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SPEED POST



GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
(DEPARTMENT OF REVENUE)

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F.No. 371/401/B/2022-RA / 8431 Date of Issue 18.12.2023

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ORDER NO. 906/2023-CUS (WZ) /ASRA/MUMBAI DATED 12.12.2023  
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.

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Applicant : Mrs. Krusha Rajesh Pala

Respondent : Pr. Commissioner of Customs, Airport-I, Mumbai

Subject : Revision Application filed, under Section 129DD of the  
Customs Act, 1962 against the Order-in-Appeal No. MUM-  
CUSTM-PAX-APP-144/2022-23 dated 06.05.2022 passed by  
the Commissioner of Customs (Appeals), Mumbai-III.

**ORDER**

This revision application has been filed by Mrs. Krusha Rajesh Pala (herein referred to as Applicant) against the Order-in-Appeal No. MUM-CUSTOM-PAX-APP-144/2022-23 dated 06.05.2022 passed by the Commissioner of Customs (Appeals), Mumbai-III.

2. Brief facts of the case are that on 05/06.09.2019, Applicant, who had arrived from Addis Ababa by Ethiopian Airlines flight no. ET 640 dated 05.09.2019, was diverted from the Baggage Screening Machine to Red Channel Counter of Customs for detailed examination of her baggage. Examination of her baggage resulted in the recovery of four kadas of gold. Personal search of Applicant resulted in the recovery of two odd shaped pendants of gold. The recovered gold viz. four kadas and the two shaped pendants were certified to be made of crude gold (24 kt) totally weighing 508 grams and valued at Rs. 18,34,327/-.

3. The case was adjudicated and the impugned gold was confiscated under Section 111 (d), (1) and (m) of the Customs Act, 1962, but the Applicant was allowed to redeem the goods on payment of Redemption Fine of Rs.4,00,000/- in lieu of confiscation under Section 125 of the Customs Act, 1962, along with applicable customs duty. Personal Penalty of Rs.1,75,000/- was imposed on the passenger under section 112 (a) (i) ibid.

4. Aggrieved by this Order, the Department preferred an appeal before the Appellate Authority (AA) viz, Commissioner of Customs (Appeals), Mumbai-III, who vide Order-in-Appeal No. MUM-CUSTOM-PAX-APP-144/2022-23 dated 06.05.2022 allowed the appeal and ordered absolute confiscation of the impugned gold. Appellate authority set aside the OIO and upheld the penalty.

5. Aggrieved with the above order, the Applicants have made an exhaustive submission of case laws and have submitted copies including their submissions made before the lower authorities etc. They have filed revision application on the following main points:

- 5.1 the order of the absolute confiscation of the gold was not at all justified. The Applicant had clearly stated before Lower Authorities that she had not contravened any provisions of C.A. 1962 or any other allied Laws for the time being in force and she had no malafide intention to hide anything from Customs to avoid payment of duty as wrongly alleged.
- 5.2. she had also requested that she was also ready to pay the duty on the Gold Jewellery, particularly when all the Gold Jewellery were worn on the body of the applicant & this fact also is mentioned in the order as well as in the SCN.
- 5.3. she had correctly stated in her original statement that all the Gold Jewellery belonged to her only & nobody else. The Applicant claimed the ownership of the Gold jewellery & she had produced the original invoices / Bills to prove the ownership of the personal Gold Jewellery (copies of the bills attached). Hence the applicant denies all the charges & allegations leveled in the Order in toto. Furthermore, the Gold Jewellery was neither banned nor restricted under the B. Rules (Amendment), 2016.
- 5.3 she had no malafide intention to hide anything from Customs to avoid payment of duty as wrongly alleged in the said order. She had also stated in her statements that she was working as a teacher in a Secondary School, Delhi Public School International, Uganda & hence nothing could be suspected from her behavior in allegedly misusing the Baggage Rules by allegedly non- declaring/concealing any Gold items. She had never carried or smuggled any Gold during any of her earlier visits as could be seen from her statements. It is also not the charge of the dept. that the applicant had ingeniously concealed any Gold items, just to avoid payment of any Customs duty. Moreover all the personal Gold Jewellery mostly were worn by her & it was visible even to the naked eyes of the Customs Officer. Hence in the interest of justice, the Gold is liable for release at the most on token fine, particularly when the applicant is normally resident abroad & is

having resident VISA for Uganda. She is residing with her husband in abroad, where she is used to liberalized laws of the country of her residence. Hence the most lenient view, be taken particularly when it is her first time that she has brought the Gold & she has also admitted that she was the owner of the Gold as could be seen from SCN as well as in the Order-in-Original.

- 5.5. it is a well settled fact that the Gold per-se is not an item which has to be confiscated absolutely in every case. The guiding principle regarding redemption of the Gold has been laid down CESTAT, Mumbai in Yuqub Ibrahim Yusuf v. Commr. of Customs, Mumbai (2011-263-ELT-685-TRI-MUMBAI), wherein, it has been held that "from a reading of Section 125, it follows that the prohibition relates to Goods which cannot be imported by any one, such as arms, ammunitions, drugs. The intention behind the prov. of S. 125 is clear that imported of such goods under any circumstances would cause danger to the health, welfare or morals of the people as a whole. This would not certainly apply to a case where import/export
- 5.6. in view of the aforesaid submissions, Your Goodself may kindly release the Gold particularly when the applicant (who is the owner of the seized Gold) is ready to pay the duty, fine & nominal penalty. Moreover the applicant has not implicated anybody in any manner whatsoever & even no other person has claimed the seized Gold so far. Hence the applicant deserves utmost leniency. But otherwise the punishment of absolute confiscation, if maintained, meted out to the applicant would be too severe one & it would be out of all proportions. Even the detention of the Gold has injured her feelings. The Applicant is ready to pay the duty, nominal fine. Even for the sake of argument, without prejudice to above, if the applicant has made frequent visits & if the Gold is brought for sale, then in that case also the Gold is liable for release / re expert particularly when the Gold is not a prohibited item as stated above. The Baggage Rules do not provide the

denial of allowances or such any harsh treatment on the part of the Customs on frequency of the visits particularly when nobody can afford to travel abroad again and again simply for the sake of gaining from paltry allowances under the Baggage Rules. Moreover the AIU Investigation Officers while issuing the S/C/N. had not given any cogent / specific reasons for not accepting the original bills produced by the applicant. The Gold was purchased by the applicant out of her as well as her husband's earning / savings abroad & hence she has not violated any prov. of the FERA / FEMA, 1999. Hence as the ownership of the Gold has been proved by the applicant, the Gold is liable for release to meet the ends of justice. The Ld. Commr. (A) had not considered all the genuine facts & circumstances of the case under which the Gold was brought by the applicant. He had not considered the relevant arguments and judgments stated by the original lower authority (i.e. Addl. Commr.) & he had rejected all the submissions of the respondent without any justification & hence the order passed by the Ld. Commr (A), deserves to be set aside in full.

5.7. Under the circumstances, the applicant has prayed to the Revision Authority for :

- i. The Gold under absolute confiscation valued at Rs. 18,34,327/- be ordered to be released U/S 125 of C.A. 1962 on fine particularly when the gold is not banned under the Baggage Rules.
- ii. The Personal Penalty of Rs. 175000/- be ordered to be waived/reduced.

6. Personal hearing in the case was scheduled on 03.08.2023. Shri. O.M. Rohira, Advocate for the applicant appeared for personal hearing and submitted that the applicant brought small quantity of jewelry for personal use. He further submitted that Gold was worn on body. He requested to allow redemption of goods by restoring OIO. He further submitted that invoices showing purchase were submitted.

7. The Government has gone through the facts of the case, and observes that the applicant had failed to declare the gold while availing the green channel facility. The applicant clearly had failed to declare the goods to the Customs as required under Section 77 of the Customs Act, 1962. By not declaring the gold carried by him, the applicant clearly revealed his intention not to declare the gold and pay Customs duty on it. The Government finds that the confiscation of the impugned gold was therefore justified.

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.

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" in terms of Section 2(33) and hence it is liable for confiscation under Section 111(d) of the Customs Act, 1962.

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. Once goods are held to be prohibited, Section 125 still provides discretion to consider release of goods on redemption fine. 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.”*

12. 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. Thus, Adjudicating authority can allow redemption under Section 125 of any goods which are prohibited either under the Customs Act or any other law on payment of fine.

13 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:

- a) 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.”*

- b) The Hon'ble High Court of Judicature at Madras, in the judgment in the case of Shik 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.
- c) 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...*"
- d) 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.

14. Government, observing the ratios of all 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.

15. Government observes that the quantity of gold was not substantial, which indicates that the same was not for commercial use. The Applicant claimed ownership of the impugned gold. There are no other claimants of the said gold. There is no allegation that the applicant is a habitual offender and was involved in similar offence earlier. The facts of the case indicate that it is a case of non-declaration of gold, rather than a case of smuggling for commercial considerations.

16.1 The absolute confiscation of the gold, leading to dispossession of the applicant of the gold in the instant case is therefore, harsh and not reasonable. Government for the aforesaid reasons, is inclined to set aside the absolute

confiscation held in the OIA and considers granting an option to the Applicant to redeem the Gold jewellery on payment of a suitable redemption fine, as the same would be more reasonable and judicious.

16.2 Government finds that the penalty of Rs. 1,75,000/- imposed on the Applicant for the gold jewellery valued at Rs. 18,34,327/- under Section 112(a) & (b) of the Customs Act, 1962 is appropriate and commensurate to the omissions and commissions of the Applicant.

17.1 In view of the above, the Government modifies the impugned order passed by the Appellate authority and allows the applicant to redeem the impugned gold jewellery viz. gold weighing 508 grams and valued at Rs. 18,34,327/- on payment of redemption fine of Rs. 4,00,000/- (Rupees Four Lakhs only).

17.2 The penalty of Rs. 1,75,000/- imposed under Section 112(a) and (b) of the Customs Act, 1962 being appropriate and commensurate with the omissions and commissions of the Applicant, Government does not feel it necessary to interfere with the imposition of the same and is sustained.

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

*Shrawan*  
12/12/23

(SHRAWAN KUMAR)

Principal Commissioner & ex-officio  
Additional Secretary to Government of India

ORDER NO. **906** /2023-CUS (WZ)/ASRA/MUMBAI DATED **12.12** .2023

To,

1. Mrs. Krusha Rajesh Pala, C/o. O.M. Rohira, Advocate, 148/301, Uphaar, 10th road, Khar(W), Mumbai-400052.
2. Pr. Commissioner of Customs, Airport-I, Chhatrapati Shivaji International Airport, Terminal - 2, Level - II, Andheri(E), Mumbai - 400099.

Copy to:

1. The Commissioner of Custom Appeals, Mumbai-III, Awas Corporate Point(5th Floor), Makwana Lane, Behind S. M. Centre Andheri-Kurla Road, Marol, Mumbai-400059.
2. Sr. P.S. to AS (RA), Mumbai.
3. File Copy.
4. Notice Board.