

OFFENCES AND PENALTIES – FAILURE TO PAY CONTRIBUTIONS, GRATUITY, MATERNITY BENEFIT, COMPENSATION AND OTHER VIOLATIONS

INTRODUCTION

A welfare legislation becomes effective only when there are consequences for non-compliance.

The Code on Social Security grants numerous rights to employees, such as:

- Provident Fund
- Employees' State Insurance
- Gratuity
- Maternity Benefit
- Employees' Compensation
- Building Workers Welfare Benefits

If employers fail to comply with these obligations, the rights granted under the law would become meaningless.

Therefore, the Code contains a comprehensive system of offences and penalties to ensure compliance.

The purpose of penalties is:

- ✓ To protect employees
- ✓ To secure social security benefits
- ✓ To prevent misuse and exploitation
- ✓ To ensure timely payment of contributions and benefits
- ✓ To strengthen enforcement of labour laws

EXAM TIP

Offences and penalties are intended to enforce compliance with social security obligations.

FAILURE TO PAY CONTRIBUTIONS

Basic Rule

Every employer is legally required to deposit contributions payable under the Code.

These contributions may include:

- Provident Fund Contributions
- ESI Contributions
- Other statutory contributions

Failure to deposit contributions constitutes an offence.

Example

An employer deducts EPF contribution from employees' salaries but does not deposit it with the Provident Fund authorities.

EXAM TIP

Failure to pay statutory contributions is an offence.

ILLEGAL DEDUCTION OF EMPLOYER'S CONTRIBUTION

Basic Rule

The employer's contribution is the responsibility of the employer.

It cannot be recovered from employees.

No employer can deduct or attempt to deduct his own contribution from employees' wages.

Purpose

The law ensures that the financial burden of employer's contribution remains entirely upon the employer.

Example

An employer deducts both employee contribution and employer contribution from workers' salaries.

Such deduction is illegal.

EXAM TIP

Employer's contribution cannot be recovered from employees.

(Very Important)

REDUCTION OF WAGES OR BENEFITS

Basic Rule

An employer cannot reduce:

- Wages
- Privileges
- Benefits

merely because he is required to comply with social security obligations.

Why?

Employees should not suffer because the employer has statutory obligations.

Example

An employer reduces salary after implementation of social security contributions.

Such action violates the Code.

EXAM TIP

Social security compliance cannot be used as a reason to reduce employee benefits.

ILLEGAL ACTION AGAINST WOMEN EMPLOYEES

Basic Rule

An employer cannot unlawfully:

- Dismiss
- Discharge
- Reduce in rank
- Penalize

a woman employee in violation of maternity-related provisions.

Objective

To protect women from discrimination during pregnancy and maternity leave.

Example

A woman employee is terminated after applying for maternity leave.

Such action amounts to violation of maternity protection provisions.

EXAM TIP

Penalizing a woman employee in violation of maternity provisions is an offence.

FAILURE TO SUBMIT RETURNS OR REPORTS

Basic Rule

Employers must furnish various documents under the Code.

These may include:

- Returns
- Reports
- Statements
- Information

Failure or refusal to submit such documents constitutes an offence.

Example

An establishment fails to file statutory returns required under the social security laws.

EXAM TIP

Failure to submit required returns or reports is punishable.

OBSTRUCTION OF AUTHORITIES

Basic Rule

No person shall obstruct officials while they are performing their statutory duties.

The protection extends to:

- Inspector-cum-Facilitator
- Officers of EPFO
- Officers of ESIC
- Officers of other Social Security Organisations
- Competent Authorities

Meaning of Obstruction

Any act that prevents or hinders lawful discharge of duties.

Example

An employer refuses entry to an Inspector-cum-Facilitator during inspection.

EXAM TIP

Obstructing an Inspector-cum-Facilitator is an offence.

FAILURE TO PAY GRATUITY

Basic Rule

Where gratuity becomes payable, the employer must pay it within the prescribed period.

Failure to pay gratuity is an offence.

Importance

Gratuity is a statutory retirement benefit and not a discretionary payment.

Example

An employee retires after long service, but the employer refuses to release gratuity.

EXAM TIP

Failure to pay gratuity is punishable.

FAILURE TO PAY EMPLOYEES' COMPENSATION

Basic Rule

An employee suffering employment injury is entitled to compensation under the Code.

Failure to pay compensation constitutes an offence.

Example

A worker sustains permanent disability during employment, but compensation is not paid.

EXAM TIP

Failure to pay statutory compensation is an offence.

FAILURE TO PROVIDE MATERNITY BENEFIT

Basic Rule

Every eligible woman employee must receive maternity benefits prescribed by law.

Non-payment amounts to a violation.

Example

An eligible employee completes maternity leave but receives no maternity benefit.

EXAM TIP

Failure to provide maternity benefit is punishable.

FAILURE TO SEND REQUIRED STATEMENTS

Basic Rule

Certain chapters of the Code require employers to send prescribed statements to authorities.

Failure to do so is an offence.

Example

An employer fails to submit mandatory information relating to compensation proceedings.

EXAM TIP

Failure to send required statutory statements is punishable.

FAILURE TO PRODUCE REGISTERS OR DOCUMENTS

Basic Rule

An Inspector-cum-Facilitator may demand inspection of records.

The employer must produce:

- Registers
- Documents
- Records

maintained under the Code.

Example

During inspection, the employer refuses to produce attendance and wage records.

EXAM TIP

Failure to produce statutory records on demand is an offence.

FAILURE TO PAY BUILDING WORKERS' CESS

Basic Rule

Building and construction employers must pay welfare cess as required by law.

Non-payment attracts penalty.

Example

A construction company fails to deposit Building and Other Construction Workers Welfare Cess.

EXAM TIP

Failure to pay Building Workers' Cess is punishable.

GENERAL CONTRAVENTION OF THE CODE

Basic Rule

If a person violates any provision of the Code and no specific penalty is prescribed, he may still be penalized under the general penalty provision.

Purpose

To ensure that every violation remains punishable.

Example

An employer violates a procedural requirement for which no separate punishment is provided.

EXAM TIP

General violations are punishable even where no special penalty exists.

OBSTRUCTION OF EXECUTIVE OFFICER

Basic Rule

No person shall obstruct an Executive Officer while performing duties under welfare provisions relating to building workers.

Example

An Executive Officer visits a construction site and is prevented from carrying out inspection.

EXAM TIP

Obstructing an Executive Officer is an offence.

FALSE RETURNS OR FALSE

INFORMATION

Basic Rule

Submission of false information dishonestly is a serious offence.

The law requires truthful disclosure of information.

Includes

- False Returns
- False Reports
- False Statements
- False Information

Example

An employer deliberately understates the number of employees in order to avoid statutory contributions.

EXAM TIP

Dishonestly furnishing false information is punishable.

VIOLATION OF EXEMPTION CONDITIONS

Basic Rule

Sometimes establishments receive exemptions under the Code.

Such exemptions are granted subject to conditions.

Failure to comply with those conditions constitutes an offence.

Example

An establishment receives exemption from a statutory scheme but violates the conditions attached to that exemption.

EXAM TIP

Non-compliance with exemption conditions is punishable.

FAILURE TO PAY ADMINISTRATIVE OR INSPECTION CHARGES

Basic Rule

Certain schemes require payment of:

- Administrative Charges
- Inspection Charges

Failure to pay such charges constitutes an offence.

Example

An establishment fails to deposit administrative charges payable under a Provident Fund Scheme.

EXAM TIP

Administrative and inspection charges must be paid where applicable.

REVISION TABLE

Offence	Nature of Violation
Non-payment of Contributions	Failure to deposit statutory contributions
Deduction of Employer's Contribution	Illegal recovery from employees
Reduction of Wages	Depriving employees of benefits
Action Against Women Employees	Illegal maternity-related punishment
Non-filing of Returns	Failure to submit information
Obstruction of Inspector	Hindering statutory duties
Non-payment of Gratuity	Failure to release gratuity
Non-payment of Compensation	Failure to compensate injured employee
Non-payment of Maternity Benefit	Denial of maternity rights
False Statements	Submission of dishonest information
Violation of Exemption Conditions	Breach of exemption terms
Non-payment of Cess	Failure to deposit welfare cess

PUNISHMENT FOR NON-PAYMENT OF CONTRIBUTIONS

Most Serious Offence

Failure to deposit contributions payable under the Code is treated as one of the gravest offences.

This includes:

- Provident Fund Contribution
- ESI Contribution
- Other Statutory Contributions

GENERAL PUNISHMENT

The offender may be punished with:

Imprisonment up to 3 Years

Example

An employer collects statutory contributions but deliberately does not deposit them with the concerned authority.

EXAM TIP

Maximum imprisonment for non-payment of contribution = 3 Years.

SPECIAL CASE

EMPLOYEE'S CONTRIBUTION DEDUCTED BUT NOT DEPOSITED

Why More Serious?

The employer has already deducted money from the employee's wages.

The amount belongs to the employee.

Retaining such money is viewed very seriously by law

PUNISHMENT

Minimum Imprisonment = 1 Year

and

Fine = ₹1,00,000

Example

An employer deducts ESI contribution from salary but keeps the money instead of depositing it.

EXAM TIP

Employee contribution deducted but not deposited → Minimum 1 Year imprisonment + ₹1 Lakh fine.

OTHER CONTRIBUTION DEFAULT CASES

Where contribution remains unpaid but employee's contribution has not been deducted and misappropriated:

PUNISHMENT

Minimum = 2 Months

Maximum = 6 Months

and

Fine = ₹50,000

Example

An employer fails to deposit the employer's share of contribution within the prescribed period.

EXAM TIP

Other contribution defaults → 2 Months to 6 Months imprisonment + ₹50,000 fine.

COURT'S SPECIAL POWER

Normally minimum punishment applies.

However, the Court may award lesser punishment if:

Adequate and Special Reasons

are recorded in the judgment.

Example

Exceptional circumstances exist and the Court records detailed reasons for reducing punishment.

EXAM TIP

Court may reduce minimum sentence only by recording special reasons.

FAILURE TO PAY GRATUITY

PUNISHMENT

Imprisonment up to 1 Year

OR

Fine up to ₹50,000

OR

Both

Example

A retired employee becomes entitled to gratuity but the employer refuses payment.

EXAM TIP

Failure to pay gratuity → Up to 1 Year imprisonment or ₹50,000 fine or both.

OFFENCES ATTRACTING IMPRISONMENT UP TO SIX MONTHS

The following violations fall in this category:

Illegal action against women employees

Obstruction of authorities

Failure to provide maternity benefit

Failure to produce records

Failure to pay Building Workers' Cess

Submission of false information

PUNISHMENT

Imprisonment up to 6 Months

OR

Fine up to ₹50,000

OR

Both

Example

An employer refuses to produce wage registers during inspection.

EXAM TIP

Many compliance-related violations carry punishment up to 6 months or ₹50,000 fine.

OFFENCES PUNISHABLE WITH FINE ONLY

Certain violations attract monetary penalty only.

These include:

Illegal deduction of employer contribution

Reduction of wages

Failure to submit returns

Failure to pay compensation

Failure to send required statements

General contraventions

Obstruction of Executive Officer

Violation of exemption conditions

Non-payment of administrative charges

PUNISHMENT

Fine up to ₹50,000

Example

An establishment fails to submit prescribed returns under the Code.

EXAM TIP

Fine-only offences → Maximum ₹50,000.

QUICK REVISION TABLE

Offence	Punishment
Contribution Default	Up to 3 Years
Deducted Employee Contribution Not Deposited	Minimum 1 Year + ₹1 Lakh Fine
Other Contribution Default	2–6 Months + ₹50,000 Fine
Failure to Pay Gratuity	Up to 1 Year or ₹50,000 or Both
Maternity Benefit Violation	Up to 6 Months or ₹50,000 or Both
False Information	Up to 6 Months or ₹50,000 or Both
General Violations	Fine up to ₹50,000

ENHANCED PUNISHMENT FOR REPEAT OFFENDERS

BASIC PRINCIPLE

The law treats repeat offenders more strictly.

A person who repeats the same offence after conviction receives enhanced punishment.

Example

An employer convicted for contribution default commits the same violation again.

EXAM TIP

Second conviction attracts enhanced punishment.

PUNISHMENT FOR SECOND OR SUBSEQUENT OFFENCE

Imprisonment up to 2 Years

and

Fine up to ₹2,00,000

Example

An employer convicted earlier for violating social security provisions repeats the same offence.

EXAM TIP

Repeat offence → Up to 2 Years imprisonment + ₹2 Lakh fine.

SPECIAL RULE FOR REPEAT NON-PAYMENT CASES

The law becomes even stricter where repeated default involves:

Contributions

Charges

Cess

Maternity Benefit

Gratuity

Compensation

PUNISHMENT

Imprisonment up to 3 Years

but

Not Less Than 2 Years

and

Fine = ₹3,00,000

Example

An employer repeatedly fails to deposit ESI contributions despite earlier conviction.

EXAM TIP

Repeat default in contribution, gratuity, compensation or maternity benefit → Minimum 2 Years imprisonment + ₹3 Lakh fine.

OFFENCES BY COMPANIE

WHY THIS PROVISION?

Many establishments operate through:

- Companies
- Corporations
- Firms
- Associations

A company acts through human beings.

Therefore liability must extend beyond the company itself.

WHO IS LIABLE?

When a company commits an offence:

Company

AND

Person in Charge of Business

are both deemed guilty.

Example

A company fails to deposit provident fund contributions. Both the company and responsible management personnel may be prosecuted.

EXAM TIP

Company and person in charge are both liable.

DEFENCE AVAILABLE

The responsible person can escape punishment if he proves:

Offence Occurred Without His Knowledge

OR

He Exercised Due Diligence

to prevent the offence.

Example

A manager demonstrates that he took all reasonable steps to ensure compliance and was unaware of the violation.

EXAM TIP

Knowledge absence or due diligence is a valid defence.

LIABILITY OF DIRECTORS AND OFFICERS

Even if a person is not directly in charge, liability arises where offence occurred because of:

Consent

Connivance

Neglect

of:

- Director
- Secretary
- Officer

Example

A director knowingly approves non-payment of statutory contributions.

EXAM TIP

Consent, connivance or neglect creates personal liability.

IMPORTANT DEFINITIONS

Company Includes

Body Corporate

Firm

Association of Individuals

Director in Relation to Firm Means

Partner

Example

In a partnership firm, partners may be treated as directors for liability purposes.

EXAM TIP

In a firm, partner = director for this provision.

COGNIZANCE OF OFFENCES

MEANING OF COGNIZANCE

Cognizance means:

Formal Recognition of an Offence by a Court

for the purpose of initiating legal proceedings.

WHO CAN FILE COMPLAINT?

The Court can take cognizance only on complaint made by:

Aggrieved Person

OR

Notified Officer

Example

An employee whose gratuity remains unpaid files a complaint before the competent authority.

EXAM TIP

Court takes cognizance only upon authorized complaint.

PRIOR SANCTION FOR PROSECUTION

Before prosecution can be launched:

Previous Sanction

must be obtained from the notified authority.

Example

An officer cannot directly initiate prosecution without obtaining required approval.

EXAM TIP

Prior sanction is mandatory before prosecution.

WHICH COURT CAN TRY OFFENCES?

No Court below:

Metropolitan Magistrate

OR

Judicial Magistrate First Class

can try offences under this Chapter.

Example

A Judicial Magistrate First Class hears a prosecution involving non-payment of social security contributions.

EXAM TIP

Minimum trial court = JMFC or Metropolitan Magistrate.

SINGLE COMPLAINT BY MULTIPLE PERSONS

Where multiple persons suffer from:

Same Offence

or

Similar Offence

they may jointly file a single complaint.

Example

Several employees whose gratuity remains unpaid file one complaint together.

EXAM TIP

Multiple aggrieved persons may file a single complaint.

PRIOR OPPORTUNITY BEFORE PROSECUTION

IMPORTANT PHILOSOPHY OF THE CODE

The Code prefers:

Compliance Before Punishment

Before prosecution begins:

The employer must generally receive an opportunity to rectify the violation.

Example

An employer fails to file a return. Before prosecution, he is given an opportunity to comply.

EXAM TIP

Prior opportunity is generally mandatory before prosecution.

(Very Important)

WRITTEN DIRECTION

The authority issues:

Written Direction

specifying:

- Nature of violation
- Compliance requirement
- Time limit

Example

An Inspector-cum-Facilitator directs the employer to deposit pending contributions within a specified period.

EXAM TIP

Compliance opportunity is given through written direction.

EFFECT OF COMPLIANCE

If employer complies within the prescribed period:

No Prosecution

shall be initiated.

Example

An employer deposits pending dues within the specified time and avoids prosecution.

EXAM TIP

Compliance within time may prevent prosecution.

EXCEPTION – REPEATED VIOLATION

No opportunity is granted if:

Same Nature Violation

is repeated within:

3 Years

from the date of first violation.

Example

An employer repeats the same contribution default within three years of an earlier violation.

EXAM TIP

Repeat violation within 3 years → No prior opportunity. Direct prosecution possible.

SUPER REVISION TABLE

Topic	Key Point
Contribution Default	Up to 3 Years
Employee Contribution Deducted but Not Deposited	Min 1 Year + ₹1 Lakh Fine

Gratuity Default	Up to 1 Year or ₹50,000
Repeat Offence	Up to 2 Years + ₹2 Lakh
Repeat Contribution Default	Min 2 Years + ₹3 Lakh
Company Liability	Company + Person in Charge
Defence	No Knowledge / Due Diligence
Cognizance	Complaint by Aggrieved Person or Authorized Officer
Trial Court	JMFC / Metropolitan Magistrate
Prior Opportunity	Generally Mandatory
Repeat Violation	No Opportunity within 3 Years

COMPOUNDING OF OFFENCES

Compounding allows an offender to settle certain offences by paying a prescribed amount instead of undergoing criminal prosecution.

It helps:

- ✓ Reduce litigation

- ✓ Ensure quick compliance
- ✓ Save court time
- ✓ Encourage voluntary correction of mistakes
- ✓ Reduce burden on employers and authorities

EXAM TIP

Compounding means settlement of an offence by payment of a prescribed amount without continuing criminal prosecution.

WHAT IS COMPOUNDING?

Compounding means:

Legal Settlement of an Offence

by paying a prescribed sum to the Government.

After compounding:

- The matter is settled.
- Criminal proceedings may not continue.
- The offender gets relief from prosecution.

Example

An employer commits a first-time procedural violation punishable only with a fine.

Instead of facing prosecution, he applies for compounding and pays the prescribed amount.

The matter stands settled.

EXAM TIP

Compounding is an alternative to prosecution for specified offences.

OVERRIDING EFFECT

The provision begins with:

"Notwithstanding anything contained in the Code of Criminal Procedure, 1973"

Meaning

This provision has overriding effect over general criminal procedure law.

If there is any inconsistency:

Compounding provisions under the Social Security Code will prevail.

Example

Even if normal criminal procedure may require continuation of prosecution, the offence may still be compounded under this special provision.

EXAM TIP

Compounding provision overrides the Code of Criminal Procedure, 1973.

WHICH OFFENCES CAN BE COMPOUNDED?

Not every offence is compoundable.

Only specific offences can be compounded.

FIRST CONDITION

The offence must be:

FIRST OFFENCE

Meaning:

The person should not be a repeat offender for the same type of offence.

Example

An employer commits a violation for the first time and seeks compounding.

EXAM TIP

Only first-time offences are generally eligible for compounding.

SECOND CONDITION

The offence must fall into one of the following categories:

CATEGORY 1

Offence Punishable With Fine Only

Example

Failure to comply with a provision carrying only monetary penalty.

EXAM TIP

Fine-only offences are compoundable.

CATEGORY 2

Offence Punishable With Imprisonment Not Exceeding One Year AND Fine

Example

Failure to pay gratuity, where punishment may extend to one year.

EXAM TIP

Offences carrying imprisonment up to one year and fine are also compoundable.

OFFENCES WHICH CANNOT BE COMPOUNDED

Generally offences involving:

Higher Imprisonment

beyond one year

are outside the scope of compounding.

Example

Serious contribution default attracting punishment up to three years.

EXAM TIP

Offences punishable beyond one year imprisonment are generally not compoundable under this provision.

WHO CAN COMPOUND THE OFFENCE?

The power is not available to every officer.

Compounding can be done only by:

Authorised Officer

The officer is authorised by:

Central Government

for specified Chapters.

or

Appropriate Government

for other provisions.

Example

A Government-authorised officer examines a compounding application and passes an order.

EXAM TIP

Compounding power is exercised only by an authorised officer.

WHEN CAN COMPOUNDING APPLICATION BE FILED?

The law gives maximum flexibility.

Application may be filed:

Before Prosecution

OR

After Prosecution

This is a very important examination point.

Example

An employer applies for compounding before any criminal complaint is filed.

Another employer applies after prosecution has already started.

Both situations are legally permissible.

EXAM TIP

Compounding application can be filed before or after institution of prosecution.

(Very Important)

AMOUNT PAYABLE FOR COMPOUNDING

The offender must pay a prescribed amount to the Government.

The amount depends upon the nature of offence.

CASE 1

OFFENCE PUNISHABLE WITH FINE ONLY

Amount Payable

One-Half (50%)

of the

Maximum Fine

prescribed for that offence.

Numerical Example

Maximum Fine = ₹50,000

Compounding Amount:

$$= ₹50,000 \times 50\%$$

$$= ₹25,000$$

EXAM TIP

Fine-only offence → Compounding amount = 50% of maximum fine.

(Very Important)

CASE 2

OFFENCE PUNISHABLE WITH IMPRISONMENT UP TO ONE YEAR AND FINE

Amount Payable

Three-Fourths (75%)

of the

Maximum Fine

prescribed for the offence.

Numerical Example

Maximum Fine = ₹50,000

Compounding Amount:

$$= ₹50,000 \times 75\%$$

$$= ₹37,500$$

EXAM TIP

Offence punishable with imprisonment up to one year and fine → Compounding amount = 75% of maximum fine.

MEMORY TRICK

"50-75 Rule"

Fine Only

→ 50%

Fine + Jail (up to 1 year)

→ 75%

RESTRICTION ON REPEAT OFFENDERS

The law does not allow habitual offenders to repeatedly take advantage of compounding.

COMPUNDING NOT AVAILABLE

if similar offence is committed:

Second Time

or

Subsequent Time

within

3 Years

Example

An employer compounds a violation today.

Within two years he commits the same violation again.

He cannot claim compounding benefit.

EXAM TIP

Second similar offence within 3 years is not compoundable.

TWO IMPORTANT DATES

The 3-year period is calculated from:

Situation 1

Date of earlier compounded offence

Example

A violation compounded on 1 January 2026.

A similar offence occurs before 1 January 2029.

Compounding is not available.

Situation 2

Date of earlier conviction

Example

An employer was convicted for a similar offence.

A similar offence occurs within 3 years.

Compounding cannot be claimed.

EXAM TIP

Three-year restriction applies both after compounding and after conviction.

CONTROL OVER COMPOUNDING OFFICERS

Compounding officers do not act independently.

They remain under:

Direction

Control

Supervision

of Government.

Example

The authorised officer must act according to Government instructions while exercising compounding powers.

EXAM TIP

Compounding officers function under Government control and supervision.

APPLICATION FOR COMPOUNDING

Application must be filed:

In Prescribed Form

and

Prescribed Manner

The detailed procedure is prescribed by the Government.

Example

An employer submits a formal application in the prescribed format.

EXAM TIP

Compounding application must be made in prescribed form and manner.

EFFECT OF COMPOUNDING BEFORE PROSECUTION

Suppose:

- Offence is compounded.
- No prosecution has yet started.

Then:

No Prosecution Shall Be Instituted

This is one of the biggest advantages of compounding.

Example

An employer compounds a compoundable offence before filing of criminal complaint.

No prosecution can thereafter be initiated.

EXAM TIP

Compounding before prosecution prevents institution of prosecution.

EFFECT OF COMPOUNDING AFTER PROSECUTION

Sometimes prosecution has already begun.

Even then compounding may be allowed.

PROCEDURE

The authorised officer informs the Court in writing.

Example

A criminal case is pending before a Magistrate.

The offence is compounded.

The authorised officer informs the Court.

EXAM TIP

Court must be informed in writing where compounding occurs after prosecution begins.

WHAT HAPPENS AFTER COURT RECEIVES INFORMATION?

Upon receiving notice:

The Accused Shall Be Discharged

Meaning:

The criminal proceedings come to an end.

Example

A pending criminal prosecution is terminated after compounding.

EXAM TIP

Compounding after institution of prosecution results in discharge of the accused.

FAILURE TO COMPLY WITH COMPOUNDING ORDER

Compounding is a legal settlement.

The offender must comply with the compounding order.

Failure to comply creates additional liability.

ADDITIONAL PENALTY

The offender shall pay:

20% of Maximum Fine

for the offence

in addition to the original fine.

Numerical Example

Maximum Fine = ₹50,000

Additional Liability:

$20\% \times ₹50,000$

= ₹10,000

This amount becomes payable in addition to the original liability.

EXAM TIP

Non-compliance with compounding order attracts additional liability equal to 20% of maximum fine.

COMPLETE FLOW CHART

Offence Committed

↓

First-Time Offence?

↓

Yes

↓

Eligible Category?

(Fine Only / Jail up to 1 Year + Fine)

↓

Application Filed

↓

Authorised Officer Examines

↓

Compounding Amount Paid

↓

If Before Prosecution

→ No Case Filed

OR

If After Prosecution

→ Court Informed

→ Accused Discharged

REVISION TABLE

Particular	Provision
Meaning	Settlement of offence
Applicable To	First-time offences
Fine Only Offence	Compoundable
Jail up to 1 Year + Fine	Compoundable
Fine Only Amount	50% of Maximum Fine
Jail up to 1 Year + Fine	75% of Maximum Fine
Application Stage	Before or After Prosecution
Repeat Similar Offence	Not Compoundable within 3 Years

Before Prosecution	No prosecution instituted
After Prosecution	Accused discharged
Non-compliance	Additional 20% of Maximum Fine

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