

# How to interpret the Taxation statutes?

Guidance by the judgments of SC.

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**Regarding the interpretation of taxation statutes, the parties have relied on several decisions. The law laid down on this aspect is fairly well-settled. The principles governing the interpretation of the taxation statutes can be summarised as follows:**

A. A taxing statute must be read as it is with no additions and no subtractions on the grounds of legislative intendment or otherwise;

B. If the language of a taxing provision is plain, the consequence of giving effect to it may lead to some absurd result is not a factor to be considered when interpreting the provisions. It is for the legislature to step in and remove the absurdity;

C. While dealing with a taxing provision, the principle of strict interpretation should be applied;

D. If two interpretations of a statutory provision are possible, the Court ordinarily would interpret the provision in favour of a taxpayer and against the revenue;

E. In interpreting a taxing statute, equitable considerations are entirely out of place;

F. A taxing provision cannot be interpreted on any presumption or assumption;

G. A taxing statute has to be interpreted in the light of what is clearly expressed. The Court cannot imply anything which is not expressed. Moreover, the Court cannot import provisions in the statute to supply any deficiency;

H. There is nothing unjust in the taxpayer escaping if the letter of the law fails to catch him on account of the legislature's failure to express itself clearly;

I. If literal interpretation is manifestly unjust, which produces a result not intended by the legislature, only in such a case can the Court modify the language;

J. Equity and taxation are strangers. But if construction results in equity rather than injustice, such construction should be preferred;

K. It is not a function of the Court in the fiscal arena to compel the Parliament to go further and do more;

L. When a word used in a taxing statute is to be construed and has not been specifically defined, it should not be interpreted in accordance with its definition in another statute that does not deal with a cognate subject. It should be understood in its commercial sense. Unless defined in the statute itself, the words and expressions in a taxing statute have to be construed in the sense in which the persons dealing with them understand, that is, as per the trade understanding, commercial and technical practice and usage.



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