

**CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL
NEW DELHI**

PRINCIPAL BENCH

Customs Appeal No. 50948 of 2020

(Arising out of Order-in-Original No. 19/2020/U.G./Principal Commissioner dated 29.05.2020 passed by the Principal Commissioner of Customs (Import), New Delhi)

Toyota Material Handling India Private Limited Appellant

#43 Mile Stone, NH-8,
Delhi – Jaipur Highway,
Gurugram, Haryana-122 004

VERSUS

Principal Commissioner of Customs (Import) Respondent
New Delhi

New Customs House, New Delhi

With

Customs Appeal No. 50949 of 2020

(Arising out of Order-in-Original No. 19/2020/U.G./Principal Commissioner dated 29.05.2020 passed by the Principal Commissioner of Customs (Import), New Delhi)

Sunil Kumar Sharma Appellant

Senior Manager-Finance And Accounts
Toyota Material Handling India Private Limited
#43 Mile Stone, NH-8,
Delhi – Jaipur Highway,
Gurugram, Haryana-122 004

VERSUS

Principal Commissioner of Customs (Import) Respondent
New Delhi

New Customs House, New Delhi

Appearance

Shri B.L. Narasimhan, Advocate – for the appellant

Shri Sunil Kumar, Authorized Representative – for the Respondent

And
Customs Appeal No. 51136 of 2020

(Arising out of Order-in-Original No. 19/2020/U.G./Principal Commissioner dated 29.05.2020 passed by the Principal Commissioner of Customs (Import), New Delhi)

**Principal Commissioner of Customs
ACC (Import), New Delhi**
New Customs House, New Delhi-122004.

Appellant

**M/s Toyota Material Handling India
Private Limited**
No. 43 Mile Stone, NH-8,
Delhi – Jaipur Highway,
Gurugram, Haryana-122 004

Respondent

Appearance

Shri Sunil Kumar, Authorized Representative – for the Department
Shri B.L. Narasimhan, Advocate – for the Respondent

**CORAM : HON'BLE MR. JUSTICE DILIP GUPTA, PRESIDENT
HON'BLE MR. P.V. SUBBA RAO, MEMBER (TECHNICAL)**

DATE OF HEARING/DECISION : 24.01.2022

Final Order Nos. 50061-50063/2022

Justice Dilip Gupta

Customs Appeal No. 50948 of 2020 has been filed by Toyota Material Handling India Private Limited to assail the order dated May 29, 2020 passed by the Principal Commissioner of Customs, ACC (import)¹ by which part of demand has been confirmed and part of demand has been dropped.

2. **Customs Appeal No. 50949 of 2020** has been filed by Sunil Kumar Sharma, Senior Manager- Finance and Accounts of M/s Toyota Material Handling India Private Limited against the imposition of penalty by the aforesaid order dated May 29, 2020.

¹ Principal Commissioner

3. **Customs Appeal No. 51136 of 2020** has been filed by the Principal Commissioner of Customs against that part of the order by which demand has been dropped.

4. It has been submitted by Shri B.L. Narasimhan, learned counsel appearing for the appellant that the Principal Additional Director General, DRI did not have the jurisdiction to issue the show cause notice as he was not **the proper officer** under section 28 of the Customs Act to issue the notice and in support of this contention learned counsel placed reliance upon decisions of the Supreme Court in **Canon India Pvt. Ltd. vs. Commissioner of Customs**² and **Commissioner of Customs, Kandla vs. M/s. Agarwal Metals and Alloys**³.

5. Shri Sunil Kumar, learned authorised representative appearing for the Department, however submitted that the Additional Director General, DRI had the jurisdiction to issue the show cause notice and also submitted that the Department has filed a review petition against the judgment of the Supreme Court in **Canon India** on 07.04.2021 and it is pending. Learned authorised representative, therefore, submitted that the hearing of this appeal may be deferred.

6. The submissions advanced by learned counsel for the appellant and the learned Authorised Representative of the Department has been considered.

7. The issue that arises for consideration is whether the Principal Additional Director General, DRI had the jurisdiction to issue the

². 2021 (376) E.L.T. 3 (S.C.)

³. 2021 (9) TMI 316- Supreme Court

notice. This precise issue was examined by the Supreme Court in **Canon India**. The Supreme Court observed that the nature of the power to recover the duty, not paid or short paid after the goods have been assessed and cleared for import is a power that has been conferred to review the earlier decision for assessment. This power which has been conferred under section 28 of the Customs Act on **the proper officer**, must necessarily mean **the proper officer** who, in the first instance, assessed and cleared the goods. Thus, the Additional Director General, DRI did not have the jurisdiction to issue the show cause notice. The observations of the Supreme Court are as follows:

"12. The nature of the power to recover the duty, not paid or short paid after the goods have been assessed and cleared for import, is broadly a power to review the earlier decision of assessment. Such a power is not inherent in any authority. Indeed, it has been conferred by Section 28 and other related provisions. The power has been so conferred specifically on "the proper officer" which must necessarily mean the proper officer who, in the first instance, assessed and cleared the goods i.e. Deputy Commissioner Appraisal Group. Indeed, this must be so because no fiscal statute has been shown to us where the power to re-open assessment or recover duties which have escaped assessment has been conferred on an officer other than the officer of the rank of the officer who initially took the decision to assess the goods.

13. Where the statute confers the same power to perform an act on different officers, as in this case, the two officers, especially when they belong to different departments, cannot exercise their powers in the same case. Where one officer has exercised his powers of assessment, the power to order re-assessment must also be exercised by the same officer or his successor and not by another officer of another department though he is designated to be an officer of the same rank. In our view, this would result into an anarchical and unruly operation of a statute which is not contemplated by any canon of construction of statute.

14. It is well known that when a statute directs that the things be done in a certain way, it must be done in that way alone. As in this case, when the statute directs that "the proper officer" can determine duty not levied/not paid, it does not mean any proper officer but that proper officer alone. We find it

completely impermissible to allow an officer, who has not passed the original order of assessment, to re-open the assessment on the grounds that the duty was not paid/not levied, by the original officer who had decided to clear the goods and who was competent and authorised to make the assessment. The nature of the power conferred by Section 28 (4) to recover duties which have escaped assessment is in the nature of an administrative review of an act. **The section must therefore be construed as conferring the power of such review on the same officer or his successor or any other officer who has been assigned the function of assessment. In other words, an officer who did the assessment, could only undertake re-assessment [which is involved in Section 28 (4)].**

15. It is obvious that the re-assessment and recovery of duties i.e. contemplated by Section 28(4) is by the same authority and not by any superior authority such as Appellate or Revisional Authority. **It is, therefore, clear to us that the Additional Director General of DRI was not "the" proper officer to exercise the power under Section 28(4) and the initiation of the recovery proceedings in the present case is without any jurisdiction and liable to be set aside.**

16. At this stage, we must also examine whether the Additional Director General of the DRI who issued the recovery notice under Section 28(4) was even a proper officer. The Additional Director General can be considered to be a proper officer only if it is shown that he was a Customs officer under the Customs Act. In addition, that he was entrusted with the functions of the proper officer under Section 6 of the Customs Act. The Additional Director General of the DRI can be considered to be a Customs officer only if he is shown to have been appointed as Customs officer under the Customs Act.

xxxxxxxxxx

21. If it was intended that officers of the Directorate of Revenue Intelligence who are officers of Central Government should be entrusted with functions of the Customs officers, it was imperative that the Central Government should have done so in exercise of its power under Section 6 of the Act. The reason why such a power is conferred on the Central Government is obvious and that is because the Central Government is the authority which appoints both the officers of the Directorate of Revenue Intelligence which is set up under the Notification dated 04.12.1957 issued by the Ministry of Finance and Customs officers who, till 11.5.2002, were appointed by the Central Government. The notification which purports to entrust functions as proper officer under the Customs Act has been issued by the Central Board of Excise and Customs in exercise of non-existing power under Section 2 (34) of the Customs Act. The notification is obviously invalid having been issued by an authority which had no power to do so in purported exercise

of powers under a section which does not confer any such power.

xxxxxxxx

23. **We, therefore, hold that the entire proceeding in the present case initiated by the Additional Director General of the DRI by issuing show cause notices in all the matters before us are invalid without any authority of law and liable to be set-aside and the ensuing demands are also set- aside."**

(emphasis supplied)

8. It would thus be seen that the Supreme Court in **Canon India** held that the entire proceedings initiated by the Additional Director General, DRI by issuance of a show cause notice was without any authority of law and was, therefore, liable to be set aside.

9. The aforesaid decision of the Supreme Court in **Canon India** was subsequently followed by the Supreme Court in **Agarwal Metals and Alloys** and the judgment is reproduced below:

"Delay condoned.

In view of decision dated 09.03.2021 of three judge Bench of this Court in **Civil Appeal No. 1827 of 2018 titled as "M/s. Canon India Private Ltd. vs. Commissioner of Customs" reported in 2021(3) SCALE 748**, these appeals must fail as the show cause notice(s) in the present cases was also issued by Additional Director General (ADG), Directorate of Revenue Intelligence (DRI), who is not a proper officer within the meaning of Section 28(4) read with Section 2(34) of the Customs Act, 1962.

Hence, these appeals stand dismissed.

However, dismissal of these appeals will not come in the way of the competent authority to proceed in the matter in accordance with law.

Pending application(s), if any, stand disposed of."

10. Apart from the aforesaid two decisions of the Supreme Court in **Canon India** and **Agarwal Metals and Alloys**, the High Courts have also set aside proceedings where show cause notices were issued by the Director of Revenue Intelligence.

11. The Bombay High Court in **Kitchen Essentials & Ors. vs. The Union of India & Ors.**⁴ observed as follows:

"10. Having gone through the decision of the Hon'ble Supreme Court in the case of M/s. Canon India Private Limited (supra), we find that the issue raised in the present writ petition is squarely covered by such decision. The show cause notice in the present case is also issued by the respondent No.2 - Joint Director, DRI, Mumbai, who is not a proper officer within the meaning of Section 28(4) read with Section 2 (34) of the said Act.

xxxxxxxxxx

12. In the light of the decisions of the Hon'ble Supreme Court referred to herein above, we have no hesitation in holding that the entire proceedings in the present case initiated by the respondent No. 2 - Joint Director, DRI, Mumbai, by issuing the show cause notice are invalid, without any authority of law and liable to be set aside and ensuing demands are also liable to be set aside."

12. The Madras High Court in **Quantum Coal Energy (P) Ltd. vs. The Commissioner, Office of the Commissioner of Customs, Custom House, Tuticorin**⁵ observed as follows:

"6. When the matter was taken up for hearing, the learned counsel appearing for the petitioner submitted that the issue is no longer res integra and that the Hon'ble Supreme Court in M/s. Canon India Private Limited V. Commissioner of Customs (2021-VIL-34-SC-CU) had held that the expression "the proper officer" occurring in Section 28 of the Customs Act will only refer to the assessing officer who passes the original order making assessment.

xxxxxxxxxx

7. In the case also, the show cause notice was issued by the Additional Director General of DRI. The Hon'ble Supreme Court had held that he cannot be termed as "the proper officer". Since the entire proceedings were initiated by an authority who lacked the jurisdiction, applying the aforesaid decision of the Hon'ble Supreme Court the order impugned in these writ petitions is quashed."

13. The Karnataka High Court in **Shri Mohan C. Suvarna Director (Finance and Admin) M/s Givaudan India Pvt. Ltd.**

⁴. 2021 (10) TMI 1267-Bombay High Court

⁵. 2021 (3) TMI 1034- Madras High Court

vs. **The Principal Commissioner of Customs, Additional Director General Directorate of Revenue Intelligence, Bangalore**⁶ did not accept the plea of the Department that since the review petition had been filed by the Department in **Canon India**, the hearing should be adjourned and in view of the decision of the Supreme Court in **Canon India**, set aside the order for the reason that the show cause notice had not been issued by **the proper officer**.

14. The Punjab and Haryana High Court in **M/s. Steelman Industries vs. Union of India and Others**⁷ also, in view of the decision of the Supreme Court in **Canon India**, allowed the Writ Petition and set aside the entire proceedings arising from the show cause notice as the Additional Director General, DRI was not the **proper officer**.

15. Various Benches of the Tribunal have also set aside the orders for the reason that the show cause notices were not issued by **the proper officer**, since they were issued by the Department of Revenue and Intelligence. The decisions are:

- (i) **Principal Commissioner, Customs, Acc Import Commissionerate New Customs House vs. Dish TV India Limited, Rajeev Dalmia and Virender Targa (Vice-Versa)**⁸;
- (ii) **C. Magudapathy vs. Commissioner of Customs (Seaport-Export)**⁹; and
- (iii) **M/s. Modern Insecticides Limited vs. Commissioner of Customs, Ludhiana**¹⁰

⁶. 2021 (8) TMI 178- Karnataka High Court

⁷. 2021 (8) TMI 1236- Punjab and Haryana High Court

⁸. 2021 (10) TMI 771- CESTAT New Delhi

⁹. 2021 (9) TMI 636- CESTAT Chennai

¹⁰. 2021 (10) TMI 598- CESTAT Chandigarh

16. The show cause notice dated 30.01.2009 issued by the Principal Additional Director General, DRI under Section 28 of the Customs Act is, therefore, without jurisdiction as the said officer was not **the proper officer** and, therefore all proceedings undertaken by the Department on this show cause notice is, therefore, without jurisdiction. The order dated 29.05.2020 passed by the Principal Commissioner, therefore, cannot be sustained.

17. The submission advanced by the learned authorised representative appearing for the Department that the hearing of this appeal should be deferred till the review petition filed by the Department in **Canon India** is decided was considered by the Karnataka High Court in **Mohan C. Suvarna** and rejected.

18. In this view of the matter, it would not be necessary to examine the issues raised on the merits of the appeal.

19. Thus, Customs Appeal No. 50948 of 2020 and 50949 of 2020 filed by the assessee are allowed and Customs Appeal No. 51136 of 2020 filed by the Department is dismissed.

(Dictated & pronounced in open Court)

(Justice Dilip Gupta)
President

(P.V. Subba Rao)
Member (Technical)

RM