
	<p>राष्ट्रीय सीमा-शुल्क, अप्रत्यक्ष कर एवं नारकोटिक्स अकादमी National Academy of Customs, Indirect Taxes and Narcotics क्षेत्रीय परिसर, केंद्रीय राजस्व भवन सेक्टर -17 सी, चंडीगढ़-17 Zonal Campus, C. R. Bldg., Sector 17 C, Chandigarh-17 टेल: 0172-2721103, ई-मेल: adgnacin.chd@gov.in</p>	
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F.No: NACIN/TRNG/260/2025-Trng

Date: 24.04.2025

To,

The Joint Director (IST),
NACIN Palasamudram.

Sub: Request for submission of Training Content for Training Courses in Booklet/E-Booklet form -reg.

Kindly refer to your office letter F.No. NACIN/TRNG/185/2025-IST-NACIN-PALASAMUDRAM dated 17.03.2025 on the subject cited above.

2. In this regard, it is informed that e-Booklet on “**Seizure of Cash Under GST: Judicial Perspective**” has been prepared by NACIN Chandigarh. The booklet has been designed keeping in mind the latest updates under the provisions of Law and relevant case laws.

3. Accordingly, the said booklet is being shared with your office to enhance the accessibility of the content of the booklet by hosting it on NACIN Website .

This issues with the approval of ADG, NACIN, Chandigarh..

Yours sincerely,

Encl: As above.

(Varinder Kaur)
Additional Director



SEIZURE OF CASH UNDER GST: JUDICIAL PERSPECTIVE

Dated: April, 2025



NACIN, ZTI, Chandigarh
Plot No. 19, CR Building, Sector 17 C, Chandigarh

SEIZURE OF CASH UNDER GST

ISSUE: Whether GST officers have the authority under section 67(2) of the CGST Act to seize cash during a search operation?

ANALYSIS:

The relevant part of section 67 provides that: -

“(2) Where the proper officer, not below the rank of Joint Commissioner, either pursuant to an inspection carried out under sub-section (1) or otherwise, has reasons to believe that any goods liable to confiscation or any documents or books or things, which in his opinion shall be useful for or relevant to any proceedings under this Act, are secreted in any place, he may authorise in writing any other officer of central tax to search and seize or may himself search and seize such goods, documents or books or things:

The section thus empowers officers to seize-

- i. goods liable to confiscation, or,*
- ii. any documents, or,*
- iii. books, or,*
- iv. things,*

which are useful for or relevant to any proceedings under the Act.

The scope of the word ‘things’ is not defined. The seizure of the cash is made by the officers under the presumption that cash would be covered by the word “things”.

The issue whether GST officers have the authority to seize cash in terms of provisions contained in section 67(2) has been addressed by various High Courts with differing interpretations.

- 1. Court Divergence:** There is lack of uniformity in how courts interpret Section 67(2) regarding the seizure of cash. Some High Courts (e.g., Madhya Pradesh) have interpreted the term "things" to include cash, while others (e.g., Delhi and Kerala), exclude cash from the scope of Section 67(2).

2. **Purpose of Section 67:** Section 67 is primarily meant for addressing tax evasion and ensuring GST compliance. It is not meant for the seizure of cash or assets unrelated to taxable supplies or stock-in-trade. Courts like Delhi High Court have emphasized that such actions should fall under the Income Tax Act and not the CGST Act.
3. **Nexus Requirement:** Courts have clarified that cash can only be seized if there is a clear connection to taxable supplies, stock-in-trade, or evidence of tax evasion. Simply being unexplained is not a sufficient ground for seizure under GST law.
4. **Prolonged Retention:** Courts have ruled that retaining seized cash for extended periods without issuing a show-cause notice or advancing investigations violates principles of natural justice.

In summary, while some courts support the seizure of cash under certain conditions, many others restrict such actions, emphasizing the need for a direct connection to taxable supplies or stock-in-trade and adhering to fair procedures. The Supreme Court is yet to deliver a final ruling on this matter.

Judgments on seizure of cash under section 67(2) of the CGST Act:

1. Cash can be seized if linked to GST Evasion:

- **Case:** *Smt. Kanishka Matta vs. Union of India and Others*, Writ Petition No. 8204/2020, decided by the High Court of Madhya Pradesh, Bench at Indore, on 26 August 2020.
- **Facts:** During the search at the residential premises of the petitioner and her husband, Mr. Sanjay Matta, on 30 May 2020, unaccounted cash amounting to ₹66,43,130/- was seized, along with other goods and documents, under Section 67(2) of the CGST Act. Mr. Sanjay Matta admitted in his voluntary statement that the cash was the sale proceeds of illegally sold Pan Masala without payment of GST. The petitioner argued that cash does not qualify as “documents, books, or things” under Section 67(2) of the CGST Act and, therefore, its seizure was beyond the jurisdiction of GST authorities and that her husband’s voluntary statement was later retracted and should not be considered as evidence.
- **Decision of the Court:**

- **Definition of “Things” Under Section 67(2):** The Court interpreted the term "*things*" in Section 67(2) broadly to include cash, citing legal dictionaries and established principles of statutory interpretation. The Court emphasized that the CGST Act aims to address GST evasion comprehensively, and cash linked to such evasion falls within its ambit.
- The Court upheld the validity of the voluntary statement given by Mr. Matta, despite its later retraction, referencing prior Supreme Court judgments that deemed retracted confessions admissible if corroborated by other evidence.
- The Court held that the GST authorities acted within their powers under Section 67(2) based on reasonable belief that the cash represented the proceeds of GST evasion. The authorities' ongoing investigation justified retaining the cash until the conclusion of proceedings.
- The Court dismissed the petition, concluding that the seizure was lawful and the petitioner failed to demonstrate any violation of statutory provisions.

2. **Cash may be seized if it is part of stock-in-trade.**

- **Case:** *Shabu George vs. State Tax Officer (IB)*, WA No. 514 of 2023, decided by the High Court of Kerala on 24 March 2023¹.
- **Facts:** During search conducted on 09.06.2022 at the business premises of the appellant, cash was seized from the premises. The seized cash was not part of the appellant's stock-in-trade. The appellant contended that the seizure was unwarranted as the cash was unrelated to their business operations. The appellant made a representation for the return of the seized cash. The Intelligence Officer rejected the representation, claiming that Section 67(2) of the GST Act authorized the seizure of "*things*," which could include cash.
- **Decision of the Court:**
 - **Interpretation of Section 67(2) of the GST Act:** Section 67(2) authorizes the seizure of "*things*," which may include cash in appropriate cases. However, the seizure must align with the objectives of the GST Act, which focuses on detecting and preventing tax evasion.

¹ SLP filed by the State Tax against the HC order was dismissed by the Hon'ble SC.

- The Court found no justification for the seizure of cash that was not part of the appellant's stock-in-trade. The findings of the Intelligence Officer about illicit sources of cash were deemed irrelevant in the context of the GST Act.
- The seized cash was retained for over six months without issuing a show cause notice, violating procedural safeguards. The Court directed the respondents to release the seized cash to the appellant within a week, stating that the retention was unjustified and unwarranted.

3. Section 67(2) does not authorize GST officers to seize cash as cash is not categorized as goods or things relevant to proceedings under the GST Act.

- **Case:** *Arvind Goyal CA vs. Union of India & Ors*, W.P.(C) 12499/2021, decided by the High Court of Delhi on 19 January 2023.
- **Facts:** During the search at the petitioners' premises, cash aggregating to ₹1,22,87,000/- was taken by the officers, but no seizure memo was prepared. Instead, a *panchnama* was drawn. The *panchnama* recorded the possession of ₹18,87,000/- from the room of petitioner no.1 and ₹1,04,00,000/- from the room of petitioner no.2, along with mobile phones and a laptop. The petitioners challenged the action, claiming that the officers lacked the authority to seize cash under Section 67(2) of the GST Act. The respondents argued that the action was not a seizure but a "resumption" of cash.
- **Decision of the Court: -**
 - **Interpretation of Section 67(2) of the GST Act:** Section 67(2) allows seizure of goods liable for confiscation or documents/books useful or relevant to proceedings. The Court found that cash does not fall within the definition of goods or things relevant to GST proceedings.
 - The officers' action was deemed coercive by the Court and without authority, as no seizure memo was prepared. While holding that the *panchnama* failed to legitimize the taking of cash, the Court observed “*We find no provision in the GST Act that could support an action of forcibly taking over possession of currency from the premises of any person, without effecting the same. The powers of search and seizure are draconian powers and must be exercised strictly in terms of the statute and only if the necessary conditions are satisfied”* [para 16 of the Court Order].
 - The respondents were ordered to return the balance amount of ₹1,04,00,000/- along with interest accrued.

4. **Cash is explicitly excluded from "goods," and "things" and seizure under Section 67(2) cannot be used to confiscate unaccounted wealth unless directly linked to GST violations.**

- **Case:** *Deepak Khandelwal Proprietor M/S Shri Shyam Metal vs. Commissioner of CGST, Delhi West & Anr., W.P.(C) 6739/2021, decided by the High Court of Delhi on 17 August 2023*².

- **Facts:** The petitioner, a proprietor of *Shri Shyam Metal*, carries on the business of trading in non-ferrous metals and is registered under the CGST Act. On 28 January 2020, a search was conducted at the petitioner's residential premises under Section 67(2) of the CGST Act. Items seized during the search included:

- (i) Two silver bars (29.5 kg and 14.5 kg)
- (ii) ₹7,00,000 in Indian currency
- (iii) Mobile phones and other documents.

The petitioner filed the writ petition under Article 226/227 of the Constitution, claiming that the seizure of cash and silver bars was unlawful and sought their release.

- **Decision of the High Court:**

- **Scope of "Goods" and "Things":** The Court held that cash is explicitly excluded from the definition of "goods" under Section 2(52) of the CGST Act. The term "things" under Section 67(2) must be read ejusdem generis with "documents" and "books," and must provide material evidence relevant to GST proceedings.
- Section 67 is intended to unearth tax evasion and ensure compliance with GST laws, not to recover unaccounted wealth. The seizure cannot be extended to items without evidentiary relevance to GST proceedings. The respondents failed to establish that the seized cash and silver bars were connected to any GST violations or that they had evidentiary value.
- No notice was issued within six months of the seizure [of silver bars which fell under the definition of goods], as required under Section 67(7), making the continued retention unlawful.

² SLP filed by the Central Tax against the HC order was dismissed by the Hon'ble SC.

- The Court respectfully disagreed with the Madhya Pradesh High Court's ruling in *Kanishka Matta v. Union of India & Ors.* (2020 SCC Online MP 4564, decided on 26.08.2020), emphasizing that the CGST Act does not permit seizure of assets solely for being unaccounted wealth.
- The Court directed the release of the seized cash and silver bars, with liberty to the respondents to initiate proceedings, if necessary, under the law.

5. Cash does not fall within the scope of the term "things" which include only items that contain information or records relevant to GST proceedings, such as documents or electronic devices.

- **Case:** *B. Kusuma Poonacha vs Senior Intelligence Officer, W.P. No. 25864 of 2023, High Court of Karnataka decided on 20 February 2024.*
- **Facts:** In this case cash amounting to Rs.1,71,07,500/- was *inter alia* seized from the residential premises of the petitioner No.1, an employee of M/s. Vihaan Direct Selling (India) Pvt. Ltd. (the petitioner No. 2), on 20/21.09.2022 during search under section 67(2). Petitioner No. 1 alleged coercion in recording her statement and withdrew it through an affidavit dated 27 September 2022. Petitioner No. 2 addressed several communications and an affidavit to claim the seized cash. The respondents argued that the cash was linked to financial transactions of the company and was relevant to GST proceedings.
- **Decision of the High Court:**
 - **Interpretation of "Things" Under Section 67(2)** The Court emphasized that the term "*things*" must be interpreted *ejusdem generis* with "*documents*" and "*books*." Items qualifying as "*things*" must be relevant or useful to proceedings under the CGST Act, typically containing information or evidence. Cash/currency is excluded as it does not inherently provide information or records relevant to GST proceedings.
 - The impugned seizure order dated 21 September 2022 was quashed as illegal and without jurisdiction. The respondents were directed to refund ₹1,71,07,500/- along with accrued interest to the petitioners within three weeks. The respondents were not precluded from initiating or continuing other proceedings under the CGST Act, if necessary.

6. **Neither cash falls within the definition of goods nor can be termed as a ‘thing’ useful or relevant for proceedings under the GST Act.**

- **Case:** *Bharatkumar Pravinkumar and Co vs. State of Gujarat, R/Special Civil Application No. 26222 of 2022, decided by the High Court of Gujarat on 26 October 2023.*
- **Facts:** The petitioner was a partnership firm engaged in courier services and registered under the GST Act. On 13 November 2020, cash amounting to ₹69,98,400/- was seized by the respondent (*State GST authority*) while it was being transferred to the petitioner's branch office in Rajkot. The petitioner explained that the cash was the sale proceeds of silver bars sold on 19 October 2019 and provided supporting documents, including sale invoices and bank details. The petitioner filed a writ petition under Article 226 of the Constitution of India, challenging the seizure and retention of the cash as illegal and arbitrary.
- **Decision of the High Court:**
 - The Court reaffirmed that "*goods*" under Section 2(52) of the CGST Act explicitly excludes money, and hence cash does not qualify as goods liable for confiscation.
 - **Limited Scope of "Things" Under Section 67(2):** The Court noted that the term "*things*" must be read in context with "*documents*" and "*books*" and cannot include cash unless it is directly relevant to GST proceedings. The Court referred to the Kerala High Court's decision in *Shabu George vs. State Tax Officer (IB)*, [2023] 153 taxmann.com 46 and the Delhi High Court's decision in *Arvind Goyal CA vs. Union of India, W.P. (C) 12499/2021*, which clarified that cash cannot be seized unless it forms part of the stock-in-trade or is useful for GST proceedings.
 - The Court observed that the respondent failed to issue a notice under Section 67(7) within six months of the seizure, as required by law. This procedural lapse invalidated the continued retention of the seized cash.
 - The respondent's affidavit acknowledged that the cash was the sale proceeds of silver bars and not related to any GST evasion.

- The Court ordered the respondent to return the seized cash of ₹69,98,400/- to the petitioner within one week, either in physical form or via digital transfer.

7. **Current Status:**

Department's SLP against the order of the Delhi HC in the case of Gunjan Bindal & Anr. Vs Commissioner of CGST Delhi (West), W.P.(C) 8713/2023, is pending before the Hon'ble SC, SLP (C) Diary No(s). 44061/2024, for admission.
