PRADNYA MAKARAND BHOGALE

Digitally signed by PRADNYA MAKARAND BHOGALE
Date: 2026.10.17 14:51:57 +0530



**IN THE HIGH COURT OF JUDICATURE AT BOMBAY**
**ORDINARY ORIGINAL CIVIL JURISDICTION**

**WRIT PETITION NO.4586 OF 2026**

1Pay Mobileware Private Limited
A Company incorporated under the provisions of the Companies Act, 2013, bearing CIN No. U74999MH2019PTC320148, having its registered office at C-308, Kanakia Zillion, LBS Marg, BKC Annexe, Kurla (West), Mumbai – 400070.
Through its Authorized Signatory
Mr. Navin Bangera ... Petitioner

Versus

1. Union of India
(through the Ministry of Finance)
GST Bhavan, 115 Maharshi Karve Road, Churchgte, Mumbai – 20.

2. Additional Director General
Directorate General of GST Intelligence (DGGI) Hyderabad (Hyderabad Zonal Unit) Having its office at H.No.I-63/2/212, Plot Nos. 212 & 213, Block-B, Kavuri Hills, Guttalabegumpet, Madhapur, Hyderabad – 500033.

3. Additional Director General
Directorate General of GST Intelligence (DGGI) Mumbai West Zonal Unit (Mumbai): 3rd Floor, NTC House, 15, N.M. Marg, Ballard Estate, Mumbai – 400001, Maharashtra.

4. Principal Director
DGGI Headquarters
3rd, 4th & 5th Floors, MTNL



www.taxcode.in

Building, Sector-6, Dwarka,
New Delhi – 110075 .... Respondents

****

Mr. Darius Shroff, Senior Advocate a/w Adv. Ishaan V. Patkar, Adv. Sujit Lahoti, Adv. Parth P. Shah, Adv. Kedar Nayak, Adv. Diya Chordia i/b. M/s. Sujit Lahoti & Associates for the petitioner.

Adv. Jitendra B. Mishra a/w Adv. Sangeeta Yadav, Adv. Umesh Gupta, Adv. Ashutosh Mishra, for the Respondents.

****

**CORAM : M. S. KARNIK &**
**SANDESH D. PATIL, JJ.**

**DATE : 16th OCTOBER 2026**

**JUDGMENT (PER M. S. KARNIK, J.) :**

1. With the consent of the parties, we have heard the writ petition finally. This writ petition filed under Article 226 of the Constitution of India seeks the following substantive reliefs :-

> "(a) Issue a writ, order or direction in the nature of certiorari to call for the records of the proceedings relating to the Impugned Provisional Attachment(s) of Petitioner's Bank Accounts (Exhibit A-1 to A-3), and after examining the legality and propriety and correctness thereof, quash and set aside the same;
>
> (b) Issue a writ, order or direction in the nature of mandamus and direct the Respondents to conduct any investigation under the CGST Act, 2017 strictly in accordance with the Guidelines for conducting investigation in certain cases dated March 30, 2024;
>
> (c) In case of the ongoing investigation, initiated and conducted by Respondent No.2 under the CGST Act, 2017, is primarily directed against the Petitioner, then in that case, issue a writ, order or direction in the nature of mandamus for

directing the Respondent No.2 to transfer such investigation to the Respondent No.3 with directions to it to conduct such investigation as per applicable provisions of law;

(g) Issue a writ, order or direction in the nature of certiorari to call for the records of the proceedings relating to the Provisional Attachment Orders at Exhibit A4, and the partial defreezing orders at Exhibit N and O (to the extent they continue the attachment), and after examining the legality and propriety and correctness thereof, quash and set aside the same."

2. Briefly stated, the case of the respondents against the petitioner is that though the petitioner claims to be a payment aggregator, they may be playing a significant role in the alleged evasion of GST by an organised online money gaming syndicate. The petitioner has failed to cooperate with the investigation and it was found that the Principal Place of Business (PPOB) and the Additional Place of Business (APOB) of the petitioner were found locked. No documents were found at the business premises despite the statutory requirement to maintain records and the server was found empty. This reveals that the petitioner's role may extend beyond that of a payment aggregator and that the petitioner may be playing a significant role in the alleged evasion of GST by an organised online money gaming syndicate.

3. The facts of the present case are that the petitioner was incorporated as a private limited company under the Companies

Act, 2013 on 25th January 2019. On 14th May 2024, RBI issued a certificate of authorisation to operate as an online Payment Aggregator to the petitioner. RBI further issued a certificate of authorisation dated 23rd June 2026 to operate as both an online and offline Payment Aggregator to the petitioner. On 9th August 2026, the HR of the petitioner sent an email to its employees informing them to work from home due to shifting of the office. On 10th August 2026, the respondent No.2, without any prior intimation, sealed the premises of the petitioner situated at Kurla (West), Mumbai.

4. The petitioner's HDFC current bank account No.****6310, HDFC escrow bank account No.****1241 as well as ICICI current bank account No.****3439 were provisionally attached on or around 10th August 2026 pursuant to a notice under Section 83 of the Central Goods and Services Tax Act, 2017 ("CGST Act", for short) issued by respondent No.2. The petitioner received three summons on 17th August 2026 addressed to its Director, Chief Risk Officer and Chief Technology Officer. The petitioner addressed an email to respondent No.2 on 18th August 2026, inter alia, providing details of various merchants associated with the petitioner, to show that Governments like the

Government of Bihar, Government Entities like Mumbai University, Institute of Chartered Accountants of India, IRCTC, Greater Noida Industrial Development Authority, Meerut Industrial Development Authority, MHADA etc. used petitioner's platform and thus the petitioner is not some disreputable entity.

5. The respondent No.2 issued one more order under Section 83 of the CGST Act on 24th August 2026 to Kotak Mahindra Bank directing provisional attachment of the petitioner's escrow bank account No.***4006. The respondent No.2 issued an intimation dated 25th August 2026 of personal hearing to the petitioner under Rule 159(5) of the Central Goods and Services Tax (CGST) Rules, 2017 ("CGST Rules", for short). A personal hearing was afforded to the petitioner on 28th August 2026. Written submissions/objections on behalf of the petitioner vis-a-vis freezing of the bank accounts were submitted vide email to respondent No.2.

6. The petitioner's IDFC Bank account No.***9037 was provisionally attached on 28th August 2026 pursuant to a notice under Section 83 of the CGST Act by respondent No.2. This writ petition is filed on 3rd September 2026.

7. Mr. Darius Shroff, learned Senior Advocate for the

petitioner submitted that the notice issued under Section 83 of the CGST Act suffers from jurisdictional defects. It is submitted that the objections filed by the petitioner are disposed of by the orders dated 4th September and 18th September 2026. The observations made in the orders are vague and cryptic. It is pointed out that the operational restrictions on petitioner's bank account No.***1241 with HDFC Bank were partially lifted by respondent No.2 to the extent of making payment of dues to Government entities, however, the other bank accounts continue to remain frozen.

8. Learned Senior Advocate for the petitioner made exhaustive submissions that the jurisdictional pre-conditions for a valid provisional attachment under Section 83 of the CGST Act are not at all fulfilled in the present case. It is submitted that the petitioner is not a fly by night operator and in fact is a trusted payment platform similar to Google Pay / PhonePe dealing with third-party merchants/sellers including important government entities. Thus, it is the submission of learned Senior Advocate that the petitioner is a trusted partner of many government entities and that the petitioner's business has been put to live financial death for eight weeks. Learned Senior Advocate for the petitioner submitted that the bank accounts of the petitioner have been

frozen contrary to the mandate in Radha Krishan Industries vs. State of Himachal Pradesh and others[1]. Learned Senior Advocate relied upon the decision of the Hon'ble Supreme Court in M/s. Armour Security (India) Ltd. vs. Commissioner, CGST, Delhi East Commissionerate & Anr. dated 14th August 2025 in Special Leave Petition (C) No.6092 of 2025 in support.

9. On the other hand Mr. Mishra, learned counsel for the respondents has invited our attention to the detailed affidavit-in-reply filed by respondent No.2. We have gone through the stand of the respondent No.2 in the affidavit-in-reply with the assistance of Mr. Mishra. Mr. Mishra submitted that the petitioner has failed to cooperate with the investigation and has not furnished the documents which they had undertaken to provide during the recording of the statements of their Directors and key managerial personnel. It is submitted that on 10th August 2026, the PPOB and the APOB of the petitioner were found locked, and none of the other Directors or key managerial personnel could be contacted as their mobile phones were switched off. It is submitted that the petitioner's explanation that their employees had been instructed to work from home on the said date is untenable. It is submitted that no documents were found either at business premises, despite

1 (2021) 6 SCC 771

the statutory requirement to maintain records thereat and that the petitioner's server was found empty.

10. Mr. Mishra submitted that the aforesaid circumstances prima facie indicate that the petitioner had shifted material relevant to the investigation to an undisclosed location and was evading disclosure thereof. It is contended that these circumstances indicate the petitioner's role may extend beyond that of a payment aggregator and that they may be playing a significant role in the alleged evasion of GST by an organised online money gaming syndicate.

11. Mr. Mishra submitted that while the question as to whether the petitioner is taxable person is a matter of investigation, their bank accounts could nevertheless be provisionally attached under Section 122 (1-A) of the CGST Act. According to respondent No.2, the petitioner is beneficiary of transactions covered by Section 122 (1) of the CGST Act, and the provisional attachment was necessary to protect the interests of the revenue. In view of the petitioner's alleged failure to furnish relevant documents, non-maintenance of records at their registered business premises and the empty server, the possibility of diversion of funds could not be ruled out. It is submitted that

proceedings under Section 67 of the CGST Act, falling under Chapter XIV thereof, commenced on 10th August 2026, when the premises of the petitioner were found locked. Accordingly, the provisional attachment orders passed subsequently on the same date are stated to be legal and valid. It was further contended that the petitioner's submission that the issuance of summons under Section 70 of the CGST Act is contrary to law is without any substance.

12. Mr. Mishra submitted that the petitioner had not filed objections under Rule 159 (5) of the CGST Rules supported by relevant documents or material to justify the release of the provisionally attached bank accounts. It was pointed out that, upon the production of relevant documents or material, the Additional Director General had passed orders dated 4th September 2026 and 18th September 2026 under Rule 159(5) of the CGST Rules, thereby de-freezing the escrow accounts relating to twelve entities. Mr. Mishra submitted that the petitioner also has availed of the remedy under Rule 159(5) of the CGST Rules and to this end our attention is invited to the decision of this Court in Jaychem Enterprise Pvt. Ltd. vs. Additional Director General[2]. Reliance is placed on the decision of this Court in Ashok Kumar

2 (2023) 5 Centax 103 (Bom.)

Vishwakarma vs. Union of India[3] in support of the submission that the petitioner had failed to furnish cogent reasons warranting de-freezing of the provisionally attached bank accounts.

13. Mr. Mishra relied upon the decision of the Delhi High Court in Om Prakash Gupta vs. Principal Additional Director General, DGGI[4] more particularly paragraphs 12 to 16 in support of the proposition that there is no requirement that the material forming the basis of the Commissioner's opinion must be incorporated in an order passed under Section 83 (1) of the CGST Act. It was further submitted that Special Leave Petition preferred against the said judgment was dismissed by the Hon'ble Supreme Court by the order dated 3rd March 2025 in Om Prakash Gupta vs. Principal Additional Director General[5].

14. Mr. Mishra then submitted that the Commissioner's reasons to believe for provisionally attaching a bank account is not an appealable order and that recording such reasons in the official file is sufficient. Reliance is placed on CBIC Circular dated 23rd February 2021, which requires the reasons to believe to be recorded in the file by the Commissioner. In support Mr. Mishra relied upon the decision of this Court in Originative Trading Pvt.

3 2024 (84) G.S.T.L. 473 (Bom.)
4 (2025) 28 Centax 291 (Del.)
5 (2025) 28 Centax 313 (S.C.)

Ltd. vs. Union of India[6] more particularly paragraph 22 thereof. It is submitted that the Commissioner had recorded the reasons to believe in the official file before directing provisional attachment of the petitioner's bank accounts and that the reasons had been set out in the affidavit-in-reply and in the orders dated 4th September 2026 and 18th September 2026.

15. So far as the investigation is concerned, it is submitted by Mr. Mishra that, up to the date of filing of the affidavit-in-reply, approximately 88 merchants had been found to be non-existent or non-functional at their respective PPOB and were allegedly involved in online money gaming, as revealed by the analysis of the petitioner's GSTR-1 data. Mr. Mishra was at pains to point out that owing to the petitioner's failure to furnish the relevant documents, the total number of entities allegedly involved in evasion could not be ascertained. Learned counsel further submitted that the petitioner's insistence that confidential investigative information be disclosed to them before they furnished complete details of the transactions relating to the said entities was unjustified. It is submitted that the petitioner ought to have been required to furnish the relevant transaction details to the banks maintaining their escrow accounts and that there was

6 2022 (65) G.S.T.L. 144 (Bom.)

no justification for withholding such information from respondent No.2, which is tasked with preventing GST evasion. It was submitted that disclosure of the details of the said entities to the petitioner, whose role in the alleged evasion was under investigation, would prejudice the investigation.

16. We have heard Mr. Darius Shroff, learned Senior Advocate for the petitioner and Mr. Jitendra B. Mishra, learned counsel for the respondents. We have gone through the pleadings and the detailed affidavit-in-reply filed on behalf of the respondents. We have also perused the impugned orders and the materials on record.

17. Before we proceed to analyse the submissions it would be apposite to refer to some of the relevant provisions of the CGST Act. Section 83 of the CGST Act provides for provisional attachment to protect revenue in certain cases. The provision is extracted for facility of convenience reading thus :-

> "**83. Provisional attachment to protect revenue in certain cases.** -
>
> (1) Where, after the initiation of any proceeding under Chapter XII, Chapter XIV or Chapter XV, the Commissioner is of the opinion that for the purpose of protecting the interest of the Government revenue it is necessary so to do, he may, by order in writing, attach provisionally, any property, including bank account, belonging to the taxable person or any person specified in sub-section (1A) of Section 122, in such manner as

may be prescribed.

(2) Every such provisional attachment shall cease to have effect after the expiry of a period of one year from the date of the order made under sub-section (1).”

18. Rule 159 of the CGST Rules providing for provisional attachment of property reads thus :-

“**Rule 159. Provisional attachment of property. -**

(1) Where the Commissioner decides to attach any property, including bank account in accordance with the provisions of section 83, he shall pass an order in FORM GST DRC-22 to that effect mentioning therein, the details of property which is attached.

(2) The Commissioner shall send a copy of the order of attachment [in FORM GST DRC-22] to the concerned Revenue Authority or Transport Authority or any such Authority to place encumbrance on the said movable or immovable property, which shall be removed only on the written instructions from the Commissioner to that effect.

(3) Where the property attached is of perishable or hazardous nature, [and if the person, whose property has been attached] pays an amount equivalent to the market price of such property or the amount that is or may become payable [by such person], whichever is lower, then such property shall be released forthwith, by an order in FORM GST DRC-23, on proof of payment.

(4) Where [such person] fails to pay the amount referred to in sub-rule (3) in respect of the said property of perishable or hazardous nature, the Commissioner may dispose of such property and the amount realized thereby shall be adjusted against the tax, interest, penalty, fee or any other amount payable [such person].

(5) Any person whose property is attached may [file an objection in FORM GST DRC-22A] to the effect that the property attached was or is Not liable to attachment, and the Commissioner may, after affording an opportunity of being heard to the person filing the objection, release the said property by an order in FORM GST DRC- 23.

> (6) The Commissioner may, upon being satisfied that the property was, or is No longer liable for attachment, release such property by issuing an order in FORM GST DRC- 23."

19. Section 70 of the CGST Act is a power to summon persons to give evidence and produce documents. Section 70 of the CGST Act reads thus :-

> "**Section 70. Power to summon persons to give evidence and produce documents.-**
>
> (1) The proper officer under this Act shall have power to summon any person whose attendance he considers necessary either to give evidence or to produce a document or any other thing in any inquiry in the same manner, as provided in the case of a civil court under the provisions of the Code of Civil Procedure, 1908 (5 of 1908).
>
> (1-A) All persons summoned under sub-section (1) shall be bound to attend, either in person or by an authorised representative, as such officer may direct, and the person so appearing shall state the truth during examination or make statements or produce such documents and other things as may be required.
>
> (2) Every such inquiry referred to in sub-section (1) shall be deemed to be a "judicial proceedings" within the meaning of Section 193 and Section 228 (45 of 1860) of the Indian Penal Code."

20. In the present case, the petitioner is challenging four provisional attachment orders issued under Section 83 of the CGST Act dated 10th August 2026, 24th August 2026 and 28th August 2026 by which the petitioner's current and RBI-mandated escrow accounts have been frozen. The question is whether the said freeze is without jurisdiction contrary to Section 83 and

contrary to the mandate of the Hon'ble Supreme Court in *Radha Krishan Industries* (supra). Notably, no separate provisional attachment order was issued for freezing the petitioner's HDFC escrow account ending with 1241. This is evident from the stand adopted in paragraph 9 of the respondent No.2's affidavit-in-reply. A perusal of paragraph 3 of the provisional attachment order demonstrates that the attachment extended to all accounts linked to the petitioner's PAN number.

21. The case of the respondent No.2 relates to the allegation of money laundering by unnamed third parties. There is no whisper of any GST liability of the petitioner. As indicated earlier the stand of the respondents is that there is a suspicion that the petitioner's role may extend beyond that of a payment aggregator and that they may be playing a significant role in the alleged evasion of GST by an organised online money gaming syndicate. The matter is under investigation.

22. The petitioner is a payment aggregator authorised by the RBI. It operates a payment platform similar to Google Pay / PhonePe. Third party merchants/sellers and their customers (buyers) use the platform only for the purpose of making online payments which are only through banking channels. The entire

money received from online purchasers is directly received in the escrow account that is mandated by the RBI. It is the submission of learned Senior Advocate for the petitioner that the money does not belong to the petitioner. The petitioner only receives a commission. The third-party merchants/sellers including government entities such as IRCTC, the Government of Bihar (OGRAS), ICAI, MHADA, the University of Mumbai, the Agra and Greater Noida Development Authorities including Fast-Tag payments through the National Electronic Toll Collection system governed by NHAI are utilising the services of the petitioner as a payment aggregator.

23. Instead of extracting the relevant portions of the impugned order dated 4th September 2026 which is a provisional attachment under Section 83 of the CGST Act, it would be necessary to extract the order in its entirety, to appreciate the rival submissions in context. The order of provisional attachment dated 4th September 2026 reads thus :-

> "To
> M/s 1Pay Mobileware Private Limited
> [GSTIN: 27AABCZ3186E1Z7],
> C/308, Kanakia Zillon Bldg, LBS Marg,
> Kurla West, Mumbai,
> Maharashtra-400070

**Sub: Provisional attachment under Section 83 of the CGST Act, 2017-Objections by the taxpayer-Personal Hearing Conducted-Subsequent Proceedings-Reg**

* * * * *

Please refer to FORM GST DRC-22 dated 10.08.2026, issued under Section 83 of the Central Goods and Services Tax Act, 2017 (hereinafter referred to as the "CGST Act"), wherein the bank accounts of M/s 1Pay Mobileware Private Limited (PAN: AABCZ3186E), hereinafter referred to as "M/s 1Pay" or "the taxpayer", were provisionally attached by way of debit freeze. The said action was taken as the taxpayer was found to be involved in an organised online gaming syndicate engaged in large-scale financial transactions through multiple fintech companies and shell entities/merchant establishments, allegedly used for routing and layering funds generated from online gaming activities without payment of the applicable GST.

In pursuance of the aforesaid DRC-22, HDFC Bank marked debit freeze on the following bank accounts maintained by M/s 1Pay:

| Sl. No. | Bank Account No | Type of account | Name of the Branch |
|---|---|---|---|
| 1 | 50200062341241 | Current-Escrow | Santacruz Branch |
| 2 | 50200038266310 | Current | Bandra East-Kalanagar |

2. In response to DRC-22, the taxpayer, vide emails dated 18.08.2026 and letter dated in compliance 24.08.2026, requested de-freezing of the aforesaid bank accounts. Accordingly, in compliance with the principles of natural justice and the provisions of Rule 159(5) of the CGST Act, 2017, an opportunity of personal hearing was granted on 15.08.2026, with appearance scheduled for 28.08.2026.

3. Accordingly, the personal hearing was conducted on 28.08.2026, wherein Shri Omkar Prakash Kulkarni, Director of M/s 1Pay Mobileware Private Limited, appeared on behalf of the taxpayer. During the course of the personal hearing, Shri Omkar Prakash Kulkarni submitted that the taxpayer would provide the necessary documents, including :

i. Copy of the Escrow Agreements;

ii. Settlement Account details of merchants along with the SOP of the settlement process; and

iii. Copy of the Agreement between M/s 1Pay and Indian Bank regarding merchants referred by M/s Nalsan Enterprises.

3.1 Further, vide letter dated 28.08.2026, the taxpayer, inter alia, made the following submissions.

i. The attached escrow account contains large sums of money belonging to Government/public-sector/statutory entities as tabulated below.

| Merchant | Character of the Merchant | Amount lying unsettled in Escrow (in Rs.) |
|---|---|---|
| Tamil Nadu Power Finance and Infrastructure Development Corporation Ltd. | Undertaking of the Government of Tamil Nadu | 5,18,79,000.00 |
| Indian Railway Catering and Tourism Corporation (IRCTC) | Public sector undertaking of the Government of India, Ministry of Railways | 4,10,91,091.05 |
| HDBC Bank Limited | Scheduled commercial bank and the Escrow Agent itself | 1,88,96,012.97 |
| The institute of Chartered Accountants of India | Statutory body constituted under the Chartered Accountants Act, 1949 | 1,35,64,035.00 |
| LIC Housing Finance Limited | Subsidiary of the Life Insurance Corporation of India | 1,28,08,257.00 |
| **Sub-Total** | | **13,82,38,396.02** |

ii. They participate in FASTag/NETC settlements and that amounts relating to toll collections are lying unsettled because of the attachment and continuing the freeze is causing disruption to toll operators, banks, fleet owners and ordinary road users.

iii. The taxpayer has also placed reliance on the judgment of the Hon’ble Supreme Court in Radha Krishan

Industries v. State of Himachal Pradesh, (2021) 6 SCC 771, and has contested the invocation of Section 83 of the CGST Act, 2017, submitting that the conditions prescribed for exercise of the power of provisional attachment are not satisfied in the present case.

iv. The present attachment has hampered the business and they are unable to pay the salaries, vendor payments and to remit statutory dues like GST, TDS and provident fund contributions.

v. They have specifically requested for unfreezing of the transactions pertaining to the govt/public sector/statutory entities whose credibility is beyond banks doubt and the NETC/Fastag settlements involving toll operators, banks and fleet owners.

4. HDFC Bank vide its email dated 02.09.2026 has informed that Account No.50200062341241 is a regulated Escrow account maintained as per the RBI's Payment Aggregator guidelines. The funds lying in the account represent merchant settlement amounts payable to various beneficiaries, including several large PSU/Government-linked merchants. Due to the current freeze, the customer is unable to process time-bound merchant settlements, resulting in operational disruption and potential non-compliance with RBI-prescribed settlement timelines. Further, vide email dated 03.09.2026, HDFC bank has submitted that, due to freezing of the Escrow Account No. 50200062341241, several Government Departments and PSUs were unable to receive settlements, resulting in operational disruption and potential customer issues. HDFC Bank requested that settlements in respect of the aforesaid Government/PSU entities be permitted. HDFC Bank has furnished the details of the following Government/PSU entities in this regard :

i. Indian Railway Catering and Tourism Corporation;

ii. The Institute of Chartered Accountants of India;

iii. HDFC Bank Ltd.;

iv. Tamil Nadu Power Fin and Infrastructure Development Corporation Ltd.;

v. LIC Housing Finance Ltd.;

vi. Bharat Petroleum Corporation Ltd.;

vii. Rehabilitation Council of India; and

viii. Jorhat Municipal Board.

5. Discussions

I have carefully examined the written submissions made by the taxpayer in response to the aforesaid FORM GST DRC-22 dated 10.08.2026, the emails dated 18.08.2026 and letter dated 24.08.2026, the submissions made during the personal hearing held on 28.08.2026, as well as the material available on record in the ongoing investigation. Upon such examination, the following facts emerge :

5.1 Intelligence developed by the officers during the course of investigation has revealed that M/s. 1Pay Mobileware Private Limited is one of the key masterminds involved in orchestrating a large-scale financial transaction network. The investigation has further revealed that the syndicate allegedly facilitated the onboarding of several non-existent, fictitious or unauthorised “merchants” onto the platform of the Payment Aggregator. The investigation indicates that these merchants were fictitious entities created solely for the purpose of routing and layering illicit funds allegedly generated through online money gaming activities, in respect of which the applicable GST liability was allegedly not discharged.

5.2 During the course of investigation, it has further been revealed that M/s 1Pay was instrumental in onboarding the aforesaid fictitious entities as merchants without following the due diligence and verification prescribed under the applicable RBI guidelines relating to KYC. M/s 1Pay, being a payment aggregator licensed by the RBI, was responsible for undertaking necessary verification and preventing fraudulent/illegal activities. However, the investigation has observed that M/s 1Pay knowingly onboarded non-existing/dummy merchants for routing funds relating to online gaming activities, thereby causing serious prejudice to the financial and institutional integrity of the system and resulting in substantial loss to the Government exchequer. These findings constitute material circumstances relevant for examining whether the bank accounts through which the aforesaid transactions were routed are required to continue to remain provisionally attached for protecting the interests of Government revenue.

5.3 During the course of investigation, summons were issued

to the CEO and Ex-CEO of M/s 1Pay, who were stated to be looking after the day-to-day activities of the company. Both the persons have not complied with the summons. Further, the voluntary statements of Shri Navin Bangera, CFO of M/s 1 Pay and Shri. Omkar Prakash Kulkarni Director of M/s 1 Pay were recorded, wherein they have submitted that Shri Bhalchandra Prabhu, CEO and Shri Abhijeet Sehgal, Ex- CEO, were looking after the day-to-day operations of the company. The aforesaid persons also undertook to provide various records and data which, however, have not been provided till date. The aforesaid information is material for tracing the flow of funds, identifying the actual merchants and resellers, determining the nature and volume of transactions processed through the platform and quantifying the GST liability, if any, arising from the activities under investigation.

5.4 Further, During the personal hearing conducted on 28.08.2026, Shri Omkar Prakash Kulkarni, Director of M/s 1 Pay was specifically asked to submit the following documents :

i. Copy of the Escrow Agreement;

ii. Settlement Account details of merchants along with SOP of the settlement process; and

iii. Copy of the Agreement between M/s 1Pay and Indian Bank regarding merchants referred by M/s Nalsan Enterprises.

However, the taxpayer has failed to furnish the data/documents till date. Thus, despite being afforded an opportunity of personal hearing and having undertaken to furnish the relevant documents, the taxpayer has failed to further the records which are relevant to the matter on hand.

5.5 The continued non-compliance with the summons issued to Shri Bhalchandra Prabhu, CEO, and Shri Abhijeet Sehgal, Ex-CEO, coupled with non-submission of the requisite data by Shri Navin Bangera, CFO, and Shri Omkar Prakash Kulkarni, Director assumes significance in the context of the nature and scale of the transactions under investigation. The preliminary investigation has revealed that the GST evasion could be more than Rs.1000 crore. In these circumstances, the non-cooperation of the taxpayer has resulted in serious impediment to and derailment of the investigation, particularly when the complete merchant-wise, reseller-wise and transaction-wise data necessary for tracing the financial transactions and

determining the precise tax liability has not been furnished.

5.8 The taxpayer has relied on the judgement of Hon'ble Supreme Court in the case of M/s Radha Krishan Industries vs the State of Himachal Pradesh. In this regard, I find that the facts of the case of M/s Radha Krishan Industries are different and not relevant to the instant case. In the said case, the attachment ordered vide 28.10.2020 has continued to be in vogue even after notice dated 18.02.2021 was issued to the taxpayer under Section 74 of the CGST Act, 2017. Further, in the said case a provisional attachment order dated 19.01.2019 was earlier issued and withdrawn later on 30.01.2019 and again the attachment order dated 28.10.2020 was issued on the same grounds, without any change of circumstances, which continued to exist even after notice was issued under Section 74 of the CGST Act, 2017. The facts of the said case are distinguishable from the facts of the instant case as provisional attachment was done following the guidelines issued by CBIC and well within the legal frame work of the GST law. In the facts of the instant case, the investigation is still in progress and the judgement relied upon by the taxpayer is not applicable to the facts of the instant issue.

5.9 I therefore find that there exists sufficient material, at this stage of the investigation, to form a prima facie view that the bank accounts of the taxpayer have a direct nexus with the financial transactions under investigation and that continued provisional attachment of the said accounts is necessary to protect the interests of direct Government revenue.

5.10 However, HDFC Bank, vide its email dated 02.09.2026 has informed that Account No. 50200062341241 is a regulated Escrow account maintained as per the RBI's Payment Aggregator guidelines. The funds lying in the account represent merchant settlement amounts payable to various beneficiaries, including several large PSU/Government-linked merchants. Due to the current freeze, the customer is unable to process time-bound merchant settlements, resulting in operational disruption and potential non-compliance with RBI-prescribed settlement timelines. Further, vide email dated 03.09.2026, HDFC bank has submitted that, due to freezing of the Escrow Account No.50200062341241, several Government Departments and PSUs were unable to receive settlements, resulting in operational disruption and potential customer issues. HDFC Bank requested that settlements in respect of the

aforesaid Government/PSU entities be permitted. HDFC Bank has furnished the details of the following Government/PSU entities in this regard :

i. Indian Railway Catering and Tourism Corporation;

ii. The Institute of Chartered Accountants of India;

iii. HDFC Bank Ltd.;

iv. Tamil Nadu Power Fin and Infrastructure Development Corporation Ltd.;

v. LIC Housing Finance Ltd.;

vi. Bharat Petroleum Corporation Ltd.;

vii. Rehabilitation Council of India; and

viii. Jorhat Municipal Board.

6. In the present case, the investigation has revealed a large-scale financial transaction network involving several alleged fictitious/dummy merchants, routing and layering of funds allegedly generated through online money gaming activities, non-submission of material records and preliminary GST evasion estimated to be more than Rs.1000 crore. Further, the bank accounts under consideration are themselves being used for routing the financial transactions under investigation. The continued non-submission of merchant-wise, reseller-wise and transaction-wise records has prevented the investigation from fully establishing the complete trail and quantum of transactions. Therefore, on the basis of the material presently available on record, I am satisfied that the statutory requirement of forming an opinion that provisional attachment is necessary for protecting the interest of Government revenue is met in the present case. However, in view of the submissions made by HDFC Bank regarding the genuineness of several entities associated with the Escrow Account, as discussed in Para 5.10 above, I find merit in the contention that the transactions pertaining to such entities are genuine and are not liable to remain under attachment. Accordingly, the transactions pertaining to the said entities are ordered to be unfreezed."

Therefore, the attachment of the accounts may continue insofar as it is necessary for protecting the interests of revenue, while genuine settlements to the specifically identified Government/PSU entities may be permitted from the Escrow

Account, subject to the conditions specified in the operative portion of this order.

**ORDER**

In view of the foregoing facts and Discussions and in exercise of the powers conferred under Section 83 of the CGST Act, 2017 read with Rule 159 of the CGST Rules, 2017 I hereby order that :

(i) The provisional attachment/debit freeze in respect of the following bank accounts of M/s Pay Mobileware Private Limited (PAN: AABCZ3186E) shall continue until further orders, subject to the provisions of Section 83 of the CGST Act, 2017.

| Sl. No. | Bank Account No | Type of account | Name of the Branch |
|---|---|---|---|
| 1 | 50200062341241 | Current-Escrow | Santacruz Branch |
| 2 | 50200038266310 | Current | Bandra East-Kalanagar |

(ii) However, in view of the genuineness of the Government/PSU/statutory entities identified in the submissions and considering the operational difficulties arising from non-settlement of their legitimate dues, the transactions in respect of the Escrow Account No.50200062341241 is hereby defreezed to the extent of settlements pertaining to the following entities:

i. Indian Railway Catering and Tourism Corporation;

ii. The Institute of Chartered Accountants of India;

iii. HDFC Bank Ltd.;

iv. Tamil Nadu Power Fin and Infrastructure Development Corporation Ltd.;

v. LIC Housing Finance Ltd.;

vi. Bharat Petroleum Corporation Ltd.;

vii. Rehabilitation Council of India; and

viii. Jorhat Municipal Board.

(iii) The aforesaid relaxation shall be restricted strictly to settlements payable to the above-mentioned entities and shall not amount to release of provisional attachment and shall continue to be under debit freeze until further orders.

(Dr. ARVIND KUMAR)
Additional Director General
DGGI, Hyderabad Zonal Unit"

24. A reading of paragraph 2 of the aforesaid order reveals that in response to DRC-22, the taxpayer, vide emails dated 18th August 2026 and letter dated 24th August 2026, requested de-freezing of the aforesaid bank accounts. Accordingly in compliance with the principles of natural justice and the provisions of Rule 159(5) of the CGST Rules, an opportunity of personal hearing was granted on 15th August 2026. Further the order reveals that the personal hearing was conducted on 28th August 2026. The order also records that HDFC Bank vide the email dated 2nd September 2026 informed that the account maintained with them is a regulated escrow account maintained as per RBI's Payment Aggregator guidelines. The funds lying in the account represent merchant settlement amounts payable to various beneficiaries, including several large PSU/Government-linked merchants. It is then pointed out by HDFC Bank that difficulties were faced as a result of the freeze.

25. Mainly it is the submission of the respondents that since the petitioner is not cooperating with the investigation, and as

there is a suspicion about the involvement of the petitioner beyond their role as a payment aggregator in playing a significant role in the alleged evasion of GST by an organised online money gaming syndicate, that the provisional attachment is issued to protect the interests of the revenue.

26. At this juncture it would be pertinent to bear in mind the dictum of the Hon'ble Supreme Court in *Radha Krishan Industries* (supra). Facts stated briefly indicates that the assessment of GM Powertech was finalised and fake Input Tax Credit (ITC) was passed on to Radha Krishan Industries. Since the goods were sold by Radha Krishan Industries using fake ITC to one Fujikawa Power, the payments due from Fujikawa Power were attached under Section 83 of the CGST Act. In paragraphs 30, 31 and 33, Their Lordships equated the power under Section 83 of the CGST Act with Order XXXVIII Rule 5 of the Code of Civil Procedure, 1908 and referred to the principles laid down in Raman Tech. & Process Engg. Co. and Anr. vs. Solanki Traders[7]. The Court also referred to the test of a "fly by night operator".

27. Their Lordships then in the context of requirement of cogent material observed that in the absence of cogent or credible

7 (2008) 2 SCC 302

material for the purpose of provisional attachment, the exercise of power would amount to malice in law. When the opinion is challenged, the officer must be able to demonstrate the material on the basis of which the belief was formed. There must be a live link between the "necessity of attachment" and the "tangible material" on record. It was further held that the opinion must reflect the "necessity for attachment" and not merely a prima facie case on merits. The "necessity for attachment" is to be distinguished from the exercise of power merely because it is "expedient or profitable or practicable to attach". The test laid down is whether "only" such attachment is necessary to protect the interests of the revenue. Their Lordships then held that proportionality is an ingredient of the exercise of the power of provisional attachment.

28. Learned Senior Advocate for the petitioner placed reliance on the decision of this Court in Nivara Infradevelopers LLP vs. The Union of India and others[8] in support of the submission that the material and reasons justifying provisional attachment must be reflected in the attachment order itself.

29. In Armour Security vs. Commissioner[9], the Hon'ble

8 Writ Petition (L) No.7888 of 2026 decided on 2nd April 2026.
9 2025 INSC 982

Supreme Court has interpreted the phrase "initiated any proceedings" under Section 6(2)(b) of the CGST Act, to mean only those proceedings which are quasi-judicial in nature and where a notice is issued and an order is passed. It is specifically held that a Section 70 summons inquiry is not covered by the word "proceedings". Section 83 of the CGST Act uses the words "initiation of any proceedings", which are similar to the words "initiated any proceedings" under Section 6(2)(b) of the CGST Act.

30. We find that the impugned orders contain only vague statements which do not show any GST liability of the petitioner. From the impugned orders and the subsequent partial defreezing orders and the affidavit-in-reply filed by the respondent No.2, we are of the opinion that the entire case relates to money laundering by unnamed third parties and there is not a whisper of any GST liability of the petitioner. The opinion recorded in the impugned order is only the following few vague sentences "the Directorate General of GST Intelligence (DGGI), Hyderabad Zonal Unit, is investigating a case involving an organised online gaming syndicate engaged in large-scale financial transactions through multiple fintech companies and shell entities/merchant establishments, allegedly used for routing and layering funds

generated from online gaming activities without payment of the applicable GST. During the course of investigation, M/s. 1Pay Mobileware Private Limited has emerged as one of the entities allegedly involved in routing such funds."

31. It is therefore apparent that the respondent No.2 has exercised the powers under Section 83 of the CGST Act as there is some suspicion of money laundering. There is hardly any material in the impugned order which reflects the basis on which the opinion is arrived at. Further, the provisions of Section 83 of the CGST Act clearly provide that the attachment can be of any property belonging to the taxable person or any person specified in sub-section (1A) of Section 122. The order does not record nor there is any material to indicate that the petitioner is a taxable person or is a person specified in sub-section (1A) of Section 122, in which case the exercise of the power under Section 83 of the CGST Act is contrary to law.

32. The impugned order of attachment does not mention any details of the specific transactions, the entities involved, the manner of evasion of GST and most importantly the petitioner's role in such evasion. The allegation appears to be that the evasion of the GST has been done by routing it through a digital platform.

Considering that the petitioner is the payment aggregator for several government entities, we are in agreement with the submission of learned Senior Advocate for the petitioner that the petitioner is not some “fly by night operator”.

33. The affidavit-in-reply indicates that some 88 merchants are using the petitioner’s platform and are non-existent and involved in online money gaming. The petitioner’s customers are onboarded only after their KYC is done. The names and identities or the basis details of the transactions of these 88 merchants are not disclosed in any of the orders or even in the affidavit-in-reply.

34. The affidavit-in-reply rely on the statement of outward supplies filed by the petitioner itself when its GSTR-1 on the GST portal reflects the invoice wise details of transactions undertaken by the petitioner. Admittedly these are merely commission invoices. Neither the impugned orders of provisional attachment, nor the partial defreezing orders nor the affidavit-in-reply mentioned the exact illegality suspected to be committed by these 88 unknown merchants pointing out to the involvement of the petitioner’s role in evasion of GST. It is further material to note that so far as the monies in the escrow account are concerned, the same are impressed with a trust and not “property of the

petitioner" and hence cannot be attached under Section 83 of the CGST Act. The said monies in the escrow account do not belong to the petitioner.

35. The Delhi High Court in Zhudao Infotech Private Limited vs. Principal Additional Director General and Another[10] has held that attachment of bank accounts by DGGI of a payment aggregator, wherein the allegation was that the payment aggregator was "supporting" illegal gambling products and that the merchants had made a web of illegal gaming entities, when the payment aggregator itself is not being held liable to pay on any transaction, its accounts cannot be attached to recover liabilities which may become due in the hands of third parties.

36. We find that the affidavit-in-reply proceeds on the basis of alleged non-cooperation of the petitioner in the investigation. The petitioner has indicated its willing to cooperate in so far as it pertains to 88 entities referred to in the affidavit-in-reply.

37. Further, the orders of provisional attachment cannot be justified through affidavits-in-reply. Neither the impugned orders nor the affidavit-in-reply contain any "opinion". The same is indicative of only official inquiry. There is no material on record to

10 2023 SCC OnLine Del 3209

show that there is any GST liability on the petitioner.

38. It is pertinent to note that learned counsel for the respondents submitted that the Additional Director General has recorded reasons to believe in the file before ordering attachment of bank accounts of the petitioner. The categorical stand has been taken that the reasons are now stated in the reply filed in the writ petition and also in the orders dated 4th September 2026 and 18th September 2026. It is significant to note the relevant observations in the summary of findings in *Radha Krishan Industries* (supra). Paragraphs 76.4, 76.5, 76.6 and 76.7 needs to be extracted which read thus :-

> "76.4. The power to order a provisional attachment of the property of the taxable person including a bank account is draconian in nature and the conditions which are prescribed by the statute for a valid exercise of the power must be strictly fulfilled.
>
> 76.5. The exercise of the power for ordering a provisional attachment must be preceded by the formation of an opinion by the Commissioner that it is necessary so to do for the purpose of protecting the interest of the government revenue. Before ordering a provisional attachment the Commissioner must form an opinion on the basis of tangible material that the assessee is likely to defeat the demand, if any, and that therefore, it is necessary so to do for the purpose of protecting the interest of the government revenue.
>
> 76.6. The expression "necessary so to do for protecting the government revenue" implicates that the interests of the government revenue cannot be protected without ordering a provisional attachment.

> 76.7. The formation of an opinion by the Commissioner under Section 83(1) must be based on tangible material bearing on the necessity of ordering a provisional attachment for the purpose of protecting the interest the government revenue."

39. Bearing in mind the aforesaid principles and in the facts of the present case, we are of the opinion that there was a clear non-application of mind by the Joint Commissioner to the provisions of Section 83 of the CGST Act, rendering the provisional attachment illegal. The opinion is based completely on suspicion and there is a complete absence of cogent and credible material for exercising the power under Section 83 of the CGST Act of provisional attachment in the present case. Based on the material on record we have no hesitation in forming an opinion that the test laid down in *Radha Krishan Industries* (supra) are not at all satisfied in the present case. The writ petition is therefore allowed in terms of prayer clauses (a) and (g).

40. No order as to costs.

**(SANDESH D. PATIL, J.)** **(M. S. KARNIK, J.)**