been advanced on the said attribute. Reliance has been placed on decision in **McDonalds India Pvt. Ltd. v. Commissioner of Trade & Taxes,** 2017-VIL-283-DEL;

BSNL v. Union of India, (2006) 3 SCC 1; Rashtriya Ispat Nigam Ltd. V. State of AP, (1990) 77 STC 182(AP); and Commissioner of Commercial Taxes v. Seegram India Ltd., 2014 VIL 30 ALH.

In **McDonalds's** case (supra), our own Hon'ble High Court observed that the franchise agreement needs to be read in its entirety to understand the intention of the contract and that it would be incorrect to cull out only a section of the agreement to make it leviable to VAT.

Therein, the franchise agreement evidently intended to make a non-exclusive transfer of the composite system of the services that was not limited to the trade mark, but was inclusive of a bunch of services. Hon'ble Court held that the same could not be treated as goods and could not be subjected to VAT. Consequently, Hon'ble Court held that levy under DVAT was incorrect.

43. In para 37 of the above decision, while referring to the business of the dealer-petitioners, Hon'ble High Court observed as under:-

> "McDonald's and the petitioners (Sagar Ratna, and Bikanerwala) are solely engaged in providing franchise services to its franchisees and the same would thus not be liable to VAT under the provisions of the DVAT Act, as the franchise service is expressly a taxable service and cannot be treated as goods.
>
> From a perusal of the facts of the cases, as well as the provisions of the franchise agreements, it can be

concluded that what was intended to be transferred was not the trade mark, but an entire gamut of services, which includes, inter alia, a guide that educates the franchisees on various aspects of business and conduct to market the business. To segregate the terms of the agreement to levy VAT on only specific aspects of it would be inexact. Moreover, the Appellant and the Petitioners are already paying service tax levied on the franchise agreements, and there can be no overlapping of taxes.

The subject matters in List I and List II of the Seventh Schedule to the Constitution are distinct and once a particular service is subject to service tax, it cannot be treated as a sale of goods and subject to VAT. Thus, the definition of "intellectual property" and levy of sales tax on transfer of right to use trade marks, patents and copyrights etc. will not apply in the case of a franchise agreement. This was highlighted in paragraphs 88 and 89 of BSNL (supra)".

While referring to the definition of "franchise" as available under section 65(47) of the Finance Act, 1994, Hon'ble High Court observed in para 38 of the judgment that the franchise agreement grants only a representational right and not an exclusive right to sell/manufacture goods; that the provisions of the franchise agreements are only to the effect of giving the franchisee the non-exclusive right to use, for instance, as was reiterated in clause 11(d) of McDonald's as under:-

"Franchise and Joint Venture Partner shall acquire no right to use, or to license the use of, any name, mark or other intellectual property right granted or to be granted or to be granted herein, except in connection with the operation of the Restaurant."

While dealing with the peculiarity of intangibles or incorporeal property i.e. intellectual property, Hon'ble High Court observed that unlike real property, boundaries of intellectual boundaries are unset. Hon'ble Court went on to observe as under:-

> "These rights are only real and effective to the extent they enable the owner or transferee to "keep out" from use those who are not permitted to do so. In other words, the nature of intellectual property and the remedies provided for their enforcement, hinge upon the right to exclude others from using it. The distinctiveness of a mark, earned through dint of continuous use and brand building, results in the trade mark which is classically known as "a badge of origin" that assures the user of the products the constancy of the quality associated with it. Only ensuring that others who do not own it are prevented from using or appropriating it ensures its enforcement.

While dealing with franchise agreements, subject of interpretation therein, Hon'ble High Court observed:

> "In the case of the franchise agreements involved in the present case, none of the franchisees or in the case of the trade mark licensee (or in GSK'S petition the trade mark licensee), are empowered to safeguard violation of the mark, through enforcement mechanisms, such as filing suits for injunction or damages. This underlines that the most important attribute of ownership or transfer (even in the most evanescent sense) is absent. Furthermore, by reason of Section 48 of the Trade Marks Act, the utilization of the mark by the franchisee/licensee would accrue to the trade mark owner. Therefore, the reputation or brand building which accrues on account of increased

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volume of business because of the franchise/licensing arrangement, continues to be with the owner. No brand building or brand benefit accrues or arises to the franchisee/licensee."

Therein, Hon'ble High Court held that the franchise agreements in the 3 cases permitted a limited right to use the composite system of the respective businesses of the appellant and the petitioners to the franchisors/licensee, and the dominant intention, as well as the specific provisions arising from the franchise agreement were not of a transfer of the rights to use goods.

44. In Seegram's case (supra), interpretation of section 3 F of U.P. Trade Tax Act, 1948 was involved. Hon'ble High Court observed that therein right to use trade mark was permitted to various different companies at the same time and that there was nothing on record to establish that transferee-assessee had so permitted use of trade mark had excluded itself from its use, and held that permission granted could be treated as licence.

45. In Nutrine Confectionery Co. Pvt. Ltd's case (supra), cited on behalf of the Revenue, a case pertaining to levy of tax as regards transfer of the right to use trademark "Nutrine" and Logo "Bunny", used on wrappers etc. in terms of four agreements of 1994, between the petitioner therein and others.

The petitioner therein had agreed to allow the companies to use the said trademark and logo, and the royalty was agreed to be paid at the rate of Rs. 500/- per ton of production by the assignee. Assessing Authority finalized the assessment determining taxable turnover.

The matter pertained to interpretation of provisions of Andhra Pradesh General Sales Tax Act. Having regard to the clauses of the agreement, Hon'ble Court observed that transfer of 'right to use' the trademark and the logo was clearly discernible, which was dominant purpose and that the transaction did not cease to be a sale.

Hon'ble Court further observed that in the case of a trademark, as provided in Chapter (V) Section (37-45) of the Trade Marks Act of 1999, same can be used by the assignee without any exclusive right. In this regard, reference was made to Section 41 of Trade Marks Act.

Hon'ble Court further observed that the proprietor of a Trade Marks Act can always assign a registered or unregistered trademark for exclusive use or limited use to different persons at the same time under license. Further, it was observed that even if the petitioner therein had retained the right to use the trademark and the logo for its own operations, the same did not remove the transaction under the agreement, outside the purview of Section 5 (E) of GST Act.

Hon'ble Court also appreciated the submission on behalf of the Revenue that a trademark or a logo, which is incorporeal or intangible, can always be assigned by the proprietor while retaining the right to use for itself.

Taking into consideration, the conclusion arrived at by the learned Tribunal that for allowing the assignee the use of trademark and logo, the consideration received as royalty, was realized in respect of the transfer of right to use the goods, Hon'ble Court observed that the said conclusion did not call for any interference.

46. In **Duke & Sons Private Ltd.** case (supra), while interpreting the agreement arrived at for payment of royalty of Rs. 1,500/- to the respondent, to find out if it amounted to "sale" as defined in Section 2 (10) of the Maharashtra Sales Tax on the Transfer of the Right to use any Goods for Any Purpose Act, 1985, Hon'ble High Court observed as under:

> "Tax is leviable under the Maharashtra Sales Tax on the Transfer of the Right to use any Goods for Any Purpose Act, 1985 on the amount received by the assessee for the transfer of the right to use any goods for any purpose. The manner of transfer of the right to use the goods to the transferee would depend upon the nature of the goods. In the case of tangible property, handing over theof the property to the transferee may be essential for the use thereof. That will depend upon the nature of the goods. The right to use machinery cannot be transferred by the transferor to the transferee without transfer of control over it. But the position in the case of a trade mark is

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different. For transferring the right to use the trade mark, it is not necessary to hand over the trade mark to the transferee or give control or possession of trade mark to him. It can be done merely by authorizing the transferee to use the same in the manner required by the law. The right to use the trade mark can be transferred simultaneously to any number of persons. There is a distinction between transfer of right to use a trade mark and assignment of a trade mark. "Assignment" of a trade mark is taken to be a sale or transfer of the trade mark by the owner or proprietor thereof to a third party inter vivos. By assignment, the original owner or proprietor of trade mark is divested of his right, title or interest therein. He is not so divested by transfer of right to use the same. Licence to use a trade mark is thus quite distinct and different from assignment. It is not accompanied by transfer of any right or title in the trade mark. The transfer of right to use a trade mark falls under the purview of the 1985 Act and not the assignment thereof.

The respondent-dealer held certain registered trade marks. It manufactured concentrates for aerated waters, beverages, etc., and sold them to bottlers in the State of Maharashtra as also outside the State of Maharashtra for use in manufacture of aerated waters, beverages, etc. Such transactions between the dealer and purchasers of concentrates took place in terms of the written agreement between them. As per these agreements, the dealer sold the concentrates to the customers for use in manufacturing aerated waters, beverages, etc., at their bottling plants. Such purchasers of concentrates were also permitted to market their beverages by using the trade mark of the dealer. The dealer charged royalty for the user of its trade marks by the customers. The Tribunal held that permission to use the trade mark without transfer of the trade mark or any right therein could not

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be regarded as a sale within the meaning of clause (10) of section 2 of the 1985 Act. On a reference:

Held, that the 1985 Act was enacted for the purpose of levying tax on the transfer of right to use the goods. It is not applicable to transfer of right or title in the goods which may attract the provisions of the Bombay Sales Tax Act. In the case of trade mark, which is taxable under the 1985 Act was the transfer of right to use the trade mark. Admittedly, by agreement between the dealer and the purchaser, there was a transfer of right to use the trade mark to the purchaser. The royalty of Rs. 1,500 was payable in respect of transfer of the right to use the trade mark. Such transfer clearly fell within the provisions of the 1985 Act."

Appeal Nos. 1206-1207/11

47. In the matter, leading to Appeal Nos. 1206-1207/11 pertaining to tax period July 2007, appellant has relied on an agreement dated 24/02/2003 – Annexure 2 – under the heading Brand Equity and Business Promotion Agreement came to be executed between the dealer-appellant and Eicher Motors Ltd.

Hereunder, some of the significant clauses of the agreement executed on 24/02/2003 between the dealer-appellant and Eicher Motor Ltd. are reproduced for ready reference and for adjudication of the issue:

"2. GRANT OF SUBSCRIPTION RIGHT.

2.1 Grant of Right to use.

The Proprietor hereby grants to the Subscriber from the Agreement date, and subject to the conditions in this Agreement, a personal, but non-exclusive and non-assignable, subscription to use the Business Name, the

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Mark and the Signage for its Business Use (hereinafter referred to as the "Subscription"). The Subscriber is further entitled to use any Mark for projecting the Eicher Group image and shall further assist the Proprietor in protecting and enforcing the Business Name, the Mark and the Signage.

3. FEE FOR SUBSCRIPTION.

3.5 Change in Use and Obligation.

No change in the use by the Subscriber shall be permitted unless prior written approval is obtained from the Proprietor. Any change in the use authorised by the Proprietor shall be subject to the provisions of Section 5.

6. CONTROL OF USE OF THE MARKS AND MARKETING.

6.1 The Subscriber agrees and undertakes that the Business Use shall, under all circumstances, take place in a manner, which promotes the object and intention of this Agreement.

8. PROPRIETOR ACCESS.

8.1 The Subscriber shall permit the persons authorised by the Proprietor at all reasonable times to enter the premises of the Subscriber for the purpose of verifying the standards of quality of the Business Use, and shall at the request of the Proprietor furnish, at the Subscriber's expense, for inspection and analysis such samples of its products and/ or services, as may be reasonably requested.

10. ACKNOWLEDGEMENT OF RIGHTS.

The Subscriber hereby acknowledges that the Proprietor is the sole and rightful owner of the Business Name, Marks and the Signage and agrees that during the continuance of this Agreement the Subscriber shall not claim any rights in or to the Business Name, the Marks and Signage other than the permission to use them as specifically provided for in this Agreement, and that both during the continuation and post the termination of this Agreement, the Subscriber shall not dispute, nor assist

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any Third Part in disputing, the validity or ownership of the Business Name, the Marks and Signage.

15. CONSEQUENCES OF TERMINATION.

Upon and subsequent to termination of this Agreement the Subscriber shall

(a) neither use or assist any Third Party to use any of the Business Name, the Marks or the Signage nor any other mark, word or words (including any translation of any of the Business Name the Marks or the Signage) which in the opinion of the Proprietor might be confused therewith either:
   (i) as a trade mark in relation to any goods or service or other use whatsoever, or
   (ii) as the style or name (or as part of the style or name) or any firm, partnership or corporation or otherwise, or
   (iii) as a descriptive or generic terms, including the use of such trade mark or such style or name on or in relation to packages, labels, advertising and other materials;

(b) ensure the immediate payment of all outstanding Subscription Fee due pursuant to Section 3 prior to termination;

(c) hand over to the Proprietor or destroy all dies, blocks, labels, packaging, printed materials, or the like featuring the Business Names, the Marks or the Signage of all descriptions, which is obtained from and was authorised to use by the Proprietor; and

(d) do all such acts as may be necessary to procure the cancellation of the Subscriber as a registered user if the Subscriber has been recorded as the registered user of any of the Business Name, the Marks and the Signage.

18. GENERAL.

18.3 Assignment.

Except as otherwise provided in the Agreement, the rights and obligations under this Agreement shall not be assigned by any Party to any person. Any attempted

assignment in contravention of this Section shall be void."

McDonald's case is distinguishable

48. In McDonald's case, the object of the agreement was to operate a comprehensive restaurant system (consisting of manuals, instructions etc., to run McDonald's' restaurants) at the locations specified in the agreement, albeit, without an exclusive transfer of right to use the same.

Similarly, the agreements signed by the Petitioners (Sagar Ratna, Bikanerwala in whose cases the arrangement was a franchise contract) gave the respective franchisees limited rights to operate services within the agreement, and were non-exclusive in nature and the franchisors remaining entitled to transfer rights to any third party to use their trade mark.

In the case of GSK, the foreign, trade mark owner permitted use of the trade mark, subject to strict conditions with respect to the production and sale of the articles in question.

Hon'ble High Court, while referring to the agreements observed that the same evidently intended to make a non-exclusive transfer of the composite system of services that was not limited to the trade mark, but was inclusive of a bunch of services, and as such could not be treated as goods and be subjected to VAT. Accordingly, Hon'ble High Court held that levy of VAT under DVAT was incorrect.

49. The decision in McDonald's case is distinguishable on facts. Herein, the appellant permitted the other party to use its business name, mark and signage for its business use. Present matters pertain only to trade mark and not to transfer of any composite system of services. Grant of right to use the trade mark and business name, mark and signage was not inclusive of bunch of services.

As per decision in **Vikas Sales Corporation v. CCT**, (1996) 102 STC 106 SC, Hon'ble Apex Court ruled that trade mark and goods, and that for transferee to right to use, a trade mark being intangible goods it is not necessary to hand over the trade mark to the transferee or give control or possession to him, but that transfer is achieved or complete by merely authorizing of transferee to use the trade mark in the manner required by law.

Herein, the agreement dated 24/02/2003 between appellant and Eicher Motor Ltd. was to commence w.e.f. 01/04/2002 onwards, subject to termination for the reasons given in clause 14.2.1. This fulfilled one of the requisites of the definition of sale i.e. transfer of the right to use goods (which included movable property), whether or not for a specified period.

Admittedly, subscription was agreed to be paid and paid to the appellant.

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In this agreement dated 24/02/2003, there is no term and condition regarding initiation of legal proceedings in the event of infringement.

Even on this ground, the decision in McDonald's case is distinguishable and does not come to the aid of the appellant.

As regards other decisions cited on behalf of the appellant, in view of the settled law on this point, as per decisions referred to above and applied to the facts of the present matters, same also do not come to the aid of the dealer.

Appeal No. 1865-1866/11

Agreement dated 06/03/2007 between appellant, Eicher Motors Ltd. and Indian Oil Corporation Ltd.

50. As per record, on 06/03/2007 another agreement came to be executed between dealer-appellant, Eicher Motors and Indian Oil Corporation. As per a tripartite agreement with the Appellant and IOCL had, as permitted by Appellant, agreed to allow IOCL to use trademark on the labels affixed to the containers in which lubricant oil was sold and in consideration of the same, IOCL pays royalty to the Appellant.

As per this agreement, the period for operation of this agreement was 5 years effected from the date of the signing of the agreement and the same was renewable.

As per Clause 3 of the agreement, IOC agreed to offer duly certified products as per standard spelt out in Annexure 2.

Clause 11 pertains to payment of royalty by IOC to Eicher Motors Ltd. and the appellant on the products sold by IOC to all constituents of EML network.

The agreement was terminable after 90 days advance notice.

51. The decision in McDonald's case is distinguishable on facts. Herein, the appellant permitted the other party to use its business name, mark and signage for its business use. Present matters pertain only to trade mark and not to transfer of any composite system of services. Grant of right to use the trade mark and business name, mark and signage was not inclusive of bunch of services.

As per decision in **Vikas Sales Corporation v. CCT**, (1996) 102 STC 106 SC, Hon'ble ApexCourt ruled that trade mark and goods, and that for transferee to right to use, a trade mark being intangible goods it is not necessary to hand overthe trade mark to the transferee or give control or possession to him, but that transfer is achieved or complete by merely authorizing of transferee to use the trade mark in the manner required by law.

Herein, the agreement dated 06/03/2007 appellant and Eicher Motor Ltd. was to commence from the date of signing thereof, subject to termination for the reasons given in clause

16. This fulfilled one of the requisites of the definition of sale i.e. transfer of the right to use goods (which included movable property), whether or not for a specified period.

Admittedly, subscription was paid to the appellant as agreed.

52. In this agreement dated 06/03/2007, there is no term and condition regarding initiation of legal proceedings in the event of infringement.

Even on this ground, the decision in McDonald's case is distinguishable and does not come to the aid of the appellant.

Appeal Nos. 1206-1207/11 & 1865-1866/11

Applicability of DSTRUG Act, 2002 – qua *Agreement dated 24/02/2003*

53. Prior to enactment of DVAT Act, Delhi Sales Tax on Right To use Goods Act, 2002 (hereinafter refer to as DSTRUG Act, 2002) was in force.

"Goods" has been defined under section 2(f) of DSTRUG Act, 2002 to include all materials, articles, commodities and all other kinds of movable property, but does not include newspapers, actionable claims, stocks, shares, securities or money.

As per section 2(n) of DSTRUG Act, 2002, sale has been defined to mean any transfer of the right to use any goods for any purpose (whether or not for a specific period) for cash,

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deferred payment or any other valuable consideration, and the word "sell" shall be construed accordingly.

As per clause (o) of section 2 of DSTRUG Act, 2002, sale price means that amount of valuable consideration received or receivable for the transfer of the right to use any goods for any purpose (whether or not for a specific period).

Section 3 of DSTRUG Act, 2002, pertains to incidence of tax and Section 4 pertains to levy of tax.

Even if this agreement came to be executed on 24/02/2003, in view of the transactions which took place on its basis, in the relevant tax period(s) and the preamble of DVAT Act,2004 which was enacted to consolidate and amend the law relating to levy of taxes, including tax on transfer of right to use goods on sale of goods, in the local areas of NCT of Delhi and provisions of Section 106 of DVAT Act, which pertained to repeal and savings, there is no merit in the contention raised by learned Counsel for the appellant that the turnovers pertaining to the transactions were not taxable under DVAT Act, same having come into force w.e.f 01/04/2005.

Appeal Nos. 1865-1866/11 (Other points)

Stock Transfer

54. As regards stock transfer to Maharashtra/Mumbai Branch, the only contention raised by Learned Counsel for the appellant is that the impugned order passed by Learned OHA

deserves to be set aside and the matter needs to be remanded so as to provide reasonable opportunity to the dealer/of being heard on this point.

In this regard, Counsel has referred to previous decision dated 04/01/2013 passed by this Appellate Tribunal in Appeal Nos. 1067-1088/2010 pertaining to the assessment year 2007-08 filed by the same dealer-appellant.

Observations by Learned OHA

Stock Transfer

55. As regards stock transfer to Ballabhgarh Branch (Haryana), Learned OHA has observed that the objector was able to provide some documentary evidences in support of movement of goods, but the said documents required verification and enquiry at VATO level.

As regards stock transfer to Maharashtra/Mumbai Branch, Learned OHA further observed that the dealer failed to provide supporting documents to prove movement of goods regarding stock transfer to Maharashtra/Mumbai Branch.

56. In Appeal Nos. 1067-1088/2010 decided by this Appellate Tribunal, relied on behalf of the appellant, Learned OHA rejected the objections as regards stock transfer, by observing that dealer-objector had failed to provide supporting documents to prove movement of goods regarding stock transfer to Maharashtra/Mumbai Branch.

Therein, this Appellate Tribunal, while dealing with the point of stock transfer to Haryana unit and Maharashtra unit, observed in the manner as:

> "12. In view of our foregoing discussions, it appears that Ld. OHA committed error of judgment while passing the impugned orders, rejecting the objections without explanation of the facts on the part of the Assessing Authority with regard to documents which could prove the movement of the goods from one State to another and hence, Ld. OHA failed to exercise the jurisdiction in this regard.
>
> In the given facts and circumstances, their Lordship in case of Associated Cement Companies Ltd. Vs. Assistant Commissioner reported at [2009] 23 VST 486 (Mad.)held that once an Appellant has produced form F declarations, the assessing authority is duty-bound to conduct an enquiry in accordance with section 6A(2) of the Central Sales Tax Act, 1956 and observed as under :
>
> > "In other words, the claim of the petitioner that it was a case of stock transfer, has been rejected by the first respondent (i) due to the alleged failure on the part of the petitioner to file statements and records in terms of rule 4(3A) of the CST (Tamil Nadu) Rules, 1957 and (ii) on the basis of inspection findings and scrutiny of D7 records.
> >
> > There is no indication whatsoever, that any kind of inquiry, even a perfunctory one, was conducted by the first respondent, before coming to the above conducted by the first respondent, before coming to the above conclusion. Neither the impugned orders of assessment nor even the common counter-affidavit, contains a claim that any such inquiry was ever conducted. Therefore, there is no escape from the conclusion that the first respondent

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committed a serious error of jurisdiction, in terms of section 6A(2) of the Act."

13. In view of the cited authorities and the discussions as made above, the impugned orders passed by Ld. OHA rejecting the objections is set aside and the subject matter of the appeals is remanded back to the VATO concerned, who shall give opportunity to the appellant of effective hearing with the support of the documents for establishing the identity of the goods through respective 'F' forms with the assistance of other documents on record and also conduct enquiry so as to satisfy the requirement of law that the goods were moved from Delhi to other States along with Form 'F' to enable the appellant to claim exemption u/s 6A of the CST Act."

Herein, in view of the submission put forth on behalf of appellant that Since the appellant could not produce all the relevant documents concerning stock transfer, which is not being opposed on behalf of the Revenue, the findings recorded by the revenue authorities on this point are set aside and matter is remanded to learned VATO for decision afresh on this point, ofcourse, after providing reasonable opportunity to the dealer of being heard. It is ordered accordingly.

SITUS (*in respect of transactions with IOC Limited)*

57. On behalf of the appellant, it has been submitted that as regards turnover of royalty on the basis of agreement between the dealer-appellant and Indian Oil Corporation Ltd., VAT is not payable in Delhi, the reason being that the agreement was executed in Maharashtra. In this regard, reference has been made to the rubber stamp available on the

copy of this agreement. Reliance has been placed on decision in **20th Century Finance Corporation Ltd & Another v. State of Maharashtra**, (2000) 119 STC 182 (SC).

In **20th Century's** case (supra), Hon'ble Apex Court held that the right to use goods accrues only on account of the transfer of right. If the goods are available, the transfer of the right to use takes place when the contract in respect thereof is executed. As soon as the contract is executed, the right is vested in the lessee. Thus, the situs of taxable event of such a tax would be the transfer which legally transfers the right to use goods.

Hon'ble Apex Court held therein that the appropriate Legislature by creating legal fiction can fix situs of sale. In the absence of any such legal fiction the situs of sale in case of the transaction of transfer of right to use any goods would be the place where the property in goods passes, i.e. where the written agreement transferring the right to use is executed.

Herein, one of the agreements between Eicher Motors and Appellant and IOC Ltd. came to be executed on 06/03/2007. It is true that the agreement came to be signed on behalf of Eicher Motors and Eicher Goodearth Ltd. and appellant at Pithampur, District Dhar, Madhya Pradesh.

However, a perusal of clause 25 of the agreement dated 06/03/2007 would reveal that the parties agreed that the

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Courts in the city of New Delhi alone shall have the jurisdiction to entertain any applications of or other proceedings in respect of any issue arising under this agreement. It appears that jurisdiction was so conferred because the registered office of the appellant is situated in the area of Greater Kailash, New Delhi.

In view of this agreement arrived at between the parties, decision in **20th Century Finance Corporation Ltd.'s** case (supra) does not come to the aid of the dealer.

Earthen goods

58. As noticed above, vide impugned order learned OHA has recorded finding that earthen goods sold by the objector were decorative pieces taxable at the rate of 12.5%, as per provisions of Section 4 (1) (e) of DVAT Act.

In the course of arguments, learned Counsel for the Revenue has not opposed the contention raised by learned counsel for the appellant is that earthen pots finds mentioned in the list of exempted commodities, as described in entry at serial no. 12 of Schedule I of DVAT Act.

Keeping in view the Entry at serial no. 12 of Schedule I of DVAT Act, the contention raised on behalf of the appellant deserves to be allowed. Same is allowed.

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Bamboo items

59. As regards goods made of bamboo, learned OHA has upheld the assessment and the view of the Assessing Authority that same are exigible to VAT at the rate of 12.5%, u/s 4 (1) (e) of DVAT Act.

In this regard, learned Counsel for the Revenue has not disputed contention raised by learned for the appellant that as per entry at Serial Nos. 8 and 140 of Schedule III of DVAT Act, bamboo articles could not be held exigible to tax at the rate of 12.5%.

Keeping in view the entry at Serial Nos. 8 and 140 of Schedule III of DVAT Act, the contention raised on behalf of the appellant deserves to be allowed. Same is allowed.

Silk items

60. Vide impugned order, learned OHA also upheld assessment as regards silk items, finding that same are exigible @ 12.5% as per section 4 (1) (e) of DVAT Act.

On this point, learned Counsel for the Revenue has not disputed contention raised on behalf of the appellant that as per entry at Serial No. 164, of Schedule III of DVAT Act, silk articles could not be held assessable to tax at the rate of 12.5%.

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Keeping in view the contents of entry at Serial No. 164, of Schedule III of DVAT Act, the contention raised on behalf of the appellant deserves to be allowed. Same is allowed.

Essential Oils

61. Vide impugned order, learned OHA has upheld the assessment and the view of the Assessing Authority that essential oils are assessable to tax i.e. VAT at the rate of 12.5% as per section 4 (1) (e) of DVAT Act.

As regards the submission made on behalf of the appellant that another matter on this aspect has already been remanded by this Appellate Tribunal in another matter, to learned VATO for decision afresh and that this matter be also remanded to learned VATO.

In Appeal Nos. 1167-1168/11, on the same point, matter was remanded to concerned VATO, after giving an opportunity of hearing to the appellant, the reason being that the appellant was required to prove that oils being produced by it are essential oils and they were being used as flavouring essences.

Learned Counsel for the Revenue submits that for the same reasons, this matter also needs to be remanded to learned VATO for decision on this point.

In order to afford reasonable opportunity to the dealer-appellant for decision on the said point i.e. that oils being

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produced by it are essential oils and they were being used as flavouring essences. After determination of facts, the matter deserves to be remanded to Learned VATO. It is ordered accordingly.

Income and Duty Drawback

62. Vide impugned order; learned OHA has upheld assessment framed by the Assessing Authority on these aspects while observing that the objector failed to furnish any documentary evidence against levy of tax in this regard.

The contention raised on behalf of the appellant is that miscellaneous income is not exigible to tax under DVAT Act. Further, it has been submitted that out of total miscellaneous income generated in Delhi, income to the tune of Rs. 8 lakh pertained to services provided to ACESS for arrangement of exhibition at Ashok Hotel and display charges collected from the "Leadings Hotel of the World Limited", and further submitted that the dealer paid service tax on these services, and as such no VAT is leviable.

As regards the submission made on behalf of the appellant that matter needs to be remanded to learned VATO for decision afresh, so as to enable the dealer-appellant to produce requisite documents, Learned Counsel for the Revenue submits that the matter needs to be remanded to learned VATO for decision on this point.

63. In order to afford reasonable opportunity to the dealer-appellant for decision on the said point i.e. Income and Duty Drawback, it is held that the matter deserves to be remanded to Learned VATO, after determination of facts. It is ordered accordingly.

Appeal Nos. 348-352/14

Agreement dated 26/05/2008

64. Further, as per record, Trade Mark License Agreement dated 26/05/2008 came to be executed between dealer-appellant and Eicher Motors India Ltd.

Indisputably, dealer-appellant is a member of the Eicher Group, which is in the business of designing and developing, manufacturing and marketing of trucks and buses, motorcycles, automotive gears and components.

As per said agreement dated 26/05/2008, the dealer-appellant has been shown as the licensor, whereas Eicher Motors Ltd. as the licensee.

Further, as per said agreement, the licensee having purchased commercial - vehicles - business of Eicher Motors Ltd. wished to obtain the right to use "Eicher" and "Horsehead" trade marks in connection with this business and its other business activities. And, thereupon, the licensor – dealer-appellant agreed to –

"grant to the Licensee a perpetual, worldwide, exclusive license to use and exploit the Trade Marks on and subject to the terms set out in the Agreement, in particular clauses 7.1 and 7.2."

65. Some of the significant clauses of this agreement dated 26/05/2008 read as under :

> **"2. Grant of Licence**
>
> 2.1 The Licensor hereby grants to the Licensee on and subject to the terms set out in this Agreement, in particular clauses 7.1 and 7.2, a perpetual, exclusive (subject to clause 2.2), worldwide, licenceto use and exploit the Trade Marks for all purposes in connection with the Business, including upon and in relation to all and any goods and services supplied or procured by the Licensee, and as part of its trading or corporate name, and as part of domain names.
>
> For the avoidance of doubt, the Licensor will not (and shall procure that none of the members in the Eicher Group) directly or indirectly
>
> (i) itself use or exploit, or grantanythird party the right to use and exploit, the Trade Marks anywhere in the world without the prior written consent of a Volvo Director; or
>
> (ii) restrict the Licensee in extending any such use or exploitation to any country in the world, except to the extent permitted by this Agreement.
>
> The Licensee shall ensure that the other members of the Licensee Group comply with the provisions of this Agreement.
>
> 2.2 The rights granted under clause 2.1 shall be subject to the Existing Rights. The Licensor undertakes that it will not extend or renew the term of the Existing Right pertaining to the Tafe Motors and Tractors Limited, Indian Oil Corporation Limited and Bharat SHELL Limited beyond the current

term without the prior written consent of a Volvo Director.

2.3 Save as may be provided under this Agreement, no right, title or interest in or to the Trade Marks is granted to the Licensee.

2.4 The Licensee shall be entitled to use the Trade Marks in such manner and form of representation as it deems appropriate for the Business from time to time.

2.5 The Licensee shall be entitled to (and sublicense the right to) register to seek to register in its own name any domain names, company names or trade names in any country in the world (regardless of whether the domain names, company names or trade names are confusingly similar to or include the Trade Marks).

3 **Sub-Licensing**

3.1 The Licensee shall be entitled to sub-license the rights granted under clause 2.1 only in connection with the Business, to the following:

(a) Any member of the Licensee Group (including Licensee Distributors who are member of Licensee Group); and

(b) Third Party Sub-licensees.

3.2 For the avoidance of doubt, any necessary sub-licences may be granted to subcontractors or third party suppliers of components, spare parts and accessories, or other products relevant to the Business, delivered to members of the Licensee Group or Licensee Distributors, it being understood that such subcontractors and suppliers shall not be permitted to distribute, directly or indirectly, such components, spare parts, accessories or other products in any other manner.

3.4 The Licensee shall be responsible for the wrongful acts or omissions of any sub-licensee which, had such acts or omissions been committed by the Licensee, would constitute a breach of this Agreement by the Licensee and the Licensee shall indemnify the Licensor against any Indemnified Damages suffered by the Licensor which arise directly from such acts or omissions.

3.5 The liability of Licensee to indemnify Licensor pursuant to clause 3.4 shall arise upon the earlier of (i) final determination of Indemnified Damages in accordance with clause 23; or (ii) the Licensor being required to make any payment or deposit or incur any liability in connection with any Indemnified Damage. If the Licensor recovers any sums from a Third Party pursuant to an Indemnified Damage in respect of which Licensee has indemnified the Licensor, Licensor shall be liable to refund the indemnity payment received by it pro rata the extent of recovery as aforesaid to the Licensee.

4 **Licensee Undertakings**

4.1 The Licensee undertakes:

(a) Maintain the standards and quality of the Trade Marks and exercise reasonable endeavours to safeguard the established prestige and goodwill of the Trade Marks;

(b) Only use the Trade Marks in accordance with this Agreement and in compliance with all applicable laws and regulations; and

(c) Provide such information as the Licensor may reasonably request regarding the use of the Trade Marks.

5. **Royalties**

5.1 In consideration of the license granted in clause 2, the Licensee shall pay the Licensor royalties in an amount equal to the lower of:

(a) Half a percent (0.5%) of Net Sales of products by the Licensee, on a Product-by-Product and country-by-country basis, in the Registered Territories and in any unregistered territories in which products are sold by the Licensee, in each case, in each financial year; and

(b) Eight percent (8%) of the Profit Before Tax of the Licensee in each financial year, provided that no royalties shall be payable by the Licensee in any financial year in which the Business does not generate a Profit Before Tax.

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5.2 If prior to the payment of royalties due in accordance with clause 5.1, the Licensee believes that any service tax which may be due on such royalties will be recoverable (by way of Cenvat credit or otherwise), the Licensee shall pay such applicable service tax in addition to such royalties. The Licensor shall, thereafter, co-operate fully, in good faith, with the Licensee in order to assist the Licensee in recovering such service tax. Notwithstanding the foregoing, if the Licensee is unable to recover such service tax within 180 days from the relevant royalty payment date, the Licensor shall, within 30 days, pay to the Licensee an amount equal to the service tax paid by the Licensee.

5.7 If any governmental authority requires the Licensee to deduct tax from any payments due to the Licensor, the Licensor gives its consent for such deduction and the Licensee undertakes to make payment of such tax to the government authority; provided, however, that both parties shall make reasonable endeavours to secure maximum relief or exemption from any such tax in accordance with any applicable law. In the event that any payment of tax is made by the Licensee pursuant to this clause, the Licensee shall promptly send to the Licensor the appropriate certificate of deduction of tax and all other supporting documentation.

7 Filing, Prosecution and Maintenance

7.1 The Licensor shall, at its cost and upon the reasonable request of a Volvo Director, file applications for the registration of the Trade Marks (i) in such territories other than the Registered Territories; (ii) in such classes; and (iii) in such form of representation, as may be specified by the Licensee from time to time. Where the laws of any territory do not provide for registration of trade marks, the Licensor take such other steps as may be required to secure its proprietary rights in the Trade Marks to the fullest extent possible under the laws of such territory. Each territory in which

registrations are obtained or proprietary rights are secured for the Trade Marks shall be part of the Registered Territories for the purposes of this Agreement.

7.2 If the Licensee, in its sole discretion, wishes to use the Trade Marks in any country outside of the Registered Territories prior to the date on which the Licensor has secured registration of the Trade Marks in such country (or, where the laws of such country do not provide for registration of trade marks, has taken such other steps as may be required to secure its proprietary rights in the Trade Marks to the fullest extent possible under the laws of such territory) in accordance with clause 7.1, the Licensee shall, other than where there has been a breach of warranty by the Licensor, indemnify and hold harmless the Licensor against all indemnified Damages that the Licensor suffers which arise directly from such use in such country, including, without limitation, as a result of any claim of infringement of third party rights in such country.

9 **Infringement**

9.1 If either party becomes aware of any actual or suspected infringement, misappropriation orunauthorised use of the Trade Marks by another person ("Third Party Infringement"), it will immediately notify the other in writing specifying the particulars of such infringement. The term "Third Party Infringement" will include any application for registration of any of the Trade Marks by any third party. The parties shall then promptly consult and cooperate fully to determine a course of action, including as to the commencement of legal action by either or both the Licensor or the Licensee, to terminate any infringement, misappropriation or misuse of the Trade Marks.

9.2 However, the Licensor, on Notice to the Licensee, shall have the first right to initiate and prosecute such legal action at its own expense and in the name of the Licensor, or to control the defence of

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any declaratory judgment action relating to the Trade Marks, provided that the Licensor keeps the Licensee fully informed in writing of all developments in any such actions or proceedings, including in relation to the status of any settlement negotiations and the terms of any related offers, consults with the Licensee in relation to such actions and proceedings and seeks the Licensee's prior written approval of any settlement. The Licensor shall promptly inform the Licensee if the Licensor elects not to exercise such first right. In such circumstances, or if the Licensor elects to exercise such first right but fails to commence proceedings within one (1) month of the Notice of the Third Panty Infringement referred to in clause 9.1, the Licensee shall thereafter have the exclusive right (but not the obligation) either to initiate and prosecute such action or to control the defence of such declaratory judgment action in the name of the Licensee and, if necessary, the Licensor. Each party shall have the right to be represented by counsel of its own choice.

9.3 If the Licensor elects not to initiate and prosecute an action or fails to commence proceedings as provided in clause 9.2, and the Licensee elects to do so, the costs of any agreed course of action to terminate infringement, misappropriation or misuse of the Trade Marks, including the costs of any legal action commenced or the defence of any declaratory judgment, shall be borne by the Licensor.

9.4 For any action to terminate any infringement, misappropriation or misuse of the Trade Marks, if the Licensee is unable to initiate or prosecute such action solely in its own name, the Licensor will join such action voluntarily and will execute and cause any member of the Eicher Group to execute all documents reasonably necessary for the Licensee to initiate litigation to prosecute and maintain such action. In connection with any action, the parties agree to cooperate fully and to provide each other with any information or

assistance that the other may reasonably request. Each party shall keep the other informed of developments in any action or proceeding, including consultation on and approval of any settlement, the status of any settlement negotiations and the terms of any related offers.

10 **Third Party Claims**

10.1 If either party becomes aware of any claim or potential claim that use of the Trade Marks infringes or make unauthorised uses of a third party's intellectual property ("Third Party Claim"), that party will immediately notify the other in writing specifying the particulars of the alleged infringement orunauthorised use.

10.2 The Licensee will, in its absolute discretion, have the right (but not the obligation), exercisable by Notice to the Licensor within 30 (thirty) days of becoming aware of the relevant Third Party Claim, to defend any Third Party Claim at the Licensor's cost, or require the Licensor to conduct the defence of the Third Party Claim provided that failure to serve such Notice within the 30 (thirty) day time period shall mean that the Licensor shall be entitled to conduct the defence of such Third Party Claim.

10.3 If the Licensor is required to conduct the defence of the Third Party Claim, the Licensor will keep the Licensee fully informed of the details of the defence of the Third Party Claim and, provided thatthe Licensee duly served the Notice referred to in clause 10.2, will also:

(a) comply with the Licensee's reasonable demands in relation to the conduct of thedefence; and

(b) not settle the whole or any part of the Third Party Claim without the written agreement of the Licensee, which may be granted or withheld in the Licensee's absolute discretion.

10.4 If the Licensee elects to defend or settle a Third Party Claim, the Licensee will keep the Licensor fully informed of the details of the conduct of the defence or settlement, consult in good faith with the Licensor on an ongoing basis in respect of all

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litigation and negotiations, and will take intoaccount the legitimate commercial requirements of the inventor in connection therewith.

10.5 The Licensor will indemnify the Licensee and its successors or assigns, and the members, officers, directors, employees, agents, predecessors, successors and assigns of each such entity on demand and hold it harmless from and against all Indemnified Damages incurred or suffered bythe Licensee Group out of or in connection with any:

(a) breach of the Licensor's warranties or representations in this Agreement; and

(b) Third Party Claim arising in any part of the Registered Territories, save for any suchclaim which arises directly as a result of a breach by the Licensee of any of its obligations under this Agreement.

The liability of Licensor to indemnify Licensee pursuant to this clause 10.5 shall arise upon the earlier of (1) final determination of Indemnified Damages in accordance with clause 23; or (ii) the Licensee being required to make any payment or deposit or incur any liability in connection with any Indemnified Damage: If the Licensee recovers any sums from a Third Party pursuant to an Indemnified Damage in respect of which Licensor has indemnified the Licensee, Licensee shall be liable to refund the indemnity payment received by it pro rata the extent of recovery as aforesaid to the Licensor.

11 **Termination**

11.1 This Agreement shall commence on the Closing Date and continue in full force and effect unless and until terminated in accordance with the provisions of this Agreement.....

11.4 In the event of termination or expiry of this Agreement for any reason:

(a) subject to 11.4(b), all rights granted under this Agreement with respect to the use of theTrade Marks shall immediately cease;and

(b) the Licensee shall be entitled, for a period of six (6) months following termination of the Agreement to use the Trade Marks to market, promote, sell and distribute any stocks of products as it may at the time have in stock or under its control."

66. Following "Existing Rights" find mentioned in Schedule 2 lying annexed to agreement dated 26/05/2008:

"(A) Within Eicher Group Companies:

(a) Right to use "Eicher" as part of the name of the Eicher Group Companies. ExistingCompanies using the name "Eicher" are given below:
   (i) Eicher Motors Limited.
   (ii) Eicher Goodearth (Pvt.) Limited.
   (iii) Eicher Goodearth Investments Limited.
   (iv) Eicher Investments Private Limited.
   (v) Eicher Motors Finance Limited.
   (vi) Eicher Footwear Limited.

(b) Use of Eicher as domain name for Eicher Group Companies.

(c) Use of Eicher name and Horse Head on the stationary of Eicher Group Companies.

(d) Use of Eicher name in the social activities like Eicher Schools, other social initiatives likeRural Education and Health Care.

(e) Use of Eicher name and Horse Head in Maps (digital and Paper) and travel guide books."

67. As noticed above, the Licensor granted to the Licensee a perpetual, exclusive worldwide licence to use and exploit the Trade Marks for all purposes in connection with the

Business, including upon and in relation to all and any goods and services supplied or procured by the Licensee, and as part of its trading or corporate name, and as part of domain names.

The Licensor agreed that it will not directly or indirectly itself use or exploit, or grant any third party the right to use and exploit, the Trade Marks anywhere in the world without the prior written consent of a Volvo Director; or restrict the Licensee in extending any such use or exploitation to any country in the world, except to the extent permitted by this Agreement.

The Licensor undertook not to extend or renew the term of the Existing Right pertaining to the Tafe Motors and Tractors Limited, Indian Oil Corporation Limited and Bharat SHELL Limited beyond the existing term without the prior written consent of a Volvo Director.

The Licensee was entitled to use the Trade Marks in such manner and form of representation as it deems appropriate for the Business from time to time.

The Licensee was also entitled to (and sub-license the right to) register to seek to register in its own name any domain names, company names or trade names in any country in the world (regardless of whether the domain names, company names or trade names are confusingly similar to or include the Trade Marks).

From the terms and conditions of the agreement dated 26/05/2008, it cannot be said that transfer of right to use business name, mark and signage was on non-exclusive basis.

From the terms and conditions of the agreement dated 26/05/2008, it can safely be said that in case of infringement and unauthorised use of trade marks by third party, legal action could be initiated by either or both the licensor or licensee. As such, it cannot be said that only dealer-appellant could initiate legal action against the third party infringement and unauthorised use of trade marks.

In view of the above discussion, decision in McDonald's case does not apply to the facts of the present case.

Dealing with contentions on the point of Service Tax

68. In **Imagic Creative Pvt. Ltd. v. Commissioner of Commercial Taxes**, (2008) 2 SCC 614, relied on behalf of the appellant, question involved in the appeal before the Hon'ble Supreme Court was :

> "As to whether the charges collected towards the services for evolution of prototype conceptual design (i.e. creation of concept), on which service tax had been paid under the Finance Act, 1994 as amended from time to time are liable to tax under the Karnataka Value Added Tax Act, 2003".

Therein, admittedly, the appellant was a service provider. The orders, which the appellant used to receive, to provide

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services for evolution of proto-type, conceptual design and producing printed advertising material, were party specific and issue specific.

69. Hon'ble Apex Court observed that payment of service tax as also the VAT are mutually exclusive and therefore they should be held to be applicable having regard to the respective parameters of service tax and sales tax, as envisaged in a composite contract as contradistinguished from an indivisible contract.

As further observed, it may consist of different elements providing for attracting different nature of levy. Therefore, Hon'ble Apex court observed that it is difficult to hold that in a case of this nature (as regards the case of Imagic Creative Pvt. Ltd), sales tax would be payable on the value of the entire contract, irrespective of the element of service provided.

Therein, appellant was admittedly a service provider. Hon'ble Court observed that when the appellant provided service, it was assessable to a tax known as service tax. In their returns, appellant had made three categorical divisions in regard to tax liabilities i.e. service tax, tax under Kerala Sales Tax Act on first sale; and tax on resale of the goods, when certain items were outsourced.

While referring to decision in **M/s AGS Entertainment Pvt. Ltd., v. UOI,** 2013 (32) STR 129 (Mad.) it has been submitted on behalf of appellant that temporary transfer or permission to use or enjoyment for consideration is leviable to service tax. Reference has also been made to decision in **Malabar Gold Pvt. Ltd. V. Commercial Tax Officer,** 2013-TIOL-512 HC Kerala-ST.

In AGS's case (supra), Hon'ble High Court observed that temporary transaction of copyrights or the permission to use or enjoyment of the copyright cannot be brought either under Entry 54 of List II or Entry 92A of List 1, and held that Parliament is well within its legislative competence in levying service tax.

Hon'ble Court observed that even while the films were in use by the distributor, the same are under effective control of the producer and distributor is not free to make use of the same for other works; that distributor cannot make use of the film according to his wishes, but there is only temporary transfer or permission to use or enjoyment for consideration as per terms of the agreement.

Hon'ble Court further observed that permanent transfer of rights is excluded from service tax.

In view of the above findings that these matters are of transfer of right to use Trade Mark and accordingly cases of

deemed sale of intangible goods/items, it cannot be said that demand of VAT on these transactions is not sustainable.

70. Placing reliance on decision in **Federation of Hotel and Restaurant Associations of India vs UOI and Ors.,** Civil Appeal No.21791 of 2017 (Arising out of S.L.P. (C) No. 27629/2015), Hon'ble Supreme Court observed as under:

> "As held in Federation of Hotel & Restaurant v. UOI, subjects which in one aspect and for one purpose fall within the power of a particular legislature may in another aspect and for another purpose fall within the another legislative power. It was further held that there may be overlapping, but the overlapping must be in law and the transaction may involve two or more taxable events indifferent aspects, but the fact that there is overlapping does not detract from the distinctiveness of the aspects."

71. In view of the settled law that when the transaction may involve two or more taxable events indifferent aspects, but the fact that there is overlapping does not detract from the distinctiveness of the aspects, there is no merit in the contention raised on behalf of the appellant.

Conclusion

72. In view of the above discussion, there is no merit in the contention raised on behalf of the appellant that the transactions as regards transfer of right to use intangible goods are not exigible to VAT or that they are exigible only to service tax.

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As regards assessments of Penalty

73. Imposition of penalty have also been challenged on the ground that Assessing Authority could not impose any penalty under DVAT Act.

74. Learned Counsel for the appellant has submitted that keeping in view that legal interpretation of the provisions pertaining to exigiblity of suchlike transaction relating to transfer of trademark was required and there being no malafide intention on the part of the dealer-appellant in not paying the tax, assessment of penalty framed by the Assessing Authority u/s 86(12) and upheld by the OHA deserves to be set aside.

In support of this submission, reliance has been placed on the following decisions:

1. **Wipro GE Healthcare Pvt. Ltd. v. CTT** in the Appeal No. 1115/ATVAT/2012 by this Appellate Tribunal;
2. **M/s. Hindustan Steel Ltd. v. State of Orissa,** (1970) 25 STC 211;
3. **M/s. Sony India Pvt. Ltd. v. Commissioner of Trade & Taxes,** ST Appeal No. 29/2013 decided by this Appellate Tribunal on 04/08/2015.

On the other hand, on behalf of Revenue, it has been submitted that if the dealer-appellant had any doubt regarding exigibility to tax of the transactions pertaining to Transfer of Right to use the goods, it could seek opinion or determination order from the Commissioner, Department of Trade and

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Taxes, but no such determination was sought, and as such there is no merit in the contention on behalf of the appellant.

75. As noticed above, DSTRUG Act was in force from the year 2002 and then came into force the DVAT Act from the year 2005.Entry at Sr.No.3 of Schedule IIIrd of DVAT Act contained taxable intangible goods.

76. On the point of Transfer of Right to use intangible goods or incorporeal property, decisions were delivered by Hon'ble Apex Court.

Learned counsel for Revenue has rightly submitted that in case any clarification was required, dealer could seek determination order from the Commissioner, but no such step appears to have been taken by the appellant. McDonald's case was decided by Appellate Tribunal in September, 2008, even though appeals pertaining to McDonald and petitions of other petitioners were disposed of in the year 2017.

77. Having regard to specific findings recorded above, the decisions cited by learned counsel for the appellant do not come to the aid of the appellant.

78. In the given facts and circumstances, there is no ground to remit or reduce the quantum of penalty as regards tax deficiency arising from the turnovers pertaining to transactions of Transfer of Right to Use intangible goods and violation of section 86(12) of DVAT Act.

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Levy of Penalty on other points

79. As regards assessment of penalty(ies) imposed due to violation of other provisions of law, where assessment of tax and interest has been upheld, as noticed above, the assessments of penalty(ies) are also upheld.

In so far as remand of the matters on the specific points as noticed above, the assessments of penalty(ies) on such points are set-aside with the observations that Learned Assessing Authority shall be at liberty to proceed in accordance with law after framing of assessments in accordance with law on the points remanded for assessments afresh, of course, after providing to the dealer, reasonable opportunity of being heard.

80. No other argument was advanced or pressed by learned counsel for the parties in the course of final arguments.

Result

81. As a result of the above findings, these appeals are disposed of while upholding the impugned orders passed by learned OHA and the assessments of tax and interest framed by learned Assessing Authority on the point of transfer of right to use intangible goods and on the points not challenged herein. The impugned assessments and the impugned orders as regards penalty stand modified as explained above, except

on the points regarding which matters have been ordered to be remanded to learned Assessing Authority.

As regards the points mentioned above, which have been directed to be decided afresh by learned Assessing Authority on remand of the matters, dealer to appear before learned Assessing Authority on 10/10/2022.

82. Copy of the judgment be placed in the record of the connection appeal files. File be consigned to the record room. Copy of the judgment be supplied to both the parties as per rules. One copy be sent to the concerned authority. Another copy be displayed on the concerned website.

Announced in open Court.

Date: 26/09/2022

Narinder Kumar
26/9/2022

(Narinder Kumar)
Member (Judicial)

APPELLATE TRIBUNAL VAT DELHI