

SUGGESTIONS ON GST PROPOSALS OF THE FINANCE BILL, 2025

Pre-deposit for appeals against penalty orders

Amendment

Presently, proviso to section 107(6) of the CGST Act, 2017 requires an appellant to make a pre-deposit amounting to 25% of the penalty amount for filing an appeal against an order issued under Section 129(3) of the CGST Act, 2017 (relating to detention and seizure of goods and conveyances in transit).

The Finance Bill, 2025 proposes to reduce this pre-deposit to 10% for all penalty orders not involving demand of tax.

Similarly, the Finance Bill, 2025 proposes a new proviso in section 112(8) of the CGST Act, 2017, mandating a 10% pre-deposit of the penalty amount for appeals before GST Appellate Tribunal in cases involving only demand of penalty without any demand for tax, in addition to the amount payable under the proviso to sub-section (6) of section 107.

Under the existing provisions of section 112, there is no pre-deposit requirement for filing appeals to the GST Appellate Tribunal against orders demanding penalties without involving tax demands.

Issue

While the amendment reduces the quantum of pre-deposit at level of first appeal, it simultaneously broadens its scope to include all cases of penalty orders without

any associated tax demand. Also, it introduces pre-deposit for filing appeals before Appellate Tribunal against orders involving only penalty.

While the reduction in the pre-deposit requirement at the first appellate authority will provide some relief to taxpayers, the expansion of its applicability raises concerns, especially in cases where penalties are imposed on employees, unregistered persons or power of attorney holders.

Suggestion

It is suggested that the applicability of the pre-deposit be limited to only specific cases where there is a higher likelihood of frivolous appeals. This would ensure that genuine appeals are not stifled while also addressing concerns about unwarranted penalties.