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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**
Date of Decision: 29th October, 2024.

+ W.P.(C) 14658/2024, CM APPL. 61503/2024
 MR. S. C. GUPTAPetitioner
 Through: Mr. Dushyant K. Mahant and
 Mr. Vimlesh Kumar, Advocates.

versus

UNION OF INDIA AND ORSRespondents
 Through: Mr. Vijay Joshi, Mr. Rishesh Mani
 Tripathi and Mr. Shubham
 Chaturvedi, Advocates for R-1.
 Ms. Anushkaa Arora, SPC with
 Ms. Saumya Kapoor, GP for R-1.

CORAM:
HON'BLE MR. JUSTICE SANJEEV NARULA

JUDGMENT

SANJEEV NARULA, J. (Oral)

1. The Petitioner claims that he furnished essential information regarding the excessive sale of non-duty-paid goods by a company, leading to the clandestine removal of goods without duty payment. This critical information on substantial tax evasion directly facilitated the recovery of unpaid dues by the Respondents. Thus, asserting his entitlement to the full reward specified under the relevant guidelines, he seeks a writ of mandamus compelling the Respondents to disburse the claimed reward in its entirety.
2. Indeed, based on the information provided, a show cause notice was issued to the company and its officials, raising a demand of INR 23.89 crores. In response, the defaulting company availed the benefit of the Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019, and settled the matter



with the Respondents by paying 50% of the duty demand, amounting to INR 11.94 crores. The Petitioner's entitlement to a reward based on the recovery of unpaid duty arising from his disclosure was acknowledged; however, the Respondents disbursed only 2 percent of the claimed reward amount—i.e., INR 25 lakhs.

3. The Petitioner contends that the reward amount disbursed is grossly inadequate and contrary to the terms outlined in the guidelines. He asserts that, since the duty evasion by the Company was uncovered solely based on the information he provided, he has a legitimate expectation of receiving the full reward of 20 percent as specified. To support his claim, he places reliance on the revised Guidelines for grant of Reward to Informers and Government Servants¹, specifically invoking Clause 5.1.1., which reads as under:

“5. QUANTUM AND CEILING OF REWARDS:-

5.1.1 Informers and Government Servants will be eligible for reward upto 20% of the net sale-proceeds of the contraband goods seized (except items listed in Para 5.2 below) and/or amount of duty/ Service Tax evaded plus amount of fine and penalty levied/ imposed and recovered.”

4. The Petitioner further contends that the Respondents' decision to disburse only a fraction of the claimed reward violates his right to equal treatment under Article 14 of the Constitution of India. He also argues that the Respondents' ought not to have made the decision without affording him an opportunity for a personal hearing, thus violating the principles of natural justice. He emphasizes that such a hearing was essential to enable him to present his case for seeking full reward amount as per the established

¹ “Guidelines”



guidelines. To support these submissions, reliance is placed on ***M.K. Govindapillai v. Secretary, Central Board of Ex. & C.***²

5. The Court has considered the Petitioner's arguments but finds them devoid of merit. It is a settled principle that rewards under informer schemes are *ex-gratia* payments and thus, lie within the discretion of the competent authority. The Supreme Court in ***Union of India v. R. Padmanabhan***³ has emphasised that rewards of this nature cannot be claimed as a matter of right, as they are subject to the discretion of the authority designated by the guidelines.

6. The Petitioner has argued that the Respondent authorities should have awarded him 20% of the recovered duty, amounting to INR 11.94 crores, based on the information he provided. However, this argument overlooks the principle mentioned within the guidelines which specifies that rewards should not be viewed as routine or formulaic entitlements. In fact, Clause 5.1.1 of the guidelines explicitly states that “*informers will be eligible for up to 20 percent of the net sales.*” This clause provides a maximum limit rather than a guaranteed reward of 20 percent, making clear that the authority has discretion in determining the appropriate reward within this limit.

7. Moreover, Clause 3.3.1 of the guidelines mandates that reward determinations are to be case-specific, factoring in the informer's role within the broader context of each operation. Clause 3.3.1 of the Guidelines reads as follows:

“3.3. Criteria for grant of reward:- in determining the reward which may be granted, the authority competent to grant reward will keep in mind the following:-

² 1988 SCC OnLine Ker 614

³ (2003) 7 SCC 270.



3.3.1 In case of collection of information / intelligence, in respect of cases of seizure made out/ or infringements/evasion of duty/service tax etc:- the specificity and accuracy of the information, the risk and trouble undertaken, the extent and nature of the help rendered by the informer, whether information gives clues to persons involved in smuggling, infringements, evasion of duty, service tax or their associates, etc., the risk involved for the Government Servants in working out the case, the difficulty in securing the information, the extent to which the vigilance of the staff led to the seizure, detection of infringements/evasion of duty/service tax, special initiative, efforts and skills/ingenuity displayed leading to the recovery of Government dues during the course of investigation, admitting their liability by way of voluntary deposit and whether, besides the seizure of contraband goods/detection of infringements/evasion of duty/ service tax, the owners/organisers/financiers/racketeers as well as the carriers have been apprehended or not. The reward has to be case specific and not to be extended, in respect of other cases made elsewhere against other parties on the basis of a similar *modus operandi*. However, the Government Servants will be entitled to reward as per the normal guidelines when they book a case in their jurisdiction on the basis of *modus operandi* circulars issued by the Board/DRI/DGCEI”

8. The aforementioned clause provides a discretionary framework permitting the competent authority to evaluate the unique aspects of each case rather than conferring a prescriptive or automatic entitlement to a fixed percentage of the recovery. Under Clause 3.3.1 of the guidelines, an informer’s eligibility for a reward is not a routine entitlement but is instead based on a comprehensive assessment of the informer’s role and the specific circumstances of each case. The guidelines stipulates that the reward amount must reflect the “specificity and accuracy” of the information provided, as well as the level of risk and effort undertaken by the informer. Information that is precise and actionable, pointing directly to individuals or methods of duty evasion, holds greater value. Further, as per the guidelines, the competent authority has to consider the informer’s degree of involvement and assistance, including whether they remained actively engaged or



provided logistical support that contributed meaningfully to the operation. A critical factor in this determination is whether the information helped identify principal offenders—such as organizers, financiers, or key associates involved in the scheme. The informer's contribution is viewed in higher regard if it exposes individuals central to the evasion network, thus enhancing the impact of the enforcement action. Together, these factors illustrate that the reward is not a fixed proportion of the recovery but instead a careful determination based on the informer's input, the level of risk, and the practical outcomes of their information in recovering government dues and capturing the key players involved.

9. In view of the above, on a holistic reading of the Guidelines, it emerges that the Petitioner's claim of reward for 20 percent is not a matter of right which can be sought by invoking this Court's writ jurisdiction under Article 226 of the Constitution. In this regard, reliance is placed on the judgments of the Supreme Court in ***Union of India v. R. Padmanabhan***⁴ and ***Union of India and Ors. v. C. Krishna Reddy***⁵, wherein the Court held that determinations with respect to reward schemes are essentially *ex-gratia* in nature and therefore, fall exclusively within the purview of the discretion of the competent authority. The Court further emphasised that a writ of mandamus under Article 226 of the Constitution of India can only be issued in cases where a statutory obligation is imposed on a public officer and the officer fails to discharge the said obligation, and therefore, the grant of reward cannot be claimed as a matter of right. As such it was observed that a Court cannot direct the Government to grant a particular amount to the

⁴ Supra note 3

⁵ (2003) 12 SCC 627



informant by way of an award.

10. The Kerala High Court judgement of ***M.K. Govindapillai v. Secretary, Central Board of Excise***, which is relied upon by the Petitioner is inapplicable to the present case. In *Govindapillai*, the petitioner sought a higher reward after his tip led to a substantial seizure of contraband gold and watches. While a provisional reward was initially granted, authorities later denied an increase, citing minor inaccuracies in the information—namely, a discrepancy in the vessel’s name. The High Court ultimately ruled in the Petitioner’s favour, holding that the Department’s refusal based on a minor inaccuracy was arbitrary and overlooked the substantial value of the information. The Court directed a re-evaluation of the reward, emphasizing that the discretion vested in the authorities must be exercised fairly and without undue reliance on hyper-technical details. However, we must note that in the later judgments, the Supreme Court in ***Union of India v. R. Padmanabhan*** and ***Union of India & Ors. v. C. Krishna Reddy*** has held that rewards for informers are inherently discretionary and do not constitute enforceable rights. These judgments clarify that the competent authority retains complete discretion under the guidelines to evaluate each case individually, including the right to determine a reward below the maximum limit. Thus, while *Govindapillai* allowed judicial intervention in re-evaluating a reward based on perceived arbitrariness, the binding authoritative precedents of the Supreme Court affirm that rewards under such schemes remain discretionary, with no vested entitlement.

11. Furthermore, this Court, in proceedings under Article 226 of the Constitution of India, is not empowered to adjudicate disputes regarding the extent of the information provided by the informer or the precise amount of



duty and penalty recovered as a result of that information. Determining the degree of recovery attributable to the informer's input versus the Department's investigative actions falls squarely within the domain of the competent authority. The writ court's jurisdiction does not extend to evaluating these factual nuances or quantifying contributions in monetary terms. Reliance in this regard is placed on the decision of the Calcutta High Court in ***Dibyendu Roy Chowdhury v. Union of India***⁶, wherein the Court held as follows:

“30. This Court, cannot, in proceedings under Article 226 of the Constitution of India adjudicate disputes with regard to the extent of the information given by the informer or the exact amount of duty and penalty recovered, on the basis of the information. It is not for the writ court to determine the extent to which duty has been recovered on account of information provided by the informer and the extent to which duty has been recovered by investigation through the Department's own machinery. In any case, reward as per the Circular dated 31st March, 1985 is an ex-gratia discretionary payment that cannot be claimed as of right.

31. It is true, discretion cannot be exercised arbitrarily. If facts exist to warrant exercise of discretion, discretion would have to be exercised.

32. In the instant case the petitioner has been given a reward of Rs. 35 lakhs. The appropriateness of the quantum of reward cannot be agitated in proceedings under Article 226 of the Constitution of India. The writ application is accordingly, dismissed.

12. Applying the aforesaid precedents to the facts of the present case, it is observed that the Petitioner has already been awarded INR 25 lakhs by the Respondents. The appropriateness of this quantum of reward cannot be adjudicated by this Court in proceedings under Article 226 of the Constitution, since it involves substantial determinations as to how and to what extent was the information useful in apprehending the duty evasion and

⁶ 2006 SCC OnLine Cal 844



the key players in this regard. Furthermore, it must be noted that while the information provided by the Petitioner was useful in determining that there was an evasion of duty by the company, the matter was eventually settled between the Respondents and the defaulting company under the Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019. Thus, there is nothing on record to show that the discretion exercised by the Respondents has been manifestly arbitrary.

13. Lastly, the Petitioner's contention that he was entitled to a personal hearing before the authorities, before the determination of his reward, is misconceived. The guidelines do not impose any such procedural requirement. As the reward scheme is discretionary and *ex-gratia*, the competent authority is not bound to give personal hearing. *Ex-gratia* payments do not necessitate the procedural formalities associated with legally binding rights, as they are governed by principles of administrative discretion.

14. In light of the foregoing, the Court does not find any reason to interfere with the decision of the Respondents.

15. Accordingly, the writ petition is dismissed, along with pending applications.

SANJEEV NARULA, J

OCTOBER 29, 2024

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