

**Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Direct Taxes**

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New Delhi, 17<sup>th</sup> March, 2025

**PRESS RELEASE**

**CBDT issues Circular on Frequently Asked Questions (FAQs) relating to Revised Guidelines for Compounding of Offences under Income-Tax Act, 1961 dated 17.10.2024– reg.**

The revised Guidelines for Compounding of Offences under the Income-Tax Act, 1961 (hereinafter referred to as “the guidelines”) were issued on October 17, 2024. These guidelines supersede all existing guidelines on the subject and are applicable to all pending as well as new applications from the date of their issuance.

The guidelines have been simplified compared to the previous version, inter alia, by eliminating the categorization of offences, removing the limit on the number of occasions for filing applications, allowing fresh applications upon curing of defects, permitting the compounding of offences under sections 275A and 276B of the Act, and removing the existing time limit for filing applications, which was previously set at 36 months from the date of filing of the complaint.

Following the issuance of the guidelines, queries were received from stakeholders seeking clarifications on various provisions. Based on these queries, the CBDT has issued Circular No. 04/2025, dated March 17, 2025, in the form of answers to frequently asked questions (FAQs). These FAQs provide the necessary clarifications on the scope of the guidelines, eligibility for filing applications, the mode of filing compounding applications and payment of fees, terms for compounding, compounding charges and procedures for payment, time limits, and other related aspects.

The FAQs are available on the official website of the Income Tax Department at <https://incometaxindia.gov.in/news/circular-no-04-2025.pdf>

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Government of India  
Ministry of Finance  
Department of Revenue  
(Central Board of Direct Taxes)

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Dated: March 17, 2025

**Sub: Frequently Asked Questions (FAQs) on Guidelines for Compounding of Offences under the Income-Tax Act, 1961 dated 17.10.2024**

CBDT issued revised guidelines for Compounding of offences ('guidelines') under the Income-tax Act, 1961 (the 'Act') on 17.10.2024. The revised guidelines superseded all existing guidelines on the subject and are applicable to pending as well as new applications, from the date of their issuance.

2. The revised guidelines have been simplified from previous guidelines, inter-alia, by eliminating categorization of offences, removing the limit on number of occasions for filing applications, allowing fresh application upon curing of defects, which was not permissible under earlier guidelines, allowing compounding of offences under section 275A and 276B of the Act, removing the existing time limit for filing application viz 36 months from the date of filing of complaint, etc.

3. For better awareness and understanding among the stakeholders with respect to the revised guidelines dated 17.10.2024, clarifications are provided by issue of a Circular in the form of answers to the frequently asked questions (FAQs) as follows:

**A. Compounding of offence**

**Q.1** What is compounding of offence?

**Ans:** Compounding of an offence is a mechanism whereby the defaulter is reprieved of major legal consequences by affording him an opportunity to pay certain sum of money to escape prosecution. The specified offences can be compounded by the competent authority either before or after the initiation of proceedings.

**Q.2** Whether compounding of an offence constitute as an admission of an offence by the applicant?

**Ans:** No, compounding is intended to resolve the offence(s) and it is not to be construed as an admission of such offence(s) by the applicant. (**Ref: para 9.11 of the guidelines**)

**Q.3** Are there any offence(s) under Income Tax Act which are not compoundable?

**Ans:** No, all offence under Income Tax Act have been made compoundable in revised guidelines dated 17.10.2024.



## **B. Competent authority/Jurisdiction**

**Q.4** Where can the compounding application be filed by the applicant?

**Ans:** The compounding application can be filed before the jurisdictional Pr. CCIT / CCIT / Pr. DGIT / DGIT, being the Competent Authority for compounding of offences. **(Ref: para 8.1 of the guidelines)**

**Q.5** Who will be the competent authority where jurisdiction of the applicant lies with more than one jurisdiction charge for TDS related offences?

**Ans:** In such case, the Pr. CCIT/ CCIT/ Pr. DGIT/ DGIT in whose jurisdiction compounding application has been filed will be the Competent Authority. However, in case the applicant files applications in more than one jurisdictional charge, the Competent Authority will be the jurisdictional authority where the quantum of TDS default is higher. **(Ref: para 8.2 of the guidelines)**

**Q.6** Who will be the competent authority where the applicant has more than one TAN and jurisdiction over these TANs lies with more than one jurisdiction charge?

**Ans:** In such case, the jurisdictional authority where the quantum of TDS default is higher, shall be the Competent Authority. **(Ref: para 8.3 of the guidelines)**

## **C. Compounding application and fee**

**Q.7** Whether any format and fees has been prescribed for an application for compounding?

**Ans:** The application for compounding must be filed in the format prescribed in Annexure-1 to the revised guidelines. The application may include one or more offence(s) under different sections pertaining to one or multiple years/quarters. The application should be filed in the form of an affidavit on stamp paper of Rs. 100, along with application fees as per Para 4.2.1 of the revised guidelines dated 17.10.2024. **(Ref: para 4.1.1 and 4.2.1 of the guidelines)**

**Q.8** Is there any time limit for filing of an application for compounding?

**Ans:** No, an application for compounding can be filed at any time after committing the offence, regardless of whether the same has come to the notice of the department or prosecution proceedings have been launched. **(Ref: para 4.1.3 of the guidelines)**

**Q.9** Whether an applicant whose application was pending before issuance of revised guidelines required to deposit application fee as per para 4.2.1?

**Ans:** No application fees are payable for applications filed under earlier guidelines and pending on 17.10.2024. **(Ref: para 4.2.4 of the guidelines)**

**Q.10** Whether compounding application fee is adjustable against compounding charge payable?

**Ans:** Yes, compounding fee is adjustable but only against compounding charges payable for the offence(s) sought to be compounded in the particular application. Cross application adjustment is not allowed. However, if compounding application is rejected for any reasons,



the application fees shall neither be refundable nor adjustable against any subsequent application. **(Ref: para 4.2.2 of the guidelines)**

**Q.11** Whether compounding is allowed if the application for such an offence was previously rejected? If so, whether separate applications need to be filed for more than one applications rejected under the previous guidelines? How will the compounding application fees be charged?

**Ans:** Yes, an applicant may apply for compounding of offence(s) through a single consolidated application, if one or more applications had been rejected under previous guidelines. However, the fresh application can only be filed if such rejection(s) were on account of curable defects (illustrative examples in para 3.2 of the revised guidelines) and no application is allowed to be filed for any of the rejection(s), made by the Competent Authority, on merits with those particulars i.e. offence and relevant financial year. Compounding application fees chargeable for a 'consolidated compounding application' would be charged in this case. **(Ref: para 3.2 and 4.2.3 of the guidelines)**

**Q.12** Whether revised guidelines are applicable on pending compounding applications? If yes, whether applicants have to file a fresh application?

**Ans:** Yes, revised guidelines are applicable on the applications, pending before issuance of these guidelines. The applicants whose applications were pending on 17.10.2024 are not required to file a fresh application or pay any fresh application fees. **(Ref: para 3.1 and 4.2.4 of the guidelines)**

**Q.13** Whether applicant can withdraw a compounding application and file a new application?

**Ans:** The applicant can file a new single application or consolidated application after withdrawal of earlier application(s). However, such new application shall be treated as a subsequent application and higher rate shall be applicable as per Para 10. **(Ref: para 10.2 of the guidelines)**

**Q.14** Whether applicant is required to file compounding application for all the offences together, for which prosecution proceedings has been initiated?

**Ans:** No, the applicant may apply for one or multiple offences in an application. His application cannot be rejected on the ground that he has not applied for particular offence for which notice for prosecution has been issued and proceedings are under progress. **(Ref: para 4.1.2 and 4.1.3 of the guidelines)**

**Q.15** Is there any limitation as to the number of times compounding applications can be filed by a person?

**Ans:** No, there is no limitation on the number of times a person can file compounding application. However, the Competent Authority may reject an application filed by a person on the ground of him being a 'habitual offender'. **(Ref: para 7.1 and 7.2 of the guidelines)**

**Q.16** Whether the applicant whose application was rejected in earlier guidelines on the ground of being convicted is eligible to re-apply for compounding as per revised guidelines?



**Ans:** Yes, in case the rejection was solely on account of conviction, without examination of merits, as per any of the earlier guidelines, such applicant can reapply in terms of revised guidelines. **(Ref: para 6.1(a) and (b) of the guidelines)**

**Q.17** Whether applicant can file a compounding application if his application is returned back due to defect(s)?

**Ans:** Yes, defective application can be revived by removing defects within a period of one month from date of intimation of defects(s). If defects are not cured within such time, the application will be returned back to the applicant and shall be deemed to be rejected. In such case, applicant may apply again which shall be treated as a subsequent compounding application for the purpose of determination of compounding charges. **(Ref: para 5 and 10 of the guidelines)**

**Q.18** In terms of Para 10.7, what will be the date of applications in case of carried forwarded applications - original date of application or date of issue of new Guidelines?

**Ans:** The application pending as on 17.10.2024 shall be governed under new guidelines. However, date of such pending application shall be the original date of application for any purpose.

**Q.19** Whether the applicant whose application was rejected on account of not being filed in time as provided for in the earlier guidelines, i.e. within expiry of 12/24/36 months from the end of the month of filing of complaint, is eligible to file fresh compounding application?

**Ans:** The limitation of 12/24/36 months has been eliminated in revised guidelines and all such applicants whose application were rejected earlier on limitation ground, may file fresh applications for compounding of offences, which shall be treated as subsequent application for the purpose of determination of compounding charges. **(Ref: para 3.2 and 10 of the guidelines)**

#### **D. Terms for compounding**

**Q.20** Whether an applicant is required to withdraw appeal related to offence sought to be compounded before filing a compounding application?

**Ans:** No such withdrawal is required. However, applicants shall undertake to withdraw appeals including Writ petitions, if any, related to offences being compounded or grounds of appeal related to the offence to be compounded where appeal has mixed grounds. **(Ref: para 4.5 of the guidelines)**

**Q.21** Whether an applicant who has filed a Writ Petition for rejection of his application being not filed within stipulated period of 12/24/36 months from filing of complaint as per earlier guidelines and is still to be decided by the Hon'ble Court, can again file a compounding application and how shall this application be treated?

**Ans:** Yes, after submission of an undertaking to withdraw the Writ Petition from the Hon'ble Court along with the application, the applicant can again file the compounding application,



which shall be treated as a subsequent application for the purpose of determination of compounding charges. **(Ref: para 3.2, 4.5 and 10 of the guidelines)**

#### **E. Approval of Higher Authority**

**Q.22** Whether offence can be compounded where applicant has been convicted for imprisonment for two years or more?

**Ans:** Yes, even if applicant has been convicted with imprisonment of two years or more for any offence under Income Tax Act or for an offence under any other law, which is related to offence under the Income Tax Act, may apply for compounding. Such offence shall, however, be compoundable only with the approval of Chairman, CBDT as per para 6.1 of revised guidelines. **(Ref: para 6.1(a) and (b) of the guidelines)**

**Q.23** Whether cases involving other agencies such as ED /CBI can be compounded?

**Ans:** Yes, such offence(s) may be compounded by the competent authority if applicant is not found to be involved in anti-national or terrorist activity. However, if the applicant is found to be involved in such activity, the offence shall be compounded only with the approval of Chairman, CBDT, as per para 6.1(c) of the revised guidelines. **(Ref: para 6.1(c) of the guidelines)**

**Q.24** If the main accused has more than one director/partner and one of these directors/partners file an application for compounding of offence(s), where it is found that the other director(s)/partner(s), who have not filed the compounding application, comes under the conditions as mentioned in Para 6.1 (d) (facilitated tax evasion through mechanisms such as use of entities for laundering of money, generation of bogus invoices of sale/purchase without actual business by accommodation entries or in any other manner) of these guidelines, whether approval of Higher Authority is required for deciding the compounding application?

**Ans:** If a case involves multiple offences and one of those offences requires approval from a higher authority under paragraph 6.1 of the guidelines, the compounding application will be processed based on the offence for which the application has been filed, as explained below:

- i. If the application has been filed by the main accused or one or more of the co-accused, for an offence that does not require approval from higher authority, such offence will be examined for compounding without the need for any approval, irrespective of the fact that any of co-accused(s) are also accused of any other offence(s) which require approval from higher authority (e.g., an offense under Section 277A) and they have not filed any compounding application for either of the offences.
- ii. If the application has been filed for an offense, by the main accused or one or more of the co-accused, that requires approval from a higher authority (e.g., an offense under Section 277A), the offense will be compounded only with the approval of the higher authority. **(Ref: para 6.1(d) of the guidelines)**



## **F. Compounding charges**

**Q.25** How shall the compounding charges be calculated for the application(s) rejected under earlier guidelines and for which fresh allowable application has been filed?

**Ans:** All application(s) rejected under earlier guidelines shall be deemed to be the first compounding application. The fresh consolidated application will, accordingly, be considered as the second application and compounding charges will be calculated as per para 10 of the revised guidelines. Further details are discussed in question number 30. **(Ref: para 10 of the guidelines)**

**Q.26** How shall the compounding charges be calculated for applications pending before issuance of these guidelines?

**Ans:** The compounding charges for pending application are subject to re-determination as per para 10 of the revised guidelines. All pending applications, whether for single or multiple years/quarters, shall be treated as first compounding application and compounding charge shall be re-computed for each offence disclosed in the application as given in Annexure-4 of the guideline. **(Ref: para 3.1 and 10 of the guidelines)**

**Q.27** Whether credit of payment shall be allowed while re-computing compounding charge for pending applications? If yes, whether the excess payment shall be refundable or adjustable?

**Ans:** Yes, credit of the amount already paid for particular offence pertaining to particular year shall be allowed for such particular offence and year only, during re-computation of compounding charge for pending application. However, any excess payment shall not be refundable or adjustable. **(Ref: para 3.1 of the guidelines)**

**Q.28** If a new consolidated application includes a year for which application was filed earlier and then withdrawn, whether partial compounding charges paid for such year for which application is withdrawn can be adjusted against total compounding charges towards consolidated application?

**Ans:** No. Partial compounding charges paid for the year for which application is withdrawn can be adjusted in new consolidated application only towards the offence and particular year for which payment was made. **(Ref: para 3.2 of the guidelines)**

**Q.29** An applicant has filed compounding applications under earlier guidelines, two of which were rejected on account of curable defects, two were compounded and three are pending as on issuance of this guideline. How should the applicant file a compounding application after issuance of these guidelines and how shall the new application be treated?

**Ans:** No action is pending for the applications which have been compounded. A consolidated application may be filed for all applications which were rejected (on account of curable defects) and no fresh application is required to be filed for pending applications. All pending applications, whether for single or multiple years/quarters, shall be treated as first compounding application and compounding charge shall be re-computed for each offence disclosed in the application as given in Annexure-4 of the guideline. The fresh consolidated application for rejected applications will be considered as second application. Accordingly, the



application filed after issuance of these guidelines shall be treated as subsequent application (2<sup>nd</sup> application) and compounding charge shall be re-computed for each offence disclosed in the application, in terms of para 10 of the revised guidelines. **(Ref: para 3.1, 3.2 and 10 of the guidelines)**

**Q.30** How the rate of compounding charges will be determined in subsequent application(s)?

**Ans:** The rate of compounding charge is based on sequence of application as well as offence applied for. If a subsequent application includes an offence which has also been included in earlier application(s), it shall be liable for higher rate i.e. 1.2 times, 1.4 times, 1.6 times and so on as per para 10.4 of the guidelines; irrespective of the fact that the offence and year of the offence are same in subsequent application and earlier application was rejected or pending or even compounded.

However, if subsequent application includes offence(s) which were not included in any compounding application filed earlier (rejected or compounded or pending) and the offence has been applied for first time, the compounding charge for such offence(s) shall be computed at normal rate as given in the annexure-4. **(Ref: para 10 of the guidelines)**

**Illustration-** An applicant has filed different applications on different dates to compound different offences which will be considered as below:

Scenario			Clarifications		
Application Date	Status	Offence (FY)	Sequence of Application	Offence included in Earlier Application?	Rate
15/01/2021	Compounded	276B (2012-13)	NA	NA	NA
17/10/2022	Compounded	276C (1) (2018-19)	NA	NA	NA
18/08/2023	Rejected	276B (2013-14)	NA	NA	NA
17/09/2024	Pending	276D (2019-20)	First (No fresh application required)	NA	Normal rate
01/11/2024 (filed under revised guidelines)	Single application (for earlier application rejected)	276B (2013-14)	Second	Yes, in applications dated 15/01/2021 and 18/08/2023. (considered as 2 <sup>nd</sup> time) *	1.2 times of normal rate
18/12/2024 (filed under revised guidelines)	Consolidated application	276B (2017-18)	Third	Yes, in applications dated 15/01/21, 18/08/2023 & 01/11/2024 (3 <sup>rd</sup> time) #	1.4 times of normal rate
		276C (1) (2019-20)		Yes, in application dated 17/10/2022 (2 <sup>nd</sup> time)	1.2 times of normal rate
		275A (2023-24)		No, first time applied for (1 <sup>st</sup> time)	Normal rate



\* It is noted that the applicant has opted for compounding for this offence for the third time in third application and accordingly compounding charges at 1.4 times of normal rate should apply. However, since both applications were filed under previous guidelines, all such applications will be cumulatively considered as 'first' application, in terms of Para 10.6 of the revised guidelines. Thus, offence under these applications will be considered as clubbed together for calculation of compounding charges.

# It is noted that the applicant has opted for compounding for this offence for the fourth time in fourth application and accordingly compounding charges at 1.6 times of normal rate should apply. However, since first two applications were filed under previous guidelines, both these applications will be cumulatively considered as 'first' application, in terms of Para 10.6 of the revised guidelines, 01.11.2024 application will be considered as 'second' and this application will be considered as 'third'. Thus, offence under first two applications will be considered as clubbed together for calculation of compounding charges.

**Q.31** Whether compounding application may be filed suo-moto? If yes, how the compounding charge shall be determined?

**Ans:** Yes, compounding application may be filed suo-moto at any time, after the offence(s) is committed, irrespective of whether it comes to the notice of department or not. The compounding charge depends on sequence of application as well as offence applied for and is independent of whether application is filed suo-moto or in compliance to the notice of department. **(Ref: para 4.1.3 and 10 of the guidelines)**

**Q.32** Whether compounding application may be filed after launch of the prosecution? If yes, how the compounding charge will be determined?

**Ans:** Yes. If application is filed within 12 months from end of the month in which prosecution complaint is filed, the compounding charge will be determined as per para 10.2 to 10.5 of guidelines as illustrated in Question no. 30 above. For applications filed after 12 months, the compounding charge so calculated shall be increased by 50% as per para 10.7. **(Ref: para 10 of the guidelines)**

**Illustration:** Assessee had made TDS default of Rs 10,00,000/- for 3 months during FY 2019-20. The prosecution has been launched on 01/04/2022 u/s 276B of the Income Tax Act.

Scenario	Case	Date of Application	Time Elapsed	Rate	Compounding Charge
Scenario-1 (No earlier application rejected)	Case-1	12/10/2022 (Pending as of 17/10/2024)	Less than 12 months	Normal compounding charge as per Annexure-4	Rs 45,000/-
	Case-2	31/10/2024 (filed under revised guideline)	More than 12 months	Increase by 50% of normal compounding charge as per Annexure-4	Rs 67,500/- (1.5*Rs 45,000)



<b>Scenario-2</b> (First application rejected, revised application filed)	Case-3	12/10/2022 (Rejected)	Less than 12 months	NA(application rejected)	NA
		31/10/2024 (filed under revised guideline)	More than 12 months	1.2 times of normal compounding charge increased by 50%	Rs 81,000/- {1.5* (1.2* Rs 45,000)}

**Q.33** How to compute compounding charges for offence u/s 276CC in the absence of information on tax sought to be evaded or the tax on under-reported income due to assessment/reassessment being not carried out?

**Ans:** In such cases, compounding charges shall be the minimum compounding charge applicable for compounding of offence u/s 276CC as per Annexure-4 of the guideline. **(Ref: Annexure 4 of the guidelines)**

**Q.34** Whether compounding charges include Prosecution Establishment Expenses and Litigation Expenses?

**Ans:** No. Such expense have been removed in revised guidelines.

**Q.35** Is there any specific path for payment of compounding charge?

**Ans:** Yes, there is a path on e-filing website of the department and payment may be made by login through PAN or TAN. The path of the same is as under:

“Login on e-Filing portal → e-Pay Tax → New Payment → Income Tax → Minor Head → Other Receipts (500) → compounding charges”. **(Ref: para 9.9 of the guidelines)**

**Q.36** Whether the compounding charge can be made under PAN in case the applicant being a deductor?

**Ans:** The compounding charge shall be made under TAN of the deductor. However, if the applicant is the co-accused then compounding fees may be made under PAN of co-accused as the co-accused may not have access to the TAN of main accused.

“Login on e-Filing portal through TAN → e-Pay Tax → New Payment → Income Tax → Minor Head → Other Receipts (500) → compounding charges”. **(Ref: para 9.9 of the guidelines)**

### **G. Extension of time (Compounding charges)**

**Q.37** Whether the time for payment of compounding charges may be extended?

**Ans:** Yes, up to a maximum period of 24 months, as per conditions mentioned in para 9.4 of the guidelines. **(Ref: para 9.4 of the guidelines)**

**Q.38** Whether time for payment of compounding charges may be extended beyond 24 months?

**Ans:** No, beyond 24 months extension is not allowable and the application shall be rejected followed by initiation of prosecution proceedings, if not already initiated. However, the



applicant can file new application for the same particulars which shall be treated as a subsequent application for the purpose of determination of compounding charges. **(Ref: para 9.4 and 10.3 of the guidelines)**

**Q39.** As per the new guidelines, the payment period for compounding charges may be extended up to 24 months only from the end of the month in which the compounding charges were intimated. For pending applications where the payment initiation was made before the issuance of the revised guidelines but not fully paid, how will the period of 24 months be calculated? Additionally, will such applications require approval for extension under paragraph 9.4 of the guidelines?

**Ans:** For applications pending as on 17.10.2024, wherein compounding charges were not fully paid within time allowed as per earlier Guidelines or wherein time allowed had not elapsed, the period of 24 months will commence from the end of the month of issuance of these guidelines viz October 2024. The extension of timelines will require approval as prescribed in para 9.4 of the Guidelines. **(Ref: para 3.1 and 9.4 of the guidelines)**

**Q.40** Are extension for payment of compounding charges subject to interest or additional charges?

**Ans:** No, interest or additional charges are not applicable on extension allowable under para 9.4 of the guidelines. Further, for cases pending as on date of issuance of revised guidelines, additional compounding charge (chargeable under previous guidelines) shall not be applicable and compounding charge shall be determined as per Para 10 of the guidelines. **(Ref: para 9.4 and 10 of the guidelines)**

#### **H. Co -accused and abettors-offence by Companies and HUF**

**Q.41** Whether co-accused can file compounding application under revised guideline?

**Ans:** Yes, co-accused may apply for compounding of offence separately or conjointly. **(Ref: para 11 of the guidelines)**

**Q.42** Where the compounding application of the co-accused was rejected earlier on the ground that the main accused has not filed for compounding, whether such applicants will be eligible for filing again? If yes, whether such application shall be a subsequent application?

**Ans:** Yes, other than the case where application was rejected in past on merit, any of the co-accused applicant is eligible to file compounding application again separately or conjointly. Such application shall be treated as a subsequent application for the purpose of determination of compounding charges. **(Ref: para 3.2, 11 and 10 of the guidelines)**

**Q.43** Similarly, where the compounding application of the main accused was rejected earlier on the ground that the co-accused has not filed for compounding or given undertaking, whether such applicants will be eligible for filing again? If yes, whether such application shall be a subsequent application?

**Ans:** Yes, other than the case where application was rejected in past on merit, the main accused applicant is eligible to file compounding application again separately or conjointly with the co-



accused. Such application shall be a subsequent application for the purpose of determination of compounding charges. **(Ref: para 3.2, 11 and 10 of the guidelines)**

**Q.44** If any application filed by co-accused or accused under previous guidelines is pending, whether they are required to file a fresh application under revised guidelines?

**Ans:** No. All such pending applications will be clubbed together and none of the applicants (main accused and/or co-accused) are required to file a fresh application under revised guidelines. This consolidated application shall be considered as first application for the purpose of determination of compounding charges. **(Ref: para 4.2.4, 11 and 10 of the guidelines)**

**Q.45** If application is filed by main accused or co-accused or by both of them co-jointly, whether separate compounding fee shall be applicable for co-accused or not?

**Ans:** No separate compounding fee for co-accused shall be payable, irrespective of the fact that application has been filed by main accused or co-accused or by both of them co-jointly. Only compounding charge(s) for the concerned offence(s) shall be payable, as per para 10 of the revised guidelines. Once such payment is made by the applicant being main accused or co-accused or both of them conjointly, the Competent Authority shall compound concerned offences for main accused as well as all the co-accused. **(Ref: para 11 and 10 of the guidelines)**

**Q.46** Whether any person other than main accused or co-accused can file compounding application for compounding of an offence of company or HUF?

**Ans:** No, person other than main accused or co-accused cannot file compounding application. The applicant is required to disclose his status as main accused or co-accused in the serial no. 4 of compounding application (Annexure-1 of revised guidelines). **(Ref: para 11 and Annexure -1 of the guidelines)**

**Q.47** What will happen if co-accused has not been identified by the department for offences u/s 278B?

**Ans:** In cases where co-accused have not been identified or such identification is under progress u/s 278B of the Income Tax Act, either the main accused or any person who can substantiate along with supporting documents that he was in-charge or responsible for conduct of the business of the company during the time of commission of offence, to be considered as 'deemed to be guilty' u/s 278B(1), can file an application as co-accused. **(Ref: para 11 of the guidelines)**

**Q.48** If any person filed a compounding application as a co-accused in the scenario given at Q. No. 46, whether there is any requirement to identify other co-accused?

**Ans:** In such cases there will be no requirement to identify other co-accused for the purpose of the compounding of the offence. However, if such compounding application is rejected for any reason, all co-accused shall need to be identified as per Section 278B of the Income Tax Act to file prosecution complaint before the concerned Court. **(Ref: para 11 and 10 of the guidelines)**



**Q.49** Can co-accused furnish an undertaking for withdrawal of appeals as required in para 4.5 of the guidelines, on behalf of the main accused?

**Ans:** No, co-accused cannot furnish undertaking for withdrawal of appeal on behalf of the main accused. Such undertaking shall be furnished by the main accused only which must be attached with the application if application has been filed by the co-accused, since offences of both main accused and co-accused are being compounded, under para 11.2 of the revised guidelines. **(Ref: para 11 of the guidelines)**

**Q.50** If application has been filed by only main accused or co-accused, in such case against whom name the compounding order shall be passed?

**Ans:** The compounding order u/s 279(2) shall be passed in the name of person(s) who have applied for compounding. If co-accused has applied, then order shall include the name of main accused also. Further, in a case where main accused has applied and co-accused has been identified, the order shall be passed in the name of main accused and co-accused. **(Ref: Annexure-1 and 3 of the guidelines)**

**Q.51** Whether co-accused can file compounding application where the liability of main accused company ceases under Insolvency Bankruptcy Code?

**Ans:** The liability of co-accused does not extinguish even if the liability of main accused company ceases. The co-accused may file compounding application in such cases, either separately or conjointly and payment of compounding charge can be made by co-accused or the main accused company. **(Ref: para 11.4 of the guidelines)**

**Q.52** The assessee company/main accused is under NCLT/CIRP/Liquidation and either there is moratorium due to the provisions of section 14 or liquidation process has been initiated against the company due to the provisions of section 33 of the Insolvency Bankruptcy Code('IBC'). In such conditions, whether Para 4.3 of the guidelines (regarding payment of all taxes, interest and other sums) will be applicable or not?

**Ans:** The conditions prescribed in paragraph 4.3 of the Guidelines will apply, as explained below:

**Case 1: During the Moratorium Period:** The demand due from the main accused is not extinguished during the moratorium period. If a co-accused files an application for compounding during the moratorium period, paragraph 4.3 of the guidelines will apply.

**Case 2: After Rejection of the Resolution Plan (Liquidation Proceedings):** Upon rejection of the resolution plan, liquidation proceedings commence under Section 33 of IBC. The pending demand becomes a valid claim before the liquidator. If a co-accused files an application for compounding after rejection of the resolution plan, paragraph 4.3 of the guidelines will apply.



**Case 3: After Approval of the Resolution Plan:** Once the resolution plan is approved under Section 31 of the IBC, the main accused company is absolved of the offence, provided there is change in the management in terms of conditions prescribed in section 32A of the IBC. The co-accused(s), however, continue to be liable for the offence. If a co-accused files an application for compounding after approval of the resolution plan, paragraph 4.3 of the guidelines will apply.

  
(Shalinder Kaur)

**ADIT(Prosecution), CBDT, New Delhi**

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1. PS to FM/PS to MoS (R)
2. PS to Secretary(Revenue)
3. The Chairman, CBDT
4. All Members, CBDT
5. All Pr. DGsIT / Pr. CCsIT
6. All officers of the rank of Joint Secretary/CIT and above in CBDT
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