

M/s Soraza Recycling Pvt. Ltd. v. Union of India & Ors.

Validity of provisional attachment of bank accounts under Section 83 of the CGST Act where the only reason recorded is that Section 74 proceedings “have been launched”, though no show cause notice had been issued; and blocking of the electronic credit

Date of Order: September 22, 2025
Case Law No: GIB-AHC-2025-70
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CASE DESCRIPTION / SUMMARY

Background

By attachment orders dated 23.07.2025, the Commissioner, CGST Noida provisionally attached the petitioner's accounts with Canara Bank and Indian Overseas Bank, Kotdwar, and all other accounts linked to its PAN. On 28.07.2025 its electronic credit ledger was blocked to the extent of Rs. 1,95,57,339. The petitioner stated that no show cause notice under Section 74 had been issued. The Revenue submitted that a search had been carried out, investigation was ongoing, Section 74 proceedings would be initiated at the earliest, and the petitioner might alienate the money lying in its accounts.

Final Verdict

Relying on Radha Krishan Industries (SC) and its own decision in R.D. Enterprises, the Court held that Section 83 is to be applied only on a proper opinion based on adequate reasons. Examining the attachment letter, it found that the only reason given was that Section 74 proceedings had been launched, and that **there is not a whisper of any specific requirement or ground at the present stage or formation of any reasoned opinion for provisionally attaching the said bank accounts**; moreover, no Section 74 proceedings had in fact been initiated. The Court observed that if such a reason were allowed to stand, **in all proceedings wherein show cause notice is issued under Section 74, provisional attachment would become valid**, and held the order perverse and arbitrary. The attachment notices were quashed with a direction to release the accounts within 48 hours, with liberty to the Revenue to issue a fresh notice under Section 83 in accordance with law. On the credit ledger, the authority was directed to consider the petitioner's reply, grant a personal hearing and pass a reasoned order within two weeks.

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