

Smurti Waghdhare v. Joint Director, Directorate General of GST Intelligence and Others

Case number: Writ Petition No. 839 of 2025

Citation: 2026:BHC-OS:6209-DB

Decision date: 10 March 2026

Cash seizure under Section 67: statutory power, reasons to believe and release with interest

Court: Bombay High Court

Bench: Hon'ble Mr. Justice G. S. Kulkarni and Hon'ble Ms. Justice Aarti Sathe

Decision stage: Final decision on the legality of the GST cash seizure; independent Income Tax proceedings expressly unaffected.

01 Facts of case and issues

Smurti Waghdhare, proprietor of GST-registered M/s. Platinum International, traded in ferrous and non-ferrous metals and scrap. Searches on 27 and 28 June 2023 led to two Form GST INS-02 orders: Rs. 60 lakh was seized from Premises No. 19 and Rs. 40 lakh from her parents' residence. She challenged both seizures under Article 226 and sought release with interest.

The Department linked the searches to an alleged fake-ITC operation involving her friend Hitesh Chheda. Its affidavit alleged approximately 155 bogus firms and Rs. 312.8 crore of ITC. These were Revenue allegations, not findings establishing her tax or criminal liability in this judgment. She disputed the statutory power to seize cash, the existence of recorded reasons and continued retention without timely notice. The issue was the legality of the Rs. 1 crore GST seizure.

Pinpoint: Official original PDF physical pp. 2–8, paragraphs 2–7; Revenue submissions and quoted affidavit at paragraph 8, physical pp. 8–12, especially p. 10.

02 Discussion by Hon'ble Court

The Court found the seizure arbitrary and without legal authority. Section 67(2) requires the prescribed officer's reason to believe that the statutory conditions for search and seizure exist. Here, the respondents had recorded no reasons supporting seizure of this cash. The Court also held that Section 67(2) did not authorise the cash seizure.

For the meaning of reason to believe, it applied the Supreme Court's reasoning in ITO v. Lakhmani Meval Das, quoted in paragraph 11: the belief requires a rational connection with relevant material and cannot rest on mere suspicion or pretence. Those quoted Income Tax reopening passages supply the principle; they do not decide any Income Tax issue in this writ. Revenue's reliance on Kanishka Matta appears in its reproduced affidavit, not as an authority adopted by this Court.

As an additional ground, the Court found no notice within six months under Section 67(7) and held the cash liable to return. The reproduced provision includes the possibility of a further extension, not exceeding six months, on sufficient cause. Paragraph 14 treated the full Rs. 1 crore as belonging to the petitioner and found no contrary departmental material. There is an internal source discrepancy: the

02 Discussion by Hon'ble Court

statement quoted in paragraph 7(ix) attributes Rs. 40 lakh to her parents, whereas the surrounding narration and paragraph 14 attribute it to her.

The Court also questioned the respondents' authority under the CGST Act to transfer the cash to the Income Tax Department. It recorded the petitioner's caregiving needs and supporting hospital documents, but the release direction rests on the statutory defects and findings above.

Pinpoint: Official original PDF paragraph 8 (quoted affidavit paragraph 22), physical p. 11; paragraphs 9–15, physical pp. 12–18; ownership discrepancy at paragraph 7(ix), physical pp. 7–8, compared with paragraph 14, physical p. 17.

03 Judicial decision and operative relief

Both seizure orders were quashed and set aside. Respondent Nos. 2 and 3 were directed to release the Rs. 60 lakh and Rs. 40 lakh and pay the amounts directly into the bank account supplied by the petitioner, with applicable interest, within two weeks from the date she makes the order available to them. The Court specified neither an interest rate nor an accrual commencement date.

The petition was disposed of, with no costs, and the rule made absolute in those terms. The Court expressly preserved pending or initiated Income Tax proceedings against the petitioner from the effect of its findings.

Pinpoint: Official original PDF physical p. 18, paragraph 16 and operative clauses (a)–(d), particularly clause (b) for the payment deadline and interest and clause (c) for the Income Tax reservation.

04 In favour of

Petitioner on the final GST cash-seizure merits. Independent Income Tax proceedings remain unaffected.

Final substantive relief against the GST seizure, with repayment and applicable interest. This was neither an interim release nor a remand. It does not determine fake-ITC liability or terminate the separate Income Tax proceedings.

Pinpoint: Official original PDF physical pp. 16–18, paragraphs 12–16 and operative clauses (a)–(d).

05 AKHB REVIEW POINT

AKHB analysis: Separate the officer's statutory power, the recorded basis for seizure, continued-retention requirements and the exact repayment direction. Preserve search authorisations, seizure orders, statements, ownership records, notices and any extension order. For implementing this relief, retain proof of making the order available and providing bank details; the two-week period runs from that event. Seek clarification of interest computation rather than inventing a rate or start date.

Read the six-month reasoning as this Court's additional ground under a provision framed for goods, not a universal deadline for every seized book, document or thing. Address the source's ownership inconsistency candidly. This judgment offers no blanket immunity for unexplained cash, GST investigation or Income Tax action; verify the applicable jurisdiction and later appellate treatment before relying on its cash-seizure reasoning.

Pinpoint: AKHB commentary based on official original PDF paragraphs 7(ix), 9–16. Practical steps and limits are analysis, not additional judicial directions.

Sources and limitations

Relevant provisions

Constitution of India: Article 226. CGST Act, 2017: Sections 67(2) and 67(7); Section 67(11) appears in submissions and Section 70 in the quoted departmental affidavit. Income-tax Act, 1961: Section 131 (separate proceedings). Definitions cross-check: CGST Sections 2(52) and 2(75).

Statutory note

Paragraph 7(x) prints the money-definition reference as “sub-section 2 of Section 75”; the correct location is Section 2(75), with goods defined in Section 2(52), independently checked against India Code.

Paragraph 8’s introductory “Section 17” statement reference differs from the reproduced affidavit’s Section 70. Section 67(7) is worded for goods; the note reports its application by this Court without treating money as goods or resolving that classification tension. No interest rate, statutory interest provision or accrual date is supplied by the operative order.

Treatment note

Bounded searches checked on 12 October 2026, covering potential treatment after 10 March 2026 through the checked date, used the party-name variants, docket and neutral citation on Supreme Court and Bombay High Court official domains. No matching later appeal, stay, review or modifying disposition was established. This is an unverified later-appellate-status result, not proof that no proceeding exists or comprehensive citator clearance.

Scope of source review

All 18 physical original pages read in full and individually visually checked, including paragraphs 1–16, both parties’ submissions, quoted affidavit and authorities, and every operative clause.

Source notes

The signed caption spells the petitioner’s name “Smurti”; “Smruti” occurs inside quoted statements. The original eCourts PDF lacks a printed neutral citation; 2026:BHC-OS:6209-DB was verified in a separate official Bombay High Court PDF view. The case was reserved on 5 March and pronounced on 10 March 2026. The Rs. 40 lakh ownership inconsistency is preserved above; it is not silently reconciled.

Primary source

Source description: Complete 18-page official Bombay High Court judgment; neutral citation independently verified against the Court’s separately available official PDF view.

Official source: [Open source document](#)

Source pages: 18

Judgment author: Aarti Sathe, J.

Outcome type: final high court merits

Additional source

Bombay High Court alternate official PDF view with neutral citation

Official source: [Open source document](#)

Pinpoint: First page: 2026:BHC-OS:6209-DB. Separate official presentation; retained original eCourts PDF remains unchanged.

India Code official CGST Act text

Official source: [Open source document](#)

Pinpoint: Sections 2(52), 2(75), 67(2), 67(7) and 70; targeted statutory cross-check.

Disclosures and source rights

AI disclosure: Prepared with AI assistance from the complete official High Court judgment identified in this note. No human legal review is claimed.

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Reserved date: 5 March 2026

Source checked: 12 October 2026