

State of U.P. vs M/S. Lalta Prasad Vaish And Sons

Citation: 2024 INSC 812

Court: Supreme Court of India

Bench: Chief Justice Dr. Dhananjaya Y. Chandrachud, Justice Hrishikesh Roy, Justice Abhay S. Oka, Justice Bengaluru V. Nagarathna, Justice Jamshed B. Pardiwala, Justice Manoj Misra, Justice Ujjal Bhuyan, Justice Satish C. Sharma, Justice Augustine G. Masih.

Facts:

The dispute involved the State of Uttar Pradesh and M/S Lalta Prasad Vaish and Sons, centering around the regulatory and taxing competence of the State over alcohol classified for industrial and non-potable use, which raised complex issues about the constitutional distribution of powers between the State and Union legislatures.

Statutory Provisions:

1. Constitution of India:

- Entry 8 of List II (State List) - Intoxicating liquors.
- Entry 52 of List I (Union List) - Industries controlled by the Union.
- Entry 33 of List III (Concurrent List) - Trade and commerce in products of notified industries.

2. Industries (Development and Regulation) Act (IDRA), 1951:

- Section 18G - Regulation of supply and distribution by the Union.

3. Seventh Schedule of the Constitution:

- The relevant legislative entries defining the scope of State and Union legislative competence.

4. United Provinces Excise Act, 1910:

- Amendments affecting excise regulation of industrial alcohol.

Issues:

1. **Extent of State Control:** Whether the State can regulate and levy fees on industrial alcohol under Entry 8 of List II or if it is limited by Union control through the **IDRA, 1951** under Entry 52 of List I.
2. **Scope of 'Intoxicating Liquors':** Does the term include only potable alcohol or extend to industrial alcohol?
3. **Constitutional Distribution of Powers:** How do the legislative entries in the Union, State, and Concurrent Lists interact concerning regulation of industrial alcohol?
4. **Interplay Between IDRA and State Laws:** Are State regulatory powers limited to preventing misuse of industrial alcohol when Union control is declared through IDRA?

Judges and Opinions:

1. Justice B.V. Nagarathna (Majority Opinion):

- **Nature of Control Over Industrial Alcohol:** The Court delved into the scope of regulatory powers exercised by the State over industrial alcohol under Entry 8 of List II, clarifying that while the State has competence over intoxicating liquors, such competence is limited when it comes to alcohol used purely for industrial purposes. Industrial alcohol primarily falls within the Union's purview when declared to be under its control, as per the IDRA.
- **Interpretation of 'Intoxicating Liquors':** The interpretation of the term 'intoxicating liquors' was a key issue. The Court observed that intoxicating liquors, as per Entry 8, pertain to alcohol intended for human consumption, and regulatory measures by the State must focus on preventing the misuse of industrial alcohol for potable purposes. The regulatory authority of the State over industrial alcohol was further limited by Union control under IDRA.
- **Harmonization of Legislative Powers:** Justice Nagarathna emphasized the need for harmonization between the Union and State regulations to avoid overlaps and conflicts in legislative competence. The judgment explored prior rulings, such as **Synthetics and Chemicals Ltd. v. State of U.P.**, which differentiated between the regulation of potable and non-potable alcohol.

- **Impact of Central Control Under IDRA:** The judgment highlighted that Union control over industries under IDRA extends to industrial alcohol, limiting the State's ability to levy regulatory fees or taxes except under specific circumstances aimed at preventing the diversion of such alcohol for human consumption.
- **Important Clarification:** The judgment reaffirmed that State legislation over industrial alcohol must align with constitutional limitations and Union declarations under Entry 52. While the State can regulate intoxicating liquors within the meaning of Entry 8 to ensure public health and safety, its powers do not extend to levying taxes or imposing control over industrial alcohol purely on commercial grounds when Union laws govern the field.

Judgments:

The Supreme Court clarified that while the State can regulate intoxicating liquors under Entry 8, its powers are restricted when it comes to industrial alcohol, which falls primarily within the Union's control under the IDRA. The judgment emphasized harmonization of laws to avoid conflicts between Union and State regulations and reiterated that State control over industrial alcohol must focus on preventing its misuse for potable purposes.

Precedents:

- Synthetics and Chemicals Ltd. v. State of U.P.
- State of Bombay v. FN Balsara
- Nashirwar v. State of Madhya Pradesh
- Har Shanker v. Dy. Excise and Taxation Commissioner
- State of U.P. v. Modi Distillery
- Bihar Distillery v. Union of India
- Tika Ramji v. State of U.P.