SETTLEMENT BY NOTIFICATION: CAN A STATE DISCOUNT STATUTORY TRAFFIC PENALTIES? A LEGAL ANALYSIS OF ODISHA'S ONE-TIME SETTLEMENT SCHEME FOR PENDING E-CHALLANS UNDER THE MOTOR VEHICLES ACT, 1988

Saroj Kumar Sahoo & Santanu Kumar Das, SOA National Institute of Law (Siksha 'O' Anusandhan (Deemed To Be University), Bhubaneswar, Odisha.

ABSTRACT

The expansion of electronic traffic enforcement in India has improved the detection and recording of motor vehicle violations, yet the accumulation of unpaid e-challans continues to pose significant challenges for effective enforcement, revenue recovery, and the timely disposal of pending cases. In response to this problem, the Government of Odisha introduced a One-Time Settlement (OTS) Scheme offering eligible vehicle owners an opportunity to settle specified pending traffic challans at reduced rates. Although the initiative seeks to encourage compliance, reduce administrative burdens, and facilitate the recovery of outstanding penalties, it raises an important question of statutory interpretation and constitutional governance: to what extent can a State Government, through an executive notification, permit the settlement of penalties prescribed under a central enactment?

This article critically examines the legal validity and scope of Odisha's OTS Scheme within the framework of the Motor Vehicles Act, 1988 and the Constitution of India, with particular emphasis on Section 200, which empowers State Governments to specify, by notification, the authorities and amounts for compounding certain offences. It analyses whether the statutory power to compound offences provides a sufficient legal foundation for concessional settlement or whether the exercise of such power, in particular circumstances, may exceed the limits imposed by the parent legislation. The discussion further considers the doctrines of *ultra vires* and *delegatus non potest delegare*, the constitutional guarantee of equality under Article 14, and the relationship between executive discretion, legislative intent, and the deterrent purpose of traffic penalties.

Adopting a doctrinal and analytical approach, the study evaluates the distinction between legally authorised compounding and an impermissible executive alteration of statutory sanctions. It also considers the competing

public interests involved: facilitating the resolution of long-pending challans and improving administrative efficiency on the one hand, and preserving consistency in law enforcement, equality in the treatment of offenders, and road-safety deterrence on the other. The article argues that the legality of a settlement scheme cannot be determined solely by its administrative objectives; it must be assessed against the scope, conditions, and limitations of the statutory authority under which it is issued. It concludes that a transparent, consistent, and legally grounded framework for settling traffic penalties is essential to reconcile administrative efficiency with the rule of law and constitutional accountability.

Keywords: Motor Vehicles Act, 1988; Section 200; E-Challans; One-Time Settlement Scheme; Compounding of Offences; Statutory Penalties; Executive Power; Delegated Legislation; Ultra Vires; Article 14; Road Safety; Rule of Law; Odisha.

INTRODUCTION

A Legal Analysis of Odisha's One-Time Settlement Scheme for Pending E-Challans under the Motor Vehicles Act, 1988

The expansion of electronic traffic enforcement has altered the way motor vehicle laws are administered in India. Automatic Number Plate Recognition (ANPR) cameras, speed-detection systems and digital challan platforms allow authorities to identify and record violations without requiring direct interaction between an officer and a driver at the scene. These technologies can improve consistency in enforcement and create a record that may be reviewed later. Yet detection alone does not ensure compliance. When a substantial number of challans remain unpaid, the system faces a second problem: how to convert recorded violations into effective enforcement, while avoiding unnecessary administrative and judicial delay.

Odisha's One-Time Settlement (OTS) Scheme emerged against this background. By a notification issued by the Commerce and Transport Department in September 2025, the State offered a limited opportunity to settle specified pending e-challans relating to offences committed on or before 31 July 2025 by paying reduced amounts. The notification stated that challans for which prosecution reports had already been submitted to designated courts would not fall within the scheme and that the benefit would remain available for six months. Its annexure listed selected offences and the amounts payable after exemption, including specified speeding, signal, stop-sign and other violations.

The policy has an intelligible administrative purpose. A time-limited settlement opportunity may encourage payment of old challans, reduce the burden of processing minor cases and allow enforcement agencies to concentrate on current violations and repeat offenders. The difficulty, however, is not resolved by the scheme's practical objectives alone. Where the amount payable for an offence is set by a central statute, a State notification must be supported by the authority that Parliament has conferred and must remain within the limits of that authority.

The central question of this article is therefore whether Odisha's OTS Scheme constitutes a lawful exercise of the State's power to compound specified offences under Section 200 of the Motor Vehicles Act, 1988, or whether particular features of the scheme could amount to an unauthorised reduction of statutory penalties. The answer requires more than a general objection to executive action. Section 200 itself authorises the State Government, by notification in the Official Gazette, to specify the officers or authorities and the amounts for which listed offences may be compounded. The legal inquiry must consequently focus on the language and purpose of that provision, the offences covered by the scheme, and the relationship between the prescribed penalties and the notified compounding amounts.

This article adopts a doctrinal approach, examining the Motor Vehicles Act, 1988, relevant constitutional principles and judicial decisions on delegated authority and compounding. It considers the doctrines of ultra vires and delegatus non potest delegare, the equality guarantee under Article 14, and the relevance of Article 254 to the relationship between central legislation and State action. It argues that the OTS Scheme should be evaluated offence by offence and provision by provision: administrative convenience is a legitimate consideration, but it cannot independently validate action beyond the statutory power. Equally, a reduction cannot be held unlawful merely because the amount differs from the ordinary penalty where Parliament has expressly authorised the State to prescribe compounding amounts.

I. THE STATUTORY FRAMEWORK: SECTION 200 OF THE MOTOR VEHICLES ACT, 1988

A. Compounding and its legal effect

Compounding is a statutory mechanism by which an offence may be resolved on payment of a specified amount to an authorised officer or authority, without continuing the ordinary prosecution in the manner contemplated by the statute. It is not identical to a general pardon,

nor does it necessarily erase the fact that the offence occurred. Section 200 identifies the offences that may be compounded and authorises the State Government to specify, by notification in the Official Gazette, the competent officers or authorities and the amount payable. The section also provides that, once an offence is compounded, further proceedings in respect of that offence shall not be taken, subject to the statutory qualifications concerning repeat offences and other continuing obligations.

This wording is central to the legal analysis. The State's authority is not merely administrative in the sense of choosing how to collect an already fixed sum. Parliament has expressly delegated a defined role in setting compounding amounts for the offences enumerated in Section 200. At the same time, that authority is not unlimited. It applies only to offences covered by the section and must be exercised consistently with the Act as a whole, including any substantive requirements that remain applicable after compounding.

B. The 2019 amendments and the deterrent purpose of penalties

The Motor Vehicles (Amendment) Act, 2019 increased penalties for several traffic-related offences and introduced other enforcement measures. The legislative emphasis on stronger penalties reflects concern about road safety and the need to deter dangerous conduct. But the existence of increased statutory penalties does not, by itself, answer the separate question of the amounts that may lawfully be prescribed for compounding under Section 200. The two provisions must be read together: the penalty provisions define the legal consequences of an offence, while Section 200 provides a specified route for compounding certain offences at notified amounts.

The proper question is therefore whether a particular compounding amount remains within the authority delegated by Section 200 and respects the structure and purpose of the substantive offence. A State cannot use the label 'settlement' to bypass a statutory restriction. Conversely, a court should not assume that every lower compounding amount is unlawful without examining the express delegation and the terms of the notification.

II. THE ULTRA VIRES DOCTRINE AND THE LIMITS OF EXECUTIVE DISCRETION

The doctrine of ultra vires requires public authorities to act within the powers conferred by law.

Delegated legislation and statutory notifications derive their legal force from the parent enactment; they cannot replace, contradict or extend that enactment beyond the authority Parliament has granted. In State of Tamil Nadu v. P. Krishnamurthy, the Supreme Court identified recognised grounds for challenging subordinate legislation, including inconsistency with the parent statute, violation of constitutional provisions, lack of competence and manifest arbitrariness. The Court also cautioned that validity must be assessed in light of the nature, object and scheme of the enabling Act.[1]

Applied to Odisha's scheme, this approach calls for a focused inquiry. First, does each offence included in the annexure fall within the categories capable of being compounded under Section 200? Second, has the State specified the amounts through the required form of notification? Third, are the amounts and conditions compatible with the text and purpose of the relevant penalty provisions? Finally, does the scheme attempt only to settle an eligible offence, or does it purport to excuse conduct or consequences that the Act does not permit the State to waive?

The distinction matters because the scheme's legal character cannot be decided solely by describing it as a '50 per cent discount'. The notification's annexure does not apply one uniform reduction to every listed offence: some entries prescribe a percentage of the existing amount, while others state a fixed amount. The statutory analysis should therefore examine the precise amount and offence in each entry. A blanket conclusion that the entire scheme is necessarily invalid would be premature without this comparison; equally, administrative approval alone cannot cure a provision that exceeds Section 200.

The maxim delegatus non potest delegare—one to whom power is delegated cannot ordinarily delegate it further—may be relevant where a statutory authority attempts to transfer its assigned discretion without legal permission. In this context, the more immediate issue is whether the State itself has exercised the discretion Parliament conferred, rather than whether it has sub-delegated that discretion. The maxim should not be used as a substitute for identifying the precise statutory limit allegedly breached.

III. JUDICIAL GUIDANCE ON COMPOUNDING AND STATUTORY PURPOSE

In Paramjit Bhasin v. Union of India, the Supreme Court considered State notifications issued under Section 200 in relation to overloading of goods vehicles. The Court distinguished the

[1] State of Tamil Nadu v. P. Krishnamurthy, (2006) 4 SCC 517 (India).

power to compound an offence from any supposed authority to permit the underlying statutory violation to continue. It held, in substance, that compounding could not be used to neutralise the requirements concerning permissible vehicle weight or to defeat the statutory purpose of those requirements.[2]

The decision is important, but its application to the OTS Scheme requires care. Paramjit Bhasin concerned notifications that, in practical effect, allowed overloaded vehicles to continue carrying excess weight despite the statutory restrictions. It does not mean that every notified compounding amount lower than the ordinary penalty is automatically invalid. Rather, it establishes that Section 200 cannot be read as a licence to contradict substantive provisions of the Act or to permit the very conduct that those provisions prohibit.

The Supreme Court's reasoning in P. Ratnakar Rao v. Government of Andhra Pradesh is also relevant to the nature of the discretion under Section 200. The Court recognised that the State's power to prescribe compounding amounts is not inherently unguided or arbitrary.[3] Read together, these authorities suggest that the central issue is not whether the State has any discretion—it plainly has a statutory role—but whether that discretion has been exercised for the purposes and within the boundaries of the Act.

Accordingly, the OTS Scheme should be tested against the substance of the relevant offences. For example, a settlement amount for a documentary or regulatory default may raise different considerations from an offence involving dangerous driving or conduct that directly endangers road users. The fact that the notification includes specified speeding and dangerous-driving-related offences makes it particularly important to assess whether the amounts preserve the statutory purpose and whether any separate requirements continue to apply. The scheme's limited duration and exclusion of challans already sent to designated courts are relevant features, but they do not independently establish legality.

IV. CONSTITUTIONAL CONSIDERATIONS

A. Article 254 and the limits of the repugnancy argument

Motor vehicles fall within the Concurrent List, and Parliament has enacted the Motor Vehicles

[2] Paramjit Bhasin v. Union of India, (2005) 12 SCC 642 (India).
[3] P. Ratnakar Rao v. Gov't of Andhra Pradesh, (1996) 5 SCC 359 (India).

Act, 1988 as a central statute. Article 254 addresses inconsistency between laws made by Parliament and laws made by State Legislatures on a Concurrent List subject. The article's application should not, however, be overstated. Odisha's OTS Scheme is an executive notification issued by reference to Section 200, not a State Act. The immediate question is therefore whether the notification is authorised by the central Act, rather than whether it is a State law saved by Presidential assent under Article 254(2).

Article 254 may provide constitutional context where competing legislative rules are genuinely inconsistent, but it should not replace the more direct statutory inquiry under Section 200. If Parliament has expressly authorised State Governments to specify compounding amounts for listed offences, the exercise of that power is not automatically repugnant to the central Act. The issue becomes whether the particular notification stays within the scope of the delegation or conflicts with a substantive statutory command.

B. Article 14: Equality, classification and fairness

Article 14 guarantees equality before the law and equal protection of the laws. A potential concern arises where motorists who paid their challans promptly receive no concession, while those who allowed challans to remain unpaid may settle them at a reduced amount. Such a distinction can appear to reward non-compliance and may weaken public confidence in consistent enforcement.

Nevertheless, the comparison does not by itself establish an Article 14 violation. A time-limited settlement scheme may classify older, unpaid challans separately in order to improve recovery, clear administrative backlogs or resolve cases that would otherwise remain pending. The relevant questions are whether the classification rests on an intelligible basis, whether that basis is connected to the scheme's stated objectives, and whether the design is arbitrary or excessively broad. A court would need to examine the eligibility conditions, the offences included, the duration of the scheme, and the reasons for the reductions before reaching a conclusion.

The equality concern is strongest if a scheme routinely gives defaulters a financial advantage without a principled explanation, particularly where the relevant violation poses a serious road-safety risk. It is less conclusive where the concession is a one-time, transparent and statutorily authorised mechanism directed at a defined backlog. The constitutional analysis should

therefore remain evidence-based rather than assume that either administrative convenience or the difference in treatment settles the issue.

V. ADMINISTRATIVE EXPEDIENCY, PUBLIC INTEREST AND ROAD SAFETY

The practical case for settlement should not be dismissed. Unpaid challans can consume enforcement resources, complicate vehicle-related transactions and contribute to the volume of unresolved matters before authorities and courts. A limited settlement window may generate payment where ordinary collection measures have not succeeded. Odisha's notification expressly refers to unresolved challans, recovery of outstanding fines and the objective of encouraging safer driving behaviour.

Yet a revenue-focused approach carries risks. If motorists expect that unpaid penalties will periodically be reduced, some may delay payment in anticipation of another scheme. That possibility can weaken deterrence and create a perception that compliance is financially disadvantageous. It may also undermine the equal application of traffic rules if concessions are not supported by transparent criteria.

The policy challenge is to design settlement mechanisms that address old arrears without creating an expectation of repeated amnesty. Relevant safeguards could include a clearly defined eligibility cut-off, publication of the statutory basis and calculation of each compounding amount, exclusion or special treatment of repeat offenders and serious safety-related violations where legally justified, and continued enforcement against future offences. Authorities should also explain how the scheme interacts with court-referred challans and any obligations that survive compounding under the Act.

Digital Lok Adalats and other mechanisms under the legal services framework may offer an additional route for resolving eligible disputes, subject to the jurisdiction and procedures applicable to those forums. Such mechanisms should be treated as complementary options rather than automatic substitutes for the statutory compounding power. The choice of process must remain consistent with the legal status of the challan and the authority competent to dispose of it.

VI. RECOMMENDATIONS

First, the legal basis for each concessional amount should be stated clearly. The State should

identify the relevant provision of Section 200, the category of offence and the method used to calculate the amount payable. This would make the scheme easier to scrutinise and reduce uncertainty for both motorists and enforcement authorities.

Second, the State should publish transparent eligibility rules and reasons for differentiating between offences. Where a violation presents a direct and serious risk to road users, any concession should be considered with particular care and should not neutralise statutory safety obligations. Repeat offenders may also require a distinct enforcement response, consistent with the Act.

Third, future settlement schemes should be designed to avoid creating a recurring expectation that penalties will be reduced. The State may assess the scheme's results by publishing data on the number of challans settled, amounts recovered, categories of offences covered, and subsequent compliance. Such evaluation would help determine whether the scheme improves enforcement or merely accelerates short-term revenue collection.

Fourth, if experience shows that Section 200 does not provide sufficient clarity for a particular form of settlement programme, the appropriate legislative authority should consider whether a clearer statutory framework is necessary. Any such reform should preserve the distinction between compounding an offence and permitting prohibited conduct to continue. It should also maintain safeguards for public safety, equality and procedural fairness.

CONCLUSION

Odisha's One-Time Settlement Scheme reflects a practical attempt to address the accumulation of unpaid e-challans in a system increasingly dependent on digital traffic enforcement. Its objectives—improving recovery, reducing administrative delay and encouraging compliance—are legitimate matters of public administration. Those objectives, however, do not remove the need for statutory authority. The legality of the scheme depends on whether the offences and amounts it covers fall within the power conferred by Section 200 of the Motor Vehicles Act, 1988 and whether the scheme remains consistent with the Act's substantive requirements.

The governing principles do not support either an automatic endorsement of the scheme or a categorical conclusion that every concession is unlawful. Section 200 expressly permits State

Governments to specify compounding amounts for listed offences, while judicial authority makes clear that this power cannot be used to defeat the substantive obligations or safety objectives of the Act. The notification must therefore be assessed in its precise statutory context. Article 14 raises legitimate questions about fairness and incentives, but the existence of different treatment between prompt payers and defaulters requires a reasoned examination of the scheme's design and justification. Article 254, meanwhile, should not be treated as the principal ground of invalidity where the challenged instrument is an executive notification rather than a State enactment.

A legally sustainable settlement policy must combine administrative effectiveness with transparent criteria, careful treatment of safety-related offences, and a clear statutory foundation. The long-term objective should not be merely to clear accumulated challans, but to ensure that digital enforcement produces predictable and equitable consequences. A carefully framed scheme, accompanied by disclosure and continued enforcement, can pursue recovery without undermining the rule of law; a scheme that exceeds the authority conferred by Parliament cannot be justified by administrative convenience alone.