

HC: Penalty Must Match the Right Clause

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 ALLHABAD HIGH COURT IN THE CASE OF

M.D. Traders v. State of Uttar Pradesh - [2025] 179 taxmann.com 458 (Allahabad)

M.D. Traders, a registered dealer, was transporting goods within Uttar Pradesh. The goods were covered by a **valid tax invoice**, showing proper payment of tax, but the vehicle was stopped because the **e-way bill was missing or defective**.

The authorities treated this as a major offence and imposed penalty under **Section 129(1)(b)** of the CGST Act, which applies to cases involving *tax evasion or unaccounted goods*.

Feeling aggrieved, M.D. Traders approached the **Allahabad High Court**, arguing that since the goods were duly invoiced and taxes were already charged, the only lapse was **noncompliance with e-way bill provisions**. Hence, the penalty could be levied **only under Section 129(1)(a)**—which covers minor procedural lapses like e-way bill errors—and not under clause (b), which applies to cases of *intent to evade tax*.

The High Court agreed. It observed that the goods were supported by a **proper tax invoice**, and there was **no indication of tax evasion**. **Therefore, the authority had wrongly applied Section 129(1)(b) and must recompute the penalty correctly under Section 129(1)(a), based on the value shown in the tax invoice.**

// भगवान महावीर का संदेश //

"जीवो और जीने दो" — यही हो हमारा संकल्प।

🙏 जय जिनेन्द्र 🙏