

Vijay Prakash D. Mehta & Anr vs Collector Of Customs (Preventive), ... on 16 August, 1988

Equivalent citations: 1988 AIR 2010, 1988 SCR SUPL. (2) 434, AIR 1988 SUPREME COURT 2010, 1988 (4) SCC 402, (1989) 1 APLJ 2, (1989) 39 ELT 178, (1988) 36 DLT 3, (1988) 3 JT 435 (SC), (1989) 175 ITR 540

Author: Sabyasachi Mukharji

Bench: Sabyasachi Mukharji

PETITIONER:

VIJAY PRAKASH D. MEHTA & ANR.

Vs.

RESPONDENT:

COLLECTOR OF CUSTOMS (PREVENTIVE), BOMBAY

DATE OF JUDGMENT 16/08/1988

BENCH:

MUKHARJI, SABYASACHI (J)

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MUKHARJI, SABYASACHI (J)

RANGNATHAN, S.

CITATION:

1988 AIR 2010 1988 SCR Supl. (2) 434

1988 SCC (4) 402 JT 1988 (3) 435

1988 SCALE (2) 367

CITATOR INFO :

RF 1992 SC2279 (30,35)

ACT:

Customs Act, 1962: ss. 130E(b) & 129E-Statutory right of appeal-Neither an absolute right nor an ingredient of natural justice-Can be circumscribed by the conditions in the grant-Held-Obligatory on appellants to deposit duty or penalty levied pending the appeal.

HEADNOTE:

Section 129A of the Customs Act, 1962 confers right of appeal to the Appellate Tribunal. Where, however, the order appealed against relates to duty demanded in respect of goods which are not under the control of the customs

authorities or any penalty levied under the Act, s. 129E requires the aggrieved person to deposit with the proper officer the duty demanded or the penalty levied, pending the appeal. The proviso thereto, however, empowers the Appellate Authority to dispense with such deposit in case of under hardship.

The appellants, Indian citizens based in Hong Kong and Singapore respectively, were caught red-handed, while on a visit to India, with huge amounts of foreign exchange. They admitted their part in systematic illegal export of foreign exchange from the country over the past several years. In proceedings under ss. 111 to 114 and 118 of the Act the Addl. Collector of Customs imposed a penalty of Rs. 3 lacs on each of them. They preferred appeals to the Appellate Tribunal under s. 129A. In an application made under s. 129E the Tribunal reduced the amount of penalty to be deposited to Rs. 1 lac for each of them. The appellants sought further reduction. Their case was that they had not gone out of the country and had no assets in India. Their passports were impounded at the time of arrest. Their visas had lapsed and could not be renewed. They had no money and that in a situation of this type the condition for deposit of penalty was bad as it whittled down the appellants' right of appeal. The Tribunal after considering the relevant factors declined to reduce the penalty further and dismissed the appeal for non-compliance with the provisions of s. 129E.

Dismissing the appeals under s. 130E(b) of the Customs Act.

HELD: Right to appeal is neither an absolute right nor an ingredient of natural justice the principles of which

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must be followed in all judicial and quasi-judicial adjudications. The right to appeal is a statutory right and it can be circumscribed by the conditions in the grant. [439A-B]

2. It is not the law that adjudication by itself following the rules of natural justice would be violative of any right, constitutional or statutory, without any right of appeal, as such. If a statute gives a right to appeal upon certain conditions, it is upon fulfilment of those conditions that the right becomes vested and exercisable to the appellant. [440C]

3. The purpose of s. 129E of the Customs Act is to act in terrorem to make the people comply with the provisions of law. The right of appeal provided therein is a conditional one. The petitioner could obtain stay of realisation of tax levied or penalty imposed in an appeal subject to the limitations contemplated therein. Although the section does not expressly provide for rejection of the appeal for non-deposit of duty or penalty yet it makes it obligatory on the appellant to deposit the same pending the appeal? failing which the Appellate Tribunal is fully competent to reject

the appeal. The proviso thereto gives a discretion to the authority in cases of undue hardships to condone the obligation to deposit or reduce. It is a discretion vested in an obligation to act judicially and properly. [440E, 439F, 437G, 440C]

In the instant case, the order of the Tribunal was passed honestly, bona fide and having regard to the plea of 'undue hardship' as canvassed by the appellants. All the relevant factors, namely, the probability of the prima facie case of the appellants and the conduct of the parties were taken into consideration. The Tribunal noted the several abortive and defective attempts made to get extension of time to deposit the security. Firstly, the prayer was to accept Rs.35,000 and secondly to accept Rs. 60,000 in two months. It also noted the fact that the appeals were filed two years ago. It could not therefore, be said that there was any improper exercise of jurisdiction or misdirection by the Appellate Authority. [439H,440A,D,438C]

Navin Chandra Chhotelal v. Central Board of Excise & Customs & Ors., [1971] 3 SCR 357, referred to.

Hoosein Kasam Dada (India) Ltd. v. The State of Madhya Pradesh & Ors., [1953] SCR 987 and Collector of Customs & Excise, Cochin & Ors. v. A.S. Bava, [1968] 1 SCR 82, distinguished.

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JUDGMENT:

CIVIL APPELLATE JURISDICTION: Civil Appeal Nos. 1219- 20(NM) of 1987.

From the Judgment and Order dated 17.3. 1987 of the Customs, Excise & Gold (Control) Appellate Tribunal, New Delhi in Appeal No. CD/BOM 398 & 399 of 1984. M.S. Ganesh for the Appellants.

The Judgment of the Court was delivered by SBYASACHI MUKHARJI, J. These two appeals are under Section 130E(b) of the Customs Act, 1962 (hereinafter called the Act) from the orders passed by the Customs, Excise & Gold (Control) Appellate Tribunal (hereinafter called 'the CEGAT'). The questions involved in these two appeals are identical. The appellants' claim to be the citizens of India is not disputed. At the material time in 1983 they were based in Hong Kong and Singapore respectively. In February, 1993, when the appellants came to India, they were charged with alleged offences under Sections 112 and 114 of the Act and also simultaneously with the alleged offences under the Foreign Exchange Regulation Act, 1973 (hereinafter called 'the FERA'). The Enforcement authorities recorded under Section 40 of the FERA the appellants' statements at the time of their arrest. It is alleged that these statements were obtained under duress and by using third degree methods against them, who soon thereafter retracted their statements. No statements were, however, recorded by the Customs authorities under the corresponding Section 108 of the Act. In the FERA proceedings, the Enforcement Directorate, it is stated, applied that there was no evidence against the appellant-Vijay Prakash Mehta and the Directorate had no objection to his discharge.

Accordingly, by an order dated 29.10.1985, of the Additional Chief Metropolitan Magistrate, 8th Court, Esplanade, Bombay, has was discharged and his bailbond was cancelled.

So far as the appellant J.D. Mehta is concerned, he had replied to the show-cause notice issued by the Enforcement Directorate and the matter is pending adjudication. In the meantime the proceedings under Sections 111 to 114 & 118 of the Act resulted in the order dated 19.1.1984 of the Addl. Collector of Customs (Preventive) Bombay, whereby he imposed a penalty of Rs. 3,00,000 on each of the appellants. It may be mentioned that each of the appellants was alleged to have PG NO 437 been caught red-handed with the foreign exchange to the tune of Rs. 11,90,648. The appellants had admitted their part in the systematic illegal export of foreign exchange from India during the past several years. Against the said order dated 19.1. 1984, the appellants preferred their respective appeals to the Appellate Tribunal under Section 129A of the Act. The Tribunal reduced the amount of penalty to be deposited, in an application made under Section 129E of the Act. pending hearing of the appeal, to Rs. 1 lakh for each of the appellants.

It is alleged that since neither of the appellants were in any financial position to deposit even Rs. 1 lakh, they sought further reduction. The Appellate Tribunal, after considering the facts and circumstances of the case and taking into consideration all the relevant material facts and factors, by its order dated 17th February, 1987, declined to do so and dismissed the appeals for non-compliance with the provisions of Section 129E of the Act. Aggrieved thereby the appellants have appealed to this Court. Section 129E of the Act provides as follows.

"Where in any appeal under this Chapter, the decision or order appealed against relates to any duty demanded in respect of goods which are not under the control of the customs authorities or any penalty levied under this Act. the person desirous of appealing against such decision or order shall, pending the appeal, deposit with the proper officer the duty demanded or the penalty levied:

Provided that where in any particular case. the Collector (Appeals) or the Appellate Tribunal is of opinion that the deposit of duty demanded or penalty levied would cause undue hardship to such person, the Collector (Appeals) or, as the case may be, the Appellate Tribunal may dispense with such deposit subject to such conditions as he or it may deem fit to impose so as to safeguard the interests of revenue."

The aforesaid Section provides a conditional right of appeal in respect of an appeal against the duty demanded or penalty levied. Although the Section does not expressly provide for rejection of the appeal for non-deposit of duty or penalty, yet it makes it obligatory on the appellant to deposit the duty or penalty, pending the appeal, failing which the Appellate Tribunal is fully competent to reject the appeal. See, in this connection, the observations of this Court in respect of Section 129 prior to substitution PG NO 438 of Chapter XV by the Finance Act, 1980 in *Navin Chandra Chhotelal v. Central Board of Excise & Customs & Ors.* [1971] 3 SCR 357. The proviso, however, gives power to the Appellate Authority to dispense with such deposit unconditionally or subject to such conditions in cases of undue hardships. It is a matter of judicial discretion of the Appellate Authority.

The case of the appellants was that they had not gone out of India and had no assets in India. Their passports were impounded at the time of arrest. Their visa had lapsed and could not be renewed. They had no money, hence, the right of appeal could be illusory unless they are permitted to deposit only Rs.60,000 each which they contend they are able to procure with the assistance of their father. In the impugned order the Tribunal noted the several abortive and defective attempts made to get extension of time to deposit the security. Firstly, the prayer was to accept the deposit of Rs.35,000 and secondly, to accept the deposit of Rs.60,000 in 2 months. The Tribunal took into account the probability of the prima facie case of the appellants. The appeals were filed two years ago. After taking into consideration these factors, the Tribunal rejected the prayer for reduction. It was contended that this was wrong. Shri M. S. Ganesh, learned advocate for the petitioners, pleaded that in a situation of this type the condition for deposit of penalty was bad as it whittled down the appellants right of appeal. This, in our opinion is incorrect. Shri Ganesh tried to contend that the right of appeal is being whittled down by the procedure followed in this case. He drew our attention to certain observations of this Court in *Hoosein Kasam Dada (India) Ltd. V. The State of Madhya Pradesh & Ors.*, [1953] SCR 987. There this Court held that when the right to appeal vests, change of law after initiation of proceedings in lower court would not divest the vested rights of the appellant. The right of appeal is a matter of substantive right and not merely a matter of procedure, and this right becomes vested in a party when the proceedings are first initiated in, and before a decision is given by the inferior court and such a right cannot be taken away except by express enactment or necessary intendment.

The aforesaid observations, in our opinion, have no application to the instant case. Here the right that was granted, was a right held with a condition. There was no question of change of that right. In the instant case the only substantive right is the right of appeal as contemplated under Sections 129A and 129E of the Act and that right is a conditional one and the Legislature in its wisdom has imposed that condition. No question of whittling down that right by an alteration of procedure arises in this case.

Right to appeal is neither an absolute right nor an ingredient of natural justice the principles of which must be followed in all judicial and quasi-judicial adjudications. The right to appeal is a statutory right and it can be circumscribed by the conditions in the grant. Counsel referred us to the decision of this Court in *Collector of Customs & Excise, Cochin & Ors. v. A.S. Bava*, [1968] 1 SCR 82. There this Court found that Section 35 of the Central Excises & Salt Act, 1944 (Excises Act) gave a right to appeal. Under Section 12 of the Act, the Central Government was authorised to apply to appeals under the Excises Act the provisions of the Sea Customs Act, 1878 dealing with the procedure relating to appeals. In exercise of that power the provisions of Section 129 of the Act were made applicable to appeals under the Excises Act. The Section required an appellant to deposit, pending the appeal, the duty or penalty imposed, and empowered the Appellate Authority, in his discretion, to dispense with such deposit pending the appeal in any particular case. The respondent therein filed an appeal against the duty imposed on him under the Excises Act and prayed for dispensation of the deposit. The Collector, who was the appellate authority, rejected the prayer and when no deposit was made within the time fixed, dismissed the appeal. The respondent filed a petition in the High Court which was allowed, and the Collector was directed to hear the appeal on merits. This Court held that Section 35 of the Excises Act gave a right of appeal and Section 129 of

the Act whittled down that substantive right and, as such, Section 129 could not be regarded as "Procedure relating to appeals" within Section 12 of the Excises Act.

These observations cannot be applied to the facts of this case. Here we are concerned with the right given under Section 129 A of the Act as controlled by Section 129E of the Act, and that right is with a condition and thus a conditional right. The petitioner in this case has no absolute right of stay. He could obtain stay of realisation of tax levied or penalty imposed in an appeal subject to the limitation of Section 129E. The proviso gives a discretion to the authority to dispense with the obligation to deposit in case of "undue hardships". That discretion must be exercised on relevant materials, honestly, bona fide and objectively. Once that position is established it cannot be contended that there was any improper exercise of the jurisdiction by the Appellate Authority. In this case it is manifest that the order of the Tribunal was passed honestly, PG NO 440 bona fide and having regard to the plea of "undue hardship" as canvassed by the appellant. There was no error of jurisdiction or misdirection.

Though in a different context the public policy involved in not granting interim stay has been explained by this Court in *Asstt. Collector of Central Excise West Bengal v. Dunlop India Ltd.*, [1985] 19 ELT 22.

It is not the law that adjudication by itself following the rules of natural justice would be violative of any right- constitutional or statutory, without any right of appeal, as such. If the statute gives a right to appeal upon certain conditions, it is upon fulfilment of those conditions that the right becomes vested and exercisable to the appellant. The proviso to Section 129E of the Act gives a discretion to the Tribunal in cases of undue hardships to condone the obligation to deposit or to reduce. It is a discretion vested in an obligation to act judicially and properly.

In the facts and circumstances of the case and all the relevant factors, namely, the probability of the prima facie case of the appellants, the conduct of the parties, have been taken into consideration by the Tribunal. The purpose of the Section is to act in terrorem to make the people comply with the provisions of law.

In that view of the matter, we are unable to accept the submission that there was improper rejection and non- consideration of material and relevant facts. If that is the position then the appeals have no merit and are accordingly rejected.

P.S.S..

Appeals dismissed.