



JUDGEMENT

Personal GST Penalty on Executives Set Aside for Retrospective Overreach and Lack of Statutory Basis

Issued By:	Bombay High Court
In Case Of:	Senior Executives of Shemaroo Entertainment Ltd.
Order Date:	26th Feb 2026

FACTS & OBSERVATIONS

- The **dispute arose from penalty proceedings initiated against the CEO, CFO and Joint Managing Director of Shemaroo Entertainment Ltd.**, where the Department sought to impose **substantial personal penalties** on the allegation that they were responsible for, and had benefited from, transactions leading to wrongful availment of ITC by the company since the inception of GST.
- The **case was significant because it attempted to fasten personal liability on senior management for corporate tax positions, relying on a provision that was introduced later in the GST regime but invoked for earlier periods as well.** The officers approached the Bombay High Court challenging both the jurisdiction and the retrospective application of the penal action.
- The **petitioners argued that they were not acting as taxable persons in their individual capacity, nor had they derived any personal benefit from the alleged transactions.** They further contended that a penal provision inserted subsequently could not be stretched backward to cover conduct from 2017 onwards.
- The matter therefore **raised an important question in GST enforcement — whether directors and key managerial personnel can be personally penalised for company-level disputes** without clear statutory backing and without strict satisfaction of legal preconditions.

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- The **High Court carefully examined the scheme of the penalty provisions and drew a clear distinction between liability of a registered taxable entity and the personal exposure of individuals.** It observed that the law must be read strictly when penalties are involved, and liability cannot be inferred merely from designation or position held within a company.
- On the issue of timing, the **Court held that a penal provision cannot be applied retrospectively unless the statute expressly provides so.** Since the provision relied upon came into force later, it could not be used to penalise conduct relating to earlier financial years.
- The **Court also noted the absence of concrete material to demonstrate that the executives had personally retained any benefit from the alleged transactions.** In the absence of such foundational facts, initiation of penalty proceedings was held to be legally unsustainable.
- The **judgment ultimately quashed the penalty action, reinforcing that GST enforcement, particularly where personal liability is sought to be imposed, must operate within clear statutory limits** and cannot proceed on expansive or retrospective interpretation.

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