

G.V. Adhimoolam & Ors. v. The Inspector of Police & Anr.

Criminal Appeal No. 1797 of 2025 / Criminal Appeal No. 1798 of 2025 / SLP (Criminal) No. 10754 of 2022 / SLP (Criminal) No. 10691 of 2022

[2025] 4 S.C.R. 2484 : 2025 INSC 681 | 2025-04-04

Whether the FIR alleging cheating, wrongful confinement, obscene abuse and criminal intimidation in a family-linked car-dealership investment dispute disclosed a sustainable criminal case or was an abuse of process; and what weight the unsupported alleged cash investment carried in that assessment.

40A(3)

Two-judge bench | Vikram Nath, J. | Sandeep Mehta, J.

Assessment years: See the source-scope notes; no year inferred.

01 FACTS OF THE CASE

Two appeals challenged the Madras High Court's common order dated 27 September 2022 refusing to quash Crime/FIR No. 21 of 2019, registered on 4 June 2019. The complainant, M. Senthil Kumar, alleged that his elder brother R.M. Rajamanikam, accused 5, had persuaded him to invest in a Nissan dealership associated with the appellants. He alleged a Rs 1.5 crore bank transfer in 2013 from his business account to his brother's company and an onward transfer by that brother to G.V. Adhimoolam. He also alleged that, fifteen days later, he paid an additional Rs 20 lakh in cash towards partnership. Despite these payments he was not made a partner. The accused-appellants were close family connections: Adhimoolam, his son Vijayaraj, Vijayaraj's wife Sharmila Devi, and her brother Jagadeeswaran. Rajamanikam died after the complaint.

The complaint further alleged that a 22 May 2019 visit to seek repayment led to threats, abuse, attempted assault and obstruction. The FIR invoked sections 420, 342, 294(b) and 506(1) IPC. The appellants said the money belonged to the brothers' yarn-business dealings, that they had given no inducing promise, and that the FIR was a delayed counterblast to Vijayaraj's police complaint about the complainant's conduct at the appellants' house. The State opposed quashing and urged that the FIR allegations disclosed the offences and that an accused's defence should not be tried at that stage. The alleged payments and partnership promises are allegations, not findings that the appellants actually received the funds or incurred the asserted debt.

Source: [reported rendition / paragraphs 3-20 / PDF pages 3, 4, 5, 6, 7, 8 / judgment](#); [official signed judgment / paragraphs 3-20 / PDF pages 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court examined the complaint's own account and found that the investment suggestion came from the complainant's brother and that the Rs 1.5 crore was transferred to that brother's firm. It found no inducing representation by the appellants and held that the ingredients of cheating, including fraudulent inducement at inception, were missing even on the highest allegations. The unexplained six-year delay and use of criminal proceedings as a recovery device after the civil limitation period had lapsed were further reasons for treating the complaint as lacking bona fides (paragraphs 22-25).

Paragraph 26 considered the separate Rs 20 lakh cash allegation. The Court said such a large cash payment required corroboration by properly verified account statements, referred to section 40A(3) as it stood in 2013, and noted that the complaint did not even assert a valid source or accounting for the amount. In that factual setting, with no written acknowledgement or business-profile inquiry before the alleged Rs 1.7 crore investment, it found the cash allegation unreliable and fabricated. The section 40A(3) reference formed part of this evidential assessment; the Court was not computing business income, disallowing a claimed expenditure deduction or imposing a tax penalty.

The later confrontation allegations were also rejected in their setting: Vijayaraj had already complained to police, and the impugned FIR followed summons to the complainant. The Court found the asserted abuse, threats and restraint insufficient or contrived, rather than treating every heated exchange as the charged offence (paragraphs 27-28, 32). Applying *Iqbal v. State of Uttar Pradesh*, it held that courts considering allegedly vexatious criminal proceedings must examine the surrounding record carefully and need not confine themselves to formally drafted allegations. The cumulative circumstances made these proceedings manifestly frivolous, vexatious and motivated by vengeance (paragraphs 29-32).

Source: [reported rendition / paragraphs 22-25 / PDF pages 8, 9 / judgment](#); [reported rendition / paragraphs 26 / PDF pages 9, 10 / judgment](#); [reported rendition / paragraphs 27-32 / PDF pages 10, 11, 12 / judgment](#); [official signed judgment / paragraphs 22-26 / PDF pages 16, 17, 18, 19, 20, 21, 22 / judgment](#); [official signed judgment / paragraphs 27-32 / PDF pages 22, 23, 24, 25, 26, 27, 28 / judgment](#)

03 JUDICIAL DECISION

The common High Court order dated 27 September 2022 was set aside. FIR No. 21 of 2019 dated 4 June 2019 and all proceedings sought against the accused-appellants in it were quashed as a gross abuse of process. Both appeals were allowed and pending applications disposed of. This was final quashing of the criminal proceedings against the appellants, not an acquittal after trial or a remand.

Source: [reported rendition / paragraphs 33-36 / PDF pages 12, 13 / judgment](#); [official signed judgment / paragraphs 33-36 / PDF pages 28, 29 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Accused-appellants; adverse to the respondent complainant and the State's opposition to quashing

Both appeals allowed; High Court order set aside; FIR and consequential proceedings against the accused-appellants quashed

Criminal quashing dispute finally decided on the allegations and attending circumstances

No tax assessment, deduction disallowance or penalty. The section 40A(3) observation does not itself invalidate every cash transaction or establish a universal civil non-enforceability rule.

Source: [reported rendition / paragraphs 33-36 / PDF pages 12, 13 / judgment](#); [official signed judgment / paragraphs 33-36 / PDF pages 28, 29 / judgment](#)

05 AKHB REVIEW POINT

Use paragraph 26 with its factual and procedural setting. Preserve bank records, accounting entries, source evidence, contemporaneous acknowledgements and the nature of the alleged payment when testing a large cash allegation. Section 40A(3) operates in the expenditure-deduction setting; its citation here should not be repackaged as a general criminal prohibition on cash investment or a rule that every cash loan is void. The Court's result also depended on who allegedly induced the payment, where the bank transfer went, prolonged unexplained delay and the retaliatory sequence of complaints. No deduction claim or applicable exception was adjudicated, and no assessment year or tax liability should be inferred. Review the historical 2013 provision and later judicial treatment before extending the reasoning. No automatic Income-tax Act, 2025 mapping is made.

Source: [reported rendition / paragraphs 22-34 / PDF pages 8, 9, 10, 11, 12, 13 / judgment](#); [official signed judgment / paragraphs 26 / PDF pages 20, 21, 22 / judgment](#)

PROVISION-SPECIFIC SCOPE

1.

Provision: Income-tax Act, 1961, section 40A(3)

Role: Historical cash-expenditure restriction invoked as part of the Court's assessment of the credibility of an alleged 2013 Rs 20 lakh cash payment; not a business-deduction determination or tax-penalty proceeding

Paragraphs: 26

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Sandeep Mehta, J.

OTHER GOVERNING ACTS

Code of Criminal Procedure, 1973; Indian Penal Code, 1860; Constitution of India

RELEVANCE TO INCOME-TAX ACT RESEARCH

Substantive Income-tax Act application or directions within non-tax litigation

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported rendition\)](#)

Identified source rendition: 13 PDF pages; SHA-256

dc22dee981a700bb0d28036673e49aa42a1c9df38f1a01c1a785016e400292ea. Original bytes preserved.

[Open cited source rendition](#)

The tax provision is part of paragraph 26's credibility reasoning in a criminal quashing judgment. It is not a general determination that every cash loan, contribution or investment is illegal or unenforceable.

The source gives 2013 as the transaction year and statutory reference point, not an assessment year. No tax-return or deduction dispute is before the Court.

The SCR cover correctly marks Sandeep Mehta as author; the frozen metadata marks Vikram Nath with an asterisk. The original judgment begins Mehta, J.

Appeal numbers are supplied by the SCR rendition. The official original has blank appeal-number spaces and the two originating SLP numbers, which are preserved separately.

The official original bears a 14 May 2025 digital-signature timestamp but its closing judicial date and SCR cover say 4 April 2025; signature processing date is not treated as a different judgment date.

The judgment uses wrongful restraint terminology while citing section 342 IPC. The note preserves the charged section and does not silently substitute section 341.

The relief is quashing only against the accused-appellants, as the operative text states. The non-appellant deceased brother's status is not broadened into an additional party-specific disposition.

All bounded judicial paragraphs were read. Reporter headnotes and final editorial Result line were kept separate; no adjacent decision contaminates the source.

Both citations printed on the SCR cover; the neutral citation is also printed on the official original.

No assessment year is specified. Paragraph 26 expressly considers section 40A(3) as it stood in 2013, the alleged transaction year; that year is not converted into an assessment year.

The SCR cover and jurisdictional preface supply Criminal Appeals 1797 and 1798 of 2025. The official original leaves the appeal-number spaces blank while identifying the two originating SLPs; it is not a separate decision.

The SCR cover and official closing page both identify 4 April 2025. The official original's digital-signature timestamp is 14 May 2025; that processing/signature timestamp is not substituted for the dated judicial decision.

STATUTORY SCOPE

The Income-tax Act, 1961 provisions as discussed in the judgment; no independent consolidated current-statute audit

No automatic mapping to the Income-tax Act, 2025 or certification of current compliance requirements.

LATER TREATMENT

Source checked 2026-10-04. Subsequent review proceedings, stays, reversals and later judicial treatment have not been comprehensively checked. This note is not a citator status certificate.

IDENTIFIED SOURCE LINKS

[reported rendition - Physical PDF page 1 - PDF pages: 13](#)

SHA-256: dc22dee981a700bb0d28036673e49aa42a1c9df38f1a01c1a785016e400292ea

[official signed judgment - PDF pages: 29](#)

SHA-256: 29e4faec7d227d78b29763adcb9094f08689d2abecaf2d5b9e669d5836b82a41

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