Shri Girish Kumar Raval vs. Union of India & Others

Whether penalty and liability under Section 122(1-A) and Section 137 of the CGST Act can be imposed on an employee of a company for alleged GST defaults of the company — i.e., applicability of vicarious liability on employees under the GST Act.

Date of Order: May 8, 2026
Case Law No: GIB-BHC-2026-46
Source: GST INDIA Biz (www.gstindia.biz)

CASE DESCRIPTION / SUMMARY

BACKGROUND

The petitioner, an individual employee, was subjected to imposition of penalty by the Revenue authorities under the GST Act. The petitioner challenged this imposition by way of a writ petition before the Bombay High Court, Nagpur Bench. The petitioner relied upon a binding precedent already settled by the Bombay High Court and confirmed by the Supreme Court, wherein an identical issue — of fastening GST penalty liability on an employee of a company under Section 122(1-A) and Section 137 of the CGST Act — had been conclusively decided in favour of the employee.

CRUCIAL FACTS

The petitioner submitted before the Court that the issue raised in the present writ petition is squarely covered by the judgment of the Bombay High Court in Shantanu Sanjay Hundekari vs. Union of India, which was subsequently confirmed by the Supreme Court in Union of India vs. Shantanu Sanjay Hundekari. In that precedent case, the Revenue had sought recovery of a massive demand from a person who was merely an employee of the company. The Bombay High Court had quashed the show cause notice against the employee holding that the basic jurisdictional requirements for invoking Section 74 of the CGST Act to invoke Section 122(1-A) and Section 137 against the petitioner-employee were not attracted. The Supreme Court, on appeal by Revenue, confirmed the Bombay High Court's ruling and recorded that the employee could not have been fastened with the company's liability. Counsel for the respondents in the present case sought time to seek instructions on the applicability of the said Supreme Court ruling.

COURT OBSERVATIONS (Verbatim — Crucial)

Bombay HC in Shantanu Hundekari (as reproduced and relied upon by the present Court):

"*For the aforesaid reasons, it is clear from the relevant contents of the show cause notice that the basic jurisdictional requirements/ingredients, are nor attracted for issuance of the show cause notice under Section 74 of the CGST Act so as to inter alia invoke Section 122(1-A) and Section 137 against the petitioner. Even otherwise, it is ill-conceivable to read and recognize into the provisions of Section 122 and Section 137, of the CGST Act any principle of vicarious liability being attracted. There could be none. Thus, Respondent no. 3 clearly lacks jurisdiction to adjudicate the show cause notice in its applicability to the petitioner. Thus qua the petitioner, the impugned show cause notice is rendered bad and illegal, deserving it to be quashed and set aside.*"

"*The foregoing discussion would also lead us to conclude that it is highly unconscionable and disproportionate for the concerned officer of the Revenue to demand from the petitioner an amount of Rs.3731 crores, which in fact is clearly alleged to be the liability of Maersk, as the contents of the show cause notice itself would demonstrate. The petitioner would not be incorrect in contending that the purpose of issuing the show cause notice to the petitioner who is merely an employee, was designed to threaten and pressurize the petitioner.*"

Supreme Court in Union of India vs. Shantanu Sanjay Hundekari (as reproduced and relied upon by the present Court):

"*The issue before the High Court was one relating to the interpretation of Section 122(1-A) and Section 137 of the GST Act.*"

"*The High Court after assigning cogent reasons took the view that the respondent-herein was merely an employee of the Company and he could not have been fastened with the liability of Rs.3731 Crore.*"

Present Court's Order:

"*We have gone through the said observations of the Hon'ble Apex Court.*"

"*In the meantime, no coercive action shall be taken by the Respondents to recover the amount towards the penalty till filing of the reply.*"

FINAL VERDICT

The Court granted an interim stay on all coercive recovery action for penalty against the petitioner-employee. The matter is listed after Summer Vacation for further hearing. The Revenue counsel has been directed to seek instructions in view of the binding Supreme Court ruling.

 THUMBS UP *(In Favour of Assessee — Interim Protection Granted)*

ADDITIONAL FOOTNOTES

CASES REFERRED BY COURT

S.No.	Case Name	Citation
1.	Shantanu Sanjay Hundekari vs. Union of India *(Bombay HC — employee not liable for company's GST dues under Section 122(1-A) and Section 137; no vicarious liability)*	(2024) 17 Centax 18 (Bom.)
2.	Union of India vs. Shantanu Sanjay Hundekari *(Supreme Court — confirmed Bombay HC ruling; employee cannot be fastened with company's GST liability)*	(2025) 27 Centax 14 (S.C.)

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