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"This document contains the provisions of the Income-tax Act, 2025, as amended by the Finance Act, 2026."

FAQs on Compounding of Offences

Q1. What is Compounding of an Offence?

Compounding of an offence is a mechanism whereby the defaulter is reprieved of major legal consequences by affording him an opportunity to pay a certain sum of money to escape prosecution. The specified offences can be compounded by the competent authority either before or after the initiation of proceedings.

Relevant Content

Section - 491

Q2. What are the guidelines for compounding offences under the Income-tax Act, 2025?

The CBDT issued revised guidelines in Letter F. No. 285/08/2014-IT (Inv. V)/163, dated 17-10-2024, simplifying the compounding process. These guidelines replace all earlier versions and apply to both pending and new applications.

Q3. Who is eligible to apply under the revised guidelines?

Any taxpayer, company, or person found guilty of an offence under the Income-tax Act may apply for compounding, subject to fulfilment of the conditions prescribed in the guidelines. The guidelines shall be applicable to all applications filed on or after their issuance date, i.e., 17-10-2024, as well as to those filed earlier but not yet disposed of.

Q4. What offences can be compounded under these guidelines?

All offences specified under Chapter XXII of the Income-tax Act, 2025 are compoundable, including:

a) Non-payment of TDS/TCS;
b) Failure to file returns;
c) Wilful attempt to evade tax;
d) Furnishing false statements, etc.

Q5. Who is the Competent Authority to compound an offence?

The Pr. CCIT/CCIT/Pr. DGIT/DGIT is the Competent Authority for compounding offences. For offences under sections 476/477 involving TDS/TCS defaults for both resident and non-resident payees, the authority where the compounding application is filed will be the Competent Authority. If applications are filed in multiple jurisdictions, the authority with the higher TDS default will be the Competent Authority, and others will be transferred. The same applies to cases involving multiple TANs. In case of a jurisdictional dispute, the Pr. CCIT with PAN jurisdiction will decide the Competent Authority within 30 days of reference.

Q6. What are the conditions for compounding of offences under the new guidelines?

An offence may be compounded only if all the following conditions are met:

(a) *Compounding Application*

The application, in prescribed format (Annexure-1) on Rs. 100 stamp paper must be filed with the jurisdictional Pr. CCIT/CCIT/Pr. DGIT/DGIT. It may cover a single or multiple years/quarters as a 'Consolidated Compounding Application'. Rejected applications under old guidelines can also be consolidated and refiled.

(b) *Application Fee*

A non-refundable fee of Rs. 25,000 (single application) or Rs. 50,000 (consolidated) is payable. This fee is adjustable against the compounding charges and is also applicable for revived applications under new guidelines. No fee is required for pending applications filed earlier.

(c) *Payment of Dues*

All related tax, interest (including under section 411), penalties, and other dues must be paid before filing the application. If any dues are found later, they must be cleared within 30 days (or up to 3 months, if permitted). The application is valid only after full payment.

(d) *Undertaking*

The applicant must undertake to pay the compounding charges within the time allowed and to withdraw related appeals. If the appeal includes mixed issues, only grounds related to the offence must be withdrawn.

(e) *Consolidation of Offences*

For offences under section 476/477, all defaults under a specific TAN for the relevant period must be included. TDS/TCS default is to be calculated by aggregating defaults from all statements for that quarter.

Q7. What are the compounding charges for prosecution initiated under various sections?

The following compounding charges shall be paid by the person for compounding offences under various sections:

Notes:

Section	**Offence**	**Compounding charge**
473	Contravention of authority's order to not deal with the goods that could not be seized	10% of the highest of total income declared or assessed, in the last 7 financial years including year of search, subject to a minimum of Rs. 5 crore.

474	Failure to provide access to books of account and other documents to the authorized officer during the search and seizure	10% of the highest of total income declared or assessed, in the last 7 financial years including year of search, subject to a minimum of Rs. 5 crore.
475	Removing, concealing, transferring or delivering property to thwart tax recovery	75% of the outstanding tax or the recovery amount sought to be thwarted through the removal/concealment/transfer/delivery of property, whichever is lower.
476	Failure to pay tax to credit of Central Government under Chapter XIX-B.	1.5 % per month or part of a month of the amount of tax in default for the default period. Note: (a) The period of default shall be calculated from the date of deduction to the date of deposit of TDS, as is done in respect of calculating interest under section 398(3)(a)(ii). (b) The compounding charge shall not exceed the TDS amount in default.
477	Failure to pay the tax collected at source (TCS)	1.5 % per month or part of a month of the amount of tax in default for the default period. Note: (a) The period of default shall be calculated from the date of collection to the date of deposit of TCS, as is done in respect of calculating interest under section 393(3)(a) & (b). (b) The compounding charge shall not exceed the TCS amount in default.
478(1)	Wilful attempt to evade any tax, penalty or interest chargeable or imposable under this Act or under-reporting of income	125% of tax amount sought to be evaded or tax on under-reported income, as the case may be.
478(2)	Wilful attempt to evade payment of any tax, penalty or interest chargeable or imposable under this Act	1.5% per month or part of the month of the amount of tax, interest and penalty, the payment of which was sought to be evaded for the period of default. Notes:
479	Failure to furnish the return of income	In case of default in filing of return pursuant to search or survey action: • 30% of the amount of tax sought to be evaded or the amount of tax on under-reported income, as the case may be, subject to a minimum of Rs. 10 lakh. In other cases Note: • 15% of the amount of tax sought to be evaded or the amount of tax on under-reported income subject to a minimum of Rs. 5 lakh. For compounding under sections 276C(1) and 276CC for the same issue and year, only the charges under section 276C(1) will apply.
480	Failure to furnish return of total income setting forth undisclosed income	30% of the amount of tax sought to be evaded or the amount of tax on under-reported income, as

		the case may be, subject to a minimum of Rs. 10 lakh.
481	Failure to comply with a direction of special audit or valuation	10% of returned income or assessed income of the assessment year pertaining to the offence, whichever is higher, subject to a minimum of Rs. 5 lakh.
482	Making a false statement in any verification or delivers an account or statement which is false	50% of the amount of tax, which would have been evaded due to offence committed
483	Making or causing to make a false statement or entry in books of account or document	100% of the amount of tax or interest or penalty evaded on account of such false entry or statement
484	Abets or induces another person to make and deliver an account or a statement which he believes to be false or to evade any tax or interest or penalty chargeable or imposable under the act	50% of the amount of tax, which would have been evaded or which is willfully attempted to be evaded, due to offence committed Notes: *(a)* If same set of facts and circumstances attract prosecution u/s 482 as well as section 484, the compounding charge shall only be calculated by treating them as single offence. *(b)* If same set of facts and circumstances attract prosecution u/s 482 or 484, in addition to another offence, no separate compounding charge shall be charged for offence u/s 482 or 484.

(1)		**To calculate compounding charges, 'tax' means to the tax amount, including surcharge and cess, as applicable. However, interest is excluded from the 'tax' when computing the Compounding Charge.**
(2)		The Compounding charges shall be increased by 50% of sum computed if the application is made beyond 12 months from the end of the month in which the prosecution complaint is filed.

Q8. Will the compounding charges remain the same if a person submits a compounding application for the second time?

Compounding charges mentioned above apply to the 'first' compounding application or a consolidated one for each offence. Applications filed under earlier guidelines pending, rejected, or compounded will be treated as the first under the new guidelines. Subsequent applications will be considered second, third, etc. Charges for new offences will follow as mentioned above, while repeat offences will attract higher charges as specified below.

Offences	**Compounding Charges**
1st Offence	Compounding charges as specified above
2nd Offence	1.2 times of the compounding charges

3rd Offence	1.4 times of the compounding charges
4th Offence	1.6 times of the compounding charges
Subsequent Offences	Continue increasing by 0.2 times per offence

Note: The compounding charges shall be increased by 50% of sum computed if the application is made beyond 12 months from the end of the month in which the prosecution complaint is filed.

Q9. Can the competent authority deny admitting compounding applications even if the applicant meets the prescribed conditions?

Compounding is not a matter of right and may be denied by the Competent Authority in exceptional cases, with written reasons such as habitual default or the gravity of the offence. Offences prosecuted under the IPC or BNS, 2023, are not compoundable under these Guidelines. However, if prosecution is launched under both the Income-tax Act and IPC/BNS on the same facts, and the Income-tax offence is compounded, the IPC/BNS complaint will be withdrawn under CrPC section 321 and/or BNSS section 360.

Relevant Content

Section - 491

Q10. If a person's application was rejected under the previous guidelines, can he reapply under the new guidelines?

A person may refile an application under the new guidelines if the earlier one was rejected due to curable defects, such as:

a) non-payment of tax, interest, penalty, etc.,
b) incorrect format,
c) wrong assessment year, financial year, or section,
d) short/non-payment of compounding charges,
e) failure to submit appeal withdrawal undertaking.

However, applications earlier rejected on merits will not be reconsidered.

Relevant Content

Section - 491

Q11. Whether compounding is allowed if the application for such an offence was previously rejected? If so, whether separate applications need to be filed for more than one applications rejected under the previous guidelines? How will the compounding application fees be charged?

Yes, an applicant may apply for compounding of offence(s) through a single consolidated application, if one or more applications had been rejected under previous guidelines. However, the fresh application can only be filed if such rejection(s) were on account of curable defects (illustrative examples in para 3.2 of the revised guidelines) and no application is allowed to be filed for any of the rejection(s), made by the Competent Authority on merits with those particulars, i.e. offence and

relevant financial year. Compounding application fees chargeable for a "consolidated compounding application' would be charged in this case. (Ref: paras 3.2 and 4.2.3 of the guidelines)

Relevant Content

Section - 491

Q12. Whether revised guidelines are applicable on pending compounding applications? If yes, whether applicants have to file a fresh application?

Yes. Revised guidelines are applicable to the applications pending before issuance of these guidelines. The applicants whose applications were pending on 17.10.2024 are not required to file a fresh application or pay any fresh application fees. (Ref: paras 3.1 and 4.2.4 of the guidelines)

Relevant Content

Section - 491

Q13. Whether applicant can withdraw a compounding application and file a new application?

The applicant can file a new single application or consolidated application after withdrawal of earlier application(s). However, such new application shall be treated as a subsequent application, and a higher rate shall be applicable as per Para 10. (Ref: para 10.2 of the guidelines)

Relevant Content

Section - 491

Q14. Whether applicant is required to file compounding application for all the offences together, for which prosecution proceedings has been initiated?

No, the applicant may apply for one or multiple offences in an application. His application cannot be rejected on the ground that he has not applied for particular offence for which notice for prosecution has been issued and proceedings are under progress. (Ref: paras 4.1.2 and 4.1.3 of the guidelines)

Relevant Content

Section - 491

Q15. Is there any limitation as to the number of times compounding applications can be filed by a person?

No, there is no limitation on the number of times a person can file a compounding application. However, the Competent Authority may reject an application filed by a person on the ground of his being a 'habitual offender '. (Ref: para 7.1 and 7.2 of the guidelines)

Relevant Content

Section - 491

Q16. Whether the applicant whose application was rejected in earlier guidelines on the ground of being convicted is eligible to re-apply for compounding as per revised guidelines?

Yes, if the rejection was solely on account of conviction, without examination of merits, as per any of the earlier guidelines, such applicant can reapply in terms of the revised guidelines. (Ref: para 6.1(a) and (b) of the guidelines)

Relevant Content

Section - 491

Q17. Whether applicant can file a compounding application if his application is returned back due to defect(s)?

Yes, a defective application can be revived by removing defects within a period of one month from the date of intimation of defect (s). If defects are not cured within such time, the application will be returned to the applicant and shall be deemed to be rejected. In such case, the applicant may apply again, which shall be treated as a subsequent compounding application for the purpose of determination of compounding charges. (Ref: paras 5 and 10 of the guidelines)

Relevant Content

Section - 491

Q18. In terms of Para 10.7, what will be the date of applications in case of carried forwarded applications - original date of application or date of issue of new Guidelines?

The application pending as on 17-10-2024 shall be governed under new guidelines. However, date of such pending application shall be the original date of application for any purpose.

Relevant Content

Section - 491

Q19. Whether the applicant whose application was rejected on account of not being filed in time as provided for in the earlier guidelines, i.e. within expiry of 12/24/36 months from the end of the month of filing of complaint, is eligible to file fresh compounding application?

The limitation of 12/24/36 months has been eliminated in revised guidelines and all such applicants whose application were rejected earlier on limitation ground, may file fresh applications for compounding of offences, which shall be treated as subsequent application for the purpose of determination of compounding charges. (Ref: paras 3.2 and 10 of the guidelines)

Relevant Content

Section - 491

Q20. Whether an applicant is required to withdraw appeal related to offence sought to be compounded before filing a compounding application?

No such withdrawal is required. However, applicants shall undertake to withdraw appeals including Writ petitions, if any, related to offences being compounded or grounds of appeal related to the offence to be compounded where appeal has mixed grounds. (Ref: para 4.5 of the guidelines)

Relevant Content

Section - 491

Q21. Whether an applicant who has filed a Writ Petition for rejection of his application being not filed within stipulated period of 12/24/36 months from filing of compliant as per earlier guidelines and is still to be decided by the Hon'ble Court can again file a compounding application and how shall this application be treated?

Yes, after submission of an undertaking to withdraw the Writ Petition from the Hon'ble Court along with the application, the applicant can again file the compounding application, which shall be treated as a subsequent application for the purpose of determination of compounding charges. (Ref: paras 3.2, 4.5 and 10 of the guidelines)

Relevant Content

Section - 491

Q22. Whether offence can be compounded where applicant has been convicted for imprisonment for two years or more?

Yes. even if applicant has been convicted with imprisonment of two years or more for any offence under Income Tax Act or for an offence under any other law, which is related to offence under the Income Tax Act, may apply for compounding. Such offence shall, however, be compoundable only with the approval of Chairman, CBDT as per para 6.1 of revised guidelines. (Ref: para 6.1(a) and (b) of the guidelines)

Relevant Content

Section - 491

Q23. Whether cases involving other agencies such as ED /CBI can be compounded?

Yes, such offence(s) may be compounded by the competent authority if applicant is not found to be involved in anti-national or terrorist activity. However, if the applicant is found to be involved in such activity, the offence shall be compounded only with the approval of Chairman, CBDT, as per para 6.1(c) of the revised guidelines. (Ref: para 6.1(c) of the guidelines)

Relevant Content

Section - 491

Q24. If the main accused has more than one director/partner and one of these directors/partners file an application for compounding of offence(s), where it is found that the other director(s)/partner(s), who have not filed the compounding application, comes under the conditions as mentioned in Para 6.1 (d) (facilitated tax evasion through mechanisms such as use of entities for laundering of money, generation of bogus invoices of sale/purchase without actual business by accommodation entries or in any other manner) of these guidelines, whether approval of Higher Authority is required for deciding the compounding application?

If a case involves multiple offences and one of those offences requires approval from a higher authority under paragraph 6.1 of the guidelines, the compounding application will be processed based on the offence for which the application has been filed, as explained below:

i.		**If the application has been filed by the main accused or one or more of the co-accused, for an offence that does not require approval from higher authority, such offence will be examined for compounding without the need for any approval, irrespective of the fact that any of co-accused(s) are also accused of any other offence(s) which require approval from higher authority (e.g., an offense under Section 483) and they have not filed any compounding application for either of the offences.**
ii.		If the application has been filed for an offense, by the main accused or one or more of the co-accused,

		that requires approval from a higher authority (e.g., an offense under Section 483), the offense will be compounded only with the approval of the higher authority. (Ref: para 6.1(d) of the guidelines)

Relevant Content

Section - 491

Q25. How shall the compounding charges be calculated for the application(s) rejected under earlier guidelines and for which fresh allowable application has been filed?

All application(s) rejected under earlier guidelines shall be deemed to be the first compounding application. The fresh consolidated application will, accordingly, be considered as the second application and compounding charges will be calculated as per para 10 of the revised guidelines. Further details are discussed in question number 30. (Ref: para 10 of the guidelines)

Relevant Content

Section - 491

Q26. How shall the compounding charges be calculated for applications pending before issuance of these guidelines?

The compounding charges for pending application are subject to re-determination as per para 10 of the revised guidelines. All pending applications, whether for single or multiple years/quarters, shall be treated as first compounding application and compounding charge shall be re-computed for each offence disclosed in the application as given in Annexure-4 of the guideline. (Ref: paras 3.1 and 10 of the guidelines)

Relevant Content

Section - 491

Q27. Whether credit of payment shall be allowed while re-computing compounding charge for pending applications? If yes, whether the excess payment shall be refundable or adjustable?

Yes, credit of the amount already paid for particular offence pertaining to particular year shall be allowed for such particular offence and year only, during re-computation of compounding charge for pending application. However, any excess payment shall not be refundable or adjustable. (Ref: para 3.1 of the guidelines)

Relevant Content

Section - 491

Q28. If a new consolidated application includes a year for which application was filed earlier and then withdrawn, whether partial compounding charges paid for such year for which application is withdrawn can be adjusted against total compounding charges towards consolidated application?

No. Partial compounding charges paid for the year for which application is withdrawn can be adjusted in new consolidated application only towards the offence and particular year for which payment was made. (Ref: para 3.2 of the guidelines)

Relevant Content

Section - 491

Q29. An applicant has filed compounding applications under earlier guidelines, two of which were rejected on account of curable defects, two were compounded and three are pending as on issuance of this guideline. How should the applicant file a compounding application after issuance of these guidelines and how shall the new application be treated?

No action is pending for the applications which have been compounded. A consolidated application may be filed for all applications which were rejected (on account of curable defects) and no fresh application is required to be filed for pending applications. All pending applications, whether for single or multiple years/quarters, shall be treated as first compounding application and compounding charge shall be re-computed for each offence disclosed in the application as given in Annexure-4 of the guideline. The fresh consolidated application for rejected applications will be considered as second application. Accordingly, the application filed after issuance of these guidelines shall be treated as subsequent application (2nd application) and compounding charge shall be re-computed for each offence disclosed in the application, in terms of para 10 of the revised guidelines. (Ref: paras 3.1,3.2 and 10 of the guidelines)

Relevant Content

Section - 491

Q30. How the rate of compounding charges will be determined in subsequent application(s)?

The rate of compounding charge is based on sequence of application as well as offence applied for. If a subsequent application includes an offence which has also been included in earlier application(s), it shall be liable for higher rate i.e. 1.2 times, 1.4 times, 1.6 times and so on as per para 10.4 of the guidelines; irrespective of the fact that the offence and year of the offence are same in subsequent application and earlier application was rejected or pending or even compounded. However, if subsequent application includes offence(s) which were not included in any compounding application filed earlier (rejected or compounded or pending) and the offence has been applied for first time, the compounding charge for such offence(s) shall be computed at normal rate as given in the annexure-4. (Ref: para 10 of the guidelines) Illustration- An applicant has filed different applications on different dates to compound different offences which will be considered as below:

Scenario			**Clarifications**		
Application Date	Status	Offence (FY)	Sequence of Application	Offence included in Earlier Application?	Rate
15-01-2021	Compounded	476 (2012-13)	NA	NA	NA
17-10-2022	Compounded	478(I) (2018-19)	NA	NA	NA
18-08-2023	Rejected	476 (2013-14)	NA	NA	NA
17-09-2024	Pending	481 (2019-20)	First (No fresh application required)	NA	Normal rate

01/11/2024 (filed under revised guidelines)	Single application (for earlier application rejected)	476 (2013-14)	Second	Yes, in applications dated 15/01/2021 and 18-08-2023. (considered as 2nd time) *	1.2 times of normal rate
18/12/2024 (filed under revised guidelines)	Consolidated application	476 (2017-18)	Third	Yes, in applications dated 15/01/21, 18/08/2023 & 1-11-2024 (3rd time)	1.4 times of normal rate
		478(1)(2019-20)		Yes, in application dated 17-10-2022 (2nd time)	1.2 times of normal rate
		473 (2023-24)		No, first time applied for (1st time)	Normal rate

* It is noted that the applicant has opted for compounding for this offence for the third time in third application and accordingly compounding charges at 1.4 times of normal rate should apply. However, since both applications were filed under previous guidelines, all such applications will be cumulatively considered as 'first' application, in terms of Para 10.6 of the revised guidelines. Thus, offence under these applications will be considered as clubbed together for calculation of compounding charges.

It is noted that the applicant has opted for compounding for this offence for the fourth time in fourth application and accordingly compounding charges at 1.6 times of normal rate should apply. However, since first two applications were filed under previous guidelines, both these applications will be cumulatively considered as 'first' application, in terms of Para 10.6 of the revised guidelines, 01-11-2024 application will be considered as 'second' and this application will be considered as 'third'. Thus, offence under first two applications will be considered as clubbed together for calculation of compounding charges.

Relevant Content

Section - 491

Q31. Whether compounding application may be filed suo-moto? If yes, how the compounding charge shall be determined?

Yes, compounding application may be filed suo-moto at any time, after the offence(s) is committed, irrespective of whether it comes to the notice of department or not. The compounding charge depends on sequence of application as well as offence applied for and is independent of whether application is filed suo-moto or in compliance to the notice of department. (Ref: paras 4.1.3 and 10 of the guidelines)

Relevant Content

Section - 491

Q32. Whether compounding application may be filed after launch of the prosecution? If yes, how the compounding charge will be determined?

Yes. If application is filed within 12 months from end of the month in which prosecution complaint is filed, the compounding charge will be determined as per para 10.2 to 10.5 of guidelines as illustrated in Question no. 30 above. For applications filed after 12 months, the compounding charge so calculated shall be increased by 50% as per para 10.7. (Ref: para 10 of the guidelines) Illustration: Assessee had made TDS default of Rs 10,00,000/- for 3 months during FY 2019-20. The prosecution has been launched u/s 476 of the Income Tax Act.

Scenario	Case	Date of Application	Time Elapsed	Rate	Compounding Charge
Seenario-I (No earlier application rejected)	Case-1	12-10-2022 (Pending as of 17-10-2024)	Less than 12 months	Normal compounding charge as per Annexure-4	Rs 45,000/-
	Case-2	31-10-2024 (filed under revised guideline)	More than 12 months	Increase by 50% of normal compounding charge as per Annexure-4	Rs 67,500/- (1.5*Rs. 45, 000)
Scenario-2 (First application rejected, revised application filed)	Case-3	12-10-2022 (Rejected)	Less than 12 months	NA(application rejected)	NA
		31-10-2024 (filed under revised guideline)	More than 12 months	1.2 times of normal compounding charge increased by 50%	Rs 81,000/- (1.5* (1.2* Rs 45,000))

Relevant Content

Section - 491

Q33. How to compute compounding charges for offence u/s 479 in the absence of information on tax soughtto be evaded or the tax on under-reported income due to assessment/reassessment being not carried out?

In such cases, compounding charges shall be the minimum compounding charge applicable for compounding of offence u/s 479 as per Annexure-4 of the guideline. (Ref: Annexure 4 of the guidelines)

Relevant Content

Section - 491

Q34. Whether compounding charges include Prosecution Establishment Expenses and Litigation Expenses?

No. Such expense have been removed in revised guidelines

Relevant Content

Section - 491

Q35. Is there any specific path for payment of compounding charge?

Yes, there is a path on e-filing website of the department and payment may be made by login through PAN or TAN. The path of the same is as under: "Login on e-Filing portal → e-Pay Tax → New Payment → Income Tax → Minor Head → Other Receipts (500) → compounding charges". (Ref: para 9.9 of the guidelines)

Relevant Content

Section - 491

Q36. Whether the compounding charge can be made under PAN in case the applicant being a deductor?

The compounding charge shall be made under TAN of the deductor. However, if the applicant is the co-accused then compounding fees may be made under PAN of co-accused as the co-accused may not have access to the TAN of main accused. "Login on e-Filing portal through TAN → e-Pay Tax → New Payment → Income Tax → Minor Head → Other Receipts (500) → compounding charges →(Ref: para 9.9 of the guidelines)

Relevant Content

Section - 491

Q37. Whether the time for payment of compounding charges may be extended?

Yes, up to a maximum period of 24 months, as per conditions mentioned in para 9.4 of the guidelines. (Ref: para 9.4 of the guidelines)

Relevant Content

Section - 491

Q38. Whether time for payment of compounding charges may be extended beyond 24 months?

No, beyond 24 months extension is not allowable and the application shall be rejected followed by initiation of prosecution proceedings, if not already initiated. However, the applicant can file new application for the same particulars which shall be treated as a subsequent application for the purpose of determination of compounding charges. (Ref: para 9.4 and 10.3 of the guidelines)

Relevant Content

Section - 491

Q39. As per the new guidelines, the payment period for compounding charges may be extended up to 24 months only from the end of the month in which the compounding charges were intimated. For pending applications where the payment initiation was made before the issuance of the revised guidelines but not fully paid, how will the period of 24 months be calculated? Additionally, will such applications require approval for extension under paragraph 9.4 of the guidelines?

For applications pending as on 17-10-2024, wherein compounding charges were not fully paid within time allowed as per earlier Guidelines or wherein time allowed had not elapsed. the period of 24 months will commence from the end of the month of issuance of these guidelines viz October

2024. The extension of timelines will require approval as prescribed in para 9.4 of the Guidelines.(Ref: paras 3.1 and 9.4 of the guidelines)

Relevant Content

Section - 491

Q40. Are extension for payment of compounding charges subject to interest or additional charges?

No, interest or additional charges are not applicable on extension allowable under para 9.4 of the guidelines. Further, for cases pending as on date of issuance of revised guidelines, additional compounding charge (chargeable under previous guidelines) shall not be applicable and compounding charge shall be determined as per Para 10 of the guidelines. (Ref: para 9.4 and 10 of the guidelines)

Relevant Content

Section - 491

Q41. Whether co-accused can file compounding application under revised guideline?

Yes, co-accused may apply for compounding of offence separately or conjointly. (Ref: para 11 of the guidelines)

Relevant Content

Section - 491

Q42. Where the compounding application of the co-accused was rejected earlier on the ground that the main accused has not filed for compounding, whether such applicants will be eligible for filing again? If yes, whether such application shall be a subsequent application?

Yes, other than the case where application was rejected in past on merit, any of the co-accused applicant is eligible to file compounding application again separately or conjointly. Such application shall be treated as a subsequent application for the purpose of determination of compounding charges. (Ref: para 3.2,11 and 10 of the guidelines)

Relevant Content

Section - 491

Q43. Similarly, where the compounding application of the main accused was rejected earlier on the ground that the co- accused has not filed for compounding or given undertaking, whether such applicants will be eligible for filing again? If yes, whether such application shall be a subsequent application?

Yes, other than the case where application was rejected in past on merit, the main accused applicant is eligible to file compounding application again separately or conjointly with the co-accused. Such application shall be a subsequent application for the purpose of determination of compounding charges. (Ref: para 3.2,11 and 10 of the guidelines)

Relevant Content

Section - 491

Q44. If any application filed by co-accused or accused under previous guidelines is pending, whether they are required to file a fresh application under revised guidelines?

No. All such pending applications will be clubbed together and none of the applicants (main accused and/or co-accused) are required to file a fresh application under revised guidelines. This consolidated application shall be considered as first application for the purpose of determination of compounding charges. (Ref: paras 4.2.4, 11 and 10 of the guidelines)

Relevant Content

Section - 491

Q45. If application is filed by main accused or co-accused or by both of them co-jointly, whether separate compounding fee shall be applicable for co-accused or not?

No separate compounding fee for co-accused shall be payable, irrespective of the fact that application has been filed by main accused or co-accused or by both of them co-jointly. Only compounding charge(s) for the concerned offence(s) shall be payable, as per para 10 of the revised guidelines. Once such payment is made by the applicant being main accused or co-accused or both of them conjointly, the Competent Authority shall compound concerned offences for main accused as well as all the co-accused. (Ref: paras 11 and 10 of the guidelines)

Relevant Content

Section - 491

Q46. Whether any person other than main accused or co-accused can file compounding application for compounding of an offence of company or HUF?

No, person other than main accused or co-accused cannot file compounding application. The applicant is required to disclose his status as main accused or co-accused in the serial no. 4 of compounding application (Annexure-1 of revised guidelines). (Ref: para 11 and Annexure -1 of the guidelines)

Relevant Content

Section - 491

Q47. What will happen if co-accused has not been identified by the department for offences u/s 487?

In cases where co-accused have not been identified or such identification is under progress u/s 487 of the Income Tax Act, either the main accused or any person who can substantiate along with supporting documents that he was in-charge or responsible for conduct of the business of the company during the time of commission of offence, to be considered as "deemed to be guilty' u/s 487(1), can file an application as co-accused. (Ref: para 11 of the guidelines)

Relevant Content

Section - 491

Q48. If any person filed a compounding application as a co-accused in the scenario given at Q. No. 46, whether there is any requirement to identify other co-accused?

In such cases there will be no requirement to identify other co-accused for the purpose of the compounding of the offence. However, if such compounding application is rejected for any reason, all co-accused shall need to be identified as per Section 487 of the Income Tax Act to file prosecution complaint before the concerned Court. (Ref: paras 11 and 10 of the guidelines)

Relevant Content

Section - 491

Q49. Can co-accused furnish an undertaking for withdrawal of appeals as required in para 4.5 of the guidelines, on behalf of the main accused?

No, co-accused cannot furnish undertaking for withdrawal of appeal on behalf of the main accused. Such undertaking shall be furnished by the main accused only which must be attached with the application if application has been filed by the co-accused, since offences of both main accused and co-accused are being compounded, under para 11.2 of the revised guidelines. (Ref: para 11 of the guidelines)

Relevant Content

Section - 491

Q50. If application has been filed by only main accused or co-accused, in such case against whom name the compounding order shall be passed?

The compounding order u/s 491(4) shall be passed in the name of person(s) who have applied for compounding. If co-accused has applied, then order shall include the name of main accused also. Further, in a case where main accused has applied and co-accused has been identified, the order shall be passed in the name of main accused and co-accused. (Ref: Annexure-1 and 3 of the guidelines)

Relevant Content

Section - 491

Q51. Whether co-accused can file compounding application where the liability of main accused company ceases under Insolvency Bankruptcy Code?

The liability of co-accused does not extinguish even if the liability of main accused company ceases. The co-accused may file compounding application in such cases, either separately or conjointly and payment of compounding charge can be made by co-accused or the main accused company. (Ref: para 11.4 of the guidelines)

Relevant Content

Section - 491

Q52. The assessee company/main accused is under NCLT/CIRP/Liquidation and either there is moratorium due to the provisions of section 14 or liquidation process has been initiated against the company due to the provisions of section 33 of the Insolvency Bankruptcy Code(TBC'). In such conditions, whether Para 4.3 of the guidelines (regarding payment of all taxes, interest and other sums) will be applicable or not?

The conditions prescribed in paragraph 4.3 of the Guidelines will apply, as explained below: Case 1: During the Moratorium Period: The demand due from the main accused is not extinguished during the moratorium period. If a co-accused files an application for compounding during the moratorium period, paragraph 4.3 of the guidelines will apply. Case 2: After Rejection of the Resolution Plan (Liquidation Proceedings): Upon rejection of the resolution plan, liquidation proceedings commence under Section 33 of IBC. The pending demand becomes a valid claim before the liquidator. If a co-accused files an application for compounding after rejection of the resolution plan, paragraph 4.3 of the guidelines will apply. Case 3: After Approval of the Resolution Plan: Once the resolution plan is approved under Section 31 of the IBC, the main accused company is absolved of the offence, provided there is a change in the management in terms of conditions prescribed in Section 32A of the IBC. The co-accused(s), however, continue to be liable for the offence. If a co-accused files an application for compounding after approval of the resolution plan, paragraph 4.3 of the guidelines will apply.

Relevant Content

Section - 491