

IN THE SUPREME COURT OF INDIA  
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NOS. 8312

OF 2003

Commnr. Of Customs, Kolkatta

Appellant(s)

VERSUS

M/s. Diascans (India) Ltd.

Respondent(s)

O R D E R

The respondent herein had imported one Nucl

Magnetic Resonance Scanner, which is a medical instrument,

for the purpose of using it in the hospital. The respondent

cleared the said instrument without any import duty

exemption in terms of the Notification No.64/88-CUS dated

1.3.1988 was sought for and given. This Notification lays

down certain conditions on the fulfillment of which

import duty is payable. One condition is that the hospital

for which such a machinery is used is to be certified by the

Ministry of Health and Family Welfare, to be run

substantially aided by such charitable organization as may

be approved. There are other conditions which are to be

fulfilled even after the import of the machinery, in future

as well. These include treatment of free, on average, to

Signature Not Verified

Digitally signed by

Suman Wadhwa

Date: 2015.03.26

16:04:20 IST

Reason: at least 40% of all outdoor patients and also free to all

indoor patients belonging to the families with an income

less than Rs.500/- p.m. and keeping for this purpose at

2

least 10% of all the hospital beds reserved for such

patients. It is an admitted fact that after use of this

equipment for few years the respondent had sold the same to another establishment known as M/s. Florence Medical-cum-Diagnostic Centre (P) Ltd. Siliguri. This is treated as the breach of the aforesaid Notification No.64/1988.

It would also be relevant to state here that at the time of import, whether the respondent would be entitled to exemption under the aforesaid Notification or not was the dispute which had arisen. The matter had come up to this Court. Before this Court the respondent had given an affidavit of undertaking in which apart from agreeing to fulfill the aforesaid conditions, it was also agreed that the equipment shall not be disposed of by the respondent without 30 days clear notice in writing to the Collector of Customs, Kolkatta. It is found by the CEGAT that there is a violation of the aforesaid undertaking as well as in as much as no such clear 30 days notice in writing was given to the Customs Authority before disposing of the equipment.

In this manner the order of the adjudicating authority withdrawing the exemption and directing the respondent to pay the duty has been upheld by the CEGAT. In the Order-in-Original passed, redemption fine was also imposed and penalty in the sum of Rs. 20 lakhs was inflicted as well.

3

The Tribunal, however, after giving the aforesaid findings has come to the conclusion that the duty should be paid at the reduced value, i.e. depreciated value since for few years the obligation was met by the respondent. Insofar as redemption fine is concerned, the same is reduced from Rs.50 lakhs to Rs.5 lakhs and penalty likewise, has been reduced from Rs.20 lakhs to Rs.1 lakh.

The Department is in appeal before us questioning the

aforesaid directions of the Tribunal in directing the calculation of duty at the depreciated value of the machinery as well as reduction of the redemption fine and penalty. Insofar as the payment of duty at the reduced value is concerned, Mr. A.K.Sanghi, learned senior counsel may have something to say, but we find that in the order dated 3.11.2003 passed in this appeal, notice was issued limited to the question of reduction of penalty. Therefore, we refrain from going into the issue raised in the appeal and would confine ourselves only to the reduction of the penalty.

We find from the impugned order of the CEGAT that no reason whatsoever is given for reducing the penalty from Rs. 20 lakhs to Rs.1 lakh except observing that it "appears to be excessive". We have already taken note of the circumstances under which the breach has been committed by the respondent. More serious breach is the violation of  
4  
undertaking given to this Court.

In these circumstances, we are of the view that it was not a fit case where penalty should have been reduced. Since the respondent is now to pay the duty at the depreciated value of the machinery, we set aside the order of the CEGAT in so far as reduction of penalty from Rs. 20 lakhs to Rs.1 lakh is concerned and substitute the same by the following directions:

"the penalty payable shall be same as the duty which is now to be paid by the respondent on the depreciated value of the machinery, subject to maximum of Rs.20 lakhs.

The appeal is disposed of accordingly.

