

HC: Penalty under Section 129 Not Sustainable for Misclassification of Goods

CA Prakash Chandra Jain

P.O. Brajrajnagar
Odisha- 768216
Cell: 94375-41690 / 70087-12242
Email: prakashchjain@yahoo.co.in



REFER THE DECISION OF THE HON'BLE ALLAHABAD HIGH COURT IN THE CASE OF

Tirupati Agro Commodities v. State of U.P. - [2025] 176 taxmann.com 526 (Allahabad)

FACTS:

Goods in transit were detained, and penalty was imposed under Section 129(3) of the CGST Act on the ground of misclassification of goods.

The goods were accompanied by all proper documents, and there was no dispute regarding valuation or tax evasion.

The assessee challenged the penalty, arguing that misclassification cannot be the basis for action under Section 129.

Hon'ble High Court Judgement:

The Allahabad High Court held that in the absence of valuation dispute and with valid documents, penalty under Section 129(3) is without legal foundation.

The authorities, if they believe classification is incorrect, should proceed under Section 73 or 74, not Section 129.

The penalty order was therefore quashed.