

Malicious exercise of power resulting in harassment of assessee is illegal and abusive - Allahabad HC

12 April 2022



Summary

The Allahabad High Court (HC) has held that once the confiscation order and order passed by first appellate authority has been quashed, the confiscation order stands eclipsed from its date of issuance itself. Hence, the detention of truck despite quashing of the orders is arbitrary and illegal. The HC noted that if the public authorities act oppressively, resulting in harassment of the assessee then it would not be an exercise of power but its abuse. The HC observed that illegal detention of truck after quashing of orders resulted in financial loss to the petitioner. Therefore, the HC directed the authorities to release the truck and compensate him for the financial loss occurred. The HC ruled that award of compensation would help in improving work culture and public confidence in rule of law.

Facts of the case

- The petitioner¹ has given a truck on hire for transportation of goods. During the journey from Delhi to Andhra Pradesh, the truck was intercepted while passing through Uttar Pradesh. The authorities found that the truck was loaded with goods over and above what was mentioned in the invoice. Thus, the officer issued a detention order².
- The petitioner and the hirer did not come forward for the payment of tax and penalty. Subsequently, the authorities initiated confiscation proceedings and issued a notice. The petitioner submitted the application having the facts and submissions for the release of the truck before the authorities. However, meanwhile, the authorities passed a confiscation order³ without giving an opportunity of being heard.
- The petitioner filed an appeal against the order which was dismissed by the appellate authority. Hence, the petitioner filed writ before this court wherein it was held that the Show Cause Notice (SCN) was defective

as no opportunity of personal hearing was granted to the petitioner. Thus, the confiscation order and the order passed by the first appellate authority was quashed.

- However, despite the court order, the authorities have neither issued fresh notice nor released the truck.

Allahabad HC observations and ruling⁴:

- **Detention is arbitrary, illegal and unauthorised:** Once the confiscation order and the order passed by first appellate authority has been quashed, the confiscation order stands eclipsed from its date of issuance itself. In the present case, without any order or proceeding for confiscation in existence, truck is being unauthorisedly and illegally detained since the last 18 months. Such detention is arbitrary, illegal and unauthorised, resulting in the harassment of the petitioner.
- **No authority can arrogate arbitrary power:** If the public authorities act maliciously and exercise of power results in harassment of petitioner, then it is an abuse of power. No

¹ Calcutta South Transport Co.

² In MOV-06

³ In GST MOV-11

⁴ Writ Tax No. - 406 of 2022; Dated 28.03.2022

authority can arrogate arbitrary power to itself. Thus, the authorities shall compensate the loss suffered by the petitioner for the illegal detention of the truck. It would also help in improving work culture and public confidence in rule of law.

Our comments

The judicial authorities, in many rulings, had imposed exemplary cost on erring officials and directed the department to take actions against the erring officials whose actions resulted in the harassment of taxpayers.

Similarly, the Allahabad HC, in the present ruling, emphasises that the authorities cannot arrogate arbitrary power and directed the authorities to compensate the petitioner so that public can have faith in the rule of law. The ruling shall be relied upon by the taxpayers and shall act as a deterrent against officials from causing undue hardship to taxpayers.

Contact us

To know more, please visit www.grantthornton.in or contact any of our offices as mentioned below:

NEW DELHI

National Office,
Outer Circle,
L 41, Connaught Circus,
New Delhi - 110001
T +91 11 4278 7070

NEW DELHI

6th Floor, Worldmark 2,
Aerocity,
New Delhi - 110037
T +91 11 4952 7400

AHMEDABAD

Unit No - 603 B, 6th Floor,
Brigade International
Financial Center,
GIFT City Gandhinagar,
Ahmedabad - 382355
T +91 11 4278 7070

BENGALURU

5th Floor, 65/2, Block A,
Bagmane Tridib,
Bagmane Tech Park,
CV Raman Nagar,
Bengaluru - 560093
T +91 804 243 0700

CHANDIGARH

B-406A, 4th Floor,
L&T Elante Office Building,
Industrial Area Phase I,
Chandigarh - 160002
T +91 172 433 8000

CHENNAI

9th floor, A wing, Prestige
Polygon, 471 Anna Salai,
Mylapore Division, Teynampet,
Chennai - 600035
T +91 44 4294 0000

DEHRADUN

Suite No 2211, 2nd Floor,
Building 2000, Michigan Avenue,
Doon Express Business Park,
Subhash Nagar,
Dehradun - 248002
T +91 135 264 6500

GURGAON

21st Floor, DLF Square,
Jacaranda Marg,
DLF Phase II,
Gurgaon - 122002
T +91 124 462 8000

HYDERABAD

Unit No - 1, 10th Floor,
My Home Twitza, APIIC,
Hyderabad Knowledge City,
Hyderabad - 500081
T +91 40 6630 8200

KOCHI

6th Floor, Modayil Centre Point,
Warriam Road Junction,
MG Road
Kochi - 682016
T +91 484 406 4541

KOLKATA

10C Hungerford Street,
5th Floor,
Kolkata - 700017
T +91 33 4050 8000

MUMBAI

11th Floor, Tower II,
One International Center,
SB Marg Prabhadevi (W),
Mumbai - 400013
T +91 22 6626 2600

MUMBAI

Kaledonia, 1st Floor,
C Wing,
(Opposite J&J Office),
Sahar Road, Andheri East,
Mumbai - 400069

NOIDA

Plot No 19A, 2nd Floor,
Sector - 16A,
Noida - 201301
T +91 120 485 5900

PUNE

3rd Floor, Unit No 310-312,
West Wing, Nyati Unitree,
Nagar Road, Yerwada
Pune - 411006
T +91 20 6744 8800

For more information or for any queries, write to us at GTBharat@in.gt.com



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