

Section 138 : Compounding of offences

- (1) Any offence under this Act may, either before or after the institution of prosecution, be compounded by the Commissioner on payment, by the person accused of the offence, to the Central Government or the State Government, as the case be, of such compounding amount in such manner as may be prescribed:

Provided that nothing contained in this section shall apply to –

- ¹[(a) a person who has been allowed to compound once in respect of any of the offences specified in clauses (a) to (f), (h), (i) and (l) of sub-section (1) of section 132;]
- (b) ²[*****]
- ³[(c) a person who has been accused of committing an offence under clause (b) of sub-section (1) of section 132;]
- (d) a person who has been convicted for an offence under this Act by a court;
- (e) ⁴[*****]
- (f) any other class of persons or offences as may be prescribed:

Provided further that any compounding allowed under the provisions of this section shall not affect the proceedings, if any, instituted under any other law:

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- 1 Clause (a) substituted by The Finance Act, 2023 dt. 31-03-2023 w.e.f. 01-10-2023. Earlier to substitution it read as under:
“(a) a person who has been allowed to compound once in respect of any of the offences specified in clauses (a) to (f) of sub-section (1) of section 132 and the offences specified in clause (l) which are relatable to offences specified in clauses (a) to (f) of the said sub-section;”
- 2 Clause (b) omitted by The Finance Act, 2023 dt. 31-03-2023 w.e.f. 01-10-2023. Earlier to omission it read as under:
“(b) a person who has been allowed to compound once in respect of any offence, other than those in clause (a), under this Act or under the provisions of any State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act or the Integrated Goods and Services Tax Act in respect of supplies of value exceeding one crore rupees;”
- 3 Clause (c) substituted by The Finance Act, 2023 dt. 31-03-2023 w.e.f. 01-10-2023. Earlier to substitution it read as under:
“(c) a person who has been accused of committing an offence under this Act which is also an offence under any other law for the time being in force;”
- 4 Clause (e) omitted by The Finance Act, 2023 dt. 31-03-2023 w.e.f. 01-10-2023. Earlier to omission it read as under:
“(e) a person who has been accused of committing an offence specified in clause (g) or clause (j) or clause (k) of sub-section (1) of section 132; and”

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Provided also that compounding shall be allowed only after making payment of tax, interest and penalty involved in such offences.

- (2) The amount for compounding of offences under this section shall be such as may be prescribed, subject to the minimum amount not being less than ⁵[twenty-five per cent. of the tax involved and the maximum amount not being more than one hundred per cent. of the tax involved.]
- (3) On payment of such compounding amount as may be determined by the Commissioner, no further proceedings shall be initiated under this Act against the accused person in respect of the same offence and any criminal proceedings, if already initiated in respect of the said offence, shall stand abated.

Relevant Rule: Rule 162

Relevant Form: Form GST CPD-01, GST CPD-02

⁵ Substituted for “ten thousand rupees or fifty per cent of the tax involved, whichever is higher, and the maximum amount not being less than thirty thousand rupees or one hundred and fifty per cent. of the tax, whichever is higher.” by The Finance Act, 2023 dt. 31-03-2023 w.e.f. 01-10-2023.