

Compounding of Offences

Process where Assessee can avoid prosecution by paying a fees instead of facing court proceedings

Now **All Offences** under Income Tax Act are compoundable

Applicable From 17.10.24

Applicable to

All New applications filed after this date

old pending applications as on 17.10.24

also applies to Rejected application if :

Rejected due to curable defects (eg wrong AY, Unpaid dues)

Rejected only Because of conviction, not on merits

Where to file Application for Compounding?

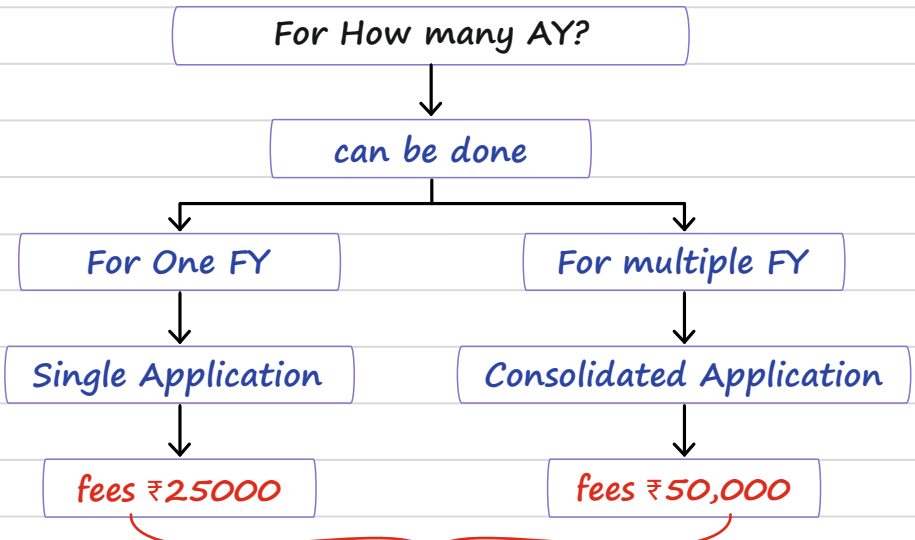
To CCIT+P / DGIT+P

when to file?

can be filed at anytime after **offence is committed**

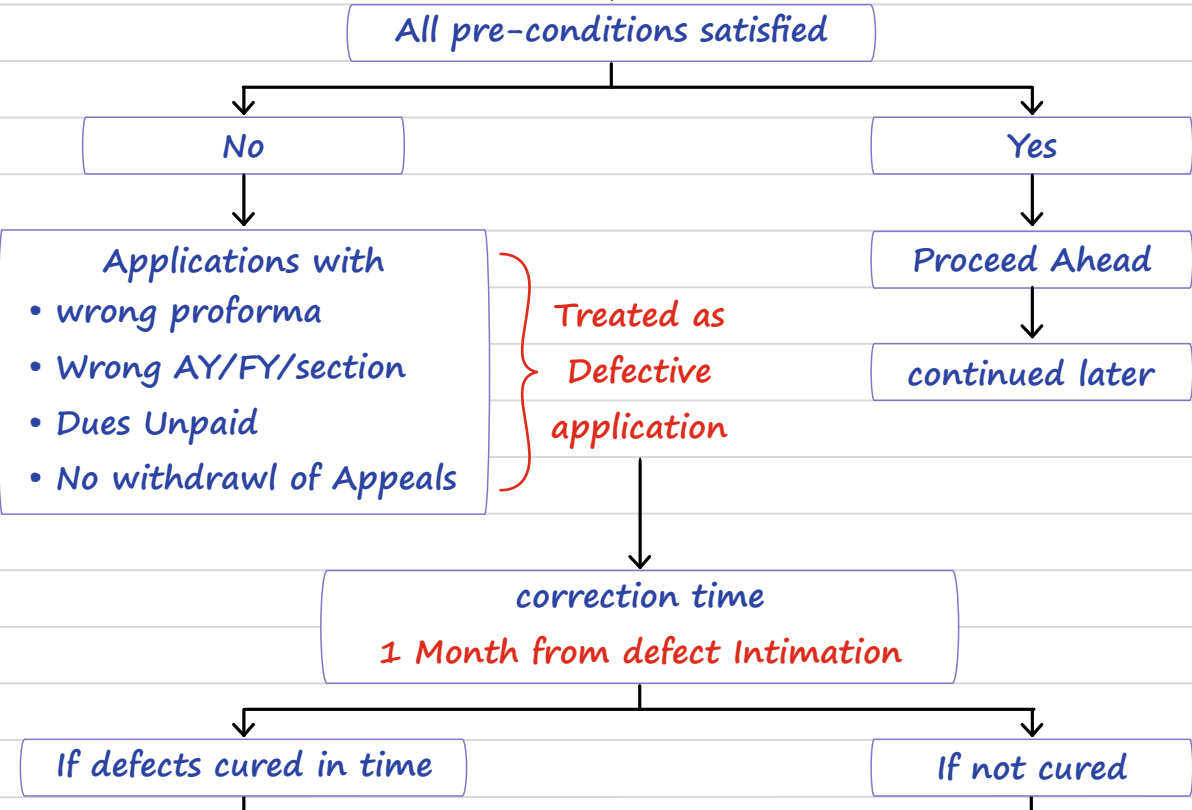
↳ we can file even if prosecution has been launched

Note :
The fees is not refundable but adjustable against compounding charges



Conditions to be fulfilled before filing :

- 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.



- No additional fees
- Application will be revived

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

Application rejected

Any New Application
= Subsequent Application

↳ Higher charges

Procedure of Compounding

Application Received by Competent Authority

Report from AO/AD to be submitted to the Authority

If Application is Accepted

YES

NO

- Intimate compounding charges 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

speaking order within 2 months from the end of month of receipt of application

Extention 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	x Not allowed

If charges are paid within allowed/extended time?

If charges are not paid before allowed/extended time?

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

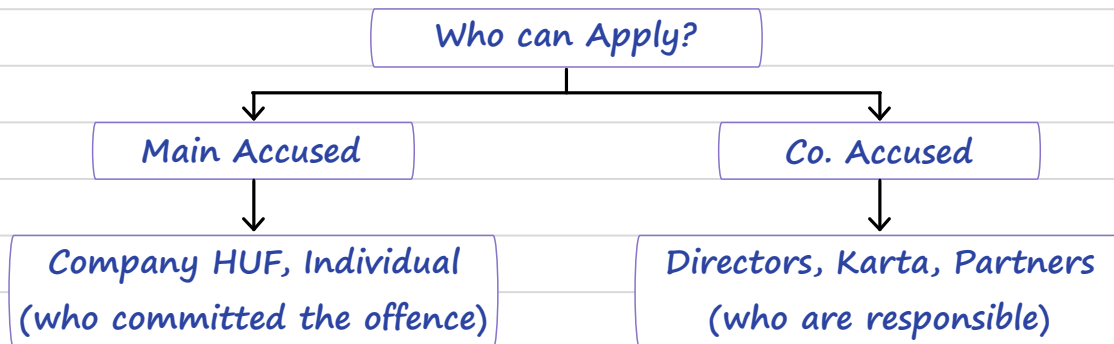
- Application Rejected
- Prosecution continues or begins

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.