

Chapter–XIX

Offences and Penalties

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Statutory Provision

122. Penalty for certain offences

- (1) *Where a taxable person who -*
- (i) *supplies any goods or services or both without issue of any invoice or issues an incorrect or false invoice with regard to any such supply;*
 - (ii) *issues any invoice or bill without supply of goods or services or both in violation of the provisions of this Act, or the rules made thereunder;*
 - (iii) *collects any amount as tax but fails to pay the same to the Government beyond a period of three months from the date on which such payment becomes due;*
 - (iv) *collects any tax in contravention of the provisions of this Act but fails to pay the same to the Government beyond a period of three months from the date on which such payment becomes due;*

- (v) *fails to deduct the tax in accordance with the provisions of sub-section (1) of section 51, or deducts an amount which is less than the amount required to be deducted under the said sub-section, or where he fails to pay to the Government under sub-section (2) thereof, the amount deducted as tax;*
 - (vi) *fails to collect tax in accordance with the provision of sub-section (1) of section 52, or collects an amount which is less than the amount required to be collected under the said sub-section, or where he fails to pay to the Government the amount collected as tax under sub-section (3) of section 52;*
 - (vii) *takes or utilizes input tax credit without actual receipt of goods or services or both either fully or partially, in contravention of the provisions of this Act, or the rules made thereunder;*
 - (viii) *fraudulently obtains refund of tax under this Act;*
 - (ix) *takes or distributes input tax credit in contravention of section 20, or the rules made thereunder;*
 - (x) *falsifies or substitutes financial records or produces fake accounts or documents or furnishes any false information or return with an intention to evade payment of tax due under this Act;*
 - (xi) *is liable to be registered under this Act but fails to obtain registration;*
 - (xii) *furnishes any false information with regard to registration particulars, either at the time of applying for registration, or subsequently;*
 - (xiii) *obstructs or prevents any officer in discharge of his duties under the Act;*
 - (xiv) *transports any taxable goods without the cover of documents as may be specified in this behalf;*
 - (xv) *suppresses his turnover leading to evasion of tax under this Act;*
 - (xvi) *fails to keep, maintain or retain books of account and other documents in accordance with the provisions of this Act or the rules made thereunder;*
 - (xvii) *fails to furnish information or documents called for by an officer in accordance with the provisions of this Act or the rules made thereunder or furnishes false information or documents during any proceedings under this Act;*
 - (xviii) *supplies, transports or stores any goods which he has reason to believe are liable to confiscation under this Act;*
 - (xix) *issues any invoice or document by using the registration number of another registered person;*
 - (xx) *tampers with, or destroys any material evidence or document;*
 - (xxi) *disposes off or tampers with any goods that have been detained, seized, or attached under this Act;*
- he shall be liable to a penalty of ten thousand rupees or an amount equivalent to the tax evaded or the tax not deducted under section 51 or short deducted or deducted but not*

paid to the Government or tax not collected under Section 52 or short collected or collected but not paid to the Government or input tax credit availed of or passed on or distributed irregularly, or the refund claimed fraudulently, whichever is higher.

- (2) *Any registered person who supplies any goods or services or both on which any tax has not been paid or short-paid or erroneously refunded, or where the input tax credit has been wrongly availed or utilized, -*
- (a) *for any reason, other than the reason of fraud or any wilful misstatement or suppression of facts to evade tax, shall be liable to a penalty of ten thousand rupees or ten percent of the tax due from such person, whichever is higher.*
- (b) *for reason of fraud or any wilful misstatement or suppression of facts to evade tax, shall be liable to a penalty of ten thousand rupees or the tax due from such person, whichever is higher.*
- (3) *Any person who--*
- (a) *aids or abets any of the offences specified in clauses (i) to (xxi) of sub-section (1);*
- (b) *acquires possession of, or in any way concerns himself in transporting, removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner deals with any goods which he knows or has reasons to believe are liable to confiscation under this Act or the rules made thereunder;*
- (c) *receives or is in any way concerned with the supply of, or in any other manner deals with any supply of services which he knows or has reason to believe are in contravention of any provisions of this Act or the rules made thereunder;*
- (d) *fails to appear before the officer of central tax, when issued with a summon for appearance to give evidence or produce a document in an enquiry;*
- (e) *fails to issue invoice in accordance with the provisions of this Act or the rules made thereunder, or fails to account for an invoice in his books of account, shall be liable to a penalty which may extend to twenty-five thousand rupees.*

122.1 Introduction

For effective implementation of any tax-law and to do justice to tax abiding society, provisions to take strict action against offenders are required. The discussion in the following paragraphs deal with the punitive provisions of GST law.

122.2 Analysis

At the outset, the section declares the offences that attract penalty as a consequence, apart from the requirement to pay the tax and applicable interest. Some of the offences listed under this section may also attract prosecution under section 132 but that depend on the gravity of the offence defined in that section.

The Section is divided in three main parts:

- (i) The first sub-section prescribes 21 types of offences, any one of which if committed, can attract penalty of ten thousand rupees or equal to amount of tax involved, whichever is higher.
- (ii) The second sub-section deals with two situations, firstly, where certain offences committed are not due to either fraud or wilful misstatement or suppression of facts. In such a case, penalty will get reduced to 10% of tax involved subject to a minimum of ten thousand rupees. Secondly, where the offence committed is due to either fraud or any wilful misstatement or suppression of facts to evade tax will result in a penalty equal to tax involved subject to a minimum of ten thousand rupees.
- (iii) The third sub-section deals with offences where the person is not directly involved in any evasion but may be a party to evasion or if he does not attend summons or produce documents. Penalty in such a case would be upto twenty five thousand rupees.

While this section describes the offence and prescribes the penalty applicable, the procedure for adjudicating the imposition of this penalty is under section 73 and section 74 in which there is no express reference to this section. Persons found to have committed the offences listed in this section are liable to payment of penalty as follows:

- A. Penalty equivalent to higher of Rupees 10,000/- or tax evaded/ tax not deducted/ collected or short deducted/collected or tax deducted/collected but not paid, whichever is higher in the following cases:
 1. Supplies any goods/services:
 - (a) Without issue of any invoice or
 - (b) Issues an incorrect/false invoice in respect of such supply
 2. Issues an invoice without supply of goods/services in violation of the provisions of the Act/ Rules.
 3. Collects any amount as tax but fails to deposit the same with the Government beyond a period of three months from due date.
 4. Collects any tax in contravention of law but fails to deposit the same with the Government beyond a period of three months from due date.
 5. Fails to -
 - (a) Deduct tax/deduct appropriate tax, as per Section 51 (Section 51 is applicable to certain specific persons. The said section requires such specified persons to deduct tax at the rate of one per cent out of the payment to the supplier if the value of supply under a contract exceeds two lakh and fifty thousand rupees) or
 - (b) deposit the tax deducted with the Government
 6. Fails to -
 - (a) collect tax/collect appropriate tax as per provisions of Section 52 (Section 52 is

- applicable to electronic commerce operator to collect tax from the supplier of goods at the time of payment to such supplier at the rate of one per cent)
- (b) deposit the tax collected with the appropriate Government
7. takes or utilizes input tax credit without actual receipt of goods/services either fully or partially in contravention of provisions of Act/ Rules.
 8. fraudulently obtains refund of tax.
 9. takes or distributes input tax credit in contravention of section 20, or the rules made thereunder (Section 20 prescribes manner of distribution of credit by input service distributor)
 10. With an intention to evade payment of tax-
 - (a) falsifies or substitutes financial records, or
 - (b) produces fake accounts or documents, or
 - (c) furnishes any false information or return
 11. fails to obtain registration.
 12. furnishes any false information with regard to registration particulars, either at the time of applying for registration, or subsequently.
 13. obstructs or prevents any officer in discharge of his duties.
 14. transports any taxable goods without the cover of specified documents.
 15. suppresses his turnover leading to evasion of tax.
 16. fails to keep, maintain or retain books of account and other documents as specified in law.
 17. fails to furnish information or documents called for by an officer or furnishes false information or documents during any proceedings.
 18. supplies, transports or stores any goods which he has reason to believe are liable to confiscation.
 19. issues any invoice or document by using the registration number of another taxable person.
 20. tampers with, or destroys any material evidence or document.
 21. disposes off or tampers with any goods that have been detained, seized, or attached under this Act.
- B. Penalty at a reduced rate of 10% of the tax involved subject to minimum of Rs.10,000 will be levied in cases where any registered taxable person who supplies any goods or services by whom any tax has not been paid or short-paid or erroneously refunded, or where the input tax credit has been wrongly availed or utilized for any reason, other than the reason of fraud or any wilful misstatement or suppression of facts to evade tax. Penalty of 100% of the tax involved subject to minimum of ₹ 10,000 where fraud or any wilful misstatement or suppression of facts to evade tax.

- C. Penalty up to rupees twenty-five thousand where any person:
1. aids or abets any of the offences specified in clause A above;
 2. acquires possession of, or in any way concerns himself in transporting, removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner deals with any goods which he knows or has reason to believe are liable to confiscation;
 3. receives or is in any way concerned with the supply of, or in any other manner deals with any supply of services which he knows or has reason to believe are in contravention of any provisions of this Act or the rules made thereunder;
 4. fails to appear before the officer of central tax, when issued with a summon for appearance to give evidence or produce a document in an enquiry
 5. fails to issue invoice in accordance with the provisions of this Act or rules made thereunder, or fails to account for an invoice in his books of account

122.3 Comparative review

Penalty provisions are more or less in line with the following provisions of subsumed Central laws in addition to the provisions of VAT laws of various States:

Section/Rule	Act/Rule	Provision
Section 9	Central Excise Act, 1944	Offences and penalties.
Chapter XVI	Customs Act, 1962	Offences & Prosecutions
Rules 8(3A)	Central Excise Rules, 2002	Failure to pay duty declared in return
Rules 25 & 26	Central Excise Rules, 2002	— Confiscation & Penalty — Penalty for Certain Offences
Section 76	Finance Act, 1994	Penalty for failure to pay Service tax
Section 77	Finance Act, 1994	General penalty for residual offences
Section 78	Finance Act, 1994	Penalty for failure to pay service tax for reasons of fraud
Section 89	Finance Act, 1994	Offences and Penalties
Rules 15	Cenvat Credit Rules, 2004	Penalty for defaults in relation to CENVAT credit
Rules 15A	Cenvat Credit Rules, 2004	General penalty

122.4 Related provisions

Section or Rule	Description
Section 2(107)	Definition of taxable person
Section 31	Tax Invoice
Section 51	Tax deducted at source (TDS)
Section 52	Collection of Tax at source
Sections 16 to 21, 41 and 42	Input tax credit & matching, reversal and reclaim
Section 22 to 30	Registration
Section 54 to 58	Refunds

122.5 FAQs

Q1. Whether penalty becomes automatically leviable without any adjudication?

Ans. Though not specifically mentioned in section 122 relating to penalties, in the light of section 126 dealing with general disciplines related to penalty and in view of principles of natural justice, penalties cannot be imposed without affording him an adequate opportunity of being heard.

Q2. Can there be any liability even if a person is not a taxable person?

Ans. Yes, penalty under sub-section (3) of Section 122 can be levied on any person even if he is not a taxable person.

122.6 MCQs

Q1. If a person has failed to obtain the registration the penalty is equivalent to:

- (a) amount of tax
- (b) 10% of tax
- (c) upto ₹ 10,000
- (d) the amount of tax or ₹ 10,000 whichever is higher

Ans. (d) the amount of tax or ₹ 10,000 whichever is higher

Q2. If a person fails to appear before GST officer, the maximum penalty that can be levied is:

- (a) amount of tax
- (b) 10% of tax
- (c) upto ₹ 10,000
- (d) none of the above

Ans. (d) none of the above

Q3. Penalty of 10% of the tax can be levied if:

- (a) a person repeatedly had not appeared before GST officer for 3 times
- (b) the taxable person has not filed returns for 6 consecutive months or more
- (c) a taxable person has been served with show cause notice for 3 times repeatedly
- (d) registered taxable person has not paid under *bona fide* belief

Ans. (d) registered taxable person has not paid under *bona fide* belief.

Q4. There is no penalty for not carrying specified documents during transportation of goods

- (i) True
- (ii) False

Ans. (ii) False

Statutory provision

123. Penalty for failure to furnish information return

If a person who is required to furnish an information return under Section 150 fails to do so within the period specified in the notice issued under sub-Section (3) thereof, the proper officer may direct that such person shall be liable to pay, by way of penalty of, a sum of one hundred rupees for each day of the period during which the failure to furnish such return continues:

Provided that the penalty imposed under this section shall not exceed five thousand rupees.

123.1 Introduction

This Section would be relevant where the information return as prescribed under Section 150 is not filed.

123.2 Analysis

If the person who is required to file an 'information return' as prescribed under Section 150 has not filed the return within the stipulated period of 30 days (please see section 150(2)) from the date of issue of show cause notice, a penalty of ₹ 100/- per day shall be levied for each day for which the failure continues but not exceeding five thousand rupees.

123.3 Comparative Review

The provision is similar to Section 15B of Central Excise Act, 1944.

123.4 Related provisions

Section	Description
Section 150	Obligation to furnish Information Return

123.5 FAQs

- Q1. What would be the penalty for not filing the information return?
 Ans. Penalty of Rs.100 per day would be applicable for each day for which the failure continues subject to maximum of Rs. 5,000/-.
- Q2. Would penalty under this Section be payable for defective returns?
 Ans. No, the penalty for defective information returns would not be payable under this section.
- Q3. Is there any maximum ceiling on penalty payable for failure to furnish information return u/s. 150?
 Ans. Yes. There is maximum ceiling of Rs. 5,000/- for failure to furnish information return u/s. 150.

Statutory provision**124. Fine for failure to furnish statistics**

If any person required to furnish any information or return under section 151, —

- (a) *without reasonable cause fails to furnish such information or return as may be required under that section, or*
- (b) *wilfully furnishes or causes to furnish any information or return which he knows to be false,*
- he shall be punishable with a fine which may extend to ten thousand rupees and in case of a continuing offence to a further fine which may extend to one hundred rupees for each day after the first day during which the offence continues subject to a maximum limit of twenty-five thousand rupees.*

124.1 Introduction

This section provides for penal consequences for failure to furnish information or return as required under section 151 regarding collection of statistics

124.2 Analysis

The section specifies penalty for failure to provide information or return in two circumstances viz.

- (a) fails to furnish information or return without reasonable cause; and
 (b) where furnished knowing it to be false.

The penalty specified is of upto ₹ 10,000/- and where the offence is continuing a further fine of upto ₹ 100 per day subject to maximum of ₹ 25,000/-.

124.3 Related provisions

Section	Description
Section 151	Power to collect statistics

Statutory provision**125. General Penalty**

Any person, who contravenes any of the provisions of this Act or any rules made thereunder for which no penalty is separately provided for in this Act, shall be liable to a penalty which may extend to twenty-five thousand rupees.

125.1 Introduction

The duty of the State is not only to recover all lawful dues from a defaulter, but to do justice towards the law abiding populace to impose a penalty – *jus in rem*. To this end offences are listed in section 122 along with penalty specifically applicable to each. Any offence that does not have a specific penalty prescribed, cannot be let off without penal consequences. Section 125 is a general penalty provision under the GST law for cases where no separate penalty is prescribed under the Act or rules.

125.2 Analysis

Penalty upto rupees twenty five thousand is imposable where any person contravenes:

- (a) any of the provisions of the Act; or
- (b) rules made thereunder.

for which no penalty is separately prescribed under the Act

125.3 Comparative review

General penalty provisions are more or less in line with the following provisions of subsumed Central laws in addition to the provisions of VAT laws of various States:

Section/Rule	Act/Rule	Provision
Rule 27	Central Excise Rules, 2002	General Penalty
Rule 15A	Cenvat Credit Rules, 2004	General penalty
Section 77	Finance Act, 1994	General penalty for residual offences

The residuary penalty as prescribed under service tax law and central excise law is upto ₹ 10,000/- and ₹ 5,000/ respectively-. There is substantial increase in maximum limit of penalty as prescribed under the Act.

125.4 Related provisions

Section	Description
Section 126	General disciplines related to penalty

125.5 FAQs

Q1. Which are the cases where general penalty can be levied?

Ans. The instances where there is no specific penalty prescribed under any other section or rule made thereunder general penalty will be attracted.

Q2. What is the amount of general penalty leviable under the Act?

Ans. An amount upto ₹ 25,000/-

125.6 MCQs

Q1. General penalty can be levied in addition to the specific penalties prescribed under the law

- (i) Yes, general penalty is levied in addition to the specific penalties
- (ii) No, when no specific penalty is prescribed, then only the general penalty applies.

Ans. (ii) No, when no specific penalty is prescribed, then only the general penalty applies.

Q2. If the assessee discovers any default on his own he must pay penalty along under this section?

- (i) Yes
- (ii) No

Ans. (ii) No.

Statutory provision

126. General disciplines related to penalty

(1) No officer under this act shall impose any penalty for minor breaches of tax regulations or procedural requirements and in particular, any omission or mistake in documentation which is easily rectifiable and made without fraudulent intent or gross negligence.

Explanation. - For the purpose of this sub-section –

- (a) a breach shall be considered a 'minor breach' if the amount of tax involved is less than rupees five thousand.
- (b) an omission or mistake in documentation shall be considered to be easily rectifiable if the same is an error apparent on the face of record.

(2) The penalty imposed under this act shall depend on the facts and circumstances of each case and shall be commensurate with the degree and severity of the breach.

(3) No penalty shall be imposed on any person without giving him an opportunity of being heard.

(4) The officer under this act shall while imposing penalty in an order for a breach of the any law, regulation or procedural requirement, specify the nature of the breach and the applicable law, regulation or procedure under which the amount of penalty for the breach has been specified.

(5) When a person voluntarily discloses to an officer under this act the circumstances of a breach of the tax law, regulation or procedural requirement prior to the discovery of the breach by the officer under this act, the proper officer may consider this fact as a mitigating factor when quantifying a penalty for that person.

(6) The provisions of this section shall not apply in such cases where the penalty specified under the Act is either a fixed sum or expressed as a fixed percentage.

126.1. Introduction

While penalties are not new in tax laws, this section lays down certain guiding principles to ensure tax administration can be held accountable to the tax paying citizen. It is salutary that such well-reasoned 'general disciplines' relating to penalty are provided in the Act.

126.2. Analysis

Guidelines for imposing penalty is one of the highlights of this progressive tax legislation. Courts have, for long, addresses the presence of circumstances surrounding the instance of – non-payment of tax now admitted – for the imposition of penalty. Now, a section providing guidance on 'how' and 'when' – to impose or refrain from imposing penalty – is salutary.

The following guiding disciplines in certain circumstances apply to substantial penalties:

- (a) No penalty can be imposed where the tax involved is less than ₹ 5,000/- (minor breach) or in case of documentation errors apparent on the face of record.
- (b) When penalty is still liable to be imposed, the next safety as laid down is to inquire into the degree and severity of the breach to proceed with imposition of penalty. In these cases, if the facts do not demand imposition of penalty, restraint is advised. However, no such discretion is provided in the section while providing for amount of penalty.
- (c) Person liable to penalty must be given an opportunity of being heard. Further a speaking order is passed for imposing such penalty.
- (d) Voluntary disclosure by a person to an officer (not merely in his own books and records) about the circumstances of the breach may be considered as a mitigating factor for the quantifying of penalty.
- (e) Cases involving fixed sum or fixed percentage of penalty are excluded.

126.3 Comparative review

Finance Act, 1994 *vide* Section 80, provided for waiver of penalties in cases where the assessee was able to prove that there was a reasonable cause of failure. The same was deleted with effect from 14.05.2015.

126.4 Related provisions

Section/Rule/Form	Description	Remarks
Section 122	Offences	Penalty for certain offences

126.5 FAQs

Q1. What are the discretionary powers of the officers to waive the penalties?

Ans. Section 126(2) prescribes that penalty shall be levied depending on the facts and circumstances of the case and shall be commensurate with the degree and severity of the breach.

Q2. What is regarded as "minor breach"?

Ans. A breach shall be considered a 'minor breach' if the amount of tax involved is less than rupees five thousand.

Q3. What shall be considered as "mistake easily rectifiable"?

Ans. An omission or mistake in documentation shall be considered to be easily rectifiable if the same is an error apparent on the face of record.

126.6 MCQs

Q1. For minor breaches of tax regulations or procedural requirements, the tax authority shall-

- (a) not impose substantial penalties
- (b) impose nominal penalty
- (c) not impose any penalty.
- (d) none of the above.

Ans. (c) not impose any penalty.

Statutory provision

127. Power to impose penalty in certain cases

Where the proper officer is of the view that a person is liable to a penalty and the same is not covered under any proceeding under sections 62, or section 63 or section 64 or section 73 or section 74 or section 129 or section 130, he may issue an order levying such penalty after giving a reasonable opportunity of being heard to such person.

127.1 Introduction

This section empowers to the proper officer to initiate separate penalty proceedings even if the penalty is not covered under any proceedings under any other sections.

127.2 Analysis

Penalty proceedings can be initiated under this Section even if the same are not covered under the following sections:

Section 62: Assessment of non-filers of returns

Section 63: Assessment of unregistered persons

Section 64: Summary assessment in certain special cases

Section 73 and 74: Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed

Section 129: Detention, seizure and release of goods and conveyances in transit

Section 130: Confiscation of goods or conveyances and levy of penalty

In other words, penalties can be imposed by proper officer after giving due opportunity even in cases where there are no proceedings open with regard to assessment, adjudication,

detention or confiscation. This may involve situations where there is no evasion of tax directly by the person concerned but he may be involved in offences mentioned in sub-section (3) of Section 122. Section 122(3) encompasses the following situations:

1. aids or abets any of the offences specified in section 122(1)
2. acquires possession of, or in any way concerns himself in transporting, removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner deals with any goods which he knows or has reason to believe are liable to confiscation;
3. receives or is in any way concerned with the supply of, or in any other manner deals with any supply of services which he knows or has reason to believe are in contravention of any provisions of this Act or the rules made thereunder;
4. fails to appear before the officer of central tax, when issued with a summon for appearance to give evidence or produce a document in an enquiry;
5. fails to issue invoice in accordance with the provisions of this Act or the rules made thereunder, or fails to account for an invoice in his books of account.

Statutory provision

128. Power to waive penalty or fee or both

The Government may, by notification, waive in part or full, any penalty referred to in section 122 or section 123 or section 125 or any late fee referred to in section 47 for such class of taxpayers and under such mitigating circumstances as may be specified therein on the recommendations of the Council.

128.1 Introduction

This section empowers the government to waive penalty for certain class of taxpayers or under certain circumstances.

128.2 Analysis

This section provides for waiver of penalty leviable under section 122 or section 123 or section 125 or late fee payable under section 47 to those class of taxpayers or under such mitigating factors as notified by the Government.

As per Notification No 28/2017 and 50/2017, the Central Government, on the recommendations of the Council, hereby waives the late fee payable under section 47 of the said Act, for all registered persons who failed to furnish the return in FORM GSTR-3B for the month of July, 2017, Aug 2017 and Sept 2017 by the due date.

As per Notification No 64/2017, the Central Government, on the recommendations of the Council, hereby waives the amount of late fee payable by any registered person for failure to furnish the return in FORM GSTR-3B for the month of October, 2017 onwards by the due date under section 47 of the said Act, which is in excess of an amount of twenty-five rupees for every day during which such failure continues.

Provided that where the total amount of central tax payable in the said return is nil, the amount of late fee payable by such registered person for failure to furnish the said return for the month of October, 2017 onwards by the due date under section 47 of the said Act shall stand waived to the extent which is in excess of an amount of ten rupees for every day during which such failure continues

Statutory provision

129. Detention, seizure and release of goods and conveyances in transit

(1) *Notwithstanding anything contained in this Act, where any person transports any goods or stores any goods while they are in transit in contravention of the provisions of this Act or rules made thereunder, all such goods and the conveyance used as a means of transport for carrying the said goods and documents relating to such goods and conveyance shall be liable to detention or seizure and after detention or seizure, shall be released,*

(a) *on payment of the applicable tax and penalty equal to one hundred percent of the tax payable on such goods and, in case of exempted goods, on payment of an amount equal to two percent of the value of goods or twenty-five thousand rupees, whichever is less, where the owner of the goods comes forward for payment of such tax and penalty;*

(b) *on payment of the applicable tax and penalty equal to the fifty percent of the value of the goods reduced by the tax amount paid thereon, and, in case of exempted goods, on payment of an amount equal to five percent of the value of goods or twenty-five thousand rupees, whichever is less, where the owner of the goods does not come forward for payment of such tax and penalty.*

(c) *upon furnishing a security equivalent to the amount payable under clause (a) or clause (b) in such form and manner as may be prescribed:*

Provided that no such goods or conveyance shall be detained or seized without serving an order of detention or seizure on the person transporting the goods.

(2) *The provisions of sub-section (6) of section 67 shall, mutatis mutandis, apply for detention and seizure of goods and conveyances.*

(3) *The proper officer detaining or seizing goods or conveyances shall issue a notice specifying the tax and penalty payable and thereafter, pass an order for payment of tax and penalty under clause (a) or clause (b) or clause (c).*

(4) *No tax, interest or penalty shall be determined under sub-section (3) without giving the person concerned an opportunity of being heard.*

(5) *On payment of the amount referred to in sub-section (1), all proceedings in respect of the notice specified in sub-section (3) shall be deemed to be concluded.*

(6) *Where the person transporting any goods or the owner of the goods fails to pay the amount of tax and penalty as Provided in sub-section (1) within seven days of such detention or seizure, further proceedings shall be initiated in accordance with the provisions of section 130:*

Provided that where the detained or seized goods are perishable or hazardous in nature or are likely to depreciate in value with passage of time, the said period of seven days may be reduced by the proper officer.

129.1 Introduction

This section provides for the provision relating to detention of goods or conveyances or both in case of certain defaults under the law.

129.2 Analysis

- (a) If a person contravenes any provision of the Act while transporting or storing goods, then such goods and the conveyance in which such goods are carried and all the documents relating to such goods and conveyance can be detained or seized. The proper officer detaining and seizing the goods and/or conveyance has to give proper opportunity to the transporter to explain his case by issuing a proper notice to him. After hearing the transporter the officer shall pass an appropriate order.
- (b) In case of default, where the owner of the goods **comes forward for the payment of tax**, penalty will be levied equal to 100% of the amount of tax and in case of exempted goods 2% of the value of goods or Rs.25000/- whichever is less.
- (c) In case where owner of the goods **does not come forward for payment of tax**, then an order shall be passed for payment of amount of tax and penalty equal to **50% of the value of goods** reduced by tax amount paid (to be paid by any other person other than owner) and in case of exempted goods 5% of the value of goods or Rs.25000/- whichever is less.
- (d) The proper officer shall release the goods upon the payment of tax and amount of penalty in the above manner or upon furnishing a security equivalent of the amount payable and all the proceedings under this particular section shall deemed to be concluded. However, if the person (either owner of the goods or any other person) fails to discharge the amount of tax and penalty under this section within 7 days, than the goods and/or conveyance shall be liable for confiscation. The period of 7 days can be reduced by proper officer if goods are of perishable or hazardous nature. Further, such goods can be released on provisional basis under bond as per the provisions of section 67.

129.3 Related provision

Section / Rule / Form	Description	Remarks
Section 68	Inspection of goods in movement	Prescribed documents are requires to be carried along with the goods being transported.

129.4 FAQs

Q1. Under what circumstances a conveyance can be detained?

Ans. A conveyance can be detained, when the conveyance is used for –

- Transportation of any goods or
- Storage of such goods while they are in transit

in violation of the GST Act or rules made thereunder.

Q2. What is the quantum of penalties in case of detention/seizure of goods and/or conveyance?

Ans. The quantum of penalties in case of detention/seizure of goods and/or conveyance are:-

- In case of owner– the quantum of penalty would be equivalent to the amount of tax and in case of exempted goods 2% of the value of the goods or Rs.25000/- whichever is less.
- In case, payment is to be made by the person other than the owner, penalty shall be 50% of the value of the goods and in case of exempted goods 5% of the value of goods or Rs.25000/- whichever is less..

129.5 MCQs

Q1. The detained goods shall be released only after payment of –

- (a) Applicable tax and penalty;
- (b) Furnishing a security;
- (c) Tax and Interest;
- (d) Either (a) or (b).

Ans. (d) Either (a) or (b)

Q2. Number of days within which the amount of tax and penalty on seized goods should be paid-

- (a) 3
- (b) 12
- (c) 7
- (d) 15

Ans. (c) 7

Statutory provision**130. Confiscation of goods and/or conveyances and levy of penalty**

- (1) *Notwithstanding anything contained in this Act, if any person –*
- (i) *supplies or receives any goods in contravention of any of the provisions of this Act or the rules made thereunder with intent to evade payment of tax; or*
 - (ii) *does not account for any goods on which he is liable to pay tax under this Act; or*
 - (iii) *supplies any goods liable to tax under this Act without having applied for the registration; or*
 - (iv) *contravenes any of the provisions of this Act or the rules made thereunder with intent to evade payment of tax, or*
 - (v) *uses any conveyance as a means of transport for carriage of taxable goods in contravention of the provisions of this Act or rules made thereunder unless the owner of the conveyance proves that it was so used without the knowledge or connivance of the owner himself, his agent, if any, and the person in charge of the conveyance,*
- then, all such goods or conveyances shall be liable to confiscation and the person shall be liable to penalty under section 122.*
- (2) *Whenever confiscation of any goods or conveyance is authorized by this Act, the officer adjudging it shall give to the owner of the goods an option to pay in lieu of confiscation such fine as the said officer thinks fit:*
- Provided that such fine shall not exceed the market value of the goods confiscated, less the tax chargeable thereon.*
- Provided further that the aggregate of such fine and penalty leviable shall not be less than the amount of penalty leviable under sub-section (1) of section 129:*
- Provided also that where any such conveyance is used for the carriage of the goods or passengers for hire, the owner of the conveyance shall be given an option to pay in lieu of the confiscation of the conveyance a fine equal to the tax payable on the goods being transported thereon.*
- (3) *Where any fine in lieu of confiscation of goods or conveyance is imposed under sub-section (2), the owner of such goods or conveyance or the person referred to in sub-section (1), shall, in addition, be liable to any tax, penalty and charges payable in respect of such goods or conveyance.*
- (4) *No order for confiscation of goods or conveyance or for imposition of penalty shall be issued without giving the person a reasonable opportunity of being heard.*
- (5) *Where any goods or conveyance are confiscated under this Act, the title of such goods or conveyance shall thereupon vest in the Government.*
- (6) *The proper officer adjudging confiscation shall take and hold possession of the things*

confiscated and every officer of Police, on the requisition of such proper officer, shall assist him in taking and holding such possession

- (7) *The proper officer may, after satisfying himself that the confiscated goods and conveyance are not required in any other proceedings under this Act and after giving reasonable time not exceeding three months to pay fine in lieu of confiscation, dispose such goods or conveyances and deposit the sale proceeds thereof with the Government.*

130.1 Introduction

This section provides for specific causes leading to confiscation of goods/conveyances. The nature of authorization to confiscate and opportunity to release goods/conveyances liable for such confiscation are detailed in this section.

130.2 Analysis

There are five precise causes for confiscation of goods and/or conveyances specified in this section and they are:

Action	Consequence
Supply or receive goods in contravention of the Act or rules made thereunder	Resulting in actual evasion of tax
Not accounting for goods	Carrying a liability to payment of tax
Supply of goods liable to tax	Without applying registration
Contravention of the provisions of Act or rules made thereunder	With intent to evade payment of tax
Use of conveyance as a means of transport/for carriage of taxable goods	In contravention of the Act or rules made thereunder

- In all the above cases, goods or conveyance shall be liable for confiscation. However the conveyance shall not be confiscated where the owner of the conveyance proves that it is without the connivance of owner himself, his agent or person in charge of the conveyance. Further, the person shall be liable to pay penalty under section 122 of the Act.
- If the goods or conveyance are liable to be confiscated under the provisions of this Act, the proper officer shall give the owner of the goods an option to pay fine in lieu of confiscation.
- The amount of fine shall not exceed the market value of goods as reduced by the amount of tax payable thereon. However, at the same time aggregate of fine and penalty leviable shall not be less than the amount of penalty as leviable under section 129(1) While section 129 is applicable on transporters, section 130 primarily covers the owner.

- Where the conveyance is used for transportation of goods or passenger on hire, the owner of the conveyance shall be given an option to pay in lieu of confiscation of the conveyance a fine equal to amount of tax payable on the goods transported on his conveyance. It is worthwhile to note that the amount of fine payable is in addition to any tax, penalty and other charges payable on confiscated goods or conveyance.
- The order for confiscation cannot be issued without giving the person an opportunity of being heard.
- The title of the confiscated goods or conveyance shall be vested upon the Government.
- The proper officer adjudging confiscation shall take and hold possession of the things confiscated on behalf of the Government and every officer of police shall assist in taking such hold and possession.
- If the proper officer is satisfied that the confiscated goods/conveyance are not required for any proceedings under the Act, then he shall after giving reasonable time not exceeding 3 months to pay fine in lieu of confiscation, dispose the goods and deposit the sale proceeds with the Government.

130.3 Comparative review

The provision as discussed above for confiscation of goods and levy of penalty is akin to erstwhile confiscation provisions under Sections 33 and 34 of the Central Excise Act, 1944.

130.4 Related provisions

Section / Rule / Form	Description	Remarks
Section 122	Offences and Penalties	Specifies penalty for certain offences under the Act
Section 126	General discipline related to penalty	The principles and disciplines related to impose of penalty

130.5 FAQs

- Q1. Are all cases of contraventions of any of the provisions of the Act or Rules liable for confiscation?
- Ans. No, only if the contravention of the provisions results in evasion of taxes or there lies an intent to evade the payment of tax, confiscation of goods/conveyance is permissible.
- Q2. What is the maximum amount of fine in lieu of confiscation that can be levied?
- Ans. The maximum amount of fine in lieu of confiscation shall not exceed the market price of the goods confiscated, less the tax chargeable thereon
- Q3. Can the option to pay redemption fine in lieu of confiscation of goods be given to any person other than the owner of the goods?

Ans. No, in terms of section 130(2) of GST Law,, the officer adjudging confiscation of any goods shall give to the owner of the goods an option to pay in lieu of confiscation such fine as thinks fit.

Q4. Can the option to pay fine in lieu of confiscation be exercised anytime?

Ans. The option to pay fine in lieu of confiscation shall be exercised within 3 months of confiscation.

Statutory provision

131. Confiscation or penalty not to interfere with other punishments

Without prejudice to the provisions contained in the Code of Criminal Procedure, 1973, no confiscation made or penalty imposed under the provisions of this Act or the rules made thereunder shall prevent the infliction of any other punishment to which the person affected thereby is liable under the provisions of this Act or under any other law for the time being in force.

131.1 Introduction

This is an administrative provision which empowers the Government to initiate other proceedings, as relevant, in addition to confiscation of goods or imposition or penalty.

131.2 Analysis

Normally, the inference is that where the goods are confiscated or where any penalty is imposed, no other proceedings which are punitive in nature should be initiated.

This Section provides that in addition to confiscation of goods or penalty already imposed, all / any other proceedings may also be initiated or continued under the GST law or any other law, as applicable. This could be prosecution, arrest, cancellation of registration etc., as applicable and provided for the relevant non-compliances.

131.3 Comparative review

This provision is similar to Section 34A of the Central Excise Act, 1944.

Statutory provision

132. Punishment for Certain Offences

(1) *Whoever commits any of the following offences namely: -*

- (a) *supplies any goods or services or both without issue of any invoice, in violation of the provisions of this Act or the rules made thereunder, with the intention to evade tax;*
- (b) *issues any invoice or bill without supply of goods or services or both in violation of the provisions of this Act, or the rules made thereunder leading to wrongful availment or utilisation of input tax credit or refund of tax;*

- (c) *avails input tax credit using such invoice or bill referred to in clause (b);*
- (d) *collects any amount as tax but fails to pay the same to the Government beyond a period of three months from the date on which such payment becomes due;*
- (e) *evades tax, fraudulently avails input tax credit or fraudulently obtains refund and where such offence is not covered under clauses (a) to (d);*
- (f) *falsifies or substitutes financial records or produces fake accounts or documents or furnishes any false information with an intention to evade payment of tax due under this Act;*
- (g) *obstructs or prevents any officer in the discharge of his duties under this*
- (h) *acquires possession of, or in any way concerns himself in transporting, removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner deals with, any goods which he knows or has reasons to believe are liable to confiscation under this Act or the rules made thereunder;*
- (i) *receives or is in any way concerned with the supply of, or in any other manner deals with any supply of services which he knows or has reasons to believe are in contravention of any provisions of this Act or the rules made thereunder;*
- (j) *tampers with or destroys any material evidence or documents;*
- (k) *fails to supply any information which he is required to supply under this Act or the rules made thereunder or (unless with a reasonable belief, the burden of proving which shall be upon him, that the information supplied by him is true) supplies false information; or*
- (l) *attempts to commit, or abets the commission of any of the offences mentioned in clauses (a) to (k) of this section,*

shall be punishable –

- (i) *in cases where the amount of tax evaded or the amount of input tax credit wrongly availed or utilised or the amount of refund wrongly taken exceeds five hundred lakh rupees, with imprisonment for a term which may extend to five years and with fine;*
- (ii) *in cases where the amount of tax evaded or the amount of input tax credit wrongly availed or utilised or the amount of refund wrongly taken exceeds two hundred lakh rupees but does not exceed five hundred lakh rupees, with imprisonment for a term which may extend to three years and with fine;*
- (iii) *in the case of any other offence where the amount of tax evaded or the amount of input tax credit wrongly availed or utilised or the amount of refund wrongly taken exceeds one hundred lakh rupees but does not exceed two hundred lakh rupees, 35 with imprisonment for a term which may extend to one year and with fine;*

<p>(iv) <i>in cases where he commits or abets the commission of an offence specified in clause (f) or clause (g) or clause (j), he shall be punishable with imprisonment for a term which may extend to six months or with fine or with both.</i></p> <p>(2) <i>Where any person convicted of an offence under this section is again convicted of an offence under this section, then, he shall be punishable for the second and for every subsequent offence with imprisonment for a term which may extend to five years and with fine.</i></p> <p>(3) The imprisonment referred to in clauses (i), (ii) and (iii) of sub-section (1) and sub-section (2) shall, in the absence of special and adequate reasons to the contrary to be 45 recorded in the judgment of the Court, be for a term not less than six months.</p> <p>(4) Notwithstanding anything contained in the Code of Criminal Procedure, 1973, all offences under this Act, except the offences referred to in sub-section (5) shall be non-cognizable and bailable.</p> <p>(5) The offences specified in clause (a) or clause (b) or clause (c) or clause (d) of sub-section (1) and punishable under clause (i) of that sub-section shall be cognizable and non-bailable.</p> <p>(6) A person shall not be prosecuted for any offence under this section except with the previous sanction of the Commissioner.</p> <p><i>Explanation.</i> — For the purposes of this section, the term “tax” shall include the amount of tax evaded or the amount of input tax credit wrongly availed or utilised or refund wrongly taken under the provisions of this Act, the State Goods and Services Tax Act, the Integrated Goods and Services Tax Act or the Union Territory Goods and Services Tax Act and cess levied under the Goods and Services Tax (Compensation to States) Act.</p>

132.1 Introduction

This section talks about cases of tax evasion and penal actions applicable on specific events subject to amount of tax sought to be evaded. This provision provides prosecution of offenders and the punishment initiated on them.

132.2 Analysis

- A. In this section the law makers have identified situations whereby there can be a leakage or revision of government revenue and have thus penned down 12 such situations of malafide intent which are as follows:
- (a) Supply of goods or services or both without the cover of invoice with an intent to evade tax;
 - (b) If any person issues any invoice or bill without actual supply of goods or services or both leading to wrongful input tax credit or refund of tax;
 - (c) Any person who avails input tax credit using invoice referred in point (b) above;
 - (d) Collection of taxes without payment to the government for a period beyond 3 months of due date;

- (e) Evasion of tax, availment of credit or obtaining refund with intent of fraud where such offence is not covered in clause (a) to (d) above.
- (f) Falsifying financial records or production of false records/ accounts/ documents/ information with an intent to evade tax;
- (g) Obstructs or prevents any officer from doing his duties under the act;
- (h) Acquires or transports or in any manner or deals with any goods which he knows or has reasons to believe are liable for confiscation under this Act or rules made thereunder;
- (i) Receives or in any way, deals with any supply of services which he knows or has reason to believe are in contravention of any provisions of this law;
- (j) Tamper with or destroys any material evidence or documents;
- (k) Fails to supply any information which he is required to supply under this law or supply false information;
- (l) Attempts or abets the commission of any of the offences mention above.

This section enables institution of prosecution proceedings against the offenders and the period of imprisonment and quantum of fine varies depending on the amount of tax evaded or seriousness of the offence listed below.

Amount of Tax evaded/ erroneous refund/ wrong ITC availed or utilized	Fine	Imprisonment
Exceeding ₹ 5 Crores	Yes	Upto 5 years
₹ 2 Crores – 5 Crores	Yes	Upto 3 years
₹ 1 Crores – 2 Crores	Yes	Upto 1 year

- B. If any person commits any offence specified in clause (f), (g) or (j) above, he shall be punishable with imprisonment for a term which may extend to six months or with fine or with both.
- C. In case of repetitive offences without any specific/special reason which is recorded in the judgment of the Court will entail an imprisonment term of not less than 6 months and which could extend to 5 years plus with a fine.
- D. All offences mentioned in this section are non-cognizable and bailable except the following cases:
 - a. Where the amount exceeds 5 Crores and
 - b. Instances covered by (a) to (d) in Para A.
- E. Every prosecution proceeding initiated requires prior sanction of the Commissioner.

132.3 Comparative Review

The old Central and State level indirect tax laws covers prosecution powers.

Statutory provision**133. Liability of Officers and certain other persons**

- (1) *Where any person engaged in connection with the collection of statistics under section 151 or compilation or computerisation thereof or if any officer of central tax having access to information specified under sub-section (1) of section 150, or if any person engaged in connection with the provision of service on the common portal or the agent of common portal, willfully discloses any information or the contents of any return furnished under this Act or rules made thereunder otherwise than in execution of his duties under the said sections or for the purposes of prosecution for an offence under this Act or under any other Act for the time being in force, he shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to twenty-five thousand rupees, or with both.*
- (2) *Any person—*
- (a) *who is a Government servant shall not be prosecuted for any offence under this section except with the previous sanction of the Government;*
 - (b) *who is not a Government servant shall not be prosecuted for any offence under this section except with the previous sanction of the Commissioner.*

133.1 Introduction

This Section casts duties & obligations on the officers of the Goods and Service Tax Laws to keep the information collected either from the statistical data collected by the government or from the information furnished in the returns.

133.2 Analysis

Since the Officers of the department are dealing with sensitive information, the secrecy and security of such information is of utmost importance. If the officers who are dealing with the statistical data or data collected from the information returns, he has to maintain utmost secrecy of the same.

If the officer willfully discloses such information or contents by any reason other than by reason of his duties cast upon him under the Act, he shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to Rs. 25,000 or both.

Further any the prosecution under this section would be carried out with the prior sanction of the Government in case of prosecution of a Government Servant and with the sanction of Commissioner in case of others.

Statutory provision**134. Cognizance of offences**

No Court shall take cognizance of any offence punishable under this Act or the rules made thereunder except with the previous sanction of the Commissioner, and no court inferior to that of a Magistrate of the First Class, shall try any such offence.

134.1 Introduction

This provision sets out the manner of taking cognizance of offences.

134.2 Analysis

Any offence under the Act or Rules can be tried only before a Court not lower than the Court of Judicial Magistrate First Class. Further, previous sanctions of the Commissioner is mandatory in every such case.

Statutory provision**135. Presumption of Culpable Mental State**

In any prosecution for an offence under this Act which requires a culpable mental state on the part of the accused, the Court shall presume the existence of such mental state but it shall be a defence for the accused to prove the fact that he had no such mental state with respect to the act charged as an offence in that prosecution.

Explanation. —For the purposes of this section, —

- (i) *the expression “culpable mental state” includes intention, motive, knowledge of a fact, and belief in, or reason to believe, a fact;*
- (ii) *a fact is said to be proved only when the court believes it to exist beyond reasonable doubt and not merely when its existence is established by a preponderance of probability.*

135.1 Introduction

In this section, the framers of law have cast the responsibility upon the shoulders of the one who is alleged of culpable mental state to prove otherwise.

135.2 Analysis

Now, once the law has stated that in case of any prosecution which requires the existence of a culpable mental state, the Court would presume the existence of it.

Under the old revenue laws, the burden to prove was on the one who alleges it. The Hon'ble Supreme Court in the case of *Uniworth Textiles Limited vs. Commissioner of Central Excise, Raipur* [(2013) 31 taxmann.com 67 (SC)] stated that “*Burden to prove invocation of extended period on Department. The assessee cannot be asked to bring evidence to prove his bona fide. Similarly it is a cardinal postulate of law that the burden of proving any form of mala fide lies on the shoulders of the one alleging it.*”

The accused can prove that he had no such mental state in respect of a particular act for which he is charged. The expression “Culpable Mental State” is defined inclusively to cover “intent, motive, knowledge of fact, belief in or reason to believe”. It also covers facts which exist beyond a reasonable doubt and not based on probabilities.

Hence, a very landmark judgement of the Hon'ble Supreme Court would lose its relevance in the cases covered by this section.

135.3 Comparative Review

Section 9C of the Central Excise law has a identical provision. Under the old laws the onus to prove non-existence of Culpable Mental State is cast on the assessee only.

Statutory provision**136. Relevancy of statements under certain circumstances**

A statement made and signed by a person on appearance in response to any summons issued under section 70 during the course of any inquiry or proceedings under this Act shall be relevant, for the purpose of proving, in any prosecution for an offence under this Act, the truth of the facts which it contains, —

- (a) *when the person who made the statement is dead or cannot be found, or is incapable of giving evidence, or is kept out of the way by the adverse party, or whose presence cannot be obtained without an amount of delay or expense which, under the circumstances of the case, the court considers unreasonable; or*
- (b) *when the person who made the statement is examined as a witness in the case before the court and the court is of the opinion that, having regard to the circumstances of the case, the statement should be admitted in evidence in the interest of justice.*

136.1 Introduction

This provision deals with relevancy of statements and documents recorded or deposed during investigation proceedings.

136.2 Analysis

A Statement recorded during an investigation proceedings or inquiry will be relevant to prove the truthfulness of facts when:

- (a) It is made by a person who is not available in Court on account of his death, incapacity, prevention by another party or when he absconds; or when presence cannot be obtained without an amount of delay or expense which , under the circumstances of the case , the court considers unreasonable or
- (b) The Court consider the statement as an evidence on examination of the person as a witness.

136.3 Comparative review

Similar provisions was traceable to section 9D of the Central Excise Act, 1944.

Statutory provision**137. Offences by Companies**

- (1) *Where an offence committed by a person under this Act is a company, every person who, at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of business of the company, as well as the company, shall*

be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

- (2) *Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any negligence on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.*
- (3) *Where an offence under this Act has been committed by a taxable person being a partnership firm or a Limited Liability Partnership or a Hindu undivided family or a trust, the partner or karta or managing trustee shall be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly and the provisions of sub-section (2) shall, mutatis mutandis, apply to such persons.*
- (4) *Nothing contained in this section shall render any such person liable to any punishment Provided in this Act, if he proves that the offence was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.*

Explanation. —For the purposes of this section, —

- (i) *“company” means a body corporate and includes a firm or other association of individuals; and*
- (ii) *“director”, in relation to a firm, means a partner in the firm.*

137.1 Introduction

This section lowers down heavily on the persons who take shelter on the principle of separate legal status of artificial judicial persons and back out of their responsibility of payment of dues of the Government.

137.2 Analysis

This section states that where an offence is committed by companies, every person/director/manager/secretary or any other officer who at the time of commitment of the offence, was in charge of and was responsible to the company for the conduct of business of the company, as well as the company shall be deemed to be guilty of such offence and shall be liable to be proceeded against and punished accordingly.

Where such offences are committed by the person being Partnership Firm, LLP, HUF or trust, then the partner or Karta or Managing Trustee (as the case may be) shall be deemed to be guilty and liable to be proceeded against and punished.

Further, if the accused person proves that he was in no way related to the offence being committed or he had exercised all possible measures to prevent commission of such offences, then he is not punishable under this section.

137.3 Comparative Review

These provisions are comparable to section 9AA of the Central Excise Act, 1944 as well as several State level VAT legislations with few exemptions to persons who can be prosecuted. The provision as regards LLP, HUF, Trust are new developments.

Statutory provision**138. Compounding of Offences**

- (1) *Any offence under this Act may, either before or after the institution of prosecution, be compounded by the Commissioner on payment, by the person accused of the offence, to the Central Government or the State Government, as the case be, of such compounding amount in such manner as may be prescribed:*

Provided that nothing contained in this section shall apply to—

- (a) *a person who has been allowed to compound once in respect of any of the offences specified in clauses (a) to (f) of sub-section (1) of section 132 and the offences specified in clause (l) which are relatable to offences specified in clauses (a) to (f) of 35 the said sub-section;*
- (b) *a person who has been allowed to compound once in respect of any offence, other than those in clause (a), under this Act or under the provisions of any State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act or the Integrated Goods and Services Tax Act in respect of supplies of value exceeding one crore rupees;*
- (c) *a person who has been accused of committing an offence under this Act which is also an offence under any other law for the time being in force;*
- (d) *a person who has been convicted for an offence under this Act by a court;*
- (e) *a person who has been accused of committing an offence specified in clause (g) or clause (j) or clause (k) of sub-section (1) of section 132; and*
- (f) *any other class of persons or offences as may be prescribed:*

Provided further that any compounding allowed under the provisions of this section shall not affect the proceedings, if any, instituted under any other law:

Provided also that compounding shall be allowed only after making payment of tax, interest and penalty involved in such offences.

- (2) *The amount for compounding of offences under this section shall be such as may be prescribed, subject to the minimum amount not being less than ten thousand rupees or fifty per cent of the tax involved, whichever is higher, and the maximum amount not being less than thirty thousand rupees or one hundred and fifty per cent. of the tax, whichever is higher.*

(3) *On payment of such compounding amount as may be determined by the Commissioner, no further proceedings shall be initiated under this Act against the accused person in respect of the same offence and any criminal proceedings, if already initiated in respect of the said offence, shall stand abated.*

138.1 Introduction

This provision deals with compounding of offences by payment of the prescribed compounding fees

138.2 Analysis

- (a) Compounding of an offence means payment of a sum of money in monetary terms instead of undergoing prosecution. Application for compounding of an offence can be either before or after institution of the prosecution proceedings.
- (b) Compounding of an offence is understood as a comparison between the offender and the tax department and is not an agreement or contract.
- (c) Specified offences can be compounded only once.
- (d) As per Rule 162 of the GST Law, the application of compounding shall be filed in FORM GST-CPD-01.
- (e) On receipt of the application, the commissioner shall call for a report from the concerned officer with reference to the particulars furnished in the application or any other relevant information for the examination of such application

After providing opportunity of being heard to the applicant and taking into account the contents of the application, if satisfied that the applicant has co-operated in the proceedings before him and has made full and true disclosure of facts relating to the case. Commissioner may by order in FORM GST-CPD-02 allow the application indicating the compounding amount and grant him immunity from prosecution or reject such application within 90 days of the receipt of the application stating the grounds of rejection.

However, the application shall not be allowed unless the tax, interest and penalty liable to be paid in case for which the application has been made.

- (f) Immunity granted to applicant may , at any time be withdrawn by Commissioner , if he is satisfied that such person had, in the course of compounding proceedings , concealed any material particulars or had given false evidence . Thereupon such person may be tried of the offence with respect to which immunity was granted or for any other offence that appears to have been committed by him in connection with the compounding proceedings and the provision of the act shall apply as if no such immunity has been granted.
- (g) The applicant, within a period of 30 days from the date of receipt of order allowing compounding, shall pay the compounding amount as ordered by the commissioner and

shall furnish the proof of such payment to him. However, if the applicant fails to pay the compounding amount within the time specified then the order of commissioner shall be vitiated and be void.

- (h) On payment, the proceedings indicated will abate and no criminal proceedings can be launched.
- (i) The amount of compounding of offences under this section shall be such as may be prescribed, subject to
 - The minimum amount not being less than Rs. 1000 or 50% of tax whichever is higher and
 - The maximum amount not being less than Rs. 30000 or 150% of tax whichever is higher.
- (j) Compounding of offences is not permissible to the following offences:
 - (i) A person who has compounded once in respect of supply value exceeding Rs. One Crore.
 - (ii) A person who is convicted by a Court under this Act.
 - (iii) Prescribed class of persons,
 - (iv) A person permitted to compound offences in terms of section 132.
 - (v) A person who has been accused of committing an offence under this act which is also an offence under this Act which is also an offence under any other law for the time being in force ..
 - (vi) A person who has been accused of committing an offence in section 132(1) (g) or