

**IN THE HIGH COURT OF GUJARAT
AT AHMEDABAD**

Case Tracker

[SRI KRISHNA TRADERS Vs STATE OF GUJARAT \[High Court\]](#)

R/Special Civil Application No. 11017 Of 2019

SRI KRISHNA TRADERS

Vs

STATE OF GUJARAT

J B Pardiwala & Bhargav D Karia, JJ

Dated: January 29, 2020

Appellant Rep by: Uchit N Sheth(7336)

Respondent Rep by: Mr Chintan Dave, AGP (1)

GST - By an ad-interim order, Court directed that the goods to be released upon the writ applicant on depositing an amount of Rs.2,08,250/- With this direction, the writ applicant availed the benefit of an interim-order and got the goods released, on payment of the requisite amount - Bench is now called upon to adjudicate the legality and validity of the order passed by the authority in GST MOV-11 -Two grounds have been raised by the department for the purpose of confiscation of the goods - First is that the e-way bill was not generated and the second ground was undervaluation - In what state of circumstances the authority would be justified to invoke Section 130 of the Act, for the purpose of confiscation, is now explained in detail by this Court in the case of Synergy Fertichem Pvt. Ltd - [2019-TIOL-2950-HC-AHM-GST](#) , paragraph Nos.99 to 104 of the said judgment - Writ Application is, therefore, allowed, in part - The impugned order of confiscation, in Form GST MOV-11, is hereby quashed and set aside and the matter is remitted to the respondent No.2 for fresh consideration, so far as the issue of confiscation is concerned - Application disposed of [para 4, 6, 8, 10]

Application disposed of

Case law cited:

***Synergy Fertichem Pvt. Ltd V/s. State of Gujarat - [2019-TIOL-2950-HC-AHM-GST...](#)
Para 6, 9***

JUDGEMENT

Per: J B Pardiwala:

1. Rule, returnable forthwith. Learned Assistant Government Pleader Mr.Chintan Dave waives service of notice of rule for and on behalf of the respondents.
2. By this Writ Application under Article 226 of the Constitution of India, the writ applicant-a proprietorship concerned, through its proprietor, has prayed for the following relief:

"A. This Hon'ble Court may be pleased to issue a writ of certiorari or a writ in nature of certiorari or any other appropriate writ, order or direction quashing and setting aside detention order dated 22.4.2019 in Form GST MOV-6 (annexed at Annexure A) and confiscation order dated 11.4.2019 in Form GST MOV-11 (annexed at Annexure B);

B. This Court may be pleased to issue a writ of mandamus or a writ in nature of mandamus or any other appropriate writ or order directing the learned Respondent authorities to forthwith release truck no.HR-55-J-2914 along with the goods contained therein;

C. Pending notice, admission and final hearing of this petition, this Hon'ble Court may be pleased to stay operation of the impugned detention / confiscation orders (annexed at Annexure A/B) and this Hon'ble Court may be pleased to further direct the learned Respondent authorities to forthwith release truck no.HR-55 J 2914 along with the goods contained therein;

D. Ex parte ad interm relief in terms of prayer C may kindly be granted;

E. Such further relief(s) as deemed fit in the facts and circumstances of the case may kindly be granted in the interest of justice for which act of kindness your petitioner shall forever pray."

3. On 26th June, 2019 = **2019-TIOL-1363-HC-AHM-GST**, a Co-ordinate Bench of this Court has passed the following order:

"Let notice be issued to the respondents, returnable on 24th July 2019. Ms.Mehta, the learned AGP waives service of notice for and on behalf of the respondents - State.

Having heard the learned counsel appearing for the parties and having gone through the materials on record, we propose to pass an interim order with regard to the release of the goods seized by the officers of the Goods and Services Tax department.

It appears from the materials on record that the writ applicant herein is engaged in the business of betel nuts. He is a registered dealer under the Goods and Services Tax Act (for short, 'the GST Act').

The writ-applicant is operating from the State of Tamil Nadu. It appears that the consignment of betel nuts was being transported from Vellor, State of Tamil Nadu, to Delhi. While the goods were in transit and passing through the State of Gujarat, the vehicle was intercepted by the officers of the GST and the same came to be detained on the ground that E-Way Bill was not produced when demanded. In such circumstances, the vehicle along with the goods came to be seized.

It appears that immediately the writ-applicant preferred a representation dated 22nd April 2019 addressed to the State Tax Officer (2), Mobile Squad, Division-1, Ahmedabad, stating that the writ applicant is ready and willing to deposit the requisite amount without prejudice to his rights and contentions, and on deposit of such amount, the vehicle along with the goods may be released.

It appears that one another representation dated 30th April 2019 addressed to the State Tax Officer (2), Mobile Squad, Division-1, Ahmedabad, along with the copy of the challan.

To cut-short the controversy for the time being, the writ applicant deposited an amount of Rs.1,85,500=00. However, according to the authorities, the amount due and payable is Rs.3,93,750=00.

There are many larger issues involved in this petition, more particularly, with regard to the interpretation of Sections 129 and 130 of the GST Act. Many petitions have been admitted and are pending for consideration in this regard.

We propose to pass an order directing the respondent authorities to release the goods on the writ-applicant depositing the balance amount, I.e. Rs.2,08,250=00.

In passing the aforesaid order, we take support of one order passed by a co-ordinate Bench of this Court dated 8th March 2019 in the Special Civil Application No.4730 of 2019. The order reads thus:

"1. On 06.03.2019 this Court had passed an order in the following terms:

*"1. Mr.Uchit Sheth, learned advocate for the petitioners invited the attention of the court to the provisions of sections 129 and 130 of the Central Goods and Services Tax **Act, 2017**, to point out the procedure which is required to be followed by the respondent authorities in case where any goods are in transit in contravention of the provision of the Act or the rules made thereunder. It was pointed out that firstly, under section 129 of the Act, the officer is required to issue a notice as contemplated under subsection (3) thereof and thereafter, after affording an opportunity of hearing to the person concerned, pass an order thereunder. It was submitted that it is only if there is no compliance of the order passed under section 129 of the Act, that the provisions of section 130 of the IGST Act can be resorted to. The attention of the court was invited to the impugned show-cause notice dated 1.3.2019, to submit that the same seeks to impose penalty, redemption fine and confiscation under section 130 of the Act without initiating any proceedings under section 129 of the Act, which is not permissible in law. It was further submitted that the integrated goods and services tax has already been paid on the goods in question at the time of import thereof and that the goods in question are perishable goods with a limited shelf-life.*

2. Having regard to the submissions advanced by the learned counsel for the petitioners, Issue Notice returnable on 8th March, 2019. Direct Service is permitted today."

2. In response to the notice, Mr. Soham Joshi, learned Assistant Government Pleader, has appeared on behalf of the respondents.

*3. The learned Assistant Government Pleader has invited the attention of the Court to the detention order dated 14.02.2019 issued by the proper officer under sub-section (1) of section 129 of the Central Goods and Services Tax **Act, 2017** (hereinafter referred to as "the CGST Act") and other relevant statutes. It was submitted that the goods in question were not accompanied by an E-way bill during the course of transit and*

therefore, the respondents are fully justified in passing the detention order under section 129(1) of the CGST Act.

4. Subsection (3) of section 129 of the CGST Act provides that the proper officer detaining or seizing the goods or conveyances shall issue a notice specifying the tax and penalty payable and thereafter, pass an order for payment of tax and penalty under clause (a) or clause (b) or clause (c). Subsection (4) provides that no tax, interest or penalty shall be determined under sub-section (3) without giving the person concerned an opportunity of being heard.

5. In the present case, the show-cause notice dated 01.03.2019 has been issued under section 130 of the CGST Act calling upon the petitioner to show cause as to why the goods in question as well as the vehicle should not be confiscated for non-payment of an amount of Rs.60,72,639/-, as detailed therein. On a query by the Court, the learned Assistant Government Pleader is not in a position to point out that the procedure, as contemplated under subsections (3) and (4) of section 129 of the CGST Act, has been followed. Thus, prima facie, it appears that the showcause notice under section 130 of the CGST Act has been issued without complying with the requirements of section 129 of the CGST Act. It is also an admitted position that the goods in question are perishable in nature.

6. In the aforesaid premises, in the opinion of this Court, the petitioner has made out a strong prima facie case for the grant of interim relief. By way of interim relief, the respondents are hereby directed to forthwith release the goods in question and the Truck bearing registration no. GJ-07-UU-7250 detained/seized under purported exercise of powers under sections 129 and 130 of the CGST Act. However, the petitioner shall file an undertaking before this Court within a week from today to the effect that in case the petitioner, ultimately, does not succeed in the petition, he shall duly cooperate in the further proceedings.

7. Stand over to 27.03.2019, so as to enable the respondents to file affidavit-in-reply, if any, in the matter. Direct service is permitted today."

The vehicle bearing registration no.GJ-03-AT-1362 as well as the goods, I.e. betel nuts, detained/seized under purported exercise of powers under Sections 129 and 130 of the GST Act shall be released immediately upon the writ applicant depositing the amount of Rs.2,08,250=00 with the concerned department.

The writ-applicant shall file an undertaking before this Court within a week from today to the effect that in case the writ applicant ultimately does not succeed in the petition, he shall duly cooperate in the further proceedings.

Post this matter for further hearing on 24th July 2019. Direct service is permitted."

4. By an ad-interim order, this Court directed that the goods to be released upon the writ applicant on depositing an amount of Rs.2,08,250/-. With this direction, the writ applicant availed the benefit of an interim-order and got the goods released, on payment of the requisite amount. We are now called upon to adjudicate the legality and validity of the order passed by the authority in GST MOV-11.

5. The learned advocate, appearing for the writ applicant, vehemently submitted that the impugned order of confiscation is without any application of mind and not tenable in the law. Mr. Sheth, the learned advocate, has pointed out something very unusual that the notice for confiscation was issued on 22nd April, 2019, whereas, the order of confiscation came to be passed on 11th April, 2019. He pointed out that thus, the final order of confiscation came to be passed on the very same date on which the notice was issued.

6. Two grounds have been raised by the department for the purpose of confiscation of the goods. First is that the e-way bill was not generated and the second ground was under valuation. In what state of circumstances the authority would be justified to invoke Section 130 of the Act, for the purpose of confiscation, is now explained in detail by this Court in the case of *Synergy Fertichem Pvt. Ltd V/s. State of Gujarat [Special Civil Application No.4730 of 2019] = [2019-TIOL-2950-HC-AHM-GST](#)*. Paragraph Nos.99 to 104 of the said judgment, read thus:

"99. It is practically impossible to envisage various types of contravention of the provisions of the Act or the Rules for the purpose of detention and seizure of the goods and conveyances in transit. The contravention could be trivial or it may be quite serious sufficient enough to justify the detention and seizure. This litigation is nothing but an outburst on the part of the dealers that practically in all cases of detention and seizure of goods and conveyance, the authorities would straightway invoke Section 130 of the Act and thereby would straightway issue notice calling upon the owner of the goods or the owner of the conveyance to show-cause as to why the goods or the conveyance, as the case may be, should not be confiscated. Once such a notice under Section 130 of the Act is issued right at the inception, i.e, right at the time of detention and seizure, then the provisions of Section 129 of the Act pale into insignificance. The reason why we are saying so is that for the purpose of release of the goods and conveyance detained while in transit for the contravention of the provisions of the Act or the rules, the section provides for release of such goods and conveyance on payment of the applicable tax and penalty or upon furnishing a security equivalent to the amount payable under clause (a) or clause (b) to Clause (1) of Section 129. Section 129(2) also provides that the provisions of sub-section (6) of Section 67 shall mutatis mutandis apply for detention and seizure of goods and conveyances. We quote Section 67(6) as under; "67(6) The goods so seized under sub-section(2) shall be released, on a provisional basis, upon execution of a bond and furnishing of a security, in such manner and of such quantum, respectively, as may be prescribed or on payment of applicable tax, interest and penalty payable, as the case may be."

100. Section 129 further provides that the proper officer, detaining or seizing the goods or conveyances, is obliged to issue a notice, specifying the tax and penalty payable and, thereafter, pass an order for payment of such tax and penalty. Clause (4) provides that no tax, interest or penalty shall be determined under sub-section (3) without giving the person concerned an opportunity of being heard. Clause (5) provides that on payment of the amount, referred to in sub-section (1) of the proceedings in respect of the notice, specified in sub-section (3) are deemed to be concluded, and in the last, clause (6) provides that if the tax and penalty is not paid within 14 days of detention or

seizure, then further proceedings would be initiated in accordance with the provisions of Section 130.

101. We are of the view that at the time of detention and seizure of goods or conveyance, the first thing the authorities need to look into closely is the nature of the contravention of the provisions of the Act or the Rules. The second step in the process for the authorities to examine closely is whether such contravention of the provisions of the Act or the Rules was with an intent to evade the payment of tax. Section 135 of the Act provides for presumption of culpable mental state but such presumption is available to the department only in the cases of prosecution and not for the purpose of Section 130 of the Act. What we are trying to convey is that in a given case, the contravention may be quite trivial or may not be of such a magnitude which by itself would be sufficient to take the view that the contravention was with the necessary intent to evade payment of tax.

102. In such circumstances, referred to above, we propose to take the view that in all cases, without any application of mind and without any justifiable grounds or reasons to believe, the authorities may not be justified to straightway issue a notice of confiscation under Section 130 of the Act. For the purpose of issuing a notice of confiscation under Section 130 of the Act at the threshold, i.e., at the stage of Section 129 of the Act itself, the case has to be of such a nature that on the face of the entire transaction, the authority concerned is convinced that the contravention was with a definite intent to evade payment of tax. We may give one simple example. The driver of the vehicle is in a position to produce all the relevant documents to the satisfaction of the authority concerned as regards payment of tax etc., but unfortunately, he is not able to produce the e-way bill, which is also one of the important documents so far as the **Act, 2017** is concerned. The authenticity of the delivery challan is also not doubted. In such a situation, it would be too much for the authorities to straightway jump to the conclusion that the case is one of confiscation, i.e., the case is of intent to evade payment of tax.

103. We take notice of the fact that practically in all cases, after the detention and seizure of the goods and the conveyance, straightway notice is issued under Section 130, and in the said notice, one would find a parrot like chantation " as the goods were being transported without any valid documents, it is presumed that the goods were being transported for the purposes of evading the tax". We have also come across notices of confiscation, wherein it has been stated that the the driver of the conveyance is presumed to have contravened the provisions of the Act or the Rules with an intent to evade payment of tax. This, in our opinion, is not justified. The resultant effect of such issue of confiscation notice at the very threshold, without any application of mind or without there being any foundation for the same, renders Section 129 of the Act practically otiose. We take cognizance of the fact that once the notice under Section 130 of the Act is issued, then the vehicle is not released even if the owner of the goods is ready and willing to pay the tax and the penalty that may be determined under Section 129 of the Act. Such approach leads to unnecessary detention of the goods and the conveyance for an indefinite period of time. Therefore, what we are trying to convey is that all cases of contravention of the provisions of the Act or the Rules, by itself, may not attract the consequences of such goods or the conveyance confiscated under Section 130 of the Act. Section 130 of the Act is altogether an independent provision

which provides for confiscation in cases where it is found that the intention was to evade payment of tax. Confiscation of goods or vehicle is almost penal in character. In other words, it is an aggravated form of action, and the object of such aggravated form of action is to deter the dealers from evading tax.

104. In the aforesaid context, we would like to clarify that we do not propose to lay down, as a proposition of law, or we should not be understood to have taken the view that, in any circumstances, the authorities concerned cannot invoke Section 130 of the Act at the threshold, i.e., at the stage of detention and seizure. What we are trying to convey is that for the purpose of invoking Section 130 of the Act at the very threshold, the authorities need to make out a very strong case. Merely on suspicion, the authorities may not be justified in invoking Section 130 of the Act straightway. If the authorities are of the view that the case is one of invoking Section 130 of the Act at the very threshold, then they need to record their reasons for such belief in writing, and such reasons recorded in writing should, thereafter, be looked into by the superior authority so that the superior authority can take an appropriate decision whether the case is one of straightway invoking Section 130 of the Act. Any opinion of the authority to be formed is not subject to objective test. The language of Section 130 of the Act leaves no room for the relevance of an official examination as to the sufficiency of the ground on which the authority may act or proceed for the purpose of confiscation at the very threshold. But, at the same time, there must be material based on which alone the authority could form its opinion in good faith that it has become necessary to call upon the owner of the goods as well as the owner of the conveyance to show-cause as to why the goods and the conveyance should not be confiscated under Section 130 of the Act. The notice for the purpose of confiscation must disclose the materials, upon which, the belief is formed. It could be argued that it is not necessary for the authority under the Act to state reasons for its belief. For the time being, we proceed on the basis of such argument. But, if it is challenged that the notice is bereft of the necessary details or the satisfaction of the authority is imaginary or based on mere suspicion, then the authority must disclose the materials, upon which, his belief was formed as it has been held by the Supreme Court in Sheonath Singh's case [AIR 1971 SC 2451]. In Sheonath Singh (supra), the Supreme Court held that the Court can examine the materials to find out whether an honest and reasonable person can base his reasonable belief upon such materials although the sufficiency of the reasons for the belief cannot be investigated by the Court. The formation of the opinion by the authority that the goods and the conveyance are liable to be confiscated should reflect intense application of mind. We are saying so because it is not any or every contravention of the provisions of the Act or the Rules which may be sufficient to arrive at the conclusion that the case is one of an intention to evade payment of tax. In short, the action must be held in good faith and should not be a mere pretence."

7. We are convinced with the submissions of Mr.Sheth, as regards the legality and validity of the impugned order of confiscation in Form GST MOV-11.

8. In view of the aforesaid, this Writ Application is allowed, in part. The impugned order of confiscation, in Form GST MOV-11, is hereby quashed and set aside. The matter is remitted to the respondent No.2 for fresh consideration, so far as the issue of confiscation is concerned.

9. While considering the issue a fresh, the respondent No.2 shall bare in mind the principles, explained by this Court in *Synergy Fertichem Pvt.Ltd V/s. State of Gujarat* [Special Civil Application No.4730 of 2019], decided on 23.12.2019 = 2019-TIOL-2950-HC-AHM-GST, and more particularly, the observations made in paragraph Nos.99 to 104 of the said judgment.

10. In view of the above, the Writ Application stands disposed of. Direct service is permitted.