

Union of India and Ors. v. M/s Dharamendra Textile Processors and Ors.

Civil Appeal Nos. 10289-10303 of 2003 — Lead group in the reference judgment. and connected proceedings (full list below)

[2008] 14 SCR 13 | 2008-09-29

Section 271(1)(c) imposes civil penalty liability without an additional requirement of wilful concealment; the Court distinguished section 276C prosecution. In the operative excise reference it rejected an implied discretion to reduce the prescribed penalty, while leaving Rule 96ZQ(5) vires challenges for further hearing.

Central Excise Act, 1944; material Income-tax Act, 1961 penalty reasoning | Income-tax Act, 1961: 271(1)(c) | Income-tax Act, 1961: 276C

3 Judges | Dr. Arijit Pasayat | P. Sathasivam | Aftab Alam

01 FACTS OF THE CASE

A larger Bench considered whether penalties under section 11AC of the Central Excise Act and Rules 96ZO/96ZQ required mens rea and allowed reduction below the prescribed amount. Assessee relied on Dilip N. Shroff's treatment of section 271(1)(c); the Revenue relied on Chairman, SEBI v. Shriram Mutual Fund. Some connected cases also challenged Rule 96ZQ(5)'s validity.

Source: [Paragraphs 2-4; SCR 19-20](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court treated the civil or criminal character of liability as a question of the particular statutory scheme. It held that section 271(1)(c), read with its Explanations, provides a civil remedy for revenue loss: wilful concealment is not an essential ingredient as it is in section 276C prosecution. Dilip N. Shroff had overlooked that distinction. In the excise setting, the prescribed penalty and the wording considered did not permit the implied quantum discretion urged by the assessee. The statutory quotation nevertheless includes section 11AC's triggering conditions and express reduction provisos. These are not displaced by the Court's rejection of an additional criminal-law mens rea requirement.

Source: [Paragraph 8: s.11AC text and provisos; SCR 22-23; Paragraphs 9-26; distinguish quotations from conclusions; SCR 37,45-49](#)

03 JUDICIAL DECISION

The reference was answered against the asserted discretion under Rules 96ZO/96ZQ. Dilip N. Shroff was rejected on the civil-penalty mens rea issue, and Chairman, SEBI was endorsed. Constitutional validity of Rule 96ZQ(5) was left for the Division Bench. The Income-tax reasoning is material, but the judgment does not separately decide every penalty provision mentioned in argument or remove the requirements for criminal prosecution.

Source: [Paragraphs 24-27; SCR 49-50](#)

04 OUTCOME / IN WHOSE FAVOUR

Appeals allowed except the expressly reserved appeals; reference answered. In the other cases, the High Court or Tribunal orders were quashed and the matters remitted for disposal in light of this judgment. Reserved vires cases were directed to the Division Bench. C.A. 3388/2006; C.A. 3397/2003; C.A. 3398-3399/2003; C.A. 4096/2004; C.A. 4316/2007; C.A. 4317/2007; C.A. 5277/2006; C.A. 675/2007; C.A. 1420/2007; Appeal relating to SLP(C) 21751/2007

Source: [Final part of paragraph 27; SCR 50 A-C](#)

05 AKHB REVIEW POINT

Identify the statutory default before treating a penalty as mandatory. Rajasthan Spinning, paragraphs 21-24, explained that section 11AC's conditions must first be met; its explanation concerns that section only. Reliance Petroproducts, paragraphs 7-10, separately confirms that section 271(1)(c)'s conditions remain necessary and that a rejected legal claim alone, with no inaccurate particulars found, does not attract penalty. Shree Bhagwati Steel Rolling Mills later invalidated the specified excise interest provisions and mandatory duty-equivalent penalty provisions. Keep that rule-validity development separate from the section 271(1)(c) analysis: it neither invalidated every part of each rule nor supplies a reversal of that Income-tax reasoning. These bounded checks do not certify exhaustive subsequent history, current legislation or 2025 Act equivalence.

Source: [Rajasthan Spinning paragraphs 21-24; bounded judicial HTML text; Reliance Petroproducts paragraphs 7-10; SCR 516-521; Shree Bhagwati judicial paragraphs 27, 31, 35-39, 44; interest authority and specified mandatory penalty invalidity only.](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal Nos. 10289-10303 of 2003 — Lead group in the reference judgment. / C.A. Nos. 3398-3399 and 3397/2003; C.A. Nos. 4094, 4096/2004; C.A. Nos. 3388/2006; C.A. Nos. 4311, 4316, 4321-4324, 4331-4332/2007; C.A. Nos. 5277/2006; C.A. Nos. 675, 1420, 2793, 4317, 4320, 4333/2007; C.A. Nos. 5928-5935, 5937-5943/2008; C.A. Nos. 5272/2006; C.A. Nos. 5944-5945, 5952-5953, 5955-5956, 5977-5978/2008; C.A. Nos. 6001/2007; C.A. Nos. 5957-5970/2008; C.A. Nos. 1643, 1901/2008; C.A. Nos. 5971-5974/2008; C.A. Nos. 372/2007; C.A. Nos. 1823, 2146, 5975-5976/2008 — Connected appeal group printed under WITH at PDF 6/SCR 18. Individual numbers are retained; absent serials are not supplied.

LATER-TREATMENT SOURCE PINPOINTS

1.
Source url: [Open cited source](#)
Pinpoint: Rajasthan Spinning paragraphs 21-24; bounded judicial HTML text
2.
Source url: [Open cited source](#)
Pdf pages: 7; 8; 9; 10; 11; 12
Pinpoint: Reliance Petroproducts paragraphs 7-10; SCR 516-521
3.
Source url: [Open cited source](#)
Pdf pages: 24; 25; 26; 29; 30; 31; 32; 33; 34; 35; 36; 41; 42
Pinpoint: Shree Bhagwati judicial paragraphs 27, 31, 35-39, 44; interest authority and specified mandatory penalty invalidity only.

SOURCE & VERIFICATION

Original reported Supreme Court judgment

38-page retained public-mirror SCR report. Text pages read: 1-38; image pages read: 1-38. The acquisition URL is preserved provenance; current endpoint availability and authentication as a signed original are not newly verified. Complete reported source; judicial paragraphs 1-27 at physical PDF 7-38/SCR 19-50; preceding editorial/report material read but excluded from judicial reasoning.

Open cited source rendition

Paragraph 25 at PDF 37/SCR 49 prints 272(1)(c) and 271(1)(e). The note identifies section 271(1)(c) from paragraph 24 and the reproduced statutory text; it does not silently alter the source PDF.

The vires reference at PDF 38/SCR 50 prints 967Q(5); the discussion at paragraphs 2-3 identifies Rule 96ZQ(5).

Statements in paragraphs 5-8 are submissions or statutory quotations and are not all independent holdings. Sections 271C, 271B, 271F and 272A are not presented as separately adjudicated penalty defaults.

Frozen metadata abbreviates the lead docket to C.A. 10289/2003; the printed source gives C.A. 10289-10303/2003 and the connected group.

The headnote/reference material precedes the judicial text; judicial paragraphs 1-27 are at PDF 7-38. Dharamendra itself left Rule 96ZQ(5) vires for further hearing. The later invalidity of specified interest and mandatory duty-equivalent penalty provisions is addressed only through the bounded Shree Bhagwati supplement; exhaustive subsequent history remains outside the adopted conclusion.

The Shree Bhagwati auxiliary PDF prints 1994 for the Central Excise Act/Rules in paragraphs 2 and 44; paragraph 3 identifies the Act as 1944. The note does not adopt the misprinted year or treat the judgment as invalidating every part of Rules 96ZO, 96ZP and 96ZQ.

STATUTORY SCOPE

The note identifies the statutory provisions and context addressed in this judgment. No separately verified current consolidation, Income-tax Act, 2025 correspondence or automatic present-law equivalence is supplied.

Other provisions addressed: Central Excise Act, 1944, sections 11A and 11AC; Central Excise Rules, 1944, Rules 96ZO and 96ZQ

LATER TREATMENT

Source checked 2026-10-08. Bounded subsequent treatment adopted: Rajasthan Spinning & Weaving Mills (12 May 2009), paragraphs 21-24, and Reliance Petroproducts (17 March 2010), paragraphs 7-10. In addition, Shree Bhagwati Steel Rolling Mills (24 November 2015), paragraphs 27, 31, 35-39 and 44, held the interest provisions under Rules 96ZO(3), 96ZP(3) and 96ZQ(5) unsupported by section 3A and struck down those rules insofar as they imposed mandatory penalties equivalent to outstanding duty. The penalty provisions were held contrary to Articles 14 and 19(1)(g) and ultra vires the Central Excise Act. This later rule-validity development is distinct from Dharamendra's Income-tax reasoning. Only the identified passages are adopted; no comprehensive subsequent-history or current-law certification is made.

IDENTIFIED SOURCE LINKS

C.I.T., Ahmedabad v. Reliance Petroproducts Pvt. Ltd.

Bounded reliance on complete paragraphs 7-10, PDF 7-12/SCR 516-521; ending inspected for disposition. Diagnostic text pages 1 and 5-12; images 1,4,7-12.

Union of India v. M/s Rajasthan Spinning & Weaving Mills

Paragraphs 21-24 only adopted; identity/date and ending inspected for context. Saved bounded excerpt preserves the reviewed rendition.

M/s. Shree Bhagwati Steel Rolling Mills v. Commissioner of Central Excise & Anr.

Only judicial paragraphs 27,31,35-39,44 adopted: PDF24-26,29-36,41-42. Identity/opening on PDF1,5-6 and paragraphs26-39 on PDF24-36 read for context. Repeal and furnace-capacity questions not comprehensively read or adopted. Text pages read: 1, 5-6, 24-36, 41-42. Image pages read: 1, 5-6, 24-26, 29-36, 41-42.

AI DISCLOSURE

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