 2026:PHHC:077110

IN THE HIGH COURT OF PUNJAB AND HARYANA AT CHANDIGARH

CRM-M No.15152 of 2026 (O&M)
Reserved on: 12.05.2026
Date of Decision: 18.05.2026

Kuldip Singla

.....Petitioner

Versus

Directorate General of GST

..... Respondent

CORAM: HON'BLE MR.JUSTICE SURYA PARTAP SINGH

Present: Mr. Vikas Bali, Advocate for the petitioner.

Mr. Sourabh Goel, Senior Standing Counsel with
Ms. Drishti Saraf, Advocate;
Mr. Reviet Malhotra, Advocate and
Ms. Himansi Gautam, Advocate for the respondent.

SURYA PARTAP SINGH, J. (Oral):

This is first petition for bail, filed by the petitioner under Section 483 of the 'Bharatiya Nagarik Suraksha Sanhita 2023'. The petitioner who is in custody has sought the benefit of bail in a complaint case filed by the respondent for the commission of offence punishable under Sections 132(1) (c & 1) of Central Goods and Services Tax Act 2017, hereinafter being referred to as 'CGST Act', only and under Section 132(1) (i) of CGST and Sections 132(1)(i) of Punjab State Goods & Service Tax Act, 2017, both read with Section 20 of IGST Act 2017.

2. It has been alleged by the petitioner that on the basis of baseless allegations firstly a raid was conducted at the principal place of his business on

19.01.2026 and certain documents were seized by projecting that petitioner and his partner have claimed 'input tax credit' in an illegal manner. As per petitioner on the same day they were taken into custody, but in an illegal manner their formal arrest was shown on 20.01.2026. According to petitioner, his arrest was in violation of the settled principle of law as the grounds of arrest were not communicated to him. While claiming that no illegal acts, whatsoever, has been committed by him or his partner it has been alleged that proper proofs/documents with regard to legal claim of 'Input Tax Credit' were handed over to the officers of the respondent, but while ignoring all the above mentioned valid documents, his illegal arrest has been made. Hence the present petition.

3. The above mentioned petition has been opposed by the learned Senior Standing Counsel for the respondent and a detailed written reply has been filed. In the abovesaid reply each and every ground taken by the petitioner in his petition for bail, has been controverted by the respondent. It has been alleged that after thorough investigation, prior to raid, it was observed that petitioner and his partner had been claiming 'Input Tax Credit' in an illegal manner, and that there was no actual transaction of goods between the petitioner and the so-called supplier, and thus, while claiming 'Input Tax Credit' in an illegal manner huge loss, to the tune of Rs.47.50 crores, on the basis of fake invoices of taxable value of Rs.263.94 crores had been caused. While defending it action, wherein the raid was conducted and the petitioner arrested, the respondent has alleged that in view of fraudulent act committed

by the petitioner causing huge loss to the State Exchequer, he is not entitled to the benefit of bail.

4. Heard.

5. It has been contended by learned counsel for the petitioner that petitioner is a piece living and law abiding citizen pursuing his business in a legitimate manner, and that the business entity of the petitioner namely ‘M/s Maruti Alloys’ is involved in active business, being a furnace unit. According to learned counsel for the petitioner the abovesaid business entity is duly registered with ‘Goods and Service Tax Department’, vide registration dated 20.09.2018, and that the prosecution of the petitioner on the ground of illegal claim of 'Input Tax Credit' is a fallacious.

6. The learned counsel for the petitioner has further contended that without any legal basis and without any evidence it is being claimed by the respondent that the petitioner and his partner namely ‘Ratnesh Singla’ (co-accused) have availed 'Input Tax Credit' for a sum of Rs.47.50 crores against fake invoices in the name of their firm, i.e. ‘Maruti Alloys’, and that to support above mentioned stand of the respondent there is no credible evidence at all. During the course of argument the learned counsel for the petitioner has contended that after due verification, the refund of the petitioner towards ITC has been processed by the officer of respondent and now after an inordinate delay, without any basis, it is being claimed that there was no actual trade/business between the firm of the petitioner and other business entities.

7. With regard to above, the learned counsel for the petitioner has

contended that in fact, all the relevant documents showing the business being run by the petitioner and his partner such as duly certified balance sheet electricity bill of the furnace of the petitioner and other relevant documents, such as GST invoices, E-way bill etc. were handed over to the officer of the respondent proving that, that the business was actually being run by the petitioner's firm and there was no illegal claim of ITC without actual business transaction, but the officer of respondent failed to look into the valid reasoning of the petitioner and illegally arrested him on 20.01.2026.

8. It has also been contended by learned counsel for the petitioner that not only the arrest was without any legal basis, but also the manner in which petitioner was formally arrested was illegal, as he was detained on 19.01.2026, but his formal arrest was shown on 20.01.2026, and before the arrest the grounds of arrest were not served upon the petitioner.

9. In addition to above, it has also been contended by learned counsel for the petitioner that otherwise also the petitioner has already faced incarceration for a period of more than four months and he has no criminal antecedents and the offence is punishable with maximum imprisonment up to five years and that the entire evidence is documentary in nature which has already been collected, and therefore, detention of petitioner is not likely to serve any purpose. In view of above, the request for the benefit of bail has been made.

10. In support of his arguments, the learned counsel for the petitioner has referred to the principle of law laid down by the Hon'ble Supreme Court of

India in the following cases:-

(i) Directorate of Enforcement v. Subhash Sharma (2025)SCC Online SC 240;
(ii) Anvar P.V. v. P.K. Basheer and Others (2014) 10 SCC 473;
(iii) Manish Kumar v. Directorate General, Goods & Services Tax Intelligence, Zonal Unit, Ludhiana, Criminal Misc. No. M-8675 of 2025. decided on 28.07.2025.
(iv) Vineet Jain V. Union of India, Criminal Appeal No.2269 of 2025, decided on 28.04.2025
(v) Sanjay Chandra v. CBI (2012) 1 SCC 40,
(vi) Gurcharan Singh and Others v. State AIR 1978 SC 179
(vii) State of Kerala v. Raneef (2011) 1 SCC 784
(viii) Ashutosh Garg v. Union of India, Special Leave to Appeal (Crl.) No(s). 8740/-2024, decided on 26.07.2024
(ix) Ratnambar Kaushik vs. Union of India (2023) 2 SCC 671

11. The learned Senior Standing Counsel for the respondent has controverted the above mentioned arguments. It has been contended by learned Senior Standing Counsel for the respondent that the present petition has been filed on false and frivolous grounds, and that there exists no valid grounds for the grant of benefit of bail to the petitioner. The learned Senior Standing counsel for the respondent has also contended that an altogether false plea has been taken by the petitioner in his petition, that he was detained on 19.01.2026. With regard to above, the learned Senior Standing Counsel for the respondent has contended that on 19.01.2026 only search and inspection was conducted under Section 67(2) of CGST Act, and that the proceedings taken up on 19.01.2026, which led to recovery of incriminating record and material

evidence, proved the involvement of petitioner in fraudulent availment and utilisation of 'Input Tax Credit'.

12. As per learned Senior Standing Counsel for the respondent, merely, because certain documents were seized on 19.01.2026, does not mean that the petitioner was detained on 19.01.2026. With regard to above, it has been contended by learned counsel for the petitioner that on 19.01.2026 the petitioner was present before (Superintendent NT Evasion) CGST Commissionerate Ludhiana, and his statement was recorded under Section 70 CGST Act. As per learned Senior Standing counsel for the respondent, thereafter, an authorization order under Section 69(1) of CGST Act was passed by the Principal Commissioner CGST Ludhiana, and that pursuant thereto, the petitioner was formally arrested on 20.01.2026.

13. In addition to above, the learned Senior Standing Counsel for the respondent has also contended that in the present case very large number of documents are supposed to be scanned by the respondent and the above mentioned process is still going on. According to learned Senior Standing counsel for the respondent the total custody period of the petitioner is barely four months, which by any standard, cannot lead to an inference that the petitioner is being subjected to prolonged incarceration due to delay in investigation or trial.

14. This claim of petitioner has also been specifically denied by learned Senior Standing counsel for the respondent that before his arrest the grounds of arrest were not communicated to him. With regard to above, the

learned Senior Standing counsel for the respondent has come forward with the specific contention that the above mentioned grounds of arrest had been duly served upon the petitioner.

15. The learned Senior Standing Counsel for the respondent has further contended that fraud played with State Exchequer by the petitioner is enormous, and that by playing fraud and creating false documents illegal benefit has been drawn by the petitioner, along with his partner, in the name of his business entity. As per learned Senior Standing counsel for the respondent the offence committed by the petitioner is of such a serious nature and magnitude, that he is rendered ineligible for the benefit of bail. Thus, the present petition has been sought to be dismissed by the learned Senior Standing Counsel for the respondent.

16. In support of his arguments, he has placed reliance upon the principle of law propounded by the Hon'ble Supreme Court of India in the case of 'Vijay Sai Reddy (supra)'. The Hon'ble Supreme Court of India cancelled the bail granted to the respondent/accused who was being prosecuted for an economic offence, by taking note of the fact that there are five charge sheets against the respondent/accused regarding laundering bribe money. In the above mentioned case, the Hon'ble Supreme Court of India has detailed the factors which should be kept in mind while granting bail:-

> *"a) the court has to keep in mind the nature of accusations, the nature of evidence in support thereof, the severity of the punishment which conviction will entail, the character of the accused, circumstances which are peculiar to the accused,*

reasonable possibility of the accused at the trial, reasonable apprehension of the witnesses being tampered with, the larger interests of the public/State and other similar considerations.

b) it has to be kept in mind that for purpose of granting bail, the Legislature has used the words "reasonable grounds for believing" instead of "the evidence" which means the Court dealing with the grant of bail can only satisfy it as to whether there is a genuine case against the accused and that the prosecution will be able to produce prima facie evidence in support of the charge.

c) it is not expected, at this stage, to have the evidence establishing the guilt of the accused beyond reasonable doubt."

17. The record has been perused carefully.

18. In the present case, it is relevant to note here that with regard to right to bail, the Hon'ble Supreme Court of India in the case of 'Vineet Jain v. Union of India (supra), has made the following observations:-

"The offences alleged against the appellant are under Clauses (c), (f) and (h) of Section 132(1) of the Central Goods and Services Tax Act, 2017. The maximum sentence is of 5 years with fine. A charge-sheet has been filed. The appellant is in custody for a period of almost 7 months. The case is triable by a Court of a Judicial Magistrate. The sentence is limited and in any case, the prosecution is based on documentary evidence. There are no antecedents.

We are surprised to note that in a case like this, the appellant has been denied the benefit of bail at all levels, including the High Court and ultimately, he was forced to

approach this Court. These are the cases where in normal course, before the Trial Courts, the accused should get bail unless there are some extra ordinary circumstances.

By setting aside the impugned order dated 24th January, 2025 of the High Court of Judicature for Rajasthan, Bench at Jaipur, we grant bail to the appellant. The appellant shall be immediately produced before the Trial Court and the Trial Court shall enlarge him on bail on appropriate terms and conditions till the conclusion of the trial."

19. In addition to above, it is also relevant to mention here that the Hon'ble Supreme Court of India in the case of 'Radhika Agarwal Vs. Union of India (2025) 6 SCC 545', has propounded that "the arrest must proceed on the belief supported by reasons relying on material that the conditions specified in Section 132(5) are satisfied, and not on suspicion alone. An arrest cannot be made to merely investigate whether the conditions are being met. The arrest is to be made on the formulation of the opinion by the Commissioner, which is to be duly recorded in the reasons to believe. The reasons to believe must be based on the evidence establishing to the satisfaction of the Commissioner that the requirements of sub-section (5) to Section 132 of the GST Act are met'.

20. It has also been observed by the Hon'ble Supreme Court of India in the above mentioned case that "the figures with regard to the tax demand and the tax collected would, in fact, indicate some force in the petitioners' submission that the assessees are compelled to pay tax as a condition for not being arrested. Sub-section (5) to Section 74 of the GST Acts gives an option to the assessee and does not confer any right on the tax authorities to compel or

extract tax by threatening arrest. This would be unacceptable and violative of the rule of law'.

21. In the case of 'Sanjay Chandra (supra)', the Hon'ble Supreme Court of India has ruled that the benefit of bail cannot be denied merely in view of severity of the offence, and that the Court ought to be conscious of the right to speedy trial bestowed on the account by virtue of Article 21 of the Constitution of India.

22. This Court in the case of 'Gurcharan Singh and Others (supra)', has observed that 'two paramount considerations, while considering petition for grant of bail in non-bailable offence, apart from the seriousness of the offence, are the likelihood of the accused fleeing from justice, and tampering with the prosecution witnesses. Both of them relate to ensure of the fair trial of the case.

23. With regard to right of bail to an accused, the Hon'ble Supreme Court of India in the case of 'Directorate of Enforcement (supra)', has ruled that "once a Court, while dealing with a bail application, finds that the fundamental rights of the accused under Articles 21 and 22 of the Constitution of India have been violated while arresting the accused or after arresting him, it is the duty of the Court dealing with the bail application to release the accused on bail. The reason is that the arrest in such cases stands vitiated. It is the duty of every Court to uphold fundamental rights guaranteed under Articles 21 and 22 of the Constitution."

24. The Hon'ble Supreme Court of India in the case of 'State of Kerala v. Raneef (supra)', has observed that the primary purposes of bail in a criminal case are to release the accused of imprisonment, to release the State of the burden of keeping him, pending trial, and at the same time, to keep the accused constructively in the custody of the court, whether before or after conviction, to ensure that he will submit to the jurisdiction of the Court and being attendance thereon whenever his presence is required.

25. In the case of Sanjay Chandra (supra), the Hon'ble Supreme Court of India has observed that it is not in the interest of justice that accused should be in jail for any indefinite period. According to Hon'ble Apex Court, even if the offence is serious in terms of huge loss to the State exchequer, that, by itself, should not deter the Court from enlarging the appellant on bail, when there is no serious contention of the respondent that the accused, if released on bail, would interfere with the trial or tamper with the evidence.

26. Further still, recently, in Ashutosh Garg (supra)', the Hon'ble Supreme Court of India has granted bail in a matter where the accused defrauded the State exchequer of ₹1032 crores as 'input tax credit' by creating 294 fake firms, citing long custody of 09 months as well as the fact that maximum punishment in the offence under Section 132 CGST Act is 05 years.

27. In the case of 'Ratnambar Kaushik (supra)', the Hon'ble Supreme Court of India deliberated upon the documentary and electronic nature of evidence as well as the prolonged trial in the matters pertaining to tax evasion under the CGST Act. In the above mentioned case, the accused had undergone

imprisonment for a period of about 4 months, and in the above said circumstances, the Hon'ble Supreme Court of India opined as follows:

> *"In considering the application for bail, it is noted that the petitioner was arrested on 21.07.2022 and while in custody, the investigation has been completed and the charge sheet has been filed. Even if it is taken note that the alleged evasion of tax by the petitioner is to the extent as provided under Section 132(1)(l)(i), the punishment provided is, imprisonment which may extend to 5 years and fine. The petitioner has already undergone incarceration for more than four months and completion of trial, in any event, would take some time. Needless to mention that the petitioner if released on bail, is required to adhere to the conditions to be imposed and diligently participate in the trial. Further, in a case of the present nature, the evidence to be tendered by the respondent would essentially be documentary and electronic. The ocular evidence will be through official witnesses, due to which there can be no apprehension of tampering, intimidating or influencing. Therefore, keeping all these aspects in perspective, in the facts and circumstances of the present case, we find it proper to grant the prayer made by the petitioner.*
>
> *Hence, it is directed that the petitioner be released on bail subject to the conditions to be imposed by the trial*

Court, which among others, shall also include the condition to direct the petitioner to deposit his passport. Further, such other conditions shall also be imposed by the trial Court to secure the presence of the petitioner to diligently participate in the trial. It is further directed that the petitioner be produced before the trial Court forthwith, to ensure compliance of this order."

28. In addition to above, it is also relevant to note here that the principles of law laid down by the Hon'ble Supreme Court of India in the case of 'Dataram versus State of Uttar Pradesh and another', (2018) 3 SCC 22, are relevant, wherein it has been observed that "a fundamental postulate of criminal jurisprudence is the presumption of innocence, meaning thereby that a person is believed to be innocent until found guilty. However, there are instances in our criminal law where a reverse onus has been placed on an accused with regard to some specific offences but that is another matter and does not detract from the fundamental postulate in respect of other offences. Yet another important facet of our criminal jurisprudence is that the grant of bail is the general rule and putting a person in jail or in a prison or in a correction home (whichever expression one may wish to use) is an exception. Unfortunately, some of these basic principles appear to have been lost sight of with the result that more and more persons are being incarcerated and for longer periods. This does not do any good to our criminal jurisprudence or to our society. There is no doubt that the grant or denial of bail is entirely the discretion of the judge considering a case but even so, the exercise of judicial

discretion has been circumscribed by a large number of decisions rendered by this Court and by every High Court in the country. Yet, occasionally there is a necessity to introspect whether denying bail to an accused person is the right thing to do on the facts and in the circumstances of a case".

29. The principles laid down by the Hon'ble the Supreme Court of India in the case of 'Satender Kumar Antil v. Central Bureau of Investigation' (2022) 10 SCC 51 are also relevant in this case. In the abovementioned case, it has been observed that "the rate of conviction in criminal cases in India is abysmally low. It appears to us that this factor weighs on the mind of the Court while deciding the bail applications in a negative sense. Courts tend to think that the possibility of a conviction being nearer to rarity, bail applications will have to be decided strictly, contrary to legal principles. We cannot mix up consideration of a bail application, which is not punitive in nature with that of a possible adjudication by way of trial. On the contrary, an ultimate acquittal with continued custody would be a case of grave injustice".

30. Recently, in the case of 'Tapas Kumar Palit Vs. State of Chhattisgarh', 2025 SCC Online SC 322, the Hon'ble Supreme Court of India has observed that "if an accused is to get a final verdict after incarceration of six to seven years in jail as an undertrial prisoner, then, definitely, it could be said that his right to have a speedy trial under Article 21 of the Constitution has been infringed". It has also been observed by the Hon'ble Supreme Court of India in the abovementioned case that "delays are bad for the accused and extremely bad for the victims, for Indian society and for the credibility of our

justice system, which is valued. Judges are the masters of their Courtrooms and the Criminal Procedure Code provides many tools for the Judges to use in order to ensure that cases proceed efficiently".

31. To elucidate further, this Court is conscious of the basic and fundamental principle of law that right to speedy trial is a part of reasonable, fair and just procedure enshrined under Article 21 of the Constitution of India. This constitutional right cannot be denied to an undertrial prisoner, as mandated by Hon'ble Apex court in 'Balwinder Singh versus State of Punjab and another' 2024 SCC Online SC 4354.

32. In the light of above mentioned principles of law if the factual matrix of he present case is analysed it transpires that:

i) the petitioner is already in custody for a period of approximately four months;
ii) the petitioner has clean antecedents;
iii) the maximum punishment prescribed for the commission of offence allegedly committed by the petitioner, is imprisonment up to 7 years;
iv) the entire evidence to be collected by the investigating agency is documentary in nature, and therefore, detention of petitioner in judicial custody is not likely to serve any purpose;
v) argument of learned Senior Standing counsel for the respondent fails to convince that if released on bail the petitioner may tamper with the evidence as in the last four months the search of collection of evidence must have been completed by the petitioner;
vi) the trial is not likely to be concluded in near future;

vii) the detention of petitioner in judicial lock-up is not likely to serve any purpose;

viii) there is nothing on record to show that while on bail, the petitioner is likely to tamper with the evidence or influence the witnesses; and

xi) there is nothing on record to show that while on bail, the petitioner will not participate/cooperate in trial.

33. Taking into consideration the cumulative effect of all the above mentioned factors and the relevant principles of law, it is hereby observed that the petitioner is entitled to the benefit of bail.

34. Accordingly, without commenting anything on the merits of the case, the present petition is hereby **allowed**. The petitioner is hereby ordered to be released on bail on furnishing personal bond and surety bond(s) to the satisfaction of learned trial Court. However, the abovesaid benefit shall be subject to following conditions:-

i) that the petitioner shall not directly or indirectly make any inducement, threat or promise to any person acquainted with the facts of the case, so as to dissuade him from disclosing such facts to the Court or to any other authority;

ii) that the petitioner shall at the time of execution of bond, furnish the address to the Court concerned and shall notify the change in address to the trial Court, till the final decision of the trial; and

iii) that the petitioner shall not leave India without prior permission of trial Court.

35. In case, the petitioner violates any of the conditions mentioned above, it shall be viewed seriously and the concession of bail granted to him shall be liable to the cancelled and the prosecution shall be at liberty to move an application in that regard.

36. It is, however, made clear that any observation made hereinabove is only for the purpose of deciding the present petition and the same shall have no bearing on the merits of the case.

Pending miscellaneous application, if any, stands disposed of accordingly.

(SURYA PARTAP SINGH)
JUDGE

18.05.2026
Manoj Bhutani

Whether speaking/reasoned Yes/No
Whether reportable Yes/No