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GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
8th Floor, World Trade Centre, Centre – I, Cuffe Parade,
Mumbai-400 005

F.No. 371/158/B/2022-RA / 473 : Date of Issue : 18.01.2024

ORDER NO. 56/2024-CUS (WZ)/ASRA/MUMBAI DATED 18.01.2024
OF THE GOVERNMENT OF INDIA PASSED BY SHRI SHRAWAN KUMAR,
PRINCIPAL COMMISSIONER & EX-OFFICIO ADDITIONAL SECRETARY TO
THE GOVERNMENT OF INDIA, UNDER SECTION 129DD OF THE
CUSTOMS ACT, 1962.

Applicant : Mr. Dharmesh M Joshi

Respondent : Pr. Commissioner of Customs, CSI, Mumbai.

Subject : Revision Application filed under Section 129DD of the
Customs Act, 1962 against the Order-in-Appeal No.
MUM-CUSTM-PAX-APP-1283/2021-22 dated 14.12 2021
[Date of issue. 16.12.2021] [F. No. S/49-421A/2021]
passed by the Commissioner of Customs (Appeals),
Mumbai Zone-III

ORDER

The Revision Application has been filed by Mr. Dharmesh M Joshi (herein referred to as the 'Applicant') against the Order-in-Appeal No. MUM-CUSTM-PAX-APP-1283/2021-22 dated 14.12 2021 [Date of issue: 16 12.2021] [F. No. S/49-421A/2021] passed by the Commissioner of Customs (Appeals), Mumbai Zone-III

2 Brief facts of the case are that on 31.01.2021/01.02 2021, the officers of Air Customs, Chattrapati Shivaji International (CSI) Airport, Mumbai, intercepted the Applicant, an Indian passport holder, who arrived from abroad and had not declared any gold in his possession. Personal search of the Applicant resulted in the recovery of one gold chain of 24Kt purity weighing 30 grams and valued at Rs. 1,33,340/-.

3 The case was adjudicated after the Applicant requested for waiver of show cause notice and the Original Adjudicating Authority (OAA) i.e Deputy Commissioner of Customs, CSI Airport, Unit-C, Mumbai, vide Order-in-Original No. AirCus/T2/1902/2021/ UNI-C Batch dated 01.02.2021 absolutely confiscated the impugned gold chain of 24Kt purity weighing 30 grams and valued at Rs 1,33,340/- under Section 111 (d) of the Customs Act, 1962. A penalty of Rs. 25,000/- was imposed on the Applicant under Section 112 of the Customs Act, 1962.

4 Aggrieved with this Order, the Applicant filed an appeal before the Appellate Authority (AA) viz, Commissioner of Customs (Appeals), Mumbai Zone-III, who vide Order-in-Appeal No MUM-CUSTM-PAX-APP-1283/2021-22 dated 14.12 2021 [Date of issue. 16 12.2021] [F. No S/49-421A/2021] upheld the order passed by the OAA

5. Aggrieved with the above order of the Appellate Authority, the Applicant has filed this revision application on the following grounds:

5.01. That the impugned order is bad in law and unjust and has been passed without giving due consideration to the documents on the records and facts of the case

5.02. That the dutiable goods brought by the Applicant are neither prohibited or restricted,

5.03. That the Applicant had no previous cases and this was the first time that he had brought the goods;

5.04. That once the department accepts that the goods are dutiable, the option of redemption of goods as provided under Section 125 will have to be given to the Applicant;

5.05. That the facts and circumstances in the present case, absolute confiscation of the impugned dutiable goods would only mean interpreting or giving a new meaning to said sub section (1) of section 125 of the Customs Act, 1962. That redemption of dutiable goods on payment of fine in lieu of confiscations which is what the legislature in its collective wisdom has proposed vide sub section (1) of Section 125 of Customs Act, 1962;

5.06. The Applicant has relied upon the following cases in support of their contention that gold is not a prohibited item and the same is restricted and therefore it should not be confiscated absolutely and option to redeem the same on redemption fine ought to be given to the person from whom it is recovered

- (i) Hargovind Das K. Joshi vs Collector of customs [1992 (61) ELT 172(SC)
- (ii) Alfred Menezes vs CC, Mumbai [2011(236) E.L.T. 587(Tri-Mum)
- (iii) T. Elavarasan Vs Commissioner of Customs (Airport), Chennai [2011 (266) ELT 167 (Mad)]
- (iv) Yakub Ibrahim Yusuf vs. CC, Mumbai [2011 (263) E.L.T. 685 (Tri. Mumbai]
- (v) Mohini Bhatia vs CC, Mumbai [1999(106)E.L.T (Tri-Mum)]
- (vi) Shaikh Jamal Basha vs Government of India – [1992 (91) ELT 227(AP)]
- (vii) Gauri Enterprises vs CC Pune [2002(145) E.L.T. 706(Tri-Bang)]
- (viii) Universal Traders vs Commissioner [2009 (240) E.L.T A78 (S C.)]
- (ix) Shaik Jamal Basha vs Government of India [1997 (91) ELT 277(AP)]

- (x) VP Hameed vs. Collector of Customs Mumbai [1994(73) ELT 425 (Tri)]
- (xi) P Sinnasamy vs CC, Chennai [2007(220) E L T 308 (Tri-Chennai)]
- (xii) Union of India vs Dhanak M Ramji [2009 (248) E L.T 127 (Bom)]
- (xiii) A. Rajkumari vs CC Chennai [2015 (321) E.L T 540(Tri Chennai)]
- (xiv) Kadar Mydin vs Commnissioner of Customs (Preventive), West Bengal [2011 (136) ELT 758]
- (xv) Sapna Sanjeeva Kolhi v/s Commissioner of Customs, Airport, Mumbai [2008(230)E.L.T 305]
- (xvi) Vatakkal Moosa vs Collector of Customs, Cochin [1994 (72) ELT (G O I)]
- (xvii) Halithu Ibrahim vs CC [2002-TIOL 195 CESTAT-MAD]
- (xviii) Krishnakumari vs CC, Chennai [2008 (229) ELT 222 (Tri Chennai)]
- (xix) S.Rajagopal vs. CC, Trichy [2007 (219) ELT 435 (Tri-Chennai)]
- (xx) M Arumugam vs CC, Trichirapalli [2007 (220) ELT 311 (Tri-Chennai)]
- (xxi) CCEx, Lucknow vs Mohd Halim Mohd Shamim Khan [Final Order No A/71054/2017-SM(BR) [2018(359) E L.T 265(Tri-All)]

Under the circumstances, the Applicant prayed that the goods be released under Section 125 of the Customs Act, 1962, on nominal redemption fine alongwith applicable duty, personal penalty be reduced substantially or any other order as deem fit and proper may be issued.

6. Personal hearing in the case was scheduled for 12.10 2023 or 19.10.2023. No one appeared for the personal hearing on the scheduled dates on behalf of the Applicant and the Respondent. Shri N.J.Heera, Advocate, vide letter dated 17 10 2023, filed on behalf of the Applicants submitted that they were reiterating the written submissions on the said issue and requested to release the gold chain on nominal redemption fine

7 The Government has gone through the facts of the case and observes that the Applicant had brought one gold chain of 24Kt purity weighing 30 grams and valued at Rs. 1,33,340/- and had failed to declare the goods to the Customs at the first instance as required under Section 77 of the Customs Act, 1962 The Applicant had not disclosed that he was carrying

dutiable goods. However, after being intercepted, the impugned gold chain of 24Kt purity weighing 30 grams was recovered from the Applicant. The non declaration of the gold chain revealed his intention not to declare the said gold and thereby evade payment of Customs Duty. The confiscation of the gold was therefore justified and thus the Applicant had rendered himself liable for penal action.

8.1 The relevant sections of the Customs Act are reproduced below

Section 2(33)

“prohibited goods” means any goods the import or export of which is subject to any prohibition under this Act or any other law for the time being in force but does not include any such goods in respect of which the conditions subject to which the goods are permitted to be imported or exported have been complied with”

Section 125

“Option to pay fine in lieu of confiscation. - (1) Whenever confiscation of any goods is authorised by this Act, the officer adjudging it may, in the case of any goods, the importation or exportation whereof is prohibited under this Act or under any other law for the time being in force, and shall, in the case of any other goods, give to the owner of the goods or, where such owner is not known, the person from whose possession or custody such goods have been seized, an option to pay in lieu of confiscation such fine as the said officer thinks fit :

Provided that where the proceedings are deemed to be concluded under the proviso to sub-section (2) of section 28 or under clause (i) of sub-section (6) of that section in respect of the goods which are not prohibited or restricted, the provisions of this section shall not apply :

Provided further that, without prejudice to the provisions of the proviso to sub-section (2) of section 115, such fine shall not exceed the market price of the goods confiscated, less in the case of imported goods the duty chargeable thereon.

(2) Where any fine in lieu of confiscation of goods is imposed under sub-section (1), the owner of such goods or the person referred to in sub-section (1), shall, in addition, be liable to any duty and charges payable in respect of such goods.

(3) Where the fine imposed under sub-section (1) is not paid within a period of one hundred and twenty days from the date of option given thereunder, such option shall become void, unless an appeal against such order is pending ”

8.2. It is undisputed that as per the Foreign Trade Policy applicable during the period, gold was not freely importable and it could be imported only by the banks authorized by the RBI or by others authorized by DGFT and to

some extent by passengers. Therefore, gold which is a restricted item for import but which was imported without fulfilling the conditions for import becomes a prohibited goods in terms of Section 2(33) and hence it liable for confiscation under Section 111(d) of the Customs Act, 1962.

9 The Hon'ble High Court Of Madras, in the case of Commissioner Of Customs (Air), Chennai-I V/s P. Sinnasamy reported in 2016 (344) E.L.T 1154 (Mad.), relying on the judgment of the Apex Court in the case of Om Prakash Bhatia v. Commissioner of Customs, Delhi reported in 2003 (155) E.L.T 423 (S.C.), has held that “ *if there is any prohibition of import or export of goods under the Act or any other law for the time being in force, it would be considered to be prohibited goods, and (b) this would not include any such goods in respect of which the conditions, subject to which the goods are imported or exported, have been complied with. This would mean that if the conditions prescribed for import or export of goods are not complied with, it would be considered to be prohibited goods. Hence, prohibition of importation or exportation could be subject to certain prescribed conditions to be fulfilled before or after clearance of goods. If conditions are not fulfilled, it may amount to prohibited goods.*” It is thus clear that gold, may not be one of the enumerated goods, as prohibited goods, still, if the conditions for such import are not complied with, then import of gold, would squarely fall under the definition, “prohibited goods”

10. Further, in para 47 of the said case the Hon'ble High Court has observed “*Smuggling in relation to any goods is forbidden and totally prohibited. Failure to check the goods on the arrival at the customs station and payment of duty at the rate prescribed, would fall under the second limb of section 112(a) of the Act, which states omission to do any act, which act or omission, would render such goods liable for confiscation*” Thus, failure to declare the goods and failure to comply with the prescribed conditions has made the impugned gold “prohibited” and therefore liable for confiscation and the Applicant thus liable for penalty

11. A plain reading of the section 125 shows that the Adjudicating Authority is bound to give an option of redemption when goods are not subjected to any prohibition. In case of prohibited goods, such as, the gold, the Adjudicating Authority may allow redemption. There is no bar on the Adjudicating Authority allowing redemption of prohibited goods. This exercise of discretion will depend on the nature of the goods and the nature of the prohibition. For instance, spurious drugs, arms, ammunition, hazardous goods, contaminated flora or fauna, food which does not meet the food safety standards, etc. are harmful to the society if allowed to find their way into the domestic market. On the other hand, release of certain goods on redemption fine, even though the same becomes prohibited as conditions of import have not been satisfied, may not be harmful to the society at large.

12. Hon'ble Supreme Court in case of M/s Raj Grow Impex [CIVIL APPEAL NO(s) 2217-2218 of 2021 Arising out of SLP(C) Nos. 14633-14634 of 2020 – Order dated 17.06.2021] has laid down the conditions and circumstances under which such discretion can be used. The same are reproduced below.

“71. Thus, when it comes to discretion, the exercise thereof has to be guided by law; has to be according to the rules of reason and justice; and has to be based on the relevant considerations. The exercise of discretion is essentially the discernment of what is right and proper; and such discernment is the critical and cautious judgment of what is correct and proper by differentiating between shadow and substance as also between equity and pretence. A holder of public office, when exercising discretion conferred by the statute, has to ensure that such exercise is in furtherance of accomplishment of the purpose underlying conferment of such power. The requirements of reasonableness, rationality, impartiality, fairness and equity are inherent in any exercise of discretion; such an exercise can never be according to the private opinion.

71.1. It is hardly of any debate that discretion has to be exercised judiciously and, for that matter, all the facts and all the relevant surrounding factors as also the implication of exercise of discretion either way have to be properly weighed and a balanced decision is required to be taken.”

13.1. Government further observes that there are a catena of judgements, over a period of time, of the Hon'ble Courts and other forums which have

been categorical in the view that grant of the option of redemption under Section 125 of the Customs Act, 1962 can be exercised in the interest of justice. Government places reliance on some of the judgements as under.

- (i) In the case of Commissioner of Customs, Aliganj, Lucknow vs. Rajesh Jhamatmal Bhat, [2022(382) E L.T. 345 (All)], the Lucknow Bench of the Hon'ble High Court of Allahabad, has held at Para 22 that "*Customs Excise & Service Tax Appellate Tribunal Allahabad has not committed any error in upholding the order dated 27.08.2018 passed by the Commissioner (Appeals) holding that Gold is not a prohibited item and, therefore, it should be offered for redemption in terms of Section 125 of the Act.*"
- (ii) The Hon'ble High Court of Judicature at Madras, in the judgment in the case of Shaik Mastani Bi vs Principal Commissioner of Customs, Chennai-I [2017(345) E L.T. 201 (Mad)] upheld the order of the Appellate Authority allowing re-export of gold on payment of redemption fine.
- (iii) The Hon'ble High Court of Kerala at Ernakulam in the case of R. Mohandas vs Commissioner of Cochin [2016(336) E.L.T, 399 (Ker.)] has, observed at Para 8 that "*The intention of Section 125 is that, after adjudication, the Customs Authority is bound to release the goods to any such person from whom such custody has been seized...*"
- (iv) Also, in the case of Union of India vs Dhanak M Ramji [2010(252)E.L.T A102(S C)], the Hon'ble Apex Court vide its judgement dated 08.03.2010 upheld the decision of the Hon'ble High Court of Judicature at Bombay [2009(248) E L T. 127 (Bom)], and approved redemption of absolutely confiscated goods to the passenger.
- (v) Judgement dated 17.02 2022 passed by the Hon'ble High Court, Rajasthan (Jaipur Bench) in D B. Civil Writ Petition no 12001 / 2020, in the case of Manoj Kumar Sharma vs UOI and others

13.2 Government, observing the ratios of the above judicial pronouncements, arrives at the conclusion that decision to grant the option

of redemption would be appropriate in the facts and circumstances of the instant case.


14 In view of the foregoing paras, the Government finds that as the Applicant had not declared the gold chain at the time of arrival, the confiscation of the same was justified. However, the quantum of gold under import is small and is not of commercial quantity. The Applicant claimed ownership of the gold chain and there is nothing on record to show that the gold chain was concealed in an ingenious manner. There are no allegations that the Applicant is a habitual offender and was involved in similar offence earlier or there is nothing on record to prove that the Applicant was part of an organized smuggling syndicate.

15 Government finds that this is a case of non-declaration of gold in the form of jewellery. The absolute confiscation of the impugned gold chain leading to dispossession of the Applicant of the same in the instant case is therefore harsh and not reasonable. Under the circumstances, the seriousness of the misdemeanour is required to be kept in mind when using discretion under Section 125 of the Customs Act, 1962 and while imposing quantum of penalty. In view of the aforesaid facts, the option of release of the gold chain on payment of redemption fine should have been allowed. Considering the above facts, Government is inclined to modify the absolute confiscation and allow the impugned gold chain to be released on payment of a redemption fine.

16. Applicant has also pleaded for waiver of the penalty imposed on him. The market value of the gold in this case is Rs. 1,33,340/-. From the facts of the case as discussed above, Government finds that the penalty of Rs 25,000/- imposed on the Applicant under Section 112 (a) and (b) of the Customs Act, 1962 is excessive and not commensurate to the omissions and commissions of the Applicant and needs to be revised downwards.

17 In view of the above, the Government modifies the Order-in-Appeal No MUM-CUSTOMS-PAX-APP-1283/2021-22 dated 14 12 2021 [Date of issue 16.12.2021] [F No. S/49-421A/2021] passed by the Commissioner of Customs (Appeals), Mumbai Zone-III and allows the Applicant to redeem the impugned gold chain of 24Kt purity weighing 30 grams and valued at Rs 1,33,340/-, on payment of a redemption fine of Rs. 25,000/- (Rupees Twenty Five Thousand only) The penalty of Rs. 25,000/- imposed by the OAA and upheld by the Appellate Authority, is reduced to Rs 10,000/- (Rupees Ten Thousand only)

18. The Revision Application is disposed of on the above terms.


(SHRAWAN KUMAR)
Principal Commissioner & ex-officio
Additional Secretary to Government of India

ORDER NO 56/2024-CUS (WZ)/ASRA/MUMBAI DATED 18 01.2024

To,

1. Mr. Dharmesh M Joshi, Maruti Gandhigram, Near Harbhole Mil Lakhano, Rajkot 360 007, Gujarat.
- 2 The Pr. Commissioner of Customs, C S I Airport, Terminal 2, Level-II, Sahar, Andheri (East), Mumbai - 400 099

Copy to:

- 1 The Commissioner of Customs (Appeals), Mumbai-III, 5th Floor, Avas Corporate Point, Makwana Lane, Behind S.M Centre, Andheri Kurla Road, Andheri (East), Mumbai 400 059.
- 2 Shri N.J Heera, Nulwala Building, 41, Mint Road, opp G P O, Fort, Mumbai 400 001.
- 3 Sr. P.S. to AS (RA), Mumbai
- 4 File copy.
5. Notice Board