

# SUPREME COURT OF INDIA

Rajesh Kumar Sharma

Vs

Union of India & Ors.

(Arijit Pasayat and S.H.Kapadia, JJ.,)

02.02.2007

## JUDGMENT

**Dr.Arijit Pasayat,J.**

1. Though we are not granting leave, in view of reiteration of plea taken in this special leave petition in several cases, the petition is being disposed of by a detailed order. Challenge is to the order passed by a Division Bench of the Delhi High Court dismissing the writ petition filed by the petitioner.

2. Challenge in the writ petition was to the order dated 28th July, 2006 passed by the Chief Commissioner of Customs, Gujarat Zone, Ahmedabad,

3. Background facts in a nutshell are as follows:

“Petitioner had applied for compounding of an offence committed by him under Section 135(1)(a) of the Customs Act, 1962 (in short the 'Act'). After considering the application filed by the petitioner, the Compounding Authority allowed the application and imposed compounding amount of Rs. 10, 00, 000/-. In the writ petition stand taken by the petitioner was that the compounding amount as fixed is beyond the permissible limit. This plea was rejected by the High Court.”

4. In support of the petition, it has been stated that the extent of compounding amount as fixed by the Compounding Authority was beyond the permissible limit. It is submitted that market value of the goods which had not been declared was Rs. 8, 45, 176/- and therefore it should have been 20% of the said market value.

5. It is stated that since the purpose of compounding is to prevent unnecessary litigation, if the interpretation given by the High Court that the quantum has to be up to 20% of the market value of the goods or up to Rs. 10, 00, 000/- whichever is higher is accepted same would be counter productive.

6. The guidelines for compounding are contained in the Circular No. 54/ 2005-Cus dated 30th December, 2005. Central Government had brought into force the Customs

(Compounding of Offences) Rules 2005 (in short the 'Customs Rules') and Central Excise (Compounding of Offences) Rules, 2005) (in short the 'Central Excise Rules') with effect from 30th December, 2005. The purpose of compounding of offence against payment of compounding amount is to prevent litigation and encourage early settlement of disputes. The cases where compounding would be rejected are also spelt out in the said circular. The relevant Rule is Rule 5 of the Customs Rules which so far as relevant reads as follow:

“Fixation of the Compounding Amount-For the purpose of compounding of offences under the various provisions of the Act, the compounding amount shall be as provided herein below:

(1) - (3)

(4) Offence specified under Up to twenty percent of Section 135(1)(a) of the Act. market value of the goods or

Rupees ten lakhs whichever is higher.

(5) - (7)

(Underlined for emphasis)”

7. The crucial words in the Rule are "whichever is higher". According to learned Counsel for the petitioner, the word "up to" applies to both 20% of the market value of the goods or rupees ten lakh. This interpretation as suggested is clearly unacceptable. If the interpretation suggested is accepted, it would render expression "whichever is higher" redundant. The inevitable conclusion is that the petition lacks merit, deserves dismissal, which we direct.