Lucknow Automotives v. Assistant Commissioner (Mobile Squad), Gonda, Raj Kumar & Ors.

Levy of penalty under Section 129(3) of the CGST/UPGST Act, 2017 for transportation without a valid e-way bill at interception. Whether subsequent generation of the e-way bill and absence of intention to evade tax justify setting aside the penalty.

Date of Order: August 19, 2026
Case Law No: GIB-GSTAT-2026-87
Source: GST INDIA Biz (www.gstindia.biz)

CASE DESCRIPTION / SUMMARY

Background

The appellant was engaged in the purchase and sale of motorcycles and spare parts. On 20.01.2025, a vehicle carrying motorcycles was intercepted by the Mobile Squad at about 7:25 A.M. At the time of interception, the E-Way Bill had not been generated. However, an E-Way Bill was generated at about 7:34 A.M., approximately nine minutes after interception, and was produced before the inspecting authority.

The appellant contended that the motorcycles were covered by genuine tax invoices, purchase invoices, challans, ledger accounts and bank records. It was also submitted that there was no discrepancy in quantity, value or classification and no suppression, fake documentation, unaccounted goods or other material indicating an intention to evade tax. Proceedings under Section 129 resulted in a penalty of **Rs. 2,63,330/-**, which was confirmed by the First Appellate Authority, leading to the present appeal.

Court Observation

The Tribunal observed that the E-Way Bill was admittedly generated after interception, which constituted a **procedural lapse**. However, the lapse occurred in the background of a genuine and fully identifiable transaction. The goods were motorcycles identifiable through engine and chassis numbers and were subject to RTO registration. The transaction was supported by invoices, challans, ledger accounts and bank records, and no discrepancy in quantity, value or classification was found.

The Tribunal further observed that there was **no independent material demonstrating suppression, clandestine movement, undervaluation, fake documentation or any other**

positive circumstance indicating tax evasion. The peculiar facts therefore showed a bona fide procedural lapse rather than an act forming part of an attempt to evade tax.

Final Verdict

The Tribunal **allowed the appeal**. The order dated 04.02.2025 passed by the Proper Officer under **Section 129(3) of the CGST/UPGST Act, 2017**, imposing CGST penalty of Rs. 1,31,665/- and SGST penalty of Rs. 1,31,665/- (total Rs. 2,63,330/-), was **set aside**. The consequential order of the First Appellate Authority confirming the penalty was also set aside.

The Tribunal directed that the **Rs. 2,63,330/- deposited by the appellant be refunded**, in accordance with law, subject to verification of payment and statutory requirements.