

Madhumilan Syntex Ltd. and Others v. Union of India and Another

Criminal Appeal No. 1377 of 1999

[2007] 4 SCR 378 | 2007-03-23

Maintainability of prosecution for delayed remittance of tax deducted at source and threshold treatment of a company and its directors under sections 276B and 278B

Income-tax Act, 1961: sections 2(20), 2(31), 2(35), 194C, 200, 201, 276B, 278AA, 278B and 279 | Code of Criminal Procedure, 1973: sections 245 and 482

Two-judge bench; judgment delivered by C. K. Thakker, J. | C. K. Thakker, J. | P. K. Balasubramanyan, J.

No finding of guilt

The Supreme Court decided only whether the prosecution could continue at the discharge stage. It expressly kept every merits contention open for trial.

01 FACTS OF THE CASE

For AY 1989-90, Madhumilan Syntex deducted Rs 1,29,348 as tax at source under section 194C but did not remit it within the prescribed period. The company later paid the TDS with interest and attributed the delay to liquidity constraints and delayed IDBI finance. After sanction under section 279, a complaint was filed against the company and directors. Their applications for discharge under section 245 CrPC were rejected by the trial court and Sessions Court; the High Court restored but then summarily rejected their section 482 petition.

Source: [Primary judgment: facts and procedural history](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court held that corporate criminal liability was legally possible even where imprisonment could not be executed against a juristic person; a fine could still be imposed. For directors, the relevant question was whether statutory allegations showed principal-officer status or responsibility for company business. Here the show-cause notice and complaint expressly treated the directors as principal officers, so their factual responsibility could not be finally resolved on a discharge application. No separate preliminary notice of principal-officer treatment was necessary. Payment after the statutory deadline did not erase the default or make section 276B nugatory. Reasonable cause under section 278AA and individual responsibility depended on trial evidence, while civil interest or penalty consequences did not oust criminal jurisdiction.

Source: [Primary judgment: statutory framework and corporate liability](#); [Primary judgment: delayed payment and reasonable cause](#)

03 JUDICIAL DECISION

The Court upheld continuation of the complaint and rejected the company and directors' threshold objections. It declined to terminate the old prosecution merely because of elapsed time, noting that the accused had pursued discharge proceedings and obtained interim relief. It also declined a blanket exemption from personal appearance, leaving any such application to the trial court.

Source: [Primary judgment: maintainability, delay and appearance](#)

04 OUTCOME / IN WHOSE FAVOUR

The criminal appeal was dismissed. The prosecution could continue, but the Court expressly stated that it had not decided the merits and that the trial court must determine the case without being inhibited by the Supreme Court observations; all party contentions remained open.

Source: [Primary judgment: operative dismissal and merits reservation](#)

05 AKHB REVIEW POINT

AKHB analysis: distinguish late remittance from non-deduction and distinguish permission to prosecute from conviction. For any live matter, verify the exact statutory period, role-specific complaint allegations, section 279 sanction, available reasonable-cause evidence, compounding framework and current departmental prosecution policy. Later payment may affect facts or consequences, but this judgment does not treat it as automatically extinguishing the alleged offence.

Source: [Primary judgment: delayed remittance and trial-stage limits](#)

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

Complete 20-page Supreme Court Reports rendition, including all 56 numbered paragraphs and the express reservation of the merits for trial.

[Open cited source rendition](#)

The complete 20-page report was read and its SHA-256 matched the reconciliation catalogue.

The company/director allegations, later TDS payment, section 278AA issue, delay argument and operative reservation were checked against the numbered judicial paragraphs.

The report contains inconsistent printed chronology around the show-cause notice; this note does not rely on that disputed notice date.

STATUTORY SCOPE

The Court examined the offence and company-liability provisions in the historical statutory setting of the alleged AY 1989-90 default. Verify later amendments, sanction and compounding rules, limitation, evidentiary requirements and current prosecution instructions independently.

LATER TREATMENT

Source checked 2026-10-12. Later judicial treatment has not been comprehensively checked. The related M.V. Javali, Standard Chartered Bank and US Technologies notes in the AKHB corpus address distinct corporate-prosecution or TDS-consequence questions. No current prosecution-policy or citator clearance is represented.

[Related note: M. V. Javali v. Mahajan Borewell & Co. and Others](#)

[Related note: Standard Chartered Bank and Ors. etc. v. Directorate of Enforcement and Ors. etc.](#)

[Related note: M/s US Technologies International Pvt. Ltd. v. The Commissioner of Income Tax](#)

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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General legal and tax research only; not legal or tax advice. Verify the complete judgment, governing statutory version and subsequent judicial treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding, and no current-law clearance is claimed.