

Compounding of Offences

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Process where Assessee can avoid prosecution

by paying a fee instead of facing court proceedings

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Now **All offences** under Income Tax Act are compoundable.

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Applicable from 17.10.24

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Applicable to

All New applications
filed after
this date

Old pending
applications
as on 17.10.24

Also applies to Rejected applications if:

Rejected due
to curable
defects
(eg Wrong A.Y,
Unpaid dues)

Rejected only
because of
conviction, not
on merits.

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Where to file Application for Compounding?

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To CCIT+P / DCIT+P.

↓
When to File?

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Can be filed at anytime
after offence is committed.

↳ we can even file
even if prosecution
has been launched.

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For How many AY?

↓
Can be done

↙
For One FY

↓
Single Application

↓
Fees ₹ 25000

↘
For multiple FY

↓
Consolidated Application

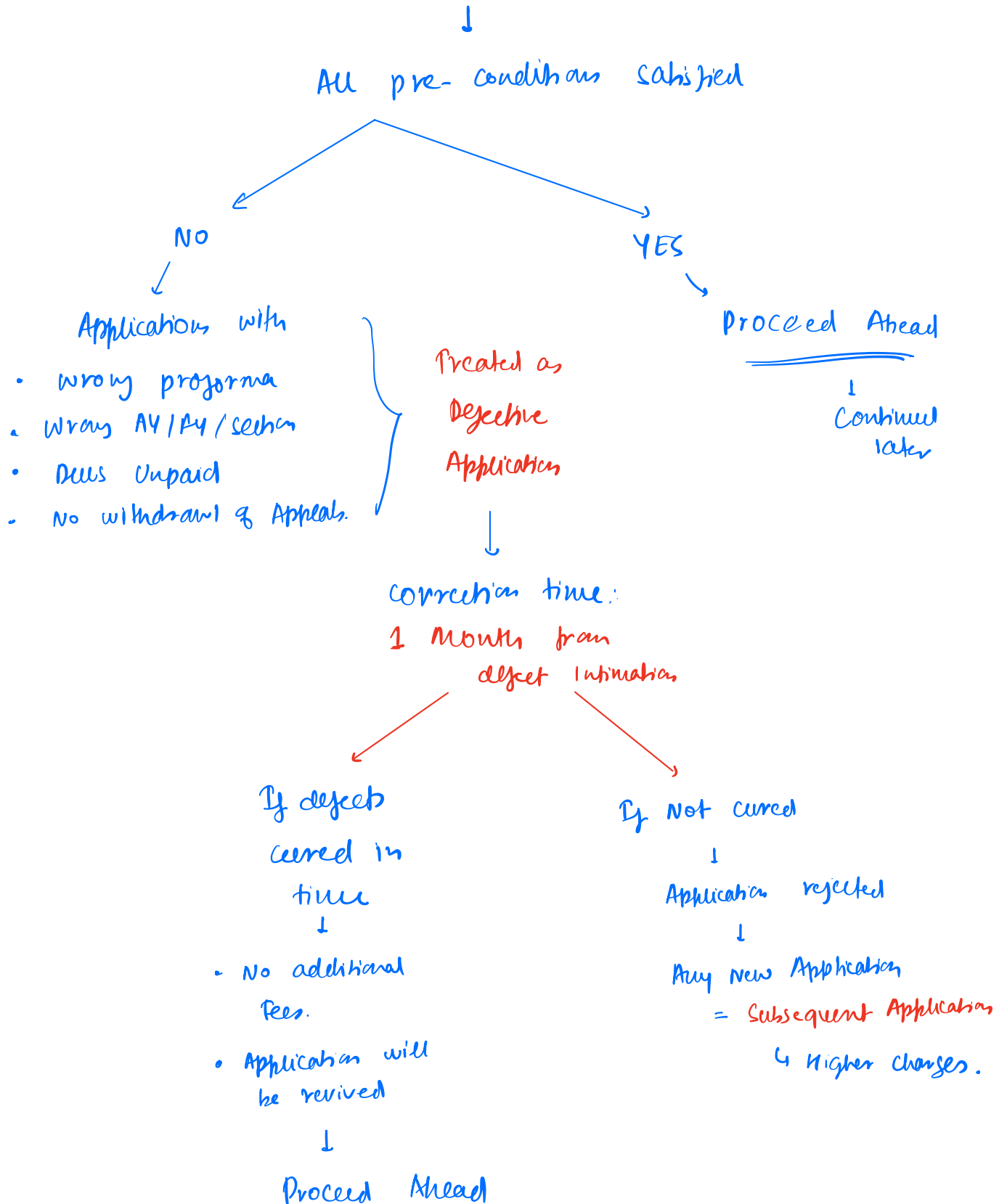
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Fees ₹ 50,000

Note: The Fees is
not refundable
but adjustable
against
Compounding
charges.

Conditions to be fulfilled
before filing:-

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- All outstanding dues (tax, interest, penalty) must be paid.
- Undertaking to withdraw appeals related to offence.
- Undertaking to pay compounding charges once intimated
- Application must be in correct proforma(format)
- If earlier applications were rejected on curable defects, they can be reapplied as consolidated application.



Proceed Ahead



Special Approval is required in
Serious Cases



Approval from Chairman of CBDT
is required when:-

- Convicted for ≥ 2 years (with or without fine)
- Linked to other law where convicted for ≥ 2 years
- Found involved in anti-national or terrorist activities
- Facilitated bogus entries, money laundering, fake invoicing, etc.
- Offences under Benami Act or Black Money Act
- Offences under section 275A/275B

Procedure of Compounding



Application Received by Competent Authority



Report from Ao/AD to be submitted
to the Authority



If Application is Accepted

YES

- Intimate compounding
changes within 2 months
from the end of month of
receipt of application

NO.

Speaking Order
within 2 months
from the end of month of
receipt of application

- Applicant must pay within
1 month from end of month of receipt of Application

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Extensions of Payment Time.



Extension	Approval Needed
Up to 6 months	Competent Authority
6-12 months	PCCIT/PDGIT
12-24 months	Chairman CBDT / Member CBDT
Beyond 24 months.	✗ Not allowed

↙
If Charges are paid
within allowed/extended time?



Compounding order
issued within
1 month from the
end of month of
payment of Compounding
charges.

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If Charges are not paid
before allowed/extended
time?



- Application Rejected
- Prosecution continues
or begins



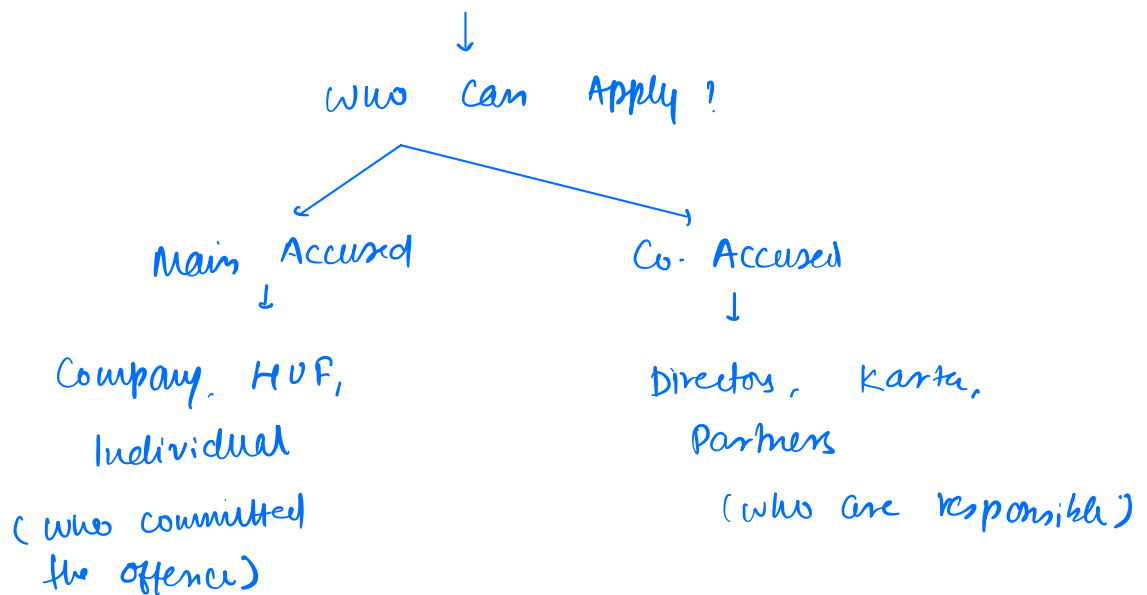
New Application



Treated as Subsequent
Application, Higher Charges
Applicable

How to Calculate Compounding Charges?

- **BASE CALCULATION:** Tax means tax + surcharge + cess (but NOT interest)
- **FIRST APPLICATION:** Normal rate as per guidelines for each offence
- **SUBSEQUENT APPLICATIONS:** 1.2x (2nd), 1.4x (3rd), 1.6x (4th) times of normal rate
- **LATE APPLICATION PENALTY:** +50% if filed >12 months after prosecution complaint
- **MIXED OFFENCES:** New offence types in subsequent applications charged at normal rate
- **PENDING APPLICATIONS:** All applications before 17.10.2024 treated as 'first application'
- **APPLICATION FEE ADJUSTMENT:** Deducted from total compounding charges (same application only)
- **IMPORTANT:** Habitual offenders may face rejection despite no numerical limit on applications



Applications can be filed separately or jointly by main accused and co-accused.