



Lawgics

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Section 89 of CGST Act, 2017



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89. Liability of directors of private company.

(1) Notwithstanding anything contained in the Companies Act, 2013, (18 of 2013) where any tax, interest or penalty due from a private company in respect of any supply of goods or services or both for any period cannot be recovered, then, every person who was a director of the private company during such period shall, jointly and severally, be liable for the payment of such tax, interest or penalty unless he proves that the non-recovery cannot be attributed to any gross neglect, misfeasance or breach of duty on his part in relation to the affairs of the company.

(2) Where a private company is converted into a public company and the tax, interest or penalty in respect of any supply of goods or services or both for any period during which such company was a private company cannot be recovered before such conversion, then, nothing contained in sub-section (1) shall apply to any person who was a director of such private company in relation to any tax, interest or penalty in respect of such supply of goods or services or both of such private company:

Provided that nothing contained in this sub-section shall apply to any personal penalty imposed on such director.

Our Interpretation

Section 89

This section deals with recovery of tax dues, interest or penalty from the directors of a private company, where the private company has not discharged its tax, penalty or interest liability towards the supply of goods/services.

If the tax, interest or penalty were not paid by a private company in relation to any supply of goods/services for any period, then every Director during such period will be jointly and severally liable to pay such dues.

The liability of the Director will be relaxed only when, he proves that such non-recovery of dues is not because of his gross negligence, misfeasance or breach of duty in relation to the affairs of the company.

However, when a **private company is converted to public company**, then **no such recovery of old dues** can be made from the persons who were directors of the private limited company before such conversion. However, recovery of personal penalty which has been imposed on any such director shall still be made.

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